This document is important and should be read carefully. If you are in any doubt about its contents or the action to be taken, please consult your Banker, Stockbroker, Accountant, Solicitor or any other professional adviser for guidance immediately. For information concerning certain risk factors which should be considered by prospective investors, see "Risk Factors" commencing on pages 123 to 127 thereof.

UBA

UNITED BANK FOR AFRICA PLC

RC 2457

(INCORPORATED WITH LIMITED LIABILITY IN THE FEDERAL REPUBLIC OF NIGERIA)

₦300,000,000,000

MEDIUM TERM NOTES PROGRAMME

SHELF PROSPECTUS

This Shelf Prospectus (the "Prospectus") and the notes which it offers have been registered by the Securities & Exchange Commission (the "SEC" or the "Commission"). It is a civil wrong and a criminal offence under the Investments and Securities Act (No. 29) 2007 (the "ISA" or the "Act") to issue a Prospectus which contains false or misleading information. Clearance and registration of this Shelf Prospectus and the notes which can be issued under the Programme do not relieve the parties of any liability arising under the Act for false and misleading statements contained herein or for any omission of a material fact. Investors are advised to note that liability for false or misleading statements or acts made in connection with the Prospectus is provided in Sections 85 and 86 of the Act.

This Shelf Prospectus has been issued in compliance with Part IX of the Act, the Rules and Regulations of the Commission and the listing requirements of The Nigerian Stock Exchange ("**The NSE**") and FMDQ OTC PLC ("**FMDQ**") and contains particulars in compliance with the requirements of the Commission for the purpose of giving information with regard to the ₦300,000,000,000 Medium Term Notes Programme (the "**Programme**").

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme shall not exceed ₦300,000,000,000 over the three (3) years that this Shelf Prospectus, including any amendments thereto, remains valid. This Shelf Prospectus is to be read and construed in conjunction with any supplement hereto and all documents which are incorporated herein by reference and, in relation to any series of the Programme, together with the applicable Supplementary Prospectus.

The registration of this Shelf Prospectus and any Supplementary Prospectus shall not be taken to indicate that the Commission endorses or recommends the Notes or assumes responsibility for the correctness of any statements made or opinions or reports expressed in this Shelf Prospectus or any Supplementary Prospectus.

A decision to invest in the Notes offered by United Bank for Africa Plc (the "Issuer" or the "Bank") should be based on consideration by the Investor of the Shelf Prospectus, the accompanying Supplementary Prospectus and any document incorporated by reference as a whole. An investment in certain Notes may entail a risk of loss of all or a portion of the principal amount of the Notes which is directly caused by fluctuation of interest rates; devaluation of the currency of issue; value of Notes at a securities market; or other indices or by a change in the condition of business or assets of the party selling the Notes or other parties. Also, an exercise of an option or other right associated with certain Notes or cancellation of a contract for sale of certain Notes mav be subject to certain time limitations.

LEAD ISSUING HOUSE

United Capital
RC444999

JOINT ISSUING HOUSES

CORONATION MERCHANT BANK	FCMB	fsdh MERCHANT BANK LTD	Stanbic IBTC Capital
RC: 207138	RC: 446561	RC: 199528	RC: 1031358

THIS SHELF PROSPECTUS IS DATED 19TH OCTOBER 2018

This Shelf Prospectus will be available on the following website:

www.ubagroup.com **www.sec.gov.ng**

CONTENTS

CONTENTS

IMPORTANT NOTICE

This Shelf Prospectus is made in accordance with the provisions of the Act, Rules and Regulations of the Commission, and the listing and quotation requirements of FMDQ and The NSE, and for the purpose of giving information with regard to the Bank, the Bank's consolidated subsidiaries and the Notes which, according to the particular nature of the Bank and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Bank.

To the fullest extent permitted by law, none of the Issuing Houses accept any responsibility for the contents of this Prospectus or for any other statement, made or purported to be made by the Issuing Houses, or on their behalf in connection with either the Bank or the issue and offering of the Notes. The Issuing Houses accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which they might otherwise be subject to in respect of this Shelf Prospectus or any such statement.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Shelf Prospectus or any other information supplied in connection with the Programme and, if given or made, such information must not be relied upon as having been authorised by either the Bank, or any of the Parties to the Programme.

Neither this Shelf Prospectus nor any other information supplied in connection with the Programme: (a) is intended to provide the basis of any credit or other evaluation, or (b) should be considered as a recommendation by either the Bank or any of the Parties that any recipient of this Shelf Prospectus or any other information supplied in connection with the Programme should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness of the Bank.

INFORMATION RELATING TO THIS SHELF PROSPECTUS

Presentation of Information

The information set forth herein has been obtained from official sources other than that of the Bank that are believed to be reliable, though there is no guarantee as to their accuracy, reliability or completeness. The information and expressions of opinion herein are subject to change without notice. Neither the delivery of this Shelf Prospectus nor any issue made hereunder or any future use of this Shelf Prospectus shall, under any circumstances, create any implication that there has been no change in the affairs of the Bank since the date hereof.

All financial and other information presented or incorporated by reference in this Shelf Prospectus has been provided by the Bank from its records, except for information expressly attributed to other sources. The presentation of certain information, including tables of receipts and other revenue streams, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial position or other affairs of the Bank. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

Other information concerning the Bank is available on the Bank's website—www.ubagroup.com—and authorised publicly available Company publications sources. Any such information that is inconsistent with the information set forth in this Shelf Prospectus should be disregarded. No such information is a part of or incorporated into this Shelf Prospectus.

Financial Information

Unless otherwise indicated, the financial information of the Bank contained in this Shelf Prospectus has been obtained from the Reporting Accountant's Report on the Bank's audited financial statements for five years ending December 31, 2017. The Bank's audited financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and the requirements of the Companies and Allied Matters Act ("CAMA") and the Financial Reporting Council of Nigeria ("FRCN") Act, and are presented in Naira, the reporting currency of the Bank.

Rounding

Certain numerical figures included in this Shelf Prospectus have been subject to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown in totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Forward-Looking Statements

Certain statements included herein and any Supplementary Prospectus may constitute forward-looking statements that involve a number of risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Such forward-looking statements can be identified by the use of forward-looking terminology such as "believes", "expects", "may", "are expected to", "intends", "will", "will continue", "should", "would be", "seeks", "approximately" or "anticipates" or similar expressions or the negative thereof or other variations thereof or comparable terminology. These forward-looking statements include all matters that are not historical facts and include statements regarding the Issuer's intentions, beliefs or current expectations concerning, amongst other things, the Issuer's operating results, financial condition, liquidity, prospects, growth, strategies and the banking industry in which it operates.

Prospective investors should be aware that forward-looking statements are not guarantees of future performance and that the Issuer's actual results of operations, financial condition and liquidity, and the development of the industry in which it operates may differ materially from those made in or suggested by the forward-looking statements contained in this Shelf Prospectus. In addition, even if the Issuer's results of operations, financial condition and liquidity and the development of the industry in which it operates are consistent with the forward-looking statements contained in this Shelf Prospectus, those results or developments may not be indicative of results or developments in subsequent periods.

Factors that could cause actual results to differ materially from the Issuer's expectations are contained in cautionary statements in this Shelf Prospectus and include, among other things, the following:

- overall political, economic and business conditions in Nigeria;
- changes in government regulations, especially those pertaining to the banking industry;
- changes in tax requirements, including tax rate changes, new tax laws and revised tax law interpretations;
- economic and political conditions in international markets, including governmental changes;
- the demand for the Issuer's products and services;
- competitive factors in the industries in which the Issuer and its customers compete;
- interest rate fluctuations and other capital market conditions;
- exchange rate fluctuations; and
- the timing, impact and other uncertainties of future actions.

The sections of this Shelf Prospectus entitled "**Risk Factors**", "**Description of United Bank for Africa Plc**" and "**Statutory and General Information**" contain a more detailed discussion of the factors that could affect the Issuer's future performance and the industry in which it operates. In light of these risks, uncertainties and assumptions, the forward-looking events described in this Shelf Prospectus may not occur.

The Issuer does not undertake any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to the Issuer or to persons acting on its behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Shelf Prospectus.

The board of directors of the Issuer accepts full responsibility for the information contained in this Shelf Prospectus. The board of directors of the Issuer confirm, having taken all reasonable care to ensure that is the case) that the information contained in this Shelf Prospectus is in accordance with the relevant rules and regulations.

ISSUE OF SUPPLEMENTARY PROSPECTUS/PRICING SUPPLEMENTS

Following the publication of this Shelf Prospectus, a Supplementary Prospectus/Pricing Supplement may be prepared by the Issuer for the approval of the SEC in accordance with Rule 279(6)(b) of the SEC Rules and Regulations.

Statements contained in any such Supplementary Prospectus/Pricing Supplement shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Shelf Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Shelf Prospectus.

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Shelf Prospectus, which is capable of affecting the assessment of the Notes, prepare a Supplementary Prospectus/Pricing Supplement to this Shelf Prospectus or publish a new Shelf Prospectus for use in connection with any subsequent issue of Notes

.

UBA
United Bank for Africa

DECLARATION BY THE ISSUER

This prospectus has been prepared by the Issuing Houses on our behalf with a view to providing a description of the relevant aspects of the Bank in connection with the Issue and an investment therein.

On behalf of the Board of Directors, we hereby make the following declarations:

1. We confirm that the information contained in this Prospectus is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import;
2. There has been no significant change in the financial condition or material adverse change in the prospects of the Bank since the publication of the Shelf Prospectus;
3. The Bank is not in breach of any terms and conditions in respect of borrowed monies which resulted in the occurrence of an event of default and an immediate recall of such borrowed monies during the twelve months preceding the date of this prospectus; and
4. No prosecution has been commenced against either the Bank or any of its subsidiaries during the twelve calendar months immediately in respect of any breach or contravention of any securities or banking laws or the CAMA or the listing requirements of a recognized Securities Exchange.

SIGNED for and on behalf of
UNITED BANK FOR AFRICA PLC
By its duly authorized representatives

Bili A. Odum
Company Secretary

Ugochukwu Nwaghodoh
Group CFO

Kennedy Uzoka
Group Managing Director/CEO

GLOSSARY OF TERMS

Unless the context otherwise requires, the following expressions shall have the meanings respectively assigned to them:

"AML"	Anti-Money Laundering
"ASI"	All Share index
"BOFIA"	Banks and Other Financial Institutions Act Cap B3, LFN 2004
"Business Day"	Any day except Saturday, Sunday and public holidays declared by the Federal Government of Nigeria, on which banks are open for business in Nigeria
"CAMA"	Companies and Allied Matters Act, Cap C.20, LFN, 2004
"CBN"	Central Bank of Nigeria
"CEO"	Chief Executive Officer
"CFT"	Combating the Financing of Terrorism
"CITA"	Companies Income Tax Act, Cap C.21, LFN 2004 (as amended by Act No. 11 of 2007)
"Conversion Date"	The date on which the Conversion Rights are exercised by the Holder of Convertible Note
"Conversion Price"	The price at which a Noteholder receives shares in exchange for a holding of Convertible Notes, valued at issue or upon conversion
"Conversion Rights"	The right of the Holder of a Convertible Note to exercise the option to call for the conversion of the Convertible Note into shares of the Issuer
"Convertible Note"	A Note which provides the Noteholder with an option to convert the Note into shares of the Issuer, on such terms as prescribed in any applicable Supplementary Prospectus
"Coupon Payment Date"	The date on which coupons are to be paid to Noteholders as specified in any applicable Supplementary Shelf Prospectus
"Coupon"	Refers to both the specified rate of interest on a Note, and to the rate stated on an actual Note Certificate evidencing the interest payable at a specified date
"CSCS"	Central Securities Clearing System Plc
"Equity Linked Note"	A Note which is linked to the share capital of the Issuer and provides the Noteholder with the opportunity to obtain some form of return on investment that is linked to performance of the underlying shares of the Issuer
"Exchangeable Note"	A type of Equity Linked Note which provides the Noteholder (and/or the Issuer) with an option to convert the Note into shares in a parent or subsidiary company of the Issuer

"Extraordinary Resolution"	A resolution passed at a meeting of the Noteholders at which Noteholders holding in the aggregate not less than 50% of the Notes are present, in person or by proxy, with the approval of not less than two-thirds (66.6%) of the Noteholders by number if the resolution is voted on by show of hands and by value, if the resolution is voted on by poll
"Face Value"	The par value of a Note
"Final Broken Amount"	The interest payable by the Issuer pursuant to **Condition 7.2 of the Terms and Conditions** set out in this Shelf Prospectus
"FATF"	Financial Action Task Force
"Fixed Rate Note"	A Note on which the rate of interest it yields for the Noteholder is fixed at the time of the issue, and will not change during the life of the Note
"Fixed Rate"	The rate of interest payable in respect of Fixed Rate Notes
"Floating Rate Note"	A Note which pays interest in accordance with a variable benchmark rate as prescribed in the relevant Supplementary Prospectus/Pricing Supplement
"FMDQ"	FMDQ OTC Plc
"FRCoN"	Financial Reporting Council of Nigeria
"GDP"	Gross Domestic Product
"GMD"	Group Managing Director
"Holder"/"Noteholder"	A person in whose name a Note is registered in the Register.
"IFRS"	International Financial Reporting Standards
"Index Linked Coupon Note"	A note on which the payments of interest will be calculated by reference to an index and/or formula or to changes in the prices of securities or commodities or to such other factors as may be prescribed in the relevant Supplementary Prospectus/Pricing Supplement
"Initial Broken Amount"	The interest payable by the Issuer pursuant to Condition 7.1 of the Terms and Conditions set out in this Shelf Prospectus
"Interest Amount for Floating Rate Notes and Reverse Floating Rate Notes"	This will be determined by applying the Rate of Interest payable to the specified Denomination and multiplying the sum by the applicable Day Count Fraction
"Interest Commencement Date"	The Issue Date for any particular Series of Notes, or such other date as may be specified in the applicable Supplementary Prospectus/Pricing Supplement, from which interest on the Notes begins to accrue
"Interest Determination Date"	The date falling no later than two Business Days prior to the Interest Payment Date where the Trustee determines the interest rate applicable on a Note (other than a Fixed Rate Note) for that Interest Period
"Interest Payment Date"	Any date set out in the applicable Supplementary Prospectus/Pricing Supplement on which the Coupon becomes payable
"Interest Period"	The period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next Interest Payment Date

"ISA" or the "Act"	Investment and Securities Act, No. 29 2007
"Issue Date"	The date on which each Series may be issued to prospective investors for subscription during the validity period of the Programme
"Issue Price"	The price of issue of the Notes under the relevant Series as set out in the applicable Supplementary Shelf Prospectus
"Issuing Houses"	The Lead Issuing House and the Joint Issuing Houses
"Joint-Issuing Houses"	Coronation Merchant Bank Limited, FSDH Merchant Bank Limited, Stanbic IBTC Capital Limited and any other issuing house appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a particular Series of Notes
"Lead Issuing House"	United Capital Plc, and any other issuing house appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a particular Series of Notes
"LFN"	Laws of the Federation of Nigeria, 2004
"Listing Rules"	The Listing Rules of The Nigerian Stock Exchange and FMDQ OTC Plc
"NDIC"	Nigeria Deposit Insurance Corporation
"NIBOR"	Nigerian Inter-bank Offered Rate
"Non-ED"	Non-Executive Director
"Note"	A registered certificate of debt issued by the Issuer under this Programme under which the Issuer obligates itself to pay to a Holder an aggregate principal amount and Coupons on a specified date after the Issue Date.
"NSE" or "the Exchange"	The Nigerian Stock Exchange
"Programme"	The Medium-Term Note Programme described in this Shelf Prospectus pursuant to which the Issuer may issue several separate series of Notes from time to time with varying maturities and variable rates of interests provided however that the aggregate value does not exceed ₦300,000,000,000
"Programme Trust Deed"	A master Trust Deed made between the Issuer and the Trustees in relation to the entire Programme
"Rate of Interest"	The applicable rate of interest on any Note (other than a Fixed Rate Note) to be determined on an Interest Determination Date for each Interest Period by the Trustee
"Record Date"	The date falling no later than fifteen (15) business days prior to an Interest Payment Date or the Maturity Date, where the Registrar determines Noteholders listed on record as eligible for interest and/or principal payment
"Redemption Amount"	The aggregate Principal Amount outstanding in respect of a Note on the Maturity Date
"Register"	The register kept at the specified office of the Registrar into which shall be entered the names and addresses of each Noteholder and the particulars, transfers and redemption of the Notes held by each Noteholder

"Registrar"	Africa Prudential Plc and/or, if applicable, any successor Registrar
"Reverse Floating Rate Note"	A Note which has a rate of interest that rises or falls in opposite direction to a benchmark level of market interest rates
"SEC" or "the Commission"	Securities and Exchange Commission
"Series"	A Tranche together with any further Tranche or Tranches which are (i) expressed to be consolidated and form a single series and (ii) are identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices
"STB"	Standard Trust Bank
"Shelf Prospectus"	The document issued in accordance with the Rules and Regulations of the Commission, which details the aggregate size and broad terms and conditions of the Programme
"Supplementary Prospectus/Pricing Supplement" or "SP"	The document(s) to be issued pursuant to this Shelf Prospectus, which shall provide final terms and conditions of a specific Series of Notes under the Programme
"Supplemental Trust Deed"	A trust deed made between the Issuer and the Trustees, in relation to a specific Series under the Programme
"Terms and Conditions"	The terms and conditions of the Notes as set out in this Shelf Prospectus
"Tranche"	Notes which are identical in all respects (including as to listing)
"Trustees"	United Capital Trustees Limited, Stanbic IBTC Trustees Limited and UTL Trust Management Services Limited
"UBA Group" or "the Group"	UBA Plc and its subsidiaries
"UBA" or "the Bank" or "the Issuer"	United Bank for Africa Plc, a public limited liability company, incorporated under the laws of the Federal Republic of Nigeria
"United Capital" or "Lead Issuing House"	United Capital Plc
"Validity Period"	A period not exceeding three (3) years after the date of the issue of this Shelf Prospectus
"Variable Rate Note"	A Note which has a rate of interest that is restricted or is designed to alter in accordance with a pre-determined schedule
"Zero Coupon Note"	A non-interest-bearing Note or Note issued at a discount to its face value

DOCUMENTS TO BE INCORPORATED BY REFERENCE

This Shelf Prospectus should be read and construed in conjunction with the Bank's Audited Annual Report for the financial year ended 31 December, 2017 comprising the audited annual financial statements of the Issuer and prepared in compliance with the IFRS issued by the International Accounting Standards Board and prescribed by the FRCoN (which include standards and interpretations approved by the FRCoN), together with its pronouncements thereon from time to time, and applied on a consistent basis

The Issuer will, in the event of any material change in its financial position which is not reflected in this Shelf Prospectus, prepare an amendment or supplement to this Shelf Prospectus; also, the Issuer's information given in this Shelf Prospectus and the terms and conditions of additional Notes to be issued under the Programme may be updated in a Supplementary Prospectus/Pricing Supplement pursuant to the Rules and Regulations of the SEC. Any such amendment or supplement is hereby incorporated by reference into this Shelf Prospectus and forms an integral part hereof. Any statement contained in a document which is incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Shelf Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Shelf Prospectus.

Availability of Information

This Shelf Prospectus and any Supplementary Prospectus/Pricing Supplement, if applicable, are accessible, and copies of them are available free of charge at the offices of the Issuing Houses from 8:00a.m. till 5:00p.m on Business Days, during the validity of the Programme.

Telephone enquiries should be directed to the Issuing Houses on:

United Capital PLC

(+234) 1 280 8471

12th Floor, UBA House
57 Marina
Lagos

Coronation Merchant Bank Limited

(+234) 1 461 4896

10 Amodu Ojikutu Street
Victoria Island
Lagos

Stanbic IBTC Capital Limited

(+234) 1 422 8855

I.B.T.C. Place
Walter Carrington Crescent
Victoria Island
Lagos

FSDH Merchant Bank Limited

(+234) 1 270 2880

5th-8th Floors, UAC House
1/5 Odunlami Street
Lagos

FCMB Capital Markets Limited

(+234) 1 4612620

6th Floor, First City Plaza
44 Marina
Lagos

DIRECTORS AND COMPANY SECRETARY OF THE ISSUER

Mr. Tony O. Elumelu (CON) (Chairman) UBA House 57 Marina Lagos	**Amb. Chinedu J. Keshi (OON)** (Vice Chairman) UBA House 57 Marina Lagos	**Mr. Kennedy Uzoka** (Group Managing Director) UBA House 57 Marina Lagos
Mr. Victor Osadolor (Deputy Managing Director) UBA House 57 Marina Lagos	**Mr. Dan Okeke** (Executive Director) UBA House 57 Marina Lagos	**Mr. Emeke Iweriebor** (Executive Director) UBA House 57 Marina Lagos
Mr. Oliver Alawuba (Executive Director) UBA House 57 Marina Lagos	**Mr. Uche Ike** (Executive Director) UBA House 57 Marina Lagos	**Mr. Ayoku Liadi** (Executive Director) UBA House 57 Marina Lagos
Mr. Puri Ibrahim (Executive Director) UBA House 57 Marina Lagos	**Mr. Chukwuma Nweke** (Executive Director) UBA House 57 Marina Lagos	**Chief Kolawole Jamodu (OFR)** (Non-Executive Director) UBA House 57 Marina Lagos
Mrs. Owanari Duke (Independent Non-ED) UBA House 57 Marina Lagos	**High Chief Samuel Oni, FCA** (Independent Non-ED) UBA House 57 Marina Lagos	**Mrs. Foluke Abdulrazaq** (Non-Executive Director) UBA House 57 Marina Lagos

Mr. Bili Odum
(Group Company Secretary)
UBA House
57 Marina
Lagos

LEAD ISSUING HOUSE

UNITED CAPITAL PLC
12th Floor, UBA House
57 Marina
Lagos

BABATUNDE OBANIYI

JOINT-ISSUING HOUSES

FSDH MERCHANT BANK LIMITED
5th-8th Floors, UAC House
1/5 Odunlami Street
Lagos

TAIWO OTITI

CORONATION MERCHANT BANK LIMITED
10, Amodu Ojikutu Street
Victoria Island
Lagos

Onome Komolaf

STANBIC IBTC CAPITAL LIMITED
I.B.T.C Place
Walter Carrington Crescent
Victoria Island
Lagos

Funso Akere

FCMB CAPITAL MARKETS LIMITED
6th Floor
First City Plaza
44 Marina
Lagos

Abimbola Kasim

TRUSTEES

UNITED CAPITAL TRUSTEES LIMITED
12th Floor, UBA House
57, Marina
Lagos

Tokunbo Ajayi

UTL TRUST MANAGEMENT SERVICES LIMITED
1st Floor, Kingsway Building
2, Davies Street
Marina
Lagos

OLUFUNKE AIYEPOLA

STANBIC IBTC TRUSTEES LIMITED
The Wealth House
Plot 1678 Olakunle Bakare Close
Off Sanusi Fafunwa Street
Victoria Island
Lagos

SOLICITORS TO THE ISSUE

G.ELIAS & CO.
(SOLICITORS AND ADVOCATES)
6th Floor, NCR Building
6 Broad Street
Lagos

Nosakhare Aguebor

STOCKBROKERS TO THE ISSUE

UNITED CAPITAL SECURITIES LIMITED
12th Floor, UBA House
57 Marina
Lagos

for Jude Chiemeka

ARM SECURITIES LIMITED
1/5 Mekunwen Road
Off Oyinkan Abayomi Drive
Ikoyi
Lagos

KAYODE OMOSE

UNION CAPITAL MARKETS LIMITED
7, Fatai Durosinmi Etti Crescent
Off Ligali Ayorinde Street
Victoria Island
Lagos

EGIE AKPATA

RECEIVING BANKS

FIRST BANK OF NIGERIA LIMITED
Samuel Asabia House
35 Marina
Lagos

STANBIC IBTC BANK
I.B.T.C Place
Walter Carrington Crescent
Victoria Island
Lagos

STANDARD CHARTERED BANK NIGERIA
142 Ahmadu Bello Way
Victoria Island
Lagos

TONY AKARAH

FCMB LIMITED
Primrose Towers
17a, Tinubu Street
Lagos

REGISTRARS TO THE ISSUE

AFRICA PRUDENTIAL PLC
220B, Ikorodu Road
Palmgrove
Lagos

OBONG IDIONG

RATING AGENCIES

GLOBAL CREDIT RATING CO.
17th Floor, New Africa House
31, Marina
Lagos

AGUSTO & CO. LIMITED
5th Floor, UBA House
57 Marina
Lagos

REPORTING ACCOUNTANTS

ERNST & YOUNG
10th & 13th Floors, UBA House
57, Marina
Lagos

AUDITORS

PRICEWATERHOUSECOOPERS
Landmark Towers
5B, Water Corporation Road
Victoria Island
Lagos

THE PROGRAMME

This Shelf Prospectus is being issued in compliance with the provisions of the ISA, the Rules, Regulations and the listing and quotation requirements of FMDQ OTC PLC and The NSE and contains particulars in compliance with the requirements of the SEC, The NSE and FMDQ for the purpose of giving information to the public with regards to the ₦300,000,000,000 Medium Term Notes Programme being undertaken by the Issuer. An application will be made to the Listings and Quotations Committee of the FMDQ OTC PLC and/or The NSE for the admission to their platforms of each Series of the Notes to be issued under the Programme.

Each of the Directors of the Bank represents that he/she has taken all reasonable care (having made due and careful inquiry) to ensure that the information concerning the Bank contained in this Shelf Prospectus is true and accurate in all material respects as at the date of this Shelf Prospectus and that as of the date hereof, there are no other material facts, in relation to the Issuer, the omission of which would make misleading any statement herein, whether in fact or opinion.

LEAD ISSUING HOUSE

United Capital

JOINT ISSUING HOUSES

CORONATION | FCMB | fsdh | Stanbic IBTC

on behalf of

UBA

UNITED BANK FOR AFRICA PLC

are authorised to issue this Shelf Prospectus in respect of the ₦300,000,000,000 Medium Term Notes Programme

---

This Shelf Prospectus has been registered with the SEC. The registration of this Shelf Prospectus and any subsequent SP shall not be taken to indicate that the SEC endorses or recommends the Notes described herein or assumes responsibility for the correctness of any statements made or opinions or reports expressed herein.

This Shelf Prospectus must be read in conjunction with any SP to be issued by the Bank from time to time within its Validity Period. No Notes will be issued on the basis of this Shelf Prospectus read together with any Supplementary Prospectus later than three (3) years after the issue date indicated on the cover of this Shelf Prospectus.

This Shelf Prospectus contains:

1. on page 8, the declaration to the effect that the Bank did not breach any terms and conditions in respect of borrowed monies which resulted in the occurrence of an event of default and an immediate recall of such borrowed monies during the twelve (12) calendar months immediately preceding the date of filing an application with the SEC for the registration of this Shelf Prospectus;
2. on pages **70** to **122**, the Reporting Accountant's Report on the Bank's historical financial information, prepared by Ernst & Young;
3. on pages **23** to **34**, the Terms & Conditions of the Programme;
4. on pages **67** to **68**, extracts of the Rating Reports prepared by Agusto & Co. Limited and Global Credit Rating Co Limited; and
5. on page **151**, details of claims and litigation prepared by G.Elias & Co.

SUMMARY OF THE PROGRAMME

The following information should be read in conjunction with the full text of this Shelf Prospectus, from which it is derived. The information provided below is a brief summary of the key features of the proposed Notes to be issued under the Programme and a description of the Issuer. This Summary should be read as an introduction to this Shelf Prospectus. It does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Shelf Prospectus as a whole, the Supplementary Prospectus and other documents, if any, incorporated by reference into this Shelf Prospectus.

Issuer:	United Bank for Africa Plc
Programme Description:	Programme of medium-term (from 12 Months to 10 Years) senior or subordinated, or unsecured debt instruments to be issued and offered in series. The Programme covers Fixed Rate Notes, Floating Rate Notes, Reverse Floating Note, Equity Linked Notes, Zero Coupon Notes, Index Linked Notes, Variable Rate Note, Convertible Notes and any combinations thereof, all of which shall be denominated in Naira or in such other currency as maybe agreed between the Issuing Houses and the Issuer and specified in the SP. Notes offered hereunder are accorded a shelf registration with the Commission for a three-year (3-year) period commencing on the date of issue of this Shelf Prospectus. No Note shall be offered on the basis of this Prospectus or a Supplementary Prospectus/Pricing Supplement after the expiration of the three-year (3-year) period or any other validity period as enforced by the SEC from time to time. The Notes shall be constituted by the Programme Trust Deed and a Supplemental Trust Deed.
Programme Limit:	₦300,000,000,000
Lead Issuing House:	United Capital Plc
Joint Issuing Houses:	Coronation Merchant Bank, FCMB Capital Markets Limited, FSDH Merchant Bank Limited and Stanbic IBTC Capital Limited
Trustees:	United Capital Trustees Limited, UTL Trust Management Services Limited Stanbic I.B.T.C Trustees Limited and/or any other Trustees appointed in the case of Series 1 Notes, under the Programme Trust Deed and for additional Notes, under the relevant Supplemental Trust Deed
Method of Issue:	Notes may be offered and sold by way of public offering or any other means permitted by the Commission, FMDQ and The NSE, and as specified in the relevant SP
Issuance in Series:	Notes will be issued in Series, and each Series may comprise one or more tranches issued on different dates. The Notes in each Series will have the same maturity date and identical terms (except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices). However, Notes in each tranche will have identical terms in all respects. Details applicable to each Series and tranche will be specified in the relevant SP
Currency:	The Notes shall be denominated in Naira (₦) or in such other currency as may be agreed between the Issuer and the Issuing Houses and specified in the relevant SP, subject to compliance with all applicable legal and regulatory requirements. Where any currency other than the Naira is specified in the relevant Supplementary Prospectus/Pricing Supplement, the selling restrictions and additional disclosure requirements applicable to such other currency will be specified in the relevant SP

Use of Proceeds:	The Issuer seeks to raise medium to long term debt under the Programme in order to match and fund assets of similar duration, whilst shoring up its regulatory capital base. The exact application of the proceeds of each Tranche in relation to the above, will be specified in the relevant SP
Maturity Date:	Such date as may be agreed between the Issuer and the appointed Issuing House(s) and indicated in the applicable SP, subject to maturities as may be allowed or required from time to time by the relevant laws or regulations applicable in Nigeria
Tenor:	The tenor of a particular series of Notes shall be determined by the Issuer and the Issuing Houses and specified accordingly in the Supplementary Prospectus/Pricing Supplement for the Notes being issued
Issue Price:	Notes may be issued at par or at a discount to Par. The Issue Price of a specific Series shall be defined in the applicable SP
Closing Date:	The Closing Date of a specific series shall be stated in the applicable SP
Coupon:	Notes may be interest-bearing or non-interest bearing. The coupon, if any, payable on the Notes shall be determined by the Issuer and Issuing Houses and stated accordingly in the applicable SP
Frequency:	The frequency of payment of interest and any other monies due on the Notes shall be specified in the SP for the Notes being issued.
Principal Redemption:	Notes will be redeemed on the dates specified in the applicable SP
Early Redemption:	Early redemption will be permitted only to the extent specified in the applicable PS/SP and Supplemental Trust Deed and will subject to any applicable legal or regulatory limitations
Redemption:	The Notes may be redeemable at their nominal amounts or such other amount as may be specified in an amortisation or principal payment schedule appended to, or determined in accordance with the applicable Series Trust Deed and SP
Form of Notes/ Transferability:	The Notes will be issued in registered form and be freely transferable in accordance with the provisions of the Trust Deed. The Notes may be initially represented by a Certificate(s). Where the Notes are represented by Certificates, the Certificate(s) will be authenticated by the Registrar and may be dematerialised and held in electronic book entry form at the CSCS depository

Interest Rate:

Notes may be issued on a fixed rate, floating rate, zero coupon, indexed rate, variable rate or reserve floating rate.

Fixed Rate Notes: Fixed interest will be payable semi-annually in arrears, or as specified in the relevant SP;

Floating Rate Notes: will bear interest set separately for each Series by reference to a specified variable benchmark rate plus a fixed spread. The benchmark rate and the applicable spread shall be specified in the relevant SP;

Zero Coupon Notes: maybe issued at their principal amount or at a discount to it and will not bear interest, other than in the case of late payment;

Indexed Notes: payments of principal in respect of Index Redemption Notes or of interest in respect of Index-Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of Notes as prescribed in the relevant SP;

Convertible Notes: may bear a fixed rate or floating rate of interest, and have attached thereto, a right to convert such amount or holding of Notes into fully paid ordinary shares of the Issuer;

Exchangeable Notes: may provide the Noteholder (and/or the Issuer) with an option to convert the Note into shares in a parent or subsidiary company of the Issuer;

Variable Rate Notes: will bear a rate of interest that varies in accordance with a pre-determined schedule as prescribed in the relevant SP; and

Reverse Floating Rate Note: will bear rate of interest that varies in the opposite direction to a benchmark level of market interest rates as prescribed in the relevant SP.

Interest Period(s) or Interest Payment Date(s) for Floating Rate Notes:

Such period(s) or date(s) as shall be specified in the applicable SP

Payment on Subordinated Notes:

Payment of interest in respect of Subordinated Notes may be deferred by the Issuer in certain circumstances, as may be specified in the applicable SP

Subscription of Notes:

The Notes may be subscribed to in accordance with the form of application set out in the applicable SP

Grossing Up:

All amounts payable under the Notes will be paid in full without set-off or counterclaim or other restrictions and free and clear of and without any deductions or withholding for or on account of any taxes or any charges or otherwise

Listing:

Each Series of Notes may be listed on FMDQ/The NSE, and/or admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system as specified in the relevant SP

Issuer Rating:

Rating Agency	Year	Long-term Rating
Agusto & Co.	2017	Aa-

	GCR	2017	AA-

Status:

Subordinated Notes are direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves and at least *pari passu* with the claims of all holders of Subordinated Indebtedness as provided for in the Programme Trust Deed. In the event of the winding-up of the Issuer, the claims of the Trustee and the Holders of Subordinated Notes against the Issuer to payment of principal and interest in respect of the Subordinated Notes will be subordinated to the Senior Indebtedness in the manner provided in the Programme Trust Deed.

Senior Notes shall constitute direct, unsubordinated and (subject to the provisions of the Programme Trust Deed) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves.

The payment obligations of the Issuer in respect of principal and any interest thereon shall at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future, but in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

Taxation:

Under current legislation in Nigeria an investment in the Bonds to be issued under the programme are exempted from a number of taxes. These include exemptions from CIT, VAT and PIT, by virtue of the CIT (Exemption of Bonds and Short-Term Government Securities) Order 2011 ("CIT Order"), the VAT (Exemption of Proceeds of the Disposal of Government and Corporate Securities) Order 2011 ("VAT Order") and the Personal Income Tax (Amendment) Act 2011 respectively. The CIT Order and VAT Order became effective on January 2, 2012 and are valid for a period of ten (10) years from that date. The exemption under PITA is indefinite.

Negative Pledge

For as long as any of the Bonds remain outstanding, the Issuer will not create or permit to subsist any mortgage, charge, lien or other form of security interest or encumbrance ("**Security**") upon the whole or any part of its undertaking, assets or revenues present or future to secure any Relevant Debt, or any guarantee of or indemnity in respect of any Relevant Debt, unless at the same time or prior thereto, the Issuer's obligations under the Bonds (i) are secured equally and ratably therewith or have the benefit of such other guarantee or indemnity in substantially identical terms thereto, as the case may be, or (ii) have the benefit of such other security, guarantee, indemnity or other arrangement which either: (a) the Trustees shall in its absolute discretion deem not materially less beneficial to the interests of the Bondholders; or (b) shall be approved by an Extraordinary Resolution of the Bondholders.

For the avoidance of doubt, this provision shall not prevent the Issuer creating or having outstanding any Security (i) incurred in the ordinary course of financial business, (ii) on property purchased by the Issuer as security for all or any part of the purchase price thereof or (iii) imposed by law and/or by requirements from governmental authorities, the Central Bank of Nigeria or any other public authority.

Governing Law:	The Notes issued under the Programme and all related contractual documentation will be governed by, and construed in accordance with Nigerian law
Transaction Documents:	Shelf Prospectus; Supplementary Prospectus/Pricing Supplement; Programme Trust Deed; Supplemental Trust Deed; Reporting Accountants' report; Solicitors' report on claims and litigation; Underwriting Agreement (where applicable); Placing Agreement (where applicable); Vending Agreement; CBN No Objection Letter to the Transaction; Board Resolution authorising the Programme; and Shareholders' Resolution approving the Programme.

TERMS AND CONDITIONS OF THE PROGRAMME

1. **PREAMBLE**

1.1 *The following are the Terms and Conditions of Bonds to be issued under this Programme for incorporation into each definitive Bond. The applicable Supplemental Trust Deed and Supplementary Shelf Prospectus in relation to any Series of Bonds may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Terms and Conditions contained herein, replace or modify the following Terms and Conditions for the purpose of such Series of Bonds.*

1.2 *Words and expressions used in these Terms and Conditions, shall have the same meaning as the words and expressions defined in Clause 1 (Definitions and Interpretations) of this Deed unless the context otherwise requires or unless otherwise stated. In the event of inconsistency between these Terms and Conditions and any Supplemental Trust Deed, the Supplemental Trust Deed shall prevail.*

2. **THE BONDS**

2.1 The Bonds are constituted by a programme trust deed (the **"Trust Deed"**) dated 19th October 2018 between United Bank of Africa Plc (the **"Issuer"),** and United Capital Trustees Limited, Stanbic I.B.T.C Trustees Limited and UTL Trust Management Services Limited (the "**Trustees**") as supplemented by the relevant Supplemental Trust Deed (the **"Supplemental Trust Deed"**). The Issuer shall execute and deliver such Supplemental Trust Deed to the Trustees containing such provisions (whether or not corresponding to any of the provisions contained in the Trust Deed) relevant to that Series or Tranche of Bonds. Each Supplemental Trust Deed shall set out the form of the Series of Bonds to be so constituted thereby and shall be accompanied by legal opinions (in form and substance satisfactory to the Trustees) or supporting authorisations/approvals as may be required by the Trustees. The holders are entitled to the benefit of and are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the relevant Supplemental Trust Deed applicable to them.

2.2 The owners of book-entry interests in the Bonds shown in the records of the Clearing System are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the relevant Supplemental Trust Deed.

3. **FORM, CURRENCY AND DENOMINATION**

3.1 Unless otherwise specified in any Supplementary Shelf Prospectus, the Bonds shall be in registered form, serially numbered and denominated in a minimum amount of ₦1,000. The minimum initial subscription amount shall be [₦25,000,000] and multiples of [₦5,000,000] thereafter.

3.2 The Bonds may be fixed rate Bonds, floating rate Bonds, reverse floating rate Bonds, zero coupon Bonds, indexed coupon Bonds, equity linked bonds, variable rate bonds, convertible bonds or combinations thereof, all of which shall be denominated in Naira or in such other currency (subject to compliance with all applicable legal and regulatory requirements), and on the terms specified in the applicable Supplementary Shelf Prospectus and Supplemental Trust Deed.

3.3 Where any currency other than the Naira is specified in the relevant Supplementary Prospectus, the selling restrictions and additional disclosure requirements applicable to such other currency will be specified.

3.4

3.5 The Bonds shall be issued in uncertificated (dematerialised or book entry) form, which shall be registered with a separate securities identification code with the Clearing System.

4. **TITLE TO THE BONDS**

4.1 Transfer of title to the Bonds shall be effected in accordance with the rules governing transfer of title in securities held by the Clearing System.

5. **STATUS OF THE BONDS**

Senior and Unsecured Bonds

5.1 The Senior and Unsecured Bonds shall (being those Bonds that specify their status as Senior and Unsecured) constitute direct, unsubordinated, unconditional and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Senior and Unsecured Bonds shall, save for such exceptions as may be provided by applicable legislation in relation to preferential statutory payments, at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future.

Subordinated Bonds

5.2 The Subordinated Bonds shall (being those Bonds that specify their status as Subordinated) constitute direct, unconditional, unsecured and subordinated obligations of the Issuer and the proceeds of the Subordinated Bonds will, if certified by the Central Bank of Nigeria ("CBN") as forming part of the Issuer's regulatory capital, supplement the Issuer's Tier 2 Capital. The Bonds will be subordinated to unsecured and secured claims of the creditors of the Issuer, Senior Obligations and all preferential statutory payments. The Subordinated Bonds will however rank *pari passu* without any preference among themselves and at least *pari passu* with the claims of all holders of both present and future unsecured subordinated obligations of the Issuer.

5.3 In the event of the winding-up of the Issuer, the claims of the Trustee and the holders of Subordinated Notes against the Issuer to payment of principal and interest in respect of the Subordinated Notes will be subordinated to the Senior Obligations. Notwithstanding the foregoing, nothing under this Condition 5.3 shall affect or prejudice the payment of the costs, charges, expenses, liabilities or remuneration of the Trustees or the rights and remedies of the Trustees in respect thereof.

Convertible Bonds

5.4 The Convertible Bonds shall (being those Bonds that specify their status as Convertible) provide the holder with an option to convert or the Issuer with an option to call for a conversion of the Bonds into fully paid ordinary shares of the Issuer at some stage after the issue. Each Convertible Bond will include a condition that the option is available only during a specific period. Each Convertible Bond will specify a Conversion Price. Until the option to convert is exercised by the holder or the Issuer, as the case may be, a Convertible Bond will be treated as a Senior and Unsecured Bond. Once the option to convert is exercised, the Issuer will allot shares to the holder in exchange for the Bonds which are then redeemed in consideration for the issue of shares thereby extinguishing the debt obligation of the Issuer.

Equity Linked Bonds

5.5 The Equity Linked Bonds (being those Bonds that specify their status as Equity Linked) shall provide the holder with an opportunity to earn a return on the investment linked to the performance of the underlying equity of the Issuer. An Equity Linked Bond typically pays a fixed interest or coupon, and the final payout on the principal is equal to the par amount of the Bond times the percentage change in the underlying equity or index times a Bond-specific participation rate, which can be more or less than 100%. The interest or coupon on an Equity Linked Bond may be zero if the underlying equity has depreciated from an agreed upon strike level (usually the index level on the issue date of the Bond). The Equity Linked Bonds will at all relevant times be treated as Senior and Unsecured Bonds.

Exchangeable Bonds

5.6 The Exchangeable Bonds shall (being those Bonds that specify their status as exchangeable) provide the holder with an option to convert the Bond into shares in a parent or subsidiary company of the Issuer. The interest payment arrangement of the Exchangeable Bonds shall be as specified in the applicable Supplementary Prospectus.

6. **UNDERTAKINGS BY THE ISSUER**

Negative Pledge

6.1 For as long as any of the Bonds remain outstanding, the Issuer will not create or permit to subsist any mortgage, charge, lien or other form of security interest or encumbrance ("**Security**") upon the whole or any part of its undertaking, assets or revenues present or future to secure any Relevant Debt, or any guarantee of or indemnity in respect of any Relevant Debt, unless at the same time or prior thereto, the Issuer's obligations under the Bonds (i) are secured equally and ratably therewith or have the benefit of such other guarantee or indemnity in substantially identical terms thereto, as the case may be, or (ii) have the benefit of such other security, guarantee, indemnity or other arrangement which either: (a) the Trustees shall in its absolute discretion deem not materially less beneficial to the interests of the Bondholders; or (b) shall be approved by an Extraordinary Resolution of the Bondholders.

For the avoidance of doubt, this provision shall not prevent the Issuer creating or having outstanding any Security (i) incurred in the ordinary course of financial business, (ii) on property purchased by the Issuer as security for all or any part of the purchase price thereof or (iii) imposed by law and/or by requirements from governmental authorities, the Central Bank of Nigeria or any other public authority.

"Relevant Debt" means any present or future indebtedness in the form of, or represented by, bonds, notes, debentures, loan stock or other securities which are for the time being, or are capable of being, quoted, listed or ordinarily dealt in on any stock exchange, over- the-counter or other securities market.

Capital Adequacy

6.2 For as long as any of the Subordinated Bonds certified by CBN as forming part of the Issuer's regulatory capital remains outstanding the Issuer shall not exercise any right to redeem the Subordinated Bonds prior to its stated maturity ("**Early Redemption**") unless:

6.2.1 the Early Redemption will not result in the Issuer's capital adequacy ratio falling below the regulatory minimum ratio prescribed by the CBN, and

6.2.2 the Issuer has obtained the consent of the CBN for such Early Redemption.

7. **COUPON**

Coupon on Fixed Rate Bonds

7.1 Each Fixed Rate Bond bears interest on the Principal Amount from (and including) the Coupon Commencement Date at the rate(s) per annum equal to the Fixed Rate of Coupon so specified in the applicable Supplementary Shelf Prospectus. Coupon will be payable in arrears on the Coupon Payment Date(s) in each year and on the Maturity Date so specified in the applicable Supplementary Shelf Prospectus if that does not fall on a Coupon Payment Date. The first payment of interest will be made on the Coupon Payment Date following the Coupon Commencement Date and, if the first anniversary of the Coupon Commencement Date is not a Coupon Payment Date, the first payment of interest will amount to the Initial Broken Amount specified in the applicable Supplementary Shelf Prospectus.

7.2 If the Maturity Date is not a Coupon Payment Date, interest from (and including) the preceding Coupon Payment Date (or the Coupon Commencement Date, as the case may be) to (but excluding) the Maturity Date will amount to the Final Broken Amount. If interest is required to be calculated for a period of other than a full year, such interest shall be calculated using the Actual/Actual day count convention or such other method as described in the applicable Supplementary Shelf Prospectus.

Coupon on Floating Rate, Reverse Floating Rate, Index Linked Coupon Bonds, and Variable Rate Bonds

General

7.3 Each floating rate Bond, reverse floating rate Bond, index linked coupon Bond or variable rate Bond shall bear interest on its Principal Amount (i) on such basis as may be described in the applicable Supplementary Shelf Prospectus, or (ii) for floating rate Bonds by reference to a specified variable benchmark rate plus a fixed spread, or for reverse floating rate Bond by reference to a specified fixed rate minus a variable rate based upon a reference rate such as NIBOR, all as described in the applicable Supplementary Shelf Prospectus, or (iii) in the case of index linked coupon bonds by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as may be specified in the applicable Supplementary Shelf Prospectus and/or Supplemental Trust Deed, or (iv) in the case of variable rate Bonds, will bear a rate of interest that varies in accordance with a pre-determined schedule as prescribed in the relevant Supplementary Prospectus.

Coupon Payment Dates

7.4 Each floating rate Bond, reverse floating rate Bond, variable rate Bond and index linked coupon Bond bears interest on its nominal amount from (and including) the Coupon Commencement Date at the rate equal to the Rate of Coupon payable in arrears on the Coupon Payment Date(s) specified in the applicable Supplementary Shelf Prospectus.

Rate of Coupon

7.5 The Rate of Coupon payable from time to time in respect of each of the floating rate Bonds, reverse floating rate Bonds and index linked coupon Bonds will be determined in the manner specified in the applicable Supplementary Shelf Prospectus.

Determination of Rate of Coupon and Calculation of Coupon Amount

7.6 The [Trustees], in the case of floating rate Bonds and reverse floating rate Bonds, shall on the date or as soon as practicable after such date on which the Rate of Coupon is to be determined (the "**Coupon Determination Date**"), determine the Rate of Coupon and calculate the amount of interest payable in respect of each specified denomination (each a "**Coupon Amount**") for the relevant Coupon Period. Each Coupon Amount shall be calculated by applying the Rate of Coupon to the specified denomination and multiplying such sum by the applicable Day Count Fraction.

For the Purposes of Condition 7.6:

"*Day Count Fraction*" means, in respect of the calculation of an amount of interest for any Coupon Period:

(a) if "Actual/Actual" is specified in the applicable Supplementary Shelf Prospectus, the actual number of days elapsed in the Coupon Period divided by the total actual number of days between Coupon payments; or

(b) such other calculation method as is specified in the applicable Supplementary Shelf Prospectus.

Notification of Rate of Coupon and Coupon Amount

7.7 The Trustees or such other agent, as is specified in the applicable Supplementary Shelf Prospectus, will cause the Rate of Coupon and each Coupon Amount for each Coupon Period and the relevant Coupon Payment Date to be notified to the Issuer, and will cause notice thereof to be published in accordance with Condition 100, as soon as possible after its determination, but in any event no later than the third Business Day. Each Coupon Amount and Coupon Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) in the event of an extension or shortening of the Coupon Period. Any such amendment will be promptly notified to the Stock Exchange and to the Bondholders in accordance with Condition 10.

Certificates, Communications, etc. to be Final

7.8 All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 7.8, by the Trustees shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, and all Bondholders. In the absence of wilful default, bad faith, or manifest error, no liability to the Issuer, or the Bondholders shall attach to the Registrar in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

Interest on Zero Coupon Bonds

7.9 Each zero coupon Bond will be issued at a discount to par, at an Issue Price such that the yield to maturity is reflected in the difference between the discounted Issue Price and the Final Redemption Amount of such zero coupon Bond. Zero coupon Bonds will not bear interest other than in the case of late payment, as specified below:

7.9.1 Where a Bond the Coupon Rate of which is specified to be zero coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Redemption Amount of such Bond. As from the Maturity Date, the Coupon Rate for any overdue principal of such a Bond shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as defined below).

For the purposes of Condition 7.9.1:

"*Amortisation Yield*" shall be such rate as would produce a Face Value equal to the issue price of the Bonds if they were discounted back to their issue price on the Issue Date, compounded semi-annually.

Convertible Bonds

7.10 Convertible Bonds may bear either a fixed rate or floating rate of interest, and the applicable interest rate provisions will be specified in the relevant Supplementary Shelf Prospectus.

7.11 Coupon in respect of any Coupon Period shall be paid in respect of all Convertible Bonds that are outstanding on the relevant Record Date (whether or not redeemed or converted at any time thereafter) and shall be paid to the person or persons shown in the Register at the close of business on the relevant Record Date, and for the avoidance of doubt, where Conversion Rights are exercised in respect of a Bond where the relevant Conversion Date falls on or after a Record Date in respect of a Coupon Payment Date, such Bond shall, for the purposes of this Condition 7.11, be treated as outstanding.

Equity Linked Bonds

7.12 Equity Linked Bonds may be variable rate, fixed rate or zero coupon with final payments of principal and/or interest calculated by reference to the underlying equity performance of the Issuer, which reference may be on a spot or time weighted average basis. The applicable interim and final payouts for Equity Linked Bonds will be specified in the relevant Supplementary Shelf Prospectus and/or Supplemental Trust Deed.

Accrual of Interest

7.13 Each Bond (or in the case of the redemption of part only of a Bond, that part only of such Bond) will cease to bear interest from the date of its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

(a) the date on which all amounts due in respect of such Bond have been paid; or

(b) the date on which the full amount of the monies payable has been received by the Trustees and notice to that effect has been given in accordance with Condition 10.

7.14 Convertible Bonds will cease to bear interest once the Conversion Rights attached to such Bonds have been exercised by the holder of the Convertible Bond and shares allotted to such holder by the Issuer.

Deferral of Interest on Subordinated Bonds

7.15 Payment of the interest in respect of Subordinated Bonds may be deferred by the Issuer in certain circumstances as may be specified in the applicable Supplementary Prospectus.

8. PAYMENTS

Payment Day

8.1 Where payment is to be made by transfer to a specified bank account of a Bondholder, payment instructions will be initiated for value on the due date or, if the due date is not a Business Day, for value on the first following day which is a Business Day. Where a Bondholder does not specify a bank account, payment shall be made by cheques drawn on a bank duly licensed by the CBN and mailed by registered post to the address of record of such Bondholder on the Business Day preceding the due date for payment.

8.2 Where a Bondholder does not specify a bank account and the payment due to such Bondholder exceeds the sum of ₦10,000,000.00 (Ten Million Naira), such payment shall be made by separate cheques. The value of each cheque shall not exceed the sum of ₦10,000,000.00 (Ten Million Naira). Only Bondholders whose names appear in the Register on the Record Date shall be the only persons entitled to receive payments in respect of Bonds and the Issuer will be discharged by payment to, or to the order of, the Trustees in respect of each amount so paid.

8.3 If the date for payment of any amount in respect of any Bond is not a Business Day, the holder thereof shall not be entitled to payment until the next following Business Day in the relevant place and shall not be entitled to further Coupon or other payment in respect of such delay unless that Business Day falls in the next calendar month, in which case that payment shall be made on or by the immediately preceding Business Day.

Interpretation of Principal Amount

8.4 Any reference in these Terms and Conditions to Principal Amount in respect of the Bonds shall be deemed to include, as applicable, any outstanding amount on a Bond and any additional amounts which may be payable under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed or applicable Supplemental Trust Deed.

8.5 Any reference in these Terms and Conditions to Coupon/ Interest in respect of the Bonds shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Clause 14 of the Trust Deed (*Events of Default*) or under any undertaking or covenant given in addition.

9. PURCHASE, REDEMPTION AND CANCELLATION OF BONDS

9.1 **Purchase of Bonds:** All purchases and sales of Bonds, may be traded on the Stock Exchange and or Over-the-Counter.

9.2 **Redemption at Maturity:** Unless previously redeemed, purchased and cancelled as provided in Conditions 9.3 to 9.4, each Bond will be redeemed by the Issuer on the Maturity Date specified in the relevant Supplementary Shelf Prospectus at its final redemption amount which unless otherwise provided in respect of the Bonds, is the nominal amount of the Bonds.

Redemption at the Option of the Issuer ("Early Redemption")

9.3 If an Early Redemption is specified in the applicable Supplementary Shelf Prospectus and/or Supplemental Trust Deed in respect of any Bond, the Issuer may, on giving no more than sixty (60) nor less than thirty (30) days' written notice in accordance with Condition 100 (which notice shall be irrevocable and shall bind the Issuer to redeem the Bonds on such date) redeem the Bonds in part or in whole.

9.4 In the case of an Early Redemption in respect of any Subordinated Bond certified by the CBN as forming part of the Issuer's regulatory capital, the Issuer will procure the prior approval of the CBN for such redemption; Provided however that such Early Redemption is at least 5 years and one day from the date of issue of such Subordinated Bonds. Prior to the publication of any notice of redemption pursuant to this condition, the Issuer shall deliver to the Trustees, a certificate signed by two directors of the Issuer confirming that prior consent of the CBN to such redemption has been obtained.

Redemption due to changes in legislation or Tax

9.5 For any Bonds issued under the Programme, the Issuer will have the option to redeem the Bonds in whole or in part at the Principal Amount thereof, together with interest accrued thereon to the date fixed for redemption, on giving of no more than 60 days nor less than 30 days' written notice to this effect (which notice shall be irrevocable and shall bind the Issuer to redeem the Bonds on such date), if:

9.5.1 the Issuer has or will become obliged to pay additional amounts as a result of any change in, or amendment to, the laws or regulations of the Federal Republic of Nigeria thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date;

9.5.2 such obligation cannot be avoided by the Issuer taking reasonable measures available to it; and

9.5.3 which obligation results, in the absolute discretion of the Issuer, in an unacceptable increase to the Issuer of the funding costs relating to the Bonds; PROVIDED, however, that no such notice of redemption shall be given earlier than 180 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Bonds were then due.

PROVIDED that if a Subordinated Bond to be redeemed pursuant to this Condition 9.5 is certified by the CBN as forming part of the Issuer's regulatory capital, the Issuer will procure the prior approval of the CBN for such redemption. Prior to the publication of any notice of redemption pursuant to this condition the Issuer shall deliver to the Trustees, a certificate signed by two directors of the Issuer stating that the approvals of the CBN to the right of the Issuer so to redeem have been obtained.

10 NOTICES

10.1 **Notices to the Bondholders:** All notices to the Bondholders will be valid if written and mailed to the holders at their respective addresses in the Register maintained by the Registrar. The Issuer shall also ensure that notices are duly given or published in a manner which complies with the SEC Rules and Regulations and the Exchange on which the Bonds are listed. Any notice shall be deemed to have been given on the second day after being so mailed.

10.2 **Notices from the Bondholders:** Notices to be given by any Bondholder shall be in writing and given by lodging the same, with the Registrar.

11 WAIVER OF RIGHT OF SET-OFF

Subject to applicable law, no holder of a Subordinated Bond certified by the CBN as forming part of the Issuer's regulatory capital, may exercise, claim or plead any right of set-off, counter-claim or retention in respect of any amount owed to it by the Issuer arising under or in connection with the Bonds and each Bondholder shall, by virtue of being the holder of any Bond, be deemed to have waived all rights of such set-off, counterclaim or retention. Notwithstanding the preceding sentence, if any of the rights and claims of any Bondholder are discharged by set-off, such Bondholder will immediately pay an amount equal to the amount of such discharge to the Issuer, or if applicable, the liquidator or Trustees or Receiver in insolvency of the Issuer as the case may be, and until such time as payment is made, will hold a sum equal to such amount in trust for the Issuer or, if applicable, the liquidator or Trustees or Receiver.

12 CONSENTS

12.1 At the meeting held on 2 October 2009, pursuant to [Articles 48 and 49] of the Issuer's Articles of Association, the Issuer's shareholders passed a resolution authorising the directors of the Issuer to establish a medium term bond programme and raise, either by way of a public offering through a book building process or private placement or other methods, additional capital through the issuance of debt securities under the Programme.

12.2 An application has been filed and cleared with the Commission. The Issuer has also complied with Rules 285 to 288 of the SEC Rules and Regulations (as amended) in respect of the form, date, and contents of this Prospectus.

12.3 Notice of acknowledgement letter dated 26 June, 2018 in respect of this Programme has been received from the CBN.

13 TRUST PROVISIONS

Representative of the Bondholders

13.1 The Trustees are the representatives of the Bondholders and are authorised to act on behalf of the Bondholders in accordance with these Terms and Conditions and the Trust Deed.

13.2 The Trustees are hereby further authorised to contact the Registrar and/or the Clearing System for the purposes of obtaining information: (i) on the aggregate nominal amount outstanding on any Series of Bonds, (ii) on the identity of Bondholders, and (iii) for the purposes of giving notices to Bondholders under Condition 10 *(Notices)*.

Binding Effect of the Conditions and the Trust Deed

13.3 Bondholders are deemed to have accepted and will be bound by these Terms and Conditions and the terms of the Trust Deed.

14 LOCATION OF REGISTER

14.1 The Register shall be located at the offices of Africa Prudential Plc whose registered address is [220B, Ikorodu Road, Palmgrove, Lagos] or the registered address of any other Registrar appointed under this Programme.

14.2 The Issuer reserves the right at any time to vary the terms of the Registrar's appointment or terminate the appointment of the Registrar and appoint any person to serve as replacement of the removed Registrar.

14.3 Any variation or termination of the appointment of the Registrar only takes effect after not less than 5 days nor more than 7 days prior notice thereof shall have been given to the Bondholders in accordance with Condition 10.

15 PAYMENT OF PRINCIPAL AND COUPON

The Payment of principal and Coupons in respect of the Bonds shall be subject to any variation or modification in the applicable Supplemental Shelf Prospectus and shall be paid by the Issuer from immediately available funds to the order of the Trustees.

16 TAXATION

16.1. **Tax Exemptions**: By virtue of the provisions of (i) the Value Added Tax (Exemption of Proceeds of the Disposal of Government and Corporate Securities) Order, 2011; (ii) the Companies Income Tax (Exemption of Bonds and Short Term Government Securities) Order, 2011; (iii) the Value Added Tax (Exemption of Commissions on Stock Exchange Transactions) Order, 2014; and (iv) the Personal Income Tax Amendment Act 2011, corporate bonds are exempted from the imposition of value added tax and companies income tax for ten (10) years until 2021, and in perpetuity, in the case of personal income tax.

16.2. **Tax Gross-up**: All amounts payable under the Bonds will be paid in full without set-off or counterclaim or other restrictions and free and clear of and without any deductions or withholding for or on account of any taxes or any charges or otherwise.

17 PRESCRIPTION

Claims against the Issuer for payment in respect of the Bonds shall be prescribed and become void unless made within 6 (six) years from the appropriate Relevant Date in respect of the Principal Amount and the Coupon. As used in these Terms and Conditions, "Relevant Date" in respect of any payment means the date on which such payment first becomes due.

18 FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Bondholders to create and issue additional Bonds under this Programme having terms and conditions that are similar to the Bonds already in issue or the same in all respects save for the amount and date of the first payment of interest thereon, the issue price and the issue date and so that the additional Bonds shall be consolidated and form a single Series with the outstanding Bonds, in accordance with the SEC Rules and Regulations.

19 MODIFICATION AND WAIVER

19.1 The Trustees may agree with the Issuer, without the consent of the Bondholders but subject to the SEC being notified, to (i) any modification of any of the provisions of the Trust Deed which is in the opinion of the Trustees of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed which is in the opinion of the Trustees not materially prejudicial to the interests of the Bondholders. Any such modification, authorisation or waiver shall be binding on the Bondholders and, if the Trustees so require, such modification shall be notified to the Bondholders, as soon as practicable.

19.2 In connection with the exercise of its functions (including but not limited to those referred to in these Terms and Conditions), the Trustees shall have regard to the interests of the holders as a class and shall not have regard to the consequences of such exercise for individual holders and the Trustees shall not be entitled to require, nor shall any holder be entitled to claim, from the Issuer, any indemnification or payment in respect of any tax consequence of any such exercise upon individual holders.

19.3 The Trust Deed contains provisions for the indemnification of the Trustees and for its relief from responsibilities. The Trust Deed also contains provisions pursuant to which the Trustees are entitled, *inter alia,* (i) to enter into business transactions with the Issuer and/or any Subsidiary of the Issuer and to act as Trustees for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/ or any Subsidiary of the Issuer, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such Trusteeship without regard to the interest of, or consequence for, the holders and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

20 PROCEEDING AGAINST THE ISSUER

No Bondholder may proceed directly against the Issuer or submit a claim in the winding-up of the Issuer unless the Trustees having become bound so to proceed or being able to submit such a claim, fails to do so and notifies the Bondholders in writing of its refusal to do so, in which case the Bondholder may (i) take such proceedings in a representative capacity on behalf of himself and, (where authorized), other Bondholders holding not less than ten percent (10%) of the Principal Amount of the Bonds of such Series, for the recovery of the payments due on the Bonds; or (ii) take such proceedings in his name for the recovery of his own portion of the Bonds.

21 GOVERNING LAW

The Bonds are governed by, and shall be construed in accordance with, the laws of the Federal Republic of Nigeria.

Source: NSE, United Capital Research

Fiscal Policy

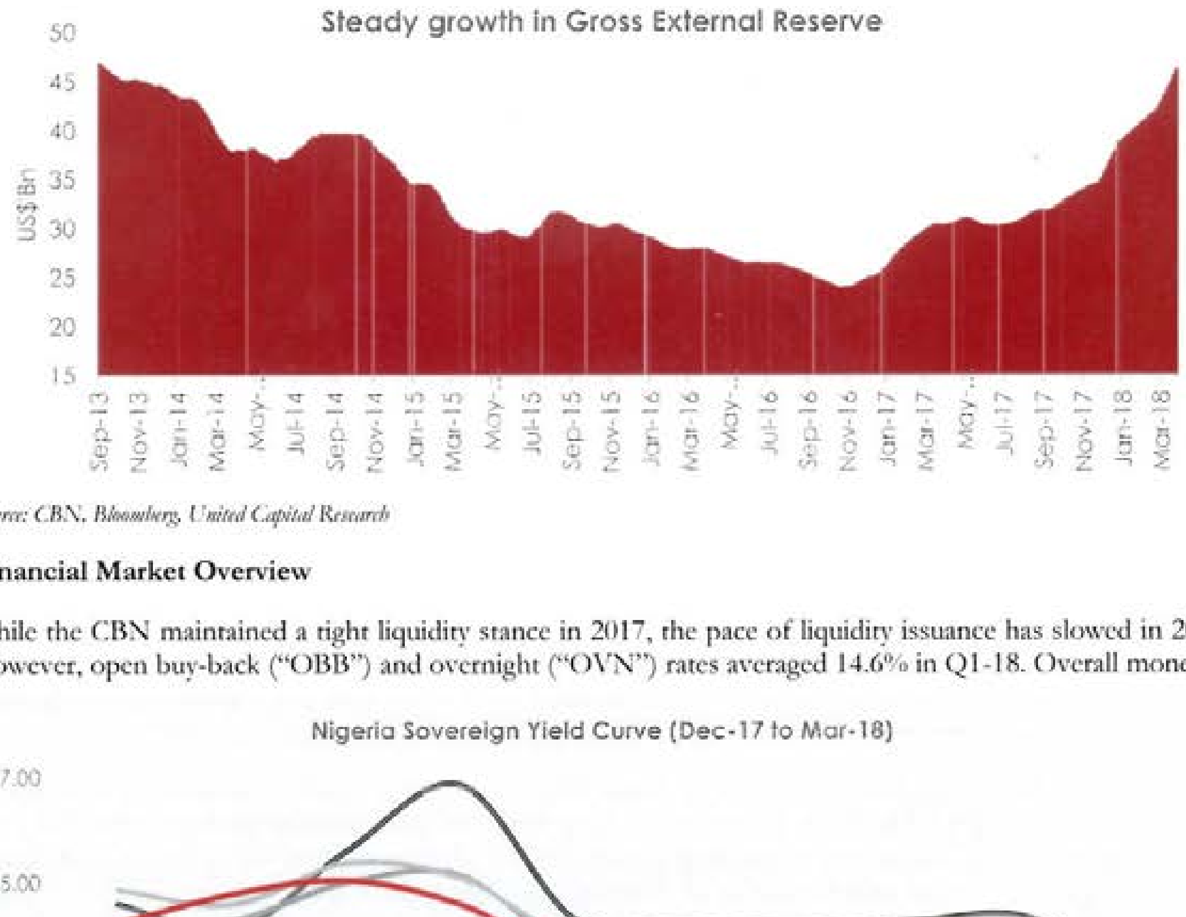
The policy environment also remained supportive with the Ministry of Finance recording another successful Eurobond Issuance (US$2.5bn) in February 2018 while cutting down on local debt issuances to optimise its debt portfolio by rebalancing local-to-foreign debt portfolio. Although delayed, the National Assembly passed the 2018 budget, raising total expenditure to ₦9.1tn, ₦500.0bn above the ₦8.6tn proposal submitted by the Executive Arm. The bulk of the increment will go into capital expenditure, which was increased to ₦2.9tn from ₦2.4tn, and debt servicing (increased to ₦2.2tn from ₦2.0tn). Non-debt recurrent spending was maintained at ₦3.5tn. The benchmark oil price assumption was also revised from US$45/b to US$51/b while all other assumptions of the budget, such as a 3.5% GDP growth, and the exchange rate of ₦305/US$ were left unchanged. To boost non-oil revenue, the Ministry of Finance has proposed a higher tax on alcoholic beverages and has launched a Voluntary Asset and Income Declaration Scheme (VAIDS) as well as a whistleblower policy. These initiatives are expected to ensure increased mobilisation of non-oil revenue to national coffers.

Monetary Policy

Monetary policy remained broadly stable, with the Monetary Policy Committee (MPC) maintaining policy hawkish stance since July 2016. The monetary policy rate was held at 14% throughout 2017 and so far in 2018 to consolidate the gains achieved in the currency market which came under intense pressure in the aftermath of the oil market downturn between 2014 and 2016. The Central Bank of Nigeria had earlier adopted a multiple window solution to stabilise exchange rates in the country, however, most of the recovery in the currency market can be attributed to the eventual introduction of the Investors & Exporters (I&E) window launched in April 2017. Stability in the currency market has resulted in a renewed foreign portfolio interest in the Nigerian economy, thus, the equities market rebounded 42% in 2017. Over the last 12 months, since I&E window was launched, a total US$24bn worth of transaction has been recorded via the segment. However, recent signal by the Apex bank tilt in favour of a more accommodative monetary policy. So far in 2018, the pace of liquidity mop-up has slowed significantly.

External Sector

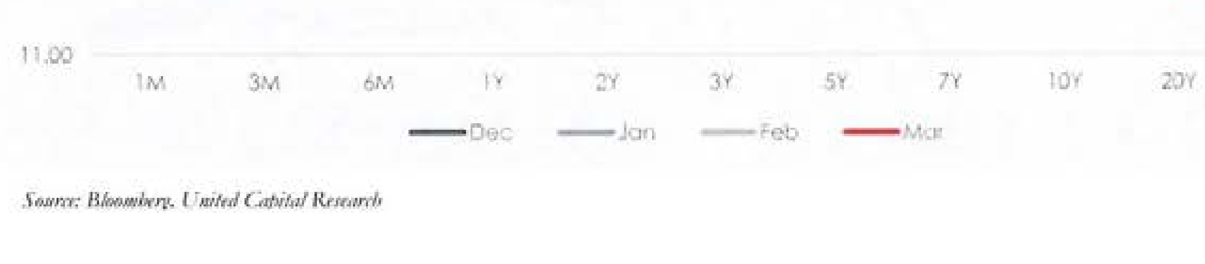
Nigeria's external reserves are at the highest level since 2013, up US$8.7bn between December 2017 and April 2018. The dramatic rise in the gross external reserves was driven by several factors. Nigerian issued Eurobond worth US$5.0bn between November 2017 and February 2018. Also, oil export proceeds which have maintained an uptrend following stability in the domestic production level and sustained increment in prices due to multiple factors in the global space. Capital importation also surged over the last 12 months although largely tracking financial assets. The National Bureau of Statistics reported that capital inflow into Nigeria increased more than 6x in 2017 and +30% further in Q1-2018. Meanwhile, domestic import bill is much lower due to increased import substitution initiatives by large corporates, Naira devaluation and capital control measures imposed by the CBN. At the current run rate, Nigeria's external reserve should hit US$50.0bn before the end of Q2-18 especially with oil prices sustaining recent rally. Additionally, Nigeria's trade balance has also rebounded to a surplus position after closing below the water in 2015 and 2016 due to a plunge in oil prices. Accordingly, the Naira has appreciated 11.7% over the last 12 months compared to the US dollar which has depreciated 11.1% despite rate hikes by the US Federal Reserve Board (the "Fed"). At the current level of the reserves, the apex bank can conveniently meet more than 12 months or 1 year of import, signaling a stable currency market outlook despite expected political uncertainties associated with the build-up to the 2019 general elections over the period.



Source: CBN, Bloomberg, United Capital Research

Financial Market Overview

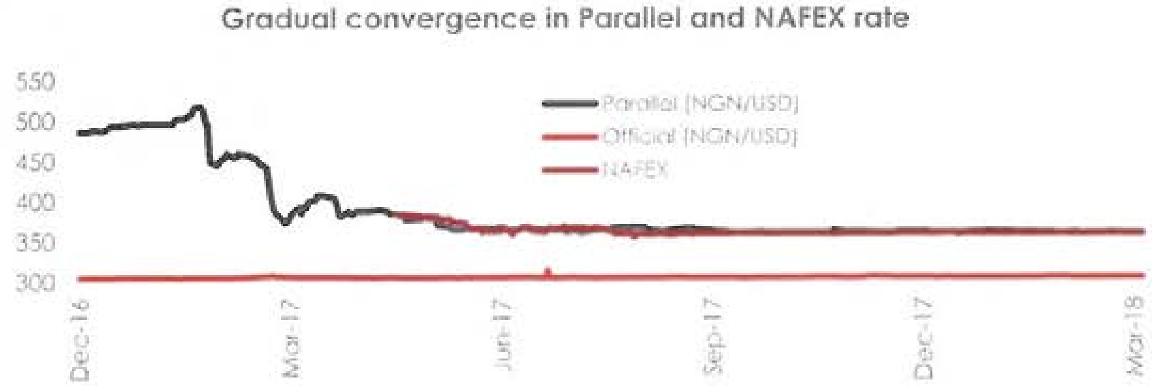
While the CBN maintained a tight liquidity stance in 2017, the pace of liquidity issuance has slowed in 2018. However, open buy-back ("OBB") and overnight ("OVN") rates averaged 14.6% in Q1-18. Overall monetary



Source: Bloomberg, United Capital Research policy stance of the apex bank is more accommodative amid broad-based improvement in the macroeconomy. The Debt Management Office is also keen on reducing domestic debt issuance by taking advantage of lower rates in the international debt market. Accordingly, average Treasury bill and Bond yields eased to 14.8% and 13.4% in Q1-2018 (relative to 17.1% and 14.4% in Q4-17) respectively. Again, this was hinged on the government's preference for cheaper external debt as it aims to achieve a desire debt mix of 60:40 by 2019. In line with this, Nigeria successfully issued US$2.5bn worth of Eurobond in February 2018 to refinance its maturing domestic obligations while bringing the nation's Eurobond portfolio to US$8.5bn (or US$8.8bn if the US$300m Diaspora Bond is included), and her total external borrowing to US$20.9bn. Narrowing the Naira-US Dollar debt mix to 66:34 (compared to 73:27 in September 2017).

Foreign Exchange Market Overview

The Nigerian currency market remained characterised by stability since the introduction of the I&E Window in April 2017, with the pressure on Naira moderating further in Q1-18 as the CBN sustained its pace of intervention activities at the I&E window. As at the end of the Q1-18, average rate across segments appreciated to ₦342.3/US$ (compared with ₦342.6/US$ as at Q4-17 ended). The official rate appreciated 10bps quarter-on-quarter (q/q) to end at ₦305.7/US$ while the parallel market and I&E window rates were up 14bps and 4bps to settle at ₦361.0/US$ and ₦360.2/US$ respectively. The Nigerian external reserve has grown to US$46.2bn, the highest level in over four (4) years as crude oil prices continue to rally, with Brent price averaging US$67.2/b in Q1-18 (compared with US$61.4/b in Q4-17) amid increased global demands.



Source: CBN, Bloomberg, United Capital Research

Equities Market Overview

In the equities market, performance over Q1-18 was largely bullish. The market started the year on a strong note, extending the prior year's bullish momentum amid optimism in the broader economy. Thus, The NSE ASI Index recorded a massive 16.0% return in January 2018. Following the rally was a market correction, as the ASI eased 2.3%m/m and 4.2%m/m in February and March 2018 despite impressive FY-17 results submitted by corporates. Consequently, NSE-ASI recorded 8.5%q/q return in Q1-18, driven by the January rally.

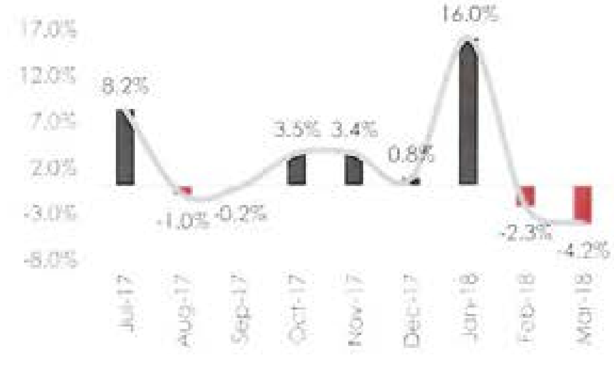
Macroeconomic Outlook

With stability in the global oil market as well as sustained optimism in the local economy, the outlook for the Nigerian economy is positive in 2018. Sustained stability in the Niger-Delta region, above US$60/b oil prices, the resilience of the agriculture sector and rebound in consumption spending are key drivers of this improvement. Accordingly, the IMF and the World Bank both forecast Nigeria's GDP to expand 2.1% in 2018. Driven majorly by the knock-on effect of the upsurge in oil output as observe since Q2-17, United Capital believes Nigeria's GDP growth can rise faster, at 2.5%, if oil prices sustain the uptrend. However, this also means that growth remains vulnerable to the vagaries of the oil market both externally and internally, especially with the build-up of the 2019 general election. Oil prices are increasingly likely to average US$70-80/b in 2018, following the ongoing face-off between the US and Iran on the renegotiation of the nuclear deal. However, economic recovery to the pre-crisis era of >6% growth rate over the long term remained hinged on the implementation of bold policy initiatives, especially in the non-oil sector. That said, the upcoming election is a downside risk as policymakers will be distracted by campaigns and holding on to power at the expense of the economy. Headline inflation rate should come below the CBN's target of 12% in H1-17, as such, the argument for a lowering the monetary policy rate by the MPC soon seems reassuring. Fiscal policy outlook will also stay aggressive as the ministry of finance continue its effort to shore-up government revenue, after the three-month extension of the VAIDS to June 2018.

Financial market Outlook

Looking ahead, there is room for more moderation, evidenced in the Q2-18 Nigerian Treasury Bills (NTB) issuance calendar which showed a marked reduction in fiscal paper supply, as a total of ₦964bn will mature while only ₦481bn will be re-issued. Although, the yield moderation narrative is to remain in play until election risks create volatility in the market, leaving investors to scramble for shorter-term bills while the yield curve normalises in H2-18. Recent events also show the monetary authority's inclination towards reducing borrowing costs vis-à-vis adjusting the yield curve to capture the downtrend in inflation which the market had previously ignored.

Going into Q2-18, the equities market is expected to sustain uptrend following the multi-structure rule which compelled PFAs to increase their exposure to equity within the context of the age and risk profile of their contributors. Also, the proposed MTN IPO is expected boost market capitalisation. That said, market sentiments will be driven by earnings scorecards amid continued improvement in the broader economy. However, the possibility of an early arrival of political uncertainty may cap further uptrend in the stock market, especially when considered in the context of the potential exit of Foreign Portfolio Investors.



Source: Bloombery, United Capital Research

Finally, the currency market is projected to maintain recent stability amid continued effectiveness of the I&E window as well as rebalancing in the oil market. Also, sustained accretion to external reserves is positive for outlook while political risk remains a key downside risk to the outlook in the run-up to the 2019 elections.

OVERVIEW OF THE NIGERIAN BANKING SECTOR

The information in this section has been derived substantially from publicly available documents published by the Central Bank of Nigeria (CBN), regional agencies or other third party sources as indicated in the text. The Bank has accurately reproduced such information and, so far as the Bank is aware and is able to ascertain from information published by such third party, no facts have been omitted that would render the reproduced information inaccurate or misleading.

Overview

The Nigerian banking sector consists of 22 Commercial Banks, 5 Merchant Banks, 999 Micro-Finance Banks ("MFBs") and several Other Financial Institutions ("OFIs"). According to the CBN, the authorisations issued to commercial banks as at end-June 2017 includes 10 Commercial Banks with international banking licenses, 10 commercial banks with national banking license authorisation, 2 commercial banks with regional banking license authorisation, and 1 bank with a national, non-interest banking license authorisation. The total number of non-commercial banking OFIs stood at 4,409 as at June 2017, comprising of 6 Development Finance Institutions (DFIs), 34 Primary Mortgage Banks ("PMBs"), 999 MFBs, 77 FCs, 3,292 Bureaux De Change ("BDCs") and 1 Mortgage Refinancing Company. Over the last four (4) years, the Nigerian banking sector has operated under challenging and dynamic operating and regulatory environment.

Total assets of all listed commercial banks in Nigeria surged 9.2%y/y in 2017, settling at ₦34.6tn following greater mobilisation of demand, time, savings and foreign currency deposits and reduction of claims on the Federal Government. The banking industry's total gross earnings also improved 16.4% to ₦4.0 trillion in 2016 (2017 numbers are yet to be finalised). This was driven by increased foreign currency gains, income from government securities and non-interest earnings. Reflecting the elevated risk in the macro environment over the last three (3) years, Non-Performing Loan (NPLs) ratios climbed to 15.0% in H1-2017 compared to the prudential guideline of 5.0%, driven by massive exposure to upstream oil & gas assets and foreign currency related credits after oil prices plunged to record low in 2016. Consequently, Capital Adequacy Ratio ("CAR") also came under intense pressure as industry CAR declined from 15.0% in 2015 to 10.0% by mid-2017. Credit to private sector remained largely tilted in favour of the oil & gas sector.

The CBN's banking industry total credit by sector showed that oil and gas sector accounted for 28.8% of industry credit followed by manufacturing (13.8%), general commerce (8.8%) and government (8.5%). As noted above, sharp rising NPLs up until mid-2017, kept an appetite for growing risk assets weak, as such, real sector credit growth has been largely underwhelming. However, total industry loans and advances continued to grow in nominal term due to currency devaluation. In 2016, loan growth for listed players in the Banking sector was 17.0%y/y valued at ₦17.9tn. On the contrary, deposit growth remained weak, a reflection of strains in the broader economy. Total deposits for was ₦20.7tn for listed players as of 2016, down 0.8% y/y. Total liability for the sector, however, stood at ₦30.0tn up 21.8%y/y. Overall, PBT for the sector stood at ₦588.3bn after growing 9.8%y/y in 2016, although constrained by a weak appetite for risk assets.

Supervision and Regulation of Banks in Nigeria

The major regulators of Nigeria's financial sector are the CBN and NDIC. Since January 1999, the CBN has acted autonomously from the Nigerian Federal Ministry of Finance ("**FMF**") (which formerly supervised the CBN) and now has the power to formulate and implement monetary and exchange rate policies. The principal governing body of the CBN is its board of directors which consists of the Governor of the CBN, who acts as Chairman, four Deputy Governors and six non-executive board members including, the Accountant General of the Federation and the Permanent Secretary of the FMF. Each Deputy Governor overlooks one directorate of the CBN. The directorates are Operations, Corporate Services, Financial System Stability, Governors and Economic Policy

There are four departments under the remit of the Financial System Stability Directorate: banking supervision, financial policy and regulation, development finance and other financial institutions supervision. The functions of the Financial System Stability Directorate include supervision of banks, which involves amongst others, onsite examination of banks, especially in relation to their financial condition, internal control systems, reliability of information provided and compliance with corporate governance codes. The CBN also monitors trends in the banking sector and generates industry reports on a monthly and quarterly basis, evaluates the development of the finance sector and monitors other financial institutions. Activities such as changes of auditors, announcements of audited financial statements, opening and closure of branches, and changes in control and appointments of directors by banks are subject to the prior approval of the CBN.

As the regulator of the Nigerian banking sector, the CBN intends to introduce a more robust and risk-sensitive supervisory framework in line with global best practice, including greater collaboration among the financial sector regulators and supervisory agencies. The aim is to facilitate the evaluation of the banking industry as a whole through stress-testing and other methods and to bring to the attention of regulators the risks which the operations of each entity within the industry could bring to the sector as a whole in order to allow regulators to take proactive remedial actions.

The CBN"s monetary policy mandate encompasses issuing currency (Naira and kobo), the maintenance of Nigeria's external reserves, promoting and maintaining monetary stability and a sound and efficient financial system, and acting as both banker and financial adviser to the federal government and the banker and lender of last resort to commercial banks.

The CBN is also the agency of the government which maintains general surveillance over the Nigerian foreign exchange system. It licenses Authorised Dealers who are licensed banks which may deal in foreign exchange. By virtue of Section 1(2) of the Forex Act, the CBN may also make regulations from time to time pertaining to foreign exchange.

The NDIC, established pursuant to the Nigerian Deposit Insurance Corporation Decree No.22 of 15th June 1988 (now repealed and replaced by the Nigerian Deposit Insurance Corporation Act No 16 of 2006 ("NDIC Act"), insures all deposit liabilities of licensed banks and other deposit-taking financial institutions operating in Nigeria. The NDIC guarantees payments to depositors in case of imminent or actual suspension of payments by insured banks or other deposit-taking financial institutions up to the maximum amount of ₦200,000.00 per depositor for primary mortgage institutions and micro finance banks, and ₦500,000.00 per depositor for deposit money banks. The NDIC is also mandated to assist monetary authorities in the formulation and implementation of banking policy in Nigeria so as to ensure sound banking practices and promote fair competition among banks in Nigeria. It also plays a major role in coordinating with the CBN in the liquidation of banks in Nigeria. The powers and functions of the NDIC are stated in the NDIC Act. In recent times, the banking sector has gone through several regulatory driven reforms.

Set out below are some of the reforms.

Banking Sector Reform – 2004-2009

Pursuant to a 13-point agenda aimed at reforming the banking industry, the CBN introduced a number of reforms in July 2004, including a requirement that all banks raise their minimum capital base from ₦2.0 billion to ₦25.0 billion by 31 December 2005. The licenses of banks that failed to meet these capitalization requirements by 31 December 2005 were revoked. This led to numerous capital raisings and mergers and acquisitions and reduced the number of banks operating in Nigeria from 89 to 25. The result was a leaner and more highly capitalised banking sector consisting of 25 deposit money banks with enhanced capacity for rapid asset growth and branch expansion.

The 2005 consolidation spurred an unprecedented growth in the Nigerian banking sector, with a 27% 7-year CAGR in total assets to ₦19.4 trillion in 2011 (52% of the nominal GDP). Buoyed by the supportive deposit base (33% CAGR to ₦11.5 trillion in 2011) and seasoned equity additions, the industry's loan book quadrupled to ₦6.1 trillion between 2005 and 2011 (a 24% CAGR). Whilst banks were still relatively averse to the retail market, the consolidation paved way for retail lending, with an increased focus on consumer finance and payroll-backed lending. The increased capital base afforded continuous branch expansion, with an estimated footprint of 5,348 branches in 2011, from 3,367 in 2005.

However, March 2008 marked a turning point for the economy, when the first signs of the effect of the global economic downturn on Nigeria became visible. Brent crude oil prices fell from a high of US$143.95/p on 3 July 2008 to US$33.73 on 26 December 2008, according to data from the EIA, triggering a decline in equity prices as foreign investors reduced their exposures. The effect on the Nigerian banking sector was especially significant due to its considerable exposure to the Oil & Gas industry and the capital markets through margin lending. Exposure to the capital markets in the form of margin loans to operators and individuals stood at approximately ₦900 billion as at 31 December 2008, representing approximately 12% of aggregate credit (39% of shareholders' funds of the Nigerian banking sector). As at the same date, the banking sector's total exposure to the Oil & Gas industry was in excess of ₦754 billion, representing over 10% of aggregate credit (27% of shareholders' funds). The economic downturn, combined with underdeveloped credit and risk management procedures as well as lax regulatory controls, led to a significant impairment in asset quality, severe capital erosion, reduced liquidity, and a decline in earnings due to elevated credit impairment charges and the slowdown in credit disbursements. The global financial crisis and the resulting decline in the Nigerian equities market in 2009 resulted in significant provisions and high NPLs at a number of Nigerian banks.

The asset quality and liquidity problems created concerns about solvency. The CBN, under Governor Chukwuma Soludo, embarked on a number of initiatives to reduce counterparty risk concerns and improve liquidity in the sector. These initiatives included:

- reducing the MPR to 8%.;
- reducing the liquidity ratio requirement from 40% to 25%;
- reducing the cash reserve requirement from 4% to 1%; and
- expansion of CBN's discount window (the "**Expanded Discount Window**") in October 2008 to provide banks with access to funds for longer terms and to accommodate money market instruments such as Bankers' Acceptances and Commercial Papers.

Other key initiatives pioneered by Governor Soludo include:

- deepening of microcredit via introduction of microfinance and community banks;
- replacing the retail Dutch Auction System ("rDAS") with the wholesale Dutch Auction System ("wDAS") for Nigerian FX market regulation; introducing the universal banking model; and
- building the initial framework for the establishment of the AMCON.

Towards the end of Soludo's term in June 2009, a cloud of uncertainty dominated the banking sector. Given a general lack of transparency, the troubling symptoms in the banking sector began to spread to other areas of the Nigerian economy, thus weakening macroeconomic conditions through rising interest rates, Naira depreciation, 4-year low bank valuations, reduced lending to the real estate sector and loss of investor confidence.

Banking Sector Reform – 2009 to date

Recapitalisation

Mallam Sanusi Lamido Sanusi the successor to Governor Soludo was appointed as governor of the CBN in June 2009. The CBN's first action under the leadership of Sanusi was to close the Expanded Discount Window in July 2009 and instead provide guarantees for all inter-bank placements. Notably, 90% of the total disbursements under the Expanded Discount Window between its opening and close were to five banks: Afribank Plc, Finbank Plc, Intercontinental Bank Plc, Oceanic International Bank Plc and Union Bank Plc, who were also the main net takers under Soludo's Expanded Discount Window arrangement. This prompted the CBN and NDIC to carry out a special examination of the 24 deposit money banks regarding their liquidity, capital adequacy and corporate governance issues. The examination was conducted in two phases, phase one found the five abovementioned banks to be in a "grave situation" as defined in the BOFIA, as they were undercapitalised with insufficient liquidity and poor corporate governance, characterised by the following:

- Failure to meet capital adequacy ratios and the minimum liquidity requirement of 10% and 25% respectively;
- Weak corporate governance and risk management;
- NPLs representing 40% of their total loan portfolio; and
- A significant loan portfolio concentration in capital market and oil and gas portfolio exposure.

In order to prevent further deterioration in these five (5) banks, the CBN replaced the executive management in each bank and injected a total of ₦420 billion into the five (5) banks.

At the conclusion of the second phase of the examination in September 2009, an additional five (5) banks were found to be in varying degrees of distress, prompting the CBN to offer an additional ₦200 billion liquidity support in the form of Tier-2 capital. Of those five (5) banks, four (4) were found to be in a grave situation, namely Equitorial Trust Bank Ltd (ETB), Bank PHB Plc, Spring Bank Plc and Wema Bank Plc. As with the initial five (5) banks, the executive management of ETB, Bank PHB Plc and Spring Bank Plc were removed. Wema Bank Plc changed its management in June 2009, prior to the Special Examination by the CBN, following which the new management was given until June 2010 to recapitalise the bank. Unity Bank Plc was judged to have sufficient liquidity but fell short of the statutorily required capital adequacy amount. Accordingly, the CBN ordered Unity Bank Plc to recapitalise before June 2010. The CBN subsequently extended the grace period for compliance for both banks to October 2010. Both Wema Bank and Unity Bank successfully recapitalised by the October 2010 deadline. In the process leading to a recapitalisation, Wema Bank raised ₦7.5 billion through a special placement offer and in addition, recovered ₦4 billion from debtors, while Unity Bank raised ₦17.3 billion through a rights issue to shareholders. To further ensure stability in the banking sector and increase lending capacity, the CBN announced, in March 2011, that it would offer additional liquidity support to the banking sector through the provision of term loans, totalling ₦200 billion, for re-financing and restructuring loans issued by banks to the Nigerian manufacturing sector.

Notwithstanding the foregoing reform initiatives, the CBN gave the banks in respect of which it had intervened (the "Intervened Banks") a deadline of September 2011 to recapitalise. This led to a number of merger and acquisition transactions in the Nigerian Banking Industry namely African Capital Alliance's acquisition of Union Bank Plc, Ecobank Transnational Incorporated's acquisition of Oceanic International Bank Plc, the merger of ETB and Sterling Bank Plc, First City Monument Bank Plc's acquisition of Finbank Plc and Access Bank Plc's acquisition of Intercontinental Bank Plc. Unfortunately, some banks (the "Failing Banks") were considered by the CBN to be unlikely to meet the September 2011 deadline and as a result, sometime in August 2011, the NDIC, in consultation with the CBN, organised and incorporated 3 bridge banks pursuant to its powers under Section 39 of the NDIC Act. The exercise of these powers by NDIC having become necessary by virtue of NDIC's statutory duty to guarantee the deposits of the Nigerian public in the Failing Banks.

The bridge banks were initially incorporated as shelf private companies using pseudonyms to maintain the confidentiality of the process. Each of the shelf companies was incorporated with a share capital of ₦100,000.00 (comprising shares of ₦1.00 each), held by two shareholders each holding 50,000 shares. The names of these shelf companies were changed to that of the bridge banks, and their share capital was increased to meet the minimum capital requirement for banks in Nigeria, after which banking licenses were issued to them by the CBN. Thereafter, the bridge banks purchased the assets of the Failing Banks, in consideration of the assumption of certain liabilities of the Failing Banks by the bridge banks.

In this regard, a Purchase and Assumption Agreement was executed by the NDIC (as Statutory Transferor of the affected banks) and each of the bridge banks (being Mainstreet Bank Limited, Keystone Bank Limited and

Enterprise Bank Limited who purchased assets and assumed certain liabilities of Afribank Plc, Bank PHB Plc and Spring Bank Plc respectively). This agreement detailed the terms under which the assets of each Failing Bank were purchased and its liabilities assumed. After the transfer of the assets and liabilities to the bridge banks by the NDIC, the banking licence of each of the Failing Banks was revoked by the CBN and NDIC became the provisional liquidator of the Failing Banks by operation of law. Thereafter, AMCON subscribed and purchased shares of each of the bridge banks by virtue of a Share Subscription Agreement with each of the bridge banks which also resulted in the termination of the status of the bridge banks.

The CBN's rationale for intervening was that it wanted to resolve the immediate liquidity challenges in the country's banking system and to restore stability and confidence to the banking sector. In total, the CBN injected ₦620 billion of Tier-2 capital into the eight (8) Intervened Banks as well as Wema Bank and Unity Bank, whilst stimulating liquidity across the sector by reducing statutory limits and guaranteeing inter-bank placements. To increase transparency, in September 2009 the CBN ordered all banks to report their results for the nine-month period ending on 30 September 2009 under a prescribed pro forma, which aimed to ensure adequate and consistent levels of disclosure. To date, there has been no run on the Intervened Banks and interbank rates have dropped significantly in response to the CBN guarantee and related liquidity stimuli, although such rates have rebounded on the back of monetary tightening following the relative stability of the banking system.

Reversal of Universal Banking

To manage the effects of its intervention, the CBN is facilitating the recovery of NPLs of the affected banks. Furthermore, in October 2010 the CBN repealed the universal banking guidelines which had been in operation since 2000 and issued new rules and guidelines for the banking licenses regime titled "Regulation on the Scope of Banking Activities & Ancillary Matters, No. 3, 2010". The new rules, according to the CBN, were aimed at streamlining banking operations in Nigeria as well as reducing the exposure of the banks to higher operational risks. Upon the new regulation coming into force, only commercial banks, merchant banks, and specialised banks, which include non-interest banks, microfinance banks, development banks and mortgage banks, would be permitted to carry out banking businesses in Nigeria.

The new regulation, also stated that no bank shall establish, maintain or permit to exist, any related enterprise except pursuant to Sections 21(1) and 22(1) of BOFIA and that such related enterprise is a banking institution incorporated outside Nigeria with the permission of the CBN and such related enterprise is a company jointly established by two or more banks with the approval of the CBN for the purpose of promoting the development of the money market or improving the delivery of banking services in Nigeria.

This rule effectively required banks to divest from all non-banking business or to adopt a non-operating holding company structure in compliance with the regulation by 30 September 2012 (although this deadline was extended to 31 December 2012 for some banks, and the CBN has granted an extension to certain banks on a case-by-case basis). Under the new regime, banks were required to make a business case to their stakeholders pursuant to which they would choose which structure to adopt going forward (namely, the non-operating holding company model or a complete divestment structure). In addition, all existing universal banks were required to submit their plans on compliance with the new banking regime to the CBN not later than 90 days from 15 November 2010 or, in the case of Intervened Banks, following the agreement of acquisition terms with any strategic investors (which all Intervened Banks had been asked to seek). Whilst four banks resolved to operate holding company structures, which allowed them to retain their non-core banking subsidiaries, a number of banks, have concluded or are in the process of divesting non-core banking activities. Under the new rules, banks are also required to maintain a minimum paid up share capital of ₦10 billion for institutions granted a regional banking license, ₦25 billion for institutions granted a national banking licence and ₦50 billion for institutions granted an international banking licence.

Investment in Industry

Weaknesses in the Nigerian financial system and banking sector prompted the CBN, in 2010, to implement additional initiatives to reform the Nigerian financial system and, in particular, the banking sector, through the "Project Alpha Initiative", predicated on a 4-pillar policy framework of enhancing the quality of banks, establishing financial stability, allowing for a healthy financial sector evolution and ensuring that the financial sector contributes to the real economy. Key interventions under the fourth pillar have been the ₦200 billion Commercial and Agricultural Credit Scheme and the ₦300 billion Power and Aviation Intervention Fund administered through the Bank of Industry Limited, a development financing institution in Nigeria, to stimulate the economy. The CBN also established the small and medium enterprises credit guarantee scheme ("**SMECGS**") for promoting access to credit by SMEs in Nigeria. The new regulation is also intended to produce greater transparency and disclosure.

The Asset Management Corporation of Nigeria (AMCON)

The AMCON Bill was signed into law by President Goodluck Jonathan on 19 July 2010, thereby birthing the Asset Management Corporation of Nigeria Act No. 4 of 2010 (the "**AMCON Act**"). AMCON was established to acquire the NPLs (including margin loans) of Nigerian banks. AMCON was created as a resolution vehicle to assist deposit money banks in Nigeria to improve their capital and liquidity positions, with the ultimate aim of stabilising the financial system. Pursuant to the provisions of the AMCON Act, AMCON has an authorised capital of up to US$67 million, which would be jointly funded by the Nigerian Federal Ministry of Finance ("**FMF**") and the CBN. To achieve its objectives, AMCON is expected to engage with the debtors of all Nigerian banks, with a view to taking over their NPLs, and restructuring such loans by negotiating more favourable terms of repayment with the debtors. AMCON is also required to appoint asset managers to manage and seek the best returns on the underlying collateral with a view to minimising costs to the Nigerian government in the event that the debtors cannot redeem the debt. Initially, AMCON had a proposed ten-year time frame in which to conduct these activities. However, the AMCON Act grants it indefinite life as a going concern.

In November 2010, in accordance with the AMCON Act 2010, which granted AMCON the power to issue debt securities with maturities up to 7 years, or any other tenor as may be prescribed by the CBN, AMCON announced plans to issue up to ₦3 trillion, approximately US$20 billion of three-year, zero-coupon bonds (the "**AMCON Bonds**"), to finance the purchase of the NPLs from the 21 EFIs that chose to participate in the AMCON scheme in the first round. The AMCON Bonds have the credit guarantee of the Federal Government of Nigeria as set out in the AMCON Act 2010. The proceeds from the sale of the AMCON Bonds were to be used to purchase approximately ₦2.48 trillion aggregate principal amount of NPLs at a discounted purchase price of just under ₦854 billion. The discounted purchase price was intended to reflect the valuation assigned to those NPLs after making certain adjustments based on the nature of the collateral backing of the relevant NPLs. In addition, pursuant to the guidelines issued by AMCON in November 2010, AMCON had a period of 12 months (from the date of purchase of the relevant NPLs) to undertake an independent a lower value following the review process than originally indicated at the time AMCON purchased the relevant NPLs or AMCON is not able to assume ownership of such collateral free and clear of encumbrances or liens having priority over the security interest of the relevant bank in such collateral, AMCON could ask the relevant bank to make up the difference to AMCON or repurchase the relevant NPLs.

At completion of the first stage of this process, on 31 December 2010, AMCON issued ₦1.04 trillion principal amount of Initial Consideration Bonds ("**ICBs**"), with net proceeds of ₦854 billion, to 21 Nigerian banks, (Citibank Nigeria Limited, ETB and Standard Chartered Nigeria Limited elected not to participate) in consideration for taking over some or all of the margin loans of the 21 participating banks and the non-performing, non-margin loans of Intervened Banks. AMCON executed loan purchase and limited servicing agreements with the 21 banks to acquire NPLs (including margin loans) with a face value of ₦2.48 trillion for just under ₦854 billion representing an estimated 80% of the banking industry NPLs. 92.5% of the purchased NPLs were from the eight (8) Intervened Banks with the remaining balance of 7.5% from the other Nigerian banks.

On 6 April 2011, in completion of its Series I bond issuance, AMCON issued an aggregate of ₦1.68 trillion additional AMCON Bonds (which are tradable and listed on the NSE) in three tranches with face values of approximately ₦1.15 trillion, ₦17.6 billion and ₦516.9 billion respectively. The first tranche of bonds (Tranche I) were issued to be swapped with and replace the ICBs issued on 31 December 2010. Unlike the ICBs which were not tradable and therefore not liquid, the Tranche I bonds are registered and tradable. Tranche II of the bonds was issued for price discovery purposes, in an attempt to determine the market price and yield for future issuances (including the Tranche III bonds). Tranche III was issued for the purpose of acquiring additional NPLs from the 22 participating Nigerian banks (Citibank Nigeria Limited and Standard Chartered Nigeria Limited again elected not to participate). In addition, AMCON has also issued Series II, III, IV and V, all of which were due to mature in 2014. However, the Series I, II, III and IV were redeemed on 27 December 2013.

AMCON, in anticipation of providing further financial accommodation to Intervened Banks, held an extraordinary general meeting of its bondholders on 20 September 2011, at which an increase in the shelf value of its bond issuance programme from ₦3 trillion to ₦4.5 trillion was approved. The increase was intended to create sufficient head room to accommodate the issuance of AMCON bonds to Intervened Banks for the purposes of providing additional financial accommodation bonds to them. In consideration for issuing such bonds, AMCON received a certain proportion of shares in the capital of the relevant Intervened Banks. AMCON's Tranche I bonds have a yield of 10.125%, while Tranches II and III each have a yield of 11.8%. On 21 April 2011, AMCON listed its Series I bonds on The NSE for active trading. The bonds can be purchased by all Nigerian banks, qualified institutional investors such as pension fund administrators and high net worth individuals. The bonds a reregistered and tradable OTC and on the Nigerian Stock Exchange.

Also, in July 2010 the CBN agreed with the then existing 24 deposit money banks in Nigeria to establish a sinking fund, the Banking Sector Resolution Cost Sinking Fund, to cover any net deficits incurred by AMCON. Each such Nigerian bank agreed to contribute, for each of the next ten years, 0.30% of its total assets as at the date of its audited financial statements for the immediately preceding financial year to the sinking fund. The Bank made its first payment of approximately ₦2.22 billion on 12 July 2012 in response to a CBN request made on 23 May 2012, and based on the Bank's audited total assets as at 31 December 2011. The CBN will contribute ₦50 billion per year to the sinking fund. AMCON intends to use the sinking fund, plus recoveries earned on the NPLs purchased from the banks, proceeds from the sale of its holding in the Intervened Banks, as well as the acquired Bridge Banks, and foreclosures of collaterals of debtors who cannot redeem their debt, to repay the AMCON Bonds at maturity. The memorandum of understanding between the CBN and the relevant Nigerian banks for the "Banking Sector Resolution Cost Sinking Fund", which sets out the above arrangements, was signed in January 2011. The sinking fund is to be managed by a board of trustees independent from AMCON and the fund constitutes up to 65% of AMCON's cash flows.

To give the sinking fund legislative backing, the Asset Management Corporation of Nigeria (Amendment) Act Bill 2011 was introduced in the House of Representatives in July 2011.The Bill seeks to amend the AMCON Act by providing for the establishment of the Banking Sector Resolution Cost Fund with a lifespan of ten years extendable by the Senate upon request from the CBN. The Bill also provides for the establishment of a board of trustees with representatives from the CBN, the Federal Ministry of Finance, the DMO and five (5) financial institutions, for the management and administration of the fund. The Bill provides for annual contributions of ₦50 billion by the CBN and an amount equal to 0.30% of total assets of every licensed bank, as at the date of its audited financial statements, subject to a maximum amount of ₦1 trillion (from all the banks) and ₦500 billion from the CBN. The Bill was referred to the banking committee of the House of Representatives, and their commendations of the banking committee were adopted by the full House in September 2011.

In April 2013, another Bill, the Asset Management Corporation of Nigeria (Establishment Act) (Amendment) Bill 2013, was presented before the Senate. The 2013 Bill, which currently awaits its second reading in the Senate provides for the establishment of a Banking Sector Resolution Cost Fund, into which, beginning in 2014, the CBN will contribute ₦50 billion yearly.

It is expected that both versions of the Bill will be harmonised after it has gone through the legislative process at the respective houses. Pending the enactment of the Bill into law, every licensed bank is required to contribute an amount equal to 0.50% of its total assets as of the date of its audited financial statements.

The Government estimates the total net cost to recapitalise the banks and recover the bad debts and NPLs will be between ₦1 trillion to ₦1.5 trillion, most of which the Government expects to recover from the Banking Sector Resolution Cost Sinking Fund, recoveries from the bad debts and NPLs and dividends paid on any equity capital injected into banks participating in the AMCON scheme.

In May 2013, AMCON announced a plan for repaying or refinancing its ₦5.7 trillion zero coupon Bonds maturing in 2013 and 2014. Due to successful NPLs recoveries and restructuring by AMCON, and the cooperation of the Nigerian banks in fulfilling their commitments to the sinking fund, AMCON Series I, II, III and IV were redeemed on 27 December 2013. Bonds with a face value of ₦4.70 trillion were redeemed. In addition, by the end of October 2014, AMCON Bond with a total face value of ₦978.3 billion will mature.

Non-Interest Banking

In 2011, the CBN issued the Guidelines for the Regulation and Supervision of Institutions Offering Non-Interest Financial Services in Nigeria (the NIFI Guidelines). The NIFI Guidelines provide the framework for the provision of non-interest banking (particularly Islamic banking) services in Nigeria and the licensing of such institutions. The guidelines focus on non-interest financial institutions operating under the principles of Islamic jurisprudence. Non-interest banking has been the subject of debate in Nigeria, on whether its religious connotations align with the constitutional secularity of the country.

The Nigerian Financial Inclusion Strategy

In October 2012, the CBN launched the Nigerian Financial Inclusion Strategy (NFIS) aimed at reducing the percentage of adult Nigerians excluded from financial services from 46.3% as at 2010 to 20% by the year 2020. In line with the NFIS, the CBN has developed Agent Banking Guidelines (yet to be operational), and tiered Know Your Customer requirements to encourage financial institutions to reach out to the underserved segments in the society. The CBN has also developed the consumer protection framework to be administered by the Consumer Protection Department of CBN and launched a financial literacy strategy, all geared towards achieving the NFIS.

Most of the banking products seen in the banking industry in recent times were developed by traditional banking institutions like commercial banks, merchant banks, development banks and microfinance banks. With the emergence of Islamic banking and increased participation of developmental financial institutions in the banking sector and the full implementation of the NFIS, it is envisaged that more banking products would evolve and saturate the markets.

Credit Bureaux in Nigeria

Rising levels of NPLs in the banking sector, coupled with the lack of fully-developed credit bureaux and the need for a central database from which credit information on prospective borrowers could be obtained led to the establishment of the Credit Risk Management System ("**CRMS**") by the CBN. The CRMS aims to gather information on a borrower's credit history from various sources, and analyse the merged information to form a comprehensive credit history for the borrower, which helps in ascertaining the credit worthiness of the borrower. Previously, financial institutions in Nigeria had little information regarding the credit history of borrowers and principally relied on their own internal data, or shared data with other financial institutions as a business courtesy.

The CBN Act No. 7 of 2007 empowers the CBN to collect credit information on customers of banks and other financial institutions from any person or credit bureau, and to disclose such information collected as deemed appropriate. The Act also requires banks to obtain credit information from the CBN before granting to any customer a loan, advance or credit facility of up to ₦1 million or such other sums as may be set from time to time by the CBN.

However, the Guidelines for the Licensing, Operations and Regulation of Credit Bureaux and Credit Bureaux Related Transactions in Nigeria issued by the CBN require banks to obtain credit reports from at least two credit bureaus before granting any facility to their customers. Currently, the CRMS is web-enabled thus allowing banks and other stakeholders to directly access the CRMS database for the purpose of rendering the statutory returns or conducting status enquiry on borrowers.

In addition, the CBN has also licensed some private credit bureaux to provide credit information to banks and other entities that are registered with these bureaux. By a letter dated 14 March 2013 the CBN informed all credit bureaux in Nigeria of its revision of the existing guidelines for licensing, Operations and Regulation of Credit Bureau and related transactions in Nigeria and released the exposure draft of the guidelines. Some of the proposed changes in the exposure draft include a requirement that a data provider give notice to all its customers of its duty to report positive and negative information to a licensed bureau. In addition, the draft provides that the consent of the customer who is the subject of the data will not be required where the credit report that is prepared is required by law.

Furthermore, the draft guidelines seek to mandate banks to obtain credit reports for quarterly credit review from at least two credit bureaux.

Monetary Policy

In an effort to attain bank soundness and manage liquidity effectively, the CBN introduced in 2006 a new framework for monetary policy implementation in the marketplace using the short-term interest rate as its benchmark rate. The benchmark rate, the MPR, serves as an indicative rate for transactions in the inter-bank money market as well as money market rates. The ultimate goal of the new framework is to achieve a stable value of the Naira through stability in short-term interest rates around the MPR which will be determined and operated by the MPC. The MPR replaced the then-existing Minimum Rediscount Rate ("**MRR**"), and MPR was set at 10.0% using the then-current rate of inflation and the expected inflation rate outcome of 9.0% for the 2007 financial year as a guide to ensure that interest rates remain positive in real terms.

The main operating principle guiding the new policy was to control the supply of settlement balances of banks and motivate the banking system to target zero balances at the CBN through an active inter-bank trading or transfer of balances at the CBN. The aim of this was to engender symmetric treatment of deficits and surpluses in the settlement accounts, so that for any bank, the cost of an overdraft at the CBN would be equal to the opportunity cost of holding a surplus balance with the CBN. Although the MPR regime had been in operation since 2006, it was only in February 2008 that the CBN formally announced the removal of the MRR based framework, which was intended to confirm to banks that the previous policy restriction in bank lending rates had come to an end.

In 2009, the CBN revised the MPR downwards twice, from 9.75% to 8.00% in April 2009 and to 6.00% in July 2009. The MPR remained constant for most of 2010 at 6.0%, rising to 6.25% on 21 September 2010 and remained there for the rest of the year. In 2011, the Nigerian MPC raised the MPR six times consecutively, by 25 basis points in January 2011, by 100 basis points in March 2011, by 50 basis points in May 2011 by 75 basis points in July 2011, by 50 basis points in September 2011 and by 275 basis points in October 2011, signalling a tightening of monetary policy further in response to increasing inflationary pressures and to support the Naira.

The CBN has maintained the MPR at 12% since 2011 till 2014 in an effort to tighten money supply and arrest inflationary pressures in the economy. At the meeting in December 2014, MPR however increased to 13.0% to stem capital outflow, but this did little check mate the pressure has the local currency remained under pressure. Over 2015 to 2017 the CBN tweaked the MPR severally before opting to maintain the MPR at 14% since July 2016 till date.

Other Policy and Regulatory Considerations

The CBN adopted a "Framework for Risk Based Supervision of Banks in Nigeria", aimed at encouraging individual banks to develop and continuously update their internal risk management systems to ensure that such systems are commensurate with the scope and complexity of the relevant bank's operations and also, to assist Nigerian banks with the implementation of Basel II. As a result, Nigerian banks have been directed to institute effective risk management systems to enable them to identify measure, monitor and control risks in their institutions. In line with this framework, the Bank has adopted numerous risk management procedures and controls which it maintains and continuously reviews to further improve its internal systems and minimise the effect of these risks. The Bank complies with the CBN Prudential Guidelines with respect to risk management and is in the process of upgrading its framework so that it is in compliance with Basel II, as implemented by the CBN.

In April 2013 the CBN issued a new circular reviewing the risk weight of certain industry exposures for the purposes of computing capital adequacy ratios. One of the measures introduced in the circular states that where a bank's exposure to a particular industry within a sector (as defined by the International Standard Industrial Classification of Economic Sectors issued by the CBN) is in excess of 20 percent of total credit facilities of a bank, the risk weight of the entire portfolio in that industry shall be 150 per cent. On 10 December 2013 the CBN announced the implementation of the Basel II and III recommendations of the Basel Committee on Banking Supervision with effect from January 2014 and issued guidance notes on Regulatory Capital Measurement and Management for the Nigerian Banking System.

Prudential Guidelines

As part of its initiative of enhancing the quality of banks in Nigeria and with a view to adhering to international best practices, the CBN issued revised prudential guidelines which came into effect on 1 July 2010. The CBN Prudential Guidelines revised the previous guidelines issued in November 1990 and focused on various key aspects of banks' operations such as risk management, corporate governance, know-your-customer, anti-money laundering, financing of terrorism and loan loss provisioning. The CBN Prudential Guidelines are regarded as minimum requirements and all licensed banks are required to implement more stringent policies and practices to enhance the mitigation of risks. In addition to the CBN Prudential Guidelines, the CBN also prescribes certain mandatory ratios that must be maintained by Nigerian banks.

Mandatory Ratios CBN Maximum/Minimum Mandatory RatioRequirements

Cash reserve ratio/requirement	22.5% of deposits to be held at the CBN
Specified liquidity ratio	30.0% of deposits
Specified capital adequacy ratio	10.0% of risk weighted assets for National Banks 15% for international Banks
Guaranteed BAS/CPS to shareholders funds	150.0% of shareholder's funds Minimum capital base (inclusive of reserves) of ₦10 billion for regional banks
Statutory minimum capital base	₦10 billion for regional banks, ₦15 billion for merchant banks, ₦25 billion for national banks and ₦50 billion for international banks
Long term equity investments	25.0% of paid up capital and statutory Reserves
Single exposure limit	20.0% of shareholders' funds unimpaired by losses for commercial banks and 50.0% for merchant banks
Statutory limit to a single obligor	331/3 % of a bank's offbalance sheet Engagement

Large exposure limit	Total of all large exposures cannot exceed eight times shareholders" funds unimpaired by losses
Total outstanding exposure to all tiers of Government and their agencies	10.0% of total credit portfolio
FX Net Open Position	1.0% of shareholders' fund
Maximum asset exposure to public sector	10.0% of total loan book

The CBN Prudential Guidelines stipulate requirements that must be met by Nigerian banks with regard to the classification of assets, disclosure, provisioning and interest accruals. They also set forth the minimum standards that Nigerian banks must meet in this regard while encouraging banks to implement more stringent requirements.

The CBN Prudential Guidelines also require licensed banks to review their credit portfolios at least once every quarter, and to provide in their audited financial statements an analysis of whether their credit facilities are performing or non-performing. Under the CBN Prudential Guidelines, a credit facility is deemed to be performing if payments of both the principal amount and interest sums are up-to-date in accordance with the agreed terms. A credit facility is considered to be non-performing if (i) interest and/or principal is due and unpaid for 90 days or more; or (ii) interest payments equal to 90 days interest or more have been capitalised, rescheduled or rolled over into a new loan. A non-performing credit facility is reclassified as performing only when the borrower pays the outstanding unpaid interest within 90 days. The guidelines also provide for the classification of nonperforming credit-facilities into sub-standard, doubtful and lost, depending on the number of days for which the principal amount and/or interest sums have remained outstanding. Assessment parameters in this regard include repayment performance and net value of collateral that can be realised.

The CBN Prudential Guidelines further specify that off-balance sheet engagements such as letters of credit, bonds and guarantees, indemnities and protracted litigation must also be properly appraised to determine the extent of any likely loss arising from them.

The CBN Prudential Guidelines prescribe a maximum tenure of ten years for the CEO of every bank. The Bank is in compliance with this directive, as with its current Chief Executive; Kennedy Uzoka, who recently took over the leadership of the Bank, will not expire until 2026, which is ten years from the date of his appointment in line with the maximum tenure allowed under the Central Bank's rules. Under the CBN Prudential Guidelines, the CEO shall not qualify for appointment in his former bank or subsidiaries in any capacity until after three years following the expiration of his tenure as CEO.

Non-executive directors may serve a maximum of twelve years on the board of directors of a bank under the CBN Prudential Guidelines. Additionally, the CBN Prudential Guidelines require banks to rotate their firm of external auditors after the expiration of ten (10) years following the auditors' appointment. The auditors shall not be reappointed until an additional 10-year period has passed. The Bank will be required to change its auditors, PwC, by 2021 in compliance with this directive.

The Small and Medium Industries Equity Investment Scheme

Several challenges face SMEs in developing countries, the most significant of which is funding, as banks which constantly seek to minimize their risk profile are not very eager to fund SMEs. With a view to addressing this issue, the Bankers" Committee, a body comprised of chief executives from the CBN and other Nigerian banks, intervened in 2001 with the introduction of the Small and Medium Industries Equity Investment Scheme (the "**SMIEIS**").

The SMIEIS commenced in June 2001 as a government initiative for the promotion of SMEs as a vehicle for rapid industrialisation, sustainable economic development, poverty alleviation and employment generation. The

SMIEIS sets forth a mandatory requirement that all banks licensed in Nigeria set aside 10.0% of their annual profit after tax for equity investment in SMEs. In July 2007, however, the CBN announced that participation in the SMIEIS programme would be optional going forward. The participants in the SMIEIS programme are the Nigerian government, the CBN, the Bankers" Committee and individual banks.

The SMIEIS aims to assist with the establishment of new small and medium scale projects in certain sectors of the economy including agriculture and allied industries, information technology and telecommunication, manufacturing, educational establishments, services, tourism and leisure, solid minerals, construction, and other sectors as determined by the Bankers" Committee.

The SMIEIS was cancelled in 2007 and in March 2010, the CBN established the Small and Medium Enterprises Credit Guarantee Scheme (the "**SMECGS**") with the objectives of (i) promoting access to credit by SMEs and (ii) fast-tracking the development of the manufacturing SME sector of the Nigerian economy and setting the pace for industrialization of the Nigerian economy. The CBN acts as the managing agent of the SMECGS and all deposit banks and development finance institutions are eligible to act as participating banks under the SMECGS. The maximum loan amount under the SMECGS is ₦100 million which can be in the form of working capital, overdrafts, term loans for refurbishments or equipment. The CBN provides 80% guarantee cover of the loan advanced by participating banks to each SMEs.

Legal and regulatory developments

The Government is in the process of implementing reforms in the oil and gas, power and shipping sectors, which may also have an impact on the Nigerian banking sector. Legislative initiatives behind these reforms include the Nigerian Oil and Gas Industry (Content)Development Act No 2 of 2010 ("**Local Content Act**"), the Petroleum Industry Bill currently pending before both houses of the National Assembly and the Coastal and Inland Shipping(Cabotage) Act No. 5 of 2003 ("**Cabotage Act**"). The Local Content Act was enacted in April 2010. Prior to the enactment of the Local Content Act, local content promotion and development in the Nigerian oil and gas industry was loosely regulated. The Local Content Act provides that all operators, contractors and other entities engaged in any operation, business or transaction in the Nigerian oil and gas industry requiring financial services shall retain only the services of Nigerian financial institutions or organisations, except where this is impracticable. The Local Content Act also requires all operators, contractors and sub-contractors to maintain a minimum of 10% of the total revenue accruing from their Nigerian operations in bank accounts domiciled in Nigeria. The Local Content Act also contains provisions which seek to prioritise the use of Nigerian goods and services in sectors such as insurance and legal services as a first resort. The Cabotage Act also contains local content provisions in connection with domestic coastal carriage of cargo and passengers, which are expected to increase Nigerian entities" requirements for finance and financial services from Nigerian banks.

The Godwin Emefiele Era

Governor Godwin Emefiele assumed office in June 2014 following the controversial end of the tenure of Sanusi Lamido Sanusi. Godwin Emefiele's focus at inauguration was included but not limited to:

1. Pursue a gradual reduction in key interest rates and include unemployment rate in monetary policy decisions
2. Maintain exchange rate stability and aggressively shore up foreign exchange reserves
3. Strengthen risk-based supervision mechanism of Nigerian banks to ensure overall health and banking stability
4. Build up sector-specific expertise in banking supervision to reflect loan concentration of the banking industry
5. Consider and announce measures to effectively address the anomaly in macro-prudential space
6. Abolish fees associated with limits on deposits and reconsider ongoing practice in which fees associated with limits on withdrawals accrue to banks alone

7. Development of broad spectrum of financial instruments to boost specific enterprise areas in agriculture, manufacturing, health and oil and gas
8. Establish Secured Transaction and National Collateral Registry that will improve access to information on borrowers and assist lenders to make good credit decisions
9. Build resilient financial infrastructure that will serve the need of the lower end of the market, especially those without collateral as well as renew vigorous advocacy for the creation of commercial course for quick adjudication of almost and related offenses.

While Emefiele had a plan to pursue a development banking agenda, the realities of the global and domestic market macroeconomic environment since the 2014 oil market crisis, have constrained the current leadership of the bank to more concerned about macroeconomic stability rather than banking sector regulation. To this end, the CBN has maintained a broadly aggressive monetary policy stance as well as administrative currency control measures to curtail pressure on FX rate and check inflationary pressure. Technically, the current CBN leadership have had to sacrifice its initial agenda of to run a dovish and people friendly monetary policy for macroeconomic stability. Governor Emefiele's efforts have been geared towards ensuring the stability of exchange rate as an anchor for domestic price stability at the expense of faster economic growth. Initial reluctance to allow for a pro-market exchange rate policy via capital control measures resulted in massive depreciation in ₦/US$ exchange rate to over ₦500 at the parallel market. This was later followed with an adoption of a multiple exchange model that brought exchange rates across market segment to average ₦360/US$ at the non-official segments and ₦305/US$ at the official window compared to ₦160/US$ and ₦155/US$ pre-2014 crisis levels.

Sector Outlook

The key theme expected to drive performance in of the Banks in Nigeria 2018 is the sharp decline in yields on financial instruments which began in December 2017. After peaking in Q2-2017, the average yield on treasuries bottomed at 11% in Q2-2018. This is anticipated to have a profound impact on the performance of the banks going forward, following huge deployment of funds into government securities in the prior year. Depending on scale, efficiency and historical track record in balance sheet optimization, the impact of the new regime will be different for Tier-1 and Tier-2 Banks. The big banks tend to be supported by the highly liquid balance sheet and already lower funding costs, given existing scale advantage. Hence, they are better positioned to sweat their balance sheets in the face of high-interest rates, as their pricing power remains strong. This will likely result in better margins than smaller banks. On the contrary, they tend to see margins eroded when interest rates decline. Almost the opposite can be said for smaller banks whose biggest advantage comes from sharp decline in cost of funds especially for those with aggressive retail play.

The expectation of improved system liquidity in 2018, on account of reduced government borrowing should be positive for credit growth, potentially helping to compensate for the loss in income from securities portfolios. However, in a pre-election year, lending is likely to be impacted by politically-induced liquidity on the one hand, and political uncertainty on the other hand. Furthermore, a number of banks (especially Tier-2 banks) have minimal headroom for taking more risks, vis-à-vis regulatory threshold for capital adequacy, given recent macro headwinds. Potentially, while banks are likely to increase lending in 2018, credit to the public sector could grow much faster than private sector credit, akin to the trends we saw in 2017. On a balance of expectation, revenue generation for banks in 2018 will be largely dependent on transactional incomes as well as lending.

IFRS 9 implementation: New dawn of provisioning to hurt earnings

Finally, the imminent transitioning to IFRS 9 is expected to have a profound impact on banks' loan loss expenses and capital adequacy in 2018. The standards, which take effect in January 2018, require banks to take a forward-looking approach to provisioning. This is completely different from the reactive approach which required banks to set aside specific provisions only when they incurred losses, or when the counterparty or financial asset defaults on its obligations. Under IFRS 9, banks will have to set aside provisions in advance, based on their loss expectations and provide for the lifetime expected credit loss of exposures that have declined in creditworthiness. Unfortunately, very few banks have provided sufficient colour of the impact of this new policy. United Capital Research had earlier cautioned that Nigerian banks run the risk of overlooking the strategic repercussions of the new standards. While banks' asset quality is expected to improve on account of the more favourable macroeconomic backdrop in 2018, the proactive nature of the provisioning as specified in IFRS 9, may increase cost of Risk and reduce capital adequacy ratios across the sector. For example, earlier CBN guidelines on the Provisions state that the apex bank expects financial assets which are more than 30 days due or have been granted forbearance should be considered to have significantly increased in credit risk.

DESCRIPTION OF UNITED BANK FOR AFRICA PLC

History and Nature of Business

UBA Plc is one of the oldest banks in Nigeria and West Africa. Its history dates back to 1949 when the British and French Bank Limited ("BFB") commenced business in Nigeria. BFB was a subsidiary of Banque Nationale de Crédit ("BNCI"), Paris, which transformed its London branch into a separate subsidiary called the British and French Bank, with shares held by BNCI and two British investment firms, S.G. Warburg and Company and Robert Benson and Company. A year later, BFB opened its offices in Nigeria to break the monopoly of the two existing British-owned banks in Nigeria then and following Nigeria's independence from Britain, the Bank was incorporated in on 23 February 1961 to take over the business of BFB.

In March 1970, the Bank became the first Nigerian bank to successfully undertake an Initial Public Offering ("IPO") and was listed on the NSE. Since then, UBA has embarked on several equity raising offerings, including two Global Depository Receipts ("GDR") programmes aimed at facilitating foreign investment in the Bank.

To tap into the growing trade volume between Nigeria and the United States and to offer banking services to Africans in Diaspora, the Bank opened a New York branch in 1984.

The 2005 regulatory-induced consolidation resulted in UBA merging with Standard Trust Bank, and subsequently acquiring Continental Trust Bank. This chain of mergers and acquisitions pivoted UBA into Nigeria's leading financial powerhouse, championing innovations in consumer finance, trade finance, e-banking solutions, and public-private partnerships.

In its continuing pursuit of being a leading financial institution in Nigeria, the Bank between 2006 and 2008, acquired the fixed assets and private sector deposits of Trade Bank Limited, City Express Bank Limited, Metropolitan Bank, African Express Bank, Liberty Bank Plc, and Gulf Bank Plc, through the CBN and the NDIC's Purchase and Assumption programme.

In 2007, UBA commenced an African expansion strategy and has since then established branches in 19 African countries, that is, including a subsidiary in Accra, Ghana that was established in 2004 by Standard Trust Bank before the merger.

In the same year, the Bank made a substantial equity investment in Afrinvest Limited, a privately-owned investment banking firm in London specializing in African securities. This acquisition provided UBA with a strategic presence and distribution hub in London. The Bank has also established an office in Paris.

Over the years, UBA has received several domestic and international awards. In 2000, Europe's frontline Finance and Economy magazine, Euromoney, named UBA the "Best Domestic Bank in Nigeria", in recognition of the Bank's exponential growth, whilst the Pan-African News magazine awarded UBA the "Emerging Global Bank Award". The award is given to the international bank which has most positively influenced the African continent. In 2017, the Bank was awarded the "African Bank of the Year 2017" by the Banker Magazine for industry-wide excellence within the Global banking community demonstrating the Group's strength and dominance in the financial sector on the African continent. Additionally, four (4) of UBA Group's operations in Africa also led contenders in their respective countries to emerge the "Best Bank of the Year 2017" in their respective markets. UBA Congo, UBA Tchad, UBA Gabon and UBA Senegal emerged the Best Bank of the Year in Congo, Tchad, Gabon and Senegal, reinforcing the strong franchise of the Group across its chosen markets in Africa. Notably, UBA Gabon and UBA Senegal won the same awards in 2016, as both subsidiaries of UBA Group remain the Banks to beat in Gabon and Senegal.

Today, UBA is the third (3rd) largest bank in Nigeria by total assets and one of Africa's leading financial institutions offering fully fledged commercial banking services to more than 14 million customers, through over 1,000 branches across 20 key African markets, London, New York and Paris presenting the Bank with a strategic position to achieve its goal of becoming Africa's Global bank.

UBA's Strategic Intent

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

Our Three-Tier Strategic Intent	Strategic Imperatives
Dominant and Clear Leadership in Nigeria	▪ Market share dominance ▪ Balance sheet optimisation ▪ Leveraging Cash-Lite Initiatives ▪ Repositioning branches for deposit growth ▪ Asset Creation in growth sectors ▪ Improved cost efficiency
Leading African Bank	▪ Migration to consolidation phase ▪ Dominance in regional trade and remittance ▪ Development of partnership for profitability ▪ Global account management ▪ Success Transfer across the Group
Maintain Global Presence	▪ Positioning for dominance in international trade ▪ Improved access to multilateral trade

Distribution Network

As at 31 December 2017, the Group had over 1,000 branches across Africa, which provide a broad range of services tailored to the needs of its host community. Each branch is linked in real time to the head office via either VSAT or cable, and is equipped with its own power generation system to supplement the public power service.

In addition to its branch network, the Bank has 2,300 ATMs and 13,500 Point-of-Sales (POS) Terminals strategically located across geographical locations, allowing customers to conduct basic banking transactions such as cash withdrawals (subject to internal limit) and transaction enquiries 24/7.

UBA Legal Structure

Following the restructuring of UBA in 2012 in compliance with CBN's directives repealing the Universal Banking guidelines in Nigeria, the Bank currently operates as an international bank with presence in 19 African countries excluding Nigeria. The bank also owns interest in non-bank subsidiaries such as UBA Pensions Custodian Limited, UBA FX Mart Limited and UBA Capital Europe Limited. Below is the current legal structure of UBA as at December 31st, 2017:

DESCRIPTION OF UNITED BANK FOR AFRICA PLC

UBA's Business Lines

UBA Plc is a fully-fledged international commercial banking Group offering a wide array of services:

- **Wholesale/Institutional Banking:** The Bank's suite of products and services targeted at corporates, multinationals and institutions
- **SME Banking:** Banking services to growth companies to support their development into matured businesses
- **Public Sector Banking:** This covers the Bank's offerings to public sector and government institutions
- **Personal Banking:** Transactional and account services offered the wide range of "individuals" customer segments
- **Consumer Finance:** The Bank's array of risk assets financing designed for individuals matching their financial status and requirements
- **E-Banking:** Its technology-based products for both individuals and businesses thereby offering 24/7 anywhere banking access
- **Regional Trade:** Leveraging our pan-African network and international presence to facilitate the trade businesses of its customers
- **Offshore Banking:** Extending local banking services to diasporan Africans
- **Correspondent Banking:** Leveraging its international presence to offer financial services to other banks with businesses in these international locations
- **Pension Custody:** Custodian services offered to Pension Fund Administrators through its pension custodian subsidiary in line with the Nigerian Pension Act

UBA's Market Focus

UBA's market coverage cuts across all segments and key sectors across the African region

Profile of Directors

Mr. Tony Elumelu, CON – Chairman

Tony O. Elumelu is the Chairman of UBA, Heirs Holdings Limited and Transnational Corporation of Nigeria Plc, which is one of Nigeria's largest listed conglomerate. He is also the Founder of The Tony Elumelu Foundation, an African based and funded philanthropy, whose mission is to identify and assist entrepreneurs and the leaders of Africa's increasingly confident private sector, serve as a source of policy development, and work to ensure that the private sector drives economic growth across Africa. His corporate reputation as a leading African business leader was founded on his role in re-shaping the African financial services industry. He was the driving force behind the rise of UBA, transforming it from a single country bank to a pan-African institution serving over 14 million customers in twenty (20) African countries and operating in three (3) continents.

He earned a Bachelor of Science degree in Economics from Bendel State University in 1985 and a Master of Science degree in Economics from the University of Lagos in 1988. He has attended Harvard Business School, where he completed the Advanced Management Programme. He has also completed management programs at the Institute of Management Development in Lausanne, Switzerland, and the Singapore Institute of Management. He holds an honorary Doctor of Science degree from Benue State University and an honorary Doctor of Business Administration from the University of Nigeria, Nsukka.

Amb. Chinedu J. Keshi, OON – Vice Chairman

Ambassador Joseph Keshi is the Vice Chairman of UBA. He has over thirty-five (35) years' working experience in the highest level of Government serving as Permanent Secretary – Ministry of Foreign Affairs, Permanent Secretary – Cabinet Secretariat, The Presidency, Charge d'Affaires, Embassy of Nigeria, The Hague, The Netherlands, as well as Consular-General of Nigeria, Atlanta, Georgia.

Amb. Keshi has a B.Sc (Political Science) degree from University of Ibadan Nigeria in 1974 and M.A. Administration and Development from Institute of Social Studies in 1988, The Hague, Netherlands; Post Graduate Diploma – (International Relations and Diplomacy) Nigerian Institute of International Affairs, Lagos, Nigeria and Executive Course on Leadership in the 21st Century from Kennedy School of Government, Harvard University, Boston.

Mr. Kennedy Uzoka – Group Managing Director/CEO

Kennedy Uzoka has over two decades' experience covering core banking, corporate marketing, strategic business advisory services and resources management. He currently manages the Group's operations across 18 countries in Africa. Prior to his appointment as GMD/CEO he was the Deputy Managing Director and CEO of UBA Africa. In addition to UBA Africa, he also supervises two key strategic support areas in e-Banking and Information Technology. Most recently, Mr. Uzoka has spearheaded the Customer Focused revolution in the bank which has created a fully digital, 24/7 user friendly experience that aims to anticipate and fulfil our customer's expectations.

Mr. Uzoka's career commenced at Standard Trust Bank where, prior to the merger, he served as Regional Director South East and Chief Marketing Officer of the bank. His extensive experience within UBA has given him a birds' eye view of the organisation's capabilities and he is committed to enhancing performance, delivery and processes to ensure that customers, large and small, investors and shareholders see UBA as their preferred financial institution. Prior to his role as CEO, UBA Africa he was Head of Strategy and Business Transformation, Head of Resources and supervised the bank's businesses in New York and London.

He is an award-winning graduate of Mechanical Engineering (B.Sc) from the University of Benin (1988), he holds an MBA from the University of Lagos, an alumnus of IMD, Switzerland in 1992 and has completed an Advanced Management Programme with Harvard Business School, Boston Massachusetts, USA.

Mr. Victor Osadolor – Deputy Managing Director

Mr. Osadolor is a seasoned Accountant, a Banker and a Strategist, with over 25 years of work experience (fifteen of which has been spent in top management positions in top class organizations across Africa). He started his career in 1989 with Coopers and Lybrand (now PricewaterhouseCoopers (PwC)). Mr. Osadolor's scope of knowledge and expertise cut across Finance, Strategy, Risk Management, Operations and Technology, Treasury, Investment Banking and Business Development.

He was one-time the Group Director for Financial Services in Heirs Holdings (HH) Limited and a Non-Executive Director of Transcorp Ughelli Power Limited. He drove Heirs Holding's strategic objectives across its subsidiaries in the Financial Service Sector. Prior to joining Heirs Holdings, he was at different times between 2012 and 2014 the Chief Operating Officer for Ecobank's Corporate and Investment Banking (CIB) Group across Africa and the rest of the world and later the Chief Strategist for Ecobank Transnational Incorporated (ETI).

Prior to joining Ecobank Group, Victor worked in various executive management capacities with UBA and was at different times, the Deputy Group CEO and DMD, the Group CFO, Executive Director, Risk and Finance and MD, UBA Capital Holdings Limited. Before moving over to UBA through a landmark merger transaction between STB and UBA in 2005, Mr. Osadolor served as the Executive Director, Risk Management and Compliance in Standard Trust Bank, CFO (in Ecobank, Nigeria) and CFO (in GTBank). He presently the Deputy Managing Director, UBA Group.

An Alumnus of Harvard Business School and International Institute of Management Development (IMD), Lausanne, Switzerland, he holds a Bachelor of Science degree in Accounting from the University of Benin (1988) and is a Fellow of the Chartered Institute of Accountants of Nigeria and honorary life member of the Chartered Institute of Bankers of Nigeria (CIBN).

Mr. Dan Okeke – Executive Director

Dan Okeke acquired varied work experience in the Manufacturing industry before moving to the financial services sector. He has over seventeen (17) years' banking experience, garnering capabilities in Domestic and International Operations, Credit and Marketing. He is currently responsible for the Bank's business and activities in Northern Nigeria. Prior to this role, he was head of the Bank's activities in Eastern Nigeria.

He holds a B.Sc. degree in Geography and Planning from the University of Nigeria Nsukka in 1985 and an MBA (Finance) from the ESUT Business School Enugu in 1999. He is also an associate of the Nigerian Institute of Management (NIM) and has attended various local and international programmes, including the Competition and Strategy program at the Harvard Business School.

Mr. Emeke Iweriebor – Executive Director

Mr Emeke Iweriebor is the Regional CEO of UBA Africa (Francophone). His role sees him overseeing the strategic development and activities within the Bank's Francophone Africa territories as well as spearheading further expansion.

Mr. Iweriebor has over two (2) decades of experience in financial services and has worked for a number of leading financial institutions. During his tenure at UBA, he has served as the pioneer MD/CEO of UBA Cameroun, Deputy CEO of UBA Africa and Head of UBA CES, the bank's country subsidiaries in Central, East and Southern Africa.

He holds B.Sc, and M.Sc. degrees in Political Science (International Relations) in 1990 and 1992 respectively as well as an MBA from the University of Lagos. He is also an alumnus of the Wharton Business School's Executive Development Program.

Mr. Oliver Alawuba – Executive Director

Mr. Oliver Alawuba has over twenty-five (25) years' working experience in the banking industry and the academia. He is currently the CEO UBA Africa, Anglophone. He was at various times an Executive Director at Finbank Nigeria Plc (now FCMB Plc), MD/CEO UBA Ghana Ltd, MD/CEO UBA West Africa and Deputy CEO UBA Africa Wholesale Banking.

He is an alumnus of the AMP and SEP programmes of the prestigious Insead Business School (2008), France (2005), and London Business School (2008) respectively. He is also a Fellow of Nigerian Institute of Management and Honorary Senior Member of Chartered Institute of Bankers of Nigeria.

Mr. Uche Ike – Executive Director

Mr. Ike served as Group Chief Risk Officer and has responsibility for coordinating the risk management activities of the Bank. Prior to this role, he served as the General Manager of UBA New York and had also previously supervised operations in the East and South Banks of UBA Nigeria as the Group Head of Operations in South and South-East Banks. He has over two (2) decades of banking experience spanning operations, internal audit, operational risk management, fraud management and regulatory compliance. He has been an Executive Director of UBA since May 2016.

He holds a BSc degree in Accountancy from the Imo (now Abia) State University, 1988, and a Master of Business Administration degree from the University of Benin, in 1997. He is an Associate member of the Institute of Chartered Accountants of Nigeria (ICAN), 1995.

Mr. Ayoku Liadi – Executive Director

Has over 20 years' banking experience, having worked in Tier 1 banks in Nigeria and in West Africa, before joining UBA in January 2014 as the Director for Lagos and West Bank, overseeing over 200 branches of UBA. A Chartered Accountant and graduate of Business Management from the University of Nigeria, Nsukka. Where Ayo received the Dean's Award for Outstanding Academic Performance.

Mr. Ayoku A. Liadi serves as Director for Lagos and West Bank, overseeing over 200 branches of UBA. He previously served as the Head of Lagos Mainland Bank. Prior to joining UBA Plc in 2014, Mr. Liadi had over two (2) decades of banking experience in Business Transformation, Relationship Management, Banking Operations, Risk Management, Financial Control and Business Strategy. He served as Managing Director of Guaranty Trust Bank (Sierra Leone) Limited at Guaranty Trust Bank plc. He also served as General Manager at Guaranty Trust Bank plc, General Manager of Lagos Division, Group Head of CBG Mainland and Deputy General Manager of Guaranty Trust Bank Plc. He also had a stint at Zenith Bank Plc and rose to the position of Deputy General Manager in 2006.

He has attended various local and offshore courses in Banking, Strategy and Leadership among others. He has been an Executive Director of the Bank since May 2016. He is also a Chartered Accountant and member of the Institute of Chartered Accountants of Nigeria (ICAN). Mr. Liadi holds a BSc in Business Management from University of Nigeria, Nsukka 1990.

Mr. Ibrahim Puri – Executive Director

Mr. Puri Ibrahim serves as Directorate Head of Northern Nigeria. He previously served as Head UBA Nigeria (North Central) and as Head of North Central Bank since March 19, 2013. He has over two (2) decades' banking experience spanning Operations, Trade and Structured Finance, Retail Banking, Commercial and Corporate Banking. He served as Head Wholesale Banking (North), Regional Director (Abuja) and Regional bank head (North West). Before joining UBA, he was regional Controller (Northern Nigeria), responsible for consumer, commercial and corporate banking at Universal Trust Bank Plc (now part of Union Bank Plc). He has been an Executive Director of United Bank for Africa Plc since May 2016.

Mr. Puri holds a BSc degree in Accountancy (1996) and an MSc in Banking and Finance (1997), both from Bayero University, Kano.

Mr. Chukwuma Nweke – Executive Director

Chukwuma Nweke, currently the Head of Operations and Information Technology, is an accounting graduate of the University of Nigeria at Nsukka (best graduating student) and holds an MBA from the same university. Chuks is also a qualified Chartered Accountant. He has over 25 years of banking experience

Mr. Chukwuma Nweke serves as Group Head of Operations and Technology of the Bank. He has more than two (2) decades of experience spanning Banking Operations, Finance, Technology, Audit and Strategy. He has been an Executive Director since May 2016.

He is an Associate member of the Institute of Chartered Accountants of Nigeria and an Honorary Member of the Chartered Institute of Bankers of Nigeria. Mr. Nweke holds a BSc degree in Accountancy (1995), and an MBA (1995) from the University of Nigeria, Nsukka.

Chief Kola Jamodu, OFR – Non-Executive Director

Chief Jamodu is an industrialist, Chartered Accountant and first Nigerian Chairman/Chief Executive Officer of Paterson Zochonis Group of Companies, ('PZ'). He was also the Chairman of Universal Trust Bank Plc until February 2001, when he was appointed Minister of Industry. His distinguished career has seen him honoured by the Federal Government as a Member of the Order of the Federal Republic (MFR) and the Order of the Federal Republic of Nigeria (OFR) respectively.

He is an alumnus of the Harvard Business School, USA and a fellow of several professional institutes including Chartered Institute of Secretaries, Chartered Institute of Taxation of Nigeria and Institute of Chartered Accountant of Nigeria. He attended London School of Accountancy/Metropolitan College in 1963 and holds a Master's degree in Management Accounting (1965) from same university.

Mrs. Foluke Abdulrazaq – Non –Executive Director

Mrs. Foluke Abdulrazaq began her career in finance with Afribank before moving to Credit Bank where she rose to become an Acting CEO. Her career has also seen her work for Lagos State Government in a number of senior roles including Chairman of Lagos State's Tenders' Board, Commissioner of Finance and Commissioner of Women Affairs and Social Development. Mrs. Abdulrazaq is very passionate about education and equipping future generations with the skills they need to forge ahead in life and is the proprietress of Head-Bridge House College, Ikoyi Lagos.

She holds an HND in Accountancy (1979) from the Kwara State College of Technology, and an M.Sc. in Banking and Finance (1991) from the University of Ibadan.

Mrs. Owanari Duke – Independent Non-Executive Director

She is a Legal Practitioner, an entrepreneur, a certified Mediation/Dispute Resolution Consultant and philanthropist. She is the Managing Partner of the Law Firm of Duke & Bob-Manuel and serves as the Executive Chairman of Allied Merchants & Brokers Limited—a merchandising and brokerage firm. Mrs. Duke also serves as Country Director of EMPRETEC Nigeria Foundation, a United Nations Centre for Trade & Development (UNCTAD) private Sector Support Initiative to help Nigerians achieve higher levels of productivity and competitiveness among Small and Medium-Scale Enterprises (SMEs). She was former First Lady of Cross River State of Nigeria.

She holds an LL.B degree from Ahmadu Bello University, Zaria (1983).

High Chief Samuel Oni, FCA – Independent Non-Executive Director

High Chief Samuel Oni is a career banker with over thirty (30) years' experience who has held several senior roles within the Central Bank of Nigeria. Prior to his retirement, High Chief Oni was the Director of Banking Supervision at the CBN and played a critical role during the 2009 banking financial crisis. His timely interventions resulted in him receiving a special commendation from the Board of the CBN.

Additionally, High Chief Oni was the Chairman of the committee set up by the CBN to supervise the establishment of the Asset Management Corporation Nigeria (AMCON). An accountant by training, at the Polytechnic, Ibadan (1974 – 1978), he is a Fellow of the Association of Certified Chartered Accountants, London and the Institute of Chartered Accountants, Nigeria.

High Chief Samuel Oni holds an MBA (Finance) from the University of Ilorin, 1990.

Corporate Governance Structure

The Bank is committed to high standards of corporate governance and continually ensures group-wide compliance with the provisions of the Code of Corporate Governance for Banks and Discount Houses in

Nigeria issued by the CBN, Securities and Exchange Commission's Code of Corporate governance and its own Group Code of Corporate governance which is made available to all staff on the Bank's corporate website.

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

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

As at December 31, 2017, the Board comprised a Non-Executive Chairman, a Non-Executive Vice Chairman, eight (8) other Non-Executive Directors, which includes, four (4) Independent Non-Executive Directors and nine (9) Executive Directors (which include the GMD/CEO and the Deputy Managing Director), all of whom bring a wide range of skills and experience to the Board.

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

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

Responsibility of the Board

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

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

The Board meets quarterly and additional meetings are convened as the need arises.

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

Board Committees

Board Audit Committee

The Board Audit Committee was set up to further strengthen internal controls in the Group. It assists the Board of Directors in fulfilling its audit responsibilities by ensuring that effective systems of Financial and Internal controls are in place within the Group. Meetings are held at least once a quarter, with the Chief Audit Executive of the Bank in attendance.

The Board Audit Committee comprises:

1. Mr. Adekunle Olumide, OON – Chairman
2. Mrs. Foluke Abdulrazaq

3. Chief Kola Jamodu, CFR
4. Mrs. Rose Okwechime
5. High Chief Samuel Oni, FCA

Board Risk Management Committee

The Board Risk Management Committee is responsible for reviewing and recommending of risk management strategies, policies and risk tolerance for the Board's approval; reviewing management's periodic reports on risk exposure, risk portfolio composition and risk management activities; and considering/examining such other matters as the Board requires, the Committee considers appropriate, or which are brought to its attention, and making recommendations or reports to the Board accordingly. The committee also meets once a quarter.

The committee members include:

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

Board Credit Committee

The Committee is responsible for approval of credit facilities in the Bank. It reviews all credits granted by the Bank and meetings are held at least once a quarter. The Board Credit Committee was set up to assist the Board of Directors to discharge its responsibility to exercise due care, diligence and skill to oversee, direct and review the management of the credit portfolio of the Group. Its terms of reference include determining and setting the parameters for credit risk and asset concentration and reviewing compliance within such limits; determining and setting the lending limits, reviewing and approving the Group's credit strategy and the credit risk tolerance. The Committee also reviews the loan portfolio of the Bank. It also reviews and approves country risks exposure limits.

The Board Credit Committee members include:

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

Nominations and Governance Committee

The responsibilities of the Committee include reviewing, considering and determining the appropriate remuneration payable to the Bank's Executive Directors as well as broad remuneration policy for the Bank. Meetings are held at least once a quarter.

The Nominations and Governance Committee comprise:

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

Finance and General Purpose Committee

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

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

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

Statutory Audit Committee

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

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

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

USE OF PROCEEDS

The Issuer seeks to raise medium to long term debt in order to match and fund assets of similar durations, whilst shoring up its regulatory capital base.

Amongst other strategic and long-term objectives of the Bank the issue proceeds will be applied towards supporting the following initiatives:

- Regional expansion across Africa
- Infrastructure project financing opportunities
- Potential acquisition opportunities
- Information technology upgrade across the Bank's African offices and to enhance distribution channels
- Where applicable, as a means of shoring up the Bank's regulatory capital base.

The use of proceeds and duration of projects will be disclosed in the relevant SP.

GLOBAL CREDIT RATING CO.

GCR | GLOBAL CREDIT RATING CO.
Local Expertise • Global Presence

United Bank for Africa Plc

Nigeria Bank Analysis **October 2017**

Rating class	Rating scale	Rating	Rating outlook	Expiry date
Long-term	National	AA-(NG)	Stable	September 2018
Short-term	National	A1+(NG)		
Long-term	International scale	B+	Stable	

Financial data:

(USDm comparative)#

	31/12/15	31/12/16
NGN/USD (avg.)	197.0	256.0
NGN/USD (close)	197.0	305.3
Total assets	13,899.8	11,326.1
Primary capital	1,688.4	1,467.6
Secondary capital	434.6	281.6
Net advances	5,262.1	4,930.6
Liquid assets	3,413.9	2,613.5
Operating income	1,067.3	1,058.2
Profit after tax	302.8	282.3
Market cap.*	N314.6bn/USD1.0bn	
Market share**	10.9%	

Central Bank of Nigeria ("CBN") exchange rate
*As at 12 October 2017.
**As a % of industry assets at 31 December 2016.

Rating history:

Initial rating
August 2000
Long-term: AA(NG)
Short-term: A1+(NG)
Rating outlook: Stable
August 2013
Long-term international scale: BB-
Rating outlook: Stable

Last rating (September 2016)
Long-term: AA-(NG)
Short-term: A1+(NG)
Rating outlook: Stable
Long-term international scale: B+
Rating outlook: Stable

Related methodologies/research:

Global Criteria for Rating Banks and Other Financial Institutions, updated March 2017
Nigerian Banking Sector Bulletin, 2017
UBA rating reports (2000-16)
Glossary of Terms/Ratios, February 2016

GCR contacts:

Primary Analyst
Funmilayo Abdulrahman
Credit Analyst
funmilayo@globalratings.net

Committee Chairperson
Dave King
king@globalratings.net

Analysts location: Lagos, Nigeria
Tel: +234 1 462-2545
Website: www.globalratings.com.ng

Summary rating rationale

- The accorded ratings reflect United Bank for Africa Plc's ("UBA" or "the bank") established franchise, significant domestic market share (being one of the top-tier banks in Nigeria) and its status as a systemically important bank. The ratings also reflect UBA's risk appropriate capitalisation, comfortable liquidity, resilient earnings performance, as well as geographic and earnings diversity. UBA is one of the leading financial services groups in Sub-Saharan Africa ("SSA"), by geographical coverage and balance sheet size, with operations in 19 African countries and offices in three global financial centers (London, Paris and New York). Operations in Nigeria contributed 69% of UBA's consolidated assets at FY16 and 63% of pre-tax profits.
- UBA's capitalisation is considered adequate for its current risk level, with the risk weighted capital adequacy ratio ("CAR") maintained at a flat rate of 20% at FY16 and 1H FY17, well above the prudential minimum of 15% for international banks in Nigeria. Shareholders' funds grew consistently over the review period to N448.1bn at FY16, underpinned by a strong internal capital generating capacity. Also, supporting UBA's capitalisation is the subordinated debt securities (Tier 2 capital) amounting to N86bn at FY16.
- The gross non-performing loan ("NPL") ratio rose to 3.9% and 4.2% at FY16 and 1H FY17 respectively (FY15: 1.7%), albeit remaining within CBN's tolerable limit of 5%. According to management, the increase in impaired loans was mainly due to macroeconomic pressures in Nigeria. Specific provision coverage of impaired loans stood at 36.1% at FY16 (FY15: 37.1%). Management has stepped up collection efforts to enhance recovery prospects.
- UBA's contractual and behavioural matching of assets and liabilities reflected a liquidity gap of N438bn and N489bn respectively at FY16 (equivalent to 97.9% and 109.2% of capital respectively), a feature common to all industry players (and emerging markets in general), due to reliance on short-dated funding to fund longer dated loans and advances. To mitigate the maturity mismatches, UBA has credit lines from other financial institutions and also successfully raised additional USD500m via a Eurobond Issue during 1H FY17. Liquidity risk is further ameliorated through maintaining a sizeable liquid asset buffer. The bank's average liquidity ratio was 42.0% in FY16 (FY15: 42.5%), which was well above the statutory minimum of 30%.
- Despite a challenging operating environment, key profitability metrics remained strong throughout the review period. Profit after tax rose 21.1% to N72.3bn in FY16 and stood at N42.3bn at 1H FY17 (in line with budget), underpinned by significant growth in earnings. While operating expenses rose by 11.6% in FY16, this was well absorbed by the earnings growth, translating to a moderated cost ratio of 56.3% (FY15: 65.0%). Overall, the return on average equity and assets ("ROaE" and "ROaA") was 19.0% (FY15: 20.4%) and 2.3% (FY15: 2.2%) in FY16 respectively.

Factors that could trigger a rating action may include

Positive change: Significant (but not dominant) market position and a tough operating environment limit the likelihood of ratings rising in the medium term. Substantial market share and profitability enhancement, while maintaining a strong credit profile, may be ratings positive.

Negative change: The rating maybe revised downward following a significant decline in asset quality metrics. Furthermore, the international scale rating will be sensitive to changes in the sovereign rating of Nigeria.

UNITED BANK FOR AFRICA PLC

Rating Assigned:

Aa-

Outlook: Stable
Issue Date: 11 July 2018
Expiry Date: 30 June 2019
Previous Rating: Aa-

Industry: Banking

Analysts:
Yomi Akinola
yomiakinola@agusto.com

Yinka Adelekan
yinkaadelekan@agusto.com

Agusto & Co. Limited
UBA House (5th Floor)
57, Marina
Lagos
Nigeria

www.agusto.com

This is financial institution with good financial condition and strong capacity to meet its obligations as and when they fall due

RATING RATIONALE

Agusto & Co. maintains the rating of United Bank for Africa Plc. ("UBA" or "the Bank"). This rating is underpinned by the Bank's strong domestic franchise, strong liability generation capabilities, good capitalisation and competent management team. The rating also reflects the fragile macroeconomic climate in which the Bank operates and the threat on asset quality, as well as its high cost of operations.

UBA's total assets and contingents amounted to ₦3.3 trillion as at 31 December 2017. Gross loans, the largest asset class totalled ₦1.2 trillion also as at year-end 2017. Though asset quality was largely preserved in the review period, UBA's non-performing loan ratio stood somewhat elevated at 4.5%, just below the 5% regulatory ceiling, so did past due but not impaired loans at 6.1% of gross loans. This elevation is on account of the presence of concentration risks in the Bank's loan portfolio, exposing it to asset quality volatilities in a fragile macroeconomy. Nonetheless, holistically, credit risks have remained largely controlled, particularly in view of the industry's average NPL of 11.5% for the same period.

Having built a strong brand over the years with an expansive business footprint in Nigeria and presence in 19 other countries supporting liability generation for asset creation, UBA's strategy has sought to leverage on low cost liability generation for lending to corporate customers. This is in addition to investing in risk free government securities (particularly in periods of macro-driven elevations in obligor credit risk). Thus, the Bank's net interest spread (NIS) for the 2017 financial year stood at 58.2%. Charge-offs to UBA's provisioning account as well as persistently elevated operating expenses have however impacted the Bank's profitability profile. UBA's cost-to-income ratio (CIR) stood high at 69.9% for the 2017 financial year compared to an industry average of 66.1% for banks in Agusto & Co.'s coverage, for the same period. UBA's profitability indicators declined in the

EY
Building a better working world

Ernst & Young
10th Floor
UBA House
57, Marina
P. O. Box 2442, Marina
Lagos.

Tel: +234 (01) 631 4500
Fax: +234 (01) 463 0481
Email: Services@ng.ey.com
www.ey.com

5 June 2018

The Directors
United Bank for Africa Plc
UBA House
57 Marina
Lagos

and

The Managing Director
United Capital Plc
12 th Floor, UBA House
57 Marina
Lagos

Gentlemen,

ACCOUNTANTS' REPORT ON THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UNITED BANK FOR AFRICA PLC FOR THE FIVE YEARS ENDED 31 DECEMBER 2017

We have reviewed the audited consolidated financial statements of United Bank for Africa Plc that comprise the consolidated statements of financial position as at 31 December 2017, 2016, 2015, 2014 and 2013 and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the years then ended, and a summary of significant accounting policies and other explanatory information, for the proposed N300 billion bond issue programme. PricewaterhouseCoopers were the auditors of the UBA Plc for the years ended 31 December 2017, 2016, 2015, 2014 and 2013. Unmodified audit opinion were issued by the auditors for the 5 years.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the applicable financial reporting framework and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to express a conclusion on the accompanying consolidated financial statements. We conducted our review in accordance with the International Standard on Review Engagement (ISRE) 2400, Engagements to Review Historical Financial Statements. ISRE 2400 requires us to conclude whether anything has come to our attention that causes us to believe that the consolidated financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework. This Standard also requires us to comply with relevant ethical requirements.

A review of consolidated financial statements in accordance with ISRE 2400 is a limited assurance engagement. The accountant performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these consolidated financial statements do not give a true and fair view of the consolidated financial position of United Bank for Africa Plc and its subsidiaries as at 31 December 2017, 2016, 2015, 2014 and 2013, and their financial performance and cash flows for each of the years then ended, in accordance with the applicable financial reporting framework.

This report is solely for the use of the Directors of United Bank for Africa Plc and other relevant parties to the offer. No part of this report may be quoted or circulated outside these parties without the prior written approval of Ernst & Young.

Yours faithfully,

Dayo Babatunde, FCA
FRC/2013/ICAN/00000000702
For: Ernst & Young
Lagos, Nigeria
5 June 2018

UNITED BANK FOR AFRICA PLC

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

In millions of Nigerian Naira	*Notes*	2017	2016	2015	2014	2013
Gross earnings		461,557	383,457	314,830	286,615	260,532
Interest income	7	325,657	263,970	233,969	196,680	185,700
Interest expense	8	(118,025)	(98,770)	(96,030)	(90,547)	(82,469)
Net interest income		207,632	165,200	137,939	106,133	103,231
Net impairment charge on loans and receivables	9	(32,895)	(27,683)	(5,053)	(3,183)	(9,648)
Net interest income after impairment on loans and receivables		174,737	137,517	132,886	102,950	93,583
Fees and commission income	10	82,937	73,199	61,892	54,974	50,099
Fees and commission expense	11	(16,967)	(13,988)	(8,557)	(7,008)	(5,225)
Net trading and foreign exchange income	12	49,063	43,820	16,026	32,411	17,650
Gain on non-current assets distributed to owners	19	-	-	-	-	950
Other operating income	14	3,900	2,468	2,943	2,550	7,083
Net loss on investment securities	13	-	-	-	-	(225)
Employee benefit expenses	15	(68,972)	(64,614)	(57,446)	(55,461)	(50,655)
Depreciation and amortisation	16	(10,091)	(8,650)	(7,968)	(5,736)	(6,169)
Other operating expenses	17	(109,547)	(79,047)	(71,212)	(68,489)	(51,027)
Share of gain /(loss) of equity-accounted investee	27 (c)	204	(63)	(110)	9	(6)
Profit before income tax		105,264	90,642	68,454	56,200	56,058
Income tax expense	18	(26,674)	(18,378)	(8,800)	(8,293)	(9,457)
Profit for the year		78,590	72,264	59,654	47,907	46,601
Other comprehensive income						
Items that will be reclassified to profit or loss in subsequent periods:						
Foreign currency translation differences		12,151	38,960	(1,937)	(1,352)	(2,066)
Fair value gains/(loss) on available-for-sale investments		15,701	28,114	7,310	(1,239)	9,167
Net amount transferred to profit or loss		(83)	(1,188)	795	29	63
Other comprehensive income/(loss)[1]		27,769	65,886	6,168	(2,562)	7,163
Total comprehensive income for the year		106,359	138,150	65,822	45,345	53,764
Profit attributable to:						
Owners of Parent		76,046	69,404	58,604	47,021	45,917
Non-controlling interests		2,544	2,860	1,050	886	684
Profit for the year		78,590	72,264	59,654	47,907	46,601
Total comprehensive income attributable to:						
Owners of Parent		99,972	130,783	65,108	44,911	53,445
Non-controlling interests		6,387	7,367	714	434	257
Total comprehensive income for the year		106,359	138,150	65,822	45,345	53,703
Basic and diluted earnings per share (Naira)	20	2.22	2.04	#REF!	#REF!	#REF!

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

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

UNITED BANK FOR AFRICA PLC

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT *In millions of Nigerian Naira*	Notes	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013
ASSETS						
Cash and bank balances	21	898,083	760,930	655,371	812,359	716,803
Financial assets held for trading	22	31,898	52,295	11,249	1,099	784
Derivative assets	31(a)	8,227	10,642	1,809	6,534	3,265
Loans and advances to banks	23	20,640	22,765	14,600	48,093	26,251
Loans and advances to customers	24	1,650,891	1,505,319	1,036,637	1,071,859	937,620
Investment securities	25	1,216,053	970,392	856,870	657,523	811,206
Other assets	26	86,729	37,849	40,488	30,057	30,436
Investment in equity-accounted investee	27c	2,860	2,925	2,236	2,986	2,977
Property and equipment	28	107,636	93,932	88,825	89,517	75,409
Intangible assets	29	16,891	14,361	11,369	9,430	7,355
Deferred tax assets	30	29,566	33,060	33,168	33,116	30,189
TOTAL ASSETS		4,069,474	3,504,470	2,752,622	2,762,573	2,642,296
LIABILITIES						
Derivative liabilities	31(b)	123	14	327	943	31
Deposits from banks	32	134,289	109,080	61,066	59,228	60,582
Deposits from customers	33	2,733,348	2,485,610	2,081,704	2,169,663	2,161,182
Other liabilities	34	96,622	110,596	54,885	63,566	78,071
Current income tax liabilities	18c	7,668	5,134	6,488	4,615	2,861
Deferred tax liabilities	30	40	62	15	40	14
Borrowings	35	502,209	259,927	129,896	113,797	48,866
Subordinated liabilities	36	65,741	85,978	85,620	85,315	55,653
TOTAL LIABILITIES		3,540,040	3,056,401	2,420,001	2,497,167	2,407,260
EQUITY						
Share capital	37	17,100	18,140	18,140	16,491	16,491
Share premium	37	98,715	117,374	117,374	107,932	107,932
Retained earnings	37	154,527	138,623	113,063	87,047	70,480
Other reserves	37	240,861	160,714	77,250	48,460	32,747
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		511,203	434,851	325,827	259,930	227,650
Non-controlling interests		18,231	13,218	6,794	5,476	7,387
TOTAL EQUITY		529,434	448,069	332,621	265,406	235,037
TOTAL LIABILITIES AND EQUITY		4,069,474	3,504,470	2,752,622	2,762,573	2,642,297

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

UNITED BANK FOR AFRICA PLC

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED

31 December 2017

Group

In millions of Nigerian naira	Notes	Share capital	Share premium	Translation reserve	Regulatory credit risk reserve	Fair value reserve	Treasury shares	Statutory reserve	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2017		**18,140**	**117,374**	**28,799**	**31,375**	**38,274**	**(31,600)**	**73,864**	**136,423**	**434,651**	**13,218**	**448,069**
Profit for the year		-	-	-	-	-	-	-	76,046	76,046	2,244	78,290
Exchange differences on translation of foreign operations		-	-	8,303	-	-	-	-	-	8,303	3,848	12,151
Fair value change in available-for-sale financial assets		-	-	-	-	15,706	-	-	-	15,706	(3)	15,703
Net amount transferred to profit or loss		-	-	-	-	(83)	-	-	-	(83)	-	(83)
Total comprehensive income for the year		-	-	8,303	-	15,623	-	-	76,046	99,972	6,087	106,059
Transfer between reserves		-	-	-	13,861	-	-	10,760	(24,621)	-	-	-
Transactions with owners												
Sale of treasury shares		-			-	-	654	-	-	654	-	654
Treasury shares cancelled during the year		(1,040)	(18,659)	-	-	-	30,946	-	(11,247)	-	-	-
Change in ownership interest in subsidiaries arising from parent's additional investment		-	-	-	-	-	-	-	1,374	1,374	(1,374)	-
Dividends paid		-	-	-	-	-	-	-	(25,648)	(25,648)	-	(25,648)
Balance at 31 December 2017		**17,100**	**98,715**	**37,102**	**45,236**	**53,897**	**-**	**84,624**	**144,327**	**511,203**	**18,231**	**529,434**

The accompanying significant accounting policies and notes to the consolidated financial statements are an integral part of these consolidated financial statements

FOR THE YEAR ENDED

31 December 2016

Group

In millions of Nigerian naira	Share capital	Share premium	Translation reserve	Regulatory credit risk reserve	Fair value reserve	Treasury shares	Statutory reserve	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2016	18,140	117,374	(5,654)	19,157	31,348	(32,061)	65,450	113,063	325,827	6,794	332,621
Profit for the year								65,404	65,404	2,860	72,264
Exchange differences on translation of foreign operations			34,453						34,453	4,507	38,960
Fair value change in available-for-sale financial assets					28,114				28,114		28,114
Net amount transferred to profit or loss					(1,188)				(1,188)		(1,188)
Total comprehensive income for the year			34,453		26,926			65,404	130,783	7,367	138,150
Transfer between reserves				12,218			8,414	(21,[illegible])			
Transactions with owners											
Proceeds from rights issue											
Sale of treasury shares						461			461		461
Change in ownership interest in subsidiaries								(1,692)	(1,692)	(410)	(2,102)
Dividends paid								(20,528)	(20,528)	(533)	(21,061)
Balance at 31 December 2016	**18,140**	**117,374**	**28,799**	**31,375**	**38,274**	**(31,600)**	**73,864**	**136,423**	**434,651**	**13,218**	**448,069**

The accompanying significant accounting policies and notes to the consolidated financial statements are an integral part of these consolidated financial statements

7

UNITED BANK FOR AFRICA PLC

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED

31 December 2015

Group

In millions of Nigerian naira	Share capital	Share premium	Translation reserve	Regulatory credit risk reserve	Fair value reserve	Treasury shares	Statutory reserve	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2015	16,491	107,932	(4,053)	5,280	23,243	(32,301)	56,291	87,047	259,930	5,476	265,406
Profit for the year								58,604	58,604	1,050	59,654
Transfer to statutory reserve							9,159	(9,159)			
Transfer to regulatory risk reserve				12,887				(12,887)			
Other comprehensive income											
Gain on the revaluation of land and buildings											
Foreign currency translation difference			(1,601)						(1,601)	(336)	(1,937)
Fair value change in available-for-sale financial assets					7,310				7,310		7,310
Net amount transferred to profit or loss					795				795		795
Other comprehensive income/(loss) for the year			(1,601)		8,105				6,504	(336)	6,168
Total comprehensive income/(loss) for the year			(1,601)	12,887	8,105		9,159	36,558	65,108	714	65,822
Transactions with owners, recorded directly in equity											
Contributions by and distributions to owners											
Proceeds from rights issue	1,649	9,442							11,091		11,091
Sale of Treasury shares						240			240		240
Change in ownership interest in subsidiaries without loss of control								(776)	(776)	776	
Dividends paid								(9,766)	(9,766)	(172)	(9,938)
Total contributions and distributions to owners	1,649	9,442				240		(10,542)	789	604	1,393
Balance at 31 December 2015	18,140	117,374	(5,654)	18,167	31,348	(32,061)	65,450	113,063	325,827	6,794	332,621

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

UNITED BANK FOR AFRICA PLC

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED

31 December 2014
Group

In millions of Nigerian naira	Share capital	Share premium	Translation reserve	Regulatory credit risk reserve	Fair value reserve	Treasury shares	Statutory reserve	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2014	16,491	107,932	(3,153)	4,413	24,453	(32,996)	40,029	70,480	227,649	7,387	235,036
Profit for the year	-	-	-	-	-	-	-	47,021	47,021	886	47,907
Transfer to statutory reserve	-	-	-	-	-	-	16,262	(16,262)	-	-	-
Transfer to other regulatory reserve				867				(867)	-	-	
Other comprehensive income											
Foreign currency translation difference	-	-	(900)	-	-	-	-	-	(900)	(452)	(1,352)
Fair value change in (available for sale) financial assets	-	-	-	-	(1,239)	-	-	-	(1,239)	-	(1,239)
Net loss transferred from equity on disposal of available for sale instruments	-	-		-	29	-	-		29		29
Other comprehensive income/(loss) for the year	-	-	(900)	-	(1,210)	-	-	-	(2,110)	(452)	(2,562)
Total comprehensive income/(loss) for the year		-	(900)	867	(1,210)		16,262	29,892	44,911	434	45,345
Transactions with owners, recorded directly in equity											
Contributions by and distributions to owners											
Decrease in treasury shares	-	-	-	-	-	695	-		695		695
Change in ownership interest in subsidiaries	-	-	-	-	-	-	-	2,138	2,138	(2,138)	-
Dividends to equity/non controlling holders								(15,463)	(15,463)	(207)	(15,670)
Total contributions and distributions to owners	-	-	-			695	-	(13,325)	(12,630)	(2,345)	(14,975)
Balance at 31 December 2014	16,491	107,932	(4,053)	5,280	23,243	(32,301)	56,291	87,047	259,930	5,476	265,406

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

UNITED BANK FOR AFRICA PLC

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED

31 December 2013

In millions of Nigerian naira	Share capital	Share premium	Translation reserve	Regulatory credit risk reserve	Fair value reserve	Treasury shares	Statutory reserve	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2013	16,491	107,932	(1,514)	1,113	15,223	(32,031)	33,120	49,572	189,106	3,361	192,467
Profit for the year	-	-	-	-	-	-	-	45,917	45,917	684	46,601
Transfer to statutory reserve							6,972	(6,972)			
Transfer to other regulatory reserve				3,300				(3,300)	-		
Other comprehensive income											
Foreign currency translation difference			(1,639)						(1,639)	(427)	(2,066)
Fair value change in available-for-sale financial assets					9,167				9,167		9,167
Net amount transferred to profit or loss					63				63		63
Other comprehensive income/(loss) for the year	-	-	(1,639)		9,230		-	-	7,591	(427)	7,163
Total comprehensive income/(loss) for the year	-	-	(1,639)	3,300	9,230		6,972	35,645	53,508	257	53,764
Transactions with owners, recorded directly in equity											
Contributions by and distributions to owners											
Increase in treasury shares						(165)			(165)		(165)
Increase in non controlling interests							(64)	733	670	4,038	4,708
Dividends to equity/non-controlling holders								(15,470)	(15,470)	(268)	(15,738)
Total contributions and distributions to owners						(165)	(64)	(14,737)	(14,965)	3,770	(11,196)
Balance at 31 December 2013	16,491	107,932	(3,153)	4,413	24,453	(32,196)	40,028	70,480	227,649	7,388	235,036

The accompanying significant accounting policies and notes to the consolidated financial statements are an integral part of these consolidated financial statements

58

UNITED BANK FOR AFRICA PLC

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER *In millions of Nigerian Naira*	Notes	2017	2016	2015	2014	2013
Cash flows from operating activities						
Profit before income taxes tax		105,264	90,642	68,454	56,200	56,058
Adjustments for:						
Depreciation of property and equipment	16	8,584	7,397	6,896	5,001	5,255
Amortisation of intangible assets	16	1,507	1,253	1,072	735	914
Net impairment charge on investment securities	13	-	-	-	-	181
Impairment charge on loans and advances		28,699	25,534	3,402	5,033	11,093
Write-off of loans and advances and special assets	9	9,544	2,340	3,524	726	1,471
Net impairment charge on other assets	9	962	2,024	611	819	514
Foreign exchange (gains)/losses		(952)	(15,139)	(3,164)	(5,459)	64
Fair value loss/(gain) on derivative financial instruments	12	2,524	(9,146)	4,109	(2,357)	(3,358)
Fair value gain on previously held interest in equity accounted investee				-	-	(2,422)
Gain on non-current assets held for distribution				-	-	(950)
Dividend income	14	(2,449)	(1,803)	(2,404)	(1,289)	(1,101)
Gain on disposal of property and equipment	14	(21)	190	14	(204)	(821)
Write-off of property and equipment		90	-	143	-	-
Write off of intangible assets			135	-	-	-
Gain/ (loss) on disposal of investment securities		-	-	-	(154)	20
Net interest income	7	(207,632)	(165,200)	(137,939)	(106,133)	(103,231)
Share of (profit)/ loss of equity-accounted investee		(204)	63	110	(9)	6
Operating loss before changes in operating assets and liabilities		(54,084)	(61,710)	(55,172)	(47,091)	(36,307)
Change in financial assets held for trading		19,583	(35,568)	(8,269)	(267)	(118)
Change in cash reserve balance		(68,549)	(100,021)	34,042	(64,448)	(126,565)
Change in loans and advances to banks		2,459	(8,332)	33,589	(21,842)	2,262
Change in loans and advances to customers		(184,149)	(494,614)	28,200	(139,998)	(291,262)
Change in other assets		(36,794)	47,882	(9,974)	(440)	(12,352)
Change in derivative liabilities						-
Change in deposits from banks		25,046	48,014	1,838	(1,354)	2,802
Change in deposits from customers		247,738	403,906	(87,959)	8,481	441,174
Change in placements with banks		(20,405)	22,171	48,350	71,696	(139,007)
Interest received		326,334	262,552	233,969	196,680	185,700
Interest paid		(81,888)	(76,891)	(91,876)	(91,707)	(78,794)
Change in other liabilities and provisions		(13,974)	55,178	(8,853)	(14,505)	(3,367)
Income tax paid	18(c)	(20,668)	(19,577)	(7,004)	(9,440)	(8,368)
Net cash from/(used in) operating activities		140,649	42,990	110,881	(114,235)	(64,202)
Cash flows from investing activities						
Proceeds from sale/redemption of investment securities		800,269	653,030	426,992	432,262	39
Purchase/acquisition of investment securities		(1,063,746)	(833,218)	(617,564)	(274,068)	(105,552)
Purchase of property and equipment		(25,671)	(15,927)	(6,480)	(21,095)	(10,772)
Dividend received		2,449	1,803	2,404	1,289	1,101
Proceeds from disposal of property and equipment		2,869	4,361	63	2,611	1,406
Purchase of intangible assets	30	(3,268)	(1,359)	(2,287)	(1,550)	(702)
Net cash used in investing activities		(287,098)	(191,410)	(196,872)	139,449	(114,480)
Cash flows from financing activities						
Proceeds from rights issue		-	-	11,091	-	-
Proceeds from borrowings		406,409	212,915	35,228	93,696	3,529
Repayments of borrowings		(210,001)	(110,209)	(22,978)	(29,537)	(69,183)
Repayments of subordinated liabilities		(20,000)				
Interest paid on borrowings and subordinated liabilities		(39,694)	(24,310)	-		(1,741)
Proceeds from issue of debt securities				-	29,400	-
Proceeds from sale of treasury shares		854	461	240	695	-
Dividend paid to owners of the parent	38	(25,648)	(20,528)	(9,766)	(15,463)	(15,470)
Dividend paid to non-controlling interests		-	(172)	-	(207)	(268)
Acquisition of treasury shares		-	-	-	-	(165)
Net cash from /(used in) financing activities		111,720	58,157	13,815	78,584	(83,298)
Net (decrease)/increase in cash and cash equivalents		(34,729)	(90,263)	(72,176)	103,798	(261,980)
Effects of exchange rate changes on cash and cash equivalents		82,114	123,450	(539)	(946)	(238)
Cash and cash equivalents at beginning of year	21	381,043	347,856	420,571	317,719	579,937
Cash and cash equivalents at end of year	21	428,428	381,043	347,856	420,571	317,720

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

UNITED BANK FOR AFRICA PLC

SIGNIFICANT ACCOUNTING POLICIES

FOR THE FIVE YEARS ENDED 31 DECEMBER 2017

1. Reporting entity

United Bank for Africa Plc (the "Bank") is a Nigerian registered company with address at 57 Marina, Lagos, Nigeria. The consolidated financial statements of the Bank and its subsidiaries for the year ended 31 December 2017 comprise the Bank (Parent) and its subsidiaries (together referred to as the "Group" and individually referred to as Group entities"). The Bank and its subsidiaries are primarily involved in corporate, commercial and retail banking, trade services, cash management, treasury and custodial services. The subsidiaries are:

UBA Ghana Limited
UBA Cameroun (SA)
UBA Cote d'Ivoire
UBA Liberia Limited
UBA (SL) Limited
UBA Uganda Limited
UBA Burkina Faso
UBA Benin
UBA Kenya Bank Limited
UBA Chad (SA)
UBA Senegal (SA)
UBA Tanzania Limited
UBA Gabon
UBA Guinea (SA)
UBA Congo DRC (SA)
UBA Congo Brazzaville (SA)
UBA Mozambique (SA)
UBA Mali

Non-Bank Subsidiaries:
UBA Pensions Custodian Limited
UBA FX Mart Limited
UBA Capital Europe Limited

2. Basis of preparation

(a) Basis of preparation
These financial statements have been prepared in accordance with International Reporting Standards as issued by the International Accounting Standards Board (IASB) and in the manner required by the Companies and Allied Matters Act of Nigeria CAP C20 Laws of the Federation of Nigeria, the Financial Reporting Council of Nigeria Act, the Banks and other Financial Institutions Act of Nigeria and relevant Central Bank of Nigeria circulars.

(b) Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Nigerian Naira (₦) which is the Bank's functional currency and the Group's presentation currency. The financial statements are presented in millions of Nigerian Naira except where it is stated otherwise.

UNITED BANK FOR AFRICA PLC

SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

FOR THE FIVE YEARS ENDED 31 DECEMBER 2017

2. Basis of preparation - Continued

(c) Use of estimates and judgements

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

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods. Information about significant areas of estimation, uncertainties and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in Note 4 to the consolidated financial statements.

3. Significant accounting policies

(a) Basis of consolidation

(i) *Subsidiaries*

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

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

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

(ii) *Business combinations*

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

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

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

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

UNITED BANK FOR AFRICA PLC

SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

FOR THE FIVE YEARS ENDED 31 DECEMBER 2017

(a) Basis of consolidation- Continued

(ii) *Business combinations* - Continued

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

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

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

(iii) Disposal of subsidiaries

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

(iv) Transactions eliminated on consolidation

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

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

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

(vi) Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting.

Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition. In the separate financial statements, investments in associates are carried at cost less impairment.

UNITED BANK FOR AFRICA PLC

SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

FOR THE FIVE YEARS ENDED 31 DECEMBER 2017

(a) Basis of consolidation - continued

(vi) Associates - Continued

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

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

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

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

Dilution gains and losses arising in investments in associates are recognised in the profit or loss.

(b) Foreign currency

(i) Foreign currency transactions

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

Unrealised exchange differences on non-monetary financial assets are a component of the change in their entire fair value. For a non-monetary financial asset held for trading and for non-monetary financial assets designated at fair value through profit or loss, unrealised exchange differences are recognised in profit or loss. For non-monetary financial investments available-for-sale, unrealised exchange differences are recorded in other comprehensive income until the asset is sold or becomes impaired.

UNITED BANK FOR AFRICA PLC

SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

FOR THE FIVE YEARS ENDED 31 DECEMBER 2017

(ii) Foreign operations

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

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

(c) Interest income and interest expense

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

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

(d) Fees and commission income and expenses

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

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

(e) Net trading and foreign exchange income

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

(f) Dividend income

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

UNITED BANK FOR AFRICA PLC

SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

FOR THE FIVE YEARS ENDED 31 DECEMBER 2017

(g) Income tax

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

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

Tax assessments are recognized when assessed and agreed to by the Group with the Tax authorities, or when appealed, upon receipt of the results of the appeal.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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

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

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

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

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

(h) Financial instruments

Initial recognition and measurement

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

UNITED BANK FOR AFRICA PLC

SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

FOR THE FIVE YEARS ENDED 31 DECEMBER 2017

(h) Financial instruments - continued

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

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

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

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

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

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

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

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

(ii) *Financial assets at fair value through profit or loss*
Subsequent to initial recognition, the fair values are remeasured at each reporting date. All gains and losses arising from changes therein are recognised in profit or loss in 'net trading and foreign exchange income'.

UNITED BANK FOR AFRICA PLC

SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

FOR THE FIVE YEARS ENDED 31 DECEMBER 2017

(h) Financial instruments - continued

(iii) *Available-for-sale*

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

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

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

(iv) *Loans and receivables*

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

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

(v) *Financial liabilities*

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

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

Borrowings and subordinated liabilities are included as part of financial liabilities measured at amortised cost.

UNITED BANK FOR AFRICA PLC

SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

FOR THE FIVE YEARS ENDED 31 DECEMBER 2017

(h) Financial instruments - continued

Fair value measurement

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

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

Impairment of financial assets

(i) Assets carried at amortised cost

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

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

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

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

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

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

If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

UNITED BANK FOR AFRICA PLC

SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

FOR THE FIVE YEARS ENDED 31 DECEMBER 2017

(h) Financial instruments - Continued

Impairment of financial assets – Continued

(i) *Assets carried at amortised cost - Continued*

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in a collective assessment of impairment.

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

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

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

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

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

UNITED BANK FOR AFRICA PLC

SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

FOR THE FIVE YEARS ENDED 31 DECEMBER 2017

h) Financial instruments – Continued

(i) *Assets carried at amortised cost - Continued*

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

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

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

(ii) *Available-for-sale financial assets*

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

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

Write-off policy

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

UNITED BANK FOR AFRICA PLC

SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

FOR THE FIVE YEARS ENDED 31 DECEMBER 2017

h) Financial instruments - Continued

Assets pledged as collateral

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

Offsetting financial instruments

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

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

Sale and repurchase agreements and lending of securities

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

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

Derecognition of financial instruments

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

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

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

UNITED BANK FOR AFRICA PLC

SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

FOR THE FIVE YEARS ENDED 31 DECEMBER 2017

(h) Financial instruments – Continued

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

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

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

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

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

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

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

Cash and cash equivalents as referred to in the cash flow statement comprises cash on hand, non-restricted current accounts with central banks and amounts due from banks on demand or with an original maturity of three months or less.
Cash and bank balances are carried at amortised cost in the consolidated statement of financial position.

(j) Trading assets
Trading assets are those assets that the Group acquires principally for the purpose of selling in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.
Trading assets are measured at fair value with changes in fair value recognised as part of net trading income in profit or loss.

UNITED BANK FOR AFRICA PLC

SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

FOR THE FIVE YEARS ENDED 31 DECEMBER 2017

(k) Derivative financial instruments

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

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

(l) Property and equipment

(i) Recognition and measurement

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

UNITED BANK FOR AFRICA PLC

SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

FOR THE FIVE YEARS ENDED 31 DECEMBER 2017

(l) Property and equipment - continued

*In the financial statements, lifts are not treated as a separate class of property and equipment. They are included as part of Buildings.
Work in progress represents costs incurred on assets that are not available for use. On becoming available for use, the related amounts are transferred to the appropriate category of property and equipment.

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

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

(m) Intangible assets

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

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

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

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

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

UNITED BANK FOR AFRICA PLC

SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

FOR THE FIVE YEARS ENDED 31 DECEMBER 2017

(l) Software - Continued

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

(m) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.
In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement. Impairment losses relating to goodwill are not reversed in future periods.

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

UNITED BANK FOR AFRICA PLC

SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

FOR THE FIVE YEARS ENDED 31 DECEMBER 2017

(o) Deposits and debt securities issued

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

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument. Deposits are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Group chooses to carry the liabilities at fair value through profit or loss.

(p) Provisions

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

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

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

(q) Financial guarantee contracts

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

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

(r) Employee benefits

Post-employment benefits

Defined contribution plans

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

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

UNITED BANK FOR AFRICA PLC

SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

FOR THE FIVE YEARS ENDED 31 DECEMBER 2017

(r) Employee benefits - Continued

Termination benefits

The Group recognises termination benefits as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. The Group settles termination benefits within 12 months and are accounted for as short-term benefits.

Short term employee benefits

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

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

(s) Share capital and reserves

(i) Share issue costs

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

(ii) Dividend on ordinary shares

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

(iii) Treasury shares

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

(t) Earnings per share

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

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

(u) Fiduciary activities

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

(v) Stock of consumables

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

UNITED BANK FOR AFRICA PLC

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

FOR THE FIVE YEARS ENDED 31 DECEMBER 2017

4. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the accompanying disclosure, as well as the disclosure of contingent liability about these assumptions and estimates could result in outcome that require a material adjustment to the carrying amount of assets and liabilities affected in future periods.

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

4.1 Estimates and Assumptions

The key assumption concerning the future and other key sources of estimation uncertainly at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are described below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumption about future developments, however, may change due to market changes or circumstances beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(i) Depreciation and carrying value of property, plant and equipment

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

(ii) Amortisation and carrying value of intangible assets

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

(iii) Determination of impairment of property, plant and equipment, and intangible assets

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

UNITED BANK FOR AFRICA PLC

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

FOR THE FIVE YEARS ENDED 31 DECEMBER 2017

4. Significant accounting judgements, estimates and assumptions - continued

4.1 Estimates and Assumptions - Continued

(iv) Determination of collateral value
Management monitors market value of collateral on a regular basis. Management uses its experienced judgement or independent opinion to adjust the fair value to reflect the current circumstances. The amount and collateral required depend on the assessment of credit risk of the counterparty. The fair value of collateral is generally assessed, at a minimum, at inception and based on the Group's quarterly reporting schedule, however some collateral, for example, cash or securities relating to margin requirements, is valued daily. To the extent possible, the Group uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have a readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers,housing price indices, audited financial statements, and other independent sources.

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

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

(vi) Fair value of financial instruments
The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of techniques as described in accounting policy. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

(vii) Deferred tax assets
Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that the future taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies. Tax losses can be used indefinitely.

UNITED BANK FOR AFRICA PLC

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

FOR THE FIVE YEARS ENDED 31 DECEMBER 2017

4. Significant accounting judgements, estimates and assumptions - continued

4.2 Judgments

Judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be resonable under the circumstances. In the process of applying the Group's accounting policies, management has made the following judgements, which have significant effect on the amount recognised in the financial statements:

(i) Going Concern

The Group's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in the business for the next 12 months from issuance of this report. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated and seperate financial statements continue to be prepared on the going concern basis.

(ii) Deferred tax asset

Management uses its experienced judgement in not recognizing additional deferred tax assets. The amount of those items that give rise to the unrecognized deferred tax asset are disclosed.

UNITED BANK FOR AFRICA PLC

NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS

FOR THE FIVE YEARS ENDED 31 DECEMBER 2017

5 New standards, interpretations and amendments

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

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

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

• A temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period.

• An entity can assume that it will recover an amount higher than the carrying amount of an asset to estimate its future taxable profit. Tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profit that is used to evaluate the recoverability of those assets.

• The adoption of this amendment did not have any material impact on the amounts recognised in prior or current periods."

ii) Amendments to IAS 7 Statement of Cash Flows

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

6 New standards and interpretations not yet adopted

The standards and interpretations that are issued, but not yet effective as at 31 December 2017 are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

(i) IFRS 9 Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement and introduces new guidelines for Classification and Measurement of financial instruments, Impairment of financial assets and hedge accounting. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group has not early adopted IFRS 9 (and any amendments) in these financial statements and has chosen 1 January 2018 as the initial application date. The Group has elected not to restate the comparatives for 2017 but the day one impact on transition will be reflected in opening equity.

Classification and Measurement

The new standard requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The IAS 39 measurement categories are replaced by: fair value through profit or loss (FVPL), fair value through other comprehensive income (FVOCI), and amortised cost.

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

UNITED BANK FOR AFRICA PLC

NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS

FOR THE FIVE YEARS ENDED 31 DECEMBER 2017

6 New standards and interpretations not yet adopted - Continued

(i) IFRS 9 Financial Instruments
Classification and Measurement - Continued
A financial asset is measured at FVOCI only if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and also,its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets not meeting either of these two business models; and all equity instruments (unless designated at inception as fair value through other comprehensive income); and all derivatives are measured at fair value through profit or loss. The standard permits entities to, at initial recognition, designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

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

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

The measurement of expected credit losses will primarily be based on the product of the instrument's probability of default (PD), loss given default (LGD), and exposure at default (EAD), discounted to the reporting date using the effective interest rate. The ECL model has three stages. Entities are required to recognise a 12-month expected loss allowance on initial recognition (stage 1) and a lifetime expected loss allowance when there has been a significant increase in credit risk since initial recognition (stage 2). Stage 3 requires objective evidence that an asset is credit-impaired, which is similar to the guidance on incurred losses in IAS 39, and then a lifetime expected loss allowance is recognised.

The Group will use forward looking information including reasonable and supportable forecasts of future economic conditions in the ECL model. IFRS 9 requires consideration of a range of economic scenarios and how they could impact the loss allowance which is subjective and requires judgement. The macroeconomic factors that are being considered include GDP growth rate, interbank FX rates, inflation rate, crude oil prices and population growth rate.

The loss allowance under IFRS 9 will be a probability weighted summation of multiple economic scenarios and the Group expects the impairment losses under IFRS 9 to be more volatile than IAS 39 impairment losses.

"Upon the adoption of IFRS 9, the increase in the Group's allowance for credit loss is estimated to be between N33.5billion and N37.4billion.

The Standard requires this increase to be charged to retained earnings, in the first year of adoption. However, this charge would have little or no impact on the Capital Adequacy Ratio, as the equivalent amount would be transferred from regulatory risk reserve to retain earnings.

UNITED BANK FOR AFRICA PLC

NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS

FOR THE FIVE YEARS ENDED 31 DECEMBER 2017

6 New standards and interpretations not yet adopted - Continued

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

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

Revenue under IFRS 15 will need to be recognised as goods and services are transferred, to the extent that the transferror anticipates entitlement to goods and services. The standard also specifies a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and the corresponding cash flows with customers.
The adoption of IFRS 15 is not expected to have any significant impact on the Group.

(iii) IFRS 16 Leases
The IASB issued the new standard for accounting for leases - IFRS 16 Leases in January 2016. The new standard does not significantly change the accounting for leases for lessors. However it requires lessees to recognise most leases on their balance sheets as lease liabilities, with the corresponding right-of-use assets. Lessees must apply a single model for all recognised leases, but will have the option not to recognise 'short-term' leases and leases of 'low-value' assets. Generally, the profit or loss recognition pattern for recognised leases will be similar to today's finance lease accounting, with interest and depreciation expense recognised separately in the statement of profit or loss.
IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted provided the new revenue standard, IFRS 15, is applied on the same date. Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach.

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

UNITED BANK FOR AFRICA PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

7 Interest income

In millions of Nigerian Naira	Notes	2017	2016	2015	2014	2013
Cash and bank balances		5,369	7,827	13,030	13,169	13,337
Loans and advances:						
- To banks		1,980	1,838	1,223	1,032	1,983
- To customers		202,727	165,461	146,433	122,028	96,674
Investment securities		115,581	88,844	73,283	60,451	73,706
		325,657	263,970	233,969	196,680	185,700

Interest income includes accrued interest on impaired loans of N5.8billion, N2.7billion, N1.290 billion, N1.458 billion and N497.1 million for the year ended 31 December 2017, 2016, 2015, 2014 and 2013 respectively.

8 Interest expense

In millions of Nigerian Naira	2017	2016	2015	2014	2013
Deposits from banks	4,075	11,252	6,837	4,431	2,737
Deposits from customers	77,976	65,639	72,510	76,987	70,229
Borrowings	23,699	8,999	3,849	1,487	9,503
Subordinated liabilities	12,275	12,880	12,834	7,642	-
	118,025	98,770	96,030	90,547	82,469

9 Net impairment charge on loans and receivables

In millions of Nigerian Naira	Notes	2017	2016	2015	2014	2013
Impairment losses on loans and advances to customers:						
- specific impairment	24g	24,141	20,896	2,285	1,889	7,272
- collective impairment	24g	4,892	4,471	1,213	3,095	4,335
Impairment reversal/(charge) on loans and advances to banks:						
- collective impairment (write back)/charge	23	(334)	167	(96)	49	(129)
Write-off on loans and advances		9,544	2,340	3,524	726	1,471
Impairment no longer required (loans and advances)	24g	-	-	-	-	(385)
Recoveries on loans and other accounts written- off		(6,310)	(2,215)	(2,484)	(3,395)	(3,430)
Impairment loss on other assets	26a	962	2,024	611	819	514
		32,895	27,683	5,053	3,183	9,648

UNITED BANK FOR AFRICA PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

10 Fees and commission income

In millions of Nigerian Naira	Notes	2017	2016	2015	2014	2013
Credit-related fees and commissions		12,492	8,703	10,119	14,312	12,962
Commissions on turnover		1,007	907	11,303	9,356	11,743
Account maintenance fee		5,431	4,206	-	-	-
E-Banking related income		20,920	30,466	17,188	11,761	9,994
Funds transfer		6,436	4,721	2,176	820	-
Pension custody fees		5,035	4,153	3,803	3,458	2,762
Trade related income		13,399	7,729	7,852	6,454	2,842
Remittance income		4,990	3,746	3,261	4,235	5,255
Commissions on transactional services		13,227	8,568	3,251	2,953	-
Other fees and charges		-	-	2,939	1,625	4,541
		82,937	73,199	61,892	54,974	50,099

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

11 Fees and commission expense

In millions of Nigerian Naira	Notes	2017	2016	2015	2014	2013
E-banking expenses		15,014	13,090	8,316	6,861	4,744
Trade related expenses		1,796	277	241	147	481
Funds transfer expense		157	621	-	-	-
		16,967	13,988	8,557	7,008	5,225

12 Net trading and foreign exchange income

In millions of Nigerian Naira	Notes	2017	2016	2015	2014	2013
Fixed income securities		10,469	5,329	9	69	845
Foreign exchange income		40,166	14,206	16,962	24,526	13,447
Foreign currency revaluation gain		952	15,139	3,164	5,459	-
Fair value (loss)/gain on derivatives	31	(2,524)	9,146	(4,109)	2,357	3,358
		49,063	43,820	16,026	32,411	17,650

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

13 Net loss on investment securities

In millions of Nigerian Naira	2017	2016	2015	2014	2013
Financial assets classified as available-for-sale					
- Allowance for impairment (equities)	-	-	-	-	(181)
Financial assets classified as held-to-maturity					
- Exchange differences on monetary items	-	-	-	-	(64)
Net fair value losses	-	-	-	-	(245)
Financial assets classified as available-for-sale					
- Gain on disposal	-	-	-	-	20
	-	-	-	-	(225)

UNITED BANK FOR AFRICA PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

14 Other operating income

In millions of Nigerian Naira	2017	2016	2015	2014	2013
Dividend income	2,449	1,803	2,404	1,289	1,101
Income on cash handling	1,047	462	-	-	-
Rental income	383	393	384	460	314
Net gain on deemed disposal of subsidiary	-	-	-	-	2,422
Gain on disposal of securities	-	-	-	154	-
Gain/(loss) on disposal of property and equipment	21	(190)	(14)	204	-
Others	-	-	169	443	3,246
	3,900	2,468	2,943	2,550	7,083

15 Employee benefit expenses

In millions of Nigerian Naira	Notes	2017	2016	2015	2014	2013
Wages and salaries		66,839	62,385	55,394	53,611	48,977
Defined contribution plans		2,133	2,229	2,052	1,850	1,678
		68,972	64,614	57,446	55,461	50,655

16 Depreciation and amortisation

Depreciation of property and equipment	28	8,584	7,397	6,896	5,001	5,255
Amortisation of intangible assets	29	1,507	1,253	1,072	735	914
		10,091	8,650	7,968	5,736	6,169

17 Other operating expenses

In millions of Nigerian Naira	Notes	2017	2016	2015	2014	2013
Auditors remuneration		607	490	450	358	296
Directors' fees		33	40	40	31	47
Banking sector resolution cost		12,698	11,082	11,694	11,087	9,665
Deposit insurance premium		6,994	6,976	7,868	8,660	6,873
Occupancy and premises maintenance cost		15,346	8,545	11,324	11,328	7,852
Business travels		6,298	4,846	3,558	3,180	1,962
Advertisements		7,441	3,630	3,705	3,793	2,605
Contract services		13,038	9,609	6,528	7,382	6,011
Communication		4,161	3,693	3,095	3,365	4,409
Computer consumables		5,511	4,901	2,055	1,211	647
Printing, stationery and subscriptions		5,608	3,185	2,771	1,773	2,213
Security and cash handling expenses		5,233	2,659	3,566	3,063	2,674
Fuel, repairs and maintenance		20,468	12,333	5,779	4,955	3,925
Other insurance costs		1,905	1,954	1,594	1,349	1,612
Other expenses		4,206	5,104	7,185	6,954	236
		109,547	79,047	71,212	68,489	51,027

UNITED BANK FOR AFRICA PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

18 Taxation
Recognised in the consolidated statement of comprehensive income

(a) Current income tax expense

In millions of Nigerian Naira	2017	2016	2015	2014	2013
Current year	17,855	13,999	8,877	11,194	9,955
Adjustment for current tax of prior period	5,347	4,224	-	-	-
	23,202	18,223	8,877	11,194	9,955

(b) Deferred tax expense / (credit)

Origination and reversal of temporary difference	3472	155	(77)	(2,901)	(498)
Total income tax expense	26,674	18,378	8,800	8,293	9,457

(c) Current income tax liabilities

In millions of Nigerian Naira	2017	2016	2015	2014	2013
Balance, beginning of year	5,134	6,488	4,615	2,861	1,274
Income tax paid	(20,668)	(19,577)	(7,004)	(9,440)	(8,368)
Income tax charge	23202	18223	8,877	11,194	9,955
Balance, end of year	7,668	5,134	6,488	4,615	2,861

19 Non-current assets held for distribution and discontinued operations

Non-current assets held for distribution represent assets and liabilities relating to certain subsidiaries of the Group namely: UBA Assets Management Limited; UBA Capital Plc; and UBA Insurance Brokers Limited; as well as the Group's joint venture, UBA Metropolitan Life Insurance Limited, spun off by United Bank for Africa Plc to eligible shareholders effective 1 January 2013. This was pursuant to Central Bank of Nigeria's circular (Regulation on Scope of Banking Activities and Ancillary Matters No 3, 2010) repealing universal banking regime under which Nigerian banks operated. These assets have therefore been presented as assets held for distribution to shareholders in 2012.

Gain on non-current assets distributed to owners

Fair value of net asset distributed	-	-	-	-	12,907
Previous carrying value of net asset distributed	-	-	-	-	(11,957)
Gain on net asset distributed	-	-	-	-	950

UNITED BANK FOR AFRICA PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

20 Earnings per share

The calculation of basic earnings per share as at 31 December 2017 was based on the profit attributable to ordinary shareholders of N76.046 billion and the weighted average number of ordinary shares outstanding of 34.199 billion. The weighted average number of ordinary shares has factored in the effect of cancelled shares hitherto held by the Staff Share Investment Trust. The Bank had no dilutive instruments as at year end. Hence the basic and diluted earnings per share are equal for the current year.

Basic earnings per share

In millions of Nigerian Naira	*2017*	*2016*	*2015*	*2014*	*2013*
Profit attributable to equity holders of the parent	76,046	69,404	58,604	47,021	46,601
Weighted average number of ordinary shares outstanding	34,199	34,054	32,777	30,664	30,597
Basic and diluted earnings per share (Naira)	2.22	2.04	1.79	1.53	1.52

21 Cash and bank balances

In millions of Nigerian Naira	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013
Cash and balances with banks	259,681	251,593	166,369	185,191	127,584
Unrestricted balances with central banks	128,318	89,721	62,233	131,001	80,455
Money market placements	64,846	42,927	150,101	185,457	262,502
	452,845	384,241	378,703	501,649	470,541
Restricted balances with central banks (note 21(i) below)	445,238	376,689	276,668	310,710	246,262
	898,083	760,930	655,371	812,359	716,803

(i) This represents cash reserve requirement with central banks of the countries in which the Bank and its subsidiaries operate and is not available for use in the Group's day-to-day operations, and the Bank's contribution to the Central Bank of Nigeria's (CBN) Real Sector Support Facility (RSSF), warehoused in the Special Intervention Reserve held with the CBN. The Real Sector Support Facility is to be channeled towards providing credit to priority sectors of the Nigerian economy. As stipulated by the CBN, the Bank's contribution is 5% of its total naira deposits.

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

In millions of Nigerian Naira	Notes	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013
Cash and balances with banks		259,681	251,593	166,369	185,191	127,584
Unrestricted balances with central bank		128,318	89,721	62,233	131,001	80,455
Money market placements (less than 90 days)		33,170	31,656	116,659	103,665	109,015
Financial assets held for trading (less than 90 days)		7,259	8,073	2,595	714	666
Cash and cash equivalents		428,428	381,043	347,856	420,571	317,720

22 Financial assets held for trading

Government bonds	661	4,657	128		735
Treasury bills	31,237	47,638	11,121	1,099	49
	31,898	52,295	11,249	1,099	784
Current	31,898	52,295	11,249	1,099	784
	31,898	52,295	11,249	1,099	784

UNITED BANK FOR AFRICA PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

23 Loans and advances to banks

In millions of Nigerian Naira	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013
Term loans:					
Gross amount	20,685	23,047	14,632	48,199	26,308
Portfolio impairment	(45)	(282)	(32)	(106)	(57)
	20,640	22,765	14,600	48,093	26,251
Current	8,012	4,378	14,600	48,093	26,251
Non-current	12,628	18,387	-	-	-
	20,640	22,765	14,600	48,093	26,251
Impairment allowance on loans and advances to banks					
Portfolio impairment					
Balance, beginning of year	282	32	106	57	186
Net impairment (reversal)/charge in the year	(334)	167	(96)	49	(129)
Exchange difference	97	83	22	-	-
Balance, end of year	45	282	32	106	57

24 Loans and advances to customers

(a) 31 December 2017

In millions of Nigerian Naira	Gross Amount	Specific impairment	Portfolio impairment	Total impairment	Carrying amount
Loans to individuals	101,978	(3,806)	(3,043)	(6,849)	95,129
Loans to corporate entities and other organisations	1,606,927	(21,382)	(29,783)	(51,165)	1,555,762
	1,708,905	(25,188)	(32,826)	(58,014)	1,650,891
Loans to individuals					
Overdrafts	23,575	(2,987)	(434)	(3,421)	20,154
Term loans	78,403	(819)	(2,609)	(3,428)	74,975
	101,978	(3,806)	(3,043)	(6,849)	95,129
Loans to corporate entities and other organisations					
Overdraft	332,925	(6,020)	(7,375)	(13,395)	319,530
Term Loans	1,251,201	(15,362)	(22,339)	(37,701)	1,213,500
Others	22,801	-	(69)	(69)	22,732
	1,606,927	(21,382)	(29,783)	(51,165)	1,555,762

(b) 31 December 2016

Loans to individuals	126,990	(9,019)	(3,074)	(12,093)	114,897
Loans to corporate entities and other organisations	1,428,739	(12,802)	(25,515)	(38,317)	1,390,422
	1,555,729	(21,821)	(28,589)	(50,410)	1,505,319
Loans to individuals					
Overdrafts	48,509	(8,183)	(244)	(8,427)	40,082
Term loans	78,481	(836)	(2,830)	(3,666)	74,815
	126,990	(9,019)	(3,074)	(12,093)	114,897
Loans to corporate entities and other organisations					
Overdrafts	293,445	(3,046)	(11,887)	(14,933)	278,512
Term loans	1,118,850	(9,756)	(13,451)	(23,207)	1,095,643
Others	16,444	-	(177)	(177)	16,267
	1,428,739	(12,802)	(25,515)	(38,317)	1,390,422

UNITED BANK FOR AFRICA PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

24 Loans and advances to customers - Continued

(c) 31 December 2015

In millions of Nigerian Naira	Gross Amount	Specific impairment	Portfolio impairment	Total impairment	Carrying amount
Loans to individuals	120,491	(3,554)	(2,559)	(6,113)	114,378
Loans to corporate entities and other organisations	941,928	(3,227)	(16,442)	(19,669)	922,259
	1,062,419	(6,781)	(19,001)	(25,782)	1,036,637
Loans to individuals					
Overdrafts	49,679	(2,945)	(343)	(3,288)	46,391
Term loans	70,812	(609)	(2,216)	(2,825)	67,987
	120,491	(3,554)	(2,559)	(6,113)	114,378
Loans to corporate entities and other organisations					
Overdraft	206,106	(2,098)	(5,421)	(7,519)	198,587
Term Loans	715,093	(1,129)	(10,439)	(11,568)	703,525
Others	20,729	-	(582)	(582)	20,147
	941,928	(3,227)	(16,442)	(19,669)	922,259

(d) 31 December 2014

In millions of Nigerian Naira	Gross Amount	Specific impairment	Portfolio impairment	Total impairment	Carrying amount
Loans to individuals	118,289	(2,678)	(963)	(3,641)	114,648
Loans to corporate entities and other organisations	977,080	(3,045)	(16,824)	(19,869)	957,211
	1,095,369	(5,723)	(17,788)	(23,510)	1,071,859
Loans to individuals					
Overdrafts	50,390	(1,892)	(270)	(2,162)	48,228
Term loans	67,899	(786)	(693)	(1,479)	66,420
	118,289	(2,678)	(963)	(3,641)	114,648

UNITED BANK FOR AFRICA PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(d) 31 December 2014 - Continued

Loans to corporate entities and other organisations

In millions of Nigerian Naira	Gross Amount	Specific impairment	Portfolio impairment	Total impairment	Carrying amount
Overdraft	182,648	(2,190)	(2,297)	(4,487)	178,161
Term Loans	788,778	(855)	(14,503)	(15,358)	773,420
Others	5,654	-	(30)	(27)	5,630
	977,080	(3,045)	(16,830)	(19,869)	957,211

(e) 31 December 2013

	Gross Amount	Specific impairment	Portfolio impairment	Total impairment	Carrying amount
Loans to individuals	145,140	(1,971)	(3,251)	(5,222)	139,918
Loans to corporate entities and other organisations	811,807	(2,663)	(11,442)	(14,105)	797,702
	956,947	(4,634)	(14,693)	(19,327)	937,620

Loans to individuals

	Gross Amount	Specific impairment	Portfolio impairment	Total impairment	Carrying amount
Overdrafts	11,620	(720)	(255)	(975)	10,645
Term loans	133,520	(1,251)	(2,996)	(4,247)	129,273
	145,140	(1,971)	(3,251)	(5,222)	139,918

Loans to corporate entities and other organisations

	Gross Amount	Specific impairment	Portfolio impairment	Total impairment	Carrying amount
Overdraft	145,388	(680)	(1,706)	(2,386)	143,002
Term Loans	664,701	(967)	(9,385)	(10,352)	654,349
Others	1,718	(1,016)	(351)	(1,367)	351
	811,807	(2,663)	(11,442)	(14,105)	797,702

	In millions of Nigerian Naira	*Notes*	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013
(f)	Current		902,481	597,591	748,182	797,606	820,922
	Non-current		748,410	907,728	288,455	274,253	116,698
			1,650,891	1,505,319	1,036,637	1,071,859	937,620
(g)	Impairment allowance on loans and advances to customers						
	Specific impairment						
	Balance, beginning of year		21,821	6,781	5,723	4,634	5,447
	Impairment charge for the year	9	24,141	20,896	2,285	1,889	7,272
	Reversal for the year	9	-	-	-	-	(385)
	Loans write-offs		(23,306)	(7,504)	(714)	(760)	(7,700)
	Exchange difference		2,532	1,648	(513)	(40)	-
	Balance, end of year		25,188	21,821	6,781	5,723	4,634
	Collective impairment						
	Balance, beginning of year		28,589	19,001	17,788	14,693	10,358
	Net impairment charge/(reversal) for the year		4,892	4,471	1,213	3,095	4,335
	Exchange difference		(655)	5,117	-	-	-
	Balance, end of year		32,826	28,589	19,001	17,788	14,693

UNITED BANK FOR AFRICA PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

25 Investment securities

In millions of Nigerian Naira	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013
Carrying amount	1,216,053	970,392	856,870	657,523	811,206
Available-for-sale investment securities comprise (see note					
Treasury bills	457,653	155,315	193,816	199,008	208,843
Bonds	41,630	40,790	32,757	24,776	-
	499,283	196,105	226,573	223,784	208,843
Equity investments at cost	94,016	80,653	689	1,665	2,151
Less: specific allowance for impairment (equities) (see note (ii))	-	-	(4)	(909)	(909)
	94,016	80,653	685	756	1,242
Equity investments at fair value	-	-	48,238	44,212	43,749
	593,299	276,758	275,496	268,752	253,834
Held to maturity investment securities comprise (see note (ii)):					
Treasury bills	193,439	240,559	150,774	145,465	179,815
Promissory notes	-	281	256	-	45
FGN Bonds	429,315	452,794	430,345	243,306	377,512
	622,754	693,634	581,374	388,771	557,372
Current	651,317	339,612	588,895	555,960	529,423
Non-current	564,736	630,780	267,975	101,563	281,783
	1,216,053	970,392	856,870	657,523	811,206

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

In millions of Nigerian Naira	Notes	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013
Pledged assets:						
Treasury bills (available-for-sale)		138,756	62,566	-	19,917	10,097
Bonds (held-to-maturity)		10,513	283,070	94,260	78,279	68,369
Bonds (available-for-sale)		250,522	14,178	5,409	5,087	-
Treasury bills (held-to-maturity)		-	43,640	-	-	-
		399,791	403,454	99,669	103,283	78,466
Movement in specific allowance impairment on Equity investments						
Balance, beginning of year			4	909	909	1,090
Charge for the year				-	-	(181)
Write offs			(4)	(905)	-	
Balance, end of year		-	-	4	909	909

UNITED BANK FOR AFRICA PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

26 Other assets

In millions of Nigerian Naira	Note	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013
Accounts receivable		72,979	21,650	29,579	21,662	19,202
Prepayment		11,669	15,097	8,589	8,552	6,616
Recoverable taxes		1,491	587	-	-	-
Stock of consumables		3,918	4,070	3,587	1,741	6,061
		90,057	41,404	41,755	31,955	31,879
Impairment loss on accounts receivable		(3,328)	(3,555)	(1,267)	(1,898)	(1,443)
		86,729	37,849	40,488	30,057	30,436

(a) Movement in allowance for impairment on other assets

At start of year		3,555	1,267	1,898	1,443	1,311
Charge for the year	9	962	2,024	611	819	514
Balances written off		(1,428)	(41)	(1,226)	(364)	(382)
Exchange difference		239	305	(16)	-	-
		3,328	3,555	1,267	1,898	1,443

(b)	Current	82,014	30,390	36,932	28,531	29,352
	Non-current	4,715	7,459	3,556	1,526	1,084
		86,729	37,849	40,488	30,057	30,436

27 Investment in equity-accounted investee

Set out below, is information on the Group's investment in equity accounted investee. The associate has share capital consisting solely of ordinary shares, which are held directly by the Group. The proportion of the Group's ownership interest is the same as the proportion of voting rights held.

There are no published price quotations for the Group's investment in associate. Furthermore, there are no restrictions on the ability of the associate to transfer funds to the Group in the form of cash dividends or repayment of loans and advances neither are there any contingent liabilities relating to the group's interest in the Associate company.

UNITED BANK FOR AFRICA PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

27 Investment in equity accounted investee - Continued

(a) Nature of investment in associates

Name of entity	Place of business/ country of incorporation	% of ownership interest	Nature of the relationship	Measurement method
UBA Zambia Bank Limited	Zambia	49	Associate	Equity method

(b) Summarised financial information for associates

(i) Summarised statements of financial position

In millions of Nigerian Naira	Notes	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013
Assets						
Cash and bank balances		5,841	8,868	3,087	2,001	4,670
Other current assets (excluding cash)		18,306	6,939	3,376	6,342	2,301
Non-current assets		899	983	627	1,210	4,664
Total assets		25,046	16,790	7,090	9,553	11,635
Financial liabilites (excluding trade payables)		(19,979)	(12,901)	(4,460)	(5,753)	(2,798)
Other current liabilities (including trade payables)		(1,647)	(337)	(484)	(126)	(478)
Non-current financial liabilities		-	-	-	-	(4,642)
Total liabilities		(21,626)	(13,238)	(4,944)	(5,879)	(7,918)
Net assets		3,420	3,552	2,146	3,674	3,717

(ii) Summarised statements of comprehensive income

In millions of Nigerian Naira	Notes	Dec-17	Dec-16	Dec-15	Dec-14	Dec-13
Operating income		3,802	2,062	1,798	1,460	910
Operating expense		(3,265)	(1,947)	(1,765)	(1,389)	(1,419)
Net impairment loss on financial assets		(121)	(243)	(254)	(53)	(55)
Profit/(loss) before tax		416	(128)	(221)	18	(564)
Income tax credit		-	-	-	-	175
Profit /(loss) for the year		416	(128)	(221)	18	(389)
Other comprehensive income						
Total comprehensive income/(loss)		416	(128)	(221)	18	(389)

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

(c) Movement in investment in equity accounted investee

In millions of Nigerian Naira	Notes	Dec-17	Dec-16	Dec-15	Dec-14	Dec-13
Balance, beginning of year		2,925	2,236	2986	2,977	-
Fair value of residual interest in subsidiary (note (i) below)		-	-	-	-	2,983
Share of current year result		204	(63)	(110)	9	(6)
Share of foreign currency translation differences		(269)	752	(640)	-	-
Balance, end of year		2,860	2,925	2,236	2,986	2,977

UNITED BANK FOR AFRICA PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

28 Property and equipment

(a) As at 31 December 2017

In millions of Nigerian Naira	2017	2016	2015	2014	2013
COST:					
Land	34,380	32,252	31,967	31,411	30,551
Buildings	36,533	32,118	29,287	28,658	28,755
Leasehold Improvements	13,305	11,962	7,715	7,432	6,848
Aircraft	8,564	8,564	11,750	11,753	3,185
Motor Vehicles	14,071	13,137	11,601	10,804	10,307
Furniture and Fittings	11,049	9,612	7,309	6,954	6,579
Computer Hardware	33,389	31,103	29,105	26,359	24,171
Equipment	38,430	33,467	29,722	25,257	22,132
Work in progress	12,702	5,464	2,925	9,195	6,947
	202,423	177,679	161,381	157,823	139,474
ACCUMULATED DEPRECIATION:					
Land	-	-	-	-	-
Buildings	14,595	12,633	10,668	10,295	9,405
Leasehold Improvements	7,319	5,673	3,659	3,458	3,105
Aircraft	1,258	850	1,822	1,289	1,118
Motor Vehicles	11,035	9,969	9,124	8,800	8,556
Furniture and Fittings	8,268	7,275	5,895	5,462	5,045
Computer Hardware	27,400	25,148	22,486	20,332	19,052
Equipment	24,912	22,199	18,902	18,668	17,784
Work in progress	-	-	-	-	-
	94,787	83,747	72,556	68,304	64,065
CARRYING AMOUNTS	107,636	93,932	88,825	89,517	75,409

29 Intangible assets

	In millions of Nigerian Naira	2017	2016	2015	2014	2013
(a)	Cost					
	Goodwill	9,792	8522	5,673	5,673	5,673
	Purchased software	18,506	16591	14,310	11,446	10,304
	Work in progress	2,533	1142	1,208		
	Balance at 31 December	30,831	26,255	21,191	17,119	15,977
(b)	Accumulated Amortization and impairment losses					
	Goodwill	-	-	-	-	-
	Purchased software	13,940	11,894	9,822	7,689	8,622
	Work in progress	-	-	-	-	-
	Balance at 31 December	13,940	11,894	9,822	7,689	8,622
	CARRYING AMOUNTS	16,891	14,361	11,369	9,430	7,355

Impairment testing for cash-generating units containing Goodwill

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

UNITED BANK FOR AFRICA PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

30 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following

(a)	31 December 2017		31 December 2016		31 December 2015		31 December 2014		31 December 2013	
In millions of Nigerian Naira	*Assets*	Liabilities	*Assets*	Liabilities	*Assets*	Liabilities	*Assets*	Liabilities	Assets	Liabilities
Property, equipment and software	15,243	(40)	13629	(62)	7,562	(15)	7,510	(40)	6,279	(14)
Allowance for loan losses	3,783	-	3879	-	1,966	-	1,966	-	1,892	-
Accounts receivable	672	-	678	-	366	-	366	-	325	-
Tax losses carried forward	8,643	-	20848	-	24,666	-	24,666	-	21,159	-
Exchange difference on monetary items	436	-	(3,712)	-	-	-	(1,715)	-	-	-
Fair value loss on derivatives	(63)	-	(2,744)	-	(1,715)	-	-	-	-	-
Others	852	-	482	-	323	-	323	-	534	-
Net deferred tax assets /(liabilities)	29,566	(40)	33,060	(62)	33,168	(15)	33,156	(40)	30,189	(14)

UNITED BANK FOR AFRICA PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

31 Derivatives financial instruments

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

In millions of Nigerian Naira	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013
Derivative assets					
Carrying value	8,227	10,642	1,809	6,534	3,265
Notional amount	108,698	62,725	46,610	61,397	47,274
Derivative liabilities					
Carrying value	123	14	327	943	31
Notional amount	9,610	1,413	60,809	8,408	6,871

In millions of Nigerian Naira	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013
(a) Derivative assets					
Instrument type:					
Cross-currency swap	8,227	1,134	1,809	2,150	3,265
Foreign exchange forward contracts	-	9,508	-	4,384	-
	8,227	10,642	1,809	6,534	3,265
The movement in derivative assets is as follows:					
Balance, beginning of year	10,642	1,809	6,534	3,265	-
Fair value of derivatives derecognised/remeasured in the year	(13,757)	(18,765)	(16,712)	(3,265)	-
Fair value of derivatives acquired/remeasured in the year	11,342	27,598	11,987	6,534	3,265
Balance, end of year	8,227	10,642	1,809	6,534	3,265

Derivative assets are current in nature

(b) Derivative liabilities

In millions of Nigerian Naira					
Instrument type:					
Cross-currency swap	123	14	327	943	31
	123	14	327	943	31
The movement in derivative liability is as follows:					
Balance, beginning of year	14	327	943	31	124
Fair value of derivatives derecognised/remeasured in the year	(75)	(505)	(953)	(31)	-
Fair value of derivatives acquired/remeasured in the year	184	192	337	943	(93)
Balance, end of year	123	14	327	943	31

UNITED BANK FOR AFRICA PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

31 Derivatives - Continued

Derivative liabilities are current in nature

(c) Fair value gain on derivatives

In millions of Nigerian Naira	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013
Fair value gain on:					
Derivative assets	(2,415)	8,833	(4,725)	3,269	3,265
Derivative liabilities	(109)	313	616	(912)	93
	(2,524)	9,146	(4,109)	2,357	3,358

32 Deposits from banks

	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013
Money market deposits	130,035	108,217	60,312	58,063	59,682
Due to other banks	4,254	863	754	1,165	900
	134,289	109,080	61,066	59,228	60,582
Current	134,289	109,080	61,066	59,228	60,582
	134,289	109,080	61,066	59,228	60,582

33 Deposits from customers

In millions of Nigerian Naira	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013
Retail customers:					
Term deposits	228,471	209,673	160,967	165,813	141,618
Current deposits	251,247	151,407	126,931	153,747	113,186
Savings deposits	590,171	524,751	407,036	357,169	310,437
Domiciliary deposits	93,840	73,384	34,507	38,542	41,757
Corporate customers:					
Term deposits	465,304	317,468	384,015	391,044	322,322
Current deposits	912,815	957,628	673,358	680,369	522,462
Domiciliary deposits	191,500	251,299	294,890	382,979	709,400
	2,733,348	2,485,610	2,081,704	2,169,663	2,161,182
Current	2,733,161	2,485,273	2,081,704	2,169,663	2,161,182
Non-current	187	337	-	-	-
	2,733,348	2,485,610	2,081,704	2,169,663	2,161,182

34 Other liabilities

In millions of Nigerian Naira	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013
Creditors and payables	52,448	48,631	34,879	43,768	48,009
Accruals	12,842	12,483	11,137	4,189	4,622
Customers' deposit for foreign trade	20,301	38,089	8,684	15,456	25,276
Provisions	252	198	185	153	164
Managers cheques	4,790	6,722	-	-	-
Unclamed dividend	5,719	4,222	-	-	-
Others	270	251	-	-	-
	96,622	110,596	54,885	63,566	78,071
Current	96,622	110,596	54,885	63,566	78,048
Non-current	-	-	-	-	23
	96,622	110,596	54,885	63,566	78,071

50

35 Borrowings

In millions of Nigerian Naira	Note	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013
On-lending facilities:						
- African Development Bank (AfDB)	35.1	50,317	36,204			
- Central Bank of Nigeria	35.2	53,819	43,174	13,642	9,958	31,812
- Bank of Industry (BoI)	35.3	9,212	11,029	13,054	15,493	13,175
- Afrexim	35.4	-	30,399	-	-	-
- Standard Chartered Bank	35.5	24,910	-	39,994	37,192	1,432
- European Investment Bank (EIB)	35.6	22,303	1,951	1,590	1,466	2,447
- Syndicated facility	35.7	-	27,542	41,710	49,688	-
- Africa Trade Finance Limited	35.8	60,382	15,145	19,906	-	-
- Credit Suisse	35.9	100,312	94,483	-	-	-
- Eurobond debt security	35.10	164,378	-	-	-	-
- Standard Bank	35.11	16,576	-	-	-	-
		502,209	259,927	129,896	113,797	48,866
Current		202,180	167,569	73,542	6,755	3,762
Non-current		300,029	92,358	56,354	107,042	45,104
		502,209	259,927	129,896	113,797	48,866

35.1 This represents the amount granted under a $150million line of credit by African Development Bank, Cote d'Ivoire in November 2016. The first tranche of $120million was disbursed to the Bank in December 2016, while the second tranche of $30million was disbursed in December 2017. The facility is for a tenor of 8 years and is to be used for medium term financing and on-lending to infrastructure projects, small and medium sized enterprises and women-owned enterprises in the Federal Republic of Nigeria. The interest rate on the facility is six months USD LIBOR plus 440 basis points and is payable semi-annually. Principal repayment will be on a semi-annual basis after a moratorium period of 2 years.

35.2 Amount represents on-lending facilities provided by the Central Bank of Nigeria (CBN) with the sole purpose of granting loans, at subsidised rates, to companies engaged in agriculture.

i N21.694billion of this facility represents the outstanding balance on the Commercial Agriculture Credit Scheme granted to the Group for the sole purpose of granting loans, at subsidised rates, to the agricultural sector. Interest on the facility cannot exceed 9% per annum inclusive of all charges and is to be shared between the Bank and CBN at 7% and 2% respectively. The facility will terminate on 30 September 2025. The Bank is the primary obligor to CBN and assumes the risk of default.

ii N25.627billion of this facility represents the outstanding balance on the concessionary loans granted by the Central Bank of Nigeria to some State Governments. The facility attracts an interest rate of 2% and the Group is under obligation to lend to participating states at a maximum rate of 9% per annum (inclusive of all charges). The principal is repayable monthly and the tenor of the facility is 20 years.

iii N5.02billion of this facility represents the outstanding balance on the loan granted by the Central Bank of Nigeria with respect to Real Sector Support Facility (RSSF) initiative to support the Federal Government's Special Fertilizer Intervention programme. The Central Bank shall lend to the Group at 1.5% while the Group shall on-lend to the customer at a maximum interest rate of 3.5% per annum, all charges inclusive. The 1.5% interest shall be remitted to CBN on a quarterly basis. The principal is repayable quarterly (after a one year moratorium) and the tenor of the facility is 6 years.

iv N1.46billion of this facility represents the outstanding balance on loan granted by the Central Bank of Nigeria with respect to the Anchor Borrower's Programme (ABP) for smallholder farmers to boost agricultural production and non-oil exports. The interest rate is guided by the rate on the Micro, Small and Medium Enterprise Development Fund (MSMEDF) which is currently at 9% per annum, all charges inclusive. The Central Bank of Nigeria shall lend to the Group at 2% while the Group shall on-lend to the customer at a maximum interest rate of 9% per annum, all charges inclusive. The tenor of the loan is 6 months at which time the principal is

UNITED BANK FOR AFRICA PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

35 Borrowings - Continued

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

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

35.5 This represents the amount granted under a $75 million trade finance loan facility granted by Standard Chartered Bank in September 2017. The facility is for a tenor of one (1) year and interest rate is three (3) months USD LIBOR plus 600 basis points. The interest repayments are on a quarterly basis while the principal repayment is due upon maturity in September 2018.

35.6 This represents the outstanding balance on $16.296 million and $62.634million (€60million) term loan facilities granted by European Investment Bank in October 2013 and January 2017 respectively. The purpose of the $16.296 million term loan facility is to support lending to small and medium sized enterprises in Nigeria and through its regional subsidiaries. The facility is for a tenor of 7 years. Of the initial amount granted, $8.079 million was liquidated in June 2014. Interest rate on the facility is six (6) months USD LIBOR plus 350 basis points. Interest on the loan is payable semi-annually while principal repayment commenced in April 2016. The facility will expire in October 2020.

The $62.634million (€60million) term loan facility was granted under the Nigeria Private Enterprise Finance Facility extended by the European Investment Bank to a group of financial institutions located in Nigeria. The purpose of the facility is to finance capital expenditure for development of intermediation capacities and support small and medium sized enterprises in Nigeria. The facility is for a tenor of 8 years. The interest rate on the facility is six months USD LIBOR plus 337 basis points and is payable semi-annually. Principal repayment will be on a semi-annual basis after a moratorium period of 42 months.

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

35.8 This represents the outstanding balance on $25million and $160million term loan facilities arranged by Africa Trade Finance Limited, United Kingdom in Oct and Dec 2017 respectively. The $25million facility is a trade related term loan with a tenor of one (1) year and interest rate of three months USD LIBOR plus 470 basis points. Interest on the loan is payable quarterly with principal repayment at maturity in October 2018.

The $160million facility is a syndicated trade finance facility with a tenor of one (1) year and interest rate of three months USD LIBOR plus 300 basis points. Interest on the loan is payable quarterly with principal repayment at maturity in October 2018.

35.9 This represents the amount granted under a $300million term loan facility by Credit Suisse International, United Kingdom and disbursed in three tranches of $100million each. Tranche 1 of this facility was disbursed in August 2017, while Tranche 2 and 3 were disbursed in September 2017. All the facilities have a tenor of one (1) year with interest rate of 3 months USD LIBOR plus 500 basis points. Interest payments are on a quarterly basis while the principal repayments are due at maturity in August 2018 and September

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

35.11 This represents the amount granted under a $50 million trade finance loan facility granted by Standard Bank of South Africa Ltd in September 2017. The facility is for a tenor of nine (9) months and interest rate is three (3) months USD LIBOR plus 565 basis points. The interest repayments are on a quarterly basis while the principal repayment is due upon maturity in June 2018.

UNITED BANK FOR AFRICA PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

36 Subordinated liabilities

In millions of Nigerian Naira	*Notes*	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013
Medium term notes - series 1*		-	20,575	20,503	20,437	20,364
Medium term notes - series 2		36,017	35,805	35,625	35,464	35,289
Medium term notes - series 3		29,724	29,598	29,492	29,414	-
		65,741	85,978	85,620	85,315	55,653
Current		36,017	20,575	-	12,517	7,500
Non current		29,724	65,403	85,620	72,798	48,153
		65,741	85,978	85,620	85,315	55,653

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

* Medium term notes - series 1 matured on 30 September 2017, and have been redeemed by the Group.

UNITED BANK FOR AFRICA PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

37 Capital and reserves

In millions of Nigerian Naira	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013
(a) Share capital					
Share capital comprises:					
(i) *Authorised -* 45,000,000,000 Ordinary shares of 50k each	22,500	22,500	22,500	22,500	22,500
(ii) *Issued and fully paid -* 36,279,526,324 Ordinary shares of 50k each	17,100	18,140	18,140	16,491	16,491
Issued shares, at start of the year (units)	36,280	36,280	32,982	32,982	32,982
Transfer from share premium	-	-	3,298	-	-
Shares cancelled during the year	(2,080)	-	-	-	-
Issued shares, at year end (units)	34,200	36,280	36,280	32,982	32,982

During the year 2,080,104,955 units of the Bank's sares held by the staff Share Investment Trust Scheme (SSIT) were cancelled. The cancellation was based on the shareholders' approval at the Annual General Meeting held on 8 April 2018

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

(c) Retained earnings

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

(d) Other reserves

In millions of Nigerian Naira	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013
Other reserves include the following:					
Translation reserve (note (i))	37,102	28,799	(5,654)	(4,053)	(3,152)
Statutory reserve (note (ii))	84,626	73,866	65,450	56,291	40,028
Fair value reserve (note (iii))	73,897	58,274	31,348	23,243	24,452
Regulatory risk reserve (note (iv))	45,236	31,375	18,167	5,280	4,413
Treasury shares (note (v))	-	(31,600)	(32,061)	(32,301)	(32,996)
Capital reserve	-	-	-	-	-
	240,861	160,714	77,250	48,460	32,747

(i) Translation reserve

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

(ii) Statutory reserve
In accordance with existing legislation, the Bank transferred 15% (2016: 15%) of its profit after taxation to statutory reserves. Also included in statutory reserves is the Bank's Small and Medium Enterprises Equity Investment Scheme (SMEEIS) reserves of N2.635 billion as at December 2017 (December 2016: N2.635 billion, 2015: N2.635 billion, 2014: N2.635 billion, 2013:N2.635billion) . The Bank has since suspended further appropriation to SMEEIS reserve in line with the directives of the Central Bank of Nigeria.

UNITED BANK FOR AFRICA PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

37 Capital and reserves - Continued

(iii) Fair value reserve

The fair value reserve includes the net cumulative change in the fair value of available-for-sale investments. Such fair value changes are maintained until the investment is derecognised or impaired. In the current year, the fair value gain/(loss) amounted to N15.70 billion 2016: N28.11 billion, 2015: N7.2billion, 2014: (N1.2billion), 2013: N9.1billion

(iv) Regulatory (credit) risk reserve

The regulatory (credit) risk reserve represents the difference between the impairment on loans and advances determined using the Central Bank of Nigeria prudential guidelines and Central Bank's of the foreign subsidiaries' regulations, compared with the incurred loss model used in determining the impairment loss under IFRSs.

Where the loan loss impairment determined using the Central Bank of Nigeria prudential guidelines and Central Bank's of the foreign subsidiaries' regulations, is higher than the loan loss impairment determined using the incurred loss model under IFRSs, the difference is transferred to regulatory credit risk reserve and it is non-distributable to owners of the parent.

(v) Treasury shares

Treasury shares represent the Bank's shares held by the Staff Share Investment Trust. These shares were reposessed and cancelled during the year.

38 Dividends

The Board of Directors have proposed a final dividend of N0.65 per share which in addition to the N0.20 per share paid as interim dividend, amounts to a total dividend of N0.85 per share (2016: N0.75, 2015: N0.40, 2014: N0.10, 2013 2013: N0.50 per share) from the retained earnings account as at 31 December 2017.

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

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

39 Contingencies

(i) Litigation and claims

The Group, in the ordinary course of business is currently involved in 705 legal cases (2016: 650, 2015:577, 2014: 686, 2013: 484). The total amount claimed in the cases against the Bank is estimated at N659.17 billion (2016: N486.92 billion, 2015: N67.5billion, 2014: N443.4billion, 2013: N63.5billion). The directors having sought the advice of professional legal counsel, are of the opinion that no significant liability will crystalise from these cases beyond the provision made in the financial statements.

(ii) Contingent liabilities

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

RISK FACTORS

An investment in the Notes involves certain risks. Accordingly, prospective investors should carefully consider, amongst other things, the risk factors described below, together with all of the other information included in this Shelf Prospectus and any SP before purchasing the Notes. The risks described below are not the only risks the Issuer faces. Additional risks and uncertainties not presently known to the Issuer, or that it currently believes are immaterial, could also impair the Issuer's business operations and as a result, its ability to service its payment obligations under any Notes.

Investors should reach their own views or obtain such professional advice as they deem appropriate, before making an investment decision in respect of the Notes.

RISK FACTORS RELATING TO THE OPERATING ECONOMIES OF THE GROUP

Nigeria experiences risks typical of an emerging market

Investing in securities of emerging market countries generally involves a higher degree of risk relative to those of corporates in more developed economies. The Bank's operations are based in Nigeria and in other major African economy and as such face the same risks typical of an emerging market. These risks include, but not limited to, higher volatility and more limited liquidity in respect of the Notes, greater political risk, terrorism, changes to the economic environment, inflation, currency volatility, budget deficits, infrastructure gaps, and delays in reform and transformation agenda. Emerging markets are also more likely to experience higher instances of corruption, fraud, bribery and criminal activity. Failure to prevent any of the aforementioned risks may result in criminal penalties and reputational damages that may materially affect the Bank's financial condition or operations.

Nigeria's dependence on crude oil

The oil sector plays a central role in Nigeria's economy, accounting for a substantial portion of export earnings. The sector accounted for approximately 8.2% and 8.7% of real GDP in 2016 and 2017 respectively and over 90% of export earnings in 2017. The Government's revenues are substantially dependent on oil sector revenues, which arise from sales of crude oil and gas, royalties and taxes and fees.

Given the dependence of the Nigerian economy on the oil and gas sector, the Group's operational results and financial condition are materially impacted by the effect of global shocks in oil prices, as experienced in mid-2014 causing a substantial withdrawal of portfolio capital and a corresponding decline in the stock market, fall in government revenues, weakening of the currency and a substantial drop in foreign currency reserves, and ultimately, economic recession.

Additionally, high levels of disruptions resulting from restiveness in the Niger-Delta region of Nigeria, pipeline vandalism and oil theft could significantly impact on oil production in Nigeria. Weak oil production in Nigeria and significantly lower global oil prices, particularly in light of the Group's exposure to the oil and gas sector, could adversely affected the Group's credit quality and loan portfolio growth. The impact of weak or low oil production or oil prices, however, is not just limited to an adverse impact on the Group's oil and gas customers, but also could adversely impact the performance of the Group's customers in those sectors whose performance is linked with that of the oil and gas sector. These include the public sector, the manufacturing and construction sector (where demand for services is linked with the oil and gas sector) and the consumer sector, which is dependent on consumer confidence, employment rates and the performance of the economy as a whole.

The Group's businesses, results of operations, financial condition and/or prospects are exposed to the risk of a downturn in the oil and gas sector. Any weak oil production and oil prices is likely to further adversely affect the Group's credit quality and loan portfolio growth, which may lead to further increases in NPLs and loan impairment charges.

RISK FACTORS

Political and economic instability and adverse business conditions in the African markets in which the Group operates

The Group operates in Nigeria and across 18 African countries representing a significant and increasing proportion of the Group's asset base. The Group's functional and presentation currency is in Naira and a significant adverse change in the value of the Naira relative to the functional currencies of its subsidiaries in other jurisdictions could negatively affect the Groups financial result. Also, its operations across these countries exposes the Group to varying social, political, economic and financial developments affecting the African countries where it carries out its business. The Group's pan-African business model also results in a greater burden of regulatory management and compliance than if it operated in a single jurisdiction.

Significant volatility characterised by slow or negative economic growth, high inflation, frail fiscal and monetary stance, low foreign currency reserves, high external debts, unstable foreign direct and portfolio investments, high taxes, political uncertainty, and high rate of unemployment has ridden many African economies. Their dependence on primary commodity export susceptible to global economic changes also pose a significant risk on their financial and economic performance. For example, the decline in global commodity prices experienced in 2015 and 2016 adversely affected many African economies' balance of payments, resulting in austere fiscal and monetary policies which strained the operational and financial performance of many of the Group's borrowers and their ability to service their obligations to the Group which subsequently affected the Group's credit quality.

Entities located in the Group's countries of operation are also susceptible to disruptions in the international capital markets which may imply a reduction in the availability of credit or increases in cost of funds. This could materially affect the Group's business, results of operations, financial condition and/or prospects.

RISK FACTORS RELATED TO THE BUSINESS OF THE GROUP

Credit Risk

Credit risk can be defined as the failure by corporate borrowers or counterparties to perform their payment, guarantee and/or other obligations. It also includes the risk of suffering financial loss, should any of the Group's consumer borrowers or counterparty fail to honour their contractual obligation to perform on their payment, guarantee and/or other obligations.

Market Risk

Market risk is the risk of losses in on- and off-balance sheet positions arising from movements or volatility in market prices that could adversely affect business objectives. In addition, it is the risk that the value of a portfolio or a trading portfolio, will decrease due to the change in value of market risk factors. The four standard market risk factors are stock prices, interest rates, foreign exchange rates, and commodity prices.

Liquidity Risk

Liquidity Risk is the risk to the Group's earnings and capital arising from its inability to fund increases in assets or to meet its payment obligations to its customers as they fall due or to replace funds when they are withdrawn. The ability of an institution to transact business effectively can be hampered by liquidity challenges. Liquidity risk has the tendency to compound other risks such as market and credit; as such needs to be properly managed.

Investment Risk

Investment risk is the risk of a decline in the net realisable value of investment assets arising from adverse movements in market prices or factors specific to an investment itself (e.g. reputation and quality of management). Investments vary and every investment type has its inherent risks, which have the potential to reduce the value of such investments.

Interest Rate Risk

Interest rate risk in the banking book is the risk that a bank's earnings or economic value will decline as a result of changes in interest rates.

Legal Risk

Legal risk is the risk arising from the type and nature of the Group's contractual agreements. It also involves the risk that contract may render UBA particularly vulnerable to litigation. If these risks are not addressed, they may result in unspecified erosion of value.

Regulatory Risk

This is the risk of non-compliance with applicable financial service regulations, thereby exposing the Group to penalties and reputational damage. It may include the risk that a change in law and regulation or increased complexity in local and international regulatory environment will materially impact the group.

Financial Reporting Risks

Financial Reporting risk is the risk of failure to monitor and report on statutory financial requirements in line with regulatory requirements leading to penalties. In addition, it is the risk that internal controls over financial reporting fail to detect a material misstatement or omission within the Group's external reporting.

Business Strategy Risks

Business Strategy Risks are risks inherent in the implementation of well thought-out decisions aimed at achieving the organisation's objectives. It is also a possible source of loss that might arise from the pursuit of an unsuccessful plan. For example, strategic risk might arise from making poor business decisions, from the substandard execution of decisions, from inadequate resource allocation, or from a failure to respond well to changes in the business environment.

Currency Translation Risk

This is defined as the risk to earnings or capital arising from the conversion of the group's offshore banking book assets or liabilities or commitments or earnings from foreign currency to local or functional currency.

Credit Concentration Risk

Credit concentration risk arises on a portfolio basis where the bank has significant aggregated exposures to particular credit segments, sectors of industry, portfolios or products. Credit concentration risk includes High Loan Concentration and High Country Concentration.

Brand and Reputation Risk

The risk of brand erosion and reputational loss as well as a change in the ability to deliver on brand promise. It includes failure to understand, identify or subsequently manage development that could negatively impact on UBA Group brand and its value.

People Risk

The risk that possible inadequacies in human capital and inadequate management of human resource practices, policies and processes will result in the ability of the Group to attract, manage, develop and retain competent resources.

Process Risk

It is defined as the logical flow of activities of organisations, which culminate in the delivery of specific services or production and delivery of specific products. It defines how an organisation implements its strategic plan for the purpose of achieving its overarching goals.

Technology Risk (IT & e-Business)

The risk includes technology framework components such as design, alignment, architecture, deployment, security, change management and data integrity. The emergence of newer, faster, more efficient technology infrastructure has drastically changed the way business is transacted all across the world; however, this has also led to the creation of more intelligent and sophisticated fraudsters and thieves. It is therefore imperative for UBA Group to take technology-based risks as a top burner exposure. The major technology based risk exposure the Group faces includes:

- Network downtime
- External fraud via the internet
- Internal fraud
- ATM/E-channel downtime
- Card Cloning
- Password theft/comprise

Project Risk

A Project consists of a temporary endeavour undertaken to create a unique product, service or result. Project risk is the risk that specific time-bound activities, structured to attain specific business goals fail to meet such goals.

Financial Crimes & AML

The risk of failure to monitor, report and act on financial crime and money laundering thereby exposing UBA to losses, penalties or reputation damage. These crimes include offences involving money laundering, fraud or dishonesty, or market abuse.

RISK FACTORS RELATING TO THE NOTES

Change in interest rates may affect the price of the Bonds

Where notes are offered with a fixed rate of interest they are subject to price risk. Consequently, the price of the Notes may vary inversely with changes in prevailing interest rates. That is, a rise in interest rate will cause the price of a fixed rate note to fall and when interest rates fall, the price increases. Accordingly, the extent of the fall or rise in the prices is a function of the existing coupon, days to maturity and the increase or decrease in the level of the prevailing interest rates. Increased interest rates which frequently accompany inflation and/or a growing economy are also likely to have a negative effect on the price of the Notes.

Liquidity risk for the Notes

There is a risk that the Notes may not have an established trading market when issued. There is no guarantee that a secondary market for notes or liquidity will exist upon issuance. Consequently, investors may not be able to readily sell their notes or at prices that will enable them to realise a yield comparable to that of similar instruments, if any, with a developed secondary market.

The trading market for debt securities may be volatile and may be adversely impacted by many events

The market for debt securities is influenced by economic and market conditions, interest rates and currency exchange rates. Global events may lead to market volatility which may have an adverse effect on the price of the Notes.

Credit Rating

The Notes will be assigned a rating by at least one Rating Agency. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Any adverse change in an applicable credit rating could adversely affect the trading price for the Notes.

Early redemption of the Notes

The Issuer may choose to redeem the Notes at times when prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the Notes.

Liquidity Risk for the Notes

A deep two-way quote trading system may be non-existent for the Notes once issued. The liquidity of the Notes may be somewhat limited and investors may not be able to readily sell their Notes or at prices that will enable them to realise a yield comparable to that of similar instruments, if any, with a developed secondary market.

Exchange rate risks and exchange controls

Given that the Notes will be denominated in Naira, it presents certain risks relating to currency conversion for investors with operational currencies other than the Naira. These include the risk that exchange rate may significantly change against the Naira causing a decrease in the foreign-currency-equivalent yield of the Notes, the principal and the market value. The government may impose exchange controls that could adversely affect an applicable exchange rate leading to a reduction in the FX-adjusted returns of the Notes.

TAX CONSIDERATIONS

The foregoing summary does not purport to be comprehensive and does not constitute advice on tax to any actual or prospective investor in Notes issued under the Programme. In particular, it does not constitute a representation by the Issuer or its advisers on the tax consequences attaching to a subscription or purchase of Notes issued under the Programme. Tax considerations that may be relevant to a decision to acquire, hold or dispose of Notes issued under the Programme and the tax consequences applicable to each actual or prospective purchaser of the Notes may vary. Any actual or prospective purchaser of the Notes who intends to ascertain his/ her tax position should seek professional advice from his/ her preferred professional advisers as to the tax consequences arising from subscribing to or purchasing the Notes, bearing in mind his/ her peculiarities. Neither the Issuer nor its advisers shall be liable to any subscriber or purchaser of the Notes in any manner for placing reliance upon the contents of this section.

On January 2, 2012, the regulatory landscape for taxes for all categories of bonds witnessed a major overhaul as the Federal Government of Nigeria (the "**FGN**") approved a waiver of taxes for all categories of bonds and short term Federal Government Securities to drive the growth of all segments of the domestic bond market. The range of taxes covered by the approval are those prescribed under the Personal Income Tax Act (PITA), Value Added Tax Act (VATA), the Corporate Income Tax Act (CITA) and the Capital Gains Tax Act (CGTA).

Under the Companies Income Tax (Exemption of Bonds and Short Term Government Securities) Order, 2011) (the "**CITA Bond Exemption Order**") which came into force in 2012 interest earned by holders of bonds issued by Nigerian corporate bodies are exempted from income taxes which would ordinarily have been paid on such income. This exemption is for a period of ten (10) years from the date of the CITA Bond Exemption Order and is therefore expected to expire in 2022.

In the same manner, the Personal Income Tax (Amendment) Act, Schedule 3, 31A, 2011 (the "**PITA Bond Exemption**") exempts interest earned by holders of bonds (to whom the PITA applies) issued by Nigerian corporate bodies from income taxes which would ordinarily have been paid on such income. Unlike the CITA Bond Exemption Order, this exemption is not stated to be for a limited period.

As a result of the foregoing, there are no income tax obligations on interest earned by holders of the Notes who are subject to either CITA or PITA.

Also, although the FGN has pronounced that gains accruing from a disposal of bonds issued by a Nigerian corporate will be exempt from tax under the CGTA, the FGN is yet to publish this pronouncement in the *Official Gazette* which is a necessary last step in the process of formally enacting the exemption.

Lastly, the proceeds from the disposal of the Notes are not liable to Value-added Tax ("**VAT**") under the VATA, as VAT is only applicable on the supply of goods and services and this may not be extended to the Notes as they are neither goods nor services. Furthermore, the Value Added Tax (Exemption of Proceeds of the Disposal of Government and Corporate Securities) Order 2011 (the "**VAT Exemption Order**") purports to exempt the proceeds from the disposal of corporate bonds issued by Nigerian corporate entities from VAT for a period of ten (10) years from the date of the VAT Exemption Order (being 2 January 2012 to 1 January 2022), but this exemption is superfluous since, as previously stated, the said proceeds not being goods or services would not have been liable to VAT in the first place. In any event, therefore, VAT will not be payable upon a disposal of the Notes.

Further Tax Analysis

A. Nigerian Investors

i. Income Tax

Under the Companies Income Tax Act ("**CITA**") the interest payments received by Nigerian companies would be liable to tax at the rate of 30%. CITA provides that interests accruing in, derived from, received by, or brought into Nigeria by a Nigerian company shall form part of the profits of such a company and be taxed accordingly. In the same manner, under the PITA, the interest payments received by persons to whom the PITA applies will ordinarily be liable to tax in Nigeria as part of the profits of such individual. However, the taxes under the CITA and the PITA will not apply to income earned on the Notes by reason of the CITA Bond Exemption Order and the PITA Bond Exemption Order respectively.

ii. Withholding Tax

By virtue of the CITA, the Issuer is ordinarily obliged to deduct withholding tax at the rate of 10% at source from interest payments made to Nigerian investors of the Notes. However, given that such tax is an advance payment of the income tax liabilities described above, withholding tax deductions will be inapplicable to interest income earned from investments in the Notes by reason of the CITA Bond Exemption Order and the PITA Bond Exemption.

iii. Other Taxes and Duties

No VAT or any other charge or duty shall be payable on the interest received by Nigerian investors in connection with an investment in the Notes. However, if there is a gain on the disposal of the Notes, CGT may be applicable at 10%.

B. Pension Fund Administrators ("PFAs")

i. Income Tax

By virtue of Section 86 of the Pension Reform Act, PFAs derive their income from reasonable fees and charges on the investments made on behalf of individual retirement saving account holders and are thus subject to the heads of taxes applicable to Nigerian investors as discussed under paragraphs AI-IV (i.e., Income Tax, Withholding Tax).

ii. Other Taxes and Duties

No VAT or any other charge or duty shall be payable on the interest received by the PFAs in connection with an investment in the Notes. However, if a gain is recorded on the disposal of the Notes, CGT may be applicable at 10% of such gain.

C. High Net Worth Investors ("HNIs")

i. Income Tax

Under the PITA Bond Exemption, High Net Worth investors or individual investors will not be subject to Personal Income Tax on interest income earned from investment in the Notes issued under the Programme.

ii. Withholding Tax

The interest receivable by HNIs will not be liable to WHT under the PITA Bond exemption.

iii. Other Taxes and Duties

No VAT, or any other charge or duty shall be applicable on the interest receivable by the HNIs. However, if a gain is recorded on the disposal of the Notes, CGT may be applicable at 10% of the gain.

D. Non-Resident Investors ("NRIs")

i. Income Tax

Investment in the Notes by Non-Resident Investors (individual and corporate) does not qualify as carrying on any taxable business in Nigeria. NRIs are therefore not liable to general income tax in Nigeria by virtue of any investment in the Notes. The only tax liability of Non-Resident Investors is the withholding tax which the Issuer would ordinarily be expected to deduct at the rate of 7.5% to 10% on interest payments made to such investors.

However, pursuant to the CITA Bond Exemption Order and the PITA Bond Exemption, interests and such other distributions payable by the Bank to any other company or person shall not be liable to WHT.

ii. Other Taxes and Duties

There is no VAT or any other charge or duty applicable on the interest received by the NRIs arising from an investment in the Notes. However, if there is a gain on the disposal of the Notes, CGT may be applicable at 10% of the gain.

E. Pension Funds

i. Income Tax

The interest income earned by pension funds from investment in the Notes is ordinarily subject to **Personal Income Tax ("PIT")** as Retirement Savings Account (RSA) Holders. However, the interest income earned on investments in the Notes would not be subject to tax under the PITA Bond Exemption.

ii. Withholding Tax

WHT shall not be payable on the interest paid to the holders of the Notes.

iii. Other Taxes and Duties

There is no VAT, or any other charge or duty applicable on the interest received by the NRIs arising from an investment in the Notes. However, if there is a gain on the disposal of the Notes, CGT may be applicable at 10% of the gain.

F. Unit Trust Schemes

i. Income Tax

If an Investment/Unit Trust fund manager invests its own corporate funds, the tax treatment of the interest would be the same as a Nigerian investor and subject to the heads of taxes applicable to Nigerian investors as discussed under paragraphs AI-IV 0 (.i.e. Income Tax, Withholding Tax).

ii. Withholding Tax

Interests earned on unit trust funds are not subject to WHT.

iii. Other Taxes and Duties

There is no VAT or any other charge or duty applicable on the interest received by the NRIs arising from an investment in the Notes. However, if there is a gain on the disposal of the Notes, CGT may be applicable at 10% of the gain.

G. Employee/Staff Schemes

i. Income Tax

There is no CIT implication on any interest earned on funds invested by staff schemes, as funds invested are contributions made by individual employees to such schemes and any interest earned therefrom should ordinarily accrue to the employees. Hence, although CIT is not applicable, the tax treatment of the interest earned in such circumstances would be the same as for HNIs.

ii. Withholding Tax

WHT would not apply on the interest earned by the scheme or by the employees.

iii. Other Taxes and Duties

No other tax is applicable on the interest received in connection with an investment in the Notes by Staff Schemes. However, if there is a gain on the disposal of the Notes, CGT may be applicable at 10% of the gain.

Statutory and General Information

Authorisation of the Programme

At the meeting held on 21st day of May 2018 of the Board of Directors of UBA Plc passed a resolution approving the establishment of a ₦300,000,000,000 Medium-Term Notes Programme.

Ownership Structure of the Bank

According to the Register of Shareholders as at 31 December 2017, the Bank has issued and fully paid outstanding shares of 34,199,421,366 units of 50k each held as follows:

Shareholders	Holding (units)	Holding (%)
Stanbic Nominees	3,723,685,972	10.9
Consolidated Trust Funds	1,778,022,687	5.2
Heirs Holdings	1,742,180,600	5.1
Others	26,955,532,107	78.8
Total Issued and Paid-up Capital	**34,199,421,366**	**100.0**

Incorporation and Share Capital History of the Bank

United Bank for Africa Plc has been operating in Africa since 1949, referred to then as the British and French Bank Limited. It took over the assets and liabilities of BFB and was incorporated as a limited liability company on 23 February 1961 under the Compliance Ordinance (Cap 37) 1922.

The table below describes the incorporation and share capitalisation history of the Bank since inception in February 1961.

Date	Authorized Share Capital (N)[1]	Issued and Fully Paid Up Capital (N)[1]	Consideration
1961	4,000,000	4,000,000	Cash
1970	6,000,000	4,000,000	–
1970	6,000,000	4,500,000	Cash
1973	10,000,000	6,000,000	Bonus (1:3)
1974	10,000,000	8,000,000	Bonus (1:3)
1975	20,000,000	10,000,000	Bonus (1:4)
1977	20,000,000	15,000,000	Bonus (1:2)
1977	30,000,000	20,000,000	Bonus (1:3)
1978	50,000,000	30,000,000	Bonus (1:2)
1981	100,000,000	65,000,000	Bonus (1:6)
1982	100,000,000	70,000,000	Bonus (1:7)
1983	100,000,000	75,000,000	Bonus (1: 8)
1986	100,000,000	75,000,000	Bonus (2:3)
1990	200,000,000	100,000,000	Bonus (1:3)
1991	200,000,000	100,000,000	–
1994	300,000,000	300,000,000	Bonus (2:1)
1997	1,000,000,000	500,000,000	Bonus (2:3)
2000	1,000,000,000	850,000,000	Bonus (7:10)
2002	2,000,000,000	1,275,000,000	Bonus (1:2)
2004	**6,000,000,000**	**1,530,000,000**	**Bonus (1:5)**
2005	6,000,000,000	3,530,000,000	Merger with STB[(8)]
2007	6,000,000,000	4,236,000,000	Bonus (1:5)
2007	6,000,000,000	4,236,000,000	Foreign loan stock conversion
2007	6,000,000,000	5,748,389,990	Cash (rights & public offer)
2008	7,500,000,000	5,748,389,990	–
2008	12,500,000,000	8,622,584,985	Bonus (1:2)
2009	12,500,000,000	10,778,231,231	Bonus (1:4)
2010	17,500,000,000	12,933,877,480	Bonus (1:5)
2011	17,500,000,000	16,167,346,850	Bonus (1:4)
2012	22,500,000,000	16,490,693,782	Bonus (1:50)
2015	22,500,000,000	18,139,763,161	Rights Issue
2017	22,500,000,000	17,099,710,683	Cancellation of SSIT Shares

Directors' Beneficial Interests

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

		As at 31 December 2017	
S/N	Name	Direct Holding	Indirect Holding
1	Mr. Tony Elumelu, CON	189,851,584	2,083,024,416
2	Amb. Joe Keshi, OON	433,499	-
3	Mr. Kennedy Uzoka	37,173,909	-
4	Mr. Victor Osadolor	16,583,126	-
5	Mr. Dan Okeke	30,279,136	-
6	Mr. Emeke Iweriebor	7,034,071	-
7	Mr. Oliver Alawuba	462,000	-
8	Mr. Uche Ike	10,936,395	-
9	Mr. Ayoku Liadi	1,080,000	-
10	Mr. Puri Ibrahim	981,118	-
11	Mr. Chukwuma Nweke	1,059,860	-
12	High Chief Samuel Oni, FCA	2,065	-
13	Mr. Adekunle Olumide, OON	3,282,556	-
14	Chief Kola Jamodu, CFR	657,415	128,311
15	Alhaji Ja'afaru Paki	-	23,924,983
16	Mrs. Foluke Abdulrazaq	10,000,000	11,120,000
17	Mr. Yahaya Zekeri	499,999	-
18	Mrs. Rose Okwechime	-	20,113,961
19	Mrs. Owanari Duke	86,062	-

Subsidiaries, Associated Companies and Investments

As at the date of this Prospectus, the Bank has 3 non-bank wholly-owned subsidiaries: UBA Pension Custodian limited, UBA FX Mart Limited and UBA Capital Europe Limited.

UBA Pension Custodian Limited commenced operation in Nigeria on 3 May 2006 and it primarily provides custodial services to various pension fund administrators, individuals and corporate customers. Its principal activities include the custody of pension assets, to hold and deal in such assets in accordance with the directives of the National Pension Commission ("**PENCOM**"). It has a rapidly growing fund under custody in excess of ₦1 trillion.

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

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

United Bank for Africa (Zambia) Limited is an associated company of UBA Plc (who own 49%).

In addition to this, the following are the banking subsidiaries of UBA as at 31st December, 2017:

S/N	Subsidiary	UBA's % Interest	Market Share
1	UBA Nigeria	100%	Top Tier

2.	UBA Ghana Limited	91%	Top Tier
3.	UBA Cameroun SA	100%	Top Tier
4.	UBA Cote D'Ivoire	100%	Mid-sized
5.	UBA Liberia Limited	100%	Top Tier
6.	UBA Uganda Limited	74%	Niche
7.	UBA Burkina Faso	64%	Top Tier
8.	UBA Chad SA	89%	Top Tier
9.	UBA Senegal SA	86%	Top Tier
10.	UBA Benin	76%	Top Tier
11.	UBA Kenya Bank Limited	81%	Niche
12.	UBA Tanzania Limited	80%	Niche
13.	UBA Gabon	100%	Mid-sized
14.	UBA Guinea (SA)	100%	Top Tier
15.	UBA Sierra Leone Limited	100%	Top Tier
16.	UBA Mozambique (SA)	85%	Niche
17.	UBA Congo DRC (SA)	100%	Mid-sized
18.	UBA Congo Brazzaville (SA)	100%	Top Tier

Statement of Indebtedness

Details of all indebtedness of the Bank at the time of issuance of any Notes under the Programme will be disclosed in the SP relating to the series of Notes to be issued.

Extracts from the Memorandum and Articles of Association

The following are the relevant extracts from the Bank's Articles of Association.

A. Powers and Duties of Directors (Article 84)

i. Borrow or raise any sum or sums of money upon such terms as to interest or otherwise as they deem fit, and for the purpose of securing the same and interest, or for any other purpose, create, issue, make and give respectively any perpetual or redeemable debentures, or any mortgage or charge on the undertaking or the whole or any part of the property, present or future, or uncalled capital of the Bank, and any debentures and other securities may be made assignable free from any equities between the Bank and the person to whom the same may be issued.

Extracts from the ProgrammeTrust Deed

The Programme Trust Deed contains inter alia, the following provisions:

2. **Appointment of Trustees**

The Issuer hereby appoints the Trustees to act for the benefit of the Bondholders, to hold the benefit of the covenants and other obligations of the Issuer herein contained for the Bondholders and themselves in accordance with the terms of this Deed.

3. **Declaration of Trust**

3.1 The Trustees

The Trustees hereby declare themselves Trustees for the Bondholders with effect from the date of this Deed to hold the benefit of the covenants and other obligations on the part of the Issuer herein contained on trust for the Bondholders subject to the terms of this Deed.

3.2 Duration of Trusts

The trust created by this Deed shall remain in full force and effect until the earlier of:

3.2.1 the date on which the Trustees receives unconditional confirmation in writing from all the Bondholders that there is no longer any outstanding Financial Indebtedness incurred pursuant to this Deed; or

3.2.2 the unconditional release of the Issuer from all of its obligations under this Deed.

4. **The Trust Deed Binding On All Parties**

The provisions of this Deed shall be binding on the Issuer, the Trustees and the Bondholders and all persons claiming through them respectively as if such Bondholders and persons are parties to this Deed.

5. **Covenant to Repay and to Pay Interest on the Bonds**

5.1 The aggregate principal amount of the Bonds to be issued under the Programme shall not exceed the Aggregate Principal Amount.

5.2 The Issuer covenants with the Trustees that it will, in accordance with this Deed, at least three (3) Business Days before the Maturity Date, or on such earlier date as the Bonds may become due and repayable thereunder, pay or procure to be paid unconditionally to or to the order of the Trustees from immediately available funds, the Principal Amount repayable on that date, and (except in the case of zero coupon Bonds) shall in the meantime and until such date (both before and after any judgment or other order of a court of competent jurisdiction) pay or procure to be paid unconditionally to or to the order of the Trustees as aforesaid interest (which shall accrue from day to day) on the Principal Amount at the rate prescribed in the Conditions of each Series and on the Coupon Payment Dates specified in such Conditions, PROVIDED THAT:

(a) every payment to any Bondholder in respect of principal, or Coupon on the Bonds held by him shall operate in satisfaction *pro tanto* of the covenant of the Issuer in this clause contained except to the extent that there is default in the subsequent payment thereof in accordance with this Deed;

(b) in any case where payment of principal is not made to the Bondholders on or before the relevant Maturity Date, interest shall continue to accrue on the Principal Amount of the Bonds (both before and after any judgment or other order of a court of competent jurisdiction) at the rate aforesaid up to and including the date which the Trustees determines to be the date on and after which payment is to be made to the Bondholders in respect thereof as stated in a notice given to the Bondholders in accordance with Clause 36 (*Notices*) (such date to be not later than thirty (30) days after the day on which the whole of such Principal Amount, together with an amount equal to the interest which has accrued and is to accrue pursuant to this proviso up to and including that date, has been received by the Trustees); and

(c) in any case where payment of the whole or any part of the Principal Amount is improperly withheld or refused (other than in circumstances contemplated by proviso (b) above and provided that the relevant Bond is duly presented (if required)) interest shall accrue on that Principal Amount, payment of which has been so withheld or refused (both before and after any judgment or other order of a court of competent jurisdiction) at the rate aforesaid from and including the date of such withholding or refusal up to and including the date on which (upon further presentation of the relevant Bonds, if required) payment of the full amount (including interest as aforesaid) payable in respect of such Bonds is made or (in respect of the payment of the Principal Amount and if earlier) the 7th (seventh) day after notice is given to the relevant Bondholder (either individually or in accordance with Clause 36 (*Notices*) that the full amount (including interest as aforesaid) payable in respect of such Bonds is available for payment, provided that, upon further presentation thereof being duly made, such payment is made. The Trustees will hold the benefit of this covenant on trust for the Bondholders and themselves in accordance with this Deed.

5.3 Every payment of principal or interest on the Bonds shall be made free of all costs, commissions, charges, fees, or other payments or deductions, including tax on income which the Issuer may by any Applicable Laws be required to deduct.

5.4 Where the day on or by which a payment is due to be made or an event due to occur, is not a Business Day, that payment shall be made and that event shall occur by or on the next succeeding Business Day, unless that succeeding Business Day falls in the next calendar month, in which case that payment shall be made or that event shall occur on or by the immediately preceding Business Day unless otherwise specified in the applicable Supplemental Trust Deed or Supplementary Shelf Prospectus.

5.5 The Issuer shall ensure that all payments due to the Bondholders shall be paid to the Designated Account as provided hereunder.

Payment by the Trustees

5.6 Subject to payment having been duly made in accordance with this Clause 5, the Issuer hereby authorizes and directs the Trustees to make payments from funds so paid into the Designated Account pursuant to Clause 11.2 (*Covenant by the Issuer*) as set forth hereunder.

5.7 Unless otherwise provided in any applicable Supplemental Trust Deed, the Trustees shall pay or cause to be paid on behalf of the Issuer on or before 10.00am on each Payment Date, the Principal Amount, Coupon or Redemption Amount (whichever is applicable) due to any Bondholder in the following manner:

5.7.1 if any Bondholder has elected to be paid by transfer to a specified account, payment instructions will be initiated by the Trustees for value on the Payment Date, or if the Payment Date is not a Business Day, for value on the first following day which is a Business Day unless that Business day falls in the next calendar month, in which case that payment shall be made on or by the immediately preceding Business Day;

5.7.2 where a Bondholder does not specify a bank account, the payment shall be made by cheque drawn on a bank duly licensed by the Central Bank of Nigeria and delivered by licensed courier or by sending same through the post in a prepaid letter to the address of record of such Bondholder on the Business Day preceding the Payment Date. Provided that where the payment due to such Bondholder exceeds the sum of ₦10,000,000.00 (Ten Million Naira), such payment shall be made by separate cheques with the value of each cheque not exceeding the sum of ₦10,000,000.00 (Ten Million Naira).

5.8 The Parties acknowledge that:

5.8.1 a Bondholder shall be the only person entitled to receive payments from the Trustees; and

5.8.2 the Issuer shall be discharged from its obligations under this Deed by payment to, or the order of the Trustees.

6. **Issuance of Bonds**

6.1 The Issuer shall be at liberty from time to time (but subject always to the provisions of this Deed) without the consent of the Bondholders to issue Bonds either (i) ranking *pari passu* in all respects (or in all respects save for the first payment of Coupon thereon) with outstanding Series, or (ii) having the same terms and conditions in all respects (or in all respects save for the amount and date of the first payment of Coupon thereon) with outstanding Series, or (iii) upon such terms as to ranking, interest, conversion, redemption and otherwise as the Issuer may at the time of issue thereof determine.

6.2 Any Series created pursuant to the provisions of sub-clause 6.1 shall be constituted by a Supplemental Trust Deed. In any such case, the Issuer shall prior to the creation of such Series execute and deliver to the Trustees a Supplemental Trust Deed (in relation to which all applicable stamp duties or other documentation fees, duties or taxes have been paid and, if applicable, duly stamped accordingly) containing a covenant by the Issuer in the form *mutatis mutandis* of sub-clause 5.2 in relation to the principal and Coupon in respect of such Series (whether or not corresponding to any of the provisions contained in this Trust Deed) as the Trustees shall require including making such consequential modifications to this Trust Deed as the Trustees shall require in order to give effect to such issue of a Series.

6.3 The Certificate, Conditions and Provisions for Meetings of the Bondholders shall be attached to the Supplemental Trust Deed in respect of any Series in the form set out in Schedule 2 and Schedule 3 of this Trust Deed respectively.

6.4 A memorandum of every Supplemental Trust Deed shall be endorsed by the Trustees on this Trust Deed and by the Issuer on duplicates of this Trust Deed.

6.5 For the avoidance of doubt, each issue of Bonds shall form a separate series. The provisions of this Deed shall apply mutantis mutandis, separately and independently to the Bonds of each Series. A Series may however be issued in Tranches and each Tranche of a Series shall be governed by the same terms and conditions of that Series.

7. **Purpose**

7.1 Subject to the costs of issue, the Bonds Proceeds of any Series shall be applied exclusively towards purposes to be determined by the Issuer and expressly stated in the Supplemental Trust Deed creating such Series (the "**Purpose**").

7.2 Without prejudice to the generality of the foregoing and the subsequent provisions of this Deed, the Trustees shall not be bound to enquire as to the application of the Bonds Proceeds.

8. **Rights of Bondholders**

The Bondholders shall not have or acquire any right against the Trustees in respect of the Bonds save as are expressly conferred upon them by this Deed or by law, regulation or court order and no person shall be recognized as a Bondholder except in respect of Bonds registered in his name.

9. **Form and Issue of Bonds**

9.1 **Issue**: The Issuer may from time to time issue Bonds in one or more Series on a continuous basis under the Programme in an aggregate principal amount not exceeding ₦300,000,000,000 (Three Hundred Billion Naira).

9.2 **Certificates**: The Issuer may issue the Bonds in Certificates, and the Certificates in respect of each Series shall be in registered form and shall be issued in the form or substantially in the form set out in Part 1 of Schedule 2 and transferable in units or amounts to be determined by the Issuer. The Certificates shall be serially numbered and shall be endorsed with a Form of Transfer in the form also set out in Part 2 of Schedule 2 and with the Conditions. Title to the Bonds in definitive form shall pass upon the registration of transfers in respect thereof in accordance with the provisions of this Deed.

9.3 The Certificates shall be issued under the common seal of the Issuer and affixed with the signature of any person duly authorised to sign on behalf of the Issuer and the Registrar and the Certificates so signed shall be binding and valid obligations of the Issuer.

9.4 **Book-Entry Credit**: The Issuer may also issue the Bonds through book-entry deposit by crediting the Clearing System Account of an Applicant who has expressed the preference to hold the Bonds in dematerialized form.

9.5 Where the Bonds are held in dematerialised form, the Issuer, the Trustees and the Registrar shall call for and, except in the case of manifest error, shall be at liberty to accept and place full reliance on (without liability) a certificate or letter of confirmation issued on behalf of the Clearing System or any form of record made by any of them or such other form of evidence and/or information and/or certification as they shall, in their absolute discretion, think fit as sufficient evidence thereof to the effect that at any particular time or throughout any particular period any particular person is, was, or will be, shown in the Register as the holder of a particular nominal amount of Bonds and, if they do so rely, such letter of confirmation, form of record, evidence, information or certification shall be conclusive and binding on all concerned.

9.6 Unless otherwise stated in any Supplemental Trust Deed, the Registrar shall, not later than [five (5)] Business Days before the Coupon Payment Date, update the Register as provided in clause 9.5 above with the information contained in Clause 28.3 below.

9.7 **Person Deemed Owners**: Except as may be subsequently agreed, the Bondholder (or his legal representative) shall be deemed and regarded as the legal and beneficial owner of the Bonds registered in its name on the Register and, in the case of Bonds held in dematerialized form, credited into his Clearing System Account for all purposes including but not limited to the payment of principal, premium (if any) and Coupon (if any).

9.8 **Provisions for Meetings of the Bondholders:** The terms of the Provisions for Meetings of the Bondholders as set out in the form or substantially in the form of Schedule 3 hereto shall apply to each Series.

10. **Establishment of Designated Accounts**

10.1 Unless otherwise stated in any Supplemental Trust Deed, the Issuer shall, not later than the Closing Date, open the Designated Account in favour of the Trustees for each Series into which the Issuer shall at least three (3) Business Days before each Payment Date pay all monies due under the relevant Series of Bonds at the relevant time to the relevant Bondholders.

10.2 The Issuer shall send a payment confirmation by authenticated swift acknowledgment or other acceptable form or notification to the Trustees not later than three (3) Business Days from the date on which the payments referred to in Clause 10.1 are made, confirming that the relevant payment has been made into the Designated Account.

10.3 Any monies paid into the Designated Account which at any given time are not required for the discharge of any obligations hereunder within [five (5)] Business Days immediately following the Payment Date may be reinvested by the Trustees so as to form a part of the balance of the Designated Account.

10.4 The Trustees shall (at the expense of the Issuer) immediately notify the Issuer:

10.4.1 if it has not by close of business, three (3) Business Days immediately preceding the date on which the payments referred to in Clause 10.1 are made, received the full amount required for payment to the Bondholders, that it has not received the full amount required for payment to the Bondholders; or

10.4.2 if it has received the full amount of any sum payable in respect of the Bonds.

10.4 The Trustees may from time to time vary any investment made pursuant to Clause 19 (Permitted *Investments*) hereunder and may realise and re-invest any moneys invested under that Clause.

11. **Covenants by the Issuer**

11.1 The Issuer hereby covenants with the Trustees that it will comply with and perform and observe all the provisions of this Deed which are expressed to be binding on it. The Conditions shall be binding on the Issuer and the Bondholders. The Trustees shall be entitled to enforce the obligations of the Issuer under the Bonds as if the obligations were set out and contained in the Trust Deed constituting the Bonds, which shall be read and construed as one -document with the Bonds. The Trustees will hold the benefit of this covenant upon trust for themselves and the Bondholders according to their respective interests.

11.2 The Issuer hereby covenants with the Trustees that for as long as any Bonds are outstanding it shall:

11.2.1 obtain, make and keep in full force and effect all authorisations that may be required for the validity and enforceability against the Issuer of the Offer Documents and to the extent that same have not been delivered previously, promptly supply certified copies to the Trustees of any material authorisation required under any Applicable Law to enable it to perform its obligations under the Offer Documents and to ensure the legality, validity, enforceability or admissibility in evidence of the Offer Documents in any jurisdiction where any of its assets are situate;

11.2.2 comply in all respects with Applicable Law, permits and licences, to which it may be subject and which in each case are material to its business and its obligations under the Offer Documents and shall obtain and maintain such permits and licences;

11.2.3 procure that the payment obligations of the Issuer under the Senior and Unsecured Bonds shall, save for such exceptions as may be provided by applicable legislation in relation to preferential statutory payments, at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future; and that its payment obligations under the Subordinated Bonds rank and will rank at least *pari passu* with all other unsecured and subordinated indebtedness and monetary obligations of the Issuer, present and future;

11.2.4 not dismiss or replace its Auditor without replacing it with a reputable firm of auditors acceptable to the Trustees or change or amend its constitutional documents in a manner that would be inconsistent with any provision of this Trust Deed and the Offer Documents;

11.2.5 duly and punctually pay and discharge and ensure that its Affiliates shall duly and punctually pay and discharge all taxes (a) for which it reasonably believes it is liable pursuant to any self-assessment procedure and (b) assessed upon it or its assets under Applicable Law within the time period allowed without incurring penalties, except solely in the case of (b) to the extent:

11.2.5.1 that such payment is being contested in good faith;

11.2.5.2 adequate reserves are being maintained for those taxes and any interest or penalties; and

11.2.5.3 that such payment can be lawfully withheld;

11.2.6 ensure that it maintains its legal and tax status and ensure that it complies with Applicable Law required to maintain such status;

11.2.7 carry on and conduct its affairs in a proper and efficient manner and in particular will cause all proceeds of the Bonds to be applied exclusively to the Purposes;

11.2.8 keep proper books of account and ensure that the same shall at all reasonable times during working hours be open for inspection by the Trustees, the Registrar and any person (not being a person to whom the Issuer may reasonably object) appointed by the Trustees in writing for the purpose;

11.2.9 give to the Trustees or to any such person as aforesaid such information as to all matters relating to the Purposes, as it shall reasonably require;

11.2.10 supply to the Trustees all such documents and information as the Trustees may from time to time require relating to or in connection with the operation of the provisions contained in the Conditions regarding redemption, or repayment of any outstanding Series;

11.2.11 promptly inform the Trustees of any event or condition which might materially or adversely affect or delay the carrying out or bringing into operation of the Purposes or the performance by the Issuer of any of its obligations or covenants under this Deed;

11.2.12 issue to the Trustees under the hand of its Auditor by [March 31] in each year in which any Bonds remain outstanding a certificate stating that all funds required during the next financial year to meet interest (and principal) payments in respect of the Bonds have been duly provided for in the Issuer's account;

11.2.13 not permit its capital adequacy ratio to fall below the minimum capital adequacy ratio required by the Central Bank of Nigeria; and

11.2.14 send as soon as practicable to the Trustees, the Commission and the Exchange two copies each of every financial statement and report and any other documents required by the Commission and the Exchange.

12. **Cancellation of Bonds and Records**

12.1 The Issuer shall procure that all Bonds (a) redeemed or (b) purchased and surrendered for cancellation by or on behalf of the Issuer or (c) in respect of which Certificates, being mutilated or defaced, have been surrendered and replaced pursuant to Condition 20 (*Replacement of Certificates*) of Part 3 of Schedule 2 or (d) exchanged as provided in this Deed shall forthwith be cancelled by or on behalf of the Issuer and a certificate stating, for each Series:

(a) the aggregate principal amount of Bonds which have been redeemed;

(b) a list of the serial numbers of the Bonds issued in certificated form ("Bond Certificates") that have been cancelled and the applicable serial numbers;

(c) the aggregate amount of Coupon (if any) paid (and the due dates of such payments) on the Bonds;

(d) the aggregate principal amount of Bonds which have been purchased by or on behalf of the Issuer and cancelled and the serial numbers of such Bonds in definitive form; and

(e) the aggregate principal amounts of Bonds which have been so exchanged or surrendered and replaced and the serial numbers of such Bonds in definitive form, shall be given to the Trustees by or on behalf of the Issuer as soon as possible and in any event within four months after the date of redemption, purchase, payment, exchange or replacement (as the case may be) of the Bonds of any Series. The Trustees may accept such certificate as conclusive evidence of redemption, purchase, exchange or replacement *pro tanto* of the Bonds of such Series or payment of interest thereon respectively and of cancellation of such Bonds.

12.2 The Issuer shall procure that the Registrar shall keep a full and complete record of all Bonds and of their redemption, cancellation, payment or exchange (as the case may be) and of all replacement Bonds issued in substitution for lost, stolen, mutilated, defaced or destroyed Certificates.

13. **Representations and Warranties**

13.1 Representations and Warranties of the Issuer

The Issuer hereby represents and warrants that:

13.1.1 it has been duly incorporated, is in good standing and has full power and authority, and all governmental licences, authorisations, consents and approvals necessary, to

(i) execute and deliver the Offer Documents; and

(ii) perform its obligations under the Offer Documents;

13.1.2 its execution and delivery of the Offer Documents and its performance thereunder:

(i) have been duly authorized by all necessary corporate action (including any necessary shareholder resolution(s) or similar action);

(ii) will not contravene any Applicable Law; and

(iii) will not contravene or constitute a default under any contractual obligation, judgment, injunction, order or decree binding upon it or its assets;

13.1.3 each of the Offer Documents has been duly executed and delivered by it and (with respect to any Bonds, upon its authentication and delivery by the Trustees) constitutes its legal, valid and binding obligation, enforceable against it (subject to corporate insolvency and similar exceptions) in accordance with its terms;

13.1.4 the execution of this Deed does not contravene any of the provisions of the CAMA, the ISA or any other Applicable Law in Nigeria;

13.1.5 it is in substantial compliance with all Applicable Laws;

13.1.6 it has obtained the regulatory approvals required for the issuance of the Bonds;

13.1.7 neither the Issuer nor any of its assets has any right of immunity on the ground of sovereignty or otherwise, from the jurisdiction, attachment (before or after judgment) or execution in respect of any action or proceeding relating in any way to the Offer Documents that may be brought in the courts of the Federal Republic of Nigeria or any relevant jurisdiction;

13.1.8 the obligations of the Issuer to the holders of Subordinated Bonds under the Offer Documents are direct, general and unconditional obligations of the Issuer and rank at least *pari passu* with all other present and future unsecured and subordinated Financial Indebtedness, if any, of the Issuer and the obligations of the Issuer to the holders of Senior Unsecured Bonds under the Offer Documents are direct, general and unconditional obligations of the Issuer and rank at least *pari passu* with all other present and future unsecured and unsubordinated Financial Indebtedness, if any, of the Issuer;

13.1.9 that it is neither unable nor has it admitted its inability to pay its debts as they fall due nor has it suspended making payments on any of its debts or, by reason of actual or anticipated financial difficulties, commenced negotiations with one or more of its creditors with a view to rescheduling any of its Financial Indebtedness;

13.1.10 a moratorium has not been declared in respect of any of its Financial Indebtedness;

13.1.11 the value of its assets is not less than its actual liabilities;

13.1.12 that all the information in the Offer Documents (as supplemented from time to time) that has been or will hereafter be made available to the Bondholders by the Issuer or any director, officer, employee, or representative of the Issuer in connection with the transactions contemplated herein is and will at all times be complete and correct in all material respects and does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not misleading in light of the circumstances under which such statements were or are made; and

13.1.13 while any Bonds are outstanding, the Issuer agrees to supplement any of the information referred to in Clause 13.1.12 from time to time so that the representations and warranties contained in this subclause 13.1 (*Representations and Warranties of the Issuer*) remain correct at all times and acknowledge that each of the Bondholders is acting in reliance upon the accuracy of information supplied to it by the Issuer without any independent verification.

13.2 Repetition of Representations and Warranties

The Representations made by the Issuer in sub-clause 13.1 (*Representations and Warranties of the Issuer*) above are made on the date of this Trust Deed and are deemed to be repeated by the Issuer on each anniversary of the Allotment Date by reference to the facts and circumstances then existing on the Closing Date.

14. **Events of Default**

Events of Default in respect of Senior and Unsecured Bonds

14.1 In the case of Senior and Unsecured Bonds, if any of the following events ("Events of Default") occurs and is continuing, the Trustees at its discretion may, and if so requested by holders of at least one-fifth in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall, give written notice to the Issuer at its specified office that the Bonds are immediately repayable, whereupon the Principal Amount of the Bonds together with accrued Coupon shall become immediately due and payable:

14.1.1 **Non-Payment:** default by the Issuer in the payment when due of principal or interest in respect of the Senior and Unsecured Bonds and the continuance of any such default for a period of 10 days in the case of either the Principal Amount or Coupon after the date when the payment falls due. The Issuer shall not be in default, however, if during the 10 days' period, it satisfies the Trustees that such sums ("Withheld Amounts") were not paid (i) in order to comply with any fiscal or other law or regulation or with the order of any court of competent jurisdiction, in each case applicable to such payment, the Issuer, the Trustees or the relevant Bondholder or (ii) in case of doubt as to the validity or applicability of any such law, regulation or order, in accordance with advice as to such validity or applicability given at any time during the said period of 10 days by independent legal advisers acceptable to the Trustees;

14.1.2 **Breach of Other Obligations**: the Issuer does not perform or comply with any one or more of its other obligations under the Supplemental Trust Deed under which the Bonds are constituted or the Trust Deed, which default has not been remedied for a period of 10 days after the date on which written notice of such default requiring the Issuer to remedy the same shall have been given to the Issuer by the Trustees (except where such default is not, in the reasonable opinion of the Trustees after consultation with the Issuer, capable of being remedied, in which case no such notice as is mentioned above will be required);

14.1.3 **Security Enforced:** if any mortgage, charge, pledge, lien or other Encumbrance, present or future, created or assumed by the Issuer over a material part of its property, assets or revenues, becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person);

14.1.4 **Enforcement Proceedings:** a distress, attachment, execution or other legal process is levied on, or enforced against the whole or a material part of the property, assets or revenues of the Issuer and is not discharged or stayed within 90 days; or

14.1.5 **Insolvency**: the Issuer is (or is deemed by law or a court of competent jurisdiction to be) insolvent or unable to pay its debts (within the meaning of the CAMA) as they fall due; or stops, suspends or threatens to stop or suspend payment of a substantial part of its debts.

Provided that on the happening of any of the events specified in clause 14.1.1 above, the Bonds shall not be declared immediately payable unless and until the Trustees shall have first served on the Issuer a preliminary notice requiring the Issuer to make the relevant payment in arrears, with interest or to remove, discharge or pay out to the satisfaction of the Trustees or to perform and observe the covenant or provisions, the breach whereof has been committed, or threatened and the Issuer shall have failed or neglected for a period of ten (10) Business Days to comply with such notice.

Events of Default in respect of Subordinated Bonds:

14.2 An Event of Default shall occur in respect of the Subordinated Bonds:

14.2.1 if, otherwise than for the purposes of a reconstruction, amalgamation, reorganisation, merger or consolidation on terms previously approved by the Trustees or by an Extraordinary Resolution of the Bondholders, an order is made or a resolution is passed for the winding-up of the Issuer. If such an Event of Default occurs, the Trustees may, subject as provided below, at their discretion, give notice to the Issuer that the Subordinated Bonds are immediately repayable at their Early Redemption amount, plus accrued interest as provided in the Trust Deed or relevant Supplemental Trust Deed;

14.2.2 if default is made in the payment of principal due, or interest which has not been deferred, and which is due in respect of the Subordinated Bonds and such default continues for a period of 7 Business Days, the Trustees may, subject as provided below, at their discretion and without further notice, institute proceedings in the Federal Republic of Nigeria (but not elsewhere) for the winding-up of the Issuer. Provided however that the Issuer shall not be in default if during the 7 Business

Days' grace period, it satisfies the Trustees that Withheld Amounts were not paid in order to comply with any relevant fiscal law or any other law, regulation or order of any court of competent jurisdiction impacting on the fulfillment of the payment obligations of the Issuer; and

14.2.3 **Breach of Other Obligations**: the Issuer does not perform or comply with any one or more of its other obligations under the Supplemental Trust Deed under which the Bonds are constituted or the Trust Deed, which default has not been remedied for a period of 30 days after the date on which written notice of such default requiring the Issuer to remedy the same shall have been given to the Issuer by the Trustees (except where such default is not, in the reasonable opinion of the Trustees after consultation with the Issuer, capable of being remedied, in which case no such notice as is mentioned above will be required).

15. **Proceedings to Enforce Repayment**

15.1 At any time after the Bonds of any Series or Tranche shall have become payable after the expiry of the notice period in the immediate preceding Clause, the Trustees may at their discretion and upon being requested to do so in writing by the Majority Bondholders or by an Extraordinary Resolution by the Majority Bondholders present and voting at a special meeting of the Bondholders of the Series duly convened for that purpose, and without further notice institute such proceedings as they may think fit to enforce payment of the Bonds of such Series or Tranche, the premium (if any) thereon and all unpaid interest (if any) which has accrued thereon.

15.2 Proof that as regards any specified Bonds the Issuer has made default in paying any amount due in respect of such Bonds shall (unless the contrary be proved) be sufficient evidence that the same default has been made as regards all other Bonds in the Series to which it relates.

15.3 Only the Trustees may enforce the provisions of this Deed. No Bondholder shall be entitled to proceed directly against the Issuer to enforce the performance of any of the provisions of this Deed unless the Trustees having become bound as aforesaid to take proceedings fail to do so within a reasonable period and such failure is continuing.

16. **Trust of Receipts**

All monies received by the Trustees hereunder shall be held by the Trustees (subject to the payment of any monies having priority to outstanding Bonds) upon trust to apply the same for the following purposes and in the following order of priority:

16.1 Firstly, payment of all costs, charges, expenses and liabilities incurred and payments made in or about the execution of the trusts hereof including all remuneration payable to the Trustees and other advisers with interest thereon as hereinafter provided;

16.2 Secondly, payment of the Coupon (if any) owing upon each Series or Tranche *pari passu* in proportion to the amount due to the Bondholders respectively and without preference or priority;

16.3 Thirdly, payment of the principal monies owing upon the Bonds of each Series or Tranche *pari passu* in proportion to the amount of Bonds held by each Bondholder and without preference or priority;

16.4 Fourthly, payment of the premium (if any) owing upon each Series or Tranche *pari passu* in proportion to the amount due to the Bondholders respectively and without preference or priority; and

16.5 Fifthly, the excess cash flow (if any) shall be paid to the Issuer.

17. **Alteration in the Order of Payment**

17.1 Clause 16 above notwithstanding, if the Trustees shall so determine, payments may be made on account of principal monies and premiums before the interest (if applicable) or the whole of the interest on Bonds of outstanding Series or Tranche have been paid but such alteration in the order of payment of principal monies premium and interest shall not prejudice the right of the Bondholders to receive the full amount to which they would have been entitled if the primary order of payment had been observed or any less amount which the sum ultimately received may be sufficient to pay.

17.2 Claims against the Issuer for payment in respect of the Bonds shall be prescribed and become void unless made within six (6) years from the appropriate relevant date in respect of the principal and the Coupon.

17.3 Notwithstanding Clause 16 above, the payment of interest, principal monies and premium of the Subordinated Bondholders shall be subordinated to the payment of interest, principal monies and premium of the Senior and Unsecured Bondholders.

18. **Power to Retain Monies**

The Trustees shall be entitled at their discretion to retain temporarily monies in their hands available for distribution to Bondholders and during the period of retention to invest all or any of such moneys in one or more of the investments authorised in Clause 19 (Permitted *Investments*) hereof with power to vary such investments PROVIDED that on no occasion shall the Trustees retain pursuant to this clause monies and investments sufficient to pay an amount equal to ten *per cent* (10%) of any outstanding Series for a period longer than three (3) months and such monies shall forthwith be returned to the Issuer.

19. **Permitted Investments**

Subject to Clause 18 hereof, any monies subject to the trusts hereof which at any given time are not required for the discharge of any obligations hereunder within the five (5) days immediately following the Coupon Payment Date may at the discretion of the Trustees be invested in the name or under the legal control of the Trustees in any of the Permitted Investments or any other investments for the time being authorised by Applicable Law for the investment of trust monies or in any such investments as may be approved by the Commission or in accordance with the provisions of this Trust Deed or may be placed on deposit in the name of the Trustees in such bank or banks as the Trustees may think fit and the Trustees may at any time vary such investment from time to time for others of a like nature. Provided, however, that the Trustees shall render accounts to the Issuer on a calendar half-yearly basis.

20. **Trustees Not Bound to Enforce Covenants, Etc.**

The Trustees shall not be bound to take any action in relation to this Deed (including but not limited to the giving of any notice pursuant to Clause 14 (*Events of Default*) or the taking of any proceedings and/or other steps mentioned in Subclause 23.1) or any documents executed pursuant thereto unless respectively directed or requested to do so (a) by an Extraordinary Resolution or (b) in writing by

Majority Bondholders and then only if it (and every attorney, delegate, manager, agent or other person appointed by the Trustees hereunder) shall be indemnified and/or secured to its satisfaction against all liabilities, proceedings, claims, demands, costs, charges and expenses to which they may render themselves liable or which they may incur by so doing by the Bondholders or Majority Bondholders. The Trustees may also waive on such terms and conditions as they shall deem expedient any of the covenants herein contained and on the part of the Issuer to be performed and observed.

21. **Powers, Reliefs and Indemnities of the Trustees**

The Trustees shall enjoy all powers, reliefs, and indemnities herein below by way of supplement to the powers conferred upon them by the Trustees Investments Act. The powers hereby conferred upon the Trustees shall be in addition to any powers, which may from time to time be vested in them by general law or by the Bondholders. In addition, IT IS HEREBY EXPRESSLY AGREED AND DECLARED as follows:

21.1 **Reliance on Experts' Advice**

The Trustees acting reasonably and in good faith, may in relation to this Deed act on the opinion or advice of, or any information from any solicitor, valuer, surveyor, broker, auctioneer, accountant, or other expert, whether obtained by the Issuer or by the Trustees or otherwise, and shall not be responsible for any loss occasioned by so acting. Any such advice, opinion or information may be obtained or sent by letter, telex, telegram, facsimile or cablegram or electronic mail, and the Trustees shall not be liable for acting on any advice, opinion or information purporting to be so conveyed even though the same shall contain some error or shall not be authentic provided however that the Trustees has exercised due care and diligence in relying on any such advice, opinion or information;

21.2 **Trustees not Bound to Give Notice**

The Trustees shall not be bound to give notice to any person or persons of the execution hereof or of any acts or deeds made or done by virtue of this Deed or to see to the registration hereof in any registry or to any other formalities in connection herewith;

21.3 **Trustees Entitled to Assume That No Event of Default has Occurred**

The Trustees shall not be bound to take any steps to ascertain whether any Event of Default has occurred or to monitor or supervise the performance, observance or compliance by the Issuer of the provisions of this Deed and, until they shall have actual knowledge or express notice pursuant to this Deed to the contrary, the Trustees shall be entitled to assume that no Event of Default has occurred;

21.4 **Discretion**

Save as herein otherwise expressly provided, the Trustees shall as regards all trusts, powers, authorities and discretions hereby vested in them have absolute and uncontrolled discretions as to the exercise thereof, and in the absence of fraud or lack of diligence, negligence, or the Trustees acting in default of their powers, the Trustees shall not be responsible for any loss, costs, damages, expenses or inconvenience that may result from the exercise or non-exercise thereof, and in particular they shall not be bound to act at the request or discretion of the Bondholders under any provision of this Deed unless the Trustees shall first be indemnified to their satisfaction against all costs, charges, expenses and liability which may be incurred in complying with such request or discretion by the Bondholders;

21.5 **Conditional Consent**

With a view to facilitating any dealing under any provision of this Deed, the Trustees shall have full power prospectively to consent (where such consent is required) to any specified transaction conditionally on the same conforming to specified conditions laid down or approved by the Bondholders;

21.6 **Application of Monies Subscribed**

The Trustees shall not be responsible for the monies paid to the Issuer by subscribers to the Bonds of any Series or be bound to see to the application of the proceeds of any Tranche or Series;

21.7 **Defect in Bondholders' Resolution**

The Trustees shall not be responsible for having acted upon any resolution purporting to have been passed at any meeting of the Bondholders in respect whereof minutes have been made and signed, even though it may subsequently be found that there was some defect in the constitution of the meeting or the passing of the resolution with the effect that the resolution was not valid or binding upon the Bondholders except where the Trustees had knowledge of such defect; in which case the Trustees shall become liable for such acts;

21.8 **Indemnity**

Without prejudice to the right of indemnity by law given to Trustees, the Trustees and every attorney, manager, agent or other person appointed by them thereunder shall be entitled to be indemnified by the Issuer in respect of all liabilities and expenses incurred by them in the execution or purported execution of the powers and trusts hereof or of any powers, authorities or discretions vested in them pursuant to this Deed, and the Trustees may retain and pay out of any monies in their hands upon the trusts of this Deed the amount of any such liabilities and expenses and also the remuneration of the Trustees as hereinbefore provided; PROVIDED that the Trustees and such attorney, manager, agent or other person appointed by the Trustees have not been negligent or have acted in default of their powers in which case the Trustees shall become liable for such acts;

21.9 **Construction**

Without prejudice to the jurisdiction of any competent court, the Trustees shall have full power to determine all questions and doubts arising in relation to any of the provisions hereof, and every such determination *bona fide* made (whether or not the same) shall relate in whole or in part to acts or proceedings of the Trustees hereunder;

21.10 **Breach of Trust**

The Trustees shall not be liable for any thing save only a breach of trust committed by them; PROVIDED nevertheless that nothing contained in this clause shall exempt the Trustees from or indemnify them against any liability for breach of trust where the Trustees fail to show the degree of care and diligence required of them having regard to the provisions hereof conferring on them any powers, authorities or discretions;

21.11 **Liability of the Trustees**

The Trustees shall be held liable for any breach of the provisions of this Trust Deed arising out of any act or omission committed by them or any of their agents or persons acting on their behalf, as a result of lack of degree of care and or diligence as required of Trustees;

21.12 **Confidential Information**

The Trustees shall not and shall procure that their employees, agents or directors (unless and to the extent ordered so to do by a court of competent jurisdiction) be required to disclose to any Bondholder any information (including, without limitation, information of a confidential, financial or price sensitive nature) made available to the Trustees by the Issuer or any other person in connection with this Deed and no Bondholder shall be entitled to take any action to obtain from the Trustees any such information;

The restrictions set out in this Clause 21.12 shall continue to apply notwithstanding the termination of this Deed. The Trustees hereby agree to indemnify the Issuer for any costs, damages or losses suffered by the Issuer as a result of the breach of the obligations stated in this clause;

21.13 **Trustees to Regard General Interest of Bondholders**

In connection with the exercise by them of any of their trusts, powers, authorities and discretions under this Deed (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustees shall have regard to the general interests of the Bondholders as a class and shall not have regard to any interests arising from circumstances particular to individual Bondholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Bondholders (whatever their number);

21.14 **Mistakes**

Without prejudice to the breadth of sub-clauses 21.4 (*Discretion*) and 21.10 (*Breach of Trust*), subject to the provisions of Section 188 of CAMA and provided that the Trustees have shown the degree of care and diligence required of them as Trustees, the Trustees shall not be responsible to the Bondholders, the Issuer or anybody whatsoever for the consequence of any mistake, oversight, or error of judgment on their part or on the part of any servant or officer of the Trustees;

21.15 **No Rating**

The Trustees shall have no responsibility whatsoever to the Issuer, any Bondholder or any other person for the maintenance of or failure to maintain any rating of any Bonds by any Rating Agency; and

21.16 **Limitation of the Liability of the Trustees**

The Trustees shall have all the rights and powers conferred upon them by the Trustees Investments Act, as though the same were expressly set out herein and by way of supplement hereto, in addition to the other powers conferred on the Trustees and provisions for their protection, and not by way of limitation or derogation of anything in this Deed contained nor any statute limiting the liability of the Trustees in Nigeria.

22. **Reliance on Certificates**

22.1 In the absence of bad faith and negligence on the part of the Trustees, the Trustees may call for and shall be at liberty to accept as sufficient evidence any fact or matter or the expediency of any transaction or thing in a certificate signed by any two (2) directors of the Issuer and the Trustees shall not be bound in any such case to call for further evidence or be responsible for any loss that may be occasioned by it or any other person acting on such certificate provided that in the case of any such document specifically required to be furnished to the Trustees in accordance with this Deed, the Trustees shall be under a duty to examine the same to determine whether it conforms to the requirements thereto.

22.2 The Trustees shall be at liberty to accept a certificate issued by the Issuer that all the Bonds of a Series have been redeemed or relating to any matter primarily within the knowledge of the Issuer as sufficient evidence thereof and any such certificate shall be a complete protection to the Trustees to act thereon except in the case of manifest error or negligence on the part of the Trustees.

23. **Trustees' Discretion as to Enforcement**

23.1 The Trustees may at any time, at their discretion and without notice, take such proceedings and/or other steps as they may think fit against or in relation to the Issuer to enforce its obligations under this Deed.

23.2 Except as herein otherwise expressly provided, the Trustees shall be and are hereby authorised to assume without enquiry and it is hereby declared to be the intention that they shall assume without enquiry in the absence of knowledge by or express notice to it to the contrary that the Issuer is duly performing and observing all the covenants and provisions herein contained and on its part to be performed and observed and notwithstanding knowledge by or notice to the Trustees of any breach of covenant or obligation by the Issuer it shall take any action or proceedings to enforce the performance thereof, and the Trustees shall not be bound to declare the Bonds of any Series immediately repayable or to take any steps to enforce payment thereof or any of the provisions of this Deed unless and until in any of such cases the Trustees are required to do so in writing by the Majority Bondholders of the relevant Series or by an Extraordinary Resolution, and then only if provisions shall have been made to the satisfaction of the Trustees for the costs, charges and expenses of the Trustees of or incidental to the exercise of any such power or the taking of any such steps PROVIDED THAT the Trustees shall in any case inform Bondholders of the happening of any Event of Default that comes within their actual knowledge.

Claims and Litigation

The Solicitors audit was limited to pending litigation and arbitral proceedings (together the "**Disputes**") with an economic impact of at least ₦50,000,000 (Fifty Million Naira). ₦50,000,000 (Fifty Million Naira) is less than 0.013% of the Company's shareholders' funds and 0.0013% of the Bank's balance sheet. The total number of Disputes at or above the ₦50,000,000 thresholds are 73. The Company confirmed to us that the Company is involved in all of these Disputes as a defendant. The Company has counterclaims in some of the Disputes.

As at May 31, 2018, the total amount claimed in the Disputes against the Company is an aggregate of ₦298,588,252,829.80 (minus interest claims) in the case of the Naira claims, and (ii) US$489,162.45 (minus interest claims) in the case of the United States Dollars claims. The Company counter-claims in aggregate the sum of ₦1,530,160,172.6 (minus interest claims) in the case of the Naira counter-claims, and (ii) US$7,936,763.33 (minus interest claims) in the case of the United States Dollars counter-claims in the Disputes.

The Solicitors are of the opinion that most of the claims against the Company are either spurious or grossly exaggerated and will most likely fail. For instance, in Suit No. FHC/PH/CS/1568/2013 (*Kelvin Dappa v. UBA*; where it is alleged that an automated teller machine card was issued to the wrong person and used by that person), the claim, which is in excess of ₦250 billion (constituting circa 80% of the aggregate claims against the Company in excess of ₦50,000,000), is one, in our opinion, without merit and will in all likelihood fail. In the event that some of the other claims succeed, the portion of the contingent liability that is realistically likely to materialize is not likely to impact the Company significantly or adversely affect the ability of the Company to perform its obligations under the Transaction especially considering that the liabilities are not likely to materialize concurrently.

Off-Balance-Sheet Items

As at 31 December 2017, the Bank had no off-balance-sheet items other than in the ordinary course of its operations.

Declarations

Except as otherwise disclosed in this Prospectus:

- The Bank is not aware of any:

    1. prosecution commenced within the last twelve (12) months against the Bank or any of its subsidiaries in respect of any breach of any securities or banking laws or the CAMA; or
    2. action taken against the Bank by FMDQ/The NSE on which its securities are listed in respect of any breach of the listing requirements of the Exchanges.

- No share of UBA is under option or agreed conditionally or unconditionally to be put under option;

- No commissions, discounts, brokerages or other special terms have been granted by the Bank to any person in connection with the offer or sale of any share of the Bank;

- Save as disclosed herein, the Directors of the Bank have not been informed of any holding representing more than 5% of the issued share capital of the Bank;

- There are no founders, management or deferred shares or any options outstanding in the Bank's share capital;

- There are no material service agreements between the Issuer and any of its Directors and employees other than in the ordinary course of business;

- There are no long-term service agreements between the Bank and any of its Directors and employees except pension and gratuity agreements; and

- None of the Bank's Directors or key management staff is subject to any of the following (whether in or outside the Federal Republic of Nigeria):

    1. A petition brought under any bankruptcy or insolvency laws filed (and not struck out), either against his person or against any partnership or company of which he is a partner, director or key personnel;

2. A conviction in a criminal proceeding or is a named subject of pending criminal proceedings relating to fraud or dishonesty;

3. No Director of the Company has had any interest, direct or indirect, in any property purchased or proposed to be purchased by the Company in the five years prior to the date of this SP; and

4. The subject of any order, judgment or ruling of any court of competent jurisdiction or a regulatory body relating to fraud or dishonesty restraining him from acting as an investment adviser, dealer in securities, director or employee of a financial institution and engaging in any type of business practice or activity.

Material Contracts

The following agreements have been entered into and are considered material to this Programme:

- A Programme Trust Deed dated 19th October 2018 between UBA Plc on the one part and the Trustees on the other part by which the latter have agreed to act as Trustees to the sinking fund to be established in connection with the Programme. The extracts of the Programme Trust Deed are set out in pages 136 to 152 of this Shelf Prospectus.
- Prospectus dated June 6, 2017 in respect of the UBA US$500m 7.750 per cent Notes due 2022. The Prospectus was approved by the Central Bank of Ireland and the Notes are to be traded in any member State of the European Economic Area. The Note Issue is for a period of five (5) years starting from June 8, 2017 and to mature June 8, 2022. Interest on the Notes are payable semi-annually in arrears on June 8 and December 8 in each year commencing on December 8 2017. The Notes mature on June 8 2022 and may be redeemed before then at the option of the relevant holder at their principal amount together with accrued interest upon the occurrence of a Put Event (defined in the conditions). The Notes are also redeemable in whole, at their principal amount, together with accrued interest, at the option of the UBA at any time in the event of certain changes affecting taxes of Nigeria.

Other than as stated above, the Issuer has not, to our knowledge, entered into any material contract except in the ordinary course of business.

Cost and Expenses

The cost, charges and expenses of and incidental to the Issue, including fees payable to SEC, FMDQ, The NSE, CSCS, professional parties' fees, brokerage commission, printing and distribution expenses will be determined at each issuance. These costs are payable by the Issuer and deductible from the proceeds of the Issue. This shall be specified in the relevant SP to be issued under this Programme.

Relationship between the Issuer and its Advisers

No relationship other than the professional ones established pursuant to this Programme exists between the Issuer and any of its advisers than in the ordinary course of its business.

Mergers or Takeovers

As at the date of this Shelf Prospectus, the Directors were not aware of a merger or takeover offer by third parties in respect of the Bank's securities during the preceding financial year or current financial year.

Consents

The under listed parties have given and not withdrawn their written consents to the issue of this Prospectus with their names and reports (where applicable) included in the form and context in which they appear:

Directors of the Issuer	
Mr. Tony Elumelu, CON	Chairman
Amb. Joe Keshi, OON	Vice Chairman
Mr. Kennedy Uzoka	Group Managing Director/CEO
Mr. Victor Osadolor	Deputy Group Managing Director
Mr. Dan Okeke	Executive Director
Mr. Emeke Iweriebor	Executive Director
Mr. Oliver Alawuba	Executive Director
Mr. Uche Ike	Executive Director
Mr. Ayoku Liadi	Executive Director
Mr. Puri Ibrahim	Executive Director
Mr. Chukwuma Nweke	Executive Director
Chief Kolawole Jamodu, OFR	Non-Executive Director
Mrs. Foluke Abdulrazaq	Non-Executive Director
Mrs. Owanari Duke	Independent Non-Executive Director
High Chief Samuel Oni, FCA	Independent Non-Executive Director
Mr. Bili Odum	Group Company Secretary

Professional Parties to the Programme	
United Capital Plc	Lead Issuing House
Coronation Merchant Bank Limited	Joint Issuing House
FCMB Capital Markets Limited	Joint Issuing House
FSDH Merchant Bank Limited	Joint Issuing House
Stanbic IBTC Capital Limited	Joint Issuing House
Stanbic IBTC Trustees Limited	Trustees
United Capital Trustees Limited	Trustees
UTL Trust Management Services Limited	Trustees
G. Elias & Co	Solicitors to the Issue
ARM Securities Limited	Stockbrokers
Union Capital Markets Limited	Stockbrokers
United Capital Securities Limited	Stockbrokers
First Bank of Nigeria Limited	Receiving Bank
Stanbic IBTC Bank Plc	Receiving Bank
Standard Chartered Bank Nigeria Limited	Receiving Bank
FCMB Limited	Receiving Bank
Africa Prudential Plc	Registrars
Agusto & Co. Limited	Rating Agency
Global Credit Rating Co.	Rating Agency
Ernst & Young	Reporting Accountants
PricewaterhouseCoopers	Auditors

Documents Available for Inspection

Copies of the following documents may be inspected at the offices of the Issuing Houses during normal business hours on any weekday (except public holidays), during the validity period of the Programme:

i. The Certificate of Incorporation of the Bank, duly certified by the Group Company Secretary;

ii. The Memorandum and Articles of Association of the Bank, duly certified by the CAC;

iii. A copy of the resolution dated 21st day of May 2018 passed at the meeting of the Board of Directors, recommending the Programme for the consideration of the shareholders; signed by a Director and the Company Secretary;

iv. A copy of the resolution of the shareholders passed at the EGM of the shareholders of the Bank dated 2nd day of October 2009, approving the Programme, duly certified by the CAC;

v. The Bank's Audited Accounts for the financial years ended December 31 2013, December 31 2014, December 31 2015, December 31 2016 and December 31 2017, prepared in accordance with IFRS;

vi. The Reporting Accountant's Report on the Audited Accounts of the Bank for the financial years ended December 31 2013, December 31 2014, December 31 2015, December 31 2016 and December 31 2017, prepared in accordance with IFRS;

vii. The schedule of the Claims and Litigation referred to above and the Solicitors' opinion thereon;

viii. The material contracts referred to on page 151 of this Prospectus;

ix. The written consents referred to on page 154s of this Prospectus;

x. The letter from Solicitors on claims and litigations; and

xi. The letter dated 26th June, 2018 conveying the CBN "No Objection" to the establishment of the Programme;

FORM OF PRICING SUPPLEMENT

Set out below is the form of Pricing Supplement which will be prepared by the Issuer for each Series of Note issued under the Programme:

UBA
UNITED BANK FOR AFRICA PLC

RC 2457

(INCORPORATED WITH LIMITED LIABILITY IN THE FEDERAL REPUBLIC OF NIGERIA)

OFFER FOR SUBSCRIPTION OF

[•]

Series [•]: [•]-Year [•]%

Fixed Rate Notes Due [•]

Under a ₦300,000,000,000 Medium Term Notes Issuance Programme

Issue Price: [•] per unit

Payable in full on Application

Application List Opens: [•] Application List Closes: [•]

This Pricing Supplement is prepared for the purpose of Rule 279(3) of the Rules and Regulation of the Securities & Exchange Commission (the "Commission" or SEC) in connection with the ₦300, 000,000,000.00 Medium Term Notes Issuance Programme established by United Bank for Africa Plc (the "Issuer"). This Pricing Supplement is supplemental to, and should be read in conjunction with, the Shelf Prospectus dated [•] 2018 and any other supplements to the Shelf Prospectus to be issued by the Issuer. Terms defined in the Shelf Prospectus have the same meaning when used in this Pricing Supplement.

To the extent that there is any conflict or inconsistency between the contents of this Pricing Supplement and the Shelf Prospectus, the provisions of this Pricing Supplement shall prevail. This Pricing Supplement may be used to offer and sell the Notes only if accompanied by the Shelf Prospectus. Copies of the Shelf Prospectus can be obtained from any of the Issuing Houses.

The registration of the Shelf Prospectus and this Pricing Supplement shall not be taken to indicate that the Commission endorses or recommends the Securities or assumes responsibility for the correctness of any statements made or opinions or reports expressed in the Shelf Prospectus or this Pricing Supplement. No Securities will be allotted or issued on the basis of the Shelf Prospectus read together with this Pricing Supplement later than three (3) years after the date of the issue of the Shelf Prospectus.

This Pricing Supplement contains particulars in compliance with the requirements of the Commission for the purpose of giving information with regard to the Securities being issued hereunder (the "Series 1 Notes" or "Notes"). Application has been made to the FMDQ/Governing Council of The NSE for the admission of the Notes to the Daily Official List of the Exchange. The Notes now being issued will upon admission to the Daily Official List qualify as a security in which Trustee may invest under the Trustee Investments Act (Cap T22) Laws of the Federation of Nigeria, 2004.

The Issuer accepts full responsibility for the accuracy of the information contained in this Pricing Supplement. The Issuer declares that having taken reasonable care to ensure that such is the case, the information contained in this Pricing Supplement is, to the best of its knowledge, in accordance with the facts and does not omit anything likely to affect the import of such information and that, save as disclosed herein, no other significant new factor, material mistake or inaccuracy relating to the information included in the Shelf Prospectus has arisen or has been noted, as the case may be, since the publication of the Shelf Prospectus. Further, the material facts contained herein are true and accurate in all material respects and the Issuer confirms that, having made all reasonable enquiries, to the best of its knowledge and belief, there are no material facts, the omission of which would make any statement contained herein misleading or untrue.

This Pricing Supplement is dated [•] 2018

FINAL TERMS OF THE SERIES [•] NOTES

1.	Issuer	United Bank for Africa Plc
2.	Description of the Notes:	[•]
3.	Series Number:	[•]
4.	Aggregate Principal Amount of Notes:	[•]
5.	Issue Price: Net Proceeds:	[•]
6.	Denomination(s):	[•]
7.	Issue Date: Interest Commence Date (if different from Issue Date)	[•]
8.	Maturity Date:	[•]
9.	Principal Moratorium:	[•]
10	Interest Basis:	[•]
11.	Redemption/Payment Basis:	[•]
12.	Status:	[•]
13.	Security:	[•]
14.	Listing(s):	[•]
15.	Method of Distribution:	[•]
16.	Offer Period	[•]
Provisions Relating to Interest (If Any) Payable		
17.	Fixed Rate Note Provisions	
	- Interest Rate:	[•]
	- Coupon Payment Date(s) /Payment Dates:	[•]
	- Interest Amount(s):	[•]
	- Business Day Convention:	[Following Business Day Convention/ Preceding Business Day Convention/ Modified Business Day]
	- Business Day:	Modified Business Day
	- Other terms relating to method of calculating interest for Fixed Rate Bonds:	[•]

18.	Floating Rate Note Provisions	[•] (if not delete the remaining sub-paragraphs of this paragraph)
	- Coupon Payment Date(s):	[•]
	- Reference Banks:	[•]
	- Spread (if applicable):	[•]
	- Party responsible for calculating interest rate and interest amount(s)	[•]
	- Relevant Time (if applicable):	[•]
	- Screen Rate Determination: • Benchmark: • Coupon Determination Dates(s): • Relevant Screen Page:	Actual/Actual: Actual/360
	- Day Count Fraction	[•]
Provisions Relating to Redemption		
18.	Optional Early Redemption (Call Option):	[Applicable/Not Applicable]
19.	Optional Early Redemption (Put Option):	[Applicable/Not Applicable]
20.	Scheduled Redemption/Amortization:	[Applicable/Not Applicable]
21.	Redemption Amount(s):	[•]
22.	Scheduled Redemption Dates:	[•]
23.	Final Redemption Amount:	[•]
General Provisions Applicable to the Notes		
24.	Form of Notes: Form of Dematerialized Notes: Registrar:	Dematerialised Notes [Registered/Certificate/Dematerialized] [•]
25.	Trustee(s):	[•]
26.	Record Date:	[•]
27.	Other terms or special conditions:	[•]
Distribution, Clearing and Settlement Provisions		
28.	Underwritten/Book-building:	[•]
29.	If Underwritten, names of Underwriters	[•]
30.	Clearing System:	Central Securities Clearing System Plc

FORM OF PRICING SUPPLEMENT

General	
31. Rating:	[●]
32. Taxation:	[●]
33. Governing Law	Nigeria

Appendices	
34. Appendices:	[List and Attach Appendices if applicable]

Use of Proceeds

[Insert details of use of proceeds]

Material Adverse Change Statement

Except as disclosed in this document and in the Shelf Prospectus dated [●] 2018, there has been no significant change in the financial or trading position of the Issuer since *[insert date of last audited accounts or interim accounts (if later)]* and no material adverse change in the financial position or prospects of the Issuer since *[insert date of last published annual accounts]*.

Responsibility

The Issuer accepts responsibility for the information contained in this Pricing Supplement which, when read together with the Shelf Prospectus referred to above, contains all information that is material in the context of the issue of the Bonds.