Union Bank of Nigeria Plc

Annual Report

31 December 2016

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CORPORATE INFORMATION

Directors

•	Cyril Odu	-	Chairman
•	Emeka Emuwa	-	Chief Executive Officer
•	Oyinkansade Adewale	-	Executive Director/Chief Financial Officer
•	Kandolo Kasongo	-	Executive Director/Chief Risk Officer
•	Ibrahim Kwargana	-	Executive Director
•	Emeka Okonkwo	-	Executive Director
•	Adekunle Sonola	-	Executive Director
•	Nath Ude	-	Executive Director[3]
•	Mansur Ahmed	-	Non-Executive Director
•	Onikepo Olufunmike Akande, CON	-	Non-Executive Director
•	John Botts	-	Non-Executive Director
•	Richard Burrett	-	Non-Executive Director
•	Ian Clyne	-	Non-Executive Director
•	Beatrice A. Hamza-Bassey	-	Non-Executive Director
•	Richard Kramer	-	Non-Executive Director
•	Arina McDonald	-	Non-Executive Director
•	Adeyemi Osindero	-	Non-Executive Director[1]
•	John Vitalo	-	Non-Executive Director[2]

1 *Resigned with effect from 18th October, 2016*

2 *Resigned with effect from 15th February, 2017*

3 *Appointed on the 3rd of March 2017*

Company Secretary

Somuyiwa Adedeji Sonubi
FRC/2013/NBA/00000002061

Registered office

Union Bank of Nigeria Plc

Stallion Plaza

36 Marina

Lagos

Auditor

KPMG Professional Services

KPMG Tower

Bishop Aboyade Cole Street

Victoria Island,

Lagos

Registrar & Transfer Office

GTL Registrars Limited (former Union Registrars Limited)

2, Burma Road

Apapa

Lagos

Board Appraiser

DCSL Corporate Services Limited

235, Ikorodu Road

Ilupeju

Lagos

Management Team

Emeka Emuwa	Chief Executive Officer
Oyinkansade Adewale	Chief Financial Officer
Omolola Cardoso	Head, Group Corporate Strategy
Luxhman Jayaratne	Head, Operations & Information Technology[1]
Nath Ude	Head, Operations & Information Technology[2]
Kandolo Kasongo	Chief Risk Officer/Executive Compliance Officer
Ibrahim Kwargana	Head, Public Sector and Government Relations
Joseph Mbulu	Head, Transformation
Emeka Okonkwo	Head, Corporate and Investment Banking
Adekunle Sonola	Head, Commercial Banking
Miyen Swomen	Head, Human Resources
Carlos Wanderley	Head, Retail Banking
Olabode Abikoye	Head, AgriBusiness
Olanireti Abimbola	Head, Internal Control
Joyce Adekoya	Senior Compliance Manager
Taiwo Adeneye	Head, Treasury Operations
Oluwagbenga Adeoye	Head, Financial Control
Sheahan Arasaratnam	Head, Retail Products
Bulus Ayuba	Head, Branch Operations & Services, North
Fatai Baruwa	Head, Sales and Distribution III
Lateef Dabiri	Chief Compliance Officer
Rosemary David-Etim	Divisional Executive Commercial Banking, South South
Abigail Duopama-Obomanu	Head, Branch Coordination
Olusegun Edun	Head, Credit Risk Analysis (Corporate)
Ogochukwu Ekezie-Ekaidem	Head, Corporate Communications and Marketing
Ikechukwuka Emerole	Head, Treasury
Chidi Ileka	Head, Transaction Banking, Trade & Cash
David Isiavwe	Chief Audit Executive
Abolade Jegede	Divisional Executive, Commercial Banking, Lagos Mainland
Adebanji Jimoh	Head, Sales and Distribution II
Ali Kadiri	Head, General Markets, Corporate Bank
Pearl Kanu	Head, Commercial Bank Liability Business & Products Group
Segun Lamidi	Head, Head Office Operations
Agatha Mbanefo	Head, Customer Care
Magnus Nnoka	Head, Business Support and Recovery
Roseline Nwayo	Deputy Chief Audit Executive
Mobolade Ojeahere	Head, Cash Management

Morenike Olabisi	Head, CBG Food and Beverages
Babatunde Olagbaju	Head, Credit Portfolio Management & Regulatory Compliance
Biyi Olagbami	Chief Credit Officer
Ayodele Olaiya	Head, Value Chain Banking
Uche Olowu	Head, Energy Upstream/Oil Services, Corporate Bank
Olusola Olubi	Head, Specialized Markets, Corporate Bank
Gloria Omereonye	Group Head, Commercial Banking Lagos Island II
Folorunsho Orimoloye	Head, Alternative Channels
Oghenefovie Oyawiri	Head, Operational Risk Management
Morayo Oyeleke	Head, UBN Learning Academy
Kabir Sarkin-Pawa	Divisional Head, North II
Rabiu Tata	Head, Public Sector Group, Abuja/North
Imoh Udoh	Group Head, Commercial Banking, Port Harcourt
Momohjimoh Umar	Divisional Executive, Lagos Island
Paul Aseme	Head, Retail Segments
Vincent Eze	Divisional Executive, Commercial Banking, South-East
Maurice Phido	Managing Director, Union Bank UK Plc
Olufemi Okanlawon	Head, South Africa Representative Office

[1] _Resigned with effect from 1st February, 2017_

[2] _Appointed with effect from 3rd March, 2017_

CORPORATE GOVERNANCE

Corporate Governance practices in Union Bank of Nigeria Plc ("UBN" or "the Bank") are as codified in the Central Bank of Nigeria's ("CBN") Code of Corporate Governance of 2014, the Securities and Exchange Commission ("SEC") Code of Corporate Governance of 2011, the Banks and Other Financial Institutions Act of 1991 (as amended) and other relevant statutes. All these provide guidance for the governance of the Bank, compliance with regulatory requirements and form the basis of the core values upon which the Bank was founded. These codes and statutes are geared towards ensuring the accountability of the Board of Directors ("the Board") and Management to the stakeholders of the Bank in particular and emphasize the need to meet and address the interests of a range of stakeholders, so as to promote the long-term sustainability of the Bank.

UBN is committed to the best corporate governance practices and believes that adherence and commitment to high governance principles and standards is the panacea for effective control and management of the Bank. The principle of good corporate governance practices remains one of our core values and an important ingredient in creating, protecting, promoting and sustaining shareholders' interests, rights and values, as well as delivering excellent service to our customers. The Bank is committed to the highest ethical standards and transparency in the conduct of its business.

In compliance with the requirements of the CBN, the Bank undertakes internal reviews of its compliance with defined corporate governance practices and submits reports on the Bank's compliance status to the CBN. Also, an annual board appraisal review is conducted by an independent consultant appointed by the Bank, whose report is submitted to the CBN and presented to shareholders at the AGM of the Bank, in compliance with the provisions of the CBN Code of Corporate Governance.

Securities Trading Policy

To further demonstrate its commitment to transparency and ensure compliance with regulatory requirements, the Bank has developed a Securities Trading Policy in line with the Codes of Corporate Governance of the CBN and SEC respectively, and Section 14 of the Amendment to the Listings Rules of the Nigerian Stock Exchange. The Policy restricts the directors, staff, shareholders, key management personnel, third party service providers or any other connected persons who have direct or indirect access to the Bank's insider information from dealing in the Bank's securities. It also prohibits the trading of the Bank's securities during 'close' periods. The policy is designed to ensure that its compliance is monitored on an ongoing basis.

Complaints Management Policy

The Bank's Complaints Management Policy has been prepared pursuant to the Rules Relating to the Complaints Management Framework of the Nigerian Capital Market issued by the SEC on 16th February, 2015. The Policy applies strictly to the Bank's shareholders and provides an avenue for them to make complaints regarding their shareholding and relationship with the Bank.

The Complaints Management Policy aims to promote and safeguard the interest of the Bank's shareholders and investors, with its primary objective of ensuring that the activities of the board and management are in the best interest of the Bank and its shareholders. The policy sets out the process and channels through which shareholders can submit their complaints, and the process for managing these complaints.

The Registrar and Company Secretary are jointly responsible for the implementation of this policy.

Whistle Blowing procedures

In line with the Bank's commitment to instill the best corporate governance practices, the Bank has established a whistle blowing procedure that ensures anonymity. To this end, the Bank has two (2) hotlines and a dedicated e-mail address. The hotline numbers are 01 – 2805791 and the email address is whistleblower@unionbankng.com. Internally, the Bank has a direct link on its intranet for dissemination of information, to enable members of staff report all identified breaches of the Bank's Code of Corporate Governance.

Remuneration Policy for Directors and Senior Management

The Bank's Remuneration Policy for directors and senior management is geared towards attracting, retaining and motivating the best talent and enables the Bank achieve its financial, strategic and operational objectives. The policy sets out amongst others, the structure and components of the remuneration packages for Executive and Non-Executive Directors, and ensures that the remuneration packages comply with the CBN and SEC codes of corporate governance.

In line with the provisions of the extant regulations and codes of corporate governance, the remuneration of directors and senior management are set at levels, which are fair and competitive, and take into consideration the economic realities in the financial services sector and the Bank's financial performance.

Governance Structure

The following governance bodies are in place:

A. The Board of Directors

The Board of Directors oversees the management of the Bank, and comprises a Non-Executive Chairman, ten Non-Executive Directors, the Chief Executive Officer and five Executive Directors as listed below:

S/NO	NAME	02/03/2016	01/06/2016	02/06/2016	26/07/2016	18/10/2016	07/12/2016	07/12/2016
1	ODU, Cyril Akporuere	X	X	XX	X	X	X	XXX
2	EMUWA, Emeka	X	X	XX	X	X	X	XXX
3	ADEWALE, Oyinkansade	X	X	XX	X	X	X	XXX
4	AKANDE, Onikepo (Dr) Mrs	X	X	XX	X	X	O	O
5	AHMED, Mansur	X	O	O	X	O	X	XXX
6	HAMZA-BASSEY, Beatrice	X	X	XX	X	X	X	XXX
7	BOTTS, John	O	O	O	X	X	O	O
8	BURRETT, Richard	X	O	O	X	X	X	XXX
9	CLYNE, Ian	X	X	XX	X	X	X	O
10	KASONGO, Kandolo	X	X	XX	X	X	X	XXX
11	KWARGANA Ibrahim	X	X	XX	O	X	X	XXX
12	KRAMER, Richard Lee	X	X	XX	O	X	X	XXX
13	MCDONALD, Arina (Mrs)	X	X	XX	X	X	X	XXX
14	OKONKWO, Emeka	X	X	XX	X	X	X	XXX
15	OSINDERO Adeyemi[1]	X	X	XX	X	X	R	R
16	SONOLA, Adekunle	X	X	XX	X	X	X	XXX
17	VITALO, John [2]	X	X	XX	X	X	X	XXX

X *Present*
O *Absent*
R *Resigned*
XX *AGM*
XXX *EGM*

1 *Resigned with effect from 18th October, 2016*
2 *Resigned with effect from 15th February, 2017*

Responsibilities of the Board of Directors

The Board, the highest decision making body approved by the shareholders, met seven (7) times during the year to provide strategic direction, policies and leadership in attaining the objectives of the Bank.

The Board monitors the activities of the Chief Executive Officer and Executive Directors and the accomplishment of set objectives through reports at its meetings. In performing its oversight function over the Bank's business, the Board operates through the following Board and Management Committees.

B. Standing Board Committees

The Board of Directors has six standing committees, which deal with specific operations of the Bank, namely:

1. Board Credit Committee
2. Board Finance & General Purpose Committee
3. Board Establishment & Services Committee

4. Board Risk Management Committee
5. Board Remuneration Committee
6. Board Audit Committee

The composition of the Board committees was reconstituted in March 2016.
In addition, there is an Independent Statutory Audit Committee.

1. Board Credit Committee

The Committee met seven (7) times during the year. It is comprised of the following members:

S/NO	NAME	29/02/2016	29/04/2016	20/7/2016	09/09/2016	17/10/2016	22/11/2016	12/05/2016
1	OSINDERO, Adeyemi[1]	X	X	X	X	X	R	R
2	EMUWA, Emeka	X	X	X	X	X	X	X
3	AHMED, Mansur	X	X	X	O	X	X	X
4	BOTTS, John	X	X	X	X	X	X	X
5	BURRETT, Richard	X	O	X	X	X	X	X
6	HAMZA-BASSEY, Beatrice	X	X	O	O	X	O	X
7	KASONGO, Kandolo	X	X	X	X	X	X	X
8	OKONKWO, Godson E	X	X	X	X	X	X	X
9	SONOLA, Adekunle	X	X	X	X	X	X	X
10	VITALO, John[2]	X	O	X	O	X	O	X

X *Present*
O *Absent*
R *Resigned*

1 *Resigned with effect from 18th October, 2016*
2 *Resigned with effect from 15th February, 2017*

Its responsibilities include the following, amongst others:

- Consider and approve credits and other credit related matters within its set limit;
- Review and recommend credits and other credit related matters above its limit to the Board for consideration and approval;
- Review the credit portfolio; and
- Serve as a catalyst for the Bank's credit policy changes from the Credit Committee to the Board.

2. Board Finance and General Purpose Committee

The Committee met six (6) times during the year. It is comprised of the following members:

S/NO	*NAME*	03/02/2016	01/03/2016	31/05/2016	26/07/2016	17/10/2016	12/06/2016
1	KRAMER, RICHARD LEE	X	X	X	O	X	X
2	EMUWA, Emeka	X	X	X	X	X	X
3	ADEWALE, Oyinkansade (Mrs)	X	X	X	X	X	X
4	AHMED, Mansur	X	X	O	X	X	X
5	AKANDE, Onikepo (Dr) Mrs	X	X	X	X	X	O
6	BURRETT, Richard	X	X	O	O	X	X
7	CLYNE, Ian	X	X	X	X	X	X

S/NO	*NAME*	03/02/2016	01/03/2016	31/05/2016	26/07/2016	17/10/2016	12/06/2016
8	KWARGANA, Ibrahim	X	X	X	O	X	X
9	MCDONALD, Arina (Mrs)	X	X	X	X	X	X
10	OKONKWO, Godson Emeka	X	X	X	X	X	X

X *Present*
O *Absent*

Its responsibilities include the following, amongst others:

- Review and report to the Board on, the Bank's financial projections, capital and operating budgets, progress of key initiatives, including actual financial results against targets and projections.
- Review and recommend to the Board, the Bank's capital structure, including, but not limited to, allotment of new capital, debt limits and any changes to the existing capital structure.
- Review and recommend to the Board the Bank's annual plan for the allocation of capital and material changes during the course of the year.
- Formulate guidelines from time to time on cost control and reduction, consistent with maximum efficiency, and make appropriate recommendations to the Board.
- Review major expense lines, as warranted, and approve expenditures within the Committee's approved limits and review and recommend for Board approval any expenditures beyond the Committee's approved limits.
- Review and report to the Board on the Transformation programme against goals, including timing, budget, quality of delivery, and tradeoffs between transformation plans and business-as-usual (if required).
- Review and recommend for Board approval, the Bank's Transformation budget and any associated expenditures beyond that delegated to management.
- Review and provide feedback to the Board on the development of the Bank's strategic planning process and performance objectives to ensure the achievement of the financial targets expected by shareholders.
- Review and report to the Board on the effectiveness of the Bank's strategic planning and implementation monitoring process.
- Review and provide feedback to the Board on high-impact initiatives not otherwise managed by another committee that may have a material impact on the Bank's finances, regulatory relationships, customers and/or infrastructure.
- Review and recommend for Board approval any transactions associated with high- impact initiatives and any associated expenditures beyond that delegated to management.
- Review and recommend for Board approval any change to the delegation of authorities to management and management committees on financial matters.
- Review and recommend for Board approval the Bank's dividend policy, including amount, nature and timing.

3. Board Establishment and Services Committee

The Committee met five (5) times during the year. It is comprised of the following members:

S/NO	NAME	29/02/2016	05/04/2016	20/07/2016	3/10/2016	12/05/2016
1	AKANDE, Onikepo (Dr) Mrs	X	X	X	X	X
2	EMUWA, Emeka	X	X	X	X	X
3	AHMED, Mansur	X	O	X	X	X
4	BOTTS, John	X	X	X	X	X
5	HAMZA-BASSEY, Beatrice (Mrs)	X	X	O	O	X
6	BURRETT, Richard	X	X	X	O	X
7	KWARGANA, Ibrahim	X	X	O	X	X
8	MADONALD, Arina (Mrs)	X	O	X	X	X
9	SONOLA, Adekunle	X	X	X	X	X

X *Present*

O *Absent*

Its responsibilities include the following, amongst others:

- Consider and approve appointments, promotions and discipline of Principal Managers and above;
- Review and recommend appointments, promotions and discipline of Assistant General Managers and above to the Board for consideration and approval.
- Consider and recommend compensation increments for Principal Managers and above to the Board for consideration and approval.
- Consider and review staff compensation, welfare and industrial relations matters and make appropriate recommendations to the Board from time to time.
- Articulate and recommend strategic and succession plans for the Bank, to the Board from time to time.
- Review and report to the Board, annually, on the broad key performance indicators set by executive management for staff groups below the executive management level (“Staff”) to achieve that year’s business and financial goals.
- Review and report to the Board, on the annual performance evaluations of Staff conducted by management for the prior year’s performance and the overall outcome of the annual performance process.
- Review and report to the Board annually, the overall training policy and program for Staff and any changes as they arise to achieve business and financial goals.
- Review and recommend to the Board annually, approval of the remuneration policy, annual quantum, structure, and distribution of compensation (including base, overall annual bonus pool and awards, and benefits in kind) for Staff and changes thereto.
- Review and report to the Board annually, the total cash compensation package for Staff to ensure it will attract, retain and motivate key talent who add value to the Bank based on individual and team contributions.
- Review and recommend for approval to the Board annually, the severance policy for Staff.

- Review and recommend for Board approval annually, the Bank's organisational structure, key human capital policies and practices, including those affecting compensation, welfare, performance management, career management and transfer to ensure the optimal mix of talent.
- Review and recommend for Board approval, the Bank's retrenchment plan and strategy.
- Review and recommend for Board approval, revision of salaries and service conditions for Staff.
- Review and approve, on an as needed basis, the recruitment, promotions and termination of senior officers on Principal Manager (PM) grade.
- Review and recommend for Board approval, on an as needed basis, the recruitment, promotions and termination of senior officers on Assistant General Manager ("AGM") grade and above.
- Review and recommend for Board approval, the Bank's Succession Plan for senior officers on Assistant General Manager grade and above and any proposed amendments.
- Review and recommend for Board approval, any policies not otherwise contemplated herein relating to Staff and, as necessary and appropriate, engagement of outsourced services.
- Review and recommend for Board approval, the Bank's Culture Program, including mission statements, core values, and the incentives to align Staff towards the Bank's near and medium term strategic objectives.
- Review and report to the Board annually, the progress of the Culture Program and its effectiveness in driving the desired Staff behaviours and performance.
- Review and recommend for Board approval annually, and on an as needed basis, the overall strategies with unions and relationships with the Bank's Staff.
- Review and advise the Board annually, the strategy for and engagement of service providers supporting Staff, including the overall cost, performance and effectiveness of outsource firms in delivering cost-effective, high quality service to the Bank's customers.
- Review and report to the Board annually, the progress of outsourcing solutions and their effectiveness in delivering against the Banks' Transformation strategy.

4. Board Risk Management and Control Committee

The Committee met five (5) times during the year. It is comprised of the following members:

S/NO	NAME	01/03/2016	31/05/2016	25/07/2016	17/10/2016	06/12/2016
1	VITALO, John[2]	X	X	X	X	X
2	EMUWA, Emeka	O	X	X	X	X
3	ADEWALE, Oyinkansade	X	X	X	X	X
4	AHMED, Mansur	X	O	O	X	O
5	AKANDE, Onikepo (Dr) Mrs	X	X	X	X	O
6	BOTTS, John	X	O	X	X	X
7	CLYNE, Ian	X	X	X	X	X
8	HAMZA-BASSEY, Beatrice	X	X	X	X	X
9	KANDOLO, Kasongo	O	X	X	X	X
10	OSINDERO, Adeyemi[1]	X	X	X	X	R

X	*Present*	*1*	*Resigned with effect from 18th October, 2016*
O	*Absent*	*2*	*Resigned with effect from 15th February, 2017*
R	*Resigned*		

Its responsibilities include the following, amongst others:

- Develop an organization-wide risk management framework.
- Exercise a board oversight function on all risk related issues.
- Ensure compliance with the bank's organization-wide policies and framework covering all risk types (credit, market, assets and liabilities, strategic, legal, human resources etc).
- Ensure compliance with all statutory and regulatory requirements.
- Consider departmental reports and advise management on risks.

5. Board Remuneration Committee

The Committee met five (5) times during the year. It is comprised of the following members:

S/NO	NAME	01/03/2016	01/06/2016	25/07/2016	18/10/2016	05/12/2016
1	BOTTS, John	X	O	X	X	X
2	HAMZA BASSEY, Beatrice	X	X	X	X	X
3	BURRETT, Richard	X	O	O	X	X
4	CLYNE, Ian	X	X	X	X	X
5	OSINDERO, Adeyemi[1]	X	X	X	X	R
6	VITALO, John [2]	X	O	X	X	X

X	*Present*	*1*	*Resigned with effect from 18th October, 2016*
O	*Absent*	*2*	*Resigned with effect from 15th February, 2017*
R	*Resigned*		

The Committee's responsibilities include amongst others:

- Consider and recommend the appointment of Executive Management and Non-Executive Directors.
- Consider, approve and recommend the performance parameters for Executive Management.
- Consider and recommend compensation for Executives and Executive Management.
- Consider and review the performance of the Chief Executive Officer.

6. Board Audit Committee

The Committee met six (6) times during the year. It is comprised of the following members:

S/No	NAME	01/03/2016	10/03/2016	04/05/2016	20/07/2016	13/10/2016	12/05/2016
1	AHMED, Mansur	X	O	X	X	X	X
2	AKANDE, Onikepo (Dr) Mrs	X	X	X	X	X	X
3	CLYNE, Ian	X	O	O	O	X	X
4	KRAMER, Richard Lee	X	O	O	O	O	O
5	MCDONALD, Arina	X	X	O	X	X	O
6	OSINDERO, Adeyemi[1]	O	X	O	X	O	R
7	VITALO, John[2]	X	X	O	O	X	X

X	*Present*	*1*	*Resigned with effect from 18th October, 2016*
O	*Absent*	*2*	*Resigned with effect from 15th February, 2017*
R	*Resigned*		

The Committee's responsibilities include, amongst others:

- Review the Bank's accounting and financial reporting functions.
- Review the Bank's accounting system.
- Review the Bank's internal control structures.
- Review the Bank's internal control systems and processes.
- Recommend the appointment, remuneration and removal of external auditors to the Board.
- Review and recommend the audited financial statements to the Board for approval.

7. Statutory Audit Committee

The Committee is constituted at the Bank's Annual General Meeting (AGM). The Committee met five (5) times during the year. It is comprised of the following members:

- Musa Bichi - Chairman[1]
- Matthew Akinlade - Chairman[2]
- Mansur Ahmed - Member
- Onikepo Akande, CON - Member
- Marcel Ojinka - Member
- Adeyemi Osindero - Member[3]

1 Ceased to be Chairman on 4th August, 2016

2 Appointed as Chairman on 4th August, 2016

3 Resigned with effect from 18th October, 2016

S/No	NAME	10/03/2016	05/05/2016	04/08/2016	22/11/2016	14/12/2016
1	AKINLADE, Mathew	X	X	X	X	X
2	BICHI, Musa Baba	X	X	X	O	X
3	OJINKA, Marcel	X	X	X	X	X
4	AKANDE, Onikepo (Dr) Mrs	X	X	X	X	X
5	AHMED, Mansur	X	O	X	X	X
6	OSINDERO, Adeyemi[1]	O	O	X	R	R

X	*Present*	*1*	*Resigned with effect from 18th October, 2016*
O	*Absent*		
R	*Resigned*		

The Audit Committee has responsibility for the following:

- Oversight responsibility for the Bank's accounting and financial reporting functions.
- Oversight responsibility for the Bank's accounting systems.

- Oversight responsibility for the Bank's internal control structures.
- Recommending the appointment, remuneration and removal of external auditors to the Board.
- Reviewing and recommending the audited financial statements to the Shareholders for approval.

C. Management Committees

The Bank has the following Management Committees:

1. Executive Management Committee
2 Transformation Steering Committee
3. Assets and Liabilities Committee
4. Information Technology Steering Committee
5. Credit Committee
6. Stressed Assets Committee
7. Risk Management Committee
8. New Product Committee
9. Disciplinary Committee

1. Executive Management Committee

The Executive Management Committee comprises of the Chief Executive Officer (Chairperson), Chief Financial Officer, Chief Risk Officer, Head of Operations & Technology, Head of Corporate Banking, Head of Commercial Banking, Head of Retail Banking, Head, Public Sector, Head, Transformation, Head, Human Resources, and Head, Group Corporate Strategy.

The roles and responsibilities of the Committee are as follows, amongst others:

- Propose to the Board of Directors policies, objectives and corporate strategies of the Bank.
- Drive and review financial performance of the Bank.
- Ensure efficient deployment and management of the Bank's resources.
- Ensure compliance with applicable laws and regulations and maintain the corporate governance structure of the Bank.
- Develop, refine and cascade the human capital vision, strategy and culture of the Bank.
- Oversee all aspects of human capital management including talent management (recruitment, career progression and management, succession planning), leadership development and retention strategy for the Bank.
- Conduct periodic review of the governance handbook, including committee charters.
- Provide and discuss general business updates (provided by the various business and function heads).

2. Transformation Steering Committee

The Transformation Steering Committee meets monthly, with interim updates as needed. It comprises the Chief Executive Officer (Chairperson), Chief Financial Officer, Chief Risk Officer, Head of Operations & Technology, Head of Corporate Banking, Head of Commercial Banking, Head of Retail Banking, Head of Public Sector, Head, Transformation, Head, Human Resources, Head, Group Corporate Strategy and Head of Corporate Affairs.

The roles and responsibilities of the Committee are as follows:

- Monitor overall progress and health of the Bank's Transformation programme.
- Review progress by initiatives and work streams, including roadblocks, risk mitigation and next steps.
- Ensure prompt resolution of identified issues and risks to ensure objectives are met.
- Provide sign off and input into content, as required.

3. Assets and Liabilities Committee

The Assets and Liabilities Committee meets monthly. It comprises the Chief Executive Officer (Chairperson), Chief Financial Officer, Chief Risk Officer, Head of Corporate Banking, Head of Commercial Banking, Head of Retail Banking, Head of Public Sector, Chief Credit Officer, Head of Market Risk, Treasurer, Head, Financial Control and Head of Assets and Liabilities Management. In attendance are the Front Office Unit Heads and the Chief Dealer. The roles and responsibilities of the Committee are as follows:

- Establish, review and monitor the profitability plan of the Bank's asset & liability management and recommend the same for Board approval.
- Approve the Bank's market risk management strategies, policies and procedures for identifying, measuring, managing and reporting of market risk and liquidity risk.
- Direct acquisition and allocation of funds effectively within the ambit of the Bank's liquidity strategies, liquidity ratio targets and funding source thresholds.
- Manage asset and liquidity volumes, maturity, mix, rates and yields to achieve desired net interest margin within the boundaries of regulatory prescriptions and market dynamics.
- Approve risk control limits with regard to counterparty, currency concentration, position, etc.
- Establish and ensure effective implementation of liquidity strategies.
- Review and monitor liquidity risk and interest rate risk in banking book and foreign exchange risk in Bank's Statement of Financial Position.
- Provide relevant input, as needed, into capital planning, monitor capital adequacy and suggest strategy for capital augmentation.
- Design, implement and monitor contingency funding plan (CFP) and recommend for Board approval.
- Design methodology and implementation of fund transfer pricing (FTP), profitability of business units and create incentives for business units through FTP.
- Establish appropriate processes, resources and systems across the Bank for effective pricing mechanism.
- Determine a profitable and optimal risk-return pricing for the Bank's financial products.

4. Information Technology ("IT") Steering Committee

The IT Steering Committee meets monthly. It comprises the Head of Operations & Technology (Chairperson), Chief Executive Officer, Chief Risk Officer, Chief Financial Officer, Chief Information Officer, Head of Corporate

Banking, Head of Commercial Banking, Head of Public Sector, Head of Operations, Head, Transformation, Head, Group Corporate Strategy, Head, Information Technology and Chief Internal Audit Executive. In attendance are the Head, Project Management, Head, E Business and Head, Internal Control.

The roles and responsibilities of the Committee are as follows:

- Develop and review regularly the Bank's IT Strategy.
- Ensure the Bank is well positioned for current and emerging IT issues.
- Review all systems development projects and set priorities based on resources required, cost/benefit, implementation schedule requirements or limitations.
- Monitor progress of key IT projects such as Flexcube Universal Banking Solution.

5. Credit Committee

The Credit Committee meets weekly. It comprises the Chief Risk Officer (Chairperson), Chief Executive Officer, Head of Corporate Banking, Head of Commercial Banking, Head of Retail Banking, Head of Public Sector Banking, Chief Credit Officer, one senior member of Corporate Bank, one senior member of Commercial Bank. In attendance are the Head, Credit Administration, Head of Risk Analysis (Corporate Bank), Head of Risk Analysis (Commercial Bank), Head of Legal and Head of Business Support and Recovery.

The roles and responsibilities of the Committee are as follows:

- Review and recommend for Board Risk Committee (BRC) review, the Bank's credit risk appetite and portfolio strategy and ensure that both are in line with the overall corporate strategy and risk appetite of the Bank.
- Review and provide updates to the BRC on the Bank's credit portfolio and related credit processes through periodic review, covering credit and asset quality trends and statistics, business lending activities, areas of increasing/decreasing risk, etc.
- Approve credit facility requests and proposals within the Committee's limits and review and recommend for the Board Credit Committee's (BCC) consideration or approval, credits beyond the Committee's limits.
- Review, and update the BCC, annually on the administration, effectiveness and compliance with the Bank's credit policies.

6. Stressed Assets Committee

This Committee meets monthly. It comprises the Chief Risk Officer (Chairperson), Chief Executive Officer, Head of Corporate Banking, Head of Commercial Banking, Head of Retail Banking, Head of Public Sector Banking, Chief Credit Officer, one senior member of Corporate Banking, one senior member of Commercial Banking. In attendance are the Head of Credit Administration, Head of Risk Analysis (Corporate), Head of Risk Analysis (Commercial), Head of Legal and Head of Business Support and Recovery.

The roles and responsibilities of the Committee are as follows:

- Review and monitor strategies and actions being taken on major accounts (₦100million and above) classified as non-performing or with early warning signs.

- Review classification of and provisions taken on each account since the previous meeting.
- Review accounts suitable for de-classification or upgrade to performing status and return to the line.
- Review actions to be taken or proposed to be taken on large exposures in Business Support and Recovery Department portfolio.
- Where applicable, approve a different course of action to that taken or proposed to be taken.

7. Risk Management Committee

This Committee meets monthly or as needed. It comprises the Chief Risk Officer (Chairperson), Head of Operations and Technology, Chief Internal Audit Executive, Head, Compliance, Head, Legal Services, Head, Human Resources, Head, Group Corporate Strategy, Head, Quality Assurance, Head, Information Technology, Head, Operational Risk Management, Head, Corporate Affairs, Head, Operations, Head, Internal Control, Head ,Branch Co-ordination, Head , Customer Care.

The roles and responsibilities of the Committee are as follows:

- Monitor and review day-to-day risk management functions, operations and service delivery.
- Design, implement and monitor Risk Adjusted Return On Capital (RAROC) framework and allocation of capital to business units based on RAROC framework.
- Design, implement and monitor risk based pricing for products and services for efficient allocation of resources.
- Establish, review and monitor credit risk models and risk parameter estimation; and recommend for board risk committee approval.
- Ensure that market risk management unit has adequate systems, procedures, methodologies for effective assessment of risk.
- Ensure that effective operational risk assessment processes are carried out by all major business units and results aggregated to identify and monitor hot spots for effective remedial actions.
- Implement and review operational risk management tools and processes.
- Streamline processes to address the issues identified with effective service delivery for the Bank.

8. New Product Committee

This Committee meets as required. It is composed of the Chief Risk Officer (Chairperson), Chief Internal Audit Executive, Head, Compliance, Head, Legal Services, Head, Information Technology, Head, Operational Risk Management, Head, Financial Control, Head, Operations, Head of business unit of the relevant product, Head, Group Corporate Strategy and Head, Corporate Affairs.

The roles and responsibilities of the Committee are as follows:

- Set out policies regarding the Bank's product design, pricing methodologies, competitive positioning and risk-reward philosophy.
- Review and recommend/approve (as applicable) new product programs or changes to existing product programs across the Bank (e.g. deposit programs, credit programs, treasury programs).

- Review activities of product initiation teams and ensure adoption of suitable processes, systems and personnel to support effective management of the product through its life-cycle and associated risks.
- Establish the provision of adequate funding and obtain approvals for pricing from ALCO.
- Obtain and review reports on financials, regulatory compliance and risk areas to ensure product suitability.
- Ensure the policies and procedures for managing product risk are formally endorsed by the Board and documented.

9. Disciplinary Committee

This Committee meets bi-weekly or as required, depending on cases for review. It is composed of an EXCO member (Chairperson), Chief Internal Audit Executive, Head, Human Resources, Head, Legal Services, Head, Branch Co-ordination, Head, Operational Risk, and Head, Employee and Industrial Relations and Head of relevant business/function.

The roles and responsibilities of the Committee are as follows:

- Investigate identified cases of non-compliance of acts or practices with laws, accepted banking practices, ethical principles or others (assisted by the Internal Audit Department, as required).
- Carry out appropriate administrative sanctions as set out in the Bank's approved sanction grid.
- Develop and communicate precautionary measures with respect to acts and practices that may lead to the Bank's reputation and image being harmed in view of laws, public opinion and customers.
- Ensure appropriate measures are taken by relevant departments to eliminate future occurrence of identified from disciplinary cases.

Directors' Report

For the year ended 31 December 2016

The Directors present their report on the affairs of Union Bank of Nigeria Plc **("the Bank")** and its subsidiaries **("the Group")**, together with the consolidated audited financial statements and the auditor's report for the financial year ended 31 December 2016.

Legal form and principal activity

The Bank commenced operations in Nigeria in 1917 as a branch of Barclays Bank Dominion Colonial Overseas (DCO) and was incorporated as a private company limited by shares in Nigeria in 1969. It became a public company limited by shares in 1970, with the Bank's shares quoted on the Nigerian Stock Exchange.

The principal activity of the Bank is the provision of banking and related financial services to corporate and individual customers. Such services include the granting of loans and advances, acceptance of deposits and money market activities.

The Group financial statements comprise the results of Union Bank of Nigeria Plc, Union Bank UK Plc, and UBN Property Company Plc, whilst Atlantic Nominees Limited has been included as "Asset classified as held for sale".

Operating results

Highlights of the Group's operating results for the year are as follows:

	Group Dec. 2016 N million	Restated Group Dec. 2015 N million	**Bank Dec. 2016 N million**	**Restated** **Bank** Dec. 2015 N million
Gross earnings	**126,590**	117,211	**123,455**	118,366
Profit before taxation	**15,738**	14,862	**16,053**	18,455
Taxation	**(347)**	(561)	**(168)**	(420)
Profit after taxation	**15,391**	14,301	**15,885**	18,035
Other Comprehensive income:				
Re-measurement of defined benefit liability	**305**	-	**305**	-
Foreign currency translation	**7,746**	982	**-**	-
Fair value gains/(losses) on available-for-sale investments	**1,939**	7,400	**1,495**	7,679
	9,990	8,382	**1,800**	7,679
Total comprehensive income	**25,381**	22,683	**17,685**	25,714
Earnings per share (Basic and diluted)	**92k**	**84k**	**94k**	**106k**

	Group Dec. 2016 N' million	Group Dec. 2015 N' million	**Bank Dec. 2016 N' million**	Bank Dec. 2015 N' million
Total non-performing loans and advances	**37,026**	25,937	**37,026**	25,937
Total non-performing loans to total gross loans and advances – IFRS	**6.91%**	6.67%	**7.14%**	6.99%

Directors and their interests

The direct interests of directors in the issued share capital of the Bank, as recorded in the register of directors' shareholding and for the purposes of Sections 275 and 276 of the Companies and Allied Matters Act and the listing requirements of the Nigerian Stock Exchange, are as follows:

S/N	**Names**	**Direct Holding**		**Indirect Holding**	
		Dec. '16	**Dec. '15**	**Dec. '16**	**Dec. '15**
1.	Cyril Odu	2,661	2,661	-	-
2.	Emeka Emuwa	-	-	10,541,350	-
3.	Oyinkansade Adewale	-	-	-	-
4.	Kandolo Kasongo	-	-	-	-
5.	Ibrahim Kwargana	-	-	-	-
6.	Emeka Okonkwo	29,793	29,793	-	-
7.	Adekunle Sonola	2,514	2,514	-	-
8.	Mansur Ahmed	9,656	9,656	-	-
9.	Onikepo Akande, CON	28,225	28,225	-	-
10.	John Botts	-	-	-	-
11.	Richard Burrett	-	-	-	-
12.	Ian Clyne	-	-	-	-
13.	Beatrice A. Hamza-Bassey	-	-	-	-
14.	Richard Kramer	-	-	-	-
15.	Arina McDonald	-	-	-	-
16.	Adeyemi Osindero[1]	-	-	-	-
17.	John Vitalo[2]	-	-	-	-

[1] *Resigned with effect from 18th October, 2016*

[2] *Resigned with effect from 15th February, 2017*

Directors' Retirement

The Directors who retire by rotation and, being eligible, offer themselves for re-election in accordance with Article 66 of the Bank's Articles of Association are:

1. Kandolo Kasongo
2. Emeka Okonkwo
3. John Botts
4. Richard Burrett
5. Richard Kramer

Directors' interest in contracts

In accordance with the provisions of Section 277 of the Companies and Allied Matters Act of Nigeria, there were no contracts in which Directors had any direct interest.

Property and equipment

Information relating to changes in property and equipment is given in Notes 29 to the financial statements. In the Directors' opinion, the disclosures regarding the Group's properties are in line with the related statement of accounting policies of the Group.

Shareholding analysis

The shareholding pattern of the Bank as at 31 December 2016 is as stated below:

Share Range	Number of Shareholders	Number of Holdings	Percentage of Shareholding
1-1,000	309,922	108,011,931	0.64
1,001-5,000	113,834	245,998,426	1.45
5,001-10,000	20,923	142,107,855	0.84
10,001-50,000	15,276	294,871,650	1.74
50,001-100,000	1,373	94,996,511	0.56
100,001-500,000	1,024	200,118,172	1.18
500,001-1,000,000	112	78,317,397	0.46
1,000,001-5,000,000	102	222,245,161	1.31
5,000,001-100,000,000	34	798,663,949	4.72
100,000,001-500,000,000	1	204,576,002	1.21
	462,601	**2,389,907,054**	**14.11**
Foreign Shareholders			
500,000,001 and above	2	14,545,899,417	85.89
TOTAL	**462,603**	**16,935,806,471**	**100.00**

The shareholding pattern of the Bank as at 31 December 2015 is as stated below:

Share Range	Number of Shareholders	Number of Holdings	Percentage of Shareholding
Domestic shareholders			
1-1,000	310,799	108,365,404	0.64
1,001- 5,000	114,591	247,704,952	1.46
5,001- 10,000	21,102	143,254,301	0.85
10,001 -50,000	14,693	286,698,127	1.69
50,001-100,000	1,402	97,056,909	0.57
100,001 – 500,000	1,068	208,280,397	1.23
500,001 – 1,000,000	116	80,860,180	0.48
1,000,001 -5,000,000	103	229,257,239	1.35
5,000,001 – 100,000,000	34	783,853,543	4.63
100,000,001 – 500,000,000	1	204,576,002	1.21
	463,909	**2,389,907,054**	**14.11**
Foreign Shareholders			
500,000,001 and above	2	14,545,899,417	85.89
Total	**463,911**	**16,935,806,471**	**100.00**

According to the register of members as at 31 December 2016, no individual shareholder held more than 5% of the issued share capital of the Bank, except the following:

	Dec. 2016		**Dec. 2015**	
Shareholder	**Shares Held**	**Percentage of Shareholding %**	**Shares Held**	**Percentage of Shareholding %**
Atlas Mara Limited	3,537,625,211	20.89	3,537,625,211	20.89
Union Global Partners Limited	11,008,274,206	65.00	11,008,274,206	65.00

Corporate Social Responsibility and Citizenship

As we celebrate a century of service and heritage, we remain committed to being a responsible corporate citizen by positively impacting the individuals, communities and the environment in which we operate. Over the period of our existence as a financial institution in Nigeria, we have established our commitment to supporting sustainable development by being a partner to civil society, government and our host communities.

In the course of our transformation journey, we reviewed our Corporate Social Responsibility strategy in 2014. As a result of this transformation, our brand has become a more responsive and impactful bank across our chosen areas of social investment focus:

- Talent development
- Agriculture
- Financial empowerment and mentoring
- Humanitarian donations
- Employee engagement programmes

Talent Development

Through the Talent Development CSR strategic pillar, Union Bank works to build capacity and foster individual and community creativity, as a channel for improving the prospects of economic empowerment for Nigeria's populous and highly enterprising youth. The Bank's talent development platform supports capacity building in social innovation, sports, creative arts and local artisanry.

In line with this, we have maintained our partnership with LEAP Africa to build the capacity of 20 social innovators in the 2016/2017 edition of the Social Innovators Programme and Award (SIPA) Fellowship. Through the SIPA fellowship, innovators are mentored and taught business, financial and other skills, to enable them transform their enterprising social solutions into viable solution driven institutions. We also continued our sponsorship of the Lights, Camera, Africa!!! Film festival.

Agriculture

In 2016, we reviewed the Greener Pastures Initiative which was conceptualized as Union Bank's flagship agricultural initiative to leverage and enhance the Bank's reputation as a leader in the field of agriculture.

We have recognized that the priority of the Nigerian government to reduce its dependence on oil and diversify into a strong agro-based economy is best taken through a partnerships approach. Hence we have developed the GrowX Initiative as a corporate social investment consortium led by Union Bank and established to improve the adoption of best practice in farming and post-harvest processing through partnerships and experiential learning among farmers in Nigeria. GrowX will be launched in 2017 as Union Bank's flagship agriculture focused social investment programme.

Financial Empowerment and Mentoring

Union Bank plays a leadership role in our commitment to financial inclusion in Nigeria. Since the launch of the Financial Literacy Mentorship Programme in October 2014, Union Bank employees have impacted the lives of over 1,000 school children through our monthly voluntary teaching sessions at schools in the Lagos area, and across other geo-political regions. In 2015, we maintained our commitment to teaching the basics of financial literacy at St. Mary's Private School, Ajele Street, Lagos Island, while adding Ebute Elefun Primary School and Tinubu Methodist Primary School in Lagos. We also extended our reach to include schools in Kaduna and Kano through our engagement in the Financial Literacy Day and World Savings Day.

Employee Engagement Programmes

We launched the UnionCares platform in 2016 with the UnionCares4IDPs programme. Through UnionCares4IDPs, our staff demonstrated the Union spirit by stepping up to the plight of the Internally Displaced People (IDPs) in North Eastern Nigeria through their tremendous support for the UnionCares4IDPs campaign. To ensure that donations achieve the desired impact, funds from UnionCares4IDPs are being disbursed to IDPs through support from the United Nations Office for the Coordination of Humanitarian Affairs (UNOCHA).

We launched FitFeb in February 2016 as a campaign to promote awareness of maintaining a healthy lifestyle among our employees. Throughout the month of February, staff were engaged in performing physical exercises while receiving tips for maintaining a healthy work-life balance.

Donations and charitable gifts

We have maintained our commitment to supporting worthy causes and providing support for the society's least privileged by making donations and working with non-profit organizations in various areas of need across Nigeria.

Through our charitable donations, we have continually given financial assistance to various charitable organizations such as the National Orthopedic Special school, Sickle Cell Club, Pacelli School for the Blind, Atunda Olu School (for physically handicapped children) and CCWA International (Christian care for widows, widowers, the aged and orphans). A total sum of N30,550,000 (2015: N57,433,494) was donated during the year, as follows:

S/N	BENEFICIARY OF DONATION	AMOUNT (N)
1	UnionCares4IDPs Initiative	15,000,000
2	Child Life Line (Yaba & Ikorodu)	1,000,000
3	The Children's Development Centre	1,000,000
4	Modupe Cole Memorial Child Care & Treatment Home	1,000,000
5	Arrow of God Orphanage	750,000
6	Atunda Olu School (For Physically Handicapped Children)	750,000
7	CCWA International (Christian Care for Widows, Widowers, the Aged and Orphans)	750,000
8	Downe Syndrome Foundation Nigeria	750,000
9	Pacelli School (For the Blind)	750,000
10	SOS Children's Village	750,000
11	Hearts of Gold Children's Hospice	750,000
12	The Samaritans Project	750,000
13	Winiseph Care Home	750,000
14	Special Olympics	750,000
15	National Orthopedic Special School (Igbobi)	700,000
16	Sickle Cell Club	700,000
17	Care Organization Public Enlightenment (COPE)	700,000
18	Start Right Consulting	700,000
19	Wesley School 1 (For deaf children)	700,000
20	Wesley School 2 (For deaf children)	700,000
21	Manna Children's Home	500,000
22	Women of Global impact	350,000
	Total	**30,550,000**

Our commitment to sustainable development

Given the recent global commitments to the issues of sustainable development and climate change, we are reviewing our strategy further to reflect the aspirations our stakeholders. Our new approach will reflect our commitment to the Sustainable Development Goals (SDGs) and the Paris Agreement on climate change.

As we commence the journey into another century, Union Bank is committed to being recognized as a sustainability champion, a socially driven and responsible bank.

Human resources:

Employment of disabled persons

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

In the event of any employee becoming disabled in the course of employment, the Bank is in a position to arrange appropriate training to ensure the continuous employment of such a person without subjecting him/her to any disadvantage in his/her career development. Currently, the Bank has 6 persons (2015: 4 persons) on its staff list with physical disability.

Health, safety and welfare of employees

The Bank maintains business premises designed with a view to guaranteeing the safety and healthy living conditions of its employees and customers alike. Employees are adequately insured against occupational and other hazards. In addition, the Bank provides medical facilities to its employees and their immediate families at its expense. Fire prevention and fire-fighting equipment are installed in strategic locations within the Bank's premises. The Bank operates a Group Personal Accident Insurance scheme in accordance with the provisions of the Employee Compensation Act for the benefit of its employees and also operates a contributory pension plan for the benefit of its employees in line with the Pension Reform Act 2014 as amended.

Diversity of employment

The Group is an equal opportunity employer that is committed to maintaining a positive workforce that facilitates high level of professional efficiency at all times. The Bank's policy prohibits discrimination by gender, disability or health status in the recruitment, training and career development of its employees.

(i) Persons with Disability

The Bank continues to maintain a policy of giving fair consideration to applications for employment received from disabled persons with due regard to their abilities and aptitude.

(ii) Gender Diversity within the Group

	2016		**2015**	
	Workforce	**% Gender Composition**	**Workforce**	**% Gender Composition**
Total workforce:				
Women	1,014	37%	952	36%
Men	1,753	63%	1,677	64%
	2,767	**100%**	**2,629**	**100%**
Recruitment during the year:				
Women	111	37%	43	30%
Men	190	63%	99	70%
	301	**100%**	**142**	**100%**
Diversity of Senior Management – Assistant General Manager to General Manager:				
Women	12	26%	15	31%
Men	34	74%	33	69%
	46	**100%**	**48**	**100%**
Diversity of Board Executives:				
Women	1	17%	1	17%
Men	5	83%	5	83%
	6	**100%**	**6**	**100%**
Diversity of Board Members:				
Women	4	24%	4	24%
Men	13	76%	13	76%
	17	**100%**	**17**	**100%**

Employee involvement and training

The Bank encourages the participation of employees in arriving at decisions in respect of matters affecting their well-being. To this end, the Bank provides opportunities for employees to deliberate on issues affecting the Bank and employee interests.

The Bank places a high premium on the development of its manpower. Consequently, the Bank sponsored its employees for various training courses, both locally and overseas, and engaged staff in e-learning activities during the year under review.

Compliance with Central Bank of Nigeria's regulation on the scope of banking activities

Section 6(1) of the Central Bank of Nigeria Regulation on the Scope of Banking Activities and Ancillary Matters ("Regulation 3") requires every bank operating under a universal banking license to submit to the Central Bank of Nigeria (CBN), for approval, a compliance plan duly approved by the bank's Board of Directors. Three broad alternative options were available to banks to comply with Regulation 3, namely retaining portfolio companies by restructuring into a holding company structure, absorption of permissible activities by the Bank or full divestment from portfolio companies.

The Bank's Board and shareholders approved a Compliance Plan which involves the Bank divesting of its interests in all its portfolio companies, with the exception of Union Bank (UK) Plc. and applying for an International Commercial Banking license. The Bank received CBN's approval to proceed with its plans to comply with Regulation 3 (the "Compliance Plan") in 2013.

The Bank has successfully completed the divestment of its interests in the following subsidiaries: Union Capital Markets Limited, Union Assurance Company Limited, UBN Insurance Brokers Limited, Union Registrars Limited, Union Trustees Limited and Union Homes Savings and Loans Plc. Union Pension Custodians Limited has been liquidated, with the necessary regulatory approvals obtained. Divestment of the Bank's interest in UBN Property Company Plc ("UPCL") has been suspended by the Bank due to pending litigation instituted by some shareholders of UPCL and would be concluded as soon as the litigation is resolved. Also, in preparation for the liquidation of the special purpose vehicle (SPV), Atlantic Nominees Limited, the disposal of the SPV asset is in progress.

Event after reporting date

There were no subsequent events which could have had material effect on the financial statements of the Bank as at 31 December 2016 and the profit for the year ended on that date, which have not been adequately provided for or disclosed.

Auditors

Messrs KPMG Professional Services, having satisfied the relevant corporate governance rules relating to auditors' tenure in office, have indicated willingness to continue in office as auditors to the Bank. In accordance with Section 357(2) of the Companies and Allied Matters Act of Nigeria therefore, the auditors will be reappointed at the next annual general meeting of the Bank without any resolution being passed.

BY ORDER OF THE BOARD

Somuyiwa Adedeji Sonubi
FRC/2013/NBA/00000002061
Company Secretary
Lagos Nigeria
March 17, 2017

Statement of directors' responsibilities in relation to the financial statements for the year ended 31 December 2016

The directors accept responsibility for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act of Nigeria, the Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions Act of Nigeria Cap 20 Laws of the Federation of Nigeria 2004, and relevant Central Bank of Nigeria circulars.

The directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act of Nigeria and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

The directors have made an assessment of the Bank's ability to continue as a going concern and have no reason to believe that the Bank will not remain a going concern in the year ahead.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

Emeka Emuwa
Chief Executive Officer
FRC/2013/CIBN/00000001774
March 17, 2017

Oyinkansade Adewale
Director/Chief Financial Officer
FRC/2013/ICAN/00000001775
March 17, 2017

Report of the Audit Committee

For the year ended 31 December2016

To the members of **Union Bank of Nigeria Plc**

In accordance with the provisions of Section 359 (6) of the Companies and Allied Matters Act of Nigeria, the members of the Audit Committee of Union Bank of Nigeria Plc hereby report as follows:

(i) We have exercised our statutory functions under Section 359 (6) of the Companies and Allied Matters Act of Nigeria and acknowledge the co-operation of management and staff in the conduct of these responsibilities.

(ii) We are of the opinion that the accounting and reporting policies of the Bank and Group are in accordance with legal requirements and agreed ethical practices and that the scope and planning of both the external and internal audits for the year ended 31 December 2016 were satisfactory and reinforce the Group's internal control systems.

(iii) We are satisfied that the Bank has complied with the provisions of Central Bank of Nigeria Circular BSD/1/2004 dated 18 February 2004 on "Disclosure of insider related credits in the financial statements of banks". The balance have been disclosed in note 45 to the Financial Statement.

(iv) We have deliberated with the External Auditors, who have confirmed that necessary cooperation was received from management in the course of their statutory audit and we are satisfied with management's responses to the External Auditor's recommendations on accounting and internal control matters and with the effectiveness of the Bank's system of accounting and internal control.

Mr. Matthew Akinlade
FRC/2013/ICAN/00000002111
March 17, 2017

Members of the Statutory Audit Committee are:

• Musa Bichi	-	Chairman[1]
• Matthew Akinlade	-	Chairman[2]
• Mansur Ahmed	-	Member
• Onikepo Akande, CON	-	Member
• Marcel Ojinka	-	Member
• Adeyemi Osindero	-	Member[3]

[1] *Ceased to be Chairman on 4th August, 2016*

[2] *Appointed as Chairman on 4th August, 2016*

[3] *Resigned from the Board and consequently ceased to be a member of the Committee with effect from 18th October, 2016*

KPMG

KPMG Professional Services
KPMG Tower
Bishop Aboyade Cole Street
Victoria Island
PMB 40014, Falomo
Lagos

Telephone 234 (1) 271 8955
234 (1) 271 8599
Internet www.kpmg.com/ng

INDEPENDENT AUDITOR'S REPORT

To the Shareholders **Union Bank of Nigeria Plc**

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Union Bank of Nigeria Plc ("the Bank") and its subsidiaries (together, "the Group"), which comprise the consolidated and separate statement of financial position as at 31 December, 2016, and the consolidated and separate statement of profit or loss and other comprehensive income, consolidated and separate statement of changes in equity and consolidated and separate statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 39 to 132.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Bank and its subsidiaries as at 31 December, 2016, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004, the Financial Reporting Council of Nigeria Act, 2011, the Banks and other Financial Institutions Act, Cap B3, Laws of the Federation of Nigeria, 2004 and relevant Central Bank of Nigeria (CBN) Guidelines and Circulars.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated and separate Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated and separate financial statements in Nigeria and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Impairment of Loans

The key audit matter

We focused on credit risk allowance because of the highly subjective and complex judgments made by management in determining the necessity for, and estimation of the size of impairment allowance against loans. Furthermore, recent economic conditions such as low crude oil prices for the year and devaluation of the Naira had impact on the credit portfolio of the Bank. Important elements in the impairment process include the identification of impaired loans and the cash flow forecasts (including the expected realizable value of any collateral held) supporting the calculation of individually assessed allowances. This is considered to be of high significance to the audit due to –

a) the subjectivity involved in assessing how much of the loan will be recovered, in particular non retail impaired loans;
b) the design of the models used in the collectively assessed allowance calculations; and
c) the appropriateness of the key assumptions used in the model.

How the matter was addressed in our audit

We assessed the design and implementation and tested the operating effectiveness of the selected controls in respect of the Group's loan impairment process. The key controls include:

- Controls over identification of the deterioration in credit quality of individual loans;
- Controls over the completeness and accuracy of data used in the loan impairment process;
- Management review of the calculation of collective and specific allowances; and
- Credit committees' review of performance of credit facilities.

We evaluated the inputs used in the collective impairment models by checking that those inputs reflected default and recovery experience across each of the Banking division's portfolios and appropriately adjusted where relevant, to reflect current experience and economic conditions. We examined management's model monitoring processes and, on a sample basis, conducted in-depth reviews of the model used to calculate the impairment allowances. We applied our cumulative knowledge and the actual past experience of the Group's loan portfolios to challenge the appropriateness of the key assumptions applied in the models. We re-performed the collective impairment calculation using the Bank's impairment model, in order to assess the accuracy of the collective impairment recorded.

For specific impairment, we challenged the key assumptions applied in the determination of the projected future cash flows by comparing a sample of specific allowances against individually significant impaired loans including assessing collateral values to independent valuation report and other cash flow items. We also evaluated the recovery time by re-computing the average time taken by the Bank to realize collaterals in past and assessed the outcome against current market.

Calculation of discounted cash flows were re-performed and we checked that the valuations were appropriately applied in the determination of impairment allowance for the relevant loans balances.

Refer to page 53 (Group accounting policies), page 87 (critical accounting estimates and judgments) and page 102 (note 23(b) to the consolidated and separate financial statements)

Litigations and claims

The key audit matter

The Bank has a number of litigations and claims, settlement of which may take longer than one year.

Judgment is therefore required in the determination of the provision to be recognized based on the assessment of the probability of outflow of economic resources.

How the matter was addressed in our audit

We assessed the process for identification and assessment of legal claims and litigations.
We evaluated the Group's assessment of the nature and status of the reported litigations, claims and provision made, and discussed with the internal counsel to understand the legal position and the basis of provision recognized. We also confirmed relevant information directly with the Group's external legal counsel.

We also recomputed the recognized provisions for a sample of significant litigations.

Where the Bank has appealed to a higher Court for unsuccessful litigations, we evaluated management's assessment of probable outflow of resources based on responses received from the external legal counsel.

We checked that the extent of disclosures in the financial statements were in accordance with the relevant accounting standard.

Refer to the critical accounting estimates and judgments, and disclosures of provisions and contingent liabilities in Notes 36 and 42(a) to the consolidated and separate financial statements.

Assessment of recoverability of deferred tax assets

The key audit matter

The Bank has significant amount of deferred tax asset both recognized and unrecognized mainly from unrelieved tax losses, unutilised capital allowances and collective impairment of loans and advances.

The Bank's determination of the recoverability of deferred tax assets involves significant judgment and high estimation uncertainty as management assesses the recoverability of the recognized deferred tax assets mainly with projections which contain estimates of future taxable income, taking into consideration current tax laws and regulations.

How the matter was addressed in our audit

Our procedures included the following:
We assessed the components that gave rise to the deferred tax asset to determine whether they were appropriate and in line with relevant accounting standards and tax laws.

We further assessed the recoverability of the recognized deferred tax asset by reviewing management's forecasts of future taxable profits, and checking that the assumptions used in the Bank's projection of taxable income were consistent with the Bank's historical performance, and future plans.

Refer to page 50 (Group accounting policies), page 87 (critical accounting estimates and judgments) and page 111 (note 31 to the consolidated and separate financial statements)

Information Other than the Financial Statements and Audit Report Thereon

The Directors are responsible for other information. The other information comprises the Corporate information, Directors' report, Statement of Directors' responsibilities, Report of the Audit Committee and Other national disclosures (but does not include the consolidated and separate financial statements and our audit report thereon), which we obtained prior to the date of this auditors' report, and the Notice of Annual General Meeting, Financial Highlights, Corporate Profile, Chief Executive Officer's Statement, profile of Board Members and list of sales and service centres across Nigeria amongst others (together "outstanding reports") which are expected to be made available to us after that date.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.
When we review the outstanding reports, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the Directors for the Consolidated and separate Financial Statements

The Directors are responsible for the preparation of consolidated and separate financial statements that give a true and fair view in accordance with IFRSs and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 Nigeria and the Financial Reporting Council of Nigeria Act, 2011, the Banks and other Financial Institutions Act, Cap B3, Laws of the Federation of Nigeria, 2004 and relevant Central Bank of Nigeria (CBN) Guidelines and Circulars and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated and separate Financial Statements

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Schedule 6 of the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004

In our opinion, proper books of account have been kept by the Bank, so far as appears from our examination of those books and the Bank's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.

Compliance with Section 27 (2) of the Banks and the other Financial Institutions Act Cap B3, Laws of the Federation of Nigeria, 2004 and Central Bank of Nigeria circular BSD/1/2004

i. The Bank and Group paid penalties in respect of contravention of the Bank and Other Financial Institutions Act during the year ended 31 December 2016. Details of penalties paid are disclosed in note 46 to the financial statements.

ii. Related party transactions and balances are disclosed in note 45 to the financial statements in compliance with the Central Bank of Nigeria circular BSD/1/2004.

Signed:

Kabir

Kabir O. Okunlola, FCA
FRC/2012/ICAN/00000000428
For: KPMG Professional Services
Chartered Accountants
23 March 2017
Lagos, Nigeria

Separate and Consolidated Statements of Profit or Loss and Other Comprehensive Income

For the year ended	Notes	Group	Restated Group	Bank	Restated Bank
		Dec.2016	Dec.2015	**Dec.2016**	Dec.2015
		₦ million	₦ million	**₦ million**	₦ million
Gross earnings		**126,590**	**117,211**	**123,455**	**118,366**
Continuing Operations:					
Interest income	9	98,002	90,902	95,363	88,879
Interest expense	9	(32,963)	(35,219)	(32,869)	(35,097)
Net interest income		65,039	55,683	62,494	53,782
Net impairment charge for credit losses	14(a)	(16,582)	(9,948)	(16,486)	(9,881)
Net interest income after impairment charge for credit losses		48,457	45,735	46,008	43,901
Net fee and commission income	10	10,577	7,697	10,016	7,173
Net trading income	11	5,089	5,231	5,112	5,136
Net income from other financial instruments at fair value through profit or loss	12	2,572	1,820	2,572	1,820
Other operating income	13	10,350	11,419	10,392	15,358
Non interest income		28,588	26,167	28,092	29,487
Operating income		77,045	71,902	74,100	73,388
Net impairment write-back/(loss) on other financial assets	14(b)	693	704	717	704
Net operating income after net impairment write-back/(loss) on other financial assets		**77,738**	**72,606**	**74,817**	**74,092**
Personnel expenses	15	(31,234)	(30,041)	(29,628)	(28,755)
Depreciation and amortisation		(4,906)	(3,986)	(4,700)	(3,831)
Other operating expenses	16	(25,860)	(23,823)	(24,436)	(23,051)
Total expenses		**(62,000)**	**(57,850)**	**(58,764)**	**(55,637)**
Profit before income tax from continuing operations		**15,738**	**14,756**	**16,053**	**18,455**
Income tax expense from continuing operations	17(a)	(347)	(552)	(168)	(420)
Profit for the year from continuing operations		**15,391**	**14,204**	**15,885**	**18,035**
Discontinued operations					
Income from discontinued operations	39	-	142	-	-
Expense from discontinued operations	39	-	(36)	-	-
Profit/Loss before tax from discontinued operations	39	-	106	-	-
Income tax expense from discontinued operations	39	-	(9)	-	-
Profit/Loss for the year from discontinued operations	39	-	97	-	-
Continuing and discontinued operations:					
Profit before tax		**15,738**	**14,862**	**16,053**	**18,455**
Income tax		(347)	(561)	(168)	(420)
Profit after tax		**15,391**	**14,301**	**15,885**	**18,035**
Other comprehensive income, net of income tax					
Items that will never be reclassified to profit or loss					
Remeasurement of defined benefit liability		305	-	305	-
Items that are or may be reclassified to profit or loss					
Foreign currency translation differences for foreign operations		7,746	982	-	-
Fair value gains on available-for-sale investments		1,939	7,400	1,495	7,679
Other comprehensive income for the year		9,990	8,382	1,800	7,679
Total comprehensive income for the year		**25,381**	**22,683**	**17,685**	**25,714**

	Notes	Group Dec.2016 ₦ million	Group Dec.2015 ₦ million	Bank Dec.2016 ₦ million	Bank Dec.2015 ₦ million
Profit attributable to:					
Equity holders of the Bank		15,617	14,302	15,885	18,035
Non-controlling interest		(226)	(1)	-	-
Profit for the year		15,391	14,301	15,885	18,035
Total comprehensive income attributable to:					
Equity holders of the Bank		25,607	22,684	17,685	25,714
Non-controlling interest		(226)	(1)	-	-
Total comprehensive income for the year		25,381	22,683	17,685	25,714
Earnings per share for profit from total operations attributable to equity holders of Bank					
Basic and diluted (Kobo)	18(b)	92	84	94	106
Earnings per share for profit from continuing operations attributable to equity holders of bank					
Basic and diluted (Kobo)	18(b)	91	83	94	106

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

Consolidated and Separate Statements of Financial Position

	Notes	Group Dec.2016	Restated Group Dec.2015	Restated Group Jan.2015	Bank Dec.2016	Restated Bank Dec.2015	Restated Bank Jan.2015
		₦ million	₦ million	₦ million	**₦ million**	₦ million	N million
ASSETS							
Cash and cash equivalents	19	**136,194**	82,252	121,960	**35,536**	54,451	58,457
Non-pledged trading assets	20	**8,323**	-	745	**8,323**	-	745
Pledged assets	21	**53,430**	84,728	83,935	**53,430**	84,728	83,935
Derivative assets held for risk management	22	**2,747**	1,820	7	**2,747**	1,820	-
Loans and advances to customers	23	**507,190**	366,721	312,797	**489,890**	348,984	302,372
Investments in equity accounted investee	24	**-**	24	24	**-**	-	-
Investment securities	25	**181,720**	215,137	197,200	**166,759**	209,223	193,656
Trading properties	26	**2,309**	3,177	1,930	**1,124**	1,124	1,930
Investment properties	27	**4,347**	4,546	-	**-**	-	-
Investment in subsidiaries	28	**-**	-	-	**10,567**	10,567	8,372
Property and equipment	29	**52,800**	52,611	51,100	**52,567**	52,531	51,007
Intangible assets	30	**3,374**	3,749	2,422	**2,859**	3,318	2,071
Deferred tax assets	31	**95,910**	95,883	95,883	**95,875**	95,875	95,875
Other assets	32	**202,298**	138,686	122,547	**201,838**	138,030	121,810
Defined benefit assets	38	**1,643**	-	-	**1,643**	-	-
		1,252,285	**1,049,334**	**990,550**	**1,123,158**	**1,000,651**	**920,230**
Assets classified as held for sale	39(b)	397	397	20,426	325	325	2,525
TOTAL ASSETS		**1,252,682**	**1,049,731**	**1,010,976**	**1,123,483**	**1,000,976**	**922,755**
LIABILITIES							
Derivative liabilities held for risk management	22	**13**	-	7	**13**	-	-
Deposits from banks	33	**90,266**	44,091	61,890	**4,351**	11,800	18,055
Deposits from customers	34	**658,444**	570,639	527,617	**633,827**	569,116	507,431
Current tax liabilities	35	**465**	382	822	**177**	229	635
Deferred tax liabilities	31	**101**	-	-	**-**	-	-
Other liabilities	36	**141,404**	107,533	103,580	**141,191**	106,035	103,181
Employee benefit obligations	37	**805**	4,267	7,525	**773**	4,230	7,525
Other borrowed funds	38	**89,514**	76,059	78,135	**91,812**	76,059	78,135
		981,012	**802,971**	**779,576**	**872,144**	**767,469**	**714,962**
Liabilities classified as held for sale	39(c)	**-**	-	7,347	**-**	-	-
TOTAL LIABILITIES		**981,012**	**802,971**	**786,923**	**872,144**	**767,469**	**714,962**
EQUITY							
Share capital and share premium	40	**400,109**	400,109	400,109	**400,109**	400,109	400,109
Treasury shares		**-**	-	(35)	**-**	-	-
Retained earning/(accumulated deficit)		**(244,183)**	(242,063)	(241,150)	**(247,868)**	(246,533)	(249,353)
Other reserves		**110,633**	83,377	59,791	**99,098**	79,931	57,037
EQUITY ATTRIBUTABLE TO EQUITY - HOLDERS OF THE BANK		**266,559**	**241,423**	**218,715**	**251,339**	**233,507**	**207,793**
Non-controlling interest	41	**5,111**	5,337	5,338	**-**	-	-
TOTAL EQUITY		**271,670**	**246,760**	**224,053**	**251,339**	**233,507**	**207,793**
TOTAL LIABILITIES AND EQUITY		**1,252,682**	**1,049,731**	**1,010,976**	**1,123,483**	**1,000,976**	**922,755**

Signed on behalf of the Board of Directors on 17 March, 2017 by:

Emeka Emuwa
Chief Executive Officer
FRC/2013/CIBN/00000001774

Oyinkansade Adewale
Director/Chief Financial Officer
FRC/2013/ICAN/00000001775

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

Consolidated and Separate Statements of Changes in Equity
For the year ended

Group

	Share capital	Share premium	Statutory reserve	Treasury shares	Fair value reserve	Regulatory risk reserve	Share based Payment reserve	Other reserves	Retained deficit	Total	Non-controlling interest	Total equity
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Balance at 1 January 2016	8,468	391,641	22,062	-	33,050	23,876	-	4,389	(244,902)	238,584	5,337	243,921
Prior year adjustment (See Note 4)									2,839	2,839		2,839
Restated balance at 1 January 2016	8,468	391,641	22,062	-	33,050	23,876	-	4,389	(242,063)	241,423	5,337	246,760
Total comprehensive income for the year												
Profit for the year	-	-	-	-	-	-	-	-	15,617	15,617	(226)	15,391
Other comprehensive income, net of tax												
Remeasurement of defined benefit liability	-	-	-	-	-	-	-	305	-	305	-	305
Foreign currency translation diferrence	-	-	-	-	-	-	-	7,746	-	7,746	-	7,746
Fair value gains/(loss) on available-for-sale investment	-	-	-	-	1,939	-	-	-	-	1,939	-	1,939
Total comprehensive income for the year	-	-	-	-	1,939	-	-	8,051	15,617	25,607	(226)	25,381
Appropriation:							-					
Transfer from regulatory reserves	-	-	-	-	(157)	14,993	-	(100)	(14,736)	-	-	-
Transfer from other reserves	-	-	2,383	-		-	-		(2,383)	-	-	-
	-	-	2,383	-	(157)	14,993	-	(100)	(17,119)	-	-	-
Transactions with owners, recorded directly in equity												
Contributions by and distributions to owners												
Dividend to non- controlling interest	-	-	-	-	-	-	-	-	(618)	(618)	-	(618)
Equity settled share-based payment	-	-	-	-	-		147		-	147	-	147
Total contribution and distributions to owners	-	-	-	-	-	-	147	-	(618)	(471)	-	(471)
Balance at 31 December 2016	**8,468**	**391,641**	**24,445**	**-**	**34,832**	**38,869**	**147**	**12,340**	**(244,183)**	**266,559**	**5,111**	**271,670**

December 2015

	Share capital	Share premium	Statutory reserve	Treasury shares	Fair value reserve	Regulatory risk reserve	Share based Payment reserve	Other reserves	Retained deficit	Total	Non-controlling interest	Total equity
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million		₦ million	₦ million	₦ million	₦ million	₦ million
Balance at 1 January 2015	8,468	391,641	19,404	(35)	28,313	8,667	-	3,407	(243,675)	216,190	5,338	221,528
Prior year adjustment (See Note 4)	-	-	-	-	-	-	-	-	2,525	2,525	-	2,525
	8,468	391,641	19,404	(35)	28,313	8,667	-	3,407	(241,150)	218,715	5,338	224,053
Total comprehensive income for the year												
Profit for the year	-	-	2,658	-	-	-	-	-	11,644	14,302	(1)	14,301
Other comprehensive income, net of tax												
Foreign currency translation diferrence	-	-	-	-	-	-	-	982	-	982	-	982
Fair value gains/(loss) on available-for-sale investment	-	-	-	-	7,400	-	-	-	-	7,400	-	7,400
Total comprehensive income for the year	-	-	2,658	-	7,400	-	-	982	11,644	22,684	(1)	22,683
Appropriation:							-					
Transfer from regulatory reserves	-	-	-	-	-	15,209	-	-	(15,209)	-	-	-
Transfer between reserves	-	-	-	-	(2,652)	-	-	-	2,652	-	-	-
	-	-	-	-	(2,652)	15,209	-	-	(12,557)	-	-	-
Transactions with owners, recorded directly in equity												
Contributions by and distributions to owners												
Disposal of subsidiaries			-	35	(11)	-	-	-	-	24	-	24
Total contribution and distributions to owners	-	-	-	35	(11)	-	-	-	-	24	-	24
Balance at 31 December 2015	**8,468**	**391,641**	**22,062**	**-**	**33,050**	**23,876**	**-**	**4,389**	**(242,063)**	**241,423**	**5,337**	**246,760**

The accompanied notes and significant accounting policies are an integral part of these consolidated and separate financial statements.

Consolidated and Separate Statements of Changes in Equity
For the year ended

Bank

	Share capital	**Share premium**	**Statutory reserve**	**Fair value reserve**	**Regulatory risk reserve**	**Share based Payment reserve**	**Other reserves**	**Retained deficit**	**Total**
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Balance at 1 January 2016	8,468	391,641	22,062	32,240	23,876	-	1,753	(249,372)	233,507
Prior year adjustment (See Note 4)	-	-	-	-	-	-	-	2,839	2,839
Balance at 1 January 2016	8,468	391,641	22,062	32,240	23,876	-	1,753	(246,533)	233,507
Total comprehensive income for the year									
Profit or loss	-	-	-	-	-	-	-	15,885	15,885
Other comprehensive income						-			
Foreign currency translation diferrence	-	-	-	-	-	-	-	-	-
Fair value gains/(loss) on available-for-sale investment	-	-	-	1,495	-	-	-	-	1,495
Remeasurement of defined benefit liability	-	-	-	-	-	-	305	-	305
Total comprehensive income for the year	-	-	-	1,495	-	-	305	15,885	17,685
Appriopriation									
Transfer between reserves	-	-	-	(156)	14,993	-	-	(14,837)	-
Transfer to statutory reserve	-	-	2,383	-	-	-	-	(2,383)	-
	-	-	2,383	(156)	14,993	-	-	(17,220)	-
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners									
Equity-settled share-based payment	-	-	-	-	-	147	-	-	147
Total contribution and distributions to owners	-	-	-	-	-	147	-	-	147
Balance at 31 December 2016	**8,468**	**391,641**	**24,445**	**33,579**	**38,869**	**147**	**2,058**	**(247,868)**	**251,339**

December 2015

	Share capital	**Share premium**	**Statutory reserve**	**Fair value reserves**	**Regulatory risk reserves**	**Share based Payment reserve**	**Other reserves**	**Retained deficit**	**Total**
	₦ million	₦ million	₦ million	₦ million	₦ million		₦ million	₦ million	₦ million
Balance at 1 January 2015	8,468	391,641	19,404	27,213	8,667	-	1,753	(251,878)	205,268
Prior year adjustment (See Note 4)	-	-	-	-	-		-	2,525	2,525
Restated Balance as at 1 January 2015	8,468	391,641	19,404	27,213	8,667	-	1,753	(249,353)	207,792
Total comprehensive income for the year									
Profit for the year	-	-	2,658	-	-	-	-	15,377	18,035
Other comprehensive income						-			
Fair value reserve (available-for-sale) financial assets	-	-	-	7,679	-	-	-	-	7,679
Transfer between reserves	-	-	-	(2,652)	15,209	-	-	(12,557)	-
Total other comprehensive income for the year	-	-	-	5,027	15,209	-	-	(12,557)	7,679
Total comprehensive income for the year	-	-	2,658	5,027	15,209	-	-	2,820	25,714
Balance at 31 December 2015	**8,468**	**391,641**	**22,062**	**32,240**	**23,876**	**-**	**1,753**	**(246,533)**	**233,507**

The accompanied notes and significant accounting policies are an integral part of these consolidated and separate financial statements.

Consolidated and Separate Statements of Cash Flows

For the year ended

	Notes	Group Dec.2016	Group Dec.2015	Bank Dec.2016	Bank Dec.2015
		₦ million	N million	₦ million	N million
Cash flows from operating activities					
Profit for the year		15,391	14,301	15,885	18,035
Income tax expense	17	347	561	168	420
Profit before tax		15,738	14,862	16,053	18,455
Adjustments for:					
Impairment losses on loans and advances	14 (a)	21,159	15,072	21,063	15,005
Recoveries on loans and advances	14 (a)	(1,297)	(1,646)	(1,297)	(1,646)
(Reversal of impairment)/impairment loss on loans and advances	14 (a)	(3,280)	(3,478)	(3,280)	(3,478)
Impairment loss on equity accounted investee	14 (b)	24	-	-	-
Reversal of impairment on other assets	14 (b)	(717)	(2,801)	(717)	(2,801)
Write-off of intangible assets	30	193			
Write-off of property and equipment	29	24	-	26	-
Impairment on property and equipment	29	-	200	-	200
Allowances on other assets	14 (b)	-	2,097	-	2,097
Gain on sale of property and equipment	13	(2,562)	(1,660)	(2,562)	(1,660)
Gain on disposal of available for sale - unquoted equity	26	(297)	(193)	(297)	(193)
Gain on sale of trading properties	13	(90)	(728)	-	(728)
Gain on sale/liquidation of subsidiaries	13	(368)	332	(802)	(3,591)
Depreciation of property and equipment	29	3,806	3,205	3,775	3,166
Amortisation of intangible assets	30	1,100	772	925	666
Dividend income from equity investment	13	(765)	(686)	(765)	(686)
Interest paid on borrowings	9	8,210	8,683	8,210	8,683
Contributions to defined contribution plans	15	722	644	619	644
Increase in liability for defined benefit plans	15	464	4,347	461	4,310
		42,064	39,022	41,412	38,443
Change in non-pledged trading assets	48(i)	(8,323)	745	(8,323)	745
Change in pledged assets	48(ii)	31,298	(793)	31,298	(793)
Change in loans and advances to customers	48(iii)	(157,051)	(63,872)	(157,392)	(56,493)
Change in other assets	48(iv)	(63,343)	(18,426)	(62,686)	(18,317)
Change in derivative financial instruments-assets	48(v)	13	(7)	13	-
Change in derivative financial instruments-liabilities	48(v)	(927)	(1,813)	(927)	(1,820)
Change in deposits from banks	48(vi)	46,175	(17,799)	(7,449)	(6,255)
Change in deposits from customers	48(vii)	87,805	43,022	64,711	61,685
Change in other liabilities	48(viii)	29,588	8,414	31,384	2,854
		7,298	(11,507)	(67,959)	20,049
Income tax paid	35	(269)	(1,051)	(220)	(826)
Payment from defined contribution plan	37(a)(i)	(722)	(623)	(619)	(623)
Payment from defined benefit plan	48(ix)	(1,343)	(7,626)	(1,335)	(7,626)
Net cash provided by/(used in) operating activities		4,965	(20,807)	(70,133)	10,975
Cash flows from investing activities					
Purchase of investment properties	27	199	-	-	-
Proceeds from sale of trading properties	48(x)	958	1,534	-	1,534
Proceeds from sale of property and equipment	48(xi)	5,271	3,438	5,245	3,438
Proceed on disposal of subsidiaries	48(xii)	3,006	3,596	3,006	3,596
Proceed/(acquisition) of investment securities	48(xiii)	35,653	(7,543)	44,256	(4,894)
Acquisition of trading properties	26	-	(2,053)	-	-

Acquisition of property and equipment	29	(9,126)	(6,677)	(8,962)	(6,669)
Acquisition of intangible assets	30	(664)	(2,078)	(634)	(1,913)
Dividend income received	13	765	686	765	686
Net cash generated from/(used in) investing activities		36,061	(9,097)	43,676	(4,221)
Cash flows from financing activities					
Inflow from other borrowings	48(xiv)	47,784	39,685	47,784	39,685
Repayment of borrowings	48(xiv)	(34,329)	(41,761)	(32,031)	(41,761)
Interest paid on borrowings	9	(8,210)	(8,683)	(8,210)	(8,683)
Net cash generated from/(used in) financing activities		5,245	(10,759)	7,543	(10,759)
Net increase/(decrease) in cash and cash equivalents		46,270	(40,663)	(18,915)	(4,006)
Cash and cash equivalents at beginning of year	19	82,252	121,960	54,451	58,457
Effect of exchange rate fluctuations on cash held		7,672	955	-	-
Cash and cash equivalents at end of year	19	136,194	82,252	35,536	54,451

The accompanied notes and significant accounting policies are an integral part of these consolidated and separate financial statements.

Notes to the Consolidated financial statements
For the year ended 31 December 2016

1 Reporting entity

Union Bank of Nigeria Plc ("the Bank") is a company domiciled in Nigeria. The address of the Bank's registered office is Stallion Plaza, 36 Marina, Lagos. The consolidated financial statements of the Bank as at and for the year ended 31 December 2016 comprises the Bank and its subsidiaries (together referred to as the "Group" and individually as 'Group entities'). The Group is primarily involved in investment, corporate, commercial and retail banking.

The Bank continues the divestment process from all non-banking businesses within the Group, in line with the CBN Regulation on the scope of Banking Activities and Anciliary Matters. The Bank completed the liquidation of Union Pension during the course of the year . The proposed sale of the Bank's holdings in UBN Property Company Limited has been put on hold as a result of shareholder litigation initiated by two of the subsidiary's shareholders.

2 Basis of preparation

(a) Statement of compliance

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by International Accounting Standards Board and in the manner required by the Financial Reporting Council of Nigeria Act 2011, Companies and Allied Matters Act, the Banks' and Other Financial Institutions Act of Nigeria and relevant Central Bank of Nigeria circulars.
The financial statements were authorised for issue by the Board of Directors on 17 March 2017.

(b) Functional and presentation currency

These consolidated and separate financial statements are presented in Nigerian Naira, which is the Bank's functional and presentation currency.

All amounts have been rounded to the nearest millions, except otherwise indicated.

(c) Basis of measurement

These consolidated and separate financial statements are prepared on the historical cost basis except for the following material items in the statement of financial position:

- financial instruments at fair value through profit or loss are measured at fair value.
- available-for-sale financial assets are measured at fair value.
- investment property is measured at fair value.
- the liability for defined benefit obligations is recognised as the present value of the defined benefit obligation less the net total value of the plan assets, plus unrecognised actuarial gains, less unrecognised past service cost and unrecognised actuarial losses.
- the liability for staff non-contributory pension is recognised as the present value of the scheme less net total value of the plan assets, plus unrecognised actuarial gains, less unrecognised past service cost and unrecognised actuarial losses.
- derivatives financial instrument held for risk management are measured at fair value.
- assets and liabilities as held for sale measured at fair value less cost to sale.
- trading properties measured at lower of cost and net realizable value.

(d) Use of estimates and judgements

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

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

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in these financial statements are included in note 6.

(e) Determination of regulatory risk reserves

Provisions under Prudential Guidelines are determined using the time based provisioning regime prescribed by the Revised Central Bank of Nigeria (CBN) Prudential Guidelines. This is at variance with the requirements of the International Financial Reporting Standards. As a result of the differences in the methodology/provision regime, there may be variances in the impairment allowances required under the two methodologies.

Paragraph 12.4 of the revised Prudential Guidelines for Deposit Money Banks in Nigeria stipulates that Banks would be required to make provisions for loans and other financial assets as prescribed in the relevant IFRS standards when IFRS is adopted. However, Banks would be required to comply with the following:

(i) Provisions for loans and other financial assets recognised in the income statement should be determined based on the requirements of IFRS. However, the IFRS impairments should be compared with provisions determined under Prudential Guidelines and the expected impact/changes in general reserves should be treated as follows:
• If Prudential provisions are greater than IFRS impairments, the resultant excess provision should be transferred from the retained earnings account to a "regulatory risk reserve".
• If Prudential provisions are less than IFRS impairments; IFRS determined impairments are charged to the income statement. The cumulative balance in the regulatory risk reserve is thereafter reversed to the retained earnings account.

The Bank has complied with the requirements of the Prudential Guidelines.

The Revised Central Bank of Nigeria (CBN) Prudential Guidelines require that if the IFRS based impairment is lower than the CBN Prudential Guidelines provisions, the extent of the difference should be recognised as regulatory risk reserve in the statement of changes in equity.

The reconciliation of the impairment based on relevant IFRS standards and CBN Prudential Guidelines provision is shown in the statement below:

Statement of Prudential Adjustments

	Note	Bank Dec. 2016 ₦ million	Bank Dec. 2015 ₦ million
IFRS-based impairments:			
Specific impairment on loans to customers	23	14,887	11,565
Portfolio impairment on loans to customers	23	13,572	10,400
Specific impairment on investment securities	25	5,002	4,058
Specific impairment on equity accounted investee	24	91	91
Provision for claims and contingencies	36	3,104	2,236
Specific impairment on other assets	32	5,932	6,197
		42,588	34,547
Prudential provisions:			
Specific provision on loans to customers		44,443	27,846
General provision on loans to customers		8,924	4,968
Interest in suspense		13,961	13,027
Specific provision on investment securities		5,002	4,058
Specific impairment on equity accounted investee		91	91
Provision for claims and contingencies		3,104	2,236
Specific provision on other assets		5,932	6,197
		81,457	58,423
Regulatory risk reserve		38,869	23,876

The movement in the Regulatory risk reserve during the year is shown below:

	Dec. 2016 ₦ million	Dec. 2015 N million
Balance, beginning of the year	23,876	8,667
Transfer during the year	14,993	15,209
Balance, end of the year	38,869	23,876

3 Significant accounting policies

The accounting policies set out below have been consistently applied to all periods presented in these consolidated and separate financial statements.

The accounting policies have been applied consistently by Group entities.

(a) Basis of consolidation

Business Combination

Business combinations are accounted for using the acquisition method as at the acquisition date, that is, when control is transferred to the Group. Consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Transaction costs are expensed as incurred, except if they relate to the issue of debt or equity securities.

Non-controlling interest

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

Subsidiaries

Subsidiaries are investees controlled by the Group. The Group controls an entity if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group reassesses whether it has control and if there are changes to one or more of the elements of control. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

Associates

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

Loss of control

The Group assesses whether there is loss of control in a variety of ways which includes:

- sale of all or part of its ownership interest in its subsidiary;
- expiry of a contractual agreement that gave control of the subsidiary to the Group;
- issue of shares to third parties by the subsidiary, thereby reducing the Group's ownership interest in the subsidiary so that it no longer has control of the subsidiary;
- distribution of its ownership interest in the subsidiary by the Group;
- when the subsidiary becomes subject to the control of a government, court, administrator or regulator.

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and the other components of equity. Any interest retained in the former subsidiary is measured at fair value when control is lost. Any resulting gain or loss is recognised in profit or loss.

The amount recognised in profit or loss on the loss of control of a subsidiary is measured as the difference between:

(a) The sum of:

- the fair value of the consideration received, if any;
- the recognised amount of the distribution of shares, if applicable;
- the fair value of any retained non-controlling investment(NCI); and
- the carrying amount of the NCI in the former subsidiary, including the accumulated balance of each class of other comprehensive income (OCI) attributable to the NCI

(b) The carrying amount of the former subsidiary's net assets, together with any profit or loss reclassifications.

From the Group's perspective, the loss of control of a subsidiary results in derecognition of the individual assets and liabilities of the subsidiary. On disposal, components of OCI related to the subsidiary's assets and liabilities are accounted for on the same basis as would be required if the individual assets and liabilities had been disposed of directly. As a result, the following amounts are reclassified to profit or loss:

- exchange differences that were recognised in OCI;
- changes in the fair value of available-for-sale financial assets previously recognised in OCI; and
- the effective portion of gains and losses on hedging instruments in a cash flow hedge previously recognised in OCI.

Transactions eliminated on consolidation

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

(b) Foreign currency transactions

Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of Group entities at the spot exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated using the functional currency at the spot exchange rate at that date. The foreign currrency gain or loss on monetary items is the difference between the amortised cost in the functional currrency at the begining of the year, adjusted for effective interest and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Foreign currency differences arising on translation are generally recognised in profit or loss. However, foreign currency differences arising from the translation of available for sale equity instruments are recognised in OCI.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into naira at spot exchange rates at the reporting date. The income and expenses of foreign operations are translated into naira at spot exchange rates at the dates of the transactions.

Foreign exchange differences on translation of foreign operations are recognised in other comprehensive income, and presented in the currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportion of the translation differences is allocated to non-controlling interests. When a foreign operation is disposed of such that 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. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the forseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognised in other comprehensive income and presented in the translation reserve in equity.

(c) Interest

Interest income and expense are recognised in profit or loss 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 financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial liability. When calculating the effective interest rate, the group estimates future cash flow considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points 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 financial liability.

Interest income and expense presented in the statement of profit or loss and OCI include:
- Interest on financial asset and financial liabilities measured at amortised cost calculated on an effective interest basis;
- Interest on available-for-sale investment securities calculated on an effective interest basis;

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

Fair value changes on other derivatives held for risk management purpose, and other financial assets and financial liabilities carried at fair value through profit or loss are presented in net income from other financial instruments at fair value through profit or loss in the statement of profit or loss and OCI.

(d) Fees and Commission

Fee 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 fee and commission income, including account servicing fees, investment management and other fiduciary activity fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed.

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

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

(e) Net trading income

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

(f) Net income from other financial instruments at fair value through profit or loss

Net income from other financial instruments at fair value through profit or loss relates to non trading derivatives held for risk management purposes that do not form part of qualifying hedge relationships and financial assets and financial liabilities designated at fair value through profit or loss. It includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

(g) Dividends

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

(h) Operating expense

Expenses are decreases in economic benefits during the accounting period in the form of outflows, depletion of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Expenses are recognized on an accrual bases regardless of the time of spending cash. Expenses are recognized in the income statement when a decrease in future economic benefit related to a decrease in an assets or an increase of a liability has arisen that can be measured reliably. Expenses are measured at historical cost.

Only the portion of cost of a previous period that is related to the income earned during the reporting period is recognized as an expense. Expenses that are not related to the income earned during the reporting period, but expected to generate future economic benefits, are recorded in the financial statement as assets. The portion of assets which is intended for earning income in the future periods shall be recognized as an expense when the associated income is earned.

Expenses are recognized in the same reporting period when they are incurred in cases when it is not probable to directly relate them to particular income earned during the current reporting period and when they are not expected to generate any income during the coming years.

(i) Lease payments - Lessee

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

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of return on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(j) Income tax expense

Income tax comprises current and deferred taxes. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax payable also includes any tax liability arising from the declaration of dividends.

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

Deferred tax is provided using the balance sheet liability method, providing for 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 taxes aremeasured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences 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.

Additional taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(k) Financial instruments

Recognition

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. Loans and advances, deposits and subordinated liabilities are recognised on the date that they are originated. All other financial assets and liabilities are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

Classification and subsequent measurement

The Group classifies its financial assets in the following categories:
• loans and receivables;
• held to maturity;
• available for sale; or
• at fair value through profit or loss and within the category as held for trading or designated at fair value through profit or loss.

The Group classifies its financial liabilities, other than financial guarantees and loan commitments as measured at amortised cost or fair value through profit or loss.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and that the Group does not intend to sell immediately or in the near term.

Classified as loans and advances are loans and advances to customers, finance lease receivables and cash and cash equivalent.

Loans and advances to customers are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

When the Group is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of the asset to the lessee, the arrangement is classified as a finance lease and a receivable equal to the net investment in the lease is recognised and presented within loans and advances.

(ii) Held-to-maturity

Held-to-maturity investments are non-derivative assets with fixed determinable payments and fixed maturity that the Group has the positive intent

and ability to hold to maturity, and which are not designated as at fair value through profit or loss or as available for sale.

Held-to-maturity investments are measured at amortised cost, using the effective interest method, less any impairment losses. A sale or reclassification of a more than an insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available for sale, and would prevent the Group from classifying investment securities as held to maturity for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

(a) sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
(b) sales or reclassifications after the Group has collected substantially all of the asset's original principal; and
(c) sales or reclassifications attributable to non-recurring isolated events beyond the Group's control that could not have been reasonably anticipated.

(iii) Available-for-sale

Available-for-sale investments are non-derivative investments that are designated as available-for-sale or are not classified as another category of financial assets. Available-for-sale investments comprise equity securities and debt securities. Unquoted equity securities whose fair value cannot reliably be measured are carried at cost. All other available-for-sale investments are carried at fair value.

Interest income is recognised in the statement of profit or loss using the effective interest method. Dividend income on available for sale financial assets is recognised in profit or loss when the Group becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investment are recognised in profit or loss. Impairment losses are recognised in profit or loss.

Other fair value changes, other than impairment losses, are recognised in other comprehensive income and presented in the fair value reserve in equity. When the investment is sold, the gain or loss accumulated in equity is reclassified to income statement.

A non-derivative financial asset may be reclassified from the available-for-sale category to the loans and receivable category if it otherwise would have met the definition of loans and receivables and if the Group has the intention and ability to hold that financial asset for the foreseeable future or until maturity.

(iv) Fair value through profit or loss
This category comprises two sub-categories:
a) financial assets classified as held for trading;

b) financial assets designated by the Group as fair value through profit or loss upon initial recognition (the "fair value option").

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated and effective as hedging instruments. Financial assets held for trading consist of debt instruments, including money-market paper, traded corporate and bank loans, and equity instruments, as well as financial assets with embedded derivatives.
Financial instruments included in this category are recognised initially at fair value; transaction costs are taken directly to profit or loss. Gains and losses arising from changes in fair value are included directly in the income statement and are reported as ‘Net trading income’.

The instruments are derecognised when the rights to receive cash flows have expired or the Group has transferred substantially all the risks and rewards of ownership and the transfer qualifies for derecognising.

The Group designates some investment securities at fair value, with fair value changes recognised immediately in profit or loss.

Financial liabilities are subsequently stated at amortised cost using the effective interest method; any differences between proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss over the period of the transaction.

Fair value measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market particpant at the measurment date in the princpal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.
When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.
If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation techniques incorporate all of the factors that market participants would take into account in pricing a transaction.
The best evidence of fair value of a financial instrument at initial recognition is normally the transaction price - i.e the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced by neither by a quoted price in an active market for an identical asset or liability nor based on a valuation techniques that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price, Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.
If an asset or a liability measured at fair value has a bid and ask price, then the Group measures assets, long positions, liabilities and short positions at a mid price which is the average of the ask and bid prices.
Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured by the Group on the basis of the price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure.Those protfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.
The fair value of a demand deposit is not less that the amount payable on demand, discounted from the first date on which that amount could be required to be paid.
The Group recognises transfers between levels of the fair value hierachy as of the end of the reporting period during which the change has occurred.

Impairment of financial assets

(i) Assets measured 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 the customer's 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 observable data indicating that there is a measurable decrease in the estimated future cash flows of a group of financial assets, although the decrease cannot yet be identified with specific individual financial assets.

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

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

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 income statement. Such allowance is referred to as specific impairment.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure, less costs for obtaining and selling the collateral, whether or not foreclosure is probable. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Group’s grading process which considers asset type, industry, geographic location, collateral type, past-due status and other relevant factors). These characteristics are relevant to the estimation of future cash flows for groups of such assets being indicative of the debtor’s 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 historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based, and to remove the effects of conditions in the historical period that do not exist currently.

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

(ii) Available-for-sale financial assets

Available-for-sale financial assets are impaired if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition but before the reporting date, that have an impact on the future cash flows of the asset. In addition, an available-for-sale equity instrument is generally considered impaired if a significant or prolonged decline in the fair value of the instrument below its cost has occurred. Where an available-for-sale asset, which has been remeasured to fair value directly through equity, is impaired, the impairment loss is recognised in income statement. 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 income statement 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 in the income statement, where the instrument is a debt instrument, the impairment loss is reversed through profit or loss. An impairment loss in respect of an equity instrument classified as available-for-sale is not reversed through profit or loss but accounted for directly in equity.

Offsetting financial instruments

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

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

Sale and repurchase agreements

Securities sold subject to linked repurchase agreements are reclassified in the consolidated 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.

Derecognition of financial instruments

- ***Financial assets***

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.

Any interest in such transferred financial assets that qualify for derecognition is created or retained by the Group is recognised as a separate asset or liability. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of:

(i) the consideration received (including and new asset obtained less any new liability assumed); and
(ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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

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

- ***Financial liabilities***

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

The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

(l) Cash and cash equivalents

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

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

(m) Trading assets and liabilities

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

Trading assets and liabilities are initially recognised and subsequently measured at fair value in the statement of financial position, with transaction costs recognised in profit or loss. All changes in fair value are recognised as part of net trading income in profit or loss. Trading assets and liabilities are not reclassified subsequent to their initial recognition, except that non-derivative trading assets, other than those designated at fair value through profit or loss on initial recognition, may be reclassified out of the fair value through profit or loss - i.e. trading category - if they are no longer held for the purposes of being sold or repurchased in the near term and the following conditions are met:

(i) if the financial asset would have met the definition of loans and receivables (if the financial asset had not been required to be classified as held for trading at initial recognition), then it may be reclassified if the Group has the intention and ability to hold the financial asset for the forseeable future or until maturity.
(ii) if the financial asset would not have met the definition of loans and receivables, then it may be reclassified out of the trading category only in rare circumstances.

(n) Derivatives held for risk management purposes

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives are recognised initially at fair value in the statement of financial position; attributable transaction costs are recognised in income statement when incurred. Subsequent to initial recognition, derivatives are measured at fair value with changes in fair value recognised in profit or loss.

(o) Property and equipment

Recognition and measurement

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. The cost of self-constructed assets includes the following:
(a) the cost of materials and direct labour;
(b) any other costs directly attributable to bringing the assets to working condition for their intended use;
(c) when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
(d) capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised within other income in income statement.

Subsequent costs

The cost of replacing part of an item of property or 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 income statement as incurred.

Depreciation

Items of property and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the assets are completed and ready for use. Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line basis over their estimated lives. 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.
Depreciation is recognised in income statement.

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

Land	Not depreciated
Buildings	50 years
Fixtures and fittings	10 years
Leasehold improvements	Over the unexpired lease term
Furniture and office equipments	5 years
Computer hardware	4 years
Motor vehicles	4 years
Capital work-in-progress	Not depreciated

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

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 income statement in the year the asset is derecognised.

(p) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production of goods and services or for administrative purposes. Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in income statement in other income.

Cost includes expenditure that is directly attributable to the acquisition of the investment property.
Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in income statement. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(q) Trading properties

Trading properties represent inventories held by the group which are designated for resale to customers. Trading properties are measured at the lower of cost and net realisable value. The cost includes expenditure incurred in acquiring the trading properties, production or conversion costs and other costs incurred in bringing them to their existing location.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(r) Intangible assets

Software

Software acquired by the Group is stated at cost less accumulated amortisation and accumulated impairment losses.
Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.
Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.
Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is five years. This is reassessed annually.
Intangible assets are de-recognised on disposal or when no future economic benefits are expected from their use or disposal

(s) Non-current assets classified as held for sale and discontinued operations

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.
Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated inventories, financial assets, deferred tax assets, employee benefit analysis or investment property, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity accounted investee is no longer equity accounted.

A discontinued operation is a component of the Group's business, the operations and cash flow of which can be clearly distinguished from the rest of the group and which:
- represents a separate major line of business or geographic area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale

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

(t) Leased assets

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

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

(u) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets and investment properties (IAS 36 does not cover IAS 40), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A Cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated pre-tax 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 or cash generating unit.

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

(v) Deposits, debt securities issued and surbordinated liabilities

Deposits, debt securities issued and subordinated liabilities are Group's sources of debt funding.

When the Group sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or similar asset) at a fixed price on a future date) repo or stock lending), 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 instruments. The Group's redeemable preference shares bear non-discretionary coupons and are redeemable by the holder, and are therefore included with subordinated liabilities.

Deposits, debt securities issued and subordinated liabilities are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective method, except where the Group designates liabilities at fair value through profit or loss.

(w) 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. The unwinding of the discount is recognised as finance cost.

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 losses 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.

Contingent liabilities are possible obligations that arise from past events whose existence will be confirmed only by the
occurrence, or non-occurrence, of one or more uncertain future events not wholly within the Group's control. Contingent liabilities are not recognised in the financial statements but are disclosed in the notes to the financial statements.

The Group recognises liability for a levy not earlier than when the activity that triggers payment occurs. Also, the Group accrues liability on levy progressively only if the activity that triggers payment occurs over a period of time. However, for a levy that is triggered upon reaching a minimum threshold, no liability is recognised before the specified minimum threshold is reached.

(x) 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.

(y) Employee benefits

Post-employment benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions of into a separate entity and has no legal or constructive obligation to pay any further amount(s). Obligations for contributions to defined contribution plans are recognised as personnel expenses in income statement in the periods during which related services are rendered. The Group and its employees make respective contributions of 10% and 8% of basic salary, housing and transport allowance to each employee's retirement savings account maintained with employees' nominated Pension Fund Administrators.

Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognised past service costs and the fair value of any plan assets are deducted.

The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reduction in future contributions to the plan.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments.
Net interest expense and other expenses related to defined benefit plans are recognised in personnel expenses in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in income statement.
When the calculation above results in a benefit to the Group, the recognised asset is limited to the net total of any cumulative unrecognised actuarial losses and past service costs and the present value of any economic benefit available in the form of any refunds from the plan or reductions in future contribution to the plan. An economic benefit is available to the Group if it is realisable during the life of the plan or on settlement of the plan liabilities.

Termination benefits

Termination benefits are recognised 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 benefit as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are treated as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptance can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

Short-term benefits

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

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans 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.

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations where relevant. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

(z) Share capital and reserves

Share issue costs

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

Dividend on ordinary shares

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

Treasury shares

Where the Bank or any member of the Group purchases the Bank's share capital, 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. Gains and losses on sales or redemption of own shares are credited or charged to reserves.

Other reserves

Other reserves include statutory reserves, fair value reserve, regulatory risk reserve, translation reserve, SMEEIS reserve and capital reserve

Share-based payment transactions

The grant-date fair value of share-based payment awards – i.e. stock options – granted to employees is recognised as personnel expenses, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes. The fair value of the amount payable to employees in respect of share appreciation rights that are settled in cash is recognised as an expense with a corresponding increase in liabilities over the period in which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the liability are recognised as personnel expenses in profit or loss.

(aa) Earnings per share

The Group presents basic and diluted 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.

(ab) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Board of Directors (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance and for which discrete financial information is available. Segment results include items directly attibutable to a segment as well as those that can be allocated on a reasonable basis.

(ac) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method; any differences between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings.

(ad) New standards issued but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017 and earlier application is permitted; however, the Group has not opted for the early application of the following new or amended standards in preparing these consolidated financial statements.

- *Disclosure initiative: Amendments to IAS 7*

  The amendments provide for disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

  The amendments are effective for annual periods beginning on and after 1 January 2017, with early adoption permitted.
  The Group will adopt the amendments for the year ending 31 December 2017.

- *Recognition of Deferred Tax Assets for Unrealised Losses: Amendments to IAS 12*

  The amendments provide additional guidance on the existence of deductible temporary differences, which depend solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.

  The amendments also provide additional guidance on the methods used to calculate future taxable profit to establish whether a deferred tax asset can be recognised.

  Guidance is provided for deductible temporary differences related to unrealised losses are not assessed separately for recognition. These are assessed

  on a combined basis, unless a tax law restricts the use of losses to deductions against income of a specific type.

  The amendments are effective for annual periods beginning on and after 1 January 2017, with early adoption permitted.

  The Group is assessing the potential impact on its consolidated financial statements resulting from the amendments. So far, the Group does not expect any significant impact.

- *Financial Instruments: IFRS 9*

  On 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.
  IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

  IFRS 9 is effective for annual periods beginning on or after 1 January 2018 with early adoption permitted.

  The Group has carried out a preliminary impact assessment but is yet to finalise the potential impact on its consolidated and separate financial statements resulting from the application of IFRS 9. Given the nature of the Group's operations however, this standard is expected to have a significant impact on the Group impairment model. The impairment model has been changed from "incurred loss" under IAS 39 to an "expected credit loss" model. This model is expected to increase the impairment allowance for credit losses recognised in the Group.

- *Revenue from contracts with customers: IFRS 15*

  This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services.

  The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

  IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

  The Group is assessing the potential impact of the adoption of IFRS 15 on its consolidated financial statements. This standard does not have significant impact on the Group's operations.

- *Leases: IFRS 16*

  IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.
  The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 eliminates the classification of leases as operating leases or finance leases as required by IAS 17 and introduces a single lessee accounting model. Applying that model, a lessee is required to recognise:
  • assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and
  • depreciation of lease assets separately from interest on lease liabilities in the profit or loss.
  For the lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

  The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply

The Group is yet to carry out an assessment to determine the impact that the initial application of IFRS 16 could have on its business; however, the Group will adopt the standard for the year ending 31 December 2019.

- Foreign currency transactions and advance consideration: IFRIC 22

The amendments provide guidance on the transaction date to be used in determining the exchange rate for translation of foreign currency transactions involving an advance payment or receipt.
The amendments clarifies that the transaction date is the date on which the Group initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date.
The interpretation applies when the Group:
- pays or receives consideration in a foreign currency; and
- recognises a non-monetary asset or liability – eg. non-refundable advance consideration – before recognising the related item.

The standard is effective for annual periods beginning on or after 1 January 2018 with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the amendments. So far, the Group does not expect any significant impact.

- Amendments to IAS 40 - Transfers of investment property

The amendments state that a transfer is made when and only when there is a change in use – i.e. an asset ceases to meet the definition of investment property and there is evidence of a change in use. A change in management intention alone does not support a transfer.

The Group has a choice on transition to apply:

i). The prospective approach – i.e. apply the amendments to transfers that occur after the date of initial application – and also reassess the classification of property assets held at that date; or
ii). The retrospective approach – i.e. apply the amendments retrospectively, but only if it does not involve the use of hindsight.

The Group will adopt the amendments for the year ending 31 December 2018.

The following new or amended standards are not expected to have a significant impact of the Group's consolidated financial statements.
i). Classification and Measurment of Share-based Payment Transactions (Amendments to IFRS 2)
ii). Sale or Contribution of Assets between an Investor and its Associate of Joint Venture (Amendments to IFRS 10 and IAS 28)
iii). Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)

4 Changes in Accounting Policies and Correction of Prior Period Errors

(i) Changes in accounting policies

i) Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)
ii) Annual Improvements to IFRSs 2012–2014 Cycle – various standards
iii) Disclosure Initiative (Amendments to IAS 1)
iv) IFRS 14 Regulatory Deferral Accounts

The revised standards did not have any effect on the Group's reported earnings or financial position and had no material impact on the accounting policies. IAS 1 amendment resulted in the Group removing immaterial information from its financial statement disclosures.

(ii) Prior period restatements

The table below presents the summary of quantitative impacts of prior period restatements and changes in accounting policies on the results of the Group for the year ended 31st December 2015

Statement of financial position

	Group Dec.2015	**Prior year restatement**	Restated Group Dec.2015	Bank Dec.2015	**Prior year restatement**	Restated Bank Dec.2015
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
ASSETS						
Cash and cash equivalents	82,252	-	82,252	54,451	-	54,451
Pledged assets	84,728	-	84,728	84,728	-	84,728
Derivative assets held for risk management	1,820	-	1,820	1,820	-	1,820
Loans and advances to customers	366,721	-	366,721	348,984	-	348,984
Investments in equity accounted investee	24	-	24	-	-	-
Investment securities	215,137	-	215,137	209,223	-	209,223
Trading properties	3,177	-	3,177	1,124	-	1,124
Investment properties	4,546	-	4,546	-	-	-
Investment in subsidiaries	-	-	-	10,567	-	10,567
Property and equipment	49,772	2,839	52,611	49,692	2,839	52,531
Intangible assets	3,749	-	3,749	3,318	-	3,318
Deferred tax assets	95,883	-	95,883	95,875	-	95,875
Other assets	138,686	-	138,686	138,030	-	138,030
	1,046,495	2,839	1,049,334	997,812	2,839	1,000,651
Assets classified as held for sale	397	-	397	325	-	325
TOTAL ASSETS	1,046,892	2,839	1,049,731	998,137	2,839	1,000,976
LIABILITIES						
Deposits from banks	44,091	-	44,091	11,800	-	11,800
Deposits from customers	570,639	-	570,639	569,116	-	569,116
Current tax liabilities	382	-	382	229	-	229
Other liabilities	107,533	-	107,533	106,035	-	106,035
Retirement benefit obligations	4,267	-	4,267	4,230	-	4,230
Other borrowed funds	76,059	-	76,059	76,059	-	76,059
TOTAL LIABILITIES	802,971	-	802,971	767,469	-	767,469

	Group Dec.2015	Prior year restatement	Restated Group Dec.2015	Group Dec.2015	Prior year restatement	Restated Group Dec.2015
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
EQUITY						
Share capital and share premium	400,109	-	400,109	400,109	-	400,109
Treasury shares	-	-	-	-	-	-
Retained deficit	(244,902)	2,839	(242,063)	(249,372)	2,839	(246,533)
Other Reserves	83,377	-	83,377	79,931	-	79,931
EQUITY ATTRIBUTABLE TO EQUITY - HOLDERS OF THE BANK	238,584	2,839	241,423	230,668	2,839	233,507
Non-controlling interest	5,337	-	5,337	-	-	-
TOTAL EQUITY	243,921	2,839	246,760	230,668	2,839	233,507
TOTAL LIABILITIES AND EQUITY	1,046,892	2,839	1,049,731	998,137	2,839	1,000,976

	Group Jan.2015	**Prior year restatement**	Restated Group Jan.2015	Bank Jan.2015	**Prior year restatement**	Restated Bank Jan.2015
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
ASSETS						
Cash and cash equivalents	121,960	-	121,960	58,457	-	58,457
Non-pledged trading assets	745	-	745	745	-	745
Pledged assets	83,935	-	83,935	83,935	-	83,935
Derivative assets held for risk management	7	-	7	-	-	-
Loans and advances to customers	312,797	-	312,797	302,372	-	302,372
Investments in equity accounted investee	24	-	24	-	-	-
Investment securities	197,200	-	197,200	193,656	-	193,656
Trading properties	1,930	-	1,930	1,930	-	1,930
Investment properties	-	-	-	-	-	-
Investment in subsidiaries	-	-	-	8,372	-	8,372
Property and equipment	48,575	2,525	51,100	48,482	2,525	51,007
Intangible assets	2,422	-	2,422	2,071	-	2,071
Deferred tax assets	95,883	-	95,883	95,875	-	95,875
Other assets	122,547	-	122,547	121,810	-	121,810
	988,025	2,525	990,550	917,705	2,525	920,230
Assets classified as held for sale	20,426	-	20,426	2,525	-	2,525
TOTAL ASSETS	1,008,451	2,525	1,010,976	920,230	2,525	922,755
LIABILITIES						
Derivative liabilities	7	-	7	-	-	-
Deposits from banks	61,890	-	61,890	18,055	-	18,055
Deposits from customers	527,617	-	527,617	507,431	-	507,431
Current tax liabilities	822	-	822	635	-	635
Other liabilities	103,580	-	103,580	103,181	-	103,181
Retirement benefit obligations	7,525	-	7,525	7,525	-	7,525
Other borrowed funds	78,135	-	78,135	78,135	-	78,135
	779,576	-	779,576	714,962	-	714,962
Liabilities classified as held for sale	7,347	-	7,347	-		
TOTAL LIABILITIES	**786,923**	**-**	**786,923**	**714,962**	**-**	**714,962**
	Group Dec.2015	Prior year restatement	Restated Group Dec.2015	Group Dec.2015	Prior year restatement	Restated Group Dec.2015
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
EQUITY						
Share capital and share premium	400,109	-	400,109	400,109	-	400,109
Treasury shares	(35)	-	(35)	-	-	-
Retained deficit	(243,675)	2,525	(241,150)	(251,878)	2,525	(249,353)
Other Reserves	59,791	-	59,791	57,037	-	57,037
EQUITY ATTRIBUTABLE TO EQUITY - HOLDERS OF THE BANK	216,190	2,525	218,715	205,268	2,525	207,793
Non-controlling interest	5,338	-	5,338	-	-	-
TOTAL EQUITY	221,528	2,525	224,053	205,268	2,525	207,793
TOTAL LIABILITIES AND EQUITY	**1,008,451**	**2,525**	**1,010,976**	**920,230**	**2,525**	**922,755**

(a) **Prior year restatements**

Prior to 2016, the Group reported land and building as a single class of asset wthin Property and Equipment. During the year 2016, the Group separated the cost of land from building and the related accumuluted depreciation on land was reversed in line with the requirements of IAS 16. The effect of the restatement is an adjustment of N2.84 billion (Jan. 2015: N2.53 billion), representing the reversal of accumulated depreciation on land.

5 Financial risk management

(a) Introduction and overview

Union Bank of Nigeria Plc and its subsidiary companies ("the Bank" or "the Group") have exposures to the following risks from financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

(b) Credit risk

Credit risk is the current or potential risk to earnings and capital arising from the failure of an obligor of the Group to repay principal or interest at the stipulated time or failure otherwise to perform as agreed. This risk is compounded if the assigned collateral only partly covers the claims made to the borrower, or if its valuation is exposed to frequent changes due to changing market conditions (i.e. market risk). Credit risk arises anytime the Group commits its funds with the result that capital or earnings are dependent on borrower’s performance.

The Bank’s Risk Management philosophy is that moderate and guarded risk attitude will ensure sustainable growth in shareholder value and reputation. Extension of credit in the Bank is guided by its Credit Risk and Portfolio Management Plan, which sets out specific rules for risk origination and management of the loan portfolio. The Plan also sets out the roles and responsibilities of different individuals and committees involved in the credit process.

We recognize the fact that loan assets constitute a significant portion of assets on the statement of financial position. Therefore, we actively safeguard and strive to continually improve the health of our loan portfolio. We scrutinize all applications and weed out potential problem loans during the loan application phase, as well as constantly monitor existing loan portfolio.

The goal of the Group is to apply sophisticated but realistic credit models and systems to monitor and manage credit risk. Ultimately these credit models and systems are the foundation for the application of internal rating-based approach to calculation of capital requirements. The development, implementation and application of these models are guided by the Group’s Basel II strategy.

The pricing of each credit granted reflects the level of risks inherent in the credit. Subject to competitive forces, the Group implements a consistent pricing model for loans to its different target markets. The client’s interest is guarded at all times, and collateral quality is never the sole reason for a positive credit decision.

The Group’s credit process requires rigorous proactive and periodic review of the quality of the loan portfolio. This helps us to identify and remediate credit issues proactively.

The Stressed Assets Committee (SAC) performs a review of loans with emerging signs of weakness and also classified assets. The Management Credit Committee (CRECO), Board Credit Committee and the Board Risk Management and Control Committee also perform reviews of the quality of our loan portfolio on a weekly/monthly /quarterly basis respectively. These are in addition to daily reviews performed by our Credit Risk Management department.

Principal Credit Policies

The following are the principal credit policies of the Group:

(i) ***Extension of credit:*** Every extension of credit must be approved by at least three officers; two from the Credit Risk function and one from the Business Unit, who must be the Sponsoring Officer of the Credit. A credit officer from the credit risk function must provide the Covering Limit.

(ii) ***Special Approvals:*** Extension of credit to certain sectors may require special approvals or prohibited altogether.

(iii) ***Annual Review of facilities:*** All extension of credits must be reviewed at least once every 12 months.

(iv) ***Industry Limits:*** The Group utilizes industry limits to maintain a diversified portfolio of risk assets.

(v) ***Tenor Limits:*** The Group also utilizes tenor limits to ensure improvement in quality of risk assets

(vi) ***Problem Recognition:*** There are uniform and consistent standards for recognition of credit migration and remediation across the Group.

Credit process

The Bank's credit process starts with portfolio planning and target market identification. There is preliminary screening of credit facility requests against the Bank's target market and risk acceptance criteria. Screening is the responsibility of the relevant relationship manager. The proposed credits are subjected to review and approvals by applicable credit approval authorities which include the credit analysts. Further to appropriate approvals, loans are disbursed to beneficiaries after documentation review by Credit Risk Management. On-going management and monitoring of loans is undertaken by both relationship management teams and our Credit Risk Management Group. The process is applied at the Head Office and the Subsidiary.

If a preliminary analysis of a loan request by the account manager indicates that it merits further scrutiny, it is then analyzed in greater detail by the credit analyst. If the loan application passes their detailed analysis it is then submitted to the appropriate approval authority for the size of facilities.

The standard credit evaluation process is based both on quantitative figures from the financial statements and on an array of qualitative factors. Factual information on the borrower is collected as well as pertinent macroeconomic data, such as an outlook for the relevant sector, etc. These subjective factors are assessed by the analyst and all individuals involved in the credit approval process, relying not only on quantitative factors but also on extensive knowledge of the company in question, its industry and its management.

1 Credit risk measurement

Risk Rating Methodology

The credit rating of the counterparty plays a fundamental role in final credit decisions as well as in the terms offered for successful loan applications. The Group employs a robust credit rating system based on international best practices (including Basel II recommendations) in the determination of the Obligor and Facility risks and thus allows the Bank to maintain its asset quality at a desired level.

The Bank shall assign credit risk ratings for all credit activities, including consumer credits availed under existing credit programs,. Credit risk ratings shall be based on a two tier system of: i) Obligor Risk Rating (ORR) which represents a grade that denotes the Probability of Default (PD) of a borrower or group of borrowers in repaying its obligation over a one-year period, ii) Facility Risk Rating (FRR) which represents a grade that denotes the Loss Given Default (LGD) of a given credit facility. This takes into account transaction specific factors and collateral enhancement in place for a given facility.

The Risk rating policy incorporates credit risk rating models which estimate risk of obligor default and facility risks (covering both recovery as well as Exposure risk). These models are currently based on expert judgment for Retail and Non-Retail Exposures. Our long-term goal is to adopt the Internal Rating Based ("IRB") approach. The data required to facilitate the IRB approach is being gathered.

Credit Risk Rating Models

An Obligor Risk Rating (ORR) model was developed by the Group for corporate and commercial customers. For retail loan risk management, the Bank recently deployed application scorecards to improve loan underwriting process, reduce impairment and align with global best practice.
The use of credit scoring in the retail lending process ensures that customers' requests are aligned to the Bank's risk appetite through a scoring methodology with a predefined benchmark.
This risk based sensitive approach also ensures that loans are availed at an appropriate ticket size and more efficient pricing suitable for individual customer's profile.

Risk Rating Process

In the Group, all businesses must have a documented and approved Risk Rating process for deriving risk ratings for all obligors (including those covered under Credit Programs). The Risk Rating process is the end-to-end process for deriving ORRs and includes models, guidelines, process controls, as well as any other defined processes that a business undertakes in order to arrive at ORRs. Risk rating process of each business must be in compliance with the Group's Risk Rating Policy and deviations must be explicitly approved.

Establishing the Risk Rating process is the responsibility of the Credit Risk function and the process must be documented and approved by the CRO.

The Risk Rating process for each business must be reviewed and approved every three years, unless more frequent review is specified as a condition of the approvals. Interim material changes to the Risk Rating process, as determined by the Credit Risk function, must be re-approved.

Responsibility of Credit Risk Management
In the Group, Credit Risk Management has the responsibility for the overall accuracy of risk ratings assigned to obligors.

Credit Risk Management is responsible for reviewing and ensuring the correctness of the ORR assigned to a borrower. This review includes ensuring the ongoing consistency of the Risk Rating process with the Group's Risk Rating Policy; ongoing appropriate application of the Risk Rating process and tools; review of judgmental and qualitative inputs into the Risk Rating process; ensuring the timeliness and thoroughness of risk rating reviews; and ensuring that the documentation of the Risk Rating process is complete and current.

Risk Rating Scale and external rating equivalent
The Group operates a 10-grade numeric risk rating scale. The risk rating scale runs from 1 to 10. Rating 1 represents the best obligors and facilities and rating 9/10 represents the worst obligors and facilities.

The risk rating scale and the external rating equivalent is detailed below

Group Risk Rating	S&P Long term	Grade
1	AAA	Investment Grade
2	AA	
3	A	
4	BBB	
5	BB	Standard Grade
6	B	Non Investment Grade
7	CCC	
8	CC	
9/10	C/D	

2 Credit Risk Control & Mitigation policy
Authority Limits on Credit
The highest credit approval authority is the Board of Directors, supported by the Board Credit Committee and further by the Management Credit Committee (CRECO). The principle of central management of risk and decision authority is maintained by the Group. This structure gives the Group the possibility to incorporate much needed local expertise, but at the same time manage risk on a global level. The Group has assigned to credit analysts, credit approval limits in line with the Group's criteria for such delegation as set out in its credit policy manual.

The credit approval limits of the principal officers of the Group are shown in the table below:

Authority	Approval Limit	
	Dec. 2016	Dec. 2015
Board of Directors	Above N5bn	Above N5bn
Board Credit Committee	N2,500,000,001 - N5,000,000,000	N2,500,000,01 - N5,000,000,000
Management Credit Committee	N1,000,000,001 - N2,500,000,000	N1,000,000,01 - N2,500,000,000
Group Managing Director & CCO/CRO	N500,000,001 - N1,000,000,000	N500,000,01 - N1,000,000,000
Business Executive Director & CCO/CRO	N250,000,001 - N500,000,000	N250,000,001 - N500,000,000
Credit Analyst	Up to N250,000,000	Up to N250,000,000

Collateral Policies
It is the Group's policy that all credit exposures are adequately collateralized. Credit risk mitigation is an activity of reducing credit risk in an exposure or transferring it to a counterparty, at facility level, by a safety net of tangible and realizable securities including approved third-party guarantees/ insurance.

In the Group, strategies for risk reduction at the transaction level differ from that at the portfolio level. At transaction level, the most common technique used by the Group is the collateralization of the exposures, by first priority claims or obtaining a third party guarantee.

However primary consideration when approving credits is always the obligor's financial strength and debt-servicing capacity. The guidelines relating to risk mitigant are to be taken into consideration while using a credit risk mitigant to control credit risk.

The range of collaterals acceptable to the Group include:
(i) Cash / Deposit (domestic and foreign currency) with the Group, including certificates of deposit or comparable instruments issued by the Group
(ii) Certificates of Deposit from other banks
(iii) Commodities.
(iv) Debt securities issued by sovereigns and public-sector enterprises.
(v) Equities - Stocks / Share Certificates of quoted blue chip companies
vi Irrevocable Standing Payment Order (ISPO)
(vii) Bank Guarantee
(viii) Mortgage on landed Property

(ix) Asset-backed securities
(x) Charge on assets (Fixed and/or Floating) - premises/ inventory/ receivables/ merchandise/ plant/ machinery etc.
(xi) Negative Pledges
(xii) Lien on Asset being financed
(xiii) Stock Hypothecation
(xiv) Shipping Documents (for imports)
(xv) Bankers Acceptance
(xvi) Life Assurance Policies

Valuation of collateral

The fair values of collaterals are based upon the latest valuation undertaken by independent valuers on behalf of the Bank. The valuation techniques adopted for properties are based upon fair values of similar properties in the neighbourhood taking into cognizance the advantages and disadvantages of the comparatives over the subject property and any other factor which can have effect on the valuation, after making allowance for dilapidations. The fair values of non-property collaterals (such as equities, bond, treasury bills, etc.) are determined with reference to market quoted prices or market values of similar instrument and other acceptable valuation methodologies.
The same fair value approach is used in determining the collaterals value in the course of sale or realization. The Bank does not take physical possession of properties or other assets held as collateral and uses external agents to realize the value as soon as practicable, generally at auction, to settle indebtedness. Any surplus funds are returned to the borrower.

Master Netting arrangements

It is the Group's policy that all credit exposures are adequately collateralized. Notwithstanding, our account opening documentation allows the Bank to net off customers' deposits against their exposure to the Bank. Generally, transactions are allowed to run on a gross basis. However, in cases of unfavorable credit migration, the Bank may elect to invoke the netting agreement.

Exposure to credit risk

Group	Note	Loans and advances to customers		Investment securities		Pledged assets		Non Pledged assets		Derivatives		Placements		Other receivables	
		Dec. 2016	Dec. 2015	Dec. 2016	'Dec. 2015	Dec. 2016	'Dec. 2015	Dec. 2016	'Dec. 2015	Dec. 2016	'Dec. 2015	Dec. 2016	'Dec. 2015	Dec. 2016	'Dec. 2015
		₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Carrying amount	23,25,21,20,22,19,32	507,190	366,721	181,720	215,137	53,430	84,728	8,323	-	2,747	1,820	105,168	33,878	1,558	3,738
Assets at amortised cost															
Individually impaired:															
Grade 6: Impaired		-	2,828	-	-	-	-	-	-	-	-	-	-	-	-
Grade 7: Impaired		2,619	1,120	-	-	-	-	-	-	-	-	-	-	-	-
Grade 8: Impaired		34,406	21,989	-	-	-	-	-	-	-	-	-	-	-	-
Gross amount		37,026	25,937	-	-	-	-	-	-	-	-	-	-	-	-
Allowance for impairment		(14,904)	(11,565)	-	-	-	-	-	-	-	-	-	-	-	-
Carrying amount		22,122	14,372	-	-	-	-	-	-	-	-	-	-	-	-
Collectively impaired:															
Grade 1-3: Low-fair risk		284,268	155,484	-	-	-	-	-	-	-	-	-	-	-	-
Grade 4-5: Watch list		128,355	143,639	-	-	-	-	-	-	-	-	-	-	-	-
Gross amount		412,623	299,123	-	-	-	-	-	-	-	-	-	-	-	-
Allowance for impairment		(13,742)	(10,508)	-	-	-	-	-	-	-	-	-	-	-	-
Carrying amount		398,881	288,615	-	-	-	-	-	-	-	-	-	-	-	-
Past due but not impaired:															
Grade 4-5: Low-fair risk		68,701	45,889	-	-	-	-	-	-	-	-	-	-	-	-
Gross amount		68,701	45,889	-	-	-	-	-	-	-	-	-	-	-	-
Allowance for impairment				-	-										
Carrying amount		68,701	45,889	-	-	-	-	-	-	-	-	-	-	-	-
Past due comprises:															
30 -90 days		68,701	45,889	-	-	-	-	-	-	-	-	-	-	-	-
Carrying amount		68,701	45,889	-	-	-	-	-	-	-	-	-	-	-	-
Neither past due nor impaired:															
Grade 1-3: Low-fair risk		17,487	17,845	90,942	96,892	53,430	84,728	-	-	-	-	105,168	33,878	1,558	3,738
Carrying amount		17,487	17,845	90,942	96,892	53,430	84,728	-	-	-	-	105,168	33,878	1,558	3,738
Total carrying amount -amortised cost		507,190	366,721	90,942	96,892	53,430	84,728	-	-	-	-	105,168	33,878	1,558	3,738

Group	Loans and advances to customers		Investment securities		Pledged assets		Non Pledged assets		Derivatives		Placements		Other receivables	
Note	Dec. 2016	Dec. 2015	Dec. 2016	'Dec. 2015	Dec. 2016	'Dec. 2015	Dec. 2016	'Dec. 2015	Dec. 2016	'Dec. 2015	Dec. 2016	'Dec. 2015	Dec. 2016	'Dec. 2015
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Available-for-sale assets (AFS)														
Individually impaired:														
Grade 6: Impaired	-	-	30,143	21,371	-	-	-	-	-	-	-	-	-	-
Grade 7: Impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grade 8: Impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross amount	-	-	30,143	21,371	-	-	-	-	-	-	-	-	-	-
Allowance for impairment	-	-	(5,002)	(4,058)										
Carrying amount	-	-	25,141	17,313	-	-	-	-	-	-	-	-	-	-
Neither past due nor impaired:														
Grade 1-3: Low-fair risk	-	-	65,637	100,932	-	-	-	-	-	-	-	-	-	-
Grade 4-5: Low-fair risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Carrying amount	-	-	65,637	100,932	-	-	-	-	-	-	-	-	-	-
Assets at fair value through profit or loss														
Grade 1-3: Low-fair risk	-	-	-	-	-	-	8,323	-	2,747	1,820	-	-	-	-
Grade 4-5: Low-fair risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Carrying amount	-	-	-	-	-	-	8,323	-	2,747	1,820	-	-	-	-
Total carrying amount -fair value	-	-	90,778	118,245	-	-	8,323	-	2,747	1,820	-	-	-	-
Total carrying amount	507,190	366,721	181,720	215,137	53,430	84,728	8,323	-	2,747	1,820	105,168	33,878	1,558	3,738

Bank	**Note**	Loans and advances to customers		Investment securities		Pledged assets		Non Pledged assets		Derivatives		Placements		)ther receivables	
		Dec. 2016	Dec. 2015	Dec. 2016	'Dec. 2015	Dec. 2016	'Dec. 2015	Dec. 2016	'Dec. 2015	Dec. 2016	'Dec. 2015	Dec. 2016	'Dec. 2015	Dec. 2016	'Dec. 2015
		₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Carrying amount	23,25,21,20,22,19,32	489,890	348,984	166,759	209,223	53,430	84,728	8,323	-	2,747	1,820	7,202	7,504	1,108	3,244
Assets at amortised cost															
Individually impaired:															
Grade 6: Impaired		-	2,828	-	-	-	-	-	-	-	-	-	-	-	-
Grade 7: Impaired		2,619	1,120	-	-	-	-	-	-	-	-	-	-	-	-
Grade 8: Impaired		34,406	21,989	-	-	-	-	-	-	-	-	-	-	-	-
Gross amount		37,026	25,937	-	-	-	-	-	-	-	-	-	-	-	-
Allowance for impairment		(14,887)	(11,565)	-	-	-	-	-	-	-	-	-	-	-	-
Carrying amount		22,139	14,372	-	-	-	-	-	-	-	-	-	-	-	-
Collectively impaired:															
Grade 1-3: Low-fair risk		284,268	155,484	-	-	-	-	-	-	-	-	-	-	-	-
Grade 4-5: Watch list		128,355	143,639	-	-	-	-	-	-	-	-	-	-	-	-
Gross amount		412,623	299,123	-	-	-	-	-	-	-	-	-	-	-	-
Allowance for impairment		(13,572)	(10,400)	-	-	-	-	-	-	-	-	-	-	-	-
Carrying amount		399,051	288,723	-	-	-	-	-	-	-	-	-	-	-	-
Past due but not impaired:															
Grade 4-5: Low-fair risk		68,701	45,889	-	-	-	-	-	-	-	-	-	-	-	-
Gross amount		68,701	45,889	-	-	-	-	-	-	-	-	-	-	-	-
Allowance for impairment		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Carrying amount		68,701	45,889	-	-	-	-	-	-	-	-	-	-	-	-
					-										
Past due comprises:					-										
30 -90 days		68,701	45,889	-	-	-	-	-	-	-	-	-	-	-	-
Carrying amount		68,701	45,889	-	-	-	-	-	-	-	-	-	-	-	-
Neither past due nor impaired:					-										
Grade 1-3: Low-fair risk		-	-	90,306	96,892	53,430	84,728	-	-	-	-	7,202	7,504	1,108	3,244
Grade 4-5: Low-fair risk			-	-	-	-	-	-	-	-	-	-	-	-	-
Carrying amount		-	-	90,306	96,892	53,430	84,728	-	-	-	-	7,202	7,504	1,108	3,244
Total carrying amount -amortised cost		489,890	348,984	90,306	96,892	53,430	84,728	-	-	-	-	7,202	7,504	1,108	3,244

	Note	Loans and advances to customers		Investment securities		Pledged assets		Non Pledged assets		Derivatives		Placements		Other receivables	
		Dec. 2016	Dec. 2015	Dec. 2016	'Dec. 2015	Dec. 2016	'Dec. 2015	Dec. 2016	'Dec. 2015	Dec. 2016	'Dec. 2015	Dec. 2016	'Dec. 2015	Dec. 2016	'Dec. 2015
		₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Available-for-sale assets (AFS)															
Individually impaired:															
Grade 6: Impaired		-	-	1,757	1,757	-	-	-	-	-	-	-	-	-	-
Grade 7: Impaired		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grade 8: Impaired		-	-	3,738	3,738	-	-	-	-	-	-	-	-	-	-
Gross amount		-	-	5,495	5,495	-	-	-	-	-	-	-	-	-	-
Allowance for impairment		-	-	(5,002)	(4,058)										
Carrying amount		-	-	493	1,437	-	-	-	-	-	-	-	-	-	-
Neither past due nor impaired:															
Grade 1-3: Low-fair risk		-	-	75,960	110,894	-	-	-	-	-	-	-	-	-	-
Grade 4-5: Low-fair risk		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Carrying amount		-	-	75,960	110,894	-	-	-	-	-	-	-	-	-	-
Assets at fair value through profit or loss															
Grade 1-3: Low-fair risk		-	-	-	-	-	-	8,323	-	-	-	-	-	-	-
Grade 4-5: Low-fair risk		-	-	-	-	-	-	-	-	2,747	1,820	-	-	-	-
Carrying amount		-	-	-	-	-	-	8,323	-	2,747	1,820	-	-	-	-
Total carrying amount -fair value		-	-	76,453	112,331	-	-	8,323	-	2,747	1,820	-	-	-	-
Total carrying amount		489,890	348,984	166,759	209,223	53,430	84,728	8,323	-	2,747	1,820	7,202	7,504	1,108	3,244

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

Group	Loans and advances to customers		Investment securities		Pledged assets		Non Pledged assets		Derivatives		Placements		Other receivables	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
31 December 2016	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Grade 6-8: Individually impaired	37,026	22,122	30,143	25,141	-	-	-	-	-	-	-	-	-	-
Total	37,026	22,122	30,143	25,141	-	-	-	-	-	-	-	-	-	-
31 December 2015														
Grade 6-8: Individually impaired	25,937	14,372	21,371	17,313	-	-	-	-	-	-	-	-	-	-
Total	25,937	14,372	21,371	17,313	-	-	-	-	-	-	-	-	-	-

Bank	Loans and advances to customers		Investment securities		Pledged assets		Non Pledged assets		Derivatives		Placements		Other receivables	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
31 December 2016	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Grade 6-8: Individually impaired	37,026	22,139	5,495	493	-	-	-	-	-	-	-	-	-	-
Total	37,026	22,139	5,495	493	-	-	-	-	-	-	-	-	-	-
31 December 2015														
Grade 6-8: Individually impaired	25,937	14,372	5,495	1,437	-	-	-	-	-	-	-	-	-	-
Total	25,937	14,372	5,495	1,437	-	-	-	-	-	-	-	-	-	-

Concentrations of credit risk

The Group monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk from loans and advances and investment securities at the reporting date is shown below:

Group	**Note**	Loans and advances to customers		Investment securities		Pledged assets		Non Pledged assets		Derivatives		Placements		Other receivables	
		Dec. 2016	Dec. 2015	Dec. 2016	'Dec. 2015	Dec. 2016	'Dec. 2015	Dec. 2016	'Dec. 2015	Dec. 2016	'Dec. 2015	Dec. 2016	'Dec. 2015	Dec. 2016	'Dec. 2015
		₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Carrying amount	23,25,21,20,22,19,32	507,190	366,721	181,720	215,137	53,430	84,728	8,323	-	2,747	1,820	105,168	33,878	197,435	135,063
Concentration by sector:															
Agriculture		31,711	26,431	-	-	-	-	-	-	-	-	-	-	-	-
Oil and gas		235,969	128,393		-	-	-	-	-	-	-	-	-	-	-
Capital market		0	48	-	-	-	-	-	-	-	-	-	-	-	-
Consumer credit		24,010	29,680	-	-	-	-	-	-	-	-	-	-	-	-
Manufacture		49,247	44,536	-	-	-	-	-	-	-	-	-	-	-	-
Mortgage		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Real estate and construction		55,102	35,561	2,195	2,195	-	-	-	-	-	-	-	-	-	-
General commerce		34,322	39,117	-	-	-	-	-	-	-	-	-	-	-	-
Finance and Insurance		51	584	25,141	17,313	-	-	8,323	-	-	-	105,168	33,878	197,435	135,063
Government		3,441	3,432	154,384	195,629	53,189	80,533	-	-	2,747	1,820	-	-	-	-
Power		36,379	30,599	-	-	-	-	-	-	-	-	-	-	-	-
Other public utilities		-	1,215	-	-	-	-	-	-	-	-	-	-	-	-
Transportation		3,047	2,053	-	-	-	-	-	-	-	-	-	-	-	-
Communication		19,053	20,821	-	-	-	-	-	-	-	-	-	-	-	-
Education		7,656	3,124	-	-	-	-	-	-	-	-	-	-	-	-
Others		7,201	1,127	-	-	241	4,195	-	-	-	-	-	-	-	-
		507,190	366,721	181,720	215,137	53,430	84,728	8,323	-	2,747	1,820	105,168	33,878	197,435	135,063
Concentration by location:															
Nigeria		484,645	348,984	169,637	209,223	53,430	84,728	8,323	-	2,747	1,820	7,202	7,504	196,878	135,063
United Kingdom		22,545	17,737	12,083	5,914	-	-	-	-			97,966	26,374	557	-
		507,190	366,721	181,720	215,137	53,430	84,728	8,323	-	2,747	1,820	105,168	33,878	197,435	135,063

Bank	Note	Loans and advances to customers		Investment securities		Pledged assets		Non Pledged assets		Derivatives		Placements		Other receivables	
		Dec. 2016 N million	Dec. 2015 N million	Dec. 2016 N million	'Dec. 2015 N million	Dec. 2016 N million	'Dec. 2015 N million	Dec. 2016 N million	'Dec. 2015 N million	Dec. 2016 N million	'Dec. 2015 N million	Dec. 2016 N million	'Dec. 2015 N million	Dec. 2016 N million	'Dec. 2015 N million
Carrying amount	23,25,21,20,22,19,32	489,890	348,984	166,759	209,223	53,430	84,728	8,323	-	2,747	1,820	7,202	7,504	196,975	134,569
Concentration by sector:						-	-	-	-	-	-	-	-	-	-
Agriculture		19,340	21,977	-	-	-	-	-	-	-	-	-	-	-	-
Oil and gas		235,969	128,393		-	-	-	-	-	-	-	-	-	-	-
Capital market		0	48	-	-	-	-	-	-	-	-	-	-	-	-
Consumer credit		24,010	29,680	-	-	-	-	-	-	-	-	-	-	-	-
Manufacture		49,247	44,536	-	-	-	-	-	-	-	-	-	-	-	-
Real estate and construction		54,283	34,292	2,195	2,195	-	-	-	-	-	-	-	-	-	-
General commerce		32,788	29,138	-	-	-	-	-	-	-	-	-	-	-	-
Finance and Insurance		1	584	25,141	17,313	-	-	8,323	-	2,747	1,820	7,202	7,504	196,975	134,569
Government		3,441	3,432	139,423	189,715	53,430	84,728	-	-	-	-	-	-	-	-
Power		36,379	30,599	-	-	-	-	-	-	-	-	-	-	-	-
Other public utilities		-	1,215	-	-	-	-	-	-	-	-	-	-	-	-
Transportion		3,047	2,053	-	-	-	-	-	-	-	-	-	-	-	-
Communication		19,053	20,821	-	-	-	-	-	-	-	-	-	-	-	-
Education		5,130	1,089	-	-	-	-	-	-	-	-	-	-	-	-
Others		7,201	1,127	-	-	-	-	-	-	-	-	-	-	-	-
		489,890	348,984	166,759	209,223	53,430	84,728	8,323	-	2,747	1,820	7,202	7,504	196,975	134,569
Concentration by location:															
Nigeria		489,890	348,984	166,759	209,223	53,430	84,728	8,323	-	2,747	1,820	7,202	7,504	196,975	134,569
Europe		-	-	-	-	-	-	-	-	-	-	-	-	-	-
		489,890	348,984	166,759	209,223	53,430	84,728	8,323	-	2,747	1,820	7,202	7,504	196,975	134,569

Concentration by location for loans and advances is measured based on the location of the Group entity holding the asset, which has a high correlation with the location of the borrower.
Concentration by location for investment securities is measured based on the location of the issuer of the security.

The Group's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions the Group mitigates this risk by conducting settlements through a settlement/clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval/limit monitoring process described earlier. Acceptance of settlement risk on free settlement trades requires transaction specific or counterparty specific approvals from Group risk.

(c) Liquidity risk

Union Bank's Asset and Liability Management Policy defines Liquidity Risk as the risk that arises due to inability of the bank to meet its obligations and fund its asset growth without incurring unacceptable cost arising from borrowing at above market cost and asset sale at off-market prices. The bank is principally exposed to liquidity risk due to mismatch in fund inflows and outflows arising from its borrowing and lending activities and market operations. Key elements of the bank's liquidity risk management framework include:

Identification of Liquidity Risk

The bank's liquidity management framework recognises two major sources of liquidity risk: (i) Funding liquidity Risk and (ii) Market Liquidity Risk.

The risk that Union Bank will be unable to meet its obligations as they become due because of the inability to liquidate assets or obtain adequate funding is viewed as the bank's funding risk. This risk is structural in nature and lies in the mismatches in assets and liabilities of bank's balance sheet.

Market liquidity risk however, is the risk that Union bank will be unable to meet its obligations as they become due because it cannot easily unwind or offset specific exposures without significantly lowering market prices due to lack of market depth or market disruptions. This risk could arise due to illiquidity of its assets and weak standing in market to raise fund. Market liquidity risk comes to play in stressed market conditions.

Liquidity Risk Appetite

The bank views its exposure limits for liquidity risk as an essential component for a prudent liquidity risk management. Consequently, Limits for liquidity risk are maintained under the following categories: Maturity mismatches, Liquidity ratios (regulatory and internal), prudent portfolio limits on the mix of balance sheet assets (e.g. loans by credit category, financial instruments, etc.) and concentration limits from funding sources.

Liquidity Risk Measurement, monitoring and reporting

The Bank's Market and Liquidity Risk Management Department is responsible for active management of Union Bank's liquidity risk, guided by the Board approved liquidity risk framework. The Department uses various tools to assess the bank's liquidity risk, capturing information related to balance sheet structure, cash inflows and outflows, off-balance sheet activities and market operations. Contractual maturity report, Structural liquidity reports, concentration in funding, liquidity ratio reports, liquidity risk stress test reports, etc are prepared in assessing its liquidity risk position and taking risk mitigation measures. All limits are monitored at defined intervals with exceptions escalated at the bank's ALCO and Board Risk Committees meetings which hold monthly and quarterly respectively.

Contingency Funding Plan

The Bank recognizes the importance of liquidity in the day-to-day operations of its business as a stand-alone bank and also as a parent entity, hence, it believes that it is crucial to have a plan for addressing liquidity in times of crisis. The Bank has a contingency funding plan in place which clearly defines the key Liquidity Risk Indicators to monitor the market conditions and measure its impact on the Bank's liquidity position and funding strategies and It also addresses the reporting, communications and confidence management in the unlikely event of a liquidity crisis caused by unstable market.

Exposure to Liquidity Risk

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

	Dec. 2016	Dec. 2015
For the year ended 31 December		
Average for the year	40%	45%
Maximum for the year	44%	54%
Minimum for the year	33%	38%

As at 31 December 2016, the Group's ratio of net liquid assets to deposits from customers is 1300 basis points above the required 30% benchmark.

The following table shows the undiscounted cash flows on the Group's financial assets and liabilities and on the basis of their earliest possible contractual maturity. The Gross nominal inflow / (outflow) disclosed in the table is the contractual, undiscounted cash flow on the financial liability or commitment.

Residual contractual maturities of financial assets and liabilities

Group	***Note***	**Carrying amount**	**Gross nominal inflow / (outflow)**	**Less than 3 month**	**3 - 6 months**	**6 - 12 months**	**1 - 5 years**	**More than 5 years**
31 December 2016		₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Non-derivative assets:								
Cash and cash equivalents	19	136,194	136,194	136,194	-	-	-	-
Non-pledged trading assets	20	8,323	8,809	8,809	-	-	-	-
Pledged assets	21	53,430	53,674	2,345	13,534	10,665	6,908	20,222
Loans and advances to custome	23	507,190	536,237	247,340	37,563	32,939	176,979	41,415
Investment securities	25	181,720	186,336	10,305	56,686	51,553	38,336	29,456
Other receivables^	32	197,435	197,435	196,877	-	250	147	160
		1,084,292	1,118,684	601,870	107,783	95,407	222,371	91,254
Derivative assets:								
Held for Risk Management	22	2,747	2,747	-	2,747	-	-	-
		1,087,039	1,121,431	601,870	110,530	95,407	222,371	91,254
Non-derivative liabilities								
Deposits from banks	33	(90,266)	(90,266)	(88,822)	-	-	(1,444)	-
Deposits from customers	34	(658,444)	(658,444)	(647,923)	(7,635)	(2,700)	(148)	(39)
Other financial liabilities^^	36	(88,717)	(85,631)	(84,775)	(94)	(457)	(243)	(63)
Other borrowed funds	38	(89,514)	(89,514)	(39,473)	(10,851)	(12,095)	(25,454)	(1,640)
		(926,941)	(923,855)	(860,993)	(18,580)	(15,252)	(27,289)	(1,741)
Derivative liabilities:								
Risk Management	22	(13)	(13)	(13)	-	-	-	-
		(926,954)	(923,868)	(861,006)	(18,580)	(15,252)	(27,289)	(1,741)
Gap (asset - liabilities)		160,085	197,563	(259,137)	91,950	80,155	195,082	89,513
Cumulative liquidity gap			197,563	(259,137)	(167,187)	(87,032)	108,050	197,563

Group	***Note***	**Carrying amount**	**Gross nominal inflow / (outflow)**	**Less than 3 month**	**3 - 6 months**	**6 - 12 months**	**1 - 5 years**	**More than 5 years**
31 December 2015		₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Non-derivative assets:								
Cash and cash equivalents	19	82,252	82,252	82,252	-	-	-	-
Non-pledged trading assets	20	-	-	-	-	-	-	-
Pledged assets	21	84,728	84,833	8,225	9,876	8,874	41,688	16,170
Loans and advances to custome	23	366,721	370,968	102,235	17,623	24,910	139,909	86,291
Investment securities	25	215,137	230,279	112,513	4,557	33,715	50,830	28,664
Other receivables^	32	135,063	135,063	135,063	-	-	-	-
		883,901	903,396	440,289	32,056	67,499	232,427	131,126
Derivative assets:								
Held for Risk Management		1,820	1,820	-	1,820	-	-	-
		885,721	905,216	440,289	33,876	67,499	232,427	131,126
Non-derivative liabilities								
Derivative liabilities held for risk management								
Deposits from banks	33	(44,091)	(44,091)	(44,091)	-	-	-	-
Deposits from customers	34	(570,639)	(570,639)	(555,119)	(12,282)	(3,166)	(73)	-
Other financial liabilities^^	36	(54,471)	(54,471)	(54,471)	-	-	-	-
Other borrowed funds	38	(76,059)	(76,059)	(26,172)	(20,968)	(12,034)	(10,812)	(6,073)
		(745,260)	(745,260)	(679,853)	(33,249)	(15,200)	(10,885)	(6,073)
Gap (asset - liabilities)		140,461	159,956	(239,564)	626	52,299	221,542	125,052
Cumulative liquidity gap			159,956	(239,564)	(238,938)	(186,639)	34,903	159,956

^ The Group's other receivables exclude prepayment N4,863 million (Dec. 15: N3,623 million) which is not a financial asset and other statutory deductions such as WHT receivables.

^^Other financial liabilities exclude statutory deductions such as VAT payables etc.

Bank	*Note*	Carrying amount	Gross nominal inflow /(outflow)	Less than 3 month	3 - 6 months	6 - 12 months	1 - 5 years	More than 5 years
31 December 2016		₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Non-derivative assets:								
Cash and cash equivalents	19	35,536	37,252	37,252	-	-	-	-
Non-pledged trading assets	20	8,323	8,809	8,809	-	-	-	-
Pledged assets	21	53,430	53,674	2,345	13,534	10,665	6,908	20,222
Loans and advances to custome	23	489,890	518,937	242,503	37,543	32,899	168,587	37,405
Investment securities	25	166,759	171,375	2,856	55,313	48,153	37,700	27,351
Other receivables^	32	196,975	196,975	196,975	-	-	-	-
		950,913	987,021	490,740	106,391	91,717	213,195	84,978
Derivative assets:								
Held for Risk Management	22	2,747	2,820	-	2,820	-	-	-
		953,660	989,841	490,740	109,211	91,717	213,195	84,978
Non-derivative liabilities								
Deposits from banks	33	(4,351)	(4,351)	(4,351)	-	-	-	-
Deposits from customers	34	(633,827)	(633,827)	(625,011)	(6,046)	(2,718)	(13)	(39)
Other financial liabilities	36	(88,500)	(88,500)	(88,500)	-	-	-	-
Other borrowed funds	38	(91,812)	(91,812)	(41,771)	(10,851)	(12,095)	(25,454)	(1,640)
		(818,490)	(818,490)	(759,634)	(16,898)	(14,813)	(25,468)	(1,679)
Derivative liabilities:								
Held for Risk Management	22	(13)	(13)	(13)	-	-	-	-
		(818,503)	(818,504)	(759,647)	(16,898)	(14,813)	(25,468)	(1,679)
Gap (asset - liabilities)		135,157	171,338	(268,908)	92,313	76,905	187,728	83,300
Cumulative liquidity gap			171,338	(268,908)	(176,594)	(99,690)	88,038	171,338

Bank	*Note*	Carrying amount	Gross nominal inflow	Less than 3 month	3 - 6 months	6 - 12 months	1 - 5 years	More than 5 years
31 December 2015		₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Non-derivative assets:								
Cash and cash equivalents	19	54,451	54,451	54,451	-	-	-	-
Non-pledged trading assets	20	-	-	-	-	-	-	-
Pledged assets	21	84,728	84,833	8,225	9,876	8,874	41,688	16,170
Loans and advances to custome	23	348,984	359,384	100,061	17,621	24,899	133,313	83,490
Investment securities	25	209,223	224,365	111,779	4,557	30,035	50,430	27,564
Other receivables	32	134,569	134,569	134,569	-	-	-	-
		831,955	857,602	409,085	32,054	63,808	225,431	127,224
Derivative assets:								
Held for Risk Management	22	1,820	1,820	-	1,820	-	-	-
		833,775	859,422	409,085	33,874	63,808	225,431	127,224
Non-derivative liabilities								
Deposits from banks	33	(11,800)	(11,800)	(11,800)	-	-	-	-
Deposits from customers	34	(569,116)	(569,116)	(557,714)	(8,227)	(3,166)	(10)	-
Other financial liabilities	36	(54,469)	(54,469)	(54,469)	-	-	-	-
Other borrowed funds	38	(76,059)	(76,059)	(26,172)	(20,968)	(12,034)	(10,812)	(6,073)
		(711,444)	(711,444)	(650,155)	(29,194)	(15,200)	(10,823)	(6,073)
Gap (asset - liabilities)		122,331	147,978	(241,069)	4,680	48,609	214,608	121,151
Cumulative liquidity gap			147,978	(241,069)	(236,389)	(187,780)	26,828	147,978

^ The Bank's other receivables exclude prepayment N4,863 million (Dec. 15: N3,461 million) which is not a financial asset and other statutory deductions such as WHT receivables.

^^Other financial liabilities exclude statutory deductions such as VAT payables etc.

Behavioural profile of financial assets and liabilities

Group	***Note***	**Carrying amount**	**Gross nominal inflow / (outflow)**	**Less than 3 month**	**3 - 6 months**	**6 - 12 months**	**1 - 5 years**	**More than 5 years**
31 December 2016		₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Non-derivative assets:								
Cash and cash equivalents	19	136,194	136,194	136,194	-	-	-	-
Non-pledged trading assets	20	8,323	8,809	8,809	-	-	-	-
Pledged assets	21	53,430	53,674	2,345	13,534	10,665	6,908	20,222
Loans and advances to custome	23	507,190	536,237	190,489	37,563	32,939	233,830	41,415
Investment securities	25	181,720	186,336	48,838	42,485	24,028	31,434	39,551
Other receivables^	32	197,435	197,435	34,521	-	-	162,914	-
		1,084,292	1,118,685	421,196	93,582	67,632	435,086	101,188
Derivative assets:								
Held for Risk Management	22	2,747	2,820	-	2,820	-	-	-
		1,087,039	1,121,505	421,196	96,402	67,632	435,086	101,188
Non-derivative liabilities								
Deposits from banks	33	(90,266)	(90,266)	(90,266)	-	-	-	-
Deposits from customers	34	(658,444)	(658,444)	(190,715)	(7,635)	(2,700)	(457,356)	(39)
Other financial liabilities^^	36	(88,717)	(88,717)	(88,717)	-	-	-	-
Other borrowed funds	38	(89,514)	(89,514)	(39,473)	(10,851)	(12,095)	(25,454)	(1,640)
		(926,941)	(926,941)	(409,172)	(18,486)	(14,795)	(482,810)	(1,679)
Derivative liabilities:								
Held for Risk Management	22	(13)	(13)	(13)	-	-	-	-
		(926,954)	(926,955)	(409,185)	(18,486)	(14,795)	(482,810)	(1,679)
Gap (asset - liabilities)		160,085	194,550	12,012	77,916	52,838	(47,724)	99,509
Cumulative liquidity gap			194,550	12,012	89,928	142,765	95,041	194,550

Group	***Note***	**Carrying amount**	**Gross nominal inflow / (outflow)**	**Less than 3 month**	**3 - 6 months**	**6 - 12 months**	**1 - 5 years**	**More than 5 years**
31 December 2015		₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Non-derivative assets:								
Cash and cash equivalents	19	82,252	82,252	82,252	-	-	-	-
Non-pledged trading assets	20	-	-	-	-	-	-	-
Pledged assets	21	84,728	84,728	8,120	9,876	8,874	41,688	16,170
Loans and advances to custome	23	366,721	370,968	55,795	17,623	24,910	186,349	86,291
Investment securities	25	215,137	230,279	112,513	4,557	33,715	50,830	28,664
Other receivables^	32	135,063	135,063	135,063	-	-	-	-
		883,901	903,290	393,743	32,056	67,499	278,867	131,125
Derivative assets:								
Held for Risk Management		1,820	1,820	-	1,820	-	-	-
		885,721	905,110	393,743	33,876	67,499	278,867	131,125
Non-derivative liabilities								
Derivative liabilities held for risk management								
Deposits from banks	33	(44,091)	(44,091)	(44,091)	-	-	-	-
Deposits from customers	34	(570,639)	(570,639)	(124,438)	(12,282)	(3,166)	(430,754)	-
Other financial liabilities^^	36	(61,480)	(61,480)	(61,480)	-	-	-	-
Other borrowed funds	38	(76,059)	(76,059)	(26,172)	(20,968)	(12,034)	(10,812)	(6,073)
		(752,269)	(752,269)	(256,182)	(33,249)	(15,200)	(441,566)	(6,073)
Gap (asset - liabilities)		133,452	159,956	(239,564)	626	52,299	221,542	125,052
Cumulative liquidity gap			159,956	(239,564)	(238,938)	(186,639)	34,903	159,956

^ The Group's other receivables exclude prepayment N4,863 million (Dec. 15: N3,623 million) which is not a financial asset and other statutory deductions such as WHT receivables.

^^Other financial liabilities exclude statutory deductions such as VAT payables etc.

Bank	*Note*	Carrying amount	Gross nominal inflow /(outflow)	Less than 3 month	3 - 6 months	6 - 12 months	1 - 5 years	More than 5 years
31 December 2016		₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Non-derivative assets:								
Cash and cash equivalents	19	35,536	35,536	35,536	-	-	-	-
Non-pledged trading assets	20	8,323	8,809	8,809	-	-	-	-
Pledged assets	21	53,430	53,674	2,345	13,534	10,665	6,908	20,222
Loans and advances to custome	23	489,890	518,937	185,650	37,543	32,899	225,439	37,405
Investment securities	25	166,759	171,375	41,390	41,113	20,628	30,798	37,446
Other receivables^	32	196,975	196,975	34,061	-	-	162,914	-
		950,913	985,306	307,791	92,190	64,192	426,059	95,073
Derivative assets:								
Held for Risk Management	22	2,747	2,820	-	2,820	-	-	-
		953,660	988,126	307,791	95,010	64,192	426,059	95,073
Non-derivative liabilities								
Deposits from banks	33	(4,351)	(4,351)	(4,351)	-	-	-	-
Deposits from customers	34	(633,827)	(633,827)	(167,803)	(6,046)	(2,718)	(457,221)	(39)
Other financial liabilities^^	36	(88,500)	(88,500)	(88,500)	-	-	-	-
Other borrowed funds	38	(91,812)	(91,812)	(41,771)	(10,851)	(12,095)	(25,454)	(1,640)
		(818,490)	(818,490)	(302,426)	(16,898)	(14,813)	(482,676)	(1,679)
Derivative liabilities:								
Held for Risk Management	22	(13)	(13)	(13)	-	-	-	-
		(818,503)	(818,504)	(302,439)	(16,898)	(14,813)	(482,676)	(1,679)
Gap (asset - liabilities)		135,157	169,622	5,352	78,112	49,380	(56,617)	93,394
Cumulative liquidity gap			169,622	5,352	83,465	132,845	76,228	169,622

Bank	*Note*	Carrying amount	Gross nominal inflow	Less than 3 month	3 - 6 months	6 - 12 months	1 - 5 years	More than 5 years
31 December 2015		₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Non-derivative assets:								
Cash and cash equivalents	19	54,451	54,451	54,451	-	-	-	-
Non-pledged trading assets	20	-	-	-	-	-	-	-
Pledged assets	21	84,728	84,728	8,120	9,876	8,874	41,688	16,170
Loans and advances to custome	23	348,984	348,984	43,221	17,621	24,899	179,752	83,490
Investment securities	25	209,223	209,223	96,637	4,557	30,035	50,430	27,564
Other receivables^	32	134,569	134,569	134,569	-	-	-	-
		831,955	831,955	336,998	32,054	63,808	271,870	127,224
Derivative assets:								
Held for Risk Management	22	1,820	1,820	-	1,820	-	-	-
		833,775	833,775	336,998	33,874	63,808	271,870	127,224
Non-derivative liabilities								
Deposits from banks	33	(11,800)	(11,800)	(11,800)	-	-	-	-
Deposits from customers	34	(569,116)	(569,116)	(127,032)	(8,227)	(3,166)	(430,692)	-
Other financial liabilities^^	36	(54,469)	(54,469)	(54,469)	-	-	-	-
Other borrowed funds	38	(76,059)	(76,059)	(26,172)	(20,968)	(12,034)	(10,812)	(6,073)
		(711,444)	(711,444)	(219,474)	(29,194)	(15,200)	(441,504)	(6,073)
Gap (asset - liabilities)		122,331	122,331	117,525	4,680	48,609	(169,633)	121,151
Cumulative liquidity gap			122,331	117,525	122,205	170,814	1,181	122,331

^ The Bank's other receivables exclude prepayment N4,863 million (Dec. 15: N3,461 million) which is not a financial asset and other statutory deductions such as WHT receivables.

^^Other financial liabilities exclude statutory deductions such as VAT payables etc.

(d) Market risk

The Bank's ability to effectively identify, assess, monitor and manage market risks involved in its activities is critical to its soundness and profitability. The bank's exposure to market risk is through proprietary investments and asset and liability management activities which have direct exposure to adverse movements in market risk factors such as foreign exchange rates and interest rates.

Interest rate risk management and control

Interest rate risk is the potential loss to the income and/or economic value of equity of the bank as a result of adverse movement in interest rates. The Bank is exposed to three dominant interest rate risks; re-pricing risk, basis risk and yield curve risk due to its primary function of borrowing and lending and taking proprietary positions, as part of strategy, to improve earnings.

Re-pricing risk is caused by changes in interest rates at different times due to re-pricing maturities of assets, liabilities and off-balance sheet instruments. Yield curve risk arises due movement of yields (parallel and non-parallel shifts of yield curve) at different times. The re-pricing mismatches of assets and liabilities expose the bank to loss in revenue and economic value due to unanticipated changes in interest rates. Basis risk arises from imperfect correlations between interest rate benchmarks leading to changes in rates earned and paid on different instrument otherwise with similar re-pricing maturities.

One of the integral elements of the Bank's interest rate risk management framework is an articulated appetite for interest rate risk sensitive exposures. Interest rate risk limits are set for Price value per basis point (PV01), value at risk (VaR), stop loss, management action triggers and economic value of equity (EVE). The bank's Market Risk Department is responsible for measuring, monitoring, reporting actual positions against set limits and carrying out stress tests at defined intervals.

Exposure to interest rate risk - non-trading portfolio

The principal risk to which non-trading portfolio are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and having pre-approved limits for repricing bands.

The table below summarizes the Group's interest rate gap positions. Using the re-pricing gap, the Bank is able to measure interest rate risks arising from yield curve, basis and re-pricing risks in its balance sheet using the Economic value of equity model.

Group

The table below summarizes the Group's interest rate gap positions:

				Re-pricing period				
In millions of Naira	*Note*	**Carrying amount**	**Total amount sensitive to Rate**	**Less than 3 months**	**6 months**	**12 months**	**5 years**	**More than 5 years**
31 December 2016								
Cash and cash equivalents	19	136,194	118,523	118,523	-	-	-	-
Non-pledged trading assets	20	8,323	8,323	8,323	-	-	-	-
Pledged assets	21	53,430	53,430	2,101	13,534	10,665	6,908	20,222
Derivative assets held for risk	22	2,747	2,747	-	2,747	-	-	-
Loans and advances to customers	23	507,190	507,190	486,740	4,752	41	131	15,526
Investment securities	25	181,720	181,720	10,228	55,196	50,256	37,321	28,720
Other receivables^	32	196,975	-	-	-	-	-	-
		1,086,579	871,934	625,915	76,229	60,962	44,360	64,467
Deposits from banks	33	(90,266)	(90,266)	(88,822)	-	-	(1,444)	-
Deposits from customers	34	(658,444)	(658,444)	(647,923)	(7,635)	(2,700)	(148)	(39)
Other financial liabilities^^	36	(88,717)	(85,631)	(84,775)	(94)	(457)	(243)	(63)
Other borrowed funds	38	(89,514)	(89,464)	(73,633)	(305)	-	-	(15,526)
		(926,941)	(923,805)	(895,153)	(8,034)	(3,157)	(1,834)	(15,627)
Total interest re-pricing gap		159,638	(51,872)	(269,238)	68,195	57,805	42,526	48,840

Re-pricing period

Group

In millions of Naira	*Note*	Carrying amount	Total amount sensitive to Rate	Less than 3 months	6 months	12 months	5 years	More than 5 years
31 December 2015								
Cash and cash equivalents	19	82,252	42,943	42,943	-	-	-	-
Non-pledged trading assets	20	-	-	-	-	-	-	-
Pledged assets	21	84,728	77,095	6,795	7,438	7,105	39,588	16,170
Derivative assets held for risk	22	1,820	1,820	-	1,820	-	-	-
Loans and advances to customers	23	366,721	388,439	363,287	4,828	7	1,532	18,785
Investment securities	25	215,137	183,749	4,368	16,214	68,018	58,729	36,419
Other receivables^	32	135,063	-	-	-	-	-	-
		885,721	694,046	417,393	30,299	75,131	99,848	71,374
Deposits from banks	33	(44,091)	(44,091)	(44,091)	-	-	-	-
Deposits from customers	34	(570,639)	(367,079)	(352,976)	(9,683)	(4,343)	(77)	-
Other financial liabilities^^	36	(54,471)	-	-	-	-	-	-
Other borrowed funds	38	(76,059)	(76,059)	(41,637)	(15,644)	-	-	(18,778)
		(745,260)	(487,229)	(438,704)	(25,327)	(4,343)	(77)	(18,778)
Total interest re-pricing gap		140,461	206,817	(21,311)	4,972	70,788	99,771	52,596

^ The Group's other receivables exclude prepayment N4,863 million (Dec. 15: N3,623 million) which is not a financial asset and other statutory deductions such as WHT receivables.

^^Other financial liabilities exclude statutory deductions such as VAT payables etc.

Bank

Re-pricing period

In millions of Naira	*Note*	Carrying amount	Total amount sensitive to Rate	Less than 3 months	6 months	12 months	5 years	More than 5 years
31 December 2016								
Cash and cash equivalents	19	35,536	17,891	17,891	-	-	-	-
Non-pledged trading assets	20	8,323	8,323	4,067	2,212	2,044	-	-
Pledged assets	21	53,430	53,430	2,101	13,534	10,665	6,908	20,222
Derivative assets held for risk	22	2,747	2,744	2,744	-	-	-	-
Loans and advances to customers	23	489,890	489,890	472,757	1,607	-	-	15,526
Investment securities	25	166,759	166,759	2,779	53,824	46,856	36,685	26,615
Other receivables^	32	196,975	-	-	-	-	-	-
		953,660	739,037	502,340	71,176	59,565	43,593	62,363
Deposits from banks	33	(4,351)	(4,351)	(4,351)	-	-	-	-
Deposits from customers	34	(633,827)	(633,827)	(625,011)	(6,046)	(2,718)	(13)	(39)
Other financial liabilities^^	36	(88,500)	(88,500)	(88,500)	-	-	-	-
Other borrowed funds	38	(91,812)	(91,812)	(75,981)	(305)	-	-	(15,526)
		(818,490)	(818,490)	(793,843)	(6,351)	(2,718)	(13)	(15,565)
Total interest re-pricing gap		135,170	(79,453)	(291,504)	64,825	56,847	43,580	46,798

Re-pricing period

In millions of Naira **Bank** **31 December 2015**	_**Note**_	**Carrying amount**	**Total amount sensitive to Rate**	**Less than 3 months**	**6 months**	**12 months**	**5 years**	**More than 5 years**
Cash and cash equivalents	19	54,451	7,504	7,504	-	-	-	-
Non-pledged trading assets	20	-	-		-	-	-	-
Pledged assets	21	84,728	77,095	6,795	7,438	7,105	39,588	16,170
Derivative assets held for risk	22	1,820	1,820	-	1,820	-	-	-
Loans and advances to customers	23	348,984	370,686	349,173	2,735	-	-	18,778
Investment securities	25	209,223	177,834	3,634	16,214	64,338	58,328	35,319
Other receivables^	32	134,569	-	-	-	-	-	-
		833,775	634,940	369,841	37,364	79,110	97,916	70,267
Deposits from banks	33	(11,800)	(11,800)	(11,800)	-	-	-	-
Deposits from customers	34	(569,116)	(354,638)	(343,235)	(8,227)	(3,166)	(10)	-
Other financial liabilities^^	36	(54,469)	-	-	-	-	-	-
Other borrowed funds	38	(76,059)	(76,059)	(41,637)	(15,644)	-	-	(18,778)
		(711,444)	(442,497)	(396,672)	(23,871)	(3,166)	(10)	(18,778)
Total interest re-pricing gap		122,331	192,443	(26,831)	13,493	75,944	97,905	51,489

^ The Bank's other receivables exclude prepayment N4,863 million (Dec. 15: N3,461 million) which is not a financial asset and other statutory deductions such as WHT receivables.

^^Other financial liabilities exclude statutory deductions such as VAT payables etc.

To complement the re-pricing gap, the bank uses the value at risk model for measuring interest rate risk inherent in any trading position or portfolio. The value at risk (VaR) of a position or portfolio is the loss or change in value that is not expected to be exceeded with a given degree of confidence (99%) over a specified time year. VaR is therefore a statistical measure of variability in the value of a portfolio of positions or earnings from economic activity arising from the changes in the market prices of the commodities or other variables underlying the portfolio or activity. Value at Risk measurement is most appropriate for marked-to-market portfolios.

In millions of naira

31 December, 2016

Security	Position	VaR 1-Day	VaR 10-Day	Diversified VaR 1-Day
Treasury Bills	7,784	40	127	29
FGN Bonds	5,265	147	466	136

Foreign currency risk

As a licensed foreign exchange dealer and member of the Interbank foreign exchange market, the Bank is exposed to foreign exchange risk, hence the need to effectively identify, assess, monitor and manage foreign exchange rate risk as part of its overall market risk management process.

Foreign exchange rate risk management and control

In line with the bank's overall market risk management framework, an articulated appetite for foreign exchange rate risk is approved by the Board. Limits are set for Foreign exchange net open positions (NOPL) in line with regulation, value at risk (VaR), stop loss and management action triggers. The bank's Market Risk Department is responsible for measuring, monitoring, reporting actual positions against set limits and carrying out stress tests at defined intervals.

The table below summarizes the Group's foreign currency balance sheet as at December 31, 2016:

Group	**Total**	**US Dollar**	**Euro**	**Pound**	**Others**
	₦ million	₦ million	₦ million	₦ million	₦ million
31 December 2016					
Cash and cash equivalents	129,262	127,116	731	1,174	241
Non-pledged assets	-	-	-	-	-
Pledged assets	-	-	-	-	-
Derivative assets held for risk	2,747	2,747	-	-	-
Loans and advances to customers	244,504	242,107	658	1,689	50
Investment securities	25,047	25,047	-	-	-
Other receivables^	34,061	34,061	-	-	-
Total financial assets	435,622	431,079	1,389	2,863	291
Deposits from banks	(90,266)	(88,766)	(611)	(761)	(129)
Deposit from customers	(82,320)	(79,327)	(98)	(2,894)	(1)
Other financial liabilities	-	-	-	-	-
Other borrowed funds	(89,464)	(89,464)	-	-	-
Other financial liabilities^^	(25,152)	(25,152)	-	-	-
Total financial liabilities	(287,202)	(282,709)	(709)	(3,655)	(129)
Net on-balance sheet position	148,420	148,370	681	(792)	162

	Total	**US Dollar**	**Euro**	**Pound**	**Others**
	₦ million	₦ million	₦ million	₦ million	₦ million
31 December 2015					
Cash and cash equivalents	42,557	40,635	956	814	152
Non-pledged assets	-	-	-	-	-
Pledged assets	4,195	4,195	-	-	-
Derivative assets held for risk management	1,820	1,820	-	-	-
Loans and advances to customers	175,521	173,124	658	1,689	50
Investment securities	-	-	-	-	-
Other receivables^	-	-	-	-	-
Total financial assets	224,093	219,773	1,614	2,503	202
Derivative liabilities held for risk management					
Deposits from banks	(44,091)	(44,091)	-	-	-
Deposit from customers	(570,639)	(33,975)	(2,793)	(4,537)	(155)
Other financial liabilities	-	-	-	-	-
Other borrowed funds	(76,059)	(57,281)	-	-	-
Other financial liabilities^^	(54,471)	(50,983)	-	-	-
Total financial liabilities	(745,260)	(186,330)	(2,793)	(4,537)	(155)
	(521,167)	33,443	(1,179)	(2,034)	47

^ The Group's other receivables exclude prepayment N4,863 million (Dec. 15: N3,623 million) which is not a financial asset and other statutory deductions such as WHT receivables.

^^Other financial liabilities exclude statutory deductions such as VAT payables etc.

The Group’s exposure to foreign currency risk is largely concentrated in the US Dollar. Movement in exchange rate between the US Dollar and the Nigeria Naira affects reported earnings through revaluation gain or loss through increase or decrease in the revalued amounts of assets and liabilities denominated in foreign currency.

Bank	**Total**	**US Dollar**	**Euro**	**Pound**	**Others**
	₦ million	₦ million	₦ million	₦ million	₦ million
31 December 2016					
Cash and cash equivalents	28,365	26,327	731	1,174	133
Non-pledged assets	-	-	-	-	-
Pledged assets	-	-	-	-	-
Derivative assets held for risk management	2,744	2,744	-	-	-
Loans and advances to customers	225,375	225,080	127	167	-
Investment securities	25,047	25,047	-	-	-
Other receivables^	34,061	34,061	-	-	
Total financial assets	315,592	313,259	858	1,341	133
Deposits from banks	(4,351)	(4,000)	-	(351)	-
Deposit from customers	(64,905)	(60,565)	(500)	(3,840)	(1)
Other financial liabilities^^	(62,985)	(60,781)	(1,334)	(813)	(58)
Other borrowed funds	(91,812)	(91,812)	-	-	-
Other liabilities	-				
Total financial liabilities	(224,053)	(217,157)	(1,833)	(5,004)	(58)
Net on-balance sheet position	91,539	96,102	(975)	(3,663)	75

	Total	**US Dollar**	**Euro**	**Pound**	**Others**
	₦ million	₦ million	₦ million	₦ million	₦ million
31 December 2015					
Cash and cash equivalents	17,912	16,098	956	814	44
Non-pledged assets	-	-	-	-	-
Pledged assets	4,195	4,195	-	-	-
Derivative assets held for risk management	1,820	1,820	-	-	-
Loans and advances to customers	156,097	156,097	-	-	-
Investment securities	-	-	-	-	-
Other receivables^	-	-	-	-	
Total financial assets	180,024	178,210	956	814	44
Deposits from banks	(11,800)	(11,800)	-	-	-
Deposit from customers	(27,222)	(23,671)	(552)	(2,999)	(1)
Other financial liabilities^^	(50,983)	(50,983)	-	-	-
Other borrowed funds	(57,281)	(57,281)	-	-	-
Other liabilities	-	-	-	-	-
Total financial liabilities	(147,286)	(143,735)	(552)	(2,999)	(1)
Net on-balance sheet position	32,738	34,475	404	(2,185)	44

^ The Bank's other receivables exclude prepayment N4,863 million (Dec. 15: N3,461 million) which is not a financial asset and other statutory deductions such as WHT receivables.

^^Other financial liabilities exclude statutory deductions such as VAT payables etc.

The Bank’s exposure to foreign currency risk is largely concentrated in the US Dollar. Movement in exchange rate between the US Dollar and the Nigeria Naira affects reported earnings through revaluation gain or loss through increase or decrease in the revalued amounts of assets and liabilities denominated in foreign currency.

(e) Operational risk management

The Group has adopted the Basel II definition of Operational Risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk but excludes strategic and reputational risk.

Our overall objective for managing operational risk is to establish and maintain a sound system to adequately identify, assess, control, monitor and report on operational risks across the Bank.

Effective implementation of our Operational Risk Management program guarantees:

- More risk awareness amongst staff;
- Better understanding of the Bank's operational risk profile;
- Significant reduction in operational losses, hence improved profitability;
- Improved processes and systems in the Bank; and
- Improved business resilience, which would guarantee enhanced responses to business disruptions.

Governance

The Bank's Operational Risk Management function reports to the Chief Risk Officer (CRO) who has primary responsibility for the implementation of Enterprise Risk Management.

The Operational Risk management function is responsible and accountable for the design, implementation and maintenance of the Operational Risk Management Framework.

Operational risk management and control

The Operational Risk Management Framework guides the management of operational risks in the Bank. The framework ensures the identification of various operational risk elements and that relevant risk mitigation measures are determined and implemented.

The framework specifies the use of a number of tools to effectively manage the operational risks in the bank.

Some of these tools are as follows:

Risk and Control Self-Assessment: The Bank consistently and periodically identifies, measures and monitors the key operational risks which the business is exposed to, in achieving its objectives. This process is internally driven by conducting workshops across all the business units of the Bank to assess risks and associated controls.

The Bank has successfully conducted risk and control self-assessments for all functions with key risks identified and associated remedial action plans implemented. The risks identified from this exercise are included in the Bank's risk register and monitored against associated controls.

Key Risk Indicators: The Bank has developed a set of indicators which are being monitored and reflect the operational risk profile of the Bank. Reasonable thresholds have been agreed upon which relevant risk mitigating action is triggered.

Loss Data Collection: The Bank records operational risk incidents that occur in its various businesses and activities in an internal loss event database. The collection of such data is supported by a loss event reporting application which was developed within the Bank. The loss events recorded are analysed in order to determine their root causes which facilitates prevention of a future occurrence of such events. These events are reviewed, analysed and reported to different stakeholders on a periodic basis.

The Bank also maintains an external loss database which includes records of losses that have occurred in other similar institutions. The external loss database facilitates learning in order to prevent the occurrence of such events within the Bank.

Business Continuity Planning: The Bank manages its business continuity risks with its Business Continuity Management ("BCM") Program. The program outlines core procedures for the relocation or the recovery of operations in response to varying levels of disruption. Within this program, each of our critical businesses functions maintain and periodically test business continuity plans to promote continuous and reliable service with minimal disruption to customer services.

Disaster Recovery and Business Continuity Plans (BCP) have been established for critical business functions to ensure continuity of operations. Also developed is an emergency/crisis management plan for handling events that could have a sustained negative impact on the bank's activities and resources.

These plans are tested and reviewed periodically to ensure their effectiveness to mitigate risks arising from disruptions.

(f) Capital management

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

(i) To comply with the capital requirements set by the regulators of the banking markets where the entities within the Group operate;
(ii) To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
(iii) To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored by the Group's management, employing techniques based on the guidelines developed by the Central Bank of Nigeria (CBN), for supervisory purposes. The required information is filed with the CBN on a monthly basis.

The CBN requires each international bank to:

(i) Hold the minimum level of regulatory capital of N25 billion, and
(ii) Maintain a ratio of total regulatory capital to the risk-weighted assets at a minimum of 15%.

In addition, those individual banking subsidiaries or similar financial institutions not incorporated in Nigeria are directly regulated and supervised by their local banking supervisor; as such, capital requirements may differ from country to country.

The Group's regulatory capital as managed by its Financial Control is divided into two tiers:

(a) Tier 1 capital: share capital, retained earnings and reserves created by appropriations of retained earnings. The book value of goodwill and intangible assets is deducted in arriving at Tier 1 capital; and

(b) Tier 2 capital: preference shares, non-controlling interests arising on consolidation, qualifying debt stock, fixed assets revaluation reserves, foreign

currency revaluation reserves, general provisions subject to maximum of 1.25% of risk assets and hybrid instruments – convertible bonds.

As directed by the CBN, the Bank crossed over to the Basel II capital measurement standard by December, 2014, replacing the Basel I Capital Adequacy Ratio (CAR) computation with the Basel II Standardised Approach (Currently, CBN requires all deposit money banks in Nigeria to adopt the Standardised Approach for the computation of Capital Adequacy Ratio under Pillar 1)

In line with the CBN guideline for the Standardised Approach, the Risk Weighted Assets (RWA) are derived using the CBN specified risk weigths (RW) for the different asset classes:

(i) 0% for Exposures to Central Governments and Central Banks
(ii) 100% for Exposures to Non-Central Government Public Sector Entities
(iii) Exposures to State Governments and Local Authorities;
20% for State Government bonds that meet the CBN eligibility criteria for classification as liquid assets
100% for other State and Local Government bonds and exposures
(iv) State and Local Governments of other jurisdictions are assigned the Sovereign RW of those jurisdictions.
0% for Exposures to Multilateral Development Banks (MDBs)
(v) Exposures to Supervised Institutions
20% for Short- term exposures to supervised institutions in Nigeria with an original maturity of three months or less
100% for long-term exposures to supervised institutions in Nigeria with an original maturity of three months or less
100% for Exposures to Corporate and Other Persons
75% for Regulatory Retail Portfolio. However, to qualify, such exposures must meet the following criteria:

(vi) Orientation criterion – the exposure is to an individual person or persons or to a small business.
(vii) Product criterion - the exposure takes the form of any of the following: revolving credits and lines of credit (including credit cards and overdrafts), personal term loans and other term loans (for example installment loans, auto financing loans, student and

educational loans, personal finance) and small business facilities. Investment in debt and equity securities, whether listed or not, are excluded from this portfolio. Mortgage loans are also excluded to the extent that they qualify for treatment as exposures secured by residential property.

(viii) Granularity criterion - the aggregate exposure to one counterpart cannot exceed 0.2% of the overall regulatory retail portfolio;

(ix) Low value of individual exposures - the aggregate retail exposure to one counterparty cannot exceed an absolute threshold of N100 million.

100% for Exposures secured by Mortgages on Residential Property.
100% for Exposures secured by Mortgages on Commercial Real Estate.
Qualifying residential mortgage loans that are past due:
(x) 100% when specific provisions are less than 20% of the outstanding amount of the exposure; and
(xi) 50% when specific provisions are 20% or more of the outstanding amount of the exposure.
Other unsecured Past Due Exposures (excluding past due residential mortgages):
(xii) 150% risk weight when specific provisions are less than 20% of the outstanding amount of the exposure;
(xiii) 100% risk weight when specific provisions are no less than 20% of the outstanding amount of the exposure.
Other Assets:
(xiv) Cash in hand and equivalent cash items shall be assigned a 0% risk weight.
(xv) Cheques and Cash items in transit shall be assigned a 20% risk weight.
(xvi) Capital adequacy is assessed at individual subsidiaries level. All Subsidiaries Have adequate Capital as at 31st December, 2016
100% risk weight for the following: fixed assets; prepayments; investments in equity or regulatory capital instruments (unless deducted from capital); collective investment schemes; real estate; bank lending to subsidiaries in the same group (but to be deducted from capital where loan is not fully secured).
Off-Balance Sheet Exposures are first converted to credit equivalent amount by multiplying the exposures by the related conversion factors (CCF). The Capital requirement is then derived by multiplying the credit equivalent by the risk weight of the counterparty.

Capital adequacy ratio is assessed at the individual operating entity level. The Subsidiary components have maintained the required level of capital as at 31 December 2016.

Capital Adequacy Ratio

The Bank's Basel II capital adequacy ratio was 13.3% as at 31 December 2016, which is below the CBN minimum requirement of 15%, as computed below.

Bank	***Note***	**Dec. 2016**	**Restated Dec. 2015**
		₦ million	₦ million
Tier 1 Capital			
Ordinary share capital		8,468	8,468
Share premium		391,641	391,641
Retained deficit		(247,868)	(246,533)
Statutory reserve		24,445	22,062
Other reserves		2,205	1,753
Tier 1 before regulatory deduction		178,891	177,391
Regulatory Deduction			
Deferred tax assets	31	(95,875)	(95,875)
Intangible assets	30	(2,859)	(3,318)
Tier 1 after regulatory deduction		80,157	78,198
Other Deduction			
Investment in subsidiaries (50%)	28	5,284	5,284
Eligible Tier 1 Capital		74,874	72,915
Tier 2 Capital			
Fair value reserves		33,579	32,240
Tier 2 capital before deduction (restricted to 33.33% of Tier 1 capital after regulatory deduction)		26,719	26,066
Deduction			
Investment in subsidiaries (50%)		5,284	5,284
Eligible Tier 2 Capital		21,436	20,783
Total qualifying Capital		96,309	93,697
Risk weighted assets			
Risk-weighted Amount for Credit Risk		594,450	451,594
Risk-weighted Amount for Operational Risk		115,740	116,973
Risk-weighted Amount for Market Risk		14,471	18,948
Total weighted risk assets		724,660	587,515
Risk weighted Capital Adequacy Ratio (CAR)		13.3%	15.9%

Regulatory risk reserves of N38.87billion (2015: N23.88billion) are excluded from capital adequacy ratio computation based on the CBN requirments.

Total weighted risk assets, as above	724,660
Required regulatory capital to achieve 15% CAR	105,579
Total regulatory capital, as above	96,309
shortfall as at 31st December 2016	9,270

Capital adequacy requirements

The Bank’s capital adequacy level of 13.3% is below the level of 15% stipulated by the Central Bank of Nigeria for banks operating with an international banking license, principally due to the impact of currency devaluation during the year. The Bank has taken steps to address the capital shortfall.

The shareholders approved the raising of additional capital of up to N50billion by way of a Rights Issue at the EGM of 7th December, 2016. Following the shareholders’ approval, the Board has commenced the process of the rights issue. The issue is expected to open in the second quarter of 2017 and the Board is highly optimistic that the offer will succeed. The current capital shortfall is also expected to be enhanced with full retention of the projected profit for the 2017 financial year. Based on the above, the Directors expect that these plans are adequate to address the Bank’s capital adequacy level .

6 Use of estimates and judgements

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses.
Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Management discusses with the Group Audit Committee the development, selection and disclosure of the Group's critical accounting policies and their application, and assumptions made relating to major estimation uncertainties. Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year and about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is disclosed below.

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

(a) Judgement

(i) *Impairment*

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

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

Collectively assessed impairment allowances cover credit losses inherent in portfolios of loans and advances and held to maturity investment securities with similar economic characteristics when there is objective evidence to suggest that they contain impaired loans and advances and held to maturity investment securities, but the individual impaired items cannot yet be identified. A component of collectively assessed allowances is for country risks. 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 future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances are estimated.

Investments in equity securities were evaluated for impairment on the basis described in note 3(j). For an investment in an equity security, a significant or prolonged decline in its fair value below its cost was objective evidence of impairment. In this respect, the Group regarded a decline in fair value in excess of 20 percent to be significant and a decline in a quoted market price that persisted for nine months or longer to be prolonged.

(ii) *Determining control over an investee*

The Group's evaluation of whether it has control over an investee was done on the basis described in note 3(a). Information about judgment made in determining whether the Group has control over its subsidiaries is included in Note 28 (a).

(iii) *Provision for litigation and claims*

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.The Bank's estimate of the claims and litigation is based on on the probability of outflow of resources.

(b) **Assumptions and estimation uncertainties**

(i) *Recognition of deferred assets*

Deferred tax assets were recognised on the basis described in note 3(i). Information about assumptions made in the recognition of deferred tax assets and availability of future taxable profit against which tax losses carried forward can be used is included in Note 31.

(ii) *Determining fair values*

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

For financial instruments that traded 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.

(iii) *Financial asset and liability classification*

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

(a) In classifying financial assets or liabilities as "trading", the Group has determined that it meets the description of trading assets and liabilities set out in the accounting policy in note 3(j).

(b) In designating financial assets or liabilities as available for sale, the Group has determined that it has met one of the criteria for this designation set out in the accounting policy in 3(j).

(c) In classifying financial assets as held-to-maturity, the Group has determined that it has both the positive intention and ability to hold the assets until their maturity date as required by the accounting policy in note 3(j).

Details of the Group's classification of financial assets and liabilities are given in note 8.

(iv) *Depreciation and carrying value of property and equipment*

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

(v) *Determination of impairment of property 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.

(vi) *Valuation of financial instruments*

The Group's accounting policy on fair value measurements is discussed in note 3(j)

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

- Level 1: Inputs that are quoted market prices (unadjusted) in an active market for identical instruments.

- Level 2: Inputs other than quoted prices uncluded within Level 1 that are observable either (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

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

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

	Note	**Level 1**	**Level 2**	**Level 3**	**Total**
31 December 2016		₦ million	₦ million	₦ million	₦ million
Non-pledged Assets (Held for trading)	20	8,323	-	-	8,323
Pledged assets		16,645	-	-	16,645
Derivative assets held for risk management	22	-	2,747	-	2,747
Investment securities	25	65,637	-	25,141	90,778
		90,605	2,747	25,141	118,493

	Note	**Level 1**	**Level 2**	**Level 3**	**Total**
31 December 2015		₦ million	₦ million	₦ million	₦ million
Non-pledged Assets (Held for trading)		-	-	-	-
Pledged assets		14,620	-	-	14,620
Derivative assets held for risk management	22	-	1,820	-	1,820
Investment securities	25	100,932	-	17,313	118,245
		115,552	1,820	17,313	134,685

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using valuation techniques. Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free interest rates, credit spreads and other inputs used in estimating discount rates, bonds and equity prices. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The Group uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with the determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

Level 3 fair value measurements

(a) ***Reconciliation***

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy for the group.

31 December 2016 *In millions of naira*	Investment Securities	Total
Balance at 1 January 2016	17,313	17,313
Total gains recognised in OCI	7,954	7,954
Disposals	(126)	(126)
Purchases	-	-
Balance at 31 December 2016	25,141	25,141

31 December 2015	Investment	Total
Balance at 1 January 2015	17,653	17,653
Total gains recognised in OCI	(340)	(340)
Purchases	-	-
Balance at 31 December 2015	17,313	17,313

Financial instruments not measured at fair value

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

Group	***Note***	**Level 1**	**Level 2**	**Level 3**	**Total**
31 December 2016		₦ million	₦ million	₦ million	₦ million
Assets					
Cash and Cash equivalent	19	-	136,194	-	136,194
Pledged assets		27,103	-	242	27,345
Loans and advances to customers		-	-	494,946	494,946
Investment securities	25	44,568	-	92,584	137,152
Other receivables	32	-	-	189,015	189,015
		71,671	136,194	776,787	984,652
Liabilities					
Deposits from banks	33	-	-	90,266	90,266
Deposits from customers	34	-	-	658,444	658,444
Other financial liabilities	36	-	-	88,717	88,717
Other borrowed funds	38	-	-	89,514	89,514
		-	-	926,941	926,941

31 December 2015	*Note*	Level 1 ₦ million	Level 2 ₦ million	Level 3 ₦ million	Total ₦ million
Assets					
Cash and Cash equivalent	19	-	82,252	-	82,252
Pledget assets		-	62,948	4,195	67,143
Loans and advances to customers		-	-	353,189	353,189
Investment securities	25	-	-	211,145	211,145
Other receivables	32	-	-	127,613	127,613
		-	145,200	696,142	841,342
Liabilities					
Deposits from banks	33	-	-	44,091	44,091
Deposits from customers	34	-	-	570,639	570,639
Other financial liabilities	36	-	-	54,471	54,471
Other borrowed funds	38	-	-	76,059	76,059
		-	-	745,260	745,260

Bank *31 December 2016*	*Note*	Level 1 ₦ million	Level 2 ₦ million	Level 3 ₦ million	Total ₦ million
Assets					
Cash and Cash equivalent	19	-	35,536		35,536
Pledged assets		27,103	-	242	27,345
Loans and advances to customers		-	-	477,459	477,459
Investment securities	25	43,932	-	2,442	46,374
Other receivables	32	-	-	189,015	189,015
		71,035	35,536	669,158	775,729
Liabilities					
Deposits from banks	33	-	-	4,351	4,351
Deposits from customers	34	-	-	633,827	633,827
Other financial liabilities	36	-	-	88,500	88,500
Other borrowed funds	38	-	-	91,812	91,812
		-	-	818,490	818,490

31 December 2015	*Note*	Level 1 ₦ million	Level 2 ₦ million	Level 3 ₦ million	Total ₦ million
Assets					
Cash and Cash equivalent	19	-	54,451		54,451
Pledget assets	21	-	62,948	4,195	67,143
Loans and advances to customers	23	-	-	335,344	335,344
Investment securities	25	-	-	92,900	92,900
Other receivables	32	-	-	127,613	127,613
		-	117,399	560,052	677,451
Liabilities					
Deposits from banks	33	-	-	11,800	11,800
Deposits from customers	34	-	-	569,116	569,116
Other financial liabilities	36	-	-	54,469	54,469
Other borrowed funds	38	-	-	76,059	76,059
		-	-	711,444	711,444

7 Operating segments

The Group has the following strategic business segments, which are its reportable segments.

(i) Retail Bank
(ii) Commercial Bank
(iii) Corporate Bank
(iv) Treasury

Retail Bank

This segment provides innovative products and solutions to mass market and mass affluent customers as well as small & medium enterprises with a turnover below N250 million per annum. Clients offerings include deposit products, complementary white label and payroll driven asset products.

Commercial Bank

This segment caters to the banking needs of local corporates, usually with a turnover between N500 million - N5 billion in such sectors as General Commerce, Construction, Oil & Gas, Manufacturing, Agriculture, Education, Health and Public Sector. Products and services offered within this segment includes loans and advances, equipment leasing, local purchase order financing, value chain products, trade financing and cash management solutions.

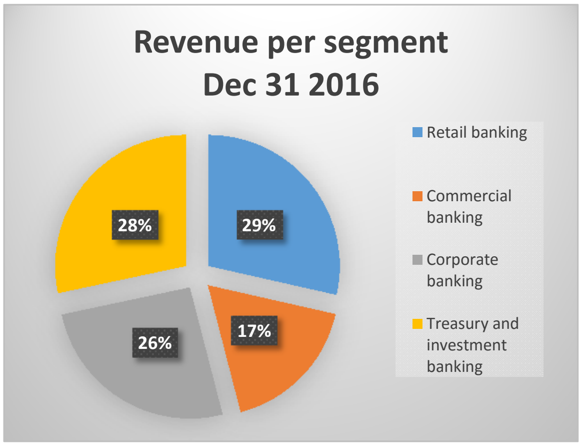
Corporate Bank

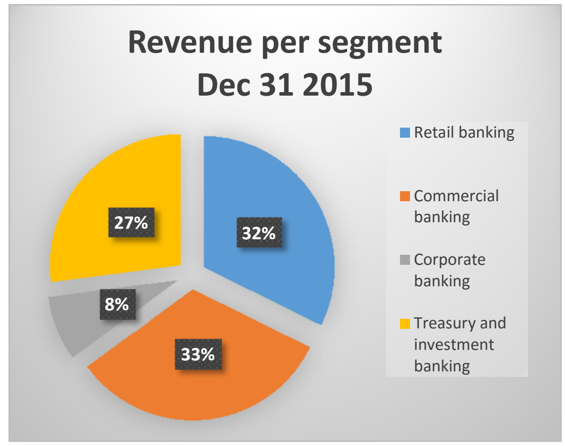
This segment provides services to large corporates with a turnover above N5 billion in sectors such as Oil & Gas, Telecoms, Manufacturing, FMCG, General Commerce, Agriculture, Aviation and Maritime. Products and services offered include transactional banking products, cash management solutions, trade, working capital finance, investment management, overdrafts and loans and advances.

Treasury

Treasury supports clients in all segments of the Bank such as affluent and high networth individuals, commercial clients, corporates and non-banking financial institutions. Client offering is composed of a diversified portfolio of products and services including issuance of short term notes, investment management (money market products), fixed income sales and trading.

31 December 2016	**Retail banking**	**Commercial banking**	**Corporate banking**	**Treasury and investment banking**	**Total**
	₦ million	₦ million	₦ million	₦ million	₦ million
Revenue:					
Derived from external customers	10,664	23,276	45,579	47,071	126,590
Derived from other business segments	25,524	(1,398)	(12,976)	(11,149)	(0)
Total Revenue	36,188	21,877	32,603	35,922	126,590
Interest expenses	(11,083)	(2,805)	(10,908)	(8,168)	(32,963)
Other operating expenses and impairment	(33,342)	(16,584)	(14,149)	(13,814)	(77,889)
(Loss)/profit before income tax	(8,237)	2,488	7,546	13,940	15,738
Income tax expense					(347)
Profit after tax					15,391
Assets and liabilities:					
Reportable segment assets	21,527	122,528	366,331	742,178	1,252,564
Reportable segment liabilities	(365,136)	(122,678)	(177,608)	(315,589)	(981,012)
Net Assets/(Liabilities)	(343,609)	(150)	188,722	426,588	271,552
31 December 2015					
Revenue:					
Derived from external customers	48,854	14,022	10,677	43,657	117,211
Derived from other business segments	(10,998)	24,259	(1,308)	(11,953)	(0)
Total Revenue	37,857	38,280	9,369	31,704	117,211
Interest expense and other expenses	(14,392)	(50,121)	(13,951)	(14,605)	(93,069)
(Loss)/profit before income tax	23,506	(19,130)	(4,282)	14,767	14,862
Income tax expense					**(561)**
Profit after tax					14,301
Assets and liabilities:					
Reportable segment assets	139,142	192,066	295,892	422,632	1,049,731
Reportable segment liabilities	(387,762)	(141,100)	(193,143)	(80,966)	(802,971)
Net Assets/(Liabilities)	(248,621)	50,965	102,749	341,666	246,760





The Group's business is also organized along two (2) main geographical areas:
(i) Nigeria
(ii) United Kingdom

Transactions between the business segments are on normal commercial terms and conditions.

Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in operating income. Interest charged on these funds is based on the Group's cost of capital. There are no other material items of income or expense between the business segments.

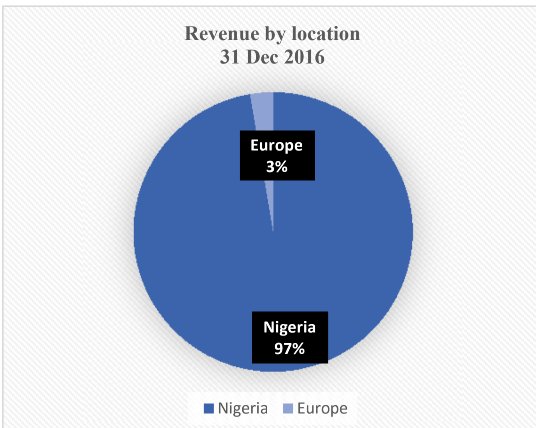
Internal charges and transfer pricing adjustments have been reflected in the performance of each segment. Revenue sharing agreements are used to allocate external customer revenues to a segment on a reasonable basis.

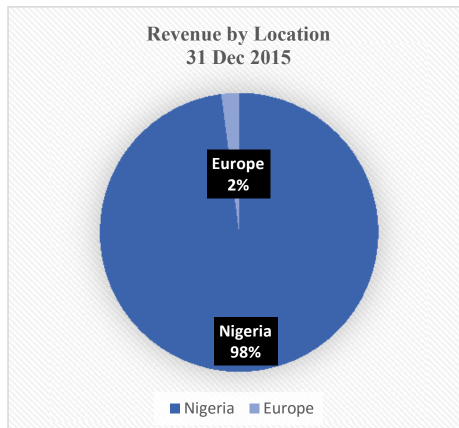
Segment report by geographical location:

	Nigeria	United Kingdom	Total
31 December 2016	₦ million	₦ million	₦ million
Derived from external customers	123,241	3,349	126,590
Derived from other segments	-	-	-
Total revenues	123,241	3,349	126,590
Interest and similar expenses	(32,610)	(353)	(32,963)
Operating expenses	(59,475)	(2,525)	(62,000)
Net impairment loss on financial assets	(15,791)	(98)	(15,889)
(Loss)/profit before taxation	15,365	373	15,738
Income tax expense	(285)	(62)	(347)
Profit after taxation	15,080	311	15,391

	Nigeria	United Kingdom	Total
	₦ million	₦ million	₦ million
Assets and liabilities:			
Total assets	1,116,074	136,608	1,252,682
Total liabilities	(969,851)	(11,161)	(981,012)
Net assets	146,223	125,447	271,670

31 December 2015	Nigeria ₦ million	United Kingdom ₦ million	Total ₦ million
Derived from external customers	114,430	2,781	117,211
Derived from other segments	-	-	-
Total revenues	114,430	2,781	117,211
Interest and similar expenses	(34,965)	(254)	(35,219)
Operating expenses	(55,651)	(2,235)	(57,886)
Net impairment loss on financial assets	(9,177)	(67)	(9,244)
(Loss)/profit before taxation	14,637	225	14,862
Income tax expense	(430)	(131)	(561)
Profit after taxation	14,207	94	14,301
Assets and liabilities:			
Total assets	986,987	59,905	1,046,892
Total liabilities	(793,101)	(9,870)	(802,971)
Net assets	193,886	50,035	243,921





8 Financial assets and liabilities

Accounting classification, measurement basis and fair values

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

Group	_Note_	**At fair value through P/L**	**Held - to-maturity**	**Loans and receivables at amortised cost**	**Available - for sale**	**Other financial liabilities**	**Total carrying amount**	**Fair value**
31 December 2016		₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Cash and cash equivalents	19	-	-	136,194	-	-	136,194	136,194
Non pledged trading assets	20	8,323	-	-	-	-	8,323	8,323
Pledged assets	21	-	36,785	-	16,645	-	53,430	43,990
Derivative assets held for risk management	22	2,747	-	-	-	-	2,747	2,747
Loans and advances to customers	23	-	-	507,190	-	-	507,190	494,946
Investment securities	25	-	90,942	-	90,778	-	181,720	137,152
Other receivables^	32	-		189,015	-	-	189,015	189,015
		11,070	127,727	832,399	107,423	-	1,078,619	1,012,367
Derivative liabilites held for risk management	22	-	-	-	-	-	13	13
Deposits from banks	33	-	-	-	-	90,266	90,266	90,266
Deposits from customers	34	-	-	-	-	658,444	658,444	658,444
Other financial liabilities^^	36	-	-	-	-	88,717	88,717	88,717
Interest bearing loans and borrowing	38	-	-	-	-	89,514	89,514	89,514
		-	-	-	-	926,941	926,954	926,954
31 December 2015								-
Cash and cash equivalents	19	-	-	82,252	-	-	82,252	82,252
Non pledged trading assets	20	-	-	-	-	-	-	-
Pledged assets	21	-	70,108	-	14,620	-	84,728	81,763
Derivative assets held for risk management	22	1,820	-	-	-	-	1,820	1,820
Loans and advances to customers	23	-	-	366,721	-	-	366,721	353,189
Investment securities	25	-	96,892	-	118,245	-	215,137	211,145
Other receivables^	32	-		127,613	-	-	127,613	127,613
		1,820	167,000	576,586	132,865	-	878,271	857,782
Derivative liabilites held for risk management	22	-	-	-	-	-	-	-
Deposits from banks	33	-	-	-	-	44,091	44,091	44,091
Deposits from customers	34	-	-	-	-	570,639	570,639	570,639
Other financial liabilities^^	36	-	-	-	-	54,471	54,471	54,471
Interest bearing loans and borrowing	38	-	-	-	-	76,059	76,059	76,059
		-	-	-	-	745,260	745,260	745,260

^ The Group's other receivables exclude prepayment N4,863 million (Dec. 15: N3,623 million) which is not a financial asset and other statutory deductions such as WHT receivables.

^^Other financial liabilities exclude statutory deductions such as VAT payables etc.

Bank	***Note***	**At fair value through P/L**	**Held - to-maturity**	**Loans and receivables at amortised cost**	**Available - for sale**	**Other financial liabilities**	**Total carrying amount**	**Fair value**
31 December 2016		₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Cash and cash equivalents	19	-	-	35,536	-	-	35,536	35,536
Non pledged trading assets	20	8,323	-	-	-	-	8,323	8,323
Pledged assets	21	-	36,785	-	16,645	-	53,430	43,990
Derivative assets held for risk management	22	2,747	-	-	-	-	2,747	2,747
Loans and advances to customers	23	-	-	489,890	-	-	489,890	477,459
Investment securities	25	-	90,306	-	76,453	-	166,759	122,827
Other receivables^	32			189,015			189,015	189,015
		11,070	127,091	714,441	93,098	-	945,700	879,897
Derivative liabilites held for risk management	22	13	-	-	-	-	13	13
Deposits from banks	33	-	-	-	-	4,351	4,351	4,351
Deposits from customers	34	-	-	-	-	633,827	633,827	633,827
Other financial liabilities^^	36	-	-	-	-	-	-	-
Interest bearing loans and borrowing	38	-	-	-	-	91,812	91,812	91,812
		13	-	-	-	729,990	730,003	730,003
31 December 2015								
Cash and cash equivalents	19	-	-	54,451	-	-	54,451	54,451
Non pledged trading assets	20	-	-	-	-	-	-	-
Pledged assets	21	-	70,108	-	14,620	-	84,728	81,763
Derivative assets held for risk management	22	1,820	-	-	-	-	1,820	1,820
Loans and advances to customers	23	-	-	348,984	-	-	348,984	335,344
Investment securities	25	-	96,892	-	112,331	-	209,223	205,231
Other receivables^	32			127,613			127,613	127,613
		1,820	167,000	531,048	126,951	-	826,819	806,222
Deposits from banks	33	-	-	-	-	11,800	11,800	11,800
Deposits from customers	34	-	-	-	-	569,116	569,116	569,116
Other financial liabilities^^	36	-	-	-	-	-	-	-
Interest bearing loans and borrowing	38	-	-	-	-	76,059	76,059	76,059
		-	-	-	-	656,975	656,975	656,975

^ The Bank's other receivables exclude prepayment N4,863 million (Dec. 15: N3,461 million) which is not a financial asset and other statutory deductions such as WHT receivables.

^^Other financial liabilities exclude statutory deductions such as VAT payables etc.

Investment securities - unquoted equity securities at cost

The above table includes N588million for the Group and also the Bank (December 2015: N1,469 million (Group and Bank) of available for sale investment securities in both the carrying amount and fair value columns that are measured at cost and for which disclosure of fair value was not provided because their fair value cannot be reliably measured.

9 Net interest income

	Group Dec.2016	Group Dec.2015	**Bank Dec.2016**	Bank Dec.2015
	₦ million	₦ million	**₦ million**	₦ million
Interest income				
Cash and cash equivalents	**3,258**	1,573	**2,458**	1,120
Loans and advances to customers (see note (a) below)	**69,929**	60,835	**68,436**	59,686
Investment securities	**24,815**	28,494	**24,469**	28,073
Total interest income	**98,002**	90,902	**95,363**	88,879
Interest expense				
Deposits from customers	**24,753**	26,439	**24,659**	26,317
Other borrowed funds (see note (b) below)	**8,210**	8,780	**8,210**	8,780
Total interest expense	**32,963**	35,219	**32,869**	35,097
Net interest income	**65,039**	**55,683**	**62,494**	**53,782**

Interest expense on financial liabilities not measured at fair value through profit or loss amounted to N32,963 million (Group) and N32,869 million (Bank) for the year ended 31 December 2016 (31 December 2015: N35,219 million (Group); N35,097 million (Bank)).

(a) Interest income on loans and advances to customers consists of:

	Group Dec. 2016	Group Dec.2015	Bank Dec. 2016	Bank Dec.2015
	₦ million	₦ million	₦ million	₦ million
Interest on foreign currency facilities	20,455	12,255	18,962	11,106
Interest on local currency facilities	49,474	48,580	49,474	48,580
	69,929	60,835	68,436	59,686

(b) Interest on other borrowed funds comprises interest on:

	Group Dec. 2016	Group Dec.2015	Bank Dec. 2016	Bank Dec.2015
	₦ million	₦ million	₦ million	₦ million
BOI/CACS on-lending facilities	144	124	144	124
FCY medium term borrowings	1,160	1,909	1,160	1,909
Interbank takings FCY	5,166	2,568	5,166	2,568
Interbank takings LCY	116	1,736	116	1,736
Open-Buy-Back transactions	819	1,488	819	1,488
AMCON Clawback Rights Agreement *(See Note 43b)*	805	955	805	955
	8,210	8,780	8,210	8,780

10 Net fee and commission income

	Group Dec.2016	Group Dec.2015	**Bank Dec.2016**	Bank Dec.2015
	₦ million	₦ million	**₦ million**	₦ million
Credit-related fees and commissions income	**5,667**	4,265	**5,667**	4,265
Commission on turnover	**-**	1,198	**-**	1,198
Account maintenance fee	**1,209**		**1,209**	
E-business fee income (See note (b))	**2,211**	715	**2,211**	715
Commission on off balance sheet transactions	**929**	995	**929**	995
Other fees and commission	**561**	524	**-**	-
	10,577	7,697	**10,016**	7,173

(a) Credit related fees and commissions relate to fees charged to corporate customers other than fees included in determining the effective interest rates relating to loans and advances carried at amortised cost.

(b) E-business fee income/charge

	Group Dec.2016	Group Dec.2015	**Bank Dec.2016**	Bank Dec.2015
	₦ million	₦ million	**₦ million**	₦ million
ATM on-us	**854**	406	**854**	406
POS	**(23)**	80	**(23)**	80
E-card maintenance	**(510)**	228	**(510)**	228
Card FX gain	**1,890**	-	**1,890**	-
	2,211	715	**2,211**	715

11 Net trading income

	Group Dec.2016	Group Dec.2015	**Bank Dec.2016**	Bank Dec.2015
	₦ million	₦ million	**₦ million**	₦ million
Gain on disposal of fixed income securities	**4,675**	3,171	**4,675**	3,171
Mark to market fixed income securities	**(39)**	(7)	**(16)**	(7)
Foreign exchange trading gain	**453**	2,067	**453**	1,972
	5,089	5,231	**5,112**	5,136

Net trading income includes the gains and losses arising both on the purchase and sale of trading instruments and from changes in fair value.

12 Net income from other financial instruments at fair value through profit or loss

	Group Dec.2016	Group Dec.2015	**Bank Dec.2016**	Bank Dec.2015
	₦ million	₦ million	**₦ million**	₦ million
Derivatives held for risk management purposes:				
Foreign exchange swap contracts	**2,572**	1,820	**2,572**	1,820
	2,572	1,820	2,572	1,820

13 Other operating income

	Group Dec.2016	Group Dec.2015	**Bank Dec.2016**	Bank Dec.2015
	₦ million	₦ million	**₦ million**	₦ million
Dividend income	**765**	686	**765**	686
Gains on disposal of property and equipment	**2,562**	1,660	**2,562**	1,660
Gains on disposal of trading properties	**90**	728	**-**	728
Gain on disposal of available for sale investments - unquoted equity (see (a) below)	**297**	193	**297**	193
Gain/(loss) on liquidation/disposal of subsidiaries (see (b) below)	**368**	(332)	**802**	3,591
Foreign exchange revaluation gain	**2,024**	124	**1,827**	124
Rental income	**168**	397	**168**	397
Provision no longer required (see (c) below)	**3,617**	7,306	**3,617**	7,306
Sundry income (see note (d) below)	**459**	657	**354**	673
	10,350	11,419	**10,392**	15,358

(a) In the course of the year, the Group disposed of its investment in Unified Payment Services Limited (Dec 2015: Central Securities Clearing Systems Limited), an available for sale unquoted equity . The gain on disposal is analysed below:

Gain on disposal of investments in unquoted equity	Group Dec. 2016	Group Dec. 2015	Bank Dec. 2016	Bank Dec. 2015
	₦ million	₦ million	₦ million	₦ million
Sales Proceeds	423	212	423	212
Cost of investment in Central Securities Clearing System	(126)	(19)	(126)	(19)
Gain on disposal of unquoted equities	297	193	297	193

(b) Gain on liquidation/disposal of investments in subsidiaries

	Group Dec.2016	Group Dec.2015	Bank Dec.2016	Bank Dec.2015
	₦ million	₦ million	₦ million	₦ million
Union Pensions Limited Liquidatior	368	-	802	-
Union Trustees Limited Disposal	-	(332)	-	3,591
	368	(332)	802	3,591

The gain on liquidation of subsidiary for the Group for the year ended 31 December 2016 is arrived at as shown below:

Disposal of Union Pension Limited	Group ₦ million
Liquidation proceeds	3,040
Receivable from Union Pension Limited	(204)
Cost incurred on disposal	(34)
Cost of investment	(2,000)
Other net asset adjustment	(434)
	368

The gain on liquidation of subsidiary for the Bank for the year ended 31 December 2016 is arrived at as shown below:

	Bank ₦ million
Liquidation proceeds	3,040
Cost incurred on disposal	(34)
Cost of investment	(2,000)
Receivable from Union Pension	(204)
	802

The gain or loss on liquidation/disposal of subsidiaries for the Group for the year ended 31 December 2015 is arrived at as shown below:

Disposal of Union Trustees Limited	Group ₦ million
Sales proceeds	3,649
Net assets	(3,899)
Fair value reserves	(5)
Cost incurred on disposal	(53)
Other net asset adjustment	(24)
	(332)

The gain or loss on liquidation/disposal of subsidiaries for the Bank for the year ended 31 December 2015 is arrived at as shown below:

		Bank ₦ million
Sales proceeds		3,649
Cost incurred on disposal		(53)
Cost of investment		(5)
	-	3,591

(c) Provision no longer required

These amounts represent the credit balances no longer required that were released to income during the year after confirmation that they do not represent liabilities to any third parties. The amount was determined based on the completion of reconciliation and clean-up of legacy balances in the general ledger prior to the migration to the Bank's new core banking application.

(d) Sundry income

	Group Dec.2016 ₦ million	Group Dec.2015 ₦ million	**Bank Dec.2016 ₦ million**	Bank Dec.2015 ₦ million
Cash handling fees	**65**	86	**65**	86
Fraud recoveries	**68**	82	**68**	82
Bond auction income	**221**	489	**221**	505
Other income	**105**	-	**-**	-
	459	657	**354**	673

14 Net Impairment loss on financial assets

(a) Net impairment charge for credit losses:

	Group Dec.2016 ₦ million	Group Dec.2015 ₦ million	Bank Dec.2016 ₦ million	Bank Dec.2015 ₦ million
Net impairment charge for credit losses:				
-specific impairment (see note 23(b) below)	17,925	18,228	17,891	18,228
-portfolio impairment (see note 23(b) below)	3,234	(3,156)	3,172	(3,223)
Total impairment charge on loans and advances	21,159	15,072	21,063	15,005
Reversal of impairment (see note 23(b) below)	(3,280)	(3,478)	(3,280)	(3,478)
	17,879	11,594	17,783	11,527
Cash recoveries	(1,297)	(1,646)	(1,297)	(1,646)
	16,582	**9,948**	**16,486**	**9,881**
(b) Net impairment loss on other financial assets:				
Impairment loss on equity accounted investee (see note 24 below)	24	-	-	-
Impairment loss on other assets (see note 32 (iii) below)	-	2,097	-	2,097
Allowance no longer required on other assets (see note 32 (iii) below)	(717)	(2,801)	(717)	(2,801)
Total impairment write-back on other assets	(693)	(704)	(717)	(704)
Total net impairment loss on financial assets	**17,186**	**10,890**	**17,066**	**10,823**

15 Personnel expenses

	Group Dec.2016 ₦ million	Group Dec.2015 ₦ million	Bank Dec.2016 ₦ million	Bank Dec.2015 ₦ million
Wages and salaries	29,804	28,336	28,401	27,050
Contributions to defined contribution plans (see note 37 (a)(i) below)	722	644	619	644
Interest and current service cost on defined benefit plans (see note 37 (a)(iii)&(b)(i) below)	464	1,061	461	1,061
Equity settled-share based payment (see note (i) below	147	-	147	-
Termination benefits	97	-	-	-
	31,234	30,041	29,628	28,755

(i) **Share-based payment arrangements**

In 2014, the Shareholders gave the Board of Directors approval to set aside up to 570,693,750 ordinary shares of 50kobo each from the Bank's unissued ordinary shares, representing three percent (3%) of authorized share capital, to fund an Employee Share Incentive Scheme (see note 40 (a))

As at 31st December , 2016 135.2million ordinary shares of the Bank had been awarded to key management personnel of the Group under the Bank's share-based incentive scheme. The shares were valued at the market price of the shares at the grant date. The fair value of each share awarded under the incentive scheme is N4.81k, which was the market value of each share of Union Bank of Nigeria Plc as at 12 April 2016 (grant date).

The terms and conditions of the grants are as follows:

	Group Dec.2016 ₦ million	Group Dec.2015 ₦ million	Bank Dec.2016 ₦ million	Bank Dec.2015 ₦ million
Number of shares (units)	135,237,574	-	135,237,574	-
Unit of shares vested (unit)	30,540,135	-	30,540,135	-
Vesting period (years)	3 years	-	3 years	-
Share price at grant date	N4.81k	-	N4.81k	-
Vesting condition is three (3) years' service				

Movement in the weighted average exercise prices of the shares are as follows:

31 December 2016

	Group		Bank	
	Number of shares	**Weighted average exercise price**	**Number of shares**	**Weighted average exercise price**
Outstanding at the start of the year	-	-	-	-
Granted	135,237,574	4.81	135,237,574	135,237,574
Forfeited	-	4.81	-	-
Outstanding at year end	135,237,574	4.81	135,237,574	135,237,574

16 Other operating expenses

	Group Dec.2016	Group Dec.2015	Bank Dec.2016	Bank Dec.2015
	₦ million	₦ million	₦ million	₦ million
Auditors' remuneration	180	161	131	131
NDIC Premium	2,680	2,395	2,680	2,395
Rents and Rates	1,190	1,068	1,054	994
Accomodation and travel	814	723	766	691
Fleet management and vehicle related expense:	661	696	661	696
Repair and maintenance	1,524	1,314	1,506	1,165
Transformation expense	-	737	-	737
Professional fees	847	716	685	630
Advertising and promotion expenses	1,138	1,144	1,132	1,144
Security expense	1,020	1,101	1,020	1,101
Expenses on software	3,337	2,232	3,337	2,232
Donations	59	152	31	152
Subscriptions	246	175	246	175
General administrative expenses (see note (a) below)	6,846	6,239	5,899	5,863
Insurance	327	365	297	340
AMCON surcharge (see note (b) below)	4,991	4,605	4,991	4,605
	25,860	23,823	24,436	23,051

(a) **General administrative expenses**

	Group Dec.2016	Group Dec.2015	Bank Dec.2016	Bank Dec.2015
	₦ million	₦ million	₦ million	₦ million
Office cleaning	283	490	280	487
Cash movement expense	1,068	1,110	1,068	1,110
Entertainment	102	92	97	87
Directors fees and allowances	354	358	354	358
Diesel and power	1,966	1,896	1,708	1,638
Stationery, printing, postage and telephone	512	622	428	622
Sports promotion	56	55	56	55
Penalties	48	67	48	67
Restitution , claims and other charges	878	459	878	459
Group restructuring expenses	-	142	-	142
Debt recovery expenses	104	176	104	176
Expense on Bulk SMS	54	80	54	80
Business meetings and conferences	57	15	57	15
Fixed assets related expenses	183	28	2	28
Annual General Meeting expenses	74	55	74	55
Bank charges	266	293	266	293
Other expenses	841	300	424	190
	6,846	6,239	5,899	5,863

(b) AMCON surcharge represents the Bank's contribution to the Banking Sector Stabilisation Fund for the year ended 31 December 2016. The applicable rate is 0.5% of total assets plus another 0.5% of 33% of the Bank's off balance sheet items, calculated on a preceeding year basis.

17 Income tax expense

(a) Recognised in the profit or loss

	Group Dec.2016	Group Dec.2015	Bank Dec.2016	Bank Dec.2015
	₦ million	₦ million	₦ million	₦ million
Current tax expense				
Company Income Tax	79	107	-	-
Education tax	-	-	-	-
Capital Gains tax	9	240	9	240
NITDA Levy	159	205	159	180
	247	552	168	420
Deferred tax expense				
Origination and reversal of temporary differences	100	-	-	-
Total income tax expense	347	552	168	420

In line with the Company Income Tax Act, 1990, as amended, the Bank is not liable to pay income tax as the Bank recorded a tax loss for the year. The Bank is exempted from paying minimum tax under the Act, as it has imported share capital of over 25%. No education tax was charged because the Bank has no assessable profit for the year.

(b) Reconciliation of effective tax rate

	Group Dec.2016		Group Dec.2015		Bank Dec.2016		Bank Dec.2015	
		₦ million		₦ million		₦ million		₦ million
Profit/(loss) before income tax		15,738		14,756		16,053		18,455
Income tax using the domestic corporation tax rate	30%	4,721	30%	4,427	30%	4,816	30%	5,537
Income tax based on minimum tax computation	0%	-	0%	-	0%	-	0%	-
Effect of tax rates in foreign jurisdictions	0%	19	0%	19	0%	-	0%	-
Education tax levy	-2%	-	-2%	-	0%	-	0%	-
Capital gains tax	2%	9	2%	240	0%	9	1%	240
NITDA levy	1%	159	1%	205	1%	159	1%	180
Tax losses (utilised)/unutilised	-29%	(4,561)	-29%	(4,339)	-30%	(4,816)	-30%	(5,537)
Total income tax expense in comprehensive income	2%	347	2%	552	1%	168	2%	420

The effective income tax rate for 31 December 2016 is 2% (December 2015: 4%)

18 Earnings per share

(a) Basic earnings per share

Earnings/(loss) per share has been computed based on profit after taxation attributable to the Group ordinary shareholders and the weighted average number of shares in issue during the year is as follows.

Weighted average number of ordinary shares

	Group Dec.2016	Group Dec.2015	Bank Dec.2016	Bank Dec.2015
Issued ordinary shares at beginning of the year	16,936	16,936	16,936	16,936
Weighted effect of shares issued during the year	16,936	16,936	16,936	16,936

(b) *Profit attributable to ordinary shareholders*
In millions of Nigerian Naira

	Group Dec.2016	Group Dec.2015	Bank Dec.2016	Bank Dec.2015
Profit for the year attributable to equity holders	15,617	14,302	15,885	18,035
Basic earnings per share (in kobo)	92	84	94	106
Profit from continuing operations attributable to equity holders of bank	15,391	14,204	15,885	18,035
Basic earnings per share (in kobo)	91	84	94	106

(c) Diluted earnings per share
The Group does not have any dilutive potential ordinary shares, therefore, Basic EPS and Diluted EPS are the same for the Group.

19 Cash and cash equivalents

	Group Dec.2016	Group Dec.2015	Bank Dec.2016	Bank Dec.2015
	₦ million	₦ million	₦ million	₦ million
Cash and balances with banks	24,139	34,189	21,447	32,762
Unrestricted balances with central bank	6,887	14,185	6,887	14,185
Money market placements	105,168	33,878	7,202	7,504
	136,194	82,252	35,536	54,451

20 Non-pledged Assets (Held for trading)

	Group Dec.2016	Group Dec.2015	Bank Dec.2016	Bank Dec.2015
	₦ million	₦ million	₦ million	₦ million
Federal Government of Nigeria Treasury bills	8,323	-	8,323	-
	8,323	-	8,323	-

21 Pledged assets

Financial assets that may be repledged or resold by counterparties

	Group Dec.2016	Group Dec.2015	Bank Dec.2016	Bank Dec.2015
	₦ million	₦ million	₦ million	₦ million
Federal Government of Nigeria Treasury bills	16,645	14,620	16,645	14,620
Federal Government of Nigeria Bonds	36,544	65,913	36,544	65,913
Placement with financial institution	241	4,195	241	4,195
	53,430	84,728	53,430	84,728

a) Assets pledged as collateral relate to assets pledged to the Federal Inland Revenue Service (FIRS), Central Bank of Nigeria (CBN) Clearing, Bank of Industry (BOI), Unified Payment Systems, Interswitch Nigeria Limited and E-Tranzact for collections and other transactions.

b) Assets were also pledged as collateral as part of securities borrowing under terms that are usual and customary for such activities.
The counterparties with whom assets have been pledged for inter-bank takings and borrowings include Standard Chartered Bank UK, Access Bank UK, FSDH Merchant Bank and FBN Merchant.

c) Assets pledged as collateral are recognised based on prices in an active market.

22 Derivative financial instruments

Group

	Dec.2016		Dec. 2015	
	Assets	Liabilities	Assets	Liabilities
	₦ million	₦ million	N million	N million
Instrument Type:				
Foreign exchange swaps	2,747	13	1,820	-
	2,747	13	1,820	-

Bank

	Dec.2016		Dec. 2015	
	Assets	Liabilities	Assets	Liabilities
	₦ million	₦ million	N million	N million
Instrument Type:				
Foreign exchange swaps	2,747	13	1,820	-
	2,747	13	1,820	-

The Group uses derivatives not designated in a qualifying hedge relationship, to manage its exposure to foreign currency risks. The instruments used include forward contracts and cross currency linked forward contracts.

23 Loans and advances to customers at amortised cost

(a)

	Group	Group	Bank	Bank
	Dec.2016	Dec.2015	Dec.2016	Dec.2015
	₦ million	₦ million	₦ million	₦ million
Gross amount	535,836	388,794	518,349	370,949
Specific impairment	(14,904)	(11,565)	(14,887)	(11,565)
Portfolio impairment	(13,742)	(10,508)	(13,572)	(10,400)
Total impairment	(28,646)	(22,073)	(28,459)	(21,965)
Carrying amount	507,190	366,721	489,890	348,984

At 31 December 2016 N276.43 million (2015: N232.2 million) of the Group's loan and advances to customers are expected to be recovered more than 12 months after the reporting date.

(b) Impairment allowance on loans and advances to customers

	Group	Group	Bank	Bank
	Dec.2016	Dec.2015	Dec.2016	Dec.2015
	₦ million	₦ million	₦ million	₦ million
Specific impairment				
Balance, beginning of the year	11,565	9,932	11,565	9,753
Impairment loss for the year:				
- Charge for the year (See note 14(a))	17,925	18,228	17,891	18,228
- Writeback of impairment (See note 14(a))	(3,280)	(5,124)	(3,280)	(5,124)
Net impairment for the year	14,645	13,104	14,611	13,104
Effect of foreign currency movements	9,183	(179)	9,200	-
Provision re-instated during the year	741	1,405	741	1,405
Write-offs	(21,230)	(12,697)	(21,230)	(12,697)
Balance, end of year	14,904	11,565	14,887	11,565
Portfolio impairment				
Balance, beginning of the year	10,508	13,664	10,400	13,623
Impairment credit/loss for the year:				
Net impairment for the year: (see note 14(a)	3,234	(3,156)	3,172	(3,223)
Net impairment for the year/year	3,234	(3,156)	3,172	(3,223)
Balance, end of the year	13,742	10,508	13,572	10,400

24 Investment in equity accounted investee

This represents the Group's equity investment in Unique Venture Capital Management Company Limited (40%). The movement in investment in equity accounted investee as at 31 December 2016 is as follows:

	Group	Group	Bank	Bank
	Dec.2016	Dec.2015	Dec.2016	Dec.2015
	₦ million	₦ million	₦ million	₦ million
Cost				
Balance, beginning of the year	115	115	91	91
Share of current year result	-	-	-	-
Balance, end of the year	115	115	91	91
Impairments (see (i) below)	(115)	(91)	(91)	(91)
	-	24	-	-

(i) Movement in impairment is as follows:

	Group	Group	Bank	Bank
	Dec.2016	Dec.2015	Dec.2016	Dec.2015
	₦ million	₦ million	₦ million	₦ million
Balance, beginning of the year	91	91	91	91
Charge for the year	24	-	-	-
Balance, end of the year	115	91	91	91

25 Investment securities

	Group	Group	Bank	Bank
	Dec.2016	Dec.2015	Dec.2016	Dec.2015
	₦ million	₦ million	₦ million	₦ million
Available-for-sale investment (see note 25(a) below)	90,778	118,245	76,453	112,331
Held to maturity investment (see note 25(b) below)	90,942	96,892	90,306	96,892
	181,720	215,137	166,759	209,223

(a) *Available-for-sale investment securities comprise:*

		Group	Group	Bank	Bank
		Dec.2016	Dec.2015	Dec.2016	Dec.2015
		₦ million	₦ million	₦ million	₦ million
Treasury bills		38,626	57,257	26,407	52,843
Equity: Quoted	*See Note 25(a)(i)*	2,195	2,195	2,195	2,195
Unquoted	*See Note 25(a)(ii)*	30,143	21,371	30,143	21,371
FGN Bonds		22,763	41,480	20,658	39,980
State Bonds		995	-	995	-
Corporate Bonds		1,058	-	1,058	-
		95,780	122,303	81,455	116,389
Less: specific impairment allowance		(5,002)	(4,058)	(5,002)	(4,058)
		90,778	118,245	76,453	112,331

(i) **Investment in quoted equities**	Group Dec.2016	Group Dec.2015	Bank Dec.2016	Bank Dec.2015
	₦ million	₦ million	₦ million	₦ million
Investment in REIT	2,195	2,195	2,195	2,195

(ii) **Investment in unquoted equities**	Group Dec.2016	Group Dec.2015	Bank Dec.2016	Bank Dec.2015
	₦ million	₦ million	₦ million	₦ million
Africa Finance Corporation	24,553	15,844	24,553	15,844
Unified Payment Services Plc	-	126	-	126
Nigeria Automated Clearing System (NAC)	42	42	42	42
Interswitch Nigeria Ltd	2	2	2	2
CRC Credit Bureau Limited	50	50	50	50
AfreximBank	494	305	494	305
Nigerian Superswitch Infrastructure	10	10	10	10
Banque Internationale de Benin	1152	1152	1,152	1,152
Africa Investment Bank Cotonou	122	122	122	122
Investment in Small and Medium Scale Enterprises	3,718	3,718	3,718	3,718
	30,143	21,371	30,143	21,371
Total investment in available for sale equity securities	32,338	23,566	32,338	23,566
Less: specific impairment allowance	(5,002)	(4,058)	(5,002)	(4,058)
Net investment in available for sale equity securities	27,336	19,508	27,336	19,508

(iii) **Specific allowance for impairment on available-for-sale investment securities:**

	Group Dec.2016	Group Dec.2015	Bank Dec.2016	Bank Dec.2015
	₦ million	₦ million	₦ million	₦ million
Balance, beginning of the year	4,058	4,072	4,058	4,072
Charge for the year	944	-	944	-
Write-offs	-	(14)	-	(14)
Balance, end of the year	5,002	4,058	5,002	4,058

(b) *Held to maturity investment securities comprise:*				
Federal Government of Nigeria -Bonds	52,270	48,273	51,634	48,273
State Government of Nigeria -Bonds	27,179	31,702	27,179	31,702
Corporate Bonds	11,493	16,917	11,493	16,917
	90,942	96,892	90,306	96,892
Investment securities	181,720	215,137	166,759	209,223

26 Trading properties

This represents the cost of real estate properties held by the Group which are designated for resale. The movement on the trading properties account during the year was as follows:

	Group	Group	Bank	Bank
	Dec.2016	Dec.2015	Dec.2016	Dec.2015
	₦ million	₦ million	₦ million	₦ million
Balance, beginning of year	3,177	1,930	1,124	1,930
Additions	-	2,053	-	-
Disposal	(868)	(806)	-	(806)
Balance, end of year	2,309	3,177	1,124	1,124

27 Investment Properties

These investment properties were last revalued during the year ended 31 December 2013 by Messrs. Bode Adediji Partnership (FRC No: FRC/2013/NIGSV/00000001479), a firm of estate surveyors and valuers, using the open market basis of valuation, and their reports were dated 16 December 2013 for UBN Property Company Limited respectively. As at 31 December 2016, the Directors are of the opinion that there were no material fluctuations in the value of the Bank's investment properties since the last valuation.

	Group	Group	Bank	Bank
	Dec.2016	Dec.2015	Dec.2016	Dec.2015
	₦ million	₦ million	₦ million	₦ million
Balance, beginning of the year	4,546	-	-	
Disposal	(199)	-	-	
Reclassification from assets held for sale	-	4,546	-	-
	4,347	4,546	-	-
Impairment allowance	-	-	-	-
Balance, end of the year	4,347	4,546	-	-

(a) Movement on impairment for investment property was as follows:

	Group	Group
	Dec.2016	Dec.2015
	₦ million	₦ million
Balance, beginning of year	-	-
Allowance made during the year	-	-
Assets classified as held for sale	-	-
Reclassification	-	-
Balance, end of the year	-	-

28 Investment in subsidiaries

Cost

	Bank	Bank
	Dec.2016	Dec.2015
	₦ million	₦ million
UBN Property Company Limited	2,195	2,195
Union Bank UK Plc	8,372	8,372
	10,567	10,567

(a) The movement of impairment on investment in subsidiaries during the year is as follows:

	Country		Direct ownership interest	
Company Name	Incorporation	Nature of business	Dec.2016	Dec.2015
			Status/%	Status/%
UBN Property Company Limited (i)	Nigeria	Property Development	39	39
Union Bank UK Plc (ii)	Nigeria	Licensed UK Bank	100	100
Atlantic Nominees Limited (iii)	Nigeria	Real Estate	100	100

(i) **UBN Property Company Limited (Registered office at 36, Marina, Lagos)**

The Company has 5,626,416,051 ordinary shares of N1.00 each of which 39.01% (December 2014 - 39.01%) is held by the Bank. In line with IFRS 10- Consolidated Financial Statement, Union Bank of Nigeria Plc has control over this entity as it has the power, exposure to variability of returns and a strong link between power and variability of returns. The Bank also governs the financial and operating policies of UBN Property Company Limited.

(ii) **Union Bank UK Plc (Registered office at 1 King's Arms Yard, London, EC2R 7AF)**

The Bank directly holds 100% holding of Union Bank UK's 60,000,000 ordinary shares and 99% of its 50,000 deferred shares of GBP1 each and 1% indirect holding through Williams Street Trustees Limited, the nominee company for Union Bank of Nigeria Plc . Union Bank UK Plc was incorporated in December, 2004 as an authorised United Kingdom subsidiary to carry out the business formerly conducted by the London Branch of Union Bank of Nigeria Plc.

(b) **Involvement with unconsolidated structured entities**

The Group does not have any unconsolidated structured entity as at 31 December 2016.

(c) Condensed results of consolidated entities
(i) The condensed financial data of the continuing operations as at 31 December 2016, are as follows

Condensed statement of comprehensive income

Statement of Comprehensive income	***Group balances***	***Consolidation entries***	***Total***	***Bank***	***Union Properties***	***Atlantic Nominees***	***Union Bank UK***
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Operating income	93,627	(1,759)	95,386	91,882	508	-	2,995
Net operating income after net impairment loss	77,738	(487)	78,225	74,819	508	-	2,897
Operating Expenses	(62,000)	51	(62,051)	(58,765)	(761)	-	(2,525)
Net impairment loss on financial assets	(15,889)	1,272	(17,161)	(17,064)	-	-	(98)
Profit before income tax	**15,738**	**(436)**	**16,174**	**16,054**	**(253)**	**-**	**372**
Taxation	(347)	-	(347)	(168)	(116)	-	(62)
Profit after income tax	**15,391**	**(436)**	**15,827**	**15,886**	**(369)**	**-**	**310**

(i) In the course of the year, the Group realised its receivable in respect of Union Pension Ltd which was previously derecognised as a subsidiary due to the liquidation of the entity and loss of control by the Group.

Condended Statement of financial position

	Group balances	***Consolidation entries***	***Total***	***Bank***	***Union Properties***	***Atlantic Nominees***	***Union Bank UK***
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Cash and cash equivalents	136,194	(1,476)	137,670	35,536	1,476	-	100,658
Non-pledged trading assets	8,323	-	8,323	8,323	-	-	-
Pledged assets	53,430	-	53,430	53,430	-	-	-
Derivative financial instrument	2,747	-	2,747	2,747	-	-	-
Loans and advances to customers	507,190	(5,245)	512,435	489,890	-	-	22,545
Investments in equity-accounted investee	-	-	-	-	-	-	-
Investment securities	181,720	3	181,717	166,759	2,876	-	12,082
Assets held for sale	397	(325)	722	325	-	397	-
Trading properties	2,309	-	2,309	1,124	1,185	-	-
Investment properties	4,347	-	4,347	-	4,347	-	-
Investment in subsidiaries	-	(10,567)	10,567	10,567	-	-	-
Property and equipment	52,800	-	52,800	52,567	20	-	212
Intangible assets	3,374	-	3,374	2,859	-	-	515
Deferred tax assets	95,910	-	95,910	95,875		-	35
Other assets	202,298	(184)	202,481	201,838	86	-	557
Defined benefit asset	1,643		1,643	1,643			
Total assets	1,252,682	(17,794)	1,270,475	1,123,483	9,990	397	136,605
Financed by:							
Derivative financial instruments	13	0	13	13	-	-	-
Deposits from banks	90,266	-	90,266	4,351	-	-	85,915
Deposits from customers	658,444	(1,477)	659,921	633,827	-	-	26,094
Deferred tax liabilities	101	-	101	-	101	-	-
Current tax liabilities	465	-	465	177	288	-	-
Other liabilities	141,404	(3,533)	144,937	141,191	2,225	-	1,521
Retirement benefit obligations	805	-	805	773	32	-	-
Other borrowed funds	89,514	(2,298)	91,812	91,812	-	-	-
Equity and reserves	271,670	(10,486)	282,156	251,339	7,346	397	23,074
Total liabilities	1,252,682	(17,794)	1,270,475	1,123,483	9,990	397	136,604

(b) Condensed results of consolidated entities
(i) The condensed financial data of the continuing operations as at 31 December 2015, are as follows

Condensed statement of comprehensive income

Statement of Comprehensive income	***Group balances***	***Consolidation entries***	***Total***	***Bank***	***UBN Property Company Ltd***	***Union Pension***	***Union Bank UK***
	N million	N million	N million	N million	N million	N million	N million
Operating income	81,850	(3,946)	85,796	83,269	448	-	2,079
Net operating income after net impairment loss	72,606	(4,013)	76,619	74,092	448	-	2,079
		-	-				
Operating Expenses	(58,164)	23	(58,187)	(55,952)	(343)	-	(1,892)
Net impairment loss on financial assets	(9,244)	(67)	(9,177)	(9,177)	-	-	-
Share of profit of equity accounted investees	-		-	-			
Profit before income tax	**14,442**	**(3,990)**	**18,432**	**18,140**	**105**	**-**	**187**
Taxation	(552)	(1)	(551)	(420)	(107)	-	(25)
Profit after income tax	**13,890**	**(3,990)**	**17,880**	**17,720**	**(2)**	**-**	**162**

Condensed Statement of financial position

	Group balances	***Consolidation entries***	***Total***	***Bank***	***UBN Property Company Ltd***	***Union Pension***	***Union Bank UK***
	N million	N million	N million	N million	N million	N million	N million
Cash and cash equivalents	82,252	(10,917)	93,169	54,451	3,264	-	35,454
Pledged assets	84,728	-	84,728	84,728	-	-	-
Derivative financial instrument	1,820	-	1,820	1,820	-	-	-
Loans and advances to customers	366,721	-	366,721	348,984	-	-	17,737
Investments in equity-accounted investee	24	24	-	-	-	-	-
Investment securities	215,137	-	215,137	209,223	-	-	5,914
Assets held for sale	397	72	325	325	-	-	-
Trading properties	3,177	-	3,177	1,124	2,053	-	-
Investment properties	4,546	-	4,546	-	4,546	-	-
Investment in subsidiaries	-	(10,567)	10,567	10,567	-	-	-
Property and equipment	49,772	-	49,772	49,692	11	-	69
Intangible assets	3,749	-	3,749	3,318	-	-	431
Deferred tax assets	95,883	-	95,883	95,875	-	-	8
Other assets	138,686	(94)	138,780	138,030	28	434	289
Total assets	1,046,892	(21,483)	1,068,375	998,137	9,902	434	59,902
Financed by:							
Derivative financial instruments	-	-	-	-	-	-	-
Deposits from banks	44,091	-	44,091	11,800	-	-	32,291
Deposits from customers	570,639	(10,919)	581,558	569,116	-	-	12,442
Current tax liabilities	382	-	382	229	163	-	(10)
Other liabilities	107,533	(80)	107,613	106,035	972	-	605
Retirement benefit obligations	4,267	-	4,267	4,230	37	-	-
Other borrowed funds	76,059	-	76,059	76,059	-	-	-
Liabilities classified as held for sale	-	-	-	-	-	-	-
Equity and reserves	243,921	(10,484)	254,405	230,668	8,730	434	14,574
Total liabilities	1,046,892	(21,483)	1,068,375	998,137	9,902	434	59,902

29 Property and equipment

(a) **Group:**

The movement in these accounts during the year was as follows:

	Land	Buildings	Leasehold improvement	Fixtures and fittings	Furniture & equipment	Motor vehicles	Capital work in progress	Total
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Cost								
Balance at 1st January, 2016	14,267	26,193	8,187	3,052	15,665	3,230	2,181	72,776
Exchange difference	-	-	111	-	113	10	-	235
Additions	12	24	3,966	193	2,614	244	2,074	9,126
Disposals	-	(2,923)	(524)	(27)	(826)	(141)	-	(4,441)
Write off	-	-	-	-	-	-	(24)	(24)
Reclassification to other assets	(200)	-	223	(18)	11	0	(2,642)	(2,627)
Balance as at 31 December 2016	14,079	23,294	11,962	3,201	17,577	3,342	1,589	75,045
Balance at 1st January, 2015	14,100	28,356	6,378	2,613	14,145	3,755	1,361	70,708
Exchange difference	-	-	14	-	13	1	-	28
Additions	167	61	1,804	508	3,272	45	820	6,677
Disposals	-	(2,224)	(9)	(69)	(1,790)	(596)	-	(4,688)
Reclassification from discontinued operatioı	-	-	-	-	25	25	-	50
Balance as at 31 December 2015	14,267	26,193	8,187	3,052	15,665	3,230	2,181	72,775
Depreciation and impairment losses								
Balance at 1st January 2016	200	5,798	1,374	1,167	8,379	3,087	159	20,164
Charge for the year	-	478	181	282	2,765	100	-	3,806
Disposals	-	(422)	(367)	(14)	(788)	(141)	-	(1,732)
Exchange difference	-	-	111	-	69	11	-	191
Reclassifications	(200)	(28)	389	0	(186)	1	(159)	(183)
Balance as at 31 December 2016	-	5,826	1,688	1,435	10,238	3,057	-	22,244
Balance as at 1st January, 2015	2,525	5,809	1,220	965	7,904	3,552	159	22,134
Prior year adjustment (See note 4)	(2,525)	-	-	-	-	-	-	(2,525)
Restated balance as at 01 January, 2015	-	5,809	1,220	965	7,904	3,552	159	19,609
Exchange difference	-	-	10	-	8	1	-	19
Charge for the year	314	489	152	261	2,200	103	-	3,519
Prior year restatement (See (viii) below)	(314)	-	-	-	-	-	-	(314)
Disposals	-	(500)	(8)	(59)	(1,752)	(591)	-	(2,910)
Impairment loss (See (iv) below)	200	-	-	-	-	-	-	200
Reclassification from discontinued operations	-	-	-	-	19	21	-	40
Balance as at 31 December 2015	200	5,798	1,374	1,167	8,379	3,087	159	20,164
(iii) **Net Book Value**								
Balance as at 31 December 2016	**14,079**	**17,468**	**10,274**	**1,766**	**7,339**	**286**	**1,589**	**52,800**
Balance as at 31 December 2015	14,067	20,395	6,813	1,885	7,287	143	2,022	52,611

(iv) In the opinion of the directors, the market value of the Group's property and equipment is not less than the value shown in the financial statements.

(v) Exchange difference relates to the conversion of property and equipments acquired in the overseas office at the rate of exchange ruling at the end of the year.

(vi) Capital work in progress represents construction costs in respect of new offices. On completion of construction, the related amounts are transferred to appropriate categories of property and equipment.

(vii) There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (December 2015: nil)

(viii) In the course of the financial year 2016, the Group separated the cost of land from building and the related accumuluted depreciation on land was reversed in line with the requirements of IAS 16. This led to a reversal of N2.53 billion accumulated depreciation in Jan 2015 and a reversal of depreciation amount of N0.314 billion in the year 2015.

(b) **Bank:**

The movement in these accounts during the year was as follows:

	Land	Buildings	Leasehold improvement	Fixtures and fittings	Furniture & equipment	Motor vehicles	Capital work in progress	Total
(i) **Cost**	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Balance at 1st January 2016	14,267	26,193	7,977	3,052	15,426	3,186	2,181	72,282
Additions	12	24	3,881	193	2,553	224	2,074	8,962
Disposals	-	(2,923)	(204)	(27)	(641)	(141)	-	(3,936)
Reclassifications to other assets	(200)	-	223	(18)	11	-	(2,642)	(2,627)
Write off	-	-	-	-	-	-	(26)	(26)
Balance as at 31 December 2016	**14,079**	**23,294**	**11,877**	**3,200**	**17,349**	**3,268**	**1,587**	**74,655**
Balance at 1st January, 2015	14,100	28,356	6,182	2,613	13,952	3,737	1,361	70,301
Additions	167	61	1,804	508	3,264	45	820	6,669
Disposals	-	(2,224)	(9)	(69)	(1,790)	(596)	-	(4,688)
Balance as at 31 December 2015	14,267	26,193	7,977	3,052	15,426	3,186	2,181	72,282
(ii) **Accumulated depreciation and impairment losses**								
Restated balance at 1st January 2016	200	5,798	1,515	1,167	8,022	3,049	-	19,751
Charge for the year	-	478	178	282	2,745	92	-	3,775
Disposals	-	(422)	(47)	(14)	(629)	(141)	-	(1,253)
Reclassifications	(200)	-	11	-	3	1	-	(186)
Write-off/Adj	-	-	-	-	-	-	-	-
Balance as at 31 December 2016	**-**	**5,854**	**1,657**	**1,435**	**10,141**	**3,001**	**-**	**22,087**
Balance as at 1 January 2015	2,525	5,809	1,390	965	7,594	3,536	-	21,819
Prior year adjustment (See note 4)	(2,525)	-	-	-	-	-	-	(2,525)
Restated Balance as at 1 January 2015	-	5,809	1,390	965	7,594	3,536	-	19,294
Charge for the year	314	489	133	261	2,180	103	-	3,480
Prior year restatement (See (viii) below)	(314)	-	-	-	-	-	-	(314)
Disposals	-	(500)	(8)	(59)	(1,752)	(591)	-	(2,910)
Impairment loss (See (iv) below)	200	-	-	-	-	-	-	200
Restated balance as at 31 December 2015	**200**	**5,798**	**1,515**	**1,167**	**8,022**	**3,049**	**-**	**19,751**
(iii) **Net Book Value**								
Balance as at 31 December 2016	**14,079**	**17,440**	**10,220**	**1,765**	**7,208**	**268**	**1,587**	**52,567**
Balance as at 31 December 2015	14,067	20,395	6,462	1,885	7,404	137	2,181	52,531

(iv) In the opinion of the directors, the market value of the Group's property and equipment is not less than the value shown in the financial statements.

(v) Exchange difference relates to the conversion of property and equipments acquired in the overseas office at the rate of exchange ruling at the end of the year.

(vi) Capital work in progress represents construction costs in respect of new offices. On completion of construction, the related amounts are transferred to appropriate categories of property and

(vii) There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (December 2015: nil)

(viii) In the course of the financial year 2016, the Group separated the cost of land from building and the related accumuluted depreciation on land was reversed in line with the requirements of IAS 16. This led to a reversal of N2.53 billion accumulated depreciation in Jan 2015 and a reversal of depreciation amount of N0.314 billion in the year 2015.

30 Intangible assets

	Group Dec.2016	Group Dec.2015	Bank Dec.2016	Bank Dec.2015
	₦ million	₦ million	₦ million	₦ million
Cost				
Balance, beginning of the year	6,395	4,263	5,314	3,401
Additions	664	2,078	634	1,913
Reclassification	(174)	-	(174)	-
Write off	(193)	-	-	-
Exchange translation difference	-	54	-	-
Balance, end of year	6,693	6,395	5,774	5,314
Amortization and impairment losses				
Balance, beginning of the year	2,646	1,841	1,996	1,330
Amortisation for the year	1,100	772	925	666
Reclassification	(427)	-	(6)	-
Exchange translation difference	-	33	-	-
Balance, end of year	3,319	2,646	2,915	1,996
Carrying amounts as at year end	3,374	3,749	2,859	3,318
Balance as at 1 January	3,749	2,422	3,318	2,071

(i) In the opinion of the directors, the market value of the Group's software is not less than the value shown in the financial statements.

(ii) There were no capitalised borrowing costs related to the acquisition of software during the year (December 2015 : nil)

31 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group

31 December 2016

Deferred tax assets	**Assets**	**Liabilities**	**Net**
	₦ million	₦ million	₦ million
Property, equipment, and software	-	6,746	(6,746)
Allowances for loan losses	-	192	(192)
Foreign exchange gains	573	-	573
Tax loss carry forward	100,630	-	100,630
Others	1,645	-	1,645
Net tax assets (liabilities)	102,848	6,938	95,910

31 December 2016

Deferred tax liabilities	**Liabilities**	**Net**
	₦ million	₦ million
Property, equipment, and software	101	(101)
Net tax assets (liabilities)	101	(101)
Net deferred tax		95,809

31 December 2015

	Assets	**Liabilities**	**Net**
	₦ million	₦ million	₦ million
Property, equipment, and software	-	6,847	(6,847)
Allowances for loan losses	-	192	(192)
Foreign exchange gains	573	-	573
Tax loss carry forward	100,638	-	100,638
Others	1,711	-	1,711
Net tax assets (liabilities)	102,922	7,039	95,883

Bank

31 December 2016

	Assets	Liabilities	Net
	₦ million	₦ million	₦ million
Property, equipment, and software	-	6,847	(6,847)
Allowances for loan losses	-	192	(192)
Foreign exchange gains	573	-	573
Tax loss carry forward	100,630	-	100,630
Others	1,711	-	1,711
Net tax assets (liabilities)	102,914	7,039	95,875

31 December 2015

	Assets	Liabilities	Net
	₦ million	₦ million	₦ million
Property, equipment, and software	-	6,847	(6,847)
Allowances for loan losses	-	192	(192)
Foreign exchange gains	573	-	573
Tax loss carry forward	100,630	-	100,630
Others	1,711	-	1,711
Net tax assets (liabilities)	102,914	7,039	95,875

Deferred tax assets and liabilities

Movement on the net deferred tax assets/(liabilities) account during the year:

	Group Dec.2016	Group Dec.2015	Bank Dec.2016	Bank Dec.2015
	₦ million	₦ million	₦ million	₦ million
Balance, beginning of the year	95,883	95,883	95,875	95,875
Credit for the year	(101)	-	-	-
Translation difference	27	-	-	-
Net deferred tax assets/(liabilities)	95,809	95,883	95,875	95,875
Made up of				
Deferred tax assets	102,848	102,922	102,914	102,914
Deferred tax liabilities	(6,938)	(7,039)	(7,039)	(7,039)

Recognised and unrecognised deferred tax assets

Recognition of deferred tax assets of N95,809 (December 2015: 95,883) is based on management's profit forecasts (which are based on the available evidence, including historical levels of profitability), which indicate that it is probable that the Group's entities will have taxable profits against which these assets can be utilized. As at year end, the Bank and Group have unrecognised deffered tax assets of N75billion (2015: N72 billion).

Additional deferred tax assets have not been recognised because it is not probable that future taxable profit will be available against which the Group can use the benefits.

32 Other assets

	Group Dec.2016	Group Dec.2015	Bank Dec.2016	Bank Dec.2015
	₦ million	N million	N million	N million
Cash Reserve Requirement (see (i))	129,431	102,090	129,431	102,090
Excess CRR balance to be refunded (see (ii))	25,523	25,523	25,523	25,523
Total Cash Reserve Requirement	154,954	127,613	154,954	127,613
Other assets:				
Clearing	744	758	744	758
Accounts receivable	1,558	3,738	1,108	3,244
Prepayments	4,863	3,623	4,863	3,461
Receivable on FX forward (see (iv))	34,061	-	34,061	-
Sundry assets (see (ii))	12,050	9,151	12,040	9,151
	53,276	17,270	52,816	16,614
Impairment on other assets (see (iii))	(5,932)	(6,197)	(5,932)	(6,197)
Net other assets	47,344	11,073	46,884	10,417
	202,298	138,686	201,838	138,030

(i) The Bank had restricted balances of N154.954billion (Dec. 2015: N127.613billion) with the Central Bank of Nigeria (CBN) as at 31 December 2016, representing the cash reserve requirement (CRR). The CRR is a mandatory cash deposit which should be held with the Central Bank of Nigeria as a regulatory requirement.The CRR is non interest bearing and is not available for use in the Group's day-to-day operations. As at the end of 2016, the CRR in force was Public Sector Deposits 22.5% (Dec 2015: 20%) and Private Sector Deposits 22.5% (Dec 2015: 20%).

During the year 2016, the CBN reduced the CRR from 25% to 22.5%. Consequently, the amount of cash reserve refundable to the Bank was N25.5billion at reporting date (Dec. 2015 N25.5).

(ii) **Other Sundry assets**

	Group Dec. 2016	Group Dec.2015	Bank Dec. 2016	Bank Dec.2015
	₦ million	₦ million	₦ million	₦ million
Frauds and losses	1,646	1,620	1,646	1,620
Advance payments for PPE	3,051	1,222	3,051	1,222
Receivable from Union Homes	1,041	1,927	1,041	1,927
Property under dispute	1,247	1,047	1,247	1,047
Garnishee Order	1,300	1,183	1,300	1,183
Status Car loan	570	843	570	843
ATM receivable	941	668	941	668
Dividend Receivable	628	-	628	-
Receivable on electronic transfers	839	270	839	270
Master/Visa card electronic settlement	316	173	316	173
Other account balances	470	198	460	198
Balance, end of year	12,050	9,151	12,040	9,151

(iii) **Movement in impairment on other assets:**

	Group Dec.2016	Group Dec.2015	Bank Dec.2016	Bank Dec.2015
	₦ million	₦ million	₦ million	₦ million
Balance, beginning of the year	6,197	183,510	6,197	183,510
Charge for the year	-	2,097	-	2,097
Allowance written off	(1,241)	(176,799)	(1,241)	(176,799)
Reclassification	(391)	190	(391)	190
Allowance no longer required	(717)	(2,801)	(717)	(2,801)
Allowance reinstated during the year	2,000	-	2,000	-
Effect of exchange rate	83	-	83	-
Balance, end of year	5,932	6,197	5,932	6,197

(iv) **Receivable on FX forward:**

The balance represents the value of foreign currency receivable on forward transaction with Central Bank of Nigeria.

33 Deposits from banks

	Group Dec.2016	Group Dec.2015	Bank Dec.2016	Bank Dec.2015
	₦ million	₦ million	₦ million	₦ million
Money market deposits (See note (i) below)	4,351	11,800	4,351	11,800
Other deposits from banks	85,915	32,291	-	-
	90,266	44,091	4,351	11,800

(i) **Money market deposits**

LCY inter bank takings	-	-	-	-
FCY inter bank takings	4,351	11,800	4,351	11,800
	4,351	11,800	4,351	11,800

34 Deposits from customers

	Group Dec.2016	Group Dec.2015	Bank Dec.2016	Bank Dec.2015
	₦ million	₦ million	₦ million	₦ million
Term deposits	229,596	210,006	224,581	208,205
Current deposits	259,251	214,200	239,649	214,478
Savings	169,597	146,433	169,597	146,433
	658,444	570,639	633,827	569,116

35 Current tax liabilities

	Group Dec.2016	Group Dec.2015	Bank Dec.2016	Bank Dec.2015
	₦ million	₦ million	₦ million	₦ million
Balance, beginning of year	382	822	229	635
Foreign exchange translation difference	(3)	3	-	-
Reclassification	108	-	-	-
Charge for the year	247	552	168	420
Payments during the year	(269)	(1,051)	(220)	(826)
Transfer to assets held for sale	-	56	-	-
Balance, end of year	465	382	177	229

36 Other liabilities

	Group Dec.2016	Group Dec.2015	Bank Dec.2016	Bank Dec.2015
	₦ million	₦ million	₦ million	₦ million
Deposits for foreign currency	48,206	20,564	48,206	20,564
Due to foreign correspondent banks (See note (a) below)	25,152	30,096	28,100	30,096
PAYE and other statutory deductions	1,569	1,121	1,569	1,121
Draft and Bills payable	8,511	8,279	8,511	8,279
Sundry creditors	429	719	429	720
Creditors and accruals (See note (b) below)	22,773	23,979	22,773	23,979
Unearned income	399	327	399	327
Provision for claims and contingencies (See note (c) below)	3,104	2,236	3,104	2,236
Accounts payable	8,800	10,493	5,635	8,995
Provisions for Ex-staff claims	4,272	4,629	4,272	4,629
Insurance premium payable	130	654	130	654
Electronic collections and other e-payment liabilities	5,031	4,221	5,031	4,221
Other credit balances (see note (d) below)	13,028	215	13,032	214
	141,404	107,533	141,191	106,035

(a) Due to foreign correspondent banks comprises of the following: debit balances in Nostro accounts, Nil (December 2015: N7.93bn), and obligations to a foreign correspondent bank in respect of letters of credit, N25.2bn (December 2015: N21.9bn). The letter of credit obligations have been transferred to the Bank's customers and booked as stocking term facilities as at 31 December 2016. The corresponding customers' obligations to the Bank are therefore part of reported loans and advances to customers.

(b) Creditors and accruals is as anlaysed below:

	Group Dec. 2016	Group Dec.2015	Bank Dec. 2016	Bank Dec.2015
	₦ million	₦ million	₦ million	₦ million
Accrual for IT consumables	778	274	778	274
Accruals for professional and consultancy fees	906	569	906	569
Accrual for Industrial Training Fund Levy	224	235	224	235
Accrual for statutory audit fees	-	131	-	131
Accrual for Advertisement	84	131	84	131
Accrual for staff related allowances	3,995	3,057	3,995	3,057
Provision for restitution (see note (45))	4,867	5,632	4,867	5,632
AMCON provision	10,921	13,022	10,921	13,022
Other accruals	997	927	997	927
	22,773	23,979	22,773	23,979

(c) The movement on provision for claims and contingencies during the year was as follows

	Group Dec.2016	Group Dec.2015	Bank Dec.2016	Bank Dec.2015
	₦ million	₦ million	₦ million	₦ million
Balance, beginning of year	2,236	1,844	2,236	1,844
Charge/reversal during the year	868	392	868	392
Reclassification	-	-	-	-
Balance, end of the year	3,104	2,236	3,104	2,236

(d) Other credit balances

	Group Dec.2016	Group Dec.2015	Bank Dec.2016	Bank Dec.2015
Unrealized OTC Futures Recoupable	122	-	122	-
Provision for Audit Fees	131	131	131	131
Vendor retention fee payable	918	63	918	63
E Tranzact Settlement account	155	-	155	-
Franchise Collections	661	-	661	-
AMCON payable	2,789	-	2,789	-
Due To Futures Customers	986	-	986	-
FX Futures Margin Deposit	850	-	850	-
Financial instruments- short position	6,160	-	6,160	-
Others	256	21	260	20
	13,028	215	13,032	214

(d) AMCON provision

The amount represents outstanding balance of the provision made by the bank in 2011 in respect of propable liabilities as part of Financial Accommodation as contained in the AMCON's clawback agreement.

37 Employee benefit obligations

	Group Dec.2016	Group Dec.2015	Bank Dec.2016	Bank Dec.2015
	₦ million	₦ million	₦ million	₦ million
Post employment benefit obligation (see (a) below)	181	3,566	152	3,529
Other long-term employee benefits (see (b) below)	624	701	621	701
	805	4,267	773	4,230

(a) Post employment benefit obligation

	Group Dec.2016	Group Dec.2015	Bank Dec.2016	Bank Dec.2015
	₦ million	₦ million	₦ million	₦ million
Defined contribution scheme (see (i) below)	152	152	152	152
Defined benefit obligation (See (ii) below)	29	3,414	-	3,377
	181	3,566	152	3,529
Defined benefit asset (See (ii) below)	1,643	-	1,643	-
Net defined benefit obligation	1,614	(3,414)	1,643	(3,377)

(i) Defined Contribution Scheme

	Group Dec.2016	Group Dec.2015	Bank Dec.2016	Bank Dec.2015
	₦ million	₦ million	₦ million	₦ million
Balance, beginning of year	152	131	152	131
Charge during the year	722	644	619	644
Contribution remitted during the year	(722)	(623)	(619)	(623)
Balance, end of year	152	152	152	152

The Group and its employees make respective contributions of 10% and 8% of basic salary, housing and transport allowance to each employee's retirement savings account maintained with employees' nominated Pension Fund Administrators.

(ii) Defined benefit obligation

The Group also has a Legacy defined benefits pension scheme for its staff, prior to passage of the Pension Reform Act. Under the scheme, terminal benefits were determined with reference to the employees' salaries upon disengagement. The Group has successfully transferred all such benefits to the Retirement Savings Accounts (RSA) of the affected employees and is being funded by a plan asset. Obligations to affected employees is being actuarially determined annually to determine if the plan assets are adequate to cover the obligations. Funds are transferred to the Pension Fund Administrators of employees where the plan asset is determined to be inadequate.

(iii) The following table shows a reconciliation from opening balances to the closing balances for net defined benefit

Group

	Gross defined benefit		Fair value of plan assets		Net defined Benefit	
	Dec. 2016	Dec.2015	Dec. 2016	Dec.2015	Dec. 2016	Dec.2015
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Balance, beginning of the year	14,232	19,197	(10,818)	(12,517)	3,414	6,680
Included in profit or loss						
Current service costs and interest	1,390	2,572	(1,136)	(1,584)	254	988
	1,390	2,572	(1,136)	(1,584)	254	988
Included in OCI						
Remeasurement of defined benefit obligation	773	-	-	-	773	-
Change in fair value of plan assets	-	-	(883)		(883)	-
Remeasurement of defined benefit obligation	773	-	(883)	-	(110)	-
Others						
Benefits paid by the plan	(1,251)	(7,574)	-	-	(1,251)	(7,574)
Reclassification (See (vii) below)	(3,921)	37	-	-	(3,921)	37
Liquidation of assets	-	-	-	3,283	-	3,283
	(5,172)	(7,537)	-	3,283	(5,172)	(4,254)
Balance, end of year	11,223	14,232	(12,837)	(10,818)	(1,614)	3,414

Bank

	Gross defined benefit		Fair value of plan assets		Net defined Benefit	
	Dec. 2016	Dec.2015	Dec. 2016	Dec.2015	Dec. 2016	Dec.2015
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Balance, beginning of the year	14,195	19,197	(10,818)	(12,517)	3,377	6,680
Included in profit or loss						
Current service costs and interest	1,390	2,572	(1,136)	(1,584)	254	988
	1,390	2,572	(1,136)	(1,584)	254	988
Included in OCI						
Remeasurement of defined benefit obligation	773	-	-	-	773	-
Change in fair value of plan assets	-	-	(883)	-	(883)	-
Remeasurement of defined benefit obligation	773	-	(883)	-	(110)	-
Others						
Benefits paid by the plan	(1,243)	(7,574)	-	-	(1,243)	(7,574)
Reclassification (See (vii) below)	(3,921)	-	-	-	(3,921)	-
Liquidation of assets	-	-	-	3,283	-	3,283
	(5,164)	(7,574)	-	3,283	(5,164)	(4,291)
Balance, end of year	11,194	14,195	(12,837)	(10,818)	(1,643)	3,377

(iv) Plan assets

Plan assets for funded obligations consist of the following

	Group	Group	Bank	Bank
	Dec. 2016	Dec.2015	Dec. 2016	Dec.2015
	₦ million	₦ million	₦ million	₦ million
Cash and bank balances	636	378	636	378
Quoted entities	2,114	2,590	2,114	2,590
Money market investment	207	442	207	442
Private equity	380	493	380	493
Treasury bills	1,673	380	1,673	380
Real Estate	7,829	6,534	7,829	6,534
	12,838	10,818	12,838	10,818

These plan assets are currently being managed by AIICO Pension Manager Limited and Premium Pension Limited and were last revalued during the year ended 31 December 2016 by Messrs. Jide Taiwo & co, a firm of estate surveyors and valuers (FRC No: FRC/2012/0000000000254)

(v) Actuarial assumptions

The following were the principal actuarial assumptions at reporting date (expressed as weighted averages).

	Group	Group	Bank	Bank
	Dec. 2016	Dec.2015	Dec. 2016	Dec.2015
- Discount rate	15.8%	10.5%	15.8%	10.5%
- Average rate of inflation	12%	9%	12%	9%
- Pension increases	0%	0%	0%	0%

(vi) Sensitivty analysis

Reasonably possibility changes at the reporting date to one of the relevant atuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amount shown below

	Movement	Group Dec. 2016	Group Dec.2015	Bank Dec. 2016	Bank Dec.2015
Discount rate	+1%	10,042	13,383	10,042	13,383
	-1%	10,995	15,112	10,995	15,112
Pension Increase Rate	+1%	11,127	15,279	11,127	15,279
	-1%	9,919	13,228	9,919	13,228
Mortality	Future Mortaliy Improvement (2% p.a)	11,007	15,093	11,007	15,093
	Future Mortaliy Improvement (0% p.a)	9,932	13,274	9,932	13,274

Although this analysis does not take account of the full distribution of cash flows expected under the plans, it does provide an approximation of the sensitivity of the assumptions shown.

(vii) Amount reclassified to other liabilities represents the excess of fair value of planned assets over the estimated liabilities. The balance has been warehoused in other liabilities pending a possible reptriation to AMCON upon the termination of the scheme.

(b) Other long-term employee benefits

Other long-term employee benefit represents liability in respect of long service award.

The basis of determining the benefit due to an employee is as stated below:

(i) Less than 5 years of service: 12 weeks total emolument for each completed year of service.
(ii) 5 years but less than 15 years of service: 14 weeks total emolument for each completed year of service.
(iii) 15 years of service and above: 16 weeks total emolument for each completed year of service.

The total emolument is defined as basic salary, housing and transport allowance and lunch subsidy.

(i) The amounts recognised in the statement of financial position are as follows:

	Group Dec.2016 ₦ million	Group Dec.2015 ₦ million	Bank Dec.2016 ₦ million	Bank Dec.2015 ₦ million
Present value of unfunded obligation	624	701	621	701
Present value of funded obligation	-	-	-	-
Total present value of the obligation	624	701	621	701
Fair value of plan assets	-	-	-	-
Present value of net obligation	624	701	621	701
Recognized liability for defined benefit obligations	624	701	621	701

	Group Dec. 2016 ₦ million	Group Dec.2015 ₦ million	Bank Dec. 2016 ₦ million	Bank Dec.2015 ₦ million
Balance, beginning of the year	701	714	701	714
Included in profit or loss				
Current service costs and interest	210	209	207	209
Curtailment	-	(184)	-	(184)
	210	25	207	25
Included in OCI				
Remeasurement of defined benefit obligation	(195)	14	(195)	14
Others				
Benefits paid by long service award plan	(92)	(52)	(92)	(52)
Reclassification to other liabilities	-	-	-	-
	(92)	(52)	(92)	(52)
Balance, end of year	624	701	621	701

(iii) Current service costs and interest

The above expense is recognised as personned expenses, see note 15.

38 Other borrowed funds

	Group Dec.2016 ₦ million	Group Dec.2015 ₦ million	Bank Dec.2016 ₦ million	Bank Dec.2015 ₦ million
Due to CAC (see (a) below)	9,240	10,938	9,240	10,938
BOI on-lending facilities (see note (b) below)	6,286	7,840	6,286	7,840
Other borrowings (see (c) below)	73,988	57,281	76,286	57,281
	89,514	76,059	91,812	76,059

(a) This represents the outstanding balance on an unsecured facility of N18,167,000,000 disbursed by the Central Bank of Nigeria (CBN), as part of its developmental role, in collaboration with the Federal Government of Nigeria represented by the Federal Ministry of Agriculture and Water Resources which established the Commercial Agriculture Credit Scheme for promoting agricultural enterprises in Nigeria. The funds are made available to participating banks at zero cost, for on lending to commercial agricultural enterprises at a maximum rate of 9.00% p.a.

(b) This represents the outstanding balance of an intervention credit granted to the Bank by the Bank of Industry (BOI), a company incorporated in Nigeria for the purpose of refinancing / or restructuring existing loans to Small and Medium Scale Enterprises (SMEs) and manufacturing companies. The total facility is secured by Federal Government of Nigeria securities worth N9.5 billion (Dec. 2015: N18.4 billion) and has a 15-year tenor and repayable quarterly (See note 21).

A management fee of 1% , deductible at source, is paid by the Bank to BOI under the on-lending agreement and the Bank is under obligation to on-lend to customers at an all-in interest rate of 7% per annum. Though the facility is meant for on-lending to borrowers in specified sectors, the Bank remains the primary obligor to the BOI and therefore assumes the risk of default of customers.

(c) Other borrowings consist of the following foreign currency denominated facilities:

	Group Dec.2016 N million	Group Dec.2015 N million	Bank Dec.2016 N million	Bank Dec.2015 N million
Standard Chartered Bank (see note (i) below)	3,422	25,204	3,422	25,204
Afreximbank (see note (ii) below)	49,847	20,073	49,847	20,073
Ecobank EBISA (see note (iii) below)	2,711	1,000	2,711	1,000
ABSA (see note (iv) below)	579	-	579	-
Diamond Bank (UK) Ltd	-	1,403	-	1,403
Mashreq Bank (see note (v) below)	2,624	5,608	2,624	5,608
Union Bank, UK (see note (vi) below)	-	-	2,298	-
African Finance Corporation (see note (vii) below)	11,309	-	11,309	-
UBA New York (see note (viii) below)	1,383	3,993	1,383	3,993
Access Bank Plc (see note (ix) below)	2,113	-	2,113	-
	73,988	57,281	76,286	57,281

(i) Standard Chartered Bank
The amount of N3,422 million (US$11.11million) represents the outstanding balance from a US$100 million amortising facility granted by Standard Chartered Bank in January 28, 2014. Interest is payable quarterly at LIBOR + 4.50% per annum. The outstanding balance of US$11.11 million was due on January 27, 2017.

(ii) Afreximbank
The amount of N49,847 million (US$165.50 million) represents the outstanding balances from two amortising facilities of US$100 million and US$ 75 million granted by African Export - Import Bank on September 23, 2016 and July 29, 2016 respectively. Interest is payable quarterly at LIBOR + 5.50% and LIBOR + 6.10% per annum respectively. Final repayments on these facilities are due September 2017 and March 2021 respectively.

(iii) Ecobank EBISA
The amount of N2,711 million (US$6.50 million) represents a term facility granted by Ecobank Paris on December 30, 2016. Interest is payable at 6% per annum. The facility matured in February 2017.

(iv) ABSA
The amount of N579 million (US$1.89 million) due to ABSA Bank South Africa, represents a facility granted on December 9, 2016. Interest is payable at 4.75% per annum. The facility matured in February 2017.

(v) Mashreq Bank
The amount of N2,624 million (US$8.58 million) is due to Mashreq Bank in respect of a facility availed on December 22, 2016. Interest is payable at LIBOR + 5.0% per annum. Final maturity of April 21, 2017.

(vi) Union Bank, UK
The amount of N2,298 million (US$7.50 million) due to Union Bank UK, represents a facility granted to the Bank on December 9, 2016. Interest is payable at 7.0% per annum. The facility matured in January 17, 2017. This amount has been eliminated upon consolidation.

(vii) African Finance Corporation
The amount of N11,309 million (US$37 million) represents the outstanding balances from two facilities of US$30 million and US$7 million granted by African Finance Corporation on December 23, 2016. Interest is payable at 8.50% on both facilities. Final repayment on both facilities was due on January 5, 2017.

(viii) UBA New York
The amount of N1,383 million (US$4.50 million) is due to UBA New York in respect of a facility availed on May 23, 2016. Interest is payable at 10.924% per annum.

(ix) Access Bank Nigeria
The amount of N2,113 million (US$6.0 million) represents a term borrowing granted by Access Bank Plc on November 21, 2016. Interest is payable at 10% per annum. This amount is to mature on April 3, 2017.

39 Discontinued operations

(a) Profit for the year from discontinued operations

Profit for the year from discontinued operations represents the operating results of subsidiaries held for sale in line with the Bank's Regulation 3 compliance plan to divest from non-banking subsidiaries. Included in discontinued operations in 2015 are the results and balances of Union Trustees Limited and Atlantic Nominees Limited

The profit for the year from discontinued operations comprises:

	Group Dec.2016 ₦ million	Group Dec.2015 ₦ million
Gross income	**-**	**142**
Gross expense	**-**	**(36)**
Interest Income	-	77
Interest Expense	-	-
Net interest income	-	77
Recoveries on credit losses		-
Net interest income after impairment charge for credit losses	-	77
Net fee and commission income	-	64
Other operating income	-	1
Total operating income	-	65
Total non-interest income	-	65
Operating income	-	142
Net impairment loss on financial assets	-	(8)
Net operating income after net impairment loss on financial assets	-	134
Personnel expenses	-	(15)
Other operating expenses	-	(13)
	-	(28)
Profit before tax from discontinued operations	-	106
Income tax expense	-	(9)
Profit from discontinued operations (net of tax)	-	97

(b) Assets classified as held for sale

	Group Dec.2016	Group Dec.2015	Bank Dec.2016	Bank Dec.2015
	₦ million	₦ million	₦ million	₦ million
Investments in subsidiaries	-	-	325	325
Investment properties	188	188	-	-
Other assets	209	209	-	-
	397	397	325	325

In the opinion of the Directors, assets held for sale have been recognised at the lower of their carrying amount and fair value less costs to sell.

Condensed statement of financial position for discontinued operations

Statement of financial position		***Atlantic Nominee***	***Total***
		₦ million	₦ million
ASSETS			
Investment properties		188	188
Other assets		209	209
TOTAL ASSETS	-	397	397

40 Capital and reserves

Share capital	Group Dec.2016	Group Dec.2015	Bank Dec.2016	Bank Dec.2015
	₦ million	₦ million	₦ million	₦ million
(a) Authorised : 19,023,125,000 Ordinary shares of 50 kobo each	9,512	9,512	9,512	9,512

In 2014, the Shareholders gave the Board of Directors approval to set aside up to 570,693,750 ordinary shares of 50kobo each from the Bank's unissued ordinary shares, representing three percent (3%) of authorized share capital, to fund an Employee Share Incentive Scheme and to give effect to the Scheme on such terms and subject to such conditions, as the Board may from time to time deem fit. See Note 15 (i) for the position as at year end.

	Group Dec.2016	Group Dec. 2014	Bank Dec.2016	Bank Dec. 2014
	₦ million	₦ million	₦ million	₦ million
(b) Issued and fully paid - 16,935,806,471 Ordinary shares of 50kobo each	8,468	8,468	8,468	8,468

	Group Dec.2016	Group Dec. 2014	Bank Dec.2016	Bank Dec. 2014
	₦ million	₦ million	₦ million	₦ million
Balance, beginning of year	8,468	8,468	8,468	8,468
Balance, end of year	8,468	8,468	8,468	8,468

(c) Share premium

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

	Group Dec.2016	Group Dec. 2015	Bank Dec.2016	Bank Dec. 2015
	₦ million	₦ million	₦ million	₦ million
Balance, beginning of year	391,641	391,641	391,641	391,641
Balance, end of year	391,641	391,641	391,641	391,641
Share capital and share premium	**400,109**	**400,109**	**400,109**	**400,109**

(d) Other reserves

The other reserves include Statutory reserves, Fair value reserve, Regulatory risk reserves, Small and Medium Scale Industries Reserve (SMEEIS) and Capital reserve.

	Group Dec.2016	Group Dec. 2015	Bank Dec.2016	Bank Dec. 2015
	₦ million	₦ million	₦ million	₦ million
Statutory reserves (See note (i) below)	24,445	22,062	24,445	22,062
Fair value reserve(See note (ii) below)	34,832	33,050	33,579	32,240
Regulatory risk reserve (See note (iii) below)	38,869	23,876	38,869	23,876
Share based payment reserve (See note (ix) below)	147	-	147	-
Other reserves:				
- Translation reserve (See note (iv) below)	12,177	4,431	1,895	1,895
- Excess clawback reserves (See note (v) below)	(14,918)	(14,918)	(14,918)	(14,918)
- SMEEIES reserve (See note (vi) below)	6,774	6,774	6,774	6,774
- Capital reserve (See note (vii) below)	5,489	5,589	5,489	5,489
- Equity component of employee benefit remeasurement (See note (vii) below)	2,818	2,513	2,818	2,513
	12,340	4,389	2,058	1,753
	110,633	83,377	99,098	79,931

(e) Capital raising.

During the year, Management obtained the approval of the Directors and Shareholders to raise additional capital of up to N50billion by way of a Rights Issue. Following shareholder approval, the Board has approved the appointment of professional parties , who have commenced preliminary steps towards the Rights Issue. The issue is expected to open in quarter 2, 2017.

(i) Statutory reserves
Nigerian banking regulations require the Bank to make an annual appropriation to a statutory reserve. As stipulated by S.16(1) of the Banks and Other Financial Institution Act of Nigeria, an appropriation of 30% of profit after tax is made if the statutory reserve is less than paid-up share capital and 15% of profit after tax if the statutory reserve is greater than the paid up share capital. The Bank made a transfer of N2.38bn to statutory reseves during the year ended 31 Dec 2016 (2015: N2.54bn).

(ii) Fair value reserve

The fair value reserve includes the net cumulative change in the fair value of available-for-sale investments securities recognised in other comprehensive income.

(iii) Regulatory risk reserve

The regulatory risk reserve warehouses the difference between the impairment on loans and advances computed under Nigeria GAAP based on the Central Bank of Nigeria prudential guidelines and provisions specified by the central banks of foreign subsidiaries, compared with the incurred loss model used in calculating the impairment under IFRSs.

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

(v) Excess Capital Clawback
Under the recapitalisation plan of the Bank executed in 2011, the Asset Management Corporation of Nigeria (AMCON) provided Financial Accommodation to bring the Bank's Completion Net Assets Value (NAV) to zero.

The Financial Accommodation provided by AMCON exceeded the Bank's Completion NAV of zero, calculated as at 31 December 2011, by N14.918 billion. This excess amount was refunded to AMCON during the year ended 31 December,2012 and recognised as a reserve.

(vi) Small and Medium Scale Industries Reserve (SMEEIS):
The SMEEIS reserve is maintained to comply with the Central Bank of Nigeria (CBN) requirement that all licensed banks set aside a portion of the profit after tax in a fund to be used to finance equity investment in qualifying small and medium scale enterprises. Under the terms of the guideline (amended by CBN letter dated 11 July 2006), the contribution was 10% of profit after tax for the first 5 years , and thereafter reduced to 5% of profit after tax. However, this is no longer mandatory and therefore no reserve was made during the year ended 31 Dec 2016. The reserve is non-distributable.

(vii) Capital reserve
Capital reserve warehouses the nominal value of shares cancelled during the capital reconstruction exercise that occurred during the financial year ended April 2015.

(viii) Equity component of employee benefit remeasurement
This reserve warehouses the equity component of remesurement of defined benefit liability/(assets)

(ix) Share based payment reserve
This represents the provision for liabilities under the equity settled portion of the Group's shares incentive scheme which enables key management personnel to benefit from the performance of the Group

(e) Accumulated deficit
Retained deficit represents the carried forward income net of expenses plus current year profit attributable to Group's shareholders.

41 Non-controlling interest

Movement in the non controlling interest	Group Dec.2016 ₦ million	Group Dec. 2015 ₦ million
Balance, beginning of year/year	5,337	5,338
Profit/(loss) for the year	(226)	(1)
Balance, end of year/year	5,111	5,337

42 Contingencies

(a) Litigations and claims

(i) The Group in the ordinary course of business is currently involved in 801 litigation cases (December 2015: 760 cases). The total amount claimed in the cases against the Bank is estimated at N152.96 billion (December 2015: N297.03 billion) , while the total amount claimed in cases instituted by the Bank is N37.62 billion (December 2015: N10.26 billion). A total provision of N3.10 billion (December 2015: N2.23 billion) has been made based on the advice of professional legal counsel. The actions are being vigorously contested and the Directors are of the opinion that no significant liability will arise therefrom in excess of the provision that has been made in the financial statements.

(ii) There are four (4) cases with total claims of N2.840 trillion of which judgment was awarded against the Bank in conjunction with other parties and provisions were not recognised in the financial statements. Management is of the view that a high level of success is expected at the Court of Appeal based on professional legal advice and that the likelihood of outflow of economic resource is considered remote.
The Directors are of the opinion that none of the aforementioned cases is likely to have a material adverse effect on the Bank and are not aware of any other pending or threatened claims and litigations besides those included in the above number.

(b) Provision Clawback

Under a Clawback Rights Agreement (CRA) executed among the Bank, Union Global Partners Limited (UGPL) and Asset Management Corporation of Nigeria (AMCON) as part of the recapitalisation program of the Bank, where specified provisions that were in the books of the Bank as at 31 December 2011 do not crystalise and/or are not utilised in settlement of intended obligations within 5 years from December 2011, the extent of the provisions which do not crystalise and/or are not utilised shall be refunded to AMCON. The refund is on the ground that the Financial Accomodation provided by AMCON to bring the Bank's Completion Net Assets Value (NAV) to zero funded those provisions. As at 31 December 2016, the outstanding balance of the retained excess provision is N5,126,911,458 (December 2015: N6,155,644,268). During the year, the Bank recognised a total interest expense of N805,187,161.58 (2015: N955,347,887.20) on the retained excess provision. (See Note 9(b))

43 Acceptances, bonds, guarantees and other obligations for the account of customers

In common with other banks, the Group conducts business involving acceptances, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties. Contingent liabilities and commitments comprise performance bonds, acceptances, guarantees and letters of credit.

In the normal course of business, the Group is a party to financial instruments with off-balance sheet risks. These instruments are issued to meet the credit and other financial requirements of customers. The total off-balance sheet assets for the Group was N320.15 billion (December 2015: N133.90 billion).

The following tables summarise the nominal principal amount of contingent liabilities and commitments with off-financial position risk:

	Group Dec.2016	Group Dec. 2015	Bank Dec.2016	Bank Dec. 2015
	₦ million	₦ million	₦ million	₦ million
Performance bonds and guarantees	62,309	46,608	62,309	46,608
Letters of credit	155,888	55,014	155,888	55,014
Fx-Sold Spot	101,953	32,279	101,953	32,279
	320,150	133,901	320,150	133,901

44 Customers' complaints

The Bank in its ordinary course of business received 73,093 complaints (2015: 24,984) during the year ended December 31, 2016. The details of the complaints are illustrated in the table below:

Description	**Dec.2016**	**Dec. 2015**
Pending complaints brought forward	224	100
Complaints received	73,093	24,984
Complaints resolved	71,898	24,860
Unresolved complaints escalated to CBN	-	-
Unresolved complaints carried forward	1,419	224

The total amount in respect of complaints resolved was N4,282,597,206.52 (2015: N4,662,902,499.99) while the total disputed amount in cases which remain unresolved stood at N3,703,852,172.54 (2015: N422,661,892.73). No complaints were referred to the Central Bank of Nigeria (CBN) for intervention during the year (2015: nil).

The Directors are of the opinion that these outstanding complaints will be ultimately resolved. The Bank has a total provision of N3.748 billion (2015: N5.63 billion) for these complaints.

45 Related party transactions

A number of transactions are entered into with related parties in the normal course of business. These include loans, deposits, placements and off balance sheet transactions. The volumes of related-party transactions, outstanding balances at the year-end was as follows:

(i) Parent

The parent company, which is also the ultimate parent company, is Union Bank Plc of Nigeria.

(ii) Subsidiaries

Transactions between Union Bank of Nigeria Plc and its subsidiaries also meet the definition of related party transactions.
Where these are eliminated on consolidation, they are not disclosed in the consolidated financial statements.
Subsidiary companies of Union Bank of Nigeria Plc were as follows:

Name of entities
UBN Property Company Limited
Union Bank UK Plc

(iii) **Key management personnel**

The Group's key management personnel, and persons connected with them, are also considered to be related parties for disclosure purposes. The definition of key management personnel includes close members of family of key personnel and any entity over which key management personnel exercises control. The key management personnel have been identified as the executive and non-executive directors of the Group and other relevant senior management personnel. Close members of family are those family members who may be expected to influence, or be influenced by that individual in their dealings with the Bank and its subsidiaries.

(b) Transactions with related parties are as follows

31 December 2016
In million naira

Entity	Relationship	Loan	Deposits	Other liabilities (Letters of credit financing)	Other borrowed funds	Interest Paid	Interest Received
UBN Property Company Limited	Subsidiary	-	1,476			198	-
Union Bank UK Plc	Subsidiary	-	-	2,948	2,298	249	-
Directors and relations	Key Mgt. Personnel	35,384	279	-	-	16	7

31 December 2015
In million naira

Entity	Relationship	Loan	Deposits	Other liabilities (Letters of credit financing)	Other borrowed funds	Interest Paid	Interest Received
UBN Property Company Limited	Subsidiary	-	3,451	-	-	271	-
Union Bank UK Plc	Subsidiary	-	-	4,951	-	137	-
Directors and relations	Key Mgt. Personnel	23,844	201	-	-	3	6

The status of performance of each facility as at 31 December 2016 is as shown below:

Secured loans and advances

Borrower	*Relationship*	*Facility Type*	*Amount*	*Status*
			₦ million	
Accugas Limited	Former Director - Adeyemi Osindero/	Fcy Term Loan	14,876	Performing
Notore Chemicals Industries Ltd	Former Director - Onajite Okoloko	Fcy Term Loan	485	Performing
Notore Chemicals Industries Ltd	Former Director - Onajite Okoloko	Stocking term facility	499	Performing
Notore Chemicals Industries Ltd	Former Director - Onajite Okoloko	Term Loan	7,609	Performing
PNG Gas Ltd	Chairman - Cyril	Term Loan	4,000	Performing
PNG Gas Ltd	Chairman - Cyril Odu	Financial Guarantee	800	Performing
Sonola Bankole	Executive Director	Term Loan	104	Performing
Godson Chukwuemeka Okonkwo	Executive Director	Term Loan	108	Performing
Adewale Oyinkansade	Executive Director	Mortgage Loan	33	Performing
Swift Networks Ltd	Non-Executive Directors - Richard	Term Loan	2,453	Performing
Swift Networks Ltd	Non-Executive Directors - Richard Kramer	Financial Guarantee	4,118	Performing
Swift Networks Ltd	Non-Executive Directors - Richard	Overdraft	300	Performing
			35,384	

Key management personnel compensation for the year comprises:

	Dec. 2016	Dec. 2015
	₦ million	₦ million
Salaries, short term benefits and pensions	763	662
Share-based payment	147	-
Other allowances and benefits	14	14
Fees as directors	280	270
	1,204	946

Directors' Remuneration

(i) Directors' remuneration excluding pension contribution and certain benefits was provided as follows:

	Group Dec. 2016	Group Dec. 2015	Bank Dec. 2016	Bank Dec. 2015
	₦ million	₦ million	₦ million	₦ million
Fees as directors	280	270	280	270
Other allowance and benefits	161	14	161	14
	441	284	441	284
Executive compensation	763	662	763	662
	1,204	946	1,204	946

(ii) The directors'remuneration shown above includes

	Group Dec. 2016	Group Dec. 2015	Bank Dec. 2016	Bank Dec. 2015
	N million	N million	N million	N million
Chairman	30	27	30	27
Highest paid director	166	170	166	170

(iii) The number of directors who received fees and other emoluments (excluding pension contributions) in the following ranges were:

	Bank Dec. 2016	Bank Dec. 2015
N20,000,000 - N30,000,000	10	12
N30,000,001 - N40,000,000	1	-
N40,000,001 - N50,000,000	-	-
N50,000,001 - N100,000,000	5	7
N100,000,001 - N200,000,000	1	1
N200,000,001 - N400,000,000	-	-
	17	20

Employees

The average number of persons employed during the year was as follows:

	Bank Dec. 2016	Bank Dec. 2015
Executive directors		
Management	44	48
Non-management	2,659	2,581
	2,703	2,629

The number of employees of the Group, other than directors, who received emoluments in the following ranges (excluding pension contributions and other benefits) were:

	Bank Dec. 2016	Bank Dec. 2015
N1,000,000 - N1,500,000	7	7
N1,500,001 - N2,000,000	3	4
N2,000,001 - N2,500,000	-	-
N2,500,001 - N3,000,000	-	-
N3,000,001 - N3,500,000	862	720
N3,500,001 - N4,000,000	-	-
N4,000,001 - N4,500,000	-	-
N4,500,001 - N5,000,000	743	786
Above N5,000,000	1,088	1,112
	2,703	2,629

46 Compliance with banking regulations

Details of the banking regulations which the Bank contravened during the year and penalties paid were as follows: (31 December 2015: N46 million)

	Regulator/ Banking Legislation	Nature of transaction	Dec. 2016
			₦ million
a)	CBN CIRCULAR: BSD/9/2004	Re CBN circulars on Large Exposure and Connected Lending	2.00
b)	SECTION 20(2)F OF BOFIA 1991	Re CBN circular on disposal of property	2.00
c)	SECTION 64(1) OF BOFIA, 1991	Failure to provide footages and journal readings in accordance with Standards and Guidelines on ATM Operations in Nigeria	2.00
d)	DIRECT DEBIT FROM CBN	Late disbursement of funds to a customer under CACS Scheme	2.17
e)	DIR/BSD/MEG/DMB/FOREX/VOL.1/004	Re Forex Examination 1st October 2014 to March 2015	6.00
f)	BSD/AML/CON/UBN/02/003	Non appointment of Chief Compliance Officer by July 31 2016	2.00
g)	BSD/BCS/CON/UBN/04/199	CBN intervention for the release of original title document of a loan customer	2.00
h)	BSD/AML/CON/UBN/02/015	Non appointment of Chief Compliance Officer by Aug 31 2016	2.00
i)	SEC/FS&CG/D&C/UBN/9-2/2016	Non-Filing of Q4 2015 unaudited accounts	5.55
j)	BSD/MEG/UNION/FOREX/VOL.01/005	Non repatriation of export proceeds	2.00
			27.72

47 The following table shows the analysis of the Group's financial assets and liabilities and on the basis of their current/ non-current classification.

Group		31 December 2016			31 December 2015		
	Note	Carrying	Current	Non- current	Carrying	Current	Non- current
		₦ million	₦ million	₦ million	N million	N million	N million
ASSETS							
Cash and cash equivalents	19	136,194	136,194	-	82,252	82,252	-
Non-pledged trading assets	20	8,323	8,323	-	-	-	-
Pledged assets	21	53,430	26,544	26,886	84,728	26,975	57,753
Derivative assets held for risk management	22	2,747	2,747	-	1,820	1,820	-
Loans and advances to customers	23	507,190	317,843	189,347	366,721	144,768	221,953
Investments in equity accounted investee	24	-	-	-	24	-	24
Investment securities	25	181,720	118,543	63,177	215,137	150,785	64,352
Trading properties	26	2,309	-	2,309	3,177	-	3,177
Investment properties	27	4,347	-	4,347	4,546	-	4,546
Investment in subsidiaries	28	-	-	-	-	-	-
Property and equipment	29	52,800	-	52,800	52,611	3,519	46,253
Intangible assets	30	3,374	1,100	2,274	3,749	772	2,977
Deferred tax assets	31	95,910	-	95,910	95,883	-	95,883
Other assets	32	202,298	76,497	125,801	138,686	11,073	127,613
Defined benefit assets	38	1,643	-	1,643	-	-	-
		1,252,285	687,791	564,494	1,049,334	421,964	624,531
Assets classified as held for sale	39(b)	397	397	-	397	397	-
TOTAL ASSETS		1,252,682	688,188	564,494	1,049,731	422,361	624,531

Group

		31 December 2016			31 December 2015		
		Carrying amount	Current	Non- current	Carrying amount	Current	Non- current
		₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
LIABILITIES							
Derivative liabilities held for risk management		13	13	-	-	-	-
Deposits from banks	33	90,266	88,822	1,444	44,091	44,091	-
Deposits from customers	34	658,444	658,258	186	570,639	570,566	73
Current tax liabilities	35	465	465	-	382	382	-
Other liabilities	36	141,404	112,060	29,344	107,533	84,446	23,087
Retirement benefit obligations	37	805	181	624	4,267	3,566	701
Other borrowed funds	38	89,514	62,420	27,094	76,059	59,173	16,886
		981,012	922,218	58,693	802,971	762,225	40,746
Liabilities classified as held for sale	39(c)	-	-	-	-	-	-
TOTAL LIABILITIES		981,012	922,218	58,693	802,971	762,225	40,746

Bank

		31 December 2016			31 December 2015		
		Carrying amount	Current	Non- current	Carrying amount	Current	Non- current
		₦ million	₦ million	₦ million	N million	N million	N million
ASSETS							
Cash and cash equivalents	19	35,536	35,536	-	54,451	54,451	-
Non-pledged trading assets	20	8,323	8,323	-	-	-	-
Pledged assets	21	53,430	26,544	26,886	84,728	61,890	22,838
Derivative assets held for risk management	22	2,747	2,747	-	1,820	1,820	-
Loans and advances to customers	23	489,890	312,945	176,945	348,984	142,582	206,402
Investments in equity accounted investee	24	-	-	-	-	-	-
Investment securities	25	166,759	106,323	60,436	209,223	146,371	62,852
Trading properties	26	1,124	-	1,124	1,124	-	1,124
Investment in subsidiaries	28	10,567	-	10,567	10,567	-	10,567
Property and equipment	29	52,567	-	52,567	49,692	-	49,692
Intangible assets	30	2,859	-	2,859	3,318	389	2,929
Deferred tax assets	31	95,875	-	95,875	95,875	-	95,875
Other assets	32	201,838	76,487	125,351	138,030	8,434	129,596
		1,121,515	568,904	552,611	997,812	415,937	581,875
Assets classified as held for sale	39(b)	325	325	-	325	325	-
TOTAL ASSETS		1,121,840	569,229	552,611	998,137	416,262	581,875
LIABILITIES							
Deposits from banks	33	4,351	4,351	-	11,800	11,800	-
Deposits from customers	34	633,827	633,775	52	569,116	569,106	10
Current tax liabilities	35	177	177	-	229	229	-
Other liabilities	36	141,191	111,843	29,348	106,035	84,444	21,591
Retirement benefit obligations	37	773	152	621	4,230	3,529	701
Other borrowed funds	38	91,812	64,718	27,094	76,059	59,173	16,886
		872,131	815,016	57,115	767,469	728,282	39,187

48 Reconciliation notes to consolidated and separate statement of cashflows

		Group 31 Dec 2016	Group 31 Dec 2015	Bank 31 Dec 2016	Bank 31 Dec 2015
		N million	N million	N million	N million
(i)	***Change in non-pledged trading assets***				
	Opening balance for the year	-	745	-	745
	Closing balance for the year	(8,323)	-	(8,323)	-
	Total changes in non-pledged trading assets	(8,323)	745	(8,323)	745
(ii)	***Change in pledged assets***				
	Opening balance for the year	84,728	83,935	84,728	83,935
	Closing balance for the year	(53,430)	(84,728)	(53,430)	(84,728)
	Total changes in pledged assets	31,298	(793)	31,298	(793)
(iii)	***Change in loans and advances to customers***				
	Opening balance for the year	366,721	312,797	348,984	302,372
	Specific impairment charge during the year (see note 23)	(17,925)	(18,228)	(17,891)	(18,228)
	Net portfolio (impairment)/writeback (see note 23)	(3,234)	3,156	(3,172)	3,223
	Recoveries on loans and advances	1,297	1,646	1,297	1,646
	Reversal of impairment on other assets	3,280	3,478	3,280	3,478
	Closing balance for the year	(507,190)	(366,721)	(489,890)	(348,984)
	Total changes in loans and advances to customers	(157,051)	(63,872)	(157,392)	(56,493)
(iv)	***Change in other assets***				
	Opening balance for the year	138,686	122,547	138,030	121,810
	Impairment charges recognised in profit or loss (note 14(b))	717	(2,097)	717	(2,097)
	Reclassification of property and equipments	2,443	-	2,440	-
	Reclassification of intangible assets	(253)	-	168	-
	Other non-cash adjustments	(2,638)	(190)	(2,204)	-
	Closing balance for the year	(202,298)	(138,686)	(201,838)	(138,030)
	Total changes in other assets	(63,343)	(18,426)	(62,686)	(18,317)
(v)	***Change in derivative financial instruments - assets***				
	Opening balance for the year	1,820	7	1,820	-
	Closing balance for the year	(2,747)	(1,820)	(2,747)	(1,820)
	Changes on derivative instruments - assets	(927)	(1,813)	(927)	(1,820)
	Change in derivative financial instruments - liabilities				
	Opening balance for the year	-	(7)	-	-
	Closing balance for the year	13	-	13	-
	Changes on derivative instruments - liabilities	13	(7)	13	-
(vi)	***Change in deposits from banks***				
	Opening balance for the year	(44,091)	(61,890)	(11,800)	(18,055)
	Closing balance for the year	90,266	44,091	4,351	11,800
	Total changes in deposits from banks	46,175	(17,799)	(7,449)	(6,255)
(vii)	***Change in deposits from customers***				
	Opening balance for the year	(570,639)	(527,617)	(569,116)	(507,431)
	Closing balance for the year	658,444	570,639	633,827	569,116
	Total changes in deposits from customers	87,805	43,022	64,711	61,685
(viii)	***Change in other liabilities***				
	Opening balance for the year	(107,533)	(103,580)	(106,035)	(103,181)
	Adjustment for non-cash items	(4,283)	4,461	(3,772)	-
	Closing balance for the year	141,404	107,533	141,191	106,035
	Total changes in other liabilities	29,588	8,414	31,384	2,854

(ix)	***Payment from defined benefit plan***				
	Benefits paid on defined benefit obligations (see note 37)	(1,251)	(7,574)	(1,243)	(7,574)
	Benefits paid on long service award obligation (see note 37)	(92)	(52)	(92)	(52)
		(1,343)	(7,626)	(1,335)	(7,626)
(x)	***Proceeds from sale of trading properties***				
	Gain on disposal of trading properties (See Note 13)	90	728	-	728
	Cost of trading properties disposed (Note 26)	868	806	-	806
	Proceeds from sale of trading properties	958	1,534	-	1,534
(xi)	***Proceeds from sale of property and equipment***				
	Gain on disposal of property and equipment (See Note 13)	2,562	1,660	2,562	1,660
	Cost of PPE disposed (Note 29)	4,441	4,688	3,936	4,688
	Accumulated depreciation of PPE disposed (Note 29)	(1,732)	(2,910)	(1,253)	(2,910)
	Proceeds from sale of property and equipment	5,271	3,438	5,245	3,438
(xii)	***Net proceed from disposal of subsidiaries***				
	Sales proceed from disposal of subsidiaries (See note 13b)	3,040	3,649	3,040	3,649
	Cost incurred on disposal (See note 13b)	(34)	(53)	(34)	(53)
	Net proceed from disposal of subsidiaries	3,006	3,596	3,006	3,596
(xiii)	***Proceed/(acquisition) of investment securities***				
	Opening balance for the year	215,137	197,200	209,223	193,656
	Fair value gain on available for sale investment	1,939	7,400	1,495	7,679
	Non-cash related adjustments	-	2,801	-	2,801
	Gain on investment disposed during the year	297	193	297	193
	Proceeds/(acquisition) of investment securities	(35,653)	7,543	(44,256)	4,894
	Closing balance for the year	181,720	215,137	166,759	209,223
(xiv)	***Movements in borrowings***				
	Opening balance for the year	76,059	78,135	76,059	78,135
	Total cash inflows from borrowings	47,784	39,685	47,784	39,685
	Total repayments of borrowed funds	(34,329)	(41,761)	(32,031)	(41,761)
	Closing balance for the year (See Note 38)	89,514	76,059	91,812	76,059

Other national Information

Other national disclosure
Value Added Statement
For the year ended 31 Dec 2016

Group:

	Dec. 2016 ₦ million	%	Dec. 2015 ₦ million	%
Gross earnings	126,590		117,211	
Group share of associate's profit	-		-	
Interest expenses	(32,963)		(35,219)	
	93,627		81,992	
Net impairment loss on financial assets	(15,889)		(9,252)	
	77,738		72,740	
Bought in materials and services	(25,860)		(23,851)	
Value added	51,878	100	48,889	100
Distribution:				
Employee				
- Employees as personnel expenses	31,234	60	30,041	61
Government				
- Taxation	347	1	561	1
Retained in the Group				
- For replacement of property and equipment and intangible assets	4,906	9	3,986	8
- Profit for the year (including non controlling interests)	15,391	30	14,301	29
	51,878	100	48,889	100

Bank:

	Dec. 2016 ₦ million	%	Dec. 2015 ₦ million	%
Gross earnings	123,455		118,366	
Interest expenses	(32,869)		(35,097)	
	90,586		83,269	
Net impairment loss on financial assets	(15,769)		(9,177)	
	74,817		74,092	
Bought in materials and services	(24,436)		(23,051)	
Value added	50,381	100	51,041	100
Distribution:				
Employee				
- Employees as personnel expenses	29,628	59	28,755	56
Government				
- Taxation	168	0	420	1
Retained in the Group				
- For replacement of property and equipment and intangible assets	4,700	9	3,831	8
- Profit for the year	15,885	32	18,035	35
	50,381	100	51,041	100

Other national disclosure
Financial summary
For the year ended 31 December 2016
Group

STATEMENT OF FINANCIAL POSITION	Dec. 2016	Dec. 2015	Dec. 2014	Dec. 2013	Dec. 2012
	₦ million	₦ million	₦ million	₦ million	₦ million
ASSETS					
Cash and cash equivalents	136,194	82,252	121,960	100,925	200,260
Non-pledged trading assets	8,323	-	745	2,847	1,895
Pledged assets	53,430	84,728	83,935	65,167	44,503
Derivative assets held for risk management	2,747	1,820	7	-	78
Loans and advances to customers	507,190	366,721	312,797	229,542	156,375
Investments in equity-accounted investee	-	24	24	25	5,557
Investment securities	181,720	215,137	197,200	289,353	313,754
Trading properties	2,309	3,177	1,930	4,747	6,971
Investment properties	4,347	4,546	-	16,413	19,296
Property and equipment	52,800	52,611	51,100	44,581	48,466
Intangible assets	3,374	3,749	2,422	808	921
Deferred tax assets	95,910	95,883	95,883	95,889	95,349
Other assets	202,298	138,686	122,547	100,069	121,297
Defined benefit assets	1,643	-	-	-	-
Assets classified as held for sale	397	397	20,426	51,684	84
	1,252,682	**1,049,731**	**1,010,976**	**1,002,050**	**1,014,806**
LIABILITIES					
Share capital	8,468	8,468	8,468	8,468	8,468
Share premium	391,641	391,641	391,641	391,641	391,641
Reserves	(133,550)	(158,686)	(181,394)	(208,634)	(226,762)
Non-controlling interest	5,111	5,337	5,338	7,162	4,979
Derivative financial instrument	13	-	7	-	78
Deposits from banks	90,266	44,091	61,890	46,794	45,112
Deposits from customers	658,444	570,639	527,617	482,706	522,443
Liability on investment contract	-	-	-	-	803
Liability on insurance contract	-	-	-	-	2,691
Current tax liabilities	465	382	822	534	2,317
Other liabilities	141,404	107,533	103,580	143,803	178,587
Retirement benefit obligations	805	4,267	7,525	22,864	49,886
Other borrowed funds	89,514	76,059	78,135	45,280	34,564
Liabilities included in discontinued operations	-	-	7,347	61,432	-
	1,252,581	**1,049,731**	**1,010,976**	**1,002,050**	**1,014,806**

STATEMENT OF COMPREHENSIVE INCOME	Dec. 2016	Dec. 2015	Dec. 2014	Dec. 2013	Dec. 2012
	₦ million	₦ million	₦ million	₦ million	₦ million
Net operating income	93,627	81,850	96,195	79,662	79,079
Group share of associates' profits	-	-	(6)	(4)	34
Impairment losses on financial assets	(15,889)	(9,244)	(9,651)	(15,736)	(1,767)
	77,738	72,606	86,538	63,922	77,346
Operating expenses	(62,000)	(57,850)	(59,419)	(58,593)	(73,004)
Profit before tax	**15,738**	**14,756**	**27,119**	**5,329**	**4,342**
Taxation	(347)	(552)	(434)	933	(391)
Profit after tax	**15,391**	**14,204**	**26,685**	**6,262**	**3,951**
Profit for the year from discontinued operations	-	-	140	(2,426)	(2,764)
Profit for the year	15,391	14,204	26,825	3,836	1,187
Non-controlling interest	(226)	(1)	1,198	(1,621)	(2,947)
Profit attributable to equity holders	**15,617**	**14,205**	**25,627**	**5,457**	**4,134**
Earnings/(Loss) per share (basic)	92k	84k	151k	32k	24k
Earnings/(Loss) per share (adjusted)	91k	83k	158k	32k	24k

Other national disclosure
Financial summary

Bank

STATEMENT OF FINANCIAL POSITION	Dec. 2016	Dec. 2015	Dec. 2014	Dec. 2013	Dec. 2012
	₦ million	₦ million	₦ million	₦ million	₦ million
ASSETS					
Cash and cash equivalents	35,536	54,451	58,457	53,141	142,938
Non-pledged trading assets	8,323	-	745	2,847	867
Pledged assets	53,430	84,728	83,935	65,167	44,503
Derivative assets held for risk management	2,747	1,820	-	-	-
Loans and advances to customers	489,890	348,984	302,372	210,118	136,982
Investments in equity-accounted investee	-	-	-	16	91
Investment securities	166,759	209,223	193,656	290,377	280,449
Assets classified as held for sale	325	325	2,525	2,374	84
Trading properties	1,124	1,124	1,930	1,930	2,282
Investment in subsidiaries	10,567	10,567	8,372	12,892	17,445
Property and equipment	52,567	52,531	51,007	44,405	45,137
Intangible assets	2,859	3,318	2,071	685	522
Deferred tax assets	95,875	95,875	95,875	95,875	95,875
Other assets	201,838	138,030	121,810	101,564	119,293
Defined benefit assets	1,643	-	-	-	-
	1,123,483	**1,000,976**	**922,755**	**881,391**	**886,468**
LIABILITIES					
Share capital	8,468	8,468	8,468	8,468	8,468
Share premium	391,641	391,641	391,641	391,641	391,641
Reserves	(148,770)	(166,602)	(192,316)	(213,031)	(228,438)
Derivative financial instrument	13	-	-	-	-
Deposits from banks	4,351	11,800	18,055	3,200	3,500
Deposits from customers	633,827	569,116	507,431	479,956	482,005
Current tax liabilities	177	229	635	472	495
Other liabilities	141,191	106,035	103,181	142,586	145,478
Retirement benefit obligations	773	4,230	7,525	22,819	49,368
Other borrowed funds	91,812	76,059	78,135	45,280	33,951
	1,123,483	**1,000,976**	**922,756**	**881,391**	**886,468**

STATEMENT OF COMPREHENSIVE INCOME	Dec. 2016	Dec. 2015	Dec. 2014	Dec. 2013	Dec. 2012
	₦ million	₦ million	₦ million	₦ million	₦ million
Net operating income	90,586	83,269	85,584	79,307	73,867
Exceptional item				-	-
Impairment losses on financial assets	(15,769)	(9,177)	(7,671)	(18,420)	470
	74,817	74,092	77,913	60,887	74,337
Operating expenses	(58,764)	(55,637)	(57,222)	(56,686)	(70,899)
Profit before tax	**16,053**	**18,455**	**20,691**	**4,201**	**3,438**
Taxation	(168)	(420)	(205)	920	(268)
Profit after tax	**15,885**	**18,035**	**20,486**	**5,121**	**3,170**
Earnings per share (basic)	94k	106k	121k	30k	19k
Earnings per share (adjusted)	94k	106k	121k	30k	19k