UNION BANK

UNION BANK OF NIGERIA PLC

Union Bank of Nigeria Plc

IFRS Transition Date Opening Statement of Financial Position As At 1 January 2011

Draft for Discussion purposes only

Consolidated and Separate Statements of Financial Position

In millions of Naira	***Notes***	Group 1 January 2011	Bank 1 January 2011
ASSETS			
Cash and cash equivalents	4	150,811	52,309
Non-pledged trading assets	5	9,516	7,385
Pledged assets	6	51,019	51,019
Loans and advances to customers	7	198,343	173,526
Investments in equity-accounted investee	8	6,588	75
Investment securities	9	343,091	324,845
Assets classified as held for sale	10	1,404	1,404
Investment properties	11	21,960	-
Investment in subsidiaries	12	-	16,697
Property and equipment	13	58,229	53,827
Intangible assets	14	522	33
Deferred tax assets	15	69,578	69,651
Other assets	16	86,807	89,927
TOTAL ASSETS		997,868	840,698
LIABILITIES			
Deposits from banks	17	97,045	32,028
Deposits from customers	18	645,987	598,922
Liability on investment contract	19	225	-
Liability on insurance contract	20	2,734	-
Current tax liabilities	21	4,198	2,609
Other liabilities	22	160,737	142,898
Dividend payable	23	308	308
Retirement benefit obligations	24	54,160	54,119
Other borrowed funds	25	150,757	150,757
TOTAL LIABILITIES		1,116,150	981,640
EQUITY			
Share capital and share premium	26	59,778	59,778
Treasury shares	26	(290)	-
Retained earnings	26	(241,997)	(251,271)
Other reserves	26	57,232	50,551
EQUITY ATTRIBUTABLE TO EQUITY - HOLDERS OF THE BANK		(125,278)	(140,942)
Non-controlling interest		6,996	-
TOTAL EQUITY		(118,282)	(140,942)
TOTAL LIABILITIES AND EQUITY		997,869	840,698

The notes on pages 2 to 33 are an integral part of these consolidated and separate financial statements.

1 Reporting entity

Union Bank of Nigeria Plc ("the Bank" or ''the Company") is a company domiciled in Nigeria. The address of the Bank's registered office is Union Bank of Nigeria Plc, Stallion Plaza, 36 Marina, Lagos. The consolidated financial statements of the Bank as at 1 January 2011 comprise the Bank and its subsidiaries (together referred to as the "Group"). The Group is primarily involved in investment, corporate, commercial and retail banking, as well as the provision of insurance, registrars, pension fund custodial, trusteeship and asset management services.

2 Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). These are the Group's first consolidated financial statements prepared in accordance with IFRS and IFRS 1 First-time adoption of International Financial Reporting Standards has been applied.

An explanation of how the transition to IFRSs has affected the reported financial position and financial performance of the Group is provided in note 44. This note includes reconciliations of equity and profit or loss for comparative periods reported under Nigerian GAAP (previous GAAP) to those reported for this period under IFRS.

The financial statements were authorised for issue by the directors on xxxxxx.

(b) Functional and presentation currency

These consolidated financial statements are presented in Nigerian Naira, which is the Bank's functional and presentation currency. Except as indicated, financial information presented in Naira has been rounded to the nearest million.

(c) Basis of measurement

These consolidated financial statements are prepared on the historical cost basis except for the following that are measured at fair value:

- financial instruments at fair value through profit or loss
- available-for-sale financial assets
- investment property

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and 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 period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

3 Significant accounting policies

The accounting policies set out below have been consistently applied in preparing an opening IFRSs balance sheet at 1 January 2011 for purposes of the transition to IFRSs.

The accounting policies have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) 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.

(iii) Fund management

The Group manages and administers assets held in unit trusts and other investment vehicles on behalf of investors. The financial statements of these entities are not included in these consolidated financial statements except when the Group controls the entity.

(iv) 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

(i) Foreign currency transactions

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

Unrealized exchange differences on non-monetary financial assets (investments in equity instruments) are a component of the change in their entire fair value. For a non-monetary financial asset held for trading and for non-monetary financial assets designated at fair value through profit or loss, unrealized exchange differences are recognized in the income statement. For non-monetary financial investments available-for-sale, unrealized exchange differences are recorded directly in equity until the asset is sold or becomes impaired.

(ii) Foreign operations

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

Foreign currency differences are recognised directly in equity. Such differences are recognised in the foreign currency translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss.

(c) Interest

Interest income and expense for all interest bearing financial instruments, except for those classified at fair value through profit or loss, are recognised within 'interest income' and 'interest expense' in the income statement using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the net carrying amount of the financial asset or liability. The effective interest rate is calculated on initial recognition of the financial asset and liability and is not revised subsequently.

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

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

Fair value changes on other financial assets and liabilities carried at fair value through profit or loss, are presented in net income on other financial instruments carried at fair value in the income statement.

(d) Fees and commission

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

Commissions on insurance contracts are recognized on ceding business to the reassurer, and are credited to the income statement.

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

Other fees and commission 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

Net income from other financial instruments at fair value relates to financial assets and liabilities designated as at fair value through profit or loss and 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 net trading income and are recognised net of WHT.

(h) Lease payments made

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.

(i) Income tax

Income tax comprises current and deferred taxes. Income tax 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 is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet 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 tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date.

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

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

(j) Financial instruments

(i) Recognition

The Group initially measures all financial instruments at fair value. 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.

Subsequent measurement

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

(i) *Held-to-maturity*

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

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

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

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as trading if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as trading unless they are designated as hedges.

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

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

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

Subsequent to initial recognition, the fair values are remeasured at each reporting date. All gains and losses arising from changes therein are recognised in the income statement in 'net trading income' for trading assets, and in 'net income from other financial instruments carried at fair value' for financial assets designated at fair value through profit or loss at inception.

Interest earned and dividends received while holding trading assets at fair value through profit or loss are included in net trading income. Trading assets are not reclassified subsequent to their initial recognition.

(iii) Available-for-sale

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

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

Interest income, calculated using the effective interest method, is recognised in the income statement. Dividends received on available-for-sale instruments are recognised in income statement when the Group's right to receive payment has been established.

(iv) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other that those classified by the Group as at fair value through profit or loss, or available-for-sale.

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

Fair value measurement

The best evidence of the fair value of a financial instrument on initial recognition is the transaction price, i.e. the fair value of the consideration paid or received, unless the fair value is evidenced by comparison with other observable current market transactions in the same instrument, without modification or repackaging, or based on discounted cash flow models and option pricing valuation techniques whose variables include only data from observable markets.

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

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

Impairment of financial assets

(i) Assets carried at amortised cost

The Group assesses at each balance sheet 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 profit or loss.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure, less costs for obtaining and selling the collateral, whether or not foreclosure is probable. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Group's grading process which considers asset type, industry, geographic location, collateral type, past-due status and other relevant factors). These characteristics are relevant to the estimation of future cash flows for groups of such assets being indicative of the 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 profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

(ii) Available-for-sale financial assets

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

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

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

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Group enters into transactions whereby it transfers assets recognised on its balance sheet, 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 balance sheet. 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.

(k) 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 less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.
Cash and cash equivalents are carried at amortised cost in the balance sheet.

(l) Property and equipment

(i) 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. 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.

(ii) 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 profit or loss as incurred.

(iii) Depreciation

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

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

Leasehold improvements	Over the shorter of the useful life of item or lease period
Buildings	50 years
Computer hardware	4 years
Furniture and office equipment	5 years
Motor vehicles	4 years
Capital work in progress	Not depreciated

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

(iv) De-recognition

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

(m) 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 measured at fair value with any change therein recognised in profit or loss in other income.

(n) 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.

(o) Leased assets – lessee

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. 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 balance sheet.

(p) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets other than deferred tax assets, 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.

The recoverable amount of goodwill is estimated at each reporting date.

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 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.

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 if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are recognised in profit or loss.

(q) Classification of insurance contracts

The Group issues contracts that transfer insurance risk or financial risk or both.

Contracts under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policy holder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policy holder or other beneficiary are classified as insurance contracts. Insurance risk is risk other than financial risk, transferred from the holder of the contract to the issuer.

Contracts that transfer financial risks but not significant insurance risk are classified as investment contracts. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance contracts may also transfer some financial risk.

The Group classifies financial guarantee contracts and account for these in accordance with IFRS 4.

(r) Recognition and measurement of insurance contracts

(i) *Premiums*

Gross premiums comprise the premiums on insurance contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period.

Premiums on reinsurance inward are included in gross written premiums and accounted for as if the reinsurance was considered direct business, taking into account the product classification of the reinsured business.

Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct insurance or reinsurance business assumed.

The earned portion of premiums received is recognized as revenue. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risk underwritten. Outward reinsurance premiums are recognized as an expense in accordance with the pattern of indemnity received.

(ii) *Unearned premiums*

Unearned premiums are those proportions of premiums written in the year that relate to periods of risks after the reporting date. It is computed separately for each insurance contract using a time proportionate basis, or another suitable basis for uneven risk contracts. Provision for unexpired risk is made for unexpired risks arising where the expected value of claims and expenses attributable to the unexpired period of policies in force at the reporting date exceeds the unearned premium in relation to such policies after deduction of any deferred acquisition costs. Specifically, provision for unexpired risk for marine business, is based on 50% of the gross premium.

(iii) *Claims incurred*

Claims incurred consist of claims and claims handling expenses paid during the financial year together with the movement in the provision for outstanding claims. The provision for outstanding claims represent the Company's estimate of the ultimate cost of settling all claims incurred but unpaid at the balance sheet date whether reported or not. The provision includes an allowance for claims management and handling expenses.

The provision for outstanding claims for reported claims, is estimated based on current information and the ultimate liability may vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provision for prior years are reflected in the income statement in the financial period in which adjustments are made, and disclosed separately if material.

Reinsurance recoverables are recognized when the Group records the liability for the claims and are not netted off claims expense but are presented separately in the income statement.

Claims incurred in respect of long-term insurance contracts especially pure life business and annuity contracts consist of claims arising during the year including provision for policyholders' liabilities. Outstanding claims on long-term insurance contracts that have occurred at the balance sheet date and have been notified by the insured are carried at the claim amounts advised.

(iv) *Deferred acquisition costs*

Acquisition costs comprise insurance commissions, brokerage and other related expenses arising from the generation and conclusion of insurance contracts. The proportion of acquisition costs that correspond to the unearned premiums are deferred as an asset and recognized in the subsequent period. They are recognised on a basis consistent with the related provisions for unearned premiums.

(v) *Contingency reserve*

The Company maintains contingency reserves in accordance with the provisions of the Insurance Act of 2003 to cover fluctuations in securities and variations in statistical estimates at the rate equal to the higher of 3% of total premium or 20% of the total profit after taxation until the reserve reaches the greater of minimum paid up capital or 50% of net premium for general business. Contingency reserve for life business is credited with the higher of 1% of gross premiums and 10% of profit after taxation.

(vi) *Liabilities and related assets under liability adequacy test*

At each reporting date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related deferred acquisition costs.
In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to profit or loss initially by writing off deferred acquisition costs and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision).

As set out in (a) above, long-term insurance contracts are measured based on assumptions set out at the inception of the contract. When the liability adequacy test requires the adoption of new best estimate assumptions, such assumptions (without margins for adverse deviation) are used for the subsequent measurement of these liabilities.

(vii) Receivables and payables related to insurance contracts and investment contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders.
If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the profit or loss. The Group gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated under the same method used for these financial assets.

(viii) Salvage and subrogation reimbursements

Some insurance contracts permit the Group to sell (usually damaged) property acquired in settling a claim (for example, salvage). The Group may also have the right to pursue third parties for payment of some or all costs (for example, subrogation).
Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvage property is recognised in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the property.
Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognised in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

(s) Recognition and measurement of investment contracts

The Group issues investment contracts with fixed and guaranteed terms (fixed interest rate). The investment contracts include funds administered for a number of retirement benefit schemes.
For investment contracts with fixed and guaranteed terms, the amortised cost basis is used. In this case, the liability is initially measured at its fair value less transaction costs that are incremental and directly attributable to the acquisition or issue of the contract.
Subsequent measurement of investment contracts at amortised cost uses the effective interest method. This method requires the determination of an interest rate (the effective interest rate) that exactly discounts to the net carrying amount of the financial liability, the estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a
shorter period if the holder has the option to redeem the instrument earlier than maturity.
The Group re-estimates at each reporting date the expected future cash flows and recalculates the carrying amount of the financial liability by computing the present value of estimated future cash flows using the financial liability's original effective interest rate. Any adjustment is immediately recognised as income or expense in the income statement.

(t) Underwriting expenses
Underwriting expenses are made up of acquisition and maintenance expenses comprising commission and policy expenses, proportion of staff cost and insurance supervision levy.

Underwriting expenses for insurance contracts and investment contracts are recognized as expense when incurred, with the exception of acquisition costs which are recognized on a time apportionment basis in respect of risk.

(u) Provisions

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

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

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

(v) 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.

(w) Employee benefits

(i) Post-employment benefits

Defined contribution plans

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

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 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.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss 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 profit or loss.

In respect of actuarial gains and losses that arise in calculating the Group's obligations in respect of a plan, to the extent that cumulative unrecognised actuarial gain or loss exceeds 10 percent of the greater of the present value of the defined benefits obligation and the fair value of plan assets, that portion is recognised in profit or loss over the expected average remaining work life of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

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.

(ii) 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.

(iii) 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. 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.

(x) Share capital and reserves

(i) Share issue costs

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

(ii) Dividend on ordinary shares

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

(iii) 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.

(y) Earnings per share

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

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

(z) Fiduciary activities

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

(aa) 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.

(ab) 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.

(ac) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the period ended 31 December 2012, and have not been applied in preparing these financial statements. The Bank intends to adopt the standards below when they become effective.

(i) *IFRS 9: Financial Instrument: Classification and Measurement*

Amended IAS 27 Consolidated and Separate Financial Statements (2008) requires accounting for changes in ownership interests in a subsidiary that occur without loss of control, to be recognised as an equity transaction. When the Bank loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to IAS 27, which become mandatory for the Bank's 2011 financial statements, are not expected to have a significant impact on the consolidated financial statements.

(ii) *IFRS 13: Fair Value Measurement*

IFRS 13 defines fair value, provides guidance on its determination and introduces consistent requirements for disclosure on fair value measurements. It is applicable for all assets and liabilities that require a fair value based on IFRS. Disclosures for fair values are extended. The Bank will assess whether this new standard has any impact on existing fair value policies and disclosures. IFRS 13 is effective for the annual periods beginning on or after 1 January 2013 with early adoption permitted. The Bank has not early adopted IFRS 13.

(iii) *IAS 1: Presentation of Financial Statements*

IAS 1 addresses changes in the presentation of other Comprehensive Income. The amended standard emphasizes that profit or loss and other comprehensive income should be grouped together, i.e. either as a single "statement of profit or loss and comprehensive income", or as a separate "statement of profit or loss" and a "statement of comprehensive income". The former option is the existing practice of the Bank. The Bank will assess if it will continue this practice or convert to the other option included in the amended IAS 1. this standard is applicable for annual periods beginning on or after 1 July 2012, with early adoption permitted.

(iv) *IFRS 7: Financial Instruments: Disclosures*

In October 2010 IFRS 7 Financial Instrument: Disclosures has been amended to enhance the derecognition disclosure requirements for transfer transactions of financial assets. This amendment is effective for periods beginning on or after 1 July 2011. the Bank expects no significant impact from the adoption of the amendments on its financial position or performance in 2011.

Improvement to IFRSs

Amendments resulting from improvements to IFRSs to the following standards did not have a material impact on the accounting policies, financial position or performance of Union Bank Plc during this financial year.

- IFRS 7: Financial Instrument: Disclosures
- IAS 1: Presentation of Financial Statements

4 Cash and cash equivalents

In millions of Naira	Group 1 January 2011	Bank 1 January 2011
Cash in hand	19,571	18,244
Cash and balances with banks	51,559	49,111
Unrestricted balances with central bank	214	214
Money market placements	102,457	7,500
Provisions for cash shortage	(22,990)	(22,760)
	150,811	52,309

5 Non-pledged Assets (Held for Trading)

In millions of Naira	Group 1 January 2011	Bank 1 January 2011
Government bonds	352	352
Treasury bills	7,032	7,033
Equities	2,132	
	9,516	7,385

6 Pledged assets - Held to Maturity

Financial assets that may be repledged or resold by counterparties

In millions of Naira	Group 1 January 2011	Bank 1 January 2011
Treasury bills	11,307	11,307
Bonds	39,712	39,712
	51,019	51,019

Included in pledged assets are treasury bills of N23.6 billion on repurchase agreements to secure inter-bank takings from other banks which have been included in other liabilities in Note 22.

7 Loans and advances to customers at amortised cost

In millions of Naira	Group 1 January 2011	Bank 1 January 2011
Gross amount	299,169	261,158
Specific impairment	(92,539)	(79,502)
Portfolio impairment	(8,287)	(8,130)
Total impairment	(100,826)	(87,632)
Carrying amount	198,343	173,526

Loans and advances to customers at amortised cost include the following finance lease receivables for leases of certain property and equipment where the Group is the lessor:

In millions of Naira	Group 1 January 2011	Bank 1 January 2011
Gross investment in finance leases, receivable:		
Less than one year	2,899	2,852
Between one and five year	3,925	3,861
More than five years	-	-
	6,824	6,713
Unearned finance income	-	-
Specific Impairment	(2,153)	(2,152)
Portfolio impairment	(235)	(235)
Net investment in finance leases	4,435	4,326

8 Investment in equity-accounted investee

Associates	Group	Bank
In millions of Naira	1 January 2011	1 January 2011
Cost		
Balance, beginning of the year	75	75
Share of current year result	1,117	-
Prior year profit brought forward	5,396	-
Balance, end of the year	6,588	75

This represents the Group’s equity investment in Consolidated Discount House Limited (37.5%).

9 Investment securities

	Group	Bank
	1 January 2011	1 January 2011
Available-for-sale investment securities comprise:		
In millions of Naira		
Treasury bills	5,742	5,437
Equity	33,449	13,103
Managed funds	875	875
Bonds	248,357	248,531
Less: specific allowance impairment	(12,195)	(9,136)
	276,228	258,810
Held to maturity investment securities comprise:		
Treasury bills	1,853	1,853
Bonds	65,010	64,182
	66,863	66,035
Investment securities	343,091	324,845

10 Assets classified as held for sale

Properties held by the bank is presented as assets classified as held for sale following the commitment of the Bank's management to plan to sell the properties. Effort to sell the properties have commenced.

	Group	Bank
	1 January 2011	1 January 2011
Balance, beginning of year	2,482	2,482
Additions	-	-
Disposal	-	-
Recoveries during the year	-	-
Revaluation gains/(losses)	-	-
	2,482	2,482
Impairment loss during the year	(1,078)	(1,078)
Balance, end of the year	1,404	1,404

11 Investment Properties

	Group	Bank
	1 January 2011	1 January 2011
Balance, beginning of year	18,333	-
Additions	4,168	-
Disposal	(3,172)	-
Revaluation gains/(losses)	2,631	-
Recoveries during the year	-	-
Balance, end of the year	21,960	-

12 Investment in subsidiaries

(a) Investment in subsidiaries comprises:

	Group	Bank
	1 January 2011	1 January 2011
In millions of Naira		
Union Homes Savings and Loans Plc	-	1,834
Union Trustees Limited	-	5
Union Assurance Company Limited	-	1,448
UBN Property Company Limited	-	2,195
Union Bank UK Plc	-	6,115
Union Registrars	-	480
Union Capital Markets Limited	-	2,620
Union Pension Fund Custodian	-	2,000
Atlantic Nominees Limited	-	-
	-	16,697

13 Property and equipment

	Group	Bank
	1 January 2011	1 January 2011
In millions of Naira		
Land and Buildings	46,394	46,776
Leasehold Improvements	835	-
Plant, Machinery and Computer Equipment	4,090	4,018
Motor Vehicles	2,153	1,269
Furniture and fittings	2,042	891
Work-in-progress	2,715	873
	58,229	53,827

14 Intangible assets

	Group	Bank
	1 January 2011	1 January 2011
In millions of Naira		
Purchased Computer Software	522	33

15 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

In millions of Naira

Group	1 January 2011		
	Assets	**Liabilities**	**Net**
Property, equipment, and software	(8,228)	6	(8,234)
Allowances for loan losses	2,486	-	2,486
Foreign exchange gains	(504)	-	(504)
Tax loss carry forward	75,084	-	75,084
Others	1,590	844	746
Net tax assets/(liabilities)	70,428	850	69,578

Bank	1 January 2011		
	Assets	**Liabilities**	**Net**
Property, equipment, and software	(8,228)	-	(8,228)
Allowances for loan losses	2,439	-	2,439
Foreign exchange gains	(504)	-	(504)
Tax loss carry forward	75,084	-	75,084
Others	860	-	860
Net tax assets/(liabilities)	69,651	-	69,651

Deferred tax assets and liabilities

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

In millions of Naira	Group 1 January 2011	Bank 1 January 2011
Balance, beginning of the year	(4,761)	-
Translation difference	-	-
Credit/(reversal)	70,275	69,651
Net deferred tax assets/(liabilities)	**69,578**	**69,651**
Out of which		
Deferred tax assets	70,428	69,651
Deferred tax liabilities	850	-

16 Other assets

In millions of Naira	Group 1 January 2011	Bank 1 January 2011
Accounts receivable and prepayments	50,922	53,704
Restricted deposits with central bank (see (i) below)	5,962	5,962
Insurance receivables	1,002	-
Others	1,643	2,985
Statutory deposit	500	-
Clearing	108,396	108,396
	168,425	171,047
Provision for Impairment on other assets	(81,618)	(81,120)
	86,807	89,927

(i) The Bank had restricted balances of N5.962 billion with the Central Bank of Nigeria (CBN) as at 1 January 2011. This balance is made up of CBN cash reserve requirement. The cash reserve ratio represents a mandatory cash deposit which should be held with the Central Bank of Nigeria as a regulatory requirement. Restricted deposits with central banks are not available for use in the Group's day-to-day operations.

17 Deposits from banks

In millions of Naira	Group 1 January 2011	Bank 1 January 2011
Deposits from banks	97,045	32,028
	97,045	32,028

18 Deposits from customers

In millions of Naira	Group 1 January 2011	Bank 1 January 2011
Retail customers:		
Term deposits	171,249	167,078
Current deposits	354,041	314,324
Savings	120,697	117,520
	645,987	598,922

19 Liability on investment contracts

In millions of Naira	Group 1 January 2011	Bank 1 January 2011
Deposit administered funds (secured funds)	225	-
	225	-

20 Liability on insurance contracts

In millions of Naira	Group 1 January 2011	Bank 1 January 2011
Life assurance contracts	1,217	-
Non-life insurance contracts	1,517	-
	2,734	-

21 Tax Payable

In millions of Naira	Group 1 January 2011	Bank 1 January 2011
Balance, beginning of year	6,131	3,993
Foreign exchange translation difference	1	-
Prior year over-provision	(2,353)	(2,353)
Charge for the year	2,614	2,049
Payments during the year	(2,195)	(1,080)
Balance, end of year	4,198	2,609

22 Other liabilities

In millions of Naira	Group 1 January 2011	Bank 1 January 2011
Deposit for foreign currency	48,197	48,197
Deposit for dividend	14,139	-
PAYE and other statutory deductions	2,050	2,073
Draft and Bills payable	32,684	32,684
Creditors and accruals	2,585	-
Due to AMCON	42,908	42,908
Provisions and accruals	10,331	10,856
Accounts payable	2,358	817
Other credit balances	5,485	5,363
	160,737	142,898

23 Dividend payable

In millions of Naira	Group	Bank
Balance, end of year	308	308
	308	308

24 Retirement benefit obligations

In millions of Naira	Group 1 January 2011	Bank 1 January 2011
Defined Contribution scheme	-	-
Defined benefit obligation	54,160	54,119
	54,160	54,119

Defined Contribution Scheme

In millions of Naira	Group 1 January 2011	Bank 1 January 2011
Balance, beginning of year	-	-
Charge during the year	1,890	1,890
Contribution remitted during the year	(1,890)	(1,890)
Balance, end of year	-	-

The Group and its employees make a joint contribution of 15% of basic salary, housing and transport allowance to each employee's retirement savings account maintained with their nominal Pension Fund Administrators.

Defined benefit obligation

The Group operates a defined benefit scheme where qualifying employees receive a lump sum payment based on the number of years served and gross salary on date of retirement.

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.

During the period, the Bank transferred additional obligations due to the scheme managed by a Trustee.

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

	Group 1 January 2011	Bank 1 January 2011
Present value of Liability for defined benefit obligations	64,276	64,235
Present value of funded obligations	(10,116)	(10,116)
Present value of unfunded obligations	54,160	54,119

In millions of Naira	Group 1 January 2011	Bank 1 January 2011
Balance, beginning of year	80,838	80,838
Charge/(write-back) during the year	(23,674)	(23,715)
Payment during the year	(3,004)	(3,004)
Recognised liability for defined benefit obligations	54,160	54,119

Plan assets for funded obligations consist of the following:

In millions of Naira	Group 1 January 2011	Bank 1 January 2011
Cash and bank balances	40	40
Money market investment	2	2
FRN development stock	6	6
Quoted equities	4,674	4,674
Investment properties	2,909	2,909
Unquoted equities	376	376
Debenture	4	4
Mixed fund	500	500
	8,511	8,511

Actuarial assumptions

The defined benefit obligation at the end of year represents the balance as actuarially determined by HR Consulting Nigeria Limited.

The principal actuarial assumptions at reporting date, expressed as weighted averages, were:

	Group 1 January 2011	Bank 1 January 2011
- discount rate	10%	10%
- average rate of inflation	9%	9%
- future salary increases	10%	10%

25 Other borrowed funds

In millions of Naira	Group 1 January 2011	Bank 1 January 2011
Due to multilateral lending agencies (see note (a) below)	124,985	124,985
Due to CAC (see note (b) below)	10,903	10,903
Other borrowings	14,869	14,869
	150,757	150,757

(a) Due to multilateral lending agencies comprises a N120 billion facility from the Central Bank of Nigeria and N4.985 billion representing the outstanding balance on a dollar facility of $170 million obtained from Standard Chartered Bank in UK.

The amount of N120 billion represents the intervention fund granted in September 2009 to the Bank by Central Bank of Nigeria in a form of Tier 2 Capital to boost the bank's liquidity challenges and provide capital to sustain the current level of operation. The principal is repayable within 5 to 7 years from the date of disbursement (i.e. September 2014 and September 2016) while the interest is repayable quarterly following disbursement at a determined interest rate (currently 3.25%).

The amount of N4,985,204,543 (USD32,636,364) represents the outstanding balance on the dollar facilities of $170,000,000 obtained from Standard Chartered Bank in UK. The loan was disbursed in two tranches of $75,000,000 and $95,000,000 in March and October 2008 at an interest rate of 1.65% and 3.5% respectively above LIBOR rates. The principal amount and interest is repayable quarterly over a period of three years.
Both facilities were paid down by the Bank in 2011.

(b) (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.

Terms and debt repayment schedule
Terms and conditions of outstanding loans were as follows:

In million of naira						1 January 2011
	Type of Loan	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount
Central Bank of Nigeria	Intervention Fund	Naira	3.25%	2011	120,000	120,000
Standard Chartered Bank / AFREXIM Loan	Secured	US Dollars	LIB+1.65%	2011	11,456	2,083
Standard Chartered Bank / AFREXIM Loan	Secured	US Dollars	LIB+3.50%	2011	14,511	2,902
Animal Care Services Konsult (Nig) Ltd / Commercial Agriculture Credit Scheme	Secured	Naira	9.00%	2015	1,800	900
Niger State Government / Commercial Agriculture Credit Scheme	Secured	Naira	7.50%	2016	1,000	1,000
Gombe State Government / Commercial Agriculture Credit Scheme	Secured	Naira	9.00%	2016	1,000	1,000
Kwara State Government / Commercial Agriculture Credit Scheme	Secured	Naira	6.50%	2016	1,000	1,000
Sunseed Nigeria Plc / Commercial Agriculture Credit Scheme	Secured	Naira	9.00%	2014	1,200	1,200
** Union Bank Plc/ Commercial Agriculture Credit Scheme	Secured	Naira	N/A	N/A	4,000	4,000
Premier Seed Nig Ltd / Commercial Agriculture Credit Scheme	Secured	Naira	9.00%	2013	175	175
Dedora Farm / Commercial Agriculture Credit Scheme	Secured	Naira	9.00%	2013	303	203
Chika Consultium / Commercial Agriculture Credit Scheme	Secured	Naira	9.00%	2012	75	75
Fct, Abuja / Commercial Agriculture Credit Scheme	Secured	Naira	7.50%	2016	500	500
Niyya Food & Drinks Limited / Commercial Agriculture Credit Scheme	Secured	Naira	9.00%	2015	1,210	850
A. Aigbadon & Sons (Nig) / CBN/BOI RRF Scheme	Term Loan	Naira	7.00%	2015	32	33
A. Aigbadon & Sons (Nig) / CBN/BOI RRF Scheme	Working Capital Loan	Naira	7.00%	2011	8	8
A. O. Iyere Motors Limited / CBN/BOI RRF Scheme	Term Loan	Naira	7.00%	2014	221	230
Astone Quarries Nigeria Limited / CBN/BOI RRF Scheme	Term Loan	Naira	7.00%	2014	420	438
Astone Quarries Nigeria Limited / CBN/BOI RRF Scheme	Working Capital Loan	Naira	7.00%	2011	65	68
Gemini Pharmaceutical nigeria limited/ CBN/BOI RRF Scheme	Term Loan	Naira	7.00%	2015	59	62
Gemini Pharmaceutical nigeria limited/ CBN/BOI RRF Scheme	Working Capital Loan	Naira	7.00%	2011	97	101
Bulk Pakaging Nigeria Limited/ CBN/BOI RRF Scheme	Term Loan	Naira	7.00%	2017	900	939
Double Diamond Plastic Industries Limited/ CBN/BOI RRF Scheme	Term Loan	Naira	7.00%	2015	210	219
Fata Super System Limited/ CBN/BOI RRF Scheme	Term Loan	Naira	7.00%	2014	53	55
Mitchelson (Nigeria) Limited / CBN/BOI RRF Scheme	Term Loan	Naira	7.00%	2015	108	112
Mitchelson (Nigeria) Limited / CBN/BOI RRF Scheme	Working Capital Loan	Naira	7.00%	2011	145	151
Rokana Industries Plc / CBN/BOI RRF Scheme	Term Loan	Naira	7.00%	2015	210	219
Rokana Industries Plc / CBN/BOI RRF Scheme	Working Capital Loan	Naira	7.00%	2011	68	71
Academy Press Plc/ CBN/BOI RRF Scheme	Term Loan	Naira	7.00%	2015	558	582
Alfa Systems & Commodity Services Limited/ CBN/BOI RRF Scheme	Term Loan	Naira	7.00%	2014	724	755
Beauty Base Limited/ CBN/BOI RRF Scheme	Term Loan	Naira	7.00%	2016	300	313
Cledop (West Africa) Limited/ CBN/BOI RRF Scheme	Term Loan	Naira	7.00%	2015	1,000	1,043
Dansa Foods/ CBN/BOI RRF Scheme	Term Loan	Naira	7.00%	2015	1,000	1,043
Efunpo Pharma Nig. Ltd / CBN/BOI RRF Scheme	Term Loan	Naira	7.00%	2015	14	14
Efunpo Pharma Nig. Ltd / CBN/BOI RRF Scheme	Working Capital Loan	Naira	7.00%	2011	17	17
Industrial Projects Int'l (Nig) Limited / CBN/BOI RRF Scheme	Term Loan	Naira	7.00%	2015	750	782
Industrial Projects Int'l (Nig) Limited / CBN/BOI RRF Scheme	Working Capital Loan	Naira	7.00%	2011	250	261
International Textile Industries Limited / CBN/BOI RRF Scheme	Term Loan	Naira	7.00%	2015	60	63
Juhel Nigeria Limited / CBN/BOI RRF Scheme	Term Loan	Naira	7.00%	2015	1,000	1,043
Kitchen Vegetable Oil Limited / CBN/BOI RRF Scheme	Term Loan	Naira	7.00%	2016	300	282
Leady - Pharma Industries / CBN/BOI RRF Scheme	Term Loan	Naira	7.00%	2015	120	125
Nigerian Spinners and Dyers Limited / CBN/BOI RRF Scheme	Term Loan	Naira	7.00%	2015	800	834
Sambright Nigeria limited / CBN/BOI RRF Scheme	Term Loan	Naira	7.00%	2015	10	10
Sigwa Nigeria Limited / CBN/BOI RRF Scheme	Term Loan	Naira	7.00%	2016	350	365
Sigwa Nigeria Limited / CBN/BOI RRF Scheme	Working Capital Loan	Naira	7.00%	2011	300	313
Wemy Industries Limited / CBN/BOI RRF Scheme	Term Loan	Naira	7.00%	2015	215	224
Wemy Industries Limited / CBN/BOI RRF Scheme	Working Capital Loan	Naira	7.00%	2011	100	104

	Mansury Oil & Cake Mill Nigeria Limited / CBN/BOI RRF Scheme	Term Loan	Naira	7.00%	2015	60	63
	Mansury Oil & Cake Mill Nigeria Limited / CBN/BOI RRF Scheme	Working Capital Loan	Naira	7.00%	2011	20	21
	Standard Rubber & Metal Engineering Co. Ltd / CBN/BOI RRF Scheme	Term Loan	Naira	7.00%	2015	30	31
	Standard Rubber & Metal Engineering Co. Ltd / CBN/BOI RRF Scheme	Working Capital Loan	Naira	7.00%	2011	68	70
	Mikky T / CBN/BOI RRF Scheme	Term Loan	Naira	7.00%	2015	165	172
	Mikky T / CBN/BOI RRF Scheme	Working Capital Loan	Naira	7.00%	2012	10	10
	Notore / CBN/BOI RRF Scheme	Term Loan	Naira	7.00%	2017	800	834
**	Union Bank Plc / CBN/BOI RRF Scheme	Term Loan	Naira	7.00%	N/A	2,785	2,785
						172,630	150,757

** These are term loans disbursed to Union Bank Plc but which had not been redisbursed to respective beneficiaries as at the end of the year.

26 Capital and reserves

Share capital

In millions of Naira	Group 1 January 2011	Bank 1 January 2011
(a) Authorised :		
30,000,000,000 Ordinary shares of 50 kobo each	15,000	15,000

In millions of Naira	Group 1 January 2011	Bank 1 January 2011
(b) Issued and fully paid -		
13,510,000,000 Ordinary shares of 50kobo each	6,755	6,755

In millions of Naira	Group 1 January 2011	Bank 1 January 2011
Balance, beginning of year	6,755	6,755
Shares cancelled on reconstruction of shares during the year	-	-
New issues during the year	-	-
Balance, end of year	6,755	6,755

(c) Share premium

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

In millions of Naira	Group 1 January 2011	Bank 1 January 2011
Balance, beginning of year	53,023	53,023
Premium on shares issued	-	-
Transfer to general reserve on cancellation of existing shares	-	-
Balance, end of year	53,023	53,023
Share capital and share premium	59,778	59,778

(d) Other regulatory reserves

Other reserves comprise:

In millions of Naira	Group 1 January 2011	Bank 1 January 2011
Statutory reserve	16,282	14,385
Small scale industries reserve	6,774	6,774
Contingency reserve	266	-
Translation reserve	2,583	1,895
Fair value reserve	31,327	27,497
	57,232	50,551

Contingency reserve

The contingency reserve is maintained to comply with the NAICOM requirement that insurance companies set funds aside to cover fluctuations in securities and variations in statistical estimates.

The contingency reserves shall be credited with an amount not less than 3 per centum of the total premium or 20 per centum of the net profits (whichever is greater) and the amount shall accumulate until it reaches the amount of the minimum paid-up capital or 50 per centum of the premiums (whichever is greater) for a non-life insurance company and an amount equal to 1 percent of the gross premiums or 10 percent of the profits (whichever is greater) and accumulated until it reaches the amount of the minimum paid-up capital for a life assurance company.

Small and Medium Scale Industries Reserve (SMEEIS): i

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 contributions will be 10% of profit after tax and shall continue after the first 5 years but banks' contributions shall thereafter reduce to 5% of profit after tax. However, this is no longer mandatory.

The Bank has suspended further appropriation to SMEEIS (now known as Microcredit Fund) reserve account in line with the decision reached at the Banker's Committee meeting and approved by CBN. In prior year, 10% of profit after taxation was transferred to SMEEIS reserves in accordance with Small and Medium Enterprise Equity Investment Scheme as revised in April 2005.

Fair value reserve

The fair value reserve includes the net cumulative change in the fair value of available-for-sale investments until the investment is derecognised or impaired.

Translation reserve

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

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. However, the Bank transferred 30% of its profit after tax to statutory reserves as at year end.

(e) Retained earnings

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

(f) Treasury shares

Treasury shares represent the Bank's shares of 397,385,181 held by Union Registrars and Union Trustees as at 1 January 2011.

(g) Non-controlling interest

The entities accounting for the non-controlling interest balance is shown below:

In millions of Naira	Group 1 January 2011	Bank 1 January 2011
Union Homes Savings and Loans Plc	390	-
Union Assurance Company Limited	2,713	-
Union Property Company Limited	3,576	-
Union Registrars	317	-
	6,996	-

27 The following tables summarise the nominal principal amount of contingent liabilities and commitments with off-financial position risk:

Acceptances, bonds, guarantees and other obligations for the account of customers:

(a) These comprise:

In millions of Naira	Group 1 January 2011	Bank 1 January 2011
Performance bonds and guarantees	96,438	96,233
Letters of credit	27,002	15,035
Bankers Acceptances	191	12
	123,631	111,280

28 Explanation of transition to IFRSs

As stated in note 2 on the statement of compliance, these are the Group's first consolidated financial statements prepared in accordance with IFRSs. The accounting policies set out in note 3 have been applied in the preparation of an opening IFRS statement of financial position and financial performance as at 1 January 2011 (the Group's date of transition). An explanation of how the transition from Nigerian GAAP to IFRSs has affected the Group's financial position, financial performance is set out in the following tables and the notes that accompany the tables.

Reconciliation of equity

	31 December 2010			
	Previous GAAP	**Effect of transition to IFRS**	**IFRS**	**COMMENTS**
In millions of Naira				
ASSETS				
Cash and cash equivalents	24,438	126,373	150,811	The IFRS adjustment to cash and cash equivalents can be analysed as follows: (a) N124.216billion which represents a reclassification of the total amount due from other banks; (b) N(5.962) billion represents a reclassification of restricted balances with CBN to other asset; (c) N7.742billion represents reclassification of placement by Union Trustees with other financial institutions from investment securities; (d) N378million represents placements in Union Registrar's books with a tenor period of less than 3 months reclassified to Balances with CBN.
Non-pledged trading assets	-	9,516	9,516	IFRS adjustment is majorly attributable to: (a) reclassification of N7.033 billion and N353 million worth of treasury bills and bonds from investment securities to non-pledged trading assets; (b) Reclassification from trading securities portfolio of the group of N2.13 billion to non pledged asset
Pledged assets	-	51,019	51,019	The IFRS adjustment is attributable to: (a) Reclassification of treasury bills pledged from the Bank's HTM portfolio of N11.308billion ; (b) Reclassification of bonds and interest receivable on bonds sold on repurchase agreement warehoused in Bonds of N11.955billion and N13 million respectively; (c) Reclassification of pledged bonds HTM and Bond on repo of N27.319billion and N426million respectively.
Treasury Bills	22,484	(22,484)	-	The Group treasury bill balance had been reclassified as follows; N7.033 billion to non pledged trading asset, N11.308 billion to pledged assets and N4.143 billion to investment securities.
Due from other Banks	124,216	(124,216)	-	This balance has been reclassified to Cash and cash equivalents.

	Loans and advances to customers	202,381	(4,038)	198,343	The IFRS Adjustment represents a combination of provisions under loans and advances and advances under finance lease of N11.135billion. The analysis of the balance includes: (a) A reclassification of balances under advance under finance lease of N4.946billion ; (b) Additional impairment of N9.964 billion from the Bank's loans and advances (c) A net additional loan impairment from the UBN Group N1.436 billion to correctly state the loan portfolio; (d) Reversal of N2.415 billion from interest in suspense to interest income at the group level.
	Advances under finance lease	4,946	(4,946)	-	This represents advances under finance lease at the group level reclassified to loans and advances.
	Investments in equity-accounted investee	6,588	-	6,588	This represents the Group’s equity investment in the associate company which had been equity accounted for under the local GAAP. No IFRS adjustment or reclassification impacted this line.
	Investment securities	373,579	(30,488)	343,091	IFRS adjustment is attributable to the measurement implications of available for sale and held to maturity investment securities. Available for sale investments have been fair valued while held to maturity investments have been measured at amortised cost.
	Managed fund	875	(875)	-	This represents the equity investment in the Group which had been reclassified to investment securities.
	Assets classified as held for sale	-	1,404	1,404	This represents investment properties held for sale in the Group which had been reclassified from investment property account.
	Investment properties	23,320	(1,360)	21,960	The IFRS adjustment represents recognition of fair value gain on Investment Properties by Union Assurance which impacted on the group retained earnings and the reclassification of assets held for sale to assets classified as held for sale account as at year end.
	Investment in subsidiaries	-	-	-	The balance on this line has been eliminated during consolidation under the NG GAAP.
	Property and equipment	58,229	-	58,229	No IFRS adjustments or reclassifications impacted this line.
	Intangible assets	522	-	522	No IFRS adjustments or reclassifications impacted this line.
	Deferred tax assets	66,364	3,214	69,578	This represents entries to recognise the deferred tax impact based on the IFRS adjustments. The effect of the deferred tax computation resulted into a deferred tax write back of N3.983 billion into profit and a possible impact on equity of N77million.Also, deferred tax liability, N846million, was reclassified to deferred tax assets during the year.

Other assets	92,749	(5,942)	86,807	The IFRS adjustment for Other asset can be analysed as follows:: (a) A reclassification of N5.962 billion from restricted balance with CBN to other asset; (b) Reclassification out of other asset of bonds sold on repurchase agreement of N10.933 billion; (c) A net reclassification of N959 million from other assset to pledged, non pledged and investment securities from the Bank; (d) A net adjustment of N481 million from Union Assurance which represents entries to defer business acquisition cost impacted positively the group retained earnings; (e) A net reclassification from the UBN group of N492 million to the group investment securities portfolio.
TOTAL ASSETS	1,000,691	(2,823)	997,868	
LIABILITIES				
Deposits from banks	97,045	-	97,045	No IFRS adjustment or reclassification impacted this line.
Deposits from customers	645,987	-	645,987	No IFRS adjustment or reclassification impacted this line.
Claims payable	407	(407)	-	IFRS adjustment is attributable to the reclassification of claims payable to Liability under insurance contract.
Liability on investment contract	225	-	225	No IFRS adjustments or reclassifications impacted this line.
Liability on insurance contract	2,327	407	2,734	IFRS adjustment is attributable to the reclassification from claims payable.
Current tax liabilities	4,198	-	4,198	No IFRS adjustment or reclassification impacted this line.
Deferred tax liabilities	846	(846)	-	This represents deferred tax liability attributable to certain components which was reclassified to deferred tax assets during the year.
Other liabilities	156,202	4,535	160,737	IFRS adjustment is mainly attributable to: (a) the reclassification of interest payable to the underlying borrowings of N499 million and a reclassification to properly state the Bond repo warehoused in other liability of N4.7 million; (b) restatement of borrowings from BOI at amortised cost of N40.071 million and the recognition of a liability of N4.996 billion in respect of the long service award. impacted the group retained earnings.
Dividend payable	308	-	308	No IFRS adjustment or reclassification impacted this line.
Retirement benefit obligations	58,675	(4,515)	54,160	IFRS adjustment represents entries to reverse excess provision with respect to the Bank's retirement benefit obligation (gratuity scheme). The Bank had provided N29.01 billion with respect to its gratuity scheme per the NG GAAP while its actuary had put the value of its liability at N24.495 billion.
Other borrowed funds	150,258	499	150,757	IFRS adjustment represents interest payable reclassified from other liabilities to the related borrowings.

TOTAL LIABILITIES	1,116,478	(328)	1,116,150	
EQUITY				
Share capital and share premium	59,778	-	59,778	No IFRS adjustment or reclassification impacted this line.
Treasury shares	-	(290)	(290)	IFRS balance represents shares held in the Bank by Union Registrars limited and Union Trustees Limited of N206 million and N84 million respectively.
Capital reconstruction reserve	-	-	-	
Retained earnings	(237,777)	(4,220)	(241,997)	
Other reserves	56,104	1,128	57,232	
EQUITY ATTRIBUTABLE TO EQUITY - HOLDERS OF THE BANK	(121,895)	(3,383)	(125,278)	
Non-controlling interest	6,107	889	6,996	Balance represents the impact of IFRS adjustments on non-controlling interest. The net impact of the IFRS adjustments is a credit of N889 million to NCI and a debit of N2.379 billion to retained earnings, N1.405 billion to fair value reserve and N85 million to other reserve.
TOTAL EQUITY	(115,788)	(2,494)	(118,282)	
TOTAL LIABILITIES AND EQUITY	1,000,690	(2,821)	997,869	
NET ASSET	(115,787)	(2,495)	(118,282)	