Union Bank of Nigeria Plc

IFRS Consolidated Financial Statements For the period ended 30 September 2014

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

For the period ended 30 September 2014

	Notes	Group Sep.2014	Group Sep.2013	Bank Sep.2014	Bank Sep.2013
		₦ million	₦ million	₦ million	₦ million
Gross earnings		**74,772**	**79,850**	**73,053**	**70,171**
Continuing Operations:					
Interest income	8	56,150	60,553	55,176	56,505
Interest expense	8	(17,733)	(16,191)	(17,668)	(16,294)
Net interest income		38,417	44,362	37,508	40,211
Impairment charge for credit losses	12(a)	(1,772)	(2,995)	(1,841)	(2,992)
Net interest income after impairment charge for credit losses		36,645	41,367	35,667	37,219
Net fee and commission income	9	7,419	7,034	6,676	6,408
Net trading income	10	980	1,652	910	1,335
Other operating income	11	7,241	8,028	10,291	5,923
		15,640	16,714	17,877	13,666
Operating income		52,285	58,082	53,544	50,885
Net impairment loss on other financial assets	12(b)	433	(6,803)	433	(5,103)
Net operating income after net impairment loss on other financial assets		52,718	51,278	53,977	45,782
Personnel expenses	13	(22,329)	(23,760)	(21,514)	(22,296)
Depreciation and amortisation		(2,373)	(2,753)	(2,317)	(2,604)
Other operating expenses	14	(19,050)	(21,781)	(18,260)	(16,177)
Exceptional provision no longer required	15	-	6,961	-	6,961
Total expenses		(43,752)	(41,333)	(42,091)	(34,116)
Profit before income tax from continuing operations		8,966	9,945	11,886	11,666
Income tax expense from continuing operations	16	(157)	621	(98)	687
Profit for the period from continuing operations		**8,809**	**10,566**	**11,788**	**12,353**
Discontinued operations					
Gross income from discontinued operations	37	2,982	2,582	-	-
Gross expense from discontinued operations	37	(3,663)	(5,718)	-	-
Profit/Loss before tax from discontinued operations	37	(681)	(3,136)	-	-
Income tax expense from discontinued operations	37	(44)	148	-	-
Profit/Loss for the period from discontinued operations	37	(725)	(2,988)	-	-
Continuing and discontinued operations:					
Profit before tax		8,285	6,809	11,886	11,666
Income tax		(201)	769	(98)	687
Profit after tax		**8,084**	**7,578**	**11,788**	**12,353**
Items that are or may be reclassified to profit or loss					
Foreign currency translation differences for foreign operations		252	729	-	-
Fair value gains/(losses) on available-for-sale investments		396	3,220	312	4,180
Other comprehensive income for the period		648	3,949	312	4,180
Total comprehensive income for the period		**8,732**	**11,527**	**12,100**	**16,533**

	Notes	Group Sep.2014	Group Sep.2013	Bank Sep.2014	Bank Sep.2013
		₦ million	₦ million	₦ million	₦ million
Profit attributable to:					
Equity holders of the Bank		7,381	10,018	11,788	12,353
Non-controlling interest		703	(2,440)	-	-
Profit for the period		8,084	7,578	11,788	12,353
Total comprehensive income attributable to:					
Equity holders of the Bank		8,029	13,967	12,100	16,533
Non-controlling interest		703	(2,440)	-	-
Total comprehensive income for the period		8,732	11,527	12,100	16,533
Earnings per share for profit from total operations attributable to equity holders of Bank					
Basic and diluted (Kobo)	17	44	59	70	73
Earnings per share for profit from continuing operations attributable to equity holders of bank					
Basic and diluted (Kobo)	17	52	59	70	73

Separate and Consolidated Statements of Financial Position

	Notes	Group Sep.2014	Group Dec.2013	Bank Sep.2014	Bank Dec.2013
		₦ million	₦ million	₦ million	₦ million
ASSETS					
Cash and cash equivalents	18	114,791	100,925	73,291	53,141
Non-pledged trading assets	19	3,298	2,847	3,298	2,847
Pledged assets	20	69,395	65,167	69,395	65,167
Loans and advances to customers	21	276,976	229,542	253,332	210,118
Investments in equity accounted investee	22	29	25	16	16
Investment securities	23	220,963	289,353	219,120	290,377
Trading properties	24	4,256	4,747	1,930	1,930
Investment properties	25	16,299	16,413	-	-
Investment in subsidiaries	26	-	-	10,755	12,892
Property and equipment	27	48,597	45,527	48,499	45,351
Intangible assets	28	2,394	808	2,178	685
Deferred tax assets	29	95,889	95,889	95,875	95,875
Other assets	30	110,557	99,829	110,564	101,324
		963,444	951,072	888,253	879,723
Assets classified as held for sale	37(b)	15,683	51,684	5	2,374
TOTAL ASSETS		979,127	1,002,756	888,258	882,097
LIABILITIES					
Deposits from banks	31	51,427	46,794	11,463	3,200
Deposits from customers	32	503,031	482,706	490,731	479,956
Current tax liabilities	33	656	534	529	472
Other liabilities	34	116,935	156,406	121,011	155,189
Retirement benefit obligations	35	2,151	10,261	2,110	10,216
Other borrowed funds	36	66,969	45,280	66,969	45,280
		741,169	741,981	692,813	694,313
Liabilities classified as held for sale	37(c)	35,285	61,432	-	-
TOTAL LIABILITIES		776,454	803,413	692,813	694,313
EQUITY					
Share capital and share premium	38	400,109	400,109	400,109	400,109
Treasury shares		-	(240)	-	-
Retained deficit		(260,785)	(274,871)	(254,359)	(272,064)
Other Reserves		56,397	67,183	49,695	59,739
EQUITY ATTRIBUTABLE TO EQUITY - HOLDERS OF THE BANK		195,721	192,181	195,445	187,784
Non-controlling interest	39	6,951	7,162	-	-
TOTAL EQUITY		202,672	199,343	195,445	187,784
TOTAL LIABILITIES AND EQUITY		979,127	1,002,756	888,258	882,097

Consolidated and Separate Statements of Changes in Equity
For the period ended 30 September 2014

Group

	Share capital	Share premium	Statutory reserve	Treasury shares	Fair value reserves	Regulatory risk reserves	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 2014	8,468	391,641	17,544	(240)	31,201	7,390	11,048	(274,871)	192,181	7,162	199,343
Total comprehensive income for the period											
Profit for the period	-	-		-	-	-	-	7,381	7,381	703	8,084
Other comprehensive income											
Foreign currency translation diferrence	-	-	-	-	-	-	252	-	252	-	252
Fair value gains/(loss) on available-for-sale investment	-	-	-	-	396	-	-	-	396	-	396
Transfer from retained earnings	-	-	-	-	(3,574)	907	(7,689)	5,917	(4,439)	-	(4,439)
Total comprehensive income for the period	-	-	-	-	(3,178)	907	(7,437)	13,298	3,590	703	4,293
Transactions with owners, recorded directly in equity											
Contributions by and distributions to owners											
Dividend to equity holder	-	-	-	-	-	-	-	-	-	495	495
Disposal of subsidiaries	-	-	-	240	(290)		(788)	788	(50)	(1,409)	(1,459)
Total contribution and distributions to owners	-	-	-	240	(290)	-	(788)	788	(50)	(914)	(964)
Balance at 30 September 2014	**8,468**	**391,641**	**17,544**	**-**	**27,733**	**8,297**	**2,823**	**(260,785)**	**195,721**	**6,951**	**202,672**

December 2013

	Share capital	Share premium	Statutory reserve	Treasury shares	Fair value reserves	Regulatory risk reserves	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 2013	8,468	391,641	16,776	(65)	26,492	1,005	4,188	(274,300)	174,205	4,979	179,184
									-		-
Opening restated	8,468	391,641	16,776	(65)	26,492	1,005	4,188	(274,300)	174,205	4,979	179,184
Total comprehensive income for the period											
Profit for the period	-	-	768	-	-	-	-	4,689	5,457	(1,621)	3,836
Other comprehensive income											
Remeasurement of defined benefit liability	-	-	-	-	-	-	6,555	-	6,555	-	6,555
Foreign currency translation diferrence	-	-	-	-	-	-	305	-	305	-	305
Fair value gains/(loss) on available-for-sale investment	-	-	-	-	5,834	-	-	-	5,834	-	5,834
Transfer from retained earnings	-	-	-	-	(1,125)	6,385	-	(5,260)	-	-	-
									-		-
Total comprehensive income for the period	-	-	768	-	4,709	6,385	6,860	(571)	18,151	(1,621)	16,530
Transactions with owners, recorded directly in equity											
Contributions by and distributions to owners											
Acquisition/(disposal) of own shares	-	-	-	(175)	-	-	-	-	(175)	-	(175)
Increase/dilution in non-controlling interest										4,118	4,118
Dividends to non-controlling interest	-	-	-	-	-	-	-	-	-	(314)	(314)
Total contribution and distributions to owners	-	-	-	(175)	-	-	-	-	(175)	3,804	3,629
Balance at 31 December 2013	**8,468**	**391,641**	**17,544**	**(240)**	**31,201**	**7,390**	**11,048**	**(274,871)**	**192,181**	**7,162**	**199,343**

Consolidated and Separate Statements of Changes in Equity
For the period ended 30 September 2014

Bank

	Share capital	Share premium	Statutory reserve	Fair value reserves	Regulatory risk reserves	Other reserves	Retained earnings	Total
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Balance at 1 January 2014	8,468	391,641	16,331	30,260	3,706	9,442	(272,064)	187,784
Total comprehensive income for the year								
Profit or loss	-	-	-	-	-	-	11,788	11,788
Other comprehensive income								
Fair value gains/(loss) on available-for-sale investment	-	-	-	312	-	-	-	312
Transfer from retained earnings	-	-	-	(3,574)	907	(7,689)	5,917	(4,439)
Total comprehensive income for the year	-	-	-	(3,262)	907	(7,689)	17,705	7,661
Total contribution and distributions to owners	-	-	-	-	-	-	-	-
Balance at 30 September 2014	**8,468**	**391,641**	**16,331**	**26,998**	**4,613**	**1,753**	**(254,359)**	**195,445**

	Share capital	Share premium	Statutory reserve	Fair value reserves	Regulatory risk reserves	Other reserves	Retained earnings	Total
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Balance at 1 January 2013	8,468	391,641	15,563	24,789	1,005	3,921	(273,716)	171,671
Total comprehensive income for the year								
Profit or loss	-	-	768	-	-	-	4,353	5,121
Other comprehensive income								
Fair value reserve (available-for-sale) financial assets	-	-	-	5,471	-	-	-	5,471
Remeasurement of defined benefit liability	-	-	-	-	-	5,521	-	5,521
Transfer from retained earnings	-	-	-	-	2,701		(2,701)	-
Total other comprehensive income for the year	-	-	-	5,471	2,701	5,521	(2,701)	10,992
Total comprehensive income for the year	-	-	768	5,471	2,701	5,521	1,652	16,113
Balance at 31 December 2013	**8,468**	**391,641**	**16,331**	**30,260**	**3,706**	**9,442**	**(272,064)**	**187,784**

Consolidated Separate Statements of Cash Flows
For the period ended 30 September 2014

	Notes	Group Sep.2014	Group Dec.2013	Bank Sep.2014	Bank Dec.2013
		₦ million	₦ million	₦ million	₦ million
Cash flows from operating activities					
Profit for the year		8,084	3,836	11,788	5,121
Income tax expense	16	157	(933)	98	(920)
Profit before tax		8,241	2,903	11,886	4,201
Adjustments for:					
Impairment losses on loans and advances	12(a)	5,594	14,008	5,663	15,197
Recoveries on loans and advances	12(a)	(3,822)	(1,942)	(3,822)	(1,942)
(Reversal of impairment)/impairment loss on investment	12(b)	-	(49)	-	410
Impairment loss on other investments	12(b)	-	75	-	1,111
Allowances on other assets	12(b)	-	4,911	-	3,845
Gain on sale of property and equipment	11	-	(759)	-	(761)
Write-off on Trading properties	24	-	140	-	-
Gain on sale of trading properties	11	-	(546)	-	-
Depreciation of property and equipment	27	2,058	2,943	2,028	2,899
Amortisation of intangible assets		315	179	289	161
Revaluation gain on investment properties	25	-	(655)	-	-
Dividend income from equity investment	11	(416)	(2,551)	(647)	(5,670)
Interest paid on borrowings	8	4,351	6,574	4,351	6,574
Bad debts (recovered)/written off	21	(3,565)	(4,460)	(3,565)	(4,460)
Contributions to defined contribution plans		524	1,622	524	1,613
Increase/ (decrease) in liability for defined benefit plans		300	1,410	300	1,410
Share of profit of equity accounted investee		-	4	-	-
		13,580	23,807	17,007	24,588
Change in non-pledged trading assets		(451)	(2,001)	(451)	(1,980)
Change in pledged assets		(4,228)	(20,664)	(4,228)	(20,664)
Change in loans and advances to customers		(45,641)	(112,066)	(41,490)	(81,931)
Change in other assets		(12,191)	10,406	(4,734)	15,350
Change in deposits from banks		4,633	1,682	8,263	(300)
Change in deposits from customers		20,325	(4,260)	10,775	(2,049)
Change in other liabilities		(41,778)	10,359	(36,486)	10,689
		(65,751)	(92,737)	(51,344)	(56,297)
Income tax paid		(35)	(102)	(41)	(80)
Cash flows from Discontinued operations		(13,543)	22,021	-	-
Net cash provided/(used in) by operating activities		(79,329)	(70,818)	(51,385)	(56,377)
Cash flows from investing activities					
Purchase of investment properties		(23)	(11,651)	-	-
Acquisition of trading properties		-	(28)		-
Proceeds from sale of trading properties		491	2,658	-	352
Proceeds from sale of assets classified as held for sale		-	-	-	-
Proceeds from sale of property and equipment		487	2,760	393	2,228
Acquisition of property and equipment		(5,616)	(4,853)	(5,569)	(4,580)
Acquisition of intangible assets		(1,901)	(354)	(1,782)	(324)
Investment securities		68,786	(5,603)	71,569	(4,867)
Dividend income received		416	2,551	647	5,670
Dividend income from equity accounted investee		-	-	-	-

Investment in retirement benefit scheme	(11,064)	(35,719)	(11,060)	(36,654)
Cash flows from Discontinued operations	24,933	12,166	-	-
Net cash used in investing activities	76,647	(38,072)	54,198	(38,175)
Cash flows from financing activities				
Inflow from other borrowings	21,689	11,412	21,689	11,329
Repayment of borrowings	-	-	-	-
Interest paid on borrowings	(4,351)	(6,574)	(4,351)	(6,574)
Acquisition of own shares	-	(175)	-	-
Dividend paid to non-controlling interest	-	(314)	-	-
Inflows from non-controlling interest	495	4,118	-	-
Cash flows from Discontinued operations	(2,259)	1,563	-	-
Net cash from financing activities	15,574	10,030	17,338	4,755
Net increase/(decrease) in cash and cash equivalents	12,892	(98,861)	20,151	(89,797)
Cash and cash equivalents at beginning of year	100,925	200,260	53,141	142,938
Net change in cash and cash equivalent from discontinued operation	723	(779)	-	-
Effect of exchange rate fluctuations on cash held	252	305	-	-
Cash and cash equivalents at end of period	114,792	100,925	73,292	53,141

Notes to the Consolidated financial statements
For the period ended 30 September 2014

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 period ended 30 September 2014 comprise 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, as well as the provision of insurance, registrars, pension fund custodial, trusteeship and asset management services.

As at the time of issuing this financial statements, the Bank was in the process of divesting from all non-banking businesses within the Group in line with the CBN Regulation 3 on the Scope of Banking Activities and Anciliary Matters. Consequently, Union Assurance Company Limited, Union Registrar Limited, Union Capital Limited, and Union Trustees Limited have been sold, while Union Homes Savings and Loans Plc has been treated as discontinued operations in this consolidated financial statements in line with the provision of IFRS 5.

2 Basis of preparation

(a) Statement of compliance
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

(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 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; and
• the liability for defined benefit obligations is recognised as the present value of the defined benefit obligation less the net total of the plan assets, plus unrecognised actuarial gains, less unrecognised past service cost and unrecognised actuarial losses.

(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 period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Information about significant areas of estimation 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 impairments allowances required under the two methodologies.

Paragraph 12.4 of the revised Prudential Guidelines for Deposit Money Banks in Nigeria stipulates that Banks would be required to make provisions for loans 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 is greater than IFRS impairments; the resultant excess provision should be transferred from the retained earnings account to a "regulatory risk reserve".

• If Prudential provisions is 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.

(ii) The regulatory risk reserve is a non-distributable reserve and is classified under Tier 1 as part of core capital.

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

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

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 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 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.

Fund management
The entities within the group manage and administer 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.

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

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-monatary assets and liabilities that are measured at fair value in a foreign currency are tramslated 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 euro at spot exchange rates at the reporting date. The income and expenses of foreign operations are translated into euro at spot exchange rates at the dates of the transactions.

Foreign 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 non-wholly owned subsidiary, then the relevant proportion of the translation differences is allocated to non-controlling interests. When a foreign operation is disposed off 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 intem 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 itemare 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 carryin 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 tha 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 operation 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 change 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

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 re-insurer, 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 other operating income and are recognised net of withholding tax.

(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 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 are 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 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.

(j) 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 cost 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

The Group classifies its financial assets in one of 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.

(i) 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 carried at amortised cost, using the effective interest method, less any impairment losses. A sale or reclassification of a more than 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 reclassification 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.

(ii) Fair value through profit or loss
The Group designates some investment securities at fair value, with fair value changes recognised immediately in income statement.

(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 income statement 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 income statement. 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) Loans and advances
Loans and advances 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.

Loans and advances to banks are classified as loans and receivables. Loans and advances to customers include:
• those classified as loans and receivables; and
• finance lease receivables.

Loans and advances 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.

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 instruments using the quoted price in an active market for that instruments. A market is regarded as active if transactions for the asset or liability take place with sufficiency 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 incorporates 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 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 and long positions at a bid price and liabilites and short positions at an ask price.
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 net exposure to either market or credit risk are measured on the basis of a price that would be recieved to sell a net long position (or paid to transfer a net short position) fr a particular risk exposure. Those protfolio-level adjustments 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.

Policy appicable before 1 January 2013
Fair value" is the amount for which an assets could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction on the measurement date.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transaction on an arms lenght basis.

If a market for a financial instrument is not active, then the Group establishes fair value using a valuation technique, the chosen valuation technique makes maximum of market inputs, relies as little as possible on estimate specific to the Group, incorporate all factors that market particpant will consider in settling a price and is consistent with accepted economic methodology for pricing financial instrument.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received. However, in some cases the initial estimate of fair value of a financial instrument on initial recognition may be different from its transaction price. If this estimated fair value is evidenced by comparison with other observable current market transaction in the same instrument (without modification or repackaging) or based on a valuation technique whose variable include only data from observable market, then the difference is recognised in profit or loss on initial recognition of the instrument. In order cases, the fair value at initial recognition is considered to be the transaction price and the difference is not recognised in profit or loss immediately but is recognised over the life of the instrument on an appropriate basis or when the instrument is redeemed, transafered or sold, or the fair value bacomes observable.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price. Where the Group has position with offsetting risk, mid market prices are used to measure the offsetting risk position and a bid or ask price adjustment is applied only to the net open position as appropriate.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount will be required to be paid.

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

The following factors are considered in assessing objective evidence of impairment:
• whether 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 income statement.

(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 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.

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.

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 income statement.

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 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.

(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 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 carried at amortised cost in the statement of financial position.

(l) 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 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.

(m) 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; 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 income statement.

(n) Property and equipments

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.

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:

Leasehold improvements	Over the shorter of the useful life of item or lease period
Buildings	50 years
Computer hardware	4 years
Furniture and office equipments	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.

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.

(o) 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.

(p) 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.

(q) Leased assets - Leasee

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.

(r) 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.

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 income statement.

(s) 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.

(t) 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.

(u) 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.

(v) 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 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.

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 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 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.

(w) 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.

(x) 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.

(y) 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.

(z) 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.

(aa) 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.

(ab) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

IFRS 9: Financial Instrument: Classification and Measurement (2010 and 2009)

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets.

The IFRS 9(2009) requirements represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivables.

For an investment in an equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognized in other comprehensive income would ever be reclassified to profit or loss at a later date.

However, dividend on such investments is recognized in profit or loss, rather than other comprehensive income unless they clearly represent a partial recovery of the cost of the investment.

Investments in equity instruments in respect of which an entity does not elect to present fair value changes in other comprehensive income would be measured at fair value with changes in fair value recognized in profit or loss.

The standard requires that derivatives embedded in contracts with a host that is a financial asset within the scope of the standard are not separate; instead the hybrid financial instrument is assessed in its entirety as to whether it should be measured at amortised cost or fair value.

IFRS 9(2010) introduces a new requirement in respect of financial liabilities designated under the fair value option to generally present fair value changes that are attributable to the liability's credit risk in other comprehensive income rather than in profit or loss. Apart from this change, IFRS 9 (2010) largely carries forward without substantive amendment the guidance on classification and measurement of financial liabilities from IAS 39.

The mandatory effective date of IFRS 9 is not specified but will be determined when the outstanding faces are finalized. However, application of IFRS 9 is permitted.

The Group has started the process of evaluation the potential effect of this standard but is awaiting finalization of the limited amendments before the evaluation can be completed. Given the nature of the Group's operations, this standard is expected to have a pervasive impact on the Group's financial statements.

Amendments to IAS 32 on offsetting financial assets and financial liabilities (2011)
The amendments to IAS 32 clarify the offsetting criteria in IAS 32 by explaining when an entity currently has a legally enforceable right to set-off and when gross settlement is equivalent to net settlement. The amendment are effective for annual periods begining on or after 1 January 2014 and interim periods within those annual periods.
Th Group is still evaluating the potential effect of the adoption of the amendments to IAS 32.

IFRIC 21 Levies
IFRIC 21 defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It confirms that an entity recognises liability for a levy when and only when the triggering event specified in the legislation occurs. IFRIC 21 is not expected to have a material effect on the Group's financial statements.

8 Net interest income

	Group Sep.2014	Group Sep.2013	Bank Sep.2014	Bank Sep.2013
	₦ million	₦ million	₦ million	₦ million
Interest income				
Cash and cash equivalents	740	6,216	740	5,092
Loans and advances to customers	29,510	21,029	28,588	20,169
Investments securities	25,900	33,309	25,848	31,244
Total interest income	56,150	60,553	55,176	56,505
Interest expense				
Deposits from customers	13,382	12,392	13,317	12,498
Other borrowed funds	4,351	3,799	4,351	3,796
Total interest expense	17,733	16,191	17,668	16,294
Net interest income	38,417	44,362	37,508	40,211

9 Net Fees and commission income

	Group Sep.2014	Group Sep.2013	Bank Sep.2014	Bank Sep.2013
	₦ million	₦ million	₦ million	₦ million
Retail banking customer fees & commissions	4,383	4,949	4,383	4,949
Corporate banking credit related fees & commissions (See note	1,029	301	1,029	301
Commission on off balance sheet transactions	1,241	1,086	1,241	1,086
Other fees and commission	766	698	23	72
	7,419	7,034	6,676	6,408

(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.

10 Net trading income/(loss)

	Group Sep.2014	Group Sep.2013	Bank Sep.2014	Bank Sep.2013
	₦ million	₦ million	₦ million	₦ million
Fixed income securities	8	932	8	932
Equities	-	292	-	-
Foreign exchange gain on trading	972	428	902	403
	980	1,652	910	1,335

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

11 Other operating income

	Group Sep.2014	Group Sep.2013	Bank Sep.2014	Bank Sep.2013
	₦ million	₦ million	₦ million	₦ million
Dividends on available-for-sale equity securities	416	4,324	647	4,271
Gains on disposal of property and equipment	-	1	-	-
Gain on disposal of investment property	-	310	-	-
Gain on disposal of investments	3,348	737	6,287	737
Foreign exchange income	(72)	609	(72)	609
Rental income	369	(39)	369	125
Sundry income	3,180	2,087	3,060	181
	7,241	8,028	10,291	5,923

12 Net Impairment loss on financial assets

(a) Impairment charge for credit losses

	Group Sep.2014 ₦ million	Group Sep.2013 ₦ million	Bank Sep.2014 ₦ million	Bank Sep.2013 ₦ million
Net impairment charge for credit losses:				
-specific impairment (see note 17 below)	3,787	6,181	3,856	6,178
-portfolio impairment (see note 17 below)	1,807	(829)	1,807	(829)
Total impairment charge on loans and advances	5,594	5,352	5,663	5,349
(Recoveries on loans and advances)/reversal of impairment	(3,822)	(2,357)	(3,822)	(2,357)
	1,772	2,995	1,841	2,992
(b) *Net impairment loss on other financial assets:*				
Reversal of impairment on cash and short term funds)		120		
Impairment loss on available for sale financial assets		459		459
Impairment loss on other assets	(433)	6,224	(433)	4,644
	(433)	6,803	(433)	5,103
Total net impairment loss on financial assets	**1,339**	**9,798**	**1,408**	**8,095**

13 Personnel expenses

	Group Sep.2014 ₦ million	Group Sep.2013 ₦ million	Bank Sep.2014 ₦ million	Bank Sep.2013 ₦ million
Wages and salaries	21,505	23,137	20,690	21,712
Contributions to defined contribution plans (See note 31 (a))	524	598	524	576
Increase/ (decrease) in liability for defined benefit plans)	300	25	300	8
	22,329	23,760	21,514	22,296

14 Other operating expenses

	Group Sep.2014 ₦ million	Group Sep.2013 ₦ million	Bank Sep.2014 ₦ million	Bank Sep.2013 ₦ million
Auditors' remuneration	75	193	75	168
NDIC Premium	1,850	1,961	1,850	1,961
Rents and Rates	811	557	730	741
Business travels	1,117	903	1,090	866
Repair and Maintenance	507	797	507	761
Transformation Expense	750	529	1,125	529
Professional fees	1,509	1,593	1,086	1,593
Advertising and Promotion expenses	202	98	202	95
Security expense	936	748	936	748
General administrative expenses	7,809	10,882	7,175	5,201
Provision for expenses no longer required	-	-	-	-
Insurance	186	196	186	190
AMCON surcharge (see note (a) below)	3,298	3,324	3,298	3,324
	19,050	21,781	18,260	16,177

(a) This represents the Bank's contribution to Banking Sector Stabilization Fund for the year ended 30 September 2014. Effective 1 January 2011, banks were required to contribute 0.3% of their total assets as at the year end to the fund in line with existing guidelines. The rate changed to 0.5% during the year ended 31 December 2012.

15 Exceptional provision no longer required

This represents various provisions made in prior years that are no longer required.

16 Income tax expense

(a) Recognised in the profit or loss

	Group Sep. 2014	Group Sep. 2013	Bank Sep. 2014	Bank Sep. 2013
	₦ million	₦ million	₦ million	₦ million
Current tax expense				
Company Income Tax	59	(819)	-	(977)
Education tax	-	-	-	-
NITDA Levy	98	113	98	98
Prior year over provision	-	-	-	-
	157	(706)	98	(879)
Deferred tax expense				
Origination and reversal of temporary differences	-	86	-	192
Total income tax expense	157	(621)	98	(687)

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 period. 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 period.

(b) Reconciliation of effective tax rate

	Group Sep. 2014	Group Sep. 2014	Group Sep. 2013	Group Sep. 2013	Bank Sep. 2014	Bank Sep. 2014	Bank Sep. 2013	Bank Sep. 2013
		₦ million		₦ million		₦ million		₦ million
Profit/(loss) before income tax		8,966		9,945		11,886		11,666
Income tax using the domestic corporation tax rate	30%	2,690	30%	2,984	0%	-	0%	-
Income tax based on minimum tax computation	0%	-	0%	-	0%	-	0%	-
Effect of tax rates in foreign jurisdictions	0%	19	1%	113	0%	-	0%	-
Education tax levy	0%	-	0%	-	0%	-	0%	-
Capital gains tax	0%	-	0%	-	0%	-	0%	-
NITDA levy	1%	98	1%	113	1%	98	1%	98
Tax losses (utilised)/unutilised	-30%	(2,650)	-26%	(2,589)	0%	-	0%	-
Change to estimates for prior years	0%	-	0%	-	0%	-	0%	-
Total income tax expense in compre	1%	157	6%	- 621	1%	98	1%	98

The effective income tax rate for 31 March 2014 is 1% (December 2014:19%)

17 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 period is as follows.

Weighted average number of ordinary shares

	Group Sep. 2014	*Group* Sep. 2013	Bank Sep. 2014	Bank Sep. 2013
Issued ordinary shares at beginning of the period	16,936	16,936	16,936	16,936
Weighted effect of shares issued during the period	16,936	16,936	16,936	16,936

(b) *Profit attributable to ordinary shareholders*

In millions of Nigerian Naira	*Group* Sep. 2014	*Group* Sep. 2013	Bank Sep. 2014	Bank Sep. 2013
Profit/(Loss) for the period attributable to equity holders	7,381	10,018	11,788	12,353
Basic earnings/(loss) per share (in kobo)	44	59	70	73
Profit from continuing operations attributable to equity holders of bank	8,809	10,566	11,788	12,353
Basic earnings/(loss) per share (in kobo)	52	62	70	73

The Group does not have any dilutive potential ordinary shares, therefore, Basic EPS and Diluted EPS are the same for the Group.

18 Cash and cash equivalents

	Group Sep. 2014	Group Dec.2013	Bank Sep. 2014	Bank Dec.2013
	₦ million	₦ million	₦ million	₦ million
Cash and balances with banks	35,837	27,288	34,018	26,070
Unrestricted balances with central bank	463	27,071	463	27,071
Money market placements	78,491	46,566	38,810	-
	114,791	100,925	73,291	53,141
Impairments (see note (a) below)	-	-	-	-
	114,791	100,925	73,291	53,141

(a) The movement on impairment on cash and cash balance was as follows:

	Group Sep. 2014	Group Dec.2013	Bank Sep. 2014	Bank Dec.2013
	₦ million	₦ million	₦ million	₦ million
Balance, beginning of period	-	18,517	-	18,287
Charge/(reversals) during the period	-	(201)	-	(201)
Reclassification	-	(18,316)	-	(18,086)
Balance, end of period	-	-	-	-

19 Non-pledged Assets (Held for trading)

	Group Sep. 2014	Group Dec.2013	Bank Sep. 2014	Bank Dec.2013
	₦ million	₦ million	₦ million	₦ million
Government bonds	432	1,223	432	1,223
Treasury bills	2,866	1,624	2,866	1,624
	3,298	2,847	3,298	2,847

20 Pledged assets

Financial assets that may be repledged or resold by counterparties

	Group Sep. 2014	Group Dec.2013	Bank Sep. 2014	Bank Dec.2013
	₦ million	₦ million	₦ million	₦ million
Treasury bills	6,317	3,208	6,317	3,208
Bonds	63,037	61,919	63,037	61,919
Placement	41	40	41	40
	69,395	65,167	69,395	65,167

Financial assets are pledged as collateral as part of securities borrowing under terms that are usual and customary for such activities.

21 Loans and advances to customers at amortised cost

	Group Sep. 2014	Group Dec.2013	Bank Sep. 2014	Bank Dec.2013
	₦ million	₦ million	₦ million	₦ million
Gross amount	302,654	249,148	279,390	230,720
Specific impairment	(12,682)	(8,897)	(13,579)	(9,929)
Portfolio impairment	(12,996)	(10,709)	(12,479)	(10,673)
Total impairment	(25,678)	(19,606)	(26,058)	(20,602)
Carrying amount	276,976	229,542	253,332	210,118

22 Investment in equity accounted investee

	Group Sep. 2014	Group Dec.2013	Bank Sep. 2014	Bank Dec.2013
	₦ million	₦ million	₦ million	₦ million
Cost				
Balance, beginning of the period	100	15,242	91	91
Prior year adjustments	-	(9,685)	-	-
Balance, beginning of the period (Restated)	100	5,557	91	91
Share of current year result	-	(4)	-	-
Assets classified as discontinued operations	-	(5,453)	-	-
Disposal of subsidiaries	4	-	-	-
	104	100	91	91
(Impairments) /increase in value	(75)	(75)	(75)	(75)
Balance, end of the period	29	25	16	16

23 Investment securities

	Group Sep. 2014	Group Dec.2013	Bank Sep. 2014	Bank Dec.2013
	₦ million	₦ million	₦ million	₦ million
Available-for-sale investment securities comprise:				
Treasury bills	1,826	3,304	189	1,709
Equity: Quoted	5,792	824	9,019	7,091
Unquoted	12,252	13,632	11,166	12,832
Managed funds	738	715	738	715
Bonds	1,516	1,404	-	-
Others	-	985	-	-
	22,124	20,864	21,112	22,347
Less: specific impairment allowance	(4,073)	(4,083)	(4,531)	(4,542)
	18,051	16,781	16,581	17,805
Held to maturity investment securities comprise:				
Treasury bills	24,863	122,148	24,490	122,148
Bonds	178,049	150,424	178,049	150,424
	202,912	272,572	202,539	272,572
Investment securities	220,963	289,353	219,120	290,377

Specific allowance for impairment on available-for-sale investment securities:

	Group Sep. 2014	Group Dec.2013	Bank Sep. 2014	Bank Dec.2013
	₦ million	₦ million	₦ million	₦ million
Balance, beginning of the period	4,083	9,604	4,542	8,492
Allowance no longer required)	-	(49)	(11)	410
Reclassification	-	(4,360)	-	(4,360)
Assets classified as discontinued operations	(10)	(1,112)	-	-
Balance, end of the period	4,073	4,083	4,531	4,542

24 Trading properties

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

	Group	Group	Bank	Bank
	Sep. 2014	Dec.2013	Sep. 2014	Dec.2013
	₦ million	₦ million	₦ million	₦ million
Balance, beginning of period	4,747	6,971	1,930	2,282
Additions	-	28	-	-
Disposal	(491)	(2,112)	-	(352)
Reclassifcation	-	(140)	-	-
Balance, end of period	4,256	4,747	1,930	1,930

25 Investment Properties

These investment properties were last revalued during the year ended 31 December 2013 by Messers Bode Adediji Partnership, a firm of estate surveyors and valuers, using the open market basis of valuation, and their reports were dated 16 March 2013 and 16 December 2013 for Union Homes Savings and Loans Plc and UBN Property Company Limited respectively. As at 31 August 2014, 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
	Sep. 2014	Dec.2013	Sep. 2014	Dec.2013
	₦ million	₦ million	₦ million	₦ million
Balance, beginning of period	16,413	14,985	-	-
Additions	23	11,651	-	
Disposal	(137)	-	-	-
Revaluation gains/(losses)	-	655	-	-
Assets classified as held for sale	-	(10,878)	-	-
Balance, end of the period	16,299	16,413	-	-

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

	Group	Group	Bank	Bank
	Sep. 2014	Dec.2013	Sep. 2014	Dec.2013
	₦ million	₦ million	₦ million	₦ million
Balance, beginning of period	-	1,841	-	-
Assets classified as held for sale	-	(1,841)		
Balance, end of the period	-	-	-	-

26 Investment in subsidiaries
Cost

	Bank Sep. 2014	Bank Dec.2013
	₦ million	₦ million
Union Homes Savings and Loans Plc	1,834	1,834
Union Trustees Limited	5	5
Union Assurance Company Limited	-	1,448
UBN Property Company Limited	2,195	2,195
Union Bank UK Plc	8,372	8,372
Union Registrars Limited	-	114
Union Capital Markets Limited	-	1,842
Union Pension Fund Custodian	-	2,000
Atlantic Nominees Limited	188	325
Reclassification to assets classified as held for sale	(1,839)	(5,243)
	10,755	12,892
Impairment on investment in subsidiary (See (a) below)	-	-
	10,755	12,892

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

	Group Sep. 2014	Group Dec.2013	Bank Sep. 2014	Bank Dec.2013
	₦ million	₦ million	₦ million	₦ million
Balance, beginning of period	-	-	-	1,834
Additional/(Writeback) during the period	-	-	-	1,036
Reclassification to assets classified as held for sale			-	(2,870)
Balance, end of the period	-	-	-	-

(b) The subsidiary companies, country of incorporation, nature of business and percentage equity holding are detailed below:

Company Name	Country Incorpora	Nature of business	Year end	Direct ownership interest Sep. 2014	Direct ownership interest Dec.2013
				%	%
Union Homes Savings and Loans Plc	Nigeria	Property Development and Mortgage Finance	31 December	31	31
Union Trustees Limited	Nigeria	Trusteeship	31 December	90	90
Union Assurance Company Limited	Nigeria	Insurance	31 December	-	30
UBN Property Company Limited	Nigeria	Property Developmen	31 December	39	39
Union Bank UK Plc	Nigeria	Licensed UK Bank	31 December	100	100
Union Registrars Limited	Nigeria	Registrar	31 December	-	80
Union Capital Markets Limited	Nigeria	Investment Banking	31 December	-	48
Union Pension Custodian Limited	Nigeria	Pension Custodial	31 December	-	100
Atlantic Nomnees Limited	Nigeria	Real Estate	31 December	100	100

(i.) **Union Homes Savings and Loans Plc (Registered office at 153, Ikorodu Road, Lagos)**

The Company has 7,812,500,000 ordinary shares of N1.00 each of which 30.6% is held directly by Union Bank of Nigeria Plc and 14.2% by Union Trustees Limited and 15.3% by Williams Street Trustees Limited, the nominee company for Union Bank of Nigeria Plc Staff Pension Fund. A trust deed dated 18 July 1972, executed between Union Bank of Nigeria Plc, Union Trustees Limited and Williams Street Trustees Limited, appointed Union Trustees Limited as Managers of the Staff Pension Fund. Effectively Union Bank of Nigeria Plc has power over more than half of the voting rights in Union Homes Savings and Loans Plc. The carrying value of the investment in Union Homes Savings and Loans Plc is included in 'assets classified as held for sale'(see Note 36)

(ii.) **Union Trustees Limited (Registered Office at 131, Broad Street, Lagos)**

90% direct equity holding of the ordinary shares of the company. The carrying value of the investment in Union Trustees Limited is included in 'assets classified as held for sale'(see Note 36) (iii.) **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 2011 - 39.01%) is held directly by the Bank and 8.8% each by Union Homes Savings and Loans Plc and Union Assurance Company Limited. Williams Street Trustees Limited; the nominee company for Union Bank of Nigeria Plc Staff Pension Fund held 2.04%. Union Bank of Nigeria Plc has power over more than half of the voting rights by virture of indirect holding through Union Homes Savings and Loans Plc, and Union Assurance Company Limited. The Bank also governs the financial and operating policies of UBN Property Company Limited.

(iv.) **Union Bank UK Plc (Registered office at 14-18 Copthal Avenue, London EC2R7BN)**

The Bank directly holds 100% holding of Union Bank UK's 60,000,000 ordinary shares and 99% in 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 October, 2004 as an authorised United Kingdom subsidiary to carry out the business formerly conducted by London Branch of Union Bank of Nigeria Plc.

(v.) **Union Pension Limited (*Registered Office 9b Oko Awo Street, Victoria Island, Lagos*)**

The Group has derecognised the assets and liabilities of Union Pension in its books as a result of the commencement of the liquidation process of the company.

(vi) **Atlantic Nominees Limited**

The Bank holds 49,990 (approx. 100%) out of 50,000 ordinary shares of N1 each. The balance of 10 is held by Union Trustees Limited. The Company is a Special Project Vehicle of former Universal Trust Bank Plc, one of the banks acquired by Union Bank in 2005. The Company was incorporated to hold interests in landed properties.

Thirty-three (33) plots out of the total Seventy-eight (78) plots held by the company were sold in August.

(vii) **Union Homes Real Estate Investment Trust (REIT)**

The Group holds 145,570,979 (approx. 37%) out of 250,019,781 units of N50 each. Union Bank holds 48,543,600 units while Union Homes Savings and Loans Plc holds 97,027,379 units.

(c) Condensed results of consolidated entities
(i) The condensed financial data of the continuing operations as at 30 September 2014, are as follows

Condended statement of comprehensive income

Statement of Comprehensive income	***Group balances***	***Consolidation entries***	***Total***	***Bank***	***Union Properties***	***Union Pension***	***Atlantic Nominees***	***Union Bank UK***	***Union Homes REIT***
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Operating income	55,798	(3,226)	59,024	57,125	597	-	-	1,301	-
Net operating income after net impairment loss	54,460	67	57,686	55,719	597	-	-	1,370	-
Operating Expenses	(45,494)	33	(45,527)	(43,834)	(541)	-	-	(1,151)	-
Net impairment loss on financial assets	(1,338)	-	(1,338)	(1,407)	-	-	-	69	-
Share of proit of equity accounted investees	-		-	-					
Profit before income tax	**8,966**	**(3,194)**	**12,160**	**11,884**	**56**	**-**	**-**	**219**	**-**
Taxation	(157)	-	(157)	(98)	(12)	-	-	(47)	-
Profit after income tax	**8,809**	**(3,194)**	**12,003**	**11,786**	**44**	**-**	**-**	**172**	**-**

Condended Statement of financial position

	Group balances	***Consolidation entries***	***Total***	***Bank***	***Union Properties***	***Union Pension***	***Atlantic Nominees***	***Union Bank UK***	***Union Homes REIT***
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Cash and cash equivalents	114,791	(8,582)	123,373	73,291	1,655	-	-	45,742	2,686
Non-pledged trading assets	3,298	-	3,298	3,298	-	-	-	-	-
Pledged assets	69,395	-	69,395	69,395	-	-	-	-	-
Derivative financial instrument	-	-	-	-	-	-	-	-	-
Loans and advances to customers	276,976	(3)	276,979	253,332	-	-	-	23,647	-
Investments in equity-accounted investee	29	13	16	16	-	-	-	-	-
Investment securities	220,963	(2,769)	223,732	219,120	1,086	-	-	3,526	-
Assets held for sale	15,683	15,678	5	5	-	-	-	-	-
Trading properties	4,256	-	4,256	1,930	2,326	-	-	-	-
Investment properties	16,299	-	16,299	-	4,508	-	188	-	11,603
Investment in subsidiaries	-	(10,755)	10,755	10,755	-	-	-	-	-
Property and equipment	48,597	-	48,597	48,499	20	-	-	78	-
Intangible assets	2,394	-	2,394	2,178	-	-	-	216	-
Deferred tax assets	95,889	-	95,889	95,875	(1)	-	-	15	-
Other assets	110,557	(3,015)	113,572	110,564	18	2,434	-	231	326
Total assets	979,128	(9,433)	988,561	888,256	9,613	2,434	188	73,455	14,615
Financed by:									
Deposits from banks	51,427	-	51,427	11,463	-	-	-	39,964	-
Deposits from customers	503,031	(8,588)	511,619	490,731	-	-	-	20,888	-
Liability on investment contract	-	-	-	-	-	-	-	-	-
Liability on insurance contract	-	-	-	-	-	-	-	-	-
Current tax liabilities	656	-	656	529	69	-	-	58	-
Other liabilities	116,934	(6,001)	122,935	121,011	848	-	-	395	680
Retirement benefit obligations	2,151	-	2,151	2,110	41	-	-	-	-
Other borrowed funds	66,969	-	66,969	66,969	-	-	-	-	-
Liabilities classified as held for sale	35,285	35,285	-	-	-	-	-	-	-
Equity and reserves	202,677	(30,129)	232,806	195,445	8,655	2,434	188	12,149	13,935
Total liabilities	979,129	(9,433)	988,562	888,258	9,613	2,434	188	73,455	14,615

(c) Condensed results of consolidated entities
(i) The condensed financial data of the continuing operations as at 31 December 2013, are as follows

Condended statement of comprehensive income

Statement of Comprehensive income	***Group balances***	***Consolidation entries***	***Total***	***Bank***	***Union Properties***	***Union Pension***	***Atlantic Nominees***	***Union Bank UK***	***Union Homes REIT***
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Operating income	81,903	(3,414)	85,317	79,307	2,240	270	-	1,806	1,694
Net operating income after net impairment loss	65,102	564	65,469	60,887	1,175	270	-	1,443	1,694
Operating Expenses	(59,957)	-	(59,957)	(56,686)	(1,363)	(111)	-	(1,536)	(261)
Net impairment loss on financial assets	(16,801)	3,047	(19,848)	(18,420)	(1,066)	-	-	(362)	-
Share of proit of equity accounted investees	(4)		(4)	-					
Profit before income tax	**5,141**	**(367)**	**5,508**	**4,201**	**(188)**	**159**	**-**	**(92)**	**1,433**
Taxation	933	-	933	920	-	(6)	-	19	-
Profit after income tax	**6,074**	**(367)**	**6,441**	**5,121**	**(188)**	**154**	**-**	**(74)**	**1,433**

Condensed Statement of financial position

	Group balances	***Consolidation entries***	***Total***	***Bank***	***Union Properties***	***Union Pension***	***Atlantic Nominees***	***Union Bank UK***	***Union Homes REIT***
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Cash and cash equivalents	100,925	(15,780)	116,705	53,141	1,460	2,538	-	56,880	2,686
Non-pledged trading assets	2,847	-	2,847	2,847	-	-	-	-	-
Pledged assets	65,167	-	65,167	65,167	-	-	-	-	-
Derivative financial instrument	-	-	-	-	-	-	-	-	-
Loans and advances to customers	229,542	-	229,542	210,118	-	-	-	19,424	-
Investments in equity-accounted investee	25	9	16	16	-	-	-	-	-
Investment securities	289,353	(5,808)	295,161	290,377	800	-	-	3,984	-
Assets held for sale	51,684	51,684	-	-	-	-	-	-	-
Trading properties	4,747	-	4,747	1,930	2,817	-	-	-	-
Investment properties	16,413	-	16,413	-	4,485	-	325	-	11,603
Investment in subsidiaries	-	(15,266)	15,266	15,266	-	-	-	-	-
Property and equipment	45,526	-	45,526	45,351	22	88	-	65	-
Intangible assets	808	-	808	685	-	-	-	123	-
Deferred tax assets	95,889	-	95,889	95,875	-	-	-	14	-
Other assets	99,829	(2,303)	102,132	101,324	78	77	-	327	326
Total assets	1,002,755	12,536	990,219	882,097	9,662	2,703	325	80,817	14,615
Financed by:									
Deposits from banks	46,794	-	46,794	3,200	-	-	-	43,594	-
Deposits from customers	482,706	(22,339)	505,045	479,956	-	-	-	25,089	-
Current tax liabilities	534	-	534	472	56	6	-	-	-
Other liabilities	156,405	(1,172)	157,577	155,190	950	264	-	492	681
Retirement benefit obligations	10,261	-	10,261	10,216	45	-	-	-	-
Other borrowed funds	45,280	-	45,280	45,280	-	-	-	-	-
Liabilities classified as held for sale	61,432	61,432	-	-	-	-	-	-	-
Equity and reserves	199,343	(25,385)	224,728	187,783	8,611	2,434	325	11,642	13,934
Total liabilities	1,002,755	12,536	990,219	882,097	9,662	2,703	325	80,817	14,615

27 Property and equipment

(a) **Group:**

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

	Leasehold land and buildings	Leasehold improvements	Furniture & equipment	Motor vehicles	Capital work in progress	Total
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Cost						
Balance at 1st January, 2014	52,343	-	11,676	1,160	818	65,997
Exchange difference	2	-	4	-	-	6
Additions	1,414	-	3,167	26	1,009	5,616
Disposals	(5)	-	(548)	(31)	-	(584)
Reversals	-	-	(10)	-	(403)	(413)
Derecognition of subsidiaries	-		-			-
Assets classified as discontinued operations	-	-	-	-		-
Balance as at 30 September 2014	52,204	-	13,784	3,754	1,424	71,166
Balance at 1st January, 2013	52,794	922	28,147	7,115	2,049	91,027
Exchange difference	5	-	3	1	-	9
Additions	1,402	-	2,061	42	1,348	4,853
Disposals	(247)	-	(46)	(1,320)	-	(1,613)
Reclassification to other assets	3,773	(922)	802	(1,074)	(2,579)	-
Write off	(2,065)	-	(17,768)	(2,802)	-	(22,635)
Transfers						-
Balance as at 31 December 2013	52,343	-	11,676	1,160	818	65,997
Depreciation and impairment losses						
Balance at 1st January, 2014	11,530	-	7,909	872	159	20,470
Exchange difference	3	-	2	-	-	5
Charge for the period	859	-	1,109	88	-	2,057
Disposals	-	-	(4)	(29)	-	(33)
Write-off/Adj	-	-	-	-		-
Reversals	(1,691)	-	(934)	2,605	90	70
Derecognition of subsidiaries	-		-			-
Assets classified as discontinued operations	-	-	-	-		-
Balance as at 30 September 2014	10,701	-	8,082	3,536	249	22,569
Balance at 1st January, 2013	10,997	87	25,692	5,785	-	42,561
Exchange difference	3	-	2	-	-	5
Charge for the year	1,170	-	1,447	326	-	2,943
Disposals	(36)	-	(46)	(1,310)	-	(1,392)
Write-off/Adj	66	-	(19,360)	(2,753)		(22,047)
Reclassification to other assets	450	(87)	1,295	(516)	-	1,142
Assets classified as held for sale and discontinued	(1,120)	-	(1,121)	(660)	159	(2,742)
Balance as at 31 December 2013	11,530	-	7,909	872	159	20,470
(iii) **Net Book Value**						
Balance as at 30 September 2014	41,503	-	5,702	218	1,175	48,597
Balance as at 3I December 2013	40,813	-	3,767	288	659	45,527

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

(v) 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.

(vi) There were no capitalised borrowing costs related to the acquisition of property and equipment during the period (December 2013: nil)

(b) **Bank:**

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

	Leasehold land and buildings	**Leasehold improvements**	**Furniture & equipment**	**Motor vehicles**	**Capital work in progress**	**Total**
(i) **Cost**	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Balance at 1st January, 2014	52,182	-	10,315	1,124	818	64,439
Additions	1,407	-	3,133	20	1,009	5,569
Disposals	(5)	-	(548)	(31)	-	(584)
Reclassification	(1,550)	-	(505)	2,599	-	544
Reversals	-	-	(10)	-	(403)	(413)
Balance as at 30 September 2014	**52,034**	**-**	**12,385**	**3,712**	**1,424**	**69,555**
Balance at 1st January, 2013	53,190	-	26,038	5,195	197	84,620
Additions	1,163	-	2,031	38	1,348	4,580
Disposals	(247)	-	(46)	(1,307)	(201)	(1,801)
Reclassification to other assets	-	-	-	-	-	-
Transfers	141	-	60	-	-	201
Write off	(2,065)	-	(17,768)	(2,802)	(526)	(23,161)
Balance as at 31 December 2013	52,182	-	10,315	1,124	818	64,439

.

(ii) **Accumulated depreciation**	**Leasehold land and buildings** ₦ million	**Leasehold improvements** ₦ million	**Furniture & equipment** ₦ million	**Motor vehicles** ₦ million	**Capital work in progress** ₦ million	**Total** ₦ million
Balance at 1st January, 2014	11,397	-	6,845	846		19,088
Charge for the period	843	-	1,099	84	-	2,026
Disposals	-	-	(4)	(29)	-	(33)
Reversals	(1,691)	-	(934)	2,605		(20)
Write-off/Adj	-	-	-	-		-
Balance, end of the period	**10,549**	**-**	**7,006**	**3,506**	**-**	**21,061**
Balanceas at 1 January 2013	10,219	-	24,681	4,583	-	39,483
Charge for the year	1,148	-	1,432	319	-	2,899
Disposals	(36)	-	(46)	(1,303)	-	(1,385)
Reclassification to other assets	66	-	(19,222)	(2,753)	-	(21,909)
Balance as at 31 December 2013	**11,397**	**-**	**6,845**	**846**	**-**	**19,088**
(iii) **Net Book Value**						
Balance as at 30 September 2014	41,485	-	5,379	206	1,424	48,499
Balance as at 3I December 2013	40,785	-	3,470	278	818	45,351

(iv) In the opinion of the directors, the market value of the Bank's properties is not less than the value shown in the financial statements.

(v) 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.

(vi) There were no capitalised borrowing costs related to the acquisition of property and equipment during the period (December 2013: nil)

28 Intangible assets

	Group Sep. 2014	Group Dec.2013	Bank Sep. 2014	Bank Dec.2013
	₦ million	₦ million	₦ million	₦ million
Cost				
Balance, beginning of period	2,134	2,725	1,610	1,318
Balance, beginning of the period	2,134	2,725	1,610	1,318
Additions	1,907	381	1,798	292
Reclassification	-	-	-	-
Write-off	-	(63)		
Exchange translation difference	15	10	-	-
Assets of subsidiaries disposed	-	(919)		
Balance, end of period	4,056	2,134	3,408	1,610
Amortization and impairment losses				
Balance, beginning of period	1,326	1,670	925	796
Amortisation for the period	315	179	289	161
Reclassification	15	(16)	16	(16)
Write-off	-	(16)	-	(16)
Exchange translation difference	6	6	-	-
Assets of subsidiaries disposed	-	(497)	-	-
Balance, end of period	1,662	1,326	1,230	925
Carrying amounts as at period end	2,394	808	2,178	685
Balance as at 1 January	808	1,055	685	522

(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 period (December 2013 : nil)

29 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group

30 September 2014

	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	100,644	-	100,644
Others	1,711	1	1,710
Net tax assets (liabilities)	102,928	7,040	95,888

31 December 2013

	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	100,644	-	100,644
Others	1,711	-	1,711
Net tax assets (liabilities)	102,928	7,039	95,889

Bank

30 September 2014

	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 2013

	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/period:

	Group Sep. 2014	Group Dec.2013	Bank Sep. 2014	Bank Dec.2013
	₦ million	₦ million	₦ million	₦ million
Balance, beginning of the period	95,889	98,354	95,875	95,875
Credit for the period	-	(10)	-	-
Credit/(reversal)	-	-	-	-
Charge for the period	-	-	-	-
Net assets/(liabilities) of discontinued operations	-	(2,455)	-	-
Net deferred tax assets/(liabilities)	95,889	95,889	95,875	95,875
Out of which				
Deferred tax assets	102,928	102,928	102,914	102,914
Deferred tax liabilities	(7,040)	(7,039)	(7,039)	(7,039)

Recognised and unrecognised deferred tax assets

Recognition of deferred tax assets of N92,884 (2012: 95,349) is based on management's profit forecasts (which are based on the available evidence, including historical levels of profitability), which indicates that it is probable that the Group's enities will have taxable profits against which these assets can be utilized. As at period end, the Group as an unrecognised deferred tax asset of N47 billion.

30 Other assets

	Group Sep. 2014	Group Dec.2013	Bank Sep. 2014	Bank Dec.2013
	₦ million	₦ million	₦ million	₦ million
Accounts receivable and prepayments	8,207	4,462	8,165	4,366
Restricted deposits with central bank (see (i))	86,278	72,971	86,278	72,971
Receivable from AMCON	-	7,447	-	7,447
Sundry assets	145,371	147,463	144,358	147,989
Clearing	49,004	47,519	49,004	47,519
	288,860	279,862	287,805	280,292
Impairment on other assets	(178,303)	(180,033)	(177,241)	(178,968)
	110,557	99,829	110,564	101,324

(i) The Bank had restricted balances of N82,468 million (Dec. 2013: N72,971 million) with the Central Bank of Nigeria (CBN) as at 31 December 2013. This balance is made up principally of CBN cash reserve requirement. The cash reserve is 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

(ii) The amount represents receivable from Asset Management Corporation of Nigeria (AMCON) as at period end in respect of proceeds on sale of loans and accrued interest . During the period ended 31 August 2014, the Bank has received full payment from AMCON.

Movement in impairment on other assets:

	Group Sep. 2014	Group Dec.2013	Bank Sep. 2014	Bank Dec.2013
	₦ million	₦ million	₦ million	₦ million
Balance, beginning of period	180,033	154,680	178,968	151,093
Charge for the period	-	4,911	-	3,845
Allowance written off	-	(10)	-	(10)
Reclassification	-	24,039	-	24,039
Assets classified as held for sale	-	(3,587)		-
Effect of exchange rate	(1,730)	-	(1,727)	-
Balance, end of period	178,303	180,033	178,968	178,967

31 Deposits from banks

	Group Sep. 2014	Group Dec.2013	Bank Sep. 2014	Bank Dec.2013
	₦ million	₦ million	₦ million	₦ million
Money market deposits	11,463	3,200	11,463	3,200
Other deposits from banks	39,964	43,594	-	-
	51,427	46,794	11,463	3,200

32 Deposits from customers

	Group Sep. 2014	Group Dec.2013	Bank Sep. 2014	Bank Dec.2013
	₦ million	₦ million	₦ million	₦ million
Term deposits	169,829	147,468	163,772	151,973
Current deposits	196,637	201,448	190,394	194,193
Savings	136,565	133,790	136,565	133,790
	503,031	482,706	490,731	479,956

33 Tax Payable

	Group Sep. 2014	Group Dec.2013	Bank Sep. 2014	Bank Dec.2013
	₦ million	₦ million	₦ million	₦ million
Balance, beginning of period	534	2,312	472	495
Prior period over provision	-	(978)	-	(977)
Reclassification	-	977	-	977
Charge for the period	157	35	98	57
Payments during the period	(35)	(102)	(41)	(80)
Transfer to assets held for sale	-	(1,710)		
Balance, end of period	656	534	529	472

34 Other liabilities

	Group Sep. 2014	Group Dec.2013	Bank Sep. 2014	Bank Dec.2013
	₦ million	₦ million	₦ million	₦ million
Deposits for foreign currency	32,138	40,633	32,138	40,633
PAYE and other statutory deductions	2,235	1,937	2,235	1,841
Draft and Bills payable	15,964	23,278	15,964	23,278
Sundry creditors	6,202	17,976	6,202	17,993
Creditors and accruals	22,310	26,641	21,680	25,977
Provision for claims and contigencies (see (a) below)	5,825	5,441	5,825	5,441
Accounts payable	1,183	1,219	1,183	853
Other credit balances	31,078	39,281	35,784	39,173
	116,935	156,406	121,011	155,189

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

	Group Sep. 2014	Group Dec.2013	Bank Sep. 2014	Bank Dec.2013
	₦ million	₦ million	₦ million	₦ million
Balance, beginning of period	5,441	4,701	5,441	4,701
Charge/reversal during the year	384	(1,879)	384	(1,879)
Reclassification	-	(1,179)	-	(1,179)
Balance, end of the period	5,825	5,441	5,825	5,441

35 Retirement benefit obligations

	Group Sep. 2014	Group Dec. 2013	Bank Sep. 2014	Bank Dec. 2013
	₦ million	₦ million	₦ million	₦ million
Defined contribution scheme (see (a) below)	134	131	134	131
Defined benefit obligations (see (b) below)	2,017	10,130	1,976	10,085
	2,151	10,261	2,110	10,216

(a) Defined Contribution Scheme

	Group Sep. 2014	Group Dec. 2013	Bank Sep. 2014	Bank Dec. 2013
	₦ million	₦ million	₦ million	₦ million
Balance, beginning of year	131	304	131	247
Charge during the period/year	524	1,622	524	1,613
Reclassification to discontinued operations	-	(5)	-	-
Reclassification to defined benefit obligation	-	(52)	-	-
Contribution remitted during the period/year	(521)	(1,738)	(521)	(1,729)
Balance, end of period/year	134	131	134	131

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 employees' nominated Pension Fund Administrators.

(b) Defined benefit obligation

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

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 Bank has continued to carry accrued benefits under the scheme but has now commenced the transfer of such benefits to the Retirement Savings Accounts (RSA) of the affected employees.

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

	Group Sep. 2014	Group Dec. 2013	Bank Sep. 2014	Bank Dec. 2013
	₦ million	₦ million	₦ million	₦ million
Present value of unfunded obligation	2,017	10,130	1,976	10,085
Present value of funded obligation	-	-	-	-
Total present value of the obligation	2,017	10,130	1,976	10,085
Fair value of plan assets	-	-	-	-
Present value of net obligation	2,017	10,130	1,976	10,085
Recognized liability for defined benefit obligations	2,017	10,130	1,976	10,085

(i) The movement in present value of defined benefit obligation includes:

	Group Sep. 2014	Group Dec. 2013	Bank Sep. 2014	Bank Dec. 2013
	₦ million	₦ million	₦ million	₦ million
Defined benefit obligation at 1 January	10,130	51,606	10,085	49,121
Benefits paid by the plan	(10,543)	(17,700)	(10,539)	(17,693)
Current service costs and interest	300	3,650	300	3,650
Curtailment	-	(2,240)	-	(2,240)
Actuarial gain	-	(5,521)	-	(5,521)
Reclassification to other liabilities	(2,308)	(17,232)	(2,308)	(17,232)
Reclassification from defined contribution scheme		52	-	-
Reclassification to discontinued operations	-	(2,485)	-	-
Transfer from reserves	4,438	-	4,438	-
Defined benefit obligation at 31 December	2,017	10,130	1,976	10,085

(iii) Expense recognised in income statement

Current service costs and interest	300	1,410	300	3,444

The above expense is recognised as personnel expenses, see note 13.

(vi) 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 Mar. 2014	Group Dec. 2013	Bank Mar. 2014	Bank Dec. 2013
- discount rate	13%	13.5%	13.5%	13.5%	13.5%
- average rate of inflation	10%	12%	12%	12%	12%
- future salary increases	12%	9%	9%	9%	9%

Demographic assumptions:

Mortality in service

Assumptions regarding future mortality are based on published statistics and mortality tables in the A49/52 Ultimate Tables, publised jointly by the Institute and Faculty of Actuaries in the United Kingdom.

Sample age	Number of deaths in year out of 10,000 lives
25	7
30	7
35	9
40	14
45	26

Withdrawal from service

Age band	Rate
Less than or equal to 30	5.0%
31 - 39	4.0%
40 - 44	3.0%
45 - 60	0.0%

(vi) The bank has discontinued its gratuity scheme in the current year.

36 Other borrowed funds

	Group Sep. 2014	Group Dec. 2013	Bank Sep. 2014	Bank Dec. 2013
	₦ million	₦ million	₦ million	₦ million
Due to CAC (see (a))	16,667	16,667	16,667	16,667
BOI on-lending facility (see note (b) below)	10,941	12,878	10,941	12,878
Other borrowings (see (c))	39,361	15,735	39,361	15,735
	66,969	45,280	66,969	45,280

(a) The amount of N16,667,000,000 represents an 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

(b) The amount represents 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 N18.4 billion (Dec. 2013: N18.4 billion) and has a 15-year tenor and repayable quarterly.

A management fee of 1% deductible at source is paid by the Bank 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: USD100 million represents a 3 year Medium Term Loan Facility from Standard Chartered Bank for general corporate and trade finance purposes. This loan is secured with FGN Bond with total face value of N19.5 billion; Syndicated USD100million 3 year Medium Term Facility with Standard Chartered Bank being the facility agent and the lead arranger.

37 Discontinued operations

(a) Profit for the period from discontinued operations

Profit for the period from discontinued operations represnts the operating results of subsidiaries held for sale in line with management strategy to divest from non-banking subssidiaries.

The profit for the period from discontinued operations comprises:

	Group Sep. 2014	Group Sep. 2013
	₦ million	₦ million
Gross income	**2,982**	**2,582**
Gross expense	**-2,524**	**(5,718)**
Interest income	1,157	2,415
Interest expense	(2,240)	(2,610)
Net interest income	-1,083	-195
Recoveries on credit losses	1,139	-
Net interest income after impairment charge for credit losses	56	-195
Net fee and commission income	242	58
Net trading income	-43	-
Other operating income	487	109
Total operating income	686	167
Operating income	742	-28
Net impairment loss on financial assets	-	(932)
Net operating income after net impairment loss on other financial assets	742	-960
Personnel expenses	(433)	(959)
Depreciation and amortization	(272)	(289)
Other operating expenses	(718)	(928)
	(1,423)	(2,176)
Share of profit of equity accounted investee	-	-
Loss before tax from discontinued operations	-681	-3,136
Income tax expense	(44)	148
Loss from discontinued operations (net of tax)	-725	-2,988

(b) Assets classified as held for sale

		Group Sep. 2014	Group Dec. 2013	Bank Sep. 2014	Bank Dec. 2013
		₦ million	₦ million	₦ million	₦ million
Cash and cash equivalents		56	779	-	-
Investments in subsidiaries		-	-	1,839	5,243
Non-pledged trading assets		-	991	-	-
Loans and advances to customers		9,441	9,719	-	-
Investments in equity accounted investee		-	-	-	-
Investment securities	-	4	26,715	-	-
Investment properties		4,349	5,494	-	-
Property and equipment		629	2,292	-	-
Intangible assets		102	323	-	-
Deferred tax assets		1,271	1,393	-	-
Other assets	-	161	3,978	-	-
		15,683	51,684	1,839	5,243
Impairment allowance		-	-	(1,834)	(2,869)
		15,683	51,684	5	2,374

(c) Liabilities for assets classified as held for sale

	Group Sep. 2014	Group Dec.2013	Bank Sep. 2014	Bank Dec.2013
	₦ million	₦ million	₦ million	₦ million
Deposits from customers	30,480	26,615	-	-
Liability on investment contract	-	1,143	-	-
Liability on insurance contract	-	3,689	-	-
Current tax liabilities	116	1,373	-	-
Deferred tax liabilities	174	305	-	-
Other liabilities	4,086	25,434	-	-
Retirement benefit obligations	429	614	-	-
Other borrowed funds	-	2,259	-	-
	35,285	61,432	-	-

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.

(d) Condensed results of discontinued operations

The condensed financial data of the discontinued operations as at 30 September 2014, are as follows

Statement of Comprehensive income	***Union Homes***	***Union Trustees***	***Intragroup adjustments***	***Group Total***
	₦ million	₦ million	₦ million	₦ million
Interest income	707	450	-	1,157
Interest expense	(2,240)	-	-	(2,240)
Net interest income	(1,534)	450	-	(1,084)
Impairment charge for credit losses	1,139	-	-	1,139
Net interest income after impairment charge for credit losses	(394)	450	-	56
Net fee and commission income	-	242	-	242
Net trading (loss)/income	-	(43)	-	(43)
Other operating income	299	188	-	487
Underwriting profit	-	-	-	-
	299	387	-	686
Operating income	(96)	837	-	741
Net impairment loss on other financial assets	-	950	(950)	-
Net operating income after net impairment loss on other financial assets	(96)	1,787	(950)	741
Personnel expenses	(292)	(141)	-	(433)
Depreciation and amortisation	(266)	(6)	-	(272)
Other operating expenses	(665)	(53)		(718)
Total expenses	(1,223)	(200)	-	(1,423)
Share of profit of equity accounted investee				-
Profit/(loss) before income tax	(1,319)	1,588	(950)	(682)
Income tax	-	(44)	-	(44)
Profit/(loss) for the period	(1,319)	1,544	(950)	(725)

Condensed statement of financial position for discontinued operations

Statement of financial position	***Union Homes***	***Intragroup adj***	***Total***
	₦ million	₦ million	₦ million
ASSETS			
Cash and cash equivalents	56	-	56
Loans and advances to customers	9,441	-	9,441
Investments in equity accounted investee	5,434	(5,434)	-
Investment securities	2,541	(2,545)	(4)
Investment properties	4,349	-	4,349
Property and equipment	629	-	629
Intangible assets	102	-	102
Deferred tax assets	-	1,271	1,271
Other assets	27	(187)	(161)
TOTAL ASSETS	22,579	(6,896)	15,683
LIABILITIES			
Deposits from customers	30,480	-	30,480
Current tax liabilities	116	-	116
Deferred tax liabilities	174	-	174
Other liabilities	5,972	(1,886)	4,086
Retirement benefit obligations	429	-	429
TOTAL LIABILITIES	37,171	(1,886)	35,285

38 Capital and reserves

Share capital

		Group Sep. 2014	Group Dec. 2013	Bank Sep. 2014	Bank Dec. 2013
		₦ million	₦ million	₦ million	₦ million
(a)	Authorised : 19,023,125,000 Ordinary shares of 50 kobo each	9,512	9,512	9,512	9,512

		Group Sep. 2014	Group Dec. 2013	Bank Sep. 2014	Bank Dec. 2013
		₦ million	₦ million	₦ million	₦ million
(b)	Issued and fully paid - 16,935,806,472 Ordinary shares of 50kobo each	8,468	8,468	8,468	8,468

	Group Sep. 2014	Group Dec. 2013	Bank Sep. 2014	Bank Dec. 2013
	₦ million	₦ million	₦ million	₦ million
Balance, beginning of period	8,468	6,755	8,468	8,468
Shares cancelled on reconstruction of		(5,489)		
shares during the year	-	7,202	-	-
Balance, end of period	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 Sep. 2014	Group Dec. 2013	Bank Sep. 2014	Bank Dec. 2013
	₦ million	₦ million	₦ million	₦ million
Balance, beginning of period	391,641	53,023	391,641	391,641
Excess capital clawback	-	-	-	-
Premium on shares issued	-	391,641	-	-
Transfer to general reserve on cancellation of existing shares	-	(53,023)	-	-
Balance, end of period	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 includes Statutory reserves, Fair value reserve, Regulatory risk reserves, Small and Medium Scale Industries Reserve (SMEEIS), Contingency reserve, Capital reserve, Translation reserve and Excess Clawback reserve.

(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 total transfer of N766million (December 2012: N1,178million) to statutory reserves as at period end.

(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 the Nigeria GAAP based on the Central Bank of Nigeria prudential guidelines and Central Bank of the foreign subsidiaries regulations, compared with the incurred loss model used in calculating the impairment under IFRSs.

(iv) 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 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 and therefore no reserve was made during the year. The small and medium scale industries equity investment scheme reserves are non-distributable.

(v) Contingency reserve:

The contingency reserve is maintained to comply with the National Insurance Commission (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.

(vi) Capital reserve

Capital reserve warehouses the nominal value of shares cancelled during the capital reconstruction exercise that occurred during the financial year ended December 2012.

(vii) Translation reserve

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

(viii) 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 has been refunded to AMCON.

(e) Retained deficit

Retained deficit represents the carried forward income net of expenses plus current period profit attributable to Group's shareholders.

39 Non-controlling Interest

Movement in the non controlling interest	Group Sep. 2014	Group Dec. 2013
	₦ million	₦ million
Balance, beginning of year	7,162	5,346
Profit/(loss) for the year	703	(2,440)
Increase/(dimunition) in non controlling interest	495	4,256
Disposal of subsidiaries	(1,409)	-
Balance, end of year	6,951	7,162