Union Bank of Nigeria Plc

Annual Report
31 December 2017

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CORPORATE INFORMATION

Directors

• Cyril Odu	-	Chairman
• Emeka Emuwa	-	Chief Executive Officer
• Oyinkansade Adewale	-	Executive Director/Chief Financial Officer
• Kandolo Kasongo	-	Executive Director/Chief Risk Officer/Compliance Executive
• Ibrahim Kwargana	-	Executive Director[1]
• Emeka Okonkwo	-	Executive Director
• Adekunle Sonola	-	Executive Director
• Nath Ude	-	Executive Director
• Mansur Ahmed	-	Non-Executive Director[2]
• Onikepo Akande, CON	-	Non-Executive Director[2]
• Obafunke Alade-Adeyefa	-	Independent Non-Executive Director[3]
• John Botts	-	Non-Executive Director
• Richard Burrett	-	Non-Executive Director
• Ian Clyne	-	Non-Executive Director
• Beatrice Hamza Bassey	-	Non-Executive Director
• Furera Isma Jumare	-	Independent Non-Executive Director[4]
• Richard Kramer OFR	-	Non-Executive Director
• Taimoor Labib	-	Non-Executive Director[5]
• Arina M[c]Donald	-	Non-Executive Director[6]
• John Vitalo	-	Non-Executive Director[7]

1 *Retired with effect from 31 October, 2017*
2 *Retired with effect from 24 October, 2017*
3 *Appointed on the 27 of April 2017*
4 *Appointed on the 30 of May 2017*
5 *Appointed on the 10 of November 2017*
6 *Resigned with effect from 24 October, 2017*
7 *Resigned with effect from 15 February, 2017*

Company Secretary

Somuyiwa Adedeji Sonubi
FRC/2013/NBA/00000002061

Registered office

Union Bank of Nigeria Plc

Stallion Plaza

36 Marina

Lagos

Auditor

KPMG Professional Services

KPMG Tower

Bishop Aboyade Cole Street

Victoria Island

Lagos

Registrar & Transfer Office

GTL Registrars Limited

274 Murtala Muhammed Way

Yaba

Lagos

Board Appraiser

DCSL Corporate Services Limited

235, Ikorodu Road

Ilupeju

Lagos

Management Team

Emeka Emuwa	Chief Executive Officer
Oyinkansade Adewale	Chief Financial Officer
Nath Ude	Head, Services and Technology
Kandolo Kasongo	Chief Risk Officer and Compliance Executive
Emeka Okonkwo	Head, Corporate Banking and Treasury
Adekunle Sonola	Head, Commercial Banking
Carlos Wanderley	Head, Retail Banking
Joseph Mbulu	Head Finance Business Management
Miyen Swomen	Head, Human Resources
Omolola Cardoso	Head, Corporate Strategy and Innovation
David Isiavwe	Chief Audit Executive
Lateef Dabiri	Chief Compliance Officer
Rosemary David-Etim	Divisional Executive Commercial Banking, South South/ South East
Sheahan Arasaratnam	Head, Retail Products
Tetem Feyi-Waboso	Chief Information Officer
Abigail Duopama-Obomanu	Head, Internal Control
Abolade Jegede	Divisional Executive Commercial Banking, South West
Chidi Ileka	Head, Transaction Banking, Trade & Cash
Fatai Baruwa	Head, Sales and Distribution III
Folorunsho Orimoloye	Head, Alternative Channels [1]
Ikechukwuka Emerole	Head, Treasury
Joyce Adekoya	Deputy Chief Compliance Officer
Ogochukwu Ekezie-Ekaidem	Head, Corporate Communications & Marketing
Olusola Olubi	Head, Specialized Markets, Corporate Banking
Segun Lamidi	Head, Operations
Uche Olowu	Head, CBG Energy Upstream & Oil Services
Adebanji Jimoh	Head, Sales and Distribution II
Ali Kadiri	Head, General Markets, Corporate Bank
Anthony Asonye	Divisional Executive Commercial Banking, Lagos Mainland

Babatunde Olagbaju	Head, Credit Portfolio Management & Regulatory Compliance
Bulus Ayuba	Head, Branch Services
Gloria Omereonye	Sector Lead Trade and General Commerce
Imoh Udoh	Group Head, Commercial Banking Port Harcourt
Kabir Sarkin-Pawa	Cluster Head, North II
Kenneth Ufere	Head, Business Support and Recovery
Mobolade Ojeahere	Head, Cash Management
Morenike Olabisi	Head, CBG Food & Beverages
Muyiwa Ebitanmi	Head, Sales and Distribution I
Oghenefovie Oyawiri	Head, Operational Risk Management
Olusegun Edun	Head, Credit Risk Analysis (Corporate)
Oluwagbenga Adeoye	Head, Financial Control
Paul Aseme	Head, Retail Segments
Pearl Kanu	Sector Lead Non-Bank Financial Institutions
Rabiu Tata	Head, Public Sector Group & Govt. Relations (Abuja/North)
Taiwo Adeneye	Head, Treasury Operations
Maurice Phido	Managing Director, Union Bank UK Plc

[1] *Resigned with effect from January 08, 2018*

CORPORATE GOVERNANCE

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

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

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

Securities Trading Policy

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

Complaints Management Policy

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

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

Whistle Blowing Procedures

In line with the Bank's commitment to instil the best corporate governance practices, the Bank's anonymous whistle-blowing channel is independently managed by **Deloitte and Touche.** This is to uphold commitment to the highest standards of openness, integrity, accountability and ethical standards. To this end, there is a toll-free hotline, a dedicated e-mail address, web portal and a Mobile App on Android and iOS devices. The hotline number is **08008476337** and the email address is **tip-offs@deloitte.com.ng**. There is a direct link to the web portal **https://tip-offs.deloitte.com.ng** on the Bank's website and intranet to enable stakeholders, including members of staff, report all suspected breaches of the Bank's Code of Corporate Governance.

Remuneration Policy for Directors and Senior Management

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

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

Governance Structure

The following governance bodies are in place:

A. The Board of Directors

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

S/NO	NAME	28/02/2017	09/05/2017	10/05/2017	13/06/2017	25/07/2017	24/10/2017	23/11/2017	05/12/2017
1	ODU, Cyril Akporuere	X	X	XX	X	X	X	X	X
2	EMUWA, Emeka	X	X	XX	X	X	X	X	X
3	ADEWALE**,** Oyinkansade Mrs	X	X	XX	X	O	O	X	X
4	AHMED, Mansur[1]	O	X	XX	O	X	O	R	R
5	AKANDE, Onikepo (Dr) Mrs[1]	O	X	XX	X	X	X	R	R
6	ALADE-ADEYEFA, Obafunke (Mrs)[2]	-	-	-	-	X	X	O	X

7	BOTTS, John	X	X	XX	X	X	X	X	X
8	BURRETT, Richard	X	X	O	O	X	X	X	X
9	CLYNE, Ian	X	X	XX	X	X	X	X	X
10	HAMZA BASSEY, Beatrice (Mrs)	X	X	XX	X	X	X	X	X
11	JUMARE, Isma Furera (Mrs) [3]	-	-	-	-	X	X	X	X
12	KASONGO, Kandolo	X	X	XX	X	X	X	X	X
13	KRAMER, Richard Lee	X	X	XX	X	O	X	O	X
14	KWARGANA Ibrahim[4]	X	X	XX	O	O	O	R	R
15	LABIB, Taimoor[5]	-	-	-	-	-	-	O	X
16	McDONALD, Arina (Mrs)[6]	O	X	O	X	X	O	R	R
17	OKONKWO, Emeka	X	X	XX	X	X	X	X	X
18	SONOLA, Adekunle	X	X	XX	X	X	X	X	X
19	UDE, Nath	-	X	XX	X	X	X	X	X

X *Present*
O *Absent*
R *Resigned/Retired*
XX *AGM*

1 *Retired with effect from 24 October, 2017*
2 *Independent; Appointed with effect from 27 April 2017 (introduced to Board on 25th July, 2017)*
3 *Independent; Appointed with effect from 30 May 2017 (introduced to Board on 25th July, 2017)*
4 *Retired with effect from 31 October, 2017*
5 *Appointed with effect from 10 November 2017*
6 *Resigned with effect from 24 October, 2017*
7 *Appointed with effect from 3 March 2017*

Responsibilities of the Board of Directors

The Board, the highest decision making body approved by the shareholders, met eight (8) times during the year to provide strategic direction, policies and leadership in attaining the objectives of the Bank.

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

B. Standing Board Committees

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

1. Board Credit Committee
2. Board Finance & General Purpose Committee
3. Board Establishment & Services Committee
4. Board Risk Management Committee
5. Board Remuneration Committee
6. Board Audit Committee

There is also an Independent Statutory Audit Committee.

1. Board Credit Committee

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

S/NO	**NAME**	**26/01/2017**	**27/02/2017**	**08/05/2017**	**24/07/2017**	**24/08/2017**	**23/10/2017**	**04/12/2017**
1	BURRETT, Richard	X	X	X	X	X	X	X

2	EMUWA, Emeka	X	X	X	X	X	X	X
3	AHMED, Mansur[1]	X	O	X	X	X	O	R
4	ALADE-ADEYEFA, Obafunke (Mrs)[2]	-	-	-	-	X	X	X
5	BOTTS, John	X	X	X	X	O	X	X
6	HAMZA BASSEY, Beatrice (Mrs)	X	X	X	X	O	X	X
7	KASONGO, Kandolo	X	X	X	X	X	X	X
8	OKONKWO, Emeka	X	X	X	X	X	X	X
9	SONOLA, Adekunle	X	X	X	X	X	O	X
10	VITALO, John[2]	X	R	R	R	R	R	R

X Present
O Absent
R Resigned/Retired

1 Retired with effect from 24 October, 2017
2 Appointed with effect from 27 April, 2017
(introduced to Committee on 24th August, 2017)
3 Resigned with effect from 15 February, 2017

Its responsibilities include the following, amongst others:

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

2. Board Finance and General Purpose Committee

The Committee met eight (8) times during the year. It is comprised of the following members:

S/NO.	***NAME***	**26/01/2017**	**28/02/2017**	**17/03/2017**	**26/04/2017**	**09/05/2017**	**24/07/2017**	**23/10/2017**	**05/12/2017**
1	KRAMER, Richard Lee	X	X	O	X	X	O	X	X
2	EMUWA, Emeka	X	X	X	X	X	X	X	X
3	ADEWALE, Oyinkansade (Mrs)	X	X	X	X	X	X	O	X
4	AHMED, Mansur[1]	X	X	O	X	X	X	O	R
5	AKANDE, Onikepo (Dr) Mrs[1]	X	O	X	X	X	X	X	R
6	ALADE-ADEYEFA, Obafunke (Mrs)[2]	-	-	-	-	-	-	X	X
7	BURRETT, Richard	X	X	X	X	X	X	X	X
8	CLYNE, Ian	O	X	X	O	X	X	X	X
9	KWARGANA, Ibrahim[3]	X	X	O	X	X	O	O	R
10	McDONALD, Arina (Mrs)[1]	X	X	O	X	X	X	O	R
11	OKONKWO, Emeka	X	X	X	X	X	X	X	X

X Present
O Absent
R Resigned/Retired

1 Retired with effect from 24 October, 2017
2 Appointed with effect from 27 April, 2017
(introduced to Committee on 23rd October, 2017)
3 Resigned with effect from 31 October, 2017

Its responsibilities include the following, amongst others:

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

3. Board Establishment and Services Committee

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

S/NO	NAME	27/02/2017	03/05/2017	19/07/2017	18/10/2017	04/12/2017
1	AKANDE, Onikepo (Dr) Mrs[1]	X	X	X	O	R
2	EMUWA, Emeka	X	X	X	X	X
3	AHMED, Mansur[1]	X	X	X	X	R
4	BOTTS, John	X	X	O	X	X
5	HAMZA BASSEY, Beatrice (Mrs)	X	X	O	X	X
6	BURRETT, Richard	X	X	X	O	X
7	JUMARE, Isma Furera (Mrs)[4]	-	-	-	X	X

8	KWARGANA, Ibrahim[3]	X	X	O	O	R
9	M^C^DONALD, Arina (Mrs)[2]	X	X	X	O	R
10	SONOLA, Adekunle	X	X	X	X	X
11	UDE, Nath	-	X	X	X	X

X Present
O Absent
R Resigned/Retired

1 Retired with effect from 24 October, 2017
2 Resigned with effect from 24 October, 2017
3 Resigned with effect from 31 October, 2017
4 Appointed with effect from 30 May, 2017
(introduced to Committee on 18th October, 2017)

Its responsibilities include the following, amongst others:

- Consider and approve appointments, promotions and discipline of Principal Managers ("PM") and above;
- Review and recommend appointments, promotions and discipline of Assistant General Managers ("AGM") and above, to the Board for consideration and approval.
- Consider and recommend compensation increments for Principal Managers ("PM") and above to the Board for consideration and approval.
- Consider and review staff compensation, welfare and industrial relations matters and make appropriate recommendations to the Board from time to time.
- Articulate and recommend strategic and succession plans for the Bank, to the Board from time to time.
- Review and report to the Board, annually, on the broad key performance indicators set by executive management for staff groups below the executive management level ("Staff") to achieve that year's business and financial goals.
- Review and report to the Board, on the annual performance evaluations of Staff conducted by management for the prior year's performance and the overall outcome of the annual performance process.
- Review and report to the Board annually, the overall training policy and program for Staff and any changes as they arise to achieve business and financial goals.
- Review and recommend to the Board approval of the remuneration policy, annual quantum, structure, and distribution of compensation (including base, overall annual bonus pool and awards, and benefits in kind) for Staff and changes thereto.
- Review and report to the Board annually, the total cash compensation package for Staff to ensure it will attract, retain and motivate key talent who add value to the Bank based on individual and team contributions.
- Review and recommend for approval of the Board, the severance policy for Staff.
- Review and recommend for Board approval, the Bank's organisational structure, key human capital policies and practices, including those affecting compensation, welfare, performance management, career management and transfer to ensure the optimal mix of talent.
- Review and recommend for Board approval, the Bank's staff optimization plan and strategy.
- Review and recommend for Board approval, revision of salaries and service conditions for Staff.
- Review and approve, as needed, the recruitment, promotions and severance of senior officers on Principal Manager ("PM") grade.

- Review and recommend for Board approval, as needed, the recruitment, promotions and severance of senior officers on Assistant General Manager ("AGM") grade and above.
- Review and recommend for Board approval, the Bank's Succession Plan for senior officers on Assistant General Manager grade and above and any proposed amendments.
- Review and recommend for Board approval, any policies not otherwise contemplated herein relating to Staff and, as necessary and appropriate, Support Staff.
- Review and recommend for Board approval, the Bank's Culture Program, including mission statements, core values, and the incentives to align Staff towards the Bank's near and medium term strategic objectives.
- Review and report to the Board annually or as needed, the progress of the Culture Program and its effectiveness in driving the desired Staff behaviours and performance.
- Review and recommend for Board approval annually or as needed, the overall strategies with Staff Unions and relationships with the Bank's Staff.
- Review and advise the Board annually or as needed, the strategy for and engagement of service providers of Support Staff, including the overall cost, performance and effectiveness of outsource firms in delivering cost-effective, high quality service to the Bank's customers.
- Review and report to the Board annually or as needed, the progress of outsourcing solutions and their effectiveness in delivering against the Banks' Transformation strategy.

4. Board Risk Management Committee

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

S/NO	NAME	27/02/2017	08/05/2017	24/07/2017	23/10/2017	05/12/2017
1	CLYNE, Ian	X	X	X	X	X
2	EMUWA, Emeka	X	X	X	X	X
3	ADEWALE, Oyinkansade Mrs.	X	X	X	O	X
4	AKANDE, Onikepo (Dr) Mrs[1]	X	X	X	X	R
5	BOTTS, John	X	-	X	X	X
6	HAMZA BASSEY, Beatrice Mrs.	X	X	X	X	X
8	JUMARE, Isma Furera (Mrs.)[2]	-	-	-	X	X
9	KANDOLO, Kasongo	X	X	X	X	X
10	UDE, Nath[3]	-	X	X	X	X

X Present
O Absent
R Retired

1 Retired with effect from 24 October, 2017
2 Appointed with effect from 30 May, 2017
(introduced to Committee on 23rd October, 2017)
3 Appointed with effect from 3 March, 2017

Its responsibilities include the following, amongst others:

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

- Consider departmental reports and advise management on risks.

5. Board Remuneration Committee

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

S/NO	NAME	28/02/2017	09/05/2017	27/07/2017	23/10/2017	04/12/2017
1	BOTTS, John	X	X	X	X	X
2	BURRETT, Richard	X	X	X	X	X
3	CLYNE, Ian	X	X	X	X	O
4	HAMZA BASSEY, Beatrice (Mrs.)	X	X	X	X	X

X Present
O Absent

The Committee's responsibilities include amongst others:

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

6. Board Audit Committee

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

S/No	NAME	27/02/2017	17/03/2017	03/05/2017	19/07/2017	18/10/2017	04/12/2017
1	AHMED, Mansur[1]	X	O	X	X	X	R
2	AKANDE, Onikepo (Dr) Mrs[1]	X	X	X	X	O	R
3	ALADE-ADEYEFA, Obafunke (Mrs)[2]	-	-	-	-	X	X
4	CLYNE, Ian	X	O	O	X	X	O
5	JUMARE, Isma Furera (Mrs.)[4]	-	-	-	-	X	X
6	KRAMER, Richard Lee	O	O	X	O	O	O
7	M[C]DONALD, Arina[2]	X	X	X	X	O	R

X Present
O Absent
R Resigned/Retired

1 Retired with effect from 24 October, 2017
2 Appointed with effect from 27 April, 2017 (introduced to Committee on 18 October, 2017)
3 Appointed with effect from 30 May, 2017 (introduced to Committee on 18 October, 2017)
4 Resigned with effect from 24 October, 2017

The Committee's responsibilities include, amongst others:

- Review the Bank's accounting and financial reporting functions.
- Review the Bank's accounting system.
- Review the Bank's internal control structures.
- Review the Bank's internal control systems and processes.

- Recommend the appointment, remuneration and removal of external auditors to the Board.
- Review and recommend the audited financial statements to the Board for approval.

7. Statutory Audit Committee

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

- Matthew Akinlade - Chairman
- Mansur Ahmed - Member[1]
- Onikepo Akande, (Mrs.) CON - Member[1]
- Obafunke Alade-Adeyefa (Mrs) - Member[2]
- Musa Bichi - Member
- Isma Furera Jumare (Mrs.) - Member[3]
- Richard Lee Kramer - Member
- Marcel Ojinka - Member

1 Retired with effect from 24th October, 2017
2 Appointed with effect from 27th April, 2017
3 Appointed with effect from 30th May, 2017

S/No	NAME	17/03/2017	04/05/2017	04/08/2017	03/10/2017	14/12/2017
1	AKINLADE, Mathew	X	X	X	X	X
2	BICHI, Musa Baba	X	X	X	X	X
3	OJINKA, Marcel	X	X	X	X	X
4	AHMED, Mansur[1]	O	O	O	O	R
5	AKANDE, Onikepo (Dr) Mrs[1]	X	X	X	O	R
6	ALADE-ADEYEFA, Obafunke (Mrs.)[2]	-	-	-	X	O
7	JUMARE, Isma Furera (Mrs.)[3]	-	-	-	X	X
8	Richard Lee Kramer	O	O	O	O	O

X Present
O Absent

1 Retired with effect from 24 October, 2017
2 Appointed with effect from 27 April, 2017
(introduced to Committee on 10 October, 2017)
3 Appointed with effect from 30 May, 2017
(introduced to Committee on 10 October, 2017)

The Statutory Audit Committee has responsibility for the following:

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

C. Management Committees

The Bank has the following Management Committees:

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

1. Executive Management Committee

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

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

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

2. Transformation Steering Committee

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

The roles and responsibilities of the Committee are as follows:

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

3. Assets and Liabilities Committee

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

The roles and responsibilities of the Committee are as follows:

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

4. Information Technology ("IT") Steering Committee

The IT Steering Committee meets monthly or as required. It comprises the Head of Service & Technology (Chairperson), Chief Executive Officer, Chief Risk Officer, Chief Financial Officer, Chief Information Officer, Head of Corporate Banking, Head of Commercial Banking, Head of Public Sector, Head of Operations, Head, Transformation, Head, Group Corporate Strategy, Head, Information Technology and Chief Audit Executive. In attendance are the Head, Project Management, Head, E-Business and Head, Internal Control.

The roles and responsibilities of the Committee are as follows:

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

5. Credit Committee

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

The roles and responsibilities of the Committee are as follows:

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

6. Stressed Assets Committee

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

The roles and responsibilities of the Committee are as follows:

- Review and monitor strategies and actions being taken on major accounts (₦100million and above) classified as non-performing or with early warning signs.
- Review classification of and provisions taken on each account since the previous meeting.
- Review accounts suitable for de-classification or upgrade to performing status and return to the line.

- Review actions to be taken or proposed to be taken on large exposures in Business Support and Recovery Department portfolio.
- Where applicable, approve a different course of action to that taken or proposed to be taken.

7. Risk Management Committee

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

The roles and responsibilities of the Committee are as follows:

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

8. New Product Committee

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

The roles and responsibilities of the Committee are as follows:

- Set out policies regarding the Bank's product design, pricing methodologies, competitive positioning and risk-reward philosophy.
- Review and recommend/approve (as applicable) new product programs or changes to existing product programs across the Bank (e.g. deposit programs, credit programs, treasury programs).
- Review activities of product initiation teams and ensure adoption of suitable processes, systems and personnel to support effective management of the product through its life-cycle and associated risks.

- Establish the provision of adequate funding and obtain approvals for pricing from ALCO.
- Obtain and review reports on financials, regulatory compliance and risk areas to ensure product suitability.
- Ensure the policies and procedures for managing product risk are formally endorsed by the Board and documented.

9. Disciplinary Committee

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

The roles and responsibilities of the Committee are as follows:

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

10. IFRS 9 Implementation Steering Committee

This Committee was set up in 2017 to oversee the Bank's adoption/implementation of IFRS 9. It is composed of the Chief Financial Officer (Chairperson), Chief Risk Officer, Head, Credit Portfolio Management, Treasurer, Head, Financial Control, Head, Market Risk, Head, Transformation/ Finance Business Manager.

The roles and responsibilities of the Committee are as follows:

- Prepare the final impact assessment and detailed GAP analysis Report ;
- Present an IFRS 9 Policy;
- Validate existing Credit Risk Models;
- Develop the inputs in the Expected Credit Losses (ECL) computation model;
- Develop multi-year PD, LGD, and EAD models;
- Conduct both Technical and awareness training sessions to the project teams and Business units;
- Automate the excel based Impairment model.

Directors' Report

For the year ended 31 December 2017

The Directors present their report on the affairs of Union Bank of Nigeria Plc **("the Bank")** and its subsidiaries **("the Group")**, together with the consolidated audited financial statements and the auditor's report for the financial year ended 31 December 2017.

Legal form and principal activity

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

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

The Group Financial Statements comprise the results of Union Bank of Nigeria Plc, Union Bank (UK) Plc, and UBN Property Company Plc, whilst Atlantic Nominees Limited has been accounted "Asset classified as held for sale".

Operating results

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

	Group	Group	**Bank**	Bank
	Dec. 2017	Dec. 2016	**Dec. 2017**	Dec. 2016
	N million	N million	**N million**	N million
Gross earnings	**163,844**	129,606	**157,566**	126,471
Profit before taxation	**15,519**	15,738	**13,176**	16,053
Taxation	**(911)**	(347)	**(337)**	(168)
Profit after taxation	**14,608**	15,391	**12,839**	15,885
Other Comprehensive income:				
Re-measurement of defined benefit liability	**-**	305	**-**	305
Foreign currency translation	**2,144**	7,746	**-**	-
Fair value gains/(losses) on available-for-sale investments	**7,862**	1,939	**7,753**	1,495
	10,006	9,990	**7,753**	1,800
Total comprehensive income	**24,614**	25,381	**20,592**	17,685
Earnings per share (Basic and diluted)	**81k**	92k	**75k**	94k

	Group Dec. 2017 N' million	Group Dec. 2016 N' million	**Bank Dec. 2017 N' million**	Bank Dec. 2016 N' million
Total non-performing loans and advances	**110,911**	37,026	**110,685**	37,026
Total non-performing loans to total gross loans and advances – IFRS	**19.78%**	6.91%	**20.81%**	7.14%

Directors and their interests

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

		Direct Holding		**Indirect Holding**	
S/N	**Names**	**Dec. '17**	**Dec. '16**	**Dec. '17**	**Dec. '16**
1.	Cyril Odu	2,661	2,661	-	-
2.	Emeka Emuwa	53,354,517	-	12,069,966	10,541,350
3.	Oyinkansade Adewale	2,160,602	-		-
4.	Kandolo Kasongo	5,008,854	-		-
5.	Ibrahim Kwargana[1]	-	-	-	-
6.	Emeka Okonkwo	5,641,551	29,793	-	-
7.	Adekunle Sonola	5,396,673	2,514	-	-
8.	Mansur Ahmed[2]	9,656	9,656	-	-
9.	Onikepo Akande, Dr. (Mrs.)[2]	28,225	28,225	-	-
10.	Obafunke Alade-Adeyefa (Mrs)[3]	-	-	-	-
11.	John Botts	-	-	-	-
12.	Richard Burrett	-	-	-	-
13.	Ian Clyne	-	-	-	-
14.	Beatrice Hamza Bassey	-	-	-	-
15.	Richard Kramer	-	-	-	-
16.	Furera Isma Jumare (Mrs)[4]	-	-	-	-
17.	Arina M^{c}Donald[5]	-	-	-	-
18.	John Vitalo[6]	-	-	-	-

1 *Retired with effect from 31 October, 2017*

2 *Retired with effect from 24 October, 2017*

3 *Appointed with effect from 27 April 2017*

4 *Appointed with effect from 30 May 2017*

5 *Resigned with effect from 24 October, 2017*

6 *Resigned with effect from 15 February, 2017*

Directors' Retirement

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

1. Mrs. Beatrice Hamza Bassey
2. Mr. Ian Clyne
3. Mr. Emeka Okonkwo
4. Mr. Richard Burrett
5. Mr. Adekunle Sonola

Directors' interest in contracts

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

Property and equipment

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

Shareholding analysis

The shareholding pattern of the Bank as at 31 December 2017 is as stated below:

Share Range	Number of Shareholders	Number of Holdings	% of Shareholding
1-1,000	308,136	107,404,735	0.37
1,001-5,000	112,728	243,540,701	0.84
5,001-10,000	20,701	140,697,182	0.48
10,001-50,000	15,143	293,488,643	1.01
50,001-100,000	1,445	100,434,864	0.34
100,001-500,000	1,081	215,303,833	0.74
500,001-1,000,000	122	86,010,180	0.30
1,000,001-5,000,000	137	289,703,514	0.99
5,000,001-100,000,000	41	882,646,692	3.03
100,000,001-500,000,000	3	751,053,252	2.58
	459,537	**3,110,283,596**	**10.68**
Foreign Shareholders			
500,000,001 and above	2	26,010,469,192	89.33
TOTAL	**459,540**	**29,120,752,788**	**100.00**

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

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

According to the register of members as at 31 December 2017, no individual shareholder held more than 5% of the issued share capital of the Bank, except the following:

	Dec. 2017		Dec. 2016	
Shareholder	**Shares Held**	**% of Shareholding**	**Shares Held**	**% of Shareholding**
Atlas Mara Limited	6,992,546,121	24.01	3,537,625,211	20.89
Union Global Partners Limited	19,017,923,071	65.31	11,008,274,206	65.00

Corporate Social Responsibility and Citizenship

In 2017, Union Bank celebrated a century of service and heritage, with a continued committed to being a responsible corporate citizen, positively impacting the individuals, communities and the environment in which we operate by being a partner to government, civil society and our host communities.

As we look to the next 100 years, we are taking a bold step to facilitate Nigeria's economic development within the framework of the Sustainability Development Goals (SDGs), with the launch of The Next100 Fund, a ₦100billion fund anchored on SDG 17 – ***Partnership for the goals***. It will focus on strategic, multidimensional projects that address poverty, hunger, women empowerment, agriculture and education – SDG1, SDG 2, SDG 4, SDG 5, SDG 8, SDG 9 and SDG 16 - which based on Nigeria's current economic standing are pivotal and key to ensuring that the country is on the path to economic development.

During the year, we deepened our effort in our chosen pillars for social investment including:

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

Talent Development

Through our talent development pillar Union Bank works to build capacity and foster creativity, serving as a channel for improving the prospects of economic empowerment for Nigeria's highly enterprising youth population.

In line with this, we maintained our partnership with LEAP Africa to build the capacity of twenty (20) social innovators in the 2017/2018 edition of the Social Innovators Programme and Award (SIPA) Fellowship where they were mentored and taught business, financial and other skills, to enable them transform their enterprising social solutions into sustainable institutions.

We were the headline sponsor of the Girls Coding technology summer camp for participants from underserved communities in Lagos where fifty (50) young women got the opportunity to learn more about computers and the technology that drives them and how to develop tech-driven solutions. We also supported the nineteenth edition of the Leadership Academy organized by Junior Chamber International (JCI), which held in Ikot Ekpene, Akwa Ibom State which impacted thirty six (36) people in all.

We enabled twenty (20) budding photographers in gaining intuitive understanding of the visual language of photography by participating in various workshops, training and networking sessions at the FotoFestivalLagos. We also embarked on a youth empowerment initiative for sustainable development, partnering with the Igbodo Development Union (IDU) to inspire and educate the youths of this community on the opportunities for success in Nigeria, address inadequate career guidance, offer social support and discourage them from embarking on illegal and dangerous migrant journeys.

Agriculture

We have an established heritage as a leader in the agricultural sector in Nigeria. From this unique positioning, we will continue to contribute to the economic growth and development of the country through our lending and investment activities especially in agribusiness.

In 2017 we deepened our partnership with Nigeria Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL) to launch a N10billion agricultural funding scheme, which is projected to provide over 1.7million direct jobs and impact over 9 million lives over the next few years.

We continued with our support of over thirty thousand (30,000) small-holder farmers with funding to increase their production. As part of this support, we provided them with rewarding linkages to aggregators or processors to prevent post-harvest losses and improve their livelihood. In addition, we increased our overall funding support to major livestock feed mills to enhance the local availability of livestock feeds for poultry and aquaculture industries.

We supported the Epe Fish Farmers Cooperative in a pilot project to help reduce post-harvest losses and improve the fish smoking process while linking these farmers to prospective local and international off-takers. Fish smoking kilns were also provided for over one hundred women in the fish processing trade.

Financial Empowerment and Mentoring

Union Bank maintains a leadership role in the banking sector’s commitment to financial inclusion in Nigeria. Since the launch of the Financial Literacy Mentorship Programme in October 2014, Union Bank employees have impacted the lives of over 15,000 school children through our monthly voluntary teaching sessions at our adopted schools in the Lagos area, and across other geo-political regions.

To commemorate the 2017 Financial Literacy Day, employees taught three thousand one hundred and five (3,105) students from twenty nine (29) schools across the six (6) geo-political zones of the country. Our employees also commemorated World Savings Day by teaching a savings module in thirty (30) schools across the country with three thousand five hundred and four (3,504) students impacted.

We extended our support to Mariam Alooma Muktar Secondary (MAMS) School, Kano, one of the schools adopted under our Financial Literacy Program by donating a fully furnished library with computers, books, reading tables and seats for the benefit of the nine hundred and eighty three (983) girls who study in this Junior Secondary School.

Employee Engagement Programmes

As part of our centenary anniversary, employees’ contribution to Union Bank’s legacy was recognized in various ways including staff celebrations and special giveaways.

In February, we held the second edition of our annual FitFeb campaign. The theme for the year was "Recession and Wellness: Maintaining Balance in Stressful Times". Throughout the month of February, staff were engaged in performing physical exercises while receiving tips on maintaining a healthy lifestyle. In addition, we sponsored the Nigerian Stock Exchange (NSE) Corporate Challenge which enabled employees participate in the half marathon. We also commemorated World Cancer Day by offering free prostrate, cervical and breast cancer screening for employees in and around Lagos State. A total of four hundred and seventy (470) employees were screened.

In 2017, we participated in the 17thAnnual Nigerian Bankers Games competition. Union Bank was well represented in football, lawn tennis and athletics. Our Ibadan chapter won the bronze medal in football. We also organized the Union

Ballers tournament which was an in-house football tournament for employees.

The UnionCares employee initiative for 2017 focused on reaching homeless and indigent people through our nationwide network. We donated and distributed ten thousand (10,000) food bags containing staple food items, with employees donating two thousand five hundred (2,500) bags and the bank sponsoring seven thousand five hundred (7,500) bags. This initiative was executed with the support of our customers in agribusiness.

Donations and charitable gifts

We have maintained our commitment to supporting worthy causes and intervening in areas of need across Nigeria. In 2017, we extended our financial assistance to the Nigerian Police Force with a donation of one hundred and eighty million naira (N180,000,000). We also supported credible charitable organizations working across various areas of need in the 36 states of the federation and the Federal Capital Territory. A total sum of Forty five million, five hundred and twenty two thousand, five hundred and thirteen naira (N45,522,513) was donated during the year, (2016: N30,550,000). The breakdown is as follows:

S/N	BENEFICIARY OF DONATION	AMOUNT(N)
1	UnionCares Initiative for the less privileged	10,295,838
2	Donation of vehicle to Vesicovaginal Fistula (VVF) Hostel Kwalli, Kano	9,776,675
3	Donation to Oyo State Education Trust Fund	1,000,000
4	Child Life Line (Yaba & Ikorodu)	1,000,000
5	Modupe Cole Memorial Child Care and Treatment Home	1,000,000
6	The Childrens Development Centre	1,000,000
7	Arrow of God Orphanage	750,000
8	Atunda Olu School (For Physically Handicapped Children)	750,000
9	CCWA International (Christian Care for Widows, Widowers, the Aged and Orphans)	750,000
10	Down Syndrome Foundation Nigeria	750,000
11	Pacelli School (For the Blind)	750,000
12	Save Our Souls (SOS) Children's Village	750,000
13	Winiseph Care Home	750,000
14	Special Olympics Nigeria	750,000
15	The Samaritans Project	750,000
16	Hearts of Gold Children's Hospice	750,000
17	National Orthopedic Special School (Igbobi)	700,000
18	Wesley School 1 (For Deaf Children)	700,000
19	Wesley School 2 (For Deaf Children)	700,000
20	Care Organization Public Enlightenment (COPE)	700,000
21	Start Right Consulting	700,000
22	The Sickle Cell Club	700,000
23	Donation to Red Cross Appeal Fund	500,000
24	Manna Children Centre	500,000
25	Peace Sisters Motherless Babies Home Aba, Abia State	250,000
26	Adamawa Orphanage and Day Care Centre Yola, Adamawa State	250,000

27	Mother Charles Walker Children's Home Uyo Akwa Ibom State	250,000
28	Rehabilitation Centre for the Disabled, Orphans and Tramps (RECDOT) Nnewi, Anambra State	250,000
29	Motherless Babies Home, Bauchi State	250,000
30	Gloryland Children's Home Yenagoa, Bayelsa State	250,000
31	Tivid Orphanage Makurdi, Benue State	250,000
32	Fatima Ali Modu Sherrif Children's Home Maiduguri, Borno State	250,000
33	Infant Jesus Orphanage Home Calabar, Cross Rivers State	250,000
34	St. Anne's Orphanage Effurun, Delta State	250,000
35	Shallom Foundation, Ebonyi State	250,000
36	Pick a Child Africa Benin, Edo State	250,000
37	Erelu Adebayo Children's Home Ilawe, Ekiti State	250,000
38	Abandoned Children's Home Garden Avenue, Enugu	250,000
39	Kishimi Shelter & Care Foundation Gombe State	250,000
40	Save the Child Orphanage Owerri, Imo State	250,000
41	St. Theresa's Catholic Church (St Vincent De Paul) Hadejia, Jigawa State	250,000
42	Adonai Orphanage Home and Widows Centre, Kaduna State	250,000
43	Kano Reformatory Institute Kiru, Kano State	250,000
44	Gidan Marayu Katsina State	250,000
45	Motherless Babies Homes, Kebbi State	250,000
46	Ministry of Mercy (MoM) Orphanage Lokoja, Kogi State	250,000
47	Maryam Children Home Offa, Kwara	250,000
48	First Step Action for Children Initiative, Nassarawa State	250,000
49	Minna Orphanage, Minna State	250,000
50	St. Stephen's Christian Home Abeokuta, Ogun State	250,000
51	Grace Orphanage Akure, Ondo State	250,000
52	Abiye Orphanage Home Osogbo, Osun State	250,000
53	The Care Peoples Foundation Ibadan, Oyo State	250,000
54	Clapai Orphanage Jos, Plateau State	250,000
55	Life Time International Foundation Port Harcourt, Rivers State	250,000
56	Sokoto State Orphanage, Sokoto State	250,000
57	United Methodist Church of Nigeria Orphanage Jalingo, Taraba State	250,000
58	Dominican Sisters of St Catherine of Siena Gusau, Zamfara State	250,000
59	Daughters of Charity Hope Centre for Children with Special Needs, Kubua, Abuja	250,000
	TOTAL	**45,522,513**

Our Approach to Sustainability

Our Bank recognises that good business and success are strongly linked with sustainable practices. In 2017, we continued to drive towards shaping the future through positive contributions to our stakeholders and the environment. Our sustainability objectives contribute towards the Sustainable Development Goals (SDG) – SDG 4 (education), SDG 5 (gender equality), SDG 7 (clean energy), SDG 10 (reduced inequalities) and SDG 11 (sustainable cities).

Our approach to sustainability is through the adoption of environmentally friendly business practices and operations, active participation in industry initiatives and the support of women's empowerment. We seek to continuously improve our environmental and social credit risk processes and increase sustainability related capacity development.

Lending Sustainably

We are uniquely positioned to contribute to the economic growth and development of Nigeria through our lending and investment activities. The principal objective of our Environmental and Social Risk Management System (ESMS) is to incorporate Environmental and Social (E&S) risks into the credit procedures and decision making process of our Bank. We are aware that the business activities of our clients can have potentially negative impacts on the environment or local communities in which they operate.

To this end, we do the following to ensure that our operations and those of our clients avoid, minimise or offset negative impacts on the environment as well as promote positive impacts in the local communities:

- 100% of our transactions are assessed for E&S risk.
- All vendors go through a prequalification process using an E&S screening template.
- We have a board approved E&S policy that guides our activities.
- Two audit reviews were conducted in 2017 - one by our internal audit team and the other by an external audit firm.

Partnerships for Sustainable Development

To strengthen our position and build organisational capacity in corporate citizenship, we partnered with other credible organisations to forge memberships and alliances for sustainable development.

- ***Membership of United Nations Global Compact (UNGC)***

  In 2017, we became members of the United Nations Global Compact. With this membership, we intend to align our strategies and operations with universal principles on human rights, labour, environment and anti-corruption, as well as take actions that advance societal goals.

- ***United Nations Business Call to Action (BCtA)***

  We also became a member of the United Nations Business Call to Action. The BCtA aims to accelerate progress towards the Sustainable Development Goals by challenging companies to develop inclusive business models that engage people at the base of the economic pyramid as consumers, producers, suppliers and distributors of goods and services.

Our NSBP (Nigerian Sustainable Banking Principles) Performance

Principles	Description	Our Performance
Principle 1	Our Business Activities	Using our core capabilities, we support economic growth by extending access to financial services for clients engaged in promoting sustainable energy through sales and installation of solar light bulbs, street lamps, panels, water pumps and inverters. We continuously build on clearly defined environmental and social processes and procedures. 100% of our loans are screened for E&S risks
Principle 2	Our Business Operations	We are committed to the prevention of pollution, continuous improvement in our environmental performance and compliance with regulatory requirements. In our effort to further increase our energy efficiency, • We have over (10) solar powered branches and over 40 solar powered ATMs. We plan to increase this number in the coming year.

<table>
<tr><td></td><td></td><td>Our efforts also include the use of energy efficient equipment; light bulbs and air-conditioning systems as well as sensor lighting, energy efficient escalators and elevators
We have introduced water treatment plants to reduce our waste water discharges and have recalibrated the diesel tanks in our branches to improve diesel efficiency.
74% & 44% of our branches are sustainability enabled and friendly to physically challenged customers respectively
We currently recycle plastic, glass, paper and metal items and have experienced a 70% reduction in our waste to landfills across our recycling locations</td></tr>
<tr><td>Principle 3</td><td>Human Rights</td><td>Our employment policies and management practices support our customer needs and are aligned with an inclusive workplace culture.
Our employment practices address gender diversity, indigenous employment, and support for persons with disabilities; including providing relevant learning and development opportunities for our people.
We have a company-wide human rights policy
We contribute to the development of our local communities through platforms like WeCare4IDPs and UnionCares4IPDs where we donated over eight thousand (8000) blankets in camps, built boreholes, donated gift bags to the disadvantaged nationwide and donated school furniture to over four thousand (4000) direct beneficiaries across Adamawa, Borno and Yobe states amongst others and donated gift bags and funds to the disadvantaged individuals and charities around us.</td></tr>
<tr><td>Principle 4</td><td>Women’s Economic Empowerment</td><td>We strongly believe that the empowerment of women translates to the empowerment of the nation as a whole, and by supporting and partnering with women focused organisations and activities, we are truly able to make a difference. From our product and service offerings to the nature of collaborative partnerships, we have demonstrated that we are a bank with an investment-led approach to female economic empowerment.
We have an internal community for women - the Wehub with a focus on networking, mentorship, community and individual development.
We celebrate worldwide International Women’s Day to recognise and appreciate women for their achievements.
We organise webinars, mentoring arrangements, personal training and development initiatives for our women and young girls in the community.
In 2017, our female employee formed 39% of the total employee and 49% of management trainee
7% of our loans are to women-owned businesses
Working with Junior Achievement Nigeria (JAN) to guide and support the future generations, 120 mentor-mentee relationships were created with union bank women and young girls between the ages of 15-17</td></tr>
<tr><td>Principle 5</td><td>Financial Inclusion</td><td>We are dedicated to the provision of a broad range of high quality products that are relevant, appropriate and affordable to the entire Nigerian populace, particularly the under-banked and un-banked.
We have a range of inclusive products that serve this segment including UnionSave, UnionSaveMore and UnionKorrect.
Our extensive network of over three hundred and fifty (350) sales and service centres and over eight hundred and sixty (860) ATMS, have demonstrated our continued commitment to serve the Nigerian public.
We partnered with Junior Achievement of Nigeria and other Nigerian banks to coordinate the annual Financial Literacy Day and World Savings Day activities during Global Money Week. In 2017 alone, under our direct supervision and coordination, over eighty thousand (80,000) Nigerian students were impacted during these celebrations and Union bank alone impacted over 6000 students.</td></tr>
</table>

Principle 6	Environmental and Social Governance	We are dedicated to ensuring that we have transparent governance practices in place, especially in assessing the impact that our people, ideas and capital can have on supporting economic growth, addressing social challenges and promoting environmental sustainability. • We have an E&S policy that gives a structured approach to our internal E&S governance process and a robust governance structure that oversees and monitors our activities. • We get Board level oversight and have an integrated structure that allows a combination of our internal stakeholders to work together to ensure we meet our goals and targets. • 12 departments make up our internal sustainability working committee
Principle 7	Capacity Building	We are committed to continuous and iterative capacity development of our employees. We ensure that relevant general and specialist skills are developed and transferred to all employees on an ongoing basis. • All our employees were enrolled for our general sustainability course, we also developed a specialised training courses for our credit analysts and relationship managers with a specific focus on sustainability related lending. • We collaborated with a number of non-governmental organisations, including LEAP Africa to support capacity building initiatives – LEAD Camp, Social Innovators Programme & Awards (SIPA)
Principle 8	Collaborative Partnerships	We are dedicated to forming alliances and partnerships at both institutional and sector level and fostering international relationships with global entities that have similar environmental and social development goals. We have strong representation on the following industry level committees: • **FLPE –** Bankers' Committee Sub-Committees on Financial Literacy and Public Enlightenment. • **NSBP –** Steering Committee on Nigerian Sustainability Banking Principles. • **CBN –** CBN Sustainability Champions Meetings. • **FI –** Technical and Steering Committee on National Financial Inclusion Strategy. • **BCtA –** Business Call to Action • **UNGC –** United Nations Global Compact • **WEF –** World Economic Forum • **JAN –** Junior Achievement Nigeria
Principle 9	Reporting	We are dedicated to reporting on our sustainability initiatives, fostering improved transparency on our activities and managing our social and environmental impact. • We report regularly to both internal and external stakeholders including the CBN. • In addition to our Annual Report in 2016, we also published our first Citizenship Sustainability and Innovation (CSI) report.

Human resources

Employment of disabled persons

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

In the event of any employee becoming disabled in the course of employment, the Bank is in a position to arrange appropriate training to ensure the continuous employment of such a person without subjecting him/her to any disadvantage in his/her career development. Currently, the Bank has 5 persons (2016: 6 persons) on its staff list with physical disability.

Health, safety and welfare of employees

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

Diversity of employment

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

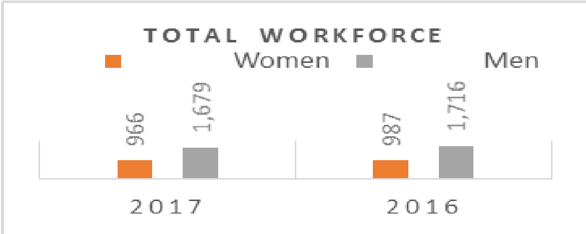
(i) Persons with Disability

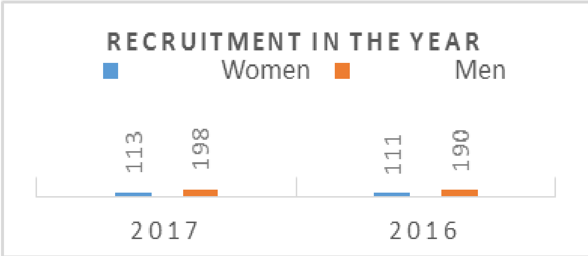
The Bank continues to maintain a policy of giving fair consideration to applications for employment received from disabled persons with due regard to their abilities and aptitude.

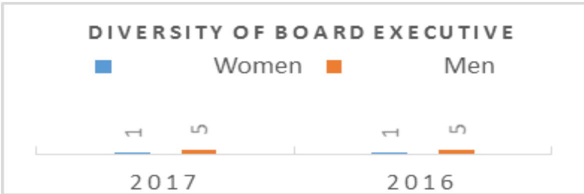
(ii) Gender Diversity within the Bank

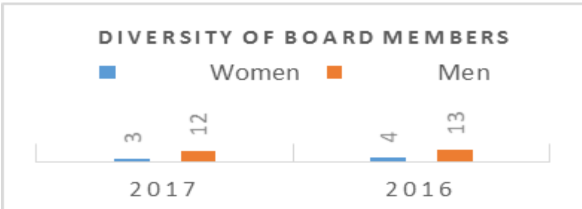
The Bank operates a non-discriminatory policy in the consideration of applications for employment. The Bank's policy is that the most qualified and experienced persons are recruited for appropriate job levels, irrespective of an applicant's state of origin, ethnicity, religion, gender or physical condition.

	2017		2016	
	Workforce	**%**	**Workforce**	**%**
Total workforce:				
Women	966	37	987	37
Men	1,679	63	1,716	63
	2,645	**100**	**2,703**	**100**
Recruitment during the year				
Women	113	36	111	37
Men	198	64	190	63
	311	**100**	**301**	**100**
Diversity of Senior Management – Assistant General Manager to General Manager:				
Women	8	20	12	26
Men	32	80	34	74
	40	**100**	**46**	**100**
Diversity of Board Executives				
Women	1	17	1	17
Men	5	83	5	83
	6	**100**	**6**	**100**
Diversity of Board Members:				
Women	3	20	4	24
Men	12	80	13	76
	15	**100**	**17**	**100**









Employee involvement and training

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

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

Credit Ratings

CBN mandates all banks to have credit ratings carried out by a credit rating agency. The ratings are to be conducted on a regular basis i.e. updated on a continuous basis from year to year. In 2017, the bank assigned three rating agencies to carry out credit ratings on the Bank:

- *Moody's Investor Services*
  Long Term Bank Deposits (Foreign Currency): B3
  Outlook: Stable
  National Scale Rating Long Term Bank Deposits (Local Currency): A2.ng
  National Scale Rating Long Term Bank Deposits (Foreign Currency): A3.ng

- *Fitch Ratings*
  Long-Term Issuer Default Rating (IDR): B-.
  Outlook: Stable
  Viability Rating (VR): b-
  Support Rating: 5

- *Global Credit Ratings*
  Long term: BBB+(NG)
  Short term: A2(NG)

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

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

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

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

Events after reporting date

There were no subsequent events which could have had material effect on the financial statements of the Bank as at 31 December 2017 and the profit for the year ended on that date, which have not been adequately provided for or disclosed.

Auditors

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

BY ORDER OF THE BOARD

Somuyiwa Adedeji Sonubi
FRC/2013/NBA/00000002061
Company Secretary
Lagos Nigeria
17 April, 2018

Statement of directors' responsibilities in relation to the financial statements for the year ended 31 December 2017

The directors accept responsibility for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act Cap C.20, Laws of the Federation of Nigeris,2004, the Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions Act, Cap B3, Laws of the Federation of Nigeria, 2004 and relevant Central Bank of Nigeria (CBN) Guidelines and Circulars.

The directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act Cap C.20, Laws of the Federation of Nigeria, 2004 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

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

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

Emeka Emuwa
Chief Executive Officer
FRC/2013/CIBN/00000001774
17 April, 2018

Oyinkansade Adewale (Mrs.)
Executive Director/Chief Financial Officer
FRC/2013/ICAN/00000001775
17 April, 2018

Report of the Statutory Audit Committee
For the year ended 31 December 2017

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

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

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

(ii) We are of the opinion that the accounting and reporting policies of the Bank and Group are in accordance with legal requirements and agreed ethical practices and that the scope and planning of both the external and internal audits for the year ended 31 December 2017 were satisfactory and reinforce the Group's internal control systems.

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

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

Mr. Matthew Akinlade
Chairman
Statutory Audit Committee
FRC/2013/ICAN/00000002111
17 April, 2018

Members of the Statutory Audit Committee are:

• Matthew Akinlade	-	Chairman
• Musa Bichi	-	Member
• Mansur Ahmed	-	Member[1]
• Onikepo Akande,Dr. (Mrs) CON	-	Member[1]
• Marcel Ojinka	-	Member
• Obafunke Alade-Adeyefa (Mrs)	-	Member[2]
• Isma Furera Jumare	-	Member[3]

1 *Retired with effect from 24 October, 2017*
2 *Appointed with effect from 27 April2017*
3 *Appointed with effect from 30 May 2017*

KPMG

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Lagos

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Union Bank of Nigeria Plc

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Union Bank of Nigeria Plc ("the Bank") and its subsidiaries (together, "the Group"), which comprise the consolidated and separate statement of financial position as at 31 December 2017, and the consolidated and separate statement of profit or loss and other comprehensive income, consolidated and separate statement of changes in equity and consolidated and separate statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 44 to 145.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Bank and its subsidiaries as at 31 December 2017, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria,2004, the Financial Reporting Council of Nigeria Act,2011, the Banks and other Financial Institutions Act, Cap B3, Laws of the Federation of Nigeria, 2004 and relevant Central Bank of Nigeria (CBN) Guidelines and Circulars.

Basis for Opinion

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

Key Audit Matters

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

Impairment of loans and advances to customers

The estimation of the allowance for loan losses involves significant judgment and uncertainties, which require special audit focus because of the likelihood and potential magnitude of misstatements to the valuation of loans and advances to customers. The identification of impairment triggers/loss events, assignment of credit grades, determination of specific impairment allowance which includes estimation of future cash flows, valuation of collaterals, estimation of the timing of the expected cash flows and the realization of collaterals involves complex management judgment and assumptions.

The calculation of collective impairment also involves complex management assumptions in estimating the possibility of a loan becoming past due and subsequently defaulting, and the rate of recovery on loans that are past due and in default.

Corporate banking loans, commercial banking loans and SME banking loans (collectively 'non-retail loans') represent a significant portion of the Group's net loan exposure.

The non-retail loan exposures are evaluated individually for specific impairment due to the magnitude of the specific loans and based on the Group's knowledge of the individual borrowers.

Un-impaired non-retail loans are grouped into similar risk buckets based on the sector of the loans, for the purpose of collective impairment assessment.

All other loans (collectively referred to as "retail loans") are assessed for impairment based on grouping of the loans by product. The exposures are then monitored through delinquency statistics and impairment recorded based on historical loss experience.

How the matter was addressed in our audit

Our audit procedures included the following:

- We tested key controls over management review of credit risk grades allocated to counterparties. We tested key management controls over the input of underlying data into the collective provision models.

- In addition to the facilities specifically impaired based on management's review, we performed risk assessment procedures to identify other impaired facilities based on high risk sector criteria previously un-impaired by the Group. We included additional loans for specific impairment assessment where we deemed the related counterparties to be high risk in light of the analysis performed.

- We performed credit file reviews to test the accuracy of loan grading and recoverability of loans in sectors assessed to be high risk. These sectors include oil and gas, energy and power, government, construction and real estate. For the education, general commerce, manufacturing, information and communication sectors, we selected a sample of loans to test the accuracy of loan grading and recoverability of the loans.

- For specific impairment assessment, we challenged the forecasts of recoverable cash flows, probability of realisation, and valuation of collateral by assessing the reasonableness of the recoverable cash flow forecasts and the valuation of collaterals against customer information in the credit files and historical experience on realisation. We re-calculated management's discounted cash flow for all non-retail loans and advances tested for specific impairment.

- With respect to collective impairment assessment, we engaged our Financial Risk Management specialists to evaluate the Group's collective impairment policy and the key assumptions made, by testing the reasonability of those assumptions and the methodology applied. They carried out a model validation by evaluating the completeness and accuracy of key inputs into the model such as history of default, effective interest rate and loan performance migration matrix. They also assessed the appropriateness of the emergence period, probability of default and loss given default for both non-retail loans and retail loans.

- We assessed whether disclosures in the financial statements appropriately reflect the Group's exposure to credit risk, including controls over identification and disclosure of restructured loans, collateral valuation and sensitivity of key assumptions in line with the requirements of the relevant accounting standards.

Refer to page 58 (Group accounting policies) and Note 23(b) to the consolidated and separate financial statements.

Provision for Litigation and Claims

In the normal course of business, the Group's operations expose it to the risk of litigation and claims from third parties. There are a number of pending legal disputes involving entities within the Group. We focused on this area due to the range of potential outcomes, the amount of the claims against the Group entities as well as the considerable uncertainties around timing of possible cash flows which require management to make estimates with respect to claims. In addition, where a case has been decided against the Group, significant judgment is applied in the assessment of provisions to be made.

How the matter was addressed in our audit

Our audit procedures included the following:

- We assessed the process for identification and assessment of legal claims and litigation. We evaluated the Group's assessment of the nature and status of the reported litigation, claims and provision made, and discussed with the internal counsel to understand the legal position and the basis of provision recognised.

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- We challenged the adequacy of provisions recognised by critically assessing the key assumptions forming the basis of the provisioning and comparing the assumptions to available historical data and professional opinion of external solicitors.
- Where the Group has appealed to a higher court for unsuccessful litigation, we evaluated management's assessment of probable outflow of resources based on responses received from the external legal counsel. We obtained and evaluated independent legal opinion to evaluate the judgment applied in the amount of provisions recognised.
- We assessed the disclosures to determine whether they are sufficient regarding the inherent uncertainties associated with provisions recognised. We also assessed the appropriateness and extent of contingent disclosures for those pending matters for which no provision has been recognised.

Refer to the page 64 (Note w in the Group Accounting policies) and Note 36 and 42(a) to the consolidated and separate financial statements.

Assessment of recoverability of deferred tax assets

The Group has a significant amount of recognised and unrecognised deferred tax asset mainly from unrelieved tax losses, unutilised capital allowances and collective impairment allowance on loans and advances.

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

How the matter was addressed in our audit

Our audit procedures included the following:

- We assessed the components that gave rise to the deferred tax asset to determine whether they were appropriate and in line with relevant accounting standards and tax laws.
- We challenged the Group's assessment of the recoverable amounts, by reviewing the estimated future taxable profits as well as evaluating the reasonability of the underlying assumptions, using our knowledge of the business, the Group's historical performance and known future plans.
- We checked that the extent of disclosures in the financial statements were in accordance with the relevant accounting standard.

Refer to page 56 (Note j (ii) in the Group Accounting Policies) and Note 31 to the consolidated and separate financial statements.

Information other than the Financial Statements and Audit Report Thereon

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

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

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

When we review the outstanding reports, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Audit Committee.

Responsibilities of the Directors for the Consolidated and separate Financial Statements

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

i. The Bank and Group paid penalties in respect of contravention of the Bank and other Financial Institutions Act during the year ended 31 December 2017. Details of penalties paid are disclosed in note 46 to the financial statements.
ii. Related party transactions and balances are disclosed in note 45 to the financial statements in compliance with the Central Bank of Nigeria circular BSD/1/2004.

Kabir

Kabir O. Okunlola, FCA
FRC/2012/ICAN/00000000428
For: KPMG Professional Services
Chartered Accountants
25 April 2018
Lagos, Nigeria

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
A1 368598

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

For the year ended

		Group		Bank	
	Notes	Dec.2017	Dec.2016	Dec.2017	Dec.2016
		₦ million	₦ million	₦ million	₦ million
Gross earnings		**163,844**	**129,606**	**157,566**	**126,471**
Interest income	9	124,549	99,721	119,875	97,082
Interest expense	9	(57,880)	(34,682)	(57,554)	(34,588)
Net interest income		**66,669**	**65,039**	**62,321**	**62,494**
Net impairment charge for credit losses	14(a)	(25,609)	(17,879)	(25,510)	(17,783)
Net interest income after impairment charge for credit losses		**41,060**	**47,160**	**36,811**	**44,711**
Net fee and commission income	10	10,207	10,577	9,579	10,016
Net trading income	11	9,129	5,089	9,036	5,112
Net income from other financial instruments at fair value through profit or loss	12	362	2,572	362	2,572
Other operating income	13	19,597	11,647	18,714	11,689
Non interest income		**39,295**	**29,885**	**37,691**	**29,389**
Operating income		**80,355**	**77,045**	**74,502**	**74,100**
Net impairment write-back on other financial assets	14(b)	292	693	32	717
Net operating income after net impairment write-back on other financial assets		**80,647**	**77,738**	**74,534**	**74,817**
Personnel expenses	15	(29,557)	(31,234)	(27,545)	(29,628)
Depreciation of property and equipment	29	(4,572)	(3,806)	(4,498)	(3,775)
Amortisation of intangible assets	30	(1,466)	(1,100)	(1,280)	(925)
Other operating expenses	16	(29,533)	(25,860)	(28,035)	(24,436)
Total expenses		**(65,128)**	**(62,000)**	**(61,358)**	**(58,764)**
Profit before income tax		**15,519**	**15,738**	**13,176**	**16,053**
Income tax expense	17	(911)	(347)	(337)	(168)
Profit for the year		**14,608**	**15,391**	**12,839**	**15,885**
Other comprehensive income, net of income tax					
Items that will never be reclassified to profit or loss					
Remeasurement of defined benefit liability	37a(iii)&b(i)	-	305	-	305
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		2,144	7,746	-	-
Fair value gains on available-for-sale investments		7,862	1,939	7,753	1,495
Other comprehensive income for the year		10,006	9,990	7,753	1,800
Total comprehensive income for the year		**24,614**	**25,381**	**20,592**	**17,685**

	Notes	Group		Bank	
		Dec.2017	Dec.2016	Dec.2017	Dec.2016
		₦ million	₦ million	₦ million	₦ million
Profit attributable to:					
Equity holders of the Bank		13,888	15,617	12,839	15,885
Non-controlling interest	41	720	(226)	-	-
Profit for the year		14,608	15,391	12,839	15,885
Total comprehensive income attributable to:					
Equity holders of the Bank		23,894	25,607	20,592	17,685
Non-controlling interest	41	720	(226)	-	-
Total comprehensive income for the year		24,614	25,381	20,592	17,685
Earnings per share for profit from total operations attributable to equity holders of Bank					
Basic Earning per Share (Kobo)	18	81	92	75	94

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

Consolidated and Separate Statements of Financial Position

As at	***Notes***	**Group Dec.2017 ₦ million**	Group Dec.2016 N million	**Bank Dec.2017 ₦ million**	Bank Dec.2016 N million
ASSETS					
Cash and cash equivalents	19	**222,577**	136,194	**137,497**	35,536
Non-pledged trading assets	20	**20,076**	8,323	**20,076**	8,323
Pledged assets	21	**54,079**	53,430	**54,079**	53,430
Derivative assets held for risk management	22	**1,297**	2,747	**1,297**	2,747
Loans and advances to customers	23	**517,103**	507,190	**488,555**	489,890
Investments in equity accounted investee	24	**-**	-	**-**	-
Investment securities	25	**185,658**	181,720	**175,329**	166,759
Trading properties	26	**1,153**	2,309	**513**	1,124
Investment properties	27	**4,951**	4,347	**-**	-
Investment in subsidiaries	28	**-**	-	**10,567**	10,567
Property and equipment	29	**55,986**	52,800	**55,801**	52,567
Intangible assets	30	**4,344**	3,374	**3,949**	2,859
Deferred tax assets	31	**95,875**	95,910	**95,875**	95,875
Other assets	32	**291,692**	202,298	**290,706**	201,838
Defined benefit assets	37(a)	**352**	1,643	**352**	1,643
		1,455,143	**1,252,285**	**1,334,596**	**1,123,158**
Assets classified as held for sale	39	**397**	397	**325**	325
TOTAL ASSETS		**1,455,540**	**1,252,682**	**1,334,921**	**1,123,483**
LIABILITIES					
Derivative liabilities held for risk management	22	**972**	13	**972**	13
Deposits from banks	33	**100,131**	90,266	**10,686**	4,351
Deposits from customers	34	**802,384**	658,444	**796,708**	633,827
Current tax liabilities	35	**524**	465	**271**	177
Deferred tax liabilities	31	**259**	101	**-**	-
Other liabilities	36	**111,461**	141,404	**108,359**	141,191
Employee benefit obligations	37(a)	**857**	805	**801**	773
Other borrowed funds	38	**93,211**	89,514	**95,736**	91,812
TOTAL LIABILITIES		**1,109,799**	**981,012**	**1,013,533**	**872,144**
EQUITY					
Share capital and share premium	40	**201,652**	400,109	**201,652**	400,109
Retained deficit		**(14,384)**	(244,183)	**(19,118)**	(247,868)
Other reserves		**152,642**	110,633	**138,854**	99,098
EQUITY ATTRIBUTABLE TO EQUITY - HOLDERS OF THE BANK		**339,910**	**266,559**	**321,388**	**251,339**
Non-controlling interest	41	**5,831**	5,111	**-**	**-**
TOTAL EQUITY		**345,741**	**271,670**	**321,388**	**251,339**
TOTAL LIABILITIES AND EQUITY		**1,455,540**	**1,252,682**	**1,334,921**	**1,123,483**

Signed on behalf of the Board of Directors on 17 April 2018 by:

Cyril Odu	Emeka Emuwa	Oyinkansade Adewale
Chairman *	Group Managing Director	Director/CFO
	FRC/2013/CIBN/00000001774	FRC/2013/ICAN/00000001775

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

**The Chairman was granted a waiver by the Financial Reporting Council (FRC) to sign the 2017 annual report (which includes the financial statements) without a FRC number, pending when the Company regularizes his registration with the FRC.*

Consolidated and Separate Statements of Changes in Equity
For the year ended 31 December 2017

Group	Share capital	Share premium	Statutory reserve	Fair value reserve	Regulatory risk reserve	Share based payment reserve	Other reserves	Retained deficit	Total	Non-controlling interest	Total equity
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Balance at 1 January 2017	8,468	391,641	24,445	34,832	38,869	147	12,340	(244,183)	266,559	5,111	271,670
Total comprehensive income for the year											
Profit for the year	-	-	-	-	-	-	-	13,888	13,888	720	14,608
Other comprehensive income, net of tax											
Foreign currency translation diferrence	-	-	-	-	-	-	2,144	-	2,144	-	2,144
Fair value gains/(loss) on available-for-sale investment	-	-	-	7,862	-	-	-	-	7,862	-	7,862
Appropriation:											
Transfer to regulatory reserves	-	-	-	-	32,158	-	-	(32,158)	-	-	-
Transfer to/(from) other reserves	-	(247,868)	1,926	(2,127)	-	-	-	248,069	-	-	-
Total comprehensive income for the year	-	(247,868)	1,926	5,735	32,158	-	2,144	229,799	23,894	720	24,614
Transactions with owners, recorded directly in equity											
Contributions by and distributions to owners											
Shares issued during the year	6,067	43,097	-	-	-	-	-	-	49,164	-	49,164
Equity-settled share-based payment	-	-	-	-	-	293	-	-	293	-	293
Transfer from Share Based Payment Reserve	26	221	-	-	-	(247)	-	-	-	-	-
Total contribution and distributions to owners	6,093	43,318	-	-	-	46	-	-	49,457	-	49,457
Balance at 31 December 2017	**14,561**	**187,091**	**26,371**	**40,567**	**71,027**	**193**	**14,484**	**(14,384)**	**339,910**	**5,831**	**345,741**

December 2016

	Share capital	Share premium	Statutory reserve	Fair value reserve	Regulatory risk reserve	Share based payment reserve	Other reserves	Retained deficit	Total	Non-controlling interest	Total equity
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Balance at 1 January 2016	8,468	391,641	22,062	33,050	23,876	-	4,389	(244,902)	238,584	5,337	243,921
Prior year adjustment	-	-	-	-	-	-	-	2,839	2,839	-	2,839
Balance at 1 January 2016	8,468	391,641	22,062	33,050	23,876	-	4,389	(242,063)	241,423	5,337	246,760
Total comprehensive income for the year											
Profit for the year	-	-	-	-	-	-	-	15,617	15,617	(226)	15,391
Other comprehensive income, net of tax											
Remeasurement of defined benefit liability	-	-	-	-	-	-	305	-	305	-	305
Foreign currency translation diferrence	-	-	-	-	-	-	7,746	-	7,746	-	7,746
Fair value gains/(loss) on available-for-sale investment	-	-	-	1,939	-	-	-	-	1,939	-	1,939
Total comprehensive income for the year	-	-	-	1,939	-	-	8,051	15,617	25,607	(226)	25,381
Appropriation:									-		-
Transfer to regulatory reserves	-	-	-		14,993	-		(14,993)	-	-	-
Transfer from other reserves	-	-	2,383	(157)	-	-	(100)	(2,126)	-	-	-
Total comprehensive income for the year	-	-	2,383	(157)	14,993	-	(100)	(17,119)	-	-	-
Transactions with owners, recorded directly in equity											
Contributions by and distributions to owners											
Dividend to non- controlling interest	-	-	-	-	-	-	-	(618)	(618)	-	(618)
Equity settled -share-based payment	-	-	-	-	-	147		-	147	-	147
Total contribution and distributions to owners	-	-	-	-	-	147	-	(618)	(471)	-	(471)
Balance at 31 December 2016	**8,468**	**391,641**	**24,445**	**34,832**	**38,869**	**147**	**12,340**	**(244,183)**	**266,559**	**5,111**	**271,670**

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

Consolidated and Separate Statements of Changes in Equity
For the year ended 31 December 2017

Bank

	Share capital	Share premium	Statutory reserve	Fair value reserves	Regulatory risk reserves	Share based payment reserve	Other reserves	Retained deficit	Total
	₦ million	₦ million	₦ million	₦ million	₦ million	N million	₦ million	₦ million	₦ million
Balance at 1 January 2017	8,468	391,641	24,445	33,579	38,869	147	2,058	(247,868)	251,339
Total comprehensive income for the year									
Profit or loss	-	-	-	-	-	-	-	12,839	12,839
Other comprehensive income, net of tax									
Fair value gains on available-for-sale investment	-	-	-	7,753	-	-	-	-	7,753
Appropriation:									
Transfer to regulatory reserves	-	-	-	-	32,158	-	-	(32,158)	-
Transfer to/(from) other reserves	-	(247,868)	1,926	(2,127)	-	-	-	248,069	-
Total comprehensive income for the year	-	(247,868)	1,926	5,626	32,158	-	-	228,750	20,592
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners									
Shares issued during the year	6,067	43,097	-	-	-	-	-	-	49,164
Equity-settled share-based payment	-	-	-	-	-	293	-	-	293
Transfer from Share Based Payment Reserve	26	221	-	-	-	(247)	-	-	-
Total contribution and distributions to owners	6,093	43,318	-	-	-	46	-	-	49,457
Balance at 31 December 2017	**14,561**	**187,091**	**26,371**	**39,205**	**71,027**	**193**	**2,058**	**(19,118)**	**321,388**

December 2016

	Share capital	Share premium	Statutory reserve	Fair value reserve	Regulatory risk reserve	Share based payment reserve	Other reserves	Retained earning /accumulated deficit	Total
	N million	N million	N million	N million	N million	N million	N million	N million	N million
Balance at 1 January 2016	8,468	391,641	22,062	32,240	23,876	-	1,753	(249,372)	230,668
Prior year adjustment	-	-	-	-	-	-	-	2,839	2,839
Balance at 1 January 2016	8,468	391,641	22,062	32,240	23,876	-	1,753	(246,533)	233,507
Total comprehensive income for the year									
Profit or loss	-	-	-	-	-	-	-	15,885	15,885
Other comprehensive income						-			
Fair value gains/(loss) on available-for-sale investment	-	-	-	1,495	-	-	-	-	1,495
Remeasurement of defined benefit liability	-	-	-	-	-	-	305	-	305
Total comprehensive income for the year	-	-	-	1,495	-	-	305	15,885	17,685
Appropriation									
Transfer between reserves	-	-	-	(156)	14,993	-	-	(14,837)	-
Transfer to statutory reserve	-	-	2,383	-	-	-	-	(2,383)	-
	-	-	2,383	(156)	14,993	-	-	(17,220)	-
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners									
Equity-settled share-based payment	-	-	-	-	-	147	-	-	147
Total contribution and distributions to owners	-	-	-	-	-	147	-	-	147
Balance at 31 December 2016	**8,468**	**391,641**	**24,445**	**33,579**	**38,869**	**147**	**2,058**	**(247,868)**	**251,339**

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

Consolidated and Separate Statements of Cash Flows

For the year ended 31 December 2017

	Notes	**Group Dec.2017**	Group Dec.2016	**Bank Dec.2017**	Bank Dec.2016
		₦ million	N million	**₦ million**	N million
Cash flows from operating activities					
Profit for the year		**14,608**	15,391	**12,839**	15,885
Income tax expense	17	**911**	347	**337**	168
Profit before tax		**15,519**	15,738	**13,176**	16,053
Adjustments for:					
Impairment losses on loans and advances to customers	14(a)	**32,826**	21,159	**32,727**	21,063
Recoveries on loans and advances to customers	13	**(5,946)**	(1,297)	**(5,946)**	(1,297)
Reversal of impairment on loans and advances	14(a)	**(7,217)**	(3,280)	**(7,217)**	(3,280)
Impairment loss on equity accounted investee	14(b)	**-**	24	**-**	-
Reversal of impairment on other assets	14(b)	**(193)**	(717)	**(193)**	(717)
Reversal of impairment on trading properties	14(b)	**(273)**	-	**-**	-
Allowances on other assets	14(b)	**174**	-	**161**	-
Write-off of intangible assets	30	**-**	193	**-**	
Write-off of property and equipment	29	**136**	24	**136**	26
Revaluation gains on investment properties	27	**(200)**	-	**-**	-
Gain on sale of property and equipment	13	**(1,769)**	(2,562)	**(1,768)**	(2,562)
Gain on disposal of available for sale - unquoted equity	13	**-**	(297)	**-**	(297)
Gain on sale of trading properties	13(d)	**(238)**	(90)	**(175)**	-
Gain on sale/liquidation of subsidiaries	13	**-**	(368)	**-**	(802)
Depreciation of property and equipment	29	**4,572**	3,806	**4,498**	3,775
Amortisation of intangible assets	30	**1,466**	1,100	**1,280**	925
Dividend income from equity investment	13	**(1,033)**	(765)	**(1,033)**	(765)
Interest paid on borrowings	9	**11,905**	9,929	**11,905**	9,929
Contributions to defined contribution plans	15	**726**	722	**611**	619
Increase in liability for defined benefit plans	15	**745**	464	**721**	461
		51,200	43,783	**48,883**	43,131
Change in non-pledged trading assets	48(i)	**(11,753)**	(8,323)	**(11,753)**	(8,323)
Change in pledged assets	48(ii)	**(649)**	31,298	**(649)**	31,298
Change in loans and advances to customers	48(iii)	**(29,576)**	(157,051)	**(18,229)**	(157,392)
Change in other assets	48(iv)	**(89,495)**	(63,343)	**(88,923)**	(62,686)
Change in derivative financial instruments-assets	48(v)	**1,450**	(927)	**1,450**	(927)
Change in derivative financial instruments-liabilities	48(v)	**959**	13	**959**	13
Change in deposits from banks	48(vi)	**9,865**	46,175	**6,335**	(7,449)
Change in deposits from customers	48(vii)	**143,940**	87,805	**162,881**	64,711
Change in other liabilities	48(viii)	**(28,355)**	29,588	**(31,244)**	31,384
		47,586	9,018	**69,710**	(66,240)
Income tax paid	35	**(659)**	(269)	**(243)**	(220)
Payment from defined contribution plan	37(a)(i)	**(754)**	(722)	**(639)**	(619)
Payment from defined benefit plan	37(a)(iii)	**(628)**	(1,251)	**(628)**	(1,243)
Payment from long service award	37(b)(ii)	**(41)**	(92)	**(41)**	(92)
Net cash provided by/(used in) operating activities		**45,504**	6,684	**68,160**	(68,414)

Cash flows from investing activities					
Disposal of investment properties	27	**-**	199	**-**	-
Acquisition of investment properties	27	**(55)**	-	**-**	-
Proceeds from sale of trading properties	13(d)	**1,318**	958	**786**	-
Proceeds from sale of property and equipment	13(c)	**4,169**	5,271	**4,167**	5,245
Proceed on disposal of subsidiaries	48(ix)	**-**	3,006	**-**	3,006
Proceed/(acquisition) of investment securities	48(x)	**3,924**	35,653	**(817)**	44,256
Acquisition of property and equipment	29	**(10,381)**	(9,126)	**(10,360)**	(8,962)
Acquisition of intangible assets	30	**(2,191)**	(664)	**(2,191)**	(634)
Dividend income received	13	**1,033**	765	**1,033**	765
Net cash generated from/(used in) investing activities		**(2,183)**	36,062	**(7,382)**	43,676
Cash flows from financing activities					
Net proceeds from shares issued during the year	40(d)(ii)	**49,164**	-	**49,164**	-
Inflow from other borrowings	48(xi)	**14,886**	47,784	**14,886**	47,784
Repayment of borrowings	48(xi)	**(11,189)**	(34,329)	**(10,962)**	(32,031)
Interest paid on borrowings	9	**(11,905)**	(9,929)	**(11,905)**	(9,929)
Net cash generated from financing activities		**40,956**	3,526	**41,183**	5,824
Net increase/(decrease) in cash and cash equivalents		**84,277**	46,272	**101,961**	(18,915)
Cash and cash equivalents at beginning of year	19	**136,194**	82,252	**35,536**	54,451
Effect of exchange rate fluctuations on cash held		**2,106**	7,672	**-**	-
Cash and cash equivalents at end of year	19	**222,577**	136,194	**137,497**	35,536

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

Notes to the Consolidated and Separate financial statements
For the year ended 31 December 2017

1 Reporting entity

Union Bank of Nigeria Plc ("the Bank") is a company domiciled in Nigeria. The address of the Bank's registered office is Stallion Plaza, 36 Marina, Lagos. The consolidated financial statements of the Bank as at and for the year ended 31 December 2017 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.

The Bank has completed the divestment process from all non-banking businesses within the Group, in line with the CBN Regulation on the scope of Banking Activities and Anciliary Matters; with the exception of UBN Property Company Limited which has been put on hold as a result of shareholder litigation initiated by two of the subsidiary's shareholders.

2 Basis of preparation

(a) Statement of compliance

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

The financial statements were authorised for issue by the Board of Directors on 17 April 2018.

(b) Functional and presentation currency

These consolidated and separate financial statements are presented in Nigerian Naira, which is the Bank's functional and presentation currency.
All amounts have been rounded to the nearest millions, except where otherwise indicated.

(c) Basis of measurement

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

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

(d) Use of estimates and judgements

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

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

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

(e) Determination of regulatory risk reserves

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

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

(i) Provisions for loans and other financial assets recognised in the income statement should be determined based on the requirements of IFRS. However, the IFRS impairments should be compared with provisions determined under Prudential Guidelines and the expected impact/changes in general reserves should be treated as follows:

• If Prudential provisions are greater than IFRS impairments, the resultant excess provision should be transferred from the retained earnings account to a "regulatory risk reserve".

• If Prudential provisions are less than IFRS impairments; IFRS determined impairments are charged to the income statement. The cumulative balance in the regulatory risk reserve is thereafter reversed to the retained earnings account.

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

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

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

Statement of Prudential Adjustments		Bank	Bank
		Dec. 2017	Dec. 2016
	Notes	₦ million	₦ million
IFRS-based impairments:			
Specific impairment on loans to customers	23	36,232	14,887
Portfolio impairment on loans to customers	23	7,020	13,572
Specific impairment on investment securities	25	4,054	5,002
Specific impairment on equity accounted investee	24	91	91
Provision for claims and contingencies	36	2,978	3,104
Specific impairment on other assets	32	6,241	5,932
		56,616	42,588
Prudential provisions:			
Specific provision on loans to customers		74,658	44,443
General provision on loans to customers		7,642	8,924
Interest in suspense		31,979	13,961
Specific provision on investment securities		4,054	5,002
Specific impairment on equity accounted investee		91	91
Provision for claims and contingencies		2,978	3,104
Specific provision on other assets		6,241	5,932
		127,643	81,457
Regulatory risk reserve		71,027	38,869

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

	Dec. 2017	Dec. 2016
	₦ million	N million
Balance, beginning of the year	38,869	23,876
Transfer during the year	32,158	14,993
Balance, end of the year	71,027	38,869

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. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred. The Consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss. Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Other contingent consideration is measured at fair value at each reporting date and subsequent changes in fair value of the contingent consideration are recognised in profit or loss.

Non-controlling interest

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

Subsidiaries

Subsidiaries are entities 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 entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it has control and if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held(e.g. those resulting from a lending relationship) become substantive and lead to the Group having power over an 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, generally accompanying a shareholding of between 20% and 50% of voting rights. Investments in associates are accounted for using the equity method of accounting and are intially recognised at cost. The consolidated financial statements include the Group’s share of the total recognised net assets 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.
Dividend income is recognised in profit or loss when the Group becomes entitled to the dividend

Loss of control

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

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and the other components of equity. Any interest retained in the former subsidiary is measured at fair value when control is lost. Any resulting gain or loss is recognised in profit or loss.
The amount recognised in profit or loss on the loss of control of a subsidiary is measured as the difference between:
(i) The sum of:
- the fair value of the consideration received, if any;
- the recognised amount of the distribution of shares, if applicable;
- the fair value of any retained non-controlling investment (NCI); and
- the carrying amount of the NCI in the former subsidiary, including the accumulated balance of each class of other comprehensive income (OCI) attributable to the NCI

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

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

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

Transactions eliminated on consolidation

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

(b) Foreign currency

Foreign currency transactions

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

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

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

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

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into naira at spot exchange rates at the reporting date. The income and expenses and other comprehensive income of foreign operations are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case, income and expenses are translated at spot exchange rates on the dates of the transactions.

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

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

(c) Interest

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial liability. When calculating the effective interest rate, the group estimates future cash flow considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective

interest rate.Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Interest income and expense presented in the statement of profit or loss and OCI include:

- Interest on financial asset and financial liabilities measured at amortised cost calculated on an effective interest basis;
- Interest on available-for-sale investment securities calculated on an effective interest basis;

Interest income and expense on all trading assets and liablilties are considered to be incidental to the group's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income (see note 3(e)).

Fair value changes on other derivatives held for risk management purpose, and other financial assets and financial liabilities carried at fair value through profit or loss are presented in net income from other financial instruments at fair value through profit or loss in the statement of profit or loss and OCI (see note 3(f)).

(d) Fees and Commission

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

When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period; otherwise, the loan commitment fee is deferred and recognised as an adjustment to effective interest rate.

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

(e) Net trading income

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

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

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

(g) Dividends

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

(h) Operating expense

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

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

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

(i) Lease payments - Lessee

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

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

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

(j) Income tax

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

i. Current tax

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. Current tax payable also includes any tax liability arising from the declaration of dividends. The amount of current tax payable is the best estimate of the tax amount expected to be paid that reflects uncertainty related to income taxes (if any).

ii. Deferred tax

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. Future taxable profits are determined based on business plans for individual subsidiaries in the Group and the reversal of temporary difference.

These amounts are generally recognised in profit or loss because they relate to income arising from transactions that were originally recognised in profit or loss. The unrecognised deferred tax assets are re-assessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

The measurement of deferred tax reflects the tax consequence that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale and the Group has not rebutted this presentation

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.

iii. Tax exposure

In determining the amount of current and deferred tax, the Group considers the impact of tax exposure, including whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about furture events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities would impact tax expenses in the period in which such a determination is made.

(k) Financial instruments

Recognition

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

Classification and subsequent measurement

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

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

(i) Loans and receivables

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

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

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

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

(ii) Held-to-maturity

Held-to-maturity investments are non-derivative assets with fixed determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity, and which are not designated as at fair value through profit or loss or as available for sale.

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

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

(iii) Available-for-sale

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

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

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

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

(iv) Fair value through profit or loss

This category comprises two sub-categories:
a) financial assets classified as held for trading;
b) financial assets designated by the Group as fair value through profit or loss upon initial recognition (the "fair value option").

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

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

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

Financial Liabilities:

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

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market particpant at the measurment date in the princpal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation techniques incorporate all of the factors that market participants would take into account in pricing a transaction.

The best evidence of fair value of a financial instrument at initial recognition is normally the transaction price - i.e the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced by neither by a quoted price in an active market for an identical asset or liability nor based on a valuation techniques that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price, Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid and ask price, then the Group measures assets, long positions, liabilities and short positions at a mid price which is the average of the ask and bid prices.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured by the Group on the basis of the price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure.Those protfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

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

The Group recognises transfers between levels of the fair value hierachy as of the end of the reporting period during which the change has occurred.

Amortised cost measurement

The "amortised cost" of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayment, plus or minus the cumulative amortisation using effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

Impairment of financial asset

(i) Objective evidence of impairment

(a) Assets 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.

In making assessment of whether an investment in sovereign debt is impaired, the Group considers the following factors:

• the market's assessment of credit worthiness as reflected in the bond yields;

• the rating agencies' assessment of credit worthiness;

• the company's ability to access the capital markets for new debt issuance;

• the probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness,

• the international support mechanisms in place to provide the necessary support as "lender of last resort" to host country as well as the intention reflected in public statements of government and agencies to use those mechanisms. This includes the assessment of the depth of those mechanism and, irrespective of the political intent, whether there is the capacity to fulfill the required criteria.

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 statement of profit or loss. Such allowance is referred to as specific impairment.

Interest on the impaired assets continue to be recognised through the unwinding of the discount. Changes in impairment attributable to application of the effective interest method and reflected as a component of interest income.

If the terms of the financial asset is renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial assets should be de-recognised. If the cash flows of the renegotiated assets are substantially different, then the contractual rights to the cash flows from the original financial assets are deemed to have expired. In this case, the original financial assets is derecognised and the new financial asset is recognised at fair value. The impairment loss before an expected restructuring is measured as follows:
- If the expected restructuring will not result in derecognition of the existing asset, then the estimated cash flows arising from the modified finncial asset are included in the measurement of the existing asset based on their expected timing and amounts discounted at the original effective interest rate of the existing financial assets.
- If the restucturing will result in the derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial assets at the time of its derecognition. This amount is discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure, less costs for obtaining and selling the collateral, whether or not foreclosure is probable. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Group's grading process which considers asset type, industry, geographic location, collateral type, past-due status and other relevant factors). These characteristics are relevant to the estimation of future cash flows for groups of such assets being indicative of the debtor's ability to pay all amounts due according to the contractual terms of the assets being evaluated.

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

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

(b) Available-for-sale financial assets

Available-for-sale financial assets are impaired if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition but before the reporting date, that have an impact on the future cash flows of the asset. In addition, an available-for-sale equity instrument is generally considered impaired if a significant or prolonged decline in the fair value of the instrument below its cost has occurred.

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 profit or loss, 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.

(ii) Measurement

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.
The Group considers a decline of 20% to be significant and a period of nine months to be prolonged. However, in specific circumstances a smaller decline or a shorter period may be appropriate.

(iii) Individual and collective impairment.

The Group considers evidence of impairment for loans and advances and held to maturity investment securities at both a specific asset and a collective level. All individual significant loans and held to maturity investment securities are assessed for specific impairment.

Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances an held to maturity investment securities that are not individually significant are collectively assessed for impairment by groupng together loans and advances and held to maturity investment secutirities with similar risk characteristics.

The individual component of the total allowance for impairment applies to financail assets evaluated individually for impairment and found to be individually impaired, and is ased on management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgement about a debtor's financial situation and the net realisable vaue of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cashfows considered recoverable are indepedently approved by Credit Rist function.

A collective component of the total allowance is established for:
- groups of homogeneous loans that are not considered individually significant; and
- groups of assets that are individually significant but that were not found to be individually impaired (loss 'incurred but not reported' or IBNR)

The collective allowance for group of homogeneous loans is establisshed using statiscal nethods such as roll rate methodology or, for small portfolio with insufficient information, a formula appraoch based on historaical loss rate experience. The roll rate methodology uses statistical analysis of historiacal data on delinquency to estimate the amount of loss. Management applies judgement to ensure that the estimate of loss arrived at on the basis of historical information is appropriately adjusted to reflect the economic conditions and product mix at the reporting date. Roll rate and loss rates are regularly benchmarked against actual loss experience.

The IBNR allowance covers credit losses inherent in portfolios of loans and advances, and held to maturity investment securitites with similar credit risk characteristics when there is objective evidence to suggest that the contain impaired items but the individual impaired items cannot yet be identified.

The incurred but not reported (IBNR) allowance is based on historiacal loss rates, adjusted to reflect the current ecocnomic conditions affecting the portfolio. It reflects assumptions made about the loss emergence period i.e the period between a loss event occuring and it being identified. Management estimates a loss emmergence period for each identified portfolio and back-tests these estimates against past experience. The factors that may influence the loss emergence period include economics and market conditions, customer behaviour, protfolio management information, credit manaement process and collection experience

In assessing the collective loss allowance, management considers factors such as credit qality, portofolio size, concentrations and economic factors. To estimate te required allowance, assumptions are made to define how inherent losses are modelled and to determine the required input parameter, based on historical experience and current economic conditions. the accuracy of the allowance depends on the model assumptions amd paramenters used in deterrmining the collective allowance.

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

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

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

Derecognition of financial instruments

- ***Financial assets***

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

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

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

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

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

- ***Financial liabilities***

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

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

(l) Cash and cash equivalents

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

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

(m) Trading assets and liabilities

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

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

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

(n) Derivatives held for risk management purposes

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities.

Derivatives are recognised initially at fair value in the statement of financial position; attributable transaction costs are recognised in income statement when incurred. Subsequent to initial recognition, derivatives are measured at fair value with changes in fair value recognised in profit or loss.

Embedded Derivatives

Derivatives may be embedded in another contractual arrangement (a host contract). The Group accounts for an embedded derivative separately from the host contract when:
- The host contract is not itself carried at fair value through profit or loss
- The terms of the embedded derivatives would meet the definition of a derviative if they were contained in a separate contract, and
- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

Separate embedded derivatives are measured at fair value with all the changes in fair value recognised in profit or loss. Separate embedded derivatives are presented in the statement of financial position together with the host contract.

(o) Property and equipment

Recognition and measurement

Property and equipment are carried at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

(a) the cost of materials and direct labour;

(b) any other costs directly attributable to bringing the assets to working condition for their intended use;

(c) when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and

(d) capitalised borrowing costs.

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

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

Subsequent costs

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

Depreciation

Items of property and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the assets are completed and ready for use. Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line basis over their estimated lives. Leased assets are depreciated over the shorter of the lease term and their useful lives. Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations.
Depreciation is recognised in income statement.

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

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

Depreciation methods, useful lives and residual values are re-assessed at each reporting date.

Capital work-in-progress consists of items of property and equipment that are not yet available for use. Capital work-in-progress is carried at cost less any required impairment. Depreciation starts when assets are available for use. An impairment loss is recognised if the asset's recoverable amount is less than cost. The asset is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Once the items are available for use, they are transferred to relevant classes of property and equipment as appropriate.

De-recognition

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

(p) Investment property

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

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

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

(q) Trading properties

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

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

(r) Intangible assets

Software

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

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

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

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is five years. This is reassessed annually.

Intangible assets are de-recognised on disposal or when no future economic benefits are expected from their use or disposal

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

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

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

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

A discontinued operation is a component of the Group's business, the operations and cash flow of which can be clearly distinguished from the rest of the group and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale

Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held for sale.

When an operation is classified as a discontinued operation, the comparative income statement is re-presented as if the operation had been discontinued from the start of the comparative year.

(t) Leased assets

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

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

(u) Impairment of non-financial assets

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

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated pre-tax future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

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

(v) Deposits, debt securities issued and surbordinated liabilities

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

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

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. The Group's redeemable preference shares bear non-discretionary coupons and are redeemable by the holder, and are therefore included with subordinated liabilities.

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

(w) Provisions

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

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

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

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

(x) Contingent asset and contingent liabilities

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

Contingent assets are possible assets that arise from past event and whose existence will be confirmed only by the occurence or non occurence of one or more uncertain future events not wholly within the control of the Group. A contingent asset is not recognised in the statement of financial position but is disclosed when an inflow of economic benefit is probable. When the realisation of income in virtually certain, then the related asset is not a contingent and its recognition is appropriate. Contingent assets are assessed continually to ensure that new developments are appropriately reflected in the financial statements.

(y) 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.

(z) Employee benefits

Post-employment benefits

Defined contribution plans

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

Defined benefit plans

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

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

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

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

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when settlement occurs.
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. A settlement occurs when an entity enters into a transaction that eliminates all further legal or constructive obligation for part or all of the benefits provided under a defined benefit plan.

Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefit as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are treated as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptance can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

Short-term employee 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. Remeasurements are recognised in profit or loss in the period in which they arise.

(aa) 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.

Other reserves

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

Share-based payment transactions

The grant-date fair value of share-based payment awards – i.e. stock options – granted to employees is recognised as personnel expenses, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

If the Bank pays in cash on settlement rather than issuing equity instruments, that payment shall be applied to settle the liability in full. Any equity component previously recognised shall remain within equity. By electing to receive cash on settlement, the employee forfeited the right to receive equity instruments. However, this requirement does not preclude the Bank from recognising a transfer within equity, ie a transfer from one component of equity to another.

(ab) 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 which comprise share options granted to employees.

(ac) 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.

(ad) 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.

(ae) New standards issued but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not opted for the early application of the following new or amended standards in preparing these consolidated financial statements.

The following standards are expected to have a material impact on the Group's financial statements in the period of initial application

- *Financial Instruments: IFRS 9*

IFRS 9 financial instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*

i) Classification : Financial Assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflect the business model in which assets are measured and their cash flow characteristics.

IFRS 9 contains three principal classification catergories for financial assets: measured at amortised cost, FVOCI and FVTPL. The standard eliminates the existing IAS 39 categories of held to maturity, Loans and receivables and available for sale.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead hybrid financial instruments as a whole is assessed for classification.

Based on its assessment, the Group does not expect that the new classification requirements will have a material impact on its accounting for trade receivables, loans, investments in debt securities and investments in equity securities that are managed on a fair value basis.
At 31 December 2017, the Group had equity investments classified as available-for-sale with a carrying amount of N30.02bn (Dec 2016: N27.34bn) that are held for long-term strategic purposes. Under IFRS 9, the Group has designated these investments are measured at FVTPL. Consequently, all fair value gains and losses will be reported in profit or loss.

ii) Impairment - Financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward -looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs : these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date.

The Group believes that impairment losses are likely to increase and become more volatile for assets in the scope of the IFRS 9 impairment model.

Estimated impact of the adoption of IFRS 9

The Group is required to adopt IFRS 9 Financial Instruments with effect from 1 January 2018. The Group has assessed the estimated impact that the initial application of IFRS 9 will have on its consolidated financial statements. The estimated impact of the adoption of these standards on the Group's equity as at 1 January 2018 is based on assessments undertaken to date. The Group estimates that the IFRS 9 transition will have nil impact on the retained earnings as this will be compensated for by movement in regulatory risk reserve. The impact on Capital Adequacy Ratio will also be nil. The Shareholders' funds will however reduce by approximately between N52.9bn and N70.4bn (Bank: between N52.8bn to N70.3bn).

The above assessment is preliminary because not all transition work has been finalized. The actual impact of adoption of IFRS 9 on 1 January 2018 may change because:

- IFRS 9 will require the Group to revise its accounting processes and internal controls and these changes are not yet complete;
- although parallel runs were carried out in the last quarter of 2017, the new systems and associated controls in place have not been operational for a more extended period;
- the Group is refining and finalizing its models for expected credit loss (ECL) calculations; and
- the new accounting policies, assumptions, judgements and estimation techniques employed are subject to change until the Group finalizes its first financial statements that include the date of initial application.

The following analysis provides further detail about this estimated impact at 1 January 2018.

Loans and Advances

IFRS 9 requires recognition of Expected Credit Losses (ECLs)/allowance on Loans and Advances, based on 12 months or lifetime ECLs depending on the staging classification at the individual /account level. The Bank's staging criteria segments loan portfolio into facilities of three stages : performing accounts (Stage 1), accounts indicating a significant increase in credit risk from origination date (Stage 2) and finally, accounts with objective evidence of impairment (Stage 3). Twelve months ECL is calcluated for Stage 1 Loans while Stage 2 and 3 Loans are assesed based on lifetime ECLs.

The Standard requires the calculation of probability-weighted ECL impairments based on three economic scenarios (optimistic, best-estimate and downturn scenarios). Three ECL figures were therefore calculated and probability-weighted to arrive at a single ECL impairment for each account. The likelihood of the best-estimate, downturn and optimistic scenarios were assumed to be 75%, 12.5% and 12.5% respectively.The Bank performed the calculation of ECL separately for Corporate and Non Corporate business segments.

The ECL figures were adjusted by Macro-economic Scalars to reflect differences between economic conditions during the period over which the historical data was collected, current conditions and the Bank's view of economic conditions over the expected lives of the loans. Scalar factors were based on GDP.

The Group estimated that application of IFRS 9's impairment requirements at 1 January 2018 results in an increase of between N52.9bn and 70.4bn (Bank: between N52.8bn to N70.3bn) over the impairment recognised under IAS 39.

Debt securities

The Group monitors changes in credit risk by tracking published external credit ratings.

In determining the stage allocation for investment securities, the internal classification based on the CBN guidelines and forbearance flag was used. Investments classified as Performing are classified as stage 1 loans, watchlisted accounts are classified as stage 2 loans and loans classified as substandard, doubtful or lost are classified as stage 3.

The Group estimated that application of IFRS 9's impairment requirements at 1 January 2018 results in an increase of between N12million to N25million (Bank: between N12million to N25million) over the impairment recognised under IAS 39.

Cash and cash equivalents
The cash and cash equivalents are held with the Central Bank of Nigeria and financial institution counterparties.
The estimated impairment on cash and cash equivalents was calculated based on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have no credit risk.
The Group used a similar approach for assessment of ECLs for cash and cash equivalents to those used for debt securities .
The Group estimated that application of IFRS 9 's impairment requirements at 1 January 2018 will be the same when compared with the impairment recognised under IAS 39; i.e no impairment is recognised on Cash and cash equivalent.

iii. Classification - Financial liabilities
IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.
However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss. whereas under IFRS 9 these fair value changes are generally presented as follows:
- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

The Group has not designated any financial liabilities at FVTPL and it has no current intention to do so. The Group's assessment did not indicate any material impact regarding the classification of financial liabilities at 1 January 2018.

iv. Disclosures
IFRS 9 will require extensive new disclosures, in particular about credit risk and expected credit losses. The Group's assessment included an analysis to identify data gaps against current processes and the Group is in the process of implementing the system and control changes that it believes will be necessary to capture the required data.

v. Transition

- The Group will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amount of financial assets and financial liabilities resulting from the adoption of IFRS 9 will generally be recognised in retained earnings and reserves as at 1 January 2018
- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.
  - The determination of the business model within which a financial asset is held
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL
  - The designation of certain investments in equity instruments not held for trading as at FVOCI.

• *Revenue from contracts with customers: IFRS 15*

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

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

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

The Group has assessed the impact of the adoption of IFRS 15 on its consolidated financial statements and the standard does not have significant impact on the Group's operations.

• *Leases: IFRS 16*

IFRS 16 replaces existing leases guidance, including IAS 17 *Leases,* IFRIC 4 *Determining whether an Arrangement contains a Lease,* SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*
The standard is effectuve for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard- i.e lessors continue to classify leases as finance or operating leases.
The Group has completed an initial assessment of the potential impact on its consolidated financial statements but has not yet completed its detailed assessment. The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on future economic conditions, including the Group's borrowing rate at 1 January 2019, the composition of the Group's lease portfolio at that date, the Group's latest assessment of whether it will exercise any lease renewal options and the extent to which the Group chooses to use practical expedients and recognition exemptions.
So far, the most significant impact identified is that the Group will recognise new assets and liabilities for its operating leases.
In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

No significant impact is expected for the Group's finance leases.

Determining whether an arrangement contains a lease

The Group has an arrangement that was not in the legal form of a lease, for which it concluded that the arrangement contains a lease of equipment under IFRIC 4. On transition to IFRS 16, the Group can choose whether to:

- apply the IFRS 16 definition of a lease to all its contracts or
- apply a practical expedient and not reassess whether a contract is, or contains, a lease.

The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

Transition

As a lessee, the Group can either apply the standard using a:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases.

The Group plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

When applying the modified retorspective approach to leases perviously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basus, whether to apply a number of practical expedients on transition. The Group is assessing the potential impact of using these practucal expedients.

The Group is not required to make any adjustments for leases in which it is a lessor except where it is an intermediate lessor in a sub-lease.

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

Other Standards

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

i). Annual Improvements to IFRSs 2014-2016 Cycle - Amendments to IFRS 1 and IAS 28
ii). Sale or Contribution of Assets between an Investor and its Associate of Joint Venture (Amendments to IFRS 10 and IAS 28)
iii). Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)
iv). Transfers of Investment Property (Amendments to IAS 40)
v). Sale of Contribution of Assets between an investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
vi). IFRIC 22 Foreign Currency Transactions and Advance Consideration
vii). IFRIC 23 Uncertainty over Income Tax Treatments

4 Changes in Accounting Policies

New and amended standards and interpretation

The accounting policies adopted are consistent with those adopted in the previous reporting period.

Standards and interpretations effective during the reporting period

i) Disclosure Initiative (Amendments to IAS 7): This amendment provides for disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. This includes providing a reconciliation between the opening and closing balances arising from the financing activities. This amendment does not have any material impact on the Group's financial statements

ii) Recognition of Deferred Tax Assets for unrealised losses (Amendments to IAS 12): The amendments to IAS 12 shed more light on the position regarding unrealised loss on debt instruments measured at fair value and the recognition of deferred tax ssets for such items. Unrealised losses on debt instruments measured at fair value in the financial statements but measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the holder expects to recover the carrying amount of the debt by sale or by use. Further clarification was made that the carrying amount of an asset does not limit the etimation of probable future taxable profits, the future taxable profits should exclude tax deductions resulting from the reversal of those deductible temporary differences. Moreover, an entity is required to assess a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilization of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. Therefore, as long as the tax base remains at the original cost of the asset, there is a temporary difference. This now makes it possible for an entity to recognise deferred tax asset on debt instruments carried at fair value, where the carrying amount is less than the nominal value because of market changes but where the entity expects to collect all contractual cash flows. Also, deferred tax asset can be recognised on items of property, plant and equipment measured at cost and where the entity expects to generate benefits exceeding that cost. However, there must be sufficient evidence to show that it is probable that the entity will recover an asset for more than its carrying amount.

The adoption of these amendments did not have any impact on the Group's financial statements

iii) Annual Improvements to IFRSs 2016-2016 cycle (Amendments to IFRS 12 Disclosure of interests in other entities): The amendments to this standard clarify that all disclosure requirements of IFRS 12 also apply to any interests that are classified as held for sale, held for distribution to owners or discontinued operations in accordance with IFRS 5, Non-current assets held for sale and discontinued operations. This amendment does not have any material impact on the Group

5 Financial risk management

(a) Introduction and overview

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

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

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

(b) Credit risk

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

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

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

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

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

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

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

Settlement risk

The Group's activities may give risk at the time of settlement of transactions and trades. "Settlement risk" is the risk of loss due to failure of an entity to honour its obigations to deliver cash, securities or other assets as contractually agreed. For certain types of transactions, the Group mitigates this risk by conducting settlement through a settlement/clearing agent to ensure that a trade is settled only when both parties have fulfilled their contracrual settlement obligations. Acceptance of settlement risk on free-settlement trades requires transaction-specific or counter party-specific approvals from Group risk.

Principal Credit Policies

The following are the principal credit policies of the Group:

(i) ***Extension of credit:*** Every extension of credit must be approved by at least three officers; two from the Credit Risk function and one from the Business Unit, who must be the Sponsoring Officer of the Credit. A credit officer from the credit risk function must provide the Covering Limit.
(ii) ***Special Approvals:*** Extension of credit to certain sectors may require special approvals or prohibited altogether.
(iii) ***Annual Review of facilities:*** All extension of credits must be reviewed at least once every 12 months.
(iv) ***Industry Limits:*** The Group utilizes industry limits to maintain a diversified portfolio of risk assets.
(v) ***Tenor Limits:*** The Group also utilizes tenor limits to ensure improvement in quality of risk assets
(vi) ***Problem Recognition:*** There are uniform and consistent standards for recognition of credit migration and remediation across the Group.

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

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

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

Management of Credit risk
The Board of directors has delegated responsibility for the oversight of credit risk to its Group Credit Committee. A separate Group Credit department, reporting to the Group Credit Committee is responsible for managing the Group's credit risk, including the following.

- *Formulating credit policies* in consultation with businesss units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit Credit Officers. Larger facilities require approval by Group Credit, the Head of Group Credit, the Group Credit Committee or the board of directors as appropriate.
- Reviewing and assessing credit risk: Group Credit assesses all credit exposures in excess of designated limits, before facilities are committed to customers by the business unit concrned. Renewals and reviews of facilities are subject to the same review process
- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances, financial guarantees and similar exposures), and by issuer, credit rating band, market liquidity and country (for investment sucurities)
- Developing and maintaining the Group's risk gradings to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current risk grading framework consists of eight grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility of setting risk grades lies with the final approving executive or committee, as appropriate. Risk grades are subject to regular reviews by Group Risk.
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular report on the credit quality of local protfolios are provided to Group Credit, which may require appropriate corrective action to be taken
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of credit risk.

Each business unit is required to implement Group credit policies and procedures, with credit approval authorities delegated from the Group Credit Committee. Each business unit has a Chief Credit Risk officer who reports on all credit-related matters to local management and the Group Credit Committee. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval.

Regular audits of business units and Group Credit processes are undertaken by internal audit.

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

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

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

Credit Risk Rating Models

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

Risk Rating Process

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

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

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

Responsibility of Credit Risk Management

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

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

Risk Rating Scale and external rating equivalent

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

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

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

2 Credit Risk Control & Mitigation policy

Authority Limits on Credit

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

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

Authority	Approval Limit	
	Dec. 2017	Dec. 2016
Board of Directors	Above N5bn	Above N5bn
Board Credit Committee	N2,500,000,001 - N5,000,000,000	N2,500,000,01 - N5,000,000,000
Management Credit Committee	N1,000,000,001 - N2,500,000,000	N1,000,000,01 - N2,500,000,000
Group Managing Director & CCO/CRO	N500,000,001 - N1,000,000,000	N500,000,01 - N1,000,000,000
Business Executive Director & CCO/CRO	N250,000,001 - N500,000,000	N250,000,001 - N500,000,000
Credit Analyst	Up to N250,000,000	Up to N250,000,000

Collateral Policies

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

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

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

The range of collaterals acceptable to the Group include:

(i) Cash / Deposit (domestic and foreign currency) with the Group, including certificates of deposit or comparable instruments issued by the Group
(ii) Certificates of Deposit from other banks
(iii) Commodities.
(iv) Debt securities issued by sovereigns and public-sector enterprises.
(v) Equities - Stocks / Share Certificates of quoted blue chip companies
vi Irrevocable Standing Payment Order (ISPO)
(vii) Bank Guarantee
(viii) Mortgage on landed Property
(ix) Asset-backed securities
(x) Charge on assets (Fixed and/or Floating) - premises/ inventory/ receivables/ merchandise/ plant/ machinery etc.
(xi) Negative Pledges
(xii) Lien on Asset being financed
(xiii) Stock Hypothecation
(xiv) Shipping Documents (for imports)
(xv) Bankers Acceptance
(xvi) Life Assurance Policies

Valuation of collateral

The fair values of collaterals are based upon the latest valuation undertaken by independent valuers on behalf of the Bank. The valuation techniques adopted for properties are based upon fair values of similar properties in the neighbourhood taking into cognizance the advantages and disadvantages of the comparatives over the subject property and any other factor which can have effect on the valuation, after making allowance for dilapidations. The fair values of non-property collaterals (such as equities, bond, treasury bills, etc.) are determined with reference to market quoted prices or market values of similar instrument and other acceptable valuation methodologies.

The same fair value approach is used in determining the collaterals value in the course of sale or realization. The Bank does not take physical possession of properties or other assets held as collateral and uses external agents to realize the value as soon as practicable, generally at auction, to settle indebtedness. Any surplus funds are returned to the borrower.

Master Netting arrangements

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

Maximum exposure to credit risk

Group	**Note**	Loans & advances to customers		Investment securities		Pledged assets		Non Pledged assets		Other receivables		Cash & cash equivalents		Loan commitment & financial guarantees	
		Dec. 2017	Dec. 2016	Dec. 2017	Dec. 2016	Dec. 2017	Dec. 2016	Dec. 2017	Dec. 2016	Dec. 2017	Dec. 2016	Dec. 2017	Dec. 2016	Dec. 2017	Dec. 2016
		₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Carrying amount	19,20,21,22,23,25,43	517,103	507,190	155,638	154,384	54,079	53,430	20,076	8,323	287,462	197,435	222,577	136,194	120,119	120,542
Assets at amortised cost															
Individually impaired:															
Grade 6: Impaired		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grade 7: Impaired		30,771	2,619	-	-	-	-	-	-	-	-	-	-	-	-
Grade 8: Impaired		80,141	34,406	-	-	-	-	-	-	7,445	7,123	-	-	-	-
Gross amount		110,912	37,025	-	-	-	-	-	-	7,445	7,123	-	-	-	-
Allowance for impairment		(36,459)	(14,904)	-	-	-	-	-	-	(7,445)	(7,123)	-	-	-	-
Carrying amount		74,453	22,121	-	-	-	-	-	-	-	-	-	-	-	-
Collectively impaired:															
Grade 1-3: Low-fair risk		189,015	284,268	-	-	-	-	-	-	-	-	-	-	-	-
Grade 4-5: Watch list		168,704	128,355	-	-	-	-	-	-	-	-	-	-	-	-
Gross amount		357,719	412,623	-	-	-	-	-	-	-	-	-	-	-	-
Allowance for impairment		(7,089)	(13,742)	-	-	-	-	-	-	-	-	-	-	-	-
Carrying amount		350,630	398,881	-	-	-	-	-	-	-	-	-	-	-	-
Past due but not impaired:															
Grade 4-5: Low-fair risk		63,403	68,701	-	-	-	-	-	-	-	-	-	-	-	-
Gross amount		63,403	68,701	-	-	-	-	-	-	-	-	-	-	-	-
Allowance for impairment		-	-	-	-										
Carrying amount		63,403	68,701	-	-	-	-	-	-	-	-	-	-	-	-
Past due comprises:															
30 -90 days		63,403	68,701	-	-	-	-	-	-	-	-	-	-	-	-
Carrying amount		63,403	68,701	-	-	-	-	-	-	-	-	-	-	-	-
Neither past due nor impaired:															
Grade 1-3: Low-fair risk		28,617	17,487	38,505	90,942	54,079	53,430	-	-	287,462	197,435	222,577	136,194	120,119	120,542
Carrying amount		28,617	17,487	38,505	90,942	54,079	53,430	-	-	287,462	197,435	222,577	136,194	120,119	120,542
Total carrying amount - amortised cost		517,103	507,190	38,505	90,942	54,079	53,430	-	-	287,462	197,435	222,577	136,194	120,119	120,542

Group	**Note**	Loans and advances to customers		Investment securities		Pledged assets		Non Pledged assets		Other receivables		Cash and cash equivalents		Loan commitment & financial guarantees	
		Dec. 2017	Dec. 2016	Dec. 2017	Dec. 2016	Dec. 2017	Dec. 2016	Dec. 2017	Dec. 2016	Dec. 2017	Dec. 2016	Dec. 2017	Dec. 2016	Dec. 2017	Dec. 2016
	25	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Available-for-sale assets (AFS)															
Individually impaired:															
Grade 6: Impaired		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grade 7: Impaired		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grade 8: Impaired		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross amount		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allowance for impairment		-	-	-	-										
Carrying amount		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Neither past due nor impaired:															
Grade 1-3: Low-fair risk		-	-	117,133	63,442	-	-	-	-	-	-	-	-	-	-
Grade 4-5: Low-fair risk		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Carrying amount		-	-	117,133	63,442	-	-	-	-	-	-	-	-	-	-
Assets at fair value through profit or loss															
Grade 1-3: Low-fair risk		-	-	-	-	-	-	20,076	8,323	-	-	-	-	-	-
Grade 4-5: Low-fair risk		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Carrying amount		-	-	-	-	-	-	20,076	8,323	-	-	-	-	-	-
Total carrying amount -fair value		-	-	117,133	63,442	-	-	20,076	8,323	-	-	-	-	-	-
Total net on and off balance sheet exposures		**517,103**	**507,190**	**155,638**	**154,384**	**54,079**	**53,430**	**20,076**	**8,323**	**287,462**	**197,435**	**222,577**	**136,194**	**120,119**	**120,542**

Bank		Loans and advances to customers		Investment securities		Pledged assets		Non Pledged assets		Other receivables		Cash and cash equivalents		Loan commitment & financial guarantees	
	Note	Dec. 2017	Dec. 2016	Dec. 2017	Dec. 2016	Dec. 2017	Dec. 2016	Dec. 2017	Dec. 2016	Dec. 2017	Dec. 2016	Dec. 2017	Dec. 2016	Dec. 2017	Dec. 2016
		₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Carrying amount	19,20,21,22,23,25,43	488,555	489,890	145,309	139,423	54,079	53,430	20,076	8,323	286,746	196,975	137,497	35,536	120,119	120,542
Assets at amortised cost															
Individually impaired:															
Grade 6: Impaired		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grade 7: Impaired		30,544	2,619	-	-	-	-	-	-	-	-	-	-	-	-
Grade 8: Impaired		80,141	34,406	-	-	-	-	-	-	6,241	5,932	-	-	-	-
Gross amount		110,685	37,025	-	-	-	-	-	-	6,241	5,932	-	-	-	-
Allowance for impairment		(36,232)	(14,887)	-	-	-	-	-	-	(6,241)	(5,932)	-	-	-	-
Carrying amount		74,453	22,138	-	-	-	-	-	-	-	-	-	-	-	-
Collectively impaired:															
Grade 1-3: Low-fair risk		189,015	284,268	-	-	-	-	-	-	-	-	-	-	-	-
Grade 4-5: Watch list		168,704	128,355	-	-	-	-	-	-	-	-	-	-	-	-
Gross amount		357,719	412,623	-	-	-	-	-	-	-	-	-	-	-	-
Allowance for impairment		(7,020)	(13,572)	-	-	-	-	-	-	-	-	-	-	-	-
Carrying amount		350,699	399,051	-	-	-	-	-	-	-	-	-	-	-	-
Past due but not impaired:															
Grade 4-5: Low-fair risk		63,403	68,701	-	-	-	-	-	-	-	-	-	-	-	-
Gross amount		63,403	68,701	-	-	-	-	-	-	-	-	-	-	-	-
Allowance for impairment		-	-	-	-	-	-	-	-	-	-				
Carrying amount		63,403	68,701	-	-	-	-	-	-	-	-	-	-	-	-
Past due comprises:															
30 -90 days		63,403	68,701	-	-	-	-	-	-	-	-	-	-	-	-
Carrying amount		63,403	68,701	-	-	-	-	-	-	-	-	-	-	-	-
Neither past due nor impaired:															
Grade 1-3: Low-fair risk		-	-	38,505	90,306	54,079	53,430	-	-	286,746	196,975	137,497	35,536	120,119	120,542
Grade 4-5: Low-fair risk		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Carrying amount		-	-	38,505	90,306	54,079	53,430	-	-	286,746	196,975	137,497	35,536	120,119	120,542
Total carrying amount -amortised cost		488,555	489,890	38,505	90,306	54,079	53,430	-	-	286,746	196,975	137,497	35,536	120,119	120,542

Bank	**Note**	Loans and advances to customers		Investment securities		Pledged assets		Non Pledged assets		Other receivables		Cash and cash equivalents		Loan commitment & financial guarantees	
		Dec. 2017	Dec. 2016	Dec. 2017	Dec. 2016	Dec. 2017	Dec. 2016	Dec. 2017	Dec. 2016	Dec. 2017	Dec. 2016	Dec. 2017	Dec. 2016	Dec. 2017	Dec. 2016
		₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Available-for-sale assets (AFS)															
Individually impaired:															
Grade 6: Impaired		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grade 7: Impaired		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grade 8: Impaired		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross amount		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allowance for impairment		-	-	-	-										
Carrying amount		-	-	-	-	-	-	-	-	-	-				
Neither past due nor impaired:															
Grade 1-3: Low-fair risk		-	-	106,804	49,117	-	-	-	-	-	-	-	-	-	-
Grade 4-5: Low-fair risk		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Carrying amount		-	-	106,804	49,117	-	-	-	-	-	-	-	-	-	-
Assets at fair value through profit or loss															
Grade 1-3: Low-fair risk		-	-	-	-	-	-	20,076	8,323	-	-	-	-	-	-
Grade 4-5: Low-fair risk		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Carrying amount		-	-	-	-	-	-	20,076	8,323	-	-	-	-	-	-
Total carrying amount -fair value		-	-	106,804	49,117	-	-	20,076	8,323	-	-	-	-	-	-
Total net on and off balance sheet exposures		**488,555**	**489,890**	**145,309**	**139,423**	**54,079**	**53,430**	**20,076**	**8,323**	**286,746**	**196,975**	**137,497**	**35,536**	**120,119**	**120,542**

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

Group	Loans and advances to customers		Investment securities		Pledged assets		Non Pledged assets		Other receivables		Cash and cash equivalents		Loan commitment & financial guarantees	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
31 December 2017	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Grade 6-8: Individually impaired	110,912	74,453	-	-	-	-	-	-	7,445	-	-	-	-	-
Total	110,912	74,453	-	-	-	-	-	-	7,445	-	-	-	-	-
31 December 2016														
Grade 6-8: Individually impaired	37,025	22,121	-	-	-	-	-	-	7,123	-	-	-	-	-
Total	37,025	22,121	-	-	-	-	-	-	7,123	-	-	-	-	-

Bank	Loans and advances to customers		Investment securities		Pledged assets		Non Pledged assets		Other receivables		Cash and cash equivalents		Loan commitment & financial guarantees	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
31 December 2017	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Grade 6-8: Individually impaired	110,685	74,453	-	-	-	-	-	-	6,241	-	-	-	-	-
Total	110,685	74,453	-	-	-	-	-	-	6,241	-	-	-	-	-
31 December 2016														
Grade 6-8: Individually impaired	37,025	22,138	-	-	-	-	-	-	5,932	-	-	-	-	-
Total	37,025	22,138	-	-	-	-	-	-	5,932	-	-	-	-	-

Concentrations of credit risk

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

Group	Note	Loans and advances to customers		Investment securities		Pledged assets		Non Pledged assets		Other receivables		Cash and cash equivalents		Loan commitment & financial guarantees	
		Dec. 2017	Dec. 2016	Dec. 2017	Dec. 2016	Dec. 2017	Dec. 2016	Dec. 2017	Dec. 2016	Dec. 2017	Dec. 2016	Dec. 2017	Dec. 2016	Dec. 2017	Dec. 2016
		₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Carrying amount	19,20,21,22,23,25,43	517,103	507,190	155,638	154,384	54,079	53,430	20,076	8,323	287,462	197,435	222,577	136,194	120,119	120,542
Concentration by sector:															
Agriculture		19,440	31,711	-	-	-	-	-	-	-	-	-	-	-	-
Oil and gas		209,817	235,969			-	-	-	-	-	-	-	-	-	-
Consumer credit		17,972	24,010	-	-	-	-	-	-	-	-	-	-	-	-
Manufacture		51,284	49,247	-	-	-	-	-	-	-	-	-	-	-	-
Real estate and construction		64,360	55,102	-	-	-	-	-	-	-	-	-	-	-	-
General commerce		34,412	34,322	-	-	-	-	-	-	-	-	-	-	-	-
Finance and Insurance		28,762	51	-	-	-	-	20,076	8,323	287,462	197,435	222,577	136,194	120,119	120,542
Government		4,577	3,441	155,638	154,384	53,996	53,189	-	-	-	-	-	-	-	-
Power		50,182	36,379	-	-	-	-	-	-	-	-	-	-	-	-
Transportation		1,899	3,047	-	-	-	-	-	-	-	-	-	-	-	-
Communication		17,077	19,053	-	-	-	-	-	-	-	-	-	-	-	-
Education		5,762	7,656	-	-	-	-	-	-	-	-	-	-	-	-
Others		11,559	7,201	-	-	83	241	-	-	-	-	-	-	-	-
		517,103	507,190	155,638	154,384	54,079	53,430	20,076	8,323	287,462	197,435	222,577	136,194	120,119	120,542
Concentration by location:															
Nigeria		488,555	484,645	145,309	142,301	54,079	53,430	20,076	8,323	287,016	196,878	120,837	35,536	120,119	120,542
United Kingdom		28,548	22,545	10,329	12,083	-	-	-	-	446	557	101,740	100,658	-	-
		517,103	507,190	155,638	154,384	54,079	53,430	20,076	8,323	287,462	197,435	222,577	136,194	120,119	120,542

Bank	**Note**	Loans and advances to customers		Investment securities		Pledged assets		Non Pledged assets		Other receivables		Cash and cash equivalentss		Loan commitment & financial guarantees	
		Dec. 2017	Dec. 2016	Dec. 2017	Dec. 2016	Dec. 2017	Dec. 2016	Dec. 2017	Dec. 2016	Dec. 2017	Dec. 2016	Dec. 2017	Dec. 2016	Dec. 2017	Dec. 2016
		N million	N million	N million	N million	N million	N million	N million	N million	N million	N million	N million	N million	₦ million	₦ million
Carrying amount	19,20,21,22,23,25,43	488,555	489,890	145,309	139,423	54,079	53,430	20,076	8,323	286,746	196,975	137,497	35,536	120,119	120,542
Concentration by sector:						-	-	-	-	-	-	-	-	-	-
Agriculture		19,440	19,340	-	-	-	-	-	-	-	-	-	-	-	-
Oil and gas		209,817	235,969			-	-	-	-	-	-	-	-	-	-
Consumer credit		17,972	24,010	-	-	-	-	-	-	-	-	-	-	-	-
Manufacture		51,284	49,247	-	-	-	-	-	-	-	-	-	-	-	-
Real estate and construction		64,360	54,283	-	-	-	-	-	-	-	-	-	-	-	-
General commerce		34,412	32,787	-	-	-	-	-	-	-	-	-	-	-	-
Finance and Insurance		214	1	-	-	-	-	20,076	8,323	286,746	196,975	137,497	35,536	120,119	120,542
Government		4,577	3,441	145,309	139,423	54,079	53,430	-	-	-	-	-	-	-	-
Power		50,182	36,379	-	-	-	-	-	-	-	-	-	-	-	-
Transportion		1,899	3,047	-	-	-	-	-	-	-	-	-	-	-	-
Communication		17,077	19,055	-	-	-	-	-	-	-	-	-	-	-	-
Education		5,762	5,130	-	-	-	-	-	-	-	-	-	-	-	-
Others		11,559	7,201	-	-	-	-	-	-	-	-	-	-	-	-
		488,555	489,890	145,309	139,423	54,079	53,430	20,076	8,323	286,746	196,975	137,497	35,536	120,119	120,542
Concentration by location:															
Nigeria		488,555	489,890	145,309	139,423	54,079	53,430	20,076	8,323	286,746	196,975	137,497	35,536	120,119	120,542
Europe		-	-	-	-	-	-	-	-	-	-	-	-	-	-
		488,555	489,889	145,309	139,423	54,079	53,430	20,076	8,323	286,746	196,975	137,497	35,536	120,119	120,542

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

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

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

Collateral held and other credit enhancements

The Group holds collateral and other credit enhancements against certain of its credit exposures.

The following tables stratify credit exposures from loans and advances to customers by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan – or the amount omitted for loan commitments – to the value of the collateral. The valuation of collateral excludes any adjustments for obtaining and selling the collateral. For credit-impaired loans the value of collateral is based on the most recent appraisals.

The Group may take collateral in the form of a first charge over real estate, floating charges over all corporate assets and other liens and guarantees.

Group		31 December 2017			31 December 2016		
In millions of Naira	**Note**	**Exposure**	**Collateral value**	**LTV**	**Exposure**	**Collateral value**	**LTV**
Secured by Real Estate		97,245	124,493	78%	108,874	118,603	91.8%
Secured by Fixed and Floating Assets		218,948	2,741,672	8%	101,259	603,274	16.8%
Secured by Leased Assets		3,142	1,752	179%	1,601	1,239	129.2%
Secured by Quoted Shares		51	52	99%	134	242	55.3%
Secured by Cash Collateral		51,603	27,272	189%	27,357	17,475	156.5%
Other secured assets		142,221	149,361	95%	240,035	274,949	87.3%
Unsecured		47,440	-	>100%	56,577	-	>100%
Total	23	560,651	3,044,602	18%	535,836	1,015,783	53%

Bank		31 December 2017			31 December 2016		
In millions of Naira	**Note**	**Exposure**	**Collateral value**	**LTV**	**Exposure**	**Collateral value**	**LTV**
Secured by Real Estate		97,245	124,493	78%	108,874	118,603	91.8%
Secured by Fixed and Floating Assets		218,948	2,741,672	8%	101,259	603,274	16.8%
Secured by Leased Assets		3,142	1,752	179%	1,601	1,239	129.2%
Secured by Quoted Shares		51	52	99%	134	242	55.3%
Secured by Cash Collateral		22,759	21,041	108%	9,870	16,571	59.6%
Other secured assets		142,221	149,361	95%	240,035	274,949	87.3%
Unsecured		47,440	-	>100%	56,577	-	>100%
Total	23	531,807	3,038,371	18%	518,349	1,014,879	51%

Assets obtained by taking possession of collateral

Details of financial and non-financial assets obtained by the Group during the year by taking possession of collateral held as security against loans and advances and held at the year end, are shown below.

In millions of Naira	**31 Dec 2017**	**31 Dec 2016**
Property	624	81
Debt securities	-	-
Others	-	-
Total	624	81

The Group’s policy is to pursue timely realisation of the collateral in an orderly manner. The Group does not generally use the non-cash collateral for its own operations.

Impaired loans and advances and other receivables

The table below analyses the Group's gross and net (of allowance for impairment) amounts of individually impaired loans and advances and Other receivables by risk grade

Group	**31 Dec 2017**				**31 Dec 2016**			
	Loans and advances to customers		**Other receivables**		**Loans and advances to customers**		**Other receivables**	
In millions of Naira	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Grade 6: Substandard	57,145	38,355	-	-	7,305	1,666	-	-
Grade 7: Doubtful	22,075	16,337	-	-	25,146	18,184	-	-
Grade 8: Lost	31,628	19,697	6,241	6,241	4,574	2,271	5,932	5,932
Total	110,912	74,453	6,241	6,241	37,025	22,121	5,932	5,932

(c) Liquidity risk

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

Identification of Liquidity Risk

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

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

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

Liquidity Risk Appetite

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

Liquidity Risk Measurement, monitoring and reporting

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

Contingency Funding Plan

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

Exposure to Liquidity Risk

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

	Dec. 2017	Dec. 2016
For the year ended 31 December		
Average for the year	38%	40%
Maximum for the year	42%	44%
Minimum for the year	33%	33%

As at 31 December 2017, the Group's ratio of net liquid assets to deposits from customers is 1300 basis points above the required 30% benchmark.

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

Residual contractual maturities of financial assets and liabilities

Group	***Note***	**Carrying amount**	**Gross nominal inflow / (outflow)**	**Less than 3 month**	**3 - 6 months**	**6 - 12 months**	**1 - 5 years**	**More than 5 years**
31 December 2017		₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Non-derivative assets:								
Cash and cash equivalents	19	222,577	222,577	222,577	-	-	-	-
Non-pledged trading assets	20	20,076	20,355	20,355	-	-	-	-
Pledged assets	21	54,079	53,674	2,345	13,534	10,665	6,908	20,222
Loans and advances to customers	23	517,103	526,664	269,423	36,673	50,126	168,262	2,180
Investment securities	25	185,658	207,774	150,510	3,814	2,229	26,349	24,873
Other receivables^	32	287,462	287,462	287,462	-	-	-	-
		1,286,955	1,318,506	952,672	54,020	63,020	201,519	47,274
Derivative assets:								
Held for Risk Management	22	1,297	1,297	1,297	-	-	-	-
		1,288,252	1,319,803	953,969	54,020	63,020	201,519	47,274
Non-derivative liabilities								
Deposits from banks	33	(100,131)	(100,037)	(100,037)	-	-	-	-
Deposits from customers	34	(802,384)	(796,399)	(773,196)	(16,091)	(7,086)	(25)	-
Other financial liabilities^^	36	(80,843)	(77,521)	(77,521)	-	-	-	-
Other borrowed funds	38	(93,211)	(93,071)	(56,461)	(7,034)	(3,968)	(20,642)	(4,966)
		(1,076,569)	(1,067,028)	(1,007,215)	(23,125)	(11,054)	(20,668)	(4,966)
Derivative liabilities:								
Held for Risk Management	22	(972)	(972)	(972)	-	-	-	-
		(1,077,541)	(1,068,000)	(1,008,187)	(23,125)	(11,054)	(20,668)	(4,966)
Gap (asset - liabilities)		210,711	251,803	(54,218)	30,895	51,967	180,851	42,308
Cumulative liquidity gap			251,803	(54,218)	(23,323)	28,644	209,495	251,803

Group	***Note***	**Carrying amount**	**Gross nominal inflow / (outflow)**	**Less than 3 month**	**3 - 6 months**	**6 - 12 months**	**1 - 5 years**	**More than 5 years**
31 December 2016		₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Non-derivative assets:								
Cash and cash equivalents	19	136,194	136,194	136,194	-	-	-	-
Non-pledged trading assets	20	8,323	8,809	8,809	-	-	-	-
Pledged assets	21	53,430	53,674	2,345	13,534	10,665	6,908	20,222
Loans and advances to customers	23	507,190	536,236	247,340	37,563	32,939	176,979	41,415
Investment securities	25	181,720	186,336	10,305	56,686	51,553	38,336	29,456
Other receivables^	32	197,435	197,435	196,877	-	250	147	160
		1,084,292	1,118,684	601,870	107,783	95,407	222,371	91,254
Derivative assets:								
Held for Risk Management	22	2,747	2,747	-	2,747	-	-	-
		1,087,039	1,121,431	601,870	110,530	95,407	222,371	91,254
Non-derivative liabilities								
Derivative liabilities held for risk management								
Deposits from banks	33	(90,266)	(90,266)	(88,822)	-	-	(1,444)	-
Deposits from customers	34	(658,444)	(658,444)	(647,923)	(7,635)	(2,700)	(148)	(39)
Other financial liabilities^^	31	(88,717)	(85,631)	(84,775)	(94)	(457)	(243)	(63)
Other borrowed funds	38	(89,514)	(89,514)	(39,473)	(10,851)	(12,095)	(25,454)	(1,640)
		(926,941)	(923,855)	(860,993)	(18,580)	(15,252)	(27,289)	(1,741)
Derivative liabilities:								
Held for Risk Management		(13)	(13)	(13)	-	-	-	-
		(926,954)	(923,868)	(861,006)	(18,580)	(15,252)	(27,289)	(1,741)
Gap (asset - liabilities)		160,085	197,562	(259,137)	91,950	80,155	195,082	89,513
Cumulative liquidity gap			197,562	(259,137)	(167,187)	(87,032)	108,050	197,563

^ The Group's other receivables exclude prepayment of N3,884 million (Dec. 16: N4,863 million) which is not a financial asset and other statutory deductions such as WHT receivables.
^^Other financial liabilities exclude statutory deductions such as VAT payables etc.

Bank	***Note***	**Carrying amount**	**Gross nominal inflow /(outflow)**	**Less than 3 month**	**3 - 6 months**	**6 - 12 months**	**1 - 5 years**	**More than 5 years**
31 December 2017		₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Non-derivative assets:								
Cash and cash equivalents	19	137,497	137,497	137,497	-	-	-	-
Non-pledged trading assets	20	20,076	20,355	20,355	-	-	-	-
Pledged assets	21	54,079	53,674	2,345	13,534	10,665	6,908	20,222
Loans and advances to customers	23	488,555	498,116	240,875	36,673	50,126	168,262	2,180
Investment securities	25	175,329	197,445	140,181	3,814	2,229	26,349	24,873
Other receivables^	32	286,746	286,746	286,746	-	-	-	-
		1,162,282	1,193,833	827,999	54,020	63,020	201,519	47,274
Derivative assets:								
Held for Risk Management	22	1,297	1,297	-	1,297	-	-	-
		1,163,579	1,195,130	827,999	55,317	63,020	201,519	47,274
Non-derivative liabilities								
Deposits from banks	33	(10,686)	(10,592)	(10,592)	-	-	-	-
Deposits from customers	34	(796,708)	(790,723)	(767,520)	(16,091)	(7,086)	(25)	-
Other financial liabilities	36	(77,521)	(77,521)	(77,521)	-	-	-	-
Other borrowed funds	38	(95,736)	(95,596)	(58,986)	(7,034)	(3,968)	(20,642)	(4,966)
		(980,651)	(974,432)	(914,619)	(23,125)	(11,054)	(20,668)	(4,966)
Derivative liabilities:								
Held for Risk Management	22	(972)	(972)	(972)	-	-	-	-
		(981,623)	(975,404)	(915,591)	(23,125)	(11,054)	(20,668)	(4,966)
Gap (asset - liabilities)		181,956	219,726	(87,592)	32,192	51,967	180,851	42,308
Cumulative liquidity gap			219,726	(87,592)	(55,400)	(3,433)	177,418	219,726

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

^ The Bank's other receivables exclude prepayment of N3,884 million (Dec. 16: N4,863 million) which is not a financial asset and other statutory deductions such as WHT receivables.
^^Other financial liabilities exclude statutory deductions such as VAT payables etc.

Behavioural profile of financial assets and liabilities

Group **31 December 2017**	***Note***	**Carrying amount** ₦ million	**Gross nominal inflow / (outflow)** ₦ million	**Less than 3 month** ₦ million	**3 - 6 months** ₦ million	**6 - 12 months** ₦ million	**1 - 5 years** ₦ million	**More than 5 years** ₦ million
Non-derivative assets:								
Cash and cash equivalents	19	222,577	307,657	307,657	-	-	-	-
Non-pledged trading assets	20	20,076	20,355	20,355	-	-	-	-
Pledged assets	21	54,079	53,674	2,345	13,534	10,665	6,908	20,222
Loans and advances to customers	23	517,103	515,523	206,483	36,673	50,126	220,061	2,180
Investment securities	25	185,658	207,774	150,510	3,814	2,229	26,349	24,873
Other receivables^	32	287,462	286,746	19,567	-	-	15,886	251,293
		1,286,955	1,391,729	706,917	54,020	63,020	269,204	298,567
Derivative assets:								
Held for Risk Management	22	1,297	1,297	1,297	-	-	-	-
		1,288,252	1,393,026	708,214	54,020	63,020	269,204	298,567

Non-derivative liabilities								
Deposits from banks	33	(100,131)	(100,037)	(100,037)	-	-	-	-
Deposits from customers	34	(802,384)	(749,816)	(300,886)	(16,091)	(7,086)	(425,753)	-
Other financial liabilities^^	36	(80,843)	(79,281)	(79,281)	-	-	-	-
Other borrowed funds	38	(93,211)	(93,071)	(56,461)	(7,034)	(3,968)	(20,642)	(4,966)
		(1,076,569)	(1,022,205)	(536,665)	(23,125)	(11,054)	(446,395)	(4,966)
Derivative liabilities:								
Held for Risk Management	22	(972)	(972)	(972)	-	-	-	-
		(1,077,541)	(1,023,177)	(537,637)	(23,125)	(11,054)	(446,395)	(4,966)
Gap (asset - liabilities)		210,711	369,849	170,577	30,895	51,967	(177,192)	293,601
Cumulative liquidity gap			369,849	170,577	201,472	253,439	76,247	369,849

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

^ The Group's other receivables exclude prepayment N3,884 million (Dec. 16: N4,863 million) which is not a financial asset and other statutory deductions such as WHT receivables.

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

Bank	Note	Carrying amount	Gross nominal inflow /(outflow)	Less than 3 month	3 - 6 months	6 - 12 months	1 - 5 years	More than 5 years
31 December 2017		₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Non-derivative assets:								
Cash and cash equivalents	19	137,497	137,497	137,497	-	-	-	-
Non-pledged trading assets	20	20,076	20,355	20,355	-	-	-	-
Pledged assets	21	54,079	53,674	2,345	13,534	10,665	6,908	20,222
Loans and advances to customers	23	488,555	486,975	177,935	36,673	50,126	220,061	2,180
Investment securities	25	175,329	197,445	140,181	3,814	2,229	26,349	24,873
Other receivables^	32	286,746	286,746	19,567	-	-	15,886	251,293
		1,162,282	1,182,692	497,880	54,020	63,020	269,204	298,567
Derivative assets:								
Held for Risk Management	22	1,297	1,297	1,297	-	-	-	-
		1,163,579	1,183,989	499,177	54,020	63,020	269,204	298,567
Non-derivative liabilities								
Deposits from banks	33	(10,686)	(10,592)	(10,592)	-	-	-	-
Deposits from customers	34	(796,708)	(744,140)	(295,210)	(16,091)	(7,086)	(425,753)	-
Other financial liabilities^^	36	(79,281)	(79,281)	(79,281)	-	-	-	-
Other borrowed funds	38	(95,736)	(95,596)	(58,986)	(7,034)	(3,968)	(20,642)	(4,966)
		(982,411)	(929,609)	(444,069)	(23,125)	(11,054)	(446,395)	(4,966)
Derivative liabilities:								
Held for Risk Management	22	(972)	(972)	(972)	-	-	-	-
		(983,383)	(930,581)	(445,041)	(23,125)	(11,054)	(446,395)	(4,966)
Gap (asset - liabilities)		180,196	253,408	54,136	30,895	51,967	(177,192)	293,601
Cumulative liquidity gap			253,408	54,136	85,031	136,998	(40,194)	253,408

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

^ The Bank's other receivables exclude prepayment N3,884 million (Dec. 16: N4,863 million) which is not a financial asset and other statutory deductions such as WHT receivables.
^^Other financial liabilities exclude statutory deductions such as VAT payables etc.

The amounts in the table above have been compiled as follows:

Type of financial instrument	Basis on which amounts are compiled
Non-derivative financial liabilities and financial assets	Undiscounted cash flows, which include estimated interest payments
Derivative financial liabilities and financial assets held for risk management purposes	Contractual undiscounted cash flows. The amounts shown are the gross nominal inflows and outflows for derivatives that have simultaneous gross settlement (e.g. forward exchange contracts and currency swaps) and the net amounts for derivatives that are net settled.

(d) Market risk

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

Interest rate risk management and control

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

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

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

31 December 2017			**Market**	
In millions of Naira	**Note**	**Carrying amount**	**Trading portfolios**	**Non-trading portfolios**
Assets subject to market risk				
Cash and cash equivalent	19	222,577	-	222,577
Trading assets	20	20,076	20,076	-
Pledged assets	21	54,079	-	54,079
Derivative assets held for risk management	22	1,297	-	1,297
Loans and advances to customers	23	517,103	-	517,103
Investment securities	25	185,658	-	185,658
Other receivables	32	291,692	-	291,692
Liabilities subject to market risk				
Derivatives held for risk management	22	972	-	972
Deposit from banks	33	100,131	-	100,131
Deposits from customers	34	802,384	-	802,384
Other financial liabilities	36	111,461	-	111,461
Other borrowed funds	38	93,211	-	93,211

31 December 2016			**Market**	
In millions of Naira	**Note**	**Carrying amount**	**Trading portfolios**	**Non-trading portfolios**
Assets subject to market risk				
Cash and cash equivalent	19	136,194	-	136,194
Trading assets	20	8,323	8,323	-
Pledged assets	21	53,430	-	53,430
Derivative assets held for risk management	22	2,747	-	2,747
Loans and advances to customers	23	507,190	-	507,190
Investment securities	25	181,720	-	181,720
Other receivables	32	202,298	-	202,298
Liabilities subject to market risk				
Derivatives held for risk management	22	972	-	972
Deposits from banks	33	100,131	-	100,131
Deposits from customers	34	802,384	-	802,384
Other financial liabilities	36	111,461	-	111,461
Other borrowed funds	38	93,211	-	93,211

Exposure to market risk - Trading portfolios

The following is a summary of the VaR position of the Group's trading portfolio at 31 December and during the period (based on a 99% confidence level and 10-day holding period.

2017 ***In millions of Naira***	**At 31 December**	**Average**	**Maximum**	**Minimum**
Foreign currency risk	89	31	89	0
Interest rate risk	141	178	451	39
Overall	**230**	**210**	**541**	**39**

2016 ***In millions of Naira***	**At 31 December**	**Average**	**Maximum**	**Minimum**
Foreign currency risk	55	13	120	0
Interest rate risk	187	287	930	27
Overall	**243**	**300**	**1050**	**27**

Exposure to interest rate risk - non-trading portfolio

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

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

Group

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

In millions of Naira	*Note*	Carrying amount	Total amount sensitive to Rate	Re-pricing period: Less than 3 months	6 months	12 months	5 years	More than 5 years
31 December 2017								
Cash and cash equivalents	19	222,577	190,296	190,296	-	-	-	-
Non-pledged trading assets	20	20,076	20,076	20,076	-	-	-	-
Pledged assets	21	54,079	54,152	2,823	13,534	10,665	6,908	20,222
Derivative assets	22	1,297	1,297	1,297	-	-	-	-
Loans and advances to customers	23	517,103	530,239	272,998	36,673	50,126	168,262	2,180
Investment securities	25	185,658	186,050	43,757	20,814	32,729	46,199	42,552
Other receivables^	32	287,462	-	-	-	-	-	-
		1,288,252	982,110	531,247	71,020	93,520	221,369	64,953
Deposits from banks	33	(100,131)	(99,993)	(99,993)	-	-	-	-
Deposits from customers	34	(802,384)	(796,399)	(773,196)	(16,091)	(7,086)	(25)	-
Derivative liabilities		(972)	(972)	(972)	-	-	-	-
Other financial liabilities^^	31	(80,843)	(11,240)	(11,240)	-	-	-	-
Other borrowed funds	38	(93,211)	(93,298)	(71,547)	(5,053)	-	(16,698)	-
		(1,077,541)	(1,001,902)	(956,949)	(21,144)	(7,086)	(16,723)	-
Total interest re-pricing gap		210,711	(19,791)	(425,701)	49,876	86,434	204,646	64,953

Group

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

^ The Group's other receivables exclude prepayment N3,884 million (Dec. 16: N4,863 million) which is not a financial asset and other statutory deductions such as WHT receivables.

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

Bank

Re-pricing period

In millions of Naira	_Note_	Carrying amount	Total amount sensitive to Rate	Less than 3 months	6 months	12 months	5 years	More than 5 years
31 December 2017								
Cash and cash equivalents	19	137,497	105,216	105,216	-	-	-	-
Non-pledged trading assets	20	20,076	20,076	20,076	-	-	-	-
Pledged assets	21	54,079	54,152	2,823	13,534	10,665	6,908	20,222
Derivative assets	22	1,297	1,297	1,297	-	-	-	-
Loans and advances to customers	23	488,555	501,691	244,450	36,673	50,126	168,262	2,180
Investment securities	25	175,329	175,721	33,428	20,814	32,729	46,199	42,552
Other receivables^	32	286,746	-	-	-	-	-	-
		1,163,579	858,153	407,290	71,020	93,520	221,369	64,953
Derivative liabilities	22	(972)	(972)	(972)				
Deposits from banks	33	(10,686)	(10,592)	(10,592)	-	-	-	-
Deposits from customers	34	(796,708)	(790,723)	(767,520)	(16,091)	(7,086)	(25)	-
Other financial liabilities^^	31	(74,655)	(9,678)	(9,678)	-	-	-	-
Other borrowed funds	38	(95,736)	(95,823)	(74,072)	(5,053)	-	(16,698)	-
		(978,757)	(907,788)	(862,835)	(21,144)	(7,086)	(16,723)	-
Total interest re-pricing gap		184,822	(49,634)	(455,544)	49,876	86,434	204,646	64,953

Re-pricing period

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

^ The Bank's other receivables exclude prepayment N3,884 million (Dec. 16: N4,863million) which is not a financial asset and other statutory deductions such as WHT receivables.

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

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

In millions of naira

31 December, 2017

Security	Position	VaR 1-Day	VaR 10-Day	Diversified VaR 1-Day
Treasury Bills	12,033	33	106	30
FGN Bonds	8,321	108	340	94

In millions of naira

31 December, 2016

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

Exposure to interest rate risk - Non-trading portfolios

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and financial liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 50 basis point (bp) parallel fall or a 100bp parallel rise in all yield curves worldwide and a 25bp rise or fall in the greater than 12-month portion of all yield curves. The following is an analysis of the Group's sensitivity to the above increases or decreases in market interest rates. The analysis assumes:

- asymmetrical movements in yield curves to reflect floors of zero in certain financial instruments;
- symmetrical movements in the greater than 12-month portion of yield curves; and a constant financial position.

Foreign currency risk

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

Foreign exchange rate risk management and control

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

The table below summarizes the Group's foreign currency balance sheet as at December 31, 2017:

Group	**Total**	**US Dollar**	**Euro**	**Pound**	**Others**
	₦ million	₦ million	₦ million	₦ million	₦ million
31 December 2017					
Cash and cash equivalents	168,570	155,880	3,222	8,860	608
Non-pledged assets	-	-	-	-	-
Pledged assets	-	-	-	-	-
Derivative assets held for risk management	2,744	2,744	-	-	-
Loans and advances to customers	255,903	252,744	262	2,896	-
Investment securities	37,112	36,710	-	402	-
Other receivables^	27,061	27,009	13	39	-
Total financial assets	491,389	475,088	3,497	12,196	608
Derivative liabilities held for risk management	(972)	(972)	-	-	-
Deposits from banks	(100,037)	(97,475)	(1,056)	(1,208)	(298)
Deposit from customers	(137,395)	(122,683)	(1,240)	(13,471)	(1)
Other financial liabilities	(151,205)	(146,736)	(3,022)	(1,246)	(201)
Other borrowed funds	(78,813)	(78,813)	-	-	-
Other financial liabilities^^	-	-	-	-	-
Total financial liabilities	(468,422)	(446,678)	(5,319)	(15,926)	(500)
Net on-balance sheet position	22,968	28,410	(1,821)	(3,730)	109

	Total	US Dollar	Euro	Pound	Others
	₦ million	₦ million	₦ million	₦ million	₦ million
31 December 2016					
Cash and cash equivalents	129,262	127,116	731	1,174	241
Non-pledged assets	-	-	-	-	-
Pledged assets	-	-	-	-	-
Derivative assets held for risk management	2,747	2,747	-	-	-
Loans and advances to customers	244,504	242,107	658	1,689	50
Investment securities	25,047	25,047	-	-	-
Other receivables^	34,061	34,061	-	-	-
Total financial assets	435,622	431,079	1,389	2,863	291
Derivative liabilities held for risk management	(13)	(13)	-	-	-
Deposits from banks	(90,266)	(88,766)	(611)	(761)	(129)
Deposit from customers	(82,320)	(79,327)	(98)	(2,894)	(1)
Other financial liabilities	-	-	-	-	-
Other borrowed funds	(89,464)	(89,464)	-	-	-
Other financial liabilities^^	(25,152)	(25,152)	-	-	-
Total financial liabilities	(287,215)	(282,722)	(709)	(3,655)	(129)
	148,407	148,357	681	(792)	162

^ The Group's other receivables exclude prepayment N3,884 million (Dec. 16: N4,863 million) which is not a financial asset and other statutory deductions such as WHT receivables.
^^Other financial liabilities exclude statutory deductions such as VAT payables etc.

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

Bank	Total	US Dollar	Euro	Pound	Others
	₦ million	₦ million	₦ million	₦ million	₦ million
31 December 2017					
Cash and cash equivalents	66,829	63,208	1,667	1,649	305
Non-pledged assets	-	-	-	-	-
Pledged assets	-	-	-	-	-
Derivative assets held for risk management	2,744	2,744	-	-	-
Loans and advances to customers	224,831	224,776	48	6	-
Investment securities	26,783	26,783	-	-	-
Other receivables^	26,353	26,301	13	39	-
Total financial assets	347,539	343,813	1,728	1,693	305
Derivative liabilities held for risk management	(972)	(972)	-	-	-
Deposits from banks	(10,592)	(10,592)	-	-	-
Deposit from customers	(109,692)	(103,620)	(509)	(5,562)	(1)
Other financial liabilities^^	(149,829)	(145,360)	(3,022)	(1,246)	(201)
Other borrowed funds	(78,813)	(78,813)	-	-	-
Other liabilities	-	-	-	-	-
Total financial liabilities	(349,898)	(339,356)	(3,532)	(6,809)	(202)
Net on-balance sheet position	(2,359)	4,457	(1,803)	(5,116)	104

	Total	**US Dollar**	**Euro**	**Pound**	**Others**
	₦ million	₦ million	₦ million	₦ million	₦ million
31 December 2016					
Cash and cash equivalents	28,365	26,327	731	1,174	133
Non-pledged assets	-	-	-	-	-
Pledged assets	-	-	-	-	-
Derivative assets held for risk management	2,744	2,744	-	-	-
Loans and advances to customers	225,375	225,080	127	167	-
Investment securities	25,047	25,047	-	-	-
Other receivables^	34,061	34,061	-	-	
Total financial assets	315,592	313,259	858	1,341	133
Derivative liabilities held for risk management	(13)	(13)	-	-	-
Deposits from banks	(4,351)	(4,000)	-	(351)	-
Deposit from customers	(64,905)	(60,565)	(500)	(3,840)	(1)
Other financial liabilities^^	(62,985)	(60,781)	(1,334)	(813)	(58)
Other borrowed funds	(91,812)	(91,812)	-	-	-
Other liabilities	-	-	-	-	-
Total financial liabilities	(224,066)	(217,170)	(1,833)	(5,004)	(58)
Net on-balance sheet position	91,526	96,089	(975)	(3,663)	75

^ The Bank's other receivables exclude prepayment N3,884 million (Dec.16: N4,863 million) which is not a financial asset and other statutory deductions such as WHT receivables.
^^Other financial liabilities exclude statutory deductions such as VAT payables etc.

The Bank’s exposure to foreign currency risk is largely concentrated in the US Dollar. Movement in exchange rate between the US Dollar and the Nigeria Naira affects reported earnings through revaluation gain or loss through increase or decrease in the revalued amounts of assets and liabilities denominated in foreign currency.
The 2017 year end spot rate for the dollar is N331.16 (2016: 305.00) and the average rate for dollar in 2017 is N307.87 (2016: N261.98).

Sensitivity Analysis
A reasonable possible strengthening/(weakening) of the US Dollars, Euro and Pounds sterling against the Naira as at 31 December would affect the measurement of financial instruments denominated in foreign currency and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables in particular interest rates remain constant.

	Profit or Loss	
Effect in millions of Naira	Stregthening	Weakening
31 December 2017		
USD (10% movement)	37	
EUR (10% movement)		(262)
GBP (10% movement)		(105)
31 December 2016		
USD (10% movement)		(757)
EUR (10% movement)		(190)
GBP (10% movement)		(134)

(e) Operational risk management

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

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

Effective implementation of our Operational Risk Management program guarantees:

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

Governance

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

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

Operational risk management and control

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

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

Some of the tools used in the Bank in managing operationals are as follows:

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

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

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

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

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

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

Disaster Recovery and Business Continuity Plans (BCP) have been established for critical business functions to ensure continuity of operations. Also developed is an emergency/crisis management plan for handling events which can have a sustained negative impact on the bank's activities and resources. These plans are tested and reviewed periodically to ensure their effectiveness to mitigate risks arising from disruptions.

The Bank recently implemented a robust Operational Risk Management system which will help standardise and automate Operational Risk Management processes in the Bank and lead to improved management of operational risks. The Bank also recently succesfully went through the ISO22301 (Business Continuity Management Systems) certification process.

(f) Capital management

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

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

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

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

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

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

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

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

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

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

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

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

(vi) Orientation criterion – the exposure is to an individual person or persons or to a small business.
(vii) Product criterion - the exposure takes the form of any of the following: revolving credits and lines of credit (including credit cards and overdrafts), personal term loans and other term loans (for example installment loans, auto financing loans, student and 'educational loans, personal finance) and small business facilities. Investment in debt and equity securities, whether listed or not, are excluded from this portfolio. Mortgage loans are also excluded to the extent that they qualify for treatment as exposures secured by residential property.
(viii) Granularity criterion - the aggregate exposure to one counterpart cannot exceed 0.2% of the overall regulatory retail portfolio;
(ix) Low value of individual exposures - the aggregate retail exposure to one counterparty cannot exceed an absolute threshold of N100 million.

100% for Exposures secured by Mortgages on Residential Property.
100% for Exposures secured by Mortgages on Commercial Real Estate.
Qualifying residential mortgage loans that are past due:
(x) 100% when specific provisions are less than 20% of the outstanding amount of the exposure; and
(xi) 50% when specific provisions are 20% or more of the outstanding amount of the exposure.
Other unsecured Past Due Exposures (excluding past due residential mortgages):
(xii) 150% risk weight when specific provisions are less than 20% of the outstanding amount of the exposure;
(xiii) 100% risk weight when specific provisions are no less than 20% of the outstanding amount of the exposure.
Other Assets:
(xiv) Cash in hand and equivalent cash items shall be assigned a 0% risk weight.
(xv) Cheques and Cash items in transit shall be assigned a 20% risk weight.
(xvi) Capital adequacy is assessed at individual subsidiaries level. All Subsidiaries have adequate Capital as at 31st December, 2017
100% risk weight for the following: fixed assets; prepayments; investments in equity or regulatory capital instruments (unless deducted from capital); collective investment schemes; real estate; bank lending to subsidiaries in the same group (but to be deducted from capital where loan is not fully secured).
Off-Balance Sheet Exposures are first converted to credit equivalent amount by multiplying the exposures by the related conversion factors (CCF). The Capital requirement is then derived by multiplying the credit equivalent by the risk weight of the counterparty.

Capital adequacy ratio is assessed at the individual operating entity level. The Subsidiary components have maintained the required level of capital as at 31 December 2017.

(f) Capital Adequacy Ratio

The Bank's Basel II capital adequacy ratio was 17.8% as at 31 December 2017, which is above the CBN minimum requirement of 15%, as computed below.

Bank	***Note***	**Dec. 2017**	**Dec. 2016**
		₦ million	₦ million
Tier 1 Capital			
Ordinary share capital		14,561	8,468
Share premium		187,091	391,641
Retained deficit		(19,118)	(247,868)
Statutory reserve		26,371	24,445
Other reserves		73,278	41,074
		282,183	217,760
Less: Regulatory risk reserve		(71,027)	(38,869)
Tier 1 before regulatory deduction		211,156	178,891
Regulatory deductions			
Deferred tax assets	31	(95,875)	(95,875)
Intangible assets	30	(3,949)	(2,859)
Tier 1 after regulatory deduction		111,332	80,157
Other deduction			
Investment in subsidiaries (50%)	28	5,284	5,284
Eligible Tier 1 Capital		106,049	74,874
Tier 2 Capital			
Fair value reserves		39,205	33,579
Tier 2 capital before deduction		37,111	26,719
(restricted to 33.33% of Tier 1 capital after regulatory deduction)			
Deduction			
Investment in subsidiaries (50%)		5,284	5,284
Eligible Tier 2 Capital		31,827	21,436
Total qualifying Capital		137,876	96,309
Risk weighted assets			
Risk-weighted Amount for Credit Risk		645,162	594,450
Risk-weighted Amount for Operational Risk		121,124	115,740
Risk-weighted Amount for Market Risk		8,211	14,471
Total weighted risk assets		774,497	724,660
Risk weighted Capital Adequacy Ratio (CAR)		17.8%	13.3%

Regulatory risk reserves of N72.885billion (2016: N38.87billion) are excluded from capital adequacy ratio computation based on the CBN requirments.

6 Use of estimates and judgements

The preparation of the consolidated and separate financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.
Actual results may differ from these estimates.

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

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

These disclosures supplement the commentary on financial risk management (see note 5).

(A) **Assumptions and estimation uncertainties**

(i) *Impairment*

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

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

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

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

(ii) *Determining fair values*

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

For financial instruments that traded infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

(iii) *Financial asset and liability classification*

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

(a) In classifying financial assets or liabilities as "trading", the Group has determined that it meets the description of trading assets and liabilities set out in the accounting policy in note 3(j).
(b) In designating financial assets or liabilities as available for sale, the Group has determined that it has met one of the criteria for this designation set out in the accounting policy in 3(j).
(c) In classifying financial assets as held-to-maturity, the Group has determined that it has both the positive intention and ability to hold the assets until their maturity date as required by the accounting policy in note 3(j).

Details of the Group's classification of financial assets and liabilities are given in note 7.

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

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

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

(vi) *Valuation of financial instruments*
The Group's accounting policy on fair value measurements is discussed in note 3(j)

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

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

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

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

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

	Note	**Level 1**	**Level 2**	**Level 3**	**Total**
31 December 2017		₦ million	₦ million	₦ million	₦ million
Non pledged trading assets	20	9,121	10,955	-	20,076
Pledged assets		1,554	-	-	1,554
Derivative assets held for risk management	22	-	1,297	-	1,297
Investment securities	25	3,133	-	26,887	30,020
		13,808	12,252	26,887	52,947

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

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using valuation techniques. Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free interest rates, credit spreads and other inputs used in estimating discount rates, bonds and equity prices. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.
The Group uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with the determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

Level 3 fair value measurements

(a) Reconciliation

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

31 December 2017 *In millions of naira*	Investment Securities	Derivative assets	Total
Balance at 1 January 2017	25,141	-	25,141
Total gains recognised in OCI	1,746	-	1,746
Purchases	-	-	-
Balance at 31 December 2017	26,887	-	26,887

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

Financial instruments not measured at fair value

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

Group	***Note***	**Level 1**	**Level 2**	**Level 3**	**Total**
31 December 2017		₦ million	₦ million	₦ million	₦ million
Assets					
Cash and Cash equivalent	19	-	222,577	-	222,577
Pledged assets	21	-	54,079	-	54,079
Loans and advances to customers	23	-	-	517,103	517,103
Investment securities: held to maturity	25	-	-	38,505	38,505
Other receivables	32	-	-	287,462	287,462
		-	276,656	843,070	1,119,726
Liabilities					
Deposits from banks	33	-	-	100,131	100,131
Deposits from customers	34	-	-	802,384	802,384
Other financial liabilities	36	-	-	80,843	80,843
Other borrowed funds	38	-	-	93,211	93,211
		-	-	1,076,569	1,076,569

	Note	**Level 1**	**Level 2**	**Level 3**	**Total**
31 December 2016		₦ million	₦ million	₦ million	₦ million
Assets					
Cash and Cash equivalent	19	-	136,194	-	136,194
Pledget assets	21	27,103	-	242	27,345
Loans and advances to customers	23	-	-	494,946	494,946
Investment securities: held to maturity	25	44,568	-	92,584	137,152
Other receivables	32	-	-	189,015	189,015
		71,671	136,194	776,787	984,652
Liabilities					
Deposits from banks	33	-	-	90,266	90,266
Deposits from customers	34	-	-	658,444	658,444
Other financial liabilities	36	-	-	88,717	88,717
Other borrowed funds	38	-	-	89,514	89,514
		-	-	926,941	926,941

Bank	***Note***	**Level 1**	**Level 2**	**Level 3**	**Total**
31 December 2017		₦ million	₦ million	₦ million	₦ million
Assets					
Cash and Cash equivalent	19	-	137,497	-	137,497
Pledged assets	21	-	54,079	-	54,079
Loans and advances to customers	23	-	-	488,555	488,555
Investment securities: held to maturity	25	-	-	38,505	38,505
Other receivables	32	-	-	286,746	286,746
		-	191,576	813,806	1,005,382

	Note	Level 1	Level 2	Level 3	Total
Liabilities					
Deposits from banks	33	-	-	10,686	10,686
Deposits from customers	34	-	-	796,708	796,708
Other financial liabilities	36	-	-	79,281	79,281
Other borrowed funds	38	-	-	95,736	95,736
		-	-	982,411	982,411

	Note	**Level 1**	**Level 2**	**Level 3**	**Total**
31 December 2016		₦ million	₦ million	₦ million	₦ million
Assets					
Cash and Cash equivalent	19	-	35,536		35,536
Pledget assets	21	27,103	-	242	27,345
Loans and advances to customers	23	-	-	477,459	477,459
Investment securities: held to maturity	25	43,932	-	2,442	46,374
Other receivables	32	-	-	189,015	189,015
		71,035	35,536	669,158	775,729
Liabilities					
Deposits from banks	33	-	-	4,351	4,351
Deposits from customers	34	-	-	633,827	633,827
Other financial liabilities	36	-	-	88,500	88,500
Other borrowed funds	38	-	-	91,812	91,812
		-	-	818,490	818,490

7 Operating segments

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

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

Retail Bank

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

Commercial Bank

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

Corporate Bank

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

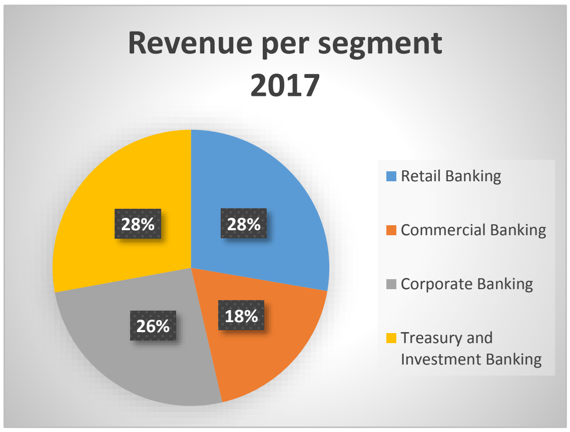
Treasury

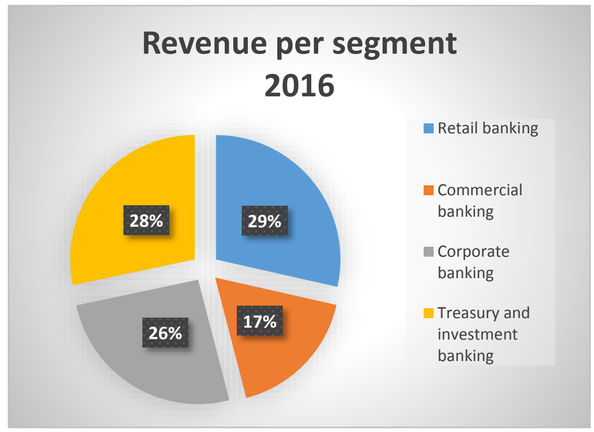
Treasury supports clients in all segments of the Bank such as affluent and high networth individuals, commercial clients, corporates and non-banking financial institutions. Client offering is composed of a diversified portfolio of products and services including issuance of short term notes, investment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

31 December 2017	Retail banking	Commercial banking	Corporate banking	Treasury and investment banking	Total
	₦ million	₦ million	₦ million	₦ million	₦ million
Revenue:					
Derived from external customers	12,578	33,329	69,557	48,380	163,844
Derived from other business segments	32,806	(2,744)	(27,340)	(2,722)	-
Total Revenue	45,384	30,585	42,216	45,658	163,844
Interest expenses	(13,766)	(4,095)	(14,735)	(25,284)	(57,880)
Net impairment on financial assets	(1,055)	(10,452)	(13,800)	(10)	(25,317)
Direct operating expenses	(18,422)	(8,250)	(5,374)	(2,802)	(34,848)
Share of centrally incurred expenses	(18,004)	(6,989)	(3,654)	(1,634)	(30,280)
Total operating expenses	(36,426)	(15,239)	(9,027)	(4,435)	(65,128)
(Loss)/profit before income tax	(5,863)	799	4,655	15,928	15,519
Income tax expense					(911)
Profit after tax					14,608
Assets and liabilities:					
Reportable segment assets	152,942	276,012	437,076	589,511	1,455,540
Reportable segment liabilities	(420,789)	(239,416)	(244,207)	(205,388)	(1,109,799)
Net Assets/(Liabilities)					345,741

31 December 2016					
	N million	N million	N million	N million	N million
Revenue:					
Derived from external customers	10,664	23,276	45,579	47,071	126,590
Derived from other business segments	25,524	(1,398)	(12,976)	(11,149)	(0)
Total Revenue	36,188	21,877	32,603	35,922	126,590
Interest expenses	(11,083)	(2,805)	(10,908)	(8,168)	(32,963)
Other operating expenses and impairment	(33,342)	(16,584)	(14,149)	(13,814)	(77,889)
(Loss)/profit before income tax	(8,237)	2,488	7,546	13,940	15,738
Income tax expense					(347)
Profit after tax					15,391

Assets and liabilities:					
Reportable segment assets	21,527	122,528	366,331	742,178	1,252,564
Reportable segment liabilities	(365,136)	(122,678)	(177,608)	(315,589)	(981,012)
Net Assets/(Liabilities)	(343,609)	(150)	188,722	426,588	271,552





The Group's business activities are carried out in two (2) main countries:
(i) Nigeria
(ii) United Kingdom

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

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

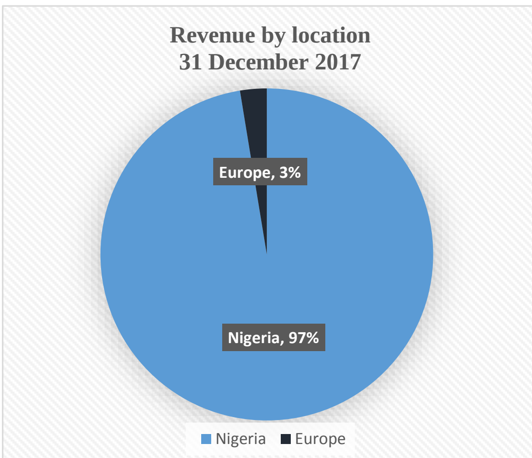
Internal charges and transfer pricing adjustments have been reflected in the performance of each segment. Revenue sharing agreements are used to allocate external customer revenues to a segment on a reasonable basis.

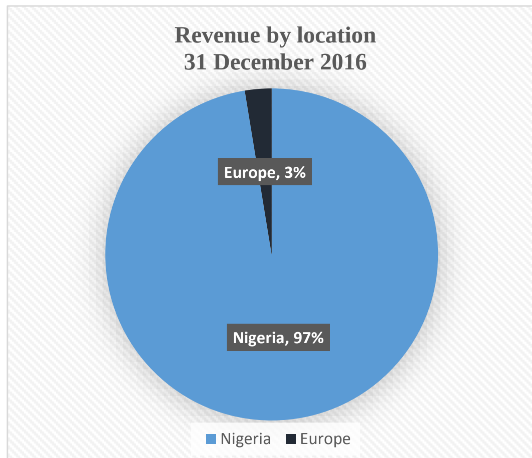
Segment report by country:

	Nigeria	United Kingdom	Total
31 December 2017	₦ million	₦ million	₦ million
Derived from external customers	159,026	4,818	163,844
Derived from other segments	-	-	-
Total revenues	159,026	4,818	163,844
Interest and similar expenses	(57,554)	(326)	(57,880)
Operating expenses	(61,917)	(3,211)	(65,128)
Net impairment loss on financial assets	(25,215)	(102)	(25,317)
(Loss)/profit before taxation	14,340	1,179	15,519
Income tax expense	(34)	(313)	(911)
Profit after taxation	14,306	866	14,608

	Nigeria	United Kingdom	Total
	₦ million	₦ million	₦ million
Assets and liabilities:			
Total assets	1,311,189	144,351	1,455,540
Total liabilities	(991,276)	(118,523)	(1,109,799)
Net assets	319,913	25,828	345,741

31 December 2016	Nigeria ₦ million	United Kingdom ₦ million	Total ₦ million
Derived from external customers	126,257	3,349	129,606
Derived from other segments	-	-	-
Total revenues	126,257	3,349	129,606
Interest and similar expenses	(34,329)	(353)	(34,682)
Operating expenses	(59,475)	(2,525)	(62,000)
Net impairment loss on financial assets	(17,088)	(98)	(17,186)
(Loss)/profit before taxation	15,365	373	15,738
Income tax expense	(285)	(62)	(347)
Profit after taxation	15,080	311	15,391
Assets and liabilities:			
Total assets	1,116,074	136,608	1,252,682
Total liabilities	(969,851)	(11,161)	(981,012)
Net assets	146,223	125,447	271,670





8 Financial assets and liabilities

Accounting classification, measurement basis and fair values

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

Group	***Note***	**At fair value through P/L**	**Held - to-maturity**	**Loans and receivables at amortised cost**	**Available - for sale**	**Other financial liabilities**	**Total carrying amount**	**Fair value**
31 December 2017		₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Cash and cash equivalents	19	-	-	222,577	-	-	222,577	222,577
Non pledged trading assets	20	20,076	-	-	-	-	20,076	20,076
Pledged assets	21	24,523	28,002	-	1,554	-	54,079	55,553
Derivative assets held for risk management	22	1,297	-	-	-	-	1,297	1,297
Loans and advances to customers	23	-	-	517,103	-	-	517,103	511,677
Investment securities	25		38,505		147,153	-	185,658	173,234
Other receivables	32			287,462			287,462	287,462
		45,896	66,507	1,027,142	148,707	-	1,288,252	1,271,876
Derivative liabilites held for risk management	22	972	-	-	-	-	972	972
Deposits from banks	33	-	-	-	-	100,131	100,131	100,131
Deposits from customers	34	-	-	-	-	802,384	802,384	802,384
Other financial liabilities	36	-	-	-	-	88,031	88,031	88,031
Interest bearing loans and borrowings	38	-	-	-	-	93,211	93,211	93,211
		-	-	-	-	1,083,757	1,084,729	1,084,729
31 December 2016								
Cash and cash equivalents	19	-	-	136,194	-	-	136,194	136,194
Non pledged trading assets	20	8,323	-	-	-	-	8,323	8,323
Pledged assets	21	-	36,785	-	16,645	-	53,430	43,990
Derivative assets held for risk management	22	2,747	-	-	-	-	2,747	2,747
Loans and advances to customers	23	-	-	507,190	-	-	507,190	494,946
Investment securities	25	-	90,942	-	90,778	-	181,720	137,152
Other receivables	32	-	-	189,015	-	-	189,015	189,015
		11,070	127,727	832,399	107,423	-	1,078,619	1,012,367
Derivative liabilites held for risk management	22	13	-	-	-	-	13	13
Deposits from banks	33	-	-	-	-	90,266	90,266	90,266
Deposits from customers	34	-	-	-	-	658,444	658,444	658,444
Other financial liabilities	36	-	-	-	-	95,700	95,700	95,700
Interest bearing loans and borrowings	38	-	-	-	-	89,514	89,514	89,514
		-	-	-	-	933,924	933,937	933,937

Bank	***Note***	**At fair value through P/L**	**Held - to-maturity**	**Loans and receivables at amortised cost**	**Available - for sale**	**Other financial liabilities**	**Total carrying amount**	**Fair value**
31 December 2017		₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Cash and cash equivalents	19	-	-	137,497	-	-	137,497	137,497
Non pledged trading assets	20	20,076	-	-	-	-	20,076	20,076
Pledged assets	21	24,523	28,002	-	1,554	-	54,079	55,553
Derivative assets held for risk management	22	1,297	-	-	-	-	1,297	1,297
Loans and advances to customers	23	-	-	488,555	-	-	488,555	480,605
Investment securities	25	-	38,505	-	136,824	-	175,329	169,690
Other receivables	32			286,746			286,746	286,746
		45,896	66,507	912,798	138,378	-	1,163,579	1,151,464
Derivative liabilities held for risk management	22	-	-	-	-	972	972	972
Deposits from banks	33	-	-	-	-	10,686	10,686	10,686
Deposits from customers	34	-	-	-	-	796,708	796,708	796,708
Other financial liabilities	36	-	-	-	-	86,469	86,469	86,469
Interest bearing loans and borrowings	38	-	-	-	-	95,736	95,736	95,736
		-	-	-	-	990,571	990,571	990,571
31 December 2016								
Cash and cash equivalents	19	-	-	35,536	-	-	35,536	35,536
Non pledged trading assets	20	8,323	-	-	-	-	8,323	8,323
Pledged assets	21	-	36,785	-	16,645	-	53,430	43,990
Derivative assets held for risk management	22	2,747	-	-	-	-	2,747	2,747
Loans and advances to customers	23	-	-	489,890	-	-	489,890	477,459
Investment securities	25	-	90,306	-	76,453	-	166,759	122,827
Other receivables	32			189,015			189,015	189,015
		11,070	127,091	714,441	93,098	-	945,700	879,897
Derivative liabilites held for risk management	22	13	-	-	-	-	13	13
Deposits from banks	33	-	-	-	-	4,351	4,351	4,351
Deposits from customers	34	-	-	-	-	633,827	633,827	633,827
Other financial liabilities	36	-	-	-	-	95,483	95,483	95,483
Interest bearing loans and borrowings	38	-	-	-	-	91,812	91,812	91,812
		13	-	-	-	825,473	825,486	825,486

Investment securities - unquoted equity securities at cost

The above table includes N1,536million for the Group and also the Bank (December 2016: N588 million (Group) and N588 million (Bank)) of available for sale investment securities in both the carrying amount and fair value columns that are measured at cost and for which disclosure of fair value is not provided because the fair value cannot be reliably measured.

9 Net interest income

	Group Dec.2017	Group Dec.2016	**Bank Dec.2017**	Bank Dec.2016
	₦ million	₦ million	**₦ million**	₦ million
Interest income				
Cash and cash equivalents	**3,484**	3,258	**1,628**	2,458
Loans and advances to customers	**91,451**	71,648	**88,979**	70,155
Investment securities	**29,614**	24,815	**29,268**	24,469
Total interest income	**124,549**	99,721	**119,875**	97,082
Local currency balances	**95,131**	76,192	**93,750**	75,577
Foreign currency balances	**29,418**	23,529	**26,125**	21,505
Total interest income	**124,549**	99,721	**119,875**	97,082
Interest expense				
Deposits from customers	**45,975**	24,753	**45,649**	24,659
Other borrowed funds (see (a) below)	**11,905**	9,929	**11,905**	9,929
Total interest expense	**57,880**	34,682	**57,554**	34,588
Local currency balances	**46,282**	25,514	**46,280**	25,514
Foreign currency balances	**11,598**	9,168	**11,274**	9,074
Total interest expense	**57,880**	34,682	**57,554**	34,588
Net interest income	**66,669**	65,039	**62,321**	62,494

Interest income on impaired loans amounted to N5.03billion for the year ended 31 December 2017 (31 December 2016: N3.70billion).

Interest income on Available for sale investment securities amounted to N19.455bn for th year ended 31 December 2017 (N7.426bn: 31 December 2016).

Interest expense on financial liabilities not measured at fair value through profit or loss amounted to N57,880 million (Group) and N57,554 million (Bank) for the year ended 31 December 2017 (31 December 2016: N34,682 million (Group); N34,588 million (Bank))

(a) Interest on other borrowed funds comprises expenses on:	**Group Dec.2017**	Group Dec.2016	**Bank Dec.2017**	Bank Dec.2016
	₦ million	₦ million	**₦ million**	₦ million
Bank of Industry (BOI) /Commercial Agriculture Credit Scheme (CACS)	**165**	144	**165**	144
Foreign currency denominated borrowings	**5,786**	6,326	**5,786**	6,326
Negotiated International Trade Facilities (ITFs)	**759**	1,719	**759**	1,719
Interbank takings	**3,251**	116	**3,251**	116
Open buy back transactions	**1,139**	819	**1,139**	819
AMCON clawback retention agreement (see note (42(b))	**805**	805	**805**	805
	11,905	9,929	**11,905**	9,929

10 Fees and commission income

	Group Dec.2017	Group Dec.2016	**Bank Dec.2017**	Bank Dec.2016
	₦ million	₦ million	**₦ million**	₦ million
Credit Related fees and commissions income (See note (a))	**5,933**	5,599	**5,933**	5,599
Account Maintenance Fee	**1,427**	1,209	**1,427**	1,209
Net e-business fee income (See note (b))	**1,124**	2,279	**1,124**	2,279
Commission on LCs, Invisible Trades and Guarantees	**1,081**	929	**1,081**	929
Other fees and commission	**643**	561	**15**	-
	10,207	10,577	**9,579**	10,016

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

(b) ***E-business fee income***

	Group Dec.2017	Group Dec.2016	**Bank Dec.2017**	Bank Dec.2017
	₦ million	N million	**₦ million**	N million
ATM not-on-us	**2,263**	1,431	**2,263**	1,431
POS	**126**	62	**126**	62
E-card maintenance	**867**	605	**867**	605
Online transfer	**86**	68	**86**	68
	3,342	2,166	**3,342**	2,166
Card FX gain	**33**	1,890	**33**	1,890
	3,375	4,056	**3,375**	4,056

E-business fee charge

	Group Dec.2017	Group Dec.2016	**Bank Dec.2017**	Bank Dec.2016
	₦ million	N million	**₦ million**	N million
ATM on-us	**790**	577	**790**	577
POS	**131**	84	**131**	84
E-card maintenance	**1,330**	1,116	**1,330**	1,116
	2,251	1,777	**2,251**	1,777
Net E-business fee	**1,124**	2,279	**1,124**	2,279

11 Net trading income

	Group Dec.2017	Group Dec.2016	**Bank Dec.2017**	Bank Dec.2016
	₦ million	N million	**₦ million**	N million
Gain on disposal of fixed income securities	**6,778**	4,675	**6,778**	4,675
Mark to market gains/(loss) on fixed income securities	**20**	(39)	**55**	(16)
Foreign exchange gain on trading	**2,331**	453	**2,203**	453
	9,129	5,089	**9,036**	5,112

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

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

	Group Dec.2017	Group Dec.2016	**Bank Dec.2017**	Bank Dec.2016
	₦ million	N million	**₦ million**	N million
Derivatives held for risk management purposes:				
Foreign exchange swap contracts	**362**	2,572	**362**	2,572
	362	2,572	**362**	2,572

13 Other operating income

	Group Dec.2017	Group Dec.2016	**Bank Dec.2017**	Bank Dec.2016
	₦ million	N million	**₦ million**	N million
Dividends	**1,033**	765	**1,033**	765
Gain on disposal of available for sale investments (see (a) below)	**-**	297	**-**	297
Gain on disposal/liquidation of subsidiaries (see (b) below)	-	368	-	802
Gains on disposal of property and equipment (see (c) below)	**1,769**	2,562	**1,768**	2,562
Gains on disposal of trading properties (see (d) below)	**238**	90	**175**	-
Recoveries	**5,946**	1,297	**5,946**	1,297
Foreign exchange revaluation gain	**1,619**	2,024	**1,618**	1,827
Rental income	**370**	168	**277**	168
Liabilities no longer required (see (e) below)	**6,797**	3,617	**6,797**	3,617
Fair value gain on investment property. See note (27)	**200**	-	-	-
Sundry income (see (f) below)	**1,625**	459	**1,100**	354
	19,597	11,647	**18,714**	11,689

(a) There was no disposal of investment in the course of the year. In 2016, the Group disposed of its investment in Unified Payment Services Limited, an available for sale unquoted equity. The gain on disposal is analysed below:

Gain on disposal of investments in unquoted equity	**Group Dec. 2017**	Group Dec. 2016	**Bank Dec. 2017**	Bank Dec. 2016
	N million	N million	**₦ million**	₦ million
Sales Proceeds	**-**	423	-	423
Cost of investment in Unified Payment Services Limited	-	(126)	-	(126)
Gain on disposal of unquoted equities		297	-	297

(b) There was no disposal of subsidiary in the course of the year. In 2016, the Group disposed of its investment in Union Pensions Limited. The gain on disposal is analysed below:

Gain on liquidation/disposal of investments in subsidiaries	**Group Dec. 2017**	Group Dec. 2016	**Bank Dec. 2017**	Bank Dec. 2016
	N million	N million	**₦ million**	₦ million
Union Pensions Limited Liquidation	**-**	368	-	802
	-	368	-	802

(c) The gain on disposal of property and equipment is arrived at as shown below:

	Group Dec. 2017	Group Dec. 2016	**Bank Dec. 2017**	Bank Dec. 2016
	N million	N million	**N million**	N million
Proceeds from disposal	**4,169**	5,271	**4,167**	5,245
Disposal - cost (see note (29))	**(3,607)**	(4,441)	**(3,577)**	(3,936)
Disposal - accumulated depreciation (see note (29))	**1,207**	1,732	**1,178**	1,253
Gain on disposal of property and equipment	**1,769**	2,562	**1,768**	2,562

(d) The gain on disposal of trading properties is arrived at as shown below:

	Group Dec. 2017	Group Dec. 2016	**Bank Dec. 2017**	Bank Dec. 2016
	N million	N million	**₦ million**	₦ million
Proceeds from disposal of trading properties	**1,318**	958	**786**	-
Cost of disposal (see note 26)	**(1,080)**	(868)	**(611)**	-
Gain on disposal of trading properties	**238**	90	**175**	-

(e) Liabilities no longer required
These amounts represent the credit balances no longer required that were released to income during the year after confirmation that they do not represent liabilities to any third parties. The amount was determined based on the completion of reconciliation and clean-up of legacy balances in the general ledger.

(f) Sundry income

	Group Dec.2017	Group Dec.2016	**Bank Dec.2017**	Bank Dec.2016
	₦ million	N million	**₦ million**	N million
Cash handling fees	**59**	65	**59**	65
Fraud recoveries	**63**	68	**63**	68
Bond auction income	**174**	221	**174**	221
Fees earned on property management	**57**	76	**-**	-
Other income	**1,272**	30	**804**	-
	1,625	459	**1,100**	354

14 Net Impairment loss on financial assets

(a) Net impairment charge for credit losses

	Group Dec.2017 ₦ million	Group Dec.2016 N million	**Bank Dec.2017 ₦ million**	Bank Dec.2016 N million
Net impairment charge for credit losses:				
-specific impairment (see note 23(b))	**39,480**	17,925	**39,280**	17,891
-portfolio impairment (see note 23(b))	**(6,654)**	3,234	**(6,553)**	3,172
Total impairment charge on loans and advances	**32,826**	21,159	**32,727**	21,063
Reversal of impairment (see note 23(b))	**(7,217)**	(3,280)	**(7,217)**	(3,280)
	25,609	**17,879**	**25,510**	**17,783**

(b) *Net impairment loss/(write back) on other financial assets:*

Impairment loss on equity accounted investee (see note 24)	**-**	24	**-**	-
Impairment loss on other assets (see note 32 (v))	**174**	-	**161**	-
Impairment write back on trading properties (see note 26)	**(273)**	-	**-**	-
Allowance no longer required on other assets (see note 32 (v))	**(193)**	(717)	**(193)**	(717)
Total impairment write-back on other assets	**(292)**	(693)	**(32)**	(717)
Total net impairment loss on financial assets	**25,317**	17,186	**25,478**	17,066

15 Personnel expenses

	Group Dec.2017 ₦ million	Group Dec.2016 N million	**Bank Dec.2017 ₦ million**	Bank Dec.2016 N million
Wages and salaries	**27,888**	29,804	**26,113**	28,401
Contributions to defined contribution plans (see note 37 (a)(i) below)	**726**	722	**611**	619
Increase in liability for defined benefit plans (see note 37(b)(ii)	**745**	464	**721**	461
Equity-settled share based payment (see note (i)below)	**100**	147	**100**	147
Terminal benefits	**98**	97	**-**	-
	29,557	31,234	**27,545**	29,628

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

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

As at 31 December 2017, 68,047,844 units of ordinary shares of the Bank had been awarded to key management personnel of the Bank under the Bank's share-based incentive scheme. The shares were valued at the market price of the shares at the grant date.

The terms and conditions of the grants are as follows:

	Group Dec.2017	Group Dec.2016	**Bank Dec.2017**	Bank Dec.2016
Number of shares (units)	**104,657,316**	135,237,574	**104,657,316**	135,237,574
Unit of shares vested (unit)	**68,047,844**	30,540,135	**68,047,844**	30,540,135
Vesting period (years)	**3 years**	3 years	**3 years**	3 years
Weighted average of share price at grant date	**N5.29k**	N4.81k	**N5.29k**	N4.81k
Grant date	**31 Dec. 2017**	12 Apr. 2016	**31 Dec. 2017**	12 Apr. 2016
Vesting condition is three (3) years' service				

(ii) Movement in the weighted average exercise prices of the shares awarded are as follows:

31 December 2017	**Group**		**Bank**	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding at the start of the year	135,237,574	4.81	135,237,574	4.81
Awarded during the year	16,901,130	7.80	16,901,130	7.80
Forfeited	(47,481,388)	4.81	(47,481,388)	4.81
Outstanding at year end	104,657,316	5.29	104,657,316	5.29

31 December 2016	Group		Bank	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding at the start of the year	-	-	-	-
Granted during the year	135,237,574	4.81	135,237,574	135,237,574
Forfeited	-	4.81	-	-
Outstanding at year end	135,237,574	4.81	135,237,574	135,237,574

(iii) Movement in vested shares during the year are as follows:

	Group Dec.2017	Group Dec.2016	**Bank Dec.2017**	Bank Dec.2016
Vested shares - opening balance	**30,540,135**	-	**30,540,135**	-
Vested during the year	**37,507,709**	30,540,135	**37,507,709**	30,540,135
Vested shares - closing balance	**68,047,844**	30,540,135	**68,047,844**	30,540,135

16 Other operating expenses

	Group Dec.2017	Group Dec.2016	**Bank Dec.2017**	Bank Dec.2016
	₦ million	N million	**₦ million**	N million
Auditors' remuneration	**249**	180	**159**	131
NDIC Premium	**3,104**	2,680	**3,104**	2,680
Rents and Rates	**1,398**	1,190	**1,162**	1,054
Accomodation and travels	**1,254**	814	**1,156**	766
Fleet management and vehicle related expenses	**663**	661	**663**	661
Repair and Maintenance	**1,458**	1,524	**1,454**	1,506
Professional fees	**1,426**	847	**1,011**	685
Advertising and Promotion expenses	**2,465**	1,138	**2,072**	1,132
Security expense	**1,041**	1,020	**1,041**	1,020
Expenses on software	**4,216**	3,337	**4,216**	3,337
Donations	**46**	305	**46**	277
General administrative expenses (see note (a) below)	**6,208**	6,846	**5,982**	5,899
Insurance	**388**	327	**352**	297
AMCON surcharge (see note (b) below)	**5,617**	4,991	**5,617**	4,991
	29,533	25,860	**28,035**	24,436

(a) General administrative expenses

	Group Dec.2017	Group Dec.2016	**Bank Dec.2017**	Bank Dec.2016
	₦ million	N million	**₦ million**	N million
Office cleaning	**279**	283	**279**	280
Cash movement expense	**1,285**	1,068	**1,285**	1,068
Entertainment	**265**	102	**265**	97
Directors fees and allowances	**367**	354	**343**	354
Diesel and power	**2,074**	1,966	**2,074**	1,708
Stationery, printing, postage and telephone	**544**	512	**538**	428
Sports promotion	**25**	56	**25**	56
Penalties	**12**	48	**12**	48
Restitution and other charges	**116**	878	**116**	878
Debt recovery expenses	**79**	104	**79**	104
Expense on Bulk SMS	**72**	54	**72**	54
Business meetings and conferences	**88**	57	**88**	57
Fixed assets related expenses	**1**	183	**1**	2
Annual general meeting expenses	**75**	74	**72**	74
Marketing allowances	**102**	161	**102**	161
Expense of assets below capitalization	**99**	84	**99**	84
Correspondent bank transaction charges	**298**	266	**296**	266
Other expenses	**427**	596	**236**	179
	6,208	6,846	**5,982**	5,899

(b) AMCON surcharge represents the Bank's contribution to the Banking Sector Stabilization Fund for the year ended 31 December 2017. The applicable rate is 0.5% of total assets plus another 0.5% of 33% of the Bank's off balance sheet items, calculated on a preceeding year basis.

17 Income tax expense

(a) Recognised in the profit or loss

	Group	Group	**Bank**	Bank
	Dec.2017	Dec.2016	**Dec.2017**	Dec.2016
	₦ million	₦ million	**₦ million**	₦ million
Current tax expense				
Company Income Tax	**416**	79	-	-
Education tax	-	-	-	-
Current Capital Gains Tax	**131**	9	**131**	9
Prior year under-provision of Capital Gains Tax	**76**	-	**76**	-
NITDA Levy	**130**	159	**130**	159
	753	247	**337**	168
Deferred tax expense				
Origination of temporary differences	**158**	100	-	-
Total income tax expense	**911**	347	**337**	168

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 taxable loss for the year. The Bank is exempted from paying minimum tax under the Act, as it has imported share capital of over 25%. No education tax was charged because the Bank has no assessable profit for the year.

(b) Reconciliation of effective tax rate

	Group Dec.2017		Group Dec.2016		**Bank Dec.2017**		Bank Dec.2016	
		₦ million		₦ million		₦ million		₦ million
Profit before income tax		15,519		15,738		13,176		16,053
Adjustment for NITDA levy		(130)		(159)		(130)		(159)
Profit after adjustment for NITDA levy		15,389		15,579		13,046		15,894
Income tax using the domestic corporation tax rate	30%	4,617	30%	4,674	30%	3,914	30%	4,768
Non deductible expenses	23%	3,520	17%	2,614	0%	3,520	16%	2,614
Tax exempt income	-144%	(22,363)	0%	(19,278)	0%	(22,363)	-121%	(19,278)
Prior year under provision	0%	76		-		76	0%	-
Education tax levy	0%	-	-2%	-	0%	-	0%	-
Capital gains tax	1%	131	2%	9	0%	131	0%	9
NITDA levy	1%	130	1%	159	1%	130	1%	159
Tax losses (utilised)/unutilised	95%	14,800	-29%	12,169	-30%	14,929	75%	11,896
	0%	-	0%	-	0%	-	0%	-
Total income tax expense in comprehensive income	6%	911	2%	347	3%	337	1%	168

The effective income tax rate for the year ended 31 December 2017 is 6% (2016: 2%) for the Group and 3% for the Bank (2016 1%)

18 Earnings per share

(a) Basic earnings per share

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

	Group	Group	**Bank**	Bank
	Dec.2017	Dec.2016	**Dec.2017**	Dec.2016
Issued ordinary shares at beginning of the year	**16,936**	16,936	**16,936**	16,936
Weighted effect of Share based incentive	**26**	-	**26**	-
Weighted effect of Right issues raised during the year	**100**	-	**100**	-
Weighted effect of shares at the end of the year	**17,062**	16,936	**17,062**	16,936

(b) *Profit attributable to ordinary shareholders*

In millions of Nigerian Naira	**Group**	Group	**Bank**	Bank
	Dec.2017	Dec.2016	**Dec.2017**	Dec.2016
Profit for the year attributable to equity holders	**13,888**	15,617	**12,839**	15,885
Basic earnings per share (in kobo)	**81**	92	**75**	94

(c) Diluted earnings per share

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

19 Cash and cash equivalents

	Group Dec.2017 ₦ million	Group Dec.2016 ₦ million	Bank Dec.2017 ₦ million	Bank Dec.2016 ₦ million
Cash and balances with banks	**66,961**	24,139	**66,458**	21,447
Unrestricted balances with central bank	**23,499**	6,887	**23,499**	6,887
Money market placements	**132,117**	105,168	**47,540**	7,202
	222,577	136,194	**137,497**	35,536

20 Non-pledged Assets (Held for trading)

	Group Dec.2017 ₦ million	Group Dec.2016 ₦ million	Bank Dec.2017 ₦ million	Bank Dec.2016 ₦ million
Government bonds	**9,121**	-	**9,121**	-
Treasury bills	**10,955**	8,323	**10,955**	8,323
	20,076	8,323	**20,076**	8,323

21 Pledged assets

Financial assets that may be repledged or resold by counterparties

	Group Dec.2017 ₦ million	Group Dec.2016 ₦ million	Bank Dec.2017 ₦ million	Bank Dec.2016 ₦ million
Treasury bills	**24,523**	16,645	**24,523**	16,645
Bonds	**29,473**	36,544	**29,473**	36,544
Placement	**83**	241	**83**	241
	54,079	53,430	**54,079**	53,430

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

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

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

22 Derivative financial instruments

Group

	Dec.2017		Dec.2016	
	Assets ₦ million	**Liabilities ₦ million**	Assets N million	Liabilities N million
Instrument Type:				
FX swaps	**1,297**	**-**	2,747	13
Non-deliverable futures	**-**	**972**	-	-
	1,297	**972**	2,747	13

Bank

	Dec.2017		Dec.2016	
	Assets ₦ million	**Liabilities ₦ million**	Assets N million	Liabilities N million
Instrument Type:				
FX swaps	**1,297**	**-**	2,747	13
Non-deliverable futures	**-**	**972**	-	-
	1,297	**972**	2,747	13

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

23 Loans and advances to customers at amortised cost

(a)

	Group	Group	**Bank**	Bank
	Dec.2017	Dec.2016	**Dec.2017**	Dec.2016
	₦ million	₦ million	**₦ million**	₦ million
Gross amount:				
LCY	**272,561**	260,265	**272,561**	260,265
FCY	**288,090**	275,571	**259,246**	258,084
Gross Loans	**560,651**	535,836	**531,807**	518,349
Specific impairment	**(36,459)**	(14,904)	**(36,232)**	(14,887)
Portfolio impairment	**(7,089)**	(13,742)	**(7,020)**	(13,572)
Total impairment	**(43,548)**	(28,646)	**(43,252)**	(28,459)
Carrying amount	**517,103**	507,190	**488,555**	489,890

At 31 December 2017 N170.44 million (2016: N276.43 million) of the Group's loan and advances to customers are expected to be recovered more than 12 months after the reporting date.

(b) Impairment allowance on loans and advances to customers

	Group	Group	**Bank**	Bank
	Dec.2017	Dec.2016	**Dec.2017**	Dec.2016
	₦ million	₦ million	**₦ million**	₦ million
Specific impairment				
Balance, beginning of the year	**14,904**	11,565	**14,887**	11,565
Impairment loss for the year:				
- Charge for the year (See note 14(a))	**39,480**	17,925	**39,280**	17,891
- Writeback of impairment (See note 14(a))	**(7,217)**	(3,280)	**(7,217)**	(3,280)
Net impairment for the year	**32,263**	**14,645**	**32,063**	**14,611**
Effect of foreign currency movements	**1,879**	9,183	**1,869**	9,200
Provision re-instated during the year [1]	**717**	741	**717**	741
Write-offs	**(13,304)**	(21,230)	**(13,304)**	(21,230)
Balance, end of year	**36,459**	**14,904**	**36,232**	**14,887**

[1] Provision re-instated during the year represents restatement of impairment on loans and advances that had previously been written off.

Portfolio impairment

During the year ended 31 December 2017, the Bank updated its collective impairment model by revising the approach for deriving the Loss Given Default (LGD) estimate from the standardized rate from Basel II Foundation approach to internally developed sector-based LGD, for the purpose of collective impairment assessment. The write-back of N6.55billion on the collective impairment comprises:

• N2.65billion, being impact of the decrease in the volume of performing loans in 2017 , and
• N3.90billion, being impact of the revision in the LGD adopted for the year in the impairment methodology .

The movement of collective impairment is as shown below:

	Group	Group	Bank	Bank
	Dec.2017	Dec.2016	Dec.2017	Dec.2016
	N million	N million	**N million**	N million
Balance, beginning of the year	**13,742**	10,508	**13,572**	10,400
Impairment credit/loss for the year:				
Net Impairment/(write backs) for the year	**(6,653)**	3,234	**(6,552)**	3,172
Net impairment for the year	**(6,653)**	**3,234**	**(6,552)**	**3,172**
Balance, end of the year	**7,089**	**13,742**	**7,020**	**13,572**

24 Investment in equity accounted investee

This represents the Group's equity investment in Unique Venture Capital Management Company Limited (40%). The movement in investment in equity accounted investee as at 31 December 2017 is as follows:

	Group	Group	**Bank**	Bank
	Dec.2017	Dec.2016	**Dec.2017**	Dec.2016
	₦ million	₦ million	**₦ million**	₦ million
Cost				
Balance, beginning of the year	**115**	115	**91**	91
Share of current year result	**-**	-	**-**	-
Balance, end of the year	**115**	115	**91**	91
Impairments (see (i) below)	**(115)**	(115)	**(91)**	(91)
Balance, end of the year	**-**	-	**-**	-

(i) Movement in impairment is as follows:

	Group	Group	**Bank**	Bank
	Dec.2017	Dec.2016	**Dec.2017**	Dec.2016
	₦ million	₦ million	**N million**	N million
Balance, beginning of the year	**115**	91	**91**	91
Charge for the year	**-**	24	**-**	-
Balance, end of the year	**115**	115	**91**	91

25 Investment securities

	Group	Group	**Bank**	Bank
	Dec.2017	Dec.2016	**Dec.2017**	Dec.2016
	₦ million	₦ million	**₦ million**	₦ million
Available-for-sale investment (see note 25(a) below)	**147,153**	90,778	**136,824**	76,453
Held to maturity investment (see note 25(b) below)	**38,505**	90,942	**38,505**	90,306
	185,658	181,720	**175,329**	166,759

		Group	Group	**Bank**	Bank
		Dec.2017	Dec.2016	**Dec.2017**	Dec.2016
		₦ million	₦ million	**₦ million**	₦ million
(a) *Available-for-sale investment securities comprise:*					
Investments in debt securities:					
Treasury bills		**65,102**	38,626	**54,773**	26,407
FGN Bonds		**47,635**	22,763	**47,635**	20,657
State Bonds		**3,277**	995	**3,277**	995
Corporate Bonds		**1,119**	1,058	**1,119**	1,058
Total investment in debt securities		**117,133**	**63,442**	**106,804**	**49,117**
Investment in equity securities:					
Equity: Quoted	*see Note25(a)(i)*	**2,195**	2,195	**2,195**	2,195
Unquoted	*see Note25(a)(ii)*	**31,879**	30,143	**31,879**	30,143
Gross value of Unquoted equities		**34,074**	32,338	**34,074**	32,338
Specific impairment allowance	see Note25(a)(iv)	**(4,054)**	(5,002)	**(4,054)**	(5,002)
		30,020	27,336	**30,020**	27,336
Total investment in available-for-sale investment securities		**147,153**	**90,778**	**136,824**	**76,453**

		Group	Group	**Bank**	Bank
(i)	**Investment in quoted equities**	**Dec.2017**	Dec.2016	**Dec.2017**	Dec.2016
		₦ million	₦ million	**₦ million**	₦ million
	Investment in REIT	**2,195**	2,195	**2,195**	2,195
(ii)	**Investment in unquoted equities**				
	Africa Finance Corporation (AFC)	**26,289**	24,553	**26,289**	24,553
	Nigeria Auto Clearing System (NAC)	**42**	42	**42**	42
	Interswitch Nigeria Ltd	**2**	2	**2**	2
	Credit Reference Company (CRC)	**50**	50	**50**	50
	Afrexim Bank	**494**	494	**494**	494
	Nigerian Superswitch Infrastructure	**10**	10	**10**	10
	Banque Internationale de Benin	**1152**	1,152	**1,152**	1,152
	Africa Investment Bank Cotonou	**122**	122	**122**	122
	Investment in Small and Medium Scale Enterprises	**3,718**	3,718	**3,718**	3,718
		31,879	30,143	**31,879**	30,143
	Total investment in available for sale equity securities	**34,074**	32,338	**34,074**	32,338
	Less: specific impairment allowance	**(4,054)**	(5,002)	**(4,054)**	(5,002)
	Net investment in available for sale equity securities (see note (iii) below)	**30,020**	27,336	**30,020**	27,336

Apart from the investment in AFC which has been measured at fair value, other investments in unquoted equities have been measured at cost, as the fair values cannot be reliably estimated.

(iii)	**AFS - Equity securities**	**Group**	Group	**Bank**	Bank
		Dec.2017	Dec.2016	**Dec.2017**	Dec.2016
		₦ million	₦ million	**₦ million**	₦ million
	Balance, beginning of the year	**27,336**	19,508	**27,336**	19,508
	Purchases during the year	**-**	189	**-**	189
	Disposals during the year	**-**	(126)	**-**	(126)
	Fair value adjustment	**1,736**	8,709	**1,736**	8,709
	Reversal of/(additional) impairment	**948**	(944)	**948**	(944)
	Balance, end of the year (see note (ii) above	**30,020**	27,336	**30,020**	27,336

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

	Group	Group	**Bank**	Bank
	Dec.2017	Dec.2016	**Dec.2017**	Dec.2016
	N million	N million	**N million**	N million
Balance, beginning of the year	**5,002**	4,058	**5,002**	4,058
Charge for the year	**-**	944	**-**	944
Reversal of impairment	**(948)**	-	**(948)**	-
Write-offs	**-**	-	**-**	-
Balance, end of the year	**4,054**	**5,002**	**4,054**	**5,002**

(b)	*Held to maturity investment securities comprise:*				
	Federal Government of Nigeria -Bonds	**22,782**	52,270	**22,782**	51,634
	State Government of Nigeria -Bonds	**15,723**	27,179	**15,723**	27,179
	Corporate Bonds	**-**	11,493	**-**	11,493
		38,505	90,942	**38,505**	90,306
	Investment securities	**185,658**	181,720	**175,329**	166,759

26 Trading properties

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

	Group	Group	**Bank**	Bank
	Dec.2017	Dec.2016	**Dec.2017**	Dec.2016
	₦ million	₦ million	**₦ million**	₦ million
Balance, beginning of year	**2,309**	3,177	**1,124**	1,124
Reclassified to investment properties (see note 27 below)	**(349)**	-	**-**	-
Reversal of impairment on trading properties	**273**	-	**-**	-
Disposal	**(1,080)**	(868)	**(611)**	-
Balance, end of year	**1,153**	2,309	**513**	1,124

27 Investment properties

Investment properties are properties held by the Group for capital appreciation and rental income and are carried at fair value. These investment properties were revalued during the year ended 31 December 2017 by Messrs. Bode Adediji Partnership (FRC No: FRC/2013/NIGSV/00000001479), a firm of estate surveyors and valuers, using the open market basis of valuation, and their reports were dated 31 December 2017 for UBN Property Company Limited respectively.

	Group	Group	**Bank**	Bank
	Dec.2017	Dec.2016	**Dec.2017**	Dec.2016
	₦ million	₦ million	**₦ million**	₦ million
Balance, beginning of the year	**4,347**	4,546	**-**	-
Disposal	**-**	(199)	**-**	-
Revaluation gains	**200**	-	**-**	-
Reclassified from trading properties (see note 26 above)	**349**	-	**-**	-
Additional cost capitalised during the year	**55**	-	**-**	-
	4,951	4,347	**-**	-
Impairment allowance	**-**	-	**-**	-
Balance, end of the year	**4,951**	4,347	**-**	-

28 Investment in subsidiaries

Cost	**Bank**	Bank
	Dec.2017	Dec.2016
	₦ million	₦ million
UBN Property Company Limited	**2,195**	2,195
Union Bank UK Plc	**8,372**	8,372
	10,567	10,567

(a) There was no movement in investment in subsidiaries during the year, as follows:

Company Name	Country Incorporation	**Nature of business**	**Direct ownership interest** **Dec.2017**	Dec.2016
			Status/%	Status/%
UBN Property Company Limited (i)	Nigeria	Property Development	**39**	39
Union Bank UK Plc (ii)	Nigeria	Licensed UK Bank	**100**	100
Atlantic Nominees Limited (iii)	Nigeria	Single asset special purpose vehicle	**100**	100

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

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

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

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

(iii) **Atlantic Nominees Limited**

The company is a Special Purpose Vehicle (SPV) set up by the defunct Universal Trust Bank Plc (UTB), through UTB Savings and Loans Limited, to hold UTB's interest in landed property located in Lekki, Lagos. UTB was acquired by the Bank in December 2005 (the transaction received court sanction in May, 2010), along with all its assets, including the SPV. The Bank holds approximately 100% out of 50,000 ordinary shares of N1 each in UTB. The carrying value of the investment in Atlantic Nominees Limited is included in assets classified as held for sale (see Note 39(a)). On completion of on-going sale of the landed property, the SPV will be wound up.

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

The Group does not have any unconsolidated structured entity as at 31 December 2017.

(c) Condensed results of consolidated entities
(i) The condensed financial data of the continuing operations as at 31 December 2017, are as follows

Condensed statement of comprehensive income

Statement of Comprehensive income	***Group balances***	***Consolidation entries***	***Total***	***Bank***	***Union Properties***	***Atlantic Nominees***	***Union Bank UK***
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Operating income before impairment loss	105,964	(80)	106,044	100,013	1,539	-	4,492
Net operating income after net impairment loss	80,647	(79)	80,726	74,537	1,798	-	4,390
Operating Expenses	(65,128)	81	(65,209)	(61,358)	(275)	-	(3,575)
Net impairment loss on financial assets	(25,317)	1	(25,318)	(25,476)	260	-	(102)
Profit before income tax	**15,519**	**2**	**15,517**	**13,179**	**1,523**	**-**	**815**
Taxation	(911)	1	(912)	(337)	(262)	-	(313)
Profit after income tax	**14,608**	**3**	**14,605**	**12,841**	**1,262**	**-**	**502**

Condended Statement of financial position

	Group balances	***Consolidation entries***	***Total***	***Bank***	***Union Properties***	***Atlantic Nominees***	***Union Bank UK***
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Cash and cash equivalents	222,577	(22,026)	244,603	137,497	5,366	-	101,740
Non-pledged trading assets	20,076	-	20,076	20,076	-	-	-
Pledged assets	54,079	-	54,079	54,079	-	-	-
Derivative financial instrument	1,297	-	1,297	1,297	-	-	-
Loans and advances to customers	517,103	(2,524)	519,627	488,555	-	-	31,072
Investments in equity-accounted investee	-	-	-	-	-	-	-
Investment securities	185,658	1	185,657	175,329	-	-	10,328
Assets held for sale	397	(325)	722	325	-	397	-
Trading properties	1,153	(1)	1,154	513	641	-	-
Investment properties	4,951	-	4,951	-	4,951	-	-
Investment in subsidiaries	-	(10,567)	10,567	10,567	-	-	-
Property and equipment	55,986	(1)	55,987	55,801	30	-	155
Intangible assets	4,344	0	4,344	3,949	1	-	394
Deferred tax assets	95,875	-	95,875	95,875	-	-	-
Other assets	291,692	100	291,592	290,706	178	-	708
Defined benefit assets	352	-	352	352			
Total assets	**1,455,540**	**(35,342)**	**1,490,882**	**1,334,921**	**11,167**	**397**	**144,398**
Financed by:							
Derivative financial instruments	972	-	972	972	-	-	-
Deposits from banks	100,131	0	100,131	10,686	-	-	89,445
Deposits from customers	802,384	(22,027)	824,411	796,708	-	-	27,703
Deferred tax liabilities	259	-	259	-	210	-	49
Current tax liabilities	524	-	524	271	253	-	-
Other liabilities	111,461	(309)	111,770	108,359	2,034	-	1,377
Retirement benefit obligations	857	-	857	801	56	-	-
Other borrowed funds	93,211	(2,525)	95,736	95,736	-	-	-
Equity and reserves	345,741	(10,481)	356,222	321,388	8,613	397	25,824
Total liabilities and equity	**1,455,540**	**(35,343)**	**1,490,882**	**1,334,921**	**11,166**	**397**	**144,398**

(c) Condensed results of consolidated entities

(i) The condensed financial data of the continuing operations as at 31 December 2016, are as follows

Condensed statement of comprehensive income

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

(i) In the course of the year ended 31 December 2016, the Group realised its receivable in respect of Union Pension Ltd which was previously derecognised as a subsidiary due to the liquidation of the entity and loss of control by the Group.

Condended Statement of financial position

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

29 Property and equipment

(a) **Group:**

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

	Land	Buildings	Leasehold improvement	Fixtures and fittings	Furniture & equipment	Motor vehicles	Capital work in progress	Total
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Cost								
Balance at 1st January, 2017	14,079	23,294	11,962	3,201	17,577	3,342	1,589	75,045
Exchange difference	-	-	19	-	(3)	-	-	16
Additions	118	-	3,433	908	3,876	546	1,500	10,381
Disposals	(1,305)	(1,130)	(115)	(248)	(147)	(662)	-	(3,607)
Reclassification to other assets	230	(7)	449	1	852	-	(1,587)	(62)
Write off	(30)	(70)	(105)	-	-	-	-	(205)
Balance as at 31 December 2017	13,092	22,087	15,643	3,862	22,155	3,226	1,502	81,568
Balance at 1st January, 2016	14,267	26,193	8,187	3,052	15,665	3,230	2,181	72,776
Exchange difference	-	-	111	-	113	10	-	235
Additions	12	24	3,966	193	2,614	244	2,074	9,126
Disposals	-	(2,923)	(524)	(27)	(826)	(141)	-	(4,441)
Write off	-	-	-	-	-	-	(24)	(24)
Reclassification to other assets	(200)	-	223	(18)	11	0	(2,642)	(2,627)
Balance as at 31 December 2016	14,079	23,294	11,962	3,201	17,577	3,342	1,589	75,044
Depreciation and impairment losses								
Balance at 1st January 2017	-	5,826	1,688	1,435	10,239	3,057	-	22,245
Prior period revaluation	-			-	-	-	-	-
	-	5,826	1,688	1,435	10,239	3,057	-	22,245
Exchange difference	-	-	12	-	31	-	-	43
Charge for the period	-	420	280	329	3,397	146	-	4,572
Disposals	-	(189)	(23)	(189)	(141)	(665)	-	(1,207)
Write-off/Adj	-	(14)	(55)	-	-	-	-	(69)
Reclassifications	-	-	(3)	(12)	13	-	-	(2)
Derecognition of subsidiaries	-	-	-	-	-	-	-	-
operations	-	-						-
Balance as at 31 December 2017	-	6,043	1,899	1,563	13,539	2,537	-	25,582
Balance at 1st January, 2016	200	5,798	1,374	1,167	8,379	3,087	159	20,164
Charge for the year	-	478	181	282	2,765	100	-	3,806
Disposals	-	(422)	(367)	(14)	(788)	(141)	-	(1,732)
Write-off/Adj	-	-	-	-	-	-	-	-
Exchange difference	-	-	111	-	69	11	-	191
Reclassifications	(200)	(28)	389	0	(186)	1	(159)	(183)
Balance as at 31 December 2016	-	5,826	1,688	1,435	10,239	3,057	-	22,245
(iii) **Net Book Value**								
Balance as at 31 December 2017	**13,092**	**16,044**	**13,744**	**2,299**	**8,616**	**689**	**1,502**	**55,986**
Balance as at 31 December 2016	14,079	17,468	10,274	1,766	7,338	286	1,589	52,800

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

(vi) Capital work-in-progress consists of items of property and equipment that are not yet available for use. Capital work-in-progress is carried at cost less any required impairment. Depreciation starts when assets are available for use. An impairment loss is recognised if the asset's recoverable amount is less than cost. The asset is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Once the items are available for use, they are transferred to relevant classes of property and equipment as appropriate.

(vii) There were no capitalised borrowing costs related to the acquisition of property and equipment during the period (December 2016: nil)

(b) **Bank:**

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

(i) **Cost**	**Land** ₦ million	**Buildings** ₦ million	**Leasehold improvement** ₦ million	**Fixtures and fittings** ₦ million	**Furniture & equipment** ₦ million	**Motor vehicles** ₦ million	**Capital work in progress** ₦ million	**Total** ₦ million
Balance at 1st January 2017	14,079	23,294	11,877	3,200	17,349	3,268	1,587	74,655
Additions	118	-	3,433	909	3,854	546	1,500	10,360
Disposals	(1,305)	(1,130)	(115)	(248)	(137)	(642)	-	(3,577)
Reclassifications	204	(7)	449	1	846	(0)	(1,587)	(94)
Write off	(30)	(70)	(105)	-	-	-	-	(205)
Balance as at 31 December 2017	**13,066**	**22,087**	**15,539**	**3,862**	**21,912**	**3,172**	**1,500**	**81,138**
Balance at 1st January 2016	14,267	26,193	7,977	3,052	15,426	3,186	2,181	72,282
Additions	12	24	3,881	193	2,553	224	2,074	8,962
Disposals	-	(2,923)	(204)	(27)	(641)	(141)	-	(3,936)
Reclassifications to other assets	(200)	-	223	(18)	11	-	(2,642)	(2,627)
Write off	-	-	-	-	-	-	(26)	(26)
Balance as at 31 December 2016	14,079	23,294	11,877	3,200	17,349	3,268	1,587	74,655

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(ii) **Accumulated depreciation**	**Land** ₦ million	**Buildings** ₦ million	**Leasehold improvement** ₦ million	**Fixtures and fittings** ₦ million	**Furniture & equipment** ₦ million	**Motor vehicles** ₦ million	**Capital work in progress** ₦ million	**Total** ₦ million
Balance at 1st January 2017	-	5,854	1,657	1,435	10,141	3,001		22,087
Prior period revaluation	-			-	-	-	-	-
	-	5,854	1,657	1,435	10,141	3,001	-	22,087
Charge for the period	-	420	267	329	3,343	139	-	4,498
Disposals	-	(189)	(23)	(189)	(132)	(645)	-	(1,178)
Reclassifications	-	0	(3)	(12)	13	-	-	(2)
Write-off/Adj	-	(14)	(55)	-	-	-	-	(69)
Balance as at 31 December 2017	**-**	**6,071**	**1,843**	**1,563**	**13,364**	**2,496**	**-**	**25,337**
Restated balance at 1st January 2016	200	5,798	1,515	1,167	8,022	3,049	-	19,751
Charge for the year	-	478	178	282	2,745	92	-	3,775
Disposals	-	(422)	(47)	(14)	(629)	(141)	-	(1,253)
Reclassifications	(200)	-	11	-	3	1	-	(186)
Write-off/Adj	-	-	-	-	-	-	-	-
Balance as at 31 December 2016	**-**	**5,854**	**1,657**	**1,435**	**10,141**	**3,001**	**-**	**22,087**
(iii) **Net Book Value**								
Balance as at 31 December 2017	**13,066**	**16,016**	**13,696**	**2,299**	**8,548**	**676**	**1,500**	**55,801**
Balance as at 31 December 2016	14,079	17,440	10,220	1,765	7,208	268	1,587	52,567

(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 consists of items of property and equipment that are not yet available for use. Capital work-in-progress is carried at cost less any required impairment. Depreciation starts when assets are available for use. An impairment loss is recognised if the asset's recoverable amount is less than cost. The asset is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Once the items are available for use, they are transferred to relevant classes of property and equipment as appropriate.

(vi) There were no capitalised borrowing costs related to the acquisition of property and equipment during the period (December 2016: nil)

30 Intangible assets

	Group Dec.2017	Group Dec.2016	Bank Dec.2017	Bank Dec.2016
	₦ million	₦ million	**₦ million**	₦ million
Cost				
Balance, beginning of the year	**6,693**	6,395	**5,774**	5,314
Additions	**2,191**	664	**2,191**	634
Reclassification	**178**	(174)	**178**	(174)
Write off	-	(193)	-	-
Exchange translation difference	**167**	-	-	-
Balance, end of year	**9,229**	6,693	**8,143**	5,774
Amortization and impairment losses				
Balance, beginning of the year	**3,319**	2,646	**2,915**	1,996
Amortisation for the year	**1,466**	1,100	**1,280**	925
Reclassification	**(2)**	(427)	**(1)**	(6)
Exchange translation difference	**102**	-	-	-
Balance, end of year	**4,885**	3,319	**4,194**	2,915
Carrying amounts as at year end	**4,344**	3,374	**3,949**	2,859
Balance as at 1 January	3,374	3,749	2,859	3,318

(i) In the opinion of the directors, the market value of the Group's software is not less than the value shown in the financial statements.
(ii) There were no capitalised borrowing costs related to the acquisition of software during the year (December 2016 : nil)

31 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group

31 December 2017

Deferred tax assets	**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 liabilities	**Liabilities**	**Net**
	₦ million	₦ million
Property, equipment, and software	(259)	(259)
Net tax assets (liabilities)	(259)	(259)

31 December 2016

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

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

Bank

31 December 2017

	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 2016

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

Deferred tax assets and liabilities

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

	Group Dec.2017	Group Dec.2016	**Bank Dec.2017**	Bank Dec.2016
	₦ million	₦ million	**₦ million**	₦ million
Balance, beginning of the year	**95,809**	95,883	**95,875**	95,875
Credit for the year	**325**	(101)	**-**	-
Net assets/(liabilities) of discontinued operations	**-**	27	**-**	-
Net deferred tax assets/(liabilities)	**96,134**	95,809	**95,875**	95,875
Made up of				
Deferred tax assets	**102,914**	102,848	**102,914**	102,914
Deferred tax liabilities	**7,298**	6,938	**7,039**	7,039

Recognised and unrecognised deferred tax assets

Recognition of deferred tax assets of N95.875bn (December 2016: N95.910bn) was based on management's profit forecasts (which are based on the available evidence, including historical levels of profitability), which indicate that it is probable that the Group's enities will have taxable profits against which these assets can be utilized. As at year end, the Bank and Group have unrecognised deferred tax assets of N71.8billion (2016: N75 billion).

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

32 Other assets

	Group Dec.2017	Group Dec.2016	**Bank Dec.2017**	Bank Dec.2016
	₦ million	₦ million	**₦ million**	₦ million
Cash Reserve Requirement (see (i))	**225,770**	129,431	**225,770**	129,431
Excess CRR balance to be refunded (see (ii))	**25,523**	25,523	**25,523**	25,523
Total Cash Reserve Requirement	**251,293**	154,954	**251,293**	154,954
Other assets:				
Clearing	**1,883**	744	**1,883**	744
Accounts receivable	**2,033**	2,749	**330**	1,108
Prepayments	**4,230**	4,863	**3,960**	4,863
Receivable on FX forwards (see (iii))	**19,567**	34,061	**19,567**	34,061
Other sundry assets (see (iv))	**20,131**	12,050	**19,914**	12,040
	47,844	54,467	**45,654**	52,816
Impairment on other assets(see (v))	**(7,445)**	(7,123)	**(6,241)**	(5,932)
Net other assets	**40,399**	47,344	**39,413**	46,884
	291,692	202,298	**290,706**	201,838

(i) The Bank had restricted balances of N251.293 billion with the Central Bank of Nigeria (CBN) as at 31 December 2017, representing the cash reserve requirement (CRR) (N154.954bn as at 31 December 2016). The CRR is a mandatory cash deposit which should be held with the Central Bank of Nigeria as a regulatory requirement.The CRR is non interest bearing and is not available for use in the Group's day-to-day operations. As at the end of December 2017, the CRR in force was 22.5% (Dec 2016: 22.5%).

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

(iii) **Receivable on FX forwards**
The balance represents the value of foreign currency receivable on forward transactions with Central Bank of Nigeria.

(iv) **Other Sundry assets**

	Group Dec. 2017	Group Dec. 2016	Bank Dec. 2017	Bank Dec. 2016
	₦ million	₦ million	₦ million	₦ million
Frauds and losses	**1,501**	1,646	**1,501**	1,646
Advance payments for PPE	**3,000**	3,051	**3,000**	3,051
Receivable from Union Homes	**1,927**	1,041	**1,927**	1,041
Property under dispute	**1,352**	1,247	**1,352**	1,247
Garnishee Order	**1,606**	1,300	**1,606**	1,300
Status Car loan	**249**	570	**249**	570
ATM receivable	**1,361**	941	**1,361**	941
Dividend Receivable	**354**	628	**354**	628
Receivable on electronic transfers	**3,639**	839	**3,639**	839
Master/Visa card/Interswitch/NIBSS settlement	**755**	316	**755**	316
Investment in AgriBusiness/SMEEIS	**794**	-	**794**	-
Receivable for unsettled financial assets	**875**	-	**875**	-
Fee receivable	**948**	-	**948**	-
Deposit for investment in AGSMEIS	**794**	-	**794**	-
Other account balances	**976**	470	**759**	460
Balance, end of year	**20,131**	12,050	**19,914**	12,040

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

	Group Dec.2017	Group Dec.2016	**Bank Dec.2017**	Bank Dec.2016
	₦ million	₦ million	**₦ million**	₦ million
Balance, beginning of the year	**7,123**	7,388	**5,932**	6,197
Charge for the year	**174**	-	**161**	-
Allowance written off	**-**	(1,241)	**-**	(1,241)
Reclassification	**-**	(391)	**-**	(391)
Allowance no longer required	**(193)**	(717)	**(193)**	(717)
Allowance reinstated during the year	**-**	2,000	**-**	2,000
Effect of exchange rate	**341**	83	**341**	83
Balance, end of year	**7,445**	7,123	**6,241**	5,932

33 Deposits from banks

	Group Dec.2017	Group Dec.2016	**Bank Dec.2017**	Bank Dec.2016
	₦ million	₦ million	**₦ million**	₦ million
Money market deposits (See note (i) below)	**10,686**	4,351	**10,686**	4,351
Other deposits from banks	**89,445**	85,915	**-**	-
	100,131	90,266	**10,686**	4,351

(i) **Money market deposits**

Local currency inter bank takings	-	-	-	-
Foreign currency inter bank takings	**10,686**	4,351	**10,686**	4,351
	10,686	4,351	**10,686**	4,351

34 Deposits from customers

	Group Dec.2017	Group Dec.2016	**Bank Dec.2017**	Bank Dec.2016
	₦ million	₦ million	**₦ million**	₦ million
Term deposits	**265,878**	229,596	**265,274**	224,581
Current deposits	**349,100**	259,251	**344,028**	239,649
Savings	**187,406**	169,597	**187,406**	169,597
	802,384	658,444	**796,708**	633,827

35 Current tax liabilities

	Group Dec.2017	Group Dec.2016	**Bank Dec.2017**	Bank Dec.2016
	₦ million	₦ million	**₦ million**	₦ million
Balance, beginning of year	**465**	382	**177**	229
Foreign exchange translation difference	**-**	(3)	-	-
Reclassification	**(193)**	108	-	-
Charge for the year	**911**	247	**337**	168
Payments during the year	**(659)**	(269)	**(243)**	(220)
Balance, end of year	**524**	465	**271**	177

36 Other liabilities

	Group Dec.2017	Group Dec.2016	**Bank Dec.2017**	Bank Dec.2016
	₦ million	₦ million	**₦ million**	₦ million
Financial liabilities:				
Deposits for foreign currency	**63,217**	48,206	**63,217**	48,206
Accounts payable	**6,188**	8,800	**4,626**	5,635
Due to foreign correspondent banks (see note (a) below)	**9,258**	25,152	**9,258**	28,100
Draft and Bills payable	**7,620**	8,511	**7,620**	8,511
Electronic collections and other e-payment liabilities	**1,748**	5,031	**1,748**	5,031
	88,031	95,700	**86,469**	95,483
Non financial liabilities:				
Unearned income	**420**	399	**420**	399
Provision for claims and contingencies (see note (c) below)	**2,978**	3,104	**2,978**	3,104
Sundry creditors	**406**	429	**406**	429
Creditors and accruals (see note (b) below)	**11,333**	22,773	**11,326**	22,773
PAYE and other statutory deductions	**926**	1,569	**879**	1,569
Provisions for Ex-staff claims	**3,917**	4,272	**3,917**	4,272
Insurance premium payable	**16**	130	**16**	130
Other credit balances (see note (d) below)	**3,434**	13,028	**1,948**	13,032
	23,430	45,704	**21,890**	45,708
Total other liabilities	**111,461**	141,404	**108,359**	141,191

(a) Due to foreign correspondent banks consists of the following:

- debit balances in Nostro accounts, Nil (December 2016: Nil)
- obligations to a foreign correspondent bank in respect of letters of credit, N9.3bn (December 2016: N25.2bn). The letter of credit obligations have been transferred to the Bank's customers and booked as stocking term facilities as at 31 December 2017. The corresponding customers' obligations to the Bank are therefore part of reported loans and advances to customers.

(b) Creditors and Accruals comprises the following:

	Group Dec.2017	Group **Dec.2016**	**Bank Dec.2017**	Bank **Dec.2016**
	₦ million	₦ million	**₦ million**	₦ million
Accruals for professional and consultancy fees	139	906	139	906
Accrual for Industrial Training Fund Levy	261	224	261	224
Accrual for Advertisement	53	84	53	84
Accrual for staff related allowances	1,598	4,243	1,598	4,243
Provision for restitution (see note (44))	612	4,867	612	4,867
AMCON provision (see note (e) below)	7,717	10,921	7,717	10,921
Accrual for Repairs and maintenance expenses	109	67	109	67
Accrual for rental expenses	233	135	233	135
Other accruals	611	614	604	547
	11,333	22,773	11,326	22,773

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

	Group Dec.2017	Group Dec.2016	Bank Dec.2017	Bank Dec.2016
	₦ million	₦ million	₦ million	₦ million
Balance, beginning of year	3,104	2,236	3,104	2,236
Charge during the year	-	868	-	868
Reversals during the year	(126)	-	(126)	-
Balance, end of the year	2,978	3,104	2,978	3,104

(d) Other credit balances

	Group Dec.2017	Group Dec.2016	Bank Dec.2017	Bank Dec.2016
Unrealized OTC Futures Recoupable	416	122	416	122
Provision for Audit Fees	151	131	151	131
Vendor retention fee payable	91	918	91	918
E Tranzact Settlement account	-	155	-	155
Franchise Collections	606	661	606	661
Deposit for properties	930	-	-	-
AMCON payable	406	2,789	406	2,789
Due To Futures Customers	-	986	-	986
Fx Futures Margin Deposit	106	850	106	850
Financial instruments- short position	12	6,160	12	6,160
Agency fees payable	109	51	109	51
Deferred rental income	108	14	-	-
Others	499	190	51	208
	3,434	13,028	1,948	13,032

(e) AMCON provision

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

37 Employee benefit obligations

	Group Dec.2017	Group Dec.2016	**Bank Dec.2017**	Bank Dec.2016
	₦ million	₦ million	**₦ million**	₦ million
Post employment benefit obligation (see (a) below)	**176**	181	**124**	152
Other long-term employee benefits (see (b) below)	**681**	624	**677**	621
	857	805	**801**	773

(a) Post employment benefit obligation

	Group Dec.2017	Group Dec.2016	**Bank Dec.2017**	Bank Dec.2016
	₦ million	₦ million	**₦ million**	₦ million
Defined contribution scheme (see (i) below)	**124**	152	**124**	152
Defined benefit obligation (see (ii) below)	**52**	29	**-**	-
	176	181	**124**	152
Defined benefit asset (see (ii) below)	**352**	1,643	**352**	1,643
Net defined benefit asset (see note (iii) below)	**300**	1,614	**352**	1,643

(i) Defined Contribution Scheme

	Group Dec.2017	Group Dec.2016	**Bank Dec.2017**	Bank Dec.2016
	₦ million	₦ million	**₦ million**	₦ million
Balance, beginning of year	**152**	152	**152**	152
Charge during the year (see note 15)	**726**	722	**611**	619
Contribution remitted during the year	**(754)**	(722)	**(639)**	(619)
Balance, end of year	**124**	152	**124**	152

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

(ii) Defined benefit obligation

The Management of the Bank, in compliance with the Pension Reform Act 2014 and in line with the Trust Deed guiding the Bank’s Pension Fund, bought an annuity programme with Leadway Assurance Company Plc for its Defined Benefit (DB) Scheme Pensioners.

Prior to this, the Bank engaged the Union Bank Pensioners’ Association at both the National and Zonal Levels, conducted a roadshow across the country for its Pensioners under the Defined Benefit Scheme to get their buy-in for the Annuity Programme. Over 4,600 DB Pensioners have subscribed to the annuity program.

The benefits of the annuity program include;

- The transfer of risks associated with managing future income
- Longevity Risk: There is no fear of lack of income no matter how long the Annuitant lives
- Investment Risk: The Risk of Investment is borne by Leadway Assurance. This is not the case if the Bank continues to manage the fund.

(iii) The following table shows a reconciliation from opening balances to the closing balances for net defined benefit (asset) liability and its components.

Group

	Gross defined benefit		Fair value of plan assets		Net defined Benefit	
	Dec. 2017	**Dec. 2016**	**Dec. 2017**	**Dec. 2016**	**Dec. 2017**	**Dec. 2016**
	₦ million	**₦ million**	**₦ million**	**₦ million**	**₦ million**	**₦ million**
Balance, beginning of the year	11,223	14,232	(12,837)	(10,818)	**(1,614)**	3,414
Included in profit or loss						
Current service costs and interest (See note 15)	2,375	1,390	(1,727)	(1,136)	**647**	254
	2,352	1,390	(1,727)	(1,136)	**647**	254
Included in OCI						
Remeasurement of defined benefit obligation	127	773	(127)	-	-	773
Change in fair value of plan assets	-	-	-	(883)	-	(883)
Remeasurement of defined benefit obligation	127	773	(127)	(883)	-	(110)
Others						
Benefits paid by the plan	(13,470)	(1,251)	12,841	-	**(628)**	(1,251)
Reclassification (See (vii) below)	1,295	(3,921)	-	-	**1,295**	(3,921)
	(12,175)	(5,172)	12,841	-	**667**	(5,172)
Balance, end of year (see note 37(a) above)	1,527	11,223	(1,850)	(12,837)	**(300)**	(1,614)

Bank

	Gross defined benefit		Fair value of plan assets		Net defined Benefit	
	Dec. 2017	**Dec. 2016**	**Dec. 2017**	**Dec. 2016**	**Dec. 2017**	**Dec. 2016**
	₦ million	**₦ million**	**₦ million**	**₦ million**	**₦ million**	**₦ million**
Balance, beginning of the year	11,194	14,195	(12,837)	(10,818)	**(1,643)**	3,377
Included in profit or loss						
Current service costs and interest	2,352	1,390	(1,727)	(1,136)	**624**	254
	2,352	1,390	(1,727)	(1,136)	**624**	254
Included in OCI						
Remeasurement of defined benefit obligation	127	773	(127)	-	-	773
Change in fair value of plan assets	-	-	-	(883)	-	(883)
Remeasurement of defined benefit obligation	127	773	(127)	(883)	-	(110)
Others						
Benefits paid by the plan	(13,470)	(1,243)	12,841	-	**(628)**	(1,243)
Reclassification (See (vii) below)	1,295	(3,921)	-	-	**1,295**	(3,921)
	(12,175)	(5,164)	12,841	-	**667**	(5,164)
Balance, end of year (see note 37(a) above)	1,498	11,194	(1,850)	(12,837)	**(352)**	(1,643)

(iv) Plan assets

Plan assets for funded obligations consist of the following

	Group	Group	Bank	Bank
	Dec. 2017	Dec. 2016	Dec. 2017	Dec. 2016
	₦ million	₦ million	₦ million	₦ million
Receivable from pension fund administrator	1,850	-	1,850	-
Cash and bank balances	-	636	-	636
Quoted entities	-	2,114	-	2,114
Money market investment	-	207	-	207
Private equity	-	380	-	380
Treasury bills	-	1,673	-	1,673
Real Estate	-	7,827	-	7,827
	1,850	12,837	1,850	12,837

(v) Actuarial assumptions

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

	Group Dec. 2017	Group Dec. 2016	Bank Dec. 2017	Bank Dec. 2016
	N million	N million	N million	N million
- Discount rate	14.0%	15.8%	14.0%	15.8%
- Average rate of inflation	12.0%	12.0%	12.0%	12.0%
- Pension increases	0.0%	0.0%	0.0%	0.0%

(vi) Sensitivity analysis

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

	Movement	Group Dec. 2017	Group Dec. 2016	Bank Dec. 2017	Bank Dec. 2016
		N million	N million	N million	N million
Discount rate	+1%	1,430	10,042	1,430	10,042
	-1%	1,574	10,995	1,574	10,995
Pension Increase Rate	+1%	1,592	11,127	1,592	11,127
	-1%	1,413	9,919	1,413	9,919
Mortality	Future Mortaliy Improvement (2% p.a)	1,592	11,007	1,592	11,007
	Future Mortaliy Improvement (0% p.a)	1,396	9,932	1,396	9,932

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

(vii) Amount reclassified from other liabilities represents the excess estimated liabilities over the of fair value of plan assets.

(b) Other long-term employee benefits

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

The basis of determining the benefit due to an employee is as stated below:
(i) Less than 5 years of service: 12 weeks total emolument for each completed year of service.
(ii) 5 years but less than 15 years of service: 14 weeks total emolument for each completed year of service.
(iii) 15 years of service and above: 16 weeks total emolument for each completed year of service.

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

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

	Group Dec.2017	Group Dec.2016	**Bank Dec.2017**	Bank Dec.2016
	₦ million	₦ million	**₦ million**	₦ million
Present value of unfunded obligation	**681**	624	**677**	621
Present value of funded obligation	**-**	-	**-**	-
Total present value of the obligation	**681**	624	**677**	621
Fair value of plan assets	**-**	-	**-**	-
Present value of net obligation	**681**	624	**677**	621
Recognized liability for defined benefit obligations	**681**	624	**677**	621

The movement of other long term employee benefit is as stated below:

	Group Dec.2017	Group Dec.2016	**Bank Dec.2017**	Bank Dec.2016
	N million	N million	**N million**	N million
Balance, beginning of the year	624	701	621	701
Included in profit or loss				
Current service costs and interest	200	210	199	207
Remeasurement of defined benefit obligation	(102)	(195)	(102)	(195)
Curtailment	-	-	-	-
	98	210	97	207
Included in OCI	-			
Others				
Benefits paid by long service award plan	(41)	(92)	(41)	(92)
	(41)	(92)	(41)	(92)
Balance, end of year	681	624	677	621

(ii) Current service cost, interest cost and remeasurement recognised in profit or loss

The current service cost, interest cost and remeasurement gain on long service award is recognised as personnel expenses. See break down below:

	Group Dec.2017	Group Dec.2016	**Bank Dec.2017**	Bank Dec.2016
	N million	N million	**N million**	N million
Defined benefit obligation (see note 37(a)(iii) above)	**647**	254	**624**	254
Long service award (see note 37(b)(i) above)	**98**	210	**97**	207
Total current service cost (see note (15))	**745**	464	**721**	461

38 Other borrowed funds

	Group Dec.2017	Group Dec.2016	**Bank Dec.2017**	Bank Dec.2016
	₦ million	₦ million	**₦ million**	₦ million
Due to CACS (see (a))	**11,833**	9,240	**11,833**	9,240
BOI on-lending facilities (see note (b) below)	**4,962**	6,286	**4,962**	6,286
Other borrowings (see (c))	**76,416**	73,988	**78,941**	76,286
	93,211	89,514	**95,736**	91,812

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

(b) This represents the outstanding balance of an intervention credit facility 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 N6.0billion (Dec. 2016: N7.5billion) and has a 15-period tenor and repayable quarterly.

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

(c) Other borrowings consist of the balances on foreign currency denominated facilities obtained from the following financial institutions:

	Group Dec.2017	Group Dec.2016	**Bank Dec.2017**	Bank Dec.2016
	N million	N million	**N million**	N million
Standard Chartered Bank	**-**	3,422	**-**	3,422
Afreximbank (see note (i) below)	**41,805**	49,847	**41,805**	49,847
Ecobank EBISA	**-**	2,711	**-**	2,711
ABSA Bank	**-**	579	**-**	579
Mashreq Bank (see note (ii) below)	**10,112**	2,624	**10,112**	2,624
Union Bank, UK (see note (iii) below)	**-**	-	**2,525**	2,298
African Finance Corporation (see note (iv) below)	**13,263**	11,309	**13,263**	11,309
UBA New York	**-**	1,383	**-**	1,383
Access Bank Nigeria Limited (see note (v) below)	**11,236**	2,113	**11,236**	2,113
	76,416	73,988	**78,941**	76,286

(i) Afreximbank

The amount of N41,805 million (US$126.24 million) represents the outstanding balances from two facilities: a taking of US$75 million and an amortising medium term facility of US$ 75 million granted by African Export - Import Bank on December 29, 2017 and July 29, 2016 respectively. Interest is payable quarterly at 7.94% and LIBOR + 6.10% per annum respectively. Final repayments on these facilities are due March 29, 2018 and March 2021 respectively.

(ii) Mashreq Bank

The amount of N10,112 million (US$30.54 million) is due to Mashreq Bank in respect of six trade finance facilities of 5m dollars each availed on different dates in the course of the year, the earliest being July 18, 2017. Interest is payable at LIBOR + 5.0% per annum. Final maturity is 15 May 2018.

(iii) Union Bank, UK

The amount of N2,525 million (US$7.62 million) due to Union Bank UK, represents USD 7.5 million, 90-day interbank takings. The facility was granted to the Bank on October 18, 2017. Interest is payable at 7.5% per annum. The facility matured in January 18, 2018 and was rolled over for 90 days. This amount has been eliminated at the Group level upon consolidation.

(iv) African Finance Corporation

The amount of N13,263 million (US$40.05 million) represents the outstanding balance in respect of a US$40 million facility granted by African Finance Corporation on December 27, 2017. Interest is payable at 8.95% per annum. Final repayment on the facility was due on January 3, 2018.

(v) Access Bank Nigeria Limited

The amount of N11,236 million (US$33.93 million) represents five trade finance facilities granted by Access Bank Plc in April 2017 and Sep 2017. Interest is payable at an average rate of 6.32% per annum. The facilities mature in April 2018 and September 2018. The borrowing is secured with FGN treasury bills to the tune of N10.152bn.

39 Discontinued operations

(a) Assets classified as held for sale

	Group Dec.2017	Group Dec.2016	**Bank Dec.2017**	Bank Dec.2016
	₦ million	₦ million	**₦ million**	₦ million
Investments in subsidiaries	**-**	-	**325**	325
Investment properties	**188**	188	**-**	-
Other assets	**209**	209	**-**	-
	397	397	**325**	325

The Bank committed to a plan to dispose its subsidiary, Atlantic Nominees Limited in line with the CBN Regulation on the Scope of Banking Activities and Ancillary Matters, No. 3, 2010 that Banks should dispose of their non-Banking subsidiaries. The Bank in a bid to dispose the special purpose vehicle, has put up the assets in the Company's books for sale and upon conclusion of this will complete the sales process of the subsidiary. As at year ended 31 December 2017, about 70% of the properties had been disposed and management is of the opinion that the outstanding portion will be disposed in the next 12 months. The Management of the Group remains committed to the disposal of assets held for sale and are actively engaging potential buyers. Furthermore, the assets are actively marketed for sale at a price that is reasonable in relation to its current fair value.
In the opinion of the Directors, assets held for sale have been recognised at the lower of their carrying amount and fair value less costs to sell.

Condensed statement of financial position for discontinued operations

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

40 Capital and reserves

Share capital	Group Dec.2017	Group Dec.2016	Bank Dec.2017	Bank Dec.2016
	₦ million	₦ million	**₦ million**	₦ million
(a) Authorised :				
35,000,000,000 (Dec 2016: 19,023,125,000) Ordinary shares of 50 kobo each	**17,500**	9,512	**17,500**	9,512

Rights Issue

In December 2016, the Shareholders gave the Board of Directors approval to raise up to N50billion via a rights issue. To this end, 15,976,875,000 additional ordinary shares of 50kobo each were created, bringing the Bank's authorised share capital to 35 billion ordinary shares of 50kobo each. See also Note c below.

(b) Issued and fully paid -				
29,120,752,788 (Dec. 2016: 16,935,806,471) Ordinary shares of 50kobo each	**14,561**	8,468	**14,561**	8,468

	Group Dec.2017	Group Dec.2016	Bank Dec.2017	Bank Dec.2016
	₦ million	₦ million	**₦ million**	₦ million
Balance, beginning of year	**8,468**	8,468	**8,468**	8,468
Right issue during the year	**6,067**	-	**6,067**	-
Employee Share Incentive Scheme	**26**	-	**26**	-
Balance, end of year	**14,561**	8,468	**14,561**	8,468

(c) Right issue during the year

In December 2016, as part of Union Bank's strategic growth objectives, shareholders of the Bank authorised the Board of Directors to raise capital up to the sum of ₦50 billion by way of a rights issue to existing shareholders. In September 2017, the rights issue opened for subscription and closed in October 2017, offering 12,133,646,995 ordinary shares of 50 kobo each, on the basis of five (5) new ordinary shares for every seven (7) ordinary shares held as at the close of business on 21 August 2017 at a price of ₦4.10 per share. In December 2017, following regulatory clearance, the Bank announced that it successfully raised approximately ₦49.748 billion via its rights issue which was 120% subscribed. On January 12, 2018 the additional 12,133,646,995 ordinary shares of the bank were listed on the Nigerian Stock Exchange. With this listing, Union Bank's total issued and fully paid up shares now stands at 29,120,752,788 ordinary shares. The table below shows the application of the proceeds of right issue raised during the year.

	Group 31 Dec 2017	Bank 31 Dec 2017
	₦ million	**₦ million**
No of shares	12,134	12,134
Proceeds at N4.10 per unit of shares	49,748	49,748
Applied as follows:		
Share capital	6,067	6,067
Share premium	43,097	43,097
Net Cost of right issue	584	584
	49,748	49,748

(d) Share premium

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

	Group	Group	Bank	Bank
	Dec.2017	Dec.2016	**Dec.2017**	Dec.2016
	₦ million	₦ million	**₦ million**	₦ million
Balance, beginning of year	**391,641**	391,641	**391,641**	391,641
Transfer between reserves (see (i) below)	**(247,868)**	-	**(247,868)**	-
Premium from shares issued during the year (see (ii) below)	**43,097**	-	**43,097**	-
Transfer from Share Based Payment Reserve	**221**	-	**221**	-
Balance, end of year	**187,091**	391,641	**187,091**	391,641
Share capital and share premium	**201,652**	400,109	**201,652**	400,109

(i) In the course of the year, the Federal High Court, Lagos by an Order dated 4th October 2017 ("the Court Order") granted the Bank's Petition to write-off the N247.868billion negative General Reserve balance as at 31 December 2016, against the Share Premium Account. Extracts of the Bank's Special Resolution for the reduction of the Bank's Share Premium Account dated 10th May 2017 and the Court Order have been filed at the Corporate Affairs Commission, Abuja.

(ii) The net proceeds from the right issue raised in the course of the year amounted to N49.164bn of which N6.067 was recognised in share capital while the balance of 43.097bn represents the share premium resulting from the right issue.

(e) Statutory reserves

Nigerian banking regulations require the Bank to make an annual appropriation to a statutory reserve. As stipulated by S.16(1) of the Banks and Other Financial Institution Act of Nigeria, an appropriation of 30% of profit after tax is made if the statutory reserve is less than paid-up share capital and 15% of profit after tax if the statutory reserve is greater than the paid up share capital. The Bank made a transfer of N1.54billion to statutory reseves during the year ended 31 December 2017 (December 2016: N2.38billion).

The movement in staturory reserve during the year is as shown below:

	Group	Group	Bank	Bank
	Dec.2017	Dec.2016	**Dec.2017**	Dec.2016
	N million	N million	**N million**	N million
Balance, begining of year	**24,445**	22,062	**24,445**	22,062
Transfer from retained earnings	**1,926**	2,383	**1,926**	2,383
	26,371	24,445	**26,371**	24,445

(f) 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.

	Group	Group	Bank	Bank
	Dec.2017	Dec.2016	**Dec.2017**	Dec.2016
	N million	N million	**N million**	N million
Balance, begining of year	**34,832**	33,050	**33,579**	32,240
Fair value changes during the year	**5,735**	1,782	**5,626**	1,339
Balance, end of year	**40,567**	34,832	**39,205**	33,579

(g) Regulatory risk reserve

The regulatory risk reserve warehouses the difference between the impairment on loans and advances computed under Nigerian GAAP based on the Central Bank of Nigeria prudential guidelines and provisions specified by the central banks of foreign subsidiaries, compared with the incurred loss model used in calculating the impairment under IFRSs.

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

	Group	Group	Bank	Bank
	Dec.2017	Dec.2016	**Dec.2017**	Dec.2016
	N million	N million	**N million**	N million
Balance, begining of year	**38,869**	23,876	**38,869**	23,876
Excess of NGAAP provision over IFRS provision during the year	**32,158**	14,993	**32,158**	14,993
Balance, end of year	**71,027**	38,869	**71,027**	38,869

(h) Share based payment reserve

This represents the provision for liabilities under the equity settled portion of the Group's shares incentive scheme which enables key management personnel to benefit from the performance of the Group. Share based payment reserve is not available for distribution to shareholders.

The movement is shown below

	Group Dec.2017	Group Dec.2016	**Bank Dec.2017**	Bank Dec.2016
	N million	N million	**N million**	N million
Balance, beginning of year	**147**	-	**147**	-
Additional shares awarded during the year (See note 15)	**293**	147	**293**	147
Transfer to share capital (see note (b) above)	**(26)**	-	**(26)**	-
Transfer to share premium (see note (d) above)	**(221)**	-	**(221)**	-
Balance, end of year	**193**	**147**	**193**	**147**

During the year ended December 31, 2017, the Bank awarded a total of 16,901,130 unit of shares at N7.8, the market value of shares at grant date (31 December 2017) See note 15(ii).

As at 31 December 2017, 68,047,844 units of shares had vested, out of which 51,299,322 units of shares were approved by the Securities and Exchange Commission and has therefore been included in the share capital as at 31 December 2017. See notes (b) and (c) above.

(i) Other reserves

The other reserves are as follows:

	Group Dec.2017	Group Dec.2016	**Bank Dec.2017**	Bank Dec.2016
	₦ million	₦ million	**₦ million**	₦ million
Translation reserve	**14,321**	12,177	**1,895**	1,895
Excess clawback reserves	**(14,918)**	(14,918)	**(14,918)**	(14,918)
SMEEIES/AGSMEIS reserve	**6,774**	6,774	**6,774**	6,774
Capital reserve	**5,489**	5,489	**5,489**	5,489
Equity component of employee benefit remeasurement	**2,818**	2,818	**2,818**	2,818
	14,484	12,340	**2,058**	2,058

(i) Translation reserve

The translation reserve comprises all foreign currency difference arising from the translation of the financial statements of foreign operations, as well as the effective portion of any foreign currency differences arising from hedges of a net investment in a foreign operation.

(ii) Excess Capital Clawback

Under the recapitalisation plan of the Bank executed in 2011, the Asset Management Corporation of Nigeria (AMCON) provided Financial Accommodation to bring the Bank's Completion Net Assets Value (NAV) to zero.

The Financial Accommodation provided by AMCON exceeded the Bank's Completion NAV of zero, calculated as at 31 December 2011, by N14.918 billion. This excess amount was refunded to AMCON during the year ended 31 December, 2012.

(iii) Agricultural/Small and Medium Enterprises Investment Scheme (AGSMEIS/SMEEIS):

The SMEEIS reserve is maintained to comply with the Central Bank of Nigeria (CBN) requirement that all licensed banks set aside a portion of the profit after tax in a fund to be used to finance equity investment in qualifying small and medium scale enterprises. Under the terms of the guideline (amended by CBN letter dated 11 July 2006), the contribution was 10% of profit after tax for the first 5 periods, and thereafter reduced to 5% of profit after tax.

In April 2017, the Central Bank of Nigeria issued guidelines to govern the operations of the Agricultural/Small and Medium Enterprises Scheme (AGSMIES), which was established to support the Federal Government's efforts at promoting agricultural businesses and Small and Medium Enterprises (SMEs) as vehicles for achieving sustainable economic development and employment generation.

There are no longer mandatory transfers to this reserve under the revised guidelines. However, all Nigerian banks are now required to set aside an amount equal to 5% of their annual Profit After Tax (PAT) towards the funding of equity investments, which qualify under the AGSMEIS Scheme.

During the year ended December 31, 2017, the Bank was debited with a total of N794million by CBN so no amount was appropriated from retained earnings.

(iv) Capital Reserves

Capital reserve warehouses the nominal value of shares cancelled during the capital reconstruction exercise that occurred during the financial year ended December 2015.

(v) Equity component of employee benefit remeasurement

This reserve warehouses the equity component of remesurement of defined benefit liability/(assets)

(j) Retained deficit

The movement on the Retained Earnings account during the year is as follows:

	Group Dec.2017	Group Dec.2016	**Bank Dec.2017**	**Bank Dec.2016**
Deficit at the beginning of the year	**(244,183)**	(242,063)	**(247,868)**	(246,533)
Transfer to Share Premium account (see note d above)	**247,868**	-	**247,868**	-
Balance after transfer to Share Premium account	**3,685**	(242,063)	**-**	(246,533)
Retained profit for the year	**14,608**	15,617	**12,839**	15,885
Transfer from/(to) other reserves	**(592)**	(2,383)	**(592)**	(2,383)
Transfer to non controlling interest	**(720)**	(618)	**0**	-
	16,981	(229,447)	**12,247**	(233,031)
Movement in regulatory risk reserve (see below)	**(32,158)**	(14,736)	**(32,158)**	(14,837)
Balance at the end of the year	**(15,177)**	(244,183)	**(19,911)**	(247,868)

In line with CBN Prudential Guidelines, the excess of Nigerian Generally Accepted Accounting Practice loan loss provision over the IFRS provision in this case IAS 39 incurred loss model is transferred to a regulatory risk reserve and not available for distribution to shareholders. The amount is treated as a deduction from retained earnings. The movement in regulatory risk reserve which was deducted from retained earnings during the year is as folows:

41 Non-controlling Interest

Movement in the non controlling interest	**Group Dec.2017**	Group Dec.2016
	₦ million	₦ million
Balance, beginning of year	**5,111**	5,337
Profit/(loss) for the year	**720**	(226)
Balance, end of year	**5,831**	5,111

42 Contingencies

(a) Litigations and claims

(i) The Group in the ordinary course of business is currently involved in 850 litigation cases (December 2016: 801 cases). The total amount claimed in the cases against the Bank is estimated at N220.26 billion (December 2016: N152.96 billion) , while the total amount claimed in cases instituted by the Bank is N77.16 billion (December 2016: N37.62 billion). A total provision of N2.98 billion (December 2016: N3.10 billion) has been made based on the advice of professional legal counsel. The actions are being vigorously contested and the Directors are of the opinion that no significant liability will arise therefrom in excess of the provision that has been made in the financial statements.

(ii) There are three (3) cases with total claim of N5.921trillion of which judgement was awarded against the Bank in conjunction with other parties and provisions were not recognised in the financial statements. Management is of the view that a high level of success is expected at the Court of Appeal based on professional legal advice and that the likelihood of outflow of economic resource is considered remote. The Directors are of the opinion that none of the aforementioned cases is likely to have a material adverse effect on the Bank and are not aware of any other pending or threatened claims and litigations besides those included in the above number.

(iii) During the year, Union Homes Savings and Loans Plc (UHSL) , formerly a subsidiary of the Bank until it was sold to Aso Savings & Loans Plc (Aso), notified the Bank of claims of N1.96bn billion related to staff liabilities that resulted from a judgment debt from litigation from disengaged staff of UHSL. The Bank has however refuted the claims of N1.96billion on the basis that the executed Transaction Implementation Agreement (TIA) between the Bank and UHSL for the sale of the company to Aso only obliged the Bank to settle employees’ severance obligations which were estimated and accrued for at N532 million. The disputed difference of N1.427 billion is expected to be resolved ultimately via arbitration or by the court and has therefore been recognized as a contingent liability as at year end.

(b) Provision Clawback

Under a Clawback Rights Agreement (CRA) executed among the Bank, Union Global Partners Limited (UGPL) and Asset Management Corporation of Nigeria (AMCON) as part of the recapitalisation program of the Bank, where specified provisions that were in the books of the Bank as at 31 December 2011 do not crystalise and/or are not utilised in settlement of intended obligations within 5 years from December 2011, the extent of the provisions which do not crystalise and/or are not utilised shall be refunded to AMCON. The refund is on the ground that the Financial Accomodation provided by AMCON to bring the Bank's Completion Net Assets Value (NAV) to zero funded those provisions. As at 31 December 2017, the outstanding balance of the retained excess provision was N4,567,607,449 (December 2016: N5,126,911,458). During the year, the Bank recognised a total interest expense of N805,481,312 (2016: N805,187,161) on the retained excess provision. (See Note 9(a)).

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

In common with other banks, the Group conducts business involving acceptances, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties. Contingent liabilities and commitments comprise performance bonds, acceptances, guarantees and letters of credit.

In the normal course of business, the Group is a party to financial instruments with off-balance sheet risks. These instruments are issued to meet the credit and other financial requirements of customers. The total off-balance sheet assets for the Group was N120.12 billion (December 2016: N120.54 billion).

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

	Group Dec.2017	Group Dec.2016	**Bank Dec.2017**	Bank Dec.2016
	₦ million	₦ million	**₦ million**	₦ million
Performance bonds and guarantees	**64,321**	61,524	**64,321**	61,524
Letters of credit	**55,798**	59,018	**55,798**	59,018
	120,119	120,542	**120,119**	120,542

44 Customers' complaints

The Bank in its ordinary course of business received 128,803 complaints (2016: 73,093) during the year ended December 31, 2017. The details of the complaints are illustrated in the table below:

Description	**Dec.2017**	**Dec.2016**
Pending complaints brought forward	1,419	224
Complaints received	128,803	73,093
Complaints resolved	125,382	71,898
Unresolved complaints escalated to CBN	-	-
Unresolved complaints carried forward	4,840	1,419

The total amount in respect of complaints resolved was N9,382,385,055 (2016: N4,282,597,207) while the total disputed amount in cases which remain unresolved stood at N109,262,068 (2016: N3,703,852,173). No complaints were referred to the Central Bank of Nigeria (CBN) for intervention during the year (2016: nil).

The Directors are of the opinion that these outstanding complaints will be ultimately resolved. The Bank has a total provision of N612million (2016: N4.867 billion) for these complaints, included in creditors and accruals balance (see Note 36).

45 Related party transactions

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits, placements and off balance sheet transactions. The volumes of related-party transactions, outstanding balances at the year-end was as follows:

(i) Parent

The parent company, which is also the ultimate parent company, is Union Bank Plc of Nigeria.

(ii) Subsidiaries

Transactions between Union Bank of Nigeria Plc and its subsidiaries also meet the definition of related party transactions.
Where these are eliminated on consolidation, they are not disclosed in the consolidated financial statements.

(iii) Transactions with key management personnel

The Group's key management personnel, and persons connected with them, are also considered to be related parties for disclosure purposes. The definition of key management personnel includes close members of family of key personnel and any entity over which key management personnel exercises control. The key management personnel have been identified as the executive and non-executive directors of the Group and other relevant senior management personnel. Close members of family are those family members who may be expected to influence, or be influenced by that individual in their dealings with the Bank and its subsidiaries.

(b) Transactions with related parties are as follows

31 December 2017
In million naira

Entity	Relationship	Loans	Deposits	Interest Received	Interest Paid	Other borrowed funds	(Letters of credit financing)
UBN Property Company Limited	Subsidiary	-	5,305	-	535	-	-
Union Bank UK Plc	Subsidiary	-	-	-	198	2,331	5,163
Directors and relations	Key Mgt. Personnel	39,311	273	11	21	-	-
Executive Director's loans	Key Mgt. Personnel	198	-	-	-	-	-

31 December 2016
In million naira

Entity	Relationship	Loans	Deposits	Interest Received	Interest Paid	Other borrowed funds	(Letters of credit financing)
UBN Property Company Limited	Subsidiary	-	1,476	-	198	-	-
Union Bank UK Plc	Subsidiary	-	-	-	249	2,298	2,948
Directors and related companies	Key Mgt. Personnel	35,140	279	7	16	-	-
Executive Director's loans	Key Mgt. Personnel	245	-	-	-	-	-

The status of performance of each facility as at 31 December 2017 is as shown below:

(a) Secured loans and advances

Borrower	*Relationship*	*Facility*	**Dec. 2017** *Amount* ₦ million	*Status*
Accugas Limited/Adeyemi Osindero/ Chairman- Cyril Odu	Former Director	Fcy Term Loan	16,073	Performing
Notore Chemicals Industries Ltd/Onajite Okoloko	Former Director	Fcy Term Loan	621	Performing
Notore Chemicals Industries Ltd/Onajite Okoloko	Former Director	Term Loan	7,115	Performing
Notore Chemicals Industries Ltd/ Onajite Okoloko	Former Director	Letter of Credit	55	Performing
PNG Gas Ltd/Cyril Odu	Chairman	Term Loan	3,932	Performing
PNG Gas Ltd/Cyril Odu	Chairman	Financial Guarantee	800	Performing
Swift Networks Ltd/Richard Kramer	Non-Executive Director	Term Loan	5,672	Performing
Swift Networks Ltd/Richard Kramer	Non-Executive Director	Term Loan	417	Performing
Swift Networks Ltd/Richard Kramer	Non-Executive Director	Financial Guarantee	4,626	Performing
			39,311	

Key management personnel compensation for the year comprises:

	Dec. 2017	Dec. 2016
	₦ million	₦ million
Salaries, short term benefits and pensions	760	763
Share-based payment	293	147
Other allowances and benefits	20	14
Fees as directors	200	280
	1,273	1,204

Directors' Remuneration

(i) Directors' remuneration excluding pension contribution and certain benefits was provided as follows:

	Group Dec. 2017	Group Dec. 2016	Bank Dec. 2017	Bank Dec. 2016
	₦ million	₦ million	₦ million	₦ million
Fees as directors	200	280	200	280
Other allowance and benefits	20	14	20	14
	220	294	220	294
Executive compensation	760	763	760	763
Share-based payment	293	147	293	147
	1,273	1,204	1,273	1,204

(ii) The directors'remuneration shown above includes

	Group Dec. 2017	Group Dec. 2016	Bank Dec. 2017	Bank Dec. 2016
	N million	N million	N million	N million
Chairman	30	30	30	30
Highest paid director	172	166	172	166

(iii) The number of directors who received fees and other emoluments (excluding pension contributions) in the following ranges were:

	Bank Dec. 2017	Bank Dec. 2016
N20,000,000 - N30,000,000	8	10
N30,000,001 - N40,000,000	1	1
N40,000,001 - N50,000,000	-	-
N50,000,001 - N100,000,000	5	5
N100,000,001 - N200,000,000	1	1
N200,000,001 - N400,000,000	-	-
	15	17

Employees

The number of persons in the employment of the Bank at 31 December was as follows:

	Bank Dec. 2017	Bank Dec. 2016
Management	40	46
Non-management	2,605	2,657
	2,645	2,703

The number of employees of the Bank, other than directors, who received emoluments in the following ranges (excluding pension contributions and other benefits) were:

	Bank Dec. 2017	Bank Dec. 2016
N1,000,000 - N1,500,000	5	7
N1,500,001 - N2,000,000	3	3
N2,000,001 - N2,500,000	-	-
N2,500,001 - N3,000,000	-	-
N3,000,001 - N3,500,000	910	862
N3,500,001 - N4,000,000	-	-
N4,000,001 - N4,500,000	-	-
N4,500,001 - N5,000,000	722	743
Above N5,000,000	1,005	1,088
	2,645	2,703

46 Compliance with banking regulations

The Bank contravened some banking regulations in the course of the year, this contravention attracted a penalty of N12.04m for the year 2017 (2016: N27.72m). Details of the banking regulation which the Bank contravened during the year was as follows:

Banking Legislation	Nature of contravention	Penalties ₦ million
CAMA 1990: S553. Certain companies to publish statement in prescribed form. CAMA 1990: S548. Publication of name by company	Non-display of statement of affairs and bank's signage	2.01
Not Applicable	Penalty paid to CBN on erroneous statement made on Corporate Governance Monitoring in Rights issue circular published by UBN Plc dated August 30, 2017	2.00
BSD/DIR/GEN/LAB/07/011: Timelines for rendition of statutory returns through the FinA application to the CBN and NDIC	Late rendition of daily returns for the period 1st - 15th October 2016	0.03
TED/FEM/FPC/GEN/01/005: Repatriation of export proceeds (oil and non-oils)	Fx examination report for the period 1st October 2016 to 31st March 2017 - Non-repatriation of export proceeds	2.00
Risk Assets examination report of UBN Plc as at 31st December 2016:	See (a) - (c) below	6.00
a) SECTION 2.2.4 of the CBN Code of Corporate Governance	a] Independent directors breach of section 2.2.4 of the CBN Code of Corporate Governance	
b) SECTION 3.5 of the Prudential Guidelines for Deposits Money Banks in Nigeria: May 2010	b] QBR 1650b: CBN Returns on Credit to Directors Officers Employees Principal Shareholders & their Related Interests on Insider related credit understated by N30.05b exposure to Sahara Group	
c) SECTION 25 of BOFIA, 1990 as amended	c] Failure to recognize the contingent assets and liabilities balance of N264.97 billion in the MBR and DTR returns during the review period, in violation of section 25 of BOFIA 1991, as amended.	
		12.04

47 Current/non-current classification

The following table shows the analysis of the Group's assets and liabilities and on the basis of their current/ non-current classification.

Group	*Note*	31 December 2017 Carrying amount	Current	Non- current	31 December 2016 Carrying amount	Current	Non-current
		₦ million	₦ million	₦ million	N million	N million	N million
ASSETS							
Cash and cash equivalents	19	222,577	222,577	-	136,194	136,194	-
Non-pledged trading assets	20	20,076	20,076	-	8,323	8,323	-
Pledged assets	21	54,079	26,544	27,535	53,430	26,544	26,886
Derivative assets held for risk management	22	1,297	1,297	-	2,747	2,747	-
Loans and advances to customers	23	517,103	356,223	160,880	507,190	317,843	189,347
Investments in equity accounted investee	24	-	-	-	-	-	-
Investment securities	25	185,658	156,553	29,105	181,720	118,543	63,177
Trading properties	26	1,153	-	1,153	2,309	-	2,309
Investment properties	27	4,951	-	4,951	4,347	-	4,347
Property and equipment	29	55,986	-	55,986	52,800	-	52,800
Intangible assets	30	4,344	-	4,344	3,374	1,100	2,274
Deferred tax assets	31	95,875	-	95,875	95,910	-	95,910
Other assets	32	291,692	287,462	4,230	202,298	76,497	125,801
Defined benefit assets	37(a)	352	-	352	1,643	-	1,643
		1,455,143	1,070,731	384,412	1,252,285	687,791	564,494
Assets classified as held for sale	39(a)	397	397	-	397	397	-
TOTAL ASSETS		1,455,540	1,071,128	384,412	1,252,682	688,188	564,494

Group

		31 December 2017			31 December 2016		
		Carrying amount	Current	Non- current	Carrying amount	Current	Non- current
		₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
LIABILITIES							
Derivative liabilities held for risk management	22	972	972	-	13	13	-
Deposits from banks	33	100,131	100,037	94	90,266	88,822	1,444
Deposits from customers	34	802,384	796,374	6,010	658,444	658,258	186
Current tax liabilities	35	524	524	-	465	465	-
Deferred tax liabilities	31	259	-	259	101	-	101
Other liabilities	36	111,461	77,521	33,940	141,404	112,060	29,344
Retirement benefit obligations	37(a)	857	-	857	805	181	624
Other borrowed funds	38	93,211	67,463	25,748	89,514	62,420	27,094
		1,109,799	1,042,890	66,908	981,012	922,219	58,793
Liabilities classified as held for sale	39	-	-	-	-	-	-
TOTAL LIABILITIES		1,109,799	1,042,890	66,908	981,012	922,219	58,793

Bank

		31 December 2017			31 December 2016		
		Carrying amount	Current	Non- current	Carrying amount	Current	Non- current
		₦ million	₦ million	₦ million	N million	N million	N million
ASSETS							
Cash and cash equivalents	19	137,497	137,497	-	35,536	35,536	-
Non-pledged trading assets	20	20,076	20,076	-	8,323	8,323	-
Pledged assets	21	54,079	26,544	27,535	53,430	26,544	26,886
Derivative assets held for risk management	22	1,297	1,297	-	2,747	2,747	-
Loans and advances to customers	23	488,555	327,675	160,880	489,890	312,945	176,945
Investments in equity accounted investee	24	-	-	-	-	-	-
Investment securities	25	175,329	146,224	29,105	166,759	106,323	60,436
Trading properties	26	513	-	513	1,124	-	1,124
Investment in subsidiaries	28	10,567	-	10,567	10,567	-	10,567
Property and equipment	29	55,801	-	55,801	52,567	-	52,567
Intangible assets	30	3,949	-	3,949	2,859	-	2,859
Deferred tax assets	31	95,875	-	95,875	95,875	-	95,875
Other assets	32	290,706	286,746	3,960	201,838	76,487	125,351
Defined benefit assets	37(a)	352	-	352	1,643	-	1,643
		1,335,000	946,058	388,942	1,123,158	568,904	554,254
Assets classified as held for sale	39(a)	325	-	325	325	325	-
TOTAL ASSETS		1,335,325	946,058	389,267	1,123,483	569,229	554,254
LIABILITIES							
Derivative liabilities held for risk management	22	972	972	-	13	13	-
Deposits from banks	33	10,686	10,592	94	4,351	4,351	-
Deposits from customers	34	796,708	790,698	6,010	633,827	633,775	52
Current tax liabilities	35	271	271	-	177	177	-
Other liabilities	36	108,359	77,521	30,838	141,191	111,843	29,348
Retirement benefit obligations	37(a)	801	-	801	773	152	621
Other borrowed funds	38	95,736	69,988	25,748	91,812	64,718	27,094
		1,013,533	950,041	63,492	872,144	815,029	57,115

48 Reconciliation notes to consolidated and separate statement of cashflows

		Group 31 Dec 2017	Group 31 Dec 2016	Bank 31 Dec 2017	Bank 31 Dec 2016
		N million	N million	**N million**	N million
(i)	***Change in non-pledged trading assets***				
	Opening balance for the year	**8,323**	-	**8,323**	-
	Closing balance for the year	**(20,076)**	(8,323)	**(20,076)**	(8,323)
	Total changes in non-pledged trading assets	**(11,753)**	(8,323)	**(11,753)**	(8,323)
(ii)	***Change in pledged assets***				
	Opening balance for the year	**53,430**	84,728	**53,430**	84,728
	Closing balance for the year	**(54,079)**	(53,430)	**(54,079)**	(53,430)
	Total changes in pledged assets	**(649)**	31,298	**(649)**	31,298
(iii)	***Change in loans and advances to customers***				
	Opening balance for the year	**507,190**	366,721	**489,890**	348,984
	Specific impairment charge during the year (see note 14(a))	**(39,480)**	(17,925)	**(39,280)**	(17,891)
	Net portfolio (impairment)/writeback (see note 14(a))	**6,654**	(3,234)	**6,553**	(3,172)
	Recoveries (see note 13)	**5,946**	1,297	**5,946**	1,297
	Reversal of impairment on loans ans advances (see note 14(a))	**7,217**	3,280	**7,217**	3,280
	Closing balance for the year	**(517,103)**	(507,190)	**(488,555)**	(489,890)
	Total changes in loans and advances to customers	**(29,576)**	(157,051)	**(18,229)**	(157,392)
(iv)	***Change in other assets***				
	Opening balance for the year	**202,298**	138,686	**201,838**	138,030
	Impairment charges recognised in profit or loss (note 14(b))	**(174)**	-	**(161)**	-
	Allowance no longer required on other assets (note 14(b))	**193**	717	**193**	717
	Reclassification of property and equipments	**60**	2,441	**92**	2,441
	Reclassification of intangible assets	**(180)**	(253)	**(179)**	168
	Other non-cash adjustments	**-**	(2,636)	**-**	(2,205)
	Closing balance for the year	**(291,692)**	(202,298)	**(290,706)**	(201,838)
	Total changes in other assets	**(89,495)**	(63,343)	**(88,923)**	(62,686)
(v)	***Change in derivative financial instruments - assets***				
	Opening balance for the year	**2,747**	1,820	**2,747**	1,820
	Closing balance for the year	**(1,297)**	(2,747)	**(1,297)**	(2,747)
	Changes on derivative instruments - assets	**1,450**	(927)	**1,450**	(927)
	Change in derivative financial instruments - liabilities				
	Opening balance for the year	**(13)**	-	**(13)**	-
	Closing balance for the year	**972**	13	**972**	13
	Changes on derivative instruments - liabilities	**959**	13	**959**	13
(vi)	***Change in deposits from banks***				
	Opening balance for the year	**(90,266)**	(44,091)	**(4,351)**	(11,800)
	Closing balance for the year	**100,131**	90,266	**10,686**	4,351
	Total changes in deposits from banks	**9,865**	46,175	**6,335**	(7,449)
(vii)	***Change in deposits from customers***				
	Opening balance for the year	**(658,444)**	(570,639)	**(633,827)**	(569,116)
	Closing balance for the year	**802,384**	658,444	**796,708**	633,827
	Total changes in deposits from customers	**143,940**	87,805	**162,881**	64,711
(viii)	***Change in other liabilities***				
	Opening balance for the year	**(141,404)**	(107,533)	**(141,191)**	(106,035)
	Adjustment for non-cash items	**1,588**	(4,283)	**1,588**	(3,772)
	Closing balance for the year	**111,461**	141,404	**108,359**	141,191
	Total changes in other liabilities	**(28,355)**	29,588	**(31,244)**	31,384

(ix) ***Net proceeds from disposal of subsidiaries***

Sales proceed from disposal of subsidiaries (See note 13b)	**-**	3,040	**-**	3,040
Cost incurred on disposal (See note 13b)	**-**	(34)	**-**	(34)
Net proceed from disposal of subsidiaries	**-**	3,006	**-**	3,006

(x) ***Proceeds/(acquisition) of investment securities***

Opening balance for the year	**(181,720)**	(215,137)	**(166,759)**	(209,223)
Fair value gain on available for sale investment	**(7,862)**	(1,939)	**(7,753)**	(1,495)
Gain on investment disposed during the year	**-**	(297)	**-**	(297)
Proceeds/(acquisition) of investment securities	**3,924**	35,653	**(817)**	44,256
Closing balance for the year	**(185,658)**	(181,720)	**(175,329)**	(166,759)

(xi) ***Movements in borrowings***

Opening balance for the year	**89,514**	76,059	**91,812**	76,059
Total cash inflows from borrowings	**14,886**	47,784	**14,886**	47,784
Total repayments of borrowed funds	**(11,189)**	(34,329)	**(10,962)**	(32,031)
Closing balance for the year (See Note 38)	**93,211**	89,514	**95,736**	91,812

Other National disclosures

Value Added Statement
For the year ended 31 Dec 2017

Group:

	Dec. 2017 ₦ million	%	Dec. 2016 ₦ million	%
Gross earnings	163,844		129,606	
Group share of associate's profit	-		-	
Interest expenses	(57,880)		(34,682)	
	105,964		94,924	
Net impairment loss on financial assets	(25,317)		(17,186)	
	80,647		77,738	
Bought in materials and services	(29,533)		(25,860)	
Value added	51,114	100	51,878	100
Distribution:				
Employee				
- Employees as personnel expenses	29,557	58	31,234	60
Government				
- Taxation	911	2	347	1
Retained in the Group				
- For replacement of property and equipment and intangible assets	6,038	12	4,906	9
- Profit for the year (including non controlling interests)	14,608	29	15,391	30
	51,114	100	51,878	100

Bank:

	Dec. 2017 ₦ million	%	Dec. 2016 ₦ million	%
Gross earnings	157,566		126,471	
Interest expenses	(57,554)		(34,588)	
	100,012		91,883	
Net impairment loss on financial assets	(25,478)		(17,066)	
	74,534		74,817	
Bought in materials and services	(28,035)		(24,436)	
Value added	46,499	100	50,381	100
Distribution:				
Employee				
- Employees as personnel expenses	27,545	59	29,628	59
Government				
- Taxation	337	1	168	0
Retained in the Group				
- For replacement of property and equipment and intangible assets	5,778	12	4,700	9
- Profit for the year	12,839	28	15,885	32
	46,499	100	50,381	100

Financial summary

For the year ended 31 Dec 2017

Group

STATEMENT OF FINANCIAL POSITION	Dec. 2017	Dec. 2016	Dec. 2015	Dec. 2014	Dec. 2013
	₦ million	₦ million	₦ million	₦ million	₦ million
ASSETS					
Cash and cash equivalents	222,577	136,194	82,252	121,960	100,925
Non-pledged trading assets	20,076	8,323	-	745	2,847
Pledged assets	54,079	53,430	84,728	83,935	65,167
Derivative assets held for risk management	1,297	2,747	1,820	7	-
Loans and advances to customers	517,103	507,190	366,721	312,797	229,542
Investments in equity-accounted investee	-	-	24	24	25
Investment securities	185,658	181,720	215,137	197,200	289,353
Trading properties	1,153	2,309	3,177	1,930	4,747
Investment properties	4,951	4,347	4,546	-	16,413
Property and equipment	55,986	52,800	52,611	51,100	44,581
Intangible assets	4,344	3,374	3,749	2,422	808
Deferred tax assets	95,875	95,910	95,883	95,883	95,889
Other assets	291,692	202,298	138,686	122,547	100,069
Defined benefit assets	352	1,643	-	-	-
Assets classified as held for sale	397	397	397	20,426	51,684
	1,455,540	**1,252,682**	**1,049,731**	**1,010,976**	**1,002,050**
LIABILITIES					
Share capital	14,561	8,468	8,468	8,468	8,468
Share premium	187,091	391,641	391,641	391,641	391,641
Reserves	138,258	(133,550)	(158,686)	(181,394)	(208,634)
Non-controlling interest	5,831	5,111	5,337	5,338	7,162
Derivative financial instrument	972	13	-	7	-
Deposits from banks	100,131	90,266	44,091	61,890	46,794
Deposits from customers	802,384	658,444	570,639	527,617	482,706
Liability on investment contract	-	-	-	-	-
Liability on insurance contract	-	-	-	-	-
Current tax liabilities	524	465	382	822	534
Deferred tax liabilities	259	141,404	107,533	103,580	143,803
Other liabilities	111,461	101	-	-	-
Retirement benefit obligations	857	805	4,267	7,525	22,864
Other borrowed funds	93,211	89,514	76,059	78,135	45,280
Liabilities included in discontinued operations	-	-	-	7,347	61,432
	1,455,540	**1,252,682**	**1,049,731**	**1,010,976**	**1,002,050**

STATEMENT OF COMPREHENSIVE INCOME	Dec. 2017	Dec. 2016	Dec. 2015	Dec. 2014	Dec. 2013
	₦ million	₦ million	₦ million	₦ million	₦ million
Net operating income	105,964	93,627	81,850	96,195	79,662
Group share of associates' profits		-	-	(6)	(4)
Exceptional item					-
Impairment losses on financial assets	(25,609)	(15,889)	(9,244)	(9,651)	(15,736)
	80,355	77,738	72,606	86,538	63,922
Operating expenses	(65,128)	(62,000)	(57,850)	(59,419)	(58,593)
Profit before tax	**15,227**	**15,738**	**14,756**	**27,119**	**5,329**
Taxation	(911)	(347)	(552)	(434)	933
Profit after tax	**14,316**	**15,391**	**14,204**	**26,685**	**6,262**
Profit for the year from discontinued operations	-	-	-	140	(2,426)
Profit for the year	14,316	15,391	14,204	26,825	3,836
Non-controlling interest	720	(226)	(1)	1,198	(1,621)
Profit attributable to equity holders	**13,596**	**15,617**	**14,205**	**25,627**	**5,457**
Earnings/(Loss) per share (basic)	81k	92k	84k	151k	32k

Bank

STATEMENT OF FINANCIAL POSITION	Dec. 2017	Dec. 2016	Dec. 2015	Dec. 2014	Dec. 2013
	₦ million	₦ million	₦ million	₦ million	₦ million
ASSETS					
Cash and cash equivalents	137,497	35,536	54,451	58,457	53,141
Non-pledged trading assets	20,076	8,323	-	745	2,847
Pledged assets	54,079	53,430	84,728	83,935	65,167
Derivative assets held for risk management	1,297	2,747	1,820	-	-
Loans and advances to customers	488,555	489,890	348,984	302,372	210,118
Investments in equity-accounted investee	-	-	-	-	16
Investment securities	175,329	166,759	209,223	193,656	290,377
Assets classified as held for sale	325	325	325	2,525	2,374
Trading properties	513	1,124	1,124	1,930	1,930
Investment properties	-	-	-	-	-
Investment in subsidiaries	10,567	10,567	10,567	8,372	12,892
Property and equipment	55,801	52,567	52,531	51,007	44,405
Intangible assets	3,949	2,859	3,318	2,071	685
Deferred tax assets	95,875	95,875	95,875	95,875	95,875
Other assets	290,706	201,838	138,030	121,810	101,564
Defined benefit assets	352	1,643	-	-	-
	1,334,921	**1,123,483**	**1,000,976**	**922,755**	**881,391**
LIABILITIES					
Share capital	14,561	8,468	8,468	8,468	8,468
Share premium	187,091	391,641	391,641	391,641	391,641
Reserves	119,736	(148,770)	(166,602)	(192,316)	(213,041)
Derivative financial instrument	972	13	-	-	-
Deposits from banks	10,686	4,351	11,800	18,055	3,200
Deposits from customers	796,708	633,827	569,116	507,431	479,956
Current tax liabilities	271	177	229	635	472
Deferred tax liabilities	-	-			-
Other liabilities	108,359	141,191	106,035	103,181	142,586
Dividend payable					-
Retirement benefit obligations	801	773	4,230	7,525	22,819
Other borrowed funds	95,736	91,812	76,059	78,135	45,280
	1,334,921	**1,123,483**	**1,000,976**	**922,755**	**881,381**

STATEMENT OF COMPREHENSIVE INCOME	Dec. 2017	Dec. 2016	Dec. 2015	Dec. 2014	Dec. 2013
	₦ million	₦ million	₦ million	₦ million	₦ million
Net operating income	100,012	91,883	83,269	85,584	79,307
Exceptional item					-
Impairment losses on financial assets	(25,478)	(17,066)	(9,177)	(7,671)	(18,420)
	74,534	74,817	74,092	77,913	60,887
Operating expenses	(61,358)	(58,764)	(55,637)	(57,222)	(56,686)
Profit before tax	**13,176**	**16,053**	**18,455**	**20,691**	**4,201**
Taxation	(337)	(168)	(420)	(205)	920
Profit after tax	**12,839**	**15,885**	**18,035**	**20,486**	**5,121**
Earnings/(Loss) per share (basic)	75k	94k	106k	121k	30k
Earnings/(Loss) per share (adjusted)	76k	94k	106k	121k	30k