Union Bank of Nigeria Plc

Consolidated Interim Financial Statements
For the period ended 31 March 2013

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Consolidated financial statements

Separate and Consolidated Statements of Financial Position

In millions of Naira	***Notes***	Group March 2013	Group December 2012	Bank March 2013	Bank December 2012
ASSETS					
Cash and cash equivalents	12	143,965	200,260	86,966	142,938
Non-pledged trading assets	13	2,310	1,895	1,721	867
Pledged assets	14	41,323	44,503	41,323	44,503
Derivative financial instruments		-	78	-	-
Loans and advances to customers	15	170,677	164,932	138,127	136,982
Investments in equity accounted investee	16	15,242	15,242	91	91
Investment securities	17	323,611	313,754	297,653	280,449
Assets held for sale	18	84	84	84	84
Trading properties	19	6,980	6,971	2,282	2,282
Investment properties	20	17,145	19,296	-	-
Investment in subsidiaries	21	-	-	17,445	17,445
Property and equipment	22	47,804	48,466	44,845	45,137
Intangible assets	23	885	922	495	522
Deferred tax assets	24	93,994	95,707	95,682	95,875
Other assets	25	133,261	121,296	124,580	119,293
TOTAL ASSETS		997,281	1,033,406	851,294	886,468
LIABILITIES					
Derivative financial instrument		-	78		
Deposits from banks	26	-	45,112	-	3,500
Deposits from customers	27	563,214	522,443	483,007	482,005
Liability on investment contract	28	887	803	-	-
Liability on insurance contract	29	3,303	2,691	-	-
Current tax liabilities	30	2,182	2,317	544	495
Deferred tax liabilities	24	672	358	-	-
Other liabilities	31	151,193	180,756	118,054	145,478
Retirement benefit obligations	32	40,517	49,886	40,002	49,368
Other borrowed funds	33	33,229	34,564	32,841	33,951
TOTAL LIABILITIES		795,197	839,008	674,448	714,797
EQUITY					
Share capital and share premium	34	400,109	400,109	400,109	400,109
Treasury shares	34	(240)	(65)	-	-
Retained earnings	34	(256,838)	(265,747)	(264,041)	(269,035)
Other reserves	34	55,962	55,122	40,778	40,597
EQUITY ATTRIBUTABLE TO EQUITY - HOLDERS OF THE BANK		198,993	189,419	176,846	171,671
Non-controlling interest		3,091	4,979	-	-
TOTAL EQUITY		202,084	194,398	176,846	171,671
TOTAL LIABILITIES AND EQUITY		997,281	1,033,406	851,294	886,468

The notes on pages 6 to 36 are an integral part of these consolidated and separate financial statements.

Separate and Consolidated Statements of Comprehensive Income

For the period ended 31 March 2013

In millions of Naira	*Notes*	Group 3 months to March 2013	Group 3 months to March 2012	Bank 3 months to March 2013	Bank 3 months to March 2012
Interest income	4	22,328	20,797	19,792	18,341
Interest expense	4	(7,012)	(5,468)	(6,120)	(4,598)
Net interest income		15,316	15,329	13,672	13,743
Net fee and commission income	5	2,577	6,627	2,166	3,617
Net trading income	6	406	1,529	100	840
Other operating income	7	4,488	888	3,321	2,713
		7,471	9,044	5,587	7,170
Operating income		22,787	24,373	19,259	20,913
Net impairment loss on financial assets	8	1,105	(465)	(643)	(1,298)
Personnel expenses	9	(8,677)	(10,751)	(7,637)	(9,445)
Depreciation and amortisation		(1,102)	(1,290)	(906)	(1,087)
Other operating expenses	10	(6,417)	(6,383)	(5,466)	(5,104)
		7,696	5,484	4,607	3,980
Share of profit of equity accounted investee		-	-	-	-
Profit before income tax		7,696	5,484	4,607	3,980
Income tax	11	88	(275)	143	(66)
Profit for the period		7,784	5,209	4,750	3,914
Other comprehensive income, net of income tax					
Foreign currency translation differences for foreign operations		178	-	-	-
Fair value (losses)/gains on available-for-sale investments		695	491	425	(1,608)
Other comprehensive income for the period		873	491	425	(1,608)
Total comprehensive income for the period		8,657	5,700	5,175	2,306
Profit attributable to:					
Equity holders of the Bank		8,840	4,782	4,750	3,914
Non-controlling interest		(1,056)	427	-	-
Profit for the period		7,784	5,209	4,750	3,914
Total comprehensive income attributable to:					
Equity holders of the Bank		9,713	5,273	5,175	2,306
Non-controlling interest		(1,056)	427	-	-
Total comprehensive income for the period		8,657	5,700	5,175	2,306
Earnings per share - Basic		52k	28k	28k	23k

Consolidated Statements of Changes in Equity
For the period ended 31 March 2013

Group

In millions of Nigerian Naira	**Share capital**	**Share premium**	**Statutory reserve**	**Treasury shares**	**Fair value reserves**	**Regulatory risk reserves**	**Other reserves**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 1 January 2013	8,468	391,641	17,460	(65)	31,057	7,393	(788)	(265,747)	189,419	4,979	194,398
Total comprehensive income for the period											
Profit for the period	-	-	-	-	-	-	-	8,840	8,840	(1,056)	7,784
Other comprehensive income											
Increase/(decrease) in revaluation surplus for the period	-	-	-	-	-	-	-	-	-	-	-
Foreign currency translation diferrence	-	-	-	-	-	-	178	-	178	-	178
Fair value reserve on financial assets	-	-	-	-	695	-	-	-	695	-	695
Transfer from retained earnings	-	-	-	-	(2,043)	1,985	25	69	36	-	36
Total comprehensive income for the period	-	-	-	-	(1,348)	1,985	203	8,909	9,749	(1,056)	8,693
Transactions with owners, recorded directly in equity											
Contributions by and distributions to owners											
Acquisition/(disposal) of own shares	-	-	-	(175)	-	-	-	-	(175)	-	(175)
Increase/dilution in non-controlling interest	-	-	-	-	-	-	-	-	-	(832)	(832)
Total contribution and distributions to owners	-	-	-	(175)	-	-	-	-	(175)	(832)	(1,007)
Balance at 31 March 2013	**8,468**	**391,641**	**17,460**	**(240)**	**29,709**	**9,378**	**(585)**	**(256,838)**	**198,993**	**3,091**	**202,084**

Bank

In millions of Nigerian Naira	**Share capital**	**Share premium**	**Statutory reserve**	**Treasury shares**	**Fair value reserves**	**Regulatory risk reserves**	**Other reserves**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 1 January 2013	8,468	391,641	15,563	-	24,789	1,005	(760)	(269,035)	171,671	-	171,671
Total comprehensive income for the period											
Profit or loss	-	-	-	-	-	-	-	4,750	4,750	-	4,750
Other comprehensive income											
Fair value reserve (available-for-sale) financial assets	-	-	-	-	425	-	-	-	425	-	425
Transfer from retained earnings						(244)		244	-		-
Total comprehensive income for the period	-	-	-	-	425	(244)	-	4,994	5,175	-	5,175
Transactions with owners, recorded directly in equity											
Contributions by and distributions to owners											
Shares issued during the period	-	-	-	-	-	-	-	-	-	-	-
Premium on shares issued	-	-	-	-	-	-	-	-	-	-	-
Total contribution and distributions to owners	-	-	-	-	-	-	-	-	-	-	-
Balance at 31 March 2013	**8,468**	**391,641**	**15,563**	**-**	**25,214**	**761**	**(760)**	**(264,041)**	**176,846**	**-**	**176,846**

Consolidated Separate Statements of Cash Flows

For the period ended 31 March 2013

		Group	Group	Bank	Bank
	Notes	March	December	March	December
In millions of Nigerian Naira		2013	2012	2013	2012
Cash flows from operating activities					
Profit for the period		7,784	7,375	4,750	7,851
Income tax expense	11	(88)	1,685	(143)	268
Profit before tax		7,696	9,060	4,607	8,119
Adjustments for:					
Impairment (recoveries)/allowances on loans and advances	8	(1,259)	682	236	(550)
Impairment (recoveries)/allowances on investment securities and other investments	8	(53)	747	-	(362)
Allowances on other assets	8	22	3,966	222	2,959
Gain on sale of property and equipment	7	(296)	(32)	(296)	(29)
Loss on sale of investment properties		-	66	-	-
Gain on sale of trading properties		-	(222)	-	-
Depreciation of property and equipment	22	1,041	4,667	875	4,096
Amortisation of intangible assets	23	61	285	31	79
Revaluation gain on investment properties		-	(85)	-	-
Dividend income from equity investment	7	(1,628)	(926)	(1,618)	(775)
Interest paid on borrowings		-	7,784	-	8,078
Bad debts (recovered)/written off		(2,722)	481	(109)	191
Prior year adjustment		3,050	-	-	-
Retirement benefit provisions	32	518	5,465	479	5,109
Share of profit of equity accounted investee		-	(1,850)	-	-
Change in the value of equity accounted investee		-	(692)	-	-
		6,430	29,396	4,427	26,915
Change in non-pledged trading assets		(415)	3,968	(854)	1,984
Change in pledged assets		3,180	25,191	3,180	25,191
Change in derivative financial instruments - assets		78	(78)	-	-
Change in loans and advances to customers		(4,772)	79	(1,272)	7,735
Change in other assets		(11,949)	(1,455)	(4,898)	(5,840)
Change in derivative financial instruments - liabilities		(78)	78	-	-
Change in deposits from banks		(45,112)	(17,102)	(3,500)	1,920
Change in deposits from customers		40,771	21,470	1,002	82,230
Change in liabilities on investment contracts		84	234	-	-
Change in liabilities on insurance contracts		612	47	-	-
Change in other liabilities		(27,203)	(35,900)	(27,039)	(29,401)
		(38,374)	25,928	(28,954)	110,734
Income tax paid		(381)	(2,032)		(1,131)
Net (used in)/cash provided by operating activities		(38,755)	23,896	(28,954)	109,603

	Note				
Cash flows from investing activities					
Purchase of investment properties	20	(1)	(59)	-	-
Proceeds from sale of investment properties	20	2,152	4,057	-	-
Acquisition of trading properties	19	(9)	(2,748)	-	(2,282)
Proceeds from sale of trading properties		-	1,563	-	-
Proceeds from sale of assets classified as held for sale		-	723	-	723
Proceeds from sale of property and equipment	22	406	45	405	30
Acquisition of property and equipment	22	(1,354)	(3,076)	(1,304)	(2,773)
Acquisition of intangible assets	23	(24)	(610)	(4)	(492)
Investment securities		(9,284)	(48,056)	(16,779)	(31,858)
Dividend income received	7	1,628	926	1,618	775
Dividend income from equity accounted investee		-	242	-	-
Investment in retirement benefit scheme	32	(9,887)	(14,965)	(9,845)	(14,369)
Net cash used in investing activities		(16,373)	(61,958)	(25,909)	(50,246)
Cash flows from financing activities					
Inflow from other borrowings		(1,335)	7,614	(1,110)	7,001
Interest paid on borrowings		-	(7,784)	-	(8,078)
Net cash from financing activities		(1,335)	(170)	(1,110)	(1,077)
Net increase in cash and cash equivalents		(56,463)	(38,232)	(55,973)	58,280
Cash and cash equivalents at beginning of period		200,260	239,013	142,939	84,658
Effect of exchange rate fluctuations on cash held		168	(521)		-
Cash and cash equivalents at end of period		143,965	200,260	86,966	142,938

The notes on pages 6 to 36 are an integral part of these consolidated and separate financial statements.

Notes to the Consolidated financial statements
For the period ended 31 March 2013

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 Union Bank of Nigeria Plc, Stallion Plaza, 36 Marina, Lagos. The consolidated financial statements of the Bank as at and for the period ended 31 March 2013 comprise the Bank and its subsidiaries (together referred to as the "Group"and individually as 'Group entities'). The Group is primarily involved in investment, corporate, commercial and retail banking, as well as the provision of insurance, registrars, pension fund custodial, trusteeship and asset management services.

2 Basis of preparation

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

(b) Basis of measurement
These consolidated financial statements are prepared on the historical cost basis except for the following material items in the statement of financial position:
• financial instruments at fair value through profit or loss are measured at fair value;
• available-for-sale financial assets are measured at fair value;
• investment property is measured at fair value; and
• the liability for defined benefit obligations is recognised as the present value of the defined benefit obligation less the net total of the plan assets, plus unrecognised actuarial gains, less unrecognised past service cost and unrecognised actuarial losses.

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

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

(d) 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 will be variances in the impairments allowances required under the two methodologies.

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

(a) 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 and the expected impact/changes in general reserves should be treated as follows:
• Prudential Provisions is greater than IFRS impairments; the excess provision resulting should be transferred from the retained earnings account to a "regulatory risk reserve".
• Prudential Provisions is less than IFRS impairments; IFRS determined impairments is charged to the income statement. The cumulative balance in the regulatory risk reserve is thereafter reversed to the retained earnings account

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

The Bank has complied with the requirements of the guidelines.

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

The reconciliation between the impairment based on relevant IFRS standards and CBN's Prudential Guidelines provision is shown in the stament below:

Statement of Prudential Adjustments

	Note	Dec. 2012 ₦ million	Dec. 2011 ₦ million
IFRS-based impairments:			
Specific impairment on cash and cash equivalents	12	18,472	18,287
Specific impairment on loans to customers	15	6,264	3,970
Portfolio impairment on loans to customers	15	6,197	7,838
Specific impairment on investment securities	17	8,492	8,492
Specific impairment on assets held for sale	18	964	964
Specific impairment on investment in subsidiaries	21	1,834	1,834
Specific impairment on other assets	32	151,438	151,093
		193,661	192,478
Prudential provisions:			
Specific provision on cash and cash equivalents		18,472	18,287
Specific provision on loans to customers		10,219	9,293
General provision on loans to customers		1,301	1,152
Interest in suspense		1,702	2,368
Specific provision on investment securities		8,492	8,492
Specific provision on assets held for sale		964	964
Specific provision on investment in subsidiaries		1,834	1,834
Specific provision on other assets		151,438	151,093
		194,422	193,483
Regulatory risk reserve		761	1,005

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

	Dec. 2012 ₦ million	Dec. 2011 ₦ million
Balance, beginning of the year	1,005	2,725
Transfer during the year	(244)	(1,720)
Balance, end of the year	761	1,005

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 and in preparing the opening IFRSs balance sheet at 1 January 2011 for purposes of the transition to IFRSs.

The accounting policies have been applied consistently by Group entities.

(a) Basis of consolidation

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. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

Non-controlling interest

For each business combination, the Group elects to measure any non-controlling interests in the acquiree either:

- at fair value; or
- at their proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

Subsidiaries

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

Associates

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

Special purpose entities

Special purpose entities are entities that are created to accomplish a narrow and well-defined objective such as the securitisation of particular assets, or the execution of specific borrowings or lending transactions or the provision of certain benefits to employee. The financial statements of special purpose entities are included in the Group’s consolidated financial statements, where the substance of the relationship is that the Group controls the special purpose entity.

Fund management

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

Loss of control

On loss of control, the Group derecognises the assets and liabilities of a subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently that retained interest is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments (see Note 3(j)) depending on the level of influence retained.

Transactions eliminated on consolidation

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

(b) Foreign currency transactions

Foreign currency transactions

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

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

Foreign operations

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

Foreign 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 non-wholly owned subsidiary, then the relevant proportion of the translation difference 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 foreseeable future, foreign currency gains and losses arising from such item 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 for all interest bearing financial instruments, except for those classified at fair value through profit or loss, are recognised as part of interest income and interest expense in the income statement using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the net carrying amount of the financial asset or liability.

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

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

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

(d) Fees and Commission

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

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

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

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

(e) Net trading income

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

(f) Net income from other financial instruments at fair value

Net income from other financial instruments at fair value relates to financial assets and liabilities designated as at fair value through profit or loss and includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

(g) Dividends

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

(h) Lease payments made

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

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of return on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(i) Income tax expense

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

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

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

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

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

(j) Financial instruments

Recognition

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

Classification

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

(i) Held-to-maturity

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

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

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

(ii) Fair value through profit or loss

The Group designates some investment securities at fair value, with fair value changes recognised immediately in income statement.

(iii) Available-for-sale

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

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

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

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

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

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

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

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

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

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

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

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

The following factors are considered in assessing objective evidence of impairment:
• whether the customer's obligation is more than 90 days past due;
• the Group consents to a restructuring of the obligation, resulting in a diminished financial obligation, demonstrated by a material forgiveness of debt or postponement of scheduled payments; or
• there is observable data indicating that there is a measurable decrease in the estimated future cash flows of a group of financial assets, although the decrease cannot yet be identified with specific individual financial assets.

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

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

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

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

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

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

(ii) Available-for-sale financial assets

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

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

Offsetting financial instruments

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

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

Sale and repurchase agreements

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

Derecognition of financial instruments

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 assumbed); and
(ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in income statement.

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

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

(k) Cash and cash equivalents

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

(l) Trading assets and liabilities

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

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

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

(m) Derivatives held for risk management purposes

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

(n) Property and equipments

Recognition and measurement

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

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

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

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

Subsequent costs

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

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

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

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

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

De-recognition

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

(o) Investment property

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

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

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

(p) Intangible assets

Software

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

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

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

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

(q) Leased assets - Leasee

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

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

(r) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

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

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

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

(s) Classification of insurance contracts

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

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

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

(t) Recognition and measurement of insurance contracts

Premiums

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

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

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

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

Unearned pemiums

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

Claims incurred

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

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

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

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

Deferred acquisition costs

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

Contingency reserve

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

Liabilities and related assets under liability adequacy test

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

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

Receivables and payables related to insurance contracts and investment contracts

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

Salvage and subrogation reimbursements

Some insurance contracts permit the Group to sell (usually damaged) property acquired in settling a claim (for example, salvage). The Group may also have the right to pursue third parties for payment of some or all costs (for example, subrogation).

(u) Recognition and measurement of investment contracts

The Group issues investment contracts with fixed and guaranteed terms (fixed interest rate). The investment contracts include funds administered for a number of retirement benefit schemes.

For investment contracts with fixed and guaranteed terms, the amortised cost basis is used. In this case, the liability is initially measured at its fair value less transaction costs that are incremental and directly attributable to the acquisition or issue of the contract.

Subsequent measurement of investment contracts at amortised cost uses the effective interest method. This method requires the determination of an interest rate (the effective interest rate) that exactly discounts to the net carrying amount of the financial liability, the estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period if the holder has the option to redeem the instrument earlier than maturity.

The Group re-estimates at each reporting date the expected future cash flows and recalculates the carrying amount of the financial liability by computing the present value of estimated future cash flows using the financial liability's original effective interest rate. Any adjustment is immediately recognised as income or expense in the income statement.

(v) Underwriting expenses

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

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

(w) 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.

(x) 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.

(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 into a separate entity and has no legal or constructive obligation to pay any further amount(s). Obligations for contributions to defined contribution plans are recognised as personnel expenses in income statement in the periods during which related services are rendered.

Defined benefit plans

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

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

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in income statement.

When the calculation above results in a benefit to the Group, the recognised asset is limited to the net total of any cumulative unrecognised actuarial losses and past service costs and the present value of any economic benefit available in the form of any refunds from the plan or reductions in future contribution to the plan. An economic benefit is available to the Group if it is realisable during the life of the plan or on settlement of the plan liabilities.

Termination benefits

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

Short-term benefits

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

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

Other long-term employee benefits

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

(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.

Treasury shares

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

(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.

(ac) Fiduciary activities

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

(ad) 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.

(ae) 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.

4 Net interest income

In millions of Nigerian Naira	Group 3 months to 31 March 2013	Group 3 months to 31 March 2012	Bank 3 months to 31 March 2013	Bank 3 months to 31 March 2012
Interest income				
Cash and cash equivalents	3,671	1,467	2,263	309
Loans and advances to banks and customers	7,997	8,943	7,573	7,645
Investments securities	10,660	10,387	9,956	10,387
Total interest income	22,328	20,797	19,792	18,341
Interest expense				
Deposits from banks	1,938	1,214	1,938	1,048
Deposits from customers	5,074	4,254	4,182	3,550
Total interest expense	7,012	5,468	6,120	4,598
Net interest income	15,316	15,329	13,672	13,742

5 Fees and commission income

In millions of Nigerian Naira	Group 3 months to 31 March 2013	Group 3 months to 31 March 2012	Bank 3 months to 31 March 2013	Bank 3 months to 31 March 2012
Retail banking customer fees & commissions	1,857	3,429	1,749	2,346
Corporate banking credit related fees & commissions	91	64	91	58
Commission on managed funds	(10)	-	-	-
Brokerage	12	-	-	-
Commission on off balance sheet transactions	318	1,910	318	-
Other fees and commission	309	1,224	8	1,213
Total fee and commission income	2,577	6,627	2,166	3,617
Fee and commission expense	-	-	-	-
	2,577	6,627	2,166	3,617

6 Net trading income

In millions of Nigerian Naira	Group 3 months to 31 March 2013	Group 3 months to 31 March 2012	Bank 3 months to 31 March 2013	Bank 3 months to 31 March 2012
Fixed income securities	4	151	-	-
Treasury bills	-	397	-	14
Equities	275	133	-	-
Foreign exchange gain	27	848	-	826
Foreign exchange trading	100	-	100	-
	406	1,529	100	840

7 Other operating income

In millions of Nigerian Naira	Group 3 months to 31 March 2013	Group 3 months to 31 March 2012	Bank 3 months to 31 March 2013	Bank 3 months to 31 March 2012
Dividends on available-for-sale equity securities	1,628	20	1,618	-
Gains on disposal of property and equipment	296	795	296	795
Fair value gain through profit or loss	(20)	-	-	-
Foreign exchange income	132	-	132	(275)
Gain on disposal of investments	803	(1)	-	-
Rental income	94	8	74	8
Sundry income	1,555	65	1,201	2,185
	4,488	888	3,321	2,713

8 Impairment loss on financial assets

In millions of Nigerian Naira	Group 3 months to 31 March 2013	Group 3 months to 31 March 2012	Bank 3 months to 31 March 2013	Bank 3 months to 31 March 2012
Impairment losses/(credits) on loans and advances				
-specific impairment	98	459	1,877	1,298
-portfolio impairment	(1,357)	-	(1,641)	-
Impairment loss on available for sale financial assets	-	6	-	-
Recoveries on cash and short term funds	185	-	185	-
Recoveries on other investments	(53)	-	-	-
Impairment loss on other assets	22	-	222	-
	(1,105)	465	643	1,298

9 Personnel expenses

In millions of Nigerian Naira	Group 3 months to 31 March 2013	Group 3 months to 31 March 2012	Bank 3 months to 31 March 2013	Bank 3 months to 31 March 2012
Wages and salaries	8,159	17,257	7,158	7,931
Contributions to defined contribution plans	492	-	471	-
Increase/ (decrease) in liability for defined benefit pl	26	(6,506)	8	1,514
	8,677	10,751	7,637	9,445

10 Other operating expenses

In millions of Nigerian Naira	Group 3 months to 31 March 2013	Group 3 months to 31 March 2012	Bank 3 months to 31 March 2013	Bank 3 months to 31 March 2012
NDIC Premium	719	1,089	687	1,088
Rents and Rates	232	113	172	113
Business travels	242	349	235	349
Repair and Maintenance	281	166	272	166
Professional fees	444	239	414	214
Advertising and Promotion expenses	29	187	25	187
General administrative expenses	3,299	3,241	2,492	2,227
Insurance	49	353	47	114
AMCON surcharge	1,122	646	1,122	646
	6,417	6,383	5,466	5,104

11 Income tax expense

(a) Recognised in the profit or loss

In millions of Nigerian Naira	Group 3 months to 31 March 2013	Group 3 months to 31 March 2012	Bank 3 months to 31 March 2013	Bank 3 months to 31 March 2012
Current tax expense				
Company Income Tax	180	207	-	-
Education tax	-	2	-	-
NITDA Levy	49	66	49	66
	229	275	49	66
Deferred tax expense				
Origination and reversal of temporary differences	(317)	-	(192)	-
Total income tax expense	(88)	275	(143)	66

12 Cash and cash equivalents

In millions of Nigerian Naira	Group 31 March 2013	Group 31 December 2012	Bank 31 March 2013	Bank 31 December 2012
Cash in hand	14,471	19,347	14,348	19,347
Cash and balances with banks	18,119	13,548	30,086	20,812
Unrestricted balances with central bank	7,610	10,131	7,536	10,115
Money market placements	122,467	175,751	53,468	110,951
Provisions (see note (a) below)	(18,702)	(18,517)	(18,472)	(18,287)
	143,965	200,260	86,966	142,938

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

In millions of Nigerian Naira	Group 31 March 2013	Group 31 December 2012	Bank 31 March 2013	Bank 31 December 2012
Balance, beginning of period	18,517	21,034	18,287	20,804
Charge/(reversals) during the period	185	(2,517)	185	(2,517)
Balance, end of period	18,702	18,517	18,472	18,287

13 Non-pledged Trading assets

In millions of Nigerian Naira	Group 31 March 2013	Group 31 December 2012	Bank 31 March 2013	Bank 31 December 2012
Government bonds	719	374	719	374
Treasury bills	1,002	493	1,002	493
Equities	589	1,028	-	-
	2,310	1,895	1,721	867

14 Pledged assets

Financial assets that may be repledged or resold by counterparties

In millions of Nigerian Naira	Group 31 March 2013	Group 31 December 2012	Bank 31 March 2013	Bank 31 December 2012
Treasury bills	6,407	3,121	6,407	3,121
Bonds	34,916	41,382	34,916	41,382
	41,323	44,503	41,323	44,503

15 Loans and advances to customers at amortised cost

In millions of Nigerian Naira	Group 31 March 2013	Group 31 December 2012	Bank 31 March 2013	Bank 31 December 2012
Gross amount	197,093	191,794	150,588	148,790
Specific impairment	(19,363)	(18,452)	(6,264)	(3,970)
Portfolio impairment	(7,053)	(8,410)	(6,197)	(7,838)
Total impairment	(26,416)	(26,862)	(12,461)	(11,808)
Carrying amount	170,677	164,932	138,127	136,982

Impairment allowance on loans and advances to customers

In millions of Nigerian Naira	Group 3 months to 31 March 2013	Group 12 months to 31 December 2012	Bank 3 months to 31 March 2013	Bank 12 months to 31 December 2012
Specific impairment				
Balance, beginning of period	21,466	17,720	3,970	3,522
Impairment loss/credit for the period:	98	(526)	1,877	(521)
Allowances reversed on transfer to AMCON	-	(491)	-	(491)
Effect of foreign currency movements	(6)	(1)	-	-
Provision re-instated during the period	684	1,652	684	1,652
Interest suspended	-	-	-	-
Write-offs	(2,722)	481	(109)	191
Reclassification	(157)	(383)	(158)	(383)
Balance, end of period	19,363	18,452	6,264	3,970
Portfolio impairment				
Balance, beginning of the period	8,410	7,203	7,838	7,867
Impairment credit/loss for the period:	(1,357)	1,208	(1,641)	(29)
Effect of foreign currency movements	-	(1)	-	-
Reclassification	-	-	-	
Balance, end of the period	7,053	8,410	6,197	7,838

16 Investment in equity accounted investee

In millions of Nigerian Naira	Group 31 March 2013	Group 31 December 2012	Bank 31 March 2013	Bank 31 December 2012
Cost				
Balance, beginning of the period	15,242	75	91	75
Reclassification from investment securities	-	5,402	-	16
Dividend income	-	(242)	-	-
Share of current period result	-	1,850	-	-
Previously unconsolidated reserves	-	8,157	-	-
			-	-
Balance, end of the period	15,242	15,242	91	91

17 Investment securities

In millions of Nigerian Naira	Group 31 March 2013	Group 31 December 2012	Bank 31 March 2013	Bank 31 December 2012
Available-for-sale investment securities comprise:				
Treasury bills	18,450	18,273	12,857	10,462
Equity	16,464	17,788	12,768	12,565
Managed funds	756	756	756	756
Bonds	17,278	10,048	11,175	8,308
Less: specific impairment allowance	(10,213)	(10,266)	(8,492)	(8,492)
	42,735	36,599	29,064	23,599
Held to maturity investment securities comprise:				
Treasury bills	147,356	153,546	135,676	137,006
Bonds	133,520	123,609	132,913	119,844
	280,876	277,155	268,589	256,850
Investment securities	323,611	313,754	297,653	280,449

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

In millions of Nigerian Naira	Group 3 months to 31 March 2013	Group 12 months to 31 December 2012	Bank 3 months to 31 March 2013	Bank 12 months to 31 December 2012
Balance, beginning of the period	10,266	13,156	8,492	10,592
Allowance no longer required	(53)	(1,087)	-	(297)
Changes in carrying value of investment				
Reclassification	-	(1,803)	-	(1,803)
Balance, end of the period	10,213	10,266	8,492	8,492

18 Assets held for sale

In millions of Nigerian Naira	Group 31 March 2013	Group 31 December 2012	Bank 31 March 2013	Bank 31 December 2012
Balance, beginning of period	1,048	1,771	1,048	1,771
Additions	-	-	-	-
Disposal	-	(723)	-	(723)
Revaluation gains/(losses)	-	-	-	-
	1,048	1,048	1,048	1,048
Less: specific impairment allowance	(964)	(964)	(964)	(964)
	84	84	84	84

Movement in specific impairment for assets held for sale was as follows:

Balance, beginning of period	964	964	964	964
(Writeback)/allowance made during the period	-	-	-	-
Balance, end of period	964	964	964	964

19 Trading properties

In millions of Nigerian Naira	Group 31 March 2013	Group 31 December 2012	Bank 31 March 2013	Bank 31 December 2012
Balance, beginning of period	6,971	-	2,282	-
Additions	9	2,748	-	-
Disposal	-	(1,341)	-	-
Reclassifcation	-	5,564	-	2,282
Balance, end of period	6,980	6,971	2,282	2,282

20 Investment Properties

In millions of Nigerian Naira	Group 31 March 2013	Group 31 December 2012	Bank 31 March 2013	Bank 31 December 2012
Balance, beginning of period	21,117	29,140	-	-
Additions	1	59	-	
Disposal	(2,132)	(4,123)	-	-
Revaluation gains/(losses)	-	85	-	-
Reclassification	-	(4,024)	-	-
	18,986	21,137	-	-
Impairment allowance	(1,841)	(1,841)	-	-
Balance, end of the period	17,145	19,296	-	-

21 Investment in subsidiaries

In millions of Nigerian Naira	Group 31 March 2013	Group 31 December 2012	Bank 31 March 2013	Bank 31 December 2012
Union Homes Savings and Loans Plc	-	-	1,834	1,834
Union Trustees Limited	-	-	5	5
Union Assurance Company Limited	-	-	1,448	1,448
UBN Property Company Limited	-	-	2,195	2,195
Union Bank UK Plc	-	-	8,372	8,372
Union Registrars Limited	-	-	480	480
Union Capital Markets Limited	-	-	2,620	2,620
Union Pension Fund Custodian	-	-	2,000	2,000
Atlantic Nominees Limited	-	-	325	325
	-	-	19,279	19,279
Impairment on investment in subsidiary	-	-	(1,834)	(1,834)
	-	-	17,445	17,445

22 Property and equipment

(a) Group:

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

	Leasehold land and buildings	Leasehold improvements	Furniture & equipment	Motor vehicles	Capital work in progress	Total
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
(a) (i) Cost						
Balance, beginning of the period	52,794	922	28,147	7,115	2,049	91,027
Exchange difference	3	-	2	1	-	6
Additions	161	-	166	30	997	1,354
Disposals	(123)	-	(18)	(24)	-	(165)
Reclassification to other assets	3,861	(922)	719	(1,126)	(1,852)	680
Write off	-	-	-	-	(592)	(592)
Reversals	-	-	-	(19)	-	(19)
Balance, end of the period	56,696	-	29,016	5,977	602	92,291
(a) (ii) Accumulated depreciation						
Balance, beginning of the period	10,997	87	25,692	5,785	-	42,561
Exchange difference	1	-	1	-	-	2
Charge for the period	311	-	585	145	-	1,041
Disposals	(14)	-	(18)	(23)	-	(55)
Transfers	-	-	31	(31)		-
Reclassification to other assets	450	(87)	1,132	(557)	-	938
Balance, end of the period	11,745	-	27,423	5,319	-	44,487
(a) (iii) Net Book Value						
End of period	44,951	-	1,593	658	602	47,804
Beginning of the period	41,797	835	2,455	1,330	2,049	48,466

(a) (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.

(a) (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.

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

Property and equipment

(b) **Bank:**

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

	Leasehold land and buildings	Leasehold improvements	Furniture & equipment	Motor vehicles	Capital work in progress	Total
(b) (i) **Cost**	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Balance, beginning of the period	53,190	-	26,038	5,195	197	84,620
Additions during the period	160	-	146	1	997	1,304
Disposals during the period	(123)	-	(10)	-	-	(133)
Transfers	-	-	-	-	-	-
Reversals	-	-	-	(19)	-	(19)
Write off	-	-	-	-	(592)	(592)
Balance, end of the period	53,227	-	26,174	5,177	602	85,180
(b) (ii) **Accumulated depreciation**						
Balance, beginning of the period	10,219	-	24,678	4,587		39,484
Charge for the period	281	-	477	117	-	875
Disposals	(14)	-	(10)	-	-	(24)
Balance, end of the period	10,486	-	25,145	4,704	-	40,335
(b) (iii) **Net Book Value**						
End of period	42,741	1,029	473	44,845	44,845	44,845
Beginning of the period	42,971	-	1,360	608	197	45,136

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

23 Intangible assets

In millions of Nigerian Naira	Group 31 March 2013	Group 31 December 2012	Bank 31 March 2013	Bank 31 December 2012
	Software	**Software**	**Software**	**Software**
Cost				
Balance, beginning of period	2,117	2,117	1,318	826
Additions	24	-	4	492
Reclassification	(6)	-	-	-
Exchange translation difference	7	-	-	-
Balance, end of period	2,142	2,117	1,322	1,318
Amortization and impairment losses				
Balance, beginning of period	1,195	1,195	796	717
Amortisation for the period	61	-	31	79
Reclassification	(5)	-	-	-
Exchange translation difference	6	-	-	-
Balance, end of period	1,257	1,195	827	796
Carrying amounts	885	922	495	522

24 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group

31 March 2013

In millions of Nigerian Naira	**Assets**	**Liabilities**	**Net**
Property, equipment, and software	-	7,222	(7,222)
Allowances for loan losses	-	-	-
Foreign exchange gains	573	-	573
Tax loss carry forward	98,896	-	98,896
Others	1,076	-	1,076
Net tax assets (liabilities)	100,545	7,222	93,323

31 December 2012

In millions of Nigerian Naira	**Assets**	**Liabilities**	**Net**
Property, equipment, and software	-	6,553	(6,553)
Allowances for loan losses	63	135	(72)
Foreign exchange gains	573	609	(36)
Tax loss carry forward	100,744	2	100,742
Others	1,366	98	1,268
Net tax assets (liabilities)	102,746	7,397	95,349

Bank

31 March 2013

In millions of Nigerian Naira	**Assets**	**Liabilities**	**Net**
Property, equipment, and software	-	6,847	(6,847)
Allowances for loan losses	-	-	-
Foreign exchange gains	573	-	573
Tax loss carry forward	100,630	-	100,630
Others	1,326	-	1,326
Net tax assets (liabilities)	102,529	6,847	95,682

31 December 2012

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

Deferred tax assets and liabilities

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

In millions of Nigerian Naira	Group 3 months to 31 March 2013	Group 12 months to 31 December 2012	Bank 3 months to 31 March 2013	Bank 12 months to 31 December 2012
Balance, beginning of the period	95,349	95,349	95,875	95,875
Credit for the period	(2,027)	-	(193)	-
Credit/(reversal)	-	-	-	-
Charge for the period	-	-	-	-
Arising from revaluation of fixed asset	-	-	-	-
Net deferred tax assets/(liabilities)	93,322	95,349	95,682	95,875

25 Other assets

In millions of Nigerian Naira	Group 31 March 2013	Group 31 December 2012	Bank 31 March 2013	Bank 31 December 2012
Accounts receivable and prepayments	24,366	16,391	17,920	11,283
Restricted deposits with central bank (see (i))	56,844	55,117	56,828	55,117
Insurance receivables	1,962	1,963	-	-
Receivable from AMCON	49,049	47,696	49,049	47,696
Others	109,273	107,498	107,650	110,949
Statutory deposit	501	500	-	
Clearing	44,571	45,341	44,571	45,341
	286,566	274,506	276,018	270,386
Impairment on other assets	(153,305)	(153,209)	(151,438)	(151,093)
	133,261	121,297	124,580	119,293

(i) The Bank had restricted balances of N56,828 million with the Central Bank of Nigeria (CBN) as at 31 March 2013. This balance is made up of CBN cash reserve requirement. The cash reserve ratio represents a mandatory cash deposit which should be held with the Central Bank of Nigeria as a regulatory requirement. Restricted deposits with central banks are not available for use in the Group's day-to-day operations

Movement in impairment on other assets:

In millions of Nigerian Naira	Group 3 months to 31 March 2013	Group 12 months to 31 December 2012	Bank 3 months to 31 March 2013	Bank 12 months to 31 December 2012
Balance, beginning of period	153,209	144,205	151,093	142,888
Charge for the period	22	3,966	222	2,959
Allowance written off	(49)	-	-	-
Reclassification	123	5,038	123	5,246
Balance, end of period	153,305	153,209	151,438	151,093

26 Deposits from banks

In millions of Nigerian Naira	Group 31 March 2013	Group 31 December 2012	Bank 31 March 2013	Bank 31 December 2012
Money market deposits	-	3,500	-	3,500
Other deposits from banks	-	41,612	-	-
	-	45,112	-	3,500

27 Deposits from customers

In millions of Nigerian Naira	Group 31 March 2013	Group 31 December 2012	Bank 31 March 2013	Bank 31 December 2012
Term deposits	189,047	123,094	129,329	96,968
Current deposits	244,282	272,979	226,755	261,660
Savings	129,885	126,370	126,923	123,377
	563,214	522,443	483,007	482,005

28 Liability on investment contracts

In millions of Nigerian Naira	Group 3 months to 31 March 2013	Group 12 months to 31 December 2012	Bank 3 months to 31 March 2013	Bank 12 months to 31 December 2012
Deposit administered funds (secured funds)	887	803	-	-
Other managed funds	-	-	-	-
	887	803	-	-

29 Liability on insurance contracts

In millions of Nigerian Naira	Group 31 March 2013	Group 31 December 2012	Bank 31 March 2013	Bank 31 December 2012
Life assurance contracts	1,128	1,794	-	-
Non-life insurance contracts	2,175	897	-	-
	3,303	2,691	-	-

30 Tax Payable

In millions of Nigerian Naira	Group 3 months to 31 March 2013	Group 12 months to 31 December 2012	Bank 3 months to 31 March 2013	Bank 12 months to 31 December 2012
Balance, beginning of period	2,317	2,668	495	1,358
Foreign exchange translation difference	-	(4)	-	-
Prior period under provision	17	-	-	-
Charge for the period	229	1,685	49	268
Payments during the period	(381)	(2,032)	-	(1,131)
Balance, end of period	2,182	2,317	544	495

31 Other liabilities

In millions of Nigerian Naira	Group 31 March 2013	Group 31 December 2012	Bank 31 March 2013	Bank 31 December 2012
Deposit for foreign currency	23,048	20,157	23,048	20,157
Deposit for dividend	14,333	13,503	-	-
PAYE and other statutory deductions	2,737	2,491	2,692	2,491
Draft and Bills payable	23,254	22,998	23,250	22,998
Sundry creditors	14,964	29,999	14,964	29,999
Provisions and accruals	29,445	32,574	28,122	31,073
Interest payable	2,387	-	1,116	-
Accounts payable	3,557	5,422	1,320	780
Other credit balances	37,468	53,612	23,542	37,980
	151,193	180,756	118,054	145,478

32 Retirement benefit obligations

In millions of Nigerian Naira	Group 31 March 2013	Group 31 December 2012	Bank 31 March 2013	Bank 31 December 2012
Defined contribution scheme (see (a) below)	272	259	259	247
Defined benefit obligation (see (b) below)	40,245	49,627	39,743	49,121
	40,517	49,886	40,002	49,368

(a) The movement in the defined contribution scheme account during the period:

In millions of Nigerian Naira	Group 3 months to 31 March 2013	Group 12 months to 31 December 2012	Bank 3 months to 31 March 2013	Bank 12 months to 31 December 2012
Balance, beginning of period	259	219	247	218
Charge during the period	492	1,736	471	1,665
Contribution remitted during the period	(479)	(1,696)	(459)	(1,636)
Balance, end of period	272	259	259	247

(b) The movement in the defined benefit obligation account during the period:

In millions of Nigerian Naira	Group 3 months to 31 March 2013	Group 12 months to 31 December 2012	Bank 3 months to 31 March 2013	Bank 12 months to 31 December 2012
Balance, beginning of period	49,627	59,167	49,121	58,410
Current service costs and interest	26	3,729	8	3,444
Benefit paid by the plan	(9,408)	(13,269)	(9,386)	(12,733)
Balance, end of period	40,245	49,627	39,743	49,121

33 Other borrowed funds

In millions of Nigerian Naira	Group 31 March 2013	Group 31 December 2012	Bank 31 March 2013	Bank 31 December 2012
Due to Multilateral lending agencies (see (a))	-	-	-	-
Due to CAC (see (b))	18,167	18,167	18,167	18,167
BOI on-lending facility (see note (c) below)	14,674	15,784	14,674	15,784
Other borrowings	388	613	-	-
	33,229	34,564	32,841	33,951

34 Capital and reserves

Share capital *In millions of Nigerian Naira*	Group 31 March 2013	Group 31 December 2012	Bank 31 March 2013	Bank 31 December 2012

(a) Authorised :

19,023,125,000 Ordinary shares of 50 kobo each	9,512	9,512	9,512	9,512

In millions of Nigerian Naira	Group 31 March 2013	Group 31 December 2012	Bank 31 March 2013	Bank 31 December 2012

(b) Issued and fully paid -

16,935,806,472 Ordinary shares of 50kobo each	8,468	8,468	8,468	8,468

In millions of Nigerian Naira	Group 3 months to 31 March 2013	Group 12 months to 31 December 2012	Bank 3 months to 31 March 2013	Bank 12 months to 31 December 2012
Balance, beginning of period	8,468	8,468	8,468	8,468
New issues during the period				
Balance, end of period	8,468	8,468	8,468	8,468

(c) Share premium

In millions of Nigerian Naira	Group 31 March 2013	Group 31 December 2012	Bank 31 March 2013	Bank 31 December 2012
Balance, beginning of period	391,641	391,641	391,641	391,641
Premium on shares issued	-	-	-	-
Balance, end of period	391,641	391,641	391,641	391,641

(d) Statutory Reserves:

Nigerian banking regulations require the Bank to make an annual appropriation to a statutory reserve. As stipulated by S.16(1) of the Banks and Other Financial Institution Act of Nigeria, an appropriation of 30% of profit after tax is made if the statutory reserve is less than paid-up share capital and 15% of profit after tax if the statutory reserve is greater than the paid up share capital. However, the Bank transferred 30% of its profit after tax to statutory reserves as at period end.

(e) Fair value reserve

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

(f) Regulatory risk reserve

The regulatory risk reserve warehouses the difference between the impairment on loans and advances computed under the Nigeria GAAP based on the Central Bank of Nigeria prudential guidelines and Central Bank of the foreign subsidiaries regulations, compared with the incurred loss model used in calculating the impairment under IFRSs.

(g) Other reserves

The other reserves includes movements in the the small scale industries reserve, translation reserve, contigency reserve, capital reserve and excess capital clawback reserve.

(i) **Small and Medium Scale Industries Reserve (SMEEIS):**

The SMEEIS reserve is maintained to comply with the Central Bank of Nigeria (CBN) requirement that all licensed banks set aside a portion of the profit after tax in a fund to be used to finance equity investment in qualifying small and medium scale enterprises. Under the terms of the guideline (amended by CBN letter dated 11 July 2006), the contributions will be 10% of profit after tax and shall continue after the first 5 years but banks' contributions shall thereafter reduce to 5% of profit after tax. However, this is no longer mandatory. The small and medium scale industries equity investment scheme reserves are non-distributable.

(ii) **Translation reserve**

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

(iii) **Contigency reserve**

The contingency reserve is maintained to comply with the National Insurance Commission (NAICOM) requirement that insurance companies set funds aside to cover fluctuations in securities and variations in statistical estimates. The contingency reserves shall be credited with an amount not less than 3 per centum of the total premium or 20 per centum of
net profits (whichever is greater) and the amount shall accumulate until it reaches the amount of the minimum paid-up capital or per centum of the premiums (whichever is greater) for a non-life insurance company and an amount equal to 1 percent of the premiums or 10 percent of the profits (whichever is greater) and accumulated until it reaches the amount of the minimum paid-up capital for a life assurance company.

(iv) **Capital reserve**

Capital reserve warehouses the nominal value of shares cancelled during the capital reconstruction exercise that occurred during the financial period ended March 2013.

(v) **Excess capital clawback reserve**

Under the recapitalisation plan of the Bank executed in 2011, the Asset Management Corporation of Nigeria (AMCON) was to provide Financial Accommodation to bring the Bank's Completion Net Assets Value (NAV) to zero.

The Financial Accommodation provided by AMCON exceed the Bank's Completion NAV of zero, calculated as at 31 December 2011, by N14.92 billion. In line with the Clawback Rights Agreement (CRA) and the recapitalisation plan, this excess amount isrefundable to AMCON.

(h) Treasury shares

Treasury shares represent the Bank’s shares of 3,376,916 units (December 2011: 7,539,655 units) held by Union Registrars Limited and Union Trustees Limited as at 31 March 2013.

(i) Retained earnings

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

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

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 N118.7 billion.

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.

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

These comprise:

(a)

In millions of Nigerian Naira	Group 31 March 2013	Group 31 December 2012	Bank 31 March 2013	Bank 31 December 2012
Performance bonds and guarantees	45,550	44,450	45,550	44,450
Letters of credit	8,408	2,062	8,408	2,062
Bankers Acceptances				
	53,958	46,512	53,958	46,512