Union Bank of Nigeria Plc

Annual Report
31 December 2015

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CORPORATE INFORMATION

Directors

• Udoma Udo Udoma, CON	-	Chairman[1]
• Cyril Odu	-	Chairman[2]
• Emeka Emuwa	-	Chief Executive Officer
• Adekunle Mickey Adeosun	-	Executive Director[3]
• Oyinkansade Adewale	-	Executive Director/Chief Financial Officer
• Kandolo Kasongo	-	Executive Director/Chief Risk Officer
• Ibrahim Abubakar Kwargana	-	Executive Director
• Emeka Okonkwo	-	Executive Director
• Adekunle Sonola	-	Executive Director[4]
• Mansur Ahmed	-	Non-Executive Director
• Onikepo Olufunmike Akande, CON	-	Non-Executive Director
• John Botts	-	Non-Executive Director
• Richard Burrett	-	Non-Executive Director
• Ian Clyne	-	Non-Executive Director
• Beatrice A. Hamza-Bassey	-	Non-Executive Director[5]
• Richard Lee Kramer	-	Non-Executive Director
• Arina McDonald	-	Non-Executive Director[5]
• Adeyemi Osindero	-	Non-Executive Director
• John Vitalo	-	Non-Executive Director[5]

1 Resigned as Chairman with effect from 11th November, 2015
2 Appointed as Chairman with effect from 24th November, 2015
3 Resigned with effect from 10th October, 2015
4 Appointed with effect from 15th July, 2015
5 Appointed with effect from 21st July, 2015

Company Secretary

Somuyiwa Adedeji Sonubi
FRC/2013/NBA/00000002061

Registered office

Union Bank of Nigeria Plc

Stallion Plaza

36 Marina

Lagos

Auditors

KPMG Professional Services

KPMG Tower

Bishop Aboyade Cole Street

Victoria Island,

Lagos

Registrar & Transfer Office

GTL Registrars Limited (former Union Registrars Limited)

2, Burma Road

Apapa

Lagos

Board Appraiser

DCSL Corporate Services Limited

235, Ikorodu Road

Ilupeju

Lagos

CORPORATE GOVERNANCE

Introduction

Corporate Governance practices in Union Bank of Nigeria Plc are as codified in the Central Bank of Nigeria's Code of Corporate Governance of 2014, the Securities and Exchange Commission Code of Corporate Governance of 2003, the Banks' and Other Financial Institutions Act of 1991 (as amended) and other relevant statutes, which provide guidance for the governance of the Bank, compliance with regulatory requirements as well as, the core values upon which the Bank was founded. These codes and statutes are geared towards ensuring the accountability of the Board and Management to the stakeholders of the Bank in particular and emphasize the need to meet and address the interests of a range of stakeholders so as to promote the long-term sustainability of the Bank.

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

In compliance with the requirements of the Central Bank of Nigeria (CBN), the Bank undertakes internal reviews of its compliance with defined corporate governance practices and submits reports on the Bank's compliance status to the CBN. An annual Board appraisal review is also conducted by an Independent Consultant appointed by the Bank, whose report is submitted to the CBN and presented to Shareholders at the Annual General Meeting of the Bank, in compliance with the provisions of the CBN Code of Corporate Governance.

Governance Structure

The following governance bodies are in place;

A. The Board of Directors

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

Directors

- *Udoma Udo Udoma, CON* - *Chairman*[1]
- *Cyril Odu* - *Chairman*[2]

- *Emeka Emuwa* - *Chief Executive Officer*
- *Adekunle Mickey Adeosun* - *Executive Director*[3]
- *Oyinkansade Adewale* - *Executive Director/Chief Financial Officer*
- *Kandolo Kasongo* - *Executive Director/Chief Risk Officer*
- *Ibrahim Abubakar Kwargana* - *Executive Director*
- *Emeka Okonkwo* - *Executive Director*
- *Adekunle Sonola* - *Executive Director*[4]
- *Mansur Ahmed* - *Non-Executive Director*
- *Onikepo Olufunmike Akande, CON* - *Non-Executive Director*
- *John Botts* - *Non-Executive Director*
- *Richard Burrett* - *Non-Executive Director*
- *Ian Clyne* - *Non-Executive Director*
- *Beatrice A. Hamza-Bassey* - *Non-Executive Director*[5]
- *Richard Lee Kramer* - *Non-Executive Director*
- *Arina McDonald* - *Non-Executive Director*[5]
- *Adeyemi Osindero* - *Non-Executive Director*
- *John Vitalo* - *Non-Executive Director*[5]

1 *Resigned as Chairman with effect from 11th November, 2015*
2 *Appointed as Chairman with effect from 24th November, 2015*
3 *Resigned with effect from 10th October, 2015*
4 *Appointed with effect from 15th July, 2015*
5 *Appointed with effect from 21st July, 2015*

Responsibilities of the Board of Directors

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

The Board monitors the activities of the Chief Executive Officer and Executive Directors and the accomplishment of set objectives through reports at its meetings. In performing its oversight function over the Bank’s business, the Board operates through the following Board and Management Committees. The composition and functions of these committees are listed below:

B. Standing Board Committees

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

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

6. Board Audit Committee

The composition of the Board committees was reconstituted in September, 2015.

In addition, there is an Independent Statutory Audit Committee.

1. Board Credit Committee

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

• Adeyemi Osindero	-	Chairman
• Emeka Emuwa	-	Member
• Cyril Odu	-	Member[1]
• Adekunle Mickey Adeosun	-	Member[2]
• Kandolo Kasongo	-	Member
• Adekunle Sonola	-	Member[3]
• Mansur Ahmed	-	Member
• John Botts	-	Member
• Richard Burrett	-	Member
• John Vitalo	-	Member[3]
• Beatrice Hamza-Bassey	-	Member[3]
• Ibrahim Kwargana	-	Member[4]

1 Appointed as Chairman of the Board and therefore Committee membership ceased with effect from 24th November, 2015
2 Resigned with effect from 10th October, 2015
3 Appointed to the Committee with effect from 22nd September, 2015
4 Committee membership ceased with effect from 22nd September, 2015

Its responsibilities include the following, amongst others:

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

2. Board Finance and General Purpose Committee

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

• Richard Kramer	-	Chairman
• Emeka Emuwa	-	Member

• Cyril Odu	-	Member[1]
• Adekunle M. Adeosun	-	Member[2]
• Oyinkansade Adewale	-	Member
• Kandolo Kasongo	-	Member[3]
• Emeka Okonkwo	-	Member[3]
• Ibrahim Kwargana	-	Member
• Mansur Ahmed	-	Member
• Onikepo Olufunmike Akande, CON	-	Member
• Richard Burrett	-	Member
• Ian Clyne	-	Member
• Arina McDonald	-	Member[4]

1 *Appointed as Chairman of the Board and therefore Committee membership ceased with effect from 24th November, 2015*
2 *Resigned with effect from 10th October, 2015*
3 *Committee membership ceased with effect from 22nd September, 2015*
4 *Appointed to the Committee with effect from 22nd September, 2015*

Its responsibilities include the following, amongst others:

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

- Review and recommend for Board approval any transactions associated with high- impact initiatives and any associated expenditures beyond that delegated to management.
- Review and recommend for Board approval any change to the delegation of authorities to management and management committees on financial matters.
- Review and recommend for Board approval the Bank's dividend policy, including amount, nature and timing.

3. Board Establishment and Services Committee

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

• Mansur Ahmed	-	Chairman
• Emeka Emuwa	-	Member
• Adekunle Mickey Adeosun	-	Member[1]
• Ibrahim Kwargana	-	Member
• Luxhman Jayaratne	-	Member[2]
• Adekunle Sonola	-	Member[2]
• Onikepo Olufunmike Akande, CON	-	Member
• Beatrice Hamza-Bassey	-	Member[2]
• John Botts	-	Member
• Richard Burrett	-	Member
• Richard Kramer	-	Member
• Arina McDonald	-	Member[2]
• Oyinkansade Adewale	-	Member[3]

1 Resigned with effect from 10th October, 2015
2 Appointed with effect from 22nd September, 2015
3 Committee membership ceased with effect from 22nd September, 2015

Its responsibilities include the following, amongst others:

- Consider and approve appointments, promotions and discipline of Principal Managers and above;
- Review and recommend appointments, promotions and discipline of Assistant General Managers and above to the Board for consideration and approval;
- Consider and recommend compensation increments for Principal Managers and above to the Board for consideration and approval;
- Consider and review staff compensation, welfare and industrial relations matters and make appropriate recommendations to the Board from time to time; and
- Articulate and recommend strategic and succession plans for the Bank, to the Board from time to time.
- Review and report to the Board, annually, on the broad key performance indicators set by executive management for staff groups below the executive management level ("Staff") to achieve that year's business and financial goals.

- Review and report to the Board, on the annual performance evaluations of Staff conducted by management for the prior year's performance and the overall outcome of the annual performance process.
- Review and report to the Board annually, the overall training policy and program for Staff and any changes as they arise to achieve business and financial goals.
- Review and recommend to the Board annually, approval of the the remuneration policy, annual quantum, structure, and distribution of compensation (including base, overall annual bonus pool and awards, and benefits in kind) for Staff and changes thereto.
- Review and report to the Board annually, the total cash compensation package for Staff to ensure it will attract, retain and motivate key talent who add value to the Bank based on individual and team contributions.
- Review and recommend for approval to the Board annually, the severance policy for Staff.
- Review and recommend for Board approval annually, the Bank's organisation structure, key human capital policies and practices, including those affecting compensation, welfare, performance management, career management and transfer to ensure the optimal mix of talent.
- Review and recommend for Board approval, the Bank's retrenchment plan and strategy.
- Review and recommend for Board approval, revision of salaries and service conditions for Staff.
- Review and approve, on an as needed basis, the recruitment, promotions and termination of senior officers on Principal Manager (PM) grade.
- Review and recommend for Board approval, on an as needed basis, the recruitment, promotions and termination of senior officers on Assistant General Manager (AGM) grade and above.
- Review and recommend for Board approval, the Bank's Succession Plan for senior officers on Assistant General Manager Grade (AGM) and above and any proposed amendments.
- Review and recommend for Board approval, any policies not otherwise contemplated herein relating to Staff and, as necessary and appropriate, engagement of outsourced services.
- Review and recommend for Board approval, the Bank's Culture Program, including mission statements, core values, and the incentives to align Staff towards the Bank's near and medium term strategic objectives.
- Review and report to the Board annually, the progress of the Culture Program and its effectiveness in driving the desired Staff behaviours and performance.
- Review and recommend for Board approval annually, and on an as needed basis, the overall strategies with unions and relationships with the Bank's Staff.
- Review and advise the Board annually, the strategy for and engagement of service providers supporting Staff, including the overall cost, performance and effectiveness of outsource firms in delivering cost-effective, high quality service to the Bank's customers.
- Review and report to the Board annually, the progress of outsourcing solutions and their effectiveness in delivering against the Banks' Transformation strategy.

4. Board Risk Management and Control Committee

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

- Cyril Odu - Chairman[1]

• Emeka Emuwa	-	Member
• Oyinkansade Adewale	-	Member
• Kandolo Kasongo	-	Member
• Luxhman Jayaratne	-	Member[2]
• Onikepo Olufunmike Akande, CON	-	Member
• Beatrice Hamza-Bassey	-	Member[2]
• John Botts	-	Member
• Ian Clyne	-	Member
• Adeyemi Osindero	-	Member
• John Vitalo	-	Member[2]
• Ibrahim Kwargana	-	Member[3]
• Emeka Okonkwo	-	Member[3]

1 Appointed as Chairman of the Board and therefore Committee membership ceased with effect from 24th November, 2015
2 Appointed with effect from 22nd September, 2015
3 Committee membership ceased with effect from 22nd September, 2015

Its responsibilities include the following, amongst others:

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

5. Board Remuneration Committee

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

• John Botts	-	Chairman
• Richard Burrett	-	Member
• Ian Clyne	-	Member
• Beatrice Hamza-Bassey	-	Member[1]
• Adeyemi Osindero	-	Member
• John Vitalo	-	Member[1]
• Richard Kramer	-	Member2
• Cyril Odu	-	Member3

1 Appointed with effect from 22nd September, 2015
2 Committee membership ceased with effect from 22nd September, 2015
3. Appointed as Chairman of the Board and therefore Committee membership ceased with effect from 24th November, 2015

The Committee's responsibilities include amongst others:

- Consider and recommend the appointment of Executive Management and Non-Executive Directors;
- Consider, approve and recommend the performance parameters for Executive Management;
- Consider and recommend compensation for Executives and Executive Management;
- Consider and review the performance of the Group Managing Director.

6. Board Audit Committee

The Committee was constituted in September 2015 and held its inaugural meeting in November, 2015. The Committee met once during the year. It is comprised of the following members:

• John Vitalo	-	Chairman1
• Onikepo Olufunmike Akande, CON	-	Member
• Mansur Ahmed	-	Member
• Ian Clyne	-	Member
• Richard Kramer	-	Member
• Arina McDonald	-	Member[1]
• Adeyemi Osindero	-	Member

1. Appointed with effect from 22nd September, 2015

The Committee's responsibilities include, amongst others:

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

7. Statutory Audit Committee

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

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

- Adeyemi Osindero - Member[2]

1 Elected as a member of the Committee on 16th June, 2015

2 Appointed as a member of the Committee on 16th June, 2015

The Audit Committee has responsibility for the following :

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

C. Management Committees

The Bank has the following Management Committees:

1. Executive Management Committee (EXCO)
2 Transformation Steering Committee
3. Assets and Liabilities Committee (ALCO)
4. IT Steering Committee
5. Credit Committee (CRECO)
6. Stressed Assets Committee
7. Risk Management Committee
8. New Product Committee
9. Disciplinary Committee

1. Executive Management Committee – (EXCO)

The Executive Management Committee comprises of the Chief Executive Officer, Executive Directors, Head, Group Corporate Strategy, Transformation Director and Head of Human Resources. The meeting holds monthly, on the second Monday of the month and is chaired by the Chief Executive Officer.

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

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

2. Transformation Steering Committee

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

The roles and responsibilities of the Committee are as follows:

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

3. Assets and Liabilities Committee (ALCO)

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

The roles and responsibilities of the Committee are as follows:

- Establish, review and monitor the profitability plan of the Bank's Asset & Liability Management and recommend the same for Board approval.
- Approve the Bank's market risk management strategies and policies and procedures for identifying, measuring, managing and reporting of market risk and liquidity risk.
- Direct acquisition and allocation of funds effectively within the ambit of the Bank's liquidity strategies, liquidity ratio targets and funding source threshholds.
- Manage asset and liquidity volumes, maturity, mix, rates and yields to achieve desired net interest margin within the boundaries of regulatory prescriptions and market dynamics.
- Approve risk control limits with regard to counterparty, currency concentration, position, etc.
- Establish and ensure effective implementation of liquidity strategies.
- Review and monitor liquidity risk and interest rate risk in banking book and foreign exchange risk in Bank's balance sheet.
- Provide relevant input , as needed, into capital planning, monitor capital adequacy and suggest strategy for capital augmentation.
- Design, implement and monitor contingency funding plan (CFP) and recommend for Board approval.

- Design methodology and implementation of fund transfer pricing (FTP), profitability of business units and create incentives for business units through FTP.
- Establish appropriate processes, resources and systems across the Bank for effective pricing mechanism.
- Determine a profitable and optimal risk-return pricing for the Bank's financial products.

4. IT Steering Committee

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

The roles and responsibilities of the Committee are as follows:

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

5. Credit Committee (CRECO)

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

The roles and responsibilities of the Committee are as follows:

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

6. Stressed Assets Committee

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

The roles and responsibilities of the Committee are as follows:

- review and monitor strategies and actions being taken on major accounts (₦100million and above) classified as non-performing or with early warning signs.
- review classification of and provisions taken on each account since the previous meeting.
- review accounts suitable for de-classification or upgrade to performing status and return to the line.
- review actions to be taken or proposed to be taken on large exposures in Business Support and Recovery Department portfolio.
- Where applicable, approve a different course of action to that taken or proposed to be taken.

7. Risk Management Committee

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

The roles and responsibilities of the Committee are as follows:

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

8. New Product Committee

This Committee meets as required. It is composed of the Chief Risk Officer (Chairperson), Chief Internal Audit Executive, Head, Compliance, Head, Legal Services, Head, Information Technology, Head, Operational Risk

Management, Head, Financial Control, Head, Operations, Head of business unit of the relevant product, Head , Group Corporate Strategy and Head , Corporate Affairs.

The roles and responsibilities of the Committee are as follows:

- Set out policies regarding the Bank's product design, pricing methodologies, competitive positioning and risk-reward philosophy ..
- Review and recommend/approve (as applicable) new product programs or changes to existing product programs across the Bank (e.g. deposit programs, credit programs, treasury programs).
- Review activities of product initiation teams and ensure adoption of suitable processes, systems and personnel to support effective management of the product through its life-cycle and associated risks.
- Establish the provision of adequate funding and obtain approvals for pricing from ALCO.
- Obtain and review reports on financials, regulatory compliance and risk areas to ensure product suitability.
- Ensure the policies and procedures for managing product risk are formally endorsed by the Board and documented.

9. Disciplinary Committee

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

The roles and responsibilities of the Committee are as follows:

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

BOARD ATTENDANCE SCHEDULE

S/NO	NAME	24/02/2015	21/04/2015	16/06/2015	16/06/2015	14/07/2015	22/09/2015	24/11/2015
1	UDOMA Udo Udoma 1	X	X	X	X	X	X	N/A
2	ODU, Cyril 2	X	X	X	X	X	X	X
3	EMUWA, Emeka	X	X	X	X	X	X	X
4	ADEOSUN, Mickey Adekunle 3	X	X	X	X	X	N/A	N/A
5	ADEWALE, Oyinkansade (Mrs)	X	X	X	X	X	X	X
6	KASONGO, Kandolo	X	X	X	X	X	X	X
7	KWARGANA, Ibrahim	X	X	X	X	O	X	X
8	SONOLA, Adekunle 4	N/A	N/A	N/A	N/A	N/A	X	X
9	AKANDE, Onikepo (Dr) Mrs	X	X	X	X	X	X	O
10	AHMED, Mansur	O	X	X	X	X	O	X
11	MCDONALD, Arina (Ms) 5	N/A	N/A	N/A	N/A	N/A	O	X
12	HAMZA-BASSEY, Beatrice (Mrs) 5	N/A	N/A	N/A	N/A	N/A	X	X
13	BOTTS, John	X	X	O	O	O	X	X
14	BURRETT, Richard	X	X	X	X	X	X	X
15	CLYNE, Ian	X	X	X	X	X	X	X
16	KRAMER, Richard Lee	X	X	O	O	X	X	X
17	OKONKWO, Emeka	X	X	X	X	X	X	X
18	OSINDERO Adeyemi	X	X	X	X	X	X	X
19	VITALO, John 5	N/A	N/A	N/A	N/A	N/A	X	X

1	Resigned as Chairman with effect from 11th November 2015
2	Appointed as Chairman with effect from 24th November 2015
3	Resigned with effect from 10th October 2015
4	Appointed with effect from 15th July, 2015
5	Appointed with effect from 21st July, 2015
X	PRESENT
O	ABSENT
X	AGM
N/A	NOT APPLICABLE

BOARD RISK MANAGEMENT COMMITTEE

S/NO	NAME	23/02/2015	4/20/2015	13/07/2015	21/09/2015	23/11/2015
1	ODU, Cyril 1	X	X	X	X	X
2	EMUWA, Emeka	X	X	X	X	X
3	ADEWALE, Oyinkansade (Mrs)	X	X	X	X	X
4	AKANDE, Onikepo (Dr) Mrs	X	X	X	X	X
5	AHMED, Mansur	X	X	X	X	X
6	HAMZA-BASSEY, Beatrice (Mrs) 2	N/A	N/A	N/A	N/A	X
7	BOTTS, John 2	N/A	N/A	N/A	N/A	X
8	CLYNE, Ian 2	N/A	N/A	N/A	N/A	X
9	KANDOLO, Kasongo	X	X	X	X	X
10	OKONKWO, Emeka 3	X	X	X	X	N/A
11	OSINDERO, Adeyemi	X	X	X	X	X
12	VITALO, John 2	N/A	N/A	N/A	N/A	X
13	KWARGANA, Ibrahim 3	X	X	O	O	N/A

1	Appointed as Chairman of the Board and therefore Committee membership ceased with effect from 24th November 2015
2	Appointed with effect from 22nd September 2015
3	Committee membership ceased with effect from 22nd September 2015
X	PRESENT
O	ABSENT
N/A	NOT APPLICABLE

BOARD CREDIT COMMITTEE ATTENDANCE SCHEDULE

S/NO	NAME	18/02/2015	15/04/2015	6/12/2015	7/10/2015	17/09/2015	18/11/2015
1	OSINDERO, Adeyemi	X	X	X	X	X	X
2	EMUWA, Emeka	X	X	X	X	X	X
3	ODU, Cyril 1	X	X	X	X	X	O
4	ADEOSUN, Mickey Adekunle 2	X	X	O	X	O	N/A
5	HAMZA-BASSEY, Beatrice (Mrs)3	N/A	N/A	N/A	N/A	N/A	X
6	BOTTS, John	X	X	X	O	O	O
7	KASONGO, Kandolo	X	X	X	X	X	X
8	SONOLA, Adekunle 3	N/A	N/A	N/A	N/A	N/A	X
9	VITALO, John 3	N/A	N/A	N/A	N/A	N/A	X
10	KWARGANA, Ibrahim 4	X	X	X	X	X	N/A
11	CLYNE, Ian	X	X	X	X	O	
12	OKONKWO, Emeka	X	X	X	X	X	X
13	BURRETT, Richard 3	N/A	N/A	N/A	N/A	N/A	X
14	AHMED, Mansur 3	N/A	N/A	N/A	N/A	N/A	O

1	Appointed as Chairman of the Board and therefore Committee membership ceased with effect from 24th November, 2015
2	Resigned with effect from 10th October 2015
3	Appointed to the Committee with effect from 22nd September, 2015
4	Committee membership ceased with effect from 22nd September, 2015

X	PRESENT
O	ABSENT
N/A	NOT APPLICABLE

BOARD ESTABLISHMENT & SERVICES COMMITTEE

S/NO	NAME	2/18/2015	23/02/2015	15/04/2015	15/06/2015	7/8/2015	18/09/2015	18/11/2015
1	AHMED MANSUR	X	X	X	X	X	X	X
2	EMUWA, Emeka	X	X	X	X	X	X	X
3	ADEOSUN, Mickey Adekunle [1]	X	X	X	X	X	O	N/A
4	ADEWALE, Oyinkansade (Mrs) [2]	X	X	X	X	X	X	N/A
5	AKANDE Onikepo (Dr) Mrs	X	X	X	X	X	O	X
6	MCDONALD, Arina (Ms)[3]	N/A	N/A	N/A	N/A	N/A	N/A	O
7	HAMZA-BASSEY Beatrice (Mrs) [3]	N/A	N/A	N/A	N/A	N/A	N/A	O
8	BOTTS, John	X	X	X	O	O	O	O
9	BURRETT, Richard	X	X	X	X	X	X	X
10	KRAMER, Richard Lee	X	O	O	O	O	O	O
11	KWARGANA, Ibrahim Abubakar	X	X	X	X	O	O	X
12	SONOLA, Adekunle [3]	N/A	N/A	N/A	N/A	N/A	N/A	X

1	Resigned with effect from 10th October 2015
2	Committee membership ceased with effect from 22nd September 2015
3	Appointed with effect from 22nd September 2015
X	PRESENT
O	ABSENT
N/A	NOT APPLICABLE

BOARD FINANCE & GENERAL PURPOSE COMMITTEE

S/NO	NAME	23/02/2015	18/03/2015	20/04/2015	13/07/2015	21/09/2015	23/11/2015	12/9/2015
1	KRAMER, RICHARD LEE	X	X	X	X	X	X	X
2	EMUWA, Emeka	x	X	X	X	X	X	X
3	ODU, Cyril [1]	X	O	X	X	X	X	X
4	ADEOSUN, Adekunle [2]	X	X	X	X	O	N/A	N/A
5	ADEWALE, Oyinkansade (Mrs)	X	X	X	X	X	X	X
6	AKANDE, Onikepo (Dr) Mrs	X	X	X	X	X	X	X
7	AHMED, Mansur	X	O	X	X	X	X	O
8	MCDONALD, Arina (Ms) [3]	N/A	N/A	N/A	N/A	N/A	X	O
9	BURRETT, Richard	X	X	X	X	X	O	X
10	CLYNE, Ian	X	O	X	X	X	X	O
11	KASONGO, Kandolo	X	X	X	X	X	X	X
12	OKONKWO, Godson Emeka [4]	X	X	X	X	X	X	X
13	KWARGANA, Ibrahim 3	N/A	N/A	N/A	N/A	N/A	X	X

1	Appointed as Chairman of the Board and therefore Committee membership ceased with effect from 24th November, 2015
2	Resigned with effect from 10th October, 2015
3	Appointed with effect from 22nd September, 2015
4	Committee membership ceased with effect from 22nd September 2015
X	PRESENT
O	ABSENT
N/A	NOT APPLICABLE

BOARD AUDIT COMMITTEE

S/No	NAME	23/11/2015
1	VITALO, John [1]	X
2	AKANDE, Onikepo (Dr) Mrs	X
3	AHMED, Mansur	X
4	MCDONALD, Arina (Ms) [1]	X
5	CLYNE, Ian	X
6	KRAMER, Richard Lee	O
7	OSINDERO, Yemi	X

1	Appointed with effect from 22nd September, 2015
X	PRESENT
O	ABSENT

STATUTORY AUDIT COMMITTEE

S/NO	NAME	19/03/2015	30/04/2015	22/07/2015	18/11/2015	16/12/2015
1	BICHI, Musa Baba	X	X	X	X	X
2	OJINKA, Marcel	X	X	X	X	X
3	AKINLADE, Matthew	X	X	X	X	X
4	AKANDE, Onikepo (Dr) Mrs.	X	X	X	X	X
5	AHMED, Mansur	X	O	X	X	X
6	OSINDERO, Yemi	N/A	N/A	X	X	O

X	PRESENT
O	ABSENT
N/A	NOT APPLICABLE

BOARD REMUNERATION COMMITTEE

S/NO	NAME	2/23/2015	20/04/2015	13/07/2015	21/09/2015	24/11/2015
1	BOTTS, John	X	X	X	X	X
2	HAMZA-BASSEY, Beatrice (Mrs) 1	N/A	N/A	N/A	N/A	X
3	BURRETT, Richard	X	X	X	X	O
4	CLYNE, Ian	X	X	X	X	X
5	VITALO, John 1	N/A	N/A	N/A	N/A	X
6	KRAMER, Richard Lee 2	X	X	O	X	N/A
7	OSINDERO, Adeyemi	X	X	X	X	X
8	ODU, Cyril 3	N/A	N/A	N/A	N/A	X

1	Appointed with effect from 22nd September 2015
2	Committee membership ceased with effect from 22nd September 2015
3	Appointed as Chairman of the Board and therefore Committee membership ceased with effect from 24th November 2015

X	PRESENT
O	ABSENT
N/A	NOT APPLICABLE

Directors' Report

For the year ended 31 December 2015

The Directors present their report on the affairs of Union Bank of Nigeria Plc **("the Bank")** and its subsidiaries **("the Group")**, together with the consolidated audited financial statements and the auditor's report for the financial year ended 31 December 2015.

Legal form and principal activity

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

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

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

Operating results

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

	Group Dec. 2015 N million	Group Dec. 2014 N million	**Bank Dec. 2015 N million**	Bank Dec. 2014 N million
Gross earnings	**117,211**	135,898	**118,366**	**109,821**
Profit before taxation	**14,548**	27,710	**18,141**	20,691
Taxation	**(561)**	(883)	**(420)**	(205)
Profit after taxation	**13,987**	26,827	**17,721**	20,486
Other Comprehensive income:				
Re-measurement of defined benefit liability	**-**	(4,108)	**-**	(4,108)
Foreign currency translation	**982**	1,770	**-**	-
Fair value gains/(losses) on available-for-sale investments	**7,400**	1,720	**7,679**	1,812
	8,382	(618)	**7,679**	(2,296)
Total comprehensive income	**22,369**	26,209	**25,400**	18,190
Earnings per share (Basic and diluted)	**83k**	**151k**	**105k**	**121k**

	Group Dec. 2015 N' million	Group Dec. 2014 N' million	**Bank Dec. 2015 N' million**	Bank Dec. 2014 N' million
Total non-performing loans and advances	**25,937**	16,934	**25,937**	16,756
Total non-performing loans to total gross loans and advances – IFRS	**6.67%**	5.03%	**6.99%**	5.14%

Directors and their interests

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

S/N	**Names**	**Direct Holding Dec. '15**	**Direct Holding Dec. '14**
1	*Udoma Udo Udoma, CON*[1]	2,819,040	2,819,040
2	*Cyril Odu*[2]	2,661	2,661
3	*Emeka Emuwa*	-	-
4	*Adekunle Mickey Adeosun*[3]	-	-
5	*Oyinkansade Adewale*	-	-
6	*Kandolo Kasongo*	-	-
7	*Ibrahim Abubakar Kwargana*	-	-
8	*Emeka Okonkwo*	29,793	29,793
9	*Adekunle Sonola*[4]	2,514	NA
10	*Mansur Ahmed*	9,656	9,656
11	*Onikepo Olufunmike Akande, CON*	28,225	28,225
12	*John Botts*	-	-
13	*Richard Burrett*	-	-
14	*Ian Clyne*	-	-
15	*Beatrice A. Hamza-Bassey*[5]	-	-
16	*Richard Lee Kramer*	-	-
17	*Arina McDonald*[5]	-	-
18	*Adeyemi Osindero*	-	-
19	*John Vitalo*[5]	-	-

1 Resigned as Chairman with effect from 11th November, 2015
2 Appointed as Chairman with effect from 24th November, 2015
3 Resigned with effect from 10th October, 2015
4 Appointed with effect from 15th July, 2015
5 Appointed with effect from 21st July, 2015

Directors' Retirement

The Directors who retire at this Annual General Meeting, being the first general meeting since their appointment, are:

1. Adekunle Sonola
2. Arina McDonald
3. Beatrice Hamza-Bassey
4. John Vitalo

The Directors who retire by rotation and, being eligible, offer themselves for re-election in accordance with Article 90 of the Bank's Articles of Association are:

1. Oyinkansade Adewale
2. Ibrahim Kwargana
3. Cyril Odu
4. Ian Clyne

Directors' interest in contracts

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

Property and equipment

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

Shareholding analysis

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

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

The shareholding pattern of the Bank as at 31 December 2014 is as stated below:

Range	Number of Shareholders	Shares held	Percentage of shareholding (%)
Domestic shareholders			
1- 1,000	312,248	108,976,540	0.64
1,001 - 5,000	115,790	250,557,166	1.48
5,001 - 10,000	21,487	145,904,401	0.86
10,001 - 50,000	15,066	293,997,544	1.74
50,001 - 100,000	1,449	100,188,613	0.59
100,001 - 1,000,000	1,221	299,218,721	1.77
1,000,001 - 5,000,000	119	263,677,060	1.56
5,000,001 - 10,000,000	17	117,461,709	0.69
10,000,001 - and above	25	809,925,300	4.78
	467,422	2,389,907,054	14.11
Foreign shareholders			
10,000,001 - and above	3*	14,545,899,417	85.89
	3*	14,545,899,417	85.89
Total	467,425	16,935,806,471	100.00

** The foreign shareholders within the last range were changed to 2 in the 2015 report because Standard Chartered Private Equity's holding was merged with Union Global Partners Limited, to collectively form one group.*

According to the register of members as at 31 December 2015, no individual shareholder held more than 5% of the issued share capital of the Bank except the following:

	Dec. 2015		Dec. 2014	
Shareholder	**Shares Held**	**Percentage of Shareholding %**	**Shares Held**	**Percentage of Shareholding %**
Atlas Mara Limited	3,537,625,211	20.89	3,537,625,211	20.89
Union Global Partners Limited	11,008,274,206	65.00	10,396,703,405	61.39

** Given that the shareholding of Standard Chartered Private Equity' was merged with Union Global Partners Limited, to collectively form one group, the total shareholding of Union Global Partners Limited is computed as 11,008,274,206, being 65% of the Bank's issued sharecapital.*

Corporate Social Responsibility

Social responsibility is a key area of focus for Union Bank. As part of its operating principles, Union Bank is committed to being a responsible corporate citizen by positively impacting the individuals, communities and the environment in which it operates. For nearly a century, the Bank has operated under the principles of creating value for stakeholders and maintaining practices that encompass professionalism, respect for people and the environment, and honesty and integrity in business decisions.

We have shown this commitment by making donations and working with non-profit grassroots and international organizations in various areas of need across Nigeria. In 2014, the Bank redefined its Corporate Social Responsibility strategy to streamline its social investments to deliver significant impact in the following areas:

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

With focused engagement in these areas, Union Bank seeks economic and social progress for the society by driving innovation, entrepreneurship and creative expression, so as to empower, build and support the development of Nigeria's large youth population, agriculture and the Nigerian entrepreneurial spirit.

Talent Development: The Bank recognises talent development as a key avenue to boost individual and community creativity. Through support for capacity building initiatives and programmes that showcase creativity, the Bank seeks to promote economic empowerment and growth. Support in this area includes but is not limited to the creative arts, local artisans, entertainment, and sports.

In line with this, the Bank has supported the *5th Annual LasGidi Cultural Arts Exhibition*, aimed at providing a platform for emerging artists to showcase their work; *Special Olympics Nigeria*, through support for Team Nigeria at the 2015 World Summer Games; *W.TEC Girls' Technology Camp,* a platform for female secondary school students to learn and practice skills in science, technology, engineering and mathematics. In addition, *Beeta Universal Arts Foundation Playwrights Competition* was identified as an avenue to support emerging playwrights, hence providing an avenue for alternative sources of income.

Agriculture – The Greener Pastures Initiative is Union Bank's flagship agricultural initiative that will leverage and consolidate the Bank's reputation as a leader in the field of agriculture. Through support to small-holder farmers and cooperatives, focus in this area will harness relationships built through the Bank's long-standing Agribusiness Department. A robust programme in this area is currently being developed.

Financial Empowerment and Mentoring: By supporting great ideas and innovation through customised, partner-run programmes, Union Bank's focus in this area serves to encourage and reward the Nigerian entrepreneurial spirit. Through mentoring, the Bank is dedicated to equipping and empowering young people, providing them with the support they need to become responsible individuals and contributing citizens.

In this regard, the Bank was the lead sponsor of the *Union Bank-LEAP Africa Social Innovators Programme and Awards 2015/16*. Through a rigorous process, the top 20 Social Innovators were selected from applicants across Nigeria and enrolled in a year-long mentorship and development programme. Innovators were mentored and taught business, financial and other necessary skills, to enable them improve their existing enterprises. Volunteers from the Bank also conducted sessions in strategy development and financial literacy with the participants. In collaboration with the Public Affairs Section of the U.S. Missions to Nigeria, the Bank also supported the *W.TEC Entrepreneurship & Technology Programme for Women*, providing mentorship and training for female business owners, teaching them how to utilize technology to their advantage.

Furthermore, in line with its commitment to financial inclusion in Nigeria, the Bank launched the Financial Literacy Mentorship Programme in October 2014. Union Bank staff volunteers conduct monthly teaching sessions at schools in the Lagos area, and also host regional training sessions annually. To date, over 800 students have been taught the basics of financial literacy at St. Mary's Private School, Ajele Street, Lagos Island, Dodan Barracks Primary School and Army Children's Primary School, both located at Dodan Barracks, Obalende, and Uyo High School, Oron Road, Uyo.

Humanitarian Donations **–** Through other humanitarian donations, the Bank has continually given financial assistance to various charity and humanitarian organisations like the Sickle Cell Club, Women of Global Impact, Atunda Olu School (for physically handicapped children), CCWA International (christian care for widows, widowers, the aged and orphans), Nigerian Red Cross Society Disaster Relief Trust, developmental centres for children with special needs, and several orphanages. The Bank has also made donations to the Nigerian Police and security units of various state governments, in an effort to increase overall safety and security in our communities.

Employee Engagement Programmes - Union Bank has established and will continue to support structures within the Bank organisation that allow employees to contribute meaningfully to society. We encourage all employees to discover avenues and suggest ideas through which they can positively impact their local communities socially, economically and environmentally.

The result of engagement in these avenues of corporate social involvement is a well-rounded organization that is maintaining trust among stakeholders, positively influencing the communities we operate in, and building a community of socially conscious individuals and employees. As we work to build a simpler, smarter bank, Union Bank is committed to pursuing positive social change in our local communities.

Donations and charitable gifts

In order to identify with the aspirations of the communities and the environment within which the Group operates, a total sum of N57,433,494 (Dec. 2014: ₦223,235,000) was given out as donations and charitable contributions during the year. Details of the donations are as follows:

S/N	BENEFICIARY OF DONATION	AMOUNT (N)
1	Arrow of God Orphanage	750,000.00
2	Atunda Olu School (for physically handicapped children)	750,000.00
3	CCWA International (christian care for widows, widowers, the aged and orphans)	750,000.00
4	Child Life Line (Yaba & Ikorodu)	1,000,000.00
5	The Children's Development Centre	1,000,000.00
6	Down Syndrome Foundation, Nigeria	750,000.00
7	Modupe Cole Memorial Child Care & Treatment Home	1,000,000.00
8	National Orthopedic Special School (Igbobi)	700,000.00
9	Pacelli School (For the Blind)	750,000.00
10	Sickle Cell Club	700,000.00
11	SOS Children's Village	750,000.00
12	Hearts of Gold Children's Hospice	750,000.00
13	Care Organization Public Enlightenment (COPE)	700,000.00
14	Start Right Consulting	700,000.00
15	The Samaritans Project	750,000.00
16	Wesley School 1 (for deaf children)	700,000.00
17	Wesley School 2 (for deaf children)	700,000.00
18	Winiseph Care Home	750,000.00
19	Special Olympics	750,000.00
20	Women of Global impact	350,000.00
21	Imo State Security Unit (2 Hilux vehicles)	13,900,000.00
22	Anambra State Security Unit (2 Hilux vehicles)	13,900,000.00
23	Health Peak Medical Centre	485,000.00
24	Office of the Accountant General of the Federation (25 PCs and 10 Laptops)	5,320,000.00
25	Media Trust Fund for Internally Displaced Persons	3,000,000.00
26	St. Mary's Private School, Ajele, Lagos	5,528,494.00
27	Entomological Society of Nigeria	250,000.00
	TOTAL	**57,433,494.00**

Human resources

(1) Employment of disabled persons

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

In the event of any employee becoming disabled in the course of employment, the Bank is in a position to arrange appropriate training to ensure the continuous employment of such a person without subjecting him/her to any disadvantage in his/her career development. Currently, the Bank has 4 persons (2014: 4 persons) on its staff list with physical disability.

(2) Health, safety and welfare of employees

The Bank maintains business premises designed with a view to guaranteeing the safety and healthy living conditions of its employees and customers alike. Employees are adequately insured against occupational and other hazards. In addition, the Bank provides medical facilities to its employees and their immediate families at its expense. Fire prevention and fire-fighting equipment are installed in strategic locations within the Bank's premises. The Bank operates a Group Personal Accident Insurance scheme in accordance with the provisions of the Employee Compensation Act for the benefit of its employees and also operates a contributory pension plan for the benefit of its employees in line with the Pension Reform Act 2004.

(3) Diversity of employment

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

(i) Persons with Disability

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

(ii) Gender Diversity within the Group

	Bank (2015)		**Bank (2014)**	
	Workforce	**% Gender Composition**	**Workforce**	**% Gender Composition**
Total workforce:				
Women	952	36%	1,095	37%
Men	1,677	64%	1,881	63%
	2,629	100%	2,976	100%

Recruitment during the year:				
Women	43	30%	235	27%
Men	99	70%	649	73%
	142	100%	884	100%
Diversity of Senior Management – Assistant General Manager to General Manager:				
Women	15	31%	16	30%
Men	33	69%	37	70%
	48	100%	53	100%
Diversity of Board Executives:				
Women	1	17%	1	14%
Men	5	83%	6	86%
	6	100%	7	100%
Diversity of Board Members:				
Women	4	24%	2	12%
Men	13	76%	15	88%
	17	100%	17	100%

Employee involvement and training

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

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

Whistle Blowing procedures

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

Union Bank and Sustainability

For close to a century Union Bank has given back to its environment whilst creating wealth and conducting business in a manner that has been proven to be mutually beneficial, both to our business operations and the communities in which we operate.

As a provider of financial services for clients across various sectors in Nigeria, we recognize that our business decisions have the potential to impact surrounding communities and the environment. We also acknowledge that balancing social and environmental issues with financial priorities is fundamental to operating successfully in the

Nigerian economy. As a bank we make it a priority to place the interests of our clients, employees, the environment and our immediate communities at the very core of our sustainability focus. We aim to create the future we want to see and experience today.

In 2012, alongside other Nigerian Banks, Union Bank formally adopted the Nigerian Sustainable Banking Principles (NSBPs). Over the course of the 2015 financial year, we engaged in various initiatives and activities that demonstrate our commitment to protecting our immediate environments and improving social conditions for our employees and our customers. As a bank we have made a deliberate effort to create policies around each NSBP and this year we consolidated those efforts with the execution of a number of activities across each NSBP area. A summary of our NSBP polices and our activities in each area are outlined below:

Principle 1 - Our Business Activities:

Environmental and Social Risk Management

Union Bank is deliberate in the methods it uses to conduct business and makes a conscious effort to involve environmental and social considerations into its business decision-making processes in a fair, transparent manner. Using its core capabilities, the Bank supported economic growth by extending access to financial services to clients engaged in promoting sustainable energy through sales and installation of solar light bulbs, street lamps, panels, water pumps and inverters. We further built on clearly defined environmental and social processes and procedures ,approved in 2014 within our credit and risk management systems ,that promote responsible practices in our bank.

Principle 2 - Our Business Operations:

Environmental and Social Footprint

Union Bank is committed to the prevention of pollution, compliance with our environmental, regulatory and other obligations, and continuous improvement in our environmental performance. In 2015, we took specific steps to becoming more environmentally friendly, including the introduction of standardized recalibrated diesel tanks into our branches to improve our diesel efficiencies. We also introduced water treatment plants to reduce our waste water discharges. Furthermore, as the year progressed, we adopted the use of more energy efficient equipment in our branches such as energy efficient light bulbs and air-conditioning systems. We have introduced a culture of energy conservation, introducing practical ways of reducing energy wastage such as controlling the use of air-conditioning systems and lights during out-of-office hours.

Principle 3 - Human Rights:

Union Bank is committed to offering employment opportunities to people from all walks of life. Our employment policies and management practices support our customer needs and are aligned with an inclusive workplace culture. Our employment practices address gender diversity, indigenous employment, supporting persons with disabilities to undertake meaningful work; and to provide relevant learning and development opportunities for our people. In addition, Union Bank is responsible for the management of the communities in which we operate, including respect for human rights. As a bank we strive to continue to provide a conducive working environment for our employees, continuously re-evaluating our policies to ensure that the environment encourages both performance and learning. Furthermore, our corporate social responsibility initiatives and projects have contributed to the development of the nation in different ways by making donations to and working with non-profit grassroots and international organizations nationwide.

Principle 4 - Women's Economic Empowerment:

Union Bank is committed to initiatives that empower women to participate fully in economic life across all sectors in order to foster the creation of stronger economies, more sustainable business practices, and improved quality of life for women, men, families and communities. In 2015, Union Bank worked alongside several female oriented organizations in efforts to spread knowledge, provide support, and empower females in Nigeria. We strongly believe as a bank that the empowerment of women translates to the empowerment of the nation as a whole, and by supporting and partnering with women-focused organizations, we are truly able to make a difference. During the course of 2015, Union Bank supported initiatives by Women's Technology Empowerment Centre (W.TEC), Lady Mechanic Initiative, and Women of Global Impact.

Principle 5 - Financial Inclusion:

Union Bank is dedicated to the provision of a broad range of high quality products that are relevant, appropriate and affordable to the entire Nigerian populace, particularly the under-banked. Some products to serve this segment include *UnionSave*, *UnionSaveMore* and *UnionKorrect*. In addition, our extensive network of over 300 banking centers, over 700 ATMs and robust digital banking platforms have demonstrated our continued commitment to serve the Nigerian public.

In 2015, Union Bank partnered with the CBN, Junior Achievement of Nigeria and other Nigerian banks to coordinate the annual Financial Literacy Day activities during Global Money Week. This involved organizing teaching sessions in different school locations around Nigeria focused on a financial literacy module: "Growing Your Money".

To further support financial inclusion, Union Bank coordinated public enlightenment campaigns for Bank Verification Number (BVN) across print, television, radio (Pidgin and English) and social media, in collaboration with CBN and other banks. We were also involved in the crafting of strategies for 3-tiered KYC process.

Principle 6 – Environmental & Social Governance:

Union Bank is dedicated to ensuring it has transparent governance practices in place, especially in assessing the impact that its people, ideas and capital can have on supporting economic growth, addressing social challenges and promoting environmental sustainability. In 2015 we created a structured approach to our internal E&S governance process and are committed to maintaining a focused and robust approach.

Principle 7 - Capacity Building:

Union Bank is committed to continuous and iterative capacity development of its employees. We ensure that relevant general and specialist skills are developped for and transferred to all employees on an ongoing basis. In 2015, 100% of Union Bank employees undertook training programs either through class room based learning, e-learning or on the job training programs.

We also support our immediate communities through the provision of capacity building initiatives and the creation of partnership vehicles with organizations that have similar goals. During 2015, we collaborated with a number of non-governmental organizations, including LEAP Africa where the Bank was the lead sponsor of the *Union Bank-LEAP Africa Social Innovators Programme and Awards 2015/16.* Through a rigorous process, the top 20 Social Innovators were selected from applicants across Nigeria and enrolled in a year-long mentorship and development programme. Innovators were mentored and taught business, financial and other necessary skills to enable them improve their existing enterprises. Volunteers from the Bank also conducted sessions in strategy development and financial literacy to the participants.

Principle 8 - Collaborative Partnerships:

Union Bank is dedicated to forming alliances and partnerships at both institutional and sector level. We are also dedicated to fostering international relationships with global entities that have similar environmental and social development goals. In 2015, Union Bank was active in several industry level initiatives and was a key contributor in driving lasting change, especially in the banking industry, being at the fore-front of the drive for increased penetration of financial inclusion banking practices.

As a bank we had strong representation on the following industry level committees: Bankers' Committee Sub-Committees on Financial Literacy and Public Enlightenment, Sustainability and Economic Development; Steering Committee on Nigerian Sustainability Banking Principles, and CBN Sustainability Champions Meeting.

Principle 9 - Reporting

Union Bank is dedicated to reporting on its sustainability initiatives, fostering improved transparency on our activities and managing our social and environmental impact. In 2015, we reported regularly to both internal and external stakeholders including the CBN. These reports contained detailed information on our business practices and operations as a bank. Our continued objective is to enhance our reporting and ensure a mutually benefiting relationship between the Bank and the environments we operate in.

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

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

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

The Bank has successfully completed its divestment of the following subsidiaries: Union Capital Markets Limited, Union Assurance Company Limited, UBN Insurance Brokers Limited, Union Registrars Limited, Union Trustees Limited and Union Homes Savings and Loans Plc. Divestment of UBN Property Company Plc. is ongoing. Union Pension Custodians Limited has been liquidated and regulatory submissions to finalize the liquidation have been filed with the Corporate Affairs Commission. Also, in preparation for the liquidation of the special purpose vehicle (SPV), Atlantic Nominees Limited, the disposal of the SPV asset is in progress.

Event after reporting date

There were no subsequent events which could have had material effect on the financial statements of the Bank as at 31 December 2015 and the profit for the year ended on that date, which have not been adequately provided for or disclosed.

Auditors

KPMG Professional Services has indicated its willingness to continue in office as auditors to the Bank in accordance with Section 357(2) of the Companies and Allied Matters Act of Nigeria.

BY ORDER OF THE BOARD

Somuyiwa Adedeji Sonubi
FRC/2013/NBA/00000002061
Company Secretary
Lagos Nigeria
10 March, 2016

Statement of directors' responsibilities in relation to the financial statements for the year ended 31st December 2015.

The directors accept responsibility for the preparation of the annual report set out on pages 38 to 126 that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act of Nigeria, the Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions Act of Nigeria and relevant Central Bank of Nigeria circulars.

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

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

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

Emeka Emuwa
Group Managing Director
FRC/2013/CIBN/00000001774
10 March, 2016

Oyinkansade Adewale
Director/CFO
FRC/2013/ICAN/00000001775
10 March, 2016

Report of the Audit Committee

For the year ended 31 December 2015

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

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

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

(ii) We are of the opinion that the accounting and reporting policies of the Bank and Group are in accordance with legal requirements and agreed ethical practices and that the scope and planning of both the external and internal audits for the year ended 31 December 2015 were satisfactory and reinforce the Group's internal control systems.

(iii) We are satisfied that the Bank has complied with the provisions of Central Bank of Nigeria Circular BSD/1/2004 dated 18 February 2004 on "Disclosure of insider related credits in the financial statements of banks". We hereby confirm that an aggregate amount of N34.7 billion (December 2014: N12.85 billion) was outstanding as at 31 December 2015 of which N25 million (December 2014: N7.67 billion) was non-performing (see Note 46).

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

Mr. Matthew Akinlade
FRC/2013/ICAN/00000002111
10 March, 2016

Members of the Audit Committee are:

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

1 *Appointed as a member of the Audit Committee on 16th June, 2015*

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Lagos

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INDEPENDENT AUDITOR'S REPORT

To the Members of Union Bank of Nigeria Plc.

Report on the Financial Statements

We have audited the accompanying financial statements of Union Bank of Nigeria Plc ("the Bank") and its subsidiary companies (together "the Group"), which comprise the consolidated and separate statements of financial position as at 31 December 2015, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity, and the consolidated and separate statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 38 to 126.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act of Nigeria, the Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions Act of Nigeria, and relevant Central Bank of Nigeria circulars, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

Opinion

In our opinion, these financial statements give a true and fair view of the financial position of Union Bank of Nigeria Plc ("the Bank") and its subsidiaries (together "the Group") as at 31 December 2015, and of the Group and Bank's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act of Nigeria, the Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions Act of Nigeria, and relevant Central Bank of Nigeria circulars.

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Schedule 6 of the Companies and Allied Matters Act of Nigeria

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

Compliance with Section 27 (2) of the Banks and Other Financial Institutions Act of Nigeria and Central Bank of Nigeria circular BSD/1/2004

i. The Bank paid penalties in respect of contraventions of the Banks and Other Financial Institutions Act during the year ended 31 December 2015. Details of these contraventions and penalties paid are as disclosed in note 47 to the financial statements.

ii. Related party transactions and balances are disclosed in note 46 of the financial statements in compliance with the Central Bank of Nigeria circular BSD/1/2004.

Signed:

Kabir O. Okunlola, FCA
FRC/2012/ICAN/00000000428
For: KPMG Professional Services
Chartered Accountants
21 March 2016
Lagos, Nigeria

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
A0919513

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

For the year ended 31 December 2015

	Notes	Group Dec.2015	Restated Group Dec.2014	Bank Dec.2015	Restated Bank Dec.2014
		₦ million	₦ million	₦ million	₦ million
Gross earnings		**117,211**	**135,898**	**118,366**	**109,821**
Continuing Operations:					
Interest income	9	90,902	76,373	88,879	74,863
Interest expense	9	(35,219)	(24,317)	(35,097)	(24,237)
Net interest income		55,683	52,056	53,782	50,626
Net impairment charge for credit losses	14(a)	(9,948)	(4,828)	(9,881)	(3,307)
Net interest income after impairment charge for credit losses		45,735	47,228	43,901	47,319
Net fee and commission income	10	7,697	10,153	7,173	9,168
Net trading income	11	5,231	2,154	5,136	2,069
Net income from other financial instruments at fair value through profit or loss	12	1,820	-	1,820	-
Other operating income	13	11,419	31,832	15,358	23,721
Non interest income		26,167	44,139	29,487	34,958
Operating income		71,902	91,367	73,388	82,277
Net impairment gain /(loss) on other financial assets	14(b)	704	(4,823)	704	(4,364)
Net operating income after net impairment loss on other financial assets		**72,606**	**86,544**	**74,092**	**77,913**
Personnel expenses	15	(30,041)	(29,812)	(28,755)	(28,754)
Depreciation and amortisation		(4,300)	(3,320)	(4,145)	(3,244)
Other operating expenses	16	(23,823)	(26,287)	(23,051)	(25,224)
Total expenses		**(58,164)**	**(59,419)**	**(55,951)**	**(57,222)**
Share of profit of equity accounted investee		-	(6)	-	-
Profit before income tax from continuing operations		**14,442**	**27,119**	**18,141**	**20,691**
Income tax expense from continuing operations	17	(552)	(434)	(420)	(205)
Profit for the year from continuing operations		**13,890**	**26,685**	**17,721**	**20,486**
Discontinued operations					
Gross income from discontinued operations	39	142	15,392	-	-
Gross expense from discontinued operations	39	(36)	(14,801)	-	-
Profit/Loss before tax from discontinued operations	39	106	591	-	-
Income tax expense from discontinued operations	39	(9)	(449)	-	-
Profit/Loss for the year from discontinued operations	39	**97**	**142**	**-**	**-**
Continuing and discontinued operations:					
Profit before tax		**14,548**	**27,710**	**18,141**	**20,691**
Income tax		(561)	(883)	(420)	(205)
Profit after tax		**13,987**	**26,827**	**17,721**	**20,486**

	Notes	Group Dec.2015	Restated Group Dec.2014	Bank Dec.2015	Restated Bank Dec.2014
		₦ million	₦ million	₦ million	₦ million
Other comprehensive income, net of income tax					
Remeasurement of defined benefit liability		-	(4,108)	-	(4,108)
Items that are or may be reclassified to profit or loss					
Foreign currency translation differences for foreign operations		982	1,770	-	-
Fair value gains/(losses) on available-for-sale investments		7,400	1,720	7,679	1,812
Other comprehensive income for the year		8,382	(618)	7,679	(2,296)
Total comprehensive income for the year		**22,369**	**26,209**	**25,400**	**18,190**
Profit attributable to:					
Equity holders of the Bank		13,988	25,629	17,721	20,486
Non-controlling interest		(1)	1,198	-	-
Profit for the year		13,987	26,827	17,721	20,486
Total comprehensive income attributable to:					
Equity holders of the Bank		22,370	25,011	25,400	18,190
Non-controlling interest		(1)	1,198	-	-
Total comprehensive income for the year		22,369	26,209	25,400	18,190
Earnings per share for profit from total operations attributable to equity holders of Bank					
Basic and diluted (Kobo)	18	83	151	105	121
Earnings per share for profit from continuing operations attributable to equity holders of bank					
Basic and diluted (Kobo)	18	82	158	105	121

Consolidated and Separate Statements of Financial Position

	Notes	Group Dec.2015	Restated Group Dec.2014	Restated Group Jan.2014	Bank Dec.2015	Restated Bank Dec.2014	Restated Bank Jan.2014
		₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
ASSETS							
Cash and cash equivalents	19	**82,252**	121,960	100,925	**54,451**	58,457	53,141
Non-pledged trading assets	20	-	745	2,847	-	745	2,847
Pledged assets	21	**84,728**	83,935	65,167	**84,728**	83,935	65,167
Derivative assets held for risk management	22	**1,820**	7	-	**1,820**	-	-
Loans and advances to customers	23	**366,721**	312,797	229,542	**348,984**	302,372	210,118
Investments in equity accounted investee	24	**24**	24	25	-	-	16
Investment securities	25	**215,137**	197,200	289,353	**209,223**	193,656	290,377
Trading properties	26	**3,177**	1,930	4,747	**1,124**	1,930	1,930
Investment properties	27	**4,546**	-	16,413	-	-	-
Investment in subsidiaries	28	-	-	-	**10,567**	8,372	12,892
Property and equipment	29	**49,772**	48,575	44,581	**49,692**	48,482	44,405
Intangible assets	30	**3,749**	2,422	808	**3,318**	2,071	685
Deferred tax assets	31	**95,883**	95,883	95,889	**95,875**	95,875	95,875
Other assets	32	**138,686**	122,547	100,069	**138,030**	121,810	101,564
		1,046,495	988,025	950,366	**997,812**	917,705	879,017
Assets classified as held for sale	39(b)	**397**	20,426	51,684	**325**	2,525	2,374
TOTAL ASSETS		**1,046,892**	1,008,451	1,002,050	**998,137**	920,230	881,391
LIABILITIES							
Derivative liabilities held for risk management	22	-	7	-	-	-	-
Deposits from banks	33	**44,091**	61,890	46,794	**11,800**	18,055	3,200
Deposits from customers	34	**570,639**	527,617	482,706	**569,116**	507,431	479,956
Current tax liabilities	35	**382**	822	534	**229**	635	472
Other liabilities	36	**107,533**	103,580	143,803	**106,035**	103,181	142,586
Employee benefit obligations	37	**4,267**	7,525	22,864	**4,230**	7,525	22,819
Other borrowed funds	38	**76,059**	78,135	45,280	**76,059**	78,135	45,280
		802,971	779,576	741,981	**767,469**	714,962	694,313
Liabilities classified as held for sale	39(c)	-	7,347	61,432	-	-	-
TOTAL LIABILITIES		**802,971**	786,923	803,413	**767,469**	714,962	694,313
EQUITY							
Share capital and share premium	40	**400,109**	400,109	400,109	**400,109**	400,109	400,109
Treasury shares		-	(35)	(240)	-	-	-
Retained deficit		**(244,902)**	(243,675)	(275,577)	**(249,372)**	(251,878)	(272,770)
Other reserves	40(d)	**83,377**	59,791	67,183	**79,931**	57,037	59,739
EQUITY ATTRIBUTABLE TO EQUITY - HOLDERS OF THE BANK		**238,584**	216,190	191,475	**230,668**	205,268	187,078
Non-controlling interest	41	**5,337**	5,338	7,162	-	-	-
TOTAL EQUITY		**243,921**	221,528	198,637	**230,668**	205,268	187,078
TOTAL LIABILITIES AND EQUITY		**1,046,892**	1,008,451	1,002,050	**998,137**	920,230	881,391

Signed on behalf of the Board of Directors on 10 March, 2016 by:

Emeka Emuwa
Group Managing Director
FRC/2013/CIBN/00000001774

Oyinkansade Adewale
Director/CFO
FRC/2013/ICAN/00000001775

The notes on pages 47 to 126 are an integral part of these consolidated financial statements.

Consolidated and Separate Statements of Changes in Equity

For the year ended 31 December 2015

Group

	Share capital	Share premium	Treasury shares	Statutory reserve	Fair value reserve	Regulatory risk reserve	Other reserves	Retained deficit	Total	Non-controlling interest	Total equity
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Balance at 1 January 2015	8,468	391,641	(35)	19,404	28,313	8,667	3,407	(243,675)	216,190	5,338	221,528
Total comprehensive income for the year								-			
Profit for the year	-	-	-		-	-	-	13,988	13,988	(1)	13,987
Other comprehensive income, net of tax											
Foreign currency translation diferrence	-	-	-	-	-	-	982	-	982	-	982
Fair value gains/(loss) on available-for-sale investment	-	-	-	-	7,400	-	-	-	7,400	-	7,400
Total comprehensive income for the year	-	-	-	-	7,400	-	982	13,988	22,370	(1)	22,369
Appropriation:											
Transfer between reserves	-	-	-	-	(2,652)	15,209	-	(12,557)	-	-	-
Transfer to statutory reserves	-	-		2,658				(2,658)	-	-	-
	-	-	-	2,658	(2,652)	15,209	-	(15,215)	-	-	-
Transactions with owners, recorded directly in equity											
Contributions by and distributions to owners											
Disposal of subsidiaries	-	-	35	-	(11)		-	-	24	-	24
Total contribution and distributions to owners	-	-	35	-	(11)	-	-	-	24	-	24
Balance at 31 December 2015	**8,468**	**391,641**	**-**	**22,062**	**33,050**	**23,876**	**4,389**	**(244,902)**	**238,584**	**5,337**	**243,921**

December 2014

Group

	Share capital	Share premium	Treasury shares	Statutory reserve	Fair value reserve	Regulatory risk reserve	Other reserves	Retained deficit	Total	Non-controlling interest	Total equity
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Balance at 1 January 2014	8,468	391,641	(240)	17,544	31,201	7,390	11,048	(274,871)	192,181	7,162	199,343
Prior year adjustment (see note 4(ii))	-	-	-	-	-	-	-	(706)	(706)	-	(706)
Opening restated	8,468	391,641	(240)	17,544	31,201	7,390	11,048	(275,577)	191,475	7,162	198,637
Total comprehensive income for the year											
Profit for the year	-	-	-	-	-	-	-	25,627	25,627	1,198	26,825
Other comprehensive income, net of tax											
Foreign currency translation diferrence	-	-	-	-	-	-	1,770	-	1,770	-	1,770
Fair value gains/(loss) on available-for-sale investment	-	-	-	-	1,720	-	-	-	1,720	-	1,720
Remeasurement of defined benefit liability							(4,108)		(4,108)		(4,108)
									-		-
Total comprehensive income for the year	-	-	-	-	1,720	-	(2,338)	25,627	25,009	1,198	26,207
Appropriation:											
Transfer between reserves	-	-	-	(1,213)	(4,859)	1,277	(5,303)	10,098	-	-	-
Transfer to statutory reserve				3,073			-	(3,073)			-
			-	1,860	(4,859)	1,277	(5,303)	7,025	-	-	-
Transactions with owners, recorded directly in equity											
Contributions by and distributions to owners											
Disposal of subsidiaries			205	-	251		-	(750)	(294)	(3,022)	(3,316)
Total contribution and distributions to owners	-	-	205	-	251	-	-	(750)	(294)	(3,022)	(3,316)
Balance at 31 December 2014	**8,468**	**391,641**	**(35)**	**19,404**	**28,313**	**8,667**	**3,407**	**(243,675)**	**216,190**	**5,338**	**221,528**

Consolidated and Separate Statements of Changes in Equity

For the year ended 31 December 2015

Bank

	Share capital	Share premium	Treasury shares	Statutory reserve	Fair value reserves	Regulatory risk reserves	Other reserves	Retained deficit	Total
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Balance at 1 January 2015	8,468	391,641	-	19,404	27,213	8,667	1,753	(251,878)	205,268
Total comprehensive income for the year									
Profit or loss	-	-	-		-	-	-	17,721	17,721
Other comprehensive income									
Fair value gains/(loss) on available-for-sale investment	-	-	-	-	7,679	-	-	-	7,679
Total comprehensive income for the year	-	-	-	-	7,679	-	-	17,721	25,400
Appropriation									
Transfer between reserves	-	-		-	(2,652)	15,209	-	(12,557)	-
Transfer to statutory reserves				2,658	-	-	-	(2,658)	
	-	-	-	2,658	(2,652)	15,209	-	(15,215)	-
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners									
Total contribution and distributions to owners	-	-	-	-	-	-	-	-	-
Balance at 31 December 2015	**8,468**	**391,641**	**-**	**22,062**	**32,240**	**23,876**	**1,753**	**(249,372)**	**230,668**

Consolidated and Separate Statements of Changes in Equity
for the year ended 31 December 2014

Bank

	Share capital	Share premium	Treasury shares	Statutory reserve	Fair value reserves	Regulatory risk reserves	Other reserves	Retained earnings	Total
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Balance at 1 January 2014	8,468	391,641	-	16,331	30,260	3,706	9,442	(272,064)	187,784
Prior year adjustment (see note 4(ii))	-	-	-	-	-	-	-	(706)	(706)
Opening restated	8,468	391,641	-	16,331	30,260	3,706	9,442	(272,770)	187,078
Total comprehensive income for the year									
Profit or loss	-	-	-	-	-	-	-	20,486	20,486
Other comprehensive income									
Fair value reserve (available-for-sale) financial assets	-	-	-	-	1,812	-	-	-	1,812
Remeasurement of defined benefit liability	-	-		-	-	-	(4,108)	-	(4,108)
Total other comprehensive income for the year	-	-	-	-	1,812	-	(4,108)	-	(2,296)
Total comprehensive income for the year	-	-	-	-	1,812	-	(4,108)	20,486	18,190
Appropriation									
Transfer between reserves	-	-			(4,859)	4,961	(3,581)	3,479	-
Transfer to statutory reserves				3,073				(3,073)	-
	-	-	-	3,073	(4,859)	4,961	(3,581)	406	-
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners									
Total contribution and distributions to owners	-	-	-	-	-	-	-	-	-
Balance at 31 December 2014	**8,468**	**391,641**	**-**	**19,404**	**27,213**	**8,667**	**1,753**	**(251,878)**	**205,268**

Consolidated and Separate Statements of Cash Flows

For the year ended 31 December 2015

	Notes	Group Dec.2015	Group Dec.2014	Bank Dec.2015	Bank Dec.2014
		₦ million	₦ million	₦ million	₦ million
Cash flows from operating activities					
Profit for the year		13,987	26,825	17,721	20,486
Income tax expense	17	561	409	420	205
Profit before tax		14,548	27,234	18,141	20,691
Adjustments for:					
Impairment losses on loans and advances	14(a)	15,072	8,299	15,005	6,778
Recoveries on loans and advances	14(a)	(5,124)	(3,471)	(5,124)	(3,471)
(Reversal of impairment)/impairment loss on investment	14(b)	-		-	
Allowances on other assets	14(b)	2,097	5,222	2,097	4,763
Impairment on property and equipment	29(b)	200		200	-
Gain on sale of property and equipment	13	(1,660)	-	(1,660)	-
Gain on disposal of available for sale - unquoted equity	13	(193)	-	(193)	-
Gain on sale of trading properties	13	(728)	-	(728)	-
(Gain)/loss on sale of subsidiaries	13	332	(15,689)	(3,591)	(6,315)
Depreciation of property and equipment		3,509	2,879	3,480	2,854
Amortisation of intangible assets		772	432	666	389
Dividend income from equity investment	13	(686)	(408)	(686)	(2,015)
Interest paid on borrowings	9	8,683	6,836	8,683	6,836
Contributions to defined contribution plans	15	644	702	644	702
Increase/ (decrease) in liability for defined benefit plans	15	4,347	(120)	4,310	(120)
Share of profit of equity accounted investee		-	6	-	-
		41,813	31,922	41,244	31,108
Change in non-pledged trading assets		745	2,102	745	2,102
Change in pledged assets		(793)	(18,768)	(793)	(18,768)
Change in derivative financial instruments-liabilities		(7)	-	-	-
Change in loans and advances to customers		(63,872)	(88,083)	(56,493)	(95,561)
Change in other assets		(18,236)	(28,196)	(18,317)	(23,736)
Change in derivative financial instruments-assets		(1,813)	-	(1,820)	-
Change in deposits from banks		(17,799)	15,096	(6,255)	14,855
Change in deposits from customers		43,022	44,911	61,685	27,475
Change in other liabilities		3,953	(46,146)	2,854	(46,097)
		(12,987)	(87,162)	22,850	(108,622)
Income tax paid		(1,004)	(64)	(826)	(42)
Payment from defined contribution plan		(623)	(702)	(623)	(702)
Payment from defined benefit plan		(7,626)	(12,591)	(7,626)	(12,591)
Cash flows from Discontinued operations		-	(22,677)	-	-
Net cash provided/(used in) by operating activities		(22,240)	(123,196)	13,776	(121,957)

Cash flows from investing activities					
Change in investment properties		(4,546)	(39)	-	-
Proceeds from sale of investment properties	20	-	137	-	-
Proceeds from sale of unquoted equities	13(a)	212		212	
Proceeds from sale of trading properties		1,536	635	1,534	-
Proceeds from sale of property and equipment		3,438	3	3,438	3
Proceed from disposal of subsidiaries		12,350	8,849	3,596	8,849
Acquisition of property and equipment		(6,677)	(6,520)	(6,669)	(6,471)
Acquisition of intangible assets		(2,078)	(1,901)	(1,913)	(1,675)
Investment securities		(10,532)	93,873	(7,907)	98,533
Dividend income received		686	408	686	2,015
Cash flows from Discontinued operations		-	25,830	-	-
Net cash used in investing activities		(7,664)	121,276	(7,022)	101,254
Cash flows from financing activities					
Inflow from other borrowings		-	35,087	-	35,087
Repayment of borrowings		(2,076)	(2,232)	(2,076)	(2,232)
Interest paid on borrowings		(8,683)	(6,836)	(8,683)	(6,836)
Inflows from non-controlling interest		-	495	-	-
Cash flows from Discontinued operations		-	(2,259)	-	-
Net cash from financing activities		(10,759)	24,255	(10,759)	26,019
Net increase/(decrease) in cash and cash equivalents		(40,663)	22,334	(4,006)	5,316
Cash and cash equivalents at beginning of year		121,960	100,925	58,457	53,141
Net change in cash and cash equivalent from discontinued operation		-	(3,069)	-	-
Effect of exchange rate fluctuations on cash held		955	1,770	-	-
Cash and cash equivalents at end of period/year		82,252	121,960	54,451	58,457

The notes on pages 38 to 126 are an integral part of these consolidated financial statements.

Notes to the Consolidated financial statements
For the year ended 31 December 2015

1 Reporting entity

Union Bank of Nigeria Plc ("the Bank") is a company domiciled in Nigeria. The address of the Bank's registered office is Stallion Plaza, 36 Marina, Lagos. The consolidated financial statements of the Bank as at and for the year ended 31 December 2015 comprise the Bank and its subsidiaries (together referred to as the "Group"and individually as 'Group entities'). The Group is primarily involved in investment, corporate, commercial and retail banking.

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

2 Basis of preparation

(a) Statement of compliance

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting
They were authorised for issue by the Board of Directors on 10 March 2016.

(b) Functional and presentation currency

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

(c) Basis of measurement

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

• financial instruments at fair value through profit or loss are measured at fair value;
• available-for-sale financial assets are measured at fair value;
• investment property is measured at fair value;
• the liability for defined benefit obligations is recognised as the present value of the defined benefit obligation less the net total value of the plan assets, plus unrecognised actuarial gains, less unrecognised past service cost and unrecognised actuarial losses.
• the liability for staff non-contributory pension is recognised as the present value of the scheme less net total value of the plan assets, plus unrecognised actuarial gains, less unrecognised past service cost and unrecognised actuarial losses.

(d) Use of estimates and judgements

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

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

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

(e) Determination of regulatory risk reserves

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

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

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

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

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

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

Statement of Prudential Adjustments		Bank	Bank
		Dec. 2015	Dec. 2014
	Note	₦ million	₦ million
IFRS-based impairments:			
Specific impairment on loans to customers	23	11,565	9,753
Portfolio impairment on loans to customers	23	10,400	13,623
Specific impairment on investment securities	25	4,058	4,072
Specific impairment on equity accounted inves	24	91	91
Provision for claims and contingencies	36	2,236	1,844
Specific impairment on other assets	32	6,197	183,510
		34,547	212,893
Prudential provisions:			
Specific provision on loans to customers		27,846	24,034
General provision on loans to customers		4,968	2,931
Interest in suspense		13,027	5,078
Specific provision on investment securities		4,058	4,072
Specific impairment on equity accounted investee		91	91
Provision for claims and contingencies		2,236	1,844
Specific provision on other assets		6,197	183,510
		58,423	221,560
Regulatory risk reserve		23,876	8,667

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

	Dec. 2015	Dec. 2014
	₦ million	N million
Balance, beginning of the year	8,667	3,706
Transfer during the year	15,209	4,961
Balance, end of the year	23,876	8,667

3 Significant accounting policies

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

The accounting policies have been applied consistently by Group entities.

(a) Basis of consolidation

Business Combination

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

Non-controlling interest

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

Subsidiaries

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

Associates

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

Loss of control

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

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

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

(b) The carrying amount of the former subsidiary's net assets, together with any profit or loss reclassifications.
From the Group's perspective, the loss of control of a subsidiary results in derecognition of the individual assets and liabilities of the subsidiary. On disposal, components of OCI related to the subsidiary's assets and liabilities are accounted for on the same basis as would be required if the individual assets and liabilities had been disposed of directly. As a result, the following amounts are reclassified to profit or loss:
- exchange differences that were recognised in OCI;
- changes in the fair value of available-for-sale financial assets previously recognised in OCI; and
- the effective portion of gains and losses on hedging instruments in a cash flow hedge previously recognised in OCI.

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

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

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.
Foreign currency differences arising on translation are generally recognised in profit or loss. However, foreign currency differences arising from the translation of available for sale equity instruments are recognised in OCI.

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

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

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

(c) Interest

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

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

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

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

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

(d) Fees and Commission

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

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

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

(e) Net trading income

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

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

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

(g) Dividends

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

(h) Lease payments - Lessee

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

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

(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 aremeasured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date.

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

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

(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 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

(i) Loans and receivables

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

Loans and receivables are classified as loans and advances to customers and finance lease receivables.

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

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

(ii) Held-to-maturity

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

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

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

(iii) Available-for-sale

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

Interest income is recognised in 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) Fair value through profit or loss

This category comprises two sub-categories:

a) financial assets classified as held for trading;

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

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated and effective as hedging instruments. Financial assets held for trading consist of debt instruments, including money-market paper, traded corporate and bank loans, and equity instruments, as well as financial assets with embedded derivatives.

Financial instruments included in this category are recognised initially at fair value; transaction costs are taken directly to profit or loss. Gains and losses arising from changes in fair value are included directly in the income statement and are reported as 'Net trading income'.

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

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

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

Fair value measurement

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

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

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

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

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

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

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

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

Impairment of financial assets

(i) Assets carried at amortised cost

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

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

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

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

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

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

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

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

(ii) Available-for-sale financial assets

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

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

Offsetting financial instruments

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

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

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

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

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

(k) Cash and cash equivalents

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

(l) Trading assets and liabilities

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

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

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

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

(n) Property and equipment

Recognition and measurement

Property and equipment are carried at cost less accumulated depreciation and impairment losses. Cost includes expenditures

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

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

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

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

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

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

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

(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) Trading properties

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

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

(q) 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.

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

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

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

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

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

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

(s) 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.

(t) 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.

(u) 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.

(v) 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.

(w) 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.

(x) Employee benefits

Post-employment benefits

Defined contribution plans

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

Defined benefit plans

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

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

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

Net interest expense and other expenses related to defined benefit plans are recognised in personnel expenses in profit or loss.

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

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

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

Termination benefits

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

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.

(y) Share capital and reserves

Share issue costs

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

Dividend on ordinary shares

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

Treasury shares

Where the Bank or any member of the Group purchases the Bank's share capital, the consideration paid is deducted from the shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity. Gains and losses on sales or redemption of own shares are credited or charged to reserves.

(z) 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.

(aa) Segment reporting

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

(ab) Borrowings

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

(ac) New standards issued but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015 and earlier application is permitted; however, the group has not opted for the early application of the following new or amended standards in preparing these consolidated financial statements.

- *IFRS 9: Financial Instruments:*

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

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

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9. Given the nature of the Group's operations, this standard is expected to have a pervasive impact on the Group's financial statements.

- *IFRS 15 - Revenue from contracts with customers*

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces the existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.
IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15. This standard is not expected to have significant impact on the Group's operations.

The following new or amended standards are not expected to have a significant impact of the Group's consolidated financial statements.

i). IFRS 14 Regulatory Deferral Accounts - effective 1 January 2016.
ii). Accounting for acquisitions of interests in Joint Operations (Amendments to IFRS 11) - effective 1 January 2016.
iii). Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)- effective 1 January 2016.
iv). Equity Method in Separate Financial Statements (Amendments to IAS 27) - effective 1 January 2016.

4 Changes in accounting policies and correction of prior period errors

(i) Change in accounting policy

Except for the change below, the Group has consistently applied the accounting policies set out in Note 3 to all periods presented in these consolidated financial statements.

The Group has adopted the following new standard/amendments that are required to be adopted in annual periods beginning on 1 January 2015.

(a) Defined Benefit Plans: Employee Contributions (Amendments to IAS 19) - Effective date: 1 July 2014

The Group has no transactions that would be affected by this amendment as defined benefit plan has been discontinued by the Group

(ii) Prior period restatements

(a) In the year under review, it was discovered that a property carried in the books of the Bank was also being carried in the books of the Bank's subsidiary, UBN Property Company Limited. The Bank had therefore inadvertently overstated property and equipment in prior years.

As this error was made in a reporting period prior to the comparative period and is considered material, certain balances on the statement of financial position have been restated as follows:

- **Property and equipment** was decreased by N946,237,732 to derecognise the land and building that were previously recorded in the Bank's statement of financial position. This decrease was effected as follows:
  Cost - land and building: decreased by N1,100,346,541
  Accumulated depreciation - land and building: decreased by N154,108,809
- **Other assets** (account receivables) was increased by N240,000,000 (a receivable on the same asset in the subsidiary)
- **Retained deficit** was increased by N706,237,732 which was made up as follows:
  Net book value of land and building - N946,237,732 (increase)
  Other assets (receivable from Union Properties Company Limited) - N240,000,000 (decrease)

(b) The Bank also reclassified from other liabilities to employee benefit obligations, the balance of N6,680,460,950 (1 January 2014: N12,603,266,420) relating to the net liabilities on post employment defined benefit obligation in respect of pre-2006 employees of the Bank . This has now been accounted for and disclosed in line with IAS 19 - Employee Benefits. In prior years, the balance was inadvertently misclassified as part of other liabilities. This has now been corrected by restating the affected financial statement line items for prior years.

Restatement of Financial Statements as a result of correction of errors

Statement of financial position as at 31 Dec 2014

	Group			Bank		
	Dec. 2014	Correction of Prior error	Restated Dec. 2014	Dec. 2014	Correction of Prior error	Restated Dec. 2014
ASSETS	N'million	N'million	N'million	N'million	N'million	N'million
Cash and cash equivalents	121,960	-	121,960	58,457	-	58,457
Non-pledged trading assets	745	-	745	745	-	745
Pledged assets	83,935	-	83,935	83,935	-	83,935
Derivative assets held for risk management	7	-	7	-	-	-
Loans and advances to customers	312,797	-	312,797	302,372	-	302,372
Investments in equity accounted investee	24	-	24	-	-	-
Investment securities	197,200	-	197,200	193,656	-	193,656
Trading properties	1,930	-	1,930	1,930	-	1,930
Investment in subsidiaries	-	-	-	8,372	-	8,372
Property and equipment	49,521	(946)	48,575	49,428	(946)	48,482
Intangible assets	2,422	-	2,422	2,071	-	2,071
Deferred tax assets	95,883	-	95,883	95,875	-	95,875
Other assets	122,307	240	122,547	121,570	240	121,810
	988,731	(706)	988,025	918,411	(706)	917,705
Assets classified as held for sale	20,426	-	20,426	2,525	-	2,525
TOTAL ASSETS	**1,009,157**	**(706)**	**1,008,451**	**920,936**	**(706)**	**920,230**

LIABILITIES	Group			Bank		
		Correction of	Restated		Correction of	Restated
	Dec. 2014	Prior error	Dec. 2014	Dec. 2014	Prior error	Dec. 2014
Derivative liabilities held for risk management	7	-	7	-	-	-
Deposits from banks	61,890	-	61,890	18,055	-	18,055
Deposits from customers	527,617	-	527,617	507,431	-	507,431
Current tax liabilities	822	-	822	635	-	635
Other liabilities	110,260	(6,680)	103,580	109,861	(6,680)	103,181
Retirement benefit obligations	845	6,680	7,525	845	6,680	7,525
Other borrowed funds	78,135	-	78,135	78,135	-	78,135
	779,576	-	779,576	714,962	-	714,962
Liabilities classified as held for sale	7,347	-	7,347	-	-	-
TOTAL LIABILITIES	786,923	-	786,923	714,962	-	714,962

EQUITY	Group			Bank		
		Correction of	Restated		Correction of	Restated
	Dec. 2014	Prior error	Dec. 2014	Dec. 2014	Prior error	Dec. 2014
Share capital and share premium	400,109	-	400,109	400,109	-	400,109
Treasury shares	(35)	-	(35)	-	-	-
Retained deficit	(242,969)	(706)	(243,675)	(251,172)	(706)	(251,878)
Other reserves	59,791	0	59,791	57,037	-	57,037
EQUITY ATTRIBUTABLE TO EQUITY - HOLDERS OF THE BANK	216,896	(706)	216,190	205,974	(706)	205,268
Non-controlling interest	5,338	-	5,338	-	-	-
TOTAL EQUITY	222,234	(706)	221,528	205,974	(706)	205,268
TOTAL LIABILITIES AND EQUITY	**1,009,157**	**(706)**	**1,008,451**	**920,936**	**(706)**	**920,230**

Statement of financial position as at 01 Jan 2014

	Group			Bank		
		Correction of	Restated		Correction of	Restated
	Jan.2014	Prior error	Jan.2014	Jan.2014	Prior error	Jan.2014
ASSETS	N'million	N'million	N'million	N'million	N'million	N'million
Cash and cash equivalents	100,925	-	100,925	53,141	-	53,141
Non-pledged trading assets	2,847	-	2,847	2,847	-	2,847
Pledged assets	65,167	-	65,167	65,167	-	65,167
Derivative assets held for risk management	-	-	-	-	-	-
Loans and advances to customers	229,542	-	229,542	210,118	-	210,118
Investments in equity accounted investee	25	-	25	16	-	16
Investment securities	289,353	-	289,353	290,377	-	290,377
Trading properties	4,747	-	4,747	1,930	-	1,930
Investment properties	16,413	-	16,413	-	-	-
Investment in subsidiaries	-	-	-	12,892	-	12,892
Property and equipment	45,527	(946)	44,581	45,351	(946)	44,405
Intangible assets	808	-	808	685	-	685
Deferred tax assets	95,889	-	95,889	95,875	-	95,875
Other assets	99,829	240	100,069	101,324	240	101,564
	951,072	(706)	950,366	879,723	(706)	879,017
Assets classified as held for sale	51,684	-	51,684	2,374	-	2,374
TOTAL ASSETS	**1,002,756**	**(706)**	**1,002,050**	**882,097**	**(706)**	**881,391**

LIABILITIES	Group			Bank		
	Jan.2014	Correction of Prior error	Restated Jan.2014	Jan.2014	Correction of Prior error	Restated Jan.2014
Derivative liabilities held for risk management	-	-	-	-	-	-
Deposits from banks	46,794	-	46,794	3,200	-	3,200
Deposits from customers	482,706	-	482,706	479,956	-	479,956
Current tax liabilities	534	-	534	472	-	472
Other liabilities	156,406	(12,603)	143,803	155,189	(12,603)	142,586
Employee benefit obligations	10,261	12,603	22,864	10,216	12,603	22,819
Other borrowed funds	45,280	-	45,280	45,280	-	45,280
	741,981	-	741,981	694,313	-	694,313
Liabilities classified as held for sale	61,432	-	61,432	-	-	-
TOTAL LIABILITIES	803,413	-	803,413	694,313	-	694,313

EQUITY	Group			Bank		
	Dec. 2014	Correction of Prior error	Restated Dec. 2014	Dec. 2014	Correction of Prior error	Restated Dec. 2014
Share capital and share premium	400,109	-	400,109	400,109	-	400,109
Treasury shares	(240)	-	(240)	-	-	-
Retained deficit	(274,871)	(706)	(275,577)	(272,064)	(706)	(272,770)
Other reserves	67,183	-	67,183	59,739	-	59,739
EQUITY ATTRIBUTABLE TO EQUITY - HOLDERS OF THE BANK	192,181	(706)	191,475	187,784	(706)	187,078
Non-controlling interest	7,162	-	7,162	-	-	-
TOTAL EQUITY	199,343	(706)	198,637	187,784	(706)	187,078
TOTAL LIABILITIES AND EQUITY	**1,002,756**	**(706)**	**1,002,050**	**882,097**	**(706)**	**881,391**

5 Financial risk management

(a) Introduction and overview

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

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

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

(b) Credit risk

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

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

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

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

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

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

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

Principal Credit Policies

The following are the principal credit policies of the Group:

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

Credit process

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

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

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

1 Credit risk measurement

Risk Rating Methodology

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

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

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

Credit Risk Rating Models

An Obligor Risk Rating (ORR) model has been developed by the Group for corporate and commercial customers:

Risk Rating Process

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

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

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

Responsibility of Credit Risk Management

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

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

Risk Rating Scale and external rating equivalent

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

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

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

2 Credit Risk Control & Mitigation policy

Authority Limits on Credit

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

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

Authority	Approval Limit	
	Dec. 2015	Dec. 2014
Board of Directors	Above N5bn	Above N5bn
Board Credit Committee	N2,500,000,001 - N5,000,000,000	N2,500,000,01 - N5,000,000,000
Management Credit Committee	N1,000,000,001 - N2,500,000,000	N1,000,000,01 - N2,500,000,000
Group Managing Director & CCO/CRO	N500,000,001 - N1,000,000,000	N500,000,01 - N1,000,000,000
Business Executive Director & CCO/CRO	N250,000,001 - N500,000,000	N250,000,001 - N500,000,000
Credit Analyst	Up to N250,000,000	Up to N250,000,000

Collateral Policies

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

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

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

The range of collaterals acceptable to the Group include:

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

Master Netting arrangements

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

Exposure to credit risk

Group	**Note**	Loans and advances to customers Dec. 2015	Loans and advances to customers 'Dec. 2014	Investment securities Dec. 2015	Investment securities 'Dec. 2014	Pledged assets Dec. 2015	Pledged assets 'Dec. 2014	Non Pledged assets Dec. 2015	Non Pledged assets 'Dec. 2014	Derivatives Dec. 2015	Derivatives 'Dec. 2014	Placements Dec. 2015	Placements 'Dec. 2014
		₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Carrying amount	23,25,21,20,19	366,721	312,797	215,137	197,200	84,728	83,935	-	745	1,820	7	33,878	60,395
Assets at amortised cost													
Individually impaired:													
Grade 6: Impaired		2,828	800	-	-	-	-	-	-	-	-	-	-
Grade 7: Impaired		1,120	1,546	-	-	-	-	-	-	-	-	-	-
Grade 8: Impaired		21,989	14,588	-	-	-	-	-	-	-	-	-	-
Gross amount		25,937	16,934	-	-	-	-	-	-	-	-	-	-
Allowance for impairment		(11,565)	(9,931)	-	-	-	-	-	-	-	-	-	-
Carrying amount		14,372	7,003	-	-	-	-	-	-	-	-	-	-
Collectively impaired:													
Grade 1-3: Low-fair risk		155,484	238,889	-	-	-	-	-	-	-	-	-	-
Grade 4-5: Watch list		143,639	70,103	-	-	-	-	-	-	-	-	-	-
Gross amount		299,123	308,992	-	-	-	-	-	-	-	-	-	-
Allowance for impairment		(10,508)	(13,663)	-	-	-	-	-	-	-	-	-	-
Carrying amount		288,615	295,329	-	-	-	-	-	-	-	-	-	-
Past due but not impaired:													
Grade 4-5: Low-fair risk		45,889	61	-	-	-	-	-	-	-	-	-	-
Gross amount		45,889	61	-	-	-	-	-	-	-	-	-	-
Allowance for impairment				-	-								
Carrying amount		45,889	61	-	-	-	-	-	-	-	-	-	-
Past due comprises:													
30 -90 days		45,889	61	-	-	-	-	-	-	-	-	-	-
Carrying amount		45,889	61	-	-	-	-	-	-	-	-	-	-
Neither past due nor impaired:													
Grade 1-3: Low-fair risk		17,845	10,404	96,892	117,690	84,728	83,935	-	-	-	-	33,878	60,395
Carrying amount		17,845	10,404	96,892	117,690	84,728	83,935	-	-	-	-	33,878	60,395
Total carrying amount -amortised cost		366,721	312,797	96,892	117,690	84,728	83,935	-	-	-	-	33,878	60,395

Group	**Note**	Loans and advances to customers		Investment securities		Pledged assets		Non Pledged assets		Derivatives		Placements	
		Dec. 2015	'Dec. 2014	Dec. 2015	'Dec. 2014	Dec. 2015	'Dec. 2014	Dec. 2015	'Dec. 2014	Dec. 2015	'Dec. 2014	Dec. 2015	'Dec. 2014
		₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Available-for-sale assets (AFS)													
Individually impaired:													
Grade 6: Impaired		-	-	21,371	20,067	-	-	-	-	-	-	-	-
Grade 7: Impaired		-	-	-	-	-	-	-	-	-	-	-	-
Grade 8: Impaired		-	-	-	-	-	-	-	-	-	-	-	-
Gross amount		-	-	21,371	20,067	-	-	-	-	-	-	-	-
Allowance for impairment		-	-	(4,058)	(4,072)								
Carrying amount		-	-	17,313	15,995	-	-	-	-	-	-	-	-
Neither past due nor impaired:													
Grade 1-3: Low-fair risk		-	-	100,932	63,515	-	-	-	-	-	-	-	-
Grade 4-5: Low-fair risk		-	-	-	-	-	-	-	-	-	-	-	-
Carrying amount		-	-	100,932	63,515	-	-	-	-	-	-	-	-
Assets at fair value through profit or loss													
Grade 1-3: Low-fair risk		-	-	-	-	-	-	-	745	1,820	7	-	-
Grade 4-5: Low-fair risk		-	-	-	-	-	-	-	-	-	-	-	-
Carrying amount		-	-	-	-	-	-	-	745	1,820	7	-	-
Total carrying amount -fair value		-	-	118,245	79,510	-	-	-	745	1,820	7	-	-
Total carrying amount		366,721	312,797	215,137	197,200	84,728	83,935	-	745	1,820	7	33,878	60,395

Bank	**Note**	Loans and advances to customers		Investment securities		Pledged assets		Non Pledged assets		Derivatives		Placements	
		Dec. 2015	'Dec. 2014	Dec. 2015	'Dec. 2014	Dec. 2015	'Dec. 2014	Dec. 2015	'Dec. 2014	Dec. 2015	'Dec. 2014	Dec. 2015	'Dec. 2014
		₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Carrying amount	23,25,21,20,19	348,984	302,372	209,223	193,656	84,728	83,935	-	745	1,820	-	7,504	7,502
Assets at amortised cost													
Individually impaired:													
Grade 6: Impaired		2,828	-	-	-	-	-	-	-	-	-	-	-
Grade 7: Impaired		1,120	1,546	-	-	-	-	-	-	-	-	-	-
Grade 8: Impaired		21,989	15,210	-	-	-	-	-	-	-	-	-	-
Gross amount		25,937	16,756	-	-	-	-	-	-	-	-	-	-
Allowance for impairment		(11,565)	(9,753)	-	-	-	-	-	-	-	-	-	-
Carrying amount		14,372	7,003	-	-	-	-	-	-	-	-	-	-
Collectively impaired:													
Grade 1-3: Low-fair risk		155,484	238,889	-	-	-	-	-	-	-	-	-	-
Grade 4-5: Watch list		143,639	70,103	-	-	-	-	-	-	-	-	-	-
Gross amount		299,123	308,992	-	-	-	-	-	-	-	-	-	-
Allowance for impairment		(10,400)	(13,623)	-	-	-	-	-	-	-	-	-	-
Carrying amount		288,723	295,369	-	-	-	-	-	-	-	-	-	-
Past due but not impaired:													
Grade 4-5: Low-fair risk		45,889	14,255	-	-	-	-	-	-	-	-	-	-
Gross amount		45,889	14,255	-	-	-	-	-	-	-	-	-	-
Allowance for impairment		-	-	-	-	-	-	-	-	-	-	-	-
Carrying amount		45,889	14,255	-	-	-	-	-	-	-	-	-	-
					-								
Past due comprises:					-								
30 -90 days		45,889	14,255	-	-	-	-	-	-	-	-	-	-
Carrying amount		45,889	14,255	-	-	-	-	-	-	-	-	-	-
Neither past due nor impaired:					-								
Grade 1-3: Low-fair risk		-	-	96,892	117,690	84,728	83,935	-	745	-	-	7,504	7,502
Grade 4-5: Low-fair risk			-	-	-	-	-	-	-	-	-	-	-
Carrying amount		-	-	96,892	117,690	84,728	83,935	-	745	-	-	7,504	7,502
Total carrying amount -amortised cost		348,984	316,627	96,892	117,690	84,728	83,935	-	745	-	-	7,504	7,502

	Loans and advances to customers		Investment securities		Pledged assets		Non Pledged assets		Derivatives		Placements	
Note	Dec. 2015	'Dec. 2014	Dec. 2015	'Dec. 2014	Dec. 2015	'Dec. 2014	Dec. 2015	'Dec. 2014	Dec. 2015	'Dec. 2014	Dec. 2015	'Dec. 2014
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Available-for-sale assets (AFS)												
Individually impaired:												
Grade 6: Impaired	-	-	1,757	1,757	-	-	-	-	-	-	-	-
Grade 7: Impaired	-	-	-	-	-	-	-	-	-	-	-	-
Grade 8: Impaired	-	-	3,738	3,738	-	-	-	-	-	-	-	-
Gross amount	-	-	5,495	5,495	-	-	-	-	-	-	-	-
Allowance for impairment	-	-	(4,058)	(4,072)								
Carrying amount	-	-	1,437	1,423	-	-	-	-	-	-	-	-
Neither past due nor impaired:												
Grade 1-3: Low-fair risk	-	-	110,894	74,543	-	-	-	-	-	-	-	-
Grade 4-5: Low-fair risk	-	-	-	-	-	-	-	-	-	-	-	-
Carrying amount	-	-	110,894	74,543	-	-	-	-	-	-	-	-
Assets at fair value through profit or loss												
Grade 1-3: Low-fair risk	-	-	-	-	-	-	-	-	-	-	-	-
Grade 4-5: Low-fair risk	-	-	-	-	-	-	-	-	1,820	-	-	-
Carrying amount	-	-	-	-	-	-	-	-	1,820	-	-	-
Total carrying amount -fair value	-	-	112,331	75,966	-	-	-	-	1,820	-	-	-
Total carrying amount	348,984	316,627	209,223	193,656	84,728	83,935	-	745	1,820	-	7,504	7,502

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

Group	Loans and advances to		Investment securities		Pledged assets		Non Pledged assets		Derivatives		Placements	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
31 December 2015	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Grade 6-8: Individually impaired	25,937	14,372	21,371	17,313	-	-	-	-	-	-	-	-
Total	25,937	14,372	21,371	17,313	-	-	-	-	-	-	-	-
31 December 2014												
Grade 6-8: Individually impaired	16,934	7,003	20,067	15,995	-	-	-	-	-	-	-	-
Total	16,934	7,003	20,067	15,995	-	-	-	-	-	-	-	-

Bank	Loans and advances to		Investment securities		Pledged assets		Non Pledged assets		Derivatives		Placements	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
31 December 2015	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Grade 6-8: Individually impaired	25,937	14,372	5,495	1,437	-	-	-	-	-	-	-	-
Total	25,937	14,372	5,495	1,437	-	-	-	-	-	-	-	-
31 December 2014												
Grade 6-8: Individually impaired	16,756	7,003	5,495	1,423	-	-	-	-	-	-	-	-
Total	16,756	7,003	5,495	1,423	-	-	-	-	-	-	-	-

Concentrations of credit risk

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

Group		Loans and advances to customers		Investment securities		Pledged assets		Non Pledged assets		Derivatives		Placements	
	Note	Dec. 2015	'Dec. 2014	Dec. 2015	'Dec. 2014	Dec. 2015	'Dec. 2014	Dec. 2015	'Dec. 2014	Dec. 2015	'Dec. 2014	Dec. 2015	'Dec. 2014
		₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Carrying amount	23,25,21,20,19	366,721	312,797	215,137	197,200	84,728	83,935	-	745	1,820	7	33,878	60,395
Concentration by sector:													
Agriculture		26,431	18,226	-	-	-	-	-	-	-	-	-	-
Oil and gas		128,393	93,537		-	-	-	-	-	-	-	-	-
Capital market		48	39	-	-	-	-	-	-	-	-	-	-
Consumer credit		29,680	20,906	-	-	-	-	-	-	-	-	-	-
Manufacture		44,536	38,494	-	-	-	-	-	-	-	-	-	-
Mortgage		-	1,803	-	-	-	-	-	-	-	-	-	-
Real estate and construction		35,561	29,359	2,195	2,195	-	-	-	-	-	-	-	-
General commerce		39,117	39,262	-	-	-	-	-	-	-	-	-	-
Finance and Insurance		321	1,761	-	-	-	-	-	-	-	-	33,878	60,395
Government		3,432	17,308	195,629	179,010	80,533	67,246	-	745	1,820	7	-	-
Power		30,599	23,025	-	-	-	-	-	-	-	-	-	-
Other public utilities		1,215	19	-	-	-	-	-	-	-	-	-	-
Transportation		2,053	1,797	-	-	-	-	-	-	-	-	-	-
Communication		20,821	22,514	-	-	-	-	-	-	-	-	-	-
Education		3,124	1,368	-	-	-	-	-	-	-	-	-	-
Others		1,127	3,379	17,313	15,995	4,195	16,689	-	-	-	-	-	-
		366,458	312,797	215,137	197,200	84,728	83,935	-	745	1,820	7	33,878	60,395
Concentration by location:													
Nigeria		348,984	302,372	209,223	193,216	84,728	83,935	-	745	1,820	7	7,504	5,542
United Kingdom		17,737	10,425	5,914	3,984	-	-	-	-			26,374	54,853
		366,721	312,797	215,137	197,200	84,728	83,935	-	745	1,820	7	33,878	60,395

Bank		Loans and advances to customers		Investment securities		Pledged assets		Non Pledged assets		Derivatives		Placements	
	Note	Dec. 2015	'Dec. 2014	Dec. 2015	'Dec. 2014	Dec. 2015	'Dec. 2014	Dec. 2015	'Dec. 2014	Dec. 2015	'Dec. 2014	Dec. 2015	'Dec. 2014
		N million	N million	N million	N million	N million	N million	N million	N million	N million	N million	N million	N million
Carrying amount	23,25,21,20,19	348,984	302,372	209,223	193,656	84,728	83,935	-	745	1,820	-	7,504	7,502
Concentration by sector:						-	-	-	-	-	-	-	-
Agriculture		21,977	18,226	-	-	-	-	-	-	-	-	-	-
Oil and gas		128,393	93,537		-	-	-	-	-	-	-	-	-
Capital market		48	39	-	-	-	-	-	-	-	-	-	-
Consumer credit		29,680	20,906	-	-	-	-	-	-	-	-	-	-
Manufacture		44,536	38,494	-	-	-	-	-	-	-	-	-	-
Mining and quarrying		-		-	-	-	-	-	-	-	-	-	-
Mortgage		-	1,803	-	-	-	-	-	-	-	-	-	-
Real estate and construction		34,292	29,359	2,195	2,195	-	-	-	-	-	-	-	-
General commerce		29,138	27,261	-	-	-	-	-	-	-	-	-	-
Finance and Insurance		321	1,761	-	-	-	-	-	-	1,820	-	7,504	7,502
Government		3,432	17,308	110,136	175,466	84,728	83,935	-	745	-	-	-	-
Power		30,599	23,025	-	-	-	-	-	-	-	-	-	-
Other public utilities		1,215	19	-	-	-	-	-	-	-	-	-	-
Transportion		2,053	1,797	-	-	-	-	-	-	-	-	-	-
Communication		20,821	22,514	-	-	-	-	-	-	-	-	-	-
Education		1,089	1,368	-	-	-	-	-	-	-	-	-	-
Others		1,127	4,955	48,273	15,995	-	-	-	-	-	-	-	-
		348,721	302,372	160,604	193,656	84,728	83,935	-	745	1,820	-	7,504	7,502
Concentration by location:													
Nigeria		348,721	302,372	160,604	193,656	84,728	83,935	-	745	1,820	-	7,504	7,502
Europe		-	-	-	-	-	-	-	-	-	-	-	-
		348,721	302,372	160,604	193,656	84,728	83,935	-	745	1,820	-	7,504	7,502

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

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

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

(c) Liquidity risk

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

Identification of Liquidity Risk

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

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

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

Liquidity Risk Appetite

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

Liquidity Risk Measurement, monitoring and reporting

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

Contingency Funding Plan

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

Exposure to Liquidity Risk

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

	2015	2014
At 31 December		
Average for the year	45%	61%
Maximum for the year	54%	71%
Minimum for the year	38%	55%

As at 31 December 2015, the Group's ratio of net liquid assets to deposits from customers is 13 basis points above the required 30% benchmark.

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

Residual contractual maturities of financial assets and liabilities

Group	***Note***	**Carrying amount**	**Gross nominal inflow /**	**Less than 3 month**	**3 - 6 months**	**6 - 12 months**	**1 - 5 years**	**More than 5 years**
31 December 2015		₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Non-derivative assets:								
Cash and cash equivalents	19	82,252	82,252	82,252	-	-	-	-
Pledged assets	21	84,728	84,728	4,195	9,868	6,961	41,870	21,834
Loans and advances to customer	23	366,721	339,447	128,995	18,771	31,718	147,077	12,886
Investment securities	25	215,137	220,001	4,337	11,389	64,018	66,991	73,265
Other receivables	32	138,686	138,686	138,686	-	-	-	-
		887,524	865,113	358,465	40,028	102,697	255,938	107,985
Derivative assets:								
Held for Risk Management	22	1,820	1,820	1,820	-	-	-	-
		889,344	866,933	360,285	40,028	102,697	255,938	107,985
Non-derivative liabilities								
Deposits from banks	33	(44,091)	(44,091)	(44,091)	-	-	-	-
Deposits from customers	34	(570,639)	(570,639)	(555,119)	(12,282)	(3,166)	(73)	-
Other financial liabilities	36	(54,471)	(54,471)	(54,471)	-	-	-	-
Other borrowed funds	38	(76,059)	(76,059)	(21,328)	(16,078)	(13,413)	(22,060)	(3,180)
		(745,423)	(745,260)	(675,009)	(28,360)	(16,579)	(22,133)	(3,180)
Gap (asset - liabilities)		143,921	121,673	(314,724)	11,668	86,118	233,806	104,805
Cumulative liquidity gap			121,673	(314,724)	(303,056)	(216,938)	16,868	121,673

Group	***Note***	**Carrying amount**	**Gross nominal inflow / (outflow)**	**Less than 3 month**	**3 - 6 months**	**6 - 12 months**	**1 - 5 years**	**More than 5 years**
31 December 2014		₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Non-derivative assets:								
Cash and cash equivalents	19	121,960	121,960	121,960	-	-	-	-
Non-pledged trading assets	20	745	745	745	-	-	-	-
Pledged assets	21	83,935	116,181	16,340	9,520	3,418	52,554	34,348
Loans and advances to customer	23	312,797	335,853	105,009	24,745	29,661	125,139	51,299
Investment securities	25	197,200	248,829	28,932	47,371	13,504	110,981	48,042
Other receivables	32	114,233	114,233	114,233	-	-	-	-
		830,870	937,801	387,219	81,636	46,583	288,674	133,689
Derivative assets:								
Held for Risk Management		7	7	7	-	-	-	-
		830,877	937,808	387,226	81,636	46,583	288,674	133,689
Non-derivative liabilities								
Derivative liabilities held for risk management								
Deposits from banks	33	(61,890)	(61,890)	(61,512)	(378)	-	-	-
Deposits from customers	34	(527,617)	(527,617)	(515,023)	(11,608)	(917)	(69)	-
Other financial liabilities	36	(62,748)	(62,748)	(62,748)	-	-	-	-
Other borrowed funds	38	(78,135)	(78,135)	(13,915)	(5,054)	(17,429)	(38,757)	(2,980)
		(730,390)	(730,390)	(653,198)	(17,039)	(18,346)	(38,826)	(2,980)
Derivative liabilities:								
Held for Risk Management		(7)	(7)	(7)	-	-	-	-
		(730,397)	(730,397)	(653,205)	(17,039)	(18,346)	(38,826)	(2,980)
Gap (asset - liabilities)		100,480	207,411	(265,979)	64,597	28,238	249,848	130,709
Cumulative liquidity gap			207,411	(265,979)	(201,383)	(173,145)	76,703	207,411

Bank	Note	Carrying amount	nominal inflow /(outflow)	Less than 3 month	3 - 6 months	6 - 12 months	1 - 5 years	More than 5 years
31 December 2015		₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Non-derivative assets:								
Cash and cash equivalents	19	54,451	54,451	54,451	-	-	-	-
Pledged assets	21	84,728	84,728	4,195	9,868	6,961	41,870	21,834
Loans and advances to customer	23	348,984	327,862	126,821	18,769	31,707	140,481	10,085
Investment securities	25	209,223	214,087	3,603	11,389	60,338	66,592	72,165
Other receivables	32	138,030	138,030	138,030	-	-	-	-
		835,416	819,158	327,100	40,026	99,006	248,942	104,083
Derivative assets:								
Held for Risk Management	22	1,820	1,820	1,820	-	-	-	-
		837,236	820,978	328,920	40,026	99,006	248,942	104,083
Non-derivative liabilities								
Deposits from banks	33	(11,800)	(11,800)	(11,800)	-	-	-	-
Deposits from customers	34	(569,116)	(565,844)	(554,441)	(8,227)	(3,166)	(10)	-
Other financial liabilities	36	(54,469)	(54,469)	(54,469)	-	-	-	-
Other borrowed funds	38	(76,059)	(76,059)	(21,328)	(16,078)	(13,413)	(22,060)	(3,180)
		(711,444)	(708,172)	(642,038)	(24,305)	(16,579)	(22,070)	(3,180)
Derivative liabilities:								
Held for Risk Management	22	-	-	-	-	-	-	-
		(711,444)	(708,172)	(642,038)	(24,305)	(16,579)	(22,070)	(3,180)
Gap (asset - liabilities)		125,792	112,807	(313,118)	15,722	82,427	226,872	100,903
Cumulative liquidity gap			112,807	(313,118)	(297,396)	(214,969)	11,903	112,807

Bank	Note	Carrying amount	Gross nominal inflow	Less than 3 month	3 - 6 months	6 - 12 months	1 - 5 years	More than 5 years
31 December 2014		₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Non-derivative assets:								
Cash and cash equivalents	19	58,457	58,457	58,457	-	-	-	-
Non-pledged trading assets	20	745	745	745	-	-	-	-
Pledged assets	21	83,935	116,181	16,340	9,520	3,418	52,554	34,348
Loans and advances to customer	23	302,372	325,428	98,820	24,004	29,661	121,731	51,211
Investment securities	25	193,656	245,286	28,932	45,512	13,504	109,297	48,042
Other receivables	32	114,233	114,233	114,233	-	-	-	-
		753,398	860,330	317,527	79,036	46,583	283,583	133,601
Non-derivative liabilities								
Deposits from banks	33	(18,055)	(18,055)	(17,677)	(378)	-	-	-
Deposits from customers	34	(507,431)	(507,431)	(498,955)	(7,552)	(917)	(7)	-
Other financial liabilities	36	(62,748)	(62,748)	(62,748)	-	-	-	-
Other borrowed funds	38	(78,135)	(78,135)	(13,915)	(5,054)	(17,429)	(38,757)	(2,980)
		(666,369)	(666,369)	(593,295)	(12,984)	(18,346)	(38,763)	(2,980)
Gap (asset - liabilities)		87,029	193,961	(275,769)	66,052	28,238	244,819	130,621
Cumulative liquidity gap			193,961	(275,769)	(209,717)	(181,479)	63,340	193,961

(d) Market risk

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

Interest rate risk management and control

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

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

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

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

Group

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

				Re-pricing year				
In millions of Naira	***Note***	**Carrying amount**	**Total amount sensitive to Rate**	**Less than 3 months**	**6 months**	**12 months**	**5 years**	**More than 5 years**
31 December 2015								
Non-derivative assets								
Cash and cash equivalents	19	82,252	54,850	54,850	-	-	-	-
Non-pledged trading assets	20	-	-	-	-	-	-	-
Pledged assets	21	84,728	37,220	-	-	37,220	-	-
Derivative assets held for risk manage	22	1,820	1,820	1,820	-	-	-	-
Loans and advances to customers	23	366,721	283,587	260,388	4,828	7	10,690	7,673
Investment securities	25	215,137	219,384	7,095	23,651	74,950	61,098	52,589
Other receivables	32	138,686	-	-	-	-	-	-
		889,344	596,861	324,153	28,479	112,177	71,788	60,262
Non-derivative liabilities								
Deposits from banks	33	(44,091)	(44,091)	(32,092)	(21,547)	-	-	-
Deposits from customers	34	(570,639)	(378,108)	(233,401)	(9,683)	(4,343)	(130,681)	-
Other financial liabilities	36	(54,471)	-	-	-	-	-	-
Other borrowed funds	38	(76,059)	(37,861)	(21,037)	-	-	(9,158)	(7,666)
		(745,260)	(460,060)	(286,531)	(31,230)	(4,343)	(139,839)	(7,666)
Total interest re-pricing gap		144,084	136,801	37,623	(2,751)	107,835	(68,051)	52,596

Group

				Re-pricing year				
In millions of Naira	***Note***	**Carrying amount**	**Total amount sensitive to Rate**	**Less than 3 months**	**6 months**	**12 months**	**5 years**	**More than 5 years**
31 December 2014								
Non-derivative assets								
Cash and cash equivalents	19	121,960	60,395	60,395	-	-	-	-
Non-pledged trading assets	20	745	745	745	-	-	-	-
Pledged assets	21	83,935	117,228	17,387	9,520	3,418	52,554	34,348
Derivative assets held for risk manage	22	7	7	7	-	-	-	-
Loans and advances to customers	23	312,797	290,027	271,664	1,681	4,318	12,276	88
Investment securities	25	197,200	174,020	17,230	43,129	7,625	85,364	20,672
Other receivables	32	114,233	-	-	-	-	-	-
		830,877	642,422	367,428	54,331	15,361	150,194	55,107

Non-derivative liabilities								
Derivative liabilities held for risk management								
Deposits from banks	33	(61,890)	(61,890)	(61,890)	-	-	-	-
Deposits from customers	34	(527,617)	(305,437)	(292,843)	(11,608)	(917)	(69)	-
Other financial liabilities	36	(62,748)	-	-	-	-	-	-
Other borrowed funds	38	(78,135)	(78,135)	(13,915)	(5,054)	(17,429)	(38,757)	(2,980)
		(730,390)	(445,462)	(368,648)	(16,662)	(18,346)	(38,826)	(2,980)
Total interest re-pricing gap		100,487	196,960	(1,221)	37,669	(2,984)	111,369	52,127

Bank

Re-pricing year

In millions of Naira	***Note***	**Carrying amount**	**Total amount sensitive to Rate**	**Less than 3 months**	**6 months**	**12 months**	**5 years**	**More than 5 years**
31 December 2015								
Non-derivative assets								
Cash and cash equivalents	19	54,451	19,410	19,410	-	-	-	-
Pledged assets	21	84,728	37,220	-	-	37,220	-	-
Derivative assets held for risk manage	22	1,820	1,820	1,820	-	-	-	-
Loans and advances to customers	23	348,984	265,834	246,275	2,735	-	9,158	7,666
Investment securities	25	209,223	213,470	6,361	23,651	71,270	60,698	51,489
Other receivables	32	128,371	-	-	-	-	-	-
		827,577	537,754	276,601	35,544	116,156	69,856	59,155
Non-derivative liabilities								
Deposits from banks	33	(11,800)	(53,640)	(32,092)	(21,547)	-	-	-
Deposits from customers	34	(569,116)	(365,666)	(223,660)	(8,227)	(3,166)	(130,614)	-
Other financial liabilities	36	(54,469)	-	-	-	-	-	-
Other borrowed funds	38	(76,059)	(37,861)	(21,037)	-	-	(9,158)	(7,666)
		(711,444)	(457,167)	(276,789)	(29,774)	(3,166)	(139,772)	(7,666)
Total interest re-pricing gap		116,133	80,587	(188)	5,770	112,990	(69,916)	51,489

Re-pricing year

In millions of Naira **Bank**	***Note***	**Carrying amount**	**Total amount sensitive to Rate**	**Less than 3 months**	**6 months**	**12 months**	**5 years**	**More than 5 years**
31 December 2014								
Non-derivative assets								
Cash and cash equivalents	19	58,457	7,502	7,502	-	-	-	-
Non-pledged trading assets	20	745	745	745	-	-	-	-
Pledged assets	21	83,935	113,283	16,512	6,450	3,418	52,554	34,348
Derivative assets held for risk manage	22	-	-	-	-	-	-	-
Loans and advances to customers	23	302,372	279,601	265,474	940	4,318	8,869	-
Investment securities	25	193,656	170,477	17,230	41,270	7,625	85,364	18,988
Other receivables	32	114,233	-	-	-	-	-	-
		753,398	571,608	307,464	48,660	15,362	146,787	53,335
Non-derivative liabilities								
Deposits from banks	33	(18,055)	(18,055)	(17,677)	(378)	-	-	-
Deposits from customers	34	(507,431)	(298,822)	(290,346)	(7,552)	(917)	(7)	-
Other financial liabilities	36	(62,748)	-	-	-	-	-	-
Other borrowed funds	38	(78,135)	(53,465)	(53,465)	-	-	-	-
		(666,369)	(370,342)	(361,488)	(7,930)	(917)	(7)	-
Total interest re-pricing gap		87,029	201,266	(54,025)	40,730	14,444	146,781	53,335

To complement the re-pricing gap, the Group adopted the value at risk model during the year which was prospectively applied, for measuring interest rate risk inherent in any trading position or portfolio. The value at risk (VaR) of a position or portfolio is the loss or change in value that is not expected to be exceeded with a given degree of confidence (99%) over a specified time year. VaR is therefore a statistical measure of variability in the value of a portfolio of positions or earnings from economic activity arising from the changes in the market prices of the commodities or other variables underlying the portfolio or activity. Value at Risk measurement is most appropriate for marked-to-market portfolios.
The Bank does not have a trading portfolio with inherent risk as at December 31, 2015, therefore no value at risk (VaR) exists.

In millions of naira
31 December ,2014

Security	Position	VaR 1-Day	VaR 10-Day	Diversified VaR 1-Day
Treasury Bills	404	0	1	0
FGN Bonds	300	3	9	3

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

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

The table below summarizes the Group's foreign exchange balance sheet as at December 31, 2015:

Group		**Total**	**US Dollar**	**Euro**	**Pound**	**Naira**	**Others**
		₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
31 December 2015							
Cash and cash equivalents	19	82,252	29,799	956	814	50,531	152
Pledged assets	21	84,728	-	-	-	84,728	-
Derivative assets held for risk management	22	1,820	1,820	-	-	-	-
Loans and advances to customers	23	366,721	143,291	658	1,689	221,033	50
Investment securities	25	215,137	-	-	-	215,137	-
Other receivables	32	138,686	-	-	-	138,686	-
Total financial assets		889,344	174,909	1,614	2,503	710,115	202
Deposits from banks	33	(44,091)	(44,091)	-	-	-	-
Deposit from customers	34	(570,639)	(33,056)	(2,793)	(4,537)	(530,097)	(155)
Other borrowed funds	38	(76,059)	(21,037)	-	-	(55,022)	-
Other financial liabilities		(54,471)	(50,983)	-	-	(3,488)	-
Total financial liabilities		(745,260)	(149,167)	(2,793)	(4,537)	(588,607)	(155)
Net on-balance sheet position		144,084	25,742	(1,179)	(2,034)	121,508	47

		Total	**US Dollar**	**Euro**	**Pound**	**Naira**	**Others**
		₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
31 December 2014							
Cash and cash equivalents	19	121,960	79,498	6,482	8,507	27,281	192
Non-pledged assets	20	745	-	-	-	745	-
Pledged assets	21	83,935	4,695	-	-	79,240	-
Derivative assets held for risk management	22	1,820	-	-	-	-	-
Loans and advances to customers	23	312,797	143,795	658	1,689	166,605	50
Investment securities	25	197,200	3,543	-	-	193,657	-
Other receivables	32	114,233	-	-	-	114,233	-
Total financial assets		832,690	231,531	7,140	10,196	581,760	242

Deposits from banks	33	(61,890)	(43,835)	-	-	(18,055)	-
Deposit from customers	34	(527,617)	(32,780)	(1,631)	(7,036)	(486,014)	(155)
Other financial liabilities	36	(62,748)	-	-	-	(62,748)	-
Other borrowed funds	38	(78,135)	(53,465)	-	-	(24,670)	-
Other financial liabilities		(54,469)	(50,983)	-	-	(3,486)	-
Total financial liabilities		(784,859)	(181,063)	(1,631)	(7,036)	(594,973)	(155)
		47,831	50,468	5,509	3,160	(13,213)	87

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

Bank		**Total**	**US Dollar**	**Euro**	**Pound**	**Naira**	**Others**
		₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
31 December 2015							
Cash and cash equivalents	19	54,451	5,262	956	814	47,374	44
Pledged assets	21	84,728	-	-	-	84,728	-
Derivative assets held for risk management		1,820	1,820	-	-	-	-
Loans and advances to customers	23	348,984	126,264	-	-	222,720	-
Investment securities	25	209,223	-	-	-	209,223	-
Other receivables	32	138,030	-	-	-	138,030	
Total financial assets		837,236	133,346	956	814	702,076	44
Deposits from banks	33	(11,800)	(11,800)	-	-	-	-
Deposit from customers	34	(569,116)	(24,590)	(552)	(2,999)	(540,975)	(1)
Other financial liabilities	36	(54,469)	(50,983)	-	-	(3,486)	-
Other borrowed funds	38	(76,059)	(21,037)	-	-	(55,022)	-
Total financial liabilities		(711,444)	(108,410)	(552)	(2,999)	(599,482)	(1)
Net on-balance sheet position		125,792	24,936	404	(2,185)	102,594	44

		Total	**US Dollar**	**Euro**	**Pound**	**Naira**	**Others**
		₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
31 December 2014							
Cash and cash equivalents	19	58,457	30,580	1,785	2,493	23,515	84
Non-pledged assets	20	745	-	-	-	745	-
Pledged assets	21	83,935	4,695	-	-	79,240	-
Loans and advances to customers	23	302,372	126,768	44	-	175,560	-
Investment securities	25	193,656	-	-	-	193,656	-
Other receivables	32	114,233	-	-	-	114,233	-
Total financial assets		753,398	162,043	1,829	2,493	586,949	84
Deposits from banks	33	(18,055)	(18,055)	-	-	-	-
Deposit from customers	34	(507,431)	(24,866)	(1,714)	(500)	(480,351)	(1)
Other financial liabilities	36	(62,748)	-	-	-	(62,748)	-
Other borrowed funds	38	(78,135)	(53,465)	-	-	(24,670)	-
Total financial liabilities		(666,369)	(96,386)	(1,714)	(500)	(567,769)	(1)
Net on-balance sheet position		87,029	65,657	115	1,994	19,180	83

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

Sensitivity of Foreign exchange rate on net balance sheet and profit before tax

	US Dollar	Euro	Pound
Exchange rate as at 31 December 2015	199.30	216.84	294.98
Exchange rate increased by 20%	239.16	260.21	353.98
Exchange rate decreased by 20%	159.44	173.47	235.99

	Total	US Dollar	Euro	Pound	Naira	Others
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Net on-balance sheet position at 20% increase in exchange	121,933	20,780	337	(1,821)	102,594	44
Net on-balance sheet position at 20% decrease in exchange	131,581	31,170	505	(2,731)	102,594	44

At 31 December 2015, if the Naira had weakened/strengthened by ± 20% against the Dollar, Euro and Pounds with all other variables held constant the pre-tax profit for the year would have increased/(decreased) as set out in the table below mainly as a result of foreign exchange gains or losses on

	Total	US Dollar	Euro	Pound
	₦ million	₦ million	₦ million	₦ million
Impact of 20% increase in exchange rate on balance sheet position and Profit before tax	3,859	4,156	67	(364)
Impact of 20% decrease in exchange rate on balance sheet position and Profit before tax	(5,789)	(6,234)	(101)	546

(e) Operational risk management

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

Our overall objective for managing Operational Risk in the Bank is to establish and maintain a sound system which adequately identifies, measures, assesses, monitors, reports, controls and reviews Operational Risks across the Bank.

Effective implementation of our Operational Risk Management program guarantees:

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

(f) Capital management

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

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

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

The CBN requires each international bank to:

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

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

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

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

(b) Tier 2 capital: preference shares, non-controlling interests arising on consolidation, qualifying debt stock, fixed assets revaluation reserves, foreign currency revaluation reserves, general provisions subject to maximum of 1.25% of risk assets and hybrid instruments – convertible bonds.

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

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

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

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

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

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

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

- 100% for Exposures secured by Mortgages on Residential Property.
- 100% for Exposures secured by Mortgages on Commercial Real Estate.
- Qualifying residential mortgage loans that are past due:
 i) 100% when specific provisions are less than 20% of the outstanding amount of the exposure; and
 ii) 50% when specific provisions are 20% or more of the outstanding amount of the exposure.
- Other unsecured Past Due Exposures (excluding past due residential mortgages):
 i) 150% risk weight when specific provisions are less than 20% of the outstanding amount of the exposure;
 ii) 100% risk weight when specific provisions are no less than 20% of the outstanding amount of the exposure.

Other Assets:
i) Cash in hand and equivalent cash items shall be assigned a 0% risk weight.
ii) Cheques and Cash items in transit shall be assigned a 20% risk weight.
- 100% risk weight for the following: fixed assets; prepayments; investments in equity or regulatory capital instruments (unless deducted from capital); collective investment schemes; real estate; bank lending to subsidiaries in the same group (but to be deducted from capital where loan is not fully secured).
- Off-Balance Sheet Exposures are first converted to credit equivalent amount by multiplying the exposures by the related conversion factors (CCF). The Capital requirement is then derived by multiplying the credit equivalent by the risk weight of the counterparty.

Capital Adequacy Ratio

The Bank's Basel II capital adequacy ratio was 15.3% as at 31 December 2015, which is above the CBN minimum requirement of 15%, as computed below. The Basel II rule for computation of Capital Adequacy Ratio only came into force in the year under review and has been prospectively applied.

Bank	***Note***	**Dec. 2015**	**Dec. 2014**
		₦ million	₦ million
Tier 1 Capital			
Ordinary share capital		8,468	8,468
Share premium		391,641	391,641
Retained deficit		(249,372)	(251,172)
Statutory reserve		22,062	19,404
Other reserves		1,753	1,753
		174,552	170,094
Less:			
Investment in subsidiaries (50%)	28	(5,284)	(4,186)
Investment in equity accounted investee (50%)	24	-	-
Deferred tax assets	31	(95,875)	(95,875)
Intangible assets	30	(3,318)	(2,071)
Total qualifying Tier 1 Capital		70,075	67,962
Tier 2 Capital			
Fair value reserves		25,120	27,213
Investment in subsidiaries (50%)		(5,284)	(4,186)
Investment in equity accounted investee (50%)		-	-
Collective allowances for impairment		-	-
Total qualifying Tier 2 Capital		19,836	23,027
Total regulatory capital		89,911	90,989
Risk weighted assets			
Risk-weighted Amount for Credit Risk		451,594	439,655
Risk-weighted Amount for Operational Risk		116,973	105,550
Risk-weighted Amount for Market Risk		18,948	9,992
Total weighted risk assets		587,515	555,197
Risk weighted Capital Adequacy Ratio (CAR)		15.3%	16.4%

Regulatory risk reserves of N23.87billion (2014: N8.67billion) are excluded from capital adequacy ratio computation

6 Use of estimates and judgements

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

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

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

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

Impairment

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

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

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

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

Determining control over an investee

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

Recognition of deferred assets

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

Determining fair values

The fair value of financial assets and liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using other valuation techniques.
For financial instruments that traded infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific

Financial asset and liability classification

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

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

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

Depreciation and carrying value of property and equipment

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

Determination of impairment of property and equipment, and intangible assets

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

Valuation of financial instruments

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

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

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

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

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

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

	Note	**Level 1**	**Level 2**	**Level 3**	**Total**
31 December 2015		₦ million	₦ million	₦ million	₦ million
Pledged assets		14,620	-	-	14,620
Derivative assets held for risk management	22	-	-	1,820	1,820
Investment securities	25	104,972	-	7,359	112,331
		119,592	-	9,179	128,771

	Note	**Level 1**	**Level 2**	**Level 3**	**Total**
31 December 2014		₦ million	₦ million	₦ million	₦ million
Non pledged trading assets	20	348	397	-	745
Derivative assets held for risk management	22	-	-	7	7
Investment securities	25	68,267	-	7,699	75,966
		68,615	397	7,706	76,718

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

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

Level 3 fair value measurements

(a) Reconciliation

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

31 December 2015 *In millions of naira*	Investment Securities	Derivative Assets	Total
Balance at 1 January 2015	7,699	-	7,699
Total gains recognised in OCI	- 340	-	- 340
Purchases	-	1,820	1,820
Balance at 31 December 2015	7,359	1,820	9,179

Financial instruments not measured at fair value

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

Group	***Note***	**Level 1**	**Level 2**	**Level 3**	**Total**
31 December 2015		₦ million	₦ million	₦ million	₦ million
Assets					
Cash and Cash equivalent	19	-	-	82,252	82,252
Pledged assets		62,948	-	4,195	67,143
Loans and advances to customers		-	-	353,189	353,189
Investment securities	25	-	-	211,145	211,145
Other receivables	32	-	-	127,613	127,613
		62,948	-	778,394	841,342
Liabilities					
Deposits from banks	33	-	-	44,091	44,091
Deposits from customers	34	-	-	570,639	570,639
Other financial liabilities	36	-	-	54,471	54,471
Other borrowed funds	38	-	-	76,059	76,059
		-	-	745,260	745,260

	Note	**Level 1**	**Level 2**	**Level 3**	**Total**
31 December 2014		₦ million	₦ million	₦ million	₦ million
Assets					
Cash and Cash equivalent	19	-	-	121,960	121,960
Pledget assets		-	-	745	745
Loans and advances to customers		-	-	294,838	294,838
Investment securities	25	-	-	173,234	173,234
Other receivables	32	-	-	113,376	113,376
		-	-	704,153	704,153
Liabilities					
Deposits from banks	33	-	-	61,890	61,890
Deposits from customers	34	-	-	527,617	527,617
Other financial liabilities	36	-	-	62,748	62,748
Other borrowed funds	38	-	-	78,135	78,135
		-	-	730,390	730,390

Bank	***Note***	**Level 1**	**Level 2**	**Level 3**	**Total**
31 December 2015		₦ million	₦ million	₦ million	₦ million
Assets					
Cash and Cash equivalent	19	-	-	54,451	54,451
Pledged assets		62,948	-	4,195	67,143
Loans and advances to customers		-	-	335,344	335,344
Investment securities	25	-	-	92,900	92,900
Other receivables	32	-	-	127,613	127,613
		62,948	-	614,503	677,451
Liabilities					
Deposits from banks	33	-	-	11,800	11,800
Deposits from customers	34	-	-	569,116	569,116
Other financial liabilities	36	-	-	54,469	54,469
Other borrowed funds	38	-	-	76,059	76,059
		-	-	711,444	711,444

	Note	**Level 1**	**Level 2**	**Level 3**	**Total**
31 December 2014		₦ million	₦ million	₦ million	₦ million
Assets					
Cash and Cash equivalent	19	-	-	58,457	58,457
Pledget assets	21	-	-	55,553	55,553
Loans and advances to customers	23	-	-	284,413	284,413
Investment securities	25	-	-	93,724	93,724
Other receivables	32	-	-	113,376	113,376
		-	-	605,523	605,523
Liabilities					
Deposits from banks	33	-	-	18,055	18,055
Deposits from customers	34	-	-	507,431	507,431
Other financial liabilities	36	-	-	62,748	62,748
Other borrowed funds	38	-	-	78,135	78,135
		-	-	666,369	666,369

7 Operating segments

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

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

Retail Bank

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

Commercial Bank

This segment caters to the banking needs of local corporates, usually with a turnover between N250 million - N5 billion in such sectors as General Commerce, Construction, Oil & Gas, Manufacturing, Agriculture, Education, Health and Public Sector. Products and services offered within this segment includes loans and advances, equipment leasing, local purchase order financing, value chain products, trade financing and

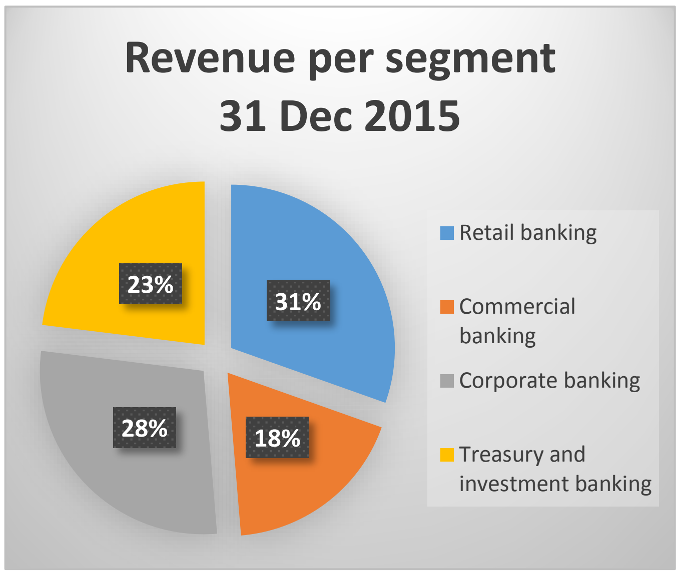
Corporate Bank

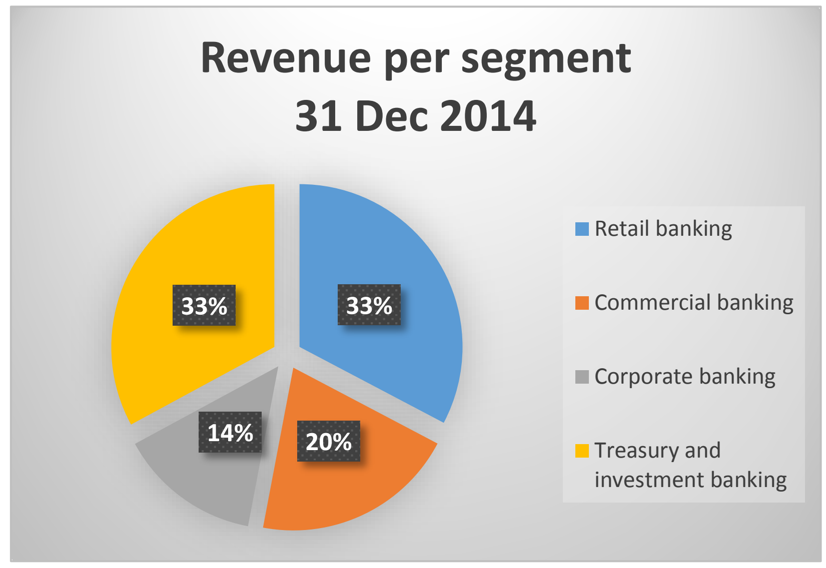
This segment provides services to large corporates with a turnover above N5 billion in sectors such as Oil & Gas, Telecoms, Manufacturing, FMCG, General Commerce, Agriculture, Aviation and Maritime. Products and services offered include transactional banking products, cash management solutions, trade,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

Treasury

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

31 December 2015	**Retail banking**	**Commercial banking**	**Corporate banking**	**Treasury and investment banking**	**Total**
	₦ million	₦ million	₦ million	₦ million	₦ million
Revenue:					
Derived from external customers	48,854	14,022	10,677	43,657	117,211
Derived from other business segments	(10,998)	24,259	(1,308)	(11,953)	(0)
Total Revenue	37,857	38,280	9,369	31,704	117,211
Interest expenses	(14,392)	(50,121)	(13,951)	(15,480)	(93,944)
(Loss)/profit before income tax	23,465	(19,187)	(4,371)	14,641	14,548
Income tax expense					**(561)**
Profit after tax					13,987
Assets and liabilities:					
Reportable segment assets	138,713	191,475	294,982	421,331	1,046,501
Reportable segment liabilities	(387,762)	(141,100)	(193,143)	(80,575)	(802,580)
Net Assets/(Liabilities)	(249,049)	50,374	101,839	340,757	243,921
31 December 2014					
Revenue:					
Derived from external customers	10,917	24,768	27,658	72,553	135,897
Derived from other business segments	33,549	2,762	(8,476)	(27,835)	0
Total Revenue	44,466	27,530	19,182	44,719	135,897
Interest expenses	(13,951)	(2,641)	(961)	(6,764)	(24,317)
(Loss)/profit before income tax	1,076	6,287	6,923	12,684	26,971
Income tax expense					**(409)**
Profit after tax					26,562
Assets and liabilities:					
Reportable segment assets	108,486	219,487	282,946	397,533	1,008,451
Reportable segment liabilities	(321,426)	(155,746)	(66,517)	(243,234)	(786,923)
Net Assets/(Liabilities)	(212,940)	63,741	216,429	154,299	221,528





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

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

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

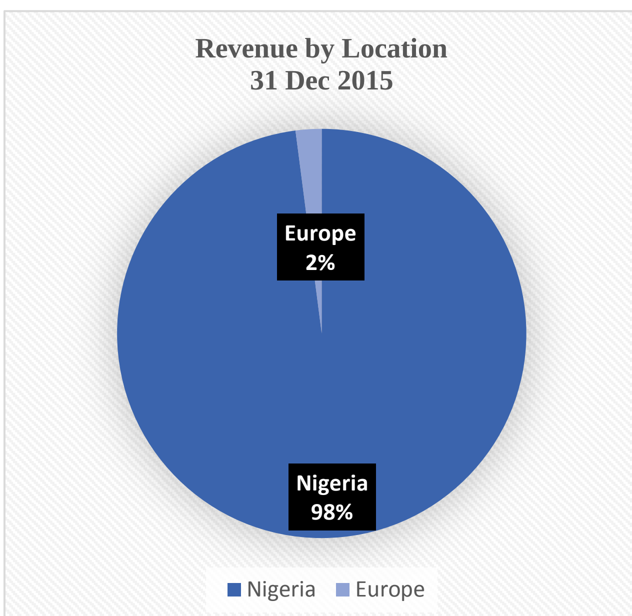
Internal charges and transfer pricing adjustments have been reflected in the performance of each segment. Revenue sharing agreements are used to allocate external customer revenues to a segment on a reasonable basis.

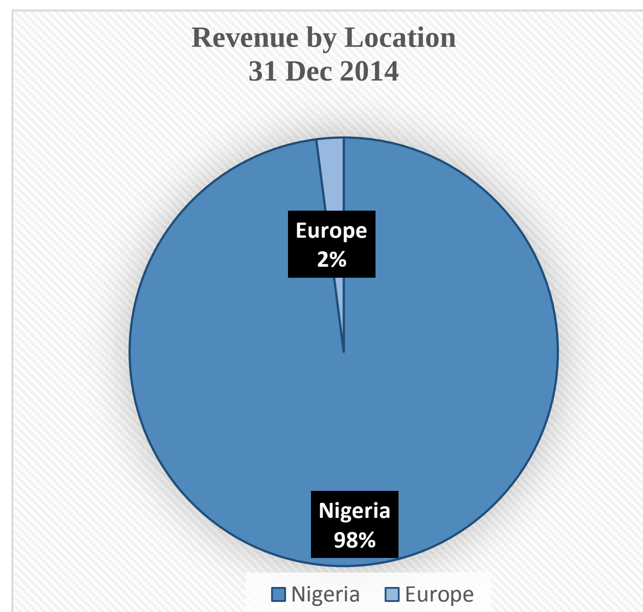
Segment report by geographical location:

	Nigeria	United Kingdom	Total
31 December 2015	₦ million	₦ million	₦ million
Derived from external customers	114,430	2,781	117,211
Derived from other segments	-	-	-
Total revenues	114,430	2,781	117,211
Interest and similar expenses	(35,001)	(254)	(35,255)
Operating income	79,429	2,527	81,956
Share of profit of equity accounted investee	-	-	-
	79,429	2,527	81,956
Operating expenses	(55,929)	(2,235)	(58,164)
Net impairment loss on financial assets	(9,177)	(67)	(9,244)
(Loss)/profit before taxation	14,323	225	14,548
Income tax expense	(421)	(131)	(561)
(Loss)/profit after taxation	13,902	94	13,987

	Nigeria	United Kingdom	Total
	₦ million	₦ million	₦ million
Assets and liabilities:			
Total assets	986,987	59,905	1,046,892
Total liabilities	(793,101)	(9,870)	(802,971)
Net assets	193,886	50,035	243,921

31 December 2014	Nigeria ₦ million	United Kingdom ₦ million	Total ₦ million
Derived from external customers	117,599	2,070	119,669
Derived from other segments	-	-	-
Total revenues	117,599	2,070	119,669
Interest and similar expenses	(24,135)	(182)	(24,317)
Share of profit of equity accounted investee	(6)	-	(6)
	93,457	1,889	95,346
Operating expenses	(57,175)	(1,549)	(58,724)
Net impairment loss on financial assets	(9,682)	31	(9,651)
(Loss)/profit before taxation	26,600	371	26,971
Income tax expense	(355)	(54)	(409)
(Loss)/profit after taxation	26,245	317	26,562
Assets and liabilities:			
Total assets	928,186	80,265	1,008,451
Total liabilities	(796,211)	9,288	(786,923)
Net assets	131,975	89,553	221,528





8 Financial assets and liabilities

Accounting classification, measurement basis and fair values

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

Group	***Note***	**At fair value through P/L**	**Held - to-maturity**	**Loans and receivables at amortised cost**	**Available - for sale**	**Other financial liabilities**	**Total carrying amount**	**Fair value**
31 December 2015		₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Cash and cash equivalents	19	-	-	82,252	-	-	82,252	82,252
Pledged assets	21	-	70,108	-	14,620	-	84,728	81,763
Derivative assets held for risk management	22	1,820	-	-	-	-	1,820	1,820
Loans and advances to customers	23	-	-	366,721	-	-	366,721	353,189
Investment securities	25	-	96,892	-	118,245	-	215,137	211,145
Other receivables	32	-		127,613	-	-	127,613	127,613
		1,820	167,000	576,586	132,865	-	878,271	857,782
Derivative liabilites held for risk management	22	-	-	-	-	-	-	-
Deposits from banks	33	-	-	-	-	44,091	44,091	44,091
Deposits from customers	34	-	-	-	-	570,639	570,639	570,639
Other financial liabilities	36	-	-	-	-	54,471	54,471	54,471
Interest bearing loans and borrowings	38	-	-	-	-	76,059	76,059	76,059
		-	-	-	-	745,260	745,260	745,260
31 December 2014								-
Cash and cash equivalents	19	-	-	121,960	-	-	121,960	121,960
Non pledged trading assets	20	745	-	-	-	-	745	745
Pledged assets	21	-	83,935	-	-	-	83,935	55,553
Derivative assets held for risk management	22	7	-	-	-	-	7	7
Loans and advances to customers	23	-	-	312,797	-	-	312,797	294,838
Investment securities	25	-	117,690	-	79,510	-	197,200	173,234
Other receivables	32			113,376			113,376	113,376
		752	201,625	548,133	79,510	-	830,020	759,713
Derivative liabilites held for risk management	22	-	-	-	-	-	7	7
Deposits from banks	33	-	-	-	-	61,890	61,890	61,890
Deposits from customers	34	-	-	-	-	527,617	527,617	527,617
Other financial liabilities	36	-	-	-	-	62,748	62,748	62,748
Interest bearing loans and borrowings	38	-	-	-	-	78,135	78,135	78,135
		-	-	-	-	730,390	730,390	730,390

Bank	***Note***	**At fair value through P/L**	**Held - to-maturity**	**Loans and receivables at amortised cost**	**Available - for sale**	**Other financial liabilities**	**Total carrying amount**	**Fair value**
31 December 2015		₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Cash and cash equivalents	19	-	-	54,451	-	-	54,451	54,451
Pledged assets	21	-	70,108	-	14,620	-	84,728	81,763
Derivative assets held for risk management	22	1,820	-	-	-	-	1,820	1,820
Loans and advances to customers	23	-	-	348,984	-	-	348,984	335,344
Investment securities	25	-	96,892	-	112,331	-	209,223	205,231
Other receivables	32			127,613			127,613	127,613
		1,820	167,000	531,048	126,951	-	826,819	806,222
Deposits from banks	33	-	-	-	-	11,800	11,800	11,800
Deposits from customers	34	-	-	-	-	569,116	569,116	569,116
Interest bearing loans and borrowings	38	-	-	-	-	76,059	76,059	76,059
		-	-	-	-	656,975	656,975	656,975
31 December 2014								
Cash and cash equivalents	19	-	-	58,457	-	-	58,457	58,457
Non pledged trading assets	20	745	-	-	-	-	745	745
Pledged assets	21	-	83,935	-	-	-	83,935	55,553
Loans and advances to customers	23	-	-	302,372	-	-	302,372	284,413
Investment securities	25	-	117,690	-	75,966	-	193,656	169,690
Other receivables	32			113,376			113,376	113,376
		745	201,625	474,205	75,966	-	752,541	682,234
Deposits from banks	33	-	-	-	-	18,055	18,055	18,055
Deposits from customers	34	-	-	-	-	507,431	507,431	507,431
Other financial liabilities	36	-	-	-	-	62,748	62,748	62,748
Interest bearing loans and borrowings	38	-	-	-	-	78,135	78,135	78,135
		-	-	-	-	666,369	666,369	666,369

Investment securities - unquoted equity securities at cost

The above table includes N1,469 million for the Group and also the Bank (December 2014: N1, 204 million (Group and Bank) of available for sale investment securities in both the carrying amount and fair value columns that are measured at cost and for which disclosure of fair value is not provided because their fair value cannot be reliably measured.

9 Net interest income

	Group Dec. 2015	Group Dec. 2014	Bank Dec. 2015	Bank Dec. 2014
	₦ million	₦ million	₦ million	₦ million
Interest income				
Cash and cash equivalents	1,573	1,069	1,120	1,069
Loans and advances to customers (see note (a) below)	60,835	39,334	59,686	38,118
Investment securities	28,494	35,970	28,073	35,676
Total interest income	90,902	76,373	88,879	74,863
Interest expense				
Deposits from customers	26,536	21,124	26,414	21,044
Other borrowed funds (see note (b) below)	8,683	3,193	8,683	3,193
Total interest expense	35,219	24,317	35,097	24,237
Net interest income	**55,683**	**52,056**	**53,782**	**50,626**

Interest expense on financial liabilities not measured at fair value through profit or loss amounted to N35,219 million (Group) and N35,097 million (Bank) for the year ended 31 December 2015 (31 December 2014: N24,317 million (Group); N24,237 million (Bank)).

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

	Group Dec.2015	Group Dec.2014	Bank Dec.2015	Bank Dec.2014
	₦ million	₦ million	₦ million	₦ million
Interest on foreign currency facilities	12,255	8,030	11,106	6,814
Interest on local currency facilities	48,333	31,304	48,333	31,304
	60,588	39,334	59,439	38,118

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

	Group Dec.2015	Group Dec.2014	Bank Dec.2015	Bank Dec.2014
	₦ million	₦ million	₦ million	₦ million
BOI/CACS on-lending facilities	27	11	27	11
FCY medium term borrowings	2,253	1,366	2,253	1,366
Interbank takings FCY	2,224	299	2,224	299
Interbank takings LCY	1,736	31	1,736	31
Open-Buy-Back transactions	1,488	408	1,488	408
AMCON Clawback Rights Agreement *(See Note 43b)*	955	1,078	955	1,078
	8,683	3,193	8,683	3,193

10 Net fee and commission income

	Group Dec. 2015	Group Dec. 2014	Bank Dec. 2015	Bank Dec. 2014
	₦ million	₦ million	₦ million	₦ million
Credit-related fees and commissions income	4,265	4,953	4,265	4,953
Commission on turnover	1,198	2,260	1,198	2,260
E-business fee income (See note (b))	715	305	715	305
Commission on off balance sheet transactions	995	1,639	995	1,639
Other fees and commission	524	996	-	11
	7,697	10,153	7,173	9,168

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

(b) E-business fee income/charge

	Group Dec. 2015	Group Dec. 2014	Bank Dec. 2015	Bank Dec. 2014
	₦ million	₦ million	₦ million	₦ million
ATM on-us	406	262	406	262
POS	80	(23)	80	(23)
E-card maintenance	228	66	228	66
	715	305	715	305

11 Net trading income/(loss)

	Group Dec. 2015	Group Dec. 2014	Bank Dec. 2015	Bank Dec. 2014
	₦ million	₦ million	₦ million	₦ million
Gain on disposal of fixed income securities	3,171	-	3,171	-
Mark to market gain/(loss) on fixed income securities	(7)	34	(7)	34
Foreign exchange trading gain	2,067	2,120	1,972	2,035
	5,231	2,154	5,136	2,069

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

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

	Group Dec. 2015	Group Dec. 2014	Bank Dec. 2015	Bank Dec. 2014
	₦ million	₦ million	₦ million	₦ million
Derivatives held for risk management purposes:				
Foreign exchange swap contracts	1,820	-	1,820	-
	1,820	-	1,820	-

13 Other operating income

	Group Dec. 2015	Group Dec. 2014	Bank Dec. 2015	Bank Dec. 2014
	₦ million	₦ million	₦ million	₦ million
Dividend income	686	408	686	2,015
Gains on disposal of property and equipment	1,660	-	1,660	-
Gains on disposal of trading properties	728	-	728	-
Gain on disposal of available for sale investments - unquoted equity (see (a) below)	193	-	193	-
Revaluation gain on 'fair value through profit or loss	-	27	-	-
(Loss)/gain on disposal of subsidiaries (see (b) below)	(332)	15,689	3,591	6,315
Foreign exchange revaluation gain	124	3,575	124	3,575
Rental income	397	406	397	406
Provision no longer required (see (c) below)	7,306	8,166	7,306	8,166
Sundry income (see note (d) below)	657	3,561	673	3,244
	11,419	31,832	15,358	23,721

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

Gain on disposal of investments in unquoted equity	Group Dec. 2015	Group Dec. 2014	Bank Dec. 2015	Bank Dec. 2014
	₦ million	₦ million	₦ million	₦ million
Sales Proceeds	212	-	212	-
Cost of investment in Central Securities Clearing System	(19)	-	(19)	-
Gain on disposal of unquoted equities	193	-	193	-

(b) Gain on disposal of investments in subsidiaries

	Group Dec. 2015	Group Dec. 2014	Bank Dec. 2015	Bank Dec. 2014
	₦ million	₦ million	₦ million	₦ million
Union Registrars Limited	-	4,149	-	5,807
Union Assurance Coy Ltd	-	877	-	400
Union Homes Savings Loans Plc	-	10,688	-	-
Union Capital Markets Ltd	-	(143)	-	(10)
Union Insurance Brokers Ltd	-	118	-	118
Union Trustees Limited	(332)	-	3,591	-
	(332)	15,689	3,591	6,315

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

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

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

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

The gain or loss on disposal of subsidiaries for the Group for the year ended 31 December 2014 is arrived at as

	Union Registrars Limited	Union Assurance Coy Ltd	Union Homes Savings Loans	Union Capital Markets Ltd	Union Insurance Brokers	Total
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Sales proceeds	6,000	1,923	-	806	119	8,849
Net Assets	(2,198)	(2,027)	16,425	(939)	-	11,262
Non Controlling Interest	391	1,006	(5,210)	-	-	(3,812)
Fair value reserves	34	49	(527)	-	-	(444)
Cost incurred on disposal	(79)	(75)	-	(11)	(2)	(166)
	4,149	877	10,688	(143)	118	15,689

The gain or loss on disposal of subsidiaries for the Bank for the year ended 31 December 2014 is arrived at as shown below:

	Union Registrars Limited	Union Assurance Coy Ltd	Union Homes Savings Loans	Union Capital Markets Ltd	Union Insurance Brokers	Total
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Sales proceeds	6,000	1,923	-	806	119	8,849
Cost of investment	(114)	(1,449)	-	(806)	-	(2,369)
Cost incurred on disposal	(79)	(75)	-	(11)	(2)	(165)
	5,807	400	-	(10)	118	6,315

(c) Provision no longer required (see (c) below)

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

(d) Sundry income

	Group Dec. 2015	Group Dec. 2014	Bank Dec. 2015	Bank Dec. 2014
	₦ million	₦ million	₦ million	₦ million
Cash handling fees	86	169	86	169
Fraud recoveries	82	10	82	10
Bond auction income	489	2,928	505	2,692
	657	3,561	673	3,244

14 Net Impairment loss on financial assets

(a) Net impairment charge for credit losses:

	Group Dec. 2015	Group Dec. 2014	Bank Dec. 2015	Bank Dec. 2014
	₦ million	₦ million	₦ million	₦ million
Net impairment charge for credit losses:				
-specific impairment (see note 23 below)	18,228	6,271	18,228	4,750
-portfolio impairment (see note 23 below)	(3,156)	2,028	(3,223)	2,028
Total impairment charge on loans and advances	15,072	8,299	15,005	6,778
Recoveries on loans and advances (see note 23 below)	(5,124)	(3,471)	(5,124)	(3,471)
	9,948	4,828	9,881	3,307

(b) Net impairment loss on other financial assets:

Impairment loss on other assets	2,097	5,222	2,097	4,763
Allowance no longer required on other assets	(2,801)	(399)	(2,801)	(399)
Total impairment (gain)/charge on other assets	(704)	4,823	(704)	4,364
Total net impairment loss on financial assets	**9,244**	**9,651**	**9,177**	**7,671**

15 Personnel expenses

	Group Dec. 2015 ₦ million	Group Dec. 2014 ₦ million	Bank Dec. 2015 ₦ million	Bank Dec. 2014 ₦ million
Wages and salaries	28,336	27,713	27,050	26,655
Contributions to defined contribution plans	644	702	644	702
Increase/(decrease) in liability for defined benefit plans	1,061	(120)	1,061	(120)
Termination benefits	-	1,517	-	1,517
	30,041	29,812	28,755	28,754

16 Other operating expenses

	Group Dec. 2015 ₦ million	Group Dec. 2014 ₦ million	Bank Dec. 2015 ₦ million	Bank Dec. 2014 ₦ million
Auditors' remuneration	161	127	131	98
NDIC Premium	2,395	2,466	2,395	2,466
Rents and Rates	1,068	972	994	972
Accomodation and **travel**	723	789	691	789
Fleet management and vehicle related expenses	696	668	696	668
Repair and maintenance	1,314	1,516	1,165	1,516
Transformation Expense	737	1,756	737	1,756
Professional fees	716	1,877	630	1,868
Advertising and promotion expenses	1,144	566	1,144	566
Security expense	1,101	1,464	1,101	1,464
Expenses on software	2,232	2,107	2,232	2,107
Donations and Subscriptions	327	434	327	434
General administrative expenses (see note (a) below)	6,239	6,874	5,863	5,849
Insurance	365	261	340	261
AMCON surcharge (see note (b) below)	4,605	4,410	4,605	4,410
	23,823	26,287	23,051	25,224

(a) **General administrative expenses**

	Group Dec. 2015 ₦ million	Group Dec. 2014 ₦ million	Bank Dec. 2015 ₦ million	Bank Dec. 2014 ₦ million
Office cleaning	490	629	487	629
Cash movement expense	1,110	1,145	1,110	1,145
Entertainment	92	172	87	172
Directors fees and allowances	358	310	358	310
Diesel and power	1,896	1,921	1,638	1,323
Stationery, printing, postage and telephone	622	757	622	757
Sports promotion	55	44	55	44
Penalties	67	83	67	83
Restitution and other charges	459	852	459	852
Group restructuring expenses	142	-	142	-
Debt recovery expenses	176	117	176	117
Expense on Bulk SMS	80	12	80	12
Business meetings and conferences	15	-	15	-
Fixed assets related expenses	28	105	28	105
Annual General Meeting expenses	55	26	55	26
Bank charges	293	237	293	237
Other expenses	300	464	190	37
	6,239	6,874	5,863	5,849

(b) AMCON surcharge represents the Bank's contribution to the Banking Sector Stabilisation Fund for the year ended 31 December 2015. The applicable rate is 0.5% of total assets plus another 0.5% of 33% of the bank's off balance sheet items, calculated on a preceeding year basis.

17 Income tax expense

(a) Recognised in the profit or loss

	Group Dec. 2015	Group Dec. 2014	Bank Dec. 2015	Bank Dec. 2014
	₦ million	₦ million	₦ million	₦ million
Current tax expense				
Company Income Tax	107	204	-	-
Education tax	-	-	-	-
Capital Gains tax	240	-	240	-
NITDA Levy	205	230	180	205
Total income tax expense	552	434	420	205

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

(b) Reconciliation of effective tax rate

	Group Dec. 2015	Group Dec. 2015	Group Dec. 2014	Group Dec. 2014	Bank Dec. 2015	Bank Dec. 2015	Bank Dec. 2014	Bank Dec. 2014
		₦ million		₦ million		₦ million		₦ million
Profit/(loss) before income tax		14,442		27,119		18,141		20,691
Income tax using the domestic corporation tax rate	30%	4,333	30%	8,136	0%	-	0%	-
Income tax based on minimum tax computation	0%	-	0%	-	0%	-	0%	-
Effect of tax rates in foreign jurisdictions	0%	19	0%	113	0%	-	0%	-
Education tax levy	0%	-	0%	-	0%	-	0%	-
Capital gains tax	2%	240	0%	-	1%	240	0%	-
NITDA levy	1%	205	1%	230	1%	180	1%	205
Tax losses (utilised)/unutilised	-29%	(4,245)	-33%	(8,913)	0%	-	0%	-
Total income tax expense in comprehensive income	4%	552	-2%	434	2%	420	1%	205

The effective income tax rate for 31 December 2015 is 4% (December 2014:2%)

18 Earnings per share

(a) Basic earnings per share

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

Weighted average number of ordinary shares

	Group Dec. 2015	Group Dec. 2014	Bank Dec. 2015	Bank Dec. 2014
Issued ordinary shares at beginning of the year	16,936	16,936	16,936	16,936
Weighted effect of shares issued during the year	16,936	16,936	16,936	16,936

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

	Group Dec. 2015	Group Dec. 2014	Bank Dec. 2015	Bank Dec. 2014
Profit/(Loss) for the year attributable to equity holders	13,988	25,629	17,721	20,486
Basic earnings/(loss) per share (in kobo)	83	151	105	121
Profit from continuing operations attributable to equity holders of bank	13,890	26,685	17,721	20,486
Basic earnings/(loss) per share (in kobo)	82	158	105	121

(c) Diluted earnings per share

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

19 Cash and cash equivalents

	Group Dec. 2015	Group Dec.2014	Bank Dec. 2015	Bank Dec.2014
	₦ million	₦ million	₦ million	₦ million
Cash and balances with banks	34,189	52,661	32,762	42,051
Unrestricted balances with central bank	14,185	8,904	14,185	8,904
Money market placements	33,878	60,395	7,504	7,502
	82,252	121,960	54,451	58,457

20 Non-pledged Assets (Held for trading)

	Group Dec. 2015	Group Dec.2014	Bank Dec. 2015	Bank Dec.2014
	₦ million	₦ million	₦ million	₦ million
Federal Government of Nigeria Bonds	-	348	-	348
Federal Government of Nigeria Treasury bills	-	397	-	397
	-	745	-	745

21 Pledged assets

Financial assets that may be repledged or resold by counterparties

	Group Dec. 2015	Group Dec.2014	Bank Dec. 2015	Bank Dec.2014
	₦ million	₦ million	₦ million	₦ million
Federal Government of Nigeria Treasury bills	14,620	17,034	14,620	17,034
Federal Government of Nigeria Bonds	65,913	62,206	65,913	62,206
Placement with financial institution	4,195	4,695	4,195	4,695
	84,728	83,935	84,728	83,935

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

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

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

22 Derivative financial instruments

Group

	Dec. 2015		Dec. 2014	
	Assets	Liabilities	Assets	Liabilities
	₦ million	₦ million	N million	N million
Instrument Type:				
Foreign exchange	1,820	-	7	7
	1,820	-	7	7

Bank

	Dec. 2015		Dec. 2014	
	Assets	Liabilities	Assets	Liabilities
	₦ million	₦ million	N million	N million
Instrument Type:				
Foreign exchange	1,820	-	-	-
	1,820	-	-	-

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

23 Loans and advances to customers at amortised cost

(a)

	Group	Group	Bank	Bank
	Dec. 2015	Dec.2014	Dec. 2015	Dec.2014
	₦ million	₦ million	₦ million	₦ million
Gross amount	388,794	336,392	370,949	325,748
Specific impairment	(11,565)	(9,931)	(11,565)	(9,753)
Portfolio impairment	(10,508)	(13,664)	(10,400)	(13,623)
Total impairment	(22,073)	(23,595)	(21,965)	(23,376)
Carrying amount	366,721	312,797	348,984	302,372

At 31 December 2015 N232.2 million (2014: N153,381million) of the Group's loan and advances to customers are expected to be recovered more than 12 months after the reporting date.

(b) Impairment allowance on loans and advances to customers

	Group	Group	Bank	Bank
	Dec. 2015	Dec.2014	Dec. 2015	Dec.2014
	₦ million	₦ million	₦ million	₦ million
Specific impairment				
Balance, beginning of the year	9,932	8,897	9,753	9,929
Impairment loss for the year:				
- Charge for the year (See note 14(a))	18,228	6,271	18,228	4,750
- Recoveries (See note 14(a))	(5,124)	(3,471)	(5,124)	(3,471)
Net impairment for the year/year	13,104	2,800	13,104	1,279
Effect of foreign currency movements	(179)	(310)	-	-
Provision re-instated during the year	1,405	7,549	1,405	7,549
Write-offs	(12,697)	(9,004)	(12,697)	(9,004)
Impairment transferred to discontinued operations	-	-	-	-
Balance, end of year	11,565	9,932	11,565	9,753
Portfolio impairment				
Balance, beginning of the year	13,664	10,709	13,623	10,673
Impairment credit/loss for the year/year:				
Net Impairment for the year: (see note 14(a)	(3,156)	2,028	(3,223)	2,028
Net impairment for the year/year	(3,156)	2,028	(3,223)	2,028
Effect of foreign currency movements	-	4	-	-
Reclassification		923		923
Impairment transferred to discontinued operations	-	-	-	
Balance, end of the year	10,508	13,664	10,400	13,623

24 Investment in equity accounted investee

This represents the Group’s equity investment in Unique Venture Capital Management Company Limited (40%). The movement in investment in equity accounted investee as at 31 December 2015 is as follows:

	Group	Group	Bank	Bank
	Dec. 2015	Dec.2014	Dec. 2015	Dec.2014
	₦ million	₦ million	₦ million	₦ million
Cost				
Balance, beginning of the year	115	100	91	91
Share of current year result	-	(6)	-	-
Disposal of subsidiaries	-	21	-	-
	115	115	91	91
(Impairments) /increase in value	(91)	(91)	(91)	(91)
Balance, end of the year	24	24	-	-

25 Investment securities

		Group	Group	Bank	Bank
		Dec. 2015	Dec.2014	Dec. 2015	Dec.2014
		₦ million	₦ million	₦ million	₦ million
(a) *Available-for-sale investment securities comprise:*					
Treasury bills		57,257	50,988	52,843	49,128
Equity: Quoted	*See Note 25(a)(i)*	2,195	2,195	2,195	2,195
Unquoted	*See Note 25(a)(ii)*	21,371	20,067	21,371	20,067
Bonds		41,480	10,332	39,980	8,648
		122,303	83,582	116,389	80,038
Less: specific impairment allowance		(4,058)	(4,072)	(4,058)	(4,072)
		118,245	79,510	112,331	75,966

		Group Dec. 2015	Group Dec.2014	Bank Dec. 2015	Bank Dec.2014
(i)	**Investment in quoted equities**	₦ million	₦ million	₦ million	₦ million
	Investment in REIT	2,195	2,195	2,195	2,195

		Group Dec. 2015	Group Dec.2014	Bank Dec. 2015	Bank Dec.2014
(ii)	**Investment in unquoted equities**	₦ million	₦ million	₦ million	₦ million
	Africa Finance Corporation	15,844	14,791	15,844	14,791
	Unified Payment Services Plc	126	126	126	126
	Central Securities Clearing System Limited	-	19	-	19
	Nigeria Automated Clearing System (NAC)	42	42	42	42
	Interswitch Nigeria Ltd	2	2	2	2
	CRC Credit Bureau Limited	50	50	50	50
	AfreximBank	305	21	305	21
	Nigerian Superswitch Infrastructure	10	10	10	10
	Afprint Nigeria Plc	-	3	-	3
	Neimeth International Pharmaceuticals Plc.	-	11	-	11
	Banque Internationale de Benin	1152	1,152	1,152	1,152
	Africa Investment Bank Cotonou	122	122	122	122
	Investment in Small and Medium Scale Enterprises	3,718	3,718	3,718	3,718
		21,371	20,067	21,371	20,067
	Total investment in available for sale equity securities	23,566	22,262	23,566	22,262
	Less: specific impairment allowance	(4,058)	(4,072)	(4,058)	(4,072)
	Net investment in available for sale equity securities	19,508	18,190	19,508	18,190
(b)	*Held to maturity investment securities comprise:*				
	Treasury bills	-	9,197	-	9,197
	Federal Government of Nigeria -Bonds	48,273	57,747	48,273	57,747
	State Government of Nigeria -Bonds	31,702	33,978	31,702	33,978
	Corporate Bonds	16,917	16,768	16,917	16,768
		96,892	117,690	96,892	117,690
	Investment securities	215,137	197,200	209,223	193,656

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

	Group Dec. 2015	Group Dec.2014	Bank Dec. 2015	Bank Dec.2014
	₦ million	₦ million	₦ million	₦ million
Balance, beginning of the year	4,072	4,083	4,072	4,542
Allowance no longer required	-	(11)	-	(470)
Write-offs	(14)	-	(14)	-
Balance, end of the year	4,058	4,072	4,058	4,072

26 Trading properties

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

	Group	Group	Bank	Bank
	Dec. 2015	Dec.2014	Dec. 2015	Dec.2014
	₦ million	₦ million	₦ million	₦ million
Balance, beginning of year	1,930	4,747	1,930	1,930
Reclassification from discontinued operations	2,053	-	-	-
Disposal	(806)	(635)	(806)	-
Transfer to assets held for sale	-	(2,182)		
Balance, end of year	3,177	1,930	1,124	1,930

27 Investment properties

These investment properties were last revalued during the year ended 31 December 2013 by Messrs. Bode Adediji Partnership, a firm of estate surveyors and valuers, using the open market basis of valuation, and their reports were dated 16 December 2013 for UBN Property Company Limited. As at 31 December 2014, the Directors are of the opinion that there were no material fluctuations in the value of the Bank's investment properties since the last valuation.

	Group	Group	Bank	Bank
	Dec. 2015	Dec.2014	Dec. 2015	Dec.2014
	₦ million	₦ million	₦ million	₦ million
Balance, beginning of the year	-	16,413	-	
Additions	-	39	-	
Disposal	-	(137)	-	-
Revaluation gains/(losses)	-	-	-	-
De-recognition of subsidiaries	-	(11,603)		
Reclassification from/(to) assets held for sale	4,546	(4,712)	-	-
Balance, end of the year	4,546	-	-	-

28 Investment in subsidiaries
Cost

	Bank	Bank
	Dec. 2015	Dec.2014
	₦ million	₦ million
Union Trustees Limited (See note (a) (i))	-	5
UBN Property Company Limited (See note (a) (ii))	2,195	2,195
Union Bank UK Plc (See note (a) (iii))	8,372	8,372
Atlantic Nominees Limited (See note (a) (iv))	-	325
Reclassification to assets classified as held for sale	-	(2,525)
	10,567	8,372

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

Company Name	Country Incorporation	Nature of business	Year end	Direct ownership interest Dec. 2015	Direct ownership interest Dec.2014
				Status/%	Status/%
Union Trustees Limited (i)	Nigeria	Trusteeship	31 December	Disposed	100
UBN Property Company Limited (ii)	Nigeria	Property Development	31 December	39	39
Union Bank UK Plc (iii)	Nigeria	Licensed UK Bank	31 December	100	100
Atlantic Nominees Limited (iv)	Nigeria	Real Estate	31 December	100	100
Union Pension Limited (in liquidation)	Nigeria	Pension	31 December	100	100

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

In line with the CBN Regulation 3 on the Scope of Banking Activities and Ancillary Matters, the Bank divested its interest in Union Trustees Limited in 2015.

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

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

Upon reassessment of the investment in UBN property Limited as at 31 December 2015, the management of the Bank concluded that the investment no longer qualifies as being held for sale in line with IFRS 5 as there are litigations preventing the sale of the investment. In line with this development, the Bank has reclassified UBN Property Company Limited from discontinued operations to continued operations and has consolidated its investment in this subsidiary in line with IFRS 10.

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

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

(iv) **Atlantic Nominees Limited**

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

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

Condensed statement of comprehensive income

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

Condensed Statement of financial position

	Group balances	***Consolidation entries***	***Total***	***Bank***	***UBN Property Company Ltd***	***Union Pension***	***Union Bank UK***
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Cash and cash equivalents	82,252	(10,917)	93,169	54,451	3,264	-	35,454
Pledged assets	84,728	-	84,728	84,728	-	-	-
Derivative financial instrument	1,820	-	1,820	1,820	-	-	-
Loans and advances to customers	366,720	-	366,720	348,983	-	-	17,737
Investments in equity-accounted investee	24	24	-	-	-	-	-
Investment securities	215,137	-	215,137	209,223	-	-	5,914
Assets held for sale	397	72	325	325	-	-	-
Trading properties	3,177	-	3,177	1,124	2,053	-	-
Investment properties	4,546	-	4,546	-	4,546	-	-
Investment in subsidiaries	-	(10,567)	10,567	10,567	-	-	-
Property and equipment	49,771	-	49,771	49,692	10	-	69
Intangible assets	3,749	-	3,749	3,318	-	-	431
Deferred tax assets	95,883	-	95,883	95,874	-	-	9
Other assets	138,686	(95)	138,781	138,031	28	434	289
Total assets	1,046,891	(21,484)	1,068,375	998,136	9,901	434	59,903
Financed by:							
Derivative financial instruments	-	-	-	-	-	-	-
Deposits from banks	44,091	-	44,091	11,800	-	-	32,291
Deposits from customers	570,638	(10,920)	581,558	569,116	-	-	12,442
Liability on investment contract	-	-	-	-	-	-	-
Liability on insurance contract	-	-	-	-	-	-	-
Current tax liabilities	382	-	382	229	163	-	(10)
Other liabilities	107,533	(80)	107,613	106,035	972	-	605
Retirement benefit obligations	4,267	-	4,267	4,230	37	-	-
Other borrowed funds	76,059	-	76,059	76,059	-	-	-
Liabilities classified as held for sale	-	-	-	-	-	-	-
Equity and reserves	243,921	(10,484)	254,405	230,668	8,730	434	14,574
Total liabilities	1,046,891	(21,485)	1,068,376	998,137	9,902	434	59,903

(b) Condensed results of consolidated entities
(ii) The condensed financial data of the continuing operations as at 31 December 2014, are as follows

Statement of Comprehensive income	***Group balances***	***Consolidation entries***	***Total***	***Bank***	***UBN Property Company Ltd***	***Union Pension***	***Union Bank UK***
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Operating income	96,194	7,879	88,315	85,583	843	-	1,889
Net operating income after net impairment loss	86,544	102	80,675	77,913	843	-	1,919
Operating Expenses	(59,420)	46	(59,466)	(57,222)	(695)	-	(1,549)
Net impairment loss on financial assets	(9,650)	(2,011)	(7,640)	(7,671)	-	-	31
Share of profit of equity accounted investees	(6)		(6)	-			
Profit before income tax	**27,118**	**5,915**	**21,203**	**20,691**	**147**	**-**	**371**
Taxation	(434)	(150)	(259)	(205)	(25)	-	(54)
Profit after income tax	**26,684**	**5,765**	**20,944**	**20,486**	**122**	**-**	**317**

Condended Statement of financial position

	Restated Group balances	***Consolidation entries***	***Total***	***Restated Bank balances***	***UBN Property Company Ltd***	***Union Pension***	***Union Bank UK***
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Cash and cash equivalents	121,960	(1,960)	123,920	58,457	-	-	65,463
Non-pledged trading assets	745	-	745	745	-	-	-
Pledged assets	83,935	-	83,935	83,935	-	-	-
Derivative financial instrument	7	-	7	-	-	-	7
Loans and advances to customers	312,797	-	312,797	302,372	-	-	10,425
Investments in equity-accounted investee	24	24	-	-	-	-	-
Investment securities	197,200	-	197,199	193,656	-	-	3,543
Assets held for sale	20,426	17,901	2,525	2,525	-	-	-
Trading properties	1,930	-	1,930	1,930	-	-	-
Investment in subsidiaries	-	(8,372)	8,372	8,372	-	-	-
Property and equipment	48,575	-	48,575	48,482	-	-	94
Intangible assets	2,422	-	2,422	2,071	-	-	351
Deferred tax assets	95,883	-	95,883	95,875	-	-	8
Other assets	122,547	(77)	122,624	121,810	-	434	380
					-		
Total assets	1,008,451	7,516	1,000,934	920,230	-	434	80,271
Financed by:							
Derivative financial instruments	7	-	7	-	-	-	7
Deposits from banks	61,890	-	61,890	18,055	-	-	43,835
Deposits from customers	527,617	(1,960)	529,577	507,431	-	-	22,146
Current tax liabilities	822	149	673	635	-	-	38
Other liabilities	110,260	(70)	110,331	109,861	-	-	470
Retirement benefit obligations	845	-	845	845	-	-	-
Other borrowed funds	78,135	-	78,135	78,135	-	-	-
Liabilities classified as held for sale	7,347	7,346	-	-	-	-	-
Equity and reserves	221,528	2,051	219,476	205,268	-	434	13,775
Total liabilities	1,008,451	7,516	1,000,934	920,230	-	434	80,271

29 Property and equipment

(a) **Group:**

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

	Leasehold land and buildings	Fixtures and fittings	Furniture & equipment	Motor vehicles	Capital work in progress	Total
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Cost						
Restated balance at 1st January, 2015	48,834	2,613	14,145	3,755	1,361	70,708
Exchange difference	14	-	13	1	-	28
Additions	2,032	508	3,272	45	820	6,677
Disposals	(2,233)	(69)	(1,790)	(596)	-	(4,688)
Reclassification from discontinued operations	-	-	25	25	-	50
Balance as at 31 December 2015	48,647	3,052	15,665	3,230	2,181	72,775
Balance at 1st January, 2014	50,220	2,123	11,676	1,160	818	65,997
Prior year adjustment (See note 4)	(1,100)	-	-	-	-	(1,100)
Restated balance at 1st January, 2014	49,120	2,123	11,676	1,160	818	64,897
Exchange difference	26	-	26	2	-	54
Additions	749	490	4,252	39	990	6,520
Disposals	-	-	(6)	(34)	-	(40)
Reclassification to other assets	(1,551)	-	(935)	2,608	525	647
Transfers	490	-	366	-	(972)	(116)
Assets classified as discontinued operations	-	-	(1,234)	(20)	-	(1,255)
Restated balance as at 31 December 2014	48,834	2,613	14,145	3,755	1,361	70,708
Depreciation and impairment losses						
Restated Balance at 1st January, 2015	9,554	965	7,904	3,552	159	22,134
Exchange difference	10	-	8	1	-	19
Charge for the year	955	261	2,200	103	-	3,519
Disposals	(508)	(59)	(1,752)	(591)	-	(2,910)
Impairment loss (See (iv) below)	200	-	-	-	-	200
Reclassifications	-	-	-	-	-	-
Reclassification from discontinued operations	-	-	19	21	-	40
Balance as at 31 December 2015	10,211	1,167	8,379	3,087	159	23,003
Balance at 1st January, 2014	10,781	749	7,909	872	159	20,470
Prior year adjustment (See note 4)	(154)	-	-	-	-	(154)
Restated balance at 1st January, 2014	10,627	749	7,909	872	159	20,316
Exchange difference	24	-	16	-	-	40
Charge for the year	940	216	1,613	110	-	2,879
Disposals	-	-	(5)	(32)	-	(37)
Impairment loss	-	-	-	-	-	-
Reclassification to other assets	(1,687)	-	(849)	2,615	-	79
Assets classified as held for sale and discontinu	(351)	-	(780)	(13)	-	(1,143)
Restated balance as at 31 December 2014	9,554	965	7,904	3,552	159	22,134
(iii) **Net Book Value**						
Balance as at 31 December 2015	38,436	1,885	7,286	143	2,022	49,772
Restated balance as at 31 December 2014	39,280	1,648	6,242	202	1,202	48,575
Restated balance as at 1 January 2014	38,493	1,374	3,767	288	659	44,581

(iv) In the course of the year, the Group recovered a landed property at plot 595, Adetokunbo Ademola Street, Wuse II, Abuja. The property was therefore recognised in the books at the initial cost of purchase and subsequently fully impaired as there are litigations on the property.

(v) 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.

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

(vii) 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.

(viii) There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (December 2014: nil)

(b) **Bank:**

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

		Leasehold land and buildings	Fixtures and fittings	Furniture & equipment	Motor vehicles	Capital work in progress	Total
(i)	**Cost**	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
	Restated Balance at 1st January, 2015	48,638	2,613	13,952	3,737	1,361	70,301
	Additions	2,032	508	3,264	45	820	6,669
	Disposals	(2,233)	(69)	(1,790)	(596)	-	(4,688)
	Balance as at 31 December 2015	**48,437**	**3,052**	**15,426**	**3,186**	**2,181**	**72,282**
	Balance at 1st January, 2014	50,059	2,123	10,315	1,124	818	64,439
	Prior year adjustment (see note 4)	(1,100)	-	-	-	-	(1,100)
	Restated balance at 1st January, 2014	48,959	2,123	10,315	1,124	818	63,339
	Additions	740	490	4,212	39	990	6,471
	Disposals	-	-	(6)	(34)	-	(40)
	Reclassification to other assets	(1,551)	-	(1,051)	2,608	525	531
	Transfers	490	-	482	-	(972)	-
	Restated balance as at 31 December 2014	48,638	2,613	13,952	3,737	1,361	70,301

		Leasehold land and buildings	Fixtures and fittings	Furniture & equipment	Motor vehicles	Capital work in progress	Total
(ii)	**Accumulated depreciation and impairment losses**	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
	Restated balance at 1st January, 2015	9,724	965	7,594	3,536	-	21,819
	Charge for the year	936	261	2,180	103	-	3,480
	Impairment loss (See (iv) below)	200	-	-	-	-	200
	Disposals	(508)	(59)	(1,752)	(591)	-	(2,910)
	Balance as at 31 December 2015	**10,352**	**1,167**	**8,022**	**3,049**	**-**	**22,590**
	Balance as at 1 January 2014	10,648	749	6,845	846	-	19,088
	Prior year adjustment (see note 4)	(154)	-	-	-	-	(154)
	Restated balance as at 1 January 2014	10,494	749	6,845	846	-	18,934
	Charge for the year	920	216	1,605	113	-	2,854
	Disposals	-	-	(5)	(32)	-	(37)
	Reclassification to other assets	(1,690)	-	(851)	2,609	-	68
	Restated balance as at 31 December 2014	**9,724**	**965**	**7,594**	**3,536**	**-**	**21,819**
(iii)	**Net Book Value**						
	Balance as at 31 December 2015	38,085	1,885	7,404	137	2,181	49,692
	Restated balance as at 31 December 2014	38,914	1,648	6,358	201	1,361	48,482
	Restated balance as at 1 January 2014	38,465	1,374	3,470	278	818	44,405

(iv) In the course of the year, the Bank recovered a landed property at plot 595, Adetokunbo Ademola Street, Wuse II, Abuja. The property was therefore recognised in the books at the initial cost of purchase and subsequently fully impaired as there are litigations on the property.

(v) 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.

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

(vii) There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (December 2014: nil)

30 Intangible assets

	Group Dec. 2015	Group Dec.2014	Bank Dec. 2015	Bank Dec.2014
	₦ million	₦ million	₦ million	₦ million
Cost				
Balance, beginning of the year	4,263	2,134	3,401	1,610
Additions	2,078	1,901	1,913	1,675
Transfer from work-in-progress	-	116	-	116
Exchange translation difference	54	112	-	-
Balance, end of year	6,395	4,263	5,314	3,401
Amortization and impairment losses				
Balance, beginning of year	1,841	1,326	1,330	796
	-	-	-	
Balance, beginning of the year	1,841	1,326	1,330	925
Amortisation for the year	772	432	666	389
Reclassification	-	16	-	16
Exchange translation difference	33	67	-	-
Balance, end of year	2,646	1,841	1,996	1,330
Carrying amounts as at year end	3,749	2,422	3,318	2,071
Balance as at 1 January	2,422	808	2,072	685

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

(ii) There were no capitalised borrowing costs related to the acquisition of software during the year (December 2014 : nil)

31 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group

31 December 2015

	Assets	**Liabilities**	**Net**
	₦ million	₦ million	₦ million
Property, equipment, and software	(1)	6,847	(6,848)
Allowances for loan losses	-	192	(192)
Foreign exchange gains	573	-	573
Tax loss carry forward	100,638	-	100,638
Others	1,711	-	1,711
Net tax assets (liabilities)	102,921	7,039	95,882

31 December 2014

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

Bank

31 December 2015

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

31 December 2014

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

Deferred tax assets and liabilities

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

	Group Dec. 2015	Group Dec.2014	Bank Dec. 2015	Bank Dec.2014
	₦ million	₦ million	₦ million	₦ million
Balance, beginning of the year	95,883	95,889	95,875	95,875
Credit for the year	-	(16)	-	-
Net assets/(liabilities) of discontinued operations	-	10	-	-
Net deferred tax assets/(liabilities)	95,883	95,883	95,875	95,875
Made up of				
Deferred tax assets	102,921	102,922	102,914	102,914
Deferred tax liabilities	(7,039)	(7,039)	(7,039)	(7,039)

Recognised and unrecognised deferred tax assets

Recognition of deferred tax assets of N95,883 (December 2014: 95,883) is based on management's profit forecasts (which are based on the available evidence, including historical levels of profitability), which indicate that it is probable that the Group's enities will have taxable profits against which these assets can be utilized. As at year end, the Bank and Group have unrecognised deferred tax assets of N72 billion (2014: N56 billion)

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

32 Other assets

	Group Dec. 2015	Restated Group Dec.2014	Restated Group 01 Jan.2014	Bank Dec. 2015	Restated Bank Dec.2014	Restated Bank 01 Jan.2014
	₦ million	₦ million		₦ million	₦ million	
Cash Reserve Requirement (see (i))	127,613	113,376	72,971	127,613	113,376	72,971
Other assets:						
Clearing	758	857	148	758	857	148
Accounts receivable	2,430	2,412	2,498	2,370	2,227	2,502
Prepayments	2,780	1,914	2,204	2,618	1,796	2,104
Receivable from AMCON	-	-	7,447	-	-	7,447
Legacy Sundry assets (see (iii) below)	-	178,075	187,884	-	178,075	187,884
Other Sundry assets	11,302	9,423	6,950	10,868	8,989	7,476
	17,270	192,681	207,131	16,614	191,944	207,561
Impairment on other assets (see note (ii))	(6,197)	(183,510)	(180,033)	(6,197)	(183,510)	(178,968)
Net other assets	11,073	9,171	27,098	10,417	8,434	28,593
	138,686	122,547	100,069	138,030	121,810	101,564

(i) The Bank had restricted balances of N127.613 billion (Dec. 2014: N113.376 billion) with the Central Bank of Nigeria (CBN) as at 31 December 2015, representing the cash reserve requirement (CRR). The CRR is a mandatory cash deposit which should be held with the Central Bank of Nigeria as a regulatory requirement.The CRR is non interest bearing and is not available for use in the Group's day-to-day operations. As at the end of 2015, the CRR in force was Public Sector Deposits 20% (Dec 2014: 75%) and Private Sector Deposits 20% (Dec 2014: 20%).

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

	Group Dec. 2015	Group Dec.2014	Group 01 Jan.2014	Bank Dec. 2015	Bank Dec.2014	Group 01 Jan.2014
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Balance, beginning of the year	183,510	180,033	154,680	183,510	178,967	151,093
Charge for the year	2,097	5,222	4,911	2,097	4,763	3,845
Allowance written off (see (iii) below)	(176,799)	(1,301)	(10)	(176,799)	(842)	(10)
Reclassification	190	1,021	24,039	190	1,021	24,039
Allowance no longer required	(2,801)	(399)	-	(2,801)	(399)	-
Assets classified as held for sale	-	(1,066)	(3,587)	-	-	-
Balance, end of year	6,197	183,510	180,033	6,197	183,510	178,967

(iii) During the year, at the end of a three-year reconciliation project, legacy sundry assets totalling N176.35billion were written off against provisions of same amount.

33 Deposits from banks

	Group Dec. 2015	Group Dec.2014	Bank Dec. 2015	Bank Dec.2014
	₦ million	₦ million	₦ million	₦ million
Money market deposits (See note (i) below)	11,800	18,055	11,800	18,055
Other deposits from banks	32,291	43,835	-	-
	44,091	61,890	11,800	18,055

(i) **Money market deposits**

LCY inter bank takings	-	-	-	-
FCY inter bank takings	11,800	18,055	11,800	18,055
	11,800	18,055	11,800	18,055

34 Deposits from customers

	Group Dec. 2015	Group Dec.2014	Bank Dec. 2015	Bank Dec.2014
	₦ million	₦ million	₦ million	₦ million
Term deposits	210,006	167,388	208,205	160,773
Current deposits	214,200	222,180	214,478	208,609
Savings	146,433	138,049	146,433	138,049
	570,639	527,617	569,116	507,431

35 Current tax liabilities

	Group Dec. 2015	Group Dec.2014	Bank Dec. 2015	Bank Dec.2014
	₦ million	₦ million	₦ million	₦ million
Balance, beginning of year	822	534	635	472
Foreign exchange translation difference	3	-	-	-
Charge for the year	445	409	420	205
Payments during the year	(1,051)	(64)	(826)	(42)
Transfer to assets held for sale	163	(57)	-	-
Balance, end of year	382	822	229	635

36 Other liabilities

	Group Dec. 2015	Group Dec.2014	Group 1 Jan 2014	Bank Dec. 2015	Bank Dec.2014	Bank 1 Jan 2014
	₦ million	₦ million	N million	₦ million	₦ million	N million
Deposits for foreign currency	20,560	36,879	40,633	20,560	36,879	40,633
Due to foreign correspondent banks (See note (a) b	30,096	-		30,096	-	
PAYE and other statutory deductions	1,121	474	1,937	1,121	474	1,841
Draft and bills payable	8,279	15,526	23,278	8,279	15,526	23,278
Sundry creditors	719	4,777	21,774	720	4,777	21,791
Creditors and accruals (see note (b)) below	23,979	27,949	26,641	23,979	27,949	25,977
Unearned income	327	3,517	3,069	327	3,517	3,069
Provision for claims and contingencies (see note (c)	2,236	1,844	1,643	2,236	1,844	1,643
Accounts payable	3,488	5,566	6,106	3,486	5,566	5,740
Provisions for Ex-staff claims	4,629	4,629	4,629	4,629	4,629	4,629
Insurance premium payable	654	-	-	654	-	-
Electronic collections and other e-payment liabilitie	4,221	1,435	8,758	4,221	1,435	8,758
Other credit balances	7,224	984	5,335	5,727	585	5,227
	107,533	103,580	143,803	106,035	103,181	142,586

(a) Due to foreign correspondent banks represents debit balances in Nostro accounts, N7.93bn (December 2014: Nil), and obligations to a foreign correspondent bank in respect of letters of credit, N21.9bn (December 2014: Nil) . The letter of credit obligations have been transferred to the Bank's customers and booked as stocking term facilities as at 31 December 2015. The corresponding customers' obligations to the Bank are therefore part of reported loans and advances to customers.

(b) Creditors and accruals is as anlaysed below:

	Group Dec. 2015	Group Dec.2014	Group 01 Dec 2014	Bank Dec. 2015	Bank Dec.2014	Bank 01 Dec 2014
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Accrual for IT consumables	274	561	381	274	561	381
Accruals for professional and consultancy fees	569	617	1,049	569	617	1,049
Accrual for Industrial Training Fund Levy	235	293	229	235	293	229
Accrual for statutory audit fees	131	82	88	131	82	88
Accrual for transformation expenses	-	346	943	-	346	943
Accrual for Advertisement	131	193	153	131	193	153
Accrual for staff related allowances	3,057	3,082	7,497	3,057	3,082	7,497
Provision for restitution (see note (45))	5,632	9,269	2,578	5,632	9,269	2,578
AMCON provision	13,022	12,667	10,089	13,022	12,667	10,089
Other accruals and provisions	927	839	3,635	927	839	2,971
	23,979	27,949	26,641	23,979	27,949	25,977

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

	Group Dec. 2015	Group Dec.2014	Group 01 Dec 2014	Bank Dec. 2015	Bank Dec.2014	Bank 01 Dec 2014
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Balance, beginning of year	1,844	5,441	4,701	1,844	1,643	4,701
Charge/reversal during the year	392	(3,597)	(1,879)	392	201	(1,879)
Reclassification	-	-	(1,179)	-	-	(1,179)
Balance, end of the year	2,236	1,844	1,643	2,236	1,844	1,643

37 Employee benefit obligations

	Group Dec. 2015	Group Dec.2014	Group 1 Jan 2014	Bank Dec. 2015	Bank Dec.2014	Bank 1 Jan 2014
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Post employment benefit obligation (see (a) below)	3,566	6,811	12,734	3,529	6,811	12,734
Other long-term employee benefits (see (b) below)	701	714	10,130	701	714	10,085
	4,267	7,525	22,864	4,230	7,525	22,819

(a) Post employment benefit obligation

	Group Dec. 2015	Group Dec.2014	Group 1 Jan 2014	Bank Dec. 2015	Bank Dec.2014	Bank 1 Jan 2014
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Defined contribution Scheme (See (i) below)	152	131	131	152	131	131
Defined benefit obligation (See (ii) below)	3,414	6,680	12,603	3,377	6,680	12,603
	3,566	6,811	12,734	3,529	6,811	12,734

(i) Defined Contribution Scheme

	Group Dec. 2015	Group Dec.2014	Group 1 Jan 2014	Bank Dec. 2015	Bank Dec.2014	Bank 1 Jan 2014
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Balance, beginning of year/year	131	131	304	131	131	247
Charge during the year (See note 15)	644	702	1,613	644	702	1,613
Reclassification to discontinued operations	-	-	(5)	-	-	-
Reclassification to defined benefit obligation	-	-	(43)	-	-	-
Contribution remitted during the year	(623)	(702)	(1,738)	(623)	(702)	(1,729)
Balance, end of year/year	152	131	131	152	131	131

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

(ii) Defined benefit obligation

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

The Bank has reclassified from other liabilities to employee benefit obligations, the balance of N6.680billion (1 January 2014: N12.602billion) relating to the net liabilities on post employment defined benefit obligation in respect of pre-2006 employees of the Bank. This has now been accounted for and disclosed in line with IAS 19 - Employee Benefits. In prior years, the balance was inadvertently misclassified as part of other liabilities. This has now been corrected by restating the affected financial statement line items for prior years.

The following table shows a reconciliation from opening balances to the closing balances for net defined benefit (asset) liability and its compone

Group

	Gross defined benefit liability		Fair value of plan assets		Net defined Benefit (asset) liability	
	Dec. 2015	Dec.2014	Dec. 2015	Dec.2014	Dec. 2015	Dec.2014
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Balance, beginning of the year	19,197	24,795	(12,517)	(12,193)	6,680	12,602
Included in profit or loss						
Current service costs and interest	2,572	-	(1,584)	-	988	-
	2,572	-	(1,584)	-	988	-
Included in OCI						
Change in fair value of plan assets	-	324		(324)	-	-
Remeasurement of defined benefit obligation	-	324	-	(324)	-	-
Others						
Benefits paid by the plan	(7,574)	(5,922)	-	-	(7,574)	(5,922)
Reclassification from discontinued operations	37	-	-	-	37	-
Liquidation of assets	-	-	3,283	-	3,283	-
	(7,574)	(5,922)	3,283	-	(4,254)	(5,922)
Balance, end of year	14,232	19,197	(10,818)	(12,517)	3,414	6,680

Bank

	Gross defined benefit liability		Fair value of plan assets		Net defined Benefit (asset) liability	
	Dec. 2015	Dec.2014	Dec. 2015	Dec.2014	Dec. 2015	Dec.2014
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Balance, beginning of the year	19,197	24,795	(12,517)	(12,193)	6,680	12,602
Included in profit or loss						
Current service costs and interest	2,572	-	(1,584)	-	988	-
	2,572	-	(1,584)	-	988	-
Included in OCI	-					
Change in fair value of plan assets	-	324	-	(324)	-	-
Remeasurement of defined benefit obligation	-	324	- -	324	-	-
Others						
Benefits paid by the plan	(7,574)	(5,922)	-	-	(7,574)	(5,922)
Liquidation of assets	-	-	3,283	-	3,283	-
	(7,574)	(5,922)	3,283	-	(4,291)	(5,922)
Balance, end of year	14,195	19,197	(10,818)	(12,517)	3,377	6,680

(iv) Plan assets for funded obligations consist of the following

	Group	Group	Group	Bank	Bank	Bank
	Dec. 2015	Dec.2014	1 Jan. 2014	Dec. 2015	Dec.2014	1 Jan. 2014
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Cash and bank balances	378	4,117	3,477	378	4,117	3,477
Quoted entities	2,590	3,843	4,779	2,590	3,843	4,779
Money market investment	442	1,230	1,028	442	1,230	1,028
Private equity	493	380	-	493	380	-
Treasury bills	380	38	-	380	38	-
Real Estate	6,534	2,909	2,909	6,534	2,909	2,909
	10,818	12,517	12,193	10,818	12,517	12,193

(b) Other long-term employee benefits

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

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

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

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

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

	Group Dec. 2015	Group Dec.2014	Bank Dec. 2015	Bank Dec.2014
	₦ million	₦ million	₦ million	₦ million
Present value of unfunded obligation	701	714	701	714
Present value of funded obligation	-	-	-	-
Total present value of the obligation	701	714	701	714
Fair value of plan assets	-	-	-	-
Present value of net obligation	701	714	701	714
Recognized liability for defined benefit obligations	701	714	701	714

	Group Dec. 2015	Group Dec.2014	Bank Dec. 2015	Bank Dec.2014
	₦ million	₦ million	₦ million	₦ million
Balance, beginning of the year	714	10,130	714	10,085
Included in profit or loss				
Current service costs and interest	209	373	209	373
Curtailment	(184)	(493)	(184)	(493)
	25	(120)	25	(120)
Included in OCI				
Remeasurement of defined benefit obligation	14	4,108	14	4,108
Others				
Benefits paid by the plan	(52)	(12,591)	(52)	(12,591)
Reclassification to other liabilities	-	(813)	-	(769)
	(52)	(13,404)	(52)	(13,360)
Balance, end of year	701	714	701	713

(iii) Current service costs and interest

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

38 Other borrowed funds

	Group Dec. 2015	Group Dec.2014	Bank Dec. 2015	Bank Dec.2014
	₦ million	₦ million	₦ million	₦ million
Due to CAC (see (a))	10,938	14,488	10,938	14,488
BOI on-lending facilities (see note (b) below)	7,840	10,182	7,840	10,182
Other borrowings (see (c))	57,281	53,465	57,281	53,465
	76,059	78,135	76,059	78,135

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

(b) This represents the outstanding balance of an intervention credit granted to the Bank by the Bank of Industry (BOI), a company incorporated in Nigeria for the purpose of refinancing / or restructuring existing loans to Small and Medium Scale Enterprises (SMEs) and manufacturing companies. The total facility is secured by Federal Government of Nigeria securities worth N18.4 billion (Dec. 2014: N18.4 billion) and has a 15-year tenor and repayable quarterly.

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

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

	Bank Dec. 2015	Bank Dec.2014
	N million	N million
Standard Chartered Bank	25,204	38,415
Citi Group Global Market Limited	-	7,697
Commerzbank	-	7,353
Afreximbank	20,073	-
Ecobank EBISA	1,000	-
Diamond Bank (UK) Ltd	1,403	-
Mashreq Bank	5,608	-
UBA New York	3,993	-
	57,281	**53,465**

39 Discontinued operations

(a) Profit for the year from discontinued operations

Profit for the year from discontinued operations represents the operating results of subsidiaries held for sale in line with the Bank's Regulation 3 compliance plan to divest from non-banking subsidiaries. Included in discontinued operations for the year ended 31 December 2015 are the results and balances of Union Trustees Limited and Atlantic Nominees Limited.

The profit for the year from discontinued operations comprises:

	Group Dec. 2015	Group Dec. 2014
	₦ million	₦ million
Gross income	**142**	**15,392**
Gross expense	**(36)**	**(14,801)**
Interest Income	77	10,939
Interest Expense	-	(2,894)
Net interest income	77	8,045
Impairment charge for credit losses	-	-
Net interest income after impairment charge for credit losses	77	8,045
Net fee and commission income	64	863
Net trading income	-	238
Other operating income	1	2,680
Underwriting profit		672
Total operating income	65	4,453
Total non-interest income	65	4,453
Operating Income	142	12,498
Net impairment loss on financial assets	(8)	(7,383)
Net operating income after net impairment loss on other financial assets	134	5,115
Personnel expenses	(15)	(1,411)
Depreciation and amortization	-	(443)
Other operating expenses	(13)	(2,670)
	(28)	(4,524)
Profit before tax from discontinued operations	106	591
Income tax expense	(9)	(449)
Profit from discontinued operations (net of tax)	97	142

(b) Assets classified as held for sale

	Group Dec. 2015	Group Dec.2014	Bank Dec. 2015	Bank Dec.2014
	₦ million	₦ million	₦ million	₦ million
Cash and cash equivalents	-	3,848	-	-
Investments in subsidiaries	-	-	325	2,525
Non-pledged trading assets	-	137	-	-
Investment securities	-	8,342	-	-
Trading properties	-	2,182		
Investment properties	188	4,712	-	-
Property and equipment	-	25	-	-
Deferred tax assets	-	13	-	-
Other assets	209	1,167	-	-
	397	20,426	325	2,525
Impairment allowance	-	-	-	-
	397	20,426	325	2,525

(c) Liabilities for assets classified as held for sale

	Group Dec. 2015	Group Dec.2014	Bank Dec. 2015	Bank Dec.2014
	₦ million	₦ million	₦ million	₦ million
Current tax liabilities	-	293	-	-
Deferred tax liabilities	-	1	-	-
Other liabilities	-	6,947	-	-
Retirement benefit obligations	-	106	-	-
	-	7,347	-	-

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

DISCONTINUED OPERATIONS
Statements of Comprehensive Income
For the year ended 31 December 2015

(d) Condensed results of discontinued operations

The condensed financial data of the discontinued operations as at 31 December 2015, are as follows

Statement of Comprehensive income	***Atlantic Nominee***	***Union Trustees***	***Group Total***
	₦ million	₦ million	
Interest income		77	77
Interest expense	-	-	-
Net interest income	-	77	77
Impairment charge for credit losses		-	-
Net interest income after impairment charge for credit losses	-	77	77
Net fee and commission income		64	64
Net trading (loss)/income	-	-	-
Other operating income		1	1
Underwriting profit	-	-	-
	-	65	65
Operating income	-	142	142
Net impairment loss on other financial assets	-	(8)	(8)
Net operating income after net impairment loss on other financial assets	-	134	134
Personnel expenses	-	(15)	(15)
Depreciation and amortisation	-	-	-
Other operating expenses	-	(13)	(13)
Total expenses	-	(28)	(28)
Share of profit of equity accounted investee	-	-	-
Profit/(loss) before income tax	-	106	106
Income tax	-	(9)	(9)
Profit/(loss) for the year	-	97	97

Condensed statement of financial position for discontinued operations

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

40 Capital and reserves

Share capital

	Group Dec. 2015	Group Dec. 2014	Bank Dec. 2015	Bank Dec. 2014
	₦ million	₦ million	₦ million	₦ million
(a) Authorised : 19,023,125,000 Ordinary shares of 50 kobo each	9,512	9,512	9,512	9,512

	Group Dec. 2015	Group Dec. 2014	Bank Dec. 2015	Bank Dec. 2014
	₦ million	₦ million	₦ million	₦ million
(b) Issued and fully paid - 16,935,806,472 Ordinary shares of 50kobo each	8,468	8,468	8,468	8,468

	Group Dec. 2015	Group Dec. 2014	Bank Dec. 2015	Bank Dec. 2014
	₦ million	₦ million	₦ million	₦ million
Balance, beginning of year	8,468	8,468	8,468	8,468
Balance, end of year	8,468	8,468	8,468	8,468

(c) Share premium

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

	Group Dec. 2015	Group Dec. 2014	Bank Dec. 2015	Bank Dec. 2014
	₦ million	₦ million	₦ million	₦ million
Balance, beginning of year	391,641	391,641	391,641	391,641
Balance, end of year	391,641	391,641	391,641	391,641
Share capital and share premium	**400,109**	**400,109**	**400,109**	**400,109**

(d) Other reserves

The other reserves include Statutory reserves, Fair value reserve, Regulatory risk reserves, Small and Medium Scale Industries Reserve (SMEEIS) and Capital reserve.

	Group Dec. 2015	Group Dec. 2014	Bank Dec. 2015	Bank Dec. 2014
	₦ million	₦ million	₦ million	₦ million
Statutory reserves (See note (i) below)	22,062	19,404	22,062	19,404
Fair value reserve(See note (ii) below)	33,050	28,313	32,240	27,213
Regulatory risk reserve (See note (iii) below)	23,876	8,667	23,876	8,667
Other reserves:				
- Translation reserve (See note (iv) below)	4,431	3,449	1,895	1,895
- Excess clawback reserves (See note (v) below)	(14,918)	(14,918)	(14,918)	(14,918)
- SMEEIES reserve (See note (vi) below)	6,774	6,774	6,774	6,774
- Capital reserve (See note (vii) below)	5,489	5,589	5,489	5,489
- Equity component of employee benefit remeasurement (See note (vii) below)	2,613	2,513	2,513	2,513
	4,389	3,407	1,753	1,753
	83,377	59,791	79,931	57,037

(i) Statutory reserves

Nigerian banking regulations require the Bank to make an annual appropriation to a statutory reserve. As stipulated by S.16(1) of the Banks and Other Financial Institution Act of Nigeria, an appropriation of 30% of profit after tax is made if the statutory reserve is less than paid-up share capital and 15% of profit after tax if the statutory reserve is greater than the paid up share capital. The Bank made a transfer of N2.54bn to statutory reseves during the year ended 31 Dec 2015 (2014 N3.07bn).

(ii) Fair value reserve

The fair value reserve includes the net cumulative change in the fair value of available-for-sale investments securities recognised in other comprehensive income.

(iii) Regulatory risk reserve

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

(vi) Translation reserve

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

(v) Excess Capital Clawback

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

The Financial Accommodation provided by AMCON exceeded the Bank's Completion NAV of zero, calculated as at 31 December 2011, by N14.918 billion. This excess amount was refunded to AMCON during the year ended 31st December,2012 and charged to reserves.

(vi) Small and Medium Scale Industries Reserve (SMEEIS):

The SMEEIS reserve is maintained to comply with the Central Bank of Nigeria (CBN) requirement that all licensed banks set aside a portion of the profit after tax in a fund to be used to finance equity investment in qualifying small and medium scale enterprises. Under the terms of the guideline (amended by CBN letter dated 11 July 2006), the contribution was 10% of profit after tax for the first 5 years , and thereafter reduced to 5% of profit after tax. However, this is no longer mandatory and therefore no reserve was made during the year ended 31 Dec 2015. The reserve is non-distributable.

(vii) Capital reserve

Capital reserve warehouses the nominal value of shares cancelled during the capital reconstruction exercise that occurred during the financial year ended April 2015.

(viii) Equity component of employee benefit remeasurement

This reserve warehouses the equity component of remesurement of defined benefit liability/(assets)

(e) Retained deficit

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

41 Non-controlling interest

Movement in the non controlling interest	Group Dec. 2015	Group Dec. 2014
	₦ million	₦ million
Balance, beginning of year/year	5,338	7,162
Profit/(loss) for the year	(1)	1,198
Increase/(diminution) in non controlling interest	-	(3,022)
Balance, end of year/year	5,337	5,338

42 Events after the balance sheet date

There were no events subsequent to the financial position date which require adjustment to, or disclosure in these financial statements.

43 Contingencies

(a) Litigations and claims

(i) The Group in the ordinary course of business is currently involved in 760 litigation cases (December 2014: 726 cases). The total amount claimed in the cases against the Bank is estimated at N297.03 billion (December 2014: 226.65 billion) while the total amount claimed in cases instituted by the Bank is N10.26 billion (December 2014: N1.9 billion). A total provision amounting to N2.23 billion (December 2014: N1.8 billion) has been made based on the advice of professional legal counsel. The actions are being vigorously contested and the Directors are of the opinion that no significant liability will arise therefrom in excess of the provision that have been made in the financial statements.

(ii) There are four (4) cases with total claims of N2.840 trillion of which judgment was awarded against the Bank and provisions were not recognised in the financial statements. Management is of the view that a high level of success is expected at the Court of Appeal based on professional legal advice and that the likelihood of outflow of economic resource is considered remote.
The Directors are of the opinion that none of the aforementioned cases is likely to have a material adverse effect on the Bank and are not aware of any other pending or threatened claims and litigations besides those included in the above number.

(b) Provision Clawback

Under a Clawback Rights Agreement (CRA) executed among the Bank, Union Global Partners Limited (UGPL) and Asset Management Corporation of Nigeria (AMCON) as part of the recapitalisation program of the Bank, where specified provisions that were in the books of the Bank as at 31 December 2011 do not crystalise and/or are not utilised in settlement of intended obligations within 5 years from December 2011, the extent of the provisions which do not crystalise and/or are not utilised shall be refunded to AMCON. The refund is on the ground that the Financial Accomodation provided by AMCON to bring the Bank's Completion Net Assets Value (NAV) to zero funded those provisions. As at 31 December 2015, the outstanding balance of the retained excess provision is N6,155,644,268 (December 2014: N7,408,942,412). During the year, the Bank recognised a total interest expense of N955,347,887.20 (December 2014: N1,078,539,653.87) on the retained excess provision. (See Note 9(b))

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

In common with other banks, the Group conducts business involving acceptances, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties. Contingent liabilities and commitments comprise performance bonds, acceptances, guarantees and letters of credit.

In the normal course of business, the Group is a party to financial instruments with off-balance sheet risks. These instruments are issued to meet the credit and other financial requirements of customers. The total off-balance sheet assets for the Group was N133.90 billion (December 2014: N130.54 billion).
The following tables summarise the nominal principal amount of contingent liabilities and commitments with off-financial position risk:

	Group Dec. 2015	Group Dec. 2014	Bank Dec. 2015	Bank Dec. 2014
	₦ million	₦ million	₦ million	₦ million
Performance bonds and guarantees	46,608	37,891	46,608	37,891
Letters of credit	55,014	69,332	55,014	69,332
Fx-Sold Spot	32,279	23,312	32,279	23,312
	133,901	130,535	133,901	130,535

45 Customers' complaints

The Bank in its ordinary course of business received 24,984 complaints (2014: 34,517) as at December 31, 2015. The details of the complaints are illustrated in the table below:

Description	**Dec. 2015**	**Dec. 2014**
Pending complaints brought forward	100	154
Complaints received	24,984	34,517
Complaints resolved	24,860	34,571
Unresolved complaints escalated to CBN	-	-
Unresolved complaints carried forward	224	100

The total amount resolved was N4,662,902,499.99 (2014: N4,242,303,675.19) while the total disputed amount in cases which remain unresolved stood at N422,661,892.73 (2014: N2,843,764,238.96). No complaints were referred to the Central Bank of Nigeria (CBN) for intervention during the year (2014: nil).

The Directors are of the opinion that these outstanding complaints will be ultimately resolved. The Bank has a total provision of N5.63 billion (2014: N9.27 billion) for these complaints. (see note36(b))

46 Related party transactions

A number of transactions are entered into with related parties in the normal course of business. These include loans, deposits, placements and off balance sheet transactions. The volumes of related-party transactions, outstanding balances at the year-end was as follows:

(i) Parent

The parent company, which is also the ultimate parent company, is Union Bank Plc of Nigeria.

(ii) Subsidiaries

Transactions between Union Bank of Nigeria Plc and its subsidiaries also meet the definition of related party transactions.
Where these are eliminated on consolidation, they are not disclosed in the consolidated financial statements.
Transactions with the subsidiary companies were as follows:

Name of entities	*Nature of transactions*	*Outstanding balance* Dec. 2015	Dec. 2014
		₦ million	₦ million
UBN Property Company Limited	Deposit placements	3,451	1,694
Union Bank UK Plc	Letters of credit financing	4,951	-

(iii) **Transactions with key management personnel**

The Group's key management personnel, and persons connected with them, are also considered to be related parties for disclosure purposes. The definition of key management personnel includes close members of family of key personnel and any entity over which key management personnel exercises control. The key management personnel have been identified as the executive and non-executive directors of the Group and other relevant senior management personnel. Close members of family are those family members who may be expected to influence, or be influenced by that individual in their dealings with the Bank and its subsidiaries.

Key management personnel and their immediate relatives engaged in the following transactions with the Group during the year:

Loans and advances:	Dec. 2015	Dec. 2014
	₦ million	₦ million
Loans and advances (see note (a) below)	34,708	12,850
Total loans and advances	34,708	12,850

The status of performance of each facility is as shown below:

(a) Secured loans and advances

			Dec. 2015		**Dec. 2014**	
Borrower	*Relationship*	*Facility Type*	*Amount*	*Status*	*Amount*	*Status*
			₦ million		₦ million	
Accugas Limited	Non-Executive Directors- Adeyemi Osindero	Fcy Term Loan	10,178	Performing	-	
Notore Chemicals Industries Ltd	Former Director - Onajite Okoloko	Fcy Term Loan	-	Performing	6,463	Non performing
Notore Chemicals Industries Ltd	Former Director - Onajite Okoloko	Overdraft	316	Performing	1,185	Non performing
Notore Chemicals Industries Ltd	Former Director - Onajite Okoloko	Term Loan	8,079	Performing	-	
PNG Gas Ltd	Chairman - Cyril Odu	Term Loan	3,074	Performing	-	
Kepco Energy Resource Ltd	Non-Executive Directors	Fcy Term Loan	10,587	Performing	-	
Sahara Energy Co Ltd	Non-Executive Directors	Overdraft	2	Performing	-	
Sailand Nig. Ltd	Former Director - Cosmas Udofot	Overdraft	25	Non performing	25	Non performing
Sonola Bankole Adekunle	Executive Director	Term Loan	33	Performing	-	
Adewale Oyinkansade	Executive Director	Mortgage Loan	43	Performing	54	Performing
Swift Networks Ltd	Non-Executive Directors - Richard Kramer	Term Loan	2,096	Performing	3,525	Performing
Swift Networks Ltd	Non-Executive Directors - Richard Kramer	Financial Guarantee	-	Performing	1,322	Performing
Swift Networks Ltd	Non-Executive Directors - Richard Kramer	Overdraft	275	Performing	276	Performing
			34,708		12,850	

Key management personnel compensation for the year comprises:

	Dec. 2015	Dec. 2014
	₦ million	₦ million
Salaries, short term benefits and pensions	625	542
Other allowances and benefits	88	20
Fees as directors	270	290
	983	852

Directors' Remuneration

(i) Directors' remuneration excluding pension contribution and certain benefits was provided as follows:

	Group Dec. 2015	Group Dec. 2014	Bank Dec. 2015	Bank Dec. 2014
	₦ million	₦ million	₦ million	₦ million
Fees as directors	270	290	270	290
Other allowance and benefits	88	20	88	20
	358	310	358	310
Executive compensation	625	542	625	542
	983	852	983	852

(ii) The directors'remuneration shown above includes

	Group Dec. 2015	Group Dec. 2014	Bank Dec. 2015	Bank Dec. 2014
	N million	N million	N million	N million
Chairman	27	30	27	30
Highest paid director	208	153	208	153

(iii) The number of directors who received fees and other emoluments (excluding pension contributions) in the following ranges were:

	Bank Dec. 2015	Bank Dec. 2014
N20,000,000 - N30,000,000	12	12
N30,000,001 - N40,000,000	-	-
N40,000,001 - N50,000,000	-	-
N50,000,001 - N100,000,000	7	5
N100,000,001 - N200,000,000	-	-
N200,000,001 - N400,000,000	1	1
	20	18

Employees

The average number of persons employed during the year was as follows:

	Bank Dec. 2015	Bank Dec. 2014
Management	48	53
Non-management	2,581	2,923
	2,629	2,976

The number of employees of the Group, other than directors, who received emoluments in the following ranges (excluding pension contributions and other benefits) were:

	Bank Dec. 2015	Bank Dec. 2014
N1,000,000 - N1,500,000	7	18
N1,500,001 - N2,000,000	4	10
N2,000,001 - N2,500,000	-	-
N2,500,001 - N3,000,000	-	-
N3,000,001 - N3,500,000	720	1,007
N3,500,001 - N4,000,000	-	-
N4,000,001 - N4,500,000	-	-
N4,500,001 - N5,000,000	786	743
Above N5,000,000	1112	1,198
	2,629	2,976

47 Compliance with banking regulations

Details of the banking regulations which the Bank contravened during the year and penalties paid were as follows: (31 December 2014: N9 million)

	Regulator/ Banking Legislation	Nature of transaction	Dec. 2015
			₦ million
a)	CBN - BSD/BCS/CON/UBN/03/057	Non-compliance with CBN guidelines for appointments of staff to top management positions	14.00
b)	CBN - BSD/GBB/CON/CRR/01/030	Spot check on Public Sector deposits as at August 29, 2014	18.00
e)	Corporate Affairs Commission	Non- Display of Regulatory Item at Awka Branch	0.28
g)	CBN - FPR/CIR/GEN/04/012	Failure to designate Compliance Officers in line with CBN advised structure for Compliance Officers in banks	2.00
h)	CBN - CPD/CMD/CON/UBN/01/099	Late refund of deposit by a former subsidiary	2.00
i)	CBN - BPS/DPD/GEN/UBN/01/010	Granting of New Loans Without the BVN	2.00
j)	CBN - Treasury Single Account Compliance	Late TSA remittance	2.00
k)	CBN - DIR/BSD/MEG/ UNION/AML/GEN/VOL.01/04	AML/CFT reporting infraction	6.00
			46.28

48 The following table shows the analysis of the Group's financial assets and liabilities and on the basis of their current/ non-current classification.

Group		31 December 2015			31 December 2014		
	Note	Carrying ₦ million	Current ₦ million	Non- current ₦ million	Carrying N million	Current N million	Non- current N million
ASSETS							
Cash and cash equivalents	19	82,252	82,252	-	121,960	121,960	-
Non-pledged trading assets	20	-	-	-	745	745	-
Pledged assets	21	84,728	21,024	63,704	83,935	29,279	54,656
Derivative assets held for risk management	22	1,820	1,820	-	7	7	-
Loans and advances to customers	23	366,721	179,483	187,238	312,797	159,416	153,381
Investments in equity accounted investee	24	24	-	24	24	-	24
Investment securities	25	215,137	79,744	135,393	197,200	89,806	107,394
Trading properties	26	3,177	-	3,177	1,930	-	1,930
Property and equipment	29	49,772	3,519	46,253	48,575	2,879	45,697
Intangible assets	30	3,749	772	2,977	2,422	432	1,990
Deferred tax assets	31	95,883	-	95,883	95,883	-	95,883
Other assets	32	138,686	11,073	127,613	122,547	8,931	113,859
		1,046,495	379,688	666,807	988,025	413,454	574,814
Assets classified as held for sale	(b)	397	397	-	20,426	20,426	-
TOTAL ASSETS		1,046,892	380,085	666,807	1,008,451	433,880	574,814

Group

		31 December 2015			31 December 2014		
		Carrying amount	Current	Non- current	Carrying amount	Current	Non- current
		₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
LIABILITIES							
Derivative liabilities held for risk management		-	-	-	7	7	-
Deposits from banks	33	44,091	44,091	-	61,890	61,890	-
Deposits from customers	34	570,639	570,566	73	527,617	527,548	69
Current tax liabilities	35	382	382	-	822	822	-
Other liabilities	36	107,533	84,446	23,087	110,260	105,483	4,777
Retirement benefit obligations	37	4,267	3,566	701	845	131	714
Other borrowed funds	38	76,059	50,819	25,240	78,135	36,398	41,737
		802,971	753,870	49,101	779,576	732,279	47,297
Liabilities classified as held for sale	39(c)	-	-	-	7,347	7,347	-
TOTAL LIABILITIES		802,971	753,870	49,101	786,923	739,626	47,297

Bank

		31 December 2015			31 December 2014		
		Carrying amount	Current	Non- current	Carrying amount	Current	Non- current
		₦ million	₦ million	₦ million	N million	N million	N million
ASSETS							
Cash and cash equivalents	19	54,451	54,451	-	58,457	58,457	-
Non-pledged trading assets	20	-	-	-	745	745	-
Pledged assets	21	84,728	61,890	22,838	83,935	29,279	54,656
Derivative assets held for risk management	22	1,820		1,820	-		-
Loans and advances to customers	23	348,984	177,297	171,687	302,372	152,485	149,887
Investments in equity accounted investee	24	-	-	-	-	-	-
Investment securities	25	209,223	75,330	133,893	193,656	87,947	105,709
Trading properties	26	1,124	-	1,124	-	-	1,930
Investment in subsidiaries	28	10,567	-	10,567	-	-	8,372
Property and equipment	29	49,692	-	49,692	48,482	2,854	45,628
Intangible assets	30	3,318	389	2,929	2,071	389	1,682
Deferred tax assets	31	95,875	-	95,875	95,875	-	95,875
Other assets	32	138,030	8,434	129,596	121,810	8,194	113,376
		997,812	377,791	620,021	917,705	340,350	577,115
Assets classified as held for sale	(b)	325	325	-	2,525	2,525	-
TOTAL ASSETS		998,137	378,116	620,021	920,230	342,875	577,115
LIABILITIES							
Deposits from banks	33	11,800	11,800	-	18,055	18,055	-
Deposits from customers	34	569,116	565,833	3,283	507,431	507,424	7
Current tax liabilities	35	229	229	-	635	635	-
Other liabilities	36	106,035	84,444	21,591	103,181	105,084	4,777
Retirement benefit obligations	37	4,230	3,529	701	7,525	131	714
Other borrowed funds	38	76,059	50,819	25,240	78,135	36,398	41,737
		767,469	716,654	50,815	714,962	667,727	47,235

Other Information

Other information
Value Added Statement
For the year ended 31 December 2015

Group:

	Dec. 2015 ₦ million	%	Dec. 2014 ₦ million	%
Gross earnings	117,211		135,904	
Group share of associate's profit	-		(6)	
Interest expenses	(35,219)		(27,211)	
	81,992		108,687	
Net impairment loss on financial assets	(9,252)		(17,034)	
	72,740		91,653	
Bought in materials and services	(23,851)		(30,811)	
Value added	48,889	100	60,842	100
Distribution:				
Employee				
- Employees as personnel expenses	30,041	61	29,812	49
Government				
- Taxation	561	1	883	1
Retained in the Group				
- For replacement of property and equipment and intangible assets	4,300	9	3,320	5
- Profit for the year (including non controlling interests)	13,987	29	26,827	44
	48,889	100	60,842	100

Bank:

	Dec. 2015 ₦ million	%	Dec. 2014 ₦ million	%
Gross earnings	118,366		109,821	
Interest expenses	(35,097)		(24,237)	
	83,269		85,584	
Net impairment loss on financial assets	(9,177)		(7,671)	
	74,092		77,913	
Bought in materials and services	(23,051)		(25,224)	
Value added	51,041	100	52,689	100
Distribution:				
Employee				
- Employees as personnel expenses	28,755	56	28,754	55
Government				
- Taxation	420	1	205	0
Retained in the Group				
- For replacement of property and equipment and intangible assets	4,145	8	3,244	6
- Profit for the year	17,721	35	20,486	39
	51,041	100	52,689	100

Other information
Financial summary
For the year ended 31 December 2015
Group

STATEMENT OF FINANCIAL POSITION	Dec. 2015	Dec. 2014	Dec. 2013	Restated Dec. 2012	Restated Dec. 2011
	₦ million	₦ million	₦ million	₦ million	₦ million
ASSETS					
Cash and cash equivalents	82,252	121,960	100,925	200,260	239,013
Non-pledged trading assets	-	745	2,847	1,895	5,863
Pledged assets	84,728	83,935	65,167	44,503	69,694
Derivative assets held for risk management	1,820	7	-	78	-
Loans and advances to customers	366,721	312,797	229,542	156,375	166,172
Investments in equity-accounted investee	24	24	25	5,557	75
Investment securities	215,137	197,200	289,353	313,754	269,666
Trading properties	3,177	-	4,747	6,971	-
Investment properties	-	-	16,413	19,296	29,133
Property and equipment	49,772	48,575	45,527	48,466	50,533
Intangible assets	3,749	2,422	808	921	600
Deferred tax assets	95,883	95,883	95,889	95,349	95,349
Other assets	138,686	122,547	99,829	121,297	120,364
Assets classified as held for sale	397	20,426	51,684	84	807
	1,042,346	**1,008,451**	**1,002,756**	**1,014,806**	**1,047,269**
LIABILITIES					
Share capital	8,468	8,468	8,468	8,468	8,468
Share premium	391,641	391,641	391,641	391,641	391,641
Reserves	(161,525)	(183,919)	(207,928)	(226,762)	(219,790)
Non-controlling interest	5,337	5,338	7,162	4,979	5,346
Derivative financial instrument	-	7	-	78	-
Deposits from banks	44,091	61,890	46,794	45,112	62,214
Deposits from customers	570,639	527,617	482,706	522,443	500,973
Liability on investment contract	-	-	-	803	569
Liability on insurance contract	-	-	-	2,691	2,644
Current tax liabilities	382	822	534	2,317	2,668
Other liabilities	107,533	103,580	156,406	178,587	206,200
Retirement benefit obligations	4,267	7,525	10,261	49,886	59,386
Other borrowed funds	76,059	78,135	45,280	34,564	26,950
Liabilities included in discontinued operations	-	7,347	61,432	-	-
	1,046,892	**1,008,451**	**1,002,756**	**1,014,806**	**1,047,269**

STATEMENT OF COMPREHENSIVE INCOME	Dec. 2015	Dec. 2014	Dec. 2013	Dec. 2012	Dec. 2011
	₦ million	₦ million	₦ million	₦ million	₦ million
Net operating income	81,850	96,195	79,662	79,079	50,789
Group share of associates' profits	-	(6)	(4)	34	952
Impairment losses on financial assets	(9,244)	(9,651)	(15,736)	(1,767)	(69,528)
	72,606	86,538	63,922	77,346	(17,787)
Operating expenses	(58,164)	(59,419)	(58,593)	(73,004)	(89,897)
Profit before tax	**14,442**	**27,119**	**5,329**	**4,342**	**(107,684)**
Taxation	(552)	(434)	933	(391)	25,133
Profit after tax	**13,890**	**26,685**	**6,262**	**3,951**	**(82,551)**
Profit for the year from discontinued operations	97	142	(2,426)	(2,764)	-
Profit for the year	13,987	26,827	3,836	1,187	(82,551)
Non-controlling interest	(1)	1,198	(1,621)	(2,947)	(4,883)
Profit attributable to equity holders	**13,988**	**25,629**	**5,457**	**4,134**	**(77,668)**
Earnings/(Loss) per share (basic)	83k	151k	32k	24k	(1266)k
Earnings/(Loss) per share (adjusted)	82k	158k	32k	24k	(1266)k

Other information
Financial summary

Bank

STATEMENT OF FINANCIAL POSITION	Dec. 2015	Dec. 2014	Dec. 2013	Dec. 2012	Dec. 2011
	₦ million	₦ million	₦ million	₦ million	₦ million
ASSETS					
Cash and cash equivalents	54,451	58,457	53,141	142,938	84,658
Non-pledged trading assets	-	745	2,847	867	2,851
Pledged assets	84,728	83,935	65,167	44,503	69,694
Derivative assets held for risk management	1,820	-	-	-	-
Loans and advances to customers	348,984	302,372	210,118	136,982	144,358
Investments in equity-accounted investee	-	-	16	91	75
Investment securities	209,223	193,656	290,377	280,449	246,725
Assets classified as held for sale	325	2,525	2,374	84	807
Trading properties	1,124	1,930	1,930	2,282	-
Investment properties	-	-	-	-	-
Investment in subsidiaries	10,567	8,372	12,892	17,445	19,279
Property and equipment	49,692	48,482	45,351	45,137	46,567
Intangible assets	3,318	2,071	685	522	109
Deferred tax assets	95,875	95,875	95,875	95,875	95,875
Other assets	138,030	121,810	101,324	119,293	116,155
	998,137	**920,230**	**882,097**	**886,468**	**827,153**
LIABILITIES					
Share capital	8,468	8,468	8,468	8,468	8,468
Share premium	391,641	391,641	391,641	391,641	391,641
Reserves	(169,441)	(194,841)	(212,326)	(228,438)	(221,207)
Deposits from banks	11,800	18,055	3,200	3,500	1,580
Deposits from customers	569,116	507,431	479,956	482,005	399,775
Current tax liabilities	229	635	472	495	1,358
Other liabilities	106,035	103,181	155,189	145,478	159,960
Retirement benefit obligations	4,230	7,525	10,216	49,368	58,628
Other borrowed funds	76,059	78,135	45,280	33,951	26,950
	998,137	**920,230**	**882,097**	**886,468**	**827,153**

STATEMENT OF COMPREHENSIVE INCOME	Dec. 2015	Dec. 2014	Dec. 2013	Dec. 2012	Dec. 2011
	₦ million	₦ million	₦ million	₦ million	₦ million
Net operating income	83,269	85,584	79,307	73,867	39,942
Exceptional item			-	-	-
Impairment losses on financial assets	(9,177)	(7,671)	(18,420)	470	(69,367)
	74,092	77,913	60,887	74,337	(29,425)
Operating expenses	(55,951)	(57,222)	(56,686)	(70,899)	(73,208)
Profit before tax	**18,141**	**20,691**	**4,201**	**3,438**	**(102,633)**
Taxation	(420)	(205)	920	(268)	25,922
Profit after tax	**17,721**	**20,486**	**5,121**	**3,170**	**(76,711)**
Earnings/(Loss) per share (basic)	105k	121k	30k	19k	(1251)k
Earnings/(Loss) per share (adjusted)	105k	121k	30k	19k	(1251)k