Zenith Bank PLC

Annual Report - 31 December 2015

ZENITH BANK PLC
DIRECTORS, OFFICERS AND PROFESSIONAL ADVISERS

Directors

Mr.Jim Ovia, CON.	Chairman
Sir Steve Omojafor	Non-Executive Director
Mr.Babatunde Adejuwon	Non-Executive Director
Alhaji Baba Tela	Non-Executive Director/ Independent
Prof. Chukuka Enwemeka	Non-Executive Director
Mr.Jeffrey Efeyini	Non-Executive Director
Chief (Mrs) Chinyere Asika	Non-Executive Director/ Independent *
Dr Haruna Usman Sanusi	Non-Executive Director/ Independent *
Mr.Peter Amangbo	Group Managing Director/CEO
Ms. Adaora Umeoji	Executive Director
Mr.Ebenezer Onyeagwu	Executive Director
Mr.Oladipo Olusola	Executive Director

* Retired from the board effective March 26, 2015.

Company Secretary Michael Osilama Otu

Registered office
Zenith Bank Plc
Zenith Heights
Plot 87, Ajose Adeogun Street
Victoria Island, Lagos

Auditor
KPMG Professional Services
KPMG Tower
Bishop Aboyade Cole street
Victoria Island
Lagos

Registrar and Transfer Office
Veritas Registrars Limited (formerly Zenith Registrars Limited)
Plot 89 A, Ajose Adeogun Street
Victoria Island
Lagos

ZENITH BANK PLC

Directors' Report for the Year Ended 31 December 2015

The directors present their report on the affairs of ZENITH BANK PLC, together with the financial statements and independent auditor's report for the year ended 31 December 2015.

1. Legal form

The Bank was incorporated in Nigeria under the Companies and Allied Matters Act as a private limited liability company on 30 May,1990. It was granted a banking licence in June 1990, to carry on the business of commercial banking and commenced business on 16 June 1990. The Bank was converted into a Public Limited Liability Company on 20 May 2004. The Bank's shares were listed on the 21 October 2004 on the floor of the Nigerian Stock Exchange.

There have been no material changes to the nature of the group's business from the previous year.

2. Principal activities and business review

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

The Bank has five subsidiary companies namely, Zenith Bank (Ghana) Limited, Zenith Pension Custodian Limited, Zenith Bank (UK) Limited, Zenith Bank (Sierra Leone) Limited, and Zenith Bank (The Gambia) Limited. In line with regulatory directives on the scope of banking operations in Nigeria, the Bank has concluded the divestment from its non-core banking operations (excluding Zenith Pension Custodian Limited). During the year, the Group opened ten new branches. No branch was closed during the year.

3. Operating results

Gross earnings of the Group increased by 7.2% and profit before tax increased by 4.9% respectively. Highlights of the Group's operating results for the year under review are as follows:

	31 Dec 2015 N' Million	31 Dec 2014 N' million
Gross earnings	**432,535**	**403,343**
Profit before tax	125,616	119,796
Income tax expense	(19,953)	(20,341)
Profit after taxation	105,663	99,455
Non- controlling interest	(132)	(180)
Profit attributable to the equity holders of the parent	**105,531**	**99,275**
Appropriations		
Transfer to statutory reserve	14,818	13,872
Transfer to credit risk reserve	11,193	-
Transfer to retained earnings and other reserves	79,520	85,403
	105,531	**99,275**
Basic and Diluted earnings per share (kobo)	336 k	316 k
Non-performing loan ratio %	2.2	1.8

4. Dividends

The Board of Directors, pursuant to the powers vested in it by the provisions of section 379 of the Companies and Allied Matters Act (CAMA) of Nigeria, proposed a final dividend of N1.55 kobo per share which in addition to the N0.25 kobo per share paid as interim dividend amounts to N1.80 per share. (31 December 2014: N1.75 kobo per share) from the retained earnings account as at 31 December 2015. This is subject to approval by shareholders at the next Annual General Meeting.

If the proposed dividend is approved by the shareholders, the Bank will be liable to pay additional corporate tax estimated at N13.39 billion, which represents the difference between the tax liability calculated at 30% of the dividend approved and the tax charge reported in the statement of profit or loss and other comprehensive income for period ended 31 December 2015.

Payment of dividends is subject to withholding tax at a rate of 10% in the hand of recipients.

5. Directors' shareholding

The direct interests of directors in the issued share capital of Zenith Bank Plc as recorded in the register of directors shareholding and/or as notified by the directors for the purposes of sections 275 and 276 of the Companies and Allied Matters Act and the listing requirements of the Nigerian Stock Exchange is as follows:

Interests in shares

		Number of Shareholding	
Director	**Designation**	**31 Dec 2015**	**31 Dec 2014**
Mr.Jim Ovia, CON.	Chairman / Non-Executive Director	2,946,199,395	2,946,199,395
Mr.Peter Amangbo	Group Managing Director/CEO	5,000,000	5,000,000
Sir Steve Omojafor	Non-Executive Director	4,768,836	4,466,036
Mr.Babatunde Adejuwon	Non Executive Director	3,752,853	3,752,853
Alhaji Baba Tela	Non Executive Director / Independent	250,880	250,880
Dr Haruna Usman Sanusi	Non-Executive Director/ independent *	-	-
Prof. Chukuka Enwemeka	Non-Executive Director	127,137	127,137
Mr.Jeffrey Efeyini	Non-Executive Director	541,690	541,690
Chief (Mrs) Chinyere Asika	Non-Executive Director / Independent *	95,757	95,757
Ms. Adaora Umeoji	Executive Director	26,620,141	23,620,141
Mr.Ebenezer Onyeagwu	Executive Director	2,500,000	2,000,000
Mr.Oladipo Olusola	Executive Director	2,000,000	1,877,600

* Retired from the board effective March 26, 2015.

6. Directors' interests in contracts

For the purpose of section 277 of the Companies and Allied Matters Act, none of the existing directors had direct or indirect interest in contracts or proposed contracts with the Bank during the year.

7. Acquisition of own shares

The shares of the Bank are held in accordance with the Articles of Association of the Bank. The Bank has no beneficial interest in any of its shares.

8. Property and equipment

Information relating to changes in property and equipment is given in Note 26 to the financial statements. 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.

9. Shareholding analysis

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

Share range	**No. of Shareholders**	**Percentage of Shareholders**	**Number of holdings**	**Percentage Holdings (%)**
1-9, 999	542,350	83.6025 %	1,636,659,160	5.21 %
10,000 - 50,000	84,456	13.0188 %	1,725,324,949	5.50 %
50,001 - 1,000,000	20,895	3.2209 %	3,170,851,377	10.10 %
1,000,001 - 5,000,000	739	0.1139 %	1,550,729,345	4.94 %
5,000,001 - 10,000,000	126	0.0194 %	867,539,144	2.76 %
10,000,001 - 50,000,000	102	0.0157 %	2,180,505,063	6.95 %
50,000,001 - 100,000,000	24	0.0037 %	1,753,365,976	5.58 %
100,000,001 - 500,000,000	26	0.0040 %	5,934,619,346	18.90 %
500,000,001 - 1,000,000,000	2	0.0003 %	1,952,372,598	6.22 %
Above 1,000,000,000	5	0.0008 %	10,624,526,828	33.84 %
	648,725	**100 %**	**31,396,493,786**	**100 %**

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

Share range	No. of Shareholders	Percentage of Shareholders	Number of holdings	Percentage Holdings (%)
1-9, 999	543,289	83.5340 %	1,648,448,849	5.25 %
10,000 - 50,000	85,238	13.1058 %	1,741,932,851	5.55 %
50,001 - 1,000,000	20,824	3.2018 %	3,134,187,886	9.98 %
1,000,001 - 5,000,000	736	0.1132 %	1,544,809,379	4.92 %
5,000,001 - 10,000,000	125	0.0192 %	858,481,233	2.73 %
10,00,001 - 50,00,000	107	0.0165 %	2,302,183,124	7.33 %
50,00,001 - 100,000,000	26	0.0040 %	1,805,880,013	5.75 %
100,000,001 - 500,000,000	28	0.0043 %	5,742,873,132	18.29 %
500,000,001 - 1,000,000,000	3	0.0005 %	1,928,683,683	6.14 %
Above 1,000,000,000	5	0.0007 %	10,689,013,636	34.06 %
	650,381	**100 %**	**31,396,493,786**	**100 %**

10. Substantial interest in shares

According to the register of members at 31 December 2015, the following shareholders held more than 5.0% of the issued share capital of the Bank.

	Number of Shares Held	Percentage Holdings (%)
Jim Ovia, CON	2,946,199,395	9.38 %
Stanbic Nominees Nigeria Limited/C011 - MAIN	2,315,613,914	7.38 %
Stanbic Nominees Nigeria Limited/C002 - TRAD	2,273,779,509	7.24 %
Stanbic Nominees Nigeria Limited/C001 - TRAD	1,806,614,996	5.75 %

According to the register of members at 31 December 2014, the following shareholders held more than 5.0% of the issued share capital of the Bank.

	Number of Shares Held	Percentage Holdings (%)
Jim Ovia, CON	2,946,199,395	9.38 %
Stanbic Nominees Nigeria Limited/C001 - TRAD	2,134,940,725	6.80 %
Stanbic Nominees Nigeria Limited/C002 - TRAD	2,975,554,502	9.48 %

11. Donations and charitable gifts

The Group made contributions to charitable and non-political organisations amounting to N923 million during the 2015 financial year.

The beneficiaries are as follows:

	31 Dec 2015 N' Million
States' Security Trust Funds	324
Economic summits & conferences sponsorship	151
ICT Centres for Educational Institutions	131
Medical Assistance to the underprivileged	66
The Nigeria Football Federation	50
National Female Basketball League	43
Lagos Business School	30
Healthcare centre IGA Idugaran LGHA	24
Federal University of Agriculture Abeokuta	23
Warri Wolves Sponsorship	15
Plateau State ICT Development project	10
Musical society of Nigeria	9
Others below N9 million	47
	923

The Group made contributions to charitable and non-political organisations amounting to N1,102 million during the 2014 financial year.

The beneficiaries are as follows:

	31 Dec 2014 N' Million
Fund Support for Victims of terrorism	270
ICT Centre nationwide	180
Security Trust Funds	386
Delta State Sports Commission	60
Nigeria Economic Summit Group	40
Nigerian Basketball Association	35
Veritas University of Nigeria	20
St. Savour School Ikoyi	20
Loyola Jesuit University Project	10
Kogi State Polytechnic Lokoja	13
Open National Sports Festival	10
Lagos Economic Summit Group	10
Others below N10 million	48
	1,102

12. Events after the reporting period

There were no significant events after the balance sheet date that could affect the reported amount of assets and liabilities as of the balance sheet date.

13. Disclosure of customer complaints in financial statements for the year ended 31 December 2015

Description	Number		Amount claimed		Amount refunded	
	31 Dec 2015	31 Dec 2014	31 Dec 2015 N.	31 Dec 2014 N.	31 Dec 2015 N.	31 Dec 2014 N.
Pending complaint b/f	60	19	8,070,341,593	2,444,644,790	682,941,586	
Received Complaints	212	117	14,872,147,292	15,619,444,423	1,089,886,664	
Resolved Complaints	208	76	8,373,452,460	9,993,747,620	1,012,531,806	2,056,145,730
Unresolved Complaints escalated to CBN for Intervention	5	10	2,490,301,871	4,403,793,201		
Unresolved Complaints pending with the bank C/F	59	50	12,078,734,554	3,666,548,392		
Unresolved Complaints C/F	**64**	**60**	**14,569,036,425**	**8,070,341,593**		

14. Human resources

i) Employment of disabled persons.

The Group continues to maintain a policy of giving fair consideration to the application for employment made by disabled persons with due regard to their abilities and aptitude. The Group's policy prohibits discrimination against disabled persons in the recruitment, training and career development of its employees. In the event of members of staff becoming disabled, efforts will be made to ensure that their employment continues and appropriate training arranged to ensure that they fit into the Group's working environment.

ii) Health, safety and welfare at work.

The Group enforces strict health and safety rules and practices at the work environment, which are reviewed and tested regularly. The Group retains top-class private hospitals where medical facilities are provided for staff and their immediate families at the Group's expense.

Fire prevention and fire-fighting equipment are installed in strategic locations within the Group's premises, while occassional fire drills are conducted to create awareness amongst staff.

The Group operates both a Group Personal Accident and the Workmen's Compensation Insurance covers for the benefit of its employees. It also operates a contributory pension plan in line with the Pension Reform Act.

iii) Employee training and development.

The Group ensures, through various fora, that employees are informed on matters concerning them. Formal and informal channels are also employed in communication with employees with an appropriate two-way feedback mechanism.

In accordance with the Group's policy of continuous development, training facilities are provided in our well-equipped training centres. In addition, employees of the Bank are nominated to attend both locally and internationally organized courses. These are complemented by on-the-job training.

iv) Gender analysis of staff.

The average number of employees of the Bank during the year by gender and level is as follows;

a) Analysis of total employees.

	Gender Number			Gender Percentage	
	Male	Female	Total	Male	Female
Employees	3,294	2,992	6,286	52 %	48 %
	3,294	**2,992**	**6,286**	**52 %**	**48 %**

b) Analysis of board and top management staff.

	Gender Number			Gender Percentage	
	Male	Female	Total	Male	Female
Board members (Executive and Non-executive directors)	10	2	12	83 %	17 %
Top management staff (AGM-GM)	52	22	74	70 %	30 %
	62	**24**	**86**	**72 %**	**28 %**

c) Further analysis of board and top management staff.

	Gender Number			Gender Percentage	
	Male	Female	Total	Male	Female
Assistant general managers	26	15	41	63 %	37 %
Deputy general managers	12	2	14	86 %	14 %
General managers	14	5	19	74 %	26 %
Board members (Non-executive directors)	7	1	8	88 %	13 %
Board members (Executive directors excluding MD/CEO)	2	1	3	67 %	33 %
Managing director/CEO	1	-	1	100 %	- %
	62	**24**	**86**	**72 %**	**28 %**

15. Auditors

The auditors, Messrs. KPMG Professional Services have indicated their willingness to continue in office as auditors in accordance with section 357 (2) of the Companies and Allied Matters Act,1990.

By order of the board

Michael Osilama Otu (Esq.)
Company Secretary
24 February 2016
FRC/2013/MULTI/00000001084

Corporate Governance Report for the Year Ended 31 December 2015

1. Introduction

The Bank remains committed to promoting good corporate governance and best practices in the conduct of its business. This is because we believe that good Corporate Governance engender public trust and ultimately ensures that the company meets the expectation of all stakeholders.

Zenith Bank Plc has been generally adjudged a Corporate Governance compliant bank by the Nigerian Stock Exchange (NSE) hence its recent listing on the Premium Board of the Exchange. The Bank recently won the award of “the Best Corporate Governance Bank in Nigeria 2015” at the Global Banking and Financial Review Awards 2015.

The Bank will continue to sustain this and to reappraise its processes to ensure that our business conform to the highest global standards at all times.

2. Shareholding

The Bank has a diverse shareholding structure with no single ultimate individual beneficiary holding more than 10% of the Bank’s total shares.

3. Board of directors

The Board has the overall responsibility for setting the strategic direction of the Bank and also oversight of senior Management.

The Board consists of persons of mixed skills, chosen on the basis of professional background and expertise, business experience and integrity as well as knowledge of the Bank’s business.

Directors are fully aware of their responsibilities and are also able to exercise good judgment on issues relating to the Bank’s business.

4. Board structure

The board is made up of a non-executive Chairman, five (5) nonexecutive Directors and four (4) executive Directors including the GMD/CEO. One (1) of the non-executive Directors is an independent director, appointed in compliance with the Central Bank of Nigeria (CBN) circular on Appointment of Independent Directors by Banks.

The Managing Director/Chief Executive is responsible for the day to day running of the Bank, assisted by the Executive Committee (EXCO). EXCO comprises the Executive Directors and the Group Managing Director/Chief Executive, who chairs it.

5. Responsibilities of the board

The Board is responsible for:

- reviewing and approving the Bank’s strategic plans for implementation by management;
- reviewing and approving the Bank’s financial objectives, business plans and budgets, including capital allocations and expenditures;
- monitoring corporate performance against the strategic plans and business, operating and capital budgets;
- implementing the bank’s succession planning;
- approving acquisitions and divestitures of business operations, strategic investments and alliances, and major business development initiatives
- approving delegation of authority for any unbudgeted expenditure; and
- assessing its own effectiveness in fulfilling its responsibilities, including monitoring the effectiveness of individual directors.

Corporate Governance Report for the Year Ended 31 December 2015

The membership of the Board during the year is as follows:

Board of Directors

NAME	POSITION
Mr Jim Ovia, CON	Chairman
Sir. Steve Omojafor	Non-Executive Director
Mr Babatunde Adejuwon	Non-Executive Director
Alhaji Baba Tela	Non-Executive Director / Independent
Mr Jeffrey Efeyini	Non-Executive Director
Prof. Chukuka S. Enwemeka	Non-Executive Director
Chief (Mrs) Chinyere Asika*	Non-Executive Director / Independent
Dr. Haruna Usman Sanusi*	Non-Executive Director / Independent
Mr Peter Amangbo	Group Managing Director/Chief Executive Officer
Ms. Adaora Umeoji	Executive Director
Mr Ebenezer Onyeagwu	Executive Director
Mr Olusola Oladipo	Executive Director

* Retired from the Board with effect from March 26, 2015.

The Board meets at least every quarter but may hold extra-ordinary sessions to address urgent matters requiring the attention of the Board.

6. Board committees

The Board carries out its oversight functions using its various Board committees. This makes for efficiency and allows for a deeper attention to specific matters for the Board.

Membership of the committees of the Board is intended to make the best use of the skills and experience of non-executive directors in particular.

The Board has established the various committees with well defined terms of reference and Charters defining their scope of responsibilities in such a way as to avoid overlap or duplication of functions.

The committees of the Board meet quarterly but may hold extraordinary sessions as the business of the Bank demands.

The following are the current standing Committees of the Board:

6.1 Board credit committee

The committee is currently made up of six (6) members comprising three (3) Non-Executive Directors and three (3) Executive Directors of the bank. The Board credit committee is chaired by a non-Executive Director who is well versed in credit matters. The Committee considers loan applications above the level of Management credit committee. It also determines the credit policy of the bank or changes therein.

The membership of the Committee during the year is as follows:

Mr Jeffrey Efeyini – (Chairman)
Mr Babatunde Adejuwon
Alhaji Baba Tela
Mr Peter Amangbo
Mr Ebenezer Onyeagwu
Mr Olusola Oladipo

Committee's terms of reference

- To conduct a quarterly review of all collateral securities for Board consideration and approval;
- To recommend criteria by which the Board of Directors can evaluate the credit facilities presented from various customers;
- To review the credit portfolio of the Bank;
- To approve all credit facilities above Management approval limit;
- To establish and periodically review the bank's credit policy and portfolio in order to align organizational strategies, goals and performance;
- To evaluate on an annual basis the components of total credit facilities as well as market competitive data and other factors as deemed appropriate, and to determine the credit level based upon this evaluation;
- To make recommendations to the Board of Directors with respect to credit facilities based upon performance, market competitive data, and other factors as deemed appropriate;
- To recommend to the Board of Directors, as appropriate, new credit proposals, restructure plans, and amendments to existing plans;
- To recommend non-performing credits for write-off by the Board; and
- To perform such other duties and responsibilities as the Board of Directors may assign from time to time.

6.2 Staff matters, finance and general purpose committee

This Committee is made up of five (5) members: three (3) Non-Executive Directors and two (2) Executive Directors. It is chaired by a Non-executive Director. The committee considers large scale procurement by the Bank, as well as matters bordering on staff welfare, discipline, staff remuneration and promotion.

The membership of the committee is as follows:

Alhaji Baba Tela – (Chairman)
Chief (Mrs) Chinyere Asika *
Prof. Chukuka Enwemeka
Sir. Steve Omojafor
Mr Peter Amangbo
Ms. Adaora Umeoji

(*) - Retired from the Board with effect from March 26, 2015

Committee's terms of reference

- Approval of large scale procurements by the Bank and other items of major expenditure by the Bank;
- Recommendation of the Bank's Capital Expenditure (CAPEX) and major Operating Expenditure (OPEX) limits for consideration by the Board;
- Consideration of management requests for branch set up and other business locations;
- Consideration of management request for establishment of offshore subsidiaries and other offshore business offices.
- Consideration of the dividend policy of the Group and the declaration of dividends or other forms of distributions and recommendation to the Board;
- Consideration of capital expenditures, divestments, acquisitions, joint ventures and other investments, and other major capital transactions;
- Review and approval of any employment-related contracts with the GMD/CEO and other executive officers, if applicable;
- Consideration of senior management promotions as recommended by the GMD/CEO;
- Review and recommendations on recruitment, promotion, and disciplinary actions for senior management staff;
- Review and agreement at the beginning of the year, of the key performance indicators for the Group MD and Executive Directors;
- Review and ratification of the performance appraisal of the Executive Directors as presented by the Group MD;
- Review and agree the criteria for the performance review of the subsidiary companies Board of Directors and subsidiary companies Managing Director;
- Ensure annual review or appraisal of the performance of the Board is conducted. This review/appraisal covers all aspects of the Board's structure, composition, responsibilities, individual competencies, Board operations, Board's role in strategy setting, oversight over corporate culture, monitoring role and evaluation of management performance and stewardship towards shareholders etc;

- To discharge the Board's responsibility relating to oversight of the management of the health and welfare plans that cover the company's employees.

6.3 Board risk and audit committee:

The Board risk and audit committee has oversight responsibility for the overall risk assessment of various areas of the Bank's operations and compliance.

The Chief Risk Officer, the Chief Inspector and the Chief Compliance Officer have access to this committee and make quarterly presentations for the consideration of the committee. Chaired by Mr. Adejuwon (a Non-executive Director), the committee's membership comprises the following:

Mr Babatunde Adejuwon – (Chairman)
Mr Jeffrey Efeyini
Dr. Haruna Usman Sanusi*
Prof. Chukuka Enwemeka
Mr Peter Amangbo
Mr Ebenezer Onyeagwu

(*) – Retired from the Board with effect from March 26, 2015.

Committee's terms of reference

- The primary responsibility of the Committee is to ensure that sound policies, procedures and practices are in place for the risk-wide management of the Bank's material risks and to report the results of the Committee's activities to the Board of Directors.

- Design and implement risk management practices, specifically provide ongoing guidance and support for the refinement of the overall risk management framework and ensuring that best practices are incorporated;

- Ensure that management understands and accepts its responsibility for identifying, assessing and managing risk;

- Ensure and monitor risk management practices, specifically determine which enterprise risks are most significant and approve resource allocation for risk monitoring and improvement activities, assign risk owners and approve action plans;

- Periodically review and monitor risk mitigation process and periodically review and report to the Board of Directors:
  (a) the magnitude of all material business risks;
  (b) the processes, procedures and controls in place to manage material risks; and
  (c) the overall effectiveness of the risk management process;

- Facilitate the development of a comprehensive risk management framework for the Bank and develop the risk management policies and processes and enforce its compliance.

- To review the findings on management matters (Management Letter) to ensure that issues raised therein are addressed in a timely manner.

- Approve the bank's Risk Appetite Policy and periodically review any material changes to such policy.

- Review and discuss with Management the bank's Risk Appetite and Strategy relating to key risks in the bank, as well as the policies and processes for mitigation of such risks.

- Receive reports on Risk appetite results with respect to the reference ranges.

- Establish and periodically review the bank's Risk portfolio in order to align organizational strategies, goals, and performance.

- Evaluate on a periodic basis the components of risk as well as market competitive data and other factors as deemed appropriate, and determine the risk level based upon this evaluation.

- Review the report of the Management Risk Committee on environmental and other risk issues affecting the bank and recommend steps to be taken. To ensure adequate reach and authority, the Management Risk Committee include two Executive Directors i.e. the Managing Director and the Executive Director overseeing the Risk Management Group.

- Perform such other duties and responsibilities as the Board of Directors may assign from time to time.

6.4 Board governance, nominations and remuneration committee:

The Committee is made up of four (4) Non-Executive Directors. It is chaired by a Non-executive Director.

Membership of the committee is as follows:
Sir Steve Omojafor- (Chairman)
Chief (Mrs) Chinyere Asika *
Prof. Chukuka Enwemeka
Alhaji Baba Tela
Mr. Babatunde Adejuwon **

(*) – Retired from the Board with effect from March 26, 2015.
(**) – Appointed to the Committee on April 29, 2015.

Committee's terms of reference

- To determine a fair, reasonable and competitive compensation practice for executive officers and other key employees of the Bank which are consistent with the Bank's objectives.
- Determining the quantum and structure of compensation and benefits for Non-Executive Directors, Executive Directors and senior management of the Group;
- Ensuring the existence of an appropriate remuneration policy and philosophy for Executive Directors, Non-Executive Directors and staff of the Group;
- Review and recommend to the Board, salary revisions and services conditions for senior management staff, based on the recommendation of the Executives;
- Review and recommend for Board ratification, all terminal compensation arrangements for Directors and senior management;
- Oversight of broad-based employee compensation policies and programs;
- Recommendation of appropriate compensation for Non-Executive Directors for Board and Annual General Meeting consideration;
- Review and approval of any recommended compensation actions for the Company's Executive Committee members, including base salary, annual incentive bonus, long-term incentive awards, severance benefits, and perquisites;
- Review and continuous assessment of the size and composition of the Board and Board Committees, and recommend the appropriate Board structure, size, age, skills, competencies, composition, knowledge, experience and background in line with needs of the Group and diversity required to fully discharge the Board's duties;
- Recommend membership criteria for the Group Board, Board Committees and subsidiary companies Boards.
- Identify at the request of the Board of specific individuals for nomination to the Group and subsidiary companies Boards and to make recommendations on the appointment and election of New Directors (including the Group MD) to the Board, in line with the Group's approved Director Selection criteria;
- Review of the effectiveness of the process for the selection and removal of Directors and to make recommendations where appropriate;
- Ensure that there is an approved training policy for Directors, and monitor compliance with the policy;
- Review and make recommendations on the Group's succession plan for Directors and other senior management staff for the consideration of the Board;
- Regular monitoring of compliance with Group's code of ethics and business conduct for Directors and staff;
- Assess the Company's financial and non-financial goals versus actual performance, evaluate the CEO in light of this performance, and recommend for approval of the independent members of the Board, the CEO's compensation level based on this evaluation;
- Review the Group's organization structure and make recommendations to the Board for approval;

6.5 Audit committee

The committee is established in line with Section 359(6) of the Companies and Allied Matters Act, 1990. The committee's membership consists of three (3) representatives of the shareholders elected at the Annual General Meeting (AGM) and three (3) non-executive Directors. The committee meets every quarter, but could also meet at any other time, if the need arises.

The membership of the Committee is as follows:

Shareholders' Representative

Prof. Leonard Obika – (Chairman)
Mr Michael Olusoji Ajayi
Ms. Angela Agidi

Non-Executive Directors

Mr Babatunde Adejuwon
Alhaji Baba Tela*
Jeffrey Efeyini
Chief (Mrs) Chinyere Asika**
* - Elected on March 26, 2015.
**-Retired from the Board with effect from March 26, 2015

Committee's terms of reference

- To meet with the Independent Auditors, Chief Financial Officer, Internal Auditor and any other Bank executive both individually and/or together, as the committee deems appropriate at such times as the Committee shall determine to discuss and review:

(a) the Bank's quarterly and audited annual financial statements, including any related notes, the Bank's specific disclosures and discussion under Management's Controls Report and the independent auditor's report, in advance of publication;

(b) the performance and results of the external and internal audits, including the independent auditor's management letter, and management's responses thereto;

(c) the effectiveness of the Bank's system of internal controls, including computerized information systems and security; any recommendations by the independent auditor and internal auditor regarding internal control issues and any actions taken in response thereto; and, the internal control certification and attestation required to be made in connection with the Bank's quarterly and annual financial reports; and

(d) such other matters in connection with overseeing the financial reporting process and the maintenance of internal controls as the committee shall deem appropriate.

- To prepare the Committee's report for inclusion in the Bank's annual report.

- To report to the Board at such times as the Committee shall determine.

6.6 Executive committee (EXCO)

The EXCO comprises the Managing Director, who chairs it and all Executive Directors. The committee meets twice weekly (or such other times as business exigency may require) to deliberate and take policy decisions on the effective and efficient management of the Bank. It also serves as a processing unit for issues to be discussed at the Board level. The EXCO's primary responsibility is to ensure the implementation of strategies approved by the Board, provide leadership to the Management team and ensure efficient deployment and management of the Bank's resources.Its Chairman is responsible for the day-to-day running and performance of the Bank.

6.7 Other committees

In addition to the afore-mentioned committees, the Bank has in place, other standing management committees. They include:

(a) Management Committee (MANCO);

(b) Assets and Liabilities Committee (ALCO);

(c) Management Global Credit Committee (MGCC);

(d) Risk Management Committee (RMC)

(e) Information Technology (IT) Steering Committee

(a) Management committee (MANCO)

The Management Committee comprises the senior management of the Bank and has been established to identify, analyse, and make recommendations on risks arising from day-to-day activities. They also ensure that risk limits as contained in the Board and Regulatory policies are complied with. Members of the management committee make contributions to the respective Board Committees and also ensure that recommendations of the Board Committees are effectively and efficiently implemented. They meet weekly and as frequently as the need arises.

(b) Assets and liabilities committee (ALCO)

The ALCO is responsible for the management of a variety of risks arising from the Bank's business including market and liquidity risk management, loan to deposit ratio analysis, cost of funds analysis, establishing guidelines for pricing on deposit and credit facilities, exchange rate risks analysis, balance sheet structuring, regulatory considerations and monitoring of the status of implemented assets and liability strategies. The members of the Committee include the Managing Director, Executive Directors, the Treasurer, the Head of Financial Control, Group Head, Risk Management Group and a representative of the Assets and Liability Management Unit. A representative of the Asset and Liability Management Department serves as the secretary of this Committee.

(c) Management global credit committee (MGCC)

The Management Global Credit Committee is responsible for ensuring that the Bank complies with the credit policy guide as established by the Board. The Committee also makes contributions to the Board Credit Committee. The Committee can approve credit facilities to individual obligors not exceeding in aggregate a sum as pre-determined by the Board from time to time. The Committee is responsible for reviewing and approving extensions of credit, including one-obligor commitments that exceed an amount as may be determined by the Board. The Committee reviews the entire credit portfolio of the Bank and conducts periodic assessment of the quality of risk assets in the Bank. It also ensures that adequate monitoring of performance is carried out. The secretary of the committee is the Head of the Credit Administration Department.

The Committee meets weekly or fortnightly depending on the number of credit applications to be considered. The members of the Committee include the Managing Director, and all divisional and group heads, including the Executive Directors.

(d) Risk management committee (RMC)

This Committee is responsible for regular analysis and consideration of risks other than credit risk in the Bank. It meets [at least once in a month or as the need arises] to review environmental and other risk issues and policies affecting the Bank and recommend steps to be taken. The Committee's approach is entirely risk based. The Committee makes contributions to the Board Risk and Audit Committee and also ensures that the Committee's decisions and policies are implemented. The members of the Committee include the Managing Director, two Executive Directors, the Chief Risk Officer and all divisional and group heads.

(e) Information technology (IT) steering committee

The Information Technology (IT) Steering Committee is responsible for amongst others, development of corporate information technology (IT) strategies and plans that ensure cost effective application and management of resources throughout the organization.

Membership of the committee is as follows:

1 The Managing Director/Chief Executive;
2 Two (2) Executive Directors;
3 Head of Treasury;
4 Head of Trade Services;
5 Marketing Groups Representatives;
6 Chief Inspector;

7 Chief Risk Officer;
8 Head of IT;
9 Head of Infotech - Software;
10 Head of Infotech - Enginering;
11 Head of Card Services;
12 Group Head of Operations;
13 Group Head of IT Audit;
14 Head of e-Business; and
15 Head of Investigation.

The committee meets monthly or as the need arises.

7. Policy on trade in the Bank's securities

The Bank has put in place a policy on trading in the Bank's Securities by Directors and other key personnel of the Bank.

During the year under review, the Directors and other key personnel of the Bank complied with the terms of the policy and the provisions of S.14 of the Amendment to the Listing Rules of the Nigeria Stock Exchange.

8. Code of Corporate Governance

The Bank subscribes to the following codes of Corporate Governance:

(a) Central Bank of Nigeria (CBN) Code of Corporate Governance for Banks in Nigeria 2014.

(b) Securities and Exchange Commission (SEC) Code of Corporate Governance.

During the year under review, the Bank complied with the provisions of both codes.

9. Relationship with shareholders

Zenith Bank maintains an effective communication with its shareholders, which enables them understand our business, financial condition and operating performance and trends. Apart from our annual report and accounts, proxy statements and formal shareholders’ meetings, we maintain a rich website (with suggestion boxes) that provide information on a wide range of issues for all stakeholders.

Also, a quarterly publication of the bank and group performance is made in line with the disclosure requirements of the Nigeria Stock Exchange.

The Bank has an Investors Relations Unit which holds regular forum to brief all stakeholders on operations of the bank.

The bank also, from time to time, holds briefing sessions with market operators (stockbrokers, dealers, institutional investors, issuing houses, stock analysts, mainly through investors conference) to update them on the state of our business. These professionals, as advisers and purveyors of information, relate with and relay to the shareholders useful information about us. We also regularly brief the regulatory authorities, and file statutory returns which are usually accessible to the shareholders.

10. Directors remuneration policy

The Bank's remuneration policy is structured taking into account the environment in which it operates and the results it achieves at the end of each financial year. It includes the following elements:

Non-executive directors

- Components of remuneration is quarterly and sitting allowances which are based on levels of responsibilities.

- Directors are also sponsored for trainings that they required to enhance their duties to the bank.

Executive directors

The remuneration policy for executive directors considers various elements, including the following:

- Fixed remuneration, taking into account the level of responsibility, and ensuring this remuneration is competitive with remuneration paid for equivalent posts in banks of equivalent status both within and outside Nigeria.

- Variable annual remuneration linked to the Zenith Bank financial results. The amount of this remuneration is subject to achieving specific quantifiable targets, aligned directly with shareholders' interests.

11. Schedule of board and board committees meeting held during the year

The table below shows the frequency of meetings of the Board of directors, board committees and members' attendance at these meetings during the year under review.

Directors	**Board**	**Board credit committee**	**Finance and general purpose committee**	**Board risk and audit committee**	**Board governance, nomination and remuneration committee**
Attendance/no of meetings	**5**	**5**	**4**	**4**	**4**
Mr. Jim Ovia, CON	5	N/A	N/A	N/A	N/A
Sir Steve Omojafor	5	N/A	4	N/A	4
Mr Babatunde Adejuwon	5	5	N/A	4	3 **
Alhaji Baba Tela	5	5	4	N/A	4
Mr. Jeffrey Efeyini	5	5	N/A	4	N/A
Prof. Chukuka S.Enwemeka	5	N/A	4	4	4
Chief (Mrs) Chinyere Asika*	2	N/A	1	N/A	1
Dr. Haruna Usman Sanusi*	2	N/A	N/A	1	N/A
Ms. Adaora Umeoji	5	N/A	4	N/A	N/A
Mr. Ebenezer Onyeagwu	5	5	N/A	4	N/A
Mr. Olusola Oladipo	5	5	N/A	N/A	N/A
Mr. Peter Amangbo	5	5	4	4	N/A

Note:

* - Retired from the Board with effect from March 26, 2015.

** - Appointed as a member of Board Nomination & Remuneration Committee on April 29, 2015.

N/A - Not Applicable (Not a Committee member)

Date for Board and Board Committee meetings held during the year:

Board meetings	**Board credit committee meeting**	**Finance and general purpose committee**	**Board risk and audit committee meeting**	**Board governance, nominations and remuneration committee**	**Audit committee meeting**
February 5, 2015	February 5, 2015	February 5, 2015	February 5, 2015	February 5, 2015	February 5, 2015
March 26, 2015	March 25, 2015	Nil	Nil	Nil	Nil
April 29, 2015	April 28, 2015	April 28, 2015	April 28, 2015	April 28, 2015	April 28, 2015
July 30, 2015	July 29, 2015	July 29, 2015	July 29, 2015	July 29, 2015	July 29, 2015
October 6, 2015	October 5, 2015	October 5, 2015	October 5, 2015	October 5, 2015	October 5, 2015

Corporate Governance Report for the Year Ended 31 December 2015

AUDIT COMMITTEE

The table below shows the frequency of meetings of the audit committee and members' attendance at these meetings during the year under review.

Date of meetings held during the year:

	Total number of meetings (4)
Members	**Number of Meetings attended**
Alhaji Hamis B. Musa * (SR)	0
Prof. (Prince) L.F.O Obika** (SR)	3
Alhaji Baba Tela** (NED)	3
Mr. Michael Olusoji Ajayi (SR)	4
Ms. Angela Agidi (SR)	4
Mr. Babatunde Adejuwon (NED)	4
Mr. Jeffrey Efeyini (NED)	4
Chief (Mrs) Chinyere Asika * (NED)	1

NED- Non-Executive Director.

SR - Shareholders representive

*** - Retired with effect from March 26, 2015.**

**** - Elected member of the Committee with effect from March 26, 2015.**

Analysis of Fraud and forgeries Returns

2015					**2014**		
Nature of Fraud	**No.**	**% Loss**	**Actual Loss to the Bank (N)** **Jan-Dec 2015**		**No.**	**% Loss**	**Actual Loss to the Bank (N)** **Jan-Dec 2014**
ATM/Electronic fraud	24	-	-	-	11	1	470,000
Staff Perpetrate	5	78	155,727,899	-	1	29	14,040,299
Impersonation	4	-	-	-	1	-	50,000
Stolen/Forged Instrument	8	16	31,482,925	-	1	23	11,048,570
Internet Banking	80	3	5,328,712	-	23	35	17,070,354
Others	90	4	7,983,900	-	8	12	5,990,048
Total	**211**	**100**	**200,523,436**	**-**	**45**	**100**	**48,669,272**

ZENITH BANK PLC

Statement of Directors' Responsibilities in Relation to the Financial Statement for the Year Ended 31 December 2015

The Directors accept responsibility for the preparation of the financial statements set out on pages 23 to 135 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 regulations.

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 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:

Mr. Jim Ovia, CON.
Chairman
FRC/2013/CIBN/00000002406

Mr. Peter Amangbo
Managing Director
FRC/2013/ICAN/00000001310

Mr. Ebenezer Onyeagwu
Executive Director
FRC/2013/ICAN/00000003788

ZENITH BANK PLC

Report of the Audit Committee for the Year Ended 31 December 2015

In compliance with Section 359(6) Companies and Allied Matters Act of Nigeria 1990, Cap C20 LFN 2004, we have reviewed the consolidated and separate financial statements of Zenith Bank Plc. for the year ended 31 December 2015 and hereby state as follows:

1. The scope and planning of the audit were adequate in our opinion;

2. The accounting and reporting policies of the Group and Bank conformed with the statutory requirements and agreed ethical practices;

3. The internal control and internal audit functions were operating effectively; and

4. The external auditor's findings as stated in the management letter are being dealt with satisfactorily by the management.

5. Related party balances and transactions have been disclosed in Note 38 to the financial statements in accordance with requirements of the International Financial Reporting Standards (IFRS) and the Central Bank of Nigeria (CBN) directives as contained in the Prudential Guidlines for Deposit Money Banks in Nigeria and Circular on Disclosure of insider related credits in financial statements BSD/1/2004.

6. The gross value of related party loans as at 31 December 2015 was NGN4.5 billion (31 December 2014 NGN9 billion). All related party loans are performing.

Dated February 23, 2016

Prof. (Prince) Leonard Obika
Chairman Audit Committee
FRC/2016/IODN/00000014081

Prof. (Prince) Leonard Obika - Chairman
Mr. Michael Olusoji Ajayi
Mr. Babatunde Adejuwon
Alhaji Baba Tela
Mr. Jeffrey Efeyini
Ms. Angela Agidi
Chief (Mrs.) Chinyere Asika*
Alhaji Hamis B. Musa*

* Retired from the board effective 26 March, 2015.

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INDEPENDENT AUDITOR'S REPORT

To the Members of Zenith Bank Plc

Report on the Financial Statements

We have audited the accompanying financial statements of Zenith Bank 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 23 to 135.

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.

Opinion

In our opinion, these financial statements give a true and fair view of the financial position of Zenith Bank 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 and returns.

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 (42) to the financial statements.

ii. Related party transactions and balances are disclosed in note (38) of the financial statements in compliance with the Central Bank of Nigeria circular BSD/1/2004.

Signed:

Kabir

Kabir O. Okunlola, FCA

FRC/2012/ICAN/00000000428

For: KPMG Professional Services

Chartered Accountants

7 March 2016

Lagos, Nigeria

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA

A1035031

ZENITH BANK PLC

Consolidated and Separate Statements of Profit or Loss and other Comprehensive Income for the Year Ended 31 December 2015

		Group		Bank	
In millions of Naira	Note(s)	**2015**	**2014**	**2015**	**2014**
Gross earnings		**432,535**	**403,343**	**396,653**	**372,015**
Interest and similar income	6	348,179	313,422	317,419	285,171
Interest and similar expense	7	(123,597)	(106,919)	(114,936)	(99,439)
Net interest income		**224,582**	**206,503**	**202,483**	**185,732**
Impairment charge for financial assets	8	(15,673)	(13,064)	(11,091)	(12,392)
Net interest income after impairment charge for financial assets		**208,909**	**193,439**	**191,392**	**173,340**
Fee and commission income	9	60,904	70,512	50,313	60,825
Trading income	10	18,150	15,877	17,884	15,865
Other income	11	5,302	3,532	11,037	10,154
Share of profit of associates	23	228	138	-	-
Depreciation of property and equipment	26	(9,188)	(9,087)	(8,472)	(8,417)
Amortisation of intangible assets	27	(1,239)	(728)	(1,129)	(704)
Personnel expenses	37	(67,522)	(72,320)	(62,428)	(67,848)
Operating expenses	12	(89,928)	(81,567)	(83,377)	(75,366)
Profit before income tax		**125,616**	**119,796**	**115,220**	**107,849**
Income tax expense	13	(19,953)	(20,341)	(16,436)	(15,370)
Profit after tax		**105,663**	**99,455**	**98,784**	**92,479**
Other comprehensive income:					
Items that will never be reclassified to profit or loss:					
Fair value movements on equity instruments		(1,752)	2,549	(1,752)	2,549
Items that are or may be reclassified to profit or loss:					
Foreign currency translation differences for foreign operations		637	3,282	-	-
Effective portion of changes in fair value of cash flow hedges		-	(2,771)	-	-
Related tax expense		-	760	-	-
Other comprehensive income for the year, net of tax		**(1,115)**	**3,820**	**(1,752)**	**2,549**
Total comprehensive income for the year		**104,548**	**103,275**	**97,032**	**95,028**
Profit attributable to:					
Equity holders of the parent		105,531	99,275	98,784	92,479
Non controlling interest		132	180	-	-
Total comprehensive income attributable to:					
Equity holders of the parent		104,467	103,146	97,032	95,028
Non-controlling interest		81	129	-	-
Earnings per share:					
Basic and diluted	14	336 k	316 k	315 k	295 k

ZENITH BANK PLC

Consolidated and Separate Statements of Financial Position as at 31 December 2015

		Group		Bank	
In millions of Naira	**Note(s)**	**31 Dec 2015**	**31 Dec 2014**	**31 Dec 2015**	**31 Dec 2014**
Assets					
Cash and balances with central banks	15	761,561	752,580	735,946	728,291
Treasury bills	16	377,928	295,397	330,900	253,414
Assets pledged as collateral	17	265,051	151,746	264,320	151,746
Due from other banks	18	272,194	506,568	266,894	470,139
Derivative assets	19	8,481	17,408	8,481	16,896
Loans and advances	20	1,989,313	1,729,507	1,849,225	1,580,250
Investment securities	21	213,141	200,079	150,724	92,832
Investment in subsidiaries	22	-	-	33,003	33,003
Investment in associates	23	530	302	90	90
Deferred tax assets	24	5,607	6,449	5,131	6,333
Other assets	25	22,774	21,455	21,673	19,393
Property and equipment	26	87,022	71,571	81,187	69,531
Intangible assets	27	3,240	2,202	2,753	1,901
Total assets		**4,006,842**	**3,755,264**	**3,750,327**	**3,423,819**
Liabilities					
Customers' deposits	28	2,557,884	2,537,311	2,333,017	2,265,262
Derivative liabilites	33	384	6,073	384	6,073
Current income tax payable	13	3,579	10,042	2,534	7,709
Deferred income tax liabilities	24	19	-	-	-
Other liabilities	29	205,062	289,858	212,636	272,726
On-lending facilities	30	286,881	68,344	286,881	68,344
Borrowings	31	258,862	198,066	268,111	198,066
Debt securities issued	32	99,818	92,932	99,818	92,932
Total liabilities		**3,412,489**	**3,202,626**	**3,203,381**	**2,911,112**
Capital and reserves					
Share capital	34	15,698	15,698	15,698	15,698
Share premium	35	255,047	255,047	255,047	255,047
Retained earnings	35	200,115	183,396	160,408	150,342
Other reserves	35	122,900	97,945	115,793	91,620
Attributable to equity holders of the parent		593,760	552,086	546,946	512,707
Non-controlling interest	35	593	552	-	-
Total shareholders' equity		**594,353**	**552,638**	**546,946**	**512,707**
Total liabilities and equity		**4,006,842**	**3,755,264**	**3,750,327**	**3,423,819**

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

The financial statements were approved by the Board of Directors for issue on 24 February, 2016 and signed on its behalf by:

Jim Ovia (Chairman)
FRC/2013/CIBN/00000002406

Peter Amangbo (Group Managing Director and Chief Executive)
FRC/2013/ICAN/00000001310

Ebenezer Onyeagwu (Executive Director)
FRC/2013/ICAN/00000003788

Stanley Amuchie (Chief Financial Officer)
FRC/2013/MULTI/00000001063

ZENITH BANK PLC

Consolidated and Separate Statements of Changes in Equity as at 31 December 2015

Group

In millions of Naira	Attributable to equity holders of the Bank												
	Share capital	**Share premium**	**Foreign currency translation reserve**	**Hedging reserve**	**Revaluation reserve (investment securities)**	**Contingency reserve**	**Statutory reserve**	**SMIEIS reserve**	**Credit risk reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
At 1 January 2014	**15,698**	**255,047**	**(5,683)**	**1,972**	**3,499**	**1,371**	**57,762**	**3,729**	**10,697**	**161,144**	**505,236**	**4,015**	**509,251**
Profit for the year	-	-	-	-	-	-	13,872	-	-	85,403	99,275	180	99,455
Foreign currency translation differences	-	-	3,294	-	-	-	-	-	-	-	3,294	(12)	3,282
Effective portion of changes in fair value of cash flow net of tax	-	-	-	(1,972)	-	-	-	-	-	-	(1,972)	(39)	(2,011)
Fair value movements on equity instruments, net of tax	-	-	-	-	2,549	-	-	-	-	-	2,549	-	2,549
Total comprehensive income for the year	**-**	**-**	**3,294**	**(1,972)**	**2,549**	**-**	**13,872**	**-**	**-**	**85,403**	**103,146**	**129**	**103,275**
Transfer between reserves	-	-	-	-	-	-	6,633	-	1,575	(8,208)	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	(54,943)	(54,943)	-	(54,943)
Changes in ownership interest in subsidiaries	-	-	-	-	18	(1,371)	-	-	-	-	(1,353)	(3,592)	(4,945)
At 31 December 2014	**15,698**	**255,047**	**(2,389)**	**-**	**6,066**	**-**	**78,267**	**3,729**	**12,272**	**183,396**	**552,086**	**552**	**552,638**
At 1 January 2015	15,698	255,047	(2,389)	-	6,066	-	78,267	3,729	12,272	183,396	552,086	552	552,638
Profit for the year	-	-	-	-	-	-	14,818	-	11,193	79,520	105,531	132	105,663
Foreign currency translation differences	-	-	688	-	-	-	-	-	-	-	688	(51)	637
Fair value movements on equity instruments, net of tax	-	-	-	-	(1,752)	-	-	-	-	-	(1,752)	-	(1,752)
Total comprehensive income for the year	**-**	**-**	**688**	**-**	**(1,752)**	**-**	**14,818**	**-**	**11,193**	**79,520**	**104,467**	**81**	**104,548**
Transfer between reserves	-	-	-	-	-	-	8	-	-	(8)	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	(62,793)	(62,793)	(40)	(62,833)
As at 31 December 2015	**15,698**	**255,047**	**(1,701)**	**-**	**4,314**	**-**	**93,093**	**3,729**	**23,465**	**200,115**	**593,760**	**593**	**594,353**

ZENITH BANK PLC

Consolidated and Separate Statements of Changes in Equity as at 31 December 2015

Bank

In millions of Naira	**Share capital**	**Share premium**	**Revaluation reserve (Investment Securities)**	**Statutory reserve**	**SMIEIS reserve**	**Credit risk reserve**	**Retained earnings**	**Total equity**
At 1 January 2014	**15,698**	**255,047**	**3,517**	**57,710**	**3,729**	**10,243**	**126,678**	**472,622**
Profit for the year	-	-	-	13,872	-	-	78,607	92,479
Fair value movements on equity instruments, net of tax	-	-	2,549	-	-	-	-	2,549
Total comprehensive income for the year	**-**	**-**	**2,549**	**13,872**	**-**	**-**	**78,607**	**95,028**
Dividend	-	-	-	-	-	-	(54,943)	(54,943)
At 31 December 2014	**15,698**	**255,047**	**6,066**	**71,582**	**3,729**	**10,243**	**150,342**	**512,707**
At 1 January 2015	15,698	255,047	6,066	71,582	3,729	10,243	150,342	512,707
Profit for the year	-	-	-	14,818	-	11,107	72,859	98,784
Fair value movements on equity instruments, net of tax	-	-	(1,752)	-	-	-	-	(1,752)
Total comprehensive income for the year	**-**	**-**	**(1,752)**	**14,818**	**-**	**11,107**	**72,859**	**97,032**
Dividends	-	-	-	-	-	-	(62,793)	(62,793)
At 31 December 2015	**15,698**	**255,047**	**4,314**	**86,400**	**3,729**	**21,350**	**160,408**	**546,946**

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

ZENITH BANK PLC

Consolidated and Separate Statements of Cash Flows for the Year Ended 31 December 2015

		Group		Bank	
In millions of Naira					
	Note(s)	**2015**	**2014**	**2015**	**2014**
Cash flows from operating activities					
Profit after tax for the year		105,663	99,455	98,784	92,479
Adjustments for:					
Impairment loss					
On overdrafts	8	(178)	10,929	(3,108)	10,257
On term loans	8	13,219	2,145	11,567	2,145
On on-lending	8	2,276	-	2,276	-
On leases	8	24	(10)	24	(10)
On other assets	8	332	-	332	-
Fair value changes in trading bond	44(i)	(707)	-	(707)	-
Fair value changes in treasury bills	44(iii)	(878)	-	(878)	-
Depreciation of property and equipment	26	9,188	9,087	8,472	8,417
Amortisation of intangible assets	27	1,239	728	1,129	704
Dividend income	11	(545)	(455)	(4,505)	(455)
Net revaluation loss on debt securities issued	32	6,886	-	6,886	-
Interest income	6	(348,179)	(313,422)	(317,419)	(285,171)
Interest expense	7	123,597	106,919	114,936	99,439
Share of profit of associates	23	(228)	(138)	-	-
Profit on sale of property and equipment	11	(39)	(153)	(27)	(151)
Gain on disposal of subsidiary	11	(1,615)	(510)	(1,615)	(7,033)
Tax expenses	13	19,953	20,341	16,436	15,370
		(69,992)	(65,084)	(67,417)	(64,008)
Changes in operating asset and liabilities:					
Net increase in loans and advances	44(iv)	(261,371)	(478,138)	(266,809)	(452,820)
Net (increase)/decrease in other assets	25	(1,651)	14,783	(2,612)	12,022
Net (increase)/decrease in treasury bills with maturities greater than three months	44(ii)	(165,203)	145,163	(142,469)	142,128
Net (increase)/decrease in treasury bills (FVTPL)	44(iii)	(51,658)	(1,162)	(51,658)	(1,162)
Net increase in assets pledged as collateral	17	(113,305)	(144,816)	(112,574)	(144,816)
Net decrease in debt securities	44(i)	(16,768)	104,487	(60,533)	122,400
Net increase in restricted balances (cash reserve)	15	104,593	(159,453)	104,631	(159,449)
Net assets of subsidiary disposed	44(xv)	-	(16,343)	-	-
Net increase/(decrease) in customer deposits	44(v)	18,654	258,288	65,836	183,132
Net decrease in other liabilities	44(ix)	(82,336)	79,155	(57,630)	76,092
Net increase in derivative assets	19	8,927	(14,727)	8,415	(16,896)
Net decrease in derivative liabilities	33	(5,689)	6,073	(5,689)	6,073
		(635,799)	**(271,774)**	**(588,509)**	**(297,304)**
Interest received	44 (xiii)	335,254	300,159	304,494	271,908
Dividend received	11	545	455	4,505	455
Interest paid	44 (xiv)	(121,678)	(104,651)	(113,017)	(97,171)
Tax paid	13	(26,356)	(23,649)	(20,409)	(19,260)
VAT paid	44(ixi)	(2,460)	(4,940)	(2,460)	(4,614)
Cash flow from discontinued operations	44(vi)	-	(11,078)	-	-
Net cash flows used in operations		**(450,494)**	**(115,478)**	**(415,396)**	**(145,986)**

ZENITH BANK PLC

Consolidated and Separate Statements of Cash Flows for the Year Ended 31 December 2015

In millions of Naira	Note(s)	Group 2015	Group 2014	Bank 2015	Bank 2014
Cash flows from investing activities					
Purchase of property and equipment	26	(25,019)	(12,232)	(20,196)	(10,701)
Proceeds from sale of property and equipment	44(xi)	96	232	95	252
Purchase of intangible assets	27	(2,221)	(947)	(1,981)	(902)
Proceeds from sale of equity securities	44(xii)	3,211	685	3,211	685
Investment in subsidiaries	22	-	-	-	(8,628)
Proceed from sale of subsidiaries	44(xv)	-	10,935	-	10,935
Cash flow from discontinued operations	44(vii)	-	3,970	-	-
Net cash (Used in)/from investing activities		**(23,933)**	**2,643**	**(18,871)**	**(8,359)**
Cash flows from financing activities					
Borrowed funds					
Inflow from long term borrowing	31	75,909	149,626	85,158	149,626
Repayment of long term borrowing	31	(15,113)	(11,710)	(15,113)	(11,710)
Net inflow from On-lending facilities	30	218,537	8,816	218,537	8,816
Inflow from debt securities issued	32	-	92,932	-	92,932
Dividends paid to shareholders	40	(62,793)	(54,943)	(62,793)	(54,943)
Net cash from changes in ownership interest in subsidiaries	44(ix)	-	3,548	-	-
Net cash from financing activities		**216,540**	**188,269**	**225,789**	**184,721**
(Decrease)/Increase in cash and cash equivalents		**(257,887)**	**75,434**	**(208,478)**	**30,376**
Analysis of changes in cash and cash equivalents :					
Cash and cash equivalent at the start		965,723	866,721	871,853	841,477
(Decrease)/Increase in cash and cash equivalents		(257,887)	75,434	(208,478)	30,376
Cash and cash equivalents from discontinued operations	44(vii)	-	23,451	-	-
Effect of exchange rate movement on cash balances		1,878	117	-	-
Cash and cash equivalents at end of the year	41	**709,714**	**965,723**	**663,375**	**871,853**

The accompanying notes are an integral part of these.

1.1. General information

Zenith Bank Plc (the "Bank") was incorporated in Nigeria under the Companies and Allied Matters Act as a private limited liability company on May 30, 1990. It was granted a banking licence in June 1990, to carry on the business of commercial banking and commenced business on 16 June 1990. The Bank was converted into a Public Limited Liability Company on May 20, 2004. The Bank's shares were listed on October 21, 2004 on the Nigerian Stock Exchange.

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

The Bank has five subsidiary companies namely, Zenith Bank (Ghana) Limited, Zenith Pension Custodian Limited, Zenith Bank (UK) Limited, Zenith Bank (Sierra Leone) Limited, and Zenith Bank (Gambia) Limited.

The consolidated financial statements as at year ended 31 December 2015 comprise the Bank and its subsidiaries (together referred to as "the Group" and individually as "Group entities") and the Group's interest in associates. The separate financial statements comprise the Bank. The consolidated and separate financial statements for the year ended 31 December 2015 were approved for issue by the Board of Directors on 24 February 2016.

The Group does not have any unconsolidated structured entity.

2.0 Significant accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these consolidated and separate financial statements, unless otherwise stated.

2.1 Basis of preparation

a. Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting standards (IFRSs) as issued by the International Accounting Standard Board (IASB) 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.

b. Basis of measurement

The financial statements have been prepared under the historical cost convention as modified by the measurement of certain financial assets and financial liabilities held at fair value.

c. Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated and separate financial statements are disclosed in Note 4.

2.2 New standards, interpretations and amendments to existing standards that are not yet effective

IFRS 9 early adoption

IFRS 9, Financial Instruments (amended November 2013), which is available for early adoption has been early adopted by the group in the preparation of these financial statement as permitted by the standard.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these consolidated and separate financial statements.

The Group plans to adopt these standards at their respective effective dates. Management is in the process of assessing the impact of these standards on the Group.

(i) IFRS 9, Financial Instruments (Revised)

On 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

This standard will probably have a significant impact on the Group, which will include changes in the measurement bases of the Group's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model, which is expected to increase the impairment allowance for credit losses recognised in the Group.

The amendments apply retrospectively. IFRS 9 allows users who have early adopted the first version of The Revised IFRS 9 to continue the adoption. The Group is therefore continuing with the early adoption of the initial IFRS 9 and will fully adopt the revised IFRS 9 for the year ending 31 December 2018.

(ii) Equity method in separate financial statements (Amendments to IAS 27)

The amendments allow an entity to apply the equity method in its separate financial statements to account for its investments in subsidiaries, associates and joint ventures.The Group will adopt the amendments for the year ending 31 December 2016.

The amendments apply retrospectively.

(iii) Disclosure initiative (Amendments to IAS 1)

The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements.

(iv) Investment entities: Applying the consolidation exception (Amendments to IFRS10, IFRS 12 and IAS 28)

The amendment to IFRS 10 Consolidated Financial Statements clarifies which subsidiaries of an investment entity are consolidated instead of being measured at fair value through profit and loss. The amendment also modifies the condition in the general consolidation exemption that requires an entity's parent or ultimate parent to prepare consolidated financial statements. The amendment clarifies that this condition is also met where the ultimate parent or any intermediary parent of a parent entity measures subsidiaries at fair value through profit or loss in accordance with IFRS 10 and not only where the ultimate parent or intermediate parent consolidates its subsidiaries.

The amendment to IFRS 12 Disclosure of Interests in Other Entities requires an entity that prepares financial statements in which all its subsidiaries are measured at fair value through profit or loss in accordance with IFRS 10 to make disclosures required by IFRS 12 relating to investment entities.

The amendment to IAS 28 Investments in Associates and Joint Ventures modifies the conditions where an entity need not apply the equity method to its investments in associates or joint ventures to align these to the amended IFRS 10 conditions for not presenting consolidated financial statements. The amendments introduce relief when applying the equity method which permits a non-investment entity investor in an associate or joint venture that is an investment entity to retain the fair value through profit or loss measurement applied by the associate or joint venture to its subsidiaries.

The amendments apply retrospectively. the amendments to IFRS 10, IFRS 12 and IAS 28 are effective for annual periods beginning on or after 1 January 2016.

(v) IFRS 15: Revenue from contracts with customers

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

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

This new standard is not expected to have a significant impact on the Group. The Group is currently in the process of performing a more detailed assessment of the impact of this standard on the Group and will provide more information in the year ending December 2015.

The Group will adopt the amendments for the year ending 31 December 2018.

2.3 Basis of Consolidation

(a) Subsidiaries

Subsidiaries are investees controlled by the Group. The Group controls an investee if it is exposed to, or has the rights to variable return from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group reassesses whether it has control if there are changes to one or more elements of control. This includes circumstances in which protective rights held become substantive and lead to the Group having power over an investee.

The financial statements of subsidiaries are consolidated from the date the Group acquires control, up to the date that such effective control ceases. For the purpose of these financial statements, subsidiaries are entities over which the Group has exposure or rights to variable returns and the ability to affect those returns through its power over the subsidiary.

Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (transactions with owners). Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the Group.

Inter-company transactions, balances and unrealised gains on transactions between companies within the Group are eliminated on consolidation. Unrealised losses are also eliminated in the same manner as unrealised gains, but only to the extent that there is no evidence of impairment. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the separate financial statements, investments in subsidiaries and associates are measured at cost.

(b) Loss of Control

On loss of control, the Group derecognises the assets and liabilities of the subsidiary, any controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, that retained interest is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. Dilution gains and losses arising in investments in associates are recognised in profit or loss.

(d) Non-controlling interests

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

2.4 Translation of foreign currencies

Foreign currency transactions and balances

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The parent entity's functional currency (Nigerian Naira) is adopted as the presentation currency for the consolidated financial statements. Except as otherwise indicated, financial information presented in Naira has been rounded to the nearest million.

(b) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for statement of financial position presented are translated at the closing rate at the reporting date;
- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income and presented within equity as foreign currency translation reserves.

On the disposal of a foreign operation, the Group recognises in profit or loss the cumulative amount of exchange differences relating to that foreign operation. When a subsidiary that includes a foreign operation is partially disposed of or sold, the Group re-attributes the proportionate share of the cumulative amount of the exchange differences recognised in other comprehensive income to the non-controlling interests in that foreign operation. In the case of any other partial disposal of a foreign operation, the Group reclassifies to profit or loss only the proportionate share of the cumulative amount of exchange differences recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate at the reporting date.

(c) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated to the functional currency using the exchange rate at the transaction date, and those measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Exchange differences on non-monetary assets are accounted for based on the classification of the underlying items.

Translation differences on equities measured at fair value through other comprehensive income are included in other comprehensive income and transferred to the revaluation reserves in equity.

Foreign currency gains and losses on intra-group loans are recognised in profit or loss unless settlement of the loan is neither planned nor likely to occur in the foreseeable future, in which case the foreign currency gains and losses are initially recognised in the foreign currency translation reserve in the consolidated financial statements. Those gains and losses are recognised in profit or loss at the earlier of settling the loan or at the time at which the foreign operation is disposed.

2.5 Cash and cash equivalents

For the purposes of the statement of cash flow, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash and non-restricted balances with central banks, treasury bills and other eligible bills, amounts due from other banks and short-term government securities.

2.6 Financial instruments

(a) Initial recognition and measurement

Financial instruments are recognised initially when the Group becomes a party to the contractual provisions of the instruments.

Regular way purchases of financial assets are accounted for at settlement date.

Financial instruments carried at fair value through profit or loss are recognised at fair value with transaction costs, which are directly attributable to the acquisition or issue of the financial instruments, being recognised immediately through profit or loss. Financial instruments that are not carried at fair value through profit or loss are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instruments.

Financial instruments are recognised or de-recognised on the date the Group commits to purchase or sell the instruments (trade day accounting).

(b) Subsequent measurement

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

(c) Classification

(i) Financial assets

The Group classifies its financial assets as subsequently measured at amortised cost or fair value.

A financial asset is subsequently measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest in this context is consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time. Interest income is recognised in Interest and similar income in profit or loss.

The following instruments have been measured at amortised cost;

- Loans and advances
- Treasury bills and investment securities.

All other financial assets are subsequently measured at fair value. Financial assets which meet the requirement for measurement at amortised cost may also be designated as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency (accounting mismatch). Gains and losses arising from changes in the fair value of financial assets subsequently measured at fair value are recognised in profit or loss ("FVTPL"), except where the Group present in other comprehensive income fair value gains and losses arising on investments in equity instruments which are not held for trading but for strategic purposes ("Fair value through OCI"). Gains and losses recognised directly in other comprehensive income are not subsequently transferred to profit or loss on disposal of the equity instrument.

The following instruments have been measured at fair value through profit or loss, or other comprehensive income:

- Financial guarantees measured at fair value through profit or loss.
- Equity securities measured at fair value through other comprehensive income.
- Trading debt securities measured at fair value through profit or loss.
- Derivatives held for risk management purposes and hedge accounting measured at fair value through OCI (effective portion of changes in fair value) and through profit or loss (ineffective portion of changes in fair value).

(ii) Financial liabilities

Financial liabilities consist of financial liabilities at fair value through profit or loss and other financial liabilities measured at amortised cost.

Financial liabilities that are not classified at fair value through profit or loss are measured at amortised cost. Interest expense is recognised in Interest and similar expense in the profit or loss. The financial liabilities that are carried at amortised cost are customers' deposits, on-lending facilities, long term borrowings.

Derivatives liabilities have been classified as fair value through profit or loss at the reporting date.

(iii) Financial guarantees contracts

A financial guarantee contract is a contract that requires 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 fair value, which is generally equal to 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.

The Group conducts business involving commitments to customers. The majority of these facilities are set-off by corresponding obligations of third parties. Contingent liabilities and commitments comprise usance lines and letters of credit.

Usance and letters of credit are agreements to lend to a customer in the future subject to certain conditions. An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer.

Letters of credit are given as security to support the performance of a customer to third parties. As the Group will only be required to meet these obligations in the event of the Customer’s default, the cash requirements of these instruments are expected to be considerably below their nominal amounts.

Contingent liabilities and commitments are initially recognized at fair value which is also generally equal to the fees received and amortized over the life of the commitment. The carrying amount of contingent liabilities are subsequently measured at the higher of the present value of any expected payment, when a payment under the contingent liability has become probable and the unamortised fee.

(iv) Debt securities issued

Deposits and debt securities issued are the Group’s sources of debt funding. Debt securities issued are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method.

(d) Determination of fair value

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

Subsequent to initial recognition, the fair value of a financial instrument is based on quoted market prices or dealer price quotation for financial instruments traded in an active market. If the market for a financial instrument is not active or the instrument is not listed, the fair value is determined using valuation techniques. Refer to note 3.3.6(a) for a description of the valuation techniques used by the Group.

(e) Derecognition

Financial assets are de-recognised when the contractual rights to receive the cash flows from these assets have expired or the Group has transferred the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred or which the Group neither retains substantially all the risks and rewards of ownership and it does not retain control of the financial assets. Any interest in transferred financial assets that qualify for de-recognition that is created or retained by the Group is recognised as a separate asset or liability in the statement of financial position. On de-recognition 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 consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

The Group enters into transactions whereby it transfers assets recognised in the statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not de-recognised. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

In transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, 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.

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

(f) Offsetting

The Group has applied the right of set off if it is available at the date of preparation of the Statement of Financial Position (SOFP). We do not apply the right of set off to contingent/future transactions in the preparation of the Statement of Financial Position.

The Group also complied with the legally enforceable criterion by ensuring that the laws governing contracts give backing (support) to the right to set off financial assets and financial liabilities where applicable.

Finally, the Group’s settlement process consists of settlement of financial assets and liabilities on a net basis, therefore, a single net amount is reported in the financial statements.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions. Gains and loss are presented separately if they are material.

(g) Amortised cost measurement

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

(h) 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 participants at the measurement date in the principal 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.

If a market for a financial instrument is not active, then the Group establishes fair value using a valuation technique. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments.

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

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

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

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

If a market for a financial instrument is not active, then the Group establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs into valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

See note 3.3.6 (c) on fair valuation methods and assumptions.

(i) Assets pledged as collateral

Financial assets transferred to external parties that do not qualify for de-recognition are reclassified in the statement of financial position from treasury bills and investment securities to assets pledged as collateral, if the transferee has received the right to sell or re-pledge them in the event of default from agreed terms. Initial recognition of assets pledged as collateral is at fair value, whilst subsequently measured at amortized cost or fair value as approriate. These transactions are performed in accordance with the usual terms of securities lending and borrowing.

(j) Assets under repurchase agreement

Assets under repurchase agreement' are transactions in which the Group sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at a fixed price on a future date. The Group continues to recognise the securities in their entirety in the statement of financial position because it retains substantially all of the risks and rewards of ownership. The cash consideration received is recognised as a financial asset and a financial liability is recognised for the obligation to pay the repurchase price. Because the Group sells the contractual rights to the cash flows of the securities, it does not have the ability to use the transferred assets during the term of the arrangement.

2.7 Derivative instruments and hedge accounting

The Group recognizes the derivative instruments on the statement of financial position at their fair value. At inception, the Group designates the derivative as (1) derivative held for risk management purposes, or (2) an instrument that is held for trading or non-hedging purposes (a "trading" or "non-hedging" instrument).

(1) Derivatives held for risk management purposes and hedge accounting

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the statement of financial position

The Group designates certain derivatives held for risk management as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at inception of the hedge relationship and on an ongoing basis, of whether the hedging instrument(s) is(are) expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged item(s) during the period for which the hedge is designated, and whether the actual results of each hedge are within acceptable profitable range. The Group makes an assessment for a cash flow hedge of a forecast transaction, of whether the forecast transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

These hedging relationships are discussed below.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in OCI and presented in the hedging reserve within equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. The amount recognised in OCI is reclassified to profit or loss as a reclassification adjustment in the same period as the hedged cash flows affect profit or loss, and in the same line item in the statement of profit or loss and OCI.

If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. However, if the derivative is novated to a central counterparty by both parties as a consequence of laws or regulations without changes in its terms except for those that are necessary for the novation, then the derivative is not considered as expired or terminated.

(2) Trading or non-hedging derivatives assets and liabilities

Trading or non-hedging derivatives assets and liabilities are those derivative assets and liabilities such as swaps and forward contracts that the Group acquires or incurs for the purpose of selling or purchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

Non-hedging derivative assets and liabilities are initially recognized and subsequently measured at fair value in the statement of financial position. All changes in fair value are recognized as part of net trading income in profit or loss. Non-hedging derivative assets and liabilities are not reclassified subsequent to their initial recognition.

2.8 (a) Impairment of Financial 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 not carried at fair value through profit or loss is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (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 criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (for example, equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower’s competitive position;
- Deterioration in the value of collateral; and
- Downgrading below investment grade level.

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.

The amount of impairment loss for financial assets carried at amortised cost 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 financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. If a financial instrument has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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 that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' 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 contractual cash flows of the assets in the group and 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 currently exist.

Estimates of changes in future cash flows for groups of assets are reflected and directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures including regulatory apprasial where necessary have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss under impairment charge for credit losses.

Amount reported as other assets are tested for impairment on an individual basis at the reporting date. In testing for impairment, the Group assess whether there is objective evidence that a loss event has occur. If it is established that a loss event has occured and the loss event has an impact on the recoverable amount of the asset, an impairment charge is taking against the asset carrying amount.

2.8 (b) 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. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

An impairment loss is recognised if the carrying amount of an asset or its Cash Generating Unit (CGU) exceeds its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purposes of assessing impairment, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash flows of other assets or CGU.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs) and then to reduce the carrying amount of the other assets in the CGU (group of CGUs) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. An impairment loss in respect of goodwill is not reversed.

2.9 Reclassification of financial instruments

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

The Group may reclassify a financial instrument when its intentions and the characteristics of the financial instrument changes.

2.10 Collateral

The Group obtains collateral where appropriate, from customers to manage their credit risk exposure to the customers. The collateral normally takes the form of a lien over the customer's assets and gives the Group a claim on these assets for customers in the event that the customer defaults.

The Group may also use other credit instruments, such as derivative contracts in order to reduce their credit risk.

Collateral received in the form of securities is not recorded on the statement of financial position. Collateral received in the form of cash is recorded on the statement of financial position with a corresponding liability see note 3.2.7(a)(i).

2.11 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Where significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Property and equipment are depreciated on the straight line basis to their residual values over the estimated useful lives of the assets. The assets' residual values and useful lives are reviewed, and adjusted if appropriate at each reporting date and the depreciation method is reviewed at each financial year end. Leasehold land and buildings are depreciated over the period of the lease or over such lesser period as is considered appropriate.

Depreciation is calculated on a straight line basis to write down the cost of property and equipment to their residual values over their estimated useful lives as follows:

Item	
Leasehold land	Over the remaining lease period
Motor vehicles	4 years
Office equipment	5 years
Furniture and fittings	5 years
Computer hardware and equipment	3 years
Buildings	50 years
Leasehold improvement	Over the remaining lease period

Depreciation is included in profit or loss.

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

Property and equipment are derecognized on disposal, or when no future economic benefits are expected from their use or disposal

Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in profit or loss.

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

Borrowing Cost

Borrowing cost that is directly attributable to the acquisition or construction of a qualifying asset is capitalized as part of the cost of the asset. Other borrowings, which the group undertakes in the normal course of business is expensed in the period which it is incurred.

2.12 Intangible assets

(a) Computer software

Software not integral to the related hardware acquired by the Group is stated at cost less accumulated amortisation and accumulated impairment losses.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group, are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Subsequent expenditure on computer software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that the asset is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life is 5 years.

Amortisation methods, useful lives and residual values are reviewed at each financial period-end and adjusted if appropriate.

Intangible assets are derecognized on disposal or when no furure economic benefits are expected from their use or disposal.

2.13 Leases

(a) A Group company is the lessee

Leases, where the Group assumes substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are separated using the interest rate implicit in the lease to identify the finance cost, which is charged against income over the lease period, and the capital repayment, which reduces the liability to the lessor.

Leases of assets are classified as operating leases if the lessor effectively retains all the risks and rewards of ownership. Payments made under operating leases, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(b) A Group company is the lessor

Lease and instalment sale contracts are primarily financing transactions in banking activities, with rentals and instalments receivable, less unearned finance charges, being included in Loans and advances to customers in the statement of financial position.

Finance charges earned are computed using the effective interest method which reflects a constant periodic return on the investment in the finance lease. Initial direct costs paid are capitalised to the value of the lease amount receivable and accounted for over the lease term as an adjustment to the effective rate of return.

Leases of assets under which the Group effectively retains all the risks and rewards of ownership are classified as operating leases. Receipts of operating leases from properties held as investment properties in investment management and life insurance activities, net of any incentives given to lessees, are accounted for as income on the straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required by the lessee by way of penalty is recognised as income in the period in which termination takes place.

2.14 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are determined by discounting the expected future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the Group has approved a detailed formal plan, and the restructuring either has commenced or has been announced publicly. Future operating costs or 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.

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

Provisions are recognised when the separate entities in the Group have a present or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate of the amount of the obligation can be made.

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

2.15 Employee benefits

(a) Post-employment benefits

The Group has a defined contribution plan.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. For defined contribution plans, the Group makes contributions on behalf of qualifying employees to a mandatory scheme under the provisions of the Pension Reform Act. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. For entities operating in Nigeria, the contribution by employees and the employing entities are 2.5% and 15.5% respectively of the employees' basic salary, housing and transport allowances. Entities operating outside Nigeria contribute in line with the relevant pension laws in their jurisdictions.

(b) Short-term benefits

Short-term benefits consist of salaries, accumulated leave allowances, profit share, bonuses and any non-monetary benefits.

Short-term employees' benefits are measured on an undiscounted basis and are expensed as the related services are provided.

A liability is recognised for the amount expected to be paid under short-term cash benefits such as accumulated leave and leave allowances if the Group has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be measured reliably.

(c) Termination benefits

The Group recognises termination benefits 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 benefits as a result of an offer made to encourage voluntary redundancy. The Group settles termination benefits within twelve months and are accounted for as short-term benefits.

2.16 Share capital and reserves

(a) Share issue costs

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

(b) Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Bank's shareholders. Dividends for the period that are declared after the end of the reporting period are dealt with in the subsequent events note.

(c) Share premium

Premiums from the issue of shares are reported in share premium.

(d) Statutory reserve

Nigerian banking regulations require the Bank to make an annual appropriation to a statutory reserve. As stipulated by section 16(1) of the Bank and Other Financial Institutions Act of 1991 (amended), an appropriation of 30% of profit after tax is made if the statutory reserve is less than the paid-up share capital and 15% of profit after tax if the statutory reserve is greater than the paid-up share capital.

(e) SMIEIS reserve

The SMIEIS 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 investments in qualifying small and medium scale enterprises. Under the terms of the guideline (amended by CBN letter dated 11 July 2006), the contributions will be 10% of profit after tax and shall continue after the first 5 years but banks' contributions shall thereafter reduce to 5% of profit after tax. The small and medium scale industries equity investment scheme reserves are nondistributable. Transfer to this reserve is no longer mandatory.

(f) Statutory reserve for credit risk

The Nigerian banking regulator requires the bank to create a reserve for the difference between impaired charge determined in line with the principles of IFRS and impaired charge determined in line with the prudential guidelines issued by the Central Bank of Nigeria (CBN). This reserve is not available for distribution to shareholders.

(g) Retained earnings

Retained earnings comprise the undistributed profits from previous periods which have not been reclassified to any specified reserves.

(h) Revaluation reserve

Comprises fair value movements on equity instruments.

(i) Foreign currency translation reserve

Comprises exchange differences resulting from the translation to Naira of the results and financial position of Group companies that have a functional currency other than Naira.

2.17 Recognition of interest income and expense

Interest income and expense for all financial assets and financial liabilities carried at amortised cost are recognised in profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. Direct incremental transaction costs incurred and origination fees received, including loan commitment fees, as a result of bringing margin-yielding assets or liabilities in the statement of financial position, are capitalised to the carrying amount of financial instruments, excluding financial instruments at fair value through profit or loss, and amortised as interest income or expense over the life of the asset as part of the effective interest rate.

When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Where the estimated cash flows on financial assets are subsequently revised, other than impairment losses, the carrying amount of the financial assets is adjusted to reflect actual and revised estimated cash flows.

Where a financial asset or a Group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2.18 Fee, commission and other income

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Other fees and commission income and expenses are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Group has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party, are recognised on completion of the underlying transaction.

Dividend income is recognised in profit or loss in the period in which the right of receipt is established.

2.19 Operating expense

Expenses are decreases in economic benefits during the accounting period in the form of outflows, depletion of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants.

Expenses are recognized on an accrual bases regardless of the time of spending cash. Expenses are recognized in the income statement when a decrease in future economic benefit related to a decrease in an assets or an increase of a liability has arisen that can be measured reliably.

Expenses are measured at historical cost. Assets are recorded at the amount of cash or cash equivalents paid or their fair value of consideration given. Liabilities are recorded at the amount of proceeds received in exchange for the obligation.

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

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

2.20 Current and deferred income tax

Current tax

The current income tax charge is calculated on the basis of the tax rates enacted or substantively enacted at the reporting date in the countries where the Bank and its subsidiaries as well as associates operate and generate taxable income. Current tax also includes any tax arising from dividend.

Current income tax is recognised as an expense for the period and adjustments to past periods except to the extent that current tax related to items that are charged or credited in OCI or directly to equity.

Deferred tax

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred income tax is determined using tax rates enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax liability is settled.

Deferred tax is not recognised for the following temporary differences:

- the initial recognition of goodwill;
- the initial recognition of assets and liabilities in a transaction that is not a business combination, which affects neither accounting nor taxable profits or losses; and
- investments in subsidiaries where the group controls the timing of the reversal of temporary differences and it is probable that these differences to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred income tax assets are recognised on unused tax losses, unused tax credits and deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the asset or liability and is not discounted. 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.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Additional taxes that arise from the distribution of dividends by the Bank are recognised at the same time as the liability to pay the related dividend is recognized. These amounts are generally recognised in profit or loss because they generally relate to income arising from transactions that were originally recognised in profit or loss.

Deferred tax related to the fair value re-measurement of equity instruments which are charged or credited directly to other comprehensive income, is also credited or charged directly to other comprehensive income and is not subsequently transferred from equity to profit or loss.

2.21 Earnings per share

The Group presents basic earnings per share (EPS) 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. where there are shares that could potentially affects the numbers of share issued, those shares are considered in calculating the diluted earnings per share. There are currently no share that could potentially dilute the total issued shares.

2.22 Segment reporting

An operating segment is a component of the Group engaged in business activities from which it can earn revenues, whose operating results are regularly reviewed by the Group's Executive [Management/Board] in order to make decisions about resources to be allocated to segments and assessing segment performance. The Group’s identification of segments and the measurement of segment results is based on the Group’s internal reporting to management.

2.23 Fiduciary activities

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

2.24 Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or a geographical area of operations that has been disposed of or is held for sale or distribution, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

3. Risk management

3.1 Enterprise Risk Management

The Zenith Bank Group adopts an integrated approach to risk management by bringing all risks together under a limited number of oversight functions. The Group addresses the challenge of risks comprehensively through the Enterprise Risk Management (ERM) Framework by applying practices that are supported by a governance structure consisting of board level and executive management committees.

As part of its risk management policy, the Group segregates duties between market facing business units and risk management functions while management is governed by well-defined policies which are clearly communicated across the Group.

Risk related issues are taken into consideration in all business decisions and the Group continually strives to maintain a conservative balance between risk and revenue consideration. Risk culture and education is on the ascendancy across the group.

3.1.1 Risk Management Philisophy/Strategy

- The group considers sound risk management practise to be the foundation of a long lasting financial institution.
- The group continues to adopt a holistic and intergrated approach to risk management and therefore, brings all risks together under one or a limited number of oversight functions.
- Risk management is a shared responsibility.Therefore the Group aims to build a shared perspective on risks that is grounded in consensus.
- There is clear segregation of duties between market facing business units and risk management functions.
- Risk Management is governed by well defined policies which are clearly communicated across the Group.
- Risk related issues are taken into consideration in all business decisions. The Group shall continually strive to maintain a conservative balance between risk and revenue consideration.

3.1.2 Risk Appetite

The Group's risk appetite is reviewed by the Board of Directors annually, at a level that minimizes erosion of earnings or capital due to avoidable losses or from frauds and operational inefficiencies. This reflects the conservative nature of Zenith Group as far as risk taking is concerned.

The Group’s risk appetite describes the quantum of risk that it would assume in pursuit of its business objectives at any point in time. For the Group, it is the core instrument used in aligning its overall corporate strategy, its capital allocation and risks.

The Group sets tolerance limits for identified key risk indicators (“KRIs”), which serve as proxies for the risk appetite for each risk area and business/support unit. Tolerance levels for KRIs are jointly defined and agreed upon by the business/support units and are subject to annual reviews.

3.1.3 Risk Management Approach

The Group addresses the challenge of risks comprehensively through an enterprise-wide risk management framework and a risk governance policy by applying leading practices that are supported by a robust governance structure consisting of board level and executive management committees. The Board drives the risk governance and compliance process through its committees. The audit commitee provides oversight on the systems of internal control, financial reporting and compliance. The Board credit commitee reviews the credit policies and approves all loans above the defined limits for Executive Management. The Board Risk Committee sets the risk philosophy, policies and strategies as well as provides guidance on the various risk elements and their management. The Board Risk Control Functions are supported by various management committees and sub committees (Global Credit commitee and Management Risk committee) that help it develop and implement various risk strategies. The Global Credit commitee manages the credit approval and documentation activities. It ensures that the credit policies and procedures are aligned with the Group's business objectives and strategies. The Management Risk committee drives the management of the financial risks (Market, Liquidity and Credit Risk), operational risks as well as strategic and reputational risks.

In addition, Zenith Group manages its risks in a structured, systematic and transparent manner through a global risk policy which embeds comprehensive risk management processes into the organisational structure and risk measurement and monitoring activities. This structure ensures that the Group's overall risk exposures are within the thresholds set by the Board.

The key features of the Group's risk management policy are:
- The Board of Directors provides overall risk management direction and oversight.
- The Group's risk appetite is approved by the Board of Directors.
- Risk management is embedded in the Group as an intrinsic process and is a core competence of all its employees.
- The Group manages its credit, market, operational and liquidity risks in a co-ordinated manner within the organisation.
- The Group's risk management function is independent of the business divisions.
- The Group's internal audit function reports to the Board Audit Committee and provides independent validation of the business units' compliance with risk policies and procedures and the adequacy and effectiveness of the risk management framework on an enterprise-wide basis.

The Group continually modifies and enhances its risk management policies and systems to reflect changes in markets, products and international best practices. Training, individual responsibility and accountability, together with a disciplined and cautious culture of control, is an intergral part of the Group's management of risk.

The Board of Directors ensures strict compliance with relevant laws, rules and standards issued by the industry regulators and other law enforcement agencies, market conventions, codes of practices promoted by industry associations and internal policies.

The compliance function, under the leadership of the Chief Compliance Officer of the Bank has put in place a robust compliance framework, which includes:
- Comprehensive compliance manual detailing the roles and responsibilities of all stakeholders in the compliance process,
- Review and analysis of all relevant laws and regulations, which are adopted into policy statements to ensure business is conducted professionally;
- Review of the Bank's Anti Money Laundering Policy in accordance with changes in the Money Laudering Prohibition Act 2011 and Anti Terrorism Act 2011 as amended;
- Incorporation of new guidelines in the Bank's Know Your Customer policies in line with the increasing global trend as outlined in the Central Bank of Nigeria's Anti Money Laundering/Combating Finance of Terrorism Compliance Manual.

The Group's culture emphasizes high standard of ethical behaviour at all levels of the Group. Therefore the Group's board of directors promotes sound organisation.

3.1.4 Methodology for Risk Rating

The risk management strategy is to develop an integrated approach to risk assessments, measurement, monitoring and control that captures all risks in all aspects of the Group's activities.

All activities in the Group have been profiled and the key risk drivers and threats in them identified. Mitigation and control techniques are then determined in tackling each of these threats. These techniques are implemented as risk policies and procedures that drive the strategic direction and risk appetite as specified by the board. Techniques employed in meeting these objectives culminate in the following roles for the risk control functions of the Group:

- Develop and implement procedures and practices that translate the board's goals, objectives, and risk tolerances into operating standards that are well understood by staff.
- Establish lines of authority and responsibility for managing individual risk elements in line with the Board's overall direction.
- Risk identification, measurement, monitoring and control procedures.
- Establish effective internal controls that cover each risk management process.
- Ensure that the group's risk management processes are properly documented.
- Create adequate awareness to make risk management a part of the corporate culture of the Group.
- Ensure that risk remains within the boundaries established by the Board.
- Ensure that business lines comply with risk parameters and prudent limits established by the Board.

The CBN Risk Management Guidelines prescribes quantitative and qualitative criteria for the identification of significant activities and sets a threshold of contributions for determining significant activities in Bank and its subsidiaries. This practice is essentially to drive the risk control focus of financial institutions.

Zenith Bank applies a mix of qualitative and quantitative techniques in the determination of its significant activities under prescribed broad headings. The criteria used in estimating the materiality of each activity is essentially based on the following:

- The strategic importance of the activity and sector.
- The contribution of the activity/sector to the total assets of the Bank.
- The net income of the sector.
- The risk inherent in the activity and sector.

Risk Management structures and processes are continually reviewed to ensure, their adequacy and appropriateness for the group's risk and opportunities profile as well as bringing them up to date with changes in strategy, business environment, evolving thoughts and trends in risk management.

3.1.5 Risk management strategies under the current economic conditions

Nigeria is the sixth largest producer of oil in the world and oil revenue constitutes over 70% of its revenue. The recent volatility and decline of the crude oil prices has therefore significantly affected the country's revenue and capacity.

This has shown negatively in economic indicators with the following impacts:

i) Reduced government earnings

ii) The foreign exchange reserve has declined to $29.07bn as at 31 December 2015 compared to over $34bn in corresponding period in 2014.

iii) Inability of CBN to fund import requests from customers leading to reduced production capacity of most companies and in some cases outright closure of business. There are therefore serious dollar liquidity challenges.

This situation has raised concerns around ability of banks and their customers to meet their obligations when they fall due. These are mainly with the funding of oil and gas and power assets purchases and other exposures to foreign exchange obligations.

There are also concerns with reduced capacity utilization in local industries and therefore possibility of NPL increase in the year as customers may not be able to produce enough or do so at a higher cost which may affect sales and cash flows to meet repayment arrangements.

Zenith Bank PLC has set out various strategies to deal with the outcome of this recent turbulence. Our financial indicators and fundamentals are strong enough to withstand any resultant shocks.

We have also carried out stress tests analysis and scenario review of worsening situations against our current financial positions and the results affirms our capacity to deal with them if they were to occur.

We strongly believe we are poised to deal with liquidity risk and funding challenges that may arise from these situations and our capital and earnings capacity (profitability) can withstand any shock that may arise.

We will continue to support our customers as much as possible in terms of foreign exchange funding challenges; credit performance obligations (restructuring repayments to match cash-flows, where necessary);

Some of the key risk management strategies in the year would include the following:

- Continue to monitor impact of global economy in commodity pricing, FDI inflows and general behavior of local economy to the changes in the global market.

- Source for cheaper and stable funds

- Drive other income sources - Increase marginal value of current assets utilization and their derivable income as much as possible. Seek new sources and champions.

- Pursue other government activities especially trapping utilization of government funds for projects and other activities

- Further develop SME/Retail product sales and penetrations
- Develop market hub initiative to host market players and drive retail participation
- Ensure that the Net Interest Margin (NIM) is maintained for all changes in interest rates.
- Create additional foreign exchange funding sources from the receipt of foreign exchange deposits from customers especially export proceeds.
- Pursue and support export strategies to assure expanded foreign exchange inflow.
- Increased collections of payments (Deploy more friendly collection tools)
- Improve customer service delivery through trainings, systems, communication, and compensation medium.
- Stabilize the bank's technology/Platforms – This is to increase and aids customers' confidence, loyalty and bank's reputation.
- Cautiously grow risk assets while maintaining adequate level of capital.

3.2 Credit Risk

Credit risk is the risk of a financial loss if an obligor does not fully honour its contractual commitments to the Group. Obligors may be borrowers, issuers, counterparties or guarantors. Credit risk is the most significant risk facing the Bank in the normal course of business. The Bank is exposed to credit risk not only through its direct lending activities and transactions but also through commitments to extend credit, letters of guarantee, letters of credit, securities purchased under reverse repurchase agreements, deposits with financial institutions, brokerage activities, and transactions carrying a settlement risk for the Bank such as irrevocable fund transfers to third parties via electronic payment systems.

The Group has robust credit standards, policies and procedures to control and monitor intrinsic and concentration risks through all credit levels of selection, underwriting, administration and control. Some of the policies are:

- Credit is only extended to suitable and well identified customers and never where there is any doubt as to the ethical standards and record of the intending borrower.
- Exposures to any industry or customer will be determined by the regulatory guidelines, clearly defined internal policies, debt service capability and balance sheet management guidelines.
- Credit is not extended to customers where the source of repayment is unknown or speculative, and also where the destination of funds is unknown. There must be clear and verifiable purpose for the use of the funds.
- Credit is not given to a customer where the ability of the customer to meet obligations is based on the most optimistic forecast of events. Risk considerations will always have priority over business and profit considerations
- The primary source of repayment for all credits must be from an identifiable cash flow from the counterparty's normal business operations or other financial arrangements. The realization of security remains a fall back option.
- A pricing model that reflects variations in the risk profile of various credits to ensure that higher risks are compensated by higher returns is adopted.
- All insiders' related credits are limited to regulatory and strict internal limits and are disclosed as required.
- The consequences for non-compliance with the credit policy and credit indiscipline are communicated to all staff and are implemented.

3.2.1 Credit Metrics and Measurement Tools

Zenith Bank and its subsidiaries have devoted resources and harnessed its credit data into developing models to improve the determination of economic and financial threats due to credit risk. Before a sound and prudent credit decision can be taken, the credit risk engendered by the borrower or counterparty must be accurately assessed. This is the first step in processing credit applications. As a result some key factors are considered in credit risk assessment and measurement:

1. Adherence to the strict credit selection criteria which includes defined target market, credit history, the capacity and character of customers.

2. Credit rating of obligor

3. The likelihood of failure to pay over the period stipulated in the contract.

4. The size of the facility in case default occurs.

5. Estimated Rate of Recovery which is a measure of the portion of the debt that can be regained through freezing of assets and collateral should default occur.

3.2.2 Credit Rating Tools

The principal objective of the credit risk rating system is to produce a reliable assessment of the credit risk to which the Group is exposed. As such, all loans and indirect credits such as guarantees and bonds as well as treasury investments undergo a formal credit analysis process that would ensure the proper appraisal of the facility.

(a) Loans and advances and amounts due from banks

Each individual borrower is rated based on an internally developed rating model that evaluates risk based on financial, qualitative and industry specific inputs. The associated loss estimate norms for each grade have been developed based on the experience of the Bank and its various subsidiaries.

In order to allow for a meaningful distribution of exposures across grades with no excessive concentrations on the Group's borrower-rating and its facility-rating scale, the Group maintains the under listed rating grade which is applicable to both new and existing customers.

Zenith Group's internal rating:

Zenith Group Rating	Description of the grade	Equivalent of external rating
AAA	Investment Risk (Extremely Low Risk)	AAA
AA	Investment Risk (Very Low Risk)	AA
A	Investment Risk (Low Risk)	A
BBB	Upper Standard Grade (Acceptable Risk)	BBB
BB	Lower Standard Grade (Moderately High Risk)	BB
B	Non Investment Grade (High Risk)	B
CCC	Non Investment Grade (Very High Risk)	CCC
CC	Non Investment Grade (Extremely High Risk)	CC
C	Non Investment Grade (High Likelihood of Default)	C
D	Non Investment Grade (Lost)	D
Unrated	Unrated	Unrated

The credit rating system seeks to achieve the foundation level of the internal ratings based approach under Basel II, through continuous validation exercises over the years.

(b) Other debt instruments

With respect to other debt instruments, the Group takes the following into consideration in the management of the associated credit risk:

- External ratings of such instruments/institutions by rating agencies like Fitch; Standard & Poor's; Agusto & Co. etc.
- Internal and external research and market intelligence reports
- Regulatory agencies reports

In addition to the above, we have put in place a conservative limits structure which is monitored from time to time in order to limit our risk exposures on these securities.

Control mechanisms for the credit risk rating system

Zenith's credit risk rating system is reviewed periodically to confirm that the rating criteria and procedures are appropriate given the current portfolio and external conditions. Hence, in accordance with the Groups model risk policy, all models that materially impact the risk rating process are reviewed.

Furthermore, the ratings accorded to customers are regularly reviewed, incorporating new financial information available and the experience in the development of the banking relationship. The regularity of the reviews increases in the case of clients who reach certain levels in the automated warning systems. The rating system is currently undergoing external review with a view to enhancing its robustness.

3.2.3 Credit Processes

Zenith operates a Centralised Credit Approval Process System. Credits are originated from the branches/business groups and subjected to reviews at various levels before presentation to the Global Credit Committee for approvals, and including all documents and information defined for the proper assessment and decision of Credit. All credit presented for approval are required to be in conformity with the documented and communicated Risk Acceptance Criteria(RAC).

As part of credit appraisal process, the Group will have to satisfy itself in the following areas:
a) Credit assessment of the borrower's industry, and macro economic factors.
b) The purpose of credit and source of repayment.
c) The track record / repayment history of borrower.
d) Assess/evaluate the repayment capacity of the borrower.
e) The Proposed terms and conditions and covenants.
f) Adequacy and enforceability of collaterals.
g) Approval from appropriate authority.

3.2.4 Group Credit Risk Management

Zenith's dynamic and proactive approach in managing credit risk is a key element in achieving its strategic objective of maintaining and further enhancing its asset quality and credit portfolio risk profile. The conservative, prudent and well-established credit standards, policies and procedures, risk methodologies and framework, solid structure and infrastructure, risk monitoring and control activities enable the Group to deal with the emerging risks and challenges with a high level of confidence and determination.

The framework for Credit Risk at Zenith is well defined and institutionally predicated on:

- Clear tolerance limits and risk appetite set at the Board level, well communicated to the business units and periodically reviewed and monitored to adjust as appropriate.
- Well-defined target market and risk asset acceptance criteria.
- Rigorous financial, credit and overall risk analysis for each customer/transaction.
- Portfolio quality examined on regular basis according to key performance indicators mechanism and periodic stress testing.
- Concentrations together with mitigation strategies are continuously assessed.
- Early warning system is continually validated and modified to ensure proper functioning for risk identification.
- Systematic and objective credit risk rating methodologies that are based on quantitative, qualitative and expert judgment.
- Systematic credit limits management enabling the Bank to monitor its credit exposure on daily basis at country, borrower, industry, credit risk rating and credit facility type levels.
- Solid documentation and collateral management process with proper coverage and top-up triggers and follow-ups.
- Annual and interim individual credit reviews to ensure detection of weakness signs or warning signals and considering proper remedies.

Our rigorous credit processes are supplemented by sectoral portfolio reviews focused on countries, regions or specific industries as well as multiple stress testing scenarios.

These are intended to identify any inherent risks in the portfolios resulting from changes in market conditions and are supplemented by independent reviews from our Group Internal Audit.

Additionally, the Group continues to upgrade and fine-tune the above in line with the developments in the financial services industry environment and technology.

3.2.5 Group Credit Risk Limits

The Group applies credit risk limits, among other techniques in managing credit risk. This is the practice of stipulating a maximum amount that the individual or counterparty can obtain as loan. Internal and regulatory limits are strictly adhered to.Through this, the Group not only protects itself, but also in a sense, protects the counterparty from borrowing more than they are capable of paying.

The Group continues to focus on its concentration and intrinsic risks and further manage them to a more comfortable level. This is very important due to the serious risk implications that intrinsic and concentration risk pose to the Group. A thorough analysis of economic factors, market forecasting and prediction based on historical evidence is used to mitigate the crystallization of these risks.

The Group has in place various portfolio concentration limits (which are subject to periodic review).These limits are closely monitored and reported on from time to time.

The Group’s internal credit approval limits for the various authorities levels are as indicated below.

Zenith Group Rating	Approval limit (% of Shareholders' Fund)
Board Credit Committee	N7 billion and above (Not exceeding 20% of Total Shareholders’ funds)
Global Credit Committee	Below N7 billion

These internal approval limits are set and approved by the Group Board and are reviewed regularly as the state of affairs of the Group and the wider financial environment demands.

3.2.6 Group Credit Risk Monitoring

The Group’s exposures are continuously monitored through a system of triggers and early-warning signals aimed at detecting symptoms which could result in deterioration of credit risk quality. The triggers and early-warning systems are supplemented by facility utilisation and collateral valuation monitoring together with a review of upcoming credit facility expiration and market intelligence to enable timely corrective action by management. The results of the monitoring process are reflected in the internal rating process in a quarterly review activity.

Credit risk is monitored on an ongoing basis with formal weekly,monthly and quarterly reporting to ensure senior management's awareness of shifts in credit quality and portfolio performance along with changing external factors such as economic and business cycles.

The capabilities of the credit review team is continously being improved in order to improve the facility monitoring activity and assure good quality Risk Assets Portfolio accross the Group.

A specialised and focused loan recovery and workout team handles the management and collection of problem credit facilities.

3.2.7 (a) Credit Risk Mitigation, Collateral and other Credit Enhancements

The Group’s approach to controlling various risks begins with optimizing the diversification of its exposures. Zenith uses a variety of techniques to manage the credit risk arising from its lending activities.These techniques are set out in the Group's internal policies and procedures. They are mainly reflected in the application of various exposure limits: credit concentration limits by counterparty and credit concentration limits by industry, country, region and type of financial instrument.
Enforceable legal documentation establishes Zenith’s direct, irrevocable and unconditional recourse to any collateral, security or other credit enhancements.

(i) Collateral Security

A key mitigation step employed by the Group in its credit risk management process includes the use of collateral securities to secure its loans and advances as alternative sources of repayment during adverse conditions. All major credit facilities to our customers are to be secured and the security instruments and documentations must be perfected and all conditions precedent must be met before drawdown or disbursement is allowed. Collateral analysis includes a good description of the collateral, its value, how the value was arrived at, and when the valuation was made. It is usually necessary to review the potential adverse changes in the value of collateral security for the foreseeable future.

Collateral securities that are pledged must be in negotiable form and usually fall under the following categories:

- Real estate, plant and equipment collateral (usually all asset or mortgage debenture or charge) which have to be registered and enforceable under Nigerian law;
- Collateral consisting of inventory, accounts receivable, machinery equipment, patents, trademarks, farm products, general intangibles, etc. These require a security agreement (usually a floating debenture) which has to be registered and, must be enforceable under Nigerian law;
- Stocks and shares of publicly quoted companies;
- Domiciliation of contracts proceeds;
- Documents of title to goods such as shipping documents consigned to the order of Zenith Bank or any of its subsidiaries; and
- Letter of lien.

Collateral securities are usually valued and inspected prior to disbursement and on a regular basis thereafter until full repayment of the exposure. We regularly conduct a review of all collateral documentation in respect of all credits in the Bank and specific gaps in the collateral documentation are advised to the Lending Group/Zones/Branch for appropriate action and follow-up. Borrowers are required to confirm adherence to covenants including confirmation of collateral values on a periodic basis, which are used by the Bank to provide early warning signals of collateral value deterioration. Periodic inspections of physical collateral are performed where appropriate and where reasonable means of doing so are available.

The type and size of collateral held as security for financial assets other than loans and advances is usually a function of the nature of the instrument. Our debt securities, treasury and other eligible bills are normally unsecured but our comfort is on the issuer's credit rating which is the Federal Government of Nigeria (FGN).

Details of collateral held and their carrying amounts as at 31 December 2015 are as follows:

In millions of Naira	**Group**		**Bank**	
	Total exposure	**Value of collateral**	**Total exposure**	**Value of collateral**
Secured against real estate	147,919	92,030	135,822	87,451
Secured by shares of quoted companies	7,467	1,782	7,467	1,782
Cash Collateral, lien over fixed and floating assets	950,009	676,105	919,475	539,951
Unsecured	926,861	-	822,177	-
	2,032,256	**769,917**	**1,884,941**	**629,184**

Details of collateral held and their carrying amounts as at 31 December 2014 are as follows:

In millions of Naira	**Group**		**Bank**	
	Total exposure	**Value of collateral**	**Total exposure**	**Value of collateral**
Secured against real estate	215,506	199,745	214,165	198,361
Secured by shares of quoted companies	4,814	2,571	4,814	2,571
Cash Collateral, lien over fixed and floating assets	1,016,830	696,287	867,594	569,264
Unsecured	521,185	-	519,008	-
	1,758,335	**898,603**	**1,605,581**	**770,196**

(ii) Balance Sheet Netting Arrangements

Risk reduction by way of current account set-off is recognised for exposures to highly rated and creditworthy customers. Customers are required to enter into formal agreements giving Zenith Bank Plc the unfettered right to set-off gross credit and debit balances in their nominated accounts to determine the Groups net exposure. Cross-border set-offs are not permitted.

(iii) Guarantees and Standby Letters of Credit

Guarantees and Standby Letters of Credit are considered to carry about the same level of credit risk as loans and advances. And in accordance with the Group's credit policies, banks and creditworthy companies and individuals with high net worth are accepted as guarantor, subject to credit risk assessment. Furthermore Zenith Bank Plc only recognises unconditional irrevocable guarantees or standby letters of credit provided they are not related to the underlying obligor.

3.2.7 (b) Maximum Exposure to Credit Risk Before Collateral Held or Credit Enhancements

The Group's maximum exposure to credit risk at 31 December 2015 and 31 December 2014 respectively, is represented by the net carrying amounts of the financial assets, with the exception of financial and other guarantees issued by the Group for which the maximum exposure to credit risk is represented by the maximum amount the Group would have to pay if the guarantees are called on (refer to note 39 Contingent liabilities and commitments).

3.2.8 Concentration of Risks of Financial Assets with Credit Risk Exposure

The Group monitors concentrations of credit risk by geographical location and by industry sector. An analysis of concentrations of credit risk at 31 December 2015 and 31 December 2014 respectively for loans and advances to customers and amounts due from banks, is set out below:

(a) Geographical sectors

The following table breaks down the Group's main credit exposure at their gross amounts ("Due from banks" at carrying amount), as categorised by geographical region at 31 December 2015 and 31 December 2014 respectively. For this table, the Group has allocated exposures to regions based on the region of domicile of our counterparties.

In millions of Naira	Group			Bank		
31 December 2015	Due from banks	Loans and advances to customers	Total	Due from banks	Loans and advances to customers	Total
Nigeria	105,090	1,884,941	**1,990,031**	12,002	1,884,941	**1,896,943**
Rest of Africa	34,673	63,178	**97,851**	-	-	**-**
Outside Africa	132,431	84,137	**216,568**	254,892	-	**254,892**
	272,194	**2,032,256**	**2,304,450**	**266,894**	**1,884,941**	**2,151,835**

In millions of Naira	Group			Bank		
31 December 2014	Due from banks	Loans and advances to customers	Total	Due from banks	Loans and advances to customers	Total
Nigeria	232,188	1,605,581	**1,837,769**	147,923	1,605,581	**1,753,504**
Rest of Africa	12,039	79,483	**91,522**	-	-	**-**
Outside Africa	262,341	73,271	**335,612**	322,216	-	**322,216**
	506,568	**1,758,335**	**2,264,903**	**470,139**	**1,605,581**	**2,075,720**

(b) Industry sectors

In millions of Naira	Group		Bank	
	31 Dec 2015 Loans and advances to customers	31 Dec 2014 Loans and advances to customers	31 Dec 2015 Loans and advances to customers	31 Dec 2014 Loans and advances to customers
Agriculture	42,089	112,616	39,698	82,453
Oil and gas	362,489	389,926	337,006	383,416
Consumer Credit	2,820	25,943	2,729	10,578
Manufacturing	462,805	298,831	444,585	290,205
Real estate and construction	109,617	103,656	105,450	100,439
Finance and Insurance	82,222	35,946	81,404	32,928
Government	251,248	151,489	250,751	151,383
Power	55,753	69,449	55,753	52,874
Other public utilities	2	6,913	-	25
Transportation	81,757	94,714	47,750	75,445
Communication	107,574	150,515	106,678	146,947
Education	7,741	5,700	7,741	4,652
General Commerce	464,916	108,921	405,396	80,759
Others	1,223	203,716	-	193,477
	2,032,256	**1,758,335**	**1,884,941**	**1,605,581**

The group's credit risk exposure from "due from banks" is categorized under the "finance and insurance" sector.

3.2.9 Credit quality

In millions of Naira	Group			Bank		
At 31 December 2015	Due from banks	Loans and advances to customers	Financial guarantee	Due from banks	Loans and advances to customers	Financial guarantee
Neither past due nor impaired	272,194	1,977,748	121,637	266,894	1,844,263	121,637
Past due but not impaired	-	10,195	-	-	9,807	-
Impaired						
Individually impaired	-	25,148	-	-	21,023	-
Collectively impaired	-	19,165	-	-	9,848	-
Gross	272,194	2,032,256	121,637	266,894	1,884,941	121,637
Impairment allowance						
Specific impairment	-	(22,390)	-	-	(16,116)	-
Collective impairment *	-	(20,553)	-	-	(19,600)	-
	272,194	**1,989,313**	**121,637**	**266,894**	**1,849,225**	**121,637**

In millions of Naira	Group			Bank		
At 31 December 2014	Due from banks	Loans and advances to customers	Financial guarantee	Due from banks	Loans and advances to customers	Financial guarantee
Neither past due nor impaired	506,568	1,723,497	82,663	470,139	1,575,358	82,663
Past due but not impaired	-	4,068	-	-	3,816	-
Impaired						
Individually impaired	-	11,862	-	-	7,922	-
Collectively impaired	-	18,908	-	-	18,485	-
Gross	**506,568**	**1,758,335**	**82,663**	**470,139**	**1,605,581**	**82,663**
Impairment allowance						
Specific impairment	-	(10,065)	-	-	(7,480)	-
Collective impairment *	-	(18,763)	-	-	(17,851)	-
	506,568	**1,729,507**	**82,663**	**470,139**	**1,580,250**	**82,663**

*Loans that are not individually significant are subjected to collective impairment.

3.2.9.1 Non-Performing Loans by Industry
In millions of Naira

	Group		Bank	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Agriculture	3,518	2,161	1,490	2,114
Oil and Gas	5,046	146	1,013	60
Capital Market	3,916	4,769	3,916	4,769
Consumer Credit	477	2,866	433	2,866
Manufacturing	7,443	2,660	6,048	1,061
Real Estate and Construction	6,557	4,869	5,976	4,244
Finance and Insurance	65	75	-	6
Government	219	174	219	174
Power	566	1,833	566	1,833
Other Public Utilities	2	1	-	1
Transportation	1,168	21	41	21
Communication	119	1,090	-	1,009
Education	46	107	46	106
General Commerce/Trading	15,754	9,998	11,123	8,143
	44,896	**30,770**	**30,871**	**26,407**

3.2.9.2 Non-Performing Loans by Geography

In millions of Naira

	Group		Bank	
	31 Dec 2015	**31 Dec 2014**	**31 Dec 2015**	**31 Dec 2014**
South South	2,414	926	2,414	926
South West	24,364	23,018	24,364	23,018
South East	818	488	818	488
North Central	2,367	1,195	2,367	1,195
North West	140	96	140	96
North East	768	684	768	684
Rest of Africa	8,972	4,363	-	-
Outside Africa	5,053	-	-	-
	44,896	**30,770**	**30,871**	**26,407**

(a) Geographical Sectors

The following table breaks down the Group's main credit exposure at their carrying amounts, as categorised by geographical region at 31 December 2015 and 31 December 2014. For this table, the Group has allocated exposures to regions based on the domicile region of our counterparties.

	Group		Bank	
In millions of Naira	**Loans and advances to customers 31 Dec 2015**	**Loans and advances to customers 31 Dec 2014**	**Loans and advances to customers 31 Dec 2015**	**Loans and advances to customers 31 Dec 2014**
South South	115,400	108,445	115,400	108,445
South West	1,607,883	1,352,177	1,607,883	1,352,177
South East	40,138	43,350	40,138	43,350
North Central	25,766	73,793	25,766	73,793
North West	25,281	8,073	25,281	8,073
North East	70,473	19,743	70,473	19,743
Rest of Africa	63,178	79,483	-	-
Outside Africa	84,137	73,271	-	-
	2,032,256	**1,758,335**	**1,884,941**	**1,605,581**

All other financial assets are neither past due nor impaired, except other assets. NGN 73.07 billion of financial assets which are neither past due nor impaired have been renegotiated (31 December 2014: NGN 6.61 billion).

In millions of Naira

(b) Credit portfolio neither past due nor impaired

The credit quality of the portfolio of loans and advances and amounts due from banks that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Group.

At 31 December 2015	Group		Bank	
	Due from banks	Loans and advances to customers	Due from banks	Loans and advances to customers
AAA	272,194	316,904	266,894	184,904
AA to A	-	758,487	-	758,216
BBB to BB	-	515,880	-	515,300
Below B	-	387,232	-	387,200
Unrated	-	3,453	-	3,438
	272,194	**1,981,956**	**266,894**	**1,849,058**

At 31 December 2014	Group		Bank	
	Due from banks	Loans and advances to customers	Due from banks	Loans and advances to customers
AAA	506,568	253,665	470,139	231,628
AA to A	-	729,064	-	665,727
BBB to BB	-	622,512	-	568,431
Below B	-	28,309	-	25,849
Unrated	-	89,947	-	83,723
	506,568	**1,723,497**	**470,139**	**1,575,358**

The credit quality of cash and balances with central banks, treasury bills, investment securities and assets pledged as collateral that were neither past due nor impaired can also be assessed by reference to the internal rating system adopted by the Group.

At 31 December 2015	Group				Bank			
	Cash and balances with central banks	Treasury bills	Investment securities	Assets pledged as collateral	Cash and balances with central banks	Treasury bills	Investment securities	Assets pledged as collateral
AAA	761,561	377,928	195,737	265,051	735,946	330,900	134,002	264,320
AA to A	-	-	17,404	-	-	-	16,722	-
BBB to BB	-	-	-	-	-	-	-	-
Below B	-	-	-	-	-	-	-	-
Unrated	-	-	-	-	-	-	-	-
	761,561	**377,928**	**213,141**	**265,051**	**735,946**	**330,900**	**150,724**	**264,320**

At 31 December 2014	Group				Bank			
	Cash and balances with central banks	Treasury bills	Investment securities	Assets pledged as collateral	Cash and balances with central banks	Treasury bills	Investment securities	Assets pledged as collateral
AAA	752,580	295,397	**186,544**	**151,746**	728,291	253,414	**79,469**	**151,746**
AA to A	-	-	**13,535**	-	-	-	**13,363**	-
BBB to BB	-	-	-	-	-	-	-	-
Below B	-	-	-	-	-	-	-	-
Unrated	-	-	-	-	-	-	-	-
	752,580	**295,397**	**200,079**	**151,746**	**728,291**	**253,414**	**92,832**	**151,746**

The credit risk associated with other financial assets that were neither past due nor impaired are considered to be low at 31 December 2015 and 31 December 2014.

In millions of Naira

(c) Credit portfolio past due but not impaired

	Group		Bank	
	Loans and advances to customers 31 Dec 2015	Loans and advances to customers 31 Dec 2014	Loans and advances to customers 31 Dec 2015	Loans and advances to customers 31 Dec 2014
Past due up to 30 days	8,010	3,228	7,954	3,133
Past due 30 - 60 days	558	530	540	454
Past due 60 - 90 days	1,627	310	1,313	229
	10,195	**4,068**	**9,807**	**3,816**
(c) Credit rating of past due but not impaired				
A	5,084	3,906	5,027	3,695
BB	5,111	162	4,780	121
	10,195	**4,068**	**9,807**	**3,816**

In millions of Naira

(d) Credit portfolio individually impaired

	Group		Bank	
	Loans and advances to customers 31 Dec 2015	Loans and advances to customers 31 Dec 2014	Loans and advances to customers 31 Dec 2015	Loans and advances to customers 31 Dec 2014
Gross amount				
BB	18,749	6,103	18,749	5,508
Grade: Below BB	6,399	5,759	2,274	2,414
Specific impairment	(22,390)	(10,065)	(16,116)	(7,480)
	2,758	**1,797**	**4,907**	**442**

Restructuring policy

Loans with renegotiated terms are loans that have been restructured because the Group has made concessions by agreeing to terms and conditions that are more favorable for the customer than the Group has provided initially. The Group implements restructuring policy in order to maximize collections opportunities and minimize the risk of default.

The Group's credit committee may from time to time grant approval for restructuring of certain facilities due to the following reasons:

i. Where the execution of the loan purpose and the repayment is no longer realistic in light of new cash flows.

ii, To avoid unintended default arising from adverse business conditions .

iii. To align loan repayment with new pattern of achievable cash flows.

iv. Where there are proven cost over runs that may significantly impair the project repayment capacity.

v. Where there is temporary downturn in the customer's business environment .

vi. Where the customer's going concern status is NOT in doubt or threatened.

The revised terms of restructured facilities usually include extended maturity, changing timing of interest payments and amendments to the terms of the loan agreement.

Write-off policy

The Group writes off a loan balance when the Group’s credit department determines that the loan is uncollectable and had been declared delinquent and subsequently classified as lost. This determination is made after considering information such as the continuous deterioration in the customer’s financial position, such that the customer can no longer pay the obligation, or that proceeds from the collateral will not be sufficient to pay back the entire exposure. Board approval is required for such write-off. For insider related, CBN approval is required. The loan recovery department continues with its recovery efforts and any loan subsequently recovered is treated as other income.

3.3 Market risk

Market risk is the risk of potential losses in both on and off balance-sheet positions arising from movements in market prices. Market risks can arise from adverse changes in interest rates, foreign exchange rates, equity prices, commodity prices and other relevant factors such as Market Volatilities.

The Group undertakes activities which give rise to some level of market risks exposures. The objective of market risk management activities is to continually identify, manage and control market risk exposure within acceptable parameters, while optimizing the return on risks taken.

3.3.1 Management of market risk

The Group has an independent Market Risk Management unit which assesses, monitors, manages and reports on market risk taking activities across the Group. The Group has continued to enhance its Market Risk Management Framework. The operations of the unit is guided by the mission of "inculcating enduring market risk management values and culture, with a view to reducing the risk of losses associated with market risk-taking activities, and optimizing risk-reward trade-off.”

The Group's market risk objectives, policies and processes are aimed at instituting a model that objectively identifies, measures and manages market risks in the Group and ensure that:

1. The individuals who take or manage risk clearly understand it.
2. The Group's risk exposure is within established limits.
3. Risk taking decisions are in line with business strategy and objectives set by the Board of Directors.
4. The expected payoffs compensate for the risks taken.
5. Sufficient capital, as a buffer, is available to take risk.

The Group proactively manages its Market risk exposures in both the trading and non-trading books within the acceptable levels.

The Group's Market Risks exposures are broadly categorised into:

(i) Trading Market Risks - These are risks that arise primarily through trading activities and Market Making activities. These include position taking in foreign exchange and fixed income securities (Bonds and Treasury Bills).

(ii) Non Trading Market Risks -These are risks that arise from assets and liabilities that are usually on the books for a longer period of time, but where the Intrinsic value is a function of the movement of financial market parameter.

ZENITH BANK PLC

Notes to the Consolidated and Separate Financial Statements for the Year Ended 31 December 2015

The table below sets out the allocation of assets and liabilities subject to market risk between trading and non-trading portfolis

'In millions of Naira
Group

	Note	At 31 December 2015 Carrying amount	Trading	Non-trading	At 31 December 2014 Carrying amount	Trading	Non-trading
Assets							
Cash and balances with central banks	15	761,561	-	761,561	752,580	-	751,580
Treasury bills	16	377,928	53,698	324,230	295,397	1,162	294,235
Assets pledged as collateral	17	265,051	48,638	216,413	151,746	-	151,746
Due from other banks	18	272,194	-	272,194	506,568	-	506,568
Derivative assets	19	8,481	8,481	-	17,408	16,896	512
Loans and advances	20	1,989,313	-	1,989,313	1,729,507	-	1,729,507
Investment securities	21	213,141	6,707	206,434	200,079	-	200,079
Financial assets	25	10,064	-	10,064	8,241	-	8,241
Liabilities							
Customer deposits	28	2,557,884	-	2,557,884	2,537,311	-	2,537,311
Derivative liabilities	33	384	384	-	6,073	6,073	-
Financial liabilities	29	186,111	-	186,111	272,289	-	272,289
On-lending facilities	30	286,881	-	272,194	68,344	-	68,344
Borrowings	31	258,862	-	258,862	198,066	-	198,066
Debt securities issued	32	99,818	-	99,818	92,932	-	92,932

Bank

		At 31 December 2015 Carrying amount	Trading	Non-trading	At 31 December 2014 Carrying amount	Trading	Non-trading
Assets							
Cash and balances with central banks	15	735,946	-	735,946	728,291	-	728,291
Treasury bills	16	330,900	53,698	277,202	253,414	1,162	252,252
Assets pledged as collateral	17	264,320	48,638	215,682	151,746	-	151,746
Due from other banks	18	266,894	-	266,894	470,139	-	470,139
Derivative assets	19	8,481	8,481	-	16,896	16,896	-
Loans and advances	20	1,849,225	-	1,849,225	1,580,250	-	1,580,250
Investment securities	21	150,724	6,707	144,017	92,832	-	92,832
Financial assets	25	10,139	-	10,139	7,076	-	7,076
Liabilities							
Customer deposits	28	2,333,017	-	2,333,017	2,265,262	-	2,265,262
Derivative liabilities	33	384	384	-	6,073	6,073	-
Financial liabilities	29	197,208	-	197,208	270,068	-	270,068
On-lending facilities	30	286,881	-	266,894	68,344	-	68,344
Borrowings	31	268,111	-	268,111	198,066	-	198,066
Debt securities issued	32	99,818	-	99,818	92,932	-	92,932

3.3.2 Measurement of Market Risk

The Group adopts Non-VAR (Value at risk) approach for quantitative measurement and control of market risks in both trading and non trading books. The Non -VAR (Value at risk) measurements includes: Duration;Factor Sensitivities (Pv01), Stress Testing, Aggregate Open Position etc. The measured risks are therefore monitored against the pre-set limits on a daily basis. All exceptions are investigated and reported in line with internal policies and guidelines.

Limits are sets to reflect the risk appetite that is approved by the Board of Directors.These limits are reviewed, at least, annually or at a more frequent interval. Some of the limits include; Net Open Position (NOP- for foreign exchange); Aggregate Control Limits (for Securities); Management Action Trigger (MAT); Duration; Factor Sensitivities (Pv01); Permitted Instrument and Tenor Limits; Holding Period and Off Market Rate Tolerance limit.

Stress testing is an important risk management tool that is used by the Group as part of its enterprise-wide risk management. It is the evaluation of the Group's financial position under severe but plausible scenarios to assist in decision making. Stress testing provides the Group with the opportunity to spot emerging risks, uncover weak spots and take preventive action. It also alerts management to adverse unexpected outcomes related to a variety of risks and provides an indication of how much capital might be needed to absorb losses should large shocks occur. The Group adopts both single factor and multifactor stress testing approaches (sensitivity and scenario based) in conducting stress testing within the risk areas of liquidity, foreign exchange, interest rate, market and credit risks. Stress testing is conducted both on a regular and ad-hoc basis in response to changing financial, regulatory and economic environment/circumstances.

Zenith Group generally does not offer very complex derivative products. However, with the setting up of Financial Market Dealers Quotation Plc (FMDQ), it is expected that more sophisicated products will be introduced into the market. We will ensure that adequate capacity (both systems and training/knowledge base) are in place to handle these products as at when they are introduced. The overall size of the trading book is maintained at a very manageable size.

3.3.3 Foreign exchange risk

Fluctuations in the prevailing foreign currency exchange rates can affect the groups financial position and cash flows - 'On' and 'Off' Balance Sheet. The Group manages part of the Foreign exchange risks through basic derivatives products and hedges (such as FX, fwd and swap). The risk is also managed by ensuring that all risk taken by the Group are within approved limits. In addition to adherence to regulatory limits, Zenith Group established various Internal limits (such as the banks non-VAR models, overall Overnight and Intra-day positions), Dealer limits, as well as individual currency among others limits which are monitored by the Market Risk Department on a regular basis. These limits are set with the aim of minimizing the Group's risk exposures to exchange rates volatilities to an acceptable level. The Group's transactions are carried out majorly in four (4) foreign currencies with a significant percentage of transactions involving US Dollars. The Group uses the average interbank exchange rate for each foreign currency to value assets and liabilities denorminated in foreign currencies.

(a) Group

The table below summarizes the Group's exposure to foreign currency exchange rate risk at 31 December 2015 and 31 December 2014. Included in the table are the Group's financial instruments at carrying amounts (except for loans and advances to customers and other assets which are shown at their gross amount), categorised by currency.

In millions of Naira **At 31 December 2015**	**Naira**	**Dollar**	**GBP**	**Euro**	**Others**	**Total**
Assets						
Cash and balances with central banks	655,118	80,360	198	270	25,615	761,561
Treasury bills	330,900	24,583	-	3,537	18,908	377,928
Assets pledged as collaterals	264,320	-	-	-	731	265,051
Due from other banks	45,345	196,060	9,059	21,607	123	272,194
Derivative assets	-	8,481	-	-	-	8,481
Loans and advances to customers (gross)	1,162,092	827,965	1,210	4,996	35,993	2,032,256
Investment securities	149,703	37,599	-	-	25,839	213,141
Financial assets (gross)	14,018	141	-	875	-	15,034
	2,621,496	1,175,189	10,467	31,285	107,209	3,945,646
Liabilities						
Customer's deposits	1,898,795	637,191	10,430	11,317	151	2,557,884
Derivative liabilities	-	384	-	-	-	384
Financial liabilities	74,836	85,461	6,107	19,707	-	186,111
On-lending facilities	286,881	-	-	-	-	286,881
Borrowings	-	258,862	-	-	-	258,862
Debt securities issued	-	99,818	-	-	-	99,818
	2,260,512	1,081,716	16,537	31,024	151	3,389,940
Net on-balance sheet position	360,984	93,473	(6,070)	261	107,058	555,706

At 31 December 2014	Naira	Dollar	GBP	Euro	Others	Total
Assets						
Cash and balances with CBN	303,262	397,743	5,693	29,492	16,390	752,580
Treasury bills	184,008	31,578	-	-	79,811	295,397
Assets pledged as collaterals	151,746	-	-	-	-	151,746
Due from other banks	286,050	203,660	-	4,547	12,311	506,568
Derivative assets	-	17,408	-	-	-	17,408
Loans and advances to customers (gross)	994,377	692,352	199	6,531	64,876	1,758,335
Investment securities	160,344	33,014	-	-	6,721	200,079
Financial assets (gross)	12,879	-	-	-	-	12,879
	2,092,666	1,375,755	5,892	40,570	180,109	3,694,992
Liabilities						
Customer's deposits	1,726,872	682,394	4,100	14,403	109,542	2,537,311
Derivative liabilities	-	6,073	-	-	-	6,073
Financial liabilities	272,289	-	-	-	-	272,289
On-lending facilities	68,344	-	-	-	-	68,344
Borrowings	-	198,066	-	-	-	198,066
Debt securities issued	-	92,932	-	-	-	92,932
	2,067,505	979,465	4,100	14,403	109,542	3,175,015
Net on-balance sheet position	25,161	396,290	1,792	26,167	70,567	519,977

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 Nigerian Naira affects reported earnings through revaluation gain or loss and statement of financial position size through increase or decrease in the revalued amounts of assets and liabilities denominated in US Dollars.

The table below shows the impact on the Group’s profit or loss and statements of financial position size if the exchange rate between the US Dollars, and Nigerian Naira had increased or decreased by 10%, with all other variables held constant.

	31 Dec 2015	31 Dec 2014
US Dollar effect of 10% up or (down) movement on profit before tax and balance sheet size (In millions of Naira)	9,347	16,369

(b) Bank

The table below summarizes the Bank’s exposure to foreign currency exchange rate risk at 31 December 2015 and 31 December 2014. Included in the table are the Banks’s financial instruments at carrying amounts, categorised by currency.

In millions of Naira **At 31 December 2015**	**Naira**	**Dollar**	**GBP**	**Euro**	**Others**	**Total**
Assets						
Cash and balances with central banks	655,118	80,360	198	270	-	735,946
Treasury bills	330,900	-	-	-	-	330,900
Assets pledged as collaterals	264,320	-	-	-	-	264,320
Due from other banks	45,346	190,882	9,059	21,607	-	266,894
Derivative assets	-	8,481	-	-	-	8,481
Loans and advances to customers (gross)	1,162,092	718,397	-	4,452	-	1,884,941
Investment securities	149,703	1,021	-	-	-	150,724
Financial assets (gross)	14,968	141	-	-	-	15,109
	2,622,447	999,282	9,257	26,329	-	3,657,315
Liabilities						
Customer's deposit	1,898,795	423,935	3,942	6,345	-	2,333,017
Derivative liabilities	-	384	-	-	-	384
Financial liabilities	65,586	106,902	5,013	19,707	-	197,208
On-lending facilities	286,881	-	-	-	-	286,881
Borrowings	-	268,111	-	-	-	268,111
Debt securities issued	-	99,818	-	-	-	99,818
	2,251,262	899,150	8,955	26,052	-	3,185,419
Net on-balance sheet position	371,185	100,132	302	277	-	471,896

In millions of Naira

At 31 December 2014	**Naira**	**Dollar**	**GBP**	**Euro**	**Others**	**Total**
Assets						
Cash and balances with central banks	308,437	387,006	5,054	27,647	147	728,291
Treasury bills	253,414	-	-	-	-	253,414
Assets pledged as collaterals	151,746	-	-	-	-	151,746
Due from other banks	338,329	131,346	-	464	-	470,139
Derivative assets	-	16,896	-	-	-	16,896
Loans and advances to customers (gross)	1,065,892	533,994	199	5,496	-	1,605,581
Investment securities	91,872	960	-	-	-	92,832
Financial assets (gross)	11,714	-	-	-	-	11,714
	2,221,404	1,070,202	5,253	33,607	147	3,330,613
Liabilities						
Customer's deposits	1,726,872	526,229	3,443	8,718	-	2,265,262
Derivative liabilities	-	6,073	-	-	-	6,073
Financial liabilities	270,068	-	-	-	-	270,068
On-lending facilities	68,344	-	-	-	-	68,344
Borrowings	-	198,066	-	-	-	198,066
Debt securities issued	-	92,932	-	-	-	92,932
	2,065,284	823,300	3,443	8,718	-	2,900,745
Net on-balance sheet position	156,120	246,902	1,810	24,889	147	429,868

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 Nigerian Naira affects reported earnings through revaluation gain or loss and statement of financial position size through increase or decrease in the revalued amounts of assets and liabilities denominated in US Dollars.

The table below shows the impact on the Bank’s profit and statement of financial position size if the exchange rate between the US Dollars, and Nigerian Naira had increased or decreased by 10%, with all other variables held constant.

In millions of Naira	31 Dec 2015	31 Dec 2014
US Dollar effect of 10% up or (down) movement on profit before tax and balance sheet size	10,132	21,016

3.3.4 Interest Rate Risk

The Group is exposed to a considerable level of interest rate risk-especially on the banking book (i.e. the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates). Interest rate was quite volatile within the period (especially in the Nigerian environment) in various geographical regions where the bank operates. The combined effect of the increase in Monetary Policy Rate (MPR) 11% (from 12%), Foreign Exchange Rate N199.05 (from N185.79), Cash Reserve Ratio (CRR) on Public Deposit 20% (from 75%) and Private deposits 25% (from 20%) by the Central Bank of Nigeria (CBN) resulted in huge jump in the market rates and market volatility. The Monetary Policy rate was moved up twice in Ghana within the year. It was first moved from 21% to 22% in May 2015 and then to 26% in November 2015. The increase was aimed at containing inflationary pressures and to realign interest rates in favour of domestic assets. The rate was largely flat in Gambia, Sierra-Leone and United Kingdom. These changes could have a negative impact on the Net Interest Income, if not properly managed. The Group however, has a significant portion of its liabilities in non-rate sensitive liabilities. This helps it in minimising the impact of the exposure to interest rate risks. The Group also enjoys some form of flexibility in adjusting both lending and deposits rates to reflect current realities.

(a) Group

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

In millions of Naira

At 31 December 2015	Note	Carrying amount	Rate sensitive	Non rate sensitive
Assets				
Cash and balances with central banks	15	761,561	7,500	754,061
Treasury and other eligible bills (Amortized cost)	16	377,928	377,928	-
Assets pledged as collateral	17	265,051	265,051	-
Due from other banks	18	272,194	272,194	-
Derivative assets	19	8,481	8,481	-
Loans and advances to customers (gross)	20	2,032,256	2,032,256	-
Investment securities (Amortized cost and Fair value through OCI)	21	213,141	202,444	10,697
Financial assets (gross)	25	15,034	-	15,034
		3,945,646	3,165,854	779,792
Liabilities				
Customer deposits	28	2,557,884	2,017,265	540,619
Derivative liabilities	28	384	384	-
Financial liabilities	29	186,111	-	186,111
On-lending facilities	30	286,881	286,881	-
Borrowings	31	258,862	258,862	-
Debt securities issued	32	99,818	99,818	-
		3,389,940	2,663,210	726,730
Total interest repricing gap		555,706	502,644	53,062

At 31 December 2015	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	Over 1 year	Total rate sensitive
Assets						
Cash and balances with central banks	7,500	-	-	-	-	7,500
Treasury bills	32,858	46,655	133,141	165,274	-	377,928
Assets pledged as collateral	4,435	20,134	15,548	52,848	172,086	265,051
Due from other banks	268,582	1,871	-	-	1,741	272,194
Derivative assets	-	239	5,224	3,018	-	8,481
Loans and advances to customers (gross)	735,259	88,294	45,498	53,984	1,109,221	2,032,256
Investment securities (Amortized cost and Fair value through OCI)	21	28	36	1,732	200,627	202,444
	1,048,655	157,221	199,447	276,856	1,483,675	3,165,854
Liabilities						
Customer deposits	921,169	70,578	4,466	1,744	1,019,308	2,017,265
Derivative liabilities	-	5	379	-	-	384
On-lending facilities	17,975	71,269	2,615	10,922	184,100	286,881
Borrowings	-	-	-	528	258,334	258,862
Debt securities issued	-	-	-	293	99,525	99,818
	939,144	141,852	7,460	13,487	1,561,267	2,663,210
Total interest repricing gap	109,511	15,369	191,987	263,369	(77,592)	502,644

At 31 December 2014	Note	Carrying amount	Rate sensitive	Non rate sensitive
Assets				
Cash and balances with central banks	15	752,580	336,650	415,930
Treasury and other eligible bills (Amortized cost)	16	295,397	295,397	-
Assets pledged as collaterals	17	151,746	151,746	-
Due from other banks	17	506,568	506,568	-
Derivative assets	19	17,408	17,408	-
Loans and advances to customers (gross)	20	1,758,335	1,758,335	-
Investment securities (Amortized cost and Fair value through OCI)	21	200,079	200,079	-
Financial assets (gross)	25	12,879	-	12,878
		3,694,992	3,266,183	428,808
Liabilities				
Customer deposits	28	2,537,311	2,082,611	454,700
Derivative liabilties	33	6,073	6,073	-
On-lending facilities	30	68,344	68,344	-
Borrowings	31	198,066	198,066	-
Financial liabilities	29	272,289	-	272,289
Debt securities issued	32	92,932	92,932	-
		3,175,015	2,448,026	726,989
Total interest repricing gap		519,977	818,157	(298,181)

In millions of Naira

At 31 December 2014	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	Over 1 year	Total rate sensitive
Assets						
Cash and balances with central banks	107,500	-	-	229,150	-	336,650
Treasury bills	68,010	141,089	54,823	31,475	-	295,397
Assets pledged as collateral	19,756	56,699	21,377	50	53,864	151,746
Due from other banks	491,747	6,961	2,100	5,074	686	506,568
Derivative assets	1,523	2	12,986	2,897	-	17,408
Loans and advances to customers (gross)	628,811	111,588	30,161	63,964	923,811	1,758,335
Investment securities (Amortized cost and Fair value through OCI)	-	33,527	31,715	13,763	121,074	200,079
	1,317,347	349,866	153,162	346,373	1,099,435	3,266,183
Liabilities						
Customer deposits	1,020,568	66,301	1,140	298	994,304	2,082,611
Derivative liabilities	1,242	260	4,300	271	-	6,073
On-lending facilities	-	-	-	-	68,344	68,344
Borrowings	-	67,255	3,302	1,560	125,949	198,066
Debt securities issued	-	-	-	-	92,932	92,932
	1,021,810	133,816	8,742	2,129	1,281,529	2,448,026
Total interest repricing gap	295,537	216,050	144,420	344,244	(182,094)	818,157

The management of interest risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various scenarios. Interest rate movement affects reported income by causing an increase or decrease in net interest income and fair value changes.

The table below shows the impact on the Group's profit before tax if interest rates on financial instruments held at amortized cost or at fair value had increased or decreased by 100 basis points, with all other variables held constant.

In millions of Naira	31 Dec 2015	31 Dec 2014
Effect of 100 basis points movement on profit before tax	9,216	7,495

(b) Bank

The table below summarizes the Bank's interest rate gap position:

In millions of Naira

At 31 December 2015	**Note**	**Carrying amount**	**Rate sensitive**	**Non-rate sensitive**
Assets				
Cash and balances with central banks	15	735,946	7,500	728,446
Treasury and other eligible bills (Amortized cost)	16	330,900	330,900	-
Assets pledged as collateral	17	264,320	264,320	-
Due from other banks	18	266,894	266,894	-
Derivative assets	19	8,481	8,481	-
Loans and advances to customers (gross)	20	1,884,941	1,884,941	-
Investment securities (Amortized cost and Fair value through OCI)	21	150,724	140,709	10,015
Financial assets (gross)		15,109	-	15,109
		3,657,315	2,903,745	753,570
Liabilities				
Customer deposits	28	2,333,017	1,792,398	540,619
Derivative liabilities	33	384	384	-
Financial liabilities	29	197,208	-	197,207
On-lending facilities	30	286,881	286,881	-
Borrowings	31	268,111	268,111	-
Debt securities issued	23	99,818	99,818	-
		3,185,419	2,447,592	737,826
Total interest repricing gap		471,896	456,153	15,744

In millions of Naira

At 31 December 2015	**Up to 1 month**	**1 - 3 months**	**3 - 6 months**	**6 - 12 months**	**Over 1 year**	**Total rate sensitive**
Assets						
Cash and balances with central banks	7,500	-	-	-	-	7,500
Treasury bills	28,066	35,913	118,025	148,896	-	330,900
Assets pledged as collateral	4,435	20,134	15,548	52,848	171,355	264,320
Due from other banks	263,282	1,871	-	-	1,741	266,894
Derivative assets	-	239	5,224	3,018	-	8,481
Loans and advances to customers (gross)	683,739	88,293	45,436	53,991	1,013,482	1,884,941
Investment securities (Amortized cost and Fair value through OCI)	-	-	-	1,395	139,314	140,709
	987,022	146,450	184,233	260,148	1,325,892	2,903,745
Liabilities						
Customer deposits	864,026	53,935	2,475	866	871,096	1,792,398
Derivative liabilities	-	5	379	-	-	384
On-lending facilities	17,975	71,269	2,615	10,922	184,100	286,881
Borrowings	-	-	-	529	267,582	268,111
Debt securities	-	-	-	293	99,525	99,818
	882,001	125,209	5,469	12,610	1,422,303	2,447,592
Total interest repricing gap	105,021	21,241	178,764	247,538	(96,411)	456,153

In millions of Naira

At 31 December 2014	Note	Carrying amount	Rate sensitive	Non rate sensitive
Assets				
Cash and balances with central banks	15	728,291	329,550	398,741
Treasury and other eligible bills (Amortized cost)	16	253,414	253,414	-
Assets pledged as colaterals	19	151,746	151,746	-
Due from other banks	18	470,139	470,139	-
Derivative assets		16,896	16,896	-
Loans and advances to customers (gross)	20	1,605,581	1,605,581	-
Investment securities (Amortized cost and Fair value through OCI)	21	92,832	92,832	-
Financial assets (gross)	25	11,714	-	11,713
		3,330,613	2,920,158	410,454
Liabilities				
Customer deposits	28	2,265,262	1,861,172	404,090
Financial liabilities	29	270,068	-	270,068
Derivative liabilities		6,073	6,073	-
On-lending facilities	30	68,344	68,344	-
Borrowings	31	198,066	198,066	-
Debt securities issued		92,932	92,932	-
		2,900,745	2,226,587	674,158
Total interest repricing gap		429,868	693,571	(263,704)

At 31 December 2014	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	Over 1 year	Total rate sensitive
Assets						
Cash and balances with central banks	98,865	-	-	230,685	-	329,550
Treasury bills	60,725	118,775	47,250	26,664	-	253,414
Assets pledged as collateral	19,756	71,699	21,377	50	38,864	151,746
Due from other banks	455,318	6,961	2,100	5,074	686	470,139
Derivative assets	1,523	2	12,474	2,897	-	16,896
Loans and advances to customers (gross)	606,998	109,254	27,607	56,820	804,902	1,605,581
Investment securities (Amortized cost and Fair value through OCI)	-	-	31,715	8,577	52,540	92,832
	1,243,185	306,691	142,523	330,767	896,992	2,920,158
Liabilities						
Customer deposits	950,986	62,263	1,068	296	846,559	1,861,172
Derivative liabilities	1,242	260	4,300	271	-	6,073
On-lending facilities	-	-	-	-	68,344	68,344
Borrowings	-	67,255	3,302	9,245	118,264	198,066
Debt securities issued	-	-	-	-	92,932	92,932
	952,228	129,778	8,670	9,812	1,126,099	2,226,587
Total interest repricing gap	290,957	176,913	133,853	320,955	(229,107)	693,571

The management of interest risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various scenarios. Interest rate movement affects reported income by causing an increase or decrease in net interest income and fair value changes.

The table below shows the impact on the Bank's profit before tax if interest rates on financial instruments held at amortized cost or at fair value had increased or decreased by 100 basis points, with all other variables held constant.

In millions of Naira	31 Dec 2015	31 Dec 2014
Effect of 100 basis points movement on profit before tax	9,640	7,985

The effect of 100 basis points movement on profit is considered moderate and we do not expect all the rates to move at the same time and in the same direction. This risk can largely be handled by the flexibility in the changing/adjusting rates on loans and deposits.

3.3.5 Equity and commodity price risk

The Group is exposed to equity price risk by holding investments quoted on the Nigerian Stock Exchange (NSE) and other non-quoted investments. Equity securities quoted on the NSE are exposed to movement based on the general movement of the all share index and movement in prices of specific securities held by the Group.

Unquoted equity security held by the Group is mainly 5% equity holding in African Finance Corporation (AFC) valued at N 8.9 billion (cost N6.4 billion) as at 31 December 2015. The AFC is a private sector-led investment bank and development finance institution which has the Central Bank of Nigeria (CBN) as the single major shareholder (42.5%) with other African financial institutions and investors holding the remaining shares. The AFC operates a US Dollar denominated statement of financial position and provides financing in this currency.

The Group does not deal in commodities and is therefore not exposed to any commodity price risk.

3.3.6 Fair value of financial assets and liabilities

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy.

1 Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

2 Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

3 Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

Financial instruments not measured at fair value.

Group

	Note	At 31 December 2015			At 31 December 2014		
In millions of Naira		**Carrying value**	**Fair value**	**Fair value hierarchy**	**Carrying value**	**Fair value**	**Fair value hierarchy**
Assets							
Cash and balances with central banks	15	761,561	761,561	2	752,580	752,580	2
Treasury bills (Amortized cost)	16	324,230	355,556	1	294,235	282,536	1
Assets pledged as collateral	17	265,051	304,804	1	151,746	152,100	1
Due from other banks	18	272,194	272,194	2	506,568	506,568	2
Loans and advances to customers (gross)	20	2,032,256	1,487,515	3	1,758,335	1,305,066	3
Investment securities	21	195,737	229,542	2	186,544	193,846	2
Financial assets (gross)	25	15,034	15,034	3	12,879	12,879	3
Liabilities							
Customer's deposits	28	2,557,884	2,551,143	2	2,537,311	2,534,441	2
Financial liabilities	29	186,111	186,111	3	272,289	272,289	3
On-lending facilities	30	286,881	275,641	2	68,344	63,985	2
Borrowings	31	258,862	263,268	3	198,066	188,829	3
Debt securities issued	32	99,818	82,667	2	92,932	87,005	2

Bank

In millions of Naira	Note	At 31 December 2015 Carrying value	Fair value	Fair value hierarchy	At 31 December 2014 Carrying value	Fair value	Fair value hierarchy
Assets							
Cash and balances with central banks	15	735,946	735,946	2	728,291	728,291	2
Treasury bills (Amortized cost)	16	277,202	277,350	1	252,252	242,516	1
Assets pledged as collateral	17	264,320	304,193	1	151,746	152,100	1
Due from other banks	18	266,894	266,894	2	470,139	470,139	2
Loans and advances to customers (gross)	20	1,884,941	1,385,377	3	1,605,581	1,308,623	3
Investment securities	21	134,002	157,145	1	79,469	79,469	1
Financial assets (gross)	25	15,109	15,109	3	11,714	11,713	3
Liabilities							
Customer's deposits	28	2,333,017	2,326,960	2	2,265,262	2,262,566	2
Financial liabilities	29	197,208	197,207	3	270,068	270,068	3
On-lending facilities	30	286,881	275,641	2	68,344	63,985	2
Borrowings	31	268,111	263,268	3	198,066	189,071	3
Debt securities issued	32	99,818	82,667	2	92,932	87,005	2

Where available, the fair value of loans and advances is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes expected lifetime credit losses, interest rates, prepayment rates and primary origination or secondary market spreads. For collateral – dependent impaired loans, the fair value is measured based on the value of the underlying collateral.

The fair value of deposits from banks and customers is estimated using discounted cash flow techniques, applying the rates that are offered for deposits of similar maturities and terms. The fair value of deposits payable on demand is the amount payable at the reporting date.

No fair value disclosures are provided for equity investment securities of N71 million (31 December 2014: N 152 million) that are measured at cost because their fair value cannot be measured reliably.

Financial instruments measured at fair value

At 31 December 2015

In millions of Naira	Level 1	Level 2	Level 3
Financial assets			
Treasury bills (FVTPL)	53,698	-	-
Debt securities (FVTPL)	6,707	-	-
Derivative assets	-	8,481	-
Derivative liabilities	-	384	-
Investment securities (unquoted)	-	-	10,697

Reconciliation of Level 3 items	
At 31 December 2014	13,535
Gains/(losses) recognised through profit or loss	510
Gains/(losses) recognised through other comprehensive income	(1,752)
Disposal of equity securities	(1,596)
At 31 December 2015	**10,697**

At 31 December 2014

In millions of Naira	Level 1	Level 2	Level 3
Financial assets			
Derivative assets held for risk management	-	17,408	-
Bonds (FVTPL)	1,162	-	-
Investment securities (unquoted)	-	-	13,535
	1,162	**17,408**	**13,535**

Reconciliation of Level 3 items	
At 31 December 2013	10,654
Gains/(losses) recognised through profit or loss	332
Gains/(losses) recognised through other comprehensive income	2,549
At 31 December 2014	**13,535**

Level 3 fair value measurements

a. Unobservable inputs used in measuring fair value

The table below sets out information about significant unobservable inputs used at 31 December 2015 and 31 December 2014 in measuring financial instruments categorized as level 3 in the fair value hierarchy

Type of financial instrument	Fair values at 31 Dec 2015	Valuation technique	Significant unobservable input	Range of estimates (average) for unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Unquoted equity investment	N9.9 billion	Equity DCF model.	-Discount rate. -Estimate cash flow.	Risk premium of 11.44-11.68% (11.96%) above risk-free interest rate (2.23%) (December 2014:9.23-11.29% (10.26%) above risk free rate (2.17%)) 5-year Compound Annual Growth Rate (CAGR) of cash flow of 16-17% (12%) (December 2014: 17-19% (18%))	A significant increase in the risk premium above the risk rate would result in a lower fair value. A significant increase in the CAGR of cash flow would result in a higher fair value

Risk premium is determined by adding country risk premium to the product of market premium and equity beta.

b. The effect of unobservable inputs on fair value measurements.

Although the Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurement in Level 3, changing one or more of the assumptions would have the following effects.

Effect on OCI

At 31 December 2015

In millions of Naira	**At 31 December 2015 Favourable changes**	**Un-favourable changes**	**At 31 December 2014 Favourable changes**	**Un-favourable changes**
Unquoted investment securities	2.00	(0.64)	12.00	(4.00)

The favourable and unfavourable effects of using reasonably possible alternative assumptions for valuation of unquoted equity securities have been calculated by recalibrating the model values using unobservable inputs based on upper and lower quartile respectively of the Group's range of possible estimates. Key inputs and assumptions used in the model at 31 December 2015 included a risk premium 11.56**%** above the risk-free interest rate of 2.23% (with reasonably possible alternative assumptions of 11.44% and 11.68%) (31 December 2014: 10.26, 9.23 and 11.29 % respectively above risk free rate of 2.17%), and a 5-year CAGR of 19% (with reasonable possible alternative assumptions of 18 and 20%) (31 December 2014: 18, 17, 19 % respectively).

The fair values of quoted equity securities are determined by reference to quoted prices (unadjusted) in active markets for identical instruments. For unquoted equity securities, where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. The fair value of our unquoted equity holding in African Finance Corporation (AFC) is determined using equity discounted cash flow model. Inputs into the model include estimated future cash flows to equity, valuation horizon and Capital Asset Pricing Model (CAPM) discount rate (Risk free rate plus risk premium).

(c) Fair valuation methods and assumptions

(i) Cash and balances with central banks

Cash and balances with Central banks represent cash held (including mandatory cash reserve requirements of 31 December 2015: N404 billion, 31 December 2014: N 508 billion) with Central banks of the various jurisdictions in which the Group operates. The fair value of these balances is their carrying amounts.

(ii) Due from other banks

Due from other banks represents balances with local and correspondence banks, inter-bank placements and items in the course of collection. The fair value of the current account balances, floating placements and overnight deposits are their carrying amounts.

(iii) Treasury bills and investment securities

Treasury bills represent short term instruments issued by the Central banks of the jurisdiction where the Group has operations. The fair value of treasury bills and bonds at fair value through profit or loss are determined with reference to quoted prices (unadjusted) in active markets for identical assets. The estimated fair value of treasury bills and bonds at amortized cost represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

The fair values of quoted equity securities are determined by reference to quoted prices (unadjusted) in active markets for identical instruments. The fair value of the unquoted equity holding in AFC is determined on the basis of the discounted cashflow methodology which takes into account the discounted stream of future income and free cashflows of the investment. Subsequently,the percentage holding of the Bank is then applied on the derived company value.

(iv) Loans and advances to customers

Loans and advances are carried at amortized cost net of provision for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(v) Other assets

Other assets represent monetary assets which usually has a short recycle period and as such the fair values of these balances approximate their carrying amount.

(vi) Customer deposits and borrowings

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair values of fixed interest-bearing deposits and borrowings are determined using a discounted cash flow model based on a current yield curve appropriate for the remaining term to maturity.

(vii) *Derivatives*

The Group uses widely recognised valuation models for determing the fair value of common and simple financial instruments, such as interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices or model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple OTC derivatives such as 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 determing fair values. Availability of observable markets 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.

3.4 Liquidity risk

Liquidity risk is the potential loss arising from the Group's inability to meet its obligations as they fall due or to fund increases in assets without incurring unacceptable cost or losses. Liquidity risk is not viewed in isolation, because financial risks are not mutually exclusive and liquidity risk is often triggered by consequences of other bank risks such as credit, market and operational risks.

3.4.1 Liquidity risk management process

The Group has a sound and robust liquidity risk management framework that ensures that sufficient liquidity, including a cushion of unencumbered and high quality liquid assets are maintained at all times, to enable the Group withstand a range of stress events, including those that might involve loss or impairment of funding sources.

The Group's liquidity risk exposure is monitored and managed by the Asset and Liability Management Committee (ALCO) on a regular basis. This process includes:

(a) Projecting cash flows and considering the level of liquid assets necessary in relation thereto;

(b) Monitoring balance sheet liquidity ratios against internal and regulatory requirements;

(c) Maintaining a diverse range of funding sources with adequate back-up facilities;

(d) Managing the concentration and profile of debt maturities;

(e) Monitoring depositor concentration in order to avoid undue reliance on large individual depositors and ensure a satisfactory overall funding mix;

(f) Maintaining up to date liquidity and funding contingency plans. These plans identify early indicators of stress conditions and describe actions to be taken in the event of difficulties arising from systemic or other crises while minimizing any adverse long-term implications for the business.

(g) Regular conduct of stress testing, coupled with testing of contingency funding plans from time to time.

The Maximum Cumulative Outflow has remained positive all through the short tenor maturity buckets. Assessments are carried out on Contractual basis. These reveal very sound and robust liquidity position of the Group.

The Group maintains adequate liquid assets and marketable securities sufficient to manage any liquidity stress situation. The liquidity ratio remains one of the best among the peer banks and is far above the regulatory limits.

3.4.2 Stress testing and contingency funding

Stress testing

Zenith Bank Plc considers different liquidity risk mitigation tools, including a system of limits and liquidity buffers in order to be able to withstand a range of different stress events and adequately diversify funding structure and access to funding sources. Those events are regularly reviewed and monitored by the Asset and Liability Committee (ALCO). Alternative scenarios on liquidity positions and on risk mitigants are considered. In line with standard risk Management practise and global best practise, the Bank:

1. Conducts on a regular basis appropriate stress tests so as to:

   (a) Identify sources of potential liquidity strain;

   (b) Ensure that current liquidity exposures continue to conform to the liquidity risk tolerance established by the board

2. Analyses the separate and combined impact of possible future liquidity stresses on:

   (a) Cash flows;

   (b) Liquidity position;

   (c) Profitability.

The Board and the Asset and Liability Committee (ALCO) reviews regularly the stresses and scenarios tested to ensure that their nature and severity remain appropriate and relevant to the Bank . This reviews takes into the account the followings:

1. Changes in market conditions;
2. Changes in the nature, scale or complexity of the Bank's business model and activities;
3. The Bank's practical experience in periods of stress.

The Bank considers the potential impact of idiosyncratic (Institution Specific), market-wide and combined alternative scenarios while carrying out the test so as to ensure that all areas are appropriately covered. In addition, the Bank also considers the impact of severe stress scenarios.

Contingency Funding Plan

The Bank maintains a contingency funding plan which sets out strategies for addressing liquidity

(a) outlines strategies, policies and plans to manage a range of stresses;

(b) establishes a clear allocation of roles and clear lines of management responsibility;

(c) Is formally documented;

(d) includes clear invocation and escalation procedures;

(e) Is regularly tested and the result shared with the ALCO and Board;

(f) Outlines that banks operational arrangements for managing a huge funding run;

(g) is sufficiently robust to withstand simultaneous disruptions in a range of payment and settle

(h) Outlines how the bank will manage both internal communications and those with its external

(i) Establishes mechanisms to ensure that the board and Senior Management receive management

As part of the contingency funding plan process, the bank maintains committed credit lines that can be drawn in case of liquidity crises . These lines are renewed as at when due.

3.4.3 Funding approach

Our sources of liquidity are regularly reviewed by both the ALCO and the Treasury Group in order to avoid undue reliance on large individual depositors and ensure that a satisfactory overall funding mix is maintained at all times. The funding strategy is geared toward ensuring effective diversification in the sources and tenor of funding. The Group however places greater emphasis on demand deposits as against purchased funds in order to minimize the cost of funding.

As part of the management of liquidity risk arising from financial liabilities, the Group holds liquid assets comprising cash and cash equivalents, and debt securities issued by sovereigns, which can be readily sold to meet liquidity requirements. In addition, the Group maintains agreed lines of credit with other banks.

(i) Exposure to liquidity risk

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, 'net liquid assets' includes cash and cash equivalents and investment-grade debt securities for which there is an active and liquid market less any balances with foreign banks and regulatory restricted cash. Customers' deposit excludes deposit denominated in foreign currencies. Details of the reported Group ratio of net liquid assets to deposits from customers at the reporting date and during the reporting period were as follows.

	Group	Group	Bank	Bank
	31 Dec 2015	**31 Dec 2014**	**31 Dec 2015**	**31 Dec 2014**
At 31 December 2015	51.37%	46.80%	47.74%	48.11%
Average for the period	49.24%	46.95%	41.17%	42.77%
Maximum for the period	56.83%	57.55%	50.16%	49.89%
Minimum for the period	43.35%	37.30%	33.85%	35.99%

(ii) Liquidity reserve

The table sets out the component of the Group's liquidity reserve.

Group	**31 Dec 2015**	**31 Dec 2015**	**31 Dec 2014**	**31 Dec 2014**
In millions of naira	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Cash and balances with CBN	358,007	358,007	244,434	244,434
Treasury Bills	377,928	355,556	295,397	295,397
Balances with other banks	93,087	84,844	232,188	232,188
Investment securities	166,690	181,011	148,673	148,673
Assets pledged as collaterals	104,701	207,528	151,746	152,100
Total	**1,100,413**	**1,186,946**	**1,072,438**	**1,072,792**
Bank				
Cash and balances with CBN	332,502	332,502	220,216	220,216
Treasury Bills	330,900	277,350	253,414	253,414
Balances with other banks	31,576	38,577	147,923	147,923
Investment securities	105,863	157,145	123,672	123,672
Assets pledged as collaterals	104,581	144,454	151,746	152,100
Total	**905,422**	**950,028**	**896,971**	**897,325**

(iii) Financial assets available to support funding

The table below sets out the availabilty of the Group's financial assets to support future funding

'In millions of Naira
Group

		At 31 December 2015			At 31 December 2014		
	Note	**Encumbered**	**Unencumbered**	**Total**	**Encumbered**	**Unencumbered**	**Total**
Cash and balances with central banks	15	403,554	358,007	761,561	508,146	244,434	752,580
Treasury bills	16	-	377,928	377,928	-	295,397	295,397
Assets pledged as collateral	17	265,051	-	265,051	151,746	-	151,746
Due from other banks	18	-	272,194	272,194	-	506,568	506,568
Loans and advances	20	-	1,989,313	1,989,313	-	1,729,507	1,729,507
Investment securities	21	-	213,141	213,141	-	200,079	200,079
Financial assets (gross)	25	-	15,034	15,034	-	12,879	12,879

'In millions of Naira
Bank

		At 31 December 2015			At 31 December 2014		
	Note	**Encumbered**	**Unencumbered**	**Total**	**Encumbered**	**Unencumbered**	**Total**
Cash and balances with central banks	15	403,444	332,502	735,946	508,075	220,216	728,291
Treasury bills	16	-	330,900	330,900	-	253,414	253,414
Assets pledged as collateral	17	264,320	-	264,320	151,746	-	151,746
Due from other banks	18	-	266,894	266,894	-	470,139	470,139
Loans and advances	20	-	1,849,225	1,849,225	-	1,580,250	1,580,250
Investment securities	21	-	150,724	150,724	-	92,832	92,832
Financial assets (gross)	25	-	15,109	15,109	-	11,714	11,714

(iv) Financial assets pledged as collateral

The total financial assets recognised in the statement of financial position that has been pledged as collateral for liabilities as at 31 December 2015 and 31 December 2014 are shown above. Financial assets are pledged as collateral as part of sales and repurchases, borrowing transaction and collection agency transactions under terms that are usual for such activities.

The Group does not hold any financial assets accepted as collateral that the Group is permitted to sell or repledge in the absence of default.

3.4.4 Liquidity gap analysis

The table below presents the cash flows of the Group's financial assets and liabilities and other liabilities by their remaining contractual maturities at the statement of financial position date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Group manages the inherent liquidity risk based on expected undiscounted cash flows.

The Group's loan disbursement and availment process is centralized and controlled by Credit Risk Management Group (CRMG) of each banking subsidiary. All loan commitments advised to customers in offer letters are contingent on the satisfaction of conditions precedent to draw down and availability of funds. Additionally, the Group retains control of drawings on approved loan facilities, through a referral method, where any such drawings must be sanctioned before it is processed. This ensures that the Group's commitments on any loan is to the extent of the drawn amount at any point in time.

(a) Group

At 31 December 2015 In millions of Naira	Note	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	Over 1 year	Gross nominal inflow/ (outflow)	Carrying amount
Assets								
Non-derivative assets								
Cash and balances with central banks	15	350,646	-	-	403,554	-	754,200	761,561
Treasury bills	16	32,859	46,655	133,141	165,273	-	377,928	377,928
Assets pledged as collateral	17	4,435	20,134	15,548	52,848	172,086	265,051	265,051
Due from other banks	18	268,838	1,871	-	-	1,741	272,450	272,194
Loans and advances to customers (gross)	20	736,565	88,294	45,498	53,984	1,109,221	2,033,562	1,989,313
Investment securities	21	21	28	36	1,732	177,673	179,490	213,141
Financial assets (gross)	25	15,034	-	-	-	-	15,034	15,034
		1,408,398	**156,982**	**194,223**	**677,391**	**1,460,721**	**3,897,715**	**6,387,032**
Derivative assets								
Trading:	19	-	-	-	-	-	-	8,481
Inflow		-	-	16,727	4,451	-	21,178	-
Outflow		-	(9,940)	(40)	(61)	-	(10,041)	-
Risk management:		-	-	-	-	-	-	-
Inflow		-	-	-	-	-	-	-
Outflow		-	-	-	-	-	-	-
		-	**(9,940)**	**16,687**	**4,390**	**-**	**11,137**	**6,395,513**
Liabilities								
Non-derivative liabilities								
Customer's deposits	28	2,475,614	70,578	4,466	1,723	19	2,552,400	2,557,884
Financial liabilities	29	186,111	-	-	-	-	186,111	186,111
On-lending facilities	30	17,945	71,269	2,615	10,922	184,100	286,851	286,881
Borrowings	31	-	-	-	27	267,582	267,609	258,862
Debt securities issued	32	-	-	-	529	289,492	290,021	99,818
Financial guarantees contracts	39	-	11,577	14,520	35,100	60,440	121,637	121,637
		2,679,670	**153,424**	**21,601**	**48,301**	**801,633**	**3,704,629**	**3,511,193**
Derivative liabilities								
Trading:	33							384
inflow		-	1,985	10,200	-	-	12,185	-
outflow		-	-	-	-	-	-	-
Risk management:		-	-	-	-	-	-	-
inflow		-	-	-	-	-	-	-
outflow		-	-	-	-	-	-	-
		-	**1,985**	**10,200**	**-**	**-**	**12,185**	**3,511,577**

At 31 December 2014 In millions of Naira	Note	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	Over 1 year	Gross nominal inflow/ (outflow)	Carrying amount
Assets								
Non-derivative assets								
Cash and balances with central banks	15	229,325	-	-	523,255	-	752,580	752,580
Treasury bills	16	66,781	138,539	53,834	30,906	-	290,060	295,397
Assets pledged as collateral	17	19,399	55,674	20,991	49	52,890	149,003	151,746
Due from other banks	18	490,513	6,943	2,094	5,060	684	505,294	506,568
Loans and advances to customers (gross)	20	628,498	111,533	30,146	63,931	923,351	1,757,459	1,758,335
Investment securities	21	-	33,470	31,661	13,739	120,867	199,737	200,079
Financial assets (gross)	25	12,878	-	-	-	-	12,878	12,879
		1,447,394	**346,159**	**138,726**	**636,940**	**1,097,792**	**3,667,011**	**3,677,584**
Derivative assets								
Trading:	19	-	-	-	-	-	-	17,408
Inflow		14,817	-	-	-	-	14,817	-
Outflow		(70,251)	-	(33,787)	(40,150)	-	(144,188)	-
Risk management:		-	-	-	-	-	-	-
Inflow		-	-	-	-	-	-	-
Outflow		-	-	-	-	-	-	-
		(55,434)	**-**	**(33,787)**	**(40,150)**	**-**	**(129,371)**	**3,694,992**
Liabilities								
Non-derivative liabilities								
Customer's deposits	28	2,469,564	66,301	1,140	306	-	2,537,311	2,537,311
Financial liabilities	29	272,289	-	-	-	-	272,289	272,289
On-lending facilities	30	-	-	-	-	48,684	48,684	68,344
Borrowings	31	-	62,547	3,071	1,451	117,133	184,202	198,066
Debt securities issued	32	-	-	-	-	92,650	92,650	92,932
Financial guarantees contracts	39	3,630	11,100	7,370	20,673	39,890	82,663	82,663
		2,745,483	**139,948**	**11,581**	**22,430**	**298,357**	**3,217,799**	**3,251,605**
Derivative liabilities								
Trading:	33	-	-	-	-	-	-	6,073
Outflow		(366)	-	-	-	-	(366)	-
Inflow		18,148	-	1,409	44,817	4,769	69,143	-
Risk management:		-	-	-	-	-	-	-
Outflow		-	-	-	-	-	-	-
Inflow		-	-	-	-	-	-	-
		17,782	**-**	**1,409**	**44,817**	**4,769**	**68,777**	**3,257,678**

Notes to the Consolidated and Separate Financial Statements for the Year Ended 31 December 2015

(a) Bank

At 31 December 2015 In millions of Naira	Note	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	Over 1 year	Gross nominal inflow/ (outflow)	Carrying amount
Assets								
Non-derivative assets								
Cash and balances with central banks	15	325,141	-	-	403,444	-	728,585	735,946
Treasury bills	16	28,067	35,913	118,025	148,895	-	330,900	330,900
Assets pledged as collateral	17	4,435	20,134	15,548	52,848	171,355	264,320	264,320
Due from other banks	18	263,538	1,871	-	-	1,741	267,150	266,894
Loans and advances to customers (gross)	20	685,045	88,293	45,436	53,991	1,013,482	1,886,247	1,884,941
Investment securities	21	-	-	-	1,395	115,678	117,073	150,724
Financial assets (gross)	25	15,109	-	-	-	-	15,109	15,109
		1,321,335	**146,211**	**179,009**	**660,573**	**1,302,256**	**3,609,384**	**5,897,433**
Derivative assets								
Trading:	19	-	-	-	-	-	-	8,481
Inflow		-	-	16,727	4,451	-	21,178	-
Outflow		-	(9,940)	(40)	(61)	-	(10,041)	-
Risk management:		-	-	-	-	-	-	-
Inflow		-	-	-	-	-	-	-
Outflow		-	-	-	-	-	-	-
		-	**(9,940)**	**16,687**	**4,390**	**-**	**11,137**	**5,905,914**
Liabilities								
Non-derivative liabilities								
Customer's deposits	28	2,270,277	53,935	2,475	846	-	2,327,533	2,333,017
Financial liabilities	29	197,207	-	-	-	-	197,207	197,208
On-lending facilities	30	17,945	71,269	2,615	10,922	184,100	286,851	286,881
Borrowings	31	-	-	-	27	267,582	267,609	268,111
Debt securities issued	32	-	-	-	293	98,538	98,831	99,818
Financial guarantees contracts	39	-	11,577	14,520	35,100	60,440	121,637	121,637
		2,485,429	**136,781**	**19,610**	**47,188**	**610,660**	**3,299,668**	**3,306,672**
Derivative liabilities								
Trading:	33	-	-	-	-	-	-	384
inflow		-	1,985	10,200	-	-	12,185	-
outflow		-	-	-	-	-	-	-
Risk management:		-	-	-	-	-	-	-
inflow		-	-	-	-	-	-	-
outflow		-	-	-	-	-	-	-
		-	**1,985**	**10,200**	**-**	**-**	**12,185**	**3,307,056**

At 31 December 2014 In millions of Naira	Note	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	Over 1 year	Gross nominal inflow/ (outflow)	Carrying amount
Assets								
Non-derivative assets								
Cash and balances with central banks	15	220,216	-	-	508,075	-	728,291	728,291
Treasury bills	16	59,628	116,628	46,396	26,181	-	248,833	253,414
Assets pledged as collateral	17	19,399	55,674	20,991	49	52,890	149,003	151,746
Due from other banks	18	455,318	6,962	2,100	5,074	685	470,139	470,139
Loans and advances to customers (gross)	20	606,696	109,200	27,594	56,791	804,500	1,604,781	1,580,250
Investment securities	21	-	-	46,635	8,563	37,475	92,673	92,832
Financial assets (gross)	25	11,713	-	-	-	-	11,713	11,714
		1,372,970	**288,464**	**143,716**	**604,733**	**895,550**	**3,305,433**	**3,288,386**
Derivative assets								
Trading:	19	-	-	-	-	-	-	16,896
Inflow		14,152	-	-	-	-	14,152	-
Outflow		(6,781)	-	(91,615)	(27,048)	-	(125,444)	-
Risk management:		-	-	-	-	-	-	-
Inflow		-	-	-	-	-	-	-
Outflow		-	-	-	-	-	-	-
		7,371	**-**	**(91,615)**	**(27,048)**	**-**	**(111,292)**	**3,305,282**
Liabilities								
Non-derivative liabilities								
Customer's deposits	28	2,201,626	62,264	1,068	304	-	2,265,262	2,265,262
Financial liabilities	29	270,068	-	-	-	-	270,068	270,068
On-lending facilities	30	-	-	-	-	48,684	48,684	68,344
Borrowings	31	-	62,547	3,071	1,451	117,132	184,201	198,066
Debt securities issued	32	-	-	-	-	92,650	92,650	92,932
Financial guarantees contracts	39	3,630	11,100	7,370	20,673	39,890	82,663	82,663
		2,475,324	**135,911**	**11,509**	**22,428**	**298,356**	**2,943,528**	**2,977,335**
Derivative liabilities								
Trading:	33	-	-	-	-	-	-	6,073
Outflow		(366)	-	-	-	-	(366)	-
Inflow		18,148	-	1,409	44,817	4,769	69,143	-
Risk management:		-	-	-	-	-	-	-
Outflow		-	-	-	-	-	-	-
Inflow		-	-	-	-	-	-	-
		17,782	**-**	**1,409**	**44,817**	**4,769**	**68,777**	**2,983,408**

Maturity analysis for financial assets and financial liabilities (continued)

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

Type of financial instrument	Basis on which amounts compiled
Non-derivative financial liabilities and financial assets	Undiscounted cash flows, which include estimated interest payments.
Issued financial guarantee contracts, and unrecognised loan commitments	Earliest possible contractual maturity. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.
Derivative financial liabilities and financial assets held for risk management purposes	Contractual undiscounted cash flows. The amounts shown are the gross nominal inflows and outflows for derivatives that have simultaneous gross settlement (e.g. forward exchange contracts and currency swaps) and the net amounts for derivatives that are net settled.
Trading derivative liabilities and assets forming part of the Group's proprietary trading operations that are expected to be closed out before contractual maturity	Fair values at the date of the statement of financial position. This is because contractual maturities are not reflective of the liquidity risk exposure arising from these positions. These fair values are disclosed in the 'less than one month' column.
Trading derivative liabilities and assets that are entered into by the Group with its customers	Contractual undiscounted cash flows. This is because these instruments are not usually closed out before contractual maturity and so the Group believes that contractual maturities are essential for understanding the timing of cash flows associated with these derivative positions.

The Group's expected cash flows on some financial assets and financial liabilities vary significantly from the contractual cash flows. The principal differences are as follows:

• demand deposits from customers are expected to remain stable or increase;

• unrecognised loan commitments are not all expected to be drawn down immediately; and

As part of the management of liquidity risk arising from financial liabilities, the Group holds liquid assets comprising cash and cash equivalents, and debt securities issued by sovereigns, which can be readily sold to meet liquidity requirements. In addition, the Group maintains agreed lines of credit with other banks and holds unencumbered assets eligible for use as collateral with central banks (these amounts are referred to as the 'Group's liquidity reserves').

3.5 Capital management

The strategy for assessing and managing the impact of our business plans on present and future regulatory capital forms an integral part of the Group's strategic plan. Specifically, the Group considers how the present and future capital requirements will be managed and met against projected capital requirements. This is based on the Group's assessment and against the supervisory/regulatory capital requirements taking account of the Group business strategy and value creation to all its stakeholders.

The Group prides itself in maintaining very healthy capital adequacy ratio in all its areas of operations. Capital levels are determined either based on internal assesments or regulatory requirements.

The Capital Adequacy of the Group is reviewed regularly to meet regulatory requirements and standard of international best practises in order to adopt and implement the decisions necessary to maintain the capital at a level that ensures the realisation of the business plan with a certain safety margin.

The Group undertakes a regular monitoring of capital adequacy and the application of regulatory capital by deploying internal systems based on the guidelines provided by the Central Bank of Nigeria (CBN) and the regulatory authorities of the subsidiaries for supervisory purposes.

The group has consistently met and surpassed the minimum capital adequacy requirments applicable in all areas of operations.

Most of the Group's capital is Tier 1 (Core Capital) which consists of essentially share capital, and reserves created by appropriations of retained earnings.

Banking subsidiaries in the Group, not incorporated in Nigeria, are directly regulated and supervised by their local banking supervisor and are required to meet the capital requirement directive of the local regulatory jurisdiction. Parental support and guidance are given at the Group level where the risk level in the Group in relation to capital level and adequacy is closely monitored. The Group supports and meet all capital requests from these regulatory jurisdictions and determine the adequacy based on its expansion strategies and internal capital assessments.

The Group's capital plan is linked to its business expansion strategy which anticipates the need for growth and expansion in its branch network and IT infrastructure. The capital plan sufficiently meets regulatory requirements as well as providing adequate cover for the Group's risk profile. The Group's capital adequacy remains strong and the capacity to generate and retain reserves continues to grow.

The Group will only seek additional capital where it finds compellling business need for it and with the expectation that the returns would adequately match the efforts and risks undertaken.

The following sources of funds are available to the group to meet its capital growth requirements:

1. Profit from Operations :The Group has consistently reported good profit which can easily be retained to support the capital base.

2. Issue of Shares: The Group can successfully access the capital market to raise desired funds for its operations and needs.

3. Bank Loans (Long Term/short Term).

In 2014 financial year, Zenith Bank commenced capital computations in accordance with Basel II standard under the guidelines issued by the Central Bank of Nigeria. The guidelines require capital adequacy computations based on the Standardized Measurement Approach for Credit Risk and Market Risk while Basic Indicator Measurement Approach was advised for Operational Risk. The capital requirement for the Bank has been set at 15% and an addition of 1% as a Systemically Important Bank (SIB) in accordance with the guidelines.

The table below shows the computation of the Group's capital adequacy ratio for the year ended 31 December 2015 as well as the 31 December 2014 comparatives. During those two years, the individual entities within the Group complied with all of the externally imposed capital requirements to which they are subject.

The Group and Bank's capital adequacy ratio are above the minimum statutory requirement.

	Group		Bank	
In millions of Naira	**31 Dec 2015**	**31 Dec 2014**	**31 Dec 2015**	**31 Dec 2014**
Tier 1 capital	**Basel II**	**Basel II**	**Basel II**	**Basel II**
Share capital	15,698	15,698	15,698	15,698
Share premium	255,047	255,047	255,047	255,047
Statutory reserves	93,093	78,267	86,400	71,582
SMEIES reserve	3,729	3,729	3,729	3,729
Retained earnings	200,115	183,396	160,408	150,342
Total qualifying Tier 1 capital	567,682	536,137	521,282	496,398
Deferred tax assets	(5,607)	(6,449)	(5,131)	(6,333)
Intangible assets	(3,240)	-	(2,753)	-
Investment in capital and financial subsidiaries	-	-	(28,689)	(26,937)
Adjusted Total qualifying Tier 1 capital	558,835	529,688	484,709	463,128
Tier 2 capital				
Other comprehensive income (OCI)	2,613	4,229	4,314	6,066
Total qualifying Tier 2 capital	2,613	4,229	4,314	6,066
Investment in capital and financial subsidiaries	-	-	(4,314)	(6,066)
Net Tier 2 capital	2,613	4,229	-	-
Total regulatory capital	561,448	533,917	484,709	463,128
Risk-weighted assets				
Credit risk	2,078,727	2,187,827	1,876,380	1,970,896
Market risk	17,670	7,685	6,983	2
Operational risk	540,020	484,443	509,493	462,264
Total risk-weighted assets	2,636,417	2,679,955	2,392,856	2,433,162
Risk-weighted Capital Adequacy Ratio (CAR)	**21 %**	**20 %**	**20 %**	**19 %**

3.6 Operational risk

Operational Risk is the risk of loss resulting from inadequate and /or failed internal processes, people and systems or from external events, including legal risk and any other risks that is deemed fit on an ongoing basis but exclude reputation & strategic risk. Operational risk exists in all products and business activities.

The Group has a broad Operational Risk management framework which defines the set of activities designed to proactively identify, assess and manage all operational risk by aligning the people, technology and processes with best risk management practices towards enhancing stake holder's value and sustaining industry leadership.

Operational risk objectives include the following:

- To provide clear and consistent direction in all operations of the group
- To provide a standardised framework and appropriate guidelines for creating and managing all operational risk exposures
- To enable the group identify and analyse events (both internal and external) that impact on its business.

The Operational Risk unit constantly carry-out reviews to identify and assess the operational risk inherent in all material products, activities, processes and sytems. It also ensures that all business unit within the Bank monitor their operational risk using set standards and indicators. Siginificant issues and exceptions are reported to Risk Management and are also picked up by the independent risk function for discussion at the risk management committee.

Disaster recovery procedures, business continuity planning, self compliance assurance and internal audit also form an integral part of our operational risk management process.

There was no significant financial loss resulting from operational risk incidence during the financial year across the group. However, the terorrist activities in the North-East part of Nigeria impacted on business operation in those locations to a certain extent.

3.7 Strategic risk

Strategic risk is a possible source of loss that might arise from the pursuit of an unsuccessful business plan. Strategic risk examines the impact of design and implementation of business models and decisions, on earnings and capital as well as the responsiveness to industry changes. This responsibility is taken quite seriously by the Board and Executive Management of the Group and deliberate steps are taken to ensure that the right models are employed and appropriately communicated to all decision makers in the Group. The execution, processes and constant reviews ensures that strategic objectives are achieved. This has essentially driven the Group’s sound banking culture and performance record to date.

3.8 Legal risk

Legal risk is defined as the risk of loss due to defective contractual arrangements, legal liability (both criminal and civil) incurred during operations by the inability of the organisation to enforce its rights, or by failure to address identified concerns to the appropriate authorities where changes in the law are proposed.

The Group manages this risk by monitoring new legislation, creation of awareness of legislation amongst employees, identification of significant legal risks as well as assessing the potential impact of these.

Legal risks management in the Group is also being enhanced by appriopriate product risk review and management of contractual obligations via well documented Service Level Agreements and other contractual documents.

3.9 Reputational risk

Reputation risk is defined as the risk of indirect losses arising from a decline in the bank’s reputation amongst one or multiple bank stakeholders. The risk can expose the bank to litigation, financial loss or damage to its reputation. The Reputation risk management philosophy of the Bank involves anticipating, acknowledging and responding to changing values and behaviours on the part of a range of stakeholders. Accordingly, the following are the roles and responsibilities:

(a) Board and senior management overseeing the proper set-up and effective functioning of the Reputational risk management framework

(b) Enterprise Risk Management Policy/Strategy (ERSP) is responsible for supporting the Board and senior management in overseeing the implementation of reputational risk management framework.

(c) Corporate Communications is responsible for managing both the internal and external communications that may impact the reputation of the Bank

The process of reputation risk management within the Bank encompasses the following steps:

Identification: Recognizing potential reputational risk as a primary and consequential risk

Assessment: Qualitative assessment of reputational risk based on the potential events that have been identified as reputational risk.

Monitoring: Frequent monitoring of the reputational risk drivers

Mitigation and Control: Preventive measures and controls for management of reputational risk and regular tracking of mitigation actions

Independent review: The reputational risk measures and mitigation techniques shall be subject to regular independent review by the Internal Auditors and/or Statutory Auditors.

Reporting: Regular, action-oriented reports for management on reputational risk.

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3.10 Taxation risk

Taxation risk refers to the risk that new taxation laws will adversely affect the Group and/or the loss of non-compliance with tax laws.

The taxation risk is managed by monitoring applicable tax laws, maintaining operational policies that enable the Group to comply with taxation laws and, where required, seeking the advice of tax specialists.

This risk is well managed across the group.

3.11 Regulatory risk

The Group manages the regulatory risk it is potentially exposed to by monitoring new regulatory rules and applicable laws, and the identification of significant regulatory risks. The Group strives to maintain appropriate procedures, processes and policies that enable it to comply with applicable regulation.

The Group has continued to maintain zero tolerance posture for any regulatory breaches in all its area of operations.

3.12 Sustainability Report

Our sustainability journey started with the establishment of the Zenith Philanthropy unit, which was charged with the responsibility of seeking out worthy projects that positively impacts the lives of people and the communities at large. Learning from our long experience in philanthropic community development and support, the Group realized the opportunity to achieve greater impacts by delivering on its community commitment through a more strategic approach and established a Corporate Social Responsibility (CSR) vision and mission.

Later as global awareness on sustainable development became prevalent, the Bank was quick to realize the benefits of sustainability to its core business. Today, we continue to expand on our community initiatives, but are striving to integrate sustainability into everything we do. Under our newly developed sustainability strategy and framework we are working to entrench the Nigerian Sustainability Banking Principles (NSBP) into the DNA of our business. Based on the Nine Principles of the NSBP, we have achieved the following:

3.12.1 Principle 1: Managing environmental and social risks in our business decisions

Our lending policies have been redesigned to ensure that facilities are not extended to industries that engage in illegal activities, pollute the environment, have no proper pollution control methods, are involved in manufacturing and selling arms, as well as those engaged in activities that involve harmful or exploitative forms of forced labour or child labour.

We also have in place an Environmental and Social Management System (ESMS) where the Bank does a social and environmental risk analysis for borrowers and takes measures to avoid, mitigate and minimise the risks identified. The ESMS of the Bank identifies Environmental & Social (E&S) risks in the projects/companies the bank finances and encourages mitigating action by these groups to minimize such risks at a very early stage of the credit evaluation.

3.12.2 Principle 2: Managing the bank's own environmental and social footprints

As a financial institution, Zenith Bank's direct environmental impacts occur through the occupation, operation and maintenance of buildings, fleet, data centres and ATMs. This includes environmental impacts associated with energy use, water use and waste. The Bank also bears a burden on outsourced technical activities carried out on its behalf. An example is in the provision of network links, construction activities and advertising.

All required regulations are complied with in outsourcing these services as the providers of solutions and suppliers of equipment's and tools are requested to obtain the necessary licenses and comply with relevant laws and regulations. The internal environmental management developed in Zenith Bank can be illustrated as follows:

(i) Paper consumption

Paper is one of the most largely consumed natural resources in the bank. It is used both internally and to send information to customers, in advertising, publications, etc. Though the use of paper is relevant; its reduction and rational use is of particular interest to the Bank as regards the environmental impact of our business.

Actions

- Use of Board IQ- Electronic documentation for Board Meetings since 2013
- A co-ordinated campaign to encourage employees to limit their printing.
- Use of Intranet for different information flows (communications to employees, press releases, employees' newssheet, etc.)
- Multi-use envelopes for internal correspondence.
- Use of recycled paper.
- Scanner in branches / offices to digitalize documents.
- Bank statements printed on both sides.
- Correspondence to customers replaced with electronic documents / Sending single receipts to customers / Alerts to cell phones, where possible.
- Reduced paper consumption in statements of account entries in ATMs and use of e-statements.
- Installation of paper and cardboard containers for subsequent collection by external companies for recycling.

(ii) Water consumption

Actions

- Cisterns with optional reduced discharge
- Posters encouraging rational use of water in WC
- Reduced flow in push-button taps
- Renewal of cooling equipment to save on consumption

(iii) Energy consumption

Zenith Bank has taken action to save energy. Apart from the environmental aspect, this also means economic savings. Different initiatives have thus been taken in this regard:

- Substitution of low-consumption monitors.
- Automatic shutdown of equipment where possible
- Replacement of conventional lighting with lights with a greater lighting efficiency

(iv) Branch Expansion

The Bank will continue to drive efficiency in its expanding property portfolio to internationally recognized green building certification system, providing a framework for identifying, and implementing, practical and measurable green building design features. In addition, Zenith Bank will:

- Continue to build its flagship buildings to high standards of environmental efficiency
- Promote the reduction in energy consumption in all branches
- Continue to develop the use of renewable technology to reduce carbon emissions
- Use lower power generating sets at off-peak periods.

(v) Emissions Control

- Travel control
- Control of emissions in air-conditioning installations according to the Kyoto Protocol
- Monitoring of generators for efficiency, reduction of emissions and discharges
- Monitoring of noise and vibrations

vi) Waste Control

This section is important to Zenith, although the Bank does not produce highly polluting waste, they do produce waste in large quantities. Consequently, the Bank contracts specialized firms to collect and recycle that waste.

- Selective waste collection
- Contract with confidential paper destruction and waste management firms
- Toner refills for reuse
- Collection of hazardous waste (fluorescent lights, expired extinguishers, generators batteries)
- Collection of bio-sanitary waste
- Collection of electric/electronic waste for reuse

- Collection of cell phones
- Collection of used batteries
- Collection of rubble at suitable places

Specifically, for electronic waste control, effort is made to encourage recycling of the disposed units at the Ojota dump site in Lagos where low scale recycling has commenced.

(vii) Actions regarding purchases and suppliers

- They must be committed to aligning their operations with the acceptable standards in the areas of human rights, labour, environment and anti-corruption.
- They must comply with environmental and waste management laws
- Environmentally responsible purchase criteria of material suppliers

(viii) Actions regarding training and awareness

Since Zenith Bank requires vast human resources, the bank has contacts with large numbers of individuals. Thus, Zenith has a huge potential to influence people, promoting environment-friendly habits and conduct. In an effort to increase our employees' environmental conscience and awareness, Zenith Bank has developed several training programmes and actions, including:

- Key Environmental Risk Management unit in the Bank and appointment of Environmental Coordinators for the Bank.
- Specialized training (technicians, internal auditors, cleaning staff on waste management)
- Environment awareness programmes for all employees. Memorandums encouraging energy saving and reduced consumption
- Environment awareness programmes for new employees
- Employee environment manual in Intranet and environmental procedures. Code of conduct and best practices among employees
- Promotion of volunteer work among employees

ix) Occupational Health and Safety

The health and safety of employees, customers and other stakeholders is of paramount importance to the Bank. The Group constantly seeks to identify and reduce the potential for accidents or injuries in all its operations. There is on-going training of health and safety officers in line with the Bank's health and safety policy. There is also adequate communication of the health and safety policies across the Bank to ensure staff are conversant with its content.

3.12.3 Principle 3: Safeguarding Human Rights in our Business Operations and Business Activities.

Zenith Group upholds human rights in our Business Operations and Business Activities, which reflects in our dealings with employees, suppliers and third-party contractors. The Bank remains committed to the protection of human rights in the workforce and will continue to provide a level playing field, giving equal platform for all to thrive.

We recognize the need to promote a diverse workforce as a means to attracting top-flight talent and enhancing our competitive advantage. We further recognize that each employee brings to the workplace experiences and capabilities that are as unique as the individual; hence the Bank treats all employees fairly. All employees and applicants for employment will be treated and evaluated according to their job-related skills, qualifications, abilities and aptitudes. Decisions based on attributes unrelated to job performance (for example, race, colour, gender, religion, personal associations, national origin, age, disability, political beliefs, marital status, sexual orientation, and family responsibilities) constitute unlawful discrimination and are prohibited.

The recruitment of disabled people is a pivotal aspect of the bank's diversity policy. The bank ensures that all available positions are open to disabled people and as a matter of recruitment priority; the bank encourages qualified disabled persons to apply to join its workforce.

Zenith Bank has developed and disseminated a Code of Conduct policy which is a common reference point for defining how each of us is expected to act when conducting Zenith Bank business. All employees must adhere to the principles and requirements contained in the Code and take reasonable steps to ensure that other individuals or groups that conduct business on behalf of Zenith Bank, including contractors, agents, consultants and other business partners do likewise. Employees must also have a detailed understanding of Zenith Bank policies, procedures and other Bank requirements that apply to their work.

Zenith Bank will only collect and retain personal information that is necessary to meet business requirements, and as permitted by law in places where we operate.

3.12.4 Principle 4: Promoting women's economic participation/empowerment through our Business Activities.

Zenith Group promotes women's economic empowerment through a gender inclusive workplace culture in our Business Operations and seeks to provide products and services designed specifically for women through our Business Activities.

As testament to our belief in female empowerment, the bank consciously took steps to assure that women continue to have access to opportunities within the organisation and are upwardly mobile within the system at all managerial levels within the bank - achievement of 44% female gender balance within management workforce.

Zenith Bank is also implementing female mentoring framework a program under which talented female staff who have distinguished themselves over the years in the employment of Zenith Bank and have demonstrated immense leadership potentials are assigned mentors at the top echelon of the Bank (General Manager to Executive Director level) with a view to groom them for top flight positions within the Bank or its subsidiaries right up to board level.

In fulfilment of the Banker's Committee Recommendation on Women Economic Empowerment, the Bank shall organize a minimum of one female leadership training at least once annually with a view to maximize the career potential of female employees with high leadership promise. In the coming year, Zenith Bank will create working plans that are flexible so as to assist working mothers contribute meaningfully to the bank whilst also meeting the demanding requirements of a mother. Flexi plans do not imply lower standards for working mothers, rather it provides for flexible working hours around the "core" working hours and employees are allowed to build their working hours around the "core" working hours but the total hours worked is the same for all employees.

The Bank will consider partnerships with relevant organizations such as the Women in Business (WIMBIZ) to target promising women entrepreneurs and design products that will effectively meet their needs. Zenith has also empowered female participation in sports with our titled sponsorship of the Zenith National Female Basketball League. Several of the beneficiaries of this initiative now ply their basketball trade in different teams and leagues in the United States and Europe.

3.12.5 Principle 5: Promoting financial inclusion of community and groups with limited access to the formal financial sector.

Zenith Group as a key stakeholder in the Nigerian financial services landscape supports efforts to promote financial inclusion and literacy and views same as a responsibility it owes the un-banked public. We have taken steps to reduce the preponderance of adults without access to suitable financial products and explore opportunities to promote financial literacy.

In Zenith Bank, the overall goal of our financial literacy strategy is to assist the attainment of financial independence and financial stability through the empowerment of citizens with knowledge of various types of financial products and services available;

We realize that some groups are disadvantaged with respect to access to financing. Available data has shown that women, persons with disabilities, vulnerable groups, people in rural areas and the un-banked, etc have limited or no access to credit. Furthermore, an analysis of Bank products shows that women and disadvantaged persons tend to be limited to savings (basic) accounts only, thus limiting the velocity and range of transactions that these groups can carry out.

The Bank’s has developed some products to support this initiative:

- Zenith Children's Account (ZECA)
- Zenith Integrated Student Account (ZISA)
- Aspire Account
- EazySave Classic Accounts
- EazySave Premium Accounts
- EazyMoney – Mobile Phone enabled
- Agent Banking
- Zenith Mobile Banking

The Bank believes that strategic development and deployment of e-banking products and platforms will be a key competitive factor in the banking industry in Nigeria as these products are expected to enable the Bank to reach out to existing and potential customers even in areas where the Bank may not have a physical presence.

The Bank also anticipates using its e- banking products to gain customers who did not previously use banking services, the so-called ‘un- banked’ population, by providing easy access to banking services through their mobile telephones. The Bank therefore sees its deployment of e-banking services as a key driver to expanding the Bank’s Financial Inclusion Strategy.

The Bank is also planning to expand its network of ATM, POS, branches and business offices throughout Nigeria to maintain its position amongst the top five banks in Nigeria.

3.12.6 Principle 6: Meeting the imperatives for good governance, transparency and accountability.

The Bank has since established an E&S governance structure in support of its sustainable banking approach. Also, the Bank's Environmental Risk Policy and process details clear roles, lines of responsibility, authority and accountability relating to assessing, categorising and managing of environmental risk.

Nevertheless, to further strengthen our governance structure and bring it at par to best practices, we are currently working towards institutionalising the following:

1. The formation of a standalone Sustainability Department.
2. Formation of a Board-level Sustainable Banking Governance Committee to oversee the development of Sustainable Banking commitments.

3.12.7 Principle 7: Supporting capacity building.

Zenith has in the past conducted E&S introductory training for staff of key business units and back-office functions. Some staffs of key departments have also enjoyed external E&S training even though locally. Most recently, we developed a sustainability portal on the intranet for the specific purpose of creating awareness on E&S issues and making available all information relating to the Banks E&S governance, policies and processes.

Nevertheless, the Bank is working to further improve in our capacity building plan by exploring the following:

1. Developing a tailor-made Sustainable Banking training session specific for Board and senior management.

2. A bank-wide E&S e-learning programme across all levels and operational functions.

3.12.8 Principle 8: Promoting collaborative partnership to accelerate sector progress.

Zenith is a member of United Nations Environment Programme Finance Initiative (UNEPFI) and continues to foster other partnership arrangements to accelerate the growth of sustainability within the sector. The Bank played an active role in the development of 'Nigeria Sustainable Banking Principles' in collaboration with other financial institutions. The Bank is also a Member of the Steering Committee on Sustanability.

Other initiatives taken up by the bank include:

- Compliance with building codes and environmental criteria in the construction and management of properties used as business facilities. This includes impact on traffic flow and the layout of the branches.

- The construction and maintenance of roads and other facilities at host communities where we operate. For example construction and maintenance of Ajose Adeogun street where our Head Office is located for over 7years.

- Participate in other CSR activities – Youth Empowerment, provision of laptops to schools, Sports sponsorship, construction of IT Centres, renovation of schools and City Social Centres, etc.

3.12.9 Principle 9: Reporting

As a signatory to the Nigerian Sustainable Banking Principle (NSBP), Zenith remains fully committed to its reporting framework as mandated by the CBN. We have complied with the CBN's request for one-off reports on the NSBP and will continue to report on the subsequent semi-annual reporting which commenced in 2015. While we continue to enhance our E&S methodologies in other to strengthen our internal reporting capacity, we have for the past three (3) years reported exclusively on sustainability in our published annual financials.

Going forward, our strategy is to benchmark and align the extent of the Banks sustainability reporting (internal and external) to other international and best practice standards like the Equator Principles and Global Reporting Initiative (GRI).

The Group believes that social and environmental issues will continue to grow in importance in the coming years and Zenith aims to develop a greater understanding of the risks associated with these issues, and the effect they will have on its clients, through investigation and research and, where appropriate, through engagement with relevant industry and regulatory bodies.

4 Critical accounting estimate and judgements

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Impairment losses on loans and advances

The Group reviews its loan portfolios to assess impairment at least on half yearly basis. In determining whether an impairment loss should be recognised, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The specific component of total allowance for impairment applies to credits 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 judgment about a customer's financial situation and the net realizable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimates of cash flows considered recoverable are independently reviewed and approved.

Collectively assessed impairment allowances cover credit losses inherent in portfolios with similar economic characteristics when there is objective evidence to suggest that they contain impaired claims, but the individual impaired items cannot be identified. In assessing the need for collective loan assessment, management considers factors such as credit quality, portfolio size, concentrations, and economic factors. In estimating the required allowance, assumptions are made to define how inherent losses are modelled and to determine the required input parameter, based on historical experience and current economic conditions. The accuracy of allowance depends on how well future cash flows and the model assumptions and parameters are estimated. Loans that are above N500 million are considered significant.

4.2 Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market prices requires the use of valuation techniques as described in note 3.3.6(a). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

i) Level 1 : Quoted market price(unadjusted) in an active market for an identical instrument.

ii) Level 2 : Valuation techniques based on observable inputs, either directly - 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 : Valuation techniques using significant unobservable inputs. This category includes all instruments where 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 instrument that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are requried to reflect differences between the instruments.

4.3 Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant estimates are required in determining the groupwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

4.4 Prudential Adjustments

Provisions under prudential guidelines are determined using the time based provisioning prescribed by the Revised Central Bank of Nigeria (CBN) Prudential Guidelines. This is at variance with the incurred loss model required by IFRS under IAS 39. As a result of the differences in the methodology/provision, there will be variances in the impairments allowances required under the two methodologies.

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

(a) Provisions for loans recognised in the profit and loss account should be determined based on the requirements of IFRS. However, the IFRS provision should be compared with provisions determined under prudential guidelines and the expected impact/changes in general reserves should be treated as follows:

- Prudential Provisions is greater than IFRS provisions; the excess provision resulting should be transferred from the general reserve account to a "regulatory risk reserve".
- Prudential Provisions is less than IFRS provisions; IFRS determined provision is charged to the statement of comprehensive income. The cumulative balance in the regulatory risk reserve is thereafter reversed to the general reserve account.

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

In the guidelines to IFRS implementation, the Central Bank of Nigeria (CBN) directed banks to maintain a regulatory credit risk reserve in the event that the impairment on loans determine using the CBN prudential guideline is higher than the impairment determine using IFRS principles. As a result of this directive, the Bank holds total credit risk reserves of N21,350 million as at 31 December 2015.

Provision for loan losses per prudential guidelines

In millions of Naira

		31 Dec 2015	**31 Dec 2014**
Loans and advances		57,066	34,761
Other financial assets		6,192	6,117
		63,258	40,878
Impairment assessment under IFRS			
Loans and advances			
Specific allowance for impairment	20	16,116	7,480
Collective allowance for impairment	20	19,600	17,851
		35,716	25,331
Other financial assets			
Specific allowance for impairment on associated companies	23	1,222	1,222
Specific allowance for impairment on other assets	25	4,970	4,637
		41,908	**31,190**
Required credit reserve as at year end		**21,350**	**9,688**

5. Segment analysis

The Group's strategic divisions offer different products and services, and are managed seperately based on the Group's management and internal reporting structure. For each of the strategic divisions, the Group's Executive Management (Chief Operating Decision Maker) reviews internal management reports on a monthly basis.

The Group's operations are primarily organised on the basis of its products and service offerings in Nigeria, while the banking operations outside Nigeria are reported seperately for Africa and Europe. The following summary describes each of the Group's reportable segments:

(i) Corporate, Retail Banking and Pension Custodial services - Nigeria

This segment provides a broad range of banking and pension custodial services to a diverse group of corporations, financial institutions, investment funds, governments and individuals.

(ii) Treasury and Investment Management - Nigeria

Provision of investment advisory, financial planning services and investment product offerings (primarily through separately managed accounts such as mutual funds and private investment funds) to a diverse group of institutions and individuals. It also includes brokerage services, financing services and securities lending services to institutional clients, including mutual funds, pension funds and to high-net-worth individuals.

(iii) Outside Nigeria Banking - Africa and Europe

These segments provide a broad range of banking services to a diverse group of corporations, financial institutions, investment funds, governments and individuals outside Nigeria. The reportable segments covers banking operations in other parts of Africa (Ghana, Sierra Leone and The Gambia) and Europe (the United Kingdom).

(iv) All other segments

These segments provide share registration and funds trusteeship services in Nigeria. None of these individual activities or services constitutes a separate reportable segment.

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

In millions of Naira 31 December 2015	Nigeria Banking and pension custodian services	Outside Nigeria Banking Africa	Outside Nigeria Banking Europe	Total reportable segments	Eliminations	Consolidated
Revenue:						
Derived from external customers	212,357	-	-	212,357	-	212,357
Derived from other business segments	191,301	27,147	10,686	229,134	(8,956)	220,178
Total revenue*	**403,658**	**27,147**	**10,686**	**441,491**	**(8,956)**	**432,535**
Share of profit of associates	-	-	-	-	228	228
Interest expense	(114,936)	(9,378)	(4,281)	(128,595)	4,998	(123,597)
Impairment charge for credit losses	(11,091)	(2,930)	(1,652)	(15,673)	-	(15,673)
Admin and operating expenses	(156,311)	(8,220)	(3,346)	(167,877)	-	(167,877)
Profit before tax	121,320	6,619	1,407	129,346	(3,730)	125,616
Tax expense	(17,782)	(1,819)	(352)	(19,953)	-	(19,953)
Profit after tax	**103,538**	**4,800**	**1,055**	**109,393**	**(3,730)**	**105,663**

In millions of Naira 31 December 2015	Nigeria Banking and pension custodian services	Outside Nigeria Banking Africa	Outside Nigeria Banking Europe	Total reportable segments	Eliminations	Consolidated
Capital expenditure**	23,292	3,770	178	27,240	-	27,240
Identifiable assets	3,766,960	157,613	229,587	4,154,160	(147,318)	4,006,842
Identifiable liabilities	3,204,679	131,583	191,664	3,527,926	(115,437)	3,412,489

** Revenues are allocated based on the location of the operations. ** Capital expenditure consists of expenditure on intangible assets and property and equipment during the period.*

In millions of Naira 31 December 2014	Nigeria Banking and pension custodian services	Outside Nigeria Banking Africa	Outside Nigeria Banking Europe	Total reportable segments	Eliminations	Consolidated
Revenue:						
Derived from external customers	370,111	24,717	7,690	402,518	-	402,518
Derived from other business segments	7,623	1,913	2,932	12,468	(11,643)	825
Total revenue*	**377,734**	**26,630**	**10,622**	**414,986**	**(11,643)**	**403,343**
Share of profit of associates	-	-	-	-	138	138
Interest expense	(99,439)	(7,640)	(4,963)	(112,042)	5,123	(106,919)
Impairment charge for credit losses	(12,392)	(672)	-	(13,064)	-	(13,064)
Admin and operating expenses	(153,141)	(8,064)	(2,491)	(163,696)	(6)	(163,702)
Profit before tax	112,762	10,254	3,168	126,184	(6,388)	119,796
Tax expense	(16,526)	(3,047)	(768)	(20,341)	-	(20,341)
Profit after tax	**96,236**	**7,207**	**2,400**	**105,843**	**(6,388)**	**99,455**

In millions of Naira 31 December 2014	Nigeria Banking and pension custodian services	Outside Nigeria Banking Africa	Outside Nigeria Banking Europe	Total reportable segments	Eliminations	Consolidated
Capital expenditure**	11,603	(94)	38	11,547	-	11,547
Identifiable assets	3,433,382	204,273	297,431	3,935,086	(179,822)	3,755,264
Identifiable liabilities	2,906,097	180,707	263,023	3,349,827	(147,201)	3,202,626

** Revenues are allocated based on the location of the operations. ** Capital expenditure consists of expenditure on intangible assets and property and equipment during the year.*

Notes to the Consolidated and Separate Financial Statements for the Year Ended 31 December 2015

	Group		Bank	
In millions of Naira	2015	2014	2015	2014

6. Interest and similar income

	2015	2014	2015	2014
Loans and advances to customers	255,140	212,964	238,349	200,541
Placements with banks and discount houses	6,232	10,026	8,478	13,266
Treasury bills	51,809	56,463	42,481	47,781
Government and other bonds	34,998	31,997	28,111	23,583
Derivative held for risk management	-	1,972	-	-
	348,179	**313,422**	**317,419**	**285,171**

Total interest income, calculated using the effective interest rate method reported above that relates to financial assets not carried at fair value through profit or loss are N348,179 million (31 December 2014: N310,301 million) and N317,419 million (31 December 2014: N283,704 million) for Group and Bank respectively.

Included in interest income on loans and advances are amounts totalling N2,840 million (31 December 2014: N2,752 million) and N2,768 million (31 December 2014: N2,315 million) for the Group and Bank respectively which represent interest income on impaired financial assets, recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

7. Interest and similar expense

	2015	2014	2015	2014
Current accounts	4,638	4,020	4,491	3,940
Savings accounts	10,771	6,183	10,705	6,128
Time deposits	90,591	85,156	83,652	80,844
Borrowed funds	17,597	11,560	16,087	8,527
	123,597	**106,919**	**114,935**	**99,439**

Total interest expense, calculated using the effective interest rate method reported above does not include interest expense on financial liabilities carried at fair value through profit or loss.

8. Impairment charge for financial assets

	2015	2014	2015	2014
Overdraft (see note 20)	(178)	10,929	(3,108)	10,257
Term loan (see note 20)	13,219	2,145	11,567	2,145
On lending (see note 20)	2,276	-	2,276	-
Advances under finance lease (see note 20)	24	(10)	24	(10)
Other financial assets (see note 25)	332	-	332	-
	15,673	**13,064**	**11,091**	**12,392**

Notes to the Consolidated and Separate Financial Statements for the Year Ended 31 December 2015

	Group		Bank	
In millions of Naira	2015	2014	2015	2014

9. Fee and commission income

Credit related fees	17,466	16,201	15,103	13,664
Commission on turnover	14,051	27,115	12,967	26,168
Income from financial guarantee contracts issued	2,257	2,776	1,907	2,559
Fees on electronic products	3,261	2,686	2,870	2,391
Foreign currency transaction fees and commissions	1,290	1,718	974	1,231
Asset based fees	5,239	4,345	-	-
Auction fees income	989	3,115	989	3,065
Corporate finance fees	8,282	6,001	8,132	5,797
Foreign withdrawal charges	5,365	4,953	5,365	4,903
Commission on agency and collection services	2,704	1,602	2,006	1,047
	60,904	**70,512**	**50,313**	**60,825**

The fees and commission income reported above excludes amount included in determining effective interest rates on assets that are not carried at fair value throught profit or loss.

10. Trading income

Foreign exchange trading income/(loss)	(1,962)	14,074	(2,228)	14,062
Treasury bill trading income	19,218	1,467	19,218	1,467
Bond trading income	894	336	894	336
	18,150	**15,877**	**17,884**	**15,865**

Foreign exchange trading income is principally made up of trading income on foreign currencies, as well as gains and losses from revaluation of trading position. The amount reported above are totally from financial assets carried at fair value throught profit or loss.

11. Other income

Dividend income from equity investments	545	455	4,505	455
Gain on disposal of property and equipment (see note 44(xi))	39	153	27	151
Gain on disposal of equity securities (see note 44(xii))	1,615	-	1,615	-
Gain on disposal of subsidiary (see note 44 (xv))	-	510	-	7,033
Income on cash handling	289	246	289	246
Foreign currency revaluation gain	2,814	2,168	4,601	2,269
	5,302	**3,532**	**11,037**	**10,154**

	Group		Bank	
In millions of Naira	2015	2014	2015	2014
12. Operating expenses				
Directors' emoluments (see note 37 (b))	1,145	630	461	425
Auditors' remuneration	546	460	447	391
Deposit insurance premium	9,358	9,375	9,358	9,375
Professional fees	2,455	2,671	2,199	2,347
Training and development	2,698	2,322	2,521	2,215
Information technology	3,989	3,368	3,676	3,126
Operating lease	2,722	2,529	2,045	1,928
Advertisement	3,325	4,543	3,198	4,419
Bank charges	1,644	853	1,529	753
Fuel and maintenance	10,360	10,629	8,813	8,812
Insurance	1,387	1,287	1,313	1,225
Licenses, registrations and subscriptions	1,334	2,457	1,222	2,323
Travel and hotel expenses	1,807	1,248	1,442	989
Printing and stationery	1,345	956	1,045	736
Security and cash handling	10,190	10,373	10,022	10,224
Fraud and forgery	201	-	201	-
Expenses on electronic products	2,112	4,218	1,969	4,096
Fines & Penalties	60	12	60	12
Donations	970	857	923	852
AMCON premium	17,119	14,393	17,119	14,393
Telephone and postages	1,690	2,422	1,493	2,372
Corporate promotions	1,868	1,058	1,782	1,008
Provision for claims	9,766	-	9,766	-
Other expenses	1,837	4,906	773	3,345
	89,928	**81,567**	**83,377**	**75,366**

13. Taxation

(a) Major components of the tax expense

	Group 2015	Group 2014	Bank 2015	Bank 2014
Income tax expense				
Corporate tax	7,135	8,512	3,564	4,174
Information technology tax	1,223	1,068	1,141	1,068
Excess dividend tax (see note (i) below)	11,620	13,299	11,445	13,299
Prior year (over)/under provision	(1,550)	1,628	(1,445)	1,628
Tertiary Education tax	592	826	529	826
CGT on Subsidiary disposal	-	708	-	708
Effect of tax rates in foreign juridictions	110	-	-	-
Current income tax (see note 13b)	19,130	26,041	15,234	21,703
Deferred tax expense:				
Origination/(reversal) of temporary differences	823	(5,700)	1,202	(6,333)
Income tax expense	19,953	20,341	16,436	15,370
Total income tax	**19,953**	**20,341**	**16,436**	**15,370**

(i) During the year, the Bank was liable to excess dividend tax of N16.48 billion, representing 30% of N54.94 billion dividend paid as the Nigerian tax laws requires companies to pay tax calculated at 30% of the higher of taxable profit and dividend paid. For the 2014 financial year, income tax payable based on taxable profit was N4.7 billion. Therefore, total income tax paid based on dividend in 2015 was N15.62 billion, which was net of tax credits amounting to N0.86 billion. The difference between income tax payable assessed on dividend and income tax payable assessed on taxable profit amounted to N11.45 billion which was charged as tax expense in 2015 financial statements.

Notes to the Consolidated and Separate Financial Statements for the Year Ended 31 December 2015

In millions of Naira	Group 2015	Group 2014	Bank 2015	Bank 2014
13. Taxation (continued)				
Reconciliation of effective tax rate				
Profit before income tax	125,616	119,796	115,220	107,849
Tax calculated at the weighted average Group rate of 30% (2014: 30%)	37,685	35,939	34,566	32,355
Tax effect of adjustments on taxable income				
CGT on disposal of subsidiary	-	708	-	708
Effect of tax rates in foreign jurisdictions	127	633	-	-
Non-deductable expenses	5,264	6,927	4,385	6,446
Tax exempt income	(34,859)	(40,849)	(34,203)	(41,002)
Balancing charge	18	50	18	50
Tax loss effect	-	(8)	-	(8)
Information technology levy	1,191	1,117	1,141	1,068
Excess dividend tax paid	11,445	13,299	11,445	13,299
Tertiary Education tax	632	897	529	826
Changes in estimate relating to prior year	(1,550)	1,628	(1,445)	1,628
Tax expense	**19,953**	**20,341**	**16,436**	**15,370**

	Group 2015	Group 2014	Bank 2015	Bank 2014
Tax charge as a percentage of profit before tax	%	%	%	%
Tax rate computation	16.00	15.90	14.00	14.30
Effect of tax rates in foreign jurisdictions	-	0.50	-	-
Non-deductible expenses	(4.00)	0.40	(4.00)	2.00
Tax exempt income	28.00	26.90	30.00	30.10
Tertiary education tax	(1.00)	(0.70)	-	(0.80)
Information technology tax levy	(1.00)	(0.90)	(1.00)	(1.00)
Excess dividend tax paid	(9.00)	(11.10)	(10.00)	(12.30)
Changes in estimate relating to prior year	1.00	(1.40)	1.00	(1.50)
CGT on disposal of subsidiary	-	0.60	-	(0.70)
Standard rate of tax	**30**	**30**	**30**	**30**

(b) The movement in the current income tax payable balance is as follows:	**31 Dec 2015**	**31 Dec 2014**	**31 Dec 2015**	**31 Dec 2014**
At start of the year	10,042	7,017	7,709	5,266
Tax paid	(26,356)	(23,649)	(20,409)	(19,260)
Tax effect of translation	763	633	-	-
Minimum tax	-	-	-	-
Income tax charge (see note 13a)	19,130	26,041	15,234	21,703
At end of the year	**3,579**	**10,042**	**2,534**	**7,709**

Notes to the Consolidated and Separate Financial Statements for the Year Ended 31 December 2015

	Group		Bank	
In millions of Naira	2015	2014	2015	2014

14. Earnings per share

Basic earnings per share

Basic earnings per share (EPS) is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year. Where a stock split or bonus share issue has occurred, the number of shares in issue in the prior year is adjusted to achieve comparability.

	Group 2015	Group 2014	Bank 2015	Bank 2014
Profit attributable to shareholders of the Bank (N'million)	105,531	99,275	98,784	92,479
Number of shares in issue at end of the year (millions)	31,396	31,396	31,396	31,396
Weighted average number of ordinary shares in issue (millions)	31,396	31,396	31,396	31,396
Basic and diluted earnings per share (Kobo)	336	316	315	295

Basic and diluted earnings per share are the same, as there are no dilutive shares.

	Group		Bank	
In millions of Naira	**2015**	**2014**	**2015**	**2014**

15. Cash and balances with central banks

Cash and balances with central banks consist of:

Cash	41,649	70,084	35,544	63,792
Operating accounts with Central Banks	316,358	174,350	296,958	156,424
Mandatory reserve deposits with central bank (cash reserves)	403,554	508,146	403,444	508,075
	761,561	**752,580**	**735,946**	**728,291**
Current	761,561	752,580	735,946	728,291
Non current	-	-	-	-
	761,561	**752,580**	**735,946**	**728,291**

Mandatory reserve deposits with central banks represents a percentage of customers' deposits (prescribed from time to time by the central bank) which are not available for daily use. For the purposes of the Statement of cashflow, these balances are excluded from cash and cash equivalents.

16 Treasury bills

Treasury bills (FVTPL)	53,698	1,162	53,698	1,162
Treasury bills (Amortized cost)	324,230	294,235	277,202	252,252
	377,928	**295,397**	**330,900**	**253,414**
Classified as:				
Current	377,928	295,397	330,900	253,414
Non-current	-	-	-	-
	377,928	**295,397**	**330,900**	**253,414**
The following treasury bills have maturities less than three months and are classified as cash and cash equivalents for purposes of the statements of cash flows (Note 41).	79,513	214,721	63,979	181,498

17. Assets pleged as collateral

Treasury bills pledged as collateral	611	85,601	-	85,601
Bonds pledged as collateral	104,701	66,145	104,581	66,145
Treasury bills under repurchase agreement	48,638	-	48,638	-
Bonds under repurchase agreement	111,101	-	111,101	-
	265,051	**151,746**	**264,320**	**151,746**

The above assets were pledged as collateral to Nigeria Interbank Settlement System (NIBBS), Federal Inland Revenue Services, V-Pay, Interswitch Limited, the Bank of Industry (Nigeria) for on-lending facilities, E- Tranzact and CBN Real Sector Support Fund (RSSF).

Assets under repurchase agreement includes, JP Morgan, CITIBANK, Standard Bank and ABSA.

Classified as:				
Current	92,965	97,882	92,965	97,882
Non-current	172,086	53,864	171,355	53,864
	265,051	**151,746**	**264,320**	**151,746**

	Group		Bank	
In millions of Naira	2015	2014	2015	2014

18. Due from other banks

Current balances with banks within Nigeria	15,244	54	-	-
Current balances with banks outside Nigeria	172,106	274,380	228,317	322,216
Placements with banks and discount houses	77,843	232,134	31,576	147,923
Due from other banks under repurchase agreement	7,001	-	7,001	-
	272,194	**506,568**	**266,894**	**470,139**
Classified as:				
Current	272,194	506,568	266,894	470,139

Included in balances with banks outside Nigeria is the amount of N71.93 billion and N71.91 billion for the Group and Bank respectively (31 December 2014: N84.88 billion and N84.85 billion for the Group and Bank respectively) which represents the Naira value of foreign currency balances held on behalf of customers in respect of letters of credit. The corresponding liabilities are included in other liabilities (See Note 29). These balances are not available for the day to day operations of the banks within the Group.

19. Derivative assets

Instrument types:

Forward contracts				
(a) Fair value of assets	8,481	16,896	8,481	16,896
Swap contracts				
(b) Fair value of assets	-	512	-	-
Total (a+b)	**8,481**	**17,408**	**8,481**	**16,896**

Non-hedging derivative assets and liabilities

The Group enters into currency forward contracts with counterparties. On initial recognition, the Group estimates the fair value of derivatives transacted with the counterparties using valuation techniques (see Note 3.3.6 C(vii)). In many cases, all significant inputs into the valuation techniques are wholly observable-e.g with reference to similar transactions in the wholesale dealer market.

During the year, various forward contracts entered into by the Bank generated net losses of N2.43 billion (31 December 2014 net gain of N0.83 billion) which were recognized in the statement of comprehensive income. These net losses related to the fair values of the forward contracts, producing derivative assets and liabilities of N8.5 and N0.38 billion respectively (31 December 2014 N16.9 and N6.1 billion respectively).

Derivative assets held for risk management purposes

Zenith Bank (Ghana) Limited used cross-currency swaps to hedge its foreign currency risks arising from its indebtedness in foreign currency. Included in the derivative assets is the fair value of the swap derivative at the reporting date.

The Group through its subsidiary, Zenith Bank Ghana entered into a swap deal with the Bank of Ghana (BoG) where Zenith Bank gave BoG USD200 million on July 2014 in exchange for Ghanian cedis (GHC) of 640,020,000. The forward rate agreed on maturity in July 20, 2015 was GHC/US Dollars 3.5057. The expected cash flows are the USD 200 million and Ghc 701,140,000.

Zenith Bank (Ghana) Limited, used cross-currency swaps to hedge its foreign currency risks arising from the swap transaction with BoG. Included in the derivative assets is the fair value of the swap derivative at the reporting date.

All derivative assets are current.

	Group		Bank	
In millions of Naira	**2015**	**2014**	**2015**	**2014**

20. Loans and advances

Overdrafts	507,512	493,463	473,203	451,318
Term loans	1,226,277	1,171,848	1,113,622	1,061,373
On-lending facilities	287,937	80,024	287,937	80,024
Advances under finance lease	10,530	13,000	10,179	12,866
Gross loans and advances to customers	2,032,256	1,758,335	1,884,941	1,605,581
Less: Allowance for impairment	(42,943)	(28,828)	(35,716)	(25,331)
Specific allowances for impairment	(22,390)	(10,065)	(16,116)	(7,480)
Collective allowance for impairment	(20,553)	(18,763)	(19,600)	(17,851)
	1,989,313	**1,729,507**	**1,849,225**	**1,580,250**

Overdrafts

Gross Overdrafts	507,512	493,463	473,203	451,318
Less: Allowances for impairment	(18,880)	(19,943)	(13,312)	(16,446)
Specific allowances for impairment	(10,088)	(7,372)	(5,474)	(4,787)
Collective allowance for impairment	(8,792)	(12,571)	(7,838)	(11,659)
	488,632	**473,520**	**459,891**	**434,872**

Term loans

Gross Term loans	1,226,277	1,171,848	1,113,622	1,061,373
Less: Allowances for impairment	(21,310)	(8,432)	(19,651)	(8,432)
Specific allowances for impairment	(12,302)	(2,693)	(10,642)	(2,693)
Collective allowance for impairment	(9,008)	(5,739)	(9,009)	(5,739)
	1,204,967	**1,163,416**	**1,093,971**	**1,052,941**

On-lending facilities

Gross On-lending facilities	287,937	80,024	287,937	80,024
Less: Allowances for impairment	(2,673)	(397)	(2,673)	(397)
Collective allowance for impairment	(2,673)	(397)	(2,673)	(397)
	285,264	**79,627**	**285,264**	**79,627**

Advances under finance lease

Net investment in finance lease	10,530	13,000	10,179	12,866
Less: collective allowance for impairment	(80)	(56)	(80)	(56)
	10,450	**12,944**	**10,099**	**12,810**

Gross Loans classified as:

Current	923,035	834,524	871,459	692,758
Non-current	1,109,221	923,811	1,013,482	912,823
	2,032,256	**1,758,335**	**1,884,941**	**1,605,581**

In millions of Naira

Reconciliation of impairment allowance on loans and advances to customers:
Group

	Overdrafts	Term loans	On-lending facilities	Advances under finance lease	Total
Balance at 1 January 2015	19,943	8,432	397	56	28,828
Specific impairment	7,372	2,693	-	-	10,065
Collective impairment	12,571	5,739	397	56	18,763
Additional impairment for the year (see note 8)	(178)	13,219	2,276	24	15,341
Specific impairment	3,460	13,972	-	-	17,432
Collective impairment	(3,638)	(753)	2,276	24	(2,091)
Write-backs	1,486	-	-	-	1,486
Foreign currency translation and other adjustments	(858)	7	-	-	(851)
Write-offs (collective)	(1,513)	(348)	-	-	(1,861)
Balance at 31 December 2015	**18,880**	**21,310**	**2,673**	**80**	**42,943**
Specific impairment	10,088	12,302	-	-	22,390
Collective impairment	8,792	9,008	2,673	80	20,553
Balance at 1 January 2014	15,634	8,280	714	139	24,767
Specific impairment	5,867	1,926	179	-	7,972
Collective impairment	9,767	6,354	535	139	16,795
Additional impairment for the year	10,929	2,145	-	(10)	13,064
Specific impairment	-	2,145	-	-	2,145
Collective impairment	10,929	-	-	(10)	10,919
Write-backs	347	-	-	-	347
Foreign currency translation and other adjustments	204	(19)	-	-	185
Write-offs (specific)	(5,848)	(450)	-	-	(6,298)
Write-offs (collective)	(1,323)	(1,524)	(317)	(73)	(3,237)
Balance at 31 December 2014	**19,943**	**8,432**	**397**	**56**	**28,828**

* Impaired loans that are not individually significant are included in the collective impairment. Therefore, when such loans are written off, the cumulative impairment on them are taken from the collective impairment reserve.

In millions of Naira

Reconciliation of impairment allowance on loans and advances to customers:

Bank

	Overdrafts	**Term loans**	**On-lending facilities**	**Advances under finance lease**	**Total**
Balance at 1 January 2015	16,446	8,432	397	56	25,331
Specific impairment	4,787	2,693	-	-	7,480
Collective impairment	11,659	5,739	397	56	17,851
Additional impairment for the year (see note 8)	(3,108)	11,567	2,276	24	10,759
Specific impairment	688	8,298	-	-	8,986
Collective impairment	(3,796)	3,269	2,276	24	1,773
Write-backs	1,486	-	-	-	1,486
Write-offs (Collective)	(1,512)	(348)	-	-	(1,860)
Balance at 31 December 2015	**13,312**	**19,651**	**2,673**	**80**	**35,716**
Specific impairment	5,474	10,642	-	-	16,116
Collective impairment	7,838	9,009	2,673	80	19,600
Balance at 1 January 2014	12,890	8,076	714	139	21,819
Specific impairment	3,695	1,726	179	-	5,600
Collective impairment	9,195	6,350	535	139	16,219
Additional impairment for the year	10,257	2,145	-	(10)	12,392
Specific impairment	-	2,145	-	-	2,145
Collective impairment	10,257	-	-	(10)	10,247
Write-backs	347	-	-	-	347
Write-offs (Specific)	(5,725)	(265)	-	-	(5,990)
Write-offs (Collective)	(1,323)	(1,524)	(317)	(73)	(3,237)
Balance at 31 December 2014	**16,446**	**8,432**	**397**	**56**	**25,331**

* Impaired loans that are not individually significant are included in the collective impairment. Therefore, when such loans are written off, the cumulative impairment on them are taken from the collective impairment reserve.

	Group		Bank	
In millions of Naira	**2015**	**2014**	**2015**	**2014**
Advances under finance lease				
Gross investment	11,653	14,978	11,267	14,824
Less: Unearned income	(1,123)	(1,978)	(1,088)	(1,958)
Net Investment	10,530	13,000	10,179	12,866
The net investment may be analysed as follows:				
No later than 1 year	1,561	1,947	1,478	1,925
Later than 1 year and no later than 5 years	8,969	11,053	8,701	10,941
	10,530	**13,000**	**10,179**	**12,866**
Reconciliation of gross investment to minimum lease rental payments				
Gross investment	16,212	18,808	15,776	18,659
Less: Unearned income	(5,682)	(5,808)	(5,597)	(5,793)
Net Investment	10,530	13,000	10,179	12,866
Impaiment on leases	(80)	(56)	(80)	(56)
Present value of minimum lease payments	**10,450**	**12,944**	**10,099**	**12,810**
The nature of security in respect of loans and advances is as follows:				
Secured against real estate	147,919	215,506	135,822	214,165
Secured by shares of quoted companies	7,467	4,814	7,467	4,814
Cash collateral, lien over fixed and floating assets.	950,009	1,016,830	919,475	867,594
Unsecured	926,861	521,185	822,177	519,008
	2,032,256	**1,758,335**	**1,884,941**	**1,605,581**

21. Investment securities

	Group 2015	Group 2014	Bank 2015	Bank 2014
(a) Analysis of investments				
Debt securities (measured at amortised cost)	195,737	186,544	134,002	79,469
Debt securities (measured at fair value through profit or loss)	6,707	-	6,707	-
Equity securities (measured at fair value through other comprehensive income)	10,697	13,535	10,015	13,363
	213,141	**200,079**	**150,724**	**92,832**
Classified as:				
Current	1,817	94,065	1,395	55,293
Non-current	211,324	106,014	149,329	37,539
	213,141	**200,079**	**150,724**	**92,832**

The Group holds equity investments in unquoted entities which the Group has elected to carry at fair value through other comprehensive income. These investments are held for strategic purposes rather than for trading purposes.

	Group		Bank	
In millions of Naira	2015	2014	2015	2014

(b.) Movement in investment securities

The movement in investment securities may be summarised as follows:

Group

	Debt securities at fair value through profit or loss	Debt securities at amortised cost	Equity securities at fair value through other comprehensive income	Total
At 1 January 2015	-	186,544	13,535	200,079
Exchange differences	(52)	(1,523)	-	(1,575)
Additions	5,865	91,797	510	98,172
Disposals (sale and redemption)	-	(84,849)	(1,596)	(86,445)
Gains from changes in fair value recognised in profit or loss	894	-	-	894
Gains from changes in fair value recognised in other comprehensive income	-	-	(1,752)	(1,752)
Interest accrued	-	34,998	-	34,998
Coupon interest received	-	(31,230)	-	(31,230)
At 31 December 2015	**6,707**	**195,737**	**10,697**	**213,141**
At 1 January 2014	2,280	290,191	10,654	303,125
Exchange differences	(25)	(1,415)	-	(1,440)
Additions	-	58,195	1,017	59,212
Disposals (sale and redemption)	(2,591)	(178,796)	(685)	(182,072)
Gains from changes in fair value recognised in profit or loss (Note10)	336	-	-	336
Gains from changes in fair value recognised in other comprehensive income	-	-	2,549	2,549
Interest accrued	-	31,997	-	31,997
Coupon interest received	-	(13,628)	-	(13,628)
At 31 December 2014	**-**	**186,544**	**13,535**	**200,079**

The movement in investment securities may be summarised as follows:

	Group		Bank	
In millions of Naira	2015	2014	2015	2014

Bank

	Debt securities at fair value through profit or loss	Debt securities at amortised cost	Equity securities at fair value through other comprehensive income	Total
At 1 January 2015	-	79,469	13,363	92,832
Additions	5,813	85,917	-	91,730
Disposals (sale and redemption)	-	(31,715)	(1,596)	(33,311)
Gains from changes in fair value recognised in profit or loss	894	-	-	894
Gains from changes in fair value recognised in other comprehensive income	-	-	(1,752)	(1,752)
Interest accrued	-	28,111	-	28,111
Coupon interest received	-	(27,780)	-	(27,780)
At 31 December 2015	**6,707**	**134,002**	**10,015**	**150,724**
At 1 January 2014	589	201,280	10,654	212,523
Additions	-	46,351	845	47,196
Disposals (sale and redemption)	(925)	(178,796)	(685)	(180,406)
Gains from changes in fair value recognised in profit or loss	336	-	-	336
Gains from changes in fair value recognised in other comprehensive income	-	-	2,549	2,549
Interest accrued	-	23,583	-	23,583
Coupon interest received	-	(12,949)	-	(12,949)
At 31 December 2014	**-**	**79,469**	**13,363**	**92,832**

22. Investment in subsidiaries

The following table lists the entities which are controlled by the group, either directly or indirectly through subsidiaries.

Bank

Name of company	31 Dec 2015 Ownership interest %	31 Dec 2015 Carrying amount	31 Dec 2014 Carrying amount
Zenith Bank (Ghana) Limited	98.0700	6,444	6,444
Zenith Bank (UK) Limited	100.0000	21,482	21,482
Zenith Bank (Sierra Leone) Limited	99.9900	2,059	2,059
Zenith Bank (Gambia) Limited	99.9600	1,038	1,038
Zenith Pensions Custodian Limited	99.0000	1,980	1,980
		33,003	33,003

All investments in subsidiaries are non-current.

22. Investment in subsidiaries (continued)

b. Condensed results of consolidated entities

In millions of Naira 31 December 2015	Zenith Group	Elimination entries	Zenith Bank Plc	Zenith Bank Ghana	Zenith Bank UK	Zenith Bank SierraLeone	Zenith Bank Gambia	Zenith Pension Custodian
Condensed statement of profit or loss								
Operating income	432,535	(8,957)	396,653	24,954	10,686	1,093	1,100	7,006
Share of profit of associates	228	-	-	-	-	-	-	-
Operating expenses	(291,474)	7,550	(270,342)	(18,588)	(7,627)	(960)	(602)	(905)
Inpairment charge for financial assets	(15,673)	(2,553)	(11,091)	(314)	(1,652)	(47)	(16)	-
Profit before tax	125,616	(3,960)	115,220	6,052	1,407	86	482	6,101
Taxation	(19,953)	-	(16,436)	(1,682)	(352)	-	(136)	(1,347)
Profit for the year	**105,663**	**(3,960)**	**98,784**	**4,370**	**1,055**	**86**	**346**	**4,754**
Condensed statement of financial position								
Assets								
Cash and balances with central banks	761,561	-	735,946	23,005	6	1,630	956	18
Treasury bills	377,928	-	330,900	36,172	-	7,223	3,633	-
Assets pledged as collateral	265,051	-	264,320	731	-	-	-	-
Due from other banks	272,194	(91,125)	266,894	12,618	61,752	5,394	1,138	15,523
Derivative asset held for risk management	8,481	-	8,481	-	-	-	-	-
Loans and advances	1,989,313	-	1,849,225	55,917	82,480	720	971	-
Investment securities	213,141	681	150,724	877	60,859	-	-	-
Investment in subsidiaries	-	(33,003)	33,003	-	-	-	-	-
Investments in associates	530	440	90	-	-	-	-	-
Deferred tax asset	5,607	-	5,131	422	40	14	-	-
Other assets	22,774	(24,311)	21,673	420	23,979	175	80	758
Property and equipment	87,022	-	81,187	4,816	289	292	235	203
Intangible assets	3,240	-	2,753	109	182	3	62	131
	4,006,842	**(147,318)**	**3,750,327**	**135,087**	**229,587**	**15,451**	**7,075**	**16,633**

22. Investment in subsidiaries (continued)

In millions of Naira 31 December 2015	Zenith Group	Elimination entries	Zenith Bank Plc	Zenith Bank Ghana	Zenith Bank UK	Zenith Bank SierraLeone	Zenith Bank Gambia	Zenith Pension Custodian
Liabilities & Equity								
Customer deposits	2,557,884	(348)	2,333,017	105,451	101,336	13,760	4,668	-
Derivative liabilities	384	-	384	-	-	-	-	-
Current income tax	3,579	-	2,534	(260)	-	11	108	1,186
Deferred income tax liabilities	19	-	-	-	-	-	8	11
Other liabilities	205,062	(105,840)	212,636	7,135	90,328	10	692	101
On-lending facilities	286,881	-	286,881	-	-	-	-	-
Borrowings	258,862	(9,249)	268,111	-	-	-	-	-
Debt securities issued	99,818	-	99,818	-	-	-	-	-
Equity and reserves	594,353	(31,881)	546,946	22,761	37,923	1,670	1,599	15,335
	4,006,842	**(147,318)**	**3,750,327**	**135,087**	**229,587**	**15,451**	**7,075**	**16,633**
Condensed cash flow								
Net cash (used in)/from operating activities	(450,494)	(6,588)	(415,396)	(6,729)	(22,817)	(263)	(1,195)	2,494
Net cash (used in)/from financing activities	216,540	3,959	225,789	(9,028)	-	-	(180)	(4,000)
Net cash (used in)/from investing activities	(23,933)	(23,548)	(18,871)	19,358	(2,575)	(89)	(46)	1,838
Increase in cash and cash equivalents	**(257,887)**	**(26,177)**	**(208,478)**	**3,601**	**(25,392)**	**(352)**	**(1,421)**	**332**
Cash and cash equivalents								
At start of year	965,723	(32,601)	871,853	32,190	83,388	7,359	3,500	34
Exchange rate movements on cash and cash equivalents	1,878	1,878	-	-	-	-	-	-
At end of year	709,714	(56,900)	663,375	35,791	57,996	7,007	2,079	366
	(257,887)	**(26,177)**	**(208,478)**	**3,601**	**(25,392)**	**(352)**	**(1,421)**	**332**

22. Investment in subsidiaries (continued)

In millions of Naira 31 December 2014	Zenith Group	Elimination entries	Zenith Bank Plc	Zenith Bank Ghana Limited	Zenith Bank UK Limited	Zenith Bank SierraLeone Limited	Zenith Bank Gambia Limited	Zenith Pension Custodian Limited
Condensed statement of profit or loss								
Operating income	403,343	(5,121)	372,015	25,128	10,622	816	686	5,720
Share of profit of associate	138	-	-	-	-	-	-	-
Operating expenses	(270,621)	5,121	(251,774)	(14,076)	(7,454)	(1,084)	(548)	(806)
Impairment charge for financial assets	(13,064)	-	(12,392)	(666)	-	(4)	(2)	-
Profit before tax	119,796	-	107,849	10,386	3,168	(272)	136	4,914
Taxation	(20,341)	-	(15,370)	(2,987)	(768)	(2)	(58)	(1,156)
Profit for the year	**99,455**	**-**	**92,479**	**7,399**	**2,400**	**(274)**	**78**	**3,758**

In millions of Naira 31 December 2014	Zenith Group	Elimination entries	Zenith Bank Plc	Zenith Bank Ghana	Zenith Bank UK	Zenith Bank SierraLeone	Zenith Bank Gambia	Zenith Pension Custodian
Condensed statement of financial position								
Assets								
Cash and balances with central banks	752,580	-	728,291	22,023	10	1,124	1,128	4
Treasury bills	295,397	1	253,414	33,226	-	6,721	2,035	-
Assets pledged as collateral	151,746	-	151,746	-	-	-	-	-
Due from other banks	506,568	(89,629)	470,139	14,578	90,841	3,655	1,875	15,109
Derivative asset held for risk management	17,408	-	16,896	512	-	-	-	-
Loans and advances	1,729,507	-	1,580,250	70,082	77,895	816	464	-
Investment securities	200,079	171	92,832	43,630	63,446	-	-	-
Investment in subsidiaries	-	(33,003)	33,003	-	-	-	-	-
Investments in associates	302	212	90	-	-	-	-	-
Deferred tax asset	6,449	76	6,333	-	40	-	-	-
Other assets	21,455	(63,983)	19,393	414	64,903	144	98	486
Property and equipment	71,571	-	69,531	1,205	100	277	201	257
Intangible assets	2,202	-	1,901	109	195	4	60	42
	3,755,264	**(186,155)**	**3,423,819**	**185,779**	**297,430**	**12,741**	**5,861**	**15,898**

22. Investment in subsidiaries (continued)

In millions of Naira 31 December 2014	Zenith Group	Elimination entries	Zenith Bank Plc	Zenith Bank Ghana Limited	Zenith Bank UK Limited	Zenith Bank SierraLeone Limited	Zenith Bank Gambia Limited	Zenith Pension Custodian Limited
Liabilities & Equity								
Customer deposits	2,537,311	(15,108)	2,265,262	157,972	114,007	11,016	4,162	-
Derivative liabilities	6,073	-	6,073	-	-	-	-	-
Current income tax	10,042	-	7,709	1,123	-	15	45	1,150
Deferred income tax liabilities	-	(394)	-	340	-	-	34	20
Other liabilities	289,858	(132,225)	272,726	5,642	142,742	266	561	146
On-lending facilities	68,344	-	68,344	-	-	-	-	-
Borrowings	198,066	-	198,066	-	-	-	-	-
Debt securities issued	92,932	-	92,932	-	-	-	-	-
Equity and reserves	552,638	(29,136)	512,707	21,063	34,408	1,444	1,059	11,093
	3,755,264	**(176,863)**	**3,423,819**	**186,140**	**291,157**	**12,741**	**5,861**	**12,409**
31 December 2014								
Condensed cash flow								
Net cash from operating activities	(115,933)	(31,325)	(146,441)	12,925	38,851	4,485	1,431	4,141
Net cash from financing activities	188,269	(5,742)	184,721	-	9,290	-	-	-
Net cash from investing activities	3,098	18,005	(7,904)	(468)	(6,733)	513	(40)	(275)
Increase in cash and cash equivalents	**75,434**	**(19,062)**	**30,376**	**12,457**	**41,408**	**4,998**	**1,391**	**3,866**
31 December 2014								
Cash and cash equivalents								
At start of year	866,721	(47,274)	841,477	23,883	36,045	6,479	1,593	4,518
Cash and cash equivalents from discontinued operations	23,451	23,451	-	-	-	-	-	-
Exchange rate movements on cash and cash equivalents	117	117	-	-	-	-	-	-
At end of year	965,723	(42,768)	871,853	36,340	77,453	11,477	2,984	8,384
	75,434	**(19,062)**	**30,376**	**12,457**	**41,408**	**4,998**	**1,391**	**3,866**

In millions of Naira

22. Investment in subsidiaries (continued)

Apart from Zenith Bank Pensions Custodian Limited which is incorporated in Nigeria, the remaining subsidiaries are incorporated in their respective countries.

Zenith Bank (Ghana) Limited provides Corporate and Retail Banking services. It was incorporated on April 15, 2005 and commenced operations on September 16, 2005.

Zenith Pensions Custodian Limited provides pension funds custodial services to Licensed Pension Fund Administrators (PFAs) and Closed Pension Funds Administrators under the Pension (Reform) Act, 2004. It was incorporated on 1 March 2005. The name was changed from "Zenith Pensions Limited" to "Zenith Pensions Custodian Limited" on September 20, 2005. It was licensed by the National Pension Commission as a custodian of pension funds and assets on 7 December 2005 and commenced operations in December 2005 .

Zenith Bank (UK) Limited provides a range of commercial, wholesale, investment, retail banking and financial services in the United Kingdom. It was incorporated on 17 February 2006 and commenced operations on 30 March 2007.

Zenith Bank (Sierra Leone) Limited provides Corporate and Retail Banking services. It was incorporated in Sierra Leone on 17 September 2007 and granted an operating license by the Bank of Sierra Leone on 10 September 2008. It commenced banking operations on 15 September 2008. This subsidiary was tested for impairment, and was not impaired.

Zenith Bank (Gambia) Limited provides corporate and retail banking services. It was incorporated in The Gambia on 24 October 2008 and granted an operating licence by the Central Bank of Gambia on 30 December 2009. It commenced banking operations on 18 January 2010.

There are no significant restrictions on the ability of subsidiaries to transfer funds to the Group in the form of cash dividends or repayment of loans and advances.

23. Investment in associates

The Group's investments under the Small and Medium Enterprises Equity Investment Scheme ("SMEEIS") is in compliance with the Policy Guidelines for 2001 Fiscal Year (Monetary Policy Circular No. 35). The Group generally holds 20 percent or more of the voting power of the investee and is therefore presumed to have significant influence over the investee. In instances where the Group holds less than 20 percent of the voting power of the investee, the Group concluded that it has significant influence due to the Group's representation on the board of the relevant investee, with such board generally limited to a small number of board members.

	Group		Bank	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Gross investment	1,312	1,822	1,312	1,822
Share of profit b/f	212	74	-	-
Share of profit for the year	228	138	-	-
Disposals	-	(510)	-	(510)
Diminution in investment	(1,222)	(1,222)	(1,222)	(1,222)
Balance at end of the year	**530**	**302**	**90**	**90**
Classified as:				
Current	-	-	-	-
Non-current	530	302	90	90
	530	**302**	**90**	**90**

There were no published price quotations for any associates of the Group. Furthermore, there are no significant restrictions on the ability of associates to transfer funds to the Group in the form of cash dividends or repayment of loans and advances.The aggregate summary of results of the immaterial associates are presented below.

23. Investment in associates (continued)

Summarised financial information of associates

The aggregate amounts of assets, liabilities, revenue and profits of associates are shown below;

In millions of Naira	31 Dec 2015	31 Dec 2014
Total assets	17,580	9,567
Total liabilities	8,520	7,685
Total revenue	34,247	20,381
Profit before tax	5,589	3,567

24. Deferred tax

Group

31 December 2015
Assets:

Movements in temporary differences during the year:	1 January 2015	Recognised in profit or loss	31 Dec 2015
Property and equipment	(3,376)	(1,286)	(4,662)
Other assets	(11)	13	2
Unutilized capital allowances	4,357	(452)	3,905
Allowances for loan losses	5,355	1,001	6,356
Tax loss carry forward	116	-	116
Foreign exchange differences	8	(118)	(110)
	6,449	(842)	5,607

Liabilities :

Movements in temporary differences during the year:	1 January 2015	Recognised in profit or loss	31 Dec 2015
Property and equipment	-	11	11
Allowances for loan losses	-	8	8
	-	19	19

31 Dec 2014
Assets:

Movements in temporary differences during the year:	1 January 2014	Recognised in profit or loss	31 Dec 2014
Property and equipment	-	(3,376)	(3,376)
Other assets	-	(11)	(11)
Allowances for loan losses	-	5,355	5,355
Unutilized capital allowances	-	4,357	4,357
Tax loss carry forward	749	(633)	116
Foreign exchange differences	-	90	90
	749	5,782	6,531
Reversal of timing difference	-	(82)	(82)
Charged to profit or loss	-	5,700	6,449

In millions of Naira

24. Deferred tax (continued)

Liabilities

Movements in temporary differences during the year:	**1 January 2014**	**Recognised in profit or loss**	**Recognised in OCI**	**31 Dec 2014**
Property and equipment	(3)	3	-	-
Other assets	11	(11)	-	-
Foreign exchange differences	(90)	90	-	-
Effective Portion of change in fair value of cash flow hedge	760	-	(760)	-
	678	**82**	**(760)**	**-**

Bank

Movements in temporary differences during the year:	**1 January 2015**	**Recognised in profit or loss**	**31 Dec 2015**
Property and equipment	(3,379)	(1,288)	(4,667)
Other assets	-	13	13
Allowances for loan losses	5,355	525	5,880
Unutilized capital allowances	4,357	(452)	3,905
	6,333	**(1,202)**	**5,131**

31 December 2014

Movements in temporary differences during the year:	**1 January 2014**	**Recognised in profit or loss**	**31 Dec 2014**
Property and equipment	-	(3,379)	(3,379)
Allowances for loan losses	-	5,355	5,355
Unutilised capital allowance	-	4,357	4,357
	-	**6,333**	**6,333**

All deferred tax are non current.

25. Other assets

	Group		**Bank**	
	31 Dec 2015	**31 Dec 2014**	**31 Dec 2015**	**31 Dec 2014**
Non financial assets				
Prepayments	12,710	13,214	11,534	12,317
Financial assets				
Electronic card related receivables	10,446	5,475	9,118	3,928
Intercompany receivables	-	-	753	403
Receivables	4,588	7,404	4,588	6,733
Deposits for shares	-	-	650	650
Gross financial assets	15,034	12,879	15,109	11,714
Less: Specific impairment	(4,970)	(4,638)	(4,970)	(4,638)
Net financial assets	10,064	8,241	10,139	7,076
Total other assets	**22,774**	**21,455**	**21,673**	**19,393**

	Group		Bank	
In millions of Naira	**2015**	**2014**	**2015**	**2014**

25. Other assets (continued)

Classified as:

Current	17,820	21,455	16,775	19,393
Non-current	4,954	-	4,898	-
	22,774	**21,455**	**21,673**	**19,393**

Movement in specific impairment:

At start of the year	4,638	4,638	4,638	4,638
Charge for the year (see note 8)	332	-	332	-
At end of the year	**4,970**	**4,638**	**4,970**	**4,638**

In millions of Naira

26. Property and equipment

Group

	Leasehold land	Buildings	Leasehold improvements	Furniture and fittings and equipment	Computer equipment	Motor Vehicles	Work in progress	Total
Cost								
At start of the year	17,657	22,574	13,687	40,545	22,918	15,847	18,790	152,018
Additions	3,275	7,299	841	3,504	1,157	1,175	7,768	25,019
Reclassifictions	1,365	392	228	226	(48)	-	(2,163)	-
Disposals	-	(49)	-	(480)	(62)	(2,080)	-	(2,671)
Foreign exchange movements	-	(99)	(11)	(136)	(100)	(84)	(113)	(543)
At the end of the year	**22,297**	**30,117**	**14,745**	**43,659**	**23,865**	**14,858**	**24,282**	**173,823**

	Leasehold land	Buildings	Leasehold improvements	Furniture and fittings and equipment	Computer equipment	Motor Vehicle	Work in progress	Total
Accumulated Depreciation								
At start of the year	1,521	3,574	11,543	30,621	21,308	11,880	-	80,447
Charge for the year	187	470	1,120	4,506	1,080	1,825	-	9,188
Reclassifications	-	(5)	1	4	-	-	-	-
Disposals	-	-	-	(542)	(68)	(2,004)	-	(2,614)
Foreign exchange movements	-	(5)	(18)	(106)	(51)	(41)	-	(221)
At the end of the year	**1,709**	**4,034**	**12,646**	**34,483**	**22,269**	**11,660**	**-**	**86,801**
Net book amount								
At 31 December 2015	20,588	26,083	2,099	9,176	1,596	3,198	24,282	87,022
At 31 December 2014	16,136	19,000	2,144	9,924	1,610	3,967	18,790	71,571

There were no impairment losses on any class of property and equipment during the year (31 December 2014 :Nil)

There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (31 December 2014:Nil).

All property and equipment are non current.

None of the Groups assets were financed from borrowings, consequently no borrowing cost has been capitalized as part of asset cost.

In millions of Naira

26 Property and equipment (continued)

Bank

	Leasehold land	Buildings	Leasehold improvements	Furniture fittings and equipment	Computer Equipment	Motor Vehicle	Work in progress	Total
Cost								
At start of the year	17,657	22,272	12,145	39,321	21,884	14,944	18,545	146,768
Additions	3,275	7,190	644	3,116	1,037	949	3,985	20,196
Reclassifications	1,365	392	178	226	2	-	(2,163)	-
Disposals	-	(1)	-	(420)	(29)	(2,025)	(1)	(2,476)
At the end of the year	**22,297**	**29,853**	**12,967**	**42,243**	**22,894**	**13,868**	**20,366**	**164,488**

Accumulated depreciation

	Leasehold land	Buildings	Leasehold improvements	Furniture fittings and equipment	Computer equipment	Motor vehicle	Work in progress	Total
At start of the year	1,521	3,556	10,672	29,650	20,548	11,290	-	77,237
Charge for the year	187	464	982	4,175	1,001	1,663	-	8,472
Reclassifications	-	(5)	1	4	-	-	-	-
Disposals	-	-	-	(413)	(30)	(1,965)	-	(2,408)
At the end of the year	**1,709**	**4,014**	**11,655**	**33,416**	**21,519**	**10,988**	**-**	**83,301**
Net book amount								
At 31 December 2015	20,588	25,839	1,312	8,827	1,375	2,880	20,366	81,187
At 31 December 2014	16,136	18,716	1,473	9,671	1,336	3,654	18,545	69,531

There were no impairment losses on any class of property and equipment during the year (31 December 2014 :Nil)

There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (31 December 2014:Nil).

All property and equipment are non current.

None of the groups assets were financed from borrowings, consequently no borrowing cost has been capitalized as part of asset cost

	Group		Bank	
In millions of Naira	**2015**	**2014**	**2015**	**2014**

27. Intangible assets

Computer software

Cost				
At start of the year	6,142	5,159	5,255	4,353
Exchange difference	179	36	-	-
Reclassification	219	-	-	-
Additions	2,221	947	1,981	902
At end of the year	**8,761**	**6,142**	**7,236**	**5,255**
Accumulated amortization				
At start of the year	3,940	3,224	3,354	2,650
Exchange difference	123	(12)	-	-
Reclassification	219	-	-	-
Charge for the year	1,239	728	1,129	704
At the end of the year	**5,521**	**3,940**	**4,483**	**3,354**
Carrying amount at end of the year	**3,240**	**2,202**	**2,753**	**1,901**

All intangible assets are non current.

All intangible assets of the Group have finite useful life and are amortised over 5 years.

28. Customers' deposits

Demand	1,282,559	1,292,394	1,153,442	1,102,904
Savings	246,113	213,435	222,035	191,097
Term	556,375	461,551	521,219	432,871
Domiciliary	472,837	569,931	436,321	538,390
	2,557,884	**2,537,311**	**2,333,017**	**2,265,262**
Classified as:				
Current	2,557,884	2,537,311	2,333,017	2,265,262
Non-current	-	-	-	-
	2,557,884	**2,537,311**	**2,333,017**	**2,265,262**

	Group		Bank	
In millions of Naira	**2015**	**2014**	**2015**	**2014**

29. Other liabilities

	Group 2015	Group 2014	Bank 2015	Bank 2014
Financial liabilities				
Customer deposits for letters of credit	71,927	84,878	71,913	84,847
Settlement payables	21,232	10,664	21,282	10,161
Managers' cheques	12,016	12,156	11,663	11,833
Due to banks for clean letters of credit	53,016	130,680	66,673	130,680
Customers' funds for foreign currency purchases	-	8	-	-
Deferred income on financial guarantee contracts	441	254	441	254
Tax collections	1,803	1,553	1,673	1,473
Sales and other collections	19,895	9,029	19,895	9,029
Premium payables	-	9,654	-	9,654
Electronic card related payables	1,449	1,805	1,392	1,811
Customer's foreign transactions payables	4,332	11,608	2,276	10,326
Total other financial liabilities	186,111	272,289	197,208	270,068
Non financial liabilities				
Provision for claims (see note (a) below)	9,766	-	9,766	-
Other payables	9,185	17,569	5,662	2,658
Total other non financial liabilities	18,951	17,569	15,428	2,658
Total other liabilities	**205,062**	**289,858**	**212,636**	**272,726**
Classified as:				
Current	205,062	278,721	212,636	263,841
Non-current	-	11,137	-	8,885
	205,062	**289,858**	**212,636**	**272,726**

The amounts above for financial guarantee contracts represents the amounts initially recognised less cumulative amortisation.

Subsequent to year end unclaimed dividend amounting to N3.2 billion was returned to the bank by Veritas Registrars Limited.

(a) Reconciliation of provision for claims

	Group 2015	Group 2014	Bank 2015	Bank 2014
At start of the year	-	-	-	-
Charge for the year (see note 12)	9,766	-	9,766	-
At end of the year	**9,766**	**-**	**9,766**	**-**

The provision represents amount reserved for claims that the bank is currently reconciling with the claimants.

30. On-lending facilities

	Group 2015	Group 2014	Bank 2015	Bank 2014
This comprises:				
Central Bank of Nigeria (CBN) Commercial Agriculture Credit Scheme Loan (i)	33,482	23,943	33,482	23,943
Bank of Industry (BOI) Intervention Loan (ii)	58,755	30,947	58,755	30,947
Central Bank of Nigeria (CBN) / Bank of Industry(BOI) - Power & Aviation intervention Funds (iii)	11,798	13,203	11,798	13,203
CBN MSMEDF Deposit (iv)	1,561	251	1,561	251
FGN SBS Intervention Fund (v)	111,194	-	111,194	-
Excess Crude Loan Facilty Deposit (vi)	70,091	-	70,091	-
	286,881	**68,344**	**286,881**	**68,344**

	Group		Bank	
In millions of Naira	**2015**	**2014**	**2015**	**2014**
Classified as:				
Current	-	-	-	-
Non-current	286,881	68,344	286,881	68,344
	286,881	**68,344**	**286,881**	**68,344**
Movement in on-lending facilities				
At beginning of the year	68,344	59,528	68,344	59,528
Addition during the year	219,942	16,781	219,942	16,781
Repayment during the year	(1,405)	(7,965)	(1,405)	(7,965)
At end of the year	**286,881**	**68,344**	**286,881**	**68,344**

(i) The fund received under the Central Bank of Nigeria (CBN) Commercial Agriculture Credit Scheme represent a credit line granted to the Bank for the purpose of providing concessionary funding to the agricultural sector. The facility has a tenor of 16 years with effect from 2009 to expire by September 2025. The facility attracts an interest rate of 2% per annum and the Bank is under obligation to on-lend to customers at an all-in interest rate of not more than 9% per annum. Based on the structure of the facility, the Bank assumes the default risk of all amounts lent to the Bank's customers.

(ii) The Central Bank of Nigeria (CBN) / Bank of Industry (BOI) - SME / Manufacturing Intervention Fund represents an intervention credit granted to the Bank for the purpose of refinancing / restructuring existing loans to Small and Medium Scale Enterprises (SMEs) and Manufacturing Companies. The total facility is secured by Nigerian Government Securities. The value of Government securities pledged as collateral is N61.5 billion (31 December 2014: N59.6 billion). The maximum tenor for term loan under the programme is 15 years while the tenor for working capital is one year, renewable annually subject to a maximum tenor of five years. A management fee of 1% per annum deductible at source in the first year, and quarterly in arrears thereafter, is paid by the Bank under the Intervention programme and the Bank is under obligation to on-lend to customers at an all-in interest rate of 7% per annum. The Bank is the primary obligor to CBN / BOI and assumes the risk of default. Treasury bills and Federal Government bonds amounting to N61.5 billion have been pledged as collateral for the facility.

(iii) The purpose of granting new loans and refinancing / restructuring existing loans to companies in the power and aviation industries is to support Federal Government focus on the sectors. The facility is secured by Irrevocable Standing Payment Order (ISPO). The maximum tenor for term loan under the programme is 15 years while the tenor for working capital is one year, renewable annually subject to a maximum tenor of five years. The facility attracts an interest rate of 1% per annum payable quarterly in arrears and the Bank is under obligation to on-lend to customers at an all-in interest rate of 7% per annum.

(iv) The Micro Small & Medium Scale Enterprises Development Fund (MSMEDF) is an intervention fund with the objective of channelling low interest funds to the MSME sub-sector of the Nigerian economy. The facility attracts an interest rate of 2% per annum and the Bank is under obligation to on-lend to the SMEs at 9% per annum. The maximum tenor is 5 years while the tenor for working capital is 1 year.

(v) The Salary Bailout Scheme is approved by the Federal Government to assist State Governments clear outstanding salaries owed their workers. Funds are disbursed to Banks nominated by beneficiary States at 2% for on-lending at 9% to the beneficiaries and the loans have a tenor of 20 years. Repayment is to be deducted at source, by the Accountant General of the Federation, as a first line charge against each beneficiary State’s monthly Statutory Allocation.

(vi) Excess Crude Account (ECA) facilities are loans of N10billion to each State with a tenor of 10-years at 9% per annum interest rate to the beneficiaries. Repayment is to be deducted at source, by the Accountant General of the Federation, as a first line charge against each beneficiary State’s monthly Statutory Allocation.

	Group		Bank	
In millions of Naira	**2015**	**2014**	**2015**	**2014**

31. Borrowings

Long term borrowing comprise:				
Due to ADB (i)	25,013	25,672	25,013	25,672
Due to KEXIM (ii)	9,996	5,632	9,996	5,632
Due to EIB (iii)	5,491	5,111	5,491	5,111
Due to PROPARCO (iv)	13,758	14,053	13,758	14,053
Due to SCB	-	4,166	-	4,166
Due to CITIBANK (v)	9,958	18,710	9,958	18,710
Due to ABSA Bank (vi)	40,097	18,637	40,097	18,637
Due to J P morgan Chase Bank (vii)	14,941	27,955	14,941	27,955
Due to Standard Bank (viii)	49,962	13,977	49,962	13,977
Due to First Rand Bank (ix)	7,740	8,981	7,740	8,981
Due to Commerz Bank (x)	59,259	55,172	59,259	55,172
Due to IFC (xi)	20,034	-	20,034	-
Due to British Arab Bank (xii)	2,613	-	2,613	-
Due to Zenith Bank (UK) (xiii)	-	-	9,249	-
	258,862	**198,066**	**268,111**	**198,066**

The Group has not had any defaults of principal, interest or other breaches with respect to their liabilities during the year (Dec 2014: nil).

Classified as:				
Current	529	72,117	529	72,117
Non-current	258,333	125,949	267,582	125,949
	258,862	**198,066**	**268,111**	**198,066**

Movement in borrowings				
At beginning of the year	198,066	60,150	198,066	60,150
Addition during the year	75,909	149,626	85,158	149,626
Repayment during the year	(15,113)	(11,710)	(15,113)	(11,710)
At end of the year	**258,862**	**198,066**	**268,111**	**198,066**

(i) The amount due to African Development Bank (AfDB) of N25.01 billion ($125.00 million) represents the dollar facility granted by AfDB in September 2014 which is repayable over 7 years. Interest is payable half-yearly at the rate of LIBOR + 3.6% per annum. The facility which has three (3) years moratorium will mature in 2021.

(ii)The amount of N9.996 billion (US $50.22 million) represents the outstanding balances from six short term loan facilities of US $25.2 million, US $12 million, US $9 million, US $10.2million, US $7.2 million, and US $ 17.4 million granted by The Export-Import Bank of Korea (KEXIM) in January, August, September, November(US $ 10.2 and 7.2 million) and December 2015. Interest is payable monthly at LIBOR+ 1.65% (for US $25.2million and US $12million), LIBOR+1.73% (for US $9million and US $7.2 million), LIBOR+ 1.68 (for US $10.2million) and LIBOR +1.71% (for US $17.4million) The outstanding balances are US $2.10 million, US $8million, US $6.75million, US $9.35million, US $6.6million, and US $17.41 million respectively. Final repayments on these facilities are due in January, August, September, November(US $ 10.2 and 7.2 million) and December 2016 respectively.

(iii) The amount of N5.49 billion ($27.322 million) represents a 6-year dollar facility, with two (2) years moratorium, granted by the European Investment Bank (EIB) in 2013. Interest is payable at the rate of 6 months' LIBOR plus 2.74% per annum. The facility will mature in 2019.

(iv) The amount of N13.75 billion ($68.75 million) represents the outstanding balance of two tranches of the credit facilities of $25m and $50m granted by Promotion et Participation pour la Coopération économique (PROPARCO) in February 2013 and December 2013 respectively. The facilities are priced at Libor+3.76% and Libor+3.71% per annum and will mature in April 2020 and April 2021 respectively. Interest on each of the facilities are payable semi-annually.

	Group		Bank	
In millions of Naira	**2015**	**2014**	**2015**	**2014**

(v) The amount of N9.96 billion (US $50.03 million) represents the amount payable by the Bank from a term loan facility of US $ 100 million granted by CitiBank in Dec 2013. Interest is payable quarterly at the rate of LIBOR + 3.5% p.a and the facility will mature in December 2016.

(vi) The amount of N40.1 billion (US $201.44 million) represents the amount payable by the Bank from two term loan facility of US $ 100 million and US $ 100 million granted by ABSA in September 2015 and November 2015 respectively. Interest is payable quarterly at the rate of LIBOR + 3.75% and 3.85% p.a respectively. The facility will mature in September 2016 and November 2016 respectively.

(vii) The amount due to JP Morgan Chase Bank of N14.94 billion ($75million) represents the outstanding balance of two tranches of dollar facilities in the sums of $100 million and $50 million. Both tranches are being rolled over on a monthly basis. Interest is payable monthly at the rate of LIBOR + 2.25% per annum on each of the tranches.

(viii) The amount of N49.96 billion ($75 million) represents a Dollar Term Loan from Standard Bank granted in September 2014 and is priced at Libor +3.50%. The facility of which interest is payable quarterly has a maturity date of April 2017.

(ix) The amount of N7.74 billion ($38.89 million) represents a Dollar Term Loan from First Rand Bank granted in August 2014 and is priced at Libor +3.50%. The facility of which interest is payable quarterly has a maturity date of August 2017.

(x) The amount of N59.23 billion (US $297.71 million) represents the amount payable by the Bank from a term loan facility of US $ 300 million granted to the Bank through a Commerzbank loan facility agreement. Interest is payable quarterly at the rate of LIBOR + 3.2% p.a and the facility will mature on 30 December 2016.

(xi) The amount of N20.03 billion (US $101.41 million) represents the amount payable by the Bank from a term loan facility of US $ 100 million granted by International Finance Corporation (IFC) in June 2015. Interest is payable semi annually at 4.78% per annum and the facility will mature in October 2022.

(xii) The amount N2.63 billion ($13 million) represents a Dollar Term Loan from British Arab Bank granted in October 2015. It is priced at Libor+4.5% with interest payable quarterly and has a final maturity date of April, 2015.

(xiii) The amount N9.25 billion ($46 million) represents a Dollar Term Loan Zenith Bank UK granted in September 2015. It is priced at Libor+4.0% with interest payable quarterly and has a final maturity date of March, 2016. This amount has been eliminated on consolidation.

32. Debt securities issued

Due to Euro bond holders	99,818	92,932	99,818	92,932
	99,818	**92,932**	**99,818**	**92,932**

The amount of N99.8 billion ($500 million) represents the Eurobond issued by Zenith Bank Plc on April 22, 2014 with a maturity date of April 22, 2019 and a yield of 6.50% .The rate of interest (coupon) is 6.25% payable semi-annually with bullet repayment of the Principal sum at maturity. The total amount is non-current.

The Group has not had any defaults of principal, interest or other breaches with respect to the debt securities during the period (31 December 2014: Nil).

Classified as:				
Current	293	-	293	-
Non-current	99,525	92,932	99,525	92,932
	99,818	**92,932**	**99,818**	**92,932**

	Group		Bank	
In millions of Naira	**2015**	**2014**	**2015**	**2014**

33. Derivative liabilities

Instrument types:

Forward contracts				
Fair value of liabilities	384	6,073	384	6,073
	384	**6,073**	**384**	**6,073**

Classified as:	-	-	-	-
Current	384	6,073	384	6,073
Non-current	-	-	-	-
	384	**6,073**	**384**	**6,073**

The Group enters into currency forward contracts with counterparties. On initial recognition, the Group estimates the fair value of derivatives transacted with the counterparties using valuation techniques (see Note 3.3.6 C(vii)). In many cases, all significant inputs into the valuation techniques are wholly observable-e.g with reference to similar transactions in the wholesale dealer market.

During the year, various forward contracts entered into by the Bank generated net loss of N2.43 billion which were recognized in the statement of comprehensive income. These net losses related to the fair value of the forward contracts, producing derivative assets value of N8.5 billion with a resultant derivative liabilities of N0.38 billion (31 December 2014: N6,073 billion).

34. Share capital

Authorised				
40,000,000,000 ordinary shares of 50k each (31 Dec 2014: 40,000,000,000)	20,000	20,000	20,000	20,000
Issued and fully paid				
31,396,493,786 ordinary shares of 50k each (31 Dec 2014: 31,396,493,786)	15,698	15,698	15,698	15,698

There was no movement in the share capital account during the year.

35. Share premium, retained earnings and other reserves

(a) There was no movement in the Share premium account during the current and prior year.

Share premium	255,047	255,047	255,047	255,047

The nature and purpose of the reserves in equity are as follows:

(b) Share premium: Premiums from the issue of shares are reported in share premium.

(c) Retained earnings: Retained earnings comprise the undistributed profits from previous years which have not been reclassified to the other reserves noted below.

(d) Statutory reserve: Nigerian banking regulations require the Bank to make an annual appropriation to a statutory reserve. As stipulated by section 16(1) of the Bank and Other Financial Institutions Act of 1991 (amended), an appropriation of 30% of profit after tax is made if the statutory reserve is less than the paid-up share capital and 15% of profit after tax if the statutory reserve is greater than the paid-up share capital.

	Group		Bank	
In millions of Naira	2015	2014	2015	2014

(e) SMIEIS reserve: The SMIEIS 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 investments in qualifying small and medium scale enterprises. Under the terms of the guideline (amended by CBN letter dated 11 July 2006), the contributions will be 10% of profit after tax and shall continue after the first 5 years but banks' contributions shall thereafter reduce to 5% of profit after tax. The small and medium scale industries equity investment scheme reserves are non-distributable. Transfer to this reserve is no longer mandatory.

(f) Revaluation reserve: Comprises fair value movements on equity instruments.

(g) Foreign currency translation reserve: Comprises exchange differences resulting from the translation to Naira of the results and financial position of Group companies that have a functional currency other than Naira.

(h) Regulatory reserve for credit risk: The Nigerian banking regulator requires the bank to create a reserve for the difference between impairment charge determined in line with the principles of IFRS and impairment charge determined in line with the prudential guidelines issued by the Central Bank of Nigeria (CBN). This reserve is not available for distribution to shareholders.

36. Pension contribution

In accordance with the provisions of the Pensions Reform Act 2014, the Bank and its subsidiaries commenced a contributory pension scheme in January 2005. For entities operating in Nigeria, the contribution by employees and the employing entities are 2.5% and 15.5% respectively of the employees' basic salary, housing and transport allowances. Entities operating outside Nigeria contribute in line with the relevant pension laws in their jurisdictions. The contribution by the Group and the Bank during the year were N3.49 billion and N3.06 billion respectively (31 December 2014: N3.50 billion and N 3.15 billion).

37. Personnel expenses

Compensation for the staff (excluding executive directors) are as follows:

Salaries and wages	56,595	55,689	52,004	51,610
Other staff costs	7,439	13,132	7,369	13,089
Pension contribution	3,488	3,499	3,055	3,149
	67,522	**72,320**	**62,428**	**67,848**

(a) The average number of persons employed during the year by category:

	Number	Number	Number	Number
Executive directors	11	10	4	4
Management	545	510	435	452
Non-management	6,860	6,758	5,847	5,903
	7,416	**7,278**	**6,286**	**6,359**

The table below shows the number of employees (excluding Directors), whose earnings during the year, fell within the ranges shown below:

	Number	Number	Number	Number
N300,001 - N2,000,000	708	721	412	376
N2,000,001 - N2,800,000	245	118	-	-
N2,800,001 - N4,000,000	1,024	1,114	806	910
N4,000,001 - N6,000,000	1,580	1,817	1,337	1,561
N6,000,001 - N8,000,000	1,331	1,219	1,302	1,189
N8,000,001 - N9,000,000	919	882	903	864
N9,000,001 - and above	1,609	1,407	1,526	1,459
	7,416	**7,278**	**6,286**	**6,359**

In millions of Naira	Group 2015	Group 2014	Bank 2015	Bank 2014

37. Personnel expenses (continued)

(b) Directors' emoluments

The remuneration paid to directors are as follows:

In millions of Naira	Group 2015	Group 2014	Bank 2015	Bank 2014
Salaries and other short term benefits	595	414	200	245
Fees and sitting allowances	519	205	256	174
Retirement Benefit costs	31	11	5	6
	1,145	**630**	**461**	**425**

Fees and other emoluments disclosed above include amounts paid to:

	Group 2015	Group 2014	Bank 2015	Bank 2014
The chairman	25	15	25	15
The highest paid director	78	76	65	62

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

	Number	Number	Number	Number
N5,500,001 and above	11	35	4	8

38. Group subsidiaries and related party transactions

Parent:

Zenith Bank Plc (incorporated in Nigeria) is the ultimate parent company of the Group.

Subsidiaries:

Transactions between Zenith Bank Plc and its subsidiaries which are eliminated on consolidation are not separately disclosed in the consolidated financial statements. The Group's effective interests and investments in subsidiaries as at 31 December 2015 are shown below.

Entity	Effective holding %	Nominal share capital held
Foreign / banking subsidiaries:		
Zenith Bank (Ghana) Limited	98.07 %	6,444
Zenith Bank (UK) Limited	100.00 %	21,482
Zenith Bank (Sierra Leone) Limited	99.99 %	2,059
Zenith Bank (Gambia) Limited	99.96 %	1,038
Zenith Pensions Custodian Limited	99.00 %	1,980

Transactions and balances with subsidiaries In millions of naira	Receivable from	Payable to	Income received from	Expense paid to
Zenith Bank (UK) Limited	82,738	22,906	2,959	-
Zenith Bank (Ghana) Limited	661	-	-	-
Zenith Bank (Sierra leone) Limited	23	-	-	-
Zenith Bank (Gambia) Limited	721	-	-	-
Zenith Pension Custodians Limited	-	348	3,960	2,036

	Group		Bank	
In millions of Naira	**2015**	**2014**	**2015**	**2014**

Significant restrictions

The Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the supervisory frameworks within which banking subsidiaries operate. The supervisory frameworks require banking subsidiaries to keep certain levels of regulatory capital and liquid assets, limit their exposure to other parts of the Group and comply with other ratios. See notes 3.4, 3.5 and 4.4b for disclosures on liquidity, capital adequacy, and credit risk reserve requirements respectively. The carrying amounts of banking subsidiaries' assets and liabilities are N403.83 billion and N324.55 billion respectively (31 December 2014: N501.70 billion and N443.73 billion respectively).

Non controlling interest in subsidiaries

The Group does not have any subsidiary that has material non controlling interest.

Key management personnel

Key management personnel is defined as the Group's executive management, including their close members of family and any entity over which they exercise control. 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 Group.

Key management compensation				
Salaries and other short-term benefits	595	414	200	245
Retirement benefit cost	31	11	5	6
Fees and sitting allowances	519	205	256	174
Loans and advances				
At start of the year	787	888	735	821
Granted during the year	6	6	-	-
Repayment during the year	(234)	(107)	(213)	(86)
At end of of the year	**559**	**787**	**522**	**735**
Interest earned	24	33	20	29

Loans to key management personnel include mortgage loans and other personal loans which are given under terms that are no more favourable than those given to other staff. No impairment has been recognised in respect of loans granted to key management (31 December 2014: Nil) as they are performing. Mortgage loans amounting to N497 million (31 December 2014: N520 million) are secured by the underlying assets. All other loans are unsecured.

31 December 2015

Name of company	**Relationship/ Name**	**Loans**	**Deposits**	**Interest received**	**Interest paid**
Visafone Communication Limited	Common directorship /Jim Ovia	-	1,177	-	6
Quantum Fund Management *	Common directorship /Jim Ovia	4,499	31	585	-
		4,499	**1,208**	**585**	**6**

* The total loan oustanding for Quantum Fund Management was fully paid down on 5th January, 2016

31 December 2014

Name of company	**Relationship**	**Loans**	**Deposits**	**Interest received**	**Interest paid**
Visafone Communication Limited	Common directorship / Jim Ovia	345	193	52	17
Quantum Fund Management	Common directorship / Jim Ovia	8,741	12	1,049	7
		9,086	**205**	**1,101**	**24**

In millions of Naira

Interest charged on loans to related parties and interest and other fees paid to related parties are similar to what would be charged in an arms' length transaction. Loans granted to related parties are secured over real estate and other assets of the respective borrowers. No impairment has been recognised in respect of loans granted to related parties (31 December 2014: Nil).

During the year, Zenith Bank Plc paid N1,278 million as insurance premium to Zenith General Insurance Limited (31 December 2014: N804 million). Also, the Bank paid a total of N 235 million to Visafone Communication Limited for provision of telecommunication services (31 December 2014:N 364 million). These expenses were reported as operating expenses.

39. Contingent liabilities and commitments

(a) Legal proceedings

The Group is presently involved in 131 (31 December 2014:107) litigation suits in the ordinary course of business. The total amount claimed in the cases against the Group is estimated at N11.68 billion (31 December 2014: N6.15 billion). The actions are being contested and the Directors are of the opinion that none of the aforementioned cases is likely to have a material adverse effect on the Group and are not aware of any other pending or threatened claims and litigations.

(b) Capital commitments

At the balance sheet date, the Group had capital commitments amounting to N3.80 billion (31 December 2014: N3.22 billion) in respect of authorized and contracted capital projects.

(c) Confirmed credits and other obligations on behalf of customers

In the normal course of business the Group is a party to financial instruments with off-balance sheet risk. These instruments are issued to meet the credit and other financial requirements of customers. The contractual amounts of the off-balance sheet financial instruments are:

	Group		Bank	
	31 Dec 2015	**31 Dec 2014**	**31 Dec 2015**	**31 Dec 2014**
Performance bonds and guarantees	794,021	627,458	763,891	603,520
Usance	128,123	156,791	128,123	156,791
Letters of credit	232,837	216,634	187,947	156,511
Pension Funds (See Note (below))	1,997,182	1,732,565	1,997,182	1,732,565
	3,152,163	**2,733,448**	**3,077,143**	**2,649,387**

The transaction related performance bonds and guarantees are, generally, short-term commitments to third parties which are not directly dependent on the customer's creditworthiness. As at 31 December 2015, performance bonds and guarantees worth N181 billion (31 December 2014: N50.4 billion) are secured by cash while others are otherwise secured.

Usance and Letters of credit are agreements to lend to a customer in the future, subject to certain conditions. Such commitments are either made for a fixed period, or have no specific maturity dates, but are cancellable by the Group (as lender) subject to notice requirements. These Letters of credit are provided at market-related interest rates and cannot be settled net in cash. Usance and letters of credit are secured by different types of collaterals similar to those accepted for actual credit facilities.

The amount of N1,997.18 billion (31 December 2014: N1,732.57 billion) represents the full amount of the Group's guarantee for the assets held by its subsidiary, Zenith Pensions Custodian Limited under the latter's custodial business as required by the National Pensions Commission of Nigeria.

	Group		Bank	
In millions of Naira	2015	2014	2015	2014

40. Dividend per share

	Group		Bank	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Dividend proposed	56,513	54,943	56,513	54,943
Number of shares in issue and ranking for dividend	31,396	31,396	31,396	31,396
Proposed dividend paid per share	180 k	175 k	180 k	175
Interim dividend paid	25 k	-	25 k	-
Final dividend per share proposed	155 k	-	155 k	-
2014 dividend paid during the year	54,943	54,943	54,943	54,943
2015 interim dividend paid during the year	7,850	-	7,850	-
Total dividend paid during the year	62,793	54,943	62,793	54,943

The Board of Directors, pursuant to the powers vested in it by the provisions of section 379 of the Companies and Allied Matters Act of Nigeria, Cap C20 LFN 2004, proposed a final dividend of N1.55 kobo per share which in addition to the N0.25 kobo per share paid as interim dividend amounts to N1.80 per share. (31 December 2014: N1.75 per share) from the retained earnings account as at 31 December 2015. This is subject to approval by shareholders at the next Annual General Meeting.

If the proposed dividend is approved by the shareholders, the Bank will be liable to pay additional corporate tax estimated at N13.39 billion, which represents the difference between the tax liability calculated at 30% of the dividend approved and the tax charge reported in the statement of comprehensive income for the year ended 31 December 2015.

The number of shares in issue and ranking for dividend represents the outstanding number of shares as at 31 December 2015 and 31 December 2014 respectively.

Payment of dividends to shareholders is subject to withholding tax at a rate of 10% in the hand of recipients.

41. Cash and cash equivalents

For the purposes of the statement of cash flow, cash and cash equivalents include cash and non-restricted balances with central banks, treasury bills maturing within three months, operating account balances with other banks, amounts due from other banks.

	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Cash and cash balances with central bank (less mandatory reserve deposits (see note 15))	358,007	244,434	332,502	220,216
Treasury bills (maturing within 3 months (see note 16))	79,513	214,721	63,979	181,498
Due from other banks (see note 18)	272,194	506,568	266,894	470,139
	709,714	**965,723**	**663,375**	**871,853**

In millions of Naira

42. Compliance with banking regulations

During the year, the Bank paid the following fines and penalties;

S/N	Descriptons	Amount Paid in (N)
1	Penalty imposed on the Bank for infraction arising from risk assets examination as at December 31, 2014.	2,000,000
2	Penalty imposed on Zenith Bank for late rendition of fraud and forgeries returns - February 2015.	2,000,000
3	Fraudulent NIBBS instant pay (NIP) from account in Enterprise Bank to the Valluci Properties Ltd.	10,000,000
4	Penalty imposed on Zenith Bank for late rendition of returns in respect of CDL.	4,000,000
5	Penalty imposed on Zenith Bank for AML/CFT spot check exception.	4,000,000
6	Penalty imposed on Zenith Bank for TSA deadline exception.	4,000,000
7	Penalty imposed on Zenith Bank for late rendition of returns	100,000
8	Penalty imposed on Zenith Bank in relation to reporting of public sector deposit.	32,000,000
9	Failure to implement auditor's recommendation contained in management letter.	2,000,000
		60,100,000

43. Events after the reporting period

No significant event that requires special disclosure occured between the reporting date and the date when the financial statements were issued.

	Group		Bank	
In millions of Naira				

44. Statement of cash flow workings

(i) Debt securities (see note 22)

31 December 2015

	Debt securities at fair value through profit or loss	**Debt securities at amortised cost**	**Debt securities at fair value through profit or loss**	**Debt securities at amortised cost**
At 1 January 2015	-	186,544	-	79,469
Gains from changes in fair value recognised in profit or loss (note 10)	894	-	894	-
Exchange differences	(52)	(1,523)	-	-
Additions	5,865	91,797	5,813	85,917
Disposals (sale and redemption)	-	(84,849)	-	(31,715)
Interest accrued	-	34,998	-	28,111
Coupon received	-	(31,230)	-	(27,780)
	6,707	**195,737**	**6,707**	**134,002**
Unrealised bond FV gain	707	-	707	-
Movement for cash flow statement	5,865	10,716	5,813	54,533
Realised bond fair value gain	187		187	-
Recognised in Cashflow statement	-	(16,768)	-	(60,533)

31 December 2014

	Debt securities at fair value through profit or loss	**Debt securities at amortised cost**	**Debt securities at fair value through profit or loss**	**Debt securities at amortised cost**
At 1 January 2014	2,280	290,191	589	201,280
Gains from changes in fair value recognised in other comprehensive income	336	-	336	-
Exchange differences	(25)	(1,415)	-	-
Additions	-	58,195	-	46,351
Disposals (sale and redemption)	(2,591)	(178,796)	(925)	(178,796)
Interest accrued	-	31,997	-	23,583
Coupon received	-	(13,628)	-	(12,949)
	-	**186,544**	**-**	**79,469**
Movement for cash flow statement	(2,255)	(102,232)	(589)	(121,811)
Recognised in Cashflow statement	**-**	**104,487**	**-**	**122,400**

(ii) Treasury bills (Amortised cost) (see note 16)

31 December 2015

	31 Dec 2015	**31 Dec 2014**	**31 Dec 2015**	**31 Dec 2014**
Treasury bills (Amortised cost)	324,230	294,235	277,202	252,252
Treasury bills (with 3 months maturity)	(79,513)	(214,721)	(63,979)	(181,498)
Changes	244,717	79,514	213,223	70,754
Recognised in Cashflow	**(165,203)**		**(142,469)**	

Notes to the Consolidated and Separate Financial Statements for the Year Ended 31 December 2015

In millions of Naira	Group		Bank	
31 December 2014				
	31 Dec 2014	**31 Dec 2013**	**31 Dec 2014**	**31 Dec 2013**
Treasury bills (Amortized cost)	294,235	579,511	252,252	565,668
Treasury bills (with 3 months maturity)	(214,721)	(354,834)	(181,498)	(352,786)
Changes	79,514	224,677	70,754	212,882
Recognised in Cashflow	**145,163**		**142,128**	

(iii) Treasury bills (FVTPL) (see note 16)

31 December 2015				
	31 Dec 2015	**31 Dec 2014**	**31 Dec 2015**	**31 Dec 2014**
Treasury bills	53,698	1,162	53,698	1,162
Unrealised fair value gain	878	-	878	-
Recognised in Cashflow	**(51,658)**		**(51,658)**	

31 December 2014				
	31 Dec 2014	**31 Dec 2013**	**31 Dec 2014**	**31 Dec 2013**
Treasury bills (Amortized cost)	1,162	-	1,162	-
Recognised in Cashflow	**(1,162)**		**(1,162)**	

(iv) Loans and advances (see note 20)

31 December 2015				
	31 Dec 2015	**31 Dec 2014**	**31 Dec 2015**	**31 Dec 2014**
Gross loans and advances	2,032,256	1,758,335	1,884,941	1,605,581
Changes	(273,921)	-	(279,360)	-
Write-back	1,486	-	1,486	-
Write-back (specific)	(1,861)	-	(1,860)	-
Interest receivables	12,925	-	12,925	-
	(261,371)	**-**	**(266,809)**	**-**

31 December 2014				
	31 Dec 2014	**31 Dec 2013**	**31 Dec 2014**	**31 Dec 2013**
Gross loans and advances	1,758,335	1,276,122	1,605,581	1,148,378
Changes	(482,213)	-	(457,203)	-
Write-back	347	-	347	-
Write-back (specific)	(6,298)	-	(5,990)	-
Write-back (specific)	(3,237)	-	(3,237)	-
Interest receivables	13,263	-	13,263	-
	(478,138)	**-**	**(452,820)**	**-**

	Group		Bank	
In millions of Naira				

(v)Customer deposits

31 December 2015

	31 Dec 2015	**31 Dec 2014**	**31 Dec 2015**	**31 Dec 2014**
As per financial statement	2,557,884	2,537,311	2,333,017	2,265,262
Changes	20,573	-	67,755	-
Interest payables	(1,919)	-	(1,919)	-
	18,654	**-**	**65,836**	**-**

31 December 2014

	31 Dec 2014	**31 Dec 2013**	**31 Dec 2014**	**31 Dec 2013**
As per financial statement	2,537,311	2,276,755	2,265,262	2,079,862
Changes	260,556	-	185,400	-
Interest payables	(2,268)	-	(2,268)	-
	258,288	**-**	**183,132**	**-**

(vi)Cash flow from discontinued operation (operating activities)

31 December 2014

	31 Dec 2014	**31 Dec 2013**	**Changes**
Loan and advances	-	59	59
Reinsurance assets and insurance liabilities	-	1,112	1,112
Deferred tax assets	-	1	1
Other assets	-	1,861	1,861
Claims payable	-	2,084	(2,084)
Current income tax	-	1,405	(1,405)
Deferred income tax liabilites	-	295	(295)
Other payables	-	6,274	(6,274)
Liabilities on insurance contracts	-	4,053	(4,053)
	-		**(11,078)**

(vii) Cash flow from discontinued operations (investing activities)

31 December 2015

Investing activities	**31 Dec 2015**	**31 Dec 2014**	**Changes**
Investment securities	-	-	-
Property and equipment	-	-	-
Intangible assets	-	-	-
	-		**-**

31 December 2014

Investing activities	**31 Dec 2014**	**31 Dec 2013**	**Changes**
Investment securities	-	2,915	2,915
Property and equipment	-	1,026	1,026
Intangible assets	-	29	29
	-	**3,970**	**3,970**

Notes to the Consolidated and Separate Financial Statements for the Year Ended 31 December 2015

	Group		Bank	
In millions of Naira				

(viii) Cash and cash equivalents from discontinued operations (see note 27)

31 December 2015

	31 Dec 2015	31 Dec 2014	Changes
Cash and balances with central banks	-	-	-
Treasury bills	-	-	-
Due from other banks	-	-	-
	-		**-**

31 December 2014

	31 Dec 2014	31 Dec 2013	Changes
Cash and balances with central banks	-	500	500
Treasury bills	-	11,076	11,076
Due from other banks	-	11,875	11,875
	-	**23,451**	**23,451**

(ix) Other liabilities (see note 29)

31 December 2015

	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
As per statement of financial position	205,062	289,858	212,636	272,726
Changes	84,796	-	60,090	-
Vat paid	(2,460)	-	(2,460)	-
Net cash movement	**(82,336)**	**-**	**(57,630)**	**-**

31 December 2014

	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
As per statement of financial position	289,858	215,643	272,726	201,265
Changes	(74,215)	-	(71,478)	-
Vat paid	(4,940)	-	(4,614)	-
Net cash movement	**79,155**	**-**	**76,092**	**-**

(x) Net cash from changes in ownership interest in subsidiaries

	31 Dec 2015	31 Dec 2014	-	-
Disposal of investment (NCI)	-	3,548	-	-
	-	**3,548**	**-**	**-**

(xi) Profit on disposal of property and equipment

	31 Dec 2015	31 Dec. 2014	31 Dec 2015	31 Dec. 2014
Cost (see note 26)	2,671	1,998	2,476	1,815
Accummulated depreciation (see note 26)	2,614	1,919	2,408	1,714
Net book value	**57**	**79**	**68**	**101**
Sales proceed	96	232	95	252
Profit on Disposal (see note 11)	**39**	**153**	**27**	**151**

In millions of Naira

(xii) Proceed from sale of equity securities

	Group 31 Dec 2015	Group 31 Dec 2014	Bank 31 Dec 2015	Bank 31 Dec 2014
Cost of equity securities disposed (see note 21b)	1,596	685	1,596	685
Gain on disposal of equity secuirities (see note 11)	1,615	-	1,615	-
Recognised in cash flow	**3,211**	**685**	**3,211**	**685**

(xiii) Interest received

	Group 31 Dec 2015	Group 31 Dec 2014	Bank 31 Dec 2015	Bank 31 Dec 2014
Interest income as per financial statement	348,179	313,422	317,419	285,171
Interest receivables	(12,925)	(13,263)	(12,925)	(13,263)
Recognised in cash flow	**335,254**	**300,159**	**304,494**	**271,908**

(xiv) Interest paid

	Group 31 Dec 2015	Group 31 Dec 2014	Bank 31 Dec 2015	Bank 31 Dec 2014
Interest expense as per financial statement	(123,597)	(106,919)	(114,936)	(99,439)
Interest payables	1,919	2,268	1,919	2,268
Recognised in cash flow	**(121,678)**	**(104,651)**	**(113,017)**	**(97,171)**

(xv) Proceeds from sale of subsidiaries

	Group 31 Dec 2015	Group 31 Dec 2014	Bank 31 Dec 2015	Bank 31 Dec 2014
Cash proceeds	-	10,935	-	10,935
Cost of retained interest	-	845	-	-
Cost of disposal	-	-	-	(3,902)
Contingency and revaluation reserve	-	1,353	-	-
Fair value of retained interest	-	172	-	-
Carrying amount of NCI	-	3,548	-	-
(Gain)/Loss	-	(510)	-	(7,033)
Recognised in cash flow	**-**	**16,343**	**-**	**-**

Other Information

ZENITH BANK PLC

Other Information

Value Added Statement

In millions of Naira	31 Dec 2015	31 Dec 2015 %	31 Dec 2014	31 Dec 2014 %
Group				
Gross income	432,535		403,343	
Interest expense				
- Local	**(107,344)**		**(91,722)**	
- Foreign	**(16,253)**		**(15,197)**	
	308,938		296,424	
Impairment charge for financial assets	(15,673)		(13,064)	
	293,265		283,360	
Bought-in materials and services				
- Local	(87,106)		(78,835)	
- Foreign	(2,594)		(2,594)	
Value added	**203,565**	**100**	**201,931**	**100**
Distribution				
Employees				
Salaries and benefits	**67,522**	**33**	**72,320**	**36**
Government				
Income tax	**19,953**	**10**	**20,341**	**10**
Retained in the Group				
Replacement of property and equipment / intangible assets	10,427	5	9,815	5
To pay proposed dividend	56,513	28	54,943	27
Profit for the year (including statutory, small scale industry, and non-controling interest)	49,150	24	44,512	22
Total Value Added	**203,565**	**100**	**201,931**	**100**

Value added represents the additional wealth which the company has been able to create by its own and employees efforts.

ZENITH BANK PLC

Other Information

Value Added Statement

In millions of Naira	2015	2015 %	2014	2014 %
Bank				
Gross income	396,653		372,015	
Interest expense				
- Local	**(112,342)**		**(96,845)**	
- Foreign	**(2,594)**		**(2,594)**	
	281,717		272,576	
Impairment charge for financial assets	(11,091)		(12,392)	
	270,626		260,184	
Bought-in materials and services				
- Local	(80,800)		(72,789)	
- Foreign	(2,577)		(2,577)	
Value added	**187,249**	**100**	**184,818**	**100**
Distribution				
Employees				
Salaries and benefits	**62,428**	**33**	**67,848**	**37**
Government				
Income tax	**16,436**	**9**	**15,370**	**8**
Retained in the Bank				
Replacement of property and equipment / intangible assets	9,601	5	9,121	5
To pay proposed dividend	56,513	30	54,943	30
Profit for the year (including statutory, and small scale industry)	42,271	23	37,536	20
Total Value Added	**187,249**	**100**	**184,818**	**100**

Value added represents the additional wealth which the company has been able to create by its own and employees efforts.

ZENITH BANK PLC

Other Information

Five Year Financial Summary

In millions of Naira	31 Dec 2015	31 Dec 2014	31 Dec 2013	31 Dec 2012	31 Dec 2011
Group					
Statement of Financial Position					
Assets					
Cash and balances with central banks	761,561	752,580	603,851	332,515	223,187
Treasury bills	377,928	295,397	579,511	669,164	510,738
Assets pledged as collateral	265,051	151,746	6,930	-	-
Due from other banks	272,194	506,568	256,729	182,020	234,521
Derivative assets	8,481	17,408	2,681	-	-
Loans and advances	1,989,313	1,729,507	1,251,355	989,814	893,834
Assets classified as held for sale	-	-	30,454	31,943	52,482
Investment securities	213,141	200,079	303,125	299,343	308,231
Investments in associates	530	302	165	420	1,756
Deferred tax assets	5,607	6,449	749	432	186
Other assets	22,774	21,455	36,238	28,665	25,510
Investment property	-	-	-	-	7,114
Property and equipment	87,022	71,571	69,410	68,782	68,366
Intangible assets	3,240	2,202	1,935	1,406	770
Total assets	**4,006,842**	**3,755,264**	**3,143,133**	**2,604,504**	**2,326,695**
Liabilities					
Customers deposits	2,557,884	2,537,311	2,276,755	1,929,244	1,655,458
Derivative liabilities	384	6,073	-	-	-
Current tax payable	3,579	10,042	7,017	6,577	13,348
Deferred income tax liabilities	19	-	678	5,584	10,742
Other liabilities	205,062	289,858	215,643	117,355	152,836
On-lending facilities	286,881	68,344	59,528	56,066	49,370
Borrowings	258,862	198,066	60,150	15,138	21,070
Liabilities classified as held for sale	-	-	14,111	11,584	29,603
Debt securities issued	99,818	92,932	-	-	-
Total liabilities	**3,412,489**	**3,202,626**	**2,633,882**	**2,141,548**	**1,932,427**
Net assets	**594,353**	**552,638**	**509,251**	**462,956**	**394,268**
Equity					
Share capital	15,698	15,698	15,698	15,698	15,698
Share premium	255,047	255,047	255,047	255,047	255,047
Retained earnings	200,115	183,396	161,144	130,153	75,072
Other Reserves	122,900	97,945	73,347	58,786	45,765
Attributable to equity holders of the parent	593,760	552,086	505,236	459,684	391,582
Non-controlling interest	593	552	4,015	3,272	2,686
Total shareholders' equity	**594,353**	**552,638**	**509,251**	**462,956**	**394,268**

ZENITH BANK PLC

Other Information

Five Year Financial Summary

In millions of Naira	31 Dec 2015	31 Dec 2014	31 Dec 2013	31 Dec 2012	31 Dec 2011

STATEMENT OF COMPREHENSIVE INCOME

	31 Dec 2015	**31 Dec 2014**	**31 Dec 2013**	**31 Dec 2012**	**31 Dec 2011**
Gross earnings	432,535	403,343	351,470	307,082	243,948
Share of profit / (loss) of associates	228	138	118	23	45
Interest expense	(123,597)	(106,919)	(70,796)	(64,561)	(34,906)
Operating and direct expenses	(167,877)	(163,702)	(159,019)	(130,999)	(124,256)
Impairment charge for financial assets	(15,673)	(13,064)	(11,176)	(9,445)	(17,391)
Profit before taxation	**125,616**	**119,796**	**110,597**	**102,100**	**67,440**
Income tax	(19,953)	(20,341)	(15,279)	(1,419)	(18,736)
Profit after tax	**105,663**	**99,455**	**95,318**	**100,681**	**48,704**
Foreign currency translation differences	637	3,282	(2,070)	(2,424)	(421)
Fair value movements on equity instruments	(1,752)	2,549	324	297	705
Related tax	-	-	890	(91)	(212)
Effective portion of changes in fair value of cash flow hedges	-	(2,771)	2,771	-	-
Related tax	-	760	(760)	-	-
	(1,115)	**3,820**	**1,155**	**(2,218)**	**72**
Total comprehensive income	**104,548**	**103,275**	**96,473**	**98,463**	**48,776**

Earning per share:

Basic and diluted	336 K	316 K	301 K	319 K	154 K

ZENITH BANK PLC

Other Information

Five Year Financial Summary

In millions of Naira	31 Dec 2015	31 Dec 2014	31 Dec 2013	31 Dec 2012	31 Dec 2011
Bank					
Statement of Financial Position					
Assets					
Cash and balances with central banks	735,946	728,291	587,793	313,546	211,098
Treasury bills	330,900	253,414	565,668	647,474	494,253
Assets plegeds as collateral	264,320	151,746	6,930	-	-
Due from other banks	266,894	470,139	249,524	203,791	246,364
Derivative assets	8,481	16,896	-	-	-
Loans and advances	1,849,225	1,580,250	1,126,559	895,354	827,035
Investment securities	150,724	92,832	212,523	256,905	267,050
Investments in subsidiaries	33,003	33,003	24,375	24,375	19,345
Investments in associates	90	90	90	463	1,822
Deferred tax assets	5,131	6,333	-	-	-
Other assets	21,673	19,393	31,415	16,814	17,616
Assets classified as held for sale	-	-	4,749	10,338	10,838
Investment property	-	-	-	-	7,114
Property and equipment	81,187	69,531	67,364	66,651	65,877
Intangible assets	2,753	1,901	1,703	1,175	661
Total assets	**3,750,327**	**3,423,819**	**2,878,693**	**2,436,886**	**2,169,073**
Liabilities					
Customers deposits	2,333,017	2,265,262	2,079,862	1,802,008	1,577,290
Derivative liabilities	384	6,073	-	-	-
Current tax payable	2,534	7,709	5,266	5,071	11,934
Deferred income tax liabilities	-	-	-	5,573	10,732
Other liabilities	212,636	272,726	201,265	115,027	126,660
On-lending facilities	286,881	68,344	59,528	56,066	49,370
Borrowings	268,111	198,066	60,150	15,138	21,070
Debt securities issued	99,818	92,932	-	-	-
Total liabilities	**3,203,381**	**2,911,112**	**2,406,071**	**1,998,883**	**1,797,056**
Net assets	**546,946**	**512,707**	**472,622**	**438,003**	**372,017**
Equity					
Share capital	15,698	15,698	15,698	15,698	15,698
Share premium	255,047	255,047	255,047	255,047	255,047
Retained earnings	160,408	150,342	126,678	106,010	55,028
Other reserves	115,793	91,620	75,199	61,248	46,244
Attributable to equity holders of the parent	546,946	512,707	472,622	438,003	372,017
Total shareholders' equity	**546,946**	**512,707**	**472,622**	**438,003**	**372,017**

ZENITH BANK PLC

Other Information

Five Year Financial Summary

In millions of Naira	31 Dec 2015	31 Dec 2014	31 Dec 2013	31 Dec 2012	31 Dec 2011

STATEMENT OF COMPREHENSIVE INCOME	**31 Dec 2015**	**31 Dec 2014**	**31 Dec 2013**	**31 Dec 2012**	**31 Dec 2011**
Gross earnings	396,653	372,015	311,275	279,042	214,980
Interest expense	(114,936)	(99,439)	(68,471)	(65,352)	(33,407)
Operating and direct expenses	(155,406)	(152,335)	(138,789)	(111,644)	(108,529)
Impairment charge for financial assets	(11,091)	(12,392)	(9,907)	(7,998)	(15,900)
Profit before tax	**115,220**	**107,849**	**94,108**	**94,048**	**57,144**
Income tax	(16,436)	(15,370)	(10,694)	1,755	(15,843)
Profit after tax	**98,784**	**92,479**	**83,414**	**95,803**	**41,301**
Other comprehensive income					
Fair value movements on equity instruments	(1,752)	2,549	549	15	705
Tax effect of equity instruments at fair value	-	-	890	(5)	(211)
	(1,752)	**2,549**	**1,439**	**10**	**494**
Total comprehensive income	**97,032**	**95,028**	**84,853**	**95,813**	**41,795**
Earning per share:					
Basic and diluted	315 K	295 K	266 K	305 K	132 K