Zenith Bank PLC

Annual Report - 31 December 2016

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
Prof.Oyewusi Ibidapo-Obe	Non-Executive Director/ Independent *
Mr.Gabriel Ukpeh	Non-Executive Director/ Independent *
Mr.Peter Amangbo	Group Managing Director/CEO
Ms. Adaora Umeoji	Deputy Managing Director***
Mr.Ebenezer Onyeagwu	Deputy Managing Director***
Mr.Oladipo Olusola	Executive Director
Mr.Umar Ahmed	Executive Director****

* Appointed to the Board effective February 24, 2016.

** Retired from the Board effective April 6, 2016.

*** Appointed Deputy Managing Director (DMD) by the Board with effect from October 01, 2016 and approved by the Central Bank of Nigeria (CBN) on October 28, 2016.

****Appointed to the Board effective October 01, 2016.

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 Dec 2016

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 2016.

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. In August 2015, the Bank was admitted into the premium Board 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 taking deposits from the public, granting of loans and advances, corporate finance and money market activities.

The Bank has five subsidiary companies namely, Zenith Bank (Ghana) Limited, Zenith Pensions Custodian Limited, Zenith Bank (UK) Limited, Zenith Bank (Sierra Leone) Limited, and Zenith Bank (The Gambia) Limited. During the year, the Group opened eleven new branches. No branch was closed during the year.

3. Operating results

Gross earnings of the Group increased by 17.4% and profit before tax increased by 24.8% respectively. Highlights of the Group's operating results for the year under review are as follows:

	31 Dec 2016 N' Million	31 Dec 2015 N' million
Gross earnings	**507,997**	**432,535**
Profit before tax	156,748	125,616
Income tax expense	(27,096)	(19,953)
Profit after tax	129,652	105,663
Non- controlling interest	(218)	(132)
Profit attributable to the equity holders of the parent	**129,434**	**105,531**
Appropriations		
Transfer to statutory reserve	19,021	14,818
Transfer to retained earnings and other reserves	110,413	90,713
	129,434	**105,531**
Basic and Diluted earnings per share (kobo)	412 k	336 k
Non-performing loan ratio %	3.02	2.20

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 N1.77 kobo per share which in addition to the N0.25kobo per share paid as interim dividend amounts to N2.02 kobo per share (31 Dec 2015: N1.80 kobo per share) from the retained earnings account as at 31 Dec 2016. This will be presented to the shareholders for approval 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 N12.52 billion representing 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 the year ended 31 Dec 2016.

Payment of dividends is subject to withholding tax at a rate of 10% in the hand of qualified 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 (CAMA) and the listing requirements of the Nigerian Stock Exchange is as follows:

Interests in shares

		Number of Shareholding	
Director	**Designation**	**31 Dec 2016**	**31 Dec 2015**
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	4,768,836
Mr.Babatunde Adejuwon	Non Executive Director **	3,752,853	3,752,853
Alhaji Baba Tela	Non Executive Director / Independent	250,880	250,880
Mr.Gabriel Ukpeh	Non-Executive Director /Independent*	-	-
Prof. Chukuka Enwemeka	Non-Executive Director	127,137	127,137
Mr.Jeffrey Efeyini	Non Executive Director	541,690	541,690
Prof.Oyewusi Ibidapo-Obe	Non Executive Director / Independent *	267,856	-
Ms. Adaora Umeoji	Deputy Managing Director***	31,620,141	26,620,141
Mr.Ebenezer Onyeagwu	Deputy Managing Director***	3,106,918	2,500,000
Mr.Oladipo Olusola	Executive Director	2,000,000	2,000,000
Mr. Umar Ahmed	Executive Director****	1,133,927	-

* Appointed to the board effective February 24, 2016.

** Retired from the board effective April 6, 2016.

*** Appointed Deputy Managing Director (DMD) by the Board with effect from October 01, 2016 and approved by the Central Bank of Nigeria (CBN) on October 28, 2016.

**** Appointed to the Board effective October 01, 2016.

6. Directors' interests in contracts

For the purpose of section 277 of CAMA, all contracts with related parties during the year were conducted at arms length. Information relating to related parties transactions are contained in Note 38 to the financial statements.

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, 2016 is as stated below:

Share range	No. of Shareholders	Percentage of Shareholders	Number of holdings	Percentage Holdings (%)
1-9,999	541,348	83.6411 %	1,627,229,637	5.18 %
10,000 - 50,000	83,802	12.9479 %	1,712,394,356	5.45 %
50,001 - 1,000,000	21,020	3.2477 %	3,225,337,840	10.27 %
1,000,001 - 5,000,000	771	0.1191 %	1,632,120,871	5.20 %
5,000,001 - 10,000,000	131	0.0202 %	890,422,214	2.84 %
10,000,001 - 50,000,000	105	0.0162 %	2,219,551,674	7.07 %
50,000,001 - 100,000,000	21	0.0032 %	1,507,117,182	4.80 %
100,000,001 - 500,000,000	21	0.0032 %	4,294,018,429	13.68 %
500,000,001 - 1,000,000,000	1	0.0002 %	719,545,610	2.29 %
Above 1,000,000,000	7	0.0011 %	13,568,755,974	43.22 %
	647,227	**100 %**	**31,396,493,787**	**100 %**

The shareholding pattern of the Bank as at December 31, 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 %
10,00,001 - 50,00,000	102	0.0157 %	2,180,505,063	6.95 %
50,00,001 - 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 %**

10. Substantial interest in shares

According to the register of members as at December 31, 2016, the following shareholders held more than 5.0% of the issued share capital of the Bank.

	Number of Shares Held	Number of Shares Held
Jim Ovia, CON	2,946,199,395	9.38 %
Stanbic Nominees Nigeria Limited/C011 - MAIN	2,993,953,971	9.54 %
Stanbic Nominees Nigeria Limited/C002 - MAIN	2,451,590,191	7.81 %
Stanbic Nominees Nigeria Limited/C001 - TRAD	1,814,839,375	5.78 %

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

	Number of Shares Held	Number of Shares Held
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/C001 - TRAD	2,273,779,509	7.24 %
Stanbic Nominees Nigeria Limited/C002 - TRAD	1,806,614,996	5.75 %

11. Donations and charitable gifts

The Group made contributions to charitable and non-political organisations amounting to N2,557 million during the 2016 financial year.

The beneficiaries are as follows:

	31 Dec 2016 N' Million
Committee Encouraging Corporate Philantrophy (mobile cancer machines)	1,225
Educational support to Nigerian schools	259
States' Security Trust Fund	235
Nigeria Institute of Journalism (NIJ)	200
Medical assistance to the underpriledged	161
ICT Centres for Education Institutions	156
The Nigeria Football Federation	100
Economic summits & conferences sponsorship for states	42
Nigerian Basketball Federation	39
Warri Wolves Football Club sponsorship	35
Musical Society of Nigeria	33
Healthcare centre IGA Idugaran LGHA	10
Others below N10 million	62
	2,557

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 Education Institutions	131
Medical Assistance to the Underpriviledged	66
The Nigeria Football Federation	50
Nigerian 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

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 period ended 31 Dec 2016

Description	Number		Amount claimed		Amount refunded	
	31 Dec 2016	31 Dec 2015	31 Dec 2016 N.	31 Dec 2015 N.	31 Dec 2016 N.	31 Dec 2015 N.
Pending complaint brought forward	64	60	14,569,036,425	8,070,341,593	774,033,876	682,941,586
Received Complaints	343	212	2,465,265,125	14,872,147,292	624,257,449	1,089,886,664
Resolved Complaints	253	208	15,462,483,784	8,373,452,460	1,386,713,078	1,012,531,806
Unresolved Complaints escalated to CBN for Intervention	-	5	-	2,490,301,871		
Unresolved Complaints pending with the bank carried forward	-	59	-	12,078,734,554		
Unresolved Complaints carried forward	**154**	**64**	**1,571,817,766**	**14,569,036,425**	**11,578,247**	

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 training programmes. These are complemented by on-the-job training.

ZENITH BANK PLC

Directors' Report for the Year Ended 31 Dec 2016

(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	3,111	2,859	5,970	52 %	48 %
	3,111	**2,859**	**5,970**	**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	1	11	91 %	9 %
Top management staff (AGM-GM)	48	22	70	69 %	31 %
	58	**23**	**81**	**72 %**	**28 %**

(c) Further analysis of board and top management staff.

	Gender Number			Gender Percentage	
	Male	**Female**	**Total**	**Male**	**Female**
Assistant general managers	25	15	40	63 %	38 %
Deputy general managers	11	2	13	85 %	15 %
General managers	12	5	17	71 %	29 %
Board members (Non-executive directors)	6	-	6	100 %	- %
Executive directors (excluding MD and DMDs)	2	-	2	100 %	- %
Deputy managing director	1	1	2	50 %	50 %
Managing director/CEO	1	-	1	100 %	- %
	58	**23**	**81**	**72 %**	**28 %**

15. Auditors

The auditors, Messrs. KPMG Professional Services, having satisfied the relevant corporate rules on their tenure in office 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
January 24, 2017
FRC/2013/MULTI/00000001084

1. Introduction

Zenith Bank Plc is committed to maintaining the highest standards of Corporate Governance both within the Bank and the Group .

The Bank's business is conducted in compliance with relevant laws and regulations and in line with global best practices. To this end, the Bank constantly reappraises its processes to ensure that it's business conforms to best practice and market discipline at all times.

2 The Directors and other key personnel

During the year under review, the Directors and other key personnel of the Bank complied with the following Codes of Corporate Governance, which it subscribes to:

(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.

3. Shareholding

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

4. Board of directors

The Board has the overall responsibility for setting the strategic direction of the Bank and also oversight of Senior Management. It also ensures that good Corporate Governance processes and best practices are implemented across the Bank and the Group.

The Board of the Bank consists of persons of mixed personages, diverse discipline and 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 abreast of their responsibilities and knowledgeable in the business and are therefore able to exercise good judgment on issues relating to the Bank’s business. They have on the basis of this acted in good faith, with due diligence and skill and in the overall best interest of the Bank and relevant stakeholders.

5. Board structure

The board is made up of a non-executive Chairman, five (5) non-executive Directors and five (5) executive Directors including the GMD/CEO. Three (3) of the non-executive Directors are independent directors, appointed in compliance with the Central Bank of Nigeria (CBN) circular on Appointment of Independent Directors by Banks.

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

6. Responsibilities of the Board

The Board is responsible for:

(a) reviewing and approving the Bank’s strategic plans for implementation by management;

(b) reviewing and approving the Bank’s financial objectives, business plans and budgets, including capital allocations and expenditures;

(c) monitoring corporate performance against the strategic plans and business, operating and capital budgets;

(d) implementing the Bank’s succession planning;

(e) approving acquisitions and divestitures of business operations, strategic investments and alliances, and major business development initiatives;

(f) approving delegation of authority for any unbudgeted expenditure;

(g) setting the tone for supervising the Corporate Governance Structure of the Bank and;

(h) assessing its own effectiveness in fulfilling its responsibilities, including monitoring the effectiveness of individual directors.

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

Board of Directors

NAME	POSITION
Mr. Jim Ovia, CON	Chairman
Alhaji Baba Tela	Independent/Non-Executive Director
Mr. Jeffrey Efeyini	Non-Executive Director
Prof. Chukuka S. Enwemeka	Non-Executive Director
Prof. Oyewusi Ibidapo-Obe*	Independent/Non-Executive Director
Mr. Gabriel Ukpeh *	Independent/Non-Executive Director
Mr. Peter Amangbo	Group Managing Director/CEO
Ms. Adaora Umeoji **	Deputy Managing Director
Mr. Ebenezer Onyeagwu **	Deputy Managing Director
Mr. Olusola Oladipo	Executive Director
Mr. Umar Ahmed***	Executive Director
Sir Steve Omojafor****	Non-Executive Director
Mr. Babatunde Adejuwon****	Non-Executive Director

* Appointed to the Board with effect from February 24, 2016.

** Appointed Deputy Managing Director (DMD) with effect from October 01, 2016 approved by the Central Bank of Nigeria (CBN) on October 28, 2016.

*** Appointed Executive Director by the Board with effect from October 01, 2016 and approved by the CBN on October 28, 2016.

**** Retired from the Board with effect from April 6, 2016.

NB: Biographical details of the directors can be found in the bank's website on www.zenithbank.com.

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

7. 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.

Accordingly, the Board has set up various committees to assisst in attending to the specific matters reserved 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.

These Charters were forwarded to CBN for approval in line with extant CBN circulars.

The Committees of the Board meet quarterly but may hold extraordinary sessions as business of the Bank demand.

The following are the current standing Committees of the Board:

7.1 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/NED)
Alhaji Baba Tela - NED
Prof. Chukuka Enwemeka - NED
Mr. Peter Amangbo - MD/CEO
Mr. Ebenezer Onyeagwu - DMD
Mr. Olusola Oladipo - ED
Mr. Babatunde Adejuwon*

* - Retired from the Board with effect from April 6, 2016.

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.

7.2 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 relating to staff welfare, discipline, staff remuneration and promotion.

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

Alhaji Baba Tela – (Chairman/NED)
Prof. Chukuka Enwemeka - NED
Prof. Oyewusi Ibidapo-Obe - NED
Mr. Peter Amangbo - MD/CEO
Ms. Adaora Umeoji - DMD
Sir. Steve Omojafor*

* Retired from the Board with effect from April 6, 2016.

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;
- Review and approval of any employment-related contracts with the MD/CEO and other executive officers, if applicable;
- Consideration of senior management promotions as recommended by the MD/CEO;
- Review and recommendations on recruitment, promotion, and disciplinary actions for senior management staff;
- Review and agreement at the beginning of the period, 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;
- To discharge the Board's responsibility relating to oversight of the management of the health and welfare plans that cover the company's employees;
- Review and recommendation to the Board, salary revisions and service conditions for senior management staff, based on the recommendation of the Executives;
- Oversight of broad-based employee compensation policies and programs;

7.3 Board risk management committee:

The Board Risk Management 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 Prof. Chukuka Enwemeka (a non Executive Director), the Committee's membership comprises the following:

Prof. Chukuka S. Enwemeka – (Chairman/NED)
Mr. Jeffrey Efeyini - NED
Mr. Gabriel Ukpeh ** - NED
Mr. Peter Amangbo - MD/CEO
Mr. Ebenezer Onyeagwu - DMD
Mr. Babatunde Adejuwon*

** Appointed to the Board effective February 24, 2016.

* Retired from the Board with effect from April 6, 2016.

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

7.4 Board audit and compliance committee:

The Committee was created from the former Board Risk & Audit Committee on February 24, 2016 in line with the Central Bank of Nigeria (CBN) regulations. The Board also on October 19, 2016 renamed same as Board Audit and Compliance Committee to align its responsibilities with regulatory requirements.

The Committee is chaired by an Independent Non Executive Director - Mr. Gabriel Ukpeh, who is a Fellow of the Institute of the Chartered Accountants of Nigeria (ICAN) and who is knowledgable in financial matters. The Chief Inspector and the Chief Compliance officer has access to this Committee and make quarterly presentations for the consideration of the Committee.

Committee's membership comprises the following:
Mr. Gabriel Ukpeh - (Chairman/NED)*
Alhaji Baba Tela - NED
Mr. Jeffrey Efeyini - NED

* – Appointed to the board effective February 24, 2016.

Committee’s terms of reference

The Board Audit Committee shall have the following authority and responsibilities as delegated by the Board of Directors:

- Ascertain whether the accounting and reporting policies of the Bank are in accordance with legal requirement and acceptable ethical practices.
- Review the scope and planning of audit requirements.
- Review the findings on management matters (Management Letter) in conjunction with the external auditors and Management’s responses thereon.
- Keep under review the effectiveness of the Bank’s system of accounting and internal control.
- Make recommendations to the Board with regard to the appointment, removal and remuneration of the external auditors of the bank.
- Authorize the internal auditor to carry out investigations into any activities of the Bank which may be of interest or concern to the Committee.
- Assist in the oversight of compliance with legal and other regulatory requirements, assessment of qualifications and independence of the external auditors and performance of the Bank’s internal audit function as well as that of the external auditors.
- Ensure that the internal audit function is firmly established and that there are other reliable means of obtaining sufficient assurance of regular review or appraisal of the system of internal control in the Bank.
- Oversee management’s processes for the identification of significant fraud risks across the Bank and ensure that adequate prevention, detection and reporting mechanisms are in place.
- On a quarterly basis, obtain and review reports by the internal auditor on the strength and quality of internal controls, including any issues or recommendations for improvement, raised during the most recent control review of the Bank.
- Discuss and review the Bank’s unaudited quarterly and annual financial statements with management and external and external auditors respectively to include disclosures, management control reports, independent reports and external auditors’ reports before submission to the Board, in advance of publication.
- Discuss policies strategies with respect to risk assessment and management.
- Meet separately and periodically with management, the internal auditor and the external auditors, respectively.
- Review and ensure that adequate whistle - blowing procedures are in place and that a summary of issues reported is highlighted to the Board, where necessary
- Review with external auditors, any audit scope limitations or problems encountered and management responses to them.
- Review the independence of the external auditors and ensure that they do not provide restricted services to the bank.

- Appraise and make recommendation to the Board on the appointment of internal auditor of the Bank and review his/her performance appraisal annually.
- Review the response of management to the observations and recommendation of the Auditors and Bank regulatory authorities.
- Agree Internal Audit Plan for the year annually with the Internal auditor and ensure that the internal audit function is adequately resourced and has appropriate standing within the Bank.
- Review quarterly Internal Audit progress against Plan for the period and review outstanding Agreed Actions and follow up.
- The Chief Inspector shall report to the Committee regularly on action of correction implemented by management including provisions and improvement to systems and control where necessary.

- To develop a comprehensive internal control framework for the Bank and obtain assurances on the operating effectiveness of the Bank's internal control framework.
- To establish management's processes for the identification of significant fraud risks across the Bank and ensure that adequate prevention, detection and reporting mechanisms are in place.
- To work with the Internal Auditor to develop the Internal Audit Plan for the year annually and ensure that the internal audit function is adequately resourced to carry out the plan.
- To review periodically the Internal Audit progress against Plan for the period and review outstanding Agreed Actions and follow up.
- The Chief Inspector, the Chief Compliance Officer, as well as the Chief Risk Officer shall submit quarterly reports to the Committee, in addition to reporting to the Group Managing Director. The Chief Inspector, the Chief Compliance Officer and the Chief Risk Officer shall also have unrestricted access to the Chairman of the Committee.
- To perform such other duties and responsibilities as the Board of Directors may assign from time to time.

7.5 Board governance, nominations and remuneration committee:

The Committee is made up of five (5) Non Executive Directors and one of the non-Executive Directors chairs the committee .

The membership of the committee is as follows:
Mr. Jeffrey Efeyini - (Chairman)
Alhaji Baba Tela
Prof. Chukuka Enwemeka
Prof. Oyewusi Ibidapo Obe **
Mr. Gabriel Ukpeh **
Sir. Steve Omojafor*
Mr. Babatunde Adejuwon*

* Retired from the Board with effect from April 6, 2016.

** Appointed to the Committee effective February 24, 2016

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 amount 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;
- Review and recommendation for Board ratification, all terminal compensation arrangements for Directors and senior management;
- 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;
- Recommendation of membership criteria for the Group Board, Board Committees and subsidiary companies Boards.
- Identification 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;
- Ensuring 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;
- Review the Group's organization structure and make recommendations to the Board for approval;
- Review and agreement at the beginning of the year, of the key performance indicators for the Group MD and Executive Directors;

- 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;

7.6 Audit committee of the Bank

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 is chaired by a shareholder's representative. The committee meets every quarter, but could also meet at any other time, should the need arise.

All members of the committee are financially literate.

The membership of the Committee is as follows:

Shareholders' Representative

Mrs Uche Erobu** (Chairman)
Prof (Prince) L.F.O. Obika
Mr. Michael Olusoji Ajayi
Ms. Angela Agidi***

Non-Executive Directors

Alhaji Baba Tela
Mr. Jeffrey Efeyini
Mr. Gabriel Ukpeh*
Mr. Babatunde Adejuwon***

* Appointed to the Committee with effect from February 24, 2016

** Appointed to the Committee with effect from April 6, 2016

*** Retired from the Committee with effect from April 6, 2016.

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;

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

(e) To prepare the Committee's report for inclusion in the Bank's annual report;

(f) To report to the entire Board at such times as the Committee shall determine.

7.7 Executive committee (EXCO)

The EXCO comprises of 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 first review platform for issues to be discussed at the Board level. 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.

7.8 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.

The Committee meets weekly and as frequently as the need arises.

(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 Group Managing Director, the Executive Directors and all divisional and group heads.

(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 Group Managing Director/Chief Executive Officer;
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. Chief Compliance Officer
9. Head of IT;
10. Head of Infotech - Software;
11. Head of Infotech - Enginering;
12. Head of Card Services;
13. Group Head of Operations;
14. Group Head of IT Audit;
15. Head of e-Business; and
16. Head of Investigation.

The committee meets monthly or as the need arises.

* The two Executive Directors are Ebenezer Onyeagwu and Oladipo Olusola.

8. 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.

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 Nigeriia Stock Exchange.

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

The Bank also, from time to time, hold briefing sessions with market operators (stockbrokers, dealers, institutional investors, issuing houses, stock analysts, mainly through investors conference) to update them with the state of our business. These professionals, as advisers and purveyors of information, relates with and relay to the shareholders useful informtion 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 annual fee and sitting allowances which are based on levels of responsibilities.
- Directors are also sponsored for training programmes required to enable them improve in discharging their responsibilities as directors.

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 Bank's performance. 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	Board risk management committee	Board audit and compliance committee
Attendance/no of meetings	**4**	**4**	**4**	**2**	**4**	**2**	**2**
Mr. Jim Ovia, CON	4	N/A	N/A	N/A	N/A	N/A	N/A
Sir Steve Omojafor *	2	N/A	2	N/A	2	N/A	N/A
Mr Babatunde Adejuwon *	2	2	N/A	2	2	2	2
Alhaji Baba Tela	4	4	4	N/A	4	2	2
Mr. Jeffrey Efeyini	4	4	N/A	2	2	2	2
Prof. Chukuka S.Enwemeka	4	2	4	2	4	2	N/A
Prof. Oyewusi Ibidapo-Obe **	3	N/A	2	N/A	2	N/A	N/A
Mr.Gabriel Ukpeh**	2	N/A	N/A	N/A	1	1	1
Ms. Adaora Umeoji***	4	N/A	4	N/A	N/A	N/A	N/A
Mr. Ebenezer Onyeagwu***	4	4	N/A	2	N/A	2	N/A
Mr. Olusola Oladipo	4	4	N/A	N/A	N/A	N/A	2
Mr. Peter Amangbo	4	4	4	2	N/A	2	2

Note:

* Retired from the Board with effect from April 6, 2016.

** Appointed to the Board effective February 24, 2016

*** Appointed Deputy Managing Director (DMD) by the Board with effect from October 01, 2016 and approved by the Central Bank of Nigeria (CBN) on October 28, 2016.

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

Corporate Governance Report for the Year Ended 31 Dec 2016

Board audit and compliance committee was created from the Board risk & audit committee on February 24, 2016 and held two (2) meetings during the year.

Board risk management committee was created from the Board risk & audit committee on February 24, 2016 and held two (2) meetings during the year.

Dates for Board and Board Committee meetings held in 2016 financial year:

Board meetings	February 24, 2016	April 6, 2016		July 27, 2016	October 19, 2016
Board credit committee meeting	February 23, 2016	April 5, 2016		July 26, 2016	October 18, 2016
Finance and general purpose committee	February 23, 2016	April 5, 2016		July 26, 2016	October 18, 2016
Board risk and audit committee meeting	February 23, 2016	April 5, 2016			
Board risk management committee meeting				July 26, 2016	October 18, 2016
Board audit and compliance committee meeting				July 26, 2016	October 18, 2016
Board governance, nominations and remuneration committee	February 23, 2016	April 7, 2016		July 26, 2016	October 18, 2016
Audit committee meeting of the bank	February 23, 2016	April 7, 2016	June 10, 2016	July 26, 2016	October 18, 2016

Corporate Governance Report for the Year Ended 31 Dec 2016

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.

Members	Number of Meetings attended
Prof. (Prince) L.F.O Obika (SR)	5
Alhaji Baba Tela (NED)	5
Mr. Michael Olusoji Ajayi (SR)	5
Ms. Angela Agidi (SR)*	1
Mr. Babatunde Adejuwon (NED)*	1
Mr. Jeffrey Efeyini (NED)	5
Mr. Gabriel Ita Asuquo Ukpeh (NED) **	2
Mrs Uche Erobu (SR) ***	3

NED- Non-Executive Director

SR - Shareholders representive

*** Retired from the committee with effect from April 6, 2016**

**** Appointed to the Committee with effect from February 24, 2016**

***** Appointed to the Committee with effect from April 6, 2016**

Analysis of Fraud and forgeries Returns

31 Dec 2016				31 Dec 2015		
Nature of Fraud	**No.**	**% Loss**	**Actual Loss to the Bank (N) Jan-Dec 2016**	**No.**	**% Loss**	**Actual Loss to the Bank (N) Jan-Dec 2015**
ATM/Electronic fraud	18	-	-	24	-	-
Staff Perpetrate	4	86	7,740,002	5	77	155,727,899
Impersonation	1	-	-	4	-	-
Stolen/Forged Instrument	27	-	-	8	16	31,482,925
Internet Banking	151	14	1,300,000	80	3	5,328,712
Others	29	-	-	90	4	7,983,900
Total	**230**	**100**	**9,040,002**	**211**	**100**	**200,523,436**

ZENITH BANK PLC

Statement of Directors' Responsibilities in Relation to the Financial Statements for the Year Ended 31 Dec 2016

The Directors accept responsibility for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act 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
January 24, 2017

Mr. Peter Amangbo
Managing Director
FRC/2013/ICAN/00000001310
January 24, 2017

Mr. Ebenezer Onyeagwu
Deputy Managing Director
FRC/2013/ICAN/00000003788
January 24, 2017

ZENITH

ZENITH BANK PLC
REPORT OF THE AUDIT COMMITTEE
FOR THE YEAR ENDED 31 DECEMBER, 2016

In compliance with Section 359(6) of the 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 2016 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 transactions and balances have been disclosed in note 38 to the Financial Statements in accordance with the requirements of the International Financial Reporting Standards (IFRS) and the Central Bank of Nigeria (CBN) directives as contained in the Prudential Guidelines for Deposit Money Banks in Nigeria and Circular on Disclosure of Insider-Related Credits in Financial Statements BSD/1/2004.

Dated January 23, 2017.

Mrs. Uche Erobu
Chairman, Audit Committee
FRC/2013/ICAN/00000000871

MEMBERS OF THE COMMITTEE

1. Mrs. Uche Erobu ** - Chairman
2. Professor Leonard F.O. Obika
3. Mr. Michael Olusoji Ajayi
4. Mr. Babatunde Adejuwon *
5. Alhaji Baba Tela
6. Mr. Jeffrey Efeyini
7. Ms. Angela Agidi *
8. Mr. Gabriel Ukpeh **

** *Appointed to the Committee with effect from April 6, 2016*

* *Retired from the Committee with effect from April 6, 2016*

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INDEPENDENT AUDITOR'S REPORT

To the Members of Zenith Bank Plc

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Zenith Bank Plc ("the Bank") and its subsidiaries (together, "the Group"), which comprise the consolidated and separate statement of financial position as at 31 December 2016, and the consolidated and separate statement of profit or loss and other comprehensive income, consolidated and separate statement of changes in equity and consolidated and separate statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 31 to 142.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Bank and its subsidiaries as at 31 December 2016, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004, the Financial Reporting Council of Nigeria Act, 2011 and the Banks and other Financial Institutions Act, Cap B3, Laws of the Federation of Nigeria, 2004 and relevant Central Bank of Nigeria (CBN) Guidelines and Circulars.

Basis for Opinion

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

Key Audit Matters

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

The key audit matters apply to the audit of the consolidated and separate financial statements.

Impairment of loans and advances

The allowance for impairment of loans and advances to customers is a key judgmental area for our audit due to the level of subjectivity inherent in estimating the impact of key assumptions on the recoverability of loan balances.

Within the financial year, global oil prices remained low resulting in lower government revenue and scarcity of foreign currency in Nigeria. This economic situation has particularly affected the ability of bank customers to meet credit obligations as they fall due. Thus, significant judgment is required to determine the allowance for impairment on loans and advances granted to the Bank's customers particularly the foreign currency denominated loans and advances.

The Bank identifies loans and advances for specific impairment assessment based on the magnitude, nature of the loan and the current level of past due loans. Impairment requirements are determined based on estimated future cash flows discounted to present value using the effective interest rate of the loan.

An impairment assessment is performed collectively on all other loans, with the key assumptions being the possibility of a loan becoming past due and subsequently defaulting, the rate of recovery on loans that are past due and in default, the market valuations of collateral and the estimated time and cost to sell any property pledged as collateral to the Bank. The impairment assessment requires the application of significant judgment by management including the application of industry knowledge and prevailing economic conditions in arriving at the level of the impairment allowance required.

Procedures

Our audit procedures included but were not limited to the following:

- We evaluated and tested the key controls over the impairment determination process such as the credit committee review. The key controls tested covered processes such as monitoring the performance of loans and advances including timely identification of impairment triggers.

- Regarding loans and advances specifically provided for, we tested the completeness of the loans identified by the Bank as high risk through a consideration of all loans with risk factors such as magnitude, nature of the loan, the current level of past due obligations and our knowledge of the credit risk in the specific industries and sectors .

  For the obligations specifically provided for, we re-performed the calculations of impairment and compared the key data inputs to relevant sources for example, we checked amounts included for collateral to valuation reports, discount rates to the effective interest rate of the loan and projected cash flows to historical inflows in customer's account.

- In relation to the loans that were collectively provided for, we re-performed the calculation which the bank had performed using an impairment model, in order to assess the accuracy of the collective impairment recorded. The assumptions inherent in the model were assessed against our understanding of the Bank and knowledge of the industry.

  We assessed the methodology used by the Bank to calculate the likelihood of loans and advances with different profiles moving into defaults and recalculated these default rates based on our cumulative knowledge of the Bank's actual historic experience and current circumstances. We also checked actual recoveries of loans in default and recalculated the recovery rates used in the collective impairment assessment.

The Bank's accounting policy on impairment and related disclosures on credit risk are shown in notes 2.8 to 3.2 respectively.

Valuation of derivatives

The Bank's derivative instruments comprise foreign currency swaps and foreign exchange forward contracts, which are used to manage foreign exchange risk. These derivative instruments usually involve the use of future pricing parameters. The estimation of pricing details as at the reporting date in order to determine the fair value of these derivative instruments involve the use of valuation approaches, which involve deriving forward exchange rates and determining appropriate discount rates to be applied on future cash flows.

Due to the significance of these derivatives and the related estimation uncertainty, this is considered a matter of significance to the audit.

Procedures

Our procedures included amongst others the following:

- We evaluated key controls over the inputs used in determining bank's valuation of derivative transactions by checking whether appropriate input such as foreign exchange rate, forward price, volume of transaction, were used in valuing derivative contracts

- We compared observable inputs into valuation model such as quoted rates to externally available market data and assessed whether the valuation model used by the Bank was in line with accepted market practice.

- We used our KPMG valuation specialists to challenge the Bank's assumptions with respect to the fair value of the derivative assets and liabilities; and to evaluate key valuation inputs including price, foreign exchange rate and discount rates applied by the bank in the calculation.

  We also used our specialists to recompute the fair value of the instruments using validated inputs.

The Bank's accounting policy on derivative instruments and relevant financial risk disclosures are shown in note 2.7 and 3 respectively.

Information Other than the Financial Statements and Audit Report thereon

The Directors are responsible for the other information.

The other information comprises the Directors' report, Statement of Directors' responsibilities, Corporate governance report, Report of the Audit Committee, Corporate Profile & Strategy, Financial highlights, Results at a glance, Board of Directors pictures, Corporate social responsibility, Notice of Annual General Meeting, Chairman's Statement, Chief Executive's letter to shareholders, Report to the Directors on the outcome of the Board Evaluation, Share Capital History and Other national disclosures, but does not include the consolidated and separate financial statements and our audit report thereon, which we obtained prior to the date of this auditors' report.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and/or Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated (and separate) financial statements or, if such disclosures are inadequate, to modify our opinion.

  Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements.

  We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication. In these rare circumstances, we are required to communicate these Key Audit Matters to the Financial Reporting Council of Nigeria, before the conclusion of the audit, in accordance with Rule 9 of the Financial Reporting Council of Nigeria.

Report on Other Legal and Regulatory Requirements

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

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

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

i. The Bank and the Group paid penalties in respect of contravention of the Central Bank of Nigeria guidelines during the year ended 31 December 2016. Details of penalties paid are disclosed in note 42 to the financial statements.

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

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
A1146830

Ayodele H. Othihiwa, FCA
FRC/2012/ICAN/00000000425
For: KPMG Professional Services
Chartered Accountants
3 February 2017
Lagos, Nigeria

ZENITH BANK PLC

Consolidated and Separate Statement of Profit or Loss and other Comprehensive Income for the Year Ended 31 Dec 2016

		Group		Bank	
	Note(s)	2016	2015	2016	2015
In millions of Naira					
Gross earnings		**507,997**	**432,535**	**454,808**	**396,653**
Interest and similar income	6	384,557	348,179	343,556	317,419
Interest and similar expense	7	(144,378)	(123,597)	(131,910)	(114,936)
Net interest income		**240,179**	**224,582**	**211,646**	**202,483**
Impairment loss on financial assets	8	(32,350)	(15,673)	(26,295)	(11,091)
Net interest income after impairment loss on financial assets		**207,829**	**208,909**	**185,351**	**191,392**
Fee and commission income	9	68,444	60,904	55,619	50,313
Trading income	10	28,398	18,150	28,398	17,884
Other income	11	26,598	5,302	27,235	11,037
Share of profit of associates	23(a)	-	228	-	-
Depreciation of property and equipment	26	(9,679)	(9,188)	(8,664)	(8,472)
Amortisation of intangible assets	27	(1,435)	(1,239)	(1,375)	(1,129)
Personnel expenses	37	(69,042)	(67,522)	(62,235)	(62,428)
Operating expenses	12	(94,365)	(89,928)	(84,402)	(83,377)
Profit before income tax		**156,748**	**125,616**	**139,927**	**115,220**
Income tax expense	13(a)	(27,096)	(19,953)	(20,642)	(16,436)
Profit after tax		**129,652**	**105,663**	**119,285**	**98,784**
Other comprehensive income:					
Items that will never be reclassified to profit or loss:					
Fair value movements on equity instruments	21(b)	6,636	(1,752)	6,636	(1,752)
Items that are or may be reclassified to profit or loss:					
Foreign currency translation differences for foreign operations		30,338	637	-	-
Other comprehensive income for the year		**36,974**	**(1,115)**	**6,636**	**(1,752)**
Total comprehensive income for the year		**166,626**	**104,548**	**125,921**	**97,032**
Profit attributable to:					
Equity holders of the parent		129,434	105,531	119,285	98,784
Non controlling interest		218	132	-	-
Total comprehensive income attributable to:					
Equity holders of the parent		166,236	104,467	125,921	97,032
Non-controlling interest		390	81	-	-
Earnings per share:					
Basic and diluted (in kobo)	14	412	336	380	315

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

ZENITH BANK PLC

Consolidated and Separate Statement of Financial Position as at 31 Dec 2016

		Group		Bank	
In millions of Naira	**Note(s)**	**31 Dec 2016**	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**
Assets					
Cash and balances with central banks	15	669,058	761,561	627,385	735,946
Treasury bills	16	557,359	377,928	463,787	330,900
Assets pledged as collateral	17	328,343	265,051	325,575	264,320
Due from other banks	18	459,457	272,194	354,405	266,894
Derivative assets	19	82,860	8,481	82,860	8,481
Loans and advances	20	2,289,365	1,989,313	2,138,132	1,849,225
Investment securities	21	199,478	213,141	118,622	150,724
Investment in subsidiaries	22	-	-	33,003	33,003
Investment in associates	23	-	530	-	90
Deferred tax assets	24	6,440	5,607	6,041	5,131
Other assets	25	37,536	22,774	35,410	21,673
Property and equipment	26	105,284	87,022	94,613	81,187
Intangible assets	27	4,645	3,240	3,903	2,753
Total assets		**4,739,825**	**4,006,842**	**4,283,736**	**3,750,327**
Liabilities					
Customers' deposits	28	2,983,621	2,557,884	2,552,963	2,333,017
Derivative liabilities	33	66,834	384	66,834	384
Current income tax payable	13(b)	8,953	3,579	6,927	2,534
Deferred income tax liabilities	24	45	19	-	-
Other liabilities	29	208,680	205,062	243,736	212,636
On-lending facilities	30	350,657	286,881	350,657	286,881
Borrowings	31	263,106	258,862	292,802	268,111
Debt securities issued	32	153,464	99,818	153,464	99,818
Total liabilities		**4,035,360**	**3,412,489**	**3,667,383**	**3,203,381**
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	267,008	200,115	218,507	160,408
Other reserves	35	165,729	122,900	127,101	115,793
Attributable to equity holders of the parent		703,482	593,760	616,353	546,946
Non-controlling interest	35	983	593	-	-
Total shareholders' equity		**704,465**	**594,353**	**616,353**	**546,946**
Total liabilities and equity		**4,739,825**	**4,006,842**	**4,283,736**	**3,750,327**

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 January, 2017 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 (Deputy Managing Director)
FRC/2013/ICAN/00000003788

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

ZENITH BANK PLC

Consolidated and Separate Statement of Changes in Equity as at 31 Dec 2016

Group

	Attributable to equity holders of the Bank										
In millions of Naira	**Share capital**	**Share premium**	**Foreign currency translation reserve**	**Fair value reserve**	**Statutory reserve**	**SMIEIS reserve**	**Credit risk reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
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	-	-	-	-	-	-	-	105,531	105,531	132	105,663
Foreign currency translation differences	-	-	688	-	-	-	-	-	688	(51)	637
Fair value movements on equity instruments	-	-	-	(1,752)	-	-	-	-	(1,752)	-	(1,752)
Total comprehensive income for the year	**-**	**-**	**688**	**(1,752)**	**-**	**-**	**-**	**105,531**	**104,467**	**81**	**104,548**
Transfer between reserves	-	-	-	-	14,826	-	11,193	(26,019)	-	-	-
Transactions with owners of the Bank											
	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	(62,793)	(62,793)	(40)	(62,833)
At 31 Dec 2015	**15,698**	**255,047**	**(1,701)**	**4,314**	**93,093**	**3,729**	**23,465**	**200,115**	**593,760**	**593**	**594,353**
At 1 January 2016	15,698	255,047	(1,701)	4,314	93,093	3,729	23,465	200,115	593,760	593	594,353
Profit for the year	-	-	-	-	-	-	-	129,434	129,434	218	129,652
Foreign currency translation differences	-	-	30,166	-	-	-	-	-	30,166	172	30,338
Fair value movements on equity instruments	-	-	-	6,636	-	-	-	-	6,636	-	6,636
Total comprehensive income for the year	**-**	**-**	**30,166**	**6,636**	**-**	**-**	**-**	**129,434**	**166,236**	**390**	**166,626**
Transfer between reserves	-	-	-	-	19,021	-	(12,994)	(6,027)	-	-	-
Transactions with owners of the Bank											
Dividends	-	-	-	-	-	-	-	(56,514)	(56,514)	-	(56,514)
At 31 Dec 2016	**15,698**	**255,047**	**28,465**	**10,950**	**112,114**	**3,729**	**10,471**	**267,008**	**703,482**	**983**	**704,465**

ZENITH BANK PLC

Consolidated and Separate Statement of Changes in Equity as at 31 Dec 2016

Bank

In millions of Naira	Share capital	Share premium	Fair value reserve	Statutory reserve	SMIEIS reserve	Credit risk reserve	Retained earnings	Total equity
At 1 January 2015	**15,698**	**255,047**	**6,066**	**71,582**	**3,729**	**10,243**	**150,342**	**512,707**
Profit for the year	-	-	-	-	-	-	98,784	98,784
Fair value movements on equity instruments	-	-	(1,752)	-	-	-	-	(1,752)
Total comprehensive income for the year	**-**	**-**	**(1,752)**	**-**	**-**	**-**	**98,784**	**97,032**
Transfer between reserves	-	-	-	14,818	-	11,107	(25,925)	-
		-	-	-	-	-	-	-
Transactions with owners of the Bank								
	-							
Dividend	-	-	-	-	-	-	(62,793)	(62,793)
At 31 Dec 2015	**15,698**	**255,047**	**4,314**	**86,400**	**3,729**	**21,350**	**160,408**	**546,946**
At 1 January 2016	15,698	255,047	4,314	86,400	3,729	21,350	160,408	546,946
Profit for the year	-	-	-	-	-	-	119,285	119,285
Fair value movements on equity instruments	-	-	6,636	-	-	-	-	6,636
Total comprehensive income for the year	**-**	**-**	**6,636**	**-**	**-**	**-**	**119,285**	**125,921**
Transfer between reserves	-	-	-	17,893	-	(13,221)	(4,672)	-
		-	-	-	-	-	-	-
Transactions with owners of the Bank								
	-							
Dividends	-	-	-	-	-	-	(56,514)	(56,514)
At 31 Dec 2016	**15,698**	**255,047**	**10,950**	**104,293**	**3,729**	**8,129**	**218,507**	**616,353**

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

ZENITH BANK PLC

Consolidated and Separate Statement of Cash Flows for the Year Ended 31 Dec 2016

In millions of Naira	Note(s)	Group 2016	Group 2015	Bank 2016	Bank 2015
Cash flows from operating activities					
Profit after tax for the year		129,652	105,663	119,285	98,784
Adjustments for:					
Impairment loss					
On overdrafts	8	13,786	(178)	12,811	(3,108)
On term loans	8	19,099	13,219	14,465	11,567
On on-lending	8	(1,336)	2,276	(1,336)	2,276
On leases	8	(13)	24	(13)	24
On other assets	8	284	332	278	332
On investment in associates	8	530	-	90	-
Fair value changes in trading bond	44(i)	328	(707)	328	(707)
Fair value changes in treasury bills	44(iii)	-	(878)	-	(878)
Depreciation of property and equipment	26	9,679	9,188	8,664	8,472
Amortisation of intangible assets	27	1,435	1,239	1,375	1,129
Dividend income	11	(349)	(545)	(3,949)	(4,505)
Net revaluation loss on debt securities issued	32	53,256	6,633	53,256	6,633
Interest income	6	(384,557)	(348,179)	(343,556)	(317,419)
Interest expense	7	144,378	123,597	131,910	114,936
Share of profit of associates	23	-	(228)	-	-
Profit on sale of property and equipment	11, 44(vii)	(236)	(39)	(172)	(27)
Gain on disposal of subsidiary and equity securities	11	-	(1,615)	-	(1,615)
Tax expenses	13	27,096	19,953	20,642	16,436
		13,032	(70,245)	14,078	(67,670)
Changes in operating asset and liabilities:					
Net increase in loans and advances	44(iv)	(298,548)	(261,371)	(283,807)	(266,809)
Net increase in other assets	44(xi)	(15,046)	(1,651)	(14,015)	(2,612)
Net increase in treasury bills with maturities greater than three months	44(ii)	(111,193)	(165,203)	(63,608)	(142,469)
Net increase in treasury bills (FVTPL)	44(iii)	(20,683)	(51,658)	(20,683)	(51,658)
Net increase in assets pledged as collateral	17	(63,292)	(113,305)	(61,255)	(112,574)
Net decrease/(increase) in investment securities	44(i)	18,337	(16,768)	38,410	(60,533)
Net (increase)/decrease in restricted balances (cash reserves)	15	(124,630)	104,593	(124,563)	104,631
Net increase in customer deposits	44(v)	420,498	18,654	215,326	65,836
Net increase/(decrease) in other liabilities	44(vi)	4,047	(82,336)	31,312	(57,630)
Net (increase)/decrease in derivative assets	19	(74,379)	8,927	(74,379)	8,415
Net increase/{decrease) in derivative liabilities	33	66,450	(5,689)	66,450	(5,689)
		(185,407)	**(636,052)**	**(276,734)**	**(588,762)**
Interest received	44 (ix)	345,410	335,254	312,529	304,494
Dividend received	11	349	545	3,949	4,505
Interest paid	44 (x)	(139,139)	(121,678)	(127,290)	(113,017)
Tax paid	13(b)	(22,444)	(26,356)	(17,159)	(20,409)
VAT paid	44(vi)	(429)	(2,460)	(212)	(2,460)
Net cash flows used in operations		**(1,660)**	**(450,747)**	**(104,917)**	**(415,649)**

ZENITH BANK PLC

Consolidated and Separate Statement of Cash Flows for the Year Ended 31 Dec 2016

In millions of Naira	Note(s)	Group 2016	Group 2015	Bank 2016	Bank 2015
Cash flows from investing activities					
Purchase of property and equipment	26	(27,421)	(25,019)	(22,737)	(20,196)
Proceeds from sale of property and equipment	44(vii)	603	96	360	95
Purchase of intangible assets	27	(2,417)	(2,221)	(2,066)	(1,981)
Proceeds from sale of equity securities	44(viii)	681	3,211	-	3,211
Net cash (Used in)/from investing activities		**(28,554)**	**(23,933)**	**(24,443)**	**(18,871)**
Cash flows from financing activities					
Borrowed funds					
Inflow from long term borrowing	31	82,017	75,909	104,043	85,158
Repayment of long term borrowing	31	(77,773)	(15,113)	(79,352)	(15,113)
Net inflow from On-lending facilities	30	63,776	218,537	63,776	218,537
Repayment of debt securities issued interest	32	390	253	390	253
Dividends paid to shareholders	40	(56,514)	(62,793)	(56,514)	(62,793)
Net cash from financing activities		**11,896**	**216,793**	**32,343**	**226,042**
Decrease in cash and cash equivalents		**(18,318)**	**(257,887)**	**(97,017)**	**(208,478)**
Analysis of changes in cash and cash equivalents :					
Cash and cash equivalent at the beginning of the year		709,714	965,723	663,375	871,853
(Decrease)/Increase in cash and cash equivalents		(18,318)	(257,887)	(97,017)	(208,478)
Effect of exchange rate movement on cash balances		36,003	1,878	-	-
Cash and cash equivalents at the end of the year	41	**727,399**	**709,714**	**566,358**	**663,375**

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

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. In August 2015, the Bank was admitted into the Premium Board of 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 Pensions Custodian Limited, Zenith Bank (UK) Limited, Zenith Bank (Sierra Leone) Limited, and Zenith Bank (Gambia) Limited. The Bank also has representative offices in South Africa and China in addition to operating a branch of Zenith Bank UK Limited in the United Arab Emirates.

The consolidated financial statements for the year ended 31 Dec 2016 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 Dec 2016 were approved for issue by the Board of Directors on 24 January 2017.

The Group does not have any unconsolidated structured entity.

2.0 (a) Changes in accounting policies

Except as noted below, the Group has consistently applied the accounting policies as set out in Note 2(b) to all periods presented in these consolidated and separate financial statements.

The Group has adopted the following new standards and amendments including any consequential amendments to other standards with initial date of application of 1 January 2016.

(i) Disclosure initiative (Amendments to IAS 1)

The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements. The amendments also clarify presentation principles applicable to the order of notes, OCI of equity accounted investees and subtotals presented in the statement of financial position, and statement of profit or loss and other comprehensive income.

The Group has adopted the amendments in the preparation of these financial statements, however, the amendments did not have any material impact on the Group's financial statements.

(b) Significant accounting policies

Except as noted in Note 2(a), 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 (IFRS) 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.

All financial assets are measured by the Group at:

(1) amortised cost if both of the following criteria are met:

(i) the asset is held within a business model with the objective of collecting the contractual cash flows, and

(ii) the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

(2) fair value through other comprehensive income (FVTOCI);

Financial assets at fair value through other comprehensive income comprise:

(i) equity securities which are not held for trading and

(ii) debt securities where the contractual cash flows are solely principal and interest and the objective of the company's business model is achieved by collecting contractual cash flows

(3) fair value through profit or loss (FVTPL);

The Group measures the following financial assets at fair value through profit or loss:

(i) debt instruments that do not qualify for measurement at either amortised cost or at fair value through other comprehensive income

(ii) equity investments that are held for trading, and

(iii) equity investments for which the equity the Group has not elected to recognise fair value gains and losses through other comprehensive income.

Financial liabilities within the Group are measured as follows:

- Financial liabilities held for trading (e.g derivative liabilities) as well as loan commitments and financial guarantee contracts that are designated as FVTPL are measured at fair value.
- Non-derivative financial instruments, carried at fair value through profit or loss, are measured 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 earlier adopted by the group in the preparation of its financial statements for the year ended 31 December, 2009.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, 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 impairment model. The impairment model has been changed from “incurred loss” under IAS 39 to an “expected credit loss” model. This model 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 annual period commencing January 01, 2018.

(ii) 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 2017.

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

(iii) IFRS 16: Leases

This standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e the customer ('lessee') and the supplier ('lessor'). IFRS 16 eliminates the classification of leases as required by IAS 17 and introduces a single lease accounting model. Applying that model, a lessee is required to recognise:

- assets and liabilities for leases with a term of more than 12 months, unless the underlying assets is of low value;
- depreciation of lease assets seperately from interest on lease liabilities in profit or loss

For the lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases or finance leases, and to account for these two types of leasers differently.

The Group is currently in the process of assessing the impact that the initial application would have on its business and will adopt the standard for the year ending 31 December 2019.

2.3 Basis of Consolidation

(a) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity if it is exposed to, or has the rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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 control 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.

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). When the proportion of the equity held by NCIs changes, the carrying amounts of the controlling and NCIs are adjusted to reflect the changes in their relative interests in the Subsidiary. 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 are measured at cost.

(b) Loss of Control

On loss of control, the Group derecognises the assets and liabilities of the subsidiary, any related non-controlling interests and the other components of equity relating to a 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:

(i) assets and liabilities for statement of financial position presented are translated at the closing rate at the reporting date;

(ii) 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

(iii) 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 and are recognised in the profit or loss. 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 reserve 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 original maturities of three (3) months or less than three months from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. They include 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 initially 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 amortised cost or fair value depending on their classification category.

(c) Classification

(i) Financial assets

Subsequent to initial recognition, all financial assets within the Group are measured at:

- amortised cost;
- fair value through other comprehensive income (FVOCI); or
- fair value through profit or loss (FVTPL)

The Group classifies its financial assets as subsequently measured at amortised cost if it meets both of the following criteria:

- 'Hold to collect' business model test - The asset is held within a business model whose objective is to hold the financial asset in other to collect contractual cash flows and
- 'SPPL' contractual cash flow characteristics test - The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest (SPPL) on the principal amount outstanding on a specified date. Interest in this context is the consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time.

Debt instruments are measured at fair value through other comprehensive income (FVOCI) by the Group if they meet both of the following criteria:

- 'Hold to collect and sell' business model test: The asset is held within a business model whose objective is achieved by both holding the financial asset in order to collect contractual cash flows and selling the financial asset, and
- 'SPPI' contractual cash flow characteristics test: 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.

All other financial assets (equity investments) are measured at fair value.

Financial asset is classified and measured at fair value through profit or loss (FVTPL) by the Group if the financial asset is:

- A debt instrument that does not qualify to be measured at amortised cost or FVOCI
- An equity investment which the entity has not elected to classify as at FVOCI
- A financial asset where the entity has elected to measure the asset at FVTPL under the fair value option.

(ii) Financial liabilities

Financial liabilities are either classified by the Group as:

- Financial liabilities at amortised cost; or
- Financial liabilities as at fair value through profit or loss (FVTPL).

Financial liabilities are measured at amortised cost by the Group unless either:

- The financial liability is held for trading and is therefore required to be measured at FVTPL, or
- The entity elects to measure the financial liability at FVTPL (using the fair value option).

(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.

(d) Derecognition

(i) Financial assets

Financial assets are de-recognised when the contractual rights to receive the cash flows from the 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.

(ii) Financial liabilities

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

(e) 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.

(f) 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.

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.

Subsequent to initial recognition, the fair value of a financial instrument is based on quoted market prices or dealer price quotation for financial instruments. 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 3.5 on fair valuation methods and assumptions.

(g) 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.

(h) 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

The Group recognizes the derivative instruments on the statement of financial position at their fair value. At inception, the Group designates the derivative as:

(a) derivative held for risk management purposes or

(b) an instrument that is held for trading or non-hedging purposes (a “trading” or “non-hedging” instrument).

(a) Derivatives held for risk management purposes

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

(b) 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 Impairment

(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:
- (i) Delinquency in contractual payments of principal or interest;
- (ii) Cash flow difficulties experienced by the borrower (for example, equity ratio, net income percentage of sales);
- (iii) Breach of loan covenants or conditions;
- (iv) Initiation of bankruptcy proceedings;
- (v) Deterioration of the borrower’s competitive position;
- (vi) Deterioration in the value of collateral; and
- (vii) 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 financial 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 occurred. 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 taken against the asset carrying amount.

(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

Reclassification of financial instruments is limited to financial assets since financial liabilities must never be reclassified. Financial assets are required to be reclassified in certain rare circumstances between the amortised cost, FVOCI and FVTPL categories. When the Group changes its business model for managing financial assets, the Group reclassifies all affected financial assets in accordance with the new model. The reclassification is applied prospectively from the reclassification date. Accordingly, any previously recognised gains, losses or interest are not be reinstated. Changes in the business model for managing financial assets are expected to be very infrequent.

2.10 Restructuring of financial instruments

Financial instruments are restructured when the contractual terms are renegotiated or modified or an existing financial instrument is replaced with a new one due to financial diffculties of the borrower. Restructured loans represent loans whose repayment periods have been extended due to changes in the business dynamics of the borrowers. For such loans, the borrowers are expected to pay the principal amounts in full within extended repayment period and all interest, including interest for the original and extended terms.

If the terms of a financial asset is restructured due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset is included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that is discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

2.11 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).

2.12 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. 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 Costs

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

2.13 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:

- (i) it is technically feasible to complete the software product so that it will be available for use;
- (ii) management intends to complete the software product and use or sell it;
- (iii) there is an ability to use or sell the software product;
- (iv) it can be demonstrated how the software product will generate probable future economic benefits;
- (v) adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- (vi) 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 for computer software 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.

2.14 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 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.

2.15 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.

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.

2.16 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 employee benefits are measured on an undiscounted basis and are expensed as the related services are provided. They are included in personal expenses in the profit or loss.

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.

2.17 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 Banks 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.

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 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.

(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.

2.18 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.

2.19 Fees, 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. Usually, this is the ex-dividend date for quoted securities.

2.20 Net Trading income

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

2.21 Operating expense

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

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

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

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

2.22 Current and deferred income tax

(a) 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.

(b) 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:

(i) the initial recognition of goodwill;

(ii) 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

(iii) 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.

2.23 Earnings per share

The Group presents basic and diluted 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.

2.24 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.

2.25 Fiduciary activities

The Group acts as trustees and in other fiduciary capacities through Zenith Pensions Custodian 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. The fees earned on these activities are recognised as assets based fees.

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. Continuous education and awareness of risk management has strengthen the risk management culture 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.

(a) 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.

(b) Risk management is a shared responsibility.Therefore the Group aims to build a shared perspective on risks that is grounded in consensus.

(c) There is clear segregation of duties between market facing business units and risk management functions.

(d) Risk Management is governed by well defined policies which are clearly communicated across the Group.

(e) Risk related issues are taken into consideration in all business decisions.

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.

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:

(a) The Board of Directors provides overall risk management direction and oversight.

(b) The Group's risk appetite is approved by the Board of Directors.

(c) Risk management is embedded in the Group as an intrinsic process and is a core competence of all its employees.

(d) The Group manages its credit, market, operational and liquidity risks in a co-ordinated manner within the organisation.

(e) The Group's risk management function is independent of the business divisions.

(f) 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:

(a) Comprehensive compliance manual detailing the roles and responsibilities of all stakeholders in the compliance process,

(b) Review and analysis of all relevant laws and regulations, which are adopted into policy statements to ensure business is conducted professionally;

(c) 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;

(d) 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:

(a) 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.

(b) Establish lines of authority and responsibility for managing individual risk elements in line with the Board's overall direction.

(c) Risk identification, measurement, monitoring and control procedures.

(d) Establish effective internal controls that cover each risk management process.

(e) Ensure that the group's risk management processes are properly documented.

(f) Create adequate awareness to make risk management a part of the corporate culture of the Group.

(g) Ensure that risk remains within the boundaries established by the Board.

(h) 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 the 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:

(a) The strategic importance of the activity and sector.

(b) The contribution of the activity/sector to the total assets of the Bank.

(c) The net income of the sector.

(d) 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:

(a) Reduced government earnings

(b) Low foreign exchange reserve position currently at about US$25.8bn as at December 31, 2016.

(c) Acute shortage of Forex liquidity, inability of CBN to fund import requests from customers leading to reduced production capacity of many companies and in some cases outright closure of business.

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 Non-Performing Loans increase in the period 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. According to the Central Bank of Nigeria's prudential guidelines, a loan is said to be non-performing when the principal and or interest remain outstanding for more than 90 days and other qualitative measures also indicate that the borrower may not be able to service the loan.

The Central Bank of Nigeria introduced a market driven Foreign Currency Exchange Rate Policy in the month of June 2016. The policy is already seen having the following effects among others:

(a) Inflation- increase in the prices of some items particularly those that enjoyed special allocation from the CBN at N197 to a US dollar before now.

(b) Government Spending- The policy will make more money available to the government especially at this time when it needs to reflate the economy. There will be more money from both the oil and non-oil sources in addition to the proceeds from the Naira conversion of the external borrowing. This is because of the higher exchange rate. This will better position the government to fund the 2017 budget.

(c) Corporate Earnings- Companies with U.S Dollar receivables will benefit from this policy change. Meanwhile, companies with Naira receivables but with dollar denominated financial obligations without any hedging strategy in place will record exchange rate losses.

(d) External Reserve- The external reserves will decrease as the Central Bank strives to meet outstanding Fx Settlement obligations. However, very recently, the external reserves position is improving marginally as oil output improves.

(e) Demand/Supply of FX- The introduction of the FX Futures market has assisted in some measures in moderating the frontloading of FX and consequently in the spot market. On the supply side, this policy is yet to produce the much expected result of increasing significantly the supply of FX from Foreign Portfolio Investors (FPIs) and Foreign Direct Investors (FDIs).

(f) Interest Rate- With the introduction of a new market driven foreign exchange policy, interest rate is expected to continue to hover at current levels with an increased double digit outlook (especially in view of the high level of inflation).

The Bank 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.

The Bank strongly believe it is 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.

Zenith Bank Plc will continue to support its 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 period would include the following:

(a) Continue to monitor impact of global economy in commodity pricing, Foreign Direct Investment (FDI) inflows and general behavior of local economy to the changes in the global market.

(b) Source for cheaper and stable funds

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

(d) Pursue other government activities especially trapping utilization of government funds for projects and other activities

(e) Further develop SME/Retail product sales and penetrations

(f) Develop market hub initiative to host market players and drive retail participation

(g) Ensure that the Net Interest Margin (NIM) is maintained for all changes in interest rates.

(h) Create additional foreign exchange funding sources from the receipt of foreign exchange deposits from customers especially export proceeds.

(i) Pursue and support export strategies to assure expanded foreign exchange inflow.

(j) Increased collections of payments (Deploy more friendly collection tools)

(k) Improve customer service delivery through trainings, systems, communication, and compensation medium.

(l) Stabilize the Bank’s technology/platforms – This is to increase and aids customers’ confidence, loyalty and Bank’s reputation.

(m) 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:

(a) 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.

(b) 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.

(c) 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.

(d) 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

(e) 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.

(f) 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.

(g) All insiders' related credits are limited to regulatory and strict internal limits and are disclosed as required.

(h) 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:

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

(b) Credit rating of obligor

(c) The likelihood of failure to pay over the period stipulated in the contract.

(d) The size of the facility in case default occurs.

(e) Estimated Rate of Recovery which is a measure of the portion of the debt that can be regained through realisation 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 (Standard & Poor's)
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:

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

In addition to the above, we have put in place 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 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 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:

(a) 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.

(b) Well-defined target market and risk asset acceptance criteria.

(c) Rigorous financial, credit and overall risk analysis for each customer/transaction.

(d) Portfolio quality examined on regular basis according to key performance indicators mechanism and periodic stress testing.

(e) Concentrations together with mitigation strategies are continuously assessed.

(f) Early warning system is continually validated and modified to ensure proper functioning for risk identification.

(g) Systematic and objective credit risk rating methodologies that are based on quantitative, qualitative and expert judgment.

(h) 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.

(i) Solid documentation and collateral management process with proper coverage and top-up triggers and follow-ups.

(j) Annual and interim individual credit reviews to ensure detection of weakness signs or warning signals and considering proper remedies.

The 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 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:

(a) Real estate, plant and equipment collateral (usually all asset or mortgage debenture or charge) which have to be registered and enforceable under Nigerian law;

(b) 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;

(c) Stocks and shares of publicly quoted companies;

(d) Domiciliation of contracts proceeds;

(e) Documents of title to goods such as shipping documents consigned to the order of Zenith Bank or any of its subsidiaries; and

(f) 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 pledged by customers against the carrying amount of loans and advances as at 31 Dec 2016 are as follows:

In millions of Naira	**Group**		**Bank**	
	Total exposure	**Value of collateral**	**Total exposure**	**Value of collateral**
Secured against real estate	98,000	32,971	95,990	31,131
Secured by shares of quoted companies	52,333	31,535	52,332	31,367
Cash Collateral, lien over fixed and floating assets	1,180,353	859,993	1,157,333	778,503
Unsecured	1,030,123	-	887,569	-
Total Gross amount	**2,360,809**	**924,499**	**2,193,224**	**841,001**
Specific allowance for impairment	(32,896)	-	(17,607)	-
Collective allowance for impairment	(38,548)	-	(37,485)	-
Net carrying amount	**2,289,365**	**924,499**	**2,138,132**	**841,001**

Details of collateral pledged by customers against carrying amount of loans and advances as at December 31, 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	-
Total Gross amount	**2,032,256**	**769,917**	**1,884,941**	**629,184**
Specific allowance for impairment	(22,390)	-	(16,116)	-
Collective allowance for impairment	(20,553)	-	(19,600)	-
Net carrying amount	**1,989,313**	**769,917**	**1,849,225**	**629,184**

(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 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.

(ii) 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 Dec 2016 and 31 December 2015 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 Dec 2016 and 31 December 2015 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 carrying amounts, as categorised by geographical region at 31 Dec 2016 and 31 December 2015 respectively. For this table, the Group has allocated exposures to regions based on the regions the counterparties are domiciled. Financial assets included in the table below represents other assets excluding prepayment.

In millions of Naira	**Group**				**Bank**			
31 Dec 2016	**Due from banks**	**Treasury bills**	**Investment securities**	**Other financial assets**	**Due from banks**	**Treasury bills**	**Investment securities**	**Other financial assets**
Nigeria	168,203	463,787	118,922	27,583	17,537	463,787	118,622	27,583
Rest of Africa	12,039	93,572	98	109	-	-	-	-
Outside Africa	279,215	-	80,459	339	336,868	-	-	-
	459,457	**557,359**	**199,479**	**28,031**	**354,405**	**463,787**	**118,622**	**27,583**

In millions of Naira	**Group**				**Bank**			
December 31, 2015	**Due from banks**	**Treasury bills**	**Investment securities**	**Other financial assets**	**Due from banks**	**Treasury bills**	**Investment securities**	**Other financial assets**
Nigeria	105,090	330,900	150,724	15,034	12,002	330,900	150,724	15,109
Rest of Africa	34,673	47,028	62,417	-	-	-	-	-
Outside Africa	132,431	-	-	-	254,892	-	-	-
	272,194	**377,928**	**213,141**	**15,034**	**266,894**	**330,900**	**150,724**	**15,109**

Gross loans and advances to customers and the Non-performing loan portion per geographical region as at 31 Dec 2016

*Carrying amount in the table below is determined as gross loans less impairment allowance.

In millions of Naira

	Group					Bank				
	Gross loans	**NPL**	**Collective impair. allowance**	**Specific impair. allowance**	**Carrying amount**	**Gross loans**	**NPL**	**Collective impair. allowance**	**Specific impair. allowance**	**Carrying amount**
South South	163,722	1,771	1,761	928	161,033	163,722	1,771	1,761	928	161,033
South West	1,776,162	52,300	31,080	16,679	1,728,403	1,776,162	52,300	31,080	16,679	1,728,403
South East	66,252	533	452	-	65,800	66,252	533	452	-	65,800
North Central	71,015	2,153	3,716	-	67,299	71,015	2,153	3,716	-	67,299
North West	32,978	180	162	-	32,816	32,979	180	162	-	32,817
North East	83,094	640	314	-	82,780	83,094	640	314	-	82,780
Rest of Africa	91,586	7,796	788	7,545	83,253	-	-	-	-	-
Outside Africa	76,000	6,001	275	7,744	67,981	-	-	-	-	-
	2,360,809	**71,374**	**38,548**	**32,896**	**2,289,365**	**2,193,224**	**57,577**	**37,485**	**17,607**	**2,138,132**

Gross loans and advances and Non-performing portion per geographical region as at 31 December 2015

	Group					Bank				
	Gross loans	**NPL**	**Collective impair. allowance**	**Specific impair. allowance**	**Carrying amount**	**Gross loans**	**NPL**	**Collective impair. allowance**	**Specific impair. allowance**	**Carrying amount**
South South	115,400	2,414	1,270	1,193	112,937	115,400	2,414	1,270	1,193	112,937
South West	1,607,883	24,364	16,498	13,649	1,577,736	1,607,883	24,364	16,498	13,649	1,577,736
South East	40,138	818	502	-	39,636	40,138	818	502	-	39,636
North Central	25,766	2,367	461	1,274	24,031	25,766	2,367	461	1,274	24,031
North West	25,281	140	227	-	25,054	25,281	140	227	-	25,054
North East	70,473	768	642	-	69,831	70,473	768	642	-	69,831
Rest of Africa	63,178	8,972	826	5,933	56,419	-	-	-	-	-
Outside Africa	84,137	5,053	127	341	83,669	-	-	-	-	-
	2,032,256	**44,896**	**20,553**	**22,390**	**1,989,313**	**1,884,941**	**30,871**	**19,600**	**16,116**	**1,849,225**

(b) Industry sectors

Gross loans and advances to customers and the Non-performing loan portion per industry sector as at 31 Dec 2016

*Carrying amount in the table below is determined as gross loans less impairment allowance.

In millions of Naira	Group					Bank				
	Loans and advances to customers					Loans and advances to customers				
	Gross loans	NPL	Collective impair. allow.	Specific impair. allow.	Carrying amount	Gross loans	NPL	Collective impair. allow.	Specific impair. allow.	Carrying amount
Agriculture	70,029	1,636	586	941	**68,502**	66,669	1,619	566	928	**65,175**
Oil and gas	654,962	10,821	15,294	6,543	**633,125**	602,263	4,606	15,208	482	**586,573**
Consumer Credit	6,081	552	444	-	**5,637**	5,621	552	444	-	**5,177**
Manufacturing	523,170	4,824	3,829	2,804	**516,537**	497,763	4,052	3,752	337	**493,674**
Real estate and construction	138,216	3,636	2,919	646	**134,651**	130,820	2,670	2,707	-	**128,113**
Finance and Insurance	23,486	3,804	348	1,984	**21,154**	22,941	3,804	341	1,984	**20,616**
Government	307,049	854	363	357	**306,329**	305,651	286	363	-	**305,288**
Power	108,272	30,676	4,766	12,306	**91,200**	89,500	30,676	4,765	12,306	**72,429**
Transportation	55,859	1,052	220	1,415	**54,224**	43,853	15	55	-	**43,798**
Communication	116,082	134	839	26	**115,217**	101,768	23	738	-	**101,030**
Education	9,347	161	524	21	**8,802**	6,979	161	524	-	**6,455**
General Commerce	348,256	13,224	8,416	5,853	**333,987**	319,396	9,113	8,022	1,570	**309,804**
	2,360,809	**71,374**	**38,548**	**32,896**	**2,289,365**	**2,193,224**	**57,577**	**37,485**	**17,607**	**2,138,132**

Gross loans and advances to customers and the Non-performing loan portion per industry sector as at 31 December 2015

In millions of Naira	Group					Bank				
	Loans and advances to customers					Loans and advances to customers				
	Gross loans	NPL	Collective impair. allow.	Specific impair. allow.	Carrying amount	Gross loans	NPL	Collective impair. allow.	Specific impair. allow.	Carrying amount
Agriculture	42,089	7,430	756	643	**40,690**	39,698	1,490	756	643	**38,299**
Oil and gas	362,489	1,134	4,601	4,069	**353,819**	337,006	1,013	4,594	1,237	**331,175**
Consumer Credit	2,820	477	241	-	**2,579**	2,729	433	241	-	**2,488**
Manufacturing	462,805	7,443	2,777	4,998	**455,030**	444,585	6,048	2,727	4,767	**437,091**
Real estate and construction	109,617	6,557	258	3,719	**105,640**	105,450	5,976	253	3,353	**101,844**
Finance and Insurance	82,222	3,981	221	2,430	**79,571**	81,404	3,916	95	2,761	**78,548**
Government	251,248	219	1,222	-	**250,026**	250,751	219	1,222	-	**249,529**
Power	55,753	566	3,597	-	**52,156**	55,753	566	3,597	-	**52,156**
Transportation	81,757	1,168	398	-	**81,359**	47,750	41	398	-	**47,352**
Communication	107,574	119	1,366	788	**105,420**	106,678	-	1,207	-	**105,471**
Education	7,741	46	193	-	**7,548**	7,741	46	193	-	**7,548**
General Commerce	466,141	15,756	4,923	5,743	**455,475**	405,396	11,122	4,317	3,355	**397,724**
	2,032,256	**44,896**	**20,553**	**22,390**	**1,989,313**	**1,884,941**	**30,871**	**19,600**	**16,116**	**1,849,225**

The group's credit risk exposure from "other financial assets" is categorized under the "finance and insurance", and government sector.

3.2.9 Credit quality

In millions of Naira	Group			Bank		
At 31 Dec 2016	**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	459,457	2,235,055	560,704	354,405	2,087,589	513,832
Past due but not impaired	-	54,380	-	-	48,058	-
Individually impaired	-	58,703	-	-	47,411	-
Collectively impaired	-	12,671	-	-	10,166	-
Gross	459,457	2,360,809	560,704	354,405	2,193,224	513,832
Impairment allowance						
Specific impairment	-	(32,896)	-	-	(17,607)	-
Collective impairment *	-	(38,548)	-	-	(37,485)	-
	459,457	**2,289,365**	**560,704**	**354,405**	**2,138,132**	**513,832**

In millions of Naira	Group			Bank		
At December 31, 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	1,977,165	121,637	266,894	1,844,263	121,637
Past due but not impaired	-	10,195	-	-	9,807	-
Individually impaired	-	25,148	-	-	21,023	-
Collectively impaired	-	19,748	-	-	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**

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

All other financial assets are neither past due nor impaired. Loans and advances to customers of NGN 249.09 billion which are neither past due nor impaired have been renegotiated (31 December 2015: NGN 73.07 billion).

In millions of Naira

(a) Credit portfolio neither past due nor impaired

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

	Group			Bank		
At 31 Dec 2016	**Due from banks**	**Loans and advances to customers**	**Other financial assets**	**Due from banks**	**Loans and advances to customers**	**Other financial assets**
AAA	459,457	232,561	-	354,405	232,541	-
AA to A	-	534,659	-	-	534,659	-
BBB to BB	-	947,752	-	-	882,992	-
Below B	-	379,217	-	-	379,112	-
Unrated	-	140,866	22,777	-	58,285	39,291
	459,457	**2,235,055**	**22,777**	**354,405**	**2,087,589**	**39,291**

	Group			Bank		
At December 31, 2015	**Due from banks**	**Loans and advances to customers**	**Other financial assets**	**Due from banks**	**Loans and advances to customers**	**Other financial assets**
AAA	272,194	316,321	-	266,894	184,904	-
AA to A	-	758,487	-	-	758,216	-
BBB to BB	-	515,880	-	-	515,300	-
Below B	-	383,024	-	-	382,405	-
Unrated	-	3,453	10,064	-	3,438	10,139
	272,194	**1,977,165**	**10,064**	**266,894**	**1,844,263**	**10,139**

The credit quality of cash and balances with central banks, treasury bills, derivative assets 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.

	Group				Bank			
At 31 Dec 2016	**Cash and balances with central banks**	**Treasury bills**	**Derivative assets**	**Assets pledged as collateral**	**Cash and balances with central banks**	**Treasury bills**	**Derivative assets**	**Assets pledged as collateral**
AAA	669,058	557,359	-	328,343	627,385	463,787	-	325,575
AA to A	-	-	82,860	-	-	-	82,860	-
BBB to BB	-	-	-	-	-	-	-	-
Below B	-	-	-	-	-	-	-	-
Unrated	-	-	-	-	-	-	-	-
	669,058	**557,359**	**82,860**	**328,343**	**627,385**	**463,787**	**82,860**	**325,575**

	Group				Bank			
At December 31, 2015	**Cash and balances with central banks**	**Treasury bills**	**Derivative assets**	**Assets pledged as collateral**	**Cash and balances with central banks**	**Treasury bills**	**Derivative assets**	**Assets pledged as collateral**
AAA	761,561	377,928	-	265,051	735,946	330,900	-	264,320
AA to A	-	-	8,481	-	-	-	8,481	-
BBB to BB	-	-	-	-	-	-	-	-
Below B	-	-	-	-	-	-	-	-
Unrated	-	-	-	-	-	-	-	-
	761,561	**377,928**	**8,481**	**265,051**	**735,946**	**330,900**	**8,481**	**264,320**

The table below shows the credit quality of investment securities

At 31 Dec 2016	Group Investment securities			Bank Investment securities		
	Federal Govt. Bonds	State Govt. Bonds	Corporate bonds	Federal Govt. Bonds	State Govt. Bonds	Corporate bonds
AAA	138,013	-	-	57,457	-	-
AA to A	9,702	31,996	3,115	9,702	31,696	3,115
BBB to BB	-	-	-	-	-	-
Below B	-	-	-	-	-	-
Unrated	-	-	-	-	-	-
	147,715	**31,996**	**3,115**	**67,159**	**31,696**	**3,115**
Total			**182,826**			**101,970**

At December 31, 2015	Group Investment securities			Bank Investment securities		
	Federal Govt. Bonds	State Govt. Bonds	Corporate bonds	Federal Govt. Bonds	State Govt. Bonds	Corporate bonds
AAA	160,798	-	-	99,063	-	-
AA to A	6,707	32,114	2,825	6,707	32,114	2,825
BBB to BB	-	-	-	-	-	-
Below B	-	-	-	-	-	-
Unrated	-	-	-	-	-	-
	167,505	**32,114**	**2,825**	**105,770**	**32,114**	**2,825**
Total			**202,444**			**140,709**

In millions of Naira

(b) Credit portfolio past due but not impaired

	Group		Bank	
	Loans and advances		Loans and advances	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Past due up to 30 days	39,519	8,010	38,259	7,954
Past due 30 - 60 days	2,563	558	1,250	540
Past due 60 - 90 days	12,298	1,627	8,549	1,313
	54,380	**10,195**	**48,058**	**9,807**

(c) Credit rating of past due but not impaired

A	38,292	5,084	37,921	5,027
BB	16,088	5,111	10,137	4,780
	54,380	**10,195**	**48,058**	**9,807**

In millions of Naira

(d) Credit portfolio individually impaired

	Group		Bank	
	Loans and advances		Loans and advances	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Gross amount				
BB	22,397	18,749	16,354	18,749
Grade: Below BB	36,307	6,399	31,057	2,274
Specific impairment	(32,896)	(22,390)	(17,607)	(16,116)
	25,808	**2,758**	**29,804**	**4,907**

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:

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

(b) To avoid unintended default arising from adverse business conditions.

(c) To align loan repayment with new pattern of achievable cash flows.

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

(e) Where there is temporary downturn in the customer’s business environment.

(f) Where the customer’s going concern status is NOT in doubt or threatened.

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

(h) 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 loan (loans by the bank to its own officers and directors), 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:

(a) The individuals who take or manage risk clearly understand it.

(b) The Group's risk exposure is within established limits.

(c) Risk taking decisions are in line with business strategy and objectives set by the Board of Directors.

(d) The expected payoffs compensate for the risks taken.

(e) 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.

The introduction of the new flexible FX market policy is expected to restore confidence to the Nigerian forex Market while attracting more FX supply from Foreign Portfolio Investors (FPIs) and Foreign Direct Investors (FDIs). Also, FX request for future obligations can now be accommodated by the Non-Deliverable Futures product, the non-deliverable futures product stem the tides of frontloading of FX and reduce the pressure on Spot FX deals. However, the speculative rate at the parallel market is expected to gradually slide down. The risk of dollar liquidity amid increasing demand and future maturing obligations still persists. The new policy also introduced different limits for Overall Short and Long Net Open Position. It is pertinent to note that the policy comes with its attendant volatilities (stemming from the liberalisation –allowing market to determine the price of Naira) which we will continue to monitor in transaction processing and position taking in a guided manner.

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

'In millions of Naira
Group

	Note	At 31 Dec 2016 Carrying amount	At 31 Dec 2016 Trading	At 31 Dec 2016 Non-trading	At December 31, 2015 Carrying amount	At December 31, 2015 Trading	At December 31, 2015 Non-trading
Assets							
Cash and balances with central banks	15	669,058	-	669,058	761,561	-	761,561
Treasury bills	16	557,359	74,381	482,978	377,928	53,698	324,230
Assets pledged as collateral	17	328,343	113,544	214,799	265,051	48,638	216,413
Due from other banks	18	459,457	-	459,457	272,194	-	272,194
Derivative assets	19	82,860	82,860	-	8,481	8,481	-
Loans and advances	20	2,289,365	-	2,289,365	1,989,313	-	1,989,313
Investment securities	21	199,478	9,702	189,776	213,141	6,707	206,434
Financial assets	25	22,777	-	22,777	10,064	-	10,064
Liabilities							
Customer deposits	28	2,983,621	-	2,983,621	2,557,884	-	2,557,884
Derivative liabilities	33	66,834	66,834	-	384	384	-
Financial liabilities	29	190,458	-	190,458	193,411	-	193,411
On-lending facilities	30	350,657	-	350,657	286,881	-	286,881
Borrowings	31	263,106	-	263,106	258,862	-	258,862
Debt securities issued	32	153,464	-	153,464	99,818	-	99,818

Bank

		At 31 Dec 2016 Carrying amount	At 31 Dec 2016 Trading	At 31 Dec 2016 Non-trading	At December 31, 2015 Carrying amount	At December 31, 2015 Trading	At December 31, 2015 Non-trading
Assets							
Cash and balances with central banks	15	627,385	-	627,385	735,946	-	735,946
Treasury bills	16	463,787	74,381	389,406	330,900	53,698	277,202
Assets pledged as collateral	17	325,575	-	325,575	264,320	48,638	215,682
Due from other banks	18	354,405	-	354,405	266,894	-	266,894
Derivative assets	19	82,860	82,860	-	8,481	8,481	-
Loans and advances	20	2,138,132	-	2,138,132	1,849,225	-	1,849,225
Investment securities	21	118,622	9,702	108,920	150,724	6,707	144,017
Financial assets	25	22,335	-	22,335	10,139	-	10,139
Liabilities							
Customer deposits	28	2,552,963	-	2,552,963	2,333,017	-	2,333,017
Derivative liabilities	33	66,834	66,834	-	384	384	-
Financial liabilities	29	233,532	-	233,532	197,208	-	197,208
On-lending facilities	30	350,657	-	350,657	286,881	-	286,881
Borrowings	31	292,802	-	292,802	268,111	-	268,111
Debt securities issued	32	153,464	-	153,464	99,818	-	99,818

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.

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 derivative products and hedges (such as forward and swap). The risk is also managed by ensuring that all risks 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 limits 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.

Group

The table below summarizes the Group's exposure to foreign currency exchange rate risk at 31 Dec 2016 and December 31, 2015. 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 Dec 2016	Naira	Dollar	GBP	Euro	Others	Total
Assets						
Cash and balances with central banks	606,079	40,877	11,131	10,971	-	669,058
Treasury bills	463,787	34,959	-	-	58,613	557,359
Assets pledged as collaterals	325,575	-	-	-	2,768	328,343
Due from other banks	17,538	392,618	2,855	14,499	31,947	459,457
Derivative assets	-	82,860	-	-	-	82,860
Loans and advances to customers (gross)	1,298,192	969,109	878	8,177	84,453	2,360,809
Investment securities	117,055	43,984	-	-	38,439	199,478
Other financial assets	25,557	-	-	-	2,474	28,031
	2,853,783	1,564,407	14,864	33,647	218,694	4,685,395
Liabilities						
Customer's deposits	2,003,939	917,730	14,137	18,168	29,647	2,983,621
Derivative liabilities	-	66,834	-	-	-	66,834
Other financial liabilities	24,877	115,050	10,972	39,559	-	190,458
On-lending facilities	350,657	-	-	-	-	350,657
Borrowings	-	263,106	-	-	-	263,106
Debt securities issued	-	153,464	-	-	-	153,464
	2,379,473	1,516,184	25,109	57,727	29,647	4,008,140
Net on-balance sheet position	474,310	48,223	(10,245)	(24,080)	189,047	677,255

At December 31, 2015	Naira	Dollar	GBP	Euro	Others	Total
Assets						
Cash and balances with CBN	655,118	85,199	323	2,759	18,162	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
Other financial assets	14,018	141	-	875	-	15,034
	2,621,496	1,180,028	10,592	33,774	99,756	3,945,646
Liabilities						
Customer's deposits	1,834,795	637,191	10,430	11,317	64,151	2,557,884
Derivative liabilities	-	384	-	-	-	384
Other financial liabilities	65,586	94,711	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
	2,187,262	1,090,966	16,537	31,024	64,151	3,389,940
Net on-balance sheet position	434,234	89,062	(5,945)	2,750	35,605	555,706

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 15% and 30%, with all other variables held constant.

	31 Dec 2016	31 Dec 2015
US Dollar effect of 15% up or (down) movement on profit before tax and statement of financial position size (In millions of Naira)	7,233	9,347
US Dollar effect of 30% up or (down) movement on profit before tax and statement of financial position size (In millions of Naira)	14,467	17,201

Bank

The table below summarizes the Bank's exposure to foreign currency exchange rate risk at 31 Dec 2016 and December 31, 2015. Included in the table are the Banks's financial instruments at carrying amounts, categorised by currency.

In millions of Naira

At 31 Dec 2016	**Naira**	**Dollar**	**GBP**	**Euro**	**Others**	**Total**
Assets						
Cash and balances with central banks	606,079	15,154	3,623	2,529	-	627,385
Treasury bills	463,787	-	-	-	-	463,787
Assets pledged as collaterals	325,575	-	-	-	-	325,575
Due from other banks	17,538	323,227	2,470	10,243	927	354,405
Derivative assets	-	82,860	-	-	-	82,860
Loans and advances to customers (gross)	1,298,192	890,607	-	4,425	-	2,193,224
Investment securities	117,055	1,567	-	-	-	118,622
Other financial assets	27,241	342	-	-	-	27,583
	2,855,467	1,313,757	6,093	17,197	927	4,193,441
Liabilities						
Customer's deposit	2,003,939	536,332	5,388	7,304	-	2,552,963
Derivative liabilities	-	66,834	-	-	-	66,834
Financial liabilities	25,171	196,845	563	10,953	-	233,532
On-lending facilities	350,657	-	-	-	-	350,657
Borrowings	-	292,802	-	-	-	292,802
Debt securities issued	-	153,464	-	-	-	153,464
	2,379,767	1,246,277	5,951	18,257	-	3,650,252
Net on-balance sheet position	475,700	67,480	142	(1,060)	927	543,189

In millions of Naira

At December 31, 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
Other financial assets	14,968	141	-	-	-	15,109
	2,622,447	999,282	9,257	26,329	-	3,657,315
Liabilities						
Customer's deposits	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

The Bank's exposure to foreign currency risk is largely concentrated in 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 15% and 30%, with all other variables held constant.

In millions of Naira	31 Dec 2016	31 Dec 2015
US Dollar effect of 15% up or (down) movement on profit before tax and balance sheet size	10,122	10,013
US Dollar effect of 30% up or (down) movement on profit before tax and statement of financial position size (In millions of Naira)	20,244	-

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) to 14% (from 12%), Foreign Exchange Rate to N305.25 (from N199.05) and Cash Reserve Ratio (CRR) on total Naira Deposit 27.5% (from 25%) by the Central Bank of Nigeria (CBN) resulted in huge jump in the market rates and market volatility. The corresponding rates were largely flat in Ghana, 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.

Group

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

In millions of Naira

At 31 Dec 2016	Note	Carrying amount	Rate sensitive	Non rate sensitive
Assets				
Cash and balances with central banks	15	669,058	7,500	661,558
Treasury and other eligible bills (Amortized cost)	16	557,359	557,359	-
Assets pledged as collateral	17	328,343	328,343	-
Due from other banks	18	459,457	459,457	-
Derivative assets	19	82,860	82,860	-
Loans and advances to customers (gross)	20	2,360,809	2,360,809	-
Investment securities (Amortized cost and Fair value through OCI)	21	199,478	182,826	16,652
Other financial assets	25	28,031	-	28,031
		4,685,395	3,979,154	706,241
Liabilities				
Customer deposits	28	2,983,621	2,502,388	481,233
Derivative liabilities	33	66,834	66,834	-
Other financial liabilities	29	190,458	-	190,458
On-lending facilities	30	350,657	350,657	-
Borrowings	31	263,106	263,106	-
Debt securities issued	32	153,464	153,464	-
		4,008,140	3,336,449	671,691
Total interest repricing gap		677,255	642,705	

At 31 Dec 2016	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	35,474	91,594	132,917	297,404	-	557,389
Assets pledged as collateral	9,988	22,003	75,101	41,481	179,770	328,343
Due from other banks	459,380	-	77	-	-	459,457
Derivative assets	2,503	3,792	47,364	29,201	-	82,860
Loans and advances to customers (gross)	975,732	54,642	14,729	45,090	1,270,616	2,360,809
Investment securities (Amortized cost and Fair value through OCI)	11	26	68,183	735	113,871	182,826
	1,490,588	172,057	338,371	413,911	1,564,257	3,979,184
Liabilities						
Customer deposits	977,723	104,904	20,332	1,231	1,398,198	2,502,388
Derivative liabilities	1,575	4,117	45,534	15,608	-	66,834
On-lending facilities	32,293	64,710	629	9,000	244,025	350,657
Borrowings	30,968	45,995	62,926	59,398	63,819	263,106
Debt securities issued	-	-	-	839	152,626	153,465
	1,042,559	219,726	129,421	86,076	1,858,668	3,336,449
Total interest repricing gap	448,029	(47,669)	208,950	327,835	(294,411)	642,734

At December 31, 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 collaterals	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
Other financial assets	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 liabilties	33	384	384	-
On-lending facilities	30	286,881	286,881	-
Borrowings	31	258,862	258,862	-
Financial liabilities	29	186,111	-	186,111
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

In millions of Naira

At December 31, 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

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 300 basis points, with all other variables held constant.

In millions of Naira	31 Dec 2016	31 Dec 2015
Effect of 300 basis points movement on profit before tax	5,114	27,647

Bank

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

In millions of Naira

At 31 Dec 2016	**Note**	**Carrying amount**	**Rate sensitive**	**Non-rate sensitive**
Assets				
Cash and balances with central banks	15	627,385	7,500	619,885
Treasury and other eligible bills (Amortized cost)	16	463,787	463,787	-
Assets pledged as collateral	17	325,575	325,575	-
Due from other banks	18	354,405	354,405	-
Derivative assets	19	82,860	82,860	-
Loans and advances to customers (gross)	20	2,193,224	2,193,224	-
Investment securities (Amortized cost and Fair value through OCI)	21	118,622	101,970	16,652
Other financial assets	25	27,583	-	27,583
		4,193,441	3,529,321	664,120
Liabilities				
Customer deposits	28	2,552,963	2,070,809	482,154
Derivative liabilities	33	66,834	66,834	-
Other financial liabilities	29	233,532	-	233,532
On-lending facilities	30	350,657	350,657	-
Borrowings	31	292,802	292,802	-
Debt securities issued	32	153,464	153,464	-
		3,650,252	2,934,566	715,686
Total interest repricing gap		543,189	594,755	(51,566)

In millions of Naira

At 31 Dec 2016	**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	30,869	81,706	101,096	250,116	-	463,787
Assets pledged as collateral	9,988	22,003	75,101	41,481	177,002	325,575
Due from other banks	354,329	-	76	-	-	354,405
Derivative assets	2,503	3,792	47,364	29,201	-	82,860
Loans and advances to customers (gross)	933,926	54,134	14,480	44,844	1,145,840	2,193,224
Investment securities (Amortized cost and Fair value through OCI)	-	-	13,839	517	87,614	101,970
	1,339,115	161,635	251,956	366,159	1,410,456	3,529,321
Liabilities						
Customer deposits	880,983	75,973	14,194	210	1,099,449	2,070,809
Derivative liabilities	1,575	4,117	45,534	15,608	-	66,834
On-lending facilities	32,293	64,710	629	9,000	244,025	350,657
Borrowings	30,968	45,995	62,926	59,398	93,515	292,802
Debt securities	-	-	-	839	152,625	153,464
	945,819	190,795	123,283	85,055	1,589,614	2,934,566
Total interest repricing gap	393,296	(29,160)	128,673	281,104	(179,158)	594,755

Notes to the Consolidated and Separate Financial Statements for the Year Ended 31 Dec 2016

In millions of Naira

At December 31, 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 colaterals	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
Other financial assets	25	15,109	-	15,109
		3,657,315	2,903,745	753,570
Liabilities				
Customer deposits	28	2,333,017	1,792,398	540,619
Financial liabilities	29	197,208	-	197,208
Derivative liabilities	33	384	384	-
On-lending facilities	30	286,881	286,881	-
Borrowings	31	268,111	268,111	-
Debt securities issued	32	99,818	99,818	-
		3,185,419	2,447,592	737,827
Total interest repricing gap		471,896	456,153	15,743

At December 31, 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 issued	-	-	-	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

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 300 basis points, with all other variables held constant.

In millions of Naira	**31 Dec 2016**	**31 Dec 2015**
Effect of 300 basis points movement on profit before tax	246	28,918

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 non-quoted equity investments. Unquoted equity security held by the Group is mainly 4.59% equity holding in African Finance Corporation (AFC) valued at N16.65 billion (cost N6.4 billion) as at 31 Dec 2016. 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. The sensitivity analysis of unquoted equity is stated on section 3.5.

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 comprehensive liquidity risk management framework that ensures that adequate 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 liquid assets and marketable securities adequate within regulatory limits to manage liquidity stress situation.

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:

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

- (i) Identify sources of potential liquidity strain;
- (ii) Ensure that current liquidity exposures continue to conform to the liquidity risk tolerance established by the board

(b). Analyses the separate and combined impact of possible future liquidity stresses on:

- (i) Cash flows;
- (ii) Liquidity position;
- (iii) 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;

(a) Changes in market condition;

(b) Changes in the nature, scale or complexity of the Bank's business model and activities;

(c) 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 settlement;

(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.

(a) 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		Bank	
	31 Dec 2016	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**
At 31 Dec 2016	59.59%	51.37%	44.03%	47.74%
Average for the period	60.28%	49.24% .	54.94%	41.17%
Maximum for the period	70.76%	56.83%	63.27%	.50.16%
Minimum for the period	53.09%	43.35%	44.03%	33.85%

(b) Liquidity reserve

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

Group	**31 Dec 2016**	**31 Dec 2016**	**31 Dec 2015**	**31 Dec 2015**
In millions of naira	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Cash and balances with Central Banks	140,874	140,874	358,007	358,007
Treasury Bills	482,978	375,552	377,928	355,556
Balances with other banks	155,859	155,859	93,087	84,844
Investment securities	182,826	304,806	166,690	181,011
Assets pledged as collaterals	328,343	310,778	104,701	207,528
Total	**1,290,880**	**1,287,869**	**1,100,413**	**1,186,946**
Bank				
Cash and balances with Central Banks	99,378	99,378	332,502	332,502
Treasury Bills	389,406	375,552	330,900	277,350
Balances with other banks	17,537	17,537	31,576	38,577
Investment securities	101,970	165,557	105,863	157,145
Assets pledged as collaterals	325,575	310,778	104,581	144,454
Total	**933,866**	**968,802**	**905,422**	**950,028**

(c) 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

	Note	At 31 Dec 2016 Encumbered	Unencumbered	Total	At December 31, 2015 Encumbered	Unencumbered	Total
Cash and balances with central banks	15	528,184	140,875	669,059	403,554	358,007	761,561
Treasury bills	16	-	557,359	557,359	-	377,928	377,928
Assets pledged as collateral	17	328,343	-	328,343	265,051	-	265,051
Due from other banks	18	-	459,457	459,457	-	272,194	272,194
Loans and advances	20	-	2,289,365	2,289,365	-	1,989,313	1,989,313
Investment securities	21	-	199,478	199,478	-	213,141	213,141
Financial assets	25	-	22,777	22,777	-	15,034	15,034

'In millions of Naira
Bank

	Note	At 31 Dec 2016 Encumbered	Unencumbered	Total	At December 31, 2015 Encumbered	Unencumbered	Total
Cash and balances with central banks	15	528,007	99,379	627,386	403,444	332,502	735,946
Treasury bills	16	-	463,787	463,787	-	330,900	330,900
Assets pledged as collateral	17	325,575	-	325,575	264,320	-	264,320
Due from other banks	18	-	354,405	354,405	-	266,894	266,894
Loans and advances	20	-	2,138,132	2,138,132	-	1,849,225	1,849,225
Investment securities	21	-	118,622	118,622	-	150,724	150,724
Financial assets	25	-	22,335	22,335	-	15,109	15,109

(d) Financial assets pledged as collateral

The total financial assets recognised in the statement of financial position that have been pledged as collateral for liabilities as at 31 Dec 2016 and 31 December 2015 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.

Group

At 31 Dec 2016 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	140,874	-	-	528,184	-	669,058	669,058
Treasury bills	16	38,385	93,888	139,939	314,543	-	586,755	557,359
Assets pledged as collateral	17	19,959	22,543	81,943	75,244	541,077	740,766	328,343
Due from other banks	18	440,108	7,379	16,808	15,154	2,034	481,483	459,457
Loans and advances to customers	20	975,732	54,642	14,729	45,090	1,270,634	2,360,827	2,289,365
Investment securities	21	2,888	3,148	78,868	7,744	198,533	291,181	199,478
Other financial assets	25	4,466	-	-	18,311	-	22,777	22,777
		1,622,412	**181,600**	**332,287**	**1,004,270**	**2,012,278**	**5,152,847**	**4,525,837**
Derivative assets								
Trading:	19	-	-	-	-	-	-	82,860
Inflow		46,546	46,120	178,821	109,806	36,399	417,692	-
Outflow		-	-	-	-	-	-	-
Risk management:		-	-	-	-	-	-	-
Inflow		-	-	-	-	-	-	-
Outflow		-	-	-	-	-	-	-
		46,546	**46,120**	**178,821**	**109,806**	**36,399**	**417,692**	**82,860**
Liabilities								
Non-derivative liabilities								
Customer's deposits	28	2,857,864	104,904	20,332	1,283	160	2,984,543	2,983,621
Financial liabilities	29	117,857	-	-	67,984	70,994	256,835	190,458
On-lending facilities	30	32,293	64,710	629	9,000	244,025	350,657	350,657
Borrowings	31	30,934	45,981	63,034	59,458	93,446	292,853	263,106
Debt securities issued	32	-	-	4,770	4,770	166,934	176,474	153,464
Financial guarantees contracts	39	560,704	-	-	-	-	560,704	560,704
		3,599,652	**215,595**	**88,765**	**142,495**	**575,559**	**4,622,066**	**4,502,010**
Derivative liabilities								
Trading:	33							66,834
Outflow		45,531	41,042	183,080	23,306	24,267	317,226	-
Risk management:		-	-	-	-	-	-	-
Inflow		-	-	-	-	-	-	-
Outflow		-	-	-	-	-	-	-
		45,531	**41,042**	**183,080**	**23,306**	**24,267**	**317,226**	**66,834**

At December 31, 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	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
Other financial assets	25	15,034	-	-	-	-	15,034	15,034
		1,408,398	**156,982**	**194,223**	**677,391**	**1,460,721**	**3,897,715**	**3,894,222**
Derivative assets								
Trading:	19	-	239	5,224	3,018	-	-	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**	**-**
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
Outflow		-	1,985	10,200	-	-	12,185	-
Inflow		-	-	-	-	-	-	-
Risk management:		-	-	-	-	-	-	-
Outflow		-	-	-	-	-	-	-
Inflow		-	-	-	-	-	-	-
		-	**1,985**	**10,200**	**-**	**-**	**12,185**	**-**

Bank

At 31 Dec 2016 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	99,379	-	-	528,006	-	627,385	627,385
Treasury bills	16	31,012	84,030	108,119	267,255	-	490,416	463,787
Assets pledged as collateral	17	19,959	22,543	81,943	75,244	541,077	740,766	325,575
Due from other banks	18	313,030	7,379	16,808	15,154	2,034	354,405	354,405
Loans and advances to customers	20	933,926	54,134	14,480	44,843	1,145,840	2,193,224	2,193,224
Investment securities	21	2,877	3,122	24,524	7,526	172,276	210,325	118,622
Other financial assets	25	6,435	-	-	-	15,900	22,335	22,335
		1,406,618	**171,208**	**245,874**	**938,028**	**1,877,127**	**4,638,856**	**4,105,333**
Derivative assets								
Trading:	19	-	-	-	-	-	-	82,860
Inflow		46,546	46,120	178,821	109,806	36,399	417,692	-
Outflow		-	-	-	-	-	-	-
Risk management:		-	-	-	-	-	-	-
Inflow		-	-	-	-	-	-	-
Outflow		-	-	-	-	-	-	-
		46,546	**46,120**	**178,821**	**109,806**	**36,399**	**417,692**	**82,860**
Liabilities								
Non-derivative liabilities								
Customer's deposits	28	2,462,534	75,973	14,195	262	-	2,552,964	2,552,963
Financial liabilities	29	117,751	-	-	110,512	55,092	283,355	233,532
On-lending facilities	30	32,293	64,710	629	9,000	244,025	350,657	350,657
Borrowings	31	30,934	45,981	63,034	59,458	93,446	292,853	292,802
Debt securities issued	32	-	-	4,770	4,770	166,934	176,474	153,464
Financial guarantees contracts	39	513,832	-	-	-	-	513,832	513,832
		3,157,344	**186,664**	**82,628**	**184,002**	**559,497**	**4,170,135**	**4,097,250**
Derivative liabilities								
Trading:	33	-	-	-	-	-	-	66,834
Outflow		45,531	41,042	183,080	23,306	24,267	317,226	-
Risk management:		-	-	-	-	-	-	-
Inflow		-	-	-	-	-	-	-
Outflow		-	-	-	-	-	-	-
		45,531	**41,042**	**183,080**	**23,306**	**24,267**	**317,226**	**66,834**

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	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
Other financial assets	25	15,109	-	-	-	-	15,109	15,109
		1,321,335	**146,211**	**179,009**	**660,573**	**1,302,256**	**3,609,384**	**3,648,834**
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	-
Risk management:		-	-	-	-	-	-	-
Outflow		-	-	-	-	-	-	-
Inflow		-	-	-	-	-	-	-
		-	**1,985**	**10,200**	**-**	**-**	**12,185**	**384**

Liquidity gap analysis (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	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 difference is on demand deposits from customers which are expected to remain stable or increase.

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 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.

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

(b) 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).

(c) 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.

Classification of financial assets and liabilities

Group

The table below sets out the Group's classification of each class of its financial assets and liabilities.

		At 31 Dec 2016			At December 31, 2015		
In millions of Naira	**Note**	**Carrying value**	**Fair value**	**Fair value hierarchy**	**Carrying value**	**Fair value**	**Fair value hierarchy**
Assets							
Carried at FVTPL:							
Treasury bills	16	74,381	74,381	1	53,698	53,698	1
Investment securities (FGN bonds)	21	9,702	9,702	1	6,707	6,707	1
Derivative assets	19	82,860	82,860	2	8,481	8,481	2
Carried at FVOCI:							
Investment securities (Unquoted)	21	16,652	16,652	3	10,697	10,697	3
Carried at amortized cost:							
Cash and balances with central banks	15	669,058	669,058	-	761,561	761,561	-
Treasury bills	16	482,978	375,552	1	324,230	355,556	1
Assets pledged as collateral	17	328,343	277,189	1	265,051	304,804	1
Due from other banks	18	459,457	459,457	2	272,194	272,194	2
Loans and advances to customers (gross)	20	2,360,809	3,377,671	3	2,032,256	1,487,515	3
Investment securities	21	173,124	254,861	1	195,737	229,542	1
Other financial assets	25	22,777	10,715	-	15,034	15,034	-
Liabilities							
Carried at FVTPL							
Derivative liabilities	33	66,834	66,834	2	384	384	2
Carried at amortized cost:							
Customer's deposits	28	2,983,621	2,766,629	-	2,557,884	2,551,143	-
Other financial liabilities	29	190,458	191,040	-	186,111	186,111	-
On-lending facilities	30	350,657	288,682	3	286,881	275,641	3
Borrowings	31	263,106	523,465	3	258,862	263,268	3
Debt securities issued	32	153,464	128,034	2	99,818	82,667	2

ZENITH BANK PLC

Notes to the Consolidated and Separate Financial Statements for the Year Ended 31 Dec 2016

Bank

The table below sets out the Bank''s classification of each class of its financial assets and liabilities.

In millions of Naira	Note	At 31 Dec 2016 Carrying value	At 31 Dec 2016 Fair value	At 31 Dec 2016 Fair value hierarchy	At December 31, 2015 Carrying value	At December 31, 2015 Fair value	At December 31, 2015 Fair value hierarchy
Assets							
Carried at FVTPL:							
Treasury bills	16	74,381	74,381	1	53,698	53,698	1
Investment securities (FGN bonds)	21	9,702	9,702	-	6,707	6,707	1
Derivative assets	19	82,860	82,860	2	8,481	8,481	2
Carried at FVOCI:							
Investment securities (Unquoted)	21	16,652	16,652	3	10,015	10,015	3
Carried at amortized cost:							
Cash and balances with central banks	15	627,385	627,385	-	735,946	735,946	-
Treasury bills	16	389,406	375,552	1	277,202	277,350	1
Assets pledged as collateral	17	325,575	277,189	1	264,320	304,193	1
Due from other banks	18	354,405	354,405	-	266,894	266,894	-
Loans and advances to customers (gross)	20	2,193,224	1,411,876	3	1,884,941	1,385,377	3
Investment securities	21	92,268	167,231	1	134,002	157,145	1
Other financial assets	25	22,335	10,268	-	15,109	15,109	-
Liabilities							
Carried at FVTPL							
Derivative liabilities	33	66,834	66,834	2	384	384	2
Carried at amortized cost:							
Customer's deposits	28	2,552,963	2,369,752	-	2,333,017	2,326,960	-
Other financial liabilities	29	233,532	234,108	-	197,208	197,207	-
On-lending facilities	30	350,657	288,682	3	286,881	275,641	3
Borrowings	31	292,802	241,053	3	268,111	263,268	3
Debt securities issued	32	153,464	128,034	2	99,818	82,667	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.

Financial instruments measured at fair value

At 31 Dec 2016

In millions of Naira		**Level 1**	**Level 2**	**Level 3**
Financial assets				
Treasury bills (FVTPL)	16	74,381	-	-
Investment securities (FVTPL) -FGN Bonds	21	9,702	-	-
Derivative assets	19	-	82,860	-
Derivative liabilities	33	-	66,834	-
Investment securities (Unquoted)	21	-	-	16,652
		84,083	**149,694**	**16,652**

Reconciliation of Level 3 items	
At 1 January 2016	10,697
Disposal recognised through profit or loss	(681)
Gains recognised through other comprehensive income	6,636
At 31 Dec 2016	**16,652**

At December 31, 2015

In millions of Naira		**Level 1**	**Level 2**	**Level 3**
Financial assets				
Treasury bills (FVTPL)	16	53,698	-	-
Investment securities (FVTPL)-FGN bonds	21	6,707	-	-
Derivative assets	19	-	8,481	-
Derivative liabilities	33	-	384	-
Investment securities -Unquoted	21	-	-	10,697
		60,405	**8,865**	**10,697**

Reconciliation of Level 3 items	
At 1 January 2015	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 December 31, 2015	**10,697**

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 Dec 2016 and 31 December 2015 in measuring financial instruments categorized as level 3 in the fair value hierarchy

Type of financial instrument	**Fair values at 31 Dec 2016**	**Valuation technique**	**Significant unobservable input**	**Range of estimates (average) for unobservable inputs**	**Fair value measurement sensitivity to unobservable inputs**
Unquoted equity investment	N16.65 billion	Equity DCF model.	-Discount rate. -Estimate cash flow.	Risk premium of 11.50 -12.50% (12.09%) above risk-free interest rate (2.49%) (December 2015:11.44-11.68% (11.96%) above risk free rate (2.23%)) 4-year Compound Annual Growth Rate (CAGR) of cash flow of 16-17% (14.4%) (December 2015: 16-17% (12%))	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 Dec 2016		At December 31, 2015	
In millions of Naira	**Favourable changes**	**Un-favourable changes**	**Favourable changes**	**Un-favourable changes**
Unquoted investment securities	0.90	(0.83)	2.00	(0.64)

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 Dec 2016 included a risk premium 12.09**%** above the risk-free interest rate of 2.49% (with reasonably possible alternative assumptions of 11.96% and 12.21%) (31 December 2015: 11.56, 11.44 and 11.68% respectively above risk free rate of 2.23%), and a 5-year CAGR of 19% (with reasonable possible alternative assumptions of 18 and 20%) (31 December 2015: 18, 17, 19 % respectively).

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 Dec 2016: N528 billion, 31 December 2015: N404 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 financial assets/financial liabilities

Other financial assets/financial liabilities 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.

3.6 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 assessments or regulatory requirements. The Group maintained capital levels above the regulatory minimum prescribed in all its operating jurisdictions. The recent technical Naira devaluation impacted the capital adequacy ratio (CAR) via the increase in the naira equivalent of exposures denominated in Foreign Currencies. However, actual and projected increase in the exchange rate, sees the group’s Capital Adequacy Ratio at comfortable region.

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 compelling 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:

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

(b) Issue of Shares: The Group has successfully assessed the capital market to raise equity, and more recently the Group raised US $500 million Eurobond, with such experiences the Group is confident that it could access the capital market when the need arises.

(c) 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 Dec 2016 as well as the 31 December 2015 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 2016**	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**
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	112,114	93,093	104,293	86,400
SMEIES reserve	3,729	3,729	3,729	3,729
Retained earnings	267,008	200,115	218,507	160,408
Total qualifying Tier 1 capital	653,596	567,682	597,274	521,282
Deferred tax assets	(6,440)	(5,607)	(6,041)	(5,131)
Intangible assets	(4,645)	(3,240)	(3,903)	(2,753)
Investment in capital and financial subsidiaries	-	-	(22,053)	(28,689)
Adjusted Total qualifying Tier 1 capital	642,511	558,835	565,277	484,709
Tier 2 capital				
Other comprehensive income (OCI)	39,415	2,613	10,950	4,314
Total qualifying Tier 2 capital	39,415	2,613	10,950	4,314
Investment in capital and financial subsidiaries	-	-	(10,950)	(4,314)
Net Tier 2 capital	39,415	2,613	-	-
Total regulatory capital	681,926	561,448	565,277	484,709
Risk-weighted assets				
Credit risk	2,406,800	2,078,727	2,109,275	1,876,380
Market risk	17,684	17,670	5,875	6,983
Operational risk	554,772	540,020	509,493	509,493
Total risk-weighted assets	2,979,256	2,636,417	2,624,643	2,392,856
Risk-weighted Capital Adequacy Ratio (CAR)	**23 %**	**21 %**	**22 %**	**20 %**

3.7 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:

(a) To provide clear and consistent direction in all operations of the group

(b) To provide a standardised framework and appropriate guidelines for creating and managing all operational risk exposures

(c) 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 period 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.

3.8 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. Processes and procedures have been established to ensure that the right models are employed and appropriately communicated to all decision makers in the Group on issues relating to strategic risk management. This has essentially driven the Group’s sound banking culture and performance record to date.

3.9 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.

3.10 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:

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

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

(c) Monitoring: Frequent monitoring of the reputational risk drivers

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

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

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

3.11 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.

3.12 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.

3.13 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.

As global awareness on sustainable development became prevalent, the Group commenced a project to increase it's level of environmental compliance. 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. A detailed report covering our landmark achievements as well as our desired growth aspirations on sustainability was issued in August 2016 and is available on our website.

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 such as forward contracts, swaps etc. 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:

(i) Prudential Provisions is greater than IFRS provisions; the excess provision resulting should be transferred from the general reserve account to a "regulatory risk reserve.

(ii) 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 determined using IFRS principles. As a result of this directive, the Bank holds total credit risk reserves of N8,129 million as at 31 Dec 2016.

Provision for loan losses per prudential guidelines

In millions of Naira

	Note	31 Dec 2016	31 Dec 2015
Loans and advances		62,680	57,066
Other financial assets		7,101	6,192
		69,781	63,258
Impairment assessment under IFRS			
Loans and advances			
Specific allowance for impairment	20	17,607	16,116
Collective allowance for impairment	20	37,485	19,600
		55,092	35,716
Other financial assets			
Specific allowance for impairment on associated companies	23	1,312	1,222
Specific allowance for impairment on other assets	25	5,248	4,970
		61,652	**41,908**
Required credit reserve as at year end		**8,129**	**21,350**

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:

(a) 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.

(b) 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).

In millions of Naira 31 Dec 2016	Nigeria Corporate retail and pensions custodian services	Outside Nigeria Africa	Banking Europe	Total reportable segments	Eliminations	Consolidated
Revenue:						
Derived from external customers	460,603	39,737	11,253	511,593	(3,596)	507,997
Derived from other business segments	1,327	-	757	2,084	(2,084)	-
Total revenue*	**461,930**	**39,737**	**12,010**	**513,677**	**(5,680)**	**507,997**
Interest expense	(131,910)	(12,183)	(2,364)	(146,457)	2,079	(144,378)
Impairment loss on financial assets	(26,302)	(973)	(5,075)	(32,350)	-	(32,350)
Admin and operating expenses	(158,052)	(11,434)	(3,911)	(173,397)	-	(173,397)
Profit before tax	145,666	15,147	660	161,473	(4,725)	156,748
Tax expense	(22,547)	(4,417)	(132)	(27,096)	-	(27,096)
Profit after tax	**123,119**	**10,730**	**528**	**134,377**	**(4,725)**	**129,652**

In millions of Naira 31 Dec 2016	Nigeria Corporate retail and pensions custodian services	Outside Nigeria Africa	Banking Europe	Total reportable segments	Eliminations	Consolidated
Capital expenditure**	24,803	2,684	66	27,553	(132)	27,421
Identifiable assets	4,301,426	281,933	402,890	4,986,249	(246,424)	4,739,825
Identifiable liabilities	3,619,485	235,853	327,745	4,183,083	(147,723)	4,035,360

** 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 Dec 2015	Nigeria Corporate retail and pensions custodian services	Outside Nigeria Banking Africa	Outside Nigeria Banking Europe	Total reportable segments	Eliminations	Consolidated
Revenue:						
Derived from external customers	401,622	27,147	7,726	436,495	(3,960)	432,535
Derived from other business segments	2,036	-	2,961	4,997	(4,997)	-
Total revenue*	**403,658**	**27,147**	**10,687**	**441,492**	**(8,957)**	**432,535**
Share of profit of associates	-	-	-	-	228	228
Interest expense	(114,936)	(9,378)	(4,281)	(128,595)	4,998	(123,597)
Impairment loss on financial assets	(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	1,408	129,347	(3,731)	125,616
Tax expense	(17,782)	(1,819)	(352)	(19,953)	-	(19,953)
Profit after tax	**103,538**	**4,800**	**1,056**	**109,394**	**(3,731)**	**105,663**

In millions of Naira December 31, 2015	Nigeria Corporate retail and pensions 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.*

	Group		Bank	
In millions of Naira	2016	2015	2016	2015

6. Interest and similar income

Loans and advances to customers	273,351	255,140	252,834	238,349
Treasury bills	60,187	51,809	44,347	42,481
Government and other bonds	48,730	34,998	45,286	28,111
Placements with banks and discount houses	2,289	6,232	1,089	8,478
	384,557	**348,179**	**343,556**	**317,419**

Total interest income, calculated using the effective interest rate method reported above relates to financial assets not carried at fair value through profit or loss are N384,557 million (31 Dec 2015: N348,179 million) and N343,556 million (31 Dec 2015: N317,419 million) for Group and Bank respectively.

Included in interest income on loans and advances are amounts totalling N2.66 billion (31 Dec 2015: N2,840 million) and N2.17 billion (31 Dec 2015: N2,768 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

Current accounts	4,125	4,638	3,808	4,491
Savings accounts	12,516	10,771	12,379	10,705
Time deposits	94,369	90,591	83,989	83,653
Borrowed funds	33,368	17,597	31,734	16,087
	144,378	**123,597**	**131,910**	**114,936**

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 loss on financial assets

Overdraft (see note 20(b))	13,786	(178)	12,811	(3,108)
Term loan (see note 20(b))	19,099	13,219	14,465	11,567
On lending (see note 20(b))	(1,336)	2,276	(1,336)	2,276
Advances under finance lease (see note 20(b))	(13)	24	(13)	24
Other financial assets (see note 25)	284	332	278	332
Investment in Associates (see note 23(b))	530	-	90	-
	32,350	**15,673**	**26,295**	**11,091**

9. Fee and commission income

Credit related fees	18,512	15,521	16,214	13,158
Commission on turnover	934	14,051	-	12,967
Account maintenance fee	17,374	-	16,863	-
Income from financial guarantee contracts issued	2,997	2,257	2,574	1,907
Fees on electronic products	10,687	9,986	9,954	9,462
Foreign currency transaction fees and commissions	1,724	1,290	1,156	974
Asset management fees	6,224	5,238	-	-
Auction fees income	772	989	772	989
Corporate finance fees	2,123	3,431	2,064	3,398
Foreign withdrawal charges	3,004	5,365	3,004	5,365
Commission on agency and collection services	4,093	2,776	3,018	2,093
	68,444	**60,904**	**55,619**	**50,313**

Notes to the Consolidated and Separate Financial Statements for the Year Ended 31 Dec 2016

	Group		Bank	
In millions of Naira	2016	2015	2016	2015

9. Fee and commission income (continued)

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

10. Trading income

	Group 2016	Group 2015	Bank 2016	Bank 2015
Foreign exchange trading income/(loss)	20,077	(1,962)	20,077	(2,228)
Treasury bill trading income	8,649	19,218	8,649	19,218
Bond trading income/(loss)	(328)	894	(328)	894
	28,398	**18,150**	**28,398**	**17,884**

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

	Group 2016	Group 2015	Bank 2016	Bank 2015
Dividend income from equity investments	349	545	3,949	4,505
Gain on disposal of property and equipment (see note 44(vii))	236	39	172	27
Gain on disposal of equity securities (see note 44(viii))	-	1,615	-	1,615
Income on cash handling	426	289	426	289
Foreign currency revaluation gain	25,587	2,814	22,688	4,601
	26,598	**5,302**	**27,235**	**11,037**

Dividend income from equity investments represent dividend received in equity instruments held for strategic purposes and for which the Group has elected to present the fair value and loss in Other Comprehensive Income .

Foreign currency revaluation gain represent gains realised from the revaluation of foreign currencies denominated assets and liabilities held in the bankin books.

In millions of Naira	Group 2016	Group 2015	Bank 2016	Bank 2015

12. Operating expenses

	Group 2016	Group 2015	Bank 2016	Bank 2015
Directors' emoluments (see note 37 (b))	1,057	1,145	404	461
Auditors' remuneration	626	546	486	447
Deposit insurance premium	10,393	9,358	10,393	9,358
Professional fees	3,323	2,455	2,957	2,199
Training and development	3,215	2,698	3,012	2,521
Information technology	5,856	3,989	5,425	3,676
Operating lease	3,288	2,722	2,077	2,045
Advertisement	4,991	3,325	4,801	3,198
Bank charges	1,461	1,644	1,331	1,529
Fuel and maintenance	14,021	10,360	10,911	8,813
Insurance	1,907	1,387	1,799	1,313
Licenses, registrations and subscriptions	1,770	1,334	1,573	1,222
Travel and hotel expenses	2,998	1,807	2,513	1,442
Printing and stationery	1,627	1,345	1,227	1,045
Security and cash handling	3,322	10,190	3,060	10,022
Fraud and forgery write-off	33	201	33	201
Expenses on electronic products	3,818	2,112	3,661	1,969
Fines & Penalties	16	60	16	60
Donations	2,564	970	2,557	923
AMCON premium	18,752	17,119	18,752	17,119
Telephone and postages	1,530	1,690	1,277	1,493
Corporate promotions	2,450	1,868	2,323	1,782
Provision for claims	-	9,766	-	9,766
Other expenses	5,347	1,837	3,814	773
	94,365	**89,928**	**84,402**	**83,377**

13. Taxation

(a) Major components of the tax expense

	Group 2016	Group 2015	Bank 2016	Bank 2015
Income tax expense				
Corporate tax	12,726	7,245	6,530	3,564
Information technology tax	1,448	1,223	1,385	1,141
Excess dividend tax (see note (i) below)	12,909	11,620	12,909	11,445
Prior year (over)/under provision	(189)	(1,550)	(189)	(1,445)
Tertiary Education tax	1,009	592	917	529
Effect of tax rates in foreign juridictions	-	-	-	-
Current income tax	27,903	19,130	21,552	15,234
Deferred tax expense:				
Origination/(reversal) of temporary differences	(807)	823	(910)	1,202
Income tax expense	27,096	19,953	20,642	16,436
Total income tax	**27,096**	**19,953**	**20,642**	**16,436**

(i) During the year, the Bank was liable to excess dividend tax of N16.95 billion, representing 30% of N56.51 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 2016 financial year, income tax payable based on taxable profit was N3.65 billion. However, total Companies Income tax paid based on dividend for 2015 financial year was N16.95 billion and the Bank had tax credits amounting to N0.494 billion. The difference between income tax payable assessed on dividend and income tax payable assessed on taxable profit amounted to N12.91 billion which was charged as tax expense in 2016 financial year.

Notes to the Consolidated and Separate Financial Statements for the Year Ended 31 Dec 2016

In millions of Naira	Group 2016	Group 2015	Bank 2016	Bank 2015
13. Taxation (continued)				
(a) Reconciliation of effective tax rate				
Profit before income tax	156,748	125,616	139,927	115,220
Tax calculated at the weighted average Group rate of 30% (2015: 30%)	47,024	37,685	41,978	34,566
Tax effect of adjustments on taxable income				
Non-deductable expenses	12,940	5,391	11,500	4,385
Tax exempt income	(48,112)	(34,859)	(47,923)	(34,203)
Balancing charge	65	18	65	18
Tax loss effect	2	-	-	-
Information technology levy	1,448	1,191	1,385	1,141
Excess dividend tax paid	12,909	11,445	12,909	11,445
Tertiary education tax	1,009	632	917	529
Prior year (over)/under provision	(189)	(1,550)	(189)	(1,445)
Tax expense	**27,096**	**19,953**	**20,642**	**16,436**
Tax charge as a percentage of profit before tax	%	%	%	%
Tax rate computation	17.00	16.00	15.00	14.00
Non-deductible expenses	(8.00)	(4.00)	(8.00)	(4.00)
Tax exempt income	31.00	28.00	34.00	30.00
Information technology tax levy	(1.00)	(1.00)	(1.00)	(1.00)
Excess dividend tax paid	(8.00)	(9.00)	(9.00)	(10.00)
Changes in estimate relating to prior year	-	-	-	1.00
Tertiary education tax	(1.00)	-	(1.00)	-
Standard rate of tax	**30**	**30**	**30**	**30**
(b) The movement in the current income tax payable balance is as follows:	**31 Dec 2016**	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**
At start of the year	3,579	10,042	2,534	7,709
Tax paid	(22,444)	(26,356)	(17,159)	(20,409)
Tax effect of translation	(85)	763	-	-
Minimum tax	-	-	-	-
Current income tax charge (see note 13a)	27,903	19,130	21,552	15,234
At end of the year	**8,953**	**3,579**	**6,927**	**2,534**

In millions of Naira	Group 2016	Group 2015	Bank 2016	Bank 2015

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 2016	Group 2015	Bank 2016	Bank 2015
Profit attributable to shareholders of the Bank (N'million)	129,434	105,531	119,285	98,784
Number of shares in issue at end of the period (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)	412	336	380	315

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

	Group		Bank	
In millions of Naira	**31 Dec 2016**	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**

15. Cash and balances with central banks

Cash and balances with central banks consist of:

Cash	36,953	41,649	24,342	35,544
Operating accounts with Central Banks	103,921	316,358	75,036	296,958
Mandatory reserve deposits with central bank (cash reserve) (see note (a))	447,495	403,554	447,318	403,444
Special Cash Reserve Requirement (see note (b))	80,689	-	80,689	-
	669,058	**761,561**	**627,385**	**735,946**
Current	669,058	761,561	627,385	735,946
Non current	-	-	-	-
	669,058	**761,561**	**627,385**	**735,946**

(a) 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.

(b) Special Cash Reserve Requirement represents a 5% special intervention reserve held with the Central Bank of Nigeria as a regulatory requirement.

16 Treasury bills

Treasury bills (FVTPL)	74,381	53,698	74,381	53,698
Treasury bills (Amortized cost)	482,978	324,230	389,406	277,202
	557,359	**377,928**	**463,787**	**330,900**
Classified as:				
Current	557,359	377,928	463,787	330,900
Non-current	-	-	-	-
	557,359	**377,928**	**463,787**	**330,900**
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).	127,068	79,513	112,575	63,979

	Group		Bank	
In millions of Naira	**31 Dec 2016**	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**

17. Assets pledged as collateral

Treasury bills pledged as collateral	2,768	611	-	-
Bonds pledged as collateral	76,428	104,701	76,428	104,581
Treasury bills under repurchase agreement	113,544	48,638	113,544	48,638
Bonds under repurchase agreement	135,603	111,101	135,603	111,101
	328,343	**265,051**	**325,575**	**264,320**

The assets pledged as collateral were given to the counter parties without transferring the ownership to them. These are held by the counterparty for the term of the transaction being collateralized. These 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 exchanged under repurchase agreement are with the following counterparties (see note 31):

Counterparties	**Carrying value of assets**	**Carrying value of liabilities**	**Carrying value of assets**	**Carrying value of liabilities**
JP Morgan	54,748	22,908	54,748	22,908
ABSA	81,452	45,985	81,452	45,985
Standard Bank	102,751	71,541	102,751	71,541
Citi Group Global Market	10,196	15,362	10,196	15,362
	249,147	**155,796**	**249,147**	**155,796**

Assets exchanged under repurchase agreement (December 31, 2015) are with the following counterparties (see note 31):.

Counterparties	**Carrying value of assets**	**Carrying value of liabilities**	**Carrying value of assets**	**Carrying value of liabilities**
JP Morgan	25,220	14,941	25,220	14,941
ABSA	56,978	40,097	56,978	40,097
Standard Bank	71,844	49,962	71,844	49,962
Citi Bank	5,697	9,958	5,697	9,958
	159,739	**114,958**	**159,739**	**114,958**

Classified as:				
Current	148,573	92,965	148,573	92,965
Non-current	179,770	172,086	177,002	171,355
	328,343	**265,051**	**325,575**	**264,320**

18. Due from other banks

Current balances with banks within Nigeria	12,344	15,244	-	-
Current balances with banks outside Nigeria	291,254	172,106	336,868	228,317
Placements with banks and discount houses	155,859	77,843	17,537	31,576
Due from other banks under repurchase agreement	-	7,001	-	7,001
	459,457	**272,194**	**354,405**	**266,894**

Classified as:				
Current	459,457	272,194	354,405	266,894

Included in balances with banks outside Nigeria is the amount of N104.63 billion and N104.53 billion for the Group and Bank respectively (31 December 2015: N71.93 billion and N71.91 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.

	Group		Bank	
In millions of Naira	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015

19. Derivative assets

Instrument types:

Forward contracts				
Fair value of assets	18,093	8,481	18,093	8,481
Futures contracts	-	-	-	-
Fair value of assets	64,767	-	64,767	-
Total	**82,860**	**8,481**	**82,860**	**8,481**

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 the Discounted Mark to Market technique. 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 gains of N20.08 billion (31 Dec 2015 net gain of N2.43 billion) which were recognized in the statement of comprehensive income. These net gains related to the fair values of the forward contracts, producing derivative assets and liabilities of N82.9 billion and N66.8 billion respectively (31 December 2015 N8.5 and N0.38 billion respectively).

All derivative assets are current.

20. Loans and advances

Overdrafts	591,219	507,512	551,798	473,203
Term loans	1,417,860	1,226,277	1,289,864	1,113,622
On-lending facilities	345,940	287,937	345,940	287,937
Advances under finance lease	5,790	10,530	5,622	10,179
Gross loans and advances to customers	2,360,809	2,032,256	2,193,224	1,884,941
Less: Allowance for impairment	(71,444)	(42,943)	(55,092)	(35,716)
Specific allowances for impairment	(32,896)	(22,390)	(17,607)	(16,116)
Collective allowance for impairment	(38,548)	(20,553)	(37,485)	(19,600)
	2,289,365	**1,989,313**	**2,138,132**	**1,849,225**

Overdrafts

Gross Overdrafts	591,219	507,512	551,798	473,203
Less: Allowances for impairment	(30,567)	(18,880)	(22,245)	(13,312)
Specific allowances for impairment	(14,737)	(10,088)	(7,478)	(5,474)
Collective allowance for impairment	(15,830)	(8,792)	(14,767)	(7,838)
	560,652	**488,632**	**529,553**	**459,891**

Term loans

Gross Term loans	1,417,860	1,226,277	1,289,864	1,113,622
Less: Allowances for impairment	(39,472)	(21,310)	(31,443)	(19,651)
Specific allowances for impairment	(18,159)	(12,302)	(10,129)	(10,642)
Collective allowance for impairment	(21,313)	(9,008)	(21,314)	(9,009)
	1,378,388	**1,204,967**	**1,258,421**	**1,093,971**

Notes to the Consolidated and Separate Financial Statements for the Year Ended 31 Dec 2016

	Group		Bank	
In millions of Naira	**31 Dec 2016**	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**
On-lending facilities				
Gross On-lending facilities	345,940	287,937	345,940	287,937
Less: Allowances for impairment	(1,337)	(2,673)	(1,337)	(2,673)
Collective allowance for impairment	(1,337)	(2,673)	(1,337)	(2,673)
	344,603	**285,264**	**344,603**	**285,264**
Advances under finance lease				
Gross investment in finance lease	5,790	10,530	5,622	10,179
Less: collective allowance for impairment	(67)	(80)	(67)	(80)
	5,723	**10,450**	**5,555**	**10,099**
Gross Loans classified as:				
Current	1,090,193	923,035	1,047,384	871,459
Non-current	1,270,616	1,109,221	1,145,840	1,013,482
	2,360,809	**2,032,256**	**2,193,224**	**1,884,941**

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 January 01, 2016	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
Additional impairment for the year (see note 8)	13,786	19,099	(1,336)	(13)	31,536
Specific impairment	6,482	9,024	-	-	15,506
Collective impairment	7,304	10,075	(1,336)	(13)	16,030
Foreign currency translation and other adjustments	3,783	2,323	-	-	6,106
Write-offs (collective)	(5,882)	(3,260)	-	-	(9,142)
Balance at 31 Dec 2016	**30,567**	**39,472**	**1,337**	**67**	**71,444**
Specific impairment	14,737	18,158	-	-	32,895
Collective impairment	15,830	21,314	1,337	67	38,548
Balance at January 01, 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)
Foreign currency translation and other adjustments	(858)	7	-	-	(851)
Write-offs (collective)	(27)	(348)	-	-	(375)
Balance at December 31, 2015	**18,880**	**21,310**	**2,673**	**80**	**42,943**

* 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 January 01, 2016	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
Additional impairment for the year (see note 8)	12,811	14,465	(1,336)	(13)	25,927
Specific impairment	5,762	5,843	-	-	11,605
Collective impairment	7,049	8,622	(1,336)	(13)	14,322
Write-offs (Collective)	(3,878)	(2,673)	-	-	(6,551)
Balance at 31 Dec 2016	**22,245**	**31,443**	**1,337**	**67**	**55,092**
Specific impairment	7,478	10,129	-	-	17,607
Collective impairment	14,767	21,314	1,337	67	37,485
Balance at January 01, 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	(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-offs (Collective)	(26)	(348)	-	-	(374)
Balance at December 31, 2015	**13,312**	**19,651**	**2,673**	**80**	**35,716**

* 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	**31 Dec 2016**	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**
Advances under finance lease				
Gross investment	5,896	11,653	5,728	11,267
Less: Unearned income	(106)	(1,123)	(106)	(1,088)
Net Investment	5,790	10,530	5,622	10,179
The net investment may be analysed as follows:				
No later than 1 year	-	1,561	-	1,478
Later than 1 year and no later than 5 years	5,790	8,969	5,622	8,701
	5,790	**10,530**	**5,622**	**10,179**
Reconciliation of gross investment to minimum lease rental payments				
Gross investment	5,843	16,212	5,675	15,776
Less: Unearned income	(53)	(5,682)	(53)	(5,597)
Net Investment	5,790	10,530	5,622	10,179
Impairment on leases	(67)	(80)	(67)	(80)
Present value of minimum lease payments	**5,723**	**10,450**	**5,555**	**10,099**
The nature of security in respect of loans and advances is as follows:				
Secured against real estate	98,000	147,919	95,990	135,822
Secured by shares of quoted companies	52,333	7,467	52,332	7,467
Cash collateral, lien over fixed and floating assets.	1,180,353	950,009	1,157,333	919,475
Unsecured	1,030,123	926,861	887,569	822,177
	2,360,809	**2,032,256**	**2,193,224**	**1,884,941**

21. Investment securities

(a) Analysis of investments				
Debt securities (measured at amortised cost)	173,124	195,737	92,268	134,002
Debt securities (measured at fair value through profit or loss)	9,702	6,707	9,702	6,707
Equity securities (measured at fair value through other comprehensive income)	16,652	10,697	16,652	10,015
	199,478	**213,141**	**118,622**	**150,724**
Classified as:				
Current	-	1,817	-	1,395
Non-current	199,478	211,324	118,622	149,329
	199,478	**213,141**	**118,622**	**150,724**

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	**31 Dec 2016**	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**

(b) Movement in investment securities

The movement in investment securities for the group 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 January 01, 2016	6,707	195,737	10,697	213,141
Exchange differences	-	(953)	-	(953)
Additions	9,702	75,794	-	85,496
Disposals	(6,379)	(112,739)	(681)	(119,799)
Gains from changes in fair value recognised in profit or loss	(328)	-	-	(328)
Gains from changes in fair value recognised in other comprehensive income	-	-	6,636	6,636
Interest accrued	-	29,567	-	29,567
Coupon interest received	-	(14,282)	-	(14,282)
At 31 Dec 2016	**9,702**	**173,124**	**16,652**	**199,478**
At January 01, 2015	-	186,544	13,535	200,079
Exchange differences	(52)	(1,523)	-	(1,575)
Additions	5,865	91,797	510	98,172
Disposals	-	(84,849)	(1,596)	(86,445)
Gains from changes in fair value recognised in profit or loss (Note10)	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 December 31, 2015	**6,707**	**195,737**	**10,697**	**213,141**

The movement in investment securities for the bank may be summarised as follows:

	Group		Bank	
In millions of Naira	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015

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 January 01, 2016	6,707	134,002	10,015	150,724
Additions	9,702	52,351	1	62,054
Disposals	(6,379)	(101,739)	-	(108,118)
Gains from changes in fair value recognised in profit or loss	(328)	-	-	(328)
Gains from changes in fair value recognised in other comprehensive income	-	-	6,636	6,636
Interest accrued	-	21,597	-	21,597
Coupon interest received	-	(13,943)	-	(13,943)
At 31 Dec 2016	**9,702**	**92,268**	**16,652**	**118,622**
At January 01, 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 December 31, 2015	**6,707**	**134,002**	**10,015**	**150,724**

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 2016 Ownership interest %	31 Dec 2016 Carrying amount	31 Dec 2015 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.

In millions of Naira

22. Investment in subsidiaries (continued)

(b) Condensed results of consolidated entities

31 Dec 2016	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	507,997	(5,680)	454,808	35,590	12,010	2,412	1,735	7,122
Operating expenses	(318,899)	957	(288,145)	(21,260)	(6,715)	(1,534)	(824)	(1,378)
Inpairment charge for financial assets	(32,350)	-	(26,736)	(866)	(4,635)	(106)	(1)	(6)
Profit before tax	156,748	(4,723)	139,927	13,464	660	772	910	5,738
Taxation	(27,096)	-	(20,642)	(4,137)	(132)	-	(280)	(1,905)
Profit / loss for the year	**129,652**	**(4,723)**	**119,285**	**9,327**	**528**	**772**	**630**	**3,833**
Condensed statement of financial position								
Assets								
Cash and balances with central banks	669,058	(1)	627,385	36,356	10	3,359	1,881	68
Treasury bills	557,359	1	463,787	74,261	-	11,159	8,151	-
Assets pledged as collateral	328,343	1	325,575	2,767	-	-	-	-
Due from other banks	459,457	(158,506)	354,405	42,816	196,942	7,237	1,002	15,561
Derivative asset held for risk management	82,860	-	82,860	-	-	-	-	-
Loans and advances	2,289,365	(1)	2,138,132	81,103	67,971	831	1,318	11
Investment securities	199,478	(1)	118,622	98	80,459	-	-	300
Investment in subsidiaries	-	(33,003)	33,003	-	-	-	-	-
Deferred tax asset	6,440	-	6,041	302	51	46	-	-
Other assets	37,536	(56,913)	35,410	647	56,897	156	156	1,183
Property and equipment	105,284	-	94,613	9,215	371	392	373	320
Intangible assets	4,645	1	3,903	180	170	36	108	247
	4,739,825	**(248,422)**	**4,283,736**	**247,745**	**402,871**	**23,216**	**12,989**	**17,690**

In millions of Naira

22. Investment in subsidiaries (continued)

31 Dec 2016	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	2,983,621	(3,401)	2,552,963	194,892	210,151	20,348	8,668	-
Derivative liabilities	66,834	-	66,834	-	-	-	-	-
Current income tax	8,953	-	6,927	(111)	-	(7)	264	1,880
Deferred income tax liabilities	45	-	-	-	-	-	34	11
Other liabilities	209,080	(182,318)	243,737	11,935	133,947	144	999	636
On-lending facilities	350,657	-	350,657	-	-	-	-	-
Borrowings	263,106	(29,696)	292,802	-	-	-	-	-
Debt securities issued	153,464	-	153,464	-	-	-	-	-
Equity and reserves	704,465	(35,001)	616,353	41,027	58,771	2,728	3,023	15,164
	4,740,225	**(250,416)**	**4,283,737**	**247,743**	**402,869**	**23,213**	**12,988**	**17,691**
Condensed cash flow								
Net cash (used in)/from operating activities	(1,660)	131,767	(104,917)	(6,729)	(22,817)	(263)	(1,195)	2,494
Net cash (used in)/from financing activities	11,896	(7,239)	32,343	(9,028)	-	-	(180)	(4,000)
Net cash (used in)/from investing activities	(28,554)	(22,597)	(24,443)	19,358	(2,575)	(89)	(46)	1,838
Increase / decrease in cash and cash equivalents	**(18,318)**	**101,931**	**(97,017)**	**3,601**	**(25,392)**	**(352)**	**(1,421)**	**332**
Cash and cash equivalents								
At start of year	709,714	(80,132)	663,375	32,190	83,388	7,359	3,500	34
Exchange rate movements on cash and cash equivalents	36,003	36,003	-	-	-	-	-	-
At end of year	727,399	57,802	566,358	35,791	57,996	7,007	2,079	366
Increase / decrease in cash and cash equivalents	**(18,318)**	**101,931**	**(97,017)**	**3,601**	**(25,392)**	**(352)**	**(1,421)**	**332**

In millions of Naira

22. Investment in subsidiaries (continued)

31 December 2015	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	432,535	(8,957)	396,653	24,954	10,686	1,093	1,100	7,006
Share of profit of associate	228	-	-	-	-	-	-	-
Operating expenses	(291,474)	4,997	(270,342)	(16,035)	(7,627)	(960)	(602)	(905)
Impairment charge for financial assets	(15,673)	-	(11,091)	(2,867)	(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**

	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	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**

In millions of Naira

22. Investment in subsidiaries (continued)

December 31, 2015	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	2,557,884	(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 from operating activities	(450,494)	(6,588)	(415,396)	(6,729)	(22,817)	(263)	(1,195)	2,494
Net cash from financing activities	216,540	3,959	225,789	(9,028)	-	-	(180)	(4,000)
Net cash from investing activities	(23,933)	(23,548)	(18,871)	19,358	(2,575)	(89)	(46)	1,838
Decrease/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 start of year	709,714	(56,900)	663,375	35,791	57,996	7,007	2,079	366
Decrease/Increase in cash and cash equivalents	**(257,887)**	**(26,177)**	**(208,478)**	**3,601**	**(25,392)**	**(352)**	**(1,421)**	**332**

	Group		Bank	
In millions of Naira	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015

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

(a) 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 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Gross investment	1,312	1,312	1,312	1,312
Share of profit b/f	440	212	-	-
Share of profit for year	-	228	-	-
Diminution in investment	(1,752)	(1,222)	(1,312)	(1,222)
Balance at end of the year	**-**	**530**	**-**	**90**
Classified as:				
Current	-	-	-	-
Non-current	-	530	-	90
	-	**530**	**-**	**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.

(b) Movement in impairment on investment in associates

At start of the year	1,222	1,222	1,222	1,222
Charge for the year (see note 8)	530	-	90	-
At end of the year	**1,752**	**1,222**	**1,312**	**1,222**

In millions of Naira

23. Investment in associates (continued)

Summarised financial information of associates

The aggregate amounts of assets, liabilities, revenue and profits of associates are shown below;

	31 Dec 2016	31 Dec 2015
Total assets	17,750	17,580
Total liabilities	8,620	8,520
Total revenue	18,630	34,247
Profit before tax	2,841	5,589

24. Deferred tax

Group

31 Dec 2016
Assets:

Movements in temporary differences during the year	1 January 2016	Recognised in profit or loss	31 Dec 2016
Property and equipment	(4,662)	(2,374)	(7,036)
Other assets	2	(2)	-
Unutilized capital allowances	3,905	(1,737)	2,168
Allowances for loan losses	6,356	4,890	11,246
Tax loss carry forward	116	(116)	-
Foreign exchange differences	(110)	172	62
	5,607	833	6,440

Liabilities :

Movements in temporary differences during the year	1 January 2016	Recognised in profit or loss	31 Dec 2016
Property and equipment	11	26	37
Allowances for loan losses	8	-	8
	19	26	45

31 Dec 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
Allowances for loan losses	5,355	1,001	6,356
Unutilized capital allowances	4,357	(452)	3,905
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

In millions of Naira

24. Deferred tax (continued)

Bank

December 2016

Assets

Movements in temporary differences during the year	**1 January 2016**	**Recognised in profit or loss**	**31 Dec 2016**
Property and equipment	(4,667)	(2,706)	(7,373)
Other assets	13	(13)	-
Allowances for loan losses	5,880	5,366	11,246
Unutilized capital allowances	3,905	(1,737)	2,168
	5,131	**910**	**6,041**

31 December 2015

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
Unutilised capital allowance	4,357	(452)	3,905
	6,333	**(1,202)**	**5,131**

All deferred tax are non current.

25. Other assets

	Group		**Bank**	
	31 Dec 2016	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**
Non financial assets				
Prepayments	14,759	12,710	13,075	11,534
Other financial assets				
Electronic card related receivables	10,533	10,446	8,207	9,118
Intercompany receivables	-	-	929	753
Receivables	17,498	4,588	17,797	4,588
Deposits for shares	-	-	650	650
Gross financial assets	28,031	15,034	27,583	15,109
Less: Specific impairment	(5,254)	(4,970)	(5,248)	(4,970)
Net financial assets	22,777	10,064	22,335	10,139
Total other assets	**37,536**	**22,774**	**35,410**	**21,673**
Classified as:				
Current	37,536	17,820	35,410	16,775
Non-current	-	4,954	-	4,898
	37,536	**22,774**	**35,410**	**21,673**

Movement in specific impairment:				
At start of the year	4,970	4,638	4,970	4,638
Charge for the year (see note 8)	284	332	278	332
At end of the year	**5,254**	**4,970**	**5,248**	**4,970**

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 the start of the year	22,297	30,117	14,745	43,659	23,865	14,858	24,282	173,823
Additions	677	2,222	1,239	7,433	2,891	4,693	8,266	27,421
Reclassification/transfer from WIP	1,993	2,751	174	1,328	30	-	(6,735)	(459)
Reclassifications between fixed assets	-	(60)	(5)	52	9	4	-	-
Disposals	-	-	(168)	(510)	(97)	(1,399)	(104)	(2,278)
Foreign exchange movements	48	-	99	436	(31)	317	1,330	2,199
At the end of the year	**25,015**	**35,030**	**16,084**	**52,398**	**26,667**	**18,473**	**27,039**	**200,706**

	Leasehold land	Buildings	Leasehold improvements	Furniture and fittings and equipment	Computer equipment	Motor Vehicle	Work in progress	Total
Accumulated Depreciation								
At the start of the year	1,709	4,034	12,646	34,483	22,269	11,660	-	86,801
Charge for the year	240	673	712	4,497	1,448	2,109	-	9,679
Reclassifications between fixed assets	-	49	(51)	3	(1)	-	-	-
Disposals	-	-	(67)	(462)	(91)	(1,291)	-	(1,911)
Foreign exchange movements	-	(33)	364	81	318	123	-	853
At the end of the year	**1,949**	**4,723**	**13,604**	**38,602**	**23,943**	**12,601**	**-**	**95,422**
Net book amount								
At 31 Dec 2016	23,066	30,307	2,480	13,796	2,724	5,872	27,039	105,284
At December 31, 2015	20,588	26,083	2,099	9,176	1,596	3,198	24,282	87,022

There were no impairment losses on any class of property and equipment during the year (31 December 2015 :Nil)

There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (31 December 2015:Nil).

All property and equipment are non current. None of the Group's assets were financed from borrowings, consequently no borrowing cost has been capitalized as part of asset cost.

The reclassification balance of N459 million represents reclassification of software from WIP to intangible assets.

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 the start of the year	22,297	29,853	12,967	42,243	22,894	13,868	20,366	164,488
Additions	677	2,174	728	7,088	2,324	4,310	5,436	22,737
Reclassification/transfer from WIP	1,993	2,751	174	1,328	30	-	(6,735)	(459)
Reclassifications between fixed assets	47	(107)	(5)	52	9	4	-	-
Disposals	-	-	(2)	(431)	(9)	(1,249)	(104)	(1,795)
At the end of the year	**25,014**	**34,671**	**13,862**	**50,280**	**25,248**	**16,933**	**18,963**	**184,971**

Accumulated depreciation

	Leasehold land	Buildings	Leasehold improvements	Furniture fittings and equipment	Computer equipment	Motor vehicle	Work in progress	Total
At the start of the year	1,709	4,014	11,655	33,416	21,519	10,988	-	83,301
Charge for the year	240	633	644	4,096	1,236	1,815	-	8,664
Reclassifications between fixed assets	-	42	(40)	(2)	-	-	-	-
Disposals	-	-	(1)	(411)	(8)	(1,187)	-	(1,607)
At the end of the year	**1,949**	**4,689**	**12,258**	**37,098**	**22,747**	**11,616**	**-**	**90,358**
Net book amount								
At 31 Dec 2016	23,065	29,982	1,604	13,182	2,501	5,317	18,963	94,613
At 31 December 2015	20,588	25,839	1,312	8,827	1,375	2,880	20,366	81,187

There were no impairment losses on any class of property and equipment during the year (31 December 2015 :Nil)

There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (31 December 2015: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

The reclassification balance of N459 million represents reclassification of software from WIP to intangible assets.

	Group		Bank	
In millions of Naira	**31 Dec 2016**	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**

27. Intangible assets

Computer software

Cost				
At start of the year	8,761	6,142	7,236	5,255
Exchange difference	410	179	-	-
Reclassification	460	219	459	-
Disposal	(50)	-	-	-
Additions	2,417	2,221	2,066	1,981
At end of the year	**11,998**	**8,761**	**9,761**	**7,236**
Accumulated amortization				
At start of the year	5,521	3,940	4,483	3,354
Exchange difference	442	123	-	-
Reclassification	-	219	-	-
Disposal	(45)	-	-	-
Charge for the year	1,435	1,239	1,375	1,129
At the end of the year	**7,353**	**5,521**	**5,858**	**4,483**
Carrying amount at end of the year	**4,645**	**3,240**	**3,903**	**2,753**

All intangible assets are non current. All intangible assets of the Group have finite useful life and are amortised over 5 years.

The Group does not have internally generated intangible assets.

The reclassification balance of N459 million represents reclassification from WIP to intangible assets.

28. Customers' deposits

Demand	1,463,144	1,282,559	1,215,533	1,153,442
Savings	358,951	246,113	285,250	222,035
Term	555,547	556,375	502,418	521,219
Domiciliary	605,979	472,837	549,762	436,321
	2,983,621	**2,557,884**	**2,552,963**	**2,333,017**
Classified as:				
Current	2,983,621	2,557,884	2,552,963	2,333,017
Non-current	-	-	-	-
	2,983,621	**2,557,884**	**2,552,963**	**2,333,017**

	Group		Bank	
In millions of Naira	**31 Dec 2016**	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**

29. Other liabilities

Other financial liabilities				
Customer deposits for letters of credit	104,631	71,927	104,530	71,913
Settlement payables	35,962	21,232	35,898	21,282
Managers' cheques	13,724	12,016	12,952	11,663
Due to banks for clean letters of credit	9,720	53,016	57,077	66,673
Deferred income on financial guarantee contracts	906	441	906	441
Tax collections	2,495	1,803	2,358	1,673
Sales and other collections	11,594	19,895	11,594	19,895
Unclaimed dividend	2,932	-	2,932	-
Electronic card related payables	1,580	1,449	1,458	1,392
Customer's foreign transactions payables	6,914	4,332	3,827	2,276
Total other financial liabilities	190,458	186,111	233,532	197,208
Non financial liabilities				
Provision for claims (see note (a) below)	8,404	9,766	8,404	9,766
Other payables	9,818	9,185	1,800	5,662
Total other non financial liabilities	18,222	18,951	10,204	15,428
Total other liabilities	**208,680**	**205,062**	**243,736**	**212,636**

Classified as:

Current	208,680	205,062	243,736	212,636

The amounts above for financial guarantee contracts represents the amounts initially recognised less cumulative amortisation.

(a) Reconciliation of provision for claims

At start of the year	9,766	-	9,766	-
Charge for the year	-	9,766	-	9,766
Amount reversed during the year	(1,362)	-	(1,362)	-
At end of the year	**8,404**	**9,766**	**8,404**	**9,766**

The provision represents amount reserved for claims that the bank is currently reconciling with the claimants.

30. On-lending facilities

(a) This comprises:				
Central Bank of Nigeria (CBN) Commercial Agriculture Credit Scheme Loan (i)	40,908	33,482	40,908	33,482
Bank of Industry (BOI) Intervention Loan (ii)	53,919	58,755	53,919	58,755
Central Bank of Nigeria (CBN) / Bank of Industry(BOI) - Power & Aviation intervention Funds (iii)	9,476	11,798	9,476	11,798
CBN MSMEDF Deposit (iv)	1,665	1,561	1,665	1,561
FGN SBS Intervention Fund (v)	147,170	111,194	147,170	111,194
Excess Crude Loan Facilty Deposit (vi)	97,519	70,091	97,519	70,091
	350,657	**286,881**	**350,657**	**286,881**

Classified as:				
Current	-	-	-	-
Non-current	350,657	286,881	350,657	286,881
	350,657	**286,881**	**350,657**	**286,881**

Notes to the Consolidated and Separate Financial Statements for the Year Ended 31 Dec 2016

	Group		Bank	
In millions of Naira	**31 Dec 2016**	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**
(b) Movement in on-lending facilities				
At beginning of the year	286,881	68,344	286,881	68,344
Addition during the year	70,934	219,942	70,934	219,942
Repayment during the year	(7,158)	(1,405)	(7,158)	(1,405)
At end of the year	**350,657**	**286,881**	**350,657**	**286,881**

(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 N61.66 billion (31 December 2015: N61.5 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 N61.66 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	**31 Dec 2016**	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**

31. Borrowings

Long term borrowing comprise:				
Due to ADB (i)	38,924	25,013	38,924	25,013
Due to KEXIM (ii)	4,066	9,996	4,066	9,996
Due to EIB (iii)	6,370	5,491	6,370	5,491
Due to PROPARCO (iv)	17,205	13,758	17,205	13,758
Due to CITIBANK (v)	-	9,958	-	9,958
Due to ABSA Bank (vi)	45,985	40,097	45,985	40,097
Due to J P Morgan Chase Bank (vii)	22,908	14,941	22,908	14,941
Due to Standard Bank (viii)	71,541	49,962	71,541	49,962
Due to First Rand Bank (ix)	5,114	7,740	5,114	7,740
Due to Commerz Bank (x)	-	59,259	-	59,259
Due to IFC (xi)	31,016	20,034	31,016	20,034
Due to Citi Global Markets (xii)	15,362	-	15,362	-
Due to British Arab Bank (xiii)	4,615	2,613	4,615	2,613
Due to Zenith Bank (UK)	-	-	7,670	9,249
Due to Zenith Bank Ghana	-	-	22,026	-
	263,106	**258,862**	**292,802**	**268,111**

The Group has not had any defaults of principal, interest or other breaches with respect to their liabilities during the year (31 Dec 2015: nil).

Classified as:				
Current	199,287	529	199,287	529
Non-current	63,819	258,333	93,515	267,582
	263,106	**258,862**	**292,802**	**268,111**

Movement in borrowings				
At beginning of the year	258,862	198,066	268,111	198,066
Addition during the year	82,017	75,909	104,043	85,158
Repayment during the year	(77,773)	(15,113)	(79,352)	(15,113)
At end of the year	**263,106**	**258,862**	**292,802**	**268,111**

The Bank has not had any defaults of principal, interest or other breaches with respect to their liabilities during the year:

(i) Due to ADB

The amount due to African Development Bank (AfDB) of N38.92 billion (US $127.51 million) represents the outstanding balances from a dollar term loan facilities of US $125 million granted by ADB in September 3, 2014. The facility is repayable over 7 years. Interest is payable half-yearly at the rate of LIBOR + 3.6% per annum. The outstanding blance of US $127.51 million from the facility will mature in August 2021.

(ii) Due to KEXIM

The amount of N4.06 billion (US $13.32 million) represents the outstanding balances from five short term loan facilities of US $4.5 million, US $.52 million, US $2.55 million, US $3.496 million, and US $2.25 million granted by The Export-Import Bank of Korea (KEXIM) in December, January, July, September and November 2016. Interest is payable monthly at LIBOR+ 1.65%, (for US $4.5million and US $2.25million), LIBOR+1.73%, (for US $0.52million), LIBOR+1.63% (for US $2.55million) and LIBOR+1.74% (for US $3.496 million). Final repayments on these facilities are due in October, January, May, July and September 2017 respectively.

	Group		Bank	
In millions of Naira	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015

(iii) Due to European Investment Bank

The amount of N6.37billion (US $20.86 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+2.74% per annum. The facility will mature in July 2019.

(iv) Due to Proparco

The amount of N17.21 billion (US $56.36 million) represents the outstanding balances of two tranches of the credit facilities of US $14.8million and US $41.56million 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.

(v) Due to ABSA

The amount of N45.99billion (US $150.647million) represents the amount payable by the Bank from two term loan facilities of US $75.38million and US $75.26million granted by ABSA in September 2016 and November 2016 respectively. Interest is payable quarterly at the rate of LIBOR+5%, and 5.5% per annum respectively. The facility will mature in March 2017 and May 2017 respectively. (See note 17 for assets pledged as collateral)

(vi) Due to First Rand Bank

The amount of N5.1billion (US $16.75million) represents a Dollar Term Loan from First Rand Bank granted in August 2014 and priced at LIBOR+3.5%. The facility of which interest is payable quarterly has a maturity date of August 2017.

(vii) Due to IFC

The amount of N31.02billion (US $101.6million) 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 September 2022.

(viii) Due to British Arab Commercial Bank

The amount N4.61billion (US $15.115million) represents a Dollar Term Loan from British Arab Bank granted in November 2016. It is priced at LIBOR+4.0% with interest payable at the maturity date of May 2016.

(ix) Due to J.P. Morgan

The amount N22.91billion (US $75.045million) represents the amount payable by the Bank from two term loan facilities of US $25.03million and US $50.01million granted by J.P. Morgan in December 2016. Interest is payable monthly at 2.95% and 3.01% respectively. The facilities will mature in September 2017. (See note 17 for assets pledged as collateral).

(x) Due to Citi Global Market

The amount of N15.36billion (US $50.327million) represents the amount payable by the Bank from two term loan facilities of US $21.7million and US $28.62million granted by Citi Global Market in November 2016. Interest is payable on maturity at LIBOR+4.7%. The facility will mature in August 2017. (See note 17 for assets pledged as collateral).

(xi) Due to Standard Bank

The amount of N71.54billion (US $234.36million) represents the amount payable by the Bank from nine term loan facilities of US $75.687million, US $10million, US $15.58million, US $11.61million, US $10.3million, US $75.29million, US $22.54million, US $8.36million and August 2016 (US $22.54million, US $8.36million and US $4.99million granted by Standard Bank in September 2016, December 2016, February 2016(US $15.58million and US $10.3million), November 2016, June 2016 and August 2016 (US $22.54million, US $8.36million and US $4.99million) respectively. Interest is payable at maturity at LIBOR+3.5% for the first facility and LIBOR+4.25% for others. The facilities will mature in April 2017, January 2017, October 2017, March 2017, June 2017 and July 2017 respectively. (See note 17 for assets pledged as collateral).

	Group		Bank	
In millions of Naira	**31 Dec 2016**	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**

(xii) Due to Zenith Bank UK

The amount of N7.67 billion (US $25.129million) represents a Dollar Term Loan from Zenith Bank UK granted in September 2016. It is priced at LIBOR+4.0%. with interest payable quarterly and has a final maturity date of September 2017. This amount has been eliminated on consolidation.

(xiii) Due to Zenith Bank Ghana

The amount of N22.025billion (US $72.155million) represents three Dollar Term Loan of US $20.59million, US $41.33million and US $10.227million that Zenith Bank Ghana granted in August (US $20.59million and US $41.33million) and September 2016 respectively. It is priced at LIBOR+7.7% (US $20.59million, US $41.33million and US $10.227million) with interest payable at maturity date of August 2017. This amount has been eliminated on consolidation.

32. Debt securities issued

Due to Euro bond holders	153,464	99,818	153,464	99,818
	153,464	**99,818**	**153,464**	**99,818**

The carrying amount of N153.46billion (US $502.749million) represents the Eurobond issued by Zenith Bank Plc on April 22, 2014 with a maturity date of April 22, 2019 and a yield of 6.5%. 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 Dec 2015: Nil).

Movement in debt securities issued

At start of the year	99,818	92,932	99,818	92,932
Revaluation loss for the year	53,256	6,633	53,256	6,633
Contractual repayment	(9,539)	(6,307)	(9,539)	(6,307)
Accrued interest during the year	9,929	6,560	9,929	6,560
At end of the year	**153,464**	**99,818**	**153,464**	**99,818**

Classified as:				
Current	-	293	-	293
Non-current	153,464	99,525	153,464	99,525
	153,464	**99,818**	**153,464**	**99,818**

33. Derivative liabilities

Instrument types:

Forward contracts				
Fair value of liabilities	9,887	384	9,887	384
Futures contracts	-	-	-	-
Fair value of liabilities	56,947	-	56,947	-
	66,834	**384**	**66,834**	**384**

Classified as:				
Current	66,834	384	66,834	384
Non-current	-	-	-	-
	66,834	**384**	**66,834**	**384**

	Group		Bank	
In millions of Naira	**31 Dec 2016**	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**

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. 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 gains of N20.08 billion (31 Dec 2015 net gain of N2.43 billion) which were recognized in the statement of comprehensive income. These net gains related to the fair values of the forward contracts, producing derivative assets and liabilities of N82.9 and N66.8 billion respectively (31 December 2015 N8.5 and N0.38 billion respectively).

34. Share capital

Authorised				
40,000,000,000 ordinary shares of 50k each (2015: 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 2015: 31,396,493,786)	15,698	15,698	15,698	15,698

There was no movement in the share capital account during the year. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Bank. All ordinary shares rank equally with regards to the Group's residual assets.

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.

(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) Fair 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.

In millions of Naira	Group 2016	Group 2015	Bank 2016	Bank 2015

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 N3.52 billion and N2.97 billion respectively (31 Dec 2015: N3.49 billion and N 3.06 billion).

37. Personnel expenses

Compensation for the staff are as follows:

Salaries and wages	60,536	56,595	54,365	52,004
Other staff costs	4,982	7,439	4,901	7,369
Pension contribution	3,524	3,488	2,969	3,055
	69,042	**67,522**	**62,235**	**62,428**

(a) The average number of persons employed during the period by category:

	Number	**Number**	**Number**	**Number**
Executive directors	11	11	5	4
Management	442	545	403	435
Non-management	6,667	6,860	5,562	5,847
	7,120	**7,416**	**5,970**	**6,286**

The table below shows the number of employees, whose earnings during the period, fell within the ranges shown below:

	Number	**Number**	**Number**	**Number**
N300,001 - N2,000,000	811	708	472	412
N2,000,001 - N2,800,000	58	245	-	-
N2,800,001 - N4,000,000	787	1,024	759	806
N4,000,001 - N6,000,000	1,798	1,580	1,645	1,337
N6,000,001 - N8,000,000	1,225	1,331	1,009	1,302
N8,000,001 - N9,000,000	798	919	670	903
N9,000,001 - and above	1,643	1,609	1,415	1,526
	7,120	**7,416**	**5,970**	**6,286**

(b) Directors' emoluments

The remuneration paid to directors are as follows:

Executive compensation	403	595	169	200
Fees and sitting allowances	625	519	230	256
Retirement Benefit costs	29	31	5	5
	1,057	**1,145**	**404**	**461**

Fees and other emoluments disclosed above include amounts paid to:

The chairman	52	25	34	25
The highest paid director	88	78	88	65

	Group		Bank	
In millions of Naira	2016	2015	2016	2015

37. Personnel expenses (continued)

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	33	11	11	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 Dec 2016 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

	Group		Bank	
In millions of Naira	**31 Dec 2016**	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**

31 Dec 2016

Transactions and balances with subsidiaries **In millions of naira**	**Receivable from**	**Payable to**	**Income received from**	**Expense paid to**
Zenith Bank (UK) Limited	109,842	16,097	460	-
Zenith Bank (Ghana) Limited	700	-	-	-
Zenith Bank (Sierra leone) Limited	480	-	-	-
Zenith Bank (Gambia) Limited	739	-	-	-
Zenith Pensions Custodian Limited	-	3,809	-	595

31 Dec 2015

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 Pensions Custodian Limited	-	348	3,960	2,036

The receivables between the group subsidiaries and related parties that are based on contractual terms are contained in note 31 of the financial statements.

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 N704.42 billion and N583.79 billion respectively (31 December 2015: N403.83 billion and N324.55 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	**31 Dec 2016**	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**
Executive compensation	403	595	169	200
Retirement benefit cost	625	31	230	5
Fees and sitting allowances	29	519	5	256
	1,057	**1,145**	**404**	**461**

Loans and advances	**31 Dec 2016**	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**
At start of the year	559	787	522	735
Granted during the year	-	6	-	-
Repayment during the year	(267)	(234)	(258)	(213)
At end of of the year	**292**	**559**	**264**	**522**
Interest earned	29	24	26	20

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 2015: Nil) as they are performing. Mortgage loans amounting to N715 million (31 December 2015: N497 million) are secured by the underlying assets. All other loans are unsecured.

31 Dec 2016

Name of company	Relationship/ Name	Loans	Deposits	Interest received	Interest paid
Quantum Fund Management *	Common directorship /Jim Ovia	-	303	-	2
Zenith General Insurance company Ltd	Common directorship/Jim Ovia	-	704	-	2
Zenith Trustees Ltd	Common directorship	-	5	-	4
Directors and relations	-	-	440	-	2
		-	**1,452**	**-**	**10**

31 Dec 2015

Name of company	Relationship	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**

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 Dec 2015: Nil).

During the year, Zenith Bank Plc paid N1,822 million as insurance premium to Zenith General Insurance Limited (31 Dec 2015: N1,278 million). These expenses were reported as operating expenses.

The amount of N2,362.35 billion (31 December 2015: N1,997.18 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.

39. Contingent liabilities and commitments

(a) Legal proceedings

The Group is presently involved in 133 litigation suits in the ordinary course of business. The total amount claimed in the cases against the Group is estimated at N18.32 billion (31 December 2015: N11.68 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 N6.5 billion (31 December 2015: N3.80 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:

In millions of Naira

39. Contingent liabilities and commitments (continued)

	Group		Bank	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Performance bonds and guarantees	560,704	794,021	513,832	763,891
Usance	98,761	128,123	98,761	128,123
Letters of credit	311,681	232,837	215,839	187,947
Pension Funds (See Note (below))	2,362,349	1,997,182	2,362,349	1,997,182
	3,333,495	**3,152,163**	**3,190,781**	**3,077,143**

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 Dec 2016, performance bonds and guarantees worth N275 billion (31 December 2015: N181 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 N2,362.35 billion (31 December 2015: N1,997.18 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.

40. Dividend per share

	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Dividend proposed	63,421	56,513	63,421	56,513
Number of shares in issue and ranking for dividend	31,396	31,396	31,396	31,396
Proposed dividend per share	202 k	180 k	202 k	180
Interim dividend paid	25 k	25	25 k	25
Final dividend per share proposed	177 k	155	177 k	155
Dividend paid during the year	48,664	62,793	48,664	62,793
Interim dividend paid during the year	7,850	7,850	7,850	7,850
Total dividend paid during the year	56,514	62,793	56,514	62,793

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 N1.77 kobo per share which in addition to the N0.25kobo per share paid on interim dividend amounts to N2.02 per share (31 December 2015: N1.80 per share) from the retained earnings account as at 31 Dec 2016. This is subject to approval by shareholders at the next Annual General Meeting.

The number of shares in issue and ranking for dividend represents the outstanding number of shares as at 31 Dec 2016 and December 31, 2015 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.

	Group		Bank	
In millions of Naira	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015

41. Cash and cash equivalents (continued)

	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Cash and cash balances with central bank (less mandatory reserve deposits)	140,874	358,007	99,378	332,502
Treasury bills (maturing within 3 months)	127,068	79,513	112,575	63,979
Due from other banks	459,457	272,194	354,405	266,894
	727,399	**709,714**	**566,358**	**663,375**

42. Compliance with banking regulations

During the year, the Bank incurred the following on contraventions of the regulation of the Banks and Other Financial Institutions Act, 1991.

S/N	Descriptons	Amount Paid in (N)
1	Penalty on returns of foreign currency transactions.	2,000,000
2	Penalty for contravening DMO Act of 2003 on lending to tiers of Government.	4,000,000
3	Penalty for incomplete customers' documentation.	10,000,000
		16,000,000

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 21)

31 Dec 2016

	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 2016	6,707	195,737	6,707	134,002
Gains from changes in fair value recognised in profit or loss (note 10)	(328)	-	(328)	-
Exchange differences	-	(953)	-	-
Additions	9,702	75,794	9,702	52,351
Disposals (sale and redemption)	(6,379)	(112,739)	(6,379)	(101,739)
Interest accrued	-	29,567	-	21,597
Coupon received	-	(14,282)	-	(13,943)
	9,702	**173,124**	**9,702**	**92,268**
Unrealised bond FV gain	(328)	-	(328)	-
Movement for cash flow statement	3,323	(21,660)	3,323	(41,734)
Recognised in Cashflow statement	-	18,337	-	38,410

31 Dec 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 other comprehensive income	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 FV gain	187	-	187	-
Recognised in Cashflow statement	**-**	**(16,768)**	**-**	**(60,533)**

(ii) Treasury bills (Amortised cost) (see note 16)

31 Dec 2016

	31 Dec 2016	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**
Treasury bills (Amortised cost)	482,978	324,230	389,406	277,202
Treasury bills (with 3 months maturity)	(127,068)	(79,513)	(112,575)	(63,979)
Changes	355,910	244,717	276,831	213,223
Recognised in Cashflow	**(111,193)**		**(63,608)**	

	Group		Bank	
In millions of Naira				

31 Dec 2015

	31 Dec 2015	**31 Dec 2014**	**31 Dec 2015**	**31 Dec 2014**
Treasury bills (Amortized cost)	324,230	295,397	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)**	

(iii) Treasury bills (FVTPL) (see note 16)

31 Dec 2016

	31 Dec 2016	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**
Treasury bills (FVTPL)	74,381	53,698	74,381	53,698
Recognised in Cashflow	**(20,683)**		**(20,683)**	

31 Dec 2015

	31 Dec 2015	**31 Dec 2014**	**31 Dec 2015**	**31 Dec 2014**
Treasury bills (FVTPL)	53,698	1,162	53,698	1,162
Unrealised fair value gain	878	-	878	-
Recognised in Cashflow	**(51,658)**		**(51,658)**	

(iv) Loans and advances (see note 20)

31 Dec 2016

	31 Dec 2016	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**
Gross loans and advances	2,360,809	2,032,256	2,193,224	1,884,941
Changes	(328,553)	-	(308,283)	-
Write-back (collective)	(9,142)	-	(6,551)	-
Interest receivables	39,147	-	31,027	-
	(298,548)	**-**	**(283,807)**	**-**

31 Dec 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)**	**-**

Notes to the Consolidated and Separate Financial Statements for the Year Ended 31 Dec 2016

	Group		Bank	
In millions of Naira				

(v)Customer deposits

31 Dec 2016

	31 Dec 2016	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**
As per financial statement	2,983,621	2,557,884	2,552,963	2,333,017
Changes	425,737	-	219,946	-
Interest payables	(5,239)	-	(4,620)	-
	420,498	**-**	**215,326**	**-**

31 Dec 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**	**-**

(vi) Other liabilities (see note 29)

31 Dec 2016

	31 Dec 2016	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**
As per statement of financial position	208,680	205,062	243,736	212,636
Changes	(3,618)	-	(31,100)	-
Vat payable	(429)	-	(212)	-
Net cash movement	**4,047**	**-**	**31,312**	**-**

31 Dec 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 payable	(2,460)	-	(2,460)	-
Net cash movement	**(82,336)**	**-**	**(57,630)**	**-**

(vii) Profit on disposal of property and equipment

	31 Dec 2016	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**
Cost (see note 26)	2,278	2,671	1,795	2,476
Accummulated depreciation (see note 26)	1,911	2,614	1,607	2,408
Net book value	**367**	**57**	**188**	**68**
Sales proceed	603	96	360	95
Profit on Disposal (see note 11)	**236**	**39**	**172**	**27**

In millions of Naira

(viii) Proceed from sale of equity securities

	Group 31 Dec 2016	Group 31 Dec 2015	Bank 31 Dec 2016	Bank 31 Dec 2015
Cost of equity securities disposed (see note 21b)	681	1,596	-	1,596
Gain on disposal of equity secuirities (see note 11)	-	1,615	-	1,615
Recognised in cash flow	**681**	**3,211**	**-**	**3,211**

(ix) Interest received

	Group 31 Dec 2016	Group 31 Dec 2015	Bank 31 Dec 2016	Bank 31 Dec 2015
Interest income as per financial statement	384,557	348,179	343,556	317,419
Interest receivables	(39,147)	(12,925)	(31,027)	(12,925)
Recognised in cash flow	**345,410**	**335,254**	**312,529**	**304,494**

(x) Interest paid

	Group 31 Dec 2016	Group 31 Dec 2015	Bank 31 Dec 2016	Bank 31 Dec 2015
Interest expense as per financial statement	144,378	123,597	131,910	114,936
Interest payables	(5,239)	(1,919)	(4,620)	(1,919)
Recognised in cash flow	**139,139**	**121,678**	**127,290**	**113,017**

(xi) Other assets

	Group 31 Dec 2016	Group 31 Dec 2015	Bank 31 Dec 2016	Bank 31 Dec 2015
Other assets	37,536	22,774	35,410	21,673
Changes	(14,762)	-	(13,737)	-
Charge for the year	(284)	-	(278)	-
Recognised in cash flow	**(15,046)**	**-**	**(14,015)**	**-**

	Group 31 Dec 2015	Group 31 Dec 2014	Bank 31 Dec 2015	Bank 31 Dec 2014
Other assets	22,774	21,456	21,673	19,394
Changes	(1,318)	-	(2,279)	-
Charge for the year	(333)	-	(333)	-
Recognised in cash flow	**(1,651)**	**-**	**(2,612)**	**-**

Other National Disclosures

ZENITH BANK PLC

Other National Disclosures

Value Added Statement

In millions of Naira	31 Dec 2016	31 Dec 2016 %	31 Dec 2015	31 Dec 2015 %
Group				
Gross income	507,997		432,535	
Interest expense				
- Local	**(127,237)**		**(107,344)**	
- Foreign	**(17,141)**		**(16,253)**	
	363,619		308,938	
Impairment loss on financial assets	(32,350)		(15,673)	
	331,269		293,265	
Bought-in materials and services				
- Local	(91,771)		(87,106)	
- Foreign	(2,594)		(2,594)	
Value added	**236,904**	**100**	**203,565**	**100**
Distribution				
Employees				
Salaries and benefits	**69,042**	**29**	**67,522**	**33**
Government				
Income tax	**27,096**	**11**	**19,953**	**10**
Retained in the Group				
Replacement of property and equipment / intangible assets	11,114	5	10,427	5
To pay proposed dividend	63,421	27	54,944	27
Profit for the year (including statutory, small scale industry, and non-controling interest)	66,231	28	50,719	25
Total Value Added	**236,904**	**100**	**203,565**	**100**

Value added represents the additional wealth which the group has been able to create by its own and employees efforts.

ZENITH BANK PLC

Other National Disclosures

Value Added Statement

In millions of Naira	31 Dec 2016	31 Dec 2016 %	31 Dec 2015	31 Dec 2015 %
Bank				
Gross income	454,808		396,653	
Interest expense				
- Local	**(129,316)**		**(112,342)**	
- Foreign	**(2,594)**		**(2,594)**	
	322,898		281,717	
Impairment loss on financial assets	(26,736)		(11,091)	
	296,162		270,626	
Bought-in materials and services				
- Local	(81,825)		(80,800)	
- Foreign	(2,577)		(2,577)	
Value added	**211,760**	**100**	**187,249**	**100**
Distribution				
Employees				
Salaries and benefits	**62,235**	**29**	**62,428**	**33**
Government				
Income tax	**20,642**	**10**	**16,436**	**9**
Retained in the Bank				
Replacement of property and equipment / intangible assets	10,039	5	9,601	5
To pay proposed dividend	63,421	30	54,944	29
Profit for the year (including statutory, and small scale industry)	55,864	26	43,840	23
Total Value Added	**212,201**	**100**	**187,249**	**100**

Value added represents the additional wealth which the bank has been able to create by its own and employees efforts.

ZENITH BANK PLC

Other National Disclosures

Five Year Financial Summary

In millions of Naira	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013	31 Dec 2012
Group					
Statement of Financial Position					
Assets					
Cash and balances with central banks	669,058	761,561	752,580	603,851	332,515
Treasury bills	557,359	377,928	295,397	579,511	669,164
Assets pledged as collateral	328,343	265,051	151,746	6,930	-
Due from other banks	459,457	272,194	506,568	256,729	182,020
Derivative assets	82,860	8,481	17,408	2,681	-
Loans and advances	2,289,365	1,989,313	1,729,507	1,251,355	989,814
Assets classified as held for sale	-	-	-	30,454	31,943
Investment securities	199,478	213,141	200,079	303,125	299,343
Investments in associates	-	530	302	165	420
Deferred tax assets	6,440	5,607	6,449	749	432
Other assets	37,536	22,774	21,455	36,238	28,665
Property and equipment	105,284	87,022	71,571	69,410	68,782
Intangible assets	4,645	3,240	2,202	1,935	1,406
Total assets	**4,739,825**	**4,006,842**	**3,755,264**	**3,143,133**	**2,604,504**
Liabilities					
Customers deposits	2,983,621	2,557,884	2,537,311	2,276,755	1,929,244
Derivative liabilities	66,834	384	6,073	-	-
Current tax payable	8,953	3,579	10,042	7,017	6,577
Deferred income tax liabilities	45	19	-	678	5,584
Other liabilities	208,680	205,062	289,858	215,643	117,355
On-lending facilities	350,657	286,881	68,344	59,528	56,066
Borrowings	263,106	258,862	198,066	60,150	15,138
Liabilities classified as held for sale	-	-	-	14,111	11,584
Debt securities issued	153,464	99,818	92,932	-	-
Total liabilities	**4,035,360**	**3,412,489**	**3,202,626**	**2,633,882**	**2,141,548**
Net assets	**704,465**	**594,353**	**552,638**	**509,251**	**462,956**
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	267,008	200,115	183,396	161,144	130,153
Other Reserves	165,729	122,900	97,945	73,347	58,786
Attributable to equity holders of the parent	703,482	593,760	552,086	505,236	459,684
Non-controlling interest	983	593	552	4,015	3,272
Total shareholders' equity	**704,465**	**594,353**	**552,638**	**509,251**	**462,956**

ZENITH BANK PLC

Other National Disclosures

Five Year Financial Summary

In millions of Naira	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013	31 Dec 2012
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME					
Gross earnings	507,997	432,535	403,343	351,470	307,082
Share of profit / (loss) of associates	-	228	138	118	23
Interest expense	(144,378)	(123,597)	(106,919)	(70,796)	(64,561)
Operating and direct expenses	(174,521)	(167,877)	(163,702)	(159,019)	(130,999)
Impairment charge for financial assets	(32,350)	(15,673)	(13,064)	(11,176)	(9,445)
Profit before taxation	**156,748**	**125,616**	**119,796**	**110,597**	**102,100**
Income tax	(27,096)	(19,953)	(20,341)	(15,279)	(1,419)
Profit after tax	**129,652**	**105,663**	**99,455**	**95,318**	**100,681**
Foreign currency translation differences	30,338	637	3,282	(2,070)	(2,424)
Fair value movements on equity instruments	6,636	(1,752)	2,549	324	297
Related tax	-	-	-	890	(91)
Effective portion of changes in fair value of cash flow hedges	-	-	(2,771)	2,771	-
Related tax	-	-	760	(760)	-
	36,974	**(1,115)**	**3,820**	**1,155**	**(2,218)**
Total comprehensive income	**166,626**	**104,548**	**103,275**	**96,473**	**98,463**
Earning per share:					
Basic and diluted	412 K	336 K	316 K	301 K	319 K

ZENITH BANK PLC

Other National Disclosures

Five Year Financial Summary

In millions of Naira	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013	31 Dec 2012
Bank					
Statement of Financial Position					
Assets					
Cash and balances with central banks	627,385	735,946	728,291	587,793	313,546
Treasury bills	463,787	330,900	253,414	565,668	647,474
Assets pledged as collateral	325,575	264,320	151,746	6,930	-
Due from other banks	354,405	266,894	470,139	249,524	203,791
Derivative assets	82,860	8,481	16,896	-	-
Loans and advances	2,138,132	1,849,225	1,580,250	1,126,559	895,354
Investment securities	118,622	150,724	92,832	212,523	256,905
Investments in subsidiaries	33,003	33,003	33,003	24,375	24,375
Investments in associates	-	90	90	90	463
Deferred tax assets	6,041	5,131	6,333	-	-
Other assets	35,410	21,673	19,393	31,415	16,814
Assets classified as held for sale	-	-	-	4,749	10,338
Property and equipment	94,613	81,187	69,531	67,364	66,651
Intangible assets	3,903	2,753	1,901	1,703	1,175
Total assets	**4,283,736**	**3,750,327**	**3,423,819**	**2,878,693**	**2,436,886**
Liabilities					
Customers deposits	2,552,963	2,333,017	2,265,262	2,079,862	1,802,008
Derivative liabilities	66,834	384	6,073	-	-
Current tax payable	6,927	2,534	7,709	5,266	5,071
Deferred income tax liabilities	-	-	-	-	5,573
Other liabilities	243,736	212,636	272,726	201,265	115,027
On-lending facilities	350,657	286,881	68,344	59,528	56,066
Borrowings	292,802	268,111	198,066	60,150	15,138
Debt securities issued	153,464	99,818	92,932	-	-
Total liabilities	**3,667,383**	**3,203,381**	**2,911,112**	**2,406,071**	**1,998,883**
Net assets	**616,353**	**546,946**	**512,707**	**472,622**	**438,003**
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	218,507	160,408	150,342	126,678	106,010
Other reserves	127,101	115,793	91,620	75,199	61,248
Attributable to equity holders of the parent	616,353	546,946	512,707	472,622	438,003
Total shareholders' equity	**616,353**	**546,946**	**512,707**	**472,622**	**438,003**

ZENITH BANK PLC

Other National Disclosures

Five Year Financial Summary

In millions of Naira	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013	31 Dec 2012

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013	31 Dec 2012
Gross earnings	454,808	396,653	372,015	311,275	279,042
Interest expense	(131,910)	(114,936)	(99,439)	(68,471)	(65,352)
Operating and direct expenses	(156,676)	(155,406)	(152,335)	(138,789)	(111,644)
Impairment charge for financial assets	(26,295)	(11,091)	(12,392)	(9,907)	(7,998)
Profit before tax	**139,927**	**115,220**	**107,849**	**94,108**	**94,048**
Income tax	(20,642)	(16,436)	(15,370)	(10,694)	1,755
Profit after tax	**119,285**	**98,784**	**92,479**	**83,414**	**95,803**
Other comprehensive income					
Fair value movements on equity instruments	6,636	(1,752)	2,549	549	15
Tax effect of equity instruments at fair value	-	-	-	890	(5)
	6,636	**(1,752)**	**2,549**	**1,439**	**10**
Total comprehensive income	**125,921**	**97,032**	**95,028**	**84,853**	**95,813**

Earning per share:

Basic and diluted	380 K	315 K	295 K	266 K	305 K