Zenith Bank PLC

Annual Report - December 31, 2017

ZENITH BANK PLC

DIRECTORS, OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Mr.Jim Ovia, CON.	Chairman
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
Engr. Mustafa Bello *	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
Dr. Temitope Fasoranti *	Executive Director
Mr. Dennis Olisa *	Executive Director

* Appointed to the Board effective December 29, 2017.

** Retired from the Board effective August 30, 2017.

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 December 31, 2017

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 December 31, 2017.

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 June 16, 1990. The Bank was converted into a Public Limited Liability Company on 20 May 2004. The Bank's shares were listed on the floor of the Nigerian Stock Exchange on 21 October 2004. 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 obtaining deposits from the public, granting of loans and advances, corporate finance and money market activities.

The Bank has six subsidiary companies namely, Zenith Bank (Ghana) Limited, Zenith Pensions Custodian Limited, Zenith Bank (UK) Limited, Zenith Bank (Sierra Leone) Limited, Zenith Bank (The Gambia) Limited and Zenith Nominees Limited. During the year, the Bank incorporated Zenith Nominees Limited but the entity is yet to commence operations. During the year, the Bank opened one new branch. No branch was closed during the year.

3. Operating results

Gross earnings of the Group increased by 46.7% and profit before tax increased by 29.8% . Highlights of the Group's operating results for the year under review are as follows:

	31-Dec-17 N' Million	31-Dec-16 N' Million
Gross earnings	**745,189**	**507,997**
Profit before tax	203,461	156,748
Income tax expense	(25,528)	(27,096)
Profit after tax	177,933	129,652
Non- controlling interest	(319)	(218)
Profit attributable to the equity holders of the parent	**177,614**	**129,434**
Appropriations		
Transfer to statutory reserve	23,572	19,021
Transfer to retained earnings and other reserves	154,042	110,413
	177,614	**129,434**
Basic and Diluted earnings per share (kobo)	566	412
Non-performing loan ratio %	4.70	3.02

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 N2.45 per share which in addition to the N0.25 per share paid as interim dividend amounts to N2.70 per share (2016: Interim of N0.25 per share and final of N1.77 per share) from the retained earnings account as at December 31, 2017. This will be presented for ratification by the shareholders at the next Annual General Meeting.

If the proposed dividend is approved by the shareholders, the Bank will be liable to pay additional corporate tax estimated at N21.08 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 December 31, 2017.

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

5. Directors' shareholding

The direct and indirect 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			
		December 31, 2017		December 31, 2016	
Director	**Designation**	**Direct**	**Indirect**	**Direct**	**Indirect**
Mr. Jim Ovia, CON.	Chairman / Non-Executive Director	2,946,199,395	1,593,494,151	2,946,199,395	1,593,494,151
Mr.Peter Amangbo	Group Managing Director/CEO	5,000,000	2,300,000	5,000,000	11,000,000
Alhaji Baba Tela	Non Executive Director / Independent	250,880	-	250,880	-
Mr.Gabriel Ukpeh	Non-Executive Director /Independent	32,660	-	-	-
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	321,426	-	267,856	-
Engr. Mustafa Bello *	Non Executive Director / Independent	-	-	-	-
Ms. Adaora Umeoji	Deputy Managing Director	31,620,141	1,710,123	31,620,141	1,710,123
Mr.Ebenezer Onyeagwu	Deputy Managing Director	7,000,000	-	3,106,918	-
Mr.Oladipo Olusola **	Executive Director	2,000,000	-	2,000,000	-
Mr. Umar Ahmed	Executive Director	1,077,343	-	1,133,927	-
Dr. Temitope Fasoranti *	Executive Director	1,875,000	-	-	-
Mr. Dennis Olisa *	Executive Director	4,122,316	-	-	-

* Appointed to the Board effective December 29, 2017.

** Retired from the board effective August 30, 2017.

6. Directors' interests in contracts

For the purpose of section 277 of CAMA, all contracts with related parties during the year were conducted at arm's length. Information relating to related parties transactions are contained in Note 37 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 25 to the financial statements. In the opinion of the directors, the market value of the Group’s property and equipment is not less than the value shown in the financial statements.

9. Shareholding analysis

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

Share range	No. of Shareholders	Percentage of Shareholders	Number of holdings	Percentage Holdings (%)
1-9,999	539,481	83.9718 %	1,621,763,173	5.17 %
10,000 - 50,000	81,858	12.7414 %	1,698,673,987	5.41 %
50,001 - 1,000,000	20,122	3.1320 %	3,211,097,112	10.23 %
1,000,001 - 5,000,000	736	0.1146 %	1,649,481,195	5.25 %
5,000,001 - 10,000,000	118	0.0184 %	879,516,903	2.80 %
10,000,001 - 50,000,000	89	0.0139 %	2,210,108,463	7.04 %
50,000,001 - 100,000,000	21	0.0033 %	1,435,220,409	4.57 %
100,000,001 - 500,000,000	22	0.0034 %	4,880,206,479	15.54 %
500,000,001 - 1,000,000,000	2	0.0003 %	2,421,682,932	7.71 %
Above 1,000,000,000	6	0.0009 %	11,388,743,134	36.27 %
	642,455	**100 %**	**31,396,493,787**	**100 %**

The shareholding pattern of the Bank as at December 31, 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	0.0012 %	13,568,755,974	43.22 %
	647,227	**100 %**	**31,396,493,787**	**100 %**

10. Substantial interest in shares

According to the register of members as at December 31, 2017, 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	3,242,344,702	10.33 %
Stanbic Nominees Nigeria Limited/C002 - MAIN	2,438,670,039	7.77 %
Stanbic Nominees Nigeria Limited/C001 - TRAD	1,809,897,790	5.76 %

According to the register of members 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/C001 - TRAD	2,451,590,191	7.81 %
Stanbic Nominees Nigeria Limited/C002 - TRAD	1,814,839,375	5.78 %

11. Donations and charitable gifts

The Bank made contributions to charitable and non-political organisations amounting to N2,611 million during the year ended December 31, 2017 (December 31, 2016: N 2,557 million) .

The beneficiaries are as follows:

	31-Dec-17 N' Million
Educational support to Nigerian schools	598
Sports organisation	486
Security Trust Funds	300
Economic summits and conferences sponsorship	257
Private Sector Health Alliance	200
Medical Assistance to the Underpriviledged	156
The Africa Fundraiser Contribution	150
North-East Children Trust Fund	129
Relief support	110
Maternity clinic construction support	100
ICT Centres for Educational Institutions	37
Musical Society of Nigeria	17
Other donations individually below N10 million	71
	2,611

The Bank 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-16 N' Million
Committee Encouraging Corporate Philantrophy (mobile cancer machines)	1,225
Educational support to Nigerian schools	259
States' Security Trust Funds	235
Nigeria Institute of Journalism	200
Medical assistance to the underpriviledged	161
ICT Centres for Educational Institutions	156
The Nigerian Football Federation	100
Economic summits and conferences sponsorship	42
Nigerian Basketball Federation	39
Warri Wolves Football Club sponsorship	35
Musical Society of Nigeria	33
Healthcare centre IGA Idugaran LGHA	10
Other donations individually below N10 million	62
	2,557

12. Events after the reporting period

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

13. Disclosure of customer complaints in financial statements for the period ended December 31, 2017

Description	Number		Amount claimed		Amount refunded	
	31-Dec-17	31-Dec-16	31-Dec-17 N.	31-Dec-16 N.	31-Dec-17 N.	31-Dec-16 N.
Pending complaints brought forward	154	64	1,571,817,766	14,569,036,425	11,578,247	774,033,876
Received Complaints	220	343	10,045,190,151	2,465,265,125	37,941,563	624,257,449
Resolved Complaints	288	253	1,833,595,716	15,462,483,784	346,672,659	1,386,713,078
Unresolved Complaints carried forward	**86**	**154**	**9,783,412,201**	**1,571,817,766**		

14. Human resources

(i) Employment of disabled persons

The Group maintains 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 well-equipped training centres. In addition, employees of the Group are nominated to attend both locally and internationally organized training programmes. These are complemented by on-the-job training.

(iv) Gender analysis of staff

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

(a) Analysis of total employees

	Gender Number			Gender Percentage	
	Male	**Female**	**Total**	**Male**	**Female**
Employees	3,177	2,953	6,130	52 %	48 %
	3,177	**2,953**	**6,130**	**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)	12	1	13	92 %	8 %
Top management staff (AGM-GM)	46	20	66	70 %	30 %
	58	**21**	**79**	**73 %**	**27 %**

(c) Further analysis of board and top management staff

	Gender Number			Gender Percentage	
	Male	**Female**	**Total**	**Male**	**Female**
Assistant general managers	24	13	37	65 %	35 %
Deputy general managers	10	2	12	83 %	17 %
General managers	12	5	17	71 %	29 %
Board members (Non-executive directors)	7	-	7	100 %	- %
Executive directors (excluding MD and DMDs)	3	-	3	100 %	- %
Deputy managing director	1	1	2	50 %	50 %
Managing director/CEO	1	-	1	100 %	- %
	58	**21**	**79**	**73 %**	**27 %**

15. Auditors

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

By order of the Board

Michael Osilama Otu (Esq.)
Company Secretary
January 22, 2018
FRC/2013/MULTI/00000001084

1. Introduction

Zenith Bank Plc maintains the highest standards of Corporate Governance and best practice both within the Bank and the Group. This is reviewed from time to time to ensure we keep pace with global standards.

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 the Bank 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

In addition to the above Codes, the Bank complies with relevant disclosure requirements in other jurisdictions where it operates.

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 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 during the period of review.

5. Board structure

The Board is made up of a Non-Executive Chairman, Six (6) Non-Executive Directors and Six (6) Executive Directors including the GMD/CEO. Four (4) 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, Deputy Managing Directors as well as the Group Managing Director/Chief Executive as its Chairman.

6. Responsibilities of the Board

The Board is responsible for the following amongst others:

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

(b) review and approving the Bank's financial Statements;

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

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

(e) implementing the Bank's succession planning;

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

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

(h) setting the tone for and supervising the Corporate Governance Structure of the bank, including corporate structure of the bank and the Board and any changes and strategic plans of the bank and the Group;

(i) 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
Engr. Mustafa Bello	Independent/Non-Executive Director *
Ms. Adaora Umeoji	Deputy Managing Director
Mr. Ebenezer Onyeagwu	Deputy Managing Director
Mr. Umar Shuaib Ahmed	Executive Director
Dr. Temitope Fasoranti	Executive Director *
Mr. Dennis Olisa	Executive Director *
Mr. Olusola Oladipo	Executive Director **
Mr. Peter Amangbo	General Managing Director/CEO

* Appointed to the Board effective December 29, 2017.

** Retired from the Board with effect from August 30, 2017.

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.

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

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

The Committees of the Board meet quarterly but may hold extraordinary sessions as 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 Seven (7) members comprising four (4) 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 period is as follows:

Mr. Jeffrey Efeyini	- Chairman/NED
Alhaji Baba Tela	- NED
Prof. Chukuka Enwemeka	- NED
Mr. Gabriel Ukpeh	- NED

Mr. Peter Amangbo - MD/CEO
Mr. Ebenezer Onyeagwu - DMD
Ms. Adaora Umeoji - ED
Mr. Olusola Oladipo * - ED

* Retired from the Board with effect from August 30, 2017

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 six (6) members: three (3) Non-Executive Directors and three (3) 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 period 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
Mr. Umar Shuaib Ahmed - ED

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 Bank and the declaration of dividends or other forms of distributions and recommendation to the Board;
- Consideration of capital expenditures, divestments, acquisitions, joint ventures and other investments, and other major capital transactions;
- Consideration of senior management promotions as recommended by the MD/CEO;
- Review and recommendations on recruitment, promotion, and disciplinary actions for senior management staff;
- 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 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

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; and
- 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 comprises Non executive Directors only and 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 have 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

Committee's terms of reference

The Board Audit and Compliance 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.
- 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.
- 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.
- 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 the report of the Chief Compliance Officer as it relates to Anti-Money Laundering policies of the Bank and other other law enforcement issues.
- To review the report of the Chief Compliance Officer as it relates to Anti-Money Laundering policies of the Bank and other law enforcement issues.
- The Chief Inspector and the Chief Compliance Officer shall submit quarterly reports to the Committee, in addition to reporting to the Group Managing Director. The Chief Inspector and the Chief Compliance 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

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 of the Group;
- 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.

The Chief Inspector, the Chief Financial Officer, as well as the External Auditors are invited from time to time to make presentation to the Committee.

All members of the committee are financially literate.

The membership of the Committee is as follows:

Shareholders' Representative

Mrs. Adebimpe Balogun* (Chairman)
Prof (Prince) L.F.O. Obika
Mr. Michael Olusoji Ajayi

Non-Executive Directors

Alhaji Baba Tela
Mr. Jeffrey Efeyini
Mr. Gabriel Ukpeh

* Appointed to the Committee with effect from March 22, 2017

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 Group Managing Director, Deputy Managing Directors as well as all the Executive Directors. EXCO has the GMD/CEO as its Chairman. The Committee meets 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 Infotech;
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.

8. Policy on trade in the Bank's securities

The Bank has in place a policy on trading on the Bank’s Securities by Directors and other key personnel of the Bank. This is to guide against situations where such personnel in possession of confidential and price sensitive information deal with bank’s securities in a manner that amounts to insider trading.

9. Relationship with shareholders

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

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

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

The Bank also, from time to time, holds briefing sessions with market operators (stockbrokers, dealers, institutional investors, issuing houses, stock analysts, mainly through investors conference) to update them with the state of business. These professionals, as advisers and purveyors of information, relate with and relay to the shareholders useful informtion about the Bank. The Bank also regularly briefs 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 that they require to enhance their duties to the Bank.

Executive directors

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

- Fixed remuneration, taking into account the level of responsibility, and ensuring this remuneration is competitive with remuneration paid for equivalent posts in banks of equivalent status both within and outside Nigeria.
- Variable annual remuneration linked to the Bank's performance. The amount of this remuneration is subject to achieving specific quantifiable targets, aligned directly with shareholders' interests. Details of the policy can be found on the Bank's website www.zenithbank.com.

11. Complaints management policy

The Bank has put in place a complaints management policy framework to resolve complaints arising from issues covered under the Investments and Securities Act, 2007 (ISA). This can be found on the Bank's website.

12. 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 governance, nomination and remuneration committee	Board risk management committee	Board audit and compliance committee
Attendance/no of meetings	**5**	**4**	**4**	**4**	**4**	**4**
Mr. Jim Ovia, CON	5	N/A	N/A	N/A	N/A	N/A
Alhaji Baba Tela	5	4	4	4	N/A	4
Mr. Jeffrey Efeyini	5	4	N/A	4	4	4
Prof. Chukuka S.Enwemeka	5	4	4	4	4	1
Prof. Oyewusi Ibidapo-Obe	5	N/A	4	4	N/A	N/A
Mr.Gabriel Ukpeh	5	N/A	N/A	4	4	4
Engr.Mustafa Bello	*			N/A	N/A	N/A
Ms. Adaora Umeoji	5	N/A	4	N/A	N/A	N/A
Mr. Ebenezer Onyeagwu	5	4	N/A	N/A	4	N/A
Mr. Olusola Oladipo	3**	3	N/A	N/A	N/A	N/A
Mr. Ahmed Umar Shuaib	5	***	2	N/A	N/A	N/A
Dr. Temitope Fasoranti	*					
Mr. Dennis Olisa	*					N
Mr. Peter Amangbo	5	4	4	N/A	4	N/A

Note:

* Appointed to the Board with effect from December 29, 2017

** Retired from the Board effect from August 30, 2017

*** Appointed to the committee after reconstitution of the committees on March 22, 2017

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

Corporate Governance Report for the Year Ended December 31, 2017

Dates for Board and Board Committee meetings held in 2017 financial year:

Board meetings	24-Jan-17	22-Mar-17	26-Jul-17	12-Sep-17	31-Oct-17
Board credit committee meeting	23-Jan-17	21-Mar-17	25-Jul-17		30-Oct-17
Finance and general purpose committee	23-Jan-17	21-Mar-17	25-Jul-17		30-Oct-17
Board risk management committee meeting	23-Jan-17	21-Mar-17	25-Jul-17		30-Oct-17
Board audit and compliance committee meeting	23-Jan-17	21-Mar-17	25-Jul-17		30-Oct-17
Board governance, nomination and remuneration committee	23-Jan-17	21-Mar-17	25-Jul-17		30-Oct-17
Audit committee meeting	23-Jan-17	21-Mar-17	25-Jul-17		30-Oct-17

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**
Mrs. Adebimpe Balogun (SR)*	3
Prof. (Prince) L.F.O Obika (SR)	4
Mr. Michael Olusoji Ajayi (SR)	4
Alhaji Baba Tela (NED)	4
Mr. Jeffrey Efeyini (NED)	4
Mr. Gabriel Ukpeh (NED)	4
Mrs. Uche Erobu (SR)**	1

SR - Shareholders representive

*** Elected to the committee with effect from March 21, 2017**

**** Deceased - Replaced with effect from March 22, 2017**

Corporate Governance Report for the Year Ended December 31, 2017

Analysis of Fraud and Forgeries Returns

December 31, 2017				December 31, 2016		
Nature of Fraud	**No.**	**% Loss**	**Actual Loss to the Bank (N)** **Jan-Dec 2017**	**No.**	**% Loss**	**Actual Loss to the Bank (N)** **Jan - Dec 2016**
ATM/Electronic fraud	39	-	-	18	-	-
Staff Perpetrate	19	34	11,689,602	4	86	7,740,002
Impersonation	166	37	12,789,868	1	-	-
Stolen/Forged Instrument	34	25	8,644,515	27	-	-
Internet Banking	1	-	-	151	14	1,300,000
Others	20	4	1,624,830	29	-	-
Total	**279**	**100**	**34,748,815**	**230**	**100**	**9,040,002**

ZENITH BANK PLC

Statement of Directors' Responsibilities in Relation to the Financial Statements for the Year Ended December 31, 2017

The Directors accept responsibility for the preparation of the annual consolidated and seperate financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act Cap C20, Laws of the Federation of Nigeria 2004, the Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions Act Cap B3, Laws of the Federation of Nigeria 2004 relevant Central Bank of Nigeria (CBN) Guidelines and circulars.

The Directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act Cap C20, Laws of the Federation of Nigeria 2004 and for such internal control as the directors determines necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

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

SIGNED ON BEHALF OF THE

BOARD OF DIRECTORS BY:

Mr. Jim Ovia, CON.	**Mr. Peter Amangbo**	**Mr. Ebenezer Onyeagwu**
Chairman	**Managing Director**	**Deputy Managing Director**
FRC/2013/CIBN/00000002406	**FRC/2013/ICAN/00000001310**	**FRC/2013/ICAN/00000003788**
January 22, 2018	**January 22, 2018**	**January 22, 2018**

ZENITH

ZENITH BANK PLC
REPORT OF THE AUDIT COMMITTEE
FOR THE TWELVE (12) MONTHS ENDED 31ST DECEMBER, 2017

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 Twelve (12) months ended 31st December 2017 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 37 to the Financial Statements in accordance with requirements of the International Financial Reporting Standards (IFRS) and the Central Bank of Nigeria (CBN) directives as contained in the Prudential Guidelines for Deposit Money Banks in Nigeria and Circular on Disclosure of Insider-Related Credits in Financial Statements BSD/1/2004.

Dated January 22, 2018.

Adebimpe Atinuke Balogun
Chairman, Audit Committee
FRC/2017/CITN/00000017467

MEMBERS OF THE COMMITTEE

Shareholders' Representatives

1. Mrs Adebimpe Balogun * - Chairman
2. Professor Leonard F.O. Obika
3 Mr. Michael Olusoji Ajayi

Directors' Representatives

1. Alhaji Baba Tela
2. Mr. Jeffrey Efeyini
3. Mr. Gabriel Ukpeh

* Appointed to the Committee effective March 22, 2017.

KPMG

KPMG Professional Services
KPMG Tower
Bishop Aboyade Cole Street
Victoria Island
PMB 40014, Falomo
Lagos

Telephone 234 (1) 271 8955
234 (1) 271 8599
Internet www.kpmg.com/ng

INDEPENDENT AUDITOR'S REPORT

To the Shareholders 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 statements of financial position as at 31 December, 2017, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 28 to 149.

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. 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 described below apply to the audit of the consolidated and separate financial statements.

Impairment of Loans and Advances

The impairment of loans and advances disbursed to customers is considered to be of most significance in the audit due to the level of subjectivity inherent in estimating the impact of key assumptions on the recoverability of loan balances, including the application of industry knowledge and prevailing economic conditions in arriving at the level of the impairment allowance required.

Individually significant loans, which are assessed for specific impairment, are determined based on the magnitude and nature of the loan, and the current level of past due obligations on the loans. The recoverability of the individually significant loans is assessed by comparing their carrying amounts with the present value of estimated future cashflows, which are discounted using the original effective interest rate of the loan.

The recoverability of all other loans is performed collectively, 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 values of collateral and the estimated time and cost to sell any property pledged as collateral to the Bank

Procedures

Our procedures included the following:

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

- For individually significant loans that were tested for specific impairment, we tested the completeness of the loans identified by the Bank as high risk through a consideration of 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 loans and advances that were specifically impaired, we re-performed the calculations of impairment and compared the key data inputs to relevant sources, for example, we checked the legal agreements and checked other supporting documentation to confirm the existence and legal right to collateral, checked amounts included for collateral to valuation reports, discount rates to the original effective interest rate of the loan, assessed period for realisation of collateral, considered haircuts as appropriate and checked expected cash flows to historical inflows in customer's account.

- In relation to the loans that were collectively impaired, 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 impairment 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 and 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 requires the use of valuation approaches or models, 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, the valuation of the Bank's derivatives is considered a matter of most significance to the audit.

Procedures

Our procedures included the following, amongst others:

- We evaluated key controls over the inputs used in determining the Bank's valuation of derivative contracts by checking that there was management review over the appropriateness of inputs such as the foreign exchange rates and the forward price.

- We used our KPMG valuation specialists to:

I. Inspect derivative contracts to obtain an understanding of the respective transactions

II. Challenge the Bank's assumptions with respect to the fair value of the derivative assets and liabilities by comparing observable inputs into the Banks valuation model such as quoted rates to externally available market data

III. Assess whether the valuation model used by the Bank is in line with acceptable market practice. Acceptable market practices are those standard procedures that would be followed by an average valuer in determining the fair value of a derivative

IV. 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 3.0 respectively.

KPMG

Information Other than the Financial Statements and Audit Report thereon

The Directors are responsible for the other information which comprises the Director's report, Corporate governance report, Statement of Directors' responsibilities, 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.

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

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

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.

KPMG

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

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

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

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

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

KPMG

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 Cap B3, Laws of the Federation of Nigeria, 2004 and Central Bank of Nigeria circular BSD/1/2004

i. The Bank and Group did not pay any penalty in respect of contravention during the year ended 31 December 2017.

ii. Related party transactions and balances are disclosed in note 37 to the financial statements in compliance with the Central Bank of Nigeria circular BSD/1/2004.

Oluwafemi O. Awotoye, FCA
FRC/2013/ICAN/00000001182
For: KPMG Professional Services
Chartered Accountants
1 March 2018
Lagos, Nigeria

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
3G/ICAN
0078797

ZENITH BANK PLC

Consolidated and Separate Statements of Profit or Loss and other Comprehensive Income for the Year Ended December 31, 2017

In millions of Naira	Note(s)	Group 31-Dec-17	Group 31-Dec-16	Bank 31-Dec-17	Bank 31-Dec-16
Gross earnings		**745,189**	**507,997**	**673,636**	**454,808**
Interest and similar income	6	474,628	384,557	420,210	343,556
Interest and similar expense	7	(216,637)	(144,378)	(200,672)	(131,910)
Net interest income		**257,991**	**240,179**	**219,538**	**211,646**
Impairment loss on financial assets	8	(98,227)	(32,350)	(95,244)	(26,295)
Net interest income after impairment loss on financial assets		**159,764**	**207,829**	**124,294**	**185,351**
Fee and commission income	9	90,143	68,444	72,846	55,619
Trading gains	11	157,974	28,398	157,974	28,398
Other operating income	10	22,444	26,598	22,606	27,235
Depreciation of property and equipment	25	(12,428)	(9,679)	(11,059)	(8,664)
Amortisation of intangible assets	26	(1,631)	(1,435)	(1,431)	(1,375)
Personnel expenses	36	(64,459)	(59,326)	(55,672)	(52,519)
Operating expenses	12	(148,346)	(104,081)	(135,995)	(94,118)
Profit before tax		**203,461**	**156,748**	**173,563**	**139,927**
Minimum tax	13a	(4,350)	-	(4,350)	-
Income tax expense	13a	(21,178)	(27,096)	(12,068)	(20,642)
Profit for the year after tax		**177,933**	**129,652**	**157,145**	**119,285**
Other comprehensive income:					
Items that will never be reclassified to profit or loss:					
Fair value movements on equity instruments	21(b)	(2,551)	6,636	(2,551)	6,636
Items that are or may be reclassified to profit or loss:					
Foreign currency translation differences for foreign operations		5,233	30,338	-	-
Other comprehensive income/(loss) for the year		**2,682**	**36,974**	**(2,551)**	**6,636**
Total comprehensive income for the year		**180,615**	**166,626**	**154,594**	**125,921**
Profit attributable to:					
Equity holders of the parent		177,614	129,434	157,145	119,285
Non controlling interest		319	218	-	-
Total comprehensive income attributable to:					
Equity holders of the parent		180,281	166,236	154,594	125,921
Non-controlling interest		334	390	-	-
Earnings per share					
Basic and diluted (kobo)	14	566	412	501	380

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

ZENITH BANK PLC

Consolidated and Separate Statements of Financial Position as at December 31, 2017

		Group		Bank	
In millions of Naira	**Note(s)**	**31-Dec-17**	**31-Dec-16**	**31-Dec-17**	**31-Dec-16**
Assets					
Cash and balances with central banks	15	957,663	669,058	907,265	627,385
Treasury bills	16	936,817	557,359	799,992	463,787
Assets pledged as collateral	17	468,010	328,343	468,010	325,575
Due from other banks	18	495,803	459,457	273,331	354,405
Derivative assets	19	57,219	82,860	57,219	82,860
Loans and advances	20	2,100,362	2,289,365	1,980,464	2,138,132
Investment securities	21	330,951	199,478	117,814	118,622
Investment in subsidiaries	22	-	-	34,003	33,003
Deferred tax assets	23	9,561	6,440	9,197	6,041
Other assets	24	92,494	37,536	56,052	35,410
Property and equipment	25	133,384	105,284	118,223	94,613
Intangible assets	26	12,989	4,645	12,088	3,903
Total assets		**5,595,253**	**4,739,825**	**4,833,658**	**4,283,736**
Liabilities					
Customers' deposits	27	3,437,915	2,983,621	2,744,525	2,552,963
Derivative liabilities	32	20,805	66,834	20,805	66,834
Current income tax payable	13(c)	8,915	8,953	6,069	6,927
Deferred income tax liabilities	23	18	45	-	-
Other liabilities	28	233,481	208,680	219,790	243,736
On-lending facilities	29	383,034	350,657	383,034	350,657
Borrowings	30	356,496	263,106	418,979	292,802
Debt securities issued	31	332,931	153,464	332,931	153,464
Total liabilities		**4,773,595**	**4,035,360**	**4,126,133**	**3,667,383**
Capital and reserves					
Equity attributable to Equity Holders of Parent					
Share capital	33	15,698	15,698	15,698	15,698
Share premium	34	255,047	255,047	255,047	255,047
Retained earnings	34	365,757	267,008	296,787	218,507
Other reserves	34	183,839	165,729	139,993	127,101
Attributable to equity holders of the parent		820,341	703,482	707,525	616,353
Non-controlling interest	34	1,317	983	-	-
Total shareholders' equity		**821,658**	**704,465**	**707,525**	**616,353**
Total liabilities and equity		**5,595,253**	**4,739,825**	**4,833,658**	**4,283,736**

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 22 January, 2018 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

Consolidated and Separate Statements of Changes in Equity as at December 31, 2017

In millions of Naira

Group

	Attributable to equity holders of the Parent										
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 January 1, 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 Parent											
Dividends	-	-	-	-	-	-	-	(56,514)	(56,514)	-	(56,514)
At December 31, 2016	**15,698**	**255,047**	**28,465**	**10,950**	**112,114**	**3,729**	**10,471**	**267,008**	**703,482**	**983**	**704,465**
At January 1, 2017	15,698	255,047	28,465	10,950	112,114	3,729	10,471	267,008	703,482	983	704,465
Profit for the year	-	-	-	-	-	-	-	177,614	177,614	319	177,933
Foreign currency translation differences	-	-	5,218	-	-	-	-	-	5,218	15	5,233
Fair value movements on equity instruments	-	-	-	(2,551)	-	-	-	-	(2,551)	-	(2,551)
Total comprehensive income for the year	**-**	**-**	**5,218**	**(2,551)**	**-**	**-**	**-**	**177,614**	**180,281**	**334**	**180,615**
Transfer between reserves	-	-	-	-	23,572	-	(8,129)	(15,443)	-	-	-
Transactions with owners of the Parent											
Dividends	-	-	-	-	-	-	-	(63,422)	(63,422)	-	(63,422)
At December 31, 2017	**15,698**	**255,047**	**33,683**	**8,399**	**135,686**	**3,729**	**2,342**	**365,757**	**820,341**	**1,317**	**821,658**

ZENITH BANK PLC

Bank

In millions of Naira	Share capital	Share premium	Fair value reserve	Statutory reserve	SMIEIS/AGSMEIS reserve	Credit risk reserve	Retained earnings	Total equity
Balance at January 1, 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)	-
Dividend	-	-	-	-	-	-	(56,514)	(56,514)
At December 31, 2016	**15,698**	**255,047**	**10,950**	**104,293**	**3,729**	**8,129**	**218,507**	**616,353**
At 1 January, 2017	15,698	255,047	10,950	104,293	3,729	8,129	218,507	616,353
Profit for the year year	-	-	-	-	-	-	157,145	157,145
Fair value movements on equity instruments	-	-	(2,551)	-	-	-	-	(2,551)
Total comprehensive income for the year	**-**	**-**	**(2,551)**	**-**	**-**	**-**	**157,145**	**154,594**
Transfer between reserves	-	-	-	23,572	-	(8,129)	(15,443)	-
Dividends	-	-	-	-	-	-	(63,422)	(63,422)
Balance at December 31, 2017	**15,698**	**255,047**	**8,399**	**127,865**	**3,729**	**-**	**296,787**	**707,525**

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 December 31, 2017

		Group		Bank	
	Note(s)	2017	2016	2017	2016
In millions of Naira					
Cash flows from operating activities					
Profit after tax for the year		177,933	129,652	157,145	119,285
Adjustments for:					
Impairment loss/(reversal)					
On overdrafts	8	31,305	13,786	30,748	12,811
On term loans	8	65,905	19,099	63,502	14,465
On on-lending	8	925	(1,336)	925	(1,336)
On leases	8	69	(13)	69	(13)
On other assets	8	23	284	-	278
On investment in associates	8	-	530	-	90
Fair value changes in trading bond	44(i)	-	328	-	328
Fair value changes in treasury bills	44(iii)	-	-	-	-
Depreciation of property and equipment	25	12,428	9,679	11,059	8,664
Amortisation of intangible assets	26	1,631	1,435	1,431	1,375
Dividend income	10	(900)	(349)	(4,500)	(3,949)
Foreign exchange loss on debt securities issued	31	6,064	53,256	6,064	53,256
Interest income	6	(474,628)	(384,557)	(420,210)	(343,556)
Interest expense	7	216,637	144,378	200,672	131,910
Profit on sale of property and equipment	10	(57)	(236)	(22)	(172)
Tax expenses	13	25,528	27,096	16,418	20,642
		62,863	13,032	63,301	14,078
Changes in operating assets and liabilities:					
Net decrease/(increase) in loans and advances	44(iv)	94,906	(298,548)	62,424	(283,807)
Net increase in other assets	44(xi)	(54,981)	(15,046)	(20,642)	(14,015)
Net decrease/(increase) in treasury bills with maturities greater than three months	44(ii)	76,739	(111,193)	24,495	(63,608)
Net increase in treasury bills (FVTPL)	44(iii)	(473,275)	(20,683)	(473,275)	(20,683)
Net increase in assets pledged as collateral	17	(139,667)	(63,292)	(142,435)	(61,255)
Net (increase)/decrease in investment securities	44(i)	(132,704)	18,337	(1,375)	38,410
Net (increase) in restricted balances (cash reserves)	15	(118,930)	(124,630)	(119,078)	(124,563)
Net decrease in customer deposits	44(v)	454,294	420,498	191,562	215,326
Net decrease/(increase) in other liabilities	44(vi)	22,566	4,047	(22,132)	31,312
Net increase/(decrease) in derivative assets	19	25,641	(74,379)	25,641	(74,379)
Net {decrease)/increase in derivative liabilities	32	(46,029)	66,450	(46,029)	66,450
		(228,577)	**(185,407)**	**(457,543)**	**(276,734)**
Interest received	44 (ix)	474,628	345,410	420,210	312,529
Dividend received	10	900	349	4,500	3,949
Interest paid	44 (x)	(216,637)	(139,139)	(200,672)	(127,290)
Tax paid	13(b)	(28,522)	(22,444)	(20,431)	(17,159)
VAT paid	44(vi)	(2,235)	(429)	(1,814)	(212)
Net cash flows used in operations		**(443)**	**(1,660)**	**(255,750)**	**(104,917)**

ZENITH BANK PLC

Consolidated and Separate Statement of Cash Flows for the Year Ended December 31, 2017

		Group		Bank	
		2017	2016	2017	2016
Cash flows from investing activities					
Purchase of property and equipment	25	(41,883)	(27,421)	(38,180)	(22,737)
Proceeds from sale of property and equipment	44(vii)	241	603	206	360
Purchase of intangible assets	26	(6,694)	(2,417)	(6,288)	(2,066)
Proceeds from sale of equity securities	44(viii)	-	681	-	-
Purchase of equity securities		(1,000)	-	(1,000)	-
Net cash used in investing activities		**(49,336)**	**(28,554)**	**(45,262)**	**(24,443)**
Cash flows from financing activities					
Proceeds from debt securities		152,239	-	152,239	-
Borrowed funds					
Inflow from long term borrowing	30	102,373	82,017	193,088	104,043
Repayment of long term borrowing	30	(8,983)	(77,773)	(66,911)	(79,352)
Net inflow from On-lending facilities	29	32,377	63,776	32,377	63,776
Repayment of debt securities issued	31	21,164	390	21,164	390
Finance lease payments		(370)	-	(370)	-
Dividends paid to shareholders	39	(63,422)	(56,514)	(63,422)	(56,514)
Net cash generated from financing activities		**235,378**	**11,896**	**268,165**	**32,343**
Net decrease/(increase) in cash and cash equivalents		**185,599**	**(18,318)**	**(32,847)**	**(97,017)**
Analysis of changes in cash and cash equivalents :					
Cash and cash equivalent at the beginning of the year		727,399	709,714	566,358	663,375
Increase/(decrease) in cash and cash equivalents		185,599	(18,318)	(32,847)	(97,017)
Effect of exchange rate movement on cash balances		3,344	36,003	-	-
Cash and cash equivalents at the end of the year	40	**916,342**	**727,399**	**533,511**	**566,358**

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

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 June 16, 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 six subsidiary companies namely, Zenith Bank (Ghana) Limited, Zenith Pensions Custodian Limited, Zenith Bank (UK) Limited, Zenith Bank (Sierra Leone) Limited, Zenith Bank (Gambia) Limited and Zenith Nominee. 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 December 31, 2017 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 December 31, 2017 were approved for issue by the Board of Directors on January 22, 2018.

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 January 1, 2017.

(i) Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)

The amendments provide guidance on the existence of deductible differences, which depend solely on a comparison of the carrying amount of the asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected recovery of the asset. The amendment also provide additional guidance on the methods used to calculate future taxable profit to establish whether the deferred tax asset can be recognised. Guidance is provided where an entity may assume that it will recover an asset for more than its carrying amount, provided that there is sufficient evidence that it is probable that the entity will achieve this. Guidance is provided for deductible temporary differences related to unrealized losses are not assessed separately for recognition. These are assessed on combined basis, unless a tax law restricts the use of losses to deduction against income of a specific type. The adoption of these amendments did not have any material impact on the Group's financial statements.

ii. Disclosure Initiative (Amendments to IAS 7).

The amendments provide for disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. This includes providing a reconciliation between the opening and closing balances arising from the financing activities.

(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, 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 with the exception of the following:

- Assets and liabilities held at fair value are measured at fair value;
- Assets and liabilities held at amortised cost are measured at amortised cost;
- Loans and Receivables are measured at amortised cost;
- Derivative financial instruments which are measured at fair value; and
- 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

(i) Adoption of IFRS 9 Financial Instruments

In July 2014, the IASB issued IFRS 9 Financial Instruments (IFRS 9), which addresses impairment, classification, measurement and hedge accounting. IFRS 9 is effective for the Group for the financial year beginning 1 January 2018.

Guidance relating to the adoption of IFRS 9 has been provided by the Central Bank of Nigeria (CBN) in its Guidance Note to Banks and Discount Houses on the Implementation of IFRS 9 Financial Instruments in Nigeria (CBN Guideline). The CBN Guideline was considered in our determination of the allowance for credit losses. Based on 31 December 2017 data and current implementation status, the Group estimate that the adoption of IFRS 9 will lead to a decrease in shareholders' equity of approximately N42.16 billion (Bank N34.79 billion) before tax driven by the impairment requirements of IFRS 9.

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

- IFRS 9 will require the Group to revise its accounting processes and internal controls and these changes are not yet complete;

- although parallel runs were carried out in the last quarter of 2017, the new systems and associated controls in place have not been operational for a more extended period;

- the Group is refining and finalizing its models for expected credit loss (ECL) calculations; and

- the new accounting policies, assumptions, judgements and estimation techniques employed are subject to change until the Group finalizes its first financial statements that include the date of initial application.

Classification and Measurement of Financial Assets and Liabilities

The new standard requires that we classify debt instruments based on our business model for managing the assets and the contractual cash flow characteristics of those assets. The business model test determines the classification based on the business purpose for holding the asset. Debt instruments will be measured at fair value through profit and loss unless certain conditions are met that permit measurement at fair value through other comprehensive income (FVOCI) or amortized cost. Debt instruments that have contractual cash flows representing only payments of principal and interest will be eligible for classification as FVOCI or amortized cost. Gains and losses recorded in other comprehensive income for debt instruments will be recognized in profit or loss only on disposal.

Equity instruments would be measured at fair value through profit or loss unless we elect to measure them at FVOCI. Future unrealized gains and losses on fair value through profit or loss equity instruments will be recorded in income. Currently, the unrealized gains and losses are recognized in other comprehensive income for available-for-sale equity instruments. For equity instruments we elect to record at FVOCI, gains and losses would never be recognized in income.

The classification and measurement requirements of financial assets and liabilities of IFRS 9 issued in 2014 are the same as IFRS 9 issued in 2009. The Group early adopted IFRS 9 issued in 2009 which already incorporated these classification and measurement requirements in the financial year beginning on 1 January 2009. Therefore, the Group does not expect to have any changes to its classification and measurement of financial instruments upon adoption of IFRS 9 issued in 2014.

Impairment of Financial Assets, Loan Commitments and Financial Guarantee Contracts

IFRS 9 introduces a new expected credit loss (ECL) impairment framework for all financial assets and certain off-balance sheet loan commitments and guarantees. The new ECL framework will result in an allowance for expected credit losses being recorded on financial assets regardless of whether there has been an actual loss event. This differs from the current approach where the allowance recorded on performing loans is designed to capture only losses that have been incurred, whether or not they have been specifically identified.

The new impairment model applies to the following financial instruments that are not measured at fair value through profit or loss:

- financial assets that are debt instruments;

- lease receivables; and

- loan commitments and financial guarantee contracts issued

Under IFRS 9, no impairment loss is recognized on equity investments.

IFRS 9 Impairment model uses a three stage approach based on the extent of credit deterioration since origination:

Stage 1 – 12-month ECL applies to all financial assets that have not experienced a significant increase in credit risk (SIR) since origination and are not credit impaired. The ECL will be computed using a 12-month PD that represents the probability of default occurring over the next 12 months. For those assets with a remaining maturity of less than 12 months, a PD is used that corresponds to remaining maturity. This Stage 1 approach is different from the current approach which estimates a collective allowance to recognize losses that have been incurred but not reported on performing loans.

Stage 2 – When a financial asset experiences a SIR subsequent to origination but is not credit impaired, it is considered to be in Stage 2. This requires the computation of ECL based on lifetime PD that represents the probability of default occurring over the remaining estimated life of the financial asset. Provisions are higher in this stage because of an increase in risk and the impact of a longer time horizon being considered compared to 12 months in Stage 1.

Stage 3 – Financial assets that have an objective evidence of impairment will be included in this stage. Similar to Stage 2, the allowance for credit losses will continue to capture the lifetime expected credit losses.

The impairment requirements of IFRS 9 are complex and require management judgments, estimates and assumptions, particularly in the areas of assessing whether the credit risk of an instrument has increased significantly since initial recognition and incorporating forward-looking information into the measurement of ECLs.

Definition of default

Under IFRS 9, the Group will consider a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing collaterals (if any is held); or

- the borrower is more than 90 days past due on any material credit obligation to the Group. Overdrafts are considered past dues once the customer has breached an advised limit or been advised of a limit that is smaller than the current amount outstanding.

This definition is largely consistent with the definition that is used for regulatory purposes.

Significant increase in credit risk

Under IFRS 9, when determining whether the credit risk (i.e., risk of default) on a financial instrument has increased significantly since initial recognition, the Group will consider reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on the Group's historical experience, expert credit assessment and forward-looking information.

The Group will primarily identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with

- the remaining lifetime PD for this point in time that was estimated on initial recognition of the exposure.

Forward-looking information

IFRS 9 requires an unbiased and probability weighted estimate of credit losses by evaluating a range of possible outcomes that incorporates forecasts of future economic conditions.

Macroeconomic factors and FLI are required to be incorporated into the measurement of ECL as well as the determination of whether there has been a significant increase in credit risk since origination. Measurement of ECLs at each reporting period should reflect reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic conditions.

Hedge Accounting

IFRS 9 introduces a new hedge accounting model that expands the scope of hedged items and risks eligible for hedge accounting and aligns hedge accounting more closely with risk management. The new model no longer specifies quantitative measures for effectiveness testing and does not permit hedge de-designation. The Group does not apply hedge accounting and therefore does not expect any changes to the financial statements in respect of the new requirements on hedge accounting.

Disclosures

IFRS 9 will require extensive new disclosures, in particular about credit risk and ECLs.

Transition impact

The Bank will record an adjustment to its opening 1 January 2018 retained earnings to reflect the application of the new requirements at the adoption date and will not restate comparative periods. The Group estimates the IFRS 9 transition amount will reduce shareholders' equity of approximately N42.16 billion (Bank N34.79 billion) before tax and Tier 1 capital ratio by approximately 200 basis points as at 1 January 2018. The estimated impact relates primarily to the implementation of the ECL requirements. The Bank continues to revise, refine and validate the impairment models and related process controls.

Impacts on Governance and Controls

The bank has applied its existing governance framework to ensure that appropriate controls and validations are in place over key processes and judgments to determine the ECL. As part of the implementation, we are in the process of refining existing internal controls and implementing new controls where required in areas that are impacted by IFRS 9, including controls over the development and probability weighting of macroeconomic scenarios, credit risk data and systems, and the determination of a significant increase in credit risk.

Impacts on Capital Planning

IFRS 9 will impact our reported capital as a result of the adjustment recorded in shareholders' equity on adoption of the standard; this impact is not expected to be significant. During 2017, the Basel Committee on Banking Supervision (BCBS) released its standard on Regulatory treatment of accounting provisions – interim approach and transitional arrangements. The BCBS clarified it will retain its current treatment of provisions under both Standardized Approach and Advanced Internal Ratings Based frameworks at this time. Further, the BCBS allows local jurisdictions the option to choose whether to apply a transitional arrangement for the impact of IFRS 9 on regulatory capital. The Bank's regulator, CBN, has not established a transitional arrangement for regulatory capital purposes.

(ii) IFRS 15: Revenue from contracts with customers

On May 28, 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which replaces the previous revenue standard IAS 18 Revenue, and the related Interpretations on revenue recognition. The standard is a control-based model as compared to the existing revenue standard which is primarily focused on risks and rewards and provides a single principle based framework to be applied to all contracts with customers that are in scope of the standard. Under the new standard revenue is recognized when a customer obtains control of a good or service. Transfer of control occurs when the customer has the ability to direct the use of and obtain the benefits of the good or service. The standard introduces a new five step model to recognize revenue as performance obligations in a contract are satisfied. The standard scopes out contracts that are considered to be lease contracts, insurance contracts and financial instruments, and as such will impact the businesses that earn fee and commission revenue.

On April 12, 2016, the IASB issued amendments to IFRS 15 Revenue from Contracts with Customers. The amendments provide additional clarification on the identification of a performance obligation in a contract, determining the principal and agent in an agreement, and determining whether licensing revenues should be recognized at a point in time or over a specific period. The amendments also provide additional practical expedients that can be used on transition to the standard.

The Group will adopt the standard and its amendments in the financial year beginning on 1 January, 2018 and plans to use the modified retrospective approach. Under this approach, the Group will recognize the cumulative effect of initially applying the standard as an adjustment to the opening balances of retained earnings as of 1 January, 2018, without restating comparative periods. Additional disclosures will be required in order to explain any significant changes between reported results and results had the previous revenue standard been applied.

The standard does not apply to revenue associated with financial instruments, and therefore, will not impact the majority of the Group’s revenue, including interest income, trading revenue and securities gains which are covered under IFRS 9 Financial Instruments. The implementation of the standard is being led by the Financial control and strategic Planning department in coordination with the business segments. The areas of focus for the Group’s assessment of impact are fees and commissions. The Group has been working to identify and review the customer contracts within the scope of the new standard. While the assessment is not complete, the timing of the Group’s revenue recognition of fees and commissions within the scope of this standard is not expected to materially change. The Group is also evaluating the additional disclosures that may be relevant and required.

(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 annual period commencing January 1, 2019.

(iv) IFRIC 22: Foreign currency transactions and advance consideration

The amendments clarifies the transaction date to be used in determining the exchange rate for translation of foreign currency transactions involving an advance payment or receipt.

The amendments clarifies that the transaction date is the date on which the Group initially recognises the prepayment or deferred income arising from the advance consideration.

For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date.

The interpretation applies when the Group:

- pays or receives consideration in a foreign currency; and

- recognises a non-monetary asset or liability – eg. non-refundable advance consideration – before recognising the related item.

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

(v) IFRIC 23: Uncertainty over income tax treatments

These amendments provide clarity on the accounting for income tax treatments that have yet to be accepted by the tax authorities.

The amendments clarifies that the key test for determining the amounts to be recognised in the financial statements is whether it is probable that the tax authority will accept the chosen tax treatment; this could result in an increase in the tax liability or a recognition of an asset depending on the current practice of the Group.

The Group will adopt the amendments 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 Non Controlling Interests (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 are 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.

2.3 Basis of Consolidation (continued)
(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 fair value reserve in equity.

2.4 Translation of foreign currencies (continued)

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.

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's financial assets are subsequently measured at amortised cost if they meet 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
- 'SPPI' 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 (SPPI) 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:

2.6 Financial instruments (continued)

- '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 Group has not elected to classify as at FVOCI;
- A financial asset where the Group 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 Group 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.

2.6 Financial instruments (continued)

(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 asset that qualifies 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 sometimes 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. Examples of transfers of assets with retention of all or substantially all risks and rewards include, 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.

2.6 Financial instruments (continued)

(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 and which 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. Assets pledged as collateral are initially recognised at fair value, and are subsequently measured at amortised cost or fair value as appropriate. These transactions are performed in accordance with the usual terms of securities lending and borrowing.

2.6 Financial instruments (continued)

(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 as the one sold) 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. The Group designates the derivative as an instrument held for trading or non-hedging purposes (a "trading" or "non-hedging" instrument).

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.

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

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 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 exists are not included in a collective assessment of impairment.

Impairment of financial assets (continued)

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 of 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 assesses 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.

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 among 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 when 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	Indefinite
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
Aircraft	10 years

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

Computer software

Software that is 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 expenses as they are 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/sell the software product are available;
(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 future economic benefits are expected from their use or disposal.

2.14 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.

2.15 Leases

(a) A Group company is the lessee

Leases, under which 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.

2.16 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.

2.17 Employee benefits

(a) Post-employment benefits

The Group operates 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.

2.18 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.

2.18 Share capital and reserves (continued)
(e) SMIEIS reserve

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

(f) Statutory reserve for credit risk

The Nigerian banking regulator requires the Bank to create a reserve for the difference between 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) Fair value 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.

2.19 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.

2.20 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.

2.21 Net Trading gains

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

2.22 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 basis 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.

2.23 Current and deferred income tax

(a) Current tax

Minimum tax.

In accordance with the Companies Income Tax Act, Cap C21, LFN 2004, the Bank is assessed for tax under the minimum tax regulation when the total profits of the Bank from all sources have produced tax or tax payable which is less than the minimum tax specified by the law.

When assessed for minimum tax, the rates applicable for calculating the minimum tax is the highest of the following:

(i) 0.5% of Gross Profit

(ii) 0.5% of Net Assets

(iii) 0.25% of Paid-up Share Capital

(iv) 0.25% of Turnover of up to N500, 000

If however the turnover is higher than N500, 000, the minimum tax payable will be the highest of the above plus 0.125% of the excess of the turnover above N500,000.

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.

2.23 Current and deferred income tax (continued)

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 to the extent that it is probable that these differences 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.

2.24 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.

2.25 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 are based on the Group’s internal reporting to management.

2.26 Fiduciary activities

The Group acts as trustees and in other fiduciary capacities through its subsidiary, Zenith Pensions Custodian Limited, that results 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.

2.27 Deposit for Investment in AGSMEIS

The Agri-Business/Small and Medium Enterprises Investment Scheme is an initiative of Banker's committee of Nigeria. The contributed funds is meant for supporting the Federal Government's effort at promoting agricultural businesses as well as Small and Medium Enterprises. In line with this initiative, the Bank will contribute 5% of Profit After Tax yearly to the fund.

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 strengthened the risk management culture across the Group.

3.1.1 Risk Management Philosophy/Strategy

The Group considers sound risk management practice to be the foundation of a long lasting financial institution.

(a) The Group adopt a holistic and integrated 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 the Group would assume in pursuit of its business objectives at any point in time. The Group uses this risk appetite definition in aligning its overall corporate strategy, its capital allocation and risks.

The Group sets tolerance limits for identified key risk indicators (“KRIs”), which served as proxies for the risk appetite for each risk area and business/support unit. Tolerance levels for KRIs are jointly define, agreed upon by the business/support units and 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 committee provides oversight on the systems of internal control, financial reporting and compliance. The Board credit committee 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 committee and Management Risk committee) that help it develop and implement various risk strategies. The Global Credit committee 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.

3. Risk management (continued)

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, 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 coordinated manner within the organisation;

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

(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 continuously 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, are an integral 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 LauNdering Prohibition Act 2011 and Anti-Terrorism Act 2011 as amended; and

(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 to tackle 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;

3. Risk management (continued)

(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; and

(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; and

(d) The risk inherent in the activity and sector.

Risk management structures and processes are continuously reviewed to ensure their adequacy and appropriateness for the Group's risk and opportunities profile as well as 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 majority of its revenue. The recent volatility and decline of the crude oil prices have therefore significantly affected the country's revenue and capacity.

These developments have impacted negatively on the country's economic indicators as follows::

(a) Reduced government earnings

(b) Low foreign exchange reserve position currently at about US$30.29bn as at June 30, 2017.

(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 the 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 about reduced capacity utilization in local industries and therefore possibility of increase in Non-Performing Loans during the period as customers may not be able to produce enough or they may do so at higher costs which may affect sales and cash flows required to meet repayment arrangements. According to the Central Bank of Nigeria's prudential guidelines, a loan is non-performing when the principal and/or interest remains 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 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.

3. Risk management (continued)

(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. Risk management (continued)

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; and

(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 their credit data to develop models that will improve the determination of economic and financial threats resulting from 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: These are:

(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; and

(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.

3. Risk management (continued)

(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 Rating	Description of the grade	Equivalent of external rating (Standard & Poor's)
AAA	Investment Risk (Extremely Low Risk)	AAA
AA	Investment Risk (Extremely Low Risk)	AAA
A	Investment Risk (Very Low Risk)	AA
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 rating-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; and
(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. Risk management (continued)

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 they are presented along with all documents and information defined for the proper assessment and decision of Credit to the Global Credit Committee for consideration. All Credits 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 review the following:

(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; and

(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 assessment 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) Regular portfolio examination in line with key performance indicators and periodic stress testing;

(e) Continuous assessment of concentrations and mitigation strategies;

(f) Continuous validation and modification of early warning system 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 which enables 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; and

(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, which focus 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 continuously upgrades and fine-tunes above in line with the developments in the financial services industry environment and technology.

3. Risk management (continued)

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 counterparties from borrowing more than they are capable of repaying.

The Group focuses on its concentration and intrinsic risks and further manages 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' fund)
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 demand.

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 through quarterly review activities.

Credit risk is monitored on an ongoing basis with formal weekly, monthly and quarterly reporting to keep senior management aware 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 continuously enhanced in order to improve the facility monitoring activity and assure good quality Risk Assets Portfolio across the Group.

A specialised and focused loan recovery and workout team handles the management and collection of problematic 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.

3. Risk management (continued)

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;

(f) Letter of lien; and

(g) Cash collateral.

Collateral securities are usually valued and inspected prior to disbursement and on a regular basis thereafter until full repayment of the exposure. We conduct a regular 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 periodic confirmation of collateral values 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 are 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 December 31, 2017 are as follows:

In millions of Naira	**Group**		**Bank**	
	Total exposure	**Value of collateral**	**Total exposure**	**Value of collateral**
Secured against real estate	89,553	53,966	88,648	52,424
Secured by shares of quoted companies	25,276	12,194	25,217	12,194
Cash Collateral, lien over fixed and floating assets	1,234,199	1,057,198	1,222,121	889,929
Unsecured	903,144	-	781,083	-
Total Gross amount	**2,252,172**	**1,123,358**	**2,117,069**	**954,547**
Specific allowance for impairment	(82,904)	-	(68,443)	-
Collective allowance for impairment	(68,906)	-	(68,162)	-
Net carrying amount	**2,100,362**	**1,123,358**	**1,980,464**	**954,547**

3. Risk management (continued)

Details of collateral pledged by customers against carrying amount of loans and advances as at December 31, 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**

(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.

(iii) Guarantees and Standby Letters of Credit

Guarantees and Standby Letters of Credit are perceived to have comparable 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 guarantors, 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 December 31, 2017 and December 31, 2016 respectively, are 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 are represented by the maximum amount the Group would have to pay if the guarantees are called on (refer to note 38 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 December 31, 2017 and December 31, 2016 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 December 31, 2017 and December 31, 2016 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			
December 31, 2017	Due from banks	Treasury bills	Investment securities	Other financial assets	Due from banks	Treasury bills	Investment securities	Other financial assets
Nigeria	18,287	799,992	117,814	42,752	8,733	799,992	117,814	42,752
Rest of Africa	-	136,825	12,451	11,521	-	-	-	-
Outside Africa	477,516	-	200,686	31,369	264,598	-	-	-
	495,803	**936,817**	**330,951**	**85,642**	**273,331**	**799,992**	**117,814**	**42,752**

3. Risk management (continued)

In millions of Naira December 31, 2016	Group				Bank			
	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	118,622	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**	**199,179**	**28,031**	**354,405**	**463,787**	**118,622**	**27,583**

Gross loans and advances to customers and the Non-performing loan portion per geographical region as at December 31, 2017

*Carrying amounts presented in the table below is determined as gross loans less impairment allowances.

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
South South	111,626	2,171	2,890	-	108,736	111,626	2,171	2,890	-	108,736
South West	1,751,942	85,776	58,699	68,443	1,624,800	1,751,883	85,776	58,699	68,443	1,624,741
South East	71,886	460	2,518	-	69,368	71,886	460	2,518	-	69,368
North Central	73,635	3,062	3,192	-	70,443	73,635	3,062	3,193	-	70,442
North West	24,940	36	331	-	24,609	24,939	36	331	-	24,608
North East	83,100	233	532	-	82,568	83,100	233	531	-	82,569
Rest of Africa	77,547	4,471	744	3,201	73,602	-	-	-	-	-
Outside Africa	57,496	9,656	-	11,260	46,236	-	-	-	-	-
	2,252,172	**105,865**	**68,906**	**82,904**	**2,100,362**	**2,117,069**	**91,738**	**68,162**	**68,443**	**1,980,464**

Gross loans and advances and non-performing portion per geographical region as at December 31, 2016

	Group					Bank				
	Loans and advances to customers					Loans and advances to customers				
	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**

3. Risk management (continued)
(b) Industry sectors

Gross loans and advances to customers and the non-performing loan portion per industry sector as at December 31, 2017

*Carrying amounts presented in the table below are determined as gross loans less impairment allowances.

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	63,223	956	1,474	-	**61,749**	63,223	956	1,474	-	**61,749**
Oil and gas	660,243	39,618	23,194	22,807	**614,242**	609,133	29,954	23,109	11,538	**574,486**
Consumer Credit	11,728	59	583	692	**10,453**	11,728	59	583	692	**10,453**
Manufacturing	633,739	6,459	11,352	-	**622,387**	601,355	6,459	11,185	-	**590,170**
Real estate and construction	113,137	7,375	5,203	752	**107,182**	101,897	3,228	4,741	752	**96,404**
Finance and insurance	8,045	1,913	2,286	-	**5,759**	6,673	1,907	2,272	-	**4,401**
Government	311,904	321	2,591	-	**309,313**	311,367	252	2,591	-	**308,776**
Power	83,470	12	5,677	-	**77,793**	83,470	-	5,677	-	**77,793**
Transportation	53,037	16,862	315	13,650	**39,072**	41,561	16,862	315	13,650	**27,596**
Communication	95,093	2,270	111	35,117	**59,865**	92,960	2,235	111	34,980	**57,869**
Education	9,953	175	268	691	**8,994**	6,992	143	268	-	**6,724**
General Commerce	208,600	29,845	15,852	9,195	**183,553**	186,710	29,683	15,836	6,832	**164,043**
	2,252,172	**105,865**	**68,906**	**82,904**	**2,100,362**	**2,117,069**	**91,738**	**68,162**	**68,443**	**1,980,464**

Gross loans and advances to customers and the non-performing loan portion per industry sector as at December 31, 2016

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**

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

3. Risk management (continued)

3.2.9 Credit quality

In millions of Naira	Group			Bank		
At December 31, 2017	**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	495,803	2,061,901	581,463	273,331	1,943,102	542,619
Past due but not impaired	-	84,406	-	-	82,229	-
Individually impaired	-	84,793	-	-	70,667	-
Collectively impaired	-	21,072	-	-	21,071	-
Gross	495,803	2,252,172	581,463	273,331	2,117,069	542,619
Impairment allowance						
Specific impairment	-	(82,904)	-	-	(68,443)	-
Collective impairment *	-	(68,906)	-	-	(68,162)	-
	495,803	**2,100,362**	**581,463**	**273,331**	**1,980,464**	**542,619**

In millions of Naira	Group			Bank		
At December 31, 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**

*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 269.91 billion which are neither past due nor impaired have been renegotiated (December 31, 2016: NGN 249.09 billion).

3. Risk management (continued)

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 December 31, 2017	**Due from banks**	**Loans and advances to customers**	**Other financial assets**	**Due from banks**	**Loans and advances to customers**	**Other financial assets**
AAA	495,803	241,701	-	273,331	241,701	-
AA to A	-	1,451,324	-	-	1,442,382	-
BBB to BB	-	217,831	-	-	216,739	-
Below B	-	42,228	-	-	42,186	-
Unrated	-	108,817	**55,099**	-	94	**39,291**
	495,803	**2,061,901**	**55,099**	**273,331**	**1,943,102**	**39,291**

	Group			Bank		
At December 31, 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**

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 are also be assessed by reference to the internal rating system adopted by the Group.

	Group				Bank			
At December 31, 2017	**Cash and balances with central bank**	**Treasury bills**	**Derivative assets**	**Assets pledged as collateral**	**Cash and balances with central bank**	**Treasury bills**	**Derivative assets**	**Assets pledged as collateral**
AAA	957,663	936,817	-	468,010	907,265	799,992	-	468,010
AA to A	-	-	57,219	-	-	-	57,219	-
BBB to BB	-	-	-	-	-	-	-	-
Below B	-	-	-	-	-	-	-	-
Unrated	-	-	-	-	-	-	-	-
	957,663	**936,817**	**57,219**	**468,010**	**907,265**	**799,992**	**57,219**	**468,010**

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

3. Risk management (continued)

The table below shows the credit quality of investment securities

At December 31, 2017	Group Investment securities			Bank Investment securities		
	Federal Government Bonds	State Government Bonds	Corporate bonds	Federal Government Bonds	State Government Bonds	Corporate bonds
AAA	250,315	-	2,544	37,502	-	2,544
AA to A	32,266	31,725	14,101	32,266	31,401	14,101
BBB to BB	-	-	-	-	-	-
Below B	-	-	-	-	-	-
Unrated	-	-	-	-	-	-
	282,581	**31,725**	**16,645**	**69,768**	**31,401**	**16,645**
Total			**330,951**			**117,814**

At December 31, 2016	Group Investment securities			Bank Investment securities		
	Federal Government Bonds	State Government Bonds	Corporate bonds	Federal Government Bonds	State Government 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**

3. Risk management (continued)

In millions of Naira

(b) Credit portfolio past due but not impaired

	Group		Bank	
	Loans and advances		Loans and advances	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
Past due up to 30 days	8,870	39,519	6,706	38,259
Past due 30 - 60 days	24,615	2,563	24,604	1,250
Past due 60 - 90 days	50,921	12,298	50,919	8,549
	84,406	**54,380**	**82,229**	**48,058**

(c) Credit rating of past due but not impaired

A	-	38,292	-	37,921
BB	58,174	16,088	58,174	10,137
Below B	25,952	-	23,775	-
Unrated	280	-	280	-
	84,406	**54,380**	**82,229**	**48,058**

In millions of Naira

(d) Credit portfolio individually impaired

	Group				Bank			
	Loans and advances		Other financial assets		Loans and advances		Other financial assets	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
Gross amount								
BB	80,322	22,397	-	-	70,667	16,354	-	-
Grade: Below BB	4,471	36,307	-	-	-	31,057	-	-
Specific provision	(82,904)	(32,896)	-	-	(68,443)	(17,607)	-	-
	1,889	**25,808**	**-**	**-**	**2,224**	**29,804**	**-**	**-**

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 these provided by the Group 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 are 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; and

(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.

3. Risk management (continued)

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 continuously 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 enhances its Market Risk Management Framework on a continuous basis. 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; and

(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 activities 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, which stems the tides of frontloading of FX and reduces 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.

3. Risk management (continued)

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 December 31, 2017 Carrying amount	Trading	Non-trading	At December 31, 2016 Carrying amount	Trading	Non-trading
Assets							
Cash and balances with central bank	15	957,663	-	957,663	669,058	-	669,058
Treasury bills	16	936,817	547,656	389,161	557,359	74,381	482,978
Assets pledged as collateral	17	468,010	136,438	331,572	328,343	113,544	214,799
Due from other banks	18	495,803	-	495,803	459,457	-	459,457
Derivative assets	19	57,219	57,219	-	82,860	82,860	-
Loans and advances	20	2,100,363	-	2,100,363	2,289,365	-	2,289,365
Investment securities	21	330,951	32,266	298,685	199,478	9,702	189,776
Other financial assets	24	100,808	-	100,808	22,777	-	22,777
Liabilities							
Customer deposits	27	3,437,915	-	3,437,915	2,983,621	-	2,983,621
Derivative liabilities	32	20,805	20,805	-	66,834	66,834	-
Other financial liabilities	28	212,304	-	212,304	190,458	-	190,458
On-lending facilities	29	383,034	-	383,034	350,657	-	350,657
Borrowings	30	362,639	-	362,639	263,106	-	263,106
Debt securities issued	31	332,931	-	332,931	153,464	-	153,464

Bank

		At December 31, 2017 Carrying amount	Trading	Non-trading	At December 31, 2016 Carrying amount	Trading	Non-trading
Assets							
Cash and balances with central bank	15	907,265	-	907,265	627,385	-	627,385
Treasury bills	16	799,992	547,656	252,336	463,787	74,381	389,406
Assets pledged as collateral	17	468,010	136,438	331,572	325,575	-	325,575
Due from other banks	18	273,331	-	273,331	354,405	-	354,405
Derivative assets	19	57,219	57,219	-	82,860	82,860	-
Loans and advances	20	1,980,465	-	1,980,465	2,138,132	-	2,138,132
Investment securities	21	117,814	32,266	85,548	118,622	9,702	108,920
Other financial assets	24	42,752	-	42,752	22,335	-	22,335
Liabilities							
Customer deposits	27	2,744,525	-	2,744,525	2,552,963	-	2,552,963
Derivative liabilities	32	20,805	20,805	-	66,834	66,834	-
Other financial liabilities	28	212,304	-	212,304	233,532	-	233,532
On-lending facilities	29	383,034	-	383,034	350,657	-	350,657
Borrowings	30	418,979	-	418,979	292,802	-	292,802
Debt securities issued	31	332,931	-	332,931	153,464	-	153,464

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.

3. Risk management (continued)

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 Group's 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 forwards and swaps). 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 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 denominated in foreign currencies.

Group

The table below summarizes the Group's exposure to foreign currency exchange rate risk at December 31, 2017 and December 31, 2016. 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 December 31, 2017**	**Naira**	**Dollar**	**GBP**	**Euro**	**Others**	**Total**
Assets						
Cash and balances with central banks	517,794	385,147	5,802	3,365	45,554	957,663
Treasury bills	799,992	74,511	23,279	-	39,035	936,817
Assets pledged as collaterals	468,010	-	-	-	-	468,010
Due from other banks	9,574	424,742	19,850	36,120	5,517	495,803
Derivative assets	57,219	-	-	-	-	57,219
Loans and advances to customers (gross)	1,357,236	719,066	873	2,027	21,161	2,100,362
Investment securities	116,112	213,587	-	1,252	-	330,951
Other financial assets	77,328	-	-	-	-	77,328
	3,403,265	1,817,053	49,804	42,764	111,267	5,424,153
Liabilities						
Customer's deposits	2,045,413	1,193,820	37,972	33,100	127,610	3,437,915
Derivative liabilities	20,805	-	-	-	-	20,805
Other financial liabilities	225,019	-	-	-	-	225,019
On-lending facilities	383,034	-	-	-	-	383,034
Borrowings	-	356,496	-	-	-	356,496
Debt securities issued	-	332,931	-	-	-	332,931
	2,674,271	1,883,247	37,972	33,100	127,610	4,756,200
Net on-balance sheet position	728,994	(66,194)	11,832	9,664	(16,343)	667,953

3. Risk management (continued)

In millions of Naira At December 31, 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

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-17	31-Dec-16
US Dollar effect of 15% up or (down) movement on profit before tax and statement of financial position size (in millions of Naira)	5,394	7,233
US Dollar effect of 30% up or (down) movement on profit before tax and statement of financial position size (in millions of Naira)	10,788	14,467

3. Risk management (continued)

Bank

The table below summarizes the Bank's exposure to foreign currency exchange rate risk at December 31, 2017 and December 31, 2016. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency.

In millions of Naira

At December 31, 2017	**Naira**	**Dollar**	**GBP**	**Euro**	**Others**	**Total**
Assets						
Cash and balances with central banks	517,794	382,200	5,438	1,833	-	907,265
Treasury bills	799,992	-	-	-	-	799,992
Assets pledged as collaterals	468,010	-	-	-	-	468,010
Due from other banks	9,455	239,299	2,389	22,069	118	273,331
Derivative assets	57,219	-	-	-	-	57,219
Loans and advances to customers (gross)	1,357,236	614,988	70	8,160	10	1,980,464
Investment securities	116,112	1,702	-	-	-	117,814
Other financial assets	56,052	-	-	-	-	56,052
	3,381,870	1,238,190	7,897	32,062	128	4,660,147
Liabilities						
Customer's deposit	2,045,413	678,688	7,457	12,967	-	2,744,525
Derivative liabilities	20,805	-	-	-	-	20,805
Financial liabilities	218,373	-	-	-	-	218,373
On-lending facilities	383,034	-	-	-	-	383,034
Borrowings	-	418,979	-	-	-	418,979
Debt securities issued	-	332,931	-	-	-	332,931
	2,667,625	1,430,598	7,457	12,967	-	4,118,647
Net on-balance sheet position	714,245	(192,408)	440	19,095	128	541,500

In millions of Naira

At December 31, 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 deposits	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

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.

3. Risk management (continued)

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-17**	**31-Dec-16**
US Dollar effect of 15% up or (down) movement on profit before tax and balance sheet size	27,320	10,122
US Dollar effect of 30% up or (down) movement on profit before tax and statement of financial position size (in millions of Naira)	54,639	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 Group has a significant portion of its liabilities in non-rate sensitive liabilities. This helps it in minimizing 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 December 31, 2017	**Note**	**Carrying amount**	**Rate sensitive**	**Non rate sensitive**
Assets				
Cash and balances with central banks	15	957,663	7,500	950,163
Treasury and other eligible bills (Amortized cost)	16	936,817	517,106	419,711
Assets pledged as collateral	17	468,010	-	468,010
Due from other banks	18	495,803	495,803	-
Derivative assets	19	57,219	57,219	0
Loans and advances to customers (Gross)	20	2,252,172	2,252,172	-
Investment securities (Amortized cost and Fair value through OCI)	21	330,951	316,665	14,286
Other financial assets	24	82,576	-	82,576
		5,581,211	3,646,465	1,934,746
Liabilities				
Customer deposits	27	3,437,915	2,900,212	537,703
Derivative liabilities	32	20,805	20,805	(0)
Other financial liabilities	28	216,104	-	216,104
On-lending facilities	29	383,034	383,034	0
Borrowings	30	356,496	368,877	(12,381)
Debt securities issued	31	332,931	332,931	-
		4,747,285	4,005,859	741,426
Total interest repricing gap		833,926	(359,394)	

3. Risk management (continued)

At December 31, 2017	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	44,655	131,555	108,013	232,883	-	517,106
Due from other banks	493,571	160	688	171	1,213	495,803
Derivative assets	5,685	6,887	13,192	16,045	15,410	57,219
Loans and advances to customers (Gross)	671,538	39,753	42,023	69,461	1,429,397	2,252,172
Investment securities (Amortized cost and fair value through OCI)	500	-	-	4,712	311,453	316,665
	1,223,449	178,355	163,916	323,272	1,757,473	3,646,465
Liabilities						
Customer deposits	1,013,580	169,835	16,271	1,231	1,699,295	2,900,212
Derivative liabilities	3,906	3,851	1,716	11,332	-	20,805
On-lending facilities	63,413	68,302	2,360	159	248,800	383,034
Borrowings	-	-	-	2,794	366,083	368,877
Debt securities issued	-	-	-	-	332,931	332,931
	1,080,899	241,988	20,347	15,516	2,647,109	4,005,858
Total interest repricing gap	142,550	(63,633)	143,569	307,756	(889,636)	(359,394)

3. Risk management (continued)

At December 31, 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 collaterals	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	24	28,031	-	28,031
		4,685,395	3,979,154	706,241
Liabilities				
Customer deposits	27	2,983,621	2,502,388	481,233
Derivative liabilties	32	66,834	66,834	-
On-lending facilities	29	190,458	-	190,458
Borrowings	30	350,657	350,657	-
Financial liabilities	28	263,106	263,106	-
Debt securities issued	31	153,464	153,464	-
		4,008,140	3,336,449	671,691
Total interest repricing gap		677,255	642,705	34,550

In millions of Naira

At December 31, 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	35,444	91,594	132,917	297,404	-	557,359
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
	1,490,558	172,057	338,371	413,911	1,564,257	3,979,154
Liabilities						
Customer deposits	977,723	104,904	20,332	1,231	1,398,197	2,502,387
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	1,858,667	3,336,449
Total interest repricing gap	447,999	(47,669)	208,950	327,835	(294,410)	642,705

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-17	31-Dec-16
Effect of 300 basis points movement on profit before tax	16,572	5,114

3. Risk management (continued)

Bank

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

In millions of Naira

At December 31, 2017	**Note**	**Carrying amount**	**Rate sensitive**	**Non-rate sensitive**
Assets				
Cash and balances with central banks	15	907,265	7,500	899,765
Treasury and other eligible bills	16	799,993	517,106	282,887
Assets pledged as collateral	17	468,009	136,438	331,571
Due from other banks	18	273,331	97,160	176,171
Derivative assets	19	57,219	57,219	-
Loans and advances to customers (gross)	20	2,117,069	2,117,069	-
Investment securities (Amortized cost and Fair value through OCI)	21	117,814	32,266	85,548
Other financial assets	19	42,752	-	42,752
		4,783,452	2,964,758	1,818,694
Liabilities				
Customer deposits	27	2,744,525	2,229,625	514,900
Derivative liabilities	32	20,805	20,805	(0)
Other financial liabilities	28	212,304	-	212,304
On-lending facilities	29	383,034	383,034	-
Borrowings	30	418,979	418,979	(0)
Debt securities issued	31	332,931	332,931	-
		4,112,578	3,385,374	727,204
Total interest repricing gap		670,874	(420,616)	1,091,490

In millions of Naira

At December 31, 2017	**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	22,050	44,399	227,187	223,470	-	517,106
Assets pledged as collateral	32,709	8,149	45,802	49,778	-	136,438
Due from other banks	97,160	-	-	-	-	97,160
Derivative assets	5,144	7,427	13,192	16,045	15,411	57,219
Loans and advances to customers (gross)	640,232	38,575	40,710	64,542	1,333,010	2,117,069
Investment securities (Amortized cost and Fair value through OCI)	-	-	-	-	32,266	32,266
	804,795	98,550	326,891	353,835	1,380,687	2,964,758
Liabilities						
Customer deposits	850,077	117,790	2,706	849	1,258,203	2,229,625
Derivative liabilities	3,389	4,368	1,716	11,332	-	20,805
On-lending facilities	34	28	821	1,285	380,866	383,034
Borrowings	119	98,755	107,568	115,128	97,408	418,979
Debt securities	-	-	-	-	332,931	332,931
	853,619	220,941	112,811	128,594	2,069,408	3,385,374
Total interest repricing gap	(48,824)	(122,391)	214,080	225,241	(688,721)	(420,616)

3. Risk management (continued)

In millions of Naira

At December 31, 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 collaterals	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	24	27,583	-	27,583
		4,193,441	3,529,321	664,120
Liabilities				
Customer deposits	27	2,552,963	2,070,809	482,154
Financial liabilities	13	233,532	-	233,532
Derivative liabilities	28	66,834	66,834	-
On-lending facilities	32	350,657	350,657	-
Borrowings	29	292,802	292,802	-
Debt securities issued	30	153,464	153,464	-
		3,650,252	2,934,566	715,686
Total interest repricing gap		543,189	594,755	(51,566)

At December 31, 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 issued	-	-	-	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

The management of interest risk against interest rate gap limits is supplemented by the monitoring of 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-17	31-Dec-16
Effect of 300 basis points movement on profit before tax	20,887	246

3. Risk management (continued)

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 as a result of 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 N14.10 billion (cost N6.4 billion) as at December 31, 2017. 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 in section 3.5 (b).

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 its inability 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 is 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 deposit 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. Risk management (continued)

3.4.2 Stress testing and contingency funding

Stress testing

The Group 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 practice and global best practice, the Group:

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

(i) Identify sources of potential liquidity strain; and

(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; and

(iii) Profitability.

The Board and the Asset and Liability Committee (ALCO) regularly review the stresses and scenarios tested to ensure that their nature and severity remain appropriate and relevant to the Bank. These reviews take into the account the following;

(a) Changes in market condition;

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

(c) The Group's practical experience in periods of stress.

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

Contingency Funding Plan

The Group maintains a contingency funding plan which sets out strategies for addressing liquidity. The Plan:

(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 Group's 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 Group will manage both internal communications and those with its external stakeholders; and

(i) establishes mechanisms to ensure that the Board and Senior Management receive management.

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

3. Risk management (continued)

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 to 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-17	31-Dec-16	31-Dec-17	31-Dec-16
At December 31, 2017	69.66%	59.59%	51.88%	44.03%
Average for the period	52.15%	60.28% .	52.06%	54.94%
Maximum for the period	82.42%	70.76%	55.49%	63.27%
Minimum for the period	38.94%	53.09%	46.96%	44.03%

(b) Liquidity reserve

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

Group	31-Dec-17		31-Dec-16	
In millions of naira	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Cash and balances with Central Banks	310,549	310,549	140,874	140,874
Treasury Bills	419,711	314,046	482,978	475,552
Balances with other banks	201,982	201,982	155,859	155,859
Investment securities	316,850	174,227	182,826	177,806
Assets pledged as collaterals	468,010	326,055	328,343	310,778
Total	**1,717,102**	**1,326,859**	**1,290,880**	**1,260,869**
Bank				
Cash and balances with Central Banks	260,180	260,180	99,378	99,378
Treasury Bills	282,886	214,046	389,406	375,552
Balances with other banks	8,733	8,733	17,537	17,537
Investment securities	103,713	84,227	101,970	95,557
Assets pledged as collaterals	468,010	326,055	325,575	310,778
Total	**1,123,522**	**893,241**	**933,866**	**898,802**

3. Risk management (continued)

(c) Financial assets available to support funding

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

'In millions of Naira
Group

	Note	At December 31, 2017 Encumbered	Unencumbered	Total	At December 31, 2016 Encumbered	Unencumbered	Total
Cash and balances with central banks	15	647,114	310,549	957,663	528,184	140,875	669,058
Treasury bills	16	-	936,817	936,817	-	557,359	557,359
Assets pledged as collateral	17	468,010	-	468,010	328,343	-	328,343
Due from other banks	18	-	495,803	495,803	-	459,457	459,457
Loans and advances	20	-	2,100,362	2,100,362	-	2,289,365	2,289,365
Investment securities	21	-	330,951	330,951	-	199,478	199,478
Financial assets	24	79,677	5,964	85,641	-	22,777	22,777

'In millions of Naira
Bank

	Note	At December 31, 2017 Encumbered	Unencumbered	Total	At December 31, 2016 Encumbered	Unencumbered	Total
Cash and balances with central banks	15	647,114	260,181	907,295	528,007	99,379	627,386
Treasury bills	16	-	799,992	799,992	-	463,787	463,787
Assets pledged as collateral	17	468,010	-	468,010	325,575	-	325,575
Due from other banks	18	-	273,331	273,331	-	354,405	354,405
Loans and advances	20	-	1,980,464	1,980,464	-	2,138,132	2,138,132
Investment securities	21	-	117,814	117,814	-	118,622	118,622
Financial assets	24	36,788	5,964	42,752	-	22,335	22,335

(d) Financial assets pledged as collateral

The total financial assets recognized in the statement of financial position that have been pledged as collateral for liabilities as at December 31, 2017 and December 31, 2016 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 processes are 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.

3. Risk management (continued)
Group

At December 31, 2017 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	306,822	-	-	647,112	-	953,934	957,663
Treasury bills	16	44,655	131,555	108,013	642,255	-	926,479	936,817
Assets pledged as collateral	17	45,246	63,239	82,995	75,549	200,982	468,011	468,010
Due from other banks	18	487,668	160	688	171	1,213	489,900	495,803
Loans and advances to customers	20	671,539	39,753	42,023	69,461	1,423,541	2,246,316	2,246,316
Investment securities	21	500	-	-	4,712	325,555	330,767	330,951
		1,556,430	**234,707**	**233,719**	**1,439,260**	**1,951,291**	**5,415,407**	**5,435,560**
Derivative assets								
Trading:	19	-	-	-	-	-	-	57,219
Inflow		5,685	6,887	13,192	16,045	15,409	57,219	-
Outflow		11,669	13,926	-	-	-	25,595	-
Risk management:		-	-	-	-	-	-	-
Inflow		-	-	-	-	-	-	-
Outflow		-	-	-	-	-	-	-
		17,354	**20,813**	**13,192**	**16,045**	**15,409**	**82,814**	**57,219**
Liabilities								
Non-derivative liabilities								
Customer's deposits	27	3,227,703	169,835	16,271	1,219	84	3,415,112	3,415,112
Financial liabilities	28	-	-	-	230,857	-	230,857	230,857
On-lending facilities	29	63,413	68,302	2,360	159	248,800	383,034	383,034
Borrowings	30	-	-	-	2,794	366,083	368,877	368,877
Debt securities issued	31	-	-	-	2,618	330,313	332,931	332,931
		3,291,116	**238,137**	**18,631**	**237,647**	**945,280**	**4,730,811**	**4,730,811**
Derivative liabilities								
Trading:	32							20,805
Inflow		3,906	3,851	1,716	11,332	-	20,805	-
Outflow		-	-	35,156	-	-	35,156	-
Risk management:		-	-	-	-	-	-	-
Inflow		-	-	-	-	-	-	-
Inflow		-	-	-	-	-	-	-
		3,906	**3,851**	**36,872**	**11,332**	**-**	**55,961**	**20,805**

3. Risk management (continued)

At December 31, 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	24	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	27	2,857,864	104,904	20,332	1,283	160	2,984,543	2,983,621
Financial liabilities	28	117,857	-	-	67,984	70,994	256,835	190,458
On-lending facilities	29	32,293	64,710	629	9,000	244,025	350,657	350,657
Borrowings	30	30,934	45,981	63,034	59,458	93,446	292,853	263,106
Debt securities issued	31	-	-	4,770	4,770	166,934	176,474	153,464
Financial guarantees contracts	38	28,213	75,565	79,004	106,236	271,686	560,704	560,704
		3,067,161	**291,160**	**167,769**	**248,731**	**847,245**	**4,622,066**	**4,502,010**
Derivative liabilities								
Trading:	32	-	-	-	-	-	-	66,834
Outflow		45,531	41,042	183,080	23,306	24,267	317,226	-
Inflow		-	-	-	-	-	-	-
Risk management:		-	-	-	-	-	-	-
Outflow		-	-	-	-	-	-	-
Inflow		-	-	-	-	-	-	-
		45,531	**41,042**	**183,080**	**23,306**	**24,267**	**317,226**	**66,834**

3. Risk management (continued)

Bank

At December 31, 2017 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	260,180	-	-	647,085	-	907,265	907,265
Treasury bills	16	29,046	93,640	317,228	427,562	-	867,476	799,992
Assets pledged as collateral	17	57,915	64,662	89,462	96,869	621,959	930,867	468,010
Due from other banks	18	273,331	-	-	-	-	273,331	273,331
Loans and advances to customers	20	640,232	38,575	40,710	64,543	1,333,010	2,117,069	2,117,069
Investment securities	21	2,396	5,398	4,038	9,874	212,755	234,461	117,814
Other financial assets	24	36,139	-	-	-	6,613	42,752	34,003
		1,299,239	**202,275**	**451,438**	**1,245,933**	**1,333,010**	**5,373,221**	**4,717,484**
Derivative assets								
Trading:	19	-	-	-	-	-	-	57,219
Inflow		5,685	6,887	13,192	16,045	15,409	57,219	-
Outflow		11,669	13,926	-	-	-	25,595	-
Risk management:		-	-	-	-	-	-	-
Inflow		-	-	-	-	-	-	-
Outflow		-	-	-	-	-	-	-
		17,354	**20,813**	**13,192**	**16,045**	**15,409**	**82,814**	**57,219**
Liabilities								
Non-derivative liabilities								
Customer's deposits	27	2,623,192	117,790	2,706	837	0	2,744,525	2,744,525
Financial liabilities	28	-	-	-	11,930	-	11,930	11,930
On-lending facilities	29	63,413	68,302	2,360	159	248,800	383,034	383,034
Borrowings	30	2,769	111,047	113,937	129,155	81,869	438,777	418,979
Debt securities issued	31	-	-	-	2,618	330,313	332,931	332,931
		2,689,374	**297,139**	**119,003**	**144,699**	**660,982**	**3,911,197**	**3,891,399**
Derivative liabilities								
Trading:	32	-	-	-	-	-	-	20,805
Inflow		3,906	3,851	1,716	11,332	-	20,805	-
Outflow		-	-	35,156	-	-	35,156	-
Risk management:		-	-	-	-	-	-	-
Inflow		-	-	-	-	-	-	-
Outflow		-	-	-	-	-	-	-
		3,906	**3,851**	**36,872**	**11,332**	**-**	**55,961**	**20,805**

3. Risk management (continued)

At December 31, 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	1,145,841	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	24	6,435	-	-	-	15,900	22,335	22,335
		1,406,618	**171,208**	**245,874**	**938,028**	**1,877,128**	**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	27	2,462,534	75,973	14,195	262	-	2,552,964	2,552,963
Financial liabilities	28	117,751	-	-	110,512	55,092	283,355	233,532
On-lending facilities	29	32,293	64,710	629	9,000	244,025	350,657	350,657
Borrowings	30	30,934	45,981	63,034	59,458	93,446	292,853	292,802
Debt securities issued	31	-	-	4,770	4,770	166,934	176,474	153,464
Financial guarantees contracts	38	25,854	75,565	79,004	106,236	271,686	558,345	513,832
		2,669,366	**262,229**	**161,632**	**290,238**	**831,183**	**4,214,648**	**4,097,250**
Derivative liabilities								
Trading:	32	-	-	-	-	-	-	66,834
Inflow		45,531	41,042	183,080	23,306	24,267	317,226	-
Outflow		-	-	-	-	-	-	-
Risk management:		-	-	-	-	-	-	-
Outflow		-	-	-	-	-	-	-
Inflow		-	-	-	-	-	-	-
		45,531	**41,042**	**183,080**	**23,306**	**24,267**	**317,226**	**66,834**

3. Risk management (continued)
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 do not reflect 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 that are eligible for use as collateral with central banks (these amounts are referred to as the 'Group's liquidity reserves').

3. Risk management (continued)

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 and fair value hierarchy

Group

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

		At December 31, 2017			At December 31, 2016		
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	547,656	547,656	1	74,381	74,381	1
Investment securities (FGN bonds)	21	32,266	32,266	1	9,702	9,702	1
Derivative assets	19	57,219	57,219	2	82,860	82,860	2
Carried at FVOCI:							
Investment securities (unquoted)	21	14,101	14,101	3	16,652	16,652	3
Carried at amortized cost:							
Cash and balances with central banks	15	957,663	679,915	-	669,058	669,058	-
Treasury bills	16	389,161	314,046	1	482,978	375,552	1
Assets pledged as collateral	17	468,010	326,055	1	328,343	277,189	1
Due from other banks	18	495,803	495,803	2	459,457	459,457	2
Loans and advances to customers (gross)	20	2,252,172	1,546,337	3	2,360,809	3,377,671	3
Investment securities	21	284,584	174,227	1	173,124	254,861	1
Other financial assets	24	77,328	28,388	-	22,777	10,715	-
Liabilities							
Carried at FVTPL							
Derivative liabilities	32	20,805	20,805	2	66,834	66,834	2
Carried at FVTPL							
Customer's deposits	27	3,437,915	2,935,105	-	2,983,621	2,766,629	-
Other financial liabilities	28	216,104	158,160	-	190,458	191,040	-
On-lending facilities	29	383,034	339,995	3	350,657	288,682	3
Borrowings	30	356,496	335,504	3	263,106	523,465	3
Debt securities issued	31	332,931	251,961	2	153,464	128,034	2

3. Risk management (continued)
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 December 31, 2017 Carrying value	Fair value	Fair value hierarchy	At December 31, 2016 Carrying value	Fair value	Fair value hierarchy
Assets							
Carried at FVTPL:							
Treasury bills	16	547,656	547,656	1	74,381	74,381	1
Investment securities (FGN bonds)	21	32,266	32,266	1	9,702	9,702	1
Derivative assets	19	57,219	57,219	2	82,860	82,860	2
Carried at FVOCI:							
Investment securities (Unquoted)	21	14,101	14,101	3	16,652	16,652	3
Carried at amortized cost:							
Cash and balances with central banks	15	907,265	907,265	-	627,385	627,385	-
Treasury bills	16	282,886	246,210	1	389,406	375,552	1
Assets pledged as collateral	17	468,010	407,334	1	325,575	277,189	1
Due from other banks	18	273,331	273,331	-	354,405	354,405	-
Loans and advances to customers (gross)	20	2,117,069	1,449,107	3	2,193,224	1,411,876	3
Investment securities	21	71,447	72,748	1	92,268	167,231	1
Other financial assets	24	42,752	40,546	-	22,335	10,268	-
Liabilities							
Carried at FVTPL							
Derivative liabilities	32	20,805	20,805	2	66,834	66,834	2
Carried at amortized cost:							
Customer's deposits	27	2,744,525	2,481,971	-	2,552,963	2,369,752	-
Other financial liabilities	28	212,304	168,830	-	233,532	234,108	-
On-lending facilities	29	383,034	339,995	3	350,657	288,682	3
Borrowings	30	418,979	335,504	3	292,802	241,053	3
Debt securities issued	31	332,931	251,961	2	153,464	128,034	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.

3. Risk management (continued)
Financial instruments measured at fair value

At December 31, 2017

In millions of Naira		**Level 1**	**Level 2**	**Level 3**
Financial assets				
Treasury bills (FVTPL)	16	547,656	-	-
Investment securities (FVTPL) - FGN Bonds	21	32,266	-	-
Derivative assets	19	-	57,219	-
Derivative liabilities	32	-	20,805	-
Investment securities (Unquoted)	21	-	-	14,101
		579,922	**78,024**	**14,101**

Reconciliation of Level 3 items	
At 1 January	16,652
Disposal recognised through profit or loss	-
Loss recognised through other comprehensive income	(2,551)
At December 31, 2017	**14,101**

At December 31, 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	32	-	66,834	-
Investment securities -Unquoted	21	-	-	16,652
		84,083	**149,694**	**16,652**

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

3. Risk management (continued)

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 December 31, 2017 and December 31, 2016 in measuring financial instruments categorized as level 3 in the fair value hierarchy

Type of financial instrument	Fair values at 31 Dec, 2017	Valuation technique	Significant unobservable input	Range of estimates (average) for unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Unquoted equity investment	N14.03 billion	Equity DCF model.	-Discount rate. -Estimate cash flow.	Risk premium of 11.50 -12.50% (12.09%) above risk-free interest rate (2.38%) (31 Dec. 2016:11.50-12.50% (12.09%) above risk free rate (2.49%)) 5-year Compound Annual Growth Rate (CAGR) of cash flow of 16-17% (16.96%) (December 2016: 16-17% (14.4%))	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

In millions of Naira	At December 31, 2017 Favourable changes	At December 31, 2017 Un-favourable changes	At December 31, 2016 Favourable changes	At December 31, 2016 Un-favourable changes
Unquoted investment securities	0.92	(0.40)	0.90	(0.83)

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 December 31, 2017 included a risk premium 12.09**%** above the risk-free interest rate of 2.38% (with reasonably possible alternative assumptions of 12.0% and 12.30%) (December 31, 2016: 11.50% - 12.50% (12.09%) respectively above risk free rate of 2.49%).

The fair value of the 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 December 31, 2017: N647 billion, December 31, 2016: N528 billion) with Central banks of the various jurisdictions in which the Group operates. The fair value of these balances is their carrying amounts.

3. Risk management (continued)

(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 estimated 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 have a short recycle period and as such, whose fair values 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 determining 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 determining 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.

3. Risk management (continued)

The Group's Capital Adequacy is reviewed regularly to meet regulatory requirements and standard of international best practices. The Group adopts and implements 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 requirements 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, which are not incorporated in Nigeria, are directly regulated and supervised by their local banking regulators and are required to meet the capital requirement directive of the local regulatory jurisdiction. Parental support and guidance are given at the Group level at which the risk level in relation to capital level and adequacy is closely monitored. The Group meet all capital requests from these regulatory jurisdictions and determines 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 can 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 December 31, 2017 as well as the 31 December, 2016 comparatives. During those two periods, 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.

3. Risk management (continued)

In millions of Naira	Group December 31, 2017	Group December 31, 2016	Bank December 31, 2017	Bank December 31, 2016
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	135,686	112,114	127,865	104,293
SMEIES reserve	3,729	3,729	3,729	3,729
Retained earnings	365,757	267,008	296,787	218,507
Total qualifying Tier 1 capital	775,917	653,596	699,126	597,274
Deferred tax assets	(9,561)	(6,440)	(9,197)	(6,041)
Intangible assets	(12,989)	(4,645)	(12,088)	(3,903)
Investment in capital of financial subsidiaries	-	-	(25,604)	(22,053)
Adjusted Total qualifying Tier 1 capital	753,367	642,511	652,237	565,277
Tier 2 capital				
Other comprehensive income (OCI)	42,082	39,415	(8,399)	10,950
Total qualifying Tier 2 capital	42,082	39,415	(8,399)	10,950
Investment in capital and financial subsidiaries	-	-	8,399	(10,950)
Net Tier 2 Capital	42,082	39,415	-	-
Total regulatory capital	795,449	681,926	652,237	565,277
Risk-weighted assets				
Credit risk	2,306,892	2,406,800	2,066,961	2,109,275
Market risk	84,690	17,684	62,956	5,875
Operational risk	595,934	554,772	540,331	509,493
Total risk-weighted assets	2,987,516	2,979,256	2,670,248	2,624,643
Risk-weighted Capital Adequacy Ratio (CAR)	**27 %**	**23 %**	**24 %**	**22 %**

3. Risk management (continued)

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 and strategic risks. 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 components by aligning the people, technology and processes with best risk management practices towards enhancing stake holders' 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; and

(c) To enable the group identify and analyse events (both internal and external) that impact on its business.

The Operational Risk unit constantly conducts reviews to identify and assess the operational risk inherent in all material products, activities, processes and systems. It also ensures that all business units within the Bank monitor their operational risks using set standards and indicators. Significant issues and exceptions are reported to Risk Management and are also identified 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 terrorrist 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 organisation's 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, creating awareness of legislation among employees, identifying significant legal risks as well as assessing the potential impact of these.

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

3. Risk management (continued)

3.10 Reputational risk

Reputational risk is defined as the risk of indirect losses arising from a decline in the bank's reputation among one or multiple bank stakeholders. The risk can expose the Group to litigation, financial loss or damage to its reputation. The Group's reputation risk management philosophy 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 oversee 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; and

(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: Conducting qualitative assessment of reputational risk based on the potential events that have been identified as reputational risk;

(c) Monitoring: Undertaking frequent monitoring of the reputational risk drivers;

(d) Mitigation and Control: Establishing preventive measures and controls for management of reputational risk and tracking mitigation actions;

(e) Independent review: Subjecting the reputational risk measures and mitigation techniques to regular independent review by internal auditors and/or external auditors; and

(f) Reporting: Generating regular, action-oriented reports for management review.

3.11 Taxation risk

Taxation risk refers to the risk that new taxation laws will adversely affect the Group and/or the loss as a result 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 to which it is potentially exposed by monitoring new regulatory rules and applicable laws, and identifying significant regulatory risks. The Group strives to maintain appropriate procedures, processes and policies that enable it to comply with applicable regulation.

The Group maintains zero tolerance posture for any regulatory breach 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 consequently established Corporate Social Responsibility (CSR) vision and mission.

As global awareness on sustainable development became prevalent, the Group commenced a project to increase its 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 3.3.5(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 specified by the revised Prudential Guidelines issued by the Central Bank of Nigeria. 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) Expenses for loan losses recognised in the profit and loss account should be determined based on the relevant IFRS. However, the allowance for loan losses determined under the IFRS should be compared with the loan loss provisions determined under the Prudential Guidelines. The differences between both provisions should be treated as follows:

(i) Where Prudential Provisions is greater than IFRS provisions, the resulting difference should be transferred from the general reserve account to a non-distributable regulatory credit risk reserve.

(ii) Where Prudential Provisions is less than IFRS provisions, the IFRS determined provision is charged to the statement of comprehensive income. The cumulative balance in the regulatory risk reserve is thereafter transferred to the general reserve account.

(b) The non-distributable reserve is classified under Tier 1 as part of the core capital for the purpose of determining capital adequacy..

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 no credit risk reserves as at December 31, 2017.

Provision for loan losses per prudential guidelines

		Bank	
In millions of Naira	**Note**	**31-Dec-17**	**31-Dec-16**
Loans and advances		109,405	62,680
Other financial assets		6,560	7,101
(a)		115,965	69,781
Impairment assessment under IFRS			
Loans and advances			
Specific allowance for impairment	20	68,443	17,607
Collective allowance for impairment	20	68,162	37,485
		136,605	55,092
Other financial assets			
Specific allowance for impairment on associated companies	22	1,312	1,312
Specific allowance for impairment on other assets	24	5,248	5,248
(b)		**143,165**	**61,652**
(c)=(a)-(b)		**(27,200)**	**8,129**
(Reversal from)/transfer to retained earnings at year end		**(8,129)**	**-**

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. The Group's Executive Management (Chief Operating Decision Maker) reviews internal management reports from each of the strategic divisions 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, Pension Custodial services and Nominee - 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 in Europe (the United Kingdom) respectively.

	Nigeria	Outside Nigeria				
	Corporate retail and pensions custodian services	Africa	Europe	Total reportable segments	Eliminations	Consolidated
In millions of Naira						
December 31, 2017						
Revenue:						
Derived from external customers	680,911	53,822	14,056	748,789	(3,600)	745,189
Derived from other business segments	3,058	-	148	3,206	(3,206)	-
Total revenue*	**683,969**	**53,822**	**14,204**	**751,995**	**(6,806)**	**745,189**
Interest expense	(200,672)	(17,776)	(1,394)	(219,842)	3,205	(216,637)
Impairment loss on financial assets	(95,267)	(557)	(2,403)	(98,227)	-	(98,227)
Admin and operating expenses	(205,452)	(14,906)	(5,706)	(226,064)	(800)	(226,864)
Profit before tax	182,578	20,583	4,701	207,862	(4,401)	203,461
Tax expense	(18,891)	(5,602)	(1,035)	(25,528)	-	(25,528)
Profit after tax	**163,687**	**14,981**	**3,666**	**182,334**	**(4,401)**	**177,933**

	Nigeria	Outside Nigeria Banking				
	Corporate retail and pensions custodian services	Africa	Europe	Total reportable segments	Eliminations	Consolidated
In millions of Naira						
December 31, 2017						
Capital expenditure**	44,025	4,429	182	48,636	-	48,636
Identifiable assets	4,854,394	375,106	554,087	5,783,587	(188,334)	5,595,253
Identifiable liabilities	4,129,169	313,380	486,382	4,928,931	(155,336)	4,773,595

** 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.*

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2017

In millions of Naira **December 31, 2016**	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	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 **December 31, 2016**	Nigeria Corporate retail and pensions custodian services	Outside Nigeria Banking Africa	Outside Nigeria 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.*

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2017

	Group		Bank	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16

6. Interest and similar income

Loans and advances to customers	314,683	273,351	295,932	252,834
Placement with banks and discount houses	6,733	2,289	552	1,089
Treasury bills	109,740	60,187	84,973	44,347
Government and other bonds	43,472	48,730	38,753	45,286
	474,628	**384,557**	**420,210**	**343,556**

Total interest income, calculated using the effective interest rate method reported above that relates to financial assets not carried at fair value through profit or loss are N474,628 million (December 31, 2016: N384,557 million) and N420,210 million (December 31, 2016: N343,556 million) for Group and Bank respectively.

Included in interest income on loans and advances are amounts totalling N18.02 billion (December 31, 2016: N2.66 billion) and N11.80 billion (December 31, 2016: N2.17 billion) 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	10,029	4,125	9,403	3,808
Savings accounts	17,099	12,516	16,927	12,379
Time deposits	108,735	94,369	95,329	83,989
Borrowed funds and lease	80,774	33,368	79,013	31,734
	216,637	**144,378**	**200,672**	**131,910**

Total interest expense are calculated using the effective interest rate method reported above and 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))	31,305	13,786	30,748	12,811
Term loan (see note 20(b))	65,905	19,099	63,502	14,465
On lending (see note 20(b))	925	(1,336)	925	(1,336)
Advances under finance lease (see note 20(b))	69	(13)	69	(13)
Other financial assets (see note 24)	23	284	-	278
Investment in Associates (see note 22(b))	-	530	-	90
	98,227	**32,350**	**95,244**	**26,295**

9. Fee and commission income

Credit related fees	20,834	18,512	17,718	16,214
Commission on turnover	1,740	934	-	-
Account maintenance fee	27,710	17,374	27,710	16,863
Income from financial guarantee contracts issued	4,617	2,997	4,275	2,574
Fees on electronic products	12,280	10,687	11,387	9,954
Foreign currency transaction fees and commission	2,708	1,724	1,277	1,156
Asset based management fees	7,943	6,224	-	-
Auction fees income	1,894	772	1,894	772
Corporate finance fees	2,048	2,123	1,674	2,064
Foreign withdrawal charges	3,509	3,004	3,509	3,004
Commissions on agency and collection services	4,860	4,093	3,402	3,018
	90,143	**68,444**	**72,846**	**55,619**

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2017

	Group		Bank	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16

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. Other operating income

	Group 31-Dec-17	Group 31-Dec-16	Bank 31-Dec-17	Bank 31-Dec-16
Dividend income from equity investments	900	349	4,500	3,949
Gain on disposal of property and equipment (see note 44(vii))	57	236	22	172
Provision for claims	8,404	-	8,404	-
Income on cash handling	557	426	423	426
Foreign currency revaluation gain	12,526	25,587	9,257	22,688
	22,444	**26,598**	**22,606**	**27,235**

Dividend income from equity investments represent dividend received from 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 currency-denominated assets and liabilities held in the non-trading books.

11. Trading gains

	Group 31-Dec-17	Group 31-Dec-16	Bank 31-Dec-17	Bank 31-Dec-16
Derivatives income	68,711	20,077	68,711	20,077
Treasury bill trading income	88,895	8,649	88,895	8,649
Bond trading income/(loss)	368	(328)	368	(328)
	157,974	**28,398**	**157,974**	**28,398**

12. Operating expenses

	Group 31-Dec-17	Group 31-Dec-16	Bank 31-Dec-17	Bank 31-Dec-16
Directors' emoluments (see note 37 (b))	1,479	1,057	551	404
Auditors' remuneration	693	626	510	486
Deposit insurance premium	11,683	10,393	11,683	10,393
Professional fees	3,442	3,323	2,997	2,957
Training and development	4,070	3,215	3,811	3,012
Information technology	12,686	5,856	12,109	5,425
Operating lease	3,771	3,288	2,331	2,077
Advertisement	8,819	4,991	8,577	4,801
Outsourcing services	9,583	9,582	9,583	9,582
Bank charges	2,984	1,542	2,765	1,412
Fuel and maintenance	19,367	14,021	16,371	10,911
Insurance	6,310	1,907	6,180	1,799
Licenses, registrations and subscriptions	2,871	1,904	2,567	1,707
Travel and hotel expenses	7,289	2,998	6,670	2,513
Printing and stationery	2,457	1,627	1,903	1,227
Security and cash handling	4,975	3,322	4,615	3,060
Fraud and forgery write-off	368	33	368	33
Expenses on electronic products	7,595	3,818	7,285	3,661
Fines & Penalties	-	16	-	16
Donations	2,624	2,564	2,611	2,557
AMCON levy	21,419	18,752	21,419	18,752
Telephone and postages	2,414	1,530	2,106	1,277
Corporate promotions	8,056	2,450	7,920	2,323
Customer service related expenses	3,391	5,266	1,063	3,733
	148,346	**104,081**	**135,995**	**94,118**

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2017

13. Taxation

(a) Major components of the tax expense

	Group		Bank	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
Minimum tax expense	4,350	-	4,350	-
Income tax expense				
Corporate tax	8,878	12,726	-	6,530
Information technology tax	1,804	1,448	1,719	1,385
Excess dividend tax (see note (i) below)	11,546	12,909	11,546	12,909
Prior year over provision	1,959	(189)	1,959	(189)
Tertiary Education tax	112	1,009	-	917
Effect of tax rates in foreign juridictions	-	-	-	-
Current income tax	24,299	27,903	15,224	21,552
Deferred tax expense:				
Origination/(reversal) of temporary differences	(3,121)	(807)	(3,156)	(910)
Income tax expense	21,178	27,096	12,068	20,642
Total income tax	**25,528**	**27,096**	**16,418**	**20,642**

(i) Income tax liability of 2017 financial year of the Bank was assessed based on the minimum tax rule because of a significant non-taxable income that resulted in a taxable loss for the Bank.

(ii) During the year, the Bank was liable to excess dividend tax of N19.03 billion, representing 30% of N63.42 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 2017 financial year, income tax payable based on taxable profit was N6.6 billion. However, total Companies Income tax paid based on dividend for 2016 financial year was N19.03 billion and the Bank had tax credits amounting to N0.871 billion. The difference between income tax payable assessed on dividend and income tax payable assessed on taxable profit amounted to N11.55 billion which was charged as tax expense in 2017 financial year.

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2017

13. Taxation (continued)

(b) Reconciliation of effective tax rate

	Group 31-Dec-17	Group 31-Dec-16	Bank 31-Dec-17	Bank 31-Dec-16
Profit before income tax	203,461	156,748	173,563	139,927
Tax calculated at the weighted average Group rate of 30% (2016: 30%)	61,038	47,024	52,069	41,978
Tax effect of adjustments on taxable income				
Effect of tax rates in foreign jurisdictions	3	-	-	-
Non-deductable expenses	12,904	12,940	11,675	11,500
Tax exempt income	(85,699)	(48,112)	(84,408)	(47,923)
Balancing charge	45	65	45	65
Tax loss effect	1,928	2	1,927	-
Minimum tax	4,350	-	4,350	-
Information technology levy	1,804	1,448	1,718	1,385
Excess dividend tax paid	11,546	12,909	11,546	12,909
Tertiary education tax	113	1,009	-	917
Unrecognised deductible temporary differences	15,537	-	15,537	-
Changes in estimate relating to prior year	1,959	(189)	1,959	(189)
Tax expense	**25,528**	**27,096**	**16,418**	**20,642**

(c) The movement in the current income tax payable balance is as follows:	**31-Dec-17**	**31-Dec-16**	**31-Dec-17**	**31-Dec-16**
At start of the year	8,953	3,579	6,927	2,534
Tax paid	(28,522)	(22,444)	(20,431)	(17,159)
Tax effect of translation	(165)	(85)	-	-
Minimum tax	4,350	-	4,350	-
Current income tax charge (see note 13a)	24,299	27,903	15,223	21,552
At end of the year	**8,915**	**8,953**	**6,069**	**6,927**
Total tax expense	29,878	27,096	20,768	20,642

	Group		Bank	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16

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 31-Dec-17	Group 31-Dec-16	Bank 31-Dec-17	Bank 31-Dec-16
Profit attributable to shareholders of the Bank (N'million)	177,614	129,434	157,145	119,285
Number of shares in issue at end of the year (millions)	31,396	31,396	31,396	31,396
Weighted average number of ordinary shares in issue (millions)	31,396	31,396	31,396	31,396
Basic and diluted earnings per share (Kobo)	566 k	412 k	501 k	380 k

Basic and diluted earnings per share are the same, as the Bank has no potentially dilutive ordinary shares.

	Group		Bank	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16

15. Cash and balances with central banks

Cash and balances with central banks consist of:

Cash	150,883	36,953	136,711	24,342
Operating accounts with Central Banks	159,666	103,921	123,469	75,036
Mandatory reserve deposits with central bank (cash reserve) (see note (a))	566,425	447,495	566,396	447,318
Special Cash Reserve Requirement (see note (b))	80,689	80,689	80,689	80,689
	957,663	**669,058**	**907,265**	**627,385**
Current	957,663	669,058	907,265	627,385
Non current	-	-	-	-
	957,663	**669,058**	**907,265**	**627,385**

(a) Mandatory reserve deposits with central banks represents a percentage of customers' deposits (stipulated 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)	547,656	74,381	547,656	74,381
Treasury bills (Amortized cost)	389,161	482,978	252,336	389,406
	936,817	**557,359**	**799,992**	**463,787**
Classified as:				
Current	936,817	557,359	799,992	463,787
	936,817	**557,359**	**799,992**	**463,787**
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 42).	109,990	127,068	-	112,575

	Group		Bank	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16

17. Assets pledged as collateral

Treasury bills pledged as collateral	-	2,768	-	-
Bonds pledged as collateral	125,059	76,428	125,059	76,428
Treasury bills under repurchase agreement	267,028	113,544	267,028	113,544
Bonds under repurchase agreement	75,923	135,603	75,923	135,603
	468,010	**328,343**	**468,010**	**325,575**

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 as at December 31, 2017 are with the following counterparties (see note 30):

Counterparties	**Carrying value of assets**	**Carrying value of liabilities**	**Carrying value of assets**	**Carrying value of liabilities**
JP Morgan	48,079	33,198	48,079	33,198
ABSA	82,311	50,310	82,311	50,310
Standard Bank	228,931	125,716	228,931	125,716
First Abu Dhabi	32,765	16,824	32,765	16,824
	392,086	**226,048**	**392,086**	**226,048**

Assets exchanged under repurchase agreement (December 31, 2016) are with the following counterparties (see note 30):

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 Bank Global Market	10,196	15,362	10,196	15,362
	249,147	**155,796**	**249,147**	**155,796**

Classified as:				
Current	267,028	328,343	267,028	325,575
Non-current	200,982	-	200,982	-
	468,010	**328,343**	**468,010**	**325,575**

18. Due from other banks

Current balances with banks within Nigeria	18,287	12,344	-	-
Current balances with banks outside Nigeria	273,721	291,254	264,598	336,868
Placements with banks and discount houses	203,795	155,859	8,733	17,537
	495,803	**459,457**	**273,331**	**354,405**

Classified as:				
Current	495,803	459,457	273,331	354,405

Included in balances with banks outside Nigeria is the amount of N69.31 billion and N67.23 billion for the Group and Bank respectively (December 31, 2016: N104.63 billion and N104.53 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 28).

	Group		Bank	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16

19. Derivative assets

Instrument types:

Forward contracts				
Fair value of assets	42,285	18,093	42,285	18,093
Futures contracts	-	-	-	-
Fair value of assets	14,934	64,767	14,934	64,767
Total	**57,219**	**82,860**	**57,219**	**82,860**

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 Group generated net gains of N68.7 billion (December 31, 2016 net gains of N20.08 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 N57.2 billion and N20.8 billion respectively (December 31, 2016 N82.9 and N66.8 billion respectively).

All derivative assets are current.

20. Loans and advances

Overdrafts	514,009	591,219	480,392	551,798
Term loans	1,355,300	1,417,860	1,253,817	1,289,864
On-lending facilities	379,195	345,940	379,195	345,940
Advances under finance lease	3,668	5,790	3,665	5,622
Gross loans and advances to customers	2,252,172	2,360,809	2,117,069	2,193,224
Less: Allowance for impairment	(151,810)	(71,444)	(136,605)	(55,092)
Specific allowances for impairment	(82,904)	(32,896)	(68,443)	(17,607)
Collective allowance for impairment	(68,906)	(38,548)	(68,162)	(37,485)
	2,100,362	**2,289,365**	**1,980,464**	**2,138,132**

Overdrafts

Gross Overdrafts	514,009	591,219	480,392	551,798
Less: Allowances for impairment	(47,952)	(30,567)	(44,007)	(22,245)
Specific allowances for impairment	(27,094)	(14,737)	(23,893)	(7,478)
Collective allowance for impairment	(20,858)	(15,830)	(20,114)	(14,767)
	466,057	**560,652**	**436,385**	**529,553**

Term loans

Gross Term loans	1,355,300	1,417,860	1,253,817	1,289,864
Less: Allowances for impairment	(101,767)	(39,472)	(90,507)	(31,443)
Specific allowances for impairment	(55,810)	(18,159)	(44,550)	(10,129)
Collective allowance for impairment	(45,957)	(21,313)	(45,957)	(21,314)
	1,253,533	**1,378,388**	**1,163,310**	**1,258,421**

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2017

	Group		Bank	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
On-lending facilities				
Gross on-lending facilities	379,195	345,940	379,195	345,940
Less: collective allowance for impairment	(1,955)	(1,337)	(1,955)	(1,337)
	377,240	**344,603**	**377,240**	**344,603**
Advances under finance lease				
Gross investment in finance lease	3,668	5,790	3,665	5,622
Less: collective allowance for impairment	(136)	(67)	(136)	(67)
	3,532	**5,723**	**3,529**	**5,555**
Gross Loans classified as:				
Current	822,775	1,090,193	784,059	1,047,384
Non-current	1,423,397	1,270,616	1,333,010	1,145,840
	2,246,172	**2,360,809**	**2,117,069**	**2,193,224**

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 1, 2017	30,568	39,472	1,337	67	71,444
Specific impairment	14,738	18,158	-	-	32,896
Collective impairment	15,830	21,314	1,337	67	38,548
Additional impairment for the year (see note 8)	31,305	65,905	925	69	98,204
Specific impairment	19,848	39,665	-	-	59,513
Collective impairment	11,457	26,240	925	69	38,691
Foreign currency translation and other adjustments	(4,935)	828	-	-	(4,107)
Write-offs (specific)	(3,694)	(2,841)	-	-	(6,535)
Write-offs (collective)	(5,292)	(1,597)	(307)	-	(7,196)
Balance at December 31, 2017	**47,952**	**101,767**	**1,955**	**136**	**151,810**
Specific impairment	27,094	55,810	-	-	82,904
Collective impairment	20,858	45,957	1,955	136	68,906
Balance at January 1, 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	3,784	2,323	-	-	6,107
Write-offs (collective)	(5,882)	(3,260)	-	-	(9,142)
Balance at December 31, 2016	**30,568**	**39,472**	**1,337**	**67**	**71,444**
Specific impairment	14,738	18,158	-	-	32,896
Collective impairment	15,830	21,314	1,337	67	38,548

* 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 account.

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 1, 2017	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
Additional impairment for the year (see note 8)	30,748	63,502	925	69	95,244
Specific impairment	20,109	37,262	-	-	57,371
Collective impairment	10,639	26,240	925	69	37,873
Write-offs (Specific)	(3,694)	(2,841)	-	-	(6,535)
Write-offs (Collective)	(5,292)	(1,597)	(307)	-	(7,196)
Balance at December 31, 2017	**44,007**	**90,507**	**1,955**	**136**	**136,605**
Specific impairment	23,893	44,550	-	-	68,443
Collective impairment	20,114	45,957	1,955	136	68,162
Balance at January 1, 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	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 December 31, 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

* 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 account.

	Group		Bank	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
Advances under finance lease				
Gross investment	3,698	5,896	3,688	5,728
Less: Unearned income	(30)	(106)	(23)	(106)
Net Investment	3,668	5,790	3,665	5,622
The net investment may be analysed as follows:				
Later than 1 year and no later than 5 years	3,668	5,790	3,665	5,622
	3,668	**5,790**	**3,665**	**5,622**
Reconciliation of gross investment to minimum lease rental payments				
Gross investment	3,698	5,843	3,688	5,675
Less: Unearned income	(30)	(53)	(23)	(53)
Net Investment	3,668	5,790	3,665	5,622
Impairment on leases	(136)	(67)	(136)	(67)
Present value of minimum lease payments	**3,532**	**5,723**	**3,529**	**5,555**
The nature of security in respect of loans and advances is as follows:				
Secured against real estate	89,553	98,000	88,648	95,990
Secured by shares of quoted companies	25,276	52,333	25,217	52,332
Cash collateral, lien over fixed and floating assets.	1,234,199	1,180,353	1,222,121	1,157,333
Unsecured	903,144	1,030,123	781,083	887,569
	2,252,172	**2,360,809**	**2,117,069**	**2,193,224**

21. Investment securities

	Group		Bank	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
(a) Analysis of investments				
Debt securities (measured at amortised cost)	284,584	173,124	71,447	92,268
Debt securities (measured at fair value through profit or loss)	32,266	9,702	32,266	9,702
Equity securities (measured at fair value through other comprehensive income)	14,101	16,652	14,101	16,652
	330,951	**199,478**	**117,814**	**118,622**
Classified as:				
Non-current	330,951	199,478	117,814	118,622
	330,951	**199,478**	**117,814**	**118,622**

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.

In millions of Naira

(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 1, 2017	9,702	173,124	16,652	199,478
Exchange differences	-	952	-	952
Additions	22,196	171,908	-	194,104
Disposals	-	(75,541)	-	(75,541)
Gains from changes in fair value recognised in profit or loss	368	-	-	368
Gains from changes in fair value recognised in other comprehensive income	-	-	(2,551)	(2,551)
Interest accrued	-	26,684	-	26,684
Coupon interest received	-	(12,543)	-	(12,543)
At December 31, 2017	**32,266**	**284,584**	**14,101**	**330,951**
At January 1, 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 (Note11)	(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 December 31, 2016	**9,702**	**173,124**	**16,652**	**199,478**

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

In millions of Naira

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 1, 2017	9,702	92,268	16,652	118,622
Additions	22,196	72,942	-	95,138
Disposals	-	(95,432)	-	(95,432)
Gains from changes in fair value recognised in profit or loss (Note 11)	368	-	-	368
Gains from changes in fair value recognised in other comprehensive income	-	-	(2,551)	(2,551)
Interest accrued	-	11,211	-	11,211
Coupon interest received	-	(9,542)	-	(9,542)
At December 31, 2017	**32,266**	**71,447**	**14,101**	**117,814**
At January 1, 2016	6,707	134,002	10,015	150,724
Additions	9,702	52,351	1	62,054
Disposals (sale and redemption)	(6,379)	(101,739)	-	(108,118)
Gains from changes in fair value recognised in profit or loss (Note 11)	(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 December 31, 2016	**9,702**	**92,268**	**16,652**	**118,622**

In millions of Naira

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-17 Ownership interest %	31-Dec-17	31-Dec-16
		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
Zenith Nominee Limited	99.0000	1,000	-
		34,003	33,003

All investments in subsidiaries are non-current.

In millions of Naira

22. Investment in subsidiaries (continued)

(b) Condensed results of consolidated entities

December 31, 2017	Zenith Group	Elimination entries	Zenith Bank Plc	Zenith Bank Ghana	Zenith Bank UK	Zenith Bank SierraLeone	Zenith Bank Gambia	Zenith Pension Custodian	Zenith Nominee Limited
Condensed statement of profit or loss									
Operating income	745,189	(6,806)	673,636	49,008	14,204	2,908	1,906	10,333	-
Operating expenses	(443,501)	2,412	(404,829)	(29,910)	(7,100)	(1,772)	(1,001)	(1,301)	-
Inpairment charge for financial assets	(98,227)	-	(95,244)	(555)	(2,403)	-	(2)	(23)	-
Profit before tax	203,461	(4,394)	173,563	18,543	4,701	1,136	903	9,009	-
Taxation	(25,528)	-	(16,418)	(5,334)	(1,035)	-	(268)	(2,473)	-
Profit for the year	**177,933**	**(4,394)**	**157,145**	**13,209**	**3,666**	**1,136**	**635**	**6,536**	**-**
Condensed statement of financial position									
Assets									
Cash and balances with central banks	957,663	-	907,265	45,525	14	1,866	1,959	34	1,000
Treasury bills	936,817	-	799,992	118,890	-	10,624	7,311	-	-
Assets pledged as collateral	468,010	-	468,010	-	-	-	-	-	-
Due from other banks	495,803	(145,193)	273,331	91,263	252,607	4,054	1,198	18,543	-
Derivative asset held for risk management	57,219	-	57,219	-	-	-	-	-	-
Loans and advances	2,100,362	-	1,980,464	72,319	46,237	335	948	59	-
Investment securities	330,951	-	117,814	1,721	210,360	-	731	325	-
Investment in subsidiaries	-	(34,003)	34,003	-	-	-	-	-	-
Deferred tax asset	9,561	-	9,197	51	61	252	-	-	-
Other assets	92,494	(10,140)	56,052	935	44,086	252	144	1,165	-
Property and equipment	133,384	-	118,223	13,563	393	463	395	347	-
Intangible assets	12,989	-	12,088	171	329	41	97	263	-
	5,595,253	**(189,336)**	**4,833,658**	**344,438**	**554,087**	**17,887**	**12,783**	**20,736**	**1,000**

In millions of Naira

22. Investment in subsidiaries (continued)

December 31, 2017	Zenith Group	Elimination entries	Zenith Bank Plc	Zenith Bank Ghana	Zenith Bank UK	Zenith Bank SierraLeone	Zenith Bank Gambia	Zenith Pension Custodian	Zenith Nominee Limited
Liabilities & Equity									
Customer deposits	3,437,915	(238)	2,744,525	279,431	391,809	14,600	7,788	-	-
Derivative liabilities	20,805	-	20,805	-	-	-	-	-	-
Current income tax	8,915	-	6,069	113	-	-	199	2,534	-
Deferred income tax liabilities	18	-	-	-	-	-	5	13	-
Other liabilities	233,481	(92,615)	219,790	9,984	94,573	27	1,233	489	-
On-lending facilities	383,034	-	383,034	-	-	-	-	-	-
Borrowings	356,496	(62,483)	418,979	-	-	-	-	-	-
Debt securities issued	332,931	-	332,931	-	-	-	-	-	-
Equity and reserves	821,658	(34,001)	707,525	54,910	67,705	3,260	3,557	17,702	1,000
	5,595,253	**(189,337)**	**4,833,658**	**344,438**	**554,087**	**17,887**	**12,782**	**20,738**	**1,000**
Condensed cash flow									
Net cash (used in)/from operating activities	(443)	283,817	(255,750)	(6,729)	(22,817)	(263)	(1,195)	2,494	-
Net cash (used in)/from financing activities	235,378	(19,579)	268,165	(9,028)	-	-	(180)	(4,000)	-
Net cash (used in)/from investing activities	(49,336)	(22,560)	(45,262)	19,358	(2,575)	(89)	(46)	1,838	-
Increase / decrease in cash and cash equivalents	**185,599**	**241,678**	**(32,847)**	**3,601**	**(25,392)**	**(352)**	**(1,421)**	**332**	**-**
Cash and cash equivalents									
At start of year	727,399	68,695	566,358	35,791	57,996	(352)	(1,421)	332	-
Exchange rate movements on cash and cash equivalents	3,344	3,344	-	-	-	-	-	-	-
At end of year	916,342	313,717	533,511	39,392	32,604	(704)	(2,842)	664	-
Increase / decrease in cash and cash equivalents	**185,599**	**241,678**	**(32,847)**	**3,601**	**(25,392)**	**(352)**	**(1,421)**	**332**	**-**

In millions of Naira

22. Investment in subsidiaries (continued)

December 31, 2016	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	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)
Impairment 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 for the period	**129,652**	**(4,723)**	**119,285**	**9,327**	**528**	**772**	**630**	**3,833**

December 31, 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 financial position								
Assets								
Cash and balances with central banks	669,058	-	627,385	36,355	10	3,359	1,881	68
Treasury bills	557,359	-	463,787	74,262	-	11,159	8,151	-
Assets pledged as collateral	328,343	-	325,575	2,768	-	-	-	-
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	-	2,138,132	81,102	67,971	831	1,318	11
Investment securities	199,478	(731)	118,622	97	80,459	-	731	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	-	3,903	179	169	39	108	247
	4,739,825	**(249,153)**	**4,283,736**	**247,743**	**402,870**	**23,219**	**13,720**	**17,690**

In millions of Naira

22. Investment in subsidiaries (continued)

December 31, 2016	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	2,983,621	(348)	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	208,680	(182,716)	243,736	11,935	133,947	144	999	635
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	(32,601)	616,353	41,027	58,771	2,728	3,023	15,164
	4,739,825	**(245,361)**	**4,283,736**	**247,743**	**402,869**	**23,213**	**12,988**	**17,690**
Condensed cash flow								
Net cash from operating activities	(1,660)	131,767	(104,917)	(6,729)	(22,817)	(263)	(1,195)	2,494
Net cash from financing activities	11,896	(7,239)	32,343	(9,028)	-	-	(180)	(4,000)
Net cash from investing activities	(28,554)	(22,597)	(24,443)	19,358	(2,575)	(89)	(46)	1,838
Decrease/Increase 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 start of year	727,399	57,802	566,358	35,791	57,996	7,007	2,079	366
Decrease/Increase 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)

Apart from Zenith Bank Pensions Custodian Limited and Zenith Nominees Limited, which are 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 March 1, 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 December 7, 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 February 17, 2006 and commenced operations on March 30, 2007.

Zenith Bank (Sierra Leone) Limited provides corporate and retail banking services. It was incorporated in Sierra Leone on September 17, 2007 and granted an operating license by the Bank of Sierra Leone on September 10, 2008. It commenced banking operations on September 15, 2008. The test for impairment on this subsidiary indicated that it is not impaired.

Zenith Bank (Gambia) Limited provides corporate and retail banking services. It was incorporated in The Gambia on October 24, 2008 and granted an operating licence by the Central Bank of Gambia on December 30, 2009. It commenced banking operations on January 18, 2010.

Zenith Nominees Limited provides nominees, trustees, administrators and executorship services.

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.

Investment in associates:

The Group's investments under the Small and Medium Enterprises Equity Investment Scheme ("SMEEIS") is in compliance with the Policy Guidelines for 2001 Fiscal Year (Monetary Policy Circular No. 35). The Group generally holds 20 percent or more of the voting power of the investee and is therefore presumed to have significant influence over the investee. In instances where the Group holds less than 20 percent of the voting power of the investee, the Group concluded that it has significant influence due to the Group's representation on the Board of the relevant investee, with such Board generally limited to a small number of Board members.

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.

	Group		Bank	
	31-Dec-17	**31-Dec-16**	**31-Dec-17**	**31-Dec-16**
Gross investment	1,312	1,312	1,312	1,312
Share of profit b/f	440	440	-	-
Diminution in investment	(1,752)	(1,752)	(1,312)	(1,312)
Balance at end of the year	-	-	-	-

In millions of Naira

23. Deferred tax asset

Group

December 31, 2017
Assets

Movements in temporary differences during the period	01-Jan-17	Recognised in profit or loss	31-Dec-17
Property and equipment	(7,036)	(4,951)	(11,987)
Other assets	-	(2)	(2)
Unutilized capital allowances	2,168	12,514	14,682
Allowances for loan losses	11,246	(6,414)	4,832
Tax loss carry forward	-	1,926	1,926
Foreign exchange differences	62	48	110
	6,440	3,121	9,561

Liabilities

Movements in temporary differences during the period	01-Jan-17	Recognised in profit or loss	31-Dec-17
Property and equipment	37	(35)	2
Allowances for loan losses	8	8	16
	45	(27)	18

December 31, 2016
Assets:

Movements in temporary differences during the year	01-Jan-16	Recognised in profit or loss	31 Dec, 2016
Property and equipment	(4,662)	(2,374)	(7,036)
Other assets	2	(2)	-
Allowances for loan losses	6,356	4,890	11,246
Unutilized capital allowances	3,905	(1,737)	2,168
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	Recognised in profit or loss	31 Dec, 2016
Property and equipment	11	26	37
Allowances for loan losses	8	-	8
	19	**26**	45

In millions of Naira

23. Deferred tax asset (continued)

Bank

December 31, 2017

Assets

Movements in temporary differences during the period	**01-Jan-17**	**Recognised in profit or loss**	**31-Dec-17**
Property and equipment	(7,373)	(4,951)	(12,324)
Allowances for loan losses	11,246	(6,334)	4,912
Unutilized capital allowances	2,168	12,515	14,683
Tax loss carried forward	-	1,926	1,926
	6,041	**3,156**	**9,197**

December 31, 2016

Movements in temporary differences during the year:	**1 January**	**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
Unutilised capital allowance	3,905	(1,737)	2,168
	5,131	**910**	**6,041**

During the period, the Bank realised deferred tax credit of N18.7 Billion, which principally arose from allowable loss, un-utilized capital allowance and collective impairment on loans. Based on projected future taxable profits, expected growth of unutilised capital allowance and collective loan impairment balances, the Bank has determined that only N3.2 Billion of the computed deferred tax credit can be recovered in the foreseeable future. Therefore, the deferred tax credit recognized in these financial statements has been restricted to N3.2 Billion, resulting in total deferred tax asset of N9.2 Billion as at 31 December 2017. The Bank will continue to assess the recoverability of its deferred tax assets, and to ensure that only amount considered recoverable are recognised in the books and presented in the statement of financial position.

All deferred tax are non current.

24. Other assets

	Group		**Bank**	
	31-Dec-17	**31-Dec-16**	**31-Dec-17**	**31-Dec-16**
Non financial assets				
Prepayments	15,166	14,759	13,300	13,075
Other financial assets				
Electronic card related receivables	37,397	10,533	35,462	8,207
Intercompany receivables	-	-	1,075	929
Deposit for investment in AGSMEIS	5,964	-	5,964	-
Receivables	39,215	17,498	4,849	17,797
Deposits for shares	-	-	650	650
Gross other financial assets	82,576	28,031	48,000	27,583
Less: Specific impairment	(5,248)	(5,254)	(5,248)	(5,248)
Net other financial assets	77,328	22,777	42,752	22,335
Total other assets	**92,494**	**37,536**	**56,052**	**35,410**

Deposit for investment in AGSMEIS represents funds deposited with the CBN for future equity investments in agricultural, small and medium enterprises in line with the CBN directives (See note 34(e)).

24. Other assets (continued)

	Group		Bank	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
Classified as:				
Current	92,494	37,536	56,052	35,410
Non-current	-	-	-	-
	92,494	**37,536**	**56,052**	**35,410**
Movement in specific impairment:				
At start of the year	5,254	4,970	5,248	4,970
Charge for the year (see note 8)	23	284	-	278
Amounts written off	(29)	-	-	-
At end of the year	**5,248**	**5,254**	**5,248**	**5,248**

In millions of Naira

25. Property and equipment

Group

	Leasehold land	Buildings	Leasehold improvements	Furniture and fittings and equipment	Computer equipment	Aircraft	Motor Vehicles	Work in progress	Total
Cost									
At the start of the year	25,015	35,030	16,084	52,398	26,667	-	18,473	27,039	200,706
Additions	1,250	5,605	1,988	16,013	1,901	12,600	1,036	1,490	41,883
Reclassification/transfer from WIP	4,208	5,659	65	225	64	-	35	(13,584)	(3,328)
Reclassifications	2	(56)	(43)	128	(31)	-	-	-	-
Disposals	(49)	(63)	(7)	(432)	(114)	-	(958)	(7)	(1,630)
Write off against cost (See note (i) below)	(1,949)	-	-	-	-	-	-	-	(1,949)
Foreign exchange movements	(1)	703	(78)	133	349	-	133	238	1,477
At the end of the year	**28,476**	**46,878**	**18,009**	**68,465**	**28,836**	**12,600**	**18,719**	**15,176**	**237,159**

	Leasehold land	Buildings	Leasehold improvements	Furniture and fittings and equipment	Computer equipment	Aircraft	Motor Vehicle	Work in progress	Total
Accumulated Depreciation									
At the start of the year	1,949	4,723	13,604	38,602	23,943	-	12,601	-	95,422
Charge for the year	-	808	888	6,247	2,085	210	2,190	-	12,428
Reclassifications	-	(2)	(10)	31	(19)	-	-	-	-
Disposals	-	(13)	(7)	(408)	(114)	-	(904)	-	(1,446)
Write off against cost (See Note (i) below)	(1,949)	-	-	-	-	-	-	-	(1,949)
Foreign exchange movements	-	(6)	20	(323)	(376)	-	5	-	(680)
At the end of the year	**-**	**5,510**	**14,495**	**44,149**	**25,519**	**210**	**13,892**	**-**	**103,775**
Net book amount									
At December 31, 2017	28,476	41,368	3,514	24,316	3,317	12,390	4,827	15,176	133,384
At December 31, 2016	23,066	30,307	2,480	13,796	2,724	-	5,872	27,039	105,284

There were no impairment losses on any class of property and equipment during the year (December 31, 2016 :Nil)

There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (December 31, 2016:Nil).

25. Property and equipment (continued)

All property and equipment are non-current. The reclassification balance of N3,329 million represents reclassification of software from WIP to intangible assets (31 December, 2016: N459 million).

During the year, the Group acquired an aircraft under a finance lease arrangement. The lease agreement provides the Group first refusal rights to purchase the aircraft after expiration of the lease. At December 31, 2017 the net carrying amount of the leased aircraft was N12.39 billion (December 31, 2016: Nil)

In millions of Naira

25. Property and equipment (continued)

Bank

	Leasehold land	Buildings	Leasehold improvements	Furniture fittings and equipment	Computer Equipment	Aircraft	Motor Vehicle	Work in progress (WIP)	Total
Cost									
At the start of the year	25,014	34,671	13,862	50,280	25,248	-	16,933	18,963	184,971
Additions	1,250	3,757	1,903	15,363	911	12,600	906	1,490	38,180
Reclassification/transfer from WIP	4,208	506	65	225	64	-	35	(8,431)	(3,328)
Reclassifications	2	(56)	(43)	128	(31)	-	-	-	-
Disposals	(49)	(63)	(7)	(432)	(114)	-	(958)	(7)	(1,630)
Write off against cost (See Note (i) below)	(1,949)	-	-	-	-	-	-	-	(1,949)
At the end of the year	**28,476**	**38,815**	**15,780**	**65,564**	**26,078**	**12,600**	**16,916**	**12,015**	**216,244**

Accumulated depreciation

	Leasehold land	Buildings	Leasehold improvements	Furniture fittings and equipment	Computer equipment	Aircraft	Motor vehicle	Work in progress (WIP)	Total
At the start of the year	1,949	4,689	12,258	37,099	22,747	-	11,616	-	90,358
Charge for the year	-	717	870	5,758	1,385	210	2,119	-	11,059
Reclassifications	-	(3)	(10)	31	(19)	-	-	-	(1)
Disposals	-	(13)	(7)	(408)	(114)	-	(904)	-	(1,446)
Write off against cost (See Note (i) below)	(1,949)	-	-	-	-	-	-	-	(1,949)
At the end of the year	**-**	**5,390**	**13,111**	**42,480**	**23,999**	**210**	**12,831**	**-**	**98,021**
Net book amount									
At December 31, 2017	28,476	33,425	2,669	23,084	2,079	12,390	4,085	12,015	118,223
At December 31, 2016	23,065	29,982	1,604	13,181	2,501	-	5,317	18,963	94,613

(i) During the year, the Group reviewed the estimated useful life of its leasehold land as unlimited on the basis that it is reasonably certain that the lessors (state governments), will renew the lease upon expiration and that the substance of the lease is that the Group has ownership of the land, not a right to use the land for a predefined period. Consequently, the Group has discontinued depreciation of the leasehold land.

There were no impairment losses on any class of property and equipment during the year (December 31, 2016 :Nil)

25. Property and equipment (continued)

There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (December 31, 2016:Nil).

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

The reclassification balance of N3,328 million represents reclassification of software from WIP to intangible assets (December 31, 2016: N459 million).

During the year, the Group acquired an aircraft under a finance lease arrangement. The lease agreement provides the Group first refusal rights to purchase the aircraft after expiration of the lease. At December 31, 2017 the net carrying amount of the leased aircraft was N12.39 billion (December 31, 2016: Nil)

	Group		Bank	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16

26. Intangible assets

Computer software

Cost				
At start of the year	11,998	8,761	9,761	7,236
Exchange difference	79	410	-	-
WIP (Reclassification)	3,328	460	3,328	459
Disposal	-	(50)	-	-
WIP (Additions)	6,228	2,417	6,228	2,066
Additions	466	-	60	-
At end of the year	**22,099**	**11,998**	**19,377**	**9,761**
Accumulated amortization				
At start of the year	7,353	5,521	5,858	4,483
Exchange difference	126	442	-	-
Disposal	-	(45)	-	-
Charge for the year	1,631	1,435	1,431	1,375
At the end of the year	**9,110**	**7,353**	**7,289**	**5,858**
Carrying amount at end of the year	**12,989**	**4,645**	**12,088**	**3,903**

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 N3.3 billion represents reclassification from WIP to intangible assets (31 December, 2016: N0.46 billion). Amortization is not charged on WIP (reclassification and additions).

27. Customers' deposits

Demand	1,812,843	1,463,144	1,337,839	1,215,533
Savings	383,045	358,951	339,488	285,250
Term	572,461	555,547	460,484	502,418
Domiciliary	669,566	605,979	606,714	549,762
	3,437,915	**2,983,621**	**2,744,525**	**2,552,963**
Classified as:				
Current	3,437,915	2,983,621	2,744,525	2,552,963
	3,437,915	**2,983,621**	**2,744,525**	**2,552,963**

	Group		Bank	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16

28. Other liabilities

Other financial liabilities				
Customer deposits for letters of credit	69,308	104,631	69,163	104,530
Settlement payables	25,296	35,962	25,198	35,898
Managers' cheques	17,670	13,724	16,904	12,952
Due to banks for clean letters of credit	47,719	9,720	47,719	57,077
Deferred income on financial guarantee contracts	654	906	654	906
Sales and other collections	29,174	11,594	29,174	11,594
Unclaimed dividend	3,521	2,932	3,521	2,932
Finance lease obligation	12,049	-	12,049	-
Electronic card related payables	1,687	1,580	1,505	1,458
Customer's foreign transactions payables	9,026	6,914	6,417	3,827
Total other financial liabilities	216,104	187,963	212,304	231,174
Non financial liabilities				
Provision for claims (see note (a) below)	-	8,404	-	8,404
Tax collections	3,604	2,495	3,416	2,358
Other payables	13,773	9,818	4,070	1,800
Total other non financial liabilities	17,377	20,717	7,486	12,562
Total other liabilities	**233,481**	**208,680**	**219,790**	**243,736**

Classified as:

Current	233,481	208,680	219,790	243,736

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	8,404	9,766	8,404	9,766
Charge for the year	-	-	-	-
Amount reversed during the year (See Note 10)	(8,404)	(1,362)	(8,404)	(1,362)
At end of the year	**-**	**8,404**	**-**	**8,404**

(b) Finance lease obligation

The lease obligation relates to an Aircraft held under a finance lease arrangement. The net carrying amount of the assets, included within property and equipment is N12,390,000.00

The future minimum lease payments extend over a number of years. This is analysed as follows:

Not more than one year	2,760	-	2,760	-
Over one year but less than five years	23,927	-	23,927	-
Less future finance charges	(14,638)	-	(14,638)	-
At end of the year	**12,049**	**-**	**12,049**	**-**

The present value of finance lease liabilities is as follows:

Not more than one year	848	-	848	-
Over one year but less than five years	11,201	-	11,201	-
At end of the year	**12,049**	**-**	**12,049**	**-**

	Group		Bank	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16

29. On-lending facilities

	Group 31-Dec-17	Group 31-Dec-16	Bank 31-Dec-17	Bank 31-Dec-16
(a) This comprises:				
Central Bank of Nigeria (CBN) Commercial Agriculture Credit Scheme Loan (i)	57,515	40,908	57,515	40,908
Bank of Industry (BOI) Intervention Loan (ii)	49,375	53,919	49,375	53,919
Central Bank of Nigeria (CBN) / Bank of Industry(BOI) - Power & Aviation intervention Funds (iii)	7,661	9,476	7,661	9,476
CBN MSMEDF Deposit (iv)	4,011	1,665	4,011	1,665
FGN SBS Intervention Fund (v)	142,999	147,170	142,999	147,170
Excess Crude Loan Facilty Deposit (vi)	92,812	97,519	92,812	97,519
Real Sector Support Facility (vii)	28,661	-	28,661	-
	383,034	**350,657**	**383,034**	**350,657**
Classified as:				
Current	-	-	-	-
Non-current	383,034	350,657	383,034	350,657
	383,034	**350,657**	**383,034**	**350,657**
(b) Movement in on-lending facilities				
At beginning of the period	350,657	286,881	350,657	286,881
Addition during the period	34,839	70,934	34,839	70,934
Repayment during the period	(2,462)	(7,158)	(2,462)	(7,158)
At end of the year	**383,034**	**350,657**	**383,034**	**350,657**

(i) The fund received under the Central Bank of Nigeria (CBN) Commercial Agriculture Credit Scheme represents 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 and will expire in 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 N50.41 billion (December 31, 2016: N61.66 billion). The maximum tenor for term loans 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 is 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.

(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's focus on the sectors. The facility is secured by Irrevocable Standing Payment Order (ISPO). The maximum tenor for term loans under the programme is 15 years while the tenor for working capital is one year, with option to renew the facility 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 established to support the channelling of 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 obligated to on-lend to SMEs at 9% per annum. The maximum tenor is 5 years while the tenor for working capital is 1 year.

	Group		Bank	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16

(v) The Salary Bailout Scheme was approved by the Federal Government to assist State Governments in the settlement of outstanding salaries owed their workers. Funds are disbursed to Banks nominated by beneficiary States at 2% for on-lending to the beneficiary states at 9%. The loans have a tenor of 20 years. Repayments are 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 N10 billion to each State with a tenor of 10-years priced at 9% per annum interest rate to the beneficiaries. Repayments are deducted at source, by the Accountant General of the Federation, as a first line charge against each beneficiary state's monthly statutory allocation.

(vii) The Real Sector Support Facility (RSSF): The Central Bank of Nigeria, as part of the efforts to unlock the potential of the real sector to engender output growth, productivity and job creation has established a N300 billion Real Sector Support Facility (RSSF). The Facility will be large enterprises for startups and expansion financing needs of N500 million up to a maximum of N10.0 billion. The activities targeted by the Facility are manufacturing, agricultural value chain and selected service sub-sectors. The fund from the CBN at 2%, and then disburses the funds to the manufacturers at 9% interest rate.

30. Borrowings

	Group 31-Dec-17	Group 31-Dec-16	Bank 31-Dec-17	Bank 31-Dec-16
Long term borrowing comprise:				
Due to ADB (i)	37,115	38,924	37,115	38,924
Due to KEXIM (ii)	5,861	4,066	5,861	4,066
Due to EIB (iii)	4,628	6,370	4,628	6,370
Due to PROPARCO (iv)	14,253	17,205	14,253	17,205
Due to AFC (v)	17,307	-	17,307	-
Due to ABSA Bank (vi)	50,310	45,985	50,310	45,985
Due to J P Morgan Chase Bank (vii)	33,198	22,908	33,198	22,908
Due to Standard Bank London (viii)	58,993	71,541	58,993	71,541
Due to First Rand Bank (x)	-	5,114	-	5,114
Due to Standard Bank South Africa (ix)	66,723	-	66,723	-
Due to IFC (x)	28,116	31,016	28,116	31,016
Due to First Abu Dhabi Bank (xi)	33,313	-	33,313	-
Due to Citi Global Markets	-	15,362	-	15,362
Due to British Arab Bank (xii)	6,679	4,615	6,679	4,615
Due to Zenith Bank (UK) (xiii)	-	-	8,313	7,670
Due to Zenith Bank Ghana (xiv)	-	-	54,170	22,026
	356,496	**263,106**	**418,979**	**292,802**

The Group has not defaulted in the payment of principal or interest neither has the Group been in breach of any covenant relating to the liabilities during the period (December 31, 2016: nil).

	Group 31-Dec-17	Group 31-Dec-16	Bank 31-Dec-17	Bank 31-Dec-16
Classified as:				
Current	-	199,287	-	199,287
Non-current	356,496	63,819	418,979	93,515
	356,496	**263,106**	**418,979**	**292,802**

	Group 31-Dec-17	Group 31-Dec-16	Bank 31-Dec-17	Bank 31-Dec-16
Movement in borrowings				
At beginning of the year	263,106	258,862	292,802	268,111
Addition during the year	102,373	82,017	193,088	104,043
Repayment during the year	(8,983)	(77,773)	(66,911)	(79,352)
At end of the year	**356,496**	**263,106**	**418,979**	**292,802**

(i) Due to ADB

The amount due to African Development Bank (ADB) of N37.12billion (US $112.08million) represents the outstanding balance from a dollar term loan facility to the tune of US $125 million granted by ADB on September 2014. The facility is repayable over 7 years. Interest is payable half-yearly at the rate of 6 months LIBOR + 3.6% per annum. The outstanding balance of N37.12billion (US $112.08million) will mature in February 2021.

	Group		Bank	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16

(ii) Due to KEXIM

The amount of N5.86billion (US $17.70million) represents the outstanding balance from eight short term loan facilities of US $4.8 million, US $3million, US $3.6million, US $3.2million, US $3 million, US $5.08million, US $6 million and US $3.12 million granted by The Export-Import Bank of Korea (KEXIM) in November, October, March, April, May, June, August and September 2017. Interest is payable monthly at 3 month LIBOR+ 1.8% (for US $4.8million), 3 month LIBOR+1.74% (for US $3million, US $6 million and US $3.12 million), 3 months LIBOR+ 1.7% (for US $3.6million, US $3 million, US $ 5.08 million) and 3 months LIBOR +1.73% (for US $3.2million).

The outstanding balances are N1.46billion (US $4.4million), N827.90million (US $2.5million), N119.22million (US $0.36million), N211.94million (US $0.64million), N298.04million (US $0.9million), N844.46 million (US $2.55 million), N1.32 billion (US $4 million) and N774.91million (US $2.34 million) respectively. Final repayments on these facilities are due in November, October, January, February, March, April, August and September 2018 respectively.

(iii) Due to European Investment Bank

The amount due to European Investment Bank (EIB) of N4.63 billion ($13.98 million) represents the outstanding balance from the a 6-year dollar facility of US $27.32 million, 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 outstanding balance of N4.63 billion ($13.98 million) from the facility will mature in July 2019.

(iv) Due to Proparco

The amount due to Propaco of N14.25billion (US $43.04million) represents the outstanding balance of two tranches of the credit facilities to the tune of US $25m and US $50m granted by Promotion et Participation pour la Coopération économique (PROPARCO) in February and December 2013 respectively. The facilities are priced at 6 months Libor+3.76% and 6 months 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. The outstanding balances for each facilities are N3.51 billion (US $10.59 million) and N10.74 (US $32.45) respectively.

(v) Due to AFC

The amount of N17.31 billion ($52.26 million) represents the outstanding balances on the dollar short-term facilities of US$ 50 million granted by AFC in April 2017. The facility is priced at 6.4% with a maturity date of April 2018. Interest is payable upon maturity for the facility.

(vi) Due to ABSA

The amount of N50.31billion (US $151.92million) represents the amount payable by the Bank on two dollar repurchase facilities of US$75 million each granted by ABSA in September 2017 and November 2017. Interest is payable on maturity at the rate of 3months Libor plus 4.25% on the first facility and 3 months' LIBOR plus 4.0% on the second facility. The first facility will mature in March 2018 and the other facility will mature in May 2018.

(vii) Due to JP Morgan

The amount due to JP Morgan Chase Bank of N14.94 billion (US $75.06 million) represents the outstanding balance of two tranches of dollar facilities in the sums of US $50 million and US $25 million . Both tranches are being rolled over on a monthly basis. The interest is payable at a rate of LIBOR +2.7 and + 2.5% per annum. The interest is payable at a rate of LIBOR +2.7 and + 2.5% per annum. The outstanding balance of US $50.03 million and US $25.03 million from the both facility will mature in 1 month time.

(viii) Due to Standard Bank London

The amount of N58.99 billion (US $178.14 million) represents the amount payable by the Bank from eight short term facilities of US $29.7 million, US $15 million, US $8.09 million, US $5.85 million, US $75 million, US $21.5 million, US $5 million and US $15.75 million granted by Standard Bank London in December 2017 (US $29.7 million, $8.09 million and US $15.75 million), November 2017 (US $15 million) June 2017 (US $5.85 million), August 2017 (US $75 million) and September 2017 (US $21.5 million and US $5 million) respectively.

Interest is payable upon maturity at 5.19% (US $29.70 million, US $8.09 million and US $15.75 million), 5.13% (US $15 million), 5.62% (US $5.85 million), 3 month LIBOR plus 4% (US $75 million), 5.25% (US $21.05 million) and 5.24% (US $5 million). The facilities will mature in May 2018 (US $29.7 million, $15 million, $8.09 million and US $15.75 million), March 2018 (US $5.85 million), August 2018 (US $75 million) and February 2018 (US $21.5 million and US $5 million) respectively.

(ix) Due to Standard Bank South Africa

The amount of N66.72 billion ($201.48 million) represents the outstanding balance on three dollar short-term facilities of US$ 75 million, US $50 million and US $ 75 million granted by Standard Bank of South Africa in April and September (for the last two facilities) 2017 respectively. The first facility is priced at 3 months LIBOR plus 5%, the second facility at 3 months LIBOR plus 4% and the third facility at 12 months LIBOR plus 5% with a maturity date of April, September and March 2018 respectively. Interest is payable quarterly on all the facilities.

(x) Due to IFC

The amount of N28.12 million (US $84.9million) represents the amount payable by the Bank from a term loan facility of US $100million granted by International Finance Corporation (IFC) in June 2015. Interest is payable semi annually at 6 months LIBOR plus 4.5% per annum and the facility will mature in September 2022. The facility has an outstanding principal balance of N27.60 billion (US $83.33million).

(xi) Due to First Abu Dhabi Bank

The amount of N33.31 billion ($100.60 million) represents the outstanding balance on two dollar short-term facilities of US$ 50 million each granted by FAB in August and September 2017 respectively. The first facility is priced at 4.71% and the second facility is priced at 3 months LIBOR plus 3.75% with a maturity date of August and September 2018 respectively. Interest is payable upon maturity for the first facility and quarterly on the second facility.

(xii) Due to British Arab Commercial Bank

The amount of N6.68billion ($20.17 million) represents the outstanding balance on a dollar short term facility of $20 million obtained from British Arab Bank in November 2017. It is priced at 5.59% with interest payable at maturity date of May 2018.

(xiii) Due to Zenith Bank UK

The amount N8.31 billion (US $25.1 million) represents a short dollar Term Loan from Zenith Bank UK granted in September 2017. It is priced at 6.0% with interest payable quarterly and principal payable at maturity date of September, 2018. This amount has been eliminated on consolidation.

(xiv) Due to Zenith Bank Ghana

The amount N54.17 billion ($163.58 million) represents the outstanding balance on nine short-term dollar facilities of US $40 million, US $20 million, US $10 million, US $ 10 million, US $9.71 million, US $11.08 million, US $8.49 million, US $10 million and US $40 million availed to the Bank by Zenith Bank Ghana in August 2017 ($40 million, $20 million, $10million, $10 million), May 2017 ($9.71 million and $8.49 million), March 2017 ($11.08 million), and June 2017 ($10 million and $40 million). The first four facilities are due to mature in August 2018 ($40 million, $20 million, $10 million and $10 million) while the others have maturities of March 2018, May 2018, June 2018 and December 2021 respectively. The facilities are priced at 7% for (US $40 million, US $20 million, US $10 million, US $ 10 million), 7.5% for the $9.71 million, $8.49 million and $10 million facility, 8.5% for the $11.08million and 6 months' LIBOR + 5.75% for the last facility (US $40 million). This amount has been eliminated on consolidation.

	Group		Bank	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16

31. Debt securities issued

Due to Euro bond holders	332,931	153,464	332,931	153,464
	332,931	**153,464**	**332,931**	**153,464**

The amount of N332.93 billion ($1 billion) represents the outstanding balance due on the two tranches of US $500 million Eurobond notes issued by Zenith Bank Plc in April 2014 and May 2017 with a maturity date of April 2019 and May 2022 respectively. Interest is priced at 6.25% for the first tranche and 7.375% for the second tranche; both payable semi-annually with a 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 year (December 31, 2016: Nil).

Movement in debt securities issued

At start of the year	153,464	99,818	153,464	99,818
Revaluation loss for the year	6,064	53,256	6,064	53,256
Additional issue	152,239	-	152,239	-
Contractual repayment	21,164	(9,539)	21,164	(9,539)
Accrued interest during the year	-	9,929	-	9,929
At end of the year	**332,931**	**153,464**	**332,931**	**153,464**

Classified as:				
Current	-	-	-	-
Non-current	332,931	153,464	332,931	153,464
	332,931	**153,464**	**332,931**	**153,464**

32. Derivative liabilities

Instrument types:

Forward contracts				
Fair value of liabilities	6,124	9,887	6,124	9,887
Futures contracts	-	-	-	-
Fair value of liabilities	14,681	56,947	14,681	56,947
	20,805	**66,834**	**20,805**	**66,834**

Classified as:				
Current	20,805	66,834	20,805	66,834
Non-current	-	-	-	-
	20,805	**66,834**	**20,805**	**66,834**

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 reference being made to similar transactions in the wholesale dealer market.

During the year, various forward contracts entered into by the Bank generated net gains of N68.70 billion (December 31, 2016 net gain of N20.08 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 N57.2 and N20.8 billion respectively (December 31, 2016 N82.9 and N66.8 billion respectively).

	Group		Bank	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16

33. Share capital

Authorised				
40,000,000,000 ordinary shares of 50k each (31 Dec 2016: 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 2016: 31,396,493,786)	15,698	15,698	15,698	15,698
Issued				
Ordinary	15,698	15,698	15,698	15,698
Share premium	255,047	255,047	255,047	255,047
	270,745	**270,745**	**270,745**	**270,745**

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

34. 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 represent undistributed profits, net of statutory appropriations attributable to the ordinary shareholders.

(d) Statutory reserve: This reserve represents the cumulative appropriation from general reserves/earnings in line with Nigerian banking regulations that require the Bank to make an annual appropriation in reference to specific rules. Section 16(1) of the Bank and Other Financial Institutions Act of 1991 (amended), stipulates that an appropriation of 30% of profit after tax be 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. In the current period, a total of N23,572 million representing 15% of Zenith Bank's profit after tax was appropriated.

(e) SMIEIS/AGSMIES reserves: This reserve represents the aggregate amount of appropriations from profit after tax to finance equity investments in compliance with the directives issued by the Central Bank of Nigeria (CBN) through its circulars dated July 11, 2006 (amended) and April 7, 2017 respectively.

The SMIEIS reserve was maintained in compliance with the Central Bank of Nigeria's 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 issued in July 2006, the contributions were 10% of profit after tax and were expected to continue after the first 5 years after which banks' contributions were to reduce to 5% of profit after tax.

In April 2017, the Central Bank of Nigeria issued guidelines to govern the operations of the Agriculture/Small and Medium Enterprises Scheme (AGSMIES), which was established to support the Federal Government's efforts at promoting agricultural businesses and Small and Medium Enterprises (SMEs) as vehicles for achieving sustainable economic development and employment generation.

While transfer to this reserve under the earlier directive is no longer mandatory, all Nigerian banks are now required to set aside an amount equal to 5% of their annual Profits After Tax (PAT) towards the funding of equity investments, which qualify under the AGSMIE Scheme.

During the year under review, the Bank was debited a total of N5.96 Billion by CBN so no amount was appropriated from retained earnings.

The small and medium scale industries equity investment scheme reserves are non-distributable.

(f) Fair reserve: Comprises fair value movements on equity instruments where the provision required per the prudential guidelines is higher.

(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: This reserve represents the cummulative difference between the loan loss provision determined per the Prudential Guidelines and the allowance/reserve for loan losses as determined in line with the principles of IAS 39. As at 31 December 2017, there was a reversal of N8.1 billion from the credit risk reserve to general reserve (31 December 2016: transfer of N8.1 billion). This reserve is not available for distribution to shareholders.

35. 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 N1.52 billion and N1.19 billion respectively (December 31, 2016: N3.52 billion and N2.97 billion).

36. Personnel expenses

Compensation for the staff are as follows:

	31-Dec-17	**31-Dec-16**	**31-Dec-17**	**31-Dec-16**
Salaries and wages	53,397	50,820	46,181	44,649
Other staff costs	7,107	4,982	6,340	4,901
Pension contribution	3,955	3,524	3,151	2,969
	64,459	**59,326**	**55,672**	**52,519**

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

	Number	**Number**	**Number**	**Number**
Executive directors	11	11	5	5
Management	428	442	380	403
Non-management	6,635	6,667	5,496	5,562
	7,074	**7,120**	**5,881**	**5,970**

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

	Number	**Number**	**Number**	**Number**
N300,001 - N2,000,000	869	811	472	472
N2,000,001 - N2,800,000	27	58	-	-
N2,800,001 - N4,000,000	779	787	759	759
N4,000,001 - N6,000,000	1,716	1,798	1,556	1,645
N6,000,001 - N8,000,000	1,223	1,225	1,009	1,009
N8,000,001 - N9,000,000	796	798	670	670
N9,000,001 - and above	1,664	1,643	1,415	1,415
	7,074	**7,120**	**5,881**	**5,970**

	Group		Bank	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16

36. Personnel expenses (continued)

(b) Directors' emoluments

The remuneration paid to directors are as follows:

	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
Executive compensation	773	403	305	169
Fees and sitting allowances	676	625	243	230
Retirement Benefit costs	30	29	3	5
	1,479	**1,057**	**551**	**404**

Fees and other emoluments disclosed above include amounts paid to:

	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
The chairman	52	52	34	34
The highest paid director	88	88	88	88

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	33	10	11

37. 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 December 31, 2017 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
Zenith Nominee Limited	100.00 %	1,000

In millions of Naira

December 31, 2017

Transactions and balances with subsidiaries In millions of naira	Receivable from	Payable to	Income received from	Expense paid to
Zenith Bank (UK) Limited	-	8,313	-	29
Zenith Bank (Ghana) Limited	880	54,170	-	-
Zenith Bank (Sierra leone) Limited	103	-	-	-
Zenith Bank (Gambia) Limited	92	-	-	-
Zenith Pensions Custodian Limited	-	239	-	3,058

December 31, 2016

Transactions and balances with subsidiaries In millions of naira	Receivable from	Payable to	Income received from	Income received from
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

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, 3.6 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 N748.54 billion and N713.66 billion respectively (December 31, 2016: N704.42 billion and N583.79 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-17	31-Dec-16	31-Dec-17	31-Dec-16
Executive compensation	773	403	305	169
Retirement benefit cost	30	625	3	230
Fees and sitting allowances	676	29	243	5
	1,479	**1,057**	**551**	**404**

Loans and advances	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
At start of the year	292	559	264	522
Repayment during the year	(93)	(267)	(39)	(258)
At end of of the year	**199**	**292**	**225**	**264**
Interest earned	15	29	15	26

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 (December 31, 2016: Nil) as they are performing. Mortgage loans amounting to N699 million (December 31, 2016: N715 million) are secured by the underlying assets. All other loans are unsecured.

In millions of Naira

December 31, 2017

Name of company	Relationship/ Name	Loans	Deposits	Interest received	Interest paid
Cyberspace Network	Common directorship /Jim Ovia	-	692	3	-
Quantum Fund Management *	Common directorship /Jim Ovia	-	64	-	-
Zenith General Insurance company Ltd	Common directorship/Jim Ovia	-	1,051	-	9
Zenith Trustees Ltd	Common directorship	-	1	-	1
Directors and relations	-	-	301	4	1
		-	**2,109**	**7**	**11**

31 December, 2016

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

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 (December 31, 2016: Nil).

During the year, Zenith Bank Plc paid N2,115 million as insurance premium to Zenith General Insurance Limited (December 31, 2016: N1,822 million). These expenses were reported as operating expenses.

The amount of N2,961.65 billion (December 31, 2016: N2,362.35 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.

The Bank entered into a finance lease contract in October 2017 with Oviation Limited. Oviation limited has two common Directors with Zenith Bank. The finance lease agreement has Zenith Bank as lessee for a Gulfstream jet over a tenor of 10 years with annual lease payments of 2.76 billion Naira. The lease transaction was conducted at arm’s length and the lease obligation as at year end 31 December 2017(Note 28b) was 12.05 billion (31 December 2016 – Nil)

The Bank paid N13,213 million (December 31, N6,799 million) to Cyberspace Network for various transactions during the year.

38. Contingent liabilities and commitments

(a) Legal proceedings

The Group is presently involved in 138 litigation suits in the ordinary course of business. The total amount claimed in the cases against the Group is estimated at N48.63 billion (December 31, 2016: N17.18 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.

38. Contingent liabilities and commitments (continued)
(b) Capital commitments

At the balance sheet date, the Group had capital commitments amounting to N5.72 billion (December 31, 2016: N6.50 billion) in respect of authorized and contracted capital projects.

(c) Confirmed credits and other obligations on behalf of customers

In the normal course of business the Group is a party to financial instruments with off-balance sheet risk. These instruments are issued to meet the credit and other financial requirements of customers. The contractual amounts of the off-balance sheet financial instruments are:

	Group		**Bank**	
	31-Dec-17	**31-Dec-16**	**31-Dec-17**	**31-Dec-16**
Performance bonds and guarantees	492,927	560,704	445,913	513,832
Usance	141,283	98,761	141,283	98,761
Letters of credit	381,917	311,681	287,645	215,839
Pension Funds (See Note (below))	2,961,650	2,362,349	2,961,650	2,362,349
	3,977,777	**3,333,495**	**3,836,491**	**3,190,781**

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 December 31, 2017, performance bonds and guarantees worth N86.3 billion (December 31, 2016: N560.7 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 N2,961.65 billion (December 31, 2016: N2,362.35 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. Dividend per share

	31-Dec-17	**31-Dec-16**	**31-Dec-17**	**31-Dec-16**
Dividend proposed	84,771	63,422	84,771	63,422
Number of shares in issue and ranking for dividend	31,396	31,396	31,396	31,396
Proposed dividend per share	270 k	202 k	270 k	202
Interim dividend paid	25 k	25 k	25 k	25 k
Final dividend per share proposed	245 k	177 k	245 k	177
Dividend paid during the year	55,572	48,664	55,572	48,664
Interim dividend paid during the year	7,850	7,850	7,850	7,850
Total dividend paid during the year	63,422	56,514	63,422	56,514

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 270 kobo per share (December 31, 2016: 202k) from the retained earnings account as at December 31, 2017. 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 December 31, 2017 and December 31, 2016 respectively.

Dividends are paid to shareholders net of withholding tax at the rate of 10% in compliance with extant tax laws.

40. Cash and cash equivalents

For the purposes of the statement of cash flow, cash and cash equivalents include cash and non-restricted balances with central banks, treasury bills maturing within three months, operating account balances with other banks, amounts due from other banks.

	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
Cash and cash balances with central bank (less mandatory reserve deposits)	310,549	140,874	260,180	99,378
Treasury bills (maturing within 3 months)	109,990	127,068	-	112,575
Due from other banks	495,803	459,457	273,331	354,405
	916,342	**727,399**	**533,511**	**566,358**

41. Compliance with banking regulations

During the year, there was no contraventions of the regulation of the Banks and Other Financial Institutions Act, 1991 by the Bank.

42. 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.

43. Comparatives

During the year, outsourcing service cost reporting to personnel expense were reclassified to operating expense,

Prior year comparatives for year ended December 31, 2016 have also been adjusted to reflect this principle,as presented in the notes below:

In millions of Naira	**Group**		**Bank**	
	31-Dec-17	**31-Dec-16**	**31-Dec-17**	**31-Dec-16**
(i) Personnel expense				
Amount previously reported	-	69,042	-	62,235
Reclassified to operating expense	-	(9,716)	-	(9,716)
Amount as restated	-	**59,326**	-	**52,519**
(ii) Operating expense				
Amount previously reported	-	94,365	-	84,402
Reclassified to operating expense	-	9,716	-	9,716
Amount as restated	-	**104,081**	-	**94,118**

	Group		Bank	
	2017	2016	2017	2016

44. Statement of cash flow workings

(i) Debt securities (see note 21)

December 31, 2017

	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	9,702	173,124	9,702	92,268
Gains from changes in fair value recognised in profit or loss (note 10)	368	-	368	-
Exchange differences	-	952	-	-
Additions	22,196	171,908	22,196	72,942
Disposals (sale and redemption)	-	(75,541)	-	(95,432)
Interest accrued	-	26,684	-	11,211
Coupon received	-	(12,543)	-	(9,542)
	32,266	**284,584**	**32,266**	**71,447**
Movement for cash flow statement	22,196	110,508	22,196	(20,821)
Recognised in Cashflow statement	-	(132,704)	-	(1,375)

December 31, 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	6,707	195,737	6,707	134,002
Gains/(losses) from changes in fair value recognised in other comprehensive income	(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**

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

December 31, 2017

	31-Dec-17	**31-Dec-16**	**31-Dec-17**	**31-Dec-16**
Treasury bills (Amortised cost)	389,161	482,978	252,336	389,406
Treasury bills (with 3 months maturity)	(109,990)	(127,068)	-	(112,575)
Changes	279,171	355,910	252,336	276,831
Recognised in Cashflow	**76,739**		**24,495**	

	Group		Bank	
	2017	2016	2017	2016
December 31, 2016				
	31-Dec-16	**31-Dec-15**	**31-Dec-16**	**31-Dec-15**
Treasury bills (Amortized 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)**	

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

December 31, 2017	**31-Dec-17**	**31-Dec-16**	**31-Dec-17**	**31-Dec-16**
Treasury bills (FVTPL)	547,656	74,381	547,656	74,381
Recognised in Cashflow	**(473,275)**		**(473,275)**	

December 31, 2016	**31-Dec-16**	**31-Dec-15**	**31-Dec-16**	**31-Dec-15**
Treasury bills (FVTPL)	74,381	53,698	74,381	53,698
Recognised in Cashflow	**(20,683)**		**(20,683)**	

(iv) Loans and advances (see note 20)

December 31, 2017	**31-Dec-17**	**31-Dec-16**	**31-Dec-17**	**31-Dec-16**
Gross loans and advances	2,252,172	2,360,809	2,117,069	2,193,224
Changes	108,637	-	76,155	-
Write-back (specific)	(6,535)	-	(6,535)	-
Write-back (collective)	(7,196)	-	(7,196)	-
	94,906	**-**	**62,424**	**-**

December 31, 2016	**31-Dec-16**	**31-Dec-15**	**31-Dec-16**	**31-Dec-15**
Gross loans and advances	2,360,809	2,032,256	2,193,224	1,884,941
Changes	(328,553)	-	(308,283)	-
Write-back	(9,142)	-	(6,551)	-
Interest receivables	39,147	-	31,027	-
	(298,548)	**-**	**(283,807)**	**-**

	Group		Bank	
	2017	2016	2017	2016

(v)Customer deposits

December 31, 2017

	31-Dec-17	**31-Dec-16**	**31-Dec-17**	**31-Dec-16**
As per financial statement	3,437,915	2,983,621	2,744,525	2,552,963
Changes	454,294	-	191,562	-
	454,294	**-**	**191,562**	**-**

December 31, 2016

	31-Dec-16	**31-Dec-15**	**31-Dec-16**	**31-Dec-15**
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**	**-**

(vi) Other liabilities (see note 29)

December 31, 2017

	31-Dec-17	**31-Dec-16**	**31-Dec-17**	**31-Dec-16**
As per statement of financial position	233,481	208,680	219,790	243,736
Changes	(24,801)	-	23,946	-
Vat payable	2,235	-	(1,814)	-
Net cash movement	**22,566**	**-**	**(22,132)**	**-**

December 31, 2016

	31-Dec-16	**31-Dec-15**	**31-Dec-16**	**31-Dec-15**
As per statement of financial position	208,680	205,062	243,736	212,636
Changes	(3,618)	-	(31,100)	-
Vat paid	(429)	-	(212)	-
Net cash movement	**4,047**	**-**	**31,312**	**-**

(vii) Profit on disposal of property and equipment

	31-Dec-17	**31-Dec-16**	**31-Dec-17**	**31-Dec-16**
Cost (see note 26)	1,630	2,278	1,630	1,795
Accummulated depreciation (see note 26)	(1,446)	(1,911)	(1,446)	(1,607)
Net book value	**184**	**367**	**184**	**188**
Sales proceed	241	603	206	360
Profit on Disposal (see note 10)	**57**	**236**	**22**	**172**

	Group		Bank	
	2017	2016	2017	2016

(viii) Proceed from sale of equity securities

	Group 31-Dec-17	Group 31-Dec-16	Bank 31-Dec-17	Bank 31-Dec-16
Cost of equity securities disposed (see note 21b)	-	681	-	-
Recognised in cash flow	**-**	**681**	**-**	**-**

(ix) Interest received

	Group 31-Dec-17	Group 31-Dec-16	Bank 31-Dec-17	Bank 31-Dec-16
Interest income as per financial statement	474,628	384,557	420,210	343,556
Interest receivables	-	(39,147)	-	(31,027)
Recognised in cash flow	**474,628**	**345,410**	**420,210**	**312,529**

(x) Interest paid

	Group 31-Dec-17	Group 31-Dec-16	Bank 31-Dec-17	Bank 31-Dec-16
Interest expense as per financial statement	216,637	144,378	200,672	131,910
Interest payables	-	(5,239)	-	(4,620)
Recognised in cash flow	**216,637**	**139,139**	**200,672**	**127,290**

(xi) Other assets

	Group 31-Dec-17	Group 31-Dec-16	Bank 31-Dec-17	Bank 31-Dec-16
Other assets	92,494	37,536	56,052	35,410
Changes	(54,958)	-	(20,642)	-
Charge for the year	(23)	-	-	-
Recognised in cash flow	**(54,981)**	**-**	**(20,642)**	**-**

	Group 31-Dec-16	Group 31-Dec-15	Bank 31-Dec-16	Bank 31-Dec-15
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)**	**-**

Other National Disclosures

ZENITH BANK PLC

Value Added Statement

	31-Dec-17	31-Dec-17 %	31-Dec-16	31-Dec-16 %
Group				
Gross income	745,189		507,997	
Interest expense				
- Local	**(194,873)**		**(127,237)**	
- Foreign	**(21,764)**		**(17,141)**	
	528,552		363,619	
Impairment loss on financial assets	(98,227)		(32,350)	
	430,325		331,269	
Bought-in materials and services				
- Local	(145,752)		(91,771)	
- Foreign	(2,594)		(2,594)	
Value added	**281,979**	**100**	**236,904**	**100**
Distribution				
Employees				
Salaries and benefits	64,459	23	69,042	29
Government				
Income tax	25,528	9	27,096	**11**
Retained in the Group				
Replacement of property and equipment / intangible assets	14,059	5	11,114	5
To pay proposed dividend	84,771	30	63,421	27
Profit for the year (including statutory, small scale industry, and non-controling interest)	93,162	33	66,231	28
Total Value Added	**281,979**	**100**	**236,904**	**100**

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

ZENITH BANK PLC

Value Added Statement

	31-Dec-17	31-Dec-17 %	31-Dec-16	31-Dec-16 %
Bank				
Gross income	673,636		454,808	
Interest expense				
- Local	**(198,078)**		**(129,316)**	
- Foreign	**(2,594)**		**(2,594)**	
	472,964		322,898	
Impairment loss on financial assets	(95,244)		(26,736)	
	377,720		296,162	
Bought-in materials and services				
- Local	(133,418)		(81,825)	
- Foreign	(2,577)		(2,577)	
Value added	**241,725**	**100**	**211,760**	**100**
Distribution				
Employees				
Salaries and benefits	**55,672**	**23**	**52,520**	**25**
Government				
Income tax	**16,418**	**7**	**20,642**	**10**
Retained in the Bank				
Replacement of property and equipment / intangible assets	12,490	5	10,039	5
To pay proposed dividend	84,771	35	63,421	29
Profit for the year (including statutory, and small scale industry)	72,374	30	65,138	30
Total Value Added	**241,725**	**100**	**211,760**	**100**

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

ZENITH BANK PLC

Five Year Financial Summary

	31-Dec-17	31-Dec-16	31-Dec-15	31-Dec-14	31-Dec-13
Group					
Statement of Financial Position					
Assets					
Cash and balances with central banks	957,663	669,058	761,561	752,580	603,851
Treasury bills	936,817	557,359	377,928	295,397	579,511
Assets pledged as collateral	468,010	328,343	265,051	151,746	6,930
Due from other banks	495,803	459,457	272,194	506,568	256,729
Derivative assets	57,219	82,860	8,481	17,408	2,681
Loans and advances	2,100,362	2,289,365	1,989,313	1,729,507	1,251,355
Assets classified as held for sale	-	-	-	-	30,454
Investment securities	330,951	199,478	213,141	200,079	303,125
Investments in associates	-	-	530	302	165
Deferred tax	9,561	6,440	5,607	6,449	749
Other assets	92,494	37,536	22,774	21,455	36,238
Property and equipment	133,384	105,284	87,022	71,571	69,410
Intangible assets	12,989	4,645	3,240	2,202	1,935
Total assets	**5,595,253**	**4,739,825**	**4,006,842**	**3,755,264**	**3,143,133**
Liabilities					
Customers deposits	3,437,915	2,983,621	2,557,884	2,537,311	2,276,755
Derivative liabilities	20,805	66,834	384	6,073	-
Current tax payable	8,915	8,953	3,579	10,042	7,017
Deferred income tax liabilities	18	45	19	-	678
Other liabilities	233,481	208,680	205,062	289,858	215,643
On-lending facilities	383,034	350,657	286,881	68,344	59,528
Borrowings	356,496	263,106	258,862	198,066	60,150
Liabilities classified as held for sale	-	-	-	-	14,111
Debt securities issued	332,931	153,464	99,818	92,932	-
Total liabilities	**4,773,595**	**4,035,360**	**3,412,489**	**3,202,626**	**2,633,882**
Net assets	**821,658**	**704,465**	**594,353**	**552,638**	**509,251**
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	365,757	267,008	200,115	183,396	161,144
Other Reserves	183,839	165,729	122,900	97,945	73,347
Attributable to equity holders of the parent	820,341	703,482	593,760	552,086	505,236
Non-controlling interest	1,317	983	593	552	4,015
Total shareholders' equity	**821,658**	**704,465**	**594,353**	**552,638**	**509,251**

ZENITH BANK PLC

Five Year Financial Summary

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	31-Dec-17	31-Dec-16	31-Dec-15	31-Dec-14	31-Dec-13
Gross earnings	745,189	507,997	432,535	403,343	351,470
Share of profit / (loss) of associates	-	-	228	138	118
Interest expense	(216,637)	(144,378)	(123,597)	(106,919)	(70,796)
Operating and direct expenses	(226,864)	(174,521)	(167,877)	(163,702)	(159,019)
Impairment charge for financial assets	(98,227)	(32,350)	(15,673)	(13,064)	(11,176)
Profit before taxation	**203,461**	**156,748**	**125,616**	**119,796**	**110,597**
Income tax	(25,528)	(27,096)	(19,953)	(20,341)	(15,279)
Profit after tax	**177,933**	**129,652**	**105,663**	**99,455**	**95,318**
Foreign currency translation differences	5,233	30,338	637	3,282	(2,070)
Fair value movements on equity instruments	(2,551)	6,636	(1,752)	2,549	324
Related tax	-	-	-	-	890
Effective portion of changes in fair value of cash flow hedges	-	-	-	(2,771)	2,771
Related tax	-	-	-	760	(760)
	2,682	**36,974**	**(1,115)**	**3,820**	**1,155**
Total comprehensive income	**180,615**	**166,626**	**104,548**	**103,275**	**96,473**
Earning per share:					
Basic and diluted	566 K	412 K	336 K	316 K	301 K

ZENITH BANK PLC

Five Year Financial Summary

	31-Dec-17	31-Dec-16	31-Dec-15	31-Dec-14	31-Dec-13
Bank					
Statement of Financial Position					
Assets					
Cash and balances with central banks	907,265	627,385	735,946	728,291	587,793
Treasury bills	799,992	463,787	330,900	253,414	565,668
Assets pledged as collateral	468,010	325,575	264,320	151,746	6,930
Due from other banks	273,331	354,405	266,894	470,139	249,524
Derivative assets	57,219	82,860	8,481	16,896	-
Loans and advances	1,980,464	2,138,132	1,849,225	1,580,250	1,126,559
Investment securities	117,814	118,622	150,724	92,832	212,523
Investments in subsidiaries	34,003	33,003	33,003	33,003	24,375
Investments in associates	-	-	90	90	90
Deferred tax	9,197	6,041	5,131	6,333	-
Other assets	56,052	35,410	21,673	19,393	31,415
Assets classified as held for sale	-	-	-	-	4,749
Property and equipment	118,223	94,613	81,187	69,531	67,364
Intangible assets	12,088	3,903	2,753	1,901	1,703
Total assets	**4,833,658**	**4,283,736**	**3,750,327**	**3,423,819**	**2,878,693**
Liabilities					
Customers deposits	2,744,525	2,552,963	2,333,017	2,265,262	2,079,862
Derivative liabilities	20,805	66,834	384	6,073	-
Current tax payable	6,069	6,927	2,534	7,709	5,266
Deferred income tax liabilities	-	-	-	-	-
Other liabilities	219,790	243,736	212,636	272,726	201,265
On-lending facilities	383,034	350,657	286,881	68,344	59,528
Borrowings	418,979	292,802	268,111	198,066	60,150
Debt securities issued	332,931	153,464	99,818	92,932	-
Total liabilities	**4,126,133**	**3,667,383**	**3,203,381**	**2,911,112**	**2,406,071**
Net assets	**707,525**	**616,353**	**546,946**	**512,707**	**472,622**
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	296,787	218,507	160,408	150,342	126,678
Other reserves	139,993	127,101	115,793	91,620	75,199
Attributable to equity holders of the parent	707,525	616,353	546,946	512,707	472,622
Total shareholders' equity	**707,525**	**616,353**	**546,946**	**512,707**	**472,622**

ZENITH BANK PLC

Five Year Financial Summary

	31-Dec-17	31-Dec-16	31-Dec-15	31-Dec-14	31-Dec-13
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME					
Gross earnings	673,636	454,808	396,653	372,015	311,275
Interest expense	(200,672)	(131,910)	(114,936)	(98,439)	(68,471)
Operating and direct expenses	(204,157)	(156,676)	(155,406)	(152,335)	(138,789)
Impairment charge for financial assets	(95,244)	(26,295)	(11,091)	(12,392)	(9,907)
Profit before tax	**173,563**	**139,927**	**115,220**	**108,849**	**94,108**
Income tax	(16,418)	(20,642)	(16,436)	(15,370)	(10,694)
Profit after tax	**157,145**	**119,285**	**98,784**	**93,479**	**83,414**
Other comprehensive income					
Fair value movements on equity instruments	(2,551)	6,636	(1,752)	2,549	549
Tax effect of equity instruments at fair value	-	-	-	-	890
	(2,551)	**6,636**	**(1,752)**	**2,549**	**1,439**
Total comprehensive income	**154,594**	**125,921**	**97,032**	**96,028**	**84,853**
Earning per share:					
Basic and diluted	501 K	380 K	315 K	295 K	266 K