ZENITH BANK PLC
RC: 150224

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Zenith Heights, Plot 84/87 Ajose Adeogun Street,
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Zenith Bank PLC

Interim Report - 30 June, 2018

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. Ahmed Umar Shuaib	Executive Director
Dr. Temitope Fasoranti	Executive Director
Mr. Dennis Olisa	Executive Director

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

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ZENITH BANK PLC

Directors' Report for the Period Ended 30 June, 2018

The directors present their interim report on the affairs of ZENITH BANK PLC, together with the financial statements and independent auditor's report for the period ended 30 June 2018.

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 period the Bank opened one new branch and no branch was closed.

3. Operating results

Gross earnings of the Group decreased by 15.3% and profit before tax increased by 16.5% . This is largely due to the reduction of 25% in expenses. Highlights of the Group's operating results for the period under review are as follows:

	30-Jun-18 N' Million	30-Jun-17 N' Million
Gross earnings	**322,201**	**380,440**
Profit before tax	107,358	92,183
Minimum tax	(1,664)	-
Income tax expense	(23,957)	(16,866)
Profit after tax	81,737	75,317
Non- controlling interest	(179)	(123)
Profit attributable to the equity holders of the parent	**81,558**	**75,194**
Appropriations		
Transfer to statutory reserve	13,810	10,513
Transfer to retained earnings and other reserves	67,748	64,681
	81,558	**75,194**
Basic and diluted earnings per share (kobo)	260	240
Non-performing loan ratio %	4.9	4.3

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 interim dividend of N9.42 billion being N0.30 per share (2017: Interim dividend of N7.85 billion being N0.25 per share) from the retained earnings account as at 30 June 2018. This will be presented for ratification by the shareholders at the next Annual General Meeting.

If the proposed dividend is paid, the Bank will be liable to pay income tax in advance totalling N2.83 billion representing, 30% of the interim dividend of N9.42 billion.

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			
		30 June 2018		31 December 2017	
Director	**Designation**	**Direct**	**Indirect**	**Direct**	**Indirect**
Mr. Jim Ovia, CON. *	Chairman / Non-Executive Director	2,946,199,395	1,513,137,010	2,946,199,395	1,593,494,151
Alhaji Baba Tela	Non Executive Director / Independent	250,880	-	250,880	-
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	421,426	-	321,426	-
Mr. Gabriel Ukpeh	Non Executive Director / Independent	32,660	-	32,660	-
Engr. Mustafa Bello	Non Executive Director / Independent	-	-	-	-
Mr.Peter Amangbo *	Group Managing Director	5,000,000	2,300,000	5,000,000	2,300,000
Ms. Adaora Umeoji *	Deputy Managing Director	31,620,141	1,710,123	31,620,141	1,710,123
Mr.Ebenezer Onyeagwu	Deputy Managing Director	15,000,219	-	7,000,000	-
Mr. Ahmed Umar Shuaib	Executive Director	1,077,343	-	1,077,343	-
Dr. Temitope Fasoranti	Executive Director	2,075,000	-	1,875,000	-
Mr. Dennis Olisa	Executive Director	4,122,316	-	4,122,316	-

* The indirect holdings relate to the holdings of the Directors in the underlisted companies: .

- **Jim Ovia:** (Institutional investors Ltd, Lurot Burca Ltd, Jovis Nigeria Ltd, Veritas Registrars Ltd, Zenith General Insurance Ltd, Zenith Securities Ltd)
- **Peter Amangbo:** (Apeaches Ventures Limited, Pocenc Limited)
- **Adaora Umeoji:** (Palaise Vendome Limited)

6. Directors' interests in contracts

For the purpose of section 277 of CAMA, all contracts with related parties during the period 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 30 June, 2018 is as stated below:

Share range	No. of Shareholders	Percentage of Shareholders	Number of holdings	Percentage Holdings (%)
1-9,999	538,633	84.0683 %	1,603,405,725	5.11 %
10,000 - 50,000	80,928	12.6310 %	1,651,255,288	5.26 %
50,001 - 1,000,000	20,083	3.1345 %	3,118,993,709	9.94 %
1,000,001 - 5,000,000	784	0.1224 %	1,674,521,918	5.33 %
5,000,001 - 10,000,000	128	0.0200 %	870,924,982	2.77 %
10,000,001 - 50,000,000	101	0.0158 %	2,107,913,854	6.71 %
50,000,001 - 100,000,000	22	0.0034 %	1,484,685,614	4.73 %
100,000,001 - 500,000,000	21	0.0033 %	4,417,277,438	14.07 %
500,000,001 - 1,000,000,000	2	0.0003 %	1,221,691,349	3.89 %
Above 1,000,000,000	7	0.0011 %	13,245,823,910	42.19 %
	640,709	**100 %**	**31,396,493,787**	**100 %**

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 %**

10. Substantial interest in shares

According to the register of members as at 30 June, 2018, 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	3,118,588,897	9.93 %
Stanbic Nominees Nigeria Limited/C001 - TRAD	1,862,738,467	5.93 %
Stanbic Nominees Nigeria Limited/C002 - MAIN	1,661,648,738	5.29 %

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

11. Donations and charitable gifts

The Bank made contributions to charitable and non-political organisations amounting to N1,504 million during the period ended 30 June 2018 (30 June 2017: N1,458 million) .

The beneficiaries are as follows:

	30-Jun-18 N' Million
States' Security Trust Funds	879
Seed Contribution Private Health Sector Alliance	305
Educational Support to Nigerian schools	53
Economic Summits & Conferences Sponsorship	41
Medical Assistance to the Underpriviledged	26
Centre for value in leadership youth empowerment	25
Sport Organisations	24
ICT Centres for Educational Institutions	22
Louisville Girls High School	30
St saviour School Ikoyi	20
Delta State Principal Cup Second Edition	20
Nigeria Academy of Neurologica	10
CFA Society Nigeria	10
Holy Cross Cathedral	10
Seminary Of All Saints Project Support	10
Musical Society of Nigeria	5
Other donations individually below N10 million	14
	1,504

The Bank made contributions to charitable and non-political organisations amounting to N1,458 million during the period ended June 30, 2017.

The beneficiaries are as follows:

	30-Jun-17 N' Million
States' Security Trust Funds	300
Educational support to Nigerian schools	225
Private Sector Health Alliance	200
ICT Centres for Educational Institutions	162
The Africa Fundraiser Contribution	150
North-East Children Trust Fund	119
Maternity clinic construction support	100
Sports Organisations	86
Medical assistance to the underpriviledged	44
Musical Society of Nigeria	12
Other donations individually below N10 million	60
	1,458

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 30 June, 2018

Description	Number		Amount claimed		Amount refunded	
	30-Jun-18	31-Dec-17	30-Jun-18 N.	31-Dec-17 N.	30-Jun-18 N.	31-Dec-17 N.
Pending complaints brought forward	86	154	9,783,412,200	1,571,817,766	36,982,426	11,578,247
Received Complaints	120	220	1,748,291,555	10,045,190,151	277,911,154	37,941,563
Resolved Complaints	65	288	2,157,644,406	1,833,595,716	435,709,393	346,672,659
Unresolved Complaints carried forward	**141**	**86**	**9,374,059,349**	**9,783,412,201**		

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	3,145	2,881	6,026	52 %	48 %
	3,145	**2,881**	**6,026**	**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)	53	21	74	72 %	28 %
	65	**22**	**87**	**75 %**	**25 %**

(c) Further analysis of board and top management staff

	Gender Number			Gender Percentage	
	Male	Female	Total	Male	Female
Assistant general managers	32	14	46	70 %	30 %
Deputy general managers	11	2	13	85 %	15 %
General managers	10	5	15	67 %	33 %
Board members (Non-executive directors)	7	-	7	100 %	- %
Executive directors (excluding MD and DMDs)	3	-	3	100 %	- %
Deputy managing directors	1	1	2	50 %	50 %
Managing director/CEO	1	-	1	100 %	- %
	65	**22**	**87**	**75 %**	**25 %**

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
July 24, 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 period under review, the Directors and other key personnel of the bank complied with the following Codes of Corporate Governance, which it subscribes to:

a. The Central Bank of Nigeria (CBN) issued Code of Corporate Governance for Banks and Discount Houses in Nigeria 2014

b. The Securities and Exchange Commission (SEC) issued Code of Corporate Governance for public companies.

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 shareholder holding more than 10% of the bank's total 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 company and relevant stakeholders during the period of review.

The Board has a Charter which regulates its operations. The Charter has been forwarded to the Central Bank of Nigeria in line with the CBN Code of Corporate Governance.

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
Prof. Chukuka S. Enwemeka	Non-Executive Director
Mr Jeffrey Efeyini	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
Mr. Peter Amangbo	Group Managing Director/CEO
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

The Board meets at least every quarter but may hold extraordinary 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 welldefined terms of reference and Charters defining their scope of responsibilities in such a way as to avoid overlap or duplication of functions.

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

The following are the current standing Committees of the Board:

7.1 Board credit committee

The Committee is currently made up of eight (8) 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
Alhaji Baba Tela
Prof. Chukuka Enwemeka
Mr. Gabriel Ukpeh

Mr. Peter Amangbo
Mr. Ebenezer Onyeagwu
Ms. Adaora Umeoji
Dr. Temitope Fasoranti

Terms of reference

- To conduct a quarterly review of all collateral security 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 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;
- To perform such other duties and responsibilities as the Board of Directors may assign from time to time.

7.2 Staff Welfare, 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 year is as follows:

Alhaji Baba Tela – Chairman
Prof. Chukuka Enwemeka
Prof. Oyewusi Ibidapo-Obe
Mr. Peter Amangbo
Ms. Adaora Umeoji
Mr. Ahmed Umar Shuaib

Terms of reference

- Approval of large scale procurements by the bank and other items of major expenditure by the bank;
- Recommendation of the bank's Capital Expenditure (CAPEX) and major Operating Expenditure (OPEX) limits for consideration by the Board;
- Consideration of management requests for branch set up and other business locations;
- Consideration of management request for establishment of offshore subsidiaries and other offshore business offices;
- Consideration of the dividend policy of the Group and the declaration of dividends or other forms of distributions and recommendation to the Board;
- Consideration of capital expenditures, divestments, acquisitions, joint ventures and other investments, and other major capital transactions;
- Consideration of senior management promotions as recommended by the GMD/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 Inspector 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
Mr. Jeffrey Efeyini
Mr. Gabriel Ukpeh
Mr. Peter Amangbo
Mr. Ebenezer Onyeagwu
Mr. Dennis Olisa

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:
- the magnitude of all material business risks;
- the processes, procedures and controls in place to manage material risks; and
- 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 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 knowledgeable in financial matters. The Chief Inspector and 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
Alhaji Baba Tela
Mr. Jeffrey Efeyini
Engr. Mustafa Bello

Committee's terms of reference

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

- Ascertain whether the accounting and reporting policies of the Bank are in accordance with legal requirements and acceptable ethical practices;
- Review the scope and planning of audit requirements.
- Review the findings on management matters (Management Letter) in conjunction with the external auditors and Management's responses thereon;
- Keep under review the effectiveness of the Bank's system of accounting and internal control;
- Make recommendations to the Board with regard to the appointment, removal and remuneration of the external auditors of the Bank;
- Authorize the internal auditor to carry out investigations into any activities of the Bank which may be of interest or concern to the Committee;
- Assist in the oversight of compliance with legal and other regulatory requirements, assessment of qualifications and independence of the external auditors and performance of the Bank's internal audit function as well as that of the external auditors;
- Ensure that the internal audit function is firmly established and that there are other reliable means of obtaining sufficient assurance of regular review or appraisal of the system of internal control in the Bank;
- Oversee management's processes for the identification of significant fraud risks across the Bank and ensure that adequate prevention, detection and reporting mechanisms are in place;

- On a quarterly basis, obtain and review reports by the internal auditor on the strength and quality of internal controls, including any issues or recommendations for improvement, raised during the most recent control review of the Bank;
- Discuss and review the Bank's unaudited quarterly and annual financial statements with management and external 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 periodically the Internal Audit progress against Plan for the period and review outstanding Agreed Actions and follow up;
- 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 practices for executive officers and other key employees of the bank which are consistent with the bank's objectives;
- Determining the quantum and structure of compensation and benefits for Non-Executive Directors, Executive Directors and senior management of the Group;
- Ensuring the existence of an appropriate remuneration policy and philosophy for Executive Directors, NonExecutive 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 Statutory 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

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:

- the bank's quarterly and audited annual financial statements, including any related notes, the bank's specific disclosures and discussion under "Managements Control Report" and the independent auditors' report, in advance of publication;

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

- 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;

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

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

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

7.7 Executive committee (EXCO)

The EXCO comprises 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

(f) Sustainability Steering Committee

(a) Management committee (MANCO)

The Management Committee comprises the senior management of the Bank and has been established to identify, analyze, 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 1 Deputy Managing Director;
3 2 Executive Directors;
4 Chief Financial Officer;
5 Chief Inspector;
6 Chief Risk Officer;
7 Group Head of IT Audit;
8 Head of InfoTech;
9 Head of Infotech - Software;
10 Head of Infotech - Enginering;
11 Head of Card Services and;
12 Head of e-Business

The committee meets monthly or as the need arises.

(f) Sustainability Steering Committee (SSC)

This Committee is responsible for regular analysis and review of sustainable banking policies and practices within the bank to ensure compliance with globally acceptable economic, environmental and social norms.

The bank, recognizing that every institution is as strong as the strength of its relationship and that the ability to nurture existing relationships and develop new ones will invariably play a significant role in the financial stability of the organization. Therefore, the bank believes that an organization must forge a closer relationship with its stakeholders, including customers, employees, local communities, suppliers, among others, to ensure triple bottom line profit.

The Committee present quarterly reports 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 representatives from various marketing and operations departments and groups within the bank as well as the CSR and Research Group.

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 Zenith Bank financial results. The amount of this remuneration is subject to achieving specific quantifiable targets, aligned directly with shareholders' interest.

MONITORING COMPLIANCE WITH CORPORATE GOVERNANCE

Chief Compliance Officer

The Chief Compliance Officer monitors compliance with money laundering requirements and the implementation of the Code of Corporate Governance of the bank. The Chief Compliance Officer and the Company Secretary forward regular returns to the Central Bank of Nigeria on all whistle-blowing reports and also on corporate governance compliance.

Whistle Blowing Procedures

The Bank has a whistle-blowing procedure that ensures anonymity for whistle-blowers. The Bank has a direct link on the bank's website, provided for the purpose of whistle-blowing.

Internally, the Bank has a direct link on its intranet for dissemination of information, to enable members of staff report all identified breaches of the Bank's Code of Corporate Governance. All reports are investigated and necessary sanctions applied for breaches.

Codes of Conduct

The Bank has an internal Code of Professional Conduct for Employees, which all members of staff subscribe to upon assumption of duties. The Bank also has a Code of Conduct for Directors.

FOREIGN SUBSIDIARIES GOVERNANCE STRUCTURE

The Bank as at 30 June 2018 has four (4) foreign subsidiaries, two (2) local subsidiaries and two (2) representative offices. Their activities are governed by the foreign subsidiaries governance structure put in place by the Group Head Office to ensure efficient and effective operations. The framework establishes the scope, method of performance management, periodic reviews and feedback mechanism for operating within the local laws in their jurisdiction.

The activities of the subsidiaries are closely monitored by Zenith Bank Plc using the following strategies:

Liaison and Oversight Function

The Foreign Subsidiaries Department is charged with the responsibility of overseeing the growth and implementation of the Bank's global expansion strategy into new territories/regions. The Department serves as an interface between the bank and its offshore subsidiaries. It also provides guidance on how to optimize synergy within the Group. Reports from the Group is presented to the Board at its quarterly meetings.

Representation on the Subsidiary Board

Zenith Bank Plc exercise control over the subsidiaries by maintaining adequate representation on the Board of each subsidiary. The representatives are chosen on the basis of professional competencies, business experience and integrity as well as knowledge of the Bank's business.

The subsidiaries Board of Directors are responsible for reviewing and approving the Bank's strategic plans and financial objectives as well as monitoring the corporate performance against these objectives.

Local Board and Board Committees

To ensure that the activities of the subsidiaries reflects the same values, ethics, controls and processes, Zenith Bank Plc is represented by at least two (2) non-executive directors in the local board and board committee of each foreign subsidiary. These directors provide effective oversight function over each subsidiary and ensure that there is consistency with the strategic direction of the Bank. They also act a link with the parent board at the Group Head Office in Nigeria.

Subsidiary Board Committees

The Subsidiary Board meets at least every quarter and exercises oversight function on the business of each location through the following committee structure

- Board Credit Committee which is charged with the responsibility of considering the approval of new loans and renewal of existing ones above the threshold set for the Management Credit Committee. It also determines the credit policy or changes therein.

- Board Risk Management Committee which has oversight responsibility for the overall risk management of various areas of the Bank's operations and compliance. This includes advising the Board on risk-related matters arising from its business.

- Board Audit and Compliance Committee is responsible for the review of accounting and reporting policies to ensure compliance with regulatory and financial reporting requirements. The Board, through the committee exercise oversight on the Compliance and AML/CFT activities of the Bank. Overall, it monitors the effectiveness of the Bank's system of internal control to safeguard its assets for shareholders.

- Board Governance, Nomination and Remuneration Committee (BGNRC) saddled with the responsibility of determining a fair, reasonable and competitive structure for senior management of the Bank as well as administering the Governance structure for the Bank.

- Board Staff Welfare, Finance & General Purpose Committee has the responsibility of approving large scale procurements by the Bank, as well as matters relating to staff welfare, discipline, staff remuneration and promotion.

Management of Subsidiaries

Zenith Bank Plc appoints one of its senior management staff to act as the Managing Director of each subsidiary. Other key staff are seconded to assist the managing director in the supervision of critical departments of the Bank.

This objective of this management structure is to ensure that the core values and principles of the Zenith Bank brand are instilled seamlessly across its offshore subsidiaries. It also offers the Group an opportunity to adopt a uniform culture of best practices in the area of corporate governance, technology, controls and customer service excellence.

Monthly and Quarterly Reports

The subsidiaries furnish Zenith Bank Plc with monthly and quarterly reports on their business and operational activities. These reports covers the subsidiaries' financial performance, risk assessment, regulatory and compliance matters amongst others. The reports are analyzed and presented to Executive Management and the Group Board of Directors for decision making and fulfilment of its oversight function.

Corporate Governance Report for the Period Ended 30 June, 2018

Group Performance & Strategy Review/Budget Session

The Managing Directors and senior management team of the respective Subsidiaries of the Bank attend the annual Group’s Performance & Strategy Review/Budget Session during which their performances are analyzed and recommendations made towards achieving continuous improvement in financial, social and environmental performance. The annual budget of the subsidiaries are discussed at this session.

This session also serves as a forum for sharing business ideas, tapping into identified synergy within the Group and disseminating information on relevant best practices that could enhance our sustained growth in the banking landscape.

Annual Internal Control Audit

The Internal Control & Audit Department of Zenith Bank Plc carries out an annual audit of each of the offshore subsidiaries in line with the Group’s Annual Audit Programme. This audit exercise covers all operational areas of the subsidiaries and the outcome is discussed with Executive Management at the home office for timely intervention on identified lapses. It is important to note that this exercise is distinct from the daily operations audit carried out by the respective internal audit unit within the subsidiaries.

Annual Loan Review/Audit

This audit is carried out by the Loan Review & Monitoring Unit of Zenith Bank Plc. The core areas of concentration during this audit exercise include asset quality assessment, loan performance, review of security pledged, loan conformity with credit policy, documentation check and review of central liability report among others.

Group Compliance Function

Zenith Bank Plc is committed to complying with regulatory requirements in all locations where it operate. To this end, The Bank’s Compliance Group monitors ongoing developments in the regulatory environment of each location where it operates and ensuring compliance with same. This include conducting periodic compliance checks on each subsidiary annually to ascertain compliance with local banking laws and regulations.

Report of External Auditors

In line with global best practices and regulatory guidelines, the bank undertake review of Management letters from external Auditors on periodic audit of the subsidiary companies. This is to ensure that all exceptions are complied with and for implementation of the Auditors’ recommendations.

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.

ZENITH BANK PLC

Corporate Governance Report for the Period Ended 30 June, 2018

Schedule of board and board committees meeting held during the Period

The table below shows the frequency of meetings of the Board of directors, board committees and members' attendance at these meetings during the period 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	**3**	**2**	**2**	**2**	**2**	**2**
Mr. Jim Ovia, CON	3	N/A	N/A	N/A	N/A	N/A
Alhaji Baba Tela	3	2	2	2	N/A	2
Mr. Jeffrey Efeyini	3	2	N/A	2	2	2
Prof. Chukuka S.Enwemeka	3	2	2	2	2	N/A
Prof. Oyewusi Ibidapo-Obe	3	N/A	2	2	N/A	N/A
Mr.Gabriel Ukpeh	3	2	N/A	2	2	2
Engr.Mustafa Bello	3	N/A	N/A	N/A	N/A	2
Ms. Adaora Umeoji	3	2	2	N/A	N/A	N/A
Mr. Ebenezer Onyeagwu	3	2	N/A	N/A	2	N/A
Mr. Ahmed Umar Shuaib	3	N/A	2	N/A	N/A	N/A
Dr. Temitope Fasoranti	3	2	N/A	N/A	N/A	N/A
Mr. Dennis Olisa	3	N/A	N/A	N/A	2	N/A
Mr. Peter Amangbo	3	2	2	N/A	2	N/A

Dates for Board and Board Committee meetings held in the period 30 June 2018

Board meetings	22-Jan-18	13-Apr-18	02-May-18		
Board credit committee meeting	22-Jan-18	12-Apr-18			
Finance and general purpose committee	22-Jan-18	12-Apr-18			
Board risk management committee meeting	22-Jan-18	12-Apr-18			
Board audit and compliance committee meeting	22-Jan-18	12-Apr-18			
Board governance, nomination and remuneration committee	22-Jan-18	12-Apr-18			
Audit committee meeting	22-Jan-18	12-Apr-18			

Corporate Governance Report for the Period Ended 30 June, 2018

AUDIT COMMITTEE

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

Date of meetings held during the period:

Members	**Number of Meetings attended**
Mrs. Adebimpe Balogun (SR)	2
Prof. (Prince) L.F.O Obika (SR)	2
Mr. Michael Olusoji Ajayi (SR)	2
Alhaji Baba Tela (NED)	2
Mr. Jeffrey Efeyini (NED)	2
Mr. Gabriel Ukpeh (NED)	2

SR - Shareholders representive

Analysis of Fraud and Forgeries Returns

30 June, 2018				30 June, 2017		
Nature of Fraud	**No.**	**% Loss**	**Actual Loss to the Bank (N) Jan-Jun 2018**	**No.**	**% Loss**	**Actual Loss to the Bank (N) Jan - Jun 2017**
ATM/Electronic fraud	44	-	-	19	-	-
Staff Perpetrate	9	67	2,000,000	9	10	1,114,830
Impersonation	18	22	641,625	-	-	-
Stolen/Forged Instrument	45	11	337,599	32	84	9,189,542
Internet Banking	2	-	-	66	-	-
Others	43	-	-	13	6	616,710
Total	**161**	**100**	**2,979,224**	**139**	**100**	**10,921,082**

ZENITH BANK PLC

Statement of Directors' Responsibilities in Relation to the Financial Statements for the Period Ended 30 June, 2018

The Directors accept responsibility for the preparation of the interim 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**
July 24, 2018	**July 24, 2018**	**July 24, 2018**

ZENITH BANK PLC
REPORT OF THE AUDIT COMMITTEE
FOR THE SIX (6) MONTHS ENDED 30TH JUNE, 2018

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 Six (6) months ended 30th June 2018 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 July 23, 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

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Zenith Bank PLC

Report on the Audit of the Consolidated and Separate Interim Financial Statements

Opinion
We have audited the consolidated and separate interim financial statements of Zenith Bank PLC ("the Bank") and its subsidiaries (together, "the group"), which comprise the consolidated and separate statement of financial position as at 30 June, 2018, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statement of changes in equity and consolidated and separate statement of cash flows for the period then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 31 to 163.

In our opinion, the accompanying consolidated and separate interim financial statements give a true and fair view of the consolidated and separate financial position of the Bank and its subsidiaries as at 30 June, 2018, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the period 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 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.

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 interim 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 interim 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 interim financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. 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 impairment allowance required.

During the period, the Group adopted a new accounting standard, IFRS 9 which became effective on 1 January 2018. For the Group, the key change arising from the adoption of IFRS 9 was that the Group's impairment losses on financial instruments are now based on an Expected Credit Loss (ECL) model rather than an incurred loss model, with the most significant impact on impairment of loans and advances.

The ECL model incorporates forward looking information related to expected outlook on inflation rate, exchange rate and growth in Gross Domestic Product (GDP) in determining the expected credit losses in the loan portfolio.

The determination of impairment allowance using the ECL model requires the application of various financial indices which are estimated from historical financial data obtained within and outside the Group, as inputs, into complex financial models.

Impairment allowance on loans that have shown a significant increase in credit risk, is based on the Group's estimate of losses expected to result from defined default events over the life of the loans. Impairment allowance on other loans that have not shown a significant increase in credit risk is recognized based on an estimate of the losses expected to result from default events within one year. This estimate is also an output of models, with the key assumptions being the possibility of a loan becoming past due and subsequently defaulting, the rate of recovery on the loans that are past due and in default, the market values and estimated time and cost to sell collateral and an estimate of the inflation rate, exchange rate and GDP growth rate, which are the forward looking information used in the model.

The judgment involved in classifying loans into stages, the level of subjectivity inherent in estimating the key assumptions on the recoverability of loan balances, the volume of inputs estimated, the complexity of the estimation process and the significant judgment involved in applying these estimates to determine the level of impairment allowance required, makes the impairment of loans and advances a matter of significance to the audit.

Procedures

Our procedures included the following:

- We evaluated the design and implementation of the key controls over the impairment determination process such as the credit committee review of loans and advances. The key controls evaluated covered processes such as review of external data into the impairment model and monitoring the performance of loans and advances.
- We reviewed the Bank's ECL methodology by considering whether it reflects unbiased and probability-weighted amounts that is determined by evaluating a range of possible

outcomes, the time value of money and reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic condition, as expected by the newly adopted standards.

- We checked the appropriateness of the Group's determination of significant increase in credit risk and the resultant classification of loans into the various stages. For loans and advances which have shown a significant increase in credit risk, we evaluated the level of past due obligations and qualitative factors such as cumulative industry knowledge about the obligors to determine whether the Group should make an estimate based on the losses expected to result from default events within a year or defined default events over the life of the facilities.

- Assisted by our financial risk management specialists, we checked the key data and assumptions for the data input into the ECL model used by the Group. Our procedures in this regard included the following:

  (i) For forward looking assumptions comprising inflation rate, exchange rate and Gross Domestice Product (GDP) growth rate used by the Group's management in its ECL calculations, we corroborated management's assumptions using publicly available information from external sources;
  (ii) We evaluated the appropriateness of the basis of determining Exposure at Default, including the contractual cashflow, outstanding loan balance, loan repayment type, loan tenor and effective interest rate;
  (iii) For Probability of Default (PD) used in the ECL calculations we checked the historical movement in facilities between default and non-default categories for each sector;
  (iv) We checked the calculation of the Loss Given Default (LGD) used by the Group in the ECL calculations, including the appropriateness of the use of collateral, by recomputing the LGD and reviewing the valuation of the collateral used.

- Our financial risk management specialists re-performed the calculations of impairment allowance for loans and advances using the Group's impairment model and validated key inputs. For loans and advances which have shown a significant increase in credit risk, the recalculation was based on the amount which the Bank may not recover throughout the life of the loans while for loans and advances that have not shown significant increase in credit risk, the recalculation was based on the losses expected to result from default events within a year.

- We ascertained that the newly adopted standard was applied based on the requirement of the standards by checking that the difference between previously reported impairment allowance on loans and advances and the ECL impairment allowance was recognized in the opening retained earnings at 1 January 2018.

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

2. 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, require the use of valuation approaches or models to derive forward exchange rates and determine the 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 significance to the audit.

Procedures

Our procedures included the following, amongst others:

- We evaluated the design and implementation of key controls over the inputs used in determining Bank's valuation of derivative contracts by checking that there was management review over the accuracy of inputs such as the foreign exchange rates and the forward price.
- We used our KPMG valuation specialists to:
  - (i) Inspect derivative contracts and 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 foreign exchange rates to externally available market data.
  - (iii) Assess whether the valuation model used by the Bank is appropriate.
  - (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.

Information Other than the Financial Statements and Audit Report thereon
The Directors are responsible for the other information which comprises the Directors' report, Statement of Directors' responsibilities, Corporate Governance report, Report of the Audit Committee and Other national disclosures but does not include the consolidated and separate interim financial statements and our audit report thereon.

Our opinion on the consolidated and separate interim 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 interim 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 interim 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 interim financial statements
The Directors are responsible for the preparation of consolidated and separate interim 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 interim financial statements, the directors are responsible for assessing the Group and Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and 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 interim financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated and separate interim financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
- Identify and assess the risks of material misstatement of the consolidated and separate interim 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 interim 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 interim financial statements, including the disclosures, and whether the consolidated and separate

interim 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 interim 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.

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 paid penalties in respect of contravention of the Banks and Other Financial Institutions Act, Cap B3, Laws of the Federation of Nigeria, 2004 during the period ended 30 June 2018. Details of the contravention and penalties paid are disclosed in note 12 to the interim financial statements.
ii. Related party transactions and balances are disclosed in note 37 to the interim 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
31 July 2018
Lagos, Nigeria

ZENITH BANK PLC

Consolidated and Separate Statements of Profit or Loss and other Comprehensive Income for the Period Ended 30 June 2018

		Group		Bank	
For the six months ended **In millions of Naira**	Note(s)	**30-Jun-18**	**30-Jun-17**	**30-Jun-18**	**30-Jun-17**
Gross earnings		**322,201**	**380,440**	**276,251**	**344,411**
Interest and similar income	6	228,670	262,257	193,839	236,376
Interest and similar expense	7	(74,709)	(123,295)	(65,154)	(115,698)
Net interest income		**153,961**	**138,962**	**128,685**	**120,678**
Impairment loss on financial assets	8	(9,720)	(42,398)	(8,373)	(37,249)
Net interest income after impairment loss on financial assets		**144,241**	**96,564**	**120,312**	**83,429**
Fee and commission income	9	46,708	37,753	37,514	29,214
Trading gains	11	36,807	65,318	36,807	65,318
Other operating income	10	10,016	15,112	8,091	13,503
Depreciation of property and equipment	25	(7,967)	(5,530)	(7,001)	(5,032)
Amortisation of intangible assets	26	(1,117)	(756)	(1,013)	(655)
Personnel expenses	36	(34,808)	(31,033)	(29,133)	(27,116)
Operating expenses	12	(86,522)	(85,245)	(79,503)	(78,886)
Profit before tax		**107,358**	**92,183**	**86,074**	**79,775**
Minimum tax	13a	(1,664)	-	(1,664)	-
Income tax expense	13a	(23,957)	(16,866)	(18,016)	(13,279)
Profit for the period after tax		**81,737**	**75,317**	**66,394**	**66,496**
Other comprehensive income:					
Items that will never be reclassified to profit or loss:					
Fair value movements on equity instruments	21(b)	683	(3,433)	683	(3,433)
Items that are or may be reclassified to profit or loss:					
Foreign currency translation differences for foreign operations		517	(1,444)	-	-
Other comprehensive income/(loss) for the year		**1,200**	**(4,877)**	**683**	**(3,433)**
Total comprehensive income for the year		**82,937**	**70,440**	**67,077**	**63,063**
Profit attributable to:					
Equity holders of the parent		81,558	75,194	66,394	66,496
Non controlling interest		179	123	-	-
Total comprehensive income attributable to:					
Equity holders of the parent		82,769	70,333	67,077	63,063
Non-controlling interest		168	107	-	-
Earnings per share					
Basic and diluted (kobo)	14	260	240	211	212

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

ZENITH BANK PLC

Consolidated and Separate Statements of Profit or Loss and other Comprehensive Income for the Three Months Ended 30 June, 2018

	Group		Bank	
For the three months ended 30 June (Unaudited) In millions of Naira	**2018**	**2017**	**2018**	**2017**
Gross earnings	**151,719**	**232,704**	**129,755**	**214,352**
Interest and similar income	84,762	144,165	68,194	131,232
Interest and similar expense	(27,989)	(75,807)	(22,826)	(72,032)
Net interest income	**56,773**	**68,358**	**45,368**	**59,200**
Impairment loss on financial assets	(4,408)	(34,512)	(5,973)	(29,949)
Net interest income after impairment loss on financial assets	**52,365**	**33,846**	**39,395**	**29,251**
Fee and commission income	25,871	16,625	22,196	11,914
Trading income	35,095	58,254	35,095	58,267
Other income	5,991	13,660	4,270	12,939
Share of profit of associates	-	-	-	-
Depreciation of property and equipment	(4,078)	(2,807)	(3,580)	(2,540)
Amortisation of intangible assets	(591)	(474)	(538)	(423)
Personnel expenses	(19,242)	(18,044)	(16,226)	(16,055)
Operating expenses	(42,054)	(53,077)	(39,308)	(50,503)
Profit before income tax	**53,357**	**47,983**	**41,304**	**42,850**
Minimum tax	(1,664)		(1,664)	
Income tax expense	(17,035)	(10,165)	(13,516)	(8,779)
Profit for the year after tax	**34,658**	**37,818**	**26,124**	**34,071**
Other comprehensive income:				
Items that will never be reclassified to profit or loss:				
Fair value movements on equity instruments	(567)	(4,390)	(567)	(4,390)
Items that are or may be reclassified to profit or loss:				
Foreign currency translation differences for foreign operations	(3015)	(1,953)	-	-
Other comprehensive income for the year	(3,582)	(6,343)	(567)	(4,390)
Total comprehensive income for the year	**31,076**	**31,475**	**25,557**	**29,681**
Profit attributable to:				
Equity holders of the parent	34,593	37,748	26,124	34,071
Non controlling interest	64	70	-	-
Total comprehensive income attributable to:				
Equity holders of the parent	31,018	31,407	25,557	29,681
Non-controlling interest	58	68	-	-
Earnings per share				
Basic and diluted (kobo)	121	121	109	109

ZENITH BANK PLC

Consolidated and Separate Statements of Financial Position as at 30 June 2018

In millions of Naira	Note(s)	Group 30-Jun-18	Group 31-Dec-17	Bank 30-Jun-18	Bank 31-Dec-17
Assets					
Cash and balances with central banks	15	843,674	957,663	797,643	907,265
Treasury bills	16	923,847	936,817	685,726	799,992
Assets pledged as collateral	17	493,154	468,010	493,154	468,010
Due from other banks	18	440,354	495,803	242,883	273,331
Derivative assets	19	56,404	57,219	56,404	57,219
Loans and advances	20	1,873,173	2,100,362	1,772,224	1,980,464
Investment securities	21	381,163	330,951	119,937	117,814
Investment in subsidiaries	22	-	-	34,003	34,003
Deferred tax asset	23	9,472	9,561	9,197	9,197
Other assets	24	80,803	92,494	77,317	56,052
Property and equipment	25	140,382	133,384	125,115	118,223
Intangible assets	26	14,034	12,989	12,867	12,088
Total assets		**5,256,460**	**5,595,253**	**4,426,470**	**4,833,658**
Liabilities					
Customers' deposits	27	3,165,955	3,437,915	2,417,559	2,744,525
Derivative liabilities	32	3,299	20,805	3,299	20,805
Current income tax payable	13(c)	13,694	8,915	11,257	6,069
Deferred tax liabilities	23	68	18	-	-
Other liabilities	28	189,043	233,481	186,998	219,790
On-lending facilities	29	409,619	383,034	409,619	383,034
Borrowings	30	408,317	356,496	456,648	418,979
Debt securities issued	31	346,960	332,931	346,960	332,931
Total liabilities		**4,536,955**	**4,773,595**	**3,832,340**	**4,126,133**
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	248,138	365,757	172,750	296,787
Other reserves	34	199,190	183,839	150,635	139,993
Attributable to equity holders of the parent		718,073	820,341	594,130	707,525
Non-controlling interest	34	1,432	1,317	-	-
Total shareholders' equity		**719,505**	**821,658**	**594,130**	**707,525**
Total liabilities and equity		**5,256,460**	**5,595,253**	**4,426,470**	**4,833,658**

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

The financial statements were approved by the Board of Directors for issue on 24 July, 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

Mukhtar Adam (Chief Financial Officer)
FRC/2013/MULTI/00000003196

ZENITH BANK PLC

Consolidated and Separate Statements of Changes in Equity as at 30 June 2018

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, 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 period	-	-	-	-	-	-	-	75,194	75,194	123	75,317
Foreign currency translation differences	-	-	(1,428)	-	-	-	-	-	(1,428)	(16)	(1,444)
Fair value movements on equity instruments	-	-	-	(3,433)	-	-	-	-	(3,433)	-	(3,433)
Total comprehensive income for the period	**-**	**-**	**(1,428)**	**(3,433)**	**-**	**-**	**-**	**75,194**	**70,333**	**107**	**70,440**
Transfer between reserves	-	-	-	-	10,513	5,964	(4,134)	(12,343)	-	-	-
Transactions with owners of the Parent											
Dividends	-	-	-	-	-	-	-	(55,572)	(55,572)	-	(55,572)
At 30 June, 2017	**15,698**	**255,047**	**27,037**	**7,517**	**122,627**	**9,693**	**6,337**	**274,287**	**718,243**	**1,090**	**719,333**
At January 1, 2018	15,698	255,047	33,683	8,399	135,686	3,729	2,342	365,757	820,341	1,317	821,658
Impact of adopting IFRS 9 at 1 January, 2018	-	-	-	-	-	-	-	(108,116)	(108,116)	(53)	(108,169)
Restated balance at 1 January, 2018	15,698	255,047	33,683	8,399	135,686	3,729	2,342	257,641	712,225	1,264	713,489
Profit for the period	-	-	-	-	-	-	-	81,558	81,558	179	81,737
Foreign currency translation differences	-	-	528	-	-	-	-	-	528	(11)	517
Fair value movements on equity instruments	-	-	-	683	-	-	-	-	683	-	683
Total comprehensive income for the period	**-**	**-**	**528**	**683**	**-**	**-**	**-**	**81,558**	**82,769**	**168**	**82,937**
Transfer between reserves	-	-	-	-	13,810	-	330	(14,140)	-	-	-
Transactions with owners of the Parent											
Dividends	-	-	-	-	-	-	-	(76,921)	(76,921)	-	(76,921)
At 30 June, 2018	**15,698**	**255,047**	**34,211**	**9,082**	**149,496**	**3,729**	**2,672**	**248,138**	**718,073**	**1,432**	**719,505**

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, 2017	**15,698**	**255,047**	**10,950**	**104,293**	**3,729**	**8,129**	**218,507**	**616,353**
Profit for the period	-	-	-	-	-	-	66,496	66,496
Fair value movements on equity instruments	-	-	(3,433)	-	-	-	-	(3,433)
Total comprehensive income for the period	**-**	**-**	**(3,433)**	**-**	**-**	**-**	**66,496**	**63,063**
Transfer between reserves	-	-	-	9,975	5,964	(8,129)	(7,810)	-
Dividend	-	-	-	-	-	-	(55,572)	(55,572)
At 30 June, 2017	**15,698**	**255,047**	**7,517**	**114,268**	**9,693**	**-**	**221,621**	**623,844**
At 01 January 2018	15,698	255,047	8,399	127,865	3,729	-	296,787	707,525
Impact of adopting IFRS 9 at 1 January, 2018	-	-	-	-	-	-	(103,550)	(103,550)
Restated balance at 1 January 2018	15,698	255,047	8,399	127,865	3,729	-	193,237	603,975
Profit for the year period	-	-	-	-	-	-	66,394	66,394
Fair value movements on equity instruments	-	-	683	-	-	-	-	683
Total comprehensive income for the period	**-**	**-**	**683**	**-**	**-**	**-**	**66,394**	**67,077**
Transfer between reserves	-	-	-	9,960	-	-	(9,960)	-
Dividends	-	-	-	-	-	-	(76,921)	(76,921)
Balance at 30 June, 2018	**15,698**	**255,047**	**9,082**	**137,824**	**3,729**	**-**	**172,750**	**594,130**

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 Period Ended 30 June, 2018

For the six months ended 30 June	Note(s)	Group 2018	Group 2017	Bank 2018	Bank 2017
In millions of Naira					
Cash flows from operating activities					
Profit after tax for the period		81,737	75,317	66,394	66,496
Adjustments for:					
Impairment loss/(reversal)					
Loans and Advances	8	8,348	42,398	7,167	37,249
Treasury bills, investment securities and assets pledged as collateral	8	873	-	514	-
Off balance sheet	8	509	-	692	-
On other assets	8	(10)	-	-	-
Fair value changes in trading bond	44(i)	(316)	(69)	(316)	(69)
Depreciation of property and equipment	25	7,967	5,530	7,001	5,032
Amortisation of intangible assets	26	1,117	756	1,013	655
Dividend income	10	(1,795)	(833)	(1,795)	(833)
Foreign exchange loss on debt securities issued	31	10,862	292	10,862	292
Interest income	6	(228,670)	(262,257)	(193,839)	(236,376)
Interest expense	7	74,709	123,295	65,154	115,698
Profit on sale of property and equipment	10	(168)	(37)	(151)	(37)
Tax expense	13	25,621	16,866	19,680	13,279
		(19,216)	1,258	(17,624)	1,386
Changes in operating assets and liabilities:					
Net decrease/(increase) in loans and advances	44(iv)	116,812	59,615	101,840	39,516
Net increase in other assets	44(xi)	11,619	(20,543)	(21,265)	(32,997)
Net decrease/(increase) in treasury bills with maturities greater than three months	44(ii)	3,971	57,539	215,877	82,114
Net increase in treasury bills (FVTPL)	44(iii)	58,939	(301,539)	58,939	(301,539)
Net increase in assets pledged as collateral	44(xii)	(26,390)	(71,253)	(26,390)	(72,752)
Net (increase)/decrease in investment securities	44(i)	(18,685)	(1,093)	31,761	11,973
Net (increase) in restricted balances (cash reserves)	44(xiv)	(20,128)	(19,944)	(20,157)	(20,090)
Net decrease in customer deposits	44(v)	(278,176)	(8,683)	(329,791)	(33,194)
Net decrease/(increase) in other liabilities	44(vi)	(47,606)	(23,977)	(35,055)	(63,721)
Net increase/(decrease) in derivative assets	44(xiii)	815	727	815	727
Net (decrease)/increase in derivative liabilities	44(xv)	(17,506)	(49,599)	(17,506)	(49,599)
		(235,551)	**(377,492)**	**(58,556)**	**(438,176)**
Interest received	44 (ix)	228,670	228,040	193,839	196,515
Dividend received	44(xv)	1,795	833	1,795	833
Interest paid	44 (x)	(68,493)	(7,381)	(59,162)	(3,573)
Tax paid	13(c)	(20,842)	(22,698)	(14,492)	(18,473)
VAT paid	44(vi)	-	(2,235)	-	(1,814)
Net cash flows (used in)/generated from operations		**(94,421)**	**(180,933)**	**63,424**	**(264,688)**

ZENITH BANK PLC

Consolidated and Separate Statement of Cash Flows for the Period Ended 30 June, 2018

		Group		Bank	
In millions of Naira		**2018**	**2017**	**2018**	**2017**
Cash flows from investing activities					
Purchase of property and equipment	25	(15,338)	(12,989)	(14,019)	(11,322)
Proceeds from sale of property and equipment	44(vii)	458	228	199	79
Purchase of intangible assets	26	(2,317)	(4,118)	(1,714)	(4,104)
Purchase of equity securities	44(xvi)	(34,200)	-	(34,200)	-
Net cash (used in)/generated from investing activities		**(51,397)**	**(16,879)**	**(49,734)**	**(15,347)**
Cash flows from financing activities					
Proceeds from debt securities	31	-	152,239	-	152,239
Borrowed funds					
Inflow from long term borrowing	30	290,172	85,779	252,415	114,339
Repayment of long term borrowing	30	(238,351)	(8,983)	(214,746)	(8,983)
Net inflow from On-lending facilities	29	26,585	27,680	26,585	27,680
Repayment of debt securities issued	31	-	1,164	-	1,164
Dividends paid to shareholders	39	(76,921)	(55,572)	(76,921)	(55,572)
Net cash generated from / (used in)financing activities		**1,485**	**202,307**	**(12,667)**	**230,867**
Net (decrease)/increase in cash and cash equivalents		**(144,333)**	**4,495**	**1,023**	**(49,168)**
Analysis of changes in cash and cash equivalents :					
Cash and cash equivalent at the beginning of the year		916,342	645,615	533,511	495,093
(decrease)/increase in cash and cash equivalents		(144,333)	4,495	1,023	(49,168)
Effect of exchange rate movement on cash balances		6,027	(1,164)	-	-
Cash and cash equivalents at the end of the period	40	**778,036**	**648,946**	**534,534**	**445,925**

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 period ended 30 June, 2018 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 period ended 30 June, 2018 were approved for issue by the Board of Directors on July 23, 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, 2018.

i) Impairment of financial assets under Financial Instruments (IFRS 9).

The Group has adopted IFRS 9, "Financial Instruments" as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Group had previously adopted IFRS 9 as issued by the IASB in 2010 which covered the classification and measurement of financial assets and financial liabilities. The major change in the current adoption relates to the impairment of financial assets.

As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Adjustments to the carrying amounts of financial assets and financial liabilities at the date of the transition were recognised in the opening retained earnings and other reserves of the current period.

The adoption of IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 (Financial Instrument Disclosures).

Consequently for notes disclosure, the consequential amendments to IFRS 7 disclosures have also only been applied in the current period as shown in note 20.1 . The comparative period disclosures repeat those disclosure made in the prior year.

ii. IFRS 15: Revenue from contracts with customers

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether how much and when revenue is recognised. The adoption of this standard does not have a significant impact on the Group.

Transition

Changes in accounting policies resulting from the adoption of IFRS 15 have been applied prospectively.

(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 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, or fair value through OCI 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) 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.

(ii) 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.

(iii) 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 a financial asset depending on the level of influence retained.

2.3 Basis of Consolidation (continued)

(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.

(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.

2.4 Translation of foreign currencies (continued)

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.

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:

2.6 Financial instruments (continued)

- 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:

- '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.

2.6 Financial instruments (continued)

Financial guarantee liabilities are initially recognised at fair value, which is generally equal to the premium received, and then amortised over the life of the financial guarantee. Subsequent to initial recognition, the financial guarantee liability is measured at the higher of the present value of any expected payment, when a payment under the guarantee has become probable, and the unamortised premium.

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

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

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

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

(d) Derecognition

(i) Financial assets

Financial assets are de-recognised when the contractual rights to receive the cash flows from the assets have expired or the Group has transferred the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred or which the Group neither retains substantially all the risks and rewards of ownership and it does not retain control of the financial assets. Any interest in transferred financial 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

The Group recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

• Financial assets that are debt instruments;

• Lease receivables;

• Financial guarantee contracts issued; and

• Loan commitments issued.

No impairment loss is recognised on equity investments.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

• Debt investment securities that are determined to have low credit risk at the reporting date; and

• Other financial instruments on which credit risk has not increased significantly since their initial recognition

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

Impairment of financial assets (continued)

• Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);

• Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;

• Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and

• Financial guarantee contracts: the expected payments to reimburse the holder less any amount that the Group expects to recover.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

• Significant financial difficulty of the borrower or issuer;

• A breach of contract such as a default or past due event;

• The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

• It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

• The disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered impaired.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Group considers the following factors.

• The market's assessment of creditworthiness as reflected in the bond yields.

• The rating agencies' assessments of creditworthiness.

• The country's ability to access the capital markets for new debt issuance.

• The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.

• The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

• Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;

• Loan commitments and financial guarantee contracts: generally, as a provision;

Impairment of financial assets (continued)

• Where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and

• Debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

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	(Not depreciated)
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.

2.23 Current and deferred income tax (continued)

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

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

(b) Deferred tax

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

Deferred tax is not recognised for the following temporary differences:

(i) the initial recognition of goodwill;

(ii) the initial recognition of assets and liabilities in a transaction that is not a business combination, which affects neither accounting nor taxable profits or losses; and

(iii) investments in subsidiaries where the Group controls the timing of the reversal of temporary differences 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.

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.

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 2018 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.

3. Risk management (continued)

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 (Very Low Risk)	AA
A	Investment Risk (Low Risk)	A
BBB	Upper Standard Grade (Acceptable Risk)	BBB
BB	Lower Standard Grade (Moderately High Risk)	BB
B	Non Investment Grade (High Risk)	B
CCC	Non Investment Grade (Very High Risk)	CCC
CC	Non Investment Grade (Extremely High Risk)	CC
C	Non Investment Grade (High Likelihood of Default)	C
D	Non Investment Grade (Lost)	D
Unrated	Unrated	Unrated

The credit rating system seeks to achieve the foundation level of the internal 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	N1 billion and above (Not exceeding 20% of total shareholders' fund)
Global Credit Committee	Below N1 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 30 June 2018 are as follows:

In millions of Naira	**Group**		**Bank**	
	Total exposure	**Value of collateral**	**Total exposure**	**Value of collateral**
Secured against real estate	107,338	67,541	106,430	64,843
Secured by shares of quoted companies	7,393	5,807	7,393	5,807
Cash Collateral, lien over fixed and floating assets	1,137,845	969,823	1,128,961	864,614
Unsecured	857,391	-	758,794	-
Total Gross amount	**2,109,968**	**1,043,171**	**2,001,579**	**935,264**
Impairment allowance	(236,795)	-	(229,355)	-
Net carrying amount	**1,873,173**	**1,043,171**	**1,772,224**	**935,264**

3. Risk management (continued)

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

(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 30 June 2018 and 31 December 2017 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 30 June 2018 and 31 December 2017 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 30 June 2018 and 31 December 2017 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			
30 June 2018	Due from banks	Treasury bills	Investment securities	Other financial assets	Due from banks	Treasury bills	Investment securities	Other financial assets
Nigeria	49,408	685,726	120,263	47,391	43,638	685,726	119,937	48,041
Rest of Africa	-	238,121	32,509	1,416	-	-	-	-
Outside Africa	390,946	-	228,391	377	199,245	-	-	-
	440,354	**923,847**	**381,163**	**49,184**	**242,883**	**685,726**	**119,937**	**48,041**

3. Risk management (continued)

In millions of Naira	Group				Bank			
31 December 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**

Gross loans and advances to customers and the Non-performing loan portion per geographical region as at 30 June, 2018

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

The non-performing loans (NPL) is determined in accordance with Central Bank of Nigeria (CBN) prudential guidelines.

	Group Loans and advances to customers				Bank Loans and advances to customers			
	Gross loans	NPL	Impairment Allowance	Carrying amount	Gross loans	NPL	Impairment Allowance	Carrying amount
South South	112,382	787	4,477	107,905	112,382	787	6,369	106,013
South West	1,629,713	89,277	218,626	1,411,087	1,629,659	89,277	215,634	1,414,025
South East	60,092	941	1,540	58,552	60,092	941	1,885	58,207
North Central	78,453	3,832	4,018	74,435	78,453	3,832	4,531	73,922
North West	21,779	170	241	21,538	21,779	170	317	21,462
North East	99,214	89	453	98,761	99,214	89	619	98,595
Rest of Africa	62,643	8,205	4,291	58,352	-	-	-	-
Outside Africa	45,692	-	3,149	42,543	-	-	-	-
	2,109,968	**103,301**	**236,795**	**1,873,173**	**2,001,579**	**95,097**	**229,355**	**1,772,224**

Gross loans and advances and non-performing portion per geographical region as at December 31,2017

	Group Loans and advances to customers					Bank 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	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**

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

Gross loans and advances to customers and the non-performing loan portion per industry sector as at 30 June 2018

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

The non-performing loans (NPL) is determined in accordance with Central Bank of Nigeria (CBN) prudential guidelines.

In millions of Naira	Group				Bank			
	Loans and advances to customers				Loans and advances to customers			
	Gross loans	NPL	Impairment allowance	Carrying amount	Gross loans	NPL	Impairment allowance	Carrying amount
Agriculture	103,185	854	3,423	**99,762**	103,116	854	3,423	**99,693**
Oil and gas	631,973	47,019	89,346	**542,627**	613,480	47,010	88,020	**525,460**
Consumer Credit	5,377	2,113	2,462	**2,915**	5,131	2,113	2,439	**2,692**
Manufacturing	497,033	6,183	16,561	**480,472**	469,997	6,183	12,561	**457,436**
Real estate and construction	66,195	7,808	4,228	**61,967**	56,490	4,735	4,151	**52,339**
Finance and insurance	25,389	4,247	2,427	**22,962**	6,430	4,222	2,121	**4,309**
Government	337,208	391	2,734	**334,474**	333,198	116	2,635	**330,563**
Power	81,326	47	26,318	**55,008**	81,326	-	26,318	**55,008**
Transportation	9,828	4,883	317	**9,511**	5,765	4,883	317	**5,448**
Communication	114,387	2,263	52,832	**61,555**	112,741	2,124	52,522	**60,219**
Education	9,211	361	318	**8,893**	6,659	237	318	**6,341**
General Commerce	228,856	27,132	35,829	**193,027**	207,246	22,620	34,530	**172,716**
	2,109,968	**103,301**	**236,795**	**1,873,173**	**2,001,579**	**95,097**	**229,355**	**1,772,224**

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

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	**164,042**
	2,252,172	**105,865**	**68,906**	**82,904**	**2,100,362**	**2,117,069**	**91,738**	**68,162**	**68,444**	**1,980,463**

3. Risk management (continued)

3.2.9 Credit quality

All other financial assets are neither past due nor impaired. Loans and advances to customers of NGN 265.86 billion which are neither past due nor impaired have been renegotiated.

In millions of Naira

(a) Credit portfolio neither past due nor impaired

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

	Group			Bank		
At 31 December 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	-	217,381	-	-	216,739	-
Below B	-	42,228	-	-	42,186	-
Unrated	-	108,817	**55,099**	-	94	**39,291**
	495,803	**2,061,451**	**55,099**	**273,331**	**1,943,102**	**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 31 December 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	-
AA to A	-	-	-	-	-	-	-	-
Below B	-	-	-	-	-	-	-	-
Unrated	-	-	-	-	-	-	-	-
	957,663	**936,817**	**57,219**	**468,010**	**907,265**	**799,992**	**57,219**	**468,010**

3. Risk management (continued)

The table below shows the credit quality of investment securities

At 31 December 2017	Group			Bank		
	Investment securities			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**

3. Risk management (continued)

3.2.10 Inputs, assumptions and techniques used for estimating impairment

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has ccurred 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 at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

3.2.11 Credit risk grades

The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement.Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data.

3.2.12 Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures.The Group collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. For some portfolios, information purchased from external credit reference agencies is also used.

The Group employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macro-economic indicators include: GDP growth, benchmark interest rates and unemployment. For exposures to specific industries and/or regions, the analysis may extend to relevant commodity and/or real estate prices.

Based on advice from the Group Market Risk Committee and economic experts and consideration of a variety of external actual and forecast information, the Group formulates a 'base case'view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (see discussion below on incorporation of forward-looking information). The Group then uses these forecasts to adjust its estimates of PDs.

In determining the ECL for other assets, the Group applies the simplified model to estimate ECLs, adopting a provision matrix to determine the lifetime ECLs. The provision matrix estimates ECLs on the basis of historical default rates, adjusted for current and future economic conditions (expected changes in default rates) without undue cost and effort.

3. Risk management (continued)

3.2.13 Determining whether credit risk has increased significantly

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Group's quantitative modelling, the remaining lifetime PD is determined to have increased by more than [a predetermined percentage/range].

Using its expert credit judgement and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due or, for [certain types of exposure], more than 15 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in the accounting policy.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

The Group renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities) to maximise collection opportunities and minimise the risk of default. Under the Group's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Group Audit Committee regularly reviews reports on forbearance activities.

For financial assets modified as part of the Group's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Group's ability to collect interest and principal and the Group's previous experience of similar forbearance action. As part of this process,the Group evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired/in default. A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

3. Risk management (continued)

Definition of default

- The Group considers 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 realising security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation to the Group.Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding.In assessing whether a borrower is in default, the Group considers indicators that are:
- qualitative - e.g. breaches of covenant;
- quantitative - e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The definition of default largely aligns with that applied by the Group for regulatory capital purposes, except where there is regulatory waiver on specifically identified loans and advances.

3.2.14 Incorporation of forward-looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on advice from the Group Market Risk Committee and economic experts and consideration of a variety of external actual and forecast information, the Group formulates a ‘base case’ view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Group operates, supranational organisations such as the OECD and the International Monetary Fund, and selected private-sector and academic forecasters.

The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past 5 years.

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

3. Risk management (continued)

3.2.15 Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD)
- exposure at default (EAD)

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. LGD estimates are recalibrated for different economic scenarios and, for lending, to reflect possible changes in the economies. They are calculated on a discounted cash flow basis using the effective interest rate as the discoun

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn,as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Group measures ECL considering the risk of default over the maximum contractual period (including any borrower’s extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Group considers a longer period. The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance or terminate a loan commitment or guarantee

However, for overdrafts and revolving facilities that include both a loan and an undrawn commitment component, the Group measures ECL over a period longer than the maximum contractual period if the Group’s contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group’s exposure to credit losses to the contractual notice period.These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Group can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Group becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Group expects to take and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- instrument type
- credit risk gradings
- collateral type
- Past due information
- date of initial recognition

3. Risk management (continued)

- remaining term to maturity;industry: and
- geographic location of the borrower

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

3.2.16 Loss allowance

Measurement basis under IFRS 9

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument. Explanation of the terms: 12-month ECL, lifetime ECL and credit-impaired are included in Note 2.8. Comparative amounts for 2017 represent allowance account for credit losses and reflect measurement basis under IAS 39.

Group

					June 2018			December 2017
In millions of naira	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchase credit impaired	Total	Specific	Collective	Total
Treasury bills (excluding those maturing before 3 months) at ammortised cost								
Balance at 1 January	928	-	-	-	928	-	-	-
Net remeasurement of loss allowances (see note 8)	404				404			
Foreign exchange and other movements	(12)	-	-	-	(12)	-	-	-
Closing balance	1,320				1,320			
Gross amount	925,167				925,167			

					June 2018			December 2017
In millions of naira	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchase credit impaired	Total	Specific	Collective	Total
Off balance sheet exposure								
Balance at 1 January	2,538	-	-	-	2,538	-	-	-
Net remeasurement of loss allowances (see note 8)	510				510			
Foreign exchange and other movements	121	-	-		121			
Closing balance	3,169				3,169			
Gross amount	1,066,727				1,066,727			

3. Risk management (continued)

In millions of naira	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchase credit impaired	June 2018 Total	Specific	Collective	December2017 Total
Assets pledged as collateral at ammortised cost								
Balance at 1 January	1,514	-	-	-	1,514	-	-	-
Net remeasurement of loss allowances (see note 8)	(268)	-	-	-	(268)	-	-	-
Closing Balance	1,246	-	-	-	1,246	-	-	-
Gross amount	493,154	-	-	-	493,154	-	-	-

In millions of naira	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchase credit impaired	June 2018 Total	Specific	Collective	December 2017 Total
Loans and advances to customers at amortised cost								
Balance at 1 January	64,815	35,696	153,329	-	253,840	32,896	38,548	71,444
Net remeasurement of loss allowances (see note 8)	(10,886)	(14,065)	33,299	-	8,348	59,513	38,691	98,204
Financial assets that have been derecognised	-	-	(25,392)	-	(25,392)	-	-	-
Write-offs	-	-	-	-	-	(6,535)	(7,196)	(13,731)
Foreign exchange and other movements	(1)	-	-	-	(1)	(2,970)	(1,137)	(4,107)
Closing balance	53,928	21,631	161,236	-	236,795	82,904	68,906	151,810
Gross amount	2,109,968	-	-	-	2,109,968	84,793	2,167,379	2,252,172

3. Risk management (continued)

In millions of naira	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchase credit impaired	June 2018 Total	Specific	Collective	December 2017 Total
Investment securities at amortised cost	-	-	-	-	-	-	-	-
Balance at 1 January	1,773	-	-	-	1,773	-	-	-
Net remeasurement of loss allowances (see note 8)	737	-	-	-	737	-	-	-
Foreign exchange and other movements	1,161	-	-	-	1,161	-	-	-
Closing balance	3,671	-	-	-	3,671	-	-	-
Gross amount	384,834	-	-	-	384,834	-	-	-

In millions of naira	12-month ECL	Lifetime ECL not credit-impaired	June 2018 Lifetime ECL credit-impaired	Purchase credit impaired	Total	Specific	December 2017 Collective	Total
Other assets								
Balance at 1 January	5,315	-	-	-	-	-	-	-
Net remeasurement of loss allowances (see note 8)	(10)	-	-	-	-	-	-	-
Write-offs	(4,518)	-	-	-	-	-	-	-
Foreign exchange and other movements	15	-	-	-	-	-	-	-
Closing balance	802	-	-	-	-	-	-	-

Bank

In millions of naira	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchase credit impaired	June 2018 Total	Specific	Collective	December 2017 Total
Treasury bills (excluding those maturing before 3 months) at ammortised cost								
Balance at 1 January	874	-	-	-	874	-	-	-
Net remeasurement of loss allowances (see note 8)	(174)	-	-	-	(174)	-	-	-
Closing balance	700	-	-	-	700	-	-	-
Gross amount	686,426				686,426			-

3. Risk management (continued)

In millions of naira	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchase credit impaired	June 2018 Total	Specific	Collective	December 2017 Total
Off balance sheet exposure								
Balance at 1 January	1,570	-	-	-	1,570	-	-	-
Net remeasurement of loss allowances (see note 8)	693				693			
Closing balance	2,263				2,263			
Gross amount	997,573				997,573			

3. Risk management (continued)

In millions of naira	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchase credit impaired	June 2018 Total	Specific	Collective	December 2017 Total
Assets pledged as collateral at ammortised cost								
Balance at 1 January	1,514	-	-	-	1,514	-	-	-
Net remeasurement of loss allowances (see note 8)	(268)	-	-	-	(268)	-	-	-
Closing balance	1,246	-	-	-	1,246	-	-	-
Gross amount	494,400	-	-	-	494,400	-	-	468,010

In millions of naira	12-month ECL	Lifetime ECL not credit-impaired	June 2018 Lifetime ECL credit-impaired	Purchase credit impaired	Total	Specific	December 2017 Collective	Total
Loans and advances to customers at amortised cost								
Balance at 1 January	60,761	33,245	141,832	-	235,837	17,607	37,485	55,092
Net remeasurement of loss allowances (see note 8)	(10,147)	(14,559)	31,873	-	7,167	57,371	37,873	95,244
Financial assets that have been derecognised	-	-	(13,650)	-	(13,650)	-	-	-
Write-offs	-	-	-	-	-	(6,535)	(7,196)	(13,731)
Closing balance	50,614	18,686	160,055	-	229,354	68,443	68,162	136,605
Gross amount	1,565,965	221,048	214,566	-	2,001,579	70,667	2,046,402	2,117,069

In millions of naira	12-month ECL	Lifetime ECL not credit-impaired	June 2018 Lifetime ECL credit-impaired	Purchase credit impaired	Total	Specific	Collective	- Total
Other assets	-	-	-	-	-	-	-	-
Balance at 1 January	5,248	-	-	-	-	-	-	-
Write-offs	(4,518)	-	-	-	-	-	-	-
Closing balance	730	-	-	-	-	-	-	-

In millions of naira	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchase credit impaired	June 2018 Total	Specific	Collective	December 2017 Total
Investment securities at amortised cost								
Balance at 1 January	358	-	-	-	358	-	-	-

3. Risk management (continued)

Net remeasurement of loss allowances (see note 8)	956	-	-	-	956	-	-	-
Closing balance	1,314	-	-	-	1,314	-	-	-
Gross amount	121,251	-	-	-	121,251	-	-	117,814

3. Risk management (continued)

A.. Concentration of credit risk

B. Liquidity risk

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.

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."

3. Risk management (continued)

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 (NAFEX / I&E Window) 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

		At 30 June 2018			At 31 December 2017		
	Note	Carrying amount	Trading	Non-trading	Carrying amount	Trading	Non-trading
Assets							
Cash and balances with central bank	15	843,674	-	843,674	957,663	-	957,663
Treasury bills	16	923,847	488,717	435,130	936,817	547,656	389,161
Assets pledged as collateral	17	493,154	144,838	348,316	468,010	136,438	331,572
Due from other banks	18	440,354	-	440,354	495,803	-	495,803
Derivative assets	19	56,404	56,404	-	57,219	57,219	-
Loans and advances		1,873,173	-	1,873,173	2,100,363	-	2,100,363
Investment securities	21	381,163	7,880	373,283	330,951	32,266	298,685
Other financial assets	24	48,184	-	48,184	100,808	-	100,808
Liabilities							
Customer deposits	27	3,165,955	-	3,165,955	3,437,915	-	3,437,915
Derivative liabilities	32	3,299	3,299	-	20,805	20,805	-
Other financial liabilities	28	176,905	-	176,905	212,304	-	212,304
On-lending facilities	29	409,619	-	409,619	383,034	-	383,034
Borrowings	30	408,317	-	408,317	362,639	-	362,639
Debt securities issued	31	346,960	-	346,960	332,931	-	332,931

Bank

		At 30 June 2018			At 31 December 2017		
		Carrying amount	Trading	Non-trading	Carrying amount	Trading	Non-trading
Assets							
Cash and balances with central bank	15	797,643	-	797,643	907,265	-	907,265
Treasury bills	16	685,726	488,717	197,009	799,992	547,656	252,336
Assets pledged as collateral	17	493,154	109,613	383,541	468,010	136,438	331,572
Due from other banks	18	242,883	-	242,883	273,331	-	273,331
Derivative assets	19	56,404	56,404	-	57,219	57,219	-
Loans and advances		1,772,224	-	1,772,224	1,980,465	-	1,980,465
Investment securities	21	119,937	7,880	112,057	117,814	32,266	85,548
Other financial assets	24	48,041	-	48,041	42,752	-	45,752
Liabilities							
Customer deposits	27	2,417,559	-	2,417,559	2,744,525	-	2,744,525
Derivative liabilities	32	3,299	3,299	-	20,805	20,805	-
Other financial liabilities	28	185,001	-	185,001	212,304	-	212,304
On-lending facilities	29	409,619	-	409,619	383,034	-	383,034
Borrowings	30	456,648	-	456,648	418,979	-	418,979
Debt securities issued	31	346,960	-	346,960	332,931	-	332,931

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 30 June 2018 and 31 December 2017. Included in the table are the Group’s financial instruments at carrying amounts, categorised by currency.

In millions of Naira **At 30 June 2018**	**Naira**	**Dollar**	**GBP**	**Euro**	**Others**	**Total**
Assets						
Cash and balances with central banks	778,673	14,986	9,676	3,574	36,766	843,675
Treasury bills	685,726	-	-	-	238,121	923,847
Assets pledged as collaterals	493,154	-	-	-	-	493,154
Due from other banks	43,638	276,693	70,887	20,032	29,104	440,354
Derivative assets	-	56,404	-	-	-	56,404
Loans and advances to customers	918,863	884,641	900	15,490	53,279	1,873,173
Investment securities	81,132	277,947	-	1,155	20,929	381,163
Other financial assets	45,698	447	-	-	3,039	49,184
	3,046,884	1,511,118	81,463	40,251	381,238	5,060,954
Liabilities						
Customer's deposits	1,943,528	953,467	34,336	40,586	194,038	3,165,955
Derivative liabilities	-	3,299	-	-	-	3,299
Other financial liabilities	3,825	156,591	738	15,704	952	177,810
On-lending facilities	409,619	-	-	-	-	409,619
Borrowings	-	408,317	-	-	-	408,317
Debt securities issued	-	346,960	-	-	-	346,960
	2,356,972	1,868,634	35,074	56,290	194,990	4,511,960
Net on-balance sheet position	689,912	(357,516)	46,389	(16,039)	186,248	548,994

3. Risk management (continued)

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

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.

	30-Jun-18	31-Dec-17
US Dollar effect of 15% up or (down) movement on profit before tax and statement of financial position size (in millions of Naira)	(53,627)	5,394
US Dollar effect of 30% up or (down) movement on profit before tax and statement of financial position size (in millions of Naira)	(107,255)	10,788

3. Risk management (continued)

Bank

The table below summarizes the Bank's exposure to foreign currency exchange rate risk at 30 June 2018 and 31 December 2017. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency.

In millions of Naira

At 30 June 2018	**Naira**	**Dollar**	**GBP**	**Euro**	**Others**	**Total**
Assets						
Cash and balances with central banks	654,566	129,586	5,494	7,997	-	797,643
Treasury bills	685,726	-	-	-	-	685,726
Assets pledged as collaterals	493,154	-	-	-	-	493,154
Due from other banks	29,422	194,368	3,131	15,813	149	242,883
Derivative assets	56,404	-	-	-	-	56,404
Loans and advances to customers (gross)	918,863	841,858	165	11,338	-	1,772,224
Investment securities	70,031	49,908	-	-	-	119,939
Other financial assets	77,317	-	-	-	-	77,317
	2,985,483	1,215,720	8,790	35,148	149	4,245,290
Liabilities						
Customer's deposit	1,943,528	439,887	7,314	19,069	7,760	2,417,558
Derivative liabilities	3,299	-	-	-	-	3,299
Financial liabilities	186,996	-	-	-	-	186,996
On-lending facilities	409,619	-	-	-	-	409,619
Borrowings	-	456,648	-	-	-	456,648
Debt securities issued	-	346,960	-	-	-	346,960
	2,543,442	1,243,495	7,314	19,069	7,760	3,821,080
Net on-balance sheet position	442,041	(27,775)	1,476	16,079	(7,611)	424,210

In millions of Naira

At 31 December 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	1,238,189	7,897	32,062	128	4,660,147
Liabilities						
Customer's deposits	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	(192,409)	440	19,095	128	541,500

The Bank's exposure to foreign currency risk is largely concentrated in US Dollar. Movement in exchange rate between the US Dollar, and the Nigerian Naira affects reported earnings through revaluation gain or loss and statement of financial position size through increase or decrease in the revalued amounts of assets and liabilities denominated in US Dollars. The Group's closing and average Dollar rate as at 30 June 2018 was 344.94 and 338.00 respectively.

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	**30-Jun-18**	**31-Dec-17**
US Dollar effect of 15% up or (down) movement on profit before tax and balance sheet size	862	27,320
US Dollar effect of 30% up or (down) movement on profit before tax and statement of financial position size (in millions of Naira)	1,725	54,639

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 30 June 2018	**Note**	**Carrying amount**	**Rate sensitive**	**Non rate sensitive**
Assets				
Cash and balances with central banks	15	843,674	5,000	838,674
Treasury and other eligible bills (Amortized cost)	16	924,467	488,717	435,130
Assets pledged as collateral	17	440,354	-	493,154
Due from other banks	18	439,703	439,703	-
Derivative assets	19	56,404	56,404	-
Loans and advances to customers (Gross)		2,109,968	2,109,968	-
Investment securities (Amortized cost and Fair value through OCI)	21	381,163	332,200	48,983
Other financial assets	24	49,184	-	49,184
		5,244,917	3,431,992	1,865,125
Liabilities				
Customer deposits	27	3,165,955	2,714,177	451,778
Derivative liabilities	32	3,299	3,299	-
Other financial liabilities	28	177,810	-	177,810
On-lending facilities	29	409,619	409,619	-
Borrowings	30	408,317	437,620	-
Debt securities issued	31	346,960	346,960	-
		4,511,960	3,911,675	629,588
Total interest repricing gap		732,957	(479,683)	

3. Risk management (continued)

At 30 June 2018	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	5,000	-	-	-	-	5,000
Treasury bills	39,575	141,794	169,447	137,901	-	488,717
Assets pledged as collateral	70,670	85,497	74,359	36,289	226,339	493,154
Due from other banks	434,990	-	-	-	5,364	440,354
Derivative assets	1,278	9,584	5,810	39,733	-	56,405
Loans and advances to customers (Gross)	444,579	26,762	45,879	91,696	1,501,052	2,109,968
Investment securities (Amortized cost and fair value through OCI)	5,849	41,715	34,658	56,124	242,817	381,163
	1,001,941	305,352	330,153	361,743	1,975,572	3,974,761
Liabilities						
Customer deposits	967,297	73,011	11,478	14,687	1,647,704	2,714,177
Derivative liabilities	1,051	1,899	231	118	-	3,299
On-lending facilities	-	156,701	-	20,916	232,001	409,618
Borrowings	-	-	-	6,343	401,974	408,317
Debt securities issued	-	-	-	2,313	344,647	346,960
	968,348	231,611	11,709	44,377	2,626,326	3,882,370
Total interest repricing gap	33,593	73,741	318,444	317,366	(650,754)	92,390

3. Risk management (continued)

At 31 December 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 collaterals	17	468,010	-	468,010
Due from other banks	18	495,803	495,803	-
Derivative assets	19	57,219	57,219	-
Loans and advances to customers (gross)		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 liabilties	32	20,805	20,805	-
On-lending facilities	29	216,104	-	216,104
Borrowings	30	383,034	383,034	-
Financial liabilities	28	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)	-

In millions of Naira

At 31 December 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	4,005,859
Total interest repricing gap	142,550	(63,633)	143,569	307,756	(889,636)	(359,394)

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	30-Jun-18	31-Dec-17
Effect of 300 basis points movement on profit before tax	44,114	16,572

3. Risk management (continued)

Bank

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

In millions of Naira

At 30 June 2018	**Note**	**Carrying amount**	**Rate sensitive**	**Non-rate sensitive**
Assets				
Cash and balances with central banks	15	797,643	5,000	792,643
Treasury and other eligible bills	16	685,726	488,717	197,008
Assets pledged as collateral	17	493,154	493,154	-
Due from other banks	18	242,883	242,883	-
Derivative assets	19	56,404	56,404	-
Loans and advances to customers (gross)		2,001,579	2,001,579	-
Investment securities (Amortized cost and Fair value through OCI)	21	119,937	70,954	48,983
Other financial assets	19	77,318	-	77,318
		4,474,644	3,358,691	1,115,952
Liabilities				
Customer deposits	27	2,417,559	1,965,781	451,778
Derivative liabilities	32	3,299	3,299	-
Other financial liabilities	28	186,998	-	186,998
On-lending facilities	29	409,619	409,619	-
Borrowings	30	456,648	456,648	-
Debt securities issued	31	346,960	346,960	-
		3,821,083	3,182,307	638,776
Total interest repricing gap		653,561	176,384	477,176

In millions of Naira

At 30 June 2018	**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	5,000	-	-	-	-	5,000
Treasury bills	15,148	206,844	49,521	217,204	-	488,717
Assets pledged as collateral	70,670	85,497	74,359	36,289	226,339	493,154
Due from other banks	199,245	-	-	-	4,713	203,958
Derivative assets	1,278	9,584	5,810	39,733	-	56,405
Loans and advances to customers (gross)	407,676	25,439	45,544	87,620	1,435,300	2,001,579
Investment securities (Amortized cost and Fair value through OCI)	-	-	534	4,615	65,805	70,954
	699,017	327,364	175,768	385,461	1,732,157	3,319,767
Liabilities						
Customer deposits	789,036	37,430	936	20	1,138,359	1,965,781
Derivative liabilities	1,051	1,899	231	118	-	3,299
On-lending facilities	-	156,701	-	20,916	232,001	409,618
Borrowings	-	-	-	6,339	450,309	456,648
Debt securities	-	-	-	2,313	344,647	346,960
	790,087	196,030	1,167	29,706	2,165,316	3,182,306
Total interest repricing gap	(91,070)	131,334	174,601	355,755	(433,159)	137,461

3. Risk management (continued)

In millions of Naira

At 31 December 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 (Amortized cost)	16	799,993	517,106	282,887
Assets pledged as collaterals	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)		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	24	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
Financial liabilities	13	20,805	20,805	-
Derivative liabilities	28	212,304	-	212,304
On-lending facilities	32	383,034	383,034	-
Borrowings	29	418,979	418,979	-
Debt securities issued	30	332,931	332,931	-
		4,112,578	3,385,374	727,204
Total interest repricing gap		670,874	(420,616)	1,091,490

At 31 December 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 issued	-	-	-	-	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)

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	30-Jun-18	31-Dec-17
Effect of 300 basis points movement on profit before tax	39,062	20,887

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 9.3% equity holding in African Finance Corporation (AFC) valued at N14.10 billion (cost N6.4 billion) as at 30 June 2018. 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	
	30-Jun-18	31-Dec-17	30-Jun-18	31-Dec-17
	76.98%	69.66%	70.04%	51.88%
Average for the period	83.34%	52.15% .	71.57%	52.06%
Maximum for the period	88.87%	82.42%	75.56%	55.49%
Minimum for the period	76.98%	38.94%	67.04%	46.96%

(b) Liquidity reserve

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

Group	**30-Jun-18**		**31-Dec-17**	
In millions of naira	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Cash and balances with Central Banks	843,674	843,674	310,549	310,549
Treasury Bills	923,847	314,046	419,711	314,046
Balances with other banks	245,580	201,982	201,982	201,982
Investment securities	381,163	174,227	316,850	174,227
Assets pledged as collaterals	493,154	326,055	468,010	326,055
Total	**2,887,418**	**1,859,984**	**1,717,102**	**1,326,859**
Bank				
Cash and balances with Central Banks	797,643	797,643	260,180	260,180
Treasury Bills	685,725	687,517	282,886	214,046
Balances with other banks	43,638	43,638	8,733	8,733
Investment securities	119,938	123,258	103,713	84,227
Assets pledged as collaterals	493,154	502,533	468,010	326,055
Total	**2,140,098**	**2,154,589**	**1,123,522**	**893,241**

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

		At 30 June 2018			At 31 December 2017		
	Note	Encumbered	Unencumbered	Total	Encumbered	Unencumbered	Total
Cash and balances with central banks	15	667,242	176,432	843,674	647,114	310,549	957,663
Treasury bills	16	-	923,847	923,847	-	936,817	936,817
Assets pledged as collateral	17	493,154	-	493,154	468,010	-	468,010
Due from other banks	18	-	440,354	440,354	-	495,803	495,803
Loans and advances		-	1,873,173	1,873,173	-	2,100,362	2,100,362
Investment securities	21	-	381,163	381,163	-	330,951	330,951
Financial assets	24	35,421	13,763	49,184	79,677	5,964	85,641

'In millions of Naira
Bank

		At 30 June 2018			At 31 December 2017		
	Note	Encumbered	Unencumbered	Total	Encumbered	Unencumbered	Total
Cash and balances with central banks	15	667,242	130,400	797,642	647,114	260,181	907,295
Treasury bills	16	-	685,725	685,725	-	799,992	799,992
Assets pledged as collateral	17	493,154	-	493,154	468,010	-	468,010
Due from other banks	18	-	242,883	242,883	-	273,331	273,331
Loans and advances		-	1,772,225	1,772,225	-	1,980,464	1,980,464
Investment securities	21	-	119,938	119,938	-	117,814	117,814
Financial assets	24	34,220	13,821	48,041	36,788	5,964	42,752

(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 30 June 2018 and December 31, 2017 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 30 June 2018 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	176,432	-	-	667,242	-	843,674	843,674
Treasury bills	16	74,861	268,220	340,251	241,135	-	924,467	923,847
Assets pledged as collateral	17	70,670	85,497	74,359	36,289	226,339	493,154	493,154
Due from other banks	18	434,990	-	-	-	5,364	440,354	440,354
Loans and advances to customers		444,579	26,762	45,879	91,696	1,507,053	2,115,969	2,109,968
Investment securities	21	5,849	41,715	34,658	56,124	254,783	393,129	381,163
Other financial assets	24	1,067	1,562	947	25,347	20,261	49,184	49,184
		1,208,448	**423,756**	**496,094**	**1,117,833**	**2,013,800**	**5,259,931**	**5,241,344**
Derivative assets								
Trading:	19	-	-	-	-	-	-	56,404
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**	**56,404**
Liabilities								
Non-derivative liabilities								
Customer's deposits	27	3,066,779	73,011	11,477	14,687	-	3,165,954	3,165,955
Financial liabilities	28	1,051	1,899	231	118	-	3,299	3,299
On-lending facilities	29	-	156,701	-	20,916	232,001	409,618	409,619
Borrowings	30	-	-	-	6,343	401,974	408,317	408,317
Debt securities issued	31	-	-	-	2,313	344,647	346,960	346,960
Financial guarantees contracts	38	90,786	-	-	114,771	240,595	446,152	446,150
		3,158,616	**231,611**	**11,708**	**159,148**	**1,219,217**	**4,780,300**	**4,780,300**
Derivative liabilities								
Trading:	32							3,299
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**	**3,299**

3. Risk management (continued)

At 31 December 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	-	348,479	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		671,539	39,753	42,023	69,461	1,429,397	2,252,172	2,252,172
Investment securities	21	500	-	-	4,712	325,555	330,767	330,951
		1,556,430	**234,707**	**233,719**	**1,439,260**	**1,957,147**	**4,843,263**	**5,441,416**
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		-	-	-	-	-	-	-
Outflow		-	-	-	-	-	-	-
		3,906	**3,851**	**36,872**	**11,332**	**-**	**55,961**	**20,805**

3. Risk management (continued)

Bank

At 30 June 2018 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	7,500	-	-	667,242	-	674,742	797,643
Treasury bills	16	41,463	195,053	216,337	232,873	-	685,726	685,726
Assets pledged as collateral	17	70,670	85,497	74,359	36,289	226,339	493,154	493,154
Due from other banks	18	238,170	-	-	-	4,713	242,883	242,883
Loans and advances to customers		407,676	25,439	45,544	87,620	1,435,300	2,001,579	2,001,579
Investment securities	21	-	-	534	4,615	114,788	119,937	119,937
Other financial assets	24	33,570	-	-	-	14,471	48,041	48,041
		799,049	**305,989**	**336,774**	**1,028,639**	**4,246,016**	**4,266,062**	**4,388,963**
Derivative assets								
Trading:	19	-	-	-	-	-	-	56,404
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**	**56,404**
Liabilities								
Non-derivative liabilities								
Customer's deposits	27	2,379,173	37,430	936	20	-	2,417,559	2,417,559
Financial liabilities	28	1,051	1,899	231	118	-	3,299	3,299
On-lending facilities	29	-	156,701	-	20,916	232,001	409,618	409,619
Borrowings	30	-	-	-	6,339	450,309	456,648	456,648
Debt securities issued	31	-	-	-	2,313	344,647	346,960	346,960
Financial guarantees contracts	38	83,405	-	-	112,334	229,355	425,094	425,093
		2,463,629	**196,030**	**1,167**	**142,040**	**1,256,312**	**4,059,178**	**4,059,178**
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, 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		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**	**2,174,337**	**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	-	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:		-	-	-	-	-	-	-
Outflow		-	-	-	-	-	-	-
Inflow		-	-	-	-	-	-	-
		3,906	**3,851**	**36,872**	**11,332**	**-**	**55,961**	**20,805**

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 30 June 2018			At 31 December 2017		
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	488,717	488,717	1&2	547,656	547,656	1
Investment securities (FGN bonds)	21	7,880	7,880	1	32,266	32,266	1
Derivative assets	19	56,404	56,404	2	57,219	57,219	2
Asset pledged as collateral		100,234	100,234	-	-	-	-
Carried at FVOCI:							
Investment securities (unquoted)	21	48,983	48,983	3	14,101	14,101	3
Carried at amortized cost:							
Cash and balances with central banks	15	843,674	843,674	-	957,663	679,915	-
Treasury bills	16	435,130	392,943	1	389,161	314,046	1
Assets pledged as collateral	17	392,920	392,920	1	468,010	326,055	1
Due from other banks	18	440,354	440,354	2	495,803	495,803	2
Loans and advances to customers (gross)		2,109,968	1,502,340	3	2,252,172	1,546,337	3
Investment securities	21	336,180	330,100	1	284,584	174,227	1
Other financial assets	24	49,184	34,961	-	77,328	28,388	-
Liabilities							
Carried at FVTPL							
Derivative liabilities	32	3,299	3,299	2	20,805	20,805	2
Carried at FVTPL							
Customer's deposits	27	3,165,955	3,029,004	-	3,437,915	2,935,105	-
Other financial liabilities	28	177,810	125,603	-	216,104	158,160	-
On-lending facilities	29	409,619	290,603	3	383,034	339,995	3
Borrowings	30	408,317	310,710	3	356,496	335,504	3
Debt securities issued	31	346,960	246,342	2	332,931	251,961	2

3. Risk management (continued)
Bank

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

		At 30 June 2018			At 31 December 2017		
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	488,717	488,717	1&2	547,656	547,656	1
Investment securities (FGN bonds)	21	7,880	7,880	1	32,266	32,266	1
Derivative assets	19	56,404	56,404	2	57,219	57,219	2
Asset pledged as collateral		109,613	109,613	-	-	-	-
Carried at FVOCI:							
Investment securities (Unquoted)	21	48,983	48,983	3	14,101	14,101	3
Carried at amortized cost:							
Cash and balances with central banks	15	797,643	797,643	-	907,265	907,265	-
Treasury bills	16	197,009	198,800	1	282,886	246,210	1
Assets pledged as collateral	17	493,154	392,920	1	468,010	407,334	1
Due from other banks	18	242,883	242,883	-	273,331	273,331	-
Loans and advances to customers (gross)		2,001,579	1,421,121	3	2,117,069	1,449,107	3
Investment securities	21	63,074	66,394	1	71,447	72,748	1
Other financial assets	24	48,041	48,041	-	42,752	40,546	-
Liabilities							
Carried at FVTPL							
Derivative liabilities	32	3,299	3,299	2	20,805	20,805	2
Carried at amortized cost:							
Customer's deposits	27	2,417,559	2,307,701	-	2,744,525	2,481,971	-
Other financial liabilities	28	185,001	131,351	-	212,304	168,830	-
On-lending facilities	29	409,619	290,829	3	383,034	339,995	3
Borrowings	30	456,648	324,220	3	418,979	335,504	3
Debt securities issued	31	346,960	246,342	2	332,931	251,961	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 30 June, 2018

In millions of Naira		Level 1	Level 2	Level 3
Financial assets				
Treasury bills (FVTPL)	16	374,661	114,057	-
Investment securities (FVTPL) - FGN Bonds	21	7,880	-	-
Derivative assets	19	-	56,404	-
Derivative liabilities	32	-	3,299	-
Investment securities (Unquoted)	21	-	-	48,983
		382,541	**173,760**	**48,983**

Reconciliation of Level 3 items

At 1 January	14,101
Addition	34,200
Gain recognised through other comprehensive income	683
At 30 June 2018	**48,984**

At 31 December 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
Gains/(losses) recognised through other comprehensive income	(2,551)
At 31 December 2017	**14,101**

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 30 June 2018 and 31 December 2017 in measuring financial instruments categorized as level 3 in the fair value hierarchy

Type of financial instrument	Fair values at 30 June 2018	Valuation technique	Significant unobservable input	Range of estimates (average) for unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Unquoted equity investment	N48.98 billion	Equity DCF model.	-Discount rate. -Estimate cash flow.	Risk premium of 14.96 -15.96% (12.09%) above risk-free interest rate (2.38%) (31 Dec. 2017:14.08- 15.08% (14.58%) above risk free rate (2.38%)) 5-year Compound Annual Growth Rate (CAGR) of cash flow of 17-18% (17.85%) (December 2017: 16-17% (16.96%))	A significant increase in the risk premium above the risk rate would result in a lower fair value. A significant increase in the CAGR of cash flow would result in a higher fair value

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

(b) The effect of unobservable inputs on fair value measurements

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

Effect on OCI

	At 30 June 2018		At 31 December 2017	
In millions of Naira	**Favourable changes**	**Un-favourable changes**	**Favourable changes**	**Un-favourable changes**
Unquoted investment securities	1.00	(0.70)	0.92	(0.40)

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 30 June 2018 included a risk premium 15.46**%** above the risk-free interest rate of 2.38% (with reasonably possible alternative assumptions of 14.96% and 15.96%) (31 December 2017: 14.08% - 15.08% (14.58%) respectively above risk free rate of 2.38%).

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 30 June 2018: N647 billion, 31 December 2017: N647 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 30 June 2018 as well as the 31 December, 2017 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 30 June, 2018	Group December 31, 2017	Bank 30 June, 2018	Bank December 31, 2017
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	260,355	135,686	172,372	127,865
SMEIES reserve	3,729	3,729	3,729	3,729
Retained earnings	139,795	365,757	138,201	296,787
Total qualifying Tier 1 capital	674,624	775,917	585,047	699,126
Deferred tax assets	(9,472)	(9,561)	(9,197)	(9,197)
Intangible assets	(14,034)	(12,989)	(12,867)	(12,088)
Investment in capital of financial subsidiaries	-	-	(24,921)	(25,604)
Adjusted Total qualifying Tier 1 capital	651,118	753,367	538,063	652,237
Tier 2 capital				
Other comprehensive income (OCI)	43,293	42,082	(9,082)	(8,399)
Total qualifying Tier 2 capital	43,293	42,082	(9,082)	(8,399)
Investment in capital and financial subsidiaries	-	-	9,082	8,399
Net Tier 2 Capital	43,293	42,082	-	-
Total regulatory capital	694,411	795,449	538,063	652,237
Risk-weighted assets				
Credit risk	2,378,619	2,306,892	2,070,992	2,066,961
Market risk	69,877	84,690	47,222	62,956
Operational risk	791,625	595,934	729,891	540,331
Total risk-weighted assets	3,240,121	2,987,516	2,848,105	2,670,248
Risk-weighted Capital Adequacy Ratio (CAR)	**21 %**	**27 %**	**19 %**	**24 %**

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

4.1 (a) Determination of default prior to the measurement of expected credit loss

The Group considers an objective evidence of default for the purpose of determining its stage classification of impairment. It considers all default event terms no matter if it is obligatory or facultative to constitute objective evidence of impairment in accordance to IFRS 9.

All financial assets with objective evidence of impairment will be further referred to as defaulted (or in default status). Exposure is considered defaulted, if the obligatory payments on the exposure have been passed due for at least 90 days.

An exposure is considered to be individually significant if the total amount exceeds a significance threshold expressed in percentage as of reporting date. Significance thresholds are established and reviewed at regular intervals. Significant threshold can be determined separately for each risk portfolio or for groups of porfolios. However exposures considered by the Group as having specific risk, are deemed as individually significant exposures and have to be assessed individually.

An exposure is comprised of the following components as at the reporting date:

i) Overdue principal receivable

ii) Undue principal receivable

iii) Overdue contract interest receivable

iv) Undue accrued interest

v) Other outstanding exposure

vi) Unconditional and conditional off-balance sheet exposure, in particular available limit

vii) Unamortized discount or premium.

4.1 (b) Measurement of the expected credit loss allowance for financial assets.

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 3.2.10 to 3.2.15.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Determining the credit risk grades;
- Generating the term structure of the probability of default;
- Determining whether credit risk has increased significantly;
- Incorporation of forward-looking information;
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Detailed information about the judgements and estimates made by the Group in the above areas is set out in note 3.2.10 to 3.2.15.

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 30 June 2018.

Provision for loan losses per prudential guidelines

		Bank	
In millions of Naira	**Note**	**30-Jun-18**	**31-Dec-17**
Loans and advances		132,613	109,405
Other financial assets		975	6,560
(a)		133,588	115,965
Impairment assessment under IFRS			
Loans and advances			
Specific allowance for impairment		-	68,443
Collective allowance for impairment		-	68,162
12-months ECL		50,614	-
Life-time ECL Not impaired		18,686	-
Life- time ECL impaired		160,055	-
(b)		229,355	136,605
		-	-
Investment securities			
12-Month ECL		3,260	-
(c)		3,260	-
Off balance sheet exposures		-	-
12-Month ECL		2,263	-
(d)		2,263	-
Other financial assets			
Specific allowance for impairment on associated companies	22	-	1,312
Specific allowance for impairment on other assets	24	-	5,248
12-months ECL		730	-
(e)		730	143,165
(f)=(b)+(c)+(d)+(e)		235,607	(27,200)
(G)=(a)-(f)		(102,019)	(27,200)
(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, Public, 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.

In millions of Naira 30 June, 2018	Nigeria Corporate retail and pensions custodian services	Outside Nigeria Africa	 Europe	Total reportable segments	Eliminations	Consolidated
Revenue:						
Derived from other business segments	282,014	33,889	7,857	323,760	(1,560)	322,200
Interest expense	(65,154)	(10,466)	(648)	(76,268)	1,560	(74,708)
Impairment loss on financial assets	(8,373)	(1,016)	(331)	(9,720)	-	(9,720)
Admin and operating expenses	(117,016)	(10,253)	(2,542)	(129,811)	-	(129,811)
Profit before tax	91,471	12,154	4,336	107,961	-	107,961
Tax expense	(21,154)	(3,757)	(710)	(25,621)	-	(25,621)
Profit after tax	**70,317**	**8,397**	**3,626**	**82,340**	**-**	**82,340**

In millions of Naira 30 June, 2018	Nigeria Corporate retail and pensions custodian services	Outside Nigeria Banking Africa	 Europe	Total reportable segments	Eliminations	Consolidated
Capital expenditure**	15,733	107	281	16,121	-	16,121
Identifiable assets	4,451,187	465,113	508,609	5,424,909	(133,699)	5,291,210
Identifiable liabilities	3,834,426	394,189	437,988	4,666,603	(129,648)	4,536,955

** 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 Period Ended 30 June 2018

In millions of Naira	Nigeria Corporate retail and pensions custodian services	Outside Nigeria Banking Africa	Outside Nigeria Banking Europe	Total reportable segments	Eliminations	Consolidated
30 June, 2017						
Revenue:						
Derived from external customers	348,130	24,720	7,590	380,440	-	380,440
Derived from other business segments	1,501	-	15	1,516	(1,516)	-
Total revenue*	**349,631**	**24,720**	**7,605**	**381,956**	**(1,516)**	**380,440**
Interest expense	(115,698)	(8,327)	(789)	(124,814)	-	(124,814)
Impairment loss on financial assets	(37,249)	(1,734)	(3,415)	(42,398)	-	(42,398)
Admin and operating expenses	(112,390)	(6,834)	(2,797)	(122,561)	1,516	(121,045)
Profit before tax	83,754	7,825	604	92,183	-	92,183
Tax expense	(14,468)	(2,265)	(133)	(16,866)	-	(16,866)
Profit after tax	**69,826**	**5,560**	**471**	**75,317**	**-**	**75,317**

In millions of Naira	Nigeria Corporate retail and pensions custodian services	Outside Nigeria Banking Africa	Outside Nigeria Banking Europe	Total reportable segments	Eliminations	Consolidated
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.*

For the six months ended In millions of Naira	Note(s)	Group June 2018	Group June 2017	Bank June 2018	Bank June 2017

6. Interest and similar income

Loans and advances to customers	146,434	178,586	136,717	168,404
Placement with banks and discount houses	4,943	2,301	1,183	347
Treasury bills	51,412	59,328	34,713	47,842
Government and other bonds	25,881	22,042	21,226	19,783
	228,670	**262,257**	**193,839**	**236,376**

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 N228,670 million (30 June 2017: N262,257 million) and N193,839 million (30 June 2017: N236,376 million) for Group and Bank respectively.

Included in interest income on loans and advances are amounts totalling N7.42 billion (30 June 2017: N2.66 billion) and N1.14 billion (30 June 2017: 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	5,775	3,842	5,485	3,553
Savings accounts	9,301	7,950	9,227	7,850
Time deposits	22,802	92,620	16,519	86,230
Borrowed funds and lease	36,831	18,883	33,923	18,065
	74,709	**123,295**	**65,154**	**115,698**

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/(write back) on financial assets

Loan and advances (see note 3.2.16)	8,348	42,398	7,167	37,249
Other assets (see note 3.2.16)	(10)	-	-	-
Investment securities (see note 3.2.16)	736	-	956	-
Off balance sheet impairment (see note 3.2.16)	509	-	692	-
Treasury bills impairment (see note 3.2.16)	405	-	(174)	-
Asset pledged (see note 3.2.16)	(268)	-	(268)	-
	9,720	**42,398**	**8,373**	**37,249**

9. Fee and commission income

Credit related fees	8,781	8,627	7,327	7,293
Commission on turnover	1,063	802	-	-
Account maintenance fee	8,644	8,325	8,644	8,325
Income from financial guarantee contracts issued	4,145	2,149	3,942	2,016
Fees on electronic products	10,077	5,380	9,555	4,953
Foreign currency transaction fees and commission	1,062	1,709	454	861
Asset based management fees	4,352	3,764	-	-
Auction fees income	1,479	700	1,479	700
Corporate finance fees	488	873	299	710
Foreign withdrawal charges	2,171	1,564	2,171	1,564
Commissions on agency and collection services	4,446	3,860	3,643	2,792
	46,708	**37,753**	**37,514**	**29,214**

For the six months ended In millions of Naira	Note(s)	Group June 2018	Group June 2017	Bank June 2018	Bank June 2017

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

Dividend income from equity investments		1,795	833	1,795	833
Gain on disposal of property and equipment (see note 44(vii))		168	37	151	37
Provision for claims (note 28)		-	8,404	-	8,404
Income on cash handling		312	276	229	207
Foreign currency revaluation gain		7,741	5,562	5,916	4,022
		10,016	**15,112**	**8,091**	**13,503**

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

Derivatives (loss) / income		(18,594)	46,422	(18,594)	46,422
Treasury bill trading income		55,085	18,827	55,085	18,827
Bond trading income/(loss)		316	69	316	69
		36,807	**65,318**	**36,807**	**65,318**

12. Operating expenses

Directors' emoluments (see note 36 (b))		672	670	302	158
Auditors' remuneration		336	263	228	217
Deposit insurance premium		5,531	5,500	5,531	5,500
Professional fees		2,221	1,786	1,924	1,625
Training and development		2,295	3,890	2,173	3,765
Information technology		3,663	6,281	3,339	6,022
Operating lease		1,682	1,868	1,061	1,153
Advertisement		3,165	5,871	3,011	5,753
Outsourcing services		4,747	5,177	4,747	5,178
Bank charges		1,642	1,381	1,463	1,287
Fuel and maintenance		9,085	9,919	8,338	7,922
Insurance		3,102	1,674	3,035	1,613
Licenses, registrations and subscriptions		1,826	1,411	1,602	1,267
Travel and hotel expenses		1,784	3,674	1,416	3,343
Printing and stationery		1,055	1,396	771	1,153
Security and cash handling		1,631	3,664	1,425	3,495
Fraud and forgery write-off		6	28	6	28
Expenses on electronic products		4,936	3,051	4,569	2,914
Fines & Penalties		10	-	10	-
Donations		1,515	1,460	1,504	1,458
AMCON levy		28,542	21,419	28,542	21,419
Telephone and postages		864	1,537	691	1,380
Corporate promotions		4,141	2,030	3,777	1,972
Others		2,071	1,295	38	264
		86,522	**85,245**	**79,503**	**78,886**

For the six months ended In millions of Naira	Note(s)	Group June 2018	Group June 2017	Bank June 2018	Bank June 2017
13. Taxation					
(a) Major components of the tax expense					
Minimum tax expense (see note i below)		1,664	-	1,664	-
Income tax expense					
Corporate tax		5,670	7,418	-	3,728
Information technology tax		896	813	852	790
Excess dividend tax (see note (i) below)		17,164	11,546	17,164	11,546
Prior year over provision		-	(42)	-	-
Tertiary Education tax		88	407	-	371
Effect of tax rates in foreign juridictions		-	-	-	-
Current income tax		23,818	20,142	18,016	16,435
Deferred tax expense:					
Origination/(reversal) of temporary differences		139	(3,276)	-	(3,156)
Income tax expense		23,957	16,866	18,016	13,279
Total income tax		**25,621**	**16,866**	**19,680**	**13,279**

(i) Income tax liability for the six month period 30 June, 2018 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.

		Group		Bank	
For the six months ended In millions of Naira	Note(s)	June 2018	June 2017	June 2018	June 2017

13. Taxation (continued)

(b) Reconciliation of effective tax rate

Profit before income tax	107,358	92,183	86,074	79,775
Tax calculated at the weighted average Group rate of 30% (2017: 30%)	32,307	27,655	25,822	23,933
Tax effect of adjustments on taxable income				
Effect of tax rates in foreign jurisdictions	-	3	-	-
Non-deductable expenses	3,254	1,851	2,810	1,839
Tax exempt income	(37,564)	(33,441)	(37,096)	(33,183)
Balancing charge	54	19	54	19
Minimum tax	1,664	-	1,664	-
Information technology levy	896	862	852	790
Excess dividend tax paid	17,164	12,037	17,164	12,038
Tertiary education tax	88	407	-	371
Unrecognised deductible temporary differences	4,989	7,964	5,641	7,964
Changes in estimate relating to prior year	2,769	(491)	2,769	(491)
Tax expense	**25,621**	**16,866**	**19,680**	**13,280**

(c) The movement in the current income tax payable balance is as follows:	**30-Jun-18**	**31-Dec-17**	**30-Jun-18**	**31-Dec-17**
At start of the year	8,915	8,953	6,069	6,927
Tax paid	(20,842)	(28,522)	(14,492)	(20,431)
Tax effect of translation	-	(165)	-	-
Minimum tax	1,664	4,350	1,664	4,350
Current income tax charge (see note 13a)	23,957	24,299	18,016	15,223
At end of the year	**13,694**	**8,915**	**11,257**	**6,069**

		Group		Bank	
For the six months ended In millions of Naira	Note(s)	June 2018	June 2017	June 2018	June 2017

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.

Profit attributable to shareholders of the Bank (N'million)	81,558	75,194	66,394	66,496
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)	260 k	240 k	211 k	212 k

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

	Group		Bank	
In millions of Naira	**30-Jun-18**	**31-Dec-17**	**30-Jun-18**	**31-Dec-17**

15. Cash and balances with central banks

Cash and balances with central banks consist of:

Cash	85,429	150,883	71,971	136,711
Operating accounts with Central Banks	91,003	159,666	58,430	123,469
Mandatory reserve deposits with central bank (cash reserve) (see note (a))	586,553	566,425	586,553	566,396
Special Cash Reserve Requirement (see note (b))	80,689	80,689	80,689	80,689
	843,674	**957,663**	**797,643**	**907,265**
Current	843,674	957,663	797,643	907,265
Non current	-	-	-	-
	843,674	**957,663**	**797,643**	**907,265**

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

	Group		Bank	
	30-Jun-18 N.	31-Dec-17 N.	30-Jun-18 N.	31-Dec-17 N.
Treasury bills (FVTPL)	488,717	547,656	488,717	547,656
Treasury bills (Amortized cost)	436,450	389,161	197,709	252,336
Treasury bill imparment allowance (see note 3.2.16)	(1,320)	-	(700)	-
	923,847	**936,817**	**685,726**	**799,992**
Classified as:				
Current	923,847	936,817	685,726	799,992
	923,847	**936,817**	**685,726**	**799,992**
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 40).	161,250	109,990	161,250	-

In millions of Naira	Group 30-Jun-18	Group 31-Dec-17	Bank 30-Jun-18	Bank 31-Dec-17

17. Assets pledged as collateral

Treasury bills pledged as collateral	13,526	-	13,526	-
Bonds pledged as collateral	131,754	125,059	131,754	125,059
Treasury bills under repurchase agreement	243,670	267,028	243,670	267,028
Bonds under repurchase agreement	105,450	75,923	105,450	75,923
Impairment allowance (see note 3.2.16)	(1,246)	-	(1,246)	-
	493,154	**468,010**	**493,154**	**468,010**

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) N10.02billion (31 Dec 2017: N4.55billion), Federal Inland Revenue Services N8.03 billion (31 Dec 2017: N8.03billion), V-Pay N44.60million (31 Dec 2017: N44.59million),, Interswitch Limited N2.14billion (31 Dec 2017: N2.14billion), the Bank of Industry (Nigeria) N45.61billion (31 Dec 2017: N50.41billion), E-Tranzact N45.60 million (31 Dec 2017: N44.59million), and CBN Real Sector Support Fund (RSSF) N13.92billion (31 Dec 2017: N10.70billion).

Assets exchanged under repurchase agreement as at 30 June, 2018 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 (see note 30)	51,990	34,570	51,990	34,570
ABSA (see note 30)	31,902	26,115	31,902	26,115
Standard Bank (see note 30)	228,931	125,396	228,931	125,396
First Abu Dhabi (see note 30)	80,465	60,568	80,465	60,568
Societe Generale Bank (see note 30)	31,822	26,059	31,822	26,059
	425,110	**272,708**	**425,110**	**272,708**

Assets exchanged under repurchase agreement (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
Citi Bank Global Market	32,765	16,824	32,765	16,824
	392,086	**226,048**	**392,086**	**226,048**

Classified as:				
Current	292,172	267,028	292,172	267,028
Non-current	200,982	200,982	200,982	200,982
	493,154	**468,010**	**493,154**	**468,010**

18. Due from other banks

Current balances with banks within Nigeria	19,278	18,287	-	-
Current balances with banks outside Nigeria	174,848	273,721	199,245	264,598
Placements with banks and discount houses	246,228	203,795	43,638	8,733
	440,354	**495,803**	**242,883**	**273,331**

Classified as:				
Current	440,354	495,803	242,883	273,331

	Group		Bank	
In millions of Naira	30-Jun-18	31-Dec-17	30-Jun-18	31-Dec-17

Included in balances with banks outside Nigeria is the amount of N69.65 billion and N69.52 billion for the Group and Bank respectively (31 December 2017: N69.31 billion and N67.23 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).

19. Derivative assets

Instrument types:

	30-Jun-18	31-Dec-17	30-Jun-18	31-Dec-17
Forward contracts				
Fair value of assets	55,322	42,285	55,322	42,285
Futures contracts				
Fair value of assets	1,082	14,934	1,082	14,934
Total	**56,404**	**57,219**	**56,404**	**57,219**

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 period, various forward contracts entered into by the Group generated net loss of N18.5 billion (31 December 2017 net gains of N68.7 billion), which were recognized in the statement of comprehensive income. These net losses and gains related to the fair values of the forward contracts, producing derivative assets and liabilities of N56.4 billion and N3.3 billion respectively (31 December 2017 N57.2 and N20.8 billion respectively).

All derivative assets are current.

20. Loans and advances

	30-Jun-18	31-Dec-17	30-Jun-18	31-Dec-17
Overdrafts	188,337	514,009	157,549	480,392
Term loans	1,496,200	1,355,300	1,418,599	1,253,817
On-lending facilities	422,707	379,195	422,707	379,195
Advances under finance lease	2,724	3,668	2,724	3,665
Gross loans and advances to customers	2,109,968	2,252,172	2,001,579	2,117,069
Less: Allowance for impairment (see note 3.2.16)	(236,795)	(151,810)	(229,355)	(136,605)
	1,873,173	**2,100,362**	**1,772,224**	**1,980,464**

Gross Loans classified as:

Current	608,916	822,775	566,279	784,059
Non-current	1,501,052	1,429,397	1,435,300	1,333,010
	2,109,968	**2,252,172**	**2,001,579**	**2,117,069**

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

* 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.

Movement in impairment allowance as at 30 June 2018 is presented in Note 3.2.16.

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	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

* 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.

Movement in impairment allowance as at 30 June 2018 is presented in Note 3.2.16

20.1. Transition to IFRS - Financial assets and financial liabilities

Classification and Measurement of Financial Assets and Liabilities

IFRS 9 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. 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 adoption of IFRS 9 issued in 2014 did not cause any change to the classification and measurement of the Group's financial instrument.

Impact of IFRS 9 (issued in 2014) on Retained Earnings

The following table analyses the impact, net of tax, of transition to IFRS 9 on retained earnings. The impact relates to retained earnings. There is no impact on other components of equity.

Group In millions of Naira	Impact of adopting IFRS 9 2018
Retained earnings	
Closing balance under IAS 39 (31 December 2017)	365,757
Recognition of expected credit losses under IFRS 9:	-
Loans and advances (and other assets)	(101,363)
Investment Securities	(1,773)
Asset pledged as collateral	(1,514)
Treasury bills	(928)
Off balance sheet exposure	(2,538)
Opening balance under IFRS 9 (1 January 2018)	257,641

Bank In millions of Naira	Impact of adopting IFRS 9 2018
Retained earnings	
Closing balance under IAS 39 (31 December 2017)	296,787
Recognition of expected credit losses under IFRS 9:	-
Loans and advances	(99,233)
Investment Securities	(358)
Asset pledged as collateral	(1,514)
Treasury bills	(874)
Off balance sheet exposure	(1,571)
Opening balance under IFRS 9(1 January 2018)	193,237

21. Investment securities

(a) Analysis of investments				
Debt securities (measured at amortised cost)	327,971	284,584	64,388	71,447
Debt securities (measured at fair value through profit or loss)	7,880	32,266	7,880	32,266
Equity securities (measured at fair value through other comprehensive income)	48,983	14,101	48,983	14,101
Impairment Allowance (see note 3.2.16)	(3,671)	-	(1,314)	-
	381,163	**330,951**	**119,937**	**117,814**
Classified as:				
Non-current	382,899	330,951	119,937	117,814
	382,899	**330,951**	**119,937**	**117,814**

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 gross 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, 2018	32,266	284,584	14,101	330,951
Exchange differences	-	-	34,200	34,200
Additions	936	43,387	-	44,323
Gains from changes in fair value recognised in profit or loss	316	-	-	316
Gains from changes in fair value recognised in other comprehensive income	-	-	683	683
Transfer to pledged asset	(25,638)	-	-	(25,638)
At 30 June, 2018	**7,880**	**327,971**	**48,984**	**384,835**
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 (Note11)	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**

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, 2018	32,266	71,447	14,101	117,814
Additions	936	7,400	34,200	42,536
Disposals	-	(1,127)	-	(1,127)
Gains from changes in fair value recognised in profit or loss (Note 11)	316	-	-	316
Gains from changes in fair value recognised in other comprehensive income	-	-	683	683
Transfered to pledged asset	(25,638)	739	-	(24,899)
Coupon interest received	-	(14,071)	-	(14,071)
At 30 June, 2018	**7,880**	**64,388**	**48,984**	**121,252**
At January 1, 2017	9,702	92,268	16,652	118,622
Additions	22,196	72,942	-	95,138
Disposals (sale and redemption)	-	(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**

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	30-Jun-18 Ownership interest %	30-Jun-18 Carrying amount	31-Dec-17 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	100.0000	1,000	1,000
		34,003	34,003

All investments in subsidiaries are non-current.

22. Investment in subsidiaries (continued)

(b) Condensed results of consolidated entities

30 June 2018	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	322,201	(1,560)	276,250	31,409	7,857	1,775	705	5,658	106
Operating expenses	(205,123)	1,560	(181,803)	(19,460)	(3,190)	(1,417)	(448)	(346)	(20)
Inpairment charge for financial assets	(9,721)	(1)	(8,373)	(1,016)	(331)	-	-	-	-
Profit before tax	107,357	(1)	86,074	10,933	4,336	358	257	5,312	87
Taxation	(25,622)	-	(19,680)	(3,691)	(710)	-	(66)	(1,448)	(26)
Profit for the period	**81,735**	**(1)**	**66,394**	**7,242**	**3,626**	**358**	**191**	**3,865**	**61**
Condensed statement of financial position									
Assets									
Cash and balances with central banks	843,674	-	797,643	40,205	15	3,527	2,234	15	35
Treasury bills	923,847	-	685,726	247,647	-	12,066	8,284	-	78
Assets pledged as collateral	493,154	-	493,154	-	-	-	-	-	-
Due from other banks	440,354	(73,781)	242,883	33,881	212,784	2,206	926	21,455	-
Derivative asset held for risk management	56,404	-	56,404	-	-	-	-	-	-
Loans and advances	1,873,173	1	1,772,224	57,060	42,543	377	917	51	-
Investment securities	381,163	1	119,937	32,374	227,771	-	755	325	-
Investment in subsidiaries	-	(34,003)	34,003	-	-	-	-	-	-
Deferred tax asset	9,472	-	9,197	216	-	59	-	-	-
Other assets	80,803	(25,265)	77,317	1,784	24,493	713	246	1,149	1,013
Property and equipment	140,382	-	125,115	13,597	408	581	359	298	24
Intangible assets	14,034	-	12,867	161	595	42	97	260	12
	5,256,460	**(133,047)**	**4,426,470**	**426,925**	**508,609**	**19,571**	**13,818**	**23,553**	**1,162**

22. Investment in subsidiaries (continued)

30 June 2018	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	3,165,955	(3,188)	2,417,559	354,274	374,305	14,363	8,642	-	-
Derivative liabilities	3,299	-	3,299	-	-	-	-	-	-
Current income tax	13,694	-	11,257	936	-	38	39	1,400	24
Deferred income tax liabilities	68	-	-	-	-	-	18	50	-
Other liabilities	189,043	(77,482)	186,996	17,764	63,571	1,618	1,294	535	78
On-lending facilities	409,619	-	409,619	-	-	-	-	-	-
Borrowings	408,317	(48,331)	456,648	-	-	-	-	-	-
Debt securities issued	346,960	-	346,960	-	-	-	-	-	-
Equity and reserves	719,505	(34,000)	594,130	58,749	70,621	3,552	3,825	21,568	1,060
	5,256,460	**(163,001)**	**4,426,468**	**431,723**	**508,497**	**19,571**	**13,818**	**23,553**	**1,162**
Condensed cash flow									
Net cash (used in)/from operating activities	(94,421)	(51,609)	(53,095)	6,729	2,003	(961)	1,256	1,256	-
Net cash (used in)/from financing activities	1,485	124,501	(125,941)	(9,028)	(1,866)	631	6,594	6,594	-
Net cash (used in)/from investing activities	(51,397)	(183,406)	112,980	19,358	(209)	(120)	-	-	-
Increase / decrease in cash and cash equivalents	**(144,333)**	**(110,514)**	**(66,056)**	**17,059**	**(72)**	**(450)**	**7,850**	**7,850**	**-**
Cash and cash equivalents									
At start of year	916,342	737,660	130,200	35,791	5,783	2,926	1,991	1,991	-
Exchange rate movements on cash and cash equivalents	6,027	6,027	-	-	-	-	-	-	-
At end of year	778,036	633,173	64,144	52,850	5,711	2,476	9,841	9,841	-
Increase / decrease in cash and cash equivalents	**(144,333)**	**(110,514)**	**(66,056)**	**17,059**	**(72)**	**(450)**	**7,850**	**7,850**	**-**

22. Investment in subsidiaries (continued)

30 June, 2017	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	Zenith Nominee Limited
Condensed statement of profit or loss									
Operating income	380,440	(1,519)	344,411	22,426	7,605	1,274	1,020	5,223	-
Operating expenses	(245,859)	1,117	(227,387)	(13,854)	(3,586)	(848)	(460)	(841)	-
Impairment charge for financial assets	(42,398)	-	(37,249)	(1,734)	(3,415)	-	-	-	-
Profit before tax	92,183	(402)	79,775	6,838	604	426	560	4,382	-
Taxation	(16,866)	-	(13,279)	(2,102)	(133)	-	(163)	(1,189)	-
Profit for the period	**75,317**	**(402)**	**66,496**	**4,736**	**471**	**426**	**397**	**3,193**	**-**

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 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**

22. Investment in subsidiaries (continued)

December 31, 2017	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	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 from operating activities	(180,933)	112,265	(264,688)	(6,729)	(22,817)	(263)	(1,195)	2,494	-
Net cash from financing activities	202,307	(15,352)	230,867	(9,028)	-	-	(180)	(4,000)	-
Net cash from investing activities	(16,879)	(20,018)	(15,347)	19,358	(2,575)	(89)	(46)	1,838	-
Decrease/Increase in cash and cash equivalents	**4,495**	**76,895**	**(49,168)**	**3,601**	**(25,392)**	**(352)**	**(1,421)**	**332**	**-**
Cash and cash equivalents									
At start of year	645,615	24,051	495,093	32,190	83,388	7,359	3,500	34	-
Exchange rate movements on cash and cash equivalents	(1,164)	(1,164)	-	-	-	-	-	-	-
At start of year	648,946	99,782	445,925	35,791	57,996	7,007	2,079	366	-
Decrease/Increase in cash and cash equivalents	**4,495**	**76,895**	**(49,168)**	**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	
	30-Jun-18	**31-Dec-17**	**30-Jun-18**	**31-Dec-17**
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	-	-	-	-

23. Deferred tax asset

Group

30 June 2018
Assets

Movements in temporary differences during the period	01-Jan-18	Recognised in profit or loss	30-Jun-18
Property and equipment	(11,987)	(81)	(12,068)
Other assets	(2)	-	(2)
Unutilized capital allowances	14,682	-	14,682
Allowances for loan losses	4,832	-	4,832
Tax loss carry forward	1,926	-	1,926
Foreign exchange differences	110	(8)	102
	9,561	(89)	9,472

Liabilities

Movements in temporary differences during the period	01-Jan-18	Recognised in profit or loss	30-Jun-18
Property and equipment	2	50	52
Allowances for loan losses	16	-	16
	18	50	68

23. Deferred tax asset (continued)

December 31, 2017
Assets:

Movements in temporary differences during the year	01-Jan-17	Recognised in profit or loss	December 31, 2017
Property and equipment	(7,036)	(4,951)	(11,987)
Other assets	-	(2)	(2)
Allowances for loan losses	11,246	(6,414)	4,832
Unutilized capital allowances	2,168	12,514	14,682
Tax loss carry forward	-	1,926	1,926
Foreign exchange differences	62	48	110
	6,440	3,121	9,561

23. Deferred tax asset (continued)

Liabilities

Movements in temporary differences during the period	**1 January**	**Recognised in profit or loss**	**31-Dec-2017**
Property and equipment	37	(35)	2
Allowances for loan losses	8	8	16
	45	**(27)**	18

Bank

30 June, 2018

Assets

Movements in temporary differences during the period	**01-Jan-18**	**Recognised in profit or loss**	**30-Jun-18**
Property and equipment	(12,324)	-	(12,324)
Allowances for loan losses	4,912	-	4,912
Unutilized capital allowances	14,683	-	14,683
Tax loss carried forward	1,926	-	1,926
	9,197	**-**	**9,197**

31 December 2017

Movements in temporary differences during the year:	**1 January**	**Recognised in profit or loss**	**31 Dec, 2017**
Property and equipment	(7,373)	(4,951)	(12,324)
Allowances for loan losses	11,246	(6,334)	4,912
Unutilised capital allowance	2,168	12,515	14,683
Tax loss carried forward(Deferred tax asset)	-	1,926	1,926
	6,041	**3,156**	**9,197**

The Bank's deferred tax asset which principally arise from allowable loss, un-utilized capital allowance and collective impairment on loans is N46.5 Billion as at 30 June 2018. Based on projected future taxable profits, expected growth of unutilised capital allowance and collective loan impairment balances, the Bank has restricted the deferred tax asset recognised as at 30June 2018 to N9.2 billion. 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.

In millions of Naira

24. Other assets

	Group		Bank	
	30-Jun-18	31-Dec-17	30-Jun-18	31-Dec-17
Non financial assets				
Prepayments	31,619	15,166	29,276	13,300
Other financial assets				
Electronic card related receivables	32,705	37,397	30,293	35,462
Intercompany receivables	-	-	764	1,075
Deposit for investment in AGSMEIS	13,822	5,964	13,822	5,964
Receivables	3,459	39,215	3,242	4,849
Deposits for shares	-	-	650	650
Gross other financial assets	49,986	82,576	48,771	48,000
Less: Impairment loss	(802)	(5,248)	(730)	(5,248)
Net other financial assets	49,184	77,328	48,041	42,752
Total other assets	**80,803**	**92,494**	**77,317**	**56,052**

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)).

Classified as:

Current	80,803	92,494	77,317	56,052
Non-current	-	-	-	-
	80,803	**92,494**	**77,317**	**56,052**

See note 3.2.16 for movement in impairment of other asset as at 30 June 2018.

Movement in impairment allowance:

	Group	Bank
At start of the year	5,254	5,248
Charge for the period	23	-
Amounts written off	(29)	-
At end of the year	**5,248**	**5,248**

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	28,476	46,878	18,922	68,879	28,836	12,600	18,719	15,176	238,486
Additions	539	4,950	1,154	6,567	288	-	1,840	-	15,338
Reclassification/transfer from WIP	-	-	3	19	-	-	-	(22)	-
Reclassifications	-	(48)	20	(55)	-	-	-	-	(83)
Disposals / write off	-	-	(7)	(458)	(39)	-	(725)	(493)	(1,722)
At the end of the period	**29,015**	**51,780**	**20,092**	**74,952**	**29,085**	**12,600**	**19,834**	**14,661**	**252,019**

	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	-	5,510	15,407	44,564	25,519	210	13,892	-	105,102
Charge for the period	-	483	645	3,918	959	630	1,332	-	7,967
Reclassifications	-	1	(1)	(2)	2	-	-	-	-
Disposals	-	-	(10)	(432)	(39)	-	(951)	-	(1,432)
At the end of the period	**-**	**5,994**	**16,041**	**48,048**	**26,441**	**840**	**14,273**	**-**	**111,637**
Net book amount									
At 30 June, 2018	29,015	45,786	4,051	26,904	2,644	11,760	5,561	14,661	140,382
At December 31, 2017	28,476	41,368	3,514	24,316	3,317	12,390	4,827	15,176	133,384

There were no impairment losses on any class of property and equipment during the period (December 31, 2017 :Nil)

There were no capitalised borrowing costs related to the acquisition of property and equipment during the period (December 31, 2017:Nil).

In the Prior 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 June 30, 2018 the net carrying amount of the leased aircraft was N11.76 billion (December 31, 2017 N12.39 billion)

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	28,476	38,814	15,780	65,565	26,077	12,600	16,916	12,015	216,243
Additions	539	2,825	1,086	6,340	270	-	1,687	1,272	14,019
Reclassification/transfer from WIP	-	-	3	19	-	-	-	(22)	-
Reclassifications	-	(48)	20	(55)	4	-	-	-	(79)
Disposals	-	-	(6)	(458)	(39)	-	(725)	-	(1,228)
At the end of the year	**29,015**	**41,591**	**16,883**	**71,411**	**26,312**	**12,600**	**17,878**	**13,265**	**228,955**

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	-	5,390	13,111	42,480	23,998	210	12,831	-	98,020
Charge for the year	-	394	568	3,751	715	630	943	-	7,001
Reclassifications	-	1	(1)	(2)	2	-	-	-	-
Disposals	-	-	(10)	(432)	(39)	-	(700)	-	(1,181)
At the end of the period	**-**	**5,785**	**13,668**	**45,797**	**24,676**	**840**	**13,074**	**-**	**103,840**
Net book amount									
At 30 June, 2018	29,015	35,806	3,215	25,614	1,636	11,760	4,804	13,265	125,115
At December 31, 2017	28,476	33,425	2,669	23,084	2,079	12,390	4,085	12,015	118,223

There were no impairment losses on any class of property and equipment during the period (31 December 2017 :Nil)

There were no capitalised borrowing costs related to the acquisition of property and equipment during the period (31 December 2017: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.

In the Prior 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 June 30, 2018 the net carrying amount of the leased aircraft was N11.76 billion (December 31, 2017 N12.39 billion)

	Group		Bank	
In millions of Naira	30-Jun-18	31-Dec-17	30-Jun-18	31-Dec-17

26. Intangible assets

Computer software

Cost				
At start of the year	22,099	11,998	19,377	9,761
Exchange difference	-	79	-	-
WIP (Reclassification)	(2)	3,328	(2)	3,328
Disposal		-	-	-
WIP (Additions)	81	6,228	81	6,228
Additions	2,317	466	1,714	60
At end of the period	**24,495**	**22,099**	**21,170**	**19,377**
Accumulated amortization				
At start of the year	9,110	7,353	7,289	5,858
Exchange difference	278	126	-	-
Reclassification	1	-	1	-
Disposal	(45)	-	-	-
Charge for the year	1,117	1,631	1,013	1,431
At the end of the period	**10,461**	**9,110**	**8,303**	**7,289**
Carrying amount at end of the year	**14,034**	**12,989**	**12,867**	**12,088**

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.

27. Customers' deposits

Demand	1,732,136	1,812,843	1,189,544	1,337,839
Savings	423,312	383,045	375,163	339,488
Term	472,244	572,461	378,821	460,484
Domiciliary	538,263	669,566	474,031	606,714
	3,165,955	**3,437,915**	**2,417,559**	**2,744,525**
Classified as:				
Current	3,165,955	3,437,915	2,417,559	2,744,525
	3,165,955	**3,437,915**	**2,417,559**	**2,744,525**

	Group		Bank	
In millions of Naira	30-Jun-18	31-Dec-17	30-Jun-18	31-Dec-17

28. Other liabilities

Other financial liabilities				
Customer deposits for letters of credit	69,652	69,308	69,523	69,163
Settlement payables	22,149	25,296	22,052	25,198
Managers' cheques	14,495	17,670	13,652	16,904
Due to banks for clean letters of credit	9,079	47,719	25,555	47,719
Deferred income on financial guarantee contracts	1,358	654	1,356	654
Sales and other collections	20,920	29,174	20,920	29,174
Unclaimed dividend	5,832	3,521	5,832	3,521
Finance lease obligation	12,271	12,049	12,271	12,049
Electronic card related payables	2,772	1,687	2,544	1,505
Customer's foreign transactions payables	16,114	9,026	9,033	6,417
Off Balance Sheet ECL provision (see note (i) below)	3,168	-	2,263	-
Total other financial liabilities	177,810	216,104	185,001	212,304
Non financial liabilities				
Tax collections	1,815	3,604	1,581	3,416
Other payables	9,418	13,773	416	4,070
Total other non financial liabilities	11,233	17,377	1,997	7,486
Total other liabilities	**189,043**	**233,481**	**186,998**	**219,790**

(i) ECL Provision for off balance sheet exposure

In millions of Naira	2018	2017
Bonds and guarantee contracts	1,496	-
Loan commitments	132	-
Letters of credit	635	-
	2,263	-

Classified as:

Current	189,043	233,481	186,998	219,790

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

(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 N12,270,510,844

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	2,760	2,760
Over one year but less than five years	23,007	23,927	23,007	23,927
Less future finance charges	(13,496)	(14,638)	(13,496)	(14,638)
At end of the period	**12,271**	**12,049**	**12,271**	**12,049**

	Group		Bank	
In millions of Naira	30-Jun-18	31-Dec-17	30-Jun-18	31-Dec-17

The present value of finance lease liabilities is as follows:

Not more than one year	1,070	665	1,070	665
Between one and five years	5,080	4,316	5,080	4,316
More than five years	6,121	7,068	6,121	7,068
At end of the period	**12,271**	**12,049**	**12,271**	**12,049**

29. On-lending facilities

(a) This comprises:				
Central Bank of Nigeria (CBN) Commercial Agriculture Credit Scheme Loan (i)	64,807	57,515	64,807	57,515
Bank of Industry (BOI) Intervention Loan (ii)	47,173	49,375	47,173	49,375
Central Bank of Nigeria (CBN) / Bank of Industry(BOI) - Power & Aviation intervention Funds (iii)	14,042	7,661	14,042	7,661
CBN MSMEDF Deposit (iv)	4,550	4,011	4,550	4,011
FGN SBS Intervention Fund (v)	143,103	142,999	143,103	142,999
Excess Crude Loan Facilty Deposit (vi)	92,005	92,812	92,005	92,812
Real Sector Support Facility (vii)	34,902	28,661	34,902	28,661
Non-Oil Export Stimulation Facility	9,037	-	9,037	-
	409,619	**383,034**	**409,619**	**383,034**

Classified as:				
Current	-	-	-	-
Non-current	409,619	383,034	409,619	383,034
	409,619	**383,034**	**409,619**	**383,034**

(b) Movement in on-lending facilities				
At beginning of the period	383,034	350,657	383,034	350,657
Addition during the period	28,034	34,839	28,034	34,839
Repayment during the period	(1,449)	(2,462)	(1,449)	(2,462)
At end of the year	**409,619**	**383,034**	**409,619**	**383,034**

(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. This facility is not secured.

(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 N53.13 billion (December 31, 2017: N50.41 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. This facility is secured, see note 17.

(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. This facility is not secured.

(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. This facility is not secured.

(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. This facility is not secured.

(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. This facility is not secured.

(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. This facility is secured see note 17.

(viii) Non-oil Export Stimulation Facility (NESF): This Facility was established by the Central Bank of Nigeria to diversify the economy away from the oil sector, after the fall in crude prices. The Central Bank invested N500 billion debenture, issued by Nigerian Export-Import Bank (NEXIM). The facility disbursed per customer shall not exceed 70% of total cost of project, or subject to a maximum of N5 billion. Funds disbursed to the Bank from CBN are at a cost of 2% which are then disbursed to qualifying customers at the rate of 9%. This facility is not secured.

30. Borrowings

	Group		Bank	
	30-Jun-18 N.	31-Dec-17 N.	30-Jun-18 N.	31-Dec-17 N.
Long term borrowing comprise:				
Due to ADB (i)	33,333	37,115	33,333	37,115
Due to KEXIM (ii)	6,897	5,861	6,897	5,861
Due to EIB (iii)	3,626	4,628	3,626	4,628
Due to PROPARCO (iv)	12,659	14,253	12,659	14,253
Societe Generale Bank (xv)	26,059	-	26,059	-
Due to AFC (v)	45,453	17,307	45,453	17,307
Due to ABSA Bank (vi)	26,115	50,310	26,115	50,310
Due to J P Morgan Chase Bank (vii)	34,570	33,198	34,570	33,198
Due to Standard Bank London (viii)	61,155	58,993	61,155	58,993
Due to Standard Bank South Africa (ix)	64,241	66,723	64,241	66,723
Due to IFC (x)	26,695	28,116	26,695	28,116
Due to First Abu Dhabi Bank (xi)	60,568	33,313	60,568	33,313
Due to British Arab Bank (xii)	6,946	6,679	6,947	6,679
Due to Zenith Bank (UK) (xiii)	-	-	6,925	8,313
Due to Zenith Bank Ghana (xiv)	-	-	41,405	54,170
	408,317	**356,496**	**456,648**	**418,979**

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, 2017: nil).

	Group		Bank	
In millions of Naira	**30-Jun-18**	**31-Dec-17**	**30-Jun-18**	**31-Dec-17**
Classified as:				
Current	2,313	-	2,313	-
Non-current	406,004	356,496	454,335	418,979
	408,317	**356,496**	**456,648**	**418,979**
Movement in borrowings				
At beginning of the period/year	356,496	263,106	418,979	292,802
Addition during the period/year	290,172	102,373	252,415	193,088
Repayment during the period/year	(238,351)	(8,983)	(214,746)	(66,911)
At end of the period/year	**408,317**	**356,496**	**456,648**	**418,979**

(i) Due to ADB

The amount due to African Development Bank (AfDB) of N33.33billion (US$93.75million) represents the outstanding balance from a dollar term loan facility to the tune of N43.12 billion (US$125 million) granted by AfDB in 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 Loan will mature in February 2021. This facility is not secured.

(ii) Due to KEXIM

The amount of N6.90billion (US$19.98million) represents the outstanding balances from eight short term loan facilities of N2.1 billion, N1.1 billion N1.0 billion, N1.7 billion, N1.8 billion, N1.7 billion, N786 million, N2.3 billion (US$6 million, US$3.12million, US$3.00million, US$4.8million, US$5.1million, US$4.98million, US$2.28million and US$6.72million) granted by The Export-Import Bank of Korea (KEXIM) between August 2017 and May 2018. Interest is payable monthly at 3 months LIBOR+ 1.74%. Final maturity of the last tranche is in May 2019. This facility is not secured.

(iii) Due to European Investment Bank

The amount due to European Investment Bank (EIB) of N3.63billion ($10.25million) represents the outstanding balance from the a 6-year dollar facility of US N9.42 billion ($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 the facility will mature in July 2019. This facility is not secured.

(iv) Due to Proparco

The amount due to Proparco of N12.66billion (US$35.61million) represents the outstanding balance of two tranches of the credit facilities to the tune of N8.62 billion (US$25m) and N17.2 billion (US$50m) granted by Promotion et Participation pour la Cooperation Economique (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 both facilities are payable semi-annually. The outstanding balances on the facilities are N2.96billion (US$8.33million) and N9.70billion (US$27.27) respectively. This facility is not secured.

(v) Due to AFC

The amount of N45.45 billion ($131.77 million) represents the outstanding balances on two dollar short-term facilities of N17.2 billion (US$ 50 million) and N27.6 billion (US$ 80 million) granted by AFC in April and February 2018 respectively. Both facilities are priced at 4.75% with a maturity date of December and August 2018 respectively. Principal and interest is payable upon maturity of the facilities. This facility is not secured.

(vi) Due to ABSA

The amount of N26.11billion (US $75.71 million) represents the amount payable by the Bank on a dollar repurchase facilities of US$75 million granted by ABSA in May 2018. Interest is payable on maturity at the rate of 3months Libor plus 2.4%. The facility will mature in November 2018. This facility is secured, see note 17.

(vii) Due to JP Morgan

The amount due to JP Morgan Chase Bank of N34.57billion (US$100.00million) represents the outstanding balance of a short term dollar facility granted in June 2018. Interest is payable quarterly at the rate of 4.97% per annum and the facility matures in December 2018. This facility is secured, see note 17.

(viii) Due to Standard Bank London
The amount of N61.15 billion (US $177.29 million) represents the amount payable by the Bank from nine short term facilities of US $75 million, US $24.88 million, US $15 million, US $3.74 million, US $5.85 million, US $5.73 million, US $21.5 million, US $5 million and US $19.19 million granted by Standard Bank London in 29 August 2017 (US $75 million), May 2018 (US $24.88 million, $15 million, US $3.74 million, US $5.73 million and US $19.19 million), March 2018 (US $5.85 million) and February 2018 (US $21.5 million and US $5 million) respectively.

Interest is payable upon quarterly at Libor + 4% (US $75 million), and payable at maturity for 4.81% (US $24.88 million), 4.34% (US $15 million), 4.80% (US $3.74 million), 4.85% (US $5.85 million), 4.78% (US $5.73 million), 4.97% (US $21.5 million), 4.86% (US $5.00 million) and 4.78% (US $19.19 million).

The facilities will mature in August 2018 (US $75 million), May 2019 (US $24.88 million), November 2018 (US $15 million), April 2019 (US $3.74 million), September 2018 (US $5.85 million), January 2019 (US $5.73 million), August 2018 (US $21.5 million), September 2018 (US $5.00 million) and January 2019 (US $19.19 million) respectively.

(ix) Due to Standard Bank South Africa

The amount of N64.24 billion ($186.24 million) represents the outstanding balance on three dollar short-term facilities of US$ 50 million, US $60 million and US $75 million granted by Standard Bank of South Africa in September 2017, April 201 and March 2018 respectively. The first facility is priced at 3 months LIBOR plus 4%, second facility at 3 months LIBOR plus 5% and the third facility at 3 months LIBOR plus 4.6%. The first and third facility have a maturity date in September 2018, while the second facility has a maturity date in April 2019. This facility is secured, see note 17.

(x) Due to IFC

The amount of N26.70million (US$75.00million) 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. This facility is not secured.

(xi) Due to First Abu Dhabi Bank

The amount of N60.57billion ($175.00million) represents the outstanding balance on three dollar short-term facilities of US$50million, US$50million and US$75million granted by First Abu Dhabi Bank in August 2017, September 2017 and May 2018 respectively. The facilities are priced at 4.71% per annum, 3 months LIBOR plus 3.75% per annum and 4.52% per annum with maturity dates of August 2018, September 2018 and August 2018 respectively. This facility is secured, see note 17.

(xii) Due to British Arab Commercial Bank

The amount of N6.95 billion ($20.14 million) represents the outstanding balance on a dollar short term facility of $20 million obtained from British Arab Bank in May 2018. It is priced at 4.75% with interest payable at maturity date of November 2018. This facility is not secured.

(xiii) Due to Zenith Bank UK

The amount N6.93 billion (US $20.08 million) represents a short dollar Term Loan from Zenith Bank UK granted in December 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. This facility is not secured.

(xiv) Due to Zenith Bank Ghana

The amount N41.41 billion ($120.04 million) represents the outstanding balance on five short-term dollar facilities of US $40 million, US $20 million, US $10 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) and December 2017 (US $40 million). The first four facilities are due to mature in August 2018 ($40 million, $20 million, $10 million and $10 million) and the last facility in December 2018 respectively. The facilities are priced at 7% for (US $40 million, US $20 million, US $10 million, US $ 10 million) and 7.5% for the last facility. This amount has been eliminated on consolidation.This facility is not secured.

	Group		Bank	
In millions of Naira	**30-Jun-18**	**31-Dec-17**	**30-Jun-18**	**31-Dec-17**

(xv) Societe Generale Bank

The amount of N26.06 billion (US $75.55 million) represents the amount payable by the Bank on a dollar repurchase facility of US$75 million granted by Societe Generale Bank in March 2018. Interest is payable on maturity at the rate of 3months Libor plus 2.5% and will mature in September 2018. This facility is secured, see note 17.

31. Debt securities issued

Due to Euro bond holders	346,960	332,931	346,960	332,931
	346,960	**332,931**	**346,960**	**332,931**

The amount of N346.9 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, 2017: Nil).

Movement in debt securities issued

At start of the period/year	332,931	153,464	332,931	153,464
Revaluation loss for the period/year	10,862	6,064	10,862	6,064
Additional issue	-	152,239	-	152,239
Contractual repayment	-	21,164	-	21,164
Accrued interest during the year	3,167	-	3,167	-
At end of the period/year	**346,960**	**332,931**	**346,960**	**332,931**

Classified as:				
Current	-	-	-	-
Non-current	346,960	332,931	346,960	332,931
	346,960	**332,931**	**346,960**	**332,931**

32. Derivative liabilities

Instrument types:

Forward contracts				
Fair value of liabilities	2,502	6,124	2,502	6,124
Futures contracts	-	-	-	-
Fair value of liabilities	797	14,681	797	14,681
	3,299	**20,805**	**3,299**	**20,805**

Classified as:				
Current	3,299	20,805	3,299	20,805
Non-current	-	-	-	-
	3,299	**20,805**	**3,299**	**20,805**

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.

In millions of Naira	Group 30-Jun-18	Group 31-Dec-17	Bank 30-Jun-18	Bank 31-Dec-17

During the period, various forward contracts entered into by the Bank generated net loss of N18.51 billion (31 December 2017 net gain of N68.70 billion) which were recognized in the statement of comprehensive income. These net loss/gains related to the fair values of the forward contracts, producing derivative assets and liabilities of N56.40 and N3.30 billion respectively (31 December 2017 N57.2 and N20.8 billion respectively).

33. Share capital

	Group 30-Jun-18	Group 31-Dec-17	Bank 30-Jun-18	Bank 31-Dec-17
Authorised				
40,000,000,000 ordinary shares of 50k each (31 Dec 2017: 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 2017: 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 period. 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 period.

	Group 30-Jun-18	Group 31-Dec-17	Bank 30-Jun-18	Bank 31-Dec-17
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.

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 IFRS 9. As at 30 June 2018, there was a reversal of N8.1 billion from the credit risk reserve to general reserve (31 December 2017: 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 5% and 13% 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 period were N1.99 billion and N1.53 billion respectively (December 31, 2017: N1.52 billion and N1.19 billion).

36. Personnel expenses

Compensation for the staff are as follows:

	30-Jun-18	30-Jun-17	30-Jun-18	30-Jun-17
Salaries and wages	28,199	26,258	23,418	22,838
Other staff costs	4,613	2,954	4,176	2,847
Pension contribution	1,996	1,821	1,539	1,431
	34,808	**31,033**	**29,133**	**27,116**

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

	Number	Number	Number	Number
Executive directors	12	11	6	5
Management	450	428	405	380
Non-management	6,742	6,635	5,615	5,496
	7,204	**7,074**	**6,026**	**5,881**

	Group		Bank	
In millions of Naira	30-Jun-18	30-Jun-17	30-Jun-18	30-Jun-17

36. Personnel expenses (continued)

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	1,026	869	729	472
N2,000,001 - N2,800,000	58	27	-	-
N2,800,001 - N4,000,000	692	779	640	759
N4,000,001 - N6,000,000	1,021	1,716	870	1,556
N6,000,001 - N8,000,000	1,501	1,223	1,269	1,009
N8,000,001 - N9,000,000	985	796	859	670
N9,000,001 - and above	1,921	1,664	1,659	1,415
	7,204	**7,074**	**6,026**	**5,881**

(b) Directors' emoluments

The remuneration paid to directors are as follows:

Executive compensation	524	526	275	138
Fees and sitting allowances	133	127	25	19
Retirement Benefit costs	15	17	2	1
	672	**670**	**302**	**158**

Fees and other emoluments disclosed above include amounts paid to:

The chairman	28	52	3	34
The highest paid director	295	88	125	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	39	33	13	10

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 June 30, 2018 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

30 June, 2018

Transactions and balances with subsidiaries In millions of naira	Receivable from	Payable to	Income received from	Expense to
Zenith Bank (Ghana) Limited	518	-	-	-
Zenith Bank (Sierra leone) Limited	148	-	-	-
Zenith Bank (Gambia) Limited	97	-	-	-

30 June, 2017

Transactions and balances with subsidiaries In millions of naira	Receivable from	Payable to	Income received from	Expense paid to
Zenith Bank (UK) Limited	-	21,522	-	15
Zenith Bank (Ghana) Limited	933	50,578	-	-
Zenith Bank (Sierra leone) Limited	76	-	-	-
Zenith Pensions Custodian Limited	-	982	-	1,449

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 N860.59 billion and N835.32 billion respectively (December 31,2017: N748.54 billion and N713.66 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.

In millions of Naira

Key management compensation	30-Jun-18	30-Jun-17	30-Jun-18	30-Jun-17
Executive compensation	1,046	526	797	138
Retirement benefit cost	17	17	3	1
Fees and sitting allowances	133	127	25	19
	1,196	**670**	**825**	**158**

Loans and advances	30-Jun-18	31-Dec-17	30-Jun-18	31-Dec-17
At start of the year	1,020	1,044	930	954
Granted during the year	119	-	119	-
Repayment during the year	(17)	(24)	(14)	(24)
At end of of the year	**1,122**	**1,020**	**1,035**	**930**
Interest earned	21	15	21	15

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, 2017: Nil) as they are performing. Mortgage loans amounting to N1,034 million (December 31, 2017: N699 million) are secured by the underlying assets. All other loans are unsecured.

30 June 2018

Name of company	Relationship/ Name	Loans	Deposits	Interest received	Interest paid
Cyberspace Network	Common significant shareholder / Jim Ovia	-	778	-	-
Quantum Fund Management	Common significant shareholder / Jim Ovia	-	52	-	-
Zenith General Insurance company Ltd	Common directorship / Jim Ovia	-	921	-	5
Directors deposits	-	-	433	-	-
Sirius Lumina Ltd	Director / Prof Sam Enwemeka	19	-	-	-
		19	**2,184**	**-**	**5**

31 December, 2017

Name of company	Relationship	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 Limited	Common directorship/Jim Ovia	-	1,051	-	9
Zenith Trustees Limited	Common directorship/Jim Ovia	-	1	-	1
Director and relations		-	301	4	1
		-	**2,109**	**7**	**11**

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, 2017: Nil).

During the period, Zenith Bank Plc paid N1.02 billion as insurance premium to Zenith General Insurance Limited (December 31, 2017: N2.12 billion). These expenses were reported as operating expenses.

The amount of N3,272 billion (December 31, 2017: N2,962 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. Aside from the Guarantee on the asset held by our subsidiary Zenith Pension Custodian limited, the Group does not have any contingent liabilities in respect of related parties.

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 30 June 2018(Note 28b) was 12.27 billion (31 December 2017 – 12.05 billion)

The Bank paid N6,223 million (December 31, 2017 N13,213 million) to Cyberspace Network for various transactions during the year.

38. Contingent liabilities and commitments

(a) Legal proceedings

The Group is presently involved in 167 litigation suits in the ordinary course of business. The total amount claimed in the cases against the Group is estimated at N25.58 billion (December 31,2017: N48.63 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.

	Group		Bank	
In millions of Naira	30-Jun-18	31-Dec-17	30-Jun-18	31-Dec-17

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

At the reporting date, the Group had capital commitments amounting to N5.12 billion (December 31, 2017: N5.72 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	
	30-Jun-18	31-Dec-17	30-Jun-18	31-Dec-17
Performance bonds and guarantees	471,072	492,927	471,072	445,913
Usance	556,927	141,283	172,497	141,283
Letters of credit	393,498	381,917	354,004	287,645
	1,421,497	**1,016,127**	**997,573**	**874,841**
Pension Funds (See Note (below))	3,272,379	2,961,650	3,272,379	2,961,650

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 30 June 2018, performance bonds and guarantees worth N55.5 billion (December 31, 2017: N86.3 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 Group has undrawn balances of N- billion as at 30 June 2018.

The amount of N3,272 billion (December 31, 2017: N2,962 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

	30-Jun-18	31-Dec-17	30-Jun-18	31-Dec-17
Dividend proposed	-	84,771	-	84,771
Number of shares in issue and ranking for dividend	31,396	31,396	31,396	31,396
Proposed dividend per share	30 k	270 k	30 k	270
Interim dividend paid	-	25 k	-	25 k
Final dividend per share proposed	-	245 k	-	245
Dividend paid during the period/year	-	55,572	-	55,572
Interim dividend paid during the period/year	76,921	7,850	76,921	7,850
Total dividend paid during the period/year	76,921	63,422	76,921	63,422

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 an interim dividend of 30 kobo per share (December 31, 2017: 270k) from the retained earnings account as at 30 June 2018. 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 30 June 2018 and December 31,2017 respectively.

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

In millions of Naira

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.

	30-Jun-18	30-Jun-17	30-Jun-18	30-Jun-17
Cash and cash balances with central bank (less mandatory reserve deposits)	176,432	131,787	130,401	95,835
Treasury bills (maturing within 3 months) (see note 16)	161,250	17,223	161,250	17,223
Due from other banks	440,354	499,936	242,883	332,867
	778,036	**648,946**	**534,534**	**445,925**

41. Compliance with banking regulations

During the period, the Bank incurred the following penalties due to contraventions of the regulations of the Banks and Other Financial Institutions Act, 1991.

S/N	Descriptons	Amount Paid in (N)
1	Penalty imposed for the application of excess charges on status enquiry.	2,000,000
2	Penalty for opening of branch in Dubai by Zenith Bank Plc without CBN approval and for failing to discharge penalty.	4,000,000
3	Penalty for dismissed/terminated staff and additional penalty for failure to discharge within the stipulated timeframe.	4,000,000
		10,000,000

42. Events after the reporting period

No significant event that requires disclosure occured between the reporting date and the date when the financial statements were issued.

42. Events after the reporting period (continued)

43. Comparatives

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

Prior year comparatives for the period ended 30 June 2018 have also been adjusted to reflect this principle,as presented in the notes below:

In millions of Naira	Group		Bank	
	30-Jun-18	**30-Jun-17**	**30-Jun-18**	**30-Jun-17**
(i) Personnel expense				
Amount previously reported	-	36,210	-	32,294
Reclassified to operating expense	-	(5,178)	-	(5,178)
Amount as restated	**-**	**31,032**	**-**	**27,116**
	-	-	-	-
(ii) Operating expense				
Amount previously reported	-	80,068	-	73,708
Reclassified to operating expense	-	5,178	-	5,178
Amount as restated	**-**	**85,246**	**-**	**78,886**

	Group		Bank	
For the six months ended 30 June **In millions of Naira**	**2018**	**2017**	**2018**	**2017**

44. Statement of cash flow workings

(i) Debt securities (see note 21)

30 June 2018

	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	32,266	284,584	32,266	71,447
Gains from changes in fair value recognised in profit or loss	316	-	316	-
Additions	-	43,387	-	-
Disposals (sale, transfers and redemption)	(24,702)	-	(24,702)	(7,059)
Interest accrued	-	-	-	-
Coupon received	-	-	-	-
	7,880	**327,971**	**7,880**	**64,388**
Movement for cash flow statement	(24,702)	43,387	(24,702)	(7,059)
Recognised in Cashflow statement	-	(18,685)	-	31,761

30 June, 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/(losses) from changes in fair value recognised in other comprehensive income	-	69	-	69
Additions	-	13,066	-	-
Disposals (sale and redemption)	(6,545)	(5,428)	(6,545)	(5,428)
	3,157	**180,762**	**3,157**	**86,840**
Unrealised bond FV gain	(6,545)	69	-	69
Movement for cash flow statement	-	7,638	(6,545)	(5,428)
Recognised in Cashflow statement	**-**	**1,093**	**-**	**11,973**

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

30 June, 2018

	30-Jun-18	**31-Dec-17**	**30-Jun-18**	**31-Dec-17**
Treasury bills (Amortised cost)	436,450	389,161	197,709	252,336
Treasury bills (with 3 months maturity)	(161,250)	(109,990)	(161,250)	-
Changes	275,200	279,171	36,459	252,336
Recognised in Cashflow	**3,971**		**215,877**	

30 June, 2017

	30-Jun-17	**31-Dec-16**	**30-Jun-17**	**31-Dec-16**

Notes to the Consolidated and Separate Financial Statements for the Period Ended 30 June 2018

	Group		Bank	
For the six months ended 30 June **In millions of Naira**	**2018**	**2017**	**2018**	**2017**
Treasury bills (Amortized cost)	315,594	482,978	211,940	389,406
Treasury bills (with 3 months maturity)	(17,223)	(127,068)	(17,223)	(112,575)
Changes	298,371	355,910	194,717	276,831
Recognised in Cashflow	**57,539**		**82,114**	

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

30 June, 2018

	30-Jun-18	**31-Dec-17**	**30-Jun-18**	**31-Dec-17**
Treasury bills (FVTPL)	488,717	547,656	488,717	547,656
Recognised in Cashflow	**58,939**		**58,939**	

June 30, 2017

	30-Jun-17	**31-Dec-16**	**30-Jun-17**	**31-Dec-16**
Treasury bills (FVTPL)	375,920	74,381	375,920	74,381
Recognised in Cashflow	**(301,539)**		**(301,539)**	

(iv) Loans and advances (see note 20)

30 June 2018

	30-Jun-18	**31-Dec-17**	**30-Jun-18**	**31-Dec-17**
Gross loans and advances	2,109,968	2,252,172	2,001,579	2,117,069
Changes	142,204	108,637	115,490	76,155
Write-back (specific)	-	(6,535)	-	(6,535)
Write off (collective)	(25,392)	(7,196)	(13,650)	(7,196)
	116,812	**94,906**	**101,840**	**62,424**

June 30,2017

	30-Jun-17	**31-Dec-16**	**30-Jun-17**	**31-Dec-16**
Gross loans and advances	2,299,442	2,360,809	2,153,708	2,193,224
Changes	61,367	-	39,516	-
Write-back	(1,752)	-	-	-
	59,615	**-**	**39,516**	**-**

	Group		Bank	
For the six months ended 30 June **In millions of Naira**	**2018**	**2017**	**2018**	**2017**

(v)Customer deposits

30 June, 2018

	30-Jun-18	**31-Dec-17**	**30-Jun-18**	**31-Dec-17**
As per financial statement	3,165,955	3,437,915	2,417,559	2,744,525
Changes	(271,960)	454,294	(326,966)	191,562
Interest payables	(6,216)	-	(2,825)	6,216
	(278,176)	**454,294**	**(329,791)**	**191,562**

June 30, 2017

	30-Jun-17	**31-Dec-16**	**30-Jun-17**	**31-Dec-16**
As per financial statement	2,974,938	2,983,621	2,519,769	2,552,963
Changes	(8,683)	-	(33,194)	-
	(8,683)	**-**	**(33,194)**	**-**

(vi) Other liabilities (see note 29)

30 June, 2018

	30-Jun-18	**31-Dec-17**	**30-Jun-18**	**31-Dec-17**
As per statement of financial position	189,043	233,481	186,998	219,790
Changes	44,438	(24,801)	32,792	23,946
ECL allowance	3,168	-	2,263	-
VAT paid	-	2,235	-	(1,814)
Net cash movement	**(47,606)**	**(22,566)**	**(35,055)**	**22,132**

June 30, 2017

	30-Jun-17	**31-Dec-16**	**30-Jun-17**	**31-Dec-16**
As per statement of financial position	184,437	208,680	179,817	243,736
Changes	24,243	-	63,919	-
Vat paid	(266)	-	(198)	-
Net cash movement	**(23,977)**	**-**	**(63,721)**	**-**

(vii) Profit on disposal of property and equipment

	30-Jun-18	**31-Dec-17**	**30-Jun-18**	**31-Dec-17**
Cost (see note 25)	1,722	1,017	1,228	809
Accummulated depreciation (see note 25)	(1,432)	(826)	(1,181)	(767)
Net book value	**290**	**191**	**47**	**42**
Sales proceed	458	228	198	79
Profit on Disposal (see note 10)	**168**	**37**	**151**	**37**

In millions of Naira

(viii) Proceed from sale of equity securities

	Group 30-Jun-18	**Group 31-Dec-17**	**Bank 30-Jun-18**	**Bank 31-Dec-17**

(ix) Interest received

	Group 30-Jun-18	**Group 30-Jun-17**	**Bank 30-Jun-18**	**Bank 30-Jun-17**
Interest income as per financial statement	228,670	262,257	193,839	236,376
Recognised in cash flow	**228,670**	**262,257**	**193,839**	**236,376**

(x) Interest paid

	Group 30-Jun-18	**Group 30-Jun-17**	**Bank 30-Jun-18**	**Bank 30-Jun-17**
Interest expense as per financial statement	74,709	123,295	65,154	115,698
Interest payables	(6,216)	-	(5,992)	-
Recognised in cash flow	**68,493**	**123,295**	**59,162**	**115,698**

(xi) Other assets

	Group 30-Jun-18	**Group 31-Dec-17**	**Bank 30-Jun-18**	**Bank 30-Jun-17**
Other assets	81,605	97,742	77,317	56,052
Changes	16,137	-	(21,265)	(32,997)
Write off of asset	(4,518)	-	-	-
Recognised in cash flow	**11,619**	**-**	**(21,265)**	**(32,997)**

	Group 30-Jun-17	**Group 31-Dec-16**	**Bank 30-Jun-17**	**Bank 31-Dec-16**
Other assets	58,079	37,536	68,407	35,410
Changes	(20,543)	-	(32,997)	-
Recognised in cash flow	**(20,543)**	**-**	**(32,997)**	**-**

(xii) Asset pledged as collateral

	Group 30-June-2018	Group 31-Dec-2017	Bank 30-Jun-2018	Bank 31-Dec-2017
Asset pledged	493,154	468,010	493,154	468,010
Impairment	1,246	-	1,246	-
		468,010	494,400	468,010
Recognised in cashflow	(26,390)		(26,390)	-

	Group		Bank	
For the six months ended 30 June **In millions of Naira**	**2018**	**2017**	**2018**	**2017**

(xiii) Derivative Asset

	Group 30-June-2018	Group 31-Dec-2017	Bank 30-Jun-2018	Bank 31-Dec-2017
Forward contract	55,322	42,285	55,322	42,285
Future contract	1,082	14,934	1,082	14,934
	56,404	57,219	56,404	57,219
Recognised in cashflow	815		815	-

(xiv) Restricted balances (Cash Reserve)

	Group 30-June-2018	Group 31-Dec-2017	Bank 30-Jun-2018	Bank 31-Dec-2017
Mandatory reserve deposit with central bank	586,553	566,425	586,553	566,396
Special Cash Reserve	80,689	80,689	80,689	80,689
	667,242	647,114	667,242	647,085
Recognised in cashflow	(20,128)		(20,157)	-

(xv) Derivative liabilities

	Group 30-June-2018	Group 31-Dec-2017	Bank 30-Jun-2018	Bank 31-Dec-2017
Forward Contract	2,502	6,124	2,502	6,124
Futures Contract	797	14,681	797	14,681
	3,299	20,805	3,299	20,805
Recognised in cashflow	(17,506)		(17,506)	-

(xvi) Equity Securities

	Group 30-June-2018	Group 31-Dec-2017	Bank 30-Jun-2018	Bank 31-Dec-2017
Purchase	34,200	-	34,200	-
	34,200	-	34,200	-
Recognised in cashflow	(34,200)		(34,200)	-

Other National Disclosures

ZENITH BANK PLC

Value Added Statement

In millions of Naira	30-Jun-18 N.	30-Jun-18 %	30-Jun-17 N.	30-Jun-17 %
Group				
Gross income	322,201		380,440	
Interest expense				
- Local	**(61,001)**		**(111,585)**	
- Foreign	**(13,708)**		**(11,710)**	
	247,492		257,145	
Impairment loss on financial assets	(9,720)		(42,398)	
	237,772		214,747	
Bought-in materials and services				
- Local	(83,928)		(77,474)	
- Foreign	(2,594)		(2,594)	
Value added	**151,250**	**100**	**134,679**	**100**
Distribution				
Employees				
Salaries and benefits	34,808	23	36,210	27
Government				
Income tax	25,621	17	16,866	**13**
Retained in the Group				
Replacement of property and equipment / intangible assets	9,084	6	6,286	5
To pay proposed dividend	84,771	56	63,421	47
Profit for the year (including statutory, small scale industry, and non-controling interest)	(3,034)	(2)	11,896	8
Total Value Added	**151,250**	**100**	**134,679**	**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

In millions of Naira	30-Jun-18	30-Jun-18 %	31-Dec-17	31-Dec-17 %
Bank				
Gross income	276,251		344,411	
Interest expense				
- Local	**(62,560)**		**(113,104)**	
- Foreign	**(2,594)**		**(2,594)**	
	211,097		228,713	
Impairment loss on financial assets	(8,373)		(37,249)	
	202,724		191,464	
Bought-in materials and services				
- Local	(76,926)		(71,131)	
- Foreign	(2,577)		(2,577)	
Value added	**123,221**	**100**	**117,756**	**100**
Distribution				
Employees				
Salaries and benefits	**29,133**	**24**	**32,294**	**27**
Government				
Income tax	**19,680**	**16**	**13,279**	**9**
Retained in the Bank				
Replacement of property and equipment / intangible assets	8,014	5	5,687	5
To pay proposed dividend	84,771	69	63,421	52
Profit for the year (including statutory, and small scale industry)	(18,377)	(15)	3,075	7
Total Value Added	**123,221**	**100**	**117,756**	**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

	30-Jun-18 N.	31-Dec-17 N.	31-Dec-16 N.	31-Dec-15 N.	31-Dec-14 N.
Group					
Statement of Financial Position					
Assets					
Cash and balances with central banks	843,674	957,663	669,058	761,561	752,580
Treasury bills	923,847	936,817	557,359	377,928	295,397
Assets pledged as collateral	493,154	468,010	328,343	265,051	151,746
Due from other banks	440,354	495,803	459,457	272,194	506,568
Derivative assets	56,404	57,219	82,860	8,481	17,408
Loans and advances	1,873,173	2,100,362	2,289,365	1,989,313	1,729,507
Assets classified as held for sale	-	-	-	-	-
Investment securities	381,163	330,951	199,478	213,141	200,079
Investments in associates	-	-	-	530	302
Deferred tax	9,472	9,561	6,440	5,607	6,449
Other assets	80,803	92,494	37,536	22,774	21,455
Property and equipment	140,382	133,384	105,284	87,022	71,571
Intangible assets	14,034	12,989	4,645	3,240	2,202
Total assets	**5,256,460**	**5,595,253**	**4,739,825**	**4,006,842**	**3,755,264**
Liabilities					
Customers deposits	3,165,955	3,437,915	2,983,621	2,557,884	2,537,311
Derivative liabilities	3,299	20,805	66,834	384	6,073
Current tax payable	13,694	8,915	8,953	3,579	10,042
Deferred income tax liabilities	68	18	45	19	-
Other liabilities	189,043	233,481	208,680	205,062	289,858
On-lending facilities	409,619	383,034	350,657	286,881	68,344
Borrowings	408,317	356,496	263,106	258,862	198,066
Liabilities classified as held for sale	-	-	-	-	-
Debt securities issued	346,960	332,931	153,464	99,818	92,932
Total liabilities	**4,536,955**	**4,773,595**	**4,035,360**	**3,412,489**	**3,202,626**
Net assets	**719,505**	**821,658**	**704,465**	**594,353**	**552,638**
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	248,138	365,757	267,008	200,115	183,396
Other Reserves	199,190	183,839	165,729	122,900	97,945
Attributable to equity holders of the parent	718,073	820,341	703,482	593,760	552,086
Non-controlling interest	1,432	1,317	983	593	552
Total shareholders' equity	**719,505**	**821,658**	**704,465**	**594,353**	**552,638**

Five Year Financial Summary

In millions of Naira	30-Jun-18	30-Jun-17	30-Jun-16	30-Jun-15	30-Jun-14

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	30-Jun-18	30-Jun-17	30-Jun-16	30-Jun-15	30-Jun-14
Gross earnings	322,201	380,440	214,812	229,082	184,434
Share of profit / (loss) of associates	-	-	-	206	324
Interest expense	(74,709)	(123,295)	(54,385)	(63,585)	(48,781)
Operating and direct expenses	(130,414)	(122,564)	(82,914)	(86,301)	(75,170)
Impairment charge for financial assets	(9,720)	(42,398)	(14,232)	(7,201)	(2,948)
Profit before taxation	**107,358**	**92,183**	**63,281**	**72,201**	**57,859**
Income tax	(25,621)	(16,866)	(18,438)	(19,021)	(10,414)
Profit after tax	**81,737**	**75,317**	**44,843**	**53,180**	**47,445**
Foreign currency translation differences	517	(1,444)	26,053	(2,058)	(4,452)
Fair value movements on equity instruments	683	(3,433)	4,153	(2,390)	-
Related tax	-	-	-	-	-
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	-
Related tax	-	-	-	-	-
	1,200	**(4,877)**	**30,206**	**(4,448)**	**(4,452)**
Total comprehensive income	**82,937**	**70,440**	**75,049**	**48,732**	**42,993**

Earning per share:

	30-Jun-18	30-Jun-17	30-Jun-16	30-Jun-15	30-Jun-14
Basic and diluted	260 K	240 K	113 K	336 K	316 K

Five Year Financial Summary

In millions of Naira	30-Jun-18	30-Jun-17	30-Jun-16	30-Jun-15	30-Jun-14
Bank					
Statement of Financial Position					
Assets					
Cash and balances with central banks	797,643	907,265	627,385	735,946	728,291
Treasury bills	685,726	799,992	463,787	330,900	253,414
Assets pledged as collateral	493,154	468,010	325,575	264,320	151,746
Due from other banks	242,883	273,331	354,405	266,894	470,139
Derivative assets	56,404	57,219	82,860	8,481	16,896
Loans and advances	1,772,224	1,980,464	2,138,132	1,849,225	1,580,250
Investment securities	119,937	117,814	118,622	150,724	92,832
Investments in subsidiaries	34,003	34,003	33,003	33,003	33,003
Investments in associates	-	-	-	90	90
Deferred tax	9,197	9,197	6,041	5,131	6,333
Other assets	77,317	56,052	35,410	21,673	19,393
Assets classified as held for sale	-	-	-	-	-
Property and equipment	125,115	118,223	94,613	81,187	69,531
Intangible assets	12,867	12,088	3,903	2,753	1,901
Total assets	**4,426,470**	**4,833,658**	**4,283,736**	**3,750,327**	**3,423,819**
Liabilities					
Customers deposits	2,417,559	2,744,525	2,552,963	2,333,017	2,265,262
Derivative liabilities	3,299	20,805	66,834	384	6,073
Current tax payable	11,257	6,069	6,927	2,534	7,709
Deferred income tax liabilities	-	-	-	-	-
Other liabilities	186,998	219,790	243,736	212,636	272,726
On-lending facilities	409,619	383,034	350,657	286,881	68,344
Borrowings	456,648	418,979	292,802	268,111	198,066
Debt securities issued	346,960	332,931	153,464	99,818	92,932
Total liabilities	**3,832,340**	**4,126,133**	**3,667,383**	**3,203,381**	**2,911,112**
Net assets	**594,130**	**707,525**	**616,353**	**546,946**	**512,707**
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	172,750	296,787	218,507	160,408	150,342
Other reserves	150,635	139,993	127,101	115,793	91,620
Attributable to equity holders of the parent	594,130	707,525	616,353	546,946	512,707
Total shareholders' equity	**594,130**	**707,525**	**616,353**	**546,946**	**512,707**

Five Year Financial Summary

In millions of Naira	30-Jun-18	30-Jun-17	30-Jun-16	30-Jun-15	30-Jun-14
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME					
Gross earnings	276,251	344,411	192,163	213,571	174,569
Interest expense	(65,154)	(115,698)	(49,612)	(59,199)	(46,255)
Operating and direct expenses	(116,650)	(111,689)	(75,391)	(80,196)	(69,939)
Impairment charge for financial assets	(8,373)	(37,249)	(11,144)	(6,392)	(2,800)
Profit before tax	**86,074**	**79,775**	**56,016**	**67,784**	**55,575**
Income tax	(19,680)	(13,279)	(15,986)	(17,010)	(8,906)
Profit after tax	**66,394**	**66,496**	**40,030**	**50,774**	**46,669**
Other comprehensive income					
Fair value movements on equity instruments	683	(3,433)	4,153	(2,390)	-
Tax effect of equity instruments at fair value	-	-	-	-	-
	683	**(3,433)**	**4,153**	**(2,390)**	**-**
Total comprehensive income	**67,077**	**63,063**	**44,183**	**48,384**	**46,669**
Earning per share:					
Basic and diluted	211 K	212 K	128 K	315 K	295 K