REDEFINING THE **BANKING EXPERIENCE**

PEOPLE | TECHNOLOGY | SERVICE

ZENITH BANK PLC

2018

ANNUAL REPORT

PEOPLE
TECHNOLOGY
SERVICE

2018 ANNUAL REPORT

Group Annual Report
& Financial Statements

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Corporate Information

Directors, Officers And Professional Advisers

DIRECTORS

Mr. Jim Ovia, CON.	Chairman
Mr. Peter Amangbo	Group Managing Director/CEO
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
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

*Retired from the Board effective October 2, 2018

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

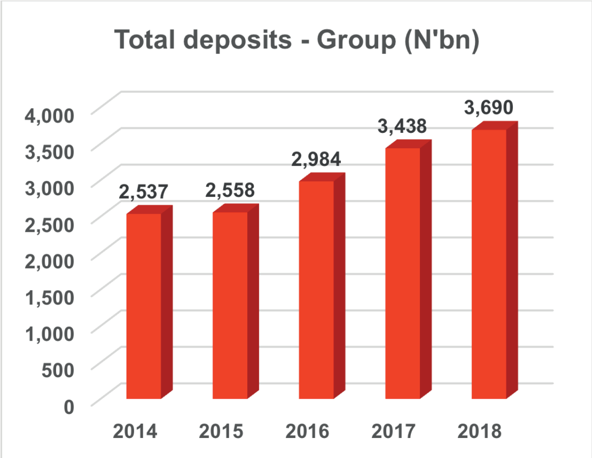
Results at a Glance/ Key Performance Indices

Financial Highlights

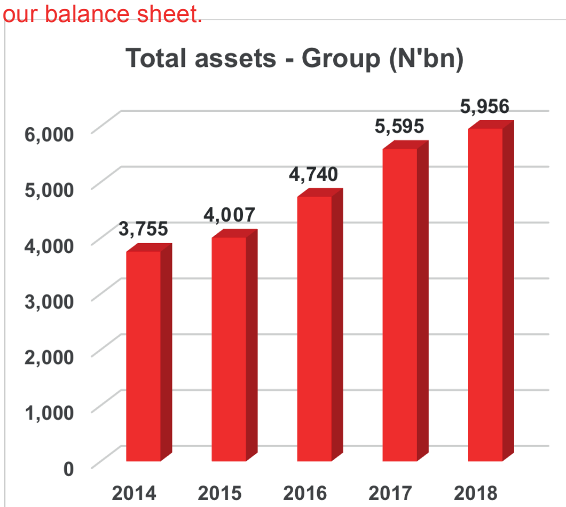
In millions of Naira	31-Dec-18	31-Dec-17	% Change
Income statement Highlights			
Interest and similar income	440,052	474,628	-7%
Net Interest income	295,594	257,991	15%
Operating income	457,185	422,730	8%
Operating expenses	(225,500)	(223,411)	1%
Profit before tax	231,685	199,319	16%
Profit after tax	193,424	173,791	11%
Earnings Per share (N)	6.15	5.53	11%
Balance sheet Highlights			
Gross loans and advances	2,016,520	2,252,172	-10%
Customers' deposits	3,690,295	3,437,915	7%
Total assets	5,955,710	5,595,253	6%
Shareholders' fund	815,751	812,116	0.5%
Key ratios			
Return on average equity (ROAE)	23.8%	22.9%	4%
Return on average assets (ROAA)	3.3%	3.4%	-3%
Net interest margin (NIM)	8.90%	8.94%	0%
Cost of funds	3.1%	5.2%	-40%
Cost of risk	0.9%	4.3%	-79%
Cost-to-income	49.3%	52.8%	-7%
Liquidity ratio	72.0%	69.7%	3%
Loan to deposit ratio	44.2%	54.5%	-19%
Capital adequacy ratio (CAR)	25.0%	27.0%	-7%
Non-performing loans	4.98%	4. 70%	6%

Group Financial Highlights

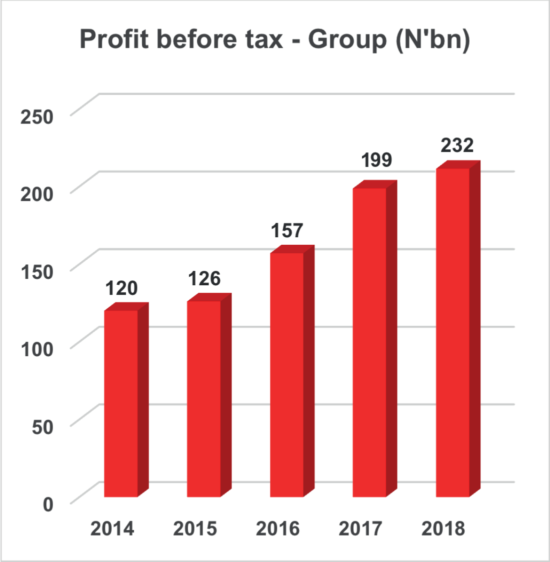
Total deposits grew by 7% (N252bn) reflecting public confidence in the Zenith brand. The funding mix was also rebalanced towards cheaper retail deposits.



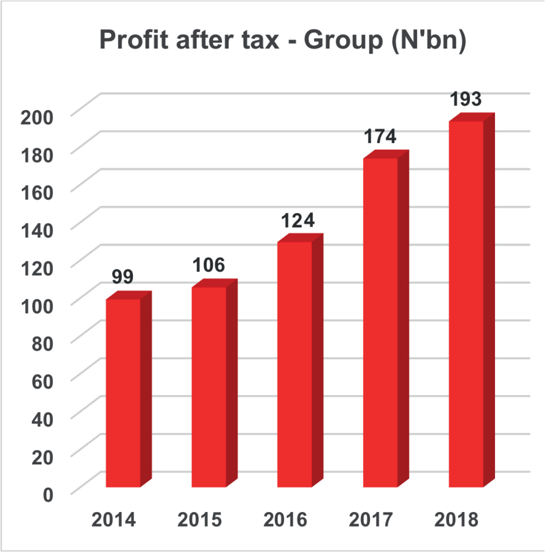
Total assets grew by 6% to close at N6trn enhancing our balance sheet.



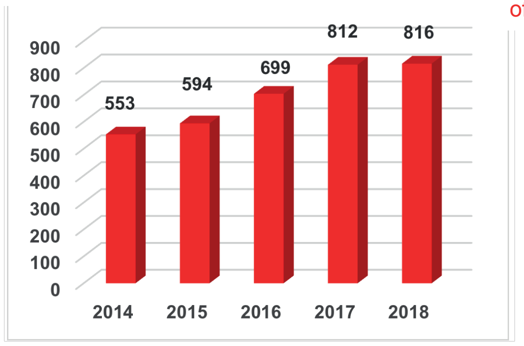
16% growth in PBT is largely attributable to the effective management of the three levers of cost; cost of funds, cost of risk, and cost-to-income ratio.



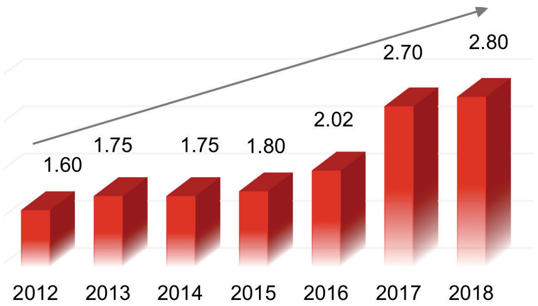
Profit afterer tax increased by 11% (N19.6bn) driven by improved profit before tax as well as an efficient tax management strategy.



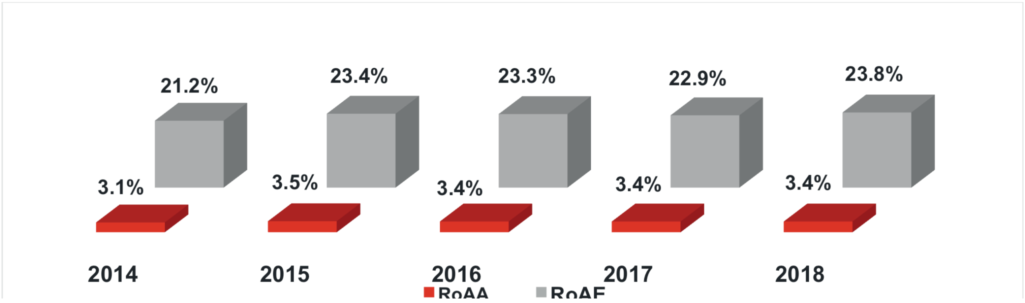
Shareholders' funds grew year-on-year by 0.5% to close at N816bn providing adequate buffer for business expansion.



Consistent and growing dividend payout in the last 7 years. The payout increased by 4% year-on-year. With this proposed dividend we are recording a dividend yield of 12% (2017: 11%).

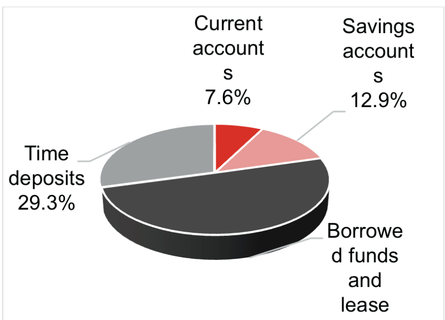


Return on Average Equity (RoAE) grew by 4% year-on-year while Return on Average Asset (RoAA) remained flat at 3.4% reflecting a strong commitment to delivering impressive retutrns to investors.

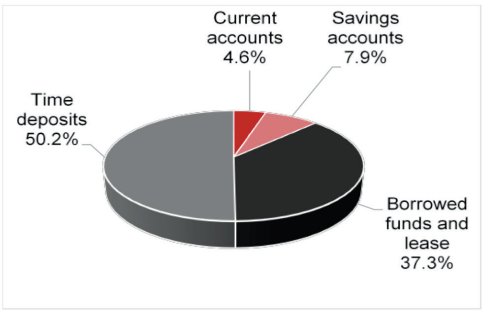


Decrease in interest expense by 33% is as a result of efficient rebalaning of the Group's deposit mix in favour of low cost deposits.

2018



2017



Group Financial Highlights

Non-financial Highlights

Social Impact/CSR

- Zenith Bank National Women Basketball League
- Official Bank of the Nigerian National Football Teams
- Zenith Delta Principal's Cup
- Zenith Pinkcruise Mobile Cancer Screening Machines
- Style by Zenith
- Zenith Bank Youth Parade

Product Innovations

SCAN to PAY

ZEDSTORES

Zenith Trade Portal

Share Holdings

Number of Shareholders	639,403

Customers/Channels

Number of Customers	7,835,024
Number of Cards Issued	5,732,820
Number of POS Terminals	34,006
Number of ATM Terminals	1,891
Number of Branches	420
Number of Cash Centres	176
Number of Male Employees	3,902
Number of Female Employees	3,692

Awards

Best Bank in Corporate Governance 2018
- World Finance

Most Valuable Bank Brand 2018
- The Banker

Best Institution in Sustainability Reporting in Africa 2018
- The SERAS CSR Awards

Best Corporate Governance Financial Services 2018
- Ethical Boardroom

Bank of the Year 2018
- BusinessDay

Social Following

Facebook	5,093,185
Instagram	209,113
Twitter	930,413
LinkedIn	53,803
YouTube	16,605,403

Ratings

Fitch - **B+/Negative/B**

Standard & Poors - **B/Stable/B**

Moody - **B2/Stable/B3**

The Bank and its Subsidiaries

Zenith Bank Plc. (Parent)
Established: 1990
Branches: 374
FYE 2018 PBT: N192Bn
Total deposits: N2,821Bn
Total assets: N4,955Bn
ROE: 24.0%
Staff strength: 6,253

Zenith Pension
Established: 2005
Branches: 2
Zenith ownership: 99%
FYE 2018 PBT: N9.0Bn
Custody assets: N3,531Bn
Total assets: N23Bn
ROE: 37%
Staff strength: 109

Zenith Nominee
Established: 2018
Branches: 1
Zenith ownership: 99%
FYE 2018 PBT: N257M
Custody assets: N932Bn
Total assets: N1Bn
ROE: 17%
Staff strength: 4

Gambia
Established: 2009
Zenith ownership: 99.96%
Branches: 6
FYE 2018 PBT: N555M
Total deposits: N11Bn
Total assets: N16Bn
ROE: 11%
Staff strength: 138

Ghana
Established: 2005
Zenith ownership: 98.07%
Branches: 27
FYE 2018 PBT: N21Bn
Total deposits: N322Bn
Total assets: N417Bn
ROE: 22%
Staff strength: 700

Sierra Leone
Established: 2008
Zenith ownership: 99.99%
Branches: 6
FYE 2018 PBT: N858M
Total deposits: N16.0Bn
Total assets: N21Bn
ROE: 24%
Staff strength: 154

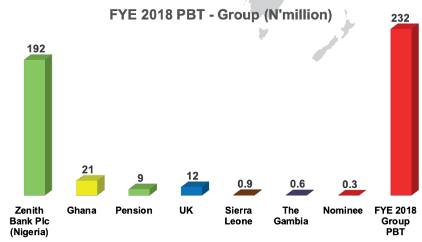
United Kingdom
Established 2007
Zenith ownership: 100%
Branches: 2
FYE 2018 PBT: N12Bn
Total deposits: N521Bn
Total assets: N681Bn
ROE: 14%
Staff strength: 88

UAE
Branch of Zenith UK
Established 2016
1 branch

China
Representative Office
Established 2011

South Africa
Representative Office
Established 2007

Consistent growth across the subsidiaries contributing 17% (2017: 15%) to the Group's profit before tax



Corporate Profile & Strategy

Over the past years, Zenith Group ("Zenith") has redefined customer service standards and created diverse service delivery channels through strategic deployment of its people, information and communication technology (ICT). Within twenty-eight years, Zenith has demonstrated its resilience irrespective of the business/ economic cycle and witnessed growth in virtually all areas. Its growth is driven principally by strategic business focus and a conservative business model. The Group has a stable and experienced management team that is well positioned for strong execution leading to significant market share opportunities. Today, Zenith is undoubtedly, one of Nigeria's strongest banking brands and one of the country's largest banks by market capitalization, profitability and total assets. Our branding has been anchored on continued investment in people, technology and excellent customer service. The combined intellectual capital and dedication of the staff, Management and Board have shaped Zenith into the world-class institution that it is today.

From inception Zenith clearly set out to distinguish itself in the banking industry through its service quality, drive for a unique customer experience and the calibre of its customer base. Over the years the Zenith brand has become synonymous with leadership in the use of Information and Communication Technology (ICT) in banking and general innovation in the Nigerian banking industry. The Group serves its customers through a variety of business location spread across Africa, Europe, Middle East and Asia. These comprise of a total of 596 business locations (see page 17 for more details) in Nigeria and the rest of the world. However, in line with advances in technology, the bank has also invested heavily in electronic and digital channels including ATMs, POS terminals, internet and mobile banking applications and as a result there has been an exponential upsurge in the volume of transactions consummated over digital channels with a corresponding decrease in transactions completed at physical outlets and branches.

Zenith Bank has remained a Tier 1 bank and is adequately capitalised to meet and even surpass all our customers' needs and expectations. The bank has efficiently deployed its competitive edge of excellent customer services, size, brand name, branch network and customer reach, stable management as well as motivated workforce, strong capital and liquidity base in order to effectively compete in the Nigerian banking landscape. Today, Zenith is easily associated with the following attributes in the Nigerian banking industry:

- ***Innovation***
- ***Good financial performance***
- ***Stable and dedicated management team***
- ***Highly skilled personnel***
- ***Leadership in the use of Information and Communication Technology***
- ***Strategic distribution channels***
- ***Good asset quality***

Corporate Profile & Strategy

Our Vision

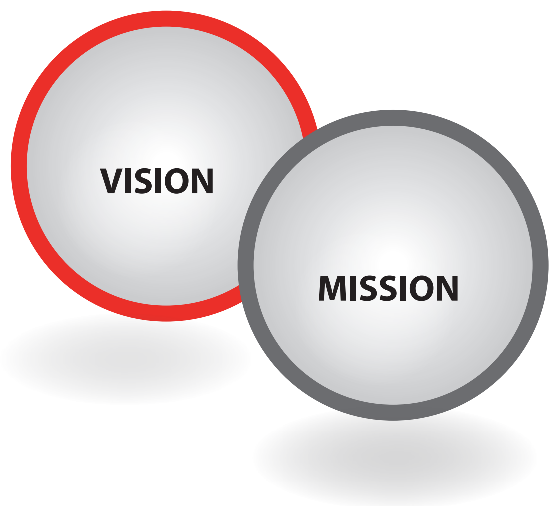
"To build the Zenith brand into a reputable international financial institution recognized for innovation, superior customer service and performance while creating premium value for all stakeholders".

Our Mission

"Establish a presence in all major economic and financial centres in Nigeria, Africa and indeed all over the world; creating premium value for all stakeholders"

Core Values

- Integrity
- Professionalism
- Excellence
- Ethics
- Commitment
- Transparency
- Service



Business Focus

The Bank opted to and operates a commercial banking model and as a result Zenith now focuses and channels its resources only on its core business segments, international subsidiary businesses, its pension/custodian services and nominees business only.

a) Core Business Segments

The Bank's core business segments provide a broad range of banking products and services to a diverse range of customers which include corporates, financial institutions, investment funds, governments and individuals. These business activities are conducted through the following business units:

- Institutional and Investment Banking
- Corporate Banking
- Commercial/SMEs
- Retail Banking
- Public Sector Banking

Institutional and Investment Banking

The Institutional and Investment Banking Unit (the "IIBU") manages the Group's business relationship with other banks, financial institutions, multilateral agencies, securities houses, insurance companies, asset management companies and other non-bank finance companies, private equity and venture funds. The IIBU also assists individuals, corporations and governments in raising capital by underwriting and/or acting as the client's agent in the issuance of securities as well as assisting companies in mergers and acquisitions processes.

The unit through its Treasury sub unit provides ancillary services such as market-marking, derivatives trading, fixed income instruments, foreign exchange, commodities and equity securities and manages the group's correspondent banking relationships. The Treasury sub-group works closely with branches and various business focus Groups as well as corporate customers and pension funds to deliver currency and fixed income solutions tailored specifically for their requirements. The Treasury sub-group focuses on creating wealth while mitigating interest rate and foreign exchange risks for the Zenith Group and its customers.- Treasury offers the Group's customers a broad array of money market and foreign exchange services that enable them to carry out their business operations locally and internationally. The Treasury sub-group's activities are carried out through four units: the Liability and Deposit Management Unit, Bonds Trading Unit, Foreign Currency Trading Unit and the Correspondent Banking Unit.

Corporate Banking

The Group's Corporate Banking business unit offers a wide variety of services to multinationals, large local conglomerates and corporate clients. The unit is focused on providing superior banking services and customized banking products to the top tier of the market. It is primarily focused on attracting, building and sustaining strong enduring relationships with its target market through the provision of innovative solutions together with excellent customer services to meet clients' banking needs. It also looks at promoting the businesses of these corporate clients through the provision of services to the various stakeholders within the value chain of these corporate clients. This is aimed at building long-term relationships and partnership with our clients.

Within Corporate Banking, industry specific desks or sub-units exist to facilitate the efficient and effective management of the relationships with the unit's corporate customers. These sub-units include;

a) Transport and Aviation,
b) Conglomerates
c) Breweries & Beverages

Corporate Profile & Strategy

d) Oil and Gas
e) Power, Infrastructure and Construction.
f) Telecommunications and Fintechs

Commercial/SMEs

The Commercial/SME unit focuses on all small and medium enterprises (SMEs), commercial businesses which comprises of personal current, and savings accounts customers and all unincorporated entities (such as societies, clubs, churches, mosques etc).
It offers loans and advances in the form of overdrafts, import finance lines, term loans and leases to the customers especially those involved in the sales and distribution of fast moving consumer good items and key distributors to major manufacturing companies. Credit facilities offered by the unit are priced higher than those extended to corporate or institutional banking customers, in order to compensate for the relatively higher risk.

The Group offers a wide range of generic banking services and products to meet the needs of the customers in this sub-sector. These include various lending and deposit products such as working capital lines (overdraft, invoice discounting, invoice/contract financing, stock financing, etc), lease finance lines, Bonds and Guarantee lines, current account, domiciliary accounts and fixed deposit accounts . Ancillary services rendered to this sub-sector include; local drafts issuance, local inter/intra bank funds transfers payroll services, bill payments, safe custody, duty/tax payments and remittances and so on. The Group aims to build a value chain synergy between this sub-sector and the corporate banking clients thereby promoting businesses across the various business units.

Retail Banking

Generally, the Group's Retail Banking businesses are conducted through its extensive branch network, electronic and digital channels. It offers various banking services to primarily individuals.

Personal banking is structured to develop and promote the retail business generally and provide banking services to individuals through traditional branches, as well as electronic banking channels.

Attracting, winning and retaining this segment of customers is through the development of customer value propositions (CVPs) unique to each customer sub-segment and the delivery of these CVPs are principally through the branches, electronic and digital channels.

The personal banking products and services range from standard to specialized savings, current, domiciliary and investment accounts modified to suit individuals of different strata of life. Examples of such specialized products are the Zenith Children Accounts (ZECA), Individual Current and Savings Accounts, Easysave Classic and Premium Accounts (financial inclusion customers), Aspire Savings Accounts (tertiary institution students) and Platinum and Gold Current Accounts (high net worth individuals) etc. The sub-group also offers credit products including personal loans, advances, mortgages, asset finance, and credit cards. E-business products offered include internet banking and mobile banking services (mobile app) and *966# EazyBanking, Zenith Scan to Pay, EazyMoney etc. Numerous channels such as ATMs, cards, POS terminals, internet and mobile banking is to effectively service this segment of the market.

Public Sector Banking

The Public Sector Group (PSG) provides services to meet the banking needs of all tiers of government (federal, state and local governments), ministries, departments and agencies, The focus of the PSG business is all institutions operating under the auspices of Government, including those within the executive, legislative and judiciary branches, and at the Federal, State and/or Local Government levels. Some of the products and services offered to the public sector include revenue collection schemes, cash management, deposit and investment, electronic payroll systems, offshore remittances and foreign exchange and project finance.

b) Overseas Subsidiaries

The Group's overseas subsidiaries carry out banking operations, providing traditional banking products and services tailored to meet the needs of those customers who are either located in countries where the subsidiaries are based or who have a business presence in such locations. Each of the Group's overseas subsidiaries act as intermediary between the financially surplus and deficit units in their locations, offering a wide range of products and services to attract deposits and extend loans and advances. The Group's overseas subsidiaries include the following:

Zenith Bank UK Limited

Zenith Bank UK Limited ("Zenith UK") leverages on trade and investment flows between Nigeria and Europe to intermediary banking services which include post shipment finance, back to back letters of credit, standby letters of credit and contract guarantees. Zenith UK also provides facilities for working capital and capital expenditure directly to Nigerian borrowers through participation in syndicated loans. The subsidiary acts as the contact point for correspondent banking relationships with Nigerian and other West African banks by providing facilities for letter of credit confirmation and treasury products.

The operational mandate of Zenith UK also enables it to source deposits from institutions such as parastatals, corporate and institutional counterparties to support its funding needs. Through effective treasury management, Zenith UK trades in fixed income instruments which include government and institutional bonds and certificates of deposit. Zenith UK also has a wealth management unit which is dedicated to offering long-term investment advisory and wealth management solutions to its customers.

Zenith Bank West African Subsidiaries

Zenith Bank (Ghana) Limited, Zenith Bank (Sierra Leone) Limited and Zenith Bank (The Gambia) Limited make up our West African subsidiaries. They provide comprehensive trade services to major global corporations and medium sized enterprises operating in the region. With the support of the parent company and Zenith UK which operate an account with Citigroup, the West African subsidiaries have both a global reach and local market knowledge which allows them to provide high quality importing and exporting intermediary services to their respective customers. Solutions are customized to each subsidiary's customers' needs, integrating letters of credit and other trade finance alternatives or products for an end-to-end trade proposition.

The West African subsidiaries source deposits from retail, corporate and institutional customers to support their respective

Corporate Profile & Strategy

funding needs. Each subsidiary also lends to customers in different sectors of their respective economies, through term loans, short term overdrafts, trade finance facilities and bonds and guarantees. Investment in fixed income instruments such as treasury bills, government and corporate bonds also form part of the banking activities carried out by each of the West African subsidiaries.

c. Pension and Custodial Services

The Group's Pension Custodian services business is conducted through Zenith Pension Custodians Limited ("Zenith Pensions") which offers pension management and custodian services to pension funds administrators (PFAs). As at 31 December 2018, total funds under its custody amounted to approximately N3,531 billion. Zenith Pensions has 102 funds under its custody which are shared among seven open pension fund administrators, three closed pension fund administrators and two annuities.

The main service offerings provided by Zenith Pensions include; collecting pension contributions, paying beneficiaries from their respective retirement saving accounts, safe keeping of assets, managing real estate assets of the funds under its custody and the settlement of transactions in financial investments such as equities, bonds and treasury bills. Zenith Pensions also provides administrative and record keeping services to the funds under its custody on a day-to-day basis.

d. Zenith Nominees Limited

Zenith Nominees Limited provides nominees, trustees, administrators and executorship services for non-pension assets. It started operations in 2018.

Zenith Nominee seeks to be associated with the following attributes:

- Innovation
- Good financial performance
- Stable and dedicated management team
- Highly skilled personnel
- Leadership in the use of Information and Communication Technology
- Strategic Distribution Channels
- Good asset quality

Strategic Objectives

The strategic objective of Zenith Bank remains the continuous improvement of its capacity to meet the customers' changing and increasing banking needs as well as sustaining high quality growth in a volatile business environment through:

- Continuous investment in branch network expansion and thus bringing quality banking services to our existing and potential customer base
- Continuous investment and deployment of state of the art technology and ICT platform
- Continue to seek, employ and retain the best personnel available
- Continuous investment in training and re-training of our personnel
- Maintain and reinforce our core customer service delivery charter
- Sustain strong profitability and ensure adequate Return on Equity (ROE)
- Remain conservative but innovative
- Sustain strong balance sheet size with adequate liquidity and capital base
- Sustain our brand and premium customer services
- Cautious and synergistic global expansion
- Remain customer service focused
- Continuous emphasis on use of technology as a competitive tool
- Maintain strong risk management and corporate governance practices

Locally, branches will continue to be located at commercial business districts in all the state of the federation, taking into consideration the existence of the following:

- Commercial activities, enough to ensure that the branch breaks even within a year.
- Synergistic loop based on business line (i.e. ensuring that the branches are located in areas having similar business lines to facilitate needed synergy).
- Convenience to our customers.

Our international outlook will focus on consolidating our presence in our selected African and European markets while we continue to evaluate opportunities in other markets as well.

The key strategies that will be used to drive our vision and mission are as follows:

1. Continue to deliver superior and tailor-made service experience to all our customers at all times
2. Continue to develop deeper and broader relationship with all clients and strive to understand their individual and industry peculiarities with a view to developing specific solutions for each segment of our customer base
3. Continue to expand our operations by adding new distribution channels especially in the digital space
4. Consolidate our leadership as a banking service provider in Nigeria by continuing to build on long standing relationships, capabilities and the strength of our brand and reputation to drive our international business network expansion
5. Continually enhance our processing and systems platforms to deliver new capabilities and improve operational efficiencies and achieve economies of scale.
6. Maintain strong risk management and corporate governance culture
7. Ensure proper pricing of our products and services
8. Increase our market share of retail banking customers and deploy our E-business tools and enhanced customer service
9. Develop compelling customer value proposition (CVP) for our various customer segments that ensures we can optimise our average revenue per customer.
10. Continuous investment in technology as a driving tool for customer services
11. Increasing corporate finance activities to boost fee income
12. Leveraging on our existing branch network to drive our product delivery and deposit liability growth
13. Leveraging on our understanding of specific trade and correspondent banking requirements to drive business relationships with banks and financial institutions in the West African sub-region to encourage them to use our foreign subsidiaries for businesses they are currently transacting with other banks
14. Our foreign subsidiaries will target companies that currently have trade partners in Nigeria and other locations where we have presence across the globe and process their trade transactions through the Zenith Bank network. This approach is aimed at encouraging cross border marketing and the routing of a portion of their international trade transactions through the Group. The idea is to demonstrate to the local companies that their relationship with Zenith Bank in their country and dealing with Zenith Bank in another country will be mutually beneficial.

    "Our Strategic Plan is part of a process of our development, and attempts to engender a commitment to continuous improvement, by focusing and harnessing the energies of everyone in the group. We believe that the concepts of strategic readiness, life-long learning and community engagement encourage and support quality in all aspects of the Bank's performance."
15. The lending businesses in all our subsidiaries will focus primarily on international and export trade transactions. It will involve discounting international trade bills for companies and also providing short-term credits to financial institutions that use the bank as their correspondent bank.

Corporate Profile & Strategy

MARKET AND BUSINESS STRATEGY

As a result of the Group's decision to comply with CBN Banking Activities Regulation by divesting from its subsidiaries which carry out non-banking activities, the Group's principal strategy is aimed at promoting the growth and profitability of its banking activities.

In the next five years, the Group will look to continue to pursue organic growth. In the longer term period it intends to improve (through creation and enhancement of new markets and products and services) and consolidate (through superior customer services) local and international awareness of its brand. Its growth and marketing plans will seek to optimize its strengths, maximize available opportunities and minimize identified threats while taking steps to mitigate the effects of observed weaknesses.

The strategic objectives of the Group in the next five years include:

- to be amongst and remain one of the top tier banks in Africa in terms of profitability, balance sheet size, risk assets quality, financial stability and operational efficiency;
- Re-channelling its efforts in deploying more electronic banking products, following the divestment from non-core banking operations.
- The Group will look to strengthen its retail banking business by doing a retail banking transformation exercise which will significantly grow its retail banking revenue, deposit liabilities and risk assets and obtain a significant share of the retail banking industry in Nigeria.
- improving its capacity to meet its customers' changing and increasing banking needs as well as sustain high quality growth despite the volatile business environment;

Core Banking Transformation

The Bank has begun implementation of a core banking system to replace existing core banking systems (Ethix/Phoenix) with MISYS suite of banking software and affiliated solutions which started in 2016. The bank has successfully gone live on a number of MISYS banking solutions including – Trade Innovation, TradeX, Zenith Trade Portal, Kondor, MPM and LoanIQ which are used to drive our trade services, treasury products/deals and loan processing related customer transactions. These implemented solutions have been seen to improve efficiency and streamline operations.

Upcoming solutions include Datastore (a document management system that enables the Bank digitize its records using the system's robust scanning, indexing & retrieval capabilities) which will replace the legacy system ADA. In addition to the Datastore, Essence is the new core banking solution to replace Phoenix and other in-house 3rd party applications. The Essence implementation has gained significant traction with the just concluded System Integration Testing (SIT) which to be followed shortly with the User Acceptance Testing (UAT).

Enhancing the Group's internal operating systems to reduce costs

The Group expects to continue its drive to deploy the latest innovations in banking technology in order to maintain its position at the forefront of the changing banking landscape in Nigeria. In addition, the Group will aim to enhance its systems and internal procedures, in order to be able to improve its levels of customer service by delivering improved operational capabilities and efficiencies, whilst at the same time achieving economies of scale.

The Group's increased deployment of digital channels means more customers are able to carry out banking transactions without visiting its branches, thereby reducing operating costs. From an internal operating perspective, the Group has automated most of the operational activities, such as cheque confirmation and clearing processes, account opening processes, credit administration process and internal audit processes. These automated processes have started yielding results in the form of reduced turnaround times in all operational activities as well as a reduction in operating costs.

In addition to the above, other strategies that have been have been adopted to streamline our cost include: arranging with training agencies based abroad to train our staff locally where a large number of staff have to be trained thereby reducing cost of travelling, and retrofitting some of our equipment including lighting and replacing regular equipment with energy-efficient ones to save on power and energy costs.

Business Locations

As at 31 December 2018, the geographical spread of the Group's business locations is as follows:

Geographical Locations	Branches	Cash Centers	Non-Banking Operations
Federal Republic of Nigeria	374	155	3
Republic of Ghana	27	10	-
United Kingdom	2	-	-
Sierra Leone	6	11	-
The Gambia	6	-	-
South Africa Representative Office	1	-	-
China Representative Office	1	-	-
Total	417	176	3
Grand Total			596

As shown above, the Group also has 176 off-site locations, strategically located in various commercial centres around Nigeria and the African countries in addition to its network of branches. These off-site locations comprise small business offices such as kiosks/cash offices and are located in the airports, university campuses, large shopping malls or the premises of core customers of the Group. These off-site locations only offer deposit taking services and the Bank expects their number to decrease over the coming years as the restrictions on the use of cash are put in place throughout Nigeria as part of the CBN's cashless policy implementation. However, we expect an increase in e-centres where various electronic transactions can be consummated.

Corporate Profile & Strategy

ATM network

The Group has a total of 1,891 ATM machines with 1,817 in Nigeria, 59 in Ghana, 9 in Sierra Leone and 6 in The Gambia. The ATM machines are mounted in branches and strategic locations such as airports, university campuses, large shopping malls and premises of large manufacturing firms employing large numbers of workers. Due to collaboration and shared services arrangements which the Bank has with other banks, ATM cards issued by the Bank are accepted by the ATM machines of other institutions. The Bank also collaborates with other card issuing agencies to offer internationally recognised cards, such as MasterCard and Visa, in different currencies to their customers.

Distribution Channels

Other distribution channels which the Group uses include electronic and digital channels which offers products and services, including electronic fund transfers at points of sale (POS), telephone banking, internet banking, visa telebanking, mobile banking and the Group's call centres. Furthermore, in addition to being able to use its branches, ATMs and the network of third party ATMs available throughout Nigeria under arrangements between the Bank and third party vendors, the Group's customers are currently entitled to use the Bank's card products to pay for goods and services at trade service outlets throughout Nigeria.

The Group has invested significantly in software which enables electronic product platforms to interface with core banking applications, hardware to enable data storage and to improve processing speed and in training of its IT staff. The Group has also developed electronic delivery systems in order to implement multiple delivery channels to its customers, including its ATM networks, on mobile devices and over the internet. The Group's range of internet and mobile banking products and services offer customers services such as collections and remittances of bills (including utility bills), real time internet banking, purchase of mobile phone airtime, funds transfers, cheque requisitions and confirmations, balance enquiries, transfer of/receipt of funds between Visa Credit Cards and Prepaid Cards, and statement services. Specific electronic products offered by the Group include:

- Zenith Scan to Pay – this is a quick response (QR) code solution which involves customers scanning merchants QR displayed in their stores or on their websites using a smart device;
- *966*911# – this is a distress code to be dialled by Zenith customers to automatically block their accounts where customers' smart phones has been stolen or privacy details have been compromised;

- USSD on POS – This allows customers to make payments at merchant stores using *966eazybanking even without their payment cards (debit, credit, prepaid);
- Corporate i-Bank - a secure online solution that allows corporate customers to carry-out banking transactions on the internet;
- Zenith Payroll (Branch i-Bank) - automates the [end-to-end] payroll process of the Group's customers which eliminates the manual processes involved in the generation of monthly payroll while also remitting funds electronically to staff accounts. The platform provides, database backup, payroll reports, customization option, secure payment authorization and salary payments;
- Xpath (Customised Branch Collections) - allows customers to collect or receive remittance from their key distributors and customers through any branch of the Group. The platform also enables customers to capture specific information relating to their account. Other features of the product include the provision of electronic receipts, PIN Vending and direct integration;

- Internet Banking - a real-time solution that provides customers with access to their account 24 hours a day, 7 days a week via the internet;
- EaZymoney - Zenith Bank's mobile money platform is a wallet payment solution that allows customers make withdrawals(cash-out), make deposits(cash-in), transfer funds, pay bills (DSTV, Electricity etc.) make purchases and top up airtime using their mobile phones. It is a virtual account/wallet created for the subscriber. With this solution, the subscriber's mobile number will be the account number. Payment for goods and services, cash withdrawals and deposits can be done from this mobile number through an AGENT or a Bank branch.
- Global Pay - a convenient, flexible and secure platform for receiving payments through the internet. This platform accepts multi-currency transactions and also provides online transaction monitoring capabilities; and
- Electronic Multicard – this product enables merchants to receive payments from customers when they use a bank card issued either by the Group or another institution recognised by Group on this platform. The platform provides additional benefits to customers as it enables merchant to accept payment after banking hours, provides online transaction monitoring, can be customised to capture specific data and provides an alternative mode of payment.
- Visa Telebanking – this innovative offering on the bank's website allows customers to transfer/receive funds between Visa Credit and Prepaid Cards. It provides real time option for funds transfer between different parties and allows you to your Visa Card account online.
- *966 EazyBanking - is a convenient, fast, secure, and affordable way to access your bank account 24 hours a day, 7 days a week through your mobile phone without internet data and is available to all individual account holders with any phone that runs on the GSM platform and runs with debit cards.
- Zmart - is a free online retail system where the bank's customers can list their products online in a customizable online mall for buyers. It is suitable for the bank's customers involved in business with high end retail content who can take advantage of this platform to sell their wares online.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twenty Eight Annual General Meeting of Zenith Bank Plc will hold at the Civic Centre, Ozumba Mbadiwe Street, Victoria Island, Lagos at 9.00 a.m. on Monday the 18th day of March, 2019 to transact the following business:-

ORDINARY BUSINESS

1. To present and consider the Bank's Audited Accounts for the financial year ended 31st December, 2018, the Reports of the Directors, Auditors and Audit Committee thereon.

2. To declare a final dividend.

3. To re-elect the following Directors retiring by rotation:
   (i) Prof. Chukuka Enwemeka
   (ii) Mr. Dennis Olisa
   (iii) Engr. Mustafa Bello

4. To authorize the Directors to fix the remuneration of the Auditors.

5. To elect members of the Audit Committee.

SPECIAL BUSINESS

To consider and if thought fit, to pass the following as ordinary resolution:

6. That the remuneration of the Directors of the Bank for the year ending December 31, 2019 be and is hereby fixed at N20 million only.

Dated this 19th day of February, 2019.

NOTES:

1. PROXY:
   A member of the company entitled to attend and vote at the general meeting is entitled to appoint a proxy in his stead. All instruments of proxy should be completed, stamped and deposited at the office of the Company's Registrars, Veritas Registrars Limited, 89A, Ajose Adeogun Street, Victoria Island, Lagos State not later than 48 hours before the time of holding the meeting. A proxy need not be a member of the company.

2. Closure of Register of Members
   The Register of Members and Transfer Books of the Company will be closed from March 11, 2019 to March 15, 2019 (both dates inclusive), to enable the Registrar prepare for the payment of dividend.

3. Dividend Warrants
   If approved, dividend warrants for the sum of N2.50K for every share of 50K (bringing the total dividend for the financial year ended December 31, 2018 to N2.80K) will be paid via e-mandate on the 18th of March, 2019, to shareholders whose names are registered in the Register of Members at the close of business on 8th day of March 2019. Shareholders are advised to forward

particulars or their account details to the Registrar to enable direct credit of their dividend on same day. Note however, that holders of the Company's Global Depository Receipts listed on the London Stock Exchange will receive their dividend payments after the local payment date.

4. Audit Committee
In accordance with Section 359(5) of the Companies and Allied Matters Act, 1990, any shareholder may nominate another shareholder for appointment to the Audit Committee. Such nomination should be in writing and should be forwarded to reach the Company Secretary at least 21 days before the Annual General Meeting.

5. Rights of Shareholders/Securities' Holders to ask Questions
Shareholders/Securities' Holders have a right to ask questions not only at the Meeting, but also in writing prior to the Meeting, and such questions must be submitted to the Company on or before the 15th day of March, 2019.

6. Unclaimed Dividend Warrants and Share Certificates
Shareholders are hereby informed that a number of share certificates and dividend warrants have been returned to the Registrars as "unclaimed". A list of all unclaimed dividend will be circulated with the Annual Report and Financial Statements. Any member affected by this notice is advised to write to or call at the office of the Bank's Registrars, Veritas Registrars Limited, Plot 89A, Ajose Adeogun Street, Victoria Island, Lagos during normal working hours.

7. E-Dividend
Notice is hereby given to all shareholders to open bank accounts for the purpose of dividend payment in line with the Securities and Exchange Commission (SEC) directives. Detachable application forms for e-dividend and e-bonus are attached to the Annual Report to enable all shareholders furnish the particulars of their bank accounts/CCS details to the Registrars as soon as possible.

8. Profile of Directors
The profile of all Directors are available for viewing on the bank's website, www.zenithbank.com

By Order of the Board

MICHAEL OSILAMA OTU, ESQ.
Company Secretary/General Counsel
Plot 87, Ajose Adeogun Street
Victoria Island, Lagos

Jim Ovia, CON

Chairman's Statement

My Fellow Shareholders, Distinguished Guests, Ladies and Gentlemen;

I am delighted to welcome you to the 28th Annual General Meeting of our great Bank and to present to you the Annual Report and Financial Statements for the financial year ended December 31, 2018. Without any doubt, your unwavering support and loyalty to the Bank over the years, as evidenced by your large turnout here today, is appreciated.

Clearly, 2018 was marked by significant global and domestic economic developments with far-reaching implications for our business. The resilience of our Bank, however, enabled us to weather the socio-economic headwinds.

It is, therefore, pertinent to review the economic and financial environment in which our Bank operated during the period under review.

> ***"The bank remains a clear leader in the digital space with several firsts in the deployment of innovative products, solutions and an assortment of alternative channels that ensure convenience, speed and safety of transactions for all."***

Chairman's Statement

The positive growth trajectory of the Nigerian economy which began in 2017 after exiting recession was maintained in 2018. Measured by real Gross Domestic Product (GDP), the Nigerian economy grew by 1.93 per cent in 2018, up from 0.82 per cent recorded in 2017, according to the National Bureau of Statistics (NBS). The growth performance of the economy was impacted by the dynamics of crude oil price in the international commodities market and domestic oil production.

Oil price remained at appreciable levels through a significant part of the year driven by the extension of the Declaration of Cooperation to cap production by the Organisation of Petroleum Exporting Countries (OPEC) and non-OPEC oil producers as well concerns about scarcity. The trend was reversed in the last quarter as fears of a glut combined with weak global economic growth to drive down prices. The net effect of these developments was a significant improvement in government revenue and accretion to the nation's foreign reserves.

During the year, the goal of the monetary and fiscal authorities, to a large extent, was the attainment and sustenance of macroeconomic stability. Thus, the fiscal and monetary efforts resulted in the stability of interest and exchange rates. Inflationary pressures returned towards the end of the year after spiralling downwards from January to July. The Consumer Price Index (CPI), which measures inflation rate, was at 11.44 per cent (year-on-year) in December 2018, 0.16 per cent points higher than the rate recorded the previous month (11.28 per cent), making it the fifth consecutive rise in headline year-on-year inflation since July 2018. Similarly, the national currency (the Naira), remained relatively stable at the inter-bank foreign exchange market throughout the year. The Investors' and Exporters' FX Window continued to bring some stability to the market and ensured increased availability of foreign exchange as it acted as a key driver of foreign portfolio investment inflow into the country. As a result, the quarterly average exchange rate in the interbank market stood at N306.70/$1 as at Q4 2018. Also, the quarterly average foreign exchange rate stood at N364.27/$1 for Q4 2018 in the I & E Window.

Increased foreign reserves played a significant role in the stability of the value of the Naira against the US Dollar and other international currencies during the year under review. The sustained rise in the price of oil in the international market from the beginning of the year to early October contributed to the marked increase in the foreign reserves. OPEC production cap from which Nigeria was exempted and global concern about oil scarcity pushed up oil prices such that the OPEC Reference Basket (ORB) averaged $79.39 in October, the highest monthly average since October 2014, thereby increasing the nation's receipts from oil export.

Though the ORB nosedived in the last quarter and closed the year at $51.55, total oil receipts coupled with the various measures adopted by the Central Bank of Nigeria (CBN) in managing

"Zenith Bank Plc as a forward looking brand and a contending force in the Nigerian financial services industry has remained one of the biggest Corporate Social Responsibility contributors. Our sustainability and CSR initiatives are hinged on the belief that today's business performance is not all about the financial numbers, but the achievement of a balanced scorecard as demonstrated by an organization's contribution to inclusive economic growth through improvements in the condition of the host communities and the larger environment."

foreign exchange, saw the nation's gross external reserves, which stood at US$40.69 billion as at January 2018, close the year at US$43.12 billion.

The increase in external reserves in 2018 did little to stave off a continued rise in the nation's public debt stock during the period. Nigeria's total public debt stock (external and domestic debt) which was US$70.99 billion (N21.725 trillion) as at end-December 2017, rose to US$73.21 billion (about N22.428 trillion) as at September 2018, according to data from the Debt Management Office (DMO) of the Federation.

The sum distributed by the Federation Account Allocation Committee (FAAC) witnessed a marked increase in 2018. The sum of N655.18 billion was shared by the federal, state and local governments in January 2018 while N812.76 billion was distributed in December 2018. A total of N8.52 trillion was allocated to the three tiers of government in 2018 compared to N6.42 trillion in 2017.

A bearish trend persisted in the Nigerian stock market in the year under review. The All-Share Index (ASI) of the Nigerian Stock Exchange (NSE), which opened trading for the year at 38,264.79, lost 6,834.29 points or 17.86 per cent to close trading on December 31, 2018, at 31,430.50. Similarly, market capitalisation shed N1.9 trillion or 16.21 per cent to close trading in the same period at N11.72 trillion as at December 31, 2018, against N13.61 trillion posted on December 29, 2017. The bearish performance of the capital market was attributable to the weak economic outlook, improving yields in advanced economies notably the United States, and general investor apathy usually associated with pre-election years.

FINANCIAL RESULTS

Owing to a number of global and domestic factors, 2018 was a very challenging year for operators in the Nigerian banking industry. True to our track record, however, we were able to fully exploit the opportunities within the environment to record a performance that attests to our durability and resilience as a brand. Clearly, the results are, once again, a reflection of the exceptional financial health of the Bank and the Group. For the Bank, total deposits was N2.82trillion for the year ended December 31, 2018, representing a 2.9 per cent increase over the previous year's figure of N2.74trillion. Profit-Before-Tax rose by 13.6 per cent, from N169billion in 2017 to N192billion in 2018. Profit-After-Tax similarly rose by 7.8 per cent, from N153billion in 2017 to N165billion in 2018. During the same period, total assets of the Bank grew by 2.7 per cent from N4.83trillion to N4.96trillion; while shareholders' fund declined by 3.3 per cent, from N698billion to N675billion. Gross earnings similarly declined by 20.2 per cent from N674billion in year 2017 to N538billion in 2018.

As a Group, the performance indices were no less remarkable. The Group Profit-Before-Tax grew by 16.6 per cent, from N199billion in year 2017 to N232billion in 2018. Profit-After-Tax thus grew by 10.9 per cent during the period, from N174billion in 2017 to N193billion in 2018. The Group total assets similarly rose by 6.4 per cent, from N5.60trillion in 2017 to N5.96trillion in 2018, while customers' deposits grew by 7.3 per cent during the same period, from N3.44trillion to N3.69trillion. Group shareholders' fund grew by 0.5 per cent, from N812billion in 2017 to N816billion in 2018; gross earnings dropped by 15.4 per cent, from N745billion in 2017 to N630billion in 2018.

DIVIDEND

Zenith Bank remains committed to delivering superior returns to our much-valued shareholders by ensuring that a good chunk of our profit is set aside for you. In clear demonstration of this, we had declared and paid an interim dividend of 30kobo per share in the course of the 2018 financial year. We hereby propose a final dividend of 250kobo per share. If approved, this will bring the total dividend for the year ended December 31, 2018 to 280kobo per share as against 270kobo per share that was paid in the previous year.

Chairman's Statement

THE BOARD OF DIRECTORS

During the year under review, Alhaji Baba Tela (an Independent Non-Executive Director) retired from the Board with effect from October 2, 2018. This follows the expiration of his tenure of office, having served the Group for almost twelve (12) years. On behalf of the Board, Management and all shareholders of our great institution, I wish him success in his future endeavours.

INVESTMENT IN TECHNOLOGY

The Bank remains a clear leader in the digital space with several firsts in the deployment of innovative products, solutions and an assortment of alternative channels that ensure convenience, speed and safety of transactions. In order to continue to cater to the varied appetites of our customers in a constantly changing world and stay ahead of the competition, therefore, we have invested massively in new technologies and innovative solutions in the last financial year. This is geared towards ensuring that we continue to provide best-in-class quality service that create value for all our stakeholders.

CORPORATE SOCIAL RESPONSIBILITY

Zenith Bank made significant progress in its adoption and integration of sustainable banking principles into our business operations, especially the credit administration process. At Zenith Bank, sustainability goes beyond a regulatory requirement. It is the springboard to the future we desire. Hence the Bank is committed to reconsidering its business processes, products and services to ensure compliance with globally acceptable economic, environmental and social norms.

Our Corporate Social Responsibility (CSR) and community investments initiatives are targeted to align with the global objectives to end extreme poverty and hunger, protect the planet and create sustainable wealth for all, in line with the United Nations' Sustainable Development Goals (SDGs). Healthcare improvement, education and skills development, sports development, youth and women economic empowerment, as well as public infrastructure development formed the bedrock of our CSR endeavours.

Zenith Bank Plc as a forward looking bank has remained one of the biggest Corporate Social Responsibility contributors. Our sustainability and CSR initiatives are hinged on the belief that today's business performance is not all about the financial numbers, but the achievement of a balanced scorecard as demonstrated by an organization's contribution to inclusive economic growth through improvements in the condition of the host communities and the larger environment.

Through our strategic CSR focus, we have been able to deliver projects that have long-term social and economic benefits for our host communities. In the course of the year, Zenith Bank made donations towards the wellbeing of many individuals and healthcare organizations. In our quest to support government's efforts at improving the standard of education and human capital development, we supported capacity building workshops and the setting up of ultramodern ICT centres in several educational institutions across the country, among others. We also encouraged youth development through our support for sports at the grassroots and professional levels. In addition to making donations to various State Governments' Security Trust Fund to improve security and safety of lives and properties, the Bank sponsored various summits, conferences, and seminars organized by governmental and non-governmental agencies targeted at creating platforms to improve policymaking that will sustain economic growth across the local, state and federal levels.

A detailed breakdown of our Corporate Social Responsibility initiatives for the year is contained in Note 13 under the Directors' Report.

MACROECONOMIC OUTLOOK

It is with a great deal of pleasure that I share our perceptions and approach to business in 2019. It is a known fact that Zenith Bank has maintained its culture of outstanding performance and industry leadership even in a very challenging operating environment. We are constantly monitoring developments in the local and global economic environment, and appropriately applying pragmatic and dynamic approaches to the banking business. Our strategic focus on the pursuit of shared prosperity has positioned us to seek and leverage new opportunities in the market. We recognise the demands and obligations that exist in the environment where we operate. This has continued to inform our commitment to sustainability principles and global best practices, anchored on good corporate governance and citizenship, and first-class risk management. It is a thread that runs through the fabric of our operations.

In 2018, the federal government sought to frame the budget to build on the Economic Recovery and Growth Plan (ERGP), the medium-term strategy for 2017-2020, designed to advance macroeconomic stability and economic diversification. The proposed 2019 budget seeks to maintain the growth momentum in the ERGP. The aggregate expenditure proposed for 2019 is N8.83 trillion, comprising capital expenditure of N2.03 trillion (inclusive of capital in Statutory Transfers), recurrent expenditure of N4.04 trillion, debt service of N2.14 trillion, statutory transfers of N492 billion, and sinking fund of N120billion. The 2019 federal government budget is predicated on projected crude oil production of 2.3 million barrels per day (mpd); crude oil price of US$60 per barrel; and an average exchange rate of N305/dollar. The fiscal deficit is projected at N1.86 trillion or 1.3 per cent of GDP to be financed partly by new borrowings estimated at N1.65 trillion.

The federal government expects the economy, measured by Gross Domestic Product (GDP), to grow at 3.01 per cent in 2019, up from 1.93 per cent in 2018. The International Monetary Fund (IMF) and the World Bank, however, expect the Nigerian economy to expand by 2 per cent and 2.2 per cent respectively. The subdued growth outlook for the Nigerian economy in 2019 is based on expectations of a decline in oil revenue due to falling oil prices and crude oil production cap of 1.68 (mpd) mandated by OPEC and non-OPEC oil producers.

The domestic and global economic environment remain susceptible to several vagaries. Subdued growth is expected in the Nigerian economy similar to 2018, albeit the growth prospect for 2019 is brighter. The beacon of optimism in the outlook for 2019 is the gradual improvement in the performance of the non-oil sectors and their contribution to GDP which is expected to continue in the short to medium term. The major downsides to Nigeria's growth outlook for 2019 are significant fall in global crude oil price, and disruption to optimal oil production. The downsides to global growth outlook are weak commodities prices and international trade tension. In view of these, we shall continue to be pragmatic in our projections while continually creating value for all our stakeholders.

APPRECIATION

In conclusion, 2018 has been an interesting, challenging but successful year for Zenith Bank. Indeed, the collective efforts of all our staff, Management and Board made it possible for us to sustain our superior performance in the year. I am, therefore, very thankful to our customers for their unflinching loyalty; our staff and Management, whose passion and commitment have sustained our very good performances over the years; and our Board, whose vision and exemplary leadership ensure that our Bank does not falter in the pursuit of its mission and objectives.

Ladies and gentlemen, I welcome you to the 2019 financial year, with unwavering assurance of continued improved performance by our Bank.

Thank you.

Jim Ovia. CON
Chairman

Peter Amangbo

GMD/CEO's Review

In 2018, the Nigerian economy continued its recovery from recession albeit slowly, while trade tensions exacerbated in the global economy with attendant economic headwinds on the operating environment. However, a considerable increase in the price of oil in the international commodities market, relative stability in domestic oil production output, and exemption of Nigeria from production cuts by member countries of the Organisation of Petroleum Exporting Countries (OPEC) and non-OPEC members helped ease pressure on the Nigerian foreign exchange market.

As a pragmatic institution, we were primed to take advantage of the opportunities availed by the changing dynamics in the domestic and global economy to create value for our stakeholders, while mitigating the negative impacts of macroeconomic headwinds.

> ***"In the year under review, we harnessed the enormous potential of our human capital, digital solutions, excellent service culture, and cost control strategies to grow our business and enhance efficiency, which culminated in a stellar performance."***

GMD/CEO's Review

In the year under review, we harnessed the enormous potential of our human capital, digital solutions, excellent service culture, and cost control strategies to grow our business and enhance efficiency, which culminated in a stellar performance.

Since its inception, the Zenith brand has been synonymous with innovation and the deployment of cutting-edge technology to cater to the expectations of our customers. Our array of products, services and alternative channels that ensure convenience, speed and security of transactions, and our readiness to deploy state-of-the-art technology has assured that we maintain our leadership in the digital space.

Riding on the success of the inaugural "Style by Zenith" – our flagship lifestyle, beauty, fashion, and entertainment fair, we shall continue to intensify efforts towards making further in-roads into the retail segment of the market with new and innovative products that support small and medium-sized enterprises.

Our drive towards entrenching sustainable principles in our business operations gained further momentum in the year under review. Our corporate social responsibility initiatives and investments are hinged on the firm belief that our performance is not all about profit – we believe that our social investments, contributions to inclusive economic growth and development, as well as improvements in the condition of the physical environment all constitute our balanced scorecard in line with the Sustainable Development Goals.

"We shall continue to intensify efforts towards making further in-roads into the retail segment of the market with new and innovative products that support small and medium-sized enterprises."

As a financial institution, we continue to place a high premium on developing a robust risk management framework which has helped in promoting the soundness of the bank, protecting its assets, and ensuring its growth. We are committed to entrenching a robust enterprise risk management, global best practices in corporate governance and sustainability in the coming years.

In the year under review, Zenith Bank was recognised as the "Best Bank in Corporate Governance" (World Finance), "Bank of the Year" for the second consecutive year (BusinessDay Awards), and "Best Institution in Sustainability Reporting in Africa" for the second consecutive year (SERAS Awards). These awards and recognition amongst several others attest to our market leadership.

The operating domestic and global macroeconomic environment in 2019 will be challenging for myriad reasons including weak recovery of commodity prices and continuing trade tensions. However, we are optimistic and primed to harness potential opportunities for astounding performance. We shall continue to be guided by our core strategy of adapting to market dynamics and the evolving needs of our customers as we seek to continually delight and surpass their expectations.

As a customer-centric organisation, our people are the most valuable asset that is vital to our long-term sustainable success, competitive advantage, and brand differentiation strategy. The skills, experience and commitment of our employees are critical for stakeholders' engagement and delivery of exceptional services to our customers. Consequently, our focus in the years ahead is to continually create an environment for our people to thrive, while creating value for all stakeholders.

Thankyou.

Peter Amangbo
Group Managing Director/CEO

Board of Directors

Board of Directors

Jim Ovia, CON
Chairman

Peter Amangbo
Group Managing Director/CEO

Adaora Umeoji
Deputy Managing Director

Ebenezer Onyeagwu
Deputy Managing Director

BOARD OF DIRECTORS


Prof. Chukuka S. Enwemeka
Non-Executive Director


Jeffrey Efeyini
Non-Executive Director


Gabriel Ukpeh
Non-Executive Director


Prof. Oyewusi Ibidapo-Obe
Non-Executive Director


Engr. Mustafa Bello
Non-Executive Director


Umar Shuaib Ahmed
Executive Director


Dr. Temitope Fasoranti
Executive Director


Dennis Olisa
Executive Director

Directors' Report for the Year Ended December 31, 2018

The directors present their report on the affairs of ZENITH BANK PLC, together with the financial statements and independent auditor's report for the year ended 31 December, 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 year, the Bank opened five new branches and no branch was closed.
As at 31 December, 2018 the Group had 417 branches, 256 cash centers; 1,891 ATM terminals; 34,006 POS terminals and 5,732,820 cards issued to its customers.

3. Operating results

Gross earnings of the Group decreased by 15.4% and profit before tax increased by 16.2% . This is largely due to the reduction of 25% in expenses. Highlights of the Group's operating results for the year under review are as follows:

	31-Dec-18 N' Million	31-Dec-17 N' Million Restated*
Gross earnings	630,344	745,189
Profit before tax	231,685	199,319
Minimum tax	(4,052)	(4,350)
Income tax expense	(34,209)	(21,178)
Profit after tax	193,424	173,791
Non- controlling interest	(277)	(319)
Profit attributable to the equity holders of the parent	**193,147**	**173,472**
Appropriations		
Transfer to statutory reserve	32,456	22,950
Transfer to retained earnings and other reserves	160,691	150,522
	193,147	**173,472**
Basic and Diluted earnings per share (kobo)	6.15	5.53
Non-performing loan ratio %	4.98	4.70

*See Note 43

4. Dividends

The Board of Directors, pursuant to the powers vested in it by the provisions of section 379 of the Companies and Allied Matters Act (CAMA) of Nigeria, proposed a final dividend of N2.50 per share which in addition to the N0.30 per share paid as interim dividend amounts to N2.80 per share (2017: Interim of N0.25 per share and final of N2.45 per share) from the retained earnings account as at December 31, 2018. This will be presented for ratification by the shareholders at the next Annual General Meeting.

If the proposed dividend is approved by the shareholders, the Bank will be liable to pay additional corporate tax estimated at N22.3 billion representing the difference between the tax liability calculated at 30% of the dividend approved and the tax charge reported in the statement of profit or loss and other comprehensive income for the year ended December 31, 2018.

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

5. Directors' shareholding

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

Interests in shares

		Number of Shareholding			
		December 31, 2018		December 31, 2017	
Director	Designation	Direct	Indirect	Direct	Indirect
Mr. Jim Ovia, CON. *	Chairman/ Non-Executive Director	3,546,199,395	1,513,137,010	2,946,199,395	1,593,494,151
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	15,000,000	21,000,000	5,000,000	2,300,000
Ms. Adaora Umeoji *	Deputy Managing Director	53,873,169	1,710,123	31,620,141	1,710,123
Mr. Ebenezer Onyeagwu	Deputy Managing Director	36,000,000	-	7,000,000	-
Mr. Ahmed Umar Shuaib	Executive Director	7,077,343	-	1,077,343	-
Dr. Temitope Fasoranti	Executive Director	5,075,000	-	1,875,000	-
Mr. Dennis Olisa	Executive Director	7,122,316	-	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)

Directors' Report for the Year Ended December 31, 2018

6. Directors' Remuneration

The Bank ensures that remuneration paid to its Directors complies with the provisions of the codes of corporate governance issued by its regulators.

In compliance with Section 34(5) of the Code of Corporate Governance for Public Companies as issued by Securities and Exchange Commission, the Bank makes disclosure of the remuneration paid to its directors as follows:

Type of package Fixed	Description	Timing
Basic Salary	- Part of gross salary package for Executive Directors only. Reflects the banking industry competitive salary package and the extent to which the Bank's objectives have been met for the financial year.	Paid monthly during the financial year.
Other allowances	- Part of gross salary package for Executive Directors only. Reflects the banking industry competitive salary package and the extent to which the Bank's objectives have been met for the financial year.	Paid at periodic intervals during the financial year
Productivity bonus	-Paid to executive directors only and tied to performance of the line report. It is also a function of the extent to which the Bank's objectives have been met for the financial year.	Paid annually in arrears.
Director fees	- Paid annually on the day of the Annual General Meeting ('AGM') to Non-Executive Directors only.	Paid annually on the day of the AGM.
Sitting allowances	- Allowances paid to Non-Executive Directors only, for attending Board and Board Committee Meetings	Paid after each Meeting.

7. Changes on the Board

In the course of the financial year ended December 31, 2018, Alhaji Baba Tela (an Independent Non-executive Director) retired from the Board with effect from October 2, 2018. This follows the expiration of his tenure of office.

8. Directors' interests in contracts

For the purpose of section 277(1) and (3) of Companies and Allied Matters Act of Nigeria, (GAMA), all contracts with related parties during the year were conducted at arm's length. Information relating to related parties transactions are contained in Note 37 to the financial statements.

9. 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.

10. 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.

11. Shareholding analysis

The shareholding pattern of the Bank as at 31 December, 2018 is as stated below:

Share range	No. of Shareholders	Percentage of Shareholders	Number of holdings	Percentage Holdings (%)
1-9,999	537,935	84.1308 %	1,596,747,902	5.09 %
10,000 - 50,000	80,329	12.5631 %	1,638,639,586	5.22 %
50,001 - 1,000,000	20,032	3.1329 %	3,108,802,557	9.90 %
1,000,001 - 5,000,000	791	0.1237 %	1,682,858,529	5.36 %
5,000,001 - 10,000,000	141	0.0221 %	966,504,587	3.08 %
10,000,001 - 50,000,000	116	0.0181 %	2,567,943,284	8.18 %
50,000,001 - 100,000,000	26	0.0041 %	1,791,562,895	5.71 %
100,000,001 - 500,000,000	23	0.0036 %	4, 138,595,598	13.18 %
500,000,001 - 1,000,000,000	4	0.0006 %	2,279,638,965	7.26 %
Above 1,000,000,000	6	0.0009 %	11,625,199,884	37.02 %
	639,403	**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 %**

Directors' Report for the Year Ended December 31, 2018

12. Substantial interest in shares

According to the register of members as at 31 December, 2018, the following shareholders held more than 5% of the issued share capital of the Bank.

	Number of Shares Held	Number of Shares Held
Jim Ovia, CON	3,546,199,395	11.29 %
Stanbic Nominees Nigeria Limited/C011 - MAIN	2,075,323,002	6.61 %
Stanbic Nominees Nigeria Limited/C001 - TRAD	1,820,956,539	5.80 %
Stanbic Nominees Nigeria Limited/C002 - MAIN	1,774,705,532	5.65 %

According to the register of members as at 31 December 2017, the following shareholders held more than 5% of the issued share capital of the Bank.

	Number of Shares Held	Number of Shares Held
Jim Ovia, CON	2,946,199,395	9.38 %
Stanbic Nominees Nigeria Limited/C011 - MAIN	3,242,344,702	10.33 %
Stanbic Nominees Nigeria Limited/C002 - MAIN	2,438,670,039	7.77 %
Stanbic Nominees Nigeria Limited/C001 - TRAD	1,809,897,790	5.76 %

13. Donations and charitable gifts

The Bank made contributions to charitable and non-political organisations amounting to N3,065 million during the year ended 31 December 2018 (31 December 2017: N2,611 million).

The beneficiaries are as follows:

	31-Dec-18 N' Million
Various States' Governments Security Trust Funds	1,571
Various Sports Organisations i.e. NFF, NBBF etc.	363
Seed contribution to private health sector alliance	305
Financial Inclusion Project (Central Bank of Nigeria)	200
Medical assistance to the underpriviledged	158
Educational support to Nigerian schools	131
ICT centres for educational institutions	85
Economic Summit	61
Delta State Principal Cup Second Edition	43
CFA Society of Nigeria	30
Louisville Girls High School	30
Centre for Value in Leadership Youth Empowerment	25
St. Saviours School Ikoyi	20
Nigeria Academy of Neurological Surgeons	10
Musical Society of Nigeria	14
Other donations individually below N10 million	19
	3,065

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

14. 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.

15. Disclosure of customer complaints in financial statements for the period ended 31 December, 2018

Description	Number		Amount claimed		Amount refunded	
	31-Dec-18	31-Dec-17	31-Dec-18 N	31-Dec-17 N	31-Dec-18 N	31-Dec-17 N
Pending complaints brought forward	86	154	9,783,412,201	1,571,817,766	N/A	N/A
Received Complaints	224	220	11,026,857,556	10 045,190,151	N/A	N/A
Resolved Complaints	122	288	3,776,775,251	1,833,595,716	800,131,355	346,672,659
Unresolved Complaints escalated to CBN for intervention I carried forward	**188**	**86**	**17,033,494,506**	**9,783,412,201**	**-**	**-**

***Other refunds made to customers during the year amounted to N9,372,176**

Directors' Report for the Year Ended December 31, 2018

16.

(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	3,236	3,017	6,253	52 %	48 %
	3,236	**3,017**	**6,253**	**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)	11	1	12	92 %	8%
Top management staff (AGM-GM)	43	21	64	67 %	33 %
	54	**22**	**76**	**71 %**	**29 %**

(c) Further analysis of board and top management staff

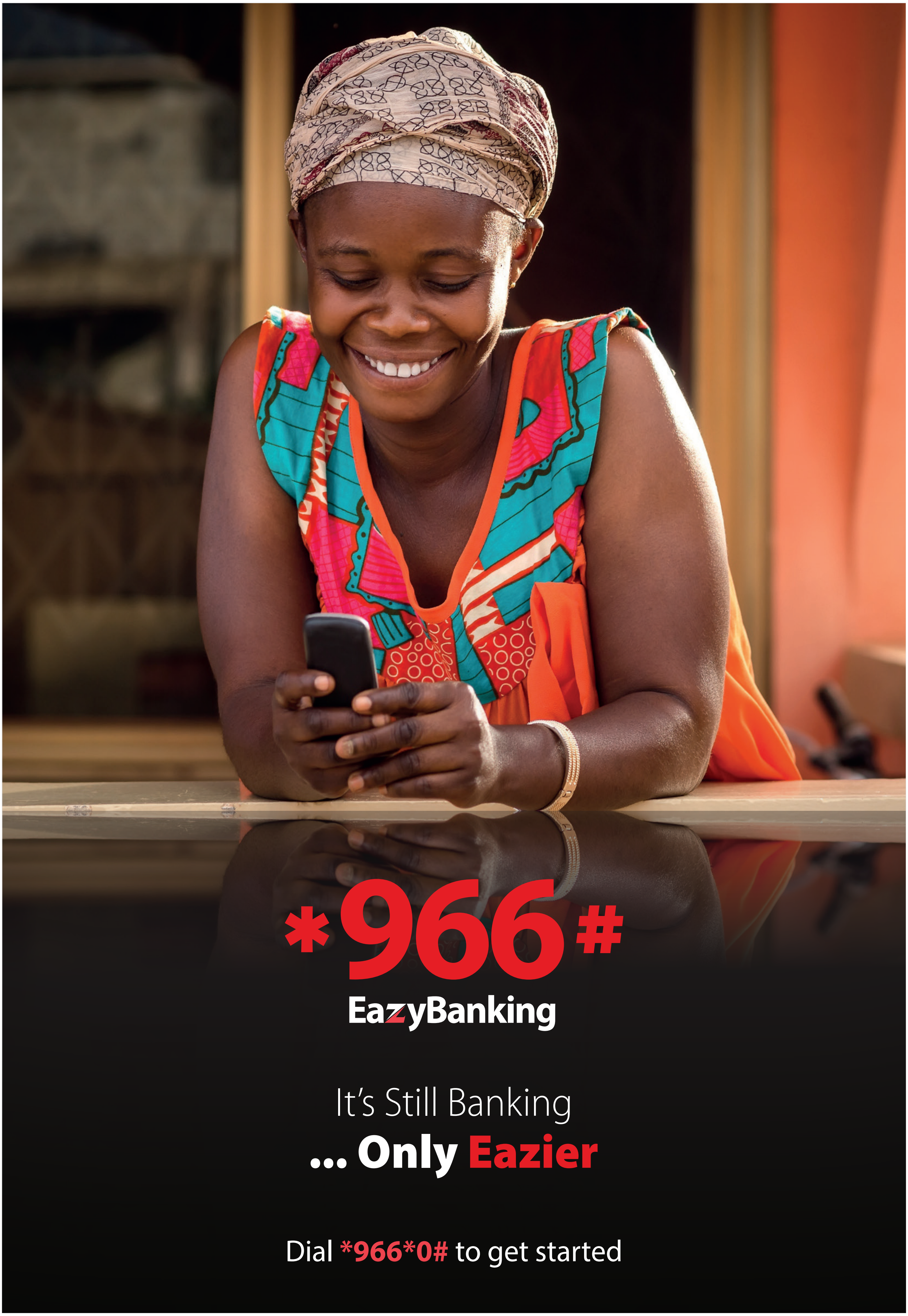
	Gender Number			Gender Percentage	
	Male	Female	Total	Male	Female
Assistant general managers	25	14	39	64%	36 %
Deputy general managers	10	2	12	83%	17%
General managers	8	5	13	62%	38%
Board members (Non-executive directors)	6	-	6	100%	-%
Executive directors (excluding MD and DMDs)	3	-	3	100%	-%
Deputy managing director	1	1	2	50%	50%
Managing director/CEO	1	-	1	100%	-%
	54	22	76	71%	29%

17. Auditors

The auditors, Messrs KPMG Professional Services, having satisfied the relevant corporate govemance 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 Mailers Act of Nigeria, therefore, the auditors will be reappointed at the next annual general meeting of the Bank without any resolution being passed.

By order of the Board

Michael Osilama Otu (Esq.)
Company Secretary
January 18 ,2019
FRC/2013/MULTI/00000001084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02

Governance & Sustainability

Corporate Governance Report for the Year Ended December 31, 2018

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 20% 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 Bank 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, five (5) Non-Executive Directors and Six (6) Executive Directors including the GMD/CEO. Three (3) of the Non-Executive Directors are independent directors, appointed in compliance with the Central Bank of Nigeria (CBN) circular on Appointment of Independent Directors by Banks.

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

* Retired from the Board effective October 2, 2018.

The Board meets at least every quarter but may hold extraordinary sessions to address urgent matters requiring the attention of the Board

7. Roles of Chairman and Chief Executive

The roles of the Chairman and Chief Executive are separate and no one individual combines the two positions. The Chairman's main responsibility is to lead and manage the Board to ensure that it operates effectively and fully discharges its legal and regulatory responsibilities. The Chairman is responsible for ensuring that Directors receive accurate, timely and clear information to enable the Board take informed decisions and provide advice to promote the success of the Bank. The Chairman also facilitates the contribution of Directors and promotes effective relationships and open communications between Executive and Non-Executive Directors, both inside and outside the Boardroom.

The Board has delegated the responsibility for the day-to-day management of the Bank to the Managing Director/Chief Executive Officer, who is supported by Executive Management. The Managing Director executes the powers delegated to him in accordance with guidelines approved by the Board of Directors. Executive Management is accountable to the Board for the development and implementation of strategies and policies. The Board regularly reviews group performance, matters of strategic concern and any other matter it regards as material.

8. Director Nomination Process

The Board Nomination and Remuneration Committee is charged with the responsibility of leading the process for Board appointments and for identifying and nominating suitable candidates for the approval of the Board.

With respect to new appointments, the Board Governance, nomination and rumeneration committee identifies, reviews and recommends candidates for potential appointment as Directors. In identifying suitable candidates, the Committee considers candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board, including gender as well as the balance and mix of appropriate skills and experience.

Shareholding in the Bank is not the only considered criterion for the nomination or appointment of a Director. The appointment of Directors is subject to the approval of the shareholders and the Central Bank of Nigeria.

Corporate Governance Report for the Year Ended December 31, 2018

9. Induction and continuous training

Upon appointment to the Board and to Board Committees, all Directors receive an induction tailored to meet their individual requirements.

The induction, which is arranged by the Company Secretary, may include meetings with senior management staff and key external advisors, to assist Directors in acquiring a detailed understanding of the Bank's operations, its strategic plan, its business environment, the key issues the Bank faces, and to introduce Directors to their fiduciary duties and responsibilities.

The Bank attaches great importance to training its Directors and for this purpose, continuously offers training and education from onshore and offshore institutions to its Directors, in order to enhance their performance on the Board and the various committees to which they belong.

10. Non-Executive Directors' remuneration

The Bank's policy on remuneration of Non-Executive Directors is guided by the provisions of the CBN Code which stipulates that Non-Executive Directors' remuneration should be limited to sitting allowances, Directors' fees and reimbursable travel and hotel expenses.

11. Board committees

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

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

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

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

The following are the current standing Committees of the Board:

11.1 Board credit committee

The Committee is currently made up of eight (8) members comprising four (4) non-Executive Directors and four (4) 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

* Retired from the Board with effect from 02 October 2018

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.

11.2 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

* Retired from the Board with effect from 02 October 2018
** Appointed as acting Chairman from 18 January 2019

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 distribution 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 and 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 and staff, based on the recommendation of the Executives;
- Oversight of broad-based employee compensation policies and programs;

11.3 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

Corporate Governance Report for the Year Ended December 31, 2018

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:
  - (a) the magnitude of all material business risks;
  - (b) the processes, procedures and controls in place to manage material risks; and
  - (c) the overall effectiveness of the risk management process;
- Facilitate the development of a comprehensive risk management framework for the Bank and develop the risk management policies and processes and enforce its compliance;
- To perform such other duties and responsibilities as the Board of Directors may assign from time to time.

11.4 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.

The committee membership comprises the following:
Mr. Gabriel Ukpeh - Chairman
Alhaji Baba Tela*
Mr. Jeffrey Efeyini
Engr. Mustafa Bello
* Retired from the Board with effect from 02 October 2018

Committee's terms of reference

The Board Audit and compliance 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, audited half year and annual financial statements with management and external auditors 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 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.
- To perform such other duties and responsibilities as the Board of Directors may assign from time to time.

11.5 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
* Retired from the Board with effect from 02 October 2018

Committee's terms of reference

- To determine a fair reasonable and competitive compensation practices for Executive Directors of the bank which are consistent with the bank's objectives;
- Determining the amount and structure of compensation and benefits for Executive Directors;
- Ensuring the existence of an appropriate remuneration policy and philosophy for Executive Directors;
- Review and recommendation for Board ratification, all terminal compensation arrangements for Directors;

Corporate Governance Report for the Year Ended December 31, 2018

- 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 the 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.

11.6 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 / Director's Representatives

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

* Retired from the Board with effect from 02 October 2018

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 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.

11.7 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.

11.8 Other committees

IIn 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.

Corporate Governance Report for the Year Ended December 31, 2018

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 One (1) Deputy Managing Director
3 Two (2) Executive Directors;
4 Chief Financial Officer;
5 Chief Inspector;
6 Chief Risk Officer;
7 Chief Information Officer/Head of Infotech;
8 Head of Infotech - Software;
9 Head of Infotech - Enginering;
10 Head of Card Services;
11 Group Head of IT Audit;
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 recognized 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.

12. 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.

13. 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.

14. 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.

15. 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.

Corporate Governance Report for the Year Ended December 31, 2018

During the year the Bank filed quarterly returns in line with the provision on whistle blowing.

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.

16. Foreign Subsidiaries Governance Structure
The Bank as at 31 December, 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 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 reflect 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 as 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 exercises 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.

The 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 cover 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.

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 budgets 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 operates. 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 includes 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 undertakes 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.

17. 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.

Corporate Governance Report for the Year Ended December 31, 2018

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

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

Director	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	6	4	4	4	4	4
Mr. Jim Ovia, CON	6	N/A	N/A	N/A	N/A	N/A
Alhaji Baba Tela	5*	4	4	4	N/A	4
Mr. Jeffrey Efeyini	6	4	N/A	4	4	4
Prof. Chukuka S.Enwemeka	6	4	4	4	4	N/A
Prof. Oyewusi Ibidapo-Obe	6	N/A	4	4	N/A	N/A
Mr. Gabriel Ukpeh	6	4	N/A	4	4	4
Engr. Mustafa Bello	5	N/A	N/A	N/A	N/A	3
Ms. Adaora Umeoji	6	4	4	N/A	N/A	N/A
Mr. Ebenezer Onyeagwu	6	4	N/A	N/A	4	N/A
Mr. Ahmed Umar Shuaib	6	1**	4	N/A	N/A	N/A
Dr. Temitope Fasoranti	6	3***	N/A	N/A	N/A	N/A
Mr. Dennis Olisa	6	N/A	N/A	N/A	3****	N/A
Mr. Peter Amangbo	6	4	4	N/A	4	N/A

Note:

* Retired from the Board with effect from October 2, 2018 and approved by the Board on November 15, 2018

** Mr. Ahmed Umar Shuaib stepped down as a member of the Committee on January 22, 2018 following Board Committee's reconstitution.

*** Dr. Temitope Fasoranti was appointed as a member of the committee at the board meeting of January 22, 2018 following Board committees' reconstitution.

**** Mr Dennis Olisa was appointed as a member of the committee at the board meeting of January 22, 2018 following Board committees' reconstitution

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

Dates for Board and Board Committee meetings held in the year ended 31 December 2018						
Board meetings	22-Jan-18	13-Apr-18	02-May-18	24-Jul-18	17-Oct-18	15-Nov-18
Board credit committee meeting	22-Jan-18	12-Apr-18	-	23 July, 2018	16-Oct-18	
Finance and general purpose committee	22-Jan-18	12-Apr-18	-	23 July, 2018	16-Oct-18	
Board risk management committee meeting	22-Jan-18	12-Apr-18	-	23 July, 2018	16-Oct-18	
Board audit and compliance committee meeting	22-Jan-18	12-Apr-18	-	23 July, 2018	16-Oct-18	
Board governance, nomination and remuneration committee	22-Jan-18	12-Apr-18	-	23 July, 2018	16-Oct-18	
Audit committee meeting	22-Jan-18	12-Apr-18	-	23 July, 2018	30-Oct-18	

19. 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)	4
Prof. (Prince) L.F.O Obika (SR)	4
Mr. Michael Olusoji Ajayi (SR)	4
Alhaji Baba Tela* (NED)	4
Mr. Jeffrey Efeyini (NED)	3
Mr. Gabriel Ukpeh (NED)	4

* Retired from the Board with effect from October 2, 2018

SR - Shareholders representative

20. Analysis of Fraud and Forgeries Returns

	December 31, 2018			December 31, 2017		
Nature of Fraud	No.	% Loss	Actual Loss to the Bank (N) Jan-Dec 2018	No.	% Loss	Actual Loss to the Bank (N) Jan - Dec 2017
ATM/Electronic fraud	44	-	-	39	-	-
Staff Perpetrate	32	67	316,910,400	19	34	11,689,602
Impersonation	32	22	4,250,103	166	37	12,789,868
Stolen/Forged Instrument	146	11	107,534,526	34	25	8,644,515
Internet Banking	20	-	413,841	1	-	-
Others	43	-	-	20	4	1,624,830
Total	**317**	**100**	**429,098,870**	**279**	**100**	**34,748,815**

20 February 2019

The Chairman
Zenith Bank Plc.
Plot 84, Ajose Adeogun Street
Victoria Island
Lagos Nigeria

Report to the Directors of Zenith Bank Plc. on the Outcome of the 2018 Board Performance Assessment

PricewaterhouseCoopers Chartered Accountants ("PwC") was engaged to carry out an evaluation of the Board of Directors of Zenith Bank Plc. ("the Bank") as required by Section 2.8.1 of the Central Bank of Nigeria (CBN) Code of Corporate Governance for Banks and Discount Houses in Nigeria ("the CBN Code"). The evaluation covered the Board's structure and composition, responsibilities, processes and procedures, relationships and performance of the Board Committees for year ended 31 December 2018.

The Board is responsible for the preparation and presentation of the information relevant to its performance. Our responsibility was to reach a conclusion on the Board's performance based on work carried out within the scope of our engagement as contained in our Letter of Engagement. In carrying out the evaluation, we relied on representations made by members of the Board and Management and on the documents provided for our review.

The Board has complied significantly with the provisions of the CBN Code. Areas of compliance include the wealth of experience and diversity of skill on the Board, clear delegation of responsibility to Management and effective monitoring of the Bank's performance against its strategic objectives. Furthermore, the Board exercises strong oversight of the Bank's risk management practices and compliance systems.

We have also identified some areas of improvement. The Board should ensure that the External Auditors report on the Bank's risk management practices. Furthermore, the Board should expedite the appointment of an additional Non-Executive Director, to increase the ratio of Non-Executive Directors to Executive Directors.

We also facilitated a Self and Peer Assessment of each Director's performance in the year under review. This assessment covered the Director's time commitment to the business of the Bank, commitment to continuous learning and development and a self-and-peer assessment. Each Individual Director's Assessment Report was prepared and will be made available to them respectively, while a consolidated report of the performance of all Directors will be submitted to the Chairman.

Yours faithfully
For: PricewaterhouseCoopers Chartered Accountants

Femi Osinubi
FRC/2017/ICAN/0000001665

PricewaterhouseCoopers Chartered Accountants
Landmark Towers, 5B Water Corporation Road, Victoria Island, Lagos, Nigeria
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Corporate Social Responsibilty &
SUSTAINABLE BANKING PRACTICES

Zenith Bank is a reputable brand that creates superior value for its esteemed stakeholders. The bank remains outstanding in the quest for excellence and commitment to high-quality service, innovation and sustainable banking. In line with global best practices, Zenith Bank has embraced sustainable business principles and standards and has fully integrated environmental and social risks considerations into its credit and investment decisions. All credit proposals are now screened for environmental and social risks before they are presented to our Global Credit Committee for consideration. The bank is poised to promoting sustainable banking practices and green finance initiatives in communities where we operate.

Sustainable Wealth Creation

In our business investments and lending activities, we are conscious of the need to accelerate economic growth and development, create wealth and generate employment opportunities for the over 20 million Nigerian youths that are actively seeking employment. The wealth we create is increasingly our most significant competitive edge.

Our strategy is to support the government's efforts at diversifying the economy through ongoing funding and investments in the real sector of the economy such as agriculture, power, manufacturing, solid minerals, industries and construction. The bank also prioritizes economic areas with the highest potential to enhance the condition and wellbeing of the broader economy and bring development closer to the people.

In the same vein, the Bank is committed to promoting green investments with priority attention to projects that promote the wellbeing of the larger society and the physical environment. We have continued to invest responsibly in the best interest and per capita wealth of our stakeholders. We understand that we can only be as prosperous as our customers, investors and the larger economy. We remain focused on product innovation, fair pricing, value addition and responsible competition and marketing.

Environmental Sustainability and Carbon Footprint Management

Zenith Bank's Environmental and Social Management System (ESMS) provides a clear framework for the management of E&S risks of the bank concerning its borrowers and investees. We take measures to avoid, mitigate and minimise the risks identified in our E&S risk due diligence. The ESMS of the Bank is based on the Equator Principles, the International Finance Corporation (IFC) Performance Standards, among other global sustainability principles.

Zenith Bank has completed the automation of E&S Risk Exposure Assessment Workflow, in a move to implement our Environmental and Social Management System. Our goal is to ensure sustainable fi-

nancing of every project we invest in and adopt responsible practices in line with the Sustainable Development Goals and principles of responsible banking of the United Nations Environment Programme Finance Initiative (UNEP-FI).

Indeed, our target is to broaden our E&S risk coverage to all major projects, irrespective of the sector, by 2020; and to all projects, major and minor, by 2025. In 2018, about 90 per cent of all our transactions valued at over N3.4 trillion were screened and accessed for E&S risk. This was a remarkable improvement over 2017 figures where 26 per cent of all transactions valued at N1.4 trillion were screened and assessed for E&S risk. We hope to cover up to 100 per cent of our credit transactions by 2019 and to improve significantly in our E&S monitoring of existing credit customers and projects.

Zenith Bank is consistently working towards power-

ing all our operations from alternative (renewable) sources, such as solar energy. As at end of the year 2018, we have grown the number of our buildings powered by solar energy to nearly 413 offices. Specifically, about 632 ATMs are currently powered by solar energy, with 142 installed in 2018. We have also put in place, policies to reduce consumption of paper and water in our daily operations. This includes recycling of paper and automation of some banking processes.

In line with our carbon footprint emission reduction strategy, Zenith Bank is committed to significantly reducing its environmental footprints. Again, the bank contracted V4 Advisors to measure its carbon footprint/emissions within the period under review, in line with regulatory and global expectations. To achieve success in this regard, we continually organised carbon footprint training for relevant Key Performance Indicator (KPI) owners in the different departments in the bank.

Social Investments and Community Development

The year 2018 witnessed slow economic growth, challenging business environment and rising unemployment rate, which are reflections of the socioeconomic difficulties experienced by households in our host communities. Because we are mindful of the vulnerabilities that these communities and house-

holds face, we remained committed to enhancing our social investments. In the year under review, Zenith Bank's total Corporate Social Responsibility investment was the biggest, reaching a record high of N3.1 billion at the end of the year.

Healthcare improvement; education and skills development; sports development; youth, women and economic empowerment; and public infrastructure development remained the focus of our CSR endeavours during the year.

Security: Our most significant social investment in 2018 was on promoting the security of lives and property of local communities. Our need-gap analysis revealed that security remains the cardinal need of our communities. We are committed to collaborating with the local communities, the federal, state and local governments, and other relevant agencies to preserve public peace, and ensure a crime-free environment. In the year under review and as part of our corporate social responsibility, we invested N1.57 billion in this initiative which covers the contributions to several State Security Funds across the federation.

Sports: In 2018, our sports development initiatives included title sponsorship of the Delta State Principal's Cup; the Nigerian Football Federation (NFF); and our flagship Zenith National Women's Basketball League in partnership with the Nigerian Basketball Federation (NBBF), a real female empowerment initiative that has produced national and international basketball stars. Similarly, our sponsorship of the Nigerian Football Federation (NFF) underscores our passion for the development of grassroots sports and the empowerment of future Nigerian football stars. With a total of about N406 million, sports received a large chunk of our social investment in 2018 in line with the high priority we place on this critical sector.

Our health initiatives in the year under review were mostly focused on maternal healthcare and medical assistance to the underprivileged.

Health: Our health initiatives in the year under review were mostly focused on maternal healthcare and medical assistance to the underprivileged. In 2018, we sustained our support for the Private Sector Health Alliance of Nigeria with a seed contribution of N305m. The goal of this initiative is to positively influence private and public policies towards addressing women and children's health and wellbeing issues, including maternal and neonatal mortality. Other health initiatives in 2018 include N158 million investment in medical interventions for low-income individuals faced with various life-threatening medical conditions, all geared towards complementing government's efforts at improving life expectancy in the country.

Education: In line with our resolute commitment to the development of the Nigerian educational sector, we expended about N266million towards this initiative

In line with our resolute commitment to the development of the Nigerian educational sector, we expended about N266million towards this initiative in the 2018 financial year.

in the 2018 financial year. Our educational empowerment initiatives in the year under review include a flagship vocational training centre in Maiduguri; an ICT Centre in the University of Nigeria, Nsukka; donation of ICT facilities to Ambrose Ali University, Ekpoma; support for the North-East Children's Fund; educational support for Louisville Girls High School, Ijebu-Itele, Ogun State; the Zenith Academic Excellence Award for Best Graduating Students in some Federal Universities and the Zenith Scholarship Fund for the Nigerian Computer Society, among others. Because we understand the critical importance of education in our developmental agenda as a country, we will continue to invest in this all-important sector towards improving people's skills to enhance their standard of living.

Workplace

Zenith Bank has approved the constitution of Health, Safety and Environment Management Committee to ensure a safe and secure workplace for its employees, vendors, contractors and other stakeholders. We have also developed the Health, Safety and Environment Management Plan, in line with the provisions of ISO45001. In 2018, we trained 441 employees in Basic Emergency Response & First Aid. Also, 63 participants were trained in Occupational, Health & Safety.

The Bank has continued to enforce a mandatory 5 pm closing time for all staff bank-wide. This is a significant work/life balance initiative that saves a substantial amount for the bank in terms of energy costs, while also reducing our overall carbon footprint.

Human Rights

Zenith Bank prohibits discrimination in all its ramifications. Our organisation maintains an equal pay for equal work policy where employees receive the same remuneration across the same level, irrespective of gender in all our business locations. Ours is an inclusive work environment, and we are committed to SDG 5 of gender equality where people are valued equally and can rise in the corporate ladder based on merit and competence.

Zenith Bank has a robust Human Rights Policy which lay down guidelines on how our employees are expected to relate among themselves and with all other stakeholders within our business operations. Besides, our employees, contractors, agents, consultants and other business partners are encouraged to conform to the United Nations Universal Declaration of Human

Rights (UDHR).

The Bank has developed a human right assessment course, "Introduction to Human Rights Framework and the Rights of the child" to train staff across all levels on the basics of human rights. This course has been deployed on our Learning Management Portal and made mandatory for staff, from entry level to executive management level. During the year under review, the bank assessed about 795 credit transactions for human rights-related risks such as child labour, discrimination by gender, ethnicity, and religion, among others.

Women Empowerment

Zenith Bank operates a gender-inclusive workplace culture. In our business operations, we seek to provide products and services designed specifically for women. The female gender make-up of our total workforce remained 48 per cent relative to 52 per cent of male employees. Our male/female ratio for management level staff for 2018 was 74:26. In the year under review, we spent over N346 billion in capacity building for our female employees, and about 1,976 employees took our Online Women's Right training.

Zenith Bank has supported female participation in sports with its title sponsorship of the Zenith National Women Basketball League. Many alumni of the league currently have successful careers in national and international basketball teams around the world.

Sustainable Supply Chain Management

Our procurement policies prioritise excellent product quality, service delivery and after-sales support. As part of efforts to comply with the principles of responsible consumption and production as enshrined in SDG 12, we have integrated environmental and social conditions into our Code of Conduct for Suppliers, Vendors and Contractors, among others. This promotes socio-environmental friendly business practices, and also to ensure high-quality products and services, value for money and responsible sourcing of raw materials in our supply chain.

In 2018, we administered our "Code of Conduct" on all major vendors, suppliers and contractors of the bank and periodically screen all third party business partners (investees, contractors, suppliers etc.) to ensure their E&S compliance and avert potential reputational risks. ICT facilities and equipments constituted a substantial part of our procurements.

We empower local communities and businesses by ensuring that our procurement policy deliberately promotes the patronage of local ICT vendors. Our relations with IT vendors are guided by laid down service level agreements and compliance with our Code of Conduct, while our Tender Committee oversees the process of selection of vendors. Zenith Bank's procurement practices have positively impacted the economy, creating jobs, income and economic empowerment for households.

Financial Inclusion

Zenith Bank has continued to support financial inclusion and literacy in the country. In 2018, the bank invested N200 million to support the Financial Inclusion Project of the Central Bank of Nigeria. The

Capacity building and awareness creation remained one of the key people-oriented strategies we adopted in the year under review.

bank has developed winning strategies for nurturing financial inclusion in the country. Our financial literacy strategy is aimed at empowering the financially excluded groups with necessary information and adequate knowledge of the various types of financial products and services that are available to them.

In the year under review, 538,910 previously unbanked individuals received financial services or products for the first time from Zenith Bank. We were able to achieve this through our several retail products, such as the Zenith Children's Account (ZECA), Zenith Integrated Student Account (ZISA), Aspire Account, easy save Accounts (Classic & Premium), EazyMoney, Mobile Phone enabled, Agent Banking, and Zenith Mobile Banking. Zenith Bank's mobile app, agency banking initiative and short messaging codes (*966#) have continued to drive the financial inclusion of the unbanked population in Nigeria.

In the year under review, the Bank organised programmes to mark the Financial Literacy and World Savings Day in March and October, respectively. This covered six (6) schools in each of the six (6) geopolitical zones of the country. Within this period, we also increased the number of branches that can be easily accessed by physically challenged persons, from 25 to 30.

Training and Capacity Building

Capacity building and awareness creation remained one of the key people-oriented strategies of the bank. In 2018, we continued to carry out E&S risk management training for all our employees using classrooms and online platforms. As part of our sustainability acculturation strategy, we made significant progress with the integration of Environmental and Social Risk Management sessions into our quarterly Anti-Money Laundering and Operational Risks trainings bank-wide, as well as the quarterly Business Summit of the decision makers of the Bank and Zenith orientation program during on boarding of new employees. We also publish "Sustainability Titbits", Sustainability Lifestyle Tips" and "Sustainability Headlines" daily using official staff emails, while our intranet portal is continuously used to create E&S awareness.

Reporting

In 2018, Zenith Bank endorsed the draft principles of responsible banking under the auspices of the United Nations Environment Programme Finance Initiative (UNEP-FI). The bank also signed on for the Board Session of the United Nations Global Compact (UNGC) aimed at setting a three-year strategic plan and direction for the Local Network. Zenith Bank is a member of the United Nations Global Compact; the United Nations Environment Programme's Finance Initiative, (UNEP-FI); and is signatory to the Central Bank of Nigeria's Nigerian Sustainable Banking Principles (NSBP). Consequently, we remain fully committed to sustainability reporting.

Our third standalone Sustainability Report titled "Sustaining the Strong Momentum" uniquely feature the bank's significant footprints in line with the Sustainable Development Goals (SDGs) of the United Nations. The report followed the adoption of the new GRI standard and earned the bank the Award of the Best Company in Sustainability Reporting in Africa at the 2018 SERAS CSR Awards. Additionally, Zenith Bank sends biannual progress reports to the CBN as well as annual reports to the IFC, UNGC, PROPARCO, among others.

Conclusion

Zenith Bank has in place a strong governance structure that supports its sustainable lending, wealth creation and community empowerment strategies. We understand that our brand thrives on the sustainable value we create for our stakeholders. As such, we shall continue to be strategic and proactive in pursuing our sustainability targets in line with globally acceptable environmental and social practices.

Statement of Directors' Responsibilities in Relation to the Financial Statements for the Year Ended December 31,2018

The Directors accept responsibility for the preparation of the annual consolidated and seperate financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act Cap C20, Laws of the Federation of Nigeria 2004, 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.
Chairman
FRC/2013/CIBN/00000002406
January 18, 2019

Mr. Peter Amangbo
Managing Director
FRC/2013/ICAN/00000001310
January 18, 2019

Mr. Ebenezer Onyeagwu
Deputy Managing Director
FRC/2013/ICAN/00000003788
January 18, 2019

Report of the Audit Committee for the Year Ended December 31,2018

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 year ended 31st December 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 January 18, 2019.

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

03
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Zenith Bank PLC

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Zenith Bank PLC ("the Bank") and its subsidiaries (together, "the Group"), which comprise the consolidated and separate statements of financial position as at 31 December, 2018, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information, as set out on pages 34 to 176.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Bank and its subsidiaries as at 31 December, 2018, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 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 Financial Statements* section of our report. We are independent of the Group and Bank in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the consolidated and separate financial statements in Nigeria and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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 year, the Group adopted a new accounting standard, IFRS 9 *Financial Instruments* 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 assets 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 determination of impairment allowance using the ECL model requires the application of certain financial indices which are estimated from historical financial data obtained within and outside the Group, as inputs, into the 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 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 12 months. 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.

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The Group incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

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 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, make the impairment of loans and advances a matter of significance to the audit.

Procedures

Our procedures included the following with respect to the reporting periods as at 1 January 2018 and 31 December 2018:

- 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 management review of relevant data used in the calculation of expected credit losses including forward looking macroeconomic data to be included in the impairment model, and management review and monitoring of the performance of loans and advances.

- We tested the appropriateness of the Group's determination of significant increase in credit risk and the resultant classification of loans into the various stages. On a sample basis, we examined the loans and advances. For those 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 publicly available information about the obligors to determine whether the Group should estimate the expected credit loss over a period of 12 months or over the life of the loans and advances.

- 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) We challenged the reasonableness of 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. Information considered include: industry historical default rates, foreign exchange rate and Gross Domestic Product (GDP) growth rates.

(ii) For forward looking assumptions comprising foreign exchange rate and Gross Domestic 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;

(iii) We evaluated the appropriateness of the basis of determining Exposure at Default, including the contractual cash flows, outstanding loan balance, loan repayment type, loan tenor and effective interest rate;

(iv) For Probability of Default (PD) used in the ECL calculations we checked the historical movement in the balances of facilities between default and non-default categories for each sector;

(v) 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.

(vi) We 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 assessed the transition adjustment was recognised 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, 3.2 and 20.

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) Select samples and inspect derivative contracts to obtain an understanding of the respective transactions.

(ii) Challenge the Bank's assumptions with respect to the fair value of the derivative assets and liabilities by comparing observable inputs into the Bank's valuation model such as quoted Nigerian Autonomous Foreign Exchange Fixing (NAFEX) and Nigerian Foreign Exchange Fixing (NIFEX) rates to externally available market data.

(iii) Assess whether the valuation model used by the Bank is appropriate and complies with the requirements of IFRS 9.

(iv) Recompute the fair value of the entire population 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, Corporate Profile and Strategy, Corporate Information, Financial Highlight, Results at a glance, Board of Directors pictures, Corporate Social Responsibility, Notice of Annual General Meeting, Chairman's Statement, Chief Executive's Letter to Shareholders, Report to the Directors on the Outcome of the Board Evaluation, Share Capital History and Other National Disclosures but does not include the consolidated and separate financial statements and our audit report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and separate Financial Statements

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

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and 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 Financial Statements

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

Compliance with Section 27 (2) of the Banks and the other Financial Institutions Act Cap B3, Laws of the Federation of Nigeria, 2004 and Central Bank of Nigeria circular BSD/1/2004

i. The Bank and Group 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 year ended 31 December 2018. Details of penalties paid are disclosed in note 41 to the financial statements.
ii. Related party transactions and balances are disclosed in note 37 to the financial statements in compliance with the Central Bank of Nigeria circular BSD/1/2004.

Oluwafemi O. Awotoye, FCA
FRC/2013/ICAN/00000001182
For: KPMG Professional Services
Chartered Accountants
31 January 2019
Lagos, Nigeria

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
36/ICAN
0241320

Consolidated and Separate Statements of Profit or Loss and other Comprehensive Income for the Year Ended 31 December, 2018

		Group		Bank	
In millions of Naira	Note(s)	31-Dec-18	31-Dec-17 Restated*	31-Dec-18	31-Dec-17 Restated*
Gross earnings		**630,344**	**745,189**	**538,004**	**673,636**
Interest and similar income	6	440,052	474,628	367,816	420,210
Interest and similar expense	7	(144,458)	(216,637)	(124,156)	(200,672)
Net interest income		**295,594**	**257,991**	**243,660**	**219,538**
Impairment loss on financial and non-financial instruments	8	(18,372)	(98,227)	(15,313)	(95,244)
Net interest income after impairment loss on financial and non-financial instruments		**277,222**	**159,764**	**228,347**	**124,294**
Net income on fees and commission	9	81,814	82,548	64,124	65,561
Trading gains	11	80,202	157,974	80,202	157,974
Other operating income	10	17,947	22,444	17,479	22,606
Depreciation of property and equipment	25	(16,648)	(12,428)	(14,625)	(11,059)
Amortisation of intangible assets	26	(2,399)	(1,631)	(2,187)	(1,431)
Personnel expenses	36	(68,556)	(64,459)	(56,657)	(55,672)
Operating expenses	12	(137,897)	(144,893)	(124,576)	(132,852)
Profit before tax		**231,685**	**199,319**	**192,107**	**169,421**
Minimum tax	13a	(4,052)	(4,350)	(4,052)	(4,350)
Income tax expense	13a	(34,209)	(21,178)	(22,575)	(12,068)
Profit for the year after tax		**193,424**	**173,791**	**165,480**	**153,003**
Other comprehensive income:					
Items that will never be reclassified to profit or loss:					
Fair value movements on equity instruments at FVOCI	21(b)	1,459	(2,551)	1,459	(2,551)
Items that are or may be reclassified to profit or loss:					
Foreign currency translation differences for foreign operations		4,828	5,233	-	-
Other comprehensive income/(loss) for the year		**6,287**	**2,682**	**1,459**	**(2,551)**
Total comprehensive income for the year		**199,711**	**176,473**	**166,939**	**150,452**
Profit attributable to:					
Equity holders of the parent		193,147	173,472	165,480	153,003
Non controlling interest		277	319	-	-
Total comprehensive income attributable to:					
Equity holders of the parent		199,437	176,139	166,939	150,452
Non controlling interest		274	334	-	-
Earnings per share					
Basic and diluted (Naira)	14	6.15	5.53	5.27	4.87

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

Consolidated and Separate Statements of Financial Position as at 31 December, 2018

In millions of Naira	Note(s)	Group 31-Dec-18	Group 31-Dec-17 Restated*	Group 01-Jan-17 Restated*	Bank 31-Dec-18	Bank 31-Dec-17 Restated*	Bank 01-Jan-17 Restated*
Assets							
Cash and balances with central banks	15	954,416	957,663	669,058	902,073	907,265	627,385
Treasury bills	16	1,000,560	936,817	557,359	817,043	799,992	463,787
Assets pledged as collateral	17	592,935	468,010	328,343	592,935	468,010	325,575
Due from other banks	18	674,274	495,803	459,457	393,466	273,331	354,405
Derivative assets	19	88,826	57,219	82,860	88,826	57,219	82,860
Loans and advances	20	1,823,111	2,100,362	2,289,365	1,736,066	1,980,464	2,138,132
Investment securities	21	565,312	330,951	199,478	156,673	117,814	118,622
Investment in subsidiaries	22	-	-	-	34,003	34,003	33,003
Deferred tax asset	23	9,513	9,561	6,440	9,197	9,197	6,041
Other assets	24	80,948	92,494	37,536	75,910	56,052	35,410
Property and equipment	25	149,137	133,384	105,284	133,854	118,223	94,613
Intangible assets	26	16,678	12,989	4,645	15,399	12,088	3,903
Total assets		**5,955,710**	**5,595,253**	**4,739,825**	**4,955,445**	**4,833,658**	**4,283,736**
Liabilities							
Customers' deposits	27	3,690,295	3,437,915	2,983,621	2,821,066	2,744,525	2,552,963
Derivative liabilities	32	16,995	20,805	66,834	16,995	20,805	66,834
Current income tax payable	13	9,154	8,915	8,953	5,954	6,069	6,927
Deferred tax liabilities	23	67	18	45	-	-	-
Other liabilities	28	231,716	243,023	214,080	223,463	229,332	249,136
On-lending facilities	29	393,295	383,034	350,657	393,295	383,034	350,657
Borrowings	30	437,260	356,496	263,106	458,463	418,979	292,802
Debt securities issued	31	361,177	332,931	153,464	361,177	332,931	153,464
Total liabilitles		**5,139,959**	**4,783,137**	**4,040,760**	**4,280,413**	**4,135,675**	**3,672,783**
Capital and reserves							
Share capital	33	15,698	15,698	15,698	15,698	15,698	15,698
Share premium	34	255,047	255,047	255,047	255,047	255,047	255,047
Retained earnings	34	322,237	356,837	261,608	238,635	287,867	213,107
Other reserves	34	221,231	183,217	165,729	165,652	139,371	127,101
Attributable to equity holders of the parent		814,213	810,799	698,082	675,032	697,983	610,953
Non-controlling interest	34	1,538	1317	983	-	-	-
Total shareholders' equity		**815,751**	**812,116**	**699,065**	**675,032**	**697,983**	**610,953**
Total liabilities and equity		**5,955,710**	**5,595,253**	**4,739,825**	**4,955,445**	**4,833,658**	**4,283,736**

The accompanying notes are an integral part of these consolidated and separate financial statements.
The financial statements were approved by the Board of Directors for issue on 18 January, 2019 and signed on its behalf by:

Jim Ovia, CON (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, PhD (Chief Financial Officer)
FRC/2013/MUL TI/00000003196

Consolidated and Separate Statements of Changes in Equity as at 31 December, 2018

Group

	Attributable to equity holders of the Parent			
In millions of Naira	**Share capital**	**Share premium**	**Foreign currency translation reserve**	**Fair value reserve**
At 1 January, 2017	**15,698**	**255,047**	**28,465**	**10,950**
Correction of errors (see note 43)	-	-	-	-
Restated 1 January, 2017	**15,698**	**255,047**	**28,465**	**10,950**
Restated Profit for the period (see note 43)	-	-	-	-
Foreign currency translation differences	-	-	5,218	-
Fair value movements on equity instruments	-	-	-	(2,551)
Total comprehensive income for the period	-	-	**5,218**	**(2,551)**
Transfer between reserves	-	-	-	-
Transactions with owners of the Parent				
Dividends				
At 31 December, 2017 (restated)	**15,698**	**255,047**	**33,683**	**8,399**
At January 1, 2018	15,698	255,047	33,683	8,399
Adjustment on initial application of IFRS 9, (see note 34c(ii))				
Restated balance at 1 January, 2018	15,698	255,047	33,683	8,399
Profit for the period	-	-	-	-
Foreign currency translation differences	-	-	4,831	-
Fair value movements on equity instruments	-	-	-	1,459
Total comprehensive income for the period	-	-	4,831	1,459
Transfer between reserves	-	-	-	-
Transactions with owners of the Parent				
Dividends	-	-	-	-
Cost of transfer from income to stated capital	-	-	-	-
At 31 December, 2018	**15,698**	**255,047**	**38,514**	**9,858**

Statutory reserve	SMIEIS reserve	Credit risk reserve	Retained earnings	Total	Non- cotrolling Interest	Total equity
112,114	**3,729**	**10,471**	**267,008**	**703,482**	**983**	**704,465**
-	-	-	**(5,400)**	**(5,400)**	-	**(5,400)**
112,114	**3,729**	**10,471**	**261,608**	**698,082**	**983**	**699,065**
-	-	-	173,472	173,472	319	173,791
-	-	-	-	5,218	15	5,233
-	-	-	-	(2,551)	-	(2,551)
-	-	-	**173,472**	**176,139**	**334**	**176,473**
22,950	-	(8,129)	(14,821)	-	-	-
			(63,422)	(63,422)		(63,422)
135,064	**3,729**	**2,342**	**356,837**	**810,799**	**1,317**	**812,116**
135,064	3,729	2,342	356,837	810,799	1,317	812,116
			(108,116)	(108,116)	(53)	(108,169)
135,064	3,729	2,342	248,721	702,683	1,264	703,947
-	-	-	193,147	193,147	277	193,424
-	-	-	-	4,831	(3)	4,828
-	-	-	-	1,459	-	1,459
-	-	-	193,147	199,437	274	199,711
32,456	-	(732)	(31,724)	-	-	-
-	-	-	(86,340)	(86,340)	-	(86,340)
-	-	-	(1,567)	(1,567)	-	(1,567)
167,520	**3,729**	**1,610**	**322,237**	**814,213**	**1,538**	**815,751**

Consolidated and Separate Statements of Changes in Equity as at 31 December, 2018

Bank

In millions of Naira	Share capital	Share premium	Fair value reserve	Statutory reserve	SMIEIS reserve	Credit risk reserve	Retained earnings	Total equity
Balance at 1 January, 2017	**15,698**	**255,047**	**10,950**	**104,293**	**3,729**	**8,129**	**218,507**	**616,353**
Correction of errors (see note 43)	-	-	-	-	-	-	**(5,400)**	**(5,400)**
Restated 1 January, 2017	**15,698**	**255,047**	**10,950**	**104,293**	**3,729**	**8,129**	**213,107**	**610,953**
Restated profit for the period (see noe 43)	-	-	-	-	-	-	153,003	153,003
Fair value movements on equity Insturnents	-	-	(2,551)	-	-	-	-	{2,551)
Total comprehensive income for the period	-	-	(2,551)	-	-	-	153,003	150,452
Transfer between reserves	-	-	-	22,950	-	(8,129)	(14,821)	-
Dividend	-	-	-	-	-	-	**(63,422)**	**(63,422)**
At 31 December, 2017 (restated)	15,698	255,047	8,399	127,243	3,729	-	287,867	697,983
At 01 January 2018	15,698	255,047	8,399	127,243	3,729	-	287,867	697,983
Adjustment on initial applicationof IFRS 9, (see note 34c(ii))	-	-	-	-	-	-	(103,550)	(103,550)
Restated balance at 1 January 2018	15,698	255,047	8,399	127,243	3,729	-	184,317	594,433
Profit for the year period	-	-	-	-	-	-	**165,480**	**165,480**
Fair value movements on equity instruments	-	-	1,459	-	-	-		1,459
Total comprehensive income for the period	-	-	1,459	-	-	-	165,480	166,939
Transfer between reserves	-	-	-	24,822	-	-	(24,822)	-
Dividends	-	-	-	-	-	-	(86,340)	(86,340)
Balance at 31 December, 2018	15,698	255,047	9,858	152,065	3,729	-	238,635	675,032

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

Consolidated and Separate Statement of Cash Flows for the Year Ended 31 December, 2018

		Group		Bank	
In millions of Naira	Note(s)	2018	2017	2018	2017
Cash flows from operating activities					
Profit after tax for the period		193,424	173,791	165,480	153,003
Adjustments for:					
Impairment loss/(reversal)					
Loans and Advances	8	13,303	98,204	9,396	95,244
Treasury bills, investment securities, assets pledged and due from Banks	8	(807)	-	(1,051)	-
Off balance sheet	8	5,337	-	6,441	-
On other assets	8	539	23	527	-
Fair value changes in trading bond	45(i)	1,990	-	1,990	-
Depreciation of property and equipment	25	16,648	12,428	14,625	11,059
Amortisation of intangible assets	26	2,399	1,631	2,187	1,431
Dividend income	10	(1,795)	(900)	(5,395)	(4,500)
Foreign exchange loss on debt securities issued	31	27,778	6,064	27,778	6,064
Interest income	6	(440,052)	(474,628)	(367,816)	(420,210)
Interest expense	7	144,458	216,637	124,156	200,672
Profit on sale of property and equipment	10	(259)	(57)	(241)	(22)
Tax expense	13	38,261	25,528	26,627	16,418
		1,224	**58,721**	**4,704**	**59,159**
Changes in operating assets and liabilities:					
Net decrease/(increase) in loans and advances	45(iv)	161,690	94,906	135,770	62,424
Net increase in other assets	45(x)	3,050	(54,981)	(28,366)	(20,642)
Net decrease/(increase) in treasury bills with maturities	45(ii)	(187,329)	76,739	(33,619)	24,495
greater than three months		-	-	-	-
Net increase in treasury bills (FVTPL)	45(iii)	37,343	(473,275)	37,343	(473,275)
Net increase in assets pledged as collateral	45(xi)	(124,925)	(139,667)	(124,925)	(142,435)
Net (increase)/decrease in investment securities	45(i)	(203,264)	(132,704)	(5,755)	(1,375)
Net (increase) in restricted balances (cash reserves)	45(xiii)	(58,357)	(118,930)	(58,386)	(119,078)
Net decrease in customer deposits	45(v)	252,380	454,294	76,541	191,562
Net decrease/(increase) in other liabilities	45(vi)	(16,298)	26,709	(10,860)	(17,990)
Net increase/(decrease) in derivative assets	45(xii)	(31,607)	25,641	(31,607)	25,641
Net (decrease)/increase in derivative liabilities	45(xiv)	(3,810)	(46,029)	(3,810)	(46,029)
		(169,903)	**(228,576)**	**(42,970)**	**(457,543)**
Interest received	45 (viii)	434,846	474,628	365,125	420,210
Dividend received	10	1,795	900	5,395	4,500
Interest paid	45 (ix)	(134,201)	(195,473)	(116,234)	(179,508)
Tax paid	13(c)	(37,925)	(28,522)	(26,742)	(20,431)
VAT paid	45(vi)	(260)	(2,235)	(260)	(1,814)
Net cash flows (used in)/generated from operations		**94,352**	**20,722**	**184,314**	**(234,586)**

Consolidated and Separate Statement of Cash Flows for the Year Ended 31 December, 2018

		Group		Bank	
In millions of Naira	Note(s)	2018	2017	2018	2017
Cash flows from investing activities					
Purchase of property and equipment	25	(35,712)	(41,883)	(30,501)	(38,180)
Proceeds from sale of property and equipment	45(vii)	3,490	241	406	206
Purchase of intangible assets	26	(3,928)	(6,694)	(3,260)	(6,288)
Purchase of equity securities	21	(34,200)	(1,000)	(34,200)	(1,000)
Net cash (used in)/generated from investing activities		**(70,350)**	**(49,336)**	**(67,555)**	**(45,262)**
Cash flows from financing activities					
Proceeds from debt securities	31	-	152,239	-	152,239
Borrowed funds		-	-	-	-
Proceeds of long term borrowing	30	370,606	102,373	391,810	193,088
Repayment of long term borrowing	30	(289,842)	(8,983)	(352,326)	(66,911)
Net inflow from On-lending facilities	29	10,261	32,377	10,261	32,377
Finance lease payments	45(vi)	(2,760)	(370)	(2,760)	(370)
Dividends paid to shareholders	39	(86,340)	(63,422)	(86,340)	(63,422)
Net cash generated from / (used in) financing activities		**1,925**	**214,214**	**(39,355)**	**247,001**
Net (decrease)/increase in cash and cash equivalents		**25,927**	**185,600**	**77,404**	**(32,847)**
Analysis of changes in cash and cash equivalents :					
Cash and cash equivalent at the beginning of the year		916,342	727,399	533,511	566,358
(decrease)/increase in cash and cash equivalents		25,927	185,600	77,404	(32,847)
Effect of exchange rate movement on cash balances		4,769	3,343	-	-
Cash and cash equivalents at the end of the period	**40**	**947,038**	**916,342**	**610,915**	**533,511**

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

Notes

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2018

1 General information

Zenith Bank Plc (the "Bank") was incorporated in Nigeria under the Companies and Allied Matters Act as a private limited liability company on May 30, 1990. It was granted a banking licence in June 1990, to carry on the business of commercial banking and commenced business on June 16, 1990. The Bank was converted into a Public Limited Liability Company on May 20, 2004. The Bank's shares were listed on October 21, 2004 on the Nigerian Stock Exchange. In August 2015, the Bank was admitted into the Premium Board of the Nigerian Stock Exchange.

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

The Bank has six subsidiary companies namely, Zenith Bank (Ghana) Limited, Zenith Pensions Custodian Limited, Zenith Bank (UK) Limited, Zenith Bank (Sierra Leone) Limited, Zenith Bank (Gambia) Limited and Zenith Nominee. The Bank also has representative offices in South Africa and China in addition to operating a branch of Zenith Bank (UK) Limited in the United Arab Emirates.

The consolidated financial statements for the year ended 31 December, 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 year ended 31 December, 2018 were approved for issue by the Board of Directors on 18 January, 2019.

The Group does not have any unconsolidated structured entity.

(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.

The effect of initially applying these standards is mainly attributed to the following,

1) An increase in impairment losses recognised on financial instruments (see note 3.2.18)
2) Additional disclosures related to IFRS 9 (see note 2.8,3.2.9 - 3.2.18)
3) Additional disclosures related to IFRS 15 (see note 9)

i) IFRS 9 Financial Instruments.

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 3.2.9. 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 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. The adoption of IFRS 15 did not impact the timing or amount of fee and commission income from contracts with customers and the related assets and liabilities recognised by the Group. Accordingly the impact on the comparative information is limited to new disclosure requirements.

Transition

The Group initially applied IFRS 15 on 1 January 2018 retrospectively in accordance with IAS 8 without any practical expedients.

iii) 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

2 Significant accounting policies

(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 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.

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2018

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 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, invesments 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.

(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 postacquisition 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.

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2018

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

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

(c) Transactions and balances

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

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

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

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 nonrestricted balances with central banks, treasury bills and other eligible bills, amounts due from other banks and short-term government securities.

2.6 Financial instruments

(a) Initial recognition and measurement

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

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

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

(b) Subsequent measurement

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

(c) Classification

(i) Financial assets

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

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

The Group's financial assets are subsequently measured at amortised cost if they meet both of the following criteria and are not designated as at FVTPL:

- '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 amortised cost by the Group if they meet both of the following criteria and are not designated as at FVTPL:

- '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.

A 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 irrevocably elected to classify as at FVOCI and present subsequent changes in fair value in OCI;
- 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 and loan commitments

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.

Loan commitments' are firm commitments to provide credit under pre-specified terms and conditions. Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value. Subsequently, they are measured as follows:

– from 1 January 2018: at the higher of the loss allowance

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2018

determined in accordance with IFRS 9 (see note 3.2.18) and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15; and

– before 1 January 2018: at the higher of the amount representing the initial fair value amortised over the life of the guarantee or the commitment and the present value of any expected payment to settle the liability when a payment under the contract has become probable.

The Group has issued no loan commitments that are measured at FVTPL.

For other loan commitments:

– from 1 January 2018: the Group recognises a loss allowance
– before 1 January 2018: the Group recognised a provision in accordance with IAS 37 if the contract was considered to be onerous.

Liabilities arising from financial guarantees and loan commitments are included within provisions.

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

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire (see also (e)), or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

The Group sometimes enters into transactions whereby it transfers assets recognised on its 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. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-andrepurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and-repurchase transactions, because the Group retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Group neither retains nor transfers substantially all of 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.

In certain transactions, the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

(ii) Financial liabilities

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

(e) Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, then the Group evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized (see (d)) and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows: - fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and - other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximize recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Group plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Group first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower (see (2.8)), then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

Financial liabilities

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The

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difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

(f) Offsetting

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

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

(g) Amortised cost measurement

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

(h) Fair value measurement

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

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.

(i) 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.

(j) Assets under repurchase agreement

Assets under repurchase agreement are transactions in which the Group sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same 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. Nonhedging derivative assets and liabilities are not reclassified subsequent to their initial recognition.

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2.8 Impairment

Policy applicable before 1 January 2018

2.8.1 Objective evidence of impairment

At each reporting date, the Group assessed whether there was objective evidence that financial assets not carried at FVTPL were impaired. A financial asset or a group of financial assets was 'impaired' when objective evidence demonstrated that a loss event had occurred after the initial recognition of the asset(s) and that the loss event had an impact on the future cash flows of the asset(s) that could be estimated reliably.

Objective evidence that financial assets were impaired included:

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

2.8.2 Individual or collective assessment

The Group first assessed whether objective evidence of impairment existed individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it included the asset in a group of financial assets with similar credit risk characteristics and collectively assessed them for impairment. Assets that were individually assessed for impairment and for which an impairment loss existed were not included in a collective assessment of impairment.

2.8.3 Measurement of impairment

The amount of impairment loss for financial assets carried at amortised cost was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced through the use of an allowance account and the amount of the loss was recognised in profit or loss. If a financial instrument had variable interest rates, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflected the cash flows that may have resulted from foreclosure less costs of obtaining and selling the collateral, whether or not foreclosure was probable.

For the purposes of a collective evaluation of impairment, financial assets were grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Group's grading process that considered asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics were relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

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

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

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

Amount reported as other financial assets were tested for impairment on an individual basis at the reporting date. In testing for impairment, the Group assessed whether there was objective evidence that a loss event had occurred. If it was established that a loss event had occurred and the loss event had an impact on the recoverable amount of the asset, an impairment charge was taken against the asset carrying amount.

2.8.4 Reversal of impairment

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

2.8.5 Policy applicable from 1 January 2018

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.

2.8.6 Measurement of ECL

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

- 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 lows 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.

2.8.7 Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost 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.

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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.

2.8.8 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;
- 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 the asset is their fair value. However, the loss allowance is disclosed and recognised in the fair value reserve.

2.9 Reclassification of financial instruments

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 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 tem 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.

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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

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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 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.

(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.

2.17 Employee benefits

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.

(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 carried at FVOCI.

(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

Policy before 1 January 2018

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.

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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 marginyielding 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.

Policy from 1 January 2018

Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

– the gross carrying amount of the financial asset; or
– the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit impaired financial assets, a creditadjusted effective interest rate is calculated using estimated future cash flows including ECL.

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

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance (or impairment allowance before 1 January 2018).

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer creditimpaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the creditadjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

For information on when financial assets are credit-impaired, see Note 2.8.7.

Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and OCI includes only interest on financial assets and financial liabilities measured at amortised cost.

Interest expense presented in the statement of profit or loss and OCI includes only interest on financial liabilities measured at amortised cost.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Group's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income (see Note 2.21).

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 financial liability are included in the effective interest rate (see Note 2.19).

Other fee and commission income – including account servicing fees, fees on electronic products, sales commission, placement fees and syndication fees – is recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

A contract with a customer that results in a recognised financial instrument in the Group's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Group first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

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

Dividend income is recognised when the right to receive income is established. Usually, this is the exdividend date for quoted equity securities. Dividends are presented in net trading gains, or other income based on the underlying classification of the equity investment.

Dividends on equity instruments designated as at FVOCI that clearly represent a recovery of part of the cost of the investment are presented in OCI.

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

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

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

2.23 Current and deferred income tax

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

When assessed for minimum tax, the rates applicable for calculating the minimum tax is the highest of the following:
(i) 0.5% of Gross Profit
(ii) 0.5% of Net Assets
(iii) 0.25% of Paid-up Share Capital
(iv) 0.25% of Turnover of up to N500,000

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

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

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.

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 recognised in profit or loss because they relate to incomearising from transactions that were originally recognised in profit or loss.

(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.

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 subsidiaries, Zenith Pensions Custodian Limited and Zenith Nominees 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.

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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.

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;
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;

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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

Fiscal policy remained expansionary in 2018. Although total spending as a percentage of GDP declined from 13% in 2014 to 10.3% in 2017, revenues declined more sharply, from 11.4% to 5.6%. At 14%, unemployment remained high in 2018, the same as in 2017, and is expected to decline only slightly in 2019, to 13.5%, as recovery eases production constraints in manufacturing and agriculture.

Monetary policy continued to be contractionary in 2018 and is expected to remain so in 2019; the policy rate has been kept at 14% since July 2016 to support the naira and control inflation. Inflation has remained in the double digits. Foreign currency liquidity has improved following the introduction of administrative measures by the Central Bank since early 2017. The measures include a trading window for portfolio investors at market determined rates and the introduction of the Nigerian Autonomous Foreign Exchange Rate Fixing, which allowed commercial banks to quote forex rates that are close to parallel market rates. The naira remained stable for most of 2018 and is expected to wane slightly as the economy moves towards 2019 elections.

Tailwinds

A recovery in oil prices and production will help drive growth and provide fiscal space as the government pursues important structural reforms to diversify the economy. Faithful implementation of the Economic Recovery and Growth Plan (2017–20) holds the promise of weaning the country off its dependence on oil. The plan focuses on six priority sectors: agriculture; manufacturing; solid minerals, including iron, gold, and coal; services, including information and communication technology, financial services, tourism, and creative industries; construction and real estate; and oil and gas. The government has produced specific programs for each sector and defined broader growth policy enablers to drive the plan.

Headwinds

Nigeria still faces significant challenges, including foreign exchange shortages, disruptions in fuel supply, power shortages, and insecurity in some parts of the country. Revenue mobilization efforts are insufficient; at 5%, value added tax rates are. Among the lowest in the world, and revenue administration is inefficient. Poverty is unacceptably high; nearly 80% of Nigeria's 190 million people live on less than $2 a day.

The Bank has 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 aid customers' confidence, loyalty and Bank's reputation.
(m) Cautiously grow risk assets while maintaining adequate level of capital.

3.2 Credit Risk

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

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

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

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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.

(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	Individually insignificant (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.

3.2.3 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.

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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.

3.2.5 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)
Management 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 counter-party and credit concentration limits by industry, country, region and type of financial instrument.

Enforceable legal documentation establishes Zenith's direct, irrevocable and unconditional recourse to any collateral, security or other credit enhancements.

(i) Collateral Security

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

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

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

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

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

Details of collateral pledged by customers against the carrying amount of loans and advances as at December 31, 2018 are as follows:

In millions of Naira	Group		Bank	
	Total exposure	Value of collateral	Total exposure	Value of collateral
Secured against real estate	62,080	34,925	61,010	33,697
Secured by shares of quoted companies	7,762	5,411	7,762	5,411
Cash Collateral, lien over fixed and floating assets	1,031,525	942,486	1,021,103	932,157
Unsecured	915,153	74,554	831,189	-
Total Gross amount	**2,016,520**	**1,057,376**	**1,921,064**	**971,265**
Impairment allowance	(193,409)	-	(184,998)	-
Net carrying amount	**1,823,111**	**1,057,376**	**1,736,066**	**971,265**

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2018

Group

31 December, 2018	Term loan	Overdrafts	On lending	Finance lease	Total
Disclosure by Collateral					
Property/Real estate	17,574	16,022	101	-	33,697
Equities	343	5,067	-	-	5,410
Cash	611,013	53,661	267,407	77	932,158
Grand total: Fair value of collateral	628,930	74,750	267,508	77	971,265
Grand total: Gross loans	1,419,276	208,021	385,922	3,301	2,016,520
Grand total: Impairment	156,366	31,999	4,903	141	193,409
Grand total: Net amount	1,262,910	176,022	381,019	3,160	1,823,111
Grand total: Amount of undercollaterization	633,980	101,272	113,511	3,083	851,846

31 December, 2018	Term loan	Overdrafts	On lending	Finance lease	Total
Against 12 months ECL loans and advances					
Property/Real estate	11,490	5,748	-	-	17,238
Equities	-	904	-	-	904
Cash and debentures	332,884	45,544	257,600	55	636,083
Fair value of collateral	344,374	52,196	257,600	55	654,225
Gross loans	916,359	158,264	373,659	3,168	1,451,450
Impairment	11,123	2,623	2,092	127	15,965
Net amount	905,236	155,641	371,567	3,041	1,435,485
Amount of undercollaterization	560,862	103,445	113,967	2,986	781,260

31 December, 2018	Term loan	Overdrafts	On lending	Finance lease	Total
Against lifetime ECL not credit-impaired loans and advances					
Property/Real estate	2,294	3,750	-	-	6,044
Equities	343	13	-	-	356
Cash	212,397	3,284	9,457	18	225,156
Fair value of collateral	215,034	7,047	9,457	18	231,556
Gross loans	350,833	21,214	11,131	122	383,300
Impairment	32,384	1,857	1,793	6	36,040
Net amount	318,449	19,357	9,338	116	347,260
Amount of undercollaterization	103,415	12,310	(119)	98	115,704

31 December, 2018	Term loan	Overdrafts	On lending	Finance lease	Total
Against lifetime ECL credit-impaired loans and advances					
Property/Real estate	3,789	6,525	101	-	10,415
Equities	-	4,150	-	-	4,150
Cash	65,731	4,833	350	4	70,918
Fair value of collateral	69,520	15,508	451	4	85,483
Gross loans	152,084	28,543	1,132	11	181,770
Impairment	112,859	27,519	1,018	8	141,404
Net amount	39,225	1,024	114	3	40,366
Amount of undercollaterization	(30,295)	(14,484)	(337)	(1)	(45,117)

Bank

31 December, 2018	Term loan	Overdrafts	On lending	Finance lease	Total
Disclosure by Collateral					
Property/Real estate	17,574	16,022	101	-	33,697
Equities	343	5,067	-	-	5,410
Cash	611,013	53,661	267,407	77	932,158
Grand total: Fair value of collateral	628,930	74,750	267,508	77	971,265
Grand total: Gross loans	1,353,101	178,740	385,922	3,301	1,921,064
Grand total: Impairment	154,678	25,276	4,903	141	184,998
Grand total: Net amount	1,198,423	153,464	381,019	3,160	1,736,066
Grand total: Amount of undercollaterization	569,493	78,714	113,511	3,083	764,801

31 December, 2018	Term loan	Overdrafts	On lending	Finance lease	Total
Against 12 months ECL loans and advances					
Property/Real estate	11,490	5,748	-	-	17,238
Equities	-	904	-	-	904
Cash	332,884	45,544	257,600	55	636,083
Fair value of collateral	344,374	52,196	257,600	55	654,225
Gross loans	879,355	130,993	373,658	3,168	1,387,174
Impairment	11,080	793	2,092	127	14,092
Net amount	868,275	130,200	371,566	3,041	1,373,082
Amount of undercollaterization	523,901	78,004	113,966	2,986	718,857

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31 December, 2018	Term loan	Overdrafts	On lending	Finance lease	Total
Against lifetime ECL not credit-impaired loans and advances					
Property/Real estate	2,294	3,750	-	-	6,044
Equities	343	13	-	-	356
Cash	212,397	3,284	9,457	18	225,156
Fair value of collateral	215,034	7,047	9,457	18	231,556
Gross loans	321,662	19,204	11,131	122	352,119
Impairment	30,739	1,694	1,793	6	34,232
Net amount	290,923	17,510	9,338	116	317,887
Amount of undercollaterization	75,889	10,463	(119)	98	86,331

31 December, 2018	Term loan	Overdrafts	On lending	Finance lease	Total
Against lifetime ECL credit-impaired loans and advances					
Property/Real estate	3,789	6,525	101	-	10,415
Equities	-	4,150	-	-	4,150
Cash	65,731	4,833	350	4	70,918
Fair value of collateral	69,520	15,508	451	4	85,483
Gross loans	152,084	28,543	1,133	11	181,771
Impairment	112,859	22,789	1,018	8	136,674
Net amount	39,225	5,754	115	3	45,097
Amount of undercollaterization	(30,295)	(9,754)	(336)	(1)	(40,386)

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**

The Group's policy is to pursue timely realisation of the collateral in an orderly manner. The Group does not generally use the non-cash collateral for its own operations.

(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 31 December, 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 31 December, 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 31 December, 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		
31 December, 2018	**Nigeria**	**Rest of Africa**	**Outside Africa**	**Nigeria**	**Rest of Africa**	**Outside Africa**
Cash and balances with central bank	902,107	52,299	10	902,073	-	-
Treasury bills	818,314	182,246	-	817,043	-	-
Assets pledged as collateral	592,935	-	-	592,935	-	-
Due from other banks	13,214	-	661,060	-	-	393,466
Investment securities	164,349	67,754	333,209	156,673	-	-
Derivative instruments	88,826	-	-	88,826	-	-
Other financial assets	59,754	1,343	273	58,406	-	-
Total	**2,639,499**	**303,642**	**994,552**	**2,615,956**	-	**393,466**
Financial Guarantees						
Usance	147,189	-	-	147,189	-	-
Letters of credit	356,939	-	-	321,754	-	-
Performance bond and guarantees	327,123	-	-	306,412	-	-
Total	**831,251**	-	-	**775,355**	-	-

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2018

In millions of Naira	Group			Bank		
31 December, 2017	Nigeria	Rest of Africa	Outside Africa	Nigeria	Rest of Africa	Outside Africa
Cash and balances with central bank	907,265	41,966	8,432	907,265	-	-
Treasury bills	799,992	136,825	-	799,992	-	-
Assets pledged as collateral	468,010	-	-	468,010	-	-
Due from other banks	18,287	-	477,516	8,733	-	264,598
Investment securities	117,814	12,451	200,686	117,814	-	-
Derivative instruments	57,219	-		57,219	-	-
Other financial assets	42,752	11,521	31,369	42,752	-	-
Total	**2,411,339**	**202,763**	**718,003**	**2,401,785**	-	**264,598**
Financial Guarantees						
Usance	141,283	-	-	141,283	-	-
Letters of credit	287,645	94,272	-	287,645	-	-
Performance bond and guarantees	445,913	47,014	-	445,913	-	-
Total	**874,841**	**141,286**	-	**874,841**	-	-

Gross loans and advances to customers and the Non-performing loan portion per geographical region as at 31 December, 2018

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

The non-performing loans (NPL) is presented 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
South South	113,319	1,071	3,330	109,989	113,319	1,071	3,330	109,989
South West	1,553,639	87,650	177,322	1,376,317	1,553,037	87,650	177,294	1,375,743
South East	60,715	1,263	1,466	59,249	60,715	1,263	1,466	59,249
North Central	54,483	2,158	2,161	52,322	54,483	2,158	2,161	52,322
North West	39,122	359	495	38,627	39,122	359	495	38,627
North East	100,388	129	252	100,136	100,388	129	252	100,136
Rest of Africa	66,224	7,873	6,929	59,295	-	-	-	-
Outside Africa	28,630	-	1,454	27,176	-	-	-	-
	2,016,520	**100,503**	**193,409**	**1,823,111**	**1,921,064**	**92,630**	**184,998**	**1,736,066**

Gross loans and advances and non-performing portion per geographical region 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
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**

(b) Industry sectors

Gross loans and advances to customers and the non-performing loan portion per industry sector as at 31 December, 2018

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

The non-performing loans (NPL) is presented 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	56,422	1,180	1,338	55,085	56,422	1,180	1,338	55,085
Oil and gas	510,139	38,427	60,795	449,344	500,237	38,340	60,154	440,083
Consumer Credit	30,761	893	1,204	29,557	30,125	893	1,177	28,948
Manufacturing	579,856	31,207	49,006	530,850	548,097	23,770	43,732	504,366
Real estate and construction	113,281	13,119	16,104	97,177	113,281	13,118	16,104	97,177
Finance and insurance	7,118	2,739	2,916	4,201	6,307	2,641	2,875	3,432
Government	310,265	170	1,956	308,309	309,721	158	1,945	307,776
Power	88,852	60	14,845	74,007	81,610	8	14,201	67,409
Transportation	27,579	185	1,897	25,682	19,402	185	1,361	18,042
Communication	56,234	2,381	29,892	26,342	52,427	2,338	29,846	22,581
Education	5,021	171	208	4,813	5,021	171	208	4,813
General Commerce	230,992	9,971	13,246	217,746	198,412	9,826	12,057	186,355
	2,016,520	**100,503**	**193,409**	**1,823,111**	**1,921,064**	**92,630**	**184,998**	**1,736,066**

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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	164,043
	2,252,172	**105,865**	**68,906**	**82,904**	**2,100,362**	**2,117,069**	**91,738**	**68,162**	**68,444**	**1,980,464**

3.2.9 Credit quality

All other financial assets are neither past due nor impaired. Loans and advances to customers of NGN295 billion which are neither past due nor impaired have been renegotiated (31 December 2017: N270 billion).

Group

31 December, 2018

Credit rating - 12 month ECL: All financial assets excluding loans and advances

In millions of naira	Cash and balances with central bank	Treasury bills	Assets pledged as collateral	Due from other banks	Investment securities	Derivative instruments	Other financial assets
AAA	954,416	1,000,632	593,061	676,243	518,124	88,826	62,080
BBB to BB	-	-	-	-	49,760	-	-
Gross amount	**954,416**	**1,000,632**	**593,061**	**676,243**	**567,884**	**88,826**	**62,080**
ECL - impairment	-	(72)	(126)	(1,969)	(2,572)	-	(710)
Carrying amount	**954,416**	**1,000,560**	**592,935**	**674,274**	**565,312**	**88,826**	**61,370**

In millions of Naira	Loans and Advances			
	Term loans	Overdraft	Others	Total
12 months ECL	916,359	158,264	376,827	1,451,450
Lifetime ECL not credit impaired	350,833	21,214	11,253	383,300
Lifetime ECL credit impaired	152,084	28,543	1,143	181,770
Gross loans and advances	**1,419,276**	**208,021**	**389,223**	**2,016,520**
Less allowances for impairment				
12 - months ECL	11,123	2,623	2,220	15,966
Lifetime ECL not credit impaired	32,383	1,857	1,800	36,040
Lifetime ECL credit impaired	112,859	27,519	1,025	141,403
Total allowances for impairment	**156,365**	**31,999**	**5,045**	**193,409**
Net loans and advances	**1,262,911**	**176,022**	**384,178**	**1,823,111**

Bank

31 December, 2018

Credit rating - 12 month ECL: All financial assets excluding loans and advances

In millions of naira	Cash and balances with central bank	Treasury bills	Assets pledged as collateral	Due from other banks	Investment securities	Derivative instruments	Other financial assets
AAA	902,073	817,115	593,061	394,397	107,478	88,826	59,104
BBB to BB	-	-	-	-	49,760	-	-
Gross amount	**902,073**	**817,115**	**593,061**	**394,397**	**157,238**	**88,826**	**59,104**
ECL - impairment	-	(72)	(126)	(931)	(565)	-	(698)
Carrying amount	**902,073**	**817,043**	**592,935**	**393,466**	**156,673**	**88,826**	**58,406**

In millions of Naira	Loans and Advances			
12 months ECL	879,355	130,993	376,826	1,387,174
Lifetime ECL not credit impaired	321,662	19,204	11,254	352,120
Lifetime ECL credit impaired	152,084	28,543	1,143	181,770
Gross loans and advances	**1,353,101**	**178,740**	**389,223**	**1,921,064**
Less allowances for impairment				
12 - months ECL	11,080	793	2,220	14,093
Lifetime ECL not credit impaired	30,739	1,694	1,800	34,233
Lifetime ECL credit impaired	112,859	22,789	1,024	136,672
Total allowances for impairment	**154,678**	**25,276**	**5,044**	**184,998**
Net loans and advances	**1,198,423**	**153,464**	**384,179**	**1,736,066**

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2018

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.

At 31 December, 2018	Group Loans and advances to customers	Bank Loans and advances to customers
AAA	787,799	787,799
AA to A	340,500	340,500
BBB to BB	620,051	620,051
Below B	172,714	172,714
Unrated	63,728	-
B-	31,728	-
	2,016,520	**1,921,064**

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

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.

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

At 31 December, 2017	Group Investment securities			Bank Investment securities		
In millions of Naira	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	-	-	-	-	-	-
Total	**282,581**	**31,725**	**16,645**	**69,768**	**31,401**	**16,645**
			330,951			**117,814**

3.2.10 Amounts Arising from ECL

For inputs, assumptions and techniques used for estimating impairment see accounting policy in note 2.8

3.2.11 Amounts Arising from ECL

Corporate exposures	Retail exposures	All exposures
– Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes – Data from credit reference agencies, press articles, changes in external credit ratings – Quoted bond and credit default swap (CDS) prices for the borrower where available – Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities	– Internally collected data on customer behaviour – e.g. utilisation of credit card facilities – Affordability metrics – External data from credit reference agencies, including industry-standard credit scores	– Payment record – this includes overdue status as well as a range of variables about payment ratios – Utilisation of the granted limit – Requests for and granting of forbearance – Existing and forecast changes in business, financial and economic conditions

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.

3.2.12 Internal portfolio segmentation

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.

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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.

3.2.13 Significant increase in credit risk

Significant increase in credit risk

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. 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.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Group determines a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

Generally, facilities with loss allowances being measured as Life-time ECL not credit impaired (Stage 2) are monitored for a probationary period of 90 days to confirm if the credit risk has decreased sufficiently before they can be migrated from Lifetime ECL not credit impaired (Stage 2) to 12-month ECL (Stage 1) while credit-impaired facilities (Stage 3) are monitored for a probationary period of 180 days before migration from Stage 3 to 12-month ECL (Stage 1). The decrease in risk of default is reflected in the obligor's Risk Rating which is a critical input for Staging.

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).

3.2.14 Modified financial assets

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.

3.2.15 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 purposes (see note 3.2.8), except where there is regulatory waiver on specifically identified loans and advances.

3.2.16 Incorporation of forward-looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument

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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.

The key drivers for credit risk for non-retail portfolios are: GDP growth and foreign exchange rate. For exposures to specific industries and/or regions, the key drivers also include relevant commodity and/or real estate prices. The key drivers for credit risk for retail portfolios are: GDP and foreign exchange rate.

The economic scenarios used as at 31 December 2018 included the following key indicators for Nigeria for the years ending 31 December 2019 to 2020.

	2019	2020
Foreign exchange rate	Base 365 Upside 360 Downside 375	Base 365 Upside 360 Downside 400
GDP growth	Base 2.3% Upside 2.5% Downside 2.0%	Base 3.0% Upside 3.5% Downside 2.2%

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.

3.2.17 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)

ECL for exposures in stage 1 (12-months ECL) is calculated by multiplying the 12-months PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

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

PD is an estimate of the likelihood of default over a given time horizon, 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. The methodology of estimating PD is discussed in note 3.2.12.

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 discount.

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 at the time of default. For lending commitments, 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 financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable. 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
- remaining term to maturity
- industry
- geographic location of the borrower

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

3.2.18 Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument. Comparative amounts for 2017 represent allowance account for credit losses and reflect measurement basis under IAS 39.

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Group

	31 December, 2018				31 December, 2017		
In millions of Naira	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total	Specific	Collective	Total
Treasury bills at amortised cost							
Balance at 1 January	1,305	-	-	1,305	-	-	-
Net remeasurement of loss allowances (see note 8)	(1,243)	-	-	(1,243)	-	-	-
Transfers from assets pledged as collateral	-	-	-	-	-	-	-
Foreign exchange and other movements	10	-	-	10	-	-	-
Closing balance	72	-	-	72	-	-	-
Gross amount	**490,319**			**490,319**			

	31 December, 2018				31 December, 2017		
In millions of Naira	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total	Specific	Collective	Total
Off balance sheet exposure							
Balance at 1 January	2,526	-	-	2,526	-	-	-
Net remeasurement of loss allowances (see note 8)	5,337			5,337			
Write-offs	148			148			
Closing balance	**8,011**			**8,011**			
Gross amount	**831,251**			**831,251**			

In millions of Naira	31 December, 2018 12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total	31 December, 2017 Specific	Collective	Total
Assets pledged as collateral at ammortised cost							
Balance at 1 January	1,202	-	-	1,202	-	-	-
Net remeasurement of loss	(1,076)	-	-	(1,076)	-	-	-
allowances (see note 8) Write-offs	-	-	-	-	-	-	-
Closing balance	**126**	-	-	**126**	-	-	-
Gross amount	**593,061**	-	-	**593,061**	-	-	-

In millions of Naira	31 December, 2018 12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total	31 December, 2017 Specific	Collective	Total
Loans and advances to customers at amortised cost							
Balance at 1 January	64,620	35,586	152,967	253,174	32,896	38,548	71,444
- Transfer to 12-month ECL	382	(248)	(134)	-	-	-	-
- Transfer to lifetime ECL not credit-impaired	(22,215)	22,913	(698)	-	-	-	-
- Transfer to lifetime ECL credit-impaired	(42,298)	(46,836)	89,134	-	-	-	-
Net remeasurement of loss allowances (see note 8)	14,074	22,890	(27,128)	9,836	59,513	38,691	98,204
New financial assets originated or purchased	1,550	1,540	377	3,467	-	-	-
Write-offs and recoveries	-	-	(73,962)	(73,962)	(6,535)	(7,196)	(13,731)
Foreign exchange and other movements	(148)	195	847	894	(2,970)	(1,137)	(4,107)
Closing balance	**15,965**	**36,040**	**141,403**	**193,409**	**82,904**	**68,906**	**151,810**
Gross amount	**1,451,450**	**383,300**	**181,770**	**2,016,520**	**84,793**	**2,167,379**	**2,252,172**

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	31 December, 2018				31 December, 2017		
In millions of Naira	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total	Specific	Collective	Total
Investment securities at amortised cost							
Balance at 1 January	1,773	-	-	1,773	-	-	-
Net remeasurement of loss allowances (see note 8)	(430)	-	-	221	-	-	-
Write-offs and recoveries	1,229	-	-	578	-	-	-
Closing balance	**2,572**	**-**	**-**	**2,572**	**-**	**-**	**-**
Gross amount	**513,154**	**-**	**-**	**513,154**	**-**	**-**	**-**

	31 December, 2018				31 December, 2017		
In millions of Naira	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total	Specific	Collective	Total
Other financial assets							
Balance at 1 January	4,831	-	-	4,831	-	-	-
Net remeasurement of loss allowances (see note 8)	395	-	-	395	-	-	-
Financial assets that have been derecognised Write-offs	(4,516)	-	-	(4,516)	-	-	-
Foreign exchange and other Foreign exchange and other movements	-	-	-	5	-	-	-
Closing balance	**710**	**-**	**-**	**715**	**-**	**-**	**-**
Gross amount	**62,468**	**-**	**-**	**62,468**	**-**	**-**	**-**

In millions of Naira	31 December, 2018 12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total	31 December, 2017 Specific	Collective	Total
Due from other banks							
Balance at 1 January	-	-	-		-	-	-
Net remeasurement of loss allowances (see note 8)	1,938	-	-	1,938	-	-	-
Financial assets that have been derecognised Write-offs	-	-	-	-	-	-	-
Foreign exchange and other movements	31	-	-	31	-	-	-
Closing balance	**1,969**	-	-	**1,969**	-	-	-
Gross amount	**458,305**	-	-	**458,305**	-	-	-

Impact of IFRS9 Opening Entries on Impairment Allowances

In millions of Naira	Addition under IFRS 9 as at 1 January 2018 12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total	Under IAS 39 as at 31 December 2017 Specific allowance for impairment	Collective allowance for impairment	Total
Loans and advances	25,903	14,242	61,218	101,363	82,904	68,906	151,810
Off-balance sheet exposures	2,526	-	-	2,526	-	-	-
Assets pledged as collateral	1,202	-	-	1,202	-	-	-
Investment Securities	1,773	-	-	1,773	-	-	-
Treasury bills	1,305	-	-	1,305	-	-	-
Balance as at 1 January 2018	**32,709**	**14,242**	**61,218**	**108,169**	**82,904**	**68,906**	**151,810**

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Bank

	31 December, 2018				31 December, 2017		
In millions of Naira	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total	Specific allowance for impairment	Collective allowance for impairment	Total
Treasury bills at ammortised cost							
Balance at 1 January	1,186	-	-	1,186	-	-	-
Net remeasurement of loss allowances (see note 8)	(1,114)	-	-	(1,114)	-	-	-
Transfers from assets pledged as collateral							
Closing balance	**72**	**-**	**-**	**72**	**-**	**-**	**-**
Gross amount	**306,802**	**-**	**-**	**306,802**	**-**	**-**	**252,336**

	31 December, 2018				31 December, 2017		
In millions of Naira	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total	Specific allowance for impairment	Collective allowance for impairment	Total
Off balance sheet exposure							
Balance at 1 January	1,571	-	-	1,571	-	-	-
Net remeasurement of loss allowances (see note 8)	6,441	-	-	6,441	-	-	-
Closing balance	**8,011**	**-**	**-**	**8,011**	**-**	**-**	**-**
Gross amount	**775,355**	**-**	**-**	**775,355**	**-**	**-**	**874,841**

In millions of Naira	31 December, 2018 12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total	31 December, 2017 Specific allowance for impairment	Collective allowance for impairment	Total
Assets pledged as collateral at ammortised cost							
Balance at 1 January	1,202	-	-	1,202	-	-	-
Net remeasurement of loss allowances (see note 8)	(1,076)	-	-	(1,076)	-	-	-
Closing balance	**126**	**-**	**-**	**126**	**-**	**-**	**-**
Gross amount	**593,061**	**-**	**-**	**593,061**	**-**	**-**	**331,571**

In millions of Naira	31 December, 2018 12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total	31 December, 2017 Specific allowance for impairment	Collective allowance for impairment	Total
Loans and advances to customers at amortised cost							
Balance at 1 January	60,761	33,245	141,832	235,838	17,607	37,485	55,092
- Transfer to 12-month ECL	382	(248)	(134)	-	-	-	-
- Transfer to lifetime ECL not credit-impaired	(22,215)	22,913	(698)	-	-	-	-
- Transfer to lifetime ECL credit-impaired	(42,298)	(46,836)	89,134	-	-	-	-
Net remeasurement of loss allowances (see note 8)	15,912	23,619	(33,602)	5,929	57,371	37,873	95,244
New financial assets originated or purchased Write-offs	1,550	1,540	377	3,467	-	-	-
Write-offs	-	-	(60,236)	(60,236)	(6,535)	(7,196)	(13,731)
Closing balance	**14,092**	**34,233**	**136,673**	**184,998**	**68,443**	**68,162**	**136,605**
Gross amount	**1,387,174**	**352,119**	**181,770**	**1,921,064**	**70,667**	**2,046,402**	**2,117,069**

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In millions of Naira	31 December, 2018 12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total	31 December, 2017 Specific	Collective	Total
Other financial assets							
Balance at 1 January	4,832	-	-	4,832	-	-	-
Net remeasurement of loss allowances (see note 8)	383	-	-	383	-	-	-
Write-offs	(4,517)	-	-	(4,517)	-	-	-
Closing balance	**698**	-	-	**698**	-	-	-
Gross amount	**59,104**	-	-	**59,104**	-	-	-

In millions of Naira	31 December, 2018 12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total	31 December, 2017 Specific	Collective	Total
Due from other Banks							
Balance at 1 January	-	-	-	-	-	-	-
Net remeasurement of loss allowances (see note 8)	931	-	-	931	-	-	-
Financial assets that have been derecognised	-	-	-	-	-	-	-
Write-offs	-	-	-	-	-	-	-
Foreign exchange and other movements	-	-	-	-	-	-	-
Closing balance	931	**-**	**-**	**931**	**-**	**-**	**-**
Gross amount	**394,397**	**-**	**-**	**394,397**	**-**	**-**	**-**

In millions of Naira	31 December, 2018 12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total	31 December, 2017 Specific	Collective	Total
Investment securities at amortised cost							
Balance at 1 January	358	-	-	358	-	-	-
Net remeasurement of loss allowances (see note 8)	207	-	-	207	-	-	-
Financial assets that have been derecognised	-	-	-	-	-	-	-
Closing balance	**565**	**-**	**-**	**565**	**-**	**-**	**-**
Gross amount	**102,508**	**-**	**-**	**102,508**	**-**	**-**	**-**

Summary of loss allowance by class of financial instruments also showing ECL coverage ratio.

Group

	Gross Carrying Amount				ECL Provision				ECL Coverage Ratio			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial Statement Items									%	%	%	%
In millions of Naira												
On-balance sheet items												
Assets pledged as collateral	593,061	-	-	593,061	126	-	-	126	0.02	-	-	0.02
Treasury bills	490,319			490,319	72			72	0.01			0.01
Loans and advances to customers at amortised cost	1,451,450	383,300	181,770	2,016,520	15,965	36,040	141,403	193,408	1.10	9.40	77.79	9,59
Debt investment securities at amortised cost	513,154	-	-	513,154	2,572	-	-	2,572	0.50	-	-	0.50
Debt investment securities at FVOCI	49,760			49,760								
Other financial assets measured at amortised cost	62,468	-	-	62,468	710	-	-	710	1.14			1.14
Due from other Banks	676,243			676,243	1,969			1,969	0.29		-	0.29
Subtotal	3,160,212	383,300	181,770	3,725,282	19,445	36,040	141,403	196,888	2.77	9.40	77.79	5.29
Off-balance sheet items												
Loans and other credit related commitments												
Letters of credit	356,939			356,939	5,312			5,312	1.49			1.49
Usance	147,189			147,189	1,940			1,940	1.32			1.32
Financial guarantee and similar contracts												
Performance bonds and guarantees	327,123			327,123	759			759	0.23		.	0.23
Subtotal	831,251			831,251	8,011			8,011	3.04			3.04
Total	**3,991,463**	**383,300**	**181,770**	**4,556,533**	**27,456**	**36,040**	**141,403**	**204,899**	**5.81**	**9.40**	**77.79**	**4.50**

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2018

Summary of loss allowance by class of financial instruments also showing ECL coverage ratio.

Bank

	Gross Carrying Amount				ECL Provision				ECL Coverage Ratio			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial Statement Items									%	%	%	%
In millions of Naira												
On-balance sheet items												
Assets pledged as collateral	593,061	-	-	593,061	126	-	-	126	0.02	-	-	0.02
Treasury bills	306,802			306,802	72			72	0.02			0.02
Loans and advances to customers at amortised cost	1,387,174	352,119	181,770	1,921,064	14,092	34,233	136,673	184,998	1.02	9.72	75.19	9.63
Debt investment securities at amortised cost	102,508	-	-	102,508	565	-	-	565	0.55	-	-	0.55
Debt investment securities at FVOCI	49,760	-	-	49,760	-	-	-	-	-	-	-	-
Other financial assets measured at amortised cost	59,104	-	-	59,104	698	-	-	698	1.18	-	-	1.18
Other non- financial assets	18,064	-	-	18,064	560	-	-	560	3.10	-	-	3.10
Due from other Banks	394,397			394,397	931			931	0.24			0.24
Subtotal	2,498,409	352,119	181,770	3,032,299	15,553	34,233	136,673	186,459	2.79	9.72	75.19	6.15
Off-balance sheet items												
Loans and other credit related commitments												
Letters of credit	321,754	-	-	321,754	5,311	-	-	5,311	1.65	-	-	1.65
Usance	147,189	-	-	147,189	1,941	-	-	1,941	1.32	-	-	1.32
Performance bonds and guarantees	306,412	-	-	306,412	759	-	-	759	0.24	-	-	0.25
Subtotal	775,355	-	-	775,355	8,011	-	-	8,011	3.21	-	-	1.03
Total	**3,273,764**	**352,119**	**181,770**	**3,807,654**	**23,564**	**34,233**	**136,673**	**194,470**	**6.00**	**9.72**	**75.19**	**5.11**

3.2.19 Restructuring policy

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

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

a. Where the execution of the loan purpose and the repayment are no longer realistic in light of new cash flows;
b. To avoid unintended default arising from adverse business conditions;
c. To align loan repayment with new pattern of achievable cash flows;
d. Where there are proven cost over runs that may significantly impair the project repayment capacity;
e. Where there is temporary downturn in the customer's business environment;
f. Where the customer's going concern status is NOT in doubt or threatened; and
g. The revised terms of restructured facilities usually include extended maturity, changing timing of interest payments and amendments to the terms of the loan agreement.

3.2.20 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.

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.

3.3 Market risk

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

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

3.3.1 Management of market risk

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

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

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

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

The Group's market risks exposures are broadly categorised into:

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2018

(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 Naira exchange rate continues to be an important influence on consumer prices and output recovery. Stability in the naira exchange rate has been sustained for most part of the year through appropriate policies and reforms of the exchange rate market; There has also been some form of convergence in the various markets. The NIFEX rate has moved within touching distance of the I&E market as well as the Parallel market, with these markets trading closely within a +/- N5 band.

The Nigerian Foreign Exchange Reserves recorded significant growth during the year with favourable crude oil prices and uninterrupted crude production as well as increased autonomous inflows through the Investors' and Exporters' foreign exchange (I&E) window. The supply of FX to the parallel market has remained impressive.

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 December 31, 2018			At December 31, 2017		
	Note	Carrying Amount	Trading	Non-trading	Carrying Amount	Trading	Non-trading
Assets							
Cash and balances with central bank	15	954,416		954,416	957,663		957,663
Treasury bills	16	1,000,560	510,313	490,247	936,817	547,656	389,161
Assets pledged as collateral	17	592,935	184,812	408,123	468,010	136,438	331,572
Due from other banks	18	674,274		674,274	495,803		495,803
Derivative assets	19	88,826	88,826		57,219	57,219	
Loans and advances		1,823,111		1,823,111	2,100,363		2,100,363
Investment securities	21	565,312	4,970	560,342	330,951	32,266	298,685
Other financial assets	24	61,370		61,370	100,808		100,808
Liabilities							
Customer deposits	27	3,690,295	-	3,690,295	3,437,915	-	3,437,915
Derivative liabilities	32	16,995	16,995		20,805	20,805	
Other financial liabilities	28	190,408	-	190,408	212,304	-	212,304
On-lending facilities	29	393,295	-	393,295	383,034	-	383,034
Borrowings	30	437,260	-	437,260	356,496	-	356,496
Debt securities issued	31	361,177	-	361,177	332,931	-	332,931

Bank

	At December 31, 2018				At December 31, 2017		
	Note	Carrying Amount	Trading	Non-trading	Carrying Amount	Trading	Non-trading
Assets							
Cash and balances with central bank	15	902,073		902,073	907,265		907,265
Treasury bills	16	817,043	510,313	306,730	799,992	547,656	252,336
Assets pledged as collateral	17	592,935	184,812	408,123	468,010	136,438	331,572
Due from other banks	18	393,466		393,466	273,331		273,331
Derivative assets	19	88,826	88,826		57,219	57,219	
Loans and advances		1,736,066		1,736,066	1,980,465		1,980,465
Investment securities	21	156,673	4,970	151,703	117,814	32,266	85,548
Other financial assets	24	58,406		58,406	42,752		45,752
Liabilities							
Customer deposits	27	2,821,066	-	2,821,066	2,744,525	-	2,744,525
Derivative liabilities	32	16,995	16,995		20,805	20,805	
Other financial liabilities	28	212,006	-	212,006	212,304	-	212,304
On-lending facilities	29	393,295	-	393,295	383,034	-	383,034
Borrowings	30	458,463	-	458,463	418,979	-	418,979
Debt securities issued	31	361,177	-	361,177	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.

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.

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2018

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 31 December, 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 December 31, 2018	Naira	Dollar	GBP	Euro	Others	Total
Assets						
Cash and balances with central bank	436,185	469,608	6,049	4,838	37,736	954,416
Treasury bills	930,701	1,957	-	-	67,902	1,000,560
Assets pledged as collateral	592,935	-	-	-	0	592,935
Due from other banks	54,201	497,803	34,100	52,825	35,346	674,274
Derivative assets	88,826	-	-	-	-	88,826
Loans and advances	926,163	830,868	1,006	16,217	48,857	1,823,111
Investment securities	176,771	320,897	-	1,283	66,360	565,312
Other financial assets	7,006	10,892	25,618	-	17,854	61,370
	3,212,788	**2,132,025**	**66,773**	**75,163**	**274,055**	**5,760,804**
Liabilities						
Customer deposits	2,100,306	1,203,619	63,148	43,868	279,354	3,690,295
Derivative liabilities	16,995		-	-	-	16,995
Other financial liabilities	59,284	121,994	-	3,390	5,740	190,407
On-lending facilities	393,295		-	-	-	393,295
Borrowings	0	437,260	-	-	-	437,260
Debt securities issued	0	361,177	-	-	-	361,177
	2,569,880	**2,124,050**	**63,148**	**47,258**	**285,094**	**5,089,429**
Net on-balance sheet position	**642,908**	**7,975**	**3,625**	**27,905**	**(11,039)**	**671,374**

In millions of Naira

At December 31, 2017	Naira	Dollar	GBP	Euro	Others	Total
Assets						
Cash and balances with central bank	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 collateral	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 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.

	31-Dec-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)	5,891	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)	11,782	10,788

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2018

Bank

The table below summarizes the Bank's exposure to foreign currency exchange rate risk at 31 December, 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 December 31, 2018	Naira	Dollar	GBP	Euro	Others	Total
Assets						
Cash and balances with central banks	435,137	459,300	5,389	2,247	0	902,073
Treasury bills	815,086	1,957	-	-	-	817,043
Assets pledged as collaterals	592,935	-	-	-	-	592,935
Due from other banks	29,211	339,070	4,760	16,818	3,607	393,466
Derivative assets	88,826	-	-	-	-	88,826
Loans and advances to customers	932,004	788,477	147	15,416	22	1,736,066
Investment securities	154,806	1,867	-	-	-	156,673
Other financial assets	54,047	3,940	418	-	-	58,406
	3,102,052	**1,594,611**	**10,714**	**34,481**	**3,629**	**4,745,488**
Liabilities						
Customer deposits	2,084,773	703,545	10,634	20,518	1,596	2,821,066
Derivative liabilities	16,995	-	-		-	16,995
Other financial liabilities	105,202	91,400	-	13,390	2,014	212,006
On-lending facilities	393,295	-	-	-	-	393,295
Borrowings	849	457,614	-	-	-	458,463
Debt securities issued	(0)	361,177	-	-	-	361,177
	2,601,114	**1,613,736**	**10,634**	**33,908**	**3,610**	**4,263,002**
Net on-balance sheet position	**500,938**	**(19,125)**	**80**	**573**	**19**	**482,485**

In millions of Naira

At December 31, 2017	Naira	Dollar	GBP	Euro	Others	Total
Assets						
Cash and balances with central bank	517,794	382,200	5,438	1,833	-	907,265
Treasury bills	799,992	-	-	-	-	799,992
Assets pledged as collateral	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	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	-	0	-	-	56,052
	3,381,870	**1,238,189**	**7,897**	**32,062**	**128**	**4,660,147**
Liabilities						
Customer deposits	2,045,413	678,688	7,457	12,967	-	2,744,525
Derivative liabilities	20,805	-	-	-	-	20,805
Other 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 31 December, 2018 was 358.79 and 348.16 respectively.

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.

	31-Dec-18	31-Dec-17
US Dollar effect of 15% up or (down) movement on profit before tax and balance sheet size	9,881	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)	19,762	54,639

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2018

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 market realities.

Group

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

In millions of Naira

At December 31, 2018	Note	Carrying Amount	Rate sensitive	Non rate sensitive
Assets				
Cash and balances with central banks	15	954,416	7,500	946,916
Treasury and other eligible bills (Amortized cost)	16	1,000,560	1,000,560	-
Assets pledged as collateral	17	592,935	592,935	-
Due from other banks	18	674,274	674,274	-
Derivative assets	19	88,826	88,826	-
Loans and advances to customers (Gross)		2,016,520	2,016,520	-
Investment securities (Amortized cost and Fair value through OCI)	21	565,312	515,552	49,760
Other financial assets	24	61,370	-	61,370
		5,954,213	**4,896,167**	**1,058,046**
Liabilities				
Customer deposits	27	3,690,295	3,221,790	468,505
Derivative liabilities	32	16,995	16,995	-
Other financial liabilities	28	190,408		190,408
On-lending facilities	29	392,935	392,935	-
Borrowings	30	437,620	437,620	-
Debt securities issued	31	361,177	361,177	-
		5,089,430	**4,430,517**	**658,913**
Total interest repricing gap		**864,783**	**465,650**	

At December 31, 2018 In millions of Naira	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 bank	7,500	-	-	-	-	7,500
Treasury bills	211,269	243,457	194,041	351,793	-	1,000,560
Assets pledged as collateral	3,000	123,929	27,475	187,419	251,112	592,935
Due from other banks	660,078	241	-	9,641	4,314	674,274
Derivative assets	4,944	27,920	14,097	41,865	-	88,826
Loans and advances to customers (Gross)	137,132	80,020	87,026	314,277	1,398,064	2,016,520
Investment securities (Amortized cost and fair value through OCI)	-	659	75,012	105,389	334,492	515,552
	1,023,923	**476,226**	**397,651**	**1,010,384**	**1,987,982**	**4,896,167**
Liabilities						
Customer deposits	1,062,367	116,163	7,130	886	2,035,244	3,221,790
Derivative liabilities	6,907	6,682	3,268	139	-	16,996
On-lending facilities	44,655	3,277	47,712	9,516	287,776	392,935
Borrowings	-	-	-	6,343	431,277	437,620
Debt securities issued	-	-	180,588	1,251	179,338	361,177
	1,113,929	**126,122**	**238,698**	**18,135**	**2,933,634**	**4,430,517**
Total interest repricing gap	**(90,006)**	**350,104**	**158,953**	**992,249**	**(945,652)**	**465,648**

At December 31, 2018		Carrying Amount	Rate sensitive	Non rate sensitive
Assets				
Cash and balances with central banks	15	957,663	7,500	950,163
Treasury and other eligible bills (Amortized cost)	16	936,817	517,106	419,711
Assets pledged as collateral	17	468,010	-	468,010
Due from other banks	18	495,803	495,803	-
Derivative assets	19	57,219	57,219	-
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 liabilities	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)**	

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At December 31, 2017 In millions of Naira	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	31-Dec-18	31-Dec-17
Effect of 300 basis points movement on profit before tax	44,891	16,572

Bank

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

At December 31, 2018 In millions of Naira	Note	Carrying Amount	Rate sensitive	Non rate sensitive
Assets				
Cash and balances with central banks	15	902,073	7,500	894,573
Treasury and other eligible bills	16	817,043	817,043	-
Assets pledged as collateral	17	592,935	592,935	-
Due from other banks	18	393,466	393,466	-
Derivative assets	19	88,826	88,826	-
Loans and advances to customers (Gross)	-	1,921,064	1,921,064	-
Investment securities (Amortized cost and Fair value through OCI)	21	156,673	106,913	49,760
Other financial assets	19	58,406	-	58,406
		4,930,486	**3,927,747**	**1,002,739**
Liabilities				
Customer deposits	27	2,821,066	2,352,561	468,505
Derivative liabilities	32	16,995	16,995	-
Other financial liabilities	28	212,006	-	212,006
On-lending facilities	29	393,295	393,295	-
Borrowings	30	458,463	458,463	-
Debt securities issued	31	361,177	361,177	-
		4,263,002	**3,582,491**	**680,511**
Total interest repricing gap		**667,484**	**345,256**	**322,228**

At December 31, 2018 In millions of Naira	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 bank	7,500	-	-	-	-	7,500
Treasury bills	182,137	195,199	155,676	284,030	-	817,043
Assets pledged as collateral	3,000	123,929	27,475	187,419	251,112	592,935
Due from other banks	387,596	241	-	915	4,713	393,466
Derivative assets	4,944	27,920	14,097	41,865	-	88,826
Loans and advances to customers (Gross)	127,791	79,607	83,120	296,620	1,333,926	1,921,064
Investment securities (Amortized cost and fair value through OCI)	-	659	11,032	48,150	47,072	106,913
	712,968	**427,556**	**291,400**	**858,999**	**1,636,824**	**3,927,747**
Liabilities						
Customer deposits	831,197	74,685	2,354	216	1,444,109	2,352,561
Derivative liabilities	6,907	6,682	3,268	140	-	16,997
On-lending facilities	44,655	3,277	47,712	10,368	287,283	393,295
Borrowings	-	-	-	5,490	452,973	458,463
Debt securities issued	-	-	180,588	1,251	179,338	361,177
	882,759	**84,644**	**233,922**	**17,465**	**2,363,703**	**3,582,493**
Total interest repricing gap	**(169,791)**	**342,912**	**57,478**	**841,534**	**(726,879)**	**345,254**

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At December 31, 2017 In millions of Naira	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 collateral	17	468,009	136,438	331,571
Due from other banks	18	273,331	97,160	176,171
Derivative assets	19	57,219	57,219	-
Loans and advances to customers (Gross)	-	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 December 31, 2017 In millions of Naira	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 bank	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	31-Dec-18	31-Dec-17
Effect of 300 basis points movement on profit before tax	48,184	20,887

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 9.13% equity holding in African Finance Corporation (AFC) valued at N49.76 billion (cost N40 billion) as at 31 December, 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.

3.4.2 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

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(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.

3.4.3 Funding approach

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

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

(a) Exposure to liquidity risk

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

	GROUP		BANK	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
At year end	80.91%	69.66%	75.35%	51.88%
Average for the period	82.59%	52.15% .	74.33%	52.06%
Maximum for the period	88.87%	82.42%	82.10%	55.49%
Minimum for the period	74.63%	38.94%	67.04%	46.96%

(b) Liquidity reserve

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

Group	31-Dec-18		31-Dec-17	
In millions of Naira	Carrying value	Fair value	Carrying value	Fair value
Cash and balances with central banks	954,416	954,416	310,549	310,549
Treasury bills	1,000,560	1,000,729	419,711	314,046
Balances with other banks	675,309	675,312	201,982	201,982
Investment securities	565,312	555,379	316,850	174,227
Assets pledged as collaterals	592,935	377,444	468,010	326,055
Total	**3,788,532**	**3,563,280**	**1,717,102**	**1,326,859**

Bank	31-Dec-18		31-Dec-17	
In millions of Naira	Carrying value	Fair value	Carrying value	Fair value
Cash and balances with central banks	902,073	902,073	260,180	260,180
Treasury bills	817,043	817,181	282,886	214,046
Balances with other banks	393,466	393,466	8,733	8,733
Investment securities	156,673	153,920	103,713	84,227
Assets pledged as collaterals	592,935	377,444	468,010	326,055
Total	**2,862,190**	**2,644,084**	**1,123,522**	**893,241**

(c)Financial assets available to support funding

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

Group		31-Dec-18			31-Dec-17		
In millions of Naira	Note	Encum-bered	Unenc-umbered	Total	Encum-bered	Unenc-umbered	Total
Cash and balances with central banks	15	705,471	248,945	954,416	647,114	310,549	957,663
Treasury bills	16	-	1,000,560	1,000,560	-	936,817	936,817
Assets pledged as collateral	17	592,935	-	592,935	468,010	-	468,010
Due from other banks	18	-	67,274	67,274	-	495,803	495,803
Loans and advances	-	-	2,016,520	2,016,520	-	2,100,362	2,100,362
Investment securities	21	-	565,312	565,312	-	330,951	330,951
Financial assets	24	13,822	44,584	58,406	79,677	5,964	85,641

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Bank		31-Dec-18			31-Dec-17		
In millions of Naira	Note	Encum-bered	Unenc-umbered	Total	Encum-bered	Unenc-umbered	Total
Cash and balances with central banks	15	705,471	196,602	902,073	647,114	260,181	907,295
Treasury bills	16	-	817,043	817,043	-	799,992	799,992
Assets pledged as collateral	17	592,935	-	592,935	468,010	-	468,010
Due from other banks	18	-	393,466	393,466	-	273,331	273,331
Loans and advances	-	-	1,921,064	1,921,064	-	1,980,464	1,980,464
Investment securities	21	-	156,673	156,673	-	117,814	117,814
Financial assets	24	13,822	44,584	58,406	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 31 December, 2018 and 31 December, 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.

Group

At December 31, 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	248,945	-	-	705,471	-	954,416	954,416
Treasury bills	16	211,269	243,457	194,041	351,793	-	- 1,000,560	1,000,560
Assets pledged as collateral	17	3,000	123,929	27,475	187,419	251,112	592,935	592,935
Due from other banks	18	660,078	241	-	9,641	4,314	674,274	674,274
Loans and advances to customers		344,904	80,020	87,026	314,277	1,190,292	2,016,520	2,016,520
Investment securities	21	-	659	75,012	100,420	389,221	565,312	565,312
Other financial assets	24	-	27,920	-	5,631	27,818	61,370	61,370
		1,468,196	**476,226**	**383,554**	**1,674,653**	**1,862,757**	**5,865,386**	**5,865,386**
Derivative assets								
Trading:	19	-	-	-	-	-	-	88,826
Inflow		4,944	27,920	14,097	41,865	-	88,826	-
Outflow		-	-	-	-	-	-	-
Risk management:		-	-	30,454	-	-	30,454	60,908
		4,944	**27,920**	**44,551**	**41,865**	**-**	**119,280**	**149,734**
Liabilities								
Non-derivative liabilities								
Customer deposits	27	3,566,115	116,163	7,130	886	-	- 3,690,295	3,690,295
Financial liabilities	28	43,648	6,682	3,268	23,559	113,251	190,408	190,408
On-lending facilities	29	44,655	3,277	47,712	9,516	287,416	392,575	393,295
Borrowings	30	46,391	77,907	37,394	216,662	72,376	450,730	458,463
Debt securities issued	31		-	191,616	6,615	212,471	410,702	361,177
		3,700,809	**204,028**	**287,120**	**257,238**	**685,514**	**5,134,710**	**5,093,637**
Derivative assets								
Trading:	32	-	-	-	-	-	-	16,995
Inflow		6,907	6,682	3,268	139	-	16,996	16,996
Outflow		-	-	-	-	-	35,156	-
		6,907	**6,682**	**3,268**	**139**	**-**	**52,152**	**33,991**

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At December 31, 2017 In millions of Naira	Note	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	Over 1 year	Gross nominal inflow/ (outflow)	Carrying amount
Assets								
Non-derivative assets								
Cash and balances with central banks	15	306,822	-	-	647,112	-	953,934	957,663
Treasury bills	16	44,655	131,555	108,013	642,255	-	926,478	936,817
Assets pledged as collateral	17	45,246	63,239	82,995	75,549	200,982	468,011	468,010
Due from other banks	18	487,668	160	688	171	1,213	489,900	495,803
Loans and advances to customers	20	671,539	39,753	42,023	69,461	1,423,541	2,246,317	2,246,316
Investment securities	21	500			4,712	325,555	330,767	330,951
		1,556,430	**234,707**	**233,719**	**1,439,260**	**1,951,291**	**5,415,407**	**5,435,560**
Derivative assets								
Trading:	19	-	-	-	-	-	-	57,219
Inflow		5,685	6,887	13,192	16,045	15,409	57,219	-
Outflow		11,669	13,926	-	-	-	25,595	-
		17,354	**20,813**	**13,192**	**16,045**	**15,409**	**82,814**	**57,219**
Liabilities								
Non-derivative liabilities								
Customer 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 assets								
Trading:		-	-	-	-	-	-	20,805
Inflow		3,906	3,851	1,716	11,332	-	20,805	-
Outflow		-	-	35,156	-	-	35,156	-
		3,906	**3,851**	**36,872**	**11,332**	**-**	**55,961**	**20,805**

Bank

At December 31, 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	196,602	-	-	705,471	-	902,073	902,073
Treasury bills	16	182,137	195,199	155,676	284,031	-	817,043	817,043
Assets pledged as collateral	17	3,000	123,929	27,475	187,419	251,112	592,935	592,935
Due from other banks	18	387,596	241	-	916	4,713	393,466	393,466
Loans and advances to customers	20	312,789	79,607	83,120	296,620	1,148,928	1,921,064	1,921,064
Investment securities	21	-	659	11,032	48,150	96,832	156,673	156,673
Other financial assets	24	6,283	-	-	15,712	36,411	58,406	58,406
		1,088,407	**399,635**	**277,303**	**1,538,319**	**1,537,996**	**4,841,660**	**4,841,660**
Derivative assets								
Trading:	19	-	-	-	-	-	-	88,826
Inflow		4,944	27,920	14,097	41,865	-	88,826	-
Outflow		-	-	-	-	-	-	-
		4,944	**27,920**	**14,097**	**41,865**	**-**	**88,826**	**88,826**
Liabilities								
Non-derivative liabilities								
Customer deposits	27	2,743,812	74,685	2,354	216	-	2,821,066	2,821,066
Financial liabilities	28	15,804	6,682	3,268	101,254	84,998	212,006	212,006
On-lending facilities	29	44,655	3,277	47,712	10,368	287,283	393,295	393,295
Borrowings	30	46,391	88,443	37,394	216,662	74,248	463,138	393,295
Debt securities issued	31		-	191,616	6,615	212,471	410,702	361,177
		2,850,662	**173,087**	**282,344**	**335,115**	**659,000**	**4,300,207**	**4,180,839**
Derivative assets								
Trading:		-	-	-	-	-	-	16,995
Inflow		6,907	6,682	3,268	139		16,996	
Outflow		-	-	-	-	-	35,156	
		6,907	**6,682**	**3,268**	**139**		**52,152**	**16,995**

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2018

Bank

At December 31, 2017 In millions of Naira	Note	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	Over 1 year	Gross nominal inflow/ (outflow)	Carrying amount
Assets								
Non-derivative assets								
Cash and balances with central bank	15	260,180	-	-	647,085	-	907,265	907,265
Treasury bills	16	29,046	93,640	317,228	427,562	-	867,476	799,992
Assets pledged as collateral	17	57,915	64,662	89,462	96,869	621,959	930,867	468,010
Due from other banks	18	273,331	-	-	-	-	273,331	273,331
Loans and advances to customers	20	640,232	38,575	40,710	64,543	1,333,010	2,117,069	2,117,069
Investment securities	21	2,396	5,398	4,038	9,874	212,755	234,461	117,814
Other financial assets	24	36,139	-	-	-	6,613	42,752	34,003
		1,299,239	**202,275**	**451,438**	**1,245,933**	**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	-
		17,354	**20,813**	**13,192**	**16,045**	**15,409**	**82,814**	**57,219**
Liabilities								
Non-derivative assets								
Customer deposits	27	2,623,192	117,790	2,706	837	-	2,744,525	2,744,525
Derivative 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**

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').

Residual contractual maturities of off-balance sheet exposures.

Group

At December 31, 2018	Carrying amount	Less than 3 months	3 -6 months	6 - 12 months	1 to 5 Years	More than 5 years
In millions of Naira						
Financial guarantees						
Usance	147,189	100,638	44,422	2,129	-	-
Letters of Credit	356,939	203,327	142,873	10,714	25	-
Performance bonds and Guarantees	327,123	71,251	45,981	48,998	100,028	60,865
Total	**831,251**	**375,216**	**233,276**	**61,841**	**100,053**	**60,865**

Bank

At December 31, 2018	Carrying amount	Less than 3 months	3 -6 months	6 - 12 months	1 to 5 Years	More than 5 years
In millions of Naira						
Financial guarantees						
Usance	147,189	100,638	44,422	2,129	-	-
Letters of Credit	321,754	180,202	133,813	7,731	8	-
Performance bonds and Guarantees	306,412	68,040	40,855	42,763	100,028	54,726
Total	**775,355**	**348,880**	**219,090**	**52,623**	**100,036**	**54,726**

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2018

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

		At 31 December, 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	510,313	510,313	1&2	547,656	547,656	1
Investment securities (FGN bonds)	21	4,970	4,970	1	32,266	32,266	1
Derivative assets	19	88,826	88,826	2	57,219	57,219	2
Asset pledged as collateral		208,382	208,382	-	-	-	-
Carried at FVOCI :							
Investment securities (unquoted)	21	49,760	49,760	3	14,101	14,101	3
Carried at amortized cost:							
Cash and balances with central banks	15	954,416	954,416	-	957,663	679,915	-
Treasury bills	16	490,247	490,424	1	389,161	314,046	1
Assets pledged as collateral	17	592,935	585,826	1	468,010	326,055	1
Due from other banks	18	674,274	675,312	2	495,803	495,803	2
Loans and advances to customers	20	1,823,111	1,728,567	3	2,252,172	1,546,337	3
Investment securities	21	510,582	496,543	1	284,584	174,227	1
Other financial assets	24	61,370	61,370	-	77,328	28,388	-
Liabilities Carried at FVTPL							
Derivative liabilities	32	16,995	16,995	2	20,805	20,805	2
Carried at FVTPL							
Customer deposits	27	3,690,295	3,690,295	-	3,437,915	2,935,105	-
Other financial liabilities	28	177,810	190,408	-	225,646	158,160	-
On-lending facilities	29	393,295	393,295	3	383,034	339,995	3
Borrowings	30	437,260	437,260	3	356,496	335,504	3
Debt securities issued	31	361,177	361,177	2	332,931	251,961	2

Bank

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

		At 31 December, 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	510,313	510,313	1&2	547,656	547,656	1
Investment securities (FGN bonds)	21	4,970	4,970	1	32,266	32,266	1
Derivative assets	19	88,826	88,826	2	57,219	57,219	2
Asset pledged as collateral		208,382	208,382	-	-	-	-
Carried at FVOCI :							
Investment securities (unquoted)	21	49,760	49,760	3	14,101	14,101	3
Carried at amortized cost:							
Cash and balances with central banks	15	902,073	902,073	-	907,265	907,265	-
Treasury bills	16	306,730	306,868	1	282,886	246,210	1
Assets pledged as collateral	17	592,935	585,826	1	468,010	407,334	1
Due from other banks	18	393,466	393,466	-	273,331	273,331	-
Loans and advances to customers	20	1,736,066	1,638,254	3	2,117,069	1,449,107	3
Investment securities	21	102,508	99,190	1	71,447	72,748	1
Other financial assets	24	58,406	58,406	-	42,752	40,546	-
Liabilities Carried at FVTPL							
Derivative liabilities	32	16,995	16,995	2	20,805	20,805	2
Carried at FVTPL							
Customer deposits	27	2,821,066	2,821,066	-	2,744,525	2,481,971	-
Other financial liabilities	28	212,006	212,006	-	221,846	168,830	-
On-lending facilities	29	393,295	393,295	3	383,034	339,995	3
Borrowings	30	458,463	458,463	3	418,979	335,504	3
Debt securities issued	31	361,177	361,177	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.

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2018

Financial instruments measured at fair value

At 31 December, 2018		At 31 December, 2018		
In millions of Naira	**Note**	**Level1**	**Level2**	**Level3**
Financial assets				
Treasury bills (FVTPL) (unpledged)	16	362,639	147,674	-
Treasury bills pledged under repurchase agreement (FVTPL)	16	179,259	553	-
FGN bonds FVTPL (unpledged)	21	4,970	-	-
Bonds pledged under repurchase agreement (FVTPL)	21	23,570	-	-
Derivative assets	19	-	88,826	-
Derivative liabilities	32	-	16,995	-
Investment securities (Unquoted)	21	-	-	49,760
		570,438	**254,048**	**49,760**

Reconciliation of Level 3 items	
At 1 January	14,101
Addition	34,200
Gain recognised through other comprehensive income	1,459
At 31 December, 2018	**49,760**

At 31 December, 2017		At 31 December, 2018		
In millions of Naira	**Note**	**Level1**	**Level2**	**Level3**
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 31 December, 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 31 December, 2018	Valuation technique	Significant unobservable input	Range of estimates (average) for unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Unquoted equity investment	N49.76 billion	Equity DCF model.	-Discount rate. -Estimate cash flow.	Risk premium of 11.50 -12.50% above risk-free interest rate (3.01%) (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 8-9% (15.20%) (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 31 December, 2018		At 31 December, 2017	
In millions of Naira	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes
Unquoted investment securities	2,140.00	(870.00)	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 31 December, 2018 included a risk premium 13.44% above the risk-free interest rate of 3.01% (with reasonably possible alternative assumptions of 12.44% and 13.44%) (31 December, 2017: 12.00% - 12.30% (12.09%) 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).

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2018

(c) Fair valuation methods and assumptions

(i) Cash and balances with central banks
Cash and balances with Central banks represent cash held (including mandatory cash reserve requirements of 31 December, 2018: N705 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.

(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 adoption of IFR9 with effect from January 2018 impacted the capital adequacy ratio (CAR) due the resultant additional impairment charge. However, the impact did not reduce the CAR below both our Internal Guidance and Regulatory Limit. This impact is however moderated with the introduction of a relieve-based Transitional Arrangements for treatment of expected Credit Loss by the Central Bank. This is meant to spread the IFR9 Impact over a four (4) year period ending 31 December 2020.

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 31 December 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.

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2018

	Group				Bank			
In millions of Naira	**31-Dec-18**	**Adjusted impact of IFRS 9 transition on 31-Dec-18**	**Adjusted Day-one impact of IFRS 9 transition on 01-Jan-18**	**31-Dec-17**	**31-Dec-18**	**Adjusted impact of IFRS 9 transition on 31-Dec-18**	**Adjusted Day-one impact of IFRS 9 transition on 01-Jan-18**	**31-Dec-17**
Tier 1 capital								
	Basel II	Basel II	Basel II	Basel II	Basel II	Basel II	Basel II	Base II
Share capital	15,698	15,698	15,698	15,698	15,698	15,698	15,698	15,698
Share premium	255,047	255,047	255,047	255,047	255,047	255,047	255,047	255,047
Statutory reserves	143,320	143,320	135,686	135,686	127,865	127,865	127,865	127,865
SMEIES reserve	3,729	3,729	3,729	3,729	3,729	3,729	3,729	3,729
Retained earnings	346,215	346,215	257,642	365,757	263,781	263,781	193,237	296,787
IFRS 9 Transitional Adjustment	-	64,901	86,493	-	-	62,129	82,840	-
Total qualifying Tier 1 capital	764,009	828,910	754,295	775,917	666,120	728,249	678,416	699,126
Deferred tax assets	(9,513)	(9,513)	(9,561)	(9,561)	(9,197)	(9,197)	(9,197)	(9,197)
Intangible assets	(16,678)	(16,678)	(12,989)	(12,989)	(15,399)	(15,399)	(12,088)	(12,088)
Adjusted Total qualifying Tier 1 capital	737,818	802,719	731,745	753,367	641,524	703,653	657,131	677,841
Tier 2 capital								
Other comprehensive income (OCI)	48,354	48,354	42,082	42,082	(9,858)	(9,858)	(8,399)	(8,399)
Total qualifying Tier 2 capital	48,354	48,354	42,082	42,082	(9,858)	(9,858)	(8,399)	(8,399)
Net Tier 2 Capital	48,354	48,354	42,082	42,082	-	-	-	-
Total regulatory capital	786,172	851,073	773,827	795,449	641,524	703,653	657,131	677,841
Risk-weighted assets								
Credit risk	2,050,298	2,050,298	2,306,892	2,306,892	1,755,076	1,755,076	2,066,961	2,066,961
Market risk	88,914	88,914	84,690	84,690	53,562	53,562	62,956	62,956
Operational risk	945,361	945,361	595,934	595,934	881,691	881,691	540,331	540,331
Total risk-weighted assets	3,084,573	3,084,573	2,987,516	2,987,516	2,690,329	2,690,329	2,670,248	2,670,248
Risk-weighted Capital Adequacy Ratio (CAR)	**25%**	**28 %**	**26 %**	**27%**	**24%**	**26%**	**25%**	**25%**

The adjusted day-1 capital adequacy computed reflect reliefs given by the CBN for Banks to account for the IFRS 9 adjustment to capital as follows:

	Percentage of IFRS 9 adjustment
Year 1	60%
Year 2	40%
Year 3	20%
Year 4	-%

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.

The Bank uses the following tools and methodologies in the implementation of its Operational Risk Management.

Risk and Control Self-Assessment (RCSA)

This is the process whereby risks that are inherent in Business Units strategies, objectives and activities are identified and the effectiveness of the controls over those risks evaluated and monitored bank wide. The Risk and Control Self-Assessment process address risks and controls comprehensively. It incorporates the process for evaluating and managing all aspects of risk that is inherent in how and where the business is done.

Key Risk Indicators (KRI) - Key Risk Indicator is measures which indicate the risk profile of the bank and any change thereof. KRIs act as early warning indicators and are used to monitor and predict potential operational loss events. KRIs are used in conjunction with system of thresholds. When the threshold or tolerance level for any KRI is breached, it triggers review, escalation or management action. Risk indicators help keep the operational risk management dynamic and risk profile current.

Loss Incident Reporting – Loss incidents are reported by all business units using the Loss incident reporting template. The discipline of collecting loss data is not only needed to understand the dimensions of risk the Bank faces but also used to motivate staff to consider and more actively control key elements of risk. The Bank-wide data collection promotes a dialogue within the Bank about determining the major operational risk exposures and reinforces more qualitative efforts to manage operational risk within each of the business lines.

Operational Risk Capital Computation – The Bank, based on Central Bank of Nigeria guideline, adopted basic indicator approach (BIA) in the calculation of its Operational Risk Capital adequacy. The estimated operational Risk Capital Charge is reported to the Board and management for capital planning and decision making.

Business Continuity Management (BCM)

In line with ISO 22301 Standards, the Bank has a robust documented Business Continuity Plan. The primary objective of this plan is to protect the bank in the event of an undesired

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event in the form of fire outbreak, flood, theft or robbery, thunderstorm, unexpected breakdown of systems, networks, equipment, etc or any other form of disaster. This plan ensures that the bank recover from disasters resulting in the partial or total loss of IT infrastructure and applications to normal business operations, in a timely, effective and efficient manner. The business continuity test is conducted at least once in a year The process is driven at a committee level but ably championed by the Risk Management Group.

Operational Risk Reporting

Periodic Operational Risk report highlighting key Operational risk identified are rendered to the Board, Management and other relevant stakeholders for awareness and prompt implementation of mitigation plans.

For timely Operational Risk Identification, Assessment, treatment and Monitoring, the Bank has acquired SAP-GRC solution and implementation has reached an advance stage, this will ensure prompt data collation/analysis, escalation and reporting of key Operational Risk events

There was no significant financial loss resulting from operational risk incidence during the period across the group. However major security concerns in the country still border around the Boko haram and herdsmen insurgencies. Steps are being taken to ensure stability in those conflict inflicted areas.

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.

3.10 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 noncompliance 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.

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 Policy before 1 January 2018

(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

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v) Other outstanding exposure
vi) Unconditional and conditional off-balance sheet exposure, in particular available limit
vii) Unamortized discount or premium.

4.1 Policy from 1 January 2018

(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 3.2.9 to 3.2.18.

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 3.2.18.

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 expected credit loss (ECL) model required under IFRS 9. 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:

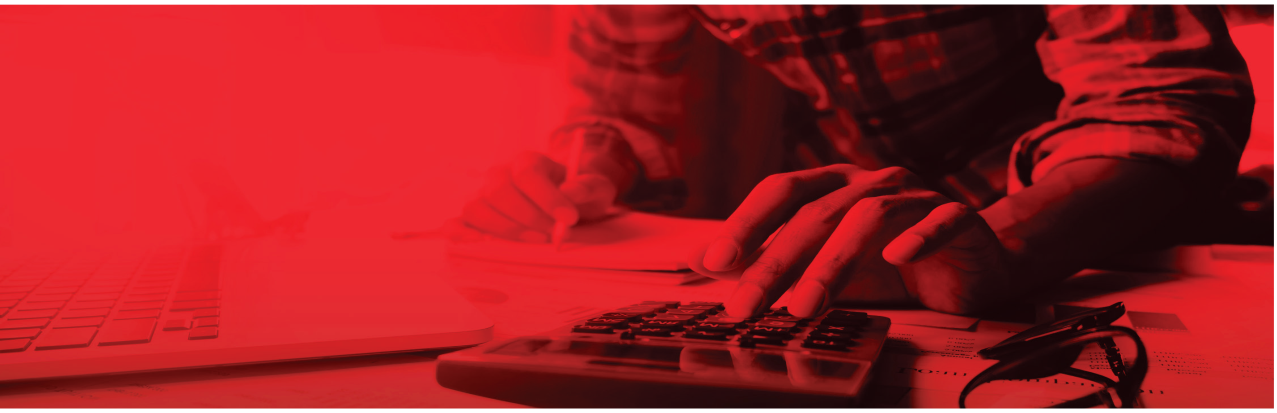
(a) Expenses for loan losses recognised in the profit and loss account should be determined based on the relevant IFRS. However, the allowance for loan losses determined under the IFRS should be compared with the loan loss provisions determined under the Prudential Guidelines. The differences between 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 31 December 2018.



Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2018

Provision for loan losses per prudential guidelines

		Bank	
In millions of Naira	**Note**	**31-Dec-18**	**31-Dec-17**
Loans and advances		122,087	109,405
Other financial assets		833	6,560
(a)		**122,920**	**115,965**
Impairment assessment under IFRS			
Loans and advances			
Specific allowance for impairment		-	68,443
Collective allowance for impairment		-	68,162
12-months ECL credit		14,092	-
Life-time ECL Not impaired		34,233	-
Life- time ECL credit impaired		136,673	-
(b)		**184,998**	**136,605**
Investment securities		-	-
12-Months ECL		763	-
(c)		**763**	**-**
Off balance sheet exposures		-	-
12-Month ECL		8,011	-
(d)		**8,011**	**-**
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 ECLLifetime ECL		1,628	-
Other non-financial assets		560	-
(e)		**2,188**	**143,165**
(f)=(b)+(c)+(d)+(e)		195,960	279,770
(G)=(a)-(f)		(73,040)	(163,805)
(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.

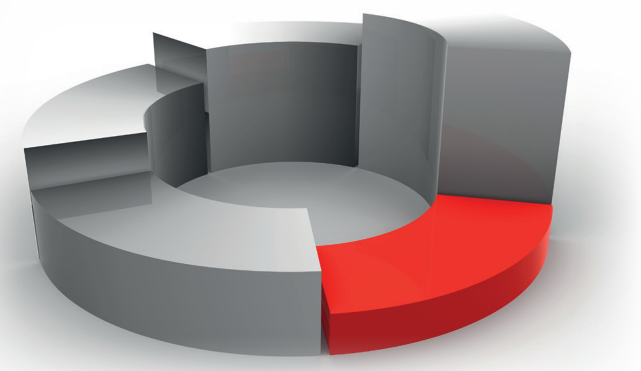
(b) Outside Nigeria Banking - Africa and Europe

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.

Segment profit before tax, as included in internal management reports reviewed by the Group's Executive Management, is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate within the same industries. Inter-segment pricing is determined on arm's length basis.

No single external cutomer accounts for 10% or more of the Group's revenue. The measurement policies the Group uses for segment reporting are the same as those used in its financial statements. There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

SEGMENT ANALYSIS



Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2018

Information regarding each reportable segment is included in the tables below. The tables also show the reconciliation of the amounts in the statement of profit or loss and statement of financial position for the reportable segments to the amounts in the Groups statement of profit or loss and statement of financial position.

In millions of Naira	Nigeria	Outside Nigeria				
31 December, 2018	**Corporate retail and pensions custodian services**	**Africa**	**Europe**	**Total reportable segments**	**Eliminations**	**Consolidated**
Revenue:						
Derived from external customers	542,490	68,492	19,362	630,344	-	630,344
Derived from other business segments	5,834	55	134	6,023	(6,023)	-
Total revenue*	**548,324**	**68,547**	**19,496**	**636,367**	**(6,023)**	**630,344**
Interest expense	(124,156)	(20,849)	(1,876)	(146,881)	2,423	(144,458)
Impairment loss on financial assets	(15,313)	(4,241)	1,182	(18,372)	-	(18,372)
Admin and operating expenses	(207,770)	(21,389)	(6,270)	(235,429)	(400)	(235,829)
Profit before tax	201,085	22,068	12,532	235,685	(4,000)	231,685
Tax expense	(28,585)	(7,313)	(2,363)	(38,261)	-	(38,261)
Profit after tax	**172,500**	**14,755**	**10,169**	**197,424**	**(4,000)**	**193,424**

In millions of Naira	Nigeria	Outside Nigeria				
31 December, 2018	**Corporate retail and pensions custodian services**	**Africa**	**Europe**	**Total reportable segments**	**Eliminations**	**Consolidated**
Capital expenditure**	33,761	126	389	34,276	-	34,276
Identifiable assets	4,979,886	454,391	681,443	6,115,720	(160,010)	5,955,710
Identifiable liabilities	4,282,935	381,524	601,502	5,265,961	(126,002)	5,139,959

* Revenues are allocated based on the location of the operations.

** Capital expenditure consists of expenditure on intangible assets and property and equipment during the period.

In millions of Naira	Nigeria	Outside Nigeria				
31 December, 2017	**Corporate retail and pensions custodian services*** **	**Africa**	**Europe**	**Total reportable segments**	**Eliminations**	**Consolidated**
Revenue:						
Derived from external customers	680,911	53,822	14,056	748,789	(3,600)	745,189
Derived from other business segments	3,058	-	148	3,206	(3,206)	-
Total revenue*	**683,969**	**53,822**	**14,204**	**751,995**	**(6,806)**	**745,189**
Interest expense	(200,672)	(17,776)	(1,394)	(219,842)	3,205	(216,637)
Impairment loss on financial assets	(95,267)	(557)	(2,403)	(98,227)	-	(98,227)
Admin and operating expenses (see note 43b)	(209,594)	(14,906)	(5,706)	(230,206)	(800)	(231,006)
Profit before tax	178,436	20,583	4,701	203,720	(4,401)	199,319
Tax expense	(18,891)	(5,602)	(1,035)	(25,528)	-	(25,528)
Profit after tax	**159,545**	**14,981**	**3,666**	**178,192**	**(4,401)**	**173,791**

In millions of Naira	Nigeria	Outside Nigeria				
31 December, 2017	**Corporate retail and pensions custodian services**	**Africa**	**Europe**	**Total reportable segments**	**Eliminations**	**Consolidated**
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	4,138,711	313,380	486,382	4,938,473	(155,336)	4,783,137

* 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.

*** see note 43b

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2018

In millions of Naira	Group		Bank	
	31 December, 2018	31 December, 2017	31 December, 2018	31 December, 2017
6. Interest and similar income				
Loans and advances to customers	273,179	314,683	258,440	295,932
Placement with banks and discount houses	13,886	6,733	6,608	552
Treasury bills	100,537	109,740	64,002	84,973
Government and other bonds	52,450	43,472	38,766	38,753
	440,052	**474,628**	**367,816**	**420,210**

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 N440,052 million (31 December, 2017: N474,628 million) and N367,816 million (31 December, 2017: N420,210 million) for Group and Bank respectively. Included in this amount is interest income on lease N671 million (31 December, 2017: N1,025 million)

7. Interest and similar expense

Current	10,952	10,029	10,258	9,403
Savings accounts	18,698	17,099	18,532	16,927
Time deposits	42,299	108,735	30,172	95,329
Borrowed funds and lease	72,509	80,774	65,194	79,013
	144,458	**216,637**	**124,156**	**200,672**

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 and non-financial instruments

Impairment charge on financial instruments				
Total impairment charge on loans and advances(see note 3.2.18)	13,303	98,204	9,396	95,244
Investment securities (see note 3.2.18)	(430)	-	207	-
Treasury Bills Impairment Charge (see note 3.2.18)	(1,237)	-	(1,111)	-
Other financial assets (see note 3.2.18)	395	23	383	-
Due from other Banks (see note 3.2.18)	1,938	-	931	-
Assets pledged as collateral (see note 3.2.18)	(1,078)	-	(1,078)	-
Total impairment charge on financial instruments	12,891	98,227	8,728	95,244
Impairment charge on non-financial instruments				
Off balance sheet impairment (see note 3.2.18)	5,337	-	6,441	-
Other non financial assets (see note 3.2.18)	144	-	144	-
	18,372	**98,227**	**15,313**	**95,244**

In millions of Naira	Group		Bank	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
9. Net income on Fee and commission				
Credit related fees	19,309	20,834	15,231	17,718
Commission on turnover	2,160	1,740	-	-
Account maintenance fee	18,008	27,710	18,008	27,710
Income from financial guarantee contracts issued	8,058	4,617	7,596	4,275
Fees on electronic products	20,422	14,145	19,307	13,250
Foreign currency transaction fees and commission	3,232	2,708	1,161	1,277
Asset based management fees	7,708	7,943	-	-
Auction fees income	3,239	1,894	3,239	1,894
Corporate finance fees	892	2,048	449	1,674
Foreign withdrawal charges	4,518	3,509	4,518	3,509
Commissions on agency and collection services	4,597	2,995	2,998	1,539
Total fee and Commission income	92,143	90,143	72,507	72,846
Fees and commission expense (see note 44)	(10,329)	(7,595)	(8,383)	(7,285)
	81,814	**82,548**	**64,124**	**65,561**

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 through profit or loss.

10. Other operating income

Dividend income from equity investments (see note a below)	1,795	900	5,395	4,500
Gain on disposal of property and equipment (see note 45(vii))	259	57	241	22
Provision for claims	-	8,404	-	8,404
Income on cash handling	601	557	428	423
Foreign currency revaluation gain (See note b below)	15,292	12,526	11,415	9,257
	17,947	**22,444**	**17,479**	**22,606**

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

(b) 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	(16,783)	68,711	(16,783)	68,711
Treasury bills trading income	94,478	88,895	94,478	88,895
Bonds trading income	2,507	368	2,507	368
	80,202	**157,974**	**80,202**	**157,974**

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2018

In millions of Naira	Group		Bank	
	31-Dec-18	31-Dec-17 Restated*	31-Dec-18	31-Dec-17 Restated*
12. Operating expenses				
Directors' emoluments (see note 36 (b))	1,418	1,479	735	551
Auditors' remuneration	822	693	535	510
Deposit insurance premium	11,500	11,683	11,500	11,683
Professional fees	4,149	3,442	3,557	2,997
Training and development	3,246	4,070	3,040	3,811
Information technology	10,137	12,686	9,418	12,109
Operating lease	3,411	3,771	2,133	2,331
Advertisement	9,612	8,819	9,204	8,577
Outsourcing services	8,672	9,583	8,672	9,583
Bank charges	4,022	2,984	3,527	2,765
Fuel and maintenance	20,908	19,367	17,168	16,371
Insurance	4,393	6,310	4,260	6,180
Licenses, registrations and subscriptions	3,015	2,871	2,521	2,567
Travel and hotel expenses	4,197	7,289	3,495	6,670
Printing and stationery	2,200	2,457	1,617	1,903
Security and cash handling	3,327	4,975	2,888	4,615
Fraud and forgery write-off	429	368	429	368
Fines & Penalties (see note 41)	10	-	10	-
Donations	3,101	2,624	3,065	2,611
AMCON levy (see note 43)	28,542	25,561	28,542	25,561
Telephone and postages	1,400	2,414	1,059	2,106
Corporate promotions	7,599	8,056	7,143	7,920
Others	1,787	3,391	58	1,063
	137,897	**144,893**	**124,576**	**132,852**

* see notes 43, 44

13. Taxation

(a) Major components of the tax expense

	Group 31-Dec-18	Group 31-Dec-17 Restated*	Bank 31-Dec-18	Bank 31-Dec-17 Restated*
Minimum tax expense (see note i below)	4,052	4,350	4,052	4,350
Income tax expense				
Corporate tax	11,031	8,878	-	-
Information technology tax	2,056	1,804	1,902	1,719
Dividend tax (see note (ii) below)	20,673	13,505	20,673	13,505
Prior year (over)/under provision	275	-	-	-
Tertiary Education tax	77	112	-	-
Current income tax	34,112	24,299	22,575	15,224
Deferred tax expense:	-	-	-	-
Origination/(reversal) of temporary differences	97	(3,121)	-	(3,156)
Income tax expense	34,209	21,178	22,575	12,068
Total tax expense	**38,261**	**25,528**	**26,627**	**16,418**

(i) Income tax liability as at 31 December, 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.

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

(ii) Included is N18.04 billion which represent dividend tax for 2018 financial year, the Bank was liable to dividend tax of N25.43 billion, representing 30% of N84.77 billion dividend paid as the Nigerian tax laws requires companies to pay tax calculated at 30% of the higher of taxable profit and dividend paid. However, total companies' Income tax payable based on minimum tax was N4.35 billion and the Bank had tax paid in prior year and tax credits amounting to N3.04 billion. Therefore, the difference between income tax payable assessed on dividend and income tax payable assessed on minimum tax amounted to N18.04 billion which was charged as tax expense during the period.

(b) Reconciliation of effective tax rate

Profit before income tax	231,685	199,319	192,107	169,421
Tax calculated at the weighted average Group rate of 30% (2017: 30%)	69,506	59,796	57,632	50,826
Tax effect of adjustments on taxable income				
Effect of tax rates in foreign jurisdictions	(1,377)	3	-	-
Non-deductable expenses	9,158	14,192	8,212	12,963
Tax exempt income	(84,852)	(85,699)	(83,488)	(84,408)
Minimum tax	4,052	4,350	4,052	4,350
Information technology levy	2,056	1,804	1,902	1,718
Dividend tax paid	20,673	13,505	20,673	13,505
Tertiary education tax	1,126	113	-	-
Unrecognised deductible temporary differences	17,644	17,464	17,644	17,464
Changes in estimate relating to prior year	275	-	-	-
Tax expense	**38,261**	**25,528**	**26,627**	**16,418**

In millions of Naira	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
(c) The movement in the current income tax payable balance is as follows:				
At start of the year	8,915	8,953	6,069	6,927
Tax paid	(37,925)	(28,522)	(26,742)	(20,431)
Tax effect of translation	-	(165)	-	-
Minimum tax	4,052	4,350	4,052	4,350
Current income tax charge (see note 13a)	34,112	24,299	22,575	15,223
At end of the year	**9,154**	**8,915**	**5,954**	**6,069**

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2018

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

14. Earnings per share

Basic earnings per share

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

	Group 31-Dec-18	Group 31-Dec-17 Restated*	Bank 31-Dec-18	Bank 31-Dec-17 Restated*
Profit attributable to shareholders of the Bank (N'million)	193,147	173,472	165,480	153,003
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 (Koba)	6.15	5.53	5.27	4.87

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

15. Cash and balances with central banks

Cash and balances with central banks consist of:

	Group 31-Dec-18	Group 31-Dec-17 Restated*	Bank 31-Dec-18	Bank 31-Dec-17 Restated*
Cash	148,266	150,883	133,466	136,711
Operating accounts and deposits with Central Banks	100,679	159,666	63,136	123,469
Mandatory reserve deposits with central bank (cash reserve) (see note (a))	624,782	566,425	624,782	566,396
Special Cash Reserve Requirement (see note (b))	80,689	80,689	80,689	80,689
	954,416	**957,663**	**902,073**	**907,265**
Current	954,416	957,663	902,073	907,265
Non current	-	-	-	-
Tax expense	**954,416**	**957,663**	**902,073**	**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 31-Dec-18	Group 31-Dec-17 Restated*	Bank 31-Dec-18	Bank 31-Dec-17 Restated*
Treasury bills (FVTPL)	510,313	547,656	510,313	547,656
Treasury bills (Amortized cost)	490,319	389,161	306,802	252,336
Treasury bill imparment allowance (see note 3.2.16)	(72)	-	(72)	-
	1,000,560	**936,817**	**817,043**	**799,992**
Classified as:				
Current	1,000,560	936,817	817,043	799,992
	1,000,560	**936,817**	**817,043**	**799,992**

In millions of Naira	Group		Bank	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
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).	23,819	109,990	20,847	-

17. Assets pledged as collateral

Treasury bills pledged as collateral	5,100	-	5,100	-
Bonds pledged as collateral	94,046	75,923	94,046	75,923
Treasury bills under repurchase agreement	373,336	267,028	373,336	267,028
Bonds under repurchase agreement	120,579	125,059	120,579	125,059
Assets Pledged Impairment Allowance	(126)	-	(126)	-
	592,935	**468,010**	**592,935**	**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) N28.18 billion (31 December, 2017: N4.55billion), Federal Inland Revenue Services N8.04 billion (31 December, 2017: N8.03billion), V-Pay N44.70 million (31 December, 2017: N44.59million), Interswitch Limited N2.15 billion (31 December, 2017: N2.14billion), the Bank of Industry (Nigeria) N44.03 billion (31 December, 2017: N50.41billion), E- Tranzact N44 million (31 December, 2017: N44.59million), CBN Real Sector Support Fund (RSSF) N13.95 billion (31 December, 2017: N10.70billion) and System Specs/RMITA N2.69 billion (31 December, 2017: Nil).

Assets exchanged under repurchase agreement as at 31 December, 2018 are with the following counterparties (note 30):

Counterparties	Carrying value of asset	Carrying value of liability	Carrying value of asset	Carrying value of liability
JP Morgan (see note 30)	154,577	108,416	154,577	108,416
ASSA (see note 30)	70,781	63,175	70,781	63,175
Standard Bank (see note 30)	91,164	49,023	91,164	49,023
First Abu Dhabi (see note 30) Societe	118,834	81,217	118,834	81,217
Generale Bank (see note 30) Standard	45,580	27,209	45,580	27,209
Bank London (see note 30)	12,979	36,926	12,979	36,926
	493,915	**365,966**	**493,915**	**365,966**

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2018

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

Assets exchanged under repurchase agreement as at 31 December, 2017 are with the following counterparties (note 30):

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

Classified as:				
Current	436,491	267,028	436,491	267,028
Non-current	156,444	200,982	156,444	200,982
	592,935	**468,010**	**592,935**	**468,010**

18. Due from other banks

current balances with banks within Nigeria	13,214	18,287	-	-
Current balances with banks outside Nigeria	204,724	273,721	196,384	264,598
Placements with banks and discount houses	458,305	203,795	198,013	8,733
Placement impairment allowance	(1,969)	-	(931)	
	674,274	**495,803**	**393,466**	**273,331**

Classified as:				
Current	674,274	495,803	393,466	273,331

Included in balances with banks outside Nigeria is the amount of N41.18 billion and N41.05 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).

In millions of Naira	Group		Bank	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
19. Derivative assets				
Instrument types:				
Forward contracts				
Fair value of assets	87,467	42,285	87,467	42,285
Futures contracts				
Fair value of assets	1,359	14,934	1,359	14,934
Total	**88,826**	**57,219**	**88,826**	**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 year, various derivative contracts entered into by the Group generated net loss of N(16.8) billion (31 December 2017 net gains of N68.7 billion), which were recognized in the statement of profit or loss and other comprehensive income.

All derivative assets are current.

20. Loans and advances

	Group 31-Dec-18	Group 31-Dec-17	Bank 31-Dec-18	Bank 31-Dec-17
Overdrafts	208,021	514,009	178,740	480,392
Term loans	1,419,276	1,355,300	1,353,101	1,253,817
On-lending facilities	385,922	379,195	385,922	379,195
Advances under finance lease	3,301	3,668	3,301	3,665
Gross loans and advances to customers	2,016,520	2,252,172	1,921,064	2,117,069
Less: Allowance for impairment (see note 3.2.18)	(193,409)	(151,810)	(184,998)	(136,605)
	1,823,111	**2,100,362**	**1,736,066**	**1,980,464**

	Group 31-Dec-18	Group 31-Dec-17	Bank 31-Dec-18	Bank 31-Dec-17
Gross Loans classified as:				
Current	608,556	822,775	566,279	784,059
Non-current	1,407,964	1,429,397	1,354,785	1,333,010
	2,016,520	**2,252,172**	**1,921,064**	**2,117,069**

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2018

Reconciliation of impairment allowance on loans and advances to customers:

Group

	Overdrafts	Term loans	On-lending facilities	Aclvances 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	1,3371	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 as 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 31 December, 2018 is presented in Note 3.2.18.

Reconciliation of impairment allowance on loans and advances to customers:

Bank

	Overdrafts	Term loans	On-lending facilities	Aclvances under finance lease	Total
Balance as 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	1,3371	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 as 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 31 December, 2018 is presented in Note 3.2.18.

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

21. Investment securities

(a) Analysis of investments

Debt securities				
Debt securities (measured at amortised cost)(see note iii)	513,154	284,584	102,508	71,447
Impairment allowance (see note 3.2.18)	(2,572)	-	(565)	-
Net debt securities measured at amortised cost	510,582	284,584	101,943	71,447
Debt securities (measured at fair value through profit or loss) (see note ii)	4,970	32,266	4,970	32,266
Net debt securities	515,552	316,850	106,913	103,713
Equity securities				
At fair value through other comprehensive income (see note i below)	49,760	14,101	49,760	14,101
	565,312	**330,951**	**156,673**	**117,814**

Classified as:				
Current	132,124	185,218	28,342	20,839
Non-current	433,188	145,733	128,331	96,975
	565,312	**330,951**	**156,673**	**117,814**

(i) 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.

(ii) The Group's debt securities measured at FVTPL comprise FGN bonds (2018: N2.99 billion; 2017: N32.27 billion) and Eurobonds (2018; N1.98 billion, 2017; Nil)

(iii) The Group's debt securities measured at amortised cost can be analysed as follows:

Classified as:				
FGN bonds	484,899	250,639	74,253	37,502
State bonds	24,663	31,401	24,663	31,401
Corporate bonds	3,592	2,544	3,592	2,544
	513,154	**284,584**	**102,508**	**71,447**

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2018

(b) Movement in investment securities

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

Group

In millions of Naira	Debt securities at fair value through profit orloss	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
Additions	1,978	230,573	34,200	266,751
Disposals	(27,408)	(10,086)	-	(37,494)
Gains from changes in fair value recognised in profit or loss (see note 11)	(1,990)	-	-	(1,990)
Gains from changes in fair value recognised in other comprehensive income	-	-	1,459	1,459
Interest accrued	124	8,083	-	8,207
Impairment	-	(2,572)	-	(2,572)
At 31 December, 2018	**4,970**	**510,582**	**49,760**	**565,312**
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 (see note 11)	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 31 December, 2017	**32,266**	**284,584**	**14,101**	**330,951**

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

Bank

In millions of Naira	Debt securities at fair value through profit orloss	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	1,978	27,475	34,200	63,653
Disposals	(27,408)	(1,252)	-	(28,660)
Gains from changes in fair value recognised in profit or loss (see note 11)	(1,990)	-	-	(1,990)
Gains from changes in fair value recognised in other comprehensive income	-	-	1,459	1,459
Interest accrued	124	4,838	-	4,962
Impairment	-	(565)	-	(565)
At 31 December, 2018	**4,970**	**101,943**	**49,760**	**156,673**
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 (see 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 31 December, 2017	**32,266**	**71,447**	**14,101**	**117,814**

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

22. Investment in subsidiaries

The following table lists the entities which are controlled by the Group, either directly or indirectly through subsidiaries.

Bank

Name of company	31-Dec-18	31-Dec-18	31-Dec-17
	Ownership interest%	Carrying amount	
Zenith Bank (Ghana) Limited	98.0700	6,444	6,444
Zenith Bank (UK) Limited	100.0000	21,482	21,482
Zenith Bank (Sierra Leone) Limited	99.9900	2,059	2,059
Zenith Bank (Gambia) Limited	99.9600	1,038	1,038
Zenith Pensions Custodian Limited	99.0000	1,980	1,980
Zenith Nominee Limited	99.0000	1,000	1,000
		34,003	34,003

All investments in subsidiaries are non-current.

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2018

22. Investment in subsidiaries (continued)

(b) Condensed results of consolidated entities

Bank

In millions of Naira 31 December, 2018	Zenith Group	Elimination entries	Zenith Bank Plc	Zenith Bank Ghana Ltd	Zenith Bank UK Ltd	Zenith Bank Sierra Leone Ltd	Zenith Bank Gambia Ltd	Zenith Pension Custodian Ltd	Zenith Nominee Ltd
Condensed statement of profit or loss									
Operating income	630,344	(6,023)	538,004	63,352	19,362	3,632	1,508	10,172	337
Operating expenses	(380,287)	2,023	(330,584)	(38,530)	(8,146)	(2,774)	(934)	(1,262)	(80)
Inpairment charge for financial assets	(18,372)	-	(15,313)	(4,222)	1,182	-	(19)	-	-
Profit before tax·	231,685	(4,000)	192,107	20,600	12,398	858	555	8,910	257
Taxation	(38.261)	-	(26,627)	(7,164)	(2,363)	-	(149)	(1,881)	(77)
Profit for the year	**193,424**	**(4,000)**	**165,480**	**13,436**	**10,035**	**858**	**406**	**7,029**	**180**
Condensed statement of financial position									
Assets									
Cash and balances with central banks	954,416	-	902,073	45,499	10	4,315	2,485	18	16
Treasury bills	1,000,560	-	817,043	161,811	-	12,047	8,388	-	1,271
Assets pledged as collateral	592,935	-	592,935	-	-	-	-	-	-
Due from other banks	674,274	(85,794)	393,466	70,744	276,835	2,876	2,807	13,340	-
Derivative asset held for risk management	88,826	-	88,826	-	-	-	-	-	-
Loans and advances	1,823,111	-	1,736,066	54,569	30,625	606	1,134	108	3
Investment securities	565,312	-	156,673	67,009	333,209	-	745	7,676	-
Investment in subsidiaries	-	(34,003)	34,003	-	-	-	-	-	-
Deferred tax asset	9,513	-	9,197	258	-	58	-	-	-
Other assets	80,948	(40,195)	75,910	3,395	39,653	650	122	1,382	31
Property and equipment	149,137	-	133,854	13,572	437	661	345	248	20
Intangible assets	16,678	-	15,399	154	674	36	88	270	57
	5,955,710	**(159,992)**	**4,955,445**	**417,011**	**681,443**	**21,249**	**16,114**	**23,042**	**1,398**

22. Investment in subsidiaries (continued)

31 December, 2018	Zenith Group	Elimination entries	Zenith Bank Plc	Zenith Bank Ghana Ltd	Zenith Bank UK Ltd	Zenith Bank Sierra Leone Ltd	Zenith Bank Gambia Ltd	Zenith Pension Custodian Ltd	Zenith Nominee Ltd
Liabilities & Equity									
Customer deposits	3,690,295	(200)	2,821,066	322,112	521,136	15,585	10,596	-	-
Derivative liabilities	16,995	-	16,995	-	-	-		-	-
Current income tax	9,154	-	5,954	1,225		(17)	106	1,809	77
Deferred income tax liabilities	67	-	-	-	-	-	17	50	-
Other liabilities	231,716	(104,586)	223,463	28,749	80,365	1,724	1,410	450	141
On-lending facilities	393,295	-	393,295	-	-	-	-	-	-
Borrowings	437,260	(21,203)	458,463	-	-	-	-	-	-
Debt securities issued	361,177	-	361,177	-	-	-	-	-	-
Equity and reserves	815,751	(34,003)	675,032	64,925	79,942	3,957	3,985	20,733	1,180
	5,955,710	**(159,992)**	**4,955,445**	**417,011**	**681,443**	**21,249**	**16,114**	**23,042**	**1,398**
Condensed statement of cash flow									
Net cash (used in)/from operating activities	94,352	(361,038)	184,314	(111)	271,182	-	1	4	-
Net cash (used in)/from financing activities	1,925	41,280	(39,355)	-	-	-	-	-	-
Net cash (used in)/from investing activities	(70,350)	286,247	(67,555)	(1)	(289,031)	2	1	(13)	-
Increase/ (decrease) in cash and cash equivalents	**25,927**	**(33,511)**	**77,404**	**(112)**	**(17,849)**	**2**	**2**	**(9)**	**-**
Cash and cash equivalents									
At start of year	916,342	306,625	533,511	39,392	32,604	704	2,842	664	-
Exchange rate movements on cash and cash equivalents	4,769	284	-	1,318	2,918	41	167	41	-
At end of year	947,038	273,398	610,915	40,598	17,673	747	3,011	696	-
Increase/ (decrease) in cash and cash equivalents	**25,927**	**(33,511)**	**77,404**	**(112)**	**(17,849)**	**2**	**2**	**(9)**	**-**

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2018

22. Investment in subsidiaries (continued)

31 December, 2017	Zenith Group	Elimination entries	Zenith Bank Plc	Zenith Bank Ghana Ltd	Zenith Bank UK Ltd	Zenith Bank Sierra Leone Ltd	Zenith Bank Gambia Ltd	Zenith Pension Custodian Ltd	Zenith Nominee Ltd
Condensed statement of profit or loss									
Operating income	745,189	(6,806)	673,636	49,008	14,204	2,908	1,906	10,333	-
Operating expenses	(447,642)	2,412	(408,971)	(29,910)	(7,100)	(1,772)	(1,001)	(1,301)	-
Impairment charge for financial assets	(98,227)		(95,244)	(555)	(2,403)		(2)	(23)	-
Profit before tax	199,320	(4,394)	169,421	18,543	4,701	1,136	903	9,009	-
Taxation	(25,528)		(16,418)	(5,334)	(1,035)		(268)	(2,473)	-
Profit for the year	**173,792**	**(4,394)**	**153,003**	**13,209**	**3,666**	**1,136**	**635**	**6,536**	**-**
Condensed statement of financial position									
Assets									
Cash and balances with central banks	957,663	-	907,265	45,525	14	1,866	1,959	34	1,000
Treasury bills	936,817	-	799,992	118,890	-	10,624	7,311	-	-
Assets pledged as collateral	468,010	-	468,010	-	-	-	-	-	-
Due from other banks	495,803	(145,193)	273,331	91,263	252,607	4,054	1,198	18,543	-
Derivative asset held for risk management	57,219	-	57,219	-	-	-	-	-	-
Loans and advances	2,100,362	-	1,980,464	72,319	46,237	335	948	59	-
Investment securities	330,951	-	117,814	1,721	210,360	-	731	325	-
Investment in subsidiaries	-	(34,003)	34,003	-	-	-	-	-	
Deferred tax asset	9,561	-	9,197	51	61	252	-	-	-
Other assets	92,494	(10,140)	56,052	935	44,086	252	144	1,165	-
Property and equipment	133,384	-	118,223	13,563	393	463	395	347	-
Intangible assets	12,989	-	12,088	171	329	41	97	263	-
	5,595,253	**(189,336)**	**4,833,658**	**344,438**	**554,087**	**17,887**	**12,783**	**20,736**	**1,000**

22. Investment in subsidiaries (continued)

31 December, 2017	Zenith Group	Elimination entries	Zenith Bank Plc	Zenith Bank Ghana Ltd	Zenith Bank UK Ltd	Zenith Bank Sierra Leone Ltd	Zenith Bank Gambia Ltd	Zenith Pension Custodian Ltd	Zenith Nominee Ltd
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	243,023	(92,615)	229,332	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	812,116	(34,001)	697,983	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	(443)	283,817	(255,750)	(6,729)	(22,817)	(263)	(1,195)	2,494	-
Net cash from/(used in) financing activities	235,378	(19,579)	268,165	(9,028)	-	-	(180)	(4,000)	-
Net cash from/(used in) investing activities	(49,336)	(22,560)	(45,262)	19,358	(2,575)	(89)	(46)	1,838	-
Decrease)/Increase in cash and cash equivalents	**185,599**	**241,678**	**(32,847)**	**3,601**	**(25,392)**	**(352)**	**(1,421)**	**332**	**-**
Cash and cash equivalents									
At start of year	727,399	68,695	566,358	35,791	57,996	(352)	(1,421)	332	-
Exchange rate movements on cash and cash equivalents	3,344	3,344	-	-	-	-	-	-	-
At year end	916,342	313,717	533,511	39,392	32,604	(704)	(2,842)	664	-
Decrease)/Increase in cash and cash equivalents	**185,599**	**241,678**	**(32,847)**	**3,601**	**(25,392)**	**(352)**	**(1,421)**	**332**	**-**

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2018

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 wholesale and investment banking 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.

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 for non-pension assets.

There are no significant restrictions on the ability of subsidiaries to transfer funds to the Group in the form of cash dividends or repayment of loans and advances.

Investment in associates:

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

There were no published price quotations for any associates of the Group. Furthermore, there are no significant restrictions on the ability of associates to transfer funds to the Group in the form of cash dividends or repayment of loans and advances.

	Group		Bank	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
Gross investment	103	1,312	103	1,312
Share of profit b/f	440	440	-	-
Diminution in investment	(543)	(1,752)	(103)	(1,312)
Balance at end of the year	-	-	-	-

23. Deferred tax asset

Group

31 December, 2018

Movements in temporary differences during the year

In millions of Naira	01-Jan-18	Recognised in profit or loss	31-Dec-18
Asset			
Property and equipment	(11,987)	(46)	(12,033)
Other assets	(2)	-	(2)
Unutilized capital allowances	14,682	-	14,682
Impairment allowance on not-credit impaired financial instruments	4,832	-	4,832
Tax loss carry forward	1,926	-	1,926
Foreign exchange differences	110	(2)	108
	9,561	**(48)**	**9,513**

Movements in temporary differences during the period

In millions of Naira	01-Jan-18	Recognised in profit or loss	31-Dec-18
Liabilities			
Property and equipment	2	49	51
Impairment allowance on not-credit impaired financial instruments	16	-	16
	18	**49**	**67**

31 December, 2017

Movements in temporary differences during the year

In millions of Naira	01-Jan-17	Recognised in profit or loss	31-Dec 17
Asset			
Property and equipment	(7,036)	(4,951)	(11,987)
Other assets	-	(2)	(2)
Impairment allowance on not-credit impaired financial instruments	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**

Movements in temporary differences during the year

In millions of Naira	01-Jan-17	Recognised in profit or loss	31-Dec-17
Liabilities			
Property and equipment	37	(35)	2
Impairment allowance on not-credit impaired financial instruments	8	8	16
	45	**(27)**	**18**

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2018

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

23. Deferred tax asset (continued)

Bank

31 December, 2018

Movements in temporary differences during the year

In millions of Naira	01-Jan-18	Recognised in profit or loss	31-Dec-18
Asset			
Property and equipment	(12,324)	-	(12,324)
Impairment allowance on not-credit impaired financial instruments	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

In millions of Naira	01-Jan-18	Recognised in profit or loss	31-Dec-18
Asset			
Property and equipment	(7,373)	(4,951)	(12,324)
Impairment allowance on not-credit impaired financial instruments	11,246	(6,334)	4,912
Unutilized capital allowances	2,168	12,515	14,683
Tax loss carried forward		1,926	1,926
	6,041	**3,156**	**9,197**

The Bank's deferred tax asset which principally arise from allowable loss, un-utilized capital allowance and impairment allowance on not credit-impaired financial instruments is N44.2 Billion as at 31 December, 2018. (31 December, 2017: N18.7 billion) Based on projected future taxable profits, expected growth of unutilised capital allowance and impairment allowance on not-credit impaired financial instruments, the Bank has restricted the deferred tax asset recognised as at 31 December, 2018 to N9.2 billion. Thus the Bank has not recognised deferred tax asset of N35.1 billion in these financial statements. The unrecognised deferred tax asset are attributable to:

	Group 31-Dec-18	Bank 31-Dec-18
Property and equipment	(2,066)	(2,066)
Capital allowance	6,801	6,801
Unrelieved losses	17,645	17,645
Impairment allowance on financial instruments not-credit impaired	12,665	12,665
Balance at end of the year	**35,045**	**35,045**

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	Group		Bank	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
24. Other assets				
Non financial assets				
Prepayments	19,398	15,166	17,322	13,300
Other non-financial assets	740	5,237	742	5,237
Gross other non-financial assets	20,138	20,403	18,064	18,537
less impairment	(560)	(416)	(560)	(416)
Net other non-financial assets	19,578	19,987	17,504	18,121
Other financial assets				
Electronic card related receivables	47,256	36,931	43,395	34,813
Intercompany receivables	-	-	637	1,075
Deposit for investment in AGSMEIS	13,822	5,964	13,822	5,964
Receivables	1,002	34,444	530	261
Deposits for shares	-	-	720	650
Gross other financial assets	62,080	77,339	59,104	42,763
Less: Impairment (see note 3.2.18)	(710)	(4,832)	(698)	(4,832)
Net other financial assets	61,370	72,507	58,406	37,931
Total	**80,948**	**92,494**	**75,910**	**56,052**
Classified as:				
Current	80,948	92,494	75,910	56,052
Non-current	-	-	-	-
	80,948	**92,494**	**75,910**	**56,052**

See note 3.2.18 for movement in impairment allowance for other financial asset as at 31 December, 2018.

Movement in impairment allowance for non financial assets				
At start of the year	416	416	416	416
Charge for the year (see note 8)	144	-	144	-
At end of the year	**560**	**416**	**560**	**416**

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2018

25. Property and equipment

Group

31 December, 2018	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	18,009	68,465	28,836	12,600	18,719	15,176	237,159
Additions	579	7,168	3,283	12,240	1,029	-	3,224	8,189	35,712
Reclassification/transfer from WIP	-	19	-	22	-	-	-	(41)	-
Reclassifications	-	(84)	56	(38)	(15)	-	-	-	(81)
Disposals / write off	-	-	(14)	(1,300)	(90)	-	(1,018)	(1,735)	(4,157)
At the end of the year	**29,055**	**53,981**	**21,334**	**79,389**	**29,760**	**12,600**	**20,925**	**21,589**	**268,633**

31 December, 2018	Leasehold land	Buildings	Leasehold improvements	Furniture and fittings and equipment	Computer equipment	Aircraft	Motor Vehicles	Work in progress	Total
Accumulated Depreciation									
At the start of the year	-	5,510	14,495	44,149	25,519	210	13,892	-	103,775
Charge for the year	-	1,016	2,392	7,900	1,989	1,260	2,091	-	16,648
Reclassifications	-	1	(4)	-	2	-	-	-	(1)
Disposals	-	-	(12)	(145)	(90)	-	(679)	-	(926)
At the end of the year	**-**	**6,527**	**16,871**	**51,904**	**27,420**	**1,470**	**15,304**	**-**	**119,496**
Net book amount									
At 31 December, 2018	**29,055**	**47,454**	**4,463**	**27,485**	**2,340**	**11,130**	**5,621**	**21,589**	**149,137**
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 (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.

The reclassification of N81 million (2017: N3,328 billion) represents reclassification of software to intangible assets.

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	38,815	15,780	65,564	26,078	12,600	16,916	12,015	216,244
Additions	579	4,751	2,093	11,028	911	-	2,950	8,189	30,501
Reclassification/transfer from WIP	-	19	1	21	-	-	-	(41)	-
Reclassifications	-	(84)	56	(38)	(15)	-	-	-	(81)
Disposals	-	-	(12)	(1,141)	(91)	-	(1,018)	-	(2,262)
At the end of the year	**29,055**	**43,501**	**17,918**	**75,434**	**26,883**	**12,600**	**18,848**	**20,163**	**244,402**

	Leasehold land	Buildings	Leasehold improvements	Furniture fittings and equipment	Computer Equipment	Aircraft	Motor Vehicle	Work in progress (WIP)	Total
Accumulated Depreciation									
At the start of the year	-	5,390	13,111	42,480	23,999	210	12,831	-	98,021
Charge for the year	-	816	1,259	7,816	1,419	1,260	2,055	-	14,625
Reclassifications	-	1	(4)	-	2	-	-	-	(1)
Disposals	-	-	(11)	(1,038)	(91)	-	(957)	-	(2,097)
At the end of the year	**-**	**6,207**	**14,355**	**49,258**	**25,329**	**1,470**	**13,929**	**-**	**110,548**
Net book amount									
At 31 December, 2018	**29,055**	**37,294**	**3,563**	**26,176**	**1,554**	**11,130**	**4,919**	**20,163**	**133,854**
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 year (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. The reclassification of N81 million (2017: N3,328 billion) represents reclassification of software to intangible assets.

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	Group		Bank	
In millions of Naira	**31-Dec-18**	**31-Dec-17**	**31-Dec-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	720	79	-	-
Reclassification from PPE	81	3,328	81	3,328
WIP (Additions)	2,158	6,228	2,158	6,228
Additions	3,928	466	3,260	60
At end of the year	**28,905**	**22,099**	**24,876**	**19,377**
Accumulated amortization				
At start of the year	9,110	7,353	7,289	5,858
Exchange difference	717	126	-	-
Reclassification from PPE	1	-	1	-
Disposal	-	-	-	-
Charge for the year	2,399	1,631	2,187	1,431
At the end of the year	**12,227**	**9,110**	**9,477**	**7,289**
Carrying amount at end of the year	**16,678**	**12,989**	**15,399**	**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.

The reclassification balance of N81 million (2017: N3,328 billion) represents reclassification from property and equipment.

27. Customers' deposits				
Demand	1,934,766	1,812,843	1,286,187	1,337,839
Savings	492,206	383,045	435,291	339,488
Term	462,433	572,461	368,816	460,484
Domiciliary	800,890	669,566	730,772	606,714
	3,690,295	**3,437,915**	**2,821,066**	**2,744,525**
Classified as:				
Current	3,690,295	3,437,915	2,821,066	2,744,525
	3,690,295	**3,437,915**	**2,821,066**	**2,744,525**

In millions of Naira	Group 31-Dec-18	Group 31-Dec-17 Restated*	Bank 31-Dec-18	Bank 31-Dec-17 Restated*
28. Other liabilities				
Other financial liabilities				
Customer deposits for letters of credit	41,179	69,308	41,046	69,163
Settlement payables	31,511	25,296	31,346	25,198
Managers' cheques	13,195	17,670	12,317	16,904
Due to banks for clean letters of credit	22,164	47,719	50,563	47,719
Deferred income on financial guarantee contracts (see note (b) below)	509	654	508	654
Sales and other collections	36,345	29,174	36,345	29,174
Unclaimed dividend	5,832	3,521	5,832	3,521
Finance lease obligation (see note (c) below)	11,568	12,049	11,568	12,049
AMCON payable (see note 43)	9,542	9,542	9,542	9,542
Electronic card related payables	4,266	1,687	3,903	1,505
Customer's foreign transactions payables	6,286	9,026	1,025	6,417
Off Balance Sheet ECL allowance (see note (a) below)	8,011	-	8,011	
Total other financial liabilities	**190,408**	**225,646**	**212,006**	**221,846**
Non financial liabilities				
Tax collections	**1,824**	3,604	1,578	3,416
Other payables	**39,484**	13,773	9,879	4,070
Total other non financial liabilities	**41,308**	17,377	11,457	7,486
Total other liabilities	**231,716**	**243,023**	**223,463**	**229,332**
Classified as:				
Current	**213,429**	221,922	205,176	208,232
Non-current	**18,287**	21,101	18,287	21,101
	231,716	**243,023**	**223,463**	**229,333**

(a) ECL allowance for off balance sheet exposure

In millions of Naira	2018	2017
Bonds and guarantee contracts	759	-
Undrawn portion of loan commitments	1,941	-
Letters of credit	5,311	-
	8,011	-

(b) The amounts above for financial guarantee contracts represents the deferred income initially recognised less cumulative amortisation

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

28. Other liabilities (continued)

(c) Finance lease obligation

The lease obligation relates to an Aircraft held under a finance lease arrangement by the Group. The net carrying amount of the aircraft, included within property and equipment is N11.13 billion as at 31 December, 2018. (31 December, 2017: the aircraft, included N12.39 billion)

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

In millions of Naira	Group 31-Dec-18	Group 31-Dec-17	Bank 31-Dec-18	Bank 31-Dec-17
Not more than one year	2,760	2,760	2,760	2,760
Over one year but less than five years	11,043	11,043	11,043	11,043
More than five years	10,123	12,884	10,123	12,884
Less future finance charge	(12,358)	(14,638)	(12,358)	(14,638)
At end of the year	**11,568**	**12,049**	**11,568**	**12,049**
The present value of finance lease liabilities is as follows:				
Not more than one year	915	490	915	490
Between one and five years	3,656	3,375	3,656	3,375
More than five years	6,997	8,184	6,997	8,184
At the end of the year	**11,568**	**12,049**	**11,568**	**12,049**

29. On-lending facilities

(a) This comprises:

In millions of Naira	Group 31-Dec-18	Group 31-Dec-17	Bank 31-Dec-18	Bank 31-Dec-17
Central Bank of Nigeria (CBN) Commercial Agriculture Credit Scheme Loan (i)	51,735	57,515	51,735	57,515
Bank of Industry (BOI) Intervention Loan (ii)	44,678	49,375	44,678	49,375
Central Bank of Nigeria (CBN) / Bank of Industry(BOI) - Power & Aviation intervention Funds (iii)	16,416	7,661	16,416	7,661
CBN MSMEDF Deposit (iv)	4,223	4,011	4,223	4,011
FGN SBS Intervention Fund (v)	139,835	142,999	139,835	142,999
Excess Crude Loan Facilty Deposit (vi)	88,226	92,812	88,226	92,812
Real Sector Support Facility (vii)	34,276	28,661	34,276	28,661
Non-Oil Export Stimulation Facility (viii)	13,906	-	13,906	-
	393,295	**383,034**	**393,295**	**383,034**
Classified as:				
Current	-	-	-	-
Non-current	393,295	383,034	393,295	383,034
	393,295	**383,034**	**393,295**	**383,034**

	Group		Bank	
In millions of Naira	**31-Dec-18**	**31-Dec-17**	**31-Dec-18**	**31-Dec-17**
(b) Movement in on-lending facilities				
At beginning of the year	383.034	350.657	383,034	350,657
Addition during the year	57,194	34,839	57,194	34,839
Repayment during the year	(46,933)	(2,462)	(46,933)	(2,462)
At end of the year	**393,295**	**383,034**	**393,295**	**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 (B0I) - SME / Manufacturing Intervention Fund represents an intervention credit granted to the Bank for the purpose of refinancing I restructuring existing loans to Small and Medium Scale Enterprises (SMEs) and Manufacturing Companies. The total facility is secured .by Nigerian Government Securities. The value of Government securities pledged as collateral is N50.63 billion (31 December 2018). The maximum tenor for term loans under the programme is 15 years while the tenor for working capital is one year, renewable Annually subject to a maximum tenor of five years. A management fee of 1% per annum is deductible at source in the first year, and quarterly in arrears thereafter, is paid by the Bank under the Intervention programme and the Bank is under obligation to on-lend to customers at an all-In interest rate of 7% per annum. The Bank is the primary obligor to CBN / BOI and assumes the risk of default.

(iii) The purpose of granting new loans and refinancing / restructuring existing loans to companies in the power and aviation industries is to support Federal Government's focus on the sectors. The facility is secured by Irrevocable Standing Payment Order (ISPO). The maximum tenor for term loans under the programme is 15 years while the tenor for working capital is one year, with option to renew the facility annually subject to a maximum tenor of five years. The facility attracts an interest rate of 1% per annum payable quarterly in arrears and the Bank is under obligation to on-lend to customers at an all-in interest rate of 7% per annum. 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 onlending 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 is disbursed to large enterprises and startups with 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 funds are received from the CBN at 3%, and disbursed at 9% to the beneficiary.

(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 N500billion 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 N5billion. 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% per annum.

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	Group		Bank	
Figures in Millions of Naira	**31-Dec-18**	**31-Dec-17**	**31-Dec-18**	**31-Dec-17**

30. Borrowings

Long term borrowing comprise:				
Due to ADB (i)	29,005	37,115	29,005	37,115
Due to KEXIM (ii)	4,726	5,861	4,726	5,861
Due to EIB (iii)	2,528	4,628	2,528	4,628
Due to PROPARCO (iv)	10,758	14,253	10,758	14,253
Societe Generale Bank (v)	27,209	-	27,209	-
Due to AFC	-	17,307	-	17,307
Due to ABSA Bank (vi)	63,175	50,310	63,175	50,310
Due to J P Morgan Chase Bank (vii)	108,417	33,198	108,416	33,198
Due to Standard Bank London (viii)	36,926	58,993	36,926	58,993
Due to Standard Bank South Africa (ix)	49,023	66,723	49,023	66,723
Due to IFC (x)	24,276	28,116	24,276	28,116
Due to First Abu Dhabi Bank (xi)	81,217	33,313	81,217	33,313
Due to British Arab Bank	-	6,679	-	6,679
Due to Zenith Bank (UK) (xii)	-	-	10,437	8,313
Due to Zenith Bank Ghana (xiii)	-	-	10,767	54,170
	437,260	**356,496**	**458,463**	**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 year (31 December, 2017: nil). The assets exchanged under repurchase agreements with counterparties are disclosed in note 17.

Classified as:				
Current	345,921	-	356,357	-
Non-current	91,339	356,496	102,106	418,979
	437,260	**356,496**	**458,463**	**418,979**

Movement in borrowings				
At beginning of the year	356,496	263,106	418,979	292,802
Addition during the year	370,606	102,373	391,810	193,088
Repayment during the year	(289,842)	(8,983)	(352,326)	(66,911)
At end of the year	**437,260**	**356,496**	**458,463**	**418,979**

(i) Due to ADB

The amount due to African Development Bank (ADB) of N29.01 billion (US $80.84 million) represents the outstanding balance from a dollar term loan facility to the tune of US $125 million granted by ADB on September 2014. The facility is repayable over 7 years. Interest is payable half-yearly at the rate of 6 months LIBOR + 3.6% per annum. The outstanding balance of N29.01 billion (US $80.51 million) will mature in February 2021.

(ii) Due to KEXIM

The amount of N4.73 billion (US $13.17 million) represents the outstanding balance from seven short term loan facilities of US $5.1million, US $4.98million, US $2.28million, US $6.72 million, US $5.58million, US $2.51 million and US $2.52 million granted by The Export-Import Bank of Korea (KEXIM) in February 2018, March 2018, April 2018, May 2018, June 2018, August 2018 and September 2018 respectively. Interest is payable monthly at 3 month LIBOR+1.74% for all running obligations.

The outstanding balances are N305.16 million (US $0.85 million), N446.97 million (US $1.25 million), N272.85 million (US $0.76 million), N1.01 billion (US $2.80 million), N1.00 billion (US $2.79 million), N601.49 million (US $1.67 million) and N679.10 million (US $1.89 million) respectively. Final repayments on these facilities are due in November 2018, February 2019, March 2019, April 2019, May 2019, June 2019, August 2019 and September 2019 respectively.

(iii) Due to European Investment Bank

The amount due to European Investment Bank (EIB) of N2.53 billion ($7.04 million) represents the outstanding balance from the 6-year dollar facility of US $27.32 million, with two (2) years moratorium, granted by the European Investment Bank (EIB) in 2013. Interest is payable at the rate of 6 months LIBOR + 2.74% per annum. The outstanding balance of N2.53 billion ($7.04 million) from the facility will mature in July 2019.

(iv) Due to Proparco

The amount due to Propaco of N10.76 billion (US $29.98 million) represents the outstanding balance of two tranches of the credit facilities to the tune of US $25m and US $50m granted by Promotion et Participation pour la Coopération économique (PROPARCO) in February and December 2013 respectively. The facilities are priced at 6 months Libor+3.76% and 6 months Libor+3.71% per annum and will mature in April 2020 and April 2021 respectively. Interest on each of the facilities are payable semi-annually. The outstanding balances for each facilities are N2.27 billion (US $6.32 million) and N8.49 (US $23.66 million) respectively.

(v) Societe Generale Bank

The amount of N27.21 billion (US $75.83 million) represents the amount payable by the Bank on a dollar repurchase facility of US$75 million granted by Societe Generale Bank in September 2018. Interest is payable on maturity at a Fixed rate of 5.00% and will mature in September 2019.

(vi) Due to ABSA

The amount of N63.18 billion (US $176.08 million) represents the amount payable by the Bank on dollar repurchase facilities of US$100 million and US$75 million granted by ABSA in September 2018 and November 2018 respectively. Interest is payable on maturity at a fixed rate of 4.95% and 5.20% per annum respectively. The facilities will mature in September 2019 and November 2019.

(vii) Due to JP Morgan

The amount of N108.42 billion (US $302.17 million) represents the outstanding balance on three short-term dollar facilities, each of US $100 million granted to the Bank in June, July and August 2018 by JP Morgan. Interest is payable upon maturity at the rate of 4.97%, 4.95% and 5.1% per annum and the facility will mature in March 2019, January 2019 and August 2019 respectively.

(viii) Due to Standard Bank London

The amount of N36.93 billion (US $102.92 million) represents the amount payable by the Bank from seven short term facilities of US $24.88 million, US $15 million, US $3.74 million, US $5.73 million, US $19.19 million, US $21.5 million and US $10.85 million granted by Standard Bank London in May 2018 (US $24.88 million, US $3.74 million, US $5.73 million and US $19.19 million), August 2018 (US $21.5 million) and September 2018 (US $10.85 million) and November 2018 (US $15 million).

Interest is payable at maturity at 4.81% (US $24.88 million), 5.35% (US $15 million), 4.80% (US $3.74 million), 4.78% (US $5.73 million), 4.78% (US $19.19 million), 4.92% (US $21.5 million) and 4.91% (US $10.85 million). The facilities will mature in May 2019 (US $24.88 million), October 2019 (US $15 million), April 2019 (US $3.74 million), January 2019 (US $5.73 million and US $19.19 million), August 2019 (US $21.5 million and US $10.85 million).

(ix) Due to Standard Bank South Africa

The amount of N49.02 billion ($136.63 million) represents the outstanding balance on two dollar short-term facilities of US $60

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million and US $75 million granted by Standard Bank of South Africa in April 2018 and July 2018 respectively. The first facility is priced at 3 months LIBOR plus 5% and the second facility at 3 months LIBOR plus 2.78%. The first facility is due to mature in April 2019, while the second facility has a maturity date in October 2020.

(x) Due to IFC

The amount of N24.28 billion (US $67.66 million) represents the amount payable by the Bank from a term loan facility of US $100million, with a 1.5 year moratorium, 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.

(xi) Due to First Abu Dhabi Bank

The amount of N81.22 billion ($226.36 million) represents the outstanding balance on three dollar short-term facilities of US $75 million, US $100 and US $50 million granted by First Abu Dhabi Bank in March 2018, August 2018 and September 2018 respectively. The first facility is priced at 3-month LIBOR plus 2.5% spread payable quarterly and would mature in February 2018, the second facility is priced at 4.95% payable at maturity and would mature in August 2019 while the third facility is priced at 4.95% payable quarterly and would mature in September 2019.

(xii) Due to Zenith Bank UK

The amount of N10.44 billion (US $29.08 million) represents a short dollar Term Loan facility of US $29 million from Zenith Bank UK granted in September 2018. It is priced at 5.0% with interest payable quarterly and principal payable at maturity date of March 2019. This amount has been eliminated on consolidation.

(xiii) Due to Zenith Bank Ghana

The amount N10.77 billion ($30.01 million) represents the outstanding balance on a short-term dollar facility of US $30 million availed to the Bank by Zenith Bank Ghana in December 2018. The facility priced at 7.5% per annum and is due to mature in December 2021. This amount has been eliminated on consolidation.

31. Debt securities issued

	Group		Bank	
in Millions of Naira	**31-Dec-18**	**31-Dec-17**	**31-Dec-18**	**31-Dec-17**
Due to Euro bond holders	361,177	332,931	361,177	332,931
	361,177	**332,931**	**361,177**	**332,931**

The amount of N361 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 year	27,778	6,064	27,778	6,064
Additional issue		152,239		152,239
Contractual repayment	(24,443)	21,164	(24,443)	21,164
Accrued interest during the year	24,911		24,911	
At end of the year	**361,177**	**332,931**	**361,177**	**332,931**

in Millions of Naira	Group 31-Dec-18	Group 31-Dec-17	Bank 31-Dec-18	Bank 31-Dec-17
Classified as:				
Current	180,720		180,720	
Non-current	180,457	332,931	180,457	332,931
	361,177	**332,931**	**361,177**	**332,931**

32. Derivative liabilities

Instrument types:				
Forward contracts				
Fair value of liabilities	16,236	6,124	16,236	6,124
Futures contracts				
Fair value of liabilities	759	14,681	759	14,681
	16,995	**20,805**	**16,995**	**20,805**
Classified as:				
Current	16,995	20,805	16,995	20,805
Non-current	-	-	-	-
	16,995	**20,805**	**16,995**	**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.

During the year, various forward contracts entered into by the Bank generated net loss of N16.78 billion (31 December 2017 net gain of N68.70 billion) which were recognized in the statement of profit or loss and other comprehensive income. These net loss/gains related to the fair values of the forward contracts, producing derivative assets and liabilities of N88.8 and N17.0 billion respectively (31 December, 2017 N57.2 and N20.8 billion respectively).

33. Share capital

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 year. The holders of ordinary shares are entitled to receive dividends, which are declared from time to time, also each shareholder is entitled to a vote at the meetings of the Bank. All ordinary shares rank equally with regards to the Group's residual assets.

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34. Share premium, retained earnings and other reserves

(a) There was no movement in the Share premium account during the current and prior year.

	Group		Bank	
in Millions of Naira	**31-Dec-18**	**31-Dec-17**	**31-Dec-18**	**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.

(i) 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.

(ii) 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)*	356,837
Recognition of expected credit losses under IFRS 9:	-
Loans and advances (and other assets)	(101,363)
Investment Securities	(1,773)
Asset pledged as collateral	(1,202)
Treasury bills	(1,305)
Off balance sheet exposure	(2,526)
Less portion from NCI	53
Opening balance under IFRS 9 (1 January 2018)	**248,721**

Bank	
in Millions of Naira	Impact of adopting IFRS 9 2018
Retained earnings	
Closing balance under IAS 39 (31 December 2017)'	287,867
Recognition of expected credit losses under IFRS 9:	-
Loans and advances	(99,233)
Investment Securities	(358)
Asset pledged as collateral	(1,202)
Treasury bills	(1,186)
Off balance sheet exposure	(1,571)
Opening balance under IFRS 9 (1 January 2018)	**184,317**

* See note 43

(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 year, a total of N24.82 billion (31 December, 2017: N22.95 billion) 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.

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

(f) Fair value reserve: Comprises fair value movements on equity instruments that are carried at fair value through other comprehensive income.

(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 31 December, 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 year were N4.05 billion and N3.15 billion respectively (31 December, 2017: N1.52 billion and N1.19 billion).

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

36. Personnel expenses

Compensation for the staff are as follows:

Other staff costs	6,547	7,107	5,536	6,340
Pension contribution	4,052	3,955	3,150	3,151
	68,556	**64,459**	**56,657**	**55,672**

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

	Number	Number	Number	Number
Executive directors	14	11	6	5
Management	443	428	387	380
Non-management	7,137	6,635	5,860	5,496
	7,594	**7,074**	**6,253**	**5,881**

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	1,566	869	1,114	472
N2,000,001 - N2,800,000	107	27	-	-
N2,800,001 - N4,000,000	706	779	626	759
N4,000,001 - N6,000,000	1,015	1,716	849	1,556
N6,000,001 - - N8,000,000	1,421	1,223	1,225	1,009
N8,000,001 - N9,000,000	841	796	833	670
N9,000,001 - and above	1,938	1,664	1,606	1,415
	7,594	**7,074**	**6,253**	**5,881**

	Group		Bank	
In millions of Naira	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
(b) Directors' emoluments				
The remuneration paid to directors are as follows:				
Executive compensation	1,048	773	550	305
Fees and sitting allowances	370	706	185	246
	1,418	**1,419**	**735**	**551**

Fees and other emoluments disclosed above include amounts paid to:

The Chairman	28	34
The highest paid director	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 31 December, 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	99.99%	1,038
Zenith Pensions Custodian Limited	99.00%	1,980
Zenith Nominee Limited	99.99 %	1,000

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31 December, 2018				
Transactions and balances with subsidiaries In millions of Naira	**Receivable from**	**Payable to**	**Income received from**	**Expense to**
Zenith Bank (UK) Limited	38,836	74,828	-	134
Zenith Bank (Ghana) Limited	14,169	491	2	-
Zenith Bank (Sierra leone) Limited	2,876	88	52	-
Zenith Bank (Gambia) Limited	97	59	1	-
Zenith Pensions Custodian Limited	200	2	3,600	2,288

31 December, 2017				
Transactions and balances with subsidiaries In millions of Naira	**Receivable from**	**Payable to**	**Income received from**	**Expense paid to**
Zenith Bank (UK) Limited	-	8,313	-	29
Zenith Bank (Ghana) Limited	880	54,170	-	-
Zenith Bank (Sierra leone) Limited	103	-	-	-
Zenith Bank (Gambia) Limited	92	-	-	-
Zenith Pensions Custodian Limited	-	239	-	3,058

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 N1,138 billion and N986 billion respectively (31 December, 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.

	Group		Bank	
In millions of Naira	**31-Dec-18**	**31-Dec-17**	**31-Dec-18**	**31-Dec-17**
Key management compensation				
Key management compensation	1,222	773	724	305
Retirement benefit cost	20	30	7	3
Fees and sitting allowances	262	676	77	243
	1,504	**1,479**	**808**	**551**

	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
Loans and advances				
At start of the year	199	292	225	264
Granted during the year	1,016	-	824	-
Repayment during the year	(35)	(93)	(27)	(39)
At end of of the year	**1,180**	**199**	**1,022**	**225**
Interest earned	41	15	41	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 specific impairment has been recognised in respect of loans granted to key management (December 31, 2017: Nil) as they are performing. Mortgage loans amounting to N1,180 million (December 31, 2017: N699 million) are secured by the underlying assets. All other loans are unsecured.

31 December, 2018 Name of company	Relationship/Name	Loans	Deposits	Interest received	Interest paid
Cyberspace Network	Common significant shareholder/Jim Ovia	-	226		-
Quantum Fund Management	Common significant shareholder/Jim Ovia	-	32	-	-
Zenith General Insurance Company Ltd	Common directorship/Jim Ovia	-	968	-	8
Directors deposits	-	-	1,660	-	6
Sirius Lumina Ltd	Director / Prof. Sam Enwemeka	3	-	-	-
		3	**2,886**	**-**	**14**

31 December, 2017 Name of company	Relationship/ Name	Loans	Deposits	Interest received	Interest paid
Cyberspace Network	Common directorship/Jim Ovia	-	692	3	-
Quantum Fund Management	Common directorship/Jim Ovia	-	64	-	-
Zenith General Insurance Company Ltd	Common directorship/Jim Ovia	-	1,051	-	9
Zenith Trustees 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 (31 December, 2017: Nil).

During the year, Zenith Bank Plc paid N1.86 billion as insurance premium to Zenith General Insurance Limited (31 December, 2017: N2.12 billion). These expenses were reported as operating expenses.

The amount of N3,425 billion (31 December, 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.

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2018

The Bank entered into a finance lease contract in October 2017 with Oviation Limited. Oviation Limited has two common Directors with Zenith Bank. The finance lease agreement has Zenith Bank as lessee for a Gulfstream jet over a tenor of 10 years with annual lease payments of 2.76 billion Naira. The lease transaction was conducted at arm's length and the lease obligation as at year end 31 December, 2018 (Note 28c) was11.57 billion (31 December, 2017 – 12.05 billion)

The Bank paid N12,192 million (31 December, 2017 N13,213 million) to Cyberspace Network for various Information technology services rendered during the year.

38. Contingent liabilities and commitments

(a) Legal proceedings

The Group is presently involved in 195 litigation suits in the ordinary course of business. The total amount claimed in the cases against the Group is estimated at N28 billion (31 December, 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.

(b) Capital commitments

At the reporting date, the Group had capital commitments amounting to N6.24 billion (31 December, 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	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
Performance bonds and guarantees (see note i below)	327,123	492,927	306,412	445,913
Usance (see note ii below)	147,189	141,283	147,189	141,283
Letters of credit (see note ii below)	356,939	381,917	321,754	287,645
	831,251	**1,016,127**	**775,355**	**874,841**
Pension Funds (See Note iii below)	3,425,398	2,961,650	3,425,398	2,961,650

(i) The transaction related performance bonds and guarantees are, generally, short-term commitments to third parties which are not directly dependent on the customer's creditworthiness. As at 31 December, 2018, performance bonds and guarantees worth N59.4 billion (31 December, 2017: N86.3 billion) are secured by cash while others are otherwise secured.

(ii) 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.

(iii) The amount of N3,425 billion (31 December, 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

	Group		Bank	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
Dividend proposed	87,910	84,771	87,910	84,771
Number of shares in issue and ranking for dividend	31,396	31,396	31,396	31,396
Proposed dividend per share (Naira)	2.80	2.70	2.80	2.7
Interim dividend paid (Naira)	0.30	0.25	0.30	0.25
Final dividend per share proposed	2.50	2.45	2.50	2.45
Dividend paid during the year	76,921	55,572	76,921	55,572
Interim dividend paid during the year	9,419	7,850	9,419	7,850
Total dividend paid during the year	86,340	63,422	86,340	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 N0.30 and a final dividend of N2.50 per share (31 December, 2017: interim; N0.25, final; N2.45) from the retained earnings account as at 31 December, 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 31 December, 2018 and 31 December, 2017 respectively.

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

40. Cash and cash equivalents

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

	Group		Bank	
In millions of Naira	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
Cash and cash balances with central bank (less mandatory reserve deposits)	248,945	310,549	196,602	260,180
Treasury bills (maturing within 3 months) (see note 16)	23,819	109,990	20,847	-
Due from other banks	674,274	495,803	393,466	273,331
	947,038	**916,342**	**610,915**	**533,511**

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2018

41. Compliance with banking regulations

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

S/N	Descripton	Amount Paid in Naira
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.

43. Prior period restatement

The Central Bank of Nigeria (CBN), pursuant to Section 9(c) of the AMCON(Amended) Act 2015, informed the Bank of its shortfall in contributions to the Banking Sector Resolution Cost Sinking Fund for the years 2016 and 2017. The shortfalls arose as a result of the erroneous application of the resolution Trust Deed's definition of "Total Assets". The definition of "Total Assets" was amended in 2015 to include off balance sheet items. However, the contribution made by the Bank did not include the off balance sheet items.

The actual payments for the shortfalls will be spread over a five year period commencing in 2019 as specified by the CBN. The full shortfall of N9.5 billion (N5.4billion- 2016 and N4.1billion- 2017), which is material to the Group has been adjusted for in these financial statements.

Consolidated statement of profit or loss and OCI

	Group			Bank		
31 December, 2017 In millions of Naira	**As previously reported**	**Adjustments**	**As restated**	**As previously reported**	**Adjustments**	**As restated**
Operating expenses	(148,346)	(4,142)	(152,488)*	(135,995)	(4,142)	(140,137)*
Other expenses	326,279	-	326,279	293,140	-	293,140
Profit after tax	**177,933**	**(4,142)**	**173,791**	**157,145**	**(4,142)**	**153,003**
Total comprehensive income	**180,615**	**(4,142)**	**176,473**	**154,594**	**(4,142)**	**150,452**

*See note 44

Consolidated statement of profit or loss and OCI

	Group			Bank		
1 January, 2017 In millions of Naira	**As previously reported**	**Adjustments**	**As restated**	**As previously reported**	**Adjustments**	**As restated**
Total asset	**4,739,825**	**-**	**4,739,825**	**4,283,736**	**-**	**4,283,736**
Other liabilities	208,680	5,400	214,080	243,736	5,400	249,136
Others	3,826,680	-	3,826,680	3,423,647	-	3,423,647
Total liabilities	**4,035,360**	**5,400**	**4,040,760**	**3,667,383**	**5,400**	**3,672,783**
Retained earnings	267,008	(5,400)	261,608	218,507	(5,400)	213,107
Others	437,457	-	437,457	397,846	-	397,846
Total shareholders' equity	**704,465**	**(5,400)**	**699,065**	**616,353**	**(5,400)**	**610,953**

	Group			Bank		
31 December, 2017 In millions of Naira	**As previously reported**	**Adjustments**	**As restated**	**As previously reported**	**Adjustments**	**As restated**
Total asset	**5,595,253**	**-**	**5,595,253**	**4,283,736**	**-**	**4,283,736**
Other liabilities	233,481	9,542	243,023	219,790	9,542	229,332
Others	4,540,114	-	4,540,114	3,906,343	-	3,906,343
Total liabilities	**4,773,595**	**9,542**	**4,783,137**	**4,126,133**	**9,542**	**4,135,675**
Retained earnings	365,757	(9,542)	356,215	296,787	(9,542)	287,245
Others	455,901	-	455,901	410,738	-	410,738
Total shareholders' equity	**821,658**	**(9,542)**	**812,116**	**707,525**	**(9,542)**	**697,983**

44. Comparatives

During the year expenses on electronic products was reclassified to fee and commission expense in order to present al revenue and expenses relating to fees and commission. Prior year comparatives for the year ended 31 December 2017 have also been adjusted to reflect this principle as presented in the notes below.

Restated operating expenses In millions of Naira	**Group 31-Dec-17**	**Bank 31-Dec-17**
Amount previously reported (see note 9)	152,488	140,137
Expenses on electronic products	(7,595)	(7,285)
Amount as restated	144,893	132,852

Restated Net income on fees and commission In millions of Naira		
Amount previously reported	90,143	72,846
Less: Fee and commission expense	(7,595)	(7,285)
Amount as restated	82,548	65,561

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2018

	Group		Bank	
In millions of Naira	**2018**	**2017**	**2018**	**2017**

45. Statement of cash flow workings

(i) Debt securities (see note 21)

31 December, 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 2018	32,266	284,584	32,266	71,447
Gains from changes in fair value recognised in profit or loss (see note 21)	(1,990)	-	(1,990)	
Additions	1,978	230,573	1,978	27,475
Disposals (sale, transfers and redemption)	(27,408)	(10,086)	(27,408)	(1,252)
Interest accrued	124	8,083	124	4,838
Coupon received	-	-	-	-
	4,970	**513,154**	**4,970**	**102,508**
Movement for cash flow statement	(25,306)	228,570	(25,306)	31,061
Recognised in cash flow statement	**-**	**(203,264)**	**-**	**(5,755)**

31 December, 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 atamortised cost
At 1 January 2017	9,702	173,124	9,702	92,268
Gains/(losses) from changes in fair value recognised in other comprehensive income (see note 11)	368	-	368	-
Exchange differences	-	952	-	-
	22,196	171,908	22,196	72,942
Additions	-	(75,541)	-	(95,432)
Disposals (sale and redemption)	-	26,684	-	11,211
Gains from changes in fair value recognised in profit or loss (see note 10)	-	(12,543)	-	(9,542)
	32,266	**284,584**	**32,266**	**71,447**
Movement for cash flow statement	22,196	110,508	22,196	(20,821)
Recognised in cashflow statement	**-**	**(132,704)**	**-**	**(1,375)**

	Group		Bank	
In millions of Naira	2018	2017	2018	2017

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

31 December, 2018

	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
Treasury bills (Amortised cost)	490,319	389,161	306,802	252,336
Treasury bills (with 3 months maturity)	(23,819)	(109,990)	(20,847)	-
Changes	466,500	279,171	285,955	252,336
Recognised in Cashflow statement	**(187,329)**		**(33,619)**	

31 December, 2017

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

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

31 December, 2018

	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
Treasury bills (FVTPL)	510,313	547,656	510,313	547,656
Recognised in Cashflow	**37,343**		**37,343**	

31 December, 2017

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

(iv) Loans and advances (see note 20)

31 December, 2018

	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
Gross loans and advances	2,016,520	2,252,172	1,921,064	2,117,069
Changes	235,652	-	196,005	-
Write off	**(73,962)**	**-**	**(60,235)**	**-**
	161,690	**-**	**135,770**	**-**

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2018

	Group		Bank	
In millions of Naira	**2018**	**2017**	**2018**	**2017**
In millions of Naira				
31 December, 2017				
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
Gross loans and advances	2,252,172	2,360,809	2,117,069	2,193,224
Changes	108,637	-	76,155	-
Write-back (specific)	(6,535)	-	(6,535)	-
Write-back (collective)	(7,196)	-	(7,196)	-
	94,906	**-**	**62,424**	**-**
(v) Customer deposits				
31 December, 2018				
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
As per financial statement	3,690,295	3,437,915	2,821,066	2,744,525
Changes	252,380	454,294	76,541	191,562
Interest payables	-	1,112	-	1,112
	252,380	**454,294**	**76,541**	**191,562**
31 December, 2017				
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
As per financial statement	3,437,915	2,983,621	2,744,525	2,552,963
Changes	454,294	-	191,562	-
	454,294	**-**	**191,562**	**-**
vi) Other liabilities (see note 29)				
31 December, 2018				
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
As per statement of financial position	231,716	243,023	223,463	229,332
Changes	11,307	(24,801)	5,869	23,946
Finance lease repayments	(2,760)	-	(2,760)	-
off balance sheet ECL allowance	8,011	-	8,011	-
VAT paid	(260)	(2,235)	(260)	(1,814)
Net cash movement	**(16,298)**	**(27,036)**	**(10,860)**	**22,132**

In millions of Naira	Group 2018	Group 2017	Bank 2018	Bank 2017

In millions of Naira

31 December, 2017

	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
As per statement of financial position	243,023	214,080	229,332	249,136
Changes	(28,944)	-	19,804	-
VAT paid	2,235	-	(1,814)	-
Net cash movement	**26,709**	**-**	**(17,990)**	**-**

(vii) Profit on disposal of property and equipment

	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
Cost (see note 25)	4,157	1,630	2,262	1,630
Accummulated depreciation (see note 25)	(926)	(1,446)	(2,097)	(1,446)
Net book value	3,231	184	165	184
Sales proceed	3,490	241	406	206
Profit on Disposal (see note 10)	**259**	**57**	**241**	**22**

(viii) Interest received

	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
Interest income as per financial statement	440,052	474,628	367,816	420,210
Interest receivables	(5,206)	-	(2,691)	-
Recognised in cash flow statement	**434,846**	**474,628**	**365,125**	**420,210**

(ix) Interest paid

	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
Interest income as per financial statement	144,458	216,637	124,156	200,672
Interest payables	(10,257)	(21,164)	(7,922)	(21,164)
Recognised in cash flow statement	**134,201**	**195,473**	**116,234**	**179,508**

(x) Other assets

	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
Other assets (see note 24)	79,678	87,246	74,652	50,804
Changes	7,568	-	(23,848)	-
Write off of asset	(4,518)	-	(4,518)	-
Recognised in cash flow statement	**3,050**	**-**	**(28,366)**	**-**

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2018

	Group		Bank	
In millions of Naira	**2018**	**2017**	**2018**	**2017**
	31-Dec-17	**31-Dec-16**	**31-Dec-17**	**31-Dec-16**
Other assets	92,494	37,513	56,052	35,410
Changes	(54,981)	-	(20,642)	-
Recognised in cash flow statement	**(54,981)**	**-**	**(20,642)**	**-**

(xi) Asset pledged as collateral

	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
Asset pledged as collateral	592,935	468,010	592,935	468,010
	-	468,010	592,935	468,010
Recognised in cashflow	**(124,925)**	**-**	**(124,925)**	**-**

(xii) Derivative Asset

	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
Forward contract	87,467	42,285	87,467	42,285
Future contract	1,359	14,934	1,359	14,934
	88,826	57,219	88,826	57,219
Recognised in cashflow	**(31,607)**	**25,641**	**(31,607)**	**25,641**

(xiii) Restricted balances (Cash Reserve)

	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
Mandatory reserve deposit with central bank	624,78	566,425	624,782	566,396
Special Cash Reserve	80,689	80,689	80,689	80,689
	705,471	647,114	705,471	647,085
Recognised in cashflow	**(58,357)**	**(118,930)**	**(58,386)**	**(119,078)**

(xiv) Derivative liabilities	**Group**	**Group**	**Bank**	**Bank**
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
Forward Contract	16,236	6,124	16,236	6,124
Futures Contract	759	14,681	759	14,681
	16,995	20,805	16,995	20,805
Recognised in cashflow	**(3,810)**	**(46,029)**	**(3,810)**	**(46,029)**

04

Other National Disclosures

Value Added Statement

In millions of Naira	31-Dec-18	31-Dec-18 %	31-Dec-17 Restated*	31-Dec-17 %
Group				
Gross income	630,344		745,189	
Interest expense				
- Local	(49,224)		(194,873)	
- Foreign	(95,234)		(21,764)	
	485,886		528,552	
Impairment loss on financial and non-financial instruments	(18,903)		(98,227)	
	466,983		**430,325**	
Bought-in materials and services				
- Local	(65,388)		(149,894)	
- Foreign	(72,509)		(2,594)	
Value added	**329,086**	100	**277,837**	100
Distribution				
Employees				
Salaries and benefits	68,556	21	64,459	23
Government				
Income tax	38,261	12	25,528	9
Retained in the Group				
Replacement of property and equipment/ intangible assets	19,047	6	14,059	5
To pay proposed dividend	84,771	26	84,771	31
Profit for the year (including statutory, small scale industry, and non-controling interest)	118,451	35	89,020	32
Total Value Added	**329,086**	100	**277,837**	100

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

* See note 43

In millions of Naira	31-Dec-18	31-Dec-18 %	31-Dec-17 Restated*	31-Dec-17 %
Bank				
Gross income	538,004		673,636	
Interest expense				
- Local	(51,647)		(198,078)	
- Foreign	(72,509)		{2,594)	
	413,848		472,964	
Impairment loss on financial and non-financial instruments	(15,313)		(95,244)	
	398,535		**377,720**	
Bought-in materials and services				
- Local	(121,999)		(137,560)	
- Foreign	(2,577)		(2,577)	
Value added	**273,959**	100	**237,583**	100
Distribution				
Employees				
Salaries and benefits	56,657	21	55,672	23
Government				
Income tax	26,627	10	16,418	7
Retained in the Bank				
Replacement of property and equipment/ intangible assets	16,812	6	12,490	5
To pay proposed dividend	84,771	33	84,771	35
Profit for the year (including statutory, small scale industry, and non-controling interest)	80,709	30	72,374	30
Total Value Added	**265,576**	100	**241,725**	100

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

* See note 43

Five Year Financial Summary

In millions of Naira	31-Dec-18	31-Dec-17	31-Dec-16	31-Dec-15	31-Dec-14
		Restated*	Restated*		
Group					
Statement of Financial Position					
Assets					
Cash and balances with central banks	954,416	957,663	669,058	761,561	752,580
Treasury bills	1,000,560	936,817	557,359	377,928	295,397
Assets pledged as collateral	592,935	468,010	328,343	265,051	151,746
Due from other banks	674,274	495,803	459,457	272,194	506,568
Derivative assets	88,826	57,219	82,860	8,481	17,408
Loans and advances	1,823,111	2,100,362	2,289,365	1,989,313	1,729,507
Investment securities	565,312	330,951	199,478	213,141	200,079
Investments in associates	-	-	-	530	302
Deferred tax	9,513	9,561	6,440	5,607	6,449
Other assets	80,948	92,494	37,536	22,774	21,455
Property and equipment	149,137	133,384	105,284	87,022	71,571
Intangible assets	16,678	12,989	4,645	3,240	2,202
Total assets	**5,955,710**	**5,595,253**	**4,739,825**	**4,006,842**	**3,755,264**
Liabilities					
Customers deposits	3,690,295	3,437,915	2,983,621	2,557,884	2,537,311
Derivative liabilities	16,995	20,805	66,834	384	6,073
Current tax payable	9,154	8,915	8,953	3,579	10,042
Deferred income tax liabilities	67	18	45	19	
Other liabilities	231,716	243,023	214,080	205,062	289,858
On-lending facilities	393,295	383,034	350,657	286,881	68,344
Borrowings	437,260	356,496	263,106	258,862	198,066
Debt securities issued	361,177	332,931	153,464	99,818	92,932
Total liabilities	**5,139,959**	**4,783,137**	**4,040,760**	**3,412,489**	**3,202,626**
Net assets	**815,751**	**812,116**	**699,065**	**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	322,237	356,837	261,608	200,115	183,396
Other Reserves	221,231	183,217	165,729	122,900	97,945
Attributable to equity holders of the parent	814,213	810,799	698,082	593,760	552,086
Non-controlling interest	1,538	1,317	983	593	552
Total shareholders' equity	**815,751**	**812,116**	**699,065**	**594,353**	**552,638**

* See note 43

In millions of Naira	31-Dec-18	31-Dec-17	31-Dec-16	31-Dec-15	31-Dec-14
		Restated*	Restated*		
Statement Of Profit Or Loss And Other Comprehensive Income					
Gross earnings	630,344	745,189	507,997	432,535	403,343
Share of profit / (loss) of associates	-	-	-	228	138
Interest expense	(144,458)	(216,637)	(144,378)	(123,597)	(106,919)
Operating and direct expenses	(235,829)	(231,006)	(179,921)	(167,877)	(163,702)
Impairment charge for financial assets	(18,372)	(98,227)	(32,350)	(15,673)	(13,064)
Profit before taxation	**231,685**	**199,319**	**151,348**	**125,616**	**119,796**
Income tax	(38,261)	(25,528)	(27,096)	(19,953)	(20,341)
Profit after tax	**193,424**	**173,791**	**124,252**	**105,663**	**99,455**
Foreign currency translation differences	4,828	5,233	30,338	637	3,282
Fair value movements on equity instruments	1,459	(2,551)	6,636	(1,752)	2,549
Related tax	-	-	-	-	
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	(2,771)
Borrowings	-	-	-	-	760
	6,287	**2,682**	**36,974**	**(1,115)**	**3,820**
Total comprehensive income	**199,711**	**176,473**	**161,226**	**104,548**	**103,275**
Earning per share:					
Basic and diluted	615 K	553 K	395 K	336 K	316 K

* See note 43

Five Year Financial Summary

In millions of Naira	31-Dec-18	31-Dec-17	31-Dec-16	31-Dec-15	31-Dec-14
		Restated*	Restated*		
Bank					
Statement of Financial Position					
Assets					
Cash and balances with central banks	902,073	907,265	627.385	735.946	728.291
Treasury bills	817,043	799,992	463,787	330,900	253,414
Assets pledged as collateral	592,935	468,010	325,575	264,320	151,746
Due from other banks	393,466	273.331	354,405	266,894	470,139
Derivative assets	88,826	57,219	82,860	8,481	16,896
Loans and advances	1,736,066	1,980,464	2,138,132	1,849,225	1,580,250
Investment securities	156,673	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	75,910	56,052	35,410	21,673	19,393
Assets classified as held for sale	-	-	-	-	-
Property and equipment	133,854	118,223	94,613	81,187	69,531
Intangible assets	15,399	12,088	3,903	2,753	1,901
Total assets	**4,955,445**	**4,833,658**	**4,283,736**	**3,750,327**	**3,423,819**
Liabilities					
Customers deposits	2,821.066	2,744.525	2,552,963	2.333,017	2,265,262
Derivative liabilities	16,995	20,805	66,834	384	6,073
Current tax payable	5,954	6,069	6,927	2,534	7,709
Deferred income tax liabilities	-	-	-	-	-
Other liabilities	223,463	229,332	249,136	212,636	272,726
On-lending facilities	393,295	383,034	350,657	286,881	68,344
Borrowings	458,463	418,979	292,802	268,111	198,066
Debt securities issued	361,177	332,931	153,464	99,818	92,932
Total liabilities	**4,280,413**	**4,135,675**	**3,672,783**	**3,203,381**	**2,911,112**
Net assets	**675,032**	**697,983**	**610,953**	**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	238,635	287,867	213,107	160,408	150,342
Other reserves	165,652	139,371	127,101	115,793	91,620
Attributable to equity holders of the parent	675,032	697,983	610,953	546,946	512,707
Total shareholders' equity	**675,032**	**697,983**	**610,953**	**546,946**	**512,707**

* See note 43

In millions of Naira	31-Dec-18	31-Dec-17	31-Dec-16	31-Dec-15	31-Dec-14
		Restated*	Restated*		
Statement Of Profit Or Loss And Other Comprehensive Income					
Gross earnings	538,004	673,636	454,808	396,653	372,015
Interest expense	(124,156)	(200,672)	(131,910)	(114,936)	(98,439)
Operating and direct expenses	(206,428)	(208,299)	(162,076)	(155,406)	(152,335)
Impairment charge for financial assets	(15,313)	(95,244)	(26,295)	(11,091)	(12,392)
Profit before tax	**192,107**	**169,421**	**134,527**	**115,220**	**108,849**
Income tax	(26,627)	(16,418)	(20,642)	(16,436)	(15,370)
Profit after tax	**165,480**	**153,003**	**113,885**	**98,784**	**93,479**
Other comprehensive income	-	-	-	-	-
Fair value movements on equity instruments	1,459	(2,551)	6,636	(1,752)	2,549
Tax effect of equity instruments at fair value	-	-	-	-	-
	1,459	**(2,551)**	**6,636**	**(1,752)**	**2,549**
Total comprehensive income	**166,939**	**150,452**	**120,521**	**97,032**	**96,028**
Earning per share:					
Basic and diluted	527 K	487 K	362 K	315 K	295 K

* See note 43

Share Capital History

Financial year	Nominal value of shares (=N=)	Number of shares (units)	Nominal value per shares (=N=)
30-Jun-91	24,839,000.00	24,839,000.00	1
30-Jun-92	54,407,000.00	54,407,000.00	1
30-Jun-93	57,897,352.00	57,897,352.00	1
30-Jun-94	90,062,000.00	90,062,000.00	1
30-Jun-95	178,744,000.00	178,744,000.00	1
30-Jun-96	242,830,000.00	242,830,000.00	1
30-Jun-97	244,054,000.00	244,054,000.00	1
30-Jun-98	512,513,000.00	512,513,000.00	1
30-Jun-99	512,513,000.00	512,513,000.00	1
30-Jun-00	513,329,000.00	513,329,000.00	1
30-Jun-01	1,026,658,000.00	1,026,658,000.00	1
30-Jun-02	1,026,658,000.00	1,026,658,000.00	1
30-Jun-03	1,548,555,000.00	1,548,555,000.00	1
30-Jun-04	1,548,555,000.00	3,097,110,000.00	0.5
30-Jun-05	3,000,000,000.00	6,000,000,000.00	0.5
30-Jun-06	4,586,744,450.00	9,173,488,900.00	0.5
30-Jun-07	4,632,762,150.00	9,265,524,300.00	0.5
30-Sep-08	8,372,398,343.00	16,744,796,686.00	0.5
31-Dec-09	12,558,597,514.50	25,117,195,029.00	0.5
31-Dec-10	15,698,246,893.00	31,396,493,786.00	0.5
31-Dec-11	15,698,246,893.00	31,396,493,786.00	0.5
31-Dec-12	15,698,246,893.00	31,396,493,786.00	0.5
31-Dec-13	15,698,246,893.00	31,396,493,786.00	0.5
31-Dec-14	15,698,246,893.00	31,396,493,786.00	0.5
31-Dec-15	15,698,246,893.00	31,396,493,786.00	0.5
31-Dec-16	15,698,246,893.00	31,396,493,786.00	0.5
31-Dec-17	15,698,246,893.00	31,396,493,786.00	0.5
31-Dec-18	15,698,246,893.00	31,396,493,786.00	0.5

Style by Zenith

A BLEND OF LIFESTYLE AND ENTERTAINMENT MASTERPIECE

The "Style by Zenith" Fair was truly an exciting and captivating event. Dubbed 'Nigeria's Biggest Lifestyle Fair', for a first edition, it truly surpassed expectations.

The two-day fair, which held on Saturday, December 29 and Sunday, December 30 at the Open Ground after Four Points by Sheraton, Oniru and attracted a rich mix of attendees including celebrities, influencers, fashion enthusiasts, shopaholics and families, was a potpourri of lifestyle activities featuring runway modelling by leading Nigerian and international models accessorized by top designers, modelling masterclasses, exhibition of lifestyle, beauty, health & fitness products, games arcade for children as well as a 2-day musical concert.
Attendance to the fair was free and products, which were sold out, came at massive discounts, to enable consumers and customers network with the exhibitors for future business transactions.

The modelling masterclasses provided fashion entrepreneurs and enthusiasts the opportunity to learn from international and Nigerian fashion icons like Oraine Berrett, Mercy Ajisafe, Bonang Matheba, Jane Michael Ekanem, Tarmar Awobutu, Akin Ogunranti and Wunmi Ogunbiyi, amongst others.
The evening concerts, which were hosted by Ilrymz alongside Eku Edewor and Mercy Ajisafe, featured A-list Nigerian artistes and a special guest performance by American RnB singer, Bobby Valentino.

"STYLE BY ZENITH": A BLEND OF LIFESTYLE AND ENTERTAINMENT MASTERPIECE

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Chairman, Zenith Bank Plc, Jim Ovia (CON) officially opening the Style by Zenith Fair


Chairman, Zenith Bank Plc, Jim Ovia patronising a vendor at the Style by Zenith Fair


Chairman, Zenith Bank Plc, Jim Ovia with the GMD/CEO, Peter Amangbo observing the runway show


Chairman, Zenith Bank Plc – Jim Ovia, with Deputy Managing Directors (Zenith Bank), Adaora Umeoji, and Ebenezer Onyeagwu


Tuface Idibia


Wande Coal


DMD (Zenith Bank), Ebenezer Onyeagwu and GM/ Chairperson Style by Zenith, Adobi Nwapa.

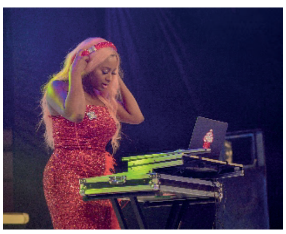

Bobby Valentino


Executive Directors (Zenith Bank), Dennis Olisa, Temitope Fasonranti and Umar Shuaib


Timaya


Kizz Daniel


Kenny Blaq


Dj Cuppy


Mayorkun


Masterclass judges, GM, Zenith Bank Akin Ogunranti, Bonang Matheba and Mercy Ajisafe


Models Rocking the Runway

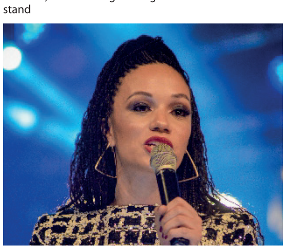

Adekunle Gold


Vice President, World Bank Arunma Oteh, MD Zenith Bank UK, Pamela Yough with guests at an exhibitor stand


Simi


Tobi Bakre and Joro Olumofin


DMD (Zenith Bank), Adaora Umeoji


Eku Edewor


Titi Awokoya and Adobi Nwapa


Waje


GMD/CEO, Zenith Bank Plc, Peter Amangbo with his wife, Chinyelu Amangbo.

Oraine Barrett mentoring at the Modeling masterclass


Kunle Afolayan rocks the runway


DMD (Zenith Bank), Adaora Umeoji with Adobi Nwapa, Ebele Ejiofor, Purity, and Ada Anumba


DMD (Zenith Bank) , Ebenezer Onyeagwu flanked by GM, Wunmi Ogunbiyi and DGM, Adamu Lawani.


Tilewa Babalogbon, a guest, Oraine Barrett and Adobi Nwapa


DMD (Zenith Bank), Ebenezer Onyeagwu with a guest


Alex


DGM, Tilewa Babalogbon with Ireti Doyle and Shaffy Bello


Doris Agbakhamen with a guest

Model Masterclass judges, GM, (Zenith Bank) Wunmi Ogunbiyi (Miss Nigeria 1989) with Tamar Awobotu and Mercy Ajisafe


Kelechi Ogbuaku, Bukky Latunji (GM) and Uzo Ayonmike observing the runway show


Fun time in the Children's Arcade


Henry Ugwuadu, Akin Ogunranti, Chuks Okoh, Felix Anavhe and Marcel Eguabor


Food Court


Exhibitors at the fair


Attendees at the Style by Zenith fair


DMDs (Zenith Bank) ,Ms Adaora Umeoji and Ebenezer Onyeagwu rocking the runway


Child model rocking the runway

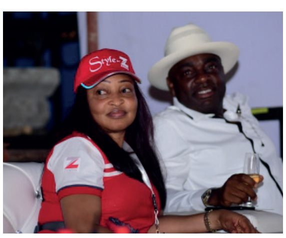

Bonang Matheba


A view of the Entrance Facade at the Style by Zenith Fair


Customer Experience Center


Attendees at the registration point

Payment gallery at the Customer Experience Center


Chairperson, Style by Zenith, Adobi Nwapa with Ernest Nwapa


Models rocking the runway


Uti Nwachukwu with friends


Ebele Ejiofor, Ada Anumba and Victoria Enweronu


They have a future,
how secure is it?
Open a ZECA account
for your child
ZECA
Zenith Children's Account

VERITAS REGISTRARS
RC 510155

Veritas Registrars Limited (formerly Zenith Registrars Limited)
Plot 89A, Ajose Adeogun Street, P. O. Box 75315, Victoria Island, Lagos
Telephone: (01) 27089304, 2784167-8; Fax:(01)2704085
enquiry@veritasregistrars.com
www.veritasregistrars.com

e-BONUS (DIRECT CREDIT TO CSCS ACCOUNT)

Account No: ____________________

I/We have ____________________ units of **Zenith Bank Plc** shares.

I/We hereby request and authorise you to credit my/our CSCS account (statement attached) with BONUS accruing on my/our holdings.

I/We indemnify the Directors of Zenith Bank Plc against all claims and demands (and any case expense thereof which may be made in consequence of your complying with this instruction:

Shareholder's Name: ....
SURNAME OTHER NAMES

Shareholder's Address: ....

....

Mobile Tel: ....

Date: ....

I hereby affirm that the information given above are true of me ____________________
Shareholder's Signature

1. Please attach copies of CSCS statement
2. CSCS transaction listing
3. Name of Stockbrokers

FOR REGISTRAR'S USE ONLY DATE

Action taken:

☐ Credited ☐ Not Credited ☐ Pending

Officer's Name & Sign: ____________________

VERITAS REGISTRARS

(formerly Zenith Registrars) RC 510155
Plot 89A, Ajose Adeogun Street, P. O. Box 75315, Victoria Island, Lagos
Telephone: (01) 27089304, 2784167-8; Fax:(01)2704085
enquiry@veritasregistrars.com
www.veritasregistrars.com

Affix Passport Photograph
(to be stamped by the Bank)

e-DIVIDEND MANDATE FORM

I/We hereby request that from now, all dividends due to me/us from my/our shareholding in all companies indicated be credited to my/our bank account named below.

Please tick as applicable

CONSOL. BREWERIES	
DANGOTE SUGAR	
FORTE OIL	
GUINNESS NIGERIA	
MAY & BAKER	
ZENITH BANK	

Date: DD/MM/YYYY ___ / ___ / ____

Surname/Company's Name

Other Names (for Individual Shareholder)

Present Postal Address

City

State

E-mail Address

Mobile (GSM) Phone Number

Clearing House Number

Bank Name

Bank Address

Bank Account Number

Bank Sort Code

Shareholder's Signature or Thumbprint

Shareholder's Signature or Thumbprint

Company Seal/Incorporation No. (Corporate Shareholder)

For Bank's use only

Authorized Signature and Stamp of Bankers

Date account was established __ / __ / ____

Authorized Signature and Stamp of Bankers

ZENITH BANK PLC
PROXY CARD
ANNUAL GENERAL MEETING TO BE HELD AT 9.00 A.M. ON THE 18TH DAY OF MARCH, 2019 AT CIVIC CENTRE, OZUMBA MBADIWE STREET, VICTORIA ISLAND, LAGOS

I/We* ____
(Name of shareholder in block letters)

of____

being a member/members of ………………… Plc hereby appoint

**____

failing him,

____

as my/our proxy to act and vote for me/us on my/our behalf at The Annual General Meeting of the Bank on 18th day of March, 2019 or at any adjournment thereof.

Dated this .... day of................... 2019

Shareholder's Signature(s)________________________________

This Proxy Form should not be completed and sent to the Bank's registered address if the member will be attending the Meeting.

The manner in which the Proxy is to be vote should be indicated by inserting "X" in the appropriate space.

NUMBER OF SHARES

	RESOLUTIONS	FOR	AGAINST
1.	To present and consider the bank's audited accounts for the financial year ended 31st December 2018, the Reports of the Directors, Auditors and Audit Committee thereon		
2.	To declare a final dividend		
3.	To re-elect the following Directors retiring by rotation: (I) Prof. Chukuka Enwemeka (ii) Mr. Dennis Olisa (iii) Engr. Mustafa Bello		
4.	To authorize the Directors to fix the remuneration of the Auditors.		
5.	To elect members of the Audit Committee		
6.	That the remuneration of the Directors of the Bank for the year ending December 31, 2019 be and is hereby fixed at N20 million only.		

Please indicate with an "X" in the appropriate square how you wish your votes to be cast on resolutions set out above. Unless otherwise instructed the proxy will vote or abstain from voting at his discretion.

- -

BEFORE POSTING THE ABOVE FORM, PLEASE TEAR OFF THIS PART AND RETAIN FOR ADMISSION TO THE MEETING

ADMISSION FORM

Annual General Meeting to be held at 9:00 a.m. on 18th March, 2019 at the Civic Centre, Ozumba Mbadiwe Street, Victoria Island, Lagos

A member (Shareholder) who is unable to attend an Annual General Meeting is allowed by law to vote on a poll by proxy. The above form has been prepared to enable you to exercise your right to vote, in case you cannot personally attend the Meeting.

Following the normal practice, the name of a Director of the Company has been entered on the form to ensure that someone will be at the Meeting to act as your proxy, but if you wish, you may insert in the blank space on the form (marked**) the name of any person whether a Member of the Company or not, who will attend the Meeting and vote on your behalf instead of one of the Directors.

NUMBER OF SHARES

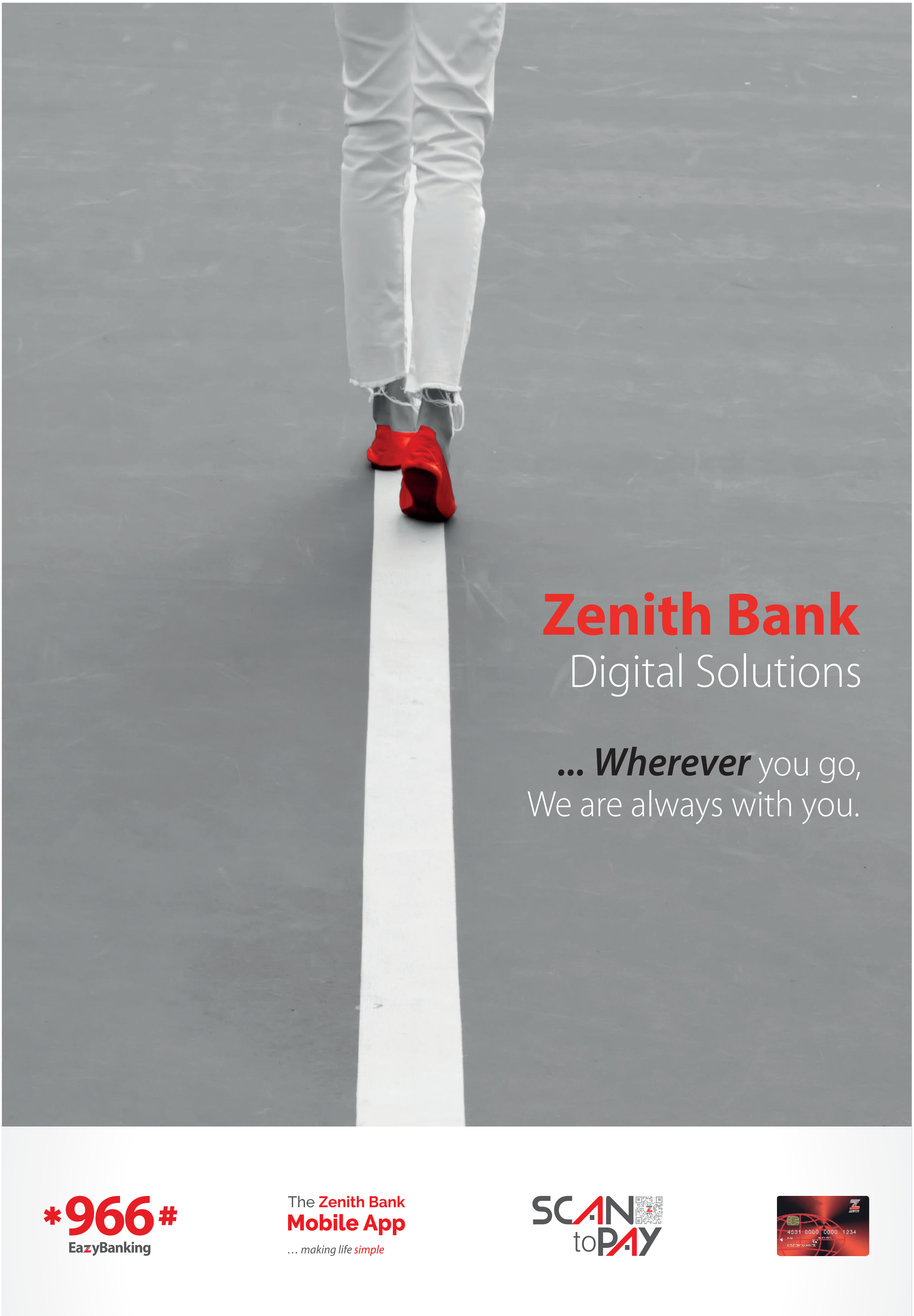
Please sign the above proxy form and post it, so as to reach the address overleaf not later than 48 hours before the time for holding the meeting.

If executed by a corporation, the proxy form should be sealed with the Corporation's Common Seal.

IMPORTANT
The name of the Shareholder must be written in BLOCK CAPITALS on the proxy from where marked. This admission form must be produced by the Shareholder or his proxy, who need not be a member of the Company, in order to obtain entrance to the Annual General Meeting.

Signature of person attending________________________________

REGISTRAR
VERITAS REGISTRARS LIMITED,
89A, AJOSE ADEOGUN STREET,
VICTORIA ISLAND,
LAGOS.


Zenith Bank
Digital Solutions
... Wherever you go,
We are always with you.
*966#
EazyBanking
The Zenith Bank
Mobile App
... making life simple
SCAN
to PAY