Zenith Bank PLC

Interim Report - 30 June, 2019

ZENITH BANK PLC

DIRECTORS, OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Dr.Jim Ovia, CON.	Chairman
Prof. Chukuka Enwemeka	Non-Executive Director
Mr.Jeffrey Efeyini	Non-Executive Director
Prof.Oyewusi Ibidapo-Obe	Non-Executive Director/ Independent
Mr.Gabriel Ukpeh	Non-Executive Director/ Independent
Engr. Mustafa Bello	Non-Executive Director/ Independent
Mr.Ebenezer Onyeagwu*	Group Managing Director/CEO
Dr. Adaora Umeoji	Deputy Managing Director
Mr. Peter Amangbo**	Group Managing Director/CEO (retired)
Mr. Ahmed Umar Shuaib	Executive Director
Dr. Temitope Fasoranti	Executive Director
Mr. Dennis Olisa	Executive Director

* Appointed Group Managing Director effective 1 June 2019

** Retired from the Board effective 31 May 2019

COMPANY SECRETARY Michael Osilama Otu

REGISTERED OFFICE
Zenith Bank Plc
Zenith Heights
Plot 87, Ajose Adeogun Street
Victoria Island, Lagos

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

REGISTRAR AND TRANSFER OFFICE
Veritas Registrars Limited (formerly Zenith Registrars Limited)
Plot 89 A, Ajose Adeogun Street
Victoria Island
Lagos

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ZENITH BANK PLC

Directors' Report for the Period Ended 30 June, 2019

The directors present their report on the affairs of ZENITH BANK PLC, together with the financial statements and independent auditor's report for the period ended 30 June, 2019.

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 period.

2. Principal activities and business review

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

The Bank has six subsidiary companies namely, Zenith Bank (Ghana) Limited, Zenith Pensions Custodian Limited, Zenith Bank (UK) Limited, Zenith Bank (Sierra Leone) Limited, Zenith Bank (The Gambia) Limited and Zenith Nominees Limited. During the period, the Bank opened five new branches and no branch was closed.

As at 30 June, 2019 the Group had 424 branches, 182 cash centers; 1,950 ATM terminals; 38,005 POS terminals and 6,913,385 cards issued to its customers.

3. Operating results

Gross earnings of the Group increased by 2.9% and profit before tax increased by 4.0% . Highlights of the Group's operating results for the period under review are as follows:

	30-Jun-19 N' Million	30-Jun-18 N' Million
Gross earnings	**331,586**	**322,201**
Profit before tax	111,677	107,358
Minimum tax	(1,860)	(1,664)
Income tax expense	(20,935)	(23,957)
Profit after tax	88,882	81,737
Non- controlling interest	(76)	(179)
Profit attributable to the equity holders of the parent	**88,806**	**81,558**
Appropriations		
Transfer to statutory reserve	16,646	13,810
Transfer to retained earnings and other reserves	72,160	67,748
	88,806	**81,558**
Basic and diluted earnings per share (Naira)	2.83	2.60
Non-performing loan ratio %	5.30	4.90

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 an interim dividend of N9.42 billion being N0.30 per share (2018: Interim dividend of N0.30 per share) from the retained earnings account as at 30 June, 2019. This will be presented for ratification by the shareholders at the next Annual General Meeting.

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

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

5. Directors' shareholding

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

Interests in shares

		Number of Shareholding			
		30 June, 2019		31 December, 2018	
Director	**Designation**	**Direct**	**Indirect**	**Direct**	**Indirect**
Dr.Jim Ovia, CON.	Chairman / Non-Executive Director	3,546,199,395	1,513,137,010	3,546,199,395	1,513,137,010
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	-	421,426	-
Mr. Gabriel Ukpeh	Non Executive Director / Independent	32,660	-	32,660	-
Engr. Mustafa Bello	Non Executive Director / Independent	-	-	-	-
Mr.Ebenezer Onyeagwu**	Group Managing Director	36,000,000	-	36,000,000	-
Mr.Peter Amangbo *	Group Managing Director (retired)	19,600,000	21,000,000	15,000,000	21,000,000
Dr. Adaora Umeoji	Deputy Managing Director	53,873,169	1,710,123	53,873,169	1,710,123
Mr. Ahmed Umar Shuaib	Executive Director	7,077,343	-	7,077,343	-
Dr. Temitope Fasoranti	Executive Director	5,075,000	-	5,075,000	-
Mr. Dennis Olisa	Executive Director	7,122,316	-	7,122,316	-

* Retired from the Board effective 31 May 2019.

** Appointed as Group Managing Director effective 1 June 2019

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

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

6. Directors' 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 arears.
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 period ended 30 June 2019, Mr Peter Amangbo (Group Managing Director) retired from the Board effective 31, May 2019 and Mr Ebenezer Onyeagwu was appointed as the new Group Managing Director, effective 1 June 2019.

8. Directors' interests in contracts

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

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 30 June, 2019 is as stated below:

Share range	No. of Shareholders	Percentage of Shareholders	Number of holdings	Percentage Holdings (%)
1-9,999	537,895	83.9991 %	1,594,912,086	5.08 %
10,000 - 50,000	80,560	12.5805 %	1,646,857,653	5.25 %
50,001 - 1,000,000	20,675	3.2287 %	3,292,033,544	10.49 %
1,000,001 - 5,000,000	881	0.1376 %	1,878,363,146	5.98 %
5,000,001 - 10,000,000	152	0.0237 %	1,036,799,401	3.31 %
10,000,001 - 50,000,000	140	0.0219 %	3,203,409,283	10.20 %
50,000,001 - 1000,000,000	49	0.0077 %	8,644,765,172	27.53 %
Above 1,000,000,000	6	0.0009 %	10,099,353,502	32.17 %
	640,358	**100 %**	**31,396,493,787**	**100 %**

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	84.1309 %	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 %**

12. Substantial interest in shares

According to the register of members as at 30 June, 2019, 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/C001 - TRAD	1,652,400,825	5.26 %

According to the register of members 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/C002 - MAIN	1,820,956,539	5.80 %
Stanbic Nominees Nigeria Limited/C001 - TRAD	1,774,705,532	5.65 %

13. Donations and charitable gifts

The Bank made contributions to charitable and non-political organisations amounting to N923 million during the period ended 30 June 2019 (30 June 2018: N1,504 million) .

The beneficiaries are as follows:

	30-Jun-19 N' Million
Musical Society of Nigeria	200
Educational support to Nigerian schools	133
Support in favour of Catholic Archdiocese Abuja	97
Nigeria Football Federation naming right fees	80
Financial inclusion project (CBN)	59
Dangote Foundation	54
Completion of hostel/Mountain top University	50
Economic Summit	48
Medical assistance to the underpriviledged	40
Sponsorship/St. Saviour's School ikoyi	35
ICT centres for educational institutions	32
Sports Organisations	21
States' Security Trust Funds	21
Delta State Principal Cup Third Edition	20
Microsoft office specialist 2019 world championship	19
Sponsorship-Sisters of St. Louis, Nigeria project	10
Other donations individually below N10 million	4
	923

The Bank made contributions to charitable and non-political organisations amounting to N1,504 million during the period 30 June 2018.

The beneficiaries are as follows:

	30-Jun-18 N' Million
Various State Government Security Trust Funds	879
Seed contribution private health sector alliance	305
Center for value in leadership youth empowerment	25
Educational support to Nigerian schools	53
Economic summits and conferences sponsorship	41
Louisville girls high school	30
Medical assistance to the underpriviledged	26
Sport organisation	24
ICT Centres for Educational Institutions	22
St saviour school ikoyi	20
Delta state principal cup second edition	20
Nigeria academy of neurologica	10
CFA Society of Nigeria	10
Holy Cross Cathedral	10
Seminary of All Saints Project Support	10
Musical Society of Nigeria	5
Other donations individually below N10 million	14
	1,504

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 30 June, 2019

Description	Number		Amount claimed		Amount refunded	
	30-Jun-19	31-Dec-18	30-Jun-19 N.	31-Dec-18 N.	30-Jun-19 N.	31-Dec-18 N.
Pending complaints brought forward	188	86	17,033,494,506	9,783,412,201	N/A	N/A
Received Complaints	199	224	1,800,251,427	11,026,857,556	N/A	N/A
Resolved Complaints	129	122	1,756,255,247	3,776,775,251	266,568,786	800,131,355
Unresolved Complaints escalated to CBN for intervention / carried forward	**258**	**188**	**17,077,490,686**	**17,033,494,506**		

There was no other refunds to customers during the period (31 December, 2018: N9.37 million).

16. Human resources

(i) Employment of disabled persons

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

(ii) Health, safety and welfare at work

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

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

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

(iii) Employee training and development

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

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

(iv) Gender analysis of staff

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

a. Analysis of total employees

	Gender Number			Gender Percentage	
	Male	**Female**	**Total**	**Male**	**Female**
Employees	3,170	2,933	6,103	52 %	48 %
	3,170	**2,933**	**6,103**	**52 %**	**48 %**

(b) Analysis of Board and top management staff

	Gender Number			Gender Percentage	
	Male	**Female**	**Total**	**Male**	**Female**
Board members (Executive and Non-executive directors)	10	1	11	91 %	9 %
Top management staff (AGM-GM)	43	22	65	66 %	34 %
	53	**23**	**76**	**70 %**	**30 %**

(c) Further analysis of board and top management staff

	Gender Number			Gender Percentage	
	Male	**Female**	**Total**	**Male**	**Female**
Assistant general managers	27	14	41	66 %	34 %
Deputy general managers	11	3	14	79 %	21 %
General managers	5	5	10	50 %	50 %
Board members (Non-executive directors)	6	-	6	100 %	- %
Executive Directors (excluding MD and DMDs)	3	-	3	100 %	- %
Deputy Managing Director	-	1	1	- %	100 %
Managing Director/CEO	1	-	1	100 %	- %
	53	**23**	**76**	**70 %**	**30 %**

17. Auditors

The tenure of the Bank's auditor, Messrs KPMG Professional Services, will be 10years by 31 December 2019. In accordance with section 5.2.12 of the Central Bank of Nigeria (CBN) Code of Corporate Governance for Banks and Discount houses in Nigeria, Messrs KPMG Professional Services will not be eligible for reappointment as the Bank's auditor in the next annual general meeting.

By order of the Board

Michael Osilama Otu (Esq.)
Company Secretary
July 23, 2019
FRC/2013/MULTI/00000001084

Corporate Governance Report for the Period Ended 30 June, 2019

1. Introduction

Zenith Bank Plc maintains the highest standards of Corporate Governance and best practice both within the bank and the Group.

Our governance practices are constantly being reviewed 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 the Bank 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.

c. The National Code of Corporate Governance for Public Companies which became effective in January 2019.

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 15% 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 five (5) Executive Directors including the GMD/CEO. Three (3) of the Non-Executive Directors are independent directors, appointed in compliance with the Central Bank of Nigeria (CBN) circular on Appointment of Independent Directors by Banks.

The Group Managing Director/Chief Executive is responsible for the day to day running of the bank and oversees the group structure, assisted by the Executive Committee (EXCO). EXCO comprises the Executive Directors, Deputy Managing Director 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
Dr. Jim Ovia, CON	Chairman
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. Ebenezer Onyeagwu*	Group Managing Director/CEO
Dr. Adaora Umeoji	Deputy Managing Director
Mr. Umar Shuaib Ahmed	Executive Director
Dr. Temitope Fasoranti	Executive Director
Mr. Dennis Olisa	Executive Director
Mr. Peter Amangbo **	Group Managing Director/CEO (retired)

* Appointed as GMD/CEO with effect from June 1, 2019

**Retired from the Board with effect from May 31, 2019

The Board meets at least once 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.

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. 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:

10.1 Board credit committee

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

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

Mr. Jeffrey Efeyini - Chairman
Prof. Chukuka Enwemeka
Mr. Gabriel Ukpeh
Mr. Peter Amangbo*
Mr. Ebenezer Onyeagwu
Dr. Adaora Umeoji
Dr. Temitope Fasoranti

* Retired from the Board with effect from 31 May 2019

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.

10.2 Staff Welfare, Finance and General Purpose Committee

This Committee is made up of four (4) members: two (2) non Executive Directors and two (2) Executive Directors. It is chaired by a non-executive Director. The Committee considers large scale procurement by the Bank, as well as matters relating to staff welfare, discipline, staff remuneration and promotion.

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

Engr. Mustafa Bello – Chairman
Prof. Oyewusi Ibidapo-Obe
Mr. Ebenezer Onyeagwu
Dr. Adaora Umeoji

Terms of reference

- Approval of large scale procurements by the bank and other items of major expenditure by the bank;
- Recommendation of the bank's Capital Expenditure (CAPEX) and major Operating Expenditure (OPEX) limits for consideration by the Board;
- Consideration of management requests for branch set up and other business locations;
- Consideration of management request for establishment of offshore subsidiaries and other offshore business offices;
- Consideration of the dividend policy of the Group and the declaration of dividends or other forms of distributions and recommendation to the Board;
- Consideration of capital expenditures, divestments, acquisitions, joint ventures and other investments, and other major capital transactions;
- Consideration of senior management promotions as recommended by the GMD/CEO;
- Review and recommendations on recruitment, promotion, and disciplinary actions for senior management staff;
- To discharge the Board's responsibility relating to oversight of the management of the health and welfare plans that cover the company's employees;
- Review and recommendation to the Board, salary revisions and service conditions for senior management staff, based on the recommendation of the Executives;
- Oversight of broad-based employee compensation policies and programs;

10.3 Board risk management committee:

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

The Chief Risk Officer and the Chief Inspector have access to this Committee and make quarterly presentations for the consideration of the Committee. Chaired by Prof. Chukuka Enwemeka (a non executive Director), the Committee's membership comprises the following:

Prof. Chukuka S. Enwemeka - Chairman
Mr. Jeffrey Efeyini
Mr. Gabriel Ukpeh
Mr. Peter Amangbo*
Mr. Ebenezer Onyeagwu
Mr. Ahmed Umar Shuaib

Mr. Dennis Olisa

* Retired from the Board with effect from 31 May 2019

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.

10.4 Board audit and compliance committee:

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

Committee's membership comprises the following:
Mr. Gabriel Ukpeh - Chairman
Mr. Jeffrey Efeyini
Engr. Mustafa Bello
Prof. Oyewusi Ibidapo-Obe

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.

10.5 Board governance, nominations and remuneration committee:

The Committee is made up of four (4) non Executive Directors and one of the non-executive Directors chairs the Committee.

The membership of the committee is as follows:
Prof. Oyewusi Ibidapo Obe - (Chairman)
Mr. Jeffrey Efeyini
Prof. Chukuka Enwemeka
Engr. Mustafa Bello

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 Directorst;
- Recommendation of appropriate compensation for Non-Executive Directors for Board and Annual General Meeting consideration;
- Review and approval of any recommended compensation actions for the Company's Executive Committee members, including base salary, annual incentive bonus, long-term incentive awards, severance benefits, and perquisites;
- Review and continuous assessment of the size and composition of the Board and Board Committees, and recommend the appropriate Board structure, size, age, skills, competencies, composition, knowledge, experience and background in line with needs of the Group and diversity required to fully discharge the Board's duties;
- Recommendation of membership criteria for the Group Board, Board Committees and subsidiary companies Boards.
- Identification at the request of the Board of specific individuals for nomination to the Group and subsidiary companies Boards and to make recommendations on the appointment and election of New Directors (including the Group MD) to the Board, in line with the Group's approved Director Selection criteria;
- Review of the effectiveness of the process for the selection and removal of Directors and to make recommendations where appropriate;
- Ensuring that there is an approved training policy for Directors, and monitor compliance with the policy;
- Review and make recommendations on the Group's succession plan for Directors and other senior management staff for the consideration of the Board;
- Regular monitoring of compliance with Group's code of ethics and business conduct for Directors and staff;
- Review the Group's organization structure and make recommendations to the Board for approval;

- Review and agreement at the beginning of the year, of the key performance indicators for the Group MD and Executive Directors;
- Ensure annual review or appraisal of the performance of the Board is conducted. This review/appraisal covers all aspects of the Board's structure, composition, responsibilities, individual competencies, Board operations, Board's role in strategy setting, oversight over corporate culture, monitoring role and evaluation of management performance and stewardship towards shareholders.

10.6 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

Mr. Jeffrey Efeyini
Mr. Gabriel Ukpeh
Engr. Mustafa Bello*

* Appointed to the Committee effective 18 January 2019.

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.

10.7 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.

10.8 Other committees

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

(a) Management Committee (MANCO);

(b) Assets and Liabilities Committee (ALCO);

(c) Management Global Credit Committee (MGCC);

(d) Risk Management Committee (RMC)

(e) Information Technology (IT) Steering Committee

(f) Sustainability Steering Committee

(a) Management committee (MANCO)

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

(b) Assets and liabilities committee (ALCO)

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

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

(c) Management global credit committee (MGCC)

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

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

(d) Risk management committee (RMC)

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

(e) Information technology (IT) steering committee

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

Membership of the committee is as follows:

1 The Group Managing Director/Chief Executive Officer;
2 Two (2) Executive Directors;
3 Chief Financial Officer;
4 Chief Inspector;
5 Chief Risk Officer;
6 Chief Compliance 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, recognizing that every institution is as strong as the strength of its relationship and that the ability to nurture existing relationships and develop new ones will invariably play a significant role in the financial stability of the organization. Therefore, the bank believes that an organization must forge a closer relationship with its stakeholders, including customers, employees, local communities, suppliers, among others, to ensure triple bottom line profit.

The Committee present quarterly reports to the Board Risk and Audit Committee and also ensures that the Committee's decisions and policies are implemented. The members of the Committee include representatives from various marketing and operations departments and groups within the bank as well as the CSR and Research Group.

11. 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.

12. 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.

13. 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.

14. 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.

During the period 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.

15. Foreign Subsidiaries Governance Structure

The Bank as at 30 June, 2019 has four (4) foreign subsidiaries, two (2) local subsidiaries and one (1) representative office. 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 reflects the same values, ethics, controls and processes, Zenith Bank Plc is represented by at least two (2) non-executive directors in the local board and board committee of each foreign subsidiary. These directors provide effective oversight function over each subsidiary and ensure that there is consistency with the strategic direction of the Bank. They also act a link with the parent board at the Group Head Office in Nigeria.

Subsidiary Board Committees

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

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

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

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

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

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

Management of Subsidiaries

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

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 covers the subsidiaries' financial performance, risk assessment, regulatory and compliance matters amongst others. The reports are analyzed and presented to Executive Management and the Group Board of Directors for decision making and fulfilment of its oversight function.

Group Performance & Strategy Review/Budget Session

The Managing Directors and senior management team of the respective Subsidiaries of the Bank attend the annual Group's Performance & Strategy Review/Budget Session during which their performances are analyzed and recommendations made towards achieving continuous improvement in financial, social and environmental performance. The annual budget of the subsidiaries are discussed at this session. This session also serves as a forum for sharing business ideas, tapping into identified synergy within the Group and disseminating information on relevant best practices that could enhance our sustained growth in the banking landscape.

Annual Internal Control Audit

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

Annual Loan Review/Audit

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

Group Compliance Function

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

Report of External Auditors

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

16. 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.

17. Schedule of board and board committees meeting held during the period

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

Directors	Board	Board credit committee	Finance and general purpose committee	Board governance, nomination and remuneration committee	Board risk management committee	Board audit and compliance committee
Attendance/no of meetings	**3**	**2**	**2**	**2**	**2**	**2**
Dr. Jim Ovia, CON	3	N/A	N/A	N/A	N/A	N/A
Mr. Jeffrey Efeyini	3	2	N/A	2	2	2
Prof. Chukuka S.Enwemeka	3	2	2	2	2	N/A
Prof. Oyewusi Ibidapo-Obe	3	N/A	2	2	N/A	N/A
Mr.Gabriel Ukpeh	3	2	N/A	2	2	2
Engr.Mustafa Bello	3	N/A	N/A	N/A	N/A	2
Dr. Adaora Umeoji	3	2	2	N/A	N/A	N/A
Mr. Ebenezer Onyeagwu*	3	2	N/A	N/A	2	N/A
Mr. Ahmed Umar Shuaib	3	N/A	2	N/A	N/A	N/A
Dr. Temitope Fasoranti	3	2	N/A	N/A	N/A	N/A
Mr. Dennis Olisa	3	N/A	N/A	N/A	2	N/A
Mr. Peter Amangbo**	3	2	2	N/A	2	N/A

Note:

* Appointed as Group Managing Director (GMD)/Chief Executive Officer (CEO) effective 1 June 2019

** Retired from the Board as GMD/CEO with effect from 31 May 2019

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

Dates for Board and Board Committee meetings held in the period ended 30 June 2019

Board meetings	Board credit committee meeting	Finance and general purpose committee	Board risk and audit committee meeting	Board audit and complians committee meeting	Board governance, nominations and remuneration committee	Audit committee meeting of the bank
18-Jan-19	17-Jan-19	17-Jan-19	17-Jan-19	17-Jan-19	17-Jan-19	17-Jan-19
18-Mar-19						
16-Apr-19	15-Apr-19	15-Apr-19	15-Apr-19	15-Apr-19	15-Apr-19	15-Apr-19

18. Audit Committee

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

Date of meetings held during the period:

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

* Appointed to the committee effective 18 January 2019

SR - Shareholders representative

NED- Non-Executive Director

19. Analysis of Fraud and Forgeries Returns

30 June, 2019				30 June, 2018		
Nature of Fraud	**No.**	**% Loss**	**Actual Loss to the Bank (N)** **Jan-Jun 2019**	**No.**	**% Loss**	**Actual Loss to the Bank (N)** **Jan - Jun 2018**
ATM/Electronic fraud	43	-	144,000	44	-	-
Staff Perpetrate	14	97	992,167,925	9	67	2,000,000
Impersonation	6	-	2,827,000	18	22	641,625
Stolen/Forged Instrument	42	-	426,500	45	11	337,599
Internet Banking	62	3	30,643,283	2	-	-
Others	3	-	-	43	-	-
Total	**170**	**100**	**1,026,208,708**	**161**	**100**	**2,979,224**

ZENITH BANK PLC

Statement of Directors' Responsibilities in Relation to the Financial Statements for the period Ended 30 June, 2019

The Directors accept responsibility for the preparation of the consolidated and seperate interim 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:

Dr. Jim Ovia, CON.
Chairman
FRC/2013/CIBN/00000002406
July 23, 2019

Mr. Ebenezer Onyeagwu
Group Managing Director / CEO
FRC/2013/ICAN/00000003788
July 23, 2019

ZENITH

ZENITH BANK PLC
REPORT OF THE AUDIT COMMITTEE
FOR THE PERIOD ENDED 30TH JUNE, 2019

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 period ended 30th June, 2019 and hereby state as follows:

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

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

3. The Internal Control and Internal Audit functions were operating effectively; and

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

5. Related party transactions and balances have been disclosed in note 37 to the Financial Statements in accordance with requirements of the International Financial Reporting Standards (IFRS) and the Central Bank of Nigeria (CBN) directives as contained in the Prudential Guidelines for Deposit Money Banks in Nigeria and Circular on Disclosure of Insider-Related Credits in Financial Statements BSD/1/2004.

Dated July 22, 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. Mr. Jeffrey Efeyini
2. Mr. Gabriel Ukpeh
3. Engr. Mustafa Bello

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Zenith Bank Plc

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

Opinion

We have audited the consolidated and separate interim financial statements of Zenith Bank Plc ("the Bank") and its subsidiaries (together, "the Group"), which comprise the consolidated and separate statements of financial position as at 30 June 2019, the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity, the consolidated and separate statements of cash flows for the period then ended, and notes, comprising significant accounting policies and other explanatory information, as set out on pages 34 to 177.

In our opinion, the accompanying consolidated and separate interim financial statements give a true and fair view of the consolidated and separate financial position of the Bank and its subsidiaries as at 30 June 2019, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the period then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 and the Financial Reporting Council of Nigeria Act, 2011, the Banks and other Financial Institutions Act, Cap B3, Laws of the Federation of Nigeria, 2004 and relevant Central Bank of Nigeria (CBN) Guidelines and Circulars.

Basis for Opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Impairment of Loans and Advances

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

The determination of impairment allowance using the Expected Credit Loss (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 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, and the rate of recovery on the loans that are past due and in default.

The Group incorporates forward looking information into 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, made the impairment of loans and advances a matter of significance to the audit.

Procedures

Our procedures included the following:

- We evaluated the design and implementation of the key controls over the impairment determination process such as the board credit committee review of loans and advances, 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 review of ECL impairment computation.
- 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 by examining the loans and balances on a sample basis. 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 Group's ECL methodology by considering whether it reflects unbiased and probability-weighted amounts that are determined by evaluating a range of possible outcomes, the time value of money, reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic conditions.;
  (ii) For forward looking assumptions used by the Group's management in its ECL calculations, we corroborated the Group'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.

KPMG

(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 may not be recovered 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.

The Group's accounting policy on impairment and related disclosures on credit risk are shown in notes 2.7, 3.2 and 20 respectively.

Valuation of derivatives
The Bank's derivative instruments comprise foreign currency swaps, futures and 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 the Bank's valuation of derivative contracts by checking that there was review over the accuracy of inputs such as the foreign exchange rates and the forward price by the Bank.

- We used our financial risk management specialists to:

  (i) inspect on a sample basis, the 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) rates to externally available market data.

  (iii) assess whether the valuation model used by the Bank is appropriate and complies with the requirements of the relevant accounting standards.

(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 2.6, 3.0, 19 and 32 respectively.

Other Information

The Directors are responsible for the other information which comprises the Directors' report, Corporate Governance Report, Statement of Directors' responsibilities in relation to the financial statements for the period ended 30 June 2019, Report of the Audit Committee, Corporate Profile and Strategy, Other National Disclosures and the consolidated and separate statements of profit or loss and other comprehensive income for the three months period ended 30 June 2019 but does not include the consolidated and separate interim financial statements and our audit report thereon.

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

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

Responsibilities of the Directors for the Consolidated and separate interim Financial Statements

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate interim financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and Bank's internal control.

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

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

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

- Obtain sufficient appropriate audit evidence regarding the interim financial information of the entities or business activities within the Group to express an opinion on the consolidated interim 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 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 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 Audit Committee, we determine those matters that were of most significance in the audit of the consolidated and separate interim financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

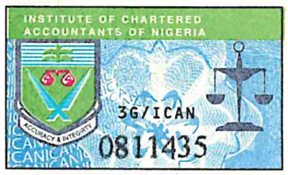
In our opinion, proper books of account have been kept by the Bank, so far as appears from our examination of those books and the Bank's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.

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

i. The Bank and Group paid a penalty in respect of contravention of the Banks and other Financial Institutions Act, Cap B3, Laws of the Federation of Nigeria, 2004 during the period ended 30 June 2019. Details of penalty paid are disclosed in Note 41 to the interim financial statements.

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

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



ZENITH BANK PLC

Consolidated and Separate Statements of Profit or Loss and other Comprehensive Income for the Period Ended 30 June, 2019

		Group		Bank	
For the six months ended **In millions of Naira**	Note(s)	**30-Jun-19**	**30-Jun-18**	**30-Jun-19**	**30-Jun-18**
Gross earnings		**331,586**	**322,201**	**284,481**	**276,251**
Interest and similar income	6	214,601	228,670	177,225	193,839
Interest and similar expense	7	(72,086)	(74,709)	(61,385)	(65,154)
Net interest income		**142,515**	**153,961**	**115,840**	**128,685**
Impairment loss on financial and non-financial instruments	8	(13,735)	(9,720)	(13,156)	(8,373)
Net interest income after impairment loss on financial and non-financial instruments		**128,780**	**144,241**	**102,684**	**120,312**
Net income on fees and commission	9	55,815	41,772	48,513	32,945
Trading gains	11	45,101	36,807	45,101	36,807
Other operating income	10	8,814	10,016	7,663	8,091
Depreciation of property and equipment	25	(9,791)	(7,967)	(8,659)	(7,001)
Amortisation of intangible assets	26	(1,514)	(1,117)	(1,387)	(1,013)
Personnel expenses	36	(38,725)	(34,808)	(30,611)	(29,133)
Operating expenses	12	(76,803)	(81,586)	(71,793)	(74,934)
Profit before tax		**111,677**	**107,358**	**91,511**	**86,074**
Minimum tax	13a	(1,860)	(1,664)	(1,860)	(1,664)
Income tax expense	13a	(20,935)	(23,957)	(14,290)	(18,016)
Profit for the period after tax		**88,882**	**81,737**	**75,361**	**66,394**
Other comprehensive income:					
Items that will never be reclassified to profit or loss:					
Fair value movements on equity instruments at FVOCI	21(b)	338	683	338	683
Items that are or may be reclassified to profit or loss:					
Foreign currency translation differences for foreign operations		(6,441)	517	-	-
Fair value movements on debt securities at FVOCI	21(b)	97	-	-	-
Other comprehensive (loss)/income for the period		**(6,006)**	**1,200**	**338**	**683**
Total comprehensive income for the period		**82,876**	**82,937**	**75,699**	**67,077**
Profit attributable to:					
Equity holders of the parent		88,806	81,558	75,361	66,394
Non controlling interest		76	179	-	-
Total comprehensive income attributable to:					
Equity holders of the parent		82,844	82,769	75,699	67,077
Non-controlling interest		32	168	-	-
Earnings per share					
Basic and diluted (Naira)	14	2.83	2.60	2.40	2.11

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

ZENITH BANK PLC

Consolidated and Separate Statements of Financial Position as at 30 June, 2019

In millions of Naira	Note(s)	Group 30-Jun-19	Group 31-Dec-18	Bank 30-Jun-19	Bank 31-Dec-18
Assets					
Cash and balances with central banks	15	769,455	954,416	721,814	902,073
Treasury bills	16	1,006,717	1,000,560	832,003	817,043
Assets pledged as collateral	17	517,429	592,935	517,429	592,935
Due from other banks	18	857,376	674,274	533,064	393,466
Derivative assets	19	65,709	88,826	65,709	88,826
Loans and advances	20	1,801,833	1,823,111	1,732,839	1,736,066
Investment securities	21	557,485	565,312	186,915	156,673
Investment in subsidiaries	22	-	-	34,625	34,003
Deferred tax asset	23	11,846	9,513	10,988	9,197
Other assets	24	126,113	80,948	123,181	75,910
Property and equipment	25	167,881	149,137	149,345	133,854
Intangible assets	26	16,752	16,678	15,556	15,399
Total assets		**5,898,596**	**5,955,710**	**4,923,468**	**4,955,445**
Liabilities					
Customers' deposits	27	3,810,025	3,690,295	2,988,298	2,821,066
Derivative liabilities	32	6,685	16,995	6,685	16,995
Current income tax payable	13	14,525	9,154	9,175	5,954
Deferred tax liabilities	23	23	67	-	-
Other liabilities	28	256,076	231,716	231,721	223,463
On-lending facilities	29	398,393	393,295	398,393	393,295
Borrowings	30	412,264	437,260	435,865	458,463
Debt securities issued	31	181,091	361,177	181,091	361,177
Total liabilities		**5,079,082**	**5,139,959**	**4,251,228**	**4,280,413**
Capital and reserves					
Share capital	33	15,698	15,698	15,698	15,698
Share premium	34	255,047	255,047	255,047	255,047
Retained earnings	34	314,695	322,237	224,200	238,635
Other reserves	34	233,378	221,231	177,295	165,652
Attributable to equity holders of the parent		818,818	814,213	672,240	675,032
Non-controlling interest	34	696	1,538	-	-
Total shareholders' equity		**819,514**	**815,751**	**672,240**	**675,032**
Total liabilities and equity		**5,898,596**	**5,955,710**	**4,923,468**	**4,955,445**

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 23 July, 2019 and signed on its behalf by:

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

Ebenezer Onyeagwu (Group Managing Director and Chief Executive)
FRC/2013/ICAN/00000003788

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

Consolidated and Separate Statements of Changes in Equity as at 30 June, 2019

Group

	Attributable to equity holders of the Parent										
In millions of Naira	**Share capital**	**Share premium**	**Foreign currency translation reserve**	**Fair value reserve**	**Statutory reserve**	**SMIEIS reserve**	**Credit risk reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Restated 1 January, 2018	**15,698**	**255,047**	**33,683**	**8,399**	**135,064**	**3,729**	**2,342**	**356,837**	**810,799**	**1,317**	**812,116**
Impact of adopting IFRS 9 at 1 January 2018	-	-	-	-	-	-	-	(108,116)	(108,116)	(53)	(108,169)
Restated 1 January, 2018	**15,698**	**255,047**	**33,683**	**8,399**	**135,064**	**3,729**	**2,342**	**248,721**	**702,683**	**1,264**	**703,947**
Profit for the period	-	-	-	-	-	-	-	81,558	81,558	179	81,737
Foreign currency translation differences	-	-	528	-	-	-	-	-	528	(11)	517
Fair value movements on equity instruments	-	-	-	683	-	-	-	-	683	-	683
Total comprehensive income for the period	**-**	**-**	**528**	**683**	**-**	**-**	**-**	**81,558**	**82,769**	**168**	**82,937**
Transfer between reserves	-	-	-	-	13,810	-	330	(14,140)	-	-	-
Transactions with owners of the Parent											
Dividends	-	-	-	-	-	-	-	(76,921)	(76,921)	-	(76,921)
At 30 June, 2018	**15,698**	**255,047**	**34,211**	**9,082**	**148,874**	**3,729**	**2,672**	**239,218**	**708,531**	**1,432**	**709,963**
At 1 January, 2019	15,698	255,047	38,514	9,858	167,520	3,729	1,610	322,237	814,213	1,538	815,751
Profit for the period	-	-	-	-	-	-	-	88,806	88,806	76	88,882
Foreign currency translation differences	-	-	(6,397)	-	-	-	-	-	(6,397)	(44)	(6,441)
Fair value movements on equity instruments	-	-	-	338	-	-	-	-	338	-	338
Fair value movements on debt securities	-	-	-	97	-	-	-	-	97	-	97
Total comprehensive income for the period	**-**	**-**	**(6,397)**	**435**	**-**	**-**	**-**	**88,806**	**82,844**	**32**	**82,876**
Transfer between reserves	-	-	-	-	16,646	-	1,463	(18,109)	-	-	-
Transactions with owners of the Parent											
Dividends	-	-	-	-	-	-	-	(78,491)	(78,491)	-	(78,491)
Acquisition of NCI without change in control*	-	-	-	-	-	-	-	252	252	(874)	(622)
At 30 June, 2019	**15,698**	**255,047**	**32,117**	**10,293**	**184,166**	**3,729**	**3,073**	**314,695**	**818,818**	**696**	**819,514**

* See note 22(i)

ZENITH BANK PLC

Consolidated and Separate Statements of Changes in Equity as at 30 June, 2019

Bank

In millions of Naira	Share capital	Share premium	Fair value reserve	Statutory reserve	SMIEIS reserve	Credit risk reserve	Retained earnings	Total equity
Restated 1 January 2018	15,698	255,047	8,399	127,243	3,729	-	287,867	697,983
Adjustments								
Impact of adopting IFRS 9 at 1 January 2018	-	-	-	-	-	-	(103,550)	(103,550)
Restated 1 January, 2018	**15,698**	**255,047**	**8,399**	**127,243**	**3,729**	**-**	**184,317**	**594,433**
Profit for the period	-	-	-	-	-	-	66,394	66,394
Fair value movements on equity instruments	-	-	683	-	-	-	-	683
Total comprehensive income for the period	**-**	**-**	**683**	**-**	**-**	**-**	**66,394**	**67,077**
Transfer between reserves	-	-	-	9,960	-	-	(9,960)	-
Dividends	-	-	-	-	-	-	(76,921)	(76,921)
At 30 June, 2018	**15,698**	**255,047**	**9,082**	**137,203**	**3,729**	**-**	**163,830**	**584,589**
At 01 January 2019	15,698	255,047	9,858	152,065	3,729	-	238,635	675,032
Profit for the period	-	-	-	-	-	-	75,361	75,361
Fair value movements on equity instruments	-	-	338	-	-	-	-	338
Total comprehensive income for the period	**-**	**-**	**338**	**-**	**-**	**-**	**75,361**	**75,699**
Transfer between reserves	-	-	-	11,305	-	-	(11,305)	-
Dividends	-	-	-	-	-	-	(78,491)	(78,491)
Balance at 30 June, 2019	**15,698**	**255,047**	**10,196**	**163,370**	**3,729**	**-**	**224,200**	**672,240**

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

ZENITH BANK PLC

Consolidated and Separate Statement of Cash Flows for the Period Ended 30 June, 2019

		Group		Bank	
For the six months ended 30 June	Note(s)	**2019**	**2018**	**2019**	**2018**
In millions of Naira					
Cash flows from operating activities					
Profit after tax for the period		88,882	81,737	75,361	66,394
Adjustments for:					
Impairment loss/(reversal)					
Loans and Advances	8	16,150	8,348	15,571	7,167
Treasury bills, investment securities, assets pledged and due from Banks	8	(283)	873	(283)	514
Off balance sheet	8	(2,618)	509	(2,618)	692
On other assets	8	486	(10)	486	-
Fair value changes in trading bond	44(i)	(1,738)	(316)	(1,738)	(316)
Depreciation of property and equipment	25	9,791	7,967	8,659	7,001
Amortisation of intangible assets	26	1,514	1,117	1,387	1,013
Dividend income	10	(1,932)	(1,795)	(5,532)	(1,795)
Foreign exchange loss on debt securities issued	31	1,782	10,862	1,782	10,862
Interest income	6	(214,601)	(228,670)	(177,225)	(193,839)
Interest expense	7	72,086	74,709	61,385	65,154
Profit on sale of property and equipment	10	(65)	(168)	(73)	(151)
Tax expense	13	22,795	25,621	16,150	19,680
		(7,751)	(19,216)	(6,688)	(17,624)
Changes in operating assets and liabilities:					
Net decrease/(increase) in loans and advances	44(iv)	3,547	116,812	(12,344)	101,840
Net (increase)/decrease in other assets	44(x)	(45,696)	11,619	(47,756)	(21,265)
Net (increase)/decrease in treasury bills with maturities greater than three months	44(ii)	(14,450)	3,971	(20,704)	215,877
Net (increase) in treasury bills (FVTPL)	44(iii)	(15,494)	58,939	(15,071)	58,939
Net decrease/(increase) in assets pledged as collateral	44(xi)	75,539	(26,390)	75,539	(26,390)
Net decrease/(increase) in investment securities	44(i)	19,061	(18,685)	(24,202)	31,761
Net decrease/(increase) in restricted balances (cash reserves)	44(xiii)	15,034	(20,128)	15,034	(20,157)
Net (increase) in due from banks with maturity greater than three months	18	(156,972)	-	(156,972)	-
Net increase/(decrease) in customer deposits	44(v)	112,061	(278,176)	161,952	(329,791)
Net increase/(decrease) in other liabilities	44(vi)	25,373	(47,606)	9,271	(35,055)
Net decrease in derivative assets	44(xii)	23,117	815	23,117	815
Net (decrease) in derivative liabilities	44(xiv)	(10,310)	(17,506)	(10,310)	(17,506)
		23,059	**(235,551)**	**(9,134)**	**(58,556)**
Interest received	44 (viii)	204,965	228,670	175,827	193,839
Dividend received	10	1,932	1,795	5,532	1,795
Interest paid	44 (ix)	(70,836)	(68,493)	(45,046)	(59,162)
Tax paid	13(c)	(19,713)	(20,842)	(14,720)	(14,492)
VAT paid	44(vi)	(235)	-	(235)	-
Net cash flows (used in)/generated from operations		**139,172**	**(94,421)**	**112,224**	**63,424**

ZENITH BANK PLC

Consolidated and Separate Statement of Cash Flows for the Period Ended 30 June, 2019

In millions of Naira	Note(s)	Group 2019	Group 2018	Bank 2019	Bank 2018
Cash flows from investing activities					
Purchase of property and equipment	25	(31,746)	(15,338)	(24,253)	(14,019)
Proceeds from sale of property and equipment	44(vii)	3,276	458	176	199
Purchase of intangible assets	26	(1,961)	(2,317)	(1,544)	(1,714)
Purchase of equity securities	21	-	(34,200)	-	(34,200)
Net cash (used in)/generated from investing activities		**(30,431)**	**(51,397)**	**(25,621)**	**(49,734)**
Cash flows from financing activities					
Repayment of debt securities issued	31	(192,516)	-	(192,516)	-
Borrowed funds					
Proceeds from long term borrowing	30	143,307	290,172	147,334	252,415
Repayment of long term borrowing	30	(158,303)	(238,351)	(169,932)	(214,746)
Proceeds from onlending facility	29(b)	20,500	28,034	20,500	28,034
Repayment of onlending facility	29(b)	(15,402)	(1,449)	(15,402)	(1,449)
Lease liability payment	44(vi)	(920)	-	(920)	-
Acquisition of additional interest in Zenith Bank Ghana	22(i)	(622)	-	(622)	-
Dividends paid to shareholders	39	(78,491)	(76,921)	(78,491)	(76,921)
Net cash generated from / (used in) financing activities		**(282,447)**	**1,485**	**(290,049)**	**(12,667)**
Net (decrease)/increase in cash and cash equivalents		**(173,706)**	**(144,333)**	**(203,446)**	**1,023**
Analysis of changes in cash and cash equivalents :					
Cash and cash equivalent at the beginning of the year		947,038	916,342	610,915	533,511
(decrease)/increase in cash and cash equivalents		(173,706)	(144,333)	(203,446)	1,023
Effect of exchange rate movement on cash balances		6,090	6,027	-	-
Cash and cash equivalents at the end of the period	40	**779,422**	**778,036**	**407,469**	**534,534**

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

1 General information

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

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

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

The consolidated financial statements for the period ended 30 June, 2019 comprise the Bank and its subsidiaries (together referred to as "the Group" and individually as "Group entities") and the. The separate financial statements comprise the Bank. The consolidated and separate financial statements for the period ended 30 June, 2019 were approved for issue by the Board of Directors on 23 July, 2019.

The Group does not have any unconsolidated structured entity.

2.0 (a) Changes in accounting policies

Except as noted below, the Group has consistently applied the accounting policies as set out in Note 2(b) to all periods presented in these consolidated and separate financial statements.
The Group has adopted the following new standards and amendments including any consequential amendments to other standards with initial date of application of January 1, 2019.
The effect of initially applying these standards is mainly attributed to the following,
1) Recognition of right-of-use assets and lease liability for operating leases.
2) Additional depreciation on the right-of-use assets. Also, additional interest expense as a result of the unwinding of the lease liability.
3) Disclosures on IFRS 16.

i.) IFRS 16 Leases
The Group has adopted IFRS 16, "Leases" as issued by the IASB in July 2014 with a date of transition of 1 January 2019, which resulted in changes in accounting policies.
As permitted by the transitional provision of the standard, the Group has chosen the modified retrospective approach to the application of IFRS 16. This approach allows the Group not to restate comparative financial information. The major impact of the adoption of this standard is that the Group will be required to capitalize all leases (i.e. recognize a right-of-use asset and a lease liability) with the exemption of certain short-term leases and leases of low-value assets.

ii.) IFRIC 23 Uncertainty over income tax treatment
The amendment clarifies how to determine the accounting tax position when there is uncertainty over income tax treatments.
The Interpretation requires an entity to:
- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
- If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
- If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

The Group has adopted IFRIC 23 effective 1 January 2019.

iii) Amendments to IFRS 9
The amendments clarify that financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9.

The Group adopted the amendment effective 1 January 2019

(b) Significant accounting policies

Except as noted in Note 2.0(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) (including the requirements of IAS 34 *Interim Financial Reporting*) 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. The same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements except as described in note 2.0(a).

(b). Basis of measurement

The financial statements have been prepared under the historical cost convention with the exception of the following:

- Financial assets and liabilities measured at amortised cost;
- Derivative financial instruments which are measured at fair value; and
- Non-derivative financial instruments, carried at fair value through profit or loss, or fair value through OCI are measured at fair value.

(c) Use of estimates and judgements

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

2.2 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.

2.2 Basis of Consolidation (continued)

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

(b) Loss of Control

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

(c) Associates

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

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

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

(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.

2.3 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

2.3 Translation of foreign currencies (continued)

(iii) all resulting exchange differences are recognised in other comprehensive income and presented within equity as foreign currency translation reserves.

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

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

(c) Transactions and balances

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

Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated to the functional currency using the exchange rate at the transaction date, and those measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined and are recognised in the profit or loss. When a gain or loss on non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss shall be recognised in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognised in profit or loss, any exchange of that gain or loss shall be recognised in profit or loss.

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.

2.4 Cash and cash equivalents

For the purposes of the statement of cash flow, cash and cash equivalents comprise balances with original maturities of three (3) months or less than three months from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. They include cash and non-restricted balances with central banks, treasury bills and other eligible bills, amounts due from other banks and short-term government securities.

2.5 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).

2.5 Financial instruments (continued)

(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:

2.5 Financial instruments (continued)

- 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 at the higher of the loss allowance 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

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

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.

Business model assessment

The Group assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;

– how the performance of the portfolio is evaluated and reported to the Group's management;

– the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;

– how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and

– the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not

2.5 Financial instruments (continued)

considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

– contingent events that would change the amount and timing of cash flows;

– leverage features;

– prepayment and extension terms;

– terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse loans); and features that modify consideration of the time value of money (e.g. periodical reset of Interest rate).

The Group holds a portfolio of long-term fixed-rate loans for which the Group has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Group has determined that the contractual cash flows of these loans are SPPI because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Reclassifications

[IFRS 9.4.4.1] Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets

(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.

2.5 Financial instruments (continued)

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-and-repurchase 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 (2.9)), 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.

2.5 Financial instruments (continued)

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 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.

2.5 Financial instruments (continued)

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.

2.6 Derivative instruments

The Group recognizes the derivative instruments on the statement of financial position at their fair value. The Group designates the derivative as an instrument held for trading or non-hedging purposes (a "trading" or "non-hedging" instrument).

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

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

2.7 Impairment

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

• Financial assets that are debt instruments;

• Lease receivables;

• Financial guarantee contracts issued; and

• Loan commitments issued.

No impairment loss is recognised on equity investments.

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

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

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

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instrument for which a 12-month ECL is recognised are referred to as 'stage 1 financial instruments'.

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as ‘Stage 2 financial instruments’.

Loss allowances for other assets and lease receivables are always measured at an amount equal to lifetime ECL.

The Group considers debt investment securities to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’ or its is a sovereign debt instruments issued in the local currency.

2.7.1 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 flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and

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

Reversal of Impairment and Backward Transfer Criteria

When the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period but determines at the current reporting date that criteria for recognizing the lifetime ECL is no longer met i.e. cured, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

However, the Group observes the following backward transfer criteria (probationary period) to monitor if the criteria for recognizing the lifetime ECL has decreased significantly before the backward transfer can be effected on the credit rating of the customer;

90 days probationary period to move a financial instrument from Lifetime ECL not credit-impaired (Stage 2 financial instruments) to 12 months ECL (Stage 1 financial instruments);

90 days probationary period to move a financial instrument from Lifetime ECL credit-impaired (Stage 3 financial instruments) to Lifetime ECL not impaired (Stage 2 financial instruments);

180 days probationary period to move a loan from Lifetime ECL credit-impaired (Stage 3 financial instruments) to 12 months ECL (Stage 1 financial instruments).

Impairment gains arising from backward transfers will be recognized as part of ‘impairment losses on financial instruments.’

2.7.2 Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired referred to as 'Stage 3 financial instruments. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

• Significant financial difficulty of the borrower or issuer;

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

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

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

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

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

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

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

• The rating agencies’ assessments of creditworthiness.

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

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

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

2.7.3 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.

2.7.4 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.

2.8 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.

2.9 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 and ECL are measured as follows;

- 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.

2.10 Collateral

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

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

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

2.11 Property and equipment

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

Property and equipment (continued)

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. Land is not depreciated.

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	
Land	(Not depreciated)
Motor vehicles	4 years
Office equipment	5 years
Furniture and fittings	5 years
Computer equipment	3 years
Buildings	50 years
Leasehold improvement	Over the remaining lease period
Right of use assets	Lower of lease term or the useful life for the specified class of item

Depreciation is included in profit or loss.

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

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

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

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

Borrowing Costs

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

2.12 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.

2.13 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.

2.14 Leases

The Group has initially adopted IFRS 16 Leases from 1 January 2019.

IFRS 16 introduced a single, on-balance sheet accounting model for leases. As a result, the Group, as a lessee has recognized the right-of-use assets representing its right to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessors accounting remains similar to previous accounting policies.

The major lease transaction wherein the Group/Bank is a lessee relates to the lease of Bank's branches.

As permitted by the standard, the Group has applied IFRS 16 using the modified retrospective approach. Accordingly, the comparative information presented for 2018 is not restated – i.e it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

A. Definition of a lease

2.14 Leases (continued)

The Group has elected to apply the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to apply to those leases entered or modified before 1 January 2019.

Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The Group will apply the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract).

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease component as a single component.

B. Group / Bank is a lessee

Leases, under which the Bank possess a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration is disclosed in the Bank's statement of financial position and recognized as a leased asset.

To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Bank assesses whether, throughout the period of use, it has both of the following:

(a) the right to obtain substantially all of the economic benefits from use of the identified asset, and

(b) the right to direct the use of the identified asset.

The Group has elected not to recognize right-of-use assets and lease liabilities for some leases of low value assets. The Group recognizes expenses associated with these leases as an expense on straight line basis over the lease term.

The Group presents right-of-use assets as a separate class under ‘property and equipment’. The Group presents lease liability in other liabilities in the statement of financial position.

i. Significant accounting policies

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

2.14 Leases (continued)

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

ii. Transition

Previously, the Group classified property leases as operating leases under IAS 17. These properties are the Bank's branch offices.

♦ At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments - the Group applied this approach to all other leases.

The Group leases an aircraft. The Group classified this lease as a finance lease under IAS 17. At the date of initial application, the Group measured the right of use asset and lease liability at the amount of the finance lease asset and liability immediately before the date of initial application of IFRS 16.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

C. Group / Bank is a 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 capitalized to the value of the lease amount receivable and accounted for over the lease term as an adjustment to the effective rate of return.

The accounting policies applicable to the Group as a lessor are not different from those under IAS 17. The Group is not required to make any adjustments on transition to IFRS 16 for lease in which it acts as a lessor.

The Group recognizes assets held under a finance lease in its statement of financial position and present them as a receivable at an amount equal to the net investment in the lease. Initially, the Group will recognize a finance lease receivable at the amount equal to the net investment in the lease. Subsequently, finance income will be recognized at a constant rate on the net investment. During any ‘payment free’ period, this will result in the accrued finance income increasing the finance lease receivable.

For finance leases, the lease payments included in the measurement of the net investment in a lease at commencement date includes variable lease payments that depend on an index or a rate; other variable payments (e.g. those linked to future performance or use of an underlying asset) are excluded from the measurement of the net investment and are instead recognized as income when they arise. The treatment adopted for variable lease payments under operating leases should be consistent with these requirements.

2.14 Leases (continued)

D. Impacts on the financial statements

On transition to IFRS 16, the Group recognized additional right-of-use assets and additional lease liabilities as summarized below:

In millions of Naira	1 January 2019
Additional Right-of-use assets presented as part of property and equipment	17,618
Lease liability	10,692

When measuring the lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rates as at 1 January 2019. The weighted- average rate applied is 16.4%.

In millions of Naira	1 January 2019
Operating lease presented as part of prepayments as at 31 December 2018.	10,149
Additional right-of-use asset as a result of extension option which are reasonably certain to be exercised.	7,559
Recognition exemption for leases of low-value	(2)
Recognition exemption for short term leases	(88)
Right-of-use asset recognized as at 1 January 2019	17,618

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognized N17.62 billion of right-of-use assets and N10.69 billion of lease liabilities as at 30 June 2019.

Also, in relation to those leases under IFRS 16, the Group has recognized depreciation and interest cost, instead of operating lease expense. During the six months ended 30 June 2019, the Group recognizes N721 million of depreciation charges and N546 million of interest cost from the lease liabilities.

2.15 Provisions

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

A provision for restructuring is recognised when the Group has approved a detailed formal plan, and the restructuring either has commenced or has been announced publicly. Future operating costs or losses are not provided for. A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

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

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

2.16 Employee benefits

(a) Post-employment benefits

The Group 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.

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

(c) Termination benefits

The Group recognises termination benefits as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. The Group settles termination benefits within twelve months and are accounted for as short-term benefits.

2.17 Share capital and reserves

(a) Share issue costs

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

(b) Dividends on ordinary shares

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

(c) Share premium

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

(d) Statutory reserve

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

2.17 Share capital and reserves (continued)

(e) SMIEIS reserve

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

(f) Statutory reserve for credit risk

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

(g) Retained earnings

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

(h) Fair value reserve

Comprises fair value movements on equity instruments 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.

2.18 Recognition of interest income and expense

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 credit-impaired, 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 credit-adjusted 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 2.7.2.

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 2.20).

2.19 Fees, commission and other income

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate (see Note 2.18).

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.

2.20 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.

2.21 Operating expense

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

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

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

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

2.22 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 income arising 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:

2.22 Current and deferred income tax (continued)

(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.

2.23 Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Where there are shares that could potentially affects the numbers of share issued, those shares are considered in calculating the diluted earnings per share. There are currently no share that could potentially dilute the total issued shares.

2.24 Segment reporting

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

2.25 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.

2.26 Deposit for Investment in AGSMEIS

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

3. Risk management

3.1 Enterprise Risk Management

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

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

Risk related issues are taken into consideration in all business decisions and the Group continually strives to maintain a conservative balance between risk and revenue consideration. Continuous education and awareness of risk management has strengthened the risk management culture across the Group.

3.1.1 Risk Management Philosophy/Strategy

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

a. The Group adopt a holistic and integrated approach to risk management and therefore, brings all risks together under one or a limited number of oversight functions.

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

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

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

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

3.1.2 Risk Appetite

The Group's risk appetite is reviewed by the Board of Directors annually, at a level that minimizes erosion of earnings or capital due to avoidable losses or from frauds and operational inefficiencies.

The Group's risk appetite describes the quantum of risk that the Group would assume in pursuit of its business objectives at any point in time. The Group uses this risk appetite definition in aligning its overall corporate strategy, its capital allocation and risks.

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

3.1.3 Risk Management Approach

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

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.

3. Risk management (continued)

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;

3. Risk management (continued)

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

g. Ensure that risk remains within the boundaries established by the Board; and

h. Ensure that business lines comply with risk parameters and prudent limits established by the Board;

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

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

a. The strategic importance of the activity and sector;

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

c. The net income of the sector; and

d. The risk inherent in the activity and sector.

Risk management structures and processes are continuously reviewed to ensure their adequacy and appropriateness for the Group's risk and opportunities profile as well as with changes in strategy, business environment, evolving thoughts and trends in risk management.

3.1.5 Risk management strategies under the current economic conditions

Available information points to a mild pick-up of activity in the second quarter of 2019,, following a subdued performance in the first quarter of 2019 which was weighed by yet another contraction of the vital oil industry. Although the manufacturing Purchasing Managers' Index (PMI) fell from April's five-month high in May, the two-month average lies above that of the first quarter, signaling that business dynamics remain upbeat. Encouragingly, new orders from abroad quickened to a year-to-date high in May. Furthermore, bank lending to the private sector accelerated notably in April, which, coupled with slightly higher business confidence in May, bodes well for overall activity in the quarter.

In late May 2019, the Nigerian President was sworn in for his second four-year term and signed a NGN 8.9 trillion 2019 budget into law, which was reportedly slightly raised to pay for severance packages to lawmakers and to tackle security threats across the country.

The economy is seen gaining some traction this year. In particular, increased credit provision and the implementation of the minimum wage hike should lend support to consumer demand and the non-oil segment of the economy. However, the slow progress on structural reforms and oil price volatility pose key risks to the outlook.

It is hoped that the GDP will be increasing to 2.4% in 2019, which is up 0.1 percentage points from last month's estimate, and 2.8% in 2020.

The Bank regularly assesses it's resilience to changes in micro and macro environments with specific actions to address any observed or anticipated challenges.

The Bank strongly believe it is well positioned to deal with liquidity risk and funding challenges that may arise from any adverse situations and our capital and earnings capacity (profitability) can withstand the shocks 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

3. Risk management (continued)

(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

3. Risk management (continued)

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

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

b. Credit rating of obligor;

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

d. The size of the facility in case default occurs; and

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

3.2.2 Credit Rating Tools

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

(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

3. Risk management (continued)

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;

3. Risk management (continued)

h. Systematic credit limits management which enables the Bank to monitor its credit exposure on daily basis at country, borrower, industry, credit risk rating and credit facility type levels;

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

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

The credit processes are supplemented by sectoral portfolio reviews, which focus on countries, regions or specific industries as well as multiple stress testing scenarios. These are intended to identify any inherent risks in the portfolios resulting from changes in market conditions and are supplemented by independent reviews from our Group Internal Audit.

Additionally, the Group continuously upgrades and fine-tunes above in line with the developments in the financial services industry environment and technology.

3.2.5 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

3. Risk management (continued)

The Group's approach to controlling various risks begins with optimizing the diversification of its exposures. Zenith uses a variety of techniques to manage the credit risk arising from its lending activities. These techniques are set out in the Group's internal policies and procedures. They are mainly reflected in the application of various exposure limits: credit concentration limits by counterparty and credit concentration limits by industry, country, region and type of financial instrument.

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

(i) Collateral Security

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

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

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

b. Collateral consisting of inventory, accounts receivable, machinery equipment, patents, trademarks, farm products, general intangibles, etc. These require a security agreement (usually a floating debenture) which has to be registered and, must be enforceable under Nigerian law;

c. Stocks and shares of publicly quoted companies;

d. Domiciliation of contracts proceeds;

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

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).

3. Risk management (continued)

Details of collateral pledged by customers against the carrying amount of loans and advances as at 30 June, 2019 are as follows:

In millions of Naira	Group		Bank	
	Total exposure	Value of collateral	Total exposure	Value of collateral
Secured against real estate	155,582	208,794	125,147	101,107
Secured by shares of quoted companies	9,897	5,380	9,897	5,380
Cash Collateral, lien over fixed and floating assets	986,680	933,904	957,524	905,041
Unsecured	799,976	-	780,003	-
Total Gross amount	**1,952,135**	**1,148,078**	**1,872,571**	**1,011,528**
ECL Allowance	(150,302)	-	(139,732)	-
Net carrying amount	**1,801,833**	**1,148,078**	**1,732,839**	**1,011,528**

Group 30 June, 2019 Disclosure by Collateral	Term loan	Overdrafts	Onlending	Finance lease	Total
Property/Real estate	148,982	42,015	16,715	1,082	208,794
Equities	1,686	3,694	-	-	5,380
Cash	585,307	60,925	287,427	245	933,904
Grand total: Fair value of collateral	**735,975**	**106,634**	**304,142**	**1,327**	**1,148,078**
Grand total: Gross loans	**1,246,192**	**243,673**	**459,603**	**2,666**	**1,952,135**
Grand total: ECL Allowance	**110,580**	**30,908**	**8,773**	**41**	**150,302**
Grand total: Net amount	**1,135,612**	**212,765**	**450,831**	**2,625**	**1,801,833**
Grand total: Amount of undercollaterization/(overcollaterization)	**399,637**	**106,131**	**146,689**	**1,298**	**653,755**

30 June, 2019 Against 12 months ECL loans and advances	Term loan	Overdrafts	Onlending	Finance lease	Total
Property/Real estate	109,797	25,955	11,101	1,082	147,935
Equities	1,418	1,402	-	-	2,820
Cash and debentures	426,065	47,658	285,552	245	759,520
Fair value of collateral	**537,280**	**75,015**	**296,654**	**1,326**	**910,275**
Gross loans	**939,431**	**153,276**	**413,399**	**2,656**	**1,508,763**
ECL Allowance	**30,209**	**2,430**	**2,279**	**35**	**34,953**
Net amount	**909,222**	**150,846**	**411,121**	**2,621**	**1,473,810**
Amount of undercollaterization/(overcollaterization)	**371,942**	**75,831**	**114,467**	**1,295**	**563,535**

3. Risk management (continued)

30 June, 2019 Against lifetime ECL not credit-impaired loans and advances	**Term loan**	**Overdrafts**	**Onlending**	**Finance lease**	**Total**
Property/Real estate	35,146	8,588	5,566	-	49,300
Equities	-	34	-	-	34
Cash	130,306	7,749	1,750	-	139,805
Fair value of collateral	**165,452**	**16,371**	**7,316**	**-**	**189,139**
Gross loans	**192,140**	**38,655**	**46,000**	**-**	**276,795**
ECL Allowance	**12,200**	**1,248**	**6,293**	**-**	**19,740**
Net amount	**179,940**	**37,407**	**39,707**	**-**	**257,054**
Amount of undercollaterization/(overcollaterization)	**14,488**	**21,036**	**32,391**	**-**	**67,915**

30 June, 2019 Against lifetime ECL credit-impaired loans and advances	**Term loan**	**Overdrafts**	**Onlending**	**Finance lease**	**Total**
Property/Real estate	4,039	7,472	48	-	11,559
Equities	268	2,258	-	-	2,526
Cash	28,936	5,518	125	-	34,579
Fair value of collateral	**33,243**	**15,248**	**173**	**-**	**48,664**
Gross loans	**114,621**	**51,741**	**204**	**12**	**166,579**
ECL Allowance	**68,171**	**27,230**	**201**	**6**	**95,608**
Net amount	**46,450**	**24,511**	**3**	**6**	**70,970**
Amount of undercollaterization/(overcollaterization)	**13,207**	**9,263**	**(170)**	**6**	**22,306**

Bank **30 June, 2019** **Disclosure by Collateral**	**Term loan**	**Overdrafts**	**Onlending**	**Finance lease**	**Total**
Property/Real estate	54,513	28,798	16,715	1,082	101,107
Equities	1,685	3,694	-	-	5,380
Cash	560,865	56,504	287,427	245	905,041
Grand total: Fair value of collateral	**617,064**	**88,996**	**304,142**	**1,326**	**1,011,528**
Grand total: Gross loans	**1,191,122**	**219,179**	**459,603**	**2,666**	**1,872,571**
Grand total: ECL Allowance	**95,561**	**35,357**	**8,773**	**41**	**139,732**
Grand total: Net amount	**1,095,562**	**183,822**	**450,831**	**2,625**	**1,732,839**
Grand total: Amount of undercollaterization/(overcollaterization)	**478,498**	**94,826**	**146,689**	**1,299**	**(721,311)**

3. Risk management (continued)

30 June, 2019 Against 12 months ECL loans and advances	**Term loan**	**Overdrafts**	**Onlending**	**Finance lease**	**Total**
Property/Real estate	17,366	15,317	11,101	1,082	44,866
Equities	1,418	1,402	-	-	2,820
Cash	401,645	43,244	285,552	245	730,685
Fair value of collateral	**420,429**	**59,963**	**296,654**	**1,326**	**778,372**
Gross loans	**907,095**	**140,411**	**413,399**	**2,656**	**1,463,562**
ECL Allowance	**13,817**	**2,503**	**2,279**	**35**	**18,634**
Net amount	**893,278**	**137,908**	**411,121**	**2,621**	**1,444,928**
Amount of undercollaterization/(overcollaterization)	**472,849**	**77,945**	**114,467**	**1,295**	**666,556**

30 June, 2019 Against lifetime ECL not credit-impaired loans and advances	**Term loan**	**Overdrafts**	**Onlending**	**Finance lease**	**Total**
Property/Real estate	35,132	8,566	5,566	-	49,264
Equities	-	34	-	-	34
Cash	130,306	7,742	1,750	-	139,798
Fair value of collateral	**165,438**	**16,342**	**7,316**	**-**	**189,096**
Gross loans	**172,945**	**33,611**	**46,000**	**-**	**252,557**
ECL Allowance	**13,396**	**1,599**	**6,293**	**-**	**21,288**
Net amount	**159,550**	**32,012**	**39,707**	**-**	**231,269**
Amount of undercollaterization/(overcollaterization)	**(5,888)**	**15,670**	**32,391**	**-**	**42,173**

30 June, 2019 Against lifetime ECL credit-impaired loans and advances	**Term loan**	**Overdrafts**	**Onlending**	**Finance lease**	**Total**
Property/Real estate	2,014	4,915	48	-	6,976
Equities	268	2,258	-	-	2,526
Cash	28,915	5,518	125	-	34,558
Fair value of collateral	**31,197**	**12,691**	**173**	**-**	**44,061**
Gross loans	**111,082**	**45,156**	**204**	**10**	**156,452**
ECL Allowance	**68,348**	**31,254**	**201**	**6**	**99,810**
Net amount	**42,734**	**13,902**	**3**	**4**	**56,643**
Amount of undercollaterization/(overcollaterization)	**11,537**	**1,211**	**(170)**	**4**	**12,582**

No loss allowance was computed for loans and advances amounting to N3.6 billion for which the collateral value exceeded the amount of loan exposure.

3. Risk management (continued)

Details of collateral pledged by customers against carrying amount of loans and advances as at 31 December, 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**
ECL Allowance	(193,409)	-	(184,998)	-
Net carrying amount	**1,823,111**	**1,057,376**	**1,736,066**	**971,265**

Group **31 December, 2018** **Disclosure by Collateral**	**Term loan**	**Overdrafts**	**Onlending**	**Finance lease**	**Total**
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: ECL Allowance	**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 Against 12 months ECL loans and advances	**Term loan**	**Overdrafts**	**Onlending**	**Finance lease**	**Total**
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**
ECL Allowance	**11,123**	**2,623**	**2,092**	**127**	**15,965**
Grand total: 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 Against lifetime ECL not credit-impaired loans and advances	**Term loan**	**Overdrafts**	**Onlending**	**Finance lease**	**Total**
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**
ECL Allowance	**32,384**	**1,857**	**1,793**	**6**	**36,040**
Net amount	**318,449**	**19,357**	**9,338**	**116**	**347,260**
Amount of undercollaterization/(overcollaterization)	**103,415**	**12,310**	**(119)**	**98**	**115,704**

3. Risk management (continued)

31 December, 2018 Against lifetime ECL credit-impaired loans and advances	**Term loan**	**Overdrafts**	**Onlending**	**Finance lease**	**Total**
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**
ECL Allowance	**112,859**	**27,519**	**1,018**	**8**	**141,404**
Net amount	**39,225**	**1,024**	**114**	**3**	**40,366**
Amount of (overcollaterization)	**(30,295)**	**(14,484)**	**(337)**	**(1)**	**(45,117)**

Bank **31 December, 2018** **Disclosure by Collateral**	**Term loan**	**Overdrafts**	**Onlending**	**Finance lease**	**Total**
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: ECL Allowance	**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 Against 12 months ECL loans and advances	**Term loan**	**Overdrafts**	**Onlending**	**Finance lease**	**Total**
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**
ECL Allowance	**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**

3. Risk management (continued)

31 December, 2018 Against lifetime ECL not credit-impaired loans and advances	**Term loan**	**Overdrafts**	**Onlending**	**Finance lease**	**Total**
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**
ECL Allowance	**30,739**	**1,694**	**1,793**	**6**	**34,232**
Net amount	**290,923**	**17,510**	**9,338**	**116**	**317,887**
Amount of undercollaterization/(overcollaterization)	**75,889**	**10,463**	**(119)**	**98**	**86,331**

31 December, 2018 Against lifetime ECL credit-impaired loans and advances	**Term loan**	**Overdrafts**	**Onlending**	**Finance lease**	**Total**
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**
ECL Allowance	**112,859**	**22,789**	**1,018**	**8**	**136,674**
Net amount	**39,225**	**5,754**	**115**	**3**	**45,097**
Amount of overcollaterization	**(30,295)**	**(9,754)**	**(336)**	**(1)**	**(40,386)**

(ii) Balance Sheet Netting Arrangements

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

(iii) Guarantees and Standby Letters of Credit

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

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

The Group's maximum exposure to credit risk at 30 June, 2019 and 31 December, 2018 respectively, are represented by the net carrying amounts of the financial assets, with the exception of financial and other guarantees issued by the Group for which the maximum exposure to credit risk are represented by the maximum amount the Group would have to pay if the guarantees are called on (refer to note 38 Contingent liabilities and commitments).

3.2.8 Concentration of Risks of Financial Assets with Credit Risk Exposure

The Group monitors concentrations of credit risk by geographical location and by industry sector. An analysis of concentrations of credit risk at 30 June, 2019 and 31 December, 2018 respectively for loans and advances to customers and amounts due from banks, is set out below:

3. Risk management (continued)

(a) Geographical sectors

The following table breaks down the Group's main credit exposure at their carrying amounts, as categorised by geographical region at 30 June, 2019 and 31 December, 2018 respectively. For this table, the Group has allocated exposures to regions based on the regions the counterparties are domiciled. Financial assets included in the table below represents other assets excluding prepayment.

In millions of Naira	Group			Bank		
30 June, 2019	**Nigeria**	**Rest of Africa**	**Outside Africa**	**Nigeria**	**Rest of Africa**	**Outside Africa**
Cash and balances with central bank	721,826	47,612	17	721,814	-	-
Treasury bills	833,483	173,234	-	832,003	-	-
Assets pledged as collateral	517,429	-	-	517,429	-	-
Due from other banks	-	46,522	810,854	-	-	533,064
Investment securities	194,561	92,701	270,223	186,915	-	-
Derivative instruments	65,709	-	-	65,709	-	-
Other financial assets	99,540	-	914	99,540	-	-
Total	**2,432,548**	**360,069**	**1,082,008**	**2,423,410**	**-**	**533,064**
Financial Guarantees						
Usance	137,741	-	-	137,741	-	-
Letters of credit	384,883	40,052	-	385,153	-	-
Performance bond and guarantees	328,029	51,853	-	328,029	-	-
Total	**850,653**	**91,905**	**-**	**850,923**	**-**	**-**

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	-	-	-	-	-
Other financial assets	59,754	1,343	273	58,406	-	-
Total	**2,639,499**	**303,642**	**994,552**	**2,527,130**	**-**	**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**	**-**	**-**

3. Risk management (continued)

Gross loans and advances to customers and the Non-performing loan portion per geographical region as at 30 June, 2019

*Carrying amounts presented in the table below is determined as gross loans less impairment allowances (Impairment is measured in line with IFRS9).

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

	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	121,051	555	1,602	119,449	121,051	555	1,601	119,450
South West	1,499,772	90,030	134,811	1,364,961	1,499,772	90,030	134,811	1,364,961
South East	62,150	621	777	61,373	62,150	621	777	61,373
North Central	57,289	1,803	2,157	55,132	57,289	1,803	2,157	55,132
North West	33,142	111	153	32,988	33,142	111	153	32,988
North East	99,167	131	233	98,934	99,167	131	233	98,934
Rest of Africa	58,124	10,122	6,298	51,826	-	-	-	-
Outside Africa	21,440	-	4,272	17,168	-	-	-	-
	1,952,135	**103,373**	**150,302**	**1,801,833**	**1,872,571**	**93,251**	**139,732**	**1,732,839**

Gross loans and advances and non-performing portion per geographical region as at 31 December, 2018

	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**

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

Gross loans and advances to customers and the non-performing loan portion per industry sector as at 30 June, 2019

*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	104,030	261	835	**103,195**	103,779	261	818	**102,961**
Oil and gas	541,978	25,335	38,792	**503,186**	522,634	25,335	37,539	**485,094**
Consumer Credit	45,933	8,288	8,166	**37,766**	45,378	8,288	8,135	**37,243**
Manufacturing	507,254	17,949	24,084	**483,171**	501,595	8,284	20,028	**481,567**
Real estate and construction	43,564	10,491	7,782	**35,783**	38,485	10,491	7,461	**31,024**
Finance and insurance	14,074	-	1,594	**12,481**	10,699	-	309	**10,390**
Government	311,547	9	559	**310,987**	296,535	8	78	**296,457**
Power	92,718	69	38,838	**53,881**	92,460	-	38,821	**53,638**
Transportation	17,644	188	634	**17,010**	11,573	188	259	**11,314**
Communication	43,241	30,048	11,896	**31,345**	41,790	30,048	11,807	**29,983**
Education	4,309	1,211	1,134	**3,175**	3,584	1,211	1,088	**2,496**
General Commerce	225,842	9,522	15,989	**209,854**	204,058	9,136	13,387	**190,671**
	1,952,135	**103,373**	**150,302**	**1,801,834**	**1,872,571**	**93,251**	**139,732**	**1,732,839**

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

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**

3. Risk management (continued)

3.2.9 Credit quality

All other financial assets are neither past due nor impaired. Loans and advances to customers of N262 billion which are neither past due nor impaired have been renegotiated (31 December, 2018: N295 billion).

Group

30 June, 2019

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	769,455	1,006,757	517,522	857,976	508,658	65,709	101,801
BBB to BB	-	-	-	-	50,098	-	-
Gross amount	**769,455**	**1,006,757**	**517,522**	**857,976**	**558,756**	**65,709**	**101,801**
ECL - impairment	-	(40)	(93)	(600)	(1,271)	-	(1,347)
Carrying amount	**769,455**	**1,006,717**	**517,429**	**857,376**	**557,485**	**65,709**	**100,454**

	Loans and Advances					
	Term loans	**Overdraft**	**Others**	**Total**		
12 months ECL	939,431	153,276	416,056	1,508,763		
Lifetime ECL not credit impaired	192,140	38,656	46,000	276,796		
Lifetime ECL credit impaired	114,622	51,741	214	166,577		
Gross loans and advances	**1,246,193**	**243,673**	**462,269**	**1,952,135**		
Less allowances for impairment						
12 - months ECL	30,209	2,430	2,315	34,954	-	-
Lifetime ECL not credit impaired	12,200	1,248	6,293	19,740		
Lifetime ECL credit impaired	68,171	27,230	207	95,608		
Total allowances for impairment	**110,579**	**30,908**	**8,815**	**150,302**		
Net loans and advances	**1,135,614**	**212,765**	**453,454**	**1,801,833**		

Bank

30 June, 2019

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	721,814	832,043	517,522	533,663	137,496	65,709	100,829
BBB to BB	-	-	-	-	50,098	-	-
Gross amount	**721,814**	**832,043**	**517,522**	**533,663**	**187,594**	**65,709**	**100,829**
ECL - impairment	-	(40)	(93)	(599)	(679)	-	(1,289)
Carrying amount	**721,814**	**832,003**	**517,429**	**533,064**	**186,915**	**65,709**	**99,540**

3. Risk management (continued)

	Loans and Advances					
	Term loans	**Overdraft**	**Others**	**Total**		
12 months ECL	907,095	140,411	416,056	1,463,562		
Lifetime ECL not credit impaired	172,945	33,611	46,000	252,557		
Lifetime ECL credit impaired	111,082	45,156	214	156,452		
Gross loans and advances	**1,191,122**	**219,179**	**462,270**	**1,872,571**		
Less allowances for impairment						
12 - months ECL	13,817	2,503	2,314	18,634	-	-
Lifetime ECL not credit impaired	13,396	1,599	6,293	21,288		
Lifetime ECL credit impaired	68,348	31,254	207	99,810		
Total allowances for impairment	**95,561**	**35,357**	**8,814**	**139,732**		
Net loans and advances	**1,095,561**	**183,822**	**453,456**	**1,732,839**		

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**		

3. Risk management (continued)
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**					
	Term loans	**Overdraft**	**Others**	**Total**		
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**		

	Group	**Bank**
At 30 June, 2019	**Loans and advances to customers**	**Loans and advances to customers**
AAA	172,537	172,536
AA to A	1,299,445	1,299,445
BBB to BB	244,138	244,138
Below B	236,016	156,452
Unrated	-	-
	1,952,135	**1,872,571**

3. Risk management (continued)

	Group	Bank			
At 31 December, 2018	**Loans and advances to customers**	**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**			

3.2.10 Amounts Arising from ECL

For inputs, assumptions and techniques used for estimating impairment see accounting policy in note 2.7

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. Risk management (continued)

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.

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 Life-time 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;

3. Risk management (continued)

- 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.

3. Risk management (continued)

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 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: Crude oil price 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: Crude oil price and foreiegn exchange rate.

The economic scenarios used as at 30 June, 2019 included the following key indicators for Nigeria for the years ending 31 December 2019 to 2020.

	2020	**2021**
Foreign exchange rate	Base 365 Upside 360 Downside 370	Base 365 Upside 360 Downside 400
Crude oil price forecast	Base 63.25 Upside 65.00 Downside 61.50	Base 63.15 Upside 65.50 Downside 60.80

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.

3. Risk management (continued)

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. Risk management (continued)

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 2019 represent allowance account for credit losses and reflect measurement basis under IFRS 9.

Group

	30 June, 2019				31 December, 2018			
In millions of naira	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Treasury bills at ammortised cost								
Balance at 1 January	72	-	-	72	1,305	-	-	1,305
Net remeasurement of loss allowances (see note 8)	(32)	-	-	(32)	(1,243)			(1,243)
Transfers from assets pledged as collateral	-	-	-	-				
Foreign exchange and other movements	-	-	-		10			10
Closing balance	**40**			**40**	**72**			**72**
Gross amount	**480,950**			**480,950**	**490,319**			**490,319**

	30 June, 2019				31 December, 2018			
In millions of naira	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Off balance sheet exposure								
Balance at 1 January	8,011	-	-	8,011	2,526	-	-	2,526
Net remeasurement of loss allowances (see note 8)	(2,621)	3	-	(2,618)	5,337			5,337
Write-offs	-	-	-		148			148
Closing balance	**5,390**	**3**		**5,393**	**8,011**			**8,011**
Gross amount	**942,542**	**16**		**942,558**	**831,251**			**831,251**

3. **Risk management (continued)**

In millions of naira	30 June, 2019 12-month ECL	30 June, 2019 Lifetime ECL not credit-impaired	30 June, 2019 Lifetime ECL credit-impaired	30 June, 2019 Total	31 December, 2018 12-month ECL	31 December, 2018 Lifetime ECL not credit-impaired	31 December, 2018 Lifetime ECL credit-impaired	31 December, 2018 Total
Assets pledged as collateral at ammortised cost								
Balance at 1 January	126	-	-	126	1,202	-	-	1,202
Net remeasurement of loss allowances (see note 8)	(33)	-	-	(33)	(1,076)	-	-	(1,076)
Closing Balance	**93**	**-**	**-**	**93**	**126**	**-**	**-**	**126**
Gross amount	**449,382**	**-**	**-**	**449,382**	**593,061**	**-**	**-**	**593,061**

In millions of naira	30 June, 2019 12-month ECL	30 June, 2019 Lifetime ECL not credit-impaired	30 June, 2019 Lifetime ECL credit-impaired	30 June, 2019 Total	31 December, 2018 12-month ECL	31 December, 2018 Lifetime ECL not credit-impaired	31 December, 2018 Lifetime ECL credit-impaired	31 December, 2018 Total
Loans and advances to customers at amortised cost								
Balance at 1 January	15,965	36,040	141,403	193,408	64,620	35,586	152,967	253,174
- Transfer to 12-month ECL	11,700	(11,354)	(346)	-	382	(248)	(134)	-
- Transfer to lifetime ECL not credit-impaired	(33,281)	33,791	(510)	-	(22,215)	22,913	(698)	-
- Transfer to lifetime ECL credit-impaired	(2,977)	(44,800)	47,777	-	(42,298)	(46,836)	89,134	-
Net remeasurement of loss allowances (see note 8)	30,432	5,829	(32,190)	4,070	14,074	22,890	(27,128)	9,836
New financial assets originated or purchased	11,535	234	312	12,080	1,550	1,540	377	3,467
Write-offs and recoveries	-	-	(60,838)	(60,838)	-	-	(73,962)	(73,962)
Foreign exchange and other movements	1,581	-	-	1,581	(148)	195	847	894
Closing balance	**34,954**	**19,740**	**95,608**	**150,302**	**15,965**	**36,040**	**141,403**	**193,409**
Gross amount	**1,508,763**	**276,795**	**166,577**	**1,952,135**	**1,451,450**	**383,300**	**181,770**	**2,016,520**

3. **Risk management (continued)**

In millions of naira	30 June, 2019 12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total	31 December, 2018 12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Investment securities at amortised cost	-	-	-	-	-	-	-	-
Balance at 1 January	2,572	-	-	2,572	1,773	-	-	1,773
Net remeasurement of loss allowances (see note 8)	114	-	-	114	(430)	-	-	(430)
Write-offs	(1,400)			(1,400)	1,229			1,229
Foreign exchange and other movements	(15)			(15)				
Closing balance	**1,271**	**-**	**-**	**1,271**	**2,572**	**-**	**-**	**2,572**
Gross amount	**296,420**	**-**	**-**	**296,420**	**513,154**	**-**	**-**	**513,154**

In millions of naira	30 June, 2019 Lifetime ECL	31 December, 2018 Lifetime ECL
Other financial assets		
Balance at 1 January	710	4,831
Net remeasurement of loss allowances (see note 8)	592	395
Financial assets that have been derecognised		
Write-offs	-	(4,516)
Foreign exchange and other movements	45	-
Closing balance	**1,347**	**710**
Gross amount	**101,801**	**62,468**

In millions of naira	30 June, 2019 12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total	31 December, 2018 12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Due from other banks								
Balance at 1 January	1,969	-	-	1,969	-	-	-	-
Net remeasurement of loss allowances (see note 8)	(332)	-	-	(332)	1,938	-	-	1,938
Financial assets that have been derecognised								
Write-offs	(1,019)	-	-	(1,019)	-	-	-	-
Foreign exchange and other movements	(18)	-	-	(18)	31	-	-	31
Closing balance	**600**	**-**	**-**	**600**	**1,969**	**-**	**-**	**1,969**
Gross amount	**857,976**	**-**	**-**	**857,976**	**458,305**	**-**	**-**	**458,305**

3. Risk management (continued)

Bank

In millions of naira	30 June, 2019 12-month ECL	30 June, 2019 Lifetime ECL not credit-impaired	30 June, 2019 Lifetime ECL credit-impaired	30 June, 2019 Total	31 December, 2018 12-month ECL	31 December, 2018 Lifetime ECL not credit-impaired	31 December, 2018 Lifetime ECL credit-impaired	31 December, 2018 Total
Treasury bills at ammortised cost								
Balance at 1 January	72	-	-	72	1,186	-	-	1,186
Net remeasurement of loss allowances (see note 8)	(32)	-	-	(32)	(1,114)	-	-	(1,114)
Transfers from assets pledged as collateral	-	-	-					
	-	-	-	-				
Closing balance	**40**	**-**	**-**	**40**	**72**	**-**	**-**	**72**
Gross amount	**306,659**			**306,659**	**306,802**			**306,802**

In millions of naira	30 June, 2019 12-month ECL	30 June, 2019 Lifetime ECL not credit-impaired	30 June, 2019 Lifetime ECL credit-impaired	30 June, 2019 Total	31 December, 2018 12-month ECL	31 December, 2018 Lifetime ECL not credit-impaired	31 December, 2018 Lifetime ECL credit-impaired	31 December, 2018 Total
Off balance sheet exposure								
Balance at 1 January	8,011	-	-	8,011	1,571	-	-	1,571
Net remeasurement of loss allowances (see note 8)	(2,621)	3	-	(2,618)	6,441			6,441
	-	-	-					
Closing balance	**5,390**	**3**		**5,393**	**8,011**			**8,011**
Gross amount	**850,907**	**16**		**850,923**	**775,355**			**775,355**

In millions of naira	30 June, 2019 12-month ECL	30 June, 2019 Lifetime ECL not credit-impaired	30 June, 2019 Lifetime ECL credit-impaired	30 June, 2019 Total	31 December, 2018 12-month ECL	31 December, 2018 Lifetime ECL not credit-impaired	31 December, 2018 Lifetime ECL credit-impaired	31 December, 2018 Total
Assets pledged as collateral at ammortised cost								
Balance at 1 January	126	-	-	126	1,202	-	-	1,202
Net remeasurement of loss allowances (see note 8)	(33)	-	-	(33)	(1,076)	-	-	(1,076)
Closing balance	**93**	**-**	**-**	**93**	**126**	**-**	**-**	**126**
Gross amount	**449,382**	**-**	**-**	**449,382**	**593,061**	**-**	**-**	**593,061**

3. Risk management (continued)

In millions of naira	30 June, 2019				31 December, 2018			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Loans and advances to customers at amortised cost								
Balance at 1 January	14,092	34,233	136,673	184,998	60,761	33,245	141,832	235,838
- Transfer to 12-month ECL	2,798	(2,751)	(48)	-	382	(248)	(134)	-
- Transfer to lifetime ECL not credit-impaired	(9,308)	9,757	(448)	-	(22,215)	22,913	(698)	-
- Transfer to lifetime ECL credit-impaired	(712)	(24,766)	25,478	-	(42,298)	(46,836)	89,134	-
Net remeasurement of loss allowances (see note 8)	9,005	4,629	(1,258)	12,376	15,912	23,619	(33,602)	5,929
New financial assets originated or purchased	2,759	186	251	3,196	1,550	1,540	377	3,467
Write-offs	-	-	(60,837)	(60,837)	-	-	(60,236)	(60,236)
Closing balance	**18,634**	**21,288**	**99,810**	**139,732**	**14,092**	**34,233**	**136,673**	**184,998**
Gross amount	**1,463,562**	**252,557**	**156,452**	**1,872,571**	**1,387,174**	**352,119**	**181,770**	**1,921,064**

In millions of naira	30 June, 2019	31 December, 2018
	Lifetime ECL	Lifetime ECL
Other financial assets		
Balance at 1 January	698	4,832
Net remeasurement of loss allowances (see note 8)	591	383
	-	
Write-offs	-	(4,517)
	-	
Closing balance	**1,289**	**698**
Gross amount	**100,829**	**59,104**

3. Risk management (continued)

In millions of naira	30 June, 2019 12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total	31 December, 2018 12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Due from other Banks								
Balance at 1 January	931	-	-	931	-	-	-	-
Net remeasurement of loss allowances (see note 8)	(332)	-	-	(332)	931	-	-	931
Closing balance	**599**	**-**	**-**	**599**	**931**	**-**	**-**	**931**
Gross amount	**533,663**	-	-	**533,663**	**394,397**	**-**	**-**	**394,397**

In millions of naira	30 June, 2019 12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total	31 December, 2018 12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Investment securities at amortised cost								
Balance at 1 January	565	-	-	565	358	-	-	358
Net remeasurement of loss allowances (see note 8)	114	-	-	114	207	-	-	207
Financial assets that have been derecognised								
Closing balance	**679**	**-**	**-**	**679**	**565**	**-**	**-**	**565**
Gross amount	**131,108**	**-**	**-**	**131,108**	**102,508**	**-**	**-**	**102,508**

3. Risk management (continued)

(a) Expected Credit Loss Migration Matrix

In millions of Naira		Stage as at 30 June, 2019		
		12- months ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Stage as at 1 January, 2019	12- months ECL	2,750	11,345	24,766
	Lifetime ECL not credit-impaired	48	448	74,081
	Lifetime ECL credit-impaired	2,759	186	251
	Gross	5,557	11,979	99,098

(b) Summary of migrations

12 month ECL (migration from lifetime ECL not credit impaired and lifetime ECL credit impaired)	2,807
Lifetime ECL not credit-impaired (migration from 12 months ECL and lifeteime ECL credit-impaired)	11,531
Lifetime ECL credit impaired (migration from 12 months ECL and lifetime ECL not credit-impaired)	98,847

In millions of Naira		Stage as at 31 December, 2018		
		12- months ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Stage as at 1 January, 2018	12- months ECL	12,160	22,215	42,299
	Lifetime ECL not credit-impaired	248	9,780	46,836
	Lifetime ECL credit-impaired	134	698	47,162
	Gross	12,542	32,693	136,297

(b) Summary of migrations

12 month ECL (migration from lifetime ECL not credit impaired and lifetime ECL credit impaired)	382
Lifetime ECL not credit-impaired (migration from 12 months ECL and lifeteime ECL credit-impaired)	22,913
Lifetime ECL credit impaired (migration from 12 months ECL and lifetime ECL not credit-impaired)	89,135

3. Risk management (continued)

Summary of loss allowance by class of financial instruments also showing ECL coverage ratio as at 30 June, 2019 .

Group

Financial Statement Items	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
In millions of Naira									%	%	%	%
On-balance sheet items												
Assets pledged as collateral	449,382	-	-	449,382	93	-	-	93	0.02	-	-	0.02
Treasury bills	480,950	-	-	480,950	40	-	-	40	0.01	-	-	0.01
Loans and advances to customers at amortised cost	1,508,763	276,795	166,577	1,952,135	34,954	19,740	95,608	150,302	2.32	7.13	57.40	7.70
Debt investment securities at amortised cost	296,420	-	-	296,420	1,271	-	-	1,271	0.43	-	-	0.43
Debt investment securities at FVOCI	49,760	-	-	49,760	-	-	-	-	-	-	-	-
Other financial assets measured at amortised cost	101,801	-	-	101,801	1,347	-	-	1,347	1.32	-	-	1.32
Due from other Banks	857,976	-	-	857,976	600	-	-	600	0.07	-	-	0.07
Subtotal	2,887,076	276,795	166,577	3,330,448	37,705	19,740	95,608	153,053	4.10	7.13	57.40	4.60
Off-balance sheet items												
Loans and other credit related commitments												
Letters of credit	424,935	-	-	424,935	5,312	-	-	5,312	1.25	-	-	1.25
Usance	137,741	16	-	137,757	5,390	3	-	5,393	3.91	18.75	-	3.91
Financial guarantee and similar contracts												
Performance bonds and guarantees	379,882	-	-	379,882	759	-	-	759	0.20	-	-	0.20
Subtotal	942,558	16	-	942,574	11,461	3	-	11,464	5.36	18.75	-	1.22
Total	**3,829,634**	**276,811**	**166,577**	**4,273,022**	**49,166**	**19,743**	**95,608**	**164,517**	**9.46**	**25.88**	**57.40**	**3.85**

3. Risk management (continued)

Bank

Financial Statement Items In millions of Naira	Gross Carrying Amount Stage 1	Stage 2	Stage 3	Total	ECL Provision Stage 1	Stage 2	Stage 3	Total	ECL Coverage Ratio Stage 1 %	Stage 2 %	Stage 3 %	Total %
On-balance sheet items												
Assets pledged as collateral	449,382	-	-	449,382	93	-	-	93	0.02	-	-	0.02
Treasury bills	306,659	-	-	306,659	40	-	-	40	0.01	-	-	0.01
Loans and advances to customers at amortised cost	1,463,562	252,557	156,452	1,872,571	18,634	21,288	99,810	139,732	1.27	8.43	63.80	7.46
Debt investment securities at amortised cost	131,108	-	-	131,108	679	-	-	679	0.52	-	-	0.52
Debt investment securities at FVOCI	49,760	-	-	49,760	-	-	-	-	-	-	-	-
Other financial assets measured at amortised cost	100,829	-	-	100,829	1,289	-	-	1,289	1.28	-	-	1.28
Other non-financial assets	24,095	-	-	24,095	(454)	-	-	(454)	(1.88)	-	-	(1.88)
Due from other banks	533,663	-	-	533,663	599	-	-	599	0.11	-	-	0.11
Subtotal	2,501,300	252,557	156,452	2,910,309	20,735	21,288	99,810	141,833	3.10	8.43	63.80	4.87
Off-balance sheet items												
Loans and other credit related commitments												
Letters of credit	385,153	-	-	385,153	-	-	-	-	-	-	-	-
Usance	137,741	16	-	137,757	5,390	3	-	5,393	3.91	18.75	-	3.91
Performance bonds and guarantees	328,029	-	-	328,029	-	-	-	-	-	-	-	-
Subtotal	850,923	16	-	850,939	5,390	3	-	5,393	3.91	18.75	-	0.63
Total	**3,352,223**	**252,573**	**156,452**	**3,761,248**	**26,125**	**21,291**	**99,810**	**147,226**	**7.01**	**27.18**	**63.80**	**3.91**

3. Risk management (continued)

Summary of loss allowance by class of financial instruments also showing ECL coverage ratio as at 31 December, 2018 .

Group

	Gross Carrying Amount				ECL Provision				ECL Coverage Ratio			
Financial Statement Items	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
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	458,305	-	-	458,305	1,969	-	-	1,969	0.43	-	-	0.43
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**

3. Risk management (continued)

Bank

	Gross Carrying Amount				ECL Provision				ECL Coverage Ratio			
Financial Statement Items	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
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	16	-	147,205	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	16	-	775,371	8,011	-	-	8,011	3.21	-	-	1.03
Total	**3,273,764**	**352,135**	**181,770**	**3,807,670**	**23,564**	**34,233**	**136,673**	**194,470**	**6.00**	**9.72**	**75.19**	**5.11**

3. Risk management (continued)

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.

3.3 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:

3. Risk management (continued)

(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 period 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.

3. Risk management (continued)
The table below sets out the allocation of assets and liabilities subject to market risk between trading and non-trading portfolios:

'In millions of Naira
Group

	Note	At 30 June, 2019 Carrying amount	Trading	Non-trading	At 31 December, 2018 Carrying amount	Trading	Non-trading
Assets							
Cash and balances with central bank	15	769,455	-	769,455	954,416	-	954,416
Treasury bills	16	1,006,717	525,807	480,910	1,000,560	510,313	490,247
Assets pledged as collateral	17	517,429	68,140	68,140	592,935	184,812	408,123
Due from other banks	18	857,376	-	857,376	674,274	-	674,274
Derivative assets	19	65,709	65,709	-	88,826	88,826	-
Loans and advances	20	1,801,833	-	1,801,833	1,823,111	-	1,823,111
Investment securities	21	557,485	6,388	551,097	565,312	4,970	560,342
Other financial assets	24	100,454	-	100,454	61,370	-	61,370
Liabilities							
Customer deposits	27	3,810,025	-	3,810,025	3,690,295	-	3,690,295
Derivative liabilities	32	6,685	6,685	-	16,995	16,995	-
Other financial liabilities	28	225,313	-	225,313	190,408	-	190,408
On-lending facilities	29	398,393	-	398,393	393,295	-	393,295
Borrowings	30	412,264	-	412,264	437,260	-	437,260
Debt securities issued	31	181,091	-	181,091	361,177	-	361,177

Bank

		At 30 June, 2019 Carrying amount	Trading	Non-trading	At 31 December, 2018 Carrying amount	Trading	Non-trading
Assets							
Cash and balances with central bank	15	721,814	-	721,814	902,073	-	902,073
Treasury bills	16	832,003	525,384	306,619	817,043	510,313	306,730
Assets pledged as collateral	17	517,429	68,140	449,289	592,935	184,812	408,123
Due from other banks	18	533,064	-	533,064	393,466	-	393,466
Derivative assets	19	65,709	65,709	-	88,826	88,826	-
Loans and advances	20	1,732,839	-	1,732,839	1,736,066	-	1,736,066
Investment securities	21	186,915	6,388	180,527	156,673	4,970	151,703
Other financial assets	24	99,540	-	99,540	58,406	-	58,406
Liabilities							
Customer deposits	27	2,988,298	-	2,988,298	2,821,066	-	2,821,066
Derivative liabilities	32	6,685	6,685	-	16,995	16,995	-
Other financial liabilities	28	224,846	-	224,846	212,006	-	212,006
On-lending facilities	29	398,393	-	398,393	393,295	-	393,295
Borrowings	30	435,865	-	435,865	458,463	-	458,463
Debt securities issued	31	181,091	-	181,091	361,177	-	361,177

3.3.2 Measurement of Market Risk

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

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

3. Risk management (continued)

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

3.3.3 Foreign exchange risk

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

Group

The table below summarizes the Group's exposure to foreign currency exchange rate risk at 30 June, 2019 and 31 December, 2018. Included in the table are the Group's financial instruments at carrying amounts, categorised by currency.

In millions of Naira **At 30 June, 2019**	**Naira**	**Dollar**	**GBP**	**Euro**	**Others**	**Total**
Assets						
Cash and balances with central banks	722,790	17,565	7,790	6,051	15,259	769,455
Treasury bills	925,963	-	-	-	80,754	1,006,717
Assets pledged as collaterals	517,429	-	-	-	-	517,429
Due from other banks	42,241	732,792	9,335	43,012	29,996	857,376
Derivative assets	65,709	-	-	-	-	65,709
Loans and advances to customers	939,397	806,422	890	8,836	46,288	1,801,833
Investment securities	285,632	247,411	16,702	1,352	-	551,097
Other financial assets	53,745	46,442	267	-	-	100,454
	3,552,907	1,850,632	34,984	59,251	172,297	5,670,070
Liabilities						
Customer's deposits	2,053,640	1,559,409	10,141	48,910	137,924	3,810,025
Derivative liabilities	6,685	-	-	-	-	6,685
Other financial liabilities	87,995	109,149	16,922	9,699	1,548	225,313
On-lending facilities	398,393	-	-	-	-	398,393
Borrowings	0	412,264	-	-	-	412,264
Debt securities issued	-	181,091	-	-	-	181,091
	2,546,713	2,261,914	27,063	58,609	139,472	5,033,771
Swap and forward contracts	(530,023)	530,023	-	-	-	-
Net Exposure	**476,171**	**118,741**	**7,921**	**642**	**32,825**	**636,299**

3. Risk management (continued)

In millions of Naira At 31 December, 2018	Naira	Dollar	GBP	Euro	Others	Total
Assets						
Cash and balances with central banks	886,925	18,868	6,049	4,838	37,736	954,416
Treasury bills	930,701	1,957	-	-	67,902	1,000,560
Assets pledged as collaterals	592,935	-	-	-	-	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 to customers (gross)	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
	3,663,528	1,681,285	66,773	75,163	274,055	5,760,804
Liabilities						
Customer's 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	-	437,260	-	-	-	437,260
Debt securities issued	-	361,177	-	-	-	361,177
	2,569,880	2,124,050	63,148	47,258	285,094	5,089,429
Swap and forward contracts	(631,000)	631,000	-	-	-	-
Net Exposure	**462,648**	**188,235**	**3,625**	**27,905**	**(11,039)**	**671,375**

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 6% and 9% (31 December, 2018: 15% and 30%, with all other variables held constant.

	30-Jun-19	31-Dec-18
US Dollar effect of 6% (31 December 2018: 15%) up or (down) movement on profit before tax and statement of financial position size (in millions of Naira)	7,124	5,891
US Dollar effect of 9% (31 December 2018: 30%) up or (down) movement on profit before tax and statement of financial position size (in millions of Naira)	10,687	11,782

3. Risk management (continued)

Bank

The table below summarizes the Bank's exposure to foreign currency exchange rate risk at 30 June, 2019 and 31 December, 2018. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency.

In millions of Naira

At 30 June, 2019	**Naira**	**Dollar**	**GBP**	**Euro**	**Others**	**Total**
Assets						
Cash and balances with central banks	720,315	899	418	182	-	721,814
Treasury bills	832,003	-	-	-	-	832,003
Assets pledged as collaterals	517,429	-	-	-	-	517,429
Due from other banks	30,396	463,987	9,287	27,024	2,369	533,064
Derivative assets	65,709	-	-	-	-	65,709
Loans and advances to customers	939,250	785,466	12	7,932	-	1,732,659
Investment securities	180,324	6,591	-	-	-	186,915
Other financial assets	87,410	12,130	-	-	-	99,540
	3,372,837	1,269,072	9,717	35,138	2,369	4,689,133
Liabilities						
Customer's deposit	2,037,756	918,260	8,369	23,347	566	2,988,298
Derivative liabilities	6,685	-	-	-	-	6,685
Financial liabilities	137,045	76,255	299	9,699	1,548	224,846
On-lending facilities	398,393	-	-	-	-	398,393
Borrowings	0	435,865	-	-	-	435,865
Debt securities issued	-	181,091	-	-	-	181,091
	2,579,879	1,611,471	8,669	33,046	2,113	4,235,178
Swap and forward contracts	(530,023)	530,023	-	-	-	-
Net Exposure	**262,935**	**187,624**	**1,048**	**2,092**	**256**	**453,955**

In millions of Naira

At 31 December, 2018	**Naira**	**Dollar**	**GBP**	**Euro**	**Others**	**Total**
Assets						
Cash and balances with central banks	885,877	8,560	5,389	2,247	-	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	-	-	58,405
	3,552,792	1,143,871	10,714	34,481	3,629	4,745,487
Liabilities						
Customer's deposits	2,084,773	703,545	10,634	20,518	1,596	2,821,066
Derivative liabilities	16,995	-	-	-	-	16,995
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	-	361,177	-	-	-	361,177
	2,601,114	1,613,736	10,634	33,908	3,610	4,263,002
Swap and forward contracts	(631,000)	631,000	-	-	-	-
Net Exposure	**320,678**	**161,135**	**80**	**573**	**19**	**482,485**

3. Risk management (continued)

The Bank's exposure to foreign currency risk is largely concentrated in US Dollar. Movement in exchange rate between the US Dollar, and the Nigerian Naira affects reported earnings through revaluation gain or loss and statement of financial position size through increase or decrease in the revalued amounts of assets and liabilities denominated in US Dollars. The Group's closing and average Dollar rate as at 30 June, 2019 was 360.56 and 360.95 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 6% and 9% (31 December, 2018: 15% and 30%), with all other variables held constant.

In millions of Naira	**30-Jun-19**	**31-Dec-18**
US Dollar effect of 6% (31 December 2019: 15%) up or (down) movement on profit before tax and balance sheet size	11,257	9,881
US Dollar effect of 9% (31 December 2019: 30%) up or (down) movement on profit before tax and statement of financial position size (in millions of Naira)	16,886	19,762

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:

At 30 June, 2019

In millions of Naira	**Note**	**Gross amount**	**Rate sensitive**	**Non rate sensitive**
Assets				
Cash and balances with central banks	15	769,455	7,500	761,955
Treasury and other eligible bills (Amortized cost)	16	480,950	480,950	-
Assets pledged as collateral	17	517,429	517,429	-
Due from other banks	18	857,376	857,376	-
Derivative assets	19	65,709	65,709	-
Loans and advances to customers		1,952,135	1,952,135	-
Investment securities (Amortized cost and Fair value through OCI)	21	557,485	301,537	255,948
Other financial assets	24	100,454	-	100,454
		5,300,993	4,182,636	1,118,357
Liabilities				
Customer deposits	27	3,810,025	3,810,025	-
Derivative liabilities	32	6,685	6,685	-
Other financial liabilities	28	263,299	263,299	-
On-lending facilities	29	398,393	398,393	-
Borrowings	30	412,264	412,264	-
Debt securities issued	31	181,091	181,091	-
		5,071,757	5,071,757	-
Total interest repricing gap		**229,236**	**(889,121)**	

3. Risk management (continued)

At 30 June, 2019	**Up to 1 month**	**1 - 3 months**	**3 - 6 months**	**6 - 12 months**	**Over 1 year**	**Total rate sensitive**
In millions of Naira						
Assets						
Cash and balances with central banks	7,500	-	-	-	-	7,500
Treasury bills	24,211	112,328	159,816	184,596	-	480,950
Assets pledged as collateral	-	82,262	192,160	22,508	220,499	517,429
Due from other banks	356,258	344,146	-	23,982	132,990	857,376
Derivative assets	2,484	15,440	15,028	32,758	-	65,709
Loans and advances to customers (Gross)	466,818	139,612	81,558	93,770	1,170,378	1,952,135
Investment securities (Amortized cost and fair value through OCI)	-	1,873	70,548	9,751	219,365	301,537
	857,270	695,661	519,109	367,364	1,743,232	4,182,636
Liabilities						
Customer deposits	3,639,231	113,055	57,637	101	-	3,810,025
Derivative liabilities	1,698	514	1,007	3,466	-	6,685
On-lending facilities	-	99,567	30,136	59,069	209,621	398,393
Borrowings	-	157,471	142,551	29,148	83,094	412,264
Debt securities issued	-	-	-	-	181,091	181,091
Other financial liabilities	191,078	7,535	28	3,465	23,207	225,313
	3,832,008	378,142	231,359	95,250	497,013	5,033,770
Total interest repricing gap	**(2,974,738)**	**317,519**	**287,750**	**272,114**	**1,246,219**	**(851,136)**

3. Risk management (continued)

At 31 December, 2018	**Note**	**Carrying amount**	**Rate sensitive**	**Non rate sensitive**
In millions of Naira				
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 collaterals	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)	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 liabilties	32	16,995	16,995	-
On-lending facilities	29	190,408	-	190,408
Borrowings	30	392,935	392,935	-
Current income tax	13	437,620	437,620	-
Financial liabilities	28	361,177	361,177	-
		5,089,430	4,430,517	658,913
Total interest repricing gap		**864,783**	**465,650**	**-**

In millions of Naira

At 31 December, 2018	**Up to 1 month**	**1 - 3 months**	**3 - 6 months**	**6 - 12 months**	**Over 1 year**	**Total rate sensitive**
In millions of Naira						
Assets						
Cash and balances with central banks	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	2,933,635	4,430,517
Total interest repricing gap	**(90,006)**	**350,104**	**158,953**	**992,249**	**(945,653)**	**465,647**

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

The table below shows the impact on the Group's profit before tax if interest rates on financial instruments held at amortized cost or at fair value had increased or decreased by 300 basis points, with all other variables held constant.

In millions of Naira	**30-Jun-19**	**31-Dec-18**
Effect of 300 basis points movement on profit before tax	21,777	44,891

3. Risk management (continued)

Bank

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

At 30 June, 2019

In millions of Naira	Note	Gross amount	Rate sensitive	Non-rate sensitive
Assets				
Cash and balances with central banks	15	721,814	-	721,814
Treasury and other eligible bills	16	306,659	306,659	-
Assets pledged as collateral	17	517,429	517,429	-
Due from other banks	18	533,064	533,064	-
Derivative assets	19	65,709	65,709	-
Loans and advances to customers		1,872,571	1,872,571	-
Investment securities (Amortized cost and Fair value through OCI)	21	180,527	130,429	50,098
Other financial assets	19	99,540	-	99,540
		4,297,313	3,425,861	871,452
Liabilities				
Customer deposits	27	2,988,298	2,988,298	-
Derivative liabilities	32	6,685	6,685	-
Other financial liabilities	28	224,846	224,846	-
On-lending facilities	29	398,393	398,393	-
Borrowings	30	435,865	435,865	-
Debt securities issued	31	181,091	181,091	-
		4,235,178	4,235,178	-
Total interest repricing gap		**62,135**	**(809,317)**	**871,452**

At 30 June, 2019

In millions of Naira	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	Over 1 year	Total rate sensitive
Assets						
Treasury bills	34,351	101,009	52,975	118,324	-	306,659
Assets pledged as collateral	-	82,262	192,160	22,508	220,499	517,429
Due from other banks	348,596	27,496	-	23,982	132,990	533,064
Derivative assets	2,484	15,440	15,028	32,758	-	65,709
Loans and advances to customers (gross)	447,791	133,922	78,234	89,948	1,122,676	1,872,571
Investment securities (Amortized cost and Fair value through OCI)	-	1,873	15,380	9,751	103,425	130,429
	833,222	362,001	353,777	297,270	1,579,590	3,425,861
Liabilities						
Customer deposits	2,817,504	113,055	57,637	101	-	2,988,298
Derivative liabilities	1,698	514	1,007	3,466	-	6,685
On-lending facilities	-	99,567	30,136	59,069	209,621	398,393
Borrowings	-	166,486	150,711	30,817	87,851	435,865
Debt securities	-	-	-	-	181,091	181,091
Other financial liabilities	53,641	27,733	54,359	67,042	22,071	224,846
	2,872,843	407,355	293,851	160,495	500,633	4,235,178
Total interest repricing gap	**(2,039,621)**	**(45,354)**	**59,926**	**136,775**	**1,078,957**	**(809,317)**

3. Risk management (continued)

At 31 December, 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 (Amortized cost)	16	817,043	817,043	-
Assets pledged as collaterals	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	24	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
Financial liabilities	13	16,995	16,995	-
Derivative liabilities	28	212,006	-	212,006
On-lending facilities	32	393,295	393,295	-
Borrowings	29	458,463	458,463	-
Debt securities issued	30	361,177	361,177	-
		4,263,002	3,582,491	680,511
Total interest repricing gap		**667,484**	**345,256**	**322,228**

At 31 December, 2018	**Up to 1 month**	**1 - 3 months**	**3 - 6 months**	**6 - 12 months**	**Over 1 year**	**Total rate sensitive**
In millions of Naira						
Assets						
Cash and balances with central banks	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
.	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
Other	-	-	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**

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

The table below shows the impact on the Bank's profit before tax if interest rates on financial instruments held at amortized cost or at fair value had increased or decreased by 300 basis points, with all other variables held constant.

In millions of Naira	**30-Jun-19**	**31-Dec-18**
Effect of 300 basis points movement on profit before tax	26,542	48,184

3. Risk management (continued)

The effect of 300 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 N50 billion (cost N40 billion) as at 30 June, 2019. The AFC is a private sector-led investment bank and development finance institution which has the Central Bank of Nigeria (CBN) as the single major shareholder (42.5%) with other African financial institutions and investors holding the remaining shares. The AFC operates a US Dollar-denominated statement of financial position and provides financing in this currency.

The Group does not deal in commodities and is therefore not exposed to any commodity price risk. The sensitivity analysis of unquoted equity is stated in section 3.5 (b).

3.4 Liquidity risk

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

3.4.1 Liquidity risk management process

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

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

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

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

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

d. Managing the concentration and profile of debt maturities;

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

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

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

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

The Group maintains liquid assets and marketable securities adequate, within regulatory limits, to manage liquidity stress situation.

3. Risk management (continued)

3.4.2 Stress testing and contingency funding

Stress testing

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

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

(i) Identify sources of potential liquidity strain; and

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

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

(i) Cash flows;

(ii) Liquidity position; and

(iii) Profitability.

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

a. Changes in market condition;

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

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

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

Contingency Funding Plan

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

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

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

c. is formally documented;

d. includes clear invocation and escalation procedures;

e. is regularly tested and the result shared with the ALCO and Board;

f. outlines that Group's operational arrangements for managing a huge funding run;

g. is sufficiently robust to withstand simultaneous disruptions in a range of payment and settlement;

h. outlines how the Group will manage both internal communications and those with its external stakeholders; and

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

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

3. Risk management (continued)

3.4.3 Funding approach

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

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

(a) Exposure to liquidity risk

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

	Group		Bank	
	30-Jun-19	**31-Dec-18**	**30-Jun-19**	**31-Dec-18**
At period/year end	74.64%	80.91%	67.04%	75.35%
Average for the period/year	81.40%	82.59%	74.83%	74.33%
Maximum for the period/year	85.47%	88.87%	80.41%	82.10%
Minimum for the period/year	74.64%	74.63%	67.04%	67.04%

(b) Liquidity reserve

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

Group	**30-Jun-19**		**31-Dec-18**	
In millions of naira	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Cash and balances with central banks	769,455	769,455	954,416	954,416
Treasury bills	1,006,717	1,008,381	1,000,560	1,000,729
Balances with other banks	857,376	857,376	675,309	675,312
Investment securities	557,485	570,811	565,312	555,379
Assets pledged as collaterals	517,429	522,690	592,935	377,444
Total	**3,708,462**	**3,728,713**	**3,788,532**	**3,563,280**
Bank				
Cash and balances with central banks	721,814	721,814	902,073	902,073
Treasury bills	831,327	832,701	817,043	817,181
Balances with other banks	533,663	533,663	393,466	393,466
Investment securities	187,594	192,103	156,673	153,920
Assets pledged as collaterals	517,429	522,690	592,935	377,444
Total	**2,791,827**	**2,802,971**	**2,862,190**	**2,644,084**

3. Risk management (continued)

(c) Financial assets available to support funding

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

Group

'In millions of Naira

		At 30 June, 2019			At 31 December, 2018		
	Note	Encumbered	Unencumbered	Total	Encumbered	Unencumbered	Total
Cash and balances with central banks	15	690,437	79,018	769,455	705,471	248,945	954,416
Treasury bills	16	-	1,006,717	1,006,717	-	1,000,560	1,000,560
Assets pledged as collateral	17	517,429	-	517,429	592,935	-	592,935
Due from other banks	18	-	857,376	857,376	-	67,274	67,274
Loans and advances		-	-	-	-	2,016,520	2,016,520
Investment securities	21	-	557,485	557,485	-	565,312	565,312
Financial assets	24	-	100,454	100,454	13,822	44,584	58,406

Bank

'In millions of Naira

		At 30 June, 2019			At 31 December, 2018		
	Note	Encumbered	Unencumbered	Total	Encumbered	Unencumbered	Total
Cash and balances with central banks	15	690,437	31,377	721,814	705,471	196,602	902,073
Treasury bills	16	-	832,003	832,003	-	817,043	817,043
Assets pledged as collateral	17	517,429	-	517,429	592,935	-	592,935
Due from other banks	18	-	533,064	533,064	-	393,466	393,466
Loans and advances		-	-	-	-	1,921,064	1,921,064
Investment securities	21	-	186,915	186,915	-	156,673	156,673
Financial assets	24	-	99,540	99,540	13,822	44,584	58,406

(d) Financial assets pledged as collateral

The total financial assets recognized in the statement of financial position that have been pledged as collateral for liabilities as at 30 June, 2019 and 31 December, 2018 are shown above. Financial assets are pledged as collateral as part of sales and repurchases, borrowing transaction and collection agency transactions under terms that are usual for such activities.

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

3.4.4 Liquidity gap analysis

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

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

3. Risk management (continued)
Group

At 30 June, 2019 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	79,018	-	-	-	690,437	769,455	769,455
Treasury bills	16	64,846	300,857	428,048	494,419	-	1,288,169	1,006,717
Assets pledged as collateral	17	13,020	84,185	203,507	37,317	587,620	925,649	517,429
Due from other banks	18	356,261	344,150	-	23,982	132,991	857,385	857,376
Loans and advances to customers	20	513,500	21,573	56,714	103,147	1,216,716	1,911,649	1,801,833
Investment securities	21	7,263	-	83,362	130,509	572,319	793,453	557,485
Other financial assets	24	41,296	-	-	84,817	-	126,113	100,454
		1,075,205	**750,765**	**771,630**	**874,191**	**3,200,083**	**6,671,874**	**5,610,749**
Derivative assets								
Trading:	19	-	-	-	-	-	-	65,709
Inflow		2,484	15,440	15,028	32,758	-	65,709	-
Outflow		-	-	-	-	-	-	-
		2,484	**15,440**	**15,028**	**32,758**	**-**	**65,709**	**65,709**
Liabilities								
Non-derivative liabilities								
Customer's deposits	27	3,697,969	111,567	408	81	-	3,810,025	3,810,025
Financial liabilities	28	190,700	7,635	28	3,511	23,439	225,313	225,313
On-lending facilities	29	-	101,185	30,626	60,030	213,028	404,868	398,393
Borrowings	30	2,698	171,205	151,376	33,227	62,002	420,507	412,264
Debt securities issued	31	-	-	6,796	6,722	207,241	220,759	181,091
		3,891,367	**391,593**	**189,234**	**103,570**	**505,709**	**5,081,472**	**5,027,086**
Derivative liabilities								
Trading:	32							6,685
Inflow		1,698	514	1,007	3,575	-	6,794	-
Outflow		-	-	-	-	-	-	-
		1,698	**514**	**1,007**	**3,575**	**-**	**6,794**	**6,685**

3. Risk management (continued)

At 31 December, 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	20	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	61,369	61,370
		1,468,196	**476,226**	**383,554**	**1,674,653**	**2,568,228**	**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's 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
Borrowings	30	44,655	3,277	47,712	9,516	287,416	392,575	393,295
Debt securities issued	31	46,391	77,907	37,394	216,662	72,376	450,730	458,463
Financial guarantees contracts	38	-	-	191,616	6,615	212,471	410,702	361,177
		3,700,809	**204,029**	**287,120**	**257,238**	**685,514**	**5,134,710**	**5,093,637**
Derivative liabilities								
Trading:		-	-	-	-	-	-	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**

3. Risk management (continued)

Bank

At 30 June, 2019 **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	31,377	-	-	-	690,437	721,814	721,814
Treasury bills	16	37,856	207,942	144,171	493,327	-	883,297	823,003
Assets pledged as collateral	17	13,020	84,185	203,507	37,317	587,620	925,649	517,429
Due from other banks	18	348,596	27,496	-	23,982	132,990	533,064	533,064
Loans and advances to customers	20	493,837	20,747	54,542	99,197	1,170,126	1,838,450	1,732,839
Investment securities	21	2,452	3,864	28,555	17,358	200,419	252,648	186,915
Other financial assets	24	40,382	-	-	82,799	-	123,181	99,540
		967,521	**344,234**	**430,776**	**753,980**	**2,781,593**	**5,278,103**	**4,614,604**
Derivative assets								
Trading:	19	-	-	-	-	-	-	65,709
Inflow		2,484	15,440	15,028	32,758	-	65,709	-
Outflow		-	-	-	-	-	-	-
		2,484	**15,440**	**15,028**	**32,758**	**-**	**65,709**	**65,709**
Liabilities								
Non-derivative liabilities								
Customer's deposits	27	2,897,060	90,251	46,011	81	-	3,033,403	2,988,298
Financial liabilities	28	17,673	-	-	209,867	22,071	249,611	224,846
On-lending facilities	29	-	101,185	30,626	60,030	213,028	404,868	398,393
Borrowings	30	2,852	181,006	160,042	35,129	65,551	444,580	435,865
Debt securities issued	31	-	-	6,796	6,722	207,241	220,759	181,091
		2,917,585	**372,442**	**243,475**	**311,828**	**507,891**	**4,353,221**	**4,228,493**
Derivative liabilities								
Trading:	32	-	-	-	-	-	-	16,995
Inflow		1,698	514	1,007	3,575	-	6,794	-
Outflow		-	-	-	-	-	-	-
		1,698	**514**	**1,007**	**3,575**	**-**	**6,794**	**16,995**

3. Risk management (continued)

At 31 December, 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**	**5,373,221**	**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's 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 liabilities								
Trading:	32	-	-	-	-	-	-	16,995
Inflow		6,907	6,682	3,268	139	-	16,996	-
Outflow		-	-	-	-	-	35,156	-
Risk management:		-	-	-	-	-	-	-
Outflow		-	-	-	-	-	-	-
Inflow		-	-	-	-	-	-	-
		6,907	**6,682**	**3,268**	**139**	**-**	**52,152**	**16,995**

3. Risk management (continued)
Liquidity gap analysis (continued)

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

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

The Group's expected cash flows on some financial assets and financial liabilities vary significantly from the contractual cash flows. The principal difference is on demand deposits from customers which are expected to remain stable or increase.

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

Residual contractual maturities of off-balance sheet exposures.

Group

At 30 June, 2019	**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	137,741	37,431	5,479	9,574	85,257	-
Letters of Credit	424,935	136,395	31,173	38,226	217,395	1,745
Performance bonds and Guarantees	379,882	90,959	83,581	80,145	76,878	76,878
Total	**942,558**	**264,785**	**120,233**	**127,946**	**379,531**	**78,623**

At 31 December, 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**

3. Risk management (continued)

Bank

At 30 June, 2019 In millions of Naira	**Carrying amount**	**Less than 3 months**	**3 - 6 months**	**6 - 12 months**	**1 to 5 Years**	**More than 5 years**
Financial guarantees						
Usance	137,741	37,431	5,479	9,574	85,257	-
Letters of Credit	385,153	117,048	25,258	34,359	208,488	-
Performance bonds and Guarantees	328,029	73,445	73,612	71,606	65,842	43,524
Total	**850,923**	**227,924**	**104,349**	**115,539**	**359,587**	**43,524**

At 31 December, 2018 In millions of Naira	**Carrying amount**	**Less than 3 months**	**3 - 6 months**	**6 - 12 months**	**1 to 5 Years**	**More than 5 years**
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**

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.

3. Risk management (continued)

Classification of financial assets and liabilities and fair value hierarchy

Group

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

In millions of Naira	Note	At 30 June, 2019			At 31 December, 2018		
		Carrying value	Fair value	Fair value hierarchy	Carrying value	Fair value	Fair value hierarchy
Assets							
Carried at FVTPL:							
Treasury bills	16	525,807	525,807	1&2	510,313	510,313	1&2
Investment securities (FGN bonds)	21	6,388	6,388	1	4,970	4,970	1
Derivative assets	19	65,709	65,709	2	88,826	88,826	2
Asset pledged as collateral		68,140	68,140	1	208,382	208,382	-
Carried at FVOCI:							
Equity securities (unquoted)	21	50,098	50,098	3	49,760	49,760	3
Debt securities	21	205,850	205,850	1	205,753	205,753	1
Carried at amortized cost:							
Cash and balances with central banks	15	769,455	769,455	-	954,416	954,416	-
Treasury bills	16	480,950	482,574	1&2	490,247	490,424	1
Assets pledged as collateral	17	449,382	454,550	1	592,935	585,826	1
Due from other banks	18	857,976	857,976	-	674,274	675,312	2
Loans and advances to customers	20	1,952,135	1,563,964	3	1,823,111	1,728,567	3
Investment securities	21	295,149	301,370	1	510,582	496,543	1
Other financial assets	24	101,801	101,801	-	61,370	61,370	-
Liabilities							
Carried at FVTPL							
Derivative liabilities	32	6,685	6,685	2	16,995	16,995	2
Carried at FVTPL							
Customer's deposits	27	3,810,025	3,810,025	-	3,690,295	3,690,295	-
Other financial liabilities	28	263,299	263,299	-	177,810	190,408	-
On-lending facilities	29	398,393	398,393	3	393,295	393,295	3
Borrowings	30	412,264	412,264	3	437,260	437,260	3
Debt securities issued	31	181,091	181,091	3	361,177	361,177	3

3. Risk management (continued)
Bank

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

In millions of Naira	Note	At 30 June, 2019 Carrying value	Fair value	Fair value hierarchy	At 31 December, 2018 Carrying value	Fair value	Fair value hierarchy
Assets							
Carried at FVTPL:							
Treasury bills	16	525,384	525,384	1&2	510,313	510,313	1&2
Investment securities (FGN bonds)	21	6,388	6,388	1	4,970	4,970	1
Derivative assets	19	65,709	65,709	2	88,826	88,826	2
Asset pledged as collateral		68,140	68,140	1	208,382	208,382	-
Carried at FVOCI:							
Equity securities (Unquoted)	21	50,098	50,098	3	49,760	49,760	3
Carried at amortized cost:							
Cash and balances with central banks	15	721,814	721,814	-	902,073	902,073	-
Treasury bills	16	306,659	307,317	1	306,730	306,868	1
Assets pledged as collateral	17	449,382	454,550	1	592,935	585,826	1
Due from other banks	18	533,663	533,663	-	393,466	393,466	-
Loans and advances to customers	20	1,872,571	1,491,945	3	1,736,066	1,638,254	3
Investment securities	21	131,108	135,617	1	102,508	99,190	1
Other financial assets	24	100,829	100,829	-	58,406	58,406	-
Liabilities							
Carried at FVTPL							
Derivative liabilities	32	6,685	6,685	2	16,995	16,995	2
Carried at amortized cost:							
Customer's deposits	27	2,988,298	2,988,298	-	2,821,066	2,821,066	-
Other financial liabilities	28	224,864	224,864	-	212,006	212,006	-
On-lending facilities	29	398,393	398,393	3	393,295	393,295	3
Borrowings	30	435,865	435,865	3	458,463	458,463	3
Debt securities issued	31	181,091	181,091	3	361,177	361,177	2

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

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

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

At 30 June, 2019

In millions of Naira		Level 1	Level 2	Level 3
Financial assets				
Treasury bills (FVTPL) (unpledged)	16	525,384	-	-
Treasury bills pledged under repurchase agreement (FVTPL)	16	43,209	-	-
FGN bonds FVTPL (unpledged)	21	6,388	-	-
Bonds pledged under repurchase agreement (FVTPL)	21	24,931	-	-
Derivative assets	19	-	65,709	-
Derivative liabilities	32	-	6,685	-
Investment securities (Unquoted)	21	-	-	50,098
		599,912	**72,394**	**50,098**

Reconciliation of Level 3 items	
At 1 January	49,760
Addition	-
Gain recognised through other comprehensive income	338
At 30 June, 2019	**50,098**

At 31 December, 2018

In millions of Naira		Level 1	Level 2	Level 3
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	-	-
FGN 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
Additions	34,200
Gains/(losses) recognised through other comprehensive income	1,459
At 31 December, 2018	**49,760**

3. Risk management (continued)

Level 3 fair value measurements

(a) Unobservable inputs used in measuring fair value

The table below sets out information about significant unobservable inputs used at 30 June, 2019 and 31 December, 2018 in measuring financial instruments categorized as level 3 in the fair value hierarchy

Type of financial instrument	Fair values at 30 June, 2019	Valuation technique	Significant unobservable input	Range of estimates (average) for unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Unquoted equity investment	N50.10 billion	Equity DCF model.	-Discount rate. -Estimate cash flow.	Risk premium of 16.50-17.00% above risk-free interest rate (2.32%) (31 Dec. 2018:11.50 - 12.50% above risk free rate (3.01%)) 5-year Compound Annual Growth Rate (CAGR) of cash flow of 11.5-12.5% (12.2%) (December 2018: 8-9% (15.20%))	A significant increase in the risk premium above the risk rate would result in a lower fair value. A significant increase in the CAGR of cash flow would result in a higher fair value

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

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

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

Effect on OCI

	At 30 June, 2019		At 31 December, 2018	
In millions of Naira	**Favourable changes**	**Un-favourable changes**	**Favourable changes**	**Un-favourable changes**
Unquoted investment securities	1,770.00	(1,662.00)	2,140.00	(870.00)

The favourable and unfavourable effects of using reasonably possible alternative assumptions for valuation of unquoted equity securities have been calculated by recalibrating the model values using unobservable inputs based on upper and lower quartile respectively of the Group's range of possible estimates. Key inputs and assumptions used in the model at 30 June, 2019 included a risk premium 16.83**%** above the risk-free interest rate of 2.32% (with reasonably possible alternative assumptions of 16.33% and 17.33%) (31 December, 2018: 12.44% - 13.44%) respectively above risk free rate of 3.01%).

The fair value of the unquoted equity holding in African Finance Corporation (AFC) is determined using equity discounted cash flow model. Inputs into the model include estimated future cash flows to equity, valuation horizon and Capital Asset Pricing Model (CAPM) discount rate (Risk free rate plus risk premium).

(c) Fair valuation methods and assumptions

(i) Cash and balances with central banks

Cash and balances with Central banks represent cash held (including mandatory cash reserve requirements of 30 June, 2019: N690 billion, 31 December, 2018: N705 billion) with Central banks of the various jurisdictions in which the Group operates. The fair value of these balances is their carrying amounts.

3. Risk management (continued)

(ii) Due from other banks

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

(iii) Treasury bills and investment securities

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

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

(iv) Loans and advances to customers

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

(v) Other financial assets/financial liabilities

Other financial assets/financial liabilities represent monetary assets, which usually have a short recycle period and as such, whose fair values approximate their carrying amount.

(vi) Customer deposits and borrowings

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

(vii) Derivatives

The Group uses widely recognised valuation models for determining the fair value of common and simple financial instruments, such as interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices or model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple OTC derivatives such as interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable markets prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

3.6 Capital management

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

The Group prides itself in maintaining very healthy capital adequacy ratio in all its areas of operations. Capital levels are determined either based on internal assessments or regulatory requirements. The Group maintained capital levels above the regulatory minimum prescribed in all its operating jurisdictions. The 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 3 December 2020.

3. Risk management (continued)

The Group's Capital Adequacy is reviewed regularly to meet regulatory requirements and standard of international best practices. The Group adopts and implements the decisions necessary to maintain the capital at a level that ensures the realisation of the business plan with a certain safety margin.

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

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

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

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

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

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

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

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

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

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

The table below shows the computation of the Group's capital adequacy ratio for the period ended 30 June, 2019 as well as the 31 December, 2018 comparatives. During those two periods, the individual entities within the Group complied with all of the externally imposed capital requirements to which they are subject.

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

3. Risk management (continued)

In millions of Naira	Group				Bank			
	30-Jun-19	Adjusted impact of IFRS 9 transition on 30-Jun-19	31-Dec-18	Adjusted impact of IFRS 9 transition on 31-Dec-18	30-Jun-19	Adjusted impact of IFRS 9 transition on 30-Jun-19	31-Dec-18	Adjusted impact of IFRS 9 transition on 31-Dec-18
Tier 1 capital	Basel II	Basel II	Basel II	Basel II	Basel II	Basel II	Basel II	Basel 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	184,166	184,166	143,320	143,320	163,370	163,370	127,865	127,865
SMEIES reserve	3,729	3,729	3,729	3,729	3,729	3,729	3,729	3,729
Retained earnings	314,695	314,695	346,215	346,215	224,200	224,200	263,781	263,781
IFRS 9 Transitional Adjustment	-	64,901	-	64,901	-	62,129	-	62,129
Total qualifying Tier 1 capital	773,335	838,236	764,009	828,910	662,044	724,173	666,120	728,249
Deferred tax assets	(11,846)	(11,846)	(9,513)	(9,513)	(10,988)	(10,988)	(9,197)	(9,197)
Intangible assets	(16,752)	(16,752)	(16,678)	(16,678)	(15,556)	(15,556)	(15,399)	(15,399)
Investment in capital of financial subsidiaries	-	-	-	-	(57,240)	(57,240)	(25,604)	(24,145)
Adjusted Total qualifying Tier 1 capital	744,737	809,638	737,818	802,719	578,260	640,389	641,524	703,653
Tier 2 capital								
Other comprehensive income (OCI)	42,339	42,339	48,354	48,354	(10,196)	(10,196)	(9,858)	(9,858)
Total qualifying Tier 2 capital	42,339	42,339	48,354	48,354	(10,196)	(10,196)	(9,858)	(9,858)
Net Tier 2 Capital	42,339	42,339	48,354	48,354	-	-	-	-
Total regulatory capital	787,076	851,977	786,172	851,073	578,260	640,389	641,524	703,653
Risk-weighted assets								
Credit risk	2,110,336	2,110,336	2,050,298	2,050,298	1,796,564	1,796,564	1,755,076	1,755,076
Market risk	109,302	109,302	88,914	88,914	57,603	57,603	53,562	53,562
Operational risk	965,065	965,065	945,361	945,361	881,691	881,691	881,691	881,691
Total risk-weighted assets	3,184,703	3,184,703	3,084,573	3,084,573	2,735,858	2,735,858	2,690,329	2,690,329
Risk-weighted Capital Adequacy Ratio (CAR)	**25 %**	**27 %**	**25 %**	**28 %**	**21 %**	**23 %**	**24 %**	**26 %**

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. Risk management (continued)

3.7 Operational risk

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

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

Operational risk objectives include the following:

a. To provide clear and consistent direction in all operations of the group;

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

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

The Operational Risk unit constantly conducts reviews to identify and assess the operational risk inherent in all material products, activities, processes and systems. It also ensures that all business units within the Bank monitor their operational risks using set standards and indicators. Significant issues and exceptions are reported to Risk Management and are also identified by the independent risk function for discussion at the risk management committee.

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

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 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.

3. Risk management (continued)

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

3. Risk management (continued)

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

3.11 Taxation risk

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

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

3.12 Regulatory risk

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

The Group maintains zero tolerance posture for any regulatory breach in all its area of operations.

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

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 30 June, 2019.

Provision for loan losses per prudential guidelines

		Bank	
In millions of Naira	**Note**	**30-Jun-19**	**31-Dec-18**
Loans and advances		113,327	122,087
Other financial assets		1,743	833
(a)		115,070	122,920
Impairment assessment under IFRS			
Loans and advances			
12-months ECL credit		11,412	14,092
Life-time ECL Not impaired		3,528	34,233
Life- time ECL credit impaired		124,791	136,673
(b)		139,732	184,998
		-	-
Investments (includes; treasury bills, debt securities, due from banks and assets pledged as collateral)			
12-Months ECL		1,411	763
(c)		1,411	763
Off balance sheet exposures		-	-
12-Month ECL		5,390	8,011
Life-time ECL not impaired		3	-
(d)		5,393	8,011
Other financial assets			
Lifetime ECL		1,289	1,628
Other non-financial assets		454	560
(e)		1,743	2,188
(f)=(b)+(c)+(d)+(e)		148,279	195,960
(G)=(a)-(f)		(33,209)	(73,040)
(Reversal from)/transfer to retained earnings at year end		-	-

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.

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.

	Nigeria	Outside Nigeria				
	Corporate retail and pensions custodian services	Africa	Europe	Total reportable segments	Eliminations	Consolidated
In millions of Naira						
30 June, 2019						
Revenue:						
Derived from other business segments	289,583	35,277	11,678	336,538	(4,952)	331,586
Interest expense	(61,385)	(10,029)	(2,024)	(73,438)	1,352	(72,086)
Impairment loss on financial assets	(13,156)	(433)	(146)	(13,735)	-	(13,735)
Admin and operating expenses	(119,591)	(11,124)	(2,973)	(133,688)	(400)	(134,088)
Profit before tax	95,451	13,691	6,535	115,677	4,000	111,677
Tax expense	(17,340)	(4,398)	(1,057)	(22,795)	-	(22,795)
Profit after tax	**78,111**	**9,293**	**5,478**	**92,882**	**4,000**	**88,882**

	Nigeria	Outside Nigeria Banking				
	Corporate retail and pensions custodian services	Africa	Europe	Total reportable segments	Eliminations	Consolidated
In millions of Naira						
30 June, 2019						
Capital expenditure**	25,797	3,386	(106)	29,077	-	29,077
Identifiable assets	4,946,087	438,962	683,973	6,069,022	(170,426)	5,898,596
Identifiable liabilities	4,253,178	363,635	598,067	5,214,880	(135,798)	5,079,082

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

In millions of Naira 31 December, 2018	Nigeria Corporate retail and pensions custodian services***	Outside Nigeria Banking Africa	Outside Nigeria Banking Europe	Total reportable segments	Eliminations	Consolidated
Revenue:						
Derived from external customers	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 31 December, 2018	Nigeria Corporate retail and pensions custodian services	Outside Nigeria Banking Africa	Outside Nigeria Banking Europe	Total reportable segments	Eliminations	Consolidated
Capital expenditure**	33,761	126	389	34,276	-	34,276
Identifiable assets	4,979,886	454,391	133,527	5,567,804	(160,010)	5,407,794
Identifiable liabilities	4,282,935	381,524	117,542	4,782,001	(126,002)	4,655,999

** 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*

For the six months ended In millions of Naira	Group		Bank	
	30-Jun-19	30-Jun-18	30-Jun-19	30-Jun-18

6. Interest and similar income

Loans and advances to customers	115,043	146,434	108,470	136,717
Placement with banks and discount houses	11,775	4,943	8,014	1,183
Treasury bills	53,039	51,412	38,428	34,713
Promissory note	1,759	-	1,759	-
Commercial papers	35	-	35	-
Government and other bonds	32,950	25,881	20,519	21,226
	214,601	**228,670**	**177,225**	**193,839**

Included in interest income on loans and advances is interest income on advances under finance lease of N310 million (30 June, 2018: N882 million)

7. Interest and similar expense

Current	5,521	5,775	4,968	5,485
Savings accounts	10,954	9,301	10,860	9,227
Time deposits	21,088	22,802	15,631	16,519
Borrowed funds and lease	34,523	36,831	29,926	33,923
	72,086	**74,709**	**61,385**	**65,154**

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.

Included in the interest expense on borrowed funds and lease is N1,641 and N1,461 million for Group and Bank respectively, which represents interest expense on lease liability

8. Impairment loss/(write back) on financial and non-financial instruments

ECL on financial instruments:				
Loans and advances(see note 3.2.18)	16,150	8,348	15,571	7,167
Investment securities (see note 3.2.18)	114	736	114	956
Treasury Bills (see note 3.2.18)	(32)	405	(32)	(174)
Other financial assets (see note 3.2.18)	592	(10)	592	-
Due from other Banks (see note 3.2.18)	(332)	-	(332)	-
Assets pledged as collateral (see note 3.2.18)	(33)	(268)	(33)	(268)
Total ECL on financial instruments	16,459	9,211	15,880	7,681
Impairment charge on non-financial instruments:				
Off balance sheet (see note 3.2.18)	(2,618)	509	(2,618)	692
Other non financial assets (see note 24)	(106)	-	(106)	-
	13,735	**9,720**	**13,156**	**8,373**

For the six months ended In millions of Naira	Group		Bank	
	30-Jun-19	30-Jun-18	30-Jun-19	30-Jun-18

9. Net income on Fee and commission*

Credit related fees	12,684	8,781	11,352	7,327
Commission on turnover	1,001	1,063	-	-
Account maintenance fee	9,576	8,644	9,576	8,644
Income from financial guarantee contracts issued	1,088	4,145	972	3,942
Fees on electronic products	27,076	10,077	26,439	9,555
Foreign currency transaction fees and commission	1,303	1,062	638	454
Asset based management fees	3,756	4,352	-	-
Auction fees income	1,384	1,479	1,384	1,479
Corporate finance fees	286	488	153	299
Foreign withdrawal charges	2,754	2,171	2,754	2,171
Commissions on agency and collection services	2,162	4,446	1,224	3,643
Total fee and Commission income	63,070	46,708	54,492	37,514
Fees and commission expense	(7,255)	(4,936)	(5,979)	(4,569)
	55,815	**41,772**	**48,513**	**32,945**

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.

* See note 43

10. Other operating income

Dividend income from equity investments (see note a below)	1,932	1,795	5,532	1,795
Gain on disposal of property and equipment (see note 45(vii))	65	168	73	151
Income on cash handling	333	312	230	229
Foreign currency revaluation gain (See note b below)	6,484	7,741	1,828	5,916
	8,814	**10,016**	**7,663**	**8,091**

(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	(13,827)	(18,594)	(13,827)	(18,594)
Treasury bills trading income	55,253	55,085	55,253	55,085
Bonds trading income	3,675	316	3,675	316
	45,101	**36,807**	**45,101**	**36,807**

For the six months ended In millions of Naira	Group 30-Jun-19	Group 30-Jun-18	Bank 30-Jun-19	Bank 30-Jun-18

12. Operating expenses*

Directors' emoluments (see note 36 (b))	1,600	672	1,278	374
Auditors' remuneration	379	336	239	228
Deposit insurance premium	6,449	5,531	6,449	5,531
Professional fees	1,977	2,221	1,578	1,924
Training and development	1,038	2,295	909	2,173
Information technology	5,816	3,663	5,414	3,339
Operating lease	723	1,682	371	1,061
Advertisement	3,519	3,165	3,297	3,011
Outsourcing services	5,311	4,747	5,311	4,747
Bank charges	2,361	1,642	2,071	1,463
Fuel and maintenance	6,592	9,085	5,555	8,266
Insurance	1,003	3,102	934	3,035
Licenses, registrations and subscriptions	1,517	1,826	1,279	1,602
Travel and hotel expenses	1,278	1,784	1,174	1,416
Printing and stationery	1,156	1,055	807	771
Security and cash handling	2,061	1,631	1,857	1,425
Fraud and forgery write-off	62	6	62	6
Fines & Penalties (see note 41)	2	10	2	10
Donations	936	1,515	923	1,504
AMCON levy	28,654	28,542	28,654	28,542
Telephone and postages	2,015	864	1,829	691
Corporate promotions	1,804	4,141	1,738	3,777
Others	550	2,071	62	38
	76,803	**81,586**	**71,793**	**74,934**

An amount of N723 million and N371 million for Group and Bank respectively have been represented as operating lease expense, which represent the amount of straight line amortisation on short term lease in which the Group/Bank has applied the recognition exception.

* See note 43

13. Taxation

(a) Major components of the tax expense

Minimum tax expense (see note i below)	1,860	1,664	1,860	1,664
.				
Income tax expense				
Corporate tax	7,035	5,670	-	-
Information technology tax	944	896	906	852
Dividend tax (see note (ii) below)	15,175	17,164	15,175	17,164
Tertiary Education tax	70	88	-	-
Current income tax	23,224	23,818	16,081	18,016
Deferred tax expense:				
Origination/(reversal) of temporary differences	(2,289)	139	(1,791)	-
Income tax expense	20,935	23,957	14,290	18,016
Total tax expense	**22,795**	**25,621**	**16,150**	**19,680**

(i) For the period ended 30 June, 2019 the Bank was assessed based on the minimum tax rule because of a significant non-taxable income that resulted in an allowable loss for the Bank.

	Group		Bank	
For the six months ended In millions of Naira	30-Jun-19	30-Jun-18	30-Jun-19	30-Jun-18

13. Taxation (continued)

(ii) Included is N15.17 billion which represent dividend tax for 2018 financial year. The Bank was liable to dividend tax of N22.05 billion, representing 30% of N73.51 billion adjusted 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 N4.05 billion and the Bank had tax paid in prior year and applied tax credits amounting to N2.83 billion. Therefore, the difference between income tax payable assessed on dividend, income tax payable assessed on minimum tax, prior period tax payments and tax credits amounted to N15.17 billion which was charged as tax expense during the period.

(b) Reconciliation of effective tax rate

	Group 30-Jun-19	Group 30-Jun-18	Bank 30-Jun-19	Bank 30-Jun-18
Profit before income tax	111,677	107,358	91,511	86,074
Tax calculated at the weighted average Group rate of 30% (2018: 30%)	33,151	32,207	27,453	25,822
Tax effect of adjustments on taxable income				
Investment allowance	(198)	-	(198)	-
Non-deductable expenses	1,212	3,354	552	2,810
Tax exempt income	(38,444)	(37,564)	(38,337)	(37,096)
Balancing charge	286	54	-	-
Tax loss	-	-	-	54
Minimum tax	1,860	1,664	1,860	1,664
Information technology levy	945	896	907	852
Unrecognised deferred tax asset	8,842	4,989	8,842	5,641
Dividend tax paid	15,175	17,164	15,175	17,164
Tertiary education tax	70	88	-	-
Derecognition of previously recognised deductible temporary differences	(104)	-	(104)	-
Changes in estimate relating to prior period	-	2,769	-	2,769
Total tax expense	**22,795**	**25,621**	**16,150**	**19,680**

(c) The movement in the current income tax payable balance is as follows:	**30-Jun-19**	**31-Dec-18**	**30-Jun-19**	**31-Dec-18**
At start of the period/year	9,154	8,915	5,954	6,069
Tax paid	(19,713)	(37,925)	(14,720)	(26,742)
Minimum tax	1,860	4,052	1,860	4,052
Current income tax charge (see note 13a)	23,224	34,112	16,081	22,575
At end of the period/year	**14,525**	**9,154**	**9,175**	**5,954**

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 period. Where a stock split or bonus share issue has occurred, the number of shares in issue in the prior period is adjusted to achieve comparability.

In millions of Naira	Group 30-Jun-19	Group 31-Dec-18	Bank 30-Jun-19	Bank 31-Dec-18

14. Earnings per share (continued)

	30-Jun-19	30-Jun-18	30-Jun-19	30-Jun-18
Profit attributable to shareholders of the Bank (N'million)	88,806	81,558	75,361	66,394
Number of shares in issue at end of the period/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 (Naira)	2.83	2.60	2.40	2.11

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:

Cash	17,551	148,266	3,817	133,466
Operating accounts and deposits with Central Banks	61,467	100,679	27,560	63,136
Mandatory reserve deposits with central bank (cash reserve) (see note (a))	609,748	624,782	609,748	624,782
Special Cash Reserve Requirement (see note (b))	80,689	80,689	80,689	80,689
	769,455	**954,416**	**721,814**	**902,073**
Current	79,018	954,416	31,377	902,073
Non current	690,437	-	690,437	-
	769,455	**954,416**	**721,814**	**902,073**

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

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

16 Treasury bills

Treasury bills (FVTPL)	525,807	510,313	525,384	510,313
Treasury bills (Amortized cost)	480,950	490,319	306,659	306,802
ECL Allowance on treasury bills (see note 3.2.18)	(40)	(72)	(40)	(72)
	1,006,717	**1,000,560**	**832,003**	**817,043**
Classified as:				
Current	1,006,717	1,000,560	832,003	817,043
	1,006,717	**1,000,560**	**832,003**	**817,043**

	Group		Bank	
In millions of Naira	30-Jun-19	31-Dec-18	30-Jun-19	31-Dec-18
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	-	20,847

17. Assets pledged as collateral

Treasury bills pledged as collateral	5,033	5,100	5,033	5,100
Bonds pledged as collateral	103,625	94,046	103,625	94,046
Treasury bills under repurchase agreement	276,428	373,336	276,428	373,336
Bonds under repurchase agreement	132,436	120,579	132,436	120,579
ECL Allowance on assets pledged and under repo	(93)	(126)	(93)	(126)
	517,429	**592,935**	**517,429**	**592,935**

Included in assets pledged as collateral for Group/Bank are treasury bills and bonds at amortised cost of N238,252 million and N211,130 million (31 December, 2018: N202,110 million and N191,054 million) respectively.

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) N28.17 billion (31 December, 2018: N28.18 billion), Federal Inland Revenue Services N8.05 billion (31 December, 2018: N8.04 billion), V-Pay N44.74 million (31 December, 2018: N44.70 million), Interswitch Limited N2.15 billion (31 December, 2018: N2.15 billion), the Bank of Industry (Nigeria) N44.25 billion (31 December, 2018: N44.03 billion), E- Tranzact N44.74 million (31 December, 2018: N44.00 million), CBN Real Sector Support Fund (RSSF) N23.26 billion (31 December, 2018: N13.95 billion) and System Specs/RMITA N2.66 billion (31 December, 2018: N2.69 billion).

Assets exchanged under repurchase agreement as at 30 June, 2019 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)	165,863	108,707	165,863	108,707
ABSA (see note 30)	84,228	63,384	84,228	63,384
Standard Bank South Africa (see note 30)	5,342	27,354	5,342	27,354
First Abu Dhabi Bank (see note 30)	80,988	54,410	80,988	54,410
Societe Generale Bank (see note 30)	33,879	27,093	33,879	27,093
Standard Bank London (see note 30)	38,564	26,795	38,564	26,795
	408,864	**307,743**	**408,864**	**307,743**

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	154,577	108,416	154,577	108,416
ABSA	70,781	63,175	70,781	63,175
Standard Bank	91,164	49,023	91,164	49,023
First Abu Dhabi	118,834	81,217	118,834	81,217
Societe Generale Bank	45,580	27,209	45,580	27,209
Standard Bank London	12,979	36,926	12,979	36,926
	493,915	**365,966**	**493,915**	**365,966**

Classified as:				
Current	296,930	436,491	296,930	436,491
Non-current	220,499	156,444	220,499	156,444
	517,429	**592,935**	**517,429**	**592,935**

	Group		Bank	
In millions of Naira	30-Jun-19	31-Dec-18	30-Jun-19	31-Dec-18

18. Due from other banks

Current balances with banks within Nigeria	11,461	13,214	-	-
Current balances with banks outside Nigeria	208,290	204,724	182,540	196,384
Placements with banks and discount houses	638,225	458,305	351,123	198,013
ECL Allowance	(600)	(1,969)	(599)	(931)
	857,376	**674,274**	**533,064**	**393,466**
Classified as:				
Current	784,572	674,274	487,799	393,466
Non-current	45,265	-	45,265	-
	829,837	**674,274**	**533,064**	**393,466**

Included in balances with banks outside Nigeria is the amount of N43.92 billion and N43.79 billion for the Group and Bank respectively (31 December, 2018: N41.18 billion and N41.05 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).

Due from banks with maturity greater than 3 months:	156,972	-	156,972	-

19. Derivative assets

Instrument types (fair value):

Forward and Swap Contracts	63,957	87,467	63,957	87,467
Futures contracts	1,752	1,359	1,752	1,359
Total	**65,709**	**88,826**	**65,709**	**88,826**

Instrument types (Notional amount) :

Forward and Swap Contracts	635,900	730,715	635,900	730,715
Futures contract	42,602	320,797	42,602	320,797
Total	**678,502**	**1,051,512**	**678,502**	**1,051,512**

Non-hedging derivative assets and liabilities

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

During the period, various derivative contracts entered into by the Group generated net loss of N13.8 billion (30 June, 2018 net loss of N18.6 billion), which were recognized in the statement of profit or loss and other comprehensive income.

All derivative assets are current.

	Group		Bank	
In millions of Naira	30-Jun-19	31-Dec-18	30-Jun-19	31-Dec-18

20. Loans and advances

Overdrafts	248,045	208,021	222,851	178,740
Term loans	1,267,078	1,419,276	1,212,717	1,353,101
On-lending facilities	434,337	385,922	434,337	385,922
Advances under finance lease	2,675	3,301	2,666	3,301
Gross loans and advances to customers	1,952,135	2,016,520	1,872,571	1,921,064
Less: ECL Allowance (see note 3.2.18)	(150,302)	(193,409)	(139,732)	(184,998)
	1,801,833	**1,823,111**	**1,732,839**	**1,736,066**

Gross Loans classified as:

Current	589,126	608,556	551,985	566,279
Non-current	1,363,009	1,407,964	1,320,586	1,354,785
	1,952,135	**2,016,520**	**1,872,571**	**1,921,064**

Movement in ECL Allowance as at 30 June, 2019 is presented in Note 3.2.18.

Included in Loans and advances are loans to other Banks of N57.6 billion and N7.2 billion for Group and Bank respectively

(31 December, 2018: N51.8 billion and Nil respectively).

21. Investment securities

(a) Analysis of investments

Debt securities				
Debt securities (measured at amortised cost)(see note iii)	257,470	307,401	92,158	102,508
Promissory note	35,100	-	35,100	-
Commercial papers	3,850	-	3,850	-
Debt securities FVTOCI	205,850	205,753	-	-
ECL Allowance (see note 3.2.18)	(1,271)	(2,572)	(679)	(565)
Net debt securities measured at amortised cost	500,999	510,582	130,429	101,943
Debt securities (measured at fair value through profit or loss) (see note ii)	6,388	4,970	6,388	4,970
Net debt securities	507,387	515,552	136,817	106,913
Equity securities				
At fair value through other comprehensive income (see note (i) below)	50,098	49,760	50,098	49,760
	557,485	**565,312**	**186,915**	**156,673**

Classified as:

Current	88,560	132,124	83,490	28,342
Non-current	468,925	433,188	103,425	128,331
	557,485	**565,312**	**186,915**	**156,673**

	Group		Bank	
In millions of Naira	**30-Jun-19**	**31-Dec-18**	**30-Jun-19**	**31-Dec-18**

(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 (30 June, 2019: N6.39 billion; 31 December, 2018; N2.99 billion) and Eurobonds (30 June, 2019; Nil, 31 December, 2018; N1.98 billion).

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

Sovereign (National)	432,644	484,899	61,554	74,253
Sub-sovereign (State)	21,972	24,663	21,972	24,663
Corporate bonds	8,632	3,592	8,632	3,592
	463,248	**513,154**	**92,158**	**102,508**

In millions of Naira

(b) Movement in investment securities

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

Group

	Debt securities at fair value through profit or loss	Debt securities at amortised cost (including promissory note and commercial papers)	Debt securities at fair value through other comprehensive income	Equity securities at fair value through other comprehensive income	Total
At January 1, 2019 (Gross)	4,970	307,401	205,753	49,760	567,884
Additions	10,366	58,036	-	-	68,402
Disposals / redemption	(10,880)	(76,802)	-	-	(87,682)
Gains from changes in fair value recognised in profit or loss (see note 11)	1,738	-	-	-	1,738
Gains from changes in fair value recognised in other comprehensive income	-	-	97	338	435
Interest accrued	194	7,785	-	-	7,979
At 30 June, 2019 (Gross)	**6,388**	**296,420**	**205,850**	**50,098**	**558,756**
ECL Allowance	-	(1,271)	-	-	(1,271)
At 30 June, 2019 (Net)	**6,388**	**295,149**	**205,850**	**50,098**	**557,485**
At January 1, 2018 (Gross)	32,266	284,584	-	14,101	330,951
Additions	1,978	24,820	205,753	34,200	266,751
Disposals / redemption	(27,408)	(10,086)	-	-	(37,494)
Gains from changes in fair value recognised in profit or loss (see Note11)	(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
At 31 December, 2018 (Gross)	**4,970**	**307,401**	**205,753**	**49,760**	**567,884**
ECL Allowance	-	(2,572)	-	-	(2,572)
At 31 December, 2018 (Net)	**4,970**	**304,829**	**205,753**	**49,760**	**565,312**

In millions of Naira

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

Bank

	Debt securities at fair value through profit or loss	Debt securities at amortised cost (including promissory note and commercial papers)	Equity securities at fair value through other comprehensive income	Total
At January 1, 2019 (Gross)	4,970	102,508	49,760	157,238
Additions	10,366	57,059	-	67,425
Disposals / redemption	(10,880)	(32,537)	-	(43,417)
Gains from changes in fair value recognised in profit or loss (see Note 11)	1,738	-	-	1,738
Gains from changes in fair value recognised in other comprehensive income	-	-	338	338
Interest accrued	194	4,078	-	4,272
At 30 June, 2019 (Gross)	**6,388**	**131,108**	**50,098**	**187,594**
ECL Allowance	-	(679)	-	(679)
At 30 June, 2019 (Net)	**6,388**	**130,429**	**50,098**	**186,915**
At January 1, 2018 (Gross)	32,266	71,447	14,101	117,814
Additions	1,978	27,475	34,200	63,653
Disposals / redemption	(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
At 31 December, 2018 (Gross)	**4,970**	**102,508**	**49,760**	**157,238**
ECL Allowance	-	(565)	-	(565)
At 31 December, 2018 (Net)	**4,970**	**101,943**	**49,760**	**156,673**

22. Investment in subsidiaries

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

Bank

Name of company	30-Jun-19 Ownership interest %	30-Jun-19 Carrying amount	31-Dec-18 Carrying amount
Zenith Bank (Ghana) Limited (see (1) below)	99.4200	7,066	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
		34,625	34,003

All investments in subsidiaries are non-current.

22. Investment in subsidiaries (continued)

(i) Acquisition of NCI

In March 2019, the Group acquired an additional 1.35% interest in Zenith Bank Ghana, increasing its ownership from 98.07% to 99.42%. The carrying amount of Zenith Bank Ghana net assets in the Group's consolidated financial statements on the date of acquisition was N 64,828 million.

The following table summarises the effect of changes in the Bank's ownership interest in Zenith Bank Ghana

In millions of Naira	
Carrying amount of NCI acquired (N64,828*1.35%)	874
Consideration paid to NCI in cash	(622)
An increase in equity attributable to owners of the Company	252

22. Investment in subsidiaries (continued)

(b) Condensed results of consolidated entities

30 June, 2019	Zenith Group	Elimination entries	Zenith Bank Plc	Zenith Bank Ghana	Zenith Bank UK	Zenith Bank Sierra Leone	Zenith Bank Gambia	Zenith Pension Custodian	Zenith Nominee Limited
Condensed statement of profit or loss									
Operating income	331,586	(4,952)	284,481	32,403	11,678	2,056	818	4,809	293
Operating expenses	(206,174)	952	(179,814)	(19,160)	(4,997)	(1,654)	(339)	(1,113)	(49)
Inpairment charge for financial and non-financial assets	(13,735)	-	(13,156)	(433)	(146)	-	-	-	-
Profit before tax	111,677	(4,000)	91,511	12,810	6,535	402	479	3,696	244
Taxation	(22,795)	-	(16,150)	(4,104)	(1,057)	(231)	(63)	(1,117)	(73)
Profit for the period	**88,882**	**(4,000)**	**75,361**	**8,706**	**5,478**	**171**	**416**	**2,579**	**171**
Condensed statement of financial position									
Assets									
Cash and balances with central banks	769,455	-	721,814	41,590	17	3,687	2,335	8	4
Treasury bills	1,006,717	-	832,003	150,753	-	13,440	9,041	-	1,480
Assets pledged as collateral	517,429	-	517,429	-	-	-	-	-	-
Due from other banks	857,376	(108,742)	533,064	46,531	368,302	2,761	3,625	11,835	-
Derivative asset held for risk management	65,709	-	65,709	-	-	-	-	-	-
Loans and advances	1,801,833	-	1,732,839	50,032	17,168	850	797	140	7
Investment securities	557,485	-	186,915	91,953	270,295	-	748	7,574	-
Investment in subsidiaries	-	(34,625)	34,625	-	-	-	-	-	-
Deferred tax asset	11,846	-	10,988	303	533	22	-	-	-
Other assets	126,113	(27,060)	123,181	1,261	26,653	574	417	1,022	65
Property and equipment	167,881	-	149,345	15,616	409	1,995	311	186	19
Intangible assets	16,752	-	15,556	192	596	50	78	223	57
	5,898,596	**(170,427)**	**4,923,468**	**398,231**	**683,973**	**23,379**	**17,352**	**20,988**	**1,632**

22. Investment in subsidiaries (continued)

30 June, 2019	Zenith Group	Elimination entries	Zenith Bank Plc	Zenith Bank Ghana	Zenith Bank UK	Zenith Bank Sierra Leone	Zenith Bank Gambia	Zenith Pension Custodian	Zenith Nominee Limited
Liabilities & Equity									
Customer deposits	3,810,025	(355)	2,988,298	300,509	493,550	16,239	11,784	-	-
Derivative liabilities	6,685	-	6,685	-	-	-	-	-	-
Current income tax	14,525	-	9,175	2,706	1,106	292	40	1,117	89
Deferred income tax liabilities	23	-	-	-	-	-	4	19	-
Other liabilities	256,076	(111,843)	231,721	28,064	103,411	2,884	1,109	539	191
On-lending facilities	398,393	-	398,393	-	-	-	-	-	-
Borrowings	412,264	(23,601)	435,865	-	-	-	-	-	-
Debt securities issued	181,091	-	181,091	-	-	-	-	-	-
Equity and reserves	819,514	(34,628)	672,240	66,952	85,906	3,964	4,415	19,313	1,352
	5,898,596	**(170,427)**	**4,923,468**	**398,231**	**683,973**	**23,379**	**17,352**	**20,988**	**1,632**
Condensed statement of cash flow									
Net cash (used in)/from operating activities	139,172	(2,314)	112,224	34,404	(6,114)	3	1	968	-
Net cash (used in)/from financing activities	(282,447)	51,329	(290,049)	(52,546)	12,819	-	-	(4,000)	-
Net cash (used in)/from investing activities	(30,431)	409	(25,621)	(8,403)	-	(2)	1	3,185	-
Increase / (decrease) in cash and cash equivalents	**(173,706)**	**49,424**	**(203,446)**	**(26,545)**	**6,705**	**1**	**2**	**153**	**-**
Cash and cash equivalents									
At start of period	947,038	273,398	610,915	40,598	17,673	747	3,011	696	-
Exchange rate movements on cash and cash equivalents	6,090	999	-	1,966	2,922	41	162	-	-
At end of period	779,422	323,821	407,469	16,019	27,300	789	3,175	849	-
Increase / (decrease) in cash and cash equivalents	**(173,706)**	**49,424**	**(203,446)**	**(26,545)**	**6,705**	**1**	**2**	**153**	**-**

22. Investment in subsidiaries (continued)

30 June, 2018	Zenith Group	Elimination entries	Zenith Bank Plc	Zenith Bank Ghana Limited	Zenith Bank UK Limited	Zenith Bank Sierra Leone Limited	Zenith Bank Gambia Limited	Zenith Pension Custodian Limited	Zenith Nominee Limited
Condensed statement of profit or loss									
Operating income	322,201	(1,560)	276,250	31,409	7,857	1,775	705	5,658	106
Operating expenses	(205,123)	1,560	(181,803)	(19,460)	(3,190)	(1,417)	(448)	(346)	(20)
Impairment charge for financial assets	(9,721)	(1)	(8,373)	(1,016)	(331)	-	-	-	-
Profit before tax	107,358	(1)	86,074	10,933	4,336	358	257	5,312	87
Taxation	(25,621)	-	(19,680)	(3,691)	(710)	-	(66)	(1,448)	(26)
Profit for the period	**81,737**	**(1)**	**66,394**	**7,242**	**3,626**	**358**	**191**	**3,865**	**61**

31 December, 2018	Zenith Group	Elimination entries	Zenith Bank Plc	Zenith Bank Ghana	Zenith Bank UK	Zenith Bank Sierra Leone	Zenith Bank Gambia	Zenith Pension Custodian	Zenith Nominee Limited
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 Limited	Zenith Bank UK Limited	Zenith Bank Sierra Leone Limited	Zenith Bank Gambia Limited	Zenith Pension Custodian Limited	Zenith Nominee Limited
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 cash flow									
Net cash from operating activities	94,352	(361,038)	184,314	(111)	271,182	-	1	4	-
Net cash from/(used in) financing activities	1,925	41,280	(39,355)	-	-	-	-	-	-
Net cash from/(used in) investing activities	(70,350)	286,247	(67,555)	(1)	(289,031)	2	1	(13)	-
(Decrease)/Increase in cash and cash equivalents	**25,927**	**(33,511)**	**77,404**	**(112)**	**(17,849)**	**2**	**2**	**(9)**	**-**
Cash and cash equivalents									
At start of period	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 period	947,038	273,398	610,915	40,598	17,673	747	3,011	696	-
Decrease/Increase in cash and cash equivalents	**25,927**	**(33,511)**	**77,404**	**(112)**	**(17,849)**	**2**	**2**	**(9)**	**-**

In millions of Naira

22. Investment in subsidiaries (continued)

Apart from Zenith Bank Pensions Custodian Limited and Zenith Nominees Limited, which are incorporated in Nigeria, the remaining subsidiaries are incorporated in their respective countries.

Zenith Bank (Ghana) Limited provides Corporate and Retail Banking services. It was incorporated on April 15, 2005 and commenced operations on September 16, 2005.

Zenith Pensions Custodian Limited provides pension funds custodial services to Licensed Pension Fund Administrators (PFAs) and Closed Pension Funds Administrators under the Pension (Reform) Act, 2004. It was incorporated on March 1, 2005. The name was changed from "Zenith Pensions Limited" to "Zenith Pensions Custodian Limited" on September 20, 2005. It was licensed by the National Pension Commission as a custodian of pension funds and assets on December 7, 2005 and commenced operations in December 2005.

Zenith Bank (UK) Limited provides 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	
	30-Jun-19	**31-Dec-18**	**30-Jun-19**	**31-Dec-18**
Gross investment	103	103	103	103
Share of profit b/f	440	440	-	-
Diminution in investment	(543)	(543)	(103)	(103)
Balance at end of the period/year	-	-	-	-

In millions of Naira

23. Deferred tax asset

Group

30 June, 2019

Movements in temporary differences during the period	**01-Jan-19**	**Recognised in profit or loss**	**30-Jun-19**
Asset			
Property and equipment	(12,033)	-	(12,033)
Other assets	(2)	-	(2)
Unutilized capital allowances	14,682	-	14,682
ECL Allowance on not-credit impaired financial instruments	4,832	2,333	7,165
Tax loss carry forward	1,926	-	1,926
Foreign exchange differences	108	-	108
	9,513	2,333	11,846

Movements in temporary differences during the period	**01-Jan-18**	**Recognised in profit or loss**	**30-Jun-19**
Liabilities			
Property and equipment	51	(44)	7
Impairment allowance on not-credit impaired financial instruments	16	-	16
	67	(44)	23

31 December, 2018

Movements in temporary differences during the period	**01-Jan-18**	**Recognised in profit or loss**	**31 December, 2018**
Asset			
Property and equipment	(11,987)	(46)	(12,033)
Other assets	(2)	-	(2)
ECL Allowance on not-credit impaired financial instruments	4,832	-	4,832
Unutilized capital allowances	14,682	-	14,682
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	**01-Jan-18**	**Recognised in profit or loss**	**31 December, 2018**
Liabilities			
Property and equipment	2	49	51
Impairment allowance on not-credit impaired financial instruments	16	-	16
	18	**49**	67

	Group		Bank	
In millions of Naira	30-Jun-19	31-Dec-18	30-Jun-19	31-Dec-18

23. Deferred tax asset (continued)

Bank

30 June, 2019

Movements in temporary differences during the period	**01-Jan-19**	**Recognised in profit or loss**	**30-Jun-19**
Asset			
Property and equipment	(12,324)	9,278	(3,046)
ECL Allowance on not-credit impaired financial instruments	4,912	(2,046)	2,866
Unutilized capital allowances	14,683	(9,688)	4,995
Tax loss carried forward	1,926	4,247	6,173
	9,197	**1,791**	**10,988**

31 December, 2018

Movements in temporary differences during the period:	**01-Jan-18**	**Recognised in profit or loss**	**31 December, 2018**
Asset			
Property and equipment	(12,324)	-	(12,324)
ECL Allowance on not-credit impaired financial instruments	4,912	-	4,912
Unutilised capital allowance	14,683	-	14,683
Tax loss carried forward(Deferred tax asset)	1,926	-	1,926
	9,197	**-**	**9,197**

The Bank's deferred tax asset which principally arise from allowable loss, un-utilized capital allowance and ECL allowance on not credit-impaired financial instruments is N54.5 Billion as at 30 June, 2019. (31 December, 2018: N44.2 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 30 June, 2019 to N11 billion. Thus the Bank has not recognised deferred tax asset of N43.6 billion in these financial statements. The unrecognised deferred tax asset are attributable to:

	Group		**Bank**	
	30-Jun-19	**31-Dec-18**	**30-Jun-19**	**31-Dec-18**
Property and equipment	(12,166)	(2,066)	(12,166)	(2,066)
Capital allowance	19,951	6,801	19,951	6,801
Unrelieved losses	24,657	17,645	24,657	17,645
ECL Allowance on financial instruments not-credit impaired	11,211	12,665	11,211	12,665
Balance at end of the period/year	**43,653**	**35,045**	**43,653**	**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 30-Jun-19	Group 31-Dec-18	Bank 30-Jun-19	Bank 31-Dec-18

24. Other assets

	Group 30-Jun-19	Group 31-Dec-18	Bank 30-Jun-19	Bank 31-Dec-18
Non financial assets				
Prepayments	25,447	19,398	23,429	17,322
Other non-financial assets	666	740	666	742
Gross other non-financial assets	26,113	20,138	24,095	18,064
less impairment	(454)	(560)	(454)	(560)
Net other non-financial assets	25,659	19,578	23,641	17,504
Other financial assets				
Electronic card related receivables	87,840	47,256	85,755	43,395
Intercompany receivables	-	-	162	637
Deposit for investment in AGSMEIS	13,822	13,822	13,822	13,822
Receivables	139	1,002	370	530
Deposits for shares	-	-	720	720
Gross other financial assets	101,801	62,080	100,829	59,104
Less: ECL Allowance(see note 3.2.18)	(1,347)	(710)	(1,289)	(698)
Net other financial assets	100,454	61,370	99,540	58,406
Total other assets	**126,113**	**80,948**	**123,181**	**75,910**

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

Classified as:

	Group 30-Jun-19	Group 31-Dec-18	Bank 30-Jun-19	Bank 31-Dec-18
Current	126,113	80,948	123,181	75,910
Non-current	-	-	-	-
	126,113	**80,948**	**123,181**	**75,910**

See note 3.2.18 for movement in impairment allowance for other financial asset as at 30 June, 2019.

Movement in impairment allowance for non financial assets

	Group 30-Jun-19	Group 31-Dec-18	Bank 30-Jun-19	Bank 31-Dec-18
At start of the period/year	560	416	560	416
Charge for the period/year (see note 8)	(106)	144	(106)	144
At end of the period/year	**454**	**560**	**454**	**560**

25. Property and equipment

Group

	Land	Buildings	Leasehold improvements	Furniture and fittings and office equipment	Computer equipment	Right of use asset - Aircraft	Motor Vehicles	Right of use assets - Buildings	Work in progress	Total
Cost										
At the start of the period	29,055	53,981	21,334	79,389	29,760	12,600	20,925	-	21,589	268,633
Additions	367	1,246	1,043	5,388	432	-	1,682	17,618	3,970	31,746
Reclassification/transfer from WIP	199	1,274	423	1,623	-	-	76	-	(3,595)	-
Reclassifications	-	15	(78)	58	5	-	-	-	-	-
Disposals / write off	-	(1,202)	(441)	(533)	(566)	-	(1,162)	-	(1,021)	(4,925)
At the end of the period	**29,621**	**55,314**	**22,281**	**85,925**	**29,631**	**12,600**	**21,521**	**17,618**	**20,943**	**295,454**

	Land	Buildings	Leasehold improvements	Furniture and fittings and office equipment	Computer equipment	Right of use asset - Aircraft	Motor Vehicle	Right of use assets - Buildings	Work in progress	Total
Accumulated Depreciation										
At the start of the period	-	6,527	16,871	51,904	27,420	1,470	15,304	-	-	119,496
Charge for the period	-	704	1,116	4,580	679	630	1,361	721	-	9,791
Reclassifications	-	71	(75)	6	(2)	-	-	-	-	-
Disposals	-	(204)	(331)	(443)	(70)	-	(666)	-	-	(1,714)
At the end of the period	**-**	**7,098**	**17,581**	**56,047**	**28,027**	**2,100**	**15,999**	**721**	**-**	**127,573**
Net book amount										
At 30 June, 2019	29,621	48,216	4,700	29,878	1,604	10,500	5,522	16,897	20,943	167,881
At 31 December, 2018	29,055	47,454	4,463	27,485	2,340	11,130	5,621	-	21,589	149,137

There were no impairment losses on any class of property and equipment during the period (31 December, 2018: Nil)

There were no capitalised borrowing costs related to the acquisition of property and equipment during the period (31 December, 2018: 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.

25. Property and equipment (continued)

Bank

	Land	Buildings	Leasehold improvements	Furniture fittings and office equipment	Computer Equipment	Right of use asset - Aircraft	Motor Vehicle	Right of use on assets - Buildings	Work in progress (WIP)	Total
Cost										
At the start of the period	29,055	43,501	17,918	75,434	26,883	12,600	18,848	-	20,163	244,402
Additions	367	1,114	671	5,396	68	-	1,109	11,552	3,976	24,253
Reclassification/transfer from WIP	199	1,274	423	1,623	-	-	76	-	(3,595)	-
Reclassifications	-	15	(78)	58	5	-	-	-	-	-
Disposals	-	(21)	(8)	(397)	(18)	-	(500)	-	-	(944)
At the end of the period	**29,621**	**45,883**	**18,926**	**82,114**	**26,938**	**12,600**	**19,533**	**11,552**	**20,544**	**267,711**

	Land	Buildings	Leasehold improvements	Furniture fittings and office equipment	Computer equipment	Right of use asset - Aircraft	Motor vehicle	Right of use assets - Buildings	Work in progress (WIP)	Total
Accumulated Depreciation										
At the start of the period	-	6,207	14,355	49,258	25,329	1,470	13,929	-	-	110,548
Charge for the period	-	441	781	4,506	536	630	1,178	587	-	8,659
Reclassifications	-	71	(75)	6	(2)	-	-	-	-	-
Disposals	-	(3)	(8)	(349)	(18)	-	(463)	-	-	(841)
At the end of the period	**-**	**6,716**	**15,053**	**53,421**	**25,845**	**2,100**	**14,644**	**587**	**-**	**118,366**
Net book amount										
At 30 June, 2019	**29,621**	**39,167**	**3,873**	**28,693**	**1,093**	**10,500**	**4,889**	**10,965**	**20,544**	**149,345**
At 31 December, 2018	**29,055**	**37,294**	**3,563**	**26,176**	**1,554**	**11,130**	**4,919**	**-**	**20,163**	**133,854**

There were no impairment losses on any class of property and equipment during the period (31 December, 2018 :Nil)

There were no capitalised borrowing costs related to the acquisition of property and equipment during the period (31 December, 2018: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.

	Group		Bank	
In millions of Naira	30-Jun-19	31-Dec-18	30-Jun-19	31-Dec-18

26. Intangible assets

Computer software

Cost				
At start of the period/year	28,905	22,099	24,876	19,377
Exchange difference	93	639	-	-
Reclassification from PPE	-	81	-	81
WIP (Additions)	-	2,158	-	2,158
Additions	1,961	3,928	1,544	3,260
At end of the period/year	**30,959**	**28,905**	**26,420**	**24,876**
Accumulated amortization				
At start of the period/year	12,227	9,110	9,477	7,289
Exchange difference	466	717	-	-
Reclassification from PPE	-	1	-	1
Disposal	-	-	-	-
Charge for the period/year	1,514	2,399	1,387	2,187
At the end of the period/year	**14,207**	**12,227**	**10,864**	**9,477**
Carrying amount at end of the period/year	**16,752**	**16,678**	**15,556**	**15,399**

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

The Group does not have internally generated intangible assets.

27. Customers' deposits

Demand	1,822,120	1,934,766	1,186,614	1,286,187
Savings	514,995	492,206	490,468	435,291
Term	452,368	462,433	366,386	368,816
Domiciliary	1,020,542	800,890	944,830	730,772
	3,810,025	**3,690,295**	**2,988,298**	**2,821,066**
Classified as:				
Current	3,810,025	3,690,295	2,988,298	2,821,066
	3,810,025	**3,690,295**	**2,988,298**	**2,821,066**

	Group		Bank	
In millions of Naira	30-Jun-19	31-Dec-18	30-Jun-19	31-Dec-18

28. Other liabilities

Other financial liabilities				
Customer deposits for letters of credit	43,917	41,179	43,788	41,046
Settlement payables	51,759	31,511	51,361	31,346
Managers' cheques	17,729	13,195	17,105	12,317
Due to banks for clean letters of credit	20,661	22,164	32,273	50,563
Deferred income on financial guarantee contracts (see note (b) below)	869	509	868	508
Sales and other collections	23,134	36,345	23,134	36,345
Unclaimed dividend	15,778	5,832	15,778	5,832
Lease liability (see note (c) below)	22,434	11,568	17,077	11,568
AMCON payable	7,634	9,542	7,634	9,542
Electronic card related payables	4,121	4,266	3,886	3,903
Customer's foreign transactions payables	11,884	6,286	6,549	1,025
Off Balance Sheet ECL allowance (see note (a) below)	5,393	8,011	5,393	8,011
Total other financial liabilities	225,313	190,408	224,846	212,006
Non financial liabilities				
Tax collections	2,044	1,824	1,785	1,578
Other payables	28,719	39,484	5,090	9,879
Total other non financial liabilities	30,763	41,308	6,875	11,457
Total other liabilities	**256,076**	**231,716**	**231,721**	**223,463**

Classified as:

Current	232,869	213,429	209,650	205,176
Non-current	23,207	18,287	22,071	18,287
	256,076	**231,716**	**231,721**	**223,463**

(a) ECL allowance for off balance sheet exposure

In millions of Naira	30-Jun-19	31-Dec-18
Bonds and guarantee contracts	1,749	759
Undrawn portion of loan commitments	317	1,941
Letters of credit	3,327	5,311
	5,393	8,011

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

	Group		Bank	
In millions of Naira	30-Jun-19	31-Dec-18	30-Jun-19	31-Dec-18

28. Other liabilities (continued)

(c) Lease liability

This relates to an Aircraft and lease rental for properties used by the Group. The net carrying amount of leased assets, included within property and equipment is N27.39 billion as at 30 June, 2019. (31 December, 2018: N11.13 billion)

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

Not more than one year	7,394	2,760	5,072	2,760
Over one year but less than five years	20,592	11,043	15,807	11,043
More than five years	16,366	10,123	12,776	10,123
Less future finance charge	(21,918)	(12,358)	(16,578)	(12,358)
At end of the period/year	**22,434**	**11,568**	**17,077**	**11,568**

The present value of lease liabilities is as follows at end of the years:

Not more than one year	6,534	915	4,539	915
Between one and five years	10,472	3,656	8,483	3,656
More than five years	5,428	6,997	4,055	6,997
At end of the period/year	**22,434**	**11,568**	**17,077**	**11,568**

The Group does not face any significant risk with regards to the lease liability. Also the Bank's exposure to liquidity risk as a result of leases are monitored by the Bank's enterprise risk management unit.

29. On-lending facilities

(a) This comprises:

Central Bank of Nigeria (CBN) Commercial Agriculture Credit Scheme Loan (i)	47,408	51,735	47,408	51,735
Bank of Industry (BOI) Intervention Loan (ii)	42,435	44,678	42,435	44,678
Central Bank of Nigeria (CBN) / Bank of Industry(BOI) - Power & Aviation intervention Funds (iii)	15,439	16,416	15,439	16,416
CBN MSMEDF Deposit (iv)	1,659	4,223	1,659	4,223
FGN SBS Intervention Fund (v)	138,247	139,835	138,247	139,835
Excess Crude Loan Facilty Deposit (vi)	85,864	88,226	85,864	88,226
Real Sector Support Facility (vii)	42,844	34,276	42,844	34,276
Non-Oil Export Stimulation Facility (viii)	21,993	13,906	21,993	13,906
Paddy Aggregation Scheme (Phase 2) Funds (ix)	2,504	-	2,504	-
	398,393	**393,295**	**398,393**	**393,295**

Classified as:

Current	188,772	-	188,772	-
Non-current	209,621	393,295	209,621	393,295
	398,393	**393,295**	**398,393**	**393,295**

	Group		Bank	
In millions of Naira	30-Jun-19	31-Dec-18	30-Jun-19	31-Dec-18
(b) Movement in on-lending facilities				
At beginning of the period/year	393,295	383,034	393,295	383,034
Addition during the period/year	20,500	57,194	20,500	57,194
Repayment during the period/year	(15,402)	(46,933)	(15,402)	(46,933)
At end of the period/year	**398,393**	**393,295**	**398,393**	**393,295**

(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 4% per annum payable quarterly in arrears and the Bank is under obligation to on-lend to customers at an all-in interest rate of 9% per annum. This facility is not secured.

(iv) The Micro Small & Medium Scale Enterprises Development Fund (MSMEDF) is an intervention fund established to support the channelling of low interest funds to the MSME sub-sector of the Nigerian economy. The facility attracts an interest rate of 2% per annum and the Bank is obligated to on-lend to SMEs at 9% per annum. The maximum tenor is 5 years while the tenor for working capital is 1 year. This facility is not secured.

(v) The Salary Bailout Scheme was approved by the Federal Government to assist State Governments in the settlement of outstanding salaries owed their workers. Funds are disbursed to Banks nominated by beneficiary States at 2% for on-lending to the beneficiary states at 9%. The loans have a tenor of 20 years. Repayments are deducted at source, by the Accountant General of the Federation, as a first line charge against each beneficiary state’s monthly statutory allocation. This facility is not secured.

(vi) Excess Crude Account (ECA) facilities are loans of N10 billion to each State with a tenor of 10-years priced at 9% per annum interest rate to the beneficiaries. Repayments are deducted at source, by the Accountant General of the Federation, as a first line charge against each beneficiary state’s monthly statutory allocation. This facility is not secured.

(vii) The Real Sector Support Facility (RSSF): The Central Bank of Nigeria, as part of the efforts to unlock the potential of the real sector to engender output growth, productivity and job creation has established a N300 billion Real Sector Support Facility (RSSF). The facility 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.

ix) The Paddy Aggregation Scheme (Phase 2) is to enable Integrated Rice Millers have access to affordable credit for the purchase of home-grown paddy to complement the efforts of the Federal Government of Nigeria in the National Food Security Programme. Funds disbursed to the Bank from CBN are at a cost of 2% which are then disbursed to qualifying customers at the rate of 5% per annum, tenor is for a maximum of 12 months.

30. Borrowings

	Group		Bank	
Figures in of Naira	30-Jun-19	31-Dec-18	30-Jun-19	31-Dec-18
Long term borrowing comprise:				
Due to ADB (i)	23,229	29,005	23,229	29,005
Due to KEXIM (ii)	15,101	4,726	15,101	4,726
Due to EIB	-	2,528	-	2,528
Due to PROPARCO (iii)	8,219	10,758	8,219	10,758
Societe Generale Bank (iv)	27,093	27,209	27,093	27,209
Due to AFC (v)	36,430	-	36,430	-
Due to ABSA Bank (vi)	63,384	63,175	63,384	63,175
Due to J P Morgan Chase Bank (vii)	108,707	108,417	108,707	108,416
Due to Standard Bank London (viii)	26,795	36,926	26,795	36,926
Due to Standard Bank South Africa (ix)	27,354	49,023	27,354	49,023
Due to IFC (x)	21,542	24,276	21,542	24,276
Due to First Abu Dhabi Bank (xi)	54,410	81,217	54,410	81,217
Due to Zenith Bank (UK) (xii)	-	-	14,567	10,437
Due to Zenith Bank Ghana (xiii)	-	-	9,034	10,767
	412,264	**437,260**	**435,865**	**458,463**

The Group has not defaulted in the payment of principal or interest neither has the Group been in breach of any covenant relating to the liabilities during the period (31 December, 2018: nil). The assets exchanged under repurchase agreements with counterparties are disclosed in note 17.

Classified as:				
Current	326,146	345,921	348,014	356,357
Non-current	86,118	91,339	87,851	102,106
	412,264	**437,260**	**435,865**	**458,463**

Movement in borrowings				
At beginning of the period/year	437,260	356,496	458,463	418,979
Addition during the period/year	143,307	370,606	147,334	391,810
Repayment during the period/year	(158,303)	(289,842)	(169,932)	(352,326)
At end of the period/year	**422,264**	**437,260**	**435,865**	**458,463**

(i) Due to ADB

The amount due to African Development Bank (ADB) of N23.2 billion (US $64.4 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 N23.2 billion (US $64.4 million) will mature in February 2021.

(ii) Due to KEXIM

The amount of N15.10 billion (US $41.88 million) represents the outstanding balance from Six short term loan facilities of US $ 2.51million, US $2.52million, US $12.00million, US $13.20million, US $9.00million and US $9.60million granted by The Export-Import Bank of Korea (KEXIM) in August 2018, September 2018, March 2019, April 2019, May 2019 and June 2019 respectively. Interest is payable monthly at 3 month LIBOR+1.74% for all running obligations.

The outstanding balances are of N151.09 million (US $0.42million), N227.46 million (US $0.63 million), N3.6 billion (US $10.00million), N4.38 billion (US $12.20 million), N3.26 billion (US $9.00 million) and N3.46 billion (US $9.60 million) respectively. Final repayments on these facilities are due in August 2019, September 2019, March 2020 April 2020, June 2020 and July 2020 respectively.

(iii) Due to Proparco

The amount due to Proparco of N8.22 billion (US $22.80 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 N1.5 billion (US $4.24 million) and N6.69 billion (US $18.56 million) respectively.

(iv) Societe Generale Bank

The amount of N27.1 billion (US $75.10 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 principal are payable at maturity at a fixed rate of 5.00%. The transaction matures in September 2019.

(v) Due to AFC

The amount of N36.40 billion ($101.04 million) represents the outstanding balance on two dollar placements of US $50 million each, granted by Africa Finance Corporation, both in April 2019. Both placements are priced at 4.75% with interest payable at maturity; maturity date for both tranches is December 2019.

(vi) Due to ABSA

The amount of N63.3 billion (US $175.70 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. The interest and principal are payable at maturity. The facilities are priced at 4.95% and 5.20% and will mature in September 2019 and November 2019 respectively.

(vii) Due to JP Morgan

The amount of N108.7 billion (US $301.49 million) represents the outstanding balance on three short-term dollar facilities, of US $100 million each, granted to the Bank on 14 August 2018, 19 February 2019 and 15 March 2019 by JP Morgan. Interest is payable at matuirity at the rate of 5.1%, 5.27% and 5.32% per annum and the facility will mature in August 2019, November 2019 and October 2019 respectively.

(viii) Due to Standard Bank London

The amount of N26.8 billion (US $74.31 million) represents the amount payable by the Bank from five short term facilities of US $21.50 million, US $10.85 million, US $15.00 million, US $5.73 million and US $19.20 million granted by Standard Bank London in August 2018 (US $21.5 million), September 2018 (US $10.85 million), November 2018 (US$15 million), January 2019 (US$5.73 million and US$19.20 million) . The interests are payable at maturity at 4.9153% ($21.50 million), 4.91% (US $10.85 million) and 5.35 %(US$15 million, US$5.73 million and US$19.20 million). The maturity dates are August 2019 (US $21.5 million), US $10.85 million), October 2019, November 2019 and December 2019 respectively.

(ix) Due to Standard Bank South Africa

The amount of N27.4 billion ($75.86 million) represents the outstanding balance on a dollar short-term facility of US $75 million granted by Standard Bank of South Africa in July 2018. The facility is priced at 3 months LIBOR plus 2.78%. The facility has a maturity date in October 2020.

(x) Due to IFC

The amount of N21.54 billion (US $59.74 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 N54.41 billion ($150.90 million) represents the outstanding balance on two dollar short-term facilities of US $100 million and US $50 million granted by First Abu Dhabi Bank in August 2018 and September 2018 respectively. Both facilities are priced at 4.95% with interest payable quarterly and principal payable at maturity dates of August 2019 and September 2019.

(xii) Due to Zenith Bank UK

The amount of N14.56 billion (US $40.40 million) represents a short dollar Term Loan facility of US $40 million from Zenith Bank UK granted in April 2019. It is priced at 4.75% with interest payable quarterly and principal payable at maturity date of April 2020.

(xiii) Due to Zenith Bank Ghana

The amount N9.03 billion ($25.05 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.

31. Debt securities issued

	Group		Bank	
	30-Jun-19	31-Dec-18	30-Jun-19	31-Dec-18
Due to Euro bond holders	181,091	361,177	181,091	361,177
	181,091	**361,177**	**181,091**	**361,177**

The amount of N181 billion ($500 million) represents the outstanding balance due on the second tranche of US $500 million Eurobond notes issued by Zenith Bank Plc in May 2017 with a maturity date of May 2022. Interest is priced at 7.375%, payable semiannually with a bullet repayment of the principal sum at maturity. The total amount is non-current. The First Tranche of Eurobond was issued in April 2014, and priced at 6.25%, it was fully repaid on 17th April 2019.

The Group has not had any defaults of principal, interest or other breaches with respect to the debt securities during the period (December 31, 2018: Nil).

Movement in debt securities issued

	Group 30-Jun-19	Group 31-Dec-18	Bank 30-Jun-19	Bank 31-Dec-18
At start of the period/year	361,177	332,931	361,177	332,931
Revaluation loss for the period/year	1,782	27,778	1,782	27,778
Additional issue	-	-	-	-
Contractual repayment	(192,516)	(24,443)	(192,516)	(24,443)
Accrued interest during the period/year	10,648	24,911	10,648	24,911
At end of the period	**181,091**	**361,177**	**181,091**	**361,177**
Classified as:				
Current	-	180,720	67,042	180,720
Non-current	181,091	180,457	114,049	180,457
	181,091	**361,177**	**181,091**	**361,177**

	Group		Bank	
In millions of Naira	30-Jun-19	31-Dec-18	30-Jun-19	31-Dec-18

32. Derivative liabilities

Instrument types (Fair value):

Forward and Swap Contracts	5,401	16,236	5,401	16,236
Futures contracts	1,284	759	1,284	759
	6,685	**16,995**	**6,685**	**16,995**

Instrument types (Notional Amount):

Forward and Swap Contracts	65,197	231,382	65,197	231,382
Futures contracts	42,602	302,882	42,602	302,882
	107,799	**534,264**	**107,799**	**534,264**

Classified as:				
Current	6,685	16,995	6,685	16,995
Non-current	-	-	-	-
	6,685	**16,995**	**6,685**	**16,995**

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 period, various forward contracts entered into by the Bank generated net loss of N13.83 billion (30 June, 2018 net loss of N18.59 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 N65.71 and N6.69 billion respectively (31 December, 2018 N88.83 and N17.00 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 period. The holders of ordinary shares are entitled to receive dividends, which are declared from time to time, also each shareholder is entitled to a vote at the meetings of the Bank. All ordinary shares rank equally with regards to the Group's residual assets.

34. Share premium, retained earnings and other reserves

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

	30-Jun-19	31-Dec-18	30-Jun-19	31-Dec-18
Share premium	255,047	255,047	255,047	255,047

The nature and purpose of the reserves in equity are as follows:

(b) Share premium: Premiums from the issue of shares are reported in share premium.

(c) Retained earnings: Retained earnings represent undistributed profits, net of statutory appropriations attributable to the ordinary shareholders.

(d) Statutory reserve: This reserve represents the cumulative appropriation from general reserves/earnings in line with Nigerian banking regulations that require the Bank to make an annual appropriation in reference to specific rules. Section 16(1) of the Bank and Other Financial Institutions Act of 1991 (amended), stipulates that an appropriation of 30% of profit after tax be made if the statutory reserve is less than the paid-up share capital and 15% of profit after tax if the statutory reserve is greater than the paid-up share capital. In the current period, a total of N11.30 billion (31 December, 2018: N24.82 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.

35. Pension contribution

In accordance with the provisions of the Pensions Reform Act 2014, the Bank and its subsidiaries commenced a contributory pension scheme in January 2005. For entities operating in Nigeria, the contribution by employees and the employing entities are 5% and 13% respectively of the employees' basic salary, housing and transport allowances. Entities operating outside Nigeria contribute in line with the relevant pension laws in their jurisdictions. The contribution by the Group and the Bank during the period were N2.11 billion and N1.63 billion respectively (30 June 2018: N1.99 billion and N1.53 billion).

For the six months ended In millions of Naira	Group 30-Jun-19	Group 30-Jun-18	Bank 30-Jun-19	Bank 30-Jun-18

36. Personnel expenses

Compensation for the staff are as follows:

Salaries and wages	32,337	28,199	25,203	23,418
Other staff costs	4,274	4,613	3,779	4,176
Pension contribution	2,114	1,996	1,629	1,539
	38,725	**34,808**	**30,611**	**29,133**

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

	Number	**Number**	**Number**	**Number**
Executive directors	12	12	5	6
Management	433	450	381	405
Non-management	6,960	6,742	5,717	5,615
	7,405	**7,204**	**6,103**	**6,026**

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

	Number	**Number**	**Number**	**Number**
N300,001 - N2,000,000	1,467	1,026	1,069	729
N2,000,001 - N2,800,000	75	58	-	-
N2,800,001 - N4,000,000	475	692	414	640
N4,000,001 - N6,000,000	1,083	1,021	929	870
N6,000,001 - N8,000,000	1,382	1,501	1,189	1,269
N8,000,001 - N9,000,000	31	985	24	859
N9,000,001 - and above	2,892	1,921	2,478	1,659
	7,405	**7,204**	**6,103**	**6,026**

(b) Directors' emoluments

The remuneration paid to directors are as follows:

Executive compensation	1,325	539	1,194	277
Fees and sitting allowances	275	133	84	97
	1,600	**672**	**1,278**	**374**

Fees and other emoluments disclosed above include amounts paid to:

The Chairman			13	13
The highest paid director			56	63

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	39	12	13

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 30 June, 2019 are shown below.

Entity	Effective holding %	Nominal share capital held
Foreign / banking subsidiaries:		
Zenith Bank (Ghana) Limited	99.42 %	7,066
Zenith Bank (UK) Limited	100.00 %	21,482
Zenith Bank (Sierra Leone) Limited	99.99 %	2,059
Zenith Bank (Gambia) Limited	99.96 %	1,038
Zenith Pensions Custodian Limited	99.00 %	1,980
Zenith Nominee Limited	99.00 %	1,000

30 June, 2019

Transactions and balances with subsidiaries In millions of naira	Receivable from	Payable to	Income received from	Expense paid to
Zenith Bank (UK) Limited	86,604	26,178	265	-
Zenith Bank (Ghana) Limited	-	9,037	-	-
Zenith Bank (Sierra leone) Limited	109	-	-	-
Zenith Bank (Gambia) Limited	777	-	-	-
Zenith Pensions Custodian Limited	-	354	4,000	-

	31 December 2018		30 June 2018	
Transactions and balances with subsidiaries In millions of naira	**Receivable from**	**Payable to**	**Income received from**	**Expense paid to**
Zenith Bank (UK) Limited	38,836	74,828	-	-
Zenith Bank (Ghana) Limited	14,169	491	-	-
Zenith Bank (Sierra leone) Limited	2,876	88	-	-
Zenith Bank (Gambia) Limited	97	59	-	-
Zenith Pensions Custodian Limited	200	2	-	-

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 N1,145 million and N964 million respectively (31 December, 2018: N1,138 million and N986 million respectively).

Non controlling interest in subsidiaries

The Group does not have any subsidiary that has material non controlling interest.

In millions of Naira

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	
Key management compensation	**30-Jun-19**	**30-Jun-18**	**30-Jun-19**	**30-Jun-18**
Short term benefits	795	611	392	362
Post employment benefits	917	17	903	3
	1,712	**628**	**1,295**	**365**

Loans and advances	**30-Jun-19**	**31-Dec-18**	**30-Jun-19**	**31-Dec-18**
At start of the period/year	1,180	199	1,022	225
Granted during the period/year	795	1,016	794	824
Repayment during the period/year	(410)	(35)	(373)	(27)
At end of of the period/year	**1,565**	**1,180**	**1,443**	**1,022**
Interest earned	26	41	26	41

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. Loans granted to key management are performing. Mortgage loans amounting to N1,565 million (31 December, 2018: N1,180 million) are secured by the underlying assets.

30 June, 2019

Name of company	**Relationship/ Name**	**Loans**	**Deposits**	**Interest received**	**Interest paid**
Cyberspace Network	Common significant shareholder / Jim Ovia	-	2	-	-
Quantum Fund Management	Common significant shareholder / Jim Ovia	-	22	-	-
Zenith General Insurance Company Ltd	Common directorship / Jim Ovia	-	1,253	-	-
Directors deposits	-	607	2,325	22	31
		607	**3,602**	**22**	**31**

In millions of Naira

Name of company	Relationship	31 December 2018 Loans	31 December 2018 Deposits	30 June 2018 Interest received	30 June 2018 Interest paid
Cyberspace Network	Common significant shareholder / Jim Ovia	-	226	-	-
Quantum Fund Management	Common significant shareholder / Jim Ovia	-	32	-	-
Zenith General Insurance Company Limited	Common directorship/ Jim Ovia	-	968	-	-
Directors deposits		-	1,660	-	-
Sirius Lumina Ltd	Director / Prof Sam Enwemeka	3	-	-	-
		3	**2,886**	**-**	**-**

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. Loans granted to related parties are performing.

During the period, Zenith Bank Plc paid N1.74 billion as insurance premium to Zenith General Insurance Limited (30 June 2018: N1.02 billion). These expenses were reported as operating expenses.

The amount of N3,838 billion (31 December, 2018: N3,425 billion) represents the full amount of the Group's guarantee for the assets held by its subsidiary, Zenith Pensions Custodian Limited under the latter's custodial business as required by the National Pensions Commission of Nigeria. Aside from the Guarantee on the asset held by our subsidiary Zenith Pension Custodian Limited, the Group does not have any contingent liabilities in respect of related parties.

The Bank entered into a 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 liability as at end of the period 30 June, 2019 (Note 28c) was N11.74 billion (31 December, 2018 – N11.57 billion)

The Bank paid N1.37 billion (30 June 2018 N6.22 million) to Cyberspace Network for various Information technology services rendered during the period.

38. Contingent liabilities and commitments

(a) Legal proceedings

The Group is presently involved in 177 (31 December, 2018: 195) litigation suits in the ordinary course of business. The total amount claimed in the cases against the Group is estimated at N34.5 billion (31 December, 2018: N28 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 N9.4 billion (31 December, 2018: N6.24 billion) in respect of authorized and contracted capital projects.

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

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

In millions of Naira

38. Contingent liabilities and commitments (continued)

	Group		Bank	
	30-Jun-19	31-Dec-18	30-Jun-19	31-Dec-18
Performance bonds and guarantees (see note i below)	379,882	327,123	328,029	306,412
Usance (see note ii below)	137,741	147,189	137,741	147,189
Letters of credit (see note ii below)	424,935	356,939	385,153	321,754
	942,558	**831,251**	**850,923**	**775,355**
Pension Funds (See Note iii below)	3,837,808	3,425,398	3,837,808	3,425,398

(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 30 June, 2019, performance bonds and guarantees worth N61.69 billion (31 December, 2018: N59.4 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 N3,838 billion (31 December, 2018: N3,425 billion) represents the full amount of the Group's guarantee for the assets held by its subsidiary, Zenith Pensions Custodian Limited under the latter's custodial business as required by the National Pensions Commission of Nigeria.

39. Dividend per share

	30-Jun-19	31-Dec-18	30-Jun-19	31-Dec-18
Dividend proposed	9,419	87,910	9,419	87,910
Number of shares in issue and ranking for dividend	31,396	31,396	31,396	31,396
Proposed dividend per share (Naira)	0.30	2.80	0.30	2.8
Interim dividend paid (Naira)	-	0.30	-	0.30
Final dividend per share proposed	-	2.50	-	2.50
Dividend paid during the year	78,491	76,921	78,491	76,921
Interim dividend paid during the period/year	-	9,419	-	9,419
Total dividend paid during the period/year	78,491	86,340	78,491	86,340

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 per share (31 December, 2018: interim; N0.30, final; N2.50) from the retained earnings account as at 30 June, 2019. This is subject to approval by shareholders at the next Annual General Meeting.

The number of shares in issue and ranking for dividend represents the outstanding number of shares as at 30 June, 2019 and 31 December, 2018 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.

40. Cash and cash equivalents (continued)

	30-Jun-19	30-Jun-18	30-Jun-19	30-Jun-18
Cash and cash balances with central bank (less mandatory reserve deposits)	79,018	176,432	31,377	130,401
Treasury bills (3 month tenor) (see note 16)	-	161,250	-	161,250
Due from other banks	700,404	440,354	376,092	242,883
	779,422	**778,036**	**407,469**	**534,534**

41. Compliance with banking regulations

During the period, the Bank paid a penalty to CBN of N2 million for newly opened accounts without evidence of independent verification of means of identification and search report for some corporate accounts.

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. Comparatives

During the period, expenses on electronic products was reclassified to fee and commission expense in order to present all revenue and expenses relating to fees and commission. Prior period comparatives for the period ended 30 June 2018 have also been adjusted to reflect this principle as presented in the notes below.

Restated operating expenses

In millions of Naira	Group 30-Jun-18	Bank 30-Jun-18
Amount previously reported	86,522	79,503
Expenses on electronic products	(4,936)	(4,569)
Amount as restated (see note 12)	81,586	74,934

Restated Net income on fees and commission

In millions of Naira	Group 30-Jun-18	Bank 30-Jun-18
Amount previously reported	46,708	37,514
Less: Fee and commission expense	(4,936)	(4,569)
Amount as restated (see note 8)	41,772	32,945

	Group		Bank	
In millions of Naira	**2019**	**2018**	**2019**	**2018**

44. Statement of cash flow workings

(i) Debt securities (see note 21)

30 June, 2019

	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 2019	4,970	307,401	4,970	102,508
Gains from changes in fair value recognised in profit or loss (see note 21)	1,738	-	1,738	-
Additions	10,366	58,036	10,366	57,059
Disposals (sale, transfers and redemption)	(10,880)	(76,802)	(10,880)	(32,537)
Interest accrued	194	7,785	194	4,078
Coupon received	-	-	-	-
	6,388	**296,420**	**6,388**	**131,108**
Movement for cash flow statement	(320)	(18,741)	(320)	24,522
Recognised in cash flow statement	-	19,061	-	(24,202)

30 June, 2018

	Debt securities at fair value through profit or loss	**Debt securities at amortised cost**	**Debt securities at fair value through profit or loss**	**Debt securities at amortised cost**
At 1 January 2018	32,266	284,584	32,266	71,447
Gains from changes in fair value recognised in profit or loss (see note 11)	316	-	316	-
Additions	-	43,387	-	-
Disposals (sale, transfers and redemption)	(24,702)	-	(24,702)	(7,059)
	7,880	**327,971**	**7,880**	**64,388**
Movement for cash flow statement	(24,702)	43,387	(24,702)	7,059
Recognised in cash flow statement	-	(18,685)	-	31,761

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

30 June, 2019

	30-Jun-19	**31-Dec-18**	**30-Jun-19**	**31-Dec-18**
Treasury bills (Amortised cost)	480,950	490,319	306,659	306,802
Treasury bills (with 3 months maturity)	-	(23,819)	-	(20,847)
Changes	480,950	466,500	306,659	285,955
Recognised in cashflow statement	**(14,450)**		**(20,704)**	

30 June, 2018

	30-Jun-18	**31-Dec-17**	**30-Jun-18**	**31-Dec-17**
Treasury bills (Amortized cost)	436,450	389,161	197,709	252,336
Treasury bills (with 3 months maturity)	(161,250)	(109,990)	(161,250)	-

	Group		Bank	
In millions of Naira	**2019**	**2018**	**2019**	**2018**
Changes	275,200	279,171	36,459	252,336
Recognised in Cashflow	**3,971**		**215,877**	

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

30 June, 2019

	30-Jun-19	**31-Dec-18**	**30-Jun-19**	**31-Dec-18**
Treasury bills (FVTPL)	525,807	510,313	525,384	510,313
Recognised in Cashflow	**(15,494)**		**(15,071)**	

30 June, 2018

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

(iv) Loans and advances (see note 20)

30 June, 2019

	30-Jun-19	**31-Dec-18**	**30-Jun-19**	**31-Dec-18**
Gross loans and advances	1,952,135	2,016,520	1,872,571	1,921,064
Changes	64,385	235,652	48,493	196,005
Write off	(60,838)	(73,962)	(60,837)	(60,235)
	3,547	**161,690**	**(12,344)**	**135,770**

30 June, 2018

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

(v) Customer deposits

30 June, 2019

	30-Jun-19	**31-Dec-18**	**30-Jun-19**	**31-Dec-18**
As per financial statement	3,810,025	3,690,295	2,988,298	2,821,066
Changes	119,730	-	167,232	-
Interest payables	(7,669)	-	(5,280)	-
	112,061	**-**	**161,952**	**-**

30 June, 2018

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

	Group		Bank	
In millions of Naira	**2019**	**2018**	**2019**	**2018**

(vi) Other liabilities (see note 29)

30 June, 2019

	30-Jun-19	**31-Dec-18**	**30-Jun-19**	**31-Dec-18**
As per statement of financial position	256,076	231,716	231,721	223,463
Changes	(29,611)	11,307	(13,509)	5,869
Finance lease repayments	(920)	(2,760)	(920)	(2,760)
off balance sheet ECL allowance	5,393	8,011	5,393	8,011
VAT paid	(235)	(260)	(235)	(260)
Net cash movement	**25,373**	**(16,298)**	**9,271**	**(10,860)**

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)	-
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**

(vii) Profit on disposal of property and equipment

	30-Jun-19	**31-Dec-18**	**30-Jun-19**	**31-Dec-18**
Cost (see note 25)	4,925	4,157	944	2,262
Accummulated depreciation (see note 25)	(1,714)	(926)	(841)	(2,097)
Net book value	**3,211**	**3,231**	**103**	**165**
Sales proceed	(3,276)	3,490	(176)	406
Profit on Disposal (see note 10)	**65**	**259**	**73**	**241**

(viii) Interest received

	Group 30-Jun-19	**Group 31-Dec-18**	**Bank 30-Jun-19**	**Bank 31-Dec-18**
Interest income as per financial statement	214,601	440,052	177,225	367,816
Interest receivables	(9,636)	(5,206)	(1,398)	(2,691)
Recognised in cash flow statement	**204,965**	**434,846**	**175,827**	**365,125**

(ix) Interest paid

	Group 30-Jun-19	**Group 31-Dec-18**	**Bank 30-Jun-19**	**Bank 31-Dec-18**
Interest expense as per financial statement	72,086	144,458	61,385	124,156
Interest payables	(1,250)	(10,257)	(16,339)	(7,922)
Recognised in cash flow statement	**70,836**	**134,201**	**45,046**	**116,234**

	Group		Bank	
In millions of Naira	**2019**	**2018**	**2019**	**2018**

(x) Other assets

	Group 30-Jun-19	**Group 31-Dec-18**	**Bank 30-Jun-19**	**Bank 31-Dec-18**
Other assets (see note 24)	126,113	79,678	123,181	74,652
Changes	(45,696)	7,568	(47,756)	(23,848)
Write off of asset	-	(4,518)	-	(4,518)
Recognised in cash flow statement	**(45,696)**	**3,050**	**(47,756)**	**(28,366)**

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

(xi) Asset pledged as collateral

	Group 30-Jun-19	**Group 31-Dec-18**	**Bank 30-Jun-19**	**Bank 31-Dec-18**
Asset pledged as collateral	517,429	592,935	517,429	592,935
Impairment	93	126	93	126
	517,522	593,061	517,522	593,061
Recognised in cashflow	75,539		75,539	-

(xii) Derivative Asset

	Group 30-Jun-19	**Group 31-Dec-18**	**Bank 30-Jun-19**	**Bank 31-Dec-18**
Forward contract	20,133	87,467	20,133	87,467
Future contract	1,752	1,359	1,752	1,359
Swap Contract	43,824	-	43,824	-
	65,709	88,826	65,709	88,826
Recognised in cashflow	23,117	-	23,117	-

(xiii) Restricted balances (Cash Reserve)

	Group 30-Jun-19	**Group 31-Dec-18**	**Bank 30-Jun-19**	**Bank 31-Dec-18**
Mandatory reserve deposit with central bank	609,748	624,782	609,748	624,782
Special Cash Reserve	80,689	80,689	80,689	80,689
	690,437	705,471	690,437	705,471
Recognised in cashflow	15,034	(58,357)	15,034	(58,386)

	Group		Bank	
In millions of Naira	**2019**	**2018**	**2019**	**2018**

(xiv) Derivative liabilities

	Group 30-Jun-19	**Group 31-Dec-18**	**Bank 30-Jun-19**	**Bank 31-Dec-18**
Forward contract	5,229	16,236	5,229	16,236
Futures contract	172	759	172	759
Swap contract	1,284	-	1,284	-
	6,685	16,995	6,685	16,995
Recognised in cashflow	(10,310)	(3,810)	(10,310)	(3,810)

Other National Disclosures

ZENITH BANK PLC

Value Added Statement

In millions of Naira	30-Jun-19	30-Jun-19 %	30-Jun-18	30-Jun-18 %
Group				
Gross income	331,586		322,201	
Interest expense				
- Local	**(39,204)**		**(61,001)**	
- Foreign	**(32,882)**		**(13,708)**	
	259,500		247,492	
Impairment loss on financial and non-financial instruments	(13,735)		(9,720)	
	245,765		237,772	
Bought-in materials and services				
- Local	(49,535)		(83,928)	
- Foreign	(34,523)		(2,594)	
Value added	**161,707**	**100**	**151,250**	**100**
Distribution				
Employees				
Salaries and benefits	38,725	24	34,808	23
Government				
Income tax	22,795	14	25,621	**17**
Retained in the Group				
Replacement of property and equipment / intangible assets	11,305	7	9,084	6
To pay proposed dividend	9,420	6	84,771	56
Profit for the period (including statutory, small scale industry, and non-controling interest)	79,462	35	(3,034)	(2)
Total Value Added	**161,707**	**100**	**151,250**	**100**

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

ZENITH BANK PLC

Value Added Statement

In millions of Naira	30-Jun-19	30-Jun-19 %	30-Jun-18	30-Jun-18 %
Bank				
Gross income	284,481		276,251	
Interest expense				
- Local	**(34,920)**		**(62,560)**	
- Foreign	**(26,465)**		**(2,594)**	
	223,096		211,097	
Impairment loss on financial and non-financial instruments	(13,156)		(8,373)	
	209,940		202,724	
Bought-in materials and services				
- Local	(74,685)		(76,926)	
- Foreign	(3,087)		(2,577)	
Value added	**132,168**	**100**	**123,221**	**100**
Distribution				
Employees				
Salaries and benefits	**30,611**	**23**	**29,133**	**24**
Government				
Income tax	**16,150**	**12**	**19,680**	**16**
Retained in the Bank				
Replacement of property and equipment / intangible assets	10,046	8	8,014	5
To pay proposed dividend	9,420	33	84,771	69
Profit for the period (including statutory, and small scale industry)	65,941	50	(18,377)	(15)
Total Value Added	**132,168**	**100**	**123,221**	**100**

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

ZENITH BANK PLC

Five Year Financial Summary

In millions of Naira	30-Jun-19	31-Dec-18	31-Dec-17	31-Dec-16	31-Dec-15
Group					
Statement of Financial Position					
Assets					
Cash and balances with central banks	769,455	954,416	957,663	669,058	761,561
Treasury bills	1,006,717	1,000,560	936,817	557,359	377,928
Assets pledged as collateral	517,429	592,935	468,010	328,343	265,051
Due from other banks	857,376	674,274	495,803	459,457	272,194
Derivative assets	65,709	88,826	57,219	82,860	8,481
Loans and advances	1,801,833	1,823,111	2,100,362	2,289,365	1,989,313
Investment securities	557,485	565,312	330,951	199,478	213,141
Investments in associates	-	-	-	-	530
Deferred tax	11,846	9,513	9,561	6,440	5,607
Other assets	126,113	80,948	92,494	37,536	22,774
Property and equipment	167,881	149,137	133,384	105,284	87,022
Intangible assets	16,752	16,678	12,989	4,645	3,240
Total assets	**5,898,596**	**5,955,710**	**5,595,253**	**4,739,825**	**4,006,842**
Liabilities					
Customers deposits	3,810,025	3,690,295	3,437,915	2,983,621	2,557,884
Derivative liabilities	6,685	16,995	20,805	66,834	384
Current tax payable	14,525	9,154	8,915	8,953	3,579
Deferred income tax liabilities	23	67	18	45	19
Other liabilities	256,076	231,716	243,023	214,080	205,062
On-lending facilities	398,393	393,295	383,034	350,657	286,881
Borrowings	412,264	437,260	356,496	263,106	258,862
Debt securities issued	181,091	361,177	332,931	153,464	99,818
Total liabilities	**5,079,082**	**5,139,959**	**4,783,137**	**4,040,760**	**3,412,489**
Net assets	**819,514**	**815,751**	**812,116**	**699,065**	**594,353**
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	314,695	322,237	356,837	261,608	200,115
Other Reserves	233,378	221,231	183,217	165,729	122,900
Attributable to equity holders of the parent	818,818	814,213	810,799	698,082	593,760
Non-controlling interest	696	1,538	1,317	983	593
Total shareholders' equity	**819,514**	**815,751**	**812,116**	**699,065**	**594,353**

Five Year Financial Summary

In Millions of Naira	30-Jun-19	30-Jun-18	30-Jun-17	30-Jun-16	30-Jun-15
Statement Of Profit Or Loss And Other Comprehensive Income					
Gross earnings	331,586	322,201	380,440	214,812	229,082
Share of profit / (loss) of associates	-	-	-	-	206
Interest expense	(72,086)	(74,709)	(123,295)	(54,385)	(63,585)
Operating and direct expenses	(134,088)	(130,414)	(126,706)	(88,314)	(86,301)
Impairment charge for financial assets	(13,735)	(9,720)	(42,398)	(14,232)	(7,201)
Profit before taxation	**111,677**	**107,358**	**88,041**	**57,881**	**72,201**
Income tax	(22,795)	(25,621)	(16,866)	(18,438)	(19,021)
Profit after tax	**88,882**	**81,737**	**71,175**	**39,443**	**53,180**
Foreign currency translation differences	(6,441)	517	(1,444)	26,053	(2,058)
Fair value movements on equity instruments	338	683	(3,433)	4,153	(2,390)
Related tax	-	-	-	-	-
Effective portion of changes in fair value of cash flow hedges	97	-	-	-	-
Related tax	-	-	-	-	-
	(6,006)	**1,200**	**(4,877)**	**30,206**	**(4,448)**
Total comprehensive income	**82,876**	**82,937**	**66,298**	**69,649**	**48,732**
Earning per share:					
Basic and diluted	283 K	260 K	227 K	126 K	169 K

Five Year Financial Summary

In millions of Naira	30-Jun-19	31-Dec-18	31-Dec-17	31-Dec-16	31-Dec-15
Bank					
Statement of Financial Position					
Assets					
Cash and balances with central banks	721,814	902,073	907,265	627,385	735,946
Treasury bills	832,003	817,043	799,992	463,787	330,900
Assets pledged as collateral	517,429	592,935	468,010	325,575	264,320
Due from other banks	533,064	393,466	273,331	354,405	266,894
Derivative assets	65,709	88,826	57,219	82,860	8,481
Loans and advances	1,732,839	1,736,066	1,980,464	2,138,132	1,849,225
Investment securities	186,915	156,673	117,814	118,622	150,724
Investments in subsidiaries	34,625	34,003	34,003	33,003	33,003
Investments in associates	-	-	-	-	90
Deferred tax	10,988	9,197	9,197	6,041	5,131
Other assets	123,181	75,910	56,052	35,410	21,673
Assets classified as held for sale	-	-	-	-	-
Property and equipment	149,345	133,854	118,223	94,613	81,187
Intangible assets	15,556	15,399	12,088	3,903	2,753
Total assets	**4,923,468**	**4,955,445**	**4,833,658**	**4,283,736**	**3,750,327**
Liabilities					
Customers deposits	2,988,298	2,821,066	2,744,525	2,552,963	2,333,017
Derivative liabilities	6,685	16,995	20,805	66,834	384
Current tax payable	9,175	5,954	6,069	6,927	2,534
Deferred income tax liabilities	-	-	-	-	-
Other liabilities	231,721	223,463	229,332	249,136	212,636
On-lending facilities	398,393	393,295	383,034	350,657	286,881
Borrowings	435,865	458,463	418,979	292,802	268,111
Debt securities issued	181,091	361,177	332,931	153,464	99,818
Total liabilities	**4,251,228**	**4,280,413**	**4,135,675**	**3,672,783**	**3,203,381**
Net assets	**672,240**	**675,032**	**697,983**	**610,953**	**546,946**
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	224,200	238,635	287,867	213,107	160,408
Other reserves	177,295	165,652	139,371	127,101	115,793
Attributable to equity holders of the parent	672,240	675,032	697,983	610,953	546,946
Total shareholders' equity	**672,240**	**675,032**	**697,983**	**610,953**	**546,946**

Five Year Financial Summary

In Millions of Naira	30-Jun-19	30-Jun-18	30-Jun-17	30-Jun-16	30-Jun-15
Statement Of Profit Or Loss And Other Comprehensive Income					
Gross earnings	284,481	276,251	344,411	192,163	213,571
Interest expense	(61,385)	(65,154)	(115,698)	(49,612)	(59,199)
Operating and direct expenses	(118,429)	(116,650)	(115,831)	(80,791)	(80,196)
Impairment charge for financial assets	(13,156)	(8,373)	(37,249)	(11,144)	(6,392)
Profit before tax	**91,511**	**86,074**	**75,633**	**50,616**	**67,784**
Income tax	(16,150)	(19,680)	(13,279)	(15,986)	(17,010)
Profit after tax	**75,361**	**66,394**	**62,354**	**34,630**	**50,774**
Other comprehensive income					
Fair value movements on equity instruments	338	683	(3,433)	4,153	(2,390)
Tax effect of equity instruments at fair value	-	-	-	-	-
	338	**683**	**(3,433)**	**4,153**	**(2,390)**
Total comprehensive income	**75,699**	**67,077**	**58,921**	**38,783**	**48,384**
Earning per share:					
Basic and diluted	240 K	211 K	199 K	110 K	162 K

ZENITH BANK PLC

Consolidated and Separate Statements of Profit or Loss and other Comprehensive Income for the three months Ended 30 June, 2019

		Group		Bank	
For the three months ended 30 June (Unaudited) **In millions of Naira**		**2019**	**2018**	**2019**	**2018**
Gross earnings		**173,475**	**151,719**	**150,360**	**129,755**
Interest and similar income		92,121	84,762	72,581	68,194
Interest and similar expense		(35,743)	(27,989)	(30,080)	(22,826)
Net interest income		**56,378**	**56,773**	**42,501**	**45,368**
Impairment loss on financial and non-financial instruments		(11,639)	(4,408)	(10,951)	(5,973)
Net interest income after impairment loss on financial and non-financial instruments		**44,739**	**52,365**	**31,550**	**39,395**
Net income on fees and commission		34,500	25,871	31,233	22,196
Trading gains		37,290	35,095	37,290	35,095
Other operating income		5,284	5,991	5,667	4,270
Depreciation of property and equipment		(5,041)	(4,078)	(4,512)	(3,580)
Amortisation of intangible assets		(765)	(591)	(697)	(538)
Personnel expenses		(20,436)	(19,242)	(16,670)	(16,226)
Operating expenses		(41,187)	(42,054)	(38,032)	(39,308)
Profit before tax		**54,384**	**53,357**	**45,829**	**41,304**
Minimum tax		(1,860)	(1,664)	(1,860)	(1,664)
Income tax expense		(13,876)	(17,035)	(9,790)	(13,516)
Profit for the period after tax		**38,648**	**34,658**	**34,179**	**26,124**
Other comprehensive income:					
Items that will never be reclassified to profit or loss:					
Fair value movements on equity instruments at FVOCI		154	(567)	181	(567)
Items that are or may be reclassified to profit or loss:					
Foreign currency translation differences for foreign operations		344	(3,015)	-	-
Fair value movements on debt securities at FVOCI		97	-	-	-
Other comprehensive income/(loss) for the period		**595**	**(3,582)**	**181**	**(567)**
Total comprehensive income for the period		**39,243**	**31,076**	**34,360**	**25,557**
Profit attributable to:					
Equity holders of the parent		38,672	34,593	34,179	26,124
Non controlling interest		(24)	64	-	-
Total comprehensive income attributable to:					
Equity holders of the parent		39,173	31,018	34,360	25,557
Non-controlling interest		70	58	-	-
Earnings per share					
Basic and diluted (Naira)	14	1.23	1.21	1.09	1.09