ZENITH BANK PLC
CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014
TOGETHER WITH DIRECTORS' AND AUDITOR'S REPORT

ZENITH BANK PLC

DIRECTORS,OFFICERS AND PROFESSIONAL ADVISERS

Directors

Mr.Jim Ovia, CON.	Chairman
Sir Steve Omojafor	Non-Executive Director
Mr.Babatunde Adejuwon	Non-Executive Director
Alhaji Baba Tela	Non-Executive Director/ Independent
Prof. Chukuka Enwemeka	Non-Executive Director
Mr.Jeffrey Efeyini	Non-Executive Director
Chief (Mrs) Chinyere Asika	Non-Executive Director/ Independent
Dr Haruna Usman Sanusi	Non-Executive Director/ Independent
Mr.Peter Amangbo	Group Managing Director/CEO
Ms. Adaora Umeoji	Executive Director
Mr.Ebenezer Onyeagwu	Executive Director
Mr.Oladipo Olusola	Executive Director

Company Secretary

Michael Osilama Otu

Registered office

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

Auditors

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

Registrar and Transfer Office

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

ZENITH BANK PLC

Note		Page
	Directors' Report for the Year Ended 31 December 2014	3
	Corporate Governance Report for the Year Ended 31 December 2014	8
	Statement of Directors' Responsibilities	18
	Report of the Audit Committee	19
	Independent Auditors' Report	20
	Consolidated and Separate Statements of Profit or Loss and Other Comprehensive Income.	22
	Consolidated and Separate Statement of Financial Position as at 31 December 2014	24
	Consolidated and Separate Statements of Changes in Equity as at 31 December 2014	25
	Consolidated and Separate Statements of Cash Flows for the Year Ended 31 December 2014	27
	Notes to the Consolidated and Separate Financial Statements for the Year Ended 31 December 2014	29
1	General information	29
2(i)	Change in accounting policies	29
2(ii)	Significant accounting policies	30
2.1	Basis of preparation	30
2.2	New standards, interpretations and amendments to existing standard that are not yet effective	30
2.3	Basis of consolidation	32
2.4	Translation of foreign currencies	33
2.5	Cash and cash equivalents	33
2.6	Financial instruments	34
2.7	Derivative instruments and hedge accounting	36
2.8	Impairment of financial assets	37
2.9	Impairment of non-financial assets	38
2.10	Property and equipment	39
2.11	Intangible assets	40
2.12	Leases	40
2.13	Provisions	41
2.14	Employee benefits	41
2.15	Share capital	42
2.16	Recognition of interest income and expense	43
2.17	Fees, commissions and other income	43
2.18	Operating expense	43
2.19	Current and deferred income tax	44
2.20	Earnings per share	44
2.21	Segment reporting	44
2.22	Fiduciary activities	44
2.23	Discontinued operations	45
2.24	Non-current assets held-for-sale or distribution	46
3	Risk management	78
3.12	Sustainability report	83
4	Critical accounting estimates and judgements	86
5	Segment analysis	89
6	Interest and similar income	89
7	Interest and similar expense	

Note		Page
8	Impairment charge for credit losses	89
9	Fee and commission income	89
10	Trading income	90
11	Other income	90
12	Operating expenses	90
13	Taxation	91
14	Discontinued operations	93
15	Earnings per share	93
16	Cash and cash equivalents	94
. 17	Treasury bills	94
18	Assets pledged as collateral	94
19	Due from other banks	94
20	Derivative assets	95
21	Loans and advances	95
22	Investment securiies	100
23a	Investment in subsidiaries	101
23b	Condensed financial statement	102
24	Investment in associates	106
25	Deferred tax assets	107
26	Other assets	108
27	Assets classified as held for sale	108
28	Property and equipment	109
29	Intangible assets	111
30	Customer's deposits	111
31	Other liabilities	111
32	On lending facilities	112
33	Borrowings	113
34	Debt security issued	114
35	Liabilities classified as held for sale	114
36	Derivatives liabilities	114
37	Share capital	115
38	Share premium, retained earnings and other reserves	115
39	Pension contribution	115
40	Personnel expenses	116
41	Group subsidiaries and related party transactions	117
42	Contingent liabilities and commitments	118
43	Dividends per share	119
44	Cash and cash equivalents	119
45	Compliance with banking regulations	119
46	Events after reporting period	120
47	Comparatives	120
	Value Added Statement	123
	Five Year Financial Summary	125

Directors' Report for the Year Ended 31 December 2014

The directors have pleasure in submitting their report on the consolidated and separate financial statements of ZENITH BANK PLC for the year ended 31 December 2014.

1. Legal form

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

There have been no material changes to the nature of the group's business from the prior year.

2. Principal activities and business review

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

The Bank has five subsidiary companies namely, Zenith Bank (Ghana) Limited, Zenith Pension Custodian Limited, Zenith Bank (UK) Limited, Zenith Bank (Sierra Leone) Limited, and Zenith Bank (Gambia) Limited. In line with regulatory directives on the scope of banking operations in Nigeria, the Bank has concluded the divestment from its non-core banking operations (excluding Zenith Pension Custodian Limited). During the year, the Group opened seven new branches, six in Nigeria, and one in The Gambia. No branch was closed during year.

3. Operating results

Gross earnings of the Group increased by 14.76% and profit before tax increased by 8.3% respectively. Highlights of the Group's operating results for the year under review are as follows:

	2014 N'million	2013 N' Million
Profit before tax	119,796	110,597
Minimum tax	-	(2,663)
Income tax	(20,341)	(12,616)
Profit after taxation	99,455	95,318
Non- controlling interest	(180)	(742)
Profit attributable to the equity holders of the parent	**99,275**	**94,576**
Appropriations		
Transfer to statutory reserve	13,872	12,563
Transfer to retained earnings and other reserves	85,403	82,013
	99,275	**94,576**
Basic and Diluted earnings per share (kobo)	316	301
Non-performing loan ratio %	1.8	3.0

4. Dividends

The Board of Directors, pursuant to the powers vested in it by the provisions of section 379 of the Companies and Allied Matters Act (CAMA) of Nigeria, proposed a dividend of N1.75 kobo per share (31 December 2013: N1.75 kobo per share) from the retained earnings account as at 31 December 2014. This is subject to approval by shareholders at the next Annual General Meeting.

If the proposed dividend is approved by the shareholders, the Bank will be liable to pay additional corporate tax estimated at N16.48 billion, which represents the difference between the tax liability calculated at 30% of the dividend approved and the minimum tax charge reported in the statement of profit or loss and other comprehensive income for year ended 31 December 2014.

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

5. Directors' shareholding

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

		Number of Shareholding	
Director	**Designation**	**2014**	**2013**
Mr.Jim Ovia, CON.	Chairman	2,946,199,395	2,946,199,395
Mr.Peter Amangbo	Group Managing Director / CEO	5,000,000	5,000,000
Sir Steve Omojafor	Non Executive Director	4,466,036	4,466,036
Mr.Babatunde Adejuwon	Non Executive Director	3,752,853	3,752,853
Alhaji Baba Tela	Non Executive Director / Independent	250,880	250,880
Dr Haruna Usman Sanusi	Non-Executive Director / Independent	-	-
Prof. Chukuka Enwemeka	Non-Executive Director	127,137	127,137
Mr.Jeffrey Efeyini	Non-Executive Director	541,690	197,400
Chief (Mrs) Chinyere Asika	Non-Executive Director / Independent	95,757	95,757
Ms. Adaora Umeoji	Executive Director	23,620,141	20,035,604
Mr.Ebenezer Onyeagwu	Executive Director	2,000,000	2,000,000
Mr.Oladipo Olusola	Executive Director	1,877,600	-

6. Directors' interests in contracts

For the purpose of section 277 of the Companies and Allied Matters Act, none of the existing directors had direct or indirect interest in contracts or proposed contracts with the Bank during the year.

7. Acquisition of own shares

The shares of the Bank are held in accordance with the Articles of Association of the Bank. The Bank has no beneficial interest in any of its shares.

8. Property and equipment

Information relating to changes in property and equipment is given in Note 27 to the financial statements. In the opinion of the directors, the market value of the Group's properties is not less than the value shown in the financial statements.

9. Shareholding analysis

The shareholding pattern of the Bank as at 31 December, 2014 is as stated below:

Share range	No. of Shareholders	Percentage of Shareholders	Number of holdings	Percentage Holdings (%)
1-9, 999	543,289	83.5340 %	1,648,448,849	5.25 %
10,000 - 50,000	85,238	13.1058 %	1,741,932,851	5.55 %
50,001 - 1,000,000	20,824	3.2018 %	3,134,187,886	9.98 %
1,000,001 - 5,000,000	736	0.1132 %	1,544,809,379	4.92 %
5,000,001 - 10,000,000	125	0.0192 %	858,481,233	2.73 %
10,000,001 - 50,000,000	107	0.0165 %	2,302,183,124	7.33 %
50,000,001 - 100,000,000	26	0.0040 %	1,805,880,013	5.75 %
100,000,001 - 500,000,000	28	0.0043 %	5,742,873,132	18.29 %
500,000,001 - 1,000,000,000	3	0.0005 %	1,928,683,683	6.14 %
Above 1,000,000,000	5	0.0007 %	10,689,013,636	34.06 %
	650,381	**100 %**	**31,396,493,786**	**100 %**

The shareholding pattern of the Bank as at 31 December 2013 is as stated below:

Share range	No. of Shareholders	Percentage of Shareholders	Number of holdings	Percentage Holdings (%)
1-9, 999	547,119	83.1254 %	1,676,928,030	5.34 %
10,000 - 50,000	88,210	13.4020 %	1,809,701,360	5.76 %
50,001 - 1,000,000	21,758	3.3058 %	3,284,733,586	10.46 %
1,000,001 - 5,000,000	782	0.1188 %	1,640,586,902	5.23 %
5,000,001 - 10,000,000	132	0.0201 %	913,513,381	2.91 %
10,00,001 - 50,00,000	125	0.0190 %	2,578,251,111	8.21 %
50,00,001 - 100,000,000	28	0.0043 %	2,095,421,405	6.67 %
100,000,001 - 500,000,000	23	0.0035 %	4,723,471,330	15.04 %
500,000,001 - 1,000,000,000	3	0.0005 %	1,845,907,290	5.88 %
Above 1,000,000,000	5	0.0008 %	10,827,979,391	34.50 %
	658,185	**100 %**	**31,396,493,786**	**100 %**

10. Substantial interest in shares

According to the register of members at 31 December 2014, the following shareholders held more than 5.0% of the issued share capital of the Bank.

	Number of Shares Held	Percentage Holdings%
Jim Ovia, CON	2,946,199,395	9.38 %
Stanbic Nominees Nigeria Limited/C001 - TRAD	2,134,940,725	6.80 %
Stanbic Nominees Nigeria Limited/C002 - TRAD	2,975,554,502	9.48 %

According to the register of members at 31 December 2013, the following shareholders held more than 5.0% of the issued share capital of the Bank.

	Number of Shares Held	Percentage Holdings%
Jim Ovia, CON	2,946,199,395	9.38 %
Stanbic Nominees Nigeria Limited/C001 - TRAD	2,901,359,725	9.24 %
Stanbic Nominees Nigeria Limited/C002 - TRAD	2,353,437,304	7.50 %

11. Donations and charitable gifts

The Group made contributions to charitable and non-political organisations amounting to N 1,102 million during the 2014 financial year.

The beneficiaries are as follows:

	2014 N'million
Fund Support for Victims of terrorism	250
ICT Centres nationwide	180
Security Trust Funds	100
Delta State Sports Commission	60
Nigerian Economic Summit Group	40
Nigerian Basketball Association	35
Veritas University of Nigeria	20
St. Saviour School Ikoyi	20
Loyola Jesuit University Project	10
Kogi State Polytechnic Lokoja	13
Open National Sports Festival	10
Lagos Economic Summit Group	10
Others below N10 million	354
	1,102

The Group made contributions to charitable and non-political organisations amounting to N 856 million during the 2013 financial year.

The beneficiaries are as follows:

	2013 N'million
Federal Government Flood Disaster Fund	300
Delta State ICT Centre	62
Lagos State Security Trust Fund	50
Delta State Football Association	26
Day Waterman College Indigent Student Scholarship Fund	20
African Youth Athletics Championship	20
Edo State Security Fund	20
Jesuit Fathers of Nigeria Youth Development	20
Government Science Secondary School -Kuru Jos Plateau State	15
Musical Society of Nigeria	9
Adamawa State Windstorm Disaster Relief Fund	5
Project 52 Mobile Health Center	5
Others below N5 million	304
	856

12. Events after the reporting period

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

13. Human resources

i) Employment of disabled persons.

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

ii) Health, safety and welfare at work.

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

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

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

iii) Employee training and development.

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

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

iv) Gender analysis of staff.

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

a) Analysis of total employees.

	Gender Number			Gender Percentage	
	Male	**Female**	**Total**	**Male**	**Female**
Employees	3,351	3,008	6,359	53 %	47 %

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	2	12	83 %	17 %
Top management staff (AGM-GM)	57	21	78	73 %	27 %
	67	**23**	**90**	**74 %**	**26 %**

c) Further analysis of board and top management staff.

	Gender Number			Gender Percentage	
	Male	**Female**	**Total**	**Male**	**Female**
Assistant general managers	29	14	43	67 %	33 %
Deputy general managers	14	2	16	88 %	13 %
General managers	14	5	19	74 %	26 %
Board members (Non executive directors)	7	1	8	88 %	13 %
Board members (Executive directors excluding MD/CEO)	2	1	3	67 %	33 %
Managing director/CEO	1	-	1	100 %	- %
	67	**23**	**90**	**74 %**	**26 %**

14. Auditors

The auditors, Messrs. KPMG Professional Services have indicated their willingness to continue in office as auditors in accordance with section 357 (2) of the Companies and Allied Matters Act,1990.

By order of the board

Company secretary
05 February, 2015
FRC/2013/MULTI/00000001084

1. Introduction

The Bank's corporate governance practices are in accordance with international best practice and standards. This ensures that our business is conducted in a manner that is not only transparent but meets the expectation of all stakeholders. The Bank constantly reappraises its corporate governance mechanisms to ensure that it meets the highest ethical standards at all times.

2. Shareholding

The Bank has a diverse shareholding structure with no single ultimate individual beneficiary holding more than 9.5% of the bank's total shares.

3. Board of directors

The tone of Corporate Governance is set at the Board level. The Board has the overall responsibility for setting the strategic direction of the Bank and also oversight of senior Management.

The Board comprises of individuals who satisfy the criteria for the position and possesses the competence necessary to understand properly and deal with the current and emerging issues of the business of the Bank.

The Board consists of persons of mixed 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 aware of their responsibilities and are also able to exercise good judgment on issues relating to the Bank's business.

4. Board structure

The board is made up of a non-executive Chairman, seven (7) non-executive Directors and four (4) 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 Managing Director/Chief Executive is responsible for the day to day running of the Bank, assisted by the Executive Committee (EXCO). EXCO comprises the Executive Directors and the Group Managing Director/Chief Executive, who chairs it.

5. Responsibilities of the board

The Board is responsible for:

- reviewing and approving the bank's strategic plans for implementation by management;
- reviewing and approving the bank's financial objectives, business plans and budgets, including capital allocations and expenditures;
- monitoring corporate performance against the strategic plans and business, operating and capital budgets;
- implementing the bank's succession planning;
- approving acquisitions and divestitures of business operations, strategic investments and alliances, and major business development initiatives;
- providing oversight of senior management;
- approving delegation of authority for any unbudgeted expenditure; and
- assessing its own effectiveness in fulfilling its responsibilities, including monitoring the effectiveness of individual directors.

Corporate Governance Report for the Year Ended 31 December 2014

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

Board of Directors

NAME	POSITION
Jim Ovia, CON	Chairman*
Sir. Steve Omojafor	Non Executive Director**
Babatunde Adejuwon	Non Executive Director
Alhaji Baba Tela	Non Executive Director / Independent
Jeffrey Efeyini	Non Executive Director
Prof. Chukuka S. Enwemeka	Non Executive Director
Chief (Mrs) Chinyere Asika	Non Executive Director / Independent
Dr. Haruna Usman Sanusi	Non Executive Director / Independent
Peter Amangbo	Group Managing Director / Chief Executive Officer***
Godwin Emefiele	Past Group Managing Director / Chief Executive Officer****
Ms. Adaora Umeoji	Executive Director
Ebenezer Onyeagwu	Executive Director
Olusola Oladipo	Executive Director *****

* Appointed by the Board on April 2, 2014 as NED/Chairman and approved by the Central Bank of Nigeria (CBN) on June 12, 2014.

** Resigned as Chairman with effect from June 16, 2014.

*** Appointed by the Board on March 31, 2014 and approved by the Central Bank of Nigeria (CBN) on April 17, 2014.

**** Retired from the Board with effect from May 30, 2014.

***** Appointed by the Board on March 31, 2014 and approved by the Central Bank of Nigeria (CBN) on April 17, 2014.

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

6. Board committee

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:

6.1 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 is as follows:
Jeffrey Efeyini – (Chairman)
Babatunde Adejuwon
Alhaji Baba Tela
Ebenezer Onyeagwu
Olusola Oladipo *

Peter Amangbo
Godwin Emefiele**

(*) - Appointed to the Committee on July 17, 2014.

(**) - Retired from the Board with effect from May 30, 2014.

Committee's terms of reference

- To conduct a quarterly review of all collateral securities for Board consideration and approval;
- To recommend criteria by which the Board of Directors can evaluate the credit facilities presented from various customers;
- To review the credit portfolio of the Bank;
- To approve all credit facilities above Management approval limit;
- To establish and periodically review the bank's credit policy and portfolio in order to align organizational strategies, goals and performance;
- To evaluate on an annual basis the components of total credit facilities as well as market competitive data and other factors as deemed appropriate, and to determine the credit level based upon this evaluation;
- To make recommendations to the Board of Directors with respect to credit facilities based upon performance, market competitive data, and other factors as deemed appropriate;
- To recommend to the Board of Directors, as appropriate, new credit proposals, restructure plans, and amendments to existing plans;
- To recommend non-performing credits for write-off by the Board; and
- To perform such other duties and responsibilities as the Board of Directors may assign from time to time;

6.2 Staff matters, finance and general purpose committee

This Committee is made up of six (6) members: four (4) 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 bordering on staff welfare, discipline, staff remuneration and promotion.

The membership of the committee is as follows:
Alhaji Baba Tela – (Chairman))
Chief (Mrs) Chinyere Asika
Prof. Chukuka Enwemeka
Sir. Steve Omojafor *
Ms. Adaora Umeoji
Peter Amangbo
Godwin Emefiele (**)

(*) - Appointed as a Committee member on July 17, 2014
(**) - Retired from the Board with effect from May 30, 2014

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;
- Review and approval of any employment-related contracts with the GMD/CEO and other executive officers, if applicable;
- Consideration of senior management promotions as recommended by the GMD/CEO;
- Review and recommendations on recruitment, promotion, and disciplinary actions for senior management staff;
- Review and agreement at the beginning of the year, of the key performance indicators for the Group MD and Executive Directors;
- Review and ratification of the performance appraisal of the Executive Directors as presented by the Group MD;

- Review and agree the criteria for the performance review of the subsidiary companies Board of Directors and subsidiary companies Managing Director;
- 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 9 role and evaluation of management performance and stewardship towards shareholders etc;
- To discharge the Board's responsibility relating to oversight of the management of the health and welfare plans that cover the company's employees.

6.3 Board risk and audit committee:

The former Risk management committee was rechristened as Board risk and Audit committee in July 2014 in line with the new CBN Code of Corporate Governance for Banks in Nigeria.

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

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

Babatunde Adejuwon – (Chairman)
Jeffrey Efeyini
Dr. Haruna Usman Sanusi
Prof. Chukuka Enwemeka
Ebenezer Onyeagwu *
Peter Amangbo *
Godwin Emefiele (**)

* - Appointed Committee member on July 17, 2014.
(**) – Retired from the Board with effect from May 30, 2014.

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 review the findings on management matters (Management Letter) to ensure that issues raised therein are addressed in a timely manner.
- 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 work with the Internal Auditor to develop the Internal Audit Plan for the year annually and ensure that the internal audit function is adequately resourced to carry out the plan.

- To review periodically the Internal Audit progress against plan for the period and review outstanding agreed actions and follow up.

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

6.4 Board governance, nominations and remuneration committee:

This Committee was established in July 2014 in line with the new CBN Code of Corporate Governance for Banks in Nigeria.

The Committee is made up of four (4) non Executive Directors. It is chaired by a non-executive Director.

Membership of the committee is as follows:

S/N	NAME
1	Sir Steve Omojafor- (Chairman);
2	Chief (Mrs) Chinyere Asika;
3	Prof. Chukuka Enwemeka; and
4	Alhaji Baba Tela.

Committee's Terms of Reference

- To determine a fair, reasonable and competitive compensation practice for executive officers and other key employees of the bank which are consistent with the bank's objectives.
- Determining the quantum and structure of compensation and benefits for Non-Executive Directors, Executive Directors and senior management of the Group;
- Ensuring the existence of an appropriate remuneration policy and philosophy for Executive Directors, Non-Executive Directors and staff of the Group;
  Review and recommend to the Board, salary revisions and service conditions for senior management staff, based on the recommendation of the Executives;
- Review and recommend for Board ratification, all terminal compensation arrangements for Directors and senior management;
- To oversee broad-based employee compensation policies and programs;
- To recommend of appropriate compensation for Non-Executive Directors for Board and Annual General Meeting consideration;
- To review and approve 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;
- To review and continuously assess 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;
- To recommend membership criteria for the Group Board, Board Committees and subsidiary companies.
- To identify, at the request of the Board, 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;
- To review the effectiveness of the process for the selection and removal of Directors and to make recommendations where appropriate;
- To ensure that there is an approved training policy for Directors, and to monitor compliance with the policy;
- To review and make recommendations on the Group's succession plan for Directors and other senior management staff for the consideration of the Board;
- To regularly monitor compliance with Group's code of ethics and business conduct for Directors and staff; and
- To review the Group's organization structure and to make recommendations to the Board for approval.

6.5 Audit committee

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 meets every quarter, but could also meet at any other time, if the need arises.

The membership of the Committee is as follows:

Shareholders' Representative

Alhaji Hamis B. Musa – (Chairman)
Michael Olusoji Ajayi
Ms. Angela Agidi

Non Executive Directors
Babatunde Adejuwon
Chief (Mrs) Chinyere Asika
Jeffrey Efeyini

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:

- To prepare the Committee's report for inclusion of the following in the Bank's annual report.

(a) the Bank's quarterly and audited annual financial statements, including any related notes, the Bank's specific disclosures and discussion under Management's Controls Report and the independent auditor's report, in advance of publication;

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

(c) the effectiveness of the Bank's system of internal controls, including computerized information systems and security; any recommendations by the independent auditor and internal auditor regarding internal control issues and any actions taken in response thereto; and, the internal control certification and attestation required to be made in connection with the Bank's quarterly and annual financial reports; and

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

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

6.6 Executive committee (EXCO)

The EXCO comprises of the Managing Director, who chairs it and all Executive Directors. The committee meets twice weekly (or such other times as business exigency may require) to deliberate and take policy decisions on the effective and efficient management of the bank. It also serves as a processing unit 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.

6.7 Other committees

In addition to the afore-mentioned committees, the Bank has in place, other standing management committees. They include:.
(a) Management committee (MANCO);
(b) Assets and liabilities committee (ALCO);
(c) Management global credit committee (MGCC);
(d) Risk management committee (RMC)
(e) Information Technology (IT) steering committee

(a) Management committee

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

(b) Assets and liabilities committee (ALCO)

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

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

(d) Risk management committee

This committee is responsible for regular analysis and consideration of risks other than credit risk in the Bank. It meets (at least monthly 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 management committee and also ensures that the Board risk committee's decisions and policies are implemented. The members of the committee include the Managing Director, two Executive Directors and all divisional and group heads.

(e) Information Technology steering committee

The Information Technology 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 Managing Director/Chief Executive;
2. Two (2) Executive Directors;
3. Head of Treasury;
4. Head of Trade Services;
5. Marketing Groups Representatives;
6. Chief Inspector;
7. Chief Risk Officer;
8. Head of IT;
9. Head of Infotech - Software;
10. Head of Infotech - Enginering;
11. Head of Card Services;
12. Group Head of Operations;
13. Group Head of IT Audit;
14. Head of e-Business; and
15. Head of Investigation.

The committee meets monthly or as the need arises.

Relationship with Shareholders

Zenith Bank Plc 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 our business. These professionals, as advisers and purveyors of information, relate with and relay to the shareholders useful information about us. We also regularly brief the regulatory authorities, and file statutory returns which are usually accessible to the shareholders.

Below is a schedule of attendance at meetings for the past financial year.

BOARD AND BOARD COMMITTEES MEETINGS

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

Directors	**Board**	**Board Credit Committe**	**Finance & General Purpose Committe**	**Risk Management Committee**	**Board Governance,Nomination and Remuneration Committee**
Number of Meetings	4	4	4	4	1
Attendance					
Mr. Jim Ovia, CON*	2	N/A	N/A	N/A	N/A
Sir Steve Omojafor**	4	N/A	1	N/A	1
Mr Babatunde Adejuwon	4	4	N/A	4	N/A
Alhaji Baba Tela	4	4	4	N/A	1
Mr. Jeffrey Efeyini	4	4	N/A	4	N/A
Prof. Chukuka S.Enwemeka	3	N/A	3	3	1
Chief (Mrs) Chinyere Asika	4	N/A	4	N/A	1
Dr. Haruna Usman Sanusi	4	N/A	N/A	4	N/A
Mr. Peter Amangbo***	4	4	4	1	N/A
Ms. Adaora Umeoji	4	N/A	4	N/A	N/A
Mr. Ebenezer Onyeagwu	4	4	N/A	4	N/A
Mr. Olusola Oladipo****	2	2	N/A	N/A	N/A
Mr. Godwin Emefiele*****	2	2	2	2	N/A

Note:

* - Appointed by the Board on April 2, 2014 as NED/Chairman and approved by the Central Bank of Nigeria (CBN) on June 12, 2014.

** – Resigned as Chairman with effect from June 16, 2014.

*** – Appointed by the Board on March 31, 2014 as GMD/CEO with effect from June 1, 2014 and as member of Board Risk and Audit Committee on July 17, 2014.

**** – Appointed by the Board on March 31, 2014 as Executive Director and approved by the Central Bank of Nigeria (CBN) on April 17, 2014.

***** – Retired from the Board with effect from May 30, 2014.

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

Board Meetings	Board Credit Committee Meeting	Finance and General Purpose Committee	Board Audit and Committee Meeting	Board Governance, Nominations and Remuneration Committee	Audit Committee Meeting of the Bank
February 12, 2014	February 11, 2014	February 11, 2014	February 11, 2014	N/A	February 11, 2014
April 2, 2014	April 1, 2014	April 1, 2014	April 1, 2014	N/A	April 1, 2014
July 17, 2014	July 16, 2014	July 16, 2014	July 16, 2014	N/A	July 16, 2014
October 15, 2014	October 13, 2014	October 13, 2014	October 13, 2014	October 13, 2014	October 13, 2014

The Board Governance, Nominations and Remuneration Committee was constituted in the second half of the year, and therefore met only once in the financial year.

AUDIT COMMITTEE

The table below shows the frequency of meetings of the Audit Committee and members' attendance at these meetings during the year under review.

Members	**Audit committee**
Number of Meetings	4
Attendance	
Alhaji Hamis B. Musa	4
Mr. Michael Olusoji Ajayi	4
Ms. Angela Agidi	4
Mr. Babatunde Adejuwon	4
Mr. Jeffrey Efeyini	4
Alhaji Lawal Sani	4

(f) Disclosure of customer complaints in financial statements for the year ended 31 December 2014

Description	Number		Amount claimed		Amount refunded	
	2014	2013	2014 N.	2013 N.	2014 N.	2013 N.
Pending complaint b/f	19	5	2,444,644,790	921,558,783		
Received Complaints	117	84	15,619,444,423	3,825,870,583		
Resolved Complaints	76	70	9,993,747,620	2,302,784,576	2,056,145,730	336,822,865
Unresolved Complaints escalated to CBN for Intervention	10	19	4,403,793,201	2,444,644,790		
Unresolved Complaints pending with the bank C/F	50	-	3,666,548,392	-		
Unresolved Complaints C/F	**60**	**19**	**8,070,341,593**	**2,444,644,790**		

ZENITH BANK PLC

Statement of Directors' Responsibilities in Relation to the Financial Statement for the Year Ended 31 December 2014

The Directors accept responsibility for the preparation of the annual financial statements and the other financial reports set out on pages 22 to 125 that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act of Nigeria, the Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions Act of Nigeria and relevant Central Bank of Nigeria regulations.

The Directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act of Nigeria and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

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

SIGNED ON BEHALF OF THE

BOARD OF DIRECTORS BY:

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

ZENITH

ZENITH BANK PLC
REPORT OF THE AUDIT COMMITTEE
FOR THE YEAR ENDED 31 DECEMBER 2014

In compliance with Section 359(6) of the Companies and Allied Matters Act of Nigeria (1990), we have reviewed the consolidated and separate financial statements of Zenith Bank Plc for the year ended 31 December 2014 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 41 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 B5D/1/2004.

Dated February 5, 2015.

Alhaji Hamis B. Musa
Chairman, Audit Committee
FRC/2013/CICNG/00000001295

MEMBERS OF THE COMMITTEE

1. Alhaji Hamis B. Musa
2. Mr. Michael Olusoji Ajayi
3. Mr. Babatunde Adejuwon
4. Chief (Mrs) Chinyere Asika
5. Mr. Jeffrey Efeyini
6. Ms. Angela Agidi

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

Telephone 234 (1) 271 8955
234 (1) 271 8599
Fax 234 (1) 271 0540
Internet www.kpmg.com/ng

INDEPENDENT AUDITOR'S REPORT

To the Members of Zenith Bank Plc.

Report on the Financial Statements

We have audited the accompanying financial statements of Zenith Bank Plc. ("the Bank") and its subsidiary companies (together "the Group"), which comprise the consolidated and separate statements of financial position as at 31 December 2014, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity, and the consolidated and separate statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 22 to 120.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act of Nigeria, the Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions Act of Nigeria, and relevant Central Bank of Nigeria circulars, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these financial statements give a true and fair view of the financial position of Zenith Bank Plc ("the Bank") and its subsidiaries (together "the Group") as at 31 December 2014, and of the Group and Bank's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act of Nigeria, the Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions Act of Nigeria, and relevant Central Bank of Nigeria circulars.

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Schedule 6 of the Companies and Allied Matters Act of Nigeria

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 and returns.

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

i. The Bank paid penalties in respect of contraventions of the Banks and Other Financial Institutions Act during the year ended 31 December 2014. Details of these contraventions and penalties paid are as disclosed in note 45 to the financial statements.

ii. Related party transactions and balances are disclosed in note 41 of the financial statements in compliance with the Central Bank of Nigeria circular BSD/1/2004.

Signed:

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
A 0845003

Ayodele H. Othihiwa
FRC/2012/ICAN/00000000425
For: KPMG Professional Services
Chartered Accountants
27 February 2015
Lagos, Nigeria

ZENITH BANK PLC

Consolidated and Separate Statements of Profit or Loss and other Comprehensive Income for the Year Ended 31 December 2014

		Group		Bank	
In millions of Naira	Note(s)	2014	2013	2014	2013
			Re-stated		Re-stated
Gross earnings		**403,343**	**351,470**	**372,015**	**311,275**
Continuing operations:					
Interest and similar income	6, 47	313,422	270,538	285,171	254,331
Interest and similar expense	7	(106,919)	(70,796)	(99,439)	(68,471)
Net interest income		**206,503**	**199,742**	**185,732**	**185,860**
Impairment charge for credit losses	8	(13,064)	(11,067)	(12,392)	(9,907)
Net interest income after impairment charge for credit losses		193,439	188,675	173,340	175,953
Fees and commissions income	9, 47	70,512	55,008	60,825	49,574
Trading income	10, 47	15,877	5,105	15,865	5,077
Other income	11, 47	3,532	4,499	10,154	2,293
Share of profit of associates		138	118	-	-
Depreciation of property and equipment	28	(9,087)	(9,766)	(8,417)	(9,015)
Amortisation of intangible assets	29	(728)	(951)	(704)	(844)
Personnel expenses	40	(72,320)	(59,952)	(67,848)	(56,864)
Operating expenses	12	(81,567)	(76,527)	(75,366)	(72,066)
Profit before minimum tax and income tax from continuing operations		**119,796**	**106,209**	**107,849**	**94,108**
Minimum tax		-	(2,663)	-	(2,663)
Income tax expense from continuing operations	13	(20,341)	(11,958)	(15,370)	(8,031)
Profit after tax from continuing operations		**99,455**	**91,588**	**92,479**	**83,414**
Discontinued operations:					
Gross income from discontinued operations		-	16,320	-	-
Gross expenses from discontinued operations		-	(11,932)	-	-
Profit before tax from discontinued operations		**-**	**4,388**	**-**	**-**
Income tax expense from discontinued operations		-	(658)	-	-
Profit after tax from discontinued operations		**-**	**3,730**	**-**	**-**
Continued and discontinued operations:					
Profit for the year before minimum tax and income tax		**119,796**	**110,597**	**107,849**	**94,108**
Minimum tax	13	-	(2,663)	-	(2,663)
Income tax expense	13	(20,341)	(12,616)	(15,370)	(8,031)
Profit for the year after tax		**99,455**	**95,318**	**92,479**	**83,414**

ZENITH BANK PLC

Consolidated and Separate Statements of Profit or Loss and other Comprehensive Income for the Year Ended 31 December 2014

		Group		Bank	
In millions of Naira	Note(s)	2014	2013	2014	2013
Other comprehensive income:					
Items that will never be reclassified to profit or loss:					
Fair value movements on equity instruments		2,549	549	2,549	549
Related tax credit / (expense)		-	890	-	890
Fair value movements on equity instruments - discontinued operations		-	(225)	-	-
Items that are or may be reclassified to profit or loss:					
Foreign currency translation differences for foreign operations		3,282	(2,070)	-	-
Effective portion of changes in fair value of cash flow hedges		(2,771)	2,771	-	-
Related tax expense		760	(760)	-	-
Other comprehensive income for the year, net of tax		**3,820**	**1,155**	**2,549**	**1,439**
Total comprehensive income for the year		**103,275**	**96,473**	**95,028**	**84,853**
Profit attributable to:					
Equity holders of the parent		99,275	94,576	92,479	83,414
Non controlling interest		180	742	-	-
		99,455	**95,318**	**92,479**	**83,414**
Total comprehensive income attributable to:					
Equity holders of the parent		103,146	95,746	95,028	84,853
Non-controlling interest		129	727	-	-
Profit from continuing operations attributable to					
Equity holders of the parent		99,275	91,411	92,479	83,414
Non-controlling interest		180	177	-	-
Earnings per share:					
Earnings per share for profit from total operations attributable to equity holders of parent					
Basic and diluted	15	316k	301k	295k	266k
Earnings per share for profit from continuing operations attributable to equity holders of parent					
Basic and diluted	15	316k	291k	295k	266k

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 31 December 2014

		Group		Bank	
In millions of Naira	Note(s)	2014	2013	2014	2013
Assets					
Cash and balances with central banks	16	752,580	603,851	728,291	587,793
Treasury bills	17	295,397	579,511	253,414	565,668
Assets pledged as collateral	18	151,746	6,930	151,746	6,930
Due from other banks	19	506,568	256,729	470,139	249,524
Derivative assets	20	17,408	2,681	16,896	-
Loans and advances	21	1,729,507	1,251,355	1,580,250	1,126,559
Assets classified as held for sale	27	-	30,454	-	4,749
Investment securities	22	200,079	303,125	92,832	212,523
Investments in subsidiaries	23	-	-	33,003	24,375
Investments in associates	24	302	165	90	90
Deferred tax assets	25	6,449	749	6,333	-
Other assets	26	21,455	36,238	19,393	31,415
Property and equipment	28	71,571	69,410	69,531	67,364
Intangible assets	29	2,202	1,935	1,901	1,703
Total assets		**3,755,264**	**3,143,133**	**3,423,819**	**2,878,693**
Liabilities					
Customers' deposits	30	2,537,311	2,276,755	2,265,262	2,079,862
Liabilities classified as held for sale	35	-	14,111	-	-
Derivative liabilites	36	6,073	-	6,073	-
Current income tax	13	10,042	7,017	7,709	5,266
Deferred income tax liabilities	25	-	678	-	-
Other liabilities	31	289,858	215,643	272,726	201,265
On-lending facilities	32	68,344	59,528	68,344	59,528
Borrowings	33	198,066	60,150	198,066	60,150
Debt Securities Issued	34	92,932	-	92,932	-
Total liabilities		**3,202,626**	**2,633,882**	**2,911,112**	**2,406,071**
Capital and reserves					
Equity Attributable to Equity Holders of Parent					
Share capital	37	15,698	15,698	15,698	15,698
Share premium	38	255,047	255,047	255,047	255,047
Retained earnings		183,396	161,144	150,342	126,678
Other reserves		97,945	73,347	91,620	75,199
Attributable to equity holders of the parent		552,086	505,236	512,707	472,622
Non-controlling interest		552	4,015	-	-
Total shareholders' equity		**552,638**	**509,251**	**512,707**	**472,622**
Total liabilities and equity		**3,755,264**	**3,143,133**	**3,423,819**	**2,878,693**

The accompanying notes are an integral part of these consolidated and separate financial statements.
The financial statements were approved by the Board of Directors on 5 February, 2015 and signed on its behalf by:

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

Peter Amangbo (Group Managing Director and Chief Executive)
FRC/2013/ICAN/00000001310

Ebenezer Onyeagwu (Executive Director)
FRC/2013/ICAN/00000003788

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

ZENITH BANK PLC

Consolidated and Separate Statements of Changes in Equity as at 31 December 2014

Group

In millions of Naira	Attributable to equity holders of the Bank												
	Share capital	**Share premium**	**Foreign currency translation reserve**	**Hedging reserve**	**Revaluation reserve (investment securities)**	**Contingency reserve**	**Statutory reserve**	**SMIEIS reserve**	**Credit risk reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
At 1 January 2013	**15,698**	**255,047**	**(3,667)**	**-**	**2,285**	**997**	**45,199**	**3,729**	**10,243**	**130,153**	**459,684**	**3,272**	**462,956**
Profit for the year	-	-	-	-	-	374	12,563	-	-	81,639	94,576	742	95,318
Foreign currency translation differences	-	-	(2,016)	-	-	-	-	-	-	-	(2,016)	(54)	(2,070)
Effective portion of changes in fair value of cash flow net of tax	-	-	-	1,972	-	-	-	-	-	-	1,972	39	2,011
Fair value movements on equity instruments, net of tax	-	-	-	-	1,214	-	-	-	-	-	1,214	-	1,214
Total comprehensive income for the year	**-**	**-**	**(2,016)**	**1,972**	**1,214**	**374**	**12,563**	**-**	**-**	**81,639**	**95,746**	**727**	**96,473**
Transfer between reserves	-	-	-	-	-	-	-	-	454	(454)	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	(50,234)	(50,234)	-	(50,234)
Changes in ownership interest - control not lost	-	-	-	-	-	-	-	-	-	40	40	16	56
At 31 December 2013	**15,698**	**255,047**	**(5,683)**	**1,972**	**3,499**	**1,371**	**57,762**	**3,729**	**10,697**	**161,144**	**505,236**	**4,015**	**509,251**
Profit for the year	-	-	-	-	-	-	13,872	-	-	85,403	99,275	180	99,455
Foreign currency translation differences	-	-	3,294	-	-	-	-	-	-	-	3,294	(12)	3,282
Fair value movements on equity instruments, net of tax	-	-	-	-	2549	-	-	-	-	-	2,549	-	2,549
Effective portion of changes in fair value of cash flow hedges net of tax	-	-	-	(1,972)	-	-	-	-	-	-	(1,972)	(39)	(2,011)
Total comprehensive income for the year	**-**	**-**	**3,294**	**(1,972)**	**2,549**	**-**	**13,872**	**-**	**-**	**85,403**	**103,146**	**129**	**103,275**
Transfer between reserves	-	-	-	-	-	-	6,633	-	1,575	(8,208)	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	(54,943)	(54,943)	-	(54,943)
Disposal of investments	-	-	-	-	18	(1,371)	-	-	-	-	(1,353)	(3,548)	(4,901)
Other	-	-	-	-	-	-	-	-	-	-	-	(44)	(44)
As at 31 December 2014	**15,698**	**255,047**	**(2,389)**	**-**	**6,066**	**-**	**78,267**	**3,729**	**12,272**	**183,396**	**552,086**	**552**	**552,638**

ZENITH BANK PLC

Consolidated and Separate Statements of Changes in Equity as at 31 December 2014

Bank

In millions of Naira	**Share capital**	**Share premium**	**Revaluation reserve (Investment Securities)**	**Statutory reserve**	**SMIEIS reserve**	**Credit risk reserve**	**Retained earnings**	**Total**	**Total equity**
At 1 January 2013	**15,698**	**255,047**	**2,078**	**45,198**	**3,729**	**10,243**	**106,010**	**438,003**	**438,003**
Profit for the year	-	-	-	12,512	-	-	70,902	83,414	83,414
Fair value movements on equity instruments, net of tax	-	-	1,439	-	-	-	-	1,439	1,439
Total comprehensive income for the year	**-**	**-**	**1,439**	**12,512**	**-**	**-**	**70,902**	**84,853**	**84,853**
Dividend	-	-	-	-	-	-	(50,234)	(50,234)	(50,234)
At 31 December 2013	**15,698**	**255,047**	**3,517**	**57,710**	**3,729**	**10,243**	**126,678**	**472,622**	**472,622**
Profit for the year	-	-	-	13,872	-	-	78,607	78,607	78,607
Fair value movements on equity instruments, net of tax	-	-	2,549	-	-	-	-	2,549	2,549
Total comprehensive income for the year	**-**	**-**	**2,549**	**13,872**	**-**	**-**	**78,607**	**95,028**	**95,028**
Dividend	-	-	-	-	-	-	(54,943)	(54,943)	(54,943)
At 31 December 2014	**15,698**	**255,047**	**6,066**	**71,582**	**3,729**	**10,243**	**150,342**	**512,707**	**512,707**

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

ZENITH BANK PLC

Consolidated and Separate Statements of Cash Flows for the Year Ended 31 December 2014

		Group		Bank	
In millions of Naira	Note(s)	**2014**	**2013**	**2014**	**2013**
Cash flows from operating activities					
Profit after tax for the year		99,455	95,318	92,479	83,414
Adjustments for non-cash items:					
Impairment loss		-	-	-	-
On overdraft	8	10,929	8,059	10,257	6,899
On term loans	8	2,145	2,774	2,145	2,774
On on-lending	8	-	179	-	179
On leases	8	(10)	55	(10)	55
On investment in associates	24	-	371	-	371
Fair value changes recognised in profit and loss		(336)	(64)	(336)	(39)
Depreciation of property and equipment	28	9,087	9,766	8,417	9,015
Amortisation of intangible assets	29	728	951	704	844
Dividend income	11	(455)	(303)	(455)	(303)
Net interest income	6,7 &47	(206,503)	(189,263)	(185,731)	(175,381)
Share of (profit)/loss of associates	24	(138)	(118)	-	-
Profit on sale of property and equipment	11	(153)	(151)	(151)	(124)
Gain on disposal of subsidiary	11	(510)	-	(7,033)	-
Tax expenses	13	20,341	15,279	15,370	10,694
		(65,420)	**(57,147)**	**(64,344)**	**(61,602)**
Changes in operating asset and liabilities:					
Net (increase)/decrease in loans and advances	21	(491,216)	(272,085)	(467,942)	(241,112)
Net (increase)/decrease in other assets	26	14,783	(7,573)	12,022	(14,601)
Net (increase)/decrease in treasury bills with maturities greater than three months		144,001	157,139	140,966	151,982
Net (increase)/decrease in restricted balances (cash reserve)	16	(159,453)	(168,557)	(159,449)	(169,009)
Net assets of subsidiary disposed	27,35	(16,343)	-	-	-
Net (increase)/decrease in debt securities	22	39,781	(3,716)	56,256	45,670
Net (increase)/decrease in customer deposits	30	260,556	347,511	185,400	277,854
Net (increase)/decrease in other liabilities	31	79,155	100,310	76,075	88,050
		(194,156)	**95,882**	**(221,016)**	**77,232**
Interest received	6	313,422	260,059	285,171	243,852
Interest paid	7	(106,919)	(70,796)	(99,439)	(68,471)
Tax paid	13	(16,374)	(19,724)	(11,986)	(15,182)
VAT paid	31	(4,940)	(2,022)	(4,614)	(1,812)
Cash flow from discontinued operations		(11,070)	2,180	-	-
Net cash flows (used in)/generated from operations		**(20,037)**	**265,579**	**(51,884)**	**235,619**

ZENITH BANK PLC

Consolidated and Separate Statements of Cash Flows for the Year Ended 31 December 2014

		Group		Bank	
In millions of Naira	**Note(s)**	**2014**	**2013**	**2014**	**2013**
Cash flows from investing activities					
Purchase of property and equipment	28	(12,232)	(10,772)	(10,701)	(9,826)
Proceed from sale of property and equipment	28	232	218	252	163
Purchase of intangible assets	29	(947)	(1,421)	(902)	(1,313)
Purchase of equity securities	22	-	(700)	-	(700)
Divestment from associated companies		-	2	-	2
Dividend received	11	455	303	455	303
Investments in subsidiaries		-	-	(8,628)	-
Proceed from sale of subsidiaries	23	9,995	-	9,995	-
Proceed from sale of discontinued operations		3,970	1,845	-	5,589
Net cash from investing activities		**1,473**	**(10,525)**	**(9,529)**	**(5,782)**
Cash flows from financing activities					
Borrowed funds					
Inflow from long term borrowing	33	149,626	50,209	149,626	50,209
Repayment of long term borrowing	33	(11,710)	(5,197)	(11,710)	(5,197)
Inflow from On-lending facilities	32	8,816	3,462	8,816	3,462
Dividends paid to shareholders	43	(54,943)	(50,234)	(54,943)	(50,234)
Net cash from changes in ownership interest in subsidiaries		3,511	56	-	-
Net cash from financing activities		**95,300**	**(1,704)**	**91,789**	**(1,760)**
(Decrease)/Increase in cash and cash equivalent		**76,736**	**253,350**	**30,376**	**228,077**
Analysis of changes in cash and cash equivalents :					
Cash and cash equivalent at the start		866,721	614,817	841,477	613,400
(Decrease)/Increase in cash and cash equivalent		76,736	253,350	30,376	228,077
Cash and cash equivalent from discontinued operations		24,595	143	-	-
Effect of exchange rate movement on cash balances		(2,329)	(1,589)	-	-
Cash and cash equivalents at end of the year	44	**965,723**	**866,721**	**871,853**	**841,477**

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 16 June 1990. The Bank was converted into a Public Limited Liability Company on May 20, 2004. The Bank's shares were listed on October 21, 2004 on the Nigerian Stock Exchange.

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

The Bank has five subsidiary companies namely, Zenith Bank (Ghana) Limited, Zenith Pension Custodian Limited, Zenith Bank (UK) Limited, Zenith Bank (Sierra Leone) Limited, and Zenith Bank (Gambia) Limited.

In line with regulatory directives on the scope of banking operations in Nigeria, the Bank has concluded the divestment from its non-core banking operations (excluding Zenith Pensions Custodian Limited). During the year, the Bank successfully divested from Zenith Registrars Limited, Zenith Securities Limited, Zenith Capital Limited, Zenith General Insurance Company, Zenith Medicare Limited, Zenith Trustees Limited and Zenith Life Assurance Company Limted.

The consolidated financial statements as at and for the year ended 31 December 2014 comprise the Bank and its subsidiaries (together referred to as "the Group" and individually as "Group entities") and the Group's interest in associates. The separate financial statements comprise the Bank. The consolidated and separate financial statements for the year ended 31 December 2014 were approved for issue by the Board of Directors on 05 February 2015.

The Group does not have any unconsolidated structured entity.

2(i) Changes in accounting policies

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

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2014.
(a) IFRIC 21- Levies.
(b) Amendments IAS 32 – Financial Instruments (Offsetting Financial Assets and Financial Liabilities).

The nature and the effects of the changes are explained below.

(a) IFRIC 21- Levies.

As a result of IFRIC 21 levies, the Group has changed its accounting policy on accounting for a liability to pay a levy that is a liability in the scope of IAS 37 Provisions, contingent liabilities and contingent assets.

(b) Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32).

As a result of the amendments to IAS 32, the Group has changed its accounting policy for offsetting financial assets and financial liabilities. The amendments clarify when an entity currently has a legally enforceable right to set-off and when gross settlement is equivalent to net settlement.

The change did not have a material impact on the Group's financial statements..

2 (ii) Significant accounting policies

Except for the changes explained in Note 2(i), the Group has consistently applied the following accounting policies to all periods presented in these consolidated 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 (IFRSs) as issued by the International Accounting Standard Board (IASB) and in the manner required by the Companies and Allied Matters Act of Nigeria, the Financial Reporting Council of Nigeria Act, 2011, the Banks and other Financial Institutions Act of Nigeria, and relevant Central Bank of Nigeria circulars. The IFRS accounting policies have been consistently applied to all periods presented.

b. Basis of measurement

The financial statements have been prepared in accordance with the going concern principle under the historical cost convention as modified by the measurement of certain financial assets and financial liabilities held at fair value.

c. Use of estimates and judgements

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

2.2 New standards, interpretations and amendments to existing standards that are not yet effective

IFRS 9 early adoption

IFRS 9, Financial Instruments (amended November 2013), which is available for early adoption has been early adoptedby the group in the preparation of this financial statement as permitted by the standard.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated and separate financial statements.

The Group plan to adopt these standards at their respective effective dates. Management is in the process of assessingthe impact of these standards on the Group.

(i) IFRS 9, Financial Instruments (Revised)

On 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

Impaired loans that are not individually significant are included in the collective impairment.This standard will have a significant impact on the Group, which will include changes in the measurement bases of the Group's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model, which is expected to increase the provision for bad debts recognised in the Group.

The amendments apply retrospectively. IFRS 9 allows users who have early adopted the first version of The Revised IFRS 9 to continue the adoption. The Group is therefore continuing with the early adoption of the initial IFRS 9 and will fully adopt the revised IFRS 9 for the year ending 31 December 2018.

(ii) Defined benefit plans: Employee contributions (Amendments to IAS 19)

The amendments introduce relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. Such contributions are eligible for practical expedient if they are:

- set out in the formal terms of the plan;
- linked to service; and
- Independent of the number of years of service.

When contributions are eligible for the practical expedient, a company is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered. The Group's defined benefit plan meets these requirements and consequently the Group intends to apply this amendment and will recognise the contributions as reduction of the service costs in the period in which the related service is rendered.

(iii) Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)

The amendments to IAS 16 Property, Plant and Equipment explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment.

The amendments to IAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. The presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

The Group does not have intangible assets and plants that are amortised or depreciated using a revenue-based method.This amendment does not materially affect the Group.

(iv) Equity method in separate financial statements (Amendments to IAS 27)

The amendments allow an entity to apply the equity method in its separate financial statements to account for its investments in subsidiaries, associates and joint ventures.

The amendments apply retrospectively.

(v) Disclosure initiative (Amendments to IAS 1)

The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements.

(vi) Investment entities: Applying the consolidation exception (Amendments to IFRS10, IFRS 12 and IAS 28)

The amendment to IFRS 10 Consolidated Financial Statements clarifies which subsidiaries of an investment entity are consolidated instead of being measured at fair value through profit and loss. The amendment also modifies the condition in the general consolidation exemption that requires an entity's parent or ultimate parent to prepare consolidated financial statements. The amendment clarifies that this condition is also met where the ultimate parent or any intermediary parent of a parent entity measures subsidiaries at fair value through profit or loss in accordance with IFRS 10 and not only where the ultimate parent or intermediate parent consolidates its subsidiaries.

The amendment to IFRS 12 Disclosure of Interests in Other Entities requires an entity that prepares financial statements in which all its subsidiaries are measured at fair value through profit or loss in accordance with IFRS 10 to make disclosures required by IFRS 12 relating to investment entities.

The amendment to IAS 28 Investments in Associates and Joint Ventures modifies the conditions where an entity need not apply the equity method to its investments in associates or joint ventures to align these to the amended IFRS 10 conditions for not presenting consolidated financial statements. The amendments introduce relief when applying the equity method which permits a non-investment entity investor in an associate or joint venture that is an investment entity to retain the fair value through profit or loss measurement applied by the associate or joint venture to its subsidiaries.

The amendments apply retrospectively.

(vii) IFRS 15: Revenue from contracts with customers

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

This new standard is not expected to have a significant impact on the Group. The Group is currently in the process of performing a more detailed assessment of the impact of this standard on the Group.

The Group will adopt the amendments for the year ending 31 December 2017.

2.3 Basis of Consolidation

a Subsidiaries

Subsidiaries are investees controlled by the Group. The Group controls an investee if it is exposed to, or has the rights to variable return from its involvement with the investee and has the ability to affect those returns through its power over the investee. 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 power 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. For the purpose of these financial statements, subsidiaries are entities over which the Group have exposure or rights to variable returns and the ability to affect those returns through its power over the subsidiary.

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). Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the Group.

Inter-company transactions, balances and unrealised gains on transactions between companies within the Group are eliminated on consolidation. Unrealised losses are also eliminated in the same manner as unrealised gains, but only to the extent that there is no evidence of impairment. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

b Loss of Control

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

c Associates

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

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

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

d Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

2.4 Translation of foreign currencies

Foreign currency transactions and balances

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The parent entity's functional currency (Nigerian Naira) is adopted as the presentation currency for the consolidated financial statements. Except as otherwise indicated, financial information presented in Naira has been rounded to the nearest million.

(b) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for statement of financial position presented are translated at the closing rate at the reporting date;
- income and expenses for each statement of 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
- all resulting exchange differences are recognised in other comprehensive income.

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 year-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. Exchange differences on non-monetary assets are accounted for based on the classification of the underlying items.

Translation differences on non-monetary financial assets and liabilities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on equities measured at fair value through other comprehensive income are included in other comprehensive income and transferred to thr revaluation reserves.

Foreign currency gains and losses on intra-group loans are recognised in profit or loss unless settlement of the loan is neither planned nor likely to occur in the foreseeable future, in which case the foreign currency gains and losses are initially recognised in the foreign currency translation reserve in the consolidated financial statements. Those gains and losses are recognised in profit or loss at the earlier of settling the loan or at the time at which the foreign operation is disposed.

2.5 Cash and cash equivalents

For the purposes of the statement of cash flow, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash and non-restricted balances with central banks, treasury bills and other eligible bills, loans and advances, amounts due from other banks and short-term government securities.

2.6 Financial instruments

(a) Initial recognition and measurement

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

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

(b) Subsequent measurement

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

(c) Classification

(i) Financial assets

The Group classifies its financial assets as subsequently measured at amortised cost or fair value.

A financial asset is subsequently measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows and 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. Interest in this context is consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time. Interest income is recognised in Interest and similar income.

The following instruments have been measured at amortised cost;

- Loans and advances
- Debt securities (included in debt securities are bonds and treasury bills).

All other financial assets are subsequently measured at fair value. Financial assets which meet the requirement for measurement at amortised cost may also be designated as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency (accounting mismatch). Gains and losses arising from changes in the fair value of financial assets subsequently measured at fair value are recognised in profit or loss ("FVTPL"), except where the Group elects to present in other comprehensive income fair value gains and losses arising on investments in equity instruments which are not held for trading but for strategic purposes ("Fair value through OCI"). Gains and losses recognised directly in other comprehensive income are not subsequently transferred to profit or loss on disposal of the equity instrument.

The following instruments have been measured at fair value through profit or loss, or other comprehensive income:

- Financial guarantees measured at fair value through profit or loss.
- Equity securities measured at fair value through other comprehensive income.
- Trading debt securities measured at fair value through profit or loss.
- Derivatives held for risk management purposes and hedge accounting measured at fair value through OCI (effective portion of changes in fair value) and through profit or loss (ineffective portion of changes in fair value).

(ii) Financial liabilities

Financial liabilities consist of financial liabilities at fair value through profit or loss and financial liabilities at amortised cost.

Financial liabilities that are not classified at fair value through profit or loss are measured at amortised cost. Interest expense is recognised in Interest and similar expense in the profit or loss.

No financial liabilities have been classified as fair value through profit or loss at the reporting date.

(iii)(a) Financial guarantees

A financial guarantee contract is a contract that requires the Group (issuer) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

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

(b) Contingent liabilities and Commitments

The Group conducts business involving commitments to customers. The majority of these facilities are offset 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. The Group expects most acceptances to be presented, but reimbursement by the customer is normally.

Immediate. 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.

(iv) Debt securities issued

Deposits and debt securities issued are the Group's sources of debt funding. Debt securities issued are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method.

(d) Determination of fair value

At initial recognition, the best evidence of the fair value of a financial instrument is the transaction price (i.e. the fair value of the consideration paid or received), unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument, without modification or repackaging, or based on valuation techniques such as discounted cash flow models and option pricing models whose variables include only data from observable markets.

Subsequent to initial recognition, the fair value of a financial instrument is based on quoted market prices or dealer price quotation for financial instruments traded in an active market. If the market for a financial instrument is not active or the instrument is not listed, the fair value is determined using valuation techniques. Refer to note 3.3.6(b) for a description of the valuation techniques used by the Group.

(e) Derecognition

Financial assets are de-recognised when the contractual rights to receive the cash flows from these assets have expired or the Group has transferred the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred or which the Group neither retains substantially all the risks and rewards of ownership and it does not retain control of the financial assets. Any interest in transferred financial assets that qualify for de-recognition that is created or retained by the Group is recognised as a separate asset or liability in the statement of financial position. On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

The Group enters into transactions whereby it transfers assets recognised in the statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not de-recognised. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

In transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

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

(f) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to set off the recognised amounts and it intends to settle 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 arsing from a group of similar transactions. Gains and loss are presented separately if they are material.

(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.

If a market for a financial instrument is not active, then the Group establishes fair value using a valuation technique. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Bank, incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments.

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.

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 3.3.6 (c) on fair value disclosures of financial assets and liabilities.

(i) Pledge of assets as collateral

Financial assets transferred to external parties that do not qualify for de-recognition are reclassified in the statement of financial position from treasury bills and investment securities to assets pledged as collateral, if the transferee has received the right to sell or re-pledge them in the event of default from agreed terms. Initial recognition of assets pledged as collateral is at fair value, whilst subsequently measured at amortized cost.

2.7 Derivatives instruments and hedge accounting

The Group recognizes the derivative instruments on the statement of financial position at their fair value. At inception, the Group designates the derivative as (1) derivative held for risk management purposes, or (2) an instrument that is held for trading or non-hedging purposes (a “trading” or “non-hedging” instrument).

(1) Derivatives held for risk management purposes and hedge accounting

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

The Group designates certain derivatives held for risk management as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at inception of the hedge relationship and on an ongoing basis, of whether the hedging instrument(s) is(are) expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged item(s) during the period for which the hedge is designated, and whether the actual results of each hedge are within acceptable profitable range. The Group makes an assessment for a cash flow hedge of a forecast transaction, of whether the forecast transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

These hedging relationships are discussed below.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in OCI and presented in the hedging reserve within equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. The amount recognised in OCI is reclassified to profit or loss as a reclassification adjustment in the same period as the hedged cash flows affect profit or loss, and in the same line item in the statement of profit or loss and OCI.

If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. However, if the derivative is novated to a central counterparty by both parties as a consequence of laws or regulations without changes in its terms except for those that are necessary for the novation, then the derivative is not considered as expired or terminated.

(2) Trading or non-hedging derivatives assets and liabilities

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

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

2.8 Impairment of financial assets

Assets carried at amortised cost

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets not carried at fair value through profit or loss is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

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

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

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

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

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

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

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

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

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

Amount reported as other assets are tested for impairment on an individual basis at the reporting date. In testing for impairment, the Group assess whether there is objective evidence that a loss event has occur. If it is established that a loss event has occured and the loss event has an impact on the recoverable amount of the asset, an impairment charge is taking against the asset carrying amount.

2.9 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 year 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.

2.10 Property and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period 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. The assets' residual values and useful lives are reviewed, and adjusted if appropriate at each reporting date and the depreciation method is reviewed at each financial year end. Leasehold land and buildings are depreciated over the period of the lease or over such lesser period as is considered appropriate.

Depreciation is calculated on a straight line basis to write down the cost of property and equipment to their residual values over their estimated useful lives as follows:

Item	
Leasehold land	Over the remaining lease period
Motor vehicles	4 years
Office equipment	5 years
Furniture and fittings	5 years
Computer hardware and equipment	3 years
Buildings	50 years
Leasehold improvement	Over the remaining lease period

Depreciation is included in profit or loss.

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

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.

2.11 Intangible assets

(a) Computer software

Software not integral to the related hardware acquired by the Group is stated at cost less accumulated amortisation and accumulated impairment losses.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group, are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- 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 is 5 years.

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

2.12 Leases

(a) A Group company is the lessee

Leases, where the Group assumes substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are separated using the interest rate implicit in the lease to identify the finance cost, which is charged against income over the lease period, and the capital repayment, which reduces the liability to the lessor.

Leases of assets are classified as operating leases if the lessor effectively retains all the risks and rewards of ownership. Payments made under operating leases, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(b) A Group company is the lessor

Lease and instalment sale contracts are primarily financing transactions in banking activities, with rentals and instalments receivable, less unearned finance charges, being included in Loans and advances to customers in the statement of financial position.

Finance charges earned are computed using the effective interest method which reflects a constant periodic return on the investment in the finance lease. Initial direct costs paid are capitalised to the value of the lease amount receivable and accounted for over the lease term as an adjustment to the effective rate of return.

Leases of assets under which the Group effectively retains all the risks and rewards of ownership are classified as operating leases. Receipts of operating leases from properties held as investment properties in investment management and life insurance activities, net of any incentives given to lessees, are accounted for as income on the straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required by the lessee by way of penalty is recognised as income in the period in which termination takes place.

2.13 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.

Provisions are recognised when the separate entities in the Group have a present 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 reliable estimate of the amount of the obligation can be made.

2.14 Employee benefits

(a) Post-employment benefits

The Group has a defined contribution plan.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. For defined contribution plans, the Group makes contributions on behalf of qualifying employees to a mandatory scheme under the provisions of the Pension Reform Act. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. For entities operating in Nigeria, the contribution by employees and the employing entities are 2.5% and 12.5% respectively of the employees' basic salary, housing and transport allowances. Entities operating outside Nigeria contribute in line with the relevant pension laws in their jurisdictions.

(b) Short-term benefits

Short-term benefits consist of salaries, accumulated leave allowances, profit share, bonuses and any non-monetary benefits.

Short-term employees' benefits are measured on an undiscounted basis and are expensed as the related services are provided.

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 ternmination 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.

2.15 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 year 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 Bank and Other Financial Institutions Act of 1991 (amended), an appropriation of 30% of profit after tax is made if the statutory reserve is less than the paid-up share capital and 15% of profit after tax if the statutory reserve is greater than the paid-up share capital.

(e) SMIEIS reserve

The SMIEIS reserve is maintained to comply with the Central Bank of Nigeria (CBN) requirement that all licensed banks set aside a portion of the profit after tax in a fund to be used to finance equity investments in qualifying small and medium scale enterprises. Under the terms of the guideline (amended by CBN letter dated 11 July 2006), the contributions will be 10% of profit after tax and shall continue after the first 5 years but banks' contributions shall thereafter reduce to 5% of profit after tax. The small and medium scale industries equity investment scheme reserves are 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 impaired charge determined in line with the principles of IFRS and impaired 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 years which have not been reclassified to any specified reserves.

(h) Revaluation reserve

Comprises fair value movements on equity instruments.

(i) Foreign currency translation reserve

Comprises exchange differences resulting from the translation to Naira of the results and financial position of Group companies that have a functional currency other than Naira.

2.16 Recognition of interest income and expense

Interest income and expense for all financial assets and financial liabilities carried at amortised cost are recognised in profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. Direct incremental transaction costs incurred and origination fees received, including loan commitment fees, as a result of bringing margin-yielding assets or liabilities in the statement of financial position, are capitalised to the carrying amount of financial instruments, excluding financial instruments at fair value through profit or loss, and amortised as interest income or expense over the life of the asset as part of the effective interest rate.

When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Where the estimated cash flows on financial assets are subsequently revised, other than impairment losses, the carrying amount of the financial assets is adjusted to reflect actual and revised estimated cash flows.

Where a financial asset or a Group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

If a derivative is not held for trading, and is not designated in a qualifying hedge relationship, then all changes in its fair value are recognised immediately in profit or loss as a component of net income from other financial instruments at fair value through profit or loss.

(b) Borrowing cost

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

2.17 Fees, commissions and other income

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Other fees and commission income and expenses are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Group has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party, are recognised on completion of the underlying transaction.

Dividend income is recognised in profit or loss in the period in which the right of receipt is established.

2.18 Operating expense

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

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

Expenses are measured at historical cost. Assets are recorded at the amount of cash or cash equivalents paid or their fair value of consideration given. Liabilities are recorded at the amount of proceeds received in exchange for the obligation.

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 impossible 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 periods.

2.19 Current and deferred income tax

Current tax

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

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

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:

- the initial recognition of goodwill;
- 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
- investments in subsidiaries where the group controls the timing of the reversal of temporary differences and it is probable that these differences to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred income tax assets are recognised on unused tax losses, unused tax credits and deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the asset or liability and is not discounted. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Additional taxes that arise from the distribution of dividends by the Bank are recognised at the same time as the liability to pay the related dividend is recognized. These amounts are generally recognised in profit or loss because they generally relate to income arising from transactions that were originally recognised in profit or loss.

Deferred tax related to the fair value re-measurement of equity instruments which are charged or credited directly to other comprehensive income, is also credited or charged directly to other comprehensive income and is not subsequently transferred from equity to profit or loss.

2.20 Earnings per share

The Group presents basic 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.

2.21 Segment reporting

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

2.22 Fiduciary activities

The Group acts as trustees and in other fiduciary capacities through Zenith Pension Custodians that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

2.23 Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or a geographical area of operations that has been disposed of or is held for sale or distribution, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

2.24 Non-current assets held for sale or distribution

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale or distribution. Immediately before classification as held for sale or distribution, the assets, or components of a disposal group, are re-measured in accordance with the Group's accounting policies. Thereafter generally, the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to financial assets and deferred tax assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains and losses on re-measurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

Intangible assets and property and equipment once classified as held for sale or distribution are not amortized or depreciated. In addition, equity accounting of equity-accounted investees ceases once classified as held for sale or distribution.

3. Risk management

3.1 Enterprise Risk Management

The Zenith Bank Group's 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. Risk culture and education is on the ascendancy across the group.

3.1.1 Risk Management Philisophy/Strategy

- The group considers sound risk management practise to be the foundation of a long lasting financial institution.

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

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

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

- Risk 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. The Group shall continually strive to maintain a conservative balance between risk and revenue consideration.

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. This reflects the conservative nature of Zenith Group as far as risk taking is concerned.

The Group's risk appetite describes the quantum of risk that it would assume in pursuit of its business objectives at any point in time. For the Group, it is the core instrument used in aligning its overall corporate strategy, its capital allocation and risks.

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

3.1.3 Risk Management Approach

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

In addition, Zenith Group manages its risks in a structured, systematic and transparent manner through a global risk policy which embeds comprehensive risk management processes into the organisational structure and risk measurement and monitoring activities. This structure ensures that the Group's overall risk exposures are within the thresholds set by the Board.

The key features of the Group's risk management policy are:

- The Board of Directors provides overall risk management direction and oversight.
- The Group's risk appetite is approved by the Board of Directors.
- Risk management is embedded in the Group as an intrinsic process and is a core competence of all its employees.
- The Group manages its credit, market, operational and liquidity risks in a co-ordinated manner within the organisation.
- The Group's risk management function is independent of the business divisions.
- The Group's internal audit function reports to the Board Audit Committee and provides independent validation of the business units' compliance with risk policies and procedures and the adequacy and effectiveness of the risk management framework on an enterprise-wide basis.

The Group continually modifies and enhances its risk management policies and systems to reflect changes in markets, products and international best practices. Training, individual responsibility and accountability, together with a disciplined and cautious culture of control, is an intergral part of the Group's management of risk.

The Board of Directors ensures strict compliance with relevant laws, rules and standards issued by the industry regulators and other law enforcement agencies, market conventions, codes of practices promoted by industry associations and internal policies.

The compliance function, under the leadership of the Chief Compliance Officer of the Bank has put in place a robust compliance framework, which includes:

- Comprehensive compliance manual detailing the roles and responsibilities of all stakeholders in the compliance process,
- Review and analysis of all relevant laws and regulations, which are adopted into policy statements to ensure business is conducted professionally;
- Review of the Bank's Anti Money Laundering Policy in accordance with changes in the Money Laudering Prohibition Act 2011 and Anti Terrorism Act 2011 as amended;
- 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 Bank. Therefore the Bank's board of directors promotes sound organisation.

3.1.4 Methodology for Risk Rating

The risk management strategy is to develop an integrated approach to risk assessments, measurement, monitoring and control that captures all risks in all aspects of the Group's activities.

All activities in the Group have been profiled and the key risk drivers and threats in them identified. Mitigation and control techniques are then determined in tackling each of these threats. These techniques are implemented as risk policies and procedures that drive the strategic direction and risk appetite as specified by the board. Techniques employed in meeting these objectives culminate in the following roles for the risk control functions of the Group:

- 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.
- Establish lines of authority and responsibility for managing individual risk elements in line with the Board's overall direction.
- Risk identification, measurement, monitoring and control procedures.
- Establish effective internal controls that cover each risk management process.
- Ensure that the group's risk management processes are properly documented.
- Create adequate awareness to make risk management a part of the corporate culture of the Group.
- Ensure that risk remains within the boundaries established by the Board.
- 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 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 a prescribed broad headings. The criteria used in estimating the materiality of each activity is essentially based on the following:

- The strategic importance of the activity and sector.
- The contribution of the activity/sector to the total assets of the Bank.
- The net income of the sector.
- The risk inherent in the activity and sector.

Risk Management structures and processes are continually reviewed to ensure, their adequacy and appropriateness for the group's risk and opportunities profile as well as bringing them up to date with changes in strategy, business environment, evolving thoughts and trends in risk management.

3.2 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:

- 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.
- 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.
- 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.
- 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
- 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.
- 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.
- All insiders' related credits are limited to regulatory and strict internal limits and are disclosed as required.
- The consequences for non-compliance with the credit policy and credit indiscipline are communicated to all staff and implemented.

3.2.1 Credit Metrics and Measurement Tools

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

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

2. Credit rating of obligor

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

4. The size of the facility in case default occurs.

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

3.2.2 Credit Rating Tools

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

(a) Loans and advances and amounts due from banks

Each individual borrower is rated based on an internally developed rating model that evaluates risk based on financial, qualitative and industry specific inputs. The associated loss estimate norms for each grade have been developed based on the experience of the Bank and its various subsidiaries.

In order to allow for a meaningful distribution of exposures across grades with no excessive concentrations on the Group's borrower-rating and its facility-rating scale, the Group maintains the under listed rating grade which is applicable to both new and existing customers.

Zenith Group's internal rating:

Zenith Group Rating	Description of the grade	Equivalent of external rating
AAA	Investment Risk (Extremely Low Risk)	AAA
AA	Investment Risk (Very Low Risk)	AA
A	Investment Risk (Low Risk)	A
BBB	Upper Standard Grade (Acceptable Risk)	BBB
BB	Lower Standard Grade (Moderately High Risk)	BB
B	Non Investment Grade (High Risk)	B
CCC	Non Investment Grade (Very High Risk)	CCC
CC	Non Investment Grade (Extremely High Risk)	CC
C	Non Investment Grade (High Likelihood of Default)	C
D	Non Investment Grade (Lost)	D
Unrated	Unrated	Unrated

The credit rating system seeks to achieve the foundation level of the internal ratings based approach under Basle 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:

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

In addition to the above, we have put in place a conservative limits structure which is monitored from time to time in order to limit our risk exposures on these securities.

Control mechanisms for the credit risk rating system

Zenith's credit risk rating system is reviewed periodically to confirm that the rating criteria and procedures are appropriate given the current portfolio and external conditions. Hence, in accordance with the Groups model risk policy, all models that materially impact the risk rating process are reviewed.

Furthermore, the ratings accorded to customers are regularly reviewed, incorporating new financial information available and the experience in the development of the banking relationship. The regularity of the reviews increases in the case of clients who reach certain levels in the automated warning systems. The rating system is currently undergoing external review with a view to enhancing its robustness.

3.2.3 Credit Processes

Zenith operates a Centralised Credit Approval Process System. Credits are originated from the branches/business groups and subjected to reviews at various levels before presentation to the Global Credit Committee for approvals, and including all documents and information defined for the proper assessment and decision of Credit. All credit presented for approval are required to be in conformity with the documented and communicated Risk Acceptance Criteria(RAC).

As part of credit appraisal process, the Group will have to satisfy itself in the following areas:
a) Credit assessment of the borrower's industry, and macro economic factors.
b) The purpose of credit and source of repayment.
c) The track record / repayment history of borrower.
d) Assess/evaluate the repayment capacity of the borrower.
e) The Proposed terms and conditions and covenants.
f) Adequacy and enforceability of collaterals.
g) Approval from appropriate authority.

3.2.4 Group Credit Risk Management

Zenith's dynamic and proactive 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 conservative, prudent and well-established credit standards, policies and procedures, risk methodologies and framework, solid structure and infrastructure, risk monitoring and control activities enable the Group to deal with the emerging risks and challenges with a high level of confidence and determination.

The framework for Credit Risk at Zenith is well defined and institutionally predicated on:

- 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.
- Well-defined target market and risk asset acceptance criteria.
- Rigorous financial, credit and overall risk analysis for each customer/transaction.
- Portfolio quality examined on regular basis according to key performance indicators mechanism and periodic stress testing.
- Concentrations together with mitigation strategies are continuously assessed.
- Early warning system is continually validated and modified to ensure proper functioning for risk identification.
- Systematic and objective credit risk rating methodologies that are based on quantitative, qualitative and expert judgment.
- Systematic credit limits management enabling the Bank to monitor its credit exposure on daily basis at country, borrower, industry, credit risk rating and credit facility type levels.
- Solid documentation and collateral management process with proper coverage and top-up triggers and follow-ups.
- Annual and interim individual credit reviews to ensure detection of weakness signs or warning signals and considering proper remedies.

Our rigorous credit processes are supplemented by sectoral portfolio reviews focused on countries, regions or specific industries as well as multiple stress testing scenarios.

These are intended to identify any inherent risks in the portfolios resulting from changes in market conditions and are supplemented by independent reviews from our Group Internal Audit.

Additionally, the Group continues to upgrade and fine-tune the above in line with the developments in the financial services industry environment and technology.

3.2.5 Group Credit Risk Limits

The Group applies credit risk limits, among other techniques in managing credit risk. This is the practice of stipulating a maximum amount that the individual or counterparty can obtain as loan. Internal and regulatory limits are strictly adhered to.Through this, the Group not only protects itself, but also in a sense, protects the counterparty from borrowing more than they are capable of paying.

The Group continues to focus on its concentration and intrinsic risks and further manage them to a more comfortable level. This is very important due to the serious risk implications that intrinsic and concentration risk pose to the Group. A thorough analysis of economic factors, market forecasting and prediction based on historical evidence is used to mitigate the crystallization of these risks.

The Group has in place various portfolio concentration limits(which is subject to periodic review) .These limits are closely monitored and reported on from time to time.

The Group's internal credit approval limits for the various authorities levels are as indicated below.

Zenith Group Rating	Approval limit (% of Shareholders' Fund)
Board Credit Committee	N7 billion and above (Not exceeding 20% of Total Shareholders' funds)
Global Credit Committee	Below N7 billion

These internal approval limits are set and approved by the Group Board and are reviewed regularly as the state of affairs of the Group and the wider financial environment demands.

3.2.6 Group Credit Risk Monitoring

The Group's exposures are continuously monitored through a system of triggers and early-warning signals aimed at detecting symptoms which could result in deterioration of credit risk quality. The triggers and early-warning systems are supplemented by facility utilisation and collateral valuation monitoring together with a review of upcoming credit facility expiration and market intelligence to enable timely corrective action by management. The results of the monitoring process are reflected in the internal rating process in a quarterly review activity.

Credit risk is monitored on an ongoing basis with formal weekly,monthly and quarterly reporting to ensure senior management awareness of shifts in credit quality and portfolio performance along with changing external factors such as economic and business cycles.

The capabilities of the credit review team is continously being improved in order to improve the facility monitoring activity and assure good quality Risk Assets Portfolio accross the Group.

A specialised and focused loan recovery and workout team handles the management and collection of problem credit facilities.

3.2.7 (a) Credit Risk Mitigation, Collateral and other Credit Enhancements

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

(a) 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:

- Real estate, plant and equipment collateral (usually all asset or mortgage debenture or charge) which have to be registered and enforceable under Nigerian law;
- 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;
- Stocks and shares of publicly quoted companies;
- Domiciliation of contracts proceeds;
- Documents of title to goods such as shipping documents consigned to the order of Zenith Bank or any of its subsidiaries; and
- Letter of lien.

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

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

Details of collateral held and their carrying amounts as at 31 December 2014 are as follows:

In millions of Naira	Group		Bank	
	Total exposure	Value of collateral	Total exposure	Value of collateral
Secured against real estate	215,506	199,745	214,165	198,361
Secured by shares of quoted companies	4,814	2,571	4,814	2,571
Cash Collateral, lien over fixed and floating assets	1,016,830	696,287	867,594	569,264
Unsecured	521,185	-	519,008	-
	1,758,335	**898,603**	**1,605,581**	**770,196**

Details of collateral held and their carrying amounts as at 31 December 2013 are as follows:

In millions of Naira	Group		Bank	
	Total exposure	Value of collateral	Total exposure	Value of collateral
Secured against real estate	177,379	137,292	152,379	127,292
Secured by shares of quoted companies	32,482	10,652	17,482	5,652
Cash Collateral, lien over fixed and floating assets	860,299	340,038	810,299	325,038
Unsecured	205,962	-	168,218	-
	1,276,122	**487,982**	**1,148,378**	**457,982**

(b) 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 unfettered 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.

(c) Guarantees and Standby Letters of Credit

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

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

The Group's maximum exposure to credit risk at 31 December 2014 and 2013 respectively, is represented by the net carrying amounts of the financial assets, with the exception of financial and other guarantees issued by the Group for which the maximum exposure to credit risk is represented by the maximum amount the Group would have to pay if the guarantees are called on (refer note 42 Contingent liabilities and commitments).

3.2.8 Concentration of Risks of Financial Assets with Credit Risk Exposure

The Group monitors concentrations of credit risk by geographical location and by industry sector. An analysis of concentrations of credit risk at 31 December 2014 and 2013 respectively for loans and advances to customers and amounts due from banks, is set out below:

(a) Geographical sectors

The following table breaks down the Group’s main credit exposure at their gross amounts ("Due from banks" at carrying amount), as categorised by geographical region at 31 December 2014 and 2013 respectively. For this table, the Group has allocated exposures to regions based on the region of domicile of our counterparties.

In millions of Naira	**Group**			**Bank**		
31 December 2014	**Due from banks**	**Loans and advances to customers**	**Total**	**Due from banks**	**Loans and advances to customers**	**Total**
Nigeria	232,188	1,605,581	**1,837,769**	147,923	1,605,581	**1,753,504**
Rest of Africa	12,039	79,483	**91,522**	-	-	**-**
Outside Africa	262,341	73,271	**335,612**	322,216	-	**322,216**
	506,568	**1,758,335**	**2,264,903**	**470,139**	**1,605,581**	**2,075,720**

In millions of Naira	**Group**			**Bank**		
31 December 2013	**Due from banks**	**Loans and advances to customers**	**Total**	**Due from banks**	**Loans and advances to customers**	**Total**
Nigeria	153,887	1,148,378	**1,302,265**	97,257	1,148,378	**1,245,635**
Rest of Africa	12,039	52,783	**64,822**	-	-	**-**
Outside Africa	90,803	74,961	**165,764**	152,267	-	**152,267**
	256,729	**1,276,122**	**1,532,851**	**249,524**	**1,148,378**	**1,397,902**

(b) Industry sectors

In millions of Naira	**Group**		**Bank**	
	2014	**2013**	**2014**	**2013**
	Loans and advances to customers	**Loans and advances to customers**	**Loans and advances to customers**	**Loans and advances to customers**
Agriculture	112,616	64,696	82,453	60,722
Oil and gas	389,926	193,883	383,416	173,143
Consumer Credit	25,943	30,141	10,578	29,901
Manufacturing	298,831	287,636	290,205	262,848
Real estate and construction	103,656	84,709	100,439	77,101
Finance and Insurance	35,946	25,667	32,928	22,463
Government	151,489	113,801	151,383	102,572
Power	69,449	49,696	52,874	44,938
Other public utilities	6,913	28,208	25	28,192
Transportation	94,714	93,183	75,445	86,712
Communication	150,515	186,176	146,947	168,041
Education	5,700	3,578	4,652	3,185
General Commerce	108,921	72,058	80,759	64,573
Others	203,716	42,690	193,477	23,987
	1,758,335	**1,276,122**	**1,605,581**	**1,148,378**

3.2.9 Credit quality

In millions of Naira	Group			Bank		
At 31 December 2014	**Due from banks**	**Loans and advances to customers**	**Financial guarantee**	**Due from banks**	**Loans and advances to customers**	**Financial guarantee**
Neither past due nor impaired	506,568	1,723,497	627,458	470,139	1,575,358	603,520
Past due but not impaired	-	4,068	-	-	3,816	-
Impaired						
Individually impaired	-	11,862	-	-	7,922	-
Collectively impaired	-	18,908	-	-	18,485	-
Gross	506,568	1,758,335	627,458	470,139	1,605,581	603,520
Impairment allowance						
Specific impairment	-	(10,065)	-	-	(7,480)	-
Collective impairment *	-	(18,763)	-	-	(17,851)	-
	506,568	**1,729,507**	**627,458**	**470,139**	**1,580,250**	**603,520**

In millions of Naira	Group			Bank		
At 31 December 2013	**Due from banks**	**Loans and advances to customers**	**Financial guarantee**	**Due from banks**	**Loans and advances to customers**	**Financial guarantee**
Neither past due nor impaired	256,729	1,237,058	648,847	249,524	1,112,512	632,167
Past due but not impaired	-	8,147	-	-	7,889	-
Impaired						
Individually impaired	-	13,843	-	-	11,021	-
Collectively impaired	-	17,074	-	-	16,956	-
Gross	256,729	1,276,122	**648,847**	249,524	1,148,378	**632,167**
Impairment allowance						
Specific impairment	-	(7,972)	-	-	(5,600)	-
Collective impairment *	-	(16,795)	-	-	(16,219)	-
	256,729	**1,251,355**	**648,847**	**249,524**	**1,126,559**	**632,167**

*Impaired loans that are not individually significant are included in the collective impairment.

In millions of Naira

3.2.9.1 Non-Performing Loans by Industry
At 31 December

	Group		Bank	
	2014	**2013**	**2014**	**2013**
Agriculture	2,161	239	2,114	202
Oil and Gas	146	1,686	60	1,642
Capital Market	4,769	1,080	4,769	-
Consumer Credit	2,866	61	2,866	-
Manufacturing	2,660	2,107	1,061	1,897
Real Estate and Construction	4,869	6,377	4,244	5,588
Finance and Insurance	75	7,941	6	7,868
Government	174	210	174	210
Power	1,833	1,667	1,833	1,573
Other Public Utilities	1	209	1	209
Transportation	21	23	21	23
Communication	1,090	945	1,009	929
Education	107	1,830	106	1,830
General Commerce/Trading	4,340	4,937	2,488	4,754
Others	5,658	1,605	5,655	1,252
	30,770	**30,917**	**26,407**	**27,977**

3.2.9.2 Non-Performing Loans by Geography

At 31 December

	Group		Bank	
	2014	**2013**	**2014**	**2013**
South South	926	385	926	385
South West	23,018	25,545	23,018	25,545
South East	488	839	488	839
North Central	1,195	1,186	1,195	1,186
North West	96	11	96	11
North East	684	11	684	11
Rest of Africa	4,363	2,896	-	-
Outside Africa	-	44	-	-
	30,770	**30,917**	**26,407**	**27,977**

(a) Geographical Sectors

The following table breaks down the Group's main credit exposure at their carrying amounts, as categorised by geographical region at 31 December 2014 together with prior period comparatives. For this table, the Group has allocated exposures to regions based on the domicile region of our counterparties.

	Group		Bank	
At 31 December (N'millions)	**Loans and advances to customers 2014**	**Loans and advances to customers 2013**	**Loans and advances to customers 2014**	**Loans and advances to customers 2013**
South South	108,445	70,109	108,445	70,109
South West	1,352,177	974,519	1,352,177	974,519
South East	43,350	17,294	43,350	17,294
North Central	73,793	57,689	73,793	57,689
North West	8,073	7,874	8,073	7,874
North East	19,743	20,893	19,743	20,893
Rest of Africa	79,483	52,783	-	-
Outside Africa	73,271	74,961	-	-
	1,758,335	**1,276,122**	**1,605,581**	**1,148,378**

All other financial assets are neither past due nor impaired, except other assets. NGN 6.61 billion of financial assets which are neither past due nor impaired have been renegotiated (2013: NGN 3.05 billion).

In millions of Naira

(a) Credit portfolio neither past due nor impaired

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

	Group		Bank	
At 31 December 2014	**Due from banks**	**Loans and advances to customers**	**Due from banks**	**Loans and advances to customers**
AAA	506,568	253,665	470,139	231,628
AA to A	-	729,064	-	665,727
BBB to BB	-	622,512	-	568,431
Below B	-	28,309	-	25,849
Unrated	-	124,785	-	113,946
	506,568	**1,758,335**	**470,139**	**1,605,581**

	Group		Bank	
At 31 December 2013	**Due from banks**	**Loans and advances to customers**	**Due from banks**	**Loans and advances to customers**
AAA	256,729	814,467	249,524	734,057
AA to A	-	156,932	-	123,644
BBB to BB	-	193,838	-	189,669
Below B	-	35,281	-	32,540
Unrated	-	36,540	-	32,602
	256,729	**1,237,058**	**249,524**	**1,112,512**

The credit quality of cash and balances with central banks, treasury bills, investment securities and assets pledged as collateral that were neither past due nor impaired can also be assessed by reference to the internal rating system adopted by the Group.

	Group				Bank			
At 31 December 2014	**Cash and balances with central banks**	**Treasury bills**	**Investment securities**	**Assets pledged as collateral**	**Cash and balances with central banks**	**Treasury bills**	**Investment securities**	**Assets pledged as collateral**
AAA	752,580	295,397	**186,544**	**151,746**	728,291	253,414	**79,469**	**151,746**
AA to A	-	-	**13,535**	**-**	-	-	**13,363**	**-**
BBB to BB	-	-	**-**	**-**	-	-	**-**	**-**
Below B	-	-	**-**	**-**	-	-	**-**	**-**
Unrated	-	-	**-**	**-**	-	-	**-**	**-**
	752,580	**295,397**	**200,079**	**151,746**	**728,291**	**253,414**	**92,832**	**151,746**

	Group				Bank			
At 31 December 2013	**Cash and balances with central banks**	**Treasury bills**	**Investment securities**	**Assets pledged as collateral**	**Cash and balances with central banks**	**Treasury bills**	**Investment securities**	**Assets pledged as collateral**
AAA	603,851	579,511	**292,471**	**6,930**	587,793	565,668	**201,869**	**6,930**
AA to A	-	-	**10,654**	**-**	-	-	**10,654**	**-**
BBB to BB	-	-	**-**	**-**	-	-	**-**	**-**
Below B	-	-	**-**	**-**	-	-	**-**	**-**
Unrated	-	-	**-**	**-**	-	-	**-**	**-**
	603,851	**579,511**	**303,125**	**6,930**	**587,793**	**565,668**	**212,523**	**6,930**

The credit risk associated with other financial assets that were neither past due nor impaired are considered to be low at 31 December 2014 and 2013.

In millions of Naira

(b) Credit portfolio past due but not impaired

	Group		Bank	
	Loans and advances to customers 2014 N. mil	**Loans and advances to customers 2013 N. mil**	**Loans and advances to customers 2014 N. mil**	**Loans and advances to customers 2013 N. mil**
Past due up to 30 days	3,228	4,701	3,133	4,601
Past due 30 - 60 days	530	894	454	824
Past due 60 - 90 days	310	2,552	229	2,464
	4,068	**8,147**	**3,816**	**7,889**
(c) Credit rating of past due but not impaired				
A	3,906	7,974	3,695	7,758
BB	162	173	121	131
	4,068	**8,147**	**3,816**	**7,889**

(d) Credit portfolio individually impaired

In Millions of Naira

(d) Credit portfolio individually impaired

	Group		Bank	
	Loans and advances to customers 2014 N. mil	**Loans and advances to customers 2013 N. mil**	**Loans and advances to customers 2014 N. mil**	**Loans and advances to customers 2013 N. mil**
Gross amount				
BB	6,103	10,300	5,508	8,530
Grade: Below BB	5,759	3,543	2,414	2,491
Specific impairment	(10,065)	(7,972)	(7,480)	(5,600)
	1,797	**5,871**	**442**	**5,421**

Restructuring policy

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

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

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

ii, To avoid unintended default arising from adverse business conditions .

iii. To align loan repayment with new pattern of achievable cash flows.

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

v. Where there is temporary downturn in the customer's business environment .

vi. Where the customer's going concern status is NOT in doubt or threatened.

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

Write-off policy

The group writes off a loan balance when the Group's credit department determines that the loan is uncollectable and had been declared delinquent and subsequently classified as lost. This determination is made after considering information such as the continuous deterioration in the customer's financial position, such that the customer can no longer pay the obligation, or that proceeds from the collateral will not be sufficient to pay back the entire exposure. Board approval is required for such write-off. For insider related, CBN approval is required. The loan recovery department continues with its recovery efforts and any loan subsequently recovered is treated as other income.

3.3 Market risk

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

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

3.3.1 Management of market risk

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

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

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

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

The Group's Market Risks exposures are broadly categorised into:

(i) Trading Market Risks - These are risks that arise primarily through trading activities and Market Making activities. These include position taking in foreign exchange and fixed income securities (Bonds and Treasury Bills).

(ii) Non Trading Market Risks -These are risks that arise from assets and liabilities that are usually on our books for a longer period of time, but where the Intrinsic value is a function of the movement of financial market parameter.

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

'In millions of Naira

Group

	Note	At 31 December 2014			At 31 December 2013		
		Carrying amount	**Trading**	**Non-trading**	**Carrying amount**	**Trading**	**Non-trading**
Cash and balances with central banks	16	752,580	-	751,418	752,580	-	752,580
Treasury bills		295,397	1,162	294,235	579,511	-	579,511
Assets pledged as collateral	18	151,746	-	151,746	6,930	-	6,930
Due from other banks	19	506,568	-	506,568	256,729	-	256,729
Loans and advances	21	1,729,507	-	1,729,507	1,251,355	-	1,251,355
Investment securities	22	200,079	-	200,079	303,125	-	303,125
Derivative assets	20	17,408	16,896	512	2,681	-	2,681

Bank

		At 31 December 2014			At 31 December 2013		
		Carrying amount	**Trading**	**Non-trading**	**Carrying amount**	**Trading**	**Non-trading**
Cash and balances with central banks	16	728,291	-	728,291	587,793	-	587,793
Treasury bills		253,414	1,162	252,252	565,668	-	565,668
Assets pledged as collateral	18	151,746	-	151,746	6,930	-	6,930
Due from other banks	19	470,139	-	470,139	249,524	-	249,524
Loans and advances	21	1,580,250	-	1,580,250	1,126,559	-	1,126,559
Investment securities	22	33,003	-	33,003	24,375	-	24,375
Derivative assets	20	16,896	16,896	-	-	-	-

3.3.2 Measurement of Market Risk

The Group adopts Non-VAR approach for quantitative measurement and control of market risks in both trading and non trading books. The Non -VAR 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.

Zenith Group generally does not offer very complex derivative products. However, with the setting up of Financial Market Quotation Plc (FMDQ), it is expected that more sophisicated products will be introduced into the market. We will ensure that adequate capacity (both systems and training/knowledge base) are in place to handle these products as at when they are introduced. The overall size of the trading book is maintained at a very manageable size.

3.3.3 Foreign exchange risk

Fluctuations in the prevailing foreign currency exchange rates can affect the groups financial position and cash flows - 'On' and 'Off' Balance Sheet. The Group manages part of the Foreign exchange risks through basic derivatives products and hedges (such as FX, fwd and swap). The risk is also managed by ensuring that all risk taken Group operate within approved limits. In addition to adhenrence to regulatory limits, Zenith Group established various Internal limits (such as VAR, overall Overnight and Intra-day positions), Dealer limits, as well as individual currency 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 mainly in five (5) foreign currencies with a significant percentage of transactions involving US Dollars.

(a) Group

The table below summarizes the Group's exposure to foreign currency exchange rate risk at 31 December 2014 and 31 December 2013. Included in the table are the Group's financial instruments at carrying amounts (except for loans and advances to customers and other assets which are shown at thier gross amount), categorised by currency.

In millions of Naira **At 31 December 2014**	**Naira**	**Dollar**	**GBP**	**Euro**	**Others**	**Total**
Assets						
Cash and balances with central banks	303,262	397,743	5,693	29,492	16,390	752,580
Treasury bills	184,008	31,578	-	-	79,811	295,397
Assets pledged as collaterals	151,746	-	-	-	-	151,746
Due from other banks	286,050	203,660	-	4,547	12,311	506,568
Derivative assets	-	17,408	-	-	-	17,408
Loans and advances to customers (gross)	994,377	692,352	199	6,531	64,876	1,758,335
Investment securities	160,344	33,014	-	-	6,721	200,079
	2,079,787	1,375,755	5,892	40,570	180,109	3,682,113
Liabilities						
Customer's deposits	1,527,756	881,510	4,100	14,403	109,542	2,537,311
Derivative liabilities	-	6,073	-	-	-	6,073
On-lending facilities	68,344	-	-	-	-	68,344
Borrowings	-	198,066	-	-	-	198,066
Debt securities issued	-	92,932	-	-	-	92,932
	1,596,100	1,178,581	4,100	14,403	109,542	2,902,726
Net on-balance sheet position	483,687	197,174	1,792	26,167	70,567	779,387

In millions of Naira **At 31 December 2013**	**Naira**	**Dollar**	**GBP**	**Euro**	**Others**	**Total**
Assets						
Cash and balances with central banks	426,581	119,433	38,064	19,750	23	603,851
Treasury bills	565,668	-	13,789	-	54	579,511
Assets pledged as collaterals	6,930	-	-	-	-	6,930
Due from other banks	152,267	81,201	128	2,011	21,122	256,729
Loans and advances to customers (gross)	921,643	296,435	578	-	57,466	1,276,122
Investment securities	212,523	40,249	-	49,729	624	303,125
	2,285,612	537,318	52,559	71,490	79,289	3,026,268
Liabilities						
Customer's deposits	1,831,245	424,241	5,852	13,300	2,117	2,276,755
On-lending facilities	59,528	-	-	-	-	59,528
Borrowings	-	60,150	-	-	-	60,150
	1,890,773	484,391	5,852	13,300	2,117	2,396,433
Net on-balance sheet position	394,839	52,927	46,707	58,190	77,172	629,835

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 and statements of financial position size if the exchange rate between the US Dollars, and Nigerian Naira had increased or decreased by 10%, with all other variables held constant.

	2014	**2013**
US Dollar effect of 10% up or (down) movement on profit before tax and balance sheet size (In millions of Naira)	16,369	11,577

(b) Bank

The table below summarizes the bank's exposure to foreign currency exchange rate risk at 31 December 2014 and 31 December 2013. Included in the table are the Banks's financial instruments at carrying amounts, categorised by currency.

In millions of Naira

At 31 December 2014	Naira	Dollar	GBP	Euro	Others	Total
Assets						
Cash and balances with central banks	308,437	387,006	5,054	27,647	147	728,291
Treasury bills	253,414	-	-	-	-	253,414
Assets pledged as collaterals	151,746	-	-	-	-	151,746
Due from other banks	338,329	131,346	-	464	-	470,139
Derivative assets	-	16,896	-	-	-	16,896
Loans and advances to customers (gross)	1,065,892	533,994	199	5,496	-	1,605,581
Investment securities	91,872	960	-	-	-	92,832
	2,209,690	1,070,202	5,253	33,607	147	3,318,899
Liabilities						
Customer's deposit	1,724,404	528,697	3,443	8,718	-	2,265,262
Derivative liabilities	-	6,073	-	-	-	6,073
On-lending facilities	68,344	-	-	-	-	68,344
Borrowings	-	198,066	-	-	-	198,066
Debt securities issued	-	92,932	-	-	-	92,932
	1,792,748	825,768	3,443	8,718	-	2,630,677
Net on-balance sheet position	416,942	244,434	1,810	24,889	147	688,222

In millions of Naira

At 31 December 2013	Naira	Dollar	GBP	Euro	Others	Total
Assets						
Cash and balances with central banks	458,572	96,293	15,431	17,497	-	587,793
Treasury bills	565,668	-	-	-	-	565,668
Assets pledged as collaterals	6,930	-	-	-	-	6,930
Due from other banks	152,267	96,829	-	428	-	249,524
Loans and advances to customers (gross)	921,643	226,735	-	-	-	1,148,378
Investment securities	212,523	-	-	-	-	212,523
	2,317,603	419,857	15,431	17,925	-	2,770,816
Liabilities						
Customer's deposits	1,831,245	237,526	2,958	8,133	-	2,079,862
On-lending facilities	59,528	-	-	-	-	59,528
Borrowings	-	60,150	-	-	-	60,150
	1,890,773	297,676	2,958	8,133	-	2,199,540
Net on-balance sheet position	426,829	122,181	12,473	9,792	-	571,275

The Bank'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 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 10%, with all other variables held constant.

	2014	2013
US Dollar effect of 10% up or (down) movement on profit before tax and balance sheet size (In millions of Naira)	21,016	3,495

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 year (especially in the Nigerian environment) in various geographical regions where the bank operates. The combined effect of the increase in Monetary Policy Rate (MPR) 13% (from 12%), Foreign Exchange Rate N168 (from N155), Cash Reserve Ratio (CRR) on Public Deposit 75% (from 50%) and Private deposits 20% (from 15%) by the Central Bank of Nigeria (CBN) resulted in huge jump in the market rates and market volatility. The Monetary Policy rate was moved up twice in Ghana within the year. It was first moved from 16% to 18% in February 2014 and then to 19% in July 2014. The increase was aimed at containing inflationary pressures and to realign interest rates in favour of domestic assets. The rate was largely flat in Gambia, Sierra-Leone and United Kingdom. These changes could have a negative impact on the Net Interest Income, if not properly managed. The Group however, has a significant portion of its liabilities in non-rate sensitive liabilities. This helps it in minimising the impact of the exposure to interest rate risks. The Group also enjoys some form of flexibility in adjusting both lending and deposits rates to reflect current realities.

(a) Group

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

In millions of Naira

At 31 December 2014	**Note**	**Carrying amount**	**Rate sensitive**	**Non rate sensitive**
Assets				
Cash and balances with central banks	16	752,580	336,650	415,930
Treasury and other eligible bills (Amortized cost)		295,397	295,397	-
Assets pledged as collateral	18	151,746	151,746	-
Due from other banks	19	506,568	506,568	-
Derivative assets	20	17,408	17,408	-
Loans and advances to customers (gross)	27	1,758,335	1,758,335	-
Investment securities (Amortized cost and Fair value through OCI)	22	200,079	200,079	-
		3,682,113	3,266,183	415,930
Liabilities				
Customer deposits	30	2,537,311	2,082,611	454,700
Derivative liabilities	30	6,073	6,073	-
On-lending facilities	32	68,344	68,344	-
Borrowings	33	198,066	198,066	-
Debt securities issued	34	92,932	92,932	-
		2,902,726	2,448,026	454,700
Total interest repricing gap		779,387	818,157	(38,770)

At 31 December 2014	**Up to 1 month**	**1 - 3 months**	**3 - 6 months**	**6 - 12 months**	**Over 1 year**	**Total rate sensitive**
Assets						
Cash and balances with central banks	107,500	-	-	229,150	-	336,650
Treasury bills	68,010	141,089	54,823	31,475	-	295,397
Assets pledged as collateral	19,756	56,699	21,377	50	53,864	151,746
Due from other banks	491,747	6,961	2,100	5,074	686	506,568
Derivative assets	1,523	2	12,986	2,897	-	17,408
Loans and advances to customers (gross)	628,811	111,588	30,161	63,964	923,811	1,758,335
Investment securities (Amortized cost and Fair value through OCI)	-	33,527	31,715	13,763	121,074	200,079
	1,317,347	349,866	153,162	346,373	1,099,435	3,266,183
Liabilities						
Customer deposits	1,020,568	66,301	1,140	298	994,304	2,082,611
Derivative liabilities	1,242	260	4,300	271	-	6,073
On-lending facilities	-	-	-	-	68,344	68,344
Borrowings	-	67,255	3,302	1,560	125,949	198,066
Debt securities issued	-	-	-	-	92,932	92,932
	1,021,810	133,816	8,742	2,129	1,281,529	2,448,026
Total interest repricing gap	295,537	216,050	144,420	344,244	(182,094)	818,157

At 31 December 2013	Note	Carrying amount	Rate sensitive	Non rate sensitive
Assets				
Cash and balances with central banks	16	603,851	255,158	348,693
Treasury and other eligible bills (Amortized cost)		579,511	579,511	-
Assets pledged as collaterals	18	6,930	6,930	-
Due from other banks	18	256,729	256,729	-
Derivative assets	20	2,681	2,681	-
Loans and advances to customers (gross)	21	1,276,122	1,276,122	-
Investment securities (Amortized cost and Fair value through OCI)	22	303,125	303,125	-
		3,028,949	2,680,256	348,693
Liabilities				
Customer deposits	30	2,276,755	1,089,012	1,187,743
On-lending facilities	35	59,528	59,528	-
Borrowings	33	60,150	60,150	-
		2,396,433	1,208,690	1,187,743
Total interest repricing gap		632,516	1,471,566	(839,050)

In millions of Naira

At 31 December 2013	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	Over 1 year	Total rate sensitive
Assets						
Cash and balances with central banks	150,400	-	-	104,758	-	255,158
Treasury bills	120,740	234,094	216,731	7,946	-	579,511
Assets pledged as collateral	-	-	6,930	-	-	6,930
Due from other banks	256,729	-	-	-	-	256,729
Derivative assets	2,681	-	-	-	-	2,681
Loans and advances to customers (gross)	496,418	69,133	52,286	74,612	583,673	1,276,122
Investment securities (Amortized cost and Fair value through OCI)	-	39,384	151	70,755	192,835	303,125
	1,026,968	342,611	276,098	258,071	776,508	2,680,256
Liabilities						
Customer deposits	977,400	94,192	5,282	12,138	-	1,089,012
On-lending facilities	1,309	31,804	2,000	1,560	22,855	59,528
Borrowings	-	-	-	-	60,150	60,150
	978,709	125,996	7,282	13,698	83,005	1,208,690
Total interest repricing gap	48,259	216,615	268,816	244,373	693,503	1,471,566

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 100 basis points, with all other variables held constant.

	2014	2013
Effect of 100 basis points movement on profit before tax	7,495	7,122

(b) Bank

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

In millions of Naira

At 31 December 2014	**Note**	**Carrying amount**	**Rate sensitive**	**Non-rate sensitive**
Assets				
Cash and balances with central banks	16	728,291	329,550	398,741
Treasury and other eligible bills (Amortized cost)		253,414	253,414	-
Assets pledged as collateral	18	151,746	151,746	-
Due from other banks	19	470,139	470,139	-
Derivative assets	20	16,896	16,896	-
Loans and advances to customers (gross)	21	1,605,581	1,605,581	-
Investment securities (Amortized cost and Fair value through OCI)	22	92,832	92,832	-
		3,318,899	2,920,158	398,741
Liabilities				
Customer deposits	30	2,265,262	1,861,172	404,090
Derivative liabilities	36	6,073	6,073	-
On-lending facilities	32	68,344	68,344	-
Borrowings	33	198,066	198,066	-
Debt securities issued	24	92,932	92,932	-
		2,630,677	2,226,587	404,090
Total interest repricing gap		688,222	693,571	(5,349)

In millions of Naira

At 31 December 2014	**Up to 1 month**	**1 - 3 months**	**3 - 6 months**	**6 - 12 months**	**Over 1 year**	**Total rate sensitive**
Assets						
Cash and balances with central banks	98,865	-	-	230,685	-	329,550
Treasury bills	60,725	118,775	47,250	26,664	-	253,414
Assets pledged as collateral	19,756	71,699	21,377	50	38,864	151,746
Due from other banks	455,318	6,961	2,100	5,074	686	470,139
Derivative assets	1,523	2	12,474	2,897	-	16,896
Loans and advances to customers (gross)	606,998	109,254	27,607	56,820	804,902	1,605,581
Investment securities (Amortized cost and Fair value through OCI)	-	-	31,715	8,577	52,540	92,832
	1,243,185	306,691	142,523	330,767	896,992	2,920,158
Liabilities						
Customer deposits	950,986	62,263	1,068	296	846,559	1,861,172
Derivative liabilities	1,242	260	4,300	271	-	6,073
On-lending facilities	-	-	-	-	68,344	68,344
Borrowings	-	67,255	3,302	9,245	118,264	198,066
Debt securities	-	-	-	-	92,932	92,932
	952,228	129,778	8,670	9,812	1,126,099	2,226,587
Total interest repricing gap	290,957	176,913	133,853	320,955	(229,107)	693,571

In millions of Naira

At 31 December 2013	Note	Carrying amount	Rate sensitive	Non rate sensitive
Assets				
Cash and balances with central banks	16	587,793	239,167	348,626
Treasury and other eligible bills (Amortized cost)		565,668	565,668	-
Assets pledged as colaterals	20	6,930	6,930	-
Due from other banks	19	249,524	249,524	-
Loans and advances to customers (gross)	21	1,148,378	1,148,378	-
Investment securities (Amortized cost and Fair value through OCI)	22	212,523	212,523	-
		2,770,816	2,422,190	348,626
Liabilities				
Customer deposits	30	2,079,862	939,012	1,140,850
Current income tax	13	5,266	-	5,266
On-lending facilities	32	59,528	59,528	-
Borrowings	33	60,150	60,150	-
		2,204,806	1,058,690	1,146,116
Total interest repricing gap		566,010	1,363,500	(797,490)

At 31 December 2013	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	Over 1 year	Total rate sensitive
Assets						
Cash and balances with central banks	100,600	-	-	138,567	-	239,167
Treasury and other eligible bills (Amortized cost)	119,240	233,546	206,136	6,746	-	565,668
Due from other banks	249,524	-	-	-	-	249,524
Loans and advances to customers (gross)	491,899	54,133	41,196	50,647	510,503	1,148,378
Investment securities (Amortized cost and Fair value through OCI)	-	39,384	151	64,098	108,890	212,523
Assets pledged as collateral	-	-	6,930	-	-	6,930
	961,263	327,063	254,413	260,058	619,393	2,422,190
Liabilities						
Customer deposits	888,281	50,430	101	200	-	939,012
On-lending facilities	309	48,511	900	-	9,808	59,528
Borrowings	1,000	6,148	1,100	1,560	50,342	60,150
	889,590	105,089	2,101	1,760	60,150	1,058,690
Total interest repricing gap	71,673	221,974	252,312	258,298	559,243	1,363,500

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

The table below shows the impact on the Bank's profit before tax if interest rates on financial instruments held at amortized cost or at fair value had increased or decreased by 100 basis points, with all other variables held constant.

	2014	2013
Effect of 100 basis points movement on profit before tax (In millions of Naira)	7,985	6,960

The effect of 100 basis points movement on profit is considered moderate and we do not expect all the rates to move at the same time and in the same direction. This risk can largely be handled by the flexibility in the changing/adjustment rates on loans and deposits.

3.3.5 Equity and commodity price risk

The Group is exposed to equity price risk by holding investments quoted on the Nigerian Stock Exchange (NSE) and other non-quoted investments. Equity securities quoted on the NSE are exposed to movement based on the general movement of the all share index and movement in prices of specific securities held by the Group.

Unquoted equity security held by the Group is mainly 5% equity holding in African Finance Corporation (AFC) valued at N 11.6 billion (cost N6.4 billion) as at 31 December 2014. 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. Other equity investments carried at fair value through OCI are, Zenith Insurance Liimited, Zenith Capital Limited and Zenith Securities Limited, which together have a fair value of N1.5 billion (cost N 846 million) as at 31 December 2014.

The Group does not deal in commodities and is therefore not exposed to any commodity price risk.

3.3.6 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.

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

2 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).

3 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.

Financial instruments measured at amortised cost

Group

	Note	At 31 December 2014			At 31 December 2013		
In millions of Naira		**Carrying value**	**Fair value**	**Fair value level**	**Carrying value**	**Fair value**	**Fair value level**
Assets							
Cash and balances with central banks	16	752,580	752,580	2	603,851	603,851	2
Treasury bills (Amortized cost)		295,397	282,536	2	579,511	580,929	2
Assets pledged as collateral	18	151,746	152,100	2	6,930	-	2
Due from other banks	19	506,568	520,021		256,729	254,316	2
Loans and advances to customers (gross)	21	1,758,335	1,305,066	3	1,276,122	1,264,127	3
Investment securities	22	200,079	193,846	2	290,191	279,926	2
Liabilities							
Customer's deposits	30	2,537,311	2,534,441	2	2,276,755	2,276,755	2
Borrowings	33	198,066	188,829	2	60,150	60,002	2
On-lending facilities	32	68,344	63,985	2	59,528	59,382	2
Debt securities issued	34	92,932	87,005	2	-	-	

Bank

In millions of Naira	Note	At 31 December 2014 Carrying value	Fair value	Fair value level	At 31 December 2013 Carrying value	Fair value	Fair value level
Assets							
Cash and balances with central banks	16	728,291	728,291	2	587,793	587,793	2
Treasury bills (Amortized cost)		253,414	242,516	2	565,668	557,331	2
Assets pledged as collateral	18	151,746	152,100	2	6,930	6,930	2
Due from other banks	19	470,139	467,971		249,524	247,179	2
Loans and advances to customers (gross)	21	1,605,581	1,308,623	3	1,148,378	1,137,583	3
Investment securities	22	92,832	92,832	2	212,523	194,160	2
Liabilities							
Customer's deposits	30	2,265,262	2,262,566	2	2,079,862	2,079,862	2
Borrowings	33	198,066	189,071	2	60,150	60,002	2
On-lending facilities	32	68,344	63,985	2	59,528	37,965	2
Debt securities issued	34	92,932	87,005	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.

No fair value disclosures are provided for equity investment securities of N152 million (2013: N 90 million) that are measured at cost because their fair value cannot be measured reliably.

Financial instruments measured at fair value

At 31 December 2014 **In millions of Naira**	**Level 1**	**Level 2**	**Level 3**
Financial assets			
Derivative assets held for risk management	-	17,408	-
Treasury bills (FVTPL)	1,162	-	-
Investment securities (unquoted)	-	-	13,535

Reconciliation of Level 3 items	
At 31 December 2013	10,654
Gains/(losses) recognised through profit or loss	332
Gains/(losses) recognised through other comprehensive income	2,549
At 31 December 2014	**13,535**

At 31 December 2013 **In millions of Naira**	**Level 1**	**Level 2**	**Level 3**
Financial assets			
Derivative assets held for risk management	-	2,681	-
Bonds (FVTPL)	2,280	-	-
Investment securities (unquoted)	-	-	10,654
	2,280	**2,681**	**10,654**

Reconciliation of Level 3 items	**Other**
At 31 December 2012	9,405
Gains/(losses) recognised through other comprehensive income	549
Purchases	700
Sales	-
Issues	-
Settlements	-
At 31 December 2013	**10,654**

Level 3 fair value measurements

ii. Unobservable inputs used in measuring fair value

The table below sets out information about significant unobservable inputs used at 31 December 2014 and 2013 in measuring financial instruments categorized as level 3 in the fair value hierarchy

Type of financial instrument	**Fair values at 31 December 2014**	**Valuation technique**	**Significant unobservable input**	**Range of estimates (average) for unobservable inputs**	**Fair value measurement sensitivity to unobservable inputs**
Unquoted equity investment	N11.69 billion	A significant increase in the risk premium above the risk rate would result in a lower fair value.	A significant increase in the risk premium above the risk rate would result in a lower fair value.	Risk premium of 9.23-11.29% (10.26%) above risk-free interest rate (2.17%) (2013:6.08-11% (7.44%) above risk free rate (3.02%))	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	A significant increase in the CAGR of cash flow would result in a higher fair value	5-year Compound Annual Growth Rate (CAGR) of cash flow of 17-19% (18%) (2013: 25-26 (24%))	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.

iii. The effect of unobservable inputs on fair value measuring

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

Effect on OCI

At 31 December

In millions of Naira	At 31 December 2014		At 31 December 2013	
	Favourable changes	**Un-favourable changes**	**Favourable changes**	**Un-favourable changes**
Unquoted investment securities	12	(4)	1	(0.9)

The favourable and unfavourable effects of using reasonably possible alternative assumptions for valuation of unquoted equity securities have been calculated by recalibrating the model values using unobservable inputs based on upper and lower quartile respectively of the Group's range of possible estimates. Key inputs and assumptions used in the model at 31 December 2014 included a risk premium 10.26**%** above the risk-free interest rate of 2.17% (with reasonably possible alternative assumptions of 9.23% and 11.29%) (2013: 6.76, 6.08 and 7.44 % respectively above risk free rate of 3.02%), and a 5-year CAGR of 18% (with reasonable possible alternative assumptions of 17 and 19%) (2013: 25, 24, 26 % respectively).

The fair values of quoted equity securities are determined by reference to quoted prices (unadjusted) in active markets for identical instruments. For unquoted equity securities, where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. The fair value of our unquoted equity holding in African Finance Corporation (AFC) is determined using equity discounted cash flow model. Inputs into the model include estimated future cash flows to equity, valuation horizon and Capital Asset Pricing Model (CAPM) discount rate (Risk free rate plus risk premium).

(c) Fair valuation methods and assumptions

(i) Cash and balances with central banks

Cash and balances with Central banks represent cash held (including mandatory cash reserve requirements of 2014: N508 billion, 2013: N 348 billion) with Central banks of the various jurisdictions in which the Group operates. The fair value of these balances is their carrying amounts.

(ii) Due from other banks

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

(iii) Treasury bills and investment securities

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

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

Other assets represent monetary assets which usually has a short recycle period and as such the fair values of these balances approximate their carrying amount.

(vi) Customer deposits and borrowings

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

3.4 Liquidity risk

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

3.4.1 Liquidity risk management process

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

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

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

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

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

(d) Managing the concentration and profile of debt maturities;

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

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

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

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

The Group maintains adequate liquid assets and marketable securities sufficient to manage any liquidity stress situation. The liquidity ratio remains one of the best among the peer banks and is far above the regulatory limits.

3.4.2 Funding approach

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

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

(i) 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	**Group**	**Bank**	**Bank**
	2014	**2013**	**2014**	**2013**
At December	46.80%	59.26%	48.11%	55.34%
Average for the year	46.95%	56.41%	42.77%	54.24%
Maximum for the year	57.55%	61.96%	49.89%	59.49%
Minimum for the year	37.30%	46.90%	35.99%	47.20%

(ii) Liquidity reserve

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

Group	**2014**	**2014**	**2013**	**2013**
In millions of naira	**Carring value**	**Fair value**	**Carrying value**	**Fair value**
Cash and balances with CBN	244,434	244,434	255,158	255,158
Treasury Bills	295,397	295,397	579,511	579,511
Balances with other banks	232,188	232,188	146,938	146,938
Debt securities	148,673	148,673	197,781	197,781
Total	**920,692**	**920,692**	**1,179,388**	**1,179,388**

Bank	**2014**	**2014**	**2013**	**2013**
In millions of naira	**Carring value**	**Fair value**	**Carrying value**	**Fair value**
Cash and balances with CBN	220,216	220,216	239,167	239,167
Treasury Bills	339,015	339,015	565,668	565,668
Balances with other banks	147,923	147,923	97,257	97,257
Debt securities	123,672	123,672	107,180	107,180
Total	**830,826**	**830,826**	**1,009,272**	**1,009,272**

(iii) Financial assets available to support funding
The table below sets out the availabilty of the Group's financial assets to support future funding

'In millions of Naira
Group

	Note	At 31 December 2014			At 31 December 2013		
		Encumbered	Unencumbered	Total	Encumbered	Unencumbered	Total
Cash and balances with central banks	16	508,146	244,434	752,580	348,693	255,158	603,851
Treasury bills		-	295,397	295,397	-	579,511	579,511
Assets pledged as collateral		151,746	-	151,746	6,930	-	6,930
Due from other banks		-	506,568	506,568	-	256,729	256,729
Loans and advances		-	1,729,507	1,729,507	-	1,251,355	1,251,355
Investment securities		-	200,079	200,079	-	303,125	303,125

'In millions of Naira
Bank

	Note	At 31 December 2014			At 31 December 2013		
		Encumbered	Unencumbered	Total	Encumbered	Unencumbered	Total
		N.'million	N.'milliom	N.'milliom	N.'milliom	N.'milliom	N.'milliom
Cash and balances with central banks	16	508,075	220,216	728,291	348,626	239,167	587,793
Treasury bills		-	253,414	253,414	-	6,930	6,930
Assets pledged as collateral		151,746	-	151,746	6,930	-	6,930
Due from other banks		-	470,139	470,139	-	249,524	249,524
Loans and advances		-	1,580,250	1,580,250	-	1,126,559	1,126,559
Investment securities		-	33,003	33,003	-	24,375	24,375

(iv) Financial assets pledged as collateral

The total financial assets recognised in the statement of financial position that has been pledged as collateral for liabilities as at 31 December 2014 and 2013 as 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.

3.4.3 Liquidity gap analysis

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

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

(a) Group

At 31 December 2014 In millions of Naira	Note	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	Over 1 year	Carrying Amount
Assets							
Cash and balances with central banks	16	229,325	-	-	523,255	-	752,580
Treasury bills		68,010	141,089	54,823	31,475	-	295,397
Assets pledged as collateral	18	19,756	56,699	21,377	50	53,864	151,746
Due from other banks	19	491,746	6,962	2,100	5,074	686	506,568
Derivative assets	20	1,523	2	12,986	2,897	-	17,408
Loans and advances to customers (gross)	21	628,811	111,589	30,161	63,963	923,811	1,758,335
Investment securities	22	-	33,527	31,715	13,763	121,074	200,079
Total assets		1,439,171	349,868	153,162	640,477	1,099,435	3,682,113
Liabilities							
Customer's Deposit	30	2,469,564	66,301	1,140	306	-	2,537,311
Derivatives liabilities	36	1,242	260	4,300	271	-	6,073
On-lending facilities	32	-	-	-	-	68,344	68,344
Borrowings	33	-	67,255	3,302	1,560	125,949	198,066
Debt securities issued	34	-	-	-	-	92,932	92,932
Financial guarantees	42	40,335	118,892	66,143	118,763	283,325	627,458
		2,511,141	252,708	74,885	120,900	570,550	3,530,184
Net liquidity gap		(1,071,970)	97,160	78,277	519,577	528,885	151,929
Cumulative gap		(1,071,970)	(974,810)	(896,533)	(376,956)	151,929	-

At 31 December 2013 In millions of Naira	Note	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	Over 1 year	Carrying Amount
Assets							
Cash and balances with central banks	16	279,040	-	-	324,811	-	603,851
Treasury bills		120,740	234,094	216,731	7,946	-	579,511
Assets pledged as collateral	18	-	-	6,930	-	-	6,930
Due from other banks	19	256,729	-	-	-	-	256,729
Derivative assets	20	2,681	-	-	-	-	2,681
Loans and advances to customers (gross)	21	496,418	69,133	52,286	74,612	583,673	1,276,122
Investment securities	22	-	39,384	151	70,755	192,835	303,125
Assets classified as held for sale	27	-	-	30,454	-	-	30,454
Total assets		1,155,608	342,611	306,552	478,124	776,508	3,059,403
Liabilities							
Customer's deposits	30	2,165,143	94,192	5,282	12,138	-	2,276,755
Liabilities classified as held for sale	35	-	-	14,111	-	-	14,111
On-lending facilities	32	1,309	31,804	2,000	1,560	22,855	59,528
Borrowings	33	-	-	-	-	60,150	60,150
Financial guarantees	42	25,862	87,216	63,615	172,973	299,181	648,847
		2,192,314	213,212	85,008	186,671	382,186	3,059,391
Net liquidity gap		(1,036,706)	129,399	221,544	291,453	394,322	12
Cumulative gap		(1,036,706)	(907,307)	(685,763)	(394,310)	12	-

(a) Bank

At 31 December 2014 In millions of Naira	Note	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	Over 1 year	Carrying Amount
Assets							
Cash and balances with central banks	16	220,216	-	-	508,075	-	728,291
Treasury bills		60,726	118,775	47,250	26,663	-	253,414
Assets pledged as collateral	18	19,756	56,699	21,377	50	53,864	151,746
Due from other banks	19	455,318	6,962	2,100	5,074	685	470,139
Derivative assets	20	1,523	2	12,474	2,897	-	16,896
Loans and advances to customers (gross)	21	606,998	109,254	27,608	56,820	804,901	1,605,581
Investment securities	22	-	-	46,715	8,578	37,539	92,832
Total assets		1,364,537	291,692	157,524	608,157	896,989	3,318,899
Liabilities							
Customer's deposits	30	2,201,626	62,264	1,068	304	-	2,265,262
Derivative liabilities	36	1,242	260	4,300	271	-	6,073
On-lending facilities	32	-	-	-	-	68,344	68,344
Borrowings	33	-	67,255	3,302	1,560	125,949	198,066
Debt securities issued	34	-	-	-	-	92,932	92,932
Financial guarantees	42	38,796	114,356	63,619	114,232	272,517	603,520
		2,241,664	244,135	72,289	116,367	559,742	3,234,197
Net liquidity gap		(877,127)	47,557	85,235	491,790	337,247	84,702
Cumulative gap		(877,127)	(829,570)	(744,335)	(252,545)	84,702	-

At 31 December 2013 In millions of Naira	Note	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	Over 1 year	Carrying Amount
Assets							
Cash and balances with central banks	16	263,693	-	-	324,100	-	587,793
Treasury bills		119,240	233,546	206,136	6,746	-	565,668
Assets pledged as collaterals	18	-	-	6,930	-	-	6,930
Due from other banks	19	249,524	-	-	-	-	249,524
Loans and advances to customers (gross)	21	491,899	54,133	41,196	50,647	510,503	1,148,378
Assets classified as held for sale		-	-	-	4,749	-	4,749
Total assets		1,124,356	287,679	254,262	386,242	510,503	2,563,042
Liabilities							
Customer's deposits	30	1,985,581	84,050	211	10,020	-	2,079,862
Current income tax	13	-	-	-	5,266	-	5,266
On-lending facilities	32	1,309	31,804	2,000	1,560	22,855	59,528
Borrowings	33	-	-	-	-	60,150	60,150
Financial guarantees		25,197	84,974	61,979	168,527	291,490	632,167
		2,012,087	200,828	64,190	185,373	374,495	2,836,973
Net liquidity gap		(887,731)	86,851	190,072	200,869	136,008	(273,931)
Cumulative gap		(887,731)	(800,880)	(610,808)	(409,939)	(273,931)	-

3.5 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 assesments or regulatory requirements.

The Capital Adequacy of the Group is reviewed regularly to meet regulatory requirements and standard of international best practises in order to adopt and implement the decisions necessary to maintain the capital at a level that ensures the realisation of the business plan with a certain safety margin.

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

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

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

Banking subsidiaries in the Group, not incorporated in Nigeria, are directly regulated and supervised by their local banking supervisor and are required to meet the capital requirement directive of the local regulatory jurisdiction. Parental support and guidance are given at the Group level where the risk level in the Group in relation to capital level and adequacy is closely monitored. We support and meet all capital requests from these regulatory jurisdictions and determine the adequacy based on our 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 compellling 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:

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

2. Issue of Shares: The Group can successfully access the capital market to raise desired funds for its operations and needs.

3. Bank Loans (Long Term/short Term).

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% as an International Bank in accordance with the guidelines.

Notes to the Consolidated and Separate Financial Statements for the Year Ended 31 December 2014

The table below shows the computation of the Group's capital adequacy ratio for the year ended 31 December 2014 as well as the 2013 comparatives. During those two years, the individual entities within the Group complied with all of the externally imposed capital requirements to which they are subject.

	Group		Bank	
In millions of Naira	**2014**	**2013**	**2014**	**2013**
Tier 1 capital	**Basel II**	**Basel I**	**Basel II**	**Basel I**
Share capital	15,698	15,698	15,698	15,698
Share premium	255,047	255,047	255,047	255,047
Statutory reserves	78,267	57,762	71,582	57,710
General reserves	-	1,371	-	-
SMEIES reserve	3,729	3,729	3,729	3,729
Retained earnings	183,396	161,144	150,342	126,678
Credit risk reserve	-	10,697	-	10,243
Non- controlling interest	-	4,015	-	-
Total qualifying Tier 1 capital	536,137	509,463	496,398	469,105
Deferred tax assets	(6,449)	(749)	(6,333)	-
Intangible assets	-	(1,935)	-	(1,703)
Investment in uncosolidated banking and financial subsidiaries	-	-	(26,937)	-
Adjusted Total qualifying Tier 1 capital	529,688	506,779	463,128	467,402
Tier 2 capital				
Revaluation reserve - investment	-	3,499	-	3,517
Translation reserve	-	(5,683)	-	-
Other comprehensive income (OCI)	4,229	-	6,066	-
Total qualifying Tier 2 capital	4,229	(2,184)	6,066	3,517
Investment in uncosolidated banking and financial subsidiaries	-	-	(6,066)	-
Net Tier 2 capital	**4,229**	**(2,184)**	**-**	**3,517**
Total regulatory capital	533,917	504,595	463,128	470,919
Risk-weighted assets				
Credit risk	2,187,827	1,950,004	1,970,896	1,796,099
Market risk	7,685	-	2	-
Operational risk	484,443	-	462,264	-
Total risk-weighted assets	2,679,955	1,950,004	2,433,162	1,796,099
Risk-weighted Capital Adequacy Ratio (CAR)	**20 %**	**26 %**	**19 %**	**26 %**

3.6 Operational risk

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

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

Operational risk objectives includes the following:

- To provide clear and consistent direction in all operations of the group
- To provide a standardised framework and appropriate guidelines for creating and managing all operational risk exposures
- To enable the group identify and analyse events (both internal and external) that impact on its business.

The Operational Risk unit constantly carry-out reviews to identify and assess the operational risk inherent in all material products, activities, processes and sytems. It also ensures that all business unit within the Bank monitor their operational risk using set standards and indicators. Siginificant issues and exceptions are reported to Risk Management and are also picked up by the independent risk function for discussion at the risk management committee.

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

There was no significant financial loss resulting from operational risk incidence during the financial year across the group. However, the terorrist activities in the North-East part of Nigeria and the Ebola virus disease (EVD) outbreak in Sierra Leone impacted on business operation in those locations to a certain extent.

3.7 Strategic risk

Strategic risk is possible source of loss that might arise from the pursuit of an unsuccessful business plan.
Strategic risk examines the impact of design and implementation of business models and decisions, on earnings and capital as well as the responsiveness to industry changes. This responsibility is taken quite seriously by the Board and Executive Management of the Group and deliberate steps are taken to ensure that the right models are employed and appropriately communicated to all decision makers in the Group. The execution, processes and constant reviews ensures that strategic objectives are achieved. This has essentially driven the Group’s sound banking culture and performance record to date.

3.8 Legal risk

Legal risk is defined as the risk of loss due to defective contractual arrangements, legal liability (both criminal and civil) incurred during operations by the inability of the organisation to enforce its rights, or by failure to address identified concerns to the appropriate authorities where changes in the law are proposed.

The Group manages this risk by monitoring new legislation, creation of awareness of legislation amongst employees, identification of significant legal risks as well as assessing the potential impact of these.

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

3.9 Reputational risk

It is recognised that the Group’s reputation may suffer adversely due to bad publicity, non-compliance with regulatory rules and legislation, which may lead to a significant drop in new business and/or a significant increase in the number of lapses and/or withdrawals.

The Group promotes sound business ethics among its employees.

The Group also strives to maintain quality customer services and procedures, and business operations that enable compliance with regulatory rules and legislation in order to minimise the risk of a drop in the reputation of the Group.

The Group did not record any issue with major reputational effect in the financial year.

3.10 Taxation risk

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

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

This risk is well managed across the group.

3.11 Regulatory risk

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

The Group has continued to maintain zero tolerance posture for any regulatory breaches in all its area of operations.

3.12 Sustainability Report

Our sustainability journey started with the establishment of the Zenith Philanthropy unit, which was charged with the responsibility of seeking out worthy projects that positively impacts the lives of people and the communities at large. Learning from our long experience in philanthropic community development and support, the Group realized the opportunity to achieve greater impacts by delivering on its community commitment through a more strategic approach and established a Corporate Social Responsibility (CSR) vision and mission.

Later as global awareness on sustainable development became prevalent, the Bank was quick to realize the benefits of sustainability to its core business. Today, we continue to expand on our community initiatives, but are striving to integrate sustainability into everything we do. Under our newly developed sustainability strategy and framework we are working to entrench the Nigerian Sustainability Banking Principles (NSBP) into the DNA of our business. Based on the Nine Principles of the NSBP, we have achieved the following:

3.12.1 Principle 1: Managing environmental and social risks in our business decisions

Our lending policies have been redesigned to ensure that facilities are not extended to industries that engage in illegal activities, pollute the environment, have no proper pollution control methods, are involved in manufacturing and selling arms, as well as those engaged in activities that involve harmful or exploitative forms of forced labour or child labour.

We also have in place an Environmental and Social Management System (ESMS) where the Bank does a social and environmental risk analysis for borrowers and takes measures to avoid, mitigate and minimise the risks identified. The ESMS of the Bank identifies Environmental & Social (E&S) risks in the projects/companies the bank finances and encourages mitigating action by these groups to minimize such risks at a very early stage of the credit evaluation.

3.12.2 Principle 2: Managing the bank's own environmental and social footprints

As a financial institution, Zenith Bank's direct environmental impacts occur through the occupation, operation and maintenance of buildings, fleet, data centres and ATMs. This includes environmental impacts associated with energy use, water use and waste. The bank also bears a burden on outsourced technical activities carried out on its behalf. An example is in the provision of network links, construction activities and advertising.

All required regulations are complied with in outsourcing these services as the providers of solutions and suppliers of equipment's and tools are requested to obtain the necessary licenses and comply with relevant laws and regulations. The internal environmental management developed in Zenith Bank can be illustrated as follows:.

(i) Paper consumption

Paper is one of the most largely consumed natural resources in the bank. It is used both internally and to send information to customers, in advertising, publications, etc. Though the use of paper is relevant; its reduction and rational use is of particular interesting to the bank as regards the environmental impact of our business.

Actions

- Use of Board IQ- Electronic documentation for Board Meetings since 2013

- A co-ordinated campaign to encourage employees to limit their printing.
- Use of Intranet for different information flows (communications to employees, press releases, employees' newssheet, etc.)
- Multi-use envelopes for internal correspondence.
- Use of recycled paper.
- Scanner in branches / offices to digitalize documents.
- Bank statements printed on both sides.
- Correspondence to customers replaced with electronic documents / Sending single receipts to customers / Alerts to cell phones, where possible.
- Reduced paper consumption in statements of account entries in ATMs and use of e-statements.
- Installation of paper and cardboard containers for subsequent collection by external companies for recycling.

(ii) Water consumption

Actions

- Cisterns with optional reduced discharge
- Posters encouraging rational use of water in WC
- Reduced flow in push-button taps
- Renewal of cooling equipment to save on consumption

(iii) Energy consumption

Zenith Bank has taken action to save energy. Apart from the environmental aspect, this also means economic savings. Different initiatives have thus been taken in this regard*:*

- Substitution of low-consumption monitors.
- Automatic shutdown of equipment where possible
- *Replacement of conventional lighting with lights with a greater lighting efficiency*

(iv) Branch Expansion

The bank will continue to drive efficiency in its expanding property portfolio to internationally recognized green building certification system, providing a framework for identifying, and implementing, practical and measurable green building design features. In addition, Zenith bank will:

- Continue to build its flagship buildings to high standards of environmental efficiency
- Promote the reduction in energy consumption in all branches
- Continue to develop the use of renewable technology to reduce carbon emissions
- Use of lower power generating sets at off-peak periods.

(v) Emissions Control

- Travel control
- *Control of emissions in air-conditioning installations according to the Kyoto Protocol*

- Monitoring of generators for efficiency, reduction of emissions and discharges
- Monitoring of noise and vibrations

vi) Waste Control

This section is important to Zenith, although the bank does not produce highly polluting waste, they do produce waste in large quantities. Consequently, the bank contracts specialized firms to collect and recycle that waste.

- Selective waste collection
- Contract with confidential paper destruction and waste management firms
- Toner refills for reuse
- Collection of hazardous waste (fluorescent lights, expired extinguishers, generators batteries)
- Collection of bio-sanitary waste
- Collection of electric/electronic waste for reuse
- Collection of cell phones
- Collection of used batteries
- Collection of rubble at suitable places

Specifically, for electronic waste control, effort is made to encourage recycling of the disposed units at the Ojota dump sitein Lagos where low scale recycling has commenced.

(vii) Actions regarding purchases and suppliers

- They must be committed to aligning their operations with the acceptable standards in the areas of human rights, labour, environment and anti-corruption.
- They must comply with environmental and waste management laws
- Environmentally responsible purchase criteria of material suppliers

(viii) Actions regarding training and awareness

Since Zenith Bank requires vast human resources, the bank has contacts with large numbers of individuals. Thus, Zenith has a huge potential to influence people, promoting environment-friendly habits and conduct. In an effort to increase our employees' environmental conscience and awareness, Zenith Bank has developed several training programmes and actions, including:

- Key Environmental Risk Management unit in the bank and appointment of Environmental Coordinators for the bank.
- Specialized training (technicians, internal auditors, cleaning staff on waste management)
- Environment awareness programmes for all employees. Memorandums encouraging energy saving and reduced consumption
- Environment awareness programmes for new employees
- Employee environment manual in Intranet and environmental procedures. Code of conduct and best practices among employees
- Promotion of volunteer work among employees

ix) Occupational Health and Safety

The health and safety of employees, customers and other stakeholders is of paramount importance to the bank. The group constantly seeks to identify and reduce the potential for accidents or injuries in all its operations. There is on-going training of health and safety officers in line with the bank's health and safety policy. There is also adequate communication of the health and safety policies across the bank to ensure staff are conversant with its content.

3.12.3 Principle 3: Safeguarding Human Rights in our Business Operations and Business Activities.

Zenith Group upholds human rights in our Business Operations and Business Activities, which reflects in our dealings with employees, suppliers and third-party contractors. The Bank remains committed to the protection of human rights in the workforce and will continue to provide a level playing field, giving equal platform for all to thrive.

We recognize the need to promote a diverse workforce as a means to attracting top-flight talent and enhancing our competitive advantage. We further recognize that each employee brings to the workplace experiences and capabilities that are as unique as the individual; hence the bank treats all employees fairly. All employees and applicants for employment will be treated and evaluated according to their job-related skills, qualifications, abilities and aptitudes. Decisions based on attributes unrelated to job performance (for example, race, colour, gender, religion, personal associations, national origin, age, disability, political beliefs, marital status, sexual orientation, and family responsibilities) constitute unlawful discrimination and are prohibited

The recruitment of disabled people is a pivotal aspect of the bank's diversity policy. The bank ensures that all available positions are open to disabled people and as a matter of recruitment priority; the bank encourages qualified disabled persons to apply to join its workforce.

Zenith Bank has developed and disseminated a Code of Conduct policy which is a common reference point for defining how each of us is expected to act when conducting Zenith Bank business. All employees must adhere to the principles and requirements contained in the Code and take reasonable steps to ensure that other individuals or groups that conduct business on behalf of Zenith Bank, including contractors, agents, consultants and other business partners do likewise. Employees must also have a detailed understanding of Zenith Bank policies, procedures and other Bank requirements that apply to their work.

Zenith Bank will only collect and retain personal information that is necessary to meet business requirements, and as permitted by law in places where we operate.

3.12.4 Principle 4: Promoting women's economic participation/empowerment through our Business Activities.

Zenith Group promotes women's economic empowerment through a gender inclusive workplace culture in our Business Operations and seeks to provide products and services designed specifically for women through our Business Activities.

As testament to our belief in female empowerment, the bank consciously took steps to assure that women continue to have access to opportunities within the organisation and are upwardly mobile within the system at all managerial levels within the bank - achievement of 44% female gender balance within management workforce.

Zenith Bank is also implementing female mentoring framework a program under which talented female staff who have distinguished themselves over the years in the employment of Zenith Bank and have demonstrated immense leadership potentials are assigned mentors at the top echelon of the Bank (General Manager to Executive Director level) with a view to groom them for top flight positions within the bank or its subsidiaries right up to board level.

In fulfilment of the Banker's Committee Recommendation on Women Economic Empowerment, the bank shall organize a minimum of one female leadership training at least once annually with a view to maximize the career potential of female employees with high leadership promise. In the coming year, Zenith Bank will create working plans that are flexible so as to assist working mothers contribute meaningfully to the bank whilst also meeting the demanding requirements of a mother. Flexi plans do not imply lower standards for working mothers, rather it provides for flexible working hours around the "core" working hours and employees are allowed to build their working hours around the "core" working hours but the total hours worked is the same for all employees.

The bank will consider partnerships with relevant organizations such as the Women in Business (WIMBIZ) to target promising women entrepreneurs and design products that will effectively meet their needs. Zenith has also empowered female participation in sports with our titled sponsorship of the Zenith National Female Basketball League. Several of the beneficiaries of this initiative now ply their basketball trade in different teams and leagues in the United States and Europe.

3.12.5 Principle 5: Promoting financial inclusion of community and groups with limited access to the formal financial sector.

Zenith Group as a key stakeholder in the Nigerian financial services landscape supports efforts to promote financial inclusion and literacy and views same as a responsibility it owes the un-banked public. We have taken steps to reduce the preponderance of adults without access to suitable financial products and explore opportunities to promote financial literacy.

In Zenith Bank, the overall goal of our financial literacy strategy is to assist the attainment of financial independence and financial stability through the empowerment of citizens with knowledge of various types of financial products and services available;

We realize that some groups are disadvantaged with respect to access to financing. Available data has shown that women, persons with disabilities, vulnerable groups, people in rural areas and the un-banked, etc have limited or no access to credit. Furthermore, an analysis of bank products shows that women and disadvantaged persons tend to be limited to savings (basic) accounts only, thus limiting the velocity and range of transactions that these groups can carry out.

The Bank's has developed some products to support this initiative:

- Zenith Children's Account (ZECA)
- Zenith Integrated Student Account (ZISA)
- Aspire Account
- EazySave Classic Accounts
- EazySave Premium Accounts
- EazyMoney – Mobile Phone enabled
- Agent Banking
- Zenith Mobile Banking

The Bank believes that strategic development and deployment of e-banking products and platforms will be a key competitive factor in the banking industry in Nigeria as these products are expected to enable the Bank to reach out to existing and potential customers even in areas where the Bank may not have a physical presence.

The Bank also anticipates using its e- banking products to gain customers who did not previously use banking services, the so-called 'un- banked' population, by providing easy access to banking services through their mobile telephones. The bank therefore sees its deployment of e-banking services as a key driver to expanding the Bank's Financial Inclusion Strategy.

The Bank is also planning to expand its network of ATM, POS, branches and business offices throughout Nigeria to maintain its position amongst the top five banks in Nigeria.

3.12.6 Principle 6: Meeting the imperatives for good governance, transparency and accountability.

The bank has since established an E&S governance structure in support of its sustainable banking approach. Also, the bank's Environmental Risk Policy and process details clear roles, lines of responsibility, authority and accountability relating to assessing, categorising and managing of environmental risk.

Nevertheless, to further strengthen our governance structure and bring it at par to best practices, we are currently working towards institutionalising the following:

1. The formation of a standalone Sustainability Department.
2. Formation of a Board-level Sustainable Banking Governance Committee to oversee the development of Sustainable Banking commitments.

3.12.7 Principle 7: Supporting capacity building.

Zenith has in the past conducted E&S introductory training for staff of key business units and back-office functions. Some staffs of key departments have also enjoyed external E&S training even though locally. Most recently, we developed a sustainability portal on the intranet for the specific purpose of creating awareness on E&S issues and making available all information relating to the banks E&S governance, policies and processes.

Nevertheless, the bank is working to further improve in our capacity building plan by exploring the following:

1. Developing a tailor-made Sustainable Banking training session specific for Board and senior management.

2. A bank-wide E&S e-learning programme across all levels and operational functions.

3.12.8 Principle 8: Promoting collaborative partnership to accelerate sector progress.

Zenith is a member of UNEP FI and continues to foster other partnership arrangements to accelerate the growth of sustainability within the sector. The Bank played an active role in the development of 'Nigeria Sustainable Banking Principles' in collaboration with other financial institutions. The Bank is also a Member of the Steering Committee on Sustanability.

Other initiatives taken up by the bank include:

- Compliance with building codes and environmental criteria in the construction and management of properties used as business facilities. This includes impact on traffic flow and the layout of the branches.

- The construction and maintenance of roads and other facilities at host communities where we operate. For example construction and maintenance of Ajose Adeogun street where our Head Office is located for over 7years.

- Participate in other CSR activities – Youth Empowerment, provision of laptops to schools, Sports sponsorship, construction of IT Centres, renovation of schools and City Social Centres, etc..

3.12.9 Principle 9: Reporting

As a signatory to the NSBP, Zenith remains fully committed to its reporting framework as mandated by the CBN. We have complied with the CBN's request for one-off reports on the NSBP and will continue to report on the subsequent semi-annual reporting commencing from 2015. While we continue to enhance our E&S methodologies in other to strengthen our internal reporting capacity, we have for the past three (3) years reported exclusively on sustainability in our published annual financials.

Going forward, our strategy is to benchmark and align the extent of the banks sustainability reporting (internal and external) to other international and best practice standards like the Equator Principles and Global Reporting Initiative (GRI).

The Group believes that social and environmental issues will continue to grow in importance in the coming years and Zenith aims to develop a greater understanding of the risks associated with these issues, and the effect they will have on its clients, through investigation and research and, where appropriate, through engagement with relevant industry and regulatory bodies.

4 Critical accounting estimate and judgements

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Impairment losses on loans and advances

The Group reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recognised, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The specific component of total allowance for impairment applies to credits evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgment about a customer's financial situation and the net realizable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimates of cash flows considered recoverable are independently reviewed and approved.

Collectively assessed impairment allowances cover credit losses inherent in portfolios with similar economic characteristics when there is objective evidence to suggest that they contain impaired claims, but the individual impaired items cannot be identified. In assessing the need for collective loan assessment, management considers factors such as credit quality, portfolio size, concentrations, and economic factors. In estimating the required allowance, assumptions are made to define how inherent losses are modelled and to determine the required input parameter, based on historical experience and current economic conditions. The accuracy of allowance depends on how well future cash flows and the model assumptions and parameters are estimated.

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 valuation techniques as described in note 3.3.6(c). 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 valued using : quoted market prices in active markets for similar instruments ; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data

iii) Level 3 : Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instrument that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are requried to reflect differences between the instruments.

4.3 Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant estimates are required in determining the groupwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

4.4 Prudential Adjustments

Provisions under prudential guidelines are determined using the time based provisioning prescribed by the Revised Central Bank of Nigeria (CBN) Prudential Guidelines. This is at variance with the incurred loss model required by IFRS under IAS 39. As a result of the differences in the methodology/provision, there will be variances in the impairments allowances required under the two methodologies.

Paragraph 12.4 of the revised Prudential Guidelines for Deposit Money Banks in Nigeria stipulates that Banks would be required to make provisions for loans as prescribed in the relevant IFRS Standards when IFRS is adopted. However, Banks would be required to comply with the following:

(a) Provisions for loans recognised in the profit and loss account should be determined based on the requirements of IFRS. However, the IFRS provision should be compared with provisions determined under prudential guidelines and the expected impact/changes in general reserves should be treated as follows:

- Prudential Provisions is greater than IFRS provisions; the excess provision resulting should be transferred from the general reserve account to a "regulatory risk reserve".
- Prudential Provisions is less than IFRS provisions; IFRS determined provision is charged to the statement of comprehensive income. The cumulative balance in the regulatory risk reserve is thereafter reversed to the general reserve account

(b) The non-distributable reserve should be classified under Tier 1 as part of the core capital.

In the guidelines to IFRS implementation, the Central Bank of Nigeria (CBN) directed banks to maintain a regulatory credit risk reserve in the event that the impairment on loans determine using the CBN prudential guideline is higher than the impairment determine using IFRS principles. As a result of this directive, the Bank holds total credit risk reserves of N10,243 million as at 31 December 2014.

Provision for loan losses per prudential guidelines

In millions of Naira

		2014	2013
Loans and advances		35,019	30,415
Other financial assets		5,859	6,837
		40,878	37,252
Impairment assessment under IFRS			
Loans and advances			
Specific allowance for impairment	21b	7,480	5,600
Collective allowance for impairment	21b	17,851	16,219
		25,331	21,819
Other financial assets			
Specific allowance for impairment on associated companies	24	1,222	1,222
Specific allowance for impairment on other assets	26	4,637	4,637
		31,190	27,678
Required credit reserve as at year end		**9,688**	**9,574**

Although the expected closing credit risk reserve balance (as per the reconciliation above) is N9.7 billion, the credit risk reserve was left unchanged at N10,243 million because the Bank's directors are of the opinon that it is more prudent to maintain the credit risk reserve at the balance as at 31 December 2014.

5. Segment analysis

The Group's strategic divisions offer different products and services, and are managed seperately based on the Group's management and internal reporting structure. For each of the strategic divisions, the Group's Executive Management (Chief Operating Decision Maker) reviews internal management reports on a monthly basis.

The Group's operations are primarily organised on the basis of its products and service offerings in Nigeria, while the banking operations outside Nigeria are reported seperately for Africa and Europe. The following summary describes each of the Group's reportable segments:

(i) Corporate, Retail Banking and Pension Custodial services - Nigeria

This segment provides a broad range of banking and pension custodial services to a diverse group of corporations, financial institutions, investment funds, governments and individuals.

(ii) Treasury and Investment Management - Nigeria

Provision of investment advisory, financial planning services and investment product offerings (primarily through separately managed accounts such as mutual funds and private investment funds) to a diverse group of institutions and individuals. It also includes brokerage services, financing services and securities lending services to institutional clients, including mutual funds, pension funds and to high-net-worth individuals.

(iii) Outside Nigeria Banking - Africa and Europe

These segments provide a broad range of banking services to a diverse group of corporations, financial institutions, investment funds, governments and individuals outside Nigeria. The reportable segments covers banking operations in other parts of Africa (Ghana, Sierra Leone and The Gambia) and Europe (the United Kingdom).

(iv) All other segments

These segments provide share registration and funds trusteeship services in Nigeria. None of these individual activities or services constitutes a separate reportable segment.

Transactions between the business segments are on normal commercial terms and conditions.

Notes to the Consolidated and Separate Financial Statements for the Year Ended 31 December 2014

In millions of Naira 31 December 2014	Nigeria Corporate retail and pension custodian services (continued operations)	Outside Nigeria Banking Africa (continuing operations)	Outside Nigeria Banking Europe (continuing operations)	Total reportable segments	Eliminations	Consolidated
Revenue:						
Derived from external customers	370,111	24,717	7,690	402,518	-	402,518
Derived from other business segments	7,623	1,913	2,932	12,468	(11,643)	825
Total revenue*	**377,734**	**26,630**	**10,622**	**414,986**	**(11,643)**	**403,343**
Share of profit of associates	-	-	-	-	138	138
Interest expense	(99,439)	(7,640)	(4,963)	(112,042)	5,123	(106,919)
Impairment charge for credit losses	(12,392)	(672)	-	(13,064)	-	(13,064)
Operating and underwriting expenses	(153,141)	(8,064)	(2,491)	(163,696)	(6)	(163,702)
Profit before tax	112,762	10,254	3,168	126,184	(6,388)	119,796
Tax expense	(16,526)	(3,047)	(768)	(20,341)	-	(20,341)
	96,236	**7,207**	**2,400**	**105,843**	**(6,388)**	**99,455**

In millions of Naira 31 December 2014	Nigeria Corporate retail and pension custodian services (continued operations)	Outside Nigeria Banking Africa (continuing operations)	Outside Nigeria Banking Europe (continuing operations)	Total reportable segments	Eliminations	Consolidated
Capital expenditure**	11,603	(94)	38	11,547	-	11,547
Identifiable assets	3,433,382	204,273	297,431	3,935,086	(179,822)	3,755,264
Identifiable liabilities	2,906,097	180,707	263,023	3,349,827	(147,201)	3,202,626

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

In millions of Naira 31 December 2013	Nigeria Corporate retail and pension custodian services (continued operations)	Nigeria All discontinued operations	Outside Nigeria Banking Africa (continuing operations)	Outside Nigeria Banking Europe (continuing operations)	Total reportable segments	Total other segments (Discontinued operations)	Total reportable segments	Eliminations	Consolidated
Revenue:									
Derived from external customers	314,565	14,181	19,124	5,502	339,191	14,181	353,372	-	353,372
Derived from other business segments	1,193	2,139	-	2,976	4,169	2,139	6,308	(8,210)	(1,902)
Total revenue*	**315,758**	**16,320**	**19,124**	**8,478**	**343,360**	**16,320**	**359,680**	**(8,210)**	**351,470**
Share of profit of associates	-	-	-	-	-	-	-	118	118
Interest expense	(68,471)	-	(4,838)	(3,793)	(77,102)	-	(77,102)	6,306	(70,796)
Impairment charge for credit losses	(9,907)	(109)	(1,160)	-	(11,067)	(109)	(11,176)	-	(11,176)
Operating and underwriting expenses	(139,074)	(11,823)	(6,426)	(1,696)	(147,196)	(11,823)	(159,019)	-	(159,019)
Profit before tax	98,306	4,388	6,700	2,989	107,995	4,388	112,383	(1,786)	110,597
Tax expense	(11,622)	(658)	(2,351)	(648)	(14,621)	(658)	(15,279)	-	(15,279)
	86,684	**3,730**	**4,349**	**2,341**	**93,374**	**3,730**	**97,104**	**(1,786)**	**95,318**

In millions of Naira 31 December 2013	Nigeria Corporate retail and pension custodian services (continued operations)	Nigeria All discontinued operations	Outside Nigeria Banking Africa (continuing operations)	Outside Nigeria Banking Europe (continuing operations)	Total reportable segments	Total other segments (Discontinued operations)	Total reportable segments	Eliminations	Consolidated
Capital expenditure**	11,254	657	835	105	12,194	657	12,851	-	12,851
Identifiable assets	2,890,293	30,454	146,692	225,074	3,262,059	30,454	3,292,513	(149,380)	3,143,133
Identifiable liabilities	2,406,847	14,111	127,782	205,399	2,740,028	14,111	2,754,139	(120,257)	2,633,882

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

	Group		Bank	
In millions of Naira	2014	2013	2014	2013

6. Interest and similar income

Inter-bank placements	10,026	11,702	13,266	14,515
Treasury bills	56,463	77,728	47,781	76,307
Government and other bonds	31,997	35,947	23,583	26,322
Derivative held for risk management	1,972	-	-	-
Loans and advances to customers	212,964	145,161	200,541	137,187
	313,422	**270,538**	**285,171**	**254,331**

Total interest income, calculated using the effective interest rate method reported above that relates to financial assets not carried at fair value through profit or loss are N 310,301 million (2013: N 269,760) and N 283,704 (2013: N 253,553) for Group and Bank respectively.

Included in interest income on loans and advances are amounts totalling N2,752 million (2013: N3,160 million) and N2,315 million (2013: N2,022 million) for the Group and Bank respectively which represent interest incomes on impaired financial assets, recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

7. Interest and similar expense

Current accounts	4,020	4,223	3,940	4,159
Savings accounts	6,183	3,825	6,128	3,772
Time deposits	85,156	58,812	80,844	59,082
Inter-bank takings	3,033	2,478	-	-
Borrowed funds	8,527	1,458	8,527	1,458
	106,919	**70,796**	**99,439**	**68,471**

Total interest expense, calculated using the effective interest rate method reported above does not include interest income on financial liabilities carried at fair value through profit or loss.

8. Impairment charge for credit losses

Overdraft (see note 21)	10,929	8,059	10,257	6,899
Term loans (see note 21)	2,145	2,774	2,145	2,774
On lending (see note 21)	-	179	-	179
Advances under finance lease (see note 21)	(10)	55	(10)	55
	13,064	**11,067**	**12,392**	**9,907**

9. Fee and commission income

Credit related fees	16,251	11,206	13,664	9,033
Commission on turnover	27,165	27,033	26,168	26,076
Income from financial guarantee contracts issued	2,776	2,525	2,559	2,304
Fees on electronic products	2,686	2,509	2,391	2,411
Foreign currency transaction fees and commissions	1,718	1,329	1,231	1,167
Asset based fees	4,345	3,253	-	-
Auction fees income	3,065	-	3,065	-
Corporate finance fees	6,001	5,682	5,797	5,519
Foreign withdrawal charges	4,903	-	4,903	-
Other fees and commissions	1,602	1,471	1,047	3,064
	70,512	**55,008**	**60,825**	**49,574**

	Group		Bank	
In millions of Naira	2014	2013	2014	2013

9. Fee and commission income (continued)

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

10. Trading income

	Group 2014	Group 2013	Bank 2014	Bank 2013
Foreign exchange trading income	14,074	4,263	14,062	4,260
Treasury bill trading income	1,467	778	1,467	778
Bond trading income	336	64	336	39
	15,877	**5,105**	**15,865**	**5,077**

Foreign exchange trading income is principally made up of trading income on foreign currencies, as well as gains and losses from revaluation of trading position. The amount reported above are totally from financial assets carried at fair value throught profit or loss.

11. Other income

	Group 2014	Group 2013	Bank 2014	Bank 2013
Dividend income from equity investments	455	303	455	303
Gain on disposal of property and equipment	153	151	151	124
Gain on disposal of subsidiary	510	-	7,033	-
Income on cash handling	246	227	246	227
Rental income	-	73	-	73
Foreign currency revaluation gain	2,168	3,745	2,269	1,566
	3,532	**4,499**	**10,154**	**2,293**

Revaluation income includes realised revaluation gain.

12. Operating expenses

	Group 2014	Group 2013	Bank 2014	Bank 2013
Auditors' remuneration	460	420	391	329
Directors' emoluments (see note 39)	630	675	425	429
Deposit insurance premium	9,375	8,279	9,375	8,279
Professional fees	2,671	1,891	2,347	1,621
Training and development	2,322	1,421	2,215	1,339
Information technology	3,368	3,389	3,126	3,154
Operating lease	2,529	2,496	1,928	1,882
Advertisement	4,543	3,370	4,419	3,241
Bank charges	853	1,166	753	1,025
Fuel and maintenance	10,629	9,472	8,812	8,604
Insurance	1,287	1,335	1,225	1,280
Licenses, registrations and subscriptions	2,457	2,383	2,323	2,242
Travel and hotel expenses	1,348	1,154	989	824
Printing and stationery	956	1,148	736	948
Security and cash handling	10,373	12,609	10,224	12,480
Expenses on electronic products	4,218	2,954	4,096	2,892
AMCON premium	14,393	17,553	14,393	17,553
Telephone and postages	2,372	2,229	2,372	2,229
Corporate promotions	1,008	1,028	1,008	1,028
Other expenses	5,775	1,555	4,209	687
	81,567	**76,527**	**75,366**	**72,066**

	Group		Bank	
In millions of Naira	2014	2013	2014	2013

13. Taxation

Major components of the tax expense

	Group 2014	Group 2013	Bank 2014	Bank 2013
(a) Minimum tax expense (see note(c)(i) below)	-	2,663	-	2,663
(b) Income tax expense				
Corporate tax	8,512	4,363	4,174	-
Information technology tax	1,068	941	1,068	941
Excess dividend tax (see note (c)(ii) below)	13,299	11,773	13,299	11,773
Prior year over provision	1,628	-	1,628	-
Education tax	826	-	826	-
CGT on Subsidiary disposal	708	-	708	-
Current income tax - current period	26,041	17,077	21,703	12,714
Origination/reversal of temporry deferred tax differences	(5,700)	(5,119)	(6,333)	(4,683)
Income tax expense from continuing operations	20,341	11,958	15,370	8,031
Income tax from discontinued operations	-	658	-	-
Total income tax	**20,341**	**12,616**	**15,370**	**8,031**

The movement in the current income tax payable balance is as follows:

	Group 2014	Group 2013	Bank 2014	Bank 2013
At start of the year	7,017	6,577	5,266	5,071
Tax paid(continuing operations)	(23,649)	(18,690)	(19,260)	(15,182)
Tax effect of translation	-	(610)	-	-
Minimum tax	-	2,663	-	2,663
Income tax charge	26,674	17,077	21,703	12,714
At end of the year	10,042	7,017	7,709	5,266

c (i) The bank was assessed based on the minimum tax legislation for the year ended 31 December 2013 because of a tax exemption granted via Companies Income Tax (Exemption of Bonds and Short Term Government Securities) Order, 2011 as contained in a gazette issued by the President of the Federal Republic of Nigeria, which took effect from 2 January 2012.

The Order exempts all interests earned on Bonds (Federal, state, local and corporate bodies including supra-nationals) and other short term securities such as Treasury Bills and Promissory Notes from being subjected to tax imposed under the Companies Income Tax Act. The Order is valid for a period of 10 years from the effective date of the Order, except for Bonds issued by the Federal Government, which will continue to enjoy the exemption.

A significant portion of the Bank's income derives from short-term securities and government bonds, and as a result, the Bank's current income tax assessment for the year under review yields a tax credit in its favour. Consequently, the Bank has applied the provisions of the Companies Income Tax Act that mandate a minimum tax assessment, where a tax payer does not have any tax liability arising from its tax assessment.

c(ii) During the year, the Bank was liable to excess dividend tax of N16.48 billion, representing 30% of N54.9 billion dividend paid as the Nigerian tax laws requires companies to pay tax calculated at 30% of the higher of taxable profit and dividend paid. However, in the 2013 financial statements, the Bank only accrued for tax of N2.66 billion (see note 13a above) based on minimum tax rule, as the Bank did not have taxable profit and the dividend was not yet approved as at the reporting date. Therefore, total income tax paid in 2014 was N15.96 billion, which was net of tax credits amounting to N 0.521 billion. The difference between total tax paid and minimum tax accrued which amounted to N13.3 billion (see note 13b above) was charged as tax expense in 2014 financial statements.

13. Taxation (continued)

Reconciliation of effective tax rate

	Group		Bank	
In millions of Naira	2014	2013	2014	2013
Profit before income tax	119,796	110,597	107,849	94,108
Tax calculated at the weighted average Group rate of 30% (2013: 30%)	35,939	33,179	32,355	28,232
Tax effect of adjustments on taxable income				
Prior year under provision	1,628	-	1,628	-
Effect of tax rates in foreign jurisdictions	-	(610)	-	-
Non-deductable expenses	7,825	5,284	6,446	4,496
Tax exempt income	(26,084)	(32,262)	(26,084)	(32,159)
Balancing charge	50	41	50	41
Tax loss effect	-	(328)	(8)	(328)
Tax effect Information technology levy	(320)	(283)	(320)	(282)
Information technology levy	1,068	941	1,068	941
Deferred tax	(6,333)	(5,119)	(6,333)	(4,683)
Excess dividend tax paid	13,299	11,773	13,299	11,773
Minimum tax	-	2,663	-	2,663
Utilised capital allowance	(8,265)	-	(8,265)	-
Education tax	826	-	826	-
CGT on disposal of subsidiary	708	-	708	-
Tax expense	**20,341**	**15,279**	**15,370**	**10,694**

Tax charge as a percentage of profit before tax	%	%	%	%
Tax rate computation	13.00	13.80	14.30	11.40
Effect of tax rates in foreign jurisdictions	-	1.00	-	-
Non-deductible expenses	(6.00)	(4.80)	(6.00)	(4.80)
Tax exempt income	25.50	29.20	24.20	34.20
Balancing charge	-	(0.09)	-	-
Tax loss effect	-	0.30	-	0.30
Tax effect Information technology levy	0.30	0.30	0.30	0.30
Information technology tax levy	(1.00)	(0.90)	(1.00)	(1.00)
Deferred tax	5.90	4.60	5.90	5.00
Excess dividend tax paid	(12.30)	(10.60)	(12.30)	(12.50)
Minimum tax	-	(2.40)	-	(2.80)
Utilised capital allowance	7.70	-	7.70	-
Prior year under provision	(1.50)	-	(1.50)	-
Education tax	(0.80)	-	(0.80)	-
CGT on disposal of subsidiary	(0.70)	-	(0.70)	-
Standard rate of tax	**30**	**30**	**30**	**30**

	Group		Bank	
In millions of Naira	2014	2013	2014	2013

14. Discontinued operations

Profit for the year from discontinued operations				
Interest and similar income	-	2,349	-	-
Net interest income	-	2,349	-	-
Impairment charge for credit losses	-	(109)	-	-
Net interest income after impairment charge for credit losses	-	2,240	-	-
Fee and commission income	-	253	-	-
Underwriting profit	-	4,270	-	-
Gross premium income	-	10,527	-	-
Reinsurances/ coinsurances	-	(2,550)	-	-
Net premiums underwritten	-	7,977	-	-
Commission earned	-	644	-	-
Claims recovered	-	2,367	-	-
Claim expenses	-	(5,208)	-	-
Acquisition costs	-	(1,344)	-	-
Transfer to/ (from) profit and loss	-	(166)	-	-
Other income	-	180	-	-
Operating expenses	-	(2,555)	-	-
Profit before tax on discontinued operations	-	4,388	-	-
Taxation	-	(658)	-	-
Profit after tax on discontinued operations	**-**	**3,730**	**-**	**-**
Basic earnings per share (discontinued operations)	**- k**	**12 k**	**-**	**-**

In 2011 the Group commmitted to a plan to sell all its non banking susidiaries with the exception of Zenith Pension Custodian Limited. This is in response to the Banking Reforms of the Central Bank of Nigeria which abolished the Universal Banking Regime in Nigeria. From 2011 to 2013, the subsidiaries designated for disposal were presented as discontinued operations in the financial statement. The related assets and liabilities of the discontinued operations were classified as held for sale and were disclosed in notes 27 and 35 respectively of those financial statement. In 2014, the subsidiaries held for sale were substantially disposed leaving 19% holding in Zenith General Insurance Limited and 10% in both Zenith Capital Limited and Zenith Securities Limited. Subsequently, Zenith General Insurance Limited has been designated as investement carried at fair value through other comprehensive income and others designated as other equity instruments at cost.

15. Earnings per share

Basic earnings per share

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

Profit attributable to shareholders of the Bank (total operations) (N'million)	99,275	94,576	92,479	83,414
Profit attributable to shareholders of the Bank (continuing operations) (N'million)	99,275	91,411	92,479	83,414
Number of shares in issue at end of the period (millions)	31,396	31,396	31,396	31,396
Weighted average number of ordinary shares in issue (millions)	31,396	31,396	31,396	31,396
Basic and diluted earnings per share (total operations)	316k	301k	295k	266k
Basic and diluted earnings per share (continuing operations)	316k	291k	295k	266k

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

	Group		Bank	
In millions of Naira	2014	2013	2014	2013

16. Cash and balances with central banks

Cash and cash equivalents consist of:

Cash	70,084	44,512	63,792	38,521
Operating accounts with Central Banks	174,350	210,646	156,424	200,646
Mandatory reserve deposits with central bank (cash reserves)	508,146	348,693	508,075	348,626
	752,580	**603,851**	**728,291**	**587,793**

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

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates.

17 Treasury bills

Treasury bills (FVTPL)	1,162	-	1,162	-
Treasury bills (Amortized cost)	294,235	579,511	252,252	565,668
	295,397	**579,511**	**253,414**	**565,668**
Classified as:				
Current	295,397	579,511	253,414	565,668
Non-current	-	-	-	-
	295,397	**579,511**	**253,414**	**565,668**
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 44).	214,721	354,834	181,498	352,786

18. Assets pleged as collateral

Treasury bills	85,601	6,930	85,601	6,930
Government bonds	66,145	-	66,145	-
	151,746	**6,930**	**151,746**	**6,930**

The above Assets were pledged as collateral to Nigeria interbank Settlement System (NIBBS), Federal Inland Revenue Services, V-Pay, E-Trazact International Limited, Interswitch Limited, the bank of industries (Nigeria) for on-lending facilities, J P morgan.

19. Due from other banks

Current balances with banks within Nigeria	54	11,384	-	-
Current balances with banks outside Nigeria	274,380	109,791	322,216	152,267
Placements with banks and discount houses	232,134	135,554	147,923	97,257
	506,568	**256,729**	**470,139**	**249,524**

	Group		Bank	
In millions of Naira	2014	2013	2014	2013
Classified as:				
Current	505,882	-	469,454	-
Non-current	686	256,729	685	249,524
	506,568	**256,729**	**470,139**	**249,524**

b. Included in balances with banks outside Nigeria is the amount of N84.88 billion and N84.85 billion for the Group and Bank respectively (2013: N32.28 billion for both Group and Bank) 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 31). These balances are not available for the day to day operations of the Group.

20. Derivative assets

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 valuation techniques. In many cases, all significant inputs into the valuation techniques are wholly observable-e.g with reference to similar transactions in the wholesale dealer market.

During the year, various forward contracts entered into by the Group generated net gains of N10.83billion which were recognized in the statement of comprehensive income. These net gains related to the fair value of the forward contracts, producing derivative assets and liabilities of 16.9bn and 6.07bn respectively.

Derivative assets held for risk management purposes

The Group used cross-currency swaps to hedge its foreign currency risks arising from its indebtedness in foreign currency. Included in the derivative assets in note is the fair value of the swap derivative at the reporting date.

During the year, net gains after tax of N512m (GH¢ 8.55M) relating to the fair value of the swap were recognized in the statement of comprehensive income against swap exposure of USD 200M (2013: USD 225M) at the reporting date. The fair value gains were also reported as part of the derivative assets.

All derivative assets are current.

21. Loans and advances

Overdrafts	493,463	351,642	451,318	321,361
Term loans	1,171,848	858,389	1,061,373	761,183
On-lending facilities	80,024	52,693	80,024	52,693
Advances under finance lease	13,000	13,398	12,866	13,141
Gross loans and advances to customers	1,758,335	1,276,122	1,605,581	1,148,378
Less: Allowance for impairment	(28,828)	(24,767)	(25,331)	(21,819)
Specific allowances for impairment	(10,065)	(7,972)	(7,480)	(5,600)
Collective allowance for impairment	(18,763)	(16,795)	(17,851)	(16,219)
	1,729,507	**1,251,355**	**1,580,250**	**1,126,559**

Overdrafts

Gross Overdrafts	493,463	351,642	451,318	321,361
Less: Allowances for impairment	(19,943)	(15,634)	(16,445)	(12,890)
Specific allowances for impairment	(7,372)	(5,867)	(4,787)	(3,695)
Collective allowance for impairment	(12,571)	(9,767)	(11,659)	(9,195)
	473,520	**336,008**	**434,872**	**308,471**

	Group		Bank	
In millions of Naira	2014	2013	2014	2013
Term loans				
Gross Term loans	1,171,848	858,389	1,061,373	761,510
Less: Allowances for impairment	(8,432)	(8,280)	(8,432)	(8,076)
Specific allowances for impairment	(2,693)	(1,926)	(2,693)	(1,726)
Collective allowance for impairment	(5,739)	(6,354)	(5,739)	(6,350)
	1,163,416	**850,109**	**1,052,941**	**753,434**
On-lending facilities				
Gross On-lending facilities	80,024	52,693	80,024	52,693
Less: Allowances for impairment	(397)	(714)	(397)	(714)
Specific allowances for impairment	-	(179)	-	(179)
Collective allowance for impairment	(397)	(535)	(397)	(535)
	79,627	**51,979**	**79,627**	**51,979**
Advances under finance lease				
Net investment in finance lease	13,000	13,398	12,866	13,141
Less: collective allowance for impairment	(56)	(139)	(56)	(139)
	12,944	**13,259**	**12,810**	**13,002**
Gross Loans classified as:				
Current	834,524	692,449	692,758	637,875
Non-current	923,811	583,673	912,823	510,503
	1,758,335	**1,276,122**	**1,605,581**	**1,148,378**

In millions of Naira

Reconciliation of impairment allowance on loans and advances to customers:
Group

	Overdrafts	Term loans	On-lending facilities	Advances under finance lease	Total
Balance at 1 January 2014	15,634	8,280	714	139	24,767
Specific impairment	5,867	1,926	179	-	7,972
Collective impairment	9,767	6,354	535	139	16,795
Additional impairment for the year (See note 8)	10,929	2,145	-	(10)	13,064
Specific impairment	-	2,145	-	-	2,145
Collective impairment	10,929	-	-	(10)	10,919
Write-backs	347	-	-	-	347
Write-offs (specific)	(5,659)	(269)	-	-	(5,928)
Write-offs (collective)	(1,308)	(1,724)	(317)	(73)	(3,422)
Balance at 31 December 2014	**19,943**	**8,432**	**397**	**56**	**28,828**
Specific impairment	7,372	2,693	-	-	10,065
Collective impairment	12,571	5,739	397	56	18,763
Balance at 1 January 2013	17,896	5,875	857	84	24,712
Specific impairment	9,713	888	-	-	10,601
Collective impairment	8,183	4,987	857	84	14,111
Additional impairment for the year (See note 8)	8,059	2,774	179	55	11,067
Specific impairment	5,136	990	179	-	6,305
Collective impairment	2,923	1,784	-	55	4,762
Write-backs	2	45	-	-	47
Foreign currency translation and other adjustments	(526)	3	-	-	(523)
Write-offs (specific)	(8,458)	-	-	-	(8,458)
Write-offs (collective)	(1,339)	(417)	(322)	-	(2,078)
Balance at 31 December 2013	**15,634**	**8,280**	**714**	**139**	**24,767**

* Impaired loans that are not individually significant are included in the collective impairment. Therefore, when such loans are written off, the cumulative impairment on them are taken from the collective impairment reserve.

In millions of Naira

Reconciliation of impairment allowance on loans and advances to customers:

Bank

	Overdrafts	Term loans	On-lending facilities	Advances under finance lease	Total
Balance at 1 January 2014	12,890	8,076	714	139	21,819
Specific impairment	3,695	1,726	179	-	5,600
Collective impairment	9,195	6,350	535	139	16,219
Additional impairment for the year (See note 8)	10,257	2,145	-	(10)	12,392
Specific impairment	-	2,145	-	-	2,145
Collective impairment	10,257	-	-	(10)	10,247
Amounts recovered during the year	347	-	-	-	347
Write-offs (Specific)	(5,725)	(265)	-	-	(5,990)
Write-offs (Collective)	(1,323)	(1,524)	(317)	(73)	(3,237)
Balance at 31 December 2014	**16,446**	**8,432**	**397**	**56**	**25,331**
Specific impairment	4,787	2,693	-	-	7,480
Collective impairment	11,659	5,739	397	56	17,851
Balance at 1 January 2013	14,777	5,719	857	84	21,437
Specific impairment	7,634	734	-	-	8,368
Collective impairment	7,143	4,985	857	84	13,069
Additional impairment for the year (See note 8)	6,899	2,774	179	55	9,907
Specific impairment	3,508	992	179	-	4,679
Collective impairment	3,391	1,782	-	55	5,228
Write-offs (Specific)	(7,447)	-	-	-	(7,447)
Write-offs (Collective)	(1,339)	(417)	(322)	-	(2,078)
Balance at 31 December 2013	**12,890**	**8,076**	**714**	**139**	**21,819**

* Impaired loans that are not individually significant are included in the collective impairment. Therefore, when such loans are written off, the cumulative impairment on them are taken from the collective impairment reserve.

	Group		Bank	
In millions of Naira	2014	2013	2014	2013
Advances under finance lease				
Gross investment	14,978	19,381	14,824	19,058
Less: Unearned income	(1,978)	(5,983)	(1,958)	(5,917)
Net Investment	13,000	13,398	12,866	13,141
The net investment may be analysed as follows:				
No later than 1 year	1,947	2,177	1,925	2,062
Later than 1 year and no later than 5 years	11,053	11,221	10,941	11,079
	13,000	**13,398**	**12,866**	**13,141**
Reconciliation of gross investment to minimum lease rental payments				
Gross investment	18,808	19,381	18,659	19,058
Less: Unearned income	(5,808)	(5,983)	(5,793)	(5,917)
Net Investment	13,000	13,398	12,866	13,141
Impaiment on leases	(66)	(139)	(66)	(139)
Present value of minimum lease payments	**12,934**	**13,259**	**12,800**	**13,002**
The nature of security in respect of loans and advances is as follows:				
Secured against real estate	215,506	177,379	214,165	152,379
Secured by shares of quoted companies	4,814	32,482	4,814	17,482
Cash collateral, lien over fixed and floating assets,e.t.c	1,016,830	838,422	867,594	788,422
Unsecured	521,185	227,839	519,008	190,095
	1,758,335	**1,276,122**	**1,605,581**	**1,148,378**

	Group		Bank	
In millions of Naira	2014	2013	2014	2013

22. Investment securities

Analysis of investments				
Debt securities (measured at amortised cost)	186,544	290,191	79,469	201,280
Debt securities (measured at fair value through profit or loss)	-	2,280	-	589
Equity securities (measured at fair value through other comprehensive income)	13,535	10,654	13,363	10,654
	200,079	**303,125**	**92,832**	**212,523**
Classified as:				
Current	94,065	110,290	55,293	103,633
Non-current	106,014	192,835	37,539	108,890
	200,079	**303,125**	**92,832**	**212,523**

The Group holds equity investments 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.

(b.) Movement in investment securities

The movement in investment securities may be summarised as follows:

Group

	Debt securities at fair value through profit and loss	**Debt securities at amortised cost**	**Equity securities at fair value through other comprehensive income**	**Total**
At 1 January 2014	2,280	290,191	10,654	303,125
Exchange differences	(25)	(1,415)	-	(1,440)
Additions	-	58,195	-	58,195
Disposals (sale and redemption)	(2,591)	(178,796)	-	(181,387)
Gains from changes in fair value recognised in profit or loss	336	-	332	668
Gains from changes in fair value recognised in other comprehensive income	-	-	2,549	2,549
Interest accrued	-	31,997	-	31,997
Coupon received	-	(13,628)	-	(13,628)
At 31 December 2014	**-**	**186,544**	**13,535**	**200,079**
At 1 January 2013	-	289,938	9,405	299,343
Exchange differences	71	(1,318)	-	(1,247)
Additions	172,320	109,387	700	282,407
Disposals (sale and redemption)	(170,178)	(112,101)	-	(282,279)
Gains from changes in fair value recognised in profit or loss (Note10)	64	-	-	64
Gains from changes in fair value recognised in other comprehensive income	-	-	549	549
Interest accrued	166	35,947	-	36,113
Coupon received	(163)	(31,662)	-	(31,825)
At 31 December 2013	**2,280**	**290,191**	**10,654**	**303,125**

	Group		Bank	
In millions of Naira	2014	2013	2014	2013

The movement in investment securities may be summarised as follows:

Bank

	Debt securities at fair value through profit and loss	Debt securities at amortised cost	Equity securities at fair value through other comprehensive income	Total
At 1 January 2014	589	201,280	10,654	212,523
Additions	-	46,351	-	46,351
Disposals (sale and redemption)	(925)	(178,796)	-	(179,721)
Gains from changes in fair value recognised in profit or loss	336	-	160	496
Gains from changes in fair value recognised in other comprehensive income	-	-	2,549	2,549
Interest accrued	-	23,583	-	23,583
Coupon received	-	(12,949)	-	(12,949)
At 31 December 2014	**-**	**79,469**	**13,363**	**92,832**
At 1 January 2013	-	247,500	9,405	256,905
Additions	169,217	53,408	700	223,325
Disposals (sale and redemption)	(168,670)	(99,329)	-	(267,999)
Gains from changes in fair value recognised in profit or loss	39	-	-	39
Gains from changes in fair value recognised in other comprehensive income	-	-	549	549
Interest accrued	166	26,322	-	26,488
Coupon received	(163)	(26,621)	-	(26,784)
At 31 December 2013	**589**	**201,280**	**10,654**	**212,523**

23. 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	2014 Ownership interest %	Carrying amount 2014	Carrying amount 2013
Zenith Bank (Ghana) Limited	98.0700	6,444	6,444
Zenith Bank (UK) Limited	100.0000	21,482	13,307
Zenith Bank (Sierra Leone) Limited	99.9900	2,059	1,606
Zenith Bank (Gambia) Limited	99.9600	1,038	1,038
Zenith Pensions Custodian Limited	99.0000	1,980	1,980
		33,003	24,375

All investments in subsidiaries are non-current.

23. Investment in subsidiaries (continued)

b. Condensed results of consolidated entities from continuing operations

In millions of Naira 31 December 2014	Zenith Group	Elimination entries	Zenith Bank Plc	Zenith Bank Ghana	Zenith Bank UK	Zenith Bank SierraLeone	Zenith Bank Gambia	Zenith Pension Custodian
Condensed statement of profit or loss								
Operating income	403,343	(5,121)	372,015	25,128	10,622	816	686	5,720
Income from equity accounted investments	138	-	-	-	-	-	-	-
Operating expenses	(270,621)	5,121	(251,774)	(14,076)	(7,454)	(1,084)	(548)	(806)
Provision expense	(13,064)	-	(12,392)	(666)	-	(4)	(2)	-
Profit before tax	119,796	-	107,849	10,386	3,168	(272)	136	4,914
Taxation	(20,341)	-	(15,370)	(2,987)	(768)	(2)	(58)	(1,156)
Profit for the year	**99,455**	**-**	**92,479**	**7,399**	**2,400**	**(274)**	**78**	**3,758**
Condensed statement of financial position								
Assets								
Cash and balances with central banks	752,580	-	728,291	22,023	10	1,124	1,128	4
Treasury bills	295,397	1	253,414	33,226	-	6,721	2,035	-
Assets pledged as collateral	151,746	-	151,746	-	-	-	-	-
Due from other banks	506,568	(89,629)	470,139	14,578	90,841	3,655	1,875	15,109
Derivative asset held for risk management	17,408	-	16,896	512	-	-	-	-
Loans and advances	1,729,507	-	1,580,250	70,082	77,895	816	464	-
Investment securities	200,079	171	92,832	43,630	63,446	-	-	-
Investment in subsidiaries	-	(33,003)	33,003	-	-	-	-	-
Investments in associates	302	212	90	-	-	-	-	-
Deferred tax asset	6,449	76	6,333	-	40	-	-	-
Other assets	21,455	(63,983)	19,393	414	64,903	144	98	486
Property, plant and equipment	71,571	-	69,531	1,205	100	277	201	257
Intangible assets	2,202	-	1,901	-	195	4	60	42
	3,755,264	**(186,155)**	**3,423,819**	**185,670**	**297,430**	**12,741**	**5,861**	**15,898**

23. Investment in subsidiaries (continued)

In millions of Naira 31 December 2014	Zenith Group	Elimination entries	Zenith Bank Plc	Zenith Bank Ghana	Zenith Bank UK	Zenith Bank SierraLeone	Zenith Bank Gambia	Zenith Pension Custodian
Liabilities & Equity								
Customer deposits	2,537,311	(15,108)	2,265,262	157,972	114,007	11,016	4,162	-
Derivative liabilities	6,073	-	6,073	-	-	-	-	-
Current income tax	10,042	-	7,709	1,123	-	15	45	1,150
Deferred income tax liabilities	-	(394)	-	340	-	-	34	20
Other liabilities	289,858	(132,225)	272,726	5,642	142,742	266	561	146
On-lending facilities	68,344	-	68,344	-	-	-	-	-
Borrowings	198,066	-	198,066	-	-	-	-	-
Debt securities issued	92,932	-	92,932	-	-	-	-	-
Equity and reserves	552,638	(29,136)	512,707	21,063	34,408	1,444	1,059	11,093
	3,755,264	**(176,863)**	**3,423,819**	**186,140**	**291,157**	**12,741**	**5,861**	**12,409**
Condensed cash flow								
Net cash from operating activities	(20,037)	(29,986)	(51,884)	12,925	38,851	4,485	1,431	4,141
Net cash from financing activities	95,300	(5,779)	91,789	-	9,290	-	-	-
Net cash from investing activities	1,473	18,005	(9,529)	(468)	(6,733)	513	(40)	(275)
Increase in cash and cash equivalents	**76,736**	**(17,760)**	**30,376**	**12,457**	**41,408**	**4,998**	**1,391**	**3,866**
Cash and cash equivalents								
At start of year	866,721	(47,274)	841,477	23,883	36,045	6,479	1,593	4,518
Cash and cash equivalents from discontinued operations	24,595	24,595	-	-	-	-	-	-
Exchange rate movements on cash and cash equivalents	(2,329)	(2,329)	-	-	-	-	-	-
At end of year	965,723	(42,768)	871,853	36,340	77,453	11,477	2,984	8,384
	76,736	(17,760)	30,376	12,457	41,408	4,998	1,391	3,866
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**

23. Investment in subsidiaries (continued)

In millions of Naira 31 December 2013	Zenith Group	Elimination entries	Zenith Bank Plc	Zenith Bank (Ghana) Limited	Zenith Bank (UK) Limited	Zenith Bank SierraLeone Limited	Zenith Bank (Gambia) Limited	Zenith Pension Custodian Limited
Condensed statement of profit or loss								
Operating income	335,150	(6,307)	309,371	17,745	8,473	795	585	4,484
Share of profit of associate	118	-	-	-	-	-	-	-
Dividends received	-	-	1,904	-	-	-	-	-
Operating expenses	(217,992)	6,308	(207,260)	(10,030)	(5,489)	(664)	(524)	(287)
Provision expense	(11,067)	-	(9,907)	(1,139)	-	-	(21)	-
Profit before tax	106,209	1	94,108	6,576	2,984	131	40	4,197
Taxation	(14,621)	-	(10,695)	(2,275)	(648)	(45)	(32)	(926)
Profit for the year	**91,588**	**1**	**83,413**	**4,301**	**2,336**	**86**	**8**	**3,271**
Condensed statement of financial position								
Assets								
Cash and balances with central banks	603,851	(3,004)	587,793	8,892	8,775	992	403	-
Treasury bills	579,511	-	565,668	8,517	468	3,212	1,646	-
Assets pledged as collateral	6,930	-	6,930	-	-	-	-	-
Due from other banks	256,729	(61,651)	249,524	18,162	34,660	3,491	1,162	11,381
Derivative asset held for risk management	2,681	-	-	-	-	-	-	-
Loans and advances	1,251,355	1,982	1,126,559	46,271	74,961	738	844	-
Assets classified as held for sale	30,454	25,705	4,749	-	-	-	-	-
Investment securities	303,125	-	212,523	41,070	49,532	-	-	-
Investment in subsidiaries	-	(24,375)	24,375	-	-	-	-	-
Investments in associates	165	75	90	-	-	-	-	-
Deferred tax asset	749	670	-	40	39	-	-	-
Other assets	36,238	(55,604)	31,415	3,373	56,380	216	67	391
Property, plant and equipment	69,410	2	67,364	1,249	135	313	213	134
Intangible assets	1,935	(1)	1,703	-	125	8	59	41
	3,143,133	**(116,201)**	**2,878,693**	**127,574**	**225,075**	**8,970**	**4,394**	**11,947**

23. Investment in subsidiaries (continued)

In millions of Naira 31 December 2013	Zenith Group	Elimination entries	Zenith Bank Plc	Zenith Bank (Ghana) Limited	Zenith Bank (UK) Limited	Zenith Bank (SierraLeone) Limited	Zenith Bank (Gambia) Limited	Zenith Pension Custodian Limited
Liabilities & Equity								
Customer deposits	2,276,755	(17,827)	2,079,862	111,474	92,723	7,592	2,931	-
Liabilities classified as held for sale	14,111	14,111	-	-	-	-	-	-
Current income tax	7,017	-	5,266	726	-	45	19	961
Deferred income tax liabilities	678	670	-	-	-	-	-	8
Other liabilities	215,643	(100,449)	201,265	1,191	112,676	310	495	155
On-lending facilities	59,528	-	59,528	-	-	-	-	-
Borrowings	60,150	-	60,150	-	-	-	-	-
Equity and reserves	509,251	(12,707)	427,622	16,865	19,676	1,023	949	10,823
	3,143,133	**(116,202)**	**2,833,693**	**130,256**	**225,075**	**8,970**	**4,394**	**11,947**
Condensed cash flow								
Net cash from operating activities	265,580	(35,630)	235,619	39,776	14,336	5,493	394	5,592
Net cash from financing activities	(1,704)	(195)	(1,760)	-	-	251	-	-
Net cash from investing activities	(10,526)	44,770	(5,782)	(41,075)	(9,236)	172	140	485
Increase in cash and cash equivalents	**253,350**	**8,945**	**228,077**	**(1,299)**	**5,100**	**5,916**	**534**	**6,077**
Cash and cash equivalents								
At start of year	614,817	(45,651)	613,400	33,165	4,143	1,779	2,677	5,304
Cash and cash equivalents from discontinued operations	143	143	-	-	-	-	-	-
Exchange rate movements on cash and cash equivalents	(1,589)	(1,589)	-	-	-	-	-	-
At end of year	866,721	(38,152)	841,477	31,866	9,243	7,695	3,211	11,381
	253,350	**8,945**	**228,077**	**(1,299)**	**5,100**	**5,916**	**534**	**6,077**

	Group		Bank	
In millions of Naira	2014	2013	2014	2013

23. Investment in subsidiaries (continued)

Apart from Zenith Bank Pensions Custodian Limited which is incorporated in Nigeria, the remainning subsidiaries are incorporated in their respective countries.

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

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

Zenith Bank (UK) Limited provides a range of commercial, wholesale, investment, retail banking and financial services in the United Kingdom. It was incorporated on 17 February 2006 and commenced operations on 30 March 2007.

Zenith Bank (Sierra Leone) Limited provides Corporate and Retail Banking services. It was incorporated in Sierra Leone on 17 September 2007 and granted an operating license by the Bank of Sierra Leone on 10 September 2008. It commenced banking operations on 15 September 2008. This subsidiary was tested for impairment, and was not impaired.

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

24. Investments 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.

	Group		**Bank**	
	2014	**2013**	**2014**	**2013**
Gross investment	1,312	1,822	1,312	1,822
Share of profit/(loss) b/f	74	(43)	-	-
Share of profit:(current year)	138	118	-	-
Disposals	-	(510)	-	(510)
Diminution in investment	(1,222)	(1,222)	(1,222)	(1,222)
Balance at end of the year	**302**	**165**	**90**	**90**
Classified as:				
Current	-	-	-	-
Non-current	302	165	90	90
	302	**165**	**90**	**90**

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

Summarised financial information of associates

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

In millions of Naira	**2014**	**2013**
Total assets	9,567	12,355
Total liabilities	7,685	7,599
Total revenue	20,381	15,874
Profit before tax	3,567	2,551

In millions of Naira

25. Deferred tax assets

Group

Assets

Movements in temporary differences during the year:	**1 January 2014**	**Recognised in profit or loss**	**31 December 2014**
Property and equipment	-	(3,379)	(3,379)
Allowances for loan losses	-	4,357	4,357
Unutilized capital allowances	-	5,355	5,355
Tax loss carry forward	749	(633)	116
	749	5,700	6,449
Reversal of timing difference	**749**	**5,700**	**6,449**

Movements in temporary differences during the year:	**1 January 2013**	**Recognised in profit or loss**	**Recognised in OCI**	**31 December 2013**
Tax loss carry forward	432	317	-	749
	432	317	-	749
Reversal of timing difference (Note 13)	**-**	**-**	**-**	**-**

Liabilities

Movements in temporary differences during the year:	**1 January 2014**	**Recognised in profit or loss**	**31 December 2014**
Property and equipment	(3)	3	-
Other assets	11	(11)	-
Foreign exchange differences	(90)	90	-
Effective Portion of change in fair value of cash flow hedge	760	(760)	-
	678	(678)	-
Reversal of timing difference	**678**	**(678)**	**-**

Movements in temporary differences during the year:	**1 January 2013**	**Recognised in profit or loss**	**Recognised in OCI**	**31 December 2013**
Property and equipment	9,995	(9,998)	-	(3)
Other assets	11	-	-	11
Allowances for loan losses	(5,312)	5,312	-	-
Equity securities at fair value	890	-	(890)	-
Foreign exchange differences	-	-	(90)	(90)
Effective Portion of change in fair value of cash flow hedge	-	-	760	760
	5,584	(4,686)	(220)	678
Reversal of timing difference (Note 13)	**-**	**-**	**-**	**-**

In millions of Naira

25. Deferred tax assets (continued)

Bank

Movements in temporary differences during the year:	**1 January 2014**	**Recognised in profit or loss**	**Recognised in OCI**	**31 December 2014**
Property and equipment	-	3,379	-	3,379
Allowances for loan losses	-	(4,357)	-	(4,357)
Unutilized capital allowances	-	(5,355)	-	(5,355)
	-	**(6,333)**	**-**	**(6,333)**

Movements in temporary differences during the year:	**1 January 2013**	**Recognised in profit or loss**	**Recognised in OCI**	**31 December 2013**
Property and equipment	9,995	(9,995)	-	-
Allowances for loan losses	(5,312)	5,312	-	-
Equity securities at fair value	890	-	(890)	-
	5,573	**(4,683)**	**(890)**	**-**

26. Other assets

Prepayments	13,214	14,265	12,317	13,064
Other receivables	12,878	26,610	11,713	22,988
Gross other assets	26,092	40,875	24,030	36,052
Less: Specific impairment	(4,637)	(4,637)	(4,637)	(4,637)
	21,455	**36,238**	**19,393**	**31,415**
Current	26,092	40,875	24,030	36,052
Non-current	-	-	-	-
	26,092	**40,875**	**24,030**	**36,052**

Movement in specific impairment:

At start of the year	4,637	4,637	4,637	4,637
Charges for the year	-	-	-	-
At end of the year	**4,637**	**4,637**	**4,637**	**4,637**

	Group		Bank	
In millions of Naira	2014	2013	2014	2013

27. Assets classified as held for sale

Assets and liabilities

Investment in subsidiaries	-	-	-	4,749
Cash and balances with central banks	-	500	-	-
Treasury bills	-	11,076	-	-
Due from other banks	-	11,875	-	-
Loans and advances	-	59	-	-
Reinsurance assets and insurance receivables	-	1,112	-	-
Investment securities	-	2,915	-	-
Deferred tax assets	-	1	-	-
Other assets	-	1,861	-	-
Property and equipment	-	1,026	-	-
Intangible assets	-	29	-	-
	-	**30,454**	**-**	**4,749**

In 2011 the Group commmitted to a plan to sell all its non banking susidiaries with the exception of Zenith Pension Custodian Limited. This is in response to the Banking Reforms of the Central Bank of Nigeria which abolished the Universal Banking Regime in Nigeria. From 2011 to 2013, the subsidiaries designated for disposal were presented as discontinued operations in the financial statement. The related assets and liabilities of the discontinued operations were classified as held for sale, the subsidiaries held for sale were substantially disposed leaving 19% holding in Zenith General Insurance Limited and 10% in both Zenith Capital Limited and Zenith Securities Limited. Subsequently, Zenith General Insurance Limited has been designated as investement carried at fair value through other comprehensive income and others designated as other equity instruments at cost.

In millions of Naira

28. Property and equipment

Group

	Leasehold land	Buildings	Leasehold improvements	Furniture and fittings and equipment	Computer equipment	Motor Vehicles	Work in progress	Total
Cost								
At start of the year	16,470	20,762	13,506	38,036	22,423	15,264	16,869	143,330
Additions	1,041	1,617	627	3,546	726	1,786	2,889	12,232
Reclassifictions	146	521	53	43	(6)	7	(764)	-
Disposals	-	(2)	(3)	(847)	(11)	(1,135)	-	(1,998)
Foreign exchange movements	-	(324)	(496)	(233)	(214)	(75)	(204)	(1,546)
At the end of the year	**17,657**	**22,574**	**13,687**	**40,545**	**22,918**	**15,847**	**18,790**	**152,018**

	Leasehold land	Buildings	Leasehold improvements	Furniture and fittings and equipment	Computer equipment	Motor Vehicle	Work in progress	Total
Accumulated Depreciation								
At start of the year	1,352	3,076	10,884	27,523	20,213	10,872	-	73,920
Charge for the year	170	564	1,181	4,010	1,224	1,938	-	9,087
Reclassifications	-	71	(66)	(8)	(9)	12	-	-
Disposals	-	-	(2)	(782)	(11)	(1,124)	-	(1,919)
Foreign exchange movements	(1)	(137)	(455)	(122)	(109)	182	-	(642)
At the end of the year	**1,521**	**3,574**	**11,543**	**30,621**	**21,308**	**11,880**	**-**	**80,447**
Net book amount								
At 31 December 2014	16,136	19,000	2,144	9,924	1,610	3,967	18,790	71,571
At 31 December 2013	15,118	17,686	2,622	10,513	2,210	4,392	16,869	69,410

There were no impairment losses on any class of property and equipment during the year (2013 :NIL)

There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (2013:Nil).

All property and equipment are non current.

Non of the groups assets were financed from borrowings, consequently no borrowing cost has been capitalized as part of asset cost.

In millions of Naira

28 Property and equipment

Bank

	Leasehold land	Buildings	Leasehold improvements	Furniture fittings and equipment	Computer Equipment	Motor Vehicle	Work in progress	Total
Cost								
At start of the year	16,470	20,419	11,689	36,805	21,394	14,450	16,655	137,882
Additions	1,041	1,472	501	3,238	512	1,550	2,387	10,701
Reclassificatios	146	383	(43)	21	(14)	4	(497)	-
Disposals	-	(2)	(2)	(743)	(8)	(1,060)	-	(1,815)
At the end of the year	**17,657**	**22,272**	**12,145**	**39,321**	**21,884**	**14,944**	**18,545**	**146,768**

Accumulated depreciation

	Leasehold land	Buildings	Leasehold improvements	Furniture fittings and equipment	Computer equipment	Motor vehicle	Work in progress	Total
At start of the year	1,351	3,063	9,741	26,594	19,394	10,373	-	70,516
Charge for the year	170	427	994	3,791	1,167	1,868	-	8,417
Reclassifications	-	66	(61)	(3)	(5)	21	-	18
Disposals	-	-	(2)	(731)	(8)	(973)	-	(1,714)
At the end of the year	**1,521**	**3,556**	**10,672**	**29,650**	**20,548**	**11,290**	**-**	**77,237**
Net book amount								
At 31 December 2014	16,136	18,716	1,473	9,671	1,336	3,654	18,545	69,531
At 31 December 2013	15,118	17,357	1,948	10,210	2,000	4,077	16,654	67,364

There were no impairment losses on any class of property and equipment during the year (2013 :NIL)

There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (2013:Nil).

All property and equipment are non current.

Non of the groups assets were financed from borrowings, consequently no borrowing cost has been capitalized as part of asset cost

	Group		Bank	
In millions of Naira	2014	2013	2014	2013

29. Intangible assets

Computer software

Cost				
At start of the year	5,159	3,661	4,353	2,981
Exchange difference	36	18	-	-
Reclassification	-	59	-	59
Additions	947	1,421	902	1,313
At end of the year	**6,142**	**5,159**	**5,255**	**4,353**
Accumulated depreciation				
At start of the year	3,224	2,255	2,650	1,806
Exchange difference	(12)	18	-	-
Charge for the year	728	951	704	844
At the end of the year	**3,940**	**3,224**	**3,354**	**2,650**
Carrying amount at end of the year	2,202	1,935	1,901	1,703

All intangible assets are non current

30. Customers' deposits

Demand	1,292,394	1,293,778	1,102,904	1,229,706
Savings	213,435	192,281	191,097	174,184
Term	461,551	439,466	432,871	419,751
Domiciliary	569,931	286,895	538,390	256,221
Deposit from banks	-	64,335	-	-
	2,537,311	**2,276,755**	**2,265,262**	**2,079,862**
Classified as:				
Current	2,537,311	2,276,755	2,265,262	2,079,862
Non-current	-	-	-	-
	2,537,311	**2,276,755**	**2,265,262**	**2,079,862**

31. Other liabilities

Customer deposits for letters of credit	84,878	32,276	84,847	32,276
Settlement payables	5,685	14,094	5,182	13,841
Managers' cheques	12,156	13,063	11,833	12,659
Due to banks for clean letters of credit	130,680	98,743	130,680	98,743
Customers' funds for foreign currency purchases	8	2,963	-	2,927
Deferred income on financial guarantee contracts	254	389	254	349
Tax collections	1,553	1,336	1,473	1,289
Sales and other collections	9,029	19,272	9,029	19,272
Premium payables	9,654	-	9,654	-
Electronic card related payables	1,805	1,708	1,811	1,701
Customer's foreign transactions payables	11,608	12,878	10,326	12,878
Other payables	22,548	18,921	7,637	5,330
	289,858	**215,643**	**272,726**	**201,265**
Classified as:				
Current	278,721	194,512	263,841	183,283
Non-current	11,137	21,131	8,885	17,982
	289,858	**215,643**	**272,726**	**201,265**

	Group		Bank	
In millions of Naira	2014	2013	2014	2013

31. Other liabilities (continued)

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

32. On-lending facilities

This comprises:				
Central Bank of Nigeria (CBN) Commercial Agriculture Credit Scheme Loan (i)	23,943	29,905	23,943	29,905
Bank of Industry (BOI) Intervention Loan (ii)	30,947	14,417	30,947	14,417
Central Bank of Nigeria (CBN) / Bank of Industry(BOI) - Power & Aviation intervention Funds (iii)	13,203	15,206	13,203	15,206
CBN MSMEDF Deposit (iv)	251	-	251	-
	68,344	**59,528**	**68,344**	**59,528**
Classified as:				
Current	-	36,673	-	36,673
Non-current	68,344	22,855	68,344	22,855
	68,344	**59,528**	**68,344**	**59,528**

(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 to expire by September 2025. The facility attracts an interest of 0% per annum and the Bank is under obligation to on-lend to customers at an all-in interest rate of not more than 9% per annum. Based on the structure of the facility, the Bank assumes the default risk of all amounts lent to the Bank's customers.

(ii) The Central Bank of Nigeria (CBN) / Bank of Industry (BOI) - SME / Manufacturing Intervention Fund represents an intervention credit granted to the Bank for the purpose of refinancing / restructuring existing loans to Small and Medium Scale Enterprises (SMEs) and Manufacturing Companies. The total facility is secured by Nigerian Government Securities. The maximum tenor for term loan under the programme is 15 years while the tenor for working capital is one year, renewable annually subject to a maximum tenor of five years. A management fee of 1% per annum deductible at source in the first year, and quarterly in arrears thereafter, is paid by the Bank under the Intervention programme and the Bank is under obligation to on-lend to customers at an all-in interest rate of 7% per annum. The Bank is the primary obligor to CBN / BOI and assumes the risk of default.

(iii) The purpose of granting new loans and refinancing / restructuring existing loans to companies in the power and aviation industries. The facility is secured by Irrevocable Standing Payment Order (ISPO). The maximum tenor for term loan under the programme is 15 years while the tenor for working capital is one year, renewable annually subject to a maximum tenor of five years. The facility attracts an interest of 1% per annum payable quarterly in arrears and the Bank is under obligation to on-lend to customers at an all-in interest rate of 7% per annum.

(iv) The Micro Small & Medium Scale Enterprises Development Fund (MSMEDF) is an intervention fund with the objective of channelling low interest funds to the MSME sub-sector of the Nigerian economy. The facility attracts an interest rate of 3% per annum and the Bank is under obligation to on-lend to the SMEs at 9% per annum. The maximum tenor is 5 years while the tenor for working capital is 1 year.

For each on lending balance, the outstanding amount payable to the lenders as disclosed in the footnotes, represents the principal amount outstanding as at the reporting date, while the amount reported on the statement of financial position comprises of the principal amount outstanding, interest payable at the reporting date as well as the effect of carrying them at fair value at initial recognition and amortised cost at subsequent periods.

	Group		Bank	
In millions of Naira	2014	2013	2014	2013

33. Borrowings

Long term borrowing comprise:				
Due to ADB (i)	25,672	7,445	25,672	7,445
Due to KEXIM (ii)	5,632	3,440	5,632	3,440
Due to EIB (iii)	5,111	4,331	5,111	4,331
Due to PROPARCO (iv)	14,053	13,264	14,053	13,264
Due to SCB (v)	4,166	15,876	4,166	15,876
Due to CITIBANK (vi)	18,710	15,794	18,710	15,794
Due to ABSA Bank (vii)	18,637	-	18,637	-
Due to J P morgan Chase Bank (viii)	27,955	-	27,955	-
Due to SCB (ix)	13,977	-	13,977	-
Due to First Rand Bank (x)	8,981	-	8,981	-
Due to Commerz Bank (xi)	55,172	-	55,172	-
	198,066	**60,150**	**198,066**	**60,150**

The Group has not had any defaults of principal, interest or other breaches with respect to their liabilities during the year (2013: nil).

Classified as:				
Current	72,117	-	72,117	-
Non-current	125,949	60,150	125,949	60,150
	198,066	**60,150**	**198,066**	**60,150**

Movement in borrowings				
At beginning of the year	60,150	15,138	60,150	15,138
Addition during the year	149,626	50,209	149,626	50,209
Repayment during the year	(11,710)	(5,197)	(11,710)	(5,197)
At end of the year	**198,066**	**60,150**	**198,066**	**60,150**

(i) The amount due to African Development Bank (AfDB) of N25.7 billion ($137.50 million) represents the outstanding balance of two tranches of dollar facilities in the sums of $12.5 million and $125million granted by AfDB in May 2010 and September 2014 respectively. The tranches of the facility are repayable over 5 years and 7 years respectively. Interest is payable half-yearly at the rate of LIBOR + 4.5% per annum and LIBOR + 3.6% per annum respectively. The outstanding balance of the first tranche of $50 million will mature in February 2015 while the second trancheof $125 million will mature in February 2021.

(ii) The amount of N5.6 billion ($30.3 million) represents the outstanding balance of the $70.6 million short term loan facility of four tranches granted by The Export-Import Bank of Korea in January, February, May and September 2014. The facility is priced at LIBOR + 1.65% per annum and will be due for final repayment in January, February, May and September 2015.

(iii) The amount of N5.1 billion ($27.322 million) represents a 6-year dollar facility granted by the European Investment Bank (EIB) in 2013. Interest is payable at the rate of 6 months' LIBOR plus 2.74% per annum. The facility will mature in 2019.

(iv) The amount of N14.0 billion ($76.694 million) represents the outstanding balance of three tranches of the credit facilities of $30m, $25m and $50m granted by Promotion et Participation pour la Coopérationéconomique (PROPARCO) in February 2010, February 2013 and December 2013 respectively. The facilities are priced at Libor +3.30%, L+3.76% and L+3.71% per annum and will mature in April 2015, April 2020 and April 2021 respectively. Interest on each of the facilities are payable semi-annually.

(v) The amount of N4.2 billion ($23.81million) represents the outstanding balance of a Dollar Term Loan from Standard Chartered Bank with a tenor of 3 years effective from June 21, 2013. The facility which is priced at Libor+3.50% has a maturity date of June 20, 2016. Interest is payable quarterly.

(vi) The amount of N18.7 billion ($100 million) represents a 3-year dollar facility from Citi Bank in December 2013. Interest is payable quarterly at a rate of Libor+3.50%. The maturity date of the facility is December 11, 2016.

	Group		Bank	
In millions of Naira	2014	2013	2014	2013

(vii) The amount of N18.6 billion($100 million) represents a facility from ABSA Bank with a year tenor and effective from November 10,2014 . Interest is payable quarterly with a pricing of Libor+2.5%. The final maturity date is November 10, 2015.

(viii) The amount due to JP Morgan Chase Bank of N27.9 billion ($150.001 million) represents the outstanding balance of two tranches of dollar facilities in the sums of $100 million and $50.032million initially granted by JP Morgan in August 2014 and October 2014 for a-6 month and 1 month tenor respectively. The second tranche has since been rolled over twice. Interest is payable quarterly at the rate of LIBOR + 2.5% per annum on the first trancheand monthly at LIBOR + 2.25% per annum on the second tranche. The maturity date for the first tranche is March 02, 2015 while the second one matures on February 12, 2015.

(ix) The amount of N13.9 billion ($75 million) represents a Dollar Term Loan from Standard Bank granted in September 2014 and is priced at Libor +3.50%. The facility of which interest is payable quarterly has a maturity date of April 2017.

(x) The amount of N8.9 billion ($50 million) represents a Dollar Term Loan from First Rand Bank granted in August 2014 and is priced at Libor +3.50%. The facility of which interest is payable quarterly has a maturity date of August 2017.

(xi) The amount of N55.2 billion ($300 million) represents a syndicated facility of which Commerzbank AG is the Facility Agent . The 2-year syndicated facility which was granted on December 30, 2014 is priced at Libor+3.20% with a maturity date of December 30, 2016. Interest is payable quarterly.

For each borrowing balance, the outstanding amount payable to the lenders as disclosed in the footnotes, represents the principal amount outstanding as at the reporting date, while the amount reported on the statement of financial position comprises of the principal amount outstanding, the interest payable at the reporting date, as well as the effect of the carrying the loans at amortised cost.

34. Debt Securities issued

Due to Euro bond holders	92,932	-	92,932	-
	92,932	**-**	**92,932**	**-**

The amount of N92.9 billion ($500 million) represents the Eurobond issued by Zenith Bank Plc on April 22, 2014 with a maturity date of April 22, 2019 and a yield of 6.50% .The rate of interest(coupon) is 6.25% payable semi-annually with bullet repayment of the Principal sum at maturity. The total amount is non-current.

The Group has not had any defaults of principal, interest or other breaches with repect to the debt securities during the year ended 31 Decmber 2014.

Classified as:				
Current	-	-	-	-
Non-current	92,932	-	92,932	-
	92,932	**-**	**92,932**	**-**

35. Liabilities classified as held for sale

Liabilities of disposal groups				
Claims payable	-	2,084	-	-
Current income tax	-	1,405	-	-
Deferred income tax liabilities	-	295	-	-
Other payables	-	6,274	-	-
Liabilities on insurance contracts	-	4,053	-	-
	-	**14,111**	**-**	**-**

36. Derivative liabilities

Derivative liabilities (see note 20)	6,073	-	6,073	-
	6,073	**-**	**6,073**	**-**

	Group		Bank	
In millions of Naira	2014	2013	2014	2013
Classified as:	-	-	-	-
Current	6,073	-	6,073	-
Non-current	-	-	-	-
	6,073	**-**	**6,073**	**-**

The business of the entities classified as held for sale are discussed in Note 21(c).

37. Share capital

Authorised				
40,000,000,000 ordinary shares of 50k each (2013: 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 (2013: 31,396,493,786)	15,698	15,698	15,698	15,698

There was no movement in the share capital account during the year.

38. Share premium, retained earnings and other reserves

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

Share premium	255,047	255,047	255,047	255,047

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

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

(c) Retained earnings: Retained earnings comprise the undistributed profits from previous years which have not been reclassified to the other reserves noted below.

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

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

(f) Revaluation reserve: Comprises fair value movements on equity instruments.

(g) Foreign currency translation reserve: Comprises exchange differences resulting from the translation to Naira of the results and financial position of Group companies that have a functional currency other than Naira.

(h) Statutory reserve for credit risk: The Nigerian banking regulator requires the bank to create a reserve for the difference between impaired charge determined in line with the principles of IFRS and impaired 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.

	Group		Bank	
In millions of Naira	2014	2013	2014	2013

39. Pension contribution

In accordance with the provisions of the Pensions Reform Act 2004, the Bank and its subsidiaries commenced a contributory pension scheme in January 2005. For entities operating in Nigeria, the contribution by employees and the employing entities are 2.5% and 15.5% respectively of the employees' basic salary, housing and transport allowances. Entities operating outside Nigeria contribute in line with the relevant pension laws in their jurisdictions. The contribution by the group and the bank during the period were N 3.52 billion and N 3.15 billion respectively (2013: N 2.80 billion and N2.50 billion).

40. Personnel expenses

Compensation for the staff (excluding executive directors) are as follows:

Salaries and wages	55,689	47,974	51,610	45,328
Other staff costs	13,132	9,175	13,089	9,035
Pension contribution	3,499	2,803	3,149	2,501
	72,320	**59,952**	**67,848**	**56,864**

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

	Number	**Number**	**Number**	**Number**
Executive directors	10	8	4	4
Management	510	468	452	455
Non-management	6,758	6,825	5,903	6,156
	7,278	**7,301**	**6,359**	**6,615**

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

	Number	Number	Number	Number
N300,001 - N2,000,000	721	841	376	769
N2,000,001 - N2,800,000	118	324	-	-
N2,800,001 - N4,000,000	1,114	1,138	910	956
N4,000,001 - N6,000,000	1,817	1,677	1,561	1,636
N6,000,001 - N8,000,000	1,219	1,223	1,189	1,205
N8,000,001 - N9,000,000	882	681	864	670
N9,000,001 - and above	1,407	1,415	1,459	1,375
	7,278	**7,299**	**6,359**	**6,611**

(b) Directors' emoluments

The remuneration paid directors to directors are as follows:

Fees and sitting allowances	279	233	174	165
Executive compensation	343	421	245	258
Retirement Benefit costs	8	21	6	6
	630	**675**	**425**	**429**

Fees and other emoluments disclosed above include amounts paid to:

The chairman	15	23	15	23
The highest paid director	76	26	62	26

	Group		Bank	
In millions of Naira	2014	2013	2014	2013

40. Personnel expenses (continued)

The number of directors who received fees and other emoluments (excluding pension contributions and reimbursable expenses) in the following ranges was:

	Number	Number	Number	Number
N5,500,001 and above	35	15	8	7

	Group		Bank	
In millions of Naira	2014	2013	2014	2013

41. Group subsidiaries and related party transactions

Parent:

Zenith Bank Plc (incorporated in Nigeria) is the ultimate parent company of the Group.

Subsidiaries:

Transactions between Zenith Bank Plc and its subsidiaries which are eliminated on consolidation are not separately disclosed in the consolidated financial statements. The Group's effective interests and investments in subsidiaries as at 31 December 2014 are shown below.

Entity	Effective holding %	Nominal share capital held
Foreign / banking subsidiaries:		
Zenith Bank (Ghana) Limited	98.07 %	6,444
Zenith Bank (UK) Limited	100.00 %	21,482
Zenith Bank (Sierra Leone) Limited	99.99 %	2,059
Zenith Bank (Gambia) Limited	99.96 %	1,038
Zenith Pensions Custodian Limited	99.00 %	1,980

Significant restrictions

The Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the supervisory frameworks within which banking subsidiaries operate. The supervisory frameworks require banking subsidiaries to keep certain levels of regulatory capital and liquid assets, limit their exposure to other parts of the Group and comply with other ratios. See notes 3.4, 3.5 and 4.4.3 for disclosures on liquidity, capital adequacy, and credit risk reserve requirements respectively. The carrying amounts of banking subsidiaries' assets and liabilities are N501.70 billion and N443.73 billion respectively (2013: N371.77 billion and N333.18 billion respectively).

Non controlling interest in subsidiaries

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

Key management personnel

Key management personnel is defined as the Group's executive, including their close members of family and any entity over which they exercise control. Close members of family are those family members who may be expected to influence, or be influenced by that individual in their dealings with the Group.

Key management compensation				
Salaries and other short-term benefits	414	534	245	258
Retirement benefit cost / defined contribution	11	10	6	6
Loans and advances				
At start of the year	888	1,159	821	1,090
Granted during the year	6	83	-	83
Repayment during the year	(107)	(354)	(86)	(352)
At end of of the year	**787**	**888**	**735**	**821**
Interest earned	33	26	29	25

Loans to key management personnel include mortgage loans and other personal loans which are given under terms that are no more favourable than those given to other staff. No impairment has been recognised in respect of loans granted to key management (2013: Nil). Mortgage loans amounting to N520 million (2013: N888 million) are secured by the underlying assets. All other loans are unsecured.

2014

Name of company	Relationship	Loans	Deposits	Interest received	Interest paid
Visafone Communication Limited	Common directorship	345	193	52	17
Quantum Fund Management	Common directorship	8,741	12	1,049	7
At end of of the year		**9,086**	**205**	**1,101**	**24**

In millions of Naira

2013

Name of company	Relationship	Loans	Deposits	Interest received	Interest paid
Visafone Comm ltd	Common significant shareholder	2,640	21	396	21
Quantum Fund Management	Common significant shareholder	7,978	82	957	1
At end of of the year		**10,618**	**103**	**1,353**	**22**

Interest charged on loans to related parties and interest and other fees paid to related parties are similar to what would be charged in an arms' length transaction. Loans granted to related parties are secured over real estate and other assets of the respective borrowers. No impairment has been recognised in respect of loans granted to related parties (2013: Nil).

During the year, Zenith Bank Plc paid N 804 million as insurance premium to Zenith General Insurance Limited (2013: N 819 million). Also, the Bank paid a total of N 364 million to Visafone Communication Limited for provision of telecommunication services (2013:N 352 million). This expenses were reported as operating expenses.

42. Contingent liabilities and commitments

(a) Legal proceedings

The Group is presently involved in 107 (2013:115) litigation suits in the ordinary course of business. The total amount claimed in the cases against the Group is estimated at N6.15 billion (2013: N3.38 billion). The actions are being contested and the Directors are of the opinion that none of the aforementioned cases is likely to have a material adverse effect on the Group and are not aware of any other pending or threatened claims and litigations.

(b) Capital commitments

At the balance sheet date, the Group had capital commitments amounting to N3.22 billion (2013: N2.37 billion) in respect of authorized and contracted capital projects.

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

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

	Group 2014	Group 2013	Bank 2014	Bank 2013
Performance bonds and guarantees	627,458	648,847	603,520	632,167
Usance	156,791	167,520	156,791	147,067
Letters of credit	216,634	170,516	156,511	153,033
Pension Funds (See Note (below))	1,732,565	1,469,865	1,732,565	1,469,865
	2,733,448	**2,456,748**	**2,649,387**	**2,402,132**

The transaction related performance bonds and guarantees are, generally, short-term commitments to third parties which are not directly dependent on the customer's creditworthiness. As at 31 December 2014, performance bonds and guarantees worth N50.4 billion (2013: N47.3 billion) are secured by cash while others are otherwise secured.

Usance and Letters of credit are agreements to lend to a customer in the future, subject to certain conditions. Such commitments are either made for a fixed period, or have no specific maturity dates, but are cancellable by the Group (as lender) subject to notice requirements. These Letters of credit are provided at market-related interest rates and cannot be settled net in cash. Usance and letters of credit are secured by different types of collaterals similar to those accepted for actual credit facilities.

The amount of N1,732.57 billion (2013: N1,469.87 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.

	Group		Bank	
In millions of Naira	2014	2013	2014	2013

43. Dividend per share

	Group 2014	Group 2013	Bank 2014	Bank 2013
Dividend proposed	54,943	54,943	54,943	54,943
Number of shares in issue and ranking for dividend	31,396	31,396	31,396	31,396
Proposed dividend paid per share	175 k	175 k	175 k	175

The Board of Directors, pursuant to the powers vested in it by the provisions of section 379 of the Companies and Allied Matters Act of Nigeria, Cap C20 LFN 2004, proposed a dividend of N1.75 per share (2013: N1.75 per share) from the retained earnings account as at 31 December 2014. This is subject to approval by shareholders at the next Annual General Meeting.

If the proposed dividend is approved by the shareholders, the Bank will be liable to pay additional corporate tax estimated at N16.48 billion, which represents the difference between the tax liability calculated at 30% of the dividend approved and the minimum tax charge reported in the statement of comprehensive income for year ended 31 December 2014.

The number of shares in issue and ranking for dividend represents the outstanding number of shares as at 31 December 2014 and 31 December 2013 respectively.

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

44. 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.

Cash and cash balances with central bank (less mandatory reserve deposits in Note 16)	244,434	255,158	220,216	239,167
Treasury bills(maturing within three months)(Note 17)	214,721	354,834	181,498	352,786
Due from other banks	506,568	256,729	470,139	249,524
	965,723	**866,721**	**871,853**	**841,477**

45. Compliance with banking regulations

During the year, the Bank paid the following fines and penalties;

S/N	Descriptons	Amount Paid in (N)
1	Non disclosure of date of last lodgement on credit print out (N2 million), appointment of a DGM acting chief compliance officer (N2 million), Incomplete reporting of all transactions of politically exposed persons (N2 million).	6,000,000.00
2	Incomplete reporting of International Funds transfer in excess of USD 10,000 (N2 million), incomplete reporting of some currency transactions reports (N2M), late rendition os suspicious transaction report (N4 million).	8,000,000.00
2	Inability to fully implement some External Auditors recommendation (N2 million), misclassification of some Public Sector Deposit (N32 million).	34,000,000.00
		48,000,000.00

	Group		Bank	
In millions of Naira	2014	2013	2014	2013

46. Events after the reporting period

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

47. Comparatives

Certain prior year amounts under net gains on financial instruments measured at fair value through profit of loss were restated to trading income, fees and commission inome, interest and similar income and other income, to correspond to current year presentation.

(i) Net gains on financial instruments measured at fair value

Amounts previously reported	-	21,787	-	19,580
Reclassified to trading income (see note (ii) below)	-	(5,105)	-	(5,077)
Reclassified to fees and commission income (see note (iii) below)	-	(2,458)	-	(2,458)
Reclassified to interest income (see note (iv) below)	-	(10,479)	-	(10,479)
Reclassified to other income (see note (v) below)	-	(3,745)	-	(1,566)
Amount as restated	**-**	**-**	**-**	**-**

(ii)Trading income

Amounts previously reported	-	-	-	-
Reclassified from net gains on financial instruments measured at fair value (see note (i) above)	-	5,105	-	5,077
Amount as restated	**-**	**5,105**	**-**	**5,077**

(iii)Fees and commission income

Amount previously reported	-	52,550	-	47,116
Reclassified from net gains on financial instruments measured at fair value (see note (i) above)	-	2,458	-	2,458
Amount as restated	**-**	**55,008**	**-**	**49,574**
	-	-	-	-

(iv)Interest and similar income

Amount previously reported	-	260,059	-	243,852
Reclassified from net gains on financial instruments measured at fair value (see note (i) above)	-	10,479	-	10,479
Amount as restated	**-**	**270,538**	**-**	**254,331**

(v)Other income

Amount previously reported	-	754	-	727
Reclassified from net gains on financial instruments measured at fair value (see note (i) above)	-	3,745	-	1,566
Amount as restated		**4,499**	**-**	**2,293**

ZENITH BANK PLC

Value Added Statement

In millions of Naira	2014	2014 %	2013	2013 %
Group				
Gross income	403,343		351,470	
Interest expense				
- Local	(91,722)		(60,791)	
- Foreign	(15,197)		(10,005)	
	296,424		280,674	
Impairment charge for credit losses	(13,064)		(11,176)	
	283,360		269,498	
Bought-in materials and services				
- Local	(78,835)		(84,117)	
- Foreign	(2,594)		(4,115)	
Value added	**201,931**	**100**	**181,266**	**100**
Distribution				
Employees				
Salaries and benefits	72,320	36	59,952	33
Government				
Income tax	20,341	10	15,279	8
Retained in the Group				
Replacement of property and equipment / intangible assets	9,815	5	10,717	6
To pay proposed dividend	54,943	27	54,943	30
Profit for the year (including statutory, small scale industry, and non-controling interest)	44,512	22	40,375	22
Total Value Distributed	**201,931**	**100**	**181,266**	**100**

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

ZENITH BANK PLC

Value Added Statement

In millions of Naira	2014	%	2013	%
Bank				
Gross income	372,015		311,275	
Interest expense				
- Local	(96,845)		(67,013)	
- Foreign	(2,594)		(1,458)	
	272,576		242,804	
Impairment charge for credit losses	(12,392)		(9,907)	
	260,184		232,897	
Bought-in materials and services				
- Local	(72,789)		(70,356)	
- Foreign	(2,577)		(1,710)	
Value added	**184,818**	**100**	**160,831**	**100**
Distribution				
Employees				
Salaries and benefits	67,848	37	56,864	35
Government				
Income tax	15,370	8	10,694	7
Retained in the Group				
Replacement of property and equipment / intangible assets	9,121	5	9,859	6
To pay proposed dividend	54,943	30	54,943	34
Profit for the year (including statutory, and small scale industry)	37,536	20	28,471	18
Total Value Distributed	**184,818**	**100**	**160,831**	**100**

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

ZENITH BANK PLC

Five Year Financial Summary

In millions of Naira	2014	2013	2012	2011	2010
Group					
Statement of Financial Position					
Assets					
Cash and balances with central banks	752,580	603,851	332,515	223,187	141,724
Treasury bills	295,397	579,511	669,164	510,738	298,858
Assets pledged as collateral	151,746	6,930	-	-	-
Due from other banks	506,568	256,729	182,020	234,521	399,478
Derivative assets	17,408	2,681	-	-	-
Loans and advances	1,729,507	1,251,355	989,814	893,834	754,024
Assets classified as held for sale	-	30,454	31,943	52,482	-
Reinsurance assets and insurance receivables	-	-	-	-	1,121
Investment securities	200,079	303,125	299,343	308,231	211,804
Investments in associates	302	165	420	1,756	2,443
Deferred tax assets	6,449	749	432	186	1,657
Other assets	21,455	36,238	28,665	25,510	20,457
Investment property	-	-	-	7,114	7,342
Property and equipment	71,571	69,410	68,782	68,366	66,585
Intangible assets	2,202	1,935	1,406	770	827
Total assets	**3,755,264**	**3,143,133**	**2,604,504**	**2,326,695**	**1,906,320**
Liabilities					
Customers deposits	2,537,311	2,276,755	1,929,244	1,655,458	1,319,762
Claims payable	-	-	-	-	218
Derivative liabilities	6,073	-	-	-	-
Current tax payable	10,042	7,017	6,577	13,348	3,735
Deferred income tax liabilities	-	678	5,584	10,742	10,348
Other liabilities	289,858	215,643	117,355	152,836	143,373
Liabilities on insurance contracts	-	-	-	-	2,287
On-lending facilities	68,344	59,528	56,066	49,370	26,049
Borrowings	198,066	60,150	15,138	21,070	28,358
Liabilities classified as held for sale	-	14,111	11,584	29,603	-
Debt securities issued	92,932	-	-	-	-
Total liabilities	**3,202,626**	**2,633,882**	**2,141,548**	**1,932,427**	**1,534,130**
Net assets	**552,638**	**509,251**	**462,956**	**394,268**	**372,190**
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	183,396	161,144	130,153	75,072	64,826
Other reserves	97,945	73,347	58,786	45,765	34,202
Attributable to equity holders of the parent	552,086	505,236	459,684	391,582	369,773
Non-controlling interest	552	4,015	3,272	2,686	2,417
Total shareholders' equity	**552,638**	**509,251**	**462,956**	**394,268**	**372,190**

ZENITH BANK PLC

Five Year Financial Summary

In millions of Naira	2014	2013	2012	2011	2010
STATEMENT OF COMPREHENSIVE INCOME					
Gross earnings	403,343	351,470	307,082	243,948	193,286
Share of profit / (loss) of associates	138	118	23	45	27
Interest expense	(106,919)	(70,796)	(64,561)	(34,906)	(35,719)
Operating and direct expenses	(163,702)	(159,019)	(130,999)	(124,256)	(102,503)
Impairment charge for credit losses	(13,064)	(11,176)	(9,445)	(17,391)	(4,977)
Profit before taxation	**119,796**	**110,597**	**102,100**	**67,440**	**50,114**
Income tax	(20,341)	(15,279)	(1,419)	(18,736)	(12,291)
Profit after tax	**99,455**	**95,318**	**100,681**	**48,704**	**37,823**
Foreign currency translation differences	3,282	(2,070)	(2,424)	(421)	(507)
Fair value movements on equity instruments	2,549	324	297	705	210
Related tax	-	890	(91)	(212)	(63)
Effective portion of changes in fair value of cash flow hedges	(2,771)	2,771	-	-	-
Related tax	760	(760)	-	-	-
	3,820	**1,155**	**(2,218)**	**72**	**(360)**
Total comprehensive income	**103,275**	**96,473**	**98,463**	**48,776**	**37,463**

ZENITH BANK PLC

Five Year Financial Summary

In millions of Naira	2014	2013	2012	2011	2010
Bank					
Statement of Financial Position					
Assets					
Cash and balances with central banks	728,291	587,793	313,546	211,098	130,604
Treasury bills	253,414	565,668	647,474	494,253	287,981
Assets plegeds as collateral	151,746	6,930	-	-	-
Due from other banks	470,139	249,524	203,791	246,364	374,604
Derivative assets	16,896	-	-	-	-
Loans and advances	1,580,250	1,126,559	895,354	707,586	677,760
Investment securities	92,832	212,523	256,905	267,050	-
Investments in subsidiaries	33,003	24,375	24,375	19,345	172,180
Investments in associates	90	90	463	1,822	37,134
Deferred tax assets	6,333	-	-	-	2,509
Other assets	19,393	31,415	16,814	17,616	-
Assets classified as held for sale	-	4,749	10,338	10,838	15,402
Investment property	-	-	-	7,114	6,895
Property, plant and equipment	69,531	67,364	66,651	65,877	63,000
Intangible assets	1,901	1,703	1,175	661	784
Total assets	**3,423,819**	**2,878,693**	**2,436,886**	**2,049,624**	**1,768,853**
Liabilities					
Customers deposits	2,265,262	2,079,862	1,802,008	1,577,290	1,290,014
Derivative liabilities	6,073	-	-	-	-
Current tax payable	7,709	5,266	5,071	11,934	1,010
Deferred income tax liabilities	-	-	5,573	10,732	9,869
Other liabilities	272,726	201,265	115,027	126,660	86,470
On-lending facilities	68,344	59,528	56,066	49,370	26,049
Borrowings	198,066	60,150	15,138	21,070	28,358
Debt securities issued	92,932	-	-	-	-
Total liabilities	**2,911,112**	**2,406,071**	**1,998,883**	**1,797,056**	**1,441,770**
Net assets	**512,707**	**472,622**	**438,003**	**252,568**	**327,083**
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	150,342	126,678	106,010	55,028	51,769
Other reserves	91,620	75,199	61,248	46,244	34,395
Attributable to equity holders of the parent	512,707	472,622	438,003	372,017	356,909
Total shareholders' equity	**512,707**	**472,622**	**438,003**	**372,017**	**356,909**
STATEMENT OF COMPREHENSIVE INCOME					
Gross earnings	372,015	311,275	279,042	214,980	168,415
Interest expense	(99,439)	(68,471)	(65,352)	(33,407)	(34,522)
Operating and direct expenses	(152,335)	(138,789)	(111,644)	(108,529)	(89,107)
Impairment charge for credit losses	(12,392)	(9,907)	(7,998)	(15,900)	(3,317)
Profit before tax	**107,849**	**94,108**	**94,048**	**57,144**	**41,469**
Income tax	(15,370)	(10,694)	1,755	(15,843)	(9,164)
Profit after tax	**92,479**	**83,414**	**95,803**	**41,301**	**32,305**
Other comprehensive income					
Fair value movements on equity instruments	2,549	549	15	705	210
Tax effect of equity instruments at fair value	-	890	(5)	(211)	(63)
	2,549	**1,439**	**10**	**494**	**147**
Total comprehensive income	**95,028**	**84,853**	**95,813**	**41,795**	**32,452**