Zenith Bank PLC

Interim Report - 30 June, 2020

ZENITH BANK PLC

DIRECTORS, OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Jim Ovia, CON.	Chairman
Prof. Chukuka Enwemeka	Non-Executive Director
Mr. Jeffrey Efeyini	Non-Executive Director
Prof. Oyewusi Ibidapo-Obe	Non-Executive Director/ Independent
Mr. Gabriel Ukpeh	Non-Executive Director/ Independent
Engr. Mustafa Bello	Non-Executive Director/ Independent
Dr. Al-Mujtaba Abubakar	Non-Executive Director/ Independent
Mr. Ebenezer Onyeagwu	Group Managing Director/CEO
Dr. Adaora Umeoji	Deputy Managing Director
Mr. Ahmed Umar Shuaib	Executive Director
Dr. Temitope Fasoranti	Executive Director
Mr. Dennis Olisa	Executive Director
Mr. Henry Oroh	Executive Director

COMPANY SECRETARY

Michael Osilama Otu

REGISTERED OFFICE

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

AUDITOR

PricewaterhouseCoopers (PwC) Professional Services
5B Water Corporation Road Landmark Towers
Victoria Island
Lagos

REGISTRAR AND TRANSFER OFFICE

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

ZENITH BANK PLC

Directors' Report for the Period Ended 30 June, 2020

The directors present their report on the affairs of ZENITH BANK PLC ("the Bank"), together with the financial statements and independent auditor's report for the period ended 30 June, 2020.

1. Legal form

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

There have been no material changes to the nature of the Group's business from the previous period.

2. Principal activities and business review

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

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

As at 30 June, 2020 the Group had 437 branches, 171 cash centers; 2,033 ATM terminals; 57,429 POS terminals and 9,011,254 cards issued to its customers. (31 December, 2019: 430 branches, 178 cash centers, 2,093 ATM terminals, 50,427 POS terminals and 7,745,176 cards issued).

3. Impact of COVID-19

Owing to the novel Covid-19 pandemic, reduced demand in the oil market, and restricted international trade activities, the outlook of the nation's Gross Domestic Product (GDP) had been expectedly negative. Nigeria's Q1 GDP of 1.87% reveals that there are indeed challenges that cannot be ignored. Beyond the effect of the pandemic, the oil price wars driven by Saudi Arabia & Russia, have increased the level of uncertainty in the oil market.

In its 2020 budget, the country had significantly cut the benchmark price to $25 per barrel without changing so much in terms of spending, making the nation susceptible to borrowing even more.

The impact of the pandemic has not yet been reflected in Q2, 2020 results. This is because the economic impact of the pandemic actually commenced in April. The economic performance for Q2 and subsequent quarters in the year might not be too fantastic and there are visible reasons for this. Top on the list is that the non-oil economy will likely not offer the solace the economy needs. With the typical perils of increasing inflation as well as the continued closure of the border, growth may remain farfetched for the sector. Of course, restrictions in international trade and travel are set to worsen the said outlook. Given the forgoing, there is no gainsaying the fact that bigger challenges will ensue from the second into third quarter of the year.

The economy is seen gaining some traction towards year end. In particular, increased credit provision to specific sectors of the economy through CBN interventions and other palliative measures by government to cushion the effects of the Covid-19 pandemic should lend support to consumer demand and the non-oil segment of the economy. However, the slow progress on structural reforms and oil price volatility pose key risks to the outlook.

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

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

Zenith Bank Plc will continue to support its customers as much as possible in terms of foreign exchange funding challenges; credit performance obligations (restructuring repayments to match cash-flows, where necessary);

Some of the key risk management strategies in the period would include the following:

(a) The bank's business continuity activities are constantly being reviewed and strengthened to reflect the current and potential impacts of Covid-19 pandemic

(b) The bank has also developed a strategic crisis-action plan to guide the organization's response across all Covid-19 scenarios - short, medium and long term.

4. Operating results

Gross earnings of the Group increased by 4.4% and profit before tax increased by 2.2% . Highlights of the Group's operating results for the period under review are as follows:

	30-Jun-20 N' Million	30-Jun-19 N' Million
Gross earnings	**346,088**	**331,586**
Profit before tax	114,124	111,677
Income tax expense	(10,298)	(22,795)
Profit after tax	103,826	88,882
Non- controlling interest	(91)	(76)
Profit attributable to the equity holders of the parent	**103,735**	**88,806**
Appropriations		
Transfer to statutory reserve	17,790	16,646
Transfer to retained earnings and other reserves	85,945	72,160
	103,735	**88,806**
Basic and diluted earnings per share (Naira)	3.30	2.83

5. Dividends

The Board of Directors, pursuant to the powers vested in it by the provisions of section 379 of the Companies and Allied Matters Act (CAMA) of Nigeria, proposed an interim dividend of N9.4 billion being N0.30 per share (2019: Interim dividend of N0.30 per share) from the retained earnings account as at 30 June, 2020. This will be presented for ratification by the shareholders at the next Annual General Meeting.

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

6. Directors' shareholding

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

Interests in shares

		Number of Shareholding			
		30 June, 2020		31 December, 2019	
Director	**Designation**	**Direct**	**Indirect**	**Direct**	**Indirect**
Jim Ovia, CON.	Chairman / Non-Executive Director	3,546,199,395	1,524,054,916	3,546,199,395	1,513,137,010
Prof. Chukuka Enwemeka	Non-Executive Director	127,137	-	127,137	-
Mr.Jeffrey Efeyini	Non Executive Director	541,690	-	541,690	-
Prof.Oyewusi Ibidapo-Obe	Non Executive Director / Independent	1,000,000	-	421,426	-
Mr. Gabriel Ukpeh	Non Executive Director / Independent	32,660	-	32,660	-
Engr. Mustafa Bello	Non Executive Director / Independent	-	-	-	-
Dr.Al-Mujtaba Abubakar	Non Executive Director / Independent	-	-	-	-
Mr.Ebenezer Onyeagwu	Group Managing Director	45,500,000	-	45,500,000	-
Dr. Adaora Umeoji	Deputy Managing Director	68,873,169	1,710,123	68,873,169	1,710,123
Mr. Ahmed Umar Shuaib	Executive Director	7,577,343	-	7,577,343	-
Dr. Temitope Fasoranti	Executive Director	5,075,000	-	5,075,000	-
Mr. Dennis Olisa	Executive Director	7,122,316	-	7,122,316	-
Mr. Henry Oroh	Executive Director	7,827,027	-	7,827,027	-

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

- **Jim Ovia:** (Institutional investors Ltd, Lurot Burca Ltd, Jovis Nigeria Ltd, Veritas Registrars Ltd, Quantum Zenith Securities Ltd)
- **Adaora Umeoji:** (Palaise Vendome Limited)

7. Directors' Remuneration

The Bank ensures that remuneration paid to its Directors complies with the provisions of the Code of Corporate Governance issued by its regulators.

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

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

8. Changes on the Board

There were no changes made on the Board for the period 30 June, 2020

9. Directors' interests in contracts

For the purpose of section 277(1) and (3) of Companies and Allied Matters Act of Nigeria, (CAMA), all contracts with related parties during the period were conducted at arm's length. Information relating to related parties transactions are contained in Note 38 to the financial statements.

10. 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.

11. Property and equipment

Information relating to changes in property and equipment is given in Note 25 to the financial statements. In the opinion of the directors, the market value of the Group's property and equipment is not less than the value shown in the financial statements.

12. Shareholding analysis

The shareholding pattern of the Bank as at 30 June, 2020 is as stated below:

Share range	No. of Shareholders	Percentage of Shareholders	Number of holdings	Percentage Holdings (%)
1-9,999	539,484	83.7141 %	1,602,631,719	5.10 %
10,000 - 50,000	80,483	12.4889 %	1,661,246,271	5.29 %
50,001 - 1,000,000	22,776	3.5343 %	3,847,428,943	12.25 %
1,000,001 - 5,000,000	1,251	0.1941 %	2,691,212,099	8.57 %
5,000,001 - 10,000,000	195	0.0303 %	1,372,314,604	4.37 %
10,000,001 - 50,000,000	178	0.0276 %	3,797,850,445	12.10 %
50,000,001 - 1,000,000,000	67	0.0104 %	11,595,291,296	36.93 %
Above 1,000,000,000	2	0.0003 %	4,828,518,410	15.38 %
	644,436	**100 %**	**31,396,493,787**	**100 %**

The shareholding pattern of the Bank as at 31 December, 2019 is as stated below:

Share range	No. of Shareholders	Percentage of Shareholders	Number of holdings	Percentage Holdings (%)
1-9,999	538,495	84.0302 %	1,600,809,615	5.10 %
10,000 - 50,000	79,624	12.4250 %	1,637,944,446	5.22 %
50,001 - 1,000,000	21,321	3.3271 %	3,466,126,816	11.04 %
1,000,001 - 5,000,000	1,012	0.1579 %	2,182,848,956	6.95 %
5,000,001 - 10,000,000	165	0.0257 %	1,160,270,614	3.70 %
10,000,001 - 50,000,000	159	0.0248 %	3,456,450,729	11.01 %
50,000,001 - 100,000,000	54	0.0084 %	9,080,638,007	28.92 %
Above 1,000,000,000	5	0.0009 %	8,811,404,604	28.06 %
	640,835	**100 %**	**31,396,493,787**	**100 %**

13. Substantial interest in shares

According to the register of members as at 30 June, 2020, the following shareholders held more than 5% of the issued share capital of the Bank.

	Number of Shares Held	Percentage Holdings%
Jim Ovia, CON	3,546,199,395	11.29 %

According to the register of members at 31 December, 2019, the following shareholders held more than 5% of the issued share capital of the Bank.

	Number of Shares Held	Percentage Holdings%
Jim Ovia, CON	3,546,199,395	11.29 %

14. Donations and charitable gifts

The Bank made contributions to charitable and non-political organisations amounting to N2,423 million during the period ended 30 June, 2020 (30 June, 2019: N923 million) .

The beneficiaries are as follows:

	30-Jun-20 N' Million
Contribution to Coalition Against COVID (CACOVID)	1,000
Various State Government infrastructure/Security Trust Funds	546
Corporate sponsorship (health and other social interventions)	276
Other COVID-19 relief materials	118
Lagos state (Abule-Ado explosion) emergency relief fund	100
ICT equipments for Educational Institutions	53
Other donations individually below N10 million	330
	2,423

The Bank made contributions to charitable and non-political organisations amounting to N923 million during the period 30 June, 2019.

The beneficiaries are as follows:

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

15. Events after the reporting period

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

16. Disclosure of customer complaints in financial statements for the period ended 30 June, 2020

Description	Number		Amount claimed		Amount refunded	
	30-Jun-20	31-Dec-19	30-Jun-20 N.	31-Dec-19 N.	30-Jun-20 N.	31-Dec-19 N.
Pending complaints brought forward	549	188	180,765,030,644	17,033,494,506	12,982,196	27,009,119
Received Complaints	72,121	769	9,783,024,105	167,782,649,956	8,776,564	222,775,473
Resolved Complaints	313	408	1,879,278,154	4,051,113,818	656,503,619	421,465,468
Unresolved Complaints escalated to CBN for intervention / carried forward	**72,357**	**549**	**188,668,776,595**	**180,765,030,644**		**-**

During the period, the Central Bank of Nigeria (CBN) directed all Deposit Money Banks (DMB) to report all complaints lodged by their customers in all of the Banks' locations no matter the nature of the complaint. Also, banks are to avail such customers tracking reference numbers and subsequently include them in their monthly summary of complaints rendered to CBN. The Bank has complied with this directive and this has led to the increase in the number of customer complaint.

17. Human resources

(i) Employment of disabled persons

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

(ii) Health, safety and welfare at work

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

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

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

(iii) Employee training and development

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

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

(iv) Gender analysis of staff

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

a. Analysis of total employees

	Gender Number			Gender Percentage	
	Male	**Female**	**Total**	**Male**	**Female**
Employees	3,344	3,177	6,521	51 %	49 %
	3,344	**3,177**	**6,521**	**51 %**	**49 %**

9

(b) Analysis of Board and top management staff

	Gender Number			Gender Percentage	
	Male	**Female**	**Total**	**Male**	**Female**
Board members (Executive and Non-executive directors)	12	1	13	92 %	8 %
Top management staff (AGM-GM)	39	22	61	64 %	36 %
	51	**23**	**74**	**69 %**	**31 %**

(c) Further analysis of board and top management staff

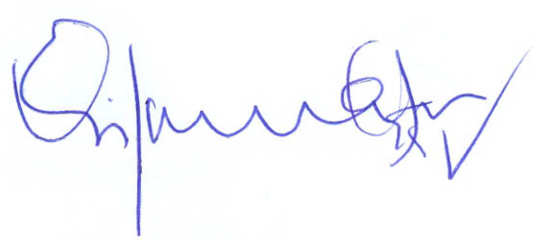
	Gender Number			Gender Percentage	
	Male	**Female**	**Total**	**Male**	**Female**
Assistant general managers	24	16	40	60 %	40 %
Deputy general managers	9	5	14	64 %	36 %
General managers	6	1	7	86 %	14 %
Board members (Non-executive directors)	7	-	7	100 %	- %
Executive Directors (excluding MD and DMD)	4	-	4	100 %	- %
Deputy Managing Director	-	1	1	- %	100 %
Managing Director/CEO	1	-	1	100 %	- %
	51	**23**	**74**	**69 %**	**31 %**

18. Auditors

During the period, Messers KPMG Professional Services resigned as auditors in line with the Central Bank of Nigeria's directives on ten years maximum tenor for external auditors of banks. Acordingly, Messers Pricewaterhouse Coopers (PWC) were appointed as auditors and they have indicated their willingness to continue in office as auditors.

In accordance with section 357(2) of the Companies and Allied matters Act, 1990; a resolution will be proposed at the Annual General Meeting to authourize the directors to determine their remuneration.

By order of the Board



Michael Osilama Otu (Esq.)
Company Secretary
July 23, 2020
FRC/2013/MULTI/00000001084

1. Introduction

The Bank and the Group subscribes to the highest level of Corporate Governance and best practice in the conduct of its business. The Group's governance practices are constantly reviewed to ensure we keep pace with global standards.

2 The Directors and other key personnel

During the period under review, the Directors and other key personnel of the Bank complied with the following Codes of Corporate Governance, which the Bank subscribes to:

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

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

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

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

3. Shareholding

The Bank has a diverse shareholding structure with no single ultimate individual shareholder holding more than 12% of the bank's total shares.

4. Board of directors

The Board has the overall responsibility for setting the strategic direction of the Bank and also oversight of Senior Management. It also ensures that good Corporate Governance processes and best practices are implemented across the Bank and the Group at all times.

The Board of the Bank consists of persons of diverse discipline and skills, chosen on the basis of professional background and expertise, business experience and integrity as well as knowledge of the Bank's business.

Directors are fully abreast of their responsibilities and knowledgeable in the business and are therefore able to exercise good judgment on issues relating to the Bank's business. They have on the basis of this acted in good faith with due diligence and skill and in the overall best interest of the Bank and relevant stakeholders during the period of review.

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

5. Board structure

The Board is made up of a Non-Executive Chairman, six (6) Non-Executive Directors and six (6) Executive Directors including the GMD/CEO. Four (4) of the Non-Executive Directors are Independent Directors, appointed in compliance with the Central Bank of Nigeria (CBN) circular on Appointment of Independent Directors by Banks.

The Group Managing Director/Chief Executive is responsible for the day to day running of the Bank and oversees the Group structure, assisted by the Executive Committee (EXCO). EXCO comprises the Executive Directors, Deputy Managing Director as well as the Group Managing Director/Chief Executive as its Chairman.

6. Responsibilities of the Board

The Board is responsible for the following amongst others:

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

b. review and approving the Bank's financial statements;

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

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

e. implementing the Bank’s succession planning;

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

g. approving delegation of authority for any unbudgeted expenditure;

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

i. assessing its own effectiveness in fulfilling its responsibilities, including monitoring the effectiveness of individual directors.

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

Board of Directors

NAME	POSITION
Jim Ovia, CON	Chairman
Prof. Chukuka S. Enwemeka	Non-Executive Director
Mr Jeffrey Efeyini	Non-Executive Director
Prof. Oyewusi Ibidapo-Obe	Independent/Non-Executive Director
Mr. Gabriel Ukpeh	Independent/Non-Executive Director
Engr. Mustafa Bello	Independent/Non-Executive Director
Dr. Al-Mujtaba Abubakar	Independent/Non-Executive Director
Mr. Ebenezer Onyeagwu	Group Managing Director/CEO
Dr. Adaora Umeoji	Deputy Managing Director
Mr. Umar Shuaib Ahmed	Executive Director
Dr. Temitope Fasoranti	Executive Director
Mr. Dennis Olisa	Executive Director
Mr. Henry Oroh	Executive Director

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

7. Roles of Chairman and Chief Executive

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

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

8. Director Nomination Process

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

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

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

9. Induction and continuous training

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

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

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

10. Board committees

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

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

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

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

The following are the current standing Committees of the Board:

10.1 Board credit committee

The Committee is currently made up of seven (7) members comprising four (4) non-Executive Directors and three (3) Executive Directors of the Bank. The Board Credit Committee is chaired by a non-Executive Director who is well versed in credit matters. The Committee considers loan applications above the level of Management Credit Committee. It also determines the credit policy of the Bank or changes therein.

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

Mr. Gabriel Ukpeh - Chairman
Mr. Jeffrey Efeyini
Prof. Chukuka Enwemeka
Dr. Al-Mujtaba Abubakar
Mr. Ebenezer Onyeagwu
Dr. Adaora Umeoji
Dr. Temitope Fasoranti

Terms of reference

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

10.2 Staff Welfare, Finance and General Purpose Committee

This Committee is made up of six (6) members: three (3) non Executive Directors and three (3) Executive Directors. It is chaired by a non-executive Director. The Committee considers large scale procurement by the Bank, as well as matters relating to staff welfare, discipline, staff remuneration and promotion.

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

Prof. Oyewusi Ibidapo-Obe – Chairman
Mr. Jeffrey Efeyini
Mr Gabriel Ukpeh
Mr. Henry Oroh
Dr. Adaora Umeoji
Mr. Ebenezer Onyeagwu

Terms of reference

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

- Review and recommendations on recruitment, promotion, and disciplinary actions for senior management staff;
- To discharge the Board's responsibility relating to oversight of the management of the health and welfare plans that cover the company's employees;
- Review and recommendation to the Board, salary revisions and service conditions for senior management staff, based on the recommendation of the Executives;
- Oversight of broad-based employee compensation policies and programs;

10.3 Board risk management committee:

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

The Chief Risk Officer and the Chief Inspector have access to this Committee and make quarterly presentations for the consideration of the Committee. Chaired by Engr. Mustapha Bello (an Independent Non-Executive Director), the Committee's membership comprises the following:

Engr. Mustapha Bello - Chairman
Mr. Jeffrey Efeyini
Prof. Chukuka S. Enwemeka
Dr. Al-Mujtaba Abubakar
Mr. Ebenezer Onyeagwu
Mr. Ahmed Umar Shuaib
Mr. Dennis Olisa

Terms of reference

- The primary responsibility of the Committee is to ensure that sound policies, procedures and practices are in place for the risk-wide management of the Bank's material risks and to report the results of the Committee's activities to the Board of Directors;
- Design and implement risk management practices, specifically provide ongoing guidance and support for the refinement of the overall risk management framework and ensuring that best practices are incorporated;
- Ensure that management understands and accepts its responsibility for identifying, assessing and managing risk;
- Ensure and monitor risk management practices, specifically determine which enterprise risks are most significant and approve resource allocation for risk monitoring and improvement activities, assign risk owners and approve action plans;
- Periodically review and monitor risk mitigation process and periodically review and report to the Board of Directors:
  (a) the magnitude of all material business risks;
  (b) the processes, procedures and controls in place to manage material risks; and
  (c) the overall effectiveness of the risk management process;
- To ensure the implementation of the approved cyber security policies, standards and delineation of cybersecurity responsibilities.
- To ensure that cybersecurity processes are conducted in line with the business requirements, applicable laws and regulation.
- To engage the Chief Information Security Officer (CISO) whose duties includes amongst others – responsibility for the implementation of approved cybersecurity policies and standards as well as to focus on the bank-wide cybersecurity activities and the mitigation of cybersecurity risks in the bank.
- Facilitate the development of a comprehensive risk management framework for the Bank and develop the risk management policies and processes and enforce its compliance;
- To perform such other duties and responsibilities as the Board of Directors may assign from time to time.

10.4 Board audit and compliance committee:

The Committee is chaired by a Non-Executive Director - Mr. Jeffrey Efeyini, who is well experienced and knowledgeable in financial matters. The Chief Inspector and Chief Compliance Officer have access to this Committee and make quarterly presentations for the consideration of the Committee.

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

Committee's terms of reference

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

- Ascertain whether the accounting and reporting policies of the Bank are in accordance with legal requirements and acceptable ethical practices;
- Review the scope and planning of audit requirements;
- Review the findings on management matters (Management Letter) in conjunction with the external auditors and Management's responses thereon;
- Keep under review the effectiveness of the Bank's system of accounting and internal control;
- Make recommendations to the Board with regard to the appointment, removal and remuneration of the external auditors of the Bank;
- Authorize the internal auditor to carry out investigations into any activities of the Bank which may be of interest or concern to the Committee;
- Assist in the oversight of compliance with legal and other regulatory requirements, assessment of qualifications and independence of the external auditors and performance of the Bank's internal audit function as well as that of the external auditors;
- Ensure that the internal audit function is firmly established and that there are other reliable means of obtaining sufficient assurance of regular review or appraisal of the system of internal control in the Bank;
- Oversee management's processes for the identification of significant fraud risks across the Bank and ensure that adequate prevention, detection and reporting mechanisms are in place;
- On a quarterly basis, obtain and review reports by the internal auditor on the strength and quality of internal controls, including any issues or recommendations for improvement, raised during the most recent control review of the Bank;
- Discuss and review the Bank's unaudited quarterly, audited half year and annual financial statements with management and external auditors to include disclosures, management control reports, independent reports and external auditors' reports before submission to the Board, in advance of publication;
- Meet separately and periodically with management, the internal auditor and the external auditors, respectively;
- Review and ensure that adequate whistle - blowing procedures are in place and that a summary of issues reported is highlighted to the Board, where necessary;
- Review with external auditors, any audit scope limitations or problems encountered and management responses to them;
- Review the independence of the external auditors and ensure that they do not provide restricted services to the Bank;
- Appraise and make recommendation to the Board on the appointment of internal auditor of the Bank and review his/her performance appraisal annually;
- Review the response of management to the observations and recommendation of the Auditors and Bank regulatory authorities;
- Agree Internal Audit Plan for the year annually with the Internal auditor and ensure that the internal audit function is adequately resourced and has appropriate standing within the Bank;
- Review quarterly Internal Audit progress against Plan for the year and review outstanding Agreed Actions and follow up;
- To develop a comprehensive internal control framework for the Bank and obtain assurances on the operating effectiveness of the Bank's internal control framework;
- To establish management's processes for the identification of significant fraud risks across the Bank and ensure that adequate prevention, detection and reporting mechanisms are in place;
- To work with the Internal Auditor to develop the Internal Audit Plan for the year and ensure that the internal audit function is adequately resourced to carry out the plan;
- To review periodically the Internal Audit progress against Plan for the year and review outstanding Agreed Actions and follow up;
- To review the report of the Chief Compliance Officer as it relates to Anti-Money Laundering policies of the Bank and other law enforcement issues.
- To perform such other duties and responsibilities as the Board of Directors may assign from time to time.

10.5 Board governance, nominations and remuneration committee:

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

The membership of the committee is as follows:

Prof. Chukuka Enwemeka - (Chairman)
Prof. Oyewusi Ibidapo Obe
Engr. Mustafa Bello
Mr. Gabriel Ukpeh

Committee's terms of reference

- To determine a fair reasonable and competitive compensation practices for Executive Directors of the bank which are consistent with the bank's objectives;
- Determining the amount and structure of compensation and benefits for Executive Directors;
- Ensuring the existence of an appropriate remuneration policy and philosophy for Executive Directors;
- Review and recommendation for Board ratification, all terminal compensation arrangements for Directorst;
- Recommendation of appropriate compensation for Non-Executive Directors for Board and Annual General Meeting consideration;
- Review and approval of any recommended compensation actions for the Company's Executive Committee members, including base salary, annual incentive bonus, long-term incentive awards, severance benefits, and perquisites;
- Review and continuous assessment of the size and composition of the Board and Board Committees, and recommend the appropriate Board structure, size, age, skills, competencies, composition, knowledge, experience and background in line with needs of the Group and diversity required to fully discharge the Board's duties;
- Recommendation of membership criteria for the Group Board, Board Committees and subsidiary companies Boards.
- Identification at the request of the Board of specific individuals for nomination to the Group and subsidiary companies Boards and to make recommendations on the appointment and election of New Directors (including the Group MD) to the Board, in line with the Group's approved Director Selection criteria;
- Review of the effectiveness of the process for the selection and removal of Directors and to make recommendations where appropriate;
- Ensuring that there is an approved training policy for Directors, and monitor compliance with the policy;
- Review and make recommendations on the Group's succession plan for Directors and other senior management staff for the consideration of the Board;
- Regular monitoring of compliance with Group's code of ethics and business conduct for Directors and staff;
- Review the Group's organization structure and make recommendations to the Board for approval;
- Review and agreement at the beginning of the year, of the key performance indicators for the Group MD and Executive Directors;
- Ensure annual review or appraisal of the performance of the Board is conducted. This review/appraisal covers all aspects of the Board's structure, composition, responsibilities, individual competencies, Board operations, Board's role in strategy setting, oversight over corporate culture, monitoring role and evaluation of management performance and stewardship towards shareholders.

10.6 Statutory Audit Committee of the Bank

The Committee is established in line with Section 359(6) of the Companies and Allied Matters Act, 1990. The Committee's membership consists of three (3) representatives of the shareholders elected at the Annual General Meeting (AGM) and three (3) Non-Executive Directors. The Committee is chaired by a shareholder's representative. The Committee meets every quarter, but could also meet at any other time, should the need arise.

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

All members of the Committee are financially literate.

The membership of the Committee is as follows:

Shareholders' Representative

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

Non-Executive Directors / Director's Representatives

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

Committee's terms of reference

- To meet with the independent auditors, chief financial officer, internal auditor and any other Bank executive both individually and/or together, as the Committee deems appropriate at such times as the Committee shall determine to discuss and review:

- the bank's quarterly and audited financial statements, including any related notes, the bank's specific disclosures and discussion under "Managements Control Report" and the independent auditors' report, in advance of publication;
- the performance and results of the external and internal audits, including the independent auditor's management letter, and management's responses thereto;
- the effectiveness of the Bank's system of internal controls, including computerized information systems and security; any recommendations by the independent auditor and internal auditor regarding internal control issues and any actions taken in response thereto; and, the internal control certification and attestation required to be made in connection with the Bank's quarterly and annual financial reports;
- such other matters in connection with overseeing the financial reporting process and the maintenance of internal controls as the committee shall deem appropriate.
- To prepare the Committee's report for inclusion in the Bank's annual report;
- To report to the entire Board at such times as the Committee shall determine.

10.7 Executive committee (EXCO)

The EXCO comprises the Group Managing Director, Deputy Managing Director as well as all the Executive Directors. EXCO has the GMD/CEO as its Chairman. The Committee meets weekly (or such other times as business exigency may require) to deliberate and take policy decisions on the effective and efficient management of the bank. It also serves as a first review platform for issues to be discussed at the Board level. EXCO's primary responsibility is to ensure the implementation of strategies approved by the Board, provide leadership to the Management team and ensure efficient deployment and management of the bank's resources. Its Chairman is responsible for the day-to-day running and performance of the Bank.

10.8 Other committees

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

(a) Management Committee (MANCO);

(b) Assets and Liabilities Committee (ALCO);

(c) Management Global Credit Committee (MGCC);

(d) Risk Management Committee (RMC)

(e) Information Technology (IT) Steering Committee

(f) Sustainability Steering Committee

(a) Management committee (MANCO)

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

(b) Assets and liabilities committee (ALCO)

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

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

(c) Management global credit committee (MGCC)

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

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

(d) Risk management committee (RMC)

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

(e) Information technology (IT) steering committee

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

Membership of the committee is as follows:

1 The Group Managing Director/Chief Executive Officer;
2 Two (2) Executive Directors;
3 Chief Financial Officer;
4 Chief Inspector;
5 Chief Risk Officer;
6 Chief Compliance Officer
7 Chief Information Security Officer/Head of Infotech;
8 Head of Infotech - Software;
9 Head of Infotech - Enginering;
10 Head of Card Services;
11 Group Head of IT Audit;
12 Head of e-Business;

The committee meets monthly or as the need arises.

(f) Sustainability Steering Committee (SSC)

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

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

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

11. Policy on trade in the Bank's securities

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

12. Relationship with shareholders

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

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

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

The Bank also, from time to time, holds briefing sessions with market operators (stockbrokers, dealers, institutional investors, issuing houses, stock analysts, mainly through investors conference) to update them with the state of business. These professionals, as advisers and purveyors of information, relate with and relay to the shareholders useful informtion about the Bank. The Bank also regularly briefs the regulatory authorities, and file statutory returns which are usually accessible to the shareholders.

13. Directors remuneration policy

The Bank's remuneration policy is structured taking into account the environment in which it operates and the results it achieves at the end of each financial year. It includes the following elements:

Non-executive directors

- Components of remuneration is annual fee and sitting allowances which are based on levels of responsibilities.
- Directors are also sponsored for training programmes that they require to enhance their duties to the Bank.

Executive directors

The remuneration policy for Executive Directors considers various elements, including the following:

- Fixed remuneration, taking into account the level of responsibility, and ensuring this remuneration is competitive with remuneration paid for equivalent posts in banks of equivalent status both within and outside Nigeria.
- Variable annual remuneration linked to the Zenith Bank financial results. The amount of this remuneration is subject to achieving specific quantifiable targets, aligned directly with shareholders’ interest.

14. Monitoring Compliance With Corporate Governance

Chief Compliance Officer

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

Whistle Blowing Procedures

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

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

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

Codes of Conduct

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

15. Foreign Subsidiaries Governance Structure

The Bank as at 30 June, 2020 has four (4) foreign subsidiaries, two (2) local subsidiaries and one (1) representative office. Their activities are governed by the foreign subsidiaries governance structure put in place by the Group Head Office to ensure efficient and effective operations. The framework establishes the scope, method of performance management, periodic reviews and feedback mechanism for operating within the local laws in their jurisdiction.

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

Liaison and Oversight Function

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

Representation on the Subsidiary Board

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

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

Local Board and Board Committees

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

Subsidiary Board Committees

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

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

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

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

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

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

Management of Subsidiaries

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

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

Monthly and Quarterly Reports

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

Group Performance & Strategy Review/Budget Session

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

Annual Internal Control Audit

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

Annual Loan Review/Audit

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

Group Compliance Function

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

Report of External Auditors

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

16. Complaints management policy

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

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

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

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

Note:

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

Dates for Board and Board Committee meetings held within the period to 30 June, 2020

Board meetings	**Board credit committee meeting**	**Finance and general purpose committee**	**Board risk and audit committee meeting**	**Board audit and compliancs committee meeting**	**Board governance, nominations and remuneration committee**	**Audit committee meeting of the bank**
28-Jan-20	27-Jan-20	27-Jan-20	27-Jan-20	27-Jan-20	27-Jan-20	27-Jan-20
16-Mar-20						
29-Apr-20	28-Apr-20	28-Apr-20	28-Apr-20	28-Apr-20	28-Apr-20	28-Apr-20

18. 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.

Number of meetings held during the year:

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

SR - Shareholders representative

NED- Non-Executive Director

ZENITH BANK PLC

Statement of Directors' Responsibilities in Relation to the Financial Statements for the Period Ended 30 June, 2020

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

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

The Directors have assessed of the Bank and Group's ability to continue as a going concern and have no reason to believe that the Bank and the Group will not remain a going concern for at least 12 months from the date of approval of the financial statement..

SIGNED ON BEHALF OF THE

BOARD OF DIRECTORS BY:

Jim Ovia, CON.
Chairman
FRC/2013/CIBN/00000002406
July 23, 2020

Mr. Ebenezer Onyeagwu
Group Managing Director / CEO
FRC/2013/ICAN/00000003788
July 23, 2020

ZENITH

ZENITH BANK PLC
REPORT OF THE AUDIT COMMITTEE
FOR THE PERIOD ENDED 30TH JUNE, 2020

In compliance with Section 359(6) of the Companies and Allied Matters Act of Nigeria (1990), Cap C20 LFN 2004, we have reviewed the consolidated and separate financial statements of Zenith Bank Plc for the period ended 30th June, 2020 and hereby state as follows:

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

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

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

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

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

Dated July 21, 2020.

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

MEMBERS OF THE COMMITTEE

Shareholders' Representatives

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

Directors' Representatives

1. Mr. Jeffrey Efeyini
2. Mr. Gabriel Ukpeh
3. Engr. Mustafa Bello

Independent auditor's report

To the Members of Zenith Bank Plc

Report on the audit of the interim consolidated and separate financial statements

Our opinion

In our opinion, the interim consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Zenith Bank Plc ("the bank") and its subsidiaries (together "the group") as at 30 June 2020, and of their consolidated and separate financial performance and their consolidated and separate cash flows for the six months then ended in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act, the Banks and Other Financial Institutions Act and the Financial Reporting Council of Nigeria Act.

What we have audited

Zenith Bank Plc's interim consolidated and separate financial statements comprise:

- the consolidated and separate statements of profit or loss and other comprehensive income for the six months period ended 30 June 2020;
- the consolidated and separate statements of financial position as at 30 June 2020;
- the consolidated and separate statements of changes in equity for the six months period then ended;
- the consolidated and separate statements of cash flows for the six months period then ended; and
- the notes to the interim consolidated and separate financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the interim consolidated and separate financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), i.e. the IESBA Code issued by the International Ethics Standards Board for Accountants. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Expected credit losses on loans and advances to customers (refer to notes 2.7, 4.1, and 20)	
The expected credit losses (ECL) on loans and advances to customers are considered to be a key audit matter because they are significant to the interim consolidated and separate financial statements and require a high level of subjective judgement.	We adopted a substantive approach to the audit of the group and bank's expected credit loss allowance.
The gross balance of loans and advances to customers as at 30 June 2020 was N 2,799 billion and N 2,699 billion for the group and bank respectively. The associated impairment allowance on loans and advances to customers was N 175 billion and N 166 billion for the group and bank respectively. The measurement of impairment allowance is highly subjective and involves the exercise of significant judgements and the use of complex models and assumptions. The key areas of significant judgement in the calculation of ECL include: • determination of default and significant increase in credit risk (SICR); • input assumptions and judgments applied in estimating probability of default (PD), Loss Given Default (LGD), and Exposure At Default (EAD) which are key parameters in the ECL model and • incorporation of macro-economic inputs and forward-looking information into the ECL model and probability weightings applied to them. This is considered a key audit matter in both the interim consolidated and separate financial statements.	To assess management's determination of default and significant increase in credit risk, we selected a sample of customers and performed the following procedures: • we tested the inputs into the credit rating system and agreed to the group's credit rating categories and • we examined loan contracts, file memos, correspondences, and account statements to confirm management's conclusions relating to default and SICR. With the assistance of our modelling experts, we: • evaluated the appropriateness of the Group's IFRS 9 impairment methodology as well as the ECL calculation tool for reasonableness; • assessed the assumptions relating to estimated timing and amount of forecasted cash flows and the value of collateral applied in the calculation of PD, EAD and LGD for compliance with the requirements of IFRS 9; • tested the inputs into the model relating to default and loss experience by agreeing to historical data; • evaluated the appropriateness of forward-looking economic inputs and their associated scenario weights by comparing to available industry information and

checking that they have been appropriately incorporated into the ECL model; and

- checked the accuracy of ECL computation by performing an independent computation for a selected sample of loan exposures.

We assessed the adequacy of the disclosures in the financial statements in accordance with IFRS 9.

Other information

The directors are responsible for the other information. The other information comprises the Directors Report, Corporate Governance Report, Statement of Directors' Responsibilities, Report of the Audit Committee, Value Added Statement and Five-Year Financial Summary, but does not include the interim consolidated and separate financial statements and our auditor's report thereon.

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

In connection with our audit of the interim consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the interim consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors and those charged with governance for the interim consolidated and separate financial statements

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the interim consolidated and separate financial statements

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

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

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

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

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

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

Report on other legal and regulatory requirements

The Companies and Allied Matters Act and the Banks and Other Financial Institutions Act require that in carrying out our audit we consider and report to you on the following matters. We confirm that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii) the bank has kept proper books of account, so far as appears from our examination of those books and returns adequate for our audit have been received from branches not visited by us;

iii) the bank's statement of financial position and statement of profit or loss and other comprehensive income for the six months period ended are in agreement with the books of account;

iv) the information required by Central Bank of Nigeria Circular BSD/1/2004 on insider related credits is disclosed in Note 37 to the interim consolidated and separate financial statements; and

v) the bank did not pay penalties in respect of contraventions of the Banks and Other Financial Institutions Act and relevant circulars issued by the Central Bank of Nigeria during the six months period ended 30 June 2020.

For: **PricewaterhouseCoopers**
Chartered Accountants
Lagos, Nigeria

19 August 2020

Engagement Partner: Samuel Abu
FRC/2013/ICAN/00000001495

ZENITH BANK PLC

Consolidated and Separate Statements of Profit or Loss and other Comprehensive Income for the six months period ended 30 June, 2020

		Group		Bank	
In millions of Naira	Note	**30-Jun-20**	**30-Jun-19**	**30-Jun-20**	**30-Jun-19**
Interest and similar income	6	216,954	214,601	176,331	177,225
Interest and similar expense	7	(59,545)	(72,086)	(49,286)	(61,385)
Net interest income		**157,409**	**142,515**	**127,045**	**115,840**
Impairment loss on financial and non-financial instruments	8	(23,923)	(13,735)	(20,142)	(13,156)
Net interest income after impairment loss on financial and non-financial instruments		**133,486**	**128,780**	**106,903**	**189,680**
Net income on fees and commission	9	33,503	55,815	22,887	48,513
Other operating income	10	24,151	8,814	21,329	7,663
Trading gains	11	58,832	45,101	58,797	45,101
Depreciation of property and equipment	25	(12,471)	(9,791)	(11,302)	(8,659)
Amortisation of intangible assets	26	(1,778)	(1,514)	(1,409)	(1,387)
Personnel expenses	36	(38,868)	(38,725)	(29,787)	(30,611)
Operating expenses	12	(82,731)	(76,803)	(73,793)	(71,793)
Profit before tax		**114,124**	**111,677**	**93,625**	**91,511**
Income tax expense	13a	(10,298)	(22,795)	(3,225)	(16,150)
Profit for the year after tax		**103,826**	**88,882**	**90,400**	**75,361**
Other comprehensive income:					
Items that will never be reclassified to profit or loss:					
Fair value movements on equity instruments at FVOCI	21(b)	11,104	338	11,104	338
Items that are or may be reclassified to profit or loss:					
Foreign currency translation differences for foreign operations		9,604	(6,441)	-	-
Fair value movements on debt securities at FVOCI	21(b)	1,049	97	-	-
Other comprehensive income for the year		**21,757**	**(6,006)**	**11,104**	**338**
Total comprehensive income for the year		**125,583**	**82,876**	**101,504**	**75,699**
Profit attributable to:					
Equity holders of the parent		103,735	88,806	90,400	75,361
Non controlling interest		91	76	-	-
Total comprehensive income attributable to:					
Equity holders of the parent		125,476	82,844	101,504	75,699
Non-controlling interest		107	32	-	-
Earnings per share					
Basic and diluted (Naira)	14	3.30	2.83	2.88	2.40

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

ZENITH BANK PLC

Consolidated and Separate Statements of Financial Position as at 30 June, 2020

		Group		Bank	
In millions of Naira	**Note(s)**	**30-Jun-20**	**31-Dec-19**	**30-Jun-20**	**31-Dec-19**
Assets					
Cash and balances with central banks	15	1,706,452	936,278	1,630,684	879,449
Treasury bills	16	837,113	991,393	671,285	822,449
Assets pledged as collateral	17	316,982	431,728	316,982	431,728
Due from other banks	18	854,713	707,103	594,722	482,070
Derivative assets	19	100,934	92,722	100,934	92,722
Loans and advances	20	2,624,367	2,305,565	2,533,072	2,239,472
Investment securities	21	774,493	591,097	269,282	189,358
Investment in subsidiaries	22	-	-	34,625	34,625
Deferred tax asset	23	12,438	11,860	11,247	11,223
Other assets	24	150,018	77,395	139,918	71,412
Property and equipment	25	186,827	185,216	166,350	165,456
Intangible assets	26	15,777	16,497	14,552	15,109
Total assets		**7,580,114**	**6,346,854**	**6,483,653**	**5,435,073**
Liabilities					
Customers' deposits	27	4,904,998	4,262,289	4,086,122	3,486,887
Derivative liabilities	32	40,858	14,762	40,858	14,762
Current income tax payable	13	14,818	9,711	9,379	6,627
Other liabilities	28	786,443	363,764	657,573	386,061
On-lending facilities	29	389,567	392,871	389,567	392,871
Borrowings	30	412,788	322,479	456,482	329,778
Debt securities issued	31	41,664	39,092	41,664	39,092
Total liabilities		**6,591,136**	**5,404,968**	**5,681,645**	**4,656,078**
Capital and reserves					
Share capital	33	15,698	15,698	15,698	15,698
Share premium	34	255,047	255,047	255,047	255,047
Retained earnings	34	420,195	412,948	300,382	302,028
Other reserves	34	297,177	257,439	230,881	206,222
Attributable to equity holders of the parent		988,117	941,132	802,008	778,995
Non-controlling interest	34	861	754	-	-
Total shareholders' equity		**988,978**	**941,886**	**802,008**	**778,995**
Total liabilities and equity		**7,580,114**	**6,346,854**	**6,483,653**	**5,435,073**

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

The financial statements were approved by the Board of Directors for issue on 23 July, 2020 and signed on its behalf by:

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

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

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

ZENITH BANK PLC

Consolidated and Separate Statements of Changes in Equity for the six months period ended 30 June, 2020

Group

In millions of Naira	Notes	Share capital	Share premium	Foreign currency translation reserve	Fair value reserve	Statutory reserve	SMIEIS reserve	Credit risk reserve	Retained earnings	Total	Non-controlling interest	Total equity
		Attributable to equity holders of the Parent										
At 1 January, 2019		**15,698**	**255,047**	**38,514**	**9,858**	**167,520**	**3,729**	**1,610**	**322,237**	**814,213**	**1,538**	**815,751**
Profit for the period		-	-	-	-	-	-	-	88,806	88,806	76	88,882
Other comprehensive icome:												
Foreign currency translation differences		-	-	(6,397)	-	-	-	-	-	(6,397)	(44)	(6,441)
Fair value movements on equity instruments		-	-	-	338	-	-	-	-	338	-	338
Fair value movements on debt securities		-	-	-	97	-	-	-	-	97	-	97
Total comprehensive income for the period		**-**	**-**	**(6,397)**	**435**	**-**	**-**	**-**	**88,806**	**82,844**	**32**	**82,876**
Transfer between reserves		-	-	-	-	16,646	-	1,463	(18,109)	-	-	-
Transactions with owners of the Parent												
Dividends	39	-	-	-	-	-	-	-	(78,491)	(78,491)	-	(78,491)
Acquisition of NCI without change in control		-	-	-	-	-	-	-	252	252	(874)	(622)
At 30 June, 2019		**15,698**	**255,047**	**32,117**	**10,293**	**184,166**	**3,729**	**3,073**	**314,695**	**818,818**	**696**	**819,514**
At 1 January, 2020		15,698	255,047	30,076	24,180	197,395	3,729	2,059	412,948	941,132	754	941,886
Profit for the period		-	-	-	-	-	-	-	103,735	103,735	91	103,826
Other comprehensive icome:												
Foreign currency translation differences		-	-	9,588	-	-	-	-	-	9,588	16	9,604
Fair value movements on equity instruments		-	-	-	11,104	-	-	-	-	11,104	-	11,104
Fair value movements on debt securities		-	-	-	1,049	-	-	-	-	1,049	-	1,049
Total comprehensive income for the period		**-**	**-**	**9,588**	**12,153**	**-**	**-**	**-**	**103,735**	**125,476**	**107**	**125,583**
Transfer between reserves		-	-	-	-	17,790	-	207	(17,997)	-	-	-
Transactions with owners of the Parent												
Dividends	39	-	-	-	-	-	-	-	(78,491)	(78,491)	-	(78,491)
At 30 June, 2020		**15,698**	**255,047**	**39,664**	**36,333**	**215,185**	**3,729**	**2,266**	**420,195**	**988,117**	**861**	**988,978**

Consolidated and Separate Statements of Changes in Equity for the six months period ended 30 June, 2020

Bank

In millions of Naira	Notes	Share capital	Share premium	Fair value reserve	Statutory reserve	SMIEIS reserve	Credit risk reserve	Retained earnings	Total equity
At 1 January, 2019		**15,698**	**255,047**	**9,858**	**152,065**	**3,729**	**-**	**238,635**	**675,032**
Profit for the period		-	-	-	-	-	-	75,361	75,361
Other comprehensive icome:									
Fair value movements on equity instruments		-	-	338	-	-	-	-	338
Total comprehensive income for the period		**-**	**-**	**338**	**-**	**-**	**-**	**75,361**	**75,699**
Transfer between reserves		-	-	-	11,305	-	-	(11,305)	-
Dividends	39	-	-	-	-	-	-	(78,491)	(78,491)
At 30 June, 2019		**15,698**	**255,047**	**10,196**	**163,370**	**3,729**	**-**	**224,200**	**672,240**
At 01 January 2020		**15,698**	**255,047**	**23,728**	**178,765**	**3,729**	**-**	**302,028**	**778,995**
Profit for the period		-	-	-	-	-	-	90,400	90,400
Other comprehensive icome:									
Fair value movements on equity instruments		-	-	11,104	-	-	-	-	11,104
Total comprehensive income for the period		**-**	**-**	**11,104**	**-**	**-**	**-**	**90,400**	**101,504**
Transfer between reserves		-	-	-	13,555	-	-	(13,555)	-
Dividends	39	-	-	-	-	-	-	(78,491)	(78,491)
Balance at 30 June, 2020		**15,698**	**255,047**	**34,832**	**192,320**	**3,729**	**-**	**300,382**	**802,008**

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

ZENITH BANK PLC

Consolidated and Separate Statement of Cash Flows for the six months period ended 30 June, 2020

		Group		Bank	
For the six months ended 30 June	Note(s)	**2020**	**2019**	**2020**	**2019**
In millions of Naira					
Cash flows from operating activities					
Profit after tax for the year		103,826	88,882	90,400	75,361
Adjustments for:					
Impairment loss/(reversal)					
Loans and Advances	8	19,971	16,150	16,098	15,571
Treasury bills, investment securities, assets pledged and due from Banks	8	1,305	(283)	1,421	(283)
Off balance sheet	8	1,466	(2,618)	1,466	(2,618)
On other assets	8	1,181	486	1,157	486
Fair value changes in trading bond	42(i)	(6,707)	(1,738)	(6,707)	(1,738)
Depreciation of property and equipment	25	12,471	9,791	11,302	8,659
Amortisation of intangible assets	26	1,778	1,514	1,409	1,387
Dividend income	10	-	(1,932)	(3,600)	(5,532)
Foreign exchange revaluation (gain)/loss	31	(22,021)	1,782	(15,659)	1,782
Interest income	6	(216,954)	(214,601)	(176,331)	(177,225)
Interest expense	7	59,545	72,086	49,286	61,385
Profit on sale of property and equipment	10	(102)	(65)	(102)	(73)
Profit on sale of investment property		(891)	-	(891)	-
Tax expense	13	10,298	22,795	3,225	16,150
		(34,834)	(7,751)	(27,526)	(6,688)
Changes in operating assets and liabilities:					
Net (increase)/decrease in loans and advances	42(iv)	(307,254)	3,547	(278,217)	(12,344)
Net (increase) in other assets	42(x)	(73,805)	(45,696)	(69,663)	(47,756)
Net (increase) in treasury bills with maturities greater than three months	42(ii)	(31,198)	(14,450)	(35,105)	(20,704)
Net decrease/(increase) in treasury bills (FVTPL)	42(iii)	177,387	(15,494)	178,088	(15,071)
Net decrease in assets pledged as collateral	42(xi)	114,311	75,539	114,311	75,539
Net (increase)/decrease in investment securities	42(i)	(150,515)	19,061	(50,427)	(24,202)
Net (increase)/decrease in restricted balances (cash reserves)	42(xiii)	(746,539)	15,034	(746,539)	15,034
Net increase in due from banks with maturity greater than three months	18	(48,730)	(156,972)	(48,730)	(156,972)
Net increase in customer deposits	42(v)	643,462	112,061	598,948	161,952
Net increase in other liabilities	42(vi)	392,888	25,373	269,829	9,271
Net (increase)/decrease in derivative assets	42(xii)	(8,212)	23,117	(8,212)	23,117
Net increase/(decrease) in derivative liabilities	42(xiv)	26,096	(10,310)	26,096	(10,310)
		(46,943)	**23,059**	**(77,147)**	**(9,134)**
Interest received	42 (viii)	183,641	204,965	143,201	175,827
Dividend received	10	-	-	-	-
Interest paid	42 (ix)	(59,028)	(70,836)	(48,996)	(45,046)
Tax paid	13(c)	(4,718)	(19,948)	-	(14,955)
Net cash flows (used in)/generated from operations		**72,952**	**137,240**	**17,058**	**106,692**

ZENITH BANK PLC

Consolidated and Separate Statement of Cash Flows for the six months period ended 30 June, 2020

		Group		Bank	
In millions of Naira	Note(s)	**2020**	**2019**	**2020**	**2019**
Cash flows from investing activities					
Purchase of property and equipment	25	(13,982)	(31,746)	(12,400)	(24,253)
Proceeds from sale of property and equipment	42(vii)	723	3,276	306	176
Purchase of intangible assets	26	(311)	(1,961)	(272)	(1,544)
Proceeds from sale of investments	42(viii)	901	-	901	-
Dividend received	10	-	1,932	3,600	5,532
Net cash used in investing activities		**(12,669)**	**(28,499)**	**(7,865)**	**(20,089)**
Cash flows from financing activities					
Repayment & repurchase of debt securities issued	31	-	(192,516)	-	(192,516)
Borrowed funds					
Net cash flow from long term borrowing	30	91,195	(14,996)	108,213	(22,598)
Net cash flow from onlending facility	29(b)	(4,128)	5,098	(4,128)	5,098
Principal element of lease payments	44(vi)	(214)	(920)	(214)	(920)
Acquisition of additional interest in Zenith Bank Ghana	22(i)	-	(622)	-	(622)
Dividends paid to shareholders	39	(78,491)	(78,491)	(78,491)	(78,491)
Net cash generated from / (used in) financing activities		**8,362**	**(282,447)**	**25,380**	**(290,049)**
Net (decrease)/increase in cash and cash equivalents		**68,645**	**(173,706)**	**34,573**	**(203,446)**
Analysis of changes in cash and cash equivalents :					
Cash and cash equivalent at the beginning of the year		670,715	947,038	388,853	610,915
(decrease)/increase in cash and cash equivalents		68,645	(173,706)	34,573	(203,446)
Effect of exchange rate movement on cash balances		46,825	6,090	27,000	-
Cash and cash equivalents at the end of the year	40	**786,185**	**779,422**	**450,426**	**407,469**

Non-cash investing and finance activities relate to acquisition of right of use asset (see note 25)

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

1 General information

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

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

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

The consolidated financial statements for the period ended 30 June, 2020 comprise the Bank and its subsidiaries (together referred to as "the Group") and the separate financial statements comprise the Bank. The consolidated and separate financial statements for the period ended 30 June, 2020 were approved for issue by the Board of Directors on 23 July, 2020.

The Group does not have any unconsolidated structured entity.

2.0 (a) Changes in accounting policies

The Group has consistently applied the accounting policies as set out in Note 2(b) to all periods presented in these consolidated and separate financial statements.

The Group has adopted the following amendments including any consequential amendments to other standards with initial date of application of January 1, 2020.

(b) The Group has consistently applied the following accounting policies to all periods presented in these consolidated and separate financial statements, unless otherwise stated.

2.1 Basis of preparation

(a). Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and comply with IFRS as issued by the International Accounting Standard Board (IASB) and in the manner required by the Companies and Allied Matters Act of Nigeria, the Financial Reporting Council of Nigeria Act, the Banks and other Financial Institutions Act of Nigeria, and relevant Central Bank of Nigeria circulars.

(b). Basis of measurement

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

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

(c) Use of estimates and judgements

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

2.2 Basis of Consolidation

(a) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity if it is exposed to, or has the rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it has control if there are changes to one or more elements of control. This includes circumstances in which protective rights held become substantive and lead to the Group having control over an investee.

The financial statements of subsidiaries are consolidated from the date the Group acquires control, up to the date that such effective control ceases.

Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (transactions with owners). When the proportion of the equity held by Non Controlling Interests (NCIs) changes, the carrying amounts of the controlling and NCIs are adjusted to reflect the changes in their relative interests in the Subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the Group.

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

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

(b) Loss of Control

2.2 Basis of Consolidation (continued)

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

(c) Associates

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

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

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

(d) Non-controlling interests

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

2.3 Translation of foreign currencies

Foreign currency transactions and balances

(a) Functional and presentation currency

The parent entity’s functional currency (Nigerian Naira) is adopted as the presentation currency for the separate and consolidated financial statements. Except as otherwise indicated, financial information presented in Naira have been rounded to the nearest million.

(b) Group companies

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

(i) assets and liabilities for statement of financial position presented are translated at the closing rate at the reporting date;

(ii) income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

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

2.3 Translation of foreign currencies (continued)

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

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

(c) Transactions and balances

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

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

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

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

2.4 Cash and cash equivalents

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

2.5 Financial instruments

(a) Initial recognition and measurement

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

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

Financial instruments are recognised or de-recognised on the date the Group settles the purchase or sale of the instruments (settlement date accounting).

2.5 Financial instruments (continued)
(b) Subsequent measurement

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

(c) Classification

(i) Financial assets

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

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

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

- 'Hold to collect' business model test - The asset is held within a business model whose objective is to hold the financial asset in other to collect contractual cash flows; and
- 'SPPI' contractual cash flow characteristics test - The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding on a specified date. Interest in this context is the consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time.

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

- 'Hold to collect and sell' business model test: The asset is held within a business model whose objective is achieved by both holding the financial asset in order to collect contractual cash flows and selling the financial asset; and
- 'SPPI' contractual cash flow characteristics test: The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets including equity investments are measured at fair value.

A financial asset is classified and measured at fair value through profit or loss (FVTPL) by the Group if the financial asset is:

- A debt instrument that does not qualify to be measured at amortised cost or FVOCI;
- An equity investment which the Group has not irrevocably elected to classify as at FVOCI and present subsequent changes in fair value in OCI;
- A financial asset where the Group has elected to measure the asset at FVTPL under the fair value option.

(ii) Financial liabilities

Financial liabilities are either classified by the Group as:

- Financial liabilities at amortised cost; or
- Financial liabilities as at fair value through profit or loss (FVTPL).

Financial liabilities are measured at amortised cost by the Group unless either:

2.5 Financial instruments (continued)

- The financial liability is held for trading and is therefore required to be measured at FVTPL, or

- The Group elects to measure the financial liability at FVTPL (using the fair value option).

(iii) Financial guarantees contracts and loan commitments

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

Loan commitments' are firm commitments to provide credit under pre-specified terms and conditions. Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with IFRS 9 (see note 3.2.17) and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

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

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

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

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

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

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

Business model assessment

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

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

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

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

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

– the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

2.5 Financial instruments (continued)

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

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

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

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

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

– leverage features;

– prepayment and extension terms;

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

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

Reclassifications

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

(d) Derecognition

(i) Financial assets

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

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

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

The Group sometimes enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

2.5 Financial instruments (continued)

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

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

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

(ii) Financial liabilities

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

(e) Modifications of financial assets and financial liabilities

Financial assets

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

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

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

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

2.5 Financial instruments (continued)

Financial liabilities

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

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

(f) Offsetting

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

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

(g) Amortised cost measurement

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

(h) Fair value measurement

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

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price – i.e. the fair value of the consideration given or received. However, in some cases the initial estimate of fair value of a financial instrument on initial recognition may be different from its transaction price. If this estimated fair value is evidenced by comparison with other observable current market transactions in the same instrument (without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets, then the difference is recognised in profit or loss on initial recognition of the instrument. In other cases, the fair value at initial recognition is considered to be the transaction price and the difference is not recognised in profit or loss immediately but is recognised over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price. Where the Bank has positions with offsetting risks, mid market prices are used to measure the offsetting risk positions and a bid or ask price adjustment is applied only to the net open position as appropriate.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

2.5 Financial instruments (continued)

Subsequent to initial recognition, the fair value of a financial instrument is based on quoted market prices or dealer price quotation for financial instruments. If a market for a financial instrument is not active, then the Group establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs into valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

See note 3.5 on fair valuation methods and assumptions.

(i) Assets pledged as collateral

Financial assets transferred to external parties and which do not qualify for de-recognition are reclassified in the statement of financial position from treasury bills and investment securities to assets pledged as collateral, if the transferee has received the right to sell or re-pledge them in the event of default from agreed terms. Assets pledged as collateral are initially recognised at fair value, and are subsequently measured at amortised cost or fair value as appropriate. These transactions are performed in accordance with the usual terms of securities lending and borrowing.

(j) Assets under repurchase agreement

Assets under repurchase agreement are transactions in which the Group sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same as the one sold) at a fixed price on a future date. The Group continues to recognise the securities in their entirety in the statement of financial position because it retains substantially all of the risks and rewards of ownership. The cash consideration received is recognised as a financial asset and a financial liability is recognised for the obligation to pay the repurchase price. Because the Group sells the contractual rights to the cash flows of the securities, it does not have the ability to use the transferred assets during the term of the arrangement.

2.6 Derivative instruments

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

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

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

2.7 Impairment

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

• Financial assets that are debt instruments;

• Financial guarantee contracts issued; and

• Loan commitments issued.

No impairment loss is recognised on equity investments.

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

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

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

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

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

Financial instruments for which lifetime ECL is recognised which are credit impaired are referred to as 'Stage 3 financial instruments".

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

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

2.7.1 Measurement of ECL

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

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

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

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

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

• There has been no change in estimation techniques from prior period. Also, significant assumptions made during the period can be seen in note .1

Reversal of Impairment and Backward Transfer Criteria

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

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

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

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

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

The Group also considers other qualitative criteria where necessary.

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

2.7.2 Credit-impaired financial assets

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

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

• Significant financial difficulty of the borrower or issuer;

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

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

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

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

• Significant increase in credit risk.

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

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

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

• The rating agencies’ assessments of creditworthiness.

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

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

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

2.7.3 Presentation of allowance for ECL in the statement of financial position

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

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

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

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

• Debt instruments measured at FVOCI, no loss allowance is recognised in the carrying amount of the asset as this is at fair value. However, the loss allowance is recognised in the fair value reserve.

2.7.4 Write-off policy

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

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

2.8 Reclassification of financial instruments

Financial assets are required to be reclassified in certain rare circumstances among the amortised cost, FVOCI and FVTPL categories. When the Group changes its business model for managing financial assets, the Group reclassifies all affected financial assets in accordance with the new model. The reclassification is applied prospectively from the reclassification date. Accordingly, any previously recognised gains, losses or interest are not reinstated. Changes in the business model for managing financial assets are expected to be very infrequent.

2.9 Restructuring of financial instruments

Financial instruments are restructured when the contractual terms are renegotiated or modified or when an existing financial instrument is replaced with a new one due to financial diffculties of the borrower. Restructured loans represent loans whose repayment periods have been extended due to changes in the business dynamics of the borrowers. For such loans, the borrowers are expected to pay the principal amounts in full within extended repayment period and all interest, including interest for the original and extended terms.

If the terms of a financial asset is restructured due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized and ECL are measured as follows;

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset is included in calculating the cash shortfalls from the existing asset.

- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that is discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

2.10 Collateral

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

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

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

In certain cirumstances, property may be repossessed following the foreclosure on loans that are in default. Repossessed properties are measured at the lower of carrying amount of the related loan and fair value less cost to sell and reported within 'Other asset'.

2.11 Property and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Property and equipment are depreciated on the straight line basis to their residual values over the estimated useful lives of the assets. Land is not depreciated.

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

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

Depreciation is included in profit or loss.

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

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

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

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

Borrowing Costs

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

2.12 Intangible assets

Computer software

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

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

(i) it is technically feasible to complete the software product so that it will be available for use;
(ii) management intends to complete the software product and use or sell it;
(iii) there is an ability to use or sell the software product;
(iv) it can be demonstrated how the software product will generate probable future economic benefits
(v) adequate technical, financial and other resources to complete the development and to use/sell the software product are available
(vi) the expenditure attributable to the software product during its development can be reliably measured.

Subsequent expenditure on computer software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that the asset is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life for computer software is 5 years.

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

Intangible assets are derecognized on disposal or when no future economic benefits are expected from their use or disposal.

2.13 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

An impairment loss is recognised if the carrying amount of an asset or its Cash Generating Unit (CGU) exceeds its estimated recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purposes of assessing impairment, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash flows of other assets or CGU.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs) and then to reduce the carrying amount of the other assets in the CGU (group of CGUs) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. An impairment loss in respect of goodwill is not reversed.

2.14 Leases

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

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

2.14 Leases (continued)

A. Definition of a lease

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

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

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

- The right to direct the use of that asset.

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

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

B. Group / Bank as a lessee

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

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

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

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

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

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

i. Significant accounting policies

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

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

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

2.14 Leases (continued)

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

C. Group / Bank as a lessor

Lease and instalment sale contracts are primarily financing transactions in banking activities, with rentals and instalments receivable, less unearned finance charges, being included in Loans and advances to customers in the statement of financial position. Finance charges earned are computed using the effective interest method which reflects a constant periodic return on the investment in the finance lease. Initial direct costs paid are capitalized to the value of the lease amount receivable and accounted for over the lease term as an adjustment to the effective interest rate method.

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

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

2.15 Provisions

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

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

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

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

2.16 Employee benefits

(a) Post-employment benefits

The Group operates a defined contribution plan.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. For defined contribution plans, the Group makes contributions on behalf of qualifying employees to a mandatory scheme under the provisions of the Pension Reform Act. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. For entities operating in Nigeria, the contribution by employees and the employing entities are 8% and 10% respectively of the employees' basic salary, housing and transport allowances. Entities operating outside Nigeria contribute in line with the relevant pension laws in their jurisdictions.

(b) Short-term benefits

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

Short-term employee benefits are measured on an undiscounted basis and are expensed as the related services are provided. They are included in personnel expenses in the profit or loss.

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

(c) Termination benefits

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

2.17 Share capital and reserves

(a) Share issue costs

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

(b) Dividends on ordinary shares

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

(c) Share premium

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

(d) Statutory reserve

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

2.17 Share capital and reserves (continued)

(e) SMIEIS reserve

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

(f) Statutory reserve for credit risk

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

(g) Retained earnings

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

(h) Fair value reserve

Comprises fair value movements on equity instruments carried at FVOCI.

(i) Foreign currency translation reserve

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

2.18 Recognition of interest income and expense

Effective interest rate

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

– the gross carrying amount of the financial asset; or

– the amortised cost of the financial liability.

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

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

Amortised cost and gross carrying amount

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

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

Calculation of interest income and expense

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

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

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

For information on when financial assets are credit-impaired, see Note 2.7.2.

Presentation

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

Interest expense presented in the consolidated and separate statement of profit or loss and other comprehensive income includes only interest on financial liabilities measured at amortised cost.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Group’s trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income (see Note 2.20).

2.19 Fees, commission and other income

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

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

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

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

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

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

Income on cash handling relates to services provided to customers in processing cash withdrawal and deposits above the regulated limit, provided by the Central Bank of Nigeria. Income is recognised as the service is provided.

2.20 Net Trading gains

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

2.21 Net income from other financial instruments at fair value through profit or loss

Net income from other financial instruments at fair value through profit or loss relates to derivatives held for risk management purposes that do not form part of qualifying hedge relationships.

Fair value changes on other derivatives held for risk management purposes, and other financial assets and liabilities carried at fair value through profit or loss, are presented in Other Income – Mark to market gain/(loss) on trading investmentsin the Income statement.

2.22 Operating expense

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

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

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

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

2.23 Current and deferred income tax

Income tax expense comprises current tax (company income tax, tertiary education tax National Information Technology Development Agency levy and Nigeria Police Trust Fund levy) and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

The Bank had determined that interest and penalties relating to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore are accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

(a) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, and any adjustment to tax payable or receivable in respect of previous years.

The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date and is assessed as follows:

- Company income tax is computed on taxable profits.

- Tertiary education tax is computed on assessable profits.

- National Information Technology Development Agency levy is computed on profit before tax.

- Nigeria Police Trust Fund levy is computed on net profit (i.e. profit after deducting all expenses and taxes from revenue earned by the company during the year).

Total amount of tax payable under CITA is determined based on the higher of two components namely Company Income Tax (based on taxable income (or loss) for the year); and minimum tax. Taxes based on profit for the period are treated as income tax in line with IAS 12.

2.23 Current and deferred income tax (continued)

(b) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for: – temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; – temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Bank is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and – taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences.

If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans of the Company. 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; such reductions are reversed when the probability of future taxable profits improves.

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.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

2.24 Earnings per share

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

2.25 Segment reporting

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

2.26 Fiduciary activities

The Group acts as trustees and in other fiduciary capacities through its subsidiaries, Zenith Pensions Custodian Limited and Zenith Nominees that results in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group. The fees earned on these activities are recognised as assets based fees.

2.27 Deposit for Investment in AGSMEIS

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

3. Risk management

3.1 Enterprise Risk Management

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

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

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

3.1.1 Risk Management Philosophy/Strategy

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

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

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

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

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

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

3.1.2 Risk Appetite

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

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

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

3.1.3 Risk Management Approach

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

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

3. Risk management (continued)

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

a. The Board of Directors provides overall risk management direction and oversight;

b. The Group's risk appetite is approved by the Board of Directors;

c. Risk management is embedded in the Group as an intrinsic process and is a core competence of all its employees;

d. The Group manages its credit, market, operational and liquidity risks in a coordinated manner within the organisation;

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

f. The Group's internal audit function reports to the Board Audit Committee and provides independent validation of the business units' compliance with risk policies and procedures, and the adequacy and effectiveness of the risk management framework on an enterprise-wide basis.

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

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

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

a. Comprehensive compliance manual detailing the roles and responsibilities of all stakeholders in the compliance process:

b. Review and analysis of all relevant laws and regulations, which are adopted into policy statements to ensure business is conducted professionally;

c. Review of the Bank's Anti-Money Laundering Policy in accordance with changes in the Money Laundering Prohibition Act 2011 and Anti-Terrorism Act 2011 as amended; and

d. Incorporation of new guidelines in the Bank's "Know Your Customer" policies in line with the increasing global trend as outlined in the Central Bank of Nigeria's Anti-Money Laundering/Combating Finance of Terrorism Compliance Manual.

3.1.4 Methodology for Risk Rating

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

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

a. Develop and implement procedures and practices that translate the Board's goals, objectives, and risk tolerances into operating standards that are well understood by staff;

b. Establish lines of authority and responsibility for managing individual risk elements in line with the Board's overall direction;

c. Risk identification, measurement, monitoring and control procedures;

d. Establish effective internal controls that cover each risk management process;

e. Ensure that the Group's risk management processes are properly documented;

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

3. Risk management (continued)

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

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

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

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

a. The strategic importance of the activity and sector;

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

c. The net income of the sector; and

d. The risk inherent in the activity and sector.

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

3.2 Credit Risk

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

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

a. Credit is only extended to suitable and well identified customers and never where there is any doubt as to the ethical standards and record of the intending borrower;

b. Exposures to any industry or customer will be determined by the regulatory guidelines, clearly defined internal policies, debt service capability and balance sheet management guidelines;

c. Credit is not extended to customers where the source of repayment is unknown or speculative, and also where the destination of funds is unknown. There must be clear and verifiable purpose for the use of the funds;

d. Credit is not given to a customer where the ability of the customer to meet obligations is based on the most optimistic forecast of events. Risk considerations will always have priority over business and profit considerations

e. The primary source of repayment for all credits must be from an identifiable cash flow from the counterparty's normal business operations or other financial arrangements. The realization of collateral remains a fall back option;

f. A pricing model that reflects variations in the risk profile of various credits to ensure that higher risks are compensated by higher returns is adopted;

g. All insiders' related credits are limited to regulatory and strict internal limits and are disclosed as required; and

h. The consequences for non-compliance with the credit policy and credit indiscipline are communicated to all staff and are implemented.

3. Risk management (continued)

3.2.1 Credit Metrics and Measurement Tools

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

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

b. Credit rating of obligor;

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

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

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

3.2.2 Credit Rating Tools

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

(a) Loans and advances and amounts due from banks

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

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

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

The credit rating system seeks to achieve the foundation level of the internal rating-based approach under Basel II, through continuous validation exercises over the years.

(b) Other debt instruments

With respect to other debt instruments, the Group takes the following into consideration in the management of the associated credit risk:

(i) Internal and external research and market intelligence reports; and
(ii) Regulatory agencies reports

3. Risk management (continued)

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

Control mechanisms for the credit risk rating system

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

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

3.2.3 Credit Processes

Zenith operates a centralised credit approval process system. Credits are originated from the branches/business groups and subjected to reviews at various levels before they are presented along with all documents and information defined for the proper assessment and decision of Credit to the Global Credit Committee for consideration. All Credits presented for approval are required to be in conformity with the documented and communicated Risk Acceptance Criteria(RAC).

As part of credit appraisal process, the Group will have to review the following:

a. Credit assessment of the borrower’s industry, and macro-economic factors;

b. The purpose of credit and source of repayment;

c. The track record / repayment history of borrower;

d. Assess/evaluate the repayment capacity of the borrower;

e. The proposed terms and conditions and covenants;

f. Adequacy and enforceability of collaterals; and

g. Approval from appropriate authority.

3.2.4 Group Credit Risk Management

Zenith's approach in managing credit risk is a key element in achieving its strategic objective of maintaining and further enhancing its asset quality and credit portfolio risk profile. The credit standards, policies and procedures, risk methodologies and framework, solid structure and infrastructure, risk monitoring and control activities enable the Group to deal with the emerging risks and challenges with a high level of confidence and determination.

The framework for credit risk assessment at Zenith is well-defined and institutionally predicated on:

a. Clear tolerance limits and risk appetite set at the Board level, well communicated to the business units and periodically reviewed and monitored to adjust as appropriate;

b. Well-defined target market and risk asset acceptance criteria;

c. Rigorous financial, credit and overall risk analysis for each customer/transaction;

d. Regular portfolio examination in line with key performance indicators and periodic stress testing;

e. Continuous assessment of concentrations and mitigation strategies;

f. Continuous validation and modification of early warning system to ensure proper functioning for risk identification;

g. Systematic and objective credit risk rating methodologies that are based on quantitative, qualitative and expert judgment;

3. Risk management (continued)

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

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

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

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

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

3.2.5 Group Credit Risk Limits

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

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

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

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

Zenith Group Rating	Approval limit (% of Shareholders' Fund)
Board Credit Committee	N1 billion and above (Not exceeding 20% of total shareholders' fund)
Management Global Credit Committee	Below N1 billion

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

3.2.6 Group Credit Risk Monitoring

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

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

The capabilities of the credit review team is continuously enhanced in order to improve the facility monitoring activity and assure good quality Risk Assets Portfolio across the Group.

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

3. Risk management (continued)

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

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

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

(i) Collateral

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

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

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

c. Stocks and shares of publicly quoted companies;

d. Domiciliation of contracts proceeds;

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

f. Letter of lien; and

g. Cash collateral.

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

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

3. Risk management (continued)

Details of collateral pledged by customers against the carrying amount of loans and advances as at 30 June, 2020 are as follows:

In millions of Naira	Group		Bank	
	Total exposure	Fair value of collateral	Total exposure	Fair value of collateral
Secured against real estate	250,218	246,159	227,416	135,652
Secured by shares of quoted companies	31,876	4,295	31,876	4,295
Cash Collateral, lien over fixed and floating assets	1,654,430	1,586,277	1,612,929	1,531,945
Unsecured	862,741	-	826,729	-
Total Gross amount	**2,799,265**	**1,836,731**	**2,698,950**	**1,671,892**
ECL Allowance	(174,899)	-	(165,879)	-
Net carrying amount	**2,624,366**	**1,836,731**	**2,533,071**	**1,671,892**

Group **30 June, 2020** **Disclosure by Collateral**	**Term loan**	**Overdrafts**	**Onlending**	**Total**
Property/Real estate	190,727	42,904	12,529	246,160
Equities	1,302	2,992	-	4,294
Cash Collateral, lien over fixed and floating assets	1,191,502	69,174	325,602	1,586,278
Grand total: Fair value of collateral	**1,383,531**	**115,070**	**338,131**	**1,836,732**
Grand total: Gross loans	**2,028,583**	**287,344**	**483,339**	**2,799,266**
Grand total: ECL Allowance	**128,049**	**38,274**	**8,576**	**174,899**
Grand total: Net amount	**1,900,534**	**249,070**	**474,763**	**2,624,367**
Grand total: Amount of undercollaterization	**(517,003)**	**(134,000)**	**(136,632)**	**(787,635)**

30 June, 2020 Against 12 months ECL loans and advances	**Term loan**	**Overdrafts**	**Onlending**	**Total**
Property/Real estate	133,442	23,401	12,502	169,345
Equities	1,302	1,642	-	2,944
Cash Collateral, lien over fixed and floating assets	722,312	61,746	325,602	1,109,660
Fair value of collateral	**857,056**	**86,789**	**338,104**	**1,281,949**
Gross loans	**1,391,303**	**180,807**	**477,329**	**2,049,439**
ECL Allowance	**38,640**	**4,651**	**8,449**	**51,740**
Net amount	**1,352,663**	**176,156**	**468,880**	**1,997,699**
Amount of undercollaterization	**(495,607)**	**(89,367)**	**(130,776)**	**(715,750)**

3. Risk management (continued)

30 June, 2020 Against lifetime ECL not credit-impaired loans and advances	**Term loan**	**Overdrafts**	**Onlending**	**Total**
Property/Real estate	50,875	7,294	2	58,171
Cash Collateral, lien over fixed and floating assets	419,482	1,371	-	420,853
Fair value of collateral	**470,357**	**8,665**	**2**	**479,024**
Gross loans	**498,279**	**30,839**	**4,851**	**533,969**
ECL Allowance	**15,980**	**670**	**-**	**16,650**
Net amount	**482,299**	**30,169**	**4,851**	**517,319**
Amount of undercollaterization	**(11,942)**	**(21,504)**	**(4,849)**	**(38,295)**

30 June, 2020 Against lifetime ECL credit-impaired loans and advances	**Term loan**	**Overdrafts**	**Onlending**	**Total**
Property/Real estate	6,464	12,230	25	18,719
Equities	-	1,350	-	1,350
Cash Collateral, lien over fixed and floating assets	49,558	5,955	-	55,513
Fair value of collateral	**56,022**	**19,535**	**25**	**75,582**
Gross loans	**139,000**	**75,698**	**1,160**	**215,858**
ECL Allowance	**73,430**	**32,952**	**127**	**106,509**
Net amount	**65,570**	**42,746**	**1,033**	**109,349**
Amount of undercollaterization	**(9,548)**	**(23,211)**	**(1,008)**	**(33,767)**

Bank **30 June, 2020** **Disclosure by Collateral**	**Term loan**	**Overdrafts**	**Onlending**	**Total**
Property/Real estate	94,976	28,148	12,529	135,653
Equities	1,302	2,992	-	4,295
Cash Collateral, lien over fixed and floating assets	1,148,795	57,547	325,602	1,531,945
Grand total: Fair value of collateral	**1,245,073**	**88,688**	**338,131**	**1,671,893**
Grand total: Gross loans	**1,942,466**	**273,146**	**483,339**	**2,698,951**
Grand total: ECL Allowance	**120,726**	**36,577**	**8,576**	**165,879**
Grand total: Net amount	**1,821,740**	**236,569**	**474,763**	**2,533,072**
Grand total: Amount of undercollaterization	**(576,667)**	**(147,881)**	**(136,632)**	**(861,179)**

3. Risk management (continued)

30 June, 2020 Against 12 months ECL loans and advances	**Term loan**	**Overdrafts**	**Onlending**	**Total**
Property/Real estate	39,621	13,711	12,502	65,835
Equities	1,302	1,642	-	2,944
Cash Collateral, lien over fixed and floating assets	679,755	51,031	325,602	1,056,389
Fair value of collateral	**720,678**	**66,385**	**338,104**	**1,125,167**
Gross loans	**1,306,946**	**170,327**	**477,329**	**1,954,602**
ECL Allowance	**31,521**	**4,035**	**8,449**	**44,005**
Net amount	**1,275,425**	**166,292**	**468,880**	**1,910,597**
Amount of undercollaterization	**(554,747)**	**(99,907)**	**(130,776)**	**(785,430)**

30 June, 2020 Against lifetime ECL not credit-impaired loans and advances	**Term loan**	**Overdrafts**	**Onlending**	**Total**
Property/Real estate	50,848	7,268	2	58,118
Cash Collateral, lien over fixed and floating assets	419,482	1,371	-	420,853
Fair value of collateral	**470,330**	**8,639**	**2**	**478,971**
Gross loans	**497,195**	**30,697**	**4,850**	**532,741**
ECL Allowance	**15,978**	**669**	**-**	**16,647**
Net amount	**481,217**	**30,028**	**4,850**	**516,095**
Amount of undercollaterization	**(10,887)**	**(21,389)**	**(4,848)**	**(37,124)**

30 June, 2020 Against lifetime ECL credit-impaired loans and advances	**Term loan**	**Overdrafts**	**Onlending**	**Total**
Property/Real estate	4,507	7,168	25	11,700
Equities	-	1,350	-	1,350
Cash Collateral, lien over fixed and floating assets	49,558	5,145	-	54,704
Fair value of collateral	**54,065**	**13,664**	**25**	**67,754**
Gross loans	**138,325**	**72,121**	**1,160**	**211,606**
ECL Allowance	**73,227**	**31,873**	**127**	**105,227**
Net amount	**65,098**	**40,248**	**1,033**	**106,379**
Amount of undercollaterization	**(11,033)**	**(26,584)**	**(1,008)**	**(38,625)**

3. Risk management (continued)

Details of collateral pledged by customers against carrying amount of loans and advances as at 31 December, 2019 are as follows:

In millions of Naira	Group		Bank	
	Total exposure	Value of collateral	Total exposure	Value of collateral
Secured against real estate	214,040	222,648	187,659	105,637
Secured by shares of quoted companies	27,759	4,118	5,813	4,118
Cash collateral, lien over fixed and floating assets	1,301,733	1,070,602	1,285,343	1,060,953
Unsecured	918,827	-	911,837	-
Total Gross amount	**2,462,359**	**1,297,368**	**2,390,651**	**1,170,708**
ECL Allowance	(156,794)	-	(151,179)	-
Net carrying amount	**2,305,565**	**1,297,368**	**2,239,472**	**1,170,708**

Group **31 December, 2019** **Disclosure by Collateral**	Term loan	Overdrafts	Onlending	Total
Property/Real estate	174,259	35,815	12,574	222,648
Equities	150	3,968	-	4,118
Cash Collateral, lien over fixed and floating assets	732,284	41,677	296,640	1,070,601
Grand total: Fair value of collateral	**906,693**	**81,460**	**309,214**	**1,297,367**
Grand total: Gross loans	**1,766,787**	**212,548**	**483,024**	**2,462,359**
Grand total: ECL Allowance	**120,031**	**34,328**	**2,435**	**156,794**
Grand total: Net amount	**1,646,756**	**178,220**	**480,589**	**2,305,565**
Grand total: Amount of undercollaterization	**(740,063)**	**(96,760)**	**(171,375)**	**(1,008,198)**

31 December, 2019 Against 12 months ECL loans and advances	Term loan	Overdrafts	Onlending	Total
Property/Real estate	120,423	20,257	12,541	153,221
Equities	150	1,503	-	1,653
Cash Collateral, lien over fixed and floating assets	673,970	37,039	296,640	1,007,649
Fair value of collateral	**794,543**	**58,799**	**309,181**	**1,162,523**
Gross loans	**1,505,776**	**132,221**	**475,591**	**2,113,588**
ECL Allowance	**26,064**	**2,762**	**1,603**	**30,429**
Grand total: Net amount	**1,479,712**	**129,459**	**473,988**	**2,083,159**
Amount of undercollaterization	**(685,169)**	**(70,660)**	**(164,807)**	**(920,636)**

31 December, 2019 Against lifetime ECL not credit-impaired loans and advances	Term loan	Overdrafts	Onlending	Total
Property/Real estate	52,028	2,710	-	54,738
Equities	-	834	-	834
Cash Collateral, lien over fixed and floating assets	50,181	2,158	-	52,339
Fair value of collateral	**102,209**	**5,702**	**-**	**107,911**
Gross loans	**143,319**	**30,172**	**7,263**	**180,754**
ECL Allowance	**12,989**	**2,082**	**734**	**15,805**
Net amount	**130,330**	**28,090**	**6,529**	**164,949**
Amount of undercollaterization	**(28,121)**	**(22,388)**	**(6,529)**	**(57,038)**

3. Risk management (continued)

31 December, 2019 Against lifetime ECL credit-impaired loans and advances	**Term loan**	**Overdrafts**	**Onlending**	**Total**
Property/Real estate	1,808	12,848	33	14,688
Equities	-	1,631	-	1,631
Cash Collateral, lien over fixed and floating assets	8,134	2,480	-	10,614
Fair value of collateral	**9,942**	**16,959**	**33**	**26,934**
Gross loans	**117,692**	**50,155**	**171**	**168,018**
ECL Allowance	**80,978**	**29,484**	**97**	**110,559**
Net amount	**36,714**	**20,671**	**74**	**57,459**
Amount of undercollaterization	**(26,772)**	**(3,712)**	**(41)**	**(30,525)**

Bank **31 December, 2019** **Disclosure by Collateral**	**Term loan**	**Overdrafts**	**Onlending**	**Total**
Property/Real estate	71,530	21,533	12,574	105,637
Equities	150	3,968	-	4,118
Cash Collateral, lien over fixed and floating assets	728,634	37,179	296,640	1,062,453
Grand total: Fair value of collateral	**800,314**	**62,679**	**309,214**	**1,172,208**
Grand total: Gross loans	**1,713,607**	**194,020**	**483,024**	**2,390,651**
Grand total: ECL Allowance	**115,670**	**33,074**	**2,435**	**151,179**
Grand total: Net amount	**1,597,937**	**160,946**	**480,589**	**2,239,472**
Grand total: Amount of undercollaterization	**(797,623)**	**(98,267)**	**(171,375)**	**(1,067,264)**

31 December, 2019 Against 12 months ECL loans and advances	**Term loan**	**Overdrafts**	**Onlending**	**Total**
Property/Real estate	19,574	13,319	12,541	45,435
Equities	150	1,503	-	1,653
Cash Collateral, lien over fixed and floating assets	670,341	31,227	296,640	998,208
Fair value of collateral	**690,065**	**46,049**	**309,181**	**1,045,295**
Gross loans	**1,457,786**	**119,541**	**475,591**	**2,052,918**
ECL Allowance	**23,167**	**2,372**	**1,603**	**27,143**
Net amount	**1,434,619**	**117,169**	**473,988**	**2,025,776**
Amount of undercollaterization	**(744,554)**	**(71,120)**	**(164,807)**	**(980,481)**

31 December, 2019 Against lifetime ECL not credit-impaired loans and advances	**Term loan**	**Overdrafts**	**Onlending**	**Total**
Property/Real estate	51,480	2,579	-	54,059
Equities	-	834	-	834
Cash Collateral, lien over fixed and floating assets	50,181	2,009	-	52,190
Fair value of collateral	**101,661**	**5,422**	**-**	**107,083**
Gross loans	**138,711**	**30,080**	**7,263**	**176,054**
ECL Allowance	**11,537**	**2,005**	**734**	**14,276**
Net amount	**127,174**	**28,075**	**6,529**	**161,778**
Amount of undercollaterization	**(25,513)**	**(22,653)**	**(6,529)**	**(54,695)**

3. Risk management (continued)

31 December, 2019 Against lifetime ECL credit-impaired loans and advances	**Term loan**	**Overdrafts**	**Onlending**	**Total**
Property/Real estate	476	5,634	33	6,143
Equities	-	1,631	-	1,631
Cash Collateral, lien over fixed and floating assets	8,113	2,443	-	10,556
Fair value of collateral	**8,589**	**9,708**	**33**	**18,330**
Gross loans	**117,109**	**44,399**	**171**	**161,679**
ECL Allowance	**80,966**	**28,697**	**97**	**109,760**
Net amount	**36,143**	**15,702**	**74**	**51,919**
Amount of undercollaterization	**(27,554)**	**(5,994)**	**(41)**	**(33,589)**

(ii) Balance Sheet Netting Arrangements

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

(iii) Guarantees and Standby Letters of Credit

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

3. Risk management (continued)

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

The Group's maximum exposure to credit risk at 30 June, 2020 and 31 December, 2019 respectively, are represented by the net carrying amounts of the financial assets, with the exception of financial and other guarantees issued by the Group for which the maximum exposure to credit risk are represented by the maximum amount the Group would have to pay if the guarantees are called on (refer to note 38 Contingent liabilities and commitments).

Maximum exposure to credit risk - Financial instruments not subject to impairment

The following table contains an analysis of the maximum credit risk exposure from financial assets not subject to impairment as at 30 June, 2020.

In millions of Naira	Group	Bank
	Maximum exposure to credit risk	Maximum exposure to credit risk
Trading assets		
- Treasury bills	530,724	530,026
- Investment in securities	48,995	48,995
- Derivatives	100,934	100,934
- Assets pledged as collateral	43,604	43,604

Maximum exposure to credit risk - Financial instruments subject to impairment

The following table contains an analysis of the maximum credit risk exposure from financial assets subject to impairment as at 30 June, 2020

In millions of Naira	Group	Bank
	Maximum exposure to credit risk	Maximum exposure to credit risk
Financial assets measured at amortised cost		
- Treasury bills	306,998	141,412
- Investment in securities	329,382	146,702
- Off balance sheet exposures	875,594	685,448
- Assets pledged as collateral	273,882	273,882
- Loans and advances to customers	2,799,266	2,698,951
- Due from banks	855,046	595,055
- Other financial assets	117,893	111,550
Financial assets measured through other comprehensive income		
- Investment securities	322,544	-

3. Risk management (continued)

3.2.8 Concentration of Risks of Financial Assets with Credit Risk Exposure

The Group monitors concentrations of credit risk by geographical location and by industry sector. An analysis of concentrations of credit risk at 30 June, 2020 and 31 December, 2019 respectively for loans and advances to customers and amounts due from banks, is set out below:

(a) Geographical sectors

The following table breaks down the Group's main credit exposure at their carrying amounts, as categorised by geographical region at 30 June, 2020 and 31 December, 2019 respectively. For this table, the Group has allocated exposures to regions based on the regions the counterparties are domiciled. Financial assets included in the table below represents other assets excluding prepayment.

In millions of Naira	Group			Bank		
30 June, 2020	**Nigeria**	**Rest of Africa**	**Outside Africa**	**Nigeria**	**Rest of Africa**	**Outside Africa**
Cash and balances with central bank	1,630,710	75,727	15	1,630,684	-	-
Treasury bills	677,528	159,585	-	671,285	-	-
Assets pledged as collateral	316,982	-	-	316,982	-	-
Due from other banks	38,074	40,502	776,137	50,702	540,997	3,023
Investment securities	211,624	156,636	331,449	194,498	-	-
Derivative instruments	100,934	-	-	100,934	-	-
Other financial assets	46,989	2,691	66,297	109,716	-	-
Total	**3,022,841**	**435,141**	**1,173,898**	**3,074,801**	**540,997**	**3,023**
Financial Guarantees						
Usance	132,263	824	-	117,485	-	-
Letters of credit	291,150	1,205	71,310	235,116	-	-
Performance bond and guarantees	262,035	62,763	54,044	332,847	-	-
Total	**685,448**	**64,792**	**125,354**	**685,448**	**-**	**-**

In millions of Naira	Group			Bank		
31 December, 2019	**Nigeria**	**Rest of Africa**	**Outside Africa**	**Nigeria**	**Rest of Africa**	**Outside Africa**
Cash and balances with central bank	879,996	56,263	19	879,449	-	-
Treasury bills	824,119	167,274	-	822,449	-	-
Assets pledged as collateral	431,728	-	-	431,728	-	-
Due from other banks	8,134	78,025	620,944	-	-	482,070
Investment securities	203,857	101,996	285,244	189,358	-	-
Derivative instruments	92,722	-	-	92,722	-	-
Other financial assets	62,496	960	308	61,253	-	-
Total	**2,503,052**	**404,518**	**906,515**	**2,476,959**	**-**	**482,070**
Financial Guarantees						
Usance	79,318	-	-	79,318	-	-
Letters of credit	413,656	39,640	91,878	413,656	-	-
Performance bond and guarantees	261,495	22,980	79,447	261,495	-	-
Total	**754,469**	**62,620**	**171,325**	**754,469**	**-**	**-**

3. Risk management (continued)

Gross loans and advances to customers and the Non-performing loan portion per geographical region as at 30 June, 2020

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

	Group			Bank		
	Loans and advances to customers			Loans and advances to customers		
	Gross loans	Impairment Allowance	Carrying amount	Gross loans	Impairment Allowance	Carrying amount
South South	204,031	5,041	198,990	204,032	5,041	198,991
South West	2,136,527	153,909	1,982,618	2,136,526	153,909	1,982,617
South East	109,331	3,359	105,972	109,331	3,359	105,972
North Central	116,912	2,627	114,285	116,912	2,627	114,285
North West	34,208	330	33,878	34,208	330	33,878
North East	97,942	613	97,329	97,942	613	97,329
Rest of Africa	83,369	9,020	74,349	-	-	-
Outside Africa	16,946	-	16,946	-	-	-
	2,799,266	**174,899**	**2,624,367**	**2,698,951**	**165,879**	**2,533,072**

Gross loans and advances and non-performing portion per geographical region as at 31 December, 2019

	Group			Bank		
	Loans and advances to customers			Loans and advances to customers		
	Gross loans	Impairment Allowance	Carrying amount	Gross loans	Impairment Allowance	Carrying amount
South South	201,543	3,488	198,055	201,543	3,488	198,055
South West	1,828,217	140,839	1,687,379	1,828,086	140,839	1,687,248
South East	138,681	3,556	135,125	138,681	3,556	135,125
North Central	95,005	2,837	92,168	95,005	2,837	92,168
North West	26,271	177	26,094	26,271	177	26,094
North East	101,065	282	100,783	101,065	282	100,783
Rest of Africa	47,299	2,153	45,146	-	-	-
Outside Africa	24,278	3,462	20,816	-	-	-
	2,462,359	**156,794**	**2,305,565**	**2,390,651**	**151,179**	**2,239,472**

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

Gross loans and advances to customers and the non-performing loan portion per industry sector as at 30 June, 2020.

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

In millions of Naira	Group			Bank		
	Loans and advances to customers			Loans and advances to customers		
	Gross loans	Impairment allowance	Carrying amount	Gross loans	Impairment allowance	Carrying amount
Agriculture	179,775	5,488	**174,287**	179,101	4,485	**174,616**
Oil and gas	752,399	46,641	**705,758**	748,162	52,817	**695,345**
Consumer Credit	124,189	10,760	**113,429**	122,529	10,317	**112,212**
Manufacturing	651,016	12,231	**638,785**	632,047	14,271	**617,776**
Real estate and construction	103,469	10,789	**92,680**	101,340	9,728	**91,612**
Finance and insurance	3,261	473	**2,788**	1,459	92	**1,367**
Government	369,200	3,779	**365,421**	354,207	2,524	**351,683**
Power	83,106	44,897	**38,209**	83,106	42,738	**40,368**
Transportation	135,340	8,153	**127,187**	134,398	5,151	**129,247**
Communication	117,513	14,558	**102,955**	109,363	16,879	**92,484**
Education	7,853	1,006	**6,847**	7,805	203	**7,602**
General Commerce	272,145	16,124	**256,021**	225,434	6,674	**218,760**
	2,799,266	**174,899**	**2,624,367**	**2,698,951**	**165,879**	**2,533,072**

Gross loans and advances to customers and the non-performing loan portion per industry sector as at 31 December, 2019

In millions of Naira	Group			Bank		
	Loans and advances to customers			Loans and advances to customers		
	Gross loans	Impairment allowance.	Carrying amount	Gross loans	Impairment allowance	Carrying amount
Agriculture	162,123	454	**161,669**	161,636	454	**161,182**
Oil and gas	619,414	53,837	**565,577**	617,978	53,713	**564,265**
Consumer Credit	125,251	19,562	**105,689**	124,775	19,515	**105,260**
Manufacturing	489,526	8,917	**480,609**	474,411	8,199	**466,211**
Real estate and construction	80,922	11,732	**69,190**	76,195	11,520	**64,675**
Finance and Insurance	34,542	3,672	**30,870**	14,798	944	**13,853**
Government	362,836	403	**362,433**	361,667	292	**361,375**
Power	81,785	32,873	**48,912**	81,630	32,872	**48,757**
Transportation	94,026	312	**93,714**	92,174	119	**92,055**
Communication	111,344	14,726	**96,618**	107,153	14,722	**92,431**
Education	8,854	1,021	**7,833**	8,802	1,020	**7,782**
General Commerce	291,736	9,285	**282,451**	269,434	7,809	**261,625**
	2,462,359	**156,794**	**2,305,565**	**2,390,651**	**151,179**	**2,239,472**

3. Risk management (continued)

Group

30 June, 2020

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

In millions of naira

	Cash and balances with central bank	Treasury bills	Assets pledged as collateral	Due from other banks	Investment securities	Derivative instruments	Other financial assets
AAA	1,706,452	837,722	317,486	855,046	687,456	100,934	117,893
BBB to BB	-	-	-	-	13,465	-	-
Gross amount	**1,706,452**	**837,722**	**317,486**	**855,046**	**700,921**	**100,934**	**117,893**
ECL - impairment	-	(609)	(504)	(333)	(1,212)	-	(1,916)
Carrying amount	**1,706,452**	**837,113**	**316,982**	**854,713**	**699,709**	**100,934**	**115,977**

	Loans and Advances			
	Term loans	**Overdraft**	**Others**	**Total**
12 months ECL	1,391,304	184,524	477,328	2,053,156
Lifetime ECL not credit impaired	498,279	30,697	4,851	533,827
Lifetime ECL credit impaired	139,000	72,123	1,160	212,283
Gross loans and advances	**2,028,583**	**287,344**	**483,339**	**2,799,266**
Less allowances for impairment				
12 - months ECL	38,639	4,652	8,449	51,740
Lifetime ECL not credit impaired	15,980	670	-	16,650
Lifetime ECL credit impaired	73,430	32,952	127	106,509
Total allowances for impairment	**128,049**	**38,274**	**8,576**	**174,899**
Net loans and advances	**1,900,534**	**249,070**	**474,763**	**2,624,367**

	Loans and advances			
	12 months ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
A	1,943,327	395,299	15,763	2,354,389
AA	6	-	-	6
B	47,045	-	3,246	50,291
BB	8,678	137,976	28,864	175,518
BBB	2,166	552	663	3,381
C	104	-	31,475	31,579
CC	-	-	215	215
CCC	11	-	-	11
D	28	-	132,057	132,085
UNRATED	51,791	-	-	51,791
Gross amount	**2,053,156**	**533,827**	**212,283**	**2,799,266**
ECL-Impairment	(51,740)	(16,650)	(106,509)	(174,899)
Carrying amount	**2,001,416**	**517,177**	**105,774**	**2,624,367**

3. Risk management (continued)

	Term loan			
	12 months ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
A	1,299,490	369,930	32,132	1,701,552
AA	6	-	-	6
B	46,916	-	24	46,940
BB	6,363	127,859	12,401	146,623
BBB	452	490	344	1,286
C	2	-	3,072	3,074
CC	-	-	198	198
D	10	-	90,829	90,839
UNRATED	38,065	-	-	38,065
Gross amount	**1,391,304**	**498,279**	**139,000**	**2,028,583**
ECL-Impairment	(38,639)	(15,980)	(73,430)	(128,049)
Carrying amount	**1,352,665**	**482,299**	**65,570**	**1,900,534**

	Overdraft			
	12 months ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
A	167,148	25,381	11,318	203,847
B	118	-	3,220	3,338
BB	1,538	5,255	15,368	22,161
BBB	1,663	61	319	2,043
C	102	-	1,372	1,474
CC	-	-	16	16
CCC	11	-	-	11
D	18	-	40,510	40,528
UNRATED	13,926	-	-	13,926
Gross amount	**184,524**	**30,697**	**72,123**	**287,344**
ECL-Impairment	(4,652)	(670)	(32,952)	(38,274)
Carrying amount	**179,872**	**30,027**	**39,171**	**249,070**

	Others			
	12 months ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
A	476,175	-	-	476,175
B	11	-	2	13
BB	777	4,851	1,086	6,714
BBB	51	-	-	51
C	-	-	31	31
D	**-**	**-**	**41**	**41**
UNRATED	314	-	-	314
Gross amount	**477,328**	**4,851**	**1,160**	**483,339**
ECL-Impairment	(8,449)	-	(127)	(8,576)
Carrying amount	**468,879**	**4,851**	**1,033**	**474,763**

3. Risk management (continued)

Bank

30 June, 2020

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

In millions of naira

	Cash and balances with central bank	Treasury bills	Assets pledged as collateral	Due from other banks	Investment securities	Derivative instruments	Other financial assets
AAA	1,630,684	671,438	317,486	595,055	182,232	100,934	111,550
BBB to BB	-	-	-	-	13,465	-	-
Gross amount	**1,630,684**	**671,438**	**317,486**	**595,055**	**195,697**	**100,934**	**111,550**
ECL - impairment	-	(153)	(504)	(333)	(1,199)	-	(1,834)
Carrying amount	**1,630,684**	**671,285**	**316,982**	**594,722**	**194,498**	**100,934**	**109,716**

	Loans and Advances			
	Term loans	**Overdraft**	**Others**	**Total**
12 months ECL	1,306,946	170,328	477,329	1,954,603
Lifetime ECL not credit impaired	497,195	30,697	4,850	532,742
Lifetime ECL credit impaired	138,325	72,121	1,160	211,606
Gross loans and advances	**1,942,466**	**273,146**	**483,339**	**2,698,951**
Less allowances for impairment				
12 - months ECL	31,521	4,035	8,449	44,005
Lifetime ECL not credit impaired	15,978	669	-	16,647
Lifetime ECL credit impaired	73,227	31,873	127	105,227
Total allowances for impairment	**120,726**	**36,577**	**8,576**	**165,879**
Net loans and advances	**1,821,740**	**236,569**	**474,763**	**2,533,072**

**** This includes on-lending facilities.**

	Loans and advances			
	12 months ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
A	1,944,574	394,214	15,763	2,354,551
AA	6	-	-	6
B	33	-	3,246	3,279
BB	7,790	137,976	28,864	174,630
BBB	2,166	552	663	3,381
C	5	-	31,475	31,480
CC	-	-	215	215
D	28	-	131,381	131,409
Gross amount	1,954,602	532,742	211,607	2,698,951
ECL-Impairment	(44,005)	(16,647)	(105,227)	(165,879)
Carrying amount	1,910,597	516,095	106,380	2,533,072

3. Risk management (continued)

	Term loan			
	12 months ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
A	1,300,935	368,833	4,447	1,674,215
AA	6	-	-	6
B	5	-	26	31
BB	5,536	127,872	12,401	145,809
BBB	452	490	344	1,286
C	2	-	30,075	30,077
CC	-	-	199	199
D	10	-	90,833	90,843
Gross amount	1,306,946	497,195	138,325	1,942,466
ECL-Impairment	(31,521)	(15,978)	(73,227)	(120,726)
Carrying amount	1,275,425	481,217	65,098	1,821,740

	Overdraft			
	12 months ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
A	167,150	25,381	11,316	203,847
B	17	-	3,220	3,237
BB	1,477	5,255	15,368	22,100
BBB	1,663	61	319	2,043
C	3	-	1,372	1,375
CC	-	-	16	16
D	18	-	40,510	40,528
Gross amount	170,328	30,697	72,121	273,146
ECL-Impairment	(4,035)	(669)	(31,873)	(36,577)
Carrying amount	166,293	30,028	40,248	236,569

	Others			
	12 months ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
A	476,490	3	-	476,493
B	11	-	-	11
BB	777	4,847	1,095	6,719
BBB	51	-	-	51
C	-	-	28	28
D	-	-	36	36
Gross amount	477,329	4,850	1,159	483,338
ECL-Impairment	(8,449)	-	(127)	(8,576)
Carrying amount	468,880	4,850	1,032	474,762

3. Risk management (continued)

Group

31 December, 2019

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

In millions of naira

	Cash and balances with central bank	Treasury bills	Assets pledged as collateral	Due from other banks	Investment securities	Derivative instruments	Other financial assets
AAA	936,278	991,956	431,797	707,245	527,968	92,722	64,541
BBB to BB	-	-	-	-	63,680	-	-
Gross amount	**936,278**	**991,956**	**431,797**	**707,245**	**591,648**	**92,722**	**64,541**
ECL - impairment	-	(563)	(69)	(142)	(551)	-	(777)
Carrying amount	**936,278**	**991,393**	**431,728**	**707,103**	**591,097**	**92,722**	**63,764**

In millions of Naira	**Loans and Advances**			
	Term loans	**Overdraft**	**Others****	**Total**
12 months ECL	1,975,127	132,221	6,240	2,113,588
Lifetime ECL not credit impaired	150,551	30,172	31	180,754
Lifetime ECL credit impaired	117,847	50,155	15	168,017
Gross loans and advances	**2,243,525**	**212,548**	**6,286**	**2,462,359**
Less allowances for impairment				
12 - months ECL	27,564	2,761	103	30,428
Lifetime ECL not credit impaired	13,720	2,084	3	15,807
Lifetime ECL credit impaired	81,062	29,484	13	110,559
Total allowances for impairment	**122,346**	**34,329**	**119**	**156,794**
Net loans and advances	**2,121,179**	**178,219**	**6,167**	**2,305,565**

**** This includes on-lending facilities.**

	Loans and advances			
	12 months ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
A	510,098	20,454	6,095	536,647
AA	716,791	5,178	-	721,969
AAA	385,478	-	14	385,492
B	19,735	4,544	8	24,287
BB	284,193	136,540	93,478	514,211
BBB	96,455	12,971	2,206	111,632
C	-	-	52	52
CC	-	1	190	191
CCC	-	-	1,281	1,281
D	47	-	49,282	49,329
UNRATED	100,791	1,066	15,411	117,268
Gross amount	**2,113,588**	**180,754**	**168,017**	**2,462,359**
ECL-Impairment	(30,429)	(15,806)	(110,559)	(156,794)
Carrying amount	**2,083,159**	**164,948**	**57,458**	**2,305,565**

3. Risk management (continued)

	Term loan			
	12 months ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
A	438,779	7,157	2,270	448,206
AA	698,710	4,857	-	703,567
AAA	376,835	-	-	376,835
B	19,735	3,001	-	22,736
BB	284,193	120,642	71,938	476,773
BBB	74,389	12,545	1,395	88,329
CC	-	1	2	3
CCC	-	-	843	843
D	-	-	35,833	35,833
UNRATED	82,935	807	5,566	89,308
Gross amount	**1,975,576**	**149,010**	**117,847**	**2,242,433**
ECL-Impairment	(27,564)	(13,376)	(81,062)	(122,002)
Carrying amount	**1,948,012**	**135,634**	**36,785**	**2,120,431**

	Overdraft			
	12 months ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
A	67,448	13,267	3,815	84,530
AA	16,089	322	-	16,411
AAA	8,643	-	14	8,657
B	-	1,543	8	1,551
BB	-	15,900	21,540	37,440
BBB	21,717	426	811	22,954
C	-	-	52	52
CC	-	-	188	188
CCC	-	-	438	438
D	48	-	13,450	13,498
UNRATED	17,832	257	9,840	27,929
Gross amount	**131,777**	**31,715**	**50,156**	**213,648**
ECL-Impairment	(2,761)	(2,427)	(29,484)	(34,672)
Carrying amount	**129,016**	**29,288**	**20,672**	**178,976**

	Others			
	12 months ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
A	3,870	29	10	3,909
AA	1,991	-	-	1,991
BBB	349	-	-	349
UNRATED	31	2	4	37
Gross amount	**6,241**	**31**	**14**	**6,286**
ECL-Impairment	(103)	(3)	(13)	(119)
Carrying amount	**6,138**	**28**	**1**	**6,167**

3. Risk management (continued)
Bank

31 December, 2019

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

In millions of naira

	Cash and balances with central bank	Treasury bills	Assets pledged as collateral	Due from other banks	Investment securities	Derivative instruments	Other financial assets
AAA	879,449	822,466	431,797	482,212	126,216	92,722	61,973
BBB to BB	-	-	-	-	63,680	-	-
Gross amount	**879,449**	**822,466**	**431,797**	**482,212**	**189,896**	**92,722**	**61,973**
ECL - impairment	-	(17)	(69)	(142)	(538)	-	(720)
Carrying amount	**879,449**	**822,449**	**431,728**	**482,070**	**189,358**	**92,722**	**61,253**

In millions of Naira	**Loans and Advances**					
	Term loans	**Overdraft**	**Others****	**Total**		
12 months ECL	1,927,142	119,541	6,235	2,052,918		
Lifetime ECL not credit impaired	145,943	30,080	31	176,054		
Lifetime ECL credit impaired	117,265	44,399	15	161,679		
Gross loans and advances	**2,190,350**	**194,020**	**6,281**	**2,390,651**		
Less allowances for impairment						
12 - months ECL	24,668	2,372	100	27,140	-	-
Lifetime ECL not credit impaired	12,269	2,005	3	14,277		
Lifetime ECL credit impaired	81,050	28,697	15	109,762		
Total allowances for impairment	**117,987**	**33,074**	**118**	**151,179**		
Net loans and advances	**2,072,363**	**160,946**	**6,163**	**2,239,472**		

**** This includes on-lending facilities.**

	Loans and advances			
	12 months ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
A	510,097	20,454	6,095	536,646
AA	716,704	5,178	-	721,882
AAA	385,478	-	14	385,492
B	-	-	8	8
BB	284,193	136,542	93,479	514,214
BBB	93,144	12,971	2,206	108,321
C	-	-	52	52
CC	-	-	188	188
CCC	-	-	1,281	1,281
D	48	-	49,284	49,332
UNRATED	63,254	909	9,072	73,235
Gross amount	**2,052,918**	**176,054**	**161,679**	**2,390,651**
ECL-Impairment	(27,143)	(14,276)	(109,760)	(151,179)
Carrying amount	**2,025,775**	**161,778**	**51,919**	**2,239,472**

3. Risk management (continued)

	Term loan			
	12 months ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
A	438,779	7,157	2,270	448,206
AA	698,623	4,857	-	703,480
AAA	376,835	-	-	376,835
BB	284,193	120,642	71,938	476,773
BBB	72,119	12,545	1,396	86,060
CCC	-	-	843	843
D	-	-	35,834	35,834
UNRATED	56,593	742	4,984	62,319
Gross amount	**1,927,142**	**145,943**	**117,265**	**2,190,350**
ECL-Impairment	(24,668)	(12,269)	(81,050)	(117,987)
Carrying amount	**1,902,474**	**133,674**	**36,215**	**2,072,363**

	Overdraft			
	12 months ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
A	67,448	13,267	3,815	84,530
AA	16,089	322	-	16,411
AAA	8,643	-	14	8,657
B	-	-	8	8
BB	-	15,900	21,540	37,440
BBB	20,676	426	811	21,913
C	-	-	52	52
CC	-	-	188	188
CCC	-	-	438	438
D	48	-	13,450	13,498
UNRATED	6,636	165	4,084	10,885
Gross amount	**119,540**	**30,080**	**44,400**	**194,020**
ECL-Impairment	(2,372)	(2,005)	(28,697)	(33,074)
Carrying amount	**117,168**	**28,075**	**15,703**	**160,946**

	Others			
	12 months ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
A	3,871	29	11	3,911
AA	1,991	-	-	1,991
AAA	349	-	-	349
UNRATED	24	2	4	30
Gross amount	**6,235**	**31**	**15**	**6,281**
ECL-Impairment	(103)	(3)	(13)	(119)
Carrying amount	**6,132**	**28**	**2**	**6,162**

3. Risk management (continued)

	Group	Bank
At 30 June, 2020	**Loans and advances to customers**	**Loans and advances to customers**
AA to A	2,354,395	2,354,557
BBB to B	229,190	181,290
Below B	215,681	163,104
	2,799,266	**2,698,951**

	Group	Bank
At 31 December, 2019	**Loans and advances to customers**	**Loans and advances to customers**
AAA	385,492	385,492
AA to A	1,258,613	1,258,528
BBB to BB	650,133	622,543
Below B	50,853	50,853
Unrated	117,268	73,235
	2,462,359	**2,390,651**

3.2.9 Amounts Arising from ECL

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

3.2.10 Amounts arising from ECL

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

3. Risk management (continued)

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

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

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

3.2.11 Internal portfolio segmentation

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

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

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

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

In determining the ECL for other assets, the Group applies the simplified model to estimate ECLs, adopting a provision matrix, where the receivables are grouped based on the nature of the transactions, ging of the balances and different historical loss patterns, to determine the lifetime ECLs. Receivables relate to amounts due for the povision of services to the Banks' customers. The provision matrix estimates ECLs on the basis of historical default rates, adjusted for current and future economic conditions (expected changes in default rates) without undue cost and effort.

3.2.12 Significant increase in credit risk

Significant increase in credit risk

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

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

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

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

3. Risk management (continued)

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

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

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

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;

- the criteria do not align with the point in time when an asset becomes 30 days past due; and

- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

3.2.13 Modified financial assets

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

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

- its remaining lifetime PD at the reporting date based on the modified terms; with

- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

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

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

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

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

3. Risk management (continued)

3.2.14 Definition of default

The Group considers a financial asset to be in default when;

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

- the borrower is past due more than 90 days on any material credit obligation to the Group.Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding. In assessing whether a borrower is in default, the Group considers indicators that are:

* qualitative - e.g. breaches of covenant;

* quantitative - e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and

* based on data developed internally and obtained from external sources.

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

The definition of default largely aligns with that applied by the Group for regulatory purposes (see note 3.2.8), except where there is regulatory waiver on specifically identified loans and advances.

3.2.15 Incorporation of forward-looking information

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

The base case represents a most-likely outcome while the other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Group has identified and documented key drivers of credit risk and credit losses for its financial assets and, using an analysis of historical data, has estimated relationships between macro-economic variables and its non-performing loans.

Some of the macroeconomic variables considered include Crude Oil price, Foreign Exchange rate, GDP growth rate, Inflation rate, However from the statistical analysis of the various macroeconomic variables, the result infers that the key drivers for its portfolios are inflation rate and foreign exchange rate.

The economic scenarios used as at 30 June, 2020 included the following key indicators for Nigeria for the periods ending 30 June 2021 to 2022.

	2021	**2022**
Foreign exchange rate	Base 386.75 Upside 366.03 Downside 398.49	Base 390.75 Upside 326.03 Downside 398.49
Inflation rate forecast	Base 11.73 Upside 10.56 Downside 12.91	Base 11.73 Upside 10.23 Downside 12.50

Predicted relationships between the key indicators and default and loss rates on the Bank’s portfolio has been developed by analysing historical data over the past 5 years.

3. Risk management (continued)

3.2.16 Measurement of ECL

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

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

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

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

PD is an estimate of the likelihood of default over a given time horizon, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates. The methodology of estimating PD is discussed in note 3.2.12.

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

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

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

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

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

- instrument type
- credit risk gradings
- collateral type

3. Risk management (continued)

- Past due information
- date of initial recognition
- remaining term to maturity
- industry
- geographic location of the borrower

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

3.2.17 Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument. Comparative amounts for 2019 represent allowance account for credit losses and reflect measurement basis under IFRS 9.

Group

In millions of naira	30 June, 2020				31 December, 2019			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Treasury bills at ammortised cost								
Balance at 1 January	563	-	-	563	72	-	-	72
Impairment Charge (see note 8)	20	-	-	20	(35)			(35)
Transfers from assets pledged as collateral	-	-	-	-				
Foreign exchange and other movements	26	-	-	26	526			526
Closing balance	**609**			**609**	**563**			**563**
Gross amount	**306,998**			**306,998**	**283,845**			**283,845**

In millions of naira	30 June, 2020				31 December, 2019			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Off balance sheet exposure								
Balance at 1 January	5,538	-	-	5,538	8,011	-	-	8,011
Impairment Charge (see note 8)	(1,479)	363	2,582	1,466	(2,473)			(2,473)
Write-offs	-	-	-					
Closing balance	**4,059**	**363**	**2,582**	**7,004**	**5,538**			**5,538**
Gross amount	**862,640**	**4,904**	**8,050**	**875,594**	**988,414**			**988,414**

3. Risk management (continued)

In millions of naira	30 June, 2020 12-month ECL	30 June, 2020 Lifetime ECL not credit-impaired	30 June, 2020 Lifetime ECL credit-impaired	30 June, 2020 Total	31 December, 2019 12-month ECL	31 December, 2019 Lifetime ECL not credit-impaired	31 December, 2019 Lifetime ECL credit-impaired	31 December, 2019 Total
Assets pledged as collateral at ammortised cost								
Balance at 1 January	69	-	-	69	126	-	-	126
Impairment Charge (see note 8)	-	-	-	-	(57)	-	-	(57)
Closing Balance	**69**	**-**	**-**	**69**	**69**	**-**	**-**	**69**
Gross amount	**273,882**	**-**	**-**	**273,882**	**316,276**	**-**	**-**	**316,276**

In millions of naira	30 June, 2020 12-month ECL	30 June, 2020 Lifetime ECL not credit-impaired	30 June, 2020 Lifetime ECL credit-impaired	30 June, 2020 Total	31 December, 2019 12-month ECL	31 December, 2019 Lifetime ECL not credit-impaired	31 December, 2019 Lifetime ECL credit-impaired	31 December, 2019 Total
Loans and advances to customers at amortised cost								
Balance at 1 January	29,621	16,083	111,089	156,793	15,965	36,040	141,403	193,408
- Transfer to 12-month ECL	-	-	-	-	5,235	(4,855)	(380)	-
- Transfer to lifetime ECL not credit-impaired	-	-	-	-	(7,486)	7,564	(78)	-
- Transfer to lifetime ECL credit-impaired	-	-	-	-	(2,078)	(36,022)	38,100	-
Impairment Charge (see note 8)	22,119	567	(2,715)	19,971	17,985	13,356	(3,587)	27,754
Write-off	-	-	(2,010)	(2,010)	-	-	(60,971)	(60,971)
Foreign exchange and other movements	-	-	145	145	-	-	110,559	110,559
Closing balance	**51,740**	**16,650**	**106,509**	**174,899**	**29,621**	**16,083**	**225,046**	**156,794**
Gross amount	**2,053,156**	**533,827**	**212,283**	**2,799,266**	**2,113,588**	**180,754**	**168,017**	**2,462,359**

3. Risk management (continued)

In millions of naira	30 June, 2020 12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total	31 December, 2019 12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Investment securities at amortised cost	-	-	-	-	-	-	-	-
Balance at 1 January	551	-	-	551	2,572	-	-	2,572
Impairment Charge (see note 8)	660	-	-	660	(27)	-	-	(27)
Foreign exchange and other movements	1			1	(1,994)			(1,994)
Closing balance	**1,212**	**-**	**-**	**1,212**	**551**	**-**	**-**	**551**
Gross amount	**329,382**	**-**	**-**	**329,382**	**234,857**	**-**	**-**	**234,857**

In millions of naira	30 June, 2020 Lifetime ECL	31 December, 2019 Lifetime ECL
Other financial assets		
Balance at 1 January	777	710
Impairment Charge (see note 8)	1,138	36
Foreign exchange and other movements	1	31
Closing balance	**1,916**	**777**
Gross amount	**117,893**	**64,541**

In millions of naira	30 June, 2020 12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total	31 December, 2019 12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Due from other banks								
Balance at 1 January	142	-	-	142	1,969	-	-	1,969
Impairment Charge (see note 8)	191	-	-	191	(789)	-	-	(789)
Financial assets that have been derecognised								
Write-offs	-	-	-	-	-	-	-	-
Foreign exchange and other movements	-	-	-	-	(1,038)	-	-	(1,038)
Closing balance	**333**	**-**	**-**	**333**	**142**	**-**	**-**	**142**
Gross amount	**855,046**	**-**	**-**	**855,046**	**707,245**	**-**	**-**	**707,245**

3. Risk management (continued)

Bank

In millions of naira	30 June, 2020				31 December, 2019			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Treasury bills at ammortised cost								
Balance at 1 January	17	-	-	17	72	-	-	72
Impairment Charge (see note 8)	136	-	-	136	(55)	-	-	(55)
	-	-	-	-				
Closing balance	**153**	**-**	**-**	**153**	**17**	**-**	**-**	**17**
Gross amount	**141,412**			**141,412**	**114,352**			**114,352**

In millions of naira	30 June, 2020				31 December, 2019			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Off balance sheet exposure								
Balance at 1 January	5,538	-	-	5,538	8,011	-	-	8,011
Impairment Charge (see note 8)	(1,479)	363	2,582	1,466	(2,473)			(2,473)
	-	-	-					
Closing balance	**4,059**	**363**	**2,582**	**7,004**	**5,538**			**5,538**
Gross amount	**672,494**	**4,904**	**8,050**	**685,448**	**754,469**			**754,469**

In millions of naira	30 June, 2020				31 December, 2019			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Assets pledged as collateral at ammortised cost								
Balance at 1 January	69	-	-	69	126	-	-	126
Impairment Charge (see note 8)	-	-	-	-	(57)	-	-	(57)
Closing balance	**69**	**-**	**-**	**69**	**69**	**-**	**-**	**69**
Gross amount	**273,882**	**-**	**-**	**273,882**	**316,276**	**-**	**-**	**316,276**

3. Risk management (continued)

In millions of naira	30 June, 2020				31 December, 2019			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Loans and advances to customers at amortised cost								
Balance at 1 January	27,143	14,276	109,760	151,179	14,092	34,233	136,673	184,998
- Transfer to 12-month ECL	(16,495)	1,076	15,419	-	5,236	(4,856)	(380)	-
- Transfer to lifetime ECL not credit-impaired	83	(11,892)	11,809	-	(7,486)	7,564	(78)	-
- Transfer to lifetime ECL credit-impaired	355	-	(355)	-	(2,078)	(36,021)	38,100	-
Net remeasurement of loss allowances (see note 8)	32,919	13,187	(30,008)	16,098	4,774	12,658	(4,455)	12,977
Impairment Charge (see note 8)	-	-	-	-	12,605	698	868	14,171
Write-offs	-	-	(1,398)	(1,398)	-	-	(60,967)	(60,967)
Closing balance	**44,005**	**16,647**	**105,227**	**165,879**	**27,143**	**14,276**	**109,760**	**151,179**
Gross amount	**1,954,603**	**532,742**	**211,606**	**2,698,951**	**2,052,919**	**176,053**	**161,679**	**2,390,651**

In millions of naira	30 June, 2020	31 December, 2019
Other financial assets	Lifetime ECL	Lifetime ECL
Balance at 1 January	720	698
Impairment Charge (see note 8)	1,114	22
	-	
	-	
Closing balance	**1,834**	**720**
Gross amount	**111,550**	**61,973**

3. **Risk management (continued)**

In millions of naira	30 June, 2020				31 December, 2019			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Due from other Banks								
Balance at 1 January	142	-	-	142	931	-	-	931
Impairment Charge (see note 8)	191	-	-	191	(789)	-	-	(789)
Closing balance	**333**	**-**	**-**	**333**	**142**	**-**	**-**	**142**
Gross amount	**595,055**	-	-	**595,055**	**482,212**	-	-	**482,212**

In millions of naira	30 June, 2020				31 December, 2019			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Investment securities at amortised cost								
Balance at 1 January	538	-	-	538	565	-	-	565
Impairment Charge (see note 8)	660	-	-	660	(27)	-	-	(27)
Closing balance	**1,198**	**-**	**-**	**1,198**	**538**	**-**	**-**	**538**
Gross amount	**146,702**	**-**	**-**	**146,702**	**113,959**	**-**	**-**	**113,959**

3. **Risk management (continued)**

(a) Expected Credit Loss Migration Matrix

In millions of Naira		Stage as at 30 June, 2020		
		12- months ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Stage as at 1 January, 2019	12- months ECL	40,211	1,181	15,639
	Lifetime ECL not credit-impaired	83	372	11,809
	Lifetime ECL credit-impaired	355	-	101,054
	Gross	40,649	1,553	128,502

(b) Summary of migrations 30 June, 2020

12 month ECL (migration from lifetime ECL not credit impaired and lifetime ECL credit impaired)	438
Lifetime ECL not credit-impaired (migration from 12 months ECL and lifeteime ECL credit-impaired)	1,181
Lifetime ECL credit impaired (migration from 12 months ECL and lifetime ECL not credit-impaired)	27,448

In millions of Naira		Stage as at 31 December, 2019		
		12- months ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Stage as at 1 January, 2018	12- months ECL	9,302	7,486	2,078
	Lifetime ECL not credit-impaired	4,855	6,014	36,021
	Lifetime ECL credit-impaired	380	78	70,792
	Gross	14,537	13,578	108,891

(b) Summary of migrations 31 December, 2019

12 month ECL (migration from lifetime ECL not credit impaired and lifetime ECL credit impaired)	5,235
Lifetime ECL not credit-impaired (migration from 12 months ECL and lifeteime ECL credit-impaired)	7,564
Lifetime ECL credit impaired (migration from 12 months ECL and lifetime ECL not credit-impaired)	38,099

3. Risk management (continued)

Significant changes in the gross carrying amount of financial assets that contributed to changes in the loss allowance were as follows:

GROUP

In millions of naira	30 June, 2020				31 December, 2019			
	Stage 1 12-month ECL	**Stage 2** Lifetime ECL not credit-impaired	**Stage 3** Lifetime ECL credit-impaired	Total	**Stage 1** 12-month ECL	**Stage 2** Lifetime ECL not credit-impaired	**Stage 3** Lifetime ECL credit-impaired	Total
Treasury bills at amortised cost								
Gross carrying amount at 1 January	283,845	-	-	283,845	490,319	-	-	490,319
Transfers:								
Financial assets derecognised during the period other than write-offs	-	-	-	-	(206,855)	-	-	(206,855)
New financial assets originated or purchased	22,737	-	-	22,737	-	-	-	-
Foreign exchange and other movements	416	-	-	416	381	-	-	381
Closing gross carrying amount	**306,998**	**-**	**-**	**306,998**	**283,845**	**-**	**-**	**283,845**

In millions of naira	30 June, 2020				31 December, 2019			
	Stage 1 12-month ECL	**Stage 2** Lifetime ECL not credit-impaired	**Stage 3** Lifetime ECL credit-impaired	Total	**Stage 1** 12-month ECL	**Stage 2** Lifetime ECL not credit-impaired	**Stage 3** Lifetime ECL credit-impaired	Total
Off balance sheet exposure								
Gross carrying amount at 1 January	754,469	-	-	754,469	831,251	-	-	831,251
Transfers:								
Financial assets derecognised during the period other than write-offs	-	-	-	-	(21,104)	-	-	(21,104)
New financial assets originated or purchased	120,821	-	-	120,821	178,049	-	-	178,049
Foreign exchange and other movements	304	-	-	304	218	-	-	218
Closing gross carrying amount	**875,594**	**-**	**-**	**875,594**	**988,414**	**-**	**-**	**988,414**

3. Risk management (continued)

In millions of naira	30 June, 2020 Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total	31 December, 2019 Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Assets pledged as collateral at amortised cost								
Gross carrying amount at 1 January	316,276	-	-	316,276	393,164	-	-	393,164
Transfers:								
Financial assets derecognised during the period other than write-offs	(42,394)	-	-	(42,394)	(76,888)	-	-	(76,888)
Closing gross carrying amount	**273,882**	**-**	**-**	**273,882**	**316,276**	**-**	**-**	**316,276**

In millions of naira	30 June, 2020 Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total	31 December, 2019 Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Loans and advances to customers at amortised cost	-	-	-	-	-	-	-	-
Gross carrying amount at 1 January	1,451,450	383,300	181,770	2,016,520	1,451,450	383,300	181,770	2,016,520
Transfers:								
Transfer from stage 1 to stage 2	(383,894)	383,894	-	-	-	-	-	-
Transfer from stage 1 to stage 3	(14,572)	-	14,572	-	(44,483)	-	44,483	-
Transfer from stage 2 to stage 3	-	(29,005)	29,005	-	-	(5,987)	5,987	-
Transfer from stage 3 to stage 2	-	62	(62)	-	-	-	-	-
Transfer from stage 2 to stage 1	209,948	(209,948)	-	-	196,559	(196,559)	-	-
Transfer from stage 3 to stage 1	24,042	-	(24,042)	-	-	-	-	-
New financial assets originated or purchased	766,182	5,524	12,908	784,614	510,062	-	-	510,062
Write-offs	-	-	(2,010)	(2,010)	-	-	(60,971)	(60,971)
Foreign exchange and other movements	-	-	142	142	-	-	(3,252)	(3,252)
Closing gross carrying amount	**2,053,156**	**533,827**	**212,283**	**2,799,266**	**2,113,588**	**180,754**	**168,017**	**2,462,359**

3. Risk management (continued)

In millions of naira	30 June, 2020 Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total	31 December, 2019 Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Investment securities at amortised cost								
Gross carrying amount at 1 January	234,857	-	-	234,857	307,401	-	-	307,401
Transfers:								
Financial assets derecognised during the period other than write-offs	-	-	-	-	(72,670)	-	-	(72,670)
New financial assets originated or purchased	94,360	-	-	94,360	-	-	-	-
Foreign exchange and other movements	165	-	-	165	126	-	-	126
Closing gross carrying amount	**329,382**	**-**	**-**	**329,382**	**234,857**	**-**	**-**	**234,857**

In millions of naira	30 June, 2020 Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total	31 December, 2019 Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Other financial assets								
Gross carrying amount at 1 January	64,541	-	-	64,541	62,080	-	-	62,080
Transfers:								
New financial assets originated or purchased	53,254	-	-	53,254	2,378	-	-	2,378
Foreign exchange and other movements	98	-	-	98	83	-	-	83
Closing gross carrying amount	**117,893**	**-**	**-**	**117,893**	**64,541**	**-**	**-**	**64,541**

3. Risk management (continued)

In millions of naira	30 June, 2020 Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total	31 December, 2019 Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Due from other banks								
Gross carrying amount at 1 January	707,245	-	-	707,245	676,243	-	-	676,243
Transfers:								
New financial assets originated or purchased	147,645	-	-	147,645	30,916	-	-	30,916
Foreign exchange and other movements	156	-	-	156	86	-	-	86
Closing gross carrying amount	**855,046**	**-**	**-**	**855,046**	**707,245**	**-**	**-**	**707,245**

BANK

In millions of naira	30 June, 2020 Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total	31 December, 2019 Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Treasury bills at amortised cost								
Gross carrying amount at 1 January	114,352	-	-	114,352	306,802	-	-	306,802
Transfers:								
Financial assets derecognised during the period other than write-offs	-	-	-	-	(192,450)	-	-	(192,450)
New financial assets originated or purchased	27,060	-	-	27,060	-	-	-	-
Closing gross carrying amount	**141,412**	**-**	**-**	**141,412**	**114,352**	**-**	**-**	**114,352**

In millions of naira	30 June, 2020 Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total	31 December, 2019 Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Off balance sheet exposure								
Gross carrying amount at 1 January	754,469	-	-	754,469	775,355	-	-	775,355
Transfers:								
Financial assets derecognised during the period other than write-offs	(69,021)	-	-	(69,021)	(20,886)	-	-	(20,886)
Closing gross carrying amount	**685,448**	**-**	**-**	**685,448**	**754,469**	**-**	**-**	**754,469**

3. Risk management (continued)

In millions of naira	30 June, 2020 Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total	31 December, 2019 Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Assets pledged as collateral at amortised cost								
Gross carrying amount at 1 January	316,276	-	-	316,276	393,164	-	-	393,164
Transfers:								
Financial assets derecognised during the period other than write-offs	(42,394)	-	-	(42,394)	(76,888)	-	-	(76,888)
Closing gross carrying amount	**273,882**	**-**	**-**	**273,882**	**316,276**	**-**	**-**	**316,276**

In millions of naira	30 June, 2020 Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total	31 December, 2019 Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Loans and advances to customers at amortised cost	-	-	-	-	-	-	-	-
Gross carrying amount at 1 January	2,052,919	176,053	161,679	2,390,651	1,387,174	352,119	181,770	1,921,063
Transfers:								
Transfer from stage 1 to stage 2	(383,894)	383,894	-	-	-	-	-	-
Transfer from stage 1 to stage 3	(14,572)	-	14,572	-	(40,876)	-	40,876	-
Transfer from stage 2 to stage 3	-	(28,864)	28,864	-	-	-	-	-
Transfer from stage 3 to stage 2	-	62	(62)	-	-	-	-	-
Transfer from stage 2 to stage 1	3,926	(3,926)	-	-	176,066	(176,066)	-	-
Transfer from stage 3 to stage 1	4,957	-	(4,957)	-	-	-	-	-
New financial assets originated or purchased	291,267	5,523	12,908	309,698	530,555	-	-	530,555
Write-offs	-	-	(1,398)	(1,398)	-	-	(60,967)	(60,967)
Closing gross carrying amount	**1,954,603**	**532,742**	**211,606**	**2,698,951**	**2,052,919**	**176,053**	**161,679**	**2,390,651**

In millions of naira	30 June, 2020 Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total	31 December, 2019 Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Investment securities at amortised cost								

3. Risk management (continued)

Gross carrying amount at 1 January	113,959	-	-	113,959	102,508	-	-	102,508
Transfers:								
New financial assets originated or purchased	32,743	-	-	32,743	11,451	-	-	11,451
Closing gross carrying amount	**146,702**	**-**	**-**	**146,702**	**113,959**	**-**	**-**	**113,959**

3. Risk management (continued)

In millions of naira	30 June, 2020 Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total	31 December, 2019 Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Other financial assets								
Gross carrying amount at 1 January	61,973	-	-	61,973	59,104	-	-	59,104
Transfers:								
New financial assets originated or purchased	49,577	-	-	49,577	2,869	-	-	2,869
Closing gross carrying amount	**111,550**	**-**	**-**	**111,550**	**61,973**	**-**	**-**	**61,973**

In millions of naira	30 June, 2020 Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total	31 December, 2019 Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Due from other banks								
Gross carrying amount at 1 January	482,212	-	-	482,212	394,397	-	-	394,397
Transfers:								
New financial assets originated or purchased	112,843	-	-	112,843	87,816	-	-	87,816
Closing gross carrying amount	**595,055**	**-**	**-**	**595,055**	**482,213**	**-**	**-**	**482,213**

Notes to the Consolidated and Separate Financial Statements for the six months period ended 30 June, 2020

3. Risk management (continued)

Summary of loss allowance by class of financial instruments 30 June, 2020 .

Group

	Gross Carrying Amount				ECL Provision			
Financial Statement Items In millions of Naira	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
On-balance sheet items								
Assets pledged as collateral	273,882	-	-	273,882	69	-	-	69
Treasury bills	306,998	-	-	306,998	609	-	-	609
Loans and advances to customers at amortised cost	2,053,156	533,827	212,283	2,799,266	51,740	16,650	106,509	174,899
Debt investment securities at amortised cost	329,382	-	-	329,382	1,212	-	-	1,212
Other financial assets measured at amortised cost	117,893	-	-	117,893	1,916	-	-	1,916
Due from other Banks	855,046	-	-	855,046	333	-	-	333
Subtotal	3,936,357	533,827	212,283	4,682,467	55,879	16,650	106,509	179,038
Off-balance sheet items								
Loans and other credit related commitments								
Letters of credit	360,856	1,321	1,488	363,665	313	1	4	318
Usance	132,840	220	27	133,087	391	123	530	1,044
Financial guarantee and similar contracts								
Performance bonds and guarantees	368,944	3,363	6,535	378,842	2,435	218	2,034	4,687
Undrawn overdraft balance	120,512	1,721	217	122,450	920	21	14	955
Subtotal	983,152	6,625	8,267	998,044	4,059	363	2,582	7,004
Total	**4,919,509**	**540,452**	**220,550**	**5,680,511**	**59,938**	**17,013**	**109,091**	**186,042**

3. Risk management (continued)

Bank

Financial Statement Items In millions of Naira	Gross Carrying Amount				ECL Provision			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
On-balance sheet items								
Assets pledged as collateral	273,882	-	-	273,882	69	-	-	69
Treasury bills	141,412	-	-	141,412	153	-	-	153
Loans and advances to customers at amortised cost	1,954,603	532,742	211,606	2,698,951	44,005	16,647	105,227	165,879
Debt investment securities at amortised cost	146,702	-	-	146,702	1,198	-	-	1,198
Other financial assets measured at amortised cost	111,550	-	-	111,550	1,834	-	-	1,834
Due from other banks	595,055	-	-	595,055	333	-	-	333
Subtotal	3,223,204	532,742	211,606	3,967,552	47,592	16,647	105,227	169,466
Off-balance sheet items								
Loans and other credit related commitments								
Letters of credit	232,307	1,321	1,488	235,116	313	1	4	318
Usance	117,238	220	27	117,485	391	123	530	1,044
Performance bonds and guarantees	322,949	3,363	6,535	332,847	2,435	218	2,034	4,687
Undrawn overdraft balance	120,512	1,721	217	122,450	920	21	14	955
Subtotal	793,006	6,625	8,267	807,898	4,059	363	2,582	7,004
Total	**4,016,210**	**539,367**	**219,873**	**4,775,450**	**51,651**	**17,010**	**107,809**	**176,470**

3. Risk management (continued)
+

Summary of loss allowance by class of financial instruments 31 December, 2019 .

Group

Financial Statement Items In millions of Naira	Gross Carrying Amount				ECL Provision			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
On-balance sheet items								
Assets pledged as collateral	316,276	-	-	316,276	69	-	-	69
Treasury bills	283,845	-	-	283,845	563	-	-	563
Loans and advances to customers at amortised cost	2,113,588	180,754	168,017	2,462,359	30,429	15,806	110,559	156,794
Debt investment securities at amortised cost	234,857	-	-	234,857	551	-	-	551
Other financial assets measured at amortised cost	64,541	-	-	64,541	777	-	-	777
Due from other Banks	707,245	-	-	707,245	142	-	-	142
Subtotal	3,720,352	180,754	168,017	4,069,123	32,389	15,806	110,559	158,754
Off-balance sheet items								
Loans and other credit related commitments								
Letters of credit	545,174	-	-	545,174	3,528	-	-	3,528
Usance	79,318	-	-	79,318	677	-	-	677
Financial guarantee and similar contracts								
Performance bonds and guarantees	363,922	-	-	363,922	923	-	-	923
Undrawn overdraft balance	96,911	-	-	96,911	410	-	-	410
Subtotal	1,085,325	-	-	1,085,325	5,538	-	-	5,538
Total	**4,805,677**	**180,754**	**168,017**	**5,154,448**	**37,927**	**15,806**	**110,559**	**164,292**

3. Risk management (continued)

Bank

Financial Statement Items In millions of Naira	Gross Carrying Amount				ECL Provision			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
On-balance sheet items								
Assets pledged as collateral	316,276	-	-	316,276	69	-	-	69
Treasury bills	114,352	-	-	114,352	17	-	-	17
Loans and advances to customers at amortised cost	2,052,919	176,054	161,679	2,390,652	27,143	14,276	109,760	151,179
Debt investment securities at amortised cost	113,959	-	-	113,959	538	-	-	538
Other financial assets measured at amortised cost	61,973	-	-	61,973	720	-	-	720
Due from other banks	482,212	-	-	482,212	142	-	-	142
Subtotal	3,141,691	176,054	161,679	3,479,424	28,629	14,276	109,760	152,665
Off-balance sheet items								
Loans and other credit related commitments								
Letters of credit	413,656	-	-	413,656	3,528	-	-	3,528
Usance	79,318	-	8,050	87,368	677	-	-	677
Performance bonds and guarantees	261,495	-	-	261,495	923	-	-	923
Undrawn overdraft balance	96,911	-	-	96,911	410	-	-	410
Subtotal	851,380	-	8,050	859,430	5,538	-	-	5,538
Total	**3,993,071**	**176,054**	**169,729**	**4,338,854**	**34,167**	**14,276**	**109,760**	**158,203**

3. Risk management (continued)

3.2.18 Restructuring policy

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

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

a. Where the execution of the loan purpose and the repayment are no longer realistic in light of new cash flows;

b. To avoid unintended default arising from adverse business conditions;

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

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

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

f. Where the customer's going concern status is NOT in doubt or threatened; and

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

3.3 Market risk

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

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

3.3.1 Management of market risk

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

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

a. The individuals who take or manage risk clearly understand it;

b. The Group's risk exposure is within established limits;

c. Risk taking decisions are in line with business strategy and objectives set by the Board of Directors;

d. The expected payoffs compensate for the risks taken; and

e. Sufficient capital, as a buffer, is available to take risk.

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

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

3. Risk management (continued)

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

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

The Naira exchange rate continues to be an important influence on consumer prices and output recovery. Stability in the naira exchange rate has been sustained for most part of the year through appropriate policies and reforms of the exchange rate market; There has also been some form of convergence in the various markets.

'In millions of Naira
Group

		At 30 June, 2020			At 31 December, 2019		
	Note	Carrying amount	Trading	Non-trading	Carrying amount	Trading	Non-trading
Assets							
Cash and balances with central bank	15	1,706,452	-	1,706,452	936,278	-	936,278
Treasury bills	16	837,113	530,724	306,389	991,393	708,114	283,279
Assets pledged as collateral	17	316,982	43,604	273,378	431,728	115,520	316,208
Due from other banks	18	855,046	-	855,046	707,103	-	707,103
Derivative assets	19	100,934	100,934	-	92,722	92,722	-
Loans and advances	20	2,624,367	-	2,624,367	2,305,565	-	2,305,565
Investment securities	21	774,493	48,995	725,498	591,097	12,257	578,840
Other financial assets	24	115,977	-	115,977	63,764	-	63,764
Liabilities							
Customer deposits	27	4,904,998	-	4,904,998	4,262,289	-	4,262,289
Derivative liabilities	32	40,858	40,858	-	14,762	14,762	-
Other financial liabilities	28	782,114	-	782,114	330,552	-	330,552
On-lending facilities	29	389,567	-	389,567	392,871	-	392,871
Borrowings	30	412,788	-	412,788	322,479	-	322,479
Debt securities issued	31	41,664	-	41,664	39,092	-	39,092

Bank

		At 30 June, 2020			At 31 December, 2019		
		Carrying amount	Trading	Non-trading	Carrying amount	Trading	Non-trading
Assets							
Cash and balances with central bank	15	1,630,684	-	1,630,684	879,449	-	879,449
Treasury bills	16	671,285	530,026	141,259	822,449	708,114	114,335
Assets pledged as collateral	17	316,982	43,604	273,378	431,728	115,520	316,208
Due from other banks	18	594,722	-	594,722	482,070	-	482,070
Derivative assets	19	100,934	100,934	-	92,722	92,722	-
Loans and advances	20	2,533,072	-	2,533,072	2,239,472	-	2,239,472
Investment securities	21	269,282	48,995	220,287	189,358	12,257	177,101
Other financial assets	24	109,716	-	109,716	61,253	-	61,253
Liabilities							
Customer deposits	27	4,086,122	-	4,086,122	3,486,887	-	3,486,887
Derivative liabilities	32	40,858	40,858	-	14,762	14,762	-
Other financial liabilities	28	631,773	-	631,773	380,798	-	380,798
On-lending facilities	29	389,567	-	389,567	392,871	-	392,871
Borrowings	30	456,482	-	456,482	329,778	-	329,778
Debt securities issued	31	41,664	-	41,664	39,092	-	39,092

3. Risk management (continued)

3.3.2 Measurement of Market Risk

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

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

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

3.3.3 Foreign exchange risk

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

3. Risk management (continued)
Group

The table below summarizes the Group's exposure to foreign currency exchange rate risk at 30 June, 2020 and 31 December, 2019. Included in the table are the Group's financial instruments at carrying amounts, categorised by currency.

In millions of Naira						
At 30 June, 2020	**Naira**	**Dollar**	**GBP**	**Euro**	**Others**	**Total**
Assets						
Cash and balances with central banks	1,589,922	38,360	1,931	575	75,664	1,706,452
Treasury bills	677,528	-	-	-	159,585	837,113
Assets pledged as collaterals	316,982	-	-	-	-	316,982
Due from other banks	11,842	776,790	8,939	50,241	6,901	854,713
Derivative assets	-	100,564	12	342	16	100,934
Loans and advances to customers	1,366,815	1,168,371	9,254	24,436	55,491	2,624,367
Investment securities	208,352	78,068	331,437	-	156,636	774,493
Other financial assets	69,138	43,449	728	159	2,503	115,977
	4,240,579	2,205,602	352,301	75,753	456,796	7,331,031
Liabilities						
Customer's deposits	3,058,115	1,391,896	159,188	46,020	249,779	4,904,998
Derivative liabilities	-	40,059	782	5	12	40,858
Other financial liabilities	649,836	84,992	535	15,485	31,266	782,114
On-lending facilities	389,567	-	-	-	-	389,567
Borrowings	-	407,311	40	563	4,874	412,788
Debt securities issued	-	41,664	-	-	-	41,664
	4,097,518	1,965,922	160,545	62,073	285,931	6,571,989
Net-exposure	**143,061**	**239,680**	**191,756**	**13,680**	**170,865**	**759,042**

In millions of Naira						
At 31 December, 2019	**Naira**	**Dollar**	**GBP**	**Euro**	**Others**	**Total**
Assets						
Cash and balances with central banks	845,021	35,289	8,310	3,875	43,784	936,279
Treasury bills	872,564	-	-	-	118,829	991,393
Assets pledged as collaterals	431,728	-	-	-	-	431,728
Due from other banks	32,376	595,047	3,298	39,344	37,038	707,103
Derivative assets	74,855	-	17,868	-	-	92,723
Loans and advances to customers	1,275,254	966,764	8,678	14,626	40,244	2,305,565
Investment securities	323,972	222,712	33,192	11,223	-	591,099
Other financial assets	21,090	189	43,261	-	-	64,541
	3,876,861	1,820,001	114,607	69,068	239,894	6,120,430
Liabilities						
Customer's deposits	3,095,031	816,091	98,892	27,912	224,363	4,262,289
Derivative liabilities	14,762	-	-	-	-	14,762
Other financial liabilities	317,679	-	1,812	209	25	319,725
On-lending facilities	392,871	-	-	-	-	392,871
Borrowings	-	297,556	7,104	16,439	1,380	322,479
Debt securities issued	-	39,092	-	-	-	39,092
	3,820,343	1,152,739	107,807	44,560	225,768	5,351,218
Net Exposure	**56,518**	**667,292**	**6,800**	**24,508**	**14,126**	**769,212**

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.

3. Risk management (continued)

The table below shows the impact on the Group's profit or loss and statements of financial position size if the exchange rate between the US Dollars, and Nigerian Naira had increased or decreased by 6% and 9% (31 December, 2019: 15% and 30%, with all other variables held constant.

	30-Jun-20	31-Dec-19
US Dollar effect of 6% (31 December 2019: 6%) up or (down) movement on profit before tax and statement of financial position size (in millions of Naira)	18,578	2,651
US Dollar effect of 9% (31 December 2019: 30%) up or (down) movement on profit before tax and statement of financial position size (in millions of Naira)	27,867	5,303

	30-Jun-20	30-Jun-19
US Dollar effect of 6% (31 December 2019: 6%) up or (down) movement on OCI and statement of financial position size (in millions of Naira)	729	26
US Dollar effect of 9% (31 December 2019: 9%) up or (down) movement on OCI and statement of financial position size (in millions of Naira)	1,094	39

3. Risk management (continued)

Bank

The table below summarizes the Bank's exposure to foreign currency exchange rate risk at 30 June, 2020 and 31 December, 2019. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency.

In millions of Naira

At 30 June, 2020	**Naira**	**Dollar**	**GBP**	**Euro**	**Others**	**Total**
Assets						
Cash and balances with central banks	1,589,881	38,338	1,928	537	-	1,630,684
Treasury bills	671,285	-	-	-	-	671,285
Assets pledged as collaterals	316,982	-	-	-	-	316,982
Due from other banks	50,701	352,711	152,767	41,339	(2,797)	594,721
Derivative assets	-	100,564	12	342	16	100,934
Loans and advances to customers	1,366,707	1,142,654	77	14,811	8,823	2,533,072
Investment securities	191,214	78,068	-	-	-	269,282
Other financial assets	94,980	14,736	-	-	-	109,716
	4,281,750	1,727,071	154,784	57,029	6,042	6,226,676
Liabilities						
Customer's deposit	3,047,023	998,008	16,405	24,686	-	4,086,122
Derivative liabilities	-	40,059	782	5	12	40,858
Financial liabilities	571,428	44,325	535	15,485	-	631,773
On-lending facilities	389,567	-	-	-	-	389,567
Borrowings	-	451,005	40	563	4,874	456,482
Debt securities issued	-	41,664	-	-	-	41,664
	4,008,018	1,575,061	17,762	40,739	4,886	5,646,466
Net Exposure	**273,732**	**152,010**	**137,022**	**16,290**	**1,156**	**580,210**

In millions of Naira

At 31 December, 2019	**Naira**	**Dollar**	**GBP**	**Euro**	**Others**	**Total**
Assets						
Cash and balances with central banks	840,032	30,886	7,102	1,429	-	879,449
Treasury bills	822,449	-	-	-	-	822,449
Assets pledged as collaterals	431,728	-	-	-	-	431,728
Due from other banks	28,644	422,556	3,560	26,379	932	482,070
Derivative assets	92,722	-	-	-	-	92,722
Loans and advances to customers	1,274,050	950,570	82	14,486	283	2,239,472
Investment securities	184,565	4,794	-	-	-	189,359
Other financial assets	61,253	-	-	-	-	61,253
	3,735,443	1,408,806	10,744	42,294	1,215	5,198,502
Liabilities						
Customer's deposits	2,401,854	1,056,876	10,045	17,564	548	3,486,887
Derivative liabilities	14,762	-	-	-	-	14,762
Financial liabilities	369,971	-	-	-	-	369,971
On-lending facilities	392,871	-	-	-	-	392,871
Borrowings	-	329,778	-	-	-	329,778
Debt securities issued	-	39,092	-	-	-	39,092
	3,179,458	1,425,746	10,045	17,564	548	4,633,361
Net Exposure	**555,985**	**(16,940)**	**699**	**24,730**	**667**	**565,141**

The Bank's exposure to foreign currency risk is largely concentrated in US Dollar. Movement in exchange rate between the US Dollar, and the Nigerian Naira affects reported earnings through revaluation gain or loss and statement of financial position size through increase or decrease in the revalued amounts of assets and liabilities denominated in US Dollars. The Group's closing and average Dollar rate as at 30 June, 2020 was 386.75 and 379.63 respectively.

3. Risk management (continued)

The table below shows the impact on the Bank's profit and statement of financial position size if the exchange rate between the US Dollars, and Nigerian Naira had increased or decreased by 6% and 9% (31 December, 2019: 15% and 30%), with all other variables held constant.

In millions of Naira	**30-Jun-20**	**31-Dec-19**
US Dollar effect of 6% (31 December 2019: 6%) up or (down) movement on profit before tax and balance sheet size	11,601	2,541
US Dollar effect of 9% (31 December 2019: 9%) up or (down) movement on profit before tax and statement of financial position size (in millions of Naira)	17,402	5,082

	30-Jun-20	**31-Dec-19**
US Dollar effect of 6% (31 December 2019: 6%) up or (down) movement on OCI and statement of financial position size (in millions of Naira)	666	20
US Dollar effect of 9% (31 December 2019: 9%) up or (down) movement on OCI and statement of financial position size (in millions of Naira)	999	30

3.3.4 Interest Rate Risk

The Group is exposed to a considerable level of interest rate risk especially on the banking book (i.e. the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates). Interest rate was quite volatile within the period (especially in the Nigerian environment) in various geographical regions where the Bank operates. The Group has a significant portion of its liabilities in non-rate sensitive liabilities. This helps it in minimizing the impact of the exposure to interest rate risks. The Group also enjoys some form of flexibility in adjusting both lending and deposits rates to reflect market realities.

Group

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

At 30 June, 2020

In millions of Naira	**Note**	**Carrying amount**	**Rate sensitive**	**Non rate sensitive**
Assets				
Cash and balances with central banks	15	1,706,452	-	1,706,452
Treasury and other eligible bills (Amortized cost)	16	306,389	306,389	-
Assets pledged as collateral	17	273,378	273,378	-
Due from other banks	18	854,713	854,713	-
Derivative assets	19	100,934	100,934	-
Loans and advances to customers		2,624,367	2,624,367	-
Investment securities (Amortized cost and Fair value through OCI)	21	725,498	650,714	74,784
Other financial assets	24	115,977	115,977	-
		6,707,708	4,926,472	1,781,236
Liabilities				
Customer deposits	27	4,904,998	4,251,737	653,261
Derivative liabilities	32	40,858	40,858	-
Other financial liabilities	28	782,114	23,951	758,163
On-lending facilities	29	389,567	389,567	-
Borrowings	30	412,788	412,788	-
Debt securities issued	31	41,664	41,664	-
		6,571,989	5,160,565	1,411,424
Total interest rate gap		**135,719**	**(234,093)**	

The table shows the maturity profile of financial instruments that are rate sensitive.

3. Risk management (continued)

At 30 June, 2020	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	Over 1 year	Total rate sensitive
In millions of Naira						
Assets						
Treasury bills	14,565	24,533	60,132	207,159	-	306,389
Assets pledged as collateral	1,991	7,273	31,037	24,607	208,470	273,378
Due from other banks	457,255	126,648	61,437	176,471	32,902	854,713
Derivative assets	-	-	-	100,934	-	100,934
Loans and advances to customers (Gross)	678,915	219,169	143,439	155,238	1,427,606	2,624,367
Investment securities (Amortized cost and fair value through OCI)	10,483	114	6,246	38,500	595,371	650,714
Other financial assets	-	115,977	-	-	-	115,977
	1,163,209	493,714	302,291	702,909	2,264,349	4,926,472
Liabilities						
Customer deposits	607,739	136,049	10,635	3,497,314	-	4,251,737
Derivative liabilities	-	-	-	40,858	-	40,858
On-lending facilities	-	9,648	2,048	1,630	376,241	389,567
Borrowings	-	85,248	80,486	56,499	190,555	412,788
Debt securities issued	-	-	-	-	41,664	41,664
Other financial liabilities	-	-	-	-	23,951	23,951
	607,739	230,945	93,169	3,596,301	632,411	5,160,564
Total interest repricing gap	**555,470**	**262,769**	**209,122**	**(2,893,392)**	**1,631,938**	**(234,093)**

3. Risk management (continued)

At 31 December, 2019	**Note**	**Carrying amount**	**Rate sensitive**	**Non rate sensitive**
In millions of Naira				
Assets				
Cash and balances with central banks	15	936,278	2,000	934,278
Treasury and other eligible bills (Amortized cost)	16	283,279	283,279	-
Assets pledged as collaterals	17	316,207	316,207	-
Due from other banks	18	707,103	707,103	-
Derivative assets	19	92,722	92,722	-
Loans and advances to customers (gross)		2,462,359	2,462,359	-
Investment securities (Amortized cost)	21	578,840	515,159	63,680
Other financial assets	24	63,764	-	63,764
		5,440,552	4,378,829	1,061,722
Liabilities				
Customer deposits	27	4,262,289	3,674,292	587,997
Derivative liabilties	32	14,762	14,762	-
Financial liabilities	28	330,552	-	330,552
On-lending facilities	29	392,871	392,871	-
Borrowings	30	322,479	322,479	-
Debt securities issued	31	39,092	39,092	-
		5,362,045	4,443,496	918,549
Total interest rate gap		**78,507**	**(64,667)**	**-**

The table shows the maturity profile of financial instruments that are rate sensitive.

In millions of Naira **At 31 December, 2019**	**Up to 1 month**	**1 - 3 months**	**3 - 6 months**	**6 - 12 months**	**Over 1 year**	**Total rate sensitive**
In millions of Naira						
Assets						
Cash and balances with central banks	2,000	-	-	-	-	2,000
Treasury bills	15,340	60,969	55,059	151,911	-	283,279
Assets pledged as collateral	11,638	79,758	3,406	15,715	205,690	316,207
Due from other banks	504,261	47,686	122,386	32,770	-	707,103
Derivative assets	9,414	22,800	16,742	43,766	-	92,722
Loans and advances to customers (gross)	430,344	88,653	105,346	179,293	1,658,723	2,462,359
Investment securities (Amortized cost and Fair value through OCI)	51,753	16,220	2,196	7,311	437,680	515,160
	1,024,750	316,086	305,135	430,766	2,302,093	4,378,830
Liabilities						
Customer deposits	1,545,702	15,852	735	4,286	2,107,717	3,674,292
Derivative liabilities	3,242	5,250	3,952	2,318	-	14,762
On-lending facilities	12,439	-	1,597	1,716	377,119	392,871
Borrowings	-	28,596	22,081	230,256	41,545	322,478
Debt securities issued	-	-	-	-	39,092	39,092
	1,561,383	49,698	28,365	238,576	2,565,473	4,443,495
Total interest repricing gap	**(536,633)**	**266,388**	**276,770**	**192,190**	**(263,380)**	**(64,665)**

3. Risk management (continued)

Interest rate sensitivity showing fair value interest rate risk

In millions of Naira	**30-Jun-20**	**31-Dec-19**
Financial assets at FVPL		
Treasury bills	530,724	708,111
Government bonds	48,995	12,257
Total	579,719	720,368
Impact on income statement:		
Favourable change at 2% (June 2019: 3%) reduction in interest rate	28,020	4,101
Unfavourable change at 2% (June 2019: 3%) increase in interest rate	(28,020)	4,101
FVOCI investment securities		
Government bonds	322,544	280,854
Impact on other comprehensive income statement:		
Favourable change at 2% (June 2019: 3%) reduction in interest rate	28,020	4,101
Unfavourable change at 2% (June 2019: 3%) increase in interest rate	(28,020)	4,101

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 200 basis points, with all other variables held constant.

In millions of Naira	**30-Jun-20**	**30-Jun-19**
Effect of 200 basis points (June 2019: 300basis points) movement on profit before tax	28,020	4,101

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents as a result of changes in interest rates.

Interest rate sensitivity showing cash flow interest rate risk

	Impact on income statement:	
In millions of Naira	**30-Jun-20**	**30-Jun-19**
Interest rates – increase by 70 basis points*	28,020	4,101
Interest rates – decrease by 100 basis points*	(28,020)	4,101

* Holding all other variables constant

3. Risk management (continued)

Bank

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

At 30 June, 2020

In millions of Naira	Note	Carrying amount	Rate sensitive	Non-rate sensitive
Assets				
Cash and balances with central banks	15	1,630,684	-	1,630,684
Treasury and other eligible bills	16	141,259	141,259	-
Assets pledged as collateral	17	273,378	273,378	-
Due from other banks	18	594,722	594,722	-
Derivative assets	19	100,934	100,934	-
Loans and advances to customers (Gross)		2,533,072	2,533,072	-
Investment securities (Amortized cost and Fair value through OCI)	21	220,287	145,503	74,784
Other financial assets	19	109,716	109,716	-
		5,604,052	3,898,584	1,705,468
Liabilities				
Customer deposits	27	4,086,122	2,327,184	1,758,938
Derivative liabilities	32	40,858	40,858	-
Other financial liabilities	28	653,604	17,596	636,008
On-lending facilities	29	389,567	389,567	-
Borrowings	30	456,482	456,482	-
Debt securities issued	31	41,664	41,664	-
		5,668,297	3,273,351	2,394,946
Total interest rate gap		**(64,245)**	**625,233**	**(689,478)**

The table shows the maturity profile of financial instruments that are rate sensitive.

At 30 June, 2020

In millions of Naira	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	Over 1 year	Total rate sensitive
Assets						
Treasury bills	14,565	24,536	60,131	42,027	-	141,259
Assets pledged as collateral	1,991	7,273	31,037	24,607	208,470	273,378
Due from other banks	322,961	951	61,437	176,471	32,902	594,722
Derivative assets	-	-	-	100,934	-	100,934
Loans and advances to customers (gross)	678,915	219,169	143,439	155,238	1,336,311	2,533,072
Investment securities (Amortized cost and Fair value through OCI)	10,483	113	6,246	38,500	90,161	145,503
Other financial assets	-	109,716	-	-	-	109,716
	1,028,915	361,758	302,290	537,777	1,667,844	3,898,584
Liabilities						
Customer deposits	2,189,381	135,312	126	2,365	-	2,327,184
Derivative liabilities	-	-	-	40,858	-	40,858
On-lending facilities	-	9,648	2,048	1,630	376,241	389,567
Borrowings	-	85,248	124,180	56,499	190,555	456,482
Debt securities	-	-	-	-	41,664	41,664
	2,189,381	230,208	126,354	101,352	608,460	3,255,755
Total interest repricing gap	**(1,160,466)**	**131,550**	**175,936**	**436,425**	**1,059,384**	**642,829**

3. Risk management (continued)

At 31 December, 2019

In millions of Naira	Note	Carrying amount	Rate sensitive	Non rate sensitive
Assets				
Cash and balances with central banks	15	879,449	2,000	877,449
Treasury and other eligible bills (Amortized cost)	16	114,335	114,335	-
Assets pledged as collaterals	17	316,207	316,207	-
Due from other banks	18	482,070	482,070	-
Derivative assets	19	92,722	92,722	-
Loans and advances to customers (gross)		2,390,651	2,390,651	-
Investment securities (Amortized cost and Fair value through OCI)	21	177,100	113,420	63,680
Other financial assets	24	61,253	-	61,253
		4,513,787	3,511,405	1,002,382
Liabilities				
Customer deposits	27	3,486,887	2,898,889	587,997
Derivative liabilities	28	14,762	14,762	-
Financial liabilities	13	380,798	-	380,798
On-lending facilities	32	392,871	392,871	-
Borrowings	29	329,778	329,778	-
Debt securities issued	30	39,092	39,092	-
		4,644,188	3,675,392	968,795
Total interest rate gap		**(130,401)**	**(163,987)**	**33,587**

The table shows the maturity profile of financial instruments that are rate sensitive.

At 31 December, 2019	**Up to 1 month**	**1 - 3 months**	**3 - 6 months**	**6 - 12 months**	**Over 1 year**	**Total rate sensitive**
In millions of Naira						
Assets						
Cash and balances with central banks	2,000	-	-	-	-	2,000
Treasury bills	1,242	34,058	23,201	55,833	-	114,334
Assets pledged as collateral	11,639	79,758	3,406	15,715	205,690	316,208
.	279,229	47,686	122,386	32,770	-	482,071
Derivative assets	9,414	22,800	16,742	43,766	-	92,722
Loans and advances to customers (gross)	411,816	88,653	105,346	179,293	1,605,543	2,390,651
Investment securities (Amortized cost and Fair value through OCI)	-	4,668	235	3,689	104,828	113,420
	715,340	277,623	271,316	331,066	1,916,061	3,511,406
Liabilities						
Customer deposits	1,281,780	12,262	584	4,251	1,600,013	2,898,890
Derivative liabilities	3,242	5,250	3,953	2,318	-	14,763
On-lending Facilities	12,439	-	1,597	1,716	377,119	392,871
Borrowings	-	28,600	22,081	230,254	48,843	329,778
Debt securities issued	-	-	-	-	39,092	39,092
	1,297,461	46,112	28,215	238,539	2,065,067	3,675,394
Total interest repricing gap	**(582,121)**	**231,511**	**243,101**	**92,527**	**(149,006)**	**(163,988)**

Interest rate sensitivity showing fair value interest rate risk

In millions of Naira	**30-Jun-20**	**31-Dec-19**
Financial assets at FVPL		
Treasury bills	530,026	708,114
Government bonds	48,995	12,257

3. Risk management (continued)

Total	579,021	720,371
Impact on income statement:		
Favourable change at 2% (June 2019: 3%) reduction in interest rate	26,970	2,166
Unfavourable change at 2% (June 2019: 3%) increase in interest rate	(26,970)	(2,166)

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

The table below shows the impact on the Bank's profit before tax if interest rates on financial instruments held at amortized cost or at fair value had increased or decreased by 200 basis points, with all other variables held constant.

In millions of Naira	30-Jun-20	31-Dec-19
Effect of 200 basis points (June 2019: 300 basis points) movement on profit before tax	26,970	2,166

The effect of 200 basis points movement on profit is considered moderate and we do not expect all the rates to move at the same time and in the same direction. This risk can largely be handled by the flexibility in the changing/adjusting rates on loans and deposits.

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents as a result of changes in interest rates.

Interest rate sensitivity showing cash flow interest rate risk

	Impact on income statement:	
In millions of Naira	**30-Jun-20**	**31-Dec-19**
Interest rates – increase by 200 basis points*	26,970	2,166
Interest rates – decrease by 200 basis points*	(26,970)	(2,166)

* Holding all other variables constant

3.3.5 Equity and commodity price risk

The group is exposed to equity price risk as a result of holding non-quoted equity investments. Unquoted equity securities held by the group is composed mainly of the following:

(i) 8.64% equity holding in African Finance Corporation (AFC) valued at N72.98 billion and cost N40 billion.

(ii) 3.6% equity holding in Nigerian Interbank Settlement Scheme (NIBBS) valued at N814 million and cost N50 million.

(iii) 2.34% equity holding in FMDQ holdings plc valued at N920 million.

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.

NIBSS was incorporated in 1993 and is owned by all licensed banks including the Central Bank of Nigeria (CBN). The Company is responsible for handling inter-bank payments, funds transfer and settlement, and it also operates the Nigerian Automated Clearing System (NACS).

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

3.4 Liquidity risk

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

3. Risk management (continued)

3.4.1 Liquidity risk management process

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

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

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

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

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

d. Managing the concentration and profile of debt maturities;

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

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

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

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

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

3. Risk management (continued)

3.4.2 Stress testing and contingency funding

Stress testing

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

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

(i) Identify sources of potential liquidity strain; and

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

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

(i) Cash flows;

(ii) Liquidity position; and

(iii) Profitability.

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

a. Changes in market condition;

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

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

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

Contingency Funding Plan

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

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

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

c. is formally documented;

d. includes clear invocation and escalation procedures;

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

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

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

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

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

3. Risk management (continued)

3.4.3 Funding approach

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

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

(a) Exposure to liquidity risk

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

	Group		Bank	
	30-Jun-20	**31-Dec-19**	**30-Jun-20**	**31-Dec-19**
At period/year end	50.84%	57.25%	43.80%	57.18%
Average for the period/year	61.64%	68.90% .	48.92%	68.05%
Maximum for the period/year	71.80%	85.47%	58.92%	80.41%
Minimum for the period/year	50.84%	37.52%	41.97%	36.00%

(b) Liquidity reserve

The table sets out the component of the Group's liquidity reserve. These are liquid instruments the Group uses to settle short term or current obligations.

Group	**30-Jun-20**		**31-Dec-19**	
In millions of naira	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Cash and balances with central banks	1,706,452	1,706,452	936,278	936,278
Treasury bills	837,113	844,906	991,393	993,396
Balances with other banks	854,713	843,407	707,103	707,103
Investment securities	774,493	795,347	591,097	658,162
Assets pledged as collaterals	316,982	371,577	431,728	471,470
Total	**4,489,753**	**4,561,689**	**3,657,599**	**3,766,409**

3. Risk management (continued)
Bank

Cash and balances with central banks	1,630,684	1,630,684	879,449	879,449
Treasury bills	671,285	679,036	822,449	823,109
Balances with other banks	594,722	595,055	482,070	482,212
Investment securities	269,282	290,136	189,358	201,079
Assets pledged as collaterals	316,982	371,577	431,728	471,470
Total	**3,482,955**	**3,566,488**	**2,805,054**	**2,857,319**

(c) Financial assets available to support funding

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

Group
'In millions of Naira

		At 30 June, 2020			At 31 December, 2019		
	Note	**Encumbered**	**Unencumbered**	**Total**	**Encumbered**	**Unencumbered**	**Total**
Cash and balances with central banks	15	1,507,489	198,963	1,706,452	760,950	175,328	936,278
Treasury bills	16	-	837,113	837,113	-	991,956	991,956
Assets pledged as collateral	17	316,982	-	316,982	431,728	-	431,728
Due from other banks	18	-	854,713	854,713	-	707,245	707,245
Loans and advances		-	2,624,367	2,624,367	-	2,462,359	2,462,359
Investment securities	21	-	774,493	774,493	-	591,650	591,650
Financial assets	24	-	115,977	115,977	-	64,541	64,541

Bank
'In millions of Naira

		At 30 June, 2020			At 31 December, 2019		
	Note	**Encumbered**	**Unencumbered**	**Total**	**Encumbered**	**Unencumbered**	**Total**
Cash and balances with central banks	15	1,507,489	123,195	1,630,684	760,950	118,499	879,449
Treasury bills	16	-	671,285	671,285	-	822,466	822,466
Assets pledged as collateral	17	316,983	-	316,983	431,728	-	431,728
Due from other banks	18	-	595,055	595,055	-	482,212	482,212
Loans and advances		-	2,533,072	2,533,072	-	2,390,651	2,390,651
Investment securities	21	-	269,282	269,282	-	189,358	189,358
Financial assets	24	-	109,716	109,716	-	61,253	61,253

(d) Financial assets pledged as collateral

The total financial assets recognized in the statement of financial position that have been pledged as collateral for liabilities as at 30 June, 2020 and 31 December, 2019 are shown above. Financial assets are pledged as collateral as part of sales and repurchases, borrowing transaction and collection agency transactions under terms that are usual for such activities.

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

3.4.4 Liquidity gap analysis

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

3. Risk management (continued)

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

3. Risk management (continued)
Group

At 30 June, 2020 In millions of Naira	Note	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	Over 1 year	Gross nominal inflow/ (outflow)	Carrying amount
Assets								
Non-derivative assets								
Cash and balances with central banks	15	199,155	-	-	1,534,922	-	1,734,077	1,706,452
Treasury bills	16	25,216	118,843	364,780	374,822	-	883,661	837,113
Assets pledged as collateral	17	27,804	49,925	63,217	47,195	555,856	743,997	316,982
Due from other banks	18	881,148	-	-	-	-	881,148	854,713
Loans and advances to customers	20	579,093	55,487	81,962	182,764	1,904,102	2,803,408	2,624,367
Investment securities	21	13,001	4,980	10,771	56,626	828,298	913,676	774,493
Other financial assets	24	27,238	-	-	121,749	-	148,987	115,977
		1,752,655	**229,235**	**520,730**	**2,318,078**	**3,288,256**	**8,108,954**	**7,230,097**
Derivative assets								
Trading:	19							
Inflow		-	-	-	100,934	-	100,934	100,934
		-	**-**	**-**	**100,934**	**-**	**100,934**	**100,934**
Liabilities								
Non-derivative liabilities								
Customer's deposits	27	4,724,049	177,580	128	3,241	-	4,904,998	4,904,998
Financial liabilities	28	-	1,597	733,354	2,149	45,014	782,114	782,114
On-lending facilities	29	9,010	9,654	2,099	2,648	489,979	513,390	389,567
Borrowings	30	-	85,484	81,026	57,720	192,111	416,341	412,788
Debt securities issued	31	-	-	1,549	3,098	43,087	47,734	41,664
		4,733,059	**274,315**	**818,156**	**68,856**	**770,191**	**6,664,577**	**6,531,131**
Derivative liabilities								
Trading:	32							
Inflow		4,950	9,784	16,863	9,177	-	40,774	40,858
		4,950	**9,784**	**16,863**	**9,177**	**-**	**40,774**	**40,858**

3. Risk management (continued)

At 31 December, 2019 In millions of Naira	Note	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	Over 1 year	Gross nominal inflow/ (outflow)	Carrying amount
Assets								
Non-derivative assets								
Cash and balances with central banks	15	254,132	-	-	-	682,106	936,238	936,278
Treasury bills	16	130,190	337,192	203,413	519,163	-	1,189,958	991,393
Assets pledged as collateral	17	29,124	98,530	19,717	102,545	588,738	838,654	431,728
Due from other banks	18	504,182	47,702	122,438	32,781	-	707,103	707,103
Loans and advances to customers	20	406,030	88,633	104,368	173,291	1,533,243	2,305,565	2,305,565
Investment securities	21	51,753	16,222	2,686	11,394	742,106	824,161	591,097
Other financial assets	24	38,109	-	-	3,067	22,588	63,764	63,764
		1,413,519	**588,279**	**452,622**	**842,241**	**3,568,781**	**6,865,442**	**6,026,928**
Derivative assets								
Trading:	19							
Inflow		9,414	22,800	16,742	43,766	-	92,722	92,722
		9,414	**22,800**	**16,742**	**43,766**	**-**	**92,722**	**92,722**
Liabilities								
Non-derivative liabilities								
Customer's deposits	27	4,241,370	15,851	735	4,302	31	4,262,289	4,262,289
Financial Liabilities	28	125,315	-	-	-	205,237	330,552	330,552
On-lending facilities	29	6,717	-	862	2,691	382,600	392,871	392,871
Borrowings	30	2,574	44,669	30,671	237,869	24,606	340,389	322,479
Debt securities issued	31	-	-	1,460	1,477	43,552	46,489	39,092
		4,375,976	**60,520**	**33,728**	**246,339**	**656,026**	**5,372,590**	**5,347,283**
Derivative liabilities								
Trading:								
Inflow		3,242	5,249	3,953	2,318	-	14,762	14,762
		3,242	**5,249**	**3,953**	**2,318**	**-**	**14,762**	**29,524**

3. Risk management (continued)

Bank

At 30 June, 2020 In millions of Naira	Note	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	Over 1 year	Gross nominal inflow/ (outflow)	Carrying amount
Assets								
Non-derivative assets								
Cash and balances with central banks	15	123,387	-	-	1,534,922	-	1,658,309	1,630,684
Treasury bills	16	25,216	118,843	364,780	208,994	-	717,833	671,285
Assets pledged as collateral	17	27,804	49,925	63,217	47,195	555,856	743,997	316,983
Due from other banks	18	186,402	408,319	-	-	-	594,721	595,055
Loans and advances to customers	20	564,895	55,487	81,962	182,450	1,818,299	2,703,093	2,533,072
Investment securities	21	13,001	4,980	10,771	56,626	323,086	408,464	269,282
Other financial assets	24	27,238	-	-	111,649	-	138,887	109,716
		967,943	**637,554**	**520,730**	**2,141,836**	**2,697,241**	**6,965,304**	**6,126,077**
Derivative assets								
Trading:	19							
Inflow		-	-	-	100,934	-	100,934	100,934
		-	**-**	**-**	**100,934**	**-**	**100,934**	**100,934**
Liabilities								
Non-derivative liabilities								
Customer's deposits	27	3,948,320	135,312	126	2,364	-	4,086,122	4,086,122
Financial liabilities	28	-	595,785	1,339	1,579	33,070	631,773	631,773
On-lending facilities	29	9,010	9,654	2,099	2,648	489,979	513,390	389,567
Borrowings	30	-	85,484	124,720	57,720	192,111	460,035	456,482
Debt securities issued	31	-	-	1,549	3,098	43,087	47,734	41,664
		3,957,330	**826,235**	**129,832**	**67,409**	**758,247**	**5,739,054**	**5,605,608**
Derivative liabilities								
Trading:	32							
Inflow		4,950	9,784	16,863	9,177	-	40,774	40,858
		4,950	**9,784**	**16,863**	**9,177**	**-**	**40,774**	**40,858**

3. Risk management (continued)

At 31 December, 2019 In millions of Naira	Note	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	Over 1 year	Gross nominal inflow/ (outflow)	Carrying amount
Assets								
Non-derivative assets								
Cash and balances with central banks	15	197,343	-	-	-	682,106	879,449	879,449
Treasury bills	16	96,741	231,496	150,096	402,759	-	881,092	822,449
Assets pledged as collateral	17	29,124	98,530	19,717	102,545	588,738	838,654	431,728
Due from other banks	18	279,301	47,702	122,438	32,781	-	482,222	482,070
Loans and advances to customers	20	387,502	88,633	104,368	173,291	1,485,678	2,239,472	2,239,472
Investment securities	21	2,785	6,675	2,686	11,394	297,147	320,687	189,358
Other financial assets	24	38,109	-	-	556	22,588	61,253	61,253
		1,030,905	**473,036**	**399,305**	**723,326**	**3,076,257**	**5,702,829**	**5,105,779**
Derivative assets								
Trading:	19							
Inflow		9,414	22,800	16,742	43,766	-	92,722	-
		9,414	**22,800**	**16,742**	**43,766**	**-**	**92,722**	**92,722**
Liabilities								
Non-derivative liabilities								
Customer's deposits	27	3,469,752	12,262	584	4,266	23	3,486,887	3,486,887
Financial liabilities	28	125,315	-	-	-	255,483	380,798	380,798
On-lending facilities	29	6,767	-	869	2,711	382,774	393,121	392,871
Borrowings	30	2,574	44,669	30,671	237,869	24,606	340,389	329,778
Debt securities issued	31	-	-	1,460	1,477	43,552	46,489	39,092
		3,604,408	**56,931**	**33,584**	**246,323**	**706,438**	**4,647,684**	**4,629,426**
Derivative liabilities								
Trading:	32							
Inflow		3,242	5,249	3,953	2,318	-	14,762	-
		3,242	**5,249**	**3,953**	**2,318**	**-**	**14,762**	**14,762**

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

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

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

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

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

Residual contractual maturities of off-balance sheet exposures.

Group

At 30 June, 2020	**Carrying amount**	**Less than 3 months**	**3 - 6 months**	**6 - 12 months**	**1 to 5 Years**	**More than 5 years**
In millions of Naira						
Financial guarantees						
Usance	133,087	80,091	20,149	32,664	183	-
Letters of Credit	363,665	244,245	73,704	45,646	70	-
Performance bonds and Guarantees	378,842	69,604	76,347	88,989	81,103	81,103
Total	**875,594**	**393,940**	**170,200**	**167,299**	**81,356**	**81,103**

At 31 December, 2019	**Carrying amount**	**Less than 3 months**	**3 - 6 months**	**6 - 12 months**	**1 to 5 Years**	**More than 5 years**
In millions of Naira						
Financial guarantees						
Usance	79,318	62,972	16,346	-	-	-
Letters of Credit	545,174	394,651	135,665	12,747	2,111	-
Performance bonds and Guarantees	363,922	77,040	19,528	44,128	108,959	114,267
Total	**988,414**	**534,663**	**171,539**	**56,875**	**111,070**	**114,267**

3. Risk management (continued)

Bank

At 30 June, 2020	Carrying amount	Less than 3 months	3 - 6 months	6 - 12 months	1 to 5 Years	More than 5 years
In millions of Naira						
Financial guarantees						
Usance	117,485	65,123	19,803	32,376	183	-
Letters of Credit	235,116	158,083	52,429	24,605	-	-
Performance bonds and Guarantees	332,847	41,613	74,780	83,700	75,946	56,809
Total	**685,448**	**264,819**	**147,012**	**140,681**	**76,129**	**56,809**

At 31 December, 2019	Carrying amount	Less than 3 months	3 - 6 months	6 - 12 months	1 to 5 Years	More than 5 years
In millions of Naira						
Financial guarantees						
Usance	79,318	62,972	16,346	-	-	-
Letters of Credit	413,656	299,445	102,937	9,672	1,602	-
Performance bonds and Guarantees	261,495	55,357	14,032	31,708	78,292	82,106
Total	**754,469**	**417,774**	**133,315**	**41,380**	**79,894**	**82,106**

3.5 Fair value of financial assets and liabilities

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy.

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

b. Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

c. Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

3. Risk management (continued)

Classification of financial assets and liabilities and fair value hierarchy

Group

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

		At 30 June, 2020			At 31 December, 2019		
In millions of Naira	**Note**	**Carrying value**	**Fair value**	**Fair value hierarchy**	**Carrying value**	**Fair value**	**Fair value hierarchy**
Assets							
Carried at FVTPL:							
Treasury bills	16	530,724	530,724	1	708,114	708,114	1&2
Investment securities (FGN bonds)	21	48,995	48,995	1	12,257	12,257	1
Derivative assets	19	100,934	100,934	2	92,722	92,722	2
Asset pledged as collateral		43,604	43,604	1	115,520	115,520	1&2
Carried at FVOCI:							
Equity securities (unquoted)	21	74,784	74,784	3	63,680	63,680	3
Debt securities	21	322,544	322,544	2	280,854	280,854	2
Carried at amortized cost:							
Cash and balances with central banks	15	1,706,452	1,706,452	-	936,278	936,278	-
Treasury bills	16	306,998	314,749	1	283,282	285,282	1&2
Assets pledged as collateral	17	273,378	327,973	1	316,207	355,950	1&2
Due from other banks	18	855,046	855,046	-	707,103	707,103	-
Loans and advances to customers	20	2,624,367	2,624,367	-	2,305,565	2,305,565	-
Investment securities	21	328,170	349,024	1&2	234,305	301,370	1&2
Other financial assets	24	115,977	115,977	-	63,764	63,764	-
Liabilities							
Carried at FVTPL							
Derivative liabilities	32	40,858	40,858	2	14,762	14,762	2
Carried at Amortised cost							
Customer's deposits	27	4,904,998	4,904,998	-	4,262,289	4,262,289	-
Other financial liabilities	28	782,114	782,114	-	330,552	330,552	-
On-lending facilities	29	389,567	389,567	-	392,871	392,871	-
Borrowings	30	412,788	412,788	-	322,479	322,479	-
Debt securities issued	31	41,664	41,664	-	39,092	39,092	-

3. Risk management (continued)
Bank

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

		At 30 June, 2020			At 31 December, 2019		
In millions of Naira	**Note**	**Carrying value**	**Fair value**	**Fair value hierarchy**	**Carrying value**	**Fair value**	**Fair value hierarchy**
Assets							
Carried at FVTPL:							
Treasury bills	16	530,026	530,026	1&2	708,114	708,114	1&2
Investment securities (FGN bonds)	21	48,995	48,995	1	12,257	12,257	1
Derivative assets	19	100,934	100,934	2	92,722	92,722	2
Asset pledged as collateral		43,604	43,604	1&2	115,520	115,520	1 & 2
Carried at FVOCI:							
Equity securities (Unquoted)	21	74,784	74,784	3	63,680	63,680	3
Carried at amortized cost:							
Cash and balances with central banks	15	1,630,684	1,630,684	-	879,449	879,449	-
Treasury bills	16	141,259	149,010	1&2	114,335	114,995	1&2
Assets pledged as collateral	17	273,378	327,973	1&2	316,207	355,950	1&2
Due from other banks	18	594,721	594,721	-	482,070	482,070	-
Loans and advances to customers	20	2,533,072	2,533,072	-	2,239,472	2,239,472	-
Investment securities	21	145,503	166,357	1&2	113,421	125,141	1&2
Other financial assets	24	109,716	109,716	-	61,253	61,253	-
Liabilities							
Carried at FVTPL							
Derivative liabilities	32	40,858	40,858	2	14,762	14,762	2
Carried at amortized cost:							
Customer's deposits	27	4,086,122	4,086,122	-	3,486,887	3,486,887	-
Other financial liabilities	28	653,604	653,604	-	380,798	380,798	-
On-lending facilities	29	389,567	389,567	-	392,871	392,871	-
Borrowings	30	456,482	456,482	-	329,778	329,778	-
Debt securities issued	31	41,664	41,664	-	39,092	39,092	-

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

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

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

At 30 June, 2020 In millions of Naira Financial assets		Level 1	Level 2	Level 3
Treasury bills (FVTPL) (unpledged)	16	492,961	-	-
Treasury bills pledged under repurchase agreement (FVTPL)	16	37,372	6,232	-
FGN bonds FVTPL (unpledged)	21	48,995	-	-
Derivative assets	19	-	100,934	-
Derivative liabilities	32	-	40,858	-
Investment securities (Unquoted)	21	-	-	74,784
		579,328	**148,024**	**74,784**

Reconciliation of Level 3 items	
At 1 January	63,680
Addition	-
Gain recognised through other comprehensive income	11,104
At 30 June, 2020	**74,784**

At 31 December, 2019 In millions of Naira Financial assets		Level 1	Level 2	Level 3
Treasury bills (FVTPL)(unpledged)	16	361,380	346,734	-
Treasury bills pledged under repurchase agreement (FVTPL)	16	90,815	9,041	-
FGN bonds FVTPL (unpledged)	21	12,257	-	-
FGN bonds pledged under repurchase agreement (FVTPL)	21	15,665	-	-
Derivative assets	19	-	92,722	-
Derivative liabilities	32	-	14,762	-
Investment securities -Unquoted	21	-	-	63,680
		480,117	**463,259**	**63,680**

Reconciliation of Level 3 items	
At 1 January	49,760
Additions	50
Gains/(losses) recognised through other comprehensive income	13,870
At 31 December, 2019	**63,680**

3. Risk management (continued)

Level 3 fair value measurements

(a) Unobservable inputs used in measuring fair value

The table below sets out information about significant unobservable inputs used at 30 June, 2020 and 31 December, 2019 in measuring financial instruments categorized as level 3 in the fair value hierarchy

Type of financial instrument	Fair values at 30 June, 2020	Valuation technique	Significant unobservable input	Range of estimates (average) for unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Unquoted equity investment	N74.78 billion	Equity DCF model. adjusted with recent similar transactions.	-Discount rate. -Estimate cash flow.	Risk premium of 14.91%-15.31% above risk-free interest rate (0.68%) (31 Dec. 2019:10.63% above risk free rate (1.92%)) 5-year Compound Annual Growth Rate (CAGR) of cash flow of 3.8%-4.2% (December 2019: 6.5%))	A significant increase in the risk premium above the risk rate would result in a lower fair value. A significant increase in the CAGR of cash flow would result in a higher fair value

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

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

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

Effect on OCI

	At 30 June, 2020		At 31 December, 2019	
In millions of Naira	**Decrease of 20 basis point in risk premium**	**Increase of 20 basis point in risk premium**	**Decrease of 20 basis point in risk premium**	**Increase of 20 basis point in risk premium**
Unquoted investment securities	1,135	(1,096)	1,770	(1,662)

The favourable and unfavourable effects of using reasonably possible alternative assumptions for valuation of unquoted equity securities have been calculated by recalibrating the model values using unobservable inputs based on upper and lower quartile respectively of the Group’s range of possible estimates. Key inputs and assumptions used in the model at 30 June, 2020 included a favourable risk premium of 14.91**%** and an unfavourable risk premium of 15.31% above the risk-free interest rate of 0.68% (31 December, 2019: 10.63% respectively above risk free rate of 1.92%).

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

(c) Fair valuation methods and assumptions

(i) Cash and balances with central banks

Cash and balances with Central banks represent cash held (including mandatory cash reserve requirements of 30 June, 2020: N1,507 billion, 31 December, 2019: N761 billion) with Central banks of the various jurisdictions in which the Group operates. The fair value of these balances is their carrying amounts.

3. Risk management (continued)

(ii) Due from other banks

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

(iii) Treasury bills and investment securities

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

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

(iv) Loans and advances to customers

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

(v) Other financial assets/financial liabilities

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

(vi) Customer deposits and borrowings

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

(vii) Derivatives

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

3.6 Capital management

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

The Group prides itself in maintaining very healthy capital adequacy ratio in all its areas of operations. Capital levels are determined either based on internal assessments or regulatory requirements. The Group maintained capital levels above the regulatory minimum prescribed in all its operating jurisdictions. The adoption of IFR9 with effect from January 2018 impacted the capital adequacy ratio (CAR) due the resultant additional impairment charge. However, the impact did not reduce the CAR below both our Internal Guidance and Regulatory Limit. This impact is however moderated with the introduction of a relieve-based Transitional Arrangements for treatment of expected Credit Loss by the Central Bank. This is meant to spread the IFR9 Impact over a four (4) year period ending 3 December 2020.

3. Risk management (continued)

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

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

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

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

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

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

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

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

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

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

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

The table below shows the computation of the Group's capital adequacy ratio for the period ended 30 June, 2020 as well as the 31 December, 2019 comparatives. During those two periods, the individual entities within the Group complied with all of the externally imposed capital requirements to which they are subject.

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

3. Risk management (continued)

	Group				Bank			
In millions of Naira	**30-Jun-20**	**Adjusted impact of IFRS 9 transition on 30-Jun-2020**	**31-Dec-19**	**Adjusted impact of IFRS 9 transition on 31-Dec-19**	**30-Jun-20**	**Adjusted impact of IFRS 9 transition on 30-Jun-2020**	**31-Dec-19**	**Adjusted impact of IFRS 9 transition on 31-Dec-19**
Tier 1 capital	**Basel II**	**Basel II**	**Basel II**	**Basel II**	**Basel II**	**Basel II**	**Basel II**	**Basel II**
Share capital	15,698	15,698	15,698	15,698	15,698	15,698	15,698	15,698
Share premium	255,047	255,047	255,047	255,047	255,047	255,047	255,047	255,047
Statutory reserves	201,630	201,630	170,695	170,695	178,765	178,765	152,065	152,065
SMEIES reserve	3,729	3,729	3,729	3,729	3,729	3,729	3,729	3,729
Retained earnings	422,880	422,880	439,510	439,510	301,843	301,843	328,590	328,590
IFRS 9 Transitional Adjustment	-	43,268	-	43,268	-	41,420	-	41,420
Total qualifying Tier 1 capital	898,984	942,252	884,679	927,947	755,082	796,502	755,129	796,549
Deferred tax assets	(13,852)	(13,852)	(11,885)	(11,885)	(13,344)	(13,344)	(11,223)	(11,223)
Intangible assets	(15,196)	(15,196)	(16,497)	(16,497)	(13,971)	(13,971)	(15,109)	(15,109)
Investment in capital of financial subsidiaries	-	-	-	-	(17,313)	(17,313)	(10,896)	(10,896)
Adjusted Total qualifying Tier 1 capital	869,936	913,204	856,297	899,565	710,454	751,874	717,901	759,321
Tier 2 capital								
Other comprehensive income (OCI)	69,251	69,251	54,257	54,257	28,086	28,086	(23,729)	(23,729)
Total qualifying Tier 2 capital	69,251	69,251	54,257	54,257	28,086	28,086	(23,729)	(23,729)
Investment in capital and financial subsidiaries	-	-	-	-	(17,313)	(17,313)	-	-
Net Tier 2 Capital	69,251	69,251	54,257	54,257	10,773	10,773	-	-
Total regulatory capital	939,187	982,455	910,554	953,822	721,227	762,647	717,901	759,321
Risk-weighted assets								
Credit risk	3,618,712	3,618,712	3,134,029	3,134,029	3,182,166	3,182,166	2,806,711	2,806,711
Market risk	114,900	114,900	170,392	170,392	47,865	47,865	52,423	52,423
Operational risk	915,553	915,553	891,735	891,735	810,268	810,268	810,268	810,268
Total risk-weighted assets	4,649,165	4,649,165	4,196,156	4,196,156	4,040,299	4,040,299	3,669,402	3,669,402
Risk-weighted Capital Adequacy Ratio (CAR)	**20 %**	**21 %**	**22 %**	**23 %**	**18 %**	**19 %**	**20 %**	**21 %**

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

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

3. Risk management (continued)

3.7 Operational risk

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

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

Operational risk objectives include the following:

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

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

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

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

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

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

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

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

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

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

Business Continuity Management (BCM)

In line with ISO 22301 Standards, the bank has a robust documented Business Continuity Plan. The primary objective of this plan is to protect the bank in the event of an undesired event in the form of fire outbreak, flood, theft or robbery, thunderstorm, unexpected breakdown of systems, networks, equipment, etc or any other form of disaster. This plan ensures that the bank recover from disasters resulting in the partial or total loss of IT infrastructure and applications to normal business operations, in a timely, effective and efficient manner. The business continuity test is conducted at least once in a year The process is driven at a committee level but ably championed by the Risk Management Group.

3. Risk management (continued)

Operational Risk Reporting

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

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

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

There was no significant financial loss resulting from operational risk incidence during the period across the Group. However, the terrorrist activities in the North-East part of Nigeria impacted on business operation in those locations to a certain extent.

3.8 Strategic risk

Strategic risk is a possible source of loss that might arise from the pursuit of an unsuccessful business plan. Strategic risk examines the impact of design and implementation of business models and decisions on earnings and capital as well as the organisation's responsiveness to industry changes. Processes and procedures have been established to ensure that the right models are employed and appropriately communicated to all decision makers in the Group on issues relating to strategic risk management. This has essentially driven the Group’s sound banking culture and performance record to date.

3.9 Legal risk

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

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

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

3.10 Reputational risk

Reputational risk is defined as the risk of indirect losses arising from a decline in the bank’s reputation among one or multiple bank stakeholders. The risk can expose the Group to litigation, financial loss or damage to its reputation. The Group's reputation risk management philosophy involves anticipating, acknowledging and responding to changing values and behaviours on the part of a range of stakeholders. Accordingly, the following are the roles and responsibilities:

a. Board and senior management oversee the proper set-up and effective functioning of the reputational risk management framework;

b. Enterprise Risk Management Policy/Strategy (ERSP) is responsible for supporting the Board and senior management in overseeing the implementation of reputational risk management framework; and

c. Corporate Communications is responsible for managing both the internal and external communications that may impact the reputation of the Bank.

The process of reputation risk management within the Bank encompasses the following steps:

a. Identification: Recognizing potential reputational risk as a primary and consequential risk;

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

3. Risk management (continued)

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

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

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

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

3.11 Taxation risk

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

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

3.12 Regulatory risk

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

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

4 Critical accounting estimate and judgements

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

4.1 Impairment losses on loans and advances

Measurement of the expected credit loss allowance for financial assets.

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 3.2.9 to 3.2.17.

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

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

Detailed information about the judgements and estimates made by the Group in the above areas is set out in note 3.2.10 to 3.2.17.

The table below summarises the sensitivity of ECL allowance to significant ECL inputs:

ECL inputs sensitivity analysis

In millions of Naira	30-Jun-20
Increase in probability of default by 5%	3,252
Decrease in probability of default by 5%	(1,796)
	-

4.2 Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market prices requires the use of valuation techniques as described in note 3.3.5(a). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

i) Level 1 : Quoted market price (unadjusted) in an active market for an identical instrument.

ii) Level 2 : Valuation techniques based on observable inputs, either directly - i.e, as prices - or indirectly - i.e derived from prices. This category includes instruments such as forward contracts, swaps etc. valued using; quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

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

4.3 Income taxes

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

Deferred Tax Assets and Liabilities

The deferred tax assets and liabilities recognized by the Group is dependent on the availability of taxable profit in the foreseeable future to utilize the deferred tax. The Group reviews the carrying amount of the deferred tax at the end of each reporting period and recognizes an amount such that it is probable that sufficient taxable profit will be available which the Group can use the benefit therefrom.

In determining the deferred tax assets recognized in the financial statements, the Group has applied judgement in estimating the deferred tax recoverable in the foreseeable future. This involves the estimation of future income and expenses, and the consideration of non-taxable income and disallowable expenses in order to arrive at the future taxable profit / loss.

Effective January 2022, the tax exemption granted on short term Federal Government of Nigeria securities [such as Treasury bills, promissory notes etc.] and non-Federal Government of Nigeria Bonds, and the interest earned by the holder of these instruments, under the Companies Income Tax (Exemption of Bonds and Short Term Government Securities) Order, 2011, elapses. In determining the extent to which it is probable that future taxable profit will be available against which the unused tax losses of the Group can be utilized, the Group has applied judgment that the Federal Government of Nigeria (FGN) will likely extend the Companies Income Tax (Exemption of Bonds and Short Term Government Securities) Order, 2011, beyond 2021, in order to stimulate continuous participation in the treasury bills market and to meet government funding needs. See note 23 for details on deferred tax.

5. Segment analysis

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

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

(a) Corporate, Public, Retail Banking, Pension Custodial services and Nominee - Nigeria

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

(b) Outside Nigeria Banking - Africa and Europe

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

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

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

Notes to the Consolidated and Separate Financial Statements for the six months period ended 30 June, 2020

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

	Nigeria	Outside Nigeria				
	Corporate retail and pensions custodian services	Africa	Europe	Total reportable segments	Eliminations	Consolidated
In millions of Naira						
30 June, 2020						
Interest and similar income	177,765	30,162	9,932	217,859	(905)	216,954
Total income on fee and commission	39,091	4,710	2,350	46,151	-	46,151
Other operating income	21,330	6,421	-	27,751	(3,600)	24,151
Trading gains	58,797	35	-	58,832	-	58,832
Total revenue	296,983	41,328	12,282	350,593	(4,505)	346,088
Revenue:						
Derived from external customers	292,821	40,985	12,282	346,088	-	346,088
Derived from other business segments	4,162	343	-	4,505	(4,505)	-
Total revenue*	**296,983**	**41,328**	**12,282**	**350,593**	**(4,505)**	**346,088**
Interest expense	(49,286)	(9,012)	(2,152)	(60,450)	905	(59,545)
Impairment loss on financial assets	(20,165)	(2,606)	(1,152)	(23,923)	-	(23,923)
Admin and operating expenses	(129,570)	(13,454)	(5,072)	(148,096)	(400)	(148,496)
Profit before tax	97,962	16,256	3,906	118,124	4,000	114,124
Tax expense	(4,320)	(5,261)	(717)	(10,298)	-	(10,298)
Profit after tax	**93,642**	**10,995**	**3,189**	**107,826**	**4,000**	**103,826**

	Nigeria Corporate retail and pensions custodian services	Outside Nigeria Banking Africa	Outside Nigeria Banking Europe	Total reportable segments	Eliminations	Consolidated
In millions of Naira						
30 June, 2020						
Total assets	6,510,733	506,088	729,870	7,746,691	(166,577)	7,580,114
Other measures of assets:						
Additions to non-current assets	13,140	1,146	7	14,293	-	14,293
Loans and advances to customers	2,533,180	48,026	43,161	2,624,367	-	2,624,367
Total liabilities	5,685,885	410,473	626,721	6,723,079	(131,943)	6,591,136
Other measures of liabilities						
Customer deposits	4,086,122	302,646	517,180	4,905,948	(950)	4,904,998
Borrowings	456,482	-	-	456,482	(43,694)	412,788
In millions of Naira						
31 December, 2019						
Revenue:						
Derived from external customers	568,999	68,125	25,127	662,251	-	662,251
Derived from other business segments	6,079	107	-	6,186	(6,186)	-
Total revenue*	**575,078**	**68,232**	**25,127**	**668,437**	**(6,186)**	**662,251**
Interest expense	(126,691)	(20,739)	(4,142)	(151,572)	2,586	(148,986)
Impairment loss on financial assets	(23,406)	(739)	113	(24,032)	-	(24,032)
Admin and operating expenses	(217,286)	(21,261)	(7,446)	(245,993)	(400)	(246,393)
Profit before tax	207,695	25,493	13,652	246,840	(4,000)	242,840
Tax expense	(24,459)	(7,753)	(2,239)	(34,451)	-	(34,451)
Profit after tax	**183,236**	**17,740**	**11,413**	**212,389**	**(4,000)**	**208,389**
In millions of Naira						
31 December, 2019						
Total assets	6,510,736	506,085	729,870	7,746,691	(166,577)	7,580,114
Other measures of asset:						
Additions to non-current assets	48,742	4,252	25	53,019	-	53,019
Current assets	2,467,692	333,226	142,811	2,943,729	-	2,943,729
Loans and advances to customers	2,239,603	45,147	20,816	2,305,566	(1)	2,305,565
Total liabilities	5,685,898	410,469	626,722	6,723,089	(131,953)	6,591,136
Other measures of liabilities						
Customer deposits	3,486,887	353,149	422,253	4,262,289	-	4,262,289
Borrowings	329,778	-	-	329,778	(7,299)	322,479

	Group		Bank	
In millions of Naira	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19

6. Interest and similar income

Loans and advances to customers	128,367	115,043	121,346	108,470
Placement with banks and discount houses	16,654	11,775	14,289	8,014
Treasury bills	28,383	53,039	16,163	38,428
Promissory note	3,895	1,759	3,895	1,759
Commercial papers	136	35	136	35
Government and other bonds	39,519	32,950	20,502	20,519
	216,954	**214,601**	**176,331**	**177,225**

Interest income accrued on impaired financial assets amount to N1,376 million and N1,374 million for Group and Bank respectively.

7. Interest and similar expense

Current	5,007	5,521	3,865	4,968
Savings accounts	12,622	10,954	12,508	10,860
Time deposits	24,913	21,088	18,994	15,631
Borrowed funds and lease	17,003	34,523	13,919	29,926
	59,545	**72,086**	**49,286**	**61,385**

Included in the interest expense on borrowed funds and lease is N1,408 million and N1,200 million for Group and Bank respectively, which represents interest expense on lease liability.

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

ECL on financial instruments:				
Loans and advances(see note 3.2.17)	19,971	16,150	16,098	15,571
Investment securities (see note 3.2.17)	660	114	660	114
Treasury Bills (see note 3.2.17)	20	(32)	136	(32)
Other financial assets (see note 3.2.17)	1,138	592	1,114	592
Due from other Banks (see note 3.2.17)	191	(332)	191	(332)
Assets pledged as collateral (see note 3.2.17)	-	(33)	434	(33)
Total ECL on financial instruments	21,980	16,459	18,633	15,880
Impairment (credit)/charge on non-financial instruments:				
Off balance sheet (see note 3.2.17)	1,466	(2,618)	1,466	(2,618)
Other non financial assets (see note 24(i))	43	(106)	43	(106)
	23,489	**13,735**	**20,142**	**13,156**

In millions of Naira	Group 30-Jun-20	Group 30-Jun-19	Bank 30-Jun-20	Bank 30-Jun-19

9. Net income on Fee and commission

	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
Credit related fees	9,063	12,684	6,070	11,352
Commission on turnover	1,094	1,001	-	-
Account maintenance fee	9,431	9,576	9,431	9,576
Income from financial guarantee contracts issued	3,454	1,088	3,178	972
Fees on electronic products	8,937	27,076	8,255	26,439
Foreign currency transaction fees and commission	958	1,303	514	638
Asset based management fees	4,856	3,756	-	-
Auction fees income	196	1,384	196	1,384
Corporate finance fees	223	286	36	153
Foreign withdrawal charges	3,466	2,754	3,466	2,754
Commissions on agency and collection services	4,473	2,162	3,797	1,224
Total fee and Commission income	46,151	63,070	34,943	54,492
Fees and commission expense	(12,648)	(7,255)	(12,056)	(5,979)
	33,503	**55,815**	**22,887**	**48,513**

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

Total fee and commission income recognised at a point in time amount to N26,150 million and N20,868 million for Group and Bank respecvtively while an amount of N20,001 million and N14,075 million was recognised over the period.

10. Other operating income

	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
Dividend income from equity investments (see note a below)	-	1,932	3,600	5,532
Gain on disposal of property and equipment (see note 45(vii))	102	65	102	73
Income on cash handling	130	333	70	230
Recoveries from loans written off	1,007	-	1,007	-
Gain on disposal of investment	891	-	891	-
Foreign currency revaluation gain	22,021	6,484	15,659	1,828
	24,151	**8,814**	**21,329**	**7,663**

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

11. Trading gains

	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
Derivatives loss	(13,572)	(13,827)	(13,572)	(13,827)
Treasury bills trading income	65,697	55,253	65,662	55,253
Bonds trading income	5,278	1,737	5,278	1,737
Interest income on trading bonds	1,429	1,938	1,429	1,938
	58,832	**45,101**	**58,797**	**45,101**

Notes to the Consolidated and Separate Financial Statements for the six months period ended 30 June, 2020

	Group		Bank	
In millions of Naira	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19

12. Operating expenses

Directors' emoluments (see note 36 (b))	581	1,600	394	1,278
Auditors' remuneration	364	379	210	239
Deposit insurance premium	6,910	6,449	6,910	6,449
Professional fees	1,892	1,977	1,592	1,578
Training and development	940	1,038	836	909
Information technology	8,069	5,816	6,337	5,414
Lease expense	329	723	56	371
Advertisement	3,651	3,519	3,513	3,297
Outsourcing services	5,825	5,311	5,825	5,311
Bank charges	1,912	2,361	1,589	2,071
Fuel and maintenance	8,031	6,592	5,542	5,555
Insurance	932	1,003	854	934
Licenses, registrations and subscriptions	1,705	1,517	1,331	1,279
Travel and hotel expenses	950	1,278	551	1,174
Printing and stationery	1,074	1,156	735	807
Security and cash handling	1,815	2,061	1,594	1,857
Fines & Penalties (see note 41)	-	2	-	2
Donations	2,532	936	2,423	923
AMCON levy	30,948	28,654	30,948	28,654
Telephone and postages	1,092	2,015	899	1,829
Corporate promotions	1,509	1,804	1,474	1,738
Others	1,670	612	180	124
	82,731	**76,803**	**73,793**	**71,793**

An amount of N329 million and N56 million for Group and Bank respectively have been represented as lease expense, which represent the amount of straight line amortisation on short term lease in which the Group/Bank has applied the recognition exception.

13. Taxation

(a) Major components of the tax expense

.

Income tax expense				
Corporate tax	7,627	7,035	-	-
Information technology tax	938	944	938	906
Dividend tax	-	15,175	-	15,175
Tertiary Education tax	782	70	782	-
Police trust fund levy	5	-	5	-
Minimum tax expense	1,524	1,860	1,524	1,860
Current income tax	10,876	25,084	3,249	17,941
Deferred tax expense:				
Reversal of temporary differences	(578)	(2,289)	(24)	(1,791)
Income tax expense	10,298	20,935	3,225	14,290
Total tax expense	**10,298**	**22,795**	**3,225**	**16,150**

	Group		Bank	
In millions of Naira	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19

13. Taxation (continued)

(b) Reconciliation of effective tax rate

Profit before income tax	114,124	111,677	93,625	91,511
Tax calculated at the weighted average Group rate of 30% (2019: 30%)	34,237	33,151	28,088	27,453
Tax effect of adjustments on taxable income				
Investment allowance	-	(198)	-	(198)
Non-deductable expenses	32,874	1,212	27,883	552
Tax exempt income	(48,366)	(38,444)	(44,299)	(38,337)
Balancing charge	-	286	-	-
Tax loss relieved	(9,506)	-	(9,506)	-
Minimum tax	1,524	1,860	1,524	1,860
Information technology levy	938	945	938	907
Unrecognised deferred tax asset	-	8,842	-	8,842
Dividend tax paid	-	15,175	-	15,175
Effect of temporary difference not recognised in deferred tax	(2,190)	-	(2,190)	-
Tertiary education tax	782	70	782	-
Derecognition of previously recognised deductible temporary differences	-	(104)	-	(104)
Police trust fund levy	5	-	5	-
Total tax expense	**10,298**	**22,795**	**3,225**	**16,150**

(c) The movement in the current income tax payable balance is as follows:	**30-Jun-20**	**31-Dec-19**	**30-Jun-20**	**31-Dec-19**
At start of the year	9,711	9,154	6,627	5,954
Withholding tax credit	(497)	(36,308)	(497)	(23,370)
Tax paid	(4,718)	-	-	-
Current income tax charge	10,322	36,865	3,249	24,043
At end of the year	**14,818**	**9,711**	**9,379**	**6,627**

14. Earnings per share

Basic earnings per share

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

Profit attributable to shareholders of the Bank (N'million)	103,735	88,806	90,400	75,361
Number of shares in issue at end of the year (millions)	31,396	31,396	31,396	31,396
Weighted average number of ordinary shares in issue (millions)	31,396	31,396	31,396	31,396
Basic and diluted earnings per share (Naira)	3.30	2.83	2.88	2.40

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

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

15. Cash and balances with central banks

Cash and balances with central banks consist of:

Cash	108,371	55,255	81,997	39,417
Operating accounts and deposits with Central Banks	90,592	120,073	41,198	79,082
Mandatory reserve deposits with central bank (cash reserve)	1,426,800	680,261	1,426,800	680,261
Special Cash Reserve Requirement	80,689	80,689	80,689	80,689
	1,706,452	**936,278**	**1,630,684**	**879,449**
Current	198,963	254,171	123,195	197,342
Non current	1,507,489	682,107	1,507,489	682,107
	1,706,452	**936,278**	**1,630,684**	**879,449**

16 Treasury bills

Treasury bills (FVTPL)	530,724	708,111	530,026	708,114
Treasury bills (Amortized cost)	306,998	283,845	141,412	114,352
ECL Allowance on treasury bills (Amortized cost) (see note 3.2.17)	(609)	(563)	(153)	(17)
	837,113	**991,393**	**671,285**	**822,449**
Classified as:				
Current	837,113	991,393	671,285	822,449
	837,113	**991,393**	**671,285**	**822,449**

Treasury bills measured fair value through profit and loss are mandatorily designated as such.

The following treasury bills have maturities less than three months and are classified as cash and cash equivalents for purposes of the statements of cash flows (Note 40).	3,652	11,697	3,652	11,697
	3,652	**11,697**	**3,652**	**11,697**

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

17. Assets pledged as collateral

Treasury bills pledged as collateral	1,829	-	1,829	-
Bonds pledged as collateral	116,165	105,135	116,165	105,135
Treasury bills under repurchase agreement	107,184	198,611	107,184	198,611
Bonds under repurchase agreement	92,308	128,051	92,308	128,051
ECL Allowance on pledged assets	(504)	(69)	(504)	(69)
	316,982	**431,728**	**316,982**	**431,728**

Included in assets pledged as collateral for Group/Bank are treasury bills and bonds at amortised cost of N65,409 million and N208,473 million (31 December, 2019: N98,755 million and N217,521 million) respectively. All other assets pledged as collateral for Group/Bank are treasury bills at fair value.

The assets pledged as collateral were given to the counter parties without transferring the ownership to them. These are held by the counterparty for the term of the transaction being collateralized. These assets were pledged as collateral to Nigeria Interbank Settlement System (NIBBS) N3.60 billion (31 December, 2019: N27.84 billion), Federal Inland Revenue Services N8.09 billion (31 December, 2019: N8.08 billion), V-Pay N44.95 million (31 December, 2019: N44.87 million), Interswitch Limited N2.16 billion (31 December, 2019: N2.15 billion), the Bank of Industry (Nigeria) N37.26 billion (31 December, 2019: N39.53 billion), E-Tranzact N44.95 million (31 December, 2019: N44.87 million), CBN Real Sector Support Fund (RSSF) N44.5 billion (31 December, 2019: N24.77 billion), System Specs/RMITA N2.65 billion (31 December, 2019: N2.68 billion) and Financia Market dealers Quotation (FMDQ) N19.61 billion.

Assets exchanged under repurchase agreement as at 30 June, 2020 are with the following counterparties (note 30):

Subtotal	**Group**		**Bank**	
Counterparties	**Carrying value of asset**	**Carrying value of liability**	**Carrying value of asset**	**Carrying value of liability**
JP Morgan (see note 30)	52,361	38,912	52,361	38,912
ABSA (see note 30)	131,011	106,562	131,011	106,562
Standard Bank (see note 30)	16,120	29,259	16,120	29,259
	199,492	**174,733**	**199,492**	**174,733**

Assets exchanged under repurchase agreement as at 31 December, 2019 are with the following counterparties (note 30):

Counterparties	**Carrying value of asset**	**Carrying value of liability**	**Carrying value of asset**	**Carrying value of liability**
JP Morgan	49,617	36,534	49,617	36,534
ABSA	103,271	82,352	103,271	82,352
Standard Bank	22,385	27,635	22,385	27,635
First Abu Dhabi	24,813	18,320	24,813	18,320
Societe Generale Bank	75,768	55,433	75,768	55,433
Standard Bank London	50,808	36,950	50,808	36,950
	326,662	**257,224**	**326,662**	**257,224**

Classified as:				
Current	108,513	210,373	108,513	210,373
Non-current	208,469	221,355	208,469	221,355
	316,982	**431,728**	**316,982**	**431,728**

In millions of Naira	Group 30-Jun-20	Group 31-Dec-19	Bank 30-Jun-20	Bank 31-Dec-19
18. Due from other banks				
Current balances with banks within Nigeria	62	8,155	-	-
Current balances with banks outside Nigeria	230,281	171,410	158,110	154,664
Placements with banks	624,703	527,680	436,945	327,548
ECL Allowance	(333)	(142)	(333)	(142)
	854,713	**707,103**	**594,722**	**482,070**
Classified as:				
Current	821,811	529,771	561,820	304,738
Non-current	32,902	177,332	32,902	177,332
	854,713	**707,103**	**594,722**	**482,070**

Included in balances with banks outside Nigeria is the amount of N4.88 billion and N30.53 billion for the Group and Bank respectively (31 December, 2019: N22.32 billion and N46.35 billion for the Group and Bank respectively) which represents the Naira value of foreign currency balances held on behalf of customers in respect of letters of credit. The corresponding liabilities are included in other liabilities (See Note 28).

	Group 30-Jun-20	Group 31-Dec-19	Bank 30-Jun-20	Bank 31-Dec-19
Due from banks with maturity greater than 3 months:	271,143	223,413	271,143	223,413

19. Derivative assets

	Group 30-Jun-20	Group 31-Dec-19	Bank 30-Jun-20	Bank 31-Dec-19
Fair value:				
Forward and swap contracts	68,881	91,204	68,881	91,204
Futures contracts	32,053	1,518	32,053	1,518
Total	**100,934**	**92,722**	**100,934**	**92,722**
Notional amount:				
Forward and swap contracts	355,367	729,726	355,367	729,726
Futures contract	438,790	319,968	438,790	319,968
Total	**794,157**	**1,049,694**	**794,157**	**1,049,694**

Non-hedging derivative assets and liabilities

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

During the period, various derivative contracts entered into by the Group generated net loss of N13.6 billion (30 June, 2019 net loss of N13.8 billion), which were recognized in the statement of profit or loss and other comprehensive income.

All derivative assets are current.

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

20. Loans and advances

Overdrafts	287,344	212,548	273,146	194,020
Term loans	2,028,583	1,766,787	1,942,466	1,713,607
On-lending facilities	483,339	483,024	483,339	483,024
Gross loans and advances to customers	2,799,266	2,462,359	2,698,951	2,390,651
Less: ECL Allowance (see note 3.2.17)	(174,899)	(156,794)	(165,879)	(151,179)
	2,624,367	**2,305,565**	**2,533,072**	**2,239,472**

Gross Loans classified as:

Current	899,845	803,636	885,411	785,108
Non-current	1,899,421	1,658,723	1,813,540	1,605,543
	2,799,266	**2,462,359**	**2,698,951**	**2,390,651**

Movement in ECL Allowance as at 30 June, 2020 is presented in Note 3.2.17.

21. Investment securities

Debt securities				
At amortised cost (see note iii)	329,382	234,857	146,702	113,959
At FVTOCI	322,544	280,854	-	-
ECL Allowance (see note 3.2.17)	(1,212)	(551)	(1,199)	(538)
Net debt securities measured at amortised cost	650,714	515,160	145,503	113,421
Debt securities (measured at fair value through profit or loss) (see note ii)	48,995	12,257	48,995	12,257
Net debt securities	699,709	527,417	194,498	125,678
Equity securities				
At fair value through other comprehensive income (see note (i) below)	74,784	63,680	74,784	63,680
	774,493	**591,097**	**269,282**	**189,358**

Movement in impairment allowance on investment securities is presented in Note 3.2.17

Classified as:				
Current	55,341	8,592	55,341	8,592
Non-current	719,152	582,505	213,941	180,766
	774,493	**591,097**	**269,282**	**189,358**

(i) The Group holds equity investments in unquoted entities which the Group has elected to carry at fair value through other comprehensive income. These investments are held for strategic purposes rather than for trading purposes.

(ii) The Group's debt securities measured at FVTPL comprise FGN bonds (30 June, 2020: N48.9 billion; 31 December, 2019; N12.26 billion).

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

In millions of Naira	Group 30-Jun-20	Group 31-Dec-19	Bank 30-Jun-20	Bank 31-Dec-19
Sovereign	235,998	458,218	53,318	56,466
Sub-sovereign	21,145	19,768	21,145	19,768
Corporate bonds	13,372	8,073	13,372	8,073
Promissory note	43,784	29,652	43,784	29,652
Commercial papers	15,083	-	15,083	-
	329,382	**515,711**	**146,702**	**113,959**

(b) Movement in investment securities

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

Group

	Debt securities at fair value through profit or loss	Debt securities at amortised cost	Debt securities at fair value through other comprehensive income	Equity securities at fair value through other comprehensive income	Total
At January 1, 2020 (Gross)	12,257	234,857	280,854	63,680	591,648
Additions	34,325	103,525	40,641	-	178,491
Disposals / redemption	(4,294)	(23,682)	-	-	(27,976)
Gains from changes in fair value recognised in profit or loss (see note 11)	5,278	-	-	-	5,278
Gains from changes in fair value recognised in other comprehensive income	-	-	1,049	11,104	12,153
Interest accrued	1,429	14,682	-	-	16,111
At 30 June, 2020 (Gross)	48,995	329,382	322,544	74,784	775,705
ECL Allowance	-	(1,212)	-	-	(1,212)
At 30 June, 2020 (net)	**48,995**	**328,170**	**322,544**	**74,784**	**774,493**
At January 1, 2019 (Gross)	4,970	307,401	205,753	49,760	567,884
Additions	11,592	58,036	74,649	50	144,327
Disposals / redemption	(15,210)	(138,370)	-	-	(153,580)
Gains from changes in fair value recognised in profit or loss (see Note11)	10,905	-	-	-	10,905
Gains from changes in fair value recognised in other comprehensive income	-	-	452	13,870	14,322
Interest accrued	-	7,790	-	-	7,790
At 31 December, 2019 (Gross)	12,257	234,857	280,854	63,680	591,648
ECL Allowance	-	(551)	-	-	(551)
At 31 December, 2019 (Net)	**12,257**	**234,306**	**280,854**	**63,680**	**591,097**

In millions of Naira

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

Bank

	Debt securities at fair value through profit or loss	Debt securities at amortised cost (including promissory note and commercial papers)	Equity securities at fair value through other comprehensive income	Total
At January 1, 2020 (Gross)	12,257	113,959	63,680	189,896
Additions	34,325	47,797	-	82,122
Disposals / redemption	(4,294)	(27,401)	-	(31,695)
Gains from changes in fair value recognised in profit or loss (see Note 11)	5,278	-	-	5,278
Gains from changes in fair value recognised in other comprehensive income	-	-	11,104	11,104
Interest accrued	1,429	12,347	-	13,776
At 30 June, 2020 (Gross)	48,995	146,702	74,784	270,481
ECL Allowance	-	(1,199)	-	(1,199)
At 30 June, 2020 (Net)	**48,995**	**145,503**	**74,784**	**269,282**
At January 1, 2019 (Gross)	4,970	102,508	49,760	157,238
Additions	11,592	57,059	50	68,701
Disposals / redemption	(15,210)	(49,551)	-	(64,761)
Gains from changes in fair value recognised in profit or loss (see Note 11)	10,905	-	-	10,905
Gains from changes in fair value recognised in other comprehensive income	-	-	13,870	13,870
Interest accrued	-	3,943	-	3,943
At 31 December, 2019 (Gross)	12,257	113,959	63,680	189,896
ECL Allowance	-	(538)	-	(538)
At 31 December, 2019 (Net)	**12,257**	**113,421**	**63,680**	**189,358**

22. Investment in subsidiaries

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

Bank

Name of company	30-Jun-20 Ownership interest %	31-Dec-19 Ownership interest %	30-Jun-20 Carrying amount	31-Dec-19 Carrying amount
Zenith Bank (Ghana) Limited (see (1) below)	99.42 %	99.42 %	7,066	7,066
Zenith Bank (UK) Limited	100.00 %	100.00 %	21,482	21,482
Zenith Bank (Sierra Leone) Limited	99.99 %	99.99 %	2,059	2,059
Zenith Bank (Gambia) Limited	99.96 %	99.96 %	1,038	1,038
Zenith Pensions Custodian Limited	99.00 %	99.00 %	1,980	1,980
Zenith Nominee Limited	99.00 %	99.00 %	1,000	1,000
			34,625	34,625

Investments in subsidiaries are non-current.

22. Investment in subsidiaries (continued)

(b) Condensed results of consolidated entities

30 June, 2020	Zenith Group	Elimination entries	Zenith Bank Plc	Zenith Bank Ghana	Zenith Bank UK	Zenith Bank Sierra Leone	Zenith Bank Gambia	Zenith Pension Custodian	Zenith Nominee Limited
Condensed statement of profit or loss									
Operating income	346,088	(4,505)	291,400	38,354	12,282	1,934	1,040	5,375	208
Operating expenses	(208,041)	505	(177,633)	(20,570)	(7,224)	(1,225)	(671)	(1,160)	(63)
Inpairment charge for financial and non-financial assets	(23,923)	-	(20,142)	(2,585)	(1,152)	(19)	(2)	(23)	-
Profit before tax	114,124	(4,000)	93,625	15,199	3,906	690	367	4,192	145
Taxation	(10,298)	-	(3,225)	(4,978)	(717)	(172)	(111)	(1,053)	(42)
Profit for the year	**103,826**	**(4,000)**	**90,400**	**10,221**	**3,189**	**518**	**256**	**3,139**	**103**
Condensed statement of financial position									
Assets									
Cash and balances with central banks	1,706,452	-	1,630,684	70,677	15	2,382	2,668	16	10
Treasury bills	837,113	-	671,285	134,084	-	14,130	11,371	6,060	183
Assets pledged as collateral	316,982	-	316,982	-	-	-	-	-	-
Due from other banks	854,713	(67,389)	594,722	30,527	285,938	4,537	5,438	940	-
Derivative asset held for risk management	100,934	-	100,934	-	-	-	-	-	-
Loans and advances	2,624,367	-	2,533,072	45,094	43,161	1,856	1,076	104	4
Investment securities	774,493	-	269,282	155,859	331,449	-	777	15,472	1,654
Investment in subsidiaries	-	(34,625)	34,625	-	-	-	-	-	-
Deferred tax asset	12,438	-	11,247	752	406	32	3	-	(2)
Other assets	150,018	(64,563)	139,918	5,094	66,633	589	128	2,159	60
Property and equipment	186,827	-	166,350	16,684	1,723	1,108	769	171	22
Intangible assets	15,777	-	14,552	255	545	126	72	189	38
	7,580,114	**(166,577)**	**6,483,653**	**459,026**	**729,870**	**24,760**	**22,302**	**25,111**	**1,969**

22. Investment in subsidiaries (continued)

30 June, 2020	Zenith Group	Elimination entries	Zenith Bank Plc	Zenith Bank Ghana	Zenith Bank UK	Zenith Bank Sierra Leone	Zenith Bank Gambia	Zenith Pension Custodian	Zenith Nominee Limited
Liabilities & Equity									
Customer deposits	4,904,998	(950)	4,086,122	273,705	517,180	13,318	15,623	-	-
Derivative liabilities	40,858	-	40,858	-	-	-	-	-	-
Current income tax	14,818	-	9,379	2,329	217	8	113	2,582	190
Deferred income tax liabilities	-	-	-	-	-	-	-	-	-
Other liabilities	786,443	(87,299)	657,573	97,316	109,324	6,558	1,503	1,335	133
On-lending facilities	389,567	-	389,567	-	-	-	-	-	-
Borrowings	412,788	(43,694)	456,482	-	-	-	-	-	-
Debt securities issued	41,664	-	41,664	-	-	-	-	-	-
Equity and reserves	988,978	(34,634)	802,008	85,676	103,149	4,876	5,063	21,194	1,646
	7,580,114	**(166,577)**	**6,483,653**	**459,026**	**729,870**	**24,760**	**22,302**	**25,111**	**1,969**
Condensed statement of cash flow									
Net cash (used in)/from operating activities	72,952	(28,127)	17,058	35,868	42,765	(2)	3,306	2,084	85
Net cash (used in)/from financing activities	8,362	29,689	25,380	(42,613)	-	-	(94)	(4,000)	-
Net cash (used in)/from investing activities	(12,669)	27,898	(7,865)	(8,906)	(24,698)	1	(1,469)	2,370	(1,309)
Increase / (decrease) in cash and cash equivalents	**68,645**	**29,460**	**34,573**	**(15,651)**	**18,067**	**(1)**	**1,743**	**454**	**(1,224)**
Cash and cash equivalents									
At start of year	947,038	510,053	388,853	16,019	27,300	789	3,175	849	1,378
Exchange rate movements on cash and cash equivalents	46,825	42,761	-	963	2,903	56	142	-	-
At end of year	1,062,508	582,274	423,426	1,331	48,270	844	5,060	1,303	154
Increase / (decrease) in cash and cash equivalents	**68,645**	**29,460**	**34,573**	**(15,651)**	**18,067**	**(1)**	**1,743**	**454**	**(1,224)**

22. Investment in subsidiaries (continued)

30 June, 2019	Zenith Group	Elimination entries	Zenith Bank Plc	Zenith Bank Ghana Limited	Zenith Bank UK Limited	Zenith Bank Sierra Leone Limited	Zenith Bank Gambia Limited	Zenith Pension Custodian Limited	Zenith Nominee Limited
Condensed statement of profit or loss									
Operating income	331,586	(4,952)	284,481	32,403	11,678	2,056	818	4,809	293
Operating expenses	(206,174)	952	(179,814)	(19,160)	(4,997)	(1,654)	(339)	(1,113)	(49)
Impairment charge for financial assets	(13,735)	-	(13,156)	(433)	(146)	-	-	-	-
Profit before tax	111,677	(4,000)	91,511	12,810	6,535	402	479	3,696	87
Taxation	(22,795)	-	(16,150)	(4,104)	(1,057)	(231)	(63)	(1,117)	(73)
Profit for the period	**88,882**	**(4,000)**	**75,361**	**8,706**	**5,478**	**171**	**416**	**2,579**	**171**

31 December, 2019	Zenith Group	Elimination entries	Zenith Bank Plc	Zenith Bank Ghana	Zenith Bank UK	Zenith Bank Sierra Leone	Zenith Bank Gambia	Zenith Pension Custodian	Zenith Nominee Limited
Condensed statement of financial position									
Assets									
Cash and balances with central banks	936,278	-	879,449	48,399	19	4,402	3,462	513	34
Treasury bills	991,393	-	822,449	145,923	-	12,319	9,032	-	1,670
Assets pledged as collateral	431,728	-	431,728	-	-	-	-	-	-
Due from other banks	707,103	(100,941)	482,070	73,141	239,816	2,568	2,315	8,089	45
Derivative asset held for risk management	92,722	-	92,722	-	-	-	-	-	-
Loans and advances	2,305,565	(1)	2,239,472	41,789	20,816	1,987	1,371	124	7
Investment securities	591,097	-	189,358	101,256	285,244	-	740	14,500	-
Investment in subsidiaries	-	(34,625)	34,625	-	-	-	-	-	-
Deferred tax asset	11,885	-	11,223	102	539	21	-	-	-
Other assets	77,395	(68,126)	71,412	4,160	67,946	338	301	1,316	48
Property and equipment	185,216	-	165,456	16,162	1,791	1,286	299	208	14
Intangible assets	16,497	-	15,109	285	654	81	80	241	47
	6,346,879	**(203,693)**	**5,435,073**	**431,217**	**616,825**	**23,002**	**17,600**	**24,991**	**1,865**

22. Investment in subsidiaries (continued)

31 December, 2019	Zenith Group	Elimination entries	Zenith Bank Plc	Zenith Bank Ghana Limited	Zenith Bank UK Limited	Zenith Bank Sierra Leone Limited	Zenith Bank Gambia Limited	Zenith Pension Custodian Limited	Zenith Nominee Limited
Liabilities & Equity									
Customer deposits	4,262,289	-	3,486,887	324,130	422,253	16,818	12,201	-	-
Derivative liabilities	14,762	-	14,762	-	-	-	-	-	-
Current income tax	9,711	-	6,627	(1,075)	1,528	67	124	2,292	148
Deferred income tax liabilities	25	-	-	-	-	-	6	17	2
Other liabilities	363,764	(161,045)	386,061	36,083	99,829	2,061	697	626	174
On-lending facilities	392,871	-	392,871	-	-	-	-	-	-
Borrowings	322,479	(7,299)	329,778	-	-	-	-	-	-
Debt securities issued	39,092	-	39,092	-	-	-	-	-	-
Equity and reserves	941,886	(34,628)	778,995	72,079	93,215	4,056	4,572	22,056	1,541
	6,346,879	**(202,972)**	**5,435,073**	**431,217**	**616,825**	**23,002**	**17,600**	**24,991**	**1,865**
Condensed cash flow									
Net cash from/(used in) operating activities	339,168	(80,187)	390,093	34,404	(6,114)	3	1	968	-
Net cash from/(used in) financing activities	(546,291)	57,631	(560,195)	(52,546)	12,819	-	-	(4,000)	-
Net cash from/(used in) investing activities	(61,525)	(4,346)	(51,960)	(8,403)	-	(2)	1	3,185	-
Increase/(Decrease) in cash and cash equivalents	**(268,648)**	**(26,902)**	**(222,062)**	**(26,545)**	**6,705**	**1**	**2**	**153**	**-**
Cash and cash equivalents									
At start of year	947,038	273,398	610,915	40,598	17,673	747	3,011	696	-
Exchange rate movements on cash and cash equivalents	(7,675)	(12,766)	-	1,966	2,922	41	162	-	-
At end of year	670,715	233,730	388,853	16,019	27,300	789	3,175	849	-
Increase/(Decrease) in cash and cash equivalents	**(268,648)**	**(26,902)**	**(222,062)**	**(26,545)**	**6,705**	**1**	**2**	**153**	**-**

22. Investment in subsidiaries (continued)

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

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

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

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

Zenith Bank (Sierra Leone) Limited provides corporate and retail banking services. It was incorporated in Sierra Leone on September 17, 2007 and granted an operating license by the Bank of Sierra Leone on September 10, 2008. It commenced banking operations on September 15, 2008.

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

Zenith Nominees Limited which is incorporated in Nigeria provides nominees, trustees, administrators and executorship services for non-pension assets. It was incorporated in Nigeria and commenced operation in 2017.

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

In millions of Naira

23. Deferred tax balances

(i) Deferred tax asset

	Group		Bank	
	30-Jun-20	**31-Dec-19**	**30-Jun-20**	**31-Dec-19**
Property and equipment	16,213	5,810	15,543	5,810
ECL allowance on not-credit impaired financial instruments	4,669	2,735	4,652	2,718
Tax loss carry forward	-	6,063	-	6,063
Other assets	591	591	-	-
Total deferred tax asset	**21,473**	**15,199**	**20,195**	**14,591**
Set-off of deferred tax liabilities pursuant to set-off provisions (see (ii) below)	(9,035)	(3,339)	(8,948)	(3,368)
Net deferred tax asset	**12,438**	**11,860**	**11,247**	**11,223**

Group

30 June, 2020

Movements in temporary differences during the year	**01-Jan-20**	**Recognised in profit or loss**	**30-Jun-20**
Asset			
Other assets	591	-	591
Property and equipment	5,810	10,403	16,213
ECL Allowance on not-credit impaired financial instruments	2,735	1,934	4,669
Tax loss carry forward	6,063	(6,063)	-
	15,199	6,274	21,473

31 December, 2019

Movements in temporary differences during the year	**01-Jan-19**	**Recognised in profit or loss**	**31-Dec-19**
Asset			
Other assets	-	591	591
Property and equipment	14,682	(8,872)	5,810
ECL Allowance on not-credit impaired financial instruments	4,832	(2,097)	2,735
Tax loss carry forward	1,926	4,137	6,063
Foreign exchange differences	108	(108)	-
	21,548	(6,349)	15,199

In millions of Naira

23. Deferred tax balances (continued)

Bank

30 June, 2020

Movements in temporary differences during the year	**01-Jan-20**	**Recognised in profit or loss**	**30-Jun-20**
Asset			
ECL Allowance on not-credit impaired financial instruments	2,718	1,934	4,652
Property and equipment	5,810	9,733	15,543
Tax loss carried forward	6,063	(6,063)	-
	14,591	**5,604**	**20,195**

31 December, 2019

Movements in temporary differences during the year:	**01-Jan-19**	**Recognised in profit or loss**	**31-Dec-19**
Asset			
ECL Allowance on not-credit impaired financial instruments	4,912	(2,194)	2,718
Property and equipment	14,683	(8,873)	5,810
Tax loss carried forward	1,926	4,137	6,063
	21,521	**(6,930)**	**14,591**

(ii) Deferred tax liability

	Group		**Bank**	
	30-Jun-20	**31-Dec-19**	**30-Jun-20**	**31-Dec-19**
Property and equipment	4,000	3,315	3,937	3,368
ECL allowance on not-credit impaired financial instruments	16	16	-	-
Foreign exchange difference	5,019	8	5,011	-
Total deferred tax asset	**9,035**	**3,339**	**8,948**	**3,368**

Group

30 June, 2020

Movements in temporary differences during the year	**01-Jan-20**	**Recognised in profit or loss**	**30-Jun-20**
Liabilities			
Property and equipment	3,368	632	4,000
Other assets	16	-	16
Foreign exchange difference	8	5,011	5,019
	3,392	5,643	9,035

In millions of Naira

23. Deferred tax balances (continued)

31 December, 2019 Movements in temporary differences during the year	01-Jan-19	Recognised in profit or loss	31 December, 2019
Liabilities			
Property and equipment	12,084	(8,769)	3,315
Impairment allowance on not-credit impaired financial instruments	16	-	16
Other assets	2	(2)	-
Foreign exchange difference	8	-	8
	12,110	(8,771)	3,339

Bank

30 June, 2020 Movements in temporary differences during the year	01-Jan-20	Recognised in profit or loss	30-Jun-20
Liability			
Property and equipment	3,368	569	3,937
Foreign exchange difference	-	5,011	5,011
	3,368	**5,580**	**8,948**

31 December, 2019 Movements in temporary differences during the year	01-Jan-19	Recognised in profit or loss	31-Dec-19
Liability			
Property and equipment	12,324	(8,956)	3,368

The Group and Bank deferred tax assets and deferred tax liabilities have been offset in the consolidated and separate financial statements.

The Bank's deferred tax asset which principally arise from allowable loss, un-utilized capital allowance and ECL allowance on not credit-impaired financial instruments is N31.70 billion as at 30 June, 2020. (31 December, 2019: N60.2 billion). Based on projected future taxable profits, expected growth of unutilised capital allowance and impairment allowance on not-credit impaired financial instruments, the Bank has restricted the deferred tax asset recognised as at 30 June, 2020 to N20.19 billion. Thus the Bank has not recognised deferred tax asset of N11.51 billion in these financial statements. The amount of deductible temporary differences for which no deferred tax asset is recognised is detailed below:

The Bank will continue to assess the recoverability of its deferred tax assets, and to ensure that only amount considered recoverable are recognised in the books and presented in the statement of financial position.

All deferred tax are non current.

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

24. Other assets

Non financial assets				
Prepayments	33,903	13,457	30,066	9,983
Other non-financial assets	364	359	362	359
Gross other non-financial assets	34,267	13,814	30,428	10,342
less impairment (see note (i) below)	(226)	(183)	(226)	(183)
Net other non-financial assets	34,041	13,631	30,202	10,159
Other financial assets				
Electronic card related receivables	83,570	42,019	76,205	38,555
Intercompany receivables	-	-	315	210
Deposit for investment in AGSMEIS	30,996	22,096	30,996	22,096
Receivables	3,327	426	3,314	392
Deposits for shares	-	-	720	720
Gross other financial assets	117,893	64,541	111,550	61,973
Less: ECL Allowance(see note 3.2.17)	(1,916)	(777)	(1,834)	(720)
Net other financial assets	115,977	63,764	109,716	61,253
Total other assets (Net)	**150,018**	**77,395**	**139,918**	**71,412**

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

Other Non-financial assets comprises of Witholding tax receivables, revenue collection over-remittance, sundry receivables. These assets are short tenured and are quickly settled.

Classified as:

Current	119,022	53,071	108,922	46,368
Non-current	30,996	24,324	30,996	25,044
	150,018	**77,395**	**139,918**	**71,412**

See note 3.2.17 for movement in impairment allowance for other financial assets as at 30 June, 2020.

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

24. Other assets (continued)

(i) Movement in impairment allowance for non financial assets

At start of the year	183	560	183	560
Charge for the year (see note 8)	43	(377)	43	(377)
At end of the year	**226**	**183**	**226**	**183**

(ii) Provision matrix
Loss allowance for the Bank as at 30 June, 2020 and 31 December, 2019 was determined as follows for other financial assets.

30 June, 2020	0-30 days	31-60 days	61-90 days	91-180 days	Total
Receivables	111,150	-	-	-	111,150
Expected loss rate	1.65 %	10.95 %	24.35 %	100.00 %	-
ECL	**1,834**	**-**	**-**	**-**	**1,834**

31 December, 2019	0-30 days	31-60 days	61-180 days	181-365 days	Total
Receivables	48,000	-	-	-	48,000
Expected loss rate	1.50 %	10.95 %	24.35 %	100.00 %	-
ECL	**720**	**-**	**-**	**-**	**720**

25. Property and equipment

(a) Property and equipment movement

Group

30 June, 2020

	Land	Buildings	Leasehold improvements	Furniture, fittings and equipment	Computer equipment	Right of use asset - Aircraft	Motor Vehicles	Right of use assets - buildings	Work in progress	Total
Cost										
At 1 January, 2020	34,668	60,740	25,016	94,296	37,098	12,600	23,387	18,138	17,201	323,144
Additions	1,098	892	311	2,591	805	-	2,330	3,017	2,938	13,982
Reclassification/transfer from WIP	-	932	347	344	17	-	47	-	(1,740)	(53)
Reclassifications	-	(1)	(49)	47	3	-	-	-	-	-
Disposals	-	-	(7)	(846)	(9)	-	(358)	-	-	(1,220)
Exchange difference	-	171	240	189	132	-	104	144	320	1,300
At 30 June, 2020	**35,766**	**62,734**	**25,858**	**96,621**	**38,046**	**12,600**	**25,510**	**21,299**	**18,719**	**337,153**

	Land	Buildings	Leasehold improvements	Furniture, fittings and equipment	Computer equipment	Right of use asset - Aircraft	Motor Vehicle	Right of use assets - buildings	Work in progress	Total
Accumulated Depreciation										
At 1 January 2020	-	7,646	18,740	60,898	29,253	2,730	17,212	1,449	-	137,928
Charge for the period	-	610	1,195	5,419	2,187	630	1,683	747	-	12,471
Reclassifications	-	38	(45)	5	2	-	-	-	-	-
Disposals	-	-	(2)	(397)	(9)	-	(191)	-	-	(599)
Exchange difference	-	21	178	128	117	-	67	15	-	526
At 30 June, 2020	**-**	**8,315**	**20,066**	**66,053**	**31,550**	**3,360**	**18,771**	**2,211**	**-**	**150,326**
Net book amount										
At 30 June, 2020	35,766	54,419	5,792	30,568	6,496	9,240	6,739	19,088	18,719	186,827

Expenses relating to short term lease and low value lease assets can be seen in note 12 as lease expense.

There were no impairment losses on any class of property and equipment during the year (31 December, 2019: Nil)

There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (31 December, 2019: Nil).

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

For accounting policy and judgements on right of use see note 2.14.

The Group has no leases that are yet to commence.

Group

31 December, 2019

	Land	Buildings	Leasehold improvements	Furniture, fittings and equipment	Computer equipment	Right of use asset - Aircraft	Motor Vehicles	Right of use assets - buildings	Work in progress	Total
Cost										
At 1 January, 2019	29,055	53,981	21,334	79,389	29,760	12,600	20,925	-	21,589	268,633
Additions	3,266	4,722	3,503	13,258	8,202	-	3,744	18,138	7,500	62,333
Reclassification/transfer from WIP	2,347	4,513	501	2,978	187	-	94	-	(10,620)	-
Reclassifications	-	(672)	373	434	(117)	-	(18)	-	-	-
Disposals	-	(400)	(503)	(1,418)	(631)	-	(1,130)	-	(1,081)	(5,163)
Exchange difference	-	(1,404)	(192)	(345)	(303)	-	(228)	-	(187)	(2,659)
At 31 December, 2019	**34,668**	**60,740**	**25,016**	**94,296**	**37,098**	**12,600**	**23,387**	**18,138**	**17,201**	**323,144**

	Land	Buildings	Leasehold improvements	Furniture, fittings and equipment	Computer equipment	Right of use asset - Aircraft	Motor Vehicle	Right of use assets - buildings	Work in progress	Total
Accumulated Depreciation										
At the start of the year	-	6,527	16,871	51,904	27,420	1,470	15,304	-	-	119,496
Charge for the year	-	1,350	2,302	10,081	2,208	1,260	2,786	1,449	-	21,436
Reclassifications	-	58	(65)	15	(2)	-	(6)	-	-	-
Disposals	-	(246)	(260)	(940)	(153)	-	(735)	-	-	(2,334)
Exchange difference	-	(43)	(108)	(162)	(220)	-	(137)	-	-	(670)
At 31 December, 2019	**-**	**7,646**	**18,740**	**60,898**	**29,253**	**2,730**	**17,212**	**1,449**	**-**	**137,928**
Net book amount										
At 31 December, 2019	34,668	53,094	6,276	33,398	7,845	9,870	6,175	16,689	17,201	185,216

Bank
30 June, 2020

	Land	Buildings	Leasehold improvements	Furniture, fittings and equipment	Computer Equipment	Right of use asset - Aircraft	Motor Vehicle	Right of use assets - buildings	Work in progress (WIP)	Total
Cost										
At 1 January 2020	34,668	51,667	20,033	90,399	34,410	12,600	21,191	11,650	16,691	293,309
Additions	1,098	892	275	2,495	314	-	2,151	2,459	2,716	12,400
Reclassification/transfer from WIP	-	932	315	319	17	-	46	-	(1,629)	-
Reclassifications	-	(1)	(49)	47	3	-	-	-	-	-
Disposals	-	-	(7)	(435)	(9)	-	(339)	-	-	(790)
At 30 June, 2020	**35,766**	**53,490**	**20,567**	**92,825**	**34,735**	**12,600**	**23,049**	**14,109**	**17,778**	**304,919**

	Land	Buildings	Leasehold improvements	Furniture, fittings and equipment	Computer equipment	Right of use asset - Aircraft	Motor vehicle	Right of use assets - buildings	Work in progress (WIP)	Total
Accumulated Depreciation										
At 1 January, 2020	-	7,187	15,911	58,128	26,907	2,730	15,802	1,188	-	127,853
Charge for the period	-	515	914	5,549	1,599	630	1,476	619	-	11,302
Reclassifications	-	38	(45)	5	2	-	-	-	-	-
Disposals	-	-	(2)	(394)	(9)	-	(181)	-	-	(586)
At 30 June, 2020	**-**	**7,740**	**16,778**	**63,288**	**28,499**	**3,360**	**17,097**	**1,807**	**-**	**138,569**
Net book amount										
At 30 June, 2020	**35,766**	**45,750**	**3,789**	**29,537**	**6,236**	**9,240**	**5,952**	**12,302**	**17,778**	**166,350**

Expenses relating to short term lease and low value lease assets can be seen in note 12 as lease expense.

There were no impairment losses on any class of property and equipment during the year (31 December, 2019 :Nil)

There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (31 December, 2019:Nil).

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

For accounting policy and judgements on right of use see note 2.14.

The Bank has no leases that are yet to commence.

Bank
31 December, 2019

	Land	Buildings	Leasehold improvements	Furniture, fittings and equipment	Computer Equipment	Right of use asset - Aircraft	Motor Vehicle	Right of use assets - buildings	Work in progress (WIP)	Total
Cost										
At 1 January, 2019	29,055	43,501	17,918	75,434	26,883	12,600	18,848	-	20,163	244,402
Additions	3,266	3,790	1,629	12,808	7,407	-	3,169	11,650	7,182	50,901
Reclassification/transfer from WIP	2,347	4,513	501	2,978	187	-	94	-	(10,620)	-
Reclassifications	-	(116)	7	124	3	-	(18)	-	-	-
Disposals	-	(21)	(22)	(945)	(70)	-	(902)	-	-	(1,960)
Write off against cost	-	-	-	-	-	-	-	-	(34)	(34)
At 31 December, 2019	**34,668**	**51,667**	**20,033**	**90,399**	**34,410**	**12,600**	**21,191**	**11,650**	**16,691**	**293,309**

	Land	Buildings	Leasehold improvements	Furniture, fittings and equipment	Computer equipment	Right of use asset - Aircraft	Motor vehicle	Right of use assets - buildings	Work in progress (WIP)	Total
Accumulated Depreciation										
At 1 January, 2019	-	6,207	14,355	49,258	25,329	1,470	13,929	-	-	110,548
Charge for the year	-	926	1,641	9,689	1,648	1,260	2,535	1,188	-	18,887
Reclassifications	-	58	(65)	15	(2)	-	(6)	-	-	-
Disposals	-	(4)	(20)	(834)	(68)	-	(656)	-	-	(1,582)
At 31 December, 2019	**-**	**7,187**	**15,911**	**58,128**	**26,907**	**2,730**	**15,802**	**1,188**	**-**	**127,853**
Net book amount										
At 31 December, 2019	**34,668**	**44,480**	**4,122**	**32,271**	**7,503**	**9,870**	**5,389**	**10,462**	**16,691**	**165,456**

(b) Right of use amounts recognised in the statement of financial postion

In millions of Naira	30-Jun-20	31-Dec-19	30-Jun-20	31-Dec-19
Right-of-use assets				
Aircraft (see note 25)	9,240	9,870	9,240	9,870
Buildings (see note 25)	19,088	16,689	12,302	10,462
	28,328	**26,559**	**21,542**	**20,332**

Additions to the right-of-use asset for Group and Bank during the period 30 June, 2020 was N3,017 million and N2,459 million respectively (31 December, 2019: N18,138 million and N11,650 million respectively).

In millions of Naira	30-Jun-20	31-Dec-19	30-Jun-20	31-Dec-19
Lease liabilities				
Current (see note 28)	5,131	6,534	3,770	4,539
Non-current (see note 28)	18,820	15,660	13,826	11,758
	23,951	**22,194**	**17,596**	**16,297**

(c) Amounts recognised in the income statement

In millions of Naira	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
Depreciation charge of right-of-use asset				
Aircraft (see note 25)	630	1,260	630	1,260
Buildings (see note 25)	747	1,449	619	1,188
	1,377	2,709	1,249	2,448
Interest expense (included in interest expense)	1,409	3,494	1,200	3,079
Expenses relating to short term leases (included in operating expense)	329	723	56	371

The total cash outflow of leases for Group and bank as at 30 June, 2020 was N920 million and N920 million respectively (30 June, 2019: N920 million and N920 million respectively)

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

26. Intangible assets

Computer software

Cost				
At start of the period	32,472	28,905	27,381	24,876
Exchange difference	307	867	-	-
Reclassification from PPE	53	-	-	-
WIP (Additions)	580	582	580	966
Additions	311	2,118	272	1,539
At end of the period	**33,670**	**32,472**	**28,233**	**27,381**
Accumulated amortization				
At start of the period	15,975	12,227	12,272	9,477
Exchange difference	193	670	-	-
Charge for the period	1,778	3,078	1,409	2,795
At the end of the period	**17,946**	**15,975**	**13,681**	**12,272**
Carrying amount at end of the period	**15,724**	**16,497**	**14,552**	**15,109**

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

The Group does not have internally generated intangible assets.

27. Customers' deposits

Demand	2,398,923	1,985,020	1,765,773	1,422,508
Savings	938,853	614,297	905,142	588,454
Term	490,874	495,714	376,137	379,627
Domiciliary	1,076,348	1,167,258	1,039,070	1,096,298
	4,904,998	**4,262,289**	**4,086,122**	**3,486,887**
Classified as:				
Current	4,904,998	4,262,289	4,086,122	3,486,887

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

28. Other liabilities

Other financial liabilities				
Customer deposits for letters of credit	4,882	22,315	30,529	46,354
Settlement payables	15,748	99,225	15,504	99,269
Managers' cheques	18,164	13,777	17,254	13,095
Due to banks for clean letters of credit	-	20,259	-	63,309
Sales and other collections	505,056	80,243	505,050	80,243
Unclaimed dividend	16,907	25,588	16,907	25,588
Lease liability (see note (c) below)	23,951	22,194	17,596	16,297
AMCON payable	7,634	7,634	7,634	7,634
Electronic card related payables	6,322	13,065	6,167	12,951
Customers' foreign transactions payables	70,762	16,088	6,467	6,007
Off Balance Sheet ECL allowance (see note (a) below)	7,004	5,538	7,004	5,538
Other payables	105,714	31,194	23,492	3,431
Total other financial liabilities	782,144	357,120	653,604	379,716
Non financial liabilities				
Tax collections	2,584	2,018	2,308	1,832
Deferred income on financial guarantee contracts (see note (b) below)	1,715	4,626	1,661	4,513
Total other non financial liabilities	4,299	33,212	3,969	5,263
Total other liabilities	**786,443**	**390,332**	**657,573**	**384,979**

Classified as:

Current	786,443	340,557	657,573	363,990
Non-current	-	23,207	-	22,071
	786,443	**363,764**	**657,573**	**386,061**

(a) ECL allowance for off balance sheet exposure

In millions of Naira				
Bonds and guarantee contracts	4,687	923	4,687	923
Undrawn portion of loan commitments	1,044	410	1,044	410
Letters of credit	1,273	4,205	1,273	4,205
	7,004	**5,538**	**7,004**	**5,538**

See note 3.2.17 for movement in ECL allowance for off balance sheet exposure.

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

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

28. Other liabilities (continued)

(c) Lease liability

This relates to an Aircraft and lease rental for properties used by the Group. The net carrying amount of leased assets, included within property and equipment is N26.59 billion (Bank: N20.33 billion) as at 30 June, 2020. (31 December, 2019: N11.13 billion, for both Group and Bank).

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

Not more than one year	5,568	7,394	4,092	5,072
Over one year but less than five years	20,848	20,592	15,316	15,807
More than five years	24,165	16,126	17,753	11,996
Less future finance charge	(26,630)	(21,918)	(19,565)	(16,578)
At end of the year	**23,951**	**22,194**	**17,596**	**16,297**

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

Not more than one year	5,131	6,534	3,770	4,539
Between one and five years	12,749	10,232	9,366	7,703
More than five years	6,071	5,428	4,460	4,055
At end of the year	**23,951**	**22,194**	**17,596**	**16,297**

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

29. On-lending facilities

(a) This comprises:				
Central Bank of Nigeria (CBN) Commercial Agriculture Credit Scheme Loan (i)	44,587	40,666	44,587	40,666
Bank of Industry (BOI) Intervention Loan (ii)	37,600	39,827	37,600	39,827
Central Bank of Nigeria (CBN) / Bank of Industry(BOI) - Power & Aviation intervention Funds (iii)	7,663	14,590	7,663	14,590
CBN MSMEDF Deposit (iv)	1,130	1,353	1,130	1,353
FGN SBS Intervention Fund (v)	134,603	135,869	134,603	135,869
Excess Crude Loan Facilty Deposit (vi)	81,562	83,302	81,562	83,302
Real Sector Support Facility (vii)	43,013	43,689	43,013	43,689
Non-Oil Export Stimulation Facility (viii)	23,758	21,139	23,758	21,139
Paddy Aggregation Scheme (Phase 2) Funds (ix)	2,496	2,500	2,496	2,500
Creative Industry Financing Initiative (x)	310	74	310	74
Maize Aggregation Scheme (xi)	4,009	4,006	4,009	4,006
Accelerated Agricultural Development Scheme (xii)	8,836	5,856	8,836	5,856
	389,567	**392,871**	**389,567**	**392,871**

Classified as:				
Current	12,675	15,752	12,675	15,752
Non-current	376,892	377,119	376,892	377,119
	389,567	**392,871**	**389,567**	**392,871**

	Group		Bank	
In millions of Naira	30-Jun-20	31-Dec-19	30-Jun-20	31-Dec-19
(b) Movement in on-lending facilities				
At beginning of the period/year	392,871	393,295	392,871	393,295
Principal addition during the period/year	17,376	135,681	17,376	135,681
Principal repayment during the period/year	(21,505)	(136,105)	(21,505)	(136,105)
Interest expense during the period	2,406	-	2,406	-
Interst paid during the period	(1,581)	-	(1,581)	-
At end of the period/year	**389,567**	**392,871**	**389,567**	**392,871**

(i) The fund received under the Central Bank of Nigeria (CBN) Commercial Agriculture Credit Scheme represents a credit line granted to the Bank for the purpose of providing concessionary funding to the agricultural sector. The facility has a tenor of 16 years with effect from 2009 and will expire in September 2025. The facility attracts an interest rate of 2% per annum and the Bank is under obligation to on-lend to customers at an all-in interest rate of not more than 9% per annum. Based on the structure of the facility, the Bank assumes the default risk of all amounts lent to the Bank's customers. This facility is not secured.

(ii) The Central Bank of Nigeria (CBN) / Bank of Industry (B0I) - SME / Manufacturing Intervention Fund represents an intervention credit granted to the Bank for the purpose of refinancing / restructuring existing loans to Small and Medium Scale Enterprises (SMEs) and Manufacturing Companies. The total facility is secured by Nigerian Government Securities. The value of Government securities pledged as collateral is N50.63 billion (31 December 2018). The maximum tenor for term loans under the programme is 15 years while the tenor for working capital is one year, renewable annually subject to a maximum tenor of five years. Bank is under obligation to on-lend to customers at an all-In interest rate of 7% per annum. The Bank is the primary obligor to CBN / BOI and assumes the risk of default.

(iii) The purpose of granting new loans and refinancing / restructuring existing loans to companies in the power and aviation industries is to support Federal Government's focus on the sectors. The facility is secured by Irrevocable Standing Payment Order (ISPO). The maximum tenor for term loans under the programme is 15 years while the tenor for working capital is one year, with option to renew the facility annually subject to a maximum tenor of five years. The facility attracts an interest rate of 2% per annum payable quarterly in arrears and the Bank is under obligation to on-lend to customers at an all-in interest rate of 9% per annum. This facility is not secured.

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

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

(vi) Excess Crude Account (ECA) facilities are loans of N10 billion to each State with a tenor of 10-years priced at 9% per annum interest rate to the beneficiaries. Repayments are deducted at source, by the Accountant General of the Federation, as a first line charge against each beneficiary state’s monthly statutory allocation. This facility is not secured. The fund is disbursed to the bank at 2% interest rate.

(vii) The Real Sector Support Facility (RSSF): The Central Bank of Nigeria, as part of the efforts to unlock the potential of the real sector to engender output growth, productivity and job creation has established a N300 billion Real Sector Support Facility (RSSF). The facility is disbursed to large enterprises and startups with financing needs of N500 million up to a maximum of N10.0 billion. The activities targeted by the Facility are manufacturing, agricultural value chain and selected service subsectors. The funds are received from the CBN at 2%, and disbursed at 9% to the beneficiary.

(viii) Non-oil Export Stimulation Facility (NESF): This Facility was established by the Central Bank of Nigeria to diversify the economy away from the oil sector, after the fall in crude prices. The Central Bank invested N500billion debenture, issued by Nigerian Export-Import Bank (NEXIM). The facility disbursed per customer shall not exceed 70% of total cost of project, or subject to a maximum of N5billion. Funds disbursed to the Bank from CBN are at a cost of 2% which are then disbursed to qualifying customers at the rate of 9% per annum.

(ix) Paddy Aggregation Scheme (PAS) was established by the Central Bank of Nigeria to provide funding to millers for the purchase of home grown rice paddy. Loans are disbursed to the Bank at 3% for on lending to beneficiaries at 9% per annum for up to 24 months.

(x) Creative Industry Financing Initiative (CIFI) is a scheme established by the Central Bank of Nigeria to provide long term and low interest funding to players in the creative industry. Areas of interest include Information Technology, Fashion, Movie Production/Distribution and Music. Loans are disbursed to beneficiaries for up to 10 years at 9% per annum.The fund is disbursed to the bank at 5% interest rate.

(xi) Maize Aggregation Scheme (MAS) was established by the Central Bank of Nigeria to provide funding to processors for the purchase of home grown maize. Loans of up to N2billion are disbursed to the Bank at 3% for on lending to beneficiaries at 9% per annum for 12 months.

(xii) Accelerated Agricultural Development Scheme (AADS) was established by the Central Bank of Nigeria to help states develop at least 2 crops/agricultural commodities in which they have comparative advantage. The fund is disbursed to the Bank at 2% per annum. Each state is allowed a facility of N1.5billion at 9% per annum and repayments are made via ISPO deductions.

Due to the COVID 19 pandemic, all on-lending facilities disbursed to the bank are now priced at 1% p.a. (except forPAS and MAS which are priced at 2% p.a.) effective March 01, 2020 until February 28, 2021. The Bank on-lends tocustomers at 5% p.a.

30. Borrowings

	Group		Bank	
Figures in of Naira	30-Jun-20	31-Dec-19	30-Jun-20	31-Dec-19
Long term borrowing comprise:				
Due to ADB (i)	12,375	17,681	12,375	17,681
Due to KEXIM (ii)	6,645	22,877	6,645	22,877
Due to PROPARCO (iii)	3,573	5,884	3,573	5,884
Societe Generale Bank	-	55,433	-	55,433
Due to AFC (iv)	62,788	-	62,788	-
Due to ABSA Bank (v)	106,562	82,352	106,562	82,352
Due to J P Morgan Chase Bank (vi)	38,912	36,534	38,912	36,534
Due to Standard Bank South Africa (vii)	29,259	27,635	29,259	27,635
Due to IFC (viii)	16,184	18,813	16,184	18,813
Due to Goldman Sachs	-	36,950	-	36,950
Due to Mashreq Bank	-	18,320	-	18,320
Due to Zenith Bank Ghana (ix)	-	-	5,813	7,299
Due to banks for clean letters of credit (x)	136,490	-	174,371	-
	412,788	**322,479**	**456,482**	**329,778**

The Group has not defaulted in the payment of principal or interest neither has the Group been in breach of any covenant relating to the liabilities during the period (31 December, 2019: nil). The assets exchanged under repurchase agreements with counterparties are disclosed in note 17.

Classified as:				
Current	268,968	280,934	274,781	280,934
Non-current	143,820	41,545	181,701	48,844
	412,788	**322,479**	**456,482**	**329,778**

	Group		Bank	
In millions of Naira	30-Jun-20	31-Dec-19	30-Jun-20	31-Dec-19
Movement in borrowings				
At beginning of the year	322,479	437,260	329,778	458,463
Addition during the year	100,555	177,072	100,555	223,779
Interest expense	8,275	21,286	8,586	28,585
Interest paid	(8,665)	(16,543)	(10,033)	(19,288)
Repayments (principal)	(165,850)	(296,596)	(166,713)	(361,761)
Reclassification	136,490	-	174,371	-
Foreign exchange	19,504	-	19,938	-
At end of the year	**412,788**	**322,479**	**456,482**	**329,778**

The amount due to African Development Bank (ADB) of N12.38 billion (US $32.01 million) represents the outstanding balance from a dollar term loan facility to the tune of US $125 million granted by ADB on September 2014. The facility is repayable over 6.5 years. Interest is payable half-yearly at the rate of 6 months LIBOR + 3.6% per annum. The outstanding balance of N12.38 billion (US $32.01 million) will mature in February 2021.

(ii) Due to KEXIM

The amount of N6.65 billion (US $17.19 million) represents the outstanding balance from six(6) short term loan facilities of US $1.03million, US $0.84million, US $3million, US $2.8million, US $4.8million, and US $4.81million granted by The Export-Import Bank of Korea (KEXIM) in July 2019, August 2019, September 2019, October 2019, November 2019, and December 2019 respectively. Interest is payable monthly at 3 month LIBOR+1.6% for all running obligations.

Final repayments on these facilities are due in August 2020, September 2020, October 2020, November 2020, and December 2020 respectively.

(iii) Due to Proparco

The amount due to Proparco of N3.52 billion (US $9.09 million) represents the outstanding from a dollar term loan facility to the tune of $50m granted by Promotion et Participation pour la Coopération économique (PROPARCO) in December 2013. The facilities are priced at 6 months Libor+3.71% per annum and will mature in April 2021. Interest on the facility is payable semi-annually.

(iv) Due to AFC

The amount of N62.78 billion (US $162 million) represents the placement amount by the Africa Finance Corporation, placed in March 2020 at a fixed rate of 4.75%. Interest is payable at maturity and the placement will mature in December 2020.

(v) Due to ABSA

The amount of N106.56 billion (US $275 million) represents the amount payable by the Bank on dollar repurchase facilities of US$100 million,US$100 million, and US$75 million granted by ABSA in September 2019, June 2020, and November 2019 respectively. Interest is payable quarterly and are priced at 3 months Libor+2.8%, 3 Months Libor +3.2% and 3 months Libor+2.5%, per annum respectively. The facilities will mature in September 2020, June 2021, and August 2020 respectively.

(vi) Due to JP Morgan

The amount of N38.9billion (US $100.00 million) represents the outstanding balance on two short-term dollar facilities of US $40 million and US $60 million granted to the Bank in September 2019 and October 2019 respectively by JP Morgan. Interest is payable quarterly at the rate of LIBOR plus 2.1% and the facility will mature in September 2020 and October 2020 respectively.

(vii) Due to Standard Bank South Africa

The amount of N29.26 billion ($75 million) represents the outstanding balance on a dollar short-term facilities of US $75 million granted by Standard Bank of South Africa in July 2018. The facility is priced at 3 months LIBOR plus 2.78%. The facility has a maturity date in October 2020.

(viii) Due to IFC

The amount of N16.18billion (US $41.83 million) represents the amount payable by the Bank from a term loan facility of US$100million, with a 1.5 year moratorium, granted by International Finance Corporation (IFC) in June 2015. Interest is payable semi annually at 6 months LIBOR plus 4.5% per annum and the facility will mature in September 2022.

(ix) Due to Zenith Bank Ghana

The amount of N5.81billion ($15.0 million) represents the outstanding balance on a dollar short-term facility of US $30 million granted to Zenith Bank Ghana in 2018. The facility is priced at 6.75% per annum and is due to mature in December 2021. The facility has been eliminated on consolidation.

(x) The amount represents clean line obtained from various international banks for letters of credit.

31. Debt securities issued

	Group		Bank	
	30-Jun-20	**31-Dec-19**	**30-Jun-20**	**31-Dec-19**
Due to Euro bond holders	41,664	39,092	41,664	39,092
	41,664	**39,092**	**41,664**	**39,092**

The amount of N41.66 billion ($107 million) represents the outstanding balance due on the second tranche of US $500 million Eurobond notes issued by Zenith Bank Plc in May 2017 with a maturity date of May 2022. Interest is priced at 7.375%, payable semiannually with a bullet repayment of the principal sum at maturity. The total amount is non-current. The First Tranche of Eurobond was issued in April 2014, and priced at 6.25%, it was fully repaid on 17th April 2019.

In September 2019, the Bank repurchased US 392 million out of the outstanding US $500 million Eurobond notes for cash, pursuant to its tender offer.

The Group has not had any defaults of principal, interest or other breaches with respect to the debt securities during the year (December 31, 2019: Nil).

Movement in debt securities issued

	Group		Bank	
	30-Jun-20	**31-Dec-19**	**30-Jun-20**	**31-Dec-19**
At start of the year	39,092	361,177	39,092	361,177
Revaluation loss for the period/year	2,364	5,949	2,364	5,949
Interest expense	1,720	16,674	1,720	16,674
Interest paid	(1,512)	(4,350)	(1,512)	(4,350)
Repurchase during the year	-	(142,151)	-	(142,151)
Contractual repayment	-	(198,207)	-	(198,207)
At end of the year	**41,664**	**82,861**	**85,615**	**82,861**
Classified as:				
Current	403	-	403	-
Non-current	41,261	39,092	41,261	39,092
	41,664	**39,092**	**41,664**	**39,092**

In millions of Naira	Group 30-Jun-20	Group 31-Dec-19	Bank 30-Jun-20	Bank 31-Dec-19
32. Derivative liabilities				
Fair value:				
Forward and swap contracts	10,096	13,622	10,096	13,622
Futures contracts	30,762	1,140	30,762	1,140
	40,858	**14,762**	**40,858**	**14,762**
Notional amount:				
Forward and swap contracts	157,616	208,263	157,616	208,263
Futures contracts	438,790	277,716	438,790	277,716
	596,406	**485,979**	**596,406**	**485,979**
Classified as:				
Current	40,774	14,762	40,774	14,762
Non-current	-	-	-	-
	40,774	**14,762**	**40,774**	**14,762**

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

During the period, various forward contracts entered into by the Bank generated net loss of N13.57 billion (30 June, 2019 net loss of N13.83 billion) which were recognized in the statement of profit or loss and other comprehensive income. These net loss/gains related to the fair values of the forward contracts, producing derivative assets and liabilities of N100.93 and N40.86 billion respectively (31 December, 2019 N92.72 and N14.76 billion respectively).

33. Share capital

In millions of Naira	Group 30-Jun-20	Group 31-Dec-19	Bank 30-Jun-20	Bank 31-Dec-19
Authorised				
40,000,000,000 ordinary shares of 50k each (31 Dec 2019: 40,000,000,000)	20,000	20,000	20,000	20,000
Issued and fully paid				
31,396,493,786 ordinary shares of 50k each (31 Dec 2019: 31,396,493,786)	15,698	15,698	15,698	15,698
Issued				
Ordinary	15,698	15,698	15,698	15,698
Share premium	255,047	255,047	255,047	255,047

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

34. Share premium, retained earnings and other reserves

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

	30-Jun-20	31-Dec-19	30-Jun-20	31-Dec-19
Share premium	255,047	255,047	255,047	255,047

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

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

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

(d) Statutory reserve: This reserve represents the cumulative appropriation from general reserves/earnings in line with Nigerian banking regulations that require the Bank to make an annual appropriation in reference to specific rules. Section 16(1) of the Bank and Other Financial Institutions Act of 1991 (amended), stipulates that an appropriation of 30% of profit after tax be made if the statutory reserve is less than the paid-up share capital and 15% of profit after tax if the statutory reserve is greater than the paid-up share capital. In the current year, a total of N13.56 billion (31 December, 2019: N27.05 billion) representing 15% of Zenith Bank's profit after tax was appropriated.

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

The SMIEIS reserve was maintained in compliance with the Central Bank of Nigeria's requirement that all licensed banks set aside a portion of the profit after tax in a fund to be used to finance equity investments in qualifying small and medium scale enterprises. Under the terms of the guideline issued in July 2006, the contributions were 10% of profit after tax and were expected to continue after the first 5 years after which banks’ contributions were to reduce to 5% of profit after tax.

The reserves are non-distributable.

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

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

(h) Regulatory reserve for credit risk: This reserve represents the cummulative difference between the loan loss provision determined per the Prudential Guidelines and the allowance/reserve for loan losses as determined in line with the principles of IFRS 9.

(i) Non-controlling interest: This is the component of shareholders equity as reported on the consolidated statement of financial position which represents the ownership interest of shareholders other than the parent of the subsidiary. See note 22(i) for the changes in non-controlling interest during the period.

Movement in Non-controlling interest

	30-Jun-20	31-Dec-19
At start of the year	754	1,538
Profit for the period	91	150
Foreign currency translation differences	16	(60)
Acquisition of NCI without change in control*	-	(874)
At financial year end	**861**	**754**

Notes to the Consolidated and Separate Financial Statements for the six months period ended 30 June, 2020

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

35. Pension contribution

In accordance with the provisions of the Pensions Reform Act 2014, the Bank and its subsidiaries commenced a contributory pension scheme in January 2005. For entities operating in Nigeria, the contribution by employees and the employing entities are 8% and 10% respectively of the employees' basic salary, housing and transport allowances. Entities operating outside Nigeria contribute in line with the relevant pension laws in their jurisdictions. The contribution by the Group and the Bank during the period were N1.89 billion and N1.35 billion respectively (30 June, 2019: N2.11 billion and N1.63 billion).

36. Personnel expenses

Compensation for the staff are as follows:

Salaries and wages	33,292	32,337	25,455	25,203
Other staff costs	3,691	4,274	2,986	3,779
Pension contribution	1,885	2,114	1,346	1,629
	38,868	**38,725**	**29,787**	**30,611**

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

	Number	Number	Number	Number
Executive directors	15	12	6	5
Management	455	433	389	381
Non-management	7,287	6,960	6,126	5,717
	7,757	**7,405**	**6,521**	**6,103**

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

	Number	Number	Number	Number
N300,001 - N2,000,000	1,903	1,467	1,647	1,069
N2,000,001 - N2,800,000	84	75	10	-
N2,800,001 - N4,000,000	394	475	331	414
N4,000,001 - N6,000,000	924	1,083	747	929
N6,000,001 - N8,000,000	1,339	1,382	1,174	1,189
N8,000,001 - N9,000,000	27	31	18	24
N9,000,001 - and above	3,086	2,892	2,594	2,478
	7,757	**7,405**	**6,521**	**6,103**

(b) Directors' emoluments

The remuneration paid to directors are as follows:

Executive compensation	405	1,325	286	1,194
Fees and sitting allowances	169	275	101	84
Retirement Benefit costs	7	-	7	-
	581	**1,600**	**394**	**1,278**

Fees and other emoluments disclosed above include amounts paid to:

The Chairman			13	13

In millions of Naira	Group 30-Jun-20	Group 30-Jun-17	Bank 30-Jun-20	Bank 30-Jun-17

36. Personnel expenses (continued)

The highest paid director			56	56

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	42	39	13	12

37. Group subsidiaries and related party transactions

Parent:

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

Subsidiaries:

Transactions between Zenith Bank Plc and its subsidiaries which are eliminated on consolidation are not separately disclosed in the consolidated financial statements. The Group's effective interests and investments in subsidiaries as at 30 June, 2020 are shown below.

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

Transactions and balances with subsidiaries In millions of naira	30 June, 2020 Receivable from	30 June, 2020 Payable to	30 June, 2020 Income received from	30 June, 2020 Expense paid to
Zenith Bank (UK) Limited	54,247	63,528	121	-
Zenith Bank (Ghana) Limited	26	5,813	-	311
Zenith Bank (Sierra leone) Limited	210	-	-	-
Zenith Bank (Gambia) Limited	800	-	-	-
Zenith Pensions Custodian Limited	-	950	4,000	-

Transactions and balances with subsidiaries In millions of naira	31 December 2019 Receivable from	31 December 2019 Payable to	30 June 2019 Income received from	30 June 2019 Expense paid to
Zenith Bank (UK) Limited	83,570	67,194	265	-
Zenith Bank (Ghana) Limited	-	7,301	-	-
Zenith Bank (Sierra leone) Limited	159	-	-	-
Zenith Bank (Gambia) Limited	53	-	-	-
Zenith Pensions Custodian Limited	-	-	4,000	-

In millions of Naira

Significant restrictions

The Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the supervisory frameworks within which banking subsidiaries operate. The supervisory frameworks require banking subsidiaries to keep certain levels of regulatory capital and liquid assets, limit their exposure to other parts of the Group and comply with other ratios. See notes 3.4, 3.6 and 4.4b for disclosures on liquidity, capital adequacy, and credit risk reserve requirements respectively. The carrying amounts of banking subsidiaries' assets and liabilities are N1,262 billion million and N1,039 billion respectively (31 December, 2019: N1,116 billion and N918 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, non-executive directors and other top management personnel, including their close members of family and any entity over which they exercise control. Close members of family are those family members who may be expected to influence, or be influenced by that individual in their dealings with the Group.

	Group		Bank	
Key management compensation	**30-Jun-20**	**30-Jun-19**	**30-Jun-20**	**30-Jun-19**
Short term benefits	599	795	388	392
Post employment benefits	7	917	7	903
Fees and sitting allowances	121	275	101	84
	727	**1,987**	**496**	**1,379**

Loans and advances	**30-Jun-20**	**31-Dec-19**	**30-Jun-20**	**31-Dec-19**
At start of the year	1,927	1,180	1,805	1,022
Granted during the period/year	100	1,173	-	1,173
Repayment during the period/year	(164)	(426)	(152)	(390)
At end of of the period/year	**1,863**	**1,927**	**1,653**	**1,805**
Interest earned	36	60	36	60

Loans to key management personnel include mortgage loans and other personal loans which are given under terms that are no more favourable than those given to other staff. Loans granted to key management are performing. Mortgage loans amounting to N1,652 million (31 December, 2019: N1,642 million) are secured by the underlying assets.

Expected credit loss amounts of N1.28 million have been recognisesd on loans to key management personnel.

Loans to key management personel were disbursed at an interest rate of 4-15% and maturities ranging from 3-10 years

30 June, 2020

Name of company	**Relationship/ Name**	**Loans**	**Deposits**	**Interest received**	**Interest paid**
Quantum Fund Management	Common significant shareholder / Jim Ovia	-	44	-	-
Directors deposits	-	1,652	1,326	30	9
Oviation limited	Former Director	-	952	-	-
		1,652	**2,322**	**30**	**9**

In millions of Naira

Name of company	Relationship	31 December 2019 Loans	Deposits	30 June 2019 Interest received	Interest paid
Cyberspace Network	Common significant shareholder / Jim Ovia	-	2	-	-
Quantum Fund Management	Common significant shareholder / Jim Ovia	-	85	-	-
Zenith General Insurance Company Limited	Common directorship/ Jim Ovia	-	1,146	-	-
Directors deposits		796	1,598	22	31
Oviation limited		-	1,578	-	-
Sirius Lumina Ltd	Director / Prof Sam Enwemeka	-	1	-	-
		796	**4,410**	**22**	**31**

Loans granted to related parties are secured over real estate and other assets of the respective borrowers. Loans granted to related parties are performing.

During the period, Zenith Bank Plc paid N817 million as insurance premium to Zenith General Insurance Limited (30 June 2019: N1.74 billion). These expenses were reported as operating expenses.

The amount of N5,258 billion (31 December, 2019: N5,175 billion) represents the full amount of the Group's guarantee for the assets held by its subsidiary, Zenith Pensions Custodian Limited under the latter's custodial business as required by the National Pensions Commission of Nigeria. Aside from the Guarantee on the asset held by our subsidiary Zenith Pension Custodian Limited, the Group does not have any contingent liabilities in respect of related parties.

The Bank entered into a lease contract in October 2017 with Oviation Limited. Oviation Limited has two common Directors with Zenith Bank. The finance lease agreement has Zenith Bank as lessee for a Gulfstream jet over a tenor of 10 years with annual lease payments of 2.76 billion Naira. The lease transaction was conducted at arm’s length and the lease liability as at year end 30 June, 2020 (Note 28c) was N11.11 billion (31 December, 2019 – N10.99 billion)

The Bank paid N855 million (30 June 2019 N1.37 billion) to Cyberspace Network for various Information technology services rendered during the year.

38. Contingent liabilities and commitments

(a) Legal proceedings

The Group is presently involved in 282 (31 December, 2019: 222) litigation suits in the ordinary course of business. The total amount claimed in the cases against the Group is estimated at N64 billion (31 December, 2019: N27 billion). The actions are being contested and the Directors are of the opinion that none of the aforementioned cases is likely to have a material adverse effect on the Group and are not aware of any other pending or threatened claims and litigations.

(b) Capital commitments

At the reporting date, the Group had capital commitments amounting to N8.1 billion (31 December, 2019: N5.5 billion) in respect of authorized and contracted capital projects.

In millions of Naira

38. Contingent liabilities and commitments (continued)

Break down of capital commitments	Group 30-Jun-20	Group 31-Dec-19
Motor vehicles, Furniture and equipments	1,597	285
Information tecnology	5,845	4,080
Property	674	1,128
	8,116	**5,493**

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

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

	Group		Bank	
	30-Jun-20	31-Dec-19	30-Jun-20	31-Dec-19
Performance bonds and guarantees (see note i below)	378,842	363,922	332,847	261,495
Usance (see note ii below)	133,087	79,318	117,485	79,318
Letters of credit (see note ii below)	363,665	545,174	235,116	413,656
	875,594	**988,414**	**685,448**	**754,469**
Pension Funds (See Note iii below)	5,258,389	5,174,795	5,258,389	5,174,795

(i) The transaction related performance bonds and guarantees are, generally, short-term commitments to third parties which are not directly dependent on the customer's creditworthiness. As at 30 June, 2020, performance bonds and guarantees worth N105 billion (31 December, 2019: N84 billion) are secured by cash while others are otherwise secured.

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

(iii) The amount of N5,258 billion (31 December, 2019: N5,175 billion) represents the full amount of the Group's guarantee for the assets held by its subsidiary, Zenith Pensions Custodian Limited and Zenith Nominees Limited under both companies custodial business as required by the National Pensions Commission of Nigeria.

39. Dividend per share

	30-Jun-20	31-Dec-19	30-Jun-20	31-Dec-19
Dividend proposed	9,419	87,910	9,419	87,910
Number of shares in issue and ranking for dividend	31,396	31,396	31,396	31,396
Proposed dividend per share (Naira)	0.30	2.80	0.30	2.8
Interim dividend paid (Naira)	-	0.30	-	0.30
Final dividend per share proposed	-	2.50	-	2.50
Dividend paid during the year	-	78,491	-	78,491
Interim dividend paid during the year	9,419	9,419	9,419	9,419
Total dividend paid during the year	9,419	87,910	9,419	87,910

In millions of Naira

39. Dividend per share (continued)

The Board of Directors, pursuant to the powers vested in it by the provisions of Section 379 of the Companies and Allied Matters Act of Nigeria, Cap C20 LFN 2004, proposed an interim dividend of N0.30 per share (31 December, 2019: interim; N0.30, final; N2.50) from the retained earnings account as at 30 June, 2020. This is subject to approval by shareholders at the next Annual General Meeting.

The number of shares in issue and ranking for dividend represents the outstanding number of shares as at 30 June, 2020 and 31 December, 2019 respectively.

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

40. Cash and cash equivalents

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

	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
Cash and cash balances with central bank (less mandatory reserve deposits)	198,963	79,018	123,195	31,377
Treasury bills (3 month tenor) (see note 16)	3,652	-	3,652	-
Due from other banks	583,570	700,404	323,579	376,092
	786,185	**779,422**	**450,426**	**407,469**

41. Compliance with banking regulations

The bank did not contravene any regulation of the Banks and Other Financial Institutions Act, 1991, as such there was no fine or penalty paid.

Notes to the Consolidated and Separate Financial Statements for the six months period ended 30 June, 2020

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

42. Statement of cash flow workings

(i) Debt securities (see note 21)

30 June, 2020

	Debt securities at fair value through profit or loss	**Debt securities at amortised cost**	**Debt securities at fair value through profit or loss**	**Debt securities at amortised cost**
At 1 January 2020	12,257	515,711	12,257	113,959
Gains from changes in fair value recognised in profit or loss (see note 21)	5,278	-	5,278	-
Interest accrued	-	14,682	-	12,347
Gains from changes in fair value recognised in OCI (see note 21)	-	1,049	-	-
Additions	34,325	144,166	34,325	47,797
Disposals (sale, transfers and redemption)	(4,294)	(23,682)	(4,294)	(27,401)
Interest accrued	-	-	-	-
Coupon received	-	-	-	-
	47,566	**651,926**	**47,566**	**146,702**
Movement for cash flow statement	30,031	120,484	30,031	20,396
Recognised in cash flow statement	-	(150,515)	-	(50,427)

30 June 2019

	Debt securities at fair value through profit or loss	**Debt securities at amortised cost**	**Debt securities at fair value through profit or loss**	**Debt securities at amortised cost**
At 1 January 2019	4,970	307,401	4,970	102,508
Gains from changes in fair value recognised in profit or loss (see note 11)	1,738	-	1,738	-
Additions	10,366	58,036	10,366	57,059
Disposals (sale, transfers and redemption)	(10,880)	(76,802)	(10,880)	(32,537)
Interest accrued	194	7,785	194	4,078
	6,388	**296,420**	**6,388**	**131,108**
Movement for cash flow statement	(320)	(18,741)	(320)	24,522
Recognised in cash flow statement	-	19,061	-	(24,202)

3

Notes to the Consolidated and Separate Financial Statements for the six months period ended 30 June, 2020

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

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

30 June, 2020

	30-Jun-20	**31-Dec-19**	**30-Jun-20**	**31-Dec-19**
Treasury bills (Amortised cost)	306,998	283,845	141,412	114,352
Treasury bills (with 3 months maturity)	(3,652)	(11,697)	(3,652)	(11,697)
Changes	303,346	272,148	137,760	102,655
Recognised in cashflow statement	**(31,198)**		**(35,105)**	

30 June 2019

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

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

30 June, 2020

	30-Jun-20	**31-Dec-19**	**30-Jun-20**	**31-Dec-19**
Treasury bills (FVTPL)	530,724	708,111	530,026	708,114
Recognised in Cashflow	**177,387**		**178,088**	

30 June 2019

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

(iv) Loans and advances (see note 20)

30 June, 2020

	30-Jun-20	**31-Dec-19**	**30-Jun-20**	**31-Dec-19**
Gross loans and advances	2,799,266	2,462,359	2,698,951	2,390,651
Changes	(336,907)	(445,839)	(308,300)	(469,587)
Write off	(2,010)	(65,253)	(1,398)	(60,967)
Interest accrued	31,663	18,375	31,481	17,172
	(307,254)	**(492,717)**	**(278,217)**	**(513,382)**

30 June 2019

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

Notes to the Consolidated and Separate Financial Statements for the six months period ended 30 June, 2020

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

(v) Customer deposits

30 June, 2020

	30-Jun-20	**31-Dec-19**	**30-Jun-20**	**31-Dec-19**
As per financial statement	4,904,998	4,262,289	4,086,122	3,486,887
Changes	642,709	571,994	599,235	665,821
Interest payables	(753)	(7,859)	287	(1,266)
	643,462	**-**	**598,948**	**-**

30 June 2019

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

(vi) Other liabilities (see note 29)

30 June, 2020

	30-Jun-20	**31-Dec-19**	**30-Jun-20**	**31-Dec-19**
As per statement of financial position	786,443	390,332	657,573	384,979
Finance lease liability	(23,951)	(22,194)	(17,596)	(16,297)
Off balace sheet ECL allowance	(7,004)	(5,538)	(7,004)	(5,538)
VAT paid	-	-	-	(381)
Net cash movement	**392,888**	**-**	**269,829**	**-**

30 June 2019

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

Notes to the Consolidated and Separate Financial Statements for the six months period ended 30 June, 2020

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

(vii) Profit on disposal of property and equipment

30 June, 2020

	30-Jun-20	**31-Dec-19**	**30-Jun-20**	**31-Dec-19**
Cost (see note 25)	1,220	5,163	790	1,960
Accummulated depreciation (see note 25)	(599)	(2,334)	(586)	(1,582)
Net book value	**621**	**2,829**	**204**	**378**
Sales proceed	(723)	(2,976)	(306)	(530)
Profit on Disposal (see note 10)	**102**	**147**	**102**	**152**

30 June 2019

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

30 June, 2020

	Group 30-Jun-20	**Group 31-Dec-19**	**Bank 30-Jun-20**	**Bank 31-Dec-19**
Interest income as per financial statement	216,954	415,563	176,331	339,310
Interest accrued	(33,313)	(8,459)	(33,130)	(3,792)
Recognised in cash flow statement	**183,641**	**407,104**	**143,201**	**335,518**

30 June 2019

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

(viii) Interest paid

30 June, 2020

	Group 30-Jun-20	**Group 31-Dec-19**	**Bank 30-Jun-20**	**Bank 31-Dec-19**
Interest expense as per financial statement	59,545	148,532	49,286	126,237
Interest Accrual	(517)	(12,957)	(290)	(11,839)
Recognised in cash flow statement	**59,028**	**135,575**	**48,996**	**114,398**

30 June 2019

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

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

(ix) Other assets

30 June, 2020

	Group 30-Jun-20	**Group 31-Dec-19**	**Bank 30-Jun-20**	**Bank 31-Dec-19**
Other assets (see note 24)	150,018	77,395	139,918	71,412
ECL allowance non-financial asset	(226)	(183)	(226)	(183)
ECL allowance financial asset	(1,916)	(777)	(1,834)	(720)
Recognised in cash flow statement	**(73,805)**	**(183)**	**(69,663)**	**(183)**

30 June, 2019

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

(x) Asset pledged as collateral

30 June, 2020

	Group 30-Jun-20	**Group 31-Dec-19**	**Bank 30-Jun-20**	**Bank 31-Dec-19**
Asset pledged as collateral	316,982	431,728	316,982	431,728
Impairment	504	69	504	69
	317,486	431,797	317,486	431,797
Recognised in cashflow	114,311	(124,925)	114,311	(124,925)

30 June, 2019

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

Notes to the Consolidated and Separate Financial Statements for the six months period ended 30 June, 2020

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

(xi) Derivative Asset

30 June, 2020

	Group 30-Jun-20	**Group 31-Dec-19**	**Bank 30-Jun-20**	**Bank 31-Dec-19**
Forward contract	68,881	91,204	68,881	91,204
Future contract	32,053	1,518	32,053	1,518
	100,934	92,722	100,934	92,722
Recognised in cashflow	(8,212)	(3,896)	(8,212)	(3,896)

30 June, 2019

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

(xii) Restricted balances (Cash Reserve)

30 June, 2020

	Group 30-Jun-20	**Group 31-Dec-19**	**Bank 30-Jun-20**	**Bank 31-Dec-19**
Mandatory reserve deposit with central bank	1,426,800	680,261	1,426,800	680,261
Special Cash Reserve	80,689	80,689	80,689	80,689
	1,507,489	760,950	1,507,489	760,950
Recognised in cashflow	(746,539)	(55,479)	(746,539)	(55,479)

30 June, 2019

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

(xiii) Derivative liabilities

30 June, 2020

	Group 30-Jun-20	**Group 31-Dec-19**	**Bank 30-Jun-20**	**Bank 31-Dec-19**
Forward contract	10,096	13,622	10,096	13,622
Futures contract	30,762	1,140	30,762	1,140
	40,858	14,762	40,858	14,762
Recognised in cashflow	26,096	(2,233)	26,096	(2,233)

Notes to the Consolidated and Separate Financial Statements for the six months period ended 30 June, 2020

	Group		Bank	
In millions of Naira	**2019**	**2018**	**2019**	**2018**
30 June, 2019				
	Group 30-Jun-19	**Group 31-Dec-18**	**Bank 30-Jun-19**	**Bank 31-Dec-18**
Forward contract	5,229	16,236	5,229	16,236
Futures contract	172	759	172	759
Swap contract	1,284	-	1,284	-
	6,685	16,995	6,685	16,995
Recognised in cashflow	(10,310)	(3,810)	(10,310)	(3,810)

Other National Disclosures

ZENITH BANK PLC

Value Added Statement

In millions of Naira	30-Jun-20	30-Jun-20 %	30-Jun-19	30-Jun-19 %
Group				
Gross income	346,088		331,586	
Interest expense				
- Local	(48,381)		(39,204)	
- Foreign	(11,164)		(32,882)	
	286,543		259,500	
Impairment loss on financial and non-financial instruments	(23,923)		(13,735)	
	262,620		245,765	
Bought-in materials and services				
- Local	(78,376)		(49,535)	
- Foreign	(17,003)		(34,523)	
Value added	**167,241**	**100**	**161,707**	**100**
Distribution				
Employees				
Salaries and benefits	38,868	23	38,725	24
Government				
Income tax	10,298	6	22,795	**14**
Retained in the Group				
Replacement of property and equipment / intangible assets	14,249	9	11,305	7
To pay proposed dividend	-	-	9,420	6
Profit for the year (including statutory reserves, small scale industry, and non-controling interest)	103,826	35	79,462	49
Total Value Added	**167,241**	**100**	**161,707**	**100**

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

ZENITH BANK PLC

Value Added Statement

In millions of Naira	30-Jun-20	30-Jun-20 %	30-Jun-19	30-Jun-19 %
Bank				
Gross income	291,400		284,481	
Interest expense				
- Local	(32,283)		(34,920)	
- Foreign	(17,003)		(26,465)	
	242,114		223,096	
Impairment loss on financial and non-financial instruments	(20,142)		(13,156)	
	221,972		209,940	
Bought-in materials and services				
- Local	(82,762)		(74,685)	
- Foreign	(3,087)		(3,087)	
Value added	**136,123**	**100**	**132,168**	**100**
Distribution				
Employees				
Salaries and benefits	**29,787**	**22**	**30,611**	**23**
Government				
Income tax	3,225	2	16,150	12
Retained in the Bank				
Replacement of property and equipment / intangible assets	12,711	9	10,046	5
To pay proposed dividend	-	33	9,420	69
Profit for the year (including statutory reserves, and small scale industry)	90,400	66	65,941	(15)
Total Value Added	**136,123**	**100**	**132,168**	**100**

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

ZENITH BANK PLC

Five Year Financial Summary

In millions of Naira	30-Jun-20	31-Dec-19	31-Dec-18	31-Dec-17	31-Dec-16
Group					
Statement of Financial Position					
Assets					
Cash and balances with central banks	1,706,452	936,278	954,416	957,663	669,058
Treasury bills	837,113	991,393	1,000,560	936,817	557,359
Assets pledged as collateral	316,982	431,728	592,935	468,010	328,343
Due from other banks	854,713	707,103	674,274	495,803	459,457
Derivative assets	100,934	92,722	88,826	57,219	82,860
Loans and advances	2,624,367	2,305,565	1,817,584	2,100,362	2,289,365
Investment securities	774,493	591,097	565,312	330,951	199,478
Investments in associates	-	-	-	-	-
Deferred tax	12,438	11,885	9,513	9,561	6,440
Other assets	150,018	77,395	80,948	92,494	37,536
Property and equipment	186,827	185,216	149,137	133,384	105,284
Intangible assets	15,777	16,497	16,678	12,989	4,645
Total assets	**7,580,114**	**6,346,879**	**5,950,183**	**5,595,253**	**4,739,825**
Liabilities					
Customers deposits	4,904,998	4,262,289	3,690,295	3,437,915	2,983,621
Derivative liabilities	40,858	14,762	16,995	20,805	66,834
Current tax payable	14,818	9,711	9,154	8,915	8,953
Deferred income tax liabilities	-	25	67	18	45
Other liabilities	786,443	363,764	231,716	243,023	214,080
On-lending facilities	389,567	392,871	393,295	383,034	350,657
Borrowings	412,788	322,479	437,260	356,496	263,106
Debt securities issued	41,664	39,092	361,177	332,931	153,464
Total liabilities	**6,591,136**	**5,404,993**	**5,139,959**	**4,783,137**	**4,040,760**
Net assets	**988,978**	**941,886**	**810,224**	**812,116**	**699,065**
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	420,195	412,948	322,237	356,837	261,608
Other Reserves	297,177	257,439	221,231	183,217	165,729
Attributable to equity holders of the parent	988,117	941,132	814,213	810,799	698,082
Non-controlling interest	861	754	1,538	1,317	983
Total shareholders' equity	**988,978**	**941,886**	**815,751**	**812,116**	**699,065**

Five Year Financial Summary

In Millions of Naira	30-Jun-20	30-Jun-19	30-Jun-18	30-Jun-17	30-Jun-16
Statement Of Profit Or Loss And Other Comprehensive Income					
Gross earnings	346,088	331,586	322,201	380,440	214,812
Share of profit / (loss) of associates	-	-	-	-	-
Interest expense	(59,545)	(72,086)	(74,709)	(123,295)	(54,385)
Operating and direct expenses	(148,496)	(134,088)	(130,414)	(126,706)	(88,314)
Impairment charge for financial and non-financial assets	(23,923)	(13,735)	(9,720)	(42,398)	(14,232)
Profit before taxation	**114,124**	**111,677**	**107,358**	**88,041**	**57,881**
Income tax	(10,298)	(22,795)	(25,621)	(16,866)	(18,438)
Profit after tax	**103,826**	**88,882**	**81,737**	**71,175**	**39,443**
Foreign currency translation differences	9,604	(6,441)	517	(1,444)	26,053
Fair value movements on equity instruments	11,104	338	683	(3,433)	4,153
Related tax	-	-	-	-	-
Effective portion of changes in fair value of cash flow hedges	1,049	97	-	-	-
Related tax	-	-	-	-	-
	21,757	**(6,006)**	**1,200**	**(4,877)**	**30,206**
Total comprehensive income	**125,583**	**82,876**	**82,937**	**66,298**	**69,649**
Earning per share:					
Basic and diluted	330 K	283 K	260 K	227 K	126 K

Five Year Financial Summary

In millions of Naira	30-Jun-20	31-Dec-19	31-Dec-18	31-Dec-17	30-Dec-16
Bank					
Statement of Financial Position					
Assets					
Cash and balances with central banks	1,630,684	879,449	902,073	907,265	627,385
Treasury bills	671,285	822,449	817,043	799,992	463,787
Assets pledged as collateral	316,982	431,728	592,935	468,010	325,575
Due from other banks	594,722	482,070	393,466	273,331	354,405
Derivative assets	100,934	92,722	88,826	57,219	82,860
Loans and advances	2,533,072	2,239,472	1,736,066	1,980,464	2,138,132
Investment securities	269,282	189,358	156,673	117,814	118,622
Investments in subsidiaries	34,625	34,625	34,003	34,003	33,003
Investments in associates	-	-	-	-	-
Deferred tax	11,247	11,223	9,197	9,197	6,041
Other assets	139,918	71,412	75,910	56,052	35,410
Assets classified as held for sale	-	-	-	-	-
Property and equipment	166,350	165,456	133,854	118,223	94,613
Intangible assets	14,552	15,109	15,399	12,088	3,903
Total assets	**6,483,653**	**5,435,073**	**4,955,445**	**4,833,658**	**4,283,736**
Liabilities					
Customers deposits	4,086,122	3,486,887	2,821,066	2,744,525	2,552,963
Derivative liabilities	40,858	14,762	16,995	20,805	66,834
Current tax payable	9,379	6,627	5,954	6,069	6,927
Deferred income tax liabilities	-	-	-	-	-
Other liabilities	657,573	386,061	223,463	229,332	249,136
On-lending facilities	389,567	392,871	393,295	383,034	350,657
Borrowings	456,482	329,778	458,463	418,979	292,802
Debt securities issued	41,664	39,092	361,177	332,931	153,464
Total liabilities	**5,681,645**	**4,656,078**	**4,280,413**	**4,135,675**	**3,672,783**
Net assets	**802,008**	**778,995**	**675,032**	**697,983**	**610,953**
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	300,382	302,028	238,635	287,867	213,107
Other reserves	230,881	206,222	165,652	139,371	127,101
Attributable to equity holders of the parent	802,008	778,995	675,032	697,983	610,953
Total shareholders' equity	**802,008**	**778,995**	**675,032**	**697,983**	**610,953**

Five Year Financial Summary

In Millions of Naira	30-Jun-20	30-Jun-19	30-Jun-18	30-Jun-17	30-Jun-16
Statement Of Profit Or Loss And Other Comprehensive Income					
Gross earnings	291,400	284,481	276,251	344,411	192,163
Interest expense	(49,286)	(61,385)	(65,154)	(115,698)	(49,612)
Operating and direct expenses	(128,347)	(118,429)	(116,650)	(115,831)	(80,791)
Impairment charge for financial assets	(20,142)	(13,156)	(8,373)	(37,249)	(11,144)
Profit before tax	**93,625**	**91,511**	**86,074**	**75,633**	**50,616**
Income tax	(19,688)	(16,150)	(19,680)	(13,279)	(15,986)
Profit after tax	**73,937**	**75,361**	**66,394**	**62,354**	**34,630**
Other comprehensive income					
Fair value movements on equity instruments	11,104	338	683	(3,433)	4,153
Tax effect of equity instruments at fair value	-	-	-	-	-
	11,104	**338**	**683**	**(3,433)**	**4,153**
Total comprehensive income	**85,041**	**75,699**	**67,077**	**58,921**	**38,783**
Earning per share:					
Basic and diluted	235 K	240 K	211 K	199 K	110 K

ZENITH BANK PLC

Consolidated and Separate Statements of Profit or Loss and other Comprehensive Income for the three months period ended 30 June, 2020

	Group		Bank	
For the three months ended 30 June (unaudited) **In millions of Naira**	**30-Jun-20**	**30-Jun-19**	**30-Jun-20**	**30-Jun-19**
Interest and similar income	102,624	92,121	82,538	72,581
Interest and similar expense	(26,716)	(35,743)	(22,168)	(30,080)
Net interest income	**75,908**	**56,378**	**60,370**	**42,501**
Impairment loss on financial and non-financial instruments	(19,972)	(11,639)	(16,852)	(10,951)
Net interest income after impairment loss on financial and non-financial instruments	**55,936**	**44,739**	**43,518**	**31,550**
Net income on fees and commission	18,064	34,500	9,779	31,233
Other operating income	8,418	37,290	5,858	37,290
Trading gains	43,365	5,284	43,347	5,667
Depreciation of property and equipment	(6,200)	(5,041)	(5,701)	(4,512)
Amortisation of intangible assets	(990)	(765)	(704)	(697)
Personnel expenses	(20,713)	(20,436)	(15,492)	(16,670)
Operating expenses	(42,544)	(41,187)	(36,149)	(38,032)
Profit before tax	**55,336**	**54,384**	**44,456**	**45,829**
Income tax expense	(2,036)	(15,736)	2,275	(11,650)
Profit for the year after tax	**53,300**	**38,648**	**46,731**	**34,179**
Other comprehensive income:				
Items that will never be reclassified to profit or loss:				
Fair value movements on equity instruments at FVOCI	7,109	154	7,109	181
Items that are or may be reclassified to profit or loss:				
Foreign currency translation differences for foreign operations	(343)	344	-	-
Fair value movements on debt securities at FVOCI	2,970	97	-	-
Other comprehensive income for the year	**9,736**	**595**	**7,109**	**181**
Total comprehensive income for the year	**63,036**	**39,243**	**53,840**	**34,360**
Profit attributable to:				
Equity holders of the parent	53,253	38,672	46,731	34,179
Non controlling interest	47	(24)	-	-
Total comprehensive income attributable to:				
Equity holders of the parent	62,995	39,173	53,840	34,360
Non-controlling interest	41	70	-	-
Earnings per share				
Basic and diluted (Naira)	1.69	1.23	1.49	1.09

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