Zenith Bank (UK) Limited
Annual Report and Accounts
2016

ZENITH BANK (UK) LIMITED

Directors' report, Strategic Report and Financial Statements for the year ended 31 December 2016

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Officers and professional advisers

Directors

Jim Ovia	Chairman
John Weguelin	Chief Executive and Executive Director
Peter Amangbo	Non Executive
Quentin Aylward	Non Executive
Jeffrey Efeyini	Non Executive (appointed on 2 Dec 2016, subject to regulatory approval)
Llewellyn Charles Llewellyn	Non Executive
Ian Ogilvie	Non Executive (appointed on 2 Dec 2016, subject to regulatory approval)
David Somers	Non Executive
Anthony Uzoebo	Executive Director

Company secretary
Susan McBride

Registered office
39 Cornhill
London
EC3V 3ND

Bankers
Barclays Bank Plc, London
Citigroup, London and New York
Deutsche Bank AG, Germany
HSBC, London

Solicitors
Denton Wilde Sapte LLP, London
Berwin Leighton Paisner LLP, London

Independent Auditor
KPMG LLP
Chartered Accountants
London

Directors' report

The directors present their annual report and the audited statutory financial statements of Zenith Bank (UK) Limited (the "Bank") for the year ended 31 December 2016.

Principal activities

The Bank is authorised under The Financial Services and Markets Act 2000, (as amended 2012). It is authorised and regulated by the Financial Conduct Authority ("FCA") and the Prudential Regulation Authority ('PRA').

The Bank is a wholly owned subsidiary of Zenith Bank PLC (the "Parent") a leading Nigerian financial institution. The Bank markets and offers a range of banking products and services with its target market being West African companies, international corporations, commodity traders, investment banks, institutional investors, governments and supranational organisations as well as high net worth individuals.

The Bank generates revenues through the extension of credit to corporate customers and high net worth individuals, participating in revolving credit facilities, syndicated structured trade finance facilities, the distribution of government, bank and corporate securities and eurobonds, processing of Letters of Credit and related trade services and payments.

The Treasury Department supports these activities and prudently manages the Bank's capital, liquidity and the asset and liability mismatches arising from the Bank's activities. The continued growth of the Eurobond trading desk has built on the success of 2014 and 2015 and addresses the growing demand from customers to invest in West African bonds.

The drop in oil price, the decline in the value of the Naira, and the restriction of access to USD imposed by the Central Bank of Nigeria ("CBN"), had a negative impact on the Nigerian economy. As a result the Bank was at some risk to the macro-economic issues in Nigeria through its balance sheet exposures to Nigerian corporates. This led to reduced lending to certain sectors while maintaining our key relationships developed over the last few years. The subsequent stability in the oil price and the initiatives taken by the Nigerian Government to rebalance their economy has started to provide early indications of a recovery.

Trade related business and other fee based income suffered from these events during the year, although the volumes started to recover towards the end of 2016. We continue to deal as a correspondent and trade finance bank for the Central Bank of Nigeria, and act as a confirming bank within key OECD markets. We aim to build on these and other relationships for the long term to address the needs of our customers, while maintaining the high standards of service we have set. This has involved continued investment in people and systems to leave us well positioned to be a leading trade finance business.

The support and relationship with our parent, and other members of the Zenith Group, has enabled the Bank to grow and develop into a competitive bank with a continued focus on providing value to our stakeholders.

In October 2015 the Bank obtained our formal DFSA licence in Dubai, allowing us to open our first branch (Zenith Bank (UK) Limited – (DIFC Branch).

The Bank's main competitors are international banks and other West African financial institutions operating within the international financial services industry.

Going Concern

The Bank's business activities together with the factors likely to affect its future development and position are set out in the Business Review section of the Strategic Report on pages 5 to 7, including the impact of the recent domestic events in Nigeria. The directors have satisfied themselves that there is no material uncertainty that the Bank will not be able to continue as a going concern. The Bank has managed to maintain adequate capital and liquidity, remaining above regulatory requirements, and continues to be profitable after impairments on the loan book. The Bank therefore continues to adopt the going concern basis of accounting in preparing the annual financial statements.

Capital

There has been no change to the existing capital structure in 2016 (as detailed in the Statement of Changes in Equity on page 11 of the financial statements).

Results and dividend

The Bank's profit for the year after taxation amounted to US$ 2.6 million (2015: US$ 5.3 million). The directors do not recommend the payment of a dividend for the year ended 31 December 2016 (2015: Nil).

Directors and directors' interests

The directors who held office during the year were as follows

Jim Ovia	Chairman
John Weguelin	Chief Executive and Executive Director
Peter Amangbo	Non Executive
Quentin Aylward	Non Executive
Jeffrey Efeyini	Non Executive
Llewellyn Charles Llewellyn	Non Executive
Ian Ogilvie	Non Executive
David Somers	Non Executive
Anthony Uzoebo	Executive Director

None of the directors who held office at the end of the financial year had any direct or indirect disclosable interest in the shares of the Bank except below:

The following Directors held indirect interests in the Bank shares via their associations with the Parent entity

- Mr. Jim Ovia is the Chairman, the founder and a significant shareholder of the Parent entity
- Mr. Peter Amangbo is the Group CEO & MD and a shareholder of the Parent entity
- Mr. Jeffrey Efeyini is a Non Executive Director and a shareholder of the Parent entity

Employees

The Bank recognises its corporate social responsibility and statutory duty as an equal opportunities employer and builds its business in the belief that people from different cultures and different walks of life create value. The Bank believes that it has the right mix of people and the fusion of different ideas that provides the essential components for progress and success.

A commitment to equality and diversity helps the Bank to attract and retain talented staff. The Bank wants the best people to help meet its business priorities and supports existing employees to realise and achieve their full potential. The Bank is committed to employee development and training in order to maintain and develop the knowledge, skills and competencies of employees to ensure excellent service to customers and stakeholders.

A key part of the Bank's purpose, vision and mission, is for employees to continue to deliver the core values which are embedded within the culture of the organisation namely; customer focus, integrity, professional, people/one team, proactive and commercial.

Policy on payment of creditors

The Bank's policy in relation to all of its suppliers is to settle the terms of payment when agreeing the terms of the transaction and to abide by those terms. The Bank does not follow any code or standard on payment practice but it is the Bank's policy to pay all of its suppliers within 30 days of receipt of the goods or services.

Political and charitable contributions

During the year the Bank made charitable donations of US$ 1,500 (2015: US$ 7,000) to several registered charities. No payments were made to political parties (2015: Nil).

Auditor

In accordance with the Companies Act 2006, a resolution for the appointment of KPMG LLP as auditor of the Bank was proposed and approved by the Directors of the Bank on 12 February 2016.

Disclosure of information to the auditor

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Bank's auditor is unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Bank's auditor is aware of that information.

I would like to take this opportunity to thank our valued customers for their continued support and all our staff for their continued commitment and professionalism.

By order of the Board

John Weguelin
Chief Executive
30 January 2017
39 Cornhill, London, EC3V 3ND

Statement of directors' responsibilities in respect of the Directors' Report, Strategic Report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRS as adopted by the EU and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Approved by the Board of Directors and signed on behalf of the Board

John Weguelin
Chief Executive
30 January 2017
Company registration no. 05713749

Strategic Report

Strategic Review

2016 has been a challenging year for the Bank. Despite tough market conditions we managed to improve our operating profit before impairment significantly (39%) and continued to lay foundations for strong future growth by initiating the following strategies:

- project to rebalance the Bank's portfolio profile to optimise the use of regulatory capital;
- lowering cost of capital and proactively managing net interest income;
- review of concentration risk, diversification away from volatile markets and reducing the general risk profile; and
- improved operational flexibility to deal with changing trade flows.

The key challenges we faced during 2016 were the continued global economic slowdown, the sustained low oil and commodity prices and the restriction of access to USD imposed by the CBN in Nigeria, which have continued to affect our target markets, predominantly within Africa. Against this backdrop we embarked on our journey for 2016 with a clear and focused strategy as mentioned above.

These challenges were successfully addressed using the aforementioned strategies and achieved our highest Operating Income ($37.2m) and Profit before impairment ($21.4m) since inception, despite the volatile market conditions and without raising additional equity. These resulted in a 39% improvement in our operating profit before impairment compared to 2015. Further, the Bank's strategic initiatives have improved upon our position and responsiveness to the volatility of our markets and optimised our returns to all stakeholders.

The Profit before tax for the year amounted to US$3.4m as a result of the Bank recognising impairments of US$18.0m during the year.

Core Markets

The Bank's core business lines and target markets are:

- supporting the Zenith Group and its customers;
- trade finance and working capital for West African and Sub-Saharan Corporates;
- treasury, foreign exchange and Sub Saharan eurobond trading and distribution;
- correspondent and cash management solutions to financial institutions, governments and parastatals; and
- high net worth individuals.

2016 Business review

The results for the year are set out in the Statement of Profit and Loss on page 9. The Bank's key results were:

- A reduction in the interest expense whilst maintaining a healthy interest income; causing a substantial increase in the net interest margin
- An operating income of $37.2m (2015: $32.3m) and profit before tax of US$3.4m (2015: $7.1m)
- Impairments of $18m made against two legacy assets
- The drop in commodity prices, the fall in the value of the Naira and the CBN restricting access to USD have all combined to create a negative effect on the domestic African economies, which resulted in a reduction in the trade finance volumes and increased impairments on the corporate loan book
- Due to the aforementioned risk mitigation strategies there has been a 120% increase in the level of cash & cash equivalents on the balance sheet on page 10

Capital, Liquidity and Market risk

Capital and liquidity have been successfully managed throughout the year. The Bank has sufficient capital and liquidity to meet the impact of potential stresses and future expansion plans. The Bank's capital and liquidity stress testing addresses the volatility of Nigerian assets and liabilities including potential uncertainties of the Nigerian economy. The stress testing is continually updated to cover any future significant events. Adequate liquidity is in place to manage any delays in Nigerian asset repayments.

Market volatility has been monitored and managed daily by Treasury; and by ALCO, Market Risk Committees and Executive Committee Meetings ("EXCO") weekly.

Corporate Banking

During the year the Bank continued its disciplined lending approach which has seen a decrease in the loans and advances to corporate customers, falling at year end by 46%, in light of the uncertainties in specific geographies and industries, in particular to direct and indirect Oil & Gas exposures. Revenues generated on the corporate lending portfolio of US$15 million (2015: US$16m) accounted for 41% (2015: 36%) of the Bank's interest revenues for the year.

Trade Finance

Given the economic issues in our main markets, the Bank's Trade Finance business volumes remained low for most of the year. This resulted in a reduced fee income of US$4m (2015: $3.6m), however the volumes and fees started to recover towards the back end of the year.

Fixed Income

Non-trading debt securities held decreased in 2016 by US$44 million (24%) compared to the previous year.

In accordance with the United Kingdom regulatory liquidity regime, the Bank maintained a portfolio of AAA rated, highly liquid supranational issued Eurobonds throughout the year. In addition, the portfolio is carefully managed and diversified with regard to maturity and credit rating.

Treasury

The mandate of the Bank's Treasury operation is to prudently manage liquidity and asset and liability mismatches which may arise from the Bank's funding activities. The Treasury function is constantly pursuing methods to reduce the Bank's cost of funding.

The Treasury department trades a number of foreign currency products including spot and forward foreign exchange, non-deliverable forwards and FX options, mainly to address customer requirements. Treasury also uses derivative instruments to manage future cash flows or cash requirements arising in the normal course of activities. Eurobond trading during 2016 continued to be very successful, with a growing customer base and healthy turnover. Eurobond and FX trading revenue amounted to US$3.1 million during the year, a 19% increase against the previous year.

The Bank employs initiatives to diversify our funding base; one such initiative which was deployed as a new product in order to raise funding through FSCS protected long term retail deposits. This was implemented during the last quarter of 2016.

Principal risks and uncertainties

The Bank is firmly committed to the management of risk. It recognises the importance of a sound internal risk management process, particularly with the growing complexity, diversity and volatility of our markets; this includes the fall in oil prices and the shortage of USD in Nigeria. Risk management is given a high priority throughout the Bank and is integral to the culture, management and oversight of the business. To this end the Bank continues to invest in risk in the form of people and systems.

The macro-economic events in Nigeria have had an impact on our business model. The restrictions imposed by the CBN on the outflows of USD have resulted in loan extensions, however in each case Naira has been repaid locally with the exchange rate costs borne by the borrower. Careful management of our Liquidity Asset Buffer ('LAB') and daily cash management has ensured that we have not been presented with any liquidity issues following the introduction of the new liquidity coverage ratio ('LCR') regime. As at the year end the Bank met all the relevant regulatory thresholds related to Capital and Liquidity.

Responsibility for risk management policies, risk limits and the level of risk lies with the Board of Directors. The Board charges management with developing, presenting, updating and implementing these policies, controls and limits. The risk management structure is designed to provide assurance that no single event, or combination of events, will materially affect the well-being of the Bank.

With the introduction of the Senior Manager and Certification Regime ('SMCR') in 2016, the Bank took the opportunity to further review its governance structure. The Bank's Board of Directors, Audit and Compliance Committee, Remuneration and Appointments Committee, Board Risk Committee, Executive Committee, Management Credit Committee, Asset and Liability Committee and Market Risk Committee assist in assessing market trends, economic and political developments, reputational risk and providing strategic direction for all aspects of risk management.

Active hands-on senior management involvement plays a key role in the identification, evaluation and management of all risks. All credit and new product decisions require direct senior management approval and the loan portfolio is continuously reviewed by the relevant committees. Management is supported by a comprehensive structure of independent controls and systems, analysis, reporting processes and periodic examination by the Bank's Internal Audit function.

The Bank has in place an extensive range of limits, controls and management information systems to facilitate an effective management overview and periodic limit compliance reports are submitted to the Board Risk Committee. All limits are approved by the Board of Directors and its sub-Committees and reviewed at least annually. The Bank's geographical exposures are mainly concentrated to Europe, Nigeria and Sub-Saharan Africa. During 2016, events including the falling oil price, the prospect of increasing interest rates and the devaluation of the Naira, have led to sustained periods of uncertainty in markets. Management has closely monitored these events on a daily basis, running regular stress testing scenarios and reviewing weekly at the Assets and Liability Committee and Market Risk Committee meetings.

The following basic elements of sound risk management are applied to all the Bank's financial products and services:

- appropriate review by the Board of Directors and senior management;
- adequate risk management processes which integrate product risk limits;
- sound measurement procedures and information systems;
- continuous risk monitoring and frequent management reporting;
- regular stress testing;
- segregation of duties, comprehensive internal controls and internal audit procedures; and
- any new products are subject to the same control evaluation and subject to review and challenge by the Board of Directors.

Disclosures relating to the Bank's principal risks are detailed in Note 25 are as follows:

Market Risk
Liquidity Risk
Sovereign Risk
Operational Risk
Credit Risk
Foreign Exchange Risk
Interest Rate Risk
Reputational Risk
Compliance Risk

By order of the Board

John Weguelin
Chief Executive
30 January 2017

39 Cornhill
London
EC3V 3ND

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ZENITH BANK (UK) LIMITED

We have audited the financial statements of Zenith Bank (UK) Limited for the year ended 31 December 2016 set out on pages 9 to 36. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Suvro Dutta , Senior Statutory Auditor

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square, London, E14 5GL

London

30 January 2017

Statement of Profit and Loss

For the year ended 31 December 2016

	Note	2016 US$	2015 US$
Income			
Interest income	4	37,726,147	43,897,893
Interest expense		(9,027,106)	(21,599,705)
Net interest income		**28,699,041**	**22,298,188**
Fees and commission income	5	5,344,589	7,525,215
Trading and other income	6	3,140,792	2,490,892
Operating income		**37,184,422**	**32,314,295**
Expenses			
Personnel expenses	7	(9,582,063)	(10,903,849)
Depreciation and amortisation	15/16	(782,432)	(1,078,502)
Other expenses	8	(5,393,488)	(4,895,048)
Total operating expenses		(15,757,983)	(16,877,399)
Operating profit before impairment provision		**21,426,439**	**15,436,896**
Impairment provision	12	(18,000,806)	(8,338,078)
Operating profit before tax		**3,425,633**	**7,098,818**
Taxation	9	(787,896)	(1,774,704)
Profit for the year		**2,637,737**	**5,324,114**

The 2016 and 2015 results are all from continuing operations.

The notes on pages 13 to 36 are an integral part of these financial statements

Statement of Financial Position

At 31 December 2016

	Note	31 December 2016 US$	31 December 2015 US$
Assets			
Cash and cash equivalents	10	639,648,140	291,413,936
Loans and advances to banks	11	212,684,055	183,535,220
Loans and advances to customers	12	199,388,737	367,549,862
Securities designated at fair value	13	125,421,660	123,501,908
Securities investment	14	139,419,045	183,767,433
Property, plant and equipment	15	1,216,627	1,467,395
Intangible assets	16	554,602	916,850
Deferred tax assets	17	168,609	203,170
Other assets	18	928,423	1,775,347
Total assets		**1,319,429,898**	**1,154,131,121**
Liabilities			
Deposits from banks	19	818,951,535	767,035,698
Deposits from customers	20	303,070,736	191,570,895
Other liabilities	21	4,249,228	5,003,866
Total liabilities		**1,126,271,499**	**963,610,459**
Equity			
Capital	26	136,701,620	136,701,620
Retained earnings		56,456,779	53,819,042
Total equity attributable to the equity holders of the Bank		**193,158,399**	**190,520,662**
Total liabilities and equity		**1,319,429,898**	**1,154,131,121**

These statutory financial statements were approved by the Board of Directors on 20 January 2017 and were signed on its behalf by:

Jim Ovia
Chairman

John Weguelin
Chief Executive

The notes on pages 13 to 36 are an integral part of these financial statements
Company registration no: 05713749

Statement of Changes in Equity

For the year 31 December 2016

	Share Capital	Retained Earnings	Total Equity
	US$	US$	US$
Balance as at 1 January 2016	**136,701,620**	**53,819,042**	**190,520,662**
Profit for the year	-	2,637,737	2,637,737
Balance at 31 December 2016	**136,701,620**	**56,456,779**	**193,158,399**
Balance as at 1 January 2015	**136,701,620**	**48,494,928**	**185,196,548**
Profit for the year	-	5,324,114	5,324,114
Balance at 31 December 2015	**136,701,620**	**53,819,042**	**190,520,662**

The notes on pages 13 to 36 are an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31 December 2016	Notes	2016	2015
		US$	US$
Cash flows from operating activities			
Profit for the period		**2,637,737**	**5,324,114**
Adjustments for:			
Depreciation of property, plant and equipment	15	258,695	445,765
Amortisation of intangible assets	16	523,737	632,737
Impairment provision	12	18,000,806	8,338,078
Gain on disposal of property and equipment		-	(8,418)
Income tax expense	9	787,896	1,774,704
Change in loans and advances to banks		(29,148,835)	247,657,688
Change in loans and advances to customers		150,160,319	26,824,308
Change in securities designated at fair value		(1,919,752)	47,581,906
Change in other assets		1,281,923	997,352
Change in deposits from banks		51,915,837	(455,112,749)
Change in deposits from customers		111,499,841	3,937,850
Change in other liabilities		(890,837)	188,469
Income tax paid		(651,696)	(3,000,505)
Net cash (used in)/from operating activities		**304,455,671**	**(114,418,701)**
Cash flows from investing activities			
Change in investment securities		44,348,388	(11,237,885)
Acquisition of property, plant and equipment		(269,604)	(1,431,853)
Proceeds from sale of property, plant and equipment		-	52,412
Acquisition of intangible assets	16	(300,251)	(478,130)
Net cash from/(used in) investing activities		**43,778,533**	**(13,095,456)**
Net (decrease)/increase of cash and cash equivalents		**348,234,204**	**(127,514,157)**
Cash and cash equivalents as at 01 January		291,413,936	418,928,093
Cash and cash equivalents at 31 December	10	**639,648,140**	**291,413,936**

The notes on pages 13 to 36 are an integral part of these financial statements.

Notes to the Financial Statements

1 General information

Zenith Bank (UK) Limited ('the Bank') is a private company, limited by shares. The Bank was incorporated in England and Wales in 2006. The Bank's registered office (and principal place of business) is situated in England, and is at 39, Cornhill, London EC3V 3ND. The Bank is fully owned by the parent and ultimate parent undertaking, Zenith Bank Plc, a Bank incorporated in Nigeria. The Bank primarily provides trade finance, treasury services, corporate and correspondent banking, infrastructure and project financing, commercial banking and wealth management services to customers.

The Bank is an authorised person under the Financial Services and Markets Act 2000 (as amended 2012). It is authorised and regulated by the Financial Conduct Authority ('FCA') and the Prudential Regulation Authority ('PRA').

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the EU and the Companies Act 2006.

2 Basis of preparation and significant accounting policies

Basis of preparation

The financial statements have been prepared in the Bank's functional and presentation currency, US Dollars, using historical cost convention modified to include the fair valuation of financial instruments to the extent required or permitted under IFRS as set out in the relevant notes.

(a) Going concern

The directors consider that the Bank has adequate resources to continue its operations for the foreseeable future. The directors have satisfied themselves that no material uncertainty exists that may cast significant doubt about the ability or willingness of the parent to continue with the current financing arrangements. In additional the directors have considered the impact of the economic events in Nigeria and do not consider the going concern assumption to be affected. Further, the current financial projections reflect that the Bank will continue to be profitable in the foreseeable future. Accordingly the Bank continues to adopt the going concern basis in preparing these financial statements.

(b) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The results form the basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in the Bank's financial statements.

(c) Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised in 'Interest income' and 'Interest expense' in the statement of profit and loss using the effective interest rates of the financial assets or financial liabilities to which they relate.

The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, cash flows are estimated considering all contractual terms of the financial instrument excluding future credit losses. The calculation includes all amounts paid or received that are an integral part of the effective interest rate, including fees and commission income, transaction costs and all other premiums or discounts.

Interest on impaired financial assets is recognised at the original effective interest rate of the financial asset applied to the carrying amount as reduced by any allowance for impairment.

(d) Fee and commission income

The Bank earns fee income from a diverse range of services it provides to its customers. Fee income is accounted for as follows:

(i) if the income is earned on the execution of a significant act it is recognised as revenue when the significant act has been completed (for example, fees arising from negotiating, or participating in the negotiation of a transaction for a third party such as the arrangement for the acquisition of securities);

(ii) if the income is earned as services are provided it is recognised as revenue as the services are provided (for example, documentary credit confirmation fees, custody and banking service fees);

(iii) if the income is an integral part of the effective interest rate of a financial instrument it is recognised as an adjustment to the effective interest rate (for example, loan origination fees) and recorded in fee and commission income; and

(iv) the Bank provides certain guarantee facilities which are dependent on uncertain future events. These facilities include surety, fidelity, performance, bid and advance payment bonds. In each case, the guarantees given by the Bank are covered by matching counter-indemnities provided by a third party. Fees and commissions arising from the provision of such services are recognised over the period for which the service is provided.

(e) Foreign currencies

The Directors regard US Dollar ('US$') as the currency of the primary economic environment in which the Bank operates. Accordingly US$ is regarded as being the functional currency of the Bank, which is also the reporting currency of the Bank.

Income and expense in foreign currencies are recorded in US$ at the rate of exchange prevailing at the time of each transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange ruling at the balance sheet date. Any resulting exchange differences are included in the income statement.

Non-monetary assets and liabilities in a foreign currency are translated into the functional currency using the rate of exchange at the date of the initial transaction.

(f) Income tax

Income tax on the profit or loss for the year comprises current tax and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in shareholders' equity.

Current tax is the tax expected to be payable on the taxable profit for the year calculated using tax rates enacted or substantially enacted by the balance sheet date and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised on temporary differences between the carrying amount of assets and liabilities in the statement of financial position and the amount attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is calculated using the tax rates expected to apply in the periods in which the assets will be realised or the liabilities settled.

(g) Derivatives

The Bank uses derivative financial instruments for risk management purposes. The Bank uses forward foreign exchange, interest rate and other derivative products.

Fair values are obtained from quoted market prices in active markets or by using valuation techniques, including recent market transactions, where an active market does not exist. All derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative.

(h) Financial assets

The Bank has classified its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments.

Management has determined the classification of its investments on initial recognition.

(i) Financial Liabilities

Financial liabilities are measured either at amortised cost or fair value if designated at fair value through profit or loss. Financial liabilities at fair value through profit or loss are those liabilities that are held for trading.

(j) Financial assets at fair value through profit and loss

Financial assets are classified as fair value through profit and loss ('FVTPL') where the financial asset is held for trading or designated as FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Bank manages and has a recent actual pattern of short-term profit-taking.

(k) Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near term.

Loans to customers and banks are classified as loans and advances and are initially recorded at fair value plus any attributable transaction costs and subsequently measured at amortised cost using the effective interest rate method, less impairment losses, where applicable.

(l) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity. Were the Bank to sell other than an insignificant amount of held-to maturity assets the entire category would be tainted and reclassified as available-for-sale. The Bank's management has not identified any assets as falling within this category.

(m) De-recognition of financial assets and liabilities

Financial assets are de-recognised when the rights to receive cash flows from the assets have expired or where the Bank has transferred its contractual right to receive the cash flows of the financial assets and either:

i. substantially all the risks and rewards of ownership have been transferred; or
ii. substantially all the risks and rewards have neither been retained nor transferred but control is not retained.

Financial liabilities are de-recognised when they are extinguished, i.e. when the obligation is discharged, cancelled or expires.

(n) Impairment of financial assets

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or portfolio of financial assets is impaired. A financial asset or a portfolio of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or portfolio of financial assets that can be reliably estimated. Objective evidence that a financial asset or portfolio of assets is impaired includes observable data that comes to the attention of the Bank about the following loss events:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as default or delinquency in interest or principal payments;
- the Bank granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty a concession that the lender would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
  observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
- adverse changes in the payment status of borrowers in the portfolio; or
- national or local economic conditions that correlate with defaults on the assets in the portfolio.

(o) Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Bank's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for companies of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Collective impairment was determined by performing an individual assessment of financial assets based on their internal credit rating, loss given default and probability of default over a determined emergence period.

Loans (and the related impairment allowance accounts) are normally written off, either partially or in full, when there is no realistic prospect of recovery of these amounts and, for collateralised loans, when the proceeds from the realisation of security have been received.

If in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent it is now excessive by reducing the loan impairment allowance account. The amount of any reversal is recognised in the income statement.

(p) Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation calculated on a straight line basis to write off the assets over their estimated useful lives as follows:

Leasehold improvements: 10 years or the length of the lease if less
Computer equipment: 3 years
Motor vehicles: 4 years
Furniture, fixtures and fittings: 5 years

Leasehold premises improvements comprise the Bank's office in London and Dubai. All equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

(q) Intangible assets

Acquired computer software licenses and development costs are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with maintaining computer software programs are expensed as incurred.

The capitalised cost of computer software is amortised over 3 years using the straight line method.

(r) Cash and cash equivalents

Cash and cash equivalents include unrestricted highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are normally those with less than three months' maturity from the date of acquisition, and include cash, notes and coin, treasury bills and other eligible bills, professional market placements to banks, amounts held at correspondents and certificates of deposit.

(s) Provisions

Provisions for restructuring costs and legal claims are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects the current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

Contingent liabilities are possible obligations whose existence depends on the outcome of uncertain future events or those present obligations where the outflows of resources are uncertain or cannot be measured reliably. Contingent liabilities are not recognised in the financial statements but are disclosed unless they are remote.

(t) Employee benefits

The Bank provides a defined contribution pension plan for its staff. The assets of the schemes are held separately from those of the Bank. The Bank pays contributions to the Zenith Retirement Benefit Scheme. The Bank has no further payment obligations once the contributions have been paid. The contributions are recognised as an 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.

(u) Guarantees

Financial guarantee contract liabilities are measured initially at their fair value and subsequently measured at the higher of:

- the amount of the obligation under the contract; or
- the amount initially recognised less, where appropriate, cumulative amortisation recognised.

(v) Share capital

Share issue costs - Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

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.

(w) Earnings per share

The Bank presents earnings per share data for its ordinary shares by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding in the period.

(x) Deposits

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 value of fixed interest-bearing deposits and other borrowings without a quoted market price is based on discounted cash flows using market interest rates for debts with similar remaining maturity.

(y) Loans written off

The amount of loan write off is assessed on a case by case basis, including appropriate advice and counsel sought from the Parent, Zenith Bank plc. Full or partial write-offs of loans and advances are generally recorded when management believes there is no realistic prospect of a full recovery or interest and principal payments being made on a timely basis.

(z) Repurchase and Reverse Repurchase Agreements

Securities purchased under resale agreements ("reverse repurchase agreements") and securities sold under agreements to repurchase ("repurchase agreements") are treated as collateralised financings and are recognised initially at fair value, being the amount of cash disbursed and received, respectively. The party disbursing the cash takes possession of the securities serving as collateral for the financing and having a market value equal to, or in excess of the principal amount loaned. The securities received under reverse repurchase agreements and securities delivered under repurchase agreements are not recognised on, or derecognised from, the balance sheet, unless the risks and rewards of ownership are obtained or relinquished.

(aa) Future accounting developments

At 31 December 2016, a number of standards and interpretations, and amendments thereto, had been issued by the IASB, which are not effective for the Bank's financial statements as at 31 December 2016.

(ab) New standards and interpretations not yet adopted

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Bank is currently in the process of evaluating the potential effect of this standard. This IFRS is expected to change the Bank's impairment model, resulting in earlier impairment recognition; classification and measurement and hedge accounting.

3 Critical accounting judgements and key sources of estimation uncertainty

The Bank's principal accounting policies are set out above. UK company law and IFRS require the directors to select suitable accounting policies, apply them consistently and make judgements and estimates that are reasonable and prudent. The directors consider that the estimates made in respect of the valuation of loans and advances and deferred tax are appropriate for the preparation of these financial statements.

4 Interest income

	2016	2015
Derived from:	**US$**	**US$**
Loans and advances to banks	8,995,336	15,027,652
Loans and advances to customers	15,392,598	16,051,195
Investment securities	13,338,213	12,819,046
Total	**37,726,147**	**43,897,893**

5 Fee and commission income

	2016	2015
Derived from:	**US$**	**US$**
Loans	1,323,430	1,551,443
Trade finance	3,957,886	5,915,649
Other	63,273	58,123
Total	**5,344,589**	**7,525,215**

6 Trading and other income

	2016	2015
Derived from:	**US$**	**US$**
Fixed income trading	2,023,948	1,895,269
Forex trading	1,109,328	732,304
Other	7,516	(136,681)
Total	**3,140,792**	**2,490,892**

7 Information regarding directors and employees

Employment costs are as follows:	2016	2015
	US$	**US$**
Wages and salaries	7,291,478	8,320,715
Pension contributions under defined contribution scheme	955,819	1,101,985
Compulsory social security obligations	729,162	622,372
Other	605,604	858,777
Total	**9,582,063**	**10,903,849**

Number of employees at year end including Directors	**71**	75
Average number of employees during the year including Directors	**72**	75

At the year end there were 25 (2015: 18) employees involved in customer facing roles and 46 (2015: 57) in administration.

Included within employment costs are:	2016	2015
	US$	**US$**
Directors' remuneration and fees		
Directors' fees and emoluments	1,049,004	1,420,869
Pension contributions	72,108	77,964
	1,121,112	**1,498,833**

The highest paid Director received emoluments excluding pension contribution totalling US$ 403,614 (2015: US$ 560,842) and pension of US$ 41,227 (2015: US$ 44,906). Retirement benefits are accrued under defined contribution schemes

8 Other expenses include

	2016	2015
	US$	**US$**
Premises cost	1,539,760	1,277,595
Other administration costs	3,625,683	3,362,845
Total fees paid to the auditors	228,045	254,608
Total	**5,393,488**	**4,895,048**

Auditors' remuneration	**2016**	**2015**
	US$	**US$**
Audit of UK statutory accounts	**124,526**	**166,370**
Non audit services:		
Other services relating to corporation tax	22,954	28,926
Other assurance related services	80,565	59,312
	103,519	**88,238**
Total	**228,045**	**254,608**

9 Taxation

The tax charge in the income statement for the year is US$ 787,896 (2015: US$ 1,774,704). The tax charge can be reconciled to the profit/(loss) per the income statement as follows:

Tax on profit on ordinary activities	**2016**		**2015**	
Analysis of tax charge during period:	**US$**		**US$**	
UK Corporation tax at 20.00% (2015: 20.25%):				
-Current year tax charge	788,487		1,808,995	
-Over provision in relation to prior year	(35,152)		(44,999)	
	753,335		**1,763,996**	
Deferred tax:				
-Current year deferred tax charge	34,561		10,708	
	34,561		**10,708**	
Tax charge on profits on ordinary activities	**787,896**		**1,774,704**	
Effective tax rate	23.00%		25.00%	
Factors affecting tax charge:				
Profit on ordinary activities before taxation	**3,425,633**		**7,098,818**	
Profit on ordinary activities multiplied by rate of UK corporation tax at 20.00% (2015: 20.25%)	685,127	20.0%	1,437,511	20.3%
Effects of:				
Expenses not deductible for tax purposes	354,486	10.4%	374,321	5.3%
Effect of rate change	(9,856)	-0.3%	(12,585)	-0.2%
Adjustment to tax charge in respect of previous periods	(241,861)	-7.1%	(24,543)	-0.4%
Total tax charge on profits on ordinary activities	**787,896**	**23.0%**	**1,774,704**	**25.0%**

The Directors have reviewed the level of the deferred tax asset carried forward and believe that this is fairly stated. The recovery of the recognised asset is dependent on the expected generation of future taxable profits.

A reduction in the UK corporation tax rate from 20% to 17% (effective from 1 April 2020). The deferred tax asset at 31 December 2016 has been calculated based on the rate of 17%.

10	**Cash and cash equivalents**	**2016**	**2015**
		US$	**US$**
	Petty cash	3,899	3,537
	Cash with other banks	228,154,218	88,417,286
	Money market placements	411,490,023	202,993,113
	Total	**639,648,140**	**291,413,936**

11	**Loans and advances to banks**	**2016**	**2015**
		US$	**US$**
	Loans and advances to banks	212,684,055	183,535,220
	Total	**212,684,055**	**183,535,220**

12	**Loans and advances to customers**	**2016**	**2015**
		US$	**US$**
	Loans to individuals	1,977,696	2,843,619
	Loans and advances to corporates	223,749,925	373,044,321
	Individual impairment charge	(25,359,601)	(8,338,078)
	Collective impairment charge	(979,283)	-
	Total	**199,388,737**	**367,549,862**
	Movements in Impairment:		
	Opening balance	(8,338,078)	-
	Charge for the year – individual impairment	(17,021,523)	(8,338,078)
	Charge for the year – collective impairment	(979,283)	-
	Closing balance	**(26,338,884)**	**(8,338,078)**

13	**Securities measured at fair value**	**2016**	**2015**
	(Fair Value through profit and loss)	**US$**	**US$**
	Treasury bills	10,897,241	-
	Eurobonds	114,524,419	123,501,908
	Total	**125,421,660**	**123,501,908**

14	**Securities investment**	**2016**	**2015**
	(HTM: amortised cost)	**US$**	**US$**
	Fixed interest rate eurobonds	135,344,224	178,475,215
	Variable interest rate eurobonds	4,074,821	5,292,218
	Total	**139,419,045**	**183,767,433**

15 Property, plant and equipment

	Leasehold improvements US$	Computer equipment US$	Furniture US$	Motor Vehicles US$	Total US$
Cost					
Balance at 1 Jan 2016	3,933,017	905,205	519,826	-	5,358,048
Additions	184,582	19,191	65,831	-	269,604
Disposals	-	-	-	-	-
Translation difference	(695,019)	(155,025)	(97,879)	-	(947,923)
Balance at 31 Dec 2016	**3,422,580**	**769,371**	**487,778**	**-**	**4,679,729**
Depreciation					
Balance at 1 Jan 2016	2,683,139	850,039	357,475	-	3,890,653
Charge for the year	179,873	32,320	46,502	-	258,695
Disposals	-	-	-	-	-
Translation difference	(473,959)	(147,479)	(64,808)	-	(686,246)
Balance at 31 Dec 2016	**2,389,053**	**734,880**	**339,169**	**-**	**3,463,102**
Net book value					
At 31 December 2016	**1,033,527**	**34,491**	**148,609**	**-**	**1,216,627**
Cost					
Balance at 1 Jan 2015	2,848,586	911,228	380,508	114,936	4,255,258
Additions	1,232,099	38,241	161,513	-	1,431,853
Disposals	-	-	-	(110,514)	(110,514)
Translation difference	(147,668)	(44,264)	(22,195)	(4,422)	(218,549)
Balance at 31 Dec 2015	**3,933,017**	**905,205**	**519,826**	**-**	**5,358,048**
Depreciation					
Balance at 1 Jan 2015	2,474,731	837,820	356,305	50,215	3,719,071
Charge for the year	347,999	57,748	20,394	19,624	445,765
Disposals	-	-	-	(69,839)	(69,839)
Translation difference	(139,591)	(45,529)	(19,224)	-	(204,344)
Balance at 31 Dec 2015	**2,683,139**	**850,039**	**357,475**	**-**	**3,890,653**
Net book value					
At 31 December 2015	**1,249,878**	**55,166**	**162,351**	**-**	**1,467,395**

16 Intangible assets

	2016	2015
	US$	**US$**
Cost		
Balance at the beginning of the year	4,523,324	4,212,041
Additions	300,251	478,130
Translation difference	(797,171)	(166,847)
Balance at end of the year	**4,026,404**	**4,523,324**
Amortisation		
Balance at the beginning of the year	3,606,474	3,151,314
Charge for the year	523,737	632,737
Translation difference	(658,409)	(177,577)
Balance at end of the year	**3,471,802**	**3,606,474**
Net book value		
Balance at end of the year	**554,602**	**916,850**
Balance at the beginning of the year	916,850	1,060,727

The intangible assets relate to software licenses purchased and software development.

17 Deferred tax

2016			**US$**
	Brought forward	Charge for the year	Carried forward
Assets			
Accelerated capital allowances	192,116	(34,561)	157,555
Provisions	11,054	-	11,054
Total	**203,170**	**(34,561)**	**168,609**

2015			
Assets			
IFRS transitional adjustment	93,795	(93,795)	-
Accelerated capital allowances	109,979	82,137	192,116
Provisions	10,104	950	11,054
Total	**213,878**	**(10,708)**	**203,170**

		2016	2015
18	**Other assets**	**US$**	**US$**
	Prepayments	904,856	1,493,253
	Derivative financial instruments (see Note 22)	-	238,694
	Other receivables	23,567	43,400
	Total	**928,423**	**1,775,347**

		2016	2015
19	**Deposits from banks**	**US$**	**US$**
	Money market deposits	109,989,038	161,185,595
	Deposits received for securities lent	48,952,065	117,155,364
	Other	660,010,432	488,694,739
	Total	**818,951,535**	**767,035,698**

		2016	2015
20	**Deposits from customers**	**US$**	**US$**
	Term deposits	95,305,765	107,302,385
	Demand deposits	200,652,458	80,061,162
	Saving deposits	7,112,513	4,207,348
	Total	**303,070,736**	**191,570,895**

		2016	2015
21	**Other Liabilities**	**US$**	**US$**
	Other taxes and social security costs	205,976	235,318
	Derivative financial instruments (see Note 22)	1,142	-
	Current tax creditor	970,868	979,070
	Other creditors	3,071,242	3,789,478
	Total	**4,249,228**	**5,003,866**

		2016	2015
22	**Derivative financial instruments**	**US$**	**US$**
	Forward foreign exchange contracts:		
	Receivable/(Payable)	(1,142)	238,694
	Total	**(1,142)**	**238,694**

Derivative financial instruments consist of short term foreign exchange contracts. These are held for day to day cash management rather than for trading purposes and are held at fair value. All derivative contracts open at the year ends have intended settlement dates within twelve months. All derivative financial instruments are considered to be level two for IFRS 7 purposes i.e. are priced with reference to observable market data.

23 Commitments and contingencies

Pension commitments

The Bank provides a defined pension contribution scheme for all staff. The assets of the scheme are held separately from those of the Bank in independently administered funds.

During the year, pension costs of US$ 955,819 (2015: US$ 1,101,985) were charged to the income statement. Pension obligations outstanding on 31 December 2016 US$ 69,480 (2015: nil).

Trade finance contingencies	**2016**	**2015**
	US$	**US$**
Letters of credit and acceptances (including cash backed)	242,687,614	127,353,116
Guarantees	24,276,211	66,044,904
Undrawn committed facilities	7,337,498	3,990,803
Total	**274,301,323**	**197,388,823**
Cash collateral and other high quality mitigations	259,107,388	181,209,267

Operating Leases on Premises	**2016**	**2015**
Non-cancellable operating lease payables:	**US$**	**US$**
Less than 1 year	1,065,755	696,563
1 - 5 Years	2,258,331	4,061,862
Total	**3,324,086**	**4,758,425**

During 2014 the Bank renewed its lease of its London office for a term of ten years, with the right to break the tenure in five years.

24 Financial Instruments

Accounting classifications and fair values

Derivatives
Derivative instruments are carried at fair value and changes in values are recognised through the Statement of Profit & Loss. For instruments where a listed market price is available, fair value is equal to market value.

Fair value through profit and loss
The Bank designates some investment securities at fair value, with fair value changes recognised in the Statement of Comprehensive Income.

Held-to-maturity
Debt instruments with the Bank's intention and ability to hold the investment to maturity. These instruments are carried at amortised cost using the effective interest rate method.

Other financial assets and financial liabilities
Other financial assets and financial liabilities that mainly include 'Loans and Advances' and 'Deposits' are carried at amortised cost. Fair values of these instruments are calculated based upon the value of future cash flows discounted at the market value of interest at the balance sheet date. Most Loans and advances are either on variable rate or fixed and short term structures. Accordingly the movements in yields get factored in to fair values within a short period. Further, some loans and advances are collateralised. For impaired assets, the carrying value is the best estimate of fair value.

Management expects the fair values of loans and advances to banks approximate the book values given these are mostly short-term placements and/or attract floating rates. Valuation of 'Loans and Advances to customers' consider the impact of movement in credit spreads and other client specific risk factors.

The fair value of each class of financial asset and financial liabilities are shown in the statement of financial position as follows:

2016	Loans and receivables US$	Fair value through P&L US$	Held to maturity US$	Total carrying value US$	Total fair value US$
Assets					
Cash and cash equivalent	639,648,140	-	-	**639,648,140**	639,648,140
Loans and advances to banks	212,684,055	-	-	**212,684,055**	212,684,055
Loans and advances to customers	199,388,737	-	-	**199,388,737**	190,681,298
Securities FVTPL	-	125,421,660	-	**125,421,660**	125,421,660
Securities investment	-	-	139,419,045	**139,419,045**	134,554,874
Total assets	**1,051,720,932**	**125,421,660**	**139,419,045**	**1,316,561,637**	**1,302,990,027**

	Fair value through P&L US$	Financial instruments at amortised cost US$	Total carrying value US$	Total fair value US$
Liabilities				
Deposits from banks	-	818,951,535	**818,951,535**	818,951,535
Deposits from customers	-	303,070,736	**303,070,736**	303,070,736
Derivatives	1,142	-	**1,142**	1,142
Total liabilities	**1,142**	**1,122,022,271**	**1,122,023,413**	**1,122,023,413**

2015	Loans and receivables US$	Fair value through P&L US$	Held to maturity US$	Total carrying value US$	Total fair value US$
Assets					
Cash and cash equivalent deposits in banks	291,413,936	-	-	291,413,936	291,413,936
Loans and advances to banks	183,535,220	-	-	183,535,220	183,535,220
Loans and advances to customers	367,549,862	-	-	367,549,862	347,903,468
Securities designated at fair value	-	123,501,908	-	123,501,908	123,501,908
Securities investment	-	-	183,767,433	183,767,433	177,061,395
Derivatives	-	238,694	-	238,694	238,694
Total assets	**842,499,018**	**123,740,602**	**183,767,433**	**1,150,007,053**	**1,123,654,621**

	Financial instruments at amortised cost US$	Total carrying value US$	Total fair value US$
Liabilities			
Deposits from banks	767,035,698	767,035,698	767,035,698
Deposits from customers	191,570,895	191,570,895	191,570,895
Derivatives	-	-	-
Total liabilities	**958,606,593**	**958,606,593**	**958,606,593**

25 Financial risk management

The Bank has exposure to the following risks from financial statements:

- credit risk;
- liquidity risk;
- market risk;
- operational risk;
- foreign exchange risk;
- interest rate risk;
- reputational risk;
- sovereign risk; and
- compliance risk.

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

Risk management framework

The Bank is firmly committed to the management of risk, recognising that sound internal risk management is essential to its prudent operation, particularly with the growing complexity, diversity and volatility of markets, facilitated by advances in technology and communications. Risk management is given high priority throughout the Bank and is integral to management of the business.

Responsibility for risk management policies and limits in the level of risks assumed lies with the Board of Directors. The Board charges management with developing, presenting, updating and implementing these policies, controls and limits. The structure is designed to provide assurance that no single event or combination of events will materially affect the well-being of the Bank.

The Bank's Board of Directors and the executive committee monitor compliance with risk management, assist in assessing market trends, economic and political developments, and providing global strategic direction for all aspects of risk management. The Asset and Liability Committee and the Market Risk Committee provide a forum for in-depth review and analysis of the market and liquidity risks to which the Bank is subjected to.

Active, hands-on senior management plays a key role in the identification, evaluation and management of all risks.

The following fundamental principles of sound risk management are applied to all financial instruments including derivatives:

- appropriate review by the Board of Directors and senior management;
- adequate risk management processes;
- sound measurement and information systems; and
- segregation of duties, comprehensive internal controls and internal audit procedures.

Credit Risk Management

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Bank's receivables from customers and investment securities.

The Bank mainly lends and takes risk on the major West African corporate and financial institutions who, in the main, are long established customers of the Zenith Group, and UK and European trading companies against an underlying trade transaction evidenced by an incoming Nigerian or other West African bank letter of credit.

International interbank lending will predominantly be to investment grade rated organisations and in line with the Credit Scoring Policy & Procedures manual. All limits are set against the Bank's capital resources as set out in its Credit Policy manual. Retail lending will only be to well-known and established customers of the Group in accordance with strict credit and security parameters.

The Bank's Credit Policy manual covers the credit procedures, limits, delegated authorities and credit risk grading issues for the Bank, taking account of the Bank's appetite for risk. The Bank's objective is to have a high quality, diversified loan portfolio which will generate profits commensurate with the risks and the Bank's target return on investments, and enable the Bank to identify potential problem loans and keeping non-performing assets and provisions to a minimum.

The ultimate responsibility for credit risk rests with the Board of Directors, who have delegated this responsibility to the Board Risk Committee ("BRC") chaired by a Non-Executive Director. In turn responsibility for day to day credit issues including assessing credit proposals has been delegated to the Management Credit Committee ("MCC") which is chaired by the CEO.

The MCC is responsible for reviewing and approving all credit matters which are submitted to it in line with approved policies and within its delegated authority, and is supported in this process by Risk Management. The day to day management of facilities within limits and guidelines set by the MCC will be the responsibility of the business line departments. Risk Management is responsible for monitoring compliance with these limits.

All credit applications and reviews are submitted to Credit Risk Management for independent assessment prior to being forwarded to the approval process. Any application in excess of limits delegated to the MCC must be submitted to the Group Credit Committee (“GCC”) for final approval and carry the support of the MCC. All such approved facilities are forwarded to the BRC for ratification at each subsequent BRC meeting.

All limits in the Bank are based on the Bank’s own capital resources, with limits covering countries, sovereign entities, banks and commercial entities and individuals. These limits operate within the PRA’s Large Exposure requirements within the CRR, as outlined in The PRA’s Approach to Banking Supervision.

All limits are set against the Bank’s capital resources and dependent on the individual internal credit risk grade of the counterparty. International money market and foreign exchange limits are dependent on the credit rating of the counterparty and the internal credit risk grade (“CRG”).

Nigerian limits are dealt with as a separate item in terms of policy. Exposure to the Bank’s parent Zenith Bank Plc and its subsidiaries will be aggregated and may not exceed a maximum of 25% of capital resources. Any exposure to the Central Bank of Nigeria and the Nigerian Government will also be aggregated and will be limited to a maximum of 25% of capital resources. All other potential Nigerian business will be kept to a maximum of 25% of capital resources and will also require the independent support of the Bank’s parent.

Further limits delegated to the MCC include “back-to-back” letters of credit up to 25% of capital resources and 100% cash covered facilities up to 100% of capital resources. Any other limit not mentioned here will require the final approval of the BRC, and will include the support of the MCC and the support of the parent where a Corporate entity is concerned.

All country limits are determined in accordance with the Credit Scoring Policy & Procedures Manual and all country limits override any individual customer limits.

Unless otherwise specified any Nigerian or corporate business will require the formal approval of the Group Credit Committee of Zenith Bank Plc in Lagos, Nigeria.

Medium and long term limits may not exceed 300% of capital resources at any time, except that OECD Export Credit Agency covered debt (which is weighted 0% for capital adequacy purposes) is excluded from this limit.

Forbearance practices

Forbearance is when a lender decides to modify the terms and conditions of a loan or debt security as a result of financial difficulty. Examples may include reducing interest rates, delaying payment of principal and amending or not enforcing covenants.

Lending subject to forbearance as at the year end 2016 was US$ 46.7m (2015: US$ 9m). The expected cash flows from the loans have been assessed and considered recoverable and therefore the loans have not been impaired.

Collateral

Collateral and security can be an important mitigant of credit risk.

The Bank routinely obtains collateral and security and ensures that any collateral held is sufficiently liquid, legally effective, enforceable and regularly reassessed.

The maximum exposure to credit risk (net of mitigations) on ‘loans and advances to banks’ and ‘loans and advances to customers’ and ‘off balance sheet items’ at the statement of financial position date was US$ 201m (2015: US$ 191m).

In the normal course of business, the Bank receives collateral on certain transactions to reduce its exposure to counterparty credit risk.

The following table reflects the types of collateral received by the Bank. The collateral values are based upon the best estimates of the recoverable values and are capped at the exposure value.

Collateral analysis

	2016	2015
	US$	US$
Cash	445,072,484	489,726,963
Property	40,261,008	68,146,353
	485,333,492	**557,873,316**

Sovereign risk

The Bank has established procedures to manage country risk with limits determined in accordance with the Credit Scoring Policy & Procedures Manual. The Bank takes limited sovereign risk and mitigates this through it’s on the ground knowledge of the economies concerned, the logistics of how the sovereign entities operate and the Zenith Group relationship network supporting those entities.

The table below summarises maximum exposure to credit risk as at statement of financial position date by geographical area.

2016	**Europe**	**Nigeria**	**Rest of Africa**	**Rest of the World**	**Total**
Assets					
Cash and cash equivalents	452,705,101	30,145,365	163,154	156,634,520	639,648,140
Loans and advances to banks	-	183,833,937	28,850,118	-	212,684,055
Loans and advances to customers	80,989,181	49,492,312	31,667,742	37,239,502	199,388,737
Securities designated at fair value	10,129,104	12,708,566	5,727,429	96,856,561	125,421,660
Securities investments	-	77,871,351	51,812,158	9,735,536	139,419,045
Total assets	**543,823,386**	**354,051,531**	**118,220,601**	**300,466,119**	**1,316,561,637**

2015	**Europe**	**Nigeria**	**Rest of Africa**	**Rest of the World**	**Total**
Assets					
Cash and cash equivalents	198,937,121	43,071,807	8,492	49,396,516	291,413,936
Loans and advances to banks	-	172,044,745	11,490,475	-	183,535,220
Loans and advances to customers	117,038,711	138,095,081	58,659,030	53,757,040	367,549,862
Securities designated at fair value	-	900,613	502,436	122,098,859	123,501,908
Securities investments	-	106,960,100	67,396,810	9,410,523	183,767,433
Total assets	**315,975,832**	**461,072,346**	**138,057,243**	**234,662,938**	**1,149,768,359**

An analysis of the credit quality of the maximum credit exposure based on rating agency Fitch and Moody ratings where applicable. These are grouped by Credit Quality Steps (CQS).

		2016	2015
CQS	**Assets**	**US$**	**US$**
	Cash and cash equivalent		
1	Rated AAA to AA-	27,584,001	3,333,131
2	Rated A+ to A-	372,831,595	155,138,589
3	Rated BBB+ to BBB-	183,893,807	89,837,925
4	Rated BB+ to BB-	8,699	58,807
5	Rated B+ to B-	30,136,667	43,013,000
6	Unrated	25,193,371	32,484
	Total	**639,648,140**	**291,413,936**
	Loans and advances to banks		
1	Rated AAA to AA-	-	-
2	Rated A+ to A-	-	-
3	Rated BBB+ to BBB-	-	-
4	Rated BB+ to BB-	205,371,034	161,529,266
5	Rated B+ to B-	7,313,021	22,005,954
6	Unrated	-	-
	Total	**212,684,055**	**183,535,220**
	Loans and advances to customers		
	Neither past due nor impaired	165,003,312	281,114,221
	Past due but not impaired	34,385,425	69,389,640
	Impaired	-	17,046,001
	Total	**199,388,737**	**367,549,862**
	Securities designated at fair value		
1	Rated AAA to AA-	111,568,719	122,098,859
2	Rated A+ to A-	-	-
3	Rated BBB+ to BBB-	718,923	502,436
4	Rated BB+ to BB-	12,381,124	900,613
5	Rated B+ to B-	752,894	-
6	Unrated	-	-
	Total	**125,421,660**	**123,501,908**
	Securities investment		
1	Rated AAA to AA-	-	-
2	Rated A+ to A-	-	-
3	Rated BBB+ to BBB-	17,796,765	30,293,105
4	Rated BB+ to BB-	53,966,820	84,706,758
5	Rated B+ to B-	67,655,460	68,767,570
6	Unrated	-	-
	Total	**139,419,045**	**183,767,433**

Credit exposure to loans and advances to customers as at the statement of financial position date by industry:

Loans and advances to customers	**2016**	**2015**
	US$	**US$**
Industry:		
Agriculture	4,090,637	12,875,805
Communication	39,825,930	86,843,753
Hotel & restaurants	-	7,500,000
Manufacturing	-	19,404,062
Oil and gas	100,566,848	143,051,525
Commodities trading	5,191,489	5,718,477
Real estate	2,112,188	1,883,015
Shipping	32,432,059	40,189,070
Conglomerates and general commerce	15,169,586	50,084,155
	199,388,737	**367,549,862**

Liquidity risk

Liquidity risk management

Liquidity risk is the risk that the Bank will not be able to meet its financial obligations as they fall due.

Liquidity management is conducted as per the PRAs liquidity guidelines, primarily the Liquidity Coverage Ratio (‘LCR’). In addition, the Bank employs the Net Stable Funding Ratio (‘NSFR’), which covers the stable funding requirement, coming into effect from January 2018. The on-going management of liquidity is also achieved by balancing cash flows within forward rolling time bands so that under normal conditions the Bank is comfortably placed to meet all its payment obligations as they fall due. Further, the Bank has developed an Individual Liquidity Adequacy Assessment Process (ILAAP) report, as required by the PRA, in order to assess the liquidity adequacy under specific stress scenarios, the results of which are reviewed by senior management on a regular basis.

The responsibility for ensuring that the Bank can meet its obligations as they fall due rests with the Bank’s management. Under the regulations the Bank must satisfy the PRA on an on-going basis that it has a prudent liquidity policy and adequate management systems in place to ensure that the policy is adhered to at all times:

- the Board of Directors is ultimately responsible for ensuring that the liquidity policy remains relevant and up-to-date at all times and is consistent with the Bank’s business activities and expressed risk tolerance;
- the Asset and Liability Committee (“ALCO”) is responsible for reviewing the policy and recommending it to the Board of Directors. ALCO is supported by Risk Management, which is responsible for monitoring compliance with the policy on a daily basis;
- the Bank has developed an ILAAP model (Individual Liquidity Adequacy Assessment Process) as required by the PRA, which includes a series of stress tests and limits. This is managed on a daily basis;
- the responsibility for the day-to-day management of the Bank’s liquidity position is delegated to the Bank’s Treasurer and is managed by the funding desk in the Treasury Department; and
- the responsibility for the day to day monitoring of the Bank’s liquidity position is delegated to the Risk Management department, which supports ALCO in the assurance of compliance with the Bank’s liquidity risk management framework and policy.

Total amount of the repurchase agreements outstanding at the year end of US$ 48,952,065 (2015: US$ 117,155,364) is included in securities within the balance sheet.

Liquidity	**Less than 3 months**	**Between 3 & 12 months**	**1 to 5 Years**	**Greater than 5 years**	**Carrying amount**
2016	**US$**	**US$**	**US$**	**US$**	**US$**
Assets					
Cash and cash equivalents	639,640,452	7,688	-	-	639,648,140
Loans and advances to banks	110,267,623	102,416,432	-	-	212,684,055
Loans and advances to customers	44,849,432	27,183,358	127,355,947	-	199,388,737
Securities designated at fair value	7,931,910	64,569,925	52,506,854	412,971	125,421,660
Securities investment	1,359,785	58,329,794	76,565,299	3,164,167	139,419,045
Total assets	**804,049,202**	**252,507,197**	**256,428,100**	**3,577,138**	**1,316,561,637**
Liabilities					
Deposits from banks	812,461,549	6,489,986	-	-	818,951,535
Deposits from customers	284,335,224	16,954,877	1,780,635	-	303,070,736
Derivatives	1,142	-	-	-	1,142
Total liabilities	**1,096,797,915**	**23,444,863**	**1,780,635**	**-**	**1,122,023,413**

Liquidity	**Less than 3 months**	**Between 3 & 12 months**	**1 to 5 Years**	**Greater than 5 years**	**Carrying amount**
2015	**US$**	**US$**	**US$**	**US$**	**US$**
Assets					
Cash and cash equivalents	291,413,936	-	-	-	291,413,936
Loans and advances to banks	135,936,249	3,361,165	44,237,806	-	183,535,220
Loans and advances to customers	121,911,537	97,237,649	117,327,582	31,073,094	367,549,862
Securities designated at fair value	25,003	36,909,847	86,132,574	434,484	123,501,908
Securities investment	1,479,526	42,750,463	136,397,781	3,139,663	183,767,433
Derivatives	238,694	-	-	-	238,694
Total assets	**551,004,945**	**180,259,124**	**384,095,743**	**34,647,241**	**1,150,007,053**
Liabilities					
Deposits from banks	699,984,797	67,050,901	-	-	767,035,698
Deposits from customers	151,451,440	40,119,455	-	-	191,570,895
Total liabilities	**851,436,237**	**107,170,356**	**-**	**-**	**958,606,593**

Market risk

Market risk management

Market risk is the risk of loss from changes in market prices and rates, the correlations among them, and their levels of volatility.

The Bank's trading activities are accounted for on a mark-to-market basis; and financial assets, financial liabilities and derivatives which form part of such activities are accounted for at fair value through the profit and loss account.

The Bank's trading activities are limited to transactions in financial instruments mainly comprising the trading of foreign exchange and debt securities. Market risk is primarily to currencies and interest rates. Exposure to those markets together with a description of the risk management policies arising from both banking and trading activities are set out below. Market risk exposures are measured and monitored daily and are formally reviewed weekly by the Bank's Asset and Liability Committee.

Exchange rate risk

The Bank makes loans and takes deposits in a number of currencies. Payments made on behalf of customers in one currency may be met from balances held in another currency. Further, the Bank is active in the international foreign exchange markets both for own account trading and for the management of Bank assets and liabilities. The table below sets out the concentrations of the currency assets and liabilities in the Bank's statement of financial position.

The Bank manages its exposures to foreign exchange risk by way of limits on the size of permitted positions, both intra-day and overnight. Overnight positions are protected by stop-loss orders placed with reputable correspondent banks. The size of the position limits is consistent with the amount of profit that the Bank is prepared to place at risk in the foreign exchange markets.

Foreign exchange exposure arises from normal banking activities, particularly from the receipt of deposits and the placement of funds denominated in foreign currencies. It is the policy of the Bank to match the currencies and its assets and liabilities as far as practicable. It is also the policy of the Bank to adhere to the limits laid down by the Board in respect of the "overall net open position". The tables below give details of the Bank's net foreign currency exposures as at 31 December 2016 as a basis of disclosing the Bank's foreign currency sensitivity analysis.

2016	**US Dollars**	**Sterling**	**Other**	**Total**
	US$	**US$**	**US$**	**US$**
Assets	1,251,251,889	38,370,883	29,807,126	1,319,429,898
Liabilities	(1,251,610,375)	(38,012,397)	(29,807,126)	(1,319,429,898)
Derivative foreign exchange contracts	(2,556,931)	3,095,657	(539,868)	(1,142)
Net open position	**(2,915,417)**	**3,454,143**	**(539,868)**	**(1,142)**

2015	**US Dollars**	**Sterling**	**Other**	**Total**
	US$	**US$**	**US$**	**US$**
Assets	1,097,022,996	43,948,065	13,160,060	1,154,131,121
Liabilities	(1,096,822,033)	(44,257,985)	(13,051,103)	(1,154,131,121)
Derivative foreign exchange contracts	(7,816,571)	7,613,070	(35,193)	(238,694)
Net open position	**(7,615,608)**	**7,303,150**	**73,764**	**(238,694)**

Foreign currency sensitivity

Foreign currency sensitivity analysis has been performed on the foreign currency exposures inherent in the Bank's financial assets and financial liabilities at the reporting dates presented, net of FX derivatives.

The sensitivity analysis provides an indication of the impact on the Bank's profit or loss of reasonably possible changes in the currency exposures embedded within the functional currency environment in which the Bank operates. Reasonable possible changes are based on an analysis of historical currency volatility, together with any relevant assumptions regarding near term future volatility.

The Bank believes that for each foreign currency net exposure it is reasonable to assume a 5% appreciation / deprecation against the Bank's functional currency. If all other variables are held constant the tables below present the impact on the Bank profit or loss if these currency movements had occurred.

2016	**Sterling Pounds**	**Other**
	US$	**US$**
Net foreign currency exposure	3,454,143	(539,868)
Impact of 5% increase against US$	172,707	(26,993)
Impact of 5% decrease against US$	(172,707)	26,993

2015	**Sterling Pounds**	**Other**
	US$	**US$**
Net foreign currency exposure	7,303,150	73,764
Impact of 5% increase against US$	365,158	3,688
Impact of 5% decrease against US$	(365,158)	(3,688)

Interest rate risk

Interest rate risk is the risk that arises due to the possibility of a change in rates, and how that impacts on pricing structure of the Bank's assets and liabilities.

Bank's ALCO (Asset and Liability Committee) meet weekly to monitor these issues, which in turn is assisted by Risk Management and changes in interest rates in various currencies arising from gaps in the future dates of repricing of assets, liabilities and derivative instruments. The Bank manages part of that risk by match funding certain deposits to loans. A change of 2% in interest rates at the Statement of Financial Position date would have increased (decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the Statement of Financial Position date and had been applied to risk exposures existing at that date.

Profit or Loss (net of tax)	**31 Dec 2016**	**31 Dec 2015**
	US$	**US$**
Increase	(6,524,000)	(8,984,000)
Decrease	6,891,000	9,610,000

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, human behaviour and systems, or from external events.

Operational risks are managed and controlled within the individual business lines and a wide variety of checks and balances to address operational risks have been developed as an important part of the Bank's risk management culture.

The Bank maintains an operational risk policy and further mitigates risk as follows:

- by recruiting experienced professional and well qualified staff;
- adoption of industry best practice in all operations;
- on-going consultation with risk management experts to ensure processes remain robust; and
- institutionalisation of due diligence procedures to meet regulatory requirements.

Operational risk is taken as a necessary consequence of the Bank undertaking its core business and it is the Bank's policy to minimise its risks to the extent possible through any entity wide control framework setting quantitative limits and through the use of internal audit, risk management and compliance. The Bank aims to minimise operational risk at all times through a strong and well-resourced control and operational infrastructure.

The Board Risk Committee seeks to ensure strong governance at all times.

Capital management

Capital is defined as the total of share capital, share premium, retained earnings and other reserves. Total capital at 31 December 2016 is US$ 193.2m (2015: $190.5m).

Regulatory capital is determined in accordance with the requirements stipulated by the FCA and the PRA in the UK.

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee and European Community Directives as implemented by the FCA and the PRA in the UK, for supervisory purposes, who requires each bank to maintain a ratio of total regulatory capital to risk- weighted exposures at or above a level determined for each institution.

Bank's total regulatory capital qualifies as Tier 1 capital, which is the total of the issued share capital and retained earnings;

	2016	**2015**
Capital Resources	**US$ millions**	**US$ millions**
Share capital	136.7	136.7
Retained earnings	56.5	53.8
Total Tier 1 capital	**193.2**	**190.5**

Critical accounting judgements in applying the Bank's accounting policies

Fair value hierarchy

The Bank measures fair value using the following fair value hierarchy:

Level 1 fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities,

Level 2 fair value measurements using 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), and

Level 3 fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs)

The following table outlines the fair value hierarchy of instruments carried at fair value:

2016	**Level 1**	**Level 2**	**Level 3**	**Total**
	US$	**US$**	**US$**	**US$**
Assets				
Securities FVTPL	111,368,341	14,053,319	-	125,421,660
Securities investment	-	134,554,874	-	134,554,874
Derivatives	-	(1,142)	-	(1,142)
	111,368,341	**148,607,051**	**-**	**259,975,392**

2015	**Level 1**	**Level 2**	**Level 3**	**Total**
	US$	**US$**	**US$**	**US$**
Assets				
Securities FVTPL	122,097,630	1,404,278	-	123,501,908
Securities investment	-	177,061,395	-	177,061,395
Derivatives	-	238,694	-	238,694
	122,097,630	**178,704,367**	**-**	**300,801,997**

Please refer to note 24 for fair values of 'loans and advances'.

26 Share capital

	2016	**2015**
	US$	**US$**
Issued:		
35,001,000 ordinary shares of £1 each		
- Redenominated in to 56,701,620 shares of $1 each	56,701,620	56,701,620
30,000,000 ordinary shares of US$1 each	30,000,000	30,000,000
50,000,000 ordinary shares of US$1 each	50,000,000	50,000,000
	136,701,620	**136,701,620**

Allocated called up and fully paid

During September 2014 fifty million new ordinary shares of $1 each were issued and fully subscribed by the parent entity. Further, as a part of the base currency translation project, the 35,001,000 British Pound shares were redenominated in to 56,701,620 US$ shares.

As at 31 December 2015 and 2016 the issued share capital comprises 136,701,620 ordinary shares with a par value of $1 each.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the meetings of the Bank. All shares rank equally with regards to the Bank's residual assets.

27 Earnings per share

	2016	**2015**
Earnings per share (EPS)	1.93 c	3.89 c
Ordinary shares as at the year end	**136,701,620**	**136,701,620**

Earnings per share for 2016 is 1.93 cents (2015: 3.89c). Higher impairment charges during 2016 have resulted in the reduction in 2016 EPS.

Diluted earnings per share calculation is not relevant as there are no convertible securities. The earnings per share are calculated using profit after tax as the numerator. The weighted average number of ordinary shares is used as the denominator.

28 Related party transactions

Key management personnel are considered to be the Directors. Disclosures regarding Directors emoluments and other transactions are given in note 7.

A number of banking transactions were entered into with related counterparties within the Zenith Bank Plc Group in the normal course of business. These include loans and deposits. Outstanding balances at the end of the year and related party income for the year are as follows:

	2016	2015
	US$	US$
Assets *(amounts included in note 11)*		
Amounts due from parent company	155,410,328	118,116,781
Amounts due from fellow subsidiaries	25,882,639	390,897
Total	**181,292,967**	**118,507,678**
Liabilities *(amounts included in note 19)*		
Amounts due to parent company	406,884,496	419,090,569
Amounts due to fellow subsidiaries	26,998,752	32,868,924
Total	**433,883,248**	**451,959,493**
Fees and commissions		
Parent company	3,064,215	3,847,569
Fellow subsidiaries	348,059	363,981
Total	**3,412,274**	**4,211,550**
Interest income		
Parent company	4,125,876	3,612,296
Fellow subsidiaries	523,810	8,067,298
Total	**4,649,686**	**11,679,594**
Interest expense		
Parent company	2,619,798	14,930,513
Fellow subsidiaries	274,671	11,877
Total	**2,894,469**	**14,942,390**

29 Ultimate parent company and controlling party

The Bank's immediate and ultimate parent and the sole-shareholder is Zenith Bank Plc, a bank incorporated in Nigeria. Group accounts into which the Bank is consolidated are available from Head Office at Plot 84, Ajose Adeogun Street, Victoria Island, Lagos, Nigeria.

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