

1999



CORPORATE INFORMATION

THE BOARD

MACAULAY PEPPLÉ	CHAIRMAN
JIM OVIA	MD/CEO
CHIEF E. M. EGWUENU	DIRECTOR
SIR. S.P.O. FORTUNE EBIE	DIRECTOR
PROF. L. E. O. OBIKA	DIRECTOR
GODWIN EMEFIELE	EXECUTIVE DIRECTOR
GODWIN BANIGO	EXECUTIVE DIRECTOR
TINA VUKOR-QUARSHIE	EXECUTIVE DIRECTOR

COMPANY SECRETARY

CHARLES MEKWUNYE

AUDITORS

PRICEWATERHOUSECOOPERS
Chartered Accountants

CORRESPONDENT BANKS

Citibank N.A.
111, Wall Street
New York, NY 10043.

Citibank N.A.
Cottons Centre
Hays Lane
London SE1 2QT.

Bankers Trust Company
1, Bankers Trust Plaza
130, Liberty Street
New York, NY 10006.

Bankers Trust Company
1, Appold Street
Broad Gate
London EC2A 2HE

Australia and New Zealand Banking Group Limited
Minerva
P. O. Box 7, Montague Close
London SE 19DH



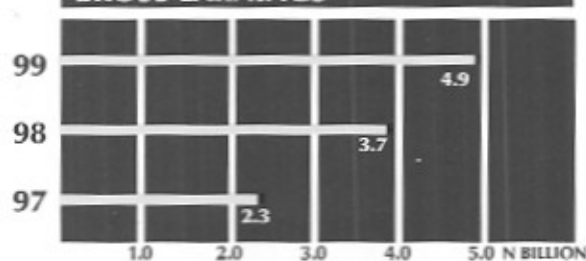
ZENITH INTERNATIONAL BANK LIMITED

HEAD OFFICE

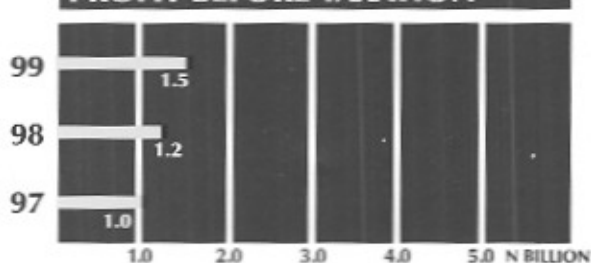
Plot 84, Ajose Adeogun Street Victoria Island - Lagos.
Tel: 01 - 2620727, 2610249 Fax: 01-2618212
www.zenithbank.com e-mail: enquiry@zenithbank.com

FINANCIAL HIGHLIGHTS

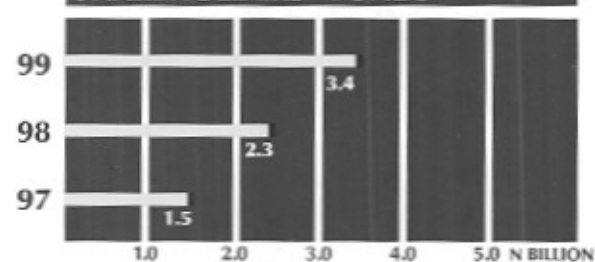
GROSS EARNINGS



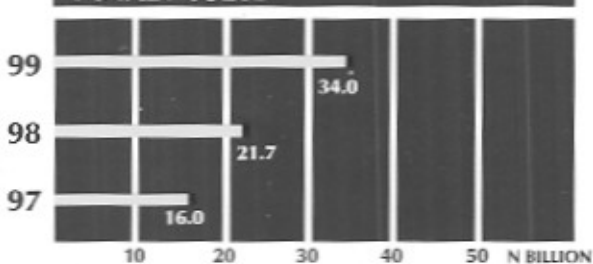
PROFIT BEFORE TAXATION



SHAREHOLDERS' FUNDS



TOTAL ASSETS



FINANCIAL OVERVIEW

	1999 N'000	1998 N'000
Profit & Loss		
Gross Earnings	4,970,475	3,777,890
Operating Expenses including loan loss	2,237,055	1,840,649
Profit Before Taxation	1,529,491	1,256,962
Profit After Taxation	1,352,997	1,062,809
Dividend	281,882	256,257
Balance Sheet		
Cash and Short Term Funds	22,490,383	14,189,013
Loans & Advances	9,886,975	6,267,043
Advances Under Finance Lease	23,427	46,009
Deposit Liabilities	19,375,188	11,867,376
Called-Up Share Capital	512,513	512,513
Bonus Issue Reserve	23	23
Shareholders' Funds	3,421,789	2,350,674
Total Assets	34,023,900	21,735,767
Per Share Data		
Earnings per N1 share	2.64	N2.07
Dividend per N1 share	0.55	N0.50

CHIEF EXECUTIVE'S REVIEW



JIM OVIA
MD/CEO

*"... at
Zenith, we
look beyond
the obvious."*

The adversity quotient of Zenith's management team has increased over the years. Part of my responsibilities as the Chief Executive Officer of the bank is to provide my colleagues the tools they need to improve their ability in order to survive and succeed under the most adverse situations.

Zenith's performance for the financial year ended June 30, 1999 is consistent with our track record of upward mobility in all financial indicators of the past several years. If good track record is a reasonable and acceptable way to measure and predict the future, it is obvious that Zenith's future could reasonably be predicted bright and would blossom. But at Zenith, we look beyond the obvious.

A few years ago, we hoisted the tallest Nigerian flag at our Abuja office complex, which attracted great deal of admiration. We have now made it our desire to maintain the brightest and appropriately large Nigerian flag in all our branches. If we could pay special attention to the size and shape of a flag, we could possibly do better in responding to the needs of our numerous customers; whose expectations we are determined to surpass.

JIM OVIA
Managing Director/Chief Executive

CHAIRMAN'S STATEMENT

TO OUR SHAREHOLDERS



MACAULAY PEPPL
CHAIRMAN

Distinguished shareholders, I am pleased, once again, to welcome you to the ninth Annual General Meeting of our Bank and to present to you the Annual Report and Financial Statements for the year ended 30 June, 1999.

Our Bank again proved its relentless pursuit of excellence and commitment to high-quality service, and the evidence is reflected in the commendable performance. We achieved a pre-tax profit of N1.529 billion representing an increase of 22 per cent over that of 1998. Profit after tax was N1.352 billion; an increase of 27 per cent compared with N1.06 billion of the previous year. This result ranks Zenith as the third most profitable bank in Nigeria. Our total assets rose from N21.735 billion to N34.023 billion; thus placing Zenith as the fifth largest bank in the country. Shareholders' funds increased to N3.421 billion, showing an increase of N1.071 billion from last year's figure of N2.350 billion.

We are pleased with our results given the adverse operating environment. The stakes are high, the challenges immense - and so are the expectations.

Looking back over the fleeting nine years of operational excellence, I feel challenged because we know we still have a long way to go. Nevertheless, we have to do much better to stay where we are with a mission to excel in all measures. We will continue to pursue excellence by galvanizing the strength of our resources and talents of our people to meet the challenge of competition.

Every year, we receive awards and other forms of recognition for excellence in banking by industry and financial analysts, the media, local and foreign rating agencies.

According to Agosto & Co, Nigeria's foremost industry analysts and financial consultant, our Bank's Risk Rating [Aa+] reflects the strong position of the bank in its defined markets and its very good financial condition. Similarly, Pharez Limited, another risk rating agency assigned a Risk- Rating of AA+, categorizing us as a bank of Superior Risk. This recently earned Zenith the 1998 'Pharez Gold Award For Excellence in Banking.'

Ladies and Gentlemen, what I considered the climax of the awards is the 1999 Zik Prize in Professional Leadership category conferred on the Managing Director and Chief Executive, Mr Jim Ovia by the Public Policy Research and Analysis Centre [PPRAC]. He is the first banker to receive this prestigious award. According to PPRAC, "Ovia's managerial competence, enterprise and innovation have made Zenith Bank one of the fastest growing banks not only on the African continent, but also in the third world."

You will agree that these awards do not just happen; it is the result of doing the right thing at the right time and with the right people. We shall keep working to make our service always unique and better in the minds and hearts of our customers.

Please join me in congratulating the Management and Staff for turning knowledge into action and for their continued commitment in maintaining the performance track record of our Bank.

Information and knowledge are critical for consensual decision making. The activities of rating agencies, investment analysts and the financial press will intensify as we enter the millennium. These will remarkably influence market behaviour, inform opinions on the market and engender greater transparency. Competition will no longer be driven by service excellence only, but also by adherence to best codes of practice,

trust, open and transparent ethical policies. These are challenges for the industry which call for attention in this period of profound market change. No doubt, our performance attests to our open and transparent ethical policies; all grounded on a foundation of solid financial strength.

The new political dispensation no doubt has created an enabling environment for foreign investment, and a whole new way of thinking. Competitive challenges will emerge by the entry of a number of international banks into Nigeria. We believe in the strength of our service and the talents of our people to create wealth for our customers.

There is great optimism and excitement about the future of Zenith as we welcome on board three new Executive Directors - Godwin Emefiele, Godwin Banigo and Tina Vukor-Quarshie. Their talents and professionalism give us hope for our continued success. Their mandate demands that they manage the day-to-day business with a sense of urgency and a level of personal commitment necessary to accomplish the Bank's goals.

We welcome Professor L. E. O. Obika who joined the Board during the year in review. We look forward to his valuable contributions.

Also on the board, two Directors left the Bank during the year in review. They are Messrs Austin Konyeme and Marcel Ihekwe. To them, we offer our warm gratitude for their important contributions to the Bank. We wish them well in their endeavours.

We face the future in good heart, with confidence and a clear strategy. Our aim is to improve our competitive strength in the industry. Our staff have sustained the Bank through past challenges, and convincingly, will carry Zenith forward through whatever challenges the new millennium holds. Without them, the success we enjoy today would not be possible.

We will continue to use our expertise and experience to create value for our customers as well as uphold the highest professional and ethical standard to sustain their trust. We thank them for their splendid support.

MACAULAY PEPPLER
CHAIRMAN

BUSINESS FOCUS

The Pursuit Of Service Excellence

At every level in Zenith, there is harmonic convergence between our spirit of service excellence and unfailing instinct of service recovery.

Our staff understand that customer enthusiasm and loyalty are founded on a perfect fusion of service delivery and service recovery strategies, and we are intently focused on constantly developing innovative ways to deepen service relationship with our customers.

In today's chaotic business environment characterized by fierce competition and relentless change, redefining the very terms of competition is the only sustainable tool for guaranteed long term corporate success. Ideas and tools to build on productivity and to achieve competitive success come from talent, training, experience and human synergy most of all. We are staffed by an exceptional cast of seasoned professionals. Our service differentiation is derived from a breadth of strong capabilities woven into a formidable range of core competencies that are built bone-deep into our corporate culture.

Our Corporate Banking Group develop and deliver the distinctive financial and investment competencies to ensure growth and profitability for our clients.

The group is structured to provide well tailored financial services to meet the ever challenging banking needs of major multinationals in the economy. Our ability to consistently identify new growth opportunities and to develop innovative ways to convert those opportunities into value endears us to our customers.

Our products are designed with strong emphasis on quality, efficiency of delivery, reliability and competitive pricing. Where such orthodox or conventional products such as overdraft, commercial papers, import financing, etc are offered, the packaging and processing are effected with zero-defect precision.

We have been able to earn ourselves an enviable position in the Money Market through the provision of funding and investment outlets for other financial institutions. Our dedicated relationship managers, with in-depth knowledge of trends and opportunities, ensure the needs of customers are surpassed.

The Energy Group is the strategic interface between the Bank and the Nigerian Oil and Gas, and construction industries. The Group monitors events in the unstable petroleum industry with a view to providing timely information and advisory services to its esteemed clientele.

The Group offers high quality cost effective and efficient banking services and this has earned Zenith the number one position as bank-of-first choice in the Energy Sector, but most especially in the downstream segment of the industry.

Our Emerging Market Group exists to fill the dis-satisfaction gap in banking services delivery to the small/medium-tier sector, which includes small and medium-sized businesses as well as high-net-worth individuals. The unit provides a value compass for target clientele with a view to implementing well thought-out solutions to their business transactions. Our experienced personnel are charged with identifying opportunity gaps and developing appropriate products for our customers. The strategy of customer segmentation and portfolio management supported with an unrivalled service culture have translated into substantial volume increases.

The key part of Zenith's business banking franchise is the financing of foreign trade transactions through a network of correspondent banks in Europe, North America and Asia. Our core competence in the use of information technology gives us the leading-edge in providing quality transaction services to local and multinational companies.

Our investment in information technology acquisition, deployment and training reflect our commitment to leverage new technologies for the benefit of our clients. We have become a technology-usage leader in the banking industry and this positioning has assisted us in achieving leading edge improvements in the delivery of quality service to our customers. Our systems are year 2000 compliant; and we have invested substantial resources in linking all our 23 branches to achieve an on-line, real-time capability.

To achieve this, we have procured information technology equipment and new banking software that is year 2000 compliant; running in a robust operating environment with the best data base management system in the computer industry. Our Internet banking facility is so flexible that it will allow our valuable customers to have access to their accounts via the Internet irrespective of their place of abode.

We commit to excellence in everything we do to become the bank of choice.

In all these, we conduct our business in ways that are compatible with the values of our host communities, as well as meeting their social needs.

*"Our dedicated
relationship managers,
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BOARD OF DIRECTORS



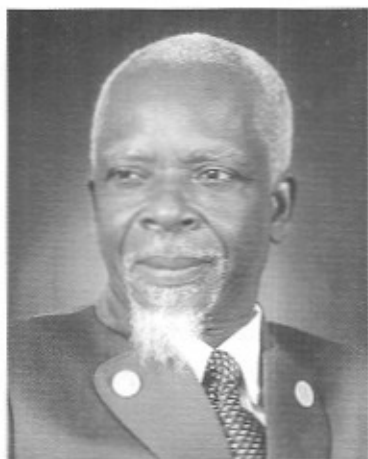
MACAULAY PEPPL
CHAIRMAN



JIM OVIA
MD/CEO



CHIEF E. M. EGWENU
DIRECTOR



SIR S.P.O. FORTUNE EBIE
DIRECTOR



PROF. L. E. O. OBIKA
DIRECTOR



GODWIN EMEFIELE
EXECUTIVE DIRECTOR



TINA VUKOR-QUARSHIE
EXECUTIVE DIRECTOR



GODWIN BANIGO
EXECUTIVE DIRECTOR

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 1999

In compliance with the Companies and Allied Matters Decree 1990, the Directors hereby present their report on the affairs of the Bank, and the audited Financial Statements for the year ended 30 June 1999.

Activities during the Year

The Bank is engaged in the business of providing commercial banking services to corporate, commercial and individual customers.

Directors who served during the year

Macaulay Pepple	Chairman
Jim Ovia	Managing Director/Chief Executive
Chief E. M. Ekwuenu	
Sir. S. P. O. Fortune-Ebie	
Prof. L. E. O. Obika	Appointed October 1998
Godwin Emefiele (Executive)	Appointed January 1999
Godwin Banigo (Executive)	Appointed January 1999
Tina Vukor-Quarshie (Executive)	Appointed January 1999
Marcel Ihkweme	Resigned March 1999
Austin Konyeme	Resigned May 1999

Directors' Interest in Shares

The Directors' interest in the ordinary shares of the Bank were as follows:

Name of Directors	No of N1 Ordinary Shares held at:	
	30/06/99	30/06/98
Jim Ovia	50,904,000	50,904,000
Chief E.M Ekwuenu	36,118,000	36,118,000
Godwin Emefiele	857,000	857,000
Godwin Banigo	857,000	857,000
Tina Vukor-Quarshie	857,000	857,000

	1999	1998
Result of Operations	N'000	N'000
Profit Before Taxation	1,529,491	1,256,962
Income Tax	(176,494)	(194,153)
Profit After Taxation	1,352,997	1,062,809

It is recommended that the profit after taxation for the year be appropriated as follows:

	N'000
Statutory Reserve	405,899
Proposed Dividend	281,882
General Reserve	665,216

Acquisition of Own Shares

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

Fixed Assets

Information relating to changes in fixed assets is given in note 12 to the Financial Statements.

Charitable Gifts

During the year, the Bank made donations to charitable institutions and bodies amounting to N4,343,000 (1998 - N1,296,000).

Research and Development

It is expected that the Bank will be able to improve on its performance in the years ahead. The Bank is, on a continuous basis, carrying out research into new banking products and services.

Employment of Disabled Persons

Although the Bank did not employ any disabled person during the year, its employment policy is based entirely on merit and the individual's ability to perform. Thus, the Bank would not refuse to employ a person on the ground of his/her physical disability.

Health, Safety and Staff Welfare

The Bank has an extensive network of hospitals and clinics on retainerhip for the use of employees and their immediate families.

Employee Involvement and Training

The Bank places high premium on consultation with employees on matters affecting them. Formal and informal channels of communication are employed in keeping the staff aware of various factors affecting the performance of the Bank. So far, the Bank has utilised the facilities of various local training institutions and organisations.

Auditors

PricewaterhouseCoopers have indicated their willingness to continue in office in accordance with Section 357(2) of the Companies and Allied Matters Decree, 1990.

Dated this 16th July, 1999.

By Order of the Board



Charles Mekwunye
Company Secretary

Report of the Auditors to the Members of Zenith International Bank Limited

We have audited the financial statements of Zenith International Bank Limited for the period ended 30 June 1999 set out on pages 16 to 33, which have been prepared in accordance with the accounting policies set out on pages 19 and 20.

Respective responsibilities of Directors and Auditors

As described in the Statement of Directors' Responsibilities in relation to the financial statements on page 32 [note 27], the bank's Directors are responsible for the preparation of the financial statements. It is our responsibility to express an independent opinion, based on our audit, on the financial statements prepared by the Directors.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates and judgements made by the Directors, and an evaluation of the overall adequacy of the presentation of the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates and judgements made by the Directors, and an evaluation of the overall adequacy of the presentation of the financial statements.

We planned and performed such audit procedures and obtained all the information and explanations which we considered necessary for the purpose of our audit. We examined the books of the bank and our examination of advances was carried out in accordance with the Prudential Guidelines for licensed banks. We believe that our audit provides us with a reasonable basis for our opinion.

Opinion

In our opinion, the bank has kept proper books and proper returns adequate for the purpose of our audit were received from the branches not visited by us. The assets have been properly valued and adequate provisions made for losses and diminution in the value of such assets.

In our opinion, the financial statements which are in agreement with the books and returns, give in the prescribed manner the information required by the Companies and Allied Matters Decree 1990, the Banks and Other Financial Institutions Decree 1991 and all relevant Accounting Standards, and give a true and fair view of the state of affairs of the bank as at 30 June 1999 and of the profit and cash flow of the bank for the period then ended in conformity with generally accepted accounting principles in Nigeria.

To the best of our information, the bank has complied with requirements of relevant Central Bank of Nigeria Circulars.

PricewaterhouseCoopers
Chartered Accountants
Lagos



16 July 1999

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 1999

	Notes	1999 N'000	1998 N'000
INTEREST INCOME	1	3,407,061	2,475,674
INTEREST EXPENSE	2	(1,203,929)	(680,279)
NET INTEREST INCOME		2,203,132	1,795,395
PROVISION FOR LOAN LOSSES	9b	(102,043)	(37,317)
OTHER OPERATING INCOME	3	1,563,414	1,302,216
OPERATING EXPENSES	4	(2,135,012)	(1,803,332)
PROFIT BEFORE TAXATION		1,529,491	1,256,962
TAXATION	5	(176,494)	(194,153)
PROFIT AFTER TAXATION		1,352,997	1,062,809
TRANSFER TO STATUTORY RESERVE	16	(405,899)	(318,843)
PROPOSED DIVIDEND		(281,882)	(256,257)
PROFIT FOR THE YEAR TRANSFERRED TO GENERAL RESERVE	16	<u>665,216</u>	<u>487,709</u>
EARNINGS PER SHARE (N)		2.64	2.07
DIVIDEND PER SHARE (N)		<u>0.55</u>	<u>0.50</u>

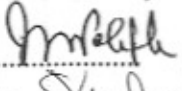
The notes on pages 19 to 32 form an integral part of these financial statements.

BALANCE SHEET

AS AT 30 JUNE 1999

	Notes	1999 N'000	1998 N'000
ASSETS			
CASH AND SHORT TERM FUNDS	6	22,490,383	14,189,013
INVESTMENTS	7	6,787	6,787
LOANS AND ADVANCES	8	9,886,975	6,267,043
ADVANCES UNDER FINANCE LEASE	10	23,427	46,009
OTHER ASSETS	11	423,833	356,065
FIXED ASSETS	12	1,192,495	870,850
		<u>34,023,900</u>	<u>21,735,767</u>
LIABILITIES			
DEPOSIT LIABILITIES	13	19,375,188	11,867,376
OTHER LIABILITIES	14	11,226,923	7,517,717
		<u>30,602,111</u>	<u>19,385,093</u>
CAPITAL AND RESERVES			
CALLED-UP SHARE CAPITAL	15	512,513	512,513
BONUS ISSUE RESERVE	16	23	23
SHARE PREMIUM	15	300	300
OTHER RESERVES	16	2,908,953	1,837,838
SHAREHOLDERS' FUNDS		<u>3,421,789</u>	<u>2,350,674</u>
		<u>34,023,900</u>	<u>21,735,767</u>
Confirmed credits and other obligations on behalf of customers and the corresponding liabilities thereon	17	<u>3,260,591</u>	<u>677,072</u>

The Financial Statements and notes on pages 16 to 32 were approved by the Board of Directors on 16 July 1998 and signed on its behalf by:

Macaulay Pepple [Chairman].....

Jim Ovia [MD/Chief Executive].....

The notes on pages 19 to 32 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 30 JUNE 1999

	Note	1999 N'000	1998 N'000
NET CASH INFLOW FROM OPERATIONS	25	9,315,137	3,989,519
FINANCING ACTIVITIES			
Dividend Paid		(256,257)	(48,811)
TAXATION			
Corporate tax paid		(103,591)	(56,461)
INVESTING ACTIVITIES			
Investment		-	(6,787)
Purchase of tangible fixed assets		(654,993)	(400,148)
Sale of tangible fixed assets		1,074	900
		<u>8,301,370</u>	<u>3,478,212</u>
INCREASE IN CASH AND CASH EQUIVALENTS		<u>8,301,370</u>	<u>3,478,212</u>

The notes on pages 19 to 32 form an integral part of these financial statements.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 1999

a) Basis of Accounting

These financial statements have been prepared under the historical cost convention and comply with the Statement of Accounting Standard for banks and non-bank financial institutions (SAS 10).

b) Interest

Interest is accrued monthly on all interest bearing assets and liabilities.

Assets are classified as non-performing when principal or interest is overdue for more than 90 days. Interest income on non-performing assets is suspended and recognised on cash basis only.

c) Provision for Loan Losses

Provision for loan losses is made in compliance with the Prudential Guidelines issued by the Central Bank of Nigeria as follows:

Overdue between 91 days to 180 days	Sub-standard	10%
Overdue between 181 days to 360 days	Doubtful	50%
Overdue above 360 days	Lost	100%

1% general provision is made for all credit facilities not specifically provided for to recognise losses in respect of latent doubtful debts present in any credit portfolio.

d) Fee Income

Credit related fee income, where material is amortised over the life of the facility. Other fee income is recognised when the service is completed.

e) Advances under Finance Lease

Income accruing on the leases are amortised over the lease period on a basis reflecting a constant periodic rate of return on the outstanding net investment in the lease.

Statement of Significant Accounting Policies (contd)

f) Depreciation

Depreciation is calculated to write off the cost of fixed assets on a straight line basis over the expected useful life of the asset as follows:

Motor vehicles	25%
Furniture, Fittings and Equipment	20% - 25%
Computer equipment	33.33%
Leasehold improvement	25% (or period of primary lease where shorter)
Land and Buildings	2%

Gains or losses on the disposal of fixed assets are included in the operating profit.

g) Investments

Investments are stated at cost. Provisions are made for any permanent diminution in the carrying value of the investment.

h) Foreign Currency

Transactions in foreign currency are converted into Naira at the rate of exchange ruling at the date of the transaction. Assets and Liabilities denominated in foreign currency are reported at the rates of exchange prevailing at year end. Exchange gains or losses are included in the profit and loss account.

i) Deferred Taxation

Deferred taxation is based on timing differences resulting from the inclusion of items of income and expenditure in different periods for financial and taxation accounting purposes.

Deferred taxation is provided in the accounts using current company taxation rates.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 1999

1. Interest Income

The analyses by source and geographical area of interest income are as follows:

	1999 N'000	1998 N'000
Description of source:		
Bank	313,717	235,979
Non-bank	3,093,344	2,239,695
	<u>3,407,061</u>	<u>2,475,674</u>
Geographical location:		
Domestic	3,322,188	2,411,054
External	84,873	64,620
	<u>3,407,061</u>	<u>2,475,674</u>

2. Interest Expense

Inter-bank takings	34,552	57,039
Current accounts	27,100	32,325
Other deposits	1,142,277	590,915
	<u>1,203,929</u>	<u>680,279</u>

All interest expense was paid in Nigeria.

3. Other Operating Income

Fees	67,850	72,118
Foreign exchange earnings	29,644	58,731
Commissions	1,437,524	1,142,459
Others	28,396	28,908
	<u>1,563,414</u>	<u>1,302,216</u>

4. Operating Expenses

Staff costs	666,750	424,765
Depreciation	327,830	229,783
Auditors' remuneration	5,300	4,000
Directors' emoluments	8,548	5,942
Other operating expenses	1,126,584	1,138,842
	<u>2,135,012</u>	<u>1,803,332</u>

Notes to the Financial Statements (contd.)

	1999	1998
	N'000	N'000
5. Taxation		
Based on the profit for the year, as adjusted for taxation purposes	(176,494)	(194,153)
Charge for the year	<u>(176,494)</u>	<u>(194,153)</u>
6. Cash and Short Term Funds		
Cash	818,089	652,831
Balances with Central Bank of Nigeria:		
- Operating account	3,511,506	2,514,419
- Cash reserves	1,497,538	619,499
- Special Treasury Bills	3,047,000	-
- Stabilisation securities	-	89,858
Due from other banks:		
- In Nigeria	332,090	2,596,814
- Outside Nigeria	8,423,271	3,900,147
Nigeria Government Treasury Bills	4,860,889	3,815,445
	<u>22,490,383</u>	<u>14,189,013</u>

Included in balances held with banks outside Nigeria is the amount of N8,374,668,883 (1998: N3,867,141,000) held for customers on account of letters of credit transactions.

Notes to the Financial Statement (contd.)

7. Investments	1999 N'000	1998 N'000
Investment in Smartcard Nigeria Plc:		
Equity	4,531	4,531
2 year floating rate Debenture Stock	2,256	2,256
	<u>6,287</u>	<u>6,787</u>
8. Loans and Advances		
Secured against real estate	617,288	650,876
Otherwise secured	7,772,432	4,038,445
Unsecured	1,776,904	1,751,074
	<u>10,166,624</u>	<u>6,440,395</u>
Less: Provision for loan losses and interest in suspense (Note 9)	<u>(279,649)</u>	<u>(173,352)</u>
	<u>9,886,975</u>	<u>6,267,043</u>
Analysis by maturity:		
Maturing between 1 to 3 months	9,358,839	6,270,867
Maturing between 3 to 6 months	56,256	44,523
Maturing between 6 to 12 months	21,472	11,459
Maturing after 12 months	730,057	113,546
	<u>10,166,624</u>	<u>6,440,395</u>
Analysis by performance:		
Performing	9,991,598	6,331,438
Non-performing	175,026	108,957
	<u>10,166,624</u>	<u>6,440,395</u>

Notes to the Financial Statements (contd.)

9. Provision for Loan Losses and Interest in Suspense

9a. Loans and Advances

	Specific N'000	General N'000	Interest suspense N'000	Total 1999 N'000	Total 1998 N'000
At 1 July 1998	85,867	64,395	23,091	173,353	121,479
Charge for the year	71,848	40,228	15,762	127,838	55,105
Recoveries	(9,805)	-	(11,737)	(21,542)	(3,231)
At 30 June 1999	<u>147,910</u>	<u>104,623</u>	<u>27,116</u>	<u>279,649</u>	<u>173,353</u>

9b. Charge for the year
-loans & leases

	Specific N'000	General N'000	Total 1999 N'000	Total 1998 N'000
Loans and advances	71,848	40,228	112,076	39,900
Recoveries - Loans and Advances	(9,805)	-	(9,805)	(1,797)
Writeback - leases (note 10b)	-	(228)	(228)	(786)
	<u>62,043</u>	<u>40,000</u>	<u>102,043</u>	<u>37,317</u>

Notes to the Financial Statements (contd.)

10a. Advances Under Finance Lease

	1999 N'000	1998 N'000
Gross investment	27,351	51,316
Less: Unearned finance income	(3,687)	(4,842)
	<u>23,664</u>	<u>46,474</u>
Less: Provision for doubtful advances	(237)	(465)
	<u>23,427</u>	<u>46,009</u>
Analysis by maturity:		
Maturing between 1 to 3 months	7,235	14,497
Maturing between 3 to 6 months	7,632	7,680
Maturing between 6 to 12 months	6,405	14,821
Maturing after 12 months	2,392	9,476
	<u>23,664</u>	<u>46,474</u>
Analysis by performance:		
Performing	23,664	46,474
Non-performing	-	-
	<u>23,664</u>	<u>46,474</u>

10b. Provision for doubtful advances

	Specific N'000	General N'000	Interest suspense N'000	Total 1999 N'000	Total 1998 N'000
At 1 July 1998	-	465	-	465	1,251
Provision no longer required	-	(228)	-	(228)	(786)
At 30 June 1999	<u>-</u>	<u>237</u>	<u>-</u>	<u>237</u>	<u>465</u>

Notes to the Financial Statement (contd.)

11. Other Assets	1999 N'000	1998 N'000
Accrued interest	97,763	17,904
Prepayments	324,228	329,394
Sundry receivables	1,842	8,767
	<u>423,833</u>	<u>356,065</u>

There is no diminution in the value of Other Assets which have been reviewed in line with the Central Bank of Nigeria Prudential Guidelines.

12. Fixed Assets

Cost	Land & Buildings N'000	Leasehold Improve- ment N'000	Furniture Fittings & Equipment N'000	Computer Equipment N'000	Motor Vehicles N'000	Total N'000
At 1 July 1998	188,908	245,647	463,981	229,337	272,458	1,400,331
Additions	-	69,710	202,027	246,317	136,939	654,993
Reclassifications/write off	-	-	(4)	-	(4,325)	(4,329)
Disposals	-	-	(16,089)	(7,593)	(7,918)	(31,600)
At 30 June 1999	<u>188,908</u>	<u>315,357</u>	<u>649,915</u>	<u>468,061</u>	<u>397,154</u>	<u>2,019,395</u>
Depreciation						
At 1 July 1998	6,481	101,938	192,590	101,689	126,783	529,481
Charge for the year	2,168	60,350	102,420	92,442	70,450	327,830
Reclass./write-off	422	(422)	81	(81)	(1,393)	(1,393)
Disposals	-	-	(15,069)	(7,593)	(6,356)	(29,018)
At 30 June 1999	<u>9,071</u>	<u>161,866</u>	<u>280,022</u>	<u>186,457</u>	<u>189,484</u>	<u>826,900</u>
Net Book Amount						
At 30 June 1999	<u>179,837</u>	<u>153,491</u>	<u>369,893</u>	<u>281,604</u>	<u>207,670</u>	<u>1,192,495</u>
At 30 June 1998	<u>182,427</u>	<u>143,709</u>	<u>271,391</u>	<u>127,648</u>	<u>145,675</u>	<u>870,850</u>

Notes to the Financial Statement (contd.)

	1999 N'000	1998 N'000
13. Deposit Liabilities		
Demand	12,096,929	8,381,851
Savings	279,173	231,201
Term	6,978,839	3,054,077
Due to other banks	-	180,000
Cash Collateral against advances	20,247	20,247
	<u>19,375,188</u>	<u>11,867,376</u>
Analysis by maturity:		
Maturing within one month	12,376,102	11,022,417
Maturing between 1 to 3 months	6,711,634	824,959
Maturing between 3 to 6 months	258,980	-
Maturing between 6 to 12 months	28,472	20,000
	<u>19,375,188</u>	<u>11,867,376</u>
14. Other Liabilities		
Interest payable on deposits	71,704	46,386
Accrued expenses	516,150	674,731
Unearned interest	51,055	25,884
Customers' deposit for foreign exchange	8,374,669	3,867,141
Taxation	176,494	103,591
Deferred taxation	152,056	105,351
Sundry payables	1,602,913	2,438,376
Dividend payable	281,882	256,257
	<u>11,226,923</u>	<u>7,517,717</u>
15. Called up Share Capital		
Authorised:		
600 million ordinary shares of N1 each	<u>600,000</u>	<u>600,000</u>
Called up and fully paid:		
512,513,000 ordinary shares of N1 each	<u>512,513</u>	<u>512,513</u>
Share premium	<u>300</u>	<u>300</u>

Notes to the Financial Statement (contd.)

16. Reserves

	Statutory Reserve N'000	R & D Reserve N'000	Bonus Reserve N'000	General Reserve N'000	Total N'000
At 1 July 1998	880,326	530	23	956,982	1,837,861
Transfer from					
Profit & Loss account	405,899	-	-	665,216	1,071,115
Bonus Issue	-	-	-	-	-
At 30 June 1999	<u>1,286,225</u>	<u>530</u>	<u>23</u>	<u>1,622,198</u>	<u>2,908,976</u>

17. Confirmed Credits and Other Obligations on Behalf of Customers

	1999 N'000	1998 N'000
Transaction related contingencies:		
Bonds and performance guarantees	<u>3,260,591</u>	<u>677,072</u>

18. Pension Commitments

The bank established a Staff Contributory Pension Scheme which commenced in January 1991, and is managed by Trustees who are employees of the bank. Employees are entitled to join the scheme on the 1st January following the confirmation of their appointment with the bank. The contributions by the employees and the bank are 5% and 20% respectively of the employee's basic salary. The contribution by the bank during the year was N19,466,368 (1998: N12,463,994).

19. Capital Commitments

Commitments for capital expenditure during the year under review amounted to N54 million (1998: =N=91 million).

20. Contingent Liabilities

There were no contingent liabilities as at the year end (1998: Nil)

21. Banks and Other Financial Institutions Decree 1991

During the year, the bank complied with the provisions of the Banks and Other Financial Institutions Decree of 1991.

22. Reclassifications

Certain prior year balances have been reclassified to enhance comparability with the current year presentation.

Notes to the Financial Statement (contd.)

23. Directors and Employees

The average number of persons (including directors) employed by the bank during the year was:

	1999 Number	1998 Number
Categories:		
Management staff	40	36
Other professional staff	529	512
Support staff	135	81
	<u>704</u>	<u>629</u>
Staff costs for the above persons:	N'000	N'000
Staff expenses	647,284	412,301
Other pension costs	19,466	12,464
	<u>666,750</u>	<u>424,765</u>

The number of employees of the bank, other than directors, who earned more than N100,000 in the year:

	1999 Number	1998 Number
N100,001 - N110,000	83	75
N110,001 - N120,000	65	53
N170,001 - N180,000	114	107
N200,001 - N210,000	74	64
N240,001 - N250,000	86	80
N300,001 - N310,000	34	27
N440,001 - N450,000	33	24
N490,001 - N500,000	42	34
Above N500,000	173	165

Notes to the Financial Statement (contd.)

Directors' Remuneration

The remuneration paid to the Directors of the bank was:

	1999 N'000	1998 N'000
Emoluments (including fees, pension contributions and benefits in kind)	<u>8,548</u>	<u>5,942</u>
Fees and other emoluments disclosed above (excluding pension contributions) include amounts paid to:		
The Chairman	<u>1,455</u>	<u>720</u>
The highest paid Director	<u>3,792</u>	<u>3,398</u>

The number of Directors (including the Chairman and the highest paid Director) who received fees and other emoluments (excluding pension contributions) in the following ranges was:

	1999 Number	1998 Number
N300,000 - N350,000	1	-
N350,001 - N400,000	-	1
N400,001 - N500,000	-	2
N500,001 - N530,000	1	-
N530,001 - N550,000	-	1
N550,001 - N600,000	2	-
N650,001 - N700,000	1	-
N700,001 - N750,000	-	1
N1,000,001 - N1,500,000	4	-
N3,300,001 - N3,400,000	1	1

24. Related Party Transactions

A loan made to a related party amounting to N26,786,961 (1998 : N35,173,219) has been fully provided for on account of non performance.

Notes to the Financial Statements (contd.)

25. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1999 N'000	1998 N'000
Operating profit	1,529,491	1,256,962
Increase in interest receivable and prepaid expenses	(67,768)	(192,181)
Increase in interest payable and accrued expenses	(133,263)	492,885
Depreciation	327,830	229,783
(Profit)/loss on sale of tangible fixed assets	1,508	(637)
Effect of other deferrals and accruals on operating cashflow	<u>(760,651)</u>	<u>841,337</u>
NET CASH FLOW FROM TRADING ACTIVITIES	897,147	2,628,149
Net increase in deposits	7,507,812	4,728,848
Net (decrease)/increase in other accounts	4,507,528	(1,495,550)
Net increase in loans to customers	(3,619,932)	(1,949,804)
Net decrease/(increase) in advances under finance lease	22,582	77,876
NET CASH INFLOW FROM OPERATING ACTIVITIES	<u>9,315,137</u>	<u>3,989,519</u>
ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR		
Balance at 1 July	14,189,013	10,710,801
increase in cash inflows	<u>8,301,370</u>	<u>3,478,212</u>
Balance at 30 June	<u>22,490,383</u>	<u>14,189,013</u>

Notes to the Financial Statements (contd.)

26. Statement of Source and Application of Funds

The Companies and Allied Matters Decree 1990 requires that a statement of source and application of funds be included with these financial statements. In its place however, a statement of cash flow prepared in accordance with International Accounting Standard (IAS) 7 has been included.

27. Statement of Directors' Responsibilities

In accordance with the provisions of sections 334 and 335 of the Companies and Allied Matters Decree 1990, and sections 24 and 28 of the Banks and Other Financial Institutions Decree 1991, the Directors are responsible for the preparation of annual financial statements which give a true and fair view of the state of affairs of the bank and of the profit for the financial year.

The responsibilities include ensuring that:

- a) appropriate internal controls are established both to safeguard the assets of the bank and to prevent and detect fraud and other irregularities.
- b) the bank keeps accounting records which disclose with reasonable accuracy the financial position of the bank and which ensure that the financial statements comply with the requirements of the Companies and Allied Matters Decree 1990.
- c) the bank has used suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all applicable accounting standards have been followed and
- d) the financial statements are prepared on a going concern basis unless it is presumed that the bank will not continue in business

STATEMENT OF VALUE ADDED

FOR THE YEAR ENDED 30 JUNE 1999

	1999		1998	
	N'000	%	N'000	%
GROSS INCOME	4,970,475	100	3,777,890	100
INTEREST PAID	(1,203,929)	(24)	(680,279)	(18)
	3,766,546	76	3,097,611	82
ADMINISTRATIVE OVERHEADS	(1,140,432)	(23)	(1,148,784)	(30)
VALUE ADDED	<u>2,626,114</u>	<u>53</u>	<u>1,948,827</u>	<u>52</u>
DISTRIBUTION:				
EMPLOYEES				
Staff costs	666,750	13	424,765	11
GOVERNMENT				
Taxation	176,494	4	194,153	5
PROVIDERS OF FUNDS				
Dividend	281,882	6	256,257	7
THE FUTURE				
Asset replacement (depreciation)	327,830	7	229,783	6
Expansion (retained profit)	1,071,115	21	806,552	22
Provision for loan losses	<u>102,043</u>	<u>2</u>	<u>37,317</u>	<u>1</u>
	<u>2,626,114</u>	<u>53</u>	<u>1,948,827</u>	<u>52</u>

This statement represents the distribution of the wealth created through the use of the bank's assets, through its own and its employees' efforts.

FIVE-YEAR FINANCIAL SUMMARY

FOR THE YEAR ENDED 30 JUNE 1999

	1999 N'000	1998 N'000	1997 N'000	1996 N'000	1995 N'000
BALANCE SHEET					
ASSETS EMPLOYED					
Cash and short term funds	22,490,383	14,189,013	10,710,801	7,164,059	3,772,529
Investments	6,787	6,787	-	-	-
Loans and advances	9,886,975	6,267,043	4,317,239	1,895,150	652,800
Advances under finance lease	23,427	46,009	123,885	75,085	177,844
Other assets	423,833	356,065	163,884	138,486	148,406
Fixed assets	1,192,495	870,850	700,748	507,922	344,826
	<u>34,023,900</u>	<u>21,735,767</u>	<u>16,016,557</u>	<u>9,780,702</u>	<u>5,096,405</u>
FINANCED BY					
Share capital	512,513	512,513	244,054	242,830	178,744
Share premium	300	300	300	300	300
Reserves	2,908,976	1,837,861	1,299,768	487,973	232,580
Deposit liabilities	19,375,188	11,867,376	7,138,528	3,012,854	2,205,044
Other liabilities	11,226,923	7,517,717	7,333,907	6,036,745	2,479,737
	<u>34,023,900</u>	<u>21,735,767</u>	<u>16,016,557</u>	<u>9,780,702</u>	<u>5,096,405</u>
PROFIT AND LOSS ACCOUNT					
Gross income	4,970,475	3,777,890	2,330,080	1,351,793	816,437
Interest expenses	(1,203,929)	(680,279)	(371,690)	(207,066)	(141,737)
Operating expenses	(2,237,055)	(1,840,649)	(926,386)	(595,613)	(360,220)
Profit before taxation	1,529,491	1,256,962	1,032,004	501,024	314,480
Taxation	(176,494)	(194,153)	(171,398)	(52,493)	(55,496)
Profit after taxation	1,352,997	1,062,809	860,606	448,531	258,984
Dividend	(281,882)	(256,257)	(48,811)	(133,557)	(121,546)
Bonus issue	-	-	(268,459)	-	(59,581)
Retained earnings	1,071,115	806,766	543,336	314,034	77,857