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ZENITH BANK PLC

Group Annual Report 2010

ZENITH BANK PLC

Group Annual Report & Financial Statements 2010

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Passionate
about Technology

People, Technology & Service

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IN YOUR BEST INTEREST.

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alertZ

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- Salary Payment!
- Letter of Credit!
- Shipping Document!
- Form M (expiration)!
- Deposit Notifications!
- Risk Assessment Report!
- Returned Cheque Notification!
- Bills for Collection (remittance & expiration)!
- Form M Notification (approval & scanning stages)!
- Full Notification (deposits, withdrawals & transfers)!

for enquiries contact:
01-2784000
email: customersupport@zenithbank.com
or any Zenith Bank branch

ZENITH
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“We will continue to ensure that our professional services team is appropriately motivated and empowered to continue in the delivery of first class services, which we believe will help us sustain our superior performance in the years ahead”

ZENITH

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Directors

Sir Steve Omojafor	–	Chairman
Godwin Emefiele	–	Managing Director
Babatunde Adejuwon	–	Director
Alhaji Baba Tella	–	Director
Alhaji Lawal Sani	–	Director
Prof Chukuka Enwemeka	–	Director
Mr. Jeffrey Efeyini	–	Director
Ms. Amal Pepple	–	Director
Peter Amangbo	–	Executive Director
Elias Igbinakenzua	–	Executive Director
Apollos Ikpobe	–	Executive Director
Udom Emmanuel	–	Executive Director
Andy Ojei	–	Executive Director

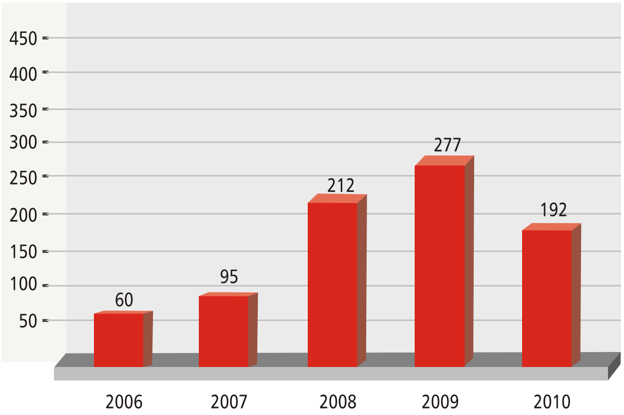
Company Secretary
Michael Otu

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

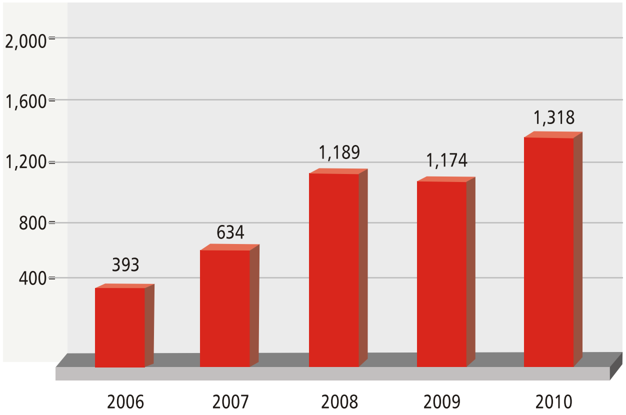
Auditors
KPMG Professional Services
22A, Gerrard Road
Ikoyi, Lagos

Registrar & Transfer Office
Zenith Registrars Limited
Plot 89a, Ajose Adeogun Street
Victoria Island
Lagos.

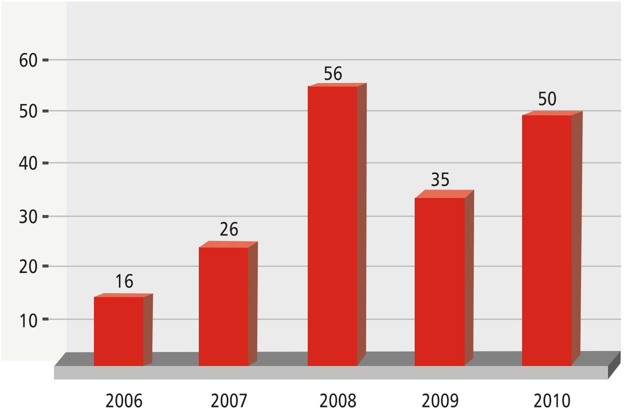
Gross Earnings (Group) (N'b)



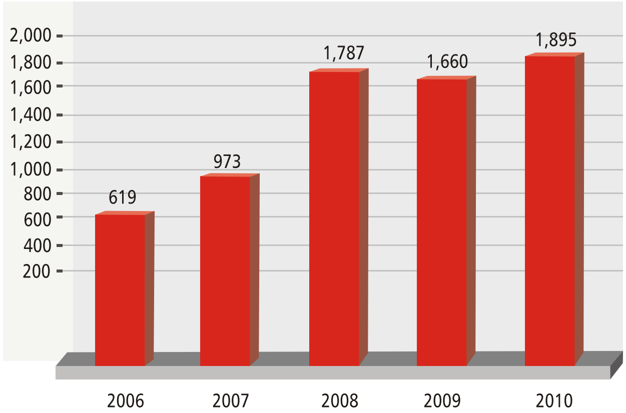
Total Deposits (Group) (N'b)



Profit Before Tax (Group) (N'b)



Total Assets (Group) (N'b)



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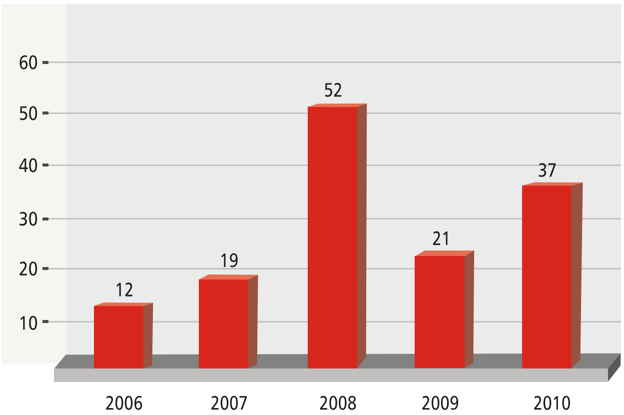
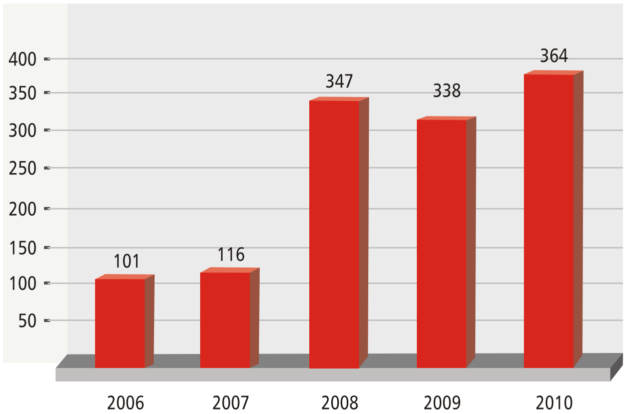
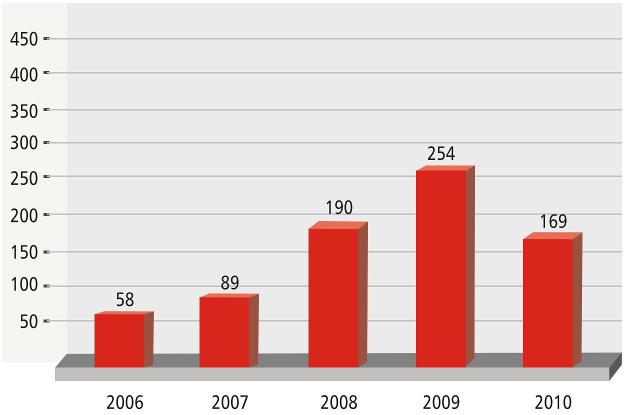


Total Shareholders' Fund (Group) (N'b)



Gross Earnings (Bank) (N'b)



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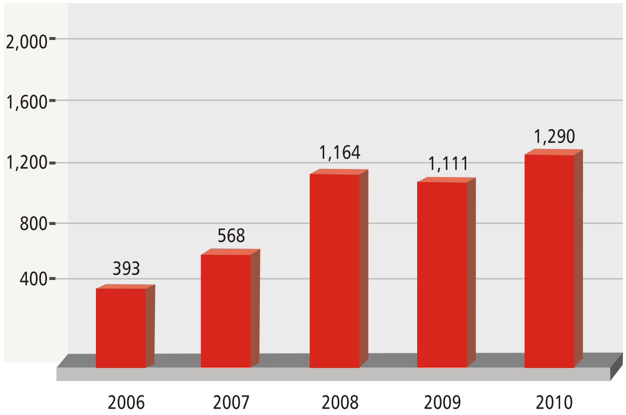
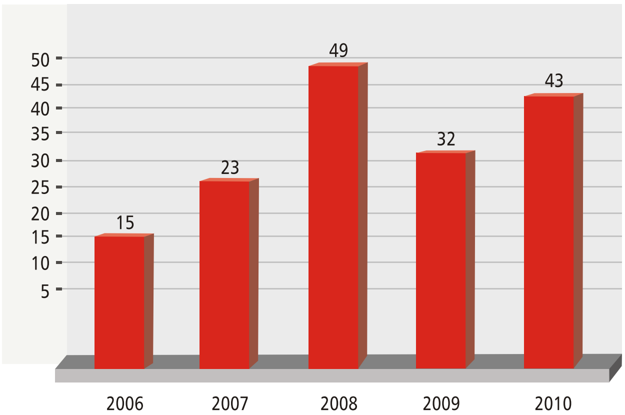
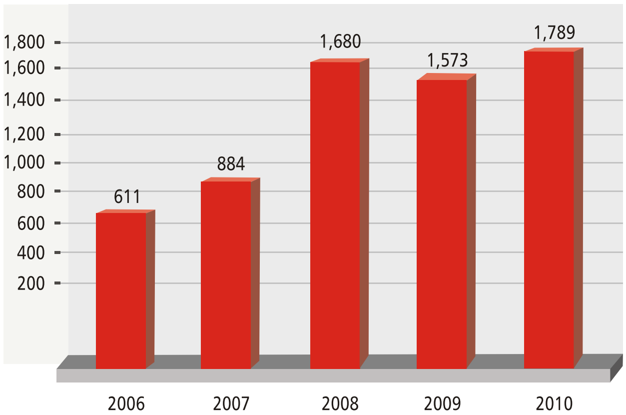


Profit Before Tax (Bank) (N'b)



Total Assets (Bank) (N'b)



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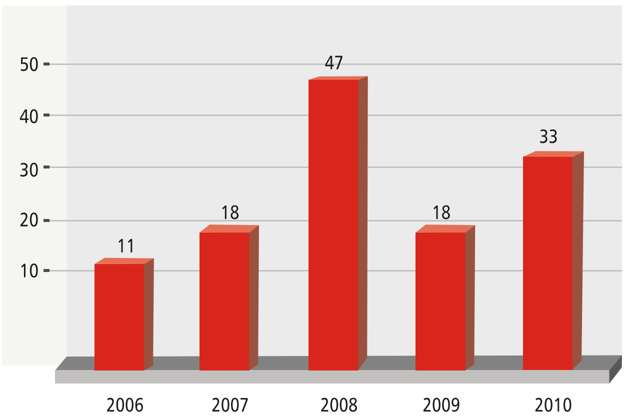
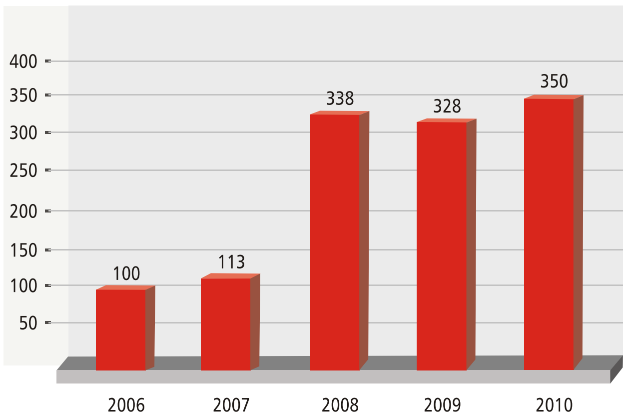


Total Shareholders' Fund (Bank) (N'b)



Profit & Loss	Group 2010 N'Million	Group 2009 (Annualised) N'Million	%	Bank 2010 N'Million	Bank 2009 (Annualised) N'Million	%
Gross Earnings	192,488	221,840	-13%	169,370	203,318	-17%
Profit Before Tax	50,026	28,068	78%	42,957	25,402	69%
Profit After Tax	37,414	16,482	127%	33,335	14,692	127%
Balance Sheet						
Loans and Advances	713,285	698,326	2%	667,860	669,261	0%
Advances under finance lease	13,188	5,506	140%	12,731	5,281	141%
Total Deposits	1,318,072	1,173,917	12%	1,289,552	1,111,328	16%
Shareholders' Fund	363,561	337,793	8%	350,414	328,383	7%
Total Assets	1,895,027	1,659,703	14%	1,789,458	1,573,196	14%

Historical Background

Zenith Bank Plc. over the years, has through strategic deployment of its people, information and communication technology (ICT) redefined customer service standards and created diverse service delivery channels. The bank was incorporated as Zenith International Bank Limited on 30 May 1990, a private limited liability company and was licensed to carry on the business of banking in June 1990. The name of the bank was changed to Zenith Bank Plc on 20 May 2004, to reflect its status as a public limited liability company. The bank's shares were listed on the Nigerian Stock Exchange on 21 October 2004 following a highly successful Initial Public Offering (IPO). Nigerian individuals and institutions numbering over 700,000 shareholders currently own the bank.

Over the years the Zenith brand has become synonymous with the use of Information and Communication Technology (ICT) in banking and general innovation in the Nigerian banking industry. The group's main service delivery channels remain its local and foreign subsidiaries and its business offices (branches and cash offices), which currently stand at over 315 while offering electronic banking services, such as Internet banking, bills payment, and telephone banking services amongst others. These business offices are located in prime business and commercial cities in each state of the federation and they are easily accessible to all the Central Bank of Nigeria's clearing zones all over Nigeria.

Within the first decade of commencing operations, the bank made its mark in profitability and all other performance indices in Nigeria and has maintained this prime position to date.

Products and Services

Zenith Bank's service offerings cover most aspects of banking and cater for the banking needs of our customers that cut across the entire Public and Private market spectra with emphasis on the following major market segments and lines of business:

- Corporate and Investment Banking
- Commercial and Consumer Banking
- Personal and Private banking
- Trade services and foreign exchange
- Treasury and Cash Management services
- Other Non bank financial services mainly through subsidiaries

Customer base

Zenith bank has remained a major player in the following business segments controlling substantial market share in each category:

- Manufacturing
- Construction
- General Trade and Commerce
- Logistics and Services

The bank's customer base comprises largely corporate entities many of which are subsidiaries of multinational corporations operating within and outside Nigeria. Large Nigerian companies and conglomerates also form a core of the bank's corporate customer base. On the retail aspect of its business the bank's main service focus is on the use of deposit products for liability generation and transaction services, rather than lending. The bank's lending strategy is directed at lending mainly to large, blue chip companies and large indigenous conglomerates to minimise counter party risks and defaults. As a result of this approach, the bank's credit portfolio has about the best asset quality in the Nigerian banking industry. The bank's non-performing loans to total loans ratio has always been less than industry average since inception and through the thick of the financial crises that plagued the banking industry/sector worldwide in 2008. The bank's customer account base which is well in excess of 1.6million accounts cut across the following sectors:

- Oil and Gas
- Power and Infrastructure
- ICT and Telecommunications
- Real Estate, Building and Construction
- Transport, Shipping and Aviation
- Commodities and General Commerce
- Entertainment

Branch & Business Network

The Group's businesses and affairs are conducted through the local branch networks and subsidiaries which are categorized into local (mainly Non Banking Financial Institutions) and Foreign (mainly banks in other countries)

To date, the bank has a total of Three Hundred (315) branches with about 200 off-site locations in its network, strategically located in various commercial centres of the country. All the branches are linked by our technologically advanced system, thereby aiding banking transactions across the country. The key driving factors in Branch location decision are:

> *"Over the years the Zenith brand has become synonymous with the use of Information and Communication Technology (ICT) in banking and general innovation in the Nigerian banking industry. The group's main service delivery channels remain its local and foreign subsidiaries and its business offices (branches and cash offices), which currently stand at over 315 while offering electronic banking services"*

1. Extend dynamism in the provision of banking services to that part of the country and bring our banking products and services to potential customers in and around the environs
2. Generate Deposit liabilities from potential non-borrowing high volume traders and businesses to f u n d needing areas of the country
3. Enhance liaison and improve financial transaction between the various businesses and their contacts in other parts of Nigeria and beyond.
4. Take Banking closer to both existing and potential customers
5. Volume of commercial activities.

In line with its long-term plan of building Zenith Bank into an international financial institution, the bank has taken concrete steps towards establishing presence in major West African States and is currently expanding into the other African Region as well as the European and Asian continents, while consolidating its position as a leading financial services provider in Nigeria. Accordingly, the following four foreign subsidiaries and one representative office have been established.

- Zenith Bank Ghana Limited
- Zenith Bank (UK) Limited
- Zenith Bank (Sierra Leone) Limited
- Zenith Bank (Gambia) Limited
- Zenith Bank (South Africa Rep Office)

Vision and Strategic Objectives

From inception Zenith Bank clearly set out to distinguish itself in the banking industry through its service quality, drive for a unique customer experience and the calibre of its customer base. Today, it is easily associated with the following attributes in the Nigerian banking industry:

- Innovation
- Good financial performance
- Stable and dedicated management team
- Highly skilled personnel
- Leadership in the use of Information and Communication Technology
- Strategic distribution channels
- Good asset quality

The overall vision of the bank has been *"to build the Zenith brand into a reputable international financial institution recognized for innovation, superior performance while creating premium value for all stakeholders"*

> *" Our growth and marketing plans will seek to optimize our strengths to maximise available opportunities, minimize identified threats while taking steps to mitigate the effects of observed weaknesses. "*

The strategic objective of Zenith Bank includes the continuous improvement of its capacity to meet the customers' increasing and dynamic banking needs as well as sustain high quality growth in a volatile business environment through:

- Continuous investment in branch network expansion and thus bringing quality banking services to our teaming existing and potential customer base
- Continuous investment and deployment of up to date state of the art technology and ICT platform
- Continue to seek and employ the best hands available
- Continuous investment in training and re-training of our personnel
- Maintain and reinforce our core customer service delivery charter

Business Focus

The business of Zenith Bank Plc will continue to be those of a wholesale banking institution and would focus on the following:

- Corporate and Investment Banking
- Commercial and Consumer Banking
- Personal and Private banking
- Trade services and foreign exchange
- Treasury and Cash Management services

The bank will continue to offer specialised financial services such as pension management but would discontinue such services in insurance, capital market transactions, Trusteeship, Registrar, Mortgage and financial advisory services in line with its decision to adopt the commercial banking license with international authorisation.

Target Market

We will continue to play in the top-tier of all sectors of the economy as we have done since inception. Our focus before now has mainly been at the top-tier of the market comprising large Multinational Corporations (MNCs), large Nigerian Conglomerates and virtually every company classified in the top layer of its market, however, we will target companies in the middle-tier market with good growth prospects going forward. The following sectors/industries will be targeted to develop these groups of customers:

- Telecommunication and Information Communication Technology
- Consumer products, healthcare and pharmaceuticals
- Fast Moving Consumer Goods (FMCGs)
- Infrastructure development Civil Construction, Housing and Real Estate Development, etc
- Power and Energy
- Oil and Gas
- Transport and Aviation
- Agriculture
- Logistics
- Entertainment

Growth Areas and New Products lines

Efforts will be focused and sustained on developing the appropriate product lines to build and optimize relationships in the following areas of business within the bank or through subsidiaries:

- Fixed Income Securities
- Oil and Gas
- Mortgage and Real Estate Financing
- Commercial Banking
- Export and Import Financing
- Consumer Credit
- Infrastructure Development
- Telecommunication and Information Communication Technology
- Agriculture and Agro Allied Products and Services
- Assets Management and Custody. This will involve partnering where beneficial with reputable global player in the chosen areas.

We believe that strategic development and deployment of e-Business products and platforms is a key competitive factor in the banking industry. Therefore, our target is to dominate the market by continuously introducing new e-banking products for specific industry/customers. We will continue to focus on the following market and products:

- Corporate Customers
- Retail Customers and The Un-banked population
- Small & Medium Enterprises (SMEs)
- New Business and Client Capture
- Educational Sector
- Card Services
- Deployment of ATMs and Point of Sale (POS) terminals.

The market penetration approach will be to focus on critical issues and concerns guiding decisions of each sector or market segments. In this regards we will continue to evolve products, processes and strategies to address the following:

a) Large Corporate MNC Customers

- Prompt and Excellent Service delivery
- Financial Support
- Operational and Sales Collections Support through adequate deployment of necessary ICT platform
- Value chain support through adequate support for KDs
- Excellent International Trade Services
- Appropriate pricing of products and services

b) Retail Markets

- Convenience through proper branch network and deployment of ATMs and Cards
- Safety
- Appropriate Pricing of products and services

c) SMEs

- Financial Support
- Financial Advisory Services
- Pricing

The group will continue to partner with customers (existing and prospective) in major focus areas of Telecommunications, Oil and Gas, Power and Energy, Aviation, Schools, FMCGs, Churches, Insurance and Healthcare. We would continue to court the Key Distributors (KDs) of major conglomerates and producers of consumer goods and services

One of the main thrust of our strategy in the last five years was to expand our business beyond the shores of Nigeria. This was largely accomplished commencing with expanding into the West Africa sub-region (Ghana, Sierra Leone and The Gambia), while consolidating our position as a leading financial services provider in Nigeria with branch network expansion from about 100 in 2004 to 315 as at date. Within the next five years the bank will continue to pursue organic growth in the short to medium-term. In the longer term period we intend to improve (through creation and enhancement of new markets and products and services), consolidate (through superior customer services), the local and international acceptance of our brand. Our growth and marketing plans will seek to optimize our strengths to maximise available opportunities, minimize identified threats while taking steps to mitigate the effects of observed weaknesses. The outline of our plans will be as follows:

No	Key Strategies	Implementation
1.	To deliver superior service experiences to all our customers at all times. . .	• We would employ the best information and communication technology platform and banking innovation available to create convenient banking channels and products for our customers. • Continually enhance our processing, procedures and systems platforms to deliver new capabilities and improve operational efficiencies and achieve economies of scale. • We will strive to have more products offering in the traditional banking areas than any bank in our key markets.
2.	Develop deeper and broader relationship with all clients and strive to understand their individual & industry peculiarities with a view to developing specific solutions for each segments of our customer base.	• We would focus on enveloping all our markets by creating products and services that are industry-specific to serve the needs of our key customers. • Ensure we are bankers to all key officers of our key corporate customers
3.	Significant expand our operations by adding new distribution channels and entering into new markets.	• Significantly expand our branches and business office in Nigeria to rank among the biggest players in the market. The branch network should adequately cover every state in Nigeria and key commercial cities and town. • Target new markets will commence with entry into key countries in West Africa (see more explanation in 4 below)
4	Maintain our position as a leading service provider in Nigeria while expanding our operations internationally in West Africa and the financial capitals of the world	• Trade flows within the sub-region is currently routed through Europe; none of the big banking/financial institutions operating in the sub-region is focusing on financing the import and export trade in the sub-region and/or channelling these transactions through its operations. We will target this market as well as positioning ourselves to take advantage of other emerging opportunities in the sub-region.

Given our commitment to service excellence, robust Information Technology platform, and the resourcefulness of our work force as well as our huge balance sheet size and sound financial ratios, we are confident that Zenith bank Plc is in a good position to sustain and consolidate its growth trajectory and market share as well as take advantage of the emerging opportunities in the economy.

"Consolidating Superior Performance and Sustaining Competitive Advantage through our People, Technology and Exceptional Customer Services."

We are confident that our overall strategic objectives and envisaged financial growth would be achieved and that Zenith Bank would remain in the forefront amongst bank in the country and the African continent in terms of profitability, size, Assets quality and all other performance parameters. We are also confident that the Zenith brand would remain strong in the local and international market. The bank would continue to meet the personal needs of the staff members in terms of remuneration and training to motivate them to greater performances and results.

Key Theme for 2011 and Beyond

Consolidating Superior Performance and Sustaining Competitive Advantage through our People, Technology and Exceptional Customer Services.

NOTICE IS HEREBY GIVEN that the Twentieth Annual General Meeting of Zenith Bank Plc will hold at the Banquet Hall, The Civic Centre, Ozumba Mbadiwe Street, Victoria Island, Lagos at 10.00 a.m. on the 15th day of April, 2011 to transact the following business:-

ORDINARY BUSINESS

1. To receive and adopt the Audited Accounts for the financial year ended 31st December, 2010, the Reports of the Directors, Auditors and Audit Committee thereon.
2. To declare a dividend.
3. To elect/re-elect Directors.
4. To authorize the Directors to fix the remuneration of the Auditors.
5. To elect members of the Audit Committee.

SPECIAL BUSINESS

To consider and if thought fit, to pass the following as ordinary resolution:

6. To approve the remuneration of the Directors for the year ending December 31, 2011.
7. To consider and if thought fit, pass the following resolution which will be proposed as:

SPECIAL RESOLUTION

8 (a) "That subject to all relevant regulatory approvals being obtained, the Directors be and are hereby authorized to take steps to comply with the requirements of the Central Bank of Nigeria (CBN) new licensing regime by applying to CBN for a Commercial Banking license with International authorization".

(b) "That the Directors be and are hereby authorized to take steps to divest the Bank of its non-banking subsidiaries in such manner as they consider necessary including but not limited to direct sale and/or transfer or such other divestment mechanism within the period prescribed by the Central Bank of Nigeria (CBN); and upon such terms and conditions as the Directors may determine to be in the best interest of the Bank".

(c) "That the Directors be and are hereby authorized to take all such actions, including but not limited to:
(i) entering into agreements, undertakings, transfers, assignments, guarantees, arrangements or such other mechanisms with any party or parties in order to implement, finalize and give full effect to the aforesaid divestment; and

(ii) appointing all relevant professional parties as they deem necessary for the purpose of giving effect to the CBN regulations".

9. "That effective October 30, 2010, the Bank's External Auditors be and are hereby changed from Messrs PricewaterhouseCoopers (PWC) to KPMG Professional Services".

Dated this 21st day of March, 2011.

PROXY:
A member of the company entitled to attend and vote at the general meeting is entitled to appoint a proxy in his stead, All instruments of proxy should be completed, stamped and deposited at the office of the Company's Registrars, Zenith Registrars Limited, 89, Ajose Adeogun Street, Victoria Island, Lagos State not later than 48 hours before the time of holding the meeting. A proxy need not be a member of the company.

NOTES:

1. **Dividend**

   If approved, dividend warrants for the sum of 85K for every share of 50K will be posted on 15th day of April, 2011, to shareholders whose names are registered in the Register of Members at the close of business on 5th April, 2011.

2. **Closure of Register of Members**

   The Register of Members and Transfer Books of the Company will be closed from April 6th, 2011 to April 8th, 2011 (both dates inclusive), to enable the Registrar prepare for the payment of dividend.

3. **Audit Committee**

   In accordance with Section 359(5) of the Companies and Allied Matters Act, 1990, any shareholder may nominate another shareholder for appointment to the Audit Committee. Such nomination should be in writing and should reach the Company Secretary at least 21 days before the Annual General Meeting.

By Order of the Board

MICHAEL OSILAMA OTU, ESQ.
Company Secretary
Plot 84, Ajose Adeogun Street
Victoria Island, Lagos

Zenith Bank, from inception, places a high premium on the pivotal role of exceptional service delivery in its drive to consistently exceed customer expectations. Thus, the Bank has not only put in place, appropriate strategy to meet and surpass customer expectations, but also ensures that such a strategy is being constantly honed and fine-tuned in tune with the changing taste and sophistication of the customer. The underlying philosophy is for the Bank to remain at all times, a customer-focused or customer-centric organization, with a clear understanding of its market and environment.

This vision had at various times in the life of the Bank, led to assigning critical and pervasive roles to Total Quality Management (TQM), Customer Service Ambassadors, Operation Service Excellence Teams, among others. Thus, at all times, all structures and processes are fashioned to drive consistent improvement in the quality of service delivery. Any lapse at any stage of the service delivery chain is viewed seriously as 'service obstruction', and attracts appropriate sanction.

Zenith Bank, as a child of the 'Information Age', laid the foundation of its structures and processes on cutting-edge Information and Communications Technology (ICT) infrastructure. This ensures that every operation/transaction is carried out via a medium that makes for speed, utmost flexibility, accuracy and convenience for the customer. Thus, in Zenith Bank, all activities are anchored on the E-platform, ensuring service delivery through the electronic media to all customers irrespective of place, time and distance. This has aided the achievement and sustenance of deeper and broader relationship with all clients, the peculiarities of their individual or industry needs not-withstanding.

Today, Zenith Bank has taken customer satisfaction to a height where encomiums, accolades and laurels come in droves as testimony to exceptional quality of the bank's services. Thus, a recent industry-wide survey conducted by KPMG Professional Services on customer service quality among Nigeria banks, showed Zenith Bank as the "Most Customer-focused Bank" in the country. This goes to affirm a tradition of superior service quality that has become a heritage of Zenith Bank.

As a pathfinder in ICT-enabled banking in Nigeria, Zenith Bank has leveraged its in-depth understanding of the local business environment and global financial markets to develop unique e-solutions to meet specific customer needs. The unique deployment of ICT to customer service delivery has made the Zenith franchise synonymous with e-banking. The bank's e-products range covers virtually all services and fall into three broad categories:

· Payment / Collection Solutions;
· Card Solutions, and
· Reporting Tools.

Some of these products are explained below:

PAYMENT/COLLECTION SOLUTIONS

Electronic Point of Sale an alternative electronic funds collection channel for customer - merchants who currently collect cash for goods and services.
Sal-Pay Solutions for our corporate customers who do not require multiple levels of authorizers to effect their employee salary payments.

Zenith ATM is an electronic payment platform for basic banking transactions.

Zenith Flowline Application is an automated cheque writing solution that eliminates physical cheque writing thus enhancing corporate payment system.

Zenith Automated Direct Payment System (ADPS) is an electronic payment solution for corporate customers that eliminate manual writing of many cheques and the associated delays.

Zenith Corporate Pay is a product for corporate customers to handle all classes of payments including salary, multiple utilities payments and payments to third parties generally.

Zenith Mobile Commerce: with the use of the mobile phone, customers can perform various financial transactions on-line such as:

- Airtime purchase
- Banking
- Bill Payment
- GSM Postpaid
- Pay DSTV etc.

This service is made available to customers currently on the ETRANZACT platform.

CARD SOLUTIONS

Etranzact Card is an online card for use not only on Point of Sale (POS) and internet but also mobile phones.

Zenith Swiftpay is a payment solution on which the key distributor schemes are anchored. The product is targeted at manufacturers and their key distributors.

Zenith Automated School Solutions is an electronic solution through which students' administration and registration procedures are captured seamlessly and efficiently. The product is deployed in partnership with our technical partners, Socketworks Limited.

Z-SAVE CARD is an online debit/Photo ID card for Zenith savings account holders. It is an electronic means of withdrawing money, making purchases and checking balances in an account. It can be used to make payments or withdrawals from any of the channels on the Interswitch network - ATM, POS and Web channels.

Zenith Credit Card is a member of the MasterCard brand for Zenith account holders, offering an approved line of credit with up to 45 days, interest free. There are three main categories: CLASSIC RED, GOLD and PLATINUM.

Zenith Charge Card, another member of the Zenith MasterCard family created for non-Zenith account holders and having the same benefits of a credit card except that it requires collateral.

Web Surfer Card is a MasterCard brand exclusively for internet payments. It is a prepaid reloadable card for use only on the internet, providing extra security for Zenith card holders.

Zenith Travelex Cash Passport is an electronic replacement of the traveler's cheque the way you know it!
Zenith Easy Card is an online debit card for Zenith bank current account holders, providing an electronic platform for all types of payment and ATM withdrawals on the Interswitch network.

VpayCard is a local VISA debit card with the same characteristics and features as our EazyCard.
EasyPay/Easy Trade is a special merchant service for customers (merchants) who want to collect electronic funds for their goods and services via the web.

REPORTING TOOLS

Zenith Notification Suite is a wide range of electronic notification solutions which include the following:
(i) Notification of withdrawals and deposit transactions.
(ii) Notification of deposits only
(iii) Other transaction notifications:-

- Shipping Documents
- BC Notification Bills for Collection
- LC Notification Letter of Credit
- Form M Notification (Approval & Scanning Stage)
- RAR Notification (Risk Assessment Report)
- Monthly statements notifications

The notifications are delivered via email or mobile SMS technologies.

Zenith Internet Banking affords customers a wide range of transaction activities which include the following:

- Check account balances & access transaction history
- Cheque book & Draft request
- View & download account statements.
- Cheque Confirmation
- View real time transactions activity especially for corporate customers
- Bulk Payment (One to Many)
- Download monthly statements
- Self to Self transactions
- Inter (You to anybody in Zenith); Intra (You to You)
- Bill Payment
- View Master Card transactions

Zenith Telelink and Mobile banking products anchor our range of mobile banking transactions and enquiries using both land and mobile phones.

Godwin Emefiele
Group Managing Director / CEO

This report is the first Annual CEO review I am writing as the Group Managing Director/Chief Executive of Zenith Bank since my appointment took effect on August 1st, 2010. Taking over from Jim Ovia, one of the best and brightest brains to have operated in Nigeria's financial market was both interesting and challenging. Interesting in that, from a humble beginning, under his leadership, the Bank metamorphosed from just another bank to a financial superpower. And challenging, because to maintain that feat and even surpass it would not be easy in coming.

> *"The Audited and published financial statement for 2010 reconfirms our status and position as a leading financial institution in Nigeria. This is evident in our rankings and trademark in the industry and the markets we serve."*

The Audited and published financial statement for 2010 reconfirms our status and position as a leading financial institution in Nigeria. This is evident in our rankings and trademark in the industry and the markets we serve. As at December 31, 2010, Zenith Bank emerged as the largest bank on the Nigerian Stock Exchange with a market capitalization of over N471B. Its level of Capital Adequacy and liquidity also stands it out as one of the best banking brands with strong Risk Management practices and excellent risk assets profile in Nigeria. We are aware of the enormous responsibility this leadership position confers and we shall continue to creatively enhance our product/service offerings in line with global best practices to deliver value to our shareholders.

During the year in review, we continued to drive our competitive edge through the use of robust ICT platform in delivering exceptional customer services. This, coupled with our strong brand recognition and strategically distributed branch network, ensured our hold on our market share. We have also continued to reinvent our service excellence strategy to consolidate our exceptional performance. Thus, our service channels, especially for the electronic solutions (e-products) have been re-engineered and strengthened for greater efficiency and effectiveness. This is part of our various initiatives aimed at providing superior services to our customers while expanding their contact points for service delivery.

Our people, to whom we remain eternally grateful, remain a top priority in our drive for surpassing exceptional performance; hence we will continue to place very high premium on staff quality, welfare and training a strategy that has enabled us to attract and retain some of the best and brightest in the industry.

While we thank our numerous customers, shareholders and other stakeholders for their continued loyalty and unrivalled patronage, we will continue to ensure that our professional services team is appropriately motivated and empowered to continue in the delivery of first class services, which we believe will help us sustain our superior performance in the years ahead. The horizon remains bright.

"I am confident that the effort to keep our growth trajectory will be sustained and we shall continue to accentuate the positive disposition that fuels and drives our determination to be a benchmark for the banking industry in Nigeria as well as encourage the attitude and motivation that trigger our achievement-oriented behaviour."

In the same vein, our commitment to corporate social responsibility and good corporate governance will remain unwavering. This is why during the period under review, we gave back in numerous ways to the society in which we operate. These endeavours have continued to make visible positive impact on the wellbeing of our numerous stakeholders.

I am confident that the effort to keep our growth trajectory will be sustained and we shall continue to accentuate the positive disposition that fuels and drives our determination to be a benchmark for the banking industry in Nigeria as well as encourage the attitude and motivation that trigger our achievement-oriented behaviour.

Finally, I thank my colleagues on the Board for their support, encouragement and cooperation; and request that these be sustained.

Sir Steve Omojafor
Chairman

Fellow Shareholders, Invited Guests, Gentlemen of the Press, Distinguished Ladies and Gentlemen;

I consider it an honour and privilege to welcome you all to the 20th Annual General Meeting (AGM) of Zenith Bank Plc. I am particularly delighted to welcome you for the first time in my capacity as the Chairman, Board of Directors of this great institution whose track record fills everyone with pride and distinction. In this capacity, I shall be presenting to you the Annual Report and Financial Statements for the financial year ended December 31, 2010.

It is appropriate however, at this outset, to review the business environment within which our Bank operated during the period. Such a review is apposite and most pertinent, given the fact that the period was marked by interplay of external and domestic socio-economic issues that impinged significantly on local businesses in general and the banking industry in particular. The global financial crisis, though receding during the period, still had its ripples widely spread, while reforms and rescue packages remained ongoing in the local scene and other economic jurisdictions.

THE GLOBAL ECONOMY

The International Monetary Fund (IMF) estimated that the World output grew by five per cent in 2010, higher than the 4.8 per cent released in October, 2010. The Fund added that the global economic activity expanded by an annualized rate of 3.5 per cent in the third quarter of 2010, a slow down from five per cent growth rate in the second quarter of the year. IMF released these figures in its World Economic Outlook (WEO), January 2011 Update titled ˉGlobal Recovery Advances but remains uneven. However, there was a divergence in the economic performance of advanced, emerging and developing economies all through 2010. Economic uncertainties unleashed by the global financial crises sustained the weak recovery of the advanced economies. As a result, growth was sluggish and concerns about inflation were dominant on account of the rising oil and commodity prices in the international markets and fears of fiscal stress in the years ahead. On the other hand however, robust economic growth was recorded in emerging markets and developing economies based essentially on strong domestic demand which offset weak export demand. Financial market conditions in the advanced economies were, however, more stable than in the preceding two years, while some emerging economies were confronted with challenges posed by large volatile capital inflows.

In specific terms, the softening of economic recovery in the US reflected the renewed deterioration in the housing market and the lackluster labour market performance, with private sector job creation still weak. However, China's massive official stimulus packages, estimated at 14 per cent of GDP and focused on infrastructure and housing, did not only boost aggregate demand but also fed into a property bubble which the government is yet confronting. Consequent upon this, growth in China, which overtook that of Japan early in 2010 and made the former the world's second-largest economy, ended the year on a declining trend.

> *"Economic and structural reforms prevailed in the Nigerian economy all through 2010. This led to an impressive growth marked by continuing recovery of the capital market, improving stability in the banking sector, relatively stable foreign exchange market, relatively high inflation rate and declining stock of external reserves."*

In the Euro Zone, a degree of calmness returned to the debt market following the approval of the European Financial Stability Facility (EFSF). Thus, despite high risk aversion in the market and the dependence of the region's banks on the wholesale markets, various countries of the Zone were able to make progress in fiscal reforms. On the other hand, the rebounding of commodity prices after their crash in the wake of the global financial crises kept pulling most developing economies to sustained recovery in 2010. For instance, according to the United Nations' 'World Economic Situation and Prospects 2011', the world price of crude oil fluctuated around US $78 per barrel during 2010, up from the average of US$62 for 2009. Most commodity prices similarly rebounded during 2010.

SUB-SAHARAN AFRICA

According to the International Monetary Fund (IMF), economic activity in sub-Saharan Africa is projected to expand by five per cent in 2010. This means that economic growth in most countries of the region have largely bounced back to nearly their pre- crises levels. The IMF in its 'Regional Economic Outlook' for the region in October 2010 attributed the resilience to sound economic policy implementation. Such policy regimes were characterized by low inflation, steady growth, sustainable fiscal balances, rising foreign exchange reserves and declining government debt, among others.

Growth in the region, according to the IMF was also driven by strong domestic demand as a result of rising real incomes and sustained private and public investment. Also, exports benefited from increased reorientation of trade towards fast-growing markets in Asia. However, the legacy of the global financial crises remained evident in most countries of the region as reflected in macroeconomic indicators. Unemployment rose substantially in countries with more developed manufacturing sectors; fiscal balances deteriorated particularly in middle-income countries and oil exporters. Exports had not climbed up to pre-crisis levels, just as credit growth remained subdued.

THE NIGERIAN ECONOMY

Economic and structural reforms prevailed in the Nigerian economy all through 2010. This led to an impressive growth marked by continuing recovery of the capital market, improving stability in the banking sector, relatively stable foreign exchange market, relatively high inflation rate and declining stock of external reserves. Provisional data from the National Bureau of Statistics (NBS) indicated that the real Gross Domestic Product (GDP) grew by 8.29 per cent in the fourth quarter of 2010, up from 7.84 per cent recorded in the third quarter. The overall GDP growth for 2010 was estimated to be 7.85 per cent, compared to the revised growth rate of 6.96 per cent recorded in 2009. The non-oil sector remained the major driver of the overall growth, with agriculture, wholesale and trade, and services contributing 2.39, 2.04 and 2.08 per cent, respectively.

But while the economy in GDP terms was doing relatively well, inflation remained a major challenge to the Government all through the year under review. In fact, the Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) noted at its meeting on January 24, 2011 that although inflation had been trending downwards, the single digit benchmark was not achieved in 2010. This was despite the relatively good harvest, improved supply of petroleum products and lower growth in monetary aggregates. Thus, the Consumer Price Index (CPI) for the month of December 2010, released by the National Bureau of Statistics (NBS), showed that inflation rate (year-on-year) in Nigeria dropped marginally by 1% to 11.8% from 12.8% recorded in the month of November 2010. The latest inflation figure of 11.80% represents the lowest level recorded since October 2009. According to NBS, the Composite Consumer Price Index (CCPI) stood at 114.2 points in the month of December 2010 an increase from 112.8 points recorded in November 2010. The percentage change in the average CPI for the twelve-month period ended December 2010 over the average of the CPI for the previous twelve-month period was 13.7%, slightly lower than 13.9% recorded in the previous month.

One key feature of 2010 was the relatively but consistently high price of crude oil in the international market. This reflected in the average price of oil in 2010 being above the benchmark for oil price of US$67 per barrel in the 2010 budget. The price of Nigeria's Bonnylight grade averaged US$80.9 per barrel, compared with the preceding year's average of US$62.2 per barrel; an increase of about 30.30 per cent. Also, the OPEC Reference Basket (ORB) averaged US$77.47 per barrel in 2010, compared with US$56.71per barrel in 2009. The highest level of ORB in 2010 was US$90.87 per barrel, which was attained on December 27, 2010. There was also improved oil production, due mainly to the implementation of the amnesty and post-amnesty programmes of the Federal Government that severely reduced youth restiveness in the Niger Delta. Hence, crude oil production which stood at around 1.9 million barrels per day in December 2009 was estimated to be around 2.47 million barrels per day by year-end 2010.

This trend was driven by positive market sentiments, weak US dollar, growing demand especially from India and China, drop in the US crude oil inventories and instances of geo-political tensions. The upshot of all these was stable foreign exchange inflow into the coffers of Government all through the year. This in turn reflected in the generally stable foreign exchange marketwhere the Naira remained largely within CBN target of N150/US$ with a few instances of breaching. The exchange rate depreciated only by about 0.72 per cent, from N148.10/US$ to N149.16/US$ on a year-on-year basis. The official exchange rate oscillated between N147.60/US$ and N150.05/US$.

> *"Without any iota of doubt, 2010 was a very challenging year for operators in the banking industry. This notwithstanding, Zenith Bank, whether in company terms or Group consideration, was able to exploit the opportunities within the environment. This translated into a cheery performance that further attests to the durability and resilience of the Brand. These results are, once again, an eloquent testimony to the sound financial health of our Bank and the Group."*

The reform policies and development efforts of the CBN impinged on the economy in several ways in 2010. These efforts include the setting up of the Asset Management Corporation of Nigeria (AMCON), creation of Special Purpose Vehicles (SPVs) for the stimulation of manufacturing, the real sector and infrastructural development. Two of these SPVs are: the N200 billion Small and Medium Enterprises Credit Guarantee Scheme (SMECGS) for the promotion of access to credit by manufacturers and SMEs and the N500 billion Power and Aviation Intervention Fund (PAIF)with the Bank of Industry as the managing agent. The apex bank also during 2010 released new prudential guidelines; set tenure limits for managing directors as well as non-executive directors of banks; issued guidelines for the introduction of merchant banking and commenced the implementation of the Nigerian Uniform Bank Account Number (NUBAN) scheme.

The apex bank also took initiatives to influence the cost and availability of credit and asset prices as well as encourage credit flow to productive investments. This, it did by adjusting the Monetary Policy Rate (MPR) and other variables during the period under review. Thus, the MPR which stood at 6.00 per cent at end-December 2009 was raised by 25 basis points to 6.25 per cent while the 'asymmetric corridor' was adjusted to 200 basis points above and 300 basis points below the MPR for the Standing Lending Facility and Standing Deposit, respectively. This measure effectively increased interest payable on standing deposits with the CBN by 200 basis points.

The capital market recorded significant recovery in 2010, after the decline associated with the global financial and economic crises in 2008/2009. The performance of the market during the period was influenced by a combination of several factors which either contributed to the recovery or slowed it down. The market recorded its highest performance in the first quarter 2010 as investors were taking positions ahead of the full year earnings season. Decline in deposit interest rates during the quarter also enabled the recovery of the market. Thus, the Nigerian Stock Exchange (NSE) All-Share Index closed the year 2010 at 24,770.52 points, up from 20,827.17 points at the end 2009, representing an appreciation of 18.9 per cent, compared to a depreciation of 33.78 per cent in 2009.

The market capitalization gained 58.61 per cent to close 2010 at N7.91trillion, compared to the loss of 28.29 per cent in 2009 at N4.99trillion. In terms of trading activities, total shares of 93.36 billion worth N797.56billion were traded in 1,893,807 deals in 2010, compared to a total volume of 102.83billion worth N685.72 billion traded in 1,709,002 deals in 2009. This showed a decline of 9.24per cent in terms of volume, 18.19 per cent appreciation in value and 10.81per cent increase in the number of deals compared to 2009. A breakdown of sectoral contribution to market capitalization as at December 31, 2010 shows that the Banking sector had the highest contribution of 34.27 per cent. This is followed by the Building Materials subsector with a contribution of 26.07 per cent as a result of Dangote Cement which accounted for about 23.49 per cent of the market capitalization as at December 2010.

"It is with delight that I inform you that in line with the new licensing regime in the banking industry, Zenith Bank has opted for a commercial bank license with international authorization."

FINANCIAL RESULT

Without any iota of doubt, 2010 was a very challenging year for operators in the banking industry. This notwithstanding, Zenith Bank, whether in company terms or Group consideration, was able to exploit the opportunities within the environment. This translated into a cheery performance that further attests to the durability and resilience of the Brand. These results are, once again, an eloquent testimony to the sound financial health of our Bank and the Group. For the Bank, total deposits was N1.29 trillion for the year ended December 31, 2010, representing a 16 per cent increase over the previous year's figure of N1.11 trillion. Profit after tax similarly jumped by 127 per cent, from N14.69 billion (annualized) in 2009 to N33.34 billion in 2010. During the same period, total assets of the Bank grew by 14 per cent, N1.57 trillion to N1.79 trillion; while shareholders' fund rose by seven per cent, from N328.38 billion to N350.41billion. Gross earnings however dropped from N203.32 billion (annualized) in 2009 to N169.37 billion in 2010.

As a Group, the performance indices were no less impressive. The Group profit before tax grew by 78 per cent, from N28.07 billion (annualized) in 2009 to N50.03 billion in 2010. Profit after tax thus jumped by a whopping 127 per cent during the period, from N16.48 billion (annualized) in 2009 to N37.41 billion. The Group total assets similarly rose by 14 per cent, from N1.66 trillion in 2009 to N1.90 trillion in 2010, while total deposits grew by 12 per cent during the same period, from N1.17 trillion to N1.32 trillion. Group shareholders' fund grew by eight per cent, from N337.79 billion in 2009 to N363.56 billion; gross earnings however declined during the period, from N277.30 billion to N192.49 billion.

DIVIDEND

Zenith Bank remains committed to delivering superior returns to our shareholders; and this, we once again demonstrate by ensuring that a good chunk of our profit is set aside for our valued investors. The Board is therefore pleased to recommend a dividend payout of N26.69 billion; that is, 85 kobo per 50 kobo share.

THE BOARD OF DIRECTORS

My dear colleagues on the Board, may I seize this opportunity to express my gratitude and deepest appreciation to you for your support and co-operation that has enabled me to settle in as the Chairman. I wish to put it on record that your steadfastness ensured stability of the Board even as the Founding Managing Director and Chief Executive of the Bank, Mr. Jim Ovia, and the former Chairman, Mr. Macaulay Pepple, exited the Board at the same time in the course of the year under review. I say a big 'thank you' to all of you. The two gentlemen - the former Chief Executive and former

Chairman, in compliance with the new Code of Corporate Governance issued by the Central Bank of Nigeria, which limits the tenure of Directors to a maximum of ten years, exited the Board in the course of the year. Others that retired from the Board on the same ground were Chief Eddy Martins Egwuenu, Sir S. P. O. Fortune Ebie and Professor (Prince) L. F. O. Obika. I hereby express my infinite appreciation to these distinguished personalities for their commitment and vision that saw Zenith Bank grow into a leading financial institution that it is today. In deed, the Bank remains ever so grateful to you all.

During the period under review, too, the Board approved the nomination of three distinguished Nigerians to fill the vacancies created by the retirement of the former directors. They are: Professor Chukuka Ewemeka, Mr. Jeffery Efeyini and Ms. Amal Pepple. A new Group Managing Director/Chief Executive Officer in the person of Mr. Godwin I. Emefiele was also appointed and approved by the Central Bank of Nigeria. He assumed office on August 1, 2010. Mr. Emefiele was the Deputy Managing Director of the Bank for upwards of nine years before the appointment. And, sequel to the retirement of the former Chairman of the Board, the Board nominated and approved my humble self as its new Chairman. I hereby formally thank the Board for the confidence reposed in me.

THE FUTURE

It is with delight that I inform you that in line with the new licensing regime in the banking industry, Zenith Bank has opted for a commercial bank license with international authorization. With your approval, the Board will take all necessary steps to ensure the Bank operates in accordance with the new order.

Distinguished shareholders, I feel proud to say that even in the face of a very challenging operating environment, Zenith Bank has maintained its culture of outstanding performance and industry leadership. As a bank, we are monitoring developments both in the local and global economy, and applying pragmatism and dynamism, as appropriate.

We are certainly not unmindful of the demands and obligations inherent in our environment; and this is why we have entrenched global best practices in every facet of our operations. We also ensure that all these are anchored on good corporate governance and strict risk management.

Ladies and Gentlemen, on behalf of the Board, I would like to thank you most sincerely for your continued support and confidence. The future though challenging, remains promising for the Bank and us all. May God bless you all.

Thank you.

Sir Steve Omojafor

Chairman

For close to a decade, Zenith Bank has instituted a full-blown corporate social responsibility organ, "Zenith Philanthropy", through which it reaches out to touch its host communities and the larger society.

Over the years, our CSR initiatives have been driven by a significant understanding of our socio-economic environment and a strong knowledge of the resource gaps and pressing needs of communities and people around us. This has informed our focus on key need areas, including healthcare, education, ICT and youth empowerment, sports and public infrastructure development.

Zenith Bank prides itself as one of the most decorated corporate organizations in Nigeria, in recognition of our robust CSR activities. We have achieved this feat, not only for the size and scope of our CSR investments but for their knowledge-driven focus and overwhelming impact. Numerous awards, accolades and laurels are there to show for this: ThisDay Award for Excellence as the "Most Socially Responsible Corporate Organization" in Nigeria; The African Banker (magazine) Award as the "Most Corporate Socially Responsible Bank in Africa"; University of Lagos Award as "a great supporter of educational development", among others.

HIGHLIGHTS OF CSR ACTIVITIES IN 2010

HEALTH:

In the year under review, the Bank reached out and touched the healthcare needs of several Nigerians, especially children between the ages of 0-5 years. A case in point is Master Fawaz Ogunjobi, a five-year old boy that was diagnosed with a life-threatening heart defect (hole in the heart) and required urgent open heart surgery in an Indian hospital. Fawaz has since returned from India after a very successful surgery and has been reunited with his elated family.

As part of our healthcare support initiatives, the Bank also donated towards the Sickle Cell Patient Health Promotion Centre with the aim of giving succor to people living with the sickle cell disorder.

EDUCATION:

Because it has been identified as a critical factor for human capital development and the advancement of the overall Nigerian economy, the education sector received the massive support of the bank during this financial year. The Zenith Bank Academic Excellence Award for Best Graduating Students of Universities was given greater impetus with the addition of more schools to the scheme and with the objective of encouraging the spirit of hardwork and academic distinction in Nigerian universities' students.

> *"Because it has been identified as a critical factor for human capital development and the advancement of the overall Nigerian economy, the education sector received the massive support of the Bank during this financial year."*

The Bank also funded the construction of classroom blocks, hostels as well as the installation of computers for the Jigawa State Universal Basic Education programme. The multi-million construction and donation of a Bursary Office Complex to the University of Benin, Benin City and the construction of hostel blocks for students at the Taraba State University were also undertaken during the year as part of efforts to meet the infrastructure needs of Nigerian universities.

Still on educational empowerment, the National Spellbound Spelling Competition for Nigerian secondary schools also received the Bank's financial support with the aim of reviving the dying reading culture among Nigerian students.

ICT/YOUTH EMPOWERMENT:

For the 10th year running, the Bank sponsored the annual Digitest Festival, an ICT initiative that brings together youths from all over Africa for the purpose of technology empowerment and entrepreneurial skills development. The Bank's Youth Empowerment Forum for Digital Revolution also held within the year. Participants between the ages of 15 and 30 were nurtured on the development of the necessary skills-set for ICT entrepreneurship and innovation as they were taken through the theme: "Leveraging Information and Communication Technologies to Secure the Future of Nigerian Youths", by the founding Group Managing Director/Chief Executive Officer of the bank, Mr. Jim Ovia.

"Zenith Bank Plc remains committed to the overall wellbeing of our immediate and larger society. Investing in people and sowing into lives remain a propelling force in our CSR programmes."

Also in the drive to ensure ICT adoption and penetration in Nigeria and to close the digital gap between our youths and their counterparts in other parts of the world, the Port Harcourt ICT Centre was built, equipped and donated to the Rivers State Government.

SPORTS DEVELOPMENT:

The Bank continued to support the advancement of the female gender and sports development in the year under review with its sole sponsorship of the National Female Basketball League (2010 season), and with the sports women displaying world-class performance and upholding the confidence reposed in them by the bank and the Nigerian Basketball Federation, NBBF.

The Bank also supported several grass-root sports tournaments within the financial year, including the biennial sports festival organized by the Corona Schools, in efforts to 'catch them young' and groom them to thrive in the ever-competitive world of sports.

OTHERS:

The Bank also actively partnered with and supported several Non-governmental Organizations (NGOs) within the year, including the Bloom Cancer Care & Support Centre, Prince Decson Savechild Life Foundation, Fate Foundation, Widowhood Helpline Project, among others.

CONCLUSION:

Zenith Bank Plc remains committed to the overall wellbeing of our immediate and larger society. Investing in people and sowing into lives remain a propelling force in our CSR programmes. And the Bank has been blessed with the positive impact on our beneficiaries, both as individuals and as groups; and the public goodwill and support the Zenith brand has enjoyed owing to our corporate culture of 'giving back' to the society that provides us a conducive environment to thrive.


Sir Steve Omojafor
Chairman


Godwin Emefiele
Group Managing Director / CEO


Alhaji Baba Tela
Director


Babatunde Adejuwon
Director


Alhaji Lawal Sani
Director


Jeffrey Efeyini
Director


Amal Pepple
Director


Prof. Chukuka Enwemeka
Director


Udom Emmanuel
Executive Director


Andy Ojei
Executive Director


Peter Amangbo
Executive Director


Apollos Ikpobe
Executive Director


Elias Igbinakenzua
Executive Director

The Directors present their annual report on the affairs of Zenith Bank Plc ("the Bank") and its subsidiaries (together "the Group"), together with the financial statements and auditors' report for the year ended 31 December, 2010.

a. *Legal Form*

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

b. *Principal Activities and Business Review*

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

The Bank has twelve subsidiary companies namely, Zenith Securities Limited, Zenith General Insurance Company Limited,Zenith Bank (Ghana) Limited, Zenith Pension Custodian Limited, Zenith Bank (UK) Limited, Zenith Capital Limited, Zenith Registrars Limited, Zenith Medicare Limited, Zenith Trustees Limited, Zenith Life Assurance Company Limited, Zenith Bank(Sierra Leone) Limited, and Zenith Bank (Gambia) Limited.

The results of the Bank's subsidiaries have been consolidated in these financial statements. The Bank also holds significant shareholding in some companies incorporated under the Small and Medium Enterprises Equity Investment Scheme(SMEEIS), which have not been consolidated because the Bank does not control them.

c. *Operating Results*

Gross earnings of the Group decreased by 31% and profit before tax increased by 43%. Highlights of the Group's operating results for the year under review are as follows:

	2010 N'million	2009 N'million
Profit before tax	50,026	35,085
Taxation	(12,612)	(14,482)
Profit after taxation	37,414	20,603
Non- controlling interest	(84)	(106)
Profit attributable to the Group	37,330	20,497
Appropriations:		
Transfer to Statutory Reserve	5,000	2,755
Transfer to Contingency Reserve	186	169
Transfer to Retained Earnings Reserve	32,144	17,573
	37,330	20,497

Dividends

The Board of Directors, pursuant to the powers vested in it by the provisions of section 379 of the Companies and Allied Matters Act (CAMA) of Nigeria, proposed a dividend of 85 kobo per share (December 2009: 45 kobo per share) from the retained earnings account as at 31 December 2010. This is subject to approval by shareholders at the next Annual General Meeting.

Payment of dividends is subject to withholding tax at a rate of 10%.

d. *Directors' Shareholding*

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

Name	Designation	Number Shareholding 2010	2009
Sir Steve Omojafor *	Chairman	2,815,504	2,252,403
Macaulay Pepple **	Chairman (Retired)	2,379,795	2,198,236
Jim Ovia **	Former Group Managing Director/ CEO (Retired)	2,747,223,748	2,392,340,140
Godwin Emefiele	Group Managing Director/CEO	44,700,792	35,760,635
Chief E. M. Egwuenu **	Non-Executive Director (Retired)	675,392,574	620,669,139
Sir S. P. O. Fortune Ebie**	Non-Executive Director (Retired)	-	3,959,524
Prof. Prince L.F.O. Obika**	Non-Executive Director (Retired)	4,365,766	3,612,948
Babatunde Adejuwon	Non-Executive Director	3,752,853	3,002,283
Alhaji Baba Tella	Non-Executive Director (Independent)	250,880	–
Alhaji Lawal Sani	Non-Executive Director (Independent)	–	–
Prof. Chukuka Enwemeka***	Non-Executive Director	127,142	–
Mr. Jeffrey Efeyini ***	Non-Executive Director	–	–
Ms. Amal Pepple ***	Non-Executive Director	174,104	–
Peter Amangbo	Executive Director	12,723,213	10,178,571
Elias Igbinakenzua	Executive Director	17,788,841	14,231,074
Apollos Ikpobe	Executive Director	12,666,963	15,182,141
Udom Emmanuel	Executive Director	14,062,496	11,249,998
Andy Ojei	Executive Director	14,086,606	11,269,285

** -Appointed Chairman of the Board with effect from June 23, 2010.*
*** -Retired from the Board with effect from July 31, 2010*
**** -Appointed to the Board with effect from June 23, 2010*

e. *Directors' Interests in Contracts*

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

f.. *Acquisition of Own Shares*

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

g. *Property and Equipment*

Information relating to changes in property and equipment is given in Note 26 to the financial statements. In the directors' opinion, the market value of the Group's properties is not less than the value shown in the financial statements.

h. *Research and Development*

The Bank is, on a continuous basis, carrying out research into new banking products and services.

i. *Shareholding Analysis*

The shareholding pattern of the Bank as at 31 December 2010 is as stated below:

Share Range	No. of Shareholders	Percentage of Shareholders (%)	Number of Holdings	Percentage Holdings
1 - 9,999	577,338	81.59%	1,888,169,284	6.01%
10,000 - 50,000	101,724	14.38%	2,113,312,223	6.73%
50,001 - 100,000	12,861	1.82%	895,401,087	2.85%
100,001 - 500,000	12,983	1.83%	2,450,682,415	7.81%
500,001 - 1,000,000	1,099	0.16%	773,549,310	2.46%
1,000,001 - 5,000,000	1,146	0.16%	2,498,646,823	7.96%
5,000,001 - 10,000,000	214	0.03%	1,502,420,547	4.79%
10,000,001 - 50,000,000	215	0.03%	4,201,693,863	13.38%
50,000,001 - 100,000,000	20	0.00%	1,444,339,096	4.60%
100,000,001 - 500,000,000	14	0.00%	3,384,187,980	10.78%
500,000,001 - 1,000,000,000	5	0.00%	3,297,509,588	10.50%
Above 1,000,000,000	4	0.00%	6,946,581,570	22.13%
	707,623	100%	31,396,493,786	100.00%

j. *Substantial Interest in Shares*

According to the register of members at 31 December 2010, the following shareholders held more than 5.0% of the issued share capital of the Bank:

Shareholder	No. of Shares held	Percentage Holding (%)
Jim Ovia	2,747,223,748	8.75%
Stanbic Nominees Nigeria Limited	1,821,098,593	5.80%

k. *Donations and Charitable Gifts*

The Bank made contributions to charitable and non-political organisations amounting to N503 million during the year (2009: N1.96 billion). Some of the beneficiaries are as follows:

	N'mllion
University of Benin	29.89
St. Saviour's School Ikoyi	20.00
Convenant University ICT Project	16.17
Adeniji Adele Healthcare Centre	15.36
Molade Okoya Thomas Drainage	10.71
Lagos Endownment fund	10.00

l. *Post Balance Sheet Events*

There were no significant events after the balance sheet date that affect the reported amount of assets and liabilities as of the balance sheet date other than as disclosed in Note 26 to the financial statements.

m. *Human Resources*

I. *Employment of Disabled Persons*

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

ii. *Health, Safety and Welfare at Work*

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

Fire prevention and fire-fighting equipment are installed in strategic locations within the Bank's premises.

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

iii. *Employee Training and Development*

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

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

n. *Auditors*

During the year, Messrs. PricewaterhouseCoopers, resigned as the Group auditors in line with the Central Bank of Nigeria's directives on ten years maximum tenor for external auditors of banks. Accordingly, Messrs. KPMG Professional Services were appointed as the Group auditors and they have indicated their willingness to continue in office as auditors. In accordance with Section 357 (2) of the Companies and Allied Matters Act, 1990; a resolution will be proposed at the Annual General Meeting to authorize the directors to determine their remuneration.

By Order of the Board

Michael Otu
Company Secretary

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ZENITH

...In Your Best Interest

Corporate Profile

a. *Introduction*

Corporate Governance refers to the system by which a company is directed and controlled with a view to achieving the long term goals of the company and to creating shareholder value.

Our business at Zenith Bank is guided by the need to maintain a high level of transparency and responsibility at all times as well as proper oversight of the Bank in accordance with best practice.

The governance structure of the Bank is driven principally by the Board of Directors, who are conversant with the business of the Bank and are conscious of their roles and responsibilities to shareholders.

b. *Shareholding*

The Bank has one of the largest shareholder bases in the country, which spans a broad spectrum of the society.

c. *Board of Directors*

The Board of Directors is made up of a non-executive Chairman, six (6) non-executive Directors and six (6) executive Directors. Two (2) of the non-executive Directors are independent directors, appointed in compliance with the Central Bank of Nigeria (CBN) circular on appointment of independent directors by Banks.

d. *Responsibilities of the Board*

The Board is responsible for:

- Reviewing and providing guidance for the Bank's corporate strategy, major plans of action and risk policy.
- Review and approval of annual budgets and business plans; setting performance objectives, monitoring implementation and corporate performance.
- Overseeing major capital expenditures, acquisitions and divestitures.
- Monitoring the effectiveness of the governance practices under which the Bank operates and making appropriate changes as necessary.
- Ensuring the integrity of the Bank's accounting and financial reporting systems, including the independent audit and that appropriate systems of control and risk monitoring are in place.
- Establishment of the various Committees of the Bank including the Terms of Reference, review of reports of such Committees to address key areas of the Bank's business.

The Board meets at least every quarter but may hold extra-ordinary sessions to address urgent issues that may arise.

e. *Board Committees*

The Board discharges its oversight functions through various Board Committees. The Committees are set up in line with statutory and regulatory requirements and consistent with global best practice.

Membership of the Committees of the Board is intended to make the best use of the skills and experience of non-executive directors in particular. The Committees have well defined terms of reference and consider matters that fall within their purview in such way as to avoid overlap of functions and to ensure that decisions reached are as objective as possible. The Committees of the Board meet quarterly but may hold extraordinary sessions as business of the Bank demand.

The following are the current standing Committees of the Board:

I. *Board Credit Committee*

The Committee is made up of six (6) members comprising three (3) none Executive Directors and three (3) Executive Directors of the Bank. The Board Credit Committee is chaired by a non-Executive Director who is well versed in credit matters. The Committee considers loan applications above the level of the Management Credit Committee and carries out periodic review of loans to monitor performance and ensure management adherence to credit policies. It also determines the credit policy of the Bank or changes thereto.

The membership of the Committee, the composition of which is as follows:

Old members
(January to July 31, 2010)

1. Chief Eddy Egwuenu (Chairman) **
2. Sir. S.P.O. Fortune
3. Sir. Steve Omojafor *
4. Alhaji Baba Tela
5. Mr. Jim Ovia **
6. Mr. Godwin Emefiele
7. Mr. Elias Igbinakenzua

New members
(August 1 to December 31, 2010)

1. Mr. Jeffrey Efeyini (Chairman)
2. Mr. Babatunde Adejuwon
3. Alhaji Baba Tela
4. Mr. Apollos Ikpobe
5. Mr. Elias Igbinakenzua
6. Mr. Godwin Emefiele

The Committee was recently reconstituted following the retirement of some Directors in line with the Central Bank of Nigeria (CBN) policy of 10 years tenor for Bank Managing Directors and 12 years maximum tenor for Non-executive Directors.

ii ***Staff Matters, Finance and General Purpose Committee***

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

The membership of the Committee is as follows:

Old members
(January to July 31, 2010)

1. Prof (Prince) L.F.O. Obika ** (Chairman)
2. Mr. Babatunde Adejuwon
3. Sir. S.P.O. Fortune Ebie **
4. Sir. Steve Omojafor *
5. Mr. Jim Ovia **
6. Mr. Godwin Emefiele
7. Mr. Apollos Ikpobe

New members
(August 1 to December 31, 2010)

1. Alhaji Baba Tela (Chairman)
2. Ms. Amal Pepple
3. Prof. Chukuka Enwemeka
4. Mr. Peter Amangbo
5. Mr. Andy Ojei
6. Mr. Godwin Emefiele

iii. ***Risk Management Committee***

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

The Chief Risk Officer has access to this Committee and makes quarterly presentations for the consideration of the Committee. Chaired by Mr. Jeffrey Efeyini (a non executive Director), the Committee's membership comprises the following:

Old members
(January to July 31, 2010)

1. Chief Eddy Egwuenu ** (Chairman)
2. Sir. S.P.O. Fortune Ebie **
3. Sir. Steve Omojafor *
4. Prof (Prince) L.F.O. Obika **
5. Mr. Babatunde Adejuwon
6. Mr. Jim Ovia **
7. Mr. Godwin Emefiele
8. Mr. Peter Amangbo
9. Mr. Udom Emmanuel

New members
(August 1 to December 31, 2010)

1. Mr. Jeffrey Efeyini (Chairman)
2. Ms. Amal Pepple
3. Alhaji Lawal Sani
4. Mr. Babatunde Adejuwon
5. Mr. Andy Ojei
6. Mr. Udom Emmanuel
7 Mr. Godwin Emefiele

iv. ***Audit Committee***

The Committee is established in line with Section 359(6) of the Companies and Allied Matters Act, 1990. We recognize the Committee as the "guardian of public interest", and reflect this both in the composition and caliber of its membership. The Committee's membership consists of three (3) representatives of the shareholders elected at the last Annual General Meeting (AGM) and three (3) non-executive Directors. The Committee meets every quarter, but could also meet at any other time, should the need arise.

The membership of the Committee is as follows:

Shareholders (old members)
(January to July 31, 2010)

1. Alhaji Hamis B. Musa (Chairman)
2. Mr. Alade Akesode
3. Ms. Angela Agidi

Shareholders (members)
(August 1 to December 31, 2010)

1. Alhaji Hamis B. Musa (Chairman)
2. Mr. Alade Akesode
3. Ms. Angela Agidi

Directors (Old members)

1. Chief Eddy Egwuenu **
2. Sir. S.P.O. Fortune Ebie **
3. Prof (Prince) L.F.O. Obika **

Directors (New members)

1. Mr. Babatunde Adejuwon
2. Alhaji Lawal Sani
3. Mr. Jeffrey Efeyini

v. **Executive Committee (EXCO)**

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

* -Appointed Chairman of the Board with effect from June 23, 2010.
** -Retired from the Board with effect from July 31, 2010

vi. Other Committees

In addition to the afore-mentioned Committees, the Bank has in place, other Standing Management Committees. They include:

(a) Management Committee (MANCO) -(Comprising staff of AGM level and above)
(b) Management Global Credit Committee (MGCC)
(c) Risk Management
(d) Information Technology (IT) Steering Committee

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

Directors	Board	Credit Committee	Finance & General Purpose Committee	Risk Management Committee
Number of Meetings	8	5	5	4
Attendance				
Macaulay Pepple	5	N/A	N/A	N/A
Chief E.M. Egwuenu	5	2	N/A	1
Sir S.P.O. Fortune Ebie	4	2	2	2
Prof (Prince) L.F.O. Obika	5	N/A	2	2
Mr. Babatunde Adejuwon	8	3	3	4
Sir Steve Omojafor	8	2	3	2
Alhaji Baba Tela	5	4	2	N/A
Alhaji Lawal Sani	8	N/A	N/A	2
Mr. Elias Igbinakenzua	7	5	N/A	N/A
Mr. Peter Amangbo	7	N/A	2	2
Mr. Apollos Ikpobe	7	3	4	N/A
Mr. Andy Ojei	6	N/A	2	2
Mr. Udom Emmanuel	6	N/A	N/A	3
Mr. Godwin Emefiele	7	5	5	4
Mr. Jim Ovia	5	2	2	2
Prof. Chukuka Enwemeka *	2	N/A	2	N/A
Mr. Jeffrey Efeyini *	2	2	N/A	2
Ms. Amal Pepple *	2	N/A	1	1

Note:
* Three new Directors were appointed during the financial year (23 June 2010). (Board Committees were reconstituted due to retirement of some Directors during the financial year and appointment of new Directors).

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

Members	**Audit committee**
Number of Meetings	4
Attendance	
Alhaji Hamis B. Musa	4
Alade A. Akesode Esq	4
Chief E.M. Egwuenu	3
Sir S.P.O. Fortune Ebie	3
Prof.(Prince) L.F.O. Obika	2
Ms. Angela Agidi	1
Mr. Babatunde Adejuwon	1
Mr. Jeffrey Efeyini	1
Alhaji Lawal Sani	1

f. ***Relationship with Shareholders***

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

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

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

PricewaterhouseCoopers was engaged to carry out an evaluation of the Board of Directors of Zenith Bank Plc ("Zenith Bank") as required by Section 5.4.6 of the Central Bank of Nigeria's Code of Corporate Governance for Banks in Nigeria ("the Code"). The Code requires that the review should cover all aspects of the Board's structure and composition, responsibilities, processes and relationships, as well as individual members' competencies and respective roles in the Board's performance. The review was conducted for the period ended 31 December, 2010.

The Board is responsible for the preparation and presentation of information relevant to its performance. Our responsibility is to reach a conclusion on the board's performance based on work carried out within the scope of our engagement as contained in our letter of engagement dated 27th January, 2011. In carrying out the evaluation, therefore, we have relied on representations made by members of the board and management and on the documents provided for our review.

On the basis of our review, it is our conclusion that the board is well structured with an appropriate mix of individuals from various backgrounds, who are knowledgeable in financial and business matters. Other areas of strength include board and committee meeting attendance, credit monitoring and disclosure of related party transactions.

However, areas of improvement include the composition and responsibilities of the Staff Welfare, Finance and General purpose Committee, formal documentation and circulation of a code of ethics/conduct and enhancement of the whistle blowing system. Other findings and recommendations are contained in our full report to the board.

Ken Igbokwe
Ken.igbokwe@ng.pwc.com

The Directors accept responsibility for the preparation of the annual financial statements set out on pages 42-118 that give a true and fair view in accordance with Statements of Accounting Standards applicable in Nigeria and in the manner required by the Companies and Allied Matters Act of Nigeria, the Banks and Other Financial Institutions Act of Nigeria and relevant Central Bank of Nigeria regulations.

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

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

SIGNED ON BEHALF
OF THE BOARD OF DIRECTORS BY:

Sir Steve Omojafor
Chairman

21 March 2011

Godwin Emefiele
Group Managing Director/CEO

21 March 2011

In compliance with section 359(6) of the Companies and allied Matters Act 1990, the members of the Audit Committee of Zenith Bank Plc, hereby report on the financial statements as follows:

1. The scope and planning of the audit were adequate in our opinion.
2. The accounting and reporting policies of the Bank conformed with statutory requirements and agreed to ethical practices.
3. The internal control system was being constantly and effectively monitored; and
4. The external auditors' management controls report received satisfactory response from management.
5. Related party transactions and balances have been disclosed in note 39 to the Financial Statements in accordance with Central Bank of Nigeria (CBN) circular BSD/1/2004.

Dated March 21, 2011

Alhaji Hamis B. Musa
Chairman, Audit Committee

MEMBERS OF THE COMMITTEE

1. Alhaji Hamis B. Musa
2. Mr. Alade Akesode
3. Mr. Babatunde Adejuwon
4. Alhaji Lawal Sani
5. Mr. Jeffrey Efeyini
6. Ms. Angela Agidi

Financials

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Lagos, Nigeria.

Telephone: 234 (1) 271 8955
234 (1) 271 8599
Fax: 234 (1) 462 0704
Internet: www.ng.kpmg.com

INDEPENDENT AUDITOR'S REPORT

To The Members of **Zenith Bank Plc**

Report on the financial statements

We have audited the accompanying financial statements of Zenith Bank Plc ("the Bank") and its subsidiary companies (together "the Group"), which comprise the balance sheets as at 31 December, 2010, and the profit and loss accounts, statements of cash flows and value added statements for the year then ended, and the statement of accounting policies, notes to the financial statements and the five year financial summaries, as set out on pages 42 to 118.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these financial statements give a true and fair view of the financial position of Zenith Bank Plc ("the Bank") and its subsidiaries (together "the Group") as at 31 December, 2010, and of the Group's and Bank's financial performance and cash flows for the year then ended in accordance with Statements of Accounting Standards applicable in Nigeria and in the manner required by the Companies and Allied Matters Act of Nigeria, Banks and Other Financial Institutions Act of Nigeria and, relevant Central Bank of Nigeria circulars.

KPMG

Other Matter

The financial statements of the Bank and the Group for the period ended 31 December, 2009 were audited by another auditor whose report dated 1 March 2010 expressed an unmodified opinion on those financial statements.

Report on Other Legal and Regulatory Requirements

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

In our opinion, proper books of account have been kept by the Bank, so far as appears from our examination of those books and the Bank's balance sheet and profit and loss account are in agreement with the books of account.

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

i. To the best of our knowledge, the Bank did not contravene any provision of the Banks and other Financial Institutions Act and relevant Central Bank of Nigeria's circulars during the year ended 31 December, 2010.

ii. Related party transactions and balances are disclosed in note 39 of the financial statements in compliance with the Central Bank of Nigeria circular BSD/1/2004.

KPMG

21 March, 2011
Lagos, Nigeria

A summary of the principal accounting policies adopted in the preparation of these financial statements is set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

a. *Basis of Preparation*

These financial statements are the consolidated financial statements of Zenith Bank Plc ("the Bank"), a company incorporated in Nigeria on 30 May 1990, and its subsidiaries (hereinafter collectively referred to as "the Group"). The financial statements are prepared under the historical cost convention as modified by the revaluation of certain investment securities and comply with the Statements of Accounting Standards issued by the Nigerian Accounting Standards Board.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results ultimately may differ from those estimates.

b. *Consolidation*

(i) *Subsidiaries*

Subsidiary undertakings, which are those companies in which the Bank, directly or indirectly, has an interest of more than half of the voting rights or otherwise has power to control, have been consolidated. Subsidiaries are consolidated from the date control is transferred to the Bank and are no longer consolidated from the date of disposal. Where necessary, accounting policies for subsidiaries have been changed to comply with the policies of the Bank. Separate disclosure is made for non-controlling interests.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

(ii) *Associates*

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

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

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

(iii) *Business Combinations*

The acquisition method is used to account for business combinations. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their market values at acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit and loss account.

c. *Segment Reporting*

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns different from those of segments operating in other economic environments.

The Group's operations are primarily organised on the basis of its products and services offerings which is consistent with the Group's management and internal reporting structure. Its secondary segmentation is based on the geographic coverage which covers Nigeria, rest of Africa and Europe.

d. *Foreign Currency Translation*

i. *Reporting currency*

The consolidated financial statements are presented in Nigerian Naira, which is the Bank's reporting currency.

ii. *Transactions and balances*

Foreign currency transactions are translated into the reporting currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currency are recognised in the profit and loss account.

iii. *Group companies*

The results and financial position of all Group entities that have a currency different from the reporting currency are translated into the reporting currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance she et;
- income and expenses for each profit and loss are translated at closing exchange rates; and
- all resulting exchange differences are recognised as a separate component of reserves.
- On consolidation, exchange differences arising from the translation of the investment in foreign entities are taken to shareholders' funds. When a foreign operation is sold, such exchange differences are recognised in the profit and loss account as part of the gain or loss on sale.

  Goodwill and other adjustments (e.g. previously unrecognised deferred tax asset) arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

e. *Recognition of Income*

Interest income is recognised on an accrual basis for all interest bearing instruments, except for interest overdue by more than 90 days, which is suspended and recognised only to the extent of cash received.

Fees and commissions, where material, are amortised over the life of the related service. Otherwise fees, commissions and other income are recognised as earned upon completion of the related service.

Income from advances under finance lease is recognised on a basis that provides a constant yield on the outstanding principal over the lease term.

Interest earned on investment securities is reported as interest income. Dividends are recognised in the income statement when the right to receive payment is established.

Income arising on investments held by the life business is recognised in the life fund whilst income derived from investments held by the general business is credited to the profit and loss account.

f. ***Provision Against Credit Risk***

Loans and advances are stated net of provision for bad and doubtful loans. Classification and Provisioning is made in accordance with the Prudential Guidelines for Deposit Money Banks in Nigeria issued by the Central Bank of Nigeria for each account that is not performing in accordance with the terms of the related facilities as follows:

Non-specialized Loans

Interest and / or Principal outstanding for over:	Classification:	Provision
90 days but less than 180 days	Substandard	10%
180 days but less than 360 days	Doubtful	50%
Over 360 days	Lost	100%

When a loan is deemed not collectible, it is written off against the related provision for impairments and subsequent recoveries are credited to the profit and loss account.

Specialized loans

Loans are treated as specialized loans in accordance with the criteria specified in the Prudential Guidelines for Deposit Money Banks in Nigeria which became effective on 1 July 2010. The classifications and provisioning for specialized loans take into consideration the cash flows and gestation periods of the different loan types. Specialized loans as defined by the Prudential Guidelines for Deposit Money Banks in Nigeria comprise:

i. Agriculture Finance (including farm and non-farm credits);
ii. Mortgage Loan;
iii Margin Loan;
iv. Object Finance;
v. Project Finance;
vi. Income Producing Real Estate;
vii. Commercial Real Estate; and
viii. SME loan.

Project financing

	% of repayment on outstanding Obligations due and/or days past due		
Classification	% of repayment to amount due	Days past due for aggregate instalments	% of Provision on total outstanding balance
Watch list	Between 60% and 75%	> 180 days	0%
Substandard	< 60%	180 days to 2 years	25%
Doubtful	< 60%	2 years to 3 years.	50%
Very Doubtful	< 60%	3 years to 4 years.	75%
Lost	< 60%	more than 4 years.	100%

Object Financing, Income Producing Real Estate and Commercial Real Estate Financing

Classification	% of repayment on outstanding Obligations due and/or days past due: % of repayment to amount due	Days past due for aggregate instalments	% of Provision on total outstanding balance
Watch list	Between 60% and 75%	> 180 days	0%
Substandard	< 60%	180 days to 1 year	25%
Doubtful	< 60%	1 year to 2 years.	50%
Very Doubtful	< 60%	2 years to 3 years.	75%
Lost	< 60%	more than 3 years.	100%

Mortgage loans

Classification	Mark-up/ interest or principal past due	% of provision on outstanding balance
Watch list	>90%	0%
Substandard	>180%	10%
Doubtful	> 1 year	50%
Lost	> 2 years	100%

The un-provided balance of mortgage loans classified as substandard does not exceed 50% of estimated net realisable value of the related securities.

SME Financing - Short term loans

Classification	Mark-up/ interest or principal past due	% of provision on outstanding balance
Watch list	>90 days	0%
Substandard	90 days to 1 year	25%
Doubtful	1 year to 1.5 years	50%
Very Doubtful	1.5 year to 2 years	75%
Lost	>2 years	100%

SME Financing - Long term loans

Classification	Mark-up/ interest or principal past due	% of provision on outstanding balance
Watch list	>90 days	0%
Substandard	90 days to 1 year	25%
Doubtful	1 to 2 years	50%
Very Doubtful	2 to 3 years	75%
Lost	>3 years	100%

Agricultural Financing - Short term loans

Classification	Mark-up /interest or principal past due	% of provision on outstanding balance
Watch list	>90 days	0%
Substandard	90 days to 1 year	25%
Doubtful	1 year to 1.5 years	50%
Very Doubtful	1.5 year to 2 years	75%
Lost	>2 years	100%

Agricultural Financing - Long term loans

Classification	Mark-up interest or principal past due	% of provision on outstanding balance
Watch list	>90 days	0%
Substandard	90 days to 1 year	25%
Doubtful	1 to 2 years	50%
Very Doubtful	2 to 3 years	75%
Lost	>3 years	100%

Unrealized mark-up/interest in respect of non-performing loans and advances are reversed from revenue account and credited into interest in suspense account until they are realised in cash. Future interests charged on the accounts are credited to the same account until such facilities become performing.

Margin facilities are assessed for impairment by marking the underlying securities to market. The excess of loan amounts above the market value of the underlying securities is provisioned and charged to profit loss account to accommodate actual and expected losses on the facility amounts and is reported in specific provisions for margin loans.

Hair cut adjustments

The Group adjusts the value of any qualified collateral held in respect of loans and advances classified as Lost to take account of any possible future fluctuations in the value of the collateral, occasioned by market movement.

The following hair cut adjustments are applicable on all loan types classified as lost:

Description of Collateral	Haircut adjustments weightings
Cash	0%
Treasury Bills and government securities e.g. bonds	0%
Quoted equities and other traded securities	20%
Bank Guarantees and Receivables of blue chip companies	20%
Residential legal mortgage	50%
Commercial legal mortgage	50%

Haircut adjustments on lost facilities are made for only one year. Thereafter, the collaterals are realised or the shortfall in provision is recognised

General Provisions

A minimum of 1% general allowance is made on all loans and advances not specifically provided for. As in prior year, the Bank did not make a general provision on loans and advances in current year. This is in line with the revised Prudential Guidelines and CBN circular BSD/DIR/GEN/CIR/04/013 dated 7 January 2011 and the Nigerian Accounting Standards Board (NASB) publication dated 21 March, 2011 which stated that a 1% general provision on loans and advances is not required in the current year for Deposit Money Banks whose loan portfolios have been subjected to extensive review by the CBN and the Nigeria Deposit Insurance Corporation (NDIC) since the beginning of the CBN reforms up to 31 December, 2010.

Write-offs

Bad debts are written off against the related provision for bad and doubtful debts when it is determined that they are uncollectible. Subsequent recoveries on bad debts written off are credited to the profit and loss account. A facility is written off only when full provision has been made on such a facility for at least one year.

g. Underwriting Results

The Group conducts life assurance and non-life insurance business through its subsidiary operations. The Group offers a full range of insurance underwriting services.

i. Underwriting

The underwriting results for non-life insurance business are determined on an annual basis whereby the incurred costs of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance, as follows:

(a) Premiums written related to risks assumed during the year, and include estimates of premium due but not yet received, less an allowance for cancellations.

(b) Unearned premiums represent the proportion of the premiums written in periods up to the accounting date which relate to the unexpired terms of policies in force at the balance sheet date, and are calculated on the basis of time apportionment.

(c) Claims paid represent all payments made during the year, whether arising from events during that or earlier years. Outstanding claims represent the estimated ultimate cost of settling all claims arising from incidents occurring prior to the balance sheet date, but not settled at that date. Outstanding claims are computed on the basis of the best information available at the time the records for the year are closed, and include provisions for claims incurred but not reported ("IBNR").

(d) Provisions for unexpired risks are the estimated amounts required over and above provisions for unearned premiums to meet future claims and related expenses on businesses in force at the end of the accounting period.

(e) Expenses are allocated to the relevant revenue accounts as incurred in the management of each class of business.

ii. Underwriting results for life assurance business

The underwriting results for life assurance business are determined on a fund accounting basis in accordance with SAS 16 Accounting for Insurance Business. The incurred costs of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance, as follows:

(a) Premiums written relate to risks assumed during the year, and include estimates of premiums due but not yet received, less an allowance for estimated lapses.

. (b) Claims arising on maturity are recognised when the claim becomes due for payment. Death claims are accounted for on notification. Surrenders are accounted for on payment.

. (c) Expenses and commissions are allocated to the life fund as incurred in the management of the life business.

The life assurance contracts (accounted for in the life fund) are assessed every three years by qualified consulting actuaries in accordance with Section 29 of the Insurance Act. Any resulting actuarial loss is made up by additional provisions from the Group profit and loss account.

Actuarial surpluses are allocated between the shareholders and the policy holders. The Group allocates a maximum of 40% of surpluses arising on actuarial valuation to the shareholders by transfer to the profit and loss account. Any balance remaining is retained in the life fund and attributable to "with profit" policyholders as at the date of the actuarial valuation.

In accordance with Section 22(1) of the Insurance Act, an additional reserve of not less than 25% of the net written premium is maintained between each valuation date.

h. Deferred Acquisition Cost

Deferred acquisition cost are incurred as a result of direct business earned from brokers and are expensed over the life of the business. The deferred portion is calculated based on the percentage of unearned premium to written premium.

i. Outstanding claims and provisions

Full provision is made for the estimated cost of all claims notified but not settled at the date of the balance sheet, less reinsurance recoveries, using the best information available at that time.

In non-life insurance business, a provision is also made for the cost of claims incurred but not reported (IBNR) until after the balance sheet date on the basis of 10% of claims notified but not settled in compliance with the provisions of Section 20(1)(b) of the Insurance Act. Similarly provisions are made for "unallocated claims expenses" being the estimated administrative expenses that will be incurred after the balance sheet date in settling all claims outstanding as at that date, including IBNR. Differences between the provisions for outstanding claims at a balance sheet date and the subsequent settlement are included in the revenue

j. Offsetting

Assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

k. Investment Securities

The Group categorises its investment securities into the following categories: short term investments and long term investments. Investment securities are initially recognized at cost and management determines the classification at initial investment.

i. Short term investments

Short-term investments are investments that management intends to hold for not more than one year. Debt and equity securities intended to be held for a period not exceeding one year and investments held for trading are classified as short term investment. Investments held for trading are those investments that the Group acquires principally for the purpose of selling in the near term, or holds as part of a portfolio that is managed together for short-term profit taking.

Short-term investments in treasury bills and other marketable securities are stated at net realisable value. The gain/loss on revaluation is credited/charged to profit and loss account during the year. Original cost is disclosed.

ii. Long term investments

Long-term investments are investment securities other than short term investments. Long-term investments may include debt and equity securities.

Long term investments in marketable securities are carried at the lower of cost and net realisable value. Any discount or premium arising on bonds is included in the original cost of investment and is amortised over the period of purchase to maturity. Market value of long-term investments is disclosed.

Interest earned whilst holding investment securities is reported as interest income. Dividends receivable are included separately in dividend income when a dividend is declared.

l. Investments in Subsidiaries

Investments in subsidiaries are carried in the Bank's balance sheet at cost less provisions for impairment losses. Where, in the opinion of the Directors, there has been impairment in the value of an investment, the loss is recognised as an expense in the period in which the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the profit and loss account.

m. *Investment Property*

An investment property is an investment in land or buildings held primarily for generating income or capital appreciation and not occupied substantially for use in the operations of the enterprise. A piece of property is treated as an investment property if it is not occupied substantially for use in the operations of the Group. Occupation of more than 15% of the property is considered substantial.

Investment properties are carried in the balance sheet at their market value and revalued periodically on a systematic basis at least once in every three years. Investment properties are not subject to periodic charge for depreciation.

When there has been a decline in value of an investment property, the carrying amount of the property is written down to recognize the loss. Such a reduction is charged to the profit and loss account. Reductions in carrying amount are reversed when there is an increase, following a revaluation in accordance with the Group's policy, in the value of the investment property, or if the reasons for the reduction no longer exist.

An increase in carrying amount arising from the revaluation of investment property is credited to owners' equity as a revaluation surplus. To the extent that a decrease in carrying amount offsets a previous increase, for the same property that has been credited to revaluation surplus and not subsequently reversed or utilized, it is charged against that revaluation surplus rather than the profit and loss account.

An increase on revaluation which is directly related to a previous decrease in carrying amount for the same property that was charged to the profit and loss account, is credited to profit and loss account to the extent that it offsets the previously recorded decrease.

Investment properties are disclosed separately from the property and equipment used for the purposes of the business.

n. *Property and Equipment*

All property and equipment is initially recorded at cost. They are subsequently stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

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 asset will flow to the Group and the cost of the asset can be measured reliably. All other repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

Construction cost in respect of offices is carried at cost as work in progress. On completion of construction, the related amounts are transferred to the appropriate category of property and equipment. Payments in advance for items of property and equipment are included as "prepayments in other assets" and upon delivery are reclassified as additions in the appropriate category of property and equipment. No depreciation is charged until the assets are put into use.

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

Motor vehicles	-	4 years
Office equipment	-	5 years
Furniture and fittings	-	5 years
Computer hardware and equipment	-	3 years
Computer software	-	3 years
Freehold buildings	-	50 years
Leasehold land & buildings	-	Over the lease period
Leasehold improvement	-	Over the unexpired lease term

o. *Leases*

The Group classifies a lease as a finance lease if the following conditions are met:

(a) lease is non-cancellable, and
(b) any of the following is applicable:

i. the lease term covers substantially (80% or more) the estimated useful life of the asset or,
ii. the net present value of the lease at its inception using the minimum lease payments and the implicit interest rate is equal to or greater than the fair value of the leased asset or,
iii. the lease has a purchase option which is likely to be exercised.

A lease that does not qualify as a finance lease as specified above is classified as an operating lease. A Group company can be a lessor or a lessee in either a finance lease or an operating lease.

i. A Group company is the lessor

When assets are held subject to a finance lease, the transactions are recognised in the books of the Group at the net investment in the lease. Net investment in the lease is the gross investment in the lease discounted at the interest rate implicit in the lease. The gross investment is the sum of the minimum lease payments plus any residual value payable on the lease. The discount on lease is defined as the difference between the gross investment and the present value of the asset under the lease.

The discount is recognised as unearned and amortised to income as they are earned over the life of the lease at a basis that reflects a constant rate of return on the Group's net investment in the lease.

Finance leases are treated as risk assets and the net investment in the lease are subject to the provisioning policies listed in (f) above.

When assets are held subject to an operating lease, the assets are recognised as property and equipment based on the nature of the asset and the Group's normal depreciation policy for that class of asset applies. Lease income is recognised on a straight line basis over the lease term.All initial direct costs associated with the operating lease are charged as incurred to the profit and loss account.

Lease income is recognised on a straight line basis over the lease term.

ii. A Group company is the lessee

When the assets leased are subject to an operating lease, the total payments made under operating leases are charged to profit and loss on a systematic basis in line with the time pattern of the user's benefit.

When the assets are subject to a finance lease, the Group accounts for it by recording the lease as an acquisition of an asset and the incurrence of a liability.

To capitalize the lease appropriately the Group determines the following:
i. the initial value of the leased asset and the corresponding liability;
ii. the amortization rate or amount; and
iii. the amount by which the lease liability is to be reduced.

At the beginning of the lease term, the Group records the initial asset and liability at amounts equal to the fair value of the leased asset less the present value of an unguaranteed or partially guaranteed residual value which would accrue to the lessor at the end of the term of the lease. The discount factor to apply in calculating the present value of the unguaranteed residual value accruing to the lessor is the interest rate implicit in the lease.

Where the Group cannot determine the fair value of the leased asset at the inception of the lease or is unable to make a reasonable estimate of the residual value of the lease without which the interest rate implicit in the lease could not be computed, the initial asset and liability are recorded at amounts equal to the present value of the minimum lease payments using the Group's incremental borrowing rate as the discounting factor.

The leased assets are depreciated or the rights under the leased asset amortized in a manner consistent with the depreciation policy on the Group's own assets.

The minimum lease payment in respect of each accounting period is allocated between finance charge and the reduction of the outstanding lease liability. The finance charge is determined by applying the rate implicit in the lease to the outstanding liability at the beginning of the period.

The leased assets are depreciated or the rights under the leased asset amortised in a manner consistent with the depreciation policy on the group's own asset.

The minimum lease payment in respect of each accounting period is allocated between finance charge and the reduction of the outstanding lease liability. The finance charge is determined by applying the rate implicit in the lease to the outstanding liability at the beginning of the period.

p *Goodwill*

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units is represented by each primary reporting segment.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

q. *Cash and Cash Equivalents*

Cash comprises cash on hand and demand deposits held in local and foreign currencies. Cash equivalents are short-term, highly liquid instruments which are:

. (a) readily convertible into cash, whether in local or foreign currency; and

. (b) so near to their maturity dates as to present insignificant risk of changes in value as a result of changes in interest rates

r. *Provisions*

Provisions are liabilities that are uncertain in timing or amount.

Provisions are recognised when:

– the Group 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 has been reliably estimated.

s. *Retirement benefits*

The Group has a defined contribution plan.

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

t *Deferred Taxation*

Deferred income tax is provided using the liability method for all timing differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

The principal timing differences arise from depreciation of property and equipment. The rates enacted or substantively enacted at the balance sheet date are used to determine deferred income tax. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the timing differences can be utilised.

Income tax payable on profits, based on the applicable tax law in each jurisdiction, is recognised as an expense in the period in which the related profits arise.

u. *Taxation*

Income tax payable on profits, based on the applicable tax law in each jurisdiction, is recognised as an expense in the period in which the related profits arise.

v. *Borrowed Funds*

Borrowed funds are recognised initially at their issue proceeds and subsequently stated at cost less any repayments. Transaction costs where immaterial, are recognized immediately in the profit and loss account. Where transaction costs are material, they are capitalized and amortised over the life of the loan.

w. *Share Capital*

i. Share issue costs

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

ii. Dividends on ordinary shares

Dividends on ordinary shares are appropriated from the revenue reserve in the period they are approved by the Bank's shareholders.

Dividends for the year that are approved by the shareholders after the balance sheet date are dealt with in the subsequent events note.

Dividends proposed by the Directors but not yet approved by shareholders are disclosed in the financial statements in accordance with the requirements of the Companies and Allied Matters Act.

x. *Off-Balance Sheet Transactions/Contingent Liabilities and Contingent Assets*

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or the Group has a present obligation as a result of past events but is not recognised because it is not likely that an outflow of resources will be required to settle the obligation; or the amount cannot be reliably estimated.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Contingent assets are never recognised; rather they are disclosed in the the financial statements when they arise.

Contingent liabilities arising from guaranteed commercial papers, letters of credit (clean line), performance bonds and guarantees issued on behalf of customers in the ordinary course of business are reported off-balance sheet in recognition of the risk inherent in those transactions.

Acceptance

Acceptances are undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from customers. Acceptances, which meet the conditions, set out in Central Bank of Nigeria (CBN) Guidelines on the treatment of bankers acceptances and commercial papers are accounted for and disclosed as contingent liabilities. The income and expense relating to these acceptances are recognised and reported net in the financial statements.

Guarantees and performance bond

The Group provides financial guarantees and bonds to third parties on the request of customers in the form of bid and performance bonds or advance payment guarantees. These agreements have fixed limits and generally do not extend beyond the period stated in each contract. The uncollaterized portion of bonds and guarantees are disclosed in financial statements. Commissions and fees charged to customers for services rendered in respect of bonds and guarantees are recognized at the time the services or transactions are effected.

Commitment

Commitments to extend credit or deliver on sales or purchases of foreign exchange in future are recognized as off balance sheet engagements. Commissions and fees charged to customers for services rendered in respect of commitments are recognized at the time the service or transaction is effected.

Letters of credit

The Bank provides letters of credit to guarantee the performance of customers to third parties. These are accounted for as off balance sheet items. Commissions and fees charged to customers for the service are recognised at the time the service or transaction is effected.

y. *Sale of Loans or Securities*

A sale of loans or securities without recourse to the seller is accounted for as a disposal and the assets excluded from the balance sheet.

Profits or losses on the sale of loans or securities without recourse to the seller is recognised by the seller when the transaction is completed.

The Group regards a sale of loans or securities as without recourse, if it satisfies all the following conditions. Any sale not satisfying these conditions will be regarded as with recourse.

- control over the economic benefits of the asset must be passed on to the buyer;
- the seller can reasonably estimate any outstanding cost; and
- there must not be any repurchase obligations.

A sale or transfer of loans or securities with recourse where there is an obligation to, or an assumption of, repurchase is not treated as a sale, and the asset remains in the Group's balance sheet, with any related cash received recognised as a liability.

Profit arising from sale or transfer of loan or securities with recourse to the seller is amortised over the remaining life. However, losses are recognised as soon as they can reasonably estimated.

Where there is no obligation to or assumption of repurchase, the sale should be treated as a disposal and the asset excluded from the balance sheet, and any contingent liability disclosed.

z. *Fiduciary Activities*

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

aa. *Earnings Per Share*

The Group presents basic earnings per share for its ordinary shares. Basic earnings per share are calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted number of ordinary shares outstanding during the year.

Adjusted earnings per share is determined by dividing the profit or loss attributable to ordinary shareholders by the weighted number of ordinary shares adjusted for any bonus shares issued.

	Notes	12 Months Group 2010 N'million	15 Months Group 2009 N'million	12 Months Bank 2010 N'million	15 Months Bank 2009 N'million
Gross earnings		192,488	277,300	169,370	254,147
Interest and similar income	3	127,265	193,545	118,491	186,019
Interest and similar expenses	4	(35,719)	(83,957)	(34,522)	(82,836)
Net interest income		91,546	109,588	83,969	103,183
Fee and commission income	5	46,180	55,014	39,885	49,830
Underwriting income	6	7,145	7,450	–	–
Underwriting expenses	7	(4,621)	(5,105)	–	–
Underwriting profit		2,524	2,345	–	–
Foreign exchange trading income		10,823	19,687	9,743	17,369
Trusteeship income		45	42	–	–
Income from investments	8	304	1,326	455	484
Other income	9	726	236	796	445
Operating income		152,148	188,238	134,848	171,311
Operating expenses	10	(97,769)	(113,288)	(89,074)	(103,410)
Diminution in asset values	16 (e)	(4,353)	(39,865)	(2,817)	(36,148)
Profit before tax		50,026	35,085	42,957	31,753
Taxation	11	(12,612)	(14,482)	(9,622)	(13,388)
Profit after tax		37,414	20,603	33,335	18,365
Non controlling interest	37	(84)	(106)	–	–
Profit attributable to Group shareholders		37,330	20,497	33,335	18,365
Appropriated as follows:					
Statutory reserve	36	5,000	2,755	5,000	2,755
Contingency reserve	36	186	169	–	–
Retained earnings reserve	36	32,144	17,573	28,335	15,610
		37,330	20,497	33,335	18,365
Earnings per share (basic /diluted)	43	119 k	82 k	106 k	73 k
Earnings per share (adjusted)	43	119 k	65 k	106 k	58 k
Dividend per share (proposed)	44	85 k	45 k	85 k	45 k

The accounting policies on pages 42 to 53 and notes on pages 57 to 118 form an integral part of these financial statements.

BALANCE SHEETS
As at 31 December 2010

	Notes	Group 2010 N'million	Group 2009 N'million	Bank 2010 N'million	Bank 2009 N'million
Assets					
Cash and balances with central banks	12	141,724	126,779	130,604	115,044
Treasury bills	13	298,869	234,115	287,981	225,371
Due from other banks	14	399,503	341,830	374,604	290,025
Loans and advances	15	713,285	698,326	667,860	669,261
On-lending facilities	17	22,536	–	22,536	–
Advances under finance lease	18	13,188	5,506	12,731	5,281
Insurance receivables	19	711	635	–	–
Investment securities	20	210,345	158,977	171,985	144,189
Investment in subsidiaries	21	–	–	37,134	36,096
Deferred tax assets	23	1,162	966	–	–
Other assets	24	18,936	13,517	13,470	12,758
Investment property	25	7,623	433	7,036	–
Property and equipment	26	67,145	78,619	63,517	75,171
Total assets		1,895,027	1,659,703	1,789,458	1,573,196
Liabilities					
Customers deposits	27	1,318,072	1,173,917	1,289,552	1,111,328
Claims payable	28	218	198	–	–
Liabilities on insurance contracts	29	2,287	1,202	–	–
On-lending facilities	30	26,049	–	26,049	–
Borrowings	31	27,975	35,984	27,975	35,984
Current income tax	11	3,735	7,407	1,010	5,718
Other liabilities	32	145,750	100,085	87,314	88,683
Deferred income tax liabilities	33	7,380	3,117	7,144	3,100
Total liabilities		1,531,466	1,321,910	1,439,044	1,244,813
Capital and reserves					
Share capital	34	15,698	12,559	15,698	12,559
Share premium	35	255,047	255,047	255,047	255,047
Revaluation reserve	36	98	–	–	–
Retained earnings	36	62,610	44,883	51,307	37,415
Other reserves	36	27,789	23,081	28,362	23,362
Attributable to equity holders of the parent		361,242	335,570	350,414	328,383
Non-controlling interest	37	2,319	2,223	–	–
Total shareholders' equity		363,561	337,793	350,414	328,383
Total Liabilities and equity		1,895,027	1,659,703	1,789,458	1,573,196
Acceptances and guarantees	41 ((c))	902,931	638,708	866,169	606,594

The accounting policies on pages 42 to 53 and notes on pages 57 to 118 form an integral part of these financial statements.

The financial statements on pages 54 to 118 were approved by the Board of Directors on 21 March 2011 and signed on its behalf by:

Steve Omojafor *(Chairman)* ________________________

Godwin Emefiele *(Group Managing Director and Chief Executive)* ________________________

	Notes	12 Months Group 2010 N'million	15 Months Group 2009 N'million	12 Months Bank 2010 N'million	15 Months Bank 2009 N'million
Operating activities					
Cash flows generated from/(used in) operations	42	203,476	(281,913)	202,638	(277,445)
VAT paid		(2,597)	(3,021)	(2,498)	(2,931)
Tax paid	11	(12,652)	(12,082)	(10,286)	(10,021)
Net cash flows generated from /(used in) operations		188,227	(297,016)	189,854	(290,397)
Financing activities					
Dividend paid to shareholders		(11,303)	(28,466)	(11,303)	(28,466)
Borrowed funds					
- inflow from long term borrowing		6,946	6,140	6,946	6,140
- repayment of long term borrowing		(14,955)	(10,587)	(14,955)	(10,587)
Inflow from On-lending facilities	30	26,049	–	26,049	–
Net cash generated from /(used in) financing activities		6,737	(32,913)	6,737	(32,913)
Investing activities					
Purchase of property and equipment	26	(7,122)	(42,062)	(5,845)	(39,731)
Proceed from sale property and equipment		127	297	82	103
Small and Medium Scale Industries					
- divestments from SMEEIS		–	174	–	174
Investment in subsidiaries		–	–	(1,038)	(19,161)
Purchase of investments	20 (d)	(1,293,569)	(99,428)	(1,264,380)	(89,909)
Purchase of investment property	25	(767)	–	(736)	–
Redemption of long term bonds	20 (d)	353,083	864	347,686	–
Disposal of investments	20 (d)	888,581	2,812	888,581	–
Cash flows generated from /(used in)operations					
Net cash used in investing activities		(59,667)	(137,343)	(35,650)	(148,524)
Increase/(Decrease) in cash and cash equivalents		135,297	(467,272)	160,941	(471,834)
Analysis of changes in cash and cash equivalents					
Cash and cash equivalents at start of year	45	692,309	1,159,581	620,525	1,092,359
Cash and cash equivalents at end of period	45	827,606	692,309	781,466	620,525
Increase/(Decrease) in cash and cash equivalents		135,297	(467,272)	160,941	(471,834)

The accounting policies on pages 42 to 53 and notes on pages 57 to 118 form an integral part of these financial statements.

1. The Bank

Zenith Bank Plc was incorporated as Zenith International Bank Limited, a private limited liability company on 30 May, 1990 and was granted a banking licence in June 1990. The bank commenced operations on 16 June 1990. The name of the bank was changed to Zenith Bank Plc on 20 May 2004, to reflect its status as a Public Limited Liability Company.

The Bank has twelve subsidiary companies namely, Zenith Securities Limited, Zenith General Insurance Company Limited, Zenith Bank (Ghana) Limited, Zenith Pension Custodian Limited, Zenith Bank (UK) Limited, Zenith Capital Limited, Zenith Registrars Limited, Zenith Medicare Limited, Zenith Trustees Limited, Zenith Life Assurance Company Limited, Zenith Bank (Sierra Leone) Limited and Zenith Bank (Gambia) Limited. The results of the Bank's subsidiaries have been consolidated in these financial statements. The Bank also has significant shareholding in some companies incorporated under the Small and Medium Enterprises Equity Investment Scheme (SMEEIS).

2. Segment analysis

The group's operations are primarily organised on the basis of its products and services offerings which is consistent with the group's management and internal reporting structure. Its secondary segmentation is based on the geographic coverage which covers Nigeria, rest of Africa and the Europe.

(a) By business segment

The Group's business activities are conducted principally through four segments:

(i) Corporate and Retail Banking

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

(ii) Investment Management and Securities Trading

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

(iii) General, Health and Life Insurance

The Group's general insurance operations write substantially all lines of insurance other than title insurance while its life and health insurance operations offer a broad line of individual and group life, annuity and accident and health policies.

(iv) Others

This segment provides share registration, pension custodial and funds trusteeship services. None of these individual activities or services constitutes a separate reportable segment.

Segment assets and liabilities comprise operating assets and liabilties, being the majority of the balance sheet, but exclude items such as taxation and borrowings.

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

Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in operating income. Interest charged for these funds is based on the Group's cost of capital. There are no other material items of income or expense between the business segments.

Internal charges and transfer pricing adjustments have been reflected in the performance of each segment. Revenue sharing agreements are used to allocate external customer revenues to a segment on a reasonable basis.

Segment analysis

(a) By business segment

	Corporate and Retail Banking		Investment Management and Securities		General, Health and Life Insurance		Others		Eliminations		Consolidated	
	2010 N'million	2009 N'million	2010 N'million	2009 N'million	2010 N'million	2009 N'million	2010 N'million	2009 N'million	2010 N'million	2009 N'million	2010 N'million	2009 N'million
Revenue:												
Derived from external Customers	182,025	263,077	1,206	5,269	7,174	7,487	2,083	1,467	–	–	192,488	277,300
Derived from other business Segments	8	7,601	480	371	468	1,238	1,011	4,406	(1,967)	(13,616)	–	–
Total revenue	182,033	270,678	1,686	5,640	7,642	8,725	3,094	5,873	(1,967)	(13,616)	192,488	277,300
Expense:												
Operating expenses (including Interest expenses and loan Loss expenses)	137,564	236,033	(430)	10,037	6,292	8,120	1,003	1,641	(1,967)	(13,616)	142,462	242,215
Total cost	137,564	236,033	(430)	10,037	6,292	8,120	1,003	1,641	(1,967)	(13,616)	142,462	242,215
Profit/ (loss) before tax	44,469	34,645	2,116	(4,397)	1,350	605	2,091	4,232	–	–	50,026	35,085
Tax	(10,117)	(14,016)	(571)	1,034	(962)	(409)	(962)	(1,091)	–	–	(12,612)	(14,482)
Profit/ (loss) after tax	34,352	20,629	1,545	(3,363)	388	196	1,129	3,141	–	-	37,414	20,603
Other segment items Capital expenditure	6,937	41,758	–	8	43	208	142	88	–	–	7,122	42,062
Depreciation expense	11,975	13,418	36	64	95	108	56	65	–	–	12,162	13,655
Identifiable assets	1,958,271	1,737,700	18,670	16,877	15,622	12,818	25,784	17,157	(123,320)	(124,849)	1,895,027	1,659,703
Identifiable liabilities	1,588,103	1,391,215	13,221	12,973	5,070	2,710	17,246	9,747	(92,174)	(94,735)	1,531,466	1,321,910

Capital expenditure comprises additions to fixed assets including additions resulting from acquisitions through business combinations.

All transactions between business segments are conducted on an arm's length basis. Internal charges and transfer pricing adjustments are reflected in the performance of each business segment.

(b) **By Geographical segment:**

The Group's business is organized along three main geographical areas.

(I) Nigeria;
(Ii) Rest of Africa; and
(Iii) Europe

	Nigeria		Rest of Africa		Europe		Eliminations		Consolidated	
	2010 N'million	2009 N'million	2010 N'million	2009 N'million	2010 N'million	2009 N'million	2010 N'million	2009 N'million	2010 N'million	2009 N'million
Revenue:										
Derived from external customers	179,820	261,459	10,074	12,893	2,594	2,948	–	–	192,488	277,300
Derived from other business Segments	1,967	12,855	–	–	–	761	(1,967)	(13,616)	–	–
Total revenue	181,787	274,314	10,074	12,893	2,594	3,709	(1,967)	(13,616)	192,488	277,300
Expense:										
Operating expenses (Including interest expenses And loan loss expenses)	133,321	242,225	9,386	10,975	1,722	2,631	(1,967)	(13,616)	142,462	242,215
Total cost	133,321	242,225	9,386	10,975	1,722	2,631	(1,967)	(13,616)	142,462	242,215
Profit/ (loss) before tax	48,466	32,089	688	1,918	872	1,078	–	–	50,026	35,085
Tax	(12,117)	(13,854)	(240)	(380)	(255)	(248)	–	–	(12,612)	(14,482)
Profit/ (loss) after tax	36,349	18,235	448	1,538	617	830	–	–	37,414	20,603
Other segment items										
Capital expenditure	6,031	40,036	967	1,761	124	265	–	–	7,122	42,062
Depreciation expense	11,365	12,852	679	630	118	172	–	–	12,162	13,654
Identifiable assets	1,849,525	1,620,046	71,990	59,724	97,946	104,782	(123,320)	(124,849)	1,896,141	1,659,703
Identifiable liabilities	1,474,571	1,270,243	61,672	50,680	88,508	95,722	(92,174)	(94,735)	1,532,576	1,321,910

	Group 12 Months 2010 N'million	Group 15 Months 2009 N'million	Bank 12 Months 2010 N'million	Bank 15 Months 2009 N'million
3 Interest and similar income				
Placements	8,931	13,233	8,396	11,584
Treasury bills and investment securities	15,187	28,997	14,025	27,590
Government bonds	12,980	13,782	11,400	12,584
Loans and advances	88,176	135,494	82,679	132,222
Advances under finance lease	1,991	2,039	1,991	2,039
	127,265	193,545	118,491	186,019
Interest Income earned in Nigeria	118,727	181,859	118,412	185,782
Interest Income earned outside Nigeria	8,538	11,686	79	237
	127,265	193,545	118,491	186,019
4. Interest and similar expenses				
Current accounts	3,416	10,491	3,376	10,392
Savings accounts	1,185	1,773	1,142	1,749
Time deposits	29,967	68,058	29,152	68,406
Inter-bank takings	299	1,861	-	515
Borrowed funds	852	1,774	852	1,774
	35,719	83,957	34,522	82,836

Interest expense paid outside Nigeria amounted to: Group **N4.07 billion (2009: N6.63 billion)** and Bank **N0.85 billion (2009: N2.81 billion).**

	Group 12 Months 2010 N'million	Group 15 Months 2009 N'million	Bank 12 Months 2010 N'million	Bank 15 Months 2009 N'million
5. Fee and commission income				
Facility management fee	6,359	10,384	6,134	10,209
Credit related fees	4,126	4,167	3,309	3,867
Commission on turnover	21,132	24,527	20,766	23,976
Commission on off-balance sheet transactions	1,465	1,805	1,095	1,457
Letters of credit commissions and fees	4,317	5,416	3,675	4,829
Advisory fee income	500	64	148	11
AGM administration fees	5	110	-	-
Bond trading income	842	530	833	340
Fees on electronic products	2,224	2,373	2,213	2,363
Foreign currency transaction fees and commissions	1,084	1,191	945	1,056
Share registration fees	539	2	-	-
Capital issue fees	106	203	-	-
Commissions on collections and remmitances	507	657	507	657
Other fees and commissions	2,974	3,585	260	1,065
	46,180	55,014	39,885	49,830

	Group 12 Months 2010 N'million	Group 15 Months 2009 N'million	Bank 12 Months 2010 N'million	Bank 15 Months 2009 N'million
6 Underwriting profit				
This is made up of the following:				
Gross premium income	6,305	5,845	-	-
Commission earned	448	547	-	-
Claims recovered	392	1,058	-	-
	7,145	7,450	-	-
7. Underwriting expenses				
This is made up of the following:				
Reinsurances/ Co-insurances	1,991	2,566	-	-
Claim expenses	1,435	1,859	-	-
Acquisition costs	736	718	-	
Transfer from/(to) profit and loss	459	(38)	-	-
	4,621	5,105	-	-
8 Income from investments				
Dividend income from equity investment	27	1,543	455	484
Profit / (Loss)on sale of investments	11	(737)	-	-
Income from investment deposits	266	520	-	-
	304	1,326	455	484
9 Other income				
Gain on disposal of fixed assets	68	-	59	71
Rental income	11	188	90	326
Gain on the disposal of loan assets (see Note 20 (f) below)	607	-	607	-
Income on cash Handling	40	48	40	48
	726	236	796	445
10. Operating expenses				
Staff costs (Note 40 (a))	34,185	45,443	31,428	41,913
Depreciation (Note 26)	12,162	13,655	11,176	12,614
Auditors' remuneration	243	200	180	180
Directors' emoluments (Note 40 (b))	604	745	302	508
Loss on disposal of fixed assets	-	27	-	-
Other expenses (See Note(a) below)	50,575	53,218	45,988	48,195
	97,769	113,288	89,074	103,410
(a) Other expenses comprise the following:				
Advertisement	2,368	539	2,178	274
Bank Charges	699	716	673	645
Fuel and Maintenance Expenses	8,683	9,548	7,926	8,939
Insurances	1,035	670	981	620
Leasehold rentals	2,367	2,600	1,698	1,986
Licenses, Registrations and Subscriptions	1,921	3,373	1,686	3,166
Local and Overseas travel	1,076	2,532	716	2,128
NDIC Premium	6,338	7,233	6,338	7,233
Other known losses	5,810	-	5,810	-
Printing and Stationery	2,518	2,947	2,206	2,468
Security and Cash Handling	9,692	10,224	9,590	10,127
Training Expenses	628	1,100	520	927
Other operating expenses (various expense heads)	7,440	11,736	5,666	9,682
	50,575	53,218	45,988	48,195

	Group 12 Months 2010 N'million	Group 15 Months 2009 N'million	Bank 12 Months 2010 N'million	Bank 15 Months 2009 N'million
11 Taxation				
Corporate tax	7,901	5,192	4,952	3,391
Information technology development levy	492	248	425	226
Education tax	871	594	801	516
Income tax charge	9,264	6,034	6,178	4,133
Prior period under/(over) provision	(600)	8,090	(600)	8,057
	8,664	14,124	5,578	12,190
Deferred income tax charge (Note 33)	4,135	1,161	4,044	1,198
Reversal during the period (Note 23)	(187)	(803)	–	–
Charge for the period	12,612	14,482	9,622	13,388
The movement in the current income tax payable balance is as follows:				
At start of the period	7,407	5,690	5,718	3,549
Tax paid	(12,652)	(12,082)	(10,286)	(10,021)
Tax effect of translation	316	(325	–	–
Prior period under/(over) provision	(600)	8,090	(600)	8,057
Income tax charge	9,264	6,034	6,178	4,133
At end of the period	3,735	7,407	1,010	5,718
12 Cash and balances with central banks				
Cash	39,582	29,864	36,473	28,479
Operating accounts with central banks	89,652	86,500	82,408	76,650
	129,234	116,364	118,881	105,129
Mandatory reserve deposits with central banks				
Cash reserves	11,990	9,915	11,723	9,915
Statutory deposits	500	500	–	–
	141,724	126,779	130,604	115,044

Mandatory reserve deposits are not available for daily use.

Statutory deposit represents the mandatory deposit required by the National Insurance Commission (NAICOM) to be made by the insurance subsidiaries i.e. Zenith General Insurance Company Limited and Zenith Life Assurance Company Limited.

Included in the Group's cash is an amount of N11 billion (2009: N4 billion) representing unclaimed dividend held in the account of Zenith Registrars Limited and included in Other Liabilities (See Note 32)

	Group 12 Months 2010 N'million	Group 15 Months 2009 N'million	Bank 12 Months 2010 N'million	Bank 15 Months 2009 N'million
13 Treasury bills				
Treasury bills	298,869	234,115	287,981	225,371

Included in Treasury bills is N19.19 billion (2009: Nil) worth of treasury bills pledged as collateral to Bank of Industry (BOI), Nigeria Interbank Settlement System (NIBBS) , Federal Inland Revenue Services, V-Pay and E-Tranzact International Limited.

	Group 2010 N'million	Group 2009 N'million	Bank 2010 N'million	Bank 2009 N'million
14 Due from other banks				
Current balances with banks within Nigeria	13,333	2,880	–	–
Current balances with banks outside Nigeria	132,486	82,167	167,083	121,967
Placements with banks and discount houses	253,684	256,783	207,521	168,058
	399,503	341,830	374,604	290,025

Included in balances with banks outside Nigeria is the amount of N45.93 billion and N45.93 billion for the Group and Bank respectively (2009: N 51.67 billion and N 51.68 billion) which represents the Naira value of foreign currency balances held on behalf of customers in respect of letters of credit. The corresponding liabilities are included in other liabilities (See Note 32).

This balance is not available for the day to day operations of the Group.

Included in placements with banks and discount houses are placements with banks within Nigeria for the Group and the Bank of N 168.06 billion and N 168.06 billion respectively (Group 2009: N 165.57 billion, Bank 2009: N 165.57 billion).

	Group 2010 N'million	Group 2009 N'million	Bank 2010 N'million	Bank 2009 N'million
15 Loans and advances				
Overdrafts	270,671	364,543	232,458	350,617
Term loans	450,352	346,346	439,599	329,037
Other loans	25,028	36,576	25,028	36,576
	746,051	747,465	697,085	716,230
Provision for loan losses and interest in suspense (Note 16)	(32,766)	(49,139)	(29,225)	(46,969)
	713,285	698,326	667,860	669,261

The nature of security in respect of loans and advances is as follows:

	Group 2010 N'million	Group 2009 N'million	Bank 2010 N'million	Bank 2009 N'million
Secured against real estate	350,104	344,861	349,590	329,661
Secured by shares of quoted companies	12,026	41,950	12,026	40,101
Otherwise secured	356,763	218,840	318,841	209,195
Unsecured	27,158	141,814	16,628	137,273
	746,051	747,465	697,085	716,230

The performance of loans and advances is analysed as follows:

	Group 2010 N'million	Group 2009 N'million	Bank 2010 N'million	Bank 2009 N'million
Performing	701,780	699,086	655,253	669,817
Non-Performing				
- sub-standard	9,472	5,931	9,417	5,931
- doubtful	10,427	15,179	9,103	13,220
- lost	24,372	27,269	23,312	27,262
	746,051	747,465	697,085	716,230

	Group 2010 N'million	Group 2009 N'million	Bank 2010 N'million	Bank 2009 N'million
Analysis by maturity				
0 – 30 days	177,108	171,295	272,172	165,929
1-3 months	68,649	57,859	37,289	55,516
3-6 months	20,232	8,552	23,793	6,208
6-12 months	77,258	16,797	58,001	14,454
Over 12 months	402,804	492,962	305,830	474,123
	746,051	747,465	697,085	716,230

16 Provision for loan losses and interest in suspense comprise:

	Group 2010 N'million	Group 2009 N'million	Bank 2010 N'million	Bank 2009 N'million
Provision for loan on non-performing facilities (see note (a) below	30,331	46,771	27,536	44,805
Provision for loan on performing facilities (see note (b) below	–	–	–	–
Interest suspended on classified facilities (see note (c) below	2,435	2,368	1,689	2,164
	32,766	49,139	29,225	46,969
(a) Movement in provision for loan loss on non-performing facilities				
At start of the period	46,771	7,717	44,805	7,717
Exchange difference on translation	(67)	599	–	–
Provision no longer required (See Note 20 (f) below)	(13,424)	–	(13,424)	–
Provision during the period (See Note (16 (e) below)	4,729	38,455	3,813	37,088
Write-offs	(7,678)	–	(7,658)	–
At end of the period	30,331	46,771	27,536	44,805
(b) Movement in provision for loan loss or performing facilities				
At start of the period	–	4,540	–	4,236
Exchange difference on translation of spending balance	–	(363)	–	–
Provision during the period (See Note (16 (e) below)	–	–	–	–
Provision no longer required (see note (16 (e) below)	–	(4,177)	–	(4,236)
At end of the period	–	–	–	–

In the current year, the Bank did not make a 1% general provision on performing loans and advances based on the CBN circular BSD/DIR/GEN/CIR/04/013 to all banks in respect of 1% general provisioning on performing risk assets dated 7 January 2011 and a publication by the Nigerian Accounting Standards Board (NASB) dated 21 March 2011 (2009: Nil). The CBN circular waived the requirement of the 1% general provision for all deposit money banks while the NASB publication stated that the level of provisioning over the period from 2008 to 2010 was considered adequate for individual Deposit Money Banks (DMBs) that have subjected their loan portfolios to extensive review by the CBN and the Nigeria Deposit Insurance Corporation (NDIC) since the beginning of the current CBN reforms. The NASB publication excludes those individual DMBs from making the general loan loss provision required by paragraph 55 of Statement of Accounting Standard SAS 10: Accounting By Banks and Non-Bank Financial Institutions (Part I) in the financial statements for the year ended 31 December 2010 only.

The directors are of the opinion that the Bank qualifies for the exclusion as provided by the NASB publication and have also complied with the CBN circular BSD/DIR/GEN/CIR/04/013 dated 7 January 2011. Accordingly, the Bank has not made the 1% general provision on performing loans and advances for the year ended 31 December 2010.

		Group 2010 N'million	Group 2009 N'million	Bank 2010 N'million	Bank 2009 N'million
(c)	**Movement in interest in suspense**				
	At start of the period	2,368	1,530	2,164	1,514
	Exchange difference	(5)	–	–	–
	Suspended during the year	2,049	838	1,502	650
	No longer required	(1,113)	–	(1,113)	–
	Written off against loans and advances	(864)	–	(864)	–
	At end of the period	2,435	2,368	1,689	2,164
(d)	**The loans and advances are analysed as follows:**				
	Specialised loans (See Note (f) below)	164,051	57,164	161,044	57,164
	Non-Specialised	582,000	690,301	536,041	659,066
		746,051	747,465	697,085	716,230
	Specific Provisions	(28,949)	(45,415)	(26,154)	(43,449)
	Specific allowance on mark to market facilities	(1,382)	(1,356)	(1,382)	(1,356)
	interest in suspense	(2,435)	(2,368)	(1,689)	(2,164)
		713,285	698,326	667,860	669,261
(i)	**Specialised Loans comprise:**				
	Project finance	33,865	–	33,865	–
	Object finance	28,940	–	28,940	–
	Agriculture finance	23,307	–	20,300	–
	Real Estate finance	61,812	–	61,812	–
	Mortgage finance	7,300	–	7,300	–
		155,224	–	152,217	–
	Margin loans	8,827	57,164	8,827	57,164
		164,051	57,164	161,044	57,164

(ii) **Classification of gross specialised loans by performance include:**

GROUP 2010	Project Finance N'million	Object finance N'million	Agriculture finance N'million	Real Estate finance N'million	Mortgage finance N'million	Total N'million
Performing	12,894	28,940	23,307	61,812	7,300	134,253
Watchlist	20,971	–	–	–	–	20,971
Other Classification						
Substandard	–	–	–	–	–	–
Doubtful	–	–	–	–	–	–
Very Doubtful	–	–	–	–	–	–
Lost	–	–	–	–	–	–
(A)	–	–	–	–	–	–
(B)	33,865	28,940	23,307	61,812	7,300	155,224
Percentage to total loans (A/B)	0%	0%	0%	0%	0%	0%

(iii) Allowance for Specialised Loans are as follows:

	Group 2010 Balance N'million	Group 2010 Allowance N'million	Group 2009 Balance N'million	Group 2009 Allowance N'million
Project finance	33,865	1,664	52,323	–
Object finance	28,940	–	32,888	–
Agriculture finance	23,307	–	11,082	–
Real Estate finance	61,812	–	26,140	–
Mortgage finance	7,300	–	18,687	–
	155,224	1,664	141,120	–
Margin facilities	8,827	1,382	57,164	1,356
	164,051	3,046	198,284	1,356

	Bank 2010 Balance N'million	Bank 2010 Allowance N'million	Bank 2009 Balance N'million	Bank 2009 Allowance N'million
Project finance	33,865	1,664	52,323	–
Object finance	28,940	–	32,888	–
Agriculture finance	20,300	–	10,107	–
Real Estate finance	61,812	–	26,140	–
Mortgage finance	7,300	–	18,687	–
	152,217	1,664	140,145	–
Margin facilities	8,827	1,382	57,164	1,356
	161,044	3,046	197,309	1,356

16 (e) The charge for the period is analysed as follows:

	Group 2010 N'million	Group 2009 N'million	Bank 2010 N'million	Bank 2009 N'million
Provision for non-performing loans(Note 16 (a))	4,729	38,455	3,813	37,088
Provision no longer required on performing loans(Note 16 (b))	–	(4,177)	–	(4,236)
Provision no longer required for advances under finance lease	–	(83)	–	(86)
Provision for insurance receivables note 19 (b)	403	1,011	–	–
Provisions for other assets (Note 24 (b))	13	3,324	–	3,245
Provision n o longer required on other assets (Note 24 (b) below	(1,332)	–	(1,313)	–
Provision for diminution in investments (Note 20 (c) below)	569	1,264	317	137
Provision no longer required on investments (Note 20 (c) below	(31)	–	–	–
Bad debts written off	2	71	–	–
	4,353	39,865	2,817	36,148

17 On-lending facilities

This comprises:

	Group 2010 N'million	Group 2009 N'million	Bank 2010 N'million	Bank 2009 N'million
Central Bank of Nigeria (CBN) Commercial Agriculture Credit Scheme Loan	12,576	–	12,576	–
Bank of Industry (BOI) Intervention Loan	9,960	–	9,960	–
	22,536	–	22,536	–

All facilities are deemed to be performing hence no provision has been made on them.

		Group 2010 N'million	Group 2009 N'million	Bank 2010 N'million	Bank 2009 N'million
18	**Advances under finance lease**				
(a)	Gross investment	14,727	6,959	14,014	6,564
	Less: Unearned income	(1,539)	(1,451)	(1,283)	(1,283)
	Net Investment	13,188	5,508	12,731	5,281
	Provision for losses (See(b) below)	–	(2)	–	–
		13,188	5,506	12,731	5,281
	Performing	13,188	5,502	12,731	5,281
	Non-performing				
	- substandard	–	–	–	–
	- doubtful	–	6	–	–
	- lost	–	–	–	–
		13,188	5,508	12,731	5,281
	Analysis by maturity				
	0 – 30 days	4	4	6,495	4
	1-3 months	46	47	1	47
	3-6 months	117	117	52	117
	6-12 months	447	260	128	217
	Over 12 months	12,574	5,080	6,055	4,896
		13,188	5,508	12,731	5,281
(b)	**Movement in specific provision for advances under finance lease**				
	At start of the period	2	87	–	86
	Exchange difference on translation of opening balance	(2)	(2)	–	–
	Provision during the period (See Note (a) above)	–	–	–	–
	Provision no longer required (See Note (a) above)	–	(83)	–	(86)
	At end of the period	–	2	–	–
19	**Insurance receivables**				
(a)	Due from agents and brokers	2,686	2,085	–	–
	Due from reinsurers	–	122	–	–
	Less: Provision for doubtful insurance receivables (See Note (b) below)	(1,975)	(1,572)	–	–
		711	635	–	–
(b)	Movement in Provision for insurance receivables is as shown below:				
	At start of the period	1,572	561	–	–
	Charge for the period	403	1,011	–	–
	At end of the period	1,975	1,572	–	–
20	**Investment securities**				
(a)	Analysis of investments by tenor				
	Long term investments				
	-Quoted	202,615	149,315	162,907	133,400
	-Unquoted	8,945	8,945	8,945	8,945
	Short term investments				
	-Quoted	587	1,981	587	1,981
		212,147	160,241	172,439	144,326

	Group 2010 N'million	Group 2009 N'million	Bank 2010 N'million	Bank 2009 N'million
(b) Debt securities				
Government Bonds				
Federal Government of Nigeria (Trading Bonds) (Note (i))	587	1,981	587	1,981
Federal Government of Nigeria (Non- trading Bonds) (Note (ii))	136,114	128,795	135,612	128,795
Ghana Government Bond	1,864	1,495	–	–
Gabon Government Bond	704	449	–	–
Lagos State Government Bond	6,138	3,600	6,138	3,600
Other Bonds				
GTB Finance B.V.	2,279	2,243	–	–
GT Bank Plc	1,005	1,005	1,005	1,005
Flour Mills of Nigeria Plc	7,053	–	7,053	–
United Bank for Africa Plc	517	–	517	–
Asset Management Corporation of Nigeria (AMCON) Bond (See note (f) below)	12,582	–	12,582	–
Irish National Bond	–	3,274	–	–
Merill Lynch Bond	2,909	2,129	–	–
Nationwide Building Society	–	133	–	–
African Development Bank (AfDB)	5,978	598	–	–
FBN Capital Limited	2,290	2,221	–	–
African Export Import Bank (AFREXIM)	1,963	1,495	–	–
Abbey National Treasury Services PLC London	1,016	–	–	–
Allied Irish Bank London	1,016	–	–	–
Bank of England	5,878	–	–	–
Citigroup Inc.	2,381	–	–	–
Countrywide Financial Services	1,184	–	–	–
Inter American Development Bank	2,114	–	–	–
Islamic Bank of Britain (IBB)	3,350	–	–	–
Rabo Bank	795	–	–	–
	199,717	149,418	163,494	135,381
Equity securities				
Quoted securities	3,485	1,878	–	–
Unquoted securities	6,436	6,436	6,436	6,436
Investment in Small and Medium Enterprises (see Note (e) below	2,509	2,509	2,509	2,509
	212,147	160,241	172,439	144,326
Provision for dimunition (see Note 20 (c) below)	(1,802)	(1,264)	(454)	(137)
Total Investment securities	210,345	158,977	171,985	144,189

		Group 2010 N'million	Group 2009 N'million	Bank 2010 N'million	Bank 2009 N'million
(i)	**FGN Bonds- trading comprise:**				
	4th FGN Bond Series 3 (10.75%)	50	–	50	–
	4th FGN Bond Series 5 (9.23%)	–	508	–	508
	4th FGN Bond Series 9 (9.35%)	–	102	–	102
	5th FGN Bond Series 1 (9.45%)	–	203	–	203
	5th FGN Bond Series 2 (10.70%)	100	–	100	–
	5th FGN Bond Series 5 (15.00%)	–	406	–	406
	6th FGN Bond Series 3 (12.49%)	100	610	100	610
	6th FGN Bond Series 5 (8.50%)	–	152	–	152
	7th FGN Bond Series 5 (5.50%)	337	–	337	–
		587	1,981	587	1,981

The cost of short term investments are Group: N 550 million (2009: N1.95 billion) and Bank: N550 million (2009: N1.95 billion)

ii. The outstanding balance represents 104 tranches of Federal Government Bonds which the Group intends to hold to maturity. The portfolio's pricing ranges between 4 % and 16 % per annum. The average tenor of the bonds is 1 year and 9 months, with the earliest bond maturing in February 2011 while the Bond with the longest tenor will mature in April 2015.

The market value of long term investments are Group N183.44 billion (2009: N 152.39 billion) and Bank: N144.33 billion (2009: N 140.63 billion)

(c) Movement in provision for diminution for investment is as follows:

	Group 2010	Group 2009	Bank 2010	Bank 2009
As start of the period	1,264	–	137	–
Provision no longer required (see note 16 (e) above)	(31)	–	–	–
Provision for the period (see note 16 (e) above	569	1,264	317	137
At end of the period	1,802	1,264	454	137

(d) Movement in Investments

	Group 2010	Group 2009	Bank 2010	Bank 2009
At start of the year/ period	160,241	64,564	144,326	54,591
Additions 1	1,293,569	99,254	1,264,380	89,735
Redemption of long term bonds	(353,083)	(864)	(347,686)	–
Disposals	(888,581)	(2,812)	(888,581	–
Revaluation surplus/ (reversal)	–	(402)	–	–
Exchange difference on translation of opening balance	1	501	–	–
End of the year/ period	212,147	160,241	172,439	144,326

	Group 2010 N'million	Group 2009 N'million	Bank 2010 N'million	Bank 2009 N'million
(e) **The details of investments under the SMEEIS at cost** are shown below:				
Venus Telecom Limited	100	100	100	100
Qubit Spectrum Limited	100	100	100	100
Cyberspace Network Limited	240	240	240	240
Interswitch Limited	10	10	10	10
Reliance Agro Industrial Company Limited	5	5	5	5
ATM Consortium Limited	20	20	20	20
Best Foods Global	20	20	20	20
Emoota Farms	40	40	40	40
Living Witness	15	15	15	15
Richland Ind Limited	2	2	2	2
Accion Microfinance	92	92	92	92
Ondo Plastics	37	37	37	37
Card Plant	105	105	105	105
Africorp	68	68	68	68
Tinapa	250	250	250	250
Frezone Plant	100	100	100	100
Trust Hospital	50	50	50	50
Tempo & Packaging Limited	411	411	411	411
Ibad Limited	276	276	276	276
Flex Med-Care Int'L Limited	200	200	200	200
De-Royal Mark Limited	6	6	6	6
Iven Tech Limited	12	12	12	12
Obagayan Farms	230	230	230	230
Aluminium Solution	20	20	20	20
CR Services Limited	100	100	100	100
	2,509	2,509	2,509	2,509

The Bank's investments under the Small and Medium Enterprises Equity Investment Scheme (SMEEIS) is in corporation with the Policy Guidelines for 2001 Fiscal year (Monetary Policy Circular No. 35). Due to the effective percentage holding of the bank in these companies, some of them qualify as associates. However, they are not equity as the Bank does not exercise influence, and control is temporary as the investments are expected to be realised within 5 years.

f) AMCON Bond represents Initial Consideration Bonds issued by the Asset Management Corporation of Nigeria (AMCON) and fully guaranteed by the Federal Government of Nigeria. The Initial Consideration Bonds are three year zero coupon with a yield to maturity of 10.125%. The Initial Consideration Bonds were issued to banks in exchange for non-performing capital market loans as part of the Nigerian Government's policy measures to reduce the negative impact of capital market loans on the Nigerian banking industry and the economy as a whole. As at 31 December 2010, the Bank received AMCON Bonds with face value of N16.92 billion and a carrying amount of N12.58 billion in consideration for capital market loans with gross value of N25.40 billion and total provision of N13.42 billion made in the book's against these loans.

The difference between the face value and the carrying amount of the AMCON Bond amounting to N4.34 billion represents the unearned income to the bank which will be recognised over the 3-year tenor.

A gain of N 607 million representing the difference between the net amount (after provisions) of the capital market loans acquired by AMCON and the carrying amount of the AMCON Bonds issued in consideration was charged to the income statement for the year. (See Note 9 on Other Income)

21. **Investment in subsidiaries**	%	Group 2010	Group 2009	Bank 2010	Bank 2009
Zenith Securities Limited (Note 21 (ii))	99.9890%	–	–	8,000	8,000
Zenith General Insurance Company Ltd (Note 21 (ii)	80.1224%	–	–	3,978	3,978
Zenith Registrars Limited (Note 21 (iv))	99.9969%	–	–	500	500
Zenith Bank (Ghana) Limited (Note 21 (v))	98.0722%	–	–	6,444	6,444
Zenith Pensions Custodian Limited (Note 21 (vi))	99.0000%	–	–	1,980	1,980
Zenith Life Assurance Company Ltd. (Note 21 (vii))	81.6132%	–	–	150	150
Zenith Bank (UK) Limited (Note 21 (viii))	100.0000%	–	–	8,527	8,527
Zenith Capital Limited (Note 21 (ix))	99.9996%	–	–	5,400	5,400
Zenith Bank Sierra Leone Limited (Note 21 (x))	100.0000%	–	–	1,117	1,117
Zenith Bank (Gambia) Limited (Note 21 (xi))	100.0000%	–	–	1,038	–
		–	–	37,134	36,096

(i) Apart from Zenith Bank (Ghana) Limited, Zenith Bank (UK) Limited, Zenith Bank (Sierra Leone) Limited and Zenith Bank (Gambia Limited), all the subsidiaries are incorporated in Nigeria. The condensed financial statements of the consolidated subsidiaries are included in Note 22 .

The Bank also exercises control through indirect holding in two subsidiaries, namely Zenith Medicare Limited and Zenith Trustees Limited. The results of both subsidiaries have also been consolidated in these financial statements.

(ii) Zenith Securities Limited provides securities trading and assets management services. It was incorporated on 31 May 1990 and commenced operations in May 2004.

(iii) Zenith General Insurance Company Limited provides marine, motor, accident, fire and other non-life insurance services. It was incorporated on 8 January 1970 as Picadilly Insurance Company Limited and it traded in this name until 2003 when it was acquired by Zenith Bank PLC . The name was changed to Zenith General Insurance Company Limited on April 16, 2004.

(iv) Zenith Registrars Limited provides registration and share transfer agency services. It was incorporated on May 7, 2004 and commenced operations on May 21, 2005.

(v) Zenith Bank (Ghana) Limited provides corporate and retail banking services. It was incorporated on April 15, 2005 and commenced operations on September 16, 2005 .

In order to attain the minimum regulatory capitalisation of sixty million Ghanian Cedis (GHC) , Zenith Bank (Ghana) Limited increased its share capital from GHC 56,221,496 to GHC 61,221,496 through the issue of additional 500,000 ordinary shares of GHC 10 each by way of bonus shares to its existing shareholders in their existing proportions of shareholding respectively.

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

(vii) Zenith Life Assurance Company Limited provides group life and individual life policy cover. It was incorporated 30 March 2001 . Its name was changed from "Zenith Life Insurance Company Limited" to "Zenith Life Assurance Company Limited" on April 25, 2005. The company changed from Zenith Life Insurance Company Limited to Zenith Life Assurance Company Limited on April 25, 2005. The company commenced operations in April 2006.

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

(ix) Zenith Capital Limited provides investment banking services, including corporate finance and advisory, project finance, capital markets, syndication, asset management and principal investment. It was incorporated on 11 November 2005 and commenced operations in October 2006. On 21 November 2006, Its name was changed from "Zenith Capital Markets Limited" to "Zenith Capital Limited".

(x) Zenith Bank (Sierra Leone) Limited provides corporate and retail banking services. It was incorporated in Sierra Leone on 17 September 2007 and granted an operating license by the Bank of Sierra Leone on 10 September 2008. It commenced banking operations on 15 September 2008.

(xi) granted an operating license by the Central Bank of The Gambia on 30 December 2009. It commenced banking operations on 18 January 2010. During the year, Zenith Bank PLC made additional investments in the sum of $ 3 million (NGN 453.45 million) in Zenith Bank (Gambia) Limited.

(xii) Zenith Medicare Limited provides health insurance and managed care services. It was incorporated on May 31, 2005 and commenced operations on January 1, 2006. Its name was changed from "Zenith Assurance Medicare Limited" to Zenith Medicare Limited" on September 28, 2006.

(xiii) Zenith Trustees Limited provides trust services and non-pension fund custodial services. It was incorporated in Nigeria on July 5, 2004 and commenced operations in May 2006.

22 Condensed results of consolidated entities December 2010

	Zenith Group	Elimination entries	Zenith Bank PLC	Zenith Bank (Ghana) Limited	Zenith Bank (UK) Limited	Zenith Bank (Sierra Leone) Limited	Zenith Bank (Gambia) Limited	Zenith General Insurance Company Limited	Zenith Medicare Limited	Zenith Life Assurance Company Limited	Zenith Pensions Custodian Limited	Zenith Capital Limited	Zenith Securities Limited	Zenith Registrars Limited	Zenith Trustees Limited
Condensed profit and loss	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million
Operating income	192,488	(1,967)	169,370	9,537	2,594	362	174	5,649	690	1,302	1,650	924	761	1,356	86
Operating expenses	(138,109)	1,967	(123,596)	(7,519)	(1,722)	(238)	(266)	(3,977)	(557)	(1,209)	(418)	(528)	560	(540)	(66)
Provision expense	(4,353)	-	2,817)	(1,283)	-	(60)	(2)	(549)	(9)	(57)	-	(46)	448	-	22
Profit/ (loss) before tax	50,026	-	42,957	735	872	64	(94)	1,123	124	36	1,232	350	1,769	816	42
Tax	12,612)	-	(9,622)	(233)	(255)	(4)	(3)	(722)	(14)	(226)	(505)	(31)	(540)	(454)	(3)
Profit/(loss) for the year	37,414	-	33,335	502	617	60	(97)	401	110	(190)	727	319	1,229	362	39
Condensed Financial position															
Cash and balances with central banks	141,724	3,109	130,604	7,263	-	88	160	300	-	200	-	-	-	-	-
Treasury bills	298,869	-	287,981	7,006	-	338	1,420	2,124	-	-	-	-	-	-	-
Due from other banks	399,503	(86,615)	374,604	19,886	42,749	671	215	4,902	514	2,154	4,496	5,142	10,978	17,766	2,041
Loans and advances to customers	713,285	(16)	667,860	27,342	17,111	282	145	42	-	2	-	7	510	-	-
On-lending facilities	22,536	-	22,536	-	-	-	-	-	-	-	-	-	-	-	-
Advances under finance lease	13,188	-	12,731	457	-	-	-	-	-	-	-	-	-	-	-
Insurance receivables	711	-	-	-	-	-	-	520	83	108	-	-	-	-	-
Investment securities	210,345	-	171,985	-	36,838	-	-	451	-	165	500	372	-	-	34
Investment in subsidiaries and associates	-	(39,450)	37,134	-	-	-	-	1,950	-	-	-	-	286	80	-
Deferred tax asset	1,162	-	-	-	36	-	-	-	-	-	-	8	1,118	-	-
Other assets	18,936	(1,459)	13,470	4,333	790	20	135	591	23	396	197	194	21	171	54
Investment property	7,623	-	7,036	-	-	-	-	587	-	-	-	-	-	-	-
Property and equipment	67,145	-	63,517	1,344	422	548	334	477	27	6	120	22	4	301	23
	1,895,027	(124,431)	1,789,458	67,631	97,946	1,947	2,409	11,944	647	3,031	5,313	5,745	12,917	18,318	2,152

Condensed results of consolidated entities (contd.)
December 2010

	Zenith Group	Elimination entries	Zenith Bank PLC	Zenith Bank (Ghana) Limited	Zenith Bank (UK) Limited	Zenith Bank (Sierra Leone) Limited	Zenith Bank (Gambia) Limited	Zenith General Insurance Company Limited	Zenith Medicare Limited	Zenith Life Assurance Company Limited	Zenith Pensions Custodian Limited	Zenith Capital Limited	Zenith Securities Limited	Zenith Registrars Limited	Zenith Trustees Limited
Financed by:	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million
Customer deposits	1,318,072	(34,676)	1,289,552	55,693	5,549	1,127	827	-	-	-	-	-	-	-	-
Claims payable	218	-	-	-	-	-	-	217	1	-	-	-	-	-	-
Current income tax	3,735	-	1,010	85	-	-	3	785	13	115	691	(65)	201	893	4
Borrowings	27,975	-	27,975	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	145,750	(58,610)	87,314	3,177	82,828	113	606	1,419	100	101	187	2,501	10,576	13,394	2,044
On-lending facilities	26,049	-	26,049	-	-	-	-	-	-	-	-	-	-	-	-
Provisions on insurance contracts	2,287	-	-	-	-	-	-	1,400	243	644	-	-	-	-	-
Deferred income tax liabilities	7,380	-	7,144	39	131	-	-	24	7	2	10	-	-	21	2
Equity and reserves	363,561	(31,145)	350,414	8,637	9,438	707	973	8,099	283	2,169	4,425	3,309	2,140	4,010	102
	1,895,027	(124,431)	1,789,458	67,631	97,946	1,947	2,409	11,944	647	3,031	5,313	5,745	12,917	18,318	2,152
Condensed cash flow															
Net cash from operating activities	188,227	(524)	189,854	(2,257)	(15,671)	529	1,091	3,479	122	1,126	997	(701)	2,743	7,299	140
Net cash from financing activities	6,737	(853)	6,737	(185)	-	-	1,038	-	-	-	-	-	-	-	-
Net cash from investing activities	(59,667)	(1,209)	(35,650)	115	(21,679)	6	(334)	(122)	16	(4)	(578)	(266)	14	11	13
Increase in cash and cash equivalents	135,297	(2,586)	160,941	(2,327)	(37,350)	535	1,795	3,357	138	1,122	419	(967)	2,757	7,310	153
Cash and cash equivalents															
At start of year	692,309	(81,187)	620,525	36,482	80,099	562	-	3,669	376	1,032	4,077	6,109	8,221	10,456	1,888
At end of year	827,606	(83,773)	781,466	34,155	42,749	1,097	1,795	7,026	514	2,154	4,496	5,142	10,978	17,766	2,041
	135,297	(2,586)	160,941	(2,327)	(37,350)	535	1,795	3,357	138	1,122	419	(967)	2,757	7,310	153

Condensed results of consolidated entities (contd.)
December 2009

	Zenith Group	Elimination entries	Zenith Bank PLC	Zenith Bank (Ghana) Limited	Zenith Bank (UK) Limited	Zenith Bank (Sierra Leone) Limited	Zenith Bank (Gambia) Limited	Zenith General Insurance Company Limited	Zenith Medicare Limited	Zenith Life Assurance Company Limited	Zenith Pensions Custodian Limited	Zenith Capital Limited	Zenith Securities Limited	Zenith Registrars Limited	Zenith Trustees Limited
Condensed profit and loss	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million
Operating income	277,300	(13,616)	254,147	12,825	3,709	67	-	7,206	404	1,044	1,888	1,449	4,191	3,896	90
Operating expenses	(202,350)	13,616	(186,246)	(9,308)	(2,631)	(527)	-	(5,543)	(377)	(554)	(346)	(1,424)	(7,746)	(1,181)	(83)
Provision expense	(39,865)	-	(36,148)	(1,133)	-	(7)	-	(1,150)	(3)	(426)	(1)	(666)	(300)	-	(31)
Profit/ (loss) before tax	35,085	-	31,753	2,384	1,078	(467)	-	513	24	64	1,541	(641)	(3,855)	2,715	(24)
Tax	(14,482)	-	(13,388)	(380)	(248)	-	-	(514)	(6)	110	(379)	192	842	(706)	(5)
Profit/(loss) for the year	20,603	-	18,365	2,004	830	(467)	-	(1)	18	174	1,162	(449)	(3,013)	2,009	(29)
Condensed Financial position															
Cash and balances with central banks	126,779	(40,450)	115,044	15,043	605	209	-	3,969	376	1,232	4,077	6,109	8,221	10,456	1,888
Treasury bills	234,115	-	225,371	8,471	-	273	-	-	-	-	-	-	-	-	-
Due from other banks	341,830	(40,738)	290,025	12,968	79,494	81	-	-	-	-	-	-	-	-	-
Loans and advances to customers	698,326	(92)	669,261	19,864	8,152	209	-	7	-	2	-	52	871	-	-
Advances under finance lease	5,506	-	5,281	225	-	-	-	-	-	-	-	-	-	-	-
Insurance receivables	635	-	-	-	-	-	-	592	8	35	-	-	-	-	-
Investment securities	158,977	-	144,189	-	12,929	-	-	669	-	151	-	714	216	80	29
Investment in subsidiaries and associates	-	(38,126)	36,096	-	-	-	-	1,950	-	-	-	-	80	-	-
Deferred tax asset	966	-	-	-	23	-	-	-	-	1	-	89	853	-	-
Other assets	13,517	(6,280)	12,758	237	2,041	137	-	3,014	42	1,081	152	232	5	35	63
Investment property	433	-	-	-	-	-	-	433	-	-	-	-	-	-	-
Property and equipment	78,619	-	75,171	1,458	430	552	-	509	43	9	42	65	8	312	20
	1,659,703	(125,686)	1,573,196	58,266	103,674	1,461	-	11,143	469	2,511	4,271	7,261	10,254	10,883	2,000

Condensed results of consolidated entities (contd.)
December 2009

Financed by:	Zenith Group	Elimination entries	Zenith Bank PLC	Zenith Bank (Ghana) Limited	Zenith Bank (UK) Limited	Zenith Bank (Sierra Leone) Limited	Zenith Bank (Gambia) Limited	Zenith General Insurance Company Limited	Zenith Medicare Limited	Zenith Life Assurance Company Limited	Zenith Pensions Custodian Limited	Zenith Capital Limited	Zenith Securities Limited	Zenith Registrars Limited	Zenith Trustees Limited
	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million
Customer deposits	1,173,917	(32,961)	1,111,328	48,233	46,746	571	-	-	-	-	-	-	-	-	-
Claims payable	198	-	-	-	-	-	-	76	122	-	-	-	-	-	-
Current income tax	7,407	-	5,718	(172)	-	-	-	424	10	(88)	472	14	170	857	2
Borrowings	35,984	-	35,984	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	100,085	(62,608)	88,683	1,853	47,868	188	-	2,147	35	86	100	4,253	9,174	6,374	1,932
On-lending facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Provisions on insurance contracts	1,202	-	-	-	-	-	-	920	127	155	-	-	-	-	-
Deferred income tax liabilities	3,117	-	3,100	10	-	-	-	-	1	-	1	-	-	2	3
Equity and reserves	337,793	(30,117)	328,383	8,342	9,060	702	-	7,576	174	2,358	3,698	2,994	910	3,650	63
	1,659,703	(125,686)	1,573,196	58,266	103,674	1,461	-	11,143	469	2,511	4,271	7,261	10,254	10,883	2,000
Condensed cash flow															
Net cash from operating activities	(297,016)	18,483	(290,397)	(3,675)	9,201	(960)	-	(1,806)	64	(541)	1,215	3,355	(35,262)	1,537	1,770
Net cash from financing activities	(32,913)	(10,428)	(32,913)	4,229	930	1,169	-	-	-	-	-	1,500	2,600	-	-
Net cash from investing activities	(137,343)	17,290	(148,524)	-	(9,819)	- .	-	782	14	367	- 959	1,587	-	1	
Increase in cash and cash equivalents	(467,272)	25,345	(471,834)	554	312	209	-	(1,024)	78	(174)	1,215	5,814	(31,075)	1,537	1,771
Cash and cash equivalents															
At start of period	1,159,581	(5,246)	1,092,359	14,489	293	-	-	4,693	298	1,206	2,862	295	39,296	8,919	117
At end of period	692,309	20,099	620,525	15,043	605	209	-	3,669	376	1,032	4,077	6,109	8,221	10,456	1,888
	(467,272)	25,345	(471,834)	554	312	209	-	(1,024)	78	(174)	1,215	5,814	(31,075)	1,537	1,771

	Group 2010 N'million	Group 2009 N'million	Bank 2010 N'million	Bank 2009 N'million
23 Deferred tax assets				
The movement on this account during the period was as follows:				
At start of the period	966	160	–	–
Additions (Note 11)	187	803	–	–
Tax effect of translation	9	3	–	–
At end of the period	1,162	966	–	–

Deferred tax assets recognised in the books relates to unutilised tax losses and capital allowances on property and equipment. The directors are of the opinion that this balance is recoverable from future tax liabilities.

	Group 2010 N'million	Group 2009 N'million	Bank 2010 N'million	Bank 2009 N'million
24 Other assets				
(a) Prepayments	13,823	14,524	12,898	14,357
Other receivables	11,141	6,398	6,585	5,727
Less: provision for doubtful receivables (See Note (b)	(6,028)	(7,405)	(6,013)	(7,326)
	18,936	13,517	13,470	12,758
The maturity analysis of prepayment is as follows:				
Within 1 year	5,004	5,257	4,669	5,197
After 1 year	8,819	9,267	8,229	9,160
	13,823	14,524	12,898	14,357
The maturity analysis of other receivables is as follows:				
Within 1 year	3,890	2,561	2,067	2,292
After 1 year	7,251	3,837	4,518	3,435
	11,141	6,398	6,585	5,727
(b) Movement in provision for doubtful receivables is as shown below:				
At start of the period	7,405	4,081	7,326	4,081
Charge for the period (See Note (16 (e))	13	3,324	–	3,245
Provision no longer required (see note 16 (e))	(1,332)	–	(1,313)	–
Prior year provisions written off against other assets	56	–	–	–
At end of the period	6,028	7,405	6,013	7,326
25 Investment property				
Opening net book amount	433	433	–	–
Transfer from work in progress account	6,300	–	6,300	–
Additions and capital improvements	767	–	736	–
Revaluation surplus (see note 36)	123	–	–	–
Closing net book amount	7,623	433	7,036	–

Investment Property represents Land and Houses that have been bought for investment purposes and are not occupied substantially by the Group. They are not subjected to periodic charges for depreciation. The properties are subject to valuation by independent professional valuers at least once in every three years.

26 Property and equipment

a. Group

	Leasehold land & building N'million	Leasehold improvement N'million	Furniture, fittings & equipment N'million	Computer equipment N'million	Motor vehicles N'million	Work in progress N'million	Total N'million
Cost							
At start of the period	22,254	11,034	22,306	17,925	11,433	29,887	114,839
Exchange difference	(2)	(109)	(53)	(14)	(23)	74	(127)
Additions	1,272	633	1,713	463	753	2,288	7,122
Reclassifications	1,441	477	1,313	1,041	477	(4,749)	-
Transfer to Investment property	–	–	–	–	–	(6,300)	(6,300)
Disposals	(6)	–	(121)	(13)	(628)	–	(768)
At end of the period	24,959	12,035	25,158	19,402	12,012	21,200	114,766
Accumulated depreciation							
At start of the period	1,241	6,995	11,070	10,014	6,900	–	36,220
Exchange difference	–	(17)	(10)	(14)	(11)	–	(52)
Charge for the period	460	1,657	3,963	3,944	2,138	–	12,162
Reclassifications	129	(107)	16	(15)	(23)	–	-
Disposals	(1)	–	(109)	(13)	(586)	–	(709)
At end of the period	1,829	8,528	14,930	13,916	8,418	–	47,621
Net book amount							
At 31 December 2010	23,130	3,507	10,228	5,486	3,594	21,200	67,145
At 31 December 2009	21,013	4,039	11,236	7,911	4,533	29,887	78,619

b. Bank

	Leasehold land & building N'million	Leasehold improvement N'million	Furniture, fittings & equipment N'million	Computer equipment N'million	Motor vehicles N'million	Work in progress N'million	Total N'million
Cost							
At start of the period	21,610	9,735	21,360	16,816	10,661	29,340	109,522
Additions	1,272	56	1,267	217	477	2,556	5,845
Reclassifications	1,440	424	1,291	1,027	468	(4,650)	–
Transfer to Investment property	–	–	–	–	–	(6,300)	(6,300)
Disposals	(6)	–	(115)	(5)	(533)	–	(659)
At end of the period	24,316	10,215	23,803	18,055	11,073	20,946	108,408
Accumulated depreciation							
At start of the period	1,228	6,528	10,688	9,382	6,525	–	34,351
Charge for the period	457	1,408	3,706	3,670	1,935	–	11,176
Reclassifications	129	(107)	16	(15)	(23)	–	–
Disposals	(1)	–	(106)	(5)	(524)	–	(636)
At end of the period	1,813	7,829	14,304	13,032	7,913	–	44,891
Net book amount							
At 31 December 2010	22,503	2,386	9,499	5,023	3,160	20,946	63,517
At 31 December 2009	20,382	3,207	10,672	7,434	4,136	29,340	75,171

On 31 January 2011 subsequent to the balance sheet date, one of the Bank's branches that is located in Mpape in Abuja was burnt. The netbook value of assets at the date of the event was N124.47 million.
The directors of the Bank are, however of the opinion that the amount involved is not material to necessitate an adjustment to the fixed assets value as presented in the balance sheet.

	Group 2010 N'million	Group 2009 N'million	Bank 2010 N'million	Bank 2009 N'million
27 Deposits				
Demand	835,450	674,238	846,896	648,881
Savings	103,419	65,776	101,298	64,162
Term	240,551	295,801	220,665	276,366
Domiciliary	138,652	138,102	120,693	121,919
	1,318,072	1,173,917	1,289,552	1,111,328
Analysis by maturity				
0 – 30 days	576,853	567,777	607,806	534,690
1-3 months	52,693	66,873	14,393	43,770
3-6 months	4,113 1	2,752	51	6,016
6-12 months	17,237	4,073	125	1,564
Over 12 months	667,176	522,442	667,177	525,288
	1,318,072	1,173,917	1,289,552	1,111,328
28 Claims payable				
Claims on non-life policies	218	198	–	–
29 Liabilities on insurance contracts				
Life contracts	644	155	–	–
Non-life insurance contracts	1,643	1,047	–	–
	2,287	1,202	–	–

Movement in non-life insurance contract liabilities is as follows:

	Unearned Premium N'million	Unexpired risk N'million	IBNR N'million	Total N'million
At start of the period	127	914	6	1,047
Transfers from/(to) Revenue a/c	82	520	(6)	596
At end of the period	209	1,434	–	1,643

General insurance business fund represents the provision for unearned premiums, unexpired risk and provision for outstanding claims.

	Group 2010 N'million	Group 2009 N'million	Bank 2010 N'million	Bank 2009 N'million
30 On-lending facilities				
This comprises:				
Agriculture Credit Scheme Loan (See note (i) below	13,835	–	13,835	–
Bank of Industry (BOI) Intervention Loan (See note (ii) below)	12,214	–	12,214	–
	26,049	–	26,049	–

(i) CBN intervention fund represents a credit line granted to the Bank by the Bank of Industry (BOI), for the purpose of refinancing/restructuring existing loans to companies in the power and aviation industries. The facility is secured by Nigerian Government Securities and a payment order in favour of BOI for the Bank's account with CBN to be debited on due dates. The facility attracts an interest of 1% per annum and the Bank is under obligation to on-lend to customers at an all-in interest rate of 7% per annum. Based on the structure of the facility, the Bank assumes the default risk of all amounts lent to the Bank's customers.

(ii) This represents an intervention credit granted to the Bank by the Bank of Industry (BOI), a company incorporated in Nigeria for the purpose of refinancing/restructuring existing loans to Small and Medium Scale Enterprises (SMEs) and manufacturing companies. The total facility is secured by Nigerian Government Securities and has a 10 year tenor except for an amount of N220 million meant for working capital refinancing which has a tenor of 1 year. A management fee of 1% deductible at source is paid by the Bank under the on-lending agreement and the Bank is under obligation to on-lend to customers at an all-in interest rate of 7% per annum. Though the facility is meant for on-lending to borrowers in specified sectors, the Bank remains the primary obligor to the BOI and therefore assumes the risk of default of customers.

31 Borrowings

Long term borrowings comprise:

	Group 2010 N'million	Group 2009 N'million	Bank 2010 N'million	Bank 2009 N'million
Due to FMO(Note (i))	1,242	4,630	1,242	4,630
Due to ADB(Note (ii))	16,469	12,521	16,469	12,521
Due to ChinaExim(Note (iii))	253	1,286	253	1,286
Due to EIB (Note (iv))	816	1, 250	816	1, 250
Due to HSBC (Note (v))	1,261	2,067	1,261	2,067
Due to PROPARCO(Note (vi))	5,490	2,492	5,490	2,243
Due to Commerz Bank	–	2,243	–	2,243
Due to Private Exporters Funding Corporation(Note (vii))	2,444	3,277	2,444	3,277
Due to African Export Import Bank	–	6,218	–	6,218
	27,975	35,984	27,975	35,984

(i) The amount due to Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (FMO) of **N1.24 billion ($8.17 million)** comprises the outstanding balance of two facilities in the sums of **$5 million** and **$15 million** granted by FMO. The first tranche of facility , along with another tranche for **$15 million** and which has been fully repaid during the year, was availed to Zenith Bank PLC in December 2005 while the second was disbursed in March 2009. The respective facilities are priced at LIBOR +2.65% and LIBOR + 3.5% per annum. The respective maturity periods of the facilities are 1 year 3 months and 1 year 7 months.

(ii) The amount due to African Development Bank (ADB) of **N 16.5 billion ($ 108.33 million)** represents the outstanding balance of two tranches of dollar facilities in the sums of **$100 million** and **$50 million** granted by ADB in May 2007 and March 2010 respectively. The tranches of the facility are repayable over 7 years and 5 years respectively. Interest is payable half-yearly at the rate of LIBOR + 2.2% per annum and LIBOR + 4.5% per annum respectively. The outstanding balance of the first tranche of **$ 58.33 million (N8.87 billion)** will mature in 3 years and 2 months while the second tranche **$50 million (N 7.06 billion)** will mature in 4 years and 2 months.

(iii) The amount of **N253.41 Million ($1,67 million)** represents the outstanding balance of a five-year dollar facility granted by China Exim Bank in August 2006. Interest is payable at 5.29% per annum. The facility will mature in January 2011.

(iv) The amount of **N815.86 million ($5.37 million)** represents the outstanding balance of three tranches of dollar facilities disbursed by European Investment Bank (EIB) in the sums of **$ 5 million** (granted in March 2007); **$4 million** (granted in November 2007) and **$2.98 million** (granted in December 2007). The first two tranches are repayable over 5 years while the last tranche is payable over 4 years. All facilities are priced at 2.9% per annum.

(v) The amount of **N1.26 billion ($8.29 million)** represents the outstanding balance of the dollar facility granted by The Hongkong and Shanghai Banking Corporation in June 2007 for a period of five years. Interest is payable at the rate of LIBOR plus 0.6% per annum. The facility will mature in 1 year and 5 months.

(vi) The amount of **N 5.49 billion ($ 36.11 million)** represents the outstanding balance of two tranches of dollar facilities granted by Promotion et Participation pour la Coopération économique (PROPARCO) in August 2007 and June 2009 respectively.The first tranche has a tenor of 5 years and 4 months while the second tranche has a tenor of 4 years and 10 months . Interest is payable at LIBOR plus 2.50% per annum.

(vii) The amount of **N 2.44 billion ($ 16.07 million)** represents the outstanding balance of a 5-year dollar facility granted by Sovereign Bank in November 2008. In December 2008, however, the Sovereign Bank sold its outstanding receivable loan balance from Zenith Bank to Private Exporters Funding Corporation (PEFCO). Consequently, Zenith Bank Plc is now obligated to PEFCO under this revised agreement. Interest is payable at the rate of 3 months' LIBOR plus 0.60 % per annum. The facility will mature in 2 years and 9 months.

	Group 2010 N'million	Group 2009 N'million	Bank 2010 N'million	Bank 2009 N'million
Analysis by maturity				
0 -30 days	253	6,218	253	6,218
1-3 months	–	2,243	–	2,243
3-6 months	–	–	–	–
6-12 months	–	2,241	–	2,241
Over 12 months	27,722	25,282	27,722	25,282
	27,975	35,984	27,975	35,984

32. Other liabilities

	Group 2010 N'million	Group 2009 N'million	Bank 2010 N'million	Bank 2009 N'million
Customer deposits for letters of credit (Note 14)	45,927	51,683	45,927	51,669
Interest payable	2,082	4,689	844	3,362
Managers' cheques	13,373	17,785	13,067	17,577
Unearned income	289	4,824	–	4,824
Due to clients	4,761	3,824	–	–
Unclaimed dividend	10,858	3,925	–	–
Other payables	68,460	13,697	27,476	11,251
	145,750	100,085	87,314	88,683

33 Deferred income tax liabilities

	Group 2010 N'million	Group 2009 N'million	Bank 2010 N'million	Bank 2009 N'million
At start of the period	3,117	1,961	3,100	1,902
Tax effect of translation	128	(5)	–	–
Charge for the period	4,135	1,161	4,044	1,198
At end of the period	7,380	3,117	7,144	3,100

The Group's exposure to deferred tax primary relates to timing differences in the recognition of depreciation and capital allowances on fixed assets.

	Group 2010 N'million	Group 2009 N'million	Bank 2010 N'million	Bank 2009 N'million
34. Share capital				
Authorised				
40,000,000,000 ordinary shares of 50k each (2009: 20,000,000,000)	20,000	20,000	20,000	20,000
Issued and fully paid				
31,396,493,786 ordinary shares of 50k each (2009 25,117,195,029)	15,698	12,559	15,698	12,559
Movements during the period:				
At start of the period	12,559	8,372	12,559	8,372
Issue of bonus shares (see Note 36 ((i))	3,139	4,187	3,139	4,187
At end of the period	15,698	12,559	15,698	12,559

35 Share premium

There was no movement on share premium account during the year and in the prior period .

	Group 2010 N'million	Group 2009 N'million	Bank 2010 N'million	Bank 2009 N'million
	255,047	255,047	255,047	255,047

36 MOVEMENT IN RESERVES

Group	Statutory reserve		Contingency reserve		SMEEIS reserve		Revaluation reserve (investment securities and investment property)		Translation reserve		Bonus issue reserve		Retained earnings		Total	
	2010 N'million	2009 N'million	2010 N'million	2009 N'million	2010 N'million	2009 N'million	2010 N'million	2009 N'million	2010 N'million	2009 N'million	2010 N'million	2009 N'million	2010 N'million	2009 N'million	2010 N'million	2009 N'million
At start of the year	19,633	16,878	431	262	3,729	3,729	-	322	(712)	(814)	-	-	44,883	60,552	67,964	80,929
Transfer to bonus issue (See Note ((i)) below)	-	-	-	-	-	-	-	-	-	-	3,140	4,186	(3,140)	(4,186)	-	-
Transfer to share capital	-	-	-	-	-	-	-	-	-	-	(3,140)	(4,186)	(3,140)	(4,186)	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	-	(11,303)	(28,466)	(11,303)	(28,466)
Movement on revaluation reserve	-	-	-	-	-	-	98	(322)	-	-	-	-	-	-	98	(322)
Net change due to exchange rate movement	-	-	-	-	-	-	-	-	(478)	102	-	-	-	-	(478)	102
Adjustment to reflect changes in opening balance of non Controlling interest (See Note 37)	-	-	-	-	-	-	-	-	-	-	-	-	26	40	26	40
Bonus issue used to Recapitalise	-	-	-	-	-	-	-	-	-	-	-	-	-	(630)	-	(630)
Transfer from profit and loss account	5,000	2,755	186	169	-	-	-	-	-	-	-	-	32,144	17,573	37,330	20,497
At end of the year	24,633	19,633	617	431	3,729	3,729	98	-	(1,190)	(712)	-	-	62,610	44,883	90,497	67,964

MOVEMENT IN RESERVES

36 BANK

	Statutory reserve		SMEEIS reserve		Bonus issue reserve		Retained earnings		Total	
	2010 N'million	2009 N'million	2010 N'million	2009 N'million	2010 N'million	2009 N'million	2010 N'million	2009 N'million	2010 N'million	2009 N'million
At start of the period	19,633	16,878	3,729	3,729	-	-	37,415	54,457	60,777	75,064
Transfer to share capital	-	-	-	-	(3,140)	(4,186)	-	-	(3,140)	(4,186)
Dividend paid	-	-	-	-	-	-	(11,303)	(28,466)	(11,303)	(28,466)
Transfer to bonus issue	-	-	-	-	3,140	4,186	(3,140)	(4,186)	-	-
Transfer from profit and loss account	5,000	2,755	-	-	-	-	28,335	15,610	33,335	18,365
At end of the period	24,633	19,633	3,729	3,729	-	-	51,307	37,415	79,669	60,777

(i) At the Bank's 19th Annual General Meeting which held on 20 April 2010, the Bank's shareholders approved a bonus issue of one share for every existing four shares held (2009: 1 new ordinary share for every 2 ordinary shares held).

Accordingly, N 3.14 billion was capitalised from the Bank's retained earnings. The new issues rank pari passu in all respects with the existing shares of the Bank.

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

(iii) The SMEIS reserve is maintained to comply with the Central Bank of Nigeria (CBN) requirement that all licensed banks set aside a portion of the profit after tax in a fund to be used to finance equity investments in qualifying small and medium scale enterprises. Under the terms of the guideline (amended by CBN letter dated 11 July 2006), the contributions will be 10% of profit after tax and shall continue after the first 5 years but banks' contributions shall thereafter reduce to 5% of profit after tax. The small and medium scale industries equity investment scheme reserves are non-distributable.

(iv) As required by Insurance regulations, a contingency reserve is maintained for both the non-life insurance and life assurance contracts underwritten by the Group.

The appropriation to contingency reserve for non-life underwriting contracts is calculated in accordance with section 21(2) and 22(1)(b) of the Insurance Act 2003. The reserve is calculated at the higher of 3% of gross premiums and 20% of net profits of the business for the year.

The appropriation to contingency reserve for life underwriting contracts is calculated at the higher of 1% of the gross premium and 10% of net profits of the business for the year. The appropriations are charged to the Life Fund.

37. Non-controlling interest

	Group 2010 N'million	Group 2009 N'million	Bank 2010 N'million	Bank 2009 N'million
At start of the period	2,223	2,270	–	–
Dilution in non-controlling interest	(26)	(40)	–	–
Increase in share capital of Zenith Bank (Ghana) Limited due to recapitalisation	10	–	–	–
Transfer from profit and loss account	84	106	–	–
Increase/ (decrease) in revaluation reserve	24	(81)	–	–
Share of Foreign currency translation reserve	4	(32)	–	–
At end of the period	2,319	2,223	–	–

The analysis of percentage holding in respect of non-controlling interest in the group is as follows:

	Group 2010 N'million	Group 2009 N'million	Bank 2010 N'million	Bank 2009 N'million
0.0110% Shareholding in Zenith Securities Limited (2009: 0.0110%)	–	–	–	–
1.00% Shareholding in Zenith Pensions Custodian Company Limited (2009: 1.00%)	44	37	–	–
19.8776% Shareholding in Zenith General Insurance Company Limited (2009: 19.8779%)	1,610	1,505	–	–
19.8779% Shareholding in Zenith Medicare Limited (2009: 19.8779%)	56	35	–	–
18.3871% Shareholding in Zenith Life Assurance Company Limited (2009: 18 3871%)	399	434	–	–
0.0004% Shareholding in Zenith Capital Limited (2009: 0.0004%)	–	–	–	–
0.0031% Shareholding in Zenith Registrars Limited (2009: 0.00003%)	–	–	–	–
0.0071% Shareholding in Zenith Trustees Limited (2009: 0.0071%)	–	–	–	–
1.9278% Shareholding in Zenith Bank (Ghana) Limited (2009: 2.9354%)	210	212	–	–
0.0001% Shareholding in Zenith Bank (Sierra Leone) Limited (2009: 0.0001%)	–	–	–	–
0.000001% Shareholding in Zenith Bank (Gambia) Limited (2009: 0.000001%)	–	–	–	–
	2,319	2,223	–	–

Zenith Bank (UK) Limited is a wholly owned subsidiary of the Bank.

38. Pension contribution

In accordance with the provisions of the Pensions Act 2004, the Bank and its subsidiaries commenced a contributory pension scheme in January 2005. The contribution by employees and the Bank are 2.5% and 12.5% respectively of the employees' basic salary, housing and transport allowances. The contribution by the Group and the Bank during the year were N1.86 billion and N1.77 billion respectively (2009: N 2.38 billion and N 2.24 billion).

39. Related party transactions

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits and foreign currency transactions. The volumes of related-party transactions, outstanding balances at the year-end are as follows:

(a) Risk assets outstanding as at 31 December 2010

Direct credit assets

Included in loans and advances for the Bank is an amount of N 29 billion (2009: N35 billion) representing credit facilities to companies in which certain directors and shareholders have interests. The balances as at 31 December, 2010 are as follows:

Name of company/ Individual	Relationship	Facility Type	N'million	Status	Security Status
Capri Martins	Common directorship	Term Loan	2,700	Performing	Perfected
Multibanc Savings And Loans Ltd	Common directorship	Mortgage Loan	3,876	Performing	Perfected
Visafone Communications Ltd	Significant shareholder	Various	10,931	Performing	Perfected
Tadop Properties Limited	Common directorship	Various	6,738	Performing	Perfected
Goodwork Properties Limited	Common directorship	Term Loan	5,068	Performing	Perfected
			29,313		

Off balance sheet engagements

Included in off-balance sheet engagements is an amount of N76.77 million (2009: N162 million) representing the aggregate balance of unconfirmed letter of credit transactions to a company in which certain directors and shareholders have interests. The details as at 31 December 2010 are as follows:

Name of company/Individual	Relationship	Facility Type	N'million Status	Security Status
Visafone Communications Ltd	Significant shareholder	Letters of credit	77	Performing Perfected

(b) Deposits outstanding as at 31 December 2010

Name of company/ Individual	Relationship	Type of deposit	2010 N'million	2009 N'million
Zenith Capital Limited	Subsidiary	Current Account	5	145
Zenith Gen. Insurance Co. Limited	Subsidiary	Current Account	0	473
Zenith Life Assurance Limited	Subsidiary	Current Account	17	232
Zenith Medicare Limited	Subsidiary	Current Account	28	66
Zenith Pensions Custodian Limited	Subsidiary	Current Account	9,038	13
Zenith Registrars Limited	Subsidiary	Current Account	160	58
Zenith Securities Limited	Subsidiary	Current Account	235	750
Zenith Trustees Limited	Subsidiary	Current Account	10	107
Zenith General Insurance Company Limited	Subsidiary	Domiciliary	94	127
Zenith Pensions Custodian Limited	Subsidiary	Domiciliary	32	102
Zenith Capital Limited	Subsidiary	Fixed	5,227	5,963
Zenith Trustees Limited	Subsidiary	Fixed	1,928	269
Zenith Medicare Limited	Subsidiary	Fixed	100	312
Zenith Pensions Custodian Limited	Subsidiary	Fixed	9,730	4,002
Zenith Registrars Limited	Subsidiary	Fixed	17,457	13,906
Zenith Securities Limited	Subsidiary	Fixed	11,386	4,029

Zenith Life Assurance Limited	Subsidiary	Fixed	310	1,774
Cyberspace Limited	Common Directorship	Current Account	50	38
Cyberspace Networks Limited	Common Directorship	Fixed	–	12
Visafone Communications Ltd	Significant shareholder	Fixed	992	,736
Goodworks Properties	Common Directorship	Current Account	463	–
Accion Microfinance Limited	Common Directorship	Fixed	181	107
Tadop Properties Limited	Common Directorship	Current Account	335	348
			57,778	39,569

40. Employees

	Group 2010 Number	Group 2009 Number	Bank 2010 Number	Bank 2009 Number
(a) The average number of persons employed during the period by category:				
Executive directors	12	19	6	7
Management	443	465	424	452
Non-management	7,566	7,317	6,760	6,934
	8,021	7,801	7,190	7,393
Compensation for the above staff				
(Excluding executive directors):	N'million	N'million	N'million	N'million
Salaries and wages	32,327	43,057	29,653	39,674
Pension contribution (Note 38)	1,858	2,386	1,775	2,239
	34,185	45,443	31,428	41,913

The number of employees of the Bank, other than directors, who earned salaries and emoluments (excluding pension and reimbursable expenses) are in the following ranges:

	Number	Number	Number	Number
N300,001 - N2,000,000	1,288	1,761	1,251	1,621
N2,000,001 - N2,800,000	43	80	–	–
N2,800,001 - N3,500,000	2,091	1,642	2,049	1,598
N3,500,001 - N4,000,000	158	1,448		1 1,416
N4,000,001 - N5,500,000	1,833	856	1,314	833
N5,500,001 - N6,500,000	783	–	779	–
N6,500,001 - N7,800,000	423	921	420	905
N7,800,001 - N9,000,000	432	–	426	–
N9,000,001 - and above	958	1,074	944	1,013
	8,009	7,782	7,184	7,386

(b) Directors' emoluments	Group 2010 N'million	Group 2009 N'million	Bank 2010 N'million	Bank 2009 N'million
The remuneration paid to directors are as follows:				
Fees and sitting allowances	188	246	60	184
Executive compensation	414	482	240	321
Retirement Benefit costs	2	17	2	3
	604	745	302	508
Fees and other emoluments disclosed above include amounts paid to:				
The chairman	11	13	11	13
The highest paid director	37	65	37	65

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

	Number	Number	Number	Number
N5,500,001 and above	12	19	7	7

41 Contingent liabilities and commitments

(a) Legal proceedings

The Bank is presently involved in 63 litigation suits in the ordinary course of business. The total amount claimed in the cases against the Bank is estimated at N 1.23 billion. The actions are being contested and the Directors are of the opinion that none of the aforementioned cases is likely to have a material adverse effect on the Bank and are not aware of any other pending or threatened claims and litigations.

(b) Capital commitments

At the balance sheet date, the Bank had capital commitments amounting to N1.48 billion (2009: N1.70 billion) in respect of authorized and contracted capital projects.

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

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

	Group 2010 N'million	Group 2009 N'million	Bank 2010 N'million	Bank 2009 N'million
Performance bonds and guarantees	239,729	99,989	212,666	96,923
Letters of credit	56,275	70,835	46,576	41,787
Pension Funds (See Note (below)	606,927	467,884	606,927	467,884
	902,931	638,708	866,169	606,594

The amount of N 606.93 billion (2009: N 467.88 billion) represents the full amount of the Bank's guarantee for the assets held by its subsidiary, Zenith Pensions Custodian Limited under the latter's custodial business as required by the National Pensions Commission.

		Group 2010 N'million	Group 2009 N'million	Bank 2010 N'million	Bank 2009 N'million
42 Cash generated from operations					
Reconciliation of profit before tax to cash generated from operations:					
Profit before tax		50,026	35,085	42,957	31,753
Provision for losses					
-on loans and advances	16 (e)	4,729	34,195	3,813	32,766
-on investments	16 (e)	538	1,264	317	137
-other assets and insurance receivables	16 (e)	(916)	4,335	(1,313)	3,245
Depreciation	26	12,162	13,655	11,176	12,614
Exchange difference (see Note (a) below)		(39)	(122)	–	–
Interest in suspense no longer required	16 (c)	(1,113)	–	(1,113)	–
Bonus issued to recapitalise subsidiary	36	–	(630)	–	–
(Profit)/loss on disposal of fixed assets		(68)	27	(59)	(71)
Operating profit before changes in operating assets and liabilities		65,319	87,809	55,778	80,444
(Increase) / decrease in operating assets:					
Loans and advances		(19,688)	(278,354)	(1,937)	(279,889)
On-lending facilities		(22,536)	–	(22,536)	–
Advances under finance lease		(7,678)	(806)	(7,450)	(1,255)
Cash reserves		(2,075)	7,857	(1,808)	7,857
Other assets		(3,984)	15,451	601	7,475
Insurance receivables		(479)	(830)	–	–
		(56,440)	(256,682)	(33,130)	(265,812)
Increase / (decrease) in operating liabilities:					
Interest in suspense		1,185	838	638	650
Claims payable		20	(36)	–	–
Liabilities on insurance contracts		1,085	125	–	–
Customers deposits		144,155	(14,959)	178,224	(53,134)
Other liabilities		48,265	(99,008)	1,128	(39,593)
		194,710	(113,040)	179,990	(92,077)
Change in Minority interest shareholding	37	10	–	–	–
Revaluation surplus on investment property	25	(123)	–	–	–
Cash flows generated from/(used in) operations		203,476	(281,913)	202,638	(277,445)

		2010 N'million	2009 N'million	2010 N'million	2009 N'million
(a) Exchange difference					
This is made up of the following components:					
Exchange difference arising on the translation of opening net assets (foreign subsidiaries)		(428)	334	–	–
Exchange difference arising on the translation of retained earnings and inflows during the year (foreign subsidiaries)		(46)	(262)	–	–
Exchange difference arising on the translation of opening cost of fixed assets	26 (a)	127	556	–	–
Exchange difference arising on the translation of opening accumulated depreciation	26 (a)	(52)	(150)	–	–
Exchange difference arising on the translation of opening balance of provision for loan losses (Non performing loans)	16 (a)	(67)	599	–	–
Exchange difference arising on the translation of opening balance of provision for loan losses (performing loans)	16 (b)	–	(363)	–	–
Exchange difference on the translation of opening balance of corporate tax	11	316	(325)	–	–
Exchange difference on the translation of opening balance of deferred tax assets	23	(9)	(3)	–	–
Exchange difference arising on the translation of deferred tax liability balances	33	128	(5)	–	–
Exchange difference arising on the translation of interest in suspense	16 (c)	(5)	–	–	–
Exchange difference arising on the translation of foreign currency bonds	20 (d)	(1)	(501)	–	–
Exchange difference arising on the translation of general provision for leases	18 (b)	(2)	(2)	–	–
		(39)	(122)	–	–

43. Earning Per Share

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

	Group 2010 N'million	Group 2009 N'million	Bank 2010 N'million	Bank 2009 N'million
Profit attribute to shareholders of the bak (N'million)	37,330	20,497	33,335	18,365
Number of shares in issue at end of the period (N'million)	31,396	25,117	31,396	25,117
Time-weighted average number of ordinary shares In issue (millions)	31,396	25,117	31,396	25,117
Basic earnings per share	119 k	82 k	106 k	73 k
Adjusted earnings per share	119 k	65 k	106 k	58 k

Earnings per share (basic) is calculated by using the weighted average number of shares in issue during the period as the denominator.

Earnings per share (adjusted) is calculated by using the number of shares in issues during the period ended 31 December as the denominator

44. Dividend per share

	Group 2010	Group 2009	Bank 2010	Bank 2009
Dividend paid/proposed	26,687	11,303	26,687	11,303
Number of shares in issue and ranking for dividend	31,396	25,117	31,396	25,117
Dividend paid per share	85 k	45 k	85 k	45 k

The Board of Directors, pursuant to the powers vested in it by the provisions of section 379 of the Companies and Allied Matters Act (CAMA) of Nigeria, proposed a dividend of 85 kobo per share (December 2009: 45 kobo per share) from the retained earnings account as at 31 December 2010. This is subject to approval by shareholders at the next Annual General Meeting.

Payment of dividends is subject to withholding tax at a rate of 10%.

The number of shares in issue and ranking for dividend represents the outstanding number of shares as at 31 December 2010 and 31 December 2009 respectively.

45. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash and non-restricted balances with central banks, treasury bills and other eligible bills, operating account balances with other banks and amounts due from other banks .

	Group 2010 N'million	Group 2009 N'million	Bank 2010 N'million	Bank 2009 N'million
Cash and balances with central banks (less restricted balances)	129,234	116,364	118,881	105,129
Treasury bills	298,869	234,115	287,981	225,371
Due from other banks	399,503	341,830	374,604	290,025
	827,606	692,309	781,466	620,525

46 Compliance with banking regulations

The Bank did not contravene any regulation of the Banks and Other Financial Institutions Act, 1991 or any relevant circulars issued by the Central Bank of Nigeria.

47 Events after balance sheet

Other than the disclosure contained in Note 26(b), there was no significant adjusting or disclosable event that occurred between the balance sheet date when the financial statements were issued.

48 Compliance Plan with the Central Bank of Nigeria's Regulation on the Scope of Banking Activities

On 4 February 2011, the Board of Directors decided to replace the universal banking license currently held by the Bank with a commercial banking license that has international authorization. This is in compliance with the CBN's Regulation on the Scope of Banking Activities and Ancillary Matters 2010. The Bank has submitted a compliance plan which includes the necessary steps to exit from non-core banking activities (except the pension custodianship business).

The directors are of the opinion that such an exit arrangement will not materially affect the financial position and operations of the Bank.

49 Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current period.

1.1 Enterprise Risk Review

The Zenith Group has continually focused on improving its risk management practices as a way of providing optimal protection to its shareholders' wealth. Our robust and continually improving risk management policies and procedures have enhanced our capacity to provide greater value to our shareholders while effectively dealing with risks and uncertainties associated with our business thereby enhancing our competitive advantage. Zenith's overall risk management philosophy revolves around meeting and if possible exceeding global and local best risk management practice standards.

The Zenith Group is a risk conscious institution taking on risk moderately with emphasis on protecting the Group while increasing the market share. The Group employs a range of quantitative indicators to monitor the risk profile. Specific limits have been set for monitoring in line with the Group's risk appetite.

Risks associated with the business of the Group include financial risks, namely, credit risk, liquidity risk and market risk (which includes currency risk, interest rate risk and other pricing risks) as well as other risks such as operational risk, strategic risk, legal risk, reputational risk, taxation risk, regulatory risk and insurance risk.

The Group's risk management policy is designed to identify and analyze these risks, to set appropriate risk limits, and to monitor the risks and limits continually by means of reliable and up-to-date administrative and information systems. The Group continually modifies and enhances its risk management policies and systems to reflect changes in markets, products and international best practices. Training, individual responsibility and accountability, together with a disciplined and cautious culture of control, lie at the heart of the Group's management of risk.

The risk management structure of the Group operates based on the business strategies and risks inherent in the pursuit of the Group's strategies. This structure provides the framework for effectively managing the Group's risks on a daily basis. The Board of Directors drives the entire corporate governance and risk management process by setting the tone at the top of the organization and the basis for how risks should be viewed by management and staff. Through its various committees, the Board monitors the adequacy of internal control systems established by Executive Management to manage risks. The risk management process has been designed in a manner that is sufficiently rigorous and comprehensive to give management greater insight into competing strategic alternatives and the degree of uncertainties and risks associated with the alternatives. Risk management processes at all levels of the organization comprises: Identification; Assessment; Response and control measures; and Reporting. These processes are driven by appropriate management structure in individual units in the Bank and its subsidiaries.

Risk management at Zenith cuts across all aspects of the Bank's activities, from the board to operational units. Zenith has in place a Board Risk Management Committee (BRMC) and a Management Risk Management Committee (MRMG) at the senior management level with membership composed of heads of all key risk control functions of the Bank. The Enterprise Risk Management Group (ERMG) which focuses on the consolidated risk faced by the Bank is headed by an Executive Director with other senior management staff heading various departments within the Group.

The Internal Control and Audit group reviews the internal control systems and processes and provides an independent assurance on the entire risk management system of the Group. The Head of Internal Control and Audit reports to the Audit Committee and has unfettered access to the Managing Director/Chief executive Officer.

1.1.1 Methodology for Risk Rating

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

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

- Develop and implement procedures and practices that translate the board's goals, objectives, and risk tolerances into operating standards that are well understood by bank personnel.
- Risk identification, measurement, monitoring and control procedures.
- Establish effective internal controls that cover each risk management process.
- Ensure that the Group's risk management processes are properly documented.
- Create adequate awareness to make risk management a part of the corporate culture of the Group.
- Ensure that risk remains within the boundaries established by the Board.
- Ensure that business lines comply with risk parameters and prudent limits established by the Board.

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

1.2 Credit Risk

Credit risk is the risk that financial loss arises from the failure of a customer or counter party to meet its obligations under a financial contract. It arises principally from lending, trade finance, treasury and leasing activities. Credit risk can also arise as a result of crystallization in any of our off-balance sheet transactions. The Group has dedicated standards, policies and procedures to control and monitor all such risks.

The Enterprise Risk Management Group (ERMG) is mandated to provide high level centralized management of credit risk for the Group. Its responsibilities include the following:

- Monitoring to ensure compliance with the Group's credit policies.
- Establishing and maintaining the Group's credit exposure policy. This policy sets controls over the maximum level of the Group's exposure to customers and customer groups and other credit risk concentrations in line with internationally accepted regulatory standards.
- Performing an independent review and objective assessment of credit risk (CRMG assesses all credit facilities being offered to customers).
- Reviewing the efficiency and effectiveness of credit approval processes.
- Reporting to executive management on specific and general aspects of the Group's loan portfolio. The Board Credit committee and the Board receive regular update covering:
  - Risk concentrations and exposure to industry sectors;
  - Large customer group exposures;
  - Large non-performing accounts and provisions;

. Acting as the primary interface for credit-related issues on behalf of the Group with external parties including regulatory authorities, external auditors, corporate analysts and counterparts in the world's major banks and non-bank financial institutions.

1.2.1 Principal Credit Policies

The principal credit policies guiding the Group remain as stringent as ever, shielding the Group against intrinsic and concentration risks through all credit levels of selection, underwriting, administration and control. Some of the policies are:

- Credit will only be extended to suitable and well identified customers and never where there is any doubt as to the ethical standards and record of the intending borrower.
- Exposures to any industry or customer will be determined by the regulatory guidelines, clearly defined internal policies, debt service capability and balance sheet management guidelines.
- Credit will not be extended to customers where the source of repayment is unknown or speculative, and also where the destination of funds is unknown. There must be clear and verifiable purpose for the use of the funds.
- Credit will not be given to a customer where the ability of the customer to meet obligations is based on the most optimistic forecast of events. Risk considerations will always have priority over business and profit considerations.
- The primary source of repayment for all credits must be from an identifiable cash flow from the counterparty's normal business operations or other financial arrangements. The realization of security remains a fall back option.
- A pricing model that reflects variations in the risk profile of various credits to ensure that higher risks are compensated by higher returns will be adopted.
- All conflict of interest situations must be avoided.
- All insiders' related credits are limited to regulatory and strict internal limits and are reported to appropriate regulatory authorities.
- The consequences for non-compliance with the credit policy and credit indiscipline are communicated to all staff and implemented.

1.2.2 Credit Risk Measurement

(a) Loans and advances and amounts due from banks

Over the years, Zenith Bank and its subsidiaries have been able to devote resources and harness its credit data into developing models to improve the determination of economic and financial threats due to credit risk. As a result some key factors are considered in credit risk measurement.

1. Adherence to the strict credit selection criteria which includes defined target market, credit history, the capacity and character of customers.
2. The possibility of failure to pay over the period stipulated in the contract.
3. The size of the facility in case default occurs.
4. Estimated Rate of Recovery which is a measure of the portion of the debt that can be regained through freezing of assets and collateral should default transpire.

All loans and indirect credits such as guarantees and bonds as well as treasury investments undergo a formal credit analysis process that would ensure the proper appraisal of the facility. Key factors in this consideration includes:

- A measure of the financial and non-financial risks of the borrower. In order to properly evaluate the non-financial risks of the borrower, a thorough industry analysis is carried out by a dedicated team in the Risk Management and Research and Intelligence groups.
- Obligors' rating that considers the financial condition, management and ownership structure, industry and other qualitative factors of the customer.
- Facility rating that recognizes the risk mitigation and facility structuring as features of the credit facility. Considerations here include the nature and quality of collateral, the structure of the loan, the nature and purpose of the loan among others.

All borrowers and facilities have their ratings reviewed on a regular basis. An exception is the ratings to higher risk borrowers which are subjected to more frequent reviews.

Track records of changes/migrations in all risk ratings are kept and used for the continuous development of our objective and effective credit risk management system.

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

Zenith Group's internal rating:

Zenith Group Rating	Description of the grade	Equivalent of external rating
A	Investment Risk (Minimal Risk)	AAA to AA
B	Acceptable Risk (Modest Risk)	A -BBB
C	Reasonable Risk (Average Risk)	BB to B
D	Average Risk (Marginal Risk)	CCC
E	High Risk -Substandard	CC
F	Doubtful	C
G	Lost	D
H	Unrated	Unrated

The credit rating system will seek to achieve the foundation level of the internal ratings based approach under Pillar 1 of Basle II, through continuous validation exercises over the next few years.

(b) *Other debt instruments*

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

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

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

1.2.3 Risk Limit Control and Mitigation Policies

In managing credit risk, the Group uses the application of credit risk limits. This is the practice of stipulating a maximum amount that the individual or counterparty can obtain as loan. Through this, the Group not only protects itself, but also in a sense, protects the counterparty from borrowing more than they are capable of paying.

The Board recognizes this concept and accordingly approves a portfolio-based diversification/concentration limit monitoring to a borrower, or groups of borrowers, geographic location, size, industry, collateral, type of instrument, maturity and indeed off-balance sheet exposures and items.

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

The Group has set portfolio concentration limits under the following parameters: Concentration limits per obligor; per industry; per geographical area; per maturity band. These limits are closely monitored and reported from time to time.

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

Approval Authority level	Approval limit (% of Shareholders' Fund)
Board Credit Committee	N10 billion and above (Not exceeding 20% of Total Shareholders' funds)
Global Credit Committee	Below N10 billion

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

(a) Collateral Security

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

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

- Real estate, plant and equipment collateral (usually all asset or mortgage debenture or charge) which have to be registered and enforceable under Nigerian law;
- Collateral consisting of inventory, accounts receivable, machinery equipment, patents, trademarks, farm products, general intangibles, etc. These require a security agreement (usually a floating debenture) which has to be registered and, must be enforceable under Nigerian law;
- Stocks and shares of publicly quoted companies;
- Domiciliation of payment on contracts;
- Documents of title to goods such as shipping documents consigned to the order of Zenith Bank or any of its subsidiaries;
- Letter of lien.

Collateral securities are usually valued and inspected prior to disbursement and on a regular basis thereafter until full repayment of the exposure. We regularly conduct a review of all collateral documentation in respect of all credits in the Bank and specific gaps in the collateral documentation are advised to the Lending Group/Zones/Branch for appropriate action and follow up.

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

(b) *Master Netting Arrangements*

Netting arrangements are still being developed and are being considered for debt trading activities in line with the developments in the market. The lien arrangement for loans and advances is another means of mitigating credit risk exposure by the Group. This arrangement is capable of reducing total loss suffered by the Group in case of default by customers.

(c) *Guarantees and Standby Letters of Credit*

Guarantees and Standby Letters of Credit are considered to carry the same level of credit risk as loans and advances. Similar controls to our normal credit risk management are therefore applied.

A significant portion of our documentary and commercial letters of credit are either cash collateralized or secured by other means which make them to be less risky than normal loans and advances.

1.2.4 Loan Loss Provision Policy

The Group makes provisions for bad and doubtful debts promptly when required and on a prudent and consistent basis in accordance with established guidelines. Management regularly performs an assessment of the adequacy of the established provision for bad and doubtful debts by conducting a detailed review of the loan portfolio. Typically, loans are designated as non-performing as soon as management has doubts as to the collectibility of principal or interest or when contractual payments of principal or interest are 90 days past due. Below is a summary of the Group's loan portfolio by performance.

	Group 2010 N' million	Group 2009 N' million
Performing	701,780	699,086
Non-Performing	44,271	48,379
- Substandard	9,472	5,931
- Doubtful	10,427	15,179
- Lost	24,372	27,269
	746,051	747,465

1.2.5 Performing But Past Due

Loans and advances less than 90 days past due are considered performing, unless other information is available to indicate the contrary. Gross amount of loans and advances by class to customers that were past due but performing were as follows:

At 31 December 2010 (N'millions)	Retail	Corporate	Financial Institution	Total
Past due up to 30 days	1,414	5,672	68	7,154
Past due 30 -60 days	205	667	5	877
Past due 60 -90 days	85	334	22	441
	1,704	6,673	95	8,472

At 31 December 2009 (N'millions)	Retail	Corporate	Financial Institution	Total
Past due up to 30 days	60	6,471	156	6,687
Past due 30 - 60 days	11	131	-	142
Past due 60 - 90 days	-	168	-	168
	71	6,770	156	6,997

1.2.6 Non-performing Loans by Industry

	Group 2010 N' million	Group 2009 N' million
Agriculture	759	270
Oil and Gas	7,167	3,436
Capital Market	6,338	20,110
Consumer Credit	830	3,212
Manufacturing	5,185	1,888
Real Estate and Construction	1,619	2,167
Finance and Insurance	2,838	434
Government	1,482	–
Power	1	–
Other Public Utilities	–	34
Transportation	6,979	6,149
Communication	1,532	3,595
Education	791	64
General Commerce/Trading	7,966	6,622
Others	784	398
	44,271	48,379

1.2.7 Non-Performing Loans by Geography

	Group 2010 N' million	Group 2009 N' million
South South	823	3,488
South West	36,835	36,026
South East	457	969
North Centra	l3,237	4,976
North West	70	845
North East	410	799
Rest of Africa	2,439	1,276
Outside Africa	–	–
	44,271	48,379

1.2.8 Concentration of Risks of Financial Assets with Credit Risk Exposure

The Group monitors concentrations of credit risk by geographical location and by industry sector. An analysis of concentrations of credit risk at 31 December 2010 together with prior period comparatives for loans and advances to customers and amounts due from banks, are set out below:

(a) Geographical Sectors

The following table breaks down the Group's main credit exposure at their carrying amounts, as categorised by geographical region at 31 December 2010 together with prior period comparatives. For this table, the Group has allocated exposures to regions based on the domicile region of our counterparties.

At 31 December 2010 (N' million)	Due from Banks	Loans and advances to customers	Advances under finance Leases	Total
South South	–	41,428	264	41,692
South West	207,521	610,027	10,330	827,878
South East	–	7,225	14	7,239
North Central	–	20,573	652	21,225
North West	–	11,896	524	12,420
North East	–	16,549	469	17,018
Rest of Africa	22,530	32,507	935	55,972
Outside Africa	169,452	5,846	–	175,298
	399,503	746,051	13,188	1,158,742
At 31 December 2009 (N'millions)				
South South	–	15,210	142	15,352
South West	174,093	661,108	4,462	839,663
South East	–	6,497	62	6,559
North Central	–	3,089	58	3,147
North West	–	18,275	115	18,390
North East	–	13,586	597	14,183
Rest of Africa	17,028	22,275	70	39,373
Outside Africa	150,709	7,425	–	158,134
	341,830	747,465	5,506	1,094,801

(b) **Industry Sectors**

The sectoral distribution of the Group's loan portfolio is shown below. Sectors that are very key to the Group in the management of industry concentration have been identified disclosed separately while other non-critical sectors have been summed up as others.

At 31 December 2010 (N' million)	Due from Banks	Loans and advances to customers	Advances under finance Leases	Total
Agriculture	–	23,307	–	23,307
Upstream Oil & Gas	–	66,590	2,165	68,755
Downstream Oil & Gas	–	54,483	–	54,483
Consumer Credit	–	8,645	580	9,225
Capital Market	–	8,827	–	8,827
Flour Mills	–	30,252	–	30,252
Cement Manufacturing	–	37,670	–	37,670
Food and Agro-processing	–	28,252	–	28,252
Beverages and Tobbaco	–	71,572	–	71,572
Other Manufacturing	–	22,602	2,913	25,515
Real estate and construction	–	61,812	6,556	68,368
Finance and Insurance	399,503	10,961	–	410,464
Government	–	56,925	–	56,925
Power	–	35,621	–	35,621
Other public utilities	–	2,021	–	2,021
Transportation	–	54,214	744	54,958
Communication	–	71,487	22	1 71,708
Education	–	901	9	910
General Commerce	–	73,472	–	73,472
Others	–	26,437	–	26,437
	399,503	746,051	13,188	1,158,742

At 31 December 2009 (N'millions)	Due from Banks	Loans and advances to customers	Advances under finance Leases	Total
Agriculture	–	11,082	–	11,082
Upstream Oil & Gas	–	74,540	50	74,590
Downstream Oil & Gas	–	66,787	–	66,787
Consumer Credit	–	27,238	1,243	28,481
Capital Market	–	57,164	–	57,164
Flour Mills	–	22,424	–	22,424
Cement Manufacturing	–	35,559	148	35,707
Food and Agro-processing	–	22,424	–	22,424
Beverages and Tobacco	–	52,323	–	52,323
Other Manufacturing	–	44,848	–	44,848
Real estate and construction	–	40,176	68	40,244
Finance and Insurance	341,830	7,190	–	349,020
Government	–	21,871	108	21,979
Power	–	6,765	–	6,765
Other public utilities	–	23,492	17	23,509
Transportation	–	70,338	3,592	73,930
Communication	–	68,194	–	68,194
Education	–	1,443	–	1,443
General Commerce	–	65,945	–	65,945
Others	–	27,662	280	27,942
	341,830	747,465	5,506	1,094,801

(c) **Analysis of Credit Portfolio by Risk Rating**

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

At 31 December 2010 (N' million)	Due from banks	Loans and advances to customers	Advances under finance Leases
AAA	399,503	198,586	–
AA	–	297,921	–
A	–	114,990	–
BBB	–	21,911	13,188
BB	–	7,873	–
B	–	11,517	–
CCC and below	–	9,317	–
Unrated	–	83,936	–
	399,503	746,051	13,188

	Due from banks	Loans and advances to customers	Advances under finance Leases
At 31 December 2009 (N'millions)			
AAA	341,830	217,293	–
AA	–	339,860	–
A	–	87,753	–
BBB	–	26,889	5,506
BB	–	11,522	–
B	–	11,758	–
CCC and below	–	9,579	–
Unrated	–	42,811	–
	341,830	747,465	5,506

1.3 Market Risk

The Group takes exposure to market risks, which is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rates, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spread, foreign exchange rates and equity prices. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return on risk.

1.3.1 Management of Market Risk

The Market Risk Management unit is mandated to assess, monitor and manage market risk for the Group. The primary objective of the Market Risk Management unit is to establish a comprehensive and independent market risk control.

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

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

1.3.2 Measurement of Market Risk

The Group's major measurement techniques used to measure and control market risk are outlined below.

The Group currently applies Non-Value at Risk (VAR) measures in the measurement and management of market risks. Plans are however underway to introduce VAR measures. The following are some of the measures currently in use:

i) NOP (NET OPEN POSITION): Intraday and Overnight Position Limits are set with reference to the Central Bank of Nigeria's advised Open Position Limit. Internally we take a cautious/conservative approach in setting our overall limit in order to avoid any breaches as well as limit our risks. Our lead currency is USD, therefore the USD/NGN limit is set to the maximum. Other currency limits are in place as well. These positions are revalued on a daily basis. Monitoring of limits is done on a daily basis.

ii) AGGREGATE CONTROL LIMITS: Similar to the NOP for foreign currency, Total Holding Limits (THL) are set for the holding of government securities (treasury bills and bonds), especially those in the trading book, in order to manage our risk (possibility of losses that may arise due to price or rate fluctuations). These positions are also revalued on a daily basis.

iii) MANAGEMENT ACTION TRIGGERS (MAT): This establishes the level at which management will be alerted if we continue to make losses on our trading positions.

iv) FACTOR SENSITIVITIES (Pv01): This is a measure of the present value impact of one basis point move (up or down) in interest rates. It is used by the Group as a price alternative to duration (a time measure). The Group also carry out sensitivity analyses on its entire book from time to time.

v) PERMITTED CURRENCIES: These represent currencies that the Group trades in and sometimes holds overnight positions in. The permitted currencies and overnight position limits are reviewed from time to time. Currently, British Pound (GBP), Euro (EUR), Japanese Yen (JPY), Swiss Franc (CHF), South African Rand (ZAR) and US Dollar (USD) are recognised by the Group as permitted currencies.

Vi) PERMITTED INSTRUMENTS: This specifies instruments (nature of transactions) that the Group deals in which include; treasury bills, government bonds, corporate bonds and equity.

vii) OFF MARKET RATE TOLERANCE/RATE REASONABILITY: This limit highlights all transactions that are done at unusually high/ low rates in comparison to the going market rate (mark to market rate).

1.3.3 Foreign Exchange Risk

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Foreign currency overnight and intra-day position limits are set with reference to the Central Bank of Nigeria advised open position limit. Internally, a conservative approach is adopted in setting our overall limit in order to avoid the risk of losses or breaches of the regulatory limits. Individual currency limits are set and monitored as well. There are other limits that are employed in managing foreign exchange risks. These limits are set with the aim of minimizing the Group's risk exposures to exchange rates volatilities to an acceptable level. Limits are monitored on a daily basis.

The table below summarizes the Group's exposure to foreign currency exchange rate risk at 31 December 2010, together with December 2009 comparatives.

At 31 December 2010 (N'millions)	Naira	Dollar	GBP	Euro	Others	Total
Assets						
Cash and balances with central banks	121,331	9,622	639	195	9,937	141,724
Treasury bills	287,981	–	–	–	10,888	298,869
Due from other banks	207,521	165,621	4,716	3,397	18,248	399,503
Loans and advances to customers (gross)	684,108	31,213	110	250	30,370	746,051
On-lending facilities	22,536	–	–	–	–	22,536
Advance under finance lease (gross)	11,945	239	3	236	765	13,188
Insurance receivable (gross)	2,686	–	–	–	–	2,686
Investment securities	161,882	39,957	7,490	1,016	–	210,345
Other assets (gross)	21,408	420	1,249	2	1,886	24,964
	1,521,398	247,072	14,207	5,096	72,094	1,859,866
Liabilities						
Deposits from customers	954,542	251,485	5,139	3,361	84,431	1,298,958
Claims payable	218	–	–	–	–	218
Liabilities on insurance contracts	2,287	–	–	–	–	2,287
On-lending facilities	26,049	–	–	–	–	26,049
Borrowings	–	27,975	–	–	–	27,975
Other liabilities	114,167	30,456	1,520	1,026	9,696	156,865
	1,097,263	309,916	6,659	4,387	94,127	1,512,352
Net on-balance sheet position	424,135	(62,844)	7,547	709	(22,032)	347,514

At 31 December 2009 (N'millions)	Naira	Dollar	GBP	Euro	Others	Total
Assets						
Cash and balances with central banks	118,428	6,667	554	–	1,130	126,779
Treasury bills	225,443	–	–	–	8,672	234,115
Due from other banks	128,346	149,025	5,489	–	58,970	341,830
Loans and advances to customers (gross)	658,749	74,416	75	–	14,225	747,465
Advance under finance lease (gross)	5,199	11	–	–	298	5,508
Insurance receivable (gross)	2,207	–	–	–	–	2,207
Investment securities	146,136	7,438	5,403	–	–	158,977
Other assets (gross)	17,527	1,276	854	–	1,265	20,922
	1,302,035	238,833	12,375	–	84,560	1,637,803
Liabilities						
Deposits from customers	954,542	174,723	3,611	–	41,041	1,173,917
Claims payable	198	–	–	–	–	198
Liabilities on insurance contracts	1,202	–	–	–	–	1,202
Other liabilities	55,942	44,796	114	–	6,640	107,492
Borrowings	–	35,984	–	–	–	35,984
	1,011,884	255,503	3,725	–	47,681	1,318,793
Net on-balance sheet position	290,151	(16,670)	8,650	–	36,879	319,010

1.3.4 Interest Rate Risk

The Group is exposed to cash flow interest rate risk, which is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effect of fluctuations in the prevailing levels of market interest on cash flows risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movement arise. The table below summarizes the Group's interest rate gap position:

31 December 2010 (N'millions)	Carrying Amount	Rate sensitive	Non rate Sensitive
Assets			
Cash and balances with central banks	141,724	89,652	52,072
Treasury bills	298,869	298,869	–
Due from other banks	399,503	399,503	–
Loans and advances to customers (gross)	746,051	746,051	–
On-lending facilities	22,536	22,536	
Advance under finance lease (gross)	13,188	13,188	–
Insurance receivable (gross)	2,686	–	2,686
Investment securities	210,345	201,400	8,945
Deferred tax assets	1,162	–	1,162
Other assets (gross)	24,964	–	24,964
Investment property	7,623	–	7,623
Property and equipment	67,145	–	67,145
Total assets	1,935,796	1,771,199	164,597
Liabilities			
Customer deposits	1,318,072	343,970	974,102
Claims payable	218	–	218
Liability on insurance contract	2,287	–	2,287
On-lending facilities	26,049	26,049	–
Borrowings	27,975	27,975	–
Current income tax	3,735	–	3,735
Other liabilities	145,750	–	145,750
Deferred income tax liabilities	7,380	–	7,380
Total liabilities	1,531,466	397,994	1,133,472
Total interest repricing gap	404,330	1,373,205	(968,875)

31 December 2009 (N'millions)	Carrying amount	Rate sensitive	Non rate Sensitive
Assets			
Cash and balances with central banks	126,779	126,779	–
Treasury bills	234,115	234,115	–
Due from other banks	341,830	341,830	–
Loans and advances to customers (gross)	747,465	747,465	–
Advance under finance lease (gross)	5,508	5,508	–
Insurance receivable (gross)	2,207	–	2,207
Investment securities	158,977	150,032	8,945
Deferred tax assets	966	–	966
Other assets (gross)	20,922	–	20,922
Investment property	433	–	433
Property and equipment	78,619	–	78,619
Total assets	1,717,821	1,605,729	112,092
Liabilities			
Customer deposits	1,173,917	361,577	812,340
Claims payable	198	–	198
Liability on insurance contract	1,202	–	1,202
Borrowings	35,984	35,984	–
Current income tax	7,407	–	7,407
Other liabilities	100,085	–	100,085
Deferred income tax liabilities	3,117	–	3,117
Total liabilities	1,321,910	397,561	924,349
Total interest repricing gap	395,911	1,208,168	(812,257)

1.4 Liquidity Risk

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

1.4.1 Liquidity Risk Management Process

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

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

a. Projecting cash flows and considering the level of liquid assets necessary in relation thereto;
b. Monitoring balance sheet liquidity ratios against internal and regulatory requirements;
c. Maintaining a diverse range of funding sources with adequate back-up facilities;
d. Managing the concentration and profile of debt maturities;
e. Monitoring depositor concentration in order to avoid undue reliance on large individual depositors and ensure a satisfactory overall funding mix; and
f. Maintaining liquidity and funding contingency plans. These plans identify early indicators of stress conditions and describe actions to be taken in the event of difficulties arising from systemic or other crises while minimizing any adverse long-term implications for the business.

The Maximum Cumulative Outflow has remained positive all through the various maturity buckets.
We maintain adequate liquid assets and marketable securities sufficient to manage any liquidity stress situation. The liquidity ratio is far above the regulatory limits.

1.4.2 Funding Approach

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

1.4.3 Liquidity Gap Analysis

The table below shows the profile of the Group's assets and liabilities based on the expected maturities at the balance sheet date.

Group 31 December 2010 (N'millions)	Up to 1 month	1 -3 months	3 -6 months	6 -12 months	Over 1 year	Total
Assets						
Cash and balances with central banks	129,501	–	–	12,223	–	141,724
Treasury bills	42,044	75,066	109,098	72,661	–	298,869
Due from other banks	377,623	13,906	2,486	5,208	280	399,503
Loans and advances to customers (gross)	177,108	68,649	20,232	77,258	402,804	746,051
Advance under finance lease (gross)	4	46	117	447	12,574	13,188
On-lending facilities	–	–	–	–	22,536	22,536
Insurance receivable (gross)	–	–	–	2,686	–	2,686
Investment securities	13,934	1,916	17,315	44,642	132,538	210,345
Deferred tax assets	–	–	–	–	1,162	1,162
Other assets (gross)	3,071	418	212	20,929	334	24,964
Investment property	–	–	–	–	7,623	7,623
Property and equipment	–	–	–	30,103	37,042	67,145
Total assets	743,285	160,001	149,460	266,157	616,893	1,935,796
Deposits from customers	576,853	52,693	4,113	17,237	667,177	1,318,072
Claims payable	–	–	218	–	–	218
Liabilities on insurance contracts	–	–	–	2,287	–	2,287
On-lending facilities	–	–	–	–	26,049	26,049
Borrowings	253	–	–	–	27,722	27,975
Current income tax	–	–	–	3,735	–	3,735
Deferred tax	–	–	–	–	3,117	7,380
Other liabilities	37,664	18,643	1,226	38,695	25,172	145,750
Total liabilities	614,770	71,336	5,557	61,954	749,237	1,531,466
Net liquidity gap	128,515	88,665	143,903	204,203	(132,344)	404,330
Cummulative gap	128,515	217,180	361,084	565,287	432,943	

Group 31 December 2009 (N'millions)	Up to 1 month	1 -3 months	3 -6 months	6 -12 months	Over 1 year	Total
Assets						
Cash and balances with central banks	116,364	–	–	10,415	–	126,779
Treasury bills	27,243	67,316	104,001	35,555	–	234,115
Due from other banks	331,830	10,000	–	–	–	341,830
Loans and advances to customers (gross)	171,295	57,859	8,552	65,936	443,823	747,465
Advance under finance lease (gross)	4	46	117	260	5,081	5,508
Insurance receivable (gross)	–	–	–	2,207	–	2,207
Investment securities	13,934	–	13,509	44,540	86,994	158,977
Deferred tax assets	–	–	–	–	966	966
Other assets (gross)	2,660	–	–	18,262	–	20,922
Investment property	–	–	–	–	433	433
Property and equipment	–	–	–	30,103	48,516	78,619
Total assets	663,330	135,221	126,179	207,278	585,813	1,717,821
Deposits from customers	567,777	66,873	12,752	4,073	522,442	1,173,917
Current income tax	–	–	–	7,407	–	7,407
Deferred tax	–	–	–	–	3,117	3,117
Other liabilities	36,911	–	–	38,065	25,109	100,085
Liabilities on insurance contracts	–	–	–	1,400	–	1,400
Borrowings	6,218	2,243	–	–	27,523	35,984
Total liabilities	610,906	69,116	12,752	50,945	578,191	1,321,910
Net liquidity gap	52,424	66,105	113,427	156,333	7,622	395,911
Cummulative gap	52,424	118,529	231,956	388,289	395,911	

Bank 31 December 2010 (N'millions)	Up to 1 month	1 -3 months	3 -6 months	6 -12 months	Over 1 year	Total
Assets						
Cash and balances with central banks	118,881	-	-	11,723	-	130,604
Treasury bills	39,867	71,432	106,176	70,505	-	287,981
Due from other banks	362,104	5,000	-	-	7,500	374,604
Loans and advances to customers (gross)	272,172	37,289	23,793	58,001	305,830	697,085
Advance under finance lease (gross)	6,495	1	52	128	6,055	12,731
On-lending facilities	-	-	2,000	-	20,536	22,536
Investment securities	-	10,850	1,000	25,338	134,797	171,985
Investments in subsidiaries	-	-	-	-	37,134	37,134
Other assets (gross)	2,662	-	-	16,821	-	19,483
Investment property	-	-	-	-	7,036	7,036
Property and equipment	-	-	-	20,637	42,880	63,517
Total assets	802,181	124,572	133,021	203,154	561,767	1,824,696
Deposits from customers	607,806	14,393	51	125	667,178	1,289,552
On-lending facilities	-	-	-	-	26,049	26,049
Borrowings	253	-	-	-	27,722	27,975
Current income tax	-	-	-	1,010	-	1,010
Other liabilities	844	-	58,994	27,476	-	87,314
Deferred income tax liabilities	-	-	-	-	7,144	7,144
Total liabilities	608,903	14,393	59,045	28,611	728,093	1,439,044
Net liquidity gap	193,279	110,179	73,977	174,543	(166,325)	385,652
Cummulative gap	193,279	303,458	377,435	551,977	385,652	

Bank

31 December 2009 (N'millions)	Up to 1 month	1 -3 months	3 -6 months	6 -12 months	Over 1 year	Total
Assets						
Cash and balances with central banks	105,129	–	–	9,915	–	115,044
Treasury bills	25,457	65,528	100,619	33,767	–	225,371
Due from other banks	280,025	10,000	–	–	–	290,025
Loans and advances to customers (gross)	165,929	55,516	6,208	34,161	454,416	716,230
Advance under finance lease (gross)	4	47	117	217	4,896	5,281
Investment securities	13,800	–	13,024	40,350	77,015	144,189
Investments in subsidiaries	–	–	–	–	36,096	36,096
Other assets (gross)	2,660	–	–	17,424	–	20,084
Investment property	–	–	–	–	–	–
Property and equipment	–	–	–	29,917	45,254	75,171
Total assets	593,004	131,091	119,968	165,751	617,677	1,627,491
Deposits from customers	534,690	43,770	6,016	1,564	525,288	1,111,328
Current income tax	–	–	–	5,718	–	5,718
Deferred tax	–	–	–	–	3,100	3,100
Other liabilities	30,245	–	–	33,270	25,168	88,683
Borrowings	6,218	2,243	–	–	27,523	35,984
Total liabilities	571,153	46,013	6,016	40,552	581,079	1,244,813
Net liquidity gap	21,851	85,078	113,952	125,199	36,598	382,678
Cummulative gap	21,851	106,929	220,881	346,080	382,678	

1.4.4 Maturity Profile of Off-Balance Sheet

(a) Financial guarantees and other financial facilities Performance bonds and financial guarantees (Note 41), are included below based on the earliest contractual maturity date.

(b) Contingent letters of credits/unfunded letters of credit (note 41) are included below based on the earlier contractual payment date.

(c) Operating lease commitments
Where the group is the lessee, the future minimum lease payments under non-cancellable operating lease are summarised below.

(d) Capital commitments Capital commitments for the acquisition of buildings and equipment (Note 41) are summarised below.

Group 31 December 2010 (N'millions)	Up to 1 month	1 -3 months	3 -6 months	6 -12 months	Over 1 year	Total
Liabilities						
Performance bonds and financial guarantees	14,223	25,344	45,506	30,152	124,504	239,729
Contingent letters of credits	14,695	24,165	5,373	10,736	1,306	56,275
Capital commitments	–	–	518	962	–	1,480
Assets held under custody	163,209	18,290	279,591	–	145,837	606,927
Total Liabilities	192,127	67,799	330,988	41,850	271,647	904,411

Group 31 December 2009 (N'millions)	Up to 1 month	1 -3 months	3 -6 months	6 -12 months	Over 1 year	Total
Liabilities						
Performance bonds and financial guarantees	19,231	9,060	11,657	17,965	42,076	99,989
Contingent letters of credits	15,821	19,468	23,328	11,775	443	70,835
Capital commitments	–	–	351	1,358	–	1,709
Assets held under custody	17,232	3,226	197,873	–	249,553	467,884
Total Liabilities	52,284	31,754	233,209	31,098	292,072	640,417

1.5 Capital Management

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

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

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

The CBN requires each bank to hold the minimum level of the regulatory capital of N25 billion and maintain a ratio of total regulatory capital to the risk-weighted asset at or above the minimum of 10%. The Bank as well as its subsidiaires have consistently met and surpassed the minimum capital adequacy requirments applicable in their respective countries of operations.

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

Banking subsidiaries in the Group, not incorporated in Nigeria, are directly regulated and supervised by their local banking supervisor and are required to meet the capital requirement directive of the local regulatory jurisdiction. Parental support and guidance are given at the Group level where the risk level in the Group in relation to capital level and adequacy is closely monitored.

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

The table below summarises the composition of the Group's capital adequacy ratio for the year ended 31 December 2010 as well as the 2009 comparatives. During those two years, the individual entities within the Group and the Group complied with all of the externally imposed capital requirements to which they are subject.

	Group 2010 N'millions	Group 2009 N'millions
Tier 1 capital		
Share capital	15,698	12,559
Share premium	255,047	255,047
Statutory reserves	24,633	20,064
Contingency reserve	617	431
SMEIES reserve	3,729	3,729
Retained earnings	62,610	44,178
Total qualifying Tier 1 capital	362,334	336,008
Tier 2 capital		
Non- controlling interest	2,319	2,223
Revaluation reserve - investment properties	98	–
Translation reserve	(1,190)	(646)
Total qualifying Tier 2 capital	1,227	1,577
Total regulatory capital	363,561	337,585
Risk-weighted assets		
On-balance sheet	989,425	829,487
Off-balance sheet	28,138	324,251
Total risk-weighted assets	1,017,562	1,153,738
Risk-weighted Capital Adequacy Ratio (CAR)	35.73%	29.26%

1.6 Operational Risk

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

The group proactively identifies, assesses and manages all operational risks by aligning the people, technology and processes with Best Risk Management Practices towards enhancing stake holder's value and sustaining industry leadership.

Operational Risk Objectives includes the following:

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

The Group traditionally manages this risk through a control-based environment in which processes are documented, authorization is independent and transactions are reconciled and monitored. This is supported by an independent programme of periodic reviews, undertaken by internal control & audit, and by monitoring external operational risk events, which ensure that the group stays in line with best practice and takes account of lessons.

The basic principles that guide the operational risk activities include:
Operational risks are identified by risk assessments covering operational risks facing each business unit and risks inherent in processes, activities and products.
Risk assessment incorporates a regular review of risks identified to monitor significant changes.

Risk mitigation, including insurance, is considered where this is cost-effective.

The Operational Risk Unit constantly identifies and assesses the operational risk inherent in all material products, activities, processes and systems. It also ensures that before new products, activities, processes and systems are introduced or undertaken, the operational risk inherent in them is identified clearly and subjected to adequate assessment procedures.

A key component of operational risk management is measuring the size and scope of the Bank's risk exposures. The techniques employed by the group in its measurements include the following: Key Control Self Assessment (KCSA): Key Risk Indicators (KRIs) and the Risk Register.

1.7 Strategic Risk

Strategic risk examines the impact of design and implementation of business models and decisions, on earnings and capital as well as the responsiveness to industry changes. This responsibility is taken quite seriously by the Board and Executive management of the Group and deliberate steps are taken to ensure that the right models are employed and appropriately communicated to all decision makers in the Group. The execution, processes and constant reviews ensure that strategic objectives are achieved. This has essentially driven the Group's sound banking culture and performance to date.

1.8 Legal Risk

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

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

1.9 Reputational Risk

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

The Group promotes sound business ethics among its employees.

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

1.10 Taxation Risk

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

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

1.11 Regulatory Risk

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

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

1.12 Insurance Risk

Insurance risk is the risk that future risk claims and expenses will exceed the value placed on insurance liabilities. It occurs due to the uncertainty of the timing and amount of future cash flows arising under insurance contracts.

The timing is specifically influenced by future mortality, longevity, morbidity, persistency and expenses about which assumptions are made in order to place a value on the liabilities. Deviations from assumptions will result in actual cashflows differing from those projected in the policyholder liability calculations. As such, each assumption represents a source of uncertainty.

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

Almost all our insurance activities are co-insured and the risks further mitigated by reinsurance in compliance with insurance regulations and guidelines. Our insurance risk is therefore not significant enough to have any adverse impact on the Group's risk profile.

	2010 N'million	%	2009 N'million	%
Gross income	192,488		277,300	
Interest expense				
- Local	(31,712)		(75,272)	
- Foreign	(4,007)		(8,685)	
	156,769		193,343	
Diminution in asset values	(4,353)		(39,865)	
	152,416		153,478	
Bought-in materials and services				
- Local	(52,376)		(54,415)	
- Foreign	(3,667)		(4,880)	
Value added	96,373	100	94,183	100
Distribution				
Employees				
Salaries and benefits	34,185	35	45,443	48
Government				
Income tax	12,612	13	14,482	15
Retained in the Group				
Asset replacement (depreciation)	12,162	13	13,655	14
To pay proposed dividend	26,687	28	11,303	12
Profit for the year/ period (including statutory, small scale industry, contingency reserves and non-controlling Interest)	10,727	11	9,300	10
	96,373	100	94,183	100

	2010 N'million	%	2009 N'million	%
Gross income	169,370		254,147	
Interest expense				
- Local	(33,670)		(81,062)	
- Foreign	(852)		(1,774)	
	134,848		171,311	
Diminution in asset values	(2,817)		(36,148)	
	132,031		135,163	
Bought-in materials and services				
- Local	(45,941)		(48,042)	
- Foreign	(529)		(841)	
Value added	85,561	100	86,280	100
Distribution				
Employees				
Salaries and benefits	31,428	37	41,913	49
Government				
Income tax	9,622	11	13,388	16
Retained in the Bank				
Asset replacement (depreciation)	11,176	13	12,614	15
To pay proposed dividend	26,687	31	11,303	13
Profit for the year/period (including statutory, Small scale industry reserves	6,648	8	7,062	8
	85,561	100	86,280	100

These statements represent the distribution of the wealth created through the use of the group's assets through its own and its employees' efforts.

ASSETS	2010 N'million	2009 N'million	2008 N'million	2007 N'million	2006 N'million
Cash and balances with central banks	141,724	126,779	239,562	111,055	85,447
Treasury bills	298,869	234,115	401,445	249,815	156,665
Due from other banks	399,503	341,830	536,846	127,764	70,050
Loans and advances	713,285	698,326	449,523	288,113	200,238
On-lending facilities	22,536	–	5,801	4,701	2,263
Advances under finance lease	13,188	5,506	4,615	2,445	1,716
Insurance receivables	711	635	816	1,055	487
Investment securities	210,345	158,977	64,564	41,236	11,155
Deferred tax assets	1,162	966	160	120	-
Other assets	18,936	13,517	32,293	109,446	67,087
Investment property	7,623	433	433	394	-
Property and equipment	67,145	78,619	50,942	36,799	24,234
	1,895,027	1,659,703	1,787,000	972,943	619,342
LIABILITIES					
Customers deposits	1,318,072	1,173,917	1,188,876	634,493	393,309
Claims payable	218	198	234	37	59
Liabilities on insurance contracts	2,287	1,202	1,077	559	405
On-lending facilities	26,049	–	5,860	4,749	2,263
Borrowings	27,975	35,984	34,571	21,948	12,750
Current income tax	3,735	7,407	5,690	6,427	4,191
Other liabilities	145,750	100,085	202,114	187,037	105,251
Deferred income tax liabilities	7,380	3,117	1,961	1,238	452
	1,531,466	1,321,910	1,440,383	856,488	518,680
CAPITAL AND RESERVES					
Share capital	15,698	12,559	8,372	4,633	4,587
Share premium	255,047	255,047	255,047	69,237	67,760
Other reserves	90,497	67,964	80,928	40,716	28,296
Attributable to equity holders of the parent	361,242	335,570	344,347	114,586	100,643
Non-controlling Interest	2,319	2,223	2,270	1,869	19
Total shareholders' equity	363,561	337,793	346,617	116,455	100,662
Acceptances and guarantees	902,931	638,708	724,298	298,138	156,685
PROFIT AND LOSS ACCOUNT					
Gross Earnings	192,488	277,300	211,639	94,880	60,002
Interest expense	(35,719)	(83,957)	(53,294)	(19,039)	(10,377)
Operating expenses	(102,390)	(118,393)	(91,665)	(48,051)	(32,725)
Diminution in asset values	(4,353)	(39,865)	(10,568)	(2,114)	(1,310)
Profit before tax and extra ordinary items	50,026	35,085	56,112	25,676	15,590
Extra-ordinary item	–	–	8	–	–
Profit before tax after extra ordinary items	50,026	35,085	56,120	25,676	15,590
Income tax	(12,612)	(14,482)	(4,127)	(6,897)	(3,971)
Profit after tax	37,414	20,603	51,993	18,779	11,619
Non-controlling Interest	(84)	(106)	(384)	(102)	1
Profit attributable to Group Shareholders	37,330	20,497	51,609	18,677	11,620
Dividend proposed	(26,687)	(11,303)	(28,466)	(9,266)	(6,600)
Earnings per share (basic)	119 k	82 k	383 k	203 k	193 k
Earnings per share (adjusted)	119 k	65 k	205 k	202 k	125 k

FIVE-YEAR FINANCIAL SUMMARY (Bank)

For the period ended 31 December 2010

	2010 N'million	2009 N'million	2008 N'million	2007 N'million	2006 N'million
ASSETS					
Cash and balances with central banks	130,604	115,044	232,267	141,981	151,380
Treasury bills	287,981	225,371	396,772	249,815	156,471
Due from other banks	374,604	290,025	481,092	85,462	52,440
Loans and advances	667,860	669,261	417,073	218,306	199,708
On-lending facilities	22,536	–	5,801	4,701	2,263
Advances under finance lease	12,731	5,281	3,940	2,445	1,716
Investment securities	171,985	144,189	54,591	31,919	10,045
Investment in subsidiaries	37,134	36,096	16,935	13,605	4,537
Other assets	13,470	12,758	23,476	101,163	9,107
Investment property	7,036	–	–	–	–
Property and equipment	63,517	75,171	48,085	34,544	23,102
	1,789,458	1,573,196	1,680,032	883,941	610,769
LIABILITIES					
Customers deposits	1,289,552	1,111,328	1,164,460	568,012	392,864
On-lending facilities	26,049	–	5,860	4,749	2,263
Borrowings	27,975	35,984	34,571	21,948	12,750
Current income tax	1,010	5,718	3,549	5,125	3,857
Other liabilities	87,314	88,683	131,207	170,088	98,184
Deferred income tax liabilities	7,144	3,100	1,902	1,186	450
	1,439,044	1,244,813	1,341,549	771,108	510,368
CAPITAL AND RESERVES					
Share capital	15,698	12,559	8,372	4,633	4,587
Share premium	255,047	255,047	255,047	69,237	67,760
Other reserves	79,669	60,777	75,064	38,963	28,054
Total shareholders' equity	350,414	328,383	338,483	112,833	100,401
Acceptances and guarantees	866,169	606,594	704,386	294,445	149,203
PROFIT AND LOSS ACCOUNT					
Gross Earnings	169,370	254,147	190,120	89,194	58,222
Interest expenses	(34,522)	(82,836)	(49,964)	(18,733)	(10,463)
Operating expenses	(89,074)	(103,410)	(81,321)	(45,107)	(31,298)
Diminution in asset values	(2,817)	(36,148)	(9,876)	(2,065)	(1,307)
Profit before tax and extra ordinary items	42,957	31,753	48,959	23,289	15,154
Extra-ordinary item	–	–	(20)	–	–
Profit before tax after extra ordinary items	42,957	31,753	48,939	23,289	15,154
Income tax	(9,622)	(13,388)	(2,415)	(5,780)	(3,665)
Profit after tax	33,335	18,365	46,524	17,509	11,489
Dividend proposed	(26,687)	(11,303)	(28,466)	(9,266)	(6,600)
Earnings per share (basic)	106 k	73 k	345 k	189 k	191 k
Earnings per share (adjusted)	106 k	58 k	185 k	105 k	124 k

Financial Year	Nominal value of shares (=N=)	Number of shares (Units)	Nominal value per share (N)
30-Jun-91	24,839,000.00	24,839,000.00	1.00
30-Jun-92	54,407,000.00	54,407,000.00	1.00
30-Jun-93	57,897,352.00	57,897,352.00	1.00
30-Jun-94	90,062,000.00	90,062,000.00	1.00
30-Jun-95	178,744,000.00	178,744,000.00	1.00
30-Jun-96	242,830,000.00	242,830,000.00	1.00
30-Jun-97	244,054,000.00	244,054,000.00	1.00
30-Jun-98	512,513,000.00	512,513,000.00	1.00
30-Jun-99	512,513,000.00	512,513,000.00	1.00
30-Jun-00	513,329,000.00	513,329,000.00	1.00
30-Jun-01	1,026,658,000.00	1,026,658,000.00	1.00
30-Jun-02	1,026,658,000.00	1,026,658,000.00	1.00
30-Jun-03	1,548,555,000.00	1,548,555,000.00	1.00
30-Jun-04	1,548,555,000.00	3,097,110,000.00	0.50
30-Jun-05	3,000,000,000.00	6,000,000,000.00	0.50
30-Jun-06	4,586,744,450.00	9,173,488,900.00	0.50
30-Jun-07	4,632,762,150.00	9,265,524,300.00	0.50
30-Sep-08	8,372,398,343.00	16,744,796,686.00	0.50
31-Dec-09	12,558,597,514.50	25,117,195,029.00	0.50
31-Dec-10	15,698,246,893.13	31,396,493,786.26	0.50

ZENITH REGISTRARS
RC: 510155

E-BONUS (DIRECT CREDIT TO CSCS ACCOUNT)

I/We have ____________________ units of **Zenith Bank Plc** shares

I/We hereby request and authorize you to credit my CSCS account (statement attached) with the BONUS accruing on my holdings.

I/We indemnify the Directors of Zenith Bank Plc against all claims and demands (and any expense thereof) which may be made in consequence of your complying with this instruction:

Shareholders Name: ---
SURNAME OTHER NAMES

Shareholders Address: ---

Mobile Tel: ---

Date: ---

I hereby affirm that the information given above are true of me

____
Shareholder's Signature

Account No:............................

CSCS Clearing House Number: ....
[Please attach copy of your CSCS statement]

Name of Stockbrokers..

Website: www.zenithregistrars.com Email: zenithregistrars@zenithbank.com

ZENITH REGISTRARS

RC: 510155

Plot 89A, Ajose Adeogun Street, Victoria Island, Lagos. Tel: 01-2708930-4. Fax: 01-2704085

Website: www.zenithregistrars.com email: zenithregistrars@zenithbank.com

MANDATE FOR e-DIVIDEND PAYMENT

It is our pleasure to inform you that you can henceforth, collect your dividend through DIRECT CREDIT into your Bank Account. Consequently, we hereby request you to provide the following information to enable us process direct payment of your dividend (when declared) into your bank account.

Date (DD/MM/YYYY)

Company	Pls. Tick as Applicable
Zenith Bank	

Surname/Company's Name

Other Names (for Individual Shareholder)

Present Postal Address

City

State

Email Address

Mobile (GSM) Phone Number

Bank Name

Branch Address

Bank Account Number

Bank Sort Code

Clearing House Number

I/WE hereby request that from now, all dividend warrant (s) due to me/us from my/our holding(s) in all the companies ticked be mandated to my/our Bank named above.

Shareholder's Signature or Thumbprint

Shareholder's Signature or Thumbprint

Company Seal/Incorporation Number (Corporate Shareholder)

AUTHORISED SIGNATURE & STAMP OF BANKERS

ZENITH BANK PLC
PROXY CARD
ANNUAL GENERAL MEETING TO BE HELD AT 10.00 a.m.
ON THE 15TH DAY OF APRIL, 2011 AT THE BANQUET HALL,
THE CIVIC CENTRE, OZUMBA MBADIWE STREET, VICTORIA ISLAND, LAGOS.

I/We*____
(Name of shareholder in block letters)

of ____

being a member/members of Zenith Bank Plc hereby appoint **

____

____

Failing him, Godwin Emefiele

____

as my/our proxy to act and vote for me/us on my/our behalf at The Annual General Meeting of the bank on the 15th day of April, 2011, or at any adjournment thereof.

Dated this 21st day of March, 2011

Shareholder's Signature(s)____________________

This Proxy Form should not be completed and sent to the bank's registered address if the member will be attending the Meeting.

The manner in which the Proxy is to be vote should be indicated by inserting "X" in the appropriate space.

	NUMBER OF SHARES		
	RESOLUTIONS	FOR	AGAINST
1.	To receive the Accounts and the Reports thereon.		
2.	To declare a Dividend		
3.	To re-elect as Directors		
4.	To fix the remuneration of the Directors		
5.	To authorise the Directors to fix the remuneration of the Auditors		
6.	To elect members of the audit Committee		

Please indicate with an "X" in the appropriate square how you wish your votes to be cast on resolutions set out above. Unless otherwise instructed the proxy will vote or abstain from voting at his discretion.

BEFORE POSTING THE ABOVE FORM, PLEASE TEAR OFF THIS PART AND RETAIN FOR ADMISSION TO THE MEETING

ADMISSION FORM

Annual General Meeting to be held at 10:00 a.m. on 15th April, 2011 at THE CIVIC CENTRE, OZUMBA MBADIWE STREET, VICTORIA ISLAND, LAGOS.

A member (Shareholder) who is unable to attend an Annual General Meeting is allowed by law to vote on a poll by proxy. The above form has been prepared to enable you to exercise your right to vote, in case you cannot personally attend the Meeting.

Following the normal practice, the names of two Directors of the Company have been entered on the form to ensure that someone will be at the Meeting to act as your proxy, but if you wish, you may insert in the blank space on the form (marked**) the name of any person whether a Member of the Company or not, who will attend the Meeting and vote on your behalf instead of one of the Directors.

NUMBER OF SHARES

Please sign the above proxy form and post it, so as to reach the address overleaf not later than 48 hours before the time for holding the meeting.

If executed by a corporation, the proxy form should be sealed with the Corporation's Common Seal.

IMPORTANT

The name of the Shareholder must be written in BLOCK CAPITALS on the proxy from where marked. This admission form must be produced by the Shareholder or his proxy, who need not be a member of the Company, in order to obtain entrance to the Annual General Meeting.

Signature of person attending____________________

REGISTRAR
ZENITH REGISTRARS LIMITED,
89A, AJOSE ADEOGUN STREET,
VICTORIA ISLAND,
LAGOS.

hen

	Corporate and Retail Banking		Investment Management and Securities		General, Health and Life Insurance		Others		Eliminations		C
	2010 N'million	2009 N'million	2010 N'million	2009 N'million	2010 N'million	2009 N'million	2010 N'million	2009 N'million	2010 N'million	2009 N'million	2 N'mil
	182,025	263,077	1,206	5,269	7,174	7,487	2,083	1,467	–	–	192,
siness	8	7,601	480	371	468	1,238	1,011	4,406	(1,967)	(13,616)	
	182,033	270,678	1,686	5,640	7,642	8,725	3,094	5,873	(1,967)	(13,616)	192,
uding loan	137,564	236,033	(430)	10,037	6,292	8,120	1,003	1,641	(1,967)	(13,616)	142,
	137,564	236,033	(430)	10,037	6,292	8,120	1,003	1,641	(1,967)	(13,616)	142,
	44,469	34,645	2,116	(4,397)	1,350	605	2,091	4,232	–	–	50,
	(10,117)	(14,016)	(571)	1,034	(962)	(409)	(962)	(1,091)	–	–	(12,6
	34,352	20,629	1,545	(3,363)	388	196	1,129	3,141	–	-	37,
	6,937	41,758	–	8	43	208	142	88	–	–	7,
	11,975	13,418	36	64	95	108	56	65	–	–	12,
	1,958,271	1,737,700	18,670	16,877	15,622	12,818	25,784	17,157	(123,320)	(124,849)	1,895,
	1,588,103	1,391,215	13,221	12,973	5,070	2,710	17,246	9,747	(92,174)	(94,735)	1,531,

mprises additions to fixed assets including additions resulting from acquisitions through business combinations.

en business segments are conducted on an arm's length basis. Internal charges and transfer pricing adjustments are reflected in the performance of each busines

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