

“We will enjoy greater opportunities to build a better professional environment where individual members of staff would be empowered to contribute their creative best which would in turn translate into greater wealth creation for our shareholders”



| | |
|--|----|
| Score Card | 4 |
| Corporate Information | 5 |
| Financial Overview | 6 |
| • Highlights | 7 |
| • Quality of Risk Assets | 8 |
| • Results at a Glance | 9 |
| Corporate Profile | 10 |
| Notice of Annual General Meeting | 11 |
| Board of Directors | 12 |
| MD/CEO's Review | 14 |
| Chairman's Statement | 15 |
| Executive Committee Members | 18 |
| Corporate Governance Report | 19 |
| Corporate Social Responsibility | 21 |
| Directors' Report | 23 |
| Auditors' Report | 26 |
| Report of the Audit Committee | 27 |
| Statement of Significant Accounting Policies | 28 |
| Profit and Loss Account | 30 |
| Balance Sheet | 31 |
| Cash Flow Statement | 32 |
| Notes to the Financial Statements | 33 |
| Statement of Value Added | 45 |
| Five Year Financial Summary | 46 |
| Other Members of the Management Team | 47 |



Agusto & Co. - Aaa Rating

1999 - 2004 Credit Ratings Summary
"We believe Zenith Bank is a financial institution of impeccable financial condition and overwhelming capacity to meet obligations as and when they fall due"

Fitch Ratings AA- (2003 - 2004)

"The ratings assigned to Zenith Bank reflect its solid domestic franchise, good asset quality and sound earnings record".

Pharez Rating - Aaa Rating (Excellent Risk)

From 1999 - 2004
"Zenith is a bank of excellent financial condition with an outstanding capacity to meet maturing obligations. Adverse changes in the macro-economic, socio-political and regulatory environment may only have minimal effect on the risk attributable to further exposure to the bank".

Merit Award - ICAN Merit Award

"Zenith bank is recognized for its outstanding contribution to the growth of industry and commerce, as well as the accounting profession in Nigeria".

Long Term: AA (Double A)

"We confirm that these ratings are the highest we have accorded to a Nigerian Bank."

-Duff & Phelps Credit Rating Co. Africa (Pty) Ltd, 2000

Most Efficient Bank Award

"For coming first as the most efficient Bank in the Clearing House for the year 2001."

-Lagos Bankers Clearing House (LBCH)

Size and Profitability

Zenith Bank is one of the fastest growing banks in Nigeria. This has placed it as the fourth largest bank (with total assets plus contingent liabilities of N370 billion) and third most profitable bank in the country.

Asset Quality

Zenith Bank has the lowest non performing loans to gross Loans ratio of 1.4% in Nigeria's banking industry.

Web-Jurist Award (Phillips Consulting 2004 & 2005)

- Best Bank Website in Nigeria
- 1st Overall Rating
- Best Bank On-line Service Quality

Market Audit and Research Services Limited (2002)

Best Service excellence bank in Lagos

Maritime Quality Service Award

- Best Customs Duty Collection Bank Award 2000-2004

International Maritime Digest Award

- Best Maritime Expansion Bank of the Year (2004)

Business Times

- Bank of the Year 2003

This Day

- Offer of the year 2004

Fame Magazine Award

- Bank of the Year 2004

Global Excellence Award

- Bank of the Year 2004

City People Award for Excellence

- Bank of the Year 2004

THE BOARD

| | |
|-------------------------|--|
| Macaulay Pepple | Chairman |
| Jim Ovia | Managing Director /Chief Executive Officer |
| Godwin Emefiele | Deputy Managing Director |
| Chief E. M. Egwuenu | Director |
| Sir S.P.O. Fortune Ebie | Director |
| Prof. L.F.O. Obika | Director |
| Sir Steven Omojafor | Director |
| Babatunde Adejuwon | Director |
| Peter Amangbo | Executive Director |
| Danladi Boro | Executive Director |
| Elias Igbin-Akenzua | Executive Director |
| Apollos Ikpobe | Executive Director |

COMPANY SECRETARY

Michael O. Otu

AUDITORS

PricewaterhouseCoopers
(Chartered Accountants)

CORRESPONDENT BANKS

| | | |
|---------------------|------------------------|-----------------------------|
| Citibank N.A. | Deutsche Bank | Australia and New Zealand |
| 111, Wall Street | 1, Bankers Trust Plaza | Banking Group Limited |
| New York, NY, 10043 | 130, Liberty Street | Minerva |
| | New York, NY 10006 | P. O. Box 7, Montague Close |
| | | London SE 19DH |
| Citibank N.A | Deutsche Bank | |
| Cottons Centre | 1, Appold Street | |
| Hays Lane | Broad Gate | |
| London SE1 2QT | London EC2A 2HE | |

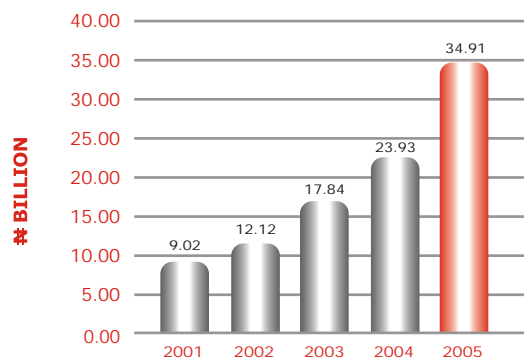


Head Office

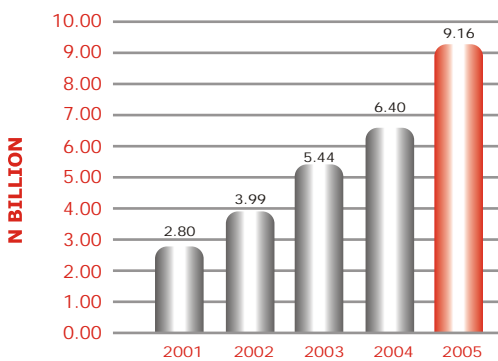
ZENITH BANK PLC

Plot 84, Ajose Adeogun Street, Victoria Island, Lagos.
Tel:01-2703132-34, 01-2703136-42, 4618301, 4618321, 4618311, 2620727; Fax: 01-2618212
E-mail:enquiry@zenithbank.com
Website: www.zenithbank.com

Gross Earnings



Profit Before Taxation



+46%

Gross earnings N34.91billion

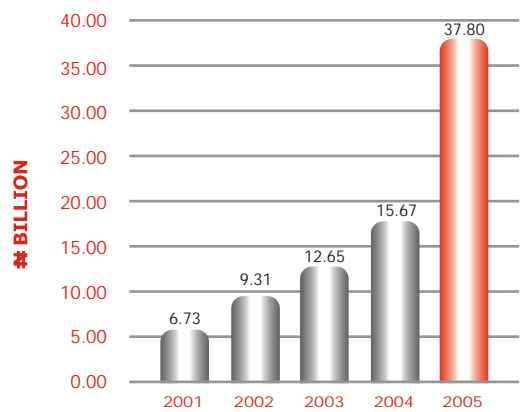
+43%

Profit before tax N9.16billion

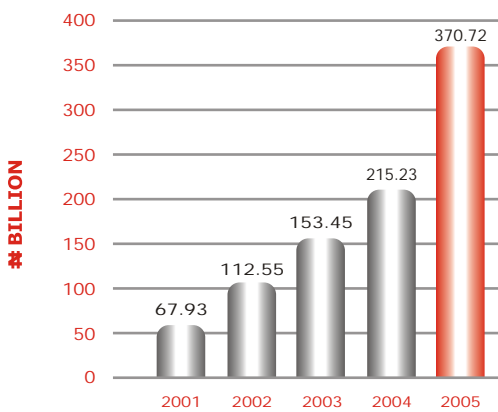
+78%

Total deposits N233.41billion

Shareholders' Funds



Total Assets plus Contingent Liabilities



+141%

Shareholders' funds N37.79billion

+72%

Total assets plus contingent liabilities N370.72billion

Asset and Liability Management

One of the strengths of Zenith Bank lies in its ability to skillfully balance the ratio of its credit assets and deposit liabilities. The bank is generally perceived to be a conservative institution in terms of risk assets generation. This ability to balance its risk assets and deposit liabilities, has continued to place it in a vantage position to make comparable returns to shareholders, while maintaining decent credit portfolio. Whereas, during the five-year period under review, credit assets grew by 863% (an average annual growth rate of 172%) to N126.37 billion in 2005, growth in deposits outpaced the credit assets by an increase of 661 % (averaging 132% per annum) to N233.41 billion. This indicates that the bank will meet its liquidity requirement even in the unlikely event of all outstanding credits becoming overdue and unpaid.

For the seventh consecutive year up to June 2005, the bank maintained its position as the institution with the lowest ratio of non-performing loans to total loans in the Nigerian financial services industry. Its ratio remained less than 2% compared to an industry average of 18%. This underscores the high quality of the bank's risk assets, as well as its superior risk management culture.

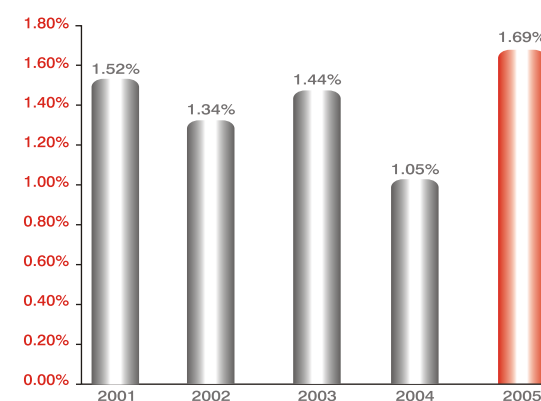
The bank has consistently demonstrated its capacity to harness enough capital in its quest at building an enduring financial institution with remarkable business initiatives and industry leadership. To this end, the bank's management has consciously ploughed back some of its yearly earnings over the years while paying dividends to shareholders, to ensure that capacity for business expansion and investments is not impaired in anyway. Accordingly, shareholders' fund increased significantly from N6.73 billion in 2001 to N37.79 billion in 2005, a growth rate of 92.3%. In 2004 the bank successfully carried out its Initial Public Offering (IPO) that netted proceeds of N20.39 billion to bring the bank's shareholders' fund to N37.79 billion at the end of June 2005.

The bank has an enormous capacity to strike a profitably reasonable balance between deposits and other constituents of its risk assets. Whereas

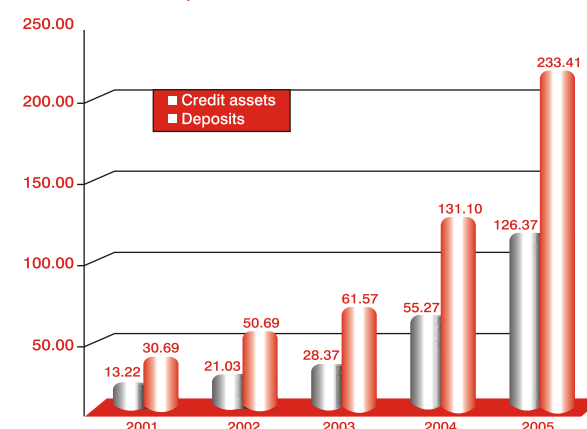
total risk assets increased between 1999 and 2003, by a massive 178.41 % deposits increased by 217.37% within the same period, from N19.4bn. Also the percentage of credit assets to total assets has decreased from 30% in 1999 to 25% in 2003, cash and short term funds has increased from 66% to 69% in the same five-year period. The bank has consistently maintained this level of liquidity coverage for credit assets at above 200% the implication being that the bank's liquidity requirement will be met even if all outstanding credits become over due and unpaid.

This asset quality standard sustained by the bank is a testimony to the strong risk management culture of the bank and the quality and experience of its management.

Non-performing Credits to Total Credits (%)



Deposits Vs Total Risk Assets



Profit & Loss

| | 2005 N'000 | 2004 N'000 | VAR. % |
|----------------------------|---------------|---------------|-----------|
| Gross Earnings | 34,913,462 | 23,931,255 | 45.89% |
| Opex (Including Loan Loss) | 20,128,506 | 14,194,460 | 41.80% |
| Profit Before Taxation | 9,164,737 | 6,404,885 | 43.09% |
| Profit After Taxation | 7,155,926 | 5,190,768 | 37.86% |
| Dividend | 4,200,000 | 2,167,977 | 93.73% |

Balance Sheet

| | 2005 N'000 | 2004 N'000 | VAR. % |
|------------------------------|---------------|---------------|-----------|
| Loans & Advances | 122,494,396 | 53,391,209 | 129.44% |
| Advances Under Finance Lease | 841,165 | 847,861 | -0.79% |
| Deposit Liabilities | 233,413,428 | 131,095,341 | 78.05% |
| Shareholders' Funds | 37,789,662 | 15,674,368 | 141.09% |
| Total Assets/contingents | 370,721,267 | 215,226,766 | 72.25% |

Per Share Data

| | 2005 k | 2004 k | VAR. % |
|-----------------------------------|-----------|-----------|-----------|
| Earnings per 50k share (adjusted) | 136k | 87k | 38.02% |
| Dividend per 50k share (actual) | 70k | 70k | 0.00% |

Zenith Bank Plc is the third largest bank in Nigeria with total assets plus contingents of N370 billion as at 30 June 2005. The bank has also maintained its position as the third most profitable bank in Nigeria for six consecutive years. The operating results for the year ended 30 June 2005 showed that profit before tax was N9.1 billion while its capital base or shareholders' funds stood at N37.8 billion.

Since 2000, the Bank has continued to record impressive performance on several parameters. Total assets plus contingents grew by 669% from N48.12 billion to N370 billion. Gross earnings increased from N7.07 billion to N34.91 billion representing 394% growth. Profit before tax within the same period has grown by 392% from N1.86 billion to N9.16 billion, while shareholders' funds increased from N4.8 billion to N37.8 billion.

This impressive growth streak no doubt confirms the general endorsement of the Zenith Brand across the country and the increasing patronage of its teeming customers. At Zenith Bank, speed, efficiency and flexibility are abiding watchwords, and the bank's customer-specific approach to customer service has consistently reinforced its value creation processes aimed at assisting customers to develop strategies for excellence in their various endeavours. The bank has over the years strategically invested in and deployed leading edge technology and infrastructure to improve service efficiencies and increase service delivery channels. We are matching the enthusiasm of our customers with an unalloyed passion and commitment for keeping our service promise and striving constantly to surpass industry service standards.

Zenith Bank's growth and performance has earned it excellent ratings from both local and international ratings agencies. The international rating company, Fitch Ratings, has for three consecutive years rated the bank AA- (long term) and F1+ (short term) and indicated that the ratings given "... reflects its strong domestic franchise, good asset quality and sound earnings record". Agosto & Co., Nigeria's foremost rating agency, assigned the bank Aaa (triple A) rating for six consecutive years and commented that the "...bank is a financial institution of impeccable financial condition and overwhelming capacity to meet obligations as and when they fall due". These two ratings are the highest and most consistent rating ever given to a Nigerian bank. The bank has maintained one of the best assets quality in the banking industry and this is evidenced by the low ratio of non-performing loans to total loans of 1.7% as at 30th June, 2005 compared to the industry average of about 18%.

With over one hundred and twenty (120) business offices connected online, real time, the Bank has a presence in all the state capitals, the Federal Capital Territory (FCT) and major towns and cities in Nigeria and a subsidiary in Ghana. The Bank's wide area network is efficiently deployed and seamlessly integrated through an associate company, Cyberspace Network, which operates a 3.5GHZ Fixed Wireless Access licence that provides a communication backbone for the Bank and its subsidiaries.

Zenith Bank continues to be a leading light in the deployment and utilization of Information Communication Technology (ICT) for financial services delivery with its service offerings covering, but not limited to:

- Corporate and Commercial Banking Services
- E-business Solutions including local and international card business
- Treasury and Cash Management Services
- Foreign Exchange and Trade Finance Services
- Funds/Assets Management

- Private Banking
- Investment Banking and Financial Advisory Services

A compliment of specialized financial and advisory services is similarly offered through the following subsidiaries of the bank:

- Zenith Securities Limited - a securities trading and asset management company.
- Zenith Registrars Limited - share registration services.
- Zenith General Insurance Company Limited - our insurance and risk underwriting company.
- Zenith Pensions Limited - a pensions custodian management company.

Zenith Bank Plc is committed to sustaining its foremost position in corporate social responsibility. At Zenith, our philanthropic activities are anchored irrevocably on one premise: ensuring that we passionately give back to host communities and society for providing an environment that is supportive and conducive for the pursuit of enterprise.

The bank's shares were listed on the Nigerian Stock Exchange on 21 October 2004 following a highly successful initial public offering (IPO), which recorded an unprecedented subscription level of 554% and over 290,000 shareholders.

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

- Innovation
- Best risk assets portfolio
- Consistent superior financial performance
- High quality personnel
- Leadership in the use of Information and Communication Technology (ICT)
- Consistent in raising the bar of competition, and
- Formidable marketing team

The overall vision of the bank is to build the Zenith brand into a reputable international financial institution recognised for innovation, superior customer service and performance while creating premium value for all stakeholders.

CORPORATE STRATEGIES

Key Strategies

- To deliver superior and tailor-made service experience to all our customers at all times
- Develop deeper and broader relationship with all clients and strive to understand their individual and industry peculiarities with a view to developing specific solutions for each segment of our customer base.
- Significantly expand our operations by adding various distribution channels and entering into new markets.
- 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.
- Strive to be a leading service provider in Nigeria by continuing to build on longstanding relationships, capabilities and the strength of our brand and reputation.
- Expand our business through the establishment of key subsidiaries for the provision of non-bank financial services to accentuate the service offerings and experience of our customers.
- Continually enhance our processing and systems platforms to deliver new capabilities and improve operational efficiencies and achieve economies of scale.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifteenth Annual General Meeting of Zenith Bank Plc will hold at the Shehu Musa Yar' Adua Centre, 1, Memorial Drive (opposite Sheraton Hotel & Towers) Abuja at 9.00 a.m. on the 22nd day of August, 2005 to transact the following business:-

ORDINARY BUSINESS

1. To receive and adopt the Audited Accounts for the year ended 30th June, 2005, the Reports of the Directors, Auditors and Audit Committee thereon.
2. To declare a dividend.
3. To 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.

Dated this 18th day of July, 2005.

NOTE:

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, 1, Ade Odedina 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.

1. Dividend

If approved, dividend warrants will be posted on 22nd August 2005, to shareholders whose names are registered in the Register of Members at the close of business on August 5th, 2005.

2. Closure of Register of Members

The Register of Members and Transfer Books of the Company will be closed from 5th to 12th August, 2005 (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 a 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 O. OLU
Company Secretary
Plot 84, Ajose Adeogun Street,
Victoria Island,
Lagos.



Macaulay Pepple
Chairman



Jim Ovia
Managing Director / Chief Executive



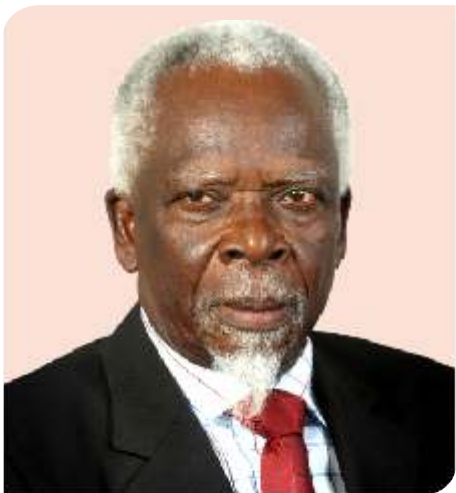
Prof. L. F. O. Obika
Director



Babatunde Adejuwon
Director



Godwin Emefiele
Deputy Managing Director



Sir S. P. O. Fortune Ebie
Director



Danladi Boro
Executive Director



Apollos Ikpobe
Executive Director



Chief E. M. Ekwuenu
Director



Sir Steven Omojor
Director



Peter Amangbo
Executive Director



Elias Igbin-Akenzua
Executive Director



Jim Ovia
MANAGING DIRECTOR / CHIEF EXECUTIVE

"We have established a culture that emphasizes attention to all our customers, shareholders and employees with a perfect blend of communicating our core values..."

Looking back in gratitude, we have demonstrated our penchant to deliver value to our shareholders which is aptly reflected in our current financial performance. This marks the blossoming of a fruitful relationship with our new shareholders who have reposed their trust and confidence in us.

We have established a culture that emphasizes attention to all our customers, shareholders and employees with a perfect blend of communicating our core values to these constituencies in order to enable us meet, surpass and shape their expectations. Our capability in delivering value is driven by clear well-articulated set of values that are widely shared by our employees.

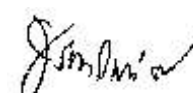
Given the challenges ahead, we have activated our unique strength in our core business for full growth potential. This is anchored on our drive to create distinctive capabilities by demanding high caliber leadership from our managers, create entrepreneurial spirit and focus on harnessing talent and managerial vitality. These are recipes for

high-performance anatomy which are essential for growth and competitiveness.

We have entrenched global benchmarks of excellence in creating new businesses, adopting control systems and developing new competencies to meet the challenges of the changing landscape in our banking industry.

We are excited and challenged by the bank's growing communities of customers. Our strategic branch network policy is anchored on our commitment to stay very close to our customers, supported with our cutting-edge technology to enhance service delivery.

We thank our numerous shareholders and customers for their patronage and confidence in us and we promise to continue to create and deliver value to them.



Jim Ovia
MD/CEO



Macaulay Pepple
CHAIRMAN

Our forecast for 2005/2006 is to improve on the huge strides achieved in the just ended financial year. We project more growth in all performance parameters, driven by the strength of our brand name.

The macro-economy experienced relative stability and growth in several areas during the period under review, compared to the preceding financial year. The Government's macro-economic policies during 2004 focused essentially on reducing inflation to single digit, achieve stable exchange rate, as well as reducing interest rate. Consequently, inflation rate, for example, decelerated from 23.8 per cent as at end-December, 2003 to 10.0 per cent in December, 2004.

Similarly, the exchange rate of the Naira to the US dollar improved remarkably in favour of the national currency during the same period, from N137.0 per US\$1.00 to N132.9 per US\$. The nation's stock of external reserves also experienced substantial growth, increasing from \$7.4 billion in December, 2003 to \$16.96 billion as at December, 2004. This has risen to the \$23.78 billion mark as at 30th June, 2005. Nigeria's overall balance of payments position swung from a deficit of N162.8 billion (2.3% of GDP) in 2003 to a surplus of N1,128 billion in 2004 (13.7% of GDP) while the Gross Domestic Product (GDP) recorded a growth of 6.1 % in 2004 as against the NEEDS target of 5.0%.

Distinguished shareholders, guests, ladies and gentlemen, it is indeed my pleasure to welcome you to the 15th Annual General Meeting (AGM) of our bank. This occasion is unique in the sense that it is the first Annual General Meeting after the shares of the bank were listed on the Nigerian Stock Exchange (NSE) in October 2004. I am indeed delighted to welcome new shareholders to the dynamic Zenith Family.

There have been significant developments in our operating environment in the last one year. Some of these developments have impacted on our operations. Furthermore, I will comment on the operations of the Bank in the year under review and conclude with capsule comments on the future outlook of our bank.

THE ECONOMY

The year 2004 was remarkable for the bold economic reform blueprint, the National Economic Empowerment Development Strategy (NEEDS), introduced by the Federal Government. Under NEEDS, it is expected that by the year 2007, the country would have attained an annual growth in real GDP of 7 per cent, generated two million new jobs, controlled inflation to single digit, enhanced manufacturing capacity utilization, and raised export earnings from agriculture to US\$3 billion.

During the period under review, it was the banking reforms of the Federal Government, announced in July, 2004, that made the most significant impact on the financial sector in particular and the economy at large. A key plank of the reform agenda was the Central Bank of Nigeria (CBN) directive to banks to increase their capital base (shareholders' funds) from N2 billion to N25 billion on or before 31st December, 2005. The reform agenda dramatically changed the financial landscape, marked by a spontaneous recourse by banks to mergers and acquisitions and an unprecedented search for equity from the Nigerian Capital Market. The recourse to the capital market has demonstrated the depth and absorptive capacity of the market which recorded an all-time growth.

The reduction of the Minimum Rediscount Rate (MRR) from 15.0% to 13.0% by the Central Bank of Nigeria during the review period, with other monetary policy initiatives, have resulted in a downward pressure on interest rates. The disbursement of the 2004 excess crude earnings together with a 'bigger' budget with an oil price benchmark of \$30 per barrel for 2005 relative to \$25 per barrel for 2004, portends more pressure on the prices (i.e. exchange rate and the general price level).

A feature of the review period also was the significant and consistent rise in the price of crude oil in the international market, a development that translated into huge foreign exchange earnings and a rapid build up of Nigeria's external reserves. This scenario is attributable to a wide range of concerns, including a limited global supply cushion, the Iraq war and instability in the Middle East, declining United States oil reserves and the weakness of the dollar against other currencies.

Another significant feature of the review period was the debt relief granted Nigeria by the Paris Club of Creditors, whereby 60% (\$18 billion) of the country's debt to members of the Club was written off with the grace of paying back the balance through a 'buy back' deal. This was made possible by the Federal Government's stringent economic policies and reforms. This debt pardon is unprecedented achievement for the country, which would help the fight against poverty and meeting the Millennium Development Goals.

The banking sub-sector was the most active on the Nigerian Stock Exchange during the period under review (measured by turnover volume) accounting for over 40 per cent of total market turnover. Also, the current market capitalization which is put at N1.9 trillion, has the banking sub-sector contributing N0.85 trillion thus accounting for about 50 per cent of the market capitalization. Out of this amount, your bank accounts for 11 per cent of the banking sector and 5 per cent of the total market capitalization.

Zenith Bank shares were listed on the Nigerian Stock Exchange on 21st October, 2004 at N10.90 per share, but the price had risen to N15.05 as at 30th June, 2005, recording over 38 per cent return within the first eight months of listing. Within the first month of listing the stock price increased to over N20 per share before the effect of the bearish pull of the Stock Exchange.

FINANCIAL RESULTS

Your Bank's financial results for the 2004/2005 financial year show positive appreciations in all evaluation parameters. This operating result no doubt indicates that your Bank is in strong financial health which underscores its resilience as a superb franchise.

Profit before taxation was N9.17billion, representing a 43per cent increase over the figures reported for the previous year. Gross earnings grew by 46 per

cent over the figures reported for the prior year to N35billion. Total assets plus contingent liabilities rose to N370.7 billion, a quantum leap from the figures recorded last year. Total deposits grew from N131.0 billion to N233.4 billion while shareholders' funds rose to N38billion representing a 141 per cent growth over the previous financial year's figure.

This implies that our Bank has clearly outperformed market expectations as well as exceeded its own projections for the period under review.

UNIQUE BRAND VALUE

No doubt, the investing public is not only excited about our brand value, but applaud our accelerating revenue generating momentum as we entrench ourselves as one of the leading financial services providers in Nigeria. Our core brand values such as efficiency, innovation, commitment, sense of urgency, quality service, forward looking, attention to detail, deployment of technology, trustworthiness and competitiveness are nurtured and defended unequivocally.

We will continue to deliver topline earnings consistent with our core values to excite and sustain the interest of our shareholders.

DIVIDEND

Your referendum on our brand value as reflected in the unprecedented number of shareholders (288,780) depicts our stock as one of the most widely held stocks in the Nigerian Capital Market. We can only satiate your thirst by maintaining a friendly dividend policy. The Board is therefore pleased to recommend a dividend of N4.2bn, that is 70kobo per 50kobo share.

BRANCH NETWORK

Our strategic intent is to make the Bank a superior national franchise and a reputable international financial institution; and this has influenced our drive to open more branches in strategic locations all over the country with our hallmark of entrepreneurial wit and excellent service delivery.

We will continue to step up our branch expansion policy to leverage emerging market opportunities in order to continue to deliver superior earnings which will serve as a catalyst for the envisaged consistent share price rise in the new financial year.

The Bank recently secured approvals from the Central Bank of Nigeria and Bank of Ghana to open an off-

shore subsidiary in Accra, the Ghanaian capital. We are determined to stamp our footprint of consistent superior performance matched with efficient service delivery system in the Ghanaian banking industry.

Our associate companies are vigorously adding value to our franchise. Zenith General Insurance Company Limited is redefining service delivery in the country's insurance landscape. Zenith Registrars has introduced innovative service delivery modes in the Registrar business driven by deployment of information technology.

BOARD OF DIRECTORS

I wish to use this medium to introduce four new Executive Directors recently appointed. They are: Peter Amangbo, Danladi Boro, Elias Igbin-Akenzua and Apollos Ikpobe. These are young men with proven track record of commitment, hardwork and professionalism. I also commend the zeal of other colleagues on the board for their untiring support in the affairs of the bank.

CORPORATE SOCIAL RESPONSIBILITY

At the heart of our business strategy is the commitment to give back to host communities and the society at large for providing an environment that is conducive and supportive of the pursuit of private enterprise. From surveys conducted by the media and research institutions, our bank is rated high above other institutions in corporate social responsibility. In 2005, the bank made a total donation of N76Million to charitable causes, with beneficiaries that cut across various segments of the society. We will not relent in our efforts at demonstrating our commitment as a socially responsible organisation.

CUSTOMERS

I thank our numerous customers for their patronage and loyalty. Their invaluable contributions, as shown in our excellent results, is evidence of our mutual determination to grow our business and we undertake to continue to serve you better than ever before. We will strengthen the platform for active dialogue between the bank and its communities of customers. We will further develop methods to achieve a common understanding with the needs of our customers to enable us shape their expectations and sustain their enthusiasm.

STAFF

On behalf of the Board of Directors and shareholders, I wish to express our profound gratitude to Management and Staff of the bank for their commitment and loyalty. We are endowed with hordes of good people, good ideas and indeed, the results speak volume. We are constantly capturing and adopting knowledge around best practices. We will continue to develop management talent to meet the challenges in the industry.

LOOKING AHEAD

Our forecast for 2005/2006 is to improve on the huge strides achieved in the just ended financial year. We project more growth in all performance parameters, driven by the strength of our brand name. Our projection is predicated on the perceived growth of our economy occasioned, in part, by the envisaged improved global credit rating fostered by the 60 per cent debt relief granted the country by the Paris Club of Creditors. This in turn will attract export credit agencies and correspondent banks. With an improved country risk rating and increased capital of the bank, we will burst the limits of our performance. We look forward with confidence to better days ahead in Nigeria.

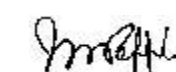
Clearly, we must stay focused by actively reinventing ourselves and our systems to brace up with the challenges of post-consolidation, as well as consolidating modern corporate governance systems through adoption of international best practices.

The post-capitalisation challenges will be quite daunting, but we are always well positioned to surmount them. We will continue to put our stamp of authority in terms of product differentiation and capacity to acquire a higher proportion of new business. Our powerful franchise in several businesses will be expanded and we are confident that we will continue to deliver superior earnings.

I thank God for the result of 2005 and look forward to much better prospects for 2006.

On behalf of the Board, I would like to thank our shareholders for their continued interest and support for Zenith Bank Plc. May the good Lord continue to bless us all.

Thank you for your attention.



MACAULAY PEPPLÉ
AUGUST, 2005



Jim Ovia



Godwin Emefiele



Danladi Boro



Elias Igbin-Akenzua



Apollos Ikpobe



Peter Amangbo



Umeoji Adaora Remy

Zenith Bank as a responsible corporate citizen places a very high premium on global best practices and ethical standard in the conduct of its affairs. This has remained the driving force behind our success story in the past fifteen years, and has enshrined the culture of honesty and transparency in all our dealings with the various stakeholders. The upshot of this has been the high and rising stakeholder interest and confidence in Zenith Bank, a development that has thrust upon us the responsibility of a role model and standard-bearer for our local and global competitors.

Conscious of this pride of place, we have institutionalised a dynamic mechanism for regularly reviewing and updating our processes and practices to keep us ahead of the pack in adopting and adapting to changes and developments in the global corporate governance environment. Local initiatives in the regulatory environment such as the launch in November, 2003, by the Securities and Exchange Commission (SEC) of the "Code of Corporate Governance" provided us a gauge to confirm our enviable place on the corporate governance ladder. The Code is applicable only to quoted companies and public companies with multiple ownership.

Board of Directors

Behind our quality profile in corporate governance is a Board of Directors comprising personages with a mix of skills and experience that make for exceptional performance. All members are well versed in the business of the bank and conscious of their statutory obligations and responsibilities to the shareholders. The Board meets regularly to determine the strategic direction of the Bank and to review operating, financial and risk performance. The executive management of the Bank is responsible to the Board for developing strategy; for the profitability and overall performance of the Bank. The 12-person Board, for ease of oversight function on the management and in conformity with the intendments of the "Code of Good Corporate Governance", comprises equal number of executive and non-executive members. The Board makes use of committees to address key areas of our business.

Committees

The committees assist the Board in its oversight of "the affairs of the company in a lawful and efficient manner in such a way as to ensure that the company is constantly improving its value creation as much as possible". This is in compliance with statutory requirements as well as in line with global best practices. Membership of the committees of the Board is intended to make best use of the skills and experience of non-executive directors, in particular, and to minimise (to the extent possible) unnecessary overlap and duplication of membership. These committees consider matters that fall within the scope of their various terms of reference to ensure that decisions reached are as balanced and as objective as possible. The Board and the various committees meet regularly, and there are always frank discussions between the committee members and management on all major issues. Currently, the following are the standing committees of the Bank:

Board Credit Committee

The Committee is made up of nine members comprising all Executive Directors of the Bank as well as three non-Executive directors. The Board Credit Committee has as its chairman, a non-Executive Director who is well versed in credit matters, having retired as Managing Director/Chief Executive of a commercial bank. The Committee considers loan applications above certain levels that are referred to it by the Management Credit Committee. It determines the credit policy of the bank or changes therein. The Committee meets quarterly but may meet at such other times as business exigency demands. Members of the Board Credit Committee are as follows:

1. Chief Eddy Ekwuenu - Chairman
2. Sir. S.P.O. Fortune Ebie - Member
3. Sir. Steve Omojafor - Member
4. Mr. Peter Amangbo - Executive Director
5. Mr. Elias Igbin-Akenzua - Executive Director
6. Mr. Appollos Ikpobe - Executive Director
7. Mr. Danladi Boro - Executive Director
8. Mr. Godwin I. Emefiele - Deputy Managing Director
9. Mr. Jim Ovia - Managing Director/CEO

Staff Matters, Finance & General Purpose Committee of the Board

This Committee consists of five members: three executive directors and two non-executive directors. It is chaired by a non-executive director. The Committee looks into large scale procurement by the bank, and matters bordering on staff welfare, discipline, staff remuneration and promotion. The Committee meets every quarter but may also meet at such other times as business exigency may require. The members are:

1. Professor L.F.O. Obika - Chairman
2. Mr. Babatunde Adejuwon - Member
3. Mr. Danladi Boro - Executive Director
4. Mr. Godwin I. Emeziele - Deputy Managing Director
5. Mr. Jim Ovia - Managing Director/CEO

Audit Committee

Zenith Bank has an Audit Committee, which was established in line with Section 359(6) of the Companies and Allied Matters Act, 1990. We recognise the Committee as the "guardian of public interest", and reflect this both in the composition and calibre of its membership. The Committee's membership consists of two representatives of the shareholders elected at the last Annual General Meeting (AGM) and two non-executive directors. Sir. S.P.O. Fortune Ebie chaired the Committee during the year. Other members of the Committee include Mr. Samuel Otiogede, Ms. Angela Agidi and Chief Eddy Ekwuenu. The Committee meets every quarter, but could also meet at any other time, should the need arise.

Furthermore, the Bank is in the process of establishing a Board Audit Committee to deal with matters relating to internal control policies of the Bank. The Committee will also be dealing with Audit report of branches and departments of the Bank submitted by the branch inspection unit of the Bank.

Other Committees

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

1. Assets and Liabilities Committee (ALCO)
2. Management Committee (MANCO)
3. Management Credit Committee (MCC)
4. Franchise Enhancement Committee

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, on account of this, won for two consecutive years (2004, 2005), the Web Jurist Best Bank Website, based on a study by the reputable firm of Phillips Consulting.

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.

As a quoted public limited liability company, we deliberately held our first Annual General Meeting (AGM) in Nigeria's Federal Capital City of Abuja, a place that is central and accessible enough to a wide spectrum of our shareholders across the country. In this regard, we are also considering the establishment of investors' desks at designated locations, to relate better with our shareholders and provide them with a wealth of information in a timely manner. All these are aspects of our shareholder relationship management strategy which we will get further honed in the years ahead.

Corporate Social Responsibility (CSR) has remained a key plank of our strategic drive for the overall well-being of the society in which we operate. In fact, next to our corporate citizenship obligations is our commitment and efforts in CSR, a dedication that has won for us a pride of place in the industry. In July last year, a joint research publication on "Nigerian Banks and Corporate Social Responsibility" by The Chartered Institute of Bankers of Nigeria and Mascot Communications Limited, confirmed Zenith Bank as the most socially responsible in Nigeria.

In keeping with this track record, our CSR efforts during the period under review covered a broad spectrum of human needs and positively impacted on the quality of life of a large number of individuals, interest groups and communities. Through sponsorships, donations in cash and kind and sundry other ways, we covered such diverse and critical areas as health, education, welfare, sports, youth and women empowerment, arts and culture, community development, disaster relief, security, government agencies and non-government organisations' activities, etc. Over all, compared to the financial year 2003/2004, the year under review was a significant improvement.

Education

In line with our belief in the efficacy of education in the transformation of the life of the individual and society at large, we have devoted the lion's share of our CSR budget to projects and issues appertaining to the sector. Specifically, during the period under review, we committed more than Twenty-five Million Naira to educational endeavours. A breakdown of this involvement which covers all strata of schools shows that the sum of N4.3 million went to the University of Lagos for their information technology equipment, Internet access and sundry consumables; the Redeemers University, Lagos, got N5.0 million; N1.65 million went to Ambrose Ali University for the automation of their records; the Crescent University and the American International School of Abuja got N1.0 million each, while the Obafemi Awolowo University received some computer systems and printers.

The University of Makurdi, Kano State Ministry of Education, Osun State Teaching Service Commission, National Board for Technical Education (Benin), Badagry Grammar School and Downen College (Lagos) received various sums for sundry activities. College of Education, Agbor, got computer systems worth N2.7 million; Command Day Secondary School, Ikeja, Victoria Island Primary School, Word of Faith Group of Schools (Benin), Corona School Trust Council, St. Louis College, Jos, Loyola College, Abuja, among others also received our assistance in cash and kind for various purposes during the year.

ICT/Youth Empowerment

Zenith Bank's high accent on Information and Communications Technology (ICT) and belief in Nigeria's future is reflected in the very top premium we place on empowering the youth, especially through ICT. Thus, during the year under review, a number of youth-related associations, organisations and agencies received our support and assistance. The youth empowerment programme in Agbor gulped over N5.6 million for Internet/VSAT Renewal; the Nigerian Stock Exchange Annual Essay Competition was supported with about N2.0 million; LEAP Africa received some computer systems and financial support, while computer units worth about N2.6 million were bought and distributed to a number of schools. Also, during the CTO 2005 (Trade Fair), Zenith Bank held a well-attended interactive session with Nigerian youths, under our "Youth Empowerment for Digital Revolution". Zenith Bank was adjudged the 'Best Participating Bank' at that outing and won an award for it.

Health and Welfare

In the tripod "People, Technology and Service", Zenith Bank expresses its deep interest and concern for the quality of life, whether for those of its employees or other stakeholders. This, the Bank further demonstrates by identifying with efforts aimed at improving health care delivery in the country as well as by assisting groups and individuals with special health problems. In this regard, Zenith Bank made significant contribution to the Psychiatric Hospital, Benin, Federal Medical



Centre, Yola, and the Sickle Cell Club. Our support was also extended to the National Health Insurance Scheme, Abuja, the Second Lagos State Health Merit Award and the Nigerian Society for the Blind. Several individuals with very serious health conditions were sponsored for treatment, either locally or abroad.

Religious Organisations

Right from inception, Zenith Bank has always shown concern for the spiritual growth and well-being of all its stakeholders, and has seized every opportunity to demonstrate that disposition. Thus, during the year under review, we assisted several religious bodies in cash and kind. Some of them include the Bible Society of Nigeria, the Blessed Tansi Major Seminary (Endowment), Saint Paul's Catholic Church, Benin, Maria Assumption Catholic Church, Owerri, ECWA Church, Abuja (Dedication), Trinity Chapel, Otta. Others include the Foursquare Church, Catholic Diocese of Oyo, All Souls Church (2004 Harvest), Catholic Diocese of Owerri, etc.

Security

The place of security in any business environment cannot be overemphasised. This is even more so for banking in the Nigerian milieu. We have therefore through the purchase and donation of vehicles, communication equipment and other gadgets endeavoured to assist the law enforcement and security agencies in doing their job. Apart from the Nigeria Police, we identified with the various formations of the Nigerian Army, the Navy, the Nigerian Customs Service, the Economic and Financial Crimes Commission (EFCC), among others, during the review period.

Disaster Relief

Zenith Bank has, as a key plank of its CSR engagements, remained in the forefront in identifying with persons, groups, communities and nationalities facing all kinds of natural or man-made disasters. We have therefore not only served as the hub of fund raising efforts during some of such disasters, but have also made handsome donations in cash and kind to the victims. Zenith staff have also (as individuals) responded positively to disaster relief calls by the Bank. Zenith Bank did not only serve on the Tsunami Disaster Relief Committee, but also made a cash donation of Ten

Million Naira as a corporate citizen. We similarly made donations to the Sokoto State Government Fire Relief Fund, the Auchu Erosion Control Fund, among others.

Others

In addition to these areas highlighted above, Zenith Bank plays a major role in the promotion and development of sports, professional associations, entrepreneurial skills of business promoters and NGO activities. We also identify with communal development efforts, the Press, the diplomatic corps, among others. In these regards, we made significant contribution to the Ninth NEPA Golf Championship, the Borno State Government/First Lady Handball Competition; seminars/workshops and other programmes organised by the Chartered Institute of Bankers of Nigeria, the Institute of Chartered Accountants of Nigeria, among others, similarly received our support. Zenith Bank's role in the pursuit of the ideals of the New Partnership for Africa's Development (NEPAD) remains outstanding. During the year under review, the NEPAD Business Group Nigeria received our assistance to the tune of over N2.0 million. In a similar vein, Zenith Bank served on a number of very important committees of the Federal Government, and in not a few cases, as the secretariat, with our Managing Director/CEO as Chairman. Two of such bodies are The Nigeria Software Development Initiative (NSDI) and the Nigeria Payments System.

Conclusion

As a responsible and responsive organisation, Zenith Bank will continue to accord very high priority to our CSR engagement. This commitment accounts for why we are the only bank in Nigeria that maintains a full fledged department—Zenith Philanthropy—that serves as the vehicle for all our CSR endeavours. As we continue to expand and grow, we will also continue to expand and deepen the horizon of our commitment to giving back to society a reasonable chunk of the fruit of our labour as a corporate citizen. In doing this, we will ensure that we do not just spread our assistance thinly across all manner of needs, but endeavour to make contributions that make meaningful impact on the well-being of the beneficiaries and society at large.

In compliance with the Companies and Allied Matters Act 1990, the Directors have pleasure in presenting their report on the affairs of Zenith Bank Plc, together with the audited financials for the year ended 30th June 2005.

Legal Form and activities during the year

The Bank is engaged in the business of providing universal banking services to corporate, commercial and individual customers which includes granting of loans and advances, leases, financial advisory services, investment banking, foreign exchange services and others.

The bank was incorporated as a limited liability company with 100% equity ownership by Nigerians on May 30, 1990 and commenced operations on July 16, 1990. The bank became a public liability company on May 20, 2004 and concluded its Initial Public Offering (IPO) in July 2004. The bank's shares are listed on the floor of the the Nigerian Stock Exchange.

Directors Who Served During the Year

| | |
|-----------------------------|-----------------------------------|
| Macaulay Pepple | Chairman |
| Jim Ovia | Managing Director/Chief Executive |
| Godwin Emefiele | Deputy Managing Director |
| Chief E. M. Ekwuenu | Director |
| Sir S. P. O. Fortune - Ebie | Director |
| Prof. Prince L.F.O. Obika | Director |
| Sir Steven Omojafor | Director |
| Babatunde Adejuwon | Director |
| Peter Amangbo | Executive Director |
| Elias Igbin-Akenzua | Executive Director |
| Apollos Ikpobe | Executive Director |
| Danladi Boro | Executive Director |

Directors' Interest in Shares

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

| Name of Directors | No of Ordinary shares held at: | |
|-----------------------------|--------------------------------|-------------|
| | 30/06/2005 | 30/06/2004 |
| Macaulay Pepple | 2,000,000 | 1,500,000 |
| Jim Ovia | 407,232,000 | 305,424,000 |
| Godwin Emefiele | 10,456,000 | 5,142,000 |
| Sir S. P. O. Fortune - Ebie | 1,056,000 | 750,000 |
| Chief E. M. Ekwuenu | 288,944,000 | 216,708,000 |
| Prof. Prince L.F.O. Obika | 1,030,000 | 750,000 |
| Sir Steven Omojafor | 740,000 | 500,000 |
| Babatunde Adejuwon | 555,000 | 500,000 |
| Peter Amangbo | 500,000 | - |
| Elias Igbin-Akenzua | 1,076,169 | - |
| Apollos Ikpobe | 285,000 | - |
| Danladi Boro | 400,000 | - |

Directors' Responsibilities

The Directors are statutorily responsible for the preparation of the financial statements and profit and loss showing a true and fair view of the statement of affairs of the Bank at the end of the financial year and in

compliance with the Companies and Allied Matters Act, 1990, and Banks and Other Financial Institutions Act, 1991, in ensuring that :

- * sufficient and adequate internal control procedures are put in place to safeguard assets, prevent and detect frauds and irregularities;
- * proper accounting records are maintained at all times; applicable accounting standards are adhered to and appropriate legislations complied with;
- * suitable accounting policies are adopted and consistently applied.

| | 2005 N'000 | 2004 N'000 |
|------------------------|---------------|---------------|
| Result of Operations | | |
| Profit Before Taxation | 9,164,787 | 6,404,885 |
| Income Tax | (2,008,861) | (1,214,117) |
| Profit After Taxation | 7,155,926 | 5,190,768 |

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

| | 2005 N'000 | 2004 N'000 |
|--------------------------------|---------------|---------------|
| Statutory Reserve | 1,073,389 | 778,615 |
| Small Scale Industries Reserve | 715,593 | 640,489 |
| Bonus Issue Reserve | — | 516,185 |
| Proposed Dividend | 4,200,000 | 2,167,977 |
| General Reserve | 1,166,944 | 1,087,502 |

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.

Fixed Assets

Information relating to changes in fixed assets is given in note 15 to the Financial Statements.

Charitable Gifts

During the year, the Bank made donations to charitable institutions, individuals and bodies amounting to N76,744,804 (2004 : N155,443,655). Some of the beneficiaries are :

| | |
|--|-----------|
| Infotech Internet Access - University of Lagos | 4,526,896 |
| Redeemer's University, Lagos | 5,000,000 |
| The Nigeria Society for The Blind | 200,000 |
| Sirajo Adamu Surgery Operation | 1,000,000 |
| Blessed Tansi Major Seminary Endowment | 626,950 |
| 5th Annual Essay Competition | 1,745,000 |
| Chartered Institute of Stock Brokers | 2,000,000 |
| Psychiatric Hospital, Benin | 253,000 |
| Sokoto State Govt Fire Disaster Relief | 500,000 |
| Auchi Erosion Control & Infrastructural Dev Fund | 250,000 |
| Safinatu Mohammed Cancer Surgery | 2,000,000 |
| Little Saints Assembly | 200,000 |

| | |
|--|------------|
| Phillip Nwachukwu Medical Care | 300,000 |
| Tsunami Disaster Relief Committee | 10,000,000 |
| LIB Foundation | 100,000 |
| Sickle Cell Club | 500,000 |
| LEAP AFRICA | 200,000 |
| FCDA Abuja | 5,000,000 |
| Abuja National Health Insurance Scheme | 3,000,000 |
| Ambrose Alli University | 1,647,000 |
| National Productivity Centre sponsorship | 1,250,000 |
| Foursquare Gospel Church | 1,000,000 |

Research and Development

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

Employment of Disabled Persons

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

Health, Safety and Staff Welfare

The Bank has an extensive network of hospitals and clinics on retainerhip for the use of employees and designed with a view to ensuring the safety of its employees and customers.

Employee Involvement and Training

The Bank places high premium on consultation with employees on matters affecting them.

Formal and informal channels of communication are employed in keeping the staff aware of various factors affecting the performance of the Bank. So far, the Bank has utilised the facilities of various local and international training institutions and organisations.

Auditors

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

Dated this
By Order of the Board



MICHAEL ODU
Company Secretary

252E Muri Okunola Street,
Victoria Island, P.O. Box 2419
Lagos, Nigeria.



Report of the Auditors to the Members of Zenith Bank Plc.

We have audited the financial statements of Zenith Bank Plc for the year ended 30 June, 2005 set out on pages 31 to 47 which have been prepared in accordance with the accounting policies set out on pages 29 to 30.

Respective Responsibilities of Directors and Auditors

As described in the Statement of Directors' Responsibilities in relation to the financial statements on page 29 (Note 22), the bank's Directors are responsible for the preparation of the financial statements. It is our responsibility to express an independent opinion, based on our audit, on the financial statements prepared by the Directors.

Basis of Opinion

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

We planned and performed such audit procedures and obtained all the information and explanations, which we considered necessary for the purpose of our audit. We examined the books at the head office and certain branches, and received adequate returns from branches not visited by us. Our examination of advances was carried out in accordance with the Prudential Guidelines for licensed banks. We believe that our audit provides us with a reasonable basis for our opinion.

As noted in Note 29 to the financial statements' during the year, the bank contravened certain sections of the Banks and Other Financial Institutions Act 1991. The penalty thereon has been paid.

In accordance with Central Bank of Nigeria circular BSD/1/2004, an analysis of insider related balances is set out in note 23 to the Financial Statement.

Opinion

In our opinion, the bank has kept proper books. The assets have been properly valued and adequate provisions made for losses and diminution in the value of such assets.

In our opinion, the financial statements which are in agreement with the books and returns, give in the prescribed manner the information required by the Companies and Allied Matters Act 1990, the Banks and Other Financial Institutions Act 1991 and all relevant Accounting Standards, and give a true and fair view of the state of affairs of the bank as at 30 June 2005 and of the profit and cash flow of the bank for the year then ended in conformity with generally accepted accounting principles in Nigeria.

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

PricewaterhouseCoopers
Chartered Accountants,
Lagos.



18 July 2005

In compliance with section 359(6) of the Companies and Allied Matters Act 1990, we have reviewed the Audit Report for the year ended 30th June, 2005 and hereby state as follows:-

1. The scope and planning of the audit were adequate in our opinion;
2. The accounting and reporting policies of the bank conformed with statutory requirements and agreed 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.

Dated July 18, 2005



Sir S. P. O Fortune Ebie
Chairman, Audit Committee

MEMBERS OF THE COMMITTEE

Sir S. P. O Fortune Ebie
Chief Eddy Ekwuenu
Mr. Sam Otiegade
Mrs. Angela Agidi

Statement of Significant Accounting Policies



For The Year Ended 30 June, 2005

The principal accounting policies adopted in the preparation of these financial statements are set out below:

a. Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with the provisions of the Statement of Accounting Standard for Banks and Non-Bank Financial Institutions (SAS 10 & 15) issued by the Nigerian Accounting Standards Board.

b. Recognition of interest income

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

c. Recognition of fees, commissions and other income

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.

d. Provision against credit risk

Provision is made in accordance with the Prudential Guidelines issued by the Central Bank of Nigeria for each account that is not performing in accordance with the terms of the related facility as follows:

| 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% |
| 360 days and over | Lost | 100% |

In addition, a provision of 1% minimum is made for all performing accounts to recognise losses in respect of risks inherent in any credit portfolio.

e. Advances under finance lease

Advances under finance lease are stated net of unearned lease finance income. Lease finance income is amortised over the lease period to achieve a constant rate of return on the outstanding net investment.

f. Fixed assets and depreciation

Depreciation is calculated on a straight line basis to write off fixed assets and equipment on lease over their estimated useful lives at the following rates:

| | | |
|-----------------------------------|---|---|
| Motor vehicles | - | 25% |
| Furniture, fittings and equipment | - | 20% - 25% |
| Computer equipment | - | 33 ¹ / ₃ % |
| Leasehold improvement | - | 20% (or period of primary lease, where shorter) |
| Leasehold land and buildings | - | 2% (or the period of the lease, if shorter) |

Costs related to fixed assets under construction or in the course of implementation are disclosed as work-in-progress. The attributable cost of each asset is transferred to the relevant category immediately the asset is put into use and depreciated accordingly.

Statement of Significant Accounting Policies



For The Year Ended 30 June, 2005

g. Deferred taxation

Deferred income tax is provided using the liability method and is based on timing differences resulting from the inclusion of items of income and expenditure in different periods for financial accounting and taxation purposes. Currently enacted tax rates are used to determine deferred income tax.

The principal temporary differences arise from depreciation on fixed assets.

h. Foreign currency

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

i. Investment securities

Investment securities comprising debt securities which the bank intends to hold until maturity and equity are stated at cost as adjusted for the amortisation of premiums or discounts on purchases over the period of the investment. Interest earned on investment securities is reported as interest income. Dividend received is reported as dividend income. A change in market value is not taken into account unless it is considered to be permanent.

j. Off- Balance sheet transactions

Contingent liabilities arising from performance bonds and guarantees issued on behalf of customers in the ordinary course of business, and on-lending facilities are reported off-balance sheet in recognition of the risk inherent in those transactions. Commissions and charges on these transactions are recognised as earned on issuance of the bond or guarantee.

k. Retirement Benefits

Retirement benefits are accrued and charged to the profit and loss account in the year they are incurred.

Profit and Loss Account



For The Year Ended 30 June, 2005

| | Note | 30 June, 2005 N'000 | 30 June, 2004 N'000 |
|--|------|------------------------|------------------------|
| Net interest income | 2 | 17,265,208 | 12,376,051 |
| Bad and doubtful debt expense | 10 | (1,974,966) | (397,149) |
| Other operating income | 3 | 12,028,085 | 8,223,294 |
| Operating expenses | 4 | (18,153,540) | (13,797,311) |
| Profit before taxation | | 9,164,787 | 6,404,885 |
| Taxation | 5 | (2,008,861) | (1,214,117) |
| Profit after taxation | | 7,155,926 | 5,190,768 |
| Transfer to statutory reserve | 20 | (1,073,389) | (778,615) |
| Transfer to reserve for investment in Small Scale Industries (SSI) | 20 | (715,593) | (640,489) |
| Transfer to bonus issue reserve | 20 | - | (516,185) |
| Dividend | 6 | (4,200,000) | (2,167,977) |
| Transfer to general reserve | 20 | 1,166,944 | 1,087,502 |
| Earnings per share (basic) | 31 | 136 k | 168 k |
| Earnings per share (adjusted) | | 136 k | 87 k |
| Dividend per share | | 70 k | 70 k |

The accounting policies on pages 29 and 30, and the notes on pages 34 to 45 form an integral part of these financial statements.

Balance Sheet



As at 30 June, 2005

| | Note | 30 June, 2005 N'000 | 30 June, 2004 N'000 |
|--|------|------------------------|------------------------|
| Assets | | | |
| Cash and short-term funds | 7 | 180,407,249 | 121,891,453 |
| Loans and advances | 8 | 122,494,396 | 53,391,209 |
| Advances under finance lease | 11 | 841,165 | 847,861 |
| Other assets | 13 | 4,755,887 | 3,294,490 |
| Investment securities | 14 | 6,139,063 | 4,427,083 |
| Fixed assets | 15 | 15,078,751 | 9,469,393 |
| | | 329,716,511 | 193,321,489 |
| Liabilities | | | |
| Deposits | 16 | 233,413,428 | 131,095,341 |
| Other liabilities | 17 | 56,013,477 | 44,920,930 |
| Taxation | 5 | 2,050,066 | 1,363,979 |
| Deferred taxation | 18 | 449,878 | 266,871 |
| | | 291,926,849 | 177,647,121 |
| Capital funds | | | |
| Share capital | 19 | 3,000,000 | 1,548,555 |
| Share premium | 20 | 18,224,108 | - |
| Statutory reserve | 20 | 5,549,460 | 4,476,071 |
| Small scale industries (SSI) reserve | 20 | 2,580,324 | 1,864,731 |
| Bonus issue reserve | 20 | - | 516,185 |
| General reserve | 20 | 8,435,770 | 7,268,826 |
| Shareholders' funds | | 37,789,662 | 15,674,368 |
| Liabilities and capital funds | | 329,716,511 | 193,321,489 |
| Confirmed credits and other obligations on behalf of customers and the corresponding liabilities thereon | 26b | 41,004,756 | 21,905,277 |
| Total assets plus contingent liabilities | | 370,721,267 | 215,226,766 |

The financial statements and notes on pages 29 to 45 were approved by the Board of Directors on 18 July, 2005 and signed on its behalf by:

Macaulay Pepple (Chairman).....

Jim Ovia (Managing Director & Chief Executive).....

The accounting policies on pages 29 and 30, and the notes on pages 34 to 45 form an integral part of these financial statements.

Cash Flow Statement



For The Year Ended 30 June, 2005

| | Note | 30 June, 2005 N'000 | 30 June, 2004 N'000 |
|--|------|------------------------|------------------------|
| Operating activities | | | |
| Cash generated from operations | 27 | 52,270,960 | 56,221,008 |
| Corporate tax paid | | (1,139,767) | (1,078,935) |
| Financing activities | | | |
| Dividend paid | | (2,167,977) | (1,083,989) |
| Share issue expense | | (1,229,301) | – |
| Actual proceeds of share issue | | 20,388,668 | – |
| Investing activities | | | |
| Purchase of fixed assets | | (7,909,805) | (5,635,506) |
| Investment in Small and Medium Enterprises (SMEs) | | (851,480) | (141,000) |
| Investment in Zenith General Insurance Company Limited | | (100,000) | (549,969) |
| Investment in Zenith Securities Limited | | (250,000) | – |
| Investment in Zenith Registrars Limited | | (10,500) | – |
| Purchase of Government Bond | | (500,000) | (3,000,000) |
| Sale of fixed assets | | 14,998 | 19,039 |
| Increase in cash and short-term funds | | 58,515,796 | 44,750,648 |
| Analysis of changes in cash and short-term funds | | | |
| Balance as at 1 July | | 121,891,453 | 77,140,805 |
| Closing Balance | | 180,407,249 | 121,891,453 |
| Increase in cash and short-term funds | | 58,515,796 | 44,750,648 |

The accounting policies on pages 29 and 30, and the notes on pages 34 to 45 form an integral part of these financial statements.

Notes To The Financial Statements



For The Year Ended 30 June, 2005

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 which is wholly owned by Nigerian citizens, 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 two subsidiary companies namely, Zenith General Insurance Limited (99%) and Zenith Securities Limited (94%). These subsidiaries have not been consolidated in these financial statements as disclosed in note 14. The Bank also acquired majority shareholding in three companies incorporated in Nigeria namely, Qubit Spectrum Limited, Venus Telecom Limited and Cyberspace Networks Limited under the Small and Medium Enterprises Equity Investment Scheme (SMEEIS).

| | 30 June, 2005 N'000 | 30 June, 2004 N'000 |
|----------------------------------|------------------------|------------------------|
| 2 Net interest income | | |
| Interest income | | |
| Placements and short-term funds | 6,784,554 | 4,498,563 |
| Loans and advances | 15,401,221 | 10,653,127 |
| Interest on government bonds | 532,137 | 407,995 |
| Advances under finance lease | 167,465 | 126,405 |
| Others | – | 21,871 |
| | 22,885,377 | 15,707,961 |
| Less: | | |
| Interest expense | | |
| Customer deposits | 5,564,211 | 3,328,855 |
| Other banks' deposits | 55,958 | 3,055 |
| | 5,620,169 | 3,331,910 |
| Net interest income | 17,265,208 | 12,376,051 |
| 3 Other operating income | | |
| Fees | 2,603,674 | 1,855,858 |
| Foreign exchange earnings | 866,219 | 602,361 |
| Commissions | 7,955,018 | 5,366,768 |
| Other income | 603,174 | 398,307 |
| | 12,028,085 | 8,223,294 |
| 4 Operating expenses | | |
| Staff costs | 5,860,620 | 4,285,445 |
| Depreciation | 2,277,797 | 1,745,635 |
| Auditors' remuneration | 26,200 | 18,000 |
| Directors' emoluments | 86,294 | 30,975 |
| Loss on disposal of fixed assets | 7,652 | 3,190 |
| Other expenses | 9,894,977 | 7,714,066 |
| | 18,153,540 | 13,797,311 |

For The Year Ended 30 June, 2005

| | 30 June, 2005 N'000 | 30 June, 2004 N'000 |
|--|------------------------|------------------------|
| 5 Taxation | | |
| Charge | | |
| Current tax | 1,851,988 | 1,219,485 |
| Education tax | 198,078 | 144,494 |
| Prior year over-provision | (224,212) | (68,705) |
| | <u>1,825,854</u> | <u>1,295,274</u> |
| Deferred tax provision (Note 18) | 183,007 | (81,157) |
| Charge for the year | <u>2,008,861</u> | <u>1,214,117</u> |
| Payable | | |
| Balance at 1 July | 1,363,979 | 1,147,640 |
| Tax paid | (1,139,767) | (1,078,935) |
| Prior year over-provision | (224,212) | (68,705) |
| Income tax charge | <u>2,050,066</u> | <u>1,363,979</u> |
| Balance at 30 June | <u>2,050,066</u> | <u>1,363,979</u> |
| 6 Dividend | | |
| Proposed dividend of 70k per 50k share | <u>4,200,000</u> | <u>2,167,977</u> |
| 7 Cash and short-term funds | | |
| Cash | 5,114,807 | 3,171,358 |
| Balances with banks: | | |
| Central Bank of Nigeria | 37,087,999 | 30,589,032 |
| Outside Nigeria | 45,974,611 | 36,864,780 |
| Treasury bills | 92,229,832 | 51,266,283 |
| | <u>180,407,249</u> | <u>121,891,453</u> |

Included in balances with banks outside Nigeria is the amount of N25,756,476,000 (2004: N31,551,842,000) which represents the Naira value of foreign currency bank balances held on behalf of customers in respect of letters of credit. The corresponding liabilities are included in Other liabilities (See Note 17)

For The Year Ended 30 June, 2005

| | 30 June, 2005 N'000 | 30 June, 2004 N'000 |
|---|------------------------|------------------------|
| 8 Loans and advances | | |
| Overdrafts | 49,911,659 | 28,728,985 |
| Term loans | 15,699,156 | 4,293,948 |
| Commercial papers | 57,599,308 | 21,396,658 |
| Other Loans | 2,321,184 | – |
| | <u>125,531,307</u> | <u>54,419,591</u> |
| Provision for loan losses and interest in suspense (Note 9) | <u>(3,036,911)</u> | <u>(1,028,382)</u> |
| | <u>122,494,396</u> | <u>53,391,209</u> |
| Analysis by security | | |
| Secured against real estate | 15,699,156 | 23,606,520 |
| Otherwise secured | 57,599,308 | 10,653,304 |
| Unsecured | 52,232,843 | 20,159,767 |
| | <u>125,531,307</u> | <u>54,419,591</u> |
| Analysis by performance | | |
| Performing | 123,446,384 | 53,854,324 |
| Sub-standard | 184,102 | – |
| Doubtful | 270,024 | 256,112 |
| Lost | 1,630,797 | 309,155 |
| | <u>125,531,307</u> | <u>54,419,591</u> |

9 Movement in provision for loan losses and interest in suspense

| | Provision for loan losses | | Interest in suspense s | | Total | Total |
|------------------------------------|---------------------------|----------------|------------------------|----------------|------------------|------------------|
| | 2005 N'000 | 2004 N'000 | 2005 N'000 | 2004 N'000 | 2005 N'000 | 2004 N'000 |
| Balance at beginning: | | | | | | |
| -Non-performing | 354,157 | 222,626 | 135,130 | 105,361 | 489,287 | 327,987 |
| -Performing | 539,095 | 277,247 | – | – | 539,095 | 277,247 |
| | <u>893,252</u> | <u>499,873</u> | <u>135,130</u> | <u>105,361</u> | <u>1,028,382</u> | <u>605,234</u> |
| Additional provision/ (reversals): | | | | | | |
| -Non-performing | 1,279,664 | 132,531 | 33,496 | 29,781 | 1,313,160 | 162,312 |
| -Performing | 695,369 | 261,848 | – | – | 695,369 | 261,848 |
| Recoveries: | | | | | | |
| -Non-performing | – | (1,000) | – | (12) | – | (1,012) |
| Balance at end: | | | | | | |
| -Non-performing | 1,633,821 | 354,157 | 168,626 | 135,130 | 1,802,447 | 489,287 |
| -Performing | 1,234,464 | 539,095 | – | – | 1,234,464 | 539,095 |
| | <u>2,868,285</u> | <u>893,252</u> | <u>168,626</u> | <u>135,130</u> | <u>3,036,911</u> | <u>1,028,382</u> |

For The Year Ended 30 June, 2005

| | 30 June, 2005 N'000 | 30 June, 2004 N'000 |
|--|------------------------|------------------------|
| 10 Bad and doubtful debt expense | | |
| The charge/ (release) for the year is analysed as follows: | | |
| Loans and advances: | | |
| -Non-performing | 1,279,664 | 132,531 |
| -Performing | 695,369 | 261,848 |
| Leases (Note 12) | (67) | 3,770 |
| Recovery of loans and advances previously provided for | — | (1,000) |
| | <u>1,974,966</u> | <u>397,149</u> |
| 11 Advances under finance lease | | |
| Gross investment | 966,864 | 1,000,507 |
| Less: Unearned income | (117,202) | (144,082) |
| | <u>849,662</u> | <u>856,425</u> |
| Provision for advances under finance lease (Note 12) | (8,497) | (8,564) |
| | <u>841,165</u> | <u>847,861</u> |
| 12 Movement in provision for advances under finance lease | | |
| Balance at beginning: | | |
| -Performing | 8,564 | 4,794 |
| | <u>8,564</u> | <u>4,794</u> |
| Additional provision: | | |
| -Performing | (67) | 3,770 |
| Balance at end: | | |
| -Performing | <u>8,497</u> | <u>8,564</u> |
| 13 Other assets | | |
| Accrued interest | 201,812 | 142,194 |
| Prepayments | 4,529,635 | 1,461,879 |
| Recoverable expenses | — | 405,154 |
| Sundry receivables | 24,440 | 1,285,263 |
| | <u>4,755,887</u> | <u>3,294,490</u> |

For The Year Ended 30 June, 2005

| | 30 June, 2005 N'000 | 30 June, 2004 N'000 |
|--|------------------------|------------------------|
| 14 Investment securities | | |
| Long-term investments: | | |
| i. Dated Securities (Quoted) | | |
| Federal Government Bond 2003/2006 | 3,000,000 | 3,000,000 |
| Lagos State Government Bond 2005/2009 | 250,000 | 250,000 |
| Edo State Revenue Bond 2002/2006 | 5,000 | 5,000 |
| Akwa Ibom State Government Bond 2005/2006 | 500,000 | — |
| ii. Equities (Unquoted) | | |
| Smartcard Nigeria Plc | 12,726 | 12,726 |
| Nigeria Global Revenue Fund | 5,250 | 5,250 |
| First Investment Consult Ltd | 2,625 | 2,625 |
| Zenith Securities Limited (94%) | 265,000 | 15,000 |
| Zenith General Insurance Company Limited (99%) | 649,969 | 549,969 |
| Zenith Registrars Limited (15%) | 10,500 | — |
| Investment in Small and Medium Enterprises (SMEs): | | |
| Venus Telecom Limited (40%) | 100,000 | 100,000 |
| Qubit Spectrum Limited (40%) | 100,000 | 100,000 |
| Cyberspace Networks Limited (40%) | 240,000 | 134,142 |
| Interswitch Limited (5%) | 10,420 | 10,420 |
| Omatek Computers Limited (40%) | 159,951 | 159,951 |
| Reliance Agro Limited (25%) | 5,000 | 5,000 |
| ATM Consortium (7%) | 20,000 | 20,000 |
| Best Foods Global (7%) | 20,000 | 20,000 |
| Emoota Farms (25%) | 40,000 | 20,000 |
| Living Witness (25%) | 15,000 | 15,000 |
| Richland Industries Limited (20%) | 2,000 | 2,000 |
| Accion Microfinance Limited (10%) | 43,182 | — |
| Socketworks Limited (10%) | 60,000 | — |
| Ondo Plastics Industries Limited (26%) | 37,440 | — |
| Cards Plant Limited (14%) | 105,000 | — |
| Africorp Projects Limited (38%) | 80,000 | — |
| Tinapa Business Resort Limited (3%) | 250,000 | — |
| Trust Hospital Limited (11%) | 50,000 | — |
| Frezzone Plant Fabrication Int'l Limited (26%) | 100,000 | — |
| | <u>6,139,063</u> | <u>4,427,083</u> |

For The Year Ended 30 June, 2005

Investment Securities Cont'd

- (i) The bank invested in the 1st Federal Government Bond on October 27 2003. The 3-year Bond matures on September 30, 2006 and attracts an interest rate of 17.75% per annum.
- (ii) The interest rate on the Lagos State Floating Redeemable Bond is the higher of Central Bank of Nigeria's treasury bill rate plus 4%, and CBN certificate rate plus 1%.
- (iii) The Edo State Floating redeemable Bond attracts an interest rate of 2.5% per annum above the Central Bank of Nigeria's minimum rediscount rate, subject to a minimum of 21% and maximum of 25%.
- (iv) The Akwa Ibom State Government Bond attracts an interest rate of 4.5% per annum above the CBN minimum rediscount rate subject to a minimum of 19.5% and maximum of 23.5%.
- (v) The investments in SMEs represent the bank's disbursement of funds under the Policy Guidelines for 2001 Fiscal Year (Monetary Policy Circular No. 35).
- (vi) The bank's subsidiary undertakings, Zenith Securities Limited and Zenith General Insurance Company Limited, have not been consolidated in these financial statements as the directors are of the opinion that they will be of no real value to members.

15 Fixed assets

| | Leasehold Land & building N'000 | Leasehold improvement N'000 | Furniture, fittings & equipment N'000 | Computer equipment N'000 | Motor vehicle N'000 | Work in progress N'000 | Total N'000 |
|--------------------------|---------------------------------------|-----------------------------------|--|--------------------------------|---------------------------|------------------------------|-------------------|
| Cost | | | | | | | |
| At 1 July 2004 | 1,943,803 | 2,153,925 | 3,015,384 | 2,502,297 | 2,471,714 | 2,355,037 | 14,442,160 |
| Additions | 546,515 | 546,310 | 940,368 | 248,241 | 723,246 | 4,905,125 | 7,909,805 |
| Reclassifications | 14,830 | 304,650 | 46,455 | 35,562 | 15,506 | (417,003) | — |
| Disposals | — | (30) | (44,844) | — | (105,961) | — | (150,835) |
| At 30 June 2005 | 2,505,148 | 3,004,855 | 3,957,363 | 2,786,100 | 3,104,505 | 6,843,159 | 22,201,130 |
| Accumulated depreciation | | | | | | | |
| At 1 July 2004 | 47,918 | 925,126 | 1,435,785 | 1,441,920 | 1,122,018 | — | 4,972,767 |
| Charge for the year | 45,210 | 540,354 | 589,912 | 513,936 | 588,385 | — | 2,277,797 |
| Reclassifications | 96 | (38) | 94 | 20 | (172) | — | — |
| Disposals | — | (8) | (36,249) | — | (91,928) | — | (128,185) |
| At 30 June 2005 | 93,224 | 1,465,434 | 1,989,542 | 1,955,876 | 1,618,303 | — | 7,122,379 |
| Net book amount | | | | | | | |
| At 30 June 2005 | 2,411,924 | 1,539,421 | 1,967,821 | 830,224 | 1,486,202 | 6,843,159 | 15,078,751 |
| At 30 June 2004 | 1,895,885 | 1,228,799 | 1,579,599 | 1,060,377 | 1,349,696 | 2,355,037 | 9,469,393 |

16 Deposits

| | N'000 | N'000 |
|---------|--------------------|--------------------|
| Demand | 170,386,725 | 80,238,569 |
| Savings | 6,795,608 | 2,575,400 |
| Term | 56,231,095 | 48,281,372 |
| | 233,413,428 | 131,095,341 |

For The Year Ended 30 June, 2005

| | 30 June, 2005 N'000 | 30 June, 2004 N'000 |
|---|------------------------|------------------------|
| 17 Other liabilities | | |
| Customer deposits for letters of credit | 25,756,476 | 31,551,842 |
| Interest payable on deposits | 494,915 | 687,506 |
| Managers' cheques | 5,053,571 | 4,391,143 |
| Unearned income | 1,546,882 | 493,313 |
| Dividend payable | 4,200,000 | 2,167,977 |
| Uncleared effects | 12,916,960 | 3,606,627 |
| Other payables | 6,044,673 | 2,022,522 |
| | 56,013,477 | 44,920,930 |
| 18 Deferred taxation | | |
| Balance at 1 July | 266,871 | 348,028 |
| Addition/(abatement) | 183,007 | (81,157) |
| | 449,878 | 266,871 |

The provision for deferred tax is in respect of fixed assets.

19 Share capital

| | | |
|---|------------------|------------------|
| Authorised 10,000,000,000 (2004: 6,000,000,000) ordinary shares of 50k each | 5,000,000 | 3,000,000 |
| Issued and fully paid 6,000,000 ordinary shares of 50k each (2004: 3,097,110,000 ordinary shares of 50k each) | 3,000,000 | 1,548,555 |
| Movements during the year: | | |
| Balance at 1 July | 1,548,555 | 1,548,555 |
| Issue of new shares | 935,260 | — |
| Bonus issue | 516,185 | — |
| | 3,000,000 | 1,548,555 |

- (i) At the extra ordinary general meeting of the members held on 13 September 2004, a resolution was passed approving the creation of additional 4,000,000,000 ordinary shares of 50 kobo each ranking pari passu in all respects with existing shares.
- (ii) At the annual general meeting of the bank held on 4 August 2004, a bonus of one additional share for every three held at the close of business at 30 June 2004 was approved.
- (iii) At the meeting of the Board of Directors held on 9 July 2004, a resolution was passed approving the allotment of 1,870,520,000 ordinary shares of 50 Kobo each@ N10.9 per share to applicants in respect of the bank's Initial Public Offering (IPO). The share premium amounting to N19,453,409,000 less share issue expenses of N1,229,301,000 has been capitalised.

For The Year Ended 30 June, 2005

20 Reserves

| | Statutory Reserve N'000 | SSI reserve N'000 | Share Premium N'000 | Bonus issue reserve N'000 | General reserve N'000 | 30 June 2005 Total N'000 | 30 June, 2004 Total N'000 |
|------------------------------|----------------------------|----------------------|------------------------|------------------------------|--------------------------|--------------------------------|---------------------------------|
| At 1 July | 4,476,071 | 1,864,731 | – | 516,185 | 7,268,826 | 14,125,813 | 11,103,022 |
| Issue of new shares | – | – | 19,453,409 | – | – | 19,453,409 | – |
| IPO expenses | – | – | (1,229,301) | – | – | (1,229,301) | – |
| Capitalised during the year | – | – | – | (516,185) | – | (516,185) | – |
| From profit and loss account | 1,073,389 | 715,593 | – | – | 1,166,944 | 2,955,926 | 3,022,791 |
| | <u>5,549,460</u> | <u>2,580,324</u> | <u>18,224,108</u> | <u>–</u> | <u>8,435,770</u> | <u>34,789,662</u> | <u>14,125,813</u> |

21 Pension commitments

In accordance with the provisions of the Pensions Act 2004, the bank 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. The contribution by the bank during the year was N 331,717,905 (2004: N148,638,257).

The existing pension scheme was discontinued during the year, however, employees who have contributed to the Scheme will receive their entitlements in due course.

22 Directors' responsibilities in relation to the financial statements

In accordance with the provisions of sections 334 and 335 of the Companies and Allied Matters Act 1990 and sections 24 and 28 of the Banks and Other Financial Institutions Act 1991, the directors are responsible for the preparation of annual financial statements which give a true and fair view of the state of affairs of the bank and of its profit and loss account, and comply with the requirements of both Acts. These responsibilities include ensuring that:

- adequate internal control procedures are instituted to safeguard assets, prevent and detect fraud and other irregularities;
- proper accounting records are maintained;
- applicable accounting standards are followed;
- suitable accounting policies are used and consistently applied;
- the financial statements are prepared on a going concern basis unless it is inappropriate to presume that the bank will continue in business.

For The Year Ended 30 June, 2005

23 Related party transactions

- (i) The bank extended a credit facility to Senforce Vegetable Oil Limited, a company in which a shareholder of Zenith Bank Plc has equity holdings as detailed below:

| | Borrower | Amount N'000 | Relationship | Date granted or renewed | Expiry date | Interest rate | Status | Security status |
|----|---------------------------|-----------------|--------------|----------------------------|----------------|------------------|----------------|-----------------|
| a) | Senforce Vegetable Oil | 67,071 | Shareholder | 25/08/1994 | 31/12/1995 | 5% | Non-performing | Perfected |
| b) | Zenith Securities Limited | 1,036,406 | Subsidiary | 13/05/2005 | 30/04/2005 | 13% | Performing | Perfected |

- (ii) As stated in Note 14, Cyberspace Networks Limited in which the bank holds 40% under the SMEEIS provided Information and Communication Technology (ICT) related services to the bank. A shareholder of the bank is also a shareholder of the company.

The bank also extended a finance lease facility to Cyberspace Networks Limited. At the year end, the finance lease outstanding in the name of the company amounted to N201.59 million (2004: N319.11million).

| | 30 June, 2005 Number | 30 June, 2004 Number |
|---|-------------------------|-------------------------|
| 24 Employees | | |
| The average number of persons employed during the year by category: | | |
| Executive directors | 6 | 2 |
| Management | 156 | 142 |
| Non-management | 2,465 | 2,046 |
| | <u>2,627</u> | <u>2,190</u> |
| Compensation for the above persons (including executive directors): | N'000 | N'000 |
| Salaries and wages | 5,528,902 | 4,136,807 |
| Provision for retirement benefit (Note 21) | 331,718 | 148,638 |
| | <u>5,860,620</u> | <u>4,285,445</u> |

For The Year Ended 30 June, 2005

| | | | | |
|--|---------------|---------------|---------------|---------------|
| 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 |
| Below N1,500,000 | | | 1,449 | 1,320 |
| N1,500,000 - N2,000,000 | | | 393 | 220 |
| N2,000,001 - N2,500,000 | | | 254 | 116 |
| N2,500,001 - N3,000,000 | | | 269 | 148 |
| N3,000,001 - N3,500,000 | | | 99 | 218 |
| N3,500,001 - N3,800,000 | | | 66 | 109 |
| N3,800,001 - N4,000,000 | | | 43 | 35 |
| N4,000,001 - N4,500,000 | | | 21 | 7 |
| N5,000,000 and above | | | 27 | 15 |
| | | | <u>2,621</u> | <u>2,188</u> |
| | 30 June, 2005 | 30 June, 2004 | | |
| | N'000 | N'000 | | |
| 25 Directors | | | | |
| The remuneration paid to the directors of the bank was: | | | | |
| Fees and sitting allowances | | | 21,706 | 7,375 |
| Executive compensation | | | 64,588 | 23,600 |
| | | | <u>86,294</u> | <u>30,975</u> |
| Fees and other emoluments disclosed above include amounts paid to: | | | | |
| The chairman | | | 3,040 | 2,200 |
| The highest paid director | | | <u>19,241</u> | <u>12,827</u> |
| | Number | Number | | |
| The number of directors who received fees and other emoluments (excluding pension contributions and reimbursable expenses) in the following ranges was: | | | | |
| Below N1,000,000 | | | — | 2 |
| N1,000,001 - N1,500,000 | | | 2 | 3 |
| N2,000,001 - N2,500,000 | | | — | 1 |
| N2,500,001 - N3,000,000 | | | 1 | — |
| N3,000,001 - N3,500,000 | | | 3 | — |
| N5,500,001 and above | | | 6 | 2 |
| | | | <u>12</u> | <u>8</u> |

For The Year Ended 30 June, 2005

| | | |
|---|-------------------|-------------------|
| 26 Contingent liabilities and commitments | N'000 | N'000 |
| a) Capital commitments | | |
| Authorised and contracted | <u>1,305,351</u> | <u>1,464,918</u> |
| b) Confirmed credits, bonds and guarantees and other obligations on behalf of customers | | |
| In the normal course of business the bank 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: | | |
| | N'000 | N'000 |
| Bonds and performance guarantees | <u>41,004,756</u> | <u>21,905,277</u> |
| | 30 June, 2005 | 30 June, 2004 |
| | N'000 | N'000 |
| 27 Cash generated from operations | | |
| Reconciliation of profit before tax to cash generated from operations: | | |
| Operating profit | 9,164,787 | 6,404,885 |
| Provision for loan losses and interest in suspense | 2,008,462 | 426,918 |
| Depreciation | 2,277,797 | 1,745,635 |
| Write offs | — | (4,500) |
| Loss on sale of fixed assets | 7,652 | 3,190 |
| Net cashflow from operating activities | 13,458,698 | 8,576,128 |
| Increase in interest receivable and prepaid expenses | (3,127,374) | (525,601) |
| Increase in managers' cheques | 662,428 | 615,026 |
| Increase/(decrease) in interest payable and other payables | 3,829,560 | (1,794,359) |
| Increase in loans to customers | (71,111,716) | (26,524,336) |
| Decrease/(Increase) in advances under finance leases | 6,763 | (377,042) |
| Decrease/(Increase) in Recoverable expenses | 405,154 | (405,154) |
| Decrease/(Increase) in sundry receivables | 1,260,823 | (1,067,875) |
| Increase in deposits | 102,318,087 | 69,520,886 |
| Increase in other liabilities | 4,568,537 | 8,203,335 |
| Cash generated from operations | <u>52,270,960</u> | <u>56,221,008</u> |

For The Year Ended 30 June, 2005

28 Liquidity risk

Maturities of assets and liabilities

| 30 June, 2005 | 0 - 30 days | 31 - 90 days | 91 - 180 days | 181-365 days | Over 1 year | Total |
|------------------------------|--------------------|-------------------|------------------|-------------------|-------------------|--------------------|
| | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 |
| Assets | | | | | | |
| Cash and short-term funds | 176,652,249 | — | — | — | 3,755,000 | 180,407,249 |
| Loans and advances | 49,679,012 | 43,975,367 | 5,094,307 | 11,844,676 | 11,901,034 | 122,494,396 |
| Advances under finance lease | — | 15,025 | 588,877 | — | 237,263 | 841,165 |
| Investment securities | — | — | — | — | 6,139,063 | 6,139,063 |
| Other assets | 4,028,756 | 3,994 | 723,137 | — | — | 4,755,887 |
| Fixed assets | — | — | — | — | 15,078,751 | 15,078,751 |
| Total assets | 230,360,019 | 43,994,386 | 6,406,320 | 11,844,676 | 37,111,111 | 329,716,511 |
| Liabilities | | | | | | |
| Deposits | 216,761,543 | 6,635,582 | 6,335,582 | 1,069,905 | 2,610,816 | 233,413,428 |
| Other liabilities | 10,270,922 | 34,081,751 | 341,678 | 1,025,033 | 10,294,094 | 56,013,477 |
| Taxation | — | — | — | — | 2,050,066 | 2,050,066 |
| Deferred taxation | — | — | — | — | 449,878 | 449,878 |
| | 227,032,465 | 40,717,333 | 6,677,260 | 2,094,938 | 15,404,854 | 291,926,850 |
| Net liquidity gap | 3,327,552 | 3,277,053 | (270,940) | 9,749,738 | 21,706,257 | 37,789,661 |
| As at 30 June 2004 | | | | | | |
| Total assets | 126,101,721 | 49,119,235 | 845,451 | 912,621 | 17,379,406 | 194,358,435 |
| Total liabilities | 118,255,336 | 46,231,522 | 507,134 | 802,467 | 12,887,608 | 178,684,067 |
| Net liquidity gap | 7,846,385 | 2,887,713 | 338,317 | 110,155 | 4,491,799 | 15,674,368 |

The table above analyses assets and liabilities of the bank into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date. The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the bank. It is unusual for banks to be completely matched since business transacted is often of uncertain terms and of different types.

The maturity of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the bank and its exposure to changes in interest rates.

29 Contravention of Banks and Other Financial Institutions Act (BOFIA) 1991

| Description | No of times | Penalty (N'000) |
|---|-------------|-----------------|
| 1. Non -implementation of previous examination recommendation | <u>1</u> | <u>500</u> |

30 Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year. There are no changes in accounting policies that affected operating profit.

31 Earnings Per Share

Basis earnings per share (EPS) is calculated by dividing the profit after taxation 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 balance sheet date.

| | N'000 | N'000 |
|---|---------------------|---------------------|
| Profit Attributable to shareholders of the bank | 7,155,926 | 5,190,768 |
| Weighted Average number of ordinary shares in issue | 5,274,278 | 3,097,110 |
| Basic earnings per share | <u>136 k</u> | <u>168 k</u> |

Statement of Value Added

For The Year Ended 30 June, 2005

| | 30 June, 2005 | | 30 June, 2004 | |
|----------------------------------|-------------------|------------|-------------------|------------|
| | N'000 | % | N'000 | % |
| Gross income | 34,913,462 | | 23,931,255 | |
| Interest paid | (5,620,169) | | (3,331,910) | |
| | <u>29,293,293</u> | | <u>20,599,345</u> | |
| Administrative overheads | (10,015,123) | | (7,766,231) | |
| | <u>19,278,170</u> | <u>100</u> | <u>12,833,114</u> | <u>100</u> |
| Value added | | | | |
| Distribution | | | | |
| Employees | | | | |
| Salaries and benefits | 5,860,620 | 31 | 4,285,445 | 33 |
| Providers of funds | | | | |
| Dividend | 4,200,000 | 22 | 2,167,977 | 17 |
| Government | | | | |
| Taxation | 2,008,861 | 10 | 1,214,11 | 7.9 |
| The future | | | | |
| Asset replacement (depreciation) | 2,277,797 | 12 | 1,745,635 | 14 |
| Expansion (retained profit) | 2,955,926 | 15 | 3,022,791 | 24 |
| Provision for losses | 1,974,966 | 10 | 397,149 | 3 |
| | <u>19,278,170</u> | <u>100</u> | <u>12,833,114</u> | <u>100</u> |

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

Five Year Financial Summary



Other Members of the Management Team



| | 2005 N'000 | 2004 N'000 | 2003 N'000 | 2002 N'000 | 2001 N'000 |
|---|--------------------|--------------------|--------------------|--------------------|-------------------|
| ASSETS EMPLOYED | | | | | |
| Cash and short term funds | 180,407,249 | 121,891,453 | 77,140,805 | 65,628,625 | 41,538,913 |
| Placements | – | – | – | 1,800,000 | 2,500,000 |
| Investments | 6,139,063 | 4,427,083 | 721,114 | 359,743 | 25,601 |
| Loans and advances | 122,494,396 | 53,391,209 | 27,290,021 | 20,144,168 | 12,619,957 |
| Advances under finance lease | 841,165 | 847,861 | 474,589 | 360,781 | 187,231 |
| Other assets | 4,755,887 | 3,294,490 | 1,310,860 | 906,879 | 990,175 |
| Fixed assets | 15,078,751 | 9,469,393 | 5,597,249 | 3,362,701 | 2,328,516 |
| | 329,716,511 | 193,321,489 | 112,534,638 | 92,562,897 | 60,190,393 |
| FINANCED BY | | | | | |
| Share capital | 3,000,000 | 1,548,555 | 1,548,555 | 1,026,658 | 1,026,658 |
| Share premium | 18,224,108 | – | – | 300 | 300 |
| Reserves for Small Scale Industries | 2,580,324 | 1,864,731 | 1,224,242 | 833,144 | 433,207 |
| Other reserves | 13,985,230 | 12,261,082 | 9,878,780 | 7,445,866 | 5,265,782 |
| Deposits | 233,413,428 | 131,095,341 | 61,574,455 | 50,688,381 | 30,688,075 |
| Other liabilities | 56,013,477 | 44,920,930 | 36,812,938 | 31,820,944 | 22,239,977 |
| Taxation | 2,050,066 | 1,363,979 | 1,147,640 | 384,267 | 284,145 |
| Deferred taxation | 449,878 | 266,871 | 348,028 | 363,337 | 252,249 |
| | 329,716,511 | 193,321,489 | 112,534,638 | 92,562,897 | 60,190,393 |
| Acceptances and guarantees | 41,004,756 | 21,905,277 | 40,911,386 | 19,986,187 | 7,744,587 |
| Total assets and contingent liabilities | 370,721,267 | 215,226,766 | 153,446,024 | 112,549,084 | 67,934,980 |
| PROFIT AND LOSS ACCOUNT | | | | | |
| Gross income | 34,913,462 | 23,931,255 | 17,844,230 | 12,118,935 | 9,023,305 |
| Interest expense | (5,620,169) | (3,331,910) | (2,289,282) | (2,079,207) | (2,129,506) |
| Operating expenses | (18,153,540) | (13,797,311) | (10,049,072) | (5,954,169) | (4,047,441) |
| Loan loss expense | (1,974,966) | (397,149) | (65,405) | (86,191) | (43,778) |
| Profit before taxation | 9,164,787 | 6,404,885 | 5,440,471 | 3,999,368 | 2,802,580 |
| Taxation | (2,008,861) | (1,214,117) | (1,016,285) | (495,355) | (384,337) |
| Profit after taxation | 7,155,926 | 5,190,768 | 4,424,186 | 3,504,013 | 2,418,243 |
| Dividend | (4,200,000) | (2,167,977) | (1,083,989) | (923,992) | (513,329) |
| Transfer to reserves | 2,955,926 | 3,022,791 | 3,340,197 | 2,580,021 | 1,904,914 |
| Earnings per share (basic) | 136 k | 168 k | 375 k | 341 k | 236 k |
| Earnings per share (adjusted) | 136 k | 87 k | 143 k | 113 k | 78 k |
| Dividend per share | 70 k | 70 k | 70 k | 90 k | 50 k |



OJEI ANDY
General Manager



OKOYE CHARLES
General Manager



UDOM EMMANUEL
General Manager



AYENI NONYE
General Manager



PAMELA YOUGH
General Manager



OHIMAI EHIMIAGHE
General Manager



ADEWALE O. ADENIYI
General Manager





ZENITH BANK PLC

15TH ANNUAL GENERAL MEETING TO BE HELD AT 9.00 A.M.
ON MONDAY 22ND AUGUST, 2005 AT
THE SHEHU MUSA YAR'ADUA CENTER, ABUJA.

I, We* _____
(Name of shareholder in block letters)

being a holder(s) Ordinary Shares of the above named
Company hereby appoint Macaulay Pepple or failing him
Jim Ovia both Directors of the Company or failing
them**

as my/our Proxy to vote for me/us on my/our behalf at
the ANNUAL GENERAL MEETING of the Company to be
held on Monday, 22nd August, 2005 at 9:00 a.m. and at
any adjournment thereof.

Date this _____ day of _____ 2005.

Shareholder's Signature _____

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 9:00 a.m. on Monday
22nd August, 2005 at THE SHEHU MUSA YAR'ADUA CENTER,
ABUJA.

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 form 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,
PLOT 1, ADE ODEDINA STREET,
OFF SINARI DARANIJO STREET,
VICTORIA ISLAND,
LAGOS.
