

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





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## ■ Awards

### **Bank of the Year 2005**

-The Banker Magazine Financial Times of London

### **Bank of the Year 2005**

- This Day Award for Excellence

### **Most Respected Bank in Nigeria**

- PricewaterhouseCoopers and BusinessDay

### **Best Bank Website in Nigeria (2003, 2005)**

- Phillips Consulting

### **Best Custom Duty Collection Bank 2000 - 2005**

- Maritime Quality Service Award

## ■ Ratings

### **Solid Asset Quality**

"Zenith Bank has a strong and consistent earning record, as well as solid capital and liquidity position...the bank asset quality is solid, with the lowest non-performing loan ratio of 1.76% as against industry average of more than 10% in 1999."

- *Thomson Financial BankWatch, 2000.*

### **Long Term: AA**

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

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

"It is a bank of excellent financial condition with enormous capacity to meet the maturity obligations as and when they fall due."

- *Pharez Composite Rating*

### **Impeccable Financial Condition**

"We believe Zenith Bank is a financial institution of impeccable financial condition and overwhelming capacity to meet obligations as and when they fall due"

**Augusto & Co. Aaa Rating (1999 - 2005)**

### **Fitch Ratings AA-**

"Zenith is a bank with strong retail franchise, which facilitates a stable and growing deposit base as well as good capital measure, supported by consistent Profitability."

**(2002 - 2004)**



## DIRECTORS

<b>Macaulay Pepple</b>	Chairman
<b>Jim Ovia</b>	Managing Director /Chief Executive
<b>Godwin Emefiele</b>	Deputy Managing Director
<b>Chief E. M. Egwuenu</b>	Director
<b>Sir S.P.O. Fortune Ebie</b>	Director
<b>Prof. L.F.O. Obika</b>	Director
<b>Sir Steven Omojfor</b>	Director
<b>Babatunde Adejuwon</b>	Director
<b>Peter Amangbo</b>	Executive Director
<b>Elias Igbin-Akenzua</b>	Executive Director
<b>Apollos Ikpobe</b>	Executive Director
<b>Danladi Boro</b>	Executive Director (Passed on 22/10/2005)

## COMPANY SECRETARY

Michael O. Otu

## AUDITORS

Pricewaterhouse Coopers  
(Chartered Accountants)

## CORRESPONDENT BANKS

<b>Citibank N.A.</b> 111, Wall Street New York, NY,10043	<b>Deutsche Bank</b> 1, BankersTrust Plaza 130, Liberty Street New York, NY 10006	<b>Australia and New Zealand</b> Banking Group Limited Minerva P. O. Box 7, Montague Close London SE 19DH	<b>Citibank N.A</b> Cottons Centre Hays Lane London SE1 2QT	<b>Deutsche Bank</b> 1, Appold Street Broad Gate London EC2A 2HE
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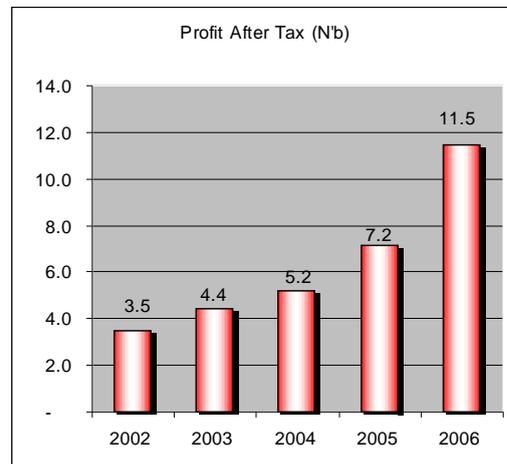
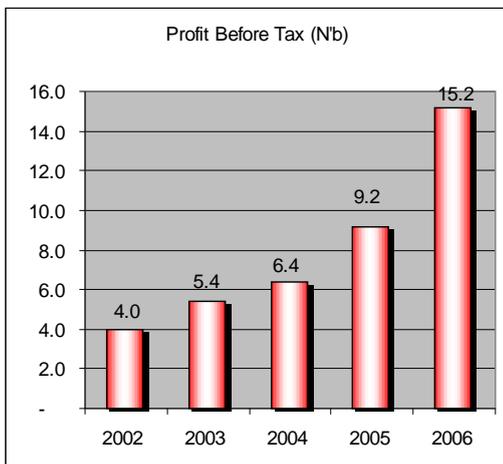
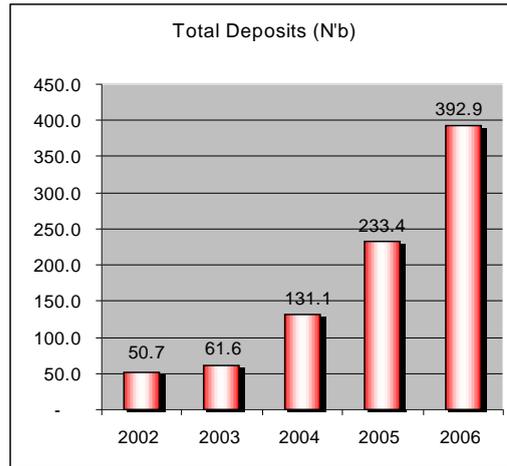
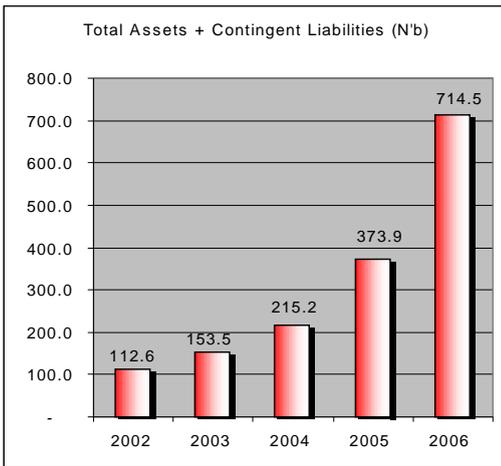
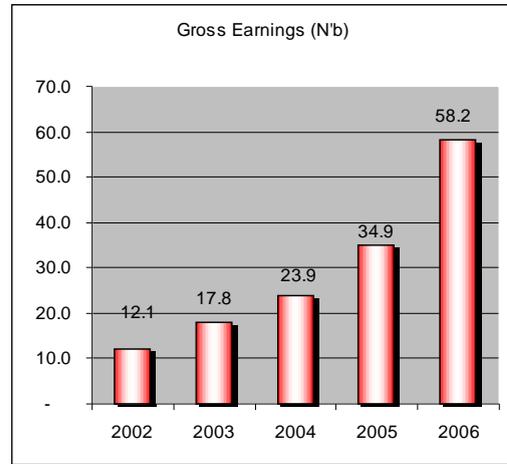
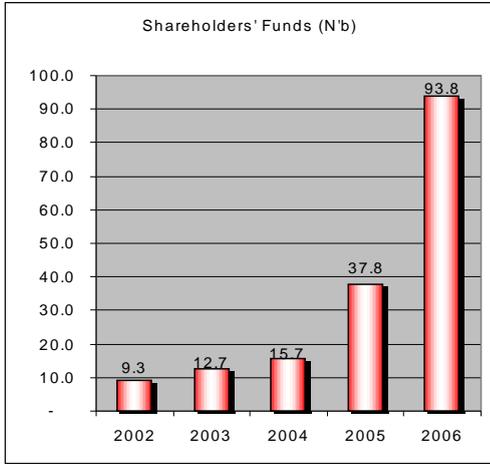
**ZENITH BANK PLC**

### Head Office

Zenith Heights, Plot 87, Ajose Adeogun Street, Victoria Island,  
Lagos. Tel: 2703132-34, 01-2703136-42, 26207272, 4618301, 4618321 |

Fax: 01-2618212 | Enquiry: email@zenithbank.com

Website: www.zenithbank.com





**+67%**

**Gross Earnings N58.22 billion**

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**+65%**

**Profit Before Tax N15.15 billion**

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**+68%**

**Total Deposits N392.86 billion**

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**+148%**

**Shareholders' Funds N93.8 billion**

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**+91%**

**Total Assets Plus Contingents N714.51 billion**

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	2006 N'000	2005 N'000	VAR. %
<b>Profit &amp; Loss</b>			
Gross Earnings	<b>58,222,061</b>	34,913,462	66.8%
Profit Before Taxation	<b>15,154,091</b>	9,164,787	65.4%
Profit After Taxation	<b>11,488,800</b>	7,155,926	60.5%
Dividend	<b>6,600,000</b>	4,200,000	57.1%
<b>Balance Sheet</b>			
Loans & Advances	<b>199,707,860</b>	122,494,396	63.0%
Advances Under Finance Lease	<b>1,716,364</b>	841,165	104.0%
Deposit Liabilities	<b>392,863,699</b>	233,413,428	68.3%
Shareholders' Funds	<b>93,800,665</b>	37,789,662	148.2%
Total Assets/Plus contingents	<b>714,513,345</b>	373,889,852	91.1%
<b>Per Share Data</b>			
Earnings per 50k share	<b>191 k</b>	136 k	40.4%
Dividend per 50k share (actual)	<b>110 k</b>	70 k	21.4%



## Incorporation

Zenith Bank Plc was incorporated (under the Companies and Allied Matters Act of 1990, as amended) on May 30, 1990 as a private company limited by shares.

In July 2004, the Bank became a public company limited by shares and subsequently launched what still remains the most successful Initial Public Offering (IPO) in the history of the Nigerian Capital Market. It received an overwhelming investor affirmation by a subscription rate of 556% and about 289,489 subscribers.

The Bank's 6,000,000,000 (six billion) ordinary shares of 50 kobo each were subsequently listed on the Nigerian Stock Exchange on October 21, 2004.

Zenith Bank Plc achieved yet another milestone when it raised N53.63bn in February 2006 by a Public Offer of 3,000,000,000 (three billion shares), one of the largest amount in the history of the Nigerian Capital Market.

## The Zenith Franchise Network

With over one hundred and eighty (180) business offices, connected online-real time, the Zenith franchise covers all the state capitals, the Federal Capital Territory (FCT), and major towns and cities in Nigeria.

The Bank's wide area network facility is efficiently deployed and seamlessly integrated through a related communication company. The Bank's business location strategy and infrastructure deployment reflect its commitment to customer enthusiasm at all times in all business offices nationwide. The same unique  brand of financial services awaits customers in each location. This has made  the brand of first choice in banking to all the multinational companies in Nigeria and accounts for its wide customer base.

Zenith Bank Plc has continued to pioneer the introduction of e-solutions products to meet and surpass customer needs, anchored on its in-depth knowledge and extensive financing experience of the public and private sectors in Nigeria.

## Corporate Performance

Zenith Bank Plc is one of the largest and most profitable banks (post consolidation) in Nigeria with total assets plus contingents of over N714.5 billion as at 30 June 2006. The operating results for the year ended 30 June 2006 showed that profit before tax was N15.2 billion while its shareholders' funds stood at N93.8 billion.

The Bank has continued to record impressive performance on several parameters. This demonstrates rising customer patronage, and a strong endorsement of the  brand across the country.

Zenith Bank's growth and performance has earned excellent ratings from both local and international rating agencies. The Bank has been rated Aaa in Nigeria consecutively for the past six (6) years by Agosto & Co. Ltd. It also has the lowest non-performing loans to total loans ratio of 1.7% against the industry average of 18% and has grown its asset base at an average of over 50% per annum in the last five years.

Zenith Bank Plc continues to be committed to being a leading light in the deployment and utilization of Information and Communications Technology (ICT) for financial services delivery, with its service offering 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

## Subsidiaries

Specialized financial and advisory services are 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**  
– insurance and risk underwriting company
- **Zenith Pensions Limited**  
– a pensions custodian management company.
- **Zenith Trust Company Limited**  
– a trusteeship services company
- **Zenith Medicare Limited**  
– a medical insurance company
- **Zenith Bank (Ghana) Limited**  
– a banking subsidiary.

The  brand is driven by a passion encapsulated in



the phrase:

People | Technology | Service

### **People...**

Our greatest asset... we take care to identify and employ the best minds from every profession.

We share a set of values that drive the Zenith Brand: to provide our clients with first class financial services, in their best interest and to create and maintain a professional environment that offers outstanding individuals the best opportunities to realise their potential and display their creativity. This, we believe, would translate into greater wealth creation for our clients and shareholders, helping to extend the Zenith franchise globally, with a strong commitment to social enterprise and generally giving back to society.

We will continue to invest in people, technology and environment to underscore our corporate commitment to achieving customer enthusiasm

### **Technology...**

The Zenith Brand has become synonymous with the use of information and communications technology (ICT) in banking and general innovation in the

Nigerian banking system.

### **Service...**

At Zenith Bank, we are committed to the delivery of excellent services by a team of professionals and stable management, motivated by a common desire to constantly develop new ways for enthusing and surpassing customer expectations. We take a long term view of our relationship with our clients.

Zenith is reputed to be the Nigerian Bank with the best quality relationships. The Zenith franchise dominates the upper segment of the Nigerian banking landscape. This has made the Bank the first choice bank to the top corporate and high net worth individuals.

Zenith Bank Plc is committed to sustaining its foremost position in corporate social responsibility. 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.



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 make the Zenith brand a reputable international financial services network recognised for innovation, superior customer service and performance while creating premium value for all stakeholders.

### **Key Strategies**

The key strategies that will enable us deliver our vision are:

- 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 processes and systems platforms to deliver new capabilities and improve operational efficiencies and achieve economies of scale.



**NOTICE IS HEREBY GIVEN** that the Sixteenth Annual General Meeting of Zenith Bank Plc will hold at the Shehu Musa Yar' Adua Centre, 1, Memorial Drive (opposite Sheraton Hotels & Towers) Abuja at 9.00 a.m. on the 22<sup>nd</sup> day of August, 2006 to transact the following business:-

## **ORDINARY BUSINESS**

1. To receive and adopt the Audited Accounts for the year ended 30th June, 2006, 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 17<sup>th</sup> day of July, 2006.

## **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 22<sup>nd</sup> August 2006, to shareholders whose names are registered in the Register of Members at the close of business on 7<sup>th</sup> August, 2006.

### **2. Closure of Register of Members**

The Register of Members and Transfer Books of the Company will be closed from 7<sup>th</sup> August, 2006 to 14<sup>th</sup> August, 2006 (both dates inclusive), to enable the Registrar prepare for the payment of dividend.

### **3. Audit Committee**

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

By Order of the Board

**MICHAEL O. OTU**  
Company Secretary  
Plot 84, Ajose Adeogun Street  
Victoria Island, Lagos



Over the past decade, Zenith Bank Plc has been at the forefront of reshaping the modus operandi of banking in Nigeria through strategic deployment of information technology (IT). From our early days, we realised that if properly harnessed, the dynamism of IT will give us the power and flexibility to continually redefine service standards and sustain customer enthusiasm. Consequently, speed, efficiency, creativity and flexibility became our abiding watchwords. Our service delivery channels and style have benefited immensely from technological innovation, thanks to the great discoveries of great scientists and IT gurus of our time.

The pace of technological advancement has been both challenging and refreshing as it also gives us the impetus to pursue our dreams as a bank and to fulfil our service promise to our esteemed customers. One of the greatest minds of our time, Albert Einstein once said:



*“...Science is a powerful instrument. How it is used, whether it is a blessing or a curse to mankind depends on mankind and not on the instrument...”*

Indeed scientific discoveries especially since the nineteenth century, has significantly influenced every facet of human society. Similarly, banking in Nigeria has evolved from the traditional armchair banking to a customer-centric approach leveraging on information technology. Zenith Bank has been at the vanguard of this and was easily the first in deploying technology in many aspects of banking.

For instance, Zenith Bank blazed the trail, over a decade ago, in on-line real-time banking in the Nigerian banking landscape. It was the first bank to build its own website which has consistently won the Web Jurist Award in Nigeria. Only recently, it launched the first ever branded Automated Teller Machines (ATMs) in Nigeria.

Zenith Bank has leveraged its in-depth understanding of the local business environment and global financial markets to develop unique e-solutions to meet specific customer needs. The unique deployment of IT to customer service delivery has made the Zenith franchise synonymous with the use of IT in banking.

We are very excited about the future and the promise it holds for technological advancement and innovation.

One thing is certain; competition in all facets of human endeavour will continue to be redefined by these technological advancements and innovations. Our strategy is to embrace these innovations and consider how they can be used for the good of all our stakeholders. Information Technology guru, Bill Gates succinctly captured the essence of innovation when he opined:

*“...the successful companies of the next decades will be the ones that use digital tools to re-invent the way they work, make decisions quickly, act efficiently and directly touch their customers in positive ways...”*

## OUR E-PRODUCTS

The bank's e-products cover a wide range of services and fall into three broad categories;

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

Some of these products are explained below:

### Payment/Collection Solutions



**Electronic Point of Sale** an alternative electronic funds collection channel for customer - merchants who currently collect cash for goods and services.

**Sal-Pay Solutions** for our corporate customers who do not require multiple levels of authorizers to effect their employee salary payments.

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

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

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

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



third parties generally.

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

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

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

### Card Solutions

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

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

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

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

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

**Zenith Charge Card**, another



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

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



**Zenith Travelex Cash Passport** is an electronic replacement of the traveler's cheque the way you know it!



**Zenith Easy Card** is an online debit card for Zenith bank current account holders, providing an electronic platform for all types of payment and ATM withdrawals on the Interswitch network.

**VpayCard** is a local VISA debit card with the same characteristics and features as our EazyCard.

**EasyPay/EasyTrade** is a special merchant service for customers (merchants) who want to collect electronic funds for their goods and services via the web.



### Reporting Tools

**Zenith Notification Suite** is a wide range of electronic notification solutions which include the following:

- (i) Notification of withdrawals and deposit transactions.
- (ii) Notification of deposits only
- (iii) Other transaction notifications:-

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



The notifications are delivered via email or mobile SMS technologies.

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

- Check account balances & access transaction history
- Cheque book & Draft request
- View & download account statements.
- Cheque Confirmation
- View real time transactions activity especially for corporate customers
- Bulk Payment (One to Many)
- Download monthly statements

- Self to Self transactions
- Inter (You to anybody in Zenith); Intra (You to You)
- Bill Payment
- View Master Card transactions

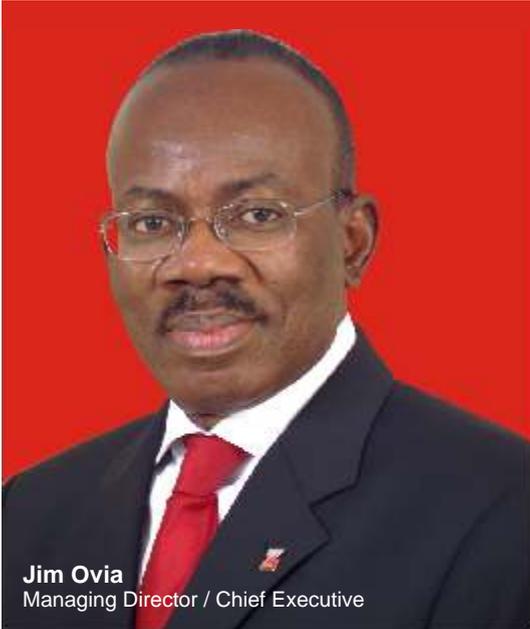


**Zenith Telelink and Mobile banking products** anchor our range of mobile banking transactions and enquiries using both land and mobile phones.



Leaders in the industry...





**Jim Ovia**  
Managing Director / Chief Executive

Our 2006 audited and published financial statement confirms our new status and position as the biggest bank in Nigeria as well as the second most profitable. We are not oblivious of the fact that this new status confers on us enormous responsibilities to offer leadership role in product innovation, creative thinking, value creation, adoption and implementation of global best practices.

Having catapulted the bank to this new height, we will then focus our energy and resources in sustaining this superior performance by continuing to offer a wide range of products and services to suit customers' needs. At Zenith, satisfying customers' needs are routine, natural and expected, but to generate the desired excitement and enthusiasm is to surpass those expectations.

Going Global: Having successfully commenced full operations at our subsidiary in Ghana Zenith Bank Ghana Limited, work-in-progress for other international locations will be accelerated.

Zenith is gradually becoming a global brand. As we go global by strategically establishing our footprints in international financial centres, the benefits to our stakeholders will be overwhelming value creation. We will enjoy unparalleled cross marketing of our products and services as well as propagating and strengthening our brand name. Our international

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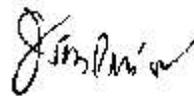
***“As one of the market leaders in e-payment and deployment of various e-platforms in growing our consumer and retail banking activities, we will expect a major paradigm shift in customers' taste and preferences for a more flexible, easy and cost effective way of doing business through e-platform. Zenith is a natural choice...”***

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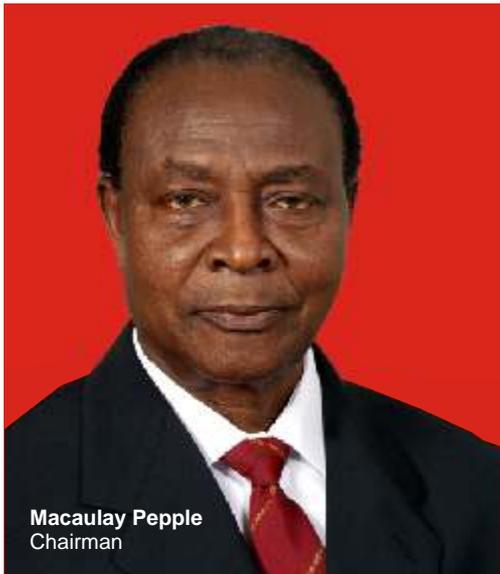
footprints will compel uniformity and adoption of global best practices as we significantly increase shareholders' value.

As one of the market leaders in e-payment and deployment of various e-platforms in growing our consumer and retail banking activities, we will expect a major paradigm shift in customers' taste and preferences for a more flexible, easy and cost effective way of doing business through e-platform. Zenith is a natural choice.

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



**Jim Ovia**  
MD/CEO



**Macaulay Pepple**  
Chairman

Fellow shareholders, distinguished guests, ladies and gentlemen, I feel highly honoured to welcome you to the 16th Annual General Meeting (AGM) of our dynamic bank. Last year, we welcomed into the Zenith Family, new shareholders who were attending our annual meetings for the first time. It is my firm belief that they have comfortably settled in into the family that has brought us joy all these past sixteen years.

Before I go on to present the financial reports of the year ended June 30, 2006 to you, dear shareholders, a review of the economic conditions under which our bank operated in the last financial year is necessary, especially as some of the developments have had a telling effect on our operating environment.

## THE ECONOMY

The policies of the government in 2005/2006 focused on the attainment of macroeconomic stability and sustainable economic growth devoid of exchange rate volatility and high inflation rate. Thus, all through the period under review, the fiscal stance and monetary measures of the government mainly conducted to furthering the gains of the on-going wide-ranging economic reforms - the key planks of the National Economic Empowerment and Development Strategy (NEEDS).

By the year-end, not only was exchange rate stability achieved within the target band of plus or minus 3 % set by the Central Bank of Nigeria (CBN), the national currency made more appreciation.

The Naira appreciated from N132.85/US\$1 at the beginning of 2005 to N129.3191/US\$1 at the end of the year. The introduction of the Wholesale Dutch Auction System (WDAS) early in 2006 further stabilized the exchange rate and eliminated the gap between the official window and the inter-bank rates. The stability boosted investors' confidence in the economy, resulting

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***“We will continue to put our stamp of proven quality in terms of product differentiation and speedy service delivery as well as capacity for wider market penetration and reach”***

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in an unprecedented inflow of portfolio investment and FDI into the non-oil sectors. The exchange rate stability as well as the consistent rise in the price of crude oil in the international market ensured accretion to reserves, resulting in the stock of external reserves of US\$28.3 billion at end-December 2005, and which rose further to \$36.6 billion by the end of June 2006. The downward review of the Minimum Rediscount Rate (MRR) in 2005 from 15% to 13% and the pegging of the maximum lending rate at MRR + 4.00%, translated into reasonably reduced lending interest rate in the economy during the period.

One of the major developments during the period under review was the (BB-) risk rating of Nigeria by two reputable global rating agencies - Fitch and Standard and Poor's. Obviously, those ratings were the outcome of the determination and commitment of the Federal Government of Nigeria to the ongoing economic reforms in the country. Also of significance in fiscal 2005 was the repayment of external debt owed the Paris Club of creditors, a development that has drastically reduced Nigeria's stock of external debt to about US\$5billion. This exit from the debt trap is expected to free up funds for investment in other sectors of the economy.

True to the goals of the NEEDS, in 2005, growth remained strong at 7% for the economy as a whole and 8% for the non-oil sector. Year-on- year inflation fell to 12% by December 2005, from 15% in 2004. This growth rate is faster than the projected global rate of 5% and 4.8% for the sub-Saharan Africa. During the period under review, the import tariff regime was also liberalized, reducing the number of tariff band from 20% to 5% and lowering the un-weighted average tariff from about 30% to 18% in line with the ECOWAS Common External Tariff (CET).

In 2005, the consolidation of banks, a major component of the banking reform announced by the



Central Bank of Nigeria (CBN) in July 2004, was concluded. By the end of December 2005, the exercise produced 25 banks out of the 89 in operation when the reforms were announced, mostly through mergers and acquisitions involving 76 banks that altogether accounted for 93.5 per cent of the deposit liabilities of the banking system.

In addition to producing relatively stronger banks, the consolidation also boosted activities on the capital market, which received a total of N406 billion through fresh investments, including foreign capital inflow of US \$654 million and £161,993. Fourteen out of the 89 banks, accounting for 6.5 per cent of the deposit liabilities of the industry, however, failed to make the December 2005 deadline and have had their operating licences withdrawn by the CBN.

A similar reform to that of the banking industry was announced for the insurance sector in September 2005. The new capital requirements for insurance companies in Nigeria announced by the Minister of Finance, requires those willing to do Life business to have a minimum of N2 billion; Non-Life N3 billion; Reinsurance N10 billion and composite company N5 billion. Insurance companies are expected to meet this new capital requirement by February 2007. The recapitalization process will lead to consolidation of the Insurance Industry in a similar manner to what we have witnessed in the banking industry.

In 2005, the capital market was one of the beneficiaries of the banking consolidation as it was a beehive of activities, especially on bank stocks. At the close of trading for the year on the Nigerian Stock Exchange (NSE), 26.69 billion shares worth N262.93 billion were traded, representing about N37.13 billion or 16.44 per cent improvement over the N225.8 billion shares traded at the market in 2004. The 2005 figure translated to an average of N5.05 billion (as against N4.34 billion in 2004) spent on equities trading weekly. Buoyed by the turnover volume in some banks' shares, the sub-sector remained the most active with 19.93 billion units valued at N146.94 billion traded in 453,894 deals in 2005. Largely helped by bank stocks, the NSE All -Share-Index at 24,085.76 points gained 241.3 basis points or 1.01 per cent over the 2004 figure of 23,844.45 points. Market capitalization also rose from 1.9 trillion in 2004 to 2.5 trillion by end - December 2005; this has further risen to close to 3 trillion as at June 30, 2006 - all attesting to the booming capital market.

In furtherance of its reforms, the Federal Government last year stepped up its campaign for good governance with the appointment of a team of

auditors to conduct a transparency audit of the energy industry. The appointment by the National Stakeholders Working Group (NSWG), of a consortium led by U.K.-based Hart Group to conduct a financial audit, process audit and physical audit pursuant to the Nigeria Extractive Industries Transparency Initiative (NEITI) followed an intensive international competition among reputable global auditing agencies. The financial audit is expected to provide an independent audit, in accordance with international auditing standards, of all payments made to the Federal Government and all revenues earned, from the oil and gas sector in the past five years as well as assess whether those payments were recorded in the Central Bank.

### FINANCIAL RESULTS

Your bank's financial results for the 2005/2006 financial year show substantial appreciation in all evaluation parameters. These results amply demonstrate the strong financial health of your bank as well as its resilience as a leading franchise. Profit before tax was N15.154 billion, representing a 65 percent increase over the figures reported for the previous year. Gross earnings increased by 67 percent over the figures reported for the previous year to hit N58.22 billion. Total assets plus contingent liabilities rose to N714.51 billion, a significant leap from the figures for last year. Total deposit grew 68 percent to N392.86 billion while shareholders' funds rose to N93.8 billion, showing a 148 percent growth over the last financial year's figure. All these amply demonstrate the leading position of your bank in the consolidated banking industry of today. Our bank has once again exceeded its own projections and outperformed market expectations.

### DIVIDEND

During the period under review, our stock traded very actively in the capital market, indicating discernible investors' preference for our brand. We are gratified by this trend and will therefore endeavour to maintain a friendly dividend policy. The Board is therefore pleased to recommend a dividend of N6.6 billion; that is, 110 Kobo per 50kobo share.

### BRANCH NETWORK

In tune with our strategic intent to remain a superior national franchise and a reputable global financial institution, we have stepped up our drive to open more branches in strategic locations within the country and offshore. At present our branch network covers not only the state capitals, the FCT Abuja and major towns and cities across the country, we have since spread our franchise much farther than these. We will sustain this tempo, leveraging emerging market opportunities in



order to continue to deliver superior earnings which will serve as a catalyst in driving our share price appreciation in the future.

### CUSTOMERS

May I use this opportunity to thank our teeming customers for their continued patronage and unwavering loyalty. Their immeasurable contributions have no doubt really propped our excellent performance. Therefore, in this spirit of mutual determination to grow our business, we undertake to continue to serve you better than ever before. In this regard, we will strengthen the platforms and carve new channels for meaningful interaction and dialogue between the bank and its various stakeholders. We will further device methods and strategies to achieve a common understanding with the needs and aspirations of our customers to enable us affect their expectations and sustain their enthusiasm.

### CORPORATE SOCIAL RESPONSIBILITY

Distinguished shareholders, I am happy to inform you that as a responsible corporate citizen, your bank continued to impact positively on the communities in which we operate. We have stepped up our corporate social responsibility (CSR) efforts dedicated solely to identifying and contributing to worthy and deserving causes in the society.

During the period under review, the bank committed a total of N811.4 million to charitable causes with beneficiaries that cut across broad segments of the society. We will not relent in our effort in demonstrating our commitment to giving back to our host communities and the society at large for providing an enabling environment for our operation.

### PUBLIC OFFER

Our bank continues to be the toast of discerning investors who appreciate that the Zenith brand bears real value. The last public offer, in which your bank raked in N53.63 billion, is further confirmation of the strength of our brand. Added to the N38.7 billion we had as at June 30, 2005, Zenith Bank now has one of the highest shareholders' fund in the banking industry.

### STAFF

Dear shareholders, I am happy to report to you that our bank has retained its reputation for quality staff welfare.

We continue to attract and retain some of the best talents in the banking industry. As a result of our good welfare package and motivating work environment, we maintain one of the lowest staff turnover rates in the industry.

On behalf of the Board of Directors and Shareholders, therefore, I wish to express our profound gratitude to management and staff of the bank for their commitment and loyalty. Going forward, we will continue to develop management and staff talents and skills to meet emerging challenges in the industry

### THE FUTURE

Dear shareholders, the future of our bank is not only assured but also very bright. This optimism is predicated on our excellent track record as well as the overall improvement of the Nigerian economy - a reality that has translated into improved country risk ratings for the nation. As a bank, we will continue to remain focused and pro-actively reinvent ourselves and our systems to face emerging challenges of the post-consolidation banking in Nigeria. More than ever before, we are embracing global best practices in all our operations, with a high accent on good corporate governance.

Our rich pool of human capital and ICT edge continue to place our bank in a very strong position to compete with the best in the world. We will continue to put our stamp of proven quality in terms of product differentiation and speedy service delivery as well as capacity for wider market penetration and reach. Our respected and powerful franchise in several businesses, going forward will be expanded and we are confident that we will continue to deliver superior earnings.

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

Thank you for your attention.

Macaulay Pepple  
Chairman  
August, 2006



## Zenith Philanthropy ...giving back to society

Our commitment to Corporate Social Responsibility (CSR) is predicated on our belief that responsible corporate citizenship compels us as an organization to look beyond the bottom line.

As a responsible corporate citizen, Zenith Bank believes in giving back to society and this is anchored irrevocably on one premise: making sure that the host communities in which we operate and the society at large receive something back for providing Zenith Bank Plc with an environment that is conducive for the pursuit of enterprise and the creation of wealth for all our stakeholders.

As a corporate entity with a firm belief in the inherent potentials in education as well as Information and Communications Technology (ICT) as the most important tools for youth empowerment, nation building and wealth creation, Zenith continues to focus its primary attention in those two areas. There is also significant emphasis on health causes as well as contributions in aid of victims of natural or man made disasters.

### EDUCATION

The bank's emphasis on education remains unwavering and this is borne out by its donations to the sector which amounted to well over N30m. Only recently, in collaboration with our technical partners, Socketworks Limited, we began a massive roll-out of e-schools solutions that would revolutionize the educational records and students administration in Nigerian universities and polytechnics. Zenith Bank believes that an educated citizenry would provide a skilled work force that would drive the economy into a new era of growth and prosperity.

To achieve this, the bank committed well over N30m towards meeting sundry needs of primary, secondary and tertiary institutions across the nation. In the 2006 Financial Year, St. Saviours School, Lagos received N20m while the University of Lagos received about N2m as donation to maintain and service their ICT Center which was built by Zenith Bank Plc. Nnamdi Azikiwe University, Awka received a 406 Peugeot car valued at N3.7m while Ambrose Alli University received N668,000 for its e-SOFTIES initiative while the Federal University of Technology, Yola received a N1m donation. Folorunsho Commercial School also received over N1.5m which was used to carry out renovation work in the school.

### ICT/YOUTH EMPOWERMENT

Zenith remains committed to helping our youths bridge the digital divide in order to enable them take

advantage of the robust opportunities open to them in the information super highway. To this end, the bank held the 3<sup>rd</sup> and 4<sup>th</sup> Youth Empowerment Forum for Digital revolution in Abuja and Lagos.

At the Abuja event, computers worth over N50m were donated to secondary schools in the Federal Capital Territory. The Lagos event, which is in its third year, witnessed a massive turn out of over 1000 young men and women drawn from select primary, secondary and tertiary institutions from the Lagos area. The first two hundred participants to arrive the venue received Personal Digital Assistants (PDAs) valued at over N10m.

### HEALTH AND WELFARE

Zenith Bank identifies fully with the Millennium Development Goals (MDG) especially in its emphasis on preventing child mortality, improving maternal health and combating HIV/AIDS and so continues to contribute substantially to health causes.

During the year under review, a youngster, Sule Olanipekun, who lost his hand in a domestic accident, received a prosthetic limb valued at N250, 000 from the bank, while Hope Adeyemi received N400, 000 to enable her undergo a much needed surgical operation. The bank supported three other young Nigerians with N1.2m to enable them undergo corrective heart surgeries. We also made a cash donation of N250, 000 to the Yetim Care Foundation, N500, 000 to Little Saints Orphanage, N200, 000 to the AIDS Support Programme as well as a N1m donation to UN World Poverty Foundation Walk amongst others.

### DISASTER RELIEF

In the year under review, the bank continued to lend a helping hand to individuals and communities affected by disaster. Our commitment to alleviating the pains of victims of natural and man made disasters came to the fore once again when we donated the sum of N10m to the Jalingo Flood Relief Fund set up in the wake of the devastating floods which wreaked havoc in the state. The bank has also awarded scholarships, up to University level, to the children of ACP Anthony, a police officer who lost his life while rescuing people during the flood. The children received the sum of N110, 000 for their school fees during the year.

Zenith Bank also donated the sum of N5m to the Nigerians United to Save Niger (NUSAN) fund set up to assist victims of famine and drought in the neighboring



Niger Republic.

## RELIGIOUS ORGANIZATIONS

The bank's commitment to fostering the spiritual welfare of Nigerians was exemplified in its contributions of over N30m to religious organizations of various stripes and persuasions in the year under review. The bank donated over N20m in support of the Abuja Ecumenical Center, N4.5m to the Redeemed Christian Church of God Province II, N4.5m to the Qua Iboe Church, N1m to The Mighty Men of Valour Fellowship (Communion Church), N500, 000 to the Church of the Pentecost, FESTAC, N300, 000 to the Church of Assumption, Falomo. Other recipients include Folawiyo Memorial Methodist Church, St. Agnes Church Maryland, and African Bethlehem Cathedral Church, Foursquare Gospel Church in Nigeria etc.

## SPORTS

Zenith bank is the official sponsor of the Female League of the Nigerian Basket Ball Federation. The bank committed over N20m towards the sponsorship of the league. The bank's contribution to sports and the physical well being of our youths is however not limited to basketball alone as it channeled substantial resources towards other sports.

The bank donated N15m to the National Sports Festival, Gateway Games 2006, N1m to the AKS Golf Tournament and another N20m as sponsor of the AAC/AFN Athletics event.

***Zenith Bank believes that by giving back a portion of its profit to the society, it would be touching the lives of many in the environment, people and institutions that perhaps would not have been so opportune.***

## OTHERS

Zenith Bank continues to provide support in many other ways to the community and society at large. In March 2006, the bank committed a princely N322m to the rehabilitation and reconstruction of the 2.6 kilometer Ajose Adeogun road, Victoria Island, Lagos. The bank will not only rebuild the road, it will also beautify, landscape and supply electricity on a twenty-four hour, seven days a week basis to the road.

The bank also provides support to various non-governmental organizations in the areas of capacity building and training. In the period under review, the bank supported LEAP Africa's entrepreneurship training initiatives with N662,000, committed N10m to the FCTA Professional Recruitment Fund, and contributed N3m towards offsetting Dr. Stephen R. Covey's speaking fees. The bank also offered financial support to NSIT, ICAN, and sundry professional bodies as well as to authors who launched their books during the period.



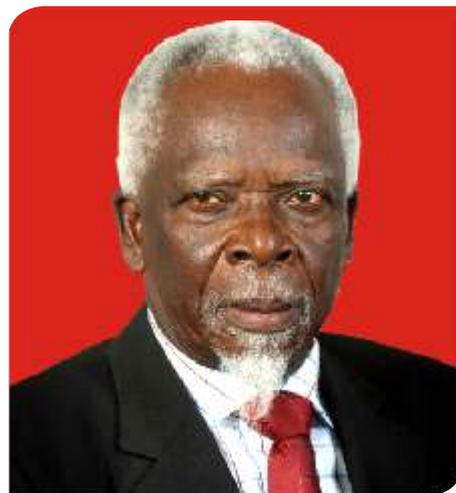
**Macaulay Pepple**  
Chairman



**Jim Ovia**  
Managing Director / Chief Executive



**Godwin Emefiele**  
Deputy Managing Director



**Sir S. P. O. Fortune Ebie**  
Director



**Chief E. M. Egwuenu**  
Director



**Sir Steven Omojfor**  
Director



**Prof. L. F. O. Obika**  
Director



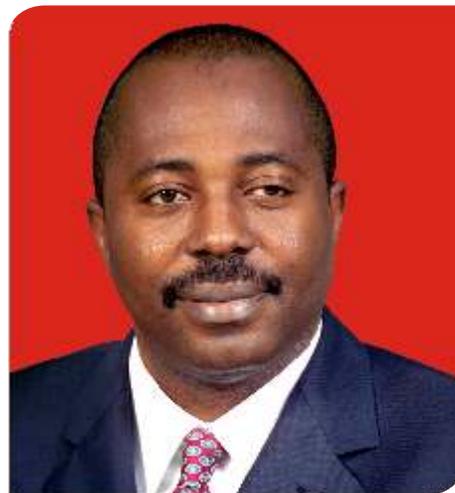
**Babatunde Adejuwon**  
Director



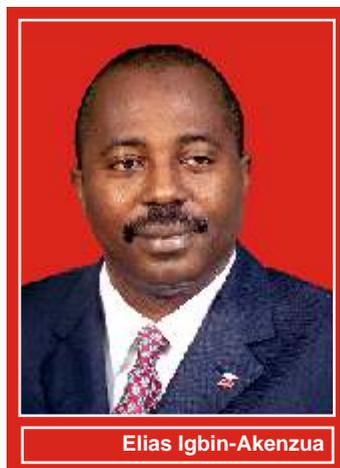
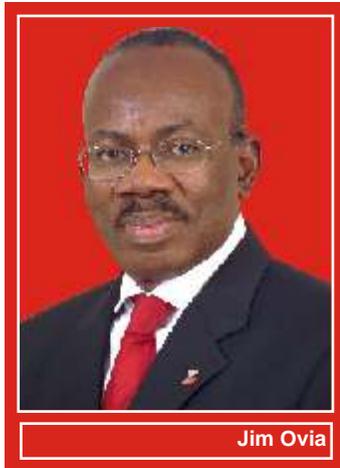
**Peter Amangbo**  
Executive Director



**Apollos Ikpobe**  
Executive Director



**Elias Igbín-Akenzua**  
Executive Director





Jim Ovia	-	<b>Managing Director/Chief Executive</b>
Emefiele I. Godwin	-	<b>Deputy Managing Director</b>
Ikpobe O. Apollos	-	<b>Executive Director</b>
Igbin-Akenzua Elias	-	<b>Executive Director</b>
Amangbo Peter	-	<b>Executive Director</b>
Umeoji Remy Adaora	-	<b>Group Director</b>
Udom Emmanuel	-	<b>General Manager</b>
Okoye Charles	-	<b>General Manager</b>
Ayeni Nonye	-	<b>General Manager</b>
Yough Pamela	-	<b>General Manager</b>
Ehimiaghe Ohimai	-	<b>General Manager</b>
Adeniyi Adewale	-	<b>General Manager</b>
Udensi Adaeze	-	<b>General Manager</b>
Onyeagwu Ebenezer	-	<b>General Manager</b>
Nwapa Adobi	-	<b>General Manager</b>
Esenwa Joseph	-	<b>General Manager</b>
Akala Sullivan	-	<b>General Manager</b>
Osakwe Osadebe	-	<b>General Manager</b>
Aigbokhaevbo Kingsley	-	<b>General Manager</b>
Mahe Abubakar	-	<b>General Manager</b>
Meniru Julian Ekene	-	<b>Deputy General Manager</b>
Olanipekun Tunji	-	<b>Deputy General Manager</b>
Dayilim Abbas	-	<b>Deputy General Manager</b>
Shettima Kashim	-	<b>Deputy General Manager</b>
Alagbada Abiola Omolara	-	<b>Deputy General Manager</b>
Nwarache Patrick	-	<b>Deputy General Manager</b>
Jarikre Gideon	-	<b>Deputy General Manager</b>
Oni-Egboma Nkem	-	<b>Deputy General Manager</b>
Omeje Alphonsus	-	<b>Deputy General Manager</b>
Modilim Patrick	-	<b>Deputy General Manager</b>
Latunji Olubukola	-	<b>Deputy General Manager</b>
Ikeh-Unekwe Obiageli	-	<b>Deputy General Manager</b>
Chukwunyem Francis	-	<b>Deputy General Manager</b>
Bolorunduro Adewale	-	<b>Deputy General Manager</b>
Alale Oladoyin	-	<b>Deputy General Manager</b>
Awe Lugard	-	<b>Deputy General Manager</b>
Ekpebu Tari	-	<b>Deputy General Manager</b>
Oladipo Sola	-	<b>Deputy General Manager</b>
Agoreyo Johnson	-	<b>Deputy General Manager</b>
Eze Peter	-	<b>Deputy General Manager</b>
Ilegar Sunday	-	<b>Deputy General Manager</b>
Anyaeqbunam Emeka	-	<b>Deputy General Manager</b>
Amene Rita	-	<b>Deputy General Manager</b>



Fasoranti Temitope	-	<b>Deputy General Manager</b>
Ntia Gabriel	-	<b>Deputy General Manager</b>
Olisa Dennis	-	<b>Deputy General Manager</b>
Njoko Chikaodi Augustine	-	<b>Assistant General Manager</b>
Onyemenam Chris E.	-	<b>Assistant General Manager</b>
Ogunranti Akindele Anthony	-	<b>Assistant General Manager</b>
Anyanwu George Ugochukwu	-	<b>Assistant General Manager</b>
Ogunbiyi Adeola Adewunmi	-	<b>Assistant General Manager</b>
Ovbiagele Iruobe Desmond	-	<b>Assistant General Manager</b>
Egbon Agbonmwanre Felix	-	<b>Assistant General Manager</b>
Ahmed Shuaib Umar	-	<b>Assistant General Manager</b>
Abutu Akogu Reuben	-	<b>Assistant General Manager</b>
Atsagbede F. Mogbitse	-	<b>Assistant General Manager</b>
Ekonye Uzuazob Francis	-	<b>Assistant General Manager</b>
Ekhoragbon Gadaffi	-	<b>Assistant General Manager</b>
Iboje Kofi Marvis	-	<b>Assistant General Manager</b>
Ighade Onyema Lucky	-	<b>Assistant General Manager</b>
Akande Lawrence	-	<b>Assistant General Manager</b>
Bello Aisha	-	<b>Assistant General Manager</b>
Umar Sanusi	-	<b>Assistant General Manager</b>
Akpati Benson Asua	-	<b>Assistant General Manager</b>
Oduah Onyebuchi Stanley	-	<b>Assistant General Manager</b>
Abanum Raphael	-	<b>Assistant General Manager</b>
Ameh Emmanuel O	-	<b>Assistant General Manager</b>
Ayeronwi Olajide	-	<b>Assistant General Manager</b>
Odom Louis Eziokwu	-	<b>Assistant General Manager</b>
Ntui Oku Donald	-	<b>Assistant General Manager</b>
Diriyai Tarinipre	-	<b>Assistant General Manager</b>
Etiebet A. Idongesit	-	<b>Assistant General Manager</b>
Ishola Azee Olanrewaju	-	<b>Assistant General Manager</b>
Ma'aji Mohammed Iro	-	<b>Assistant General Manager</b>
Adesola Ademubi Ololade	-	<b>Assistant General Manager</b>
Okiti James Ochuko	-	<b>Assistant General Manager</b>
Oroh Akpotoheri Henry	-	<b>Assistant General Manager</b>
Tanko Maiyanga Safio	-	<b>Assistant General Manager</b>

Consistent with global best practices, Zenith Bank is committed to upholding good corporate governance in the conduct of its business. This has remained the driving force behind our success story in the past sixteen years.

The recently published Central Bank of Nigeria (CBN) Code of Corporate Governance for banks in Nigeria post-consolidation has also provided us another opportunity to measure the bank's compliance level on corporate governance issues.

The Bank has in place various mechanisms for regularly appraising our processes to ensure that we operate in compliance with the dynamics in the corporate governance environment.

## Board of Directors

The Bank has a Board of Directors comprising personages with a mix of skills and experience. 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 eleven person Board, for ease of oversight function on the management and in conformity with the intendments of the "Code of Good Corporate Governance", comprises five executive and six 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 functions. 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 minimize (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 eight 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 Egwuenu  
*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. Apollos Ikpobe  
*Executive Director*
7. Mr. Godwin I. Emeziele  
*Deputy Managing Director*
8. Mr. Jim Ovia  
*Managing Director/CEO*

### **Staff Matters, Finance & General Purpose Committee:**

This Committee is made up 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 (Prince) L.F.O. Obika  
Chairman
2. Mr. Babatunde Adejuwon  
Member
3. Sir. Steve Omojafor  
Member
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 recognize the Committee as the “guardian of public interest”, and reflect this both in the composition and caliber of its membership. The Committee’s membership consists of three representatives of the shareholders elected at the last Annual General Meeting (AGM) and three non-executive directors. Alhaji Hamis B. Musa, a shareholder representative chaired the Committee during the year. Other members of the Committee include Mr. Vincent Ejuh, Mr. Alade Akesode, Sir. S.P.O. Fortune Ebie, Chief Eddy Ekwuenu and Professor (Prince) L.F.O. Obika. 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 as well as occasional audit reports on some of the bank’s subsidiaries.

### **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)

### **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 three consecutive years (2004,2005, 2006), 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.

## Risk Management and Control

Risk management is critical to our ability to continually create shareholder value. The nature and complexity of risks in our business requires that we have a strong and robust risk management structure to provide adequate oversight at all levels of the organization.

The main thrust of Zenith Bank's risk management process is to enhance its capacity to create value by providing a means of effectively dealing with uncertainty and associated risks and opportunities. The process has been designed in a manner that is sufficiently rigorous and comprehensive to give management greater insight into competing strategic alternatives and the degree of uncertainties associated with the alternatives and associated risks. Risk management processes at all levels of the organization comprise:

- Identification;
- Assessment;
- Response and control measures; and
- Reporting.

### Risk management structure and responsibilities

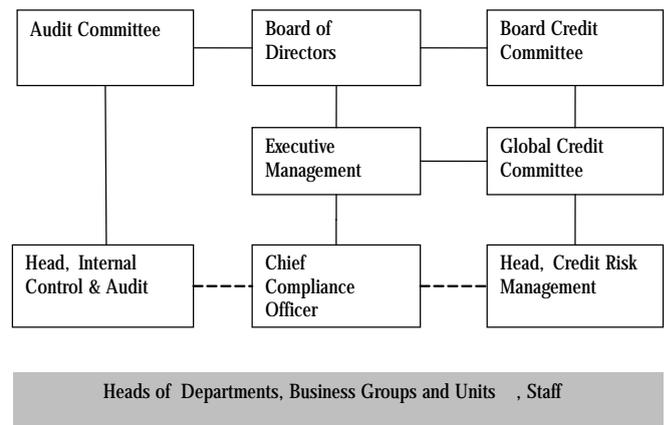
The risk management structure of the bank has been established based on the business strategies and risks inherent in the pursuit of those strategies. This structure provides the framework for effectively managing the bank's risks on a daily basis. A summary of key responsibilities is set out below:

- The Board of directors drives the entire governance and risk management process by setting the tone at the top of the organization and the basis for how risks should be viewed by management and staff. Through its various committees, the board monitors the adequacy of internal control systems established by executive management to manage risks.
- The Audit Committee provides oversight on the systems of internal control, financial reporting and compliance.
- Chief compliance officer is an independent oversight function on the bank's compliance with relevant laws and regulations.

- Head, Internal control and audit, reviews the internal control systems and processes and provides an independent assurance on the entire system. The head of Internal Control and Audit reports to the Audit Committee which comprises non-executive directors and representatives of shareholders and also has unfettered access to the Managing Director/Chief executive.

- Head, Credit risk management, manages the bank's credit approval, disbursement and administration process. This includes ensuring that credit policies and procedures align business objectives and strategies.

At the level of departments and business units, risk management processes are built into each activity. This is either in the form of independent review activities by persons not involved in the process or review by an internal auditor or persons responsible for compliance.



Risk responsibilities matrix

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

### Basel II

The Central Bank of Nigeria (CBN) recently released its "Framework for Risk Based Supervision of Banks in Nigeria" as a precursor to the full implementation of the New Capital Accord. The framework is aimed at changing the current approach to banking supervision in Nigeria which is largely transaction and compliance based to a more effective risk-based approach.



On the part of the bank, we have proactively commenced strengthening various areas of our business and business information systems. We believe that banks with a combination of robust risk infrastructure and information technology will have competitive advantage during the implementation of the New Accord. Accordingly, the bank has

commenced the process of implementing a world-class, top of the range banking application system and training of our staff on the principles of the New Accord. We will strive to deal with strategic issues and potential impact of the New Accord on our business while awaiting the complete implementation timetable of the regulatory authorities.



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 30<sup>th</sup> June, 2006.

## 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 include 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 operation on July 16, 1990. It became a public liability company on May 20, 2004. The Bank's shares are listed on the floor of the Nigerian Stock Exchange.

## Directors Who Served During the Year

Macaulay Pepple	-	Chairman
Jim Ovia	-	Managing Director/Chief Executive
Godwin Emeziele	-	Deputy Managing Director
Chief Eddy M. Egwuenu	-	Director
Sir. S.P.O. Fortune Ebie	-	Director
Professor (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(Deceased)

## Directors' Interest in Shares

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

Name of Directors	Numbers of Ordinary shares held at:	
	30/06/2006	30/06/2005
Macaulay Pepple	2,759,665	2,000,000
Jim Ovia	407,232,000	407,232,000
Godwin Emeziele	13,969,965	10,456,000
Sir S. P. O. Fortune - Ebie	1,134,000	1,056,000
Chief E. M. Egwuenu	289,645,600	288,944,000
Prof. Prince L.F.O. Obika	1,621,600	1,030,000
Sir Steven Omojafor	856,667	740,000
Babatunde Adejuwon	1,454,266	555,000
Peter Amangbo	1,900,000	500,000
Elias Igbin-Akenzua	3,706,169	1,076,169
Apollos Ikpobe	2,335,000	285,000
Danladi Boro (Passed on 22/10/2005)	400,000	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 fraud and irregularities.
- Proper accounting records are maintained at all times; applicable accounting standards are adhered to and appropriate legislation complied with;
- Suitable accounting policies are adopted and consistently applied.

## Results of Operations

	2006 N'000	2005 N'000
Profit Before Taxation	15,154,091	9,164,787
Income Tax	(3,665,291)	(2,008,861)
Profit After Taxation	11,488,800	7,155,926

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

	2006 N'000	2005 N'000
Statutory Reserve	1,723,320	1,073,389
Small Scale Industries Reserve	1,148,880	715,593
Proposed Dividend	6,600,000	4,200,000
General Reserve	2,016,600	1,166,944

## 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 N428,423,181 (2005: N76,744,804). Some of the beneficiaries are:

Internet Access - University of Lagos	3,155,250
Ecumenical Centre	25,000,000
CSA Production Limited	3,127,500
Institute of Chartered Accountants of Nigeria	660,000
National Sports Festival, Gateway 2006	15,000,000
Athletics Federation of Nigeria	20,000,000
Ahmadu Bello University, Zaria	400,000
Vivian Fowler Memorial School	266,000
Federal University of Technology, Yola	1,000,000
Jalingo Flood Relief Fund	10,000,000
National Association of Women Judges	250,000
Men of Valour Fellowship	1,000,000
Little Saints' Orphanage	500,000
Arrive Alive Project	3,500,000
Ambrose Alli University	1,152,900
Nigerian Army Museum	5,100,000
Nigerian Basketball Federation	17,500,000

The Beacon Magazine	5,862,500
Nigerian Social Insurance Trust Fund	440,000
Nnamdi Azikiwe University	3,727,500
Port Harcourt Chamber of Commerce	500,000
Cadbury Nigeria Plc	700,000
Bukar Abba Ibrahim Foundation	500,000
Queen Amina College, Kaduna	300,000
St. Saviours School, Lagos	20,000,000

### **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**

The Bank's employment policy is based entirely on merit and the individual's ability to perform. During the year, the Bank employed two persons with physical disability.

### **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 utilized the facilities of various local and international training institutions and organizations.

### **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 17th Day of July, 2006

By Order of the Board



MICHAEL O. OTU  
Company Secretary



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

## REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ZENITH BANK PLC.

### Report on financial statements

We have audited the financial statements of Zenith Bank PLC for the year ended 30 June 2006 set out on pages 38 to 55 which have been prepared in accordance with the accounting policies set out on pages 35 to 37.

### Respective responsibilities of directors and auditors

The directors are responsible for the preparation of the financial statements as described on page 30. Our responsibility is to express an independent opinion on the financial statements based on our audit.

### Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies used and significant estimates made by the directors, as well as an evaluation of the overall presentation of the financial statements.

We have obtained all the information and explanations that to the best of our knowledge and belief were necessary for the purposes of our audit and we believe our audit provides a reasonable basis for our opinion.

### Opinion

In our opinion, proper books of account have been kept and the financial statements, give a true and fair view of the state of the financial affairs of the bank at 30 June 2006 and of the profit and cash flows of the bank for the year then ended in accordance with Nigerian Accounting Standards and comply with the Banks and Other Financial Institutions Act 1991 and the Companies and Allied Matters Act 1990. The financial statements of the bank are in agreement with the books of account.

### Report on compliance with banking regulations

We confirm that our examination of advances was carried out in accordance with the Prudential Guidelines for licensed banks issued by the Central Bank of Nigeria.

Related party transactions and balances are disclosed in Note 24 to the financial statements in accordance with Central Bank of Nigeria Circular BSD/1/2004.

On the basis of our audit the bank has complied with the requirements of the relevant Central Bank of Nigeria Circulars.

Chartered Accountants,  
Lagos



17 July 2006

## REPORT OF THE AUDIT COMMITTEE

*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, 2006 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 17, 2006*



**Alhaji Hamis B. Musa**  
*Chairman, Audit Committee*

## MEMBERS OF THE COMMITTEE

*Alhaji Hamis B. Musa  
Sir. S.P.O. Fortune Ebie  
Chief Eddy Egwuenu  
Prof. (Prince) L.F.O. Obika  
Mr. Vincent O. Ebuh  
Mr. Alade A. Akesode*



The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

## **a. Basis of preparation**

The financial statements are prepared under the historical cost convention and in accordance with the Nigerian Statement of Accounting Standards.

## **b. Recognition of interest income and expense**

Interest income and expense are recognised in the profit and loss account for all interest bearing instruments on an accrual basis using the effective yield method based on the outstanding principal. Interest income includes coupons earned on fixed income investment and trading securities and accrued discount and premium on treasury bills and other discounted instruments.

When loans and advances become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised only when 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. Loans and advances and provisions for loan impairment**

Loans and advances are recognised when cash is advanced to borrowers.

A provision for loan impairment is established if there is objective evidence that the bank will not be able to collect all amounts due according to the original contractual terms of the credit. The amount of the provision is determined in accordance with the Prudential Guidelines issued by the Central Bank of Nigeria.

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**

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

Depreciation is calculated on the straight line basis to write down the cost of each asset to its residual values over its estimated useful life as follows:

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 costs of each asset is transferred to the relevant category immediately the asset is put into use and depreciated accordingly.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

## **g. Income tax**

Income tax expense is the aggregate of the charge to the profit and loss account in respect of current income tax, education tax and deferred income tax.

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Companies Income Tax Act (CITA). Education tax is assessed at 2% of the chargeable profits.

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred income tax is determined using tax rates enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

## **h. Translation of foreign currencies**

Transactions in foreign currencies during the year are converted into Nigeria Naira at rates ruling at the transaction dates. Assets and liabilities at the balance sheet date which are expressed in foreign currencies are translated into Nigeria Naira at rates ruling at that date. The resulting differences from conversion and translation are dealt with in the profit and loss account in the year in which they arise.

## **i. Investment securities**

Investment securities comprise debt and equity securities which are classified as short term and long term investments. Investment securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices are classified as long term investments. Debt and equity securities held for a period not exceeding one year are classified as short term investments. Management determines the appropriate classification of its investments at the time of the purchase. Investment securities are initially recognised at cost. Short term investments are subsequently re-measured at fair value based on market values.

Interest earned whilst holding investment securities is reported as interest income. Dividends receivable are included separately in dividend income when a dividend is declared. A change in market value of investment securities is not taken into account unless it is considered to be permanent.

## **j. Investments in subsidiaries**

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

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



### **k. Off- Balance sheet transactions**

Contingent liabilities arising from performance bonds, 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.

### **l. 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, 2006

	Note	30 June 2006 N'000	30 June 2005 N'000
Interest income	2	<b>37,294,653</b>	22,885,377
Interest expense	3	<b>(10,462,632)</b>	(5,620,169)
Net interest income		<b>26,832,021</b>	17,265,208
Bad and doubtful debt expense	11	<b>(1,306,925)</b>	(1,974,966)
Other operating income	4	<b>20,927,170</b>	12,028,085
Operating expenses	5	<b>(31,298,175)</b>	(18,153,540)
Profit before tax		<b>15,154,091</b>	9,164,787
Income tax	6	<b>(3,665,291)</b>	(2,008,861)
Profit after tax		<b>11,488,800</b>	7,155,926
Transfer to statutory reserve	22	<b>(1,723,320)</b>	(1,073,389)
Transfer to reserve for investment in Small and Medium Enterprises Equity Investment Scheme (SMEEIS)	22	<b>(1,148,880)</b>	(715,593)
Dividend	7	<b>(6,600,000)</b>	(4,200,000)
Transfer to general reserve	22	<b>2,016,600</b>	1,166,944
Earnings per share (basic)	31	<b>191 k</b>	136 k
Earnings per share (adjusted)		<b>191 k</b>	119 k
Dividend per share	7	<b>110 k</b>	70 k

The accounting policies on pages 35 to 37, and the notes on pages 41 to 53 form an integral part of these financial statements.



# Balance Sheet

AS AT 30 JUNE, 2006

	Note	30 June 2006 N'000	30 June 2005 N'000
<b>Assets</b>			
Cash and short-term funds	8	<b>360,291,162</b>	180,407,249
Loans and advances	9	<b>199,707,860</b>	122,494,396
Advances under finance lease	12	<b>1,716,364</b>	841,165
Other assets	14	<b>9,105,717</b>	4,755,887
Investment securities	15	<b>14,581,735</b>	6,139,063
Fixed assets	16	<b>23,102,337</b>	15,078,751
<b>Total Assets</b>		<b>608,505,175</b>	<b>329,716,511</b>
<b>Liabilities</b>			
Deposits	17	<b>392,863,699</b>	233,413,428
Other liabilities	18	<b>104,783,675</b>	56,013,477
Current income tax	6	<b>3,857,258</b>	2,050,066
Deferred income tax	19	<b>449,878</b>	449,878
Borrowings	20	<b>12,750,000</b>	-
<b>Total Liabilities</b>		<b>514,704,510</b>	<b>291,926,849</b>
<b>Shareholders' equity</b>			
Share capital	21	<b>4,586,744</b>	3,000,00
Share premium	22	<b>67,759,567</b>	18,224,108
Statutory reserve	22	<b>7,272,780</b>	5,549,460
Small and Medium Enterprises Investment reserve	22	<b>3,729,204</b>	2,580,324
General reserve	22	<b>10,452,370</b>	8,435,770
<b>Total shareholders' equity</b>		<b>93,800,665</b>	<b>37,789,662</b>
<b>Liabilities and equity</b>		<b>608,505,175</b>	<b>329,716,511</b>
Confirmed credits and other obligations on behalf of customers	27b	<b>106,008,170</b>	<b>44,173,341</b>

The financial statements and notes on pages 35 to 53 were approved by the Board of Directors on 17 July 2006 and signed on its behalf by:

Macaulay Pepple (Chairman)

Jim Ovia (Managing Director and Chief Executive)

The accounting policies on pages 35 to 37, and the notes on pages 41 to 53 form an integral part of these financial statements.



# Cash flow statement

FOR THE YEAR ENDED 30 JUNE, 2006

	Note	30 June 2006 N'000	30 June 2005 N'000
<b>Operating activities</b>			
Cash generated from operations	28	<b>141,711,972</b>	52,270,960
Corporate tax paid		<b>(1,858,100)</b>	(1,139,767)
Net cash flows from operating activities		<b>139,853,872</b>	51,131,193
<b>Financing activities</b>			
Dividend paid		<b>(4,200,000)</b>	(2,167,977)
Share issue expense		<b>(2,509,759)</b>	(1,229,301)
Proceeds from issue of shares		<b>53,631,962</b>	20,388,668
Proceeds from borrowed funds		<b>12,750,000</b>	-
Net cashflows from financing activities		<b>59,672,203</b>	16,991,390
<b>Investing activities</b>			
Purchase of fixed assets	16	<b>(11,222,790)</b>	(7,909,805)
Proceed from sale of fixed assets		<b>23,300</b>	14,998
Investment in Small and Medium Scale Industries		<b>(1,159,405)</b>	(851,480)
Investment in Zenith General Insurance Company Limited		-	(100,000)
Investment in Zenith Securities Limited		-	(250,000)
Investment in Zenith Registrars Limited		-	(10,500)
Investment in Zenith Bank Ghana Limited		<b>(1,611,600)</b>	-
Investment in Zenith Pension Custodian Limited		<b>(2,000,000)</b>	-
Purchase of Government Bond		<b>(3,671,667)</b>	(500,000)
Net cash used in investing activities		<b>(19,642,162)</b>	(9,606,787)
Increase in cash and short-term funds		<b>179,883,913</b>	58,515,796
Cash and short term funds at 1 July		<b>180,407,249</b>	121,891,453
Cash and short term funds at 30 June		<b>360,291,162</b>	180,407,249

The accounting policies on pages 35 to 37, and the notes on pages 41 to 53 form an integral part of these financial Statements.



## 1 The Bank

Zenith Bank Plc was incorporated as Zenith International Bank Limited, a private limited liability company on 30 May, 1990 and was granted a banking licence in June 1990. The bank 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 four subsidiary companies namely, Zenith Securities Limited, Zenith General Insurance Company Limited, Zenith Bank Ghana Limited and Zenith Pension Custodian Limited. These subsidiaries have not been consolidated in these financial statements. The Bank also acquired significant shareholding in seven companies incorporated in Nigeria, Qubit Spectrum Limited, Venus Telecom Limited, Cyberspace Networks Limited and Omatek Computers Limited under the Small and Medium Enterprises Equity Investment Scheme (SMEEIS).

	<b>30 June 2006</b>	30 June 2005
	<b>N'000</b>	N'000
<b>2 Interest income</b>		
Placements and short-term funds	<b>7,853,435</b>	6,784,554
Loans and advances	<b>28,539,654</b>	15,401,221
Government bonds	<b>711,767</b>	532,137
Advances under finance lease	<b>189,797</b>	167,465
	<b><u>37,294,653</u></b>	<u>22,885,377</u>
<b>3 Interest Expense</b>		
Customer deposits	<b>10,417,383</b>	5,564,211
Other banks' deposits	<b>45,249</b>	55,958
	<b><u>10,462,632</u></b>	<u>5,620,169</u>
<b>4 Other operating income</b>		
Fees	<b>5,100,923</b>	2,603,674
Foreign exchange earnings	<b>2,094,917</b>	866,219
Commissions	<b>11,995,980</b>	7,955,018
Other income	<b>1,735,350</b>	603,174
	<b><u>20,927,170</u></b>	<u>12,028,085</u>
<b>5 Operating expenses</b>	<b>N'000</b>	N'000
Staff costs	<b>9,224,517</b>	5,860,620
Depreciation (Note 16)	<b>3,160,531</b>	2,277,797
Auditors' remuneration	<b>47,000</b>	26,200
Directors' emoluments	<b>167,284</b>	86,294
Loss on disposal of fixed assets	<b>15,373</b>	7,652
Other expenses	<b>18,683,470</b>	9,894,977
	<b><u>31,298,175</u></b>	<u>18,153,540</u>



# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE, 2006

	<b>30 June 2006 N'000</b>	30 June 2005 N'000
<b>6 Income tax</b>		
Current income tax	<b>3,500,577</b>	1,851,988
Education tax	<b>356,680</b>	198,078
Prior year over-provision	<b>(191,966)</b>	(224,212)
	<b>3,665,291</b>	1,825,854
Deferred income tax (Note 19)	-	183,007
Charge for the year	<b>3,665,291</b>	2,008,861
The movement in the current income tax payable balance is as follows:		
At start of the year	<b>2,050,066</b>	1,363,979
Tax paid	<b>(1,858,100)</b>	(1,139,767)
Prior year over-provision	<b>(191,966)</b>	(224,212)
Income tax charge	<b>3,857,258</b>	2,050,066
At end of the year	<b>3,857,258</b>	2,050,066
<b>7 Dividend</b>		
Proposed dividend of 110k per share (2005: 70k per share)	<b>6,600,000</b>	4,200,000
<b>8 Cash and short-term funds</b>		
Cash	<b>7,856,302</b>	5,114,807
Balances with banks:		
Central Bank of Nigeria	<b>74,743,011</b>	37,087,999
Outside Nigeria	<b>68,780,880</b>	45,974,611
Treasury bills	<b>208,910,969</b>	92,229,832
	<b>360,291,162</b>	180,407,249

Included in balances with banks outside Nigeria is the amount of N 59,412,558,500 (2005: N 25,756,476,000) 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 18).



FOR THE YEAR ENDED 30 JUNE, 2006

	<b>30 June 2006 N'000</b>	30 June 2005 N'000
<b>9 Loans and advances</b>		
Overdrafts	<b>93,681,273</b>	49,911,659
Term loans	<b>25,446,800</b>	18,020,340
Commercial papers	<b>72,325,277</b>	57,599,308
Other loans	<b>12,603,829</b>	-
	<b>204,057,179</b>	125,531,307
Provision for loan losses and interest in suspense (Note 10)	<b>(4,349,319)</b>	(3,036,911)
	<b>199,707,860</b>	122,494,396
The nature of security in respect of loans and advances is as follows:		
Secured against real estate	<b>79,194,055</b>	15,699,156
Otherwise secured	<b>50,958,272</b>	57,599,308
Unsecured	<b>73,904,852</b>	52,232,843
	<b>204,057,179</b>	125,531,307
The performance of loans and advance is analysed as follows:		
Performing	<b>201,747,774</b>	123,446,384
Sub-standard	<b>44,856</b>	184,102
Doubtful	<b>96,697</b>	270,024
Lost	<b>2,167,852</b>	1,630,797
	<b>204,057,179</b>	125,531,307

## 10 Movement in provision for loan losses and interest in suspense

	Provision for loan losses		Interest in suspense		Total	Total
	2006	2005	2006	2005	2006	2005
	N'000	N'000	N'000	N'000	N'000	N'000
At 1 July:						
-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
	<b>2,868,285</b>	<b>893,252</b>	<b>168,626</b>	<b>135,130</b>	<b>3,036,911</b>	<b>1,028,382</b>
Additional provision:						
-Non-performing	619,217	1,279,664	18,755	33,496	637,972	1,313,160
-Performing	783,014	695,369	-	-	783,014	695,369
-Write-offs	(4,272)	-	-	-	(4,272)	-
-Provision no longer required	(104,306)	-	-	-	(104,306)	-
At 30 June:						
-Non-performing	2,144,460	1,633,821	187,381	168,626	2,331,841	1,802,447
-Performing	2,017,478	1,234,464	-	-	2,017,478	1,234,464
	<b>4,161,938</b>	<b>2,868,285</b>	<b>187,381</b>	<b>168,626</b>	<b>4,349,319</b>	<b>3,036,911</b>



# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE, 2006

	<b>30 June 2006 N'000</b>	30 June 2005 N'000
<b>11 Bad and doubtful debt expense</b>		
The charge/ (credit) for the year is analysed as follows:		
Loans and advances:		
-Non-performing	619,217	1,279,664
-Performing	783,014	695,369
-Provision no longer required	(104,306)	-
Leases (Note 12)	9,000	(67)
	<u>1,306,925</u>	<u>1,974,966</u>
<b>12 Advances under finance lease</b>		
Gross investment	2,079,649	966,864
Less: Unearned income	(345,788)	(117,202)
	<u>1,733,861</u>	<u>849,662</u>
Net Investment	1,733,861	849,662
Provision for advances under finance lease (Note 13)	(17,497)	(8,497)
	<u>1,716,364</u>	<u>841,165</u>
<b>13 Movement in provision for advances under finance lease</b>		
At start of the year:		
-Performing	8,497	8,564
Additional provision:		
-Performing	9,000	(67)
At end of the year:		
-Performing	17,497	8,497
	<u>17,497</u>	<u>8,497</u>
<b>14 Other assets</b>		
Accrued interest	525,031	201,812
Prepayments	7,487,329	4,529,635
Sundry receivables	1,093,357	24,440
	<u>9,105,717</u>	<u>4,755,887</u>
<b>15 Investment securities</b>		
Investment in Government Securities		
Federal Government Bond (See note i below)	7,000,000	3,000,000
Lagos State Government Bond 2005/2009	175,000	250,000
Edo State Revenue Bond 2002/2006	1,667	5,000
Akwa Ibom State Government Bond 2005/2006	250,000	500,000
	<u>7,426,667</u>	<u>3,755,000</u>



FOR THE YEAR ENDED 30 JUNE, 2006

	<b>30 June 2006 N'000</b>	30 June 2005 N'000
<b>15. Investment Securities cont'd</b>		
Investment in subsidiaries and affiliates		
Zenith Securities Limited (94%)	<b>265,000</b>	265,000
Zenith General Insurance Company Limited (99%)	<b>649,969</b>	649,969
Zenith Registrars Limited (15%)	<b>10,500</b>	10,500
Zenith Bank Ghana Limited (100%)	<b>1,611,600</b>	-
Zenith Pension Custodian Limited (99%)	<b>2,000,000</b>	-
	<b>4,537,069</b>	925,469
Investment in Small and Medium Enterprises		
First Investment Consult Ltd	-	2,625
Smartcard Nigeria Plc	<b>12,726</b>	12,726
Nigeria Global Revenue Fund	<b>5,250</b>	5,250
Venus Telecom Limited	<b>100,000</b>	100,000
Cyberspace Networks Limited	<b>240,000</b>	240,000
Qubit Spectrum Limited	<b>100,000</b>	100,000
Interswitch Limited	<b>10,420</b>	10,420
Omatek Computers Limited	<b>159,951</b>	159,951
Reliance Agro Limited	<b>5,000</b>	5,000
ATM Consortium	<b>20,000</b>	20,000
Best Foods Global	<b>20,000</b>	20,000
Emoota Farms	<b>40,000</b>	40,000
Living Witness	<b>15,000</b>	15,000
Richland Industries Limited	<b>2,000</b>	2,000
Accion Microfinance Limited	<b>59,212</b>	43,182
Socketworks Limited	<b>60,000</b>	60,000
Ondo Plastics Industries Limited	<b>37,440</b>	37,440
Cards Plant Limited	<b>105,000</b>	105,000
Africorp Projects Limited	<b>80,000</b>	80,000
Tinapa Business Resort Limited	<b>250,000</b>	250,000
Trust Hospital Limited	<b>50,000</b>	50,000
Frezone Plant Fabrication International Limited	<b>100,000</b>	100,000
Tempo & Packaging Limited	<b>510,000</b>	-
Ibad Limited	<b>430,000</b>	-
Flex Med- Care International Limited	<b>200,000</b>	-
De-Royal Mark Limited	<b>6,000</b>	-
	<b>2,617,999</b>	1,458,594
<b>Total investment securities</b>	<b>14,581,735</b>	<b>6,139,063</b>

- (i) As at 1 July 2005, the bank held investment in Federal Government bond at the cost of N3,000,000,000. This 3-year Bond which attracts interest at the rate of 17.75% per annum will mature on 27 October 2006. During the current year, the bank made two additional investments in Federal Government bonds in the sums of N1,000,000,000 and N3,000,000,000 respectively. Interest is receivable on these at rates of 11.50% and 12.00% per annum. The instruments will mature on 18 July 2008 and 28 April 2009 respectively.
- (ii) The interest rate on the Lagos State Floating Redeemable Bond is the higher of Central Bank of Nigeria's (CBN) 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 Small and Medium Enterprises 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, Zenith General Insurance Company Limited, Zenith Bank Ghana Limited and Zenith Pension Custodian Limited have not been consolidated in these financial statements because the directors are of the opinion that they will be of no real value to the members.

## 16 Fixed assets

	Leasehold Land & Building N'000	Leasehold Improve- ment N'000	Furniture, fitting & equipment N'000	Computer equipment N'000	Motor vehicles N'000	Work in progress N'000	Total N'000
<b>Cost</b>							
At 1 July 2005	2,505,148	3,004,855	3,957,363	2,786,100	3,104,505	6,843,159	22,201,130
Additions	627,047	874,875	1,653,438	437,175	1,080,265	549,990	11,222,790
Reclassifications	3,840,842	474,418	828,504	756,402	110,951	(6,011,117)	-
Disposals	-	(2,530)	(20,762)	(84,457)	(207,340)	-	(315,089)
<b>At 30 June 2006</b>	<b>6,973,037</b>	<b>4,351,618</b>	<b>6,418,543</b>	<b>3,895,220</b>	<b>4,088,381</b>	<b>7,382,032</b>	<b>33,108,831</b>
<b>Accumulated depreciation</b>							
At 1 July 2005	93,224	1,465,434	1,989,542	1,955,876	1,618,303	-	7,122,379
Charge for the year	96,416	810,756	872,132	649,553	731,674	-	3,160,531
Reclassifications	(4,595)	2,074	498	(93)	2,116	-	-
Disposals	-	(346)	(13,396)	(84,302)	(178,372)	-	(276,416)
<b>At 30 June 2006</b>	<b>185,045</b>	<b>2,277,918</b>	<b>2,848,776</b>	<b>2,521,034</b>	<b>2,173,721</b>	<b>-</b>	<b>10,006,494</b>
<b>Net book amount</b>							
At 30 June 2006	<u>6,787,992</u>	<u>2,073,700</u>	<u>3,569,767</u>	<u>1,374,186</u>	<u>1,914,660</u>	<u>7,382,032</u>	<u>23,102,337</u>
At 30 June 2005	<u>2,411,924</u>	<u>1,539,421</u>	<u>1,967,821</u>	<u>830,224</u>	<u>1,486,202</u>	<u>6,843,159</u>	<u>15,078,751</u>

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2006**

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2005

## 17 Deposits

	<b>N'000</b>	N'000
Demand	<b>269,451,888</b>	170,386,725
Savings	<b>17,539,555</b>	6,795,608
Term	<b>105,872,256</b>	56,231,095
	<b><u>392,863,699</u></b>	<u>233,413,428</u>



FOR THE YEAR ENDED 30 JUNE, 2006

	<b>30 June 2006 N'000</b>	30 June 2005 N'000
<b>18 Other liabilities</b>		
Customer deposits for letters of credit (Note 8)	<b>59,412,559</b>	25,756,476
Interest payable on deposits	<b>1,464,047</b>	494,915
Managers' cheques	<b>7,016,733</b>	5,053,571
Unearned income	<b>4,718,259</b>	1,546,882
Dividend payable	<b>6,600,000</b>	4,200,000
Cheques in the course of collection	<b>15,573,116</b>	12,916,960
Other payables	<b>9,998,961</b>	6,044,673
	<b><u>104,783,675</u></b>	<b><u>56,013,477</u></b>
<b>19 Deferred income tax</b>	<b>N'000</b>	N'000
At start of the year	<b>449,878</b>	266,871
Charge for the year	<b>-</b>	183,007
At end of the year	<b><u>449,878</u></b>	<b><u>449,878</u></b>
The provision for deferred income tax is in respect of fixed assets.		
<b>20 Borrowings</b>		
Long term borrowing comprise:		
Due to FMO (Note (i))	<b>3,825,000</b>	-
Due to ADB (Note (ii))	<b>8,925,000</b>	-
	<b><u>12,750,000</u></b>	<b><u>-</u></b>
(i)	The amount of N3,825,000,000 (\$ 30,000,000) due to Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (FMO) comprises the outstanding balance of two facilities in the sums of \$5,000,000 and \$25,000,000 granted by FMO in December 2005. The first facility covers a period of 7 years and interest is payable half yearly at 2.3% above 6 months' LIBOR rate. The second facility which attracts a quarterly interest repayment of 3 months' LIBOR + 2.65% per annum is due for repayment in 5 years and 3 months.	
(ii)	The amount of N 8,925,000,000 (\$ 70,000,000 ) due to African Development Bank (ADB) represents the dollar facility granted by ADB in May 2005 for a period of 5 years with a 1-year moratorium. Interest is payable half-yearly at the rate of 6 months' LIBOR + 2.3 % per annum.	



FOR THE YEAR ENDED 30 JUNE, 2006

	<b>30 June 2006 N'000</b>	30 June 2005 N'000
<b>21 Share capital</b>		
Authorised:		
10,000,000,000 ordinary shares of 50k each	<u>5,000,000</u>	<u>5,000,000</u>
Issued and fully paid:		
9,173,488,900 ordinary shares of 50k each (2005: 6,000,000,000)	<u>4,586,744</u>	<u>3,000,000</u>
Movements during the year:		
At start of the year	<b>3,000,000</b>	1,548,555
Issue of new shares	<b>1,586,744</b>	935,260
Bonus issue	-	516,185
At end of the year	<u><b>4,586,744</b></u>	<u>3,000,000</u>
i	At an Extraordinary General Meeting held on 13 September 2004, members passed a resolution authorising the Board of Directors to issue by way of a public offer up to 3 billion ordinary shares of the bank.	
ii	At an Extraordinary General Meeting held on 12 April 2006, members authorised the Directors to issue and allot such number of additional shares from the unissued share capital of the bank, in the event of over-subscription to the bank's public offer of 3 billion ordinary shares of 50k each at N16.90 per share	
iii	A resolution was passed at a Board of Directors' meeting held on 21 June 2006, approving the allotment of 3,173,488,900 ordinary shares of 50 kobo each at N16.90 per share, based on the applications received in respect of the bank's Public Offer. The share premium amounting to N52,045,217,960 less share issue expenses of N 2,509,759,040 has been capitalised.	

					<b>30 June 2006</b>	30 June 2005
<b>22 Share premium and reserves</b>						
	Statutory reserve N'000	SSI reserve N'000	Share Premium N'000	General reserve N'000	<b>Total N'000</b>	Total N'000
At 1 July	5,549,460	2,580,324	18,224,108	8,435,770	<b>34,789,662</b>	14,125,813
Issue of new shares	-	-	52,045,218	-	<b>52,045,218</b>	19,453,409
Share issue expenses	-	-	(2,509,759)	-	<b>(2,509,759)</b>	(1,229,301)
Capitalised during the year	-	-	-	-	-	(516,185)
From Profit & Loss account	1,723,320	1,148,880	-	2,016,600	<b>4,888,800</b>	2,955,926
	<u>7,272,780</u>	<u>3,729,204</u>	<u>67,759,567</u>	<u>10,452,370</u>	<u><b>89,213,921</b></u>	<u>34,789,662</u>



## 23 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 745,272,156 (2005: N 331,717,905).

## 24 Related party transactions

- i Senforce Vegetable Oil Limited, which has a common shareholder with the bank, has an outstanding overdraft facility with a balance of N67.5 million at year end. The facility expired on 31 December 1995 and has been classified as lost and the collateral for the facility has been perfected.
- ii Overdraft facilities were made available to Zenith Securities Limited, one of the bank's subsidiary undertakings. The facilities attracted interest rates ranging from 13%-15% per annum and will expire in October 2006. The total amount outstanding on the facilities at year end was N1.209 billion and it is deemed performing.
- iii As stated in Note 15, 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.
- iv 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 N110.99 million (2005: N 201.59million).
- v During the year, the bank extended credit facilities to Transnational Corporation Plc. At year end, a balance of N 4 billion was outstanding in the name of the company. The facility has collateralised deposits amounting to N1.3 billion. A director of the bank is also a director of the company.

<b>25 Employees</b>	<b>30 June 2006 Number</b>	30 June 2005 Number
The average number of persons employed during the year by category:		
Executive directors	<b>5</b>	6
Management	<b>249</b>	156
Non-management	<b>3,657</b>	2,465
	<b>3,911</b>	2,627
Compensation for the above persons (including executive directors):		
	<b>N'000</b>	N'000
Salaries and wages	<b>8,479,245</b>	5,528,902
Provision for retirement benefit (Note 23)	<b>745,272</b>	331,718
	<b>9,224,517</b>	5,860,620



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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:

	<b>Number</b>	Number
Below N1,500,000	<b>1,250</b>	1,449
N1,500,000 - N2,000,000	<b>499</b>	393
N2,000,001 - N2,500,000	<b>595</b>	254
N2,500,001 - N3,000,000	<b>456</b>	269
N3,000,001 - N3,500,000	<b>373</b>	99
N3,500,001 - N3,800,000	<b>226</b>	66
N3,800,001 - N4,000,000	<b>131</b>	43
N4,000,001 - N4,500,000	<b>126</b>	21
N4,500,001 - N5,000,000	<b>177</b>	-
N5,000,000 and above	<b>73</b>	27
	<b>3,906</b>	2,621

## 26 Directors

**N'000**

N'000

The remuneration paid to the directors of the bank was:

Fees and sitting allowances	<b>79,275</b>	45,831
Executive compensation	<b>88,009</b>	64,588
	<b>167,284</b>	110,419

Fees and other emoluments disclosed above include amounts paid to:

The chairman	<b>6,820</b>	3,040
The highest paid director	<b>34,269</b>	19,241

**Number**

Number

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

N1,000,001 - N1,500,000	-	2
N2,500,001 - N3,000,000	-	1
N3,000,001 - N3,500,000	-	3
N5,500,001 and above	<b>11</b>	6
	<b>11</b>	12



FOR THE YEAR ENDED 30 JUNE, 2006

	<b>30 June 2006 N'000</b>	30 June 2005 N'000
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## 27 Contingent liabilities and commitments

(a) Capital commitments

Authorised and contracted	<b>1,142,634</b>	1,305,351
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(b) Confirmed credits 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:

Bonds and guarantees	<b>N'000 103,745,045</b>	N'000 41,004,756
Guaranteed facilities	<b>2,263,125</b>	3,168,585
	<b>106,008,170</b>	44,173,341

Guaranteed facilities represents \$17,750,001 (2005: \$23,950,001) disbursed to customers of the bank on behalf of African Export Import Bank (AFREXIM) for which the bank acted as an intermediary and a guarantor. Interest on these facilities vary for each beneficiary depending on the terms agreed with AFREXIM.

## 28 Cash generated from operations

Reconciliation of profit before tax to cash generated from operations:

Profit before tax	<b>15,154,092</b>	9,164,787
Provision for loan losses and interest in suspense	<b>1,321,408</b>	2,008,462
Depreciation	<b>3,160,531</b>	2,277,797
Loss on sale of fixed assets	<b>15,373</b>	7,652
	<b>19,651,404</b>	13,458,698
Increase in loans and advances	<b>(78,525,872)</b>	(71,111,716)
(Increase)/ decrease in advances under finance leases	<b>(884,199)</b>	6,763
Increase in other assets	<b>(4,349,830)</b>	(1,461,397)
Increase in deposits	<b>159,450,271</b>	102,318,087
Increase in other liabilities	<b>46,370,198</b>	9,060,525
Cash generated from operations	<b>141,711,972</b>	52,270,960



## 29 Liquidity risk

### Maturities of assets and liabilities

	0 - 30 Days N'000	31 - 90 days N'000	91 - 180 days N'000	181 - 365 days N'000	Over 1 year N'000	Total N'000
<b>Assets</b>						
Cash and short-term funds	266,517,418	32,527,900	32,705,844	28,540,000	-360,291,162	199,707,860
Loans and advances	136,686,189	33,759,289	12,244,969	4,613,857	12,403,556	1,716,364
Advances under finance lease	500,931	958	91,211	420,439	702,825	14,581,735
Investment securities	-	-	-	3,000,000	11,581,735	
Other assets	713,446	525,031	-	2,074,478	5,792,762	9,105,717
Fixed assets	-	-	-	-	23,102,337	23,102,337
<b>Total assets</b>	<b>404,417,984</b>	<b>66,813,178</b>	<b>45,042,024</b>	<b>38,648,774</b>	<b>53,583,215</b>	<b>608,505,175</b>
<b>Liabilities</b>						
Deposits	364,162,535	26,460,875	552,978	1,687,311	-392,863,699	104,783,675
Other liabilities	29,692,944	60,876,606	11,318,259	-	2,895,866	3,857,258
Current income tax	-	-	-	-	3,857,258	449,878
Deferred taxation	-	-	-	-	449,878	12,750,000
Borrowings	-	-	-	-	12,750,000	
	393,855,479	87,337,481	11,871,237	1,687,311	19,953,002	514,704,510
Net liquidity gap	10,562,505	(20,524,303)	33,170,787	36,961,463	33,630,213	93,800,665
As at 30 June 2005						
Total assets	230,360,019	43,994,385	6,406,320	11,844,676	37,111,111	329,716,511
Total liabilities	227,032,465	40,717,332	6,677,260	2,094,938	15,404,854	291,926,849
Net liquidity gap	3,327,554	3,277,053	(270,940)	9,749,738	21,706,257	37,789,662

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.

## 30 Comparatives

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



FOR THE YEAR ENDED 30 JUNE, 2006

	<b>30 June 2006 N'000</b>	30 June 2005 N'000
<b>31 Earnings Per Share</b>		
Profit Attributable to shareholders of the bank	<b>11,488,800</b>	7,155,926
Weighted Average number of ordinary shares in issue	<b>6,017,389</b>	5,274,278
Basic earnings per share (Kobo)	<b>191 k</b>	136 k

Earnings per share during the financial year relate to activities based on capital funds derived before the issuance of 3,173,488,900 additional shares. The proceeds and regulatory approvals were received few Days before the year ended 30 June 2006.



## Statements of Value Added

FOR THE YEAR ENDED 30 JUNE, 2006

	30 June 2006 N'000	%	30 June 2005 N'000	%
Gross income	<b>58,221,823</b>		34,913,462	
Interest paid	<b>(10,462,632)</b>		(5,620,169)	
	<b>47,759,191</b>		29,293,293	
Administrative overheads	<b>(18,913,127)</b>		(10,015,123)	
Value added	<b><u>28,846,064</u></b>	<b><u>100</u></b>	<b><u>19,278,170</u></b>	<b><u>100</u></b>
Distribution				
Employees				
Salaries and benefits	<b>9,224,517</b>	<b>31</b>	5,860,620	31
Providers of funds				
Dividend	<b>6,600,000</b>	<b>23</b>	4,200,000	22
Government				
Income tax	<b>3,665,291</b>	<b>13</b>	2,008,861	10
The future				
Asset replacement (depreciation)	<b>3,160,531</b>	<b>11</b>	2,277,797	12
Expansion (retained profit)	<b>4,888,800</b>	<b>17</b>	2,955,926	15
Provision for losses	<b>1,306,925</b>	<b>5</b>	1,974,966	10
	<b><u>28,846,064</u></b>	<b><u>100</u></b>	<b><u>19,278,170</u></b>	<b><u>100</u></b>

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



	2006 N'000	2005 N'000	2004 N'000	2003 N'000	2002 N'000
<b>ASSETS EMPLOYED</b>					
Cash and short term funds	<b>360,291,162</b>	180,407,249	121,891,453	77,140,805	65,628,625
Placements	-	-	-	-	1,800,000
Investments	<b>14,581,735</b>	6,139,063	4,427,083	721,114	359,743
Loans and advances	<b>199,707,860</b>	122,494,396	53,391,209	27,290,021	20,144,168
Advances under finance lease	<b>1,716,364</b>	841,165	847,861	474,589	360,781
Other assets	<b>9,105,717</b>	4,755,887	3,294,490	1,310,860	906,879
Fixed assets	<b>23,102,337</b>	15,078,751	9,469,393	5,597,249	3,362,701
	<b>608,505,175</b>	329,716,511	193,321,489	112,534,638	92,562,897
<b>FINANCED BY</b>					
Share capital	<b>4,586,744</b>	3,000,000	1,548,555	1,548,555	1,026,658
Share premium	<b>67,759,567</b>	18,224,108	-	-	300
Reserves for Small Scale Industries	<b>3,729,204</b>	2,580,324	1,864,731	1,224,242	833,144
Other reserves	<b>17,725,150</b>	13,985,230	12,261,082	9,878,780	7,445,866
Deposits	<b>392,863,699</b>	233,413,428	131,095,341	61,574,455	50,688,381
Other liabilities	<b>104,783,675</b>	56,013,477	44,920,930	36,812,938	31,820,944
Taxation	<b>3,857,258</b>	2,050,066	1,363,979	1,147,640	384,267
Deferred taxation	<b>449,878</b>	449,878	266,871	348,028	363,337
Long -term Borrowing	<b>12,750,000</b>	-	-	-	-
	<b>608,505,175</b>	329,716,511	193,321,489	112,534,638	92,562,897
Acceptances and guarantees	<b>106,008,170</b>	41,004,756	21,905,277	40,911,386	19,986,187
<b>PROFIT AND LOSS ACCOUNT</b>					
Gross income	<b>58,221,823</b>	34,913,462	23,931,255	17,844,230	12,118,935
Interest expense	<b>(10,462,632)</b>	(5,620,169)	(3,331,910)	(2,289,282)	(2,079,207)
Operating expenses	<b>31,298,175)</b>	(18,163,540)	(13,797,311)	(10,049,072)	(5,954,169)
Loan loss expense	<b>(1,306,925)</b>	(1,974,966)	(397,149)	(65,405)	(86,191)
Profit before tax	<b>15,154,091</b>	9,154,787	6,404,885	5,440,471	3,999,368
Income tax	<b>(3,665,291)</b>	(2,008,861)	(1,214,117)	(1,016,285)	(495,355)
Profit after tax	<b>11,488,800</b>	7,145,926	5,190,768	4,424,186	3,504,013
Dividend	<b>(6,600,000)</b>	(4,200,000)	(2,167,977)	(1,083,989)	(923,992)
Transfer to reserves	<b>4,888,800</b>	2,945,926	3,022,791	3,340,197	2,580,021
Earnings per share (basic)	<b>191 k</b>	136 k	168 k	375 k	341 k
Earnings per share (adjusted)	<b>191 k</b>	119 k	86 k	74 k	58 k
Dividend per share	<b>110 k</b>	70 k	70 k	70 k	90 k



August 21, 2006

Dear Shareholder:

### **DIVIDEND MULTIPLIER SCHEME**

We would like to introduce to you our DIVIDEND MULTIPLIER scheme, being optionally offered to our esteemed shareholders.

This scheme gives shareholders the option of using their net dividends to acquire Zenith Bank shares, through Zenith Securities Limited.

By signing up for this scheme as a Zenith Bank shareholder, you will not only help us to reduce the incidence of unclaimed dividend, but will also avoid the uncertainties of receiving your dividends through the mail. In addition, you will be growing your portfolio effortlessly as dividend is simply re-invested on your behalf from year to year.

For more information on this scheme, please contact Zenith Registrars Limited on telephone Nos: 2708930-4 or simply visit our website [www.zenithregistrars.com](http://www.zenithregistrars.com).

We assure you of our courteous and efficient services at all times.

Yours faithfully,  
for: **ZENITH REGISTRARS LIMITED**

**DAVID BAYO AJIBOYE**



ZENITH BANK PLC
PROXY CARD
ANNUAL GENERAL MEETING TO BE HELD AT 9.00 A.M.
ON TUESDAY, 22ND DAY OF AUGUST, 2006 AT
THE BANQUET HALL, YAR' ADUA MEMORIAL CENTRE, ABUJA.

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

Of \_\_\_\_\_

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

\_\_\_\_\_
\_\_\_\_\_

failing him, Jim Ovia

\_\_\_\_\_

as my/our proxy to act and vote for me/us on my/our behalf at The Annual General Meeting of the Bank on the 22nd day of August, 2006 or at any adjournment thereof.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2006

Shareholder's Signature(s) \_\_\_\_\_

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

The manner in which the Proxy is to 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 Tuesday 22nd August, 2006 at THE SHEHU MUSA YAR'ADUA CENTRE, 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