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ZENITH BANK PLC

Group Annual Report 2009

Group Annual Report & Financial Statements 2009

People
Technology
Service

ZENITH BANK PLC

"Our desire to surpass superior performance is a major source of our strength as it generates passion and energy which fuels growth and helps us sustain our brand equity over the short and long term"

ZENITH

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BOARD OF DIRECTORS

Macaulay Pepple	Chairman
Jim Ovia	Group Managing Director/Chief Executive
Godwin Emefiele	Deputy Managing Director
Peter Amangbo	Executive Director
Elias Igbinakenzua	Executive Director
Apollos Ikpobe	Executive Director
Udom Emmanuel	Executive Director
Andy Ojei	Executive Director
Chief E. M. Egwuenu	Director
Sir S. P. O. Fortune Ebie	Director
Prof. Prince L.F.O. Obika	Director
Sir Steven Omojafor	Director
Babatunde Adejuwon	Director
Alhaji Baba Tella	Director
Alhaji Lawal Sani	Director

COMPANY SECRETARY

Michael O. Otu

AUDITORS

PriceWaterHouse Coopers
(Chartered Accountants)

CORRESPONDENT BANKS

Australia and New Zealand Bank
40, Bank Street, Canary Wharf
London E14 5EJ

HSBC Bank Plc South Africa
Corporate, Investments
Banking & Markets
2, Exchange Square
85, Maude Street Sandown,
Sandton 2196 P.M.B X785434
Sandton 2146, South Africa

Commerzbank Ag
Financial Institutions (ZFI)
Commerzebank AG
60261 Frankfurt am Main

Citibank
Citibank London
Canary Square
Canary Wharf
London E14 5LB
England

Citibank N.Y.
111 Wall Street
N.Y. 10043
New York

Deutsche Bank
1, Appold Street, Broad Gate
London EC2A 2HE

Fortis Bank
Camomile Court
23 Camomile Street, London
EC3A 7PP

BNP Paribas
BFI Energy & Commodities
Export Project,
21, Place du Marche St.
Honore
75031 Paris Cedex 01

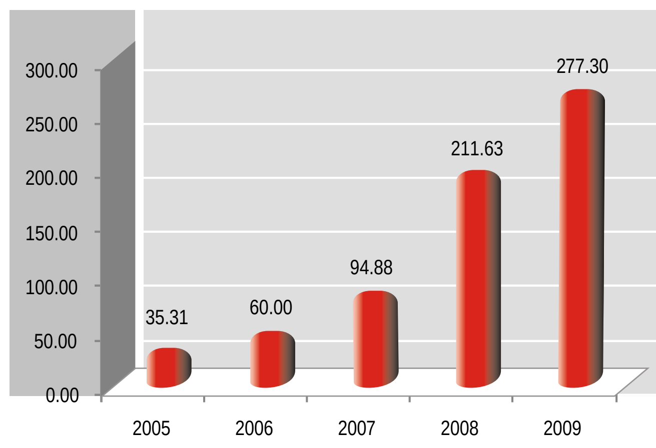
PJ Morgan Chase Bank London
9, Thomas More Street
Trinity Tower
London E1W 1YT, UK

JP Morgan Chase Bank New York
1111, Polaris Parkway,
Columbus
Ohio 43240 USA

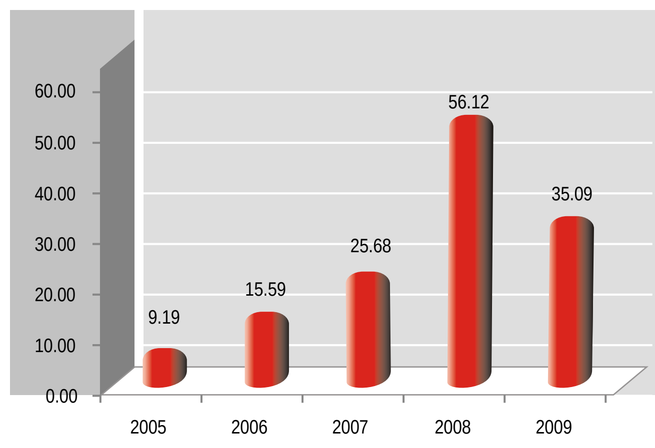
Head Office

Zenith Heights, Plot 87, Ajose Adeogun Street, Victoria Island, Lagos.
Tel: 2703132-34, 01-2703136-42, 4618301, 4618321 | Fax: 01-2618212
enquiry@zenithbank.com www.zenithbank.com

Gross Earnings (N'b)



Profit Before Tax (N'b)



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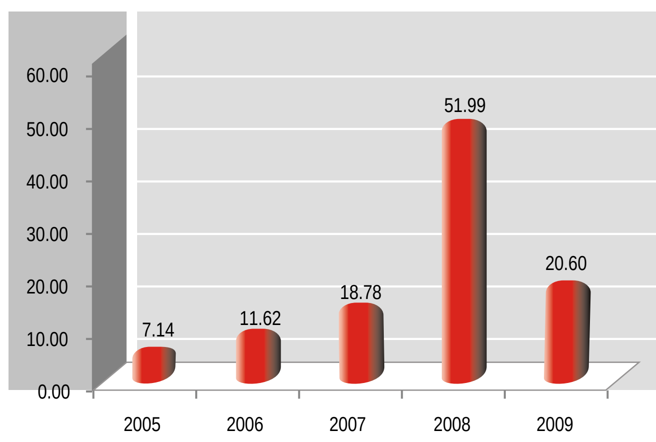
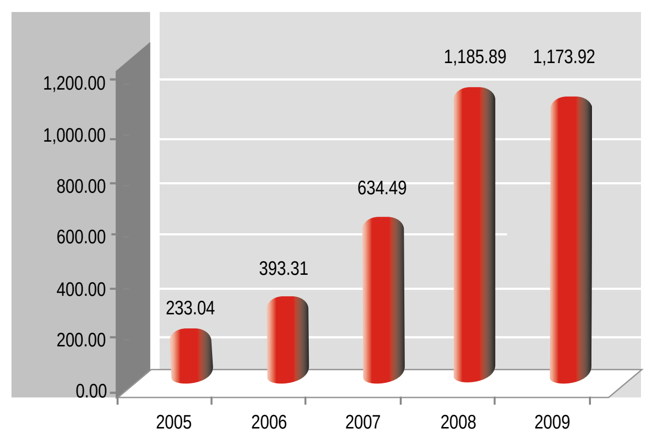
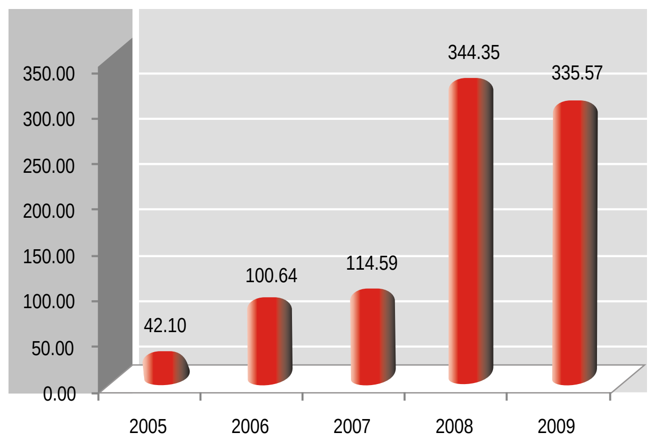


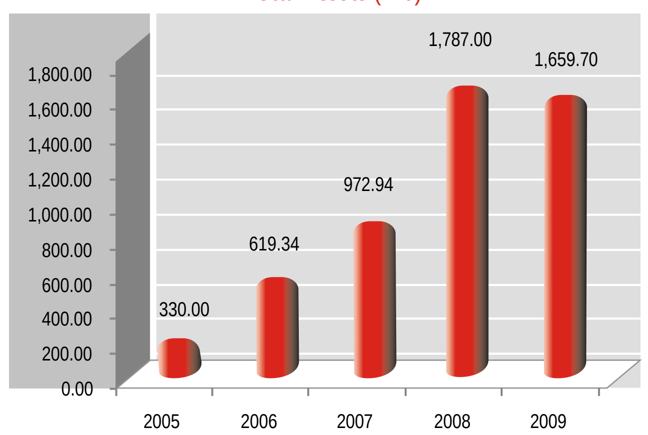
Total Deposit (N'b)



Total Shareholders' Fund (N'b)



Total Assets (N'b)



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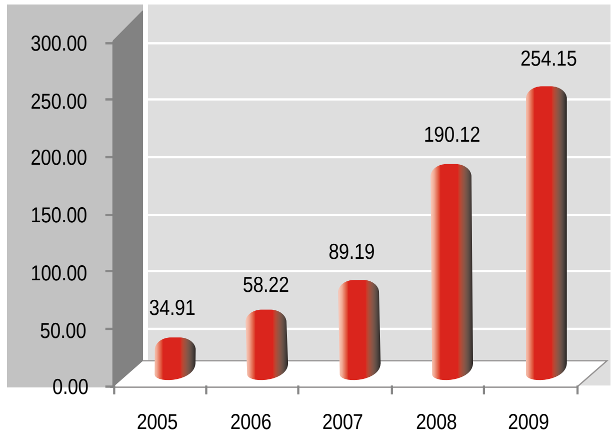
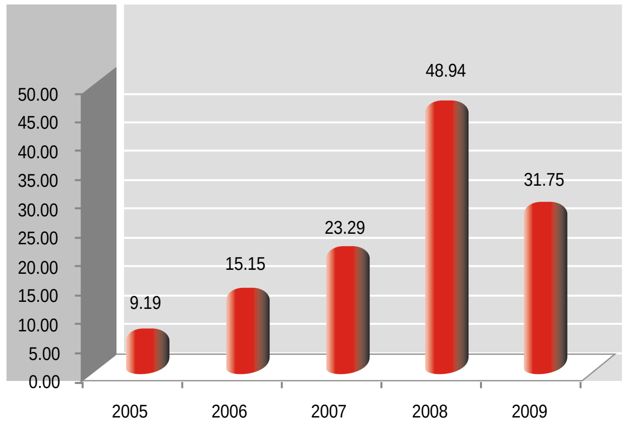


Profit Before Tax (N'b)



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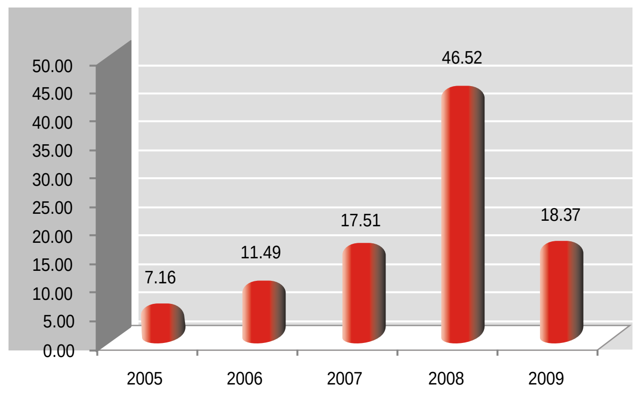

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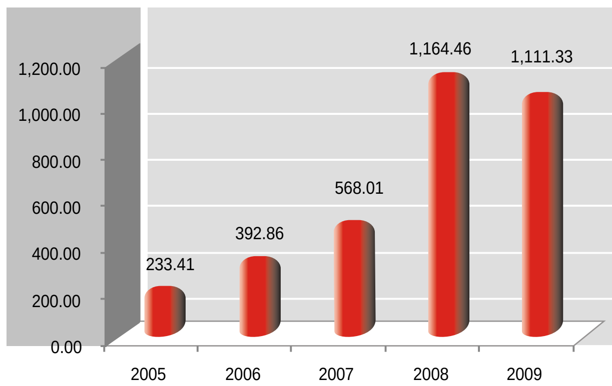

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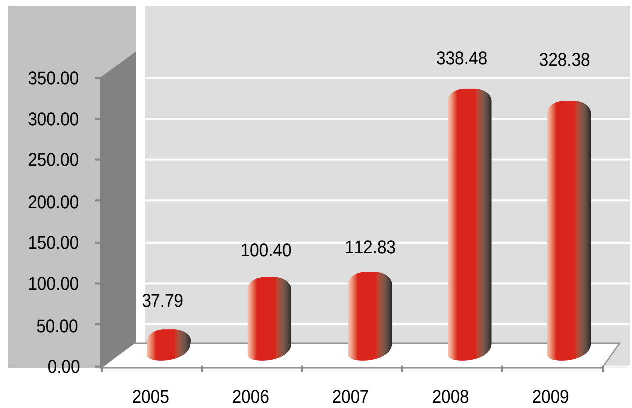

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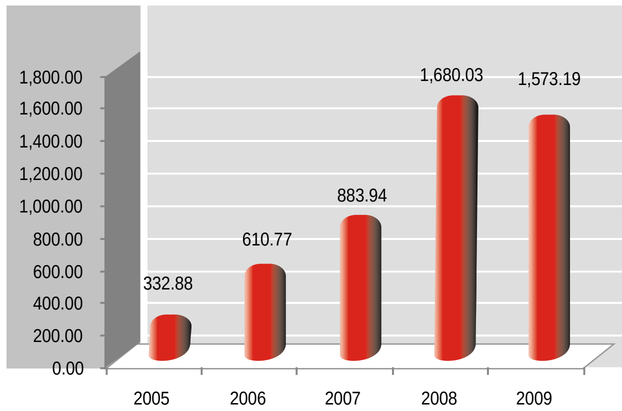


	Group	Bank
Gross Earnings	31%	34%
Profit Before Tax	-37%	-35%
Profit After Tax	-60%	-61%
Total Deposits	-1%	-5%
Shareholders' Fund	-3%	-3%
Total Assets	-7%	-6%

	GROUP			BANK		
	2009 N'm	2008 N'm	VAR	2009 N'm	2008 N'm	VAR
Profit and Loss						
Gross Earnings	277,300	211,639	31%	254,147	190,120	34%
Profit Before Taxation	35,085	56,120	-37%	31,753	48,939	-35%
Profit After Taxation	20,603	51,993	-60%	18,365	46,524	-61%
Total Dividend	11,303	28,466	-60%	11,303	28,466	-60%
Dividend per share (k)	45	170	-74%	45	170	-74%
Balance Sheet						
Loans and Advances	698,326	455,324	53%	669,261	422,874	58%
Advances under finance lease	5,506	4,615	19%	5,281	3,940	34%
Deposit Liabilities	1,173,917	1,188,876	-1%	1,111,328	1,164,460	-5%
Shareholders' Fund	337,793	346,617	-3%	328,383	338,483	-3%
Total Assets	1,659,703	1,787,000	-7%	1,573,196	1,680,032	-6%

Zenith Bank Plc is one of the biggest and most profitable banks in Nigeria with total assets plus contingents of N1.66 trillion as at the end of December 2009.

The bank was established in May 1990 and started operations in July same year as a commercial bank. It became a public limited company on June 17, 2004 and was listed on the Nigerian Stock Exchange on October 21, 2004. The bank presently has a shareholder base of about one million, an indication of the strength of the Zenith brand.

The operating results of the bank since it went public in 2004 indicate an impressive performance on all parameters. Total assets grew by 759 per cent from N193.3 billion as at the end of June 2004 to N1.66 trillion in December 2009. Within the same period, shareholders funds rose from N15.6 billion to N337.8 billion, indicating an increase of 2065 per cent while total deposit jumped by 830 per cent from N131 billion to N1.2 trillion.

Recent financial performance has been equally impressive with results for the fifteen months ending December 2009 showing gross earnings of N277 billion and profit before tax of N35 billion. Profit after tax for the period was N20.6 billion.

> *"At Zenith Bank, speed, efficiency and flexibility are abiding watchwords. The bank's customer-focused approach to service delivery consistently reinforces its value creation processes towards assisting customers in achieving their goals and aspiration."*

Operating from its head office located at 87, Ajose Adeogun Street, Victoria Island, Lagos, Nigeria, with over three hundred and fifty (350) branches and business offices nationwide, Zenith Bank has presence in all the state capitals, the Federal Capital Territory (FCT) as well as major cities and towns in Nigeria. The bank also maintains a strong presence along the West Africa coast with subsidiaries in Accra, Ghana (Zenith Bank, Ghana), The Gambia and Freetown, Sierra Leone (Zenith Bank, Sierra Leone) as well as in Europe through Zenith Bank UK Limited. This is in addition to a representative office in Johannesburg, South Africa.

At Zenith Bank, speed, efficiency and flexibility are abiding watchwords. The bank's customer-focused approach to service delivery consistently reinforces its value creation processes towards assisting customers in achieving their goals and aspiration. The bank has over the years strategically invested in and deployed cutting edge technology and infrastructure to improve service delivery. At Zenith Bank, products and services are designed to suit the demands of corporate and individual customers. The expertise developed over the years enables Zenith Bank to provide efficient financial services including, but not limited to, Corporate and Commercial Banking Services, E-business Solutions including local and international cards, Treasury and Cash Management Services, Foreign Exchange and Trade Finance Services, Funds/Assets Management, Private Banking, Investment Banking and Financial Advisory Services.

The bank's array of specialised financial services is delivered through its subsidiaries, including Zenith Capital (the investment banking arm); Zenith Securities Limited (a securities trading and asset management company); Zenith Registrars Limited (share registration services); Zenith General Insurance Company Limited (an

"In January 2009, Zenith Bank was named 'Best Bank in Private Banking in Nigeria' (2009) by Euromoney. The bank was also named 'Best Bank in Nigeria' for 2008 by the same publication. It also emerged the 'Best Global Banking Champion' at the 2009 ThisDay Award for Excellence. Also in January 2009, the bank was adjudged the 'Most Customer-focused Bank in Nigeria (Corporate) from a survey conducted by foremost consulting firm, KPMG."

insurance and risk underwriting company) and Zenith Pensions Limited (a pensions custodian management company).

Zenith Bank has pioneered several e-products and services to satisfy the yearnings of its teeming customers. Such products include Zmobile, a service which allows customers transact their banking businesses using their mobile phones. Alertz, a message alert system which enables customers monitor all transactions on their accounts via short text messages delivered to their mobile phones. For Zenith Bank excellent service delivery and development of superior asset quality, strong capital base, professionalism and corporate governance have provided the grounds for consistently high returns to stakeholders. The bank maintains sound corporate governance culture in line with global best practices.

The impressive growth pattern and performance over the years have earned Zenith Bank excellent ratings from local and international agencies. Standard and Poor's currently rates the bank ngA/- /ngA1 on Nigeria National Scale and B+/Negative/B on counterparty Credit Ratio. Fitch Ratings currently rates Zenith Bank AA- (nga) on National Scale and B+/Long-Term IDR.

In January 2009, Zenith Bank was named 'Best Bank in Private Banking in Nigeria' (2009) by Euromoney. The bank was also named 'Best Bank in Nigeria' for 2008 by the same publication. It also emerged the 'Best Global Banking Champion' at the 2009 ThisDay Award for Excellence. Also in January 2009, the bank was adjudged the 'Most Customer-focused Bank in Nigeria (Corporate) from a survey conducted by foremost consulting firm, KPMG. The survey, which focused on corporate customers of banks, including companies in a variety of sectors, found that they were most satisfied with the services rendered by Zenith Bank. In June 2009 Zenith Bank was recognized as the bank with the 'Best Asset Quality in Nigeria' by Financial Standard newspaper. Earlier in October 2008, Zenith Bank was named Africa's Best Global Bank by the African Banker at an impressive ceremony held at the IMF/World Bank meeting in Washington DC. In 2007, Zenith was recognized by the Council of the Nigerian Stock Exchange (NSE), as the 'Quoted Company of the Year.'

Over the years the Zenith brand has become synonymous with the use of Information and Communication Technology (ICT) in banking and generally increasing the performance standards in the Nigerian banking industry. The bank's main service delivery channels remain its business offices (branches and cash offices), which currently stand at over 300 while also offering electronic banking services and channels, such as Internet banking, bills payment platforms, and telephone banking services amongst others. These business offices are located in prime business and commercial cities in each state of the federation and they are easily accessible to the 22 Central Bank of Nigeria's clearing zones all over Nigeria.

Within the first decade of commencing operations, the bank made its mark in profitability and all other performance indices in Nigeria and has maintained this position to date, just behind other banks that commenced businesses several decades ago.

Vision and Mission

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

- Innovation
- Good financial performance
- Stable and Dedicated Management Team
- Highly skilled personnel
- Leadership in the use of Information and Communication Technology
- Strategic Distribution Channels
- Good Asset Quality

The Vision;

".....to build the Zenith brand into a reputable international financial institution recognised for innovation, superior customer service and performance while creating premium value for all stakeholders".

The Mission;

"....establish a presence in all major economic and financial centres in Nigeria, Africa and indeed all over the world; creating premium value for all stakeholders"

The key strategies used to drive the vision above are as follows:

Delivering superior 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.

Optimally expand our operations by adding new distribution channels and entering into new markets where opportunities exist.

Maintain our position as a leading service provider in Nigeria, while expanding our operations internationally in West Africa and the financial capitals of the world.

Strive to be a leading service provider in Nigeria by continuing to build on longstanding relationships, capabilities and the strength of our brand and reputation.

Expand our business through the establishment of key subsidiaries for the provision of non-bank financial services to accentuate the service offerings and experience of our customers.

Continually enhance our processing and systems platforms to deliver new capabilities and improve operational efficiencies and achieve economies of scale.

NOTICE IS HEREBY GIVEN that the Nineteenth 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 20th day of April, 2010 to transact the following business:-

ORDINARY BUSINESS

1. To receive and adopt the Audited Accounts for the fifteen months ended 31st December, 2009, the Reports of the Directors, Auditors and Audit Committee thereon.
2. To declare a dividend.
3. To elect/re-elect Directors.
4. To authorize the Directors to fix the remuneration of the Auditors.
5. To elect members of the Audit Committee.

SPECIAL BUSINESS

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

6. To approve the remuneration of the Directors for the year ending December 31, 2010.
7. To consider and if thought fit, pass the following resolution which will be proposed as:

   A. SPECIAL RESOLUTION

8. “That in accordance with the recommendation of the Directors, the sum of N3,139,649,380.00 (Three Billion, One Hundred and Thirty Nine Million, Six Hundred and Forty Nine Thousand, Three Hundred and Eighty Naira) be and is hereby capitalized out of the General Reserve Account of the bank and accordingly that the Directors be authorized to appropriate the said sum of N3,139,649,380.00 (Three Billion, One Hundred and Thirty Nine Million, Six Hundred and Forty Nine Thousand, Three Hundred and Eighty Naira) from the general reserve account for Bonus Issues (i.e. a total of 6,279,298,760 shares) to the holders of the ordinary shares of the bank on the register of members as at the close of business on 13th April, 2010 in proportion of one new share of 50 kobo each for every four (4) units fully paid share held by them respectively on that day on condition that the same be not paid in cash but each to be allotted and distributed, credited as fully paid up in proportion of one new share of 50 kobo each for every four (4) ordinary shares fully paid and registered in the names of such holders of ordinary shares at the close of business on 13th April, 2010 and such new shares shall rank for all purposes pari-passu with the existing issued ordinary shares of the company PROVIDED that the shares Issued pursuant to this resolution shall not rank for the dividend declared on 20th April, 2010”.
9. “That in line with directives of the Central Bank of Nigeria (CBN), the Financial year end of the bank be and is hereby changed from 30th September to 31st December”.
10. “To consider and, if thought fit, pass the following resolution as Ordinary Resolution:

    B. ORDINARY RESOLUTION

    “That as required by Section 256 of the Companies and Allied Matters Act (Cap C20, Laws of the Federation of Nigeria): Mr. Macaulay Pepple and Sir S.P.O. Fortune Ebie who have attained the age of 70years and having disclosed this fact to the Company retire by rotation and being eligible and willing offer themselves for re-election as directors of the Company”.

    Dated this 18th day of February, 2010.

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, Plot 89, Ajose Adeogun Street, Victoria Island, Lagos State not later than 48 hours before the time of holding the meeting. A proxy need not be a member of the company.

NOTES:

1. Dividend
   If approved, dividend warrants for the sum of 45K for every share of 50K will be posted on 23rd of April, 2010, to shareholders whose names are registered in the Register of Members at the close of business on 13th April, 2010.
2. Closure of Register of Members
   The Register of Members and Transfer Books of the Company will be closed from 14th April, 2010 to 19th April, 2010 (both dates inclusive), to enable the Registrar prepare for the payment of dividend.
3. Audit Committee
   In accordance with Section 359(5) of the Companies and Allied Matters Act, 1990, any shareholder may nominate another shareholder for appointment to the Audit Committee. Such nomination should be in writing and should reach the Company Secretary at least 21 days before the Annual General Meeting.

By Order of the Board

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

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

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

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

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

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

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

Some of these products are explained below:

PAYMENT/COLLECTION SOLUTIONS

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

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

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

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

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

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

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

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

CARD SOLUTIONS

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

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

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

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

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

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

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

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

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

REPORTING TOOLS

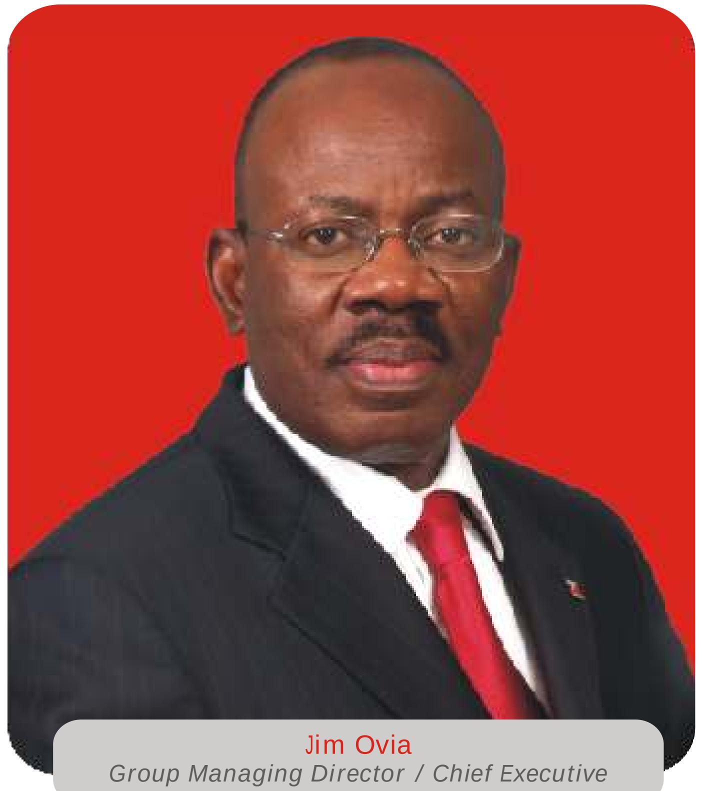
Zenith Notification Suite is a wide range of electronic notification solutions which include the following:
(i) Notification of withdrawals and deposit transactions.
(ii) Notification of deposits only
(iii) Other transaction notifications:-

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

The notifications are delivered via email or mobile SMS technologies.

Zenith Internet Banking affords customers a wide range of transaction activities which include the following:
- Check account balances & access transaction history
- Cheque book & Draft request
- View & download account statements.
- Cheque Confirmation
- View real time transactions activity especially for corporate customers
- Bulk Payment (One to Many)
- Download monthly statements
- Self to Self transactions
- Inter (You to anybody in Zenith); Intra (You to You)
- Bill Payment
- View Master Card transactions

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



Jim Ovia
Group Managing Director / Chief Executive

This report will be my last Annual CEO Letter as Managing Director/Chief Executive of Zenith Bank as I will be retiring after twenty years of service. Our Board of Directors has formally announced my successor, Godwin Emefiele who is a pioneer staff of the Bank. He has been the Deputy Managing Director of the Bank for the past nine years. Godwin is a seasoned banker of high integrity with a clear strategic focus and enduring commitment to Zenith Bank. I am confident he will offer excellent leadership and guide the Group successfully to greater heights.

During my twenty years of service as CEO, the Bank witnessed exponential growth in Shareholders' Funds from the N20 million minimum paid-up capital in 1990 to N335 billion as at December 31, 2009. The past two decades has witnessed a wide variety of economic peaks and troughs; from heady growth to global financial crises. The Zenith Bank Group has demonstrated its resilience irrespective of business cycle, given our strategic focus and conservative business model.

Together with other forward thinking financial institutions, Zenith Bank contributed to the reshaping of Nigeria's banking landscape, redefining customer service and branding whilst playing a role in contributing towards the improvement of the environment through strategic corporate social responsibility.

"Together with other forward thinking financial institutions, Zenith Bank contributed to the reshaping of Nigeria's banking landscape, redefining customer service and branding whilst playing a role in contributing towards the improvement of the environment through strategic corporate social responsibility."

As an early adopter of technology, Zenith Bank has leveraged its ICT capabilities to create an enduring competitive advantage. We believe that our focus on innovation is a key enabler in the success of our organization. Structures are already in place to ensure the sustainability of this critical component of our business model going forward.

I would like to recognize the tremendous support of all stakeholders and, in particular, the outstanding contributions of the Board of Directors, management and staff during my tenure. The combined intellectual capital and dedication of all employees have helped shape Zenith into the world-class institution it is today.

I am confident that under the leadership of Godwin Emefiele, the Bank will continue to draw upon its superior people, excellent service culture and continuous deployment of state of the art technology to elevate the Group to greater heights.

Macaulay Pepple
Chairman

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

I am very pleased to welcome you all to the 19th Annual General Meeting (AGM) of Zenith Bank Plc. It is also my privilege to present to you the Annual Report and Financial Statements for the fifteen-month period ended December 31, 2009. The span of this accounting year was dictated by the adjustment to conform to the new policy of uniform year-end for all deposit money banks put in place by the monetary authorities. This also means that, going forward, our financial year will now run as twelve calendar months ending December 31, every year.

At this outset, I deem it appropriate to do some review of the socio-economic environment in which our bank carried out its business during the fifteen-month period. This is not only pertinent but also imperative, given the fact that the period under review was entirely overcast by the global financial crisis and its ripples in the domestic economy. It was indeed a period hallmarked by a variety of challenges; but it is gratifying to note that our dynamic bank characteristically weathered all storms; and in fact, we have cause to remain proud of our pedigree.

THE GLOBAL ECONOMY

The uncertainty unleashed on the global economy by the financial and economic crisis that set in late 2007 sequel to the collapse of the sub-prime lending market in the United States continued into the period under review. Most national economies faced sharp downward spiral while some went into economic recession. Economies worldwide slowed for most part of this period as credit tightened, unemployment soared and international trade declined. Banks' solvency came under question as credit crunch prevailed, with weak investor confidence all impacting on global stock markets, which suffered huge losses during late 2008 and better part of 2009. However, national governments, global financial institutions and central banks have been responding with unprecedented stimulus packages, expansionary monetary and fiscal policies, and institutional bailouts; thus, reducing uncertainty and systemic risk in the financial system.

By the second half of 2009, the recession in the United States and some other major economies in Europe and Asia had begun to recedeleading to considerable optimism by the end of the year. In its World Economic Outlook (WEO), October 2009 edition, the International Monetary Fund (IMF) asserted that the global economy appeared to be expanding, pulled up by the strong performance of Asian economies and modest recovery in other parts of the world. It added that growth in most advanced economies was dependent on government stimulus packages. Also, an IMF research note released on December 30, 2009, attributed the recovery of some economies to commodity price increases, noting that those prices would rise further in 2010 as world economic activities expand after the unprecedented global crisis.

SUB-SAHARAN AFRICA

As noted by the International Monetary Fund in its October 2009 Regional Economic Outlook (REO) on the region, the global economic crisis had hit Sub-Saharan Africa hard, reducing the economic growth of the region to just one per cent in 2009 after a period of sustained growth. The recession has also slashed the exports of many Sub-Saharan African countries and disrupted capital flows. However, in many of these countries, prudent macroeconomic policies pursued in recent times have provided some counterpoise to the negative effects of the slowdown. Accordingly, most of the countries have been able to use a mix of fiscal (raising public spending) and monetary policies (stimulus packages) to stem the recessionary pull, and put their economies on the path of recovery. Furthermore, the IMF notes that the budding recovery in the global economy is expected to sustain the revival in Sub-Saharan Africa's growth. We share in this optimism.

> *"In the face of the very challenging environment during the period under review, Zenith Bank continued to post very impressive performance. Although there was a decline in a few performance parameters, the financial results of the Group for the fifteen months ended December 31, 2009, are yet a proof of the durability and resilience of the Zenith Brand."*

THE NIGERIAN ECONOMY

In the fifteen months under review, the Nigerian economy operated under the direct and indirect effects of the global financial crisis and efforts to curtail and contend with them. The reduction in the country's foreign currency earnings, occasioned by a falling oil price, led to a weakening exchange rate. Also, owing to the crash of share prices the market capitalization of the Nigerian Stock Exchange dropped by over 50 per cent. Government on its part came up with a number of stimulus packages, along with fresh initiatives on banking sector reform. In all this, sustaining macro-economic stability with some modicum of growth was at the core of economic policies.

This translated to fiscal and monetary polices of government focusing on reducing the rate of inflation, ensuring exchange rate stability and reducing interest rates. However, mixed results were achieved in these regards. While the exchange rate deteriorated markedly, the inflation targets were almost met. Thus, the average exchange rate of the Naira against the US dollar, in the face of the foreign exchange challenges of the period, depreciated from N116.02/US$1 as at end-September 2008 to N130.75/US$1 at end-December 2008 and further to N147.60/US$1 as at end-December 2009. On the other hand, inflation rate (year-on-year) which stood at 13.0 per cent as at end-September 2008, closed the year at 15.10 but decelerated to 12.0 per cent at end-December 2009.

In Gross Domestic Product (GDP) terms, the economy which grew at a rate of 5.98 per cent in 2008 (as against 9.8 % target), achieved a projected figure of 6.90 per cent in 2009 (a rise of almost one per cent), according to preliminary estimates of the National Bureau of Statistics. This is slightly below the 7.50 per cent target for 2009. This growth trend was driven by a number of factors, including favourable revenue inflow during the second half of 2009 arising in part from high crude oil prices in the international market. From a level of US$41.12 per barrel in January 2009, the average crude price rose to about US$70.00 per barrel at end-June 2009; hitting US$80.00 at the close of the year. There was also improved oil production during the second half of the year due in part to the relative peace in the Niger Delta region sequel to the success of the government amnesty programme. Other sectors that contributed to the growth during the period include agriculture, wholesale and retail trade as well as telecommunications.

During the period under review, Fitch Ratings maintained the BB- Sovereign Rating it assigned the country in May 2008. The new rating released in July 2009 stated that Nigeria obtained a sovereign rating of BB- as in the previous assessment. The local currency rating was also maintained at BB-, reflecting the impressive development of the domestic debt market in recent years. The report noted that debt market accounts for about 90 per cent of public debt and since late 2008, has extended maturities up to 20 years. On its part, Standard and Poor's (S & P) lowered Nigeria's rating outlook from stable to negative.

In the banking sector, the Central Bank of Nigeria embarked on a number of reform initiatives to improve corporate governance, reporting, transparency and risk management in the deposit money banks. The apex bank also intended to influence the cost and availability of credit and asset prices as well as encourage the flow of credit to productive investments. In influencing interest rates, money supply and inflation, the apex bank severally adjusted the Monetary Policy Rate (MPR) and other variables during the period under review. It reduced the MPR from 9.75 per cent at end-September 2008 to 8.00 per cent in March 2009; and further to 6.00 per cent in June 2009 at which it closed the year. It similarly altered the cash reserve ratio (CRR) and the liquidity ratio, among others "to lubricate the system".

In the capital market, the impact of the global economic meltdown and developments in the local environment foisted a downward movement on all indicators of the market. The Nigerian Stock Exchange (NSE) All-share Index (ASI) dropped by 33.8 per cent to close at 20, 827.17 points in 2009. The Index had in 2008 dropped by 45.8 per cent to close at 31, 450.78 points. This performance reflects a significant reduction in the prices of equities during the period under review. In the same vein, the market capitalization of the Exchange dropped by 26.50 per cent, from N9.56 trillion to stand at N7.03 trillion at end-December 2009. It had in 2008 declined by 28.1 per cent. Also, the decline in market capitalization resulted mainly from equity price losses, and the delisting of 64 securities during 2009.

It is worthy of mention that even with the bearish trend in the market, Zenith Bank Plc still ranked among the top performers in the market by all indices. Its streak of excellent performances, as in the previous years, earned it a number of accolades and prestigious awards, locally and internationally during the period under review. Some of these awards include: 'Best Bank in Private Banking in Nigeria 2009' by The Euromoney Magazine; 'Best Global Banking Champion' Thisday Award of Excellence (2009), 'Most Customer-Focused Bank 2008' by KPMG; 'Bank of the Year 2008' by ThisDay Newspaper; 'Best Global Bank in Africa 2008' by African Banker Awards, among others.

> *"As a bank, we are monitoring developments both in the local and global economy, and applying pragmatism and dynamism. Obviously, we are not unmindful of the demands and obligations inherent in our environment; but this is why we have entrenched global best practices in every facet of our operations. We also ensure that all these are anchored on good corporate governance."*

FINANACIAL RESULTS

In the face of the very challenging environment during the period under review, Zenith Bank continued to post very impressive performance. Although there was a decline in a few performance parameters, the financial results of the Group for the fifteen months ended December 31, 2009, are yet a proof of the durability and resilience of the Zenith Brand. These results are also an eloquent testimony to the continued sound financial health of the Group. For the bank, gross earning was N254.20 billion, representing a 34 per cent increase over last year's figure of N190.12 billion. Profit after tax stood at N18.37 billion as at end-December 2009. Total assets declined slightly to N1.57 trillion, from N1.68 trillion of the previous year. Also, total deposits dropped marginally to N1.11 trillion in the period under review, from N1.16 trillion in 2008; while shareholders' fund stood at N328.38 billion in 2009, from N338.48 billion in 2008.

As a Group, the performance indices were no less cheering. Thus, the Group gross earnings rose 31 per cent, from N211.64 billion in 2008 to N277.30 billion in 2009. Profit after tax for the Group stood at N20.60 billion during the period under review. Group total deposit dropped by one per cent, from N1.188 trillion in 2008 to N1.173 trillion in 2009; while the Shareholders' fund slipped marginally from N346.62 billion in 2008 to N337.79 billion in 2009. Group total assets stood at N 1.659 trillion in 2009, a slight drop from its N1.787 trillion in 2008.

DIVIDEND AND BONUS

We remain committed to delivering superior returns to our shareholders; and this, we once again demonstrate by ensuring that a major part of our profit is set aside for our valued investors. The Board is therefore pleased to recommend a dividend pay out of N11.30 billion; that is, 45kobo per 50 kobo share. The Board is also proposing a bonus of one for every four shares.

GROWTH AND EXPANSION

In spite of the very challenging environment that prevailed during the period under review, the Bank also made modest effort in driving both its onshore and offshore expansion; thus, further spreading our branches and franchise across the country and beyond. In this regard, in addition to the already existing Zenith Bank (UK) Limited in London, Zenith Bank (Ghana) Limited and Zenith Bank (Sierra Leone) Limited, we opened another subsidiary in The Gambia during the period under review. Our representative office in Johannesburg, South Africa remains fully functional.

CUSTOMERS

May I, at this juncture, express our inestimable gratitude and indebtedness to our teeming valued customers for their unalloyed support, continued patronage and unwavering loyalty to the Zenith brand. Really, your unparalleled contribution and consistent support remains the major contributor to the sterling results that we have continued to turn in as a bank. We will continue to invest in our people and upgrade our ICT infrastructure in order to continue to deliver financial solutions that elicit your enthusiasm and surpass your expectation.

BOARD OF DIRECTORS

My dear colleagues on the Board, I feel honoured to use this opportunity to express my gratitude to you for your support and wonderful ideas and contributions. You are in deed colleagues of inestimable value.

In line with the Bank's Article of Association, at this meeting, the following directors will retire by rotation and being eligible for re-election, they have offered themselves for re-election. They are Mr. Macaulay Pepple, Chief E.M. Egwuenu, Mr. Babatunde Adejuwon and Sir. S.P.O. Fortune Ebie.

Also, in the course of the year, Alhaji Lawal Sani joined the Board in a non executive capacity and as an Independent Director. Please join me in welcoming him to the Board. The Central Bank of Nigeria (CBN) also approved Alhaji Baba Tela as an Independent Director, bringing the number to two (2), as required by the code of Corporate Governance.

STAFF

Distinguished shareholders, permit me to re-state the obvious that our staff remain the most cherished valuable resource for our successful operation as a bank. This is why we will continue to place a very high regard on staff quality, welfare and training. It goes without saying therefore, that we have continued to attract and retain some of the best and brightest hands in the financial services sector in Nigeria and beyond. Also, we have created and sustained a highly motivating work environment and reward system that has ensured one of the lowest staff turnover rates in the industry.

Even in the face of emerging challenges, I can assure you that we will continue to sustain this enabling environment. This is because it does not only make for the development of management and staff talents and skills but also ensures self actualization and the accomplishment of corporate goals. On behalf of the Board of Directors and Shareholders, I therefore express our gratitude to the management and staff of the bank for their commitment and excellent performances. Please, keep it up.

FUTURE OUTLOOK

Distinguished shareholders, without sounding immodest, I can say that even in the face of a very challenging operating environment, Zenith Bank has maintained its culture of outstanding performance. As a bank, we are monitoring developments both in the local and global economy, and applying pragmatism and dynamism.

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

Ladies and Gentlemen, on behalf of the Board, I would like to thank you very sincerely for your immeasurable support. The future though challenging, remains bright for all of us. May God bless you all.

Thank you.

Macaulay Pepple
Chairman

From inception, as a bank, Corporate Social Responsibility (CSR) has remained a key plank of our strategic drive for the overall well-being of the society in which we operate. In fact, next to our corporate citizenship obligations is our commitment and efforts in CSR, a dedication that has won for us numerous awards, accolades and commendations from within and outside Nigeria.

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

"As a responsible and responsive corporate citizen, Zenith Bank will continue to accord very high priority to our CSR engagement. This commitment accounts for why we are one of the few banks in Nigeria that maintains a full fledged department Zenith Philanthropy that serves as the vehicle for all our CSR endeavours."

Education

In line with our belief in the effectiveness of education in the transformation of the life of the individual and society at large, we have devoted the lion's share of our CSR budget to activities and issues appertaining to the sector. We were further guided by abiding faith in the use of education and Information and Communication Technology (ICT) as the most powerful tools for youth empowerment, nation building and wealth creation. Thus, during the period under review, we identified with/assisted numerous educational endeavours. Through donations, in cash and kind, sponsorships and sundry supports, we were able to sustain our prime focus on education and allied issues.

Some of the beneficiaries of these efforts include: Federal University of Technology (Yola); University of Ilorin, Kwara State; Tai Solarin University of Education, Ijebu Ode, Ogun State; University of Jos; Redeemer's University, Mowe, Ogun State; Federal University of Technology, Minna; Professorial Chair at University of Nigeria Nsukka (in support of Chief Ojo Maduekwe); Federal College of Education (Technical), Akoka, Lagos. Other beneficiaries include Grange School, Ikeja, Lagos; Day Waterman College; Seat of Wisdom School; Vivian Fowler Memorial College; Whitesands School; Holy Child College, Ikoyi, Lagos; Topgrade Secondary School, Surulere, Lagos; Straitgate Nursery & Primary School, Surulere, Lagos.

Others are: Lagoon Secondary School, Victoria Island, Lagos; Saint Saviour's School, Ikoyi, Lagos; Lagos State Junior Model College, Badore; Sherwood Private School, Lagos; Nigerian Law School, Bwari-Abuja; Methodist Boys High School, Lagos; Greenwwod House School; Buba Yero Primary School, Gombe; Saint Louis College, Jos; Nigerian Defence Academy, Kaduna, among many others.

ICT/Youth Empowerment

In line with our high accent on Information and Communications Technology (ICT) and belief in Nigeria's future, we continued to place high premium on empowering the youth, especially through ICT. Thus, during the period under review, a number of youth-related associations, organisations and agencies received our support and assistance. During the CTO 2009 (Trade Fair), Zenith Bank held a well-attended interactive session with selected Nigerian youths under our "Youth Empowerment for Digital Revolution". ICT-empowerment items including laptops were given out to the youths. Zenith Bank was adjudged the 'Best Participating Bank' at that outing. We also had our annual youth carnival which, again, attracted massive attendance by youths from various tiers of education.

Health and Welfare

In the tripod "People, Technology and Service", Zenith Bank expresses its deep interest and concern for the quality of life, whether for those of its employees or other stakeholders. This, the Bank further demonstrates by identifying with efforts aimed at improving health care delivery in the country as well as by assisting groups and individuals with special health problems. In this regard, Zenith Bank made significant contribution to various health institutions across the country. Several individuals with very serious health conditions were also sponsored for treatment, either locally or abroad.

Security

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

Disaster Relief

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

Others

In addition to these areas highlighted above, Zenith Bank plays a major role in the promotion and development of sports, professional associations, entrepreneurial skills of business promoters and NGO activities. We also identify with communal development efforts, the Press, the diplomatic corps, among others. In these regards, we made significant contributions to seminars/workshops and other programmes organised by the Growing Businesses Foundation, Chartered Institute of Bankers of Nigeria, the Institute of Chartered Accountants of Nigeria, Lagos State Environmental Protection Agency, Musical Society of Nigeria, among others.

Zenith Bank's role in the pursuit of the ideals of the New Partnership for Africa's Development (NEPAD) remains outstanding. During the year under review, the NEPAD Business Group Nigeria received our assistance/support. In a similar vein, Zenith Bank served on a number of very important committees of the Federal Government, and in not a few cases, as the secretariat, with our Managing Director/CEO as Chairman.

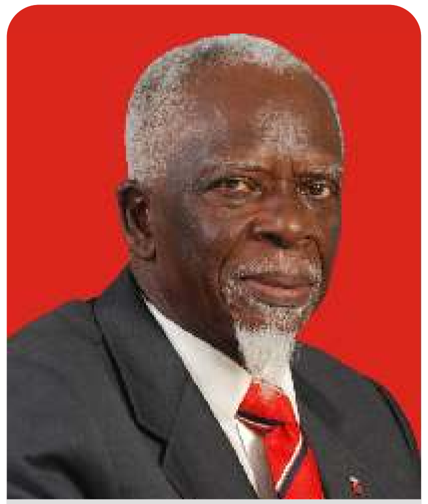
Conclusion

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

Macaulay Pepple
Chairman

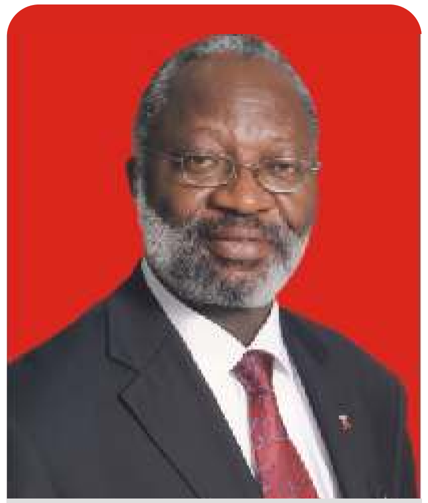
Jim Ovia
Group Managing Director/CEO

Godwin Emefiele
Deputy Managing Director



Sir S.P.O. Fortune Ebie
Director

Chief E. M. Egwuenu
Director



Prof. L.F.O. Obika
Director

Sir Steven Omojafor
Director

Alhaji Baba Tela
Director

Babatunde Adejuwon
Director

Peter Amangbo
Executive Director

Apollos Ikpobe
Executive Director

Elias Igbinakenzua
Executive Director

Udom Emmanuel
Executive Director

Andy Ojei
Executive Director

Alhaji Lawal Sani
Director

The Directors present their annual report on the affairs of Zenith Bank Plc ("the Bank") and its subsidiaries (together "the Group"), together with the financial statements and auditors' report for the fifteen months ended 31 December, 2009.

a. Legal Form

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

b. Principal Activity and Business Review

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

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

The results of the Bank's subsidiaries have been consolidated in these financial statements. The Bank also acquired significant shareholdings in some companies incorporated under the Small and Medium Enterprises Equity Investment Scheme (SMEEIS). These include Qubit Spectrum Limited, Venus Telecom Limited and Cyberspace Networks Limited.

c. Operating Results

Gross earnings increased by 31% and profit before tax of the Group decreased by 37%. During the period, shareholders approved a bonus issue of one new ordinary share for two existing shares. The new shares rank pari passu in all respects with the existing shares of the Bank. Highlights of the Group's operating results for the period under review are as follows:

	2009 N'million	2008 N'million
Profit before tax	35,085	56,120
Taxation	(14,482)	(4,127)
Profit after taxation	20,603	51,993
Minority interest	(106)	(384)
Profit attributable to the Group	20,497	51,609
Appropriations:		
Transfer to statutory reserve	2,755	6,979
Transfer to contingency reserve	169	103
Transfer to retained earnings reserve	17,573	44,527
	20,497	51,609

d. Change in Accounting Year End

In 2008, the Bank changed its accounting year end from 30 June to 30 September and as a result, prepared financial statements for fifteen months. In 2009, the Bank also changed its accounting year end from 30 September to 31 December in compliance with the CBN directive of uniform accounting year end of 31 December for all Nigerian banks and therefore prepared financial statements for fifteen months.

e. Directors' Shareholding

The direct interests of Directors in the issued share capital of the Company as recorded in the Register of Directors' Shareholding and/or as notified by the Directors for the purposes of Sections 275 and 276 of the Companies and Allied Matters Act and the listing requirements of the Nigerian Stock Exchange is noted:

		Direct Shareholding Number of 50k Ordinary Shares Held 2009	 2008
Macaulay Pepple	Chairman	2,198,236	3,918,973
Jim Ovia	Group Managing Director/Chief Executive	2,392,340,140	1,594,893,427
Godwin Emefiele	Deputy Managing Director	35,760,635	27,457,091
Peter Amangbo	Executive Director	10,178,571	9,285,714
Elias Igbinakenzua	Executive Director	14,231,074	11,352,353
Apollos Ikpobe	Executive Director	15,182,141	12,621,428
Udom Emmanuel	Executive Director	11,249,998	9,999,999
Andy Ojei	Executive Director	11,269,285	9,792,857
Chief E. M. Egwuenu	Director	620,669,139	413,779,426
Sir S. P. O. Fortune Ebie	Director	3,959,524	2,639,683
Prof. Prince L.F.O. Obika	Director	3,612,948	2,328,409
Sir Steven Omojafor	Director	2,252,403	1,518,833
Babatunde Adejuwon	Director	3,002,283	2,327,522
Alhaji Baba Tella	Director	–	133,803
Alhaji Lawal Sani	Director	–	-–

f. Directors' Interests in Contracts

For the purpose of Section 277 of the Companies and Allied Matters Act, none of the Directors had direct or indirect interest in contracts or proposed contracts with the Company during the year.

g. 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.

h. Property, Plant and Equipment

Information relating to changes in property, plant and equipment is given in Note 25 to the financial statements. In the Directors' opinion, the market value of the Group's properties is not less than the value shown in the financial statements.

i. Research and Development

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

j. *Shareholding Analysis*

The shareholding pattern of the Bank as at 31 December 2009 is as stated below:

Share Range		No. of Shareholders	Percentage of Shareholders (%)	No of Holdings	Percentage Holdings
1 -	9,999	605,729	84.98%	1,785,537,137	7.11%
10,000 -	50,000	82,577	11.59%	1,708,628,954	6.80%
50,001 -	100,000	11,324	1.59%	789,682,225	3.14%
100,001 -	500,000	10,770	1.51%	1,895,972,571	7.55%
500,001 -	1,000,000	893	0.13%	594,138,591	2.37%
1,000,001 -	5,000,000	1,075	0.15%	2,186,479,807	8.71%
5,000,001 -	10,000,000	196	0.03%	1,371,078,456	5.46%
10,000,001 -	50,000,000	164	0.02%	3,066,728,282	12.20%
50,000,001 -	100,000,000	13	0.00%	934,416,531	3.72%
100,000,001 -	500,000,000	13	0.00%	3,021,469,270	12.03%
500,000,001 -	1,000,000,000	5	0.00%	3,297,684,654	13.13%
Above 1,000,000,000		3	0.00%	4,465,378,552	17.78%
		712,762	100%	25,117,195,030	100.00%

k. *Substantial Interest in Shares*

According to the register of members at 31 December 2009, no shareholder held more than 5.0% of the issued share capital of the Bank except the following:

Shareholder	No. of Shares held	Percentage of Shareholding (%)
Jim Ovia	2,392,340,140	9.53%
Institutional Investors Ltd	1,738,622,350	6.92%

l. *Donations and Charitable Gifts*

The Bank made contributions to charitable and non-political organisations amounting to N1.96 billion during the period (2008: N572 million).

Some of the beneficiaries are as follows:

Organisation	N'000
American Int'l School/High School Fund	23,600
Beautification of King's Square, Benin	23,039
Buba Yero Primary School, Gombe	10,530
Business Support Group Vision 2020 Nigeria	35,000
College of Education, Agbor	15,000
Day Waterman College	20,000
Kwara Football Academy Trust Fund	25,000
Lagos State University ICT Centre	20,238
Lamisula Primary School	24,350
Model Secondary School, Rumuorara	20,734
Modern ICT Centre, Port Harcourt	137,370
Niger Delta Peace Festival	15,000
Nigerian Female Basketball League	15,000
Ojota Secondary School, Lagos	43,300
Prod Integrated	10,000
St. Saviour's School, Ikoyi	20,000
Technicians Association of Nigeria	10,000
University of Ilorin	16,435
Waterman Indigent Fund	20,000
Yaba College of Technology (Hall project)	44,039

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DIRECTORS' REPORT
For the period ended 31 December 2009

m. *Post-Balance Sheet Events*

There were no significant events after the balance sheet date that affect the reported amount of assets and liabilities as of the balance sheet date.

n. *Human Resources*

Employment of Disabled Persons

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

Health, Safety and Welfare at Work

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

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

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

o. *Employee Involvement and Training*

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

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

p. *Auditors*

The Auditors, Messrs. PricewaterhouseCoopers have indicated their willingness to continue in office as auditors. In accordance with Section 357 (2) of the Companies and Allied Matters Act, 1990; a resolution will be proposed at the Annual General Meeting to authorize the Directors to determine their remuneration.

By Order of the Board

Michael O. Otu
Company Secretary

Introduction

Corporate governance relates to the system of operating and controlling a company with a view to achieving the long term goals of the organization for the benefit of all stakeholders.

Increasing shareholder activism has led to more demand for accountability on the part of organizations.

At Zenith Bank, conscious of our enviable place in the industry and judging from the global interest in the banking industry at large and our bank in particular, we have put in place a robust system of corporate governance, bearing in mind the key elements of honesty, trust, integrity, openness and accountability as well as commitment to the organization goals.

Most of our processes have mechanisms that help in continually reappraising our operations to ensure that our business is conducted in line with good corporate governance and global best practices. For us at Zenith, corporate governance is a sacred trust.

Shareholding

The Bank has a diversified shareholder base, one of the largest in the country.

Board of Directors

The Board of Directors is made up of a Non-Executive Chairman, seven (7) Non-Executive Directors and seven (7) Executive Directors. Two (2) of the Non-Executive Directors are Independent Directors, appointed in compliance with the Central Bank of Nigeria (CBN) circular on appointment of Independent Directors by Banks.

The Board comprises of persons of mixed skills with experience in different fields of human endeavour. Directors are conscious of their statutory responsibilities as well as their obligations to shareholders and other stakeholders.

Adequate training programmes have also been developed to ensure that Directors are constantly and continuously trained to keep them well informed of developments in the industry and the economy.

The business of the Bank is driven primarily by the Board of Directors, which exercises its oversight over the Bank's operations. Board members are well knowledgeable in the business of the Bank.

The Managing Director/Chief Executive is responsible for the day to day running of the Bank, assisted by the Executive Committee.

Responsibilities of the Board

The Board is responsible for:

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

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

Committees

The Board discharges its oversight functions through various Board Committees. The Committees are set up in line with statutory and regulatory requirements and are consistent with global best practices.
Membership of the Committees of the Board is intended to make the best use of the skills and experience of Non-Executive Directors in particular.

The Committees have well defined terms of reference and consider matters that fall within their purview to avoid overlap of functions and to ensure that decisions reached are as objective as possible.

The Committees of the Board meet quarterly but may hold extraordinary sessions as business of the Bank demands.

The following are the current standing Committees of the Board:

Board Credit Committee

The Committee is made up of seven (7) members comprising four (4) Non-Executive Directors and three (3) Executive Directors of the Bank. The Board Credit Committee is chaired by a Non-Executive Director who is well versed in credit matters, having retired as Managing Director/Chief Executive of a commercial bank. The Committee considers loan applications above the level of Management Credit Committee. It also determines the credit policy of the Bank or changes therein. 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.	Alhaji Baba Tela	Member
5.	Mr. Jim Ovia	Member
6.	Mr. Godwin I. Emefiele	Member
7.	Mr. Elias Igbinakenzua	Member

Staff Matters, Finance And General Purpose Committee

This Committee is made up of seven (7) members: four (4) Non-Executive Directors and three (3) Executive Directors. It is chaired by a Non-Executive Director. The Committee considers large scale procurement by the Bank, as well as matters relating to staff welfare, discipline, staff remuneration and promotion. Members of the Committee are as follows:

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

Board Risk Management Committee:

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

The Chief Risk Officer has access to this Committee and makes quarterly presentations for the consideration of the Committee.

Chaired by Chief Eddy Egwuenu (a Non-Executive Director), the Committee's membership comprises the following:

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

Audit Committee

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

1.	Alhaji Hamis B. Musa	Chairman
2.	Mr. Alade Akesode	Member
2.	Chief Eddy Egwuenu	Member
3.	Sir. S.P.O. Fortune Ebie	Member
4.	Prof. (Prince) L.F.O. Obika	Member
6.	Ms. Angela Agidi	Member

Executive Committee (EXCO)

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

Other Committees

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

(a) Management Committee (MANCO)
(b) Management Global Credit Committee (MGCC)
(c) Risk Management Committee (RMC)
(d) Information Technology (IT) Steering Committee

Below is a schedule of attendance at Board and Audit Committee meetings for the period.

Board meetings

Directors	Board	Credit Committee	Finance & General Purpose Committee	Risk Management Committee
Number of Meetings Held	12	6	4	3
Attendance:				
Macaulay Pepple	12	N/A	N/A	N/A
Mr. Jim Ovia	12	6	4	3
Mr. Godwin Emefiele	11	5	4	3
Mr. Elias Igbinakenzua	11	6	N/A	N/A
Mr. Peter Amangbo	12	2**	N/A	3
Mr. Apollos Ikpobe	11	2**	4	N/A
Mr. Udom Emmanuel	10	5	N/A	3
Mr. Andy Ojei	3	N/A	N/A	N/A (*)
Chief E.M. Egwuenu	12	6	N/A	3
Sir S.P.O. Fortune Ebie	11	6	4	3
Prof (Prince) L.F.O. Obika	11	N/A	4	3
Mr. Babatunde Adejuwon	12	N/A	4	3
Sir Steve Omojafor	9	4	3	3
Alhaji Baba Tela	8	4	N/A	N/A
Mr. Lawal Sani (Appointed 19/10/2009)	1	N/A	N/A	N/A

* Mr. Andy Ojei was the MD/CEO of Zenith Bank (Ghana) Limited until December 2009 when he returned to the Head Office.

** The Credit Committee of the Board was reconstituted during the year in line with the Code of Corporate Governance for banks and some previous executive members of the Committee ceased to be members.

Audit Committee meetings

Number of Meetings Held	5
Attendance:	
Alhaji Hamis B. Musa	4
Alade A. Akesode Esq	5
Chief E.M. Egwuenu	5
Sir S.P.O. Fortune Ebie	4
Prof.(Prince) L.F.O. Obika	5
Ms. Angela Agidi	3

Relationship with Shareholders

As a deliberate policy, Zenith Bank maintains an effective and candid communication with its shareholders, which enables them to 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 provides information on a wide range of issues for all stakeholders.

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 surveyors 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.

We conducted the appraisal of the Board of Directors ("the Board") of Zenith Bank Plc ("the Bank") for the period ended 31 December, 2009 in accordance with the standards set by the Central Bank of Nigeria (CBN) Code of Corporate Governance for Banks in Nigeria Post Consolidation ("the CBN Code"). Corporate governance is the system by which business corporations are directed and controlled to enhance performance and long-term shareholder value.

We reviewed the Bank's corporate governance report included on pages 29 to 32 of the Annual Report for the period ended 31 December 2009 as prepared by the Board, and assessed the level of compliance of the Board with the CBN Code.

The principal recommendations from our appraisal of the Board of Zenith Bank Plc, in accordance with the CBN Code, were in the following areas: nomination of independent Director to the Board Risk Management Committee, process for monitoring related party transactions and documentation of operational policies guiding Board activities.

Dimeji Salaudeen
Partner, KPMG Professional Services
15 April 2010

For the period ended 31 December 2009

The Companies and Allied Matters Act and the Banks and Other Financial Institutions Act, require the Directors to prepare financial statements for each financial year that give a true and fair view of the state of financial affairs of the Bank at the end of the year and of its profit or loss. The responsibilities include ensuring that the Bank:

i. keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Bank and comply with the requirements of the Companies and Allied Matters Act and the Banks and Other Financial Institutions Act ;

ii. establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and

iii. prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgements and estimates, that are consistently applied.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with:

- Nigerian Accounting Standards;
- Prudential Guidelines for Licensed Banks;
- relevant circulars issued by the Central Bank of Nigeria;
- the requirements of the Banks and Other Financial Institutions Act; and
- the requirements of the Companies and Allied Matters Act .

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Bank and Group and of the profit for the period. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Bank will not remain a going concern for at least twelve months from the date of this statement.

Macaulay Pepple
Chairman

Jim Ovia
Group Managing Director/ CEO

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 fifteen (15) months ended 31st December, 2009 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.
5. Related party transactions and balances have been disclosed in note 37 to the Financial Statement in accordance with the Central Bank of Nigeria (CBN) circular BSD/1/2004.

Dated February 18, 2010

Alhaji Hamis B. Musa
Chairman, Audit Committee

MEMBERS OF THE COMMITTEE
1. Alhaji Hamis B. Musa
2. Mr. Alade Akesode
3. Chief Eddy Egwuenu
4. Sir. S.P.o. Fortune-Ebie
5. Prof. (Prince) L.F.O. Obika
6. Ms. Angela Agidi

PRICEWATERHOUSECOOPERS

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

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF ZENITH BANK PLC

Report on the financial statements

We have audited the accompanying separate and consolidated financial statements of Zenith Bank Plc ("the bank") and its subsidiaries (together, "the group") which comprise the balance sheets as of 31 December 2009 and the profit and loss accounts and statements of cash flow for the fifteen months then ended and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with Nigerian Statements of Accounting Standards and with the requirements of the Companies and Allied Matters Act and the Banks and Other Financial Institutions Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

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

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

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of the financial affairs of the bank and the group as of 31 December 2009 and of their profits and cash flows for the period then ended in accordance with Nigerian Statements of Accounting Standards, the Companies and Allied Matters Act and the Banks and Other Financial Institutions Act.

Report on other legal requirements

The Companies and Allied Matters Act and the Banks and Other Financial Institutions Act and require that in carrying out our audit we consider and report to you on the following matters. We confirm that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii) in our opinion proper books of account have been kept by the bank, so far as appears from our examination of those books;

iii) the bank's balance sheet and profit and loss account are in agreement with the books of account;

iv) our examination of loans and advances was carried out in accordance with the Prudential Guidelines for licensed banks issued by the Central Bank of Nigeria;

v) related party transactions and balances are disclosed in Note 37 to the financial statements in accordance with the Central Bank of Nigeria Circular BSD/1/2004;

vi) to the best of our knowledge, the bank did not contravene any regulations of the Banks and Other Financial Institutions Act during the period

vii) to the best of our knowledge, the bank has complied with the requirements of the relevant circulars issued by the Central Bank of Nigeria.

PricewaterhouseCoopers

Chartered Accountants
Lagos, Nigeria

1 March 2010

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

a. *Basis of Preparation*

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

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

b. *Consolidation*

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

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

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

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement; its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.
Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

c. *Segment Reporting*

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

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

d. *Foreign Currency Translation*

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

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

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

– assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

– income and expenses for each profit and loss are translated at closing exchange rates; and

– all resulting exchange differences are recognised as a separate component of reserves.

– On consolidation, exchange differences arising from the translation of the investment in foreign entities are taken to shareholders' funds. When a foreign operation is sold, such exchange differences are recognised in the profit and loss account as part of the gain or loss on sale.

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

e. *Recognition of Income*

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

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

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

Interest earned on investment securities is reported as interest income. Dividends are recognised in the income statement when the right to receive payment is established.
Income arising on investments held by the Life business is recognised in the Life fund whilst income derived from investments held by the General business is credited to the profit and loss account.

f. *Provision Against Credit Rrisk*

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

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

When a loan is deemed not collectible, it is written off against the related provision for impairments and subsequent recoveries are credited to the profit and loss account. Risk assets in respect of which a previous provision was not made are written directly to the profit and loss account when they are deemed to be not collectible.

The Bank normally makes a provision of at least 1% for performing risk assets to recognize the risk inherent in any credit portfolio. However, the CBN and the NASB have permitted all Nigerian banks to suspend this policy in respect of the reporting period ended 31 December 2009 only.

g. *Underwriting Results*

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

i. Underwriting results for non-life insurance business

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

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

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

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

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

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

ii. Underwriting results for life assurance business

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

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

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

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

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

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

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

h. *Deferred Acquisition and Maintenance Expenses*

Prepaid expenses include deferred acquisition expenses and deferred maintenance expenses. These expenses are incurred as a result of direct business earned from brokers. The deferred portion is calculated based on the percentage of unearned premium to written premium.

i. *Outstanding Claims and Provisions*

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

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

j. *Offsetting*

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

k. *Investment Securities*

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

i. Short term investments

Short-term investments are investments that management intends to hold for not more than one year.

Short-term investments are subsequently re-measured at the lower of cost and net realisable value (quoted bid prices). The amount by which cost exceeds realisable value (unrealized loss) is charged to the profit and loss account for the period.

ii. Long Term Investments

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

Long term investments are carried at revalued amounts. Gains and losses arising from changes in the market value of long term investments are recognised in the revaluation reserve. Decreases that offset previous increases of the same asset are charged against the revaluation reserve; all other decreases are charged to the profit and loss account.

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.

l. *Investments in Subsidiaries*

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

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

m. *Investment Property*

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

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

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

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

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

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

n. *Property and Equipment*

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

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the

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

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

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

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

o. *Leases*

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

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

A Group company can be a lessor or a lessee in either a finance lease or an operating lease.

i. A Group company is the lessor

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

The discount is recognised as unearned in the books of the Group and amortised to income as they are earned over the life of the lease at a basis that reflects a constant rate of return on the Group's net investment in the lease.
Finance leases are treated as risk assets and the net investment in the lease are subject to the provisioning policies listed in (f).
When assets are held subject to an operating lease, the assets are recognised as property and equipment based on the nature of the asset and the Group's normal depreciation policy for that class of asset applies.

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

All initial direct costs associated with the operating lease are charged as incurred to the profit and loss account.

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STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES
For the period ended 31 December 2009

ii. A Group company is the lessee

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

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

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

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

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

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

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

p. *Goodwill*

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

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units is represented by each primary reporting segment.
Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

q. *Cash and Cash Equivalents*

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

(a) readily convertible into cash, whether in local or foreign currency; and
(b) so near to their maturity dates as to present insignificant risk of changes in value as a result of changes in interest rates.

r. *Provisions, Contingent Liabilities and Contingent Assets*

Provisions are liabilities that are uncertain in timing or amount.

Provisions are recognised when:

— the Group has a present legal or constructive obligation as a result of past events;

— it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

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

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

A contingent asset is never recognised; rather they are disclosed in the financial statements when they arise.

s. *Retirement Benefits*

The Group has a defined contribution plan.

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

t. *Deferred Taxation*

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

The principal timing differences arise from depreciation of property, plant and equipment and provision for loan losses. The rates enacted or substantively enacted at the balance sheet date are used to determine deferred income tax. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.
Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the timing differences can be utilised.

Income tax payable on profits, based on the applicable tax law in each jurisdiction, is recognised as an expense in the period in which the related profits arise. The tax effects of income tax losses available for carry forward are recognised as an asset when it is probable that taxable profits will be available against which these losses can be utilised.

u. *Borrowed Funds*

Borrowed funds are recognised initially at their issue proceeds and subsequently stated at cost less any repayments.

Transaction costs where immaterial, are recognized immediately in the profit and loss account. Where transaction costs are material, they are capitalized and amortised over the life of the loan.

v. *Share Capital*

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

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

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

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

w. *Off-Balance Sheet Transactions*

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

x. *Sale of Loans or Securities*

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

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

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

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

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

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

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

y. *Fiduciary Activities*

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

PROFIT AND LOSS ACCOUNTS

For the fifteen months ended 31 December 2009

	Notes	15 Months To Dec. 09 Group 2009 N'million	15 Months Sept. 08 Group 2008 N'million	15 Months To Dec. 09 Bank 2009 N'million	15 Months Sept. 08 Bank 2008 N'million
Gross earnings		277,300	211,639	254,147	190,120
Interest and similar income	3	193,545	138,737	186,019	137,814
Interest and similar expense	4	(83,957)	(53,294)	(82,836)	(49,964)
Net interest income		109,588	85,443	103,183	87,850
Fee and commission income	5	50,045	49,511	46,021	41,680
Foreign exchange trading income		19,687	6,174	17,369	5,427
Underwriting profit	6	2,345	2,472	–	–
Trusteeship income		42	51	–	–
Income from investments	7	1,326	3,444	484	–
Other income	8	5,205	7,147	4,254	5,199
Operating income		188,238	154,242	171,311	140,156
Operating expenses	9	(113,288)	(87,562)	(103,410)	(81,321)
Diminution in asset values	16 (d)	(39,865)	(10,568)	(36,148)	(9,876)
Profit before tax and extra-ordinary items		35,085	56,112	31,753	48,959
Extra-ordinary item	10	–	8	–	(20)
Profit before tax		35,085	56,120	31,753	48,939
Taxation	11	(14,482)	(4,127)	(13,388)	(2,415)
Profit after tax		20,603	51,993	18,365	46,524
Non controlling interest	35	(106)	(384)	–	–
Profit attributable to Group shareholders		20,497	51,609	18,365	46,524
Appropriated as follows:					
Statutory reserve	34	2,755	6,979	2,755	6,979
Contingency reserve	34	169	103	–	–
Retained earnings reserve	34	17,573	44,527	15,610	39,545
		20,497	51,609	18,365	46,524
Earnings per share (basic /diluted)	41	82 k	383 k	73 k	345 k
Earnings per share (adjusted)	41	82 k	205 k	73 k	185 k
Dividend per share (proposed/paid)	42	45 k	170 k	45 k	170 k

The accounting policies on pages 37 to 45 and notes on pages 49 to 82 form an integral part of these financial statements.

BALANCE SHEETS

As at 31 December 2009

	Notes	Dec. 09 Group 2009 N'million	Sept. 08 Group 2008 N'million	Dec. 09 Bank 2009 N'million	Sept. 08 Bank 2008 N'million
Assets					
Cash and balances with central banks	12	126,779	239,562	115,044	232,267
Treasury bills	13	234,115	401,445	225,371	396,772
Due from other banks	14	341,830	536,846	290,025	481,092
Loans and advances	15	698,326	455,324	669,261	422,874
Advances under finance lease	17	5,506	4,615	5,281	3,940
Insurance receivables	18	635	816	–	–
Investment securities	19	158,977	64,564	144,189	54,591
Investment in subsidiaries	20	–	–	36,096	16,935
Deferred tax assets	22	966	160	–	–
Other assets	23	13,517	32,293	12,758	23,476
Investment property	24	433	433	–	–
Property and equipment	25	78,619	50,942	75,171	48,085
Total assets		1,659,703	1,787,000	1,573,196	1,680,032
Liabilities					
Customers deposits	26	1,173,917	1,188,876	1,111,328	1,164,460
Claims payable	27	198	234	–	–
Liabilities on insurance contracts	28	1,202	1,077	–	–
Borrowings	29	35,984	40,431	35,984	40,431
Current income tax	11	7,407	5,690	5,718	3,549
Other liabilities	30	100,085	202,114	88,683	131,207
Deferred income tax liabilities	31	3,117	1,961	3,100	1,902
Total liabilities		1,321,910	1,440,383	1,244,813	1,341,549
Capital and reserves					
Share capital	32	12,559	8,372	12,559	8,372
Share premium	33	255,047	255,047	255,047	255,047
Revaluation reserve	34	–	322	–	–
Retained earnings	34	44,883	60,551	37,415	54,457
Other reserves	34	23,081	20,055	23,362	20,607
Attributable to equity holders of the parent		335,570	344,347	328,383	338,483
Non-controlling interest	35	2,223	2,270	–	–
Total shareholders' equity		337,793	346,617	328,383	338,483
Total Liabilities and equity		1,659,703	1,787,000	1,573,196	1,680,032
Acceptances and guarantees	39 (c)	638,708	724,298	606,594	704,386

The accounting policies on pages 37 to 45 and notes on pages 49 to 82 form an integral part of these financial statements.

The accounting policies on pages 37 to 45 and financial statements and notes on pages 46 to 82 were approved by the Board of Directors on 18 February 2010 and signed on its behalf by:

Macaulay Pepple (Chairman)

Jim Ovia (Group Managing Director and Chief Executive)

	Notes	15 Months Group 2009 N'million	15 Months Group 2008 N'million	15 Months Bank 2009 N'million	15 Months Bank 2008 N'million
Operating activities					
Cash flows (used in)/generated from operations	40	(284,934)	460,763	(280,376)	403,327
Tax paid	11	(12,082)	(4,159)	(10,021)	(3,275)
Net cash flows (used in)/generated from operations		(297,016)	456,604	(290,397)	400,052
Financing activities					
Dividend paid to shareholders		(28,466)	(9,266)	(28,466)	(9,266)
Net proceeds from issue of shares		–	188,391	–	188,391
Borrowed funds					
- inflow from long term borrowing		6,140	16,434	6,140	16,434
- repayment of long term borrowing		(10,587)	(2,702)	(10,587)	(2,702)
Net cash (used in)/generated from financing activities		(32,913)	192,857	(32,913)	192,857
Investing activities					
Purchase of property and equipment	25	(42,062)	(22,778)	(39,731)	(22,048)
Proceed from sale property and equipment		297	156	103	156
Small and Medium Scale Industries					
- investments in SMEEIS		–	(383)	–	(383)
- divestments from SMEEIS		174	426	174	426
Proceeds from sale of investment		–	141	–	141
Investment in subsidiaries		–	–	(19,161)	(3,491)
Purchase of investments		(99,428)	(30,939)	(89,909)	(22,921)
Redemption of long term bonds		864	6,158	–	2
Disposal of investments		2,812	1,675	–	204
Net cash used in investing activities		(137,343)	(45,544)	(148,524)	(47,914)
(Decrease)/ increase in cash and cash equivalents		(467,272)	603,917	(471,834)	544,995
Analysis of changes in cash and cash equivalents					
Cash and cash equivalents at start of period		1,159,581	555,664	1,092,359	547,364
Cash and cash equivalents at end of period	43	692,309	1,159,581	620,525	1,092,359
(Decrease)/ increase in cash and cash equivalents		(467,272)	603,917	(471,834)	544,995

The accounting policies on pages 37 to 45 and notes on pages 49 to 82 form an integral part of these financial statements.

1 The Bank

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

The Bank has eleven subsidiary companies namely, Zenith Securities Limited, Zenith General Insurance Company Limited, Zenith Bank (Ghana) Limited, Zenith Pension Custodian Limited, Zenith Bank (UK) Limited, Zenith Capital Limited, Zenith Registrars Limited, Zenith Medicare Limited, Zenith Trust Company Limited, Zenith Life Assurance Company Limited and Zenith Bank (Sierra Leone) Limited. The results of the bank's subsidiaries have been consolidated in these financial statements. The Bank also acquired significant shareholding in some companies incorporated under the Small and Medium Enterprises Equity Investment Scheme (SMEEIS). These include Qubit Spectrum Limited, Venus Telecom Limited and Cyberspace Networks Limited.

2 Segment analysis

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

(a) By business segment

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

(i) Corporate and Retail Banking

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

(ii) Investment Management and Securities Trading

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

(iii) General, Health and Life Insurance

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

(iv) Others

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

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

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

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

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

	Corporate and Retail Banking N'million	Investment Management and Securities Trading N'million	General, Health and Life Insurance N'million	Others N'million	Eliminations N'million	Consolidated N'million
15 months ended 31 December 2009						
Revenue:						
Derived from external customers	263,077	5,269	7,487	1,467	–	277,300
Derived from other business segments	7,601	371	1,238	4,406	(13,616)	–
Total revenue	270,678	5,640	8,725	5,873	(13,616)	277,300
Expense:						
Operating expenses (including Interest expenses and loan loss expenses)	236,033	10,037	8,120	1,641	(13,616)	242,215
Total cost	236,033	10,037	8,120	1,641	(13,616)	242,215
Profit/ (loss) before tax	34,645	(4,397)	605	4,232	–	35,085
Tax	(14,016)	1,034	(409)	(1,091)	–	(14,482)
Profit/ (loss) after tax	20,629	(3,363)	196	3,141	–	20,603
Other segment items						
Capital expenditure	41,758	8	208	88	–	42,062
Depreciation expense	13,418	64	108	65	–	13,655
Identifiable assets	1,737,700	16,877	12,818	17,157	(124,849)	1,659,703
Identifiable liabilities	1,391,215	12,973	2,710	9,747	(94,735)	1,321,910

	Corporate and Retail Banking N'million	Investment Management and Securities Trading N'million	General, Health and Life Insurance N'million	Others N'million	Eliminations N'million	Consolidated N'million
15 months ended 31 December 2008						
Revenue:						
Derived from external customers	196,416	8,849	3,255	3,119	–	211,639
Derived from other business segments	7,197	529	365	407	(8,498)	–
Total revenue	203,613	9,378	3,620	3,526	(8,498)	211,639
Expense:						
Operating expenses (including Interest expenses and loan loss expenses)	153,166	7,813	1,889	1,149	(8,498)	155,519
Total cost	153,166	7,813	1,889	1,149	(8,498)	155,519
Profit/ (loss) before tax	50,447	1,565	1,731	2,377	–	56,120
Tax	(2,567)	(393)	(390)	(777)	–	(4,127)
Profit/ (loss) after tax	47,880	1,172	1,341	1,600	–	51,993
Other segment items						
Capital expenditure	22,119	417	163	79	–	22,778
Depreciation expense	8,820	49	59	98	–	9,026
Identifiable assets	1,813,098	65,329	13,152	12,628	(117,207)	1,787,000
Identifiable liabilities	1,465,060	62,063	2,836	8,358	(97,934)	1,440,383

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

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

(b) By Geographical segment:

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

(i) Nigeria;
(ii) Rest of Africa; and
(iii) Europe.

15 months ended 31 December 2009

	Nigeria N'million	Rest of Africa N'million	Europe N'million	Eliminations N'million	Consolidated N'million
Revenue:					
Derived from external customers	261,459	12,893	2,948	–	277,300
Derived from other business segments	12,855	–	761	(13,616)	–
Total revenue	274,314	12,893	3,709	(13,616)	277,300
Expense:					
Operating expenses (including Interest expenses and loan loss expenses)	242,225	10,975	2,631	(13,616)	242,215
Total cost	242,225	10,975	2,631	(13,616)	242,215
Profit/ (loss) before tax	32,089	1,918	1,078	–	35,085
Tax	(13,854)	(380)	(248)	–	(14,482)
Profit/ (loss) after tax	18,235	1,538	830	–	20,603
Other segment items					
Capital expenditure	40,036	1,761	265	–	42,062
Depreciation expense	12,853	630	172	–	13,655
Identifiable assets	1,620,046	59,724	104,782	(124,849)	1,659,703
Identifiable liabilities	1,270,243	50,680	95,722	(94,735)	1,321,910

15 months ended 31 December 2008

	Nigeria N'million	Rest of Africa N'million	Europe N'million	Eliminations N'million	Consolidated N'million
Revenue:					
Derived from external customers	201,447	6,194	3,998	–	211,639
Derived from other business segments	8,498	–	–	(8,498)	–
Total revenue	209,945	6,194	3,998	(8,498)	211,639
Expense:					
Operating expenses (including Interest expenses and loan loss expenses)	155,323	4,696	3,998	(8,498)	155,519
Total cost	155,323	4,696	3,998	(8,498)	155,519
Profit/ (loss) before tax	54,622	1,498	–	–	56,120
Tax	(3,975)	(78)	(74)	–	(4,127)
Profit/ (loss) after tax	50,647	1,420	(74)	–	51,993
Other segment items					
Capital expenditure	22,222	412	144	–	22,778
Depreciation expense	8,602	339	85	–	9,026
Identifiable assets	1,771,147	36,144	96,916	(117,207)	1,787,000
Identifiable liabilities	1,414,813	33,887	89,617	(97,934)	1,440,383

	Group 15 Months 2009 N'million	Group 15 Months 2008 N'million	Bank 15 Months 2009 N'million	Bank 15 Months 2008 N'million
3 Interest and similar income				
Placements	13,233	2,540	11,584	2,991
Treasury bills and investment securities	28,997	39,884	27,590	39,502
Government bonds	13,782	5,842	12,584	5,143
Loans and advances	135,494	89,595	132,222	89,302
Advances under finance lease	2,039	876	2,039	876
	193,545	138,737	186,019	137,814
Interest Income earned in Nigeria	181,859	130,973	185,782	137,724
Interest Income earned outside Nigeria	11,686	7,764	237	90
	193,545	138,737	186,019	137,814
4 Interest and similar expense				
Current accounts	10,491	4,451	10,392	4,393
Savings accounts	1,773	688	1,749	668
Time deposits	68,058	45,121	68,406	42,175
Inter-bank takings	1,861	313	515	7
Borrowed funds	1,774	2,721	1,774	2,721
	83,957	53,294	82,836	49,964

Interest expense paid outside Nigeria amounted to Group N6.63 billion (2008: N4.94 billion) and Bank N2.05 billion (2008: N2.81 billion).

	Group 15 Months 2009 N'million	Group 15 Months 2008 N'million	Bank 15 Months 2009 N'million	Bank 15 Months 2008 N'million
5 Fee and commission income				
Facility management fee	10,384	7,105	10,209	7,009
Credit related fees	2,888	2,952	2,592	2,734
Commission on turnover	23,516	22,868	23,197	22,948
Commission on off-balance sheet transactions	1,778	1,410	1,430	1,147
Letters of credit commissions and fees	5,416	5,486	4,829	5,313
Advisory fee income	64	823	11	196
AGM administration fees	110	97	–	–
Bond trading income	524	125	334	–
Fees on electronic products	2,373	1,437	2,363	1,434
Foreign currency transaction fees and commissions	1,191	1,019	1,056	899
Share registration fees	2	708	–	–
Capital issue fees	203	492	–	–
Underwriting commission	–	415	–	–
Other fees and commissions	1,596	4,574	–	–
	50,045	49,511	46,021	41,680

	Group 15 Months 2009 N'million	Group 15 Months 2008 N'million	Bank 15 Months 2009 N'million	Bank 15 Months 2008 N'million
6 Underwriting profit				
Gross premium income	5,845	5,778	–	–
Reinsurances/ coinsurances	(2,566)	(1,773)	–	–
Return premiums	–	(5)	–	–
Net premiums written	3,279	4,000	–	–
Commission earned	547	345	–	–
Claims recovered	1,058	452	–	–
	4,884	4,797	–	–
Claim expenses	(1,859)	(1,221)	–	–
Acquisition costs	(718)	(661)		
Transfer to/ (from) profit and loss	38	(443)	–	–
	2,345	2,472	–	–
7 Income from investments				
Dividend income from equity investments	1,543	232	484	–
(Loss)/Profit on sale of investments	(737)	1,972	–	–
Income from investment deposits	520	1,240	–	–
	1,326	3,444	484	–
8 Other income				
Gain on disposal of fixed assets	–	45	71	45
Rental income	188	–	218	–
Others	5,017	7,102	3,965	5,154
	5,205	7,147	4,254	5,199
9 Operating expenses				
Staff costs (Note 38)	45,443	33,942	41,913	31,563
Depreciation (Note 25)	13,655	9,026	12,614	8,396
Auditors' remuneration	200	151	180	108
Directors' emoluments (Note 38(b))	745	493	508	272
Loss on disposal of fixed assets	27	–	–	–
Other expenses	53,218	43,950	48,195	40,982
	113,288	87,562	103,410	81,321

10 Extra-ordinary item

The extra-ordinary item represents the gain and loss to the Group and Bank respectively on the disposal of 10% of the bank's equity ownership in Zenith Bank (Ghana) Limited.

	Group 2009	Group 2008	Bank 2009	Bank 2008
Proceeds on disposal ($1,200,000)	–	141	–	141
Less:				
Cost of investment	–	–	–	(161)
Less:				
10% of net assets as at date of disposal	–	(133)	–	–
	–	8	–	(20)

11 Taxation

	Group 15 Months 2009 N'million	Group 15 Months 2008 N'million	Bank 15 Months 2009 N'million	Bank 15 Months 2008 N'million
Corporate tax	5,192	4,146	3,391	2,561
Information technology tax	248	547	226	493
Education tax	594	614	516	495
Income tax charge	6,034	5,307	4,133	3,549
Prior period under/(over) provision	8,090	(1,850)	8,057	(1,850)
	14,124	3,457	12,190	1,699
Deferred income tax charge (Note 31)	1,161	724	1,198	716
Reversal during the period (Note 22)	(803)	(54)	–	–
Charge for the period	14,482	4,127	13,388	2,415

The movement in the current income tax payable balance is as follows:

	Group 15 Months 2009 N'million	Group 15 Months 2008 N'million	Bank 15 Months 2009 N'million	Bank 15 Months 2008 N'million
At start of the period	5,690	6,427	3,549	5,125
Tax paid	(12,082)	(4,159)	(10,021)	(3,275)
Tax effect of translation	(325)	(35)	–	–
Prior period under/(over) provision	8,090	(1,850)	8,057	(1,850)
Income tax charge	6,034	5,307	4,133	3,549
At end of the period	7,407	5,690	5,718	3,549

12 Cash and balances with central banks

	Group 15 Months 2009 N'million	Group 15 Months 2008 N'million	Bank 15 Months 2009 N'million	Bank 15 Months 2008 N'million
Cash	29,864	28,542	28,479	27,758
Operating accounts with Central Banks	86,500	192,748	76,650	186,737
Mandatory reserve deposits with central bank				
Cash reserves	9,915	17,772	9,915	17,772
Statutory deposits	500	500	–	–
	126,779	239,562	115,044	232,267

Mandatory reserve deposits are not available for daily use.

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

13 Treasury bills

	Group 15 Months 2009 N'million	Group 15 Months 2008 N'million	Bank 15 Months 2009 N'million	Bank 15 Months 2008 N'million
Treasury bills	234,115	401,445	225,371	396,772

No part of the treasury bills is held by third parties as collateral .

14 Due from other banks

	Group 15 Months 2009 N'million	Group 15 Months 2008 N'million	Bank 15 Months 2009 N'million	Bank 15 Months 2008 N'million
Current balances with banks within Nigeria	2,880	422	–	–
Current balances with banks outside Nigeria	82,167	147,590	121,967	178,421
Placements with banks and discount houses	256,783	388,834	168,058	302,671
	341,830	536,846	290,025	481,092

Included in balances with banks outside Nigeria is the amount of N 51.67 billion and N 51.68 billion for the Group and Bank respectively (2008: N 65.89 billion and N 65.35 billion) which represents the Naira value of foreign currency balances held on behalf of customers in respect of letters of credit. The corresponding liabilities are included in other liabilities (See Note 30).

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

Included in placements with banks and discount houses are placements with banks within Nigeria for Group and Bank of N165.57 billion and N 165.57 billion respectively (Group 2008: N 301.72 billion, Bank 2008: N 301.72 billion).

15 Loans and advances

	Group 15 Months 2009 N'million	Group 15 Months 2008 N'million	Bank 15 Months 2009 N'million	Bank 15 Months 2008 N'million
Overdrafts	364,543	201,307	350,617	188,230
Term loans	346,346	225,405	329,037	205,712
Other loans	36,576	42,399	36,576	42,399
	747,465	469,111	716,230	436,341
Provision for loan losses and interest in suspense (Note 16)	(49,139)	(13,787)	(46,969)	(13,467)
	698,326	455,324	669,261	422,874

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

	Group 15 Months 2009 N'million	Group 15 Months 2008 N'million	Bank 15 Months 2009 N'million	Bank 15 Months 2008 N'million
Secured against real estate	344,861	231,087	329,661	231,087
Secured by shares of quoted companies	41,950	13,632	40,101	13,632
Otherwise secured	218,840	141,709	209,195	141,709
Unsecured	141,814	82,683	137,273	49,913
	747,465	469,111	716,230	436,341

The performance of loans and advances is analysed as follows:

	Group 15 Months 2009 N'million	Group 15 Months 2008 N'million	Bank 15 Months 2009 N'million	Bank 15 Months 2008 N'million
Performing	699,086	459,548	669,817	426,936
Non-Performing				
- sub-standard	5,931	251	5,931	166
- doubtful	15,179	1,088	13,220	1,048
- lost	27,269	8,224	27,262	8,191
	747,465	469,111	716,230	436,341

	Group 15 Months 2009 N'million	Group 15 Months 2008 N'million	Bank 15 Months 2009 N'million	Bank 15 Months 2008 N'million
Analysis by maturity				
0 – 30 days	171,295	146,960	165,929	248,496
1-3 months	57,859	3	55,516	1,121
3-6 months	8,552	96	6,208	6,366
6-12 months	16,797	399	14,454	12,945
Over 12 months	492,962	321,653	474,123	167,413
	747,465	469,111	716,230	436,341

16 Provision for loan losses and interest in suspense comprise:

	Group 15 Months 2009 N'million	Group 15 Months 2008 N'million	Bank 15 Months 2009 N'million	Bank 15 Months 2008 N'million
Provision for loan loss on non-performing facilities (See note (a) below)	46,771	7,717	44,805	7,717
Provision for loan loss on performing facilities (See note (b) below)	–	4,540	–	4,236
Interest suspended on classified facilities (See note (c) below)	2,368	1,530	2,164	1,514
	49,139	13,787	46,969	13,467
(a) Movement in provision for loan loss on non-performing facilities				
At start of the period	7,717	3,393	7,717	3,393
Exchange difference on translation of opening balance	599	(95)	–	–
Provision during the period (See Note(16 (d))below)	38,455	4,419	37,088	4,324
At end of the period	46,771	7,717	44,805	7,717
(b) Movement in provision for loan loss on performing facilities				
At start of the period	4,540	2,592	4,236	2,540
Exchange difference on translation of opening balance	(363)	98	–	–
Provision during the period (See Note(16 (d)below)	–	1,850	–	1,696
Provision no longer required (See Note(16 (d)below)	(4,177)	–	(4,236)	–
At end of the period	–	4,540	–	4,236
(c) Movement in interest in suspense				
At start of the period	1,530	156	1,514	156
Suspended during the year	838	1,374	650	1,358
At end of the period	2,368	1,530	2,164	1,514

16 (d) Diminution in asset values

	Group 15 Months 2009 N'million	Group 15 Months 2008 N'million	Bank 15 Months 2009 N'million	Bank 15 Months 2008 N'million
The charge for the period is analysed as follows:				
Provision for non-performing loans (Note 16 (a))	38,455	4,419	37,088	4,324
Provision for performing loans (Note 16 (b))	–	1,850	–	1,696
Provision no longer required on performing loans(Note 16 (b))	(4,177)	–	(4,236)	–
Provision for non- performing advances under finance leases (Note 17(b))	–	57	–	57
Provision no longer required for advances under finance leases (Note 17(b))	(83)	–	(86)	–
Provision for insurance receivables (Note 18 (b))	1,011	443	–	–
Provisions for other assets (Note 23 (b))	3,324	4,049	3,245	4,049
Provisions for dimunition in investments (Note 19 (c) below)	1,264	–	137	–
Bad debts written off	71	–	–	–
Prior year provisions written off against other assets (Note 23 (b) below)	–	(250)	–	(250)
	39,865	10,568	36,148	9,876

17 Advances under finance lease

	Group 15 Months 2009 N'million	Group 15 Months 2008 N'million	Bank 15 Months 2009 N'million	Bank 15 Months 2008 N'million
(a) **Gross investment**	6,959	11,423	6,564	10,636
Less: Unearned income	(1,451)	(6,721)	(1,283)	(6,610)
Net Investment	5,508	4,702	5,281	4,026
Provision for losses (See(b) below)	(2)	(87)	–	(86)
	5,506	4,615	5,281	3,940
Performing	5,502	4,702	5,281	4,026
Non-performing				
- substandard	–	–	–	–
- doubtful	6	–	–	–
- lost	–	–	–	–
	5,508	4,702	5,281	4,026

	Group 15 Months 2009 N'million	Group 15 Months 2008 N'million	Bank 15 Months 2009 N'million	Bank 15 Months 2008 N'million
Analysis by maturity				
0 – 30 days	4	–	4	–
1-3 months	47	–	47	–
3-6 months	117	–	117	–
6-12 months	260	–	217	–
Over 12 months	5,080	4,702	4,896	4,026
	5,508	4,702	5,281	4,026

(b) Movement in specific provision for advances under finance lease

	Group 2009	Group 2008	Bank 2009	Bank 2008
At start of the period	87	30	86	29
Exchange difference on translation of opening balance	(2)	–	–	–
Provision during the period (See Note16 (d) above)	–	57	–	57
Provision no longer required (See Note16 (d) above)	(83)	–	(86)	–
At end of the period	2	87	–	86

18 Insurance receivables

	Group 2009	Group 2008	Bank 2009	Bank 2008
(a) Due from agents and brokers	2,085	1,377	–	–
Due from reinsurers	122	–	–	–
Less: Provision for doubtful insurance receivables (See Note ((b)) below)	(1,572)	(561)	–	–
	635	816	–	–

(b) Movement in Provision for insurance receivables is as shown below:

	Group 2009	Group 2008	Bank 2009	Bank 2008
At start of the period	561	118	–	–
Charge for the period (See Note (16 (d)) above)	1,011	443	–	–
At end of the period	1,572	561	–	–

19 Investment securities

(a) Analysis of investments

	Group 2009	Group 2008	Bank 2009	Bank 2008
Long term investments				
-Quoted	149,315	52,411	133,400	45,472
-Unquoted	8,945	9,119	8,945	9,119
Short term investments				
-Quoted	1,981	2,632	1,981	–
	160,241	64,162	144,326	54,591

	Group 15 Months 2009 N'million	Group 15 Months 2008 N'million	Bank 15 Months 2009 N'million	Bank 15 Months 2008 N'million
(b) Debt securities				
Federal Government of Nigeria (Trading Bonds) (Note (i))	1,981	864	1,981	–
Federal Government of Nigeria (Non- trading bonds) (Note (iii))	128,795	45,347	128,795	45,347
Ghana Government Bond (Note (iv))	1,495	605	–	–
Gabon Government Bond (Note (v))	449	–	–	–
Lagos State Government Bond (Note (vi))	3,600	125	3,600	125
GT Bank PLC Bond (Note (vii))	3,248	–	1,005	–
Irish National Bond (Note (viii))	3,274	–	–	–
Merill Lynch Bond (Note (ix))	2,129	–	–	–
Nationwide Building Society Bond (Note (x))	133	–	–	–
African Development Bank (AfDB) Bond (Note (xi))	598	–	–	–
First Bank of Nigeria PLC Bond (Note (xii))	2,221	–	–	–
African Export Import Bank (Afrexim) Bond (Note (xiii))	1,495	–	–	–
	149,418	46,941	135,381	45,472
Equity securities				
Quoted securities	1,878	8,102	–	–
Unquoted securities	6,436	6,436	6,436	6,436
Investment in Small and Medium Enterprises (See Note (xiv) below)	2,509	2,683	2,509	2,683
	160,241	64,162	144,326	54,591
Revaluation surplus on quoted securities	–	402	–	–
Provision for dimunition (see Note 19 (c) below)	(1,264)	–	(137)	–
Total Investment securities	158,977	64,564	144,189	54,591

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

	Group 2009	Group 2008	Bank 2009	Bank 2008
At start of the period	–	–	–	–
Provision for the period (See Note 16 (d) above)	1,264	–	137	–
At end of the period	1,264	–	137	–

(d) Movement in long term investments

	Group 2009	Group 2008	Bank 2009	Bank 2008
At start of the period	64,564	41,195	54,591	31,919
Additions	99,254	30,896	89,735	22,878
Redemption of long term bonds	(864)	(6,158)	–	(2)
Provision for diminution in value	(1,264)	–	(137)	–
Disposals	(2,812)	(1,675)	–	(204)
Revaluation surplus/ (reversal)	(402)	306	–	–
Exchange difference on translation of opening balance	501	–	–	–
At end of the period	158,977	64,564	144,189	54,591

	Group 15 Months 2009 N'million	Group 15 Months 2008 N'million	Bank 15 Months 2009 N'million	Bank 15 Months 2008 N'million
(I) FGN Bonds- trading comprise:				
2nd FGN Bond Series 7 (17%)	–	40	–	–
3rd FGN Bond Series 12 (12 %)	–	103	–	–
3rd FGN Bond Series 15 (10.98 %)	–	500	–	–
4th FGN Bond Series 9 (9.35%)	–	125	–	–
4th FGN Bond Series 10 (9.50%)	–	96	–	–
4th FGN Bond Series 5 (9.23%)	508	–	508	–
4th FGN Bond Series 9 (9.35%)	102	–	102	–
5th FGN Bond Series 1 (9.45%)	203	–	203	–
5th FGN Bond Series 5 (15.00%)	406	–	406	–
6th FGN Bond Series 3 (12.49%)	610	–	610	–
6th FGN Bond Series 5 (8.50%)	152	–	152	–
	1,981	864	1,981	–

(ii) The market value of short term investments are Group: N 2.39 billion (2008: N3.45 billion) and Bank: NIL (2008: NIL)

The market value of long term listed investments are Group N 147.36 billion (2008: N 48.75 billion) and Bank: N 141.24 billion (2008: N 55.10 billion)

(iii) The outstanding balance represents eighty three tranches of Federal Government Bonds which the bank intends to hold to maturity. The portfolio's pricing ranges between 7.95% and 16% per annum. Its average tenor is 2 years and 4 months with the earliest bond maturing in January 2010 while the bond with the longest tenor will mature in September 2014.

(iv) The balance of N1.50 billion represents Zenith Bank (UK) Limited's outstanding investment of $10,000,000 (£ 6,164,088) in 4 different tranches of Eurobond issued by the government of Ghana. The bond portfolio is priced at 8.5% per annum on the principal original currency of denomination. This portfolio will mature in October 2017.

(v) The outstanding balance represents the naira equivalent of Zenith Bank (UK) Limited's investment of $ 3,000,000 (£ 1,849,226.41) in two tranches of in Bonds issued by the government of Gabon. The Bond portfolio is priced at 8.2 % per annum and will mature in December 2017.

(vi) This represents the aggregate sum of the Bank's outstanding investment in Lagos State floating rate redeemable bond (2005/2009) of N100 million and an additional investment in the sum of N3.5 billion in fixed rate redeemable Series 1 (2008/2013). The former is priced at the higher of 4% above Central Bank of Nigeria's (CBN) treasury bills' rate and CBN Certificate rate plus 1% per annum, while the latter is priced at 13% per annum.

(vii) The outstanding balance of investment in Bonds issued by GT Bank PLC represents two tranches of investments made by Zenith Bank PLC and one of its subsidiaries, Zenith Bank (UK) Limited:

Zenith Bank PLC's portion of N1 billion represents an investment in a Fixed rate Senior Unsecured Non-convertible Bond issued by the investee . The five-year bond which is priced at 13.5% per annum will mature in December 2014. Interest is payable semi-annually.

The balance of N2.24 billion represents Zenith Bank (UK) Limited's investment of $15,000,000 (£ 9,246,132) in four different tranches of Eurobond issued by GT Bank PLC. The bond portfolio is priced at 8.5% per annum on the principal's original currency of denomination. This portfolio will mature in January 2012.

(viii) This represents Zenith Bank (UK) Limited's investments in fixed-rate bonds issued by the investee that are originally denominated in the British Pounds currency. The investment was undertaken in three tranches of and £2,000,000, £5,000,000 and £6,500,000 respectively. The first tranch has a coupon rate of 0.8056% per annum while the the others are priced at the same rate of 3.625% per annum. The first tranch will mature in June 2010 while the other tranches will mature in September 2010.

(ix) The amount of N 2.13 billion (£8,778,000) represents Zenith Bank (UK) Limited's oustanding investment in five tranches of Bonds issued by Merill Lynch. The fixed-rate bond portfolio comprises five instalments. Four tranches of the bonds making up a total of £ 5,778,000 attract interest at the rate of 5.125% and will mature in September 2010. The last tranch is priced at 6.6440% per annum and will mature in February 2011.

(x) The amount of N 134.55 million represents Zenith Bank (UK) Limited's outstanding investment in a fixed rate bond issued by Nationwide Building Society. The bond attracts interest at the rate of 4.25% on the principal outstanding balance of $ 900,000 (£ 554,768). This bond will mature in February 2010.

(xi) During the year, Zenith Bank (UK) Limited invested an amount of $ 4,000,000 (£ 2,465,635) in bonds issued by the African Development Bank (AfDB). This balance represents the naira equivalent of N 598 million outstanding as at 31 December 2009. The bond is priced at 0.3953% per annum and will mature in July 2012.

(xii) The outstanding balance of investment in Bonds issued by First Bank PLC in Nigeria represents six tranches of bonds acquired by Zenith Bank (UK) Limited. All tranches are priced at 9.75% per annum and will mature in March 2017.

(xiii) The amount of N 12.09 billion represents Zenith Bank (UK) Limited's outstanding investment in a fixed rate bond issued by the investee company. The bond attracts interest at the rate of 4.25% on the principal outstanding balance of $ 10,000,000 (£ 6,164,088). This bond will mature in November 2014.

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

20 Investment in subsidiaries	%				
Zenith Securities Limited	99.9890%	–	–	8,000	400
Zenith General Insurance Company Limited	80.1224%	–	–	3,978	3,978
Zenith Registrars Limited	99.9969%	–	–	500	50
Zenith Bank (Ghana) Limited	97.0646%	–	–	6,444	1,450
Zenith Pensions Custodian Limited	99.0000%	–	–	1,980	1,980
Zenith Life Assurance Company Limited	81.6132%	–	–	150	150
Zenith Bank (UK) Limited	100.0000%	–	–	8,527	8,527
Zenith Capital Limited	99.9996%	–	–	5,400	400
Zenith Bank (Sierra Leone) Limited	100.0000%	–	–	1,117	–
		–	–	36,096	16,935

i Apart from Zenith Bank (Ghana) Limited,Zenith Bank (UK) Limited, Zenith Bank (Sierra Leone) Limited and Zenith Bank (Gambia Limited), all the subsidiaries are incorporated in Nigeria. The condensed financial statements of the consolidated subsidiaries are included in Note 21.

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

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

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

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

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

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

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

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

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

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

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

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

21 Condensed results of consolidated entities

Condensed profit and loss	Zenith General Insurance Company Limited N'million	Zenith Securities Limited N'million	Zenith Medicare Limited N'million	Zenith Life Assurance Company Limited N'million	Zenith Pensions Custodian Limited N'million
Operating income	7,278	4,191	404	1,044	1,888
Operating expenses	(5,690)	(7,746)	(377)	(554)	(346)
Provision expense	(1,075)	(300)	(3)	(423)	(1)
Profit/ (loss) before tax	513	(3,855)	24	67	1,541
Tax	(514)	842	(6)	110	(380)
Profit/(loss) for the year	(1)	(3,013)	18	177	1,161
Condensed Financial position					
Cash and balances with central banks	3,969	8,221	376	1,232	4,077
Loans and advances to customers	7	871	–	2	–
Advances under finance lease	–	–	–	–	–
Insurance receivables	812	–	–	86	–
Investment securities	669	216	–	151	–
Investment in subsidiaries and associates	1,950	80	–	–	–
Deferred tax asset	–	853	–	1	–
Other assets	3,014	5	42	1,081	152
Investment property	433	–	–	–	–
Property and equipment	509	8	43	9	42
	11,363	10,254	461	2,562	4,271
Financed by:					
Customer deposits	–	–	–	–	–
Claims payable	76	–	122	–	–
Current income tax	424	170	10	(88)	472
Other liabilities	2,367	9,174	27	137	100
Provisions on insurance contracts	920	–	127	155	–
Deferred income tax liabilities	–	–	1	–	1
Equity and reserves	7,576	910	174	2,358	3,698
	11,363	10,254	461	2,562	4,271
Condensed cash flow					
Net cash from operating activities	(1,806)	(35,262)	64	(541)	1,215
Net cash from financing activities	–	2,600	–	–	–
Net cash from investing activities	782	1,587	14	367	–
(Decrease)/Increase in cash and cash equivalents	(1,024)	(31,075)	78	(174)	1,215
At period start	4,693	39,296	298	1,206	2,862
At period end	3,669	8,221	376	1,032	4,077
	(1,024)	(31,075)	78	(174)	1,215

Condensed results of consolidated entities

Condensed profit and loss	Zenith Capital Limited N'million	Zenith Registrars Limited N'million	Zenith Trustees Limited N'million	Zenith Bank (Ghana) Limited N'million	Zenith Bank (UK) Limited N'million	Zenith Bank (Sierra Leone) Limited N'million
Operating income	1,449	3,896	90	12,825	3,709	67
Operating expenses	(1,424)	(1,181)	(83)	(9,308)	(2,631)	(527)
Provision expense	(666)	–	(31)	(1,133)	–	(7)
Profit/ (loss) before tax	(641)	2,715	(24)	2,384	1,078	(467)
Tax	192	(706)	(5)	(380)	(248)	–
Profit/(loss) for the year	(449)	2,009	(29)	2,004	830	(467)
Condensed Financial position						
Cash and balances with central banks	6,109	10,456	1,888	15,043	605	209
Treasury bills	–	–	–	8,471	–	272
Due from other banks	–	–	–	12,968	79,494	81
Loans and advances to customers	52	–	–	19,864	8,152	60
Advances under finance lease	–	–	–	225	–	–
Insurance receivables	–	–	–	–	–	–
Investment securities	714	–	29	–	14,037	–
Investment in subsidiaries and associates	–	80	–	–	–	–
Deferred tax asset	89	–	–	–	23	–
Other assets	232	35	63	233	2,041	137
Investment property	–	–	–	–	–	–
Property and equipment	65	312	20	1,458	430	553
	7,261	10,883	2,000	58,262	104,782	1,312
Financed by:						
Customer deposits	–	–	–	48,233	46,746	571
Current income tax	14	857	2	(174)	–	–
Other liabilities	4,253	6,374	1,932	1,853	48,976	39
Provisions on insurance contracts	–	–	–	–	–	–
Deferred income tax liabilities	–	2	3	8	–	–
Equity and reserves	2,994	3,650	63	8,342	9,060	702
	7,261	10,883	2,000	58,262	104,782	1,312
Condensed cash flow						
Net cash from operating activities	3,355	1,537	1,770	(3,675)	9,201	(960)
Net cash from financing activities	1,500	–	–	4,229	930	1,169
Net cash from investing activities	959	–	1	–	(9,819)	–
Increase in cash and cash equivalents	5,814	1,537	1,771	554	312	209
At period start	295	8,919	117	14,489	293	–
At period end	6,109	10,456	1,888	15,043	605	209
	5,814	1,537	1,771	554	312	209

	Group 15 Months 2009 N'million	Group 15 Months 2008 N'million	Bank 15 Months 2009 N'million	Bank 15 Months 2008 N'million
22 Deferred tax assets				
The movement on this account during the period was as follows:				
At start of the period	160	120	–	–
Additions/ (abatement) (Note 11)	803	54	–	–
Tax effect of translation	3	(14)	–	–
At end of the period	966	160	–	–

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

23 Other assets
(a)

	Group 2009	Group 2008	Bank 2009	Bank 2008
Prepayments	14,524	23,110	14,357	22,456
Due from clients	–	4,471	–	–
Other receivables	6,398	8,793	5,727	5,101
Less: provision for doubtful receivables (See Note (b) below)	(7,405)	(4,081)	(7,326)	(4,081)
	13,517	32,293	12,758	23,476

Due from clients represent amounts receivable from clients of the Asset management unit of the Group.

(b) Movement in provision for doubtful receivables is as shown below:

	Group 2009	Group 2008	Bank 2009	Bank 2008
At start of the period	4,081	282	4,081	282
Charge for the period (See Note (16 (d)) above)	3,324	4,049	3,245	4,049
Prior year provisions written off against other assets	–	(250)	–	(250)
At end of the period	7,405	4,081	7,326	4,081

24 Investment property

	Group 2009	Group 2008	Bank 2009	Bank 2008
Opening net book amount	433	394	–	–
Additions and capital improvements	–	39	–	–
Closing net book amount	433	433	–	–

Land and Houses have been bought for investment purposes and are not occupied substantially by the Group. They are not subjected to periodic charges for depreciation. The property has not been independently valued.

25 Property and equipment

a. Group

	Leasehold land & building N'million	Leasehold improvement N'million	Furniture, fittings & equipment N'million	Computer equipment N'million	Motor vehicles N'million	Work in progress N'million	Total N'million
Cost							
At start of the period	15,695	8,366	15,833	9,438	9,473	15,358	74,163
Exchange difference	(28)	(209)	(162)	(95)	(104)	42	(556)
Additions	6,218	2,803	6,710	8,864	2,571	14,896	42,062
Reclassifications	369	76	(55)	9	10	(409)	–
Disposal	–	(2)	(20)	(291)	(517)	–	(830)
At end of the period	22,254	11,034	22,306	17,925	11,433	29,887	114,839
Accumulated depreciation							
At start of the period	798	4,918	6,965	5,808	4,732	–	23,221
Exchange difference	(2)	(44)	(46)	(27)	(31)	–	(150)
Charge for the period	454	2,103	4,178	4,265	2,655	–	13,655
Reclassifications	(9)	19	(13)	(1)	4	–	–
Disposals	–	(1)	(14)	(31)	(460)	–	(506)
At end of the period	1,241	6,995	11,070	10,014	6,900	–	36,220
Net book amount							
At 31 December 2009	21,013	4,039	11,236	7,911	4,533	29,887	78,619
At 30 September 2008	14,897	3,448	8,868	3,630	4,741	15,358	50,942

b. Bank

	Leasehold land & building N'million	Leasehold improvement N'million	Furniture, fittings & equipment N'million	Computer equipment N'million	Motor vehicles N'million	Work in progress N'million	Total N'million
Cost							
At start of the period	15,096	7,848	15,258	8,528	8,874	14,684	70,288
Additions	6,218	2,098	6,200	8,300	2,259	14,656	39,731
Reclassifications	296	(210)	(80)	(6)	–	–	–
Disposals	–	(1)	(18)	(6)	(472)	–	(497)
At end of the period	21,610	9,735	21,360	16,816	10,661	29,340	109,522
Accumulated depreciation							
At start of the period	757	4,743	6,757	5,419	4,527	–	22,203
Charge for the period	451	1,796	3,957	3,970	2,440	–	12,614
Reclassifications	20	(10)	(13)	(1)	4	–	–
Disposals	–	(1)	(13)	(6)	(446)	–	(466)
At end of the period	1,228	6,528	10,688	9,382	6,525	–	34,351
Net book amount							
At 31 December 2009	20,382	3,207	10,672	7,434	4,136	29,340	75,171
At 30 September 2008	14,339	3,105	8,501	3,109	4,347	14,684	48,085

	Group 2009 N'million	Group 2008 N'million	Bank 2009 N'million	Bank 2008 N'million
26 Deposits				
Demand	674,238	632,426	648,881	674,064
Savings	65,776	48,657	64,162	48,087
Term	295,801	371,557	276,366	308,695
Domiciliary	138,102	136,236	121,919	133,614
	1,173,917	1,188,876	1,111,328	1,164,460
Analysis by maturity				
0 – 30 days	567,777	1,064,844	534,690	1,096,018
1-3 months	66,873	53,989	43,770	50,683
3-6 months	12,752	8,535	6,016	8,012
6-12 months	4,073	6,443	1,564	6,048
Over 12 months	522,442	55,065	525,288	3,699
	1,173,917	1,188,876	1,111,328	1,164,460
27 Claims payable				
Claims on non-life policies	198	234	–	–
28 Liabilities on insurance contracts				
Life contracts	155	98	–	–
Non-life insurance contracts	1,047	979	–	–
	1,202	1,077	–	–

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

	Unearned Premium N'million	Unexpired risk N'million	IBNR N'million	Total N'million
At start of the period	67	919	14	1,000
Transfers (to)/from Revenue a/c	60	(5)	(8)	47
At end of the period	127	914	6	1,047

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

	Group 2009 N'million	Group 2008 N'million	Bank 2009 N'million	Bank 2008 N'million
29 Borrowings				
Long term borrowing comprise:				
Due to FMO(Note (i))	4,630	2,125	4,630	2,125
Due to ADB(Note (ii))	12,521	13,875	12,521	13,875
Due to ChinaExim(Note (iii))	1,286	1,687	1,286	1,687
Due to EIB(Note (iv))	1,250	1,337	1,250	1,337
Due to ICICI	–	3,530	–	3,530
Due to HSBC(Note (v))	2,067	2,603	2,067	2,603
Due to PROPARCO(Note (vi))	2,492	2,942	2,492	2,942
Due to Standard Chartered Bank	–	2,942	–	2,942
Due to Commerz Bank(Note (vii))	2,243	3,530	2,243	3,530
Due to Sovereign Bank(Note (viii))	3,277	–	3,277	–
Due to African Export Import Bank (Note (ix))	6,218	5,860	6,218	5,860
	35,984	40,431	35,984	40,431

(i) The amount due to Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (FMO) of N 4.63 billion ($28,410,611) comprises the outstanding balance of three facilities in the sums of $5,000,000, $25,000,000 and $15,000,000 granted by FMO. The first two tranches of facility were availed to Zenith Bank PLC in December 2005 while the last was disbursed in March 2009. The respective facilities are priced at LIBOR +2.65%, LIBOR + 2.65% and LIBOR + 3.5% per annum. The respective maturity periods of the facilities are 2 years and 11 months; 11 months; 4 years and 2 months respectively.

(ii) The amount due to African Development Bank (ADB) of N 12.5 billion ($ 83,750,001.01) represents the outstanding balance of two tranches of dollar facilities in the sums of $70,000,000 and $100,000,000 granted by ADB in May 2005 and May 2007 respectively. The tranches of the facility are repayable over 5 years and 7 years respectively. Interest is payable half-yearly at the rate of LIBOR + 2.3 % per annum and LIBOR + 2.2% per annum respectively. The outstanding balance of the first tranch of $ 61.25 million (N9.16 billion) will mature in 6 months while the second tranch $22.5 million (N 3.36 billion) will mature in 4 years and 4 months.

(iii) The amount of N 1.29 billion ($8,600,844.24) represents the outstanding balance of a five year dollar facility granted by China Exim Bank in August 2006. Interest is payable at 5.29% per annum. The facility will mature in 1 year and 7 months.

(iv) The amount of N 1.25 billion ($8,362,671.77) represents the outstanding balance of three tranches of dollar facilities disbursed by European Investment Bank (EIB) in the sums of $ 5,000,000 (granted in March 2007); $4,000,000 (granted in November 2007) and $2,983,562.35 (granted in December 2007). The first two tranches are repayable over 5 years while the last tranch is payable over 4 years. All facilities are priced at 2.9% per annum.

(v) The amount of N 2.07 billion ($13,824,834.39) represents the outstanding balance of the dollar facility granted by The Hongkong and Shanghai Banking Corporation in June 2007 for a period of five years. Interest is payable at the rate of LIBOR plus 0.6 % per annum.

(vi) The amount of N 2.49 billion ($ 16,666,667) represents the dollar facility granted by Promotion et Participation pour la Coopération économique (PROPARCO) in August 2007 for a period of five years. Interest is payable at LIBOR plus 2.50% per annum.

(vii) The amount of N 2.24 billion ($15,000,000) represents the outstanding balance of the dollar facility granted by Commerz Bank in March 2009 for 1 year. The facility is priced at a fixed rate of 6.90 % per annum.

(viii) The amount of N 3.28 billion ($ 21,920,396.25) represents the outstanding balance of the dollar facility granted by Sovereign Bank in November 2008 for five years. Interest is payable at the rate of LIBOR plus 0.60 % per annum.

(ix) The outstanding balance due to African Export Import Bank (Afrexim) of N 6.22 billion ($ 41,588,736.70), represents Zenith Bank PLC's contingent liability to AFREXIM under its (Zenith's) arrangement with the lender of funds as an intermediary and guarantor to customers. The corresponding assets are included in Note 15.

	Group 2009 N'million	Group 2008 N'million	Bank 2009 N'million	Bank 2008 N'million
Analysis by maturity				
0 - 30 days	6,218	–	6,218	–
1-3 months	2,243	–	2,243	–
3-6 months	–	–	–	–
6-12 months	2,241	–	2,241	–
Over 12 months	25,282	40,431	25,282	40,431
	35,984	40,431	35,984	40,431

	Group 2009 N'million	Group 2008 N'million	Bank 2009 N'million	Bank 2008 N'million
30 Other liabilities				
Customer deposits for letters of credit (Note 14)	51,683	65,893	51,669	65,353
Interest payable	4,689	4,308	3,362	3,616
Managers' cheques	17,785	38,310	17,577	38,030
Unearned income	4,824	10,732	4,824	10,678
Due to clients	3,482	59,601	–	–
Unclaimed dividend	3,925	4,756	–	–
Other payables	13,697	18,514	11,251	13,530
	100,085	202,114	88,683	131,207
31 Deferred income tax liabilities				
At start of the period	1,961	1,238	1,902	1,186
Tax effect of translation	(5)	(1)	–	–
Charge for the period	1,161	724	1,198	716
At end of the period	3,117	1,961	3,100	1,902

The Group's exposure to deferred tax primarily relates to timing differences in the recognition of depreciation, capital allowances on fixed assets, other assets, other provisions and general provisions.

	Group 2009 N'million	Group 2008 N'million	Bank 2009 N'million	Bank 2008 N'million
32 Share capital				
Authorised				
40,000,000,000 ordinary shares of 50k each (2008: 20,000,000,000)	20,000	10,000	20,000	10,000
Issued and fully paid				
25,117,195,029 ordinary shares of 50k each (2008: 16,744,796,686)	12,559	8,372	12,559	8,372
Movements during the period:				
At start of the period	8,372	4,632	8,372	4,632
Issue of bonus shares	4,187	1,158	4,187	1,158
Issue of new shares	–	2,582	–	2,582
At end of the period	12,559	8,372	12,559	8,372

	Group 2009 N'million	Group 2008 N'million	Bank 2009 N'million	Bank 2008 N'million
33 Share premium				
The movement on share premium account During the period was as follows:				
At start of the period	255,047	69,237	255,047	69,237
Proceeds from issue of shares	–	194,593	–	194,593
Share issue expenses	–	(8,783)	–	(8,783)
At end of the period	255,047	255,047	255,047	255,047

34 Movement in reserves

Group	Statutory Reserve	Contingency reserve	SMIEIS reserve	Revaluation reserve (Investment securities)	Translation reserve	Bonus issue reserve	Retained earnings	Total
As at 31 December 2009	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million
At start of the period	16,878	262	3,729	322	(814)	–	60,552	80,929
Transfer to bonus issue (See Note (i) below)	–	–	–	–	–	4,186	(4,186)	–
Transfer to share capital	–	–	–	–	–	(4,186)	–	(4,186)
Dividend paid	–	–	–	–	–	–	(28,466)	(28,466)
Movement on revaluation reserve	–	–	–	(322)	–	–	–	(322)
Net change due to exchange rate movement	–	–	–	–	102	–	–	102
Adjustment to reflect changes in opening balance of non-controlling interest (Note 35)	–	–	–	–	–	–	40	40
Bonus issue during recapitalised in subsidiary (see Note 7(a))	–	–	–	–	–	–	(630)	(630)
Transfer from profit and loss account	2,755	169	–	–	–	–	17,573	20,497
At end of the period	19,633	431	3,729	–	(712)	–	44,883	67,964

Movement in reserves cont'd

Group	Statutory Reserve	Contin-gency reserve	SMIEIS reserve	Revaluation reserve (Investment Securities)	Translation reserve	Bonus issue reserve	Retained earnings	Total
As at 30 September 2008	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million
At start of the period	9,899	160	3,729	79	400	1,158	25,291	40,716
Transfer to bonus issue (See Note (i) below)	–	–	–	–	–	–	–	
Transfer to Share capital	–	–	–	–	–	(1,158)	–	(1,158)
Dividend paid	–	–	–	–	–	–	(9,266)	(9,266)
Movement on revaluation reserve	–	–	–	243	–	–	–	243
Net change due to exchange rate movement	–	–	–	–	(1,214)	–	–	(1,214)
Adjustment for non-controlling interest's share in prior year's reserves	–	(1)	–	–	–	–	–	(1)
Transfer from profit and loss account	6,979	103	–	–	–	–	44,526	51,608
At end of the period	16,878	262	3,729	322	814	–	60,551	80,928

Movement in reserves

Bank	Statutory Reserve	SMIEIS reserve	Bonus issue reserve	Retained earnings	Total
As at 31 December 2009	N'million	N'million	N'million	N'million	N'million
At start of the period	16,878	3,729	–	54,457	75,064
Transfer to share capital	–	–	(4,186)	–	(4,186)
Dividend paid	–	–	–	(28,466)	(28,466)
Transfer to bonus issue	–	–	4,186	(4,186)	–
Transfer from profit and loss account	2,755	–	–	15,610	18,365
At end of the period	19,633	3,729	–	37,415	60,777
As at 30 September 2008					
At start of the period	9,899	3,729	1,158	24,178	38,964
Transfer to share capital	–	–	(1,158)	–	(1,158)
Dividend paid	–	–	–	(9,266)	(9,266)
Transfer from profit and loss account	6,979	–	–	39,545	46,524
At end of the period	16,878	3,729	–	54,457	75,064

Movement in reserves(contd)

i At an extra-ordinary meeting which held on 2 June 2009, the shareholders of the bank approved an increase of the authorised share capital from N10 billion to N20 billion by the creation of additional 20 billion ordinary shares of 50k each, ranking pari passu in all respects with the existing shares of the bank.

Also, at the recommendation of the directors, a bonus issue of 1 ordinary share for two existing shares was approved. Accordingly, N 4.18 billion was capitalised from the Bank's retained earnings. The new issues rank pari passu in all respects with the existing shares of the bank.

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

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

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

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

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

35 Non-controlling interest

	Group 2009 N'million	Group 2008 N'million	Bank 2009 N'million	Bank 2008 N'million
At start of the period	2,270	1,869	–	–
Dilution in non-controlling interest	(40)	(208)	–	–
Nominal value of equity investment in subsidiary				
- Zenith Bank (Ghana) Limited	–	161	–	–
Reserves acquired during the period	–	(7)	–	–
Transfer from profit and loss account	106	384	–	–
Increase/ (decrease) of revaluation reserve	(81)	63	–	–
Share of Foreign currency translation reserve	(32)	8	–	–
At end of the period	2,223	2,270	–	–

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

	Group 2009	Group 2008	Bank 2009	Bank 2008
0.0110% Shareholding in Zenith Securities Limited (2008: 0.0825%)	–	2	–	–
1.00% Shareholding in Zenith Pensions Custodian Company Limited (2008: 1.00%)	37	25	–	–
19.8776% Shareholding in Zenith General Insurance Company Limited (2008: 19.8779%)	1,505	1,585	–	–
19.8779% Shareholding in Zenith Medicare Limited (2008: 19.8779%)	35	31	–	–
18.3871% Shareholding in Zenith Life Assurance Company Limited (2008: 18.3871%)	434	401	–	–
0.0004% Shareholding in Zenith Capital Limited (2008: 0.0106%)	–	–	–	–
0.00003% Shareholding in Zenith Registrars Limited (2008: 0.0236%)	–	–	–	–
0.0071% Shareholding in Zenith Trustees Limited (2008: 0.0530%)	–	–	–	–
2.9354% Shareholding in Zenith Bank (Ghana) Limited (2008: 10.0000%)	212	226	–	–
0.0001% Shareholding in Zenith Bank (Sierra Leone) Limited	–	–	–	–
	2,223	2,270	–	–

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

36 Pension contribution

In accordance with the provisions of the Pensions Act 2004, the bank and its subsidiaries commenced a contributory pension scheme in January 2005. The contribution by employees and the bank are 2.5% and 12.5% respectively of the employees' basic salary, housing and transport allowances. The contribution by the group and the bank during the period were N 2.38 billion and N 2.24 billion respectively (2008: N 2.03 billion and N 1.91 billion).

37 Related party transactions

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

(a) Risk assets outstanding as at 31 December 2009

Direct credit assets

Included in loans and advances for the bank is an amount of N 35 billion (2008: N 11.5 billion) representing credit facilities to companies in which certain directors and shareholders have interests. The balances as at 31 December, 2009 are as follows:

Name of company/ Individual	Relationship	Facility Type	N'million	Status	Security Status
Capri Martins	Common directorship	Term Loan	3,300	Performing	Perfected
Capri Martins	Common directorship	Overdraft	56	Performing	Perfected
Multibanc Savings And Loans Ltd	Common directorship	Mortgage Loan	4,200	Performing	Perfected
Visafone Communications Ltd	Relationship with director	Various	11,944	Performing	Perfected
Tadop Properties Limited	Common directorship	Various	9,606	Performing	Perfected
Goodwork Properties Limited	Common directorship	Term Loan	5,892	Performing	Perfected
			34,998		

Off balance sheet engagements

Included in off balance sheet engagements is an amount of N 162 million (2008: N2.42 billion) representing bankers acceptances and guaranteed commercial papers to companies in which certain directors and shareholders have interests. The balance as at 31 December, 2009 is as follows:

Name of company/ Individual	Relationship	Facility Type	N'million	Status	Security Status
Visafone Communications Ltd	Common directorship	Letters of credit	162	Performing	Perfected

(b) Deposits outstanding as at 31 December 2009

Name of company/ Individual	Relationship	Type of deposit	2009 N'million	2008 N'million
Zenith Capital Limited	Subsidiary	Current Account	145	68
Zenith Gen. Insurance Co. Limited	Subsidiary	Current Account	473	82
Zenith Life Assurance Limited	Subsidiary	Current Account	232	–
Zenith Medicare Limited	Subsidiary	Current Account	66	30
Zenith Pensions Custodian Limited	Subsidiary	Current Account	13	–
Zenith Registrars Limited	Subsidiary	Current Account	58	956
Zenith Securities Limited	Subsidiary	Current Account	750	182
Zenith Trustees Limited	Subsidiary	Current Account	107	7
Zenith General Insurance Company Limited	Subsidiary	Domicilliary	127	37
Zenith Bank (Ghana) Limited	Subsidiary	Domicilliary	102	2
Zenith Capital Limited	Subsidiary	Fixed	5,963	19
Zenith General Insurance Company Limited	Subsidiary	Fixed	269	37
Zenith Medicare Limited	Subsidiary	Fixed	312	110

Name of company/ Individual	Relationship	Type of deposit	2009 N'million	2008 N'million
Zenith Pensions Custodian Limited	Subsidiary	Fixed	4,002	2,576
Zenith Registrars Limited	Subsidiary	Fixed	13,906	35,513
Zenith Securities Limited	Subsidiary	Fixed	4,029	–
Zenith Trustees Limited	Subsidiary	Fixed	1,774	22
Cyberspace Limited	Common Directorship	Collateralised	38	121
Visafone Communications Limited	Relationship with Director	Fixed	6,736	7,163
Cyberspace Networks Limited	Common Directorship	Fixed	12	141
Accion Microfinance Limited	Common Directorship	Fixed	107	88
Tadop Properties Limited	Common Directorship	Fixed	348	313
			39,569	47,467

	Group 2009 N'million	Group 2008 N'million	Bank 2009 N'million	Bank 2008 N'million

38 Employees

(a) The average number of persons employed during the period by category:

	Group 2009	Group 2008	Bank 2009	Bank 2008
Executive directors	19	19	7	7
Management	465	484	452	452
Non-management	7,317	7,125	6,934	6,692
	7,801	7,628	7,393	7,151

Compensation for the above staff (excluding executive directors):

	N'million	N'million	N'million	N'million
Salaries and wages	43,057	31,912	39,674	29,649
Pension contribution (Note 36)	2,386	2,030	2,239	1,914
	45,443	33,942	41,913	31,563

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

	Number	Number	Number	Number
N300,001 - N2,000,000	1,761	1,901	1,621	1,622
N2,000,001 - N2,800,000	80	77	–	–
N2,800,001 - N3,500,000	1,642	1,625	1,598	1,605
N3,500,001 - N4,000,000	1,448	1,312	1,416	1,280
N4,000,001 - N5,500,000	856	851	833	828
N6,500,001 - N7,800,000	921	913	905	901
N9,000,001 - and above	1,074	930	1,013	908
	7,782	7,609	7,386	7,144

	Group 2009 N'million	Group 2008 N'million	Bank 2009 N'million	Bank 2008 N'million
(b) Directors' emoluments				
The remuneration paid directors to directors are as follows:				
Fees and sitting allowances	246	202	184	109
Executive compensation	482	271	321	160
Retirement Benefit costs	17	20	3	3
	745	493	508	272
Fees and other emoluments disclosed above include amounts paid to:				
The chairman	13	19	13	9
The highest paid director	65	53	65	53
The number of directors who received fees and other emoluments (excluding pension contributions and reimbursable expenses) in the following ranges was:	Number	Number	Number	Number
N5,500,001 and above	19	13	7	7

39 Contingent liabilities and commitments

(a) Legal proceedings

The Bank is presently involved in 52 litigation suits in the ordinary course of business. The total amount claimed in the cases against the Bank is estimated at N2.99 billion. The actions are being contested and in the opinion of the Directors, no significant liabilities will eventuate.

(b) Capital commitments

At the balance sheet date, the bank had capital commitments amounting to N1.70 billion (2008: N7.71 billion) in respect of authorized and contracted capital projects.

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

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

	Group 2009 N'million	Group 2008 N'million	Bank 2009 N'million	Bank 2008 N'million
Performance bonds and guarantees	99,989	303,590	96,923	288,026
Letters of credit	70,835	142,194	41,787	137,846
Pension Funds (See Note (below))	467,884	278,514	467,884	278,514
	638,708	724,298	606,594	704,386

The amount of N 467.88 billion (2008: N 278.51 billion) represents the full amount of the bank's guarantee for the assets held by its subsidiary, Zenith Pensions Custodian Limited under the latter's custodial business as required by the National Pensions Commission.

40 Cash generated from operations

	Note	Group 2009 N'million	Group 2008 N'million	Bank 2009 N'million	Bank 2008 N'million
Reconciliation of profit before tax to cash generated from operations:					
Profit before tax		35,085	56,120	31,753	48,939
Provision for losses					
- on loans and advances		34,195	6,269	32,766	6,020
- on leases		–	57	–	57
- on investments		1,264	–	137	–
- other assets		4,335	4,492	3,245	4,049
- on other assets written off during the period		–	(250)	–	(250)
Depreciation	25	13,655	9,026	12,614	8,396
Exchange difference (see note(a) below)		(122)	(1,852)	–	–
Realised loss/(gain) on disposal of subsidiary		–	(8)	–	20
Dividend income issued to recapitalise subsidiary	7 (a)	(630)	–	–	–
(Profit)/loss on disposal of fixed assets		27	(45)	(71)	(45)
Operating profit before changes in operating assets and liabilities		87,809	73,809	80,444	67,186
(Increase) / decrease in operating assets:					
Loans and advances		(278,354)	(170,156)	(279,889)	(207,246)
Advances under finance lease		(806)	(2,290)	(1,255)	(1,552)
Cash reserves		7,857	(1,554)	7,857	(1,554)
Statutory deposits		–	2,575	–	–
Other assets		15,451	(13,018)	7,475	(12,432)
Insurance receivables		(830)	(153)	–	–
		(256,682)	(184,596)	(265,812)	(222,784)
Increase / (decrease) in operating liabilities:					
Interest in suspense		838	1,374	650	1,358
Claims payable		(36)	234	–	–
Liabilities on insurance contracts		125	521	–	–
Customers deposits		(14,959)	554,384	(53,134)	596,448
Other liabilities		(102,029)	15,037	(42,524)	(38,881)
		(116,061)	571,550	(95,008)	558,925
Cash flows (used in)/generated from operations		(284,934)	460,763	(280,376)	403,327

(a) Exchange difference

	Note	Group 2009 N'million	Group 2008 N'million	Bank 2009 N'million	Bank 2008 N'million
This is made up of the following components					
Exchange difference arising on the translation of opening net assets (foreign subsidiaries)		334	(1,062)	–	–
Exchange difference arising on the translation of retained earnings and inflows during the year (foreign subsidiaries)		(262)	(269)	–	–
Exchange difference arising on the translation of opening cost of fixed assets	25 (a)	556	(485)	–	–
Exchange difference arising on the translation of opening accumulated depreciation	25 (a)	(150)	(17)	–	–
Exchange difference arising on the translation of opening balance of provision for loan losses (Non- performing loans)	16 (a)	599	(95)	–	–
Exchange difference arising on the translation of opening balance of provision for loan losses (performing loans)	16 (b)	(363)	98	–	–
Exchange difference on the translation of opening balance of corporate tax	11	(325)	(35)	–	–
Exchange difference on the translation of opening balance of deferred tax assets	22	(3)	14	–	–
Exchange difference arising on the translation of deferred tax liability balances	31	(5)	(1)	–	–
Exchange difference arising on the translation of foreign currency bonds	19 (d)	(501)	–	–	–
Exchange difference arising on the translation of general provision for leases	17 (b)	(2)	–	–	–
		(122)	(1,852)	–	–

41 Earnings Per Share

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

	Group 2009 Million	Group 2008 million	Bank 2009 million	Bank 2008 million
Profit attributable to shareholders of the bank (N'million)	20,497	51,609	18,365	46,525
Number of shares in issue at end of the period (millions)	25,117	16,745	25,117	16,745
Time-weighted average number of ordinary shares in issue (millions)	25,117	13,487	25,117	13,487
Basic earnings per share	82 k	383 k	73 k	345 k
Adjusted earnings per share	82 k	205 k	73 k	185 k

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

Earnings per share (adjusted) is calculated by using the number of shares in issue during the period ended 31 December 2009 as the denominator.

42 Dividend per share

	Group 2009	Group 2008	Bank 2009	Bank 2008
Dividend paid / proposed	11,303	28,466	11,303	28,466
Number of shares in issue and ranking for dividend	25,117	16,745	25,117	16,745
Dividend paid per share	45 k	170 k	45 k	170 k

On 18 February 2010, the Board of Directors, pursuant to the power vested in it by the provisions of section 379 of the Companies and Allied Matters Act (CAMA) of Nigeria, proposed a final dividend of 45 kobo per share (30 September 2008: 170 kobo per share) from the Retained earnings account as at 31 December 2009. This is subject to declaration by shareholders at the next annual general meeting.

The number of shares in issue and ranking for dividend represents the outstanding number of shares as at 31 December 2009 and 30 September 2008 respectively.

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

43 Cash and cash equivalents

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

	Group 2009 N'million	Group 2008 N'million	Bank 2009 N'million	Bank 2008 N'million
Cash and balances with central banks (less restricted balances)	116,364	221,290	105,129	214,495
Treasury bills	234,115	401,445	225,371	396,772
Due from other banks	341,830	536,846	290,025	481,092
	692,309	1,159,581	620,525	1,092,359

44 Compliance with banking regulations

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

45 Events after balance sheet

No significant event that requires special disclosure occured between the balance sheet date and the date when the financial statements were issued.

46 Comparatives

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

Enterprise Risk Review

The main thrust of the group'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 involved in its business. The nature and complexity of risks in our business requires that we continuously review and improve our risk management culture and practices across all levels of the organization. Our sound risk management policies and procedures enhance our competitive advantage and complement other efforts aimed at protecting and continually increasing shareholders' value.

Risk associated with the business of the group are; credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk, interest rate and other pricing risks.

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

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

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

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

Methodology for Risk Rating

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

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

- Develop and implement procedures and practices that translate the Board's goals, objectives, and risk tolerances into operating standards that are well understood by bank personnel.
- Establish lines of authority and responsibility for managing individual risk elements in line with the Board's overall direction.

- Risk identification, measurement, monitoring and control procedures.
- Establish effective internal controls that cover each risk management process.
- Ensure that the bank's risk management processes are properly documented.
- Create adequate awareness to make risk management a part of the corporate culture of the bank.
- Ensure that risk remains within the boundaries established by the Board.
- Ensure that business lines comply with risk parameters and prudent limits established by the Board.

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

Zenith Bank Plc currently applies a mix of qualitative and quantitative techniques in the determination of its significant activities under the prescribed broad headings. The criteria used in estimating the materiality of each activity is essentially based on the following:

- The strategic importance of the activity and sector.
- The contribution of the activity/sector to the total assets of the bank.
- The net income of the sector.
- The risk inherent in the activity and sector.

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

Credit Risk

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

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

- Monitoring to ensure compliance with the bank's credit policies.
- Establishing and maintaining Zenith Bank's credit exposure policy. This policy sets controls over the maximum level of the bank's exposure to customers and customer groups and other credit risk concentrations in line with internationally accepted regulatory standards.
- Performing an independent review and objective assessment of credit risk, (CRMG assesses all credit facilities being offered to customers.)
- Reviewing the efficiency and effectiveness of credit approval processes.
- Reporting to executive management on specific and general aspects of the bank's loan portfolio. The Board Credit committee and the Board receive regular update covering:
  - Risk concentrations and exposure to industry sectors;
  - Large customer group exposures;
  - Large non-performing accounts and provisions;
- Acting as the primary interface for credit-related issues on behalf of Zenith Bank with external parties including regulatory authorities, external auditors, corporate analysts and counterparts in the world's major banks and non-bank financial institutions.

Principal Credit Policies

The principal credit policies guiding Zenith Bank and indeed the whole group remains as stringent as ever, shielding the group against intrinsic and concentration risks through all credit levels of selection, underwriting, administration and control. Some of the policies are:

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

Credit Risk Measurement

(a) Loans and advances

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

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

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

- A measure of the financial and non-financial risks of the borrower. In order to properly evaluate the non-financial risks of the borrower, a thorough industry analysis is carried out by a dedicated team in the Risk Management and Research and Intelligence groups.

- Obligors rating that considers the financial condition, management and ownership structure, industry and other qualitative factors of the customer.
- Facility rating that recognizes the risk mitigation and facility structuring as features of the credit facility. Considerations here include the nature and quality of collateral, the structure of the loan, the nature and purpose of the loan among others.

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

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

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

Zenith Group's internal rating.

Zenith Group Rating	Description of the grade	Mapping to Standard & Poor's Rating
A	Investment Risk (Minimal Risk)	AAA to AA-
B	Acceptable Risk (Modest Risk)	A+ to A-
C	Reasonable Risk (Average Risk)	BBB+ to BB-
D	Substandard Risk	Below BB-
	Unrated	Unrated

Traditional assessment templates are currently in use and the processes are continually being fine tuned and would be aided by technology to ensure a seamless process.

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

(b) Debt securities and other bills

With respect to debt securities and other bills, the Bank takes the following into consideration in the management of the associated liquidity risk.

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

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

Risk Limit Control and Mitigation Policies

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

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

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

Portfolio risk measurement has been elevated significantly. Portfolio concentration limits have been set and measured under the following parameters: Concentration limits: Per Obligor; Per industry; Per geographical area; Per maturity band.

A separate and different limit is also applied to foreign exchange and interest rate risk exposures and is covered in our market liquidity risk management policies.

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

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

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

(a) Collateral Security

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

Collateral securities which are pledged to the Bank must be in negotiable form and its types include the following:

- Real estate, plant and equipment collateral (usually all asset or mortgage debenture or charge) which have to be registered and enforceable under Nigerian law;
- Collateral consisting of inventory, accounts receivable, machinery equipment, patents, trademarks, farm products, general intangibles etc. These require a security agreement (usually a floating debenture) which has to be registered and, must be enforceable under Nigerian law;

- Stocks and shares of publicly quoted companies;
- Domiciliation of payment on contracts;
- Documents of title to goods e.g. shipping documents consigned to the order of Zenith Bank;
- Letter of lien.

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

The type and size of collateral held as security for financial assets other than loans and advances is usually a function of the nature of the instrument. Our debt securities, treasury and other eligible bills are normally unsecured but our comfort is on the issuer's credit rating. However, open buy back (OBB) placements are either secured by Government Bonds or Treasury Bills, which are easily realizable.

(b) *Master Netting Arrangements*

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

(c) *Off balance sheet Credit balances*

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

A significant portion of our documentary and commercial letters of credit are either cash collateralized or collateralised by the underlying shipments of goods to which they relate. This no doubt makes them to be less risky than normal loans and advances.

Provisioning Policies

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

Risk Assets (Loans and Advances, Advances under Finance Leases, off-balance sheet direct credit substitutes, etc)
Loans and advances are summarised as follows:

	Group 2009 N' million	Group 2008 N'million
Performing	699,086	459,548
Non-performing		
- substandard	5,931	251
- doubtful	15,179	1,088
- lost	27,269	8,224
	747,465	469,111

Performing But Past Due Loans

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

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

At 30 September 2008	Retail N' million	Corporate N' million	Financial Institutions N' million	Total N' million
Past due up to 30 days	28	3,428	30	3,486
Past due 30 - 60 days	–	423	33	456
Past due 60-90 days	–	89	5	94
	28	3,940	68	4,036

Non-performing Loans by Industry

	Group 2009 N' million	Group 2008 N' million
Agriculture	270	173
Oil and Gas	3,436	–
Capital Market	20,110	2,692
Consumer Credit	2,683	2,137
Manufacturing	1,888	–
Mining and Quarrying	–	–
Mortgage	529	–
Real Estate and Construction	2,167	–
Finance and Insurance	434	717
Government	–	–
Power	–	–
Other Public Utilities	34	–
Transportation	6,149	2,159
Communication	3,595	889
Education	64	–
General Commerce/Trading	6,622	796
Others	398	–
	48,379	9,563

Non-performing Loans by Geography

	Group 2009 N' million	Group 2008 N' million
South South	3,488	325
South West	36,026	8,319
South East	969	268
North Central	4,976	574
North West	845	77
North East	799	–
Rest of Africa	1,276	–
	48,379	9,563

Concentration of Risks of Financial Assets with Credit Risk Exposure

(a) *Geographical Sectors*

The following table breaks down the Group's main credit exposure at their carrying amounts, as categorised by geographical region as of 31 December 2009. For this table, the Group has allocated exposures to regions based on the region of domicile of our counterparties.

At 31 December 2009	Due from banks N' million	Loans N' million	Advances under finance Leases N' million	Total N' million
South South	–	15,210	142	15,352
South West	174,093	661,108	4,462	839,663
South East	–	6,497	62	6,559
North West	–	3,089	58	3,147
North Central	–	18,275	115	18,390
North East	–	13,586	597	14,183
Rest of Africa	17,028	22,275	70	39,373
Outside Africa	150,709	7,425	–	158,134
	341,830	747,465	5,506	1,094,801
At 30 September 2008				
South South	–	11,636	121	11,757
South West	303,097	403,951	3,721	710,769
South East	–	5,585	53	5,638
North West	–	2,793	50	2,843
North Central	–	13,963	98	14,061
North East	–	9,774	511	10,285
Rest of Africa	19,420	20,013	61	39,494
Outside Africa	214,329	1,396	–	215,725
	536,846	469,111	4,615	1,010,572

(b) *Industry Sectors*

At 31 December 2009	Due from Banks N' million	Loans N' million	Advances under finance Leases N' million	Total N' million
Agriculture	–	11,082	–	11,082
Oil and Gas	–	141,327	50	141,377
Consumer Credit	–	27,238	1,243	28,481
Capital Market	–	43,128	–	43,128
Manufacturing	–	177,577	148	177,725
Mortgage	–	14,036	–	14,036
Real Estate and Construction	–	26,140	68	26,208
Finance and Insurance	341,830	7,190	–	349,020
Government	–	21,871	108	21,979
Power	–	6,765	–	6,765
Other Public Utilities	–	23,492	17	23,509
Transportation	–	70,338	3,592	73,930
Communication	–	68,194	–	68,194
Education	–	1,443	–	1,443
General Commerce	–	65,945	–	65,945
Others	–	41,699	280	41,979
	341,830	747,465	5,506	1,094,801
At 30 September 2008				
Agriculture	–	5,642	–	5,642
Oil and gas	–	92,660	40	92,700
Consumer Credit	–	17,858	1,182	19,040
Capital Market	–	48,277	–	48,277
Manufacturing	–	138,938	107	139,045
Mortgage	–	9,103	–	9,103
Real Estate and Construction	–	9,148	37	9,185
Finance and Insurance	536,846	41,770	–	578,616
Government	–	14,340	79	14,419
Power	–	3,509	–	3,509
Other Public Utilities	–	606	–	606
Transportation	–	26,208	3,086	29,294
Communication	–	38,660	–	38,660
Education	–	549	–	549
General Commerce	–	–	–	–
Others	–	21,843	84	21,927
	536,846	469,111	4,615	1,010,572

Analysis by portfolio distribution and risk rating.

At 31 December 2009	AAA to AA-	A+ to A-	BBB+ to BB-	Below BB-	Unrated	Total
	557,153	87,753	38,411	21,337	42,811	747,465

Foreign Exchange Risk

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

The table below summarizes the Group's exposure to foreign currency exchange rate risk at 31 December. Included in the table are the Group's financial instruments at carrying amounts, categorised by currency.

Concentrations of Currency Risk On- and Off-BalanceSheet Financial Instruments

At 31 December 2009	Naira	Dollar	GBP	Others	Total
Assets					
Cash and balances with central banks	118,428	6,667	554	1,130	126,779
Treasury Bills	225,443	–	–	8,672	234,115
Due from other banks	128,346	149,025	5,489	58,970	341,830
Loans and advances to customers	609,610	74,416	75	14,225	698,326
Advances under finance lease	5,197	11	–	298	5,506
Insurance receivables	635	–	–	–	635
Investment securities	146,136	7,438	5,403	–	158,977
Other Assets	10,122	1,276	854	1,265	13,517
Total Financial Assets	1,243,917	238,833	12,375	84,560	1,579,685
Liabilities					
Customer Deposits	954,807	174,723	3,611	41,041	1,174,182
Liability on insurance Contracts	198	–	–	–	198
Liability on investment Contracts	1,202	–	–	–	1,202
Other borrowings	–	35,984	–	–	35,984
Current income tax	7,329	–	–	78	7,407
Other liabilities	48,613	44,796	114	6,562	100,085
Total Financial Liabilities	1,012,149	255,503	3,725	47,681	1,319,058
Net on-balance sheet financial position	231,768	(16,670)	8,650	36,879	260,627
Off balance sheet	555,015	76,888	64	6,741	638,708
At 30 September 2008					
Total Financial assets	1,368,904	260,929	13,520	92,383	1,735,736
Total Financial Liabilities	1,105,956	277,005	4,038	51,694	1,438,693
Net on-balance sheet financial position	262,948	(16,076)	9,482	40,689	297,043
Off balance sheet	566,540	145,226	192	12,340	724,298

Liquidity risk

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

Liquidity risk management process

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

Compliance with liquidity and funding requirements is monitored by the Asset and Liability Management Committee on a regular basis. This process includes:

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

Zenith Bank's liquidity profile remains very strong (being a net placer of funds in the Interbank Market consistently) and our risk management practices gives assurances that this profile will be maintained.

The Maximum Cumulative Outflow have remained positive all through the various maturity buckets.

Funding approach

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

Maturity Profile – on Balance Sheet BANK

At 31 December 2009	Up to 1month N'million	1–3 months N'million	3–6 months N'million	6–12 months N'million	1–5 years N'million	Over 5 years N'million	Total N'million
ASSETS							
Cash and balance with central banks	105,129	–	–	9,915	–	–	115,044
Treasury bills and other eligible bills	25,457	65,528	100,619	33,767	–	–	225,371
Due from other banks	280,025	10,000	–	–	–	–	290,025
Loans and advances to customers	165,929	55,515	6,208	14,454	403,385	23,770	669,261
Advances under finance lease	4	46	117	217	4,897	–	5,281
Investment securities	13,800	–	13,024	40,350	66,958	10,057	144,189
Investment in subsidiaries	–	–	–	–	–	36,096	36,096
Other assets	2,660	–	–	10,098	–	–	12,758
Property and equipment	–	–	–	29,917	25,126	20,128	75,171
Total Assets	593,004	131,089	119,968	138,718	500,366	90,051	1,573,196
LIABILITIES							
Customer deposits	542,852	43,769	6,015	1,564	517,128	–	1,111,328
Other borrowings	6,218	2,243	-	2,241	25,282	–	35,984
Current income tax	–	–	–	5,718	–	–	5,718
Other liabilities	30,245	–	–	33,270	25,168	–	88,683
Deferred income tax Liabilities	–	–	–	–	3,100	–	3,100
Total Liabilities	579,315	46,012	6,015	42,793	570,678	–	1,244,813
Net liquidity GAP	13,689	85,077	113,953	95,925	(70,312)	90,051	328,383
Cumulative GAP	13,689	98,766	212,719	308,644	238,332	328,383	

Maturity Profile – on Balance Sheet BANK

At 30 September 2008	Up to 1month N'million	1–3 months N'million	3–6 months N'million	6–12 months N'million	1–5 years N'million	Over 5 years N'million	Total N'million
ASSETS							
Cash and balance with central banks	214,495	–	–	17,772	–	–	232,267
Treasury bills and other eligible bills	99,975	151,672	86,671	58,454	–	–	396,772
Due from other banks	477,092	2,000	2,000	–	–	–	481,092
Loans and advances to customers	62,455	50,908	41,629	42,234	212,970	12,678	422,874
Advances under finance lease	4	65	149	548	3,174	–	3,940
Investment securities	–	–	–	24,548	20,924	9,119	54,591
Investment in subsidiaries	–	–	–	–	–	16,935	16,935
Other assets	701	–	–	22,775	–	–	23,476
Property and equipment	–	–	–	14,701	19,045	14,339	48,085
Total Assets	854,722	204,645	130,449	181,032	256,113	53,071	1,680,032
LIABILITIES							
Customer deposits	485,857	94,213	82,157	149,130	353,103	–	1,164,460
Other borrowings	–	–	–	–	40,431	–	40,431
Current income tax	–	–	–	3,549	–	–	3,549
Dividend payable	–	–	–	–	–	–	–
Other liabilities	–	–	–	131,207	–	–	131,207
Deferred income tax liabilities	–	–	–	1,902	–	–	1,902
Total Liabilities	485,857	94,213	82,157	285,788	393,534	–	1,341,549
Net liquidity GAP	368,865	110,432	48,292	(104,756)	(137,421)	53,071	338,483
Cumulative GAP	368,865	479,297	527,589	422,833	285,412	338,483	

Maturity Profile – on Balance Sheet GROUP

At 31 December 2009	Up to 1month N'million	1–3 months N'million	3–6 months N'million	6–12 months N'million	1–5 years N'million	Over 5 years N'million	Total N'million
ASSETS							
Cash and balance with central banks	116,364	–	–	10,415	–	–	126,779
Treasury bills and other eligible bills	27,243	67,316	104,001	35,555	–	–	234,115
Due from other banks	331,830	10,000	–	–	–	–	341,830
Loans and advances to customers	171,295	57,859	8,380	11,497	425,525	23,770	698,326
Advances under finance lease	4	46	117	260	5,079	–	5,506
Insurance receivables	–	–	–	–	635	–	635
Investment securities	13,934	–	13,509	44,540	72,132	14,862	158,977
Deferred tax assets	–	–	–	–	966	–	966
Other assets	2660	–	–	10,857	–	–	13,517
Investment property	–	–	–	–	433	–	433
Property and equipment	–	–	–	30,103	28,388	20,128	78,619
Total Assets	663,330	135,221	126,007	143,227	533,158	58,760	1,659,703
LIABILITIES							
Customer deposits	569,204	66,873	12,752	4,072	521,016	–	1,173,917
Liability on insurance c Ontract	–	–	–	1,400	–	–	1,400
Other borrowings	6,218	2,243	–	–	27,523	–	35,984
Current income tax	–	–	–	7,407	–	–	7,407
Other liabilities	36,911	–	–	38,065	25,109	–	100,085
Deferred income tax liabilities	–	–	–	–	3,117	–	3,117
Total Liabilities	612,333	69,116	12,752	50,944	576,765	–	1,321,910
Net liquidity GAP	50,997	66,105	113,255	92,283	(43,607)	58,760	337,793
Cumulative GAP	50,997	117,102	230,357	322,640	279,033	337,793	

Group Annual Report 2009
FINANCIAL RISK ANALYSIS
For the period ended 31 December 2009

Maturity Profile – on Balance Sheet GROUP

At 30 September 2008	Up to 1month N'million	1–3 months N'million	3–6 months N'million	6–12 months N'million	1–5 years N'million	Over 5 years N'million	Total N'million
ASSETS							
Cash and balance with central banks	221,290	–	–	18,272	–	–	239,562
Treasury bills and other eligible bills	99,975	156,038	86,978	58,454	–	–	401,445
Due from other banks	532,846	2,000	2,000	–	–	–	536,846
Loans and advances to customers	59,173	45,351	32,055	32,118	272,167	14,460	455,324
Advances under finance lease	4	65	149	548	3,849	–	4,615
Other facilities	–	–	–	–	–	–	-
Insurance receivables	–	816	–	–	–	–	816
Investment securities	–	–	–	23,125	24,218	17,221	64,564
Deferred tax assets	–	–	–	–	160	–	160
Other assets	700	–	–	31,593	–	–	32,293
Investment property	–	–	–	–	–	433	433
Property and equipment	–	–	–	14,700	21,188	15,054	50,942
Total Assets	913,988	204,270	121,182	178,810	321,582	47,168	1,787,000
LIABILITIES							
Customer deposits	488,434	98,902	18,923	2,041	580,576	–	1,188,876
Liability on insurance contract	–	–	–	1,311	–	–	1,311
Other borrowings	–	–	–	40,431	–	–	40,431
Current income tax	–	–	5,690	–	–	–	5,690
Other liabilities	–	–	202,114	–	–	–	202,114
Deferred income tax liabilities	–	–	–	1,961	–	–	1,961
Total Liabilities	488,434	98,902	226,727	45,744	580,576	–	1,440,383
Net liquidity GAP	425,554	105,368	(105,545)	133,066	(258,994)	47,168	346,617
Cumulative GAP	425,554	530,922	425,377	558,443	299,449	346,617	

Maturity Profile Off Balance Sheet

(a) Financial guarantees and other financial facilities
Performance bonds and financial guarantees (Note 38), are also included below based on the earliest contractual maturity date.

(b) Contingent letters of credits
Unfunded letters of credit (Note 38) are also included below based on the earliest contractual payment date.

(c) Operating lease commitments
Where a Group company is the lessee, the future minimum lease payments under non-cancellable operating leases, as disclosed in Note 38, are summarised in the table below.

(d) Capital commitments
Capital commitments for the acquisition of buildings and equipment (Note 39) are summarised in the table below.

31 December 2009

LIABILITIES	Up to 1month N'million	1–3 months N'million	3– 6 months N'million	6–12 months N'million	1–5 years N'million	Over 5 years N'million	Total N'million
Performance bonds and financial guarantees	19,231	9,060	11,657	17,965	17,690	24,386	99,989
Contingent letters of credits	15,821	19,468	23,328	11,775	443	–	70,835
Capital commitments	–	–	351	1,358	–	–	1,709
Risk participation	1,380	479	–	–	–	–	1,859
Assets held under custody	17,232	3,226	197,873	–	80,390	169,163	467,884
Total Liabilities	53,664	32,233	233,209	31,098	98,523	193,549	642,276

30 September 2008

LIABILITIES							
Performance bonds and financial guarantees	13,738	37,878	63,372	118,578	48,780	21,244	303,590
Contingent letters of credits	33,385	63,432	43,686	765	800	126	142,194
Capital commitments	–	–	–	–	7,706	–	7,706
Assets held under custody	15,938	1,065	93,405	–	74,430	91,676	276,514
Total Liabilities	63,061	102,375	200,463	119,343	131,716	113,046	730,004

Capital Management

The strategy for assessing and managing the impact of our business plans on present and future regulatory capital forms an integral part of the bank's strategic plan and that of the group as a whole.

Specifically, the group considers how the present and future capital requirements will be managed and met against projected capital requirements based on our own assessment and against the supervisory/regulatory capital requirements taking account of the group business strategy and value creation to all its stakeholders

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

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

The CBN requires each bank to hold the minimum level of the regulatory capital of N25 billion and maintain a ratio of total regulatory capital to the risk-weighted asset at or above the minimum of 10%. The bank has consistently met and surpassed this requirement.

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

Banking subsidiaries in the group, not incorporated in Nigeria are directly regulated and supervised by their local banking supervisor and are required to meet the capital requirement directive of the local regulatory jurisdiction.

Parental support and guidance are given at the group level where the risk level in the group relation to capital level and adequacy is closely monitored. This activity is managed by the Financial Control and Strategic Planning Group.

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

The table below summarises the composition of regulatory capital and the ratios of the group for the years ended 31 December. During those two years, the individual entities within the group and the group complied with all of the externally imposed capital requirements to which they are subject.

	Group 2009 N' million	Group 2008 N' million
Tier 1 capital		
Share capital	12,559	8,372
Share premium	255,047	255,047
Statutory reserves	19,633	16,878
Contingency reserve	431	262
SMEIES reserve	3,729	3,729
Retained earnings	44,178	60,551
Total qualifying Tier 1 capital	335,577	344,839
Tier 2 capital		
Minority interests	2,223	2,270
Revaluation reserve investment securities	–	322
Translation reserve	(646)	(814)
General provision	–	4,540
Total qualifying Tier 2 capital	1,577	6,318
Total regulatory capital	337,154	351,157
Risk-weighted assets		
On-balance sheet	829,487	588,481
Off-balance sheet	324,251	362,149
Total risk-weighted assets	1,153,738	950,630
Risk weighted Capital Adequacy Ratio (CAR)	29%	36%

The decrease in the regulatory capital in 2009 is mainly due to the contribution of the current-year loss arising from significant loan loss provisions for loans securities traders and oil marketers. The increase of the risk-weighted assets reflects the expansion of the business into retail outlets and consumer loans in 2008.

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events including legal and regulatory risks. Operational risk exists in all products and business activities.

Zenith Bank traditionally manages this risk through a control-based environment in which processes are documented, authorization is independent and transactions are reconciled and monitored. This is supported by an independent programme of periodic reviews, undertaken by internal control & audit, and by monitoring external operational risk events, which ensure that Zenith Bank stays in line with best practice and takes account of lessons learned from publicized operational failures within the financial services industry.

- Operational risk management responsibility is assigned at a senior management level within the organization.
- Operational risks are identified by risk assessments covering operational risks facing each business unit and risks inherent in processes, activities and products.
- Risk assessment incorporates a regular review of risks identified to monitor significant changes.
- Risk mitigation, including insurance, is considered where this is cost-effective.

User specific risk profiles, Risk Control Self Assessment Questionnaires (RCSA) and Key Risk Indicators (KRI) for activities / departments in the Bank have been deployed to selected departments and activities in a PILOT RUN. Lessons learnt will be used to fine-tune operational risk measurements across the Bank and its subsidiaries.

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

STATEMENT OF VALUE ADDED (Group)

For the fifteen months ended 31 December 2009

	2009 N'million	%	2008 N'million	%
Gross income	277,300		211,639	
Interest expense				
- Local	(75,272)		(45,631)	
- Foreign	(8,685)		(7,663)	
	193,343		158,345	
Diminution in asset values	(39,865)		(10,568)	
	153,478		147,777	
Bought-in materials and services				
- Local	(54,415)		(46,202)	
- Foreign	(4,880)		(2,487)	
Value added	94,183	100	99,088	100
Distribution				
Employees				
Salaries and benefits	45,443	48	33,942	34
Providers of funds				
Dividend paid during the year	–	0	28,466	29
Government				
Income tax	14,482	15	4,127	4
The future				
Asset replacement (depreciation)	13,655	14	9,026	9
Profit for the period (including statutory, small scale industry, contingency reserves and non-controlling interest)	20,603	23	23,527	24
	94,183	100	99,088	100

STATEMENT OF VALUE ADDED (Bank)

For the fifteen months ended 31 December 2009

	2009 N'million	%	2008 N'million	%
Gross income	254,147		190,120	
Interest expense				
- Local	(81,062)		(47,243)	
- Foreign	(1,774)		(2,721)	
	171,311		140,156	
Diminution in asset values	(36,148)		(9,876)	
	135,163		130,280	
Bought-in materials and services				
- Local	(48,042)		(40,649)	
- Foreign	(841)		(735)	
Value added	86,280	100	88,896	100
Distribution				
Employees				
Salaries and benefits	41,913	49	31,563	36
Providers of funds				
Dividend paid during the year		0	28,466	32
Government				
Income tax	13,388	16	2,415	3
The future				
Asset replacement (depreciation)	12,614	15	8,396	9
Expansion (retained profit)	18,365	20	18,056	20
	86,280	100	88,896	100

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

FIVE YEAR FINANCIAL SUMMARY (Group)

	2009 N'million	2008 N'million	2007 N'million	2006 N'million	2005 N'million
ASSETS EMPLOYED					
Cash and balances with central banks	126,779	239,562	111,055	85,447	24,494
Treasury bills	234,115	401,445	249,815	156,665	72,390
Due from other banks	341,830	536,846	127,764	70,050	65,815
Loans and advances	698,326	455,324	292,814	202,501	121,626
Advances under finance lease	5,506	4,615	2,445	1,716	841
Insurance receivables	635	816	1,055	487	145
Investment securities	158,977	64,564	41,236	11,155	6,206
Deferred tax assets	966	160	120	–	–
Other assets	13,517	32,293	109,446	67,087	23,017
Investment property	433	433	394	–	–
Property and equipment	78,619	50,942	36,799	24,234	15,474
	1,659,703	1,787,000	972,943	619,342	330,008
FINANCED BY					
Customers deposits	1,173,917	1,188,876	634,493	393,309	233,039
Claims payable	198	234	37	59	–
Liabilities on insurance contracts	1,202	1,077	559	405	120
Borrowings	35,984	40,431	26,697	15,013	–
Current income tax	7,407	5,690	6,427	4,191	2,086
Other liabilities	100,085	202,114	187,037	105,251	52,213
Deferred income tax liabilities	3,117	1,961	1,238	452	450
	1,321,910	1,440,383	856,488	518,680	287,908
Net Assets	337,793	346,617	116,455	100,662	42,100
Share capital	12,559	8,372	4,633	4,587	3,000
Share premium	255,047	255,047	69,237	67,760	18,224
Other reserves	67,964	80,928	40,716	28,296	20,876
Shareholders' Funds	335,570	344,347	114,586	100,643	42,100
Non-controlling Interest	2,223	2,270	1,869	19	–
Total shareholders' equity	337,793	346,617	116,455	100,662	42,100
Acceptances and guarantees	638,708	724,298	298,138	156,685	41,005
PROFIT AND LOSS ACCOUNT					
Gross Earnings	277,300	211,639	94,880	60,002	35,312
Interest expense	(83,957)	(53,294)	(19,039)	(10,377)	(5,594)
Operating and direct expenses	(118,393)	(91,665)	(48,051)	(32,725)	(18,555)
Diminution in asset values	(39,865)	(10,568)	(2,114)	(1,310)	(1,975)
Profit before tax and extra ordinary items	35,085	56,112	25,676	15,590	9,188
Extra-ordinary items	–	8	–	–	–
Profit before tax	35,085	56,120	25,676	15,590	9,188
Income tax	(14,482)	(4,127)	(6,897)	(3,971)	(2,045)
Profit after tax	20,603	51,993	18,779	11,619	7,143
Non-controlling Interest	(106)	(384)	(102)	1	–
Profit attributable to Group Shareholders	20,497	51,609	18,677	11,620	7,143
Dividend proposed	–	(28,466)	(9,266)	(6,600)	(4,200)
Transfer to reserves	20,497	23,143	9,411	5,020	2,943
Earnings per share (basic)	82 k	383 k	203 k	193 k	135 k
Earnings per share (adjusted)	82 k	205 k	202 k	125 k	135 k

FIVE YEAR FINANCIAL SUMMARY (Bank)

	2009 N'million	2008 N'million	2007 N'million	2006 N'million	2005 N'million
ASSETS EMPLOYED					
Cash and balances with central banks	115,044	232,267	141,981	151,380	42,202
Treasury bills	225,371	396,772	249,815	156,471	92,230
Dues from other banks	290,025	481,092	85,462	52,440	45,975
Loans and advances	669,261	422,874	223,007	201,971	125,663
Advances under finance lease	5,281	3,940	2,445	1,716	841
Investment securities	144,189	54,591	31,919	10,045	5,214
Investment in subsidiaries	36,096	16,935	13,605	4,537	925
Other assets	12,758	23,476	101,163	9,107	4,756
Property and equipment	75,171	48,085	34,544	23,102	15,079
	1,573,196	1,680,032	883,941	610,769	332,885
Customers deposits	1,111,328	1,164,460	568,012	392,864	233,413
Claims payable	–	–	–	–	–
Borrowings	35,984	40,431	26,697	15,013	3,169
Current income tax	5,718	3,549	5,125	3,857	2,050
Other liabilities	88,683	131,207	170,088	98,184	56,013
Deferred income tax liabilities	3,100	1,902	1,186	450	450
	1,244,813	1,341,549	771,108	510,368	295,095
FINANCED BY					
Share capital	12,559	8,372	4,633	4,587	3,000
Share premium	255,047	255,047	69,237	67,760	18,224
Other reserves	60,777	75,064	38,963	28,054	16,566
	328,383	338,483	112,833	100,401	37,790
Acceptances and guarantees	606,594	704,386	294,445	149,203	41,005
PROFIT AND LOSS ACCOUNT					
Gross Earnings	254,147	190,120	89,194	58,222	34,913
Interest expense	(82,836)	(49,964)	(18,733)	(10,463)	(5,620)
Operating expenses	(103,410)	(81,321)	(45,107)	(31,298)	(18,153)
Loan loss expense	(36,148)	(9,876)	(2,065)	(1,307)	(1,975)
Profit before tax and extra ordinary items	31,753	48,959	23,289	15,154	9,165
Extra-ordinary items	–	20	–	–	–
Profit before tax	31,753	48,939	23,289	15,154	9,165
Income tax	(13,388)	(2,415)	(5,780)	(3,665)	(2,009)
Profit after tax	18,365	46,524	17,509	11,489	7,156
Dividend proposed	–	(28,466)	(9,266)	(6,600)	(4,200)
Transfer to reserves	18,365	18,058	8,243	4,889	2,956
Earnings per share (basic)	73 k	345 k	189 k	191 k	136 k
Earnings per share (adjusted)	73 k	185 k	105 k	124 k	119 k

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

ZENITH REGISTRARS
RC: 510155

E-BONUS (DIRECT CREDIT TO CSCS ACCOUNT)

I/We have ________________units of Zenith Bank Plc shares

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

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

SURNAME OTHER NAMES

Shareholders Name: --

Shareholders Address: --

Mobile Tel: --

Date: --

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

____
Shareholder's Signature

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

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

Name of Stockbrokers...

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

ZENITH REGISTRARS

RC: 510155

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

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

MANDATE FOR e-DIVIDEND PAYMENT

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

Date (DD/MM/YYYY) __ __ / __ __ / __ __ __ __

Company	Pls. Tick as Applicable
Zenith Bank	
Dangote Sugar	
Nig. Bottling Company	
Consolidated Breweries	
FMBN BOND	

Surname/Company's Name

Other Names (for Individual Shareholder)

Present Postal Address

City

State

Email Address

Mobile (GSM) Phone Number

Bank Name

Branch Address

Bank Account Number

Bank Sort Code

Clearing House Number

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

Shareholder's Signature or Thumbprint

Shareholder's Signature or Thumbprint

Company Seal/Incorporation Number (Corporate Shareholder)

AUTHORISED SIGNATURE & STAMP OF BANKERS

ZENITH BANK PLC
PROXY CARD
ANNUAL GENERAL MEETING TO BE HELD AT 9.00 A.M.
ON THE 20TH DAY OF APRIL, 2010 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 20th day of April, 2010, or at any adjournment thereof.

Dated this__________day of_____________ 2010

Shareholder's Signature(s)____________________

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

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

NUMBER OF SHARES

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

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

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

ADMISSION FORM

Annual General Meeting to be held at 9:00 a.m. on Tuesday 20th April, 2010 at THE SHEHU MUSA YAR'ADUA CENTER, ABUJA.

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

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

NUMBER OF SHARES

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

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

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

Signature of person attending______________________________

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