ZENITH BANK PLC AND SUBSIDIARY COMPANIES
CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

DIRECTORS, OFFICERS & PROFESSIONAL ADVISERS

Directors

Sir Steve Omojafor	-	Chairman
Godwin Emefiele	-	Managing Director
Babatunde Adejuwon	-	Director
Alhaji Baba Tela	-	Director
Alhaji Lawal Sani	-	Director
Prof. Chukuka Enwemeka	-	Director
Mr. Jeffrey Efeyini	-	Director
Chief (Mrs) Chinyere Asika *	-	Director
Peter Amangbo	-	Executive Director
Elias Igbinakenzua	-	Executive Director
Apollos Ikpobe * *	-	Executive Director
Udom Emmanuel	-	Executive Director
Andy Ojei	-	Executive Director
Ms. Adaora Remy Umeoji *	-	Executive Director

* Appointed by the Board on October 9, 2012 and approved by the Central Bank of Nigeria (CBN) on December 20, 2012.

** Retired with effect from August 31, 2012

Company Secretary
Michael Osilama Otu

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

Auditors
KPMG Professional Services
Bishop Aboyade Cole street
Victoria Island
Lagos

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

Zenith Bank Plc
Index To The Consolidated And Separate Financial Statements
For The Year Ended 31 December 2012

The directors present their annual report on the affairs of Zenith Bank Plc ("the Bank") and its subsidiaries (together "the Group"), together with the financial statements and auditors' report for the year ended 31 December, 2012.

a. Legal Form

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

b. Principal Activities and Business Review

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

The Bank has 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 Medicare Limited, Zenith Trustees Limited, Zenith Life Assurance Company Limited, Zenith Bank (Sierra Leone) Limited, and Zenith Bank (Gambia) Limited.

In line with regulatory directives on the scope of banking operations in Nigeria, the Bank has commenced the process of divesting from its non-core banking operations (excluding Zenith Pension Custodian Limited) and hence these subsidiaries have been accounted for as discontinued operations in line with IFRS 5. During the year, the Bank successfully divested from Zenith Registrar Limited.

c. Operating Results

Gross earnings of the Group increased by 26% and profit before tax increased by 51% respectively. Highlights of the Group's operating results for the year under review are as follows:

	2012 N'million	2011 N'million
Profit before tax (continuing and discontinued operations)	102,100	67,440
Taxation (continuing and discontinued operations)	(1,419)	(18,736)
Profit after taxation (continuing and discontinued operations)	100,681	48,704
Non- controlling interest	(534)	(281)
Profit attributable to the Group	100,147	48,423
Appropriations:		
Transfer to Statutory Reserve	14,994	5,571
Transfer to Contingency Reserve	245	135
Transfer to Retained Earnings Reserve	84,908	42,717
	100,147	48,423

Dividends

The Board of Directors, pursuant to the powers vested in it by the provisions of section 379 of the Companies and Allied Matters Act (CAMA) of Nigeria, proposed a dividend of N1.60 kobo per share (December 2011: 95 kobo per share) from the retained earnings account as at 31 December 2012. This is subject to approval by shareholders at the next Annual General Meeting.

If the proposed dividend is approved by the shareholders, the Bank will be liable to pay additional corporate tax estimated at N12.6 billion, which represents the difference between the tax liability calculated at 30% of the dividend approved and the minimum tax charge reported in the statement of comprehensive income for year ended 31 December 2012.

Payment of dividends is subject to withholding tax at a rate of 10% in the hand of recipients.

d. Directors' Shareholding

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

		Number of Shareholding	
Name	**Designation**	**2012**	**2011**
Sir Steve Omojafor	Chairman	4,447,563	4,447,563
Godwin Emefiele	Group Managing Director/CEO	44,700,792	44,700,792
Babatunde Adejuwon	Non-Executive Director	3,752,853	3,752,853
Alhaji Baba Tela	Non Executive Director / Independent	250,880	250,880
Alhaji Lawal Sani	Non Executive Director / Independent	-	-
Prof. Chukuka Enwemeka	Non-Executive Director	127,137	127,137
Mr. Jeffrey Efeyini	Non-Executive Director	197,400	197,400
Chief (Mrs) Chinyere Asika *	Non Executive Director / Independent	-	-
Peter Amangbo	Executive Director	5,000,000	12,737,500
Elias Igbinakenzua	Executive Director	11,401,341	17,788,841
Apollos Ikpobe * *	Executive Director	-	12,666,963
Udom Emmanuel	Executive Director	7,110,308	14,062,496
Andy Ojei	Executive Director	9,522,074	14,209,574
Ms. Adaora Remy Umeoji *	Executive Director	25,949,887	25,949,887

* Appointed by the Board on October 9, 2012 and approved by the Central Bank of Nigeria (CBN) on December 20, 2012.

** Retired with effect from August 31, 2012

e. Directors' Interests in Contracts

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

f. Acquisition of Own Shares

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

g. Property and Equipment

Information relating to changes in property and equipment is given in Note 27 to the financial statements. In the opinion of the directors, the market value of the Group's properties is not less than the value shown in the financial statements.

h. Shareholding Analysis

The shareholding pattern of the Bank as at 31 December 2012 is as stated below:

Share Range	No. of Shareholders	Percentage of Shareholders (%)	Number of Holdings (%)	Percentage Holdings (%)
1-9,999	551,582	82.65%	1,714,937,257	5.46%
10,000 - 50,000	91,740	13.75%	1,885,285,543	6.00%
50,001 - 100,000	10,914	1.64%	757,374,308	2.41%
100,001 - 500,000	11,054	1.66%	2,069,814,212	6.59%
500,001 - 1,000,000	916	0.14%	644,079,303	2.05%
1,000,001 - 5,000,000	873	0.13%	1,864,323,308	5.94%
5,000,001 - 10,000,000	142	0.02%	999,376,950	3.18%
10,00,001 - 50,00,000	126	0.02%	2,516,751,236	8.02%
50,00,001 - 100,00,000	24	0.00%	1,759,195,224	5.60%
100,000,001 - 500,000,000	28	0.00%	6,084,636,747	19.38%
500,000,001 - 1,000,000,000	3	0.00%	1,613,347,555	5.14%
Above 1,000,000,000	5	0.00%	9,487,372,143	30.22%
	667,407	**100.00%**	**31,396,493,786**	**100.00%**

i. Substantial Interest in Shares

According to the register of members at 31 December 2012, the following shareholders held more than 5.0% of the issued share capital of the Bank.

	Number of Shares Held	Percentage Holdings (%)
Jim Ovia	2,747,223,748	8.75%
Stanbic Nominees Nigeria Limited/C001 - TRAD	2,578,440,480	8.21%
Stanbic Nominees Nigeria Limited/C002 - TRAD	1,772,836,681	5.65%

j. Donations and Charitable Gifts

The Bank made contributions to charitable and non-political organisations amounting to N 587 million during the year (2011: N 716 million)

The beneficiaries are as follows:

	N' million
IFRS Academy	100
South South Economic Summit	100
Obafemi awolowo University	70
Lagos State Security Trust Fund	50
Ogun State Security Trust Fund	30
Pan-Africa University	30
Day Waterman College Indigent student scholarship fund	20
St. Saviour School, Ikoyi Lagos	20
Nigeria Basketball Federation	17
University of Agriculture. Abeokuta, Ogun state	13
Ojota Secondary School, Lagos	11
Plateau State ICT Development project	7
Others below N5 million	119
	587

k. Post Balance Sheet Events

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

l. Human Resources

i. Employment of Disabled Persons

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

ii. Health, Safety and Welfare at Work

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

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

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

iii. Employee Training and Development

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

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

iv. Gender Analysis of Staff

The average number of employees of the Bank during the year by gender and level is as follows;

(a) Analysis of total employees

	Gender			Gender	
	Male	**Female**	**Total**	**Male**	**Female**
	Number			**Percentage**	
Employees	3,753	3,411	7,164	52%	48%

(b) Analysis of board and top management staff

	Gender			Gender	
	Male	**Female**	**Total**	**Male**	**Female**
	Number			**Percentage**	
Board Members (Executive and Non Executive Directors)	11	2	13	85%	15%
Top Management Staff (AGM-GM)	59	22	81	73%	27%
	70	**24**	**94**	**74%**	**26%**

(c) Further analysis of board and top mangement staff

	Gender			Gender	
	Male	Female	Total	Male	Female
	Number			Percentage	
Assistant General Managers	31	14	45	69%	31%
Deputy General Managers	17	4	21	81%	19%
General Managers	11	4	15	73%	27%
Board Members (Non Executive Directors)	6	1	7	86%	14%
Board Members (Executive Directors excluding MD/CEO)	4	1	5	80%	20%
Managing Director/CEO	1	-	1	100%	0%
	70	24	94	74%	26%

m. Auditors

The auditors, Messrs. KPMG Professional Services have indicated their willingness to continue in office as auditors in accordance with Section 357 (2) of the Companies and Allied Matters Act, 1990.

By Order of the Board

Michael Osilama Otu
Company Secretary
FRC/2013/MULTI/00000001084

a. Introduction

Zenith Bank as a major player in the Nigerian financial sector has in place an effective governance mechanism that not only ensures proper oversight of its business by the Directors and other principal organs of the Bank, but also carries on its business in a manner that engenders public trust and confidence while meeting the expectations of all stakeholders.

In pursuit of this objective, we consistently reappraise our processes to ensure the Bank operates on the global standard of corporate governance at all times.

b. Shareholding

The Bank has a large and diversified shareholder base. No single individual ultimate beneficiary holds more than 9% of the Bank's total shares.

c. Board of Directors

The tone for proper corporate governance by the Bank is set at the Board.

Besides possessing the requisite academic qualifications and experience in Board affairs, Directors are well abreast of their responsibilities and are conversant with the bank's business.

They are therefore able to exercise sound judgment on matters relating to its business.

d. Board Structure

The board is made up of a non-executive Chairman, six (6) non-executive Directors and six (6) executive Directors including the GMD/CEO. Three (3) 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 Managing Director/Chief Executive is responsible for the day to day running of the bank, assisted by the Executive Committee (EXCO).

e. Responsibilities of the Board

The Board is responsible for:

• Reviewing and providing guidance for the Bank's corporate and business strategy, major plans of action and risk policy.

• Review and approval of annual budgets and business plans; setting performance objectives, monitoring implementation and corporate performance.

• Overseeing major capital expenditures, acquisitions and divestitures.

• Monitoring the effectiveness of the governance practices under which the Bank operates and making appropriate changes as necessary.

• Ensuring the integrity of the Bank's accounting and financial reporting systems, including the internal audit function and that appropriate systems of control and risk monitoring are in place.

• Providing oversight of senior management.

• Establishment of the various Committees of the Bank including the terms of reference and review of reports of such Committees to address key areas of the Bank's business.

The board members who served on the board during the financial year are as follows:

Board of Directors

NAME	POSITION
Sir. Steve Omojafor	Chairman
Mr. Babatunde Adejuwon	Non Executive Director
Alhaji Baba Tela	Non Executive Director / Independent
Mr. Lawal Sani	Non Executive Director / Independent
Mr. Jeffrey Efeyini	Non Executive Director
Prof. Chukuka S. Enwemeka	Non Executive Director
Chief (Mrs) Chinyere Asika *	Non Executive Director / Independent
Mr. Godwin Emefiele	Group Managing Director / Chief Executive Officer
Mr. Peter Amangbo	Executive Director
Mr. Elias Igbinakenzua	Executive Director
Mr. Apollos Ikpobe **	Executive Director
Mr. Udom Emmanuel	Executive Director
Mr. Andy Ojei	Executive Director
Ms. Adaora Remy Umeoji *	Executive Director

* Appointed by the Board on October 9, 2012 and approved by the Central Bank of Nigeria (CBN) on December 20, 2012

** Retired with effect from August 31, 2012

The Board meets at least every quarter but may hold extra-ordinary sessions to address urgent matters requiring the attention of the Board.

f. Board Committees

The Board carries out its oversight functions using its various Board Committees. This makes for efficiency and allows for a deeper attention to specific matters for the board. The Committees are set up in line with statutory and regulatory requirements and consistent with global best practice.

Membership of the Committees of the Board is intended to make the best use of the skills and experience of non-executive directors in particular.

The Committees have well defined terms of reference and Charters defining their scope of responsibilities in such a way as to avoid overlap of functions.

The Committees of the Board meet quarterly but may hold extraordinary sessions as business of the bank demand.

The following are the current standing Committees of the Board:

i. Board Credit Committee

The Committee is made up of six (6) members comprising three (3) 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. The Committee considers loan applications above the level of Management Credit Committee. It also determines the credit policy of the bank or changes therein.

The membership of the Committee is as follows:

Mr. Jeffrey Efeyini – (Chairman)

Mr. Babatunde Adejuwon

Alhaji Baba Tela

Mr. Godwin Emefiele

Mr. Elias Igbinakenzua

Mr. Apollos Ikpobe *

* Retired with effect from August 31, 2012

Committee's Terms of Reference

• To recommend criteria by which the Board of Directors can evaluate the credit facilities presented from various customers.

• To review the credit portfolio of the Bank.

• To consider all credit facilities above Management approval limit.

• To establish and periodically review the Bank's credit portfolio in order to align organizational strategies, goals, and performance.

• To evaluate on an annual basis the components of total credit facilities as well as market competitive data and other factors as deemed appropriate, and to determine the credit level based upon this evaluation.

• To make recommendations to the Board of Directors with respect to credit facilities based upon performance, market competitive data, and other factors as deemed appropriate.

• To recommend to the Board of Directors, as appropriate, new credit proposals, restructure plans, and amendments to existing plans.

• To select and retain independent experts and consultants in the field of credit analysis subject to Board's approval, to advise with respect to market data and assist the Committee with its duties, and to approve fees and set terms of engagement for such consultants.

• To report to the entire Board at such times as the Committee and Board shall determine, but not less than every quarter.

• To perform such other duties and responsibilities as the Board of Directors may assign from time to time.

• To recommend non-performing credits for write-off by the Board.

ii. Staff Matters, Finance and General Purpose Committee

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

The membership of the Committee is as follows:

Alhaji Baba Tela – (Chairman)
Mr. Lawal Sani
Prof. Chukuka Enwemeka
Mr. Godwin Emefiele
Mr. Peter Amangbo
Mr. Andy Ojei

Committee's Terms of Reference

• Review of all matters relating to staff welfare, including remuneration of staff, and Executive Management;

• Consideration of all large scale procurement to be made by the Bank;

• Review of contracts award for significant expenditures;

• Consideration of promotions of Senior Management staff of the Bank;

• Any other matter that may be referred to it by the Board.

iii. 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 Mr. Adejuwon (a non executive Director), the Committee's membership comprises the following:

Mr. Babatunde Adejuwon – (Chairman)

Mr. Jeffrey Efeyini

Mr. Lawal Sani

Prof. Chukuka Enwemeka

Mr. Godwin Emefiele

Mr. Udom Emmanuel

Mr. Andy Ojei

Committee's Terms of Reference

• The primary responsibility of the Committee is to ensure that sound policies, procedures and practices are in place for the risk-wide management of the Bank's material risks and to report the results of the Committee's activities to the Board of Directors.

• Design and implement risk management practices, specifically provide ongoing guidance and support for the refinement of the overall risk management framework and ensuring that best practices are incorporated;

• Ensure that Management understands and accepts its responsibility for identifying, assessing and managing risk;

• Ensure and monitor risk management practices, specifically determine which enterprise risks are most significant and approve resource allocation for risk monitoring and improvement activities, assign risk owners and approve action plans;

• Periodically review and monitor risk mitigation process and periodically review and report to the Board of Directors:

(a) magnitude of all material business risks;

(b) the processes, procedures and controls in place to manage material risks; and

(c) the overall effectiveness of the risk management process;

• Facilitate the development of a comprehensive risk management framework for the Bank and develop the risk management policies and processes and enforce its compliance.

• To establish and periodically review the bank's risk portfolio in order to align organizational strategies, goals, and performance.

• To evaluate on a periodic basis the components of risk as well as market competitive data and other factors as deemed appropriate, and to determine the risk level based upon this evaluation.

• To select and retain independent experts and consultants in the field of risk analysis subject to Board's approval, to advise with respect to market data and assist the Committee with its duties, and to approve fees and set terms of engagement for such consultants.

• To report to the entire Board at such times as the Committee and Board shall determine, but not less than twice a year.

• To perform such other duties and responsibilities as the Board of Directors may assign from time to time

iv. Audit Committee

The Committee is established in line with Section 359(6) of the Companies and Allied Matters Act, 1990. The Committee's membership consists of three (3) representatives of the shareholders elected at the Annual General Meeting (AGM) and three (3) non-executive Directors. The Committee meets every quarter, but could also meet at any other time, should the need arise.

The membership of the Committee is as follows:

Shareholders' Representative

Alhaji Hamis B. Musa – (Chairman)

Mr. Michael Olusoji Ajayi

Ms. Angela Agidi

Non Executive Directors

Mr. Babatunde Adejuwon

Alhaji Lawal Sani

Mr. Jeffrey Efeyini

Committee's Terms of Reference

• To meet with the independent Auditors, Chief Financial Officer, Internal Auditor and any other Bank executive both individually and/or together, as the Committee deems appropriate at such times as the Committee shall determine to discuss and review:

- the terms of engagement for the independent auditors, the scope of the audit, and the procedures to be used

- the Bank's quarterly and audited annual financial statements, including any related notes, the Bank's specific disclosures and discussion under "Managements Control Report and the independent auditors' report, in advance of publication;

- the performance and results of the external and internal audits, including the independent auditors' management letter, and management's responses thereto;

- the effectiveness of the Bank's system of internal controls, including computerized information systems and security; any recommendations by the independent auditor and internal auditor regarding internal control issues and any actions taken in response thereto; and, the internal control certification and attestation required to be made in connection with the Bank's quarterly and annual financial reports;

- such other matters in connection with overseeing the financial reporting process and the maintenance of internal controls as the Committee shall deem appropriate;

•To actively engage in a dialogue with the independent auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent auditors and to take appropriate action in response to the independent auditors' report to satisfy itself of the independent auditors' independence; to periodically evaluate the independent auditor's qualifications and performance including a review of the lead partner, taking into account the opinion of management and the internal auditor;

• To review critical accounting policies and financial statement presentation; to discuss with management and the independent auditors significant financial reporting issues and judgments made in preparation of the financial statements including the effect of alternative accounting methods; to review major changes in accounting policies.

• To initiate, at its discretion, investigations within the parameters of its responsibilities.

• To prepare the Committee's report for inclusion in the Bank's annual report.

• To report to the entire Board at such times as the Committee shall determine.

• To conduct an annual evaluation of the Committee's performance.

v. 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.

vi. Other Committees

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

(a) Management Committee (MANCO)
(b) Assets and Liabilities Committee (ALCO)
(c) Management Global Credit Committee (MGCC)
(d) Risk Management Committee (RMC)
(e) Information Technology (IT) Steering Committee

(a) Management Committee

The Management Committee comprises the senior management of the Bank and has been established to identify, analyse, and make recommendations on risks arising from day-to-day activities. They also ensure that risk limits as contained in the Board and Regulatory policies are complied with. Members of the management committee make contributions to the respective Board Committees and also ensure that recommendations of the Board Committees are effectively and efficiently implemented. They meet weekly and as frequently as the need arises.

(b) Assets and Liabilities Committee (ALCO)

The ALCO is responsible for the management of a variety of risks arising from the Bank's business including market and liquidity risk management, loan to deposit ratio analysis, cost of funds analysis, establishing guidelines for pricing on deposit and credit facilities, exchange rate risks analysis, balance sheet structuring, regulatory considerations and monitoring of the status of implemented assets and liability strategies. The members of the Committee include the Managing Director, Executive Directors, the Treasurer, the Head of Financial Control, the Head of Risk Management Group and a representative of the Assets and Liability Management Unit. The representative of the Asset and Liability Management Department serves as the secretary of this Committee.

(c) Global Credit Committee

The Management Global Credit Committee is responsible for ensuring that the Bank complies with the Credit Policy Guide as established by the Board. The Committee also makes contributions to the Board Credit Committee. The Committee can approve credit facilities to individual obligors not exceeding in aggregate a sum as pre-determined by the Board from time to time. The Committee is responsible for reviewing and approving extensions of credit, including one-obligor commitments that exceed an amount as may be determined by the Board. The Committee meets weekly or fortnightly depending on the number of credit applications to be considered. The members of the Committee include the Managing Director, and all divisional and group heads, including the Executive Directors.

The committee reviews the entire credit portfolio of the Bank and conducts periodic assessment of the quality of risk assets in the Bank. It also ensures that adequate monitoring of performance is carried out. The secretary of the committee is the Head of the Credit Administration Department.

(d) Risk Management Committee

This Committee is responsible for regular analysis and consideration of risks other than credit risk in the Bank. It meets [at least monthly or as the need arises] to review environmental and other risk issues and policies affecting the Bank and recommend steps to be taken. The Committee's approach is entirely risk based. The Committee makes contributions to the Board Risk Management Committee and also ensures that the Board Risk Committee's decisions and policies are implemented. The members of the Committee include the Managing Director, two Executive Directors and all divisional and group heads.

(e) Information Technology Steering Committee

The Information Technology Steering Committee is responsible for amongst others, development of Corporate information technology (IT) strategies and plans that ensure cost effective application and management of resources throughout the organization.

Membership of the Committee is as follows:

(1) The Managing Director/Chief Executive

(2) Two (2) Executive Directors

(3) Head of Treasury

(4) Head of Trade Services

(5) Marketing Groups Representatives

(6) Chief Inspector

(7) Chief Risk Officer

(8) Head of IT

(9) Head of Infotech - Software

(10) Head of Infotech - Enginering

(11) Head of Card Services

(12) Head of Operations

(13) Head of IT Audit

(14) Head of e-Business

(15) Head of Investigation

The Committee meets monthly or as the need arises.

BOARD AND BOARD COMMITTEES MEETINGS

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

Directors	Board	Credit Committee	Staff Matters, Finance & General Purpose Committee	Risk Management Committee
Number of Meetings	**5**	**5**	**5**	**4**
Attendance				
Sir Steve Omojafor	5	N/A	N/A	N/A
Mr. Babatunde Adejuwon	5	5	N/A	4
Alhaji Baba Tela	5	5	5	N/A
Alhaji Lawal Sani	5	N/A	5	4
Mr. Jeffrey Efeyini	5	5	N/A	4
Prof. Chukuka S.Enwemeka	5	N/A	4	4
Chief (Mrs) Chinyere Asika *	-	N/A	N/A	N/A
Mr. Godwin Emefiele	5	5	5	4
Mr. Peter Amangbo	5	N/A	5	N/A
Mr. Elias Igbinakenzua	5	5	N/A	N/A
Mr. Apollos Ikpobe * *	3	3	N/A	N/A
Mr. Udom Emmanuel	5	N/A	N/A	4
Mr. Andy Ojei	4	N/A	5	3
Ms. Adaora Remy Umeoji *	-	N/A	N/A	N/A

Note:

* Appointed by the Board on October 9, 2012 and approved by the Central Bank of Nigeria (CBN) on December 20, 2012.

* * Retired from the Board effective August 31,2012

N/A Not Applicable (not a Committee member).

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

Members	Audit committee
Number of Meetings	4
Attendance	
Alhaji Hamis B. Musa	4
Mr. Michael Olusoji Ajayi	4
Ms. Angela Agidi	4
Mr. Babatunde Adejuwon	4
Mr. Jeffrey Efeyini	4
Alhaji Lawal Sani	4

f. Relationship with Shareholders

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

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

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

g. Customer ATM Complaint's Resolution

Number of complaints	Number resolved	Number not resolved	Number refered to CBN
53	41	12	53

The Directors accept responsibility for the preparation of the annual financial statements set out on pages 22 to 105 that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act of Nigeria, the Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions Act of Nigeria and relevant Central Bank of Nigeria regulations.

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

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

SIGNED ON BEHALF OF THE
BOARD OF DIRECTORS BY:

Sir Steve Omojafor	Godwin Emefiele	Udom Emmanuel
Chairman	Group Managing Director / CEO	Executive Director/ CFO
FRC/2013/IODN/00000001299	FRC/2013/IODN/00000001080	FRC/2013/MULTI/00000001066
30 January, 2013	30 January, 2013	30 January, 2013

ZENITH

ZENITH BANK PLC
REPORT OF THE AUDIT COMMITTEE
FOR THE YEAR ENDED 31 DECEMBER 2012

To the members of **Zenith Bank Plc**

In compliance with Section 359(6) of the Companies and Allied Matters Act of Nigeria, we have reviewed the consolidated and separate financial statements of Zenith Bank Plc for the year ended 31 December 2012 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 Group and Bank conformed with the statutory requirements and agreed ethical practices.

3. The Internal Control and Internal Audit functions were operating effectively; and

4. The External Auditor's findings as stated in the management letter are being dealt with satisfactorily by the management.

5. Related party transactions and balances have been disclosed in note 38 to the Financial Statements in accordance with requirements of the International Financial Reporting Standards (IFRS) and the Central Bank of Nigeria (CBN) directives as contained in the Prudential Guidelines for Deposit Money Banks in Nigeria and Circular on Disclosure of Insider-Related Credits in Financial Statements BSD/1/2004.

Dated January 30, 2013.

Alhaji Hamis B. Musa
Chairman, Audit Committee

MEMBERS OF THE COMMITTEE

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

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INDEPENDENT AUDITOR'S REPORT

To the Members of Zenith Bank Plc

Report on the Financial Statements

We have audited the accompanying financial statements of Zenith Bank Plc ("the Bank") and its subsidiary companies (together "the Group"), which comprise the statements of financial position as at December 31, 2012, and the statements of comprehensive income, statements of changes in equity, and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 22 to 101.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act of Nigeria, the Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions Act of Nigeria, and relevant Central Bank of Nigeria circulars, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, 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 that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

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

KPMG

Opinion

In our opinion, these financial statements give a true and fair view of the financial position of Zenith Bank Plc ("the Bank") and its subsidiaries (together "the Group") as at December 31, 2012, and of the Group and Bank's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act of Nigeria, the Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions Act of Nigeria, and relevant Central Bank of Nigeria circulars.

Report on Other Legal and Regulatory Requirements

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

In our opinion, proper books of account have been kept by the Bank, so far as appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from branches not visited by us. Additionally, the Bank's statement of financial position and statement of comprehensive income are in agreement with the books of account and returns.

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

i. The Bank contravened the requirements of some Central Bank circulars during the financial year. Details of these are stated in Note 42 of the financial statements.

ii. Related party transactions and balances are disclosed in note (38) of the financial statements in compliance with the Central Bank of Nigeria circular BSD/1/2004.

KPMG

28th March, 2013

Lagos, Nigeria

FRC/2012/ICAN/00000000425

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA

A 343013

Zenith Bank Plc
Consolidated and Separate Statements of Comprehensive Income
For The Year Ended 31 December 2012

In millions of Naira	Note	Group 2012	Group 2011	Bank 2012	Bank 2011
Gross earnings		**307,082**	243,948	**279,042**	214,980
Continuing Operations:					
Interest and similar income	*6*	**221,318**	163,192	**213,230**	155,871
Interest and similar expense	*7*	**(64,561)**	(34,906)	**(65,352)**	(33,407)
Net interest income		**156,757**	128,286	**147,878**	122,464
Impairment charge for credit losses	*8*	**(9,099)**	(16,514)	**(7,998)**	(15,900)
Net interest income after impairment charge for credit losses		**147,658**	111,772	**139,880**	106,564
Fee and commission income	*9*	**50,480**	42,197	**44,211**	36,590
Net gains on financial instruments measured at fair value through profit or loss	*10*	**19,012**	18,524	**16,201**	15,714
Other income	*11*	**1,038**	6,803	**5,400**	6,805
Share of profit of associates		**23**	45	**-**	-
Amortisation of intangible assets	*28*	**(1,059)**	(310)	**(624)**	(298)
Operating expenses	*12*	**(118,560)**	(115,918)	**(111,020)**	(108,231)
Profit before minimum tax and income tax from continuing operations		**98,592**	63,113	**94,048**	57,144
Minimum tax		**(2,469)**	-	**(2,469)**	-
Income tax expense from continuing operations	*13*	**2,007**	(17,261)	**4,224**	(15,843)
Profit after tax from continuing operations		**98,130**	**45,852**	**95,803**	**41,301**
Discontinued Operations:					
Gross income from discontinued operations		**15,234**	13,232	**-**	-
Gross expenses from discontinued operations		**(11,726)**	(8,905)	**-**	-
Profit before tax from discontinued operations	*14*	**3,508**	**4,327**	**-**	-
Income tax expense from discontinued operations		(957)	(1,475)	**-**	-
Profit after tax from discontinued operations		**2,551**	**2,852**	**-**	**-**
Continued and Discontinued Operations:					
Profit for the year before minimum tax and income tax		**102,100**	67,440	**94,048**	57,144
Minimum tax		**(2,469)**	-	**(2,469)**	**-**
Income tax expense		**1,050**	(18,736)	**4,224**	(15,843)
Profit for the year after tax		**100,681**	**48,704**	**95,803**	**41,301**
Other comprehensive income					
Foreign currency translation differences		**(2,424)**	(421)	-	-
Fair value movements on equity instruments		**297**	705	**15**	705
Tax effect of equity instruments at fair value		**(91)**	(211)	**(5)**	(211)
Other comprehensive income for the year, net of tax		**(2,218)**	73	**10**	494
Total comprehensive income for the year		**98,463**	48,777	**95,813**	41,795
Profit attributable to:					
Equity holders of the parent		**100,147**	48,423	**95,803**	41,301
Non controlling interests		**534**	281	**-**	-
Total comprehensive income attributable to:					
Equity holders of the parent		**97,971**	48,527	**95,813**	41,795
Non controlling interests		**492**	250	**-**	-
Profit from continuing operations attributable to:					
Equity holders of the parent		**98,044**	45,780	**95,803**	41,301
Non controlling interests		**86**	72	**-**	-
Earnings per share for profit from total operations attributable to equity holders of parent					
Basic	*15*	**319 k**	154 k	**305 k**	132 k
Earnings per share for profit from continuing operations attributable to equity holders of parent					
Basic	*15*	**312 k**	146 k	**305 k**	132 k

The accompanying notes are an integral part of these consolidated and separate financial statements.

Zenith Bank Plc
Consolidated and Separate Statements of Financial Position
As At 31 December 2012

In millions of Naira

Assets	Note	Group 2012	Group 2011	Bank 2012	Bank 2011
Cash and balances with central banks	16	**332,515**	223,187	**313,546**	211,098
Treasury bills	17	**669,164**	510,738	**647,474**	494,253
Due from other banks	18	**182,020**	234,521	**203,791**	246,364
Loans and advances	19	**989,814**	893,834	**895,354**	827,035
Investment securities	20	**299,343**	308,231	**256,905**	267,050
Investment in subsidiaries	21	-	-	**24,375**	19,345
Investment in associates	22	**420**	1,756	**463**	1,822
Deferred tax assets	23	**432**	186	-	-
Other assets	24	**28,665**	25,510	**16,814**	17,616
Assets classified as held for sale	25	**31,943**	52,482	**10,338**	10,838
Investment property	26	-	7,114	-	7,114
Property and equipment	27	**68,782**	68,366	**66,651**	65,877
Intangible assets	28	**1,406**	770	**1,175**	661
Total assets		**2,604,504**	2,326,695	**2,436,886**	2,169,073
Liabilities					
Customers' deposits	29	**1,929,244**	1,655,458	**1,802,008**	1,577,290
Current income tax	13	**6,577**	13,348	**5,071**	11,934
Deferred income tax liabilities	23	**5,584**	10,742	**5,573**	10,732
Other liabilities	30	**117,355**	152,836	**115,027**	126,660
On-lending facilities	31	**56,066**	49,370	**56,066**	49,370
Borrowings	32	**15,138**	21,070	**15,138**	21,070
Liabilities classified as held for sale	33	**11,584**	29,603	-	-
Total liabilities		**2,141,548**	1,932,427	**1,998,883**	1,797,056
Capital and reserves					
Share capital	34	**15,698**	15,698	**15,698**	15,698
Share premium	35	**255,047**	255,047	**255,047**	255,047
Retained earnings		**130,153**	75,072	**106,010**	55,028
Other reserves		**58,786**	45,765	**61,248**	46,244
Attributable to equity holders of the parent		**459,684**	391,582	**438,003**	372,017
Non-controlling interest		**3,272**	2,686	-	-
Total shareholders' equity		**462,956**	394,268	**438,003**	372,017
Total liabilities and equity		**2,604,504**	2,326,695	**2,436,886**	2,169,073

The accompanying notes are an integral part of these consolidated and separate financial statements.

The financial statements were approved by the Board of Directors on 30 January 2013 and signed on its behalf by:

Sir Steve Omojafor (Chairman)
FRC/2013/IODN/00000001299

Godwin Emefiele (Group Managing Director and Chief Executive)
FRC/2013/IODN/00000001080

Udom Emmanuel (Executive Director and Chief Financial Officer)
FRC/2013/MULTI/00000001066

Zenith Bank Plc
Consolidated and Separate Statements of Changes in Equity

In millions of Naira

Group	Share capital	Share premium	Retained earnings	Statutory reserve	SMIEIS reserve	Contingency reserve	Revaluation reserve (investment securities)	Credit risk reserve	Foreign currency translation reserve	Total	Non-controlling interest	Total equity
At 1 January 2011	15,698	255,047	64,826	24,634	3,729	617	1,585	4,459	(822)	369,773	2,417	372,190
Profit	-	-	42,717	5,571	-	135	-	-	-	48,423	281	48,704
Transfer between reserves	-	-	(5,784)	-	-	-	-	5,784	-	-	-	-
Foreign currency translation differences	-	-	-	-	-	-	-	-	(421)	(421)	-	(421)
Fair value movements on equity instruments, net of tax	-	-	-	-	-	-	494	-	-	494	-	494
Changes in the revaluation surplus	-	-	-	-	-	-	-	-	-	-	(31)	(31)
Total comprehensive income	-	-	36,933	5,571	-	135	494	5,784	(421)	48,496	250	48,746
Dividends	-	-	(26,687)	-	-	-	-	-	-	(26,687)		(26,687)
Changes in ownership interests in subsidiaries without loss of control and other changes	-	-	-	-	-	-	-	-	-	-	19	19
At 31 December 2011 (See Note 35)	15,698	255,047	75,072	30,205	3,729	752	2,079	10,243	(1,243)	391,582	2,686	394,268
Profit			84,908	14,994	-	245	-	-		100,147	534	100,681
Foreign currency translation differences	-	-	-	-	-	-	-	-	(2,424)	(2,424)	(47)	(2,471)
Fair value movements on equity instruments, net of tax	-	-	-	-	-	-	206	-	-	206	5	211
Changes in the revaluation surplus	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	84,908	14,994	-	245	206	-	(2,424)	97,929	492	98,421
Dividends	-	-	(29,827)	-	-	-	-	-	-	(29,827)	-	(29,827)
												-
Changes in ownership interests in subsidiaries without loss of control and other changes	-	-	-	-	-	-	-	-	-	-	94	94
At 31 December 2012 (See Note 35)	15,698	255,047	130,153	45,199	3,729	997	2,285	10,243	(3,667)	459,684	3,272	462,956

The accompanying notes are an integral part of these consolidated and separate financial statements.

Zenith Bank Plc
Consolidated and Separate Statements of Changes in Equity

In millions of Naira

Bank	Share Capital	Share Premium	Retained earnings	Statutory reserve	SMIEIS reserve	Revaluation reserve (investment securities)	Credit Risk reserve	Total equity
At 1 January 2011	15,698	255,047	51,769	24,633	3,729	1,574	4,459	356,909
								-
Profit	-	-	35,730	5,571	-	-	-	41,301
Transfer between reserves	-	-	(5,784)	-	-	-	5,784	-
Fair value movements on equity instruments, net of tax	-	-	-	-	-	494	-	494
Total comprehensive income	-	-	29,946	5,571	-	494	5,784	41,795
Dividends	-	-	(26,687)	-	-	-	-	(26,687)
At 31 December 2011 (See Note 35)	15,698	255,047	55,028	30,204	3,729	2,068	10,243	372,017
Profit	-	-	80,809	14,994	-	-	-	95,803
Fair value movements on equity instruments, net of tax	-	-	-	-	-	10	-	10
Total comprehensive income	-	-	80,809	14,994	-	10	-	95,813
Dividends	-	-	(29,827)	-	-	-	-	(29,827)
At 31 December 2012 (See Note 35)	15,698	255,047	106,010	45,198	3,729	2,078	10,243	438,003

The accompanying notes are an integral part of these consolidated and separate financial statements.

Zenith Bank Plc
Consolidated And Separate Statements of Cash Flows
For The Year Ended 31 December 2012

In millions of Naira	Note	Group 2012	Group 2011	Bank 2012	Bank 2011
Cash flows from operating activities					
Profit after tax for the year		**100,681**	48,704	**95,803**	41,301
Impairment					
- on loans and advances		**9,066**	17,837	**7,965**	16,346
- on leases		**33**	(357)	**33**	(357)
- on other assets		**1,280**	(89)	**1,280**	(89)
- on investment in associates		**851**	-	**851**	-
Fair value changes recognised in profit and loss		**-**	(205)	**-**	(171)
Depreciation of property and equipment	27	**10,307**	12,175	**9,500**	11,527
Depreciation of investment property	26a	**136**	-	**136**	-
Amortisation of intangible assets	28	**1,059**	-	**624**	-
Dividend income	11	**(110)**	(240)	**(694)**	(249)
Net interest income		**(156,757)**	(128,286)	**(147,878)**	(122,464)
Share of (profit)/loss of associates		**(23)**	(45)	**-**	-
Profit on sale of property and equipment	11	**(10)**	(58)	**(9)**	(51)
Profit on sale of investment property	26b	**(150)**	-	**(150)**	-
Gain on disposal of subsidiary	25b	**(32)**	-	**(3,811)**	-
Tax expense	13	**1,419**	18,736	**(1,755)**	15,843
		(32,250)	(31,828)	**(38,105)**	(38,364)
Changes in operating assets:		**(230,752)**	(504,444)	**(187,310)**	(473,053)
Loans and advances		**(104,415)**	(155,910)	**(76,317)**	(135,438)
Other assets		**(4,435)**	(4,950)	**(478)**	(2,125)
Treasury bills with maturities greater than three months		**(52,524)**	(153,640)	**(47,594)**	(146,684)
Reinsurance assets and insurance receivables		**-**	3,096	**-**	-
Restricted balances (cash reserves)		**(73,528)**	(94,618)	**(73,081)**	(94,813)
Statutory deposits		**-**	500	**-**	-
Net assets of subsidiary disposed		**(4,479)**	-	**-**	-
Debt securities		**8,629**	(98,922)	**10,160**	(93,993)
Changes in operating liabilities:		**238,305**	342,654	**213,085**	327,466
Claims payable		**-**	(218)	**-**	-
Liabilities on insurance contracts		**-**	(2,287)	**-**	-
Customers deposits		**273,786**	335,696	**224,718**	287,276
Other liabilities		**(35,481)**	9,463	**(11,633)**	40,190
Cash flows (used in)/generated from operating activities		**(24,697)**	(193,618)	**(12,330)**	(183,952)
Interest received		**221,318**	163,192	**213,230**	155,871
Interest paid		**(64,561)**	(34,906)	**(65,352)**	(33,407)
Tax paid	13	**(12,799)**	(6,569)	**(10,272)**	(4,266)
Cash flows from discontinued operations		**(15,621)**	23,682	**-**	-
Net cash flows (used in)/generated from operations		**103,640**	(48,219)	**125,276**	(65,754)
Cash flows from investing activities					
Purchase of Property and equipment	27	**(11,290)**	(14,725)	**(10,477)**	(13,995)
Purchase of Intangible assets	28a	**(1,709)**	(275)	**(1,138)**	(175)
Proceed from sale of property and equipment		**361**	131	**212**	87
Purchase of investment property	26a	**(37)**	(367)	**(37)**	(367)
Proceed from sale of investment property	26b	**7,165**	447	**7,165**	-
Proceeds from sale of equity securities	20	**-**	2,769	**-**	-
Disposal of associates		**508**	687	**508**	687
Dividends received		**110**	285	**694**	249
Investment in subsidiaries		**-**	-	**(5,030)**	(239)
Proceeds from sale of subsidiary		**4,511**	-	**4,311**	-
Divestment from subsidiaries		**-**	-	**-**	7,190
Cash flows from discontinued operations		**(567)**	(5,473)	**-**	-
Net cash used in investing activities		**(948)**	(16,521)	**(3,792)**	(6,563)

In millions of Naira

Cash flows from financing activities					
Dividend paid to shareholders		**(29,827)**	(26,687)	**(29,827)**	(26,687)
Borrowed funds					
- inflow from long term borrowing		**313**	-	**313**	-
- repayment of long term borrowing		**(6,245)**	(7,288)	**(6,245)**	(7,288)
Inflow from On-lending facilities		**6,696**	23,321	**6,696**	23,321
Net cash (used in)/generated from financing activities		**(29,063)**	(10,654)	**(29,063)**	(10,654)
Increase/(Decrease) in cash and cash equivalents		**73,629**	(75,394)	**92,421**	(82,971)
Analysis of changes in cash and cash equivalents:					
Cash and cash equivalents at start of year	41	**525,616**	644,988	**520,979**	603,950
Increase/(Decrease) in cash and cash equivalents		**73,629**	(75,394)	**92,421**	(82,971)
Cash and cash equivalents from discontinued operations		**18,708**	(42,302)	**-**	-
Exchange rate movements on cash and cash equivalents		**(3,136)**	(1,676)	**-**	-
Cash and cash equivalents at end of year	41	**614,817**	525,616	**613,400**	520,979

The accompanying notes are an integral part of these consolidated and separate financial statements.

1 General information

Zenith Bank Plc (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 Nigerian Stock Exchange.

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 Medicare Limited, Zenith Trustees Limited, Zenith Life Assurance Company Limited, Zenith Bank (Sierra Leone) Limited and Zenith Bank (Gambia) Limited.

The consolidated financial statements as at and for the year ended 31 December 2012 comprise the Bank and its subsidiaries (together referred to as "the Group" and individually as "Group entities") and the Group's interest in associates. The separate financial statements comprise the Bank. The consolidated and separate financial statements for the year ended 31 December 2012 were approved for issue by the Board of Directors on **30 January 2013**

2 Summary of significant accounting policies

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

2.1 Basis of preparation

a. Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs). The IFRS accounting policies have been consistently applied to all periods presented.

b. Basis of measurement

The financial statements have been prepared in accordance with the going concern principle under the historical cost convention as modified by the measurement of certain financial assets and financial liabilities held at fair value.

c. Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated and separate financial statements are disclosed in note 4.

2.2 New standards, interpretations and amendments to existing standards that are not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these consolidated and separate financial statements.

The Group plan to adopt these standards at their respective effective dates. Management is in the process of assessing the impact of the guidance on the Group.

● IFRS 10 *Consolidated Financial Statements (effective on or after 1 January 2013)*
IFRS 10 introduces a single control to determine whether an investee should be consolidated. As a result, the Group may need to change its consolidation conclusion in respect of its investees, which may lead to changes in the current accounting for these investees.

● IFRS 11 *Joint Arrangements (effective on or after 1 January 2013)*
Under IFRS 11, the structure of joint arrangement, although still an important consideration, is no longer the main factor in determining the type of joint arrangement and therefore its subsequent accounting.The Group is still assessing the possible impact of this standard.

● IFRS 12 *Disclosure of Interests in other Entities (effective on or after 1 January 2013)*

This standard brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries , joint arrangements, associates and unconsolidated structured entities. IFRS 12 requires the disclosure of information about the nature, risks and financial effects of these interests. The Group is currently assessing these additional disclosure requirements.

● IFRS 13 *Fair Value Measurement (effective on or after 1 January 2013)*
IFRS 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout IFRS. The Group is currently reviewing its methodologies in determining fair values in line with this standard.

● IAS 19 *Employee Benefits (effective on or after 1 January 2013)*
IAS 19 changes the definition of short-term and other long-term employee benefits to clarify the distiction between the two. For defined benefit plans, the removal of the accounting policy choice for recognition of actuarial gains and losses is not expected to have any impact on the Group.

2.3 Basis of consolidation

(a) Subsidiaries

The financial statements of subsidiaries are consolidated from the date the Group acquires control, up to the date that such effective control ceases. For the purpose of these financial statements, subsidiaries are entities over which the Group, directly or indirectly, has the power to govern the financial and operating policies so as to obtain benefits from their activities.

Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (transactions with owners). Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the Group.

Inter-company transactions, balances and unrealised gains on transactions between companies within the Group are eliminated on consolidation. Unrealised losses are also eliminated in the same manner as unrealised gains, but only to the extent that there is no evidence of impairment. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the separate financial statements, investments in subsidiaries and associates are measured at cost.

(b) Loss of Control

On loss of control, the Group derecognises the assets and liabilities of the subsidiary, any controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, that retained interest is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(c) Associates

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

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and 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 of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. Dilution gains and losses arising in investments in associates are recognised in profit or loss.

2.4 Foreign currency translations

(a) Functional and presentation

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The parent entity’s functional currency (Nigerian Naira) is adopted as the presentation currency for the consolidated financial statements. Except as otherwise indicated, financial information presented in Naira has been rounded to the nearest million.

(b) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for statement of financial position presented are translated at the closing rate at the reporting date;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On the disposal of a foreign operation, the Group recognises in profit or loss the cumulative amount of exchange differences relating to that foreign operation. When a subsidiary that includes a foreign operation is partially disposed of or sold, the Group re-attributes the proportionate share of the cumulative amount of the exchange differences recognised in other comprehensive income to the non-controlling interests in that foreign operation. In the case of any other partial disposal of a foreign operation, the Group reclassifies to profit or loss only the proportionate share of the cumulative amount of exchange differences recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate at the reporting date.

(c) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. 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 currencies are recognised in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated to the functional currency using the exchange rate at the transaction date, and those measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Exchange differences on non-monetary assets are accounted for based on the classification of the underlying items.

Translation differences on non-monetary financial assets and liabilities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on equities measured at fair value through other comprehensive income are included in the revaluation reserve in other comprehensive income.

Foreign currency gains and losses on intra-group loans are recognised in profit or loss unless settlement of the loan is neither planned nor likely to occur in the foreseeable future, in which case the foreign currency gains and losses are initially recognised in the foreign currency translation reserve in the consolidated financial statements. Those gains and losses are recognised in profit or loss at the earlier of settling the loan or at the time at which the foreign operation is disposed.

2.5 Cash and cash equivalents

For the purposes of the statement of cash flow, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash and non-restricted balances with central banks, treasury bills and other eligible bills, loans and advances to banks, amounts due from other banks and short-term government securities.

2.6 Financial instruments

(a) Initial recognition and measurement

Financial instruments at fair value through profit or loss are recognised at fair value with transaction costs, which are directly attributable to the acquisition or issue of the financial instruments, being recognised immediately through profit or loss. Financial instruments that are not carried at fair value through profit or loss are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instruments.

Financial instruments are recognised or de-recognised on the date the Group commits to purchase or sell the instruments (trade day accounting).

The Group does not apply hedge accounting.

(b) Subsequent measurement

Subsequent to initial measurement, financial instruments are measured either at fair value or amortised cost depending on their classification.

(c) Classification and measurement

(i) Financial assets

The Group classifies its financial assets as subsequently measured at amortised cost or fair value.

A financial asset is subsequently measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest in this context is consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time. Interest income is recognised in Interest and similar income.

The following instruments have been measured at amortised cost;

- Loans and advances
- Held-to-maturity debt securities
- Held-to-maturity treasury bills.

All other financial assets are subsequently measured at fair value. Financial assets which meet the requirement for measurement at amortised cost may also be designated as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency (accounting mismatch). Gains and losses arising from changes in the fair value of financial assets subsequently measured at fair value are recognised in profit or loss ("FVTPL"), except where the Group elects to present in other comprehensive income fair value gains and losses arising on investments in equity instruments which are not held for trading but for strategic purposes ("Fair value through OCI"). Gains and losses recognised directly in other comprehensive income are not subsequently transferred to profit or loss on disposal of the equity instrument.

The following instruments have been measured at fair value through profit or loss, or other comprehensive income:

- Financial guarantees
- Equity securities measured at fair value through other comprehensive income.

(ii) Financial liabilities

Financial liabilities consist of financial liabilities at fair value through profit or loss and financial liabilities at amortised cost.

Financial liabilities that are not classified at fair value through profit or loss are measured at amortised cost. Interest expenditure is recognised in Interest and similar expense.

No financial liabilities have been classified as fair value through profit or loss at any of the reporting dates covered by this set of financial statements.

(iii) Financial guarantees

A financial guarantee contract is a contract that requires the Group (issuer) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee liabilities are initially recognised at fair value, which is generally equal to the premium received, and then amortised over the life of the financial guarantee. Subsequent to initial recognition, the financial guarantee liability is measured at the higher of the present value of any expected payment, when a payment under the guarantee has become probable, and the unamortised premium.

(d) Determination of fair value

At initial recognition, the best evidence of the fair value of a financial instrument is the transaction price (i.e. the fair value of the consideration paid or received), unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument, without modification or repackaging, or based on valuation techniques such as discounted cash flow models and option pricing models whose variables include only data from observable markets.

Subsequent to initial recognition, the fair value of a financial instrument is based on quoted market prices or dealer price quotation for financial instruments traded in an active market. If the market for a financial instrument is not active or the instrument is not listed, the fair value is determined using valuation techniques. Refer to note 3.3.6(c) for a description of the valuation techniques used by the Group.

(e) De-recognition

Financial assets are de-recognised when the contractual rights to receive the cash flows from these assets have expired or the Group has transferred the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred or which the Group neither retains substantially all the risks and rewards of ownership and it does not retain control of the financial assets. Any interest in transferred financial assets that qualify for de-recognition that is created or retained by the Group is recognised as a separate asset or liability in the statement of financial position. On de-recognition of a fianncial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

The Group enters into transactions whereby it transfers assets recognised in the statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a protion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not de-recognised. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

In transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

(f) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to set off the recognised amounts and it intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

(g) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(h) Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, then the Group establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs into valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

2.7 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets not carried at fair value through profit or loss is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (for example, equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower’s competitive position;
- Deterioration in the value of collateral; and
- Downgrading below investment grade level.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of impairment loss for financial assets carried at amortised cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. If a financial instrument has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Group's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets are reflected and directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss under impairment charge for credit losses.

2.8 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

An impairment loss is recognised if the carrying amount of an asset or its Cash Generating Unit (CGU) exceeds its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purposes of assessing impairment, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash flows of other assets or CGU.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs) and then to reduce the carrying amount of the other assets in the CGU (group of CGUs) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. An impairment loss in respect of goodwill is not reversed.

2.9 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Where significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

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

Property and equipment are depreciated on the straight line basis to their residual values over the estimated useful lives of the assets. The assets' residual values and useful lives are reviewed, and adjusted if appropriate at each reporting date and the depreciation method is reviewed at each financial year end. Leasehold land and buildings are depreciated over the period of the lease or over such lesser period as is considered appropriate.

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:

Leasehold land	- Over the remaining lease period
Motor vehicles	- 4 years
Office equipment	- 5 years
Furniture and fittings	- 5 years
Computer hardware and equipment	- 3 years
Buildings	- 50 years
Leasehold improvement	- Over the remaining lease period

Depreciation is included in profit or loss.

Work in progress consists of items of property and equipment that are not yet available for use. Work in progress is carried at cost less any required impairment. An impairment loss is recognised if the asset's recoverable amount is less than cost. The asset is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Once the items are available for use, they are transferred to relevant classes of property and equipment as appropriate.

Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in profit or loss.

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

2.10 Intangible assets

(a) Computer software

Software not integral to the related hardware acquired by the Group is stated at cost less accumulated amortisation and accumulated impairment losses.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group, are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Subsequent expenditure on computer software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that the asset is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life is 5 years.

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

2.11 Leases

(a) A Group company is the lessee

Leases, where the Group assumes substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are separated using the interest rate implicit in the lease to identify the finance cost, which is charged against income over the lease period, and the capital repayment, which reduces the liability to the lessor.

Leases of assets are classified as operating leases if the lessor effectively retains all the risks and rewards of ownership. Payments made under operating leases, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(b) A Group company is the lessor

Lease and instalment sale contracts are primarily financing transactions in banking activities, with rentals and instalments receivable, less unearned finance charges, being included in Loans and advances to customers in the statement of financial position.

Finance charges earned are computed using the effective interest method which reflects a constant periodic return on the investment in the finance lease. Initial direct costs paid are capitalised to the value of the lease amount receivable and accounted for over the lease term as an adjustment to the effective rate of return.

Leases of assets under which the Group effectively retains all the risks and rewards of ownership are classified as operating leases. Receipts of operating leases from properties held as investment properties in investment management and life insurance activities, net of any incentives given to lessees, are accounted for as income on the straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required by the lessee by way of penalty is recognised as income in the period in which termination takes place.

2.12 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are determined by discounting the expected future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the Group has approved a detailed formal plan, and the restructuring either has commenced or has been announced publicly. Future operating costs or losses are not provided for. A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

Contingent liabilities are possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the Group’s control. Contingent liabilities are not recognised in the financial statements but are disclosed in the notes to the financial statements.

Provisions are recognised when the separate entities in the Group have a present or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate of the amount of the obligation can be made.

2.13 Employee benefits

(a) Post-employment 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. For entities operating in Nigeria, the contribution by employees and the employing entities are 2.5% and 12.5% respectively of the employees' basic salary, housing and transport allowances. Entities operating outside Nigeria contribute in line with the relevant pension laws in their jurisdictions.

(b) Short-term benefits

Short-term benefits consist of salaries, accumulated leave allowances, profit share, bonuses and any non-monetary benefits.

Short-term employees' benefits are measured on an undiscounted basis and are expensed as the related services are provided.

A liability is recognised for the amount expected to be paid under short-term cash benefits such as accumulated leave and leave allowances if the Group has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be measured reliably.

(c) Termination benefits

The Group recognises termination benefits as an expense when the Group is demonstrably committed , without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide ternmination benefits as a result of an offer made to encourage voluntary redundancy. The Group settles termination benefits within twelve months and are accounted for as short-term benefits.

2.14 Share capital

(a) Share issue costs

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

(b) Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Bank's shareholders. Dividends for the year that are declared after the end of the reporting period are dealt with in the subsequent events note.

(c) Treasury shares

Where the Bank or other members of the Group purchase the Bank's equity share capital, the consideration paid is deducted from total shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

2.15 Recognition of interest income and expense

Interest income and expense for all financial assets and financial liabilities carried at amortised cost are recognised in profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. Direct incremental transaction costs incurred and origination fees received, including loan commitment fees, as a result of bringing margin-yielding assets or liabilities in the statement of financial position, are capitalised to the carrying amount of financial instruments, excluding financial instruments at fair value through profit or loss, and amortised as interest income or expense over the life of the asset as part of the effective interest rate.

When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Where the estimated cash flows on financial assets are subsequently revised, other than impairment losses, the carrying amount of the financial assets is adjusted to reflect actual and revised estimated cash flows.

Where a financial asset or a Group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2.16 Fees, commissions and other income

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Other fees and commission income and expenses are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Group has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party, are recognised on completion of the underlying transaction.

Dividend income is recognised in profit or loss in the period in which the right of receipt is established.

2.17 Insurance and investment

The Group issues contracts that transfer insurance risk, financial risk or both.

Insurance contracts are those contracts that transfer significant insurance risk. The Group defines as significant insurance risk the possibility of having to pay benefits, on the occurrence of an insured event, that are significantly more than the benefits payable if the insured event did not occur.

Investment contracts are those contracts that transfer financial risk without significant insurance risk. Financial risk refers to the risk of a possible future change in the value of an asset or financial instrument due to a change in interest rate, commodity price, index of prices, foreign exchange rate or other measurable variable.

(a) Insurance contracts

In terms of IFRS 4, insurance liabilities are measured under existing local practice at the date of adoption of IFRS 4.

The Group had, prior to the adoption of IFRS 4, valued insurance liabilities using certain actuarial techniques as described below. The Group has continued to value insurance liabilities in accordance with these.

Insurance contracts are classified into three broad categories, depending on the duration of the risk and the type of risk insured, namely Individual Life, Group Life and General insurance.

(i) Individual life

These contracts insure mainly against death. For the published accounts, the contracts are valued based on a gross premium valuation taking into account the present value of expected future premium, claim and associated expense cash flows.

Any resultant negative policyholder liabilities, measured on an individual policy level, are set to zero (“zeroised”) so as not to recognise profits prematurely.

Where the same policy includes both insurance and investment components and where the policy is classified as insurance, the insurance and investment benefits are valued separately.

(ii) Group Life

These contracts insure against death on a group basis. These contracts are short term in nature and are typically renewed annually. For these contracts, gross premiums are recognised as revenue when due.

(iii) General Insurance

These contracts provide Fire, Accident, Motor, Marine, Bond, Engineering and Aviation insurance. For these contracts, gross premiums are recognised as revenue when due.

(iv) Outstanding claims provision

A full provision is made for the estimated cost of all claims notified but not settled at the reporting date, using the best information available at that time. Provision is also made for the cost of claims incurred but not reported ("IBNR") until after the reporting date.

Similarly, provisions are made for “unallocated claims expenses” being the estimated administrative expenses that will be incurred after the reporting date in settling all claims outstanding as at the date, including IBNR. Differences between the provision for outstanding claims at a reporting date and the subsequent settlement are included in the Revenue Account of the following year.

(b) Insurance contracts with Discretionary Participation Features

Zenith issues single premium contracts that provide primarily savings benefits to policyholders but also transfer insurance risk. The investment return credited to the policyholders is at Zenith's discretion, subject to fair oversight and a minimum guaranteed. These contracts are valued on a retrospective basis.

(i) Embedded Investment Derivatives

Embedded derivatives are analysed and valued separately where significant to the total liability, taking into account variation in investment performance and interest rates.

(ii) Guaranteed Annuity Options

Guaranteed Annuity Options, where a guaranteed rate of conversion to a life annuity is provided, is offered on some products. This feature provides an option to the policyholder as is analysed and valued separately where significant to the total liability, taking into account expected take-up rates, mortality variation and investment variation.

2.18 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity and subsequently recognised in profit or loss when the related deferred gain or loss is recognised.

(a) Current tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Bank's subsidiaries and associates operate and generate taxable income.

(b) Deferred tax

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred income tax is determined using tax rates enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax liability is settled.
Deferred tax is not recognised for the following temporary differences:

- the initial recognition of goodwill;
- the initial recognition of assets and liabilities in a transaction that is not a business combination, which affects neither accounting nor taxable profits or losses; and
- investments in subsidiaries and joint ventures (excluding mutual funds) where the group controls the timing of the reversal of temporary differences and it is probable that these differences will not reverse in the foreseeable future.

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

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the asset or liability and is not discounted. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Additional taxes that arise from the distribution of dividends by the Bank are recognised at the same time as the liability to pay the related dividend is recognized.

Deferred tax related to the fair value re-measurement of equity instruments which are charged or credited directly to other comprehensive income, is also credited or charged directly to other comprehensive income and is not subsequently transferred from equity to profit or loss.

2.19 Earnings per share

The Group presents basic earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period.

2.20 Segment reporting

An operating segment is a component of the Group engaged in business activities from which it can earn revenues, whose operating results are regularly reviewed by the Group's Executive [Management/Board] in order to make decisions about resources to be allocated to segments and assessing segment performance. The Group’s identification of segments and the measurement of segment results is based on the Group’s internal reporting to management.

2.21 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.

2.22 Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or a geographical area of operations that has been disposed of or is held for sale or distribution, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

2.23 Non-current assets held for sale or distribution

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale or distribution. Immediately before classification as held for sale or distribution, the assets, or components of a disposal group, are re-measured in accordance with the Group's accounting policies. Thereafter generally, the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to financial assets and deferred tax assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains and losses on re-measurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

Intangible assets and property and equipment once classified as held for sale or distribution are not amortized or depreciated. In addition, equity accounting of equity-accounted investees ceases once classified as held for sale or distribution.

2.24 Investment property

An investment property is an investment in land or buildings held primarily for generating income, capital appreciation or both and not occupied substantially for use in the operations of the Group.

Investment property is initially recognized and subsequently measured at cost less accumulated depreciation and impairment loss. Cost includes expenditure that is directly attributable to the acquisition of the investment property. Investment property held by the Group is depreciated over an estimated useful life of 50 years. Fair values are determined at the end of each reporting period and are disclosed.

3. Risk management

3.1 Enterprise Risk Review

Zenith Group's business operations are largely diversified and spread across different geographical locations. This neccesitates the need for proper identification, measurement, aggregation and effective management of risks and efficient utilisation of capital to derive an optimal risk and return ratio.

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

3.1.1 Risk Management Philisophy/Strategy

•The group considers sound risk management to be the foundation of a long lasting financial institution.
•The group continues to adopt a holistic and intergrated approach to risk management and therefore,brings all risks together under one or a limited number of oversight functions.
•Risk management is a shared responsibility.Therefore the Group aims to build a shared perspective on risks that is grounded in consensus.
•There is clear segregation of duties between market facing business units and risk management functions.
•Risk Management is governed by well defined policies which are clearly communicated across the Group.
•Risk related issues are taken into consideration in all business decisions. The Group shall continually strive to maintain a conservative balance between risk and revenue consideration.

3.1.2 Risk Appetite

The Group's risk appetite is reviewed by the Board of Directors annually, at a level that minimises erosion of earnings or capital due to avoidable losses or from frauds and operational inefficiencies. This reflect the conservative nature of Zenith Group as far as risk taking is concerned.

The Group employs a range of quantitative indicators to monitor the risk profile. Specific limits have been set in line with the Group's risk appetite.

3.1.3 Risk Management Approach

The Group addresses the challenge of risks comprehensively through an enterprise-wide risk management framework by applying leading practices that is supported by a robust governance structure consisting of board level and executive management committees. The Board drives the risk governance and compliance process through its committees. The audit commitee provides oversight on the systems of internal control, financial reporting and compliance. The Board credit commitee reviews the credit policies and approves all loans above the defined limits for Executive Management. The Board Risk Committee sets the risk philosophy, policies and strategies as well as provides guidance on the various risk elements and their management.
The Board Risk Control Functions are supported by various management committees (Global Credit commitee and Management Risk committee) that hep it develop and implement various risk strategies. The Global Credit commitee manages the credit approval and documentation activities. It ensures that the credit policies and procedures are aligned with the Group's business objectives and strategies. The Management Risk committee drives the management of the financial risks (Market, Liquidity and Credit Risk), operational risks as well as strategic and reputational risks.

In addition, Zenith Group manages its risks in a structured, systematic and transparent manner through a global risk policy which embeds comprehensive risk management processes into the organisational structure and risk measurement and monitoring activities. This structure ensures that the Group's overall risk exposures are within the parameters set by the Board.

The key features of the Group's risk management policy are:
• The Board of Directors provides overall risk management direction and oversight.
• The Group's risk appetite is approved by the Board of Directors.
• Risk management is embedded in the Group as an intrinsic process and is a core competency of all its employees.
• The Group manages its credit, market, operational and liquidity risks in a co-ordinated manner within the organisation.
• The Group's risk management function is independent of the business divisions.
• The Group's internal audit function reports to the Board Audit Committee and provides independent validation of the business units' compliance with risk policies and procedures and the adequacy and effectiveness of the risk management framework on an enterprise-wide basis.

The Group continually modifies and enhances its risk management policies and systems to reflect changes in markets, products and international best practices. Training, individual responsibility and accountability, together with a disciplined and cautious culture of control, lie at the heart of the Group's management of risk.

The Board of Directors is committed to managing compliance with a robust compliance framework to enforce compliance with applicable laws, rules and standards issued by the industry regulators and other law enforcement agencies, market conventions, codes of practices promoted by industry associations and internal policies
The Group's culture emphasizes high standard of ethical behaviour at all levels of the Bank. Therefore the Bank's board of directors promotes sound organisation.

3.1.4 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 tackling each of these 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 staff.

• 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 group's risk management processes are properly documented.

• Create adequate awareness to make risk management a part of the corporate culture of the Group.

• Ensure that risk remains within the boundaries established by the Board.

• Ensure that business lines comply with risk parameters and prudent limits established by the Board.

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

Zenith Bank 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 group'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.

3.2 Credit Risk

Credit risk is defined as the likelihood that a customer or counterparty is unable to meet the contracted financial obligations resulting in a default situation and/or financial loss. Credit exposures arise principally in credit-related risk that is embedded in loans and advances and investments. There is also credit risk in off-balance sheet financial instruments, such as letters of credit, guarantees and loan commitments.

The Group has dedicated credit standards, policies and procedures to control and monitor intrinsic and concentration risks through all credit levels of selection, underwriting, administration and control. Some of the policies are

• Credit is only 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 ar balance sheet management guidelines.
• Credit is not extended to customers where the source of repayment is unknown or speculative, and also where the destination of funds i unknown. There must be clear and verifiable purpose for the use of the funds.
• Credit is not given to a customer where the ability of the customer to meet obligations is based on the most optimistic forecast of events. Risk considerations will always have priority over business and profit considerations
• The primary source of repayment for all credits must be from an identifiable cash flow from the counterparty's normal business operations or othe 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 is adopted.
• All insiders' related credits are limited to regulatory and strict internal limits and are disclosed as required.
• The consequences for non-compliance with the credit policy and credit indiscipline are communicated to all staff and implemented.

3.2.1 Credit Metrics and Measurement Tools

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 shoul default occur.

3.2.2 Credit Rating Tools

The principal objective of the credit risk rating system is to produce a reliable assessment of the credit risk to which the Group is exposed. As such, 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.

(a) Loans and advances and amounts due from banks

Each individual borrower is rated based on an internally developed debt rating model that evaluates risk based on financial, qualitative and industry specific inputs. The associated loss estimate norms for each grade have been developed based on the experience of the Bank and its various subsidiaries.

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

Zenith Group's internal rating.

Zenith Group Rating	Description of the grade	Equivalent of external rating
AAA	Investment Risk (Extremely Low Risk)	AAA
AA	Investment Risk (Very Low Risk)	AA
A	Investment Risk (Low Risk)	A
BBB	Upper Standard Grade (Acceptable Risk)	BBB
BB	Lower Standard Grade (Moderately High Risk)	BB
B	Non Investment Grade (High Risk)	B
CCC	Non Investment Grade (Very High Risk)	CCC
CC	Non Investment Grade (Extremely High Risk)	CC
C	Non Investment Grade (High Likelihood of Defaul	C
D	Non Investment Grade (Lost)	D
Unrated	Unrated	Unrated

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

(b) Other debt instruments

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

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

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

Control mechanisms for the credit risk rating system

Zenith's credit risk rating system is reviewed periodically to confirm that the rating criteria and procedures are appropriate given the current portfolio and external conditions. As all models materially impacting the risk rating process are reviewed in accordance with the Groups model risk policy. Furthermore, the ratings accorded to customers are regularly reviewed, incorporating new financial information available and the experience in the development of the banking relation. The regularity of the reviews increases in the case of clients who reach certain levels in the automatic warning systems.

3.2.3 Credit Processes

Zenith operates a Centralised Credit Approval Process System. Credits are originated from the branches/business groups and subjected to reviews at various levels before presentation to the Global Credit Committee for approvals. All credit presented for approval are required to be in conformity with the documented and communicated Risk Acceptance Criteria(RAC)

3.2.4 Group Credit Risk Management

Zenith's dynamic and proactive approach in managing credit risk is a key element in achieving its strategic objective of maintaining and further enhancing its asset quality and credit portfolio risk profile. The conservative, prudent and well-established credit standards, policies and procedures, risk methodologies and framework, solid structure and infrastructure, risk monitoring and control enable the Group to deal with the emerging risks and challenges with a high level of confidence and determination.

The framework for credit Risk at Zenith Group is well defined and institutionally predicated on:
• Clear tolerance limits and risk appetite set at the Board level, well communicated to the business units and periodically reviewed and monitored to adjust as appropriate.
• Well-defined target market and risk asset acceptance criteria.
• Rigorous financial, credit and overall risk analysis for each customer/transaction.
• Portfolio quality examined on regular basis according to key performance indicators mechanism and periodic stress testing.
• Concentrations together with mitigation strategies are continuously assessed.
• Early warning system is continually validated and modified to ensure proper functioning for risk identification.
• Systematic and objective credit risk rating methodologies that are based on quantitative, qualitative and expert judgment.
• Systematic credit limits management enabling the Bank to monitor its credit exposure on daily basis at country, borrower, industry, credit risk rating and credit facility type levels.
• Solid documentation and collateral management process with proper coverage and top-up triggers and follow-ups.
• Annual and interim individual credit reviews to ensure detection of weakness signs or warning signals and considering proper remedies.

Our rigorous credit processes are supplemented by sectoral portfolio reviews focused on countries, regions or specific industries as well as multiple stress testing scenarios.

These are intended to identify any inherent risks in the portfolios resulting from changes in market conditions and are supplemented by independent reviews from our Group Internal Audit.

Additionally, the Group continues to upgrade and fine-tune the above in line with the developments in the financial services industry environment and technology.

3.2.5 Group Credit Risk Limits

In managing credit risk, the Group applies credit risk limits, among other techniques. This is the practice of stipulating a maximum amount that the individual or counterparty can obtain as loan. Internal and regulatory limits are strictly adhered to.Through this, the Group not only protects itself, but also in a sense, protects the counterparty from borrowing more than they are capable of paying

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

The Group has in place various portfolio concentration limits(which is subject to periodic review) .These limits are closely monitored and reported on from time to time.

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

Approval Authority level	Approval limit (% of Shareholders' Fund)
Board Credit Committee	N7 billion and above (Not exceeding 20% of Total Shareholders’ funds)
Global Credit Committee	Below N7 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

3.2.6 Group Credit Risk Monitoring

The Group’s exposures are continuously monitored through a system of triggers and early-warning signals aimed at detecting symptoms which could result in deterioration of credit risk quality. The triggers and early-warning systems are supplemented by facility utilisation and collateral valuation monitoring together with a review of upcoming credit facility expiration and market intelligence to enable timely corrective action by management. The results of the monitoring process are reflected in the internal rating process in a quarterly review activity.

Credit risk is monitored on an ongoing basis with formal weekly,monthly and quarterly reporting to ensure senior management awareness of shifts in credit quality and portfolio performance along with changing external factors such as economic and business cycles

The capabilities of the credit review team has been strengthened in order to improve the facility monitoring activity and assure good quality Risk Assets Portfolio accross the Group.
A specialised and focused loan recovery and workout team handles the management and collection of problem credit facilities.

3.2.7 Credit Risk Mitigation, Collateral and other Credit Enhancements

Portfolio diversification is the cornerstone of the Group’s credit risk mitigation strategy which is implemented through customer, industry and geographical limit structures. Nevertheless, Zenith uses a variety of techniques to manage the credit risk arising from its lending activities.
Enforceable legal documentation establishes Zenith’s direct, irrevocable and unconditional recourse to any collateral, security or other credit enhancements provided.

(a) Collateral Security

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

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

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

- Stocks and shares of publicly quoted companies
- Domiciliation of contracts proceeds;
- Documents of title to goods such as shipping documents consigned to the order of Zenith Bank or any of its subsidiaries; an
- 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.

Details of collateral held and their carrying amounts as at 31 December 2012 are as follows

In millions of Naira	Group	Group	Bank	Bank
	Total exposure	Value of collateral	Total exposure	Value of collateral
Secured against real estate	164,620	185,137	140,789	156,540
Secured by shares of quoted companies	11,217	7,507	8,666	3,680
Cash Collateral, lien over fixed and floating assets	788,155	535,830	728,208	489,071
Unsecured	50,534	-	39,128	-
	1,014,526	728,474	916,791	649,291

(b) Balance Sheet Netting Arrangements

Risk reduction by way of current account set-off is recognised for exposures to highly rated and creditworthy customers domiciled in Nigeria only. Customers are required to enter into formal agreements giving Zenith the unfettered right to set-off gross credit and debit balances in their nominated accounts to determine the Groups net exposure. Cross-border set-offs are not permitted.

(c) Guarantees and Standby Letters of Credit

Guarantees and Standby Letters of Credit are considered to carry about the same level of credit risk as loans and advances. And in accordance with the Group's credit policies, banks and creditworthy companies and individuals with high net worth are accepted as guarantor, subject to credit risk assessment. Furthermore Zenith only recognises unconditional irrevocable guarantees or standby letters of credit provided they are not related to the underlying obligor

3.2.7 Maximum Exposure to Credit Risk Before Collateral Held or Credit Enhancements

The Group's maximum exposure to credit risk at 31 December 2012 and 2011 respectively, is represented by the net carrying amounts of the financial assets, with the exception of financial and other guarantees issued by the Group for which the maximum exposure to credit risk is represented by the maximum amount the Group would have to pay if the guarantees are called on (refer note 39 Contingent liabilities and commitments).

3.2.8 Concentration of Risks of Financial Assets with Credit Risk Exposure

The Group monitors concentrations of credit risk by geographical location and by industry sector. An analysis of concentrations of credit risk at 31 December 2012 and 2011 respectively for loans and advances to customers and amounts due from banks, is set out below:

(a) Geographical sectors

The following table breaks down the Group's main credit exposure at their gross amounts ("Due from banks" at carrying amount), as categorised by geographical region at 31 December 2012 and 2011 respectively. For this table, the Group has allocated exposures to regions based on the region of domicile of our counterparties.

In millions of Naira

	Group			Bank		
At 31 December 2012	**Due from banks**	**Loans and advances to customers**	**Total**	**Due from banks**	**Loans and advances to customers**	**Total**
Nigeria	20,717	916,791	**937,508**	12,359	916,791	**929,150**
Rest of Africa	3,498	32,474	**35,973**	-	-	**-**
Outside Africa	157,805	65,261	**223,066**	191,432	-	**191,432**
	182,020	**1,014,526**	**1,196,546**	203,791	916,791	**1,120,582**

	Group			Bank		
At 31 December 2011	**Due from banks**	**Loans and advances to customers**	**Total**	**Due from banks**	**Loans and advances to customers**	**Total**
Nigeria	89,259	851,800	**941,059**	49,371	850,917	**900,288**
Rest of Africa	20,567	23,155	**43,722**	-	-	-
Outside Africa	124,695	45,666	**170,361**	196,993	-	**196,993**
	234,521	920,621	**1,155,142**	246,364	850,917	**1,097,281**

(b) Industry sectors

	Group		Bank	
	2012	**2011**	**2012**	**2011**
	Loans and advances to customers	**Loans and advances to customers**	**Loans and advances to customers**	**Loans and advances to customers**
Agriculture	62,541	30,403	52,541	29,837
Oil and gas	170,890	153,497	160,850	142,336
Consumer Credit	43,183	47,060	35,183	44,432
Manufacturing	244,723	247,246	214,691	219,970
Real estate and construction	72,735	64,423	59,735	63,792
Finance and Insurance	28,208	18,043	20,208	15,816
Government	82,358	74,117	80,695	73,616
Power	4,111	22,007	2,111	14,248
Other public utilities	153	106	153	106
Transportation	48,661	48,179	51,661	48,179
Communication	141,671	114,617	141,671	101,209
Education	2,038	1,229	2,038	1,229
General Commerce	80,031	67,183	69,031	67,183
Others	33,225	32,511	26,225	28,964
	1,014,526	920,621	916,791	850,917

3.2.9 Credit quality

In millions of Naira

	Group		Bank	
At 31 December 2012	**Due from banks**	**Loans and advances to customers**	**Due from banks**	**Loans and advances to customers**
Neither past due nor impaired	182,020	972,580	203,791	878,753
Past due but not impaired	-	10,016	-	9,581
Impaired				
Individually impaired	-	14,480	-	11,992
Collectively impaired	-	17,450	-	16,465
Gross	182,020	1,014,526	203,791	916,791
Impairment allowance				
Specific impairment	-	(10,601)	-	(8,368)
Collective impairment	-	(14,111)	-	(13,069)
	182,020	989,814	203,791	895,354
At 31 December 2011				
Neither past due nor impaired	234,521	843,749	246,364	796,877
Past due but not impaired	-	17,104	-	16,750
Impaired				
Individually impaired	-	22,038	-	19,227
Collectively impaired	-	37,730	-	18,063
Gross	234,521	920,621	246,364	850,917
Impairment allowance				
Specific impairment	-	(12,408)	-	(10,168)
Collective impairment	-	(14,379)	-	(13,714)
	234,521	893,834	246,364	827,035

3.2.9.1 Non-Performing Loans by Industry

At 31 December 2012

	Group N' million 2012	Group N' million 2011	Bank N' million 2012	Bank N' million 2011
Agriculture	649	1,812	647	1,231
Oil and Gas	2,076	9,258	1,385	5,676
Capital Market	8,010	11,014	-	5,972
Consumer Credit	1,850	1,014	5,030	633
Manufacturing	2,259	12,982	1,598	9,000
Real Estate and Construction	2,337	1,353	5,316	844
Finance and Insurance	2,580	1,752	2,166	1,093
Government	498	983	49	613
Power	186	-	186	-
Other Public Utilities	8	-	8	-
Transportation	636	3,325	583	2,374
Communication	2,575	1,921	2,056	899
Education	943	1,598	943	997
General Commerce/Trading	7,268	7,673	8,436	4,787
Others	55	5,080	53	3,170
	31,930	**59,768**	**28,457**	**37,290**

3.2.9.2 Non-Performing Loans by Geography

At 31 December	Group N' million 2012	Group N' million 2011	Bank N' million 2012	Bank N' million 2011
South South	817	778	817	778
South West	25,402	28,837	25,402	28,837
South East	676	55	676	55
North Central	910	825	910	825
North West	108	149	108	149
North East	545	6,646	545	6,646
Rest of Africa	3,473	22,478	-	-
Outside Africa	-	-	-	-
	31,930	59,768	28,457	37,290

(a) Geographical Sectors

The following table breaks down the Group's main credit exposure at their carrying amounts, as categorised by geographical region at 31 December 2012 together with prior period comparatives. For this table, the Group has allocated exposures to regions based on the domicile region of our counterparties.

	Group		Bank	
At 31 December (N'millions)	**Loans and advances to customers**	**Loans and advances to customers**	**Loans and advances to customers**	**Loans and advances to customers**
	2012	**2011**	**2012**	**2011**
South South	66,955	62,283	66,955	62,283
South West	783,606	704,038	783,606	704,038
South East	19,607	25,227	19,607	25,227
North Central	16,665	27,635	16,665	27,635
North West	6,933	5,850	6,933	5,850
North East	23,024	25,885	23,024	25,885
Rest of Africa	51,906	23,875	-	-
Outside Africa	45,829	45,829	-	-
	1,014,526	920,621	916,791	850,917

All other financial assets are neither past due nor impaired, except other assets. NGN 2.9 billion of financial assets which are neither past due nor impaired have been renegotiated (2011: Nil).

(a) Credit portfolio neither past due nor impaired

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

	Group		Bank	
At 31 December 2012	**Due from banks**	**Loans and advances to customers**	**Due from banks**	**Loans and advances to customers**
AAA	182,020	640,001	203,791	579,818
AA to A	-	123,826	-	97,663
BBB to BB	-	152,316	-	149,816
Below B	-	27,723	-	25,703
Unrated	-	28,713	-	25,752
	182,020	972,580	203,791	878,753

At 31 December 2011	**Due from banks**	**Loans and advances to customers**	**Due from banks**	**Loans and advances to customers**
AAA	234,521	241,678	246,364	213,380
AA to A	-	507,233	-	478,828
BBB to BB	-	84,049	-	77,685
Below B	-	4,739	-	22,866
Unrated	-	6,050	-	4,118
	234,521	843,749	246,364	796,877

The credit quality of cash and balances with central banks, treasury bills, investment securities and other financial assets that were neither past due nor impaired can also be assessed by reference to the internal rating system adopted by the Group.

In millions of Naira	Group			Bank		
At 31 December 2012	**Cash and balances with central banks**	**Treasury bills**	**Investment securities**	**Cash and balances with central banks**	**Treasury bills**	**Investment securities**
AAA	332,515	669,164	289,938	313,546	647,474	247,500
AA to A	-	-	9,405	-	-	9,405
BBB to BB	-	-	-	-	-	-
Below B	-	-	-			
Unrated	-	-	-			
	332,515	669,164	299,343	313,546	647,474	256,905

	Group			Bank		
At 31 December 2011	**Cash and balances with central banks**	**Treasury bills**	**Investment securities**	**Cash and balances with central banks**	**Treasury bills**	**Investment securities**
AAA	223,187	510,738	289,938	211,098	494,253	257,660
AA to A	-	-	9,390	-	-	9,390
BBB to BB	-	-	-	-	-	-
Below B	-	-	-	-	-	-
Unrated	-	-	-	-	-	-
	223,187	510,738	308,231	211,098	494,253	267,050

The credit risk associated with other financial assets that were neither past due nor impaired are considered to be low at 31 December 2012 and 2011.

(b) Credit portfolio past due but not impaired

	Group		Bank	
	2012	**2011**	**2012**	**2011**
	Loans and advances to customers N'millions	**Loans and advances to customers N'millions**	**Loans and advances to customers N'millions**	**Loans and advances to customers N'millions**
Past due up to 30 days	1,634	11,617	1,364	11,412
Past due 30 - 60 days	7,999	4,822	7,844	4,747
Past due 60 - 90 days	384	665	373	591
	10,016	17,104	9,581	16,750
(c) Credit rating of past due but not impaired				
A	9,319	14,289	9,289	16,300
BB	698	2,815	292	450
	10,016	17,104	9,581	16,750

(d) Credit portfolio individually impaired

In millions of Naira	Group		Bank	
	2012	**2011**	**2012**	**2011**
	Loans and advances to customers N'millions	**Loans and advances to customers N'millions**	**Loans and advances to customers N'millions**	**Loans and advances to customers N'millions**
Gross amount				
Grade: Below BB	14,480	24,739	11,992	22,866
Specific impairment	(10,601)	(12,408)	(8,368)	(10,168)
	3,879	12,331	3,624	12,698

Included in interest income on loans and advances are amounts totalling N 4,186 million (2011: N904 million) and N 2,308 million (2011: N357 million) for the Group and Bank respectively which represent interest incomes on impaired financial assets, recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Restructuring policy

Loans with renegotiated terms are loans that have been restructured because the Group has made concessions by agreeing to terms and conditions that are more favorable for the customer than the Group has provided initially. The Group implements restructuring policy in order to maximize collections opportunities and minimize the risk of default.

The group’s credit committee may from time to time grant approval for restructuring of certain facilities due to the following reasons;

i. Where the execution of the loan purpose and the repayment is no longer realistic in light of new cash flows.
ii, To avoid unintended default arising from adverse business conditions .
iii. To align loan repayment with new pattern of achievable cash flows.
iv. Where there are proven cost over runs that may significantly impair the project repayment capacity.
v. Where there is temporary downturn in the customer’s business environment .
vi. Where the customer’s going concern status is NOT in doubt or threatened.

The revised terms of restructured facilities usually include extended maturity, changing timing of interest payments and amendments to the terms of the loan agreement.

Write-off policy

The group writes off a loan balance when the Group’s credit department determines that the loan is uncollectable and had been declared delinquent and subsequently classified as lost. This determination is made after considering information such as the continuous deterioration in the customer’s financial position, such that the customer can no longer pay the obligation, or that proceeds from the collateral will not be sufficient to pay back the entire exposure. Board approval is required for such write-off. The loan recovery department continues with its recovery efforts and any loan subsequently recovered is treated as other income.

3.3 Market risk

The Group undertakes activities which give rise to a considerable level of market risks exposures(i.e. the risk that the fair value of future cash flows of our trading and investment positions or other financial instrument will fluctuate because of changes in market prices). Market risks can arise from adverse changes in interest rates, foreign exchange rates,equity prices,commodity prices and other relevant factors such as Market volatilities.The objective of market risk management activities is to continually manage and control market risk exposure within acceptable parameters, while optimizing the return on risks taken.

3.3.1 Management of market risk

The Group has an independent Market Risk Management unit which assesses, monitors , manages and reports on market risk taking activities across the group. We have continued to enhance our Market Risk Management Framework. The operations of the unit is guided by the mission of **"inculcating enduring market risk management values and culture, with a view to reducing the risk of losses associated with market risk-taking activities, and optimizing risk-reward trade-off."**

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

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

The Group proactively manages its Market risk exposures in both the trading and banking books within the acceptable levels.

The Group's Market Risks exposures are broadly categorised into:
(i)**Trading Market Risks-** These are risks that arise primarily through trading activities and Market Making activities. These include position taking in foreign exchange and fixed income securities(Bonds and Treasury Bills).

(ii)**Non Trading Market Risks-**These are risks that arise from assets and liabilities that are usually on our books for a longer period of time, but where the Intrinsic value is a function of the movement of financial market parameter.

3.3.2 Measurement of Market Risk

The Group currently adopts Non-VAR approach for quantitative measurement and control of market risks in both trading and non trading books. The measurements includes: Duration;Factor Sensitivities(Pv01),Stress Testing,Aggregate Open Position etc.
The measured risks are therefore monitored against the pre-set limits on a daily basis. All exceptions are investigated and report in line with our internal policies and guidelines.

Limits are sets to reflect the risk appetite that is approved by the Board of Directors.These limits are reviewed at least annually or at a more frequent intervals. Some of the limits include; Net Open Position (NOP- for foreign exchange); Aggregate Control Limits(for Securities); Management Action Trigger(MAT);Duration; Factor Sensitivities(Pv01);Permitted Instrument and Tenor Limits; Holding Period and Off Market Rate Tolerance limit.

Zenith Group currently does not offer very complex derivative products. However, we are already building capacity (both systems and training/knowledge base) to enable us handle these products as at when they are introduced.

3.3.3 Foreign exchange risk

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.The Group manages part of the Foreign exchange risks through derivatives and hedges.The position is managed by the Treasury Group operating within approved limits. Internal limits for Overall Overnight and Intra-day positions are employed in managing the risks.In addition, Individual currency limits are set and monitored by Market Risk unit. There are other limits that are utilised in managing foreign exchange risks. These limits are set with the aim of minimizing the Group's risk exposures to exchange rates volatilities to an acceptable level. The more volatile currencies are assigned lower limits. The Group operates mainly in seven (7) foreign currencies with a significant percentage of transactions involving US Dollars.

(a) Group

The table below summarizes the Group's exposure to foreign currency exchange rate risk at 31 December 2012 and 31 December 2011. Included in the table are the Group's financial instruments at carrying amounts (except for loans and advances to customers and other assets which are shown at thier gross amount), categorised by currency.

At 31 December 2012

In millions of Naira	Naira	Dollar	GBP	Euro	Others	Total
Assets						
Cash and balances with central banks	321,907	662	6,785	58	3,103	332,515
Treasury bills	647,474	-	-	-	21,689	669,164
Due from other banks	12,359	149,924	4,046	-	15,691	182,020
Loans and advances to customers (gross)	836,219	165,184	712	-	12,412	1,014,526
Investment securities	256,905	33,546	6,604	1,019	1,269	299,343
Other assets (gross)	21,770	-	-	-	11,532	33,302
	2,096,634	349,315	18,148	1,077	65,697	2,530,870
Liabilities						
Deposits from customers	1,653,908	190,330	5,259	8,027	71,720	1,929,244
Other liabilities	11,608	88,221	1,954	14,228	1,344	117,355
On-lending facilities	56,066	-	-	-	-	56,066
Borrowings	-	15,138	-	-	-	15,138
	1,721,582	293,689	7,213	22,255	73,064	2,117,803
Net on-balance sheet position	375,052	55,627	10,935	(21,178)	(7,368)	413,067

At 31 December 2011	Naira	Dollar	GBP	Euro	Others	Total
Assets						
Cash and balances with central banks	218,549	363	4,215	48	12	223,187
Treasury bills	510,675	-	-	-	63	510,738
Due from other banks	7,395	179,940	30,931	16,192	63	234,521
Loans and advances to customers (gross)	800,421	70,946	45,901	3,295	58	920,621
Reinsurance assets and insurance receivables		-	-	-	-	-
Investment securities	283,767	-	21,682	-	2,782	308,231
Other assets (gross)	22,972	476	5,419	-	-	28,867
	1,843,779	251,725	108,149	19,535	2,978	2,226,165
Liabilities						
Deposits from customers	1,465,256	135,474	46,866	7,862	-	1,655,458
Other liabilities	-	21,070	-	-	-	21,070
On-lending facilities	4,173	66,426	69,783	12,321	133	152,836
Borrowings	49,370	-	-	-	-	49,370
	1,518,799	222,971	116,648	20,182	133	1,878,734
Net on-balance sheet position	324,980	28,754	(8,500)	(647)	2,845	347,431

The Group's exposure to foreign currency risk is largely concentrated in the US Dollar. Movement in exchange rate between the US Dollar and the Nigerian Naira affects reported earnings through revaluation gain or loss and balance sheet size through increase or decrease in the revalued amounts of assets and liabilities denominated in US Dollars.

The table below shows the impact on the Group's profit and balance sheet size if the exchange rate between the US Dollars and Nigerian Naira had increased or decreased by 10%, with all other variables held constant.

	2012	2011
Effect of 10% up or (down) movement on profit before tax and balance sheet size	5,563	2,875

(b) Bank

The table below summarizes the bank's exposure to foreign currency exchange rate risk at 31 December 2012 and 31 December 2011. Included in the table are the Banks's financial instruments at carrying amounts, categorised by currency.

At 31 December 2012

In millions of Naira	Naira	Dollar	GBP	Euro	Others	Total
Assets						
Cash and balances with central banks	313,546	-	-	-	-	313,546
Treasury bills	647,474	-	-	-	-	647,474
Due from other banks	12,359	185,166	4,046	-	2,220	203,791
Loans and advances to customers (gross)	836,219	80,573	-	-	-	916,791
Investment securities	256,905	-	-	-	-	256,905
Other assets (gross)	21,451	-	-	-	-	21,451
	2,087,954	265,738	4,046	-	2,220	2,359,958
Liabilities						
Deposits from customers	1,653,908	141,861	2,378	3,861	-	1,802,008
Other liabilities	11,531	87,749	1,519	14,228	-	115,027
On-lending facilities	-	15,138	-	-	-	15,138
Borrowings	56,066	-	-	-	-	56,066
	1,721,505	244,748	3,897	18,089	-	1,988,239
Net on-balance sheet position	366,449	20,991	149	(18,089)	2,220	371,719

At 31 December 2011	Naira	Dollar	GBP	Euro	Others	Total
Assets						
Cash and balances with central banks	211,098	-	-	-	-	211,098
Treasury bills	494,253	-	-	-	-	494,253
Due from other banks	7,249	230,520	2,935	5,647	13	246,364
Loans and advances to customers (gross)	800,584	50,333	-	-	-	850,917
Investment securities	267,050	-	-	-	-	267,050
Other assets (gross)	20,973	-	-	-	-	20,973
	1,801,207	280,853	2,935	5,647	13	2,090,655
Liabilities						
Deposits from customers	1,465,272	103,312	1,611	7,095	-	1,577,290
On-lending facilities	49,370	-	-	-	-	49,370
Borrowings	-	21,070	-	-	-	21,070
Other liabilities	4,176	50,427	59,736	12,321	-	126,660
	1,518,818	174,809	61,347	19,416	-	1,774,390
Net on-balance sheet position	282,389	106,044	(58,412)	(13,769)	13	316,265

The Bank's exposure to foreign currency risk is largely concentrated in the US Dollar. Movement in exchange rate between the US Dollar and the Nigerian Naira affects reported earnings through revaluation gain or loss and balance sheet size through increase or decrease in the revalued amounts of assets and liabilities denominated in US Dollars.

The table below shows the impact on the Bank's profit and balance sheet size if the exchange rate between the US Dollars and Nigerian Naira ha increased or decreased by 10%, with all other variables held constant.

	2012	2011
Effect of 10% up or (down) movement on profit before tax and balance sheet siz	2,099	10,604

3.3.4 Interest Rate Risk

The Group is exposed to a considerable level of interest rate risk-especially on the banking book(i.e. the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates). Similar to the last financial year,interest rate was fairly volatile. This resulted in the adjustment of both the lending and deposit rates a couple of times.These changes could have a negative impact on the Net Interest Income, if not properly managed. The Group however, has a significant portion of its liabilities in non-rate sensitive liabilities. This greatly assists it in managing its exposure to interest rate risks. The Group also enjoys some form of flexibility in adjusting both lending and deposits rates to reflect current realities.

Sensitivities analysis are carried out from time to time to evaluate the impact of rate changes on the net interest income(ranging from 1basis point to 500 basis points). The assessed impact has not been significant on capital or earnings of the Group.

(a) Group
The table below summarizes the Group's interest rate gap position:

In millions of Naira	**Carrying amount**	**Rate sensitive**	**Non rate sensitive**
At 31 December 2012			
Assets			
Cash and balance with central banks	332,515	152,379	180,136
Treasury and other eligible bills (Amortized cost	669,164	669,164	-
Due from other banks	182,020	182,020	-
Loans and advances to customers (gross)	1,014,526	1,014,526	-
Investment securities (Amortized cost and Fair value through OCI	289,938	289,938	-
Deferred tax assets	432	-	432
Other assets (gross)	33,302	-	33,302
Property and equipment	68,782	-	68,782
Intangible assets	1,406	-	1,406
Total assets	2,592,085	2,308,027	284,058
Liabilities			
Customer deposits	1,929,244	1,119,051	810,193
Borrowings	71,204	71,204	-
Current income tax	6,577	-	6,577
Other liabilities	117,356	-	117,356
Deferred income tax liabilities	5,584	-	5,584
Total liabilities	2,129,965	1,190,255	939,710
Total interest repricing gap	462,120	1,117,772	(655,652)

At 31 December 2012	**Up to 1 month**	**1 - 3 months**	**3 - 6 months**	**6 - 12 months**	**Over 1 year**	**Total rate sensitive**
Financial assets						
Cash and balance with central banks	129,969	-	-	22,410	-	152,379
						-
Treasury and other eligible bills (Amortized cost)	218,641	235,512	207,465	6,850	695	669,164
Due from other banks	179,920	-	2,100	-	-	182,020
Loans and advances to customers (gross)	409,039	95,370	31,099	64,611	414,406	1,014,526
Investment Securities (Amortized cost and Fair value through OCI)	18,400	50,545	1,957	45,283	183,157	289,938
Total assets	955,970	381,427	242,622	139,154	598,259	2,308,027
Financial liabilities						
Customer deposits	952,765	110,548	34,596	4,944	16,197	1,119,051
On-lending facilities	1,142	-	270	-	54,654	56,066
Borrowings	318	-	-	697	14,123	15,138
Total liabilities	954,225	110,548	34,866	5,641	84,975	1,190,255
Total interest repricing gap	1,746	270,880	207,755	133,512	513,284	1,117,772

At 31 December 2011

In millions of Naira	Carrying amount	Rate sensitive	Non rate sensitive
Assets			
Cash and balance with central banks	223,187	43,570	179,617
Treasury and other eligible bills (FVTPL)	-	-	-
Treasury and other eligible bills (Amortized cost)	510,738	510,738	-
Loans and advances to customers (gross)	920,621	920,621	-
Insurance receivables	-	-	-
Investment securities (FVTPL)	-	-	-
Deferred tax assets	186	-	186
Investment property	7,114	-	7,114
Property and equipment	68,366	-	68,366
Intangible assets	770	-	770
Total assets	2,299,244	2,197,298	101,946
Liabilities			
Customer deposits	1,655,458	945,257	710,201
Claims payable	-	-	-
Liability on insurance contract	-	-	-
On-lending facilities		-	-
Borrowings	70,440	70,440	-
Other liabilities	152,836	-	152,836
Deferred income tax liabilities	10,742	-	10,742
Total liabilities	1,902,824	1,721,760	181,064
Total interest repricing gap	396,420	475,538	(79,118)

At 31 December 2011	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	Over 1 year	Total rate sensitive
Financial assets						
Cash and balance with central banks	36,560	-	-	7,010	-	43,570
Treasury and other eligible bills (FVTPL)	-	-	-	-	-	-
Treasury and other eligible bills (Amortized cost)	7,329	170,000	191,977	141,432	-	-
Due from other banks	34,121	200,400	-	-	-	234,521
Loans and advances to customers (Gross)	45,542	345,120	5,888	43,300	480,771	920,621
Investment securities (FVTPL)						-
Investment securities (Amortized cost and Fair	16,906	-	23,001	11,988	256,336	308,231
Total assets	140,458	715,520	220,866	203,730	737,107	2,017,681
Financial liabilities						
Customer deposits	929,416	540	344	750	14,207	945,257
On- lending facilities	-	-	270	-	49,100	49,370
Borrowing	-	-	-	-	21,070	21,070
Total liabilities	929,416	540	614	750	84,377	1,015,697
Total interest repricing gap	(788,958)	714,980	220,252	202,980	652,730	475,538

The management of interest risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various scenarios. Interest rate movement affects reported income by causing an increase or decrease in net interest income and fair value changes.

The table below shows the impact on the Group's profit before tax if interest rates on financial instruments held at amortized cost or at fair value ha increased or decreased by 100 basis points, with all other variables held constant.

	2012	2011
Effect of 100 basis points movement on profit before tax	5,991	3,723

(b) Bank
The table below summarizes the Bank's interest rate gap position:

In millions of Naira

At 31 December 2012	Carrying amount	Rate sensitive	Non rate sensitive
Assets			
Cash and balance with central banks	313,546	133,929	179,617
Treasury and other eligible bills (Amortized cost)	647,474	647,474	-
Due from other banks	203,791	203,791	-
Loans and advances to customers (gross)	916,791	916,791	-
Investment securities (Amortized cost and Fair value through OCI)	247,500	247,500	-
Other assets (gross)	21,451	-	21,451
Investment property	-	-	-
Property and equipment	66,651	-	66,651
Intangible assets	1,175	-	1,175
Total assets	2,418,379	2,149,485	268,894
Liabilities			
Customer deposits	1,802,008	1,011,815	790,193
Borrowings	71,204	71,204	-
Current income tax	5,071	-	5,071
Other liabilities	115,027	-	115,027
Deferred income tax liabilities	5,573	-	5,573
Total liabilities	1,998,883	1,083,019	915,864
Total interest repricing gap	419,496	1,066,466	(646,970)

At 31 December 2012	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	Over 1 year	Total rate sensitive
Financial assets						
Cash and Balance with central banks	83,799	-	-	50,130	-	133,929
Treasury and other eligible bills (FVTPL)	-	-	-	-	-	-
						-
Treasury and other eligible bills (Amortized cost)	214,560	234,770	194,144	4,000	-	647,474
Due from other banks	201,691	-	2,100	-	-	203,791
Loans and advances to customers (gross)	425,171	55,817	17,536	48,746	369,522	916,791
Investment securities (Amortized cost and Fair						-
value through OCI)	18,400	49,546	1,000	36,929	141,626	247,500
Total assets	943,621	340,133	214,780	139,805	511,147	2,149,485
Financial liabilities						
Customer deposits	967,296	42,787	334	1,399	-	1,011,815
On-lending facilities	1,142	-	270	-	54,654	56,066
Borrowings	318	-	-	697	14,123	15,138
Total liabilities	968,755	42,787	604	2,096	68,777	1,083,019
Total interest repricing gap	(25,134)	297,346	214,177	137,708	442,370	1,066,466

At 31 December 2011

In millions of Naira	Carrying amount	Rate sensitive	Non rate sensitive
Assets			
Cash and balance with central banks	211,098	104,562	106,536
Treasury and other eligible bills (FVTPL)	-	-	-
Treasury and other eligible bills (Amortized cost	494,253	494,253	-
Loans and advances to customers (gross)	827,035	827,035	-
Investment securities (FVTPL)	-	-	-
Investment securities (Amortized cost and Fair value through OCI)	267,050	-	267,050
Other assets (gross)	17,616	-	17,616
Property and equipment	65,877	-	65,877
Intangible assets	661	-	661
Total assets	2,137,068	1,778,750	358,318
Liabilities			
Customer deposits	1,577,290	862,089	715,201
On-lending facilities	-	-	-
Borrowings	70,440	70,440	-
Other liabilities	126,660	-	126,660
Deferred income tax liabilities	10,732	-	10,732
Total liabilities	1,797,056	1,644,592	152,464
Total interest repricing gap	340,012	134,158	205,854

At 31 December 2011	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	Over 1 year	Total rate sensitive
Financial assets						
Cash and balance with central banks	42,592	1,150	-	60,820	-	104,562
Treasury and other eligible bills (FVTPL)	-	-	-	-	-	-
Treasury and other eligible bills (Amortized cost)						
Due from other banks	236,364	10,000	-	-	-	246,364
Loans and advances to customers (gross)	292,085	50,320	5,347	39,325	439,958	827,035
Investment securities (FVTPL)						-
Investment securities (Amortized cost and Fair						
Total assets	744,832	67,070	231,321	248,237	647,804	1,939,264
Financial liabilities						
Customer deposits	288,002	565,400	344	738	7,605	862,089
On- lending facilities	-	-	270	-	49,100	49,370
Borrowing	-	-	-	-	21,070	21,070
Total liabilities	288,002	565,400	614	738	77,775	932,529
Total interest repricing gap	456,830	(498,330)	304,035	528,839	41,190	1,006,735

The management of interest risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various scenarios. Interest rate movement affects reported income by causing an increase or decrease in net interest income and fair value changes.

The table below shows the impact on the Bank's profit before tax if interest rates on financial instruments held at amortized cost or at fair value had increased or decreased by 100 basis points, with all other variables held constant.

	2012	2011
Effect of 100 basis points movement on profit before tax	6,750	4,786

The effect of 100 basis points movement on profit is considered moderate and we do not expect all the rates to move at the same time and in the same direction. This risk can largely be handled by the flexibility in the changing/adjustment rates on loans and deposits.

3.3.5 Equity and commodity price risk

The Group is exposed to equity price risk by holding investments quoted on the Nigerian Stock Exchange (NSE) and other non-quoted investments Equity securities quoted on the NSE is exposed to movement based on the general movement of the all share index and movement in prices of specific securities held by the Group.

Unquoted equity security held by the Group is a 5% equity holding in African Finance Corporation (AFC) valued at N 9.3 billion (cost 6.4 billion) as at 31 December 2012. The AFC is a private sector-led investment bank and development finance institution which has the Central Bank of Nigeria (CBN) as the single major shareholder (42.5%) with other African financial institutions and investors holding the remaining shares. The AFC operates a US Dollar denominated balance sheet and provides financing in this currency.

The Group does not deal in commodities and is therefore not exposed to any commodity price risk.

3.3.6 Fair value of financial assets and liabilities

(a) Group

(a) Financial instruments measured at amortised cost

	At 31 December 2012		**At 31 December 2011**	
In millions of Naira	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Financial assets				
Cash and balances with central banks	332,515	332,515	223,187	223,187
Due from other banks	182,020	182,020	234,521	234,521
Treasury bills (Amortized cost)	669,164	648,284	510,738	491,813
Debt securities (Amortized cost)	289,938	247,897	298,841	283,899
Loans and advances to customers (gross)	1,014,526	863,063	920,128	885,057
Financial liabilities				
Deposits from customers	1,929,244	1,805,411	1,655,458	1,651,049
Other liabilities	117,355	111,614	152,836	151,311
Borrowings	15,138	10,483	21,070	21,041
On-lending facilities	56,066	38,826	49,370	49,095

(b) Bank

(a) Financial instruments measured at amortised cost

	At 31 December 2012		**At 31 December 2011**	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Financial assets				
Cash and balances with central banks	313,546	313,546	211,098	211,098
Due from other banks	203,791	203,791	246,364	246,364
Treasury bills (Amortized cost)	647,474	648,284	494,253	489,310
Debt securities (Amortized cost)	247,500	176,341	257,660	255,083
Loans and advances to customers (gross)	916,791	808,085	850,917	791,987
Other assets (gross)	18,114	20,969	20,973	17,440
Financial liabilities				
Deposits from customers	1,802,008	1,749,373	1,577,290	1,561,818
Other liabilities	115,027	108,130	126,660	125,999
Borrowings	15,138	10,483	21,070	20,136
On-lending facilities	56,066	38,827	49,370	49,299

(b) Financial instruments measured at fair value

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

1 Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
2 Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or as prices) or indirectly (i.e. derived from prices).
3 Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

At 31 December 2012 ***In millions of Naira***	**Level 1**	**Level 2**	**Level 3**
Financial assets			
Treasury bills (FVTPL)	-	-	-
Bonds (FVTPL)	-	-	-
Investment securities (quoted)	-	-	-
Investment securities (unquoted)	-	-	9,405
	-	-	9,405

Reconciliation of Level 3 items

At 31 December 2011	9,390
Gains/(losses) recognised through profit or loss	15
Gains/(losses) recognised through other comprehensive income	-
Purchases	-
Sales	-
Issues	-
Settlements	-
At 31 December 2012	9,405

At 31 December 2011	**Level 1**	**Level 2**	**Level 3**
Financial assets			
Treasury bills (FVTPL)	-	-	-
Bonds (FVTPL)	-	-	-
Investment securities (quoted)	-	-	-
Investment securities (unquoted)	-	-	9,390
	-	-	9,390

Reconciliation of Level 3 items

At 31 December 2010	8,685
Gains/(losses) recognised through profit or loss	
Gains/(losses) recognised through other comprehensive income	705
Purchases	
Sales	
Issues	
Settlements	
At 31 December 2011	9,390

Sensitivity analysis of Level 3 items	**At 31 December 2012**		**At 31 December 2011**	
	Favourable changes	**Un- favourable changes**	**Favourable changes**	**Un- favourable changes**
Financial assets				
Unqouted investment securities	333	(333)	273	(273)

The sensitivity analysis was determined based on 5% increase or decrease in profit of the investee company under normal operating conditions with *(c) Fair valuation methods and assumptions*

(i) Cash and balances with central banks

Cash and balances with Central banks represent cash held (including mandatory cash reserve requirements of 2012: N180.1 billion, 2011: N106.7 billion) with Central banks of the various jurisdictions in which the Group operates. The fair value of these balances is their carrying amounts.

(ii) Due from other banks

Due from other banks represents balances with local and correspondence banks, inter-bank placements and items in the course of collection. The fair value of the current account balances, floating placements and overnight deposits are their carrying amounts.

(iii) Treasury bills and investment securities

Treasury bills represent short term instruments issued by the Central banks of the jurisdiction where the Group has operations. The fair value of treasury bills and bonds at fair value through profit or loss are determined with reference to quoted prices (unadjusted) in active markets for identical assets. The estimated fair value of treasury bills and bonds at amortized cost represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

The fair values of quoted equity securities are determined by reference to quoted prices (unadjusted) in active markets for identical instruments. The fair value of the unquoted equity holding in AFC is determined on the basis of the fair value of the entity's net assets.

(iv) Loans and advances to customers

Loans and advances are carried at amortized cost net of provision for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(v) Other assets

Other assets represent monetary assets which usually has a short recycle period and as such the fair values of these balances approximate their carrying amount.

(vi) Customer deposits and borrowings

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair values of fixed interest-bearing deposits and borrowings are determined using a discounted cash flow model based on a current yield curve appropriate for the remaining term to maturity.

3.4 Liquidity risk

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

3.4.1 Liquidity risk management process

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

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

a. Projecting cash flows and considering the level of liquid assets necessary in relation thereto;
b. Monitoring balance sheet liquidity ratios against internal and regulatory requirements;
c. Maintaining a diverse range of funding sources with adequate back-up facilities;
d. Managing the concentration and profile of debt maturities;
e. Monitoring depositor concentration in order to avoid undue reliance on large individual depositors and ensure a satisfactory overall funding mix;

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.
g. Regular conduct of stress testing, coupled with testing of contingency funding plans from time to time.

The Maximum Cumulative Outflow has remained positive all through the short tenor maturity buckets. Assessments are carried out on Contractual

The Group maintains adequate liquid assets and marketable securities sufficient to manage any liquidity stress situation. The liquidity ratio remains one of the best among the peer banks and is far above the regulatory limits.

3.4.2 Funding approach

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

3.4.3 Liquidity gap analysis

The table below presents the cash flows payable by the Group under financial liabilities and other liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Group manages the inherent liquidity risk based on expected undiscounted cash flows.

(a) Group

In millions of Naira

At 31 December 2012	**Up to 1 month**	**1 - 3 months**	**3 - 6 months**	**6 - 12 months**	**Over 1 year**	**Total**
Assets						
Cash and balances with central banks	129,969	-	-	202,546	-	332,515
Treasury bills	218,641	235,512	207,465	6,850	695	669,164
Due from other banks	179,920	-	2,100	-	-	182,020
Loans and advances to customers (gross)	409,039	95,370	31,099	64,611	414,406	1,014,526
Investment securities	18,400	50,545	1,957	45,283	183,157	299,343
Investments in associates	-	-	-	-	420	420
Deferred tax assets	-	-	-	-	432	432
Other assets (gross)	15,394	10,106	14	7,773	15	33,302
Assets classified as held for sale	-	-	31,943	-	-	31,943
Property and equipment	-	-	-	18,092	50,689	68,782
Intangible assets	-	-	-	-	1,406	1,406
Total assets	971,365	391,534	274,578	345,155	651,221	2,633,853
Liabilities						
Deposits from customers	1,762,958	110,548	34,596	4,944	16,197	1,929,244
Current income tax	-	-	-	6,577	-	6,577
Deferred tax	-	-	-	-	5,584	5,584
Other liabilities	56,518	21	-	37,460	23,356	117,355
Borrowings	14,082	16,860	-	2,270	37,992	71,204
Liabilities classified as held for sale	-	-	11,584	-	-	11,584
	1,833,558	127,429	46,180	51,251	83,130	2,141,548
Net liquidity gap	(862,193)	264,105	228,398	293,904	568,091	492,305
Cummulative gap	(862,193)	(598,088)	(369,691)	(75,786)	492,305	

At 31 December 2011

In millions of Naira	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	Over 1 year	Total
Cash and balances with central banks	93,623	-	-	129,564	-	223,187
Treasury bills	166,834	179,777	158,368	5,229	530	510,738
Due from other banks	232,314	-	2,208	-	-	234,521
Loans and advances to customers (gross)	370,317	86,678	28,265	58,723	376,638	920,621
Investment securities	20,022	55,002	2,130	49,275	236,040	362,469
Investment in subsidiaries	-	-	-	-	-	-
Investments in associates	-	-	-	-	-	-
Deferred tax assets					186	186
Other assets (gross)	7,940	6,655	9	10,897	10	25,510
Assets classified as held for sale	-	-	-	52,482	-	52,482
Investment property	-	-	-	-	7,114	7,114
Property and equipment	-	-	-	17,977	50,389	68,366
Intangible assets	-	-	-	-	770	770
Total assets	891,050	328,112	190,979	324,146	671,678	2,405,965
Liabilities						
Deposits from customers	1,511,763	95,529	29,896	4,273	13,997	1,655,458
Current income tax	-	-	-	13,348	-	13,348
Deferred tax	11	-	-	-	10,731	10,742
Other liabilities	88,353	21	-	39,705	24,756	152,836
Borrowings	13,931	16,678	-	2,246	37,585	70,440
Liabilities classified as held for sale	-	-	-	29,603	-	29,603
	1,614,058	112,229	29,896	89,174	87,069	1,932,427
Net liquidity gap	(723,008)	215,883	161,083	234,972	584,609	473,538
Cummulative gap	(723,008)	(507,125)	(346,042)	(111,070)	473,538	

(a) Bank

At 31 December 2012 **Assets**	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	Over 1 year	Total
Cash and balances with central banks	133,929	-	-	179,617	-	313,546
Treasury bills	214,560	234,770	194,144	4,000	-	647,474
Due from other banks	201,691	-	2,100	-	-	203,791
Loans and advances to customers (gross)	425,171	55,817	17,536	48,746	369,522	916,791
Investment securities	18,400	49,546	1,000	36,929	151,031	256,905
Investment in subsidiaries	-	-	-	-	24,375	24,375
Investments in associates	-	-	-	-	463	463
Deferred tax assets	-	-	-	-	-	-
Other assets (gross)	15,390	-	-	6,061	-	21,451
Assets classified as held for sale	-	-	10,338	-	-	10,338
Property and equipment	-	-	-	17,184	49,467	66,651
Intangible assets	-	-	-	-	1,175	1,175
Total assets	1,009,140	340,133	225,118	292,537	596,032	2,462,960
Liabilities						
Deposits from customers	1,757,489	42,787	334	1,399	-	1,802,008
Current income tax	-	-	-	5,071	-	5,071
Deferred tax	-	-	-	-	5,573	5,573
Other liabilities	50,417	-	-	25,512	39,098	115,027
Borrowings	14,082	16,859	-	2,270	37,993	71,204
Liabilities classified as held for sale	-	-	-	-	-	-
	1,821,987	59,646	334	34,252	82,665	1,998,883
Net liquidity gap	(812,847)	280,487	224,785	258,285	513,367	464,077
Cummulative gap	(812,847)	(532,360)	(307,576)	(49,290)	464,077	

At 31 December 2011 ***In millions of Naira***	**Up to 1 month**	**1 - 3 months**	**3 - 6 months**	**6 - 12 months**	**Over 1 year**	**Total**
Cash and balances with central banks	80,949	-	-	130,149	-	211,098
Treasury bills	163,785	179,213	148,201	3,053	-	494,253
Due from other banks	244,174	-	2,190	-	-	246,364
Loans and advances to customers (gross)	378,866	51,903	16,306	45,328	358,514	850,917
Investment securities	18,141	48,849	986	36,409	162,665	267,050
Investment in subsidiaries	-	-	-	-	19,345	19,345
Investments in associates	-	-	-	-	1,822	1,822
Other assets (gross)	7,490	-	-	13,483	-	20,973
Assets classified as held for sale	-	-	-	10,838	-	10,838
Investment property	-	-	-	-	7,114	7,114
Property and equipment	-	-	-	16,987	48,890	65,877
Intangible assets	-	-	-	-	661	661
Total assets	893,405	279,965	167,684	256,248	599,010	2,196,312
Liabilities						
Deposits from customers	1,538,080	37,684	294	1,233	-	1,577,290
Current income tax	-	-	-	11,934	-	11,934
Deferred tax	-	-	-	-	10,732	10,732
Other liabilities	70,510	-	-	22,171	33,979	
Borrowings	13,931	16,678	-	2,246	37,585	70,440
Liabilities classified as held for sale	-	-	-	-	-	-
	1,622,520	54,362	294	37,583	82,296	1,670,396
Net liquidity gap	(729,116)	225,603	167,390	218,665	516,714	525,916
Cummulative gap	(729,116)	(503,513)	(336,123)	(117,458)	399,256	

3.5 Capital management

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

The Group prides itself in maintaining very healthy capital adequacy ratio in all its areas of operations. Capital levels are determined either based on internal assesments or regulatory requirements.

The Capital Adequacy of the Group is reviewed regularly to meet regulatory requirements and standard of international best practises 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 regular 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) and the regulatory authorities of the subsidiaries for supervisory purposes.

The group has consistently met and surpassed the minimum capital adequacy requirments applicable in all areas of operations.

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

Banking subsidiaries in the Group, not incorporated in Nigeria, are directly regulated and supervised by their local banking supervisor and are required to meet the capital requirement directive of the local regulatory jurisdiction. Parental support and guidance are given at the Group level where the risk level in the Group in relation to capital level and adequacy is closely monitored. We support and meet all capital requests from these regulatory jurisdictions and determine the adequacy based on our expansion strategies and internal capital assessments.

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

The following sources of funds are available to the group to meet its capital growth requirements:
1. **Profit from Operations :**The Group has consistently reported good profit which can easily be retained to support the capital base.
2. **Issue of Shares:** The Group can successfully access the capital market to raise desired funds for its operations and needs.
3. **Bank Loans (Long Term/short Term):**

The table below shows the computation of the Group's capital adequacy ratio for the year ended 31 December 2012 as well as the 2011 comparatives. During those two years, the individual entities within the Group complied with all of the externally imposed capital requirements to which they are subject.

		Group	Group	Bank	Bank
In millions of Naira		2012	2011	2012	2011
Tier 1 capital					
Share capital		15,698	15,698	15,698	15,698
Share premium		255,047	255,047	255,047	255,047
Statutory reserves		45,199	30,205	45,198	30,204
Contingency reserve		997	752	-	-
SMEIES reserve		3,729	3,729	3,729	3,729
Retained earnings		130,153	75,072	106,010	55,028
Credit risk reserve		10,243	10,243	10,243	10,243
Non- controlling interest		3,272	2,686	-	-
Total qualifying Tier 1 capital		464,338	393,432	435,925	369,949
Deferred tax assets		(432)	(186)	-	-
Intangible assets		(1,406)	(770)	(1,175)	(661)
Adjusted Total qualifying Tier 1 capital		462,500	392,476	434,751	369,289
Tier 2 capital					
Revaluation reserve - investment		2,285	2,079	2,078	2,068
Translation reserve		(3,667)	(1,243)	-	-
Collective impairment		14,111	14,379	13,069	13,714
Total qualifying Tier 2 capital		12,729	15,215	15,147	15,782
Total regulatory capital	(A)	475,229	407,691	449,898	385,071
Risk-weighted assets					
On-balance sheet		1,166,719	1,135,373	1,079,887	986,406
Off-balance sheet		385,941	210,327	353,438	166,691
Total risk-weighted assets	(B)	1,552,660	1,345,700	1,433,325	1,153,096
Risk-weighted Capital Adequacy Ratio (CAR)	**(A/B)**	**31%**	**30%**	**31%**	**33%**

3.6 Operational risk

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

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

Operational risk objectives includes the following:

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

The basic principles that guide the operational risk activities include:

Operational risks are identified by the assessments covering risks facing each business unit and risks inherent in processes, activities and products.

Risk assessment incorporates a regular review of risks identified to monitor significant changes.

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

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

The techniques employed by the group in its measurements include the following: Key Control Self Assessment (KCSA): Key Risk Indicators (KRIs) and the Risk Register. These tools have been quite useful in the identification, measurement and analyses of operational risk in the group. These are subject to review from time to time.

Training and sensitisation on operational risk is carried out on an ongoing basis across the group.

There was no significant operational risk incidence during the financial yea

3.7 Strategic risk

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

3.8 Legal risk

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

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

Legal risks management in the Group is also being enhanced by appriopriate product risk review and management of contractual obligations via well documented Service Level Agreements and other contractual documents.

The Group also has a team of well experienced professionals who handle legal issues across the Group.

3.9 Reputational risk

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

The Group promotes sound business ethics among its employees.

The Group also strives to maintain quality customer services and procedures, and business operations that enable compliance with regulatory rule

The Group did not record any issue with major reputational effect in the financial year.

3.10 Taxation risk

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

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

This risk is well managed across the group.

3.11 Regulatory risk

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

The Group has continued to maintain zero tolerance posture for any regulatory breaches in all its area of operations.
The strengthening of Compliance Group during the financial year has further enhanced the process of management of regulatory risk across the Group.

3.12 Insurance risk

Insurance risk is the risk that future risk claims and expenses will exceed the value placed on insurance liabilities. It occurs due to the uncertainty c the timing and amount of future cash flows arising under insurance contracts. The timing is specifically influenced by future mortality, longevity, morbidity, persistency and expenses about which assumptions are made in order to place a value on the liabilities. Deviations from assumptions will result in actual cash flows differing from those projected in the policyholder liability calculations. As such, each assumption represents a source of uncertainty.

3.12.1 Mortality and morbidity risks

The risk that actual experience in respect of the rates of mortality and morbidity may vary from what is assumed in pricing and valuation, depending on the terms of different products. The material classes of business most affected by these risks are discussed below.

(a) Individual life products – Term assurance, Mortgage protection, Savings Plan

Products are sold directly to individuals providing a benefit on death. The main insurance risk relates to the possibility that rates of death may b higher than expected. This may be due to:

- Normal statistical variation due to the random nature of the insured events;
- Natural catastrophes such as floods, and unnatural catastrophes such as acts of terrorism;
- The impact of HIV/AIDS or other health epidemics;
- Anti-selection such as where a policyholder with a pre-existing condition or disease purchases a product where a benefit will be paid on death;
- The effect of selective withdrawal; and
- Concentration risk, which is the risk of a large number of claims from a single event or in a particular geographical area.

For contracts with fixed and guaranteed benefits (such as the minimum death benefits available on savings plan policies) and fixed future premiums there are no mitigating terms that reduce the risk accepted by Group. The Group therefore employs some underwriting controls to ensure that only acceptable risks are accepted.
The following additional controls and measures are in place in order to ensure that the Group manages its exposure to mortality risk:

- Claims assessment processes to ensure only valid claims are paid;
- Reinsurance to limit liability on particularly large claims or substandard risks; and
- Concentration risk is reduced by diversification of business over a large number of independent lives, as well as by taking out catastrophe reinsurance.

(b) Group life products
Employee benefit products provide life cover to members of a group, such as employees of companies or members of trade unions.

An aggregate stop-loss reinsurance agreement is in place to ensure that the Group's exposure to the aggregate mortality risk in its group life business is managed and limited to a specified limit.

In addition, there is a catastrophe reinsurance treaty in place for both group business and individual business. Such a treaty is particularly important for the group life business as there are considerably more concentrations of risks compared to individual business.

(c) Deposit administration

Deposit administration contracts provide a guaranteed life annuity conversion at the maturity of the contract. The mortality risk in this case is that th policyholders may live longer than assumed in the pricing of the contract. This is known as the risk of longevity.

The Group manages this risk by allowing for improvements in mortality when pricing and valuing the contracts. The Group also performs more detailed actuarial experience investigations and adjust assumptions in pricing for new contracts and valuation of existing contracts when necessary.

3.12.2 Claims experience risk

In terms of the short-term insurance contracts held by the Group, the claims experience risk for these policies is that the number of claims and/or the monetary claim amounts are worse than that assumed in the pricing basis.

The Group manages this risk by charging premiums which are appropriate to the risks under the insurance contracts.

Under the short-term insurance products, the Group also holds a concentration risk, which is the risk of a large number of claims from a single event or in a particular geographical area. This risk is reduced by diversification over a large number of uncorrelated risks, as well as taking out catastrophe reinsurance.

3.12.3 Persistency risk

Persistency risk relates to the risk that policyholders may withdraw their benefits and terminate their contracts prior to the contractual maturity date of the contract. Expenses such as commission and acquisition expenses are largely incurred at the outset of the contract. These upfront costs are expected to be recouped over the term of a contract from fees and charges from the contract. Therefore, if the contract is terminated before the contractual date, expenses might not have been fully recovered, resulting in losses being incurred.

Where a surrender benefit is payable, the benefit amount on withdrawal normally makes provision for recouping any outstanding expenses. However, losses may still occur if the expenses incurred in respect of the policy exceed the value of the policy, or where the withdrawal benefit does not fully allow for the recovery of all unrecouped expenses. This may either be due to a regulatory minimum surrender benefit applying, or because of product design.

3.12.4 Expense risk

There is a risk that the Group may experience a loss due to actual expenses being higher than those assumed when pricing and valuing policies. This may be due to inefficiencies, higher than expected inflation, lower than expected volumes of new business or higher than expected terminatior resulting in smaller in-force policies.

To manage this risk, the Group performs expense investigations annually and sets pricing and valuation assumptions to be in-line with the actual expenses experience, with allowance for inflation.

The Group’s exposure to unexpected increases in the inflation rate is expected to be minimal due to the short-term nature of their business and the ability to review premium rates at renewals (typically on an annual basis).

3.12.5 Business volume risk

There is a risk the Group may not sell sufficient volumes of new business to meet the expenses associated with distribution and administration. A significant portion of the new business acquisition costs are variable and relate directly to sales volumes.

3.12.6 Capital adequacy risk

There is a risk that the capital held by the Group to back to its insurance liabilities may prove to be inadequate on a regulatory solvency basis. This may then lead to intervention by the Regulator and may further lead to a fall in the reputation of the group (see Reputational risk below for further details). At an extreme, the Regulator may require the Group to close to new business. This will have a further negative impact on the Group.

This risk is monitored and assessed by performing annual valuations on the life insurance liabilities performed by an independent valuation actuar calculating the outstanding claims reported (OCR) and Incurred But Not Reported (IBNR) contingency reserves, monitoring any regulatory rules applying to the assets and the adequacy of the assets to back the liabilities and adopting an investment strategy which is aimed at investing in admissible assets and maintaining adequate capital.

In addition, sensitivity and scenario analysis are performed to assess the Group capital adequacy under various scenarios and to ensure that th Group will remain financially sound under some stress economic conditions.

3.12.7 Asset liability matching risk

Due to the short-term nature of the Group's insurance business, most of the liability cash flows will be of short-term nature. The asset liabilit matching risk lies in the risk that the cash inflows from the assets held will not match liability cash outflows in terms of timing and/or amounts. Therefore, the risk arises that Group will be unable to meet policyholder obligations. In this case, the asset liability mismatch risk is similar to liquidit risk described in liquidity risk.

3.12.8 Assumption risk

In determining the value of insurance liabilities, assumptions need to be made regarding future rates of mortality, morbidity, termination rates expenses and investment performance. The uncertainty of these rates may result in actual experience being different from that assumed and hence actual cash flows being different from those projected, and, in the extreme, that the actual claims and benefits exceed the liabilities. The risk is mitigated to an extent through:

- The addition of margins, specifically where there is evidence of moderate or extreme variation in experience;
- The use of appropriate sources of data; and
- Regular actual versus expected investigations.

Due to the short-term nature of the Group's business, exposure to unexpected changes in trends in experience is minimal since premium rates ar reviewable at renewal.

3.12.9 Data risk

Data risk is the risk that data used in the policyholders' liabilities valuation calculations are inaccurate or incomplete and, therefore, are not a tru and accurate view of the insurance contracts held by the Group. The data could be inaccurate or incomplete due to incorrect data or valuation extracts between the policy administration system and the actuarial valuation model and/or incorrect capturing of data on the policy administration system.

This risk is managed by the Group through regular data integrity testing in order to assess the appropriateness, accuracy and credibility of th various data sets as well as investigations into data exceptions reported.

Where insufficient internal data is available, the Group makes use of external sources to derive its pricing and valuation assumptions. Frequer monitoring of these external sources is performed, including actual versus expected investigations.

3.12.10 Model risk

There is a risk that the Group may suffer a loss if the model used to calculate the insurance liabilities does not project expected cash flows under the insurance contracts accurately. The expected cash flow projections may be inaccurate either due to the model itself being incorrect, inappropriate to the policies being valued or inaccurate and/or the underlying assumptions used in the model being inappropriate.

The Group makes use of an independent valuation actuary to value its liabilities. The models being used to value the liabilities are, therefore, nc internal to but belong to an external third party. The model risk underlying the use of third party models are addressed by:

- Regular actual versus expected cash flow investigations to assess the appropriateness of the external models; an
- Detailed investigations are performed annually to ensure the integrity of the data used in the valuation process

3.12.11 Insurance premium rating

(a) Individual life products – Term-assurance, Mortgage protection and Savings Plan
The price for an individual life product is adjusted for the following risk factors:

- Age;
- Gender;
- Smoker status;
- Medical conditions;
- Financial condition; and
- Hazardous pursuits.

The Group employs the following additional controls and measures to ensure that only acceptable risks are accepted and risks are appropriatel priced:

- Underwriting controls, with risk classification based on the above risk factors;
- Regular review of premium rates; and
- Appropriate policy conditions, including any exclusion on the cover on the individual's life.

Premium rates are guaranteed for the period up to the renewal of a policy, typically, after 1 year.

(b) Deposit administration
Premium rating on deposit administration policies distinguishes between the ages and gender of prospective policyholders. Annual premiums payable up front, are repriced at renewal of the deposit administration policies.

(c) Group life products
Underwriting on group business is much less stringent than for individual business, as there is typically less scope for anti-selection. The main reason for this is that participation in the group schemes is normally compulsory, and members have limited choice in the level of the benefits.

Group policies are priced using standard mortality tables. The price for an individual scheme is adjusted for the following risk factors:

- Region;
- Salary structure;
- Gender structure; and
- Industry.

For large schemes, a scheme's past experience is a crucial input in setting rates for the scheme. The larger the scheme the more weight is given to the scheme's past experience. Rates are guaranteed for one year and reviewable at the renewal of the policy.

(d) Short-term insurance products
Underwriting on short-term insurance products takes the form of the insurance applicant completing a proposal form. The following risk factors are used in the risk classification:

- Age and gender of the insured driver or operator;
- Value of the item(s) to be covered;
- Use of the item(s) to be insured, for example, premium rates distinguish business and personal use for vehicle cover;
- Physical condition of the item(s) to be insured;
- Safety and security features installed; and
- Past claims experience, for example, the premium rate payable on vehicle cover reflects the past claims experience on the vehicle and driver to be insured.

Where the value of the item(s) to be insured exceeds a pre-specified limit, the underwriting becomes more stringent. This is particularly the case for marine and aviation cover. In this case the Group makes use of specialist underwriting agents to assess the risks and set an appropriate premium for cover.

Premium rates are guaranteed for the period up to the renewal of a policy, typically, after 1 year.

3.13 Sustainability Report

Zenith Group is committed to sustainable development and the responsible stewardship of resources. This implies developing solutions that link economic success with social responsibility, which requires balancing short and long term goals and interests and integrating economic, environmental and social considerations into business decisions across the board.

3.13.1 External Principles

(a) Sustainable Lending

Sustainability of the environment is central to the Zenith Group, and its wider social and environmental impact is of concern. Zenith Bank goes beyond concerted efforts to minimise energy usage internally and dispose of waste responsibly, to also having in place lending policies that promote sustainable lending and ensure high environmental standards.

(b) Integrating environmental impact considerations into business decisions across the group

Zenith has established an environmental guideline, management system and governance model that integrates environmental impact considerations into lending decisions across the group with initial focus on some significant sectors/industries. The group's lending policies has been redesigned to ensure that facilities are not extended to industries that engage in illegal activities, pollute the environment, have no proper pollution control methods, are involved in manufacturing and selling arms, as well as those engaged in activities that involve harmful or exploitative forms of forced labour or child labour.

Zenith has in place an Environmental and Social Management System (ESMS) where the Group does a social and environmental risk analysis for borrowers and takes measures to avoid, mitigate and minimise the risks identified. The ESMS of the Bank identifies Environmental & Social (E&S) risks in the projects/companies the bank finances and encourages mitigatory action by these groups to minimize such risks at a very early stage of the credit evaluation

3.13.2 Internal Principles

(a) Energy Saving Measures

Environmentally responsible practices involve identifying, assessing and seeking to reduce the direct and indirect environmental impact of our services.

Mindful of its carbon footprint, Zenith Group has taken measures to neutralise and minimise its adverse impact on the environment. As a service-oriented organisation, reduction of energy consumption could be identified as being the most significant contribution towards reducing our Carbon Footprint. The group has taken several measures to minimise energy consumption. Consequent to carrying out a comprehensive Energy Audit, improvements have been implemented in the areas of lighting and energy management.

(b) Waste Reduction & Recycling

The Bank continually promotes reduced paperless culture where employees are encouraged to use electronic communications, online approvals and other web- based applications, and to print documents only when required. Document workflows are automated, which minimizes paper usage.

(c) Employee Relations

Zenith Group believes that its people are the driving force behind its success and the main competitive advantage that positions it ahead of competition. The group is of the view that its future lies in a committed team of individuals who are convinced of their future at the organisation.

To this end, Zenith remains committed to creating a healthy, safe and fulfilling work environment that supports personal growth, encourages individuality and instigates team spirit. The group organizes numerous training programs covering soft skills, negotiation skills to personality development and encourages all staff to participate actively.

(d) Diversity

Zenith Group recognizes the need to promote a diverse workforce as a means to attracting top-flight talent and enhancing its competitive advantage. It further recognizes that each employee brings to the workplace experiences and capabilities that are as unique as the individual.

The group treats all employees fairly and the group do not discriminate on the basis of gender, race, colour, nationality, religious belief or any other distinctive attribute. Furthermore, we take steps to assure that underrepresented groups continue to have access to available opportunities within the organisation and that they are upwardly mobile within the system at all managerial levels within the group.

(e) Financial Inclusion

Financial Inclusion is achieved when adults have easy access to a broad range of financial products designed according to their needs and provided at affordable costs. Promoting financial inclusion is essential to building a sustainable, vibrant and robust financial system. Financial literacy on the other hand is a state that is achieved when all economic agents or bankable public know, understand and develop the ability to evaluate and assess financial products and services or transact in financial markets.

Zenith as a key stakeholder in the Nigerian financial services landscape supports efforts to promote financial inclusion and literacy and views same as a responsibility it owes the un-banked public. We take steps to reduce the preponderance of adults without access to suitable financial products and explore opportunities to promote financial literacy. Some of our initiatives in this area include the introduction of eaZymoney the bank's flagship mobile banking product with agency partners in remote areas of the country. The group is also establishing a public enlightenment group to deliver financial literacy content at regular customer forums *(f) Occupational Health & Safety*

The health and safety of employees, customers and other stakeholders is of paramount importance to the group. The group constantly seek to identify and reduce the potential for accidents or injuries in all its operations. There is ongoing training of health and safety officers in line with the group's health and safety policy. There is also adequate communication of the health and safety policies across the group to ensure staff are conversant with its content.

(g) Supply Chain Management

The group will continue to work in active partnership with its suppliers to help them manage their own social and environmental risks, particularly those firms who have more significant impacts than it does and those in countries, where the regulatory framework is sometimes not as stringent as our standards. The group is also committed to treating its suppliers with respect, especially in areas such as contract terms and conditions and payment terms.

(h) Active Engagements

The Group worked with a number of banks, organisations and multilateral institutions to help raise awareness of environmental and social issues and contribute to the wider public debate. For example, during 2012, the bank worked with International Finance Corporation (IFC), The Bankers Committee, United Nations Environment Programme Finance Initiative (UNEP FI) on sustainability to develop cross-industry capacity.

The group is a member of UNEP FI and continues to foster other partnership arrangements. It also took an active part in the development of 'Nigeria Sustainable Principles' in collaboration with other financial institutions.

The group believes that social and environmental issues will continue to grow in importance in 2013. And Zenith aims to develop a greater understanding of the risks associated with these issues, and the effect they will have on its clients, through investigation and research and, where appropriate, through engagement with relevant industry and regulatory bodies

4. Critical accounting estimates and judgements

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Impairment losses on loans and advances

The Group reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recognised, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The specific component of total allowance for impairment applies to credits evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgment about a customer's financial situation and the net realizable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimates of cash flows considered recoverable are independently reviewed and approved.

Collectively assessed impairment allowances cover credit losses inherent in portfolios with similar economic characteristics when there is objective evidence to suggest that they contain impaired claims, but the individual impaired items cannot be identified. In assessing the need for collective loan assessment, management considers factors such as credit quality, portfolio size, concentrations, and economic factors. In estimating the required allowance, assumptions are made to define how inherent losses are modelled and to determine the required input parameter, based on historical experience and current economic conditions. The accuracy of allowance depends on how well future cash flows and the model assumptions and parameters are estimated.

4.2 Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market prices requires the use valuation techniques as described in note 3.3.6(c). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

i) Level 1 : Quoted market price(unadjusted) in an active market for an identical instrument.

ii) Level 2 : Valuation techniques based on observable inputs, either directly - i.e , as prices - or indirectly - i.e derived from prices. This category includes instruments valued using : quoted market prices in active markets for similar instruments ; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data

iii) Level 3 : Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instrument that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are requried to reflect differences between the instruments.

4.3 Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant estimates are required in determining the groupwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

4.4 Determining the value of liabilities under insurance contracts

4.4.1 Mortality

The Group's life assurance business is very small and therefore the Group does not have sufficient credible data to set its own mortality assumptions based on the mortality experience of its policyholders. Zenith relies on an independent actuary to set the mortality assumptions based on standard mortality tables, with appropriate adjustments.

4.4.2 Expenses

(a) Group life, term-assurance and mortgage protection products
The Group makes an explicit allowance for expenses of 40% of the gross premiums received, consistent with past experience.

(b) Deposit administration, Savings plan
No explicit assumption has been set to the level of the expenses. It has been assumed that the interest margin (excess of interest earned over interest paid on life funds) will be sufficient to cover future expenses that will be incurred.

(c) Non-life insurance
Annual expense investigations are carried out on non-life insurance policies. Further expense analyses are performed to split expenses between different lines of business, e.g. motor vehicle, aviation and marine insurance, as well as different functions, e.g. initial, renewal and management, termination as well as investment expenses. The expense assumptions for non-life insurance products are then set in-line with this expense investigation, with an additional allowance for inflation.

4.4.3 Prudential Adjustments

Provisions under prudential guidelines are determined using the time based provisioning prescribed by the Revised Central Bank of Nigeria (CBN) Prudential Guidelines. This is at variance with the incurred loss model required by IFRS under IAS 39. As a result of the differences in the methodology/provision, there will be variances in the impairments allowances required under the two methodologies.

Paragraph 12.4 of the revised Prudential Guidelines for Deposit Money Banks in Nigeria stipulates that Banks would be required to make provisions for loans as prescribed in the relevant IFRS Standards when IFRS is adopted. However, Banks would be required to comply with the following:

(a) Provisions for loans recognised in the profit and loss account should be determined based on the requirements of IFRS. However, the IFRS provision should be compared with provisions determined under prudential guidelines and the expected impact/changes in general reserves should be treated as follows:

• Prudential Provisions is greater than IFRS provisions; the excess provision resulting should be transferred from the general reserve account to a "regulatory risk reserve".

• Prudential Provisions is less than IFRS provisions; IFRS determined provision is charged to the statement of comprehensive income. The cumulative balance in the regulatory risk reserve is thereafter reversed to the general reserve account

(b) The non-distributable reserve should be classified under Tier 1 as part of the core capital.

During the year ended 31 December 2011, the Bank transferred an amount of N10,243 million to the Credit risk reserve. This amount represents the difference between the provisions for credit and other known losses as determined under the prudential guideline issued by the Central Bank of Nigeria (CBN), and the impairment reserve as determined in line with IAS 39 as at the year then ended.

In line with the same directive of the CBN, the Bank has maintained this credit risk reserve as at 31 December 2012, by comparing the provision and impairment as determined under both bases. A reconciliation of this amount is provided below:

		N'million	**N'million**
Provision for loan losses per prudential guidelines			
Loans and advances			15,768
Other financial assets			11,220
			26,988
Impairment assessment under IFRS			
Loans and advances			
Specific allowance for impairment	19(b)	8,368	
Collective allowance for impairment	19(b)	13,069	
		21,437	
Other financial assets			
Specific allowance for impairment on associated companies	22	851	
Specific allowance for impairment on other assets	24	4,637	
			26,925
Required credit reserve as at year end			63

Although the expected closing credit risk reserve balance (as per the reconciliation above) is **N 63 million**, the credit risk reserve was left unchanged at **N10,243 million** because the Bank's directors are of the opinon that it is more prudent to maintain the credit risk reserve at the balance as at 31 December 2011.

5. Segment analysis

The Group's strategic divisions offer different products and services, and are managed seperately based on the Group's management and internal reporting structure. For each of the strategic divisions, the Group's Executive Management (Chief Operating Decision Maker) reviews internal management reports on a monthly basis.

The Group's operations are primarily organised on the basis of its products and service offerings in Nigeria, while the banking operations outside Nigeria are reported seperately for Africa and Europe. The following summary describes each of the Group's reportable segments:

(i) Corporate, Retail Banking and pension custodial services - Nigeria

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

(ii) Treasury and Investment Management - Nigeria

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) Insurance - Nigeria

The Group’s insurance operations in Nigeria 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) Outside Nigeria Banking - Africa and Europe

These segments provide a broad range of banking services to a diverse group of corporations, financial institutions, investment funds, governments and individuals outside Nigeria. The reportable segments covers banking operations in other parts of Africa (Ghana, Sierra Leone and The Gambia) and Europe (the United Kingdom).

(v) All other segments

These segments provide share registration and funds trusteeship services in Nigeria. None of these individual activities or services constitutes a separate reportable segment.

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

In millions of Naira	Nigeria			Outside Nigeria Banking					
	Corporate, Retail Banking and Pension custodial services (Continuing operations)	**Treasury and Investment Banking (Discontinued operations)**	**Insurance (Discontinued operations)**	**Africa (Continuing operations)**	**Europe (Continuing operations)**	**Total reportable segments**	**all other segments (Discontinued operations)**	**Eliminations**	**Consolidated**
31 December 2012									
Revenue:									
Derived from external customers	281,301	737	7,031	13,591	3,890	306,550	532	-	307,082
Derived from other business segments	1,031	686	1,690	-	1,391	4,798	197	(4,995)	-
Total revenue*	282,332	1,423	8,721	13,591	5,281	311,348	729	(4,995)	307,082
Share of profit of associates	-	-	-	-	-	-	-	23	23
Interest expense	(65,352)	-	-	(2,341)	(1,861)	(69,554)	-	4,993	(64,561)
Impairment charge for credit losses	(7,999)	-	(346)	(1,100)	-	(9,445)	-	-	(9,445)
Operating and underwriting expenses	(116,359)	(1,073)	(5,665)	(5,564)	(1,880)	(130,541)	(460)	2	(130,999)
Profit before tax	92,622	350	2,710	4,586	1,540	101,808	269	23	102,100
Tax (expense) / write-back	828	(216)	(741)	(874)	(416)	(1,419)	-	-	(1,419)
	93,450	134	1,969	3,712	1,124	100,389	269	23	100,681
Capital expenditure**	11,785	7	100	644	607	13,143	-	-	13,143
Identifiable assets	2,445,596	10,315	21,015	89,112	155,336	2,721,374	2,427	(119,297)	2,604,504
Identifiable liabilities	2,000,083	2,870	6,516	73,836	138,772	2,222,077	2,240	(82,769)	2,141,548

** Revenues are allocated based on the location of the operations.*
*** Capital expenditure consists of expenditure on intangible assets, property and equipment, and investment property during the year.*

In millions of Naira	Nigeria: Corporate, Retail Banking and Pension custodial services (Continuing operations)	Nigeria: Treasury and Investment Banking (Discontinued operations)	Nigeria: Insurance (Discontinued operations)	Outside Nigeria Banking: Africa (Continuing operations)	Outside Nigeria Banking: Europe (Continuing operations)	Total: Total reportable segments	all other segments (Discontinued operations)	Eliminations	Consolidated
31 December 2011									
Revenue:									
Derived from external customers	217,273	765	8,806	13,306	3,352	243,502	446	-	243,948
Derived from other business segments	432	445	838	-	574	2,289	1,272	(3,561)	-
Total revenue*	217,705	1,210	9,644	13,306	3,926	245,791	1,718	(3,561)	243,948
Share of profit of associates								45	45
Interest expense	(33,407)	-	-	(4,163)	(895)	(38,465)	-	3,559	(34,906)
Impairment charge for credit losses	(15,885)	(11)	(883)	(148)	(464)	(17,391)	-	-	(17,391)
Operating and underwriting expenses	(108,889)	(348)	(6,934)	(6,318)	(1,742)	(124,231)	(27)	2	(124,256)
Profit before tax	59,524	851	1,827	2,677	825	65,704	1,691	45	67,440
Tax expense	(16,410)	(322)	(719)	(626)	(224)	(18,301)	(435)	-	(18,736)
	43,114	529	1,108	2,051	601	47,403	1,256	45	48,704
Capital expenditure**	14,671	-	28	621	75	15,395	148	-	15,543
Identifiable assets	2,175,586	9,197	17,809	75,849	123,196	2,401,637	27,190	(102,132)	2,326,695
Identifiable liabilities	1,797,975	2,088	5,693	62,417	112,667	1,980,840	21,821	(70,234)	1,932,427

** Revenues are allocated based on the location of the operations.*
*** Capital expenditure consists of expenditure on intangible assets, property and equipment, and investment property during the year.*

Notes to the Financial Statements
For The Year Ended 31 December 2012

		In millions of Naira	**Group 2012**	Group 2011	**Bank 2012**	Bank 2011
6	**Interest and similar income**					
	Inter-bank placements		**5,031**	10,276	**6,170**	10,631
	Treasury bills		**74,364**	39,590	**71,011**	38,297
	Government and other bonds		**27,274**	20,040	**25,183**	17,440
	Loans and advances to customers		**114,649**	93,286	**110,866**	89,503
			221,318	163,192	**213,230**	155,871
7	**Interest and similar expense**					
	Current accounts		**3,828**	2,383	**3,761**	2,194
	Savings accounts		**1,507**	1,334	**1,459**	1,253
	Time deposits		**57,998**	30,198	**59,408**	29,146
	Inter-bank takings		**504**	177	**-**	-
	Borrowed funds		**724**	814	**724**	814
			64,561	34,906	**65,352**	33,407

8 Impairment charge for credit losses

The net impairment charge for credit losses comprises:

	Group 2012	Group 2011	Bank 2012	Bank 2011
Overdrafts (See Note 19)	**8,172**	16,472	**5,053**	16,914
Term loans(See Note 19)	**369**	295	**2,387**	(761)
On-lending facilities (See Note 19)	**525**	193	**525**	193
Advances under finance lease (See Note 19)	**33**	(357)	**33**	(357)
Other assets	**-**	(89)	**-**	(89)
	9,099	16,514	**7,998**	15,900

9 Fee and commission income

	Group 2012	Group 2011	Bank 2012	Bank 2011
Credit related fees	**9,892**	8,189	**7,862**	6,077
Commission on turnover	**27,938**	24,009	**27,185**	23,366
Fees on electronic products	**3,637**	3,293	**3,566**	3,256
Foreign currency transaction fees and commissions	**1,092**	1,269	**1,031**	1,223
Other fees and commissions	**7,921**	5,437	**4,567**	2,668
	50,480	42,197	**44,211**	36,590

10 Net gains on financial instruments measured at fair value through profit or loss

	Group 2012	Group 2011	Bank 2012	Bank 2011
Foreign exchange trading income	**18,186**	18,033	**15,707**	15,257
Treasury bill trading income	**415**	286	**415**	286
Bond trading income	**411**	205	**79**	171
	19,012	18,524	**16,201**	15,714

Foreign exchange trading income is principally made up of trading income on foreign currencies, as well as gains and losses from translated foreign currency assets and liabilities.

In millions of Naira	Group 2012	Group 2011	Bank 2012	Bank 2011

11 Other income

Dividend income from equity investments	110	240	694	249
Gain on disposal of property and equipment	10	58	9	51
Gain on disposal of investment property(Note 26)	150	-	150	-
Gain on disposal of subsidiary(Note 25)	32	-	3,811	-
Gain on the disposal of loans	-	5,290	-	5,290
Income on cash handling	602	557	602	557
Rental income	134	658	134	658
	1,038	6,803	5,400	6,805

In 2011, the Group recorded a gain of N5.29 billion which represents the excess of the carrying amount of the Bonds issued by Assets Management Corporation of Nigeria (AMCON) over the net realisable value of loans sold by the Bank to it. In 2012, however, the Bank did not dispose of any loans to AMCON and hence, no gain or loss was recognised.

12 Operating expenses

Staff costs (Note 37)	47,200	47,387	44,565	44,604
Depreciation of property and equipment (Note 27)	10,307	12,175	9,500	11,229
Auditors' remuneration	320	254	250	212
Directors' emoluments (Note 37(b))	726	742	281	374
Deposit insurance premium	7,588	6,130	7,588	6,130
Professional fees	1,419	864	1,256	700
Training and development	849	755	782	685
Information technology	1,770	4,082	1,728	1,677
Operating leases	2,200	2,154	1,579	1,534
Advertisement	6,709	4,002	6,557	3,605
Bank charges	833	780	783	716
Fuel and maintenance	8,476	9,943	7,454	9,695
Insurances	1,590	1,284	1,544	1,231
Licenses, registrations and subscriptions	2,039	1,829	1,939	1,651
Travel and hotel expenses	1,021	1,807	681	1,701
Printing and stationery	1,268	1,167	1,073	921
Security and cash handling	9,374	11,591	9,221	11,444
Expenses on electronic products	1,242	928	1,216	913
Others	13,629	8,044	13,023	9,209
	118,560	115,918	111,020	108,231

13 Income tax expense

Corporate tax	2,648	12,003	-	10,275
Minimum tax	2,469	-	2,469	-
Information technology tax	940	506	940	506
Education tax	-	1,152	-	1,153
Current income tax - current period	6,057	13,661	3,409	11,934
Current income taxes referring to previous periods	-	3,257	-	3,257
	6,057	16,918	3,409	15,191
Origination and reversal of temporary deferred tax differences (Note 23)	(5,595)	343	(5,164)	652
Income tax expense from continuing operations	462	17,261	(1,755)	15,843
Income tax expense from discontinued operations	957	1,475	-	-
Total Income tax expense	1,419	18,736	(1,755)	15,843

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

At start of the year	13,348	3,735	11,934	1,010
Classified as held for sale	-	(1,946)	-	-
Tax paid(continuing operations)	(12,799)	(5,355)	(10,272)	(4,266)
Tax effect of translation	(29)	(4)	-	-
Prior period under provision	-	3,257	-	3,257
Income tax charge	6,057	13,661	3,409	11,933
At end of the year	6,577	13,348	5,071	11,934

The bank was assessed based on the minimum tax legislation for the year ended 31 December 2012 because of a tax exemption granted via Companies Income Tax (Exemption of Bonds and Short Term Government Securities) Order, 2011 as contained in a gazette issued by the President of the Federal Republic of Nigeria, which took effect from 2 January 2012.

The Order exempts all interests earned on Bonds (Federal, state, local and corporate bodies including supra-nationals) and other short term securities such as Treasury Bills and Promissory Notes from being subjected to tax imposed under the Companies Income Tax Act. The Order is valid for a period of 10 years from the effective date of the Order, except for Bonds issued by the Federal Government, which will continue to enjoy the exemption.

A significant portion of the Bank's income derives from short-term securities and government bonds, and as a result, the Bank's current income tax assessment for the year under review yields a tax credit in its favour. Consequently, the Bank has applied the provisions of the Companies Income Tax Act that mandate a minimum tax assessment, where a tax payer does not have any tax liability arising from its tax assessment.

Notes To The Financial Statements
For The Year Ended 31 December 2012

In millions of Naira	Group 2012	Group 2011	Bank 2012	Bank 2011
Reconciliation of effective tax rate				
Profit before income tax	102,100	67,440	94,048	57,144
Tax calculated at the weighted average Group rate of 30% (2011: 30%)	30,630	20,232	28,214	17,143
Effect of tax rates in foreign jurisdictions	(29)	720	-	-
Non-deductible expenses	8,854	11,691	6,632	11,482
Tax exempt income	(37,754)	(18,130)	(36,319)	(17,039)
Information technology tax levy	(282)	(152)	(282)	(152)
Education tax levy	-	1,152	-	1,152
Prior period under provision	-	3,257	-	3,257
Tax loss effect	-	(34)	-	-
Income tax expense	1,419	18,736	(1,755)	15,843
Tax rate reconciliation	%	%	%	%
Tax charge as a percentage of profit before tax	1.4	27.8	(1.9)	27.7
Effect of tax rates in foreign jurisdictions	-	(1.1)	-	-
Permanent differences	28.3	9.5	31.6	9.7
Information technology tax levy	0.3	0.2	0.3	0.3
Education tax levy	-	(1.7)	-	(2.0)
Tax relating to prior period	-	(4.8)	-	(5.7)
Tax loss effect	-	0.1	-	-
Standard rate of Nigerian tax	30	30	30	30

14 Profit for the year from discontinued operations

	Group 2012	Group 2011
Interest and similar income	3,066	2,805
Interest and similar expense	-	-
Net interest income	3,066	2,805
Impairment charge for credit losses	(346)	(877)
Net interest income after impairment charge for credit losses	2,720	1,928
Fee and commission income	810	931
Underwriting profit	3,934	3,563
Gross premium income	9,730	7,907
Reinsurances/ coinsurances	(2,964)	(2,357)
Net premiums underwritten	6,766	5,550
Commission earned	434	659
Claims recovered	1,185	898
Claim expenses	(3,426)	(2,718)
Acquisition costs	(1,025)	(861)
Transfer to/ (from) profit and loss	-	35
Other income	9	32
Operating expenses	(3,965)	(2,127)
Profit before tax on discontinued operations	3,508	4,327
Taxation	(957)	(1,475)
Profit after tax on discontinued operations	2,551	2,852
Basic earnings per share (discontinued operations)	8 k	9 k

In 2011, the group committed to a plan to sell all its non-banking subsidiaries with the exception of Zenith Pension Custodian Limited. This is in response to the Banking Reforms of the Central Bank of Nigeria which abolished the Universal Banking Regime in Nigeria. The subsidiaries to be disposed have been presented as discontinued operations in this financial statement. The related assets and liabilities of the discontinued operations have been classified as held for sale and are disclosed in notes 25 and 33 respectively.

Notes To The Financial Statements
For The Year Ended 31 December 2012

15 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. Where a stock split or bonus share issue has occurred, the number of shares in issue in the prior year is adjusted to achieve comparability.

	Group 2012	Group 2011	Bank 2012	Bank 2011
Profit attributable to shareholders of the Bank (total operations) (**N'million**)	**100,147**	48,423	**95,803**	41,301
Profit attributable to shareholders of the Bank (continuing operations) (**N'million**)	**98,044**	45,780	**95,803**	41,301
Number of shares in issue at end of the period (**millions**)	**31,396**	31,396	**31,396**	31,396
Weighted average number of ordinary shares in issue (**millions**)	**31,396**	31,396	**31,396**	31,396
Basic earnings per share (total operations)	**319 k**	154 k	**305 k**	132 k
Basic earnings per share (continuing operations)	**312 k**	146 k	**305 k**	132 k

16 Cash and balances with central banks

	Group 2012	Group 2011	Bank 2012	Bank 2011
Cash	**42,123**	39,913	**37,832**	36,714
Operating accounts with Central Banks	**110,256**	76,666	**96,097**	67,848
Mandatory reserve deposits with central banks (cash reserve)	**180,136**	106,608	**179,617**	106,536
	332,515	223,187	**313,546**	211,098

Mandatory reserve deposits with central banks represents a percentage of customers' deposits (prescribed from time to time by the central bank) which are not available for daily use. For the purposes of the Statement of cashflow, this balance is excluded from cash and cash equivalents.

17 Treasury bills

	Group 2012	Group 2011	Bank 2012	Bank 2011
Treasury bills (Amortized cost)	**669,164**	510,738	**647,474**	494,253

Included in treasury bills is N6.92 billion (2011: N6.93 billion) worth of treasury bills pledged as collateral to Nigeria Interbank Settlement System (NIBBS) , Federal Inland Revenue Services, V-Pay, E-Tranzact International Limited and Interswitch.

The following treasury bills have maturities less than three months and are classified as cash and cash equivalents for purposes of the statements of cash flows (Note 41).	**280,418**	174,516	**275,680**	170,053

Notes To The Financial Statements
For The Year Ended 31 December 2012

In millions of Naira	Group 2012	Group 2011	Bank 2012	Bank 2011
18 Due from other banks				
a. Current balances with banks within Nigeria	8,358	5,309	-	-
Current balances with banks outside Nigeria (see Note (b))	131,310	145,294	191,432	196,993
Placements with banks and discount houses	42,352	83,918	12,359	49,371
	182,020	234,521	203,791	246,364

b. Included in balances with banks outside Nigeria is the amount of **N38.45 billion** and **N38.44 billion** for the Group and Bank respectively (**2011: N44.21 billion** for both Group and Bank) 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). These balances are not available for the day to day operations of the Group.

	Group 2012	Group 2011	Bank 2012	Bank 2011
19 Loans and advances to customers				
Overdrafts	270,672	273,788	252,107	259,950
Term loans	672,931	595,005	594,095	540,037
On-lending facilities	54,149	44,525	54,149	44,525
Advances under finance lease	16,774	7,303	16,440	6,405
Gross loans and advances to customers	1,014,526	920,621	916,791	850,917
Less: Allowances for impairment	(24,712)	(26,787)	(21,437)	(23,882)
Specific allowances for impairment	(10,601)	(12,408)	(8,368)	(10,168)
Collective allowance for impairment	(14,111)	(14,379)	(13,069)	(13,714)
Net loans and advances to customers	989,814	893,834	895,354	827,035
Overdrafts				
Gross overdrafts	270,672	273,788	252,107	259,950
Less: Allowances for impairment	(17,896)	(17,318)	(14,777)	(17,318)
Specific allowances for impairment	(9,713)	(8,721)	(7,634)	(8,721)
Collective allowance for impairment	(8,183)	(8,597)	(7,143)	(8,597)
Net overdrafts	252,776	256,470	237,330	242,632
Term loans				
Gross term loans	672,931	595,005	594,095	540,037
Less: Allowances for impairment	(5,875)	(9,071)	(5,719)	(6,166)
Specific allowances for impairment	(888)	(3,687)	(734)	(1,447)
Collective allowance for impairment	(4,987)	(5,384)	(4,985)	(4,719)
Net term loans	667,056	585,934	588,376	533,871
On- lending facilities				
Carrying amount	54,149	44,525	54,149	44,525
Less: Collective allowance for impairment	(857)	(332)	(857)	(332)
Net on-lending facilities	53,292	44,193	53,292	44,193
Advances under finance lease				
Carrying amount	16,774	7,303	16,440	6,405
Less: Collective allowance for impairment	(84)	(66)	(84)	(66)
Net advance under finance lease	16,690	7,237	16,356	6,339

Notes To The Financial Statements
For The Year Ended 31 December 2012

Reconciliation of impairment allowance on loans and advances to customers:

Group

In millions of Naira	Overdrafts	Term loans	On-lending facilities	Advances under finance lease	Total
Balance at 1 January 2012	**17,318**	**9,071**	**332**	**66**	**26,787**
Specific impairment	8,721	3,687	-	-	12,408
Collective impairment	8,597	5,384	332	66	14,379
Additional impairment charge for the year	**8,172**	**369**	**525**	**33**	**9,099**
Specific impairment	8,586	766	-	15	9,367
Collective impairment	(414)	(397)	525	18	(268)
Foreign currency translation and other adjustments	-	(664)	-	-	(664)
Write-offs	(7,594)	(2,901)	-	(15)	**(10,510)**
Balance at 31 December 2012	**17,896**	**5,875**	**857**	**84**	**24,712**
Specific impairment	9,713	888	-	-	10,601
Collective impairment	8,183	4,987	857	84	14,111
Balance at 1 December 2011	**17,719**	**9,279**	**139**	**423**	**27,560**
Specific impairment	3,352	3,883	-	-	7,235
Collective impairment	14,367	5,396	139	423	20,325
Additional impairment charge for the year	16,472	295	193	(357)	16,603
Specific impairment	22,242	307	-	-	22,549
Collective impairment	(5,770)	(12)	193	(357)	(5,946)
Impairment no longer required	(6,098)	-	-	-	(6,098)
Foreign currency translation and other adjustments	-	(503)	-	-	(503)
Write-offs	(10,775)	-	-	-	(10,775)
Balance at 31 December 2011	**17,318**	**9,071**	**332**	**66**	**26,787**
Specific impairment	8,721	3,687	-	-	12,408
Collective impairment	8,597	5,384	332	66	14,379

Notes To The Financial Statements
For The Year Ended 31 December 2012

In millions of Naira

Reconciliation of impairment allowance on loans and advances to customers:
Bank

	Overdrafts	Term loans	On-lending facilities	Advances under finance lease	Total
Balance at 1 January 2012	**17,318**	**6,166**	**332**	**66**	**23,882**
Specific impairment	8,721	1,447	-	-	10,168
Collective impairment	8,597	4,719	332	66	13,714
Additional impairment charge for the year	**5,053**	**2,387**	**525**	**33**	**7,998**
Specific impairment	6,507	2,121	-	15	8,643
Collective impairment	(1,454)	266	525	18	(645)
Write-offs	(7,594)	(2,834)	-	(15)	(10,443)
Balance at 31 December 2012	**14,777**	**5,719**	**857**	**84**	**21,437**
Specific impairment	7,634	734	-	-	8,368
Collective impairment	7,143	4,985	857	84	13,069
Balance at 1 December 2011	**17,277**	**6,927**	**139**	**423**	**24,766**
Specific impairment	2,904	3,640	-	-	6,544
Collective impairment	14,373	3,287	139	423	18,222
Additional impairment charge for the year	**16,914**	**(761)**	**193**	**(357)**	**15,989**
Specific impairment	22,690	(2,193)	-	-	20,497
Collective impairment	(5,776)	1,432	193	(357)	(4,508)
Amounts recovered during the year	-	-	-	-	-
impairment no longer required	(6,098)	-	-	-	(6,098)
Write-offs	(10,775)	-	-	-	(10,775)
Balance at 31 December 2011	**17,318**	**6,166**	**332**	**66**	**23,882**
Specific impairment	8,721	1,447	-	-	10,168
Collective impairment	8,597	4,719	332	66	13,714

Notes To The Financial Statements
For The Year Ended 31 December 2012

In millions of Naira	Group 2012	Group 2011	Bank 2012	Bank 2011
Advances under finance lease				
Gross investment	23,342	8,796	22,478	7,774
Less: Unearned income	(6,568)	(1,493)	(6,038)	(1,369)
Net Investment	16,774	7,303	16,440	6,405
The net investment is analysed as follows:				
No later than 1 year	281	376	281	376
Later than 1 year and no later than 5 years	16,493	6,927	16,159	6,029
	16,774	7,303	16,440	6,405

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

	Group 2012	Group 2011	Bank 2012	Bank 2011
Secured against real estate	164,620	141,377	140,789	130,673
Secured by shares of quoted companies	11,217	8,702	8,666	8,043
Cash collateral, lien over fixed and floating assets,e.t.c	788,155	731,250	728,208	675,884
Unsecured	50,534	39,292	39,128	36,317
	1,014,526	920,621	916,791	850,917

Reconciliation of gross investment to minimum lease rental payments

	Group 2012	Group 2011	Bank 2012	Bank 2011
Gross investment	23,342	8,796	22,478	7,774
Less: Unearned income	(6,568)	(1,493)	(6,038)	(1,369)
Net Investment	16,774	7,303	16,440	6,405
Impaiment on leases	84	66	84	66
Present value of minimum lease payments	16,690	7,237	16,356	6,339

20 Investment securities

(a) Analysis of investments

	Group 2012	Group 2011	Bank 2012	Bank 2011
Debt securities (measured at amortised cost)	289,938	298,841	247,500	257,660
Equity securities (measured at fair value through other comprehensive income)	9,405	9,390	9,405	9,390
	299,343	308,231	256,905	267,050

(b) Equity securities measured at fair value through other comprehensive income

	Group 2012	Group 2011	Bank 2012	Bank 2011
Quoted securities	-	-	-	-
Unquoted securities	9,405	9,390	9,405	9,390
	9,405	9,390	9,405	9,390

The Group has elected to present the fair value gains and losses on the above equity instruments in other comprehensive income as these investments are not held for trading purposes but rather for strategic purposes.

Notes To The Financial Statements
For The Year Ended 31 December 2012

In millions of Naira

The movement in investment securities may be summarised as follows:
Group

	Debt securities at fair value through profit and loss	Debt securities at amortised cost	Equity securities at fair value through other comprehensive income	Total
At 1 January 2012	**-**	**298,841**	**9,390**	**308,231**
Exchange differences	**-**	**(274)**	**-**	**(274)**
Additions	**220,000**	**61,479**	**-**	**281,479**
Disposals (sale and redemption)	**(220,411)**	**(69,000)**	**-**	**(289,411)**
Gains from changes in fair value recognised in profit or loss (Note10)	**411**	**-**	**-**	**411**
Gains from changes in fair value recognised in other comprehensive income	**-**	**-**	**15**	**15**
Interest accrued	**65**	**27,274**	**-**	**27,339**
Coupon received	**(65)**	**(28,382)**	**-**	**(28,447)**
		-		
At 31 December 2012	**-**	**289,938**	**9,405**	**299,343**
At 1 January 2011	587	199,058	12,159	211,804
Exchange differences on monetary assets	-	69	-	69
Additions	463,094	202,337	-	665,431
Disposals (sale and redemption)	(463,886)	(102,623)	(2,769)	(569,278)
Gains from changes in fair value recognised in profit or loss (Note10)	205	-	-	205
Gains from changes in fair value recognised in other comprehensive income	-	-	-	-
At 31 December 2011	**-**	**298,841**	**9,390**	**308,231**

In millions of Naira

The movement in investment securities may be summarised as follows:
Bank

	Debt securities at fair value through profit and loss	Debt securities at amortised cost	Equity securities at fair value through other comprehensive income	Total
At 1 January 2012	-	257,660	9,390	267,050
Exchange differences	-	-	-	-
Additions	220,000	33,688	-	253,688
Disposals (sale and redemption)	(220,079)	(44,118)	-	(264,197)
Gains from changes in fair value recognised in profit or loss (Note10)	79	-	-	79
Gains from changes in fair value recognised in other comprehensive income	-	-	15	15
Interest accrued	65	26,521	-	26,586
Coupon received	(65)	(26,251)	-	(26,316)
At 31 December 2012	-	247,500	9,405	256,905
At 1 January 2011	587	162,908	8,685	172,180
Exchange differences on monetary assets	-	-	-	-
Additions	462,923	197,369	-	660,292
Disposals (sale and redemption)	(463,681)	(102,617)	-	(566,298)
Gains from changes in fair value recognised in profit or loss (Note10)	171	-	-	171
Gains from changes in fair value recognised in other comprehensive income	-	-	705	705
At 31 December 2011	-	257,660	9,390	267,050

21 Investment in subsidiaries

		Ownership interest %	Group 2012	Group 2011	Bank 2012	Bank 2011
a.	Zenith Pensions Custodian Limited	99.0000%	-	-	1,980	1,980
	Zenith Bank (Ghana) Limited	98.0722%	-	-	6,444	6,444
	Zenith Bank (UK) Limited	100.0000%	-	-	13,307	8,527
	Zenith Bank (Sierra Leone) Limited	99.9928%	-	-	1,606	1,356
	Zenith Bank (Gambia) Limited	99.9624%	-	-	1,038	1,038
			-	-	24,375	19,345

b. Condensed results of consolidated entities from continuing operations

In millions of Naira

December 2012

Condensed statement of profit or loss	**Zenith Group**	**Elimination entries**	**Zenith Bank PLC**	**Zenith Bank (Ghana) Limited**	**Zenith Bank (UK) Limited**	**Zenith Bank (Sierra Leone) Limited**	**Zenith Bank (Gambia) Limited**	**Zenith Pensions Custodian Limited**
Operating income	227,255	(4,995)	209,295	9,873	3,420	742	637	3,288
Share of profit of associate	23	-	-	-	-	-	-	-
Profit on disposal of subsidiary	32	-	3,811	-	-	-	-	-
Dividend from subsidiary	-	-	584	-	-	-	-	-
Operating expenses	(119,619)	4,995	(111,644)	(4,636)	(1,880)	(609)	(388)	(462)
Provision expense	(9,099)	-	(7,998)	(1,011)	-	(84)	(6)	-
Profit before tax	98,592	-	94,048	4,226	1,540	49	243	2,826
Tax	(462)	-	1,755	(821)	(416)	(10)	(43)	(927)
Profit for the year	98,130	-	95,803	3,405	1,124	39	200	1,899
Condensed statement of financial position								
Assets								
Cash and balances with central banks	332,515	(5,726)	313,546	14,353	9,930	28	384	-
Treasury bills	669,164	-	647,474	17,504	216	2,096	1,874	-
Due from other banks	182,020	(76,990)	203,791	17,427	26,495	1,724	1,212	8,361
Loans and advances to customers	989,814	(86)	895,354	28,679	64,793	582	492	-
Investment securities	299,343	-	256,905	-	42,438	-	-	-
Investment in subsidiaries and associates	420	(24,418)	24,838	-	-	-	-	-
Deferred tax asset	432	-	-	408	24	-	-	-
Other assets	28,665	(9)	16,814	300	11,106	50	85	319
Assets classified as held for sale	31,943	21,605	10,338	-	-	-	-	-
Property and equipment	68,782	2	66,651	1,199	201	383	248	98
Intangible assets	1,406	-	1,175	-	133	13	71	14
	2,604,504	(85,622)	2,436,886	79,870	155,336	4,876	4,366	8,792
Liabilities & Equity								
Customer deposits	1,929,244	(14,836)	1,802,008	65,193	70,352	3,723	2,804	-
Current income tax	6,577	-	5,071	326	-	-	27	1,153
Deferred income tax liabilities	5,584	-	5,573	-	-	-	-	11
Other liabilities	117,355	(67,932)	115,027	1,016	68,420	242	505	77
On-lending facilities	56,066	-	56,066	-	-	-	-	-
Borrowings	15,138	-	15,138	-	-	-	-	-
Liabilities classified as held for sale	11,584	11,584	-	-	-	-	-	-
Equity and reserves	462,956	(14,438)	438,003	13,335	16,564	911	1,030	7,551
	2,604,504	(85,622)	2,436,886	79,870	155,336	4,876	4,366	8,792
Condensed cash flow								
Net cash from operating activities	103,640	(46,869)	125,276	12,057	8,219	1,721	700	2,536
Net cash from financing activities	(29,063)	(251)	(29,063)	-	-	251	-	-
Net cash from investing activities	(948)	4,305	(3,792)	44	(2,216)	97	93	521
Increase in cash and cash equivalents	73,629	(42,815)	92,421	12,101	6,003	2,069	793	3,057
Cash and cash equivalents								
At start of year	525,616	(42,431)	520,979	33,165	4,143	1,779	2,677	5,304
Cash and cash equivalents from discontinued operations	18,708	18,708	-	-	-	-	-	-
Exchange rate movements on cash and cash equivalents	(3,136)	(3,136)	-	-	-	-	-	-
At end of year	614,817	(69,674)	613,400	45,266	10,146	3,848	3,470	8,361
	73,629	(42,815)	92,421	12,101	6,003	2,069	793	3,057

Condensed results of consolidated entities from continuing operations (contd.)

In millions of Naira

December 2011

Condensed statement of profit or loss	**Zenith Group**	**Elimination entries**	**Zenith Bank PLC**	**Zenith Bank (Ghana) Limited**	**Zenith Bank (UK) Limited**	**Zenith Bank (Sierra Leone) Limited**	**Zenith Bank (Gambia) Limited**	**Zenith Pensions Custodian Limited**
Operating income	195,855	(3,561)	181,573	8,302	3,030	495	266	2,189
Operating expenses	(116,228)	3,561	(108,529)	(4,512)	(1,742)	(798)	(253)	(394)
Provision expense	(16,514)	-	(15,900)	(118)	(464)	(28)	(4)	-
Profit before tax	63,113	-	57,144	3,672	824	(331)	9	1,795
Tax	(17,261)	-	(15,843)	(623)	(224)	3	(6)	(568)
Profit for the year	45,852	-	41,301	3,049	600	(328)	3	1,227
Condensed statement of financial position								
Cash and balances with central banks	223,187	3,198	211,098	8,502	-	80	309	-
Treasury bills	510,738	-	494,253	13,512	-	1,062	1,911	-
Due from other banks	234,521	(71,971)	246,364	21,970	31,699	639	513	5,307
Loans and advances to customers	893,834	-	827,035	20,722	45,371	449	257	-
Investment securities	308,231	-	267,050	-	40,222	-	-	959
Investment in subsidiaries and associates	1,756	(17,431)	19,187	-	-	-	-	-
Deferred tax asset	186	-	-	34	152	-	-	-
Other assets	25,510	(1,460)	17,616	3,553	5,419	68	117	197
Assets classified as held for sale	52,482	39,664	12,818	-	-	-	-	-
Investment property	7,114	-	7,114	-	-	-	-	-
Property and equipment	68,366	-	65,877	1,245	334	479	318	113
Intangible assets	770	-	661	-	-	15	94	-
	2,326,695	(48,000)	2,169,073	69,538	123,197	2,792	3,519	6,576
Liabilities & Equity								
Customer deposits	1,655,458	(27,161)	1,577,290	56,039	45,291	2,001	1,998	-
Current income tax	13,348	-	11,934	621	-	1	1	791
Deferred income tax liabilities	10,742	-	10,732	-	-	-	-	10
Other liabilities	152,836	(43,077)	126,660	1,039	67,376	154	562	122
On-lending facilities	49,370	-	49,370	-	-	-	-	-
Borrowings	21,070	-	21,070	-	-	-	-	-
Liabilities classified as held for sale	29,603	29,603	-	-	-	-	-	-
Equity and reserves	394,268	(7,365)	372,017	11,839	10,530	636	958	5,653
	2,326,695	(48,000)	2,169,073	69,538	123,197	2,792	3,519	6,576
Condensed cash flow								
Net cash from operating activities	(47,909)	(37,890)	(65,754)	17,832	35,138	462	1,039	1,264
Net cash from financing activities	(10,654)	(240)	(10,654)	-	-	240	-	-
Net cash from investing activities	(16,521)	(5,171)	(6,563)	100	(4,410)	54	(78)	(453)
Increase in cash and cash equivalents	(75,084)	(43,301)	(82,971)	17,932	30,728	756	961	811
Cash and cash equivalents								
At start of year	644,988	6,722	603,950	26,052	971	1,025	1,772	4,496
Cash and cash equivalents from discontinued operations	(42,302)	(42,302)	-	-	-	-	-	-
Exchange rate movements on cash and cash equivalents	(1,986)	(1,986)	-	-	-	-	-	-
At end of year	525,616	(80,867)	520,979	43,984	31,699	1,781	2,733	5,307
	(75,084)	(43,301)	(82,971)	17,932	30,728	756	961	811

c.

i Apart from Zenith Pensions Custodian Limited, all other subsidiaries consolidated as continuing operations are incorporated outside Nigeria.

ii 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 .

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

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

v 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.

vi Zenith Bank (The Gambia) Limited provides corporate and retail banking services. It was incorporated in The Gambia on 24 October 2008 and granted an operating license by the Central Bank of The Gambia on 30 December 2009. It commenced banking operations on 18 January 2010.

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. The carrying amount of investment in Zenith Life Assurance Company Limited in 2012 is included in 'assets classified as held for sale' (see Note 25).

viii 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". The carrying amount of investment in Zenith Capital Limited in 2012 is included in 'assets classified as held for sale' (see Note 25).

ix 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. The carrying amount of investment in Zenith Medicare Limited in 2012 is included in 'assets classified as held for sale'(see Note 25).

x 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. The carrying amount of investment in Zenith Trustees Limited in 2012 is included in 'assets classified as held for sale'(see Note 25).

xi 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. The carrying amount of investment in Zenith General Insurance Company Limited in 2012 is included in 'assets classified as held for sale'(see Note 25).

22 Investments in associates

The Group'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). The Group generally holds 20 percent or more of the voting power of the investee and is therefore presumed to have significant influence over the investee. In instances where the Group holds less than 20 percent of the voting power of the investee, the Group concluded that it has significant influence due to the Group's representation on the board of the relevant investee, with such board generally limited to a small number of board members.

In millions of Naira	**Group 2012**	Group 2011	**Bank 2012**	Bank 2011
Balance at beginning of the year	**1,756**	2,443	**1,822**	2,509
Share of profit	**23**	45	**-**	-
Disposals	**(508)**	(687)	**(508)**	(687)
Dividends paid	**-**	(45)	**-**	-
Dimunition in investment	**(851)**	-	**(851)**	-
Balance at end of the year	**420**	1,756	**463**	1,822

There were no published price quotations for any associates of the Group. Furthermore, there are no significant restrictions on the ability of associates to transfer funds to the Group in the form of cash dividends or repayment of loans and advances.

Notes To The Financial Statements
For The Year Ended 31 December 2012

In millions of Naira

23 Deferred tax

Group	01 Jan 2012	Recognised in profit or loss	Recognised in OCI	31 Dec 2012
Movements in temporary differences during the year:				
Property and equipment	6,586	3,409	-	9,995
Other assets	580	(569)	-	11
Allowances for loan losses	3,072	(8,384)	-	(5,312)
Equity securities at fair value	504	381	5	890
	10,742	(5,163)	5	5,584
Foreign currency translation difference		-		
Tax loss carried forward (Deferred tax asset)	(186)	(246)	-	(432)
Reversal of timing difference (Note 13)		(5,595)		

	01 Jan 2011	Recognised in profit or loss	Recognised in OCI	31 Dec 2011
Movements in temporary differences during the year:				
Property and equipment	7,993	(1,407)	-	6,586
Other assets	580	-	-	580
Allowances for loan losses	1,337	1,735	-	3,072
Treasury bills and bonds (FVTPL)	145	(145)	-	-
Equity securities at fair value	293	-	211	504
	10,348	183	211	10,742
Foreign exchange differences		-		
Tax loss carried forward (Deferred tax asset)	(1,657)	1,471	-	(186)
Originating timing difference (Note 13)		1,654		

Bank	01 Jan 2012	Recognised in profit or loss	Recognised in OCI	31 Dec 2012
Movements in temporary differences during the year:				
Property and equipment	6,050	3,945	-	9,995
Other assets	579	(579)	-	-
Allowances for loan losses	3,073	(8,385)	-	(5,312)
Treasury bills and bonds (FVTPL)	145	(145)	-	-
Equity securities at fair value	885	-	5	890
	10,732	(5,164)	5	5,573

	1 Jan 2011	Recognised in profit or loss	Recognised in OCI	31 Dec 2011
Movements in temporary differences during the year:				
Property and equipment	7,133	(1,083)	-	6,050
Other assets	579	-	-	579
Allowances for loan losses	1,338	1,735	-	3,073
Treasury bills and bonds (FVTPL)	145	-	-	145
Equity securities at fair value	674	-	211	885
	9,869	652	211	10,732

Deferred income tax assets are recognised for tax loss carry-forwards only to the extent that the realisation of the related tax benefit is probable.

Notes To The Financial Statements
For The Year Ended 31 December 2012

In millions of Naira

24 Other assets

	Group 2012	Group 2011	Bank 2012	Bank 2011
Prepayments	13,971	14,658	13,467	14,093
Other receivables	19,331	14,209	7,984	6,880
Gross other assets	33,302	28,867	21,451	20,973
Less: Specific impairment	(4,637)	(3,357)	(4,637)	(3,357)
	28,665	25,510	16,814	17,616

Movement in specific impairment:	Group 2012	Group 2011	Bank 2012	Bank 2011
At start of year	3,357	4,096	3,357	4,081
Specific impairment (See Note 8)	1,280	133	1,280	118
Clasified as held for disposal	-	(15)	-	-
Impairment no longer required(See Note 8)	-	(222)	-	(207)
Prior year impairment written off against other assets	-	(635)	-	(635)
At end of the year	4,637	3,357	4,637	3,357

25 Assets classified as held for sale

	Group 2012	Group 2011	Bank 2012	Bank 2011
a. Investment in subsidiaries (see Note 21(c))	-	-	10,338	10,838
Cash and balances with central banks	500	500	-	-
Treasury bills	7,696	5,351	-	-
Due from other banks	15,398	36,451	-	-
Loans and advances	484	641	-	-
Reinsurance assets and insurance receivables	499	1,423	-	-
Investment securities	5,520	4,625	-	-
Deferred tax assets	1,065	1,628	-	-
Other assets	261	1,015	-	-
Property and equipment	474	809	-	-
Intangible assets	46	39	-	-
	31,943	52,482	10,338	10,838

b. Disposal of subsidiary

The Bank disposed of its investment in Zenith Registrars Limited in line with the Bank's decision to opt for a commercial banking license with international authorization following Central Bank of Nigeria's regulation on the scope of banking acitivities and ancillary matters. Details of divestment for Zenith Registrars are as follows;

Group	
Cash and cash equivalents	24,035
Equity investment	80
Property and equipment	353
Intangible assets	5
Other assets	266
Total assets	24,739
Current tax liability	1,204
Deferred income tax liabilities	21
Other liabilities	19,035
Total Liabilities	20,260
Share of net assets at date of disposal	4,479
Net proceeds from disposal	4,511
Profit on disposal (See Note 11)	32

Bank	
Net proceeds from disposal	4,311
Cost of investment	500
Profit on disposal (See Note 11)	3,811

In millions of Naira

26 Investment property

		Group	Bank
a.	***Cost***		
	At start of the year	7,403	7,403
	Additions	37	37
	Disposals	(7,440)	(7,440)
	At end of the year	-	-
	Accumulated amortization		
	At start of the year	289	289
	Charge for the year	136	136
	Disposals	(425)	(425)
	At 31 December 2012	-	-
	Carrying amount		
	At 31 December 2012	-	-
	At 31 December 2011	7,114	7,114

During the year, the Bank disposed of its investment property and realised a gain of N150 million which was reported as other income(Note 11). Details of the disposal are as follows;

b. Profit on disposal of investment property

Cost	7,440
Accummulated depreciation	(425)
Net book value	7,015
Proceeds	7,165
Profit from disposal	150

In millions of Naira

27 **Property and equipment**

(a) **Group**

	Leasehold land	Buildings	Leasehold improvement	Furniture, fittings & equipment	Computer equipment	Motor vehicles	Work in progress	Total
Cost								
At start of the year	15,357	14,777	13,126	28,923	20,469	12,718	20,221	125,591
Exchange difference	-	(16)	(152)	(151)	(118)	(98)	(26)	(561)
Additions	94	935	384	2,640	505	1,852	4,880	11,290
Reclassifications	1,033	2,523	(390)	3,221	645	514	(7,546)	-
Disposals	-	-	(13)	(110)	(567)	(1,181)	-	(1,871)
At end of the year	16,484	18,219	12,955	34,523	20,934	13,805	17,529	134,449
Accumulated depreciation								
At start of the year	1,143	1,169	9,762	18,904	16,651	9,596	-	57,225
Exchange difference	-	(2)	(80)	(95)	(85)	(83)	-	(345)
Charge for the year	92	439	1,416	4,246	2,338	1,776	-	10,307
Reclassifications	-	1,050	(1,421)	391	(7)	(13)	-	-
Disposals	-	-	(12)	(94)	(419)	(995)	-	(1,520)
At end of the year	1,235	2,656	9,665	23,352	18,478	10,281	-	65,667
Net book amount								
At 31 December 2012	**15,249**	**15,563**	**3,290**	**11,171**	**2,456**	**3,524**	**17,529**	**68,782**
At 31 December 2011	14,214	13,608	3,364	10,019	3,818	3,122	20,221	68,366

There were no impairment losses on any class of property and equipment during the year (2011 : nil)

In millions of Naira

27 Property and equipment

(b) BANK

	Land	Buildings	Leasehold improvement	Furniture, fittings & equipment	Computer equipment	Motor vehicles	Work in progress	Total
Cost								
At start of the year	15,357	14,671	11,308	27,639	19,012	11,988	20,063	120,038
Additions	94	936	271	2,534	280	1,691	4,671	10,477
Reclassifications	1,033	2,523	(390)	3,221	645	514	(7,546)	-
Disposals	-	-	(12)	(110)	-	(1,181)	-	(1,303)
At end of the year	16,484	18,130	11,177	33,284	19,937	13,012	17,188	129,212
Accumulated depreciation								
At start of the year	1,143	1,159	8,908	18,183	15,605	9,163	-	54,161
Charge for the year	92	437	1,210	4,032	2,093	1,636	-	9,500
Reclassifications	-	1,049	(1,420)	391	(7)	(13)	-	-
Disposals	-	-	(11)	(94)	-	(995)	-	(1,100)
At end of the year	1,235	2,645	8,687	22,512	17,691	9,791	-	62,561
Net book amount								
At 31 December 2012	**15,249**	**15,485**	**2,490**	**10,772**	**2,246**	**3,221**	**17,188**	**66,651**
At 31 December 2011	14,214	13,512	2,400	9,456	3,407	2,825	20,063	65,877

There were no impairment losses on any class of property and equipment during the year (2011 : nil)

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For The Year Ended 31 December 2012

In millions of Naira	Group 2012	Group 2011	Bank 2012	Bank 2011
28 Intangible assets				
Computer software				
Cost				
At start of the year	1,969	1,751	1,843	1,668
Exchange difference	(17)	-	-	-
Additions	1,709	275	1,138	175
Classified as assets held for sale	-	(57)	-	-
At end of the year	3,661	1,969	2,981	1,843
Accumulated depreciation				
At start of the year	1,199	924	1,182	884
Exchange difference	(3)	-	-	-
Charge for the year	1,059	310	624	298
Classified as assets held for sale	-	(35)	-	-
At end of year	2,255	1,199	1,806	1,182
Carrying amount				
At end of the year	1,406	770	1,175	661

There were no impairment losses on intangible assets during the year (2011 : nil)

29 Customers' deposits

	Group 2012	Group 2011	Bank 2012	Bank 2011
Demand	1,171,216	1,026,371	1,140,494	1,032,526
Savings	152,464	139,532	140,973	130,679
Term	336,927	278,253	328,965	263,517
Deposit from banks	48,580	36,016	-	-
Domiciliary	220,057	175,286	191,576	150,568
	1,929,244	1,655,458	1,802,008	1,577,290

30 Other liabilities

	Group 2012	Group 2011	Bank 2012	Bank 2011
Customer deposits for letters of credit	38,450	44,208	38,442	44,208
Interest payable	2,660	5,016	2,545	1,512
Managers' cheques	14,996	14,729	14,733	14,250
Due to banks for clean letters of credit	36,300	28,860	36,300	28,860
Customers' funds for purchases	2,581	7,747	2,559	1,966
Tax collections	1,295	4,633	1,255	1,587
Sales and other collections	7,884	12,736	7,884	8,992
Other payables	13,189	34,907	11,309	25,285
	117,355	152,836	115,027	126,660

In millions of Naira	Group 2012	Group 2011	Bank 2012	Bank 2011
31 On-lending facilities				
This comprises:				
Central Bank of Nigeria (CBN) Commercial Agriculture Credit Scheme Loan (See (i)) below	23,955	20,535	23,955	20,535
Bank of Industry (BOI) Intervention Loan (See (ii)) below	14,670	16,326	14,670	16,326
Central Bank of Nigeria (CBN) / Bank of Industry(BOI) - Power & Aviation intervention Funds (See (iii)) below	17,441	12,509	17,441	12,509
	56,066	49,370	56,066	49,370

Included in on-lending facilities are amount totalling N1.9 billion (2011: N4.8 billion) received but not yet disbursed.

(i) The fund received under the Central Bank of Nigeria (CBN) Commercial Agriculture Credit Scheme represents a credit line granted to the Bank for the purpose of providing concessionary funding to the agricultural sector. The facility is secured by Nigerian Government Securities and has a tenor of 7 years with effect from 2009 to expire by September 2016. The facility attracts an interest of 0% per annum and the Bank is under obligation to on-lend to customers at an all-in interest rate of not more than 9% per annum. Based on the structure of the facility, the Bank assumes the default risk of all amounts lent to the Bank's customers.

(ii) The Central Bank of Nigeria (CBN) / Bank of Industry (BOI) - SME / Manufacturing Intervention Fund represents an intervention credit granted to the Bank for the purpose of refinancing / restructuring existing loans to Small and Medium Scale Enterprises (SMEs) and Manufacturing Companies. The total facility is secured by Nigerian Government Securities. The maximum tenor for term loan under the programme is 15 years while the tenor for working capital is one year, renewable annually subject to a maximum tenor of five years. A management fee of 1% per annum deductible at source in the first year, and quarterly in arrears thereafter, is paid by the Bank under the Intervention programme and the Bank is under obligation to on-lend to customers at an all-in interest rate of 7% per annum. The Bank is the primary obligor to CBN / BOI and assumes the risk of default.

(iii) The Central Bank of Nigeria (CBN) / Bank of Industry (BOI) - Power & Aviation Intervention Fund represents a credit line for the purpose of granting new loans and refinancing / restructuring existing loans to companies in the power and aviation industries. The facility is secured by Irrevocable Standing Payment Order (ISPO). The maximum tenor for term loan under the programme is 15 years while the tenor for working capital is one year, renewable annually subject to a maximum tenor of five years. The facility attracts an interest of 1% per annum payable quarterly in arrears and the Bank is under obligation to on-lend to customers at an all-in interest rate of 7% per annum.

Notes to the Financial Statements
For The Year Ended 31 December 2012

In millions of Naira	**Group 2012**	Group 2011	**Bank 2012**	Bank 2011
32 Borrowings				
Borrowings comprise:				
Due to FMO	**-**	261	**-**	261
Due to ADB (See Note(i))	**11,957**	14,903	**11,957**	14,903
Due to KEXIM(See Note(ii))	**313**	-	**313**	-
Due to EIB	**-**	120	**-**	120
Due to HSBC	**-**	138	**-**	138
Due to PROPARCO (See Note(iii))	**2,183**	4,015	**2,183**	4,015
Due to Private Exporters Funding Corporation(See Note (iv))	**685**	1,633	**685**	1,633
	15,138	21,070	**15,138**	21,070

The Group has not had any defaults of principal, interest or other breaches with respect to their liabilities during the period (2011: nil).

(i) The amount due to African Development Bank (ADB) of N11.96 billion ($75.00 million) represents the outstanding balance of two tranches of dollar facilities in the sums of $100 million and $50 million granted by ADB in May 2007 and March 2010 respectively. The tranches of the facility are repayable over 7 years and 5 years respectively. Interest is payable half-yearly at the rate of LIBOR + 2.2% per annum and LIBOR + 4.5% per annum respectively. The outstanding balance of the first tranch of $25 million will mature in 1 year and 2 months while the second tranch $50 million will mature in 2 years and 2 months.

(ii) The amount of N313 million ($2 million) represents the outstanding balance of the $12 million short term loan facility granted by The Export-Import Bank of Korea in July 2012. The facility is priced at LIBOR + 1.05% per annum and will be due for final repayment in January 2013.

(iii) The amount of N2.18 billion ($13.89 million) represents the outstanding balance of the credit facility granted by Promotion et Participation pour la Coopération économique (PROPARCO) in June 2009.The facilty will mature in April 2015 and interest is payable semi-annually at LIBOR plus 2.30% per annum.

(iv)

The amount of N685 million ($4.38 million) represents the outstanding balance of a 5-year dollar facility granted by Sovereign Bank in November 2008. However, In December 2008, Sovereign Bank sold its outstanding receivable loan balance from Zenith Bank to Private Exporters Funding Corporation (PEFCO). Consequently, Zenith Bank Plc is now obligated to PEFCO under this revised agreement. Interest is payable at the rate of 3 months' LIBOR plus 0.60 % per annum. The facility will mature in 9 months.

	Group 2012	Group 2011	**Bank 2012**	Bank 2011
33 Liabilities classified as held for sale				
Claims payable	**425**	420	**-**	-
Current income tax	**1,782**	1,882	**-**	-
Deferred income tax liabilities	**552**	500	**-**	-
Tax collections	**1,446**	819	**-**	-
Sales and other collections	**-**	12,452	**-**	-
Other payables	**3,961**	10,711	**-**	-
Liabilities on insurance contracts	**3,418**	2,819	**-**	-
	11,584	29,603	**-**	**-**

The business of the entities classified as held for sale are discussed in Note 21(c).

34 Share capital	**Group**	Group	**Bank**	Bank
Authorised				
40,000,000,000 ordinary shares of 50k each (**2011**: 40,000,000,000)	**20,000**	20,000	**20,000**	20,000
Issued and fully paid				
31,396,493,786 ordinary shares of 50k each (**2011**: 31,396,493,786)	**15,698**	15,698	**15,698**	15,698

There was no movement in the share capital account during the year.

In millions of Naira	Group 2012	Group 2011	Bank 2012	Bank 2011

35 Share premium, retained earnings and other reserves

(a) There was no movement in the Share premium account during the current and prior year.

At end of the year	255,047	255,047	255,047	255,047

The nature and purpose of the reserves in equity are as follows:

(b) Share premium: Premiums from the issue of shares are reported in share premium.

(c) Retained earnings: Retained earnings comprise the undistributed profits from previous years which have not been reclassified to the other reserves noted below.

(d) Statutory reserve: 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.

(e) SMIEIS reserve: The SMIEIS 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. Transfer to this reserve is no longer required.

(f) Revaluation reserve: Comprises fair value movements on equity instruments.

(g) Foreign Currency translation reserve: Comprises exchange differences resulting from the translation to Naira of the results and financial position of entities within the group that have a functional currency other than Naira.

(h) Statutory Reserve for Credit Risk: The Nigerian banking regulators requires the bank to create a reserve for the difference between the cumulative impairment charge determined in line with the principles of IFRS and the charge determined in line with the prudential guidelines issued by the Central Bank of Nigeria (CBN). This reserve is not available for distribution to shareholders.

36 Pension contribution

In accordance with the provisions of the Pensions Reform Act 2004, the bank and its subsidiaries commenced a contributory pension scheme in January 2005. For entities operating in Nigeria, the contribution by employees and the employing entities are 2.5% and 12.5% respectively of the employees' basic salary, housing and transport allowances. Entities operating outside Nigeria contribute in line with the relevant pension laws in their jurisdictions. The contribution by the group and the bank during the period were **N 3.04 billion** and **N 2.84 billion** respectively (**2011: N 2.57 billion** and **N 2.42 billion**).

Notes to the Financial Statements
For The Year Ended 31 December 2012

37 Employees

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

	Group 2012 Number	Group 2011 Number	Bank 2012 Number	Bank 2011 Number
Executive directors	13	15	6	6
Management	435	476	409	426
Non-management	7,431	8,321	6,749	7,351
	7,879	8,812	7,164	7,783

Compensation for the above staff (excluding executive directors):

	N'million	N'million	N'million	N'million
Salaries and wages	39,613	39,104	37,188	36,875
Other staff costs	4,551	5,761	4,536	5,316
Pension contribution (Note 36)	3,036	2,522	2,841	2,413
	47,200	47,387	44,565	44,604

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	1,212	1,710	1,157	1,498
N2,000,001 - N2,800,000	199	1,967	-	1,862
N2,800,001 - N4,000,000	1,569	1,977	1,406	1,623
N4,000,001 - N6,000,000	2,853	1,108	2,668	905
N6,000,001 - N8,000,000	606	597	569	524
N8,000,001 - N9,000,000	394	457	381	407
N9,000,001 - and above	1,033	981	977	958
	7,866	8,797	7,158	7,777

(b) **Directors' emoluments**

	N'million	N'million	N'million	N'million
The remuneration paid to directors are as follows:				
Fees and sitting allowances	224	253	103	96
Executive compensation	496	480	172	271
Retirement benefit costs	6	9	6	7
	726	742	281	374

Fees and other emoluments disclosed above include amounts paid to:

The chairman	16	14	16	14
The highest paid director	16	37	16	37

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	13	15	6	6

Notes to the Financial Statements
For The Year Ended 31 December 2012

38 Related party transactions

Parent:
Zenith Bank Plc (incorporated in Nigeria) is the ultimate parent company of the Group.

Subsidiaries:
Transactions between Zenith Bank Plc and its subsidiaries which are eliminated on consolidation are not separately disclosed in the consolidated financial statements. The Group's effective interests and investments in subsidiaries as at 31 December 2012 are shown below.

Entity	Effective holding	Nominal share capital held
	%	N'million
Foreign / banking subsidiaries:		
Zenith Bank (Ghana) Limited	98.07%	6,444
Zenith Bank (UK) Limited	100.00%	13,307
Zenith Bank (Sierra Leone) Limited	99.99%	1,606
Zenith Bank (Gambia) Limited	99.96%	1,038
Domestic / non-banking subsidiaries:		
Zenith General Insurance Limited	80.12%	3,978
Zenith Life Assurance Limited (Indirect)	81.61%	1,632
Zenith Securities Limited	99.98%	3,000
Zenith Capital Limited	99.99%	2,000
Zenith Pension Custodians Limited	99.00%	1,980
Zenith Trustees Limited (Indirect)	49.99%	60
Zenith Medicare Limited (Indirect)	80.12%	380

Key management personnel

Key management personnel is defined as the Group's executive management, including their close members of family and any entity over which they exercise control. Close members of family are those family members who may be expected to influence, or be influenced by that individual in their dealings with the Group.

Key management compensation

In millions of Naira	**Group 2012**	Group 2011	**Bank 2012**	Bank 2011
Salaries and other short-term benefits	**534**	480	**275**	374
Retirement benefit cost	**8**	9	**6**	7
Loans and advances				
At start of the year	**1,429**	1,315	**1,357**	1,239
Granted during the year	**57**	214	**57**	214
Repayment during the year	**(121)**	(100)	**(118)**	(96)
At end of the year	**1,365**	1,429	**1,296**	1,357
Interest earned	**50**	41	**48**	41

Loans to key management personnel include mortgage loans and other personal loans which are given under terms that are no more favourable than those given to other staff. No impairment has been recognised in respect of loans granted to key management (2011: Nil). Mortgage loans amounting to N330 million (2011: N331 million) are secured by the underlying assets. All other loans are unsecured.

		2012			
Name of company	**Relationship**	**Loans**	**Deposits**	**Interest received**	**Interest paid**
Capri Martins Nigeria Limited	Common directorship	**2,700**	-	**324**	-
Multibanc Savings and Loans Limited	Common directorship	**2,650**	-	**371**	-
Visafone Communication Limited	Common significant shareholder	**2,405**	**10**	**568**	**44**
Cyberspace Limited	Associate	**-**	**124**	**-**	**1**
Cyberspace Networks Limited	Associate	**-**	**215**	**-**	**1**
At end of of the year		**7,755**	**349**	**1,263**	**46**

Notes to the Financial Statements
For The Year Ended 31 December 2012

In millions of Naira		**2011**			
Name of company	**Relationship**	**Loans**	**Deposits**	**Interest received**	**Interest paid**
Capri Martins Nigeria Limited	Common directorship	2,700	-	351	-
Multibanc Savings and Loans Limited	Common directorship	2,650	-	398	-
Visafone Communication Limited	Common significant shareholder	5,552	3219	777	29
Tadop Properties Ltd	Common directorship	4,400	250	572	1
Goodwork Properties Ltd	Common directorship	5,180	-	673	-
Cyberspace Limited	Associate	-	211	-	1
Cyberspace Networks Limited	Associate	-	129	-	1
At end of of the year		**20,482**	**3,809**	**2,771**	**32**

Interest charged on loans to related parties and interest and other fees paid to related parties are similar to what would be charged in an arms' length transaction. Loans granted to related parties are secured over real estate and other assets of the respective borrowers. No impairment has been recognised in respect of loans granted to related parties (2011: Nil).

39 Contingent liabilities and commitments

(a) Legal proceedings

The Bank is presently involved in **78 (2011: 52)** litigation suits in the ordinary course of business. The total amount claimed in the cases against the Bank is estimated at **N2.08 billion (2011: N2.99 billion)**. The actions are being contested and the Directors are of the opinion that none of the aforementioned cases is likely to have a material adverse effect on the Bank and are not aware of any other pending or threatened claims and litigations.

(b) Capital commitments

At the balance sheet date, the Bank had capital commitments amounting to **N2.83 billion** **(2011: N2.79 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 which carry 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 2012	Group 2011	**Bank 2012**	Bank 2011
Performance bonds and guarantees	**468,728**	229,206	**434,038**	218,299
Usance	**162,133**	69,830	**131,817**	57,541
Letters of credit	**141,021**	121,618	**125,709**	94,103
Pension funds (See Note (below))	**1,106,373**	837,287	**1,106,373**	837,287
	1,878,255	1,257,941	**1,797,937**	1,207,230

The transaction related performance bonds and guarantees are, generally, short-term commitments to third parties which are not directly dependent on the customer's creditworthiness. As at 31 December 2012, performance bonds and guarantees worth **N10.4 billion (2011: N11.9 billion)** are secured by cash while others are otherwise secured.

Usance and Letters of credit are agreements to lend to a customer in the future, subject to certain conditions. Such commitments are either made for a fixed period, or have no specific maturity dates, but are cancellable by the Group (as lender) subject to notice requirements. These Letters of credit are provided at market-related interest rates and cannot be settled net in cash. Usance and letters of credit are secured by different types of collaterals similar to those accepted for actual credit facilities.

The amount of **N 1,106.37 billion** (**2011: N 837.29 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.

In millions of Naira	Group 2012	Group 2011	Bank 2012	Bank 2011

40 Dividend per share

	Group 2012	Group 2011	Bank 2012	Bank 2011
Dividend proposed	50,234	29,827	50,234	29,827
Number of shares in issue and ranking for dividend	31,396	31,396	31,396	31,396
Proposed dividend paid per share	160 k	95 k	160 k	95 k

The Board of Directors, pursuant to the powers vested in it by the provisions of section 379 of the Companies and Allied Matters Act (CAMA) of Nigeria, proposed a dividend of N1.60 kobo per share (2011: 95 kobo per share) from the retained earnings account as at 31 December 2012. This is subject to approval by shareholders at the next Annual General Meeting.

If the proposed dividend is approved by the shareholders, the Bank will be liable to pay additional corporate tax estimated at N12.6 billion, which represents the difference between the tax liability calculated at 30% of the dividend approved and the minimum tax charge reported in the statement of comprehensive income for year ended 31 December 2012.

The number of shares in issue and ranking for dividend represents the outstanding number of shares as at 31 December 2012 and 31 December 2011 respectively.

Payment of dividends to shareholders is subject to withholding tax at a rate of 10% in the hand of recipients.

41 Cash and cash equivalents

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

In millions of Naira	Group 2012	Group 2011	Bank 2012	Bank 2011
Cash and balances with central banks (less restricted balances)	152,379	116,579	133,929	104,562
Treasury bills (maturing within three months)	280,418	174,516	275,680	170,053
Due from other banks	182,020	234,521	203,791	246,364
	614,817	525,616	613,400	520,979

42 Compliance with banking regulations

During the year, the Bank paid penalties to the Central Bank of Nigeria for the following contraventions:
- Late rendition of certain regulatory returns (N 25,000);
- Non-rendition of certain regulatory returns (N 6 million);
- Incomplete rendition of some regulatory returns, and non-completion of some KYC requirements of the Federal Civil Service (N 39.5 million).

43 Events after reporting date

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

In millions of Naira

44 Restatement of prior year balances

Certain prior year balances under 'assets classifed as held for sale' were restated to 'investment in subsidiaries' to correspond to the presentation of current year.

	Bank 2011
a. *Assets held for sale*	
Balance previously reported	12,818
Reclassification to 'investment in subsidiaries'	(1,980)
Balance as restated	10,838
b. *Investments in subsidiaries*	
Balance previously reported	17,365
Reclassification from 'assets held for sale'	1,980
Balance as restated	19,345

In millions of Naira

45 Value Added Statement (Group)

	December 2012 Group	%	December 2011 Group	%
Gross income	**307,082**		243,948	
Interest expense				
- Local	**(59,636)**		(29,033)	
- Foreign	**(4,925)**		(5,873)	
	242,521		209,042	
Impairment charge for credit losses	**(9,445)**		(17,391)	
	233,076		191,651	
Bought-in materials and services				
- Local	**(68,747)**		(60,841)	
- Foreign	**(3,663)**		(3,499)	
Value added	**160,666**	**100**	127,311	100
Distribution				
Employees				
Salaries and benefits	**47,200**	**29**	47,386	37
Government				
Income tax	**1,419**	**1**	18,736	15
Retained in the Group				
Asset replacement (depreciation)	**11,366**	**7**	12,485	10
To pay proposed dividend	**50,234**	**31**	29,827	23
Profit for the year (including statutory, small scale industry, contingency reserves and non-controlling interest)	**50,447**	**32**	18,877	15
	160,666	**100**	127,311	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.

In millions of Naira

Value Added Statement (Bank)

	December 2012 Bank	%	December 2011 Bank	%
Gross income	279,042		214,980	
Interest expense				
- Local	(64,628)		(32,593)	
- Foreign	(724)		(814)	
	213,690		181,573	
Diminution in asset values	(7,998)		(15,900)	
	205,692		165,673	
Bought-in materials and services				
- Local	(56,323)		(52,038)	
- Foreign	(632)		(359)	
Value added	148,737	100	113,276	100
Distribution				
Employees				
Salaries and benefits	44,565	30	44,605	40
Government				
Income tax	(1,755)	(1)	15,843	14
Retained in the Bank				
Asset replacement (depreciation)	10,124	7	11,527	10
To pay proposed dividend	50,234	34	29,827	26
Profit for the year (including statutory, and small scale industry reserves)	45,569	30	11,474	10
	148,737	100	113,276	100

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

In millions of Naira

46 FIVE-YEAR FINANCIAL SUMMARY GROUP

	IFRS 2012	IFRS 2011	IFRS 2010	IFRS 2009	IFRS 2008
Assets					
Cash and balances with central banks	332,515	223,187	141,724	126,779	240,848
Treasury bills	669,164	510,738	298,858	231,530	391,940
Due from other banks	182,020	234,521	399,478	341,830	536,846
Loans and advances	989,814	893,834	754,024	707,602	460,647
Reinsurance assets and insurance receivables	-	-	1,121	1,594	1,953
Investment securities	299,343	308,231	211,804	158,922	60,184
Investments in associates	420	1,756	2,443	2,443	2,573
Deferred tax assets	432	186	1,657	966	160
Other assets	28,665	25,510	20,457	22,353	37,511
Assets classified as held for sale	31,943	52,482	-	-	-
Investment property	-	7,114	7,342	424	-
Property and equipment	68,782	68,366	66,585	71,564	46,006
Intangible assets	1,406	770	827	712	238
Total assets	2,604,504	2,326,695	1,906,320	1,666,719	1,778,906
Liabilities					
Customers deposits	1,929,244	1,655,458	1,319,762	1,178,188	1,192,737
Claims payable	-	-	218	198	234
Current income tax	6,577	13,348	3,735	7,407	5,690
Deferred income tax liabilities	5,584	10,742	10,348	5,900	2,439
Other liabilities	117,355	152,836	143,373	90,572	187,084
Liabilities on insurance contracts	-	-	2,287	2,161	2,214
On-lending facilities	56,066	49,370	26,049	-	-
Borrowings	15,138	21,070	28,358	36,402	40,868
Liabilities classified as held for sale	11,584	29,603	-	-	-
Total Liabilities	2,141,548	1,932,427	1,534,130	1,320,828	1,431,266
Net assets	462,956	394,268	372,190	345,891	347,640
EQUITY					
Share capital	15,698	15,698	15,698	12,559	8,372
Share premium	255,047	255,047	255,047	255,047	255,047
Retained earnings	130,153	75,072	64,826	51,170	61,392
Other reserves	58,786	45,765	34,202	24,800	20,497
Attributable to equity holders of the parent	459,684	391,582	369,773	343,576	345,308
Non-controlling Interest	3,272	2,686	2,417	2,315	2,332
Total shareholders' equity	462,956	394,268	372,190	345,891	347,640
STATEMENT OF COMPREHENSIVE INCOME					
Gross Earnings	307,082	243,948	193,286	279,307	211,057
Share of profit / (loss) of associates	23	45	27	78	(111)
Interest expense	(64,561)	(34,906)	(35,719)	(83,957)	(53,294)
Operating and direct expenses	(130,999)	(124,256)	(102,503)	(118,322)	(91,604)
Impairment charge for credit losses	(9,445)	(17,391)	(4,977)	(34,802)	(9,728)
Profit before tax	102,100	67,440	50,114	42,304	56,320
Income tax	(1,419)	(18,736)	(12,291)	(16,255)	(4,223)
Profit after tax	100,681	48,704	37,823	26,049	52,097
Other comprehensive income:					
Foreign currency translation differences	(2,424)	(421)	(507)	461	(1,188)
Fair value movements on equity instruments	297	705	210	1,365	219
Tax effect of equity instruments at fair value	(91)	(211)	(63)	(530)	(64)
	(2,218)	73	(360)	1,296	(1,033)
Total comprehensive income	98,463	48,776	37,463	27,345	51,064

In millions of Naira	IFRS	IFRS	IFRS	IFRS	(Unpublished) IFRS
FIVE-YEAR FINANCIAL SUMMARY BANK	**2012**	**2011**	**2010**	**2009**	**2008**
ASSETS					
Cash and balances with central banks	313,546	211,098	130,604	115,044	233,972
Treasury bills	647,474	494,253	287,981	222,787	386,917
Due from other banks	203,791	246,364	374,604	290,025	481,442
Loans and advances	895,354	827,035	707,586	677,760	427,510
Investment securities	256,905	267,050	-	144,280	51,977
Investment in subsidiaries	24,375	19,345	172,180	36,096	16,935
Investments in associates	463	1,822	37,134	2,509	2,683
Deferred tax assets	-	-	2,509	-	-
Other assets	16,814	17,616	-	21,593	28,689
Assets classified as held for sale	10,338	10,838	15,402	-	-
Investment property	-	7,114	6,895	-	-
Property and equipment	66,651	65,877	63,000	68,106	42,689
Intangible assets	1,175	661	784	712	266
Total assets	2,436,886	2,169,073	1,798,679	1,578,912	1,673,080
LIABILITIES					
Customers deposits	1,802,008	1,577,290	1,290,014	1,114,271	1,164,459
Current income tax	5,071	11,934	1,010	5,718	3,550
Deferred income tax liabilities	5,573	10,732	9,869	6,264	1,953
Other liabilities	115,027	126,660	86,470	80,497	120,893
On-lending facilities	56,066	49,370	26,049	-	-
Borrowings	15,138	21,070	28,358	36,402	40,431
Total Liabilities	1,998,883	1,797,056	1,441,770	1,243,152	1,331,286
Net Assets	438,003	372,017	356,909	335,760	341,794
EQUITY					
Share capital	15,698	15,698	15,698	12,559	8,372
Share premium	255,047	255,047	255,047	255,047	255,047
Retained earnings	106,010	55,028	51,769	43,365	57,750
Other reserves	61,248	46,244	34,395	24,789	20,625
Total shareholders' equity	438,003	372,017	356,909	335,760	341,794
STATEMENT OF COMPREHENSIVE INCOME					
Gross Earnings	279,042	214,980	168,415	255,264	191,496
Interest expense	(65,352)	(33,407)	(34,522)	(82,836)	(49,964)
Operating and direct expenses	(111,644)	(108,529)	(89,107)	(103,338)	(81,013)
Impairment charge for credit losses	(7,998)	(15,900)	(3,317)	(32,217)	(8,515)
Profit before tax	94,048	57,144	41,469	36,873	52,004
Income tax	1,755	(15,843)	(9,164)	(14,940)	(2,438)
Profit after tax	95,803	41,301	32,305	21,933	49,566
Other comprehensive income:					
Fair value movements on equity instruments	15	705	210	2,012	-
Tax effect of equity instruments at fair value	(5)	(211)	(63)	(604)	-
	10	494	147	1,408	-
Total comprehensive income	95,813	41,795	32,452	23,341	49,566