# Group Annual Report & Financial Statements

# 2013


ZENITH BANK PLC

## Contents

## DIRECTORS

| | | |
|---|---|---|
| Sir Steve Omojafor | - | Chairman |
| Godwin Emefiele | - | Managing Director |
| Babatunde Adejuwon | - | Non-Executive Director |
| Alhaji Baba Tela | - | Non-Executive Director/ Independent |
| Prof. Chukuka Enwemeka | - | Non-Executive Director |
| Mr. Jeffrey Efeyini | - | Non-Executive Director |
| Chief (Mrs) Chinyere Asika (OFR) | - | Non-Executive Director/ Independent |
| Dr Haruna Usman Sanusi (OON) | - | Non-Executive Director/ Independent |
| Udom Emmanuel | - | Executive Director |
| Peter Amangbo | - | Executive Director |
| Ms. Adaora Umeoji | - | Executive Director |
| Ebenezer Onyeagwu | - | Executive Director |

## COMPANY SECRETARY

Michael Osilama Otu

## REGISTERED OFFICE

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

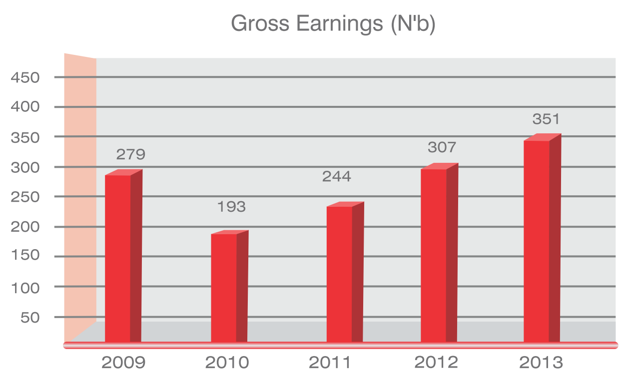
## AUDITORS

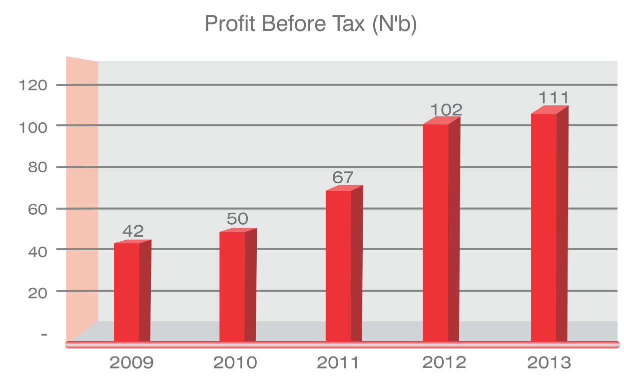
KPMG Professional Services
KPMG Tower
Bishop Aboyade Cole street
Victoria Island
Lagos

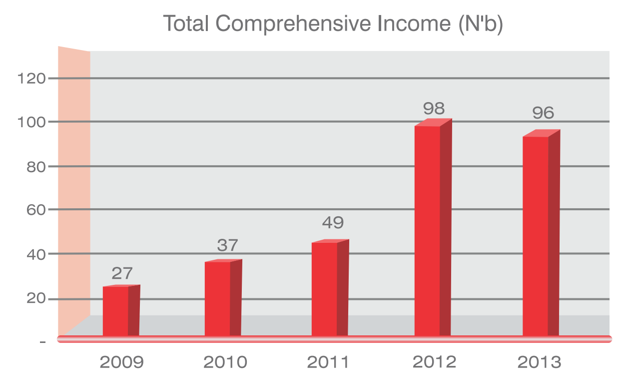
## REGISTRAR & TRANSFER OFFICE

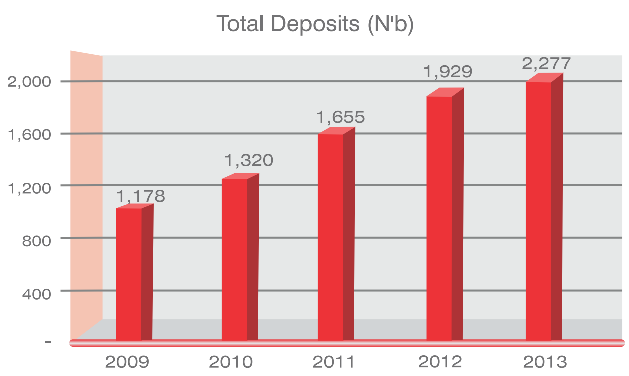
Veritas Registrars Limited (formerly Zenith Registrars Limited)
Plot 89 A, Ajose Adeogun Street
Victoria Island
Lagos.

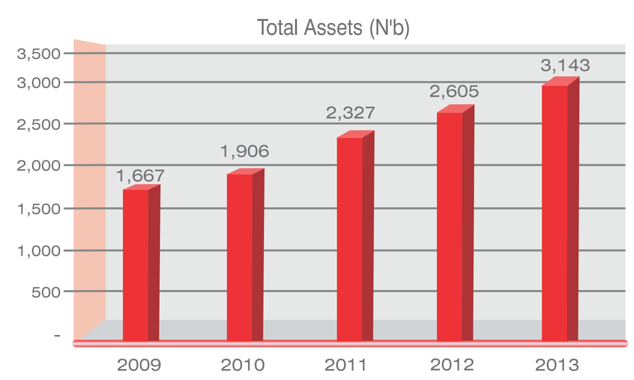
# Group Financial Highlight

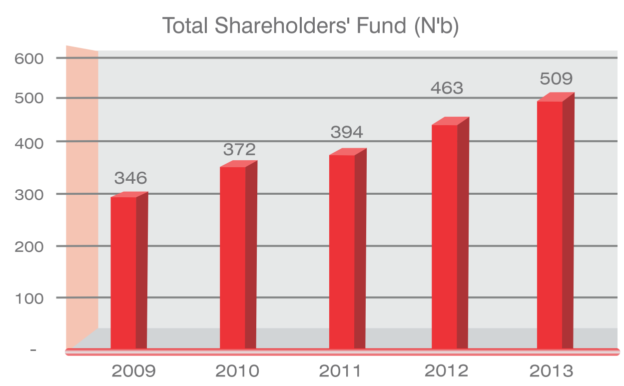


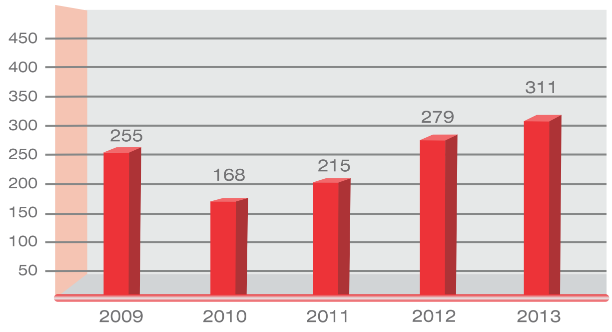



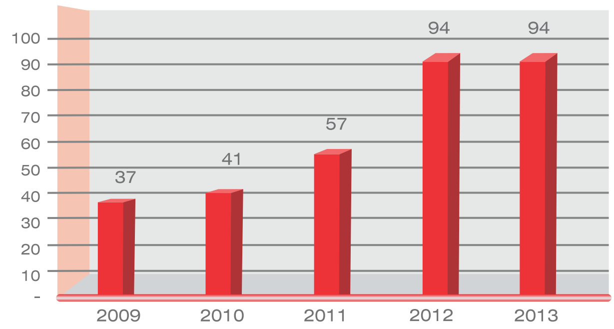



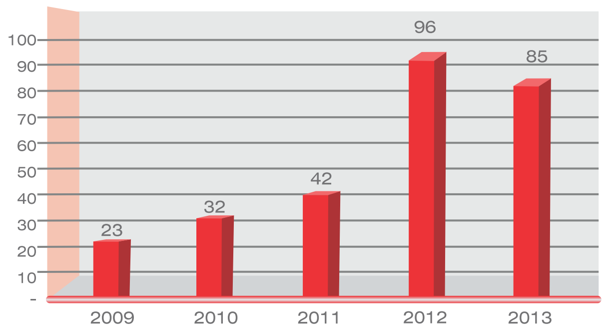
Gross Earnings (N'b)



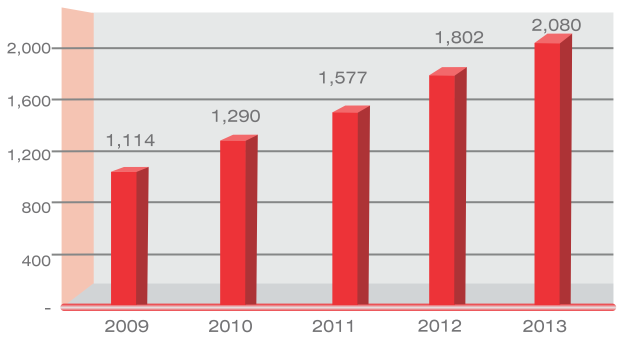

Profit Before Tax (N'b)



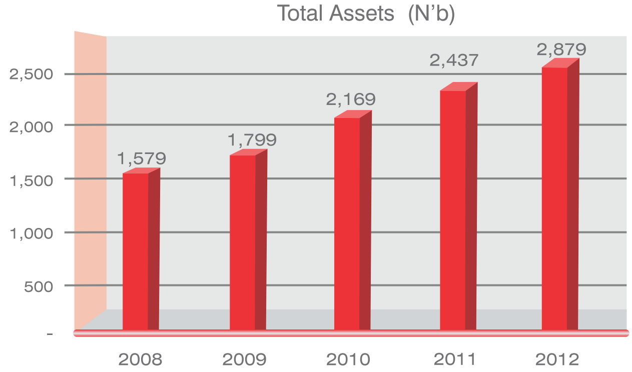

Total Comprehensive Income (N'b)



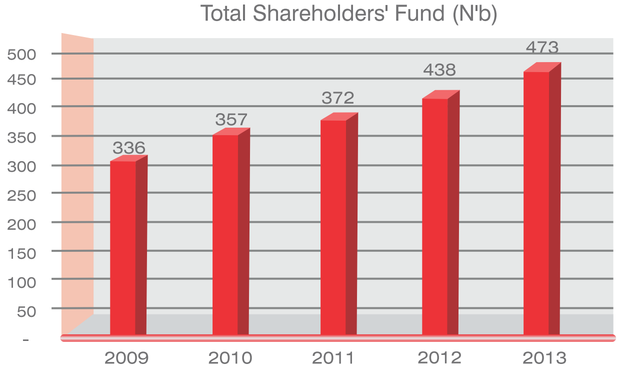

Total Deposits (N'b)




Total Assets (N'b)




Total Shareholders' Fund (N'b)



# Result at a Glance

| | GROUP | | | BANK | | |
|---|---|---|---|---|---|---|
| | Group 2013 N'Million | Group 2012 N'Million | VAR % | Bank 2013 N'Million | Bank 2012 N'Million | VAR % |
| **Profit and Loss** | | | | | | |
| Gross Earnings | 351,470 | 307,082 | 14% | 311,275 | 279,042 | 12% |
| Profit Before Tax | 110,597 | 102,100 | 8% | 94,108 | 94,048 | 0.1% |
| Total Comprehensive Income | 96,473 | 98,463 | -2% | 84,853 | 95,813 | -11% |
| **Balance Sheet** | | | | | | |
| Loans and Advances | 1,251,355 | 989,814 | 26% | 1,126,559 | 895,354 | 26% |
| Total Deposits | 2,276,755 | 1,929,244 | 18% | 2,079,862 | 1,802,008 | 15% |
| Shareholders' Fund | 509,251 | 462,956 | 10% | 472,622 | 438,003 | 8% |
| Total Assets | 3,143,133 | 2,604,504 | 21% | 2,878,693 | 2,436,886 | 18% |

## INTRODUCTION

Over the years, the group has through strategic deployment of its people, information and communication technology (ICT) redefined customer service standards and created diverse service delivery channels. Within twenty-three years, Zenith has demonstrated its resilience irrespective of the business/economic cycle and witnessed exponential growth in virtually all areas. Its growth is driven principally by strategic business focus and conservative business model. The group has a stable and experienced management team that is well positioned for strong execution leading to significant market share opportunities. Today, Zenith is undoubtedly, one of Nigeria's strongest banking brands and one of the country's largest banks by market capitalization and profitability. Our branding has been anchored on continued investment in people, technology and excellent customer service-focused strategy. The combined intellectual capital and dedication of the staff, Management and Board have shaped Zenith into the world-class institution that it is today.

From inception Zenith clearly set out to distinguish itself in the banking industry through its service quality, drive for a unique customer experience and the calibre of its customer base. Over the years the Zenith brand has become synonymous with leadership in the use of Information and Communication Technology (ICT) in banking and general innovation in the Nigerian banking industry. The bank's main service delivery channels remain its branches which currently stand at over 330 while offering electronic banking services, such as ATM, POS Terminals, Internet banking and mobile/telephone banking services amongst others. These business offices are located in prime business and commercial cities in each state of the federation and they are easily accessible to all the Central Bank of Nigeria's clearing offices and zones all over Nigeria.

Over last ten years, Zenith has remained a tier 1 bank despite the prevailing economic and operational circumstances. The bank has efficiently deployed its competitive advantages of excellent customer services, size, brand name, branch network and customer reach, stable management and well motivated workforce, strong capital and liquidity base in order to effectively compete in the Nigerian banking landscape. Today, Zenith is easily associated with the following attributes in the Nigerian banking industry:

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

### Our Vision;

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

### Our Mission;

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

### Our core Values;

- ✓ Integrity
- ✓ Professionalism
- ✓ Excellence
- ✓ Ethics
- ✓ Commitment
- ✓ Transparency
- ✓ Service

## STRATEGIC AND BUSINESS FOCUS

In October 2010, the Central Bank of Nigeria (CBN) issued a directive on the scope of banking activities and ancillary matters which took effect from May 2012. Pursuant to this directive, the former universal banking guidelines were repealed and banking activities were segregated into commercial banking, merchant banking and specialised banking (including non interest banks, microfinance banks, development banks and mortgage banks).

TThe new directive prohibits Nigerian banks from holding any interests in any subsidiary, associated company or

*At Zenith we promote a culture of "strategic readiness" and develop flexible plans involving the entire group. We promote and support a culture of learning that accepts the need for ongoing changes and improvements in our environments and processes.*

enterprise unless such an entity is a pension custodian, or a banking institution incorporated outside Nigeria with the permission of the CBN or a company jointly established by two or more banks with the approval of the CBN for the purpose of promoting the development of the money market or improving the delivery of banking services in Nigeria. The directive also prohibits Nigerian banks from acquiring real estate or immovable property (except where such property is for its own use), granting any loan to any person to invest in the primary issues of any stock of any bank, granting a loan or any form of financial accommodation to any person to facilitate the acquisition of any of its subsidiaries or granting any loan, donation, gift or other form of financial accommodation to a political party or for political purposes. The directive further requires Nigerian banks to divest from all non-banking businesses and apply for a new type of banking licence or to adopt a non-operating holding company structure in compliance with the new banking model if they wish to engage in non-core banking activities, in each case as determined by the relevant bank's board of directors by 14 May 2012. Zenith Bank Plc (the parent company of the Zenith Group) opted for a commercial banking licence with international authorisation, thereby allowing it to continue operating its subsidiaries overseas while divesting from its local non-core banking operations except Zenith Pension Custodian Services.

## Business Focus

As a result of the bank's decision to operate as a commercial bank only, Zenith now focuses and channels its resources only on its core corporate and retail banking activities, International subsidiary businesses and its pension and custodian services business only.

a) *Corporate and retail banking services*

The corporate and retail banking services business provides a broad range of banking products and services to a diverse group of corporations, financial institutions, investment funds, governments and individuals. These business activities are conducted through the following business units:

- Institutional and investment banking
- Corporate banking
- Retail banking
- Public sector banking

## Institutional and Investment Banking

The Institutional and Investment Banking Unit (the "IIBU") manages the Group's business relationship with other banks, financial institutions, multilateral agencies, securities houses, insurance companies, asset management companies and other non-bank finance companies, private equity and venture funds. The IIBU also assists individuals, corporations and governments in raising capital by underwriting and/or acting as the client's agent in the issuance of securities as well as assisting companies in mergers and acquisitions processes,

The unit through its Treasury sub unit provides ancillary services such as market-making, derivatives trading, fixed income instruments, foreign exchange, commodities and equity securities and manages the group's correspondent banking relationships. The Treasury sub-group works closely with branches and various business focus Groups as well as corporate customers and pension funds to deliver currency and fixed income solutions tailored specifically for their requirements. The Treasury sub-group focuses on creating wealth while mitigating interest rate and foreign exchange risks for the Zenith Group and its customers. It offers the Group's customers a broad array of money market and foreign exchange services that enable them to carry out their business operations locally and internationally. The Treasury sub-group's activities are carried out through four units: the Liability and Deposit Management Unit, Bonds Trading unit, Foreign Currency trading unit and the Correspondent Banking unit.

## Corporate banking

The Group's Corporate Banking Strategic Business (CBSBU) offers a wide range of services to multinationals, large local conglomerates and corporate clients. The unit is focussed on providing superior banking services and customized banking products to the top tier end of the market. The CBSBU is primarily focused on attracting, building and sustaining strong enduring relationships with its target market through the provision of innovative solutions together with excellent customer services to meet clients' banking needs.

The CBSBU also looks at promoting the businesses of these corporate clients through the provision of services to the various stakeholders within the value chain of these corporate clients. This is aimed at building long-term relationships and partnership with our clients.

Within the CBSBU, industry specific desks or sub-units exist to facilitate the efficient and effective management of the relationships with the unit's corporate customers. These sub-units include;

a) Transport and Aviation,
b) Conglomerates
c) Breweries and Beverages
d) Oil and Gas
e) Power and Infrastructure and
f) Construction.

## Retail banking

The Retail Banking Unit (the "**RBU**") focuses on all small and medium enterprises (SMEs) , commercial businesses and consumer businesses which comprises of personal current, and savings accounts customers and all unincorporated entities (such as societies, clubs, churches, mosques etc). The Group's deposit liability creation efforts aim to win and retain a collection of retail businesses. Services offered include: savings and transactional accounts, mortgages, personal loans, debit cards and credit cards.

Although deposit liability creation is a primary focus of the RBU, loans and advances in the forms of overdrafts, import finance lines, term loans and leases are extended to the RBU's customers especially those involved in the sales and distributions of fast moving consumer good items and key distributors to major manufacturing companies. Credit facilities offered by the RBU are priced higher than those extended to corporate or institutional banking customers. Exposures to this group of customers are priced at rates well above the banks Prime Lending Rate and cost of funds to compensate for the relatively higher risk.

Generally, the Group's Retail Banking businesses are conducted through its extensive branch network and segmented by zones within Nigeria. It is structured along three broad customer segments:

- Commercial entities which comprises of all small and medium scale enterprises and incorporated companies with special focus on middle-market entities such as manufacturers, suppliers, distributors, transporters, contractors, schools and hospitality businesses

  The Group offers a wide range of generic banking services and products to meet the needs of the customers in this sub-sector. These include various lending and deposit products such as working capital lines (overdraft, invoice discounting, invoice/contract financing, stock financing, etc), lease finance lines, Bonds and Guarantee lines, current account, domiciliary accounts and fixed deposit accounts . Ancillary services rendered to this sub-sector include: local drafts issuance, local inter/intra bank funds transfers payroll services, bill payments, safe custody, duty/tax payments and remittances and so on. The group aims to build a value chain synergy between this sub-sector and the corporate banking group clients thereby promoting businesses across the groups and various business units.

- Personal banking which is structured to develop and promote the retail business generally and provide banking services to individuals through traditional branches, as well as electronic banking channels. Attracting, wining and retaining this segment of customers are principally through the mass marketing medium. The massive deployment of ATMs and POS terminals across the network in recent times is to effectively service this segment of the market.

  The personal banking products and services range from standard to specialised savings, current domiciliary and investment accounts modified to suit individuals of different strata of life. Examples of such specialized products are the Zenith Children Accounts (ZECA), Zenith Mutual Funds Account, etc. The sub-group also offers credit products including personal loans, advances, mortgages, asset finance, small business loans, and credit cards. E-business products offered include internet banking and mobile banking services

- All unincorporated entities such as partnerships, societies, clubs, mosques, churches and so on.

## Public sector banking

The Public Sector Group (PSG) provides services to meet the banking needs of all tiers of government (federal, state and local governments), ministries, departments and agencies, not-for-profit organisations, embassies and foreign missions. The focus of the PSG business is all institutions operating under the auspices of Government, including within the executive, legislative and judiciary branches, and at the Federal, State and/or Local Government levels. Some of the products and services offered to the public sector include revenue collection schemes, cash management, deposit and investment, electronic payroll systems, offshore remittances and foreign exchange and project finance.

## *b) Overseas subsidiaries*

TThe Group's overseas subsidiaries carry out banking operations, providing traditional banking products and services tailored to meet the needs of those customers who are either located in countries where the subsidiaries are based or who have a business presence in such locations. Each of the Group's overseas subsidiaries [act as intermediary between the financially surplus and deficit units in their locations] offering a wide range of products and services to attract deposits and extend loans and advances. The following are specific services provided by the Group's overseas subsidiaries:

## Zenith Bank UK Limited

Zenith Bank UK Limited ("**Zenith UK**") leverages on trade and investment flows between Nigeria and Europe to provide intermediary baking services which include post shipment finance, back to back letters of credit, standby letters of credit and contract guarantees. Zenith UK also provides facilities for working capital and capital expenditure directly to Nigerian borrowers through participation in syndicated loans. The subsidiary acts as the contact point for correspondent banking relationships with Nigerian and other West African banks by providing facilities for letter of credit confirmation and treasury products.

The operational mandate of Zenith UK also enables it to source deposits from institutions such as parastatals, corporate and institutional counterparties to support its funding needs. Through effective treasury management, Zenith UK trades in fixed income instruments which include government and institutional bonds and certificates of deposit. Zenith UK also has a wealth management unit which is dedicated to offering long term investment advisory and wealth management solutions to its customers.

### Zenith Bank (Ghana) Limited, Zenith Bank (Sierra Leone) Limited and Zenith Bank (The Gambia) Limited

Zenith Bank ( Ghana) Limited, Zenith Bank ( Sierra Leone ) Limited and Zenith Bank( The Gambia) Limited (the "West African Subsidiaries"), are the Group's banking subsidiaries within the West African sub-region which provide comprehensive trade services to major global corporations and medium sized enterprises operating in the region. With the support of the parent company, other members of the Group such as Zenith UK, and by operating an account with Citigroup, the West African Subsidiaries have both a global reach and local market knowledge which allows them to provide high quality importing and exporting intermediary services to their respective customers. Solutions are customized to each subsidiary's customers' needs, integrating letters of credit and other trade finance alternatives or products for an end-to-end trade proposition.

The West African Subsidiaries source deposits from retail, corporate and institutional customers to support their respective funding needs. Each subsidiary also lends to customers in different sectors of their respective economies, through term loans, short term overdrafts, trade finance facilities and well as by issuing bonds and guarantees on behalf of customers. Investment in fixed income instruments such as treasury bills, government and corporate bonds also forms part of the banking activities carried out by each of the West African Subsidiaries.

### c) *Pension and custodial services*

The Group's pension custodian services business is conducted through Zenith Pension Custodians Limited ("Zenith Pensions") which offers pension management and custodian services to pension funds administrators (PFAs). As at 31 December 2012, total funds under its custody amounted to approximately ?1,106 billion. Zenith Pensions has 57 funds under its custody of which funds were shared among four open pension fund administrators and three closed pension funds administrators.

The main service offerings provided by Zenith Pensions include collecting pension contributions, paying beneficiaries from their respective retirement saving accounts, safekeeping of assets, managing real estate assets of the funds under its custody and the settlement of transactions in financial investments such as equities, bonds and treasury bills. Zenith Pensions also provides administrative and record-keeping services to the funds under its custody on a day-to-day basis.

### Strategic Objectives

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

- ✓ Continuous investment in branch network expansion and thus bringing quality banking services to our existing and potential customer base
- ✓ Continuous investment and deployment of state of the art technology and ICT platform
- ✓ Continue to seek, employ and retain the best personnel available
- ✓ Continuous investment in training and re-training of our personnel
- ✓ Maintain and reinforce our core customer service delivery charter
- ✓ Sustain strong profitability and ensure adequate Return on Equity (ROE)
- ✓ Remain conservative but innovative
- ✓ Sustain strong balance sheet size with adequate Liquidity and Capital base
- ✓ Sustain our brand and premium customer services
- ✓ Cautious and synergistic global expansion
- ✓ Remain Customer services Focused
- ✓ Continue emphasis on use of technology as a competitive tool
- ✓ Maintain strong risk management and corporate governance practices

One of the main thrust of our strategy in the last couple of years was the expansion of our business beyond the shores of Nigeria. This was largely accomplished commencing with expanding into the West Africa sub-region (Gambia, Ghana, Sierra Leone), while consolidating our position as a leading financial services provider in Nigeria with branch network expansion from about 100 in 2004 to over 330 as at December 2012

Locally, branches will continue to be are located at commercial business districts in all the state of the federation, taking into consideration the existence of the following:

- Commercial activities, enough to ensure that the branch breaks even within a year.
- Synergistic loop based on business line (i.e. ensuring that the branches are located in areas having similar business lines to facilitate needed synergy).
- Convenience to our customers.

Our international expansion will continue to be propelled by;

- The planned integration of the African states under the proposed African Union provides a unique opportunity for the bank to build a strong banking franchise based on its experience and local expertise.
- The number of small to medium-sized banks operating in the ECOWAS and African region that require correspondent banking services, trade finance and related services as their operations expand. Zenith Bank has a competitive advantage to serve these institutions based on the depth of its local experience and expertise.

The key strategies that will be used to drive our vision and mission are as follows:

1. Continue to deliver superior and tailor-made service experience to all our customers at all times
2. Continue to develop deeper and broader relationship with all clients and strive to understand their individual and industry peculiarities with a view to developing specific solutions for each segment of our customer base
3. Optimally expand our operations by adding new distribution channels and entering into new markets
4. Strive to be a leading banking service provider in Nigeria by continuing to build on longstanding relationships, capabilities and the strength of our brand and reputation to drive our international business network expansion
5. Continually enhance our processing and systems platforms to deliver new capabilities and improve operational efficiencies and achieve economies of scale.
6. Maintain strong risk management and corporate governance culture
7. Ensure proper pricing of our products and services
8. Improving our corporate and retail banking market share via deploying our E-business tools and enhanced customer service
9. Continuous review and improvement of our recruitment, remuneration and training policies to ensure the attraction and retention of well trained and motivated staff force
10. Continuous investment in technology as a driving tool for customer services
11. Increasing corporate finance activities to boost fee income
12. Leveraging on our existing branch network to drive our product delivery and deposit liability growth
13. Leveraging on our understanding of specific trade and correspondent banking requirements to drive business relationships with banks and financial institutions in the West African sub-region to encourage them to use our foreign subsidiaries for businesses they are currently transacting with other banks.
14. Our foreign subsidiaries will target companies that currently have trade partners in Nigeria and other locations we are located across the globe and process their trade transactions through the Zenith Bank network. This approach is aimed at encouraging cross border marketing and the routing of a portion of their international trade transactions through the group. The challenge here will be to demonstrate to the local companies that their relationship with Zenith Bank in their country and dealing with Zenith Bank in another country will be mutually beneficial.
15. The lending businesses in all our subsidiaries will focus primarily on international trade and export trade transactions. It will involve discounting international trade bills for companies and also providing short-term credits to financial institutions which are using the bank as their correspondent bank.

## MARKETING AND BUSINESS EXPANSION STRATEGY

In the foreseeable future, the Group will look to continue to pursue organic growth in the short to medium-term. In the longer term period it intends to improve (through creation and enhancement of new markets and products and services) and consolidate (through superior customer services) local and international awareness of its brand. Its growth and marketing plans will seek to optimise its strengths, maximise available opportunities and minimise identified threats while taking steps to mitigate the effects of observed weaknesses.

In order to achieve these objectives, the Group intends to implement the following strategies:

## Enhancing customer service

TThe Group aims to enhance customer service experiences by implementing high quality information and communication technology ("ICT") platforms in order to create convenient banking channels and products for its customers. The Group has recently implemented ETHIX banking software which will allow it to continue to develop e-banking products which aim to facilitate the banking experience of its customers.

In addition, the Group will look to offer a diverse selection of products in each of the markets in which it operates so as to provide greater choice to its customers whilst also distinguishing itself from its competitors. The Group believes that the efficiency and effectiveness of the Group's back office function will help it distinguish itself from its competitors by providing reliable and timely banking services to its customers and therefore aims to develop this area of the Group's operations. The Group will also look to continue tailoring its products to the needs of its clients in order to enhance the level of customer service it offers.

## *Developing deeper relationships with corporate customers*

TThe Group intends to forge deeper relationships with its clients so as to be able to create industry-specific products and services that serve their operational needs. The Group also intends to continue to leverage its corporate relationships with its core customers, by providing banking services to their suppliers, distributors, customers and employees and building relationships at all levels of a customer's organisation. [For instance, a major objective driving the provision of on-site banking services and teller points at the offices or premises of some of our core customers is the fostering of strong partnership between the bank and the customer and in so doing extend banking services to the customers' customers, distributors, vendors and employees] The Group will also look to ensure that it is frequently in contact with key decision makers within each of its existing corporate clients in order to strengthen relationships with such clients at a strategic level. By leveraging relationships at all levels of its existing corporate customers, the Group hopes to take advantage of new business opportunities through cross-selling initiatives. Such cross selling initiatives include vendor and distributorship finance, personal banking services (current and savings accounts relationships, mortgage loans, etc) to key employees.

> *Our Strategic Plan is part of a process of our development, and attempts to engender a commitment to continuous improvement, by focussing and harnessing the energies of everyone in the group. We believe that the concepts of strategic readiness, lifelong-learning and community engagement encourage and support quality in all aspects of the Bank's performance.*

## *Targeting on mid-tier high growth corporate customers*

The Group aims to continue developing relationship in the top-tier of all sectors of the economy as it has done in the last few years. The Group also plans on targeting companies in the middle-tier market with good growth prospects going forward in order to develop new business relationships in previously untargeted sectors. The following sectors/industries will be targeted to develop these new business relationships:

- Telecommunication and Information Communication Technology (ICT)
- Consumer Products, Healthcare and Pharmaceuticals;
- Fast Moving Consumer Goods ("FMCGs");
- Infrastructure development, civil construction, housing and real estate development, etc;
- Power and Energy;
- Oil and Gas;
- Transport and Aviation; and
- Agriculture.

By focusing on new customers in these areas, the Group anticipates forming long lasting relationships with them as they look to grow their businesses. The Group anticipates that a number of mid-tier companies will grow into large multinational corporate as the Nigeria economies develops with the Group as their banker of choice.

## Expanding the Group's operations within Nigeria

The Bank believes that strategic development and deployment of e-banking products and platforms will be a key competitive factor in the banking industry as it expects these products to help it reach out to existing and potential customers even where the Group does not have a physical presence. The Group also anticipates using its e-banking products to gain customers who did not previously use banking services, (the so-called "un-banked" population) by providing easy access to banking services through their mobile telephones. The Group therefore sees its deployment of e-banking services as a key driver to expanding the Group's operations with Nigeria.

The Group is also planning to expand its network of branches and business offices throughout Nigeria so as to continue to rank amongst the biggest players in the Nigerian banking market. The Group will aim for the enlarged branch network to cover every state in Nigeria including key commercial cities and towns.

### *Expanding the Group's overseas operations*

TThe Group expects to enter into new markets overseas and anticipates commencing this process by looking at increasing its presence in other key countries within West Africa, in addition to those where it already operates. The Group also believes that its presence in the world's major financial centres will enable it to provide multinational customers with cross-border financial solutions which meet their international requirements. The Group therefore aims to continue expanding its European operations and will look to further increase the scale of activities in its representative offices in South Africa and China.

In addition, the Group plans on targeting the financing of trade flows within the West African sub-region, which is currently routed through Europe. By continuing to develop and expand its network of foreign subsidiaries, the Group expects to be able to offer better correspondent banking services to West African banks who in the past would have used international banks based in Europe or the US. The Group believes that the continued expansion of its overseas operations will help promote the Group's reputation as top-tier banking institution both within Nigeria and overseas.

### *Enhancing the Group's internal operating systems to reduce costs*

The Group expects to continue its drive to deploy the latest innovations in banking technology in order to maintain its position at the forefront of changing banking landscape in Nigeria and other countries it operates. In addition, the Group will aim to enhance its systems and internal procedures, in order to be able to improve its levels of customer service by delivering improved operational capabilities and efficiencies, whilst at the same time achieving economies of scale.

The Group's increased deployment of e-banking products means more customers are able to carry out banking transactions without visiting its branches, thereby reducing operating costs. From an internal operating perspective, the Group has automated most of the operational activities, such as cheque confirmation and clearing processes, account opening processes, credit administration process and internal audit processes. These automation processes have started yielding results in the form of low turnaround times in all operational activities as well as a reduction in operating costs.

## SERVICE DELIVERY CHANNELS

The Group provides its services through a variety of channels, including its network of branches and ATMs across the various locations where it operates, online and electronically through its internet and mobile banking platforms, as well as through provision of point of sale terminals. The Group aims to continue to develop and expand the channels through which it provides services to customers, including, where possible, development of more convenient and/or accessible channels to suit the needs of specific customer group.

### *Branches*

As at December 31, 2013, the Group had a total of 378 branches. The Group's branch network is spread across Nigeria, other countries in Africa where it operates (Sierra Leone, Gambia and Ghana) as well as two branches in the United Kingdom. The Group also has representative offices in South Africa and China. All branches are linked to the Group's IT system through V-SAT. Both wide area networks and local area networks are used to connect and integrate all the Group's branches and business centres.

As at December 31, 2013, the geographical spread of the Group's branch network is as follows:

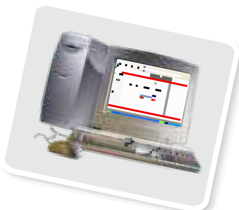
| Business Geographical Locations | Number of Branches / Business Premises |
|---|---|
| Federal Republic of Nigeria banking operations | 340 |
| Federal Republic of Nigeria Non-banking operations | 6 |
| Republic of Ghana | 22 |
| United Kingdom | 2 |
| Sierra Leone | 4 |
| The Gambia | 2 |
| South Africa Representative Office | 1 |
| China Representative Office | 1 |

As at December 31, 2013, the Group, also had approximately 215 off-site locations, strategically located in various commercial centres around Nigeria in addition to its network of branches. These off-site locations comprise small business offices such as kiosks and are located in the airports, university campuses, large shopping malls or the premises of core customers of the Group. These off-site locations only offer deposit taking services and the Group expects their number to decrease over the coming years as the restrictions on the use of cash are put in place throughout Nigeria as part of the CBN's cashless policy implementation.

*ATM network*

The Group has a total of 900 of ATM machines with 850 in Nigeria, 45 in Ghana, 1 in Gambia and 4 in Sierra Leone. The ATM machines are mounted in branches and strategic locations such as airports, university campuses, large shopping malls and premises of large manufacturing firms employing large numbers of workers. Due to collaboration and shared services arrangements which the Group has with other banks, ATM cards issued by the members of the Group are accepted by the ATM machines of other institutions.

The Group also collaborates with other card issuing agencies to offer internationally recognised cards, such as MasterCard and Visa, in different currencies to their customers.



*Other Service Delivery Channels*

Other distribution channels which the Group uses include electronic and online banking products and services, including electronic fund transfers at points of sale, telephone banking, internet banking, mobile banking and the Group's call centres. Furthermore, in addition to being able to use its branches, ATMs and the network of third party ATMs available throughout Nigeria under arrangements between the Bank and third party vendors, the Group's customers are currently entitled to use the Bank's card products to pay for goods or services at trade service outlets throughout Nigeria.

The Group has invested significantly in software which enables electronic product platforms to interface with core banking applications, hardware to enable data storage and to improve processing speed and in training of its IT staff. The Group has also developed electronic delivery systems in order to implement multiple delivery channels to its customers, including its ATM networks, on mobile devices and over the internet. The Group's range of internet and mobile banking products and services offer customers services such as collections and remittances of bills (including utility bills), real time internet banking, purchase of mobile phone airtime, funds transfers, cheque requisitions and confirmations, balance enquiries and statement services. Specific electronic products offered by the Group include:

- *Corporate i-Bank* - a secure online solution that allows corporate customers to carry-out banking transactions on the internet;
- *Zenith Payroll (Branch i-Bank)* - automates the [end-end] payroll process of the Group's customers which eliminates the manual processes involved in the generation of monthly payroll while also remitting funds electronically to staff accounts. The platform provides, database backup, payroll reports, customization option, secure payment authorization and salary payments;
- *Xpath (Customised Branch Collections)* - allows customers to collect or receive remittance from their key distributors and customers through any branch of the Group. The platform also enables customers to capture specific information relating to their account. Other features of the product include the provision of electronic receipts, PIN Vending and direct integration;
- *Internet Banking* - a real-time solution that provides customers with access to their account 24 hours a day, 7 days a week via the internet;
- *EazyMoney* - a mobile banking service which enables customers to carry out various banking transactions using their mobile phones. Some of the banking transactions that can be perform via the mobile banking platform include card balance enquiry, card-to-card transfers, airtime purchase, bill payments, funds transfers to both other accounts held with the Group as well as those with other banks and local money transfers;
- *Global Pay* - a convenient, flexible and secure platform for receiving payments through the internet. This platform accepts multi-currency transactions and also provides online transaction monitoring capabilities; and
- *Electronic Multicard* - this product enables merchants to receive payments from customers when they use a bank card issued either by the Group or another institution recognised by Group on this platform. The platform provides additional benefits to customers as it enables merchant to accept payment after banking hours, provides online transaction monitoring, can be customised to capture specific data and provides an alternative mode of payment.

NOTICE IS HEREBY GIVEN that the Twenty Third Annual General Meeting of Zenith Bank Plc will hold at the Banquet Hall, The Civic Centre, Ozumba Mbadiwe Street, Victoria Island, Lagos State at 10.00 a.m. on the 2nd day of April, 2014 to transact the following business:-

## ORDINARY BUSINESS

1. To receive and adopt the Audited Accounts for the financial year ended 31st December, 2013, the Reports of the Directors, Auditors and Audit Committee thereon.

2. To declare a dividend.

3. To elect/re-elect Directors.

4. To authorize the Directors to fix the remuneration of the Auditors.

5. To elect members of the Audit Committee.

## SPECIAL BUSINESS

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

6. To approve the remuneration of the Directors for the year ending December 31, 2014.

Dated this 12th day of February, 2014.

## NOTES:

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

2. Closure of Register of Members
   The Register of Members and Transfer Books of the Company will be closed from March 24 to March 28, 2014 (both dates inclusive), to enable the Registrar prepare for the payment of dividend.

3. Dividend Warrants
   If approved, dividend warrants for the sum of N1.75K for every share of 50K will be posted on the 4th of April, 2014, to shareholders whose names are registered in the Register of Members at the close of business on 21st March, 2014, while shareholders who have provided relevant accounts will be credited same day.

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

5. Unclaimed Dividend Warrants and Share Certificates

Shareholders are hereby informed that a number of share certificates and dividend warrants have been returned to the Registrars as "unclaimed". A list of all unclaimed divided will be circulated with the Annual Report and Financial Statements. Any member affected by this notice is advised to write to or call at the office of the Bank's Registrars, Veritas Registrars Limited, Plot 89A Ajose Adeogun Street, Victoria Island, Lagos during normal working hours.

6. E-Dividend

Notice is hereby given to all shareholders to open bank accounts for the purpose of divided payment. Detachable application forms for e-divided and e-bonus are attached to the Annual Report to enable all shareholders furnish the particulars of their bank accounts/CCS details to the Registrars as soon as possible.

By Order of the Board

MICHAEL OSILAMA OTU, ESQ.
Company Secretary
FRC/2013/MULTI/00000001084
Plot 84, Ajose Adeogun Street
Victoria Island, Lagos

Distinguished Shareholders, it gives me immense pride to say that even in the face of a very challenging operating environment, Zenith Bank has maintained its culture of outstanding performance and industry leadership.

Sir Steve Omojafor
*Chairman*

Fellow Shareholders, Distinguished Guests, Gentlemen of the Press, Ladies and Gentlemen.

It is my honour and privilege to welcome you all to the 23rd Annual General Meeting (AGM) of Zenith Bank Plc. I am particularly delighted to welcome you for the fourth time in my capacity as the Chairman, Board of Directors of our great bank whose track record imbues every one of us with pride and joy. In this capacity, I shall be presenting to you the Annual Report and Financial Statements for the financial year ended December 31, 2013.

At this point, I deem it most appropriate however, to review the global, regional and national business environment, within which our bank operated during the period. Such a review is most pertinent, given the fact that the period was marked by interplay of external and domestic socio-economic issues and events which impacted significantly on local businesses in general and the banking industry in particular. Also, as an institution, Zenith Bank has interests that go far beyond the shores of Nigeria. The global economic environment, though improving during the period, still had so many dark spots widely spread across several regions and economies.

## THE GLOBAL ECONOMY

The global economy is currently adjusting structurally to the evolving growth dynamics in the advanced and emerging market economies. While growth in the advanced economies has resumed, growth in the emerging economies has slowed down. Global growth averaged 2.5 per cent in the first half of 2013, same as in the second half of 2012. The United States (US), Japan and a few European countries just emerging from recession are helping to drive the current growth.

Improvement in US output is anchored by enhanced industrial production buoyed largely by strong private demand and extra-ordinary accommodative monetary policy. The political standoff over fiscal sustainability, which led to a shutdown of the US Government in October, 2013, was moderated, however, by discretionary spending during the period.

The decision by the US Federal Reserve to reduce its monthly asset purchases from USD85 billion to USD75 billion left most markets stable having already priced-in the development. The quantitative easing measures by the US Federal Reserve had helped to restore momentum to the US economy and also contributed to the improvement of the Eurozone economy in 2013. Strong signs of growth resumption have emerged from some euro area economies, especially Portugal and Greece. Given the changing global growth dynamics, the International Monetary Fund (IMF) revised its global economic growth forecast in October to 2.9 per cent in 2013 and 3.6 per cent in 2014.

Global inflation is estimated to fall from 3.75 per cent in 2012 to 3.0 per cent in 2013, but could rise marginally in 2014. Food and fuel prices continued to positively moderate global consumer price inflation. In the light of these developments, most central banks responded by either maintaining current policy stance or moderately easing the policy rate in the last three months.

## THE NIGERIAN ECONOMY

Economic and structural reforms in various sectors prevailed in the Nigerian economy all through 2013. This led to sustained growth marked by improving stability in the banking sector, relatively stable foreign exchange market, lowering inflation rate and declining stock of external reserves. The capital market also sustained its gains as in 2012.

Specifically, the National Bureau of Statistics (NBS) estimated real Gross Domestic Product (GDP) growth rate of 7.67 per cent for 2013, up from 6.58 per cent in 2012. The non-oil sector remained the major driver of growth, recording 8.73 per cent in the fourth quarter of 2013. The growth drivers in the non-oil sector remained agriculture; wholesale and retail trade; and services which contributed 1.64, 2.34, and 2.66 per cent, respectively. The relatively robust growth performance despite sluggish global recovery reflected the continuing favourable climatic conditions for increased agricultural production, sustained outcome of banking sector reforms and macroeconomic stability.

The moderation in inflationary pressure, which began in the fourth quarter of 2012, continued in 2013. The year-on-year headline inflation fell

> *"Without any doubt, 2013 was another challenging year for operators in the banking industry. This notwithstanding, Zenith Bank, both as a Company and as a Group, was able to exploit the opportunities within the environment. This translated into another excellent performance that further attests to the durability and resilience of the Brand. These results are, once again, an eloquent testimony to the sound financial health of our Bank and the Group."*

consistently from 9.0 per cent in January to 8.6 and 8.4 per cent in March and June, respectively, before ending the year at 8.0 per cent. Also, food inflation, which constitutes 51.8 per cent of the Consumer Price Index (CPI) basket, declined from 10.1 per cent in January to 9.5, 9.6, 9.4 and 9.3 per cent in March, June, September, and December 2013, respectively. However, core inflation initially declined to 7.2 and 5.5 per cent in March and June from 11.3 per cent in January, but rose during the second half of the year to 7.4 and 7.9 per cent in September and December, 2013, respectively. The moderation in domestic price level was largely due to the tight monetary policy stance coupled with the relatively stable exchange rate regime during the period, which resulted in single digit inflation in the three measures for the whole year.

In the same vein interest rates in all segments of the money market reflected the liquidity conditions in the banking system. Thus, the Monetary Policy Committee (MPC) of the Central Bank of Nigeria at its meeting of June 2913 raised the cash reserve ratio (CRR) from 12 per cent to 50 per cent on public sector deposits, effective from August 2013, a development that led to significant spike in interbank rates. Interest rates in all segments of the financial market responded to this in various ways. Consequently, both the weighted average inter-bank call and OBB rates which opened at 11.73 per cent in December 2012 closed at 10.86 and 10.46 per cent in December 2013, respectively

*May I, at this juncture, express our inestimable gratitude and indebtedness to our teeming valued customers for their unalloyed support, continued patronage and unwavering loyalty to the Zenith Brand. Really, your unparalleled contribution and consistent support remains the major contributor to the sterling results that we have continued to turn in as a bank.*

During the period under review, the capital market continued its rally with the equities market providing the lead. The All-Share Index (ASI) increased by 47.2 per cent from 28,078.81 on December 31, 2012 to 41,329.19 on December 31, 2013. Market Capitalization (MC) increased by 47.4 per cent from N8.97 trillion to N13.23 trillion during the same period. Improved earnings and investor confidence in macroeconomic management contributed to the gains in theses parameters. On the other hand however, the nation's external reserves declined in 2013. Gross external reserves as at December 31, 2013 stood at US$42.85 billion, representing a decrease of US$ 0.98 billion or 2.23 per cent compared with US$ 43.83 billion at end-December 2012. This decrease in the reserves level, according to the MPC came largely from a slowdown in portfolio and Foreign Direct Inflow (FDI) flows in the last quarter 2013 resulting in increased funding of the foreign exchange market by the CBN to stabilize the currency.

## FINANCIAL RESULT

Without any doubt, 2013 was another challenging year for operators in the banking industry. This notwithstanding, Zenith Bank, both as a Company and as a Group, was able to exploit the opportunities within the environment. This translated into another excellent performance that further attests to the durability and resilience of the Brand. These results are, once again, an eloquent testimony to the sound financial health of our Bank

*Distinguished shareholders, permit me to re-state the obvious that our staff remain the most cherished valuable resource for our successful operation as a bank. This is why we will continue to place a very high regard on staff quality, welfare and training.*

and the Group. For the Bank, total deposits was N2.079trillion for the year ended December 31, 2012, representing a 15 per cent increase over the previous year's figure of N1.802 trillion. Profit after tax however dropped by 13 per cent, from N95.803 billion in 2012 to N83.414 billion in 2013. During the same period, total assets of the Bank grew by 18 per cent, from N2.436 trillion to N2.878 trillion; while shareholders' fund rose by eight per cent, from N438 Billion to N472.60 Billion. Gross earnings also went up by 12 per cent from N279 Billion in 2012 to N311.30 Billion in 2013.

As a Group, the performance indicators were no less impressive. The Group profit before tax grew by eight per cent, from N102 Billion in 2012 to N110.59 Billion in 2013. However, profit after tax declined slightly by five per cent during the period, from N100.681 Billion in 2012 to N95.318 Billion. The Group total assets on the other hand rose by 21 per cent, from N2.604 Trillion in 2012 to N3.143 Trillion in 2013, while total deposits grew by 18 per cent during the same period, from N1.929 Trillion to N2.277 Trillion. Group Shareholders' Fund grew by ten per cent, from N462.956 Billion in 2012 to N509.251 Billion; gross earnings also grew by 14 per cent during the period, from N307.08 Billion to N351.47 Billion.

## DIVIDEND

Zenith Bank remains committed to delivering superior returns to our shareholders; and this, we once again demonstrate by ensuring that a good chunk of our profit is set aside for our valued investors. The Board is therefore pleased to recommend a total dividend payout of N54.943 Billion; which breaks down to a dividend of N1.75 kobo per share.

## CUSTOMERS

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

## THE BOARD OF DIRECTORS

For my dear colleagues on the Board, it has been a wonderful experience; a year during which lots of issues and challenges confronted all operators in the industry. I therefore wish to put it on record that your invaluable support and encouragement contributed in no small measure to the overall brilliant performance of the Bank.

During the year under review however, there were some changes in the composition of the Board: two Executive Directors, Messrs Elias Igbin-akenzua and Andy Ojei, and an independent non-Executive Director, Alhaji Lawal Sani, retired with effect from July 24, 2013. Also, another Executive Director, Mr. Udom Gabriel Emmanuel, commenced a leave of absence on July 31, 2013, to serve as Secretary to his state government.

Also in 2013, a new Executive Director, in person of Mr. Ebenezer Onyeagwu, was appointed by the Board on April 24, 2013. An independent non-Executive Director, Dr. Haruna Usman Sanusi, OON was also appointed by the Board same date. Both appointments were approved by the Central Bank of Nigeria on June 25, 2013. I seize this opportunity to formally welcome the two gentlemen on board, and wish them the very best.

## STAFF

Distinguished shareholders, permit me to re-state the obvious that our staff remain the most cherished valuable resource for our successful operation as a bank. This is why we will continue to place a very high regard on staff quality, welfare and training. It goes without saying therefore, that we have created and sustained a highly motivating work environment and reward system.

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

## THE FUTURE

I am delighted to inform our shareholders that in line with the new banking model in the country, Zenith Bank is poised to transform into a commercial bank, in line with our international license. With your approval, the Board will take all necessary steps to ensure the Bank operates in accordance with this new order.

Distinguished shareholders, it gives me immense pride to say that even in the face of a very challenging operating environment, Zenith Bank has maintained its culture of outstanding performance and industry leadership. As a bank, we are continuously monitoring developments both in the local and global economy, and applying pragmatic solutions to remain on top.

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

Ladies and Gentlemen, on behalf of the Board and Management, I would like to conclude by thanking you most sincerely for your unalloyed support.

Thank you for listening.

Sir Steve Omojafor
*Chairman*

As a responsible corporate citizen, Zenith Bank during the 2013 financial year deployed policies and processes that enhanced the social, economic and ecological wellbeing of the environment where we operate. We recognize the need to align our strategic business goals and vision with this triple bottom-line, since sustainable business growth and development cannot be achieved in isolation of the overall environmental wellbeing. As a critical stakeholder in the Nigerian project, our business goals and processes are continually being reviewed in line with new environmental realities and in consonance with short and long term national vision.

More than ever before, in the year under review, we sharpened our focus on the triple bottom-line – the social, economic and ecological wellbeing of the society. We are aware that as a thriving brand with a vision to outlive generations, achieving a balanced corporate scorecard is anchored on the adoption of such sustainable business practices.

## ECONOMIC

While pursuing the attainment of set business goals and objectives, the bank remained mindful of the wellbeing of the larger economy, and carried out its business activities in line with the strategic vision to drive economic growth and prosperity. We funded major projects targeted at developing much needed infrastructure and expediting sustainable growth and development of key industries and sectors including power, agriculture, telecommunications, real estate, and manufacturing, among others.

Throughout the period under review, we remained committed to ensuring economic empowerment and job creation for the teaming population, especially the youth through skills acquisition and entrepreneurial development schemes. We supported and funded diverse public and private sector projects targeted at improving the economic wellbeing of the populace and ensuring sustainable economic development. Our investments were targeted at building much needed infrastructure and developing vital sectors of the economy. For example, in the year under review, we funded a multi-million dollar project to develop port facilities at the Onne Port, in Port Harcourt. We funded the concessioning of several power generation and distribution plants, and also, the construction of a new cement production line in Calabar, among others.

## ECOLOGICAL

Zenith Bank is a signatory to the United Nations Environment Programme's Financial Institutions Statement on the Environment & Sustainable Development (UNEP FI). We are also a signatory to the Nigerian Sustainable Banking Principles, among other local and international treaties designed to protect and enhance the wellbeing of the physical environment. We have therefore continued to adopt policies and practices that respect the preservation of the environment. We have improved our business processes to drastically reduce our environmental

> *"As a leading brand in the Nigerian banking industry and a blossoming global brand, we remain committed to the protection of human rights in our workforce and in our dealings with stakeholders and the general public. We provide a level playing field for our stakeholders and give equal platform for all to thrive."*

footprints while also ensuring that our stakeholders and contractors uphold the same values. We have recently enlarged our employees' mass transportation scheme to reduce traffic congestion in our operating environment and minimize carbon emission arising from too many vehicles on our roads.

We have also enhanced our recycling and waste management processes and practices and have opted for the use of bio-degradable materials in an effort to improve the state of our physical environment. The resort to retrofitting and the adoption of energy saving electrical devices in our business units have also helped us not only to save operational costs but also to ensure energy efficiency and conservation.

During the year under review we increased the use of renewable energy sources in our branches and office complexes, deploying solar energy and focusing on a vision to gradually reduce fossil energy usage. We have also reduced the use of non-bio-degradable materials such as plastics and cellophanes while adopting the policy of redesigning and re-using materials, including furnitures that had hitherto outlived their usefulness. These are all in efforts to ensure environmental preservation and sustainability.

SOCIAL

Human Rights: As a leading brand in the Nigerian banking industry and a blossoming global brand, we remain committed to the protection of human rights in our workforce and in our dealings with stakeholders and the general public. We provide a level playing field for our stakeholders and give equal platform for all to thrive.

Labor: As is our corporate culture, Zenith Bank in the year under review demonstrated strong respect for the right of our employees to free association with labour unions, professional institutions, among others. We upheld local and international labour laws and abhorred all forms of child labour in our business activities while also putting policies in place to ensure that stakeholders and contractors do the same. We ensured that the hard work and dedication of our staff members were rewarded and also provided a conducive and safe working environment for all.

Gender & Diversity: As an equal opportunity company, we respect gender differences and maintain a workforce that is diversified in tribes, religion and culture. Throughout the period under review, we provided equal opportunities for all workers, irrespective of religion, tribe, or physical challenges. We further improved on our goal of ensuring gender balance within our workforce and achieved a 48 percent female representation in this regard. We will continue to work on narrowing any observed gender gap in our Board, Management and entire workforce.

Product Responsibility: In our products development and service delivery processes, we upheld strict ethics and fair practices. We

*"As is our corporate culture, Zenith Bank in the year under review demonstrated strong respect for the right of our employees to free association with labour unions, professional institutions, among others."*

ensured that our products and services met the highest global standards and were fairly priced and accessible. We provided products and services that add value, are functional, and satisfy the social and financial yearnings of our valued customers.

During the financial year, we took concrete steps to actualize the Financial Inclusion goals of the federal government. We deployed technology and people to ensure quick and effective penetration of our mobile money products and services to all nooks and crannies of the country as part of measures to achieve this objective.

**Society & Local Community:** Our communities remain critical stakeholders in our business strategy. In the financial year 2013, we remained committed to improving the social, economic and ecological wellbeing of the local communities. Public schools, unemployed youths, public healthcare facilities, orphanages and locally shared infrastructure remained our major areas of priority. Our adopted Ojota Senior Secondary School, Ojota, Lagos, continued to benefit from our CSR initiatives as we took the partnership beyond just providing much needed educational facilities to actually touching the lives of the individual students. We also continued with our goal of empowering female participation in sports with our titled sponsorship of the Zenith National Female Basketball League. Several of the beneficiaries of this initiative now ply their basketball trade in different teams and leagues in the United States and Europe.

Several children and adults with life threatening ailments also benefitted from our free healthcare initiatives with some receiving treatments abroad in line with medical recommendations.

> *"In our products development and service delivery processes, we upheld strict ethics and fair practices. We ensured that our products and services met the highest global standards and were fairly priced and accessible. We provided products and services that add value, are functional, and satisfy the social and financial yearnings of our valued customers."*

The bank also continued with the vision of enhancing public infrastructure and "greening" our communities. Several street beautification and landscaping projects were launched during the period under review; street lights were provided, trees were planted and some dilapidated roads were fixed in different locations across the country.

At Zenith, we remain committed to balancing our business objectives with the pursuit of environmental sustainability. This is the only path to a sustainable business and future.







1. Sir Steve Omojafor - *Chairman*
2. Godwin Emefiele - *Managing Director*
3. Adaora Umeoji - *Executive Director*
4. Alhaji Baba Tela - *Director*
5. Chief Mrs. Chinyere Asika (OFR) - *Director*
6. Peter Amangbo - *Executive Director*






7 Dr. Haruna Sanusi (OON) - *Director*

8 Jeffrey Efeyini - *Director*

9 Ebenezer Onyeagwu - *Executive Director*

10 Babatunde Adejuwon - *Director*

11 Prof. Chukuka Enwemeka - *Director*

The directors present their annual report on the affairs of Zenith Bank Plc ("the Bank") and its subsidiaries (together "the Group"), together with the financial statements and auditors' report for the year ended 31 December, 2013.

*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 Bank (Ghana), Zenith Bank (UK) Limited, Zenith Bank (Sierra Leone) Limited, Zenith Bank (Gambia) Limited, Zenith General Insurance Company Limited, Zenith Life Assurance Company Limited, Zenith Medicare Limited, Zenith Pension Custodian Limited, Zenith Capital Limited, Zenith Securities Limited and Zenith Trustees Limited.

In line with regulatory directives on the scope of banking operations in Nigeria, the Bank has elected to discontinue its non-core banking operations with the exception of Pension Custodianship. Accordingly, non-core banking subsidiaries which have not been disposed of have been accounted for as discontinued operations in line with IFRS 5. These non-core banking subsidiaries are the Insurance operations (Zenith General Insurance Company Limited, Zenith Life Assurance Company Limited, Zenith Medicare Limited) and the capital market operations (Zenith Capital Limited, Zenith Securities Limited and Zenith Trustees Limited). For the insurance operations, discussion with the potential buyers is in an advanced stage with certain commitments such as sale agreements and shareholders' agreement already in place. The transaction is expected to be fully completed and the subsidiaries within the insurance operation are expected to be de-recognized before the end of the first half of 2014. For the subsidiaries within the capital market operations, a restructuring of their balance sheets was concluded in December 2013 and the final sale to the identified investors is expected to be concluded before the end of the first half of 2014.

The Group does not have any unconsolidated structured entity.

*c. Operating Results*

Gross earnings of the Group increased by 14% and profit before tax increased by 8% respectively. Highlights of the Group's operating results for the year under review are as follows:

| | 2013<br>N'million | 2012<br>N'million |
|---|---|---|
| Profit before tax (continuing and discontinued operations) | 110,597 | 102,100 |
| Taxation (continuing and discontinued operations) | (15,279) | (1,419) |
| Profit after taxation (continuing and discontinued operations) | 95,318 | 100,681 |
| Non- controlling interest | (742) | (534) |
| Profit attributable to equity holders of the parent | 94,576 | 100,147 |
| Appropriations: | | |
| Transfer to statutory reserve | 12,563 | 14,994 |
| Transfer to contingency reserve | 374 | 245 |
| Transfer to retained earnings reserve | 81,639 | 84,908 |
| | 94,576 | 100,147 |
| Non-performing loan ratio | 3.0% | 3.1% |

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 N1.75 kobo per share (December 2012: N1.60 kobo per share ) from the retained earnings account as at 31 December 2013. 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 N13.8 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 2013.

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 are as follows:

| | | Number of Shareholding | |
|---|---|---|---|
| Name | Designation | 2013 | 2012 |
| Sir Steve Omojafor | Chairman | 4,466,036 | 4,447,563 |
| Godwin Emefiele | Group Managing Director/CEO | 46,700,792 | 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 | - | - |
| Mr. Jeffrey Efeyini | Non-Executive Director | 197,400 | 197,400 |
| Prof. Chukuka Enwemeka | Non-Executive Director | 127,137 | 127,137 |
| Chief (Mrs) Chinyere Asika (OFR) | Non Executive Director / Independent | 95,757 | - |
| Dr Haruna Usman Sanusi (OON)* | Non Executive Director / Independent | - | - |
| Peter Amangbo | Executive Director | 5,000,000 | 5,000,000 |
| Elias Igbinakenzua ** | Executive Director | 11,401,341 | 11,401,341 |
| Andy Ojei ** | Executive Director | 8,122,074 | 9,522,074 |
| Udom Emmanuel *** | Executive Director | 7,110,308 | 7,110,308 |
| Ms. Adaora Umeoji | Executive Director | 20,035,604 | 25,949,887 |
| Ebenezer Onyeagwu * | Executive Director | 2,000,000 | - |

** Appointed by the Board on April 24, 2013 and approved by the Central Bank of Nigeria (CBN) on June 25, 2013.*
*** Retired with effect from July 24, 2013.*
**** On leave of absence with effect from July 31, 2013.*

## 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 2013 is as stated below:

| Share Range | | | No. of Shareholders | Percentage of Shareholders (%) | Number of Holdings (%) | Percentage Holdings (%) |
|---|---|---|---|---|---|---|
| 1 | - | 9,999 | 547,119 | 83.13% | 1,676,928,030 | 5.34% |
| 10,000 | - | 50,000 | 88,210 | 13.40% | 1,809,701,360 | 5.76% |
| 50,001 | - | 1,000,000 | 21,758 | 3.31% | 3,284,733,586 | 10.46% |
| 1,000,001 | - | 5,000,000 | 782 | 0.12% | 1,640,586,902 | 5.23% |
| 5,000,001 | - | 10,000,000 | 132 | 0.02% | 913,513,381 | 2.91% |
| 10,00,001 | - | 50,00,000 | 125 | 0.02% | 2,578,251,111 | 8.21% |
| 50,00,001 | - | 100,000,000 | 28 | 0.00% | 2,095,421,405 | 6.67% |
| 100,000,001 | - | 500,000,000 | 23 | 0.00% | 4,723,471,330 | 15.04% |
| 500,000,001 | - | 1,000,000,000 | 3 | 0.00% | 1,845,907,290 | 5.88% |
| Above 1,000,000,000 | | | 5 | 0.00% | 10,827,979,391 | 34.50% |
| | | | 658,185 | 100.00% | 31,396,493,786 | 100.00% |

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% |
| 10,000,001 | - | 50,00,000 | 126 | 0.02% | 2,516,751,236 | 8.02% |
| 50,000,001 | - | 100,000,000 | 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 2013, the following shareholders held more than 5.0% of the issued share capital of the Bank.

| | Number of Shares Held | Percentage Holdings (%) |
|---|---|---|
| Jim Ovia | 2,946,199,395 | 9.38% |
| Stanbic Nominees Nigeria Limited/C001 - TRAD | 2,901,359,725 | 9.24% |
| Stanbic Nominees Nigeria Limited/C002 – TRAD | 2,353,437,304 | 7.50% |

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 856 million during the year (2012: N 587 million)

The beneficiaries are as follows:

| | N' million |
|---|---|
| Federal Government Flood Disaster Fund | 300 |
| Delta State ICT Centre | 62 |
| Lagos State Security Trust Fund | 50 |
| Delta State Football Association | 26 |
| Day Waterman College Indigent Student Scholarship Fund | 20 |
| African Youth Athletics Championship | 20 |
| Edo State Security Fund | 20 |
| Jesuit Fathers of Nigeria Youth Development | 20 |
| Government Science Secondary School -Kuru Jos Plateau State | 15 |
| Musical Society of Nigeria | 9 |
| Adamawa State Windstorm Disaster Relief Fund | 5 |
| Project 52 Mobile Health Center | 5 |
| Others below N5 million | 304 |
| | 856 |

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***

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 (Number) | | | Gender (Percentage) | |
|---|---|---|---|---|---|
| | Male | Female | Total | Male | Female |
| Employees | 3,469 | 3,146 | 6,615 | 52% | 48% |

*(b) Analysis of Board and Top Management Staff*

| | Gender (Number) | | | Gender (Percentage) | |
|---|---|---|---|---|---|
| | Male | Female | Total | Male | Female |
| Board Members | | | | | |
| (Executive and Non Executive Directors) | 9 | 2 | 11 | 82% | 18% |
| Top Management Staff (AGM-GM) | 62 | 21 | 83 | 75% | 25% |
| | 71 | 23 | 94 | 76% | 24% |

*(c) Further Analysis of Board and Top Management Staff*

| | Gender (Number) | | | Gender (Percentage) | |
|---|---|---|---|---|---|
| | Male | Female | Total | Male | Female |
| Assistant General Managers | 27 | 13 | 40 | 68% | 33% |
| Deputy General Managers | 16 | 2 | 18 | 89% | 11% |
| General Managers | 19 | 6 | 25 | 76% | 24% |
| Board Members (Non Executive Directors) | 6 | 1 | 7 | 86% | 14% |
| Board Members | | | | | |
| (Executive Directors excluding MD/CEO) | 2 | 1 | 3 | 67% | 33% |
| Managing Director/CEO | 1 | - | 1 | 100% | 0% |
| | 71 | 23 | 94 | 76% | 24% |

### 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

# CORPORATE GOVERNANCE

a. *Introduction*

As a major player in the Nigerian financial services industry, Zenith Bank has an effective governance system that ensures proper over-sight of its business by the Directors and other principal organs of the bank.

b. *Shareholding*

The Bank has a large and diversified shareholder base. No single individual ultimate beneficiary holds more than 9.5% of the Bank's total shares.

c. *Board of Directors*

The Board is responsible for driving the governance structure of the Bank. 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 five (5) 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.
- Overseeing major capital expenditures, acquisitions and divestitures.
- Review and approval of annual budgets and business plans; setting performance objectives, monitoring implementation and corporate performance.
- Overseeing major capital expenditures, acquisitions and divestitures.
- Providing oversight of senior management.
- Ensuring the integrity of the bank's accounting and financial reporting systems, including the independent audit and that appropriate systems of control and risk monitoring are in place.
- Establishment of the various Committees of the bank including the terms of reference and review of reports of such Committees to address key areas of the bank's business

The membership of the Board during the year is 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 (OFR) | Non Executive Director / Independent |

| | |
|---|---|
| Dr. Haruna Usman Sanusi (OON)* | Non Executive Director / Independent |
| Mr. Elias Igbinakenzua ** | Executive Director |
| Mr. Peter Amangbo | Executive Director |
| Mr. Andy Ojei ** | Executive Director |
| Mr. Udom Emmanuel (***) | Executive Director |
| Ms. Adaora Remy Umeoji | Executive Director |
| Mr. Ebenezer Onyeagwu * | Executive Director |
| Mr. Godwin Emefiele | Group Managing Director / Chief Executive Officer |

** Appointed by the Board on April 24, 2013 and approved by the Central Bank of Nigeria (CBN) on June 25, 2013.*
*** Retired with effect from July 24, 2013*
**** On leave of absence with effect from July 31, 2013.*

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 or duplication 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
Alhaji Lawal Sani **
Mr. Elias Igbinakenzua **
Mr. Peter Amangbo
Mr. Ebenezer Onyeagwu *
Mr. Godwin Emefiele

*** Retired with effect from July 24, 2013*
** Appointed with effect from April 24, 2013*

### 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 **
Chief (Mrs) Chinyere Asika (OFR)
Prof. Chukuka Enwemeka
Mr. Peter Amangbo
Mr. Andy Ojei **
Ms. Adaora Umeoji
Mr. Godwin Emefiele

*** Retired with effect from July 24, 2013*

### *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 **
Dr. Haruna Usman Sanusi (OON)*
Prof. Chukuka Enwemeka
Mr. Andy Ojei **
Mr. Udom Emmanuel (***)
Mr. Godwin Emefiele

** Appointed by the Board on April 24, 2013 and approved by the Central Bank of Nigeria (CBN) on June 25, 2013.*
*** Retired with effect from July 24, 2013*
**** On leave of absence with effect from July 31, 2013.*

### 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)
Michael Olusoji Ajayi
Ms. Angela Agidi
**Non Executive Directors**

Babatunde Adejuwon

Alhaji Lawal Sani **

Chief (Mrs) Chinyere Asika (OFR)*

Jeffrey Efeyini

** Appointed by the Board to the Committee on October 24, 2013 to replace Mr. Lawal Sani who retired from the Board with effect from July 24, 2013.*

*** Retired from the board with effect from July 24, 2013*

### *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 - Engineering
(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 COMMITTEE 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 | 4 | 4 | 4 | 4 |
| Attendance | | | | |
| Sir Steve Omojafor | 4 | N/A | N/A | N/A |
| Mr. Babatunde Adejuwon | 4 | 4 | N/A | 4 |
| Alhaji Baba Tela | 4 | 4 | 4 | N/A |
| Alhaji Lawal Sani ** | 3 | N/A | 3 | 3 |
| Mr. Jeffrey Efeyini | 4 | 4 | N/A | 4 |
| Prof. Chukuka S.Enwemeka | 4 | N/A | 4 | 4 |
| Chief (Mrs) Chinyere Asika (OFR)* | 4 | N/A | 3 | N/A |
| Dr. Haruna Usman Sanusi (OON)* | 2 | N/A | N/A | 1 |
| Mr. Elias Igbinakenzua ** | 3 | 3 | N/A | N/A |
| Mr. Peter Amangbo | 4 | 3 | 4 | N/A |
| Mr. Andy Ojei ** | 3 | N/A | 3 | 3 |
| Mr. Udom Emmanuel (***) | 3 | N/A | N/A | 3 |
| Ms. Adaora Umeoji | 4 | N/A | 3 | N/A |
| Mr. Ebenezer Onyeagwu * | 2 | 1 | N/A | N/A |
| Mr. Godwin Emefiele | 4 | 4 | 4 | 4 |

Note:
* Appointed by the Board on April 24, 2013 and approved by the Central Bank of Nigeria (CBN) on June 25, 2013
* * Retired from the Board with effect from July 24, 2013.
*** On leave of absence with effect from July 31, 2013.
N/A Not Applicable (not a Committee member).

Date for Board & Board Committee meetings held in 2013 financial year;

| Board Meetings | Board Credit | Staff Matters, Finance | Board Risk | Audit Meetings |
|---|---|---|---|---|
| January 30, 2013 | January 29, 2013 | January 29, 2013 | January 29, 2013 | January 29, 2013 |
| April 24, 2013 | April 23, 2013 | April 23, 2013 | April 23, 2013 | April 23, 2013 |
| July 24, 2013 | July 23, 2013 | July 23, 2013 | July 23, 2013 | July 23, 2013 |
| October 23, 2013 | October 22, 2013 | October 22, 2013 | October 22, 2013 | October 22, 2013 |

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 ** | 3 |
| Chief (Mrs) Chinyere Asika (OFR)* | |

** Appointed by the Board to the Committee on October 24, 2013 to replace Mr. Lawal Sani who retired from the Board with effect from July 24, 2013.*
*** Retired from the board with effect from July 24, 2013*

### 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 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. *Disclosure of Customer Complaints In Financial Statements For The Year Ended December 2013*

| Description | Number | | Amount Claimed | | Amount refunded | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| | | | N | N | N | N |
| Pending complaint b/f | 5 | 12 | 921,558,783 | 939,772,160 | | |
| Received Complaints | 84 | 125 | 3,825,870,583 | 3,509,075,829 | | |
| Resolved Complaints | 70 | 132 | 2,302,784,576 | 3,527,289,206 | 336,822,865 | 1,087,915,913 |
| Unresolved Complaints escalated to CBN for Intervention | 19 | 5 | 2,444,644,790 | 921,558,783 | | |
| Unresolved Complaints pending with the Bank C/F | 19 | 5 | 2,444,644,790 | 921,558,783 | | |

pwc

**Private & Confidential**

17 March, 2014

The Chairman
Board of Directors
Zenith Bank Plc.
Zenith Heights
Ajose Adeogun Street
Victoria Island
Lagos, Nigeria

Dear Sir,

**Report to the Directors of Zenith Bank Plc on the Outcome of the Board Performance Assessment**

PricewaterhouseCoopers was engaged to carry out an assessment of the performance of the Board of Directors of Zenith Bank Plc as required by Section 5.4.6 of the Central Bank of Nigeria's Code of Corporate Governance for Banks of Nigeria ('the Code'). The Code requires that the review should cover all aspects of the Board's structure and composition, responsibilities, processes and relationships, as well as individual member's competencies and respective roles in the Board's performance. The review was conducted for the period ended 31 December 2013.

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

The Board has substantially complied with the provisions of the Code. This is evidenced by the diversity of skills, quality of experience and commitment of members of the Board and the effectiveness of the Board Committees. Other areas of strength include regular management reporting to the Board, the existence of a formal Succession Plan and the depth and adequacy of Board materials provided for Board meetings. Other findings and recommendations are contained in our full report to the Board.

We also facilitated the assessment by Directors of the individual performance of themselves and their fellow Directors for the year under review. This assessment covered the perceived competence, level of attendance at Board and Board Committee meetings, contribution and participation at these meetings and relationships with each other. Each individual Director's Assessment report was prepared and made available to them respectively while a consolidated report for all Directors was submitted to the Chairman of the Board.

Yours faithfully
For: PricewaterhouseCoopers Limited

**Rob Newsome**
Director

*PricewaterhouseCoopers Limited, 252E Muri Okunola Street, Victoria Island*
*P.O. Box 2419, Lagos, Nigeria*
*T: +234 (1) 271 1700, F: +234 (1) 270 3108, 270 3109, www.pwc.com/ng*

The Directors accept responsibility for the preparation of the annual financial statements set out on pages 48 to 140 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 | Ebenezer Onyeagwu |
| FRC/2013/IODN/00000001299 | FRC/2013/IODN/00000001080 | FRC/2013/MULTI/00000001066 |
| 12 February, 2014 | 12 February, 2014 | 12 February, 2014 |

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 2013 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 B5D/1/2004.

Dated February 11, 2014

**Alhaji Hamis B. Musa**
Chairman, Audit Committee
FRC/2013/CICNG/00000001295

MEMBERS OF THE COMMITTEE
1. Alhaji Hamis B. Musa
2. Mr. Michael Olusoji Ajayi
3. Mr. Babatunde Adejuwon
4. Chief (Mrs.) Chinyere Asika
5. Jeffrey Efeyini
6. Ms. Angela Agidi

# Financials

KPMG Professional Services
KPMG Tower
Bishop Aboyade Cole Street
Victoria Island
PMB 40014, Falomo
Lagos

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234 (1) 271 8599
Fax 234 (1) 271 0540
Internet www.kpmg.com/ng

## 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 Pic ("the Bank") and its subsidiary companies (together "the Group"), which comprise the statements of financial position as at December 31, 2013, 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 48 to 140.

### *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, 2013, 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*

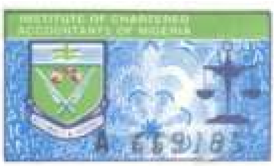
In our opinion, proper books of account have been kept by the Bank, so far as appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from branches not visited by us. Additionally, the Bank's statement of financial position and statement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

1. The Bank paid penalties in respect of contraventions of the Banks and Other Financial Institutions Act during the year ended 31 December 2013. Details of these contraventions and penalties paid are as disclosed in note (42) to 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.

Ayodele H. Othihiwa
FRC/2012/ICAN/00000000425
For: KPMG Professional Services
Chartered Accountants
7 March, 2014
Lagos, Nigeria.



| In millions of Naira | Note | Group 2013 | Group 2012 | Bank 2013 | Bank 2012 |
|---|---|---|---|---|---|
| Gross earnings | | 351,470 | 307,082 | 311,275 | 279,042 |
| **Continuing Operations:** | | | | | |
| Interest and similar income | 6 | 260,059 | 221,318 | 243,852 | 213,230 |
| Interest and similar expense | 7 | (70,796) | (64,561) | (68,471) | (65,352) |
| Net interest income | | 189,263 | 156,757 | 175,381 | 147,878 |
| Impairment charge for credit losses | 8 | (11,067) | (9,099) | (9,907) | (7,998) |
| Net interest income after impairment charge for credit losses | | 178,196 | 147,658 | 165,474 | 139,880 |
| Fee and commission income | 9 | 52,550 | 50,480 | 47,116 | 44,211 |
| Net gains on financial instruments measured at fair value through profit or loss | 10 | 21,787 | 19,012 | 19,580 | 16,201 |
| Other income | 11 | 754 | 1,038 | 727 | 5,400 |
| Share of profit of associates | 23 | 118 | 23 | - | - |
| Amortisation of intangible assets | 28 | (951) | (1,059) | (844) | (624) |
| Depreciation of property and equipment | 27 | (9,766) | (10,307) | (9,015) | (9,500) |
| Personnel expenses | 37 | (59,952) | (52,427) | (56,864) | (49,787) |
| Operating expenses | 12 | (76,527) | (55,826) | (72,066) | (51,733) |
| Profit before minimum tax and income tax from continuing operations | | 106,209 | 98,592 | 94,108 | 94,048 |
| Minimum tax | 13(a) | (2,663) | (2,469) | (2,663) | (2,469) |
| Income tax expense from continuing operations | 13(b) | (11,958) | 2,007 | (8,031) | 4,224 |
| Profit after tax from continuing operations | | 91,588 | 98,130 | 83,414 | 95,803 |
| **Discontinued Operations:** | | | | | |
| Gross income from discontinued operations | | 16,320 | 15,234 | - | - |
| Gross expenses from discontinued operations | | (11,932) | (11,726) | - | - |
| Profit before tax from discontinued operations | 14 | 4,388 | 3,508 | - | - |
| Income tax expense from discontinued operations | 14 | (658) | (957) | - | |
| Profit after tax from discontinued operations | | 3,730 | 2,551 | - | - |
| **Continued and Discontinued Operations:** | | | | | |
| Profit for the year before minimum tax and income tax | | 110,597 | 102,100 | 94,108 | 94,048 |
| Minimum tax | 13(a) | (2,663) | (2,469) | (2,663) | (2,469) |
| Income tax expense | 13(b) | (12,616) | 1,050 | (8,031) | 4,224 |
| Profit for the year after tax | | 95,318 | 100,681 | 83,414 | 95,803 |
| Other comprehensive income: | | | | | |
| Items that will never be reclassified to profit or loss | | | | | |
| Fair value movements on equity instruments | | 549 | 15 | 549 | 15 |
| Related tax credit / (expense) | | 890 | (5) | 890 | (5) |
| " Fair value movements on equity instruments - discontinued operations" | | (225) | 196 | - | - |
| Items that are or may be reclassified to profit or loss | | | | | |
| Foreign currency translation differences | | (2,070) | (2,424) | - | - |
| Effective portion of changes in fair value of cash flow hedges | | 2,771 | - | - | - |
| Related tax expense | | (760) | - | - | - |
| Other comprehensive income for the year, net of tax | | 1,155 | (2,218) | 1,439 | 10 |
| Total comprehensive income for the year | | 96,473 | 98,463 | 84,853 | 95,813 |
| Profit attributable to: | | | | | |
| Equity holders of the parent | | 94,576 | 100,147 | 83,414 | 95,803 |
| Non controlling interests | | 742 | 534 | - | - |
| Total comprehensive income attributable to: | | | | | |
| Equity holders of the parent | | 95,746 | 97,971 | 84,853 | 95,813 |
| Non controlling interests | | 727 | 492 | - | - |
| Profit from continuing operations attributable to: | | | | | |
| Equity holders of the parent | | 91,411 | 98,044 | 83,414 | 95,803 |
| Non controlling interests | | 177 | 86 | - | - |
| Earnings per share for profit from total operations attributable to equity holders of parent | | | | | |
| Basic and diluted | 15 | 301 k | 319 k | 266 k | 305 k |
| Earnings per share for profit from continuing operations attributable to equity holders of parent | | | | | |
| Basic and diluted | 15 | 291 k | 312 k | 266 k | 305 k |

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

In millions of Naira

| Assets | Note | Group 2013 | Group 2012 | Bank 2013 | Bank 2012 |
|---|---|---|---|---|---|
| Cash and balances with central banks | 16 | 603,851 | 332,515 | 587,793 | 313,546 |
| Treasury bills | 17 | 586,441 | 669,164 | 572,598 | 647,474 |
| Due from other banks | 18 | 256,729 | 182,020 | 249,524 | 203,791 |
| Derivative assets held for risk management | 19 | 2,681 | - | - | - |
| Loans and advances | 20 | 1,251,355 | 989,814 | 1,126,559 | 895,354 |
| Investment securities | 21 | 303,125 | 299,343 | 212,523 | 256,905 |
| Investment in subsidiaries | 22 | - | - | 24,375 | 24,375 |
| Investment in associates | 23 | 165 | 420 | 90 | 463 |
| Deferred tax assets | 24 | 749 | 432 | - | - |
| Other assets | 25 | 36,238 | 28,665 | 31,415 | 16,814 |
| Assets classified as held for sale | 26 | 30,454 | 31,943 | 4,749 | 10,338 |
| Property and equipment | 27 | 69,410 | 68,782 | 67,364 | 66,651 |
| Intangible assets | 28 | 1,935 | 1,406 | 1,703 | 1,175 |
| Total assets | | 3,143,133 | 2,604,504 | 2,878,693 | 2,436,886 |
| **Liabilities** | | | | | |
| Customers' deposits | 29 | 2,276,755 | 1,929,244 | 2,079,862 | 1,802,008 |
| Current income tax | 13 | 7,017 | 6,577 | 5,266 | 5,071 |
| Deferred income tax liabilities | 24 | 678 | 5,584 | - | 5,573 |
| Other liabilities | 30 | 215,643 | 117,355 | 201,265 | 115,027 |
| On-lending facilities | 31 | 59,528 | 56,066 | 59,528 | 56,066 |
| Borrowings | 32 | 60,150 | 15,138 | 60,150 | 15,138 |
| Liabilities classified as held for sale | 33 | 14,111 | 11,584 | - | - |
| Total liabilities | | 2,633,882 | 2,141,548 | 2,406,071 | 1,998,883 |
| **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 | | 161,144 | 130,153 | 126,678 | 106,010 |
| Other reserves | | 73,347 | 58,786 | 75,199 | 61,248 |
| Attributable to equity holders of the parent | | 505,236 | 459,684 | 472,622 | 438,003 |
| Non-controlling interest | | 4,015 | 3,272 | - | - |
| Total shareholders' equity | | 509,251 | 462,956 | 472,622 | 438,003 |
| Total liabilities and equity | | 3,143,133 | 2,604,504 | 2,878,693 | 2,436,886 |

*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 12 February 2014 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

Ebenezer Onyeagwu (Executive Director)
FRC/2013/ICAN/00000003788

Stanley Amuchie (Chief Financial Officer)
FRC/2013/MULTI/00000001063

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 | Hedging reserve | Total | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| At 1 January 2012 | 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 |
| Transfer between reserve | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 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 | 15,698 | 255,047 | 130,153 | 45,199 | 3,729 | 997 | 2,285 | 10,243 | (3,667) | - | 459,684 | 3,272 | 462,956 |
| Profit | | | 81,639 | 12,563 | - | 374 | - | - | | | 94,576 | 742 | 95,318 |
| Foreign currency translation differences | - | - | - | - | - | - | - | - | (2,016) | - | (2,016) | (54) | (2,070) |
| Fair value movements on equity instruments, net of tax | - | - | - | - | - | - | 1,214 | - | - | - | 1,214 | 1,214 | 1,214 |
| Effective portion of changes in fair value of cash flow hedges, net of tax | - | - | - | - | - | - | - | - | - | 1,972 | 1,972 | 39 | 2,011 |
| Total comprehensive income | - | - | 81,639 | 12,563 | - | 374 | 1,214 | - | (2,016) | 1,972 | 95,746 | 727 | 96,473 |
| Dividends | - | - | (50,234) | - | - | - | - | - | - | - | (50,234) | - | (50,234) |
| Transfer between reserves | | | (454) | - | | - | | 454 | - | - | - | - | - |
| Changes in ownership interests in subsidiaries without loss of control and other changes | - | - | 40 | - | - | - | - | - | - | - | 40 | 16 | 56 |
| **At 31 December 2013** | **15,698** | **255,047** | **161,144** | **57,762** | **3,729** | **1,371** | **3,499** | **10,697** | **(5,683)** | **1,972** | **505,236** | **4,015** | **509,251** |

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

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 2012 | 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 | 15,698 | 255,047 | 106,010 | 45,198 | 3,729 | 2,078 | 10,243 | 438,003 |
| Profit | - | - | 70,902 | 12,512 | - | - | - | 83,414 |
| Fair value movements on equity instruments, net of tax | - | - | - | - | - | 1,439 | | 1,439 |
| Total comprehensive income | - | - | 70,902 | 12,512 | - | 1,439 | - | 84,853 |
| Dividends | - | - | (50,234) | - | - | - | - | (50,234) |
| **At 31 December 2013** | **15,698** | **255,047** | **126,678** | **57,710** | **3,729** | **3,517** | **10,243** | **472,622** |

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

| *In millions of Naira* | Note | Group 2013 | Group 2012 | Bank 2013 | Bank 2012 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Profit after tax for the year | | 95,318 | 100,681 | 83,414 | 95,803 |
| Impairment | | | | | |
| - on loans and advances | | 11,012 | 9,066 | 9,852 | 7,965 |
| - on leases | | 55 | 33 | 55 | 33 |
| - on other assets | | - | 1,280 | - | 1,280 |
| - on investment in associates | | 371 | 851 | 371 | 851 |
| Fair value changes recognised in profit and loss | | (64) | - | (39) | - |
| Depreciation of property and equipment | 27 | 9,766 | 10,307 | 9,015 | 9,500 |
| Depreciation of investment property | | - | 136 | - | 136 |
| Amortisation of intangible assets | 28 | 951 | 1,059 | 844 | 624 |
| Dividend income | 11 | (303) | (110) | (303) | (694) |
| Net interest income | | (189,263) | (156,757) | (175,381) | (147,878) |
| Share of profit of associates | 23 | (118) | (23) | - | - |
| Profit on sale of property and equipment | 11 | (151) | (10) | (124) | (9) |
| Profit on sale of investment property | 11 | - | (150) | - | (150) |
| Gain on disposal of subsidiary | | - | (32) | - | (3,811) |
| Tax expense | 13 | 15,279 | 1,419 | 10,694 | (1,755) |
| | | (57,147) | (32,250) | (61,602) | (38,105) |
| Loans and advances | | (272,085) | (104,415) | (241,112) | (76,317) |
| Other assets | | (7,573) | (4,435) | (14,601) | (478) |
| Treasury bills with maturities greater than three months | | 157,139 | (52,524) | 151,982 | (47,594) |
| Reinsurance assets and insurance receivables | | - | - | - | - |
| Restricted balances (cash reserves) | | (168,557) | (73,528) | (169,009) | (73,081) |
| Net assets of subsidiary disposed | | - | (4,479) | - | - |
| Debt securities | | (3,716) | 8,629 | 45,670 | 10,160 |
| Changes in operating assets: | | (294,792) | (230,752) | (227,070) | (187,310) |
| Customers deposits | | 347,511 | 273,786 | 277,854 | 224,718 |
| Other liabilities | | 98,288 | (35,481) | 86,238 | (11,633) |
| Changes in operating liabilities: | | 445,799 | 238,305 | 364,092 | 213,085 |
| Cash flows (used in)/generated from operating activities | | 93,860 | (24,697) | 75,420 | (12,330) |
| Interest received | | 260,059 | 221,318 | 243,852 | 213,230 |
| Interest paid | | (70,796) | (64,561) | (68,471) | (65,352) |
| Tax paid | | (19,724) | (12,799) | (15,182) | (10,272) |
| Cash flows from discontinued operations | | 2,180 | (15,621) | - | - |
| Net cash flows generated from operations | | 265,579 | 103,640 | 235,619 | 125,276 |
| **Cash flows from investing activities** | | | | | |
| Purchase of property and equipment | 27 | (10,772) | (11,290) | (9,826) | (10,477) |
| Purchase of intangible assets | 28 | (1,421) | (1,709) | (1,313) | (1,138) |
| Proceed from sale of property and equipment | | 218 | 361 | 163 | 212 |
| Purchase of investment property | | - | (37) | - | (37) |
| Proceed from sale of investment property | | - | 7,165 | - | 7,165 |
| Purchase of equity securities | 21 | (700) | - | (700) | - |
| Disposal of associates | | 2 | 508 | 2 | 508 |
| Dividends received | 11 | 303 | 110 | 303 | 694 |
| Investment in subsidiaries | | - | - | - | (5,030) |
| Proceeds from sale of subsidiary | | - | 4,511 | - | 4,311 |
| Cash flows from discontinued operations | | 1,845 | (567) | 5,589 | - |
| Net cash used in investing activities | | (10,525) | (948) | (5,782) | (3,792) |

| *In millions of Naira* | Note | Group 2013 | Group 2012 | Bank 2013 | Bank 2012 |
|---|---|---|---|---|---|
| **Cash flows from financing activities** | | | | | |
| Dividend paid to shareholders | | (50,234) | (29,827) | (50,234) | (29,827) |
| Borrowed funds | | | | | |
| - inflow from long term borrowing | | 50,209 | 313 | 50,209 | 313 |
| - repayment of long term borrowing | | (5,197) | (6,245) | (5,197) | (6,245) |
| Inflow from On-lending facilities | | 3,462 | 6,696 | 3,462 | 6,696 |
| Net cash from changes in ownership interest in subsidiaries | | 56 | - | - | - |
| Net cash used in financing activities | | (1,704) | (29,063) | (1,760) | (29,063) |
| Increase in cash and cash equivalents | | 253,350 | 73,629 | 228,077 | 92,421 |
| Analysis of changes in cash and cash equivalents: | | | | | |
| Cash and cash equivalents at start of year | 41 | 614,817 | 525,616 | 613,400 | 520,979 |
| Increase in cash and cash equivalents | | 253,350 | 73,629 | 228,077 | 92,421 |
| Cash and cash equivalents from discontinued operations | | 143 | 18,708 | - | - |
| Exchange rate movements on cash and cash equivalents | | (1,589) | (3,136) | - | - |
| Cash and cash equivalents at end of year | 41 | 866,721 | 614,817 | 841,477 | 613,400 |

*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 nine subsidiary companies namely, Zenith General Insurance Company Limited, Zenith Bank (Ghana) Limited, Zenith Pension Custodian Limited, Zenith Bank (UK) Limited, Zenith Capital Limited, Zenith Medicare 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 elected to discontinue its non-core banking operations with the exception of Pension Custodianship. Accordingly, non-core banking subsidiaries which have not been disposed of have been accounted for as discontinued operations in line with IFRS 5. These non-core banking subsidiaries are the Insurance operations (Zenith General Insurance Company Limited, Zenith Life Assurance Company Limited, Zenith Medicare Limited) and the capital market operations (Zenith Capital Limited, Zenith Securities Limited and Zenith Trustees Limited). For the insurance operations, discussion with the potential buyers is in an advance stage with certain commitments such as sale agreements and shareholders' agreement already in place. The transaction is expected to be fully completed and the subsidiaries within the insurance operation are expected to be de-recognized before the end of the first half of 2014. For the subsidiaries within the capital market operations, a restructuring of their balance sheets was concluded in December 2013 and the final sale to the identified investors is expected to be concluded before the end of the first half of 2014.

The consolidated financial statements as at and for the year ended 31 December 2013 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 2013 were approved for issue by the Board of Directors on 12 February 2014.

The Group does not have any unconsolidated structured entity.

## 2(i) Changes in accounting policies

Except as noted below, the Group has consistently applied the accounting policies as set out in Note 2(ii) to all periods in these consolidated financial statements.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013.

a. IFRS 10 Consolidated Financial Statements
b. IFRS 12 Disclosure of Interests in Other Entities
c. IFRS 13 Fair Value Measurement
d. Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7).
e. Presentation of Items of Other Comprehensive Income (Amendments to IAS 1).

The nature and the effects of the changes are explained below.

*(a) Subsidiaries, including structured entities*

As a result of IFRS 10 (2011), the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates other entities. IFRS 10 (2011) introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect those returns.

In accordance with the transitional provision provisions of IFRS 10 (2011), the Group reassessed its control conclusions as of 1 January 2013. The Group did not have unconsolidated enties, which by virtue of the reassessment of control, would have been qualified for consolidation.

The change did not have a material impact on the Group's financial statements.

*(b) Interests in other entities*

As a result of IFRS 12 , the Group has expanded disclosures about its interests in subsidiaries (see Note 38). The Group does not have interest in any unconsolidated structured entity.

*(c) Fair value measurement*

In accordance with the transitional provisions of IFRS 13, the Group has applied the new definition of fair value, as set out in Note 2.6 (h), prospectively. The change had no significant impact on the measurements of the Bank's assets and liabilities, but the Group has included new disclosures in the financial statements, which are required under IFRS 13. These new disclosure requirements are not included in the comparative information. However, to the extent that disclosures were required by other standards before the effective date of IFRS 13, the Group has provided the relevant comparative disclosures under those standards.

*(d) Offsetting financial assets and financial liabilities*

The amendments to IFRS 7 require additional disclosures about offsetting financial assets and financial liabilities, which does not apply to the Group as the Group does not offset financial assets and financial liabilities.

*(e) Presentation of items of OCI*

As a result of the amendments to IAS 1, the Group has modified the presentation of items of OCI in its statement of comprehensive income, to present items that would be reclassified to profit or loss in the future separately from those that would never be. Comparative information has been re-presented on the same basis.

## 2(ii) Significant accounting policies

Except for the changes explained in Note 2(i), the Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, unless otherwise stated.

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

### *2.1 Basis of preparation*

*a. Statement of compliance*

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs), as issued by the International Accounting Standards Board (IASB) 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. 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*

- IFRS 9 early adoption

FRS 9, Financial Instruments ( amended November 2013), which is available for early adoption has been early adopted by the group in the preparation of this financial statement as permitted by the standard.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, 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 these standards on the Group.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

*The amendments to IAS 32 clarify the offsetting criteria in IAS 32 by explaining when an entity currently has a legally enforceable right to set off and when gross settlement is equivalent to net settlement. The amendments are effective for annual periods beginning on or after 1 January 2014 and interim periods within those annual periods. Early application is permitted.*

*The Group is still evaluating the potential effect of the amendments to IAS 32.*

- IFRIC 21 Levies

*IFRIC 21 defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It confirms that an entity recognises a liability for a levy when – and only when – the triggering event specified in the legislation occurs. IFRIC 21 is not expected to have a material effect on the Group's financial statements*

## *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.

(d) Non-controlling interests
Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

## *2.4 Foreign currency translations*

(a) Functional and presentation currency
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

- 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 instrument*

(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).

(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 measured at fair value through profit or loss.
- Equity securities measured at fair value through other comprehensive income.
- Trading debt securities measured at fair value through profit or loss.
- Derivatives held for risk management purposes and hedge accounting measured at fair value through OCI (effective portion of changes in fair value) and through profit or loss (ineffective portion of changes in fair value)

*(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 portion 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 expired.

*(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.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arsing from a group of similar transactions.

*(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*

Policy applicable from 1 January 2013

'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 in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non performance risk.

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Policy applicable before 1 January 2013

'Fair value' is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. When available, the Bank 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 Bank establishes fair value using a valuation technique. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Bank, incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price – i.e. the fair value of the consideration given or received. However, in some cases the initial estimate of fair value of a financial instrument on initial recognition may be different from its transaction price. If this estimated fair value is evidenced by comparison with other observable current market transactions in the same instrument (without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets, then the difference is recognised in profit or loss on initial recognition of the instrument. In other cases, the fair value at initial recognition is considered to be the transaction price and the difference is not recognised in profit or loss immediately but is recognised over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price. Where the Bank has positions with offsetting risks, mid market prices are used to measure the offsetting risk positions and a bid or ask price adjustment is applied only to the net open position as appropriate.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

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.

See note 3.36 on fair value disclosures of financial assets and liabilities.

## 2.7 *Derivatives held for risk management purposes and hedge accounting*

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the statement of financial position.

The Group designates certain derivatives held for risk management as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at inception of the hedge relationship and on an ongoing basis, of whether the hedging instrument(s) is(are) expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged item(s) during the period for which the hedge is designated, and whether the actual results of each hedge are within acceptable profitable range. The Group makes an assessment for a cash flow hedge of a forecast transaction, of whether the forecast transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

These hedging relationships are discussed below.

*(a) Cash flow hedges*

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in OCI and presented in the hedging reserve within equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. The amount recognised in OCI is reclassified to profit or loss as a reclassification adjustment in the same period as the hedged cash flows affect profit or loss, and in the same line item in the statement of profit or loss and OCI.

If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. However, if the derivative is novated to a central counterparty by both parties as a consequence of laws or regulations without changes in its terms except for those that are necessary for the novation, then the derivative is not considered as expired or terminated.

*(b) Other non trading derivatives*

If a derivative is not held for trading, and is not designated in a qualifying hedge relationship, then all changes in its fair value are recognised immediately in profit or loss as a component of net income from other financial instruments at fair value through profit or loss.

## 2.8 *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.

### *2.9 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.

### *2.10 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.

## *2.11 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.

### *2.12 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.

### *2.13 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.

## *2.14 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.

## 2.15 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.

## 2.16 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.

## 2.17 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.

## *2.18 Insurance and investment contracts*

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. Gross premium on life contract are recognised in the life fund account when payable by the policy holder. Gross life insurance written premium comprise the total premium receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date of inception of the policy.

#### *(iii) General Insurance*

These contracts provide Fire, Accident, Motor, Marine, Bond, Engineering and Aviation insurance. Gross premiums comprise the premiums on insurance contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. It is recognised at the point of attachment of risk to a policy before deducting cost of reinsurance cover and unearned portion of the premium.

Unearned premiums are those proportions of premiums written in the year that relate to periods of risks after the reporting date. It is computed separately for each insurance contract using a time proportionate basis, or another suitable basis for uneven risk contracts.

*(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.

## *2.19 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.

### *2.20 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.

### *2.21 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.

### *2.22 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.

### *2.23 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.

### *2.24 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.

## *3. Risk management*

### *3.1 Enterprise Risk Review*

Zenith Bank Group operates a business model that is largely diversified and spread across different geographical locations. This therefore 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, counterparty and concentration risks (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 practise to be the foundation of a long lasting financial institution.
- The group continues to adopt a holistic and integrated 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 and qualitative indicators to monitor the risk profile. Specific limits are 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 and a risk governance policy 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 committee provides oversight on the systems of internal control, financial reporting and compliance. The Board credit committee 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 and sub committees (Global Credit committee and Management Risk committee) that help it develop and implement various risk strategies. The Global Credit committee 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 thresholds 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 competence 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, is an integral part of the Group's management of risk.

The Board of Directors ensures strict compliance with relevant 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 compliance function, under the leadership of the Chief Compliance Officer of the bank has put in place a robust compliance framework, which includes:

- Comprehensive compliance manual detailing the roles and responsibilities of all stakeholders in the compliance process,
- Review and analysis of all relevant laws and regulations, which are adopted into policy statements to ensure business is conducted professionally;
- Review of the Bank's Anti Money Laundering Policy in accordance with changes in the Money Laundering Prohibition Act 2011 and Anti Terrorism Act 2011 as amended;

- Incorporation of new guidelines in the Bank's Know Your Customer policies in line with the increasing global trend as outlined in the Central Bank of Nigeria's Anti Money Laundering/Combating Finance of Terrorism Compliance Manual.

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 a 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 robust 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 and 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 is 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 other financial arrangements. The realization of security remains a fall back option.
- A pricing model that reflects variations in the risk profile of various credits to ensure that higher risks are compensated by higher returns 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 assessment and measurement.

1. Adherence to the strict credit selection criteria which includes defined target market, credit history, the capacity and character of customers.
2. The likelihood of failure to pay over the period stipulated in the contract.
3. The size of the facility in case default occurs.
4. Estimated Rate of Recovery which is a measure of the portion of the debt that can be regained through freezing of assets and collateral should default 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 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 Default) | 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 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. Hence, in accordance with the Groups model risk policy, all models that materially impact the risk rating process are reviewed.

Furthermore, the ratings accorded to customers are regularly reviewed, incorporating new financial information available and the experience in the development of the banking relationship. The regularity of the reviews increases in the case of clients who reach certain levels in the automated warning systems. The rating system is currently undergoing external review with a view to enhancing its robustness.

### *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, and including all documents and information defined for the proper assessment and decision of Credit. All credit presented for approval are required to be in conformity with the documented and communicated Risk Acceptance Criteria(RAC).

As part of credit appraisal process, the Group will have to satisfy itself in the following areas:
a) Credit assessment of the borrower's industry, and macro economic factors.
b) The purpose of credit and source of repayment.
c) The track record / repayment history of borrower.
d) Assess/evaluate the repayment capacity of the borrower.
e) The Proposed terms and conditions and covenants.
f) Adequacy and enforceability of collaterals.
g) Approval from appropriate authority.

### *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 activities 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 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*

The Group applies credit risk limits, among other techniques in managing credit risk. 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<br>Global Credit Committee | N7 billion and above (Not exceeding 20% of Total Shareholders' funds)<br>Below N7 billion |

These internal approval limits are set and approved by the Group Board and are reviewed regularly 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 is continuously being improved in order to improve the facility monitoring activity and assure good quality Risk Assets Portfolio across the Group.

A specialised and focused loan recovery and workout team handles the management and collection of problem credit facilities.

### *3.2.7(a) 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, facility, industry and geographical limit structure. 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 to secure facilities granted.

*(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; and
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 which is the Federal Government of Nigeria (FGN).

Details of collateral held and their carrying amounts as at 31 December 2013 are as follows:

| *In millions of Naira* | Group Total exposure | Group Value of collateral | Bank Total exposure | Bank Value of collateral |
|---|---|---|---|---|
| Secured against real estate | 177,379 | 137,292 | 152,379 | 127,292 |
| Secured by shares of quoted companies | 32,482 | 10,652 | 17,482 | 5,652 |
| Cash Collateral, lien over fixed and floating assets | 860,299 | 340,038 | 810,299 | 325,038 |
| Unsecured | 205,962 | - | 168,218 | - |
| | 1,276,122 | 487,982 | 1,148,378 | 457,982 |

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

| *In millions of Naira* | Group Total exposure | Group Value of collateral | Bank Total exposure | Bank 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. 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 (b) Maximum Exposure to Credit Risk Before Collateral Held or Credit Enhancements*

The Group's maximum exposure to credit risk at 31 December 2013 and 2012 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 2013 and 2012 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 2013 and 2012 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 2013 | Due from banks | Loans and advances to customers | Total | Due from banks | Loans and advances to customers | Total |
| Nigeria | 153,887 | 1,148,378 | 1,302,265 | 97,257 | 1,148,378 | 1,245,635 |
| Rest of Africa | 12,039 | 52,783 | 64,822 | - | - | - |
| Outside Africa | 90,803 | 74,961 | 165,764 | 152,267 | - | 152,267 |
| | 256,729 | 1,276,122 | 1,532,851 | 249,524 | 1,148,378 | 1,397,902 |

| 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 | 35,972 | - | - | - |
| 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 |

*(b) Industry sectors*

| | Group | | Bank | |
|---|---|---|---|---|
| | 2013 Loans and advances to customers | 2012 Loans and advances to customers | 2013 Loans and advances to customers | 2012 Loans and advances to customers |
| Agriculture | 64,696 | 62,541 | 60,722 | 52,541 |
| Oil and gas | 193,883 | 170,890 | 173,143 | 160,850 |
| Consumer Credit | 30,141 | 43,182 | 29,901 | 35,182 |
| Manufacturing | 287,636 | 244,723 | 262,848 | 214,691 |
| Real estate and construction | 84,709 | 72,734 | 77,101 | 59,734 |
| Finance and Insurance | 25,667 | 28,208 | 22,463 | 20,208 |
| Government | 113,801 | 82,358 | 102,572 | 80,695 |
| Power | 49,696 | 4,111 | 44,938 | 2,111 |
| Other public utilities | 28,208 | 153 | 28,192 | 153 |
| Transportation | 93,183 | 48,661 | 86,712 | 51,661 |
| Communication | 186,176 | 141,671 | 168,041 | 141,671 |
| Education | 3,578 | 2,038 | 3,185 | 2,038 |
| General Commerce | 72,058 | 80,031 | 64,573 | 69,031 |
| Others | 42,690 | 33,225 | 23,987 | 26,225 |
| | 1,276,122 | 1,014,526 | 1,148,378 | 916,791 |

*3.2.9 Credit quality*
*In millions of Naira*

| | Group | | Bank | |
|---|---|---|---|---|
| At 31 December 2013 | Due from banks | Loans and advances to customers | Due from banks | Loans and advances to customers |
| Neither past due nor impaired | 256,729 | 1,237,058 | 249,524 | 1,112,512 |
| Past due but not impaired | - | 8,147 | - | 7,889 |
| Impaired | | | | |
| Individually impaired | - | 13,843 | - | 11,021 |
| Collectively impaired | - | 17,074 | - | 16,956 |
| Gross | 256,729 | 1,276,122 | 249,524 | 1,148,378 |
| Impairment allowance | | | | |
| Specific impairment | - | (7,972) | - | (5,600) |
| Collective impairment | - | (16,795) | - | (16,219) |
| | 256,729 | 1,251,355 | 249,524 | 1,126,559 |
| At 31 December 2012 | | | | |
| 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 |

*3.2.9.1 Non-Performing Loans by Industry*

At 31 December 2013

| | Group N' million 2013 | Group N' million 2012 | Bank N' million 2013 | Bank N' million 2012 |
|---|---|---|---|---|
| Agriculture | 239 | 649 | 202 | 647 |
| Oil and Gas | 1,686 | 2,076 | 1,642 | 1,385 |
| Capital Market | 1,080 | 8,010 | - | - |
| Consumer Credit | 61 | 1,850 | - | 5,030 |
| Manufacturing | 2,107 | 2,259 | 1,897 | 1,599 |
| Real Estate and Construction | 6,377 | 2,337 | 5,588 | 5,316 |
| Finance and Insurance | 7,941 | 2,580 | 7,868 | 2,166 |
| Government | 210 | 498 | 210 | 49 |
| Power | 1,667 | 186 | 1,573 | 186 |
| Other Public Utilities | 209 | 8 | 209 | 8 |
| Transportation | 23 | 636 | 23 | 583 |
| Communication | 945 | 2,575 | 929 | 2,056 |
| Education | 1,830 | 943 | 1,830 | 943 |
| General Commerce/Trading | 4,937 | 7,268 | 4,754 | 8,436 |
| Others | 1,605 | 55 | 1,252 | 53 |
| | 30,917 | 31,930 | 27,977 | 28,457 |

*In millions of Naira*

*3.2.9.2 Non-Performing Loans by Geography*

| At 31 December | Group 2013 | Group 2012 | Bank 2013 | Bank 2012 |
|---|---|---|---|---|
| South South | 385 | 816 | 385 | 816 |
| South West | 25,545 | 25,402 | 25,545 | 25,402 |
| South East | 839 | 676 | 839 | 676 |
| North Central | 1,186 | 910 | 1,186 | 910 |
| North West | 11 | 108 | 11 | 108 |
| North East | 11 | 545 | 11 | 545 |
| Rest of Africa | 2,896 | 3,473 | - | - |
| Outside Africa | 44 | - | - | - |
| | 30,917 | 31,930 | 27,977 | 28,457 |

*(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 2013 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 | |
|---|---|---|---|---|
| | Loans and advances to customers | Loans and advances to customers | Loans and advances to customers | Loans and advances to customers |
| At 31 December (N'millions) | 2013 | 2012 | 2013 | 2012 |
| South South | 70,109 | 66,955 | 70,109 | 66,955 |
| South West | 974,519 | 783,607 | 974,519 | 783,606 |
| South East | 17,294 | 19,607 | 17,294 | 19,607 |
| North Central | 57,689 | 16,665 | 57,689 | 16,666 |
| North West | 7,874 | 6,933 | 7,874 | 6,933 |
| North East | 20,893 | 23,024 | 20,893 | 23,024 |
| Rest of Africa | 52,783 | 32,474 | - | - |
| Outside Africa | 74,961 | 65,261 | - | - |
| | 1,276,122 | 1,014,526 | 1,148,378 | 916,791 |

All other financial assets are neither past due nor impaired, except other assets. NGN 3.05 billion of financial assets which are neither past due nor impaired have been renegotiated (2012: NGN 2.9 billion).

*(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 | |
|---|---|---|---|---|
| *In millions of Naira* | Due from banks | Loans and advances to customers | Due from banks | Loans and advances to customers |
| At 31 December 2013 | | | | |
| AAA | 256,729 | 814,467 | 249,524 | 734,057 |
| AA to A | - | 156,932 | - | 123,644 |
| BBB to BB | - | 193,838 | - | 189,669 |
| Below B | - | 35,281 | - | 32,540 |
| Unrated | - | 36,540 | - | 32,602 |
| | 256,729 | 1,237,058 | 249,524 | 1,112,512 |

| *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 |
| AAA | 182,020 | 640,001 | 203,791 | 579,818 |
| AA to A | - | 123,827 | - | 97,664 |
| BBB to BB | - | 152,316 | - | 149,816 |
| Below B | - | 27,723 | - | 25,703 |
| Unrated | - | 28,713 | - | 25,752 |
| | 182,020 | 972,580 | 203,791 | 878,75 |

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 2013 | Cash and balances With central banks | Treasury bills | Investment securities | Cash and balances with central banks | Treasury bills | Investment securities |
| AAAA | 603,851 | 586,441 | 292,471 | 587,793 | 572,598 | 201,869 |
| AA to A | - | - | 10,654 | - | - | 10,654 |
| BBB to BB | - | - | - | - | - | - |
| Below B | - | - | - | - | - | - |
| Unrated | - | - | - | - | - | - |
| | 603,851 | 586,441 | 303,125 | 587,793 | 572,598 | 212,523 |

| *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 |

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.

*(bi) Credit portfolio past due but not impaired*

| | Group | | Bank | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | Loans and advances to customers | Loans and advances to customers | Loans and advances to customers | Loans and advances to customers |
| Past due up to 30 days | 4,701 | 1,633 | 4,601 | 1,364 |
| Past due 30 - 60 days | 894 | 7,999 | 824 | 7,844 |
| Past due 60 - 90 days | 2,552 | 384 | 2,464 | 373 |
| | 8,147 | 10,016 | 7,889 | 9,581 |

*In millions of Naira*

*(c) Credit rating of past due but not impaired*

| | | | | |
|---|---|---|---|---|
| A | 7,974 | 9,318 | 7,758 | 9,289 |
| BB | 173 | 698 | 131 | 292 |
| | 8,147 | 10,016 | 7,889 | 9,581 |

*(d) Credit portfolio individually impaired*

| | Group | | Bank | |
|---|---|---|---|---|
| *In millions of Naira* | 2013 | 2012 | 2013 | 2012 |
| | Loans and advances to customers | Loans and advances to customers | Loans and advances to customers | Loans and advances to customers |
| Gross amount | | | | |
| BB | 10,300 | 10,120 | 8,530 | 8,152 |
| Grade: Below BB | 3,543 | 4,360 | 2,491 | 3,840 |
| Specific impairment | (7,972) | (10,601) | (5,600) | (8,368) |
| | 5,871 | 3,879 | 5,421 | 3,624 |

Included in interest income on loans and advances are amounts totalling N 3,160 million (2012: N4,186 million) and N 2,022 million (2012: N2,308 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 both VAR and Non-VAR approach for quantitative measurement and control of market risks in both trading and non trading books. The Non -VAR 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 interval. 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 generally does not offer very complex derivative products. However, with the setting up of Financial Market Quotation Plc (FMDQ), it is expected that more sophisicated products will be introduced into the market. We will ensure that adequate capacity (both systems and training/knowledge base) are in place to handle these products as at when they are introduced. The overall size of the trading book is maintained at a very manageable size.

### *3.3.3 Foreign exchange risk*

"Fluctuations in the prevailing foreign currency exchange rates can affect the groups financial position and cash flows - 'On' and 'Off' Balance Sheet. The Group manages part of the Foreign exchange risks through basic derivatives products and hedges. The risk is also managed by ensuring the Treasury Group operates within approved limits.
For example, Zenith employs the use of Internal limits (for Overall Overnight and Intra-day positions), Dealer limits, as well as individual currency limits which is monitored by the Market Risk Department. 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's transactions are carried out mainly in seven (7) foreign currencies with a significant percentage of transactions involving US Dollars and British Pounds Sterling (GBP).
The Group's net exposure to foreign currency risk is largely concentrated in US Dollars and British Pounds Sterling.

(a) Group

The table below summarizes the Group's exposure to foreign currency exchange rate risk at 31 December 2013 and 31 December 2012. 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 their gross amount), categorised by currency.

At 31 December 2013

| *In millions of Naira* | Naira | Dollar | GBP | Euro | Others | Total |
|---|---|---|---|---|---|---|
| Assets | | | | | | |
| Cash and balances with central banks | 426,581 | 119,433 | 38,064 | 19,750 | 23 | 603,851 |
| Treasury bills | 572,598 | - | 13,789 | - | 54 | 586,441 |
| Due from other banks | 152,267 | 81,201 | 128 | 2,011 | 21,122 | 256,729 |
| Loans and advances to customers (gross) | 921,643 | 296,435 | 578 | - | 57,466 | 1,276,122 |
| Investment securities | 212,523 | 40,249 | - | 49,729 | 624 | 303,125 |
| Other assets (gross) | 36,052 | - | 3,071 | - | 1,752 | 40,875 |
| | 2,321,664 | 537,318 | 55,630 | 71,490 | 81,041 | 3,067,143 |
| Liabilities | | | | | | |
| Deposits from customers | 1,831,245 | 424,241 | 5,852 | 13,300 | 2,117 | 2,276,755 |
| Other liabilities | 25,937 | 168,695 | 2,423 | 16,034 | 2,554 | 215,643 |
| On-lending facilities | 59,528 | - | - | - | - | 59,528 |
| Borrowings | - | 60,150 | - | - | - | 60,150 |
| | 1,916,710 | 653,086 | 8,275 | 29,334 | 4,671 | 2,612,076 |
| Net on-balance sheet position | 404,954 | (115,768) | 47,355 | 42,156 | 76,370 | 455,067 |

| At 31 December 2012 | Naira | Dollar | GBP | Euro | Others | Total |
|---|---|---|---|---|---|---|
| Assets | | | | | | |
| Cash and balances with central banks | 321,907 | 661 | 6,786 | 58 | 3,104 | 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 |

The Group's exposure to foreign currency risk is largely concentrated in the US Dollar and Pound Sterling. Movement in exchange rate between the US Dollar, GBP 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 or GBP.

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

| | 2013 | 2012 |
|---|---|---|
| US Dollars effect of 10% up or (down) movement on profit before tax and balance sheet size | 11,577 | 5,563 |
| GBP effect of 10% up or (down) movement on profit before tax and balance sheet size | 4,736 | 1,093 |

*In millions of Naira*

(b) Bank

The table below summarizes the bank's exposure to foreign currency exchange rate risk at 31 December 2013 and 31 December 2012. Included in the table are the Banks's financial instruments at carrying amounts, categorised by currency.

At 31 December 2012

| | Naira | Dollar | GBP | Euro | Others | Total |
|---|---|---|---|---|---|---|
| Assets | | | | | | |
| Cash and balances with central banks | 458,572 | 96,293 | 15,431 | 17,497 | - | 587,793 |
| Treasury bills | 572,598 | - | - | - | - | 572,598 |
| Due from other banks | 152,267 | 96,829 | - | 428 | - | 249,524 |
| Loans and advances to customers (gross) | 921,643 | 226,735 | - | - | - | 1,148,378 |
| Investment securities | 212,523 | - | - | - | - | 212,523 |
| Other assets (gross) | 36,052 | - | - | - | - | 36,052 |
| | 2,353,655 | 419,857 | 15,431 | 17,925 | - | 2,806,868 |
| Liabilities | | | | | | |
| Deposits from customers | 1,831,245 | 237,526 | 2,958 | 8,133 | - | 2,079,862 |
| On-lending facilities | 59,528 | - | - | - | - | 59,528 |
| Borrowings | - | 60,150 | - | - | - | 60,150 |
| Other liabilities | 25,937 | 157,127 | 2,167 | 16,034 | - | 201,265 |
| | 1,916,710 | 454,803 | 5,125 | 24,167 | - | 2,400,805 |
| Net on-balance sheet position | 436,944 | (34,946) | 10,306 | (6,242) | - | 406,063 |

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 | 80,572 | - | - | - | 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 | 11,530 | 87,749 | 1,519 | 14,229 | - | 115,027 |
| On-lending facilities | - | 15,138 | - | - | - | 15,138 |
| Borrowings | 56,066 | - | - | - | - | 56,066 |
| | 1,721,504 | 244,748 | 3,897 | 18,090 | - | 1,988,239 |
| Net on-balance sheet position | 366,450 | 20,990 | 149 | (18,090) | 2,220 | 371,719 |

The Bank's exposure to foreign currency risk is largely concentrated in the US Dollar and Pound Sterling . Movement in exchange rate between the US Dollar, GBP 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 and GBP.

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

| | 2013 | 2012 |
|---|---|---|
| US Dollar effect of 10% up or (down) movement on profit before tax and balance sheet size | 3,495 | 2,099 |
| GBP effect of 10% up or (down) movement on profit before tax and balance sheet size | 1,031 | 15 |

*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). Interest rate was quite volatile within the year in various geographies where the bank operated. The increase in the Cash Reserve Ratio (CRR) on government deposits to 50% (from 12%) by the Central Bank of Nigeria (CBN) resulted in huge jump in the market rates for sometimes before the market normalised. 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 impacts on capital or earnings of the Group are within tolerance level.

(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 2013 | | | |
| Assets | | | |
| Cash and balance with central banks | 603,851 | 255,158 | 348,693 |
| Treasury and other eligible bills (Amortized cost) | 586,44 | 586,441 | - |
| Due from other banks | 256,729 | 256,729 | - |
| Derivative assets held for risk management | 2,681 | 2,681 | - |
| Loans and advances to customers (gross) | 1,276,122 | 1,276,122 | - |
| Investment securities (Amortized cost and Fair value through OCI) | 303,125 | 303,125 | - |
| Deferred tax assets | 749 | - | 749 |
| Other assets ( gross) | 40,875 | - | 40,875 |
| Property and equipment | 69,410 | - | 69,410 |
| Intangible assets | 1,935 | - | 1,935 |
| Total assets | 3,141,918 | 2,680,256 | 461,662 |
| Liabilities | | | |
| Customer deposits | 2,276,755 | 1,089,012 | 1,187,743 |
| On-lending facilities | 59,528 | 59,528 | - |
| Borrowings | 60,150 | 60,150 | - |
| Current income tax | 7,017 | - | 7,017 |
| Other liabilities | 215,643 | - | 215,643 |
| Deferred income tax liabilities | 678 | - | 678 |
| Total liabilities | 2,619,771 | 1,208,690 | 1,411,080 |
| Total interest repricing gap | 522,147 | 1,471,566 | (949,418) |

| At 31 December 2013 | Up to 1 month | 1 - 3 months | 3 - 6 months | 6 - 12 months | Over 1 year | Total rate |
|---|---|---|---|---|---|---|
| Financial assets | | | | | | |
| Cash and balance with central banks | 150,400 | - | - | 104,758 | - | 255,158 |
| Treasury bills | 120,740 | 234,094 | 223,661 | 7,946 | - | 586,441 |
| Due from other banks | 256,729 | - | - | - | - | 256,729 |
| Derivative assets held for risk management | 2,681 | - | - | - | - | 2,681 |
| Loans and advances to customers ( Gross) | 496,418 | 69,133 | 52,286 | 74,612 | 583,673 | 1,276,122 |
| Investment in securities ( Amortized cost and fair value through OCI) | - | 39,384 | 151 | 70,755 | 192,835 | 303,125 |
| Total assets | 1,026,968 | 342,611 | 276,098 | 258,071 | 776,508 | 2,680,256 |
| Financial liabilities | | | | | | |
| Customer deposits | 977,400 | 94,192 | 5,282 | 12,138 | - | 1,089,012 |
| On- lending facilities | 1,309 | 31,804 | 2,000 | 1,560 | 22,855 | 59,528 |
| Borrowing | - | - | - | - | 60,150 | 60,150 |
| Total liabilities | 978,709 | 125,996 | 7,282 | 13,698 | 83,005 | 1,208,690 |
| Total interest repricing gap | 48,259 | 216,615 | 268,816 | 244,373 | 693,503 | 1,471,566 |

| At 31 December 2012 *In millions of Naira* | Carrying amount | Rate sensitive | Non rate sensitive |
|---|---|---|---|
| **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) | 299,343 | 299,343 | - |
| 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** | 2,601,490 | 2,317,432 | 284,058 |
| **Liabilities** | | | |
| Customer deposits | 1,929,244 | 1,119,051 | 810,193 |
| On-lending facilities | 56,066 | 56,066 | - |
| Borrowings | 15,138 | 15,138 | - |
| Current income tax | 6,577 | - | 6,577 |
| Other liabilities | 117,355 | - | 117,355 |
| Deferred income tax liabilities | 5,584 | - | 5,584 |
| **Total liabilities** | 2,129,964 | 1,190,255 | 939,709 |
| **Total interest repricing gap** | 471,526 | 1,127,177 | (655,651) |

| 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) | 118,642 | 161,776 | 357,465 | 30,585 | 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 | 1,958 | 45,283 | 183,157 | 299,343 |
| Total assets | 855,970 | 307,691 | 392,622 | 162,890 | 598,259 | 2,317,432 |
| Financial liabilities | | | | | | |
| Customer deposits | 952,765 | 110,548 | 34,596 | 4,944 | 16,198 | 1,119,051 |
| On-lending facilities | 1,142 | - | 270 | - | 54,654 | 56,066 |
| Borrowings | 318 | - | - | 697 | 14,123 | 15,138 |
| Total liabilities | 954,226 | 110,548 | 34,866 | 5,641 | 84,975 | 1,190,255 |
| Total interest repricing gap | (98,256) | 197,143 | 357,756 | 157,249 | 513,284 | 1,127,177 |

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 had increased or decreased by 100 basis points, with all other variables held constant.

| | 2013 | 2012 |
|---|---|---|
| Effect of 100 basis points movement on profit before tax | 7,122 | 5,991 |

*In millions of Naira*

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

| At 31 December 2013 | Carrying amount | Rate sensitive | Non rate sensitive |
|---|---|---|---|
| **Assets** | | | |
| Cash and balance with central banks | 587,793 | 239,167 | 348,626 |
| Treasury and other eligible bills (Amortized cost) | 572,598 | 572,598 | - |
| Due from other banks | 249,524 | 249,524 | - |
| Loans and advances to customers (gross) | 1,148,378 | 1,148,378 | - |
| Investment securities (Amortized cost and Fair value through OCI) | 212,523 | 212,523 | - |
| Other assets ( gross) | 36,052 | - | 36,052 |
| Property and equipment | 67,364 | - | 67,364 |
| Intangible assets | 1,703 | - | 1,703 |
| **Total assets** | 2,875,935 | 2,422,190 | 453,745 |
| **Liabilities** | | | |
| Customer deposits | 2,079,862 | 939,012 | 1,140,850 |
| On-lending facilities | 59,528 | 59,528 | - |
| Borrowings | 60,150 | 60,150 | - |
| Current income tax | 5,266 | - | 5,266 |
| Other liabilities | 201,265 | - | 201,265 |
| Deferred income tax liabilities | - | - | - |
| **Total liabilities** | 2,406,071 | 1,058,690 | 1,347,381 |
| **Total interest repricing gap** | 469,864 | 1,363,500 | (893,636) |

| At 31 December 2013 | 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 | 100,600 | - | - | 138,567 | - | 239,167 |
| Treasury and other eligible bills (Amortized cost) | 119,240 | 233,546 | 213,066 | 6,746 | - | 572,598 |
| Due from other banks | 249,524 | - | - | - | - | 249,524 |
| Loans and advances to customers ( gross) | 491,899 | 54,133 | 41,196 | 50,647 | 510,503 | 1,148,378 |
| Investment securities (Amortized cost and Fair value through OCI) | - | 39,384 | 151 | 64,098 | 108,890 | 212,523 |
| **Total assets** | 961,263 | 327,063 | 254,413 | 260,058 | 619,393 | 2,422,190 |
| **Financial liabilities** | | | | | | |
| Customer deposits | 888,281 | 50,430 | 101 | 200 | - | 939,012 |
| On- lending facilities | 309 | 48,511 | 900 | - | 9,808 | 59,528 |
| Borrowings | 1,000 | 6,148 | 1,100 | 1,560 | 50,342 | 60,150 |
| **Total liabilities** | 889,590 | 105,089 | 2,101 | 1,760 | 60,150 | 1,058,690 |
| **Total interest repricing gap** | 71,673 | 221,974 | 252,312 | 258,298 | 559,243 | 1,363,500 |

| At 31 December 2012 | Carrying amount | Rate sensitive | Non rate sensitive |
|---|---|---|---|
| *In millions of Naira* | | | |
| 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) | 256,905 | 256,905 | - |
| Other assets (gross) | 21,451 | - | 21,451 |
| Property and equipment | 66,651 | - | 66,651 |
| Intangible assets | 1,175 | - | 1,175 |
| Total assets | 2,427,784 | 2,158,890 | 268,894 |
| Liabilities | | | |
| Customer deposits | 1,802,008 | 1,011,815 | 790,193 |
| On- lending facilities | 56,066 | 56,066 | - |
| Borrowings | 15,138 | 15,138 | - |
| 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 | 428,901 | 1,075,871 | (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 (Amortized cost) | 114,560 | 161,120 | 344,144 | 27,650 | - | 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 | 369,521 | 916,791 |
| Investment securities (Amortized cost and Fair value through OCI) | 18,400 | 49,546 | 1,000 | 36,929 | 141,625 | 256,905 |
| Total assets | 843,621 | 266,484 | 364,780 | 163,455 | 511,146 | 2,158,890 |
| Financial liabilities | | | | | | |
| Customer deposits | 967,296 | 42,787 | 334 | 1,399 | - | 1,011,816 |
| On-lending facilities | 1,142 | - | 270 | - | 54,654 | 56,066 |
| Borrowings | 318 | - | - | 697 | 14,123 | 15,138 |
| Total liabilities | 968,756 | 42,787 | 604 | 2,096 | 68,777 | 1,083,020 |
| Total interest repricing gap | (125,135) | 223,696 | 364,177 | 161,359 | 442,369 | 1,075,870 |

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.

| | 2013 | 2012 |
|---|---|---|
| Effect of 100 basis points movement on profit before tax | 6,960 | 6,750 |

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 are 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 9.95 billion (cost 6.4 billion) as at 31 December 2013. 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*

| *In millions of Naira* | At 31 December 2013 Carrying value | At 31 December 2013 Fair value | At 31 December 2012 Carrying value | At 31 December 2012 Fair value |
|---|---|---|---|---|
| Financial assets | | | | |
| Cash and balances with central banks | 603,851 | 603,851 | 332,51 | 332,515 |
| Due from other banks | 256,729 | 254,316 | 182,020 | 182,020 |
| Treasury bills (Amortized cost) | 586,441 | 580,929 | 669,164 | 648,284 |
| Debt securities (Amortized cost) | 290,191 | 279,926 | 289,938 | 247,897 |
| Loans and advances to customers ( gross) | 1,276,122 | 1,264,127 | 1,014,526 | 863,063 |
| Other assets ( gross) | 40,875 | 40,491 | 33,302 | 32,554 |
| Financial liabilities | | | | |
| Deposits from customers | 2,276,755 | 2,276,755 | 1,929,244 | 1,805,411 |
| Other liabilities | 215,643 | 213,616 | 117,355 | 111,614 |
| Borrowings | 60,150 | 60,002 | 15,138 | 10,483 |
| On-lending facilities | 59,528 | 59,382 | 56,066 | 38,826 |

(b) Bank

*(a) Financial instruments measured at amortised cost*

| *In millions of Naira* | At 31 December 2013 Carrying value | At 31 December 2013 Fair value | At 31 December 2012 Carrying value | At 31 December 2012 Fair value |
|---|---|---|---|---|
| Financial assets | | | | |
| Cash and balances with central banks | 587,793 | 587,793 | 313,546 | 313,546 |
| Due from other banks | 249,524 | 247,179 | 203,791 | 203,791 |
| Treasury bills (Amortized cost) | 572,598 | 557,331 | 647,474 | 648,284 |
| Debt securities (Amortized cost) | 201,280 | 194,160 | 247,500 | 176,341 |
| Loans and advances to customers ( gross) | 1,148,378 | 1,137,583 | 916,791 | 808,085 |
| Other assets ( gross) | 36,052 | 35,713 | 21,451 | 20,969 |
| Financial liabilities | | | | |
| Deposits from customers | 2,079,862 | 2,079,862 | 1,802,008 | 1,749,373 |
| Other liabilities | 201,265 | 199,373 | 115,027 | 108,130 |
| On-lending facilities | 59,528 | 37,965 | 15,138 | 10,483 |
| Borrowings | 60,150 | 60,002 | 56,066 | 38,827 |

*(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 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 2013

| *In millions of Naira* | Level 1 | Level 2 | Level 3 |
|---|---|---|---|
| Financial assets | | | |
| Derivative assets held for risk management | - | 2,681 | - |
| Bonds (FVTPL) | 2,280 | - | - |
| Investment securities (quoted) | - | - | - |
| Investment securities (unquoted) | - | - | 10,654 |
| | 2,280 | 2,681 | 10,654 |

Reconciliation of Level 3 items

| | |
|---|---|
| At 31 December 2012 | 9,405 |
| Gains/(losses) recognised through profit or loss | - |
| Gains/(losses) recognised through other comprehensive income | 549 |
| Purchases | 700 |
| Sales | - |
| Issues | - |
| Settlements | - |
| At 31 December 2013 | 10,654 |

| At 31 December 2012 | 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 |

| Sensitivity analysis of Level 3 items | At 31 December 2013 | | At 31 December 2012 | |
|---|---|---|---|---|
| | Favourable changes | Un- favourable changes | Favourable changes | Un- favourable changes |
| Financial assets | | | | |
| Unqouted investment securities | 525 | (525) | 333 | (333) |

The sensitivity analysis was determined based on 5% increase or decrease in profit of the investee company under normal operating conditions with all other variables held constant.

*(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 discounted cashflow methodology which takes into account the discounted stream of future income and free cashflows of the investment. Subsequently, the percentage holding of the Bank is then applied on the derived company value.

*(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 have 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:

*In millions of Naira*

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 and Behavioural bases. These reveal very sound and robust liquidity position of the Group.

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

| At 31 December 2012 | Up to 1 month | 1 - 3 months | 3 - 6 months | 6 - 12 months | Over 1 year | Total rate sensitive |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and balances with central banks | 279,040 | - | - | 324,811 | - | 603,851 |
| Treasury bills | 120,740 | 234,094 | 223,661 | 7,946 | - | 586,441 |
| Due from other banks | 256,729 | - | - | - | - | 256,729 |
| Derivative assets held for risk management | 2,681 | - | - | - | - | 2,681 |
| Loans and advances to customers (gross) | 496,418 | 69,133 | 52,286 | 74,612 | 583,673 | 1,276,122 |
| Investment securities | - | 39,384 | 151 | 70,755 | 192,835 | 303,125 |
| Investments in associates | - | - | - | - | 165 | 165 |
| Deferred tax assets | - | - | - | - | 749 | 749 |
| Other assets (gross) | 6,354 | - | 34,521 | - | - | 40,875 |
| Assets classified as held for sale | - | - | 30,454 | - | - | 30,454 |
| Property and equipment | - | - | - | 23,312 | 46,098 | 69,410 |
| Intangible assets | - | - | - | - | 1,935 | 1,935 |
| Total assets | 1,161,962 | 342,611 | 341,073 | 501,436 | 825,455 | 3,172,537 |
| **Liabilities** | | | | | | |
| Deposits from customers | 2,165,143 | 94,192 | 5,282 | 12,138 | - | 2,276,755 |
| Current income tax | - | - | - | 7,017 | - | 7,017 |
| Deferred tax | - | - | - | - | 678 | 678 |
| Other liabilities | 149,256 | - | - | 45,256 | 21,131 | 215,643 |
| On-lending facilities | 1,309 | 31,804 | 2,000 | 1,560 | 22,855 | 59,528 |
| Borrowings | - | - | - | - | 60,150 | 60,150 |
| Liabilities classified as held for sale | - | - | - | 14,111 | - | -14,111 |
| | 2,315,708 | 125,996 | 21,393 | 65,971 | 104,814 | 2,633,882 |
| Net liquidity gap | (1,153,746) | 216,615 | 319,680 | 435,465 | 720,641 | 538,655 |
| Cummulative gap | (1,153,746) | (937,131) | (617,451) | (181,986) | 538,655 | |

| At 31 December 2012 | Up to 1 Month | 1 - 3 months | 3 - 6 months | 6-12 months | Over 1 year | Total |
|---|---|---|---|---|---|---|
| *In millions of Naira* | | | | | | |
| Assets | | | | | | |
| Cash and balances with central banks | 129,969 | - | - | 202,546 | - | 332,515 |
| Treasury bills | 118,642 | 161,776 | 357,465 | 30,586 | 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 | 414,407 | 1,014,526 |
| Investment securities | 18,400 | 50,545 | 1,958 | 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 |
| Investment property | - | - | - | - | - | - |
| Property and equipment | - | - | - | 18,093 | 50,689 | 68,782 |
| Intangible assets | - | - | - | - | 1,406 | 1,406 |
| Total assets | 871,364 | 317,797 | 424,579 | 368,892 | 651,221 | 2,633,853 |
| Liabilities | | | | | | |
| Deposits from customers | 1,762,958 | 110,548 | 34,596 | 4,944 | 16,198 | 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 |
| On-lending facilities | 11,088 | 13,276 | - | 1,787 | 29,915 | 56,066 |
| Borrowings | 2,994 | 3,584 | - | 483 | 8,077 | 15,138 |
| 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 | (962,194) | 190,368 | 378,399 | 317,641 | 568,091 | 492,305 |
| Cummulative gap | (962,194) | (771,826) | (369,691) | (75,786) | 492,305 | |

(a) Bank

| At December 2013 | Up to 1 Month | 1 - 3 months | 3 - 6 months | 6-12 months | Over 1 year | Total |
|---|---|---|---|---|---|---|
| Assets | | | | | | |
| Cash and balances with central banks | 263,693 | - | - | 324,100 | - | 587,793 |
| Treasury bills | 119,240 | 233,546 | 213,066 | 6,746 | - | 572,598 |
| Due from other banks | 249,524 | - | - | - | - | 249,524 |
| Loans and advances to customers (gross) | 491,899 | 54,133 | 41,196 | 50,647 | 510,503 | 1,148,378 |
| Investment securities | - | 39,384 | 151 | 64,098 | 108,890 | 212,523 |
| Investment in subsidiaries | - | - | - | - | 24,375 | 24,375 |
| Investments in associates | - | - | - | - | 90 | 90 |
| Other assets (gross) | 10,991 | - | - | 25,061 | - | 36,052 |
| Assets classified as held for sale | - | - | - | 4,749 | - | 4,749 |
| Property and equipment | - | - | - | 23,313 | 44,051 | 67,364 |
| Intangible assets | - | - | - | - | 1,703 | 1,703 |
| Total assets | 1,135,347 | 327,063 | 254,413 | 498,714 | 689,612 | 2,905,149 |
| Liabilities | | | | | | |
| Deposits from customers | 1,985,581 | 84,050 | 211 | 10,020 | - | 2,079,862 |
| Current income tax | - | - | - | 5,266 | - | 5,266 |
| Other liabilities | 152,409 | | | 30,874 | 17,982 | 201,265 |
| On-lending facilities | 1,309 | 31,804 | 2,000 | 1,560 | 22,855 | 59,528 |
| Borrowings | - | - | - | - | 60,150 | 60,150 |
| | 2,139,299 | 115,854 | 2,211 | 47,720 | 100,987 | 2,406,071 |
| Net liquidity gap | (1,003,952) | 211,209 | 252,202 | 450,994 | 588,625 | 499,078 |
| Cumulative gap | (1,003,952) | (792,743) | (540,541) | (89,547) | 499,078 | |

| At 31 December 2012<br>*In millions of Naira* | Up to 1 Month | 1 - 3 months | 3 - 6 months | 6-12 months | Over 1 year | Total |
|---|---|---|---|---|---|---|
| Assets | | | | | | |
| Cash and balances with central banks | 133,929 | - | - | 179,617 | - | 313,546 |
| Treasury bills | 114,560 | 161,120 | 344,144 | 27,650 | - | 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 | 369,521 | 916,791 |
| Investment securities | 18,400 | 49,546 | 1,000 | 36,929 | 151,030 | 256,905 |
| Investment in subsidiaries | - | - | - | - | 24,375 | 24,375 |
| Investments in associates | - | - | - | - | 463 | 463 |
| 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 | 909,141 | 266,483 | 375,118 | 316,187 | 596,031 | 2,462,960 |
| Liabilities | | | | | | |
| Deposits from customers | 1,757,489 | 42,787 | 333 | 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 |
| On-lending facilities | 11,088 | 13,276 | - | 1,787 | 29,915 | 56,066 |
| Borrowings | 2,994 | 3,584 | - | 483 | 8,077 | 15,138 |
| Liabilities classified as held for sale | - | - | - | - | - | - |
| | 1,821,988 | 59,647 | 333 | 34,252 | 82,663 | 1,998,883 |
| Net liquidity gap | (912,847) | 206,836 | 374,785 | 281,935 | 513,368 | 464,077 |
| Cummulative gap | (912,847) | (706,011) | (331,226) | (49,291) | 464,077 | |

### 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 requirements 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 will only seek additional capital where it finds compelling business need for it and with the expectation that the returns would adequately match the efforts and risks undertaken.

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 2013 as well as the 2012 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.

| *In millions of Naira* | | Group 2013 | Group 2012 | Bank 2013 | Bank 2012 |
|---|---|---|---|---|---|
| **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 | | 57,762 | 45,199 | 57,710 | 45,198 |
| Contingency reserve | | 1,371 | 997 | - | - |
| SMEIES reserve | | 3,729 | 3,729 | 3,729 | 3,729 |
| Retained earnings | | 161,144 | 130,153 | 126,678 | 106,010 |
| Credit risk reserve | | 10,697 | 10,243 | 10,243 | 10,243 |
| Non- controlling interest | | 4,015 | 3,272 | - | - |
| Total qualifying Tier 1 capital | | 509,463 | 464,338 | 469,105 | 435,925 |
| Deferred tax assets | | (749) | (432) | - | - |
| Intangible assets | | (1,935) | (1,406) | (1,703) | (1,175) |
| Adjusted Total qualifying Tier 1 capital | | 506,779 | 462,500 | 467,402 | 434,750 |
| **Tier 2 capital** | | | | | |
| Revaluation reserve - investment | | 3,499 | 2,285 | 3,517 | 2,078 |
| Translation reserve | | (5,683) | (3,667) | - | - |
| Total qualifying Tier 2 capital | | (2,184) | (1,382) | 3,517 | 2,078 |
| Total regulatory capital | (A) | 504,595 | 461,118 | 470,919 | 436,828 |
| **Risk-weighted assets** | | | | | |
| On-balance sheet | | 1,456,562 | 1,166,719 | 1,329,965 | 1,079,887 |
| Off-balance sheet | | 493,442 | 385,941 | 466,134 | 353,438 |
| Total risk-weighted assets | (B) | 1,950,004 | 1,552,660 | 1,796,099 | 1,433,325 |
| **Risk-weighted Capital Adequacy Ratio (CAR)** | (A/B) | 26% | 30% | 26% | 30% |

### 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 Operational Risk Unit constantly carry out reviews to identify and assess 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.

There was no significant operational risk incidence during the financial year across the group.

### 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 by the inability of the organisation to enforce its rights, or by failure to address identified concerns to the appropriate authorities where changes in the law are proposed.

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

Legal risks management in the Group is also being enhanced by appropriate 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 rules and legislation in order to minimise the risk of a drop in the reputation of the Group.

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 of the timing and amount of future cash flows arising under insurance contracts. The timing is specifically influenced by future mortality, longevity, morbidity, persistency and expenses about which assumptions are made in order to place a value on the liabilities. Deviations from assumptions will result in actual 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 be 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 the 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 terminations 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 their 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 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 actuary, 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 the 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 liability 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 liquidity 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 are 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 true 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 the 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. Frequent 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, not 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; and
- 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 appropriately 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.

We continue to adopt a risk-based approach to managing our supply chain's sustainability impacts. We conduct an initial risk assessment of all new suppliers which allows us to determine whether the supplier, or its products and services, present a high level of risk in commercial, social, environmental or ethical terms. All suppliers assessed to be 'high risk' have specific requirements to address these risks included in their contracts with Zenith

*(h) Active Engagements*

In demonstrating our commitment to sustainability and greater market transparency, Zenith actively contributed to the development of the Nigeria Sustainability Banking Principles, which aims to introduce good practice for banks to consider and mitigate the environmental and social risks associated with their business operation; and deliver positive impacts to the society, while protecting the communities and environments in which the they operate.

The Group also 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, from 2012, the bank has been working 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.

## 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 reverse as at 31 December 2013, 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 | | | 30,415 |
| Other financial assets | | | 6,837 |
| | | | 37,252 |
| Impairment assessment under IFRS | | | |
| Loans and advances | | | |
| Specific allowance for impairment | 20(b) | 5,600 | |
| Collective allowance for impairment | 20(b) | 16,219 | |
| | | 21,819 | |
| Other financial assets | | | |
| Specific allowance for impairment on associated companies | 23 | 1,222 | |
| Specific allowance for impairment on other assets | 25 | 4,637 | |
| | | | (27,678) |
| Required credit reserve as at year end | | | 9,574 |

Although the expected closing credit risk reserve balance (as per the reconciliation above) is N 9.57 million, the credit risk reserve was left unchanged at N10,243 million because the Bank's directors are of the opinion that it is more prudent to maintain the credit risk reserve at the balance as at 31 December 2013.

## 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 separately 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*

*31 December 2013*

| | Nigeria | | | Outside Nigeria Banking | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Corporate, Retail Banking and Pensioncustodial Services (Continuing operations) | Treasury and Investment Banking (Discontinued operations) | Insurance (Discontinued operations) | Africa (Continuing operations) | Europe (Continuing operations) | Total reportable segments (Continuing operations) | Total reportable segments (Discontinued operations) | Total reportable segments | all other segments (Discontinued operations) | Eliminations | Consolidated |
| Revenue: | | | | | | | | | | | |
| Derived from external customers | 314,565 | 292 | 13,767 | 19,124 | 5,502 | 339,191 | 14,059 | 353,250 | 122 | - | 353,372 |
| Derived from other business segments | 1,193 | 220 | 1,919 | - | 2,976 | 4,169 | 2,139 | 6,308 | - | (8,210) | (1,902) |
| Total revenue* | 315,758 | 512 | 15,686 | 19,124 | 8,478 | 343,360 | 16,198 | 359,558 | 122 | (8,210) | 351,470 |
| Share of profit of associates | - | - | - | - | - | - | - | - | - | 118 | 118 |
| Interest expense | (68,471) | - | - | (4,838) | (3,793) | (77,102) | - | (77,102) | - | 6,306 | (70,796) |
| Impairment charge for credit losses | (9,907) | - | (109) | (1,160) | - | (11,067) | (109) | (11,176) | - | - | (11,176) |
| Operating and underwriting expenses | (139,074) | (75) | (11,664) | (6,426) | (1,696) | (147,196) | (11,739) | (158,935) | (84) | - | (159,019) |
| Profit before tax | 98,306 | 437 | 3,913 | 6,700 | 2,989 | 107,995 | 4,350 | 112,345 | 38 | (1,786) | 110,597 |
| Tax expense | (11,622) | (124) | (529) | (2,351) | (648) | (14,621) | (653) | (15,274) | (5) | - | (15,279) |
| | 86,684 | 313 | 3,384 | 4,349 | 2,341 | 93,374 | 3,697 | 97,071 | 33 | (1,786) | 95,318 |
| Capital expenditure** | 11,254 | - | 657 | 835 | 105 | 12,194 | 657 | 12,851 | - | - | 12,851 |
| Identifiable assets | 2,890,293 | 2,630 | 24,645 | 146,692 | 225,074 | 3,262,059 | 27,275 | 3,289,334 | 3,179 | (149,380) | 3,143,133 |
| Identifiable liabilities | 2,406,847 | 967 | 10,196 | 127,782 | 205,399 | 2,740,028 | 11,163 | 2,751,191 | 2,948 | (120,257) | 2,633,882 |

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

| 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 (Continuing operations) | Total reportable segments (Discontinued 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 | 298,782 | 7,768 | 306,550 | 532 | - | 307,082 |
| Derived from other business segments | 1,031 | 686 | 1,690 | - | 1,391 | 2,422 | 2,376 | 4,798 | 197 | (4,995) | - |
| Total revenue* | 282,332 | 1,423 | 8,721 | 13,591 | 5,281 | 301,204 | 10,144 | 311,348 | 729 | (4,995) | 307,082 |
| Share of profit of associates | - | - | - | - | - | - | - | - | - | 23 | 23 |
| Interest expense | (65,352) | - | - | (2,341) | (1,861) | (69,554) | - | (69,554) | - | 4,993 | (64,561) |
| Impairment charge for credit losses | (7,999) | - | (346) | (1,100) | - | (9,099) | (346) | (9,445) | - | - | (9,445) |
| Operating and underwriting expenses | (116,359) | (1,073) | (5,665) | (5,564) | (1,880) | (123,803) | (6,738) | (130,541) | (460) | 2 | (130,999) |
| Profit before tax | 92,622 | 350 | 2,710 | 4,586 | 1,540 | 98,748 | 3,060 | 101,808 | 269 | 23 | 102,100 |
| Tax expense | 828 | (216) | (741) | (874) | (416) | (462) | (957) | (1,419) | - | - | (1,419) |
| | 93,450 | 134 | 1,969 | 3,712 | 1,124 | 98,286 | 2,103 | 100,389 | 269 | 23 | 100,681 |
| Capital expenditure** | 11,785 | 7 | 100 | 644 | 607 | 13,036 | 107 | 13,143 | - | - | 13,143 |
| Identifiable assets | 2,445,596 | 10,315 | 21,015 | 89,112 | 155,336 | 2,690,044 | 31,330 | 2,721,374 | 2,427 | (119,297) | 2,604,504 |
| Identifiable liabilities | 2,000,083 | 2,870 | 6,516 | 73,836 | 138,772 | 2,212,691 | 9,386 | 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 and property and equipment during the year.

| *In millions of Naira* | Group 2013 | Group 2012 | Bank 2013 | Bank 2012 |
|---|---|---|---|---|
| **6 Interest and similar income** | | | | |
| Inter-bank placements | 4,655 | 5,031 | 7,468 | 6,170 |
| Treasury bills | 77,728 | 74,364 | 76,307 | 71,011 |
| Government and other bonds | 35,947 | 27,274 | 26,322 | 25,183 |
| Loans and advances to customers | 141,729 | 114,649 | 133,755 | 110,866 |
| | 260,059 | 221,318 | 243,852 | 213,230 |
| **7 Interest and similar expense** | | | | |
| Current accounts | 4,223 | 3,828 | 4,159 | 3,761 |
| Savings accounts | 3,825 | 1,507 | 3,772 | 1,459 |
| Time deposits | 58,812 | 57,533 | 59,082 | 58,942 |
| Inter-bank takings | 2,478 | 504 | - | - |
| Borrowed funds | 1,458 | 1,189 | 1,458 | 1,190 |
| | 70,796 | 64,561 | 68,471 | 65,352 |
| **8 Impairment charge for credit losses** | | | | |
| The net impairment charge for credit losses comprises: | | | | |
| Overdrafts (See Note 20) | 8,059 | 8,172 | 6,899 | 5,053 |
| Term loans(See Note 20) | 2,774 | 369 | 2,774 | 2,387 |
| On-lending facilities (See Note 20) | 179 | 525 | 179 | 525 |
| Advances under finance lease (See Note 20) | 55 | 33 | 55 | 33 |
| | 11,067 | 9,099 | 9,907 | 7,998 |
| **9 Fee and commission income** | | | | |
| Credit related fees | 11,206 | 9,892 | 9,033 | 7,682 |
| Commission on turnover | 27,033 | 27,938 | 26,076 | 27,185 |
| Income from financial guarantee contracts issued | 2,525 | 2,431 | 2,304 | 2,251 |
| Fees on electronic products | 2,509 | 3,637 | 2,411 | 3,566 |
| Foreign currency transaction fees and commissions | 1,329 | 1,092 | 1,167 | 1,031 |
| Other fees and commissions | 7,948 | 5,490 | 6,125 | 2,316 |
| | 52,550 | 50,480 | 47,116 | 44,211 |
| **10 Net gains on financial instruments measured at fair value through profit or loss** | | | | |
| Foreign exchange trading income | 20,945 | 18,186 | 18,763 | 15,707 |
| Treasury bill trading income | 778 | 415 | 778 | 415 |
| Bond trading income | 64 | 411 | 39 | 79 |
| | 21,787 | 19,012 | 19,580 | 16,201 |

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 2013 | Group 2012 | Bank 2013 | Bank 2012 |
|---|---|---|---|---|
| **11 Other income** | | | | |
| Dividend income from equity investments | 303 | 110 | 303 | 694 |
| Gain on disposal of property and equipment | 151 | 10 | 124 | 9 |
| Gain on disposal of investment property | - | 150 | - | 150 |
| Gain on disposal of subsidiary | - | 32 | - | 3,811 |
| Income on cash handling | 227 | 602 | 227 | 602 |
| Rental income | 73 | 134 | 73 | 134 |
| | 754 | 1,038 | 727 | 5,400 |
| **12 Operating expenses** | | | | |
| Auditors' remuneration | 420 | 320 | 329 | 250 |
| Directors' emoluments (Note 37(b)) | 675 | 726 | 429 | 281 |
| Deposit insurance premium | 8,279 | 7,588 | 8,279 | 7,588 |
| Professional fees | 1,891 | 1,419 | 1,621 | 1,256 |
| Training and development | 1,421 | 849 | 1,339 | 782 |
| Information technology | 3,389 | 1,770 | 3,154 | 1,728 |
| Operating leases | 2,496 | 2,200 | 1,882 | 1,579 |
| Advertisement | 3,370 | 6,709 | 3,241 | 6,557 |
| Bank charges | 1,166 | 833 | 1,025 | 783 |
| Fuel and maintenance | 9,472 | 8,476 | 8,604 | 7,454 |
| Insurances | 1,335 | 1,590 | 1,280 | 1,544 |
| Licenses, registrations and subscriptions | 2,383 | 2,039 | 2,242 | 1,939 |
| Travel and hotel expenses | 1,154 | 1,021 | 824 | 681 |
| Printing and stationery | 1,148 | 1,268 | 948 | 1,073 |
| Security and cash handling | 12,609 | 9,374 | 12,480 | 9,221 |
| Expenses on electronic products | 2,954 | 1,242 | 2,892 | 1,216 |
| AMCON premum | 17,553 | 6,507 | 17,553 | 6,507 |
| Others | 4,812 | 1,895 | 3,944 | 1,294 |
| | 76,527 | 55,826 | 72,066 | 51,733 |
| **13 Tax expense** | | | | |
| (a) Minimum tax expense (see note (c)(i) below) | 2,663 | 2,469 | 2,663 | 2,469 |
| (b) Income tax expense | | | | |
| Corporate tax | 4,363 | 2,648 | - | - |
| Excess dividend tax (see note (c)(ii) below) | 11,773 | - | 11,773 | - |
| Information technology tax | 941 | 940 | 941 | 940 |
| Current income tax - current period | 17,077 | 3,588 | 12,714 | 940 |
| Reversal of temporary deferred tax Differences (Note 24) | (5,119) | (5,595) | (4,683) | (5,164) |
| Income tax expense from continuing operations | 11,958 | (2,007) | 8,031 | (4,224) |
| Income tax expense from discontinued operations | 658 | 957 | - | - |
| Total Income tax expense | 12,616 | (1,050) | 8,031 | (4,224) |

| *In millions of Naira* | Group 2013 | Group 2012 | Bank 2013 | Bank 2012 |
|---|---|---|---|---|
| The movement in the current income tax payable balance is as follows: | | | | |
| At start of the year | 6,577 | 13,348 | 5,071 | 11,934 |
| Tax paid(continuing operations) | (18,690) | (12,799) | (15,182) | (10,272) |
| Tax effect of translation | (610) | (29) | - | |
| Minimum tax charge | 2,663 | 2,469 | 2,663 | 2,469 |
| Income tax charge | 17,077 | 3,588 | 12,714 | 940 |
| At end of the year | 7,017 | 6,577 | 5,266 | 5,071 |
| Total tax expense | 15,279 | 1,419 | 10,694 | (1,755) |

c(i) The Bank was assessed based on the minimum tax legislation for the years ended 31 December 2013 and 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 both 2013 and 2012 financial years yielded tax credit in its favour. Consequently, the Bank 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.

c(ii) During the year, the Bank was liable to excess dividend tax of N15.07 billion, representing 30% of N50.23 billion dividend paid as the Nigerian tax laws requires companies to pay tax calculated at 30% of the higher of taxable profit and dividend paid. However, in the 2012 financial statements, the Bank only accrued for tax of N2.50 billion based on minimum tax rule, as the Bank did not have taxable profit and the dividend was not yet approved as at the reporting date. Therefore, total income tax paid in 2013 was N14.2 billion, which was net of tax credits amounting to N 0.828 billion. The difference between total tax paid and minimum tax accrued which amounted to N11.73 billion was charged as tax expense in 2013 financial statements.

| *In millions of Naira* | Group 2013 | Group 2012 | Bank 2013 | Bank 2012 |
|---|---|---|---|---|
| **Reconciliation of effective tax rate** | | | | |
| Profit before income tax | 110,597 | 102,100 | 94,108 | 94,048 |
| Tax calculated at the weighted average Group rate of 30% (2012: 30%) | 33,179 | 30,630 | 28,232 | 28,214 |
| Effect of tax rates in foreign jurisdictions | (610) | (29) | - | - |
| Non-deductible expenses | 5,284 | 4,878 | 4,496 | 2,909 |
| Tax exempt income | (32,262) | (31,966) | (32,159) | (31,215) |
| Balancing charge | 41 | 7 | 41 | 7 |
| Tax loss effect | (328) | 367 | (328) | 367 |
| Tax effect Information technology levy | (282) | (282) | (282) | (282) |
| Information technology tax levy | 941 | 940 | 941 | 940 |
| Effect of deferred tax reversal | (5,119) | (5,595) | (4,683) | (5,164) |
| Excess dividend tax paid | 11,773 | - | 11,773 | - |
| Minimum tax | 2,663 | 2,469 | 2,663 | 2,469 |
| Income tax expense | 15,279 | 1,419 | 10,694 | (1,755) |

| *In millions of Naira* | Group 2013 | Group 2012 | Bank 2013 | Bank 2012 |
|---|---|---|---|---|
| **Tax rate reconciliation** | % | % | % | % |
| Tax charge as a percentage of profit before tax | 13.8 | 1.4 | 11.4 | (1.9) |
| Effect of tax rates in foreign jurisdictions | 1.0 | 0.0 | - | - |
| Non-deductible expenses | (4.8) | (4.8) | (4.8) | (3.1) |
| Tax exempt income | 29.2 | 31.3 | 34.2 | 33.2 |
| Balancing charge | (0.0) | (0.0) | (0.0) | (0.0) |
| Tax loss effect | 0.3 | (0.4) | 0.3 | (0.4) |
| Tax effect Information technology levy | 0.3 | 0.3 | 0.3 | 0.3 |
| Information technology tax levy | (0.9) | (0.9) | (1.0) | (1.0) |
| Effect of deferred tax reversal | 4.6 | 5.5 | 5.0 | 5.5 |
| Excess dividend tax paid | (10.6) | - | (12.5) | - |
| Minimum tax | (2.4) | (2.4) | (2.8) | (2.6) |
| **Standard rate of tax** | 30 | 30 | 30 | 30 |

## 14 Profit for the year from discontinued operations

| *In millions of Naira* | 2013 | 2012 |
|---|---|---|
| Interest and similar income | 2,349 | 3,066 |
| Interest and similar expense | - | - |
| Net interest income | 2,349 | 3,066 |
| Impairment charge for credit losses | (109) | (346) |
| Net interest income after impairment charge for credit losses | 2,240 | 2,720 |
| Fee and commission income | 253 | 810 |
| Underwriting profit | 4,270 | 3,934 |
| Gross premium income | 10,527 | 9,730 |
| Reinsurances/ coinsurances | (2,550) | (2,964) |
| Net premiums underwritten | 7,977 | 6,766 |
| Commission earned | 644 | 434 |
| Claims recovered | 2,367 | 1,185 |
| Claim expenses | (5,208) | (3,426) |
| Acquisition costs | (1,344) | (1,025) |
| Transfer to/ (from) profit and loss | (166) | - |
| Other income | 180 | 9 |
| Operating expenses | (2,555) | (3,965) |
| **Profit before tax on discontinued operations** | 4,388 | 3,508 |
| Taxation | (658) | (957) |
| **Profit after tax on discontinued operations** | 3,730 | 2,551 |
| **Basic and diluted earnings per share (discontinued operations)** | 12 k | 8 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 26 and 33 respectively.

*In millions of Naira*

## 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 2013 | Group 2012 | Bank 2013 | Bank 2012 |
|---|---|---|---|---|
| Profit attributable to shareholders of the Bank (total operations) **(N'million)** | 94,576 | 100,147 | 83,414 | 95,803 |
| Profit attributable to shareholders of the Bank (continuing operations) **(N'million)** | 91,411 | 98,044 | 83,414 | 95,803 |
| 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 and diluted earnings per share (total operations) | 301 k | 319 k | 266 k | 305 k |
| Basic and diluted earnings per share (continuing operations) | 291 k | 312 k | 266 k | 305 k |

## 16 Cash and balances with central banks

| | Group 2013 | Group 2012 | Bank 2013 | Bank 2012 |
|---|---|---|---|---|
| Cash | 44,512 | 42,123 | 38,521 | 37,832 |
| Operating accounts with Central Banks | 210,646 | 110,256 | 200,646 | 96,097 |
| Mandatory reserve deposits with central banks (cash reserve) | 348,693 | 180,136 | 348,626 | 179,617 |
| | 603,851 | 332,515 | 587,793 | 313,546 |

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 2013 | Group 2012 | Bank 2013 | Bank 2012 |
|---|---|---|---|---|
| Treasury bills (Amortized cost) | 586,441 | 669,164 | 572,598 | 647,474 |
| **Classified as:** | | | | |
| Current | 586,441 | 668,469 | 572,598 | 647,474 |
| Non-current | - | 695 | - | - |
| | 586,441 | 669,164 | 572,598 | 647,474 |

Included in treasury bills is N6.925 billion ( 2012: N6.92 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).

| | Group 2013 | Group 2012 | Bank 2013 | Bank 2012 |
|---|---|---|---|---|
| | 354,834 | 280,418 | 352,786 | 275,680 |

| *In millions of Naira* | Group 2013 | Group 2012 | Bank 2013 | Bank 2012 |
|---|---|---|---|---|

## 18 Due from other banks

| | Group 2013 | Group 2012 | Bank 2013 | Bank 2012 |
|---|---|---|---|---|
| a Current balances with banks within Nigeria | 11,384 | 8,358 | - | - |
| Current balances with banks outside Nigeria (see Note (b)) | 109,791 | 84,267 | 152,267 | 144,389 |
| Placements with banks and discount houses | 135,554 | 89,395 | 97,257 | 59,402 |
| | 256,729 | 182,020 | 249,524 | 203,791 |
| Classified as: | | | | |
| Current | 256,729 | 182,020 | 249,524 | 203,791 |
| Non-current | - | - | - | - |
| | 256,729 | 182,020 | 249,524 | 203,791 |

b. Included in balances with banks outside Nigeria is the amount of N64.96 billion and N64.96 billion for the Group and Bank respectively (2012: N38.45 billion and N38.44 billion respectively) 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.

## 19 Derivative assets held for risk management

The Group used cross currency swaps to hedge its foreign currency risks arising from indebtedness in foreign currency. During the year, Zenith Bank (Ghana) Limited entered into foreign currency swaps with the Bank of Ghana to hedge foreign currency risks arising from its indebtedness of USD 225 million to Zenith Bank (UK) Limited, at an agreed forward exchange rate of GH¢/USD 2.1725. The hedged cash flows are expected to occur in June 2014, when the contract terminates. Upon termination in June 2014, total expected net gain in the range of N1.7 billion (GH¢ 22 million ) and N4.3 billion (GH¢ 55 million) will be recognized in the statement of comprehensive income. In determining the expected net gains, spot rates ranging from GH¢/USD 2.300 to GH¢/USD 2.500 were projected.

During 2013, net gains of N2.01 billion relating to the fair value of the swap were recognised in other comprehensive income and no transfer was made between equity and profit or loss.

| *In millions of Naira* | Group 2013 | Group 2012 | Bank 2013 | Bank 2012 |
|---|---|---|---|---|
| **20 Loans and advances to customers** | | | | |
| Overdrafts | 351,642 | 270,672 | 321,361 | 252,107 |
| Term loans | 858,389 | 672,931 | 761,183 | 594,095 |
| On-lending facilities | 52,693 | 54,149 | 52,693 | 54,149 |
| Advances under finance lease | 13,398 | 16,774 | 13,141 | 16,440 |
| Gross loans and advances to customers | 1,276,122 | 1,014,526 | 1,148,378 | 916,791 |
| Less: Allowances for impairment | (24,767) | (24,712) | (21,819) | (21,437) |
| Specific allowances for impairment | (7,972) | (10,601) | (5,600) | (8,368) |
| Collective allowance for impairment | (16,795) | (14,111) | (16,219) | (13,069) |
| Net loans and advances to customers | 1,251,355 | 989,814 | 1,126,559 | 895,354 |
| **Overdrafts** | | | | |
| Gross overdrafts | 351,642 | 270,672 | 321,361 | 252,107 |
| Less: Allowances for impairment | (15,634) | (17,896) | (12,890) | (14,777) |
| Specific allowances for impairment | (5,867) | (9,713) | (3,695) | (7,634) |
| Collective allowance for impairment | (9,767) | (8,183) | (9,195) | (7,143) |
| Net overdrafts | 336,008 | 252,776 | 308,471 | 237,330 |
| **Term loans** | | | | |
| Gross term loans | 858,389 | 672,931 | 761,184 | 594,095 |
| Less: Allowances for impairment | (8,280) | (5,875) | (8,076) | (5,719) |
| Specific allowances for impairment | (1,926) | (888) | (1,726) | (734) |
| Collective allowance for impairment | (6,354) | (4,987) | (6,350) | (4,985) |
| Net term loans | 850,109 | 667,056 | 753,108 | 588,376 |
| **On- lending facilities** | | | | |
| Carrying amount | 52,693 | 54,149 | 52,693 | 54,149 |
| Less: Allowances for impairment | (714) | (857) | (714) | (857) |
| Specific allowances for impairment | (179) | - | (179) | - |
| Collective allowance for impairment | (535) | (857) | (535) | (857) |
| Net on-lending facilities | 51,979 | 53,292 | 51,979 | 53,292 |
| **Advances under finance lease** | | | | |
| Carrying amount | 13,398 | 16,774 | 13,141 | 16,440 |
| Less: Collective allowance for impairment | (139) | (84) | (139) | (84) |
| Net advance under finance lease | 13,259 | 16,690 | 13,002 | 16,356 |
| Gross Loans classified as: | | | | |
| Current | 692,449 | 600,119 | 637,875 | 547,270 |
| Non-current | 583,673 | 414,407 | 510,503 | 369,521 |
| | 1,276,122 | 1,014,526 | 1,148,378 | 916,791 |

*In millions of Naira*

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

| | Overdrafts | Term loans | On-lending Facilities | Advances under finance lease | Total |
|---|---|---|---|---|---|
| Balance at 1 January 2013 | 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 |
| Additional impairment charge for the year | 8,059 | 2,774 | 179 | 55 | 11,067 |
| Specific impairment | 5,136 | 990 | 179 | - | 6,305 |
| Collective impairment | 2,923 | 1,784 | - | 55 | 4,762 |
| Write-backs | 2 | 45 | - | - | 47 |
| Foreign currency translation and other adjustments | (526) | 3 | - | - | (523) |
| Write-offs (specific) | (8,458) | - | - | - | (8,458) |
| Write-offs (collective) * | (1,339) | (417) | (322) | - | (2,078) |
| Balance at 31 December 2013 | 15,634 | 8,280 | 714 | 139 | 24,767 |
| Specific impairment | 5,867 | 1,926 | 179 | - | 7,972 |
| Collective impairment | 9,767 | 6,354 | 535 | 139 | 16,795 |
| 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 |

*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 2013 | 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 |
| Additional impairment charge for the year | 6,899 | 2,774 | 179 | 55 | 9,907 |
| Specific impairment | 3,508 | 992 | 179 | - | 4,679 |
| Collective impairment | 3,391 | 1,782 | - | 55 | 5,228 |
| Write-offs (specific) | (7,447) | - | - | - | (7,447) |
| Write-offs (collective) * | (1,339) | (417) | (322) | - | (2,078) |
| Balance at 31 December 2013 | 12,890 | 8,076 | 714 | 139 | 21,819 |
| Specific impairment | 3,695 | 1,726 | 179 | - | 5,600 |
| Collective impairment | 9,195 | 6,350 | 535 | 139 | 16,219 |

* Impaired loans that are not individually significant are included in the collective impairment. Therefore, when such loans are written off, the cummulative impairment on them are taken from the collective impairment reserve.

| | 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) |
| Amounts recovered during the year | - | - | - | - | - |
| impairment no longer required | - | - | - | - | - |
| 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 |

| *In millions of Naira* | Group 2013 | Group 2012 | Bank 2013 | Bank 2012 |
|---|---|---|---|---|
| **Advances under finance lease** | | | | |
| Gross investment | 19,381 | 23,342 | 19,058 | 22,478 |
| Less: Unearned income | (5,983) | (6,568) | (5,917) | (6,038) |
| Net Investment | 13,398 | 16,774 | 13,141 | 16,440 |
| The net investment is analysed as follows: | | | | |
| No later than 1 year | 2,177 | 281 | 2,062 | 281 |
| Later than 1 year and no later than 5 years | 11,221 | 16,493 | 11,079 | 16,159 |
| | 13,398 | 16,774 | 13,141 | 16,440 |
| The nature of security in respect of loans and advances is as follows: | | | | |
| Secured against real estate | 177,379 | 164,620 | 152,379 | 140,789 |
| Secured by shares of quoted companies | 32,482 | 11,217 | 17,482 | 8,666 |
| Cash collateral, lien over fixed and floating assets, e.t.c | 838,422 | 788,155 | 788,422 | 728,208 |
| Unsecured | 227,839 | 50,534 | 190,095 | 39,128 |
| | 1,276,122 | 1,014,526 | 1,148,378 | 916,791 |
| **Reconciliation of gross investment to minimum lease rental payments** | | | | |
| Gross investment | 19,381 | 23,342 | 19,058 | 22,478 |
| Less: Unearned income | (5,983) | (6,568) | (5,917) | (6,038) |
| Net Investment | 13,398 | 16,774 | 13,141 | 16,440 |
| Impairment on leases | (139) | (84) | (139) | (84) |
| Present value of minimum lease payments | 13,259 | 16,690 | 13,002 | 16,356 |

## 21 Investment securities

### (a) Analysis of investments

| | Group 2013 | Group 2012 | Bank 2013 | Bank 2012 |
|---|---|---|---|---|
| Debt securities (measured at amortised cost) | 290,191 | 289,938 | 201,280 | 247,500 |
| Debt securities (measured at fair value through profit or loss) | 2,280 | - | 589 | - |
| Equity securities (measured at fair value through other comprehensive income) | 10,654 | 9,405 | 10,654 | 9,405 |
| | 303,125 | 299,343 | 212,523 | 256,905 |
| **Classified as:** | | | | |
| Current | 110,290 | 116,186 | 103,633 | 105,875 |
| Non- current | 192,835 | 183,157 | 108,890 | 151,030 |
| | 303,125 | 299,343 | 212,523 | 256,905 |

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

| | Group 2013 | Group 2012 | Bank 2013 | Bank 2012 |
|---|---|---|---|---|
| Unquoted securities | 10,654 | 9,405 | 10,654 | 9,405 |
| | 10,654 | 9,405 | 10,654 | 9,405 |

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.

*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 2013 | | 289,938 | 9,405 | 299,343 |
| Exchange differences | 71 | (1,318) | - | (1,247) |
| Additions | 172,320 | 109,387 | 700 | 282,407 |
| Disposals (sale and redemption) | (170,178) | (112,101) | - | (282,279) |
| Gains from changes in fair value recognised in profit or loss (Note10) | 64 | - | - | 64 |
| Gains from changes in fair value recognised in other comprehensive income | - | - | 549 | 549 |
| Interest accrued | 166 | 35,947 | - | 36,113 |
| Coupon received | (163) | (31,662) | - | (31,825) |
| At 31 December 2013 | 2,280 | 290,191 | 10,654 | 303,125 |
| | | | | |
| At 1 January 2012 | - | 298,841 | 9,390 | 308,231 |
| Exchange differences on monetary assets | - | (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 |

*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 2013 | - | 247,500 | 9,405 | 256,905 |
| Exchange differences | - | - | - | - |
| Additions | 169,217 | 53,408 | 700 | 223,325 |
| Disposals (sale and redemption) | (168,670) | (99,329) | - | (267,999) |
| Gains from changes in fair value recognised in profit or loss (Note10) | 39 | - | - | 39 |
| Gains from changes in fair value recognised in other comprehensive income | - | - | 549 | 549 |
| Interest accrued | 166 | 26,322 | - | 26,488 |
| Coupon received | (163) | (26,621) | - | (26,784) |
| At 31 December 2013 | 589 | 201,280 | 10,654 | 212,523 |

| | 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 on monetary assets | - | - | - | - |
| 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 |

## 22 Investment in subsidiaries

| | | Ownership interest % | Group 2013 | Group 2012 | Bank 2013 | Bank 2012 |
|---|---|---|---|---|---|---|
| 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 | 13,307 |
| | Zenith Bank (Sierra Leone) Limited | 99.9928% | - | - | 1,606 | 1,606 |
| | Zenith Bank (Gambia) Limited | 99.9624% | - | - | 1,038 | 1,038 |
| | | | - | - | 24,375 | 24,375 |

b. Condensed results of consolidated entities from continuing operations

*In millions of Naira*

December 2013

| 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 | 335,150 | (6,307) | 309,371 | 17,745 | 8,473 | 795 | 585 | 4,484 |
| Share of profit of associate | 118 | - | - | - | - | - | - | - |
| Dividend from subsidiary | - | - | 1,904 | - | - | - | - | - |
| Operating expenses | (217,992) | 6,308 | (207,260) | (10,030) | (5,489) | (664) | (524) | (287) |
| Provision expense | (11,067) | - | (9,907) | (1,139) | - | - | (21) | - |
| Profit before tax | 106,209 | 1 | 94,108 | 6,576 | 2,984 | 131 | 40 | 4,197 |
| Tax | (14,621) | - | (10,695) | (2,275) | (648) | (45) | (32) | (926) |
| Profit for the year | 91,588 | 1 | 83,413 | 4,301 | 2,336 | 86 | 8 | 3,271 |
| **Condensed statement of financial position** | | | | | | | | |
| **Assets** | | | | | | | | |
| Cash and balances with central banks | 603,851 | (3,004) | 587,793 | 8,892 | 8,775 | 992 | 403 | - |
| Treasury bills | 586,441 | - | 572,598 | 8,517 | 468 | 3,212 | 1,646 | - |
| Due from other banks | 256,729 | (61,651) | 249,524 | 18,162 | 34,660 | 3,491 | 1,162 | 11,381 |
| Derivative assets held for risk management | 2,681 | | | | | | | |
| Loans and advances to customers | 1,251,355 | 1,982 | 1,126,559 | 46,271 | 74,961 | 738 | 844 | - |
| Investment securities | 303,125 | - | 212,523 | 41,070 | 49,532 | - | - | - |
| Investment in subsidiaries and associates | 165 | (24,300) | 24,465 | - | - | - | - | - |
| Deferred tax asset | 749 | 670 | - | 40 | 39 | - | - | - |
| Other assets | 36,238 | (55,604) | 31,415 | 3,373 | 56,380 | 216 | 67 | 391 |
| Assets classified as held for sale | 30,454 | 25,705 | 4,749 | - | - | - | - | - |
| Property and equipment | 69,410 | 2 | 67,364 | 1,249 | 135 | 313 | 213 | 134 |
| Intangible assets | 1,935 | (1) | 1,703 | - | 125 | 8 | 59 | 41 |
| | 3,143,133 | (116,201) | 2,878,693 | 127,574 | 225,075 | 8,970 | 4,394 | 11,947 |
| **Liabilities & Equity** | | | | | | | | |
| Customer deposits | 2,276,755 | (17,827) | 2,079,862 | 111,474 | 92,723 | 7,592 | 2,931 | - |
| Current income tax | 7,017 | - | 5,266 | 726 | - | 45 | 19 | 961 |
| Deferred income tax liabilities | 678 | 670 | - | - | - | - | - | 8 |
| Other liabilities | 215,643 | (100,449) | 201,265 | 1,191 | 112,676 | 310 | 495 | 155 |
| On-lending facilities | 59,528 | - | 59,528 | - | - | - | - | - |
| Borrowings | 60,150 | - | 60,150 | - | - | - | - | - |
| Liabilities classified as held for sale | 14,111 | 14,111 | - | - | - | - | - | - |
| Equity and reserves | 509,251 | (12,707) | 472,622 | 16,865 | 19,676 | 1,023 | 949 | 10,823 |
| | 3,143,133 | (116,202) | 2,878,693 | 130,256 | 225,075 | 8,970 | 4,394 | 11,947 |
| **Condensed cash flow** | | | | | | | | |
| Net cash from operating activities | 265,580 | (35,630) | 235,619 | 39,776 | 14,336 | 5,493 | 394 | 5,592 |
| Net cash from financing activities | (1,704) | (195) | (1,760) | - | - | 251 | - | - |
| Net cash from investing activities | (10,526) | 44,770 | (5,782) | (41,075) | (9,236) | 172 | 140 | 485 |
| Increase in cash and cash equivalents | 253,350 | 8,945 | 228,077 | (1,299) | 5,100 | 5,916 | 534 | 6,077 |
| **Cash and cash equivalents** | | | | | | | | |
| At start of year | 614,817 | (45,651) | 613,400 | 33,165 | 4,143 | 1,779 | 2,677 | 5,304 |
| Cash and cash equivalents from discontinued operations | 143 | 143 | - | - | - | - | - | - |
| Exchange rate movements on cash and cash equivalents | (1,589) | (1,589) | - | - | - | - | - | - |
| At end of year | 866,721 | (38,152) | 841,477 | 31,866 | 9,243 | 7,695 | 3,211 | 11,381 |
| | 253,350 | 8,945 | 228,077 | (1,299) | 5,100 | 5,916 | 534 | 6,077 |

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

*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** | | | | | | | | |
| 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 |

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 26).

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 26).

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 26).

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 26).

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 26).

*In millions of Naira*

## 23 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.

| | Group 2013 | Group 2012 | Bank 2013 | Bank 2012 |
|---|---|---|---|---|
| Gross investment | 1,822 | 1,822 | 1,822 | 1,822 |
| Share of profit/(loss) b/f | (43) | (66) | - | - |
| Share of profit: current year | 118 | 23 | - | - |
| Disposals (cumulative) | (510) | (508) | (510) | (508) |
| Diminution in investment (cumulative) | (1,222) | (851) | (1,222) | (851) |
| Balance at end of the year | 165 | 420 | 90 | 463 |
| **Classified as:** | | | | |
| Current | - | - | - | - |
| Non- current | 165 | 420 | 90 | 463 |
| | 165 | 420 | 90 | 463 |

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.

### Summarised financial information of associates

The aggregate amounts of assets, liabilities, revenue and profits of associates are shown below;

| | 2013 | 2012 |
|---|---|---|
| Total assets | 12,355 | 8,704 |
| Total liabilities | 7,599 | 4,490 |
| Total revenue | 15,874 | 11,611 |
| Profit before tax | 2,551 | 475 |

## 24 Deferred tax

| Group | 01 Jan 2013 | Recognised in profit or loss | Recognised in OCI | 31 Dec 2013 |
|---|---|---|---|---|
| Movements in temporary differences during the year: | | | | |
| Property and equipment | 9,995 | (9,998) | - | (3) |
| Other assets | 11 | - | - | 11 |
| Allowances for loan losses | (5,312) | 5,312 | - | - |
| Equity securities at fair value | 890 | - | (890) | - |
| Foreign currency translation difference | - | - | (90) | (90) |
| Effective Portion of change in fair value of cash flow hedge | - | - | 760 | 760 |
| | 5,584 | (4,686) | (220) | 678 |
| Foreign currency translation difference | | (116) | | |
| Tax loss carried forward (Deferred tax asset) | (432) | (317) | - | (749) |
| Reversal of timing difference (Note 13) | | (5,119) | | |

| *In millions of Naira* | 01 Jan 2012 | Recognised in profit or loss | in OCI | Recognised 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 exchange differences | | | | |
| Tax loss carried forward (Deferred tax asset) | (186) | (246) | - | (432) |
| Originating timing difference (Note 13) | | (5,595) | | |

| Bank | 01 Jan 2013 | Recognised in profit or loss | Recognised in OCI | 31 Dec 2013 |
|---|---|---|---|---|
| Movements in temporary differences during the year: | | | | |
| Property and equipment | 9,995 | (9,995) | - | - |
| Allowances for loan losses | (5,312) | 5,312 | - | - |
| Equity securities at fair value | 890 | - | (890) | - |
| | 5,573 | (4,683) | (890) | - |

| | 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 |

During the year, deferred tax liabilities amounting to N5.57 billion (N4.6 billion initially recognized in profit or loss and N0.89 billion initially recognized in OCI) were reversed as the Group had deferred tax assets as at the reporting date.

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.

In 2013, the Bank had deferred tax assets amounting to N7.3 billion, which have not been recognized due to uncertainties relating to the timing of future taxable profits, mainly arising from the Bank's investment in Government bonds and securities (See note 13 c(i)). These were in respect of the following items .

| *In millions of Naira* | Group 2013 | Group 2012 | Bank 2013 | Bank 2012 |
|---|---|---|---|---|
| Property, plant and equipment | 5,552 | - | 5,552 | - |
| Equity securities at fair value | 1,055 | - | 1,055 | - |
| Unutilized Capital allowances | (7,611) | - | (7,611) | - |
| Collective impairment | (6,257) | - | (6,257) | - |
| Tax losses | (38) | - | (38) | - |
| | (7,299) | - | (7,299) | - |

| *In millions of Naira* | Group 2013 | Group 2012 | Bank 2013 | Bank 2012 |
|---|---|---|---|---|
| **25 Other assets** | | | | |
| Prepayments | 14,265 | 13,971 | 13,064 | 13,467 |
| Other receivables | 26,610 | 19,331 | 22,988 | 7,984 |
| Gross other assets | 40,875 | 33,302 | 36,052 | 21,451 |
| Less: Specific impairment | (4,637) | (4,637) | (4,637) | (4,637) |
| | 36,238 | 28,665 | 31,415 | 16,814 |
| Classified as: | | | | |
| Current | 40,875 | 33,287 | 36,052 | 21,451 |
| Non- current | - | 15 | - | - |
| | 40,875 | 33,302 | 36,052 | 21,451 |
| Movement in specific impairment: | | | | |
| At start of year | 4,637 | 3,357 | 4,637 | 3,357 |
| Specific impairment | - | 1,280 | - | 1,280 |
| At end of the year | 4,637 | 4,637 | 4,637 | 4,637 |
| **26 Assets classified as held for sale** | | | | |
| Investment in subsidiaries (see Note 22(c)) | - | - | 4,749 | 10,338 |
| Cash and balances with central banks | 500 | 500 | - | - |
| Treasury bills | 11,076 | 7,696 | - | - |
| Due from other banks | 11,875 | 15,398 | - | - |
| Loans and advances | 59 | 484 | - | - |
| Reinsurance assets and insurance receivables | 1,112 | 499 | - | - |
| Investment securities | 2,915 | 5,520 | - | - |
| Deferred tax assets | 1 | 1,065 | - | - |
| Other assets | 1,861 | 261 | - | - |
| Property and equipment | 1,026 | 474 | - | - |
| Intangible assets | 29 | 46 | - | - |
| | 30,454 | 31,943 | 4,749 | 10,338 |

In line with regulatory directives on the scope of banking operations in Nigeria, the Bank has elected to discontinue its non-core banking operations with the exception of Pension Custodianship. Accordingly, non-core banking subsidiaries which have not been disposed of have been accounted for as discontinued operations in line with IFRS 5. These non-core banking subsidiaries are the Insurance operations (Zenith General Insurance Company Limited, Zenith Life Assurance Company Limited, and Zenith Medicare Limited) and the capital market operations (Zenith Capital Limited, Zenith Securities Limited and Zenith Trustees Limited).

For the insurance operations (in which the group holds 80% stake), discussion with the potential buyers is in an advanced stage and sale agreements and shareholders' agreement has already been signed with two different potential investors interested in acquiring different stakes. Prior to entering into a firm sale and purchase agreement with these investors, several investors have undertaken due diligence exercises on the company and made purchase offers. The only two potential investors whose offers were acceptable to the group, placed an additional condition of carrying out a revised due diligence based on the audited financial statements of the companies as at 31 December 2013. Subsequent to year end, the potential investors have concluded the revised due diligence and one of the investors has made payment for 45% stake in the insurance sub group. The sale of the remaining 35% is expected to be concluded before the end of the first half of 2014.

For the subsidiaries within the capital market operations, a restructuring of their balance sheets was concluded in December 2013. The restructuring resulted in reduction in the share capital of Zenith Securities Limited and Zenith Capital Limited by N2.9 billion and N2.7 billion respectively, amounting to the total reduction in investment in subsidiaries by N5.6 billion. Having concluded the restructuring exercise, the potential investors have commenced a due diligence review based on the 2013 financial statements. In March 2014, the sale of the subsidiaries was concluded.

*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 | 16,484 | 18,219 | 12,955 | 34,523 | 20,934 | 13,805 | 17,529 | 134,449 |
| Exchange difference | - | (32) | (119) | (137) | (157) | (110) | (69) | (624) |
| Additions | 349 | 1,403 | 625 | 3,646 | 1,623 | 2,599 | 527 | 10,772 |
| Reclassifications | (363) | 1,172 | 59 | 42 | 41 | 108 | (1,118) | (59) |
| Disposals | - | - | (14) | (38) | (18) | (1,138) | - | (1,208) |
| At end of the year | 16,470 | 20,762 | 13,506 | 38,036 | 22,423 | 15,264 | 16,869 | 143,330 |
| **Accumulated depreciation** | | | | | | | | |
| At start of the year | 1,235 | 2,656 | 9,665 | 23,352 | 18,478 | 10,281 | - | 65,667 |
| Exchange difference | - | (2) | (76) | (103) | (125) | (66) | - | (372) |
| Charge for the year | 163 | 374 | 1,313 | 4,298 | 1,888 | 1,730 | - | 9,766 |
| Reclassifications | (46) | 48 | (4) | 13 | (10) | (1) | - | - |
| Disposals | - | - | (14) | (37) | (18) | (1,072) | - | (1,141) |
| At end of the year | 1,352 | 3,076 | 10,884 | 27,523 | 20,213 | 10,872 | - | 73,920 |
| ***Net book amount*** | | | | | | | | |
| At 31 December 2013 | 15,118 | 17,686 | 2,622 | 10,513 | 2,210 | 4,392 | 16,869 | 69,410 |
| At 31 December 2012 | 15,249 | 15,563 | 3,290 | 11,171 | 2,456 | 3,524 | 17,529 | 68,782 |

There were no impairment losses on any class of property and equipment during the year (2012 : 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 | 16,484 | 18,130 | 11,177 | 33,284 | 19,937 | 13,012 | 17,188 | 129,212 |
| Additions | 349 | 1,257 | 468 | 3,517 | 1,476 | 2,359 | 400 | 9,826 |
| Reclassifications | (363) | 1,032 | 58 | 41 | (1) | 108 | (934) | (59) |
| Disposals | - | - | (14) | (38) | (18) | (1,029) | - | (1,099) |
| At end of the year | 16,470 | 20,419 | 11,689 | 36,804 | 21,394 | 14,450 | 16,654 | 137,880 |
| Accumulated depreciation | | | | | | | | |
| At start of the year | 1,235 | 2,645 | 8,687 | 22,512 | 17,691 | 9,791 | - | 62,561 |
| Charge for the year | 163 | 369 | 1,072 | 4,106 | 1,730 | 1,575 | - | 9,015 |
| Reclassifications | (46) | 48 | (4) | 13 | (10) | (1) | - | - |
| Disposals | - | - | (14) | (37) | (17) | (992) | - | (1,060) |
| At end of the year | 1,352 | 3,062 | 9,741 | 26,594 | 19,394 | 10,373 | - | 70,516 |
| *Net book amount* | | | | | | | | |
| **At 31 December 2013** | **15,118** | **17,357** | **1,948** | **10,210** | **2,000** | **4,077** | **16,654** | **67,364** |
| At 31 December 2012 | 15,249 | 15,485 | 2,490 | 10,772 | 2,246 | 3,221 | 17,188 | 66,651 |

There were no impairment losses on any class of property and equipment during the year (2012 : nil)

| *In millions of Naira* | Group 2013 | Group 2012 | Bank 2013 | Bank 2012 |
|---|---|---|---|---|
| **28 Intangible assets** | | | | |
| **Computer software** | | | | |
| **Cost** | | | | |
| At start of the year | 3,661 | 1,969 | 2,981 | 1,843 |
| Exchange difference | 18 | (17) | - | - |
| Reclassification | 59 | - | 59 | - |
| Additions | 1,421 | 1,709 | 1,313 | 1,138 |
| At end of the year | 5,159 | 3,661 | 4,353 | 2,981 |
| **Accumulated depreciation** | | | | |
| At start of the year | 2,255 | 1,199 | 1,806 | 1,182 |
| Exchange difference | 18 | (3) | - | - |
| Charge for the year | 951 | 1,059 | 844 | 624 |
| At end of year | 3,224 | 2,255 | 2,650 | 1,806 |
| **Carrying amount** | | | | |
| At end of the year | 1,935 | 1,406 | 1,703 | 1,175 |

There were no impairment losses on intangible assets during the year (2012 : nil)

| | Group 2013 | Group 2012 | Bank 2013 | Bank 2012 |
|---|---|---|---|---|
| **29 Customers' deposits** | | | | |
| Demand | 1,293,778 | 1,171,216 | 1,229,706 | 1,140,494 |
| Savings | 192,281 | 152,464 | 174,184 | 140,973 |
| Term | 439,466 | 336,927 | 419,751 | 328,965 |
| Deposit from banks | 64,335 | 48,580 | - | - |
| Domiciliary | 286,895 | 220,057 | 256,221 | 191,576 |
| | 2,276,755 | 1,929,244 | 2,079,862 | 1,802,008 |
| Classified as: | | | | |
| Current | 2,276,755 | 1,913,046 | 2,079,862 | 1,802,008 |
| Non- current | - | 16,198 | - | - |
| | 2,276,755 | 1,929,244 | 2,079,862 | 1,802,008 |

| | Group 2013 | Group 2012 | Bank 2013 | Bank 2012 |
|---|---|---|---|---|
| **30 Other liabilities** | | | | |
| Customer deposits for letters of credit | 32,276 | 38,450 | 32,276 | 38,442 |
| Settlement payables | 14,094 | 2,875 | 13,841 | 2,760 |
| Managers' cheques | 13,063 | 14,996 | 12,659 | 14,733 |
| Due to banks for clean letters of credit | 98,743 | 36,300 | 98,743 | 36,300 |
| Customers' funds for purchases | 2,963 | 2,581 | 2,927 | 2,559 |
| Deferred income on financial guarantee contracts | 389 | 434 | 349 | 402 |
| Tax collections | 1,336 | 1,295 | 1,289 | 1,255 |
| Sales and other collections | 19,272 | 7,884 | 19,272 | 7,884 |
| Other payables | 33,507 | 12,540 | 19,909 | 10,692 |
| | 215,643 | 117,355 | 201,265 | 115,027 |
| **Classified as:** | | | | |
| Current | 194,512 | 93,999 | 183,283 | 75,929 |
| Non- current | 21,131 | 23,356 | 17,982 | 39,098 |
| | 215,643 | 117,355 | 201,265 | 115,027 |

| *In millions of Naira* | Group 2013 | Group 2012 | Bank 2013 | Bank 2012 |
|---|---|---|---|---|
| **31 On-lending facilities** | | | | |
| This comprises: | | | | |
| Central Bank of Nigeria (CBN) Commercial Agriculture Credit Scheme Loan (See (i)) below | 29,905 | 23,955 | 29,905 | 23,955 |
| Bank of Industry (BOI) Intervention Loan (See (ii)) below | 14,417 | 14,670 | 14,417 | 14,670 |
| Central Bank of Nigeria (CBN) / Bank of Industry(BOI) - Power & Aviation intervention Funds (See (iii)) below | 15,206 | 17,441 | 15,206 | 17,441 |
| | 59,528 | 56,066 | 59,528 | 56,066 |
| **Classified as:** | | | | |
| Current | 36,673 | 26,151 | 36,673 | 26,151 |
| Non- current | 22,855 | 29,915 | 22,855 | 29,915 |
| | 59,528 | 56,066 | 59,528 | 56,066 |

There was no undisbursed on-lending facility in 2013. Included in on-lending facilities in 2012 were amount totaling N1.9 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.

| *In millions of Naira* | Group 2013 | Group 2012 | Bank 2013 | Bank 2012 |
|---|---|---|---|---|
| **32 Borrowings** | | | | |
| Borrowings comprise: | | | | |
| Due to FMO | - | - | - | - |
| Due to ADB (See Note(i)) | 7,445 | 11,957 | 7,445 | 11,957 |
| Due to KEXIM(See Note(ii)) | 3,440 | 313 | 3,440 | 313 |
| Due to EIB | 4,331 | - | 4,331 | - |
| Due to HSBC | - | - | - | - |
| Due to PROPARCO (See Note(iii)) | 13,264 | 2,183 | 13,264 | 2,183 |
| Due to SCB (See Note(iv)) | 15,876 | - | 15,876 | - |
| Due to CITIBANK (See Note(v)) | 15,794 | | 15,794 | |
| Due to Private Exporters Funding Corporation(See Note (vi)) | - | 685 | - | 685 |
| | 60,150 | 15,138 | 60,150 | 15,138 |
| **Classified as:** | | | | |
| Current | - | 7,061 | - | 7,061 |
| Non- current | 60,150 | 8,077 | 60,150 | 8,077 |
| | 60,150 | 15,138 | 60,150 | 15,138 |

The Group has not had any defaults of principal, interest or other breaches with respect to their liabilities during the period (2012: nil).

(i) The amount due to African Development Bank (AfDB) of N7.48 billion (US $45.83 million) represents the outstanding balances from two dollar term loan facilities of the sums of US $100 million and US $50 million granted by AfDB in May 2007 and March 2010 respectively. The facilities 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 US $8.33 million from the first facility will mature in 2 months while the outstanding balance of US $37.5 million from the second facility will mature in 1 year and 2 months.

(ii) The amount of N3.44 billion (US $21.5 million) represents the outstanding balances from two short term loan facilities of US $30 million and US $18 million granted by The Export-Import Bank of Korea (KEXIM) in February 2013 and November 2013 respectively. The facilities are priced at LIBOR + 1.5% per annum and LIBOR + 1.6% per annum with outstanding balances of US $5 million and US $16.5 million respectively. Final repayments on these facilities are due in February 2014 and November 2014 respectively.

(iii) The amount of N13.37 billion (US $83.33 million) represents the outstanding balances from three dollar term loan facilities of US $25 million, US $25 million and US $50 million granted by Promotion et Participation pour la Coopération économique (PROPARCO) in February 2010, February 2013 and December 2013 respectively. Interest is payable semi-annualy at LIBOR + 3.3% p.a, LIBOR + 3.76% p.a and LIBOR + 3.71% p.a with outstanding balances of US $8.33 million, US $25 million and US $50 million respectively. Final repayments on these facilities are due in April 2015, April 2020 and April 2021 respectively.

(iv) The amount of N16.01 billion (US $100 million) represents the balance of a 3-year dollar term loan facility granted by Standard Chartered Bank in June 2013. The facility will mature in June 2016 and interest is payable quarterly at LIBOR + 3.50% p.a.

(v) The amount of N16.03 billion (US $100 million) represents the balance of a 3-year dollar term loan facility granted by Citibank in December 2013. The facility will mature in December 2016 and interest is payable quarterly at LIBOR + 3.50% p.a.

(vi) The amount of N4.38 billion (US $27.32 million) represents the first tranche of disbursement (received in December 2013) from the EUR60 million (US $80 million) mid-cap loan granted by the European Investment Bank (EIB) . Interest is payable at the rate of LIBOR + 2.74% p.a and the facility will mature in July 2019.

| *In millions of Naira* | Group 2013 | Group 2012 | Bank 2013 | Bank 2012 |
|---|---|---|---|---|
| **33 Liabilities classified as held for sale** | | | | |
| Claims payable | 2,084 | 425 | - | - |
| Current income tax | 1,405 | 1,782 | - | - |
| Deferred income tax liabilities | 295 | 552 | - | - |
| Other payables | 6,274 | 5,407 | - | - |
| Liabilities on insurance contracts | 4,053 | 3,418 | - | - |
| | 14,111 | 11,584 | - | - |

The business of the entities classified as held for sale are discussed in Note 22(c).

| **34 Share capital** | Group | Group | Bank | Bank |
|---|---|---|---|---|
| **Authorised** | | | | |
| 40,000,000,000 ordinary shares of 50k each (2012: 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 (2012: 31,396,493,786) | 15,698 | 15,698 | 15,698 | 15,698 |

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

| | Group 2013 | Group 2012 | Bank 2013 | Bank 2012 |
|---|---|---|---|---|
| **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.

*In millions of Naira*

(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 2.80 billion and N 2.50 billion respectively (2012: N 3.04 billion and N 2.84 billion).

## 37 Personnel Expenses

| | Group 2013 | Group 2012 | Bank 2013 | Bank 2012 |
|---|---|---|---|---|
| Compensation for the staff (excluding executive directors) are as follows: | | | | |
| Salaries and wages | 47,974 | 44,840 | 45,328 | 42,410 |
| Other staff costs | 9,175 | 4,551 | 9,035 | 4,536 |
| Pension contribution (Note 36) | 2,803 | 3,036 | 2,501 | 2,841 |
| | 59,952 | 52,427 | 56,864 | 49,787 |

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

| | Number | Number | Number | Number |
|---|---|---|---|---|
| Executive directors | 8 | 13 | 4 | 6 |
| Management | 468 | 435 | 455 | 409 |
| Non-management | 6,825 | 7,431 | 6,156 | 6,749 |
| | 7,301 | 7,879 | 6,615 | 7,164 |

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 | 841 | 1,212 | 769 | 1,157 |
| N2,000,001 - N2,800,000 | 324 | 199 | - | - |
| N2,800,001 - N4,000,000 | 1,138 | 1,569 | 956 | 1,406 |
| N4,000,001 - N6,000,000 | 1,677 | 2,853 | 1,636 | 2,668 |
| N6,000,001 - N8,000,000 | 1,223 | 606 | 1,205 | 569 |
| N8,000,001 - N9,000,000 | 681 | 394 | 670 | 381 |
| N9,000,001 - and above | 1,415 | 1,033 | 1,375 | 977 |
| | 7,299 | 7,866 | 6,611 | 7,158 |

*In millions of Naira*

(b) Directors' emoluments

The remuneration paid to directors are as follows:

| | | | | |
|---|---|---|---|---|
| Fees and sitting allowances | 233 | 224 | 165 | 103 |
| Executive compensation | 421 | 496 | 258 | 172 |
| Retirement benefit costs | 21 | 6 | 6 | 6 |
| | 675 | 726 | 429 | 281 |

Fees and other emoluments disclosed above include amounts paid to:

| | | | | |
|---|---|---|---|---|
| The chairman | 23 | 16 | 23 | 16 |
| The highest paid director | 26 | 16 | 26 | 16 |

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 | 15 | 13 | 7 | 6 |

## 38 Group subsidiaries and 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 2013 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 ) Limite | 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% | 70 |
| Zenith Capital Limited | 99.99% | 550 |
| Zenith Pension Custodians Limited | 99.00% | 1,980 |
| Zenith Trustees Limited (Indirect) | 49.99% | 60 |
| Zenith Medicare Limited (Indirect) | 80.12% | 380 |

**Significant restrictions**

The Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the supervisory frameworks within which banking subsidiaries operate. The supervisory frameworks require banking subsidiaries to keep certain levels of regulatory capital and liquid assets, limit their exposure to other parts of the Group and comply with other ratios. See notes 3.4, 3.5 and 4.4.3 for disclosures on liquidity, capital adequacy, and credit risk reserve requirements respectively. The carrying amounts of banking subsidiaries' assets and liabilities are N371.77 billion and N333.18 billion respectively (2012: N244.45 billion and N212.61 billion respectively).

*In millions of Naira*

## Non controlling interest in subsidiaries

The Group does not have any subsidiary that has material non controlling interest.

## 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 | Group 2013 | Group 2012 | Bank 2013 | Bank 2012 |
|---|---|---|---|---|
| Salaries and other short-term benefits | 534 | 534 | 258 | 275 |
| Retirement benefit cost | 10 | 8 | 6 | 6 |
| **Loans and advances** | | | | |
| At start of the year | 1,159 | 1,429 | 1,090 | 1,357 |
| Granted during the year | 83 | 57 | 83 | 57 |
| Repayment during the year | (354) | (327) | (352) | (324 |
| At end of the year | 888 | 1,159 | 821 | 1,090 |
| Interest earned | 26 | 50 | 25 | 48 |

Loans to key management personnel represent mortgage 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 (2012: Nil). Mortgage loans amounting to N888 million (2012: N1,159 million) and N821 million (2012: N1,090 million) for the Group and Bank respectively are secured by the underlying assets. All other loans are unsecured.

| Name of company | Relationship | Loans | Deposits | 2013 Interest received | Interest paid |
|---|---|---|---|---|---|
| Visafone Communication Limited | Common Significant shareholder | 2,640 | 21 | 396 | 21 |
| Quantum Fund Management | Common Significant shareholder | 7,978 | 82 | 957 | 1 |
| At end of the year | | 10,618 | 103 | 1,353 | 22 |

*In millions of Naira*

| Name of company | Relationship | Loans | Deposits | 2012 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 the year | | 7,755 | 349 | 1,263 | 46 |

*In millions of Naira*

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 (2012: Nil).

## 39 Contingent liabilities and commitments

### (a) Legal proceedings

The Bank is presently involved in 115 (2012: 78) litigation suits in the ordinary course of business. The total amount claimed in the cases against the Bank is estimated at N3.38 billion (2012: N2.08 billion). The actions are being contested and the Directors are of the opinion that none of the aforementioned cases is likely to have

### (b) Capital commitments

At the balance sheet date, the Bank had capital commitments amounting to N2.37 billion (2012: N2.83 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 2013 | Group 2012 | Bank 2013 | Bank 2012 |
|---|---|---|---|---|
| Performance bonds and guarantees | 648,847 | 468,728 | 632,167 | 434,038 |
| Usance | 167,520 | 162,133 | 147,067 | 131,817 |
| Letters of credit | 170,516 | 141,021 | 153,033 | 125,709 |
| Pension funds (See Note (below)) | 1,469,865 | 1,106,373 | 1,469,865 | 1,106,373 |
| | 2,456,748 | 1,878,255 | 2,402,132 | 1,797,937 |

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 2013, performance bonds and guarantees worth N47.3 billion (2012: N10.4 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 1,469.87 billion (2012: N 1,106.37 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 2013 | Group 2012 | Bank 2013 | Bank 2012 |
|---|---|---|---|---|
| **40 Dividend per share** | | | | |
| Dividend proposed | 54,944 | 50,234 | 54,944 | 50,234 |
| Number of shares in issue and ranking for dividend | 31,396 | 31,396 | 31,396 | 31,396 |
| Proposed dividend paid per share | 175 k | 160 k | 175 k | 160 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 N1.75 kobo per share (2012: N1.60 kobo per share ) from the retained earnings account as at 31 December 2013. 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 N13.8 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 2013.

The number of shares in issue and ranking for dividend represents the outstanding number of shares as at 31 December 2013 and 31 December 2012 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.

| | Group 2013 | Group 2012 | Bank 2013 | Bank 2012 |
|---|---|---|---|---|
| Cash and balances with central banks (less mandatory reserve deposits in note 16) | 255,158 | 152,379 | 239,167 | 133,929 |
| Treasury bills (maturing within three months) (note 17) | 354,834 | 280,418 | 352,786 | 275,680 |
| Due from other banks | 256,729 | 182,020 | 249,524 | 203,791 |
| | 866,721 | 614,817 | 841,477 | 613,400 |

## 42 Compliance with banking regulations

During the year, the Bank paid penalties to the Central Bank of Nigeria for the following contraventions:
- promotion of top management staff without CBN approval (N270 million);
- insufficient data for lodgment on credit report ( N 2million);
- WDAS utilisation (N 2 million).
- non rendition of original certificate of capital importation (N 2 million).

## 43 Events after reporting date

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

*In millions of Naira*

Other information

44 Value Added Statement (Group)

| | December 2013 Group | % | December 2,012 Group | % |
|---|---|---|---|---|
| Gross income | 351,470 | | 307,082 | |
| Interest expense | | | | |
| - Local | (60,791) | | (59,636) | |
| - Foreign | (10,005) | | (4,925) | |
| | 280,674 | | 242,521 | |
| Impairment charge for credit losses | (11,176) | | (9,445) | |
| | 269,498 | | 233,076 | |
| Bought-in materials and services | | | | |
| - Local | (84,117) | | (68,747) | |
| - Foreign | (4,115) | | (3,663) | |
| Value added | 181,266 | 100 | 160,666 | 100 |
| Distribution | | | | |
| Employees | | | | |
| Salaries and benefits | 59,952 | 33 | 47,200 | 29 |
| Government | | | | |
| Income tax | 15,279 | 8 | 1,419 | 1 |
| Retained in the Group | | | | |
| Asset replacement (depreciation) | 10,717 | 6 | 11,366 | 7 |
| To pay proposed dividend | 54,943 | 30 | 50,234 | 31 |
| Profit for the year (including statutory, small scale industry, contingency reserves and non-controlling interest) | 40,375 | 23 | 50,447 | 32 |
| | 181,266 | 100 | 160,666 | 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.

## Other information

*In millions of Naira*

### Value Added Statement (Bank)

| | December 2013 Bank | % | December 2012 Bank | % |
|---|---|---|---|---|
| Gross income | 311,275 | | 279,042 | |
| Interest expense | | | | |
| - Local | (67,013) | | (64,628) | |
| - Foreign | (1,458) | | (724) | |
| | 242,804 | | 213,690 | |
| Diminution in asset values | (9,907) | | (7,998) | |
| | 232,897 | | 205,692 | |
| Bought-in materials and services | | | | |
| - Local | (70,356) | | (56,323) | |
| - Foreign | (1,710) | | (632) | |
| Value added | 160,831 | 100 | 148,737 | 100 |
| Distribution | | | | |
| Employees | | | | |
| Salaries and benefits | 56,864 | 35 | 44,565 | 30 |
| Government | | | | |
| Income tax | 10,694 | 7 | (1,755) | (1) |
| Retained in the Bank | | | | |
| Asset replacement (depreciation) | 9,859 | 6 | 10,124 | 7 |
| To pay proposed dividend | 54,943 | 34 | 50,234 | 34 |
| Profit for the year (including statutory, and small scale industry reserves) | 28,471 | 18 | 45,569 | 30 |
| | 160,831 | 100 | 148,737 | 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.

Other information

*In millions of Naira*

| 45 | FIVE-YEAR FINANCIAL SUMMARY | IFRS 2013 | IFRS 2012 | IFRS 2011 | IFRS 2010 | IFRS 2009 |
|---|---|---|---|---|---|---|
| | GROUP | | | | | |
| | Assets | | | | | |
| | Cash and balances with central banks | 603,851 | 332,515 | 223,187 | 141,724 | 126,779 |
| | Treasury bills | 586,441 | 669,164 | 510,738 | 298,858 | 231,530 |
| | Due from other banks | 256,729 | 182,020 | 234,521 | 399,478 | 341,830 |
| | Derivative assets held for risk management | 2,681 | | | | |
| | Loans and advances | 1,251,355 | 989,814 | 893,834 | 754,024 | 707,602 |
| | Reinsurance assets and insurance receivables | - | - | - | 1,121 | 1,594 |
| | Investment securities | 303,125 | 299,343 | 308,231 | 211,804 | 158,922 |
| | Investments in associates | 165 | 420 | 1,756 | 2,443 | 2,443 |
| | Deferred tax assets | 749 | 432 | 186 | 1,657 | 966 |
| | Other assets | 36,238 | 28,665 | 25,510 | 20,457 | 22,353 |
| | Assets classified as held for sale | 30,454 | 31,943 | 52,482 | - | - |
| | Investment property | - | - | 7,114 | 7,342 | 424 |
| | Property and equipment | 69,410 | 68,782 | 68,366 | 66,585 | 71,564 |
| | Intangible assets | 1,935 | 1,406 | 770 | 827 | 712 |
| | Total assets | 3,143,133 | 2,604,504 | 2,326,695 | 1,906,320 | 1,666,719 |
| | Liabilities | | | | | |
| | Customers deposits | 2,276,755 | 1,929,244 | 1,655,458 | 1,319,762 | 1,178,188 |
| | Claims payable | - | - | - | 218 | 198 |
| | Current income tax | 7,017 | 6,577 | 13,348 | 3,735 | 7,407 |
| | Deferred income tax liabilities | 678 | 5,584 | 10,742 | 10,348 | 5,900 |
| | Other liabilities | 215,643 | 117,355 | 152,836 | 143,373 | 90,572 |
| | Liabilities on insurance contracts | - | - | - | 2,287 | 2,161 |
| | On-lending facilities | 59,528 | 56,066 | 49,370 | 26,049 | - |
| | Borrowings | 60,150 | 15,138 | 21,070 | 28,358 | 36,402 |
| | Liabilities classified as held for sale | 14,111 | 11,584 | 29,603 | - | - |
| | Total Liabilities | 2,633,882 | 2,141,548 | 1,932,427 | 1,534,130 | 1,320,828 |
| | Net assets | 509,251 | 462,956 | 394,268 | 372,190 | 345,891 |
| | EQUITY | | | | | |
| | Share capital | 15,698 | 15,698 | 15,698 | 15,698 | 12,559 |
| | Share premium | 255,047 | 255,047 | 255,047 | 255,047 | 255,047 |
| | Retained earnings | 161,144 | 130,153 | 75,072 | 64,826 | 51,170 |
| | Other reserves | 73,347 | 58,786 | 45,765 | 34,202 | 24,800 |
| | Attributable to equity holders of the parent | 505,236 | 459,684 | 391,582 | 369,773 | 343,576 |
| | Non-controlling Interest | 4,015 | 3,272 | 2,686 | 2,417 | 2,315 |
| | Total shareholders' equity | 509,251 | 462,956 | 394,268 | 372,190 | 345,891 |
| | STATEMENT OF COMPREHENSIVE INCOME | | | | | |
| | Gross earnings | 351,470 | 307,082 | 243,948 | 193,286 | 279,307 |
| | Share of profit / (loss) of associates | 118 | 23 | 45 | 27 | 78 |
| | Interest expense | (70,796) | (64,561) | (34,906) | (35,719) | (83,957) |
| | Operating and direct expenses | (159,019) | (130,999) | (124,256) | (102,503) | (118,322) |
| | Impairment charge for credit losses | (11,176) | (9,445) | (17,391) | (4,977) | (34,802) |
| | Profit before tax | 110,597 | 102,100 | 67,440 | 50,114 | 42,304 |
| | Income tax | (15,279) | (1,419) | (18,736) | (12,291) | (16,255) |
| | Profit after tax | 95,318 | 100,681 | 48,704 | 37,823 | 26,049 |
| | Other comprehensive income: | | | | | |
| | Foreign currency translation differences | (2,070) | (2,424) | (421) | (507) | 461 |
| | Fair value movements on equity instruments | 324 | 297 | 705 | 210 | 1,365 |
| | Related tax | 890 | (91) | (211) | (63) | (530) |
| | Effective portion of changes in fair value of cash flow hedges | 2,771 | - | - | - | - |
| | Related tax | (760) | - | - | - | - |
| | | 1,155 | (2,218) | 73 | (360) | 1,296 |
| | Total comprehensive income | 96,473 | 98,463 | 48,776 | 37,463 | 27,345 |

## Other information

| *In millions of Naira* | IFRS | IFRS | IFRS | IFRS | IFRS |
|---|---|---|---|---|---|
| FIVE-YEAR FINANCIAL SUMMARY BANK | 2013 | 2012 | 2011 | 2010 | 2009 |
| **Assets** | | | | | |
| Cash and balances with central banks | 587,793 | 313,546 | 211,098 | 130,604 | 115,044 |
| Treasury bills | 572,598 | 647,474 | 494,253 | 287,981 | 222,787 |
| Due from other banks | 249,524 | 203,791 | 246,364 | 374,604 | 290,025 |
| Loans and advances | 1,126,559 | 895,354 | 827,035 | 707,586 | 677,760 |
| Investment securities | 212,523 | 256,905 | 267,050 | - | 144,280 |
| Investment in subsidiaries | 24,375 | 24,375 | 19,345 | 172,180 | 36,096 |
| Investments in associates | 90 | 463 | 1,822 | 37,134 | 2,509 |
| Deferred tax assets | - | - | - | 2,509 | - |
| Other assets | 31,415 | 16,814 | 17,616 | - | 21,593 |
| Assets classified as held for sale | 4,749 | 10,338 | 10,838 | 15,402 | - |
| Investment property | - | - | 7,114 | 6,895 | - |
| Property and equipment | 67,364 | 66,651 | 65,877 | 63,000 | 68,106 |
| Intangible assets | 1,703 | 1,175 | 661 | 784 | 712 |
| **Total assets** | 2,878,693 | 2,436,886 | 2,169,073 | 1,798,679 | 1,578,912 |
| **Liabilities** | | | | | |
| Customers deposits | 2,079,862 | 1,802,008 | 1,577,290 | 1,290,014 | 1,114,271 |
| Current income tax | 5,266 | 5,071 | 11,934 | 1,010 | 5,718 |
| Deferred income tax liabilities | - | 5,573 | 10,732 | 9,869 | 6,264 |
| Other liabilities | 201,265 | 115,027 | 126,660 | 86,470 | 80,497 |
| On-lending facilities | 59,528 | 56,066 | 49,370 | 26,049 | - |
| Borrowings | 60,150 | 15,138 | 21,070 | 28,358 | 36,402 |
| **Total Liabilities** | 2,406,071 | 1,998,883 | 1,797,056 | 1,441,770 | 1,243,152 |
| **Net Assets** | 472,622 | 438,003 | 372,017 | 356,909 | 335,760 |
| **EQUITY** | | | | | |
| Share capital | 15,698 | 15,698 | 15,698 | 15,698 | 12,559 |
| Share premium | 255,047 | 255,047 | 255,047 | 255,047 | 255,047 |
| Retained earnings | 126,678 | 106,010 | 55,028 | 51,769 | 43,365 |
| Other reserves | 75,199 | 61,248 | 46,244 | 34,395 | 24,789 |
| **Total shareholders' equity** | 472,622 | 438,003 | 372,017 | 356,909 | 335,760 |
| **STATEMENT OF COMPREHENSIVE INCOME** | | | | | |
| Gross Earnings | 311,275 | 279,042 | 214,980 | 168,415 | 255,264 |
| Interest expense | (68,471) | (65,352) | (33,407) | (34,522) | (82,836) |
| Operating and direct expenses | (138,789) | (111,644) | (108,529) | (89,107) | (103,338) |
| Impairment charge for credit losses | (9,907) | (7,998) | (15,900) | (3,317) | (32,217) |
| **Profit before tax** | 94,108 | 94,048 | 57,144 | 41,469 | 36,873 |
| Income tax | (10,694) | 1,755 | (15,843) | (9,164) | (14,940) |
| **Profit after tax** | 83,414 | 95,803 | 41,301 | 32,305 | 21,933 |
| **Other comprehensive income:** | | | | | |
| Fair value movements on equity instruments | 549 | 15 | 705 | 210 | 2,012 |
| Tax effect of equity instruments at fair value | 890 | (5) | (211) | (63) | (604) |
| | 1,439 | 10 | 494 | 147 | 1,408 |
| **Total comprehensive income** | 84,853 | 95,813 | 41,795 | 32,452 | 23,341 |

| Financial Year | Nominal value of shares (=N=) | Number of shares (Units) | Nominal value per share (N) |
|---|---|---|---|
| 30-Jun-91 | 24,839,000 | 24,839,000 | 1 |
| 30-Jun-92 | 54,407,000 | 54,407,000 | 1 |
| 30-Jun-93 | 57,897,352 | 57,897,352 | 1 |
| 30-Jun-94 | 90,062,000 | 90,062,000 | 1 |
| 30-Jun-95 | 178,744,000 | 178,744,000 | 1 |
| 30-Jun-96 | 242,830,000 | 242,830,000 | 1 |
| 30-Jun-97 | 244,054,000 | 244,054,000 | 1 |
| 30-Jun-98 | 512,513,000 | 512,513,000 | 1 |
| 30-Jun-99 | 512,513,000 | 512,513,000 | 1 |
| 30-Jun-00 | 513,329,000 | 513,329,000 | 1 |
| 30-Jun-01 | 1,026,658,000 | 1,026,658,000 | 1 |
| 30-Jun-02 | 1,026,658,000 | 1,026,658,000 | 1 |
| 30-Jun-03 | 1,548,555,000 | 1,548,555,000 | 1 |
| 30-Jun-04 | 1,548,555,000 | 1,548,555,000 | 1 |
| 30-Jun-05 | 3,000,000,000 | 6,000,000,000 | 0.5 |
| 30-Jun-06 | 4,586,744,450 | 9,173,488,900 | 0.5 |
| 30-Jun-07 | 4,632,762,150 | 9,265,524,300 | 0.5 |
| 30-Sep-08 | 8,372,398,343 | 16,744,796,686 | 0.5 |
| 31-Dec-09 | 12,558,597,515 | 25,117,195,029 | 0.5 |
| 31-Dec-10 | 15,698,246,893 | 31,396,493,786 | 0.5 |
| 31-Dec-11 | 15,698,246,893 | 31,396,493,786 | 0.5 |
| 31-Dec-12 | 15,698,246,893 | 31,396,493,786 | 0.5 |
| 31-Dec-13 | 15,698,246,893 | 31,396,493,786 | 0.5 |

VERITAS REGISTRARS
RC 510155

*Veritas Registrars Limited (formerly Zenith Registrars Limited)*
*Plot 89A, Ajose Adeogun Street, P.O. Box 75315, Victoria Island, Lagos*
*Telephone: (01) 27089304, 2784167 – 8; Fax:(01)2704085*
*enquiry@veritasregistrars.com;*
*www.veritasregistrars.com*

## e-BONUS (DIRECT CREDIT TO CSCS ACCOUNT)

**Account No**:________________

I/We have _______________ units of **Zenith Bank Plc** shares.

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

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

**Shareholder's Name:** ....................................................................................................

SURNAME OTHER NAMES

**Shareholder's Address:** ....................................................................................................

....................................................................................................

**Mobile Tel:** ....................................................................................................

**Date:** ....................................................................................................

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

**Shareholder's Signature**

1. Please attach copies of CSCS statement
2. CSCS transaction listing
3. Name of Stockbrokers

FOR REGISTRAR'S USE ONLY DATE

**Action taken:**

☐ Credited ☐ Not Credited ☐ Pending

Officer's Name & Sign:________________________________

VERITAS REGISTRARS

(formerly Zenith Registrars) RC 510155

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Telephone: (01) 27089304, 2784167 – 8; Fax:(01)2704085

enquiry@veritasregistrars.com;

www.veritasregistrars.com


# e-DIVIDEND MANDATE FORM

Affix Passport Photograph (to be stamped by the Bank)

I/We hereby request that from now, all dividends due to me/us from my/our shareholding in all companies indicated be credited to my/our bank account named below.

Date: DD/MM/YYYY ___ ___ / ___ ___ / ___ ___ ___ ___

| Please tick as applicable | |
|---|---|
| CONSOL. BREWERIES | |
| DANGOTE SUGAR | |
| FORTE OIL | |
| GUINNESS NIGERIA | |
| MAY & BAKER | |
| ZENITH BANK | |

Surname/Company's Name

Other Names (for Individual Shareholder)

Present Postal Address

City

State

E-mail Address

Mobile (GSM) Phone Number

Clearing House Number

Bank Name

Branch Address

Bank Account Number

Bank Sort Code

Shareholder's Signature or Thumbprint

Shareholder's Signature or Thumbprint

Company Seal/Incorporation No. (Corporate Shareholder)

***For Bank's use only***

Authorized Signature and Stamp of Bankers

***Date account was established:***

___ ___ / ___ ___ / ___ ___ ___ ___

Authorized Signature and Stamp of Bankers

ZENITH BANK PLC
PROXY CARD
ANNUAL GENERAL MEETING TO BE HELD AT 10.00 a.m.
ON THE 2ND DAY OF APRIL, 2014 AT THE BANQUET HALL,
THE CIVIC CENTRE, OZUMBA MBADIWE STREET, VICTORIA ISLAND, LAGOS.

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

of_________________________________________

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

___________________________________________

___________________________________________

failing him, Godwin Emefiele

___________________________________________

as my/our proxy to act and vote for me/us on my/our behalf at The Annual General Meeting of the bank on the 2nd day of April, 2014, or at any adjournment thereof.

Dated this .......... day of ........., 2014

Shareholder's Signature(s)______________________

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

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

NUMBER OF SHARES

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

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

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

**ADMISSION FORM**

Annual General Meeting to be held at 10:00 a.m. on 2nd April, 2014 at THE CIVIC CENTRE, OZUMBA MBADIWE STREET, VICTORIA ISLAND, LAGOS.

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

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

**NUMBER OF SHARES**

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

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

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

Signature of person attending____________________________

REGISTRAR
VERITAS REGISTRARS LIMITED
(FORMERLY ZENITH REGISTRARS LIMITED)
PLOT 89A, AJOSE ADEOGUN STREET,
VICTORIA ISLAND,
LAGOS.


I TRUST you
won't let me fall
www.zenithbank.com
ZENITH
...in your best interest

www.zenithbank.com