

ZENITH BANK (UK) LIMITED

Directors' Report and Financial Statements
Registered number 05713749

For the year ended 31 December 2011

ZENITH BANK (UK) LIMITED

Annual report and financial statements for the year ended 31 December 2011

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Annual report and financial statements for the year ended 31 December 2011

Officers and professional advisers

Directors

Godwin Emeziele	Chairman
Andrew Martin	Chief Executive
Udom Emmanuel	Non Executive
Quentin Aylward	Non Executive
Renier Lemmens	Non Executive
Llewellyn Charles Llewellyn	Non Executive
Tony Uzoobo	Executive Business Development Appointed 10th June 2011

Company secretary

Martin Lynch

Registered office

39 Cornhill
London
EC3V 3ND

Bankers

Barclays Bank Plc, London
Citigroup, London
Deutsche Bank AG, Germany

Solicitors

Mishcon de Reya Solicitors
London

Denton Wilde Sapte LLP
London

Berwin Leighton Paisner LLP
London

Independent Auditor

KPMG Audit Plc
Chartered Accountants
London

ZENITH BANK (UK) LIMITED

Directors' report for the year ended 31 December 2011

The directors have the pleasure of presenting their annual report and the audited financial statements for the year ended 31 December 2011.

Principal activities

The Bank provides a range of commercial, wholesale, retail and investment banking services in the UK including a comprehensive service in all aspects of trade finance and other wholesale banking products.

The Bank is an authorized institution under the Financial Services and Markets Act 2000 and is regulated by the Financial Services Authority. The Bank was formed on 17th February 2006 and received authorization from the Financial Services Authority as a wholesale bank licensed to take and place deposits on 30th March 2007 at which date it commenced its operations.

Business review

During the year the global economy continued to slowdown, due to the worsening European sovereign debt crisis and a fall in confidence, with periods of uncertainty during the summer sparking tougher funding conditions. These were partly offset by a general softening of monetary policy with injections of liquidity by the European Central Bank and a prolongation of low interest rates in the US.

The US economy grew 1.7%, after growth of 2.8% annualized in the fourth quarter, which helped to offset part of the drop in growth in the first half of 2011. This growth, basically due to investment in equipment and the external sector, gradually gave way to greater participation of consumption and investment in non-residential construction, which will remain in coming quarters and put the growth rate at around its potential. The impact of oil prices and greater use of installed capacity raised inflation to more than 3% in the middle of the year. However, the underlying rate remained under control at around 1.5%, enabling the Federal Reserve to maintain a soft monetary policy in favour of growth and to re-establish the interbank market.

The Eurozone grew 1.6% in 2011. After a robust start, activity slowed due to rises in raw material prices and Japan's earthquake, coupled with, in the second half of the year, the debilitating management of the sovereign debt. Inflation remained above the ECB's target throughout the year (2.7% vs. 2%) but in December began a downward path (from 3.0% to 2.8%) that could see inflation moving towards the target.

The UK economy grew by 0.9% during 2011 which was in line with official targets. The UK 'recovery' has proved fragile with the problems being compounded by the economic difficulties of major trading nations and the financial disruption in the Eurozone. There is no sign of an end to the Eurozone crisis and, since the single currency area is the UK's largest trade partner, this will continue to weigh on the UK export performance at a time when the UK is unusually reliant on international trade to drive its recovery. Deteriorating labour market conditions and elevated inflation are already holding back household spending, while austerity measures are restraining public expenditure. Against this backdrop the UK economy is likely to expand by less than 1% again in 2012 – far below the 3% growth rates that were the norm before the onset of the financial crisis.

The CPI measure of inflation fell to 3.6% in January, down from 4.2% in December, according to the Office for National Statistics. RPI (including mortgage interest payments) fell to 3.9% from 4.8%. The drop brought CPI inflation to a 14-month low although still well above the Bank of England's 2% target. The Bank of England extended its quantitative easing programme by £50 billion in February 2012 to give a further boost to the UK economy. When completed, it will bring the total amount of stimulus to £325 billion from when the quantitative easing programme was started in 2009 and the latest round will bring the level equivalent to nearly 20% of the country's GDP.

Economic growth remained strong in Nigeria, the bank's primary market, with non-oil real gross domestic product (GDP) estimated to have grown at 8.68% in 2011 and overall real GDP of 6.7%. Inflation ended the year at 10.3% from 11.7% last year, in response to monetary tightening by the Central Bank of Nigeria (CBN) and moderation of food prices.

Monetary policy remained tight during the year in response to high inflation and strong foreign exchange demand, with the MPR being increase six times during the year from 6.25% to 12% in November. The Cash Reserve Ratio ended the year at 8% after three increases from the opening level of 1%. Higher oil

ZENITH BANK (UK) LIMITED

prices helped shrink the overall fiscal deficit from 7.7% of GDP in 2010 to about 0.2% of GDP in 2011. In November, the Central Bank adjusted downward its soft band around the naira-US dollar exchange rate, and depreciation pressures on the naira have since abated.

Growth is projected to remain robust in 2012 and inflation is projected to increase temporarily as a result of the increase in gasoline prices. The main downside risks to the short-term outlook are a further deterioration in the global environment and an exacerbation of current violence in northern Nigeria.

Asset creation continued to prove challenging during the year with concerns over Naira depreciation reducing the appetite for US\$ borrowings by Nigerian corporates. Risk participation activity also continued to be slow due to a general reduced level of activity coming out of Nigeria coupled with a greater propensity of banks to retain assets due to an increased appetite for Nigerian exposures. Proprietary trading was also difficult during the year with volatile FX market conditions and the continuing trend towards commoditization of the product. Trade Finance volumes continued to improve for the bank during the year, although LC values reduced.

Throughout 2011 interest rates remained at historic lows reducing returns on capital and free funds. Generally margins for Nigerian exposures tightened in the period due to a general improvement in risk perception.

The Bank's balance sheet increased 21% in the period largely as a result of an increase in Loans and Advances to Customers. The Bank produced a strong performance for the year increasing profit before taxation by 39% to £5.1 million. Operating income for the year increased 29% to £12.1 million whilst Administrative expenses, largely comprising employee, accommodation and depreciation expenditure, increased 22% to £6.9 million primarily due to the Bank's ongoing investment in its infrastructure.

Net interest income increased 20% to £8.4 million due to increased corporate lending. Fee and commission income, largely from the Bank's trade activities, increased 34% whilst income from Treasury trading activities increased 198%.

Exposure of Assets by Region

	Europe	GIIPS*	Other	Nigeria	Africa	Total
Cash	64,377		18,359			82,736
Loans to Banks	114,174,630		12,186,902	40,780,868	2,468	167,144,868
Loans to Customers	42,824,660		1,574,781	101,116,249	20,094,879	165,610,568
Securities	32,971,173	4,186,762	18,445,337	37,838,137	68,367,328	161,808,737
Fixed Assets	1,343,634					1,343,634
Deferred Tax Assets	95,996					95,996
Other Assets	466,655					466,655
Prepayments	488,691					488,691
Total Assets	192,429,816	4,186,762	32,225,378	179,735,254	88,464,675	497,041,885

*GIIPS - Greece, Italy, Ireland, Portugal and Spain. An Allied Irish Bank FRN for the Euro equivalent of £4,186,762 matured and the proceeds were received 19th March 2012. The bank has no European sovereign debt exposure.

Staff numbers increased in line with the expansion of the Bank's various business areas and the Bank's systems were further enhanced to meet the increasing sophistication of our product offerings.

Future prospects

The directors consider the Bank has sufficient capital and reserves to continue in operation for the foreseeable future. As a result of the substantial investment, the Bank anticipates a significant contribution from its Wealth Management, Trade Finance and Corporate business in 2012. The Bank continues to intensively market the Group's client base and to create intermediary networks in order to generate and deliver sustainable balance sheet growth with profitable and diversified risk asset portfolios. A number of new initiatives are currently being rolled out that will provide profitable new lines of business and also diversify the Bank's funding base.

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Dividends

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2011 (2010: Nil)

Charitable contributions

During the year the Bank made the following charitable contributions:

Royal Marsden Cancer Charity £2,200, Refocus Youth Ltd £1,000, and others £2,610. (2010: ABF Soldiers Charity - £950, Royal College of Music - £3,500, Royal Marsden Cancer Charity £2,200).

Key Performance Indicators

The Bank's key performance indicators are profitability, return on assets, return on equity and cost to income ratios.

The Bank's profit before taxation increased by 39% due to a 20% increase in net interest income, a 34% increase in fees and a 198% increase in trading income which offset a 22% increase in expenses.

Return on year end interest bearing assets increased from 2.2% to 2.36%. Return on equity before taxation increased from 9.8% to 12.8%.

Cost to income ratio fell from 61% to 58%.

Financial Risk Management

The Bank is exposed to a range of risks in its operations as a financial institution. The principal risks are credit risk, market risk, which includes both interest rate and currency risk, liquidity risk and operational risk.

In order to mitigate these principal risks the Bank has established a comprehensive risk management framework which the directors believe fulfils the regulatory requirements of a financial institution operating within the UK.

The Bank's risk management framework, as documented in the Bank's Internal Capital Adequacy Assessment Process document, has been reviewed and approved by the Board of the Bank. This document includes:

- a description of the Bank's risk management governance framework which comprises the appropriate Committees and forums to assess and manage these risks in accordance with clearly defined and coherent Risk Management Policies and Procedures,
- a definition of the Bank's risk appetite which is quantified in terms of formal risk limits, parameters and risk tolerances and which are in turn monitored independently of the relevant business units through comprehensive risk reporting and management information systems for control, monitoring and reporting of risks, and
- the various stress and scenario based tests that are applied at both a portfolio and at a bank level and the various risk mitigations that would be applied to the scenarios.

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Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Bank and of the profit or loss of the Bank for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Bank will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Bank's transactions and disclose with reasonable accuracy at any time the financial position of the Bank and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Bank's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In the case of each director in office at the date the directors' report is approved, the following applies:

- (a) so far as the director is aware, there is no relevant audit information of which the Bank's auditors are unaware; and
- (b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Bank's auditors are aware of that information.

Approved by the Board of Directors
and signed on behalf of the Board



Martin Lynch
Company Secretary

18 April 2012

Company registration no: 05713749



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ZENITH BANK (UK) LIMITED

We have audited the financial statements of Zenith Bank (UK) Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the bank's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the bank's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the bank and the bank's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at (www.frc.org.uk/apb/scope/private.cfm).

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Bank's affairs as at 31 December 2011 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

SAMEN HIJAZI

Samer Hijazi , Senior Statutory Auditor
For and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
London
18 April 2012

ZENITH BANK (UK) LIMITED**Profit and loss account
For the year ended 31 December**

	Note	2011 £	2010 £
Interest earned	3	11,927,839	8,243,082
Interest expense	4	<u>(3,564,624)</u>	<u>(1,269,122)</u>
Net interest income		8,363,215	6,973,960
Fees & commission earned	5	2,827,687	2,106,201
Trading profits (Net)	6	<u>859,674</u>	<u>288,424</u>
Operating income		12,050,576	9,368,585
Employee costs	7	(4,336,107)	(3,351,344)
Administrative expenses	8	<u>(2,609,506)</u>	<u>(2,338,993)</u>
Profit on ordinary activities before tax		5,104,963	3,678,247
Tax charge on profit on ordinary activities	9	<u>(1,482,506)</u>	<u>(1,061,068)</u>
Profit on ordinary activities after tax		<u>3,622,457</u>	<u>2,617,179</u>

There are no recognised gains or losses for the year other than as stated above. Accordingly no Statement of Total Recognised Gains and Losses has been prepared. The profit for the year is derived entirely from continuing operations.

The notes on pages 10 to 23 are an integral part of these financial statements.


ZENITH BANK (UK) LIMITED

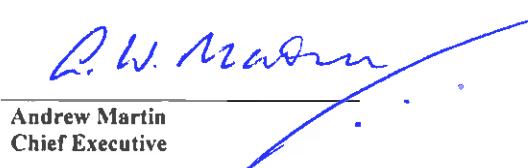
Balance sheet
As at 31 December

		31 December 2011	31 December 2010
	No	£	£
Assets			
Cash		82,736	82,578
Loans and advances to banks	10	167,144,868	163,499,252
Loans and advances to corporates	11	165,610,568	64,048,008
Investment Securities	12	161,808,737	179,356,464
Fixed assets	13	1,343,634	1,791,849
Deferred tax assets	14	95,996	152,097
Other assets		466,655	466,175
Prepayments		<u>488,691</u>	<u>449,101</u>
Total assets		<u>497,041,885</u>	<u>409,845,524</u>
Liabilities			
Deposits by banks	15	416,570,635	341,266,656
Deposits by corporates	16	34,303,520	26,986,689
Accrued expenses		<u>2,542,935</u>	<u>1,589,841</u>
Total Liabilities		<u>453,417,090</u>	<u>369,843,186</u>
Shareholders' funds			
Called up share capital	17	35,001,000	35,001,000
Profit and loss account	18	<u>8,623,795</u>	<u>5,001,338</u>
Total shareholders' funds	19	<u>43,624,795</u>	<u>40,002,338</u>
Total liabilities & shareholders' funds		<u>497,041,885</u>	<u>409,845,524</u>

These financial statements were approved by the Board of Directors on 18th April, 2012.

Signed on behalf of the Board of Directors


Godwin Emefiele
Chairman


Andrew Martin
Chief Executive

Company registered number 05713749

The notes on pages 10 to 23 are an integral part of these financial statements.

ZENITH BANK (UK) LIMITED

Notes to financial statements For the year ended 31 December 2011

1. Accounting policies

(a) Accounting convention

These financial statements have been prepared on a going concern basis, under the historical cost convention modified to include the fair valuation of certain securities to the extent required or permitted under accounting standards and as set out in the relevant accounting policies. They have been prepared in accordance with Section 396 of the Companies Act 2006 relating to banking companies, applicable United Kingdom law and accounting standards (collectively referred to as UK GAAP) and Statements of Recommended Accounting Practice issued by the British Bankers' Association and Irish Bankers' Federation.

The significant accounting policies adopted are described below:

(b) Revenue recognition

Interest income or expense:

Interest income or expense is recognised in the profit and loss account as it accrues. All interest income earned and interest expense incurred is related to the banking business carried out in the UK.

Fees and commissions income:

Fees and commissions income that represent a return for services rendered are recognised into profit when the related service is completed.

(c) Foreign currency

Transactions in foreign currencies are recorded using the rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Pound Sterling using the rate of exchange as at the balance sheet date and resulting gains and losses on translation are recorded in the profit and loss account.

(d) Loans and receivables

Loans and receivables are recorded in the balance sheet at the lower of cost and net realisable value. Cost is assessed as the amount of the advance outstanding. Net realisable value reflects the amounts expected to be recovered from the future cash flows relating to the asset, including any expected proceeds arising from the disposal of collaterals. Where net realisable value from individual loan advances is deemed to be less than cost a specific provision for the diminution in value is recognised in the profit and loss account.

(e) Securities

The Bank holds a portfolio of investment securities comprising bonds issued by banks and government institutions and certificates of deposit issued by banks. Investment securities held for investment purposes are initially recorded at fair value on acquisition and subsequently carried at amortised cost less any provision for other than temporary impairment considered necessary. Investment Securities held with the intention of being used for trading purposes and liquidity management are initially recorded at fair value on acquisition and subsequently carried at fair value, with any movements in fair value being recognised in the profit and loss account as trading profits.

The Bank may also acquire financial instruments, including forward foreign exchange contracts, with a view to taking advantage of short term movements in market prices. Any such financial instruments held at the balance sheet date are marked to market with

ZENITH BANK (UK) LIMITED

Notes to financial statements For the year ended 31 December 2011

movements in value recognised in the profit and loss account under trading profits. Gains and losses on financial instruments sold during the year are also included in trading profits/losses.

(f) Fixed assets and depreciation

Tangible fixed assets are stated at the historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided on a straight line basis at the following rates to spread the cost of fixed assets over their estimated useful lives. The following reflects the estimated useful lives of the various classes of assets:

Leasehold improvements	over the lower of lease period or the estimated useful life.
Furniture & equipment	5 years
Computer hardware & software	3 years
Motor vehicles	4 years

(g) Cash-flow statement

Under Financial Reporting Standard 1 (Revised 1996) "Cash flow statements" the Bank is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Bank in its own published consolidated financial statements.

(h) Leases

The Bank has entered into operating leases for certain equipment and office space. A lease is classified as an operating lease where the risks and rewards of ownership have not substantially been transferred to the lessee. Operating lease rentals are charged to the profit and loss account on a straight line basis over the term of the lease.

(i) Taxation

The Bank records a tax charge in the profit and loss account calculated at the tax rate prevailing in the year for tax payable to Her Majesty's Revenue & Customs. The standard rate of corporation tax in the UK for the period was a blended rate of 26.5% due to the rate of corporation tax decreasing from 28% to 26% on 1st April 2011.

In the event that payment should be made at a rate different from the tax rate prevailing in the current year, adjustments would be taken up to reflect the rate differential.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax at a future date at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure of taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

(j) Pension costs

The Bank operates a defined contribution pension scheme and the amount charged to the profit and loss account in respect of pension costs and other post retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

ZENITH BANK (UK) LIMITED

Notes to financial statements For the year ended 31 December 2011

2. Segmental information

The Bank has one main activity, commercial banking, which is carried out in the United Kingdom.

3 Interest earned

	31 Dec. 2011 £	31 Dec. 2010 £
Loans and advances to corporates	4,826,335	1,426,032
Loans and advances to banks	725,093	1,585,088
Loans and advances to Group entities	623,831	351,249
Debt securities	209,400	396,024
Bonds	<u>5,543,180</u>	<u>4,484,689</u>
	<u>11,927,839</u>	<u>8,243,082</u>

4 Interest expense

	31 Dec. 2011 £	31 Dec. 2010 £
Deposits from group entities	2,802,584	475,879
Deposits from other customers	<u>762,040</u>	<u>793,243</u>
	<u>3,564,624</u>	<u>1,269,122</u>

5 Fees and commission

	31 Dec. 2011 £	31 Dec. 2010 £
Trade finance	2,345,377	1,520,547
Corporate banking fees	<u>482,310</u>	<u>585,654</u>
	<u>2,827,687</u>	<u>2,106,201</u>

6 Trading profits

	31 Dec. 2011 £	31 Dec. 2010 £
Investment Securities trading gains (Net)	580,687	74,647
Foreign exchange trading gains (Net)	57,626	20,389
Derivatives (Net)	<u>221,361</u>	<u>193,388</u>
	<u>859,674</u>	<u>288,424</u>

ZENITH BANK (UK) LIMITED

Notes to financial statements
For the year ended 31 December 2011

7 Employee costs

	Year to 31 Dec. 2011	Year to 31 Dec. 2010
	Number	Number
Average number of employees (including 2 Executive directors):		
Banking Division	21	19
Operations	<u>17</u>	<u>16</u>
	<u>38</u>	<u>35</u>
	£	£
Wages & salaries (including directors)	3,432,587	2,711,405
Pension contributions (Note 27)	216,437	239,060
Social security costs	405,936	233,682
Other staff costs	<u>281,147</u>	<u>167,197</u>
Total staff costs	<u>4,336,107</u>	<u>3,351,344</u>

**Directors' emoluments
(included in Employee costs)**

	Year to 31 Dec. 2011	Year to 31 Dec. 2010
	£	£
Directors' fees and remuneration	633,782	703,759
Other emoluments	10,100	14,879
Contribution to a defined pension scheme	<u>30,625</u>	<u>59,342</u>
	<u>674,507</u>	<u>777,980</u>

Retirement benefits are accruing to 1 (2010: 2) director under a defined contribution pension scheme.

The highest paid director received total emoluments of £364,207 (2010 £331,226). In addition the director received pension contributions of £30,625 (2010 £35,092).

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Notes to financial statements
For the year ended 31 December 2011

8 Administrative expenses

	Year to 31 Dec. 2011	Year to 31 Dec. 2010
	£	£
Accommodation	537,538	720,408
Bank and brokerage	79,845	70,201
Depreciation	746,144	505,148
Computer and equipment	314,883	279,931
Communication	280,681	250,580
Insurance	65,453	93,376
Professional fees	186,000	174,462
Travel and entertainment	128,629	62,353
Other miscellaneous	<u>270,333</u>	<u>182,534</u>
	<u>2,609,506</u>	<u>2,338,993</u>

Auditors remuneration included in professional fees, is comprised of the following:

Fees for the audit of the Bank's financial statements	69,000	55,000
Fees for the Zenith Group Reporting	<u>30,000</u>	<u>25,000</u>

Total	<u>99,000</u>	<u>80,000</u>
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9 Taxation charge on profit on ordinary activities

	Year to 31 Dec. 2011	Year to 31 Dec. 2010
	£	£
Analysis of charges for the year		
Current tax:		
UK Corporation tax for the year	(1,395,514)	(1,059,776)
Adjustments in respect of previous periods	<u>(30,892)</u>	<u>42,737</u>
	<u>(1,426,406)</u>	<u>(1,017,039)</u>
Deferred tax through the Profit and Loss account		
Prior year adjustments to deferred tax charge	(63,847)	(57,511)
Effect of rate change	(18,407)	(5,633)
Current year deferred tax credit	<u>26,154</u>	<u>19,115</u>
	<u>(1,482,506)</u>	<u>(1,061,068)</u>
Factors affecting tax charge for the year		
Profit on ordinary activities before tax	<u>5,104,963</u>	<u>3,678,247</u>
Profit multiplied by standard tax rate of 26.5% (2010:28%)	1,352,815	1,029,909
Effects of:		
Expenses not deductible for tax purposes	16,544	10,752
Accelerated capital allowances for the year	77,979	18,886
Other timing differences	(51,824)	229
Prior year adjustments to current tax credit	<u>30,892</u>	<u>(42,737)</u>
Current tax charge for the year	<u>1,426,406</u>	<u>1,017,039</u>

ZENITH BANK (UK) LIMITED

Notes to financial statements
For the year ended 31 December 2011

10 Loans and advances to banks

	31 Dec. 2011 £	31 Dec. 2010 £
Zenith Bank PLC and its subsidiaries	27,309,751	14,064,202
Other banks	<u>139,835,117</u>	<u>149,435,050</u>
	<u>167,144,868</u>	<u>163,499,252</u>

Loans and advances to banks maturing within the following periods	31 Dec 2011 £	31 Dec 2010 £
Three months	129,317,555	136,376,225
Six months	25,106,587	17,226,592
12 months	384,709	8,800,318
Over 1 year	<u>12,336,017</u>	<u>1,096,117</u>
Total	<u>167,144,868</u>	<u>163,499,252</u>

All loan balances are considered to be performing and fully recoverable hence the Bank has not identified any need for impairment provision.

11 Loans and advances to corporates

	31 Dec. 2011 £	31 Dec. 2010 £
Syndicated loans	28,145,228	8,387,483
Commercial and other loans	<u>137,465,341</u>	<u>55,660,525</u>
	<u>165,610,569</u>	<u>64,048,008</u>

Loans and advances to corporates maturing within the following periods	31 Dec 2011 £	31 Dec 2010 £
Three months	83,572,997	25,214,800
Six months	7,518	6,448,371
12 months	35,960,262	23,290,872
Over 1 year	<u>46,069,792</u>	<u>9,093,965</u>
Total	<u>165,610,569</u>	<u>64,048,008</u>

All loan balances are considered to be performing and fully recoverable hence the Bank has not identified any need for impairment.

ZENITH BANK (UK) LIMITED

Notes to financial statements
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12 Investment Securities

	31 Dec. 2011	31 Dec. 2010
	£	£
Securities	161,808,737	153,413,923
Certificates of Deposit	<u>-</u>	<u>25,942,541</u>
	<u>161,808,737</u>	<u>179,356,464</u>
Securities maturing within the following periods	31 Dec 2011	31 Dec 2010
	£	£
Three months	20,294,436	22,533,025
Six months	-	14,953,320
12 months	25,455,759	13,056,951
Over 1 year	<u>116,058,542</u>	<u>128,813,168</u>
Total	<u>161,808,737</u>	<u>179,356,464</u>

Securities have been issued by banks and Government institutions, and the maturity period of these securities does not exceed six years. No Certificates of Deposit were held as at year end. (2010 £25,942,541)

13 Tangible fixed assets

	Computer hardware & software	Leasehold improvements	Furniture & equipment	Motor Cars	Total
	£	£	£	£	£
Cost					
As at 1 Jan 2011	1,684,054	1,592,369	216,472	40,400	3,533,295
Additions	<u>287,180</u>	<u>2,624</u>	<u>8,125</u>	<u>-</u>	<u>297,929</u>
As at 31 Dec 2011	<u>1,971,234</u>	<u>1,594,993</u>	<u>224,597</u>	<u>40,400</u>	<u>3,831,224</u>
Accumulated Depreciation					
As at 1 Jan 2011	988,097	593,637	135,500	24,212	1,741,446
Charge for the year	<u>396,665</u>	<u>295,925</u>	<u>43,454</u>	<u>10,100</u>	<u>746,144</u>
As at 31 Dec 2011	<u>1,384,762</u>	<u>889,562</u>	<u>178,954</u>	<u>34,312</u>	<u>2,487,590</u>
Net book value as at 31 Dec 2010	<u>695,957</u>	<u>998,732</u>	<u>80,972</u>	<u>16,188</u>	<u>1,791,849</u>
Net book value as at 31 Dec 2011	<u>586,472</u>	<u>705,431</u>	<u>45,643</u>	<u>6,088</u>	<u>1,343,634</u>

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**Notes to financial statements
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14 Deferred tax asset

Deferred tax assets relate to:

	31 Dec. 2011	31 Dec. 2010
	£	£
Accelerated Capital Allowances	10,392	(2,907)
Short term timing differences	<u>85,604</u>	<u>155,004</u>
	<u>95,996</u>	<u>152,097</u>

Movement in deferred tax is shown below

Opening balance	152,097	196,126
Current year deferred tax credit	26,153	(44,029)
Effect of rate change	(18,407)	-
Prior year adjustment	<u>(63,847)</u>	-
Closing balance	<u>95,996</u>	<u>152,097</u>

The 2012 Budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014. A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and a further reduction to 24% (effective from 1 April 2012) was substantively enacted on 26 March 2012. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2011 has been calculated based on the rate of 25% substantively enacted at the balance sheet date. It has not yet been possible to quantify the full anticipated effect of the announced further 2% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax asset accordingly.

15 Deposits by banks

	31 Dec. 2011	31 Dec. 2010
	£	£
Zenith Bank PLC and its subsidiaries	268,614,720	148,982,091
Other banks	<u>147,955,915</u>	<u>192,284,565</u>
	<u>416,570,635</u>	<u>341,266,656</u>

Deposits by banks maturing within the following periods	31 Dec 2011	31 Dec 2010
	£	£
Three months	321,675,877	340,621,770
Six months	46,089,321	-
12 months	-	644,886
Over 1 year	<u>48,805,437</u>	-
Total	<u>416,570,635</u>	<u>341,266,656</u>

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16 Deposits by customers

	31 Dec. 2011 £	31 Dec. 2010 £
Wealth Management deposits	7,474,911	2,120,288
Corporates - call and current accounts	<u>26,828,609</u>	<u>24,866,401</u>
	<u>34,303,520</u>	<u>26,986,689</u>

Deposits by customers maturing within the following periods	31 Dec 2011 £	31 Dec 2010 £
Three months	29,880,083	26,394,143
Six months	2,985,007	537,084
12 months	<u>1,438,430</u>	<u>55,461</u>
Total	<u>34,303,520</u>	<u>26,986,688</u>

17 Called up share capital

	No of shares	31 Dec. 2011 Amount (£)	31 Dec. 2010 Amount (£)
Authorised			
Ordinary shares of £1 each	35,001,000	<u>35,001,000</u>	<u>35,001,000</u>
Issued, allotted and fully paid			
Ordinary shares of £1 each	35,001,000	<u>35,001,000</u>	<u>35,001,000</u>

Zenith Bank Plc holds 35,001,000 or 100% of the issued ordinary shares. All issued shares have the same voting rights.

18 Profit and loss reserve

	31 Dec. 2011 £	31 Dec. 2010 £
Retained earnings as at 1 January	5,001,338	2,384,159
Profit/ on ordinary activities after tax	<u>3,622,457</u>	<u>2,617,179</u>
As at 31 December	<u>8,623,795</u>	<u>5,001,338</u>

ZENITH BANK (UK) LIMITED

Notes to financial statements For the year ended 31 December 2011

19 Reconciliation of movement in shareholders' funds

	31 Dec. 2011	31 Dec. 2010
	£	£
Opening shareholders' funds	40,002,338	37,385,159
Profit on ordinary activities after tax	<u>3,622,457</u>	<u>2,617,179</u>
Closing shareholders' funds	<u>43,624,795</u>	<u>40,002,338</u>

20 Operating lease commitments

At 31 December 2011, the Bank was committed to making the following payments during the next year in respect of operating leases for office premises:

	31 Dec. 2011	31 Dec. 2010
	£	£
Leases which expire:	192,375	-
Land and buildings less than one year	243,896	256,500
Land and buildings within two to five years	-	<u>57,850</u>
Land and buildings after five years	<u>436,271</u>	<u>314,350</u>

During 2011, the Bank sub let an office premise at 20 Berkeley Square, which is part of a lease expiring within two to five years. The rent received this year amounted to £104,504.

21 Related party transactions

	31 Dec. 2011	31 Dec. 2010
	£	£
Deposits from Zenith Bank PLC and its subsidiaries	268,614,720	148,982,091
Fees received from Zenith Bank PLC and its subsidiaries	2,178,752	124,630
Net interest paid to Zenith Bank PLC and its subsidiaries	2,043,078	1,436,215
Total loans advanced to Zenith Bank PLC and its subsidiaries	27,309,751	14,064,202

Other than Letters of Credit issued by Zenith Bank Plc, Zenith Bank (Ghana) Ltd, Zenith Bank (Gambia) Ltd or Zenith Bank (Sierra Leone) Ltd and advised by Zenith Bank (UK) Limited, there were no other related party transactions or balances requiring disclosure.

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Notes to financial statements For the year ended 31 December 2011

22 Financial instruments

The Bank holds and issues financial instruments to earn an interest margin or a fee, to finance its operations, and to manage the interest rate and currency risks arising from its operations and from its sources of finance. The Bank finances its operations from a combination of shareholders' funds and customer and bank deposits. The deposits raised may be in a range of currencies at variable or fixed rates of interest. The Bank's lending is in USD, GBP and EUR and may be either variable or fixed term. The main risk arising from the Bank's financial instruments are interest rate risk, foreign currency risk, liquidity risk and credit risk. The management reviews and agrees policies for managing each of these risks on a regular basis.

23 Interest rate gap sensitivity analysis

Assets and liabilities are analysed in time bands according to the earlier of the period to the next interest rate pricing date or the maturity date.

As at 31 December 2011	Less than three months	Three to six Months	Over six months	Non Interest bearing	Total
	£	£	£	£	£
Assets					
Cash				82,736	82,736
Loans and advances to banks	141,653,572	25,106,587	384,709	-	167,144,868
Loans and advances to corporates	124,109,076	7,518	41,493,974	-	165,610,568
Securities	54,356,378	441,304	107,011,055	-	161,808,737
Tangible fixed assets	-	-	-	1,343,634	1,343,634
Deferred tax assets	-	-	-	95,996	95,996
Other assets	-	-	-	466,655	466,655
Prepayments	-	-	-	488,691	488,691
Total assets	320,119,206	25,555,409	148,889,738	2,477,712	497,041,885
Liabilities					
Deposits by banks	333,330,134	34,435,064	48,805,437	-	416,570,635
Deposits by customers	29,880,084	2,985,006	1,438,430	-	34,303,520
Accrued expenses	-	-	-	2,542,935	2,536,834
Shareholders' funds	-	-	-	43,624,795	43,630,896
Total liabilities	363,210,218	37,420,070	50,243,867	46,167,730	497,041,885
Interest rate gap sensitivity	(43,091,192)	(11,864,661)	98,645,871	(43,690,018)	

ZENITH BANK (UK) LIMITED

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For the year ended 31 December 2011

Interest Rate Gap Sensitivity Analysis (continued)

As at 31 December 2010	Less than three months	Three to six Months	Over six months	Non Interest bearing	Total
	£	£	£	£	£
Assets					
Cash				82,578	82,578
Loans and advances to banks	143,054,373	10,548,443	9,896,436	-	163,499,252
Loans and advances to corporates	43,199,712	3,921,400	16,926,896	-	64,048,008
Securities	61,364,320	14,953,320	102,924,951	113,873	179,356,464
Tangible fixed assets	-	-	-	1,791,849	1,791,849
Deferred tax assets	-	-	-	152,097	152,097
Other assets	-	-	-	466,175	466,175
Prepayments	-	-	-	<u>449,101</u>	<u>449,101</u>
Total assets	<u>247,618,405</u>	<u>29,423,163</u>	<u>129,748,283</u>	<u>3,055,673</u>	<u>409,845,524</u>
Liabilities					
Deposits by banks	340,621,771	-	644,885	-	341,266,656
Deposits by corporate	26,394,144	537,084	55,461	-	26,986,689
Accrued expenses	-	-	-	1,589,841	1,589,841
Shareholders' funds	-	-	-	<u>40,002,338</u>	<u>40,002,338</u>
Total liabilities	<u>367,015,915</u>	<u>537,084</u>	<u>700,346</u>	<u>41,592,179</u>	<u>409,845,524</u>
Interest rate gap sensitivity	<u>(119,397,510)</u>	<u>28,886,079</u>	<u>129,047,937</u>	<u>(38,536,506)</u>	

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Notes to financial statements
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24 Net currency position analysis

The following table gives details of the Bank's assets & liabilities in sterling based on the currencies in which they are denominated to identify the extent to which the foreign currency exposures of the Bank are matched.

As at 31 December 2011	Sterling £	US dollar £	Euros £	Other £	Total £
Assets					
Cash	49,389	18,359	14,583	405	82,736
Loans & advances to banks	19,695,364	134,387,963	13,033,131	28,410	167,144,868
Loans & advances to corporates	658,584	164,951,984	-	-	165,610,568
Securities	35,214,273	122,407,702	4,186,762	-	161,808,737
Tangible fixed assets	1,343,634	-	-	-	1,343,634
Deferred tax assets	95,996	-	-	-	95,996
Other Assets	466,655	-	-	-	466,655
Prepayments	415,625	73,066	-	-	488,691
Total assets	57,939,520	421,839,074	17,234,476	28,815	497,041,885
Liabilities					
Deposits by banks	7,942,049	394,618,815	14,009,771	-	416,570,635
Deposits by corporates	4,316,697	26,650,651	3,336,172	-	34,303,520
Accruals	2,171,601	367,441	3,893	-	2,536,834
Shareholders' funds	43,624,795	-	-	-	43,630,896
Total liabilities	58,055,142	421,636,907	17,349,836	-	497,041,885
Net currency position	(115,622)	202,167	(115,360)	28,815	-
As at 31 December 2010					
	Sterling £	US dollar £	Euros £	Other £	Total £
Assets					
Cash	49,377	15,867	17,231	103	82,578
Loans & advances to banks	2,460,814	152,206,026	8,813,228	19,184	163,499,252
Securities	117,808	63,930,200	-	-	64,048,008
Loans & advances to corporates	45,509,367	129,539,526	4,307,571	-	179,356,464
Tangible fixed assets	1,791,849	-	-	-	1,791,849
Deferred tax assets	152,097	-	-	-	152,097
Other Assets	466,175	-	-	-	466,175
Prepayments	375,615	73,486	-	-	449,101
Total assets	50,923,102	345,765,105	13,138,030	19,287	409,845,524
Liabilities					
Deposits by banks	7,610,498	323,219,121	10,437,037	-	341,266,656
Deposits by corporate	1,962,965	22,401,042	2,622,682	-	26,986,689
Accruals	1,400,175	189,666	-	-	1,589,841
Shareholders' funds	40,002,338	-	-	-	40,002,338
Total liabilities	50,975,976	345,809,829	13,059,719	-	409,845,524
Net currency position	(52,874)	(44,724)	78,311	19,287	-

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Notes to financial statements For the year ended 31 December 2011

25 Fair values of financial instruments

Set out below is a year-end comparison of current and book values of all the Bank's financial instruments by various asset classes. Market values are used to determine fair values.

	Book value 31 Dec. 2011 £	Fair value 31 Dec. 2011 £
Loans & advances to banks	167,144,868	167,646,534
Loans & advances to corporates	165,610,569	165,999,585
Securities	161,808,737	163,393,777
Deposits by banks and corporates	450,874,155	451,153,755

	Book value 31 Dec. 2010 £	Fair value 31 Dec. 2010 £
Loans & advances to banks	163,499,252	163,581,830
Loans & advances to corporates	64,048,008	64,048,008
Securities	179,356,464	182,183,415
Deposits by banks and corporates	368,253,345	368,208,622

26 Pension costs

The bank operates a defined contribution pension scheme for staff and contributions were made during the year amounted to £216,437 (2010: £239,060). This amount forms part of total employee costs. An amount of £20,878 (2010: £33,881) is included in accrued expenses, representing one month's premium.

27 Ultimate parent Bank and controlling party

The ultimate holding Company and the parent Company of the smallest and largest group that presents group accounts is Zenith Bank Plc. Zenith Bank Plc is incorporated and registered in Nigeria. Zenith Bank Plc's statutory financial statements may be obtained from the Bank Secretary, Zenith Bank Plc, Plot 87, Ajose Adeogun Street, Victoria Island, Lagos, Nigeria.

28 Subsequent events

There have been no subsequent events that the directors consider are relevant for disclosure in these financial statements.