

# ZENITH BANK (UK) LIMITED

Annual Report and Financial Statements

For the year ended 31 December 2010

# ZENITH BANK (UK) LIMITED

Annual report and financial statements for the year ended 31 December 2010

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## Annual report and financial statements for the year ended 31 December 2010

### Officers and professional advisers

#### Directors

Godwin Emeziele	Chairman	Appointed 1 August 2010
Andrew Martin	Chief Executive	
Udom Emmanuel	Non Executive	Appointed 1 August 2010
Quentin Aylward	Non Executive	
Renier Lemmens	Non Executive	
Llewellyn Llewellyn	Non Executive	
Jim James Ovia	Chairman	Resigned 1 August 2010
Peter Amangbo	Non Executive	Resigned 1 August 2010
David Colgan	Executive Business Development	Resigned 1 August 2010

#### 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 Auditors

KPMG Audit Plc  
Chartered Accountants  
London

## ZENITH BANK (UK) LIMITED

### Directors' report for the year ended 31 December 2010

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The directors have the pleasure of presenting their annual report and the audited financial statements for the year ended 31 December 2010.

#### 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 17<sup>th</sup> February 2006 and received authorization from the Financial Services Authority as a wholesale bank licensed to take and place deposits on 30<sup>th</sup> March 2007 at which date it commenced its operations.

#### Business review

2010 proved to be a year of recovery for the global economy even though the recovery remains at best tenuous in the developed economies. In the United States, expectations are that the economy will continue to grow stronger but this is against a continuing back drop of high unemployment, a depressed housing industry and other structural problems in the economy. Europe continues to have a two speed economy with the Northern country economies showing impressive growth whilst the Southern countries continued to struggle with high unemployment, rapidly deteriorating property markets and massive debt burdens. Although the developing world developed far great resilience to the recent global downturn the spectre of inflation still looms large in China, Latin America and India.

The UK economy would appear to have turned a corner although a difficult couple of years probably still lie ahead before it gets back to its pre-recession levels of activity. Given the deep cuts in government spending, the recovery's prospects hinge on the private sectors ability to grow although it should not be forgotten that parts of the private sector are vulnerable to cuts in government procurement and that the euro-zone peripheral economies are the destination for 15% of UK exports. High inflation will also further squeeze household real incomes which are expected to fall by 1% in 2011.

The Nigerian economy, the bank's primary market, continued to improve with real GDP growth of 8.5% for 2010. Longer term, Nigeria has been identified as one of the leading countries for estimated long term GDP growth although this is dependent upon relative political stability in the medium term.

Asset creation proved quite difficult during the year with concerns over Naira depreciation reducing the appetite for US\$ borrowings by Nigerian corporates. Risk participation activity slowed 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 2010 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 contracted 5% in the period largely as a result of a reduction in cash collateral deposits. Despite these difficult conditions, the Bank produced a strong performance for the year increasing profit before taxation by 13% to £3.7 million. Operating income for the year increased 8% to £9.4 million whilst Administrative expenses, largely comprising employee, accommodation and depreciation expenditure, increased 5% to £5.7 million primarily due to the Bank's significant investment in its new Wealth Management initiative.

Net interest income increased 8% to £7 million with the effect of reduced volumes being offset by wider margins and a greater churning of the asset books. Fee and commission income, largely from the Bank's trade activities, increased 38% whilst income from Treasury trading activities dropped by 58%.

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.

## ZENITH BANK (UK) LIMITED

### Directors' report for the year ended 31 December 2010 (continued)

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#### 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 business in 2011. A refocusing of the Bank's proprietary trading approach is also expected to result in a return to previous levels of earnings. 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.

#### Dividends

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2010 (2009: Nil)

#### Charitable contributions

During the year the Bank made the following charitable contributions:

ABF Soldiers Charity - £950, Royal College of Music - £3,500, NISM - £1,500, 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 13% largely due to an 18% increase in net interest income which offset a decrease in other income of 12% and a 5% increase in expenses.

Return on year end assets increased from 1.38% to 1.70%. Return on equity before taxation increased from 9.3% to 10.5%.

Cost to income ratio fell slightly from 62% to 61% reflecting an effective control on expenditure.

#### 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.

## ZENITH BANK (UK) LIMITED

### Statement of directors' responsibilities

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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;
- 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<sup>th</sup> April 2011

Company registration no: 5713749

## **ZENITH BANK (UK) LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ZENITH BANK (UK) LIMITED**

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We have audited the financial statements of Zenith Bank (UK) Limited for the year ended 31 December 2010 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 company'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 company'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 company and the company'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 4, 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 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](http://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 2010 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.

ZENITH BANK (UK) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ZENITH BANK (U K) LIMITED (continued)

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**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.

SAMER HIJAZI

Samer Hijazi, Senior Statutory Auditor  
For and on behalf of KPMG Audit Plc, Statutory Auditor  
Chartered Accountants  
London  
18<sup>th</sup> April 2011



# ZENITH BANK (UK) LIMITED

## Profit and loss account For the year ended 31 December

	Note	2010 £	2009 £
Interest earned	3	8,243,082	9,461,814
Interest expense	4	<u>(1,269,122)</u>	<u>(3,027,983)</u>
<b>Net interest income</b>		6,973,960	6,433,081
Fees & commission earned	5	2,106,201	1,531,661
Trading profits (Net)	6	<u>288,424</u>	<u>681,633</u>
<b>Operating income</b>		9,368,585	8,647,125
Administrative expenses		<u>(5,690,338)</u>	<u>(5,394,780)</u>
<b>Profit on ordinary activities before tax</b>	9	3,678,247	3,252,345
Tax charge on profit on ordinary activities	10	<u>(1,061,068)</u>	<u>(910,656)</u>
<b>Profit on ordinary activities after tax</b>		<u>2,617,179</u>	<u>2,341,689</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 9 to 21 are an integral part of these financial statements

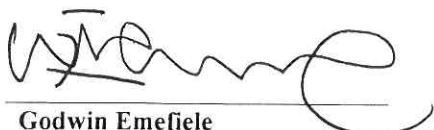
# ZENITH BANK (UK) LIMITED


## Balance sheet As at 31 December

		31 December 2010	31 December 2009
	Note	£	£
<b>Assets</b>			
Cash		82,578	35,421
Loans and advances to banks	11	163,499,252	275,470,241
Loans and advances to corporates	12	64,048,008	17,711,641
Securities	13	179,356,464	134,593,515
Tangible fixed assets	14	1,791,849	1,773,052
Deferred tax assets	15	152,097	196,126
Other assets		466,175	401,695
Prepayments		<u>449,101</u>	<u>463,193</u>
<b>Total assets</b>		<u><b>409,845,524</b></u>	<u><b>430,644,884</b></u>
<b>Liabilities</b>			
Deposits by banks	16	341,266,656	387,577,652
Deposits by corporates	17	26,986,689	4,083,343
Accrued expenses		<u>1,589,841</u>	<u>1,598,730</u>
<b>Total Liabilities</b>		<u><b>369,843,186</b></u>	<u><b>393,259,725</b></u>
<b>Shareholders' funds</b>			
Called up share capital	18	35,001,000	35,001,000
Profit and loss account	19	<u>5,001,338</u>	<u>2,384,159</u>
<b>Total shareholders' funds</b>	20	<u><b>40,002,338</b></u>	<u><b>37,385,159</b></u>
<b>Total liabilities &amp; shareholders' funds</b>		<u><b>409,845,524</b></u>	<u><b>430,644,884</b></u>

These financial statements were approved by the Board of Directors on 18<sup>th</sup> April, 2011.

Signed on behalf of the Board of Directors

  
Godwin Emefiele  
Chairman

  
Andrew Martin  
Chief Executive

The notes on pages 9 to 21 are an integral part of these financial statements.

## ZENITH BANK (UK) LIMITED

### Notes to financial statements

For the year ended 31 December 2010

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#### 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 receivable/payable:

Interest receivable/payable is recognised in the profit and loss account as it accrues. All income derives from banking business carried out in the United Kingdom.

Fees and commissions receivable:

Fees and commissions receivable that represent a return for services rendered are brought 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 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 the asset. 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 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 any movements in value recognised in the profit and loss account under trading profits. The fair value of financial instruments that are quoted in an active market is based on bid price and for exchange traded assets and foreign exchange instruments fair value is based on mid-market

## ZENITH BANK (UK) LIMITED

### Notes to financial statements

For the year ended 31 December 2010

price. 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 minimum term of the lease, or the estimated useful life, whichever is lower
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 28%

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 2010

### 2. Segmental information

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

### 3 Interest earned

	31 Dec. 2010 £	31 Dec. 2009 £
Loans and advances	1,426,032	1,177,848
Loans to banks	1,585,088	2,025,167
Loans to Group	351,249	411,058
Debt securities	396,024	2,411,745
Bonds	<u>4,484,689</u>	<u>3,435,996</u>
	<u>8,243,082</u>	<u>9,461,814</u>

### 4 Interest expense

	31 Dec. 2010 £	31 Dec. 2009 £
Group deposits	475,879	692,948
Deposits from banks and customers	<u>793,243</u>	<u>2,335,035</u>
	<u>1,269,122</u>	<u>3,027,983</u>

### 5 Fees and commission

	31 Dec. 2010 £	31 Dec. 2009 £
Trade finance	1,520,547	1,195,513
Corporate banking fees	<u>585,654</u>	<u>336,148</u>
	<u>2,106,201</u>	<u>1,531,661</u>

### 6 Trading profits

	31 Dec. 2010 £	31 Dec. 2009 £
Securities trading gains (Net)	74,647	517,690
Foreign exchange trading gains (Net)	20,389	117,566
Derivatives (Net)	<u>193,388</u>	<u>46,377</u>
	<u>288,424</u>	<u>681,633</u>

**ZENITH BANK (UK) LIMITED**

**Notes to financial statements**

**For the year ended 31 December 2010**

**7 Employee costs**

	<b>Year to 31 Dec. 2010</b>	<b>Year to 31 Dec. 2009</b>
	<b>Number</b>	<b>Number</b>
Average number of employees (including 2 Executive directors):		
Banking Division	<b>19</b>	<b>17</b>
Operations	<b>16</b>	<b>13</b>
	<b><u>35</u></b>	<b><u>30</u></b>
	<b>£</b>	<b>£</b>
Wages & salaries (including directors)	<b>2,711,405</b>	<b>2,558,747</b>
Pension contributions (Note 27)	<b>239,060</b>	<b>235,439</b>
Social security costs	<b>233,682</b>	<b>215,810</b>
Other staff costs	<b><u>167,197</u></b>	<b><u>104,117</u></b>
<b>Total staff costs</b>	<b><u>3,351,344</u></b>	<b><u>3,114,113</u></b>

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

	<b>Year to 31 Dec. 2010</b>	<b>Year to 31 Dec. 2009</b>
	<b>£</b>	<b>£</b>
Directors' fees and remuneration	<b>703,759</b>	<b>517,126</b>
Other emoluments	<b>14,879</b>	<b>14,860</b>
Contribution to a defined pension scheme	<b><u>59,342</u></b>	<b><u>54,156</u></b>
	<b><u>777,980</u></b>	<b><u>586,142</u></b>

Retirement benefits are accruing to 2 (2009: 2) directors under a defined contribution pension scheme.

The highest paid director received total emoluments of £331,226 (2009 £255,124). In addition the director received pension contributions of £35,092 (2009 £22,540).

# ZENITH BANK (UK) LIMITED

## Notes to financial statements

For the year ended 31 December 2010

### 9 Profit on ordinary activities before tax

	Year to 31 Dec. 2010 £	Year to 31 Dec. 2009 £
Profit on ordinary activities before taxation is stated after charging:		
Depreciation	505,148	666,122
Auditors' remuneration	80,000	105,550
Rental of premises	400,045	323,132
Auditors remuneration is comprised of the following:		
Fees for the audit of the Bank's financial statements	55,000	55,000
Fees for the Zenith Group Reporting	25,000	25,000
Fees for taxation, VAT and visa services	-	25,550
<b>Total</b>	<b>80,000</b>	<b>105,550</b>

### 10 Taxation charge on profit on ordinary activities

	Year to 31 Dec. 2010 £	Year to 31 Dec. 2009 £
Analysis of charges for the year		
Current tax:		
UK Corporation tax for the year	(1,059,776)	(1,061,173)
Adjustments in respect of previous periods	42,737	48,693
	(1,017,039)	(1,012,480)
Deferred tax through the Profit and Loss account		
Prior year adjustments to deferred tax charge	(57,511)	
Effect of rate change	(5,633)	
Current year deferred tax credit	19,115	101,824
	(1,061,068)	(910,656)
Factors affecting tax charge for the year		
Profit on ordinary activities before tax	3,678,247	3,252,345
Profit multiplied by standard tax rate of 28% (2009:28%)	1,029,909	910,656
Effects of:		
Expenses not deductible for tax purposes	10,752	24,082
Accelerated capital allowances for the year	18,886	38,937
Other timing differences	229	87,498
Prior year adjustments to current tax credit	(42,737)	(48,693)
Current tax charge for the year	1,017,039	1,012,480

# ZENITH BANK (UK) LIMITED

## Notes to financial statements

For the year ended 31 December 2010

### 11 Loans and advances to banks

	31 Dec. 2010	31 Dec. 2009
	£	£
Parent and fellow subsidiaries	14,064,202	7,020,256
Other banks	<u>149,435,050</u>	<u>268,449,985</u>
	<u>163,499,252</u>	<u>275,470,241</u>

The majority of amounts are repayable on demand or at short notice and are expected to mature within one year as follows: up to three months, £136,458,803 (2009 £259,290,090) up to six months, £17,226,592 (2009 £10,339,322), and over six months, £8,800,319 (2009 £328,571). Greater than one year amounts to £1,096,118 (2009 £5,547,679) and repay in late 2012. All loan balances are considered to be performing and the Bank has not identified any need for impairment.

### 12 Loans and advances to corporates

	31 Dec. 2010	31 Dec. 2009
	£	£
Syndicated loans	8,387,483	7,093,050
Commercial loans	<u>55,660,525</u>	<u>10,618,591</u>
	<u>64,048,008</u>	<u>17,711,641</u>

All amounts are expected to mature within the next five years, as follows: - up to one year £54,954,043 (2009 £7,185,029), over one year £9,093,965 (2009 £10,526,612). All loan balances are considered to be performing and the Bank has not identified any need for impairment.

### 13 Securities

	31 Dec. 2010	31 Dec. 2009
	£	£
Securities	153,413,923	57,941,829
Certificates of Deposit	<u>25,942,541</u>	<u>76,651,686</u>
	<u>179,356,464</u>	<u>134,593,515</u>

Securities have been issued by banks and government institutions, and will mature in the next seven years. Of these, £79,476,072 are held at cost (2009 £32,028,531), with the residual balance of £73,823,978 marked to market (2009 £25,913,298). Certificates of Deposit are all issued by banks and will mature within one year, as follows: £12,885,590 maturing in three months (2009 £74,869,795), with the balance of £13,056,952 (2009 £1,781,891) maturing within one year.



# ZENITH BANK (UK) LIMITED

## Notes to financial statements

For the year ended 31 December 2010

### 14 Tangible fixed assets

	Computer hardware & software £	Leasehold improvements £	Furniture & equipment £	Motor Cars £	Total £
<b>Cost</b>					
As at 1 Jan 2010	1,267,277	1,489,548	212,125	40,400	3,009,350
Additions	<u>416,777</u>	<u>102,821</u>	<u>4,347</u>	<u>-</u>	<u>523,945</u>
<b>As at 31 Dec 2010</b>	<b><u>1,684,054</u></b>	<b><u>1,592,369</u></b>	<b><u>216,472</u></b>	<b><u>40,400</u></b>	<b><u>3,533,295</u></b>
<b>Accumulated Depreciation</b>					
As at 1 Jan 2010	662,531	467,422	92,233	14,112	1,236,298
Charge for the year	<u>325,566</u>	<u>126,215</u>	<u>43,267</u>	<u>10,100</u>	<u>505,148</u>
<b>As at 31 Dec 2010</b>	<b><u>988,097</u></b>	<b><u>593,637</u></b>	<b><u>135,500</u></b>	<b><u>24,212</u></b>	<b><u>1,741,446</u></b>
Net book value as at 31 Dec 2009	<u>604,746</u>	<u>1,022,126</u>	<u>119,892</u>	<u>26,288</u>	<u>1,773,052</u>
<b>Net book value as at 31 Dec 2010</b>	<b><u>695,957</u></b>	<b><u>998,732</u></b>	<b><u>80,972</u></b>	<b><u>16,188</u></b>	<b><u>1,791,849</u></b>

### 15 Deferred tax asset

Deferred tax assets relate to:

	31 Dec. 2010 £	31 Dec. 2009 £
Accelerated Capital Allowances	(2,907)	35,610
Short term timing differences	<u>155,004</u>	<u>160,516</u>
	<u>152,097</u>	<u>196,126</u>

Movement in deferred tax is shown below

Brought Forward	196,126	94,302
Losses utilized in year	(44,029)	-
Other timing differences	<u>-</u>	<u>101,824</u>
Closing balance	<u>152,097</u>	<u>196,126</u>

# ZENITH BANK (UK) LIMITED

## Notes to financial statements

For the year ended 31 December 2010

### 16 Deposits by banks

	31 Dec. 2010 £	31 Dec. 2009 £
Parent and fellow subsidiaries	148,982,091	198,863,023
Other banks	<u>192,284,565</u>	<u>188,714,629</u>
	<u>341,266,656</u>	<u>387,577,652</u>

With the exception of £644,885, maturing over six months, but less than one year (2009 £927,945), the remaining amounts are expected to mature within three months, with £87,264,896 (2009 £101,670,866) repayable on demand or at short notice, and bear interest at current market rates.

### 17 Deposits by customers

	31 Dec. 2010 £	31 Dec. 2009 £
Wealth Management deposits	2,120,288	943,015
Corporates - call and current accounts	<u>24,866,401</u>	<u>3,140,328</u>
	<u>26,986,689</u>	<u>4,083,343</u>

All amounts are repayable on demand or at short notice and bear interest at current market rates.

### 18 Called up share capital

	No of shares	31 Dec. 2010 Amount (£)	31 Dec. 2009 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.

## ZENITH BANK (UK) LIMITED

### Notes to financial statements For the year ended 31 December 2010

#### 19 Profit and loss reserve

	31 Dec. 2010 £	31 Dec. 2009 £
Retained earnings as at 1 January	2,384,159	42,470
Profit/ on ordinary activities after tax	<u>2,617,179</u>	<u>2,341,689</u>
As at 31 December	<u>5,001,338</u>	<u>2,384,159</u>

#### 20 Reconciliation of movement in shareholders' funds

	31 Dec. 2010 £	31 Dec. 2009 £
Opening shareholders' funds	37,385,159	35,043,470
Profit on ordinary activities after tax	<u>2,617,179</u>	<u>2,341,689</u>
Closing shareholders' funds	<u>40,002,338</u>	<u>37,385,159</u>

#### 21 Operating lease commitments

At 31 December 2010, the Bank was committed to making the following payments during the next year in respect of operating leases for office premises:

	31 Dec. 2010 £	31 Dec. 2009 £
Leases which expire:		
Land and buildings within two to five years	256,500	256,500
Land and buildings after five years	<u>57,850</u>	<u>231,400</u>
	<u>314,350</u>	<u>487,900</u>

During 2010, the Bank sub let an office at 20 Berkeley Square, which is part of a lease expiring within two to five years. The rent receivable this year amounts to £104,504.

#### 22 Related party transactions

	31 Dec. 2010 £	31 Dec. 2009 £
Deposits from Zenith Group	148,982,091	198,863,023
Net interest paid to Zenith Group	124,630	281,890
Fees received from Zenith Group	1,436,215	1,318,397
Total loans advanced to Zenith Group	14,064,202	7,020,256

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.

## ZENITH BANK (UK) LIMITED

### Notes to financial statements

For the year ended 31 December 2010

#### 23 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.

#### 24 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 2010	Less than three months	Three to six Months	Over six months	Non Interest bearing	Total
	£	£		£	£
<b>Assets</b>					
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	-	-	-	449,101	449,101
<b>Total assets</b>	<b>247,618,405</b>	<b>29,423,163</b>	<b>129,748,283</b>	<b>3,055,673</b>	<b>409,845,524</b>
<b>Liabilities</b>					
Deposits by banks	340,621,771	-	644,885	-	341,266,656
Deposits by customers	26,394,144	537,084	55,461	-	26,986,689
Accrued expenses	-	-	-	1,589,841	1,589,841
Shareholders' funds	-	-	-	40,002,338	40,002,338
<b>Total liabilities</b>	<b>367,015,915</b>	<b>537,084</b>	<b>700,346</b>	<b>41,592,179</b>	<b>409,845,524</b>
<b>Interest rate gap sensitivity</b>	<b>(119,397,510)</b>	<b>(28,886,079)</b>	<b>129,047,937</b>	<b>(38,536,506)</b>	

# ZENITH BANK (UK) LIMITED

Notes to financial statements  
For the year ended 31 December 2010

## Interest Rate Gap Sensitivity Analysis (continued)

As at 31 December 2009	Less than three months	Three to six Months	Over six months	Non Interest bearing	Total
Assets	£	£		£	£
Cash	-	-	-	35,421	35,421
Loans and advances to banks	270,966,436	4,175,234	328,571	-	275,470,241
Loans and advances to corporates	14,006,827	3,704,814	-	-	17,711,641
Securities	78,502,837	2,201,762	53,849,691	39,225	134,593,515
Tangible fixed assets	-	-	-	1,773,052	1,773,052
Deferred tax assets	-	-	-	196,126	196,126
Other assets				401,695	401,695
Prepayments	-	-	-	463,193	463,193
<b>Total assets</b>	<b><u>363,476,100</u></b>	<b><u>10,081,810</u></b>	<b><u>54,178,262</u></b>	<b><u>2,908,712</u></b>	<b><u>430,644,884</u></b>
<b>Liabilities</b>					
Deposits by banks	386,649,707	-	927,945	-	387,577,652
Deposits by corporate	4,083,343	-	-	-	4,083,343
Accrued expenses	-	-	-	1,598,730	1,598,730
Shareholders' funds	-	-	-	37,385,159	37,385,159
<b>Total liabilities</b>	<b><u>390,733,050</u></b>	<b><u>-</u></b>	<b><u>927,945</u></b>	<b><u>38,983,889</u></b>	<b><u>430,644,884</u></b>
<b>Interest rate gap sensitivity</b>	<b><u>(27,256,950)</u></b>	<b><u>10,081,810</u></b>	<b><u>53,250,317</u></b>	<b><u>(36,075,177)</u></b>	

# ZENITH BANK (UK) LIMITED

## Notes to financial statements

For the year ended 31 December 2010

### 25 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 2010	Sterling	US dollar	Euros	Other	Total
	£	£	£	£	£
<b>Assets</b>					
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
Loans & advances to corporates	117,808	63,930,200	-	-	64,048,008
Securities	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
<b>Total assets</b>	<b>50,923,102</b>	<b>345,765,105</b>	<b>13,138,030</b>	<b>19,287</b>	<b>409,845,524</b>
<b>Liabilities</b>					
Deposits by banks	7,610,498	323,219,121	10,437,037	-	341,266,656
Deposits by corporates	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
<b>Total liabilities</b>	<b>50,975,976</b>	<b>345,809,829</b>	<b>13,059,719</b>	<b>-</b>	<b>409,845,524</b>
<b>Net currency position</b>	<b>(52,874)</b>	<b>(44,724)</b>	<b>78,311</b>	<b>19,287</b>	<b>-</b>

As at 31 December 2009	Sterling	US dollar	Euros	Other	Total
	£	£	£	£	£
<b>Assets</b>					
Cash	34,017	1,404	-	-	35,421
Loans & advances to banks	5,792,916	254,976,392	14,691,181	9,752	275,470,241
Securities	71,602	17,640,039	-	-	17,711,641
Loans & advances to corporates	39,693,428	94,900,087	-	-	134,593,515
Tangible fixed assets	1,773,052	-	-	-	1,773,052
Deferred tax assets	196,126	-	-	-	196,126
Other Assets	401,695	-	-	-	401,695
Prepayments	433,734	29,459	-	-	463,193
<b>Total assets</b>	<b>48,396,570</b>	<b>367,547,381</b>	<b>14,691,181</b>	<b>9,752</b>	<b>430,644,884</b>
<b>Liabilities</b>					
Deposits by banks	9,096,653	363,569,300	14,911,699	-	387,577,652
Deposits by corporate	699,868	3,254,760	128,715	-	4,083,343
Accruals	1,239,697	359,033	-	-	1,598,730
Shareholders' funds	37,385,159	-	-	-	37,385,159
<b>Total liabilities</b>	<b>48,421,377</b>	<b>367,183,093</b>	<b>15,040,414</b>	<b>-</b>	<b>430,644,884</b>
<b>Net currency position</b>	<b>(24,807)</b>	<b>364,288</b>	<b>(349,233)</b>	<b>9,752</b>	<b>-</b>

## ZENITH BANK (UK) LIMITED

### Notes to financial statements

For the year ended 31 December 2010

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#### 26 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 category. Market values are used to determine fair values. In the absence of readily ascertainable market values, management's estimation has been used to determine fair values.

	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
	Book value 31 Dec. 2009 £	Fair value 31 Dec. 2009 £
Loans & advances to banks	275,470,241	275,571,714
Loans & advances to corporates	17,711,641	17,711,641
Securities	134,593,515	135,795,270
Deposits by banks and corporates	391,660,995	391,660,995

#### 27 Pension costs

The bank operates a defined contribution pension scheme for staff and contributions were made during the year totalling £239,060 (2009: £235,439). This amount forms part of total staff costs recorded under administrative expenses. A payable figure of £33,881 is included in accrued expenses, representing one month's premium.

#### 28 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.

#### 29 Subsequent events

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