

# H1 2012 Results Presentation to Investors & Analysts

IFRS Compliant Results

people | technology | service



**ZENITH BANK PLC**





# Disclaimer

**This presentation is based on the consolidated financial statements of Zenith Bank Plc, a company incorporated in Nigeria on 30 May 1990, and its subsidiaries (hereinafter collectively referred to as "the Group"). The financial statements are prepared in accordance with the International Financial Reporting Standard (IFRS), and the going concern principle under the historical cost convention as modified by the measurement of certain financial instruments held at fair value.**

**The preparation of financial statements in accordance with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and disclosures at the date of the financial statements. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates.**



# Speakers

- ❑ **Godwin Emefiele – Managing Director/Chief Executive Officer**
- ❑ **Udom Emmanuel – Executive Director/Chief Financial Officer**
- ❑ **Peter Amangbo – Executive Director – Corporate Banking**
- ❑ **Andy Ojei – Executive Director – Enterprise and Risk Management**



# Agenda

**Operating Environment**

**Results**

**Group**

**By Segment**

**By Geography**

**Company Risk Management**

**Strategy and Outlook**

**Q & A**



- **GDP Growth:** The Nigerian economy grew by 6.17% in Q1'2012 compared to 7.13% recorded in Q1'2011. Decrease in economic activities caused by the partial removal of oil subsidy on petrol and subsequent civil protest and weak consumer demand following the higher price levels were mainly responsible for the decline. Nevertheless, the non-oil sector continued to be a major driver of the country's economy, recording 7.93% growth in Q1'2012 compared to 8.73% in Q1 2011. A stronger GDP growth is expected in the second quarter of 2012 as a result of recent sectoral policies in the non-oil sector and the gradual reduction of the effects of subsidy removal on petrol.
- **Oil Prices:** The price of crude oil in the international market has been on a quarter-long declining streak for the third consecutive month to settle below \$100/b at the end of June 2012. Beside a gloomy economic picture, particularly in the Euro-zone, the main factors driving down the price are speculators who increasingly sold off long positions and abundant crude oil supplies. However, Nigeria production has been on the increase since the beginning of Q2 2012, from 2.09 million bpd to end the quarter at 2.18 million bpd. **Zenith Bank will continue to support business opportunities in the oil and gas sector of the economy in a bid to boost its earnings.** We expect an increase in oil prices amidst the positive outlook for the United States economy which recorded improved weekly employment data, increased crude oil consumption as well as improved manufacturing and construction activity.
- **Foreign Reserves:** Nigeria's external reserve stood at \$36.72bn as at the end of Q2 2012, , a slight decline from this year's peak of \$37.77bn recorded earlier in the month of June 2012. This represents a 3.26% increase from the figure recorded at the end of Q1 2012 and 15.15% increase y/y. The recent decline in foreign reserve is due to the falling oil prices in the international market and the strong local demand for dollar in the FX market. We expect the reduction in arbitrage opportunities in the oil marketing sectors combined with stronger controls in foreign exchange practices would lead to a noticeable moderation in foreign exchange net demand.
- **Exchange Rate:** The foreign exchange market remained relatively stable in Q2 2012 due to increased inflows of forex and the moderation in the demand for foreign exchange. The exchange rate at the WDAS segment of the market hovered between US\$/N155 and US\$/N156 in Q2 2012. **Zenith Bank remained a dominant player in the WDAS market in the period under review and will continue to boost its FX earnings in the remaining part of the year.**
- **Headline Inflation:** Inflation rose to 12.9% y/y in June 2012 from 12.7% recorded in May 2012. This increase could be partly attributable to increase in electricity tariff and persistent increase in the prices of some farm produce.



# Our Investment Proposition

## Strong earnings capacity, Solid capital adequacy, High liquidity, Declining NPLs, Excellent technology and Well-motivated staff

- ❑ **A dominant player in Corporate Banking.** The Bank controls a significant share of the corporate clients in strategic sectors of the Nigerian economy. Through the use of its strong balance sheet and liquidity position as well as efficient trade finance products and services, the Bank is able to continuously support its business in this segment.
- ❑ **Superior Credit Rating.** Standard and Poor's reaffirmed Zenith Bank's rating at B+/Stable/B, being the highest rating awarded to any Nigerian bank and is in line with the country's risk rating.
- ❑ **Strong Focus on Risk Management.** Despite the challenging business environment, the Bank is able to improve its NPL ratio to 3.3% with a coverage ratio of over 78%. The management of the Bank will strive to bring NPL ratios to pre-2008 levels.
- ❑ **Good Dividend Payout.** Zenith Bank is recognized for consistently returning good dividends to its investors. The Bank paid a dividend of 95 kobo per share (payout of 67.95%) to its shareholders for FY11 and it intends to maintain this trend.
- ❑ **Return On Equity.** Since the banking sector began recovery in 2009, Zenith Bank has steadily grown its ROAE. We project an ROAE in excess of 15% for FY12.



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# Financial Highlights



## Key Theme

Increased Efficiency Through Optimal Resource Allocation  
Building A Shock-Proof Balance Sheet

## P & L

Gross Earnings: N151.10bn  
Net Interest Income: N79.75bn  
Net Interest Margin: 8.72% (Annualized)  
PBT: N50.16bn  
PAT: N42.41bn

+22.66% YoY  
+26.66% YoY  
+15.96% YoY  
+36.33% YoY  
+32.12% YoY

## Balance Sheet

Customer Deposit: N1.70tn  
Total Assets: N2.48tn  
Shareholders' Funds: N399.91bn  
Loans & Advances: N998.47bn

+2.75% (YTD)  
+6.45% (YTD)  
+1.43% (YTD)  
+8.46% (YTD)

## Key Ratios

Loan to Deposit Ratio: 58.70%  
Operating Cost to Income Ratio: 40.96%  
Liquidity: 62.41 % (Group), 60.41% (Bank)  
Capital Adequacy: 26.47 % (Group), 27.31% (Bank)  
NPL:3.3%  
ROAE: 21.29% (Annualized)  
EPS: 135k





# Profit & Loss Statement

(N'm)

	Group 6 mths to Jun-12	Group 6 mths to Jun-11	YOY Change
Gross Income	151,103	123,197	22.65%
Interest Income	110,881	79,705	39.11%
Interest Expense	31,132	16,741	85.96%
<b>Net Interest Income</b>	<b>79,749</b>	<b>62,964</b>	<b>26.66%</b>
Impairment Charge for Credit Losses	-1,753	-4,070	-56.93%
Net Interest Income after Impairment Charge for Credit Losses	77,996	58,894	32.43%
Fees and Commission Income	24,521	26,547	-7.63%
Net gains on Financial Instruments	7,305	8,872	-17.66%
Other Income	470	31	1416.13%
Operating Expenses	-61,898	-59,454	4.11%
<b>Profit Before Tax</b>	<b>50,163</b>	<b>36,794</b>	<b>36.33%</b>
Taxation	-7,752	-4,694	65.15%
<b>Profit After Tax</b>	<b>42,411</b>	<b>32,100</b>	<b>32.12%</b>

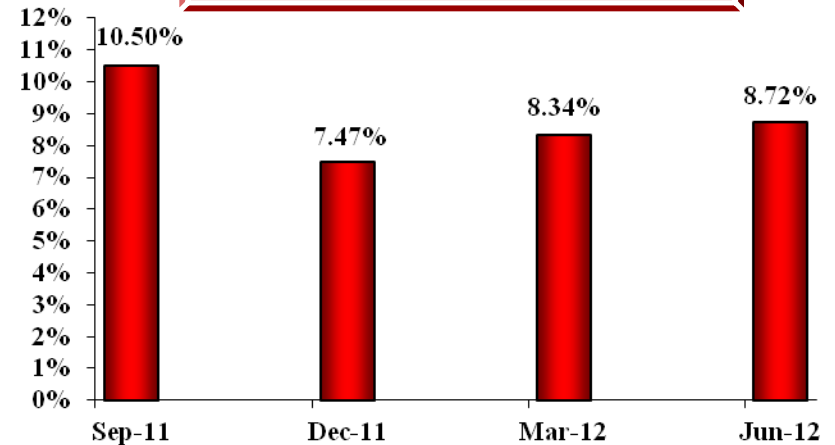
Improved top line earnings driven by efficient allocation of resources .....



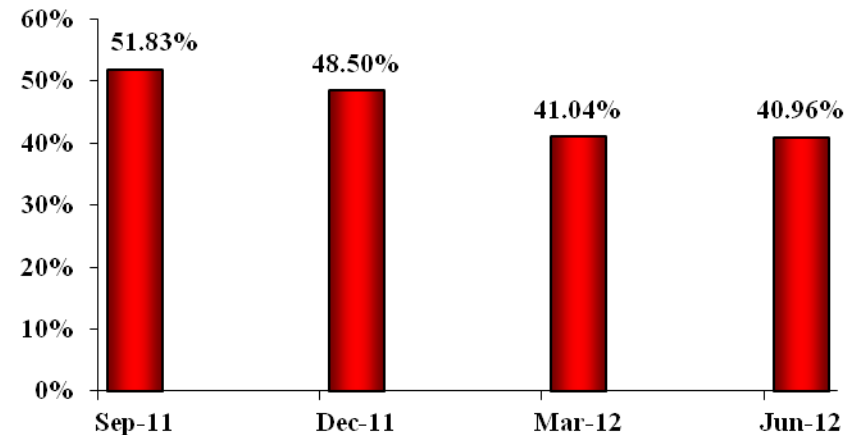
## Comments

- ❑ *Net Interest Margin: Consistent increase over the last 3 quarters. The Group maintained a strong Net Interest Margin through an efficient balance sheet management.*
- ❑ *Maintained a reduced Operating Cost to Income Ratio of 40.96 % from 48.26% recorded in H1 2011. The Groups cost reduction strategies continued to yield the desired results.*
- ❑ *Strong ROAE at 21.29% (annualized) compared to H1 2011's figure of 16.52%.*
- ❑ *PBT – N50.16bn, up 36.33% from first H1 2011 while PAT rose to N42.41bn from N31.10bn in H1 2011 – this represents a year-on year growth of 32.12%.*

## Net Interest Margin



## Operating Cost to Income Ratio





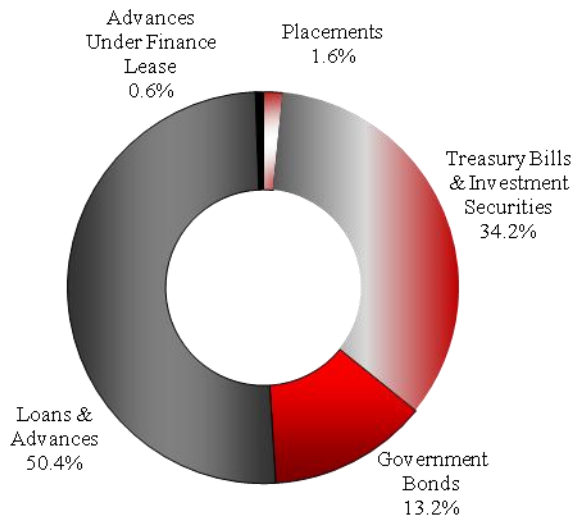
# Revenue Base ...Sustained Diversification



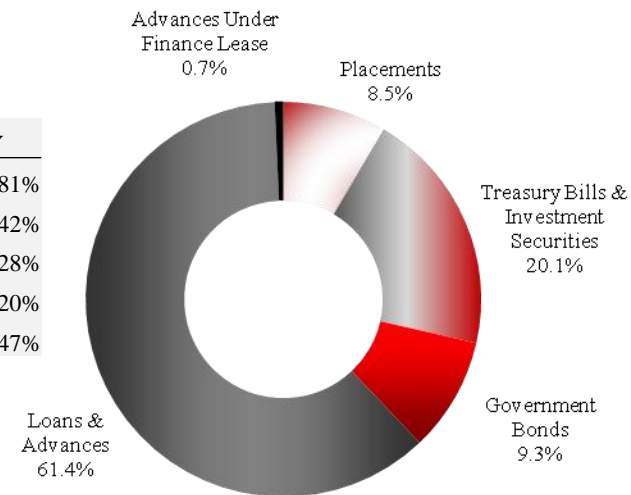
**H1 2012**

## Interest Income

**H1 2011**



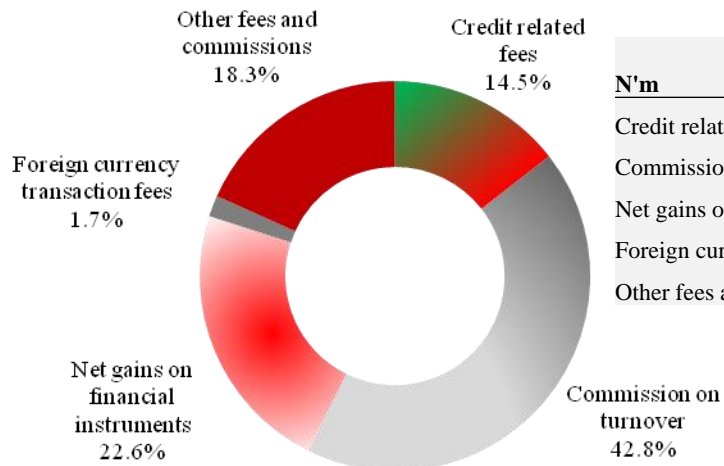
N'm	H1 2012	H1 2011	YoY
Placements	1,771	6,763	-73.81%
T-Bills & Inv. Securities	37,959	15,988	137.42%
Government Bonds	14,619	7,448	96.28%
Loans & Advances	55,890	48,941	14.20%
Advances Under Finance Lease	641	565	13.47%



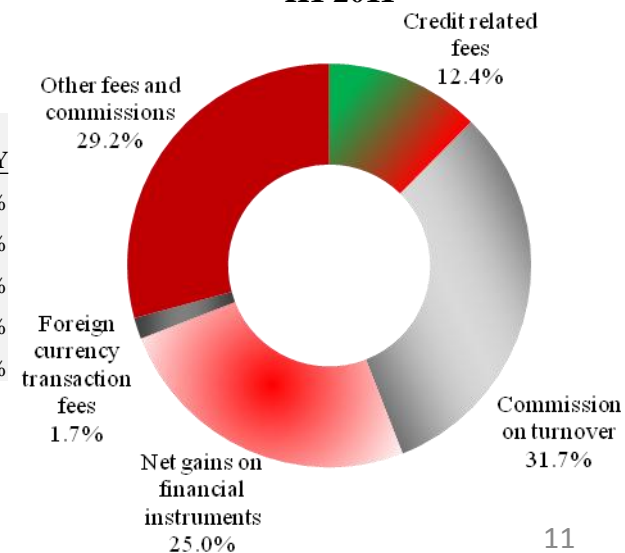
**H1 2012**

## Non-Interest Income

**H1 2011**

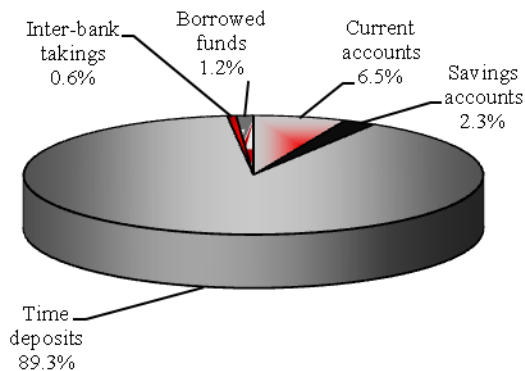


N'm	H1 2012	H1 2011	YoY
Credit related fees	4,687	4,398	6.57%
Commission on turnover	13,834	11,227	23.22%
Net gains on financial instruments	7,305	8,872	-17.66%
Foreign currency transaction fees	563	601	-6.39%
Other fees and commissions	5,908	10,352	-42.9%





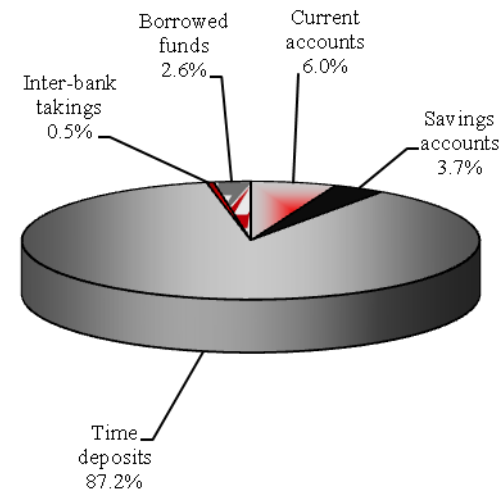
## H1 2012



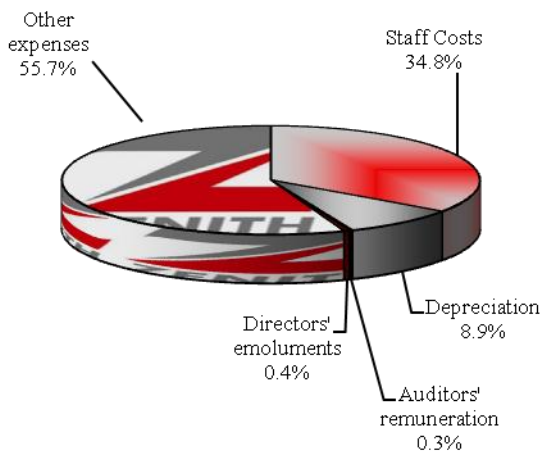
## Interest Expenses

N'm	H1 2012	H1 2011	YoY
Current accounts	2,032	1,008	101.63%
Savings accounts	717	619	15.86%
Time deposits	27,813	14,594	90.58%
Inter-bank takings	193	85	126.93%
Borrowed funds	376	435	-13.46%

## H1 2011



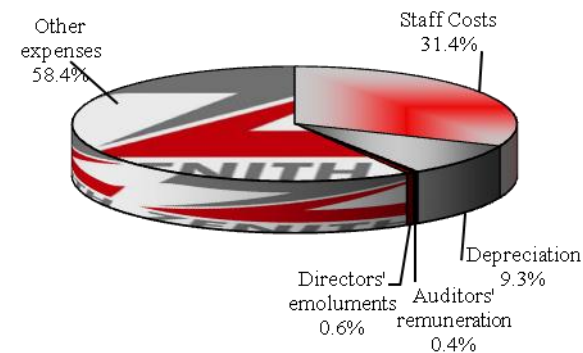
## H1 2012



## Operating Expenses

N'm	H1 2012	H1 2011	YoY
Staff Costs	21,975	20,541	6.98%
Depreciation	5,599	6,094	-8.12%
Auditors' remuneration	171	230	-25.75%
Directors' emoluments	262	360	0.00%
Other expenses	35,191	38,229	-8.20%

## H1 2011





# Balance Sheet- Assets

(N'm)	Group	Group	YTD	Group
	Jun-12	Dec-11		Jun-11
Cash and balances with central banks	180,852	223,187	-18.97%	127,018
Treasury bills	460,260	510,738	-9.88%	359,387
Due from other banks	420,475	234,521	79.29%	346,506
Loans and advances	972,242	893,833	8.77%	845,360
Reinsurance assets and insurance receivables	-	-	-	2,914
Investment securities	287,890	308,231	-6.60%	256,239
Assets classified as held for sale	32,278	52,482	-38.50%	-
Investments in associates	1,822	1,756	3.76%	1,756
Deferred tax assets	91	186	-51.08%	1,156
Other assets	44,616	25,510	74.89%	43,954
Investment property	7,052	7,114	-0.87%	7,295
Property and equipment	69,316	68,366	1.39%	69,495
Intangible assets	1,353	770	75.71%	841
<b>Total Assets</b>	<b>2,478,247</b>	<b>2,326,695</b>	<b>6.51%</b>	<b>2,061,921</b>

**Balance sheet strengthening ... solid liquid assets balance sheet base underscoring the Group's strategy**



# Balance Sheet- Liabilities & Equity

(N'm)	Group Jun-12	Group Dec-11	YTD	Group Jun-11
Customers deposits	1,701,005	1,655,458	2.75%	1,446,662
Claims payable	-	-	-	218
Current income tax	12,781	13,348	-4.25%	5,829
Deferred income tax liabilities	8,957	10,742	-16.62%	10,553
Other liabilities	265,592	152,836	73.78%	153,606
Liabilities classified as held for sale	11,651	29,603	-60.64%	-
Liabilities on insurance contracts	-	-	-	2,816
On-lending facilities	57,566	49,370	16.60%	40,164
Borrowings	17,982	21,070	-14.66%	24,131
<b>Total liabilities</b>	<b>2,075,534</b>	<b>1,932,427</b>	<b>7.41%</b>	<b>1,683,979</b>

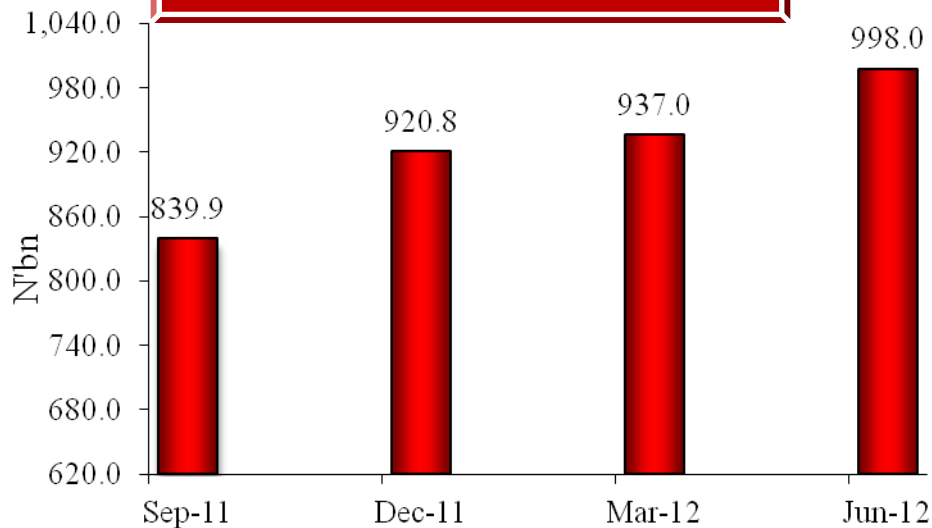
(N'm)	Group Jun-12	Group Dec-11	YTD	Group Jun-11
Share capital	270,745	270,745	-	270,745
Reserves	128,969	120,836	6.73%	87,258
<b>Total Shareholder's funds</b>	<b>402,713</b>	<b>394,268</b>	<b>2.14%</b>	<b>377,942</b>
Non-controlling interest	2,999	2,686	11.65%	2,777
<b>Total liabilities &amp; equity</b>	<b>2,478,247</b>	<b>2,326,695</b>	<b>6.51%</b>	<b>2,061,921</b>

**Strong Capital base.... Remains a solid buffer against any adverse event**

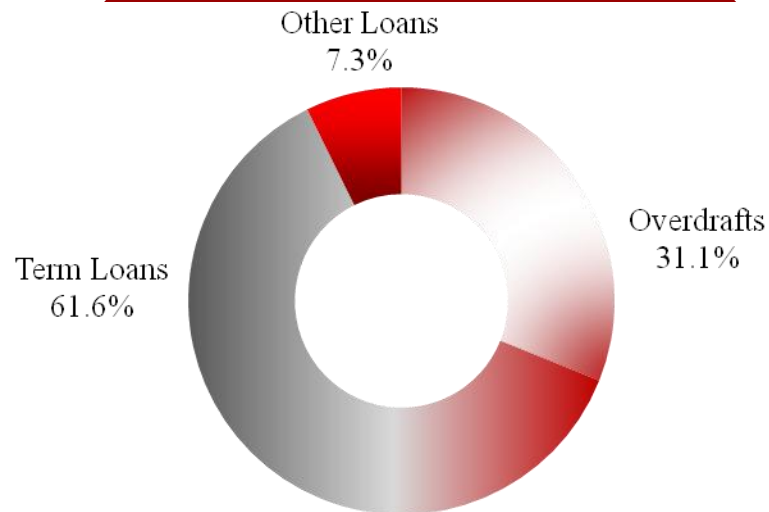


# Sustained assets & liabilities match..

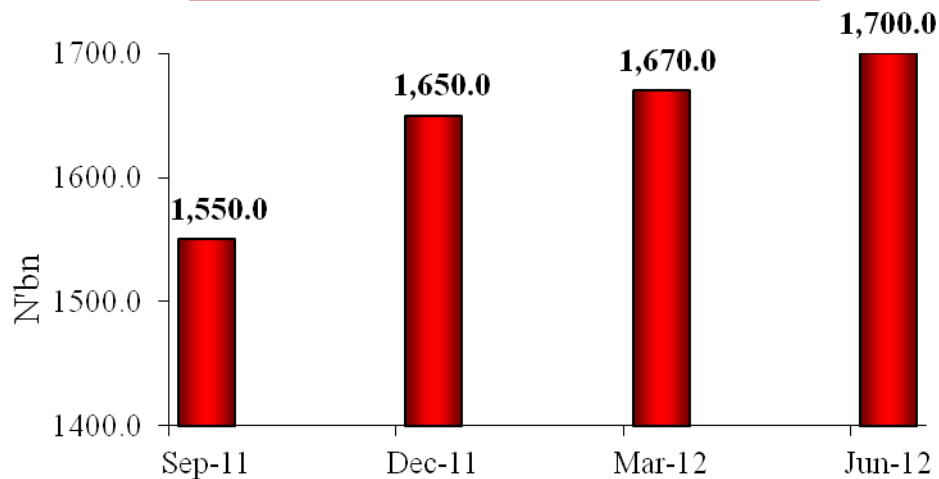
## Loans Growth



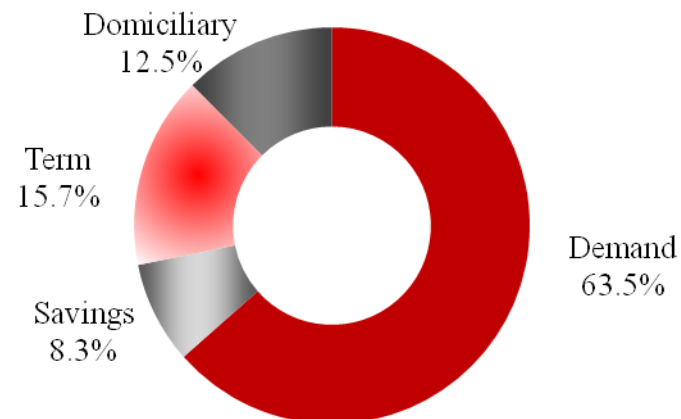
## Loans & Advances H1 2012



## Customer Deposits



## Deposits Mix H1 2012



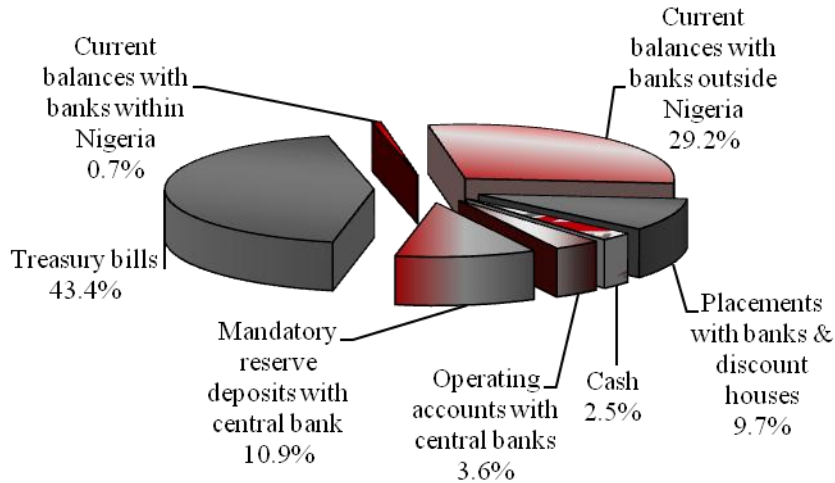


# Continued market dominance through strong liquid asset base and funding mix...

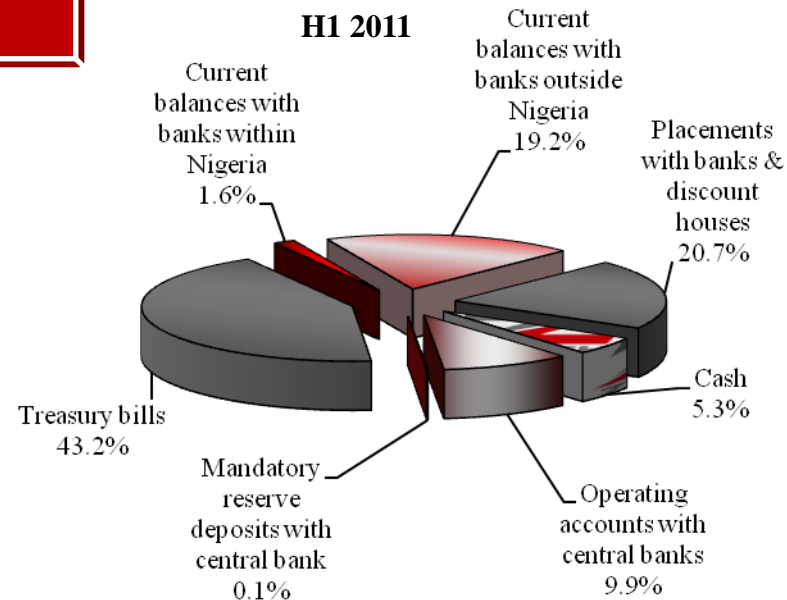


H1 2012

## Liquid Assets

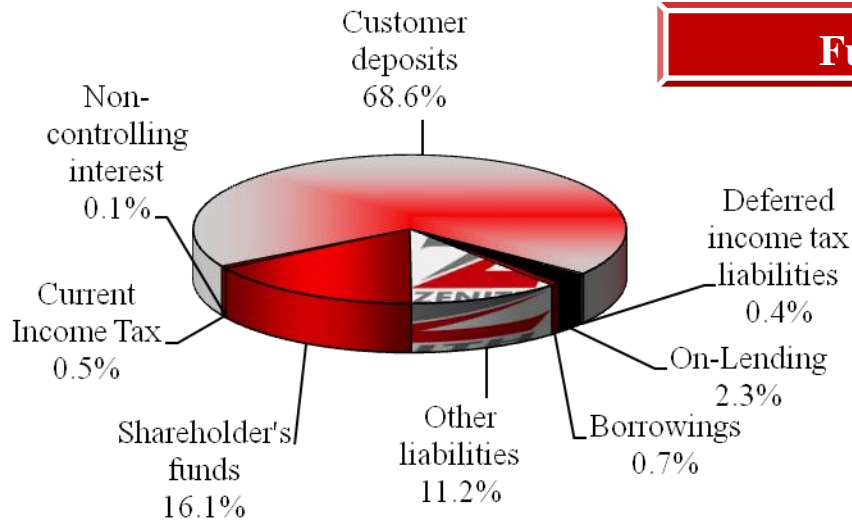


H1 2011

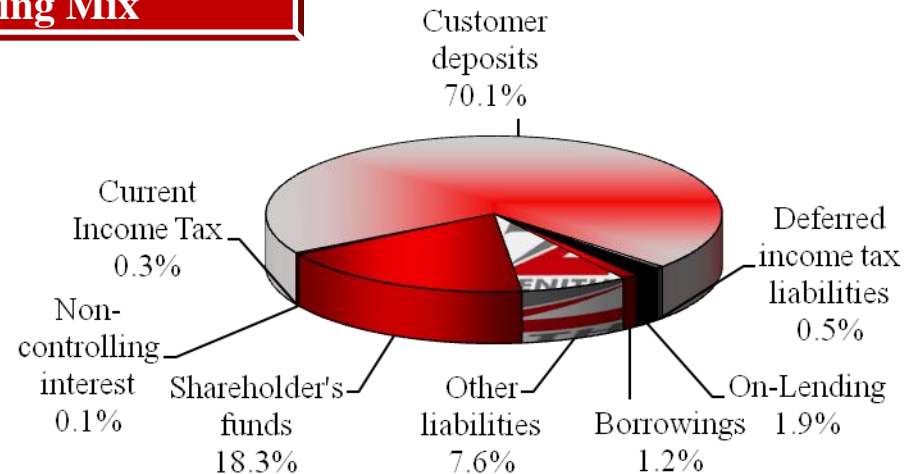


H1 2012

## Funding Mix



H1 2011







# Agenda

**Operating Environment**

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# P&L – By Segment

## 6 Months Ended June 2012 (N'm)

	Pension	Treasury	Corporate	Retail	Discontinued Operations	Consolidated
<b>Total Revenue</b>	<b>1,460</b>	<b>30,828</b>	<b>95,048</b>	<b>15,781</b>	<b>7,986</b>	<b>151,103</b>
Total Expenses	-244	-21,756	-63,439	-9,285	-6,217	-100,940
<b>Profit Before Tax</b>	<b>1,216</b>	<b>9,072</b>	<b>31,610</b>	<b>6,496</b>	<b>1,769</b>	<b>50,163</b>
Tax	-188	-1,402	-4,885	-1,004	-273	-7752
<b>Profit After Tax</b>	<b>1,028</b>	<b>7,670</b>	<b>26,725</b>	<b>5,492</b>	<b>1,496</b>	<b>42,411</b>

## 6 Months Ended June 2011 (N'm)

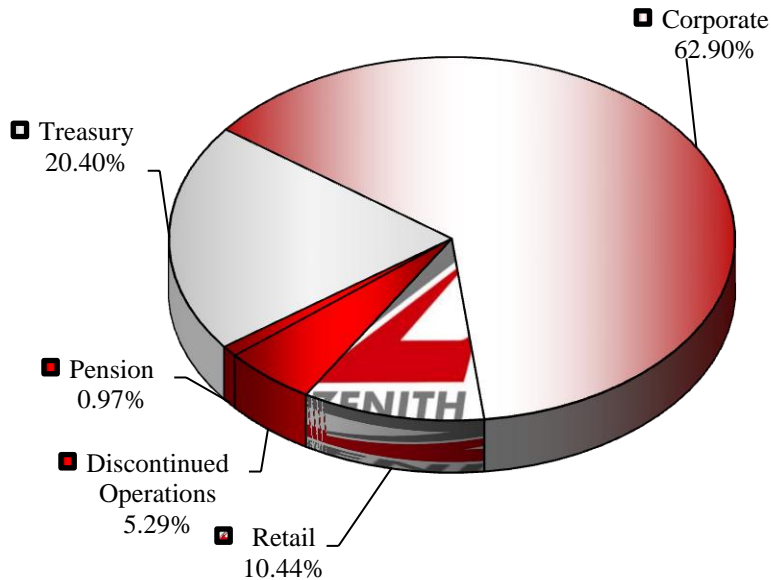
	Pension	Treasury	Corporate	Retail	Discontinued Operations	Consolidated
<b>Total Revenue</b>	<b>998</b>	<b>20,304</b>	<b>80,201</b>	<b>13,515</b>	<b>8,179</b>	<b>123,197</b>
Total Expenses	-245	-13,728	-57,374	-8,918	-6,137	-86,403
<b>Profit Before Tax</b>	<b>753</b>	<b>6,576</b>	<b>22,827</b>	<b>4,597</b>	<b>2,042</b>	<b>36,794</b>
Tax	-96	-839	-2,912	-586	-261	-4,694
<b>Profit After Tax</b>	<b>657</b>	<b>5,737</b>	<b>19,915</b>	<b>4,010</b>	<b>1,781</b>	<b>32,100</b>

**Improved profitability YoY on core business segments**

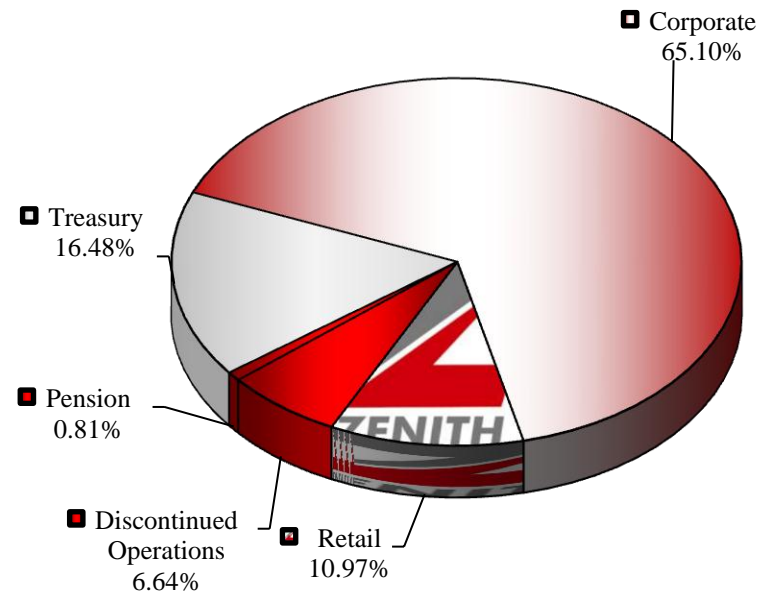


# P&L – By Segment

## Gross Revenue by Segment – Jun '12



## Gross Revenue by Segment – Jun '11



Corporate Banking & Retail banking continue to be the hub of our business ...



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# P&L – By Geography

<b>6 Months Ended June 2012 (N'm)</b>	<b>Nigeria</b>	<b>Rest of Africa</b>	<b>Europe</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Total Revenue</b>	<b>144,441</b>	<b>6,192</b>	<b>2,612</b>	<b>2,142</b>	<b>155,387</b>
Total Expense	-96,817	-4,345	-1,920	-2,142	-105,224
<b>Profit Before Tax</b>	<b>47,624</b>	<b>1,847</b>	<b>692</b>	<b>-</b>	<b>50,163</b>
Tax	-7,309	-299	-144	-	-7,752
<b>Profit After Tax</b>	<b>40,315</b>	<b>1,548</b>	<b>548</b>	<b>-</b>	<b>42,411</b>

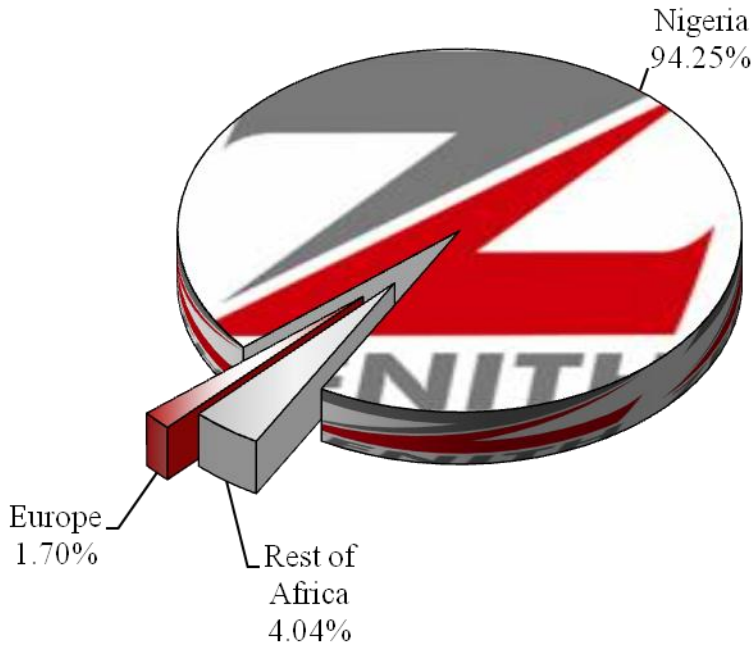
<b>6 Months Ended June 2012 (N'm)</b>	<b>Nigeria</b>	<b>Rest of Africa</b>	<b>Europe</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Total Revenue</b>	<b>116,551</b>	<b>6,145</b>	<b>1,649</b>	<b>-1,148</b>	<b>123,197</b>
Total Expense	-81,450	-5,048	-1,052	1,147	-86,403
<b>Profit Before Tax</b>	<b>35,101</b>	<b>1,097</b>	<b>597</b>	<b>-1</b>	<b>36,794</b>
Tax	-4,330	-204	-160	-	-4,694
<b>Profit After Tax</b>	<b>30,771</b>	<b>893</b>	<b>437</b>	<b>-1</b>	<b>32,100</b>

**Improved earnings across geographies.....**

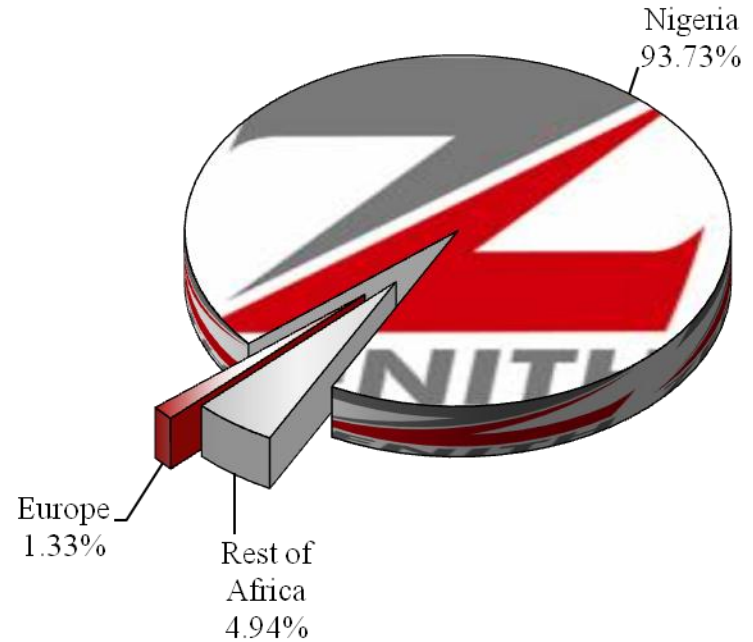


# P&L – By Geography

Gross Revenue by Geography – Jun '12



Gross Revenue by Geography – Jun '11



Our Nigerian business continues to be the main driver of profitability ... providing 94.25% of gross revenue



**Operating Environment**

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**By Segment**

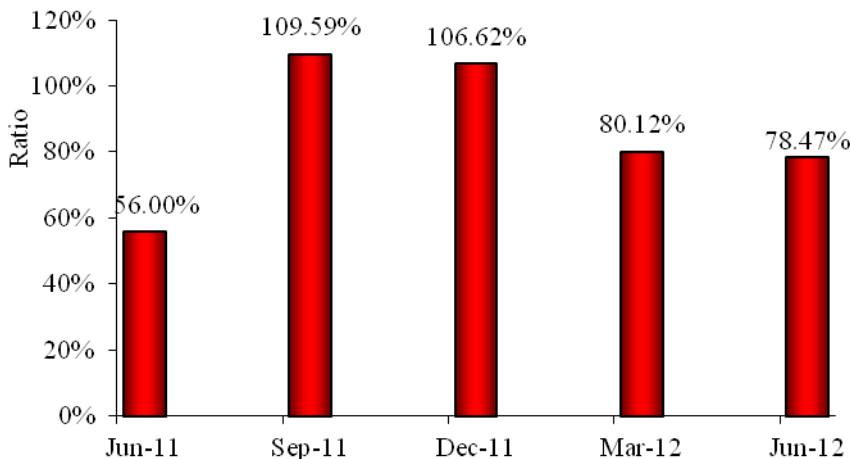
**By Geography**

**Company Risk Management**

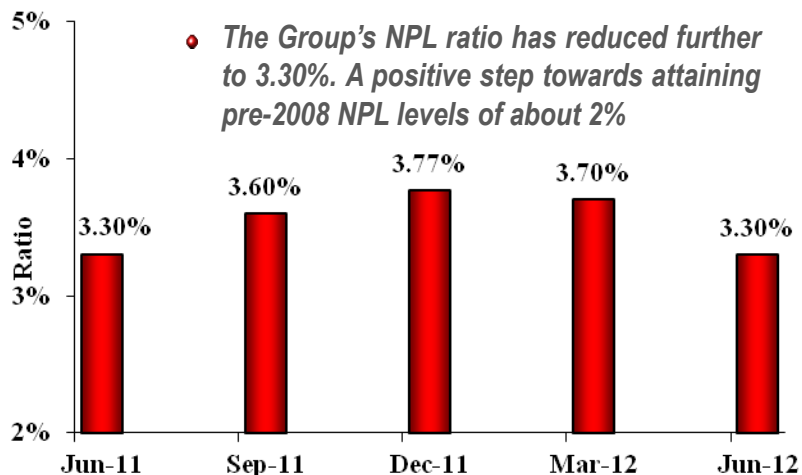
**Strategy and Outlook**

**Q & A**

## NPL Coverage Ratio



## NPL Ratio



## Our Risk Management Strategy

- The Group considers sound risk management to be the foundation of long lasting financial institution.
- It continues to adopt a holistic and integrated approach to risk management hence, brings all risks together under one or a limited number of oversight functions.
- Risk management is a shared responsibility. It builds a shared perspective on risk that is grounded in consensus.
- A 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 our business decisions. The Group continues to strive to maintain a conservative balance between risk and revenue consideration.

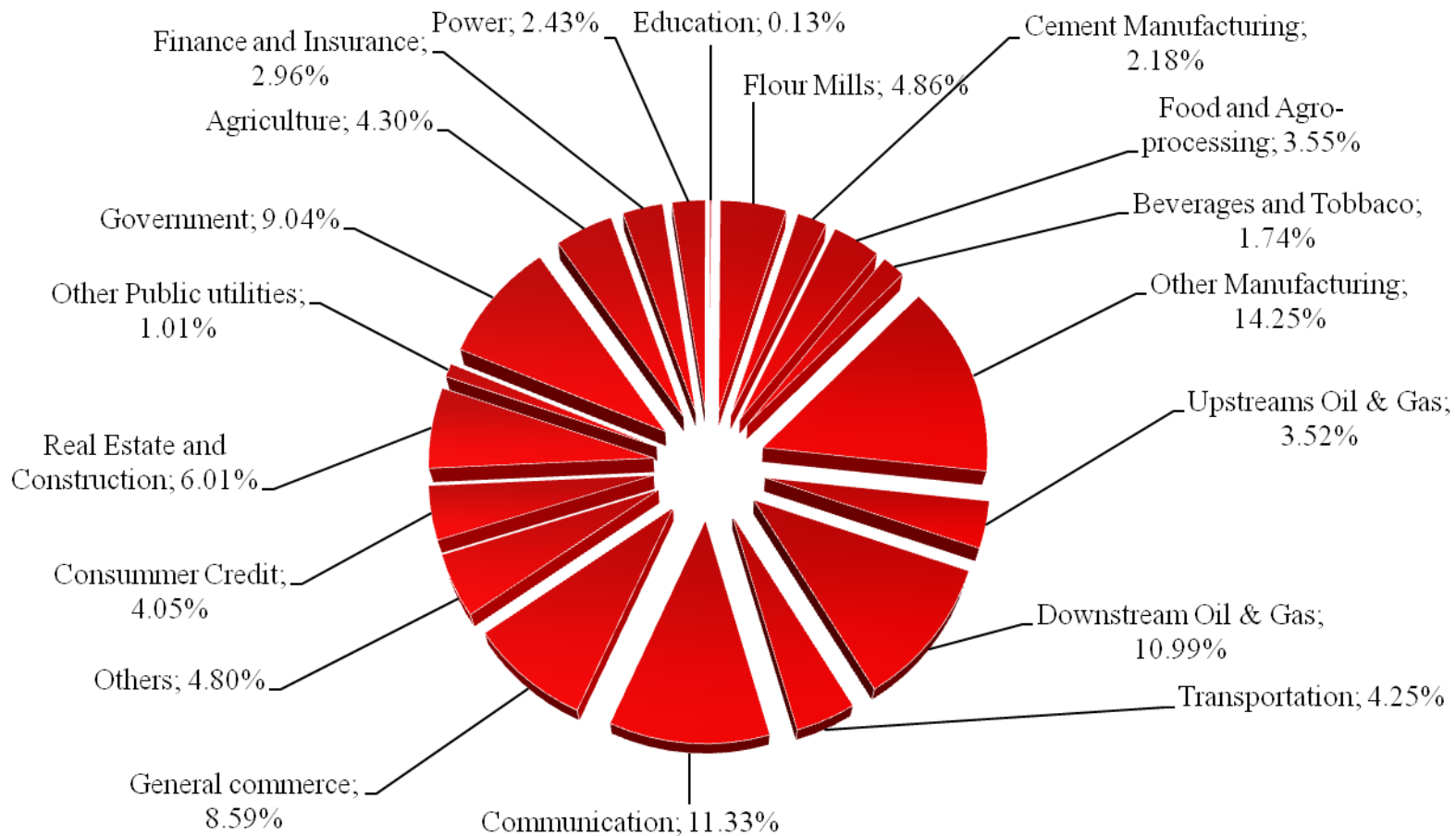




# Focused risk management via portfolio diversification



## Loans by Sector – June 2012



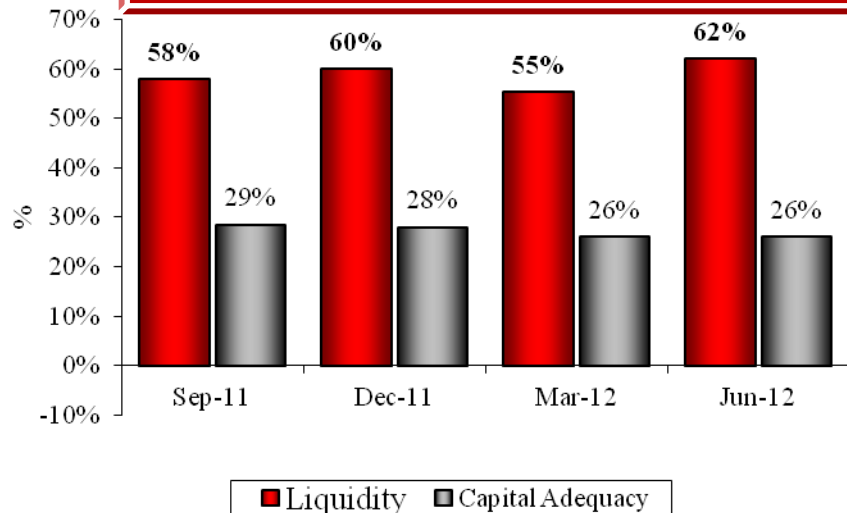
No concentration risk



# Strong Capitalization and Liquidity

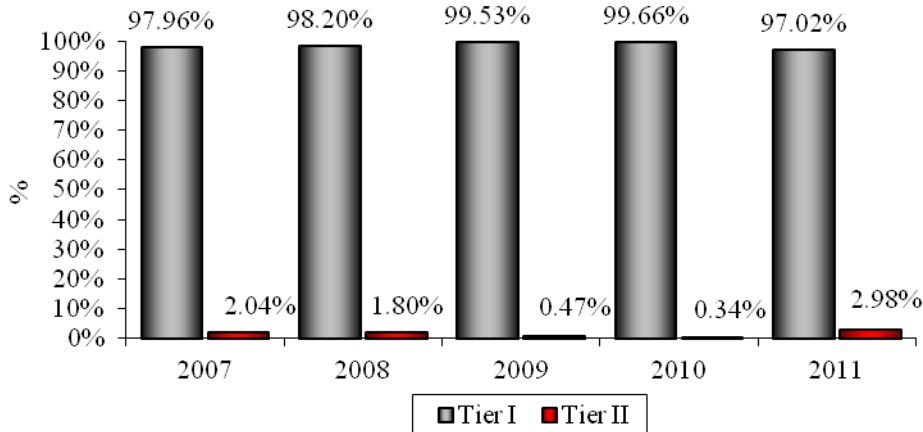


## Liquidity and Capital Adequacy



*Capital and liquidity ratios for the Bank – well above industry requirements.*

## Capital Mix



*Capital base – predominantly made up of Tier 1 capital.*

*The increase in Tier II capital was fueled by the general provisioning.*



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# Strategies for driving our vision

**1**

**Compete aggressively for market share, but focus on high quality assets and top-end relationships**

- The Bank focuses on cost effective deposits from the retail end of the market to lend to the corporate end with emphasis on emerging business opportunities
- Encourages strong risk management and corporate governance practices

**2**

**Delivering superior service experience to all clients and customers**

- The Bank accomplishes this strategy by:
  - ✓ Consistent focus and investment in attracting and keeping quality people
  - ✓ Employing cutting edge technology
  - ✓ Deploying excellent customer service

**3**

**Develop specific solutions for each segment of our customers' base**

- Leveraging our capabilities and brand strength to consistently meet our clients' needs
- Developing a strong Zenith Bank platform to serve as an integrated financial solutions provider to our diverse customers base

## Driving profitability with our competitive advantages

### Identified Growth Sectors

Infrastructure  
Manufacturing  
Oil and Gas (Upstream &  
Downstream)  
Power and Energy  
Real Estate and  
Construction  
Telecoms  
Transportation and  
General Commerce

### Competitive Advantage

- Strong capital and liquidity
- Strong brand
- Strong international rating
- Extensive branch network
- Robust ICT and E-bank channels
- Well motivated staff force
- Excellent customer services



# Outlook and Prospects for FY2012



- ❑ **Agriculture:** The Federal government's resolve to boost the agricultural sector in the country would no doubt create quite a number of opportunities in the areas of funding, job creation and indeed food security to Africa's most populous nation. Various Funding Schemes such as Commercial Agriculture Credit Scheme (CACS) that has 159 projects valued at N134bn (out of which Zenith Bank has disbursed N14bn), Nigeria Incentive-Based Risk Sharing for Agricultural Lending (NIRSAL) with about N75bn and Seed and Fertilizer Scheme of about N30bn recently launched for banks to lend at a subsidized rate to local farmers and the value chain for the production of fertilizer among others are some of the initiatives to ensure that the country's economy is diversified. The Group would continue to play a major role in this sector to support the various government's projects aiming at boosting our economy.
- ❑ **Power and Infrastructure:** We are fully aware of the different reforms embarked upon by the Nigerian government in the power sector in order to create a customer driven industry wide plan to achieve stable power supply. As we begin to see the inflow of a large volume of private sector investments through the creation of new power generation and distribution entities and the subsequent development of a competitive electricity market, Zenith Bank is strategically positioned to take advantage of any emerging business opportunities in the country's power sector.
- ❑ **Mobile Banking:** In a bid to encourage and promote person-to-person payments and leverage on mobile phone channels as a means of payments, the CBN has given out licences to operators in the country. Zenith Bank Plc is poised to take advantage of this initiative as we have received our mobile banking licence and commenced its pilot scheme with one of the telecom providers.
- ❑ **Investments in Technology and Product Innovations:** The Group has over the years become synonymous with the use of ICT in banking and general innovation in the Nigerian banking industry. We have renewed our commitment in ensuring that all our activities are anchored on the E-platform and providing service delivery through the electronic media to all customers irrespective of place, time and distance.
- ❑ **Cash-lite Project of CBN:** The Group welcomes the CBN's Cash-Lite Project of making sure that E-platforms would continue to be the bedrock of our banking transactions. In the last 12 months, Zenith Bank Plc has efficiently deployed a wide range of banking products that ensures resourceful and robust financial services to its customers. It has launched mainly e-Banking products (Point of Sales Terminals, ATMs etc) geared towards meeting the changing needs of its customers in the light of the recently introduced and evolving cashless society policies being championed and mandated by the Central Bank of Nigeria (CBN) and fully supported by the banking community in the country.



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- ❑ **Representative Office:** We remain optimistic of the business opportunities inherent in the Peoples Republic of China hence, our resolve to officially open a Representative Office in the country's capital city, Beijing. The group is reasonably certain that robust contributions would be realized from this Office considering the various emerging business opportunities found in China.
- ❑ **Divestment in Subsidiaries:** Overall, the bank's directors would ensure a fair, transparent and independently managed divestment process with the ultimate objective of enhancing the Bank's capacity to take advantage of existing and emerging opportunities within the scope of the permissible activities under the new commercial banking licencing regime. We remain increasingly confident that the Group would continue to facilitate its commercial banking operations both on a national scale in Nigeria, via its offshore banking subsidiaries in the West African sub-region, representative offices and the United Kingdom.
- ❑ **Customer Services:** At the center of the Group's pursuit of excellent customer service, we would continue to focus on strengthening our relationship management in a bid to surpass our commitments to all stakeholders.
- ❑ **Deposit Base:** Our drive for low cost and appropriately mixed deposit base to fund our credit and money market transactions would continue in FY2012. We are committed to be a dominant player in the money market space to drive up income and profitability going forward.
- ❑ **Risk Assets:** The Group would continue to seek opportunities to grow its risk assets while maintaining a low NPL ratio and sustaining our improved coverage ratio. We would continue to strive for the optimal protection of our shareholders' wealth through the continuous review and improvement of our risk management culture and processes.
- ❑ **Best Practices:** The Group would continue to uphold best practices and good corporate governance in all segments of our business in line with the recent award of the "Best Corporate Governance Bank in Nigeria for 2011 – World Finance."

*Thank you*

