



ZENITH BANK PLC

GROUP RESULTS

For 3 Months Ended March 31, 2011

people | technology | service

www.zenithbank.com



...In Your Best Interest



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 under the historical cost convention as modified by the revaluation of certain investment securities and comply with the Statements of Accounting Standards issued by the Nigerian Accounting Standards Board.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results ultimately may differ from those estimates.



Agenda



Operating Environment

Results

Group

By Segment

By Geography

Company Risk Management & Strategy

Strategy & Outlook



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The Nigerian Economy ...



- ◆ **GDP growth:** Given the estimated real gross domestic product of 7.43% in the first quarter of 2011 (compared to Q1'10 figure of 7.36%), the non-oil sector remained the major driver of overall growth. Our Bank leveraged on the various economic growth indices to boost its revenue and bottom line items in the period under review. We consider the outlook for the rest of the year to be generally good, given the expected improvement in the oil economy and the growing emphasis on the development of non-oil sector and key infrastructure.
- ◆ **Oil Prices:** The oil sector of the Nigerian economy experienced some upsides in Q1'11 (oil prices averaged \$112.32) due to increased and stable oil production, improved oil consumptions especially in the US and China and the political crises in the oil-producing Middle East and North Africa (MENA) regions. This positively impacted on the country's foreign reserves and in turn boosted **Zenith Bank's earnings in the oil and gas sector**. Oil prices are expected to hover around this range in the medium term.
- ◆ **Foreign Reserves:** The external reserves rose by \$2.82 billion to \$35.16 billion in Q1'11 from \$32.34 billion recorded at the end of December 2010 owing to increase in output and rising crude oil receipts. While we welcome the reserve build-up, it is expected that the Federal government's resolve to implement appropriate reforms with regard to industrial and trade policies (aimed at reducing import-dependency) will significantly serve as a panacea to reducing pressures on the reserves. **Our Bank still remains a dominant player in the FX market so as to continue to meet its clients' FX demands.**
- ◆ **Headline Inflation:** Inflation hit a year high of 12.8% in March 2011 compared to 12.1% and 11.1% recorded in January and February respectively. We expect the hike (in March '11) in monetary policy benchmark rate by 100 basis points to 7.5% to proactively check inflationary pressures such as elections related spending, increased wage structure for public workers and the 2011 Federal government budget (which is expansionary in nature).
- ◆ **Exchange Rate:** The foreign exchange market witnessed some demand pressures in the first quarter of 2011. The total supply to the WDAS segment by the CBN amounted to \$5.145bn (Jan. – March 16, 2011) while demand stood at \$6.82bn during the same period. The Naira/Dollar exchange rate opened on January 4, 2011 at N148.67/US\$ and closed at N152.52/US\$ at the end of March 2011, representing a depreciation of 2.59% (or 385 kobo). Given the strong oil sector fundamentals (improved activities in the oil and gas sector), we expect the market to be relatively stable, at least in the short to medium term. With the CBN's stance of ensuring exchange rate stability, **Zenith would continue to purse strategy of maintaining a robust FX₅ approach that would improve its market share.**



The Banking Industry



Extension of Guarantee on all Interbank Transactions. The CBN guarantee on all interbank transactions, foreign credit lines and pension fund placements with banks was extended by three months from June 30, 2011 to September 30, 2011 in a bid to allow for the full and complete resolution of the rescued banks as Mergers & Acquisition (M&A) are still at critical stages.

The first quarter of 2011 was characterized by relatively high retail lending rates. The interbank call and open-buy back (OBB) rates showed increases mainly in response to the Monetary Policy Committee's increase of the MPR. Consequently, interbank call and OBB rates rose from 4.93% and 4.75% in January this year to 8.44% and 8.04% respectively in March 2011. **Zenith Bank, a leading player in the interbank market, leveraged on its superior strategies to optimize its gains in this segment of the market as reflected in the 41% YoY growth recorded in its Net Interest Income for Q1 '11.**

Compulsory adoption of IFRS to commence in FY2012. **Our Bank (even before the deadline) has already adopted the International Financial Reporting Standards (IFRS) in an effort to strengthen its corporate governance, improve transparency and reduce information asymmetry for international investors.** In our view, this would help create a robust platform that would deepen and broaden our relationships with all stakeholders.

So far, the Asset Management Company of Nigeria (AMCON) has purchased around 90% of the banking sub sector Non-Performing Loans (NPLs), paving way for enhanced liquidity for banks especially intervened ones (this is exclusive of the foreign investments in these intervened banks). **Zenith Bank, one of the healthy banks in Nigeria, Participated in this AMCON process and benefitted as evident in the Bank's financials.**



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Financial Highlights



Key Theme

- Robust income base
- Positive outlook for the rest of the year
- Continued superior performance

P&L

- Gross Earnings: N54bn -1.4% YoY
- Net Interest Income: N28bn +41% YoY
- Net Interest Margin: 1.74% +29% YoY
- PBT: N18bn+38% YoY

Balance Sheet

- Total Assets: N2.02trn
- Loan to Deposit Ratio: 57.23%
- Cost Income Ratio: 56.46%
- Shareholders' Fund: N379bn
- ROE: 3.99% (15.96% Annualized)

Key Ratios

- NPL: 5.4%
- Liquidity Ratio: 63% (Group), 56% (Bank)
- Capital Adequacy: 36% (Group), 29% (Bank)

Op. Highlights

- AGM held on the 15th April in Lagos
- The Board declared and paid dividend of 85 kobo per share



Profit & Loss Statement



(N'm)

	Group 3 mths to Mar-11	Group 3 mths to Mar-10	YOY Change
Gross Income	54,257	55,030	-1.40%
Interest Income	36,321	38,476	-6.0%
Interest Expense	7,527	18,122	-58.0%
Net Interest Income	28,794	20,354	41.0%
Foreign Exchange Trading Income	3,000	2,898	4.0%
Underwriting Profit	1,297	593	119.0%
Trusteeship Income	4	7	-43.0%
Income from Investments	63	79	-20.0%
Other Income	73	999	-93.0%
Operating Income	45,202	35,064	29.0%
Operating Expenses	-23,109	-22,722	2.0%
Diminution in Asset Values	3,934	864	555.0%
Profit Before Tax	18,159	13,206	38.0%
Taxation	-3,087	-3,697	-16.0%
Profit After Tax	15,072	9,509	59.0%

38% growth in PBT and 59% bottom-line growth reinforcing our FY2011 forecast of returning to 2008 profitability levels



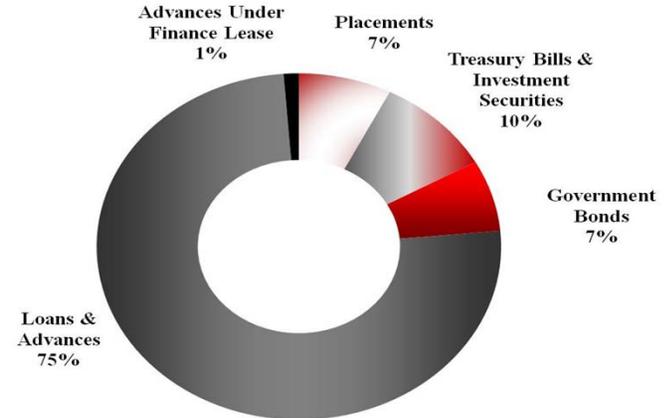
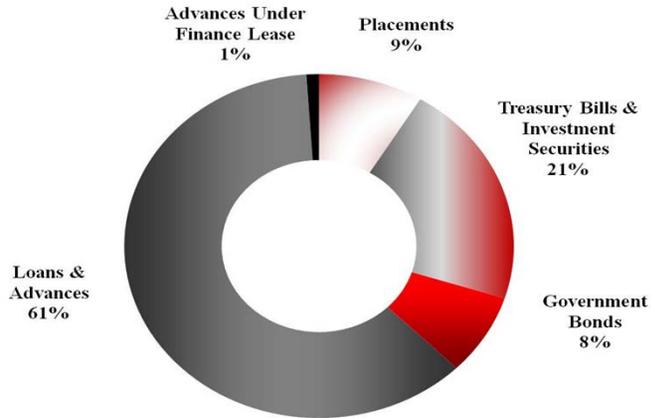
Revenue Base ...Sustained Diversification



Q1 2011

Interest Income

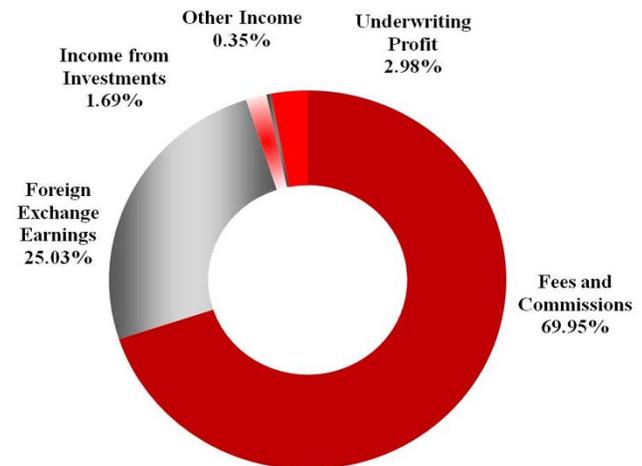
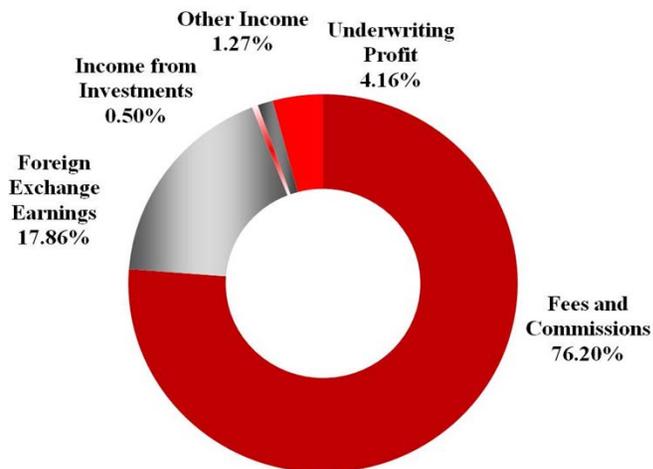
Q1 2010



Q1 2011

Non-Interest Income

Q1 2010



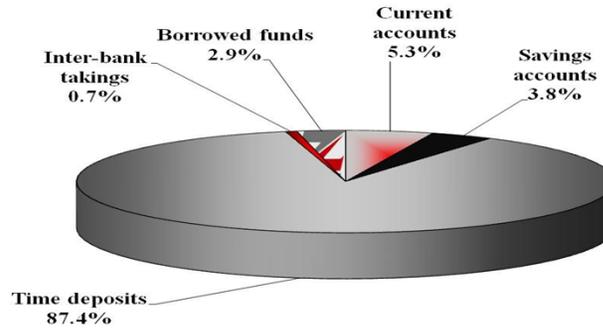


Continuous efforts in cost-reduction strategies

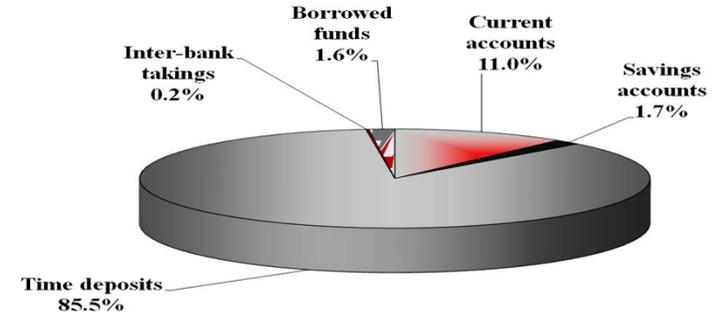


Interest Expenses

Q1 2011



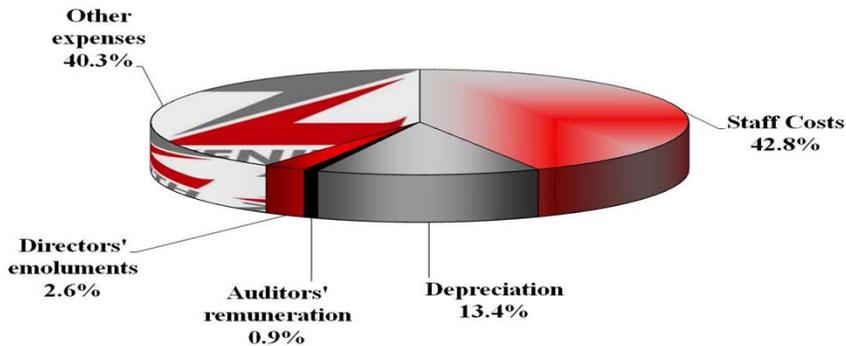
Q1 2010



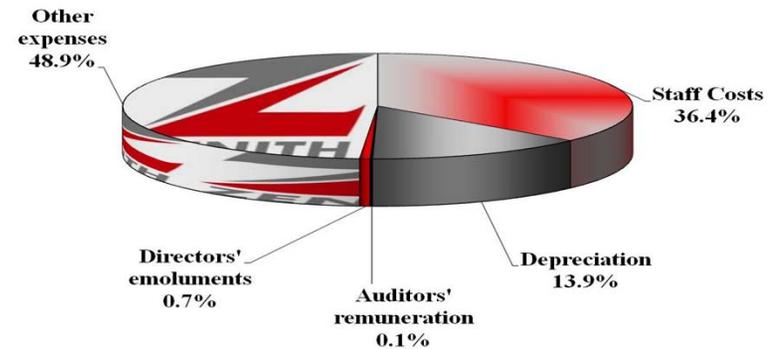
Significantly reduced funding costs from Current accounts

Operating Expenses

Q1 2011



Q1 2010





Balance Sheet- Assets



(N'm)	Group Mar-11	Group Dec - 10	Group Mar-10
Cash and balances with central banks	116,131	141,724	302,606
Treasury bills	409,913	298,869	257,755
Due from other banks	333,605	399,503	295,102
Loans and advances	784,573	713,285	642,619
On-lending facilities	24,549	22,536	-
Advances under finance lease	6,959	13,188	9,897
Insurance receivables	1,915	711	1,612
Long term investment	232,330	210,345	192,246
Deferred tax assets	1,665	1,162	694
Other assets	30,092	18,936	24,495
Investment property	7,679	7,623	435
Fixed assets	69,251	67,145	77,992
Total Assets	2,018,662	1,895,027	1,805,453

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



Balance Sheet- Liabilities & Equity



(N'm)	Group	Group	Group
	Mar-11	Dec - 10	Mar-10
Customer deposits	1,435,695	1,318,072	1,323,793
Claims Payable	219	218	65
Liabilities on insurance contracts	2,443	2,287	2,197
On-lending facilities	28,613	26,049	-
Borrowings	26,251	27,975	27,702
Current income tax	6,572	3,735	8,303
Other liabilities	131,322	145,750	103,305
Deferred income tax liabilities	7,612	7,380	3,476
Total liabilities	1,638,727	1,531,466	1,468,841
(N'm)	Group	Group	Group
	Mar-11	Dec - 10	Mar-10
Share capital	270,745	270,745	267,606
Reserves	109,190	92,816	66,633
Shareholder's funds	379,935	363,561	334,239
Non-controlling interest	2,533	2,319	2,373
Total liabilities & equity	2,018,662	1,895,027	1,805,453
Customers' Acceptances	907,690	902,931	756,921

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



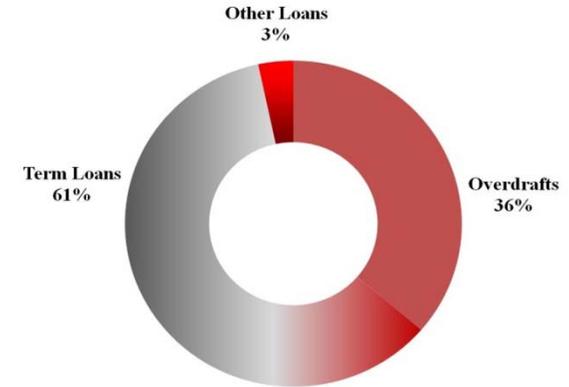
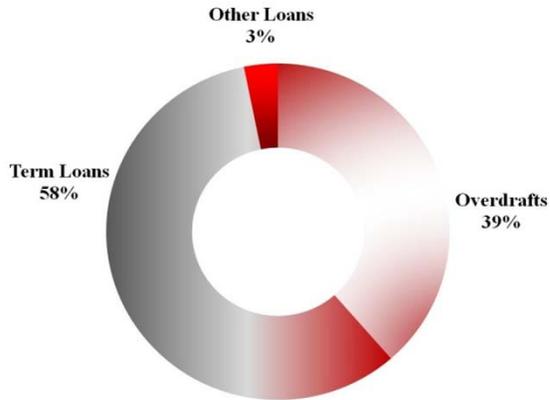
Consolidating on our balance sheet quality and strength..



Loans & Advances

Q1 2011

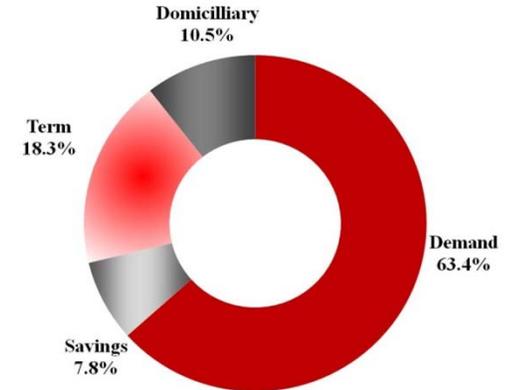
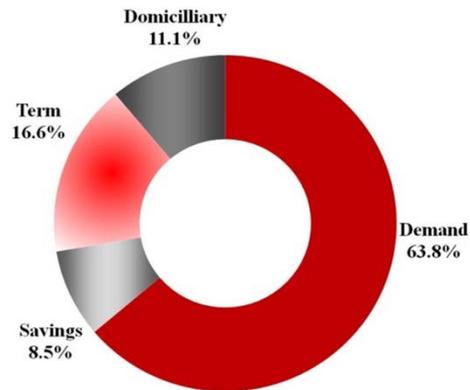
Q1 2010



Deposits

Q1 2011

Q1 2010



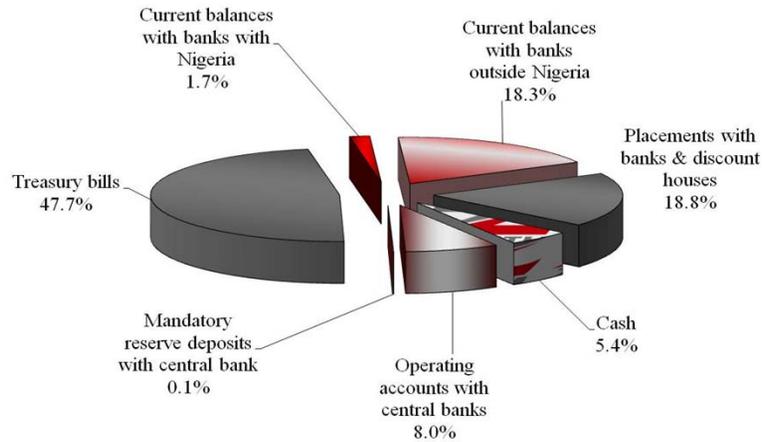


Continued market dominance through strong liquid asset base and funding mix...

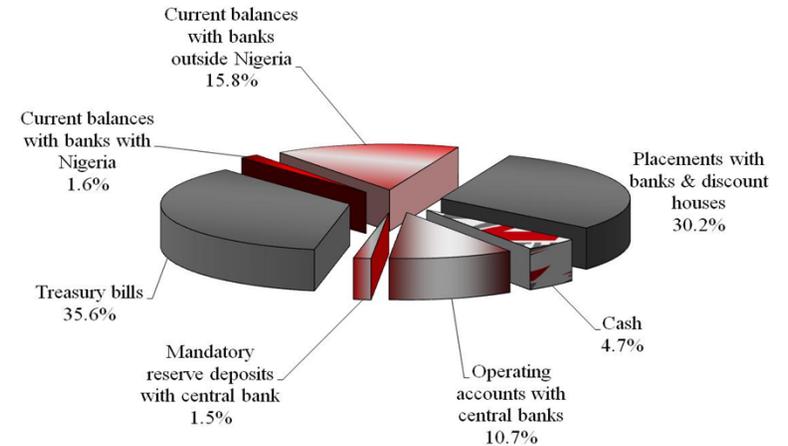


Liquid Assets

Q1 2011

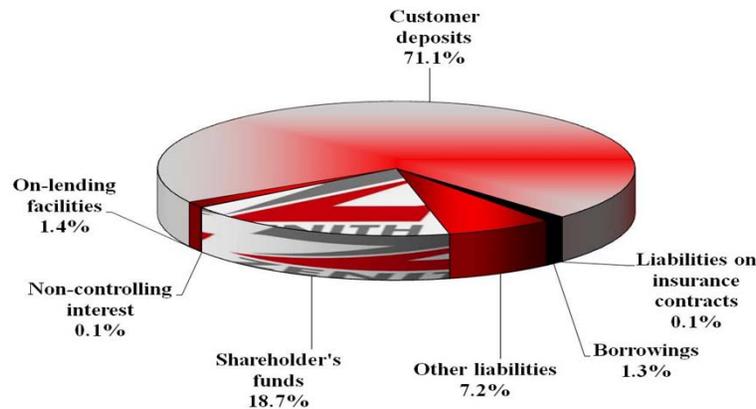


Q1 2010

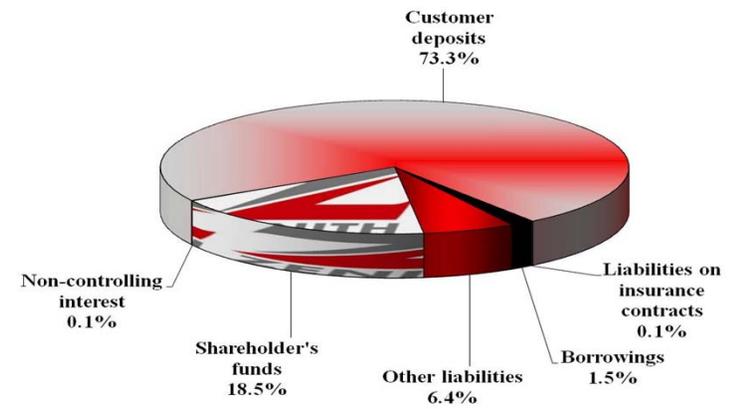


Funding Mix

Q1 2011



Q1 2010





Key Takeaways from Q1 2011 Performance...



Deeper &
broader
relationships

- *Capital and liquidity ratios remain strong.*
- *Continuing growth in deposits.*
- *Good progress on customer franchise.*

Diversified
revenue streams

Dividends of
sustained
investment in
ICT

Continued focus
on strong
liquidity and
capital adequacy

**Growth in
Income**



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P&L- By Segment



	Corporate & Retail Banking	Investment Mgmt & Stockbroking	General Health & Life Insurance	Others	Consolidated
3 Months Ended Mar 2011 (N'm)					
Revenue Derived From External Customers	50,387	522	2,826	522	54,257
Revenue Derived From Other Business Segments	2	71	102	254	-
Total Revenue	50,389	593	2,928	776	54,257
Operating Expenses	35,058	81	1,726	176	36,098
Profit Before Tax	15,331	674	1,202	952	18,159
Tax	-3,363	502	-110	-116	-3,087
Profit After Tax	11,968	1,176	1,092	836	15,072

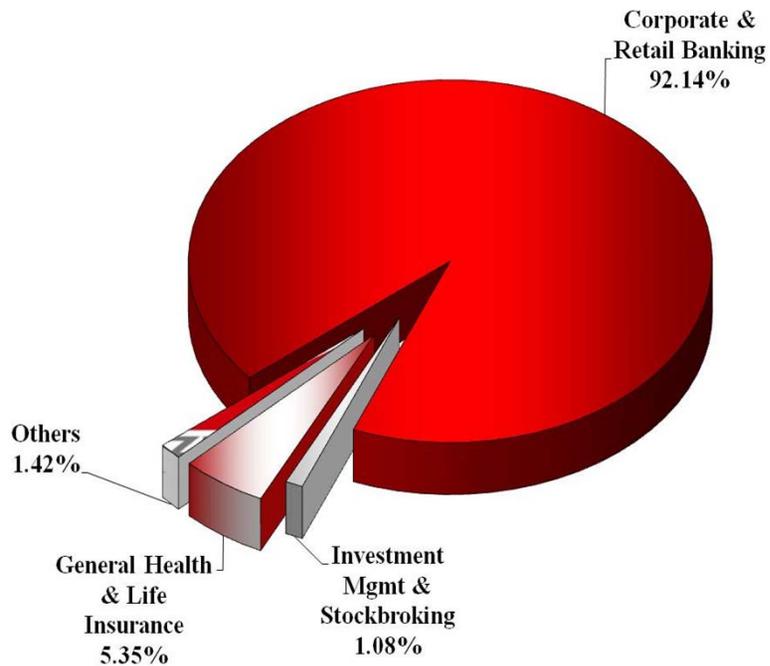
	Corporate & Retail Banking	Investment Mgmt & Stockbroking	General Health & Life Insurance	Others	Consolidated
3 Months Ended Mar 2010 (N'm)					
Revenue Derived From External Customers	51,480	648	2,438	464	55,030
Revenue Derived From Other Business Segments	6	103	174	533	-
Total Revenue	51,486	751	2,612	997	55,030
Operating Expenses	40,230	31	2,224	155	41,824
Profit Before Tax	11,256	720	388	842	13,206
Tax	- 3,421	-	- 103	- 173	3,697
Profit After Tax	7,835	720	285	669	9,509



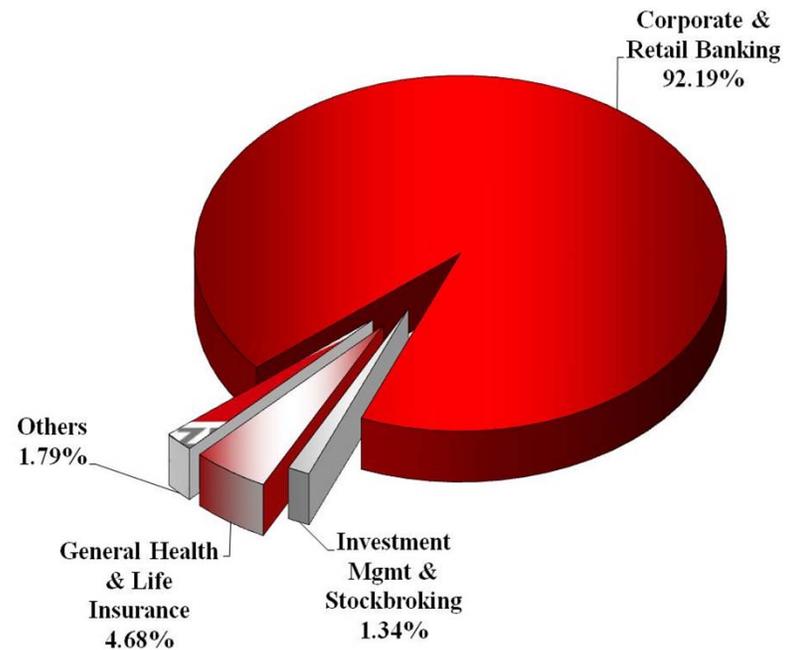
P&L – By Segment



Gross Revenue by Segment – Mar '11



Gross Revenue by Segment – Mar '10



Corporate Banking continues to be the hub of our business ...



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P&L- By Geography



3 Months Ended Mar 2011 (N'm)

	Nigeria	Rest of Africa	Europe	Consolidated
Revenue Derived From External Customers	50,366	3,106	785	54,257
Revenue Derived From Other Business Segments	429	-	-	-
Total Revenue	50,795	3,106	785	54,257
Operating Expenses	34,190	1,846	490	36,097
Profit Before Tax	16,605	1,260	295	18,160
Tax	-2,529	-474	-83	-3,087
Profit After Tax	14,076	786	213	15,074

3 Months Ended Mar 2010 (N'm)

	Nigeria	Rest of Africa	Europe	Consolidated
Revenue Derived From External Customers	51,428	3,041	561	55,030
Revenue Derived From Other Business Segments	812	-	4	-
Total Revenue	52,240	3,041	565	55,030
Operating Expenses	39,845	2,399	396	41,824
Profit Before Tax	12,395	642	169	13,206
Tax	-3,635	-15	-47	-3,697
Profit After Tax	8,760	627	122	9,509

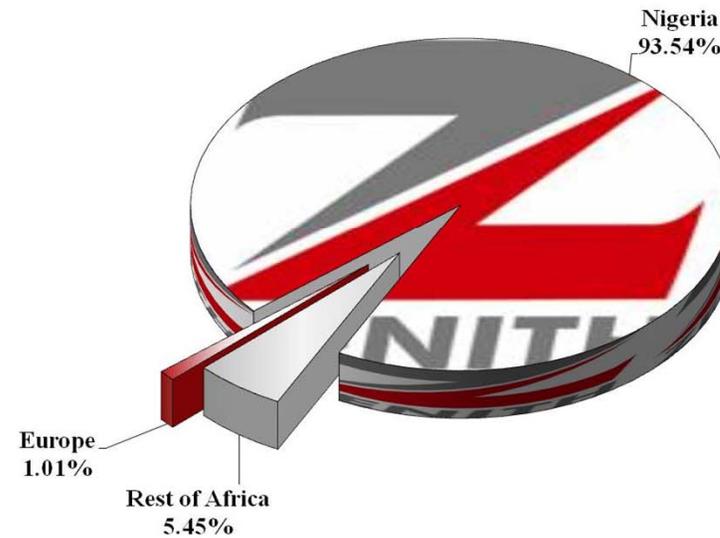
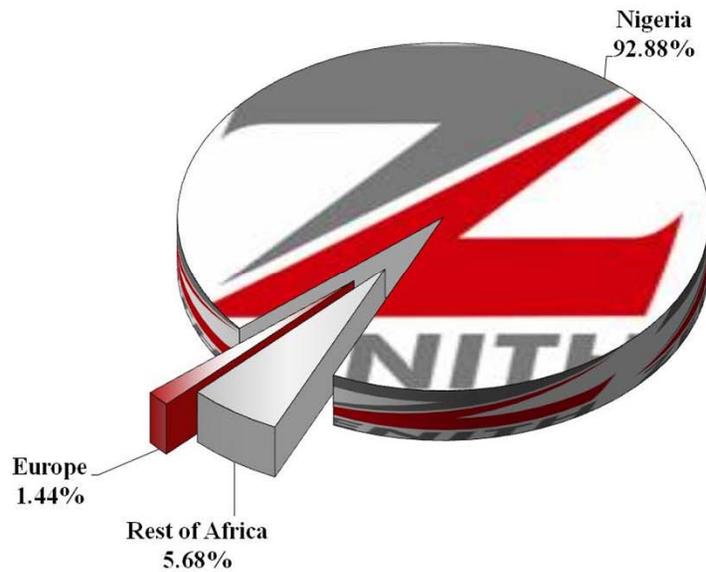


P&L – By Geography



Gross Revenue by Geography – Mar '11

Gross Revenue by Geography – Mar '10



Our Nigerian business continues to be the main driver of profitability ... providing 92.88% of gross revenue



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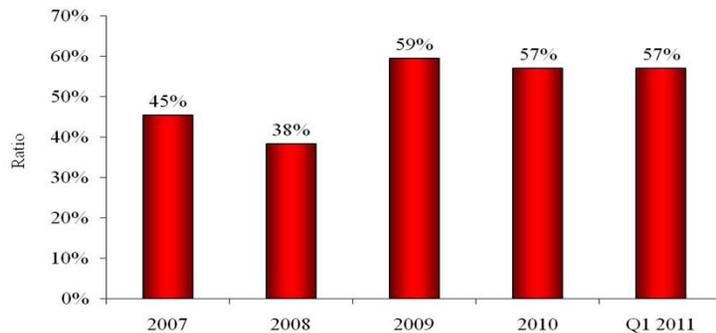


Healthy Risk Assets Portfolio...

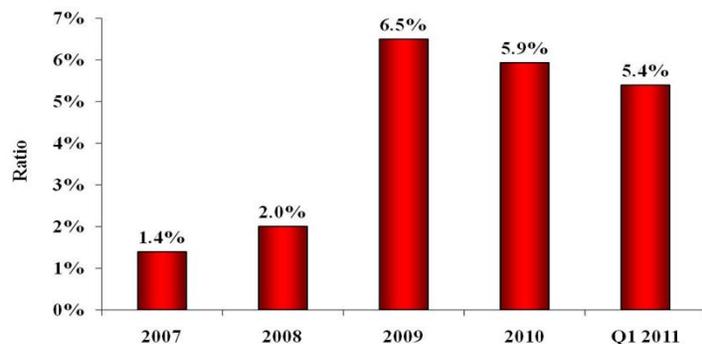


Loan to Deposit Ratio

Conservative LTD ratio providing adequate room for future expansions



NPL Ratio



Our Risk Management Strategy

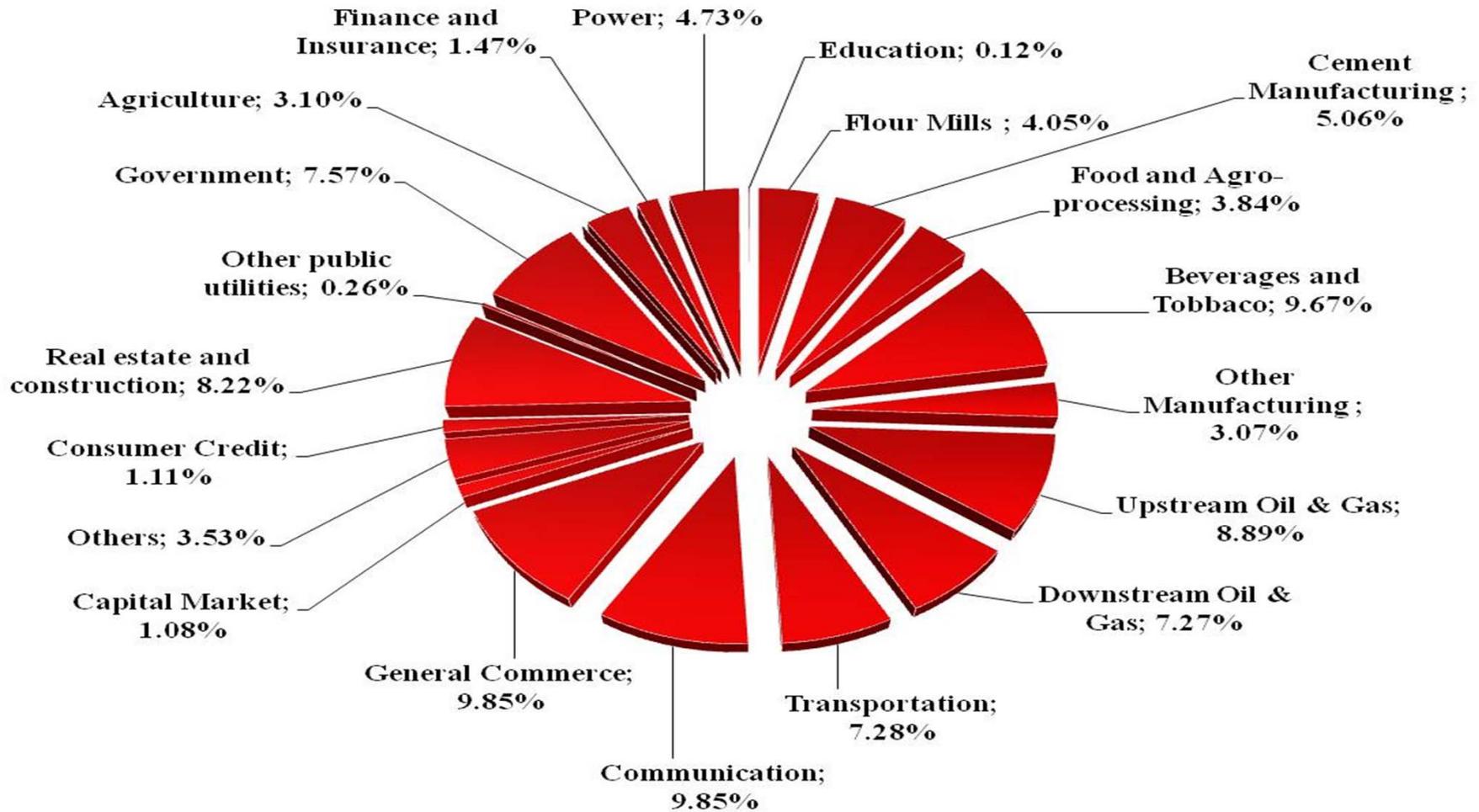
- ◆ Continuing to identify all risk exposures, threats and opportunities which are then managed with appropriate processes in line with best practices and regulatory requirements.
- ◆ Integrating risk management into the culture of the Bank via training and acculturation.
- ◆ Fine-tuning processes that will ensure timely compliance with risk based supervision and Basel II compliance.
- ◆ Ensuring that all staff with risk management functions are adequately qualified and trained.
- ◆ Continuing to uphold and preserve our liquidity management philosophy.
- ◆ Implementing cost effective actions.
- ◆ Measurement, analysis, management & control.
- ◆ Continuing to maintain high quality credit by complementing our credit portfolio with clear cohesion logic.
- ◆ Zero tolerance for regulatory breaches.



Focused risk management via portfolio diversification



Loans by Sector – Mar '11



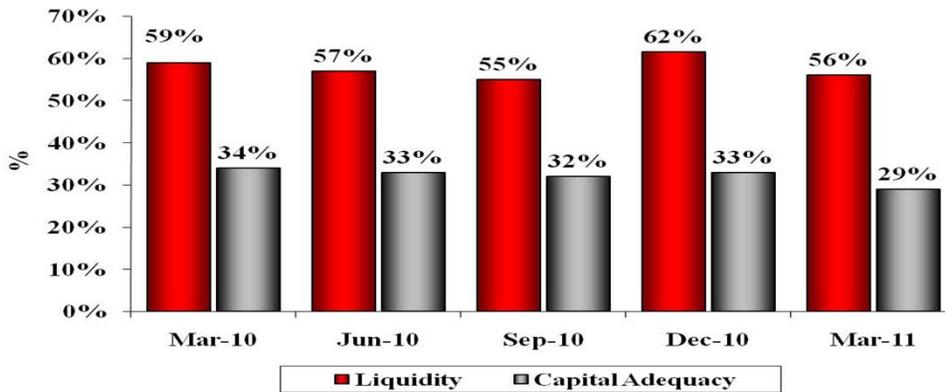
No concentration risk with no sector above 10%



Strong Capitalization and Liquidity

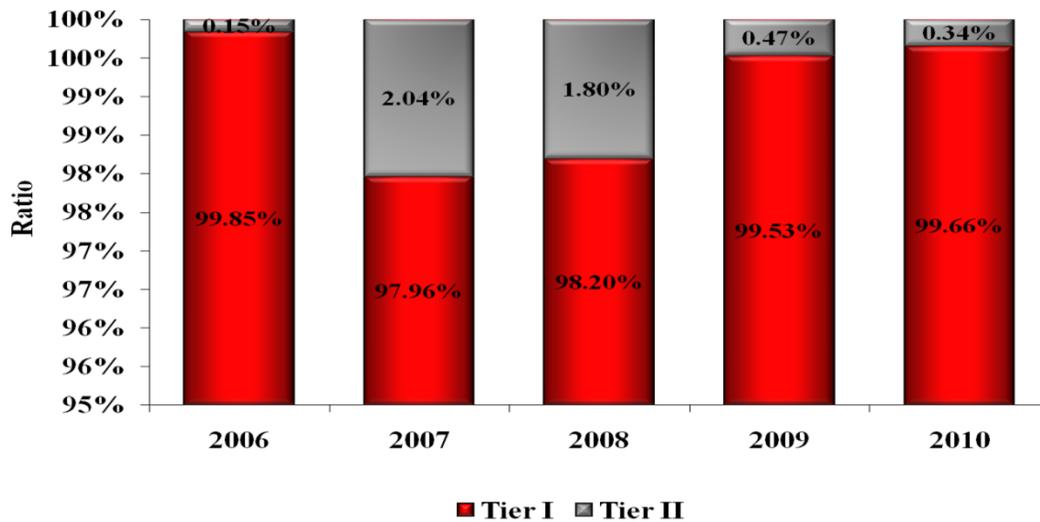


Liquidity and Capital Adequacy



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

Capital Mix



Capital base – predominantly made up of Tier 1 capital.



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Leveraging our brand for greater efficiency



COST EFFICIENCY STRATEGY

- Process review and realignment to enhance efficiency in our operations.
- Collaboration with other industry players in shared services.
- Developing more electronic platforms to further improve efficiency
- Optimal use of resources by effective performance measurement.
- Further strengthen our due diligence to ensure value for money in all activities.
- Outsourcing of non-core operational activities.

STRATEGY FOR TREASURY

- Effectively managing the Bank's liquidity to ensure it meets its obligations as they fall due.
- Ensuring the Bank maintains a low cost of funds to achieve profitability.
- Trading and investment of government, corporate and sub-national securities for income generation i.e. Bonds and Treasury Bills.
- Management of the Bank's deposit liabilities i.e. Purchased funds.
- Coordinating and advising management on indicative rates of all tenures of deposit liability.
- Focusing on financial goals which include increasing the Bank's shareholder value through creation of wealth by way of optimizing revenue.



Well positioned to increase market share



Robust performance drivers in 2011

Strong capitalization and liquidity with sustained capital and liquidity ratios well above industry requirements

Adequate protection against any adverse event with huge capital base and liquidity cushion

Various cost curtailing measures already working to pull down the cost to income ratios.

Conservative loan-to-deposit ratio giving adequate headroom for loan growth

Cheap demand and savings accounts deposit mobilization through our extensive branch network working to push up NIM

Efficient and robust risk management structure driving down NPL ratios

Huge investment in up-to-date state of the art ICT platform to drive efficient customer service delivery

Well disciplined and focused management team ; Well motivated and dedicated workforce



Strategic Objectives Beyond 2011



- Grow assets with reasonable quality and increase our market share.

- Continue to uphold and preserve our liquidity management philosophy.

- Projected loan growth of approximately 15% in 2011.

- Maintain high quality risk assets by constantly reviewing our risk management structures and policies along international best practices.

- Continuous reduction in NPL volumes

“ We will continue consolidating on our Superior Performance and Sustaining Competitive Advantage through our People, Technology and Exceptional Customer Services”
... GIE

- Curtail cost to income ratio by maintaining efficient resource allocation and utilization control.

- ROE to gradually move to pre-2008 levels – target for 2011 averaging between 13-16%.

- Ensure zero tolerance for regulatory breaches.

- Remain innovative in delivery of products and services using technology and global standards.

- Strengthen our institutional brand by focusing on best banking principles and corporate governance.