



FY 2013 Group Results

Presentation to Investors & Analysts

IFRS Compliant Results

December 2013



ZENITH BANK PLC

people | technology | service



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.

● GDP Growth:

- The GDP grew at the rate of 7.67% y/y in Q4 2013, up by 68bps from 6.99% recorded in the corresponding quarter of the previous fiscal year.
- The non-oil sector was the major driver of the growth recorded in Q4 2013; this includes activities recorded in agriculture, whole sale & retail trades and services.

● Headline Inflation:

- Headline Inflation increased marginally to 8.0% y/y in Dec'13 from 7.9% y/y recorded in Nov'13.
- The higher y/y change recorded was mainly as a result of increase in prices of the non-food commodities, especially alcoholic beverages and transportation costs

● Oil Production & Price:

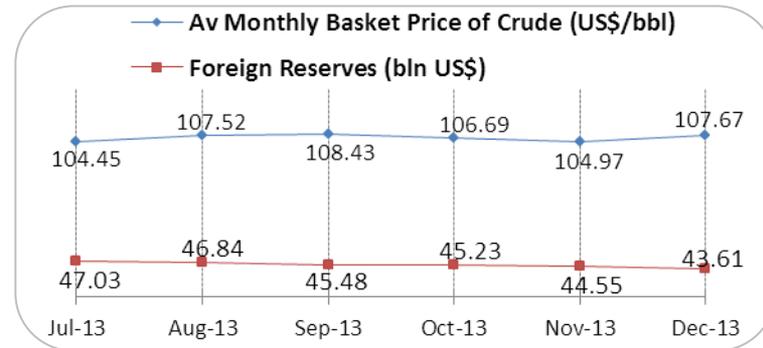
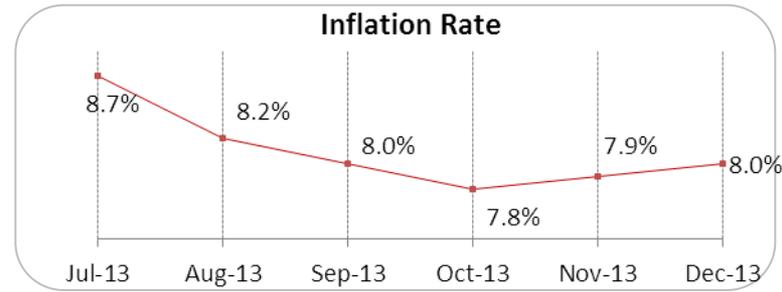
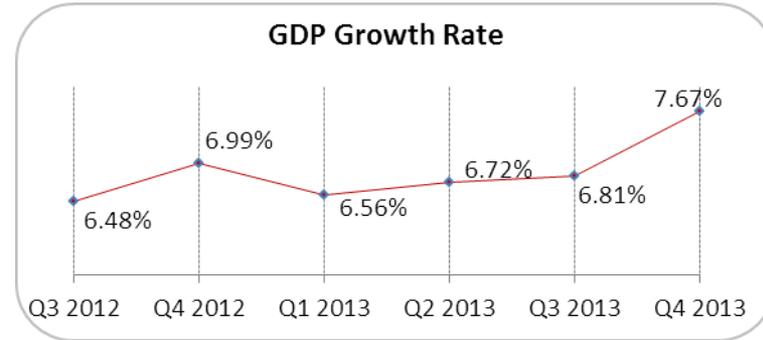
- OPEC Average Monthly Basket Price remained above \$100/bbl throughout the second half of 2013
- As the global economy is projected to increase by 3.5% in 2014 compared to 2.9% in 2013, world oil demand is forecast to increase by 1million barrel/day in 2014

● Foreign Reserves:

- Nigerian foreign reserves declined all through the second half of 2013 as the CBN continues to defend the Naira from devaluation.
- Foreign reserves declined to \$43.61bln in Q4 2013 from \$44.18 recorded in Q4 2012

● Exchange Rate:

- The FX market remained stable in Q4 2013 due to increased inflows of forex and CBN's policy which helped to moderate the demand for foreign exchange.
- The exchange rate at the RDAS segment of the market hovered between US\$/N155.5 and US\$/N156 in Q4 2013.



Source: Nigeria Bureau of Statistics
Central Bank of Nigeria



Our Investment Proposition

Strong earnings capacity and growth, Solid and liquid capital base, strengthened ERM practices, Good returns on investments and excellent customer services

- ❑ **Listing on London Exchange:** Zenith Bank has listed a non-capital raising GDR on the London Stock Exchange on 21st of March, 2013. The listing will broaden investor base by increasing accessibility for international investors, greater ability to use international debt/equity market for future capital raises and “best in class” corporate governance standards.
- ❑ **Credit Rating/Awards:** Standard and Poor’s reaffirmed Zenith Bank’s rating at BB-/Stable/B, being the highest rating awarded to any Nigerian bank and is in line with the country’s risk rating. World Finance adjudged Zenith bank as “Best Bank in Corporate Governance (2012)” in Nigeria while FTSE Global Markets named Zenith bank as one of the “20 Global Super Brands (2012)”.
- ❑ **A dominant player in Corporate Banking:** The Bank controls a significant share of the high end 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 grow and support business in this segment.
- ❑ **Increased Share of Middle Tier Market:** In order to bring down our cost of funds we are growing our retail market through deposit mobilization and various forms of electronic banking applications.
- ❑ **Strong Focus on Risk Management:** Despite the challenging business environment, the Bank has brought its NPL ratio down to 2.91% with a coverage ratio of over 94%.
- ❑ **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 to its shareholders for FY11, 160 kobo per share for FY12 and proposed a 175 kobo per share for FY2013. We would continue to maintain high dividend payout.
- ❑ **Return On Equity:** Since the banking sector began recovery in 2009, Zenith Bank’s ROAE has shown promising trends. ROAE for FY12 was at 23.49% but declined to 19.61% in FY13 due to tax consideration.



Financial Highlights

Key Theme

Impressive Performance in 2013

P & L

Gross Earnings: N351.47bn
Net Interest Income: N189.26bn
Net Interest Margin: 8.70%
PBT: N110.60bn
PAT: N95.32bn

+14.45% YoY
+20.74% YoY
+6.23% YoY
+8.32% YoY
-5.33% YoY

Balance Sheet

Customer Deposit: N2.28tn
Total Assets: N3.14tn
Total Shareholders' Funds: N509.25bn
Loans & Advances: N1.25tn

+18.01% (YTD)
+20.68% (YTD)
+10.00% (YTD)
+26.42% (YTD)

Key Ratios

Loan to Deposit Ratio: 52.10 %
Cost to Income Ratio: 57.10%
Liquidity: 64%
Capital Adequacy: 26%
NPL: 2.91%; Cost of Risk: 0.97%
ROAE: 19.61%
EPS: 319k



Profit & Loss Statement

(N'm)

Gross Income

Continuing Operations:

Interest Income

Interest Expense

Net Interest Income

Impairment Charge for Credit Losses

Net Interest Income after Impairment Charge for Credit Losses

Fees and Commission Income

Net gains on Financial Instruments

Other Income

Share of profit of associates

Total Operating Expenses

Profit Before Tax from continued operations

Discontinued Operations:

Gross income from discontinued operations

Gross expenses from discontinued operations

Profit Before Tax from discontinued operations

Continued & Discontinued Operations:

Profit Before Tax

Minimum Tax

Income Tax Expense

Profit After Tax

	Group 12 mths to Dec-13	Group 12 mths to Dec-12	YOY Change
Gross Income	351,470	307,082	14.45%
Continuing Operations:			
Interest Income	260,059	221,318	17.50%
Interest Expense	-70,796	-64,561	9.66%
Net Interest Income	189,263	156,757	20.74%
Impairment Charge for Credit Losses	-11,067	-9,099	21.63%
Net Interest Income after Impairment Charge for Credit Losses	178,196	147,658	20.68%
Fees and Commission Income	52,550	50,480	4.10%
Net gains on Financial Instruments	21,787	19,012	14.60%
Other Income	754	1,038	-27.36%
Share of profit of associates	118	23	413.04%
Total Operating Expenses	-147,196	-119,619	23.05%
Profit Before Tax from continued operations	106,209	98,592	7.73%
Discontinued Operations:			
Gross income from discontinued operations	16,320	15,234	7.13%
Gross expenses from discontinued operations	-11,932	-11,726	1.76%
Profit Before Tax from discontinued operations	4,388	3,508	25.09%
Continued & Discontinued Operations:			
Profit Before Tax	110,597	102,100	8.32%
Minimum Tax	-2,663	-2,469	7.86%
Income Tax Expense	-12,616	1,050	-1301.52%
Profit After Tax	95,318	100,681	-5.33%

Improved top & bottom line earnings driven by deposit and loan growth and operating efficiency...



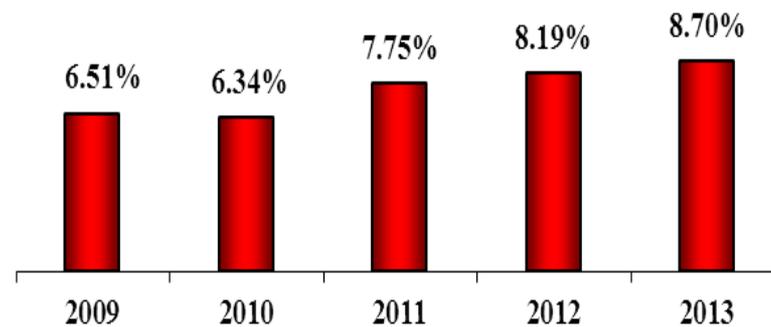
Comments

☐ *Net Interest Margin (NIM): NIM has been on an increase over the last four years as a result of efficient balance sheet management.*

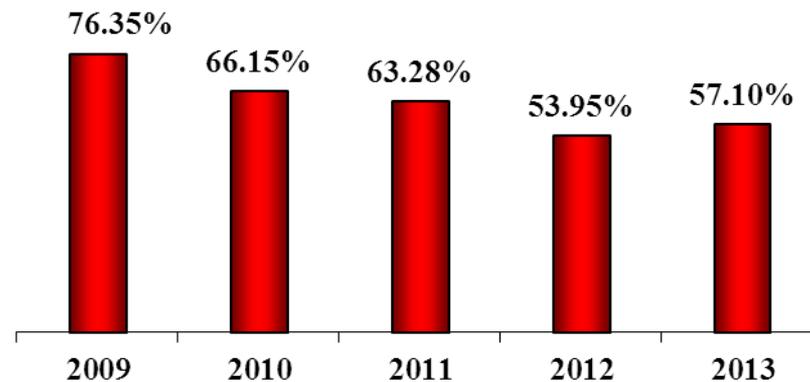
☐ *Cost to Income Ratio increased from 53.95% in 2012 to 57.10% in 2013. The major cost drivers in 2013 are: 1) increase in AMCON charge from 0.3% to 0.5% of total assets and 2) increase in staff cost.*

☐ *ROAE declined from 23.49% in 2012 to 19.61% in 2013. The favorable basis of tax computation in 2012 was the primary reason for the decline. (N15.28bln and N1.42bln were paid as taxes in 2013 and 2012 respectively.*

Consistently high Net Interest Margin



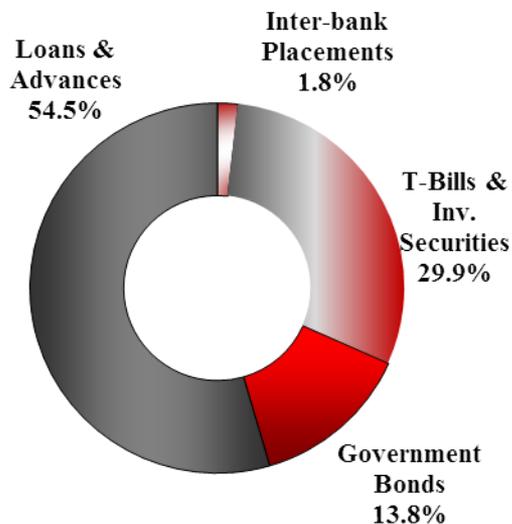
Cost to Income Ratio





Revenue Base ...Sustained Diversification

2013

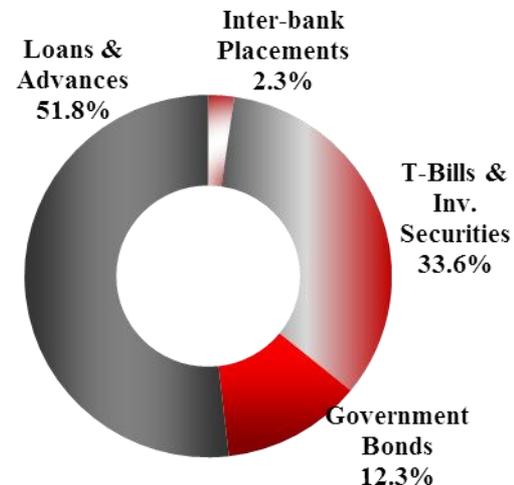


Interest Income

N'million	2013	2012	YoY
Inter-bank Placements	4,655	5,031	-7%
T-Bills & Inv. Securities	77,728	74,364	5%
Government Bonds	35,947	27,274	32%
Loans & Advances	141,729	114,649	24%
Total	260,059	221,318	18%

Interest income from loans increased by 24% YoY as Interbank placements declined by 7%. CRR increase by CBN was the primary reason for decline in interbank placements

2012



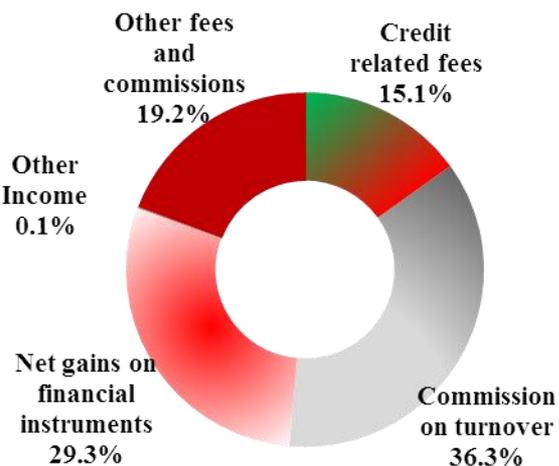
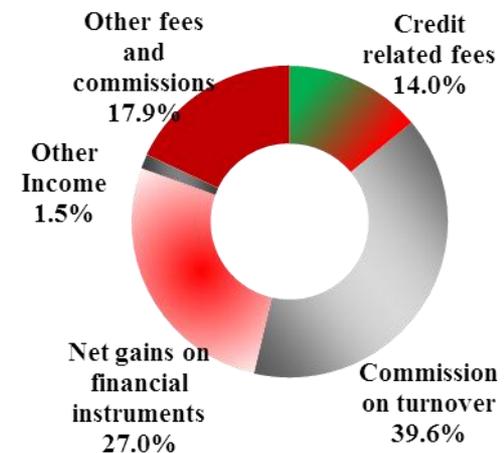
2013

Non-Interest Income

N'million	2013	2012	YoY
Credit related fees	11,206	9,892	13%
Commission on turnover	27,033	27,938	-3%
Net gains on financial instruments	21,787	19,012	15%
Other Income	74	1,038	-93%
Other fees and commissions	14,311	12,650	13%
Total	74,411	70,530	6%

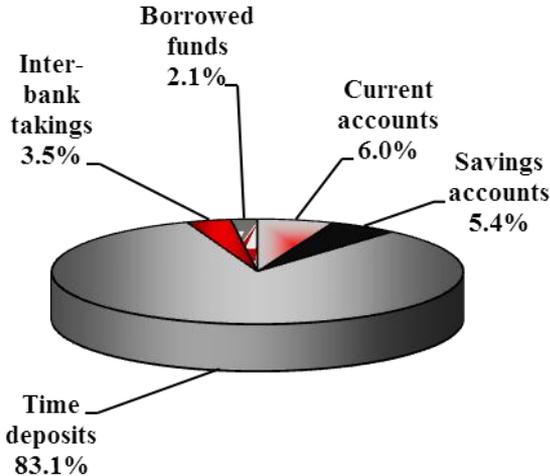
As COT income begins to decline, the bank has been able to improve on other streams of income to compensate for lost COT income

2012





2013

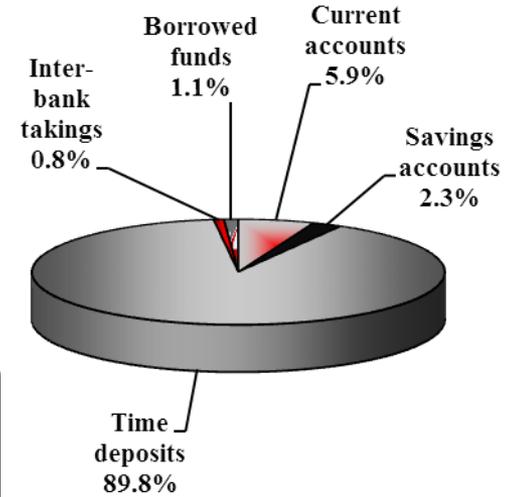


Interest Expenses

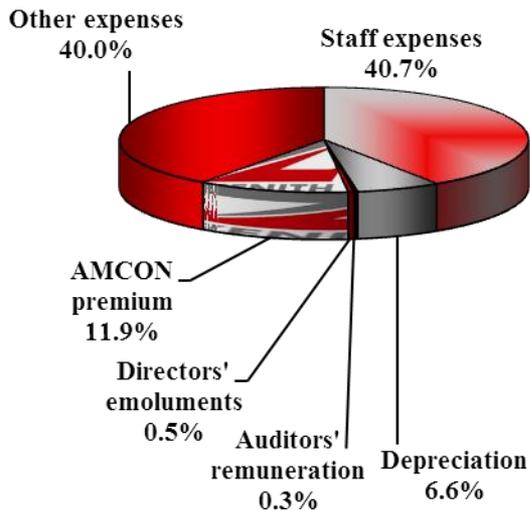
N'million	2013	2012	YoY
Current accounts	4,223	3,828	10%
Savings accounts	3,825	1,507	154%
Time deposits	58,812	57,998	1%
Inter-bank takings	2,478	504	392%
Borrowed funds	1,458	724	101%
Total	70,796	64,561	10%

Interest Expense on Savings Deposit increased as a result of CBN's new policy on minimum interest rate of 30% of MPR payable on savings deposits

2012



2013

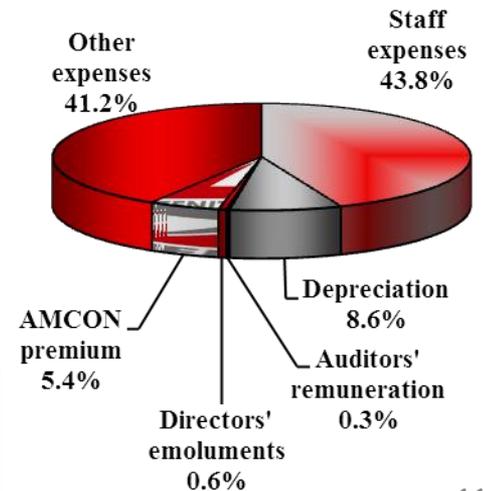


Total Operating Expenses

N'million	2013	2012	YoY
Staff Expenses	59,952	52,427	14%
Depreciation	9,766	10,307	-5%
Auditors' remuneration	420	320	31%
Directors' emoluments	675	726	-7%
AMCON premium	17,553	6,507	170%
Other expenses	58,830	49,332	19%
Total	147,196	119,619	23%

AMCON premium which increased by 170% was the major driver of operating expense in 2013. Staff expenses also increased by 14% in 2013 due to promotions and salary review.

2012





Balance Sheet- Assets

(N'm)	Group	Group	YOY
	Dec-13	Dec-12	Change
Cash and balances with central banks	603,851	332,515	81.60%
Treasury bills	586,441	669,164	-12.36%
Due from other banks	256,729	182,020	41.04%
Loans and advances	1,251,355	989,814	26.42%
Investment securities	303,125	299,343	1.26%
Investments in associates	165	420	-60.71%
Deferred tax assets	749	432	73.38%
Other assets	36,238	28,665	26.42%
Assets classified as held for sale	30,454	31,943	-4.66%
Derivative assets held for risk management	2,681 -	-	
Property and equipment	69,410	68,782	0.91%
Intangible assets	1,935	1,406	37.62%
Total Assets	3,143,133	2,604,504	20.68%

Sustained Balance sheet strengthening and Growth with strong liquidity.



Balance Sheet- Liabilities & Equity

(N'm)	Group Dec-13	Group Dec-12	YOY Change
Customers deposits	2,276,755	1,929,244	18.01%
Current income tax	7,017	6,577	6.69%
Deferred income tax liabilities	678	5,584	-87.86%
Other liabilities	215,643	117,355	83.75%
On-lending facilities	59,528	56,066	6.17%
Borrowings	60,150	15,138	297.34%
Liabilities classified as held for sale	14,111	11,584	21.81%
Total liabilities	2,633,882	2,141,548	22.99%

(N'm)	Group Dec-13	Group Dec-12	YOY Change
Share capital	15,698	15,698	0.00%
Share premium	255,047	255,047	0.00%
Retained earnings	161,144	130,153	23.81%
Other reserves	73,347	58,786	24.77%
Total Shareholder's funds	509,251	462,956	10.00%
Non-controlling interest	4,015	3,272	22.71%
Total liabilities & equity	3,143,133	2,604,504	20.68%

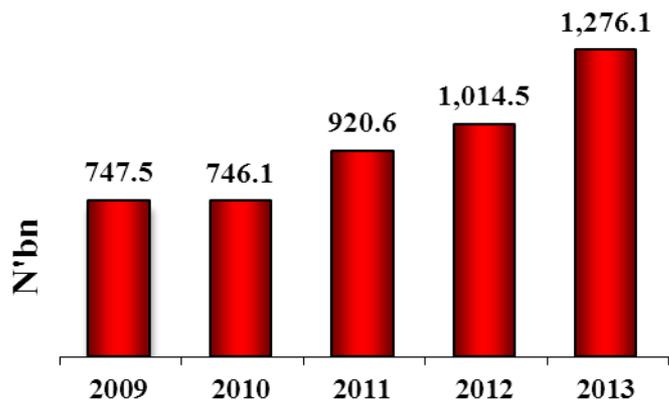
Strong Capital base.... Remains a solid buffer against any adverse event



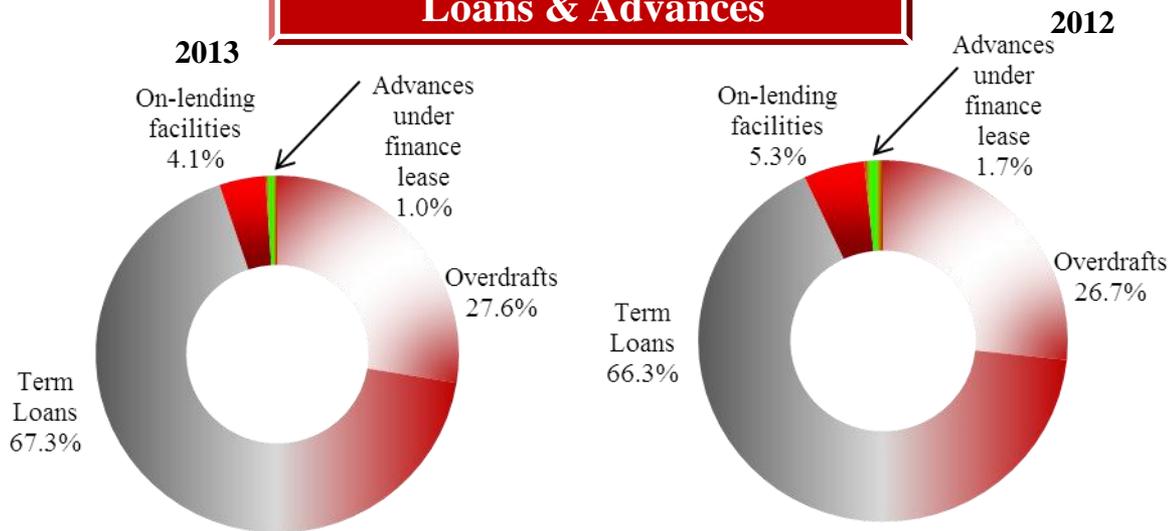
Sustained assets & liabilities match..



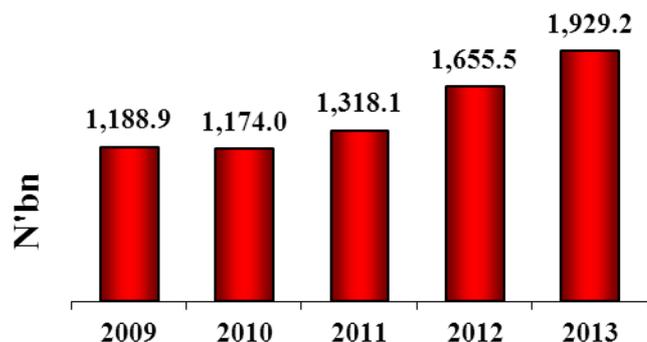
Loans Growth



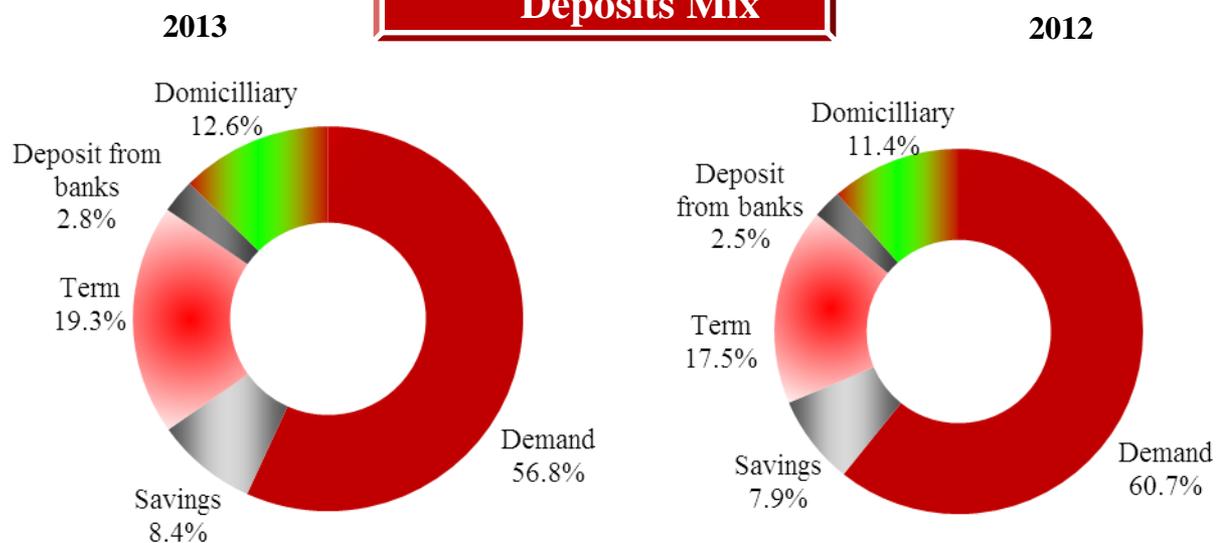
Loans & Advances



Deposits Growth



Deposits Mix





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

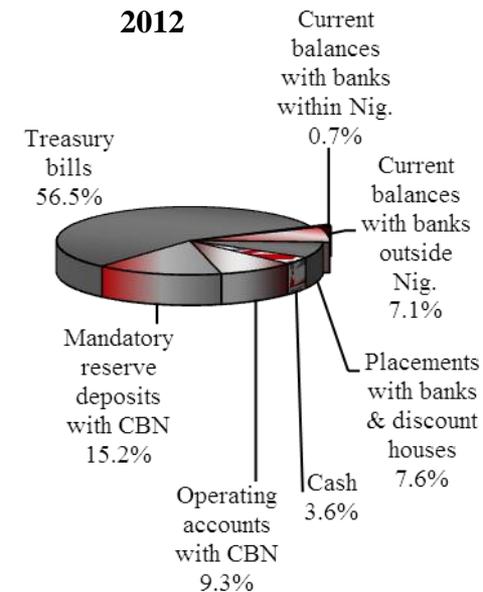
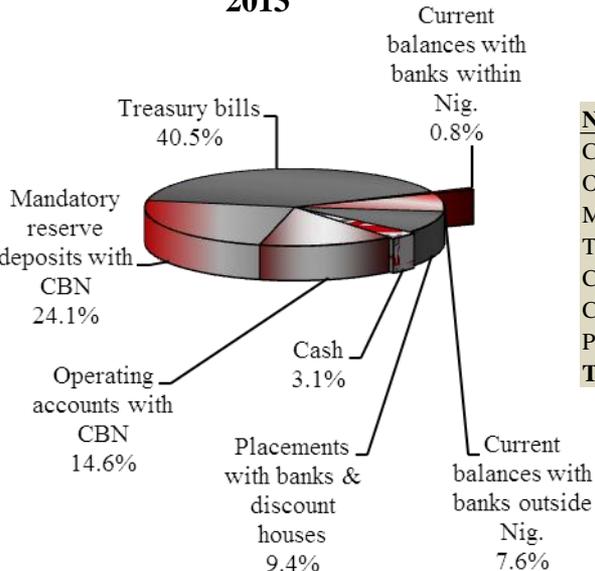


2013

Liquid Assets

2012

N'million	2013	2012	YoY
Cash	44,512	42,123	6%
Operating accounts with CBN	210,646	110,256	91%
Mandatory reserve deposits with CBN	348,693	180,136	94%
Treasury bills	586,441	669,164	-12%
Current balances with banks within Nig.	11,384	8,358	36%
Current balances with banks outside Nig.	109,791	84,267	30%
Placements with banks & discount houses	135,554	89,395	52%
Total	1,447,021	1,183,699	22%

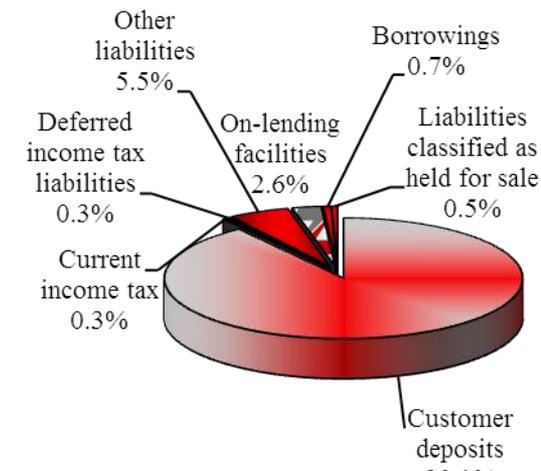
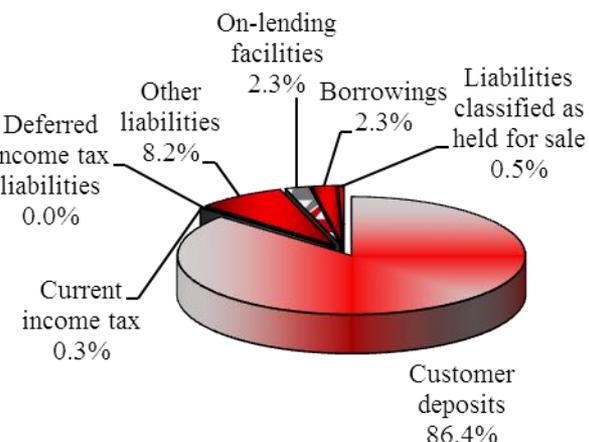


2013

Funding Mix

2012

N'million	2013	2012	YoY
Customer deposits	2,276,755	1,929,244	18%
Current income tax	7,017	6,577	7%
Deferred income tax liabilities	678	5,584	-88%
Other liabilities	215,643	117,355	84%
On-lending facilities	59,528	56,066	6%
Borrowings	60,150	15,138	297%
Liabilities classified as held for sale	14,111	11,584	22%
Total	2,633,882	2,141,548	23%





Agenda

Overview & Operating Environment

- Speaker: Managing Director/Chief Executive Officer Godwin Emefiele Slides 4 - 5

Results - Group

- Speaker: Chief Financial Officer Stanley Amuchie Slides 7- 15

Results – By Segment & Geography

- Speaker: Executive Director/Corporate Banking Peter Amangbo Slides 17 - 19

Company Risk Management

- Speaker: Executive Director – Enterprise Risk Management Ebenezer Onyeagwu Slides 21- 24

Strategy & Outlook

- Speaker: Managing Director/Chief Executive Officer Godwin Emefiele Slides 26 - 29

Q & A

P&L – By Geography

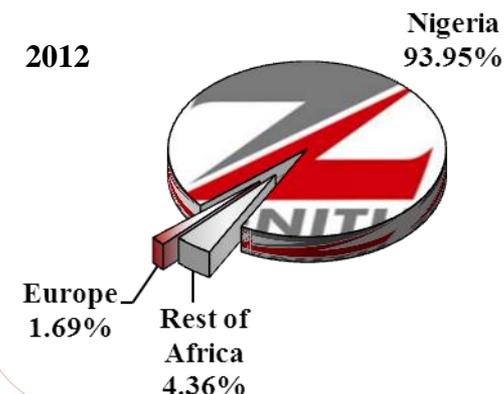
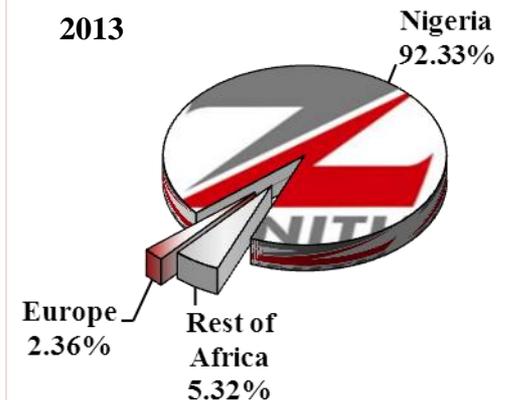
**12 Months
Ended Dec 2013
(N'm)**

	Nigeria	Rest of Africa	Europe	Eliminations	Consolidated
Total Revenue	332,078	19,124	8,478	-8,210	351,470
Share of profit of Associates	-	-	-	-	118
Total Expense	-230,305	-12,444	-5,489	6,306	-241,932
Profit Before Tax	102,832	6,680	2,989	-1,904	110,597
Tax	-12,280	-2351	-648	-	-15,279
Profit After Tax	90,552	4,329	2,341	-1,904	95,318

**12 Months
Ended Dec 2012
(N'm)**

	Nigeria	Rest of Africa	Europe	Eliminations	Consolidated
Total Revenue	293,205	13,591	5,281	-4,995	307,082
Share of profit of Associates	-	-	-	23	23
Total Expense	-198,193	-9,005	-3,741	4,995	-205,944
Profit Before Tax	95,952	4,586	1,540	23	102,100
Tax	-129	-874	-416	-	-1,419
Profit After Tax	95,822	3,712	1124	23	100,681

Gross Revenue



**Our Nigerian business continues to be the main driver of profitability ...
providing about 93% of gross revenue**

P&L – By Sector

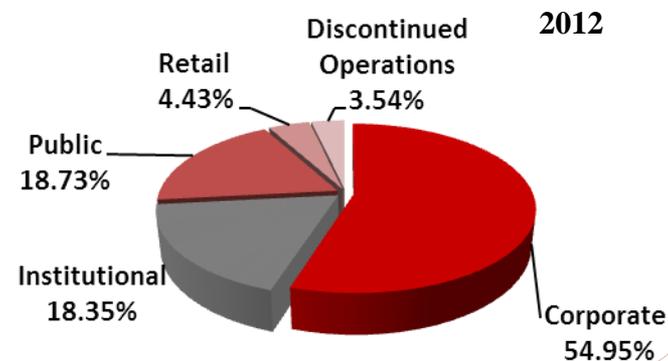
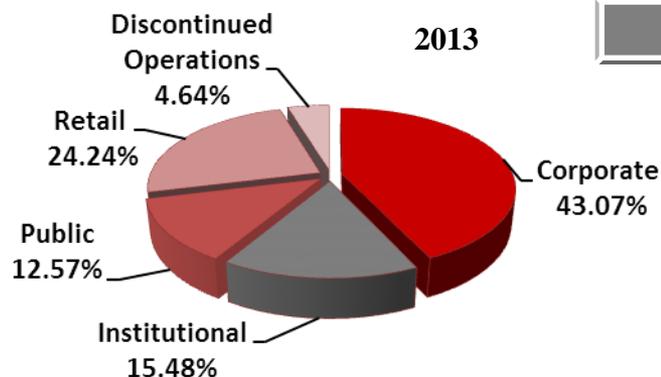
	Corporate	Institutional	Public	Retail	Discontinued Operations	Consolidated
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12 Months Ended Dec 2013 (N'm)

Total Revenue	151,373	54,399	44,174	85,204	16,320	351,470
Total Expenses	-104,146	-37,427	-30,392	-58,621	-11,228	-241,814
Profit Before Tax	47,633	17,118	13,900	26,811	5,135	110,597
Tax	-6,580	-2,365	-1,920	-3,704	-709	-15,279
Profit After Tax	41,052	14,753	11,980	23,107	4,426	95,318

12 Months Ended Dec 2012 (N'm)

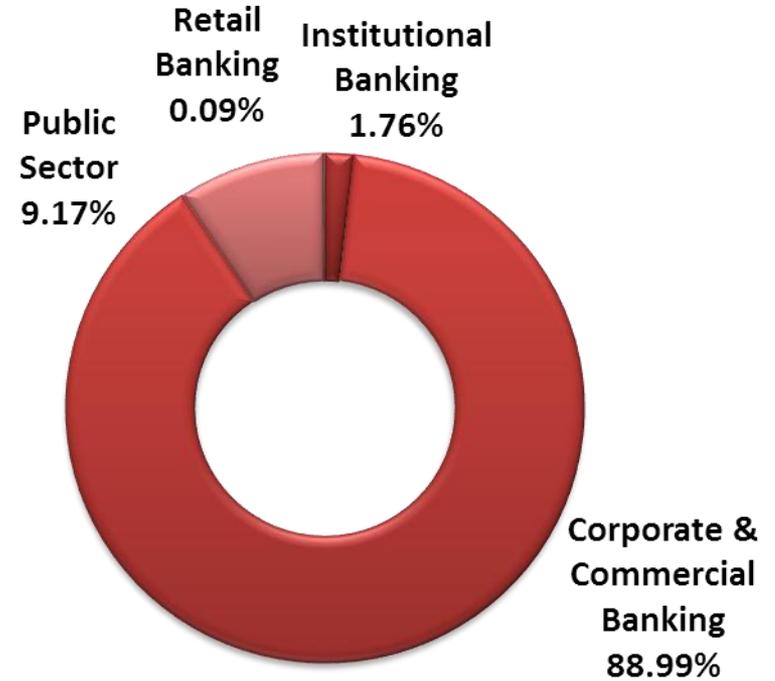
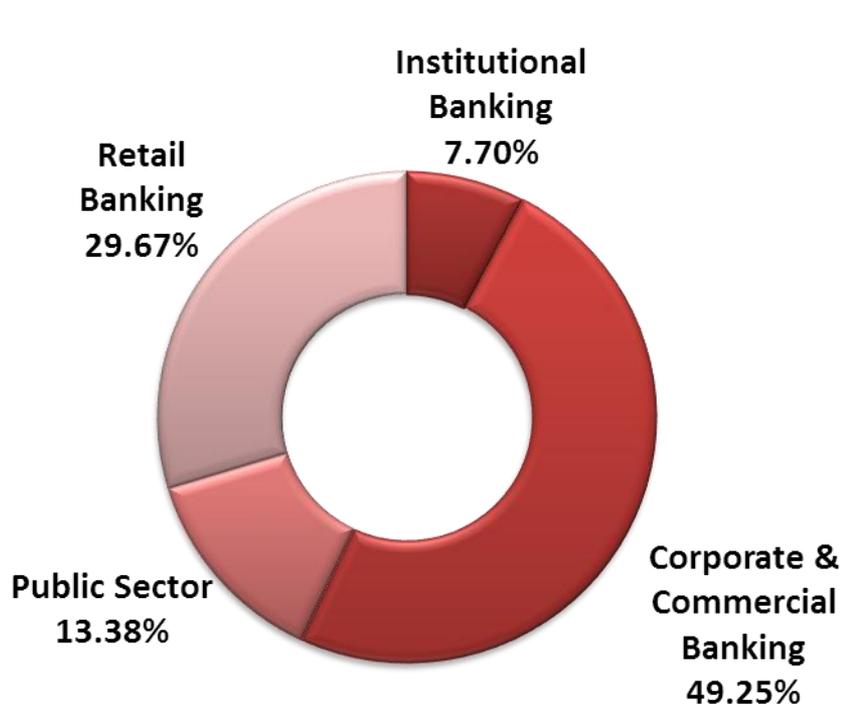
Total Revenue	168,745	56,350	57,523	13,591	10,873	307,082
Total Expenses	-112,781	-37,902	-38,690	-9,005	-7,544	-205,922
Profit Before Tax	56,905	18,449	18,833	4,586	3,329	102,100
Tax	-174	-216	-58	-14	-957	-1,419
Profit After Tax	57,318	18,448	18,832	3,712	2,372	100,681



Improved profitability on core business segments



Deposits & Loans – By Sector



2013 Total Deposits - ₦2.28tn

2013 Gross Loans - ₦1.27tn



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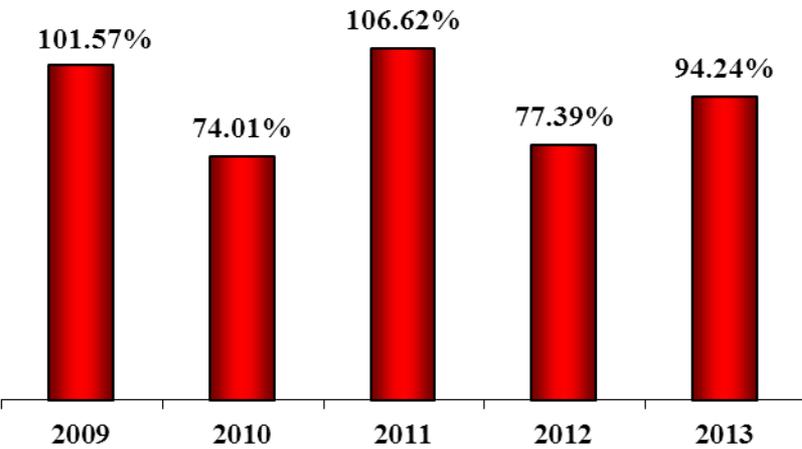
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Q & A

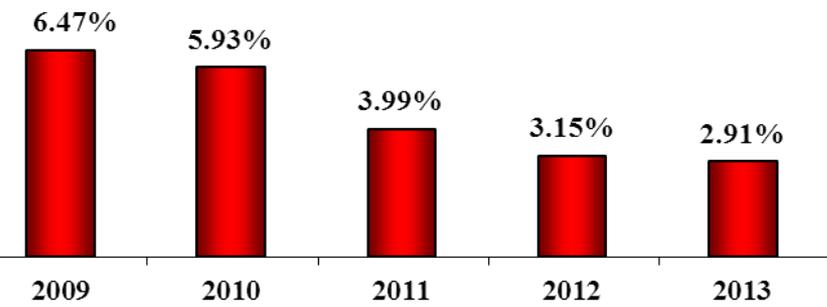


NPL Coverage Ratio



NPL Ratio

• *The Group's NPL ratio has declined further from 3.15% recorded in 2012 to 2.91% in 2013*



Our Risk Management Strategy



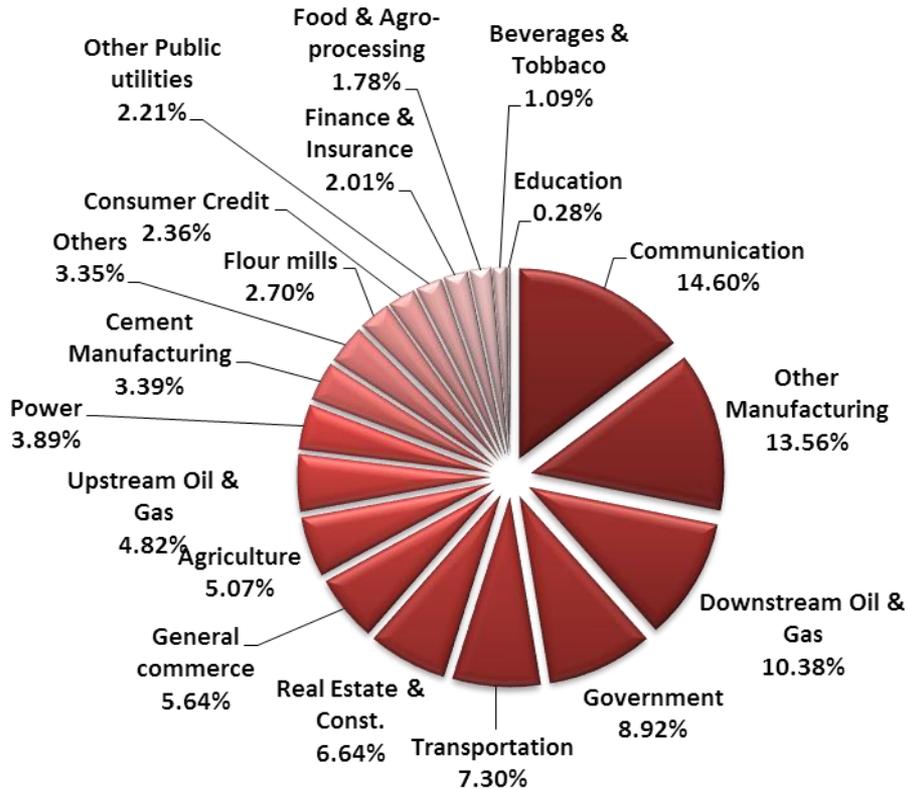
- The group adopts a complete and integrated approach to risk management that is driven from the Board level to the operational activities of the bank.
- Risk management is practiced as a collective responsibility coordinated by the risk control units and is properly segregated from the market facing units to assure independence.
- The process is governed by well defined policies and procedures that are subjected to continuous review and are clearly communicated across the group.
- There is a regular scan of the environment for threats and opportunities to improve industry knowledge and information that drives decision making.
- The group maintains a conservative approach to business and ensures an appropriate balance in its risk and reward objectives.
- Risk culture is continuously being entrenched through appropriate training and acculturation.



Focused risk management via portfolio diversification

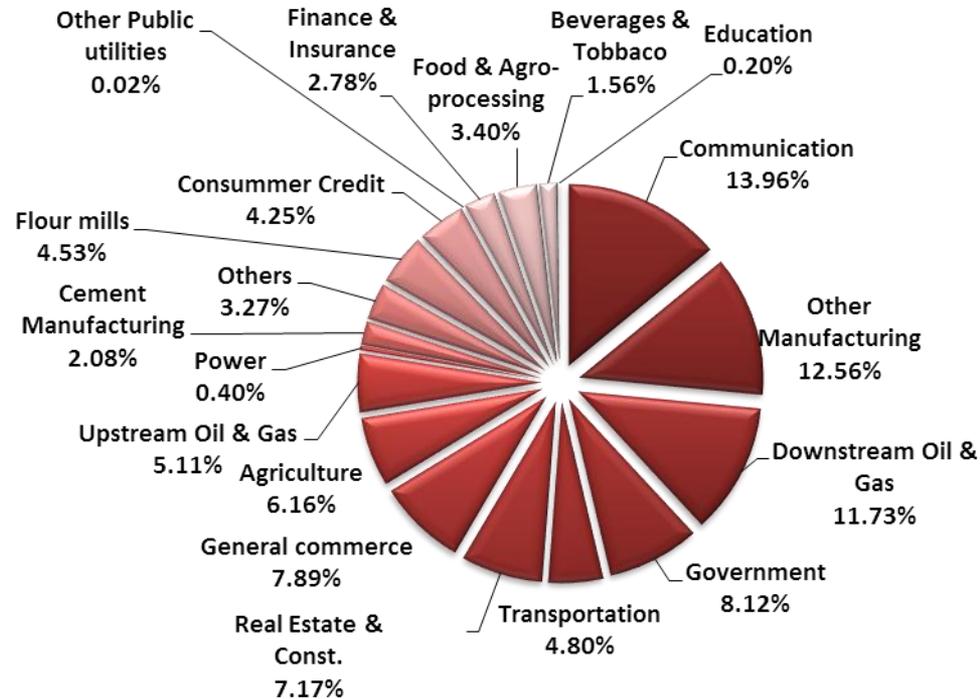


Loans by Sector - 2013



Gross Loans – N1.28tn

Loans by Sector – 2012



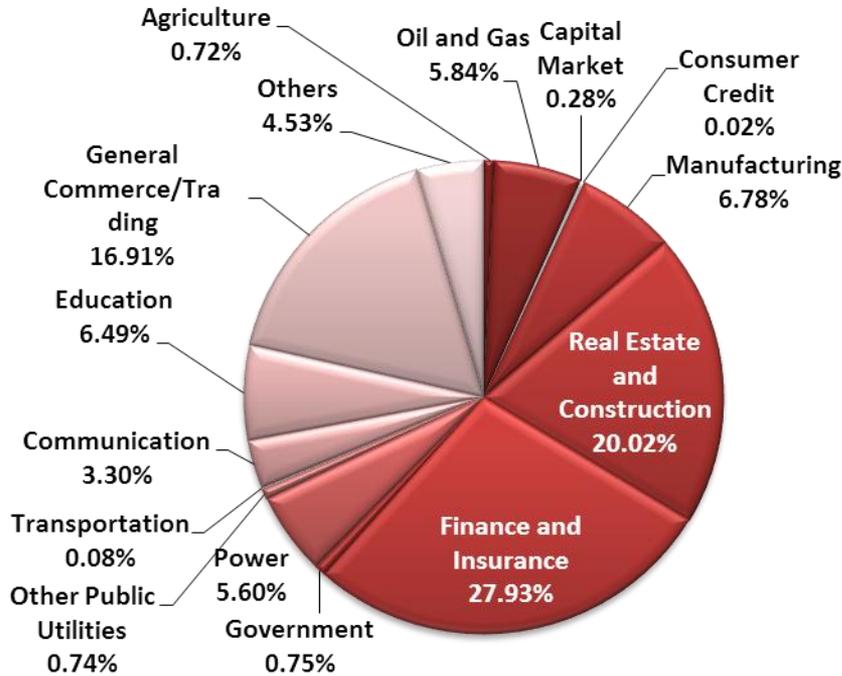
Gross Loans – N1.01tn

No concentration risk



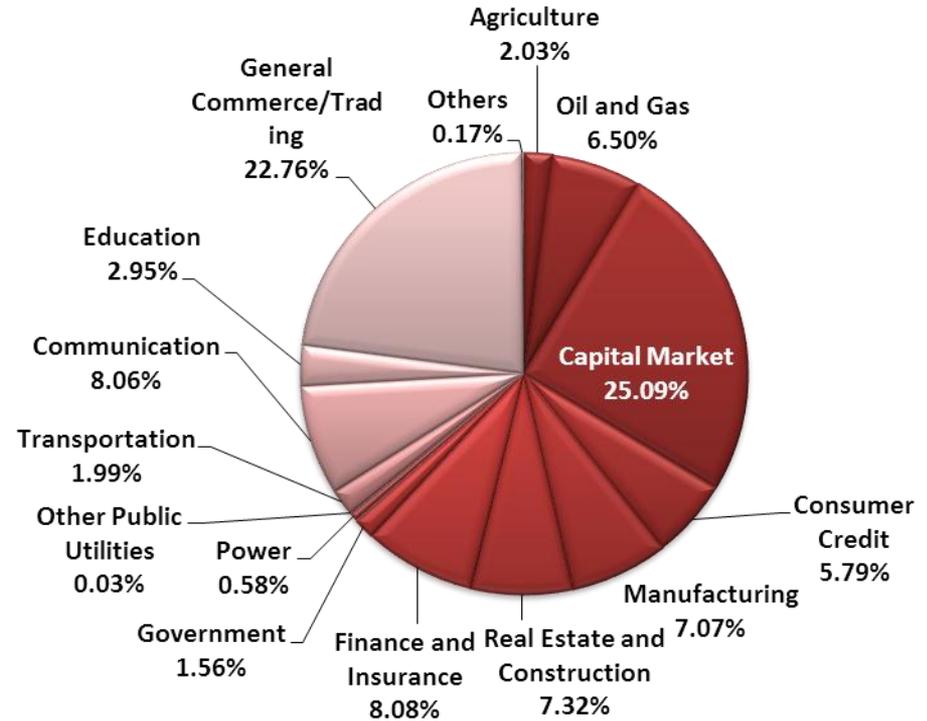
NPL by Segment

2013



- Total NPLs – N37.15bn
- NPL Ratio – 2.91%

2012



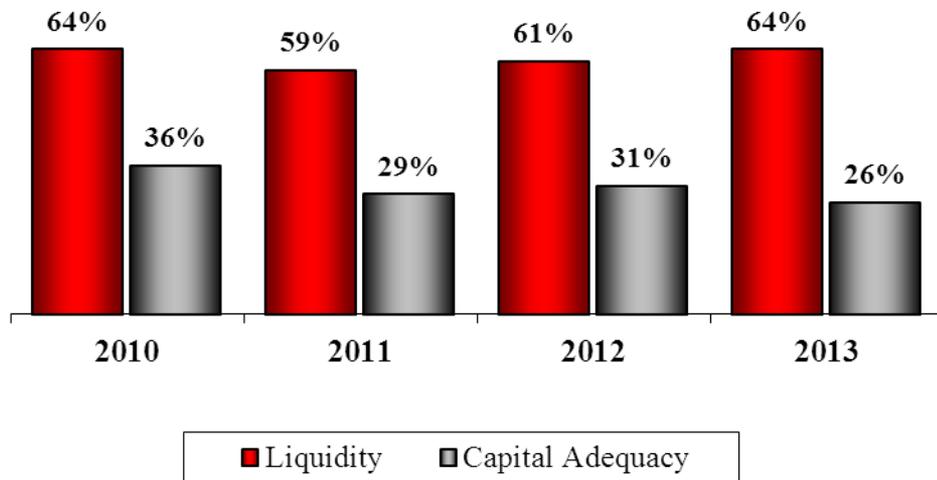
- Total NPLs – N31.93bn
- NPL Ratio – 3.15%

- We continue to develop our Risk Management Strategy and improve on the quality of our loan portfolio.
- Overall NPL ratio of 2.91% is currently one of the lowest in the industry



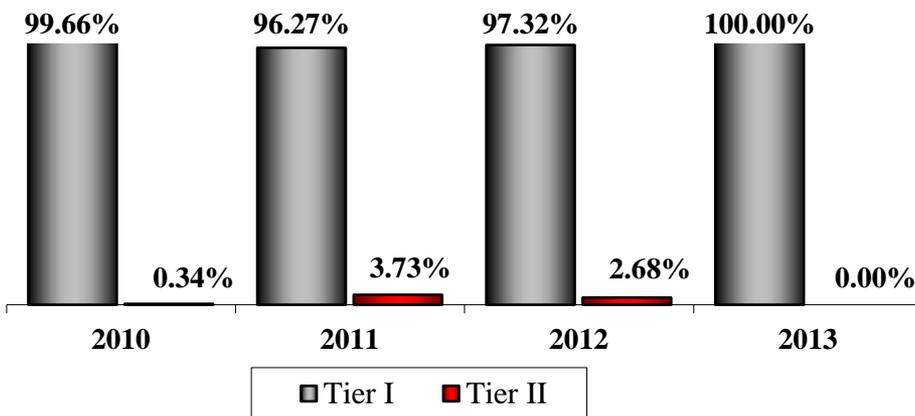
Strong Capitalization and Liquidity

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 (core capital) which consists of mainly share capital and reserves created by appropriations of retained earnings.



Strategies for driving our vision

1

Compete aggressively for market share, but focus on high quality assets and top-end relationships while adopting cost reduction strategies

- 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 FY2014



- ❑ **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 to ensure that the country's economy is diversified have been put in place. These include Commercial Agriculture Credit Scheme (CACCS) that has 159 projects and Nigeria Incentive-Based Risk Sharing for Agricultural Lending (NIRSAL). Others are Seed and Fertilizer Scheme launched for banks to lend at a subsidized rate to local farmers and the value chain for the production of fertilizer. The Group would continue to play a major role in this sector to support the various government's projects aimed at boosting our economy.
- ❑ **Power and Infrastructure:** The Nigerian government has sold major power assets in the country via auction. The 25% of the bid price was paid by preferred bidders in March 2013 while the 75% balance was also paid in August 2013. 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 has already taken advantage of this initiative as we have received our mobile banking licence and has since launched our mobile banking services.
- ❑ **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 cash-lite project which was first implemented in Lagos has also been extended to some other states which include Abia, Anambra, Kano, Rivers and FCT. Zenith Bank Plc has efficiently deployed a wide range of banking products that provides 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 by the Central Bank of Nigeria (CBN) and fully supported by the banking community in the country.



Outlook and Prospects for FY2013



- ❑ **Representative Office:** We have officially opened a representative office in Beijing, the capital city of the Peoples Republic of China. The group is certain that reasonable contributions would be realized from this Office considering the various emerging business opportunities in China.
- ❑ **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 stakeholders' expectations.
- ❑ **Best Practices:** With the listing on the London Stock Exchange, the Group would continue to uphold "best in class" corporate governance and practices in all segments of our business.
- ❑ **Deposit Base:** Our drive for low cost and appropriately mixed deposit base to fund our credit and money market transactions would continue in FY2014. 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.

Thank you

