



Q1 2014 Group Results

Presentation to Investors & Analysts

IFRS Compliant Results

March 2014



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 7.8% y/y in Mar'14 from 7.7% y/y recorded in Feb'14.
- The higher y/y change recorded was mainly as a result of increase in prices of food, especially bread, cereals, fish, dairy, oils, fats, and fruits.

◆ Oil Production & Price:

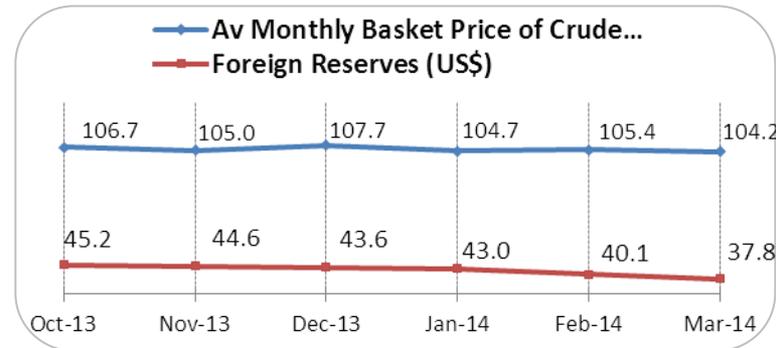
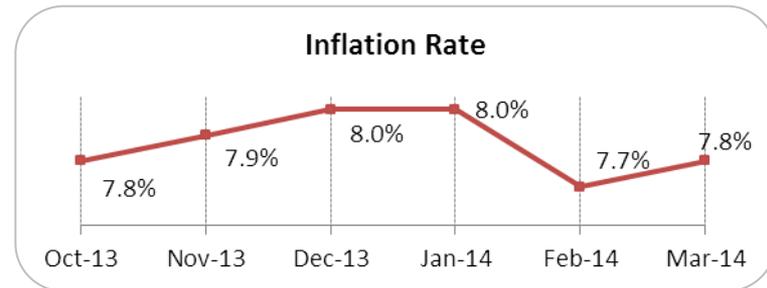
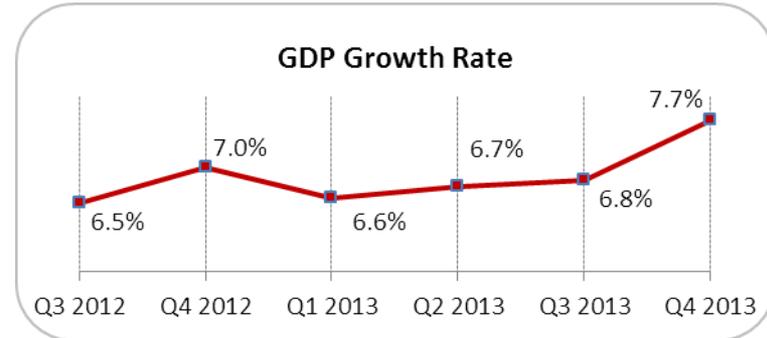
- OPEC Average Monthly Basket Price remained above \$100/bbl throughout the first quarter of 2014
- As the global economy is projected to increase by 3.5% in 2014 compared to 2.9% in 2013, world oil demand is forecast to increase by 1million barrel/day in 2014

◆ Foreign Reserves:

- Nigerian foreign reserves declined from \$43.61bn recorded as at end of 2013 to \$37.83bn at the end of Q1 2014.
- The CBN applied the foreign reserves to defend the Naira from devaluation during Q1 of 2014

◆ Exchange Rate:

- The FX market remained stable in Q1 2014 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 Q1 2014.



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 2.8% with a coverage ratio of over 70%.
- ❑ **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 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

On Course for an Impressive Performance in 2014

P & L

Gross Earnings: N94.32bn
Net Interest Income: N45.54bn
Net Interest Margin: 8.02%
PBT: N28.91bn
PAT: N23.68bn

+8.45% YoY
-0.15% YoY
-8.57% YoY
+0.14% YoY
+1.15% YoY

Balance Sheet

Customer Deposit: N2.29tn
Total Assets: N3.19tn
Total Shareholders' Funds: N528.40bn
Loans & Advances: N1.31tn

+0.50% (YTD)
+1.47% (YTD)
+3.76% (YTD)
+4.69% (YTD)

Key Ratios

Loan to Deposit Ratio: 54.25%
Cost to Income Ratio: 56.50%
Liquidity: 63.5%
Capital Adequacy: 26.5%
NPL: 2.8%; Cost of Risk: 0.60%
ROAE: 18.24%
EPS: 75k



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

Income Tax Expense

Profit After Tax

	Group 3 mths to Mar-14	Group 3 mths to Mar-13	YOY Change
Gross Income	94,324	86,977	8.45%
Continuing Operations:			
Interest Income	71,435	65,534	9.00%
Interest Expense	-25,893	-19,924	29.96%
Net Interest Income	45,542	45,610	-0.15%
Impairment Charge for Credit Losses	-1,950	-1,535	27.04%
Net Interest Income after Impairment Charge for Credit Losses	43,592	44,075	-1.10%
Fees and Commission Income	14,361	12,572	14.23%
Net gains on Financial Instruments	7,665	5,088	50.65%
Other Income	684	153	346.06%
Share of profit of associates	180	0	-
Total Operating Expenses	-37,563	-33,915	10.75%
Profit Before Tax from continued operations	28,919	27,973	3.38%
Discontinued Operations:			
Gross income from discontinued operations	0	3,630	-100.00%
Gross expenses from discontinued operations	0	-2,726	-100.00%
Profit Before Tax from discontinued operations	0	904	-100.00%
Continued & Discontinued Operations:			
Profit Before Tax	28,919	28,877	0.14%
Income Tax Expense	-5,242	-5,469	-4.15%
Profit After Tax	23,677	23,408	1.15%

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



Strengthening earnings and profitability...

Comments

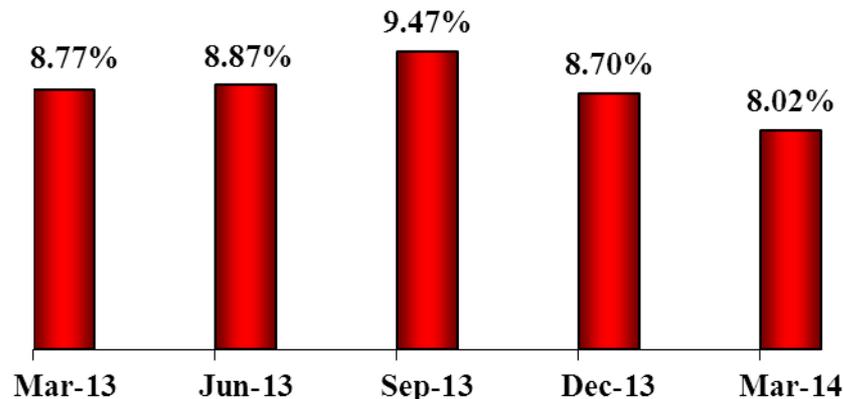
□ *Net Interest Margin (NIM) remained relatively high at 8.02% but declined as a result of increase in CRR for private sector deposits from 12% to 15%. (CRR for public funds maintained at 75%)*

□ *Cost to Income Ratio declined QonQ from 57.10% to 56.50% but increased YoY mainly as a result of the increase in AMCON charge from 0.3% to 0.5% of total assets and reduction in COT income.*

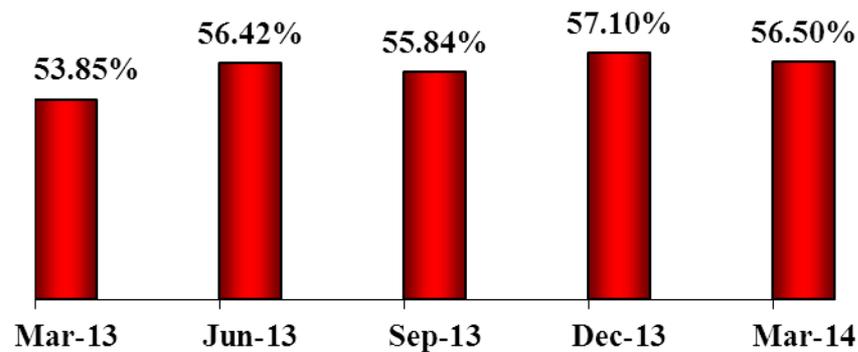
□ *To compensate for the gradual phase-off of COT income, the bank has significantly improved on its credit related fees, FX trading income and other fees & commissions.*

□ *Profit after tax (PAT) increased marginally YoY from N23.4bn in Q1 2013 to N23.68bn in Q1 2014*

Consistently high Net Interest Margin



Cost to Income Ratio

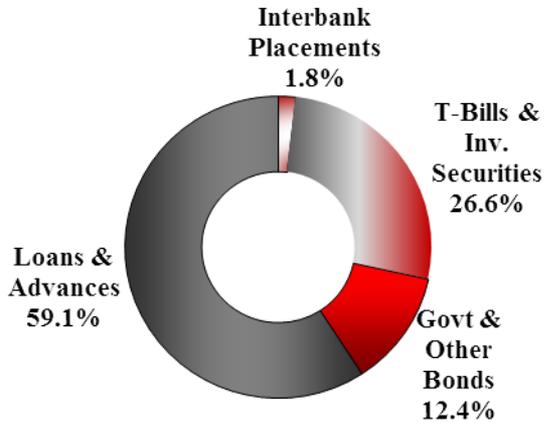




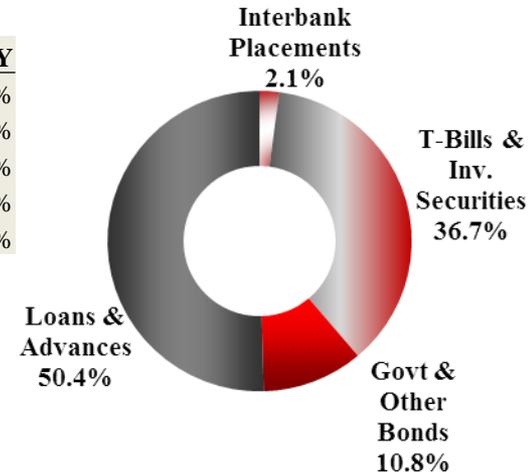
Q1 2014

Interest Income

Q1 2013



N'million	Q1 2014	Q1 2013	YoY
Interbank Placements	1,313	1,356	-3%
T-Bills & Inv. Securities	18,986	24,083	-21%
Govt & Other Bonds	8,883	7,046	26%
Loans & Advances	42,253	33,049	28%
Total	71,435	65,534	9%

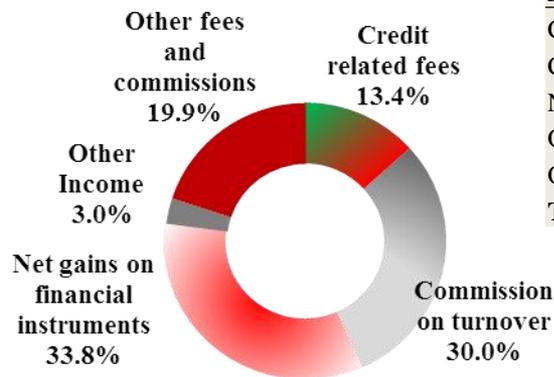


- Interest income from loans increased by 28% YoY while T-bills declined by 21%.
- CRR increase by CBN was the primary reason for decline in T-bills and interbank placements

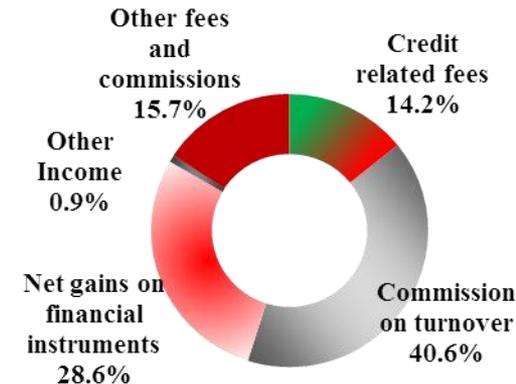
Non-Interest Income

Q1 2014

Q1 2013



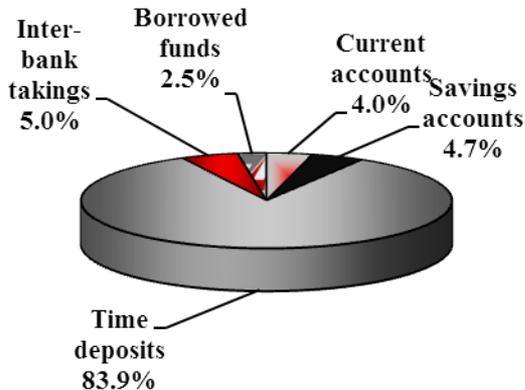
N'million	Q1 2014	Q1 2013	YoY
Credit related fees	3,035	2,536	20%
Commission on turnover	6,802	7,238	-6%
Net gains on financial instruments	7,665	5,088	51%
Other Income	684	153	346%
Other fees and commissions	4,524	2,798	62%
Total	22,710	17,813	27%



- Despite the decline of 6% in COT, the bank grew its non-interest income by 27%
- The bank has significantly improved on its credit related fees, FX trading income and other fees & commissions to compensate for loss in COT



Q1 2014

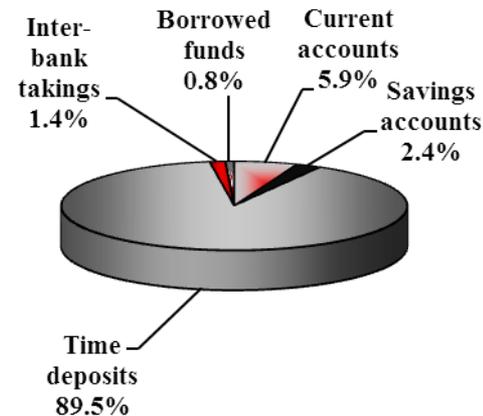


Interest Expenses

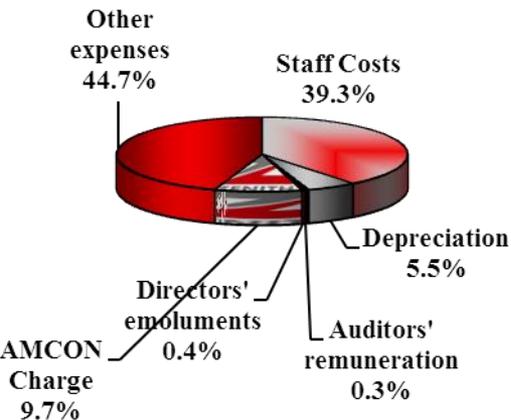
N'million	Q1 2014	Q1 2013	YoY
Current accounts	1,023	1,174	-13%
Savings accounts	1,208	473	155%
Time deposits	21,719	17,824	22%
Inter-bank takings	1,298	287	352%
Borrowed funds	645	166	289%
Total	25,893	19,924	30%

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

Q1 2013



Q1 2014

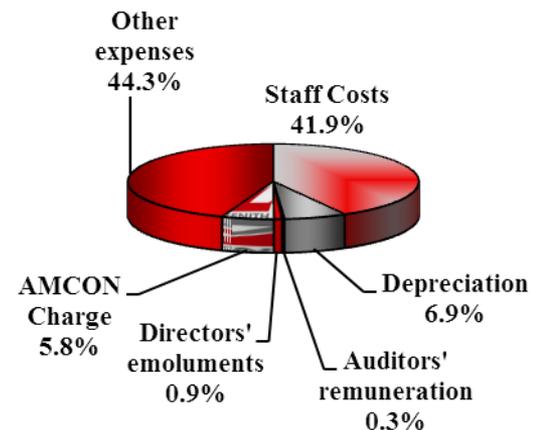


Total Operating Expenses

N'million	Q1 2014	Q1 2013	YoY
Staff Costs	14,760	14,197	4%
Depreciation	2,077	2,346	-11%
Auditors' remuneration	131	93	41%
Directors' emoluments	158	305	-48%
AMCON Charge	3,628	1,956	85%
Other expenses	16,809	15,018	12%
Total	37,563	33,915	11%

- AMCON premium which increased by 85% was the major driver of operating expense in Q1 2014
- Staff costs increased by 4% in Q1 2014; this is below the current inflation rate

Q1 2013





Balance Sheet- Assets

(N'm)	Group Mar-14	Group Dec-13	YOY Change	Group Mar-13
Cash and balances with central banks	586,747	603,851	-2.83%	317,003
Treasury bills	509,065	586,441	-13.19%	727,990
Due from other banks	357,002	256,729	39.06%	205,751
Loans and advances	1,310,020	1,251,355	4.69%	1,099,327
Investment securities	294,756	303,125	-2.76%	261,518
Investments in associates	3,481	165	2009.70%	419
Deferred tax assets	723	749	-3.47%	87
Other assets	53,153	36,238	46.68%	54,405
Assets classified as held for sale	0	30,454	-100.00%	34,113
Derivative assets held for risk management	2,415	2,681	-9.92%	0
Property and equipment	70,071	69,410	0.95%	69,506
Intangible assets	1,973	1,935	1.96%	1,309
Total Assets	3,189,406	3,143,133	1.47%	2,771,428

Sustained Balance sheet strengthening and Growth with strong liquidity.



Balance Sheet- Liabilities & Equity

(N'm)	Group Mar-14	Group Dec-13	YOY Change	Group Mar-13
Customers deposits	2,288,146	2,276,755	0.50%	1,994,650
Current income tax	12,059	7,017	71.86%	11,152
Deferred income tax liabilities	678	678	0.00%	5,584
Other liabilities	229,009	215,643	6.20%	175,509
On-lending facilities	61,416	59,528	3.17%	62,111
Borrowings	69,700	60,150	15.88%	22,117
Liabilities classified as held for sale	0	14,111	-100.00%	14,080
Total liabilities	2,661,008	2,633,882	1.03%	2,285,203

(N'm)	Group Mar-14	Group Dec-13	YOY Change	Group Mar-13
Share capital	15,698	15,698	0.00%	15,698
Share premium	255,047	255,047	0.00%	255,047
Retained earnings	184,487	161,144	14.49%	153,247
Other reserves	72,667	73,347	-0.93%	58,792
Total Shareholder's funds	528,398	509,251	3.76%	486,225
Non-controlling interest	499	4,015	-87.57%	3,441
Total liabilities & equity	3,189,406	3,143,133	1.47%	2,771,428

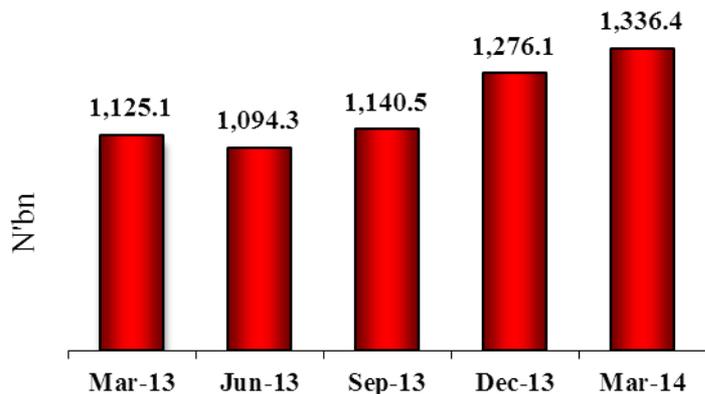
Strong Capital base.... Remains a solid buffer against any adverse event



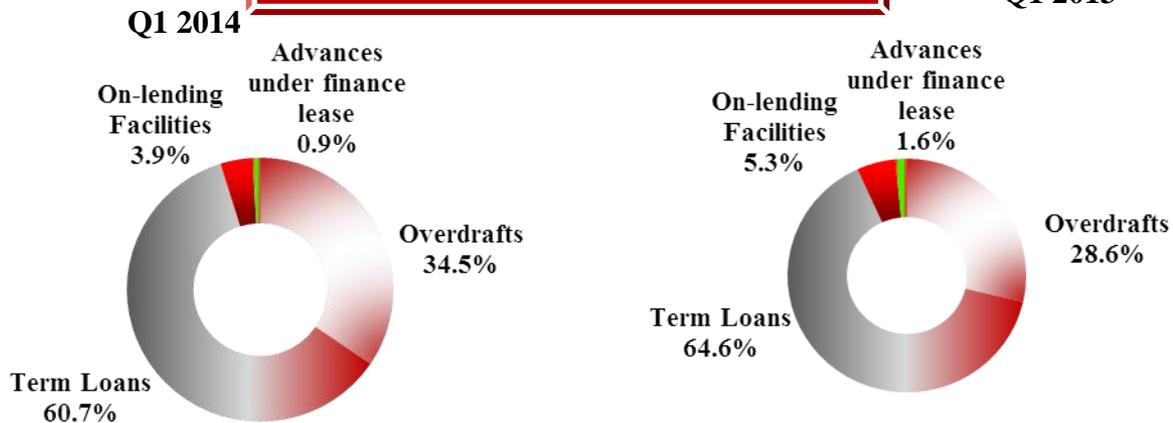
Sustained assets & liabilities match.....



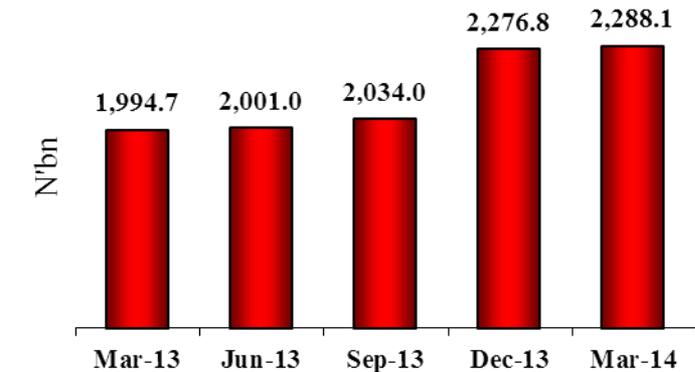
Loans Growth



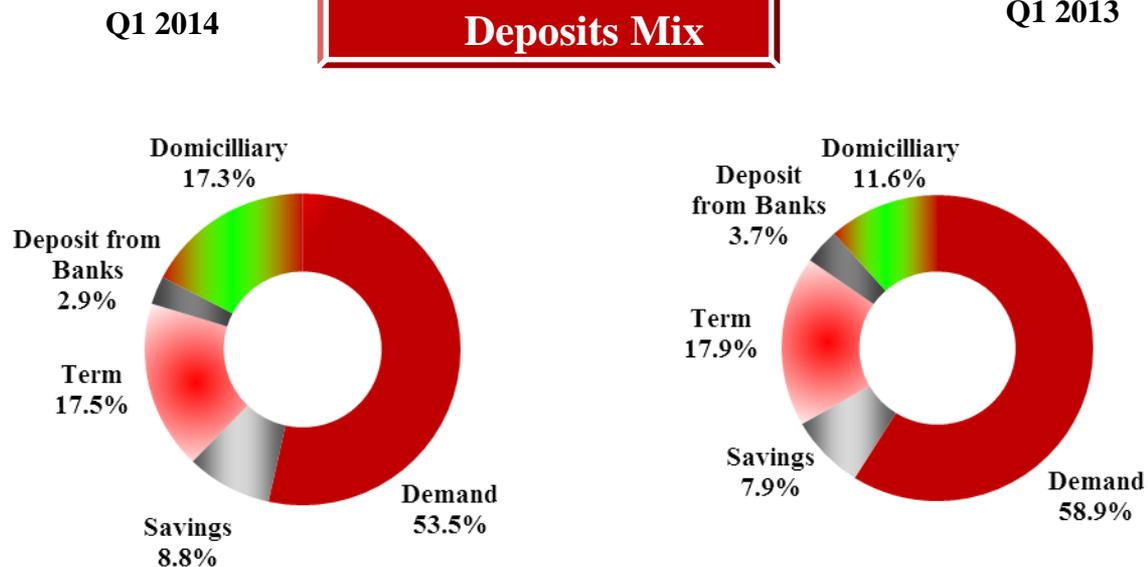
Loans & Advances



Deposits Growth



Deposits Mix





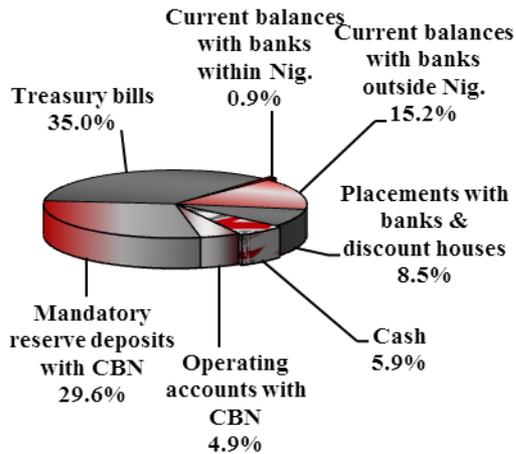
Continued market dominance through strong liquid asset base and funding mix...



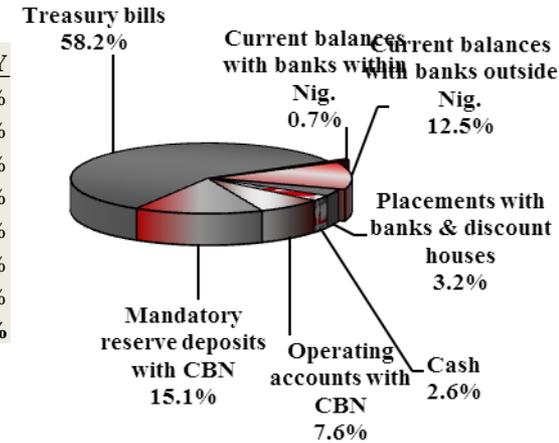
Q1 2014

Liquid Assets

Q1 2013



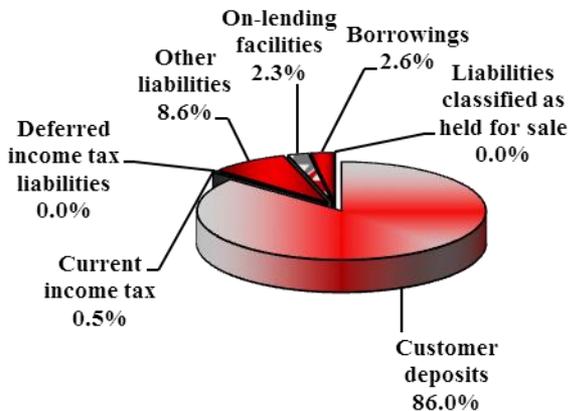
N'million	Q1 2014	Q1 2013	YoY
Cash	86,107	32,915	162%
Operating accounts with CBN	71,264	95,041	-25%
Mandatory reserve deposits with CBN	429,376	189,047	127%
Treasury bills	509,065	727,990	-30%
Current balances with banks within Nig.	12,440	9,235	35%
Current balances with banks outside Nig.	220,586	156,806	41%
Placements with banks & discount houses	123,976	39,710	212%
Total	1,452,814	1,250,744	16%



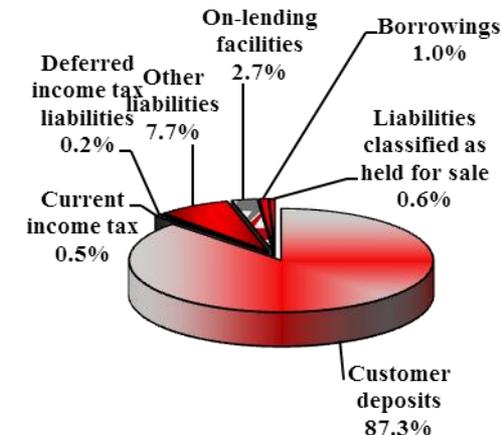
Q1 2014

Funding Mix

Q1 2013



N'million	Q1 2014	Q1 2013	YoY
Customer deposits	2,288,146	1,994,650	15%
Current income tax	12,059	11,152	8%
Deferred income tax liabilities	678	5,584	-88%
Other liabilities	229,009	175,509	30%
On-lending facilities	61,416	62,111	-1%
Borrowings	69,700	22,117	215%
Liabilities classified as held for sale	-	14,080	-100%
Total	2,661,007	2,285,203	16%





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

**3 Months Ended
Mar 2014 (N'm)**

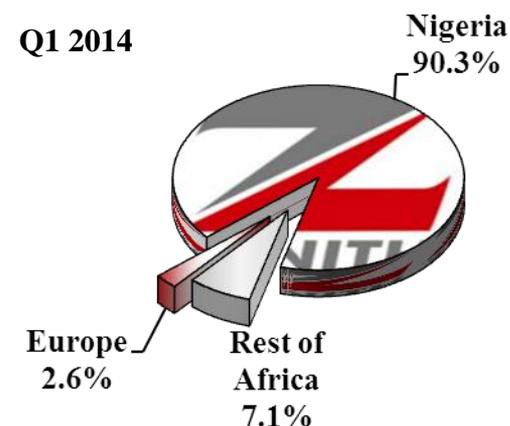
	Nigeria	Rest of Africa	Europe	Eliminations	Consolidated
Total Revenue	92,809	7,306	2,646	-8,616	94,145
Share of profit of Associates	-	-	-	-	180
Total Expense	-61,584	-3,787	-1,945	1,910	-65,406
Profit Before Tax	31,405	3,519	701	-6,706	28,919
Tax	-4,868	-197	-177	-	-5,242
Profit After Tax	26,537	3,322	524	-6,706	23,677

**3 Months Ended
Mar 2013 (N'm)**

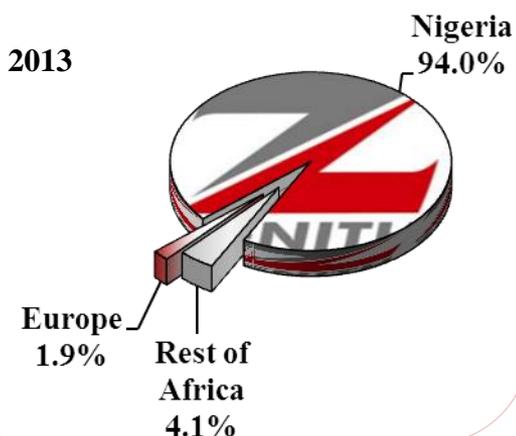
	Nigeria	Rest of Africa	Europe	Eliminations	Consolidated
Total Revenue	82,906	3,633	1,672	-1,234	86,977
Share of profit of Associates	-	-	-	-	-
Total Expense	-55,921	-2,337	-1,076	1,234	-58,100
Profit Before Tax	26,985	1,296	596	-	28,877
Tax	-5,073	-250	-146	-	-5,469
Profit After Tax	21,912	1,046	450	-	23,408

Gross Revenue

Q1 2014



Q1 2013



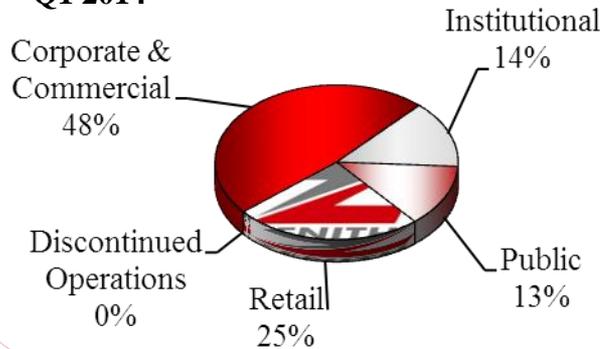
**Our Nigerian business continues to be the main driver of profitability ...
providing over 90% of gross revenue**



P&L – By Sector

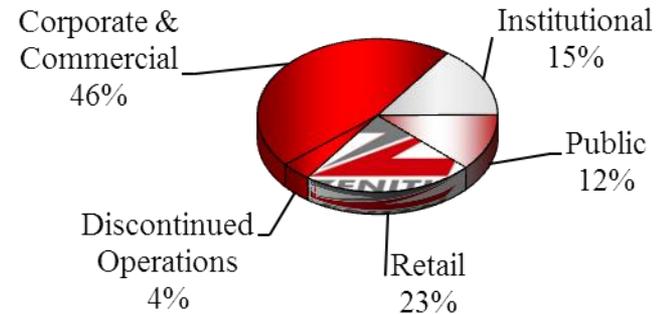
	Corporate	Institutional	Public	Retail	Discontinued Operations	Consolidated
3 Months Ended Mar 2014 (N'm)						
Total Revenue	45,190	13,180	12,239	23,536	0	94,145
Total Expenses	-30,004	-11,088	-6,523	-17,611	0	-65,226
Profit Before Tax	15,186	2,092	5,716	5,925	0	28,919
Tax	-2,569	-786	-786	-1,101	0	-5,242
Profit After Tax	12,617	1,306	4,930	4,824	0	23,677
3 Months Ended Mar 2013 (N'm)						
Total Revenue	40,009	13,047	10,437	20,005	3,479	86,977
Total Expenses	-25,564	-9,296	-6,391	-13,944	-2,905	-58,100
Profit Before Tax	14,445	3,751	4,046	6,061	574	28,877
Tax	-2,461	-766	-711	-1,367	-164	-5,469
Profit After Tax	11,984	2,985	3,335	4,693	410	23,408

Q1 2014



Gross Revenue

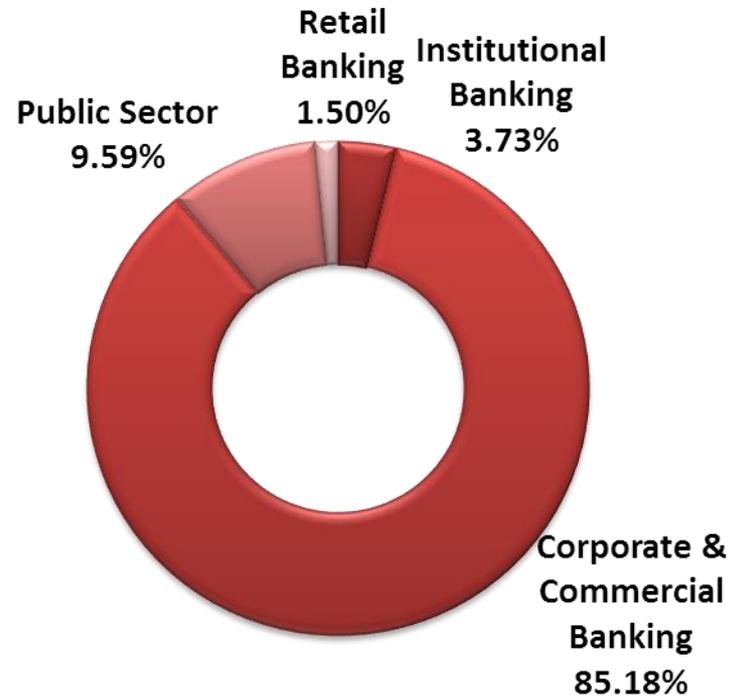
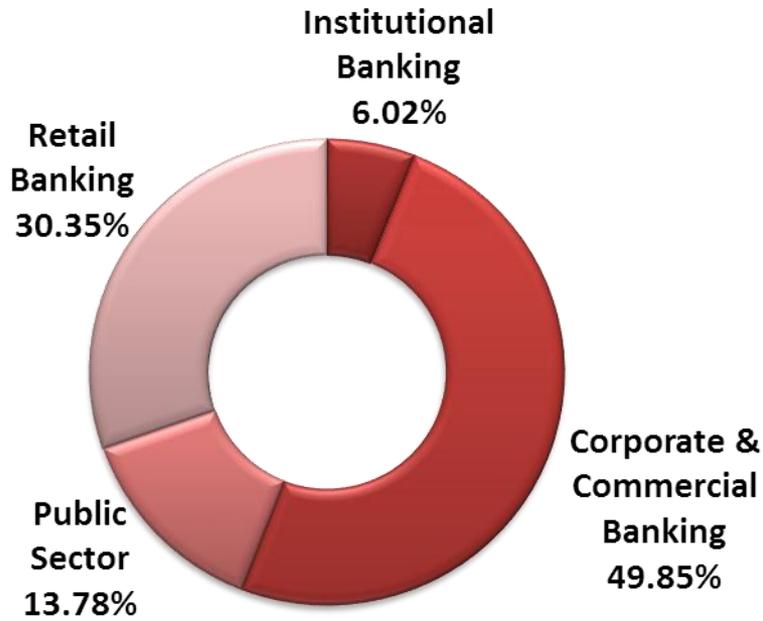
Q1 2013



Improved profitability on core business segments



Deposits & Loans – By Sector

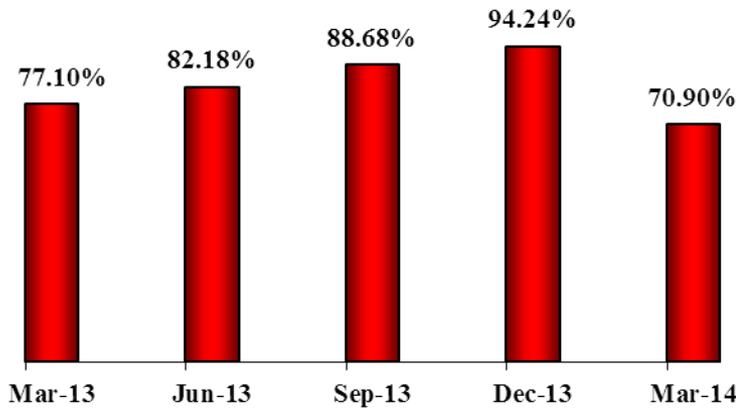


Q1 2014 Total Deposits - ₦2.29tn

Q1 2014 Gross Loans - ₦1.34tn

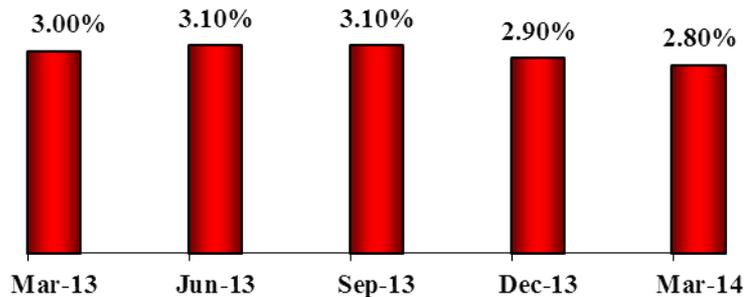


NPL Coverage Ratio



NPL Ratio

• *The Group's NPL ratio has declined further from 2.91% recorded in 2013 to 2.8% in Q1 2014*



Our Risk Management Strategy

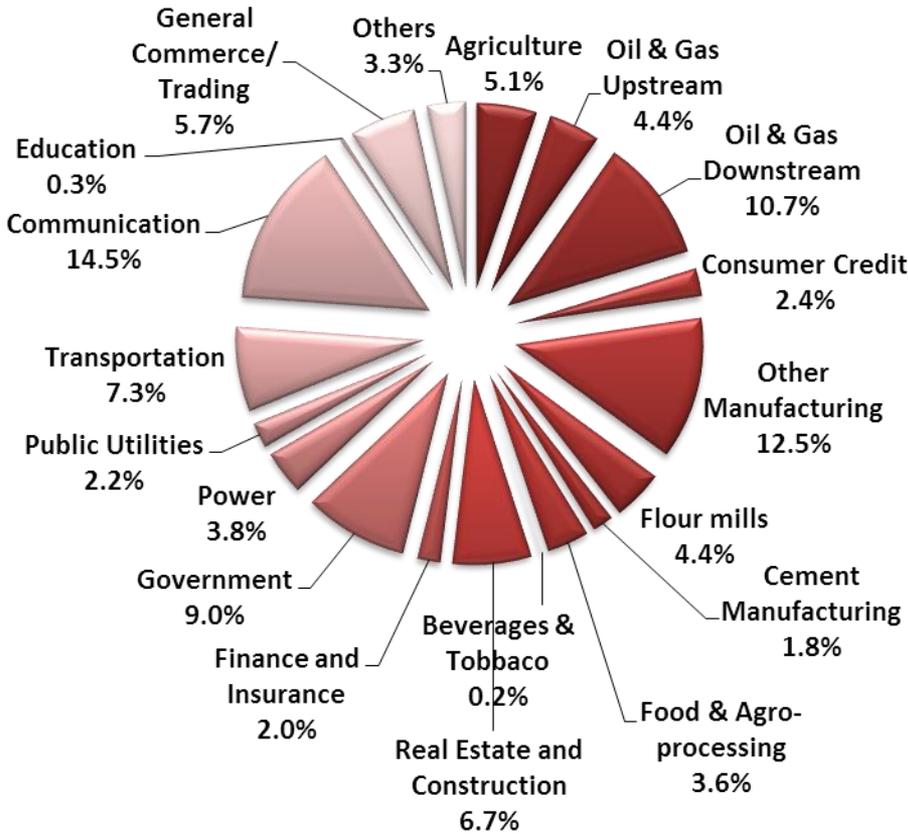
- The group adopts a complete and integrated approach to risk management that is driven from the Board level to the operational activities of the bank.
- Risk management is practiced as a collective responsibility coordinated by the risk control units and is properly segregated from the market facing 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

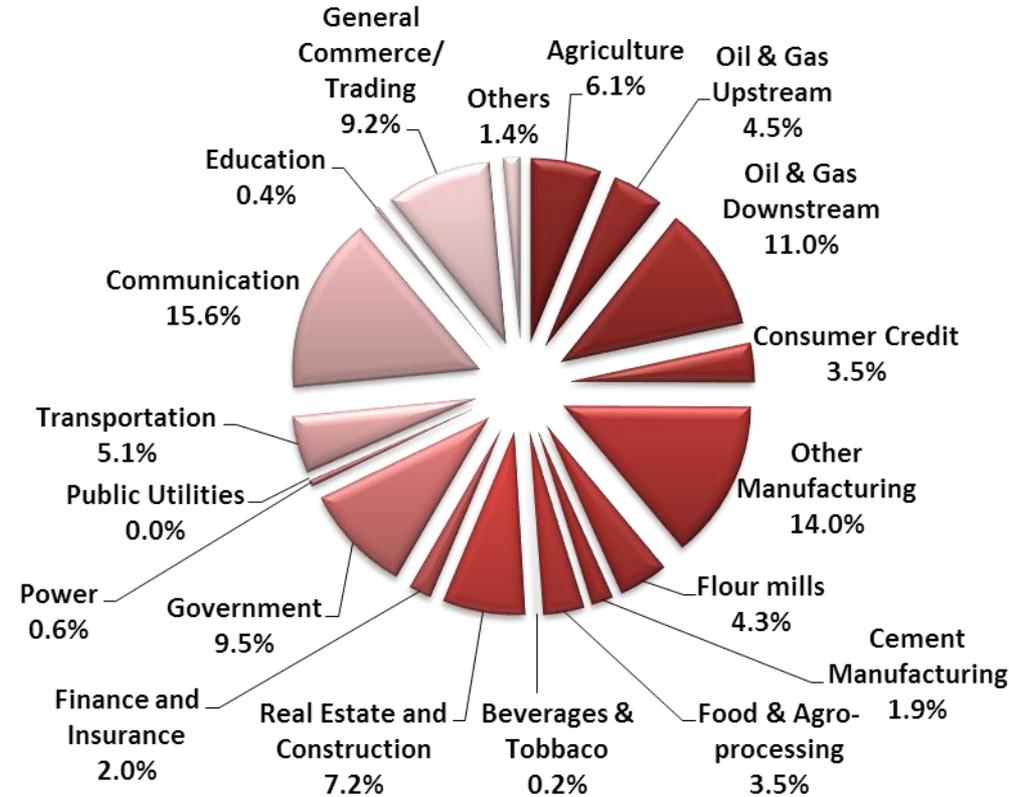


Loans by Sector – Q1 2014



○ Gross Loans – N1.34tn

Loans by Sector – Q1 2013



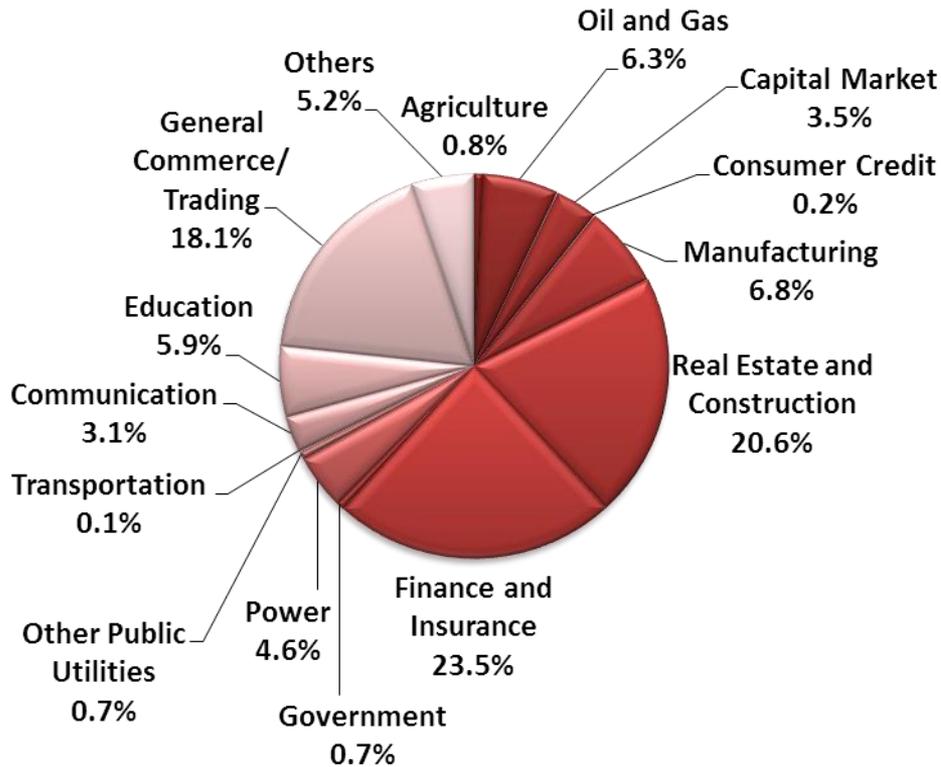
○ Gross Loans – N1.13tn

No concentration risk



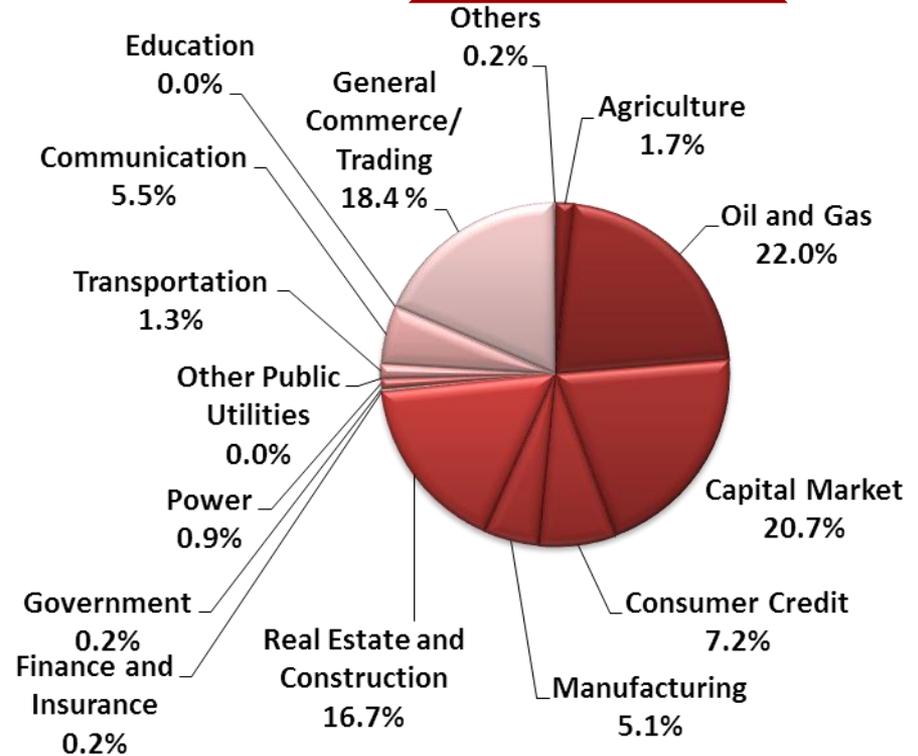
NPL by Segment

Q1 2014



- Total NPLs – N37.15bn
- NPL Ratio – 2.8%

Q1 2013



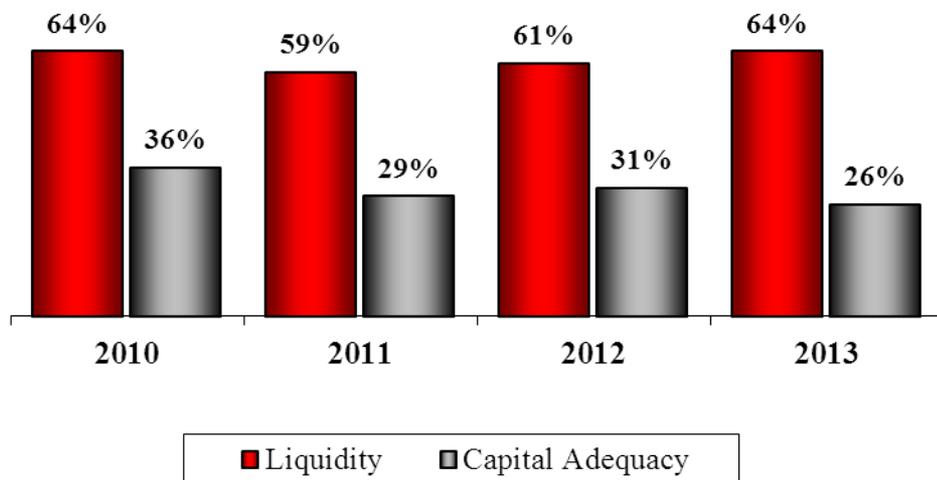
- Total NPLs – N33.46bn
- NPL Ratio – 3%

- We continue to develop our Risk Management Strategy and improve on the quality of our loan portfolio.
- Overall NPL ratio of 2.8% is currently one of the lowest in the industry



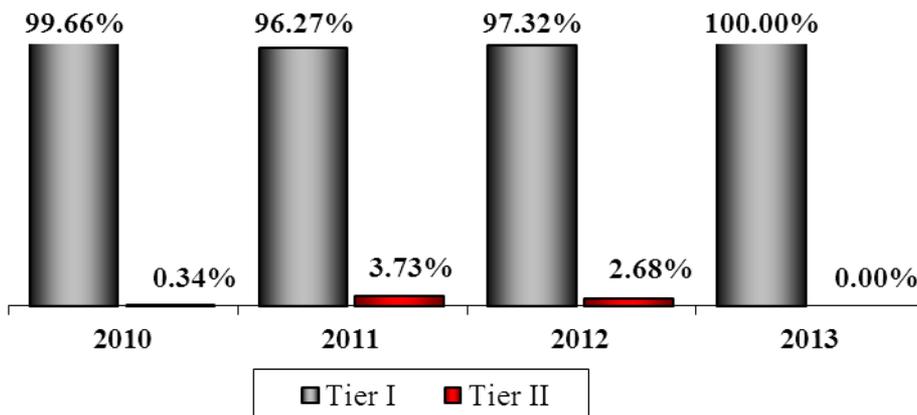
Strong Capitalization and Liquidity

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

