



Q1 2012 Results Presentation to Investors & Analysts

IFRS Compliant Results

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...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 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

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By Segment

By Geography

Company Risk Management

Strategy and Outlook

Q & A



- **GDP Growth:** The Nigerian economy witnessed a 7.68% growth in the fourth quarter of 2011 compared to 8.60% recorded in Q4'10. The non-oil sector continued to be a major driver of the country's economy in Q4'11 (9.07%) higher than the 8.93% registered in 2010. Improved activities in the wholesale and retail trade, services, building & construction and manufacturing among others were mainly responsible for this growth. We expect Nigerian GDP outlook for 2012 to rise on the back of robust agricultural output, stable oil prices and general production output.
- **Oil Prices:** Activities in the oil sector improved in the first quarter of this year as Nigeria's crude oil production rose to 2.4 million barrels per day compared to Q4 2011's 2.27 million barrel per day. Stable oil prices coupled with the relative stability in the exchange rate of the naira against the US dollar impacted positively in the sector's growth. **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 oil prices to hover around \$106.17-\$114.12 per barrel in the near term.
- **Foreign Reserves:** Nigeria's external reserves improved significantly by US\$2.81bn to US\$37.53bn in Q12012 compared to February's US\$34.72bn, the highest level since the beginning of this year. This represents a year-on-year increase of 14.98%. This growth was attributable to steady rise in oil prices in the international market since this year as well as the moderate demand for foreign exchange at the CBN's official forex market – the WDAS and the interbank market. The outlook for external reserves accretion remains positive especially in the short term as sustained increase in oil prices and production are seen as the main drivers.
- **Exchange Rate:** The foreign exchange market remained relatively stable in Q1 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 moved from US\$/N158.62 in January 2012 to US\$/N157.62 in Q1'12. **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 12.1% in Q1 2012, 0.2 percent points higher than 11.9% recorded in February 2012. This increase was due to the general price hike in the economy. We, however, expect some moderation in inflation outlook in the medium to long term despite the anticipated fiscal injections in relation to the 2012 budget, and new tariff regimes on certain food imports.



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 maintain an NPL ratio of 3.70% and coverage ratio of over 80%. 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 recently 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 ROE. We project an ROE 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: N72.4bn
Net Interest Income: N38.3bn
Net Interest Margin: 8.34% (Annualized)
PBT: N23.0bn
PAT: N19.2bn

+33.36% YoY
+34.90% YoY
+19.83% YoY
+25.41% YoY
+25.96% YoY

Balance Sheet

Customer Deposit: N1.67tn
Total Assets: N2.36tn
Shareholders' Funds: N397bn
Loans & Advances: N937bn

+1.05% (YTD)
+1.26% (YTD)
+5.74% (YTD)
+1.74% (YTD)

Key Ratios

Loan to Deposit Ratio: 56.0%
Operating Cost to Income Ratio: 41.0%
Liquidity: 61 % (Group), 55.39% (Bank)
Capital Adequacy: 29 % (Group), 26.01% (Bank)
NPL:3.7%
ROAE: 19.87% (Annualized)
EPS: 59k



Profit & Loss Statement

(N'm)

	Group 3 mths to Mar-12	Group 3 mths to Mar-11	YOY Change
Gross Income	72,356	54,257	33.36%
Interest Income	52,826	35,887	47.20%
Interest Expense	-14,568	-7,527	93.54%
Net Interest Income	38,258	28,360	34.90%
Impairment Charge for Credit Losses	-1,211	-3,934	-69.22%
Net Interest Income after Impairment Charge for Credit Losses	37,047	24,426	51.67%
Fees and Commission Income	10,848	11,233	-3.43%
Net gains on Financial Instruments	2,970	5,965	-50.21%
Other Income	7	-	100%
Operating Expenses	-29,697	-24,786	19.81%
Profit Before Tax	23,012	18,350	25.41%
Taxation	-3,786	-3,074	23.16%
Profit After Tax	19,226	15,263	25.96%

Improved top line earnings driven by efficient allocation of resources



Comments

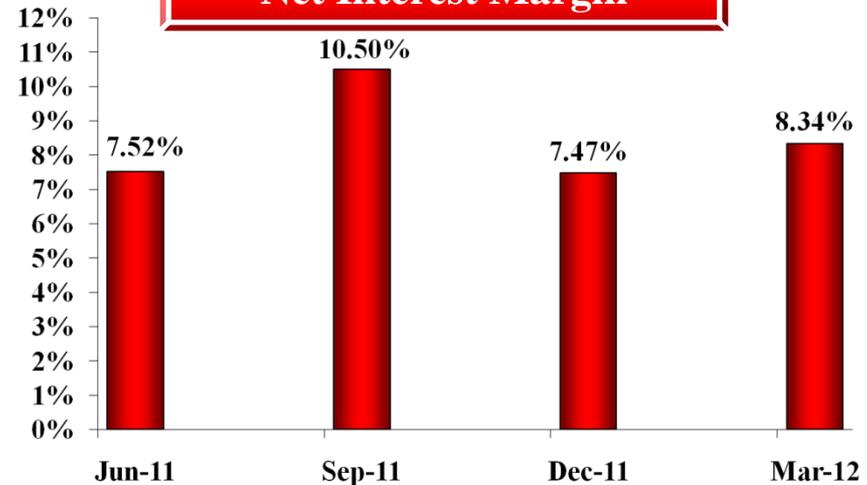
❑ *Net Interest Margin: Notwithstanding the significant increase in our funding cost YoY, the Group maintained a strong Net Interest Margin through a more efficient balance sheet management.*

❑ *Improved Cost Income Ratio as our cost reduction strategies continued to yield the desired results with operating cost to income ratio dropping to 41.0% in 1Q2012 from 46% recorded in the first quarter of 2011*

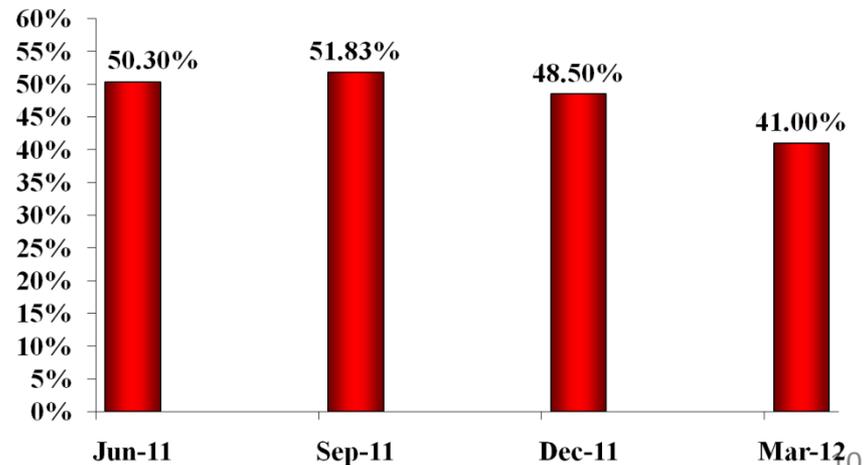
❑ *Strong ROAE at 19.87% (annualized) compared to Q1'11's figure of 15.96%.*

❑ *PBT – N23.01bn, up 25.41% from first quarter 2011 while PAT rose to N19.22bn from N15.26bn in Q1'11 – this represents a year-on year growth of 25.96%.*

Net Interest Margin



Operating Cost to Income Ratio





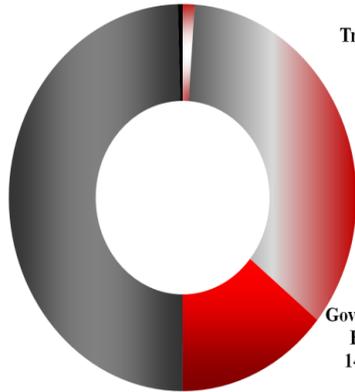
Revenue Base ...Sustained Diversification



Q1 2012

Interest Income

Advances Under Finance Lease 0.44%
Placements 1.10%



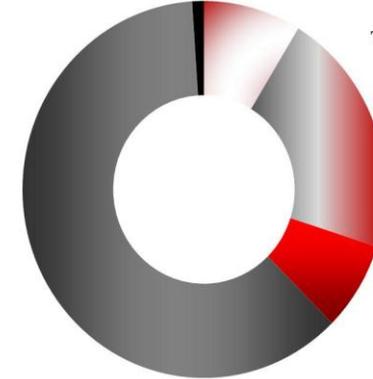
Treasury Bills & Investment Securities 34.80%

Government Bonds 14.11%

N'm	Q1 12	Q1 11	YoY
Loans & Advances	26,173	22,305	17.34%
Government Bonds	7,454	2,772	168.90%
T-Bills & Inv. Sec	18,382	7,708	138.48%
Placements	582	3,159	-81.58%
Advances Under Finance Lease	235	377	-37.67%

Q1 2011

Advances Under Finance Lease 1%
Placements 9%



Treasury Bills & Investment Securities 21%

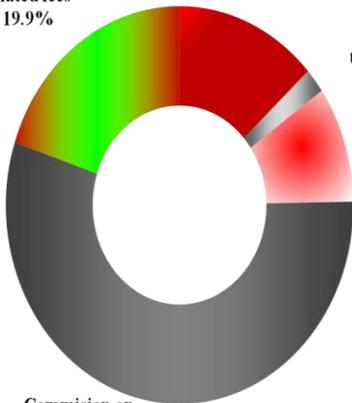
Government Bonds 8%

Loans & Advances 61%

Q1 2012

Non-Interest Income

Credit facility related fees 19.9%
Other fees & commissions 13.24%



Foreign currency transactions fees 2.01%

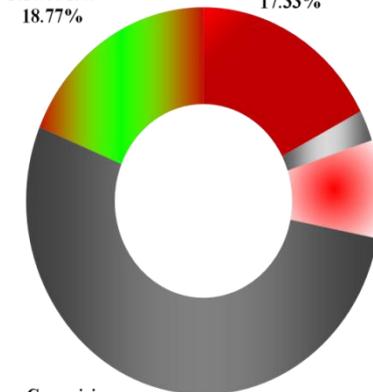
Letters of credit commission & fees 9.48%

Commission on turnover 55.38%

N'm	Q1 12	Q1 11	YoY
Other fees and commissions	1,518	2,075	-26.84%
Foreign currency	230	311	-26.05%
Letters of credit commissions	1,087	979	11.03%
Commission on turnover	6,348	6,359	-0.17%
Credit facility related	2,280	2,247	1.47%

Q1 2011

Credit facility related fees 18.77%
Other fees & commissions 17.33%



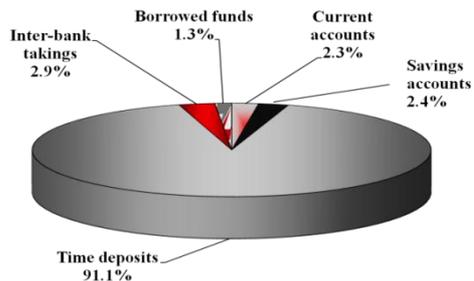
Foreign currency transactions fees 2.60%

Letters of credit commission & fees 8.18%

Commission on turnover 53.12%



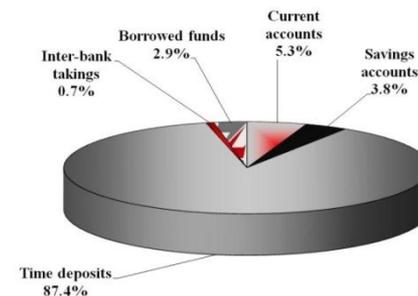
Q1 2012



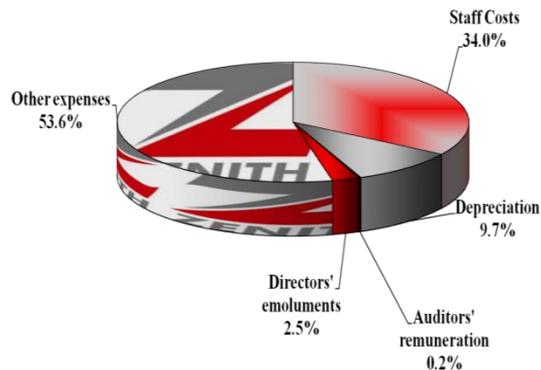
Interest Expenses

N'm	Q1 12	Q1 11	YoY
Current accounts	316	396	-20.20%
Savings account	354	286	23.78%
Time deposits	13,276	6,575	101.92%
Inter-bank takings	425	51	733.33%
Borrowed funds	196	219	-10.50%

Q1 2011



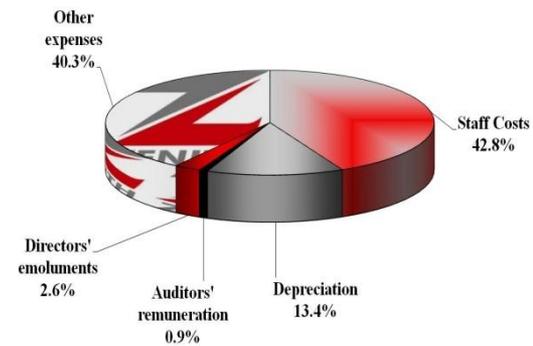
Q1 2012



Operating Expenses

N'm	Q1 12	Q1 11	YoY
Staff costs	10,102	9,881	2.24%
Depreciation	2,876	3,102	-7.29%
Auditors' remuneration	60	199	-69.85%
Directors' emoluments	742	604	22.85%
Other expenses	15,917	9,323	70.73%

Q1 2011





Balance Sheet- Assets

(N'm)	Group	Group	YTD	Group
	Mar-12	Dec - 11		Mar-11
Cash and balances with central banks	173,294	223,187	-22.35%	116,131
Treasury bills	534,523	516,142	3.56%	409,913
Due from other banks	274,473	236,170	16.22%	333,605
Loans and advances	909,466	893,997	1.73%	816,081
Investment securities	293,902	307,637	-4.46%	232,330
Asset classified as held for sale	60,163	52,377	14.87%	-
Investments in associates	1,822	1,822	0.00%	-
Deferred tax assets	100	186	-46.24%	1,665
Other assets	35,848	25,295	41.72%	30,092
Investment property	7,404	7,403	0.01%	7,679
Fixed assets	69,143	68,838	0.44%	69,251
Intangible assets	1,240	779	59.18%	1,915
Total Assets	2,361,378	2,331,898	1.26%	2,018,662

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



Balance Sheet- Liabilities & Equity

(N'm)

	Group	Group		Group
	Mar-12	Dec - 11	YTD	Mar-11
Customer deposits	1,670,856	1,653,570	1.05%	1,435,695
Liabilities classified as held for sale	40,201	29,835	34.74%	-
On-lending facilities	53,427	49,370	8.22%	28,613
Borrowings	18,773	20,625	-8.98%	26,251
Current income tax	10,015	13,349	-24.98%	6,572
Other liabilities	164,313	179,338	-8.38%	133,984
Deferred income tax liabilities	5,963	9,588	-37.81%	7,612
Total liabilities	1,963,548	1,955,675	0.40%	1,638,727

(N'm)

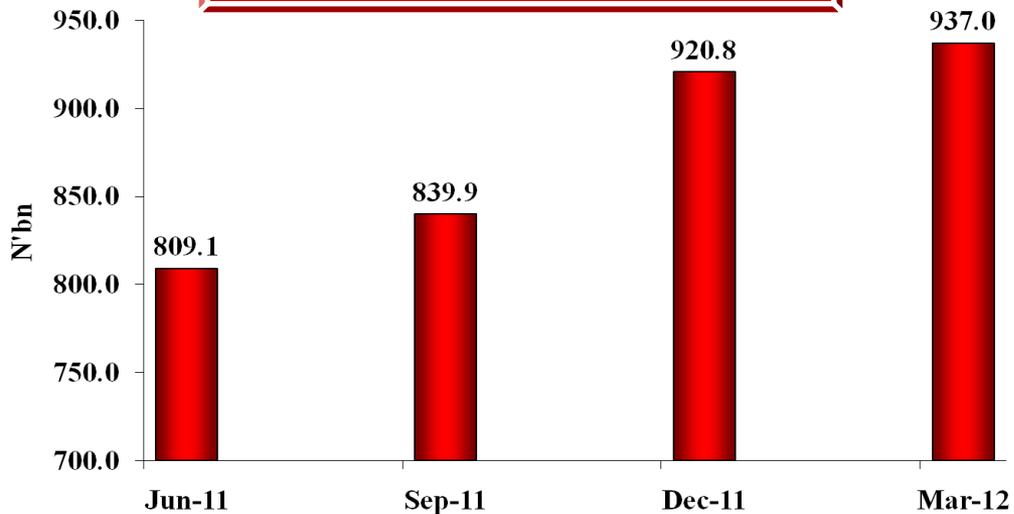
	Group	Group		Group
	Mar-12	Dec - 11	YTD	Mar-11
Share capital	270,745	270,745	-	270,745
Reserves	124,548	102,907	21.03%	109,190
Shareholder's funds	395,293	373,652	5.79%	379,935
Non-controlling interest	2,537	2,571	-1.32%	2,533
Total liabilities & equity	2,361,378	2,331,898	1.26%	2,018,662

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

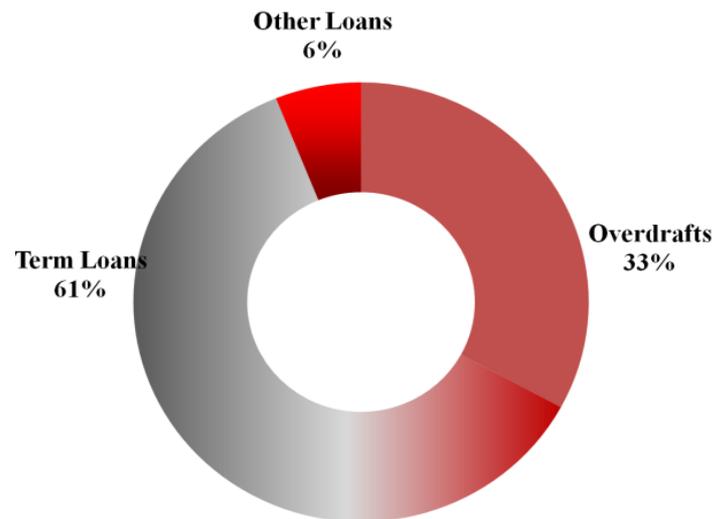


Sustained assets & liabilities match..

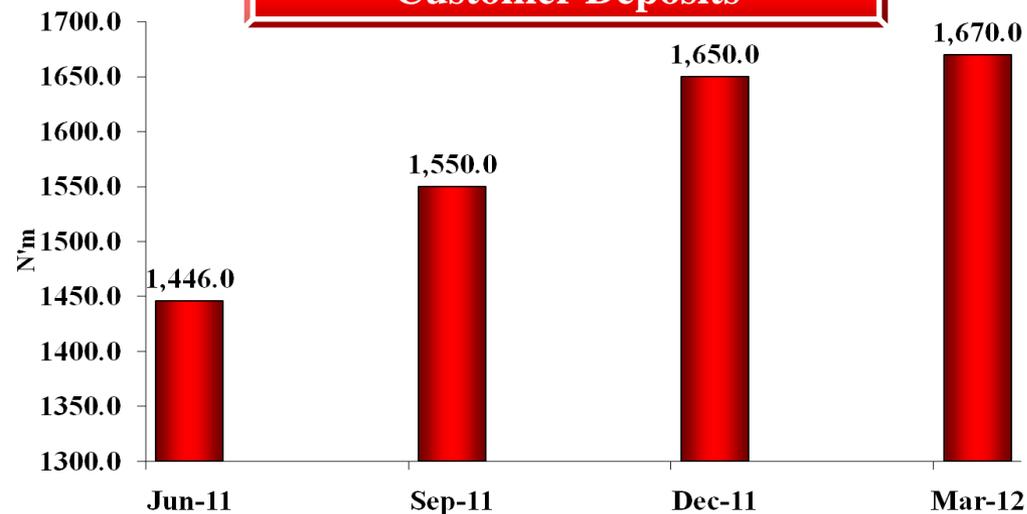
Loans Growth



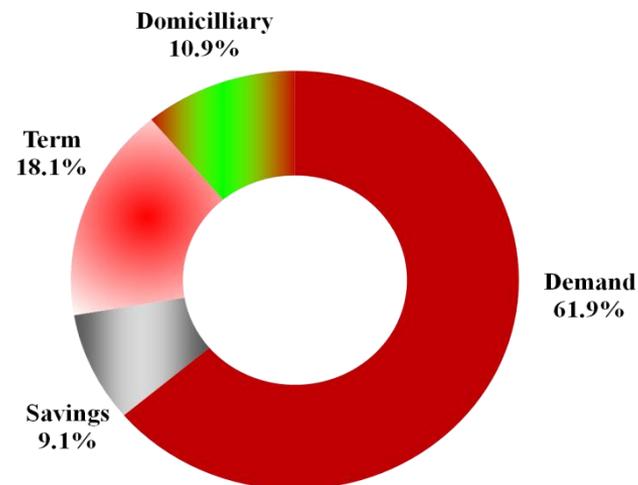
Loans & Advances Q1 2012



Customer Deposits



Deposits Mix Q1 2012





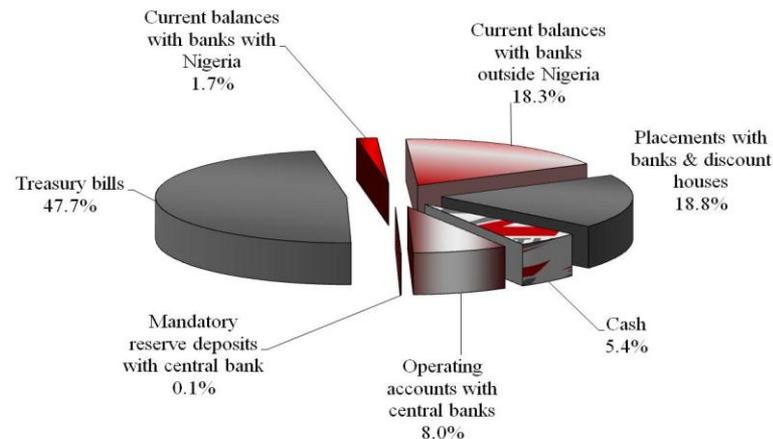
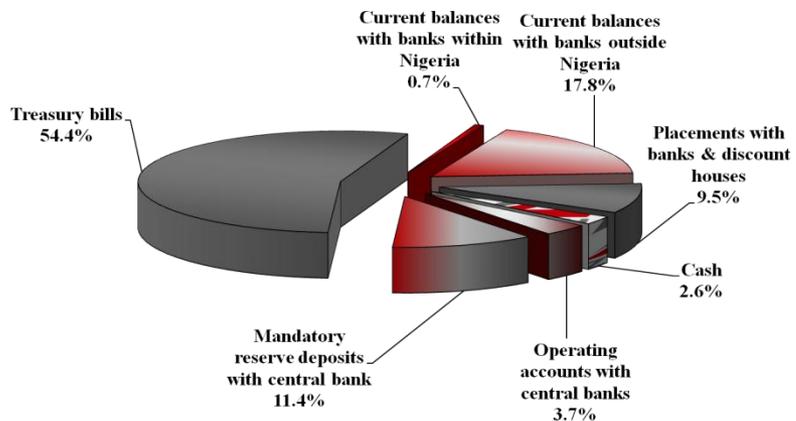
Continued market dominance through strong liquid asset base and funding mix...



Q1 2012

Liquid Assets

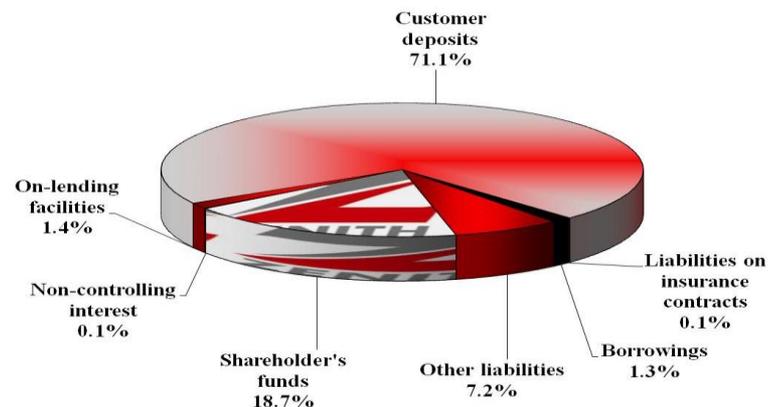
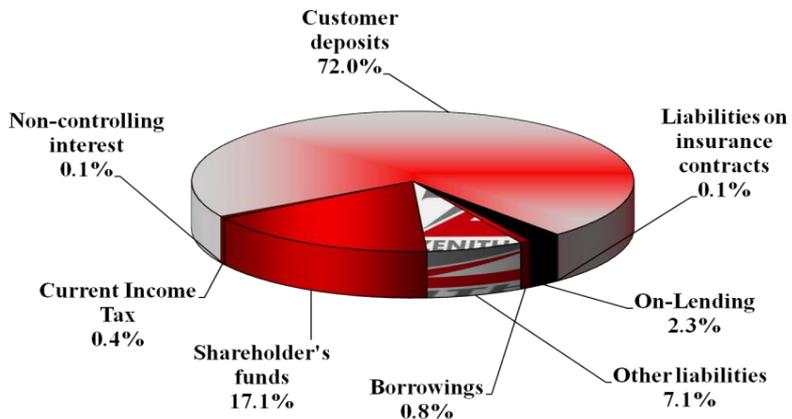
Q1 2011



Q1 2012

Funding Mix

Q1 2011





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P&L – By Segment

3 Months Ended March 2012 (N'm)

	Corporate & Retail Banking	Investment Mgmt & Stockbroking	General Health & Life Insurance	Others	Eliminations	Consolidated
Total Revenue	70,248	237	3,101	617	1,847	72,356
Operating Expenses	49,073	31	2,007	80	1,847	49,344
Profit Before Tax	21,175	206	1,094	537	-	23,012
Tax	-3,393	-62	-170	-161	-	-3,786
Profit After Tax	17,782	144	924	376	-	19,226

3 Months Ended March 2011 (N'm)

	Corporate & Retail Banking	Investment Mgmt & Stockbroking	General Health & Life Insurance	Others	Eliminations	Consolidated
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

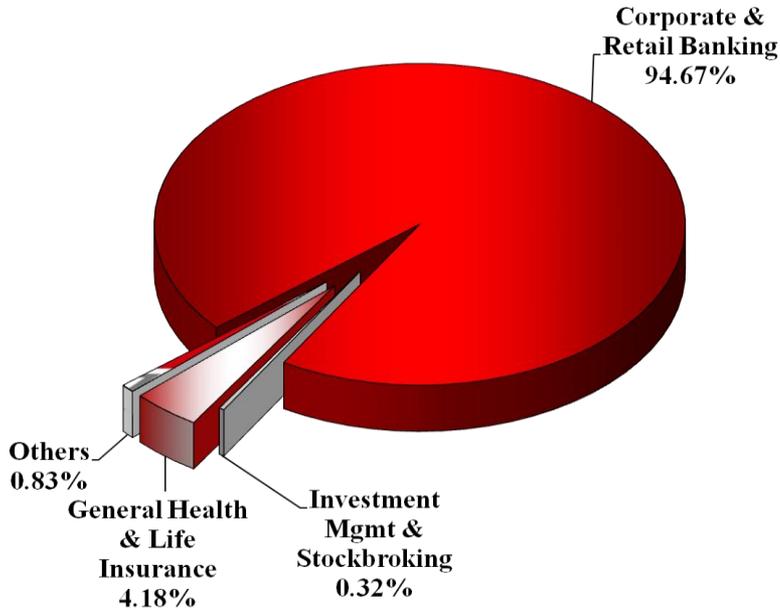
Improved profitability YoY on core business segments



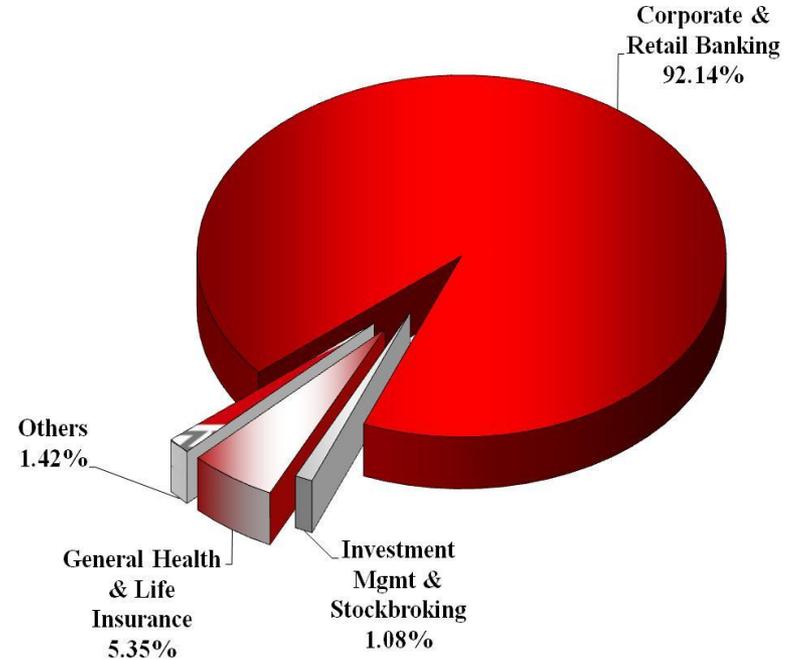
P&L – By Segment



Gross Revenue by Segment – Mar '12



Gross Revenue by Segment – Mar '11



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



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P&L – By Geography

3 Months Ended Mar 2012 (N'm)

	Nigeria	Nigeria (Assets held for Sale)	Rest of Africa	Europe	Eliminations	Consolidated
Total Revenue	66,072	3,955	2,890	1,286	-1,847	72,356
Operating Expenses	46,176	2,118	1,966	931	-1,847	49,344
Profit Before Tax	19,896	1,837	924	355	-	23,012
Tax	-3,143	-393	-158	-92	-	-3,786
Profit After Tax	16,753	1,444	766	263	-	19,226

3 Months Ended Mar 2011 (N'm)

	Nigeria	Nigeria (Assets held for Sale)	Rest of Africa	Europe	Eliminations	Consolidated
Total Revenue	50,795	-	3,106	785	-429	54,257
Operating Expenses	34,190	-	1,846	490	-429	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

Improved earnings across geographies.....

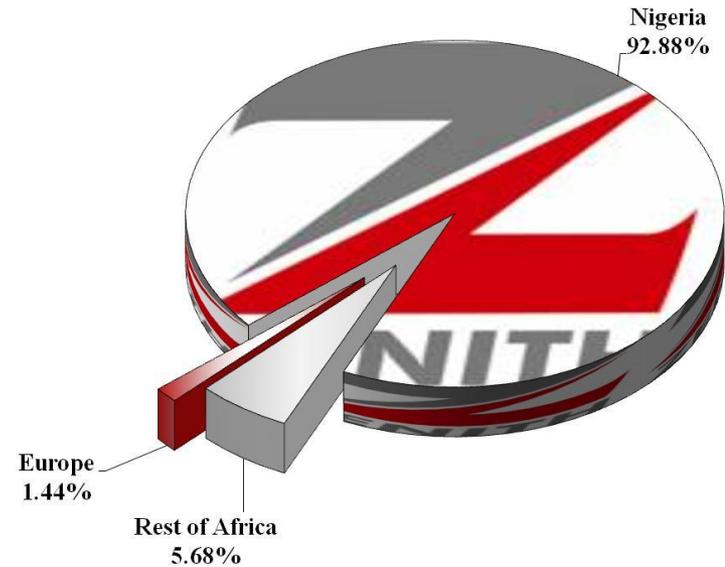


P&L – By Geography

Gross Revenue by Geography – Mar '12



Gross Revenue by Geography – Mar '11



Our Nigerian business continues to be the main driver of profitability ... providing 94.37% of gross revenue



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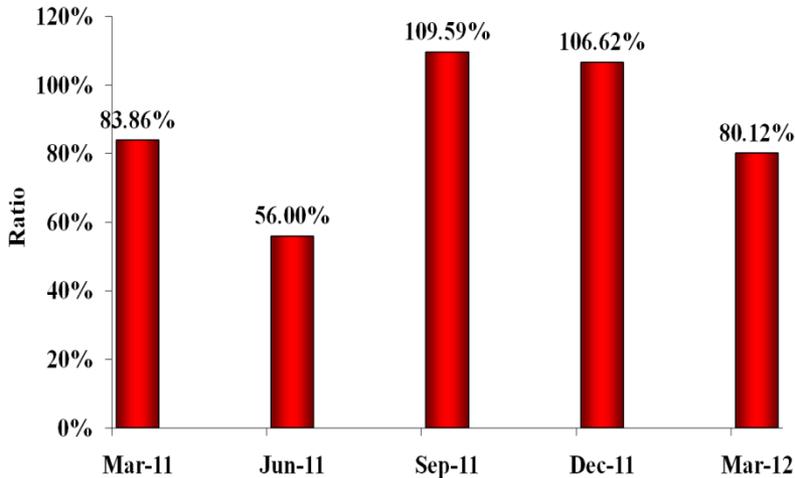
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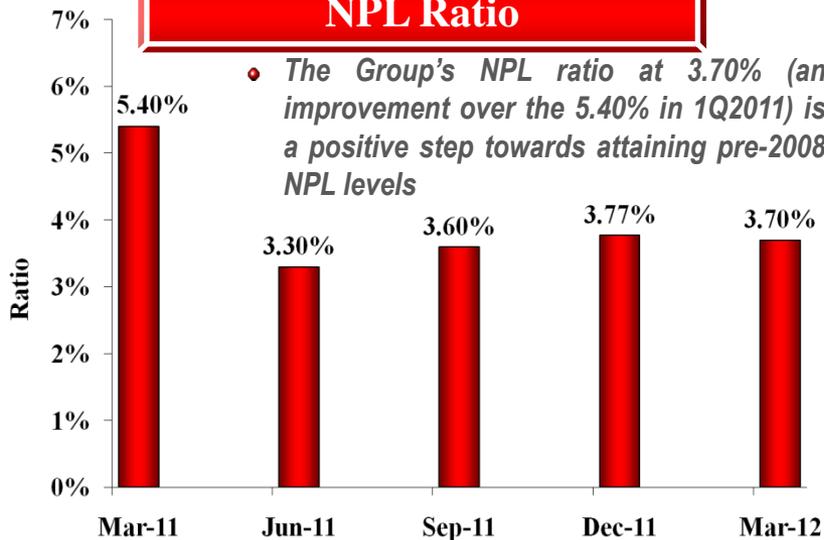


Healthy Risk Assets Portfolio...

NPL Coverage Ratio



NPL Ratio

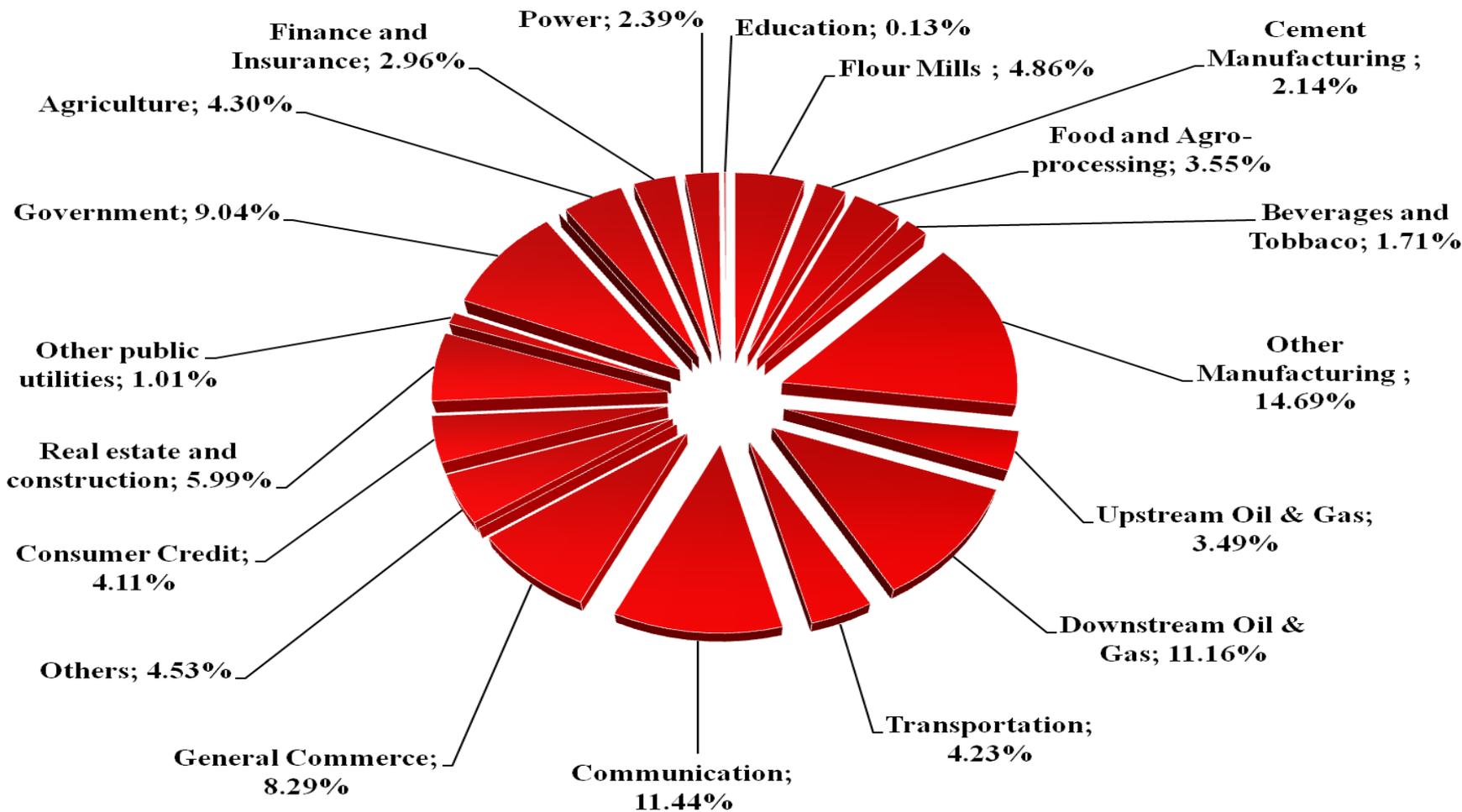


Our Risk Management Strategy

- 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.



Loans by Sector – Mar '12

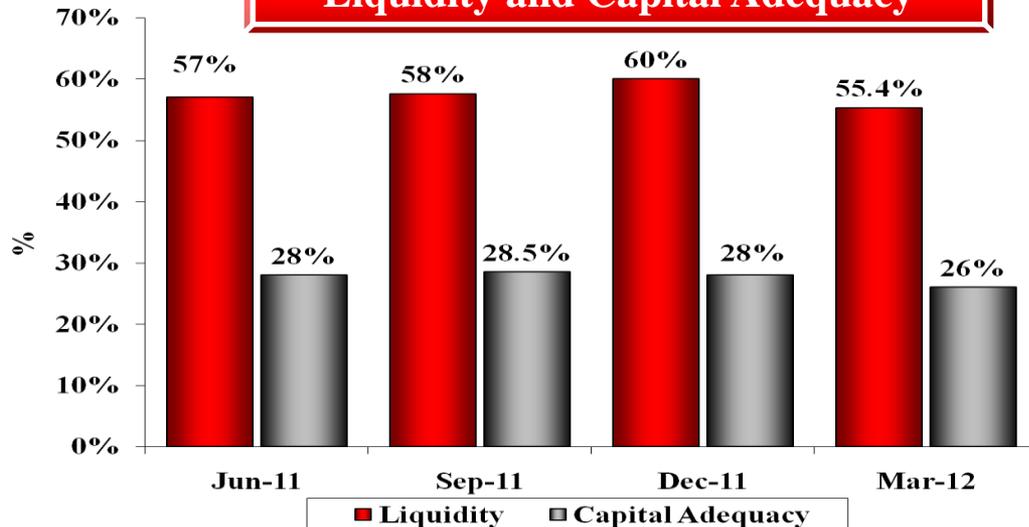


No concentration risk



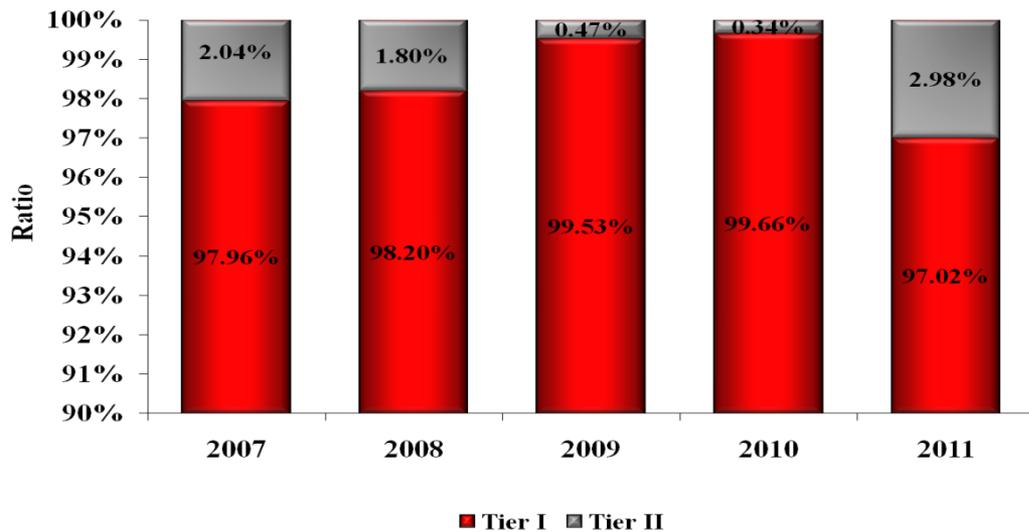
Strong Capitalization and Liquidity

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



Our Key Growth Target Sectors

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.



Outlook and Prospects for FY2012



- ❑ **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 in Q2 2012. 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

