

ZENITH BANK PLC

GROUP RESULTS

For 9 Months Ended September 30, 2010

people | technology | service

www.zenithbank.com

Wednesday October 27, 2010



...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.



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/Chief Risk Officer



Agenda



Company Overview

Operating Environment

Results

Group

By Segment

By Geography

Company Risk Management

Strategy and Outlook

Q&A



Zenith Bank Plc



- In twenty years, the bank has demonstrated its resilience irrespective of the business/economic cycle and witnessed exponential growth in virtually all areas.
- Growth driven by strategic focus and conservative business model.
- Superior performance over the years through well motivated people, robust ICT platform and exceptional customer services.
- One of Nigeria's strongest banking brands and the country's largest bank by market capitalization as at the end of Q3'10 (N387bn)
- Strong local franchise with a branch network of over 310 branches and 120 cash offices and a staff strength of over 7,600 people
- The combined intellectual capital and dedication of the staff, Management and Board have shaped Zenith into the world-class institution that it is today.



People | Technology | Service

“...our success thus far is a result of several factors especially a deliberate strategy to offer exceptional customer service and effective branding ...” – GIE



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Relatively Stable Macro-economic Environment...



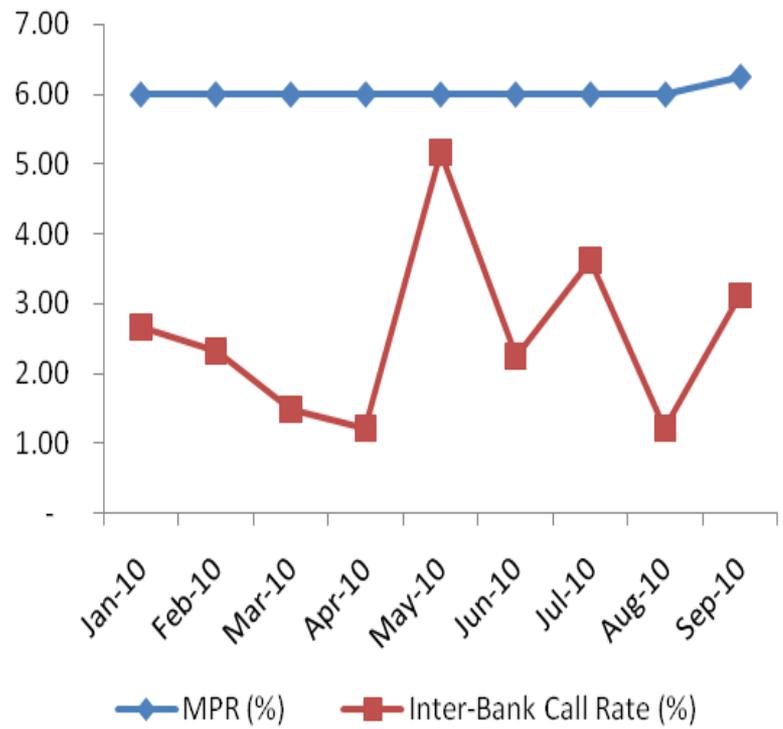
	2008	2009	Q1'10	Q2'10	Q3'10	Q4'10 Est.
GDP Growth (%)	6.1	6.9	7.36	7.69	7.72	7.78
Inflation (%)	15.1	12.4	14.8	14.1	13.60	13.92
Oil Price (\$)	94.5	61.1	76.01	72.49	77.48	79.00
Exch. Rate (USD/NGN)	126.5	149.6	147.84	148.22	149.04	151.50
Foreign Reserves (\$'bn)	52.8	42.4	40.7	37.42	34.50	38.00

Source: NBS

- **GDP Growth:** This continues to rise on the back of robust agricultural output, stable oil prices and general production output. Given the sustained growth from the non-oil sector, we believe the 7.78% forecast figure for Q4 '10 is attainable.
- **Headline Inflation:** Declined from 14.1% in Q2 to 13.6% in Q3 due to general stable food prices. Inflation outlook in Q4 could be fueled by pre-election spending, implementation of the increased wage structure for public workers, possible hike in power/electricity tariff, etc. However, the CBN intervention through OMO is expected to curtail any inflationary pressure
- **Exchange Rate:** Notwithstanding the demand pressure, the CBN's resolve to stabilize the rate would sustain the value of the naira against the USD.
- **Oil Prices:** Against improved demand driven by the expected severe winter climate, oil prices are expected to improve slightly in Q4.
- **Foreign Reserves:** Despite the dip recorded in the last quarter, we expect improved demand and consequently improved international oil prices to boost the level of reserves.



Money Supply, Inflation and Interest Rates



Source: CBN

Electioneering expenses and others expected to increase money supply and inflationary pressures

On the back of the recently reviewed benchmark Monetary Policy Rate (MPR) by 25bps to 6.25% amid inflationary concerns, we expect the following:

- Inter-bank rates to inch higher above the Standing Deposit Facility rate (3.25%) which is the benchmark for money market rates.
- Deposit rates to trend upwards as banks would want to attract more funds; which can either be placed with the CBN at the existing rate or with other banks at higher rates. Furthermore, the common year end competition by banks to shore up their deposit base would drive the rates upwards.
- Lending rates would be stable at current levels as they remain relatively high for non-prime borrowers.



Banking and Economic reforms....improving liquidity & lending capacity



- ✓ Restoration of confidence in the Industry impacting positively on Deposit Money Banks
- ✓ Banks ROA and ROE likely to improve as considerations are made on divesting in non performing subsidiaries in the light of the discontinuance of the Universal Banking license system - new and separate banking licenses to be granted for the different banking types
- ✓ Fringe players are likely to scale down the scope and area of their operations and eliminate the required minimum capital level pressures as they may likely seek to take advantage of the new minimum capital base requirements for varying license categories being introduced for commercial banking - International, National and Regional, Mortgage, Microfinance and Specialized banks.
- ✓ The recently passed AMCON Bill when operational would free up tied-up funds in non performing loans and would ease the industry loan to deposit ratio and improve capacity to lend to the real sector (The Board of AMCON was constituted in Q3)
- ✓ The Fast-tracking of the development of the Manufacturing/SME sector of the Nigerian economy through the setting up of N200 billion Manufacturing/SME infrastructure improvement Fund and N200 billion SME Credit Guarantee Scheme and N300bn Power and Aviation fund would ease the liquidity pressure in the industry (N110bn intervention fund released to the manufacturing sector so far, while the second tranche of N70bn is currently being released)
- ✓ The licensing of non interest charging banks (Islamic Bank) will alter the competition in the industry and bring in new innovations and products into the market
- ✓ The CBN's directive that off-site ATMs should be operated by a licensed firm would reduce both the earnings and operating costs of banks
- ✓ The CBN's set limit on holdings in State Bonds would limit available investment windows for banks



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Financial Highlights



Key Themes

Robust income base
Positive Outlook for Q4'10
Sustained superior performance

P&L

Gross Earnings: N139bn
Net Interest Income: N63bn
Net Interest Margin: 4.23%
PBT: N39bn

-13.62% YoY
+2.03% YoY
-36.39% YoY
+196.30% YoY

Balance Sheet

Customer Deposit: N1.27trn
Total Assets: N1.77trn
Shareholders' Funds: N355bn
Loans & Advances: N701bn

+8.55% (YTD)
+6.63% (YTD)
+5.65% (YTD)
+0.43% (YTD)

Key Ratios

Conservative Loan to deposit Ratio: 59%
Liquidity: 59% (Group), 55% (Bank)
Strong Capital Adequacy: 27% (Group), 32% (Bank)

NPL: 6.4%
ROE: 8.80%
EPS: 126k

Operational Highlights

- A Director (Sir Steve Omojafor) was appointed as Chairman of the Board
- Three new Independent Directors on the board
- KPMG appointed as the Bank's external auditor



Profit & Loss Statement



	Group 9 mths to Sep-10 (N'm)	Group 9 mths to Sep-09 (N'm)	YOY Change
Gross Income	139,601	161,613	-13.62%
Interest Income	92,283	109,891	-16.02%
Interest Expense	-29,122	-47,985	-39.31%
Net Interest Income	63,161	61,906	2.03%
Fees and Commission Income	30,971	28,710	7.88%
Foreign Exchange Trading Income	7,388	11,957	-38.21%
Underwriting Profit	1,949	1,893	2.96%
Trusteeship Income	25	36	-30.56%
Income from Investments	253	774	-67.31%
Other Income	2,934	5,372	-45.38%
Operating Income	106,681	110,647	-3.58%
Operating Expenses	-65,481	-71,282	-8.14%
Diminution in Asset Values	-2,041	-26,149	92.19%
Profit Before Tax	39,159	13,216	196.30%
Taxation	-8,029	-2,080	286.01%
Profit After Tax	31,130	11,135	179.57%

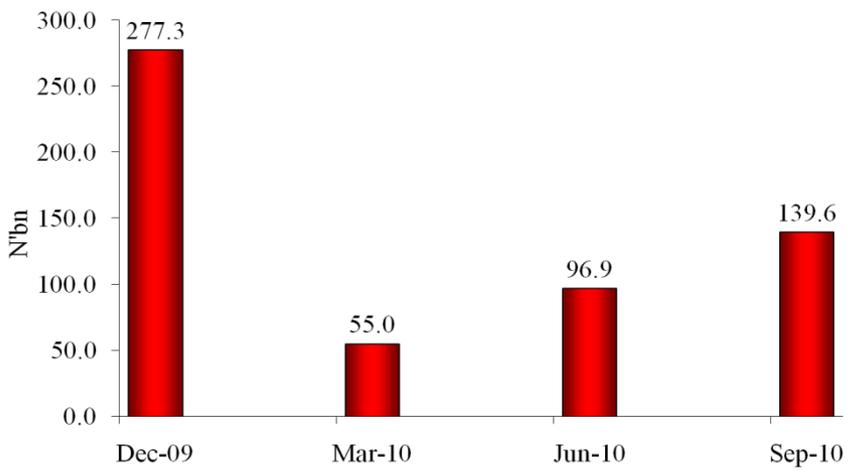
Continued improvements in bottom line



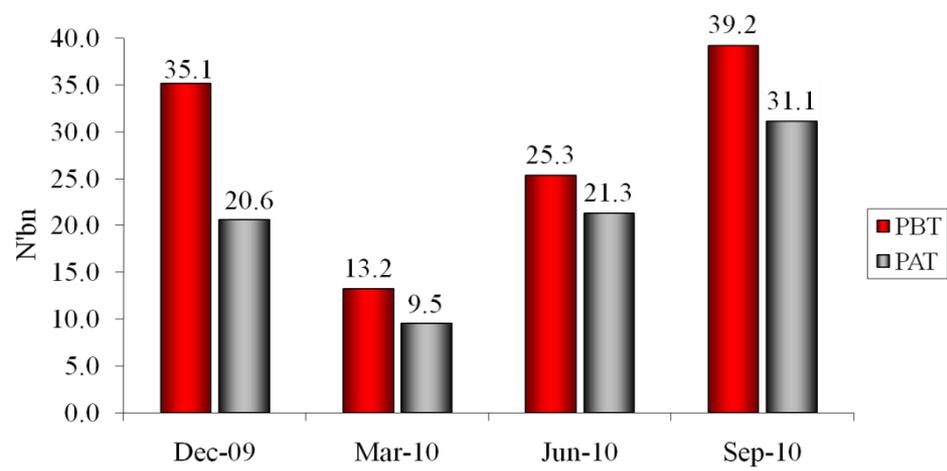
...Profitability boosted by the group's improved efficiency



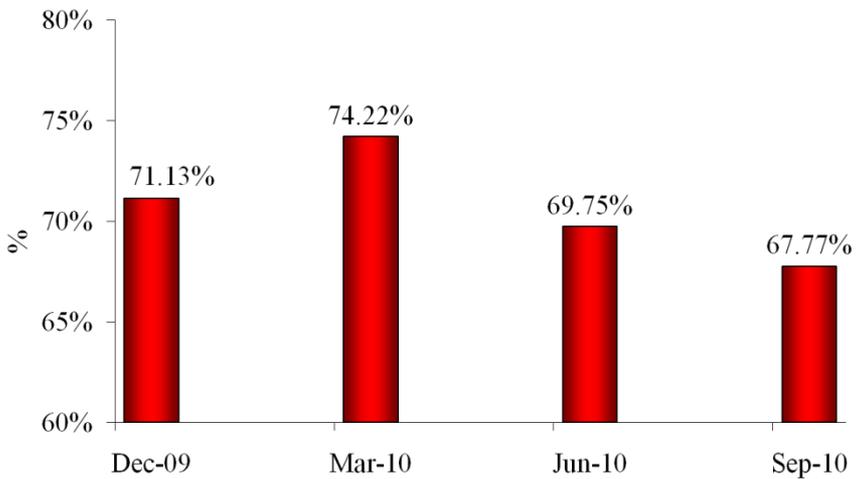
Gross Revenue



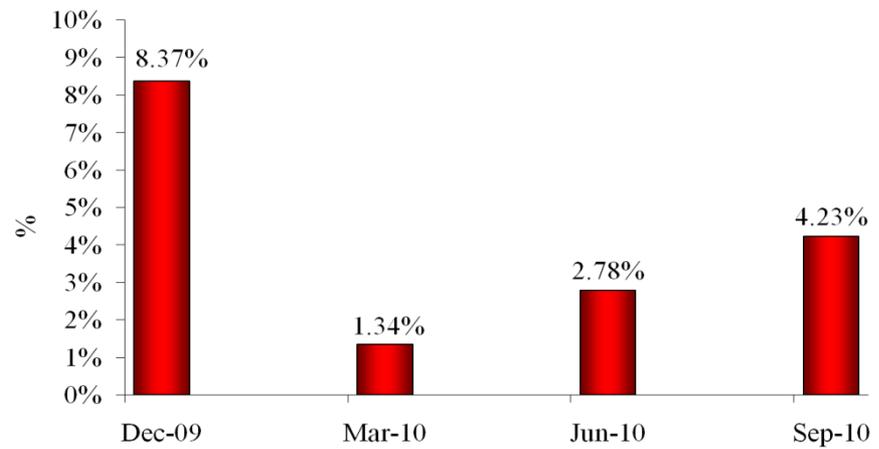
PBT / PAT



Cost Income Ratio



Net Interest Margin



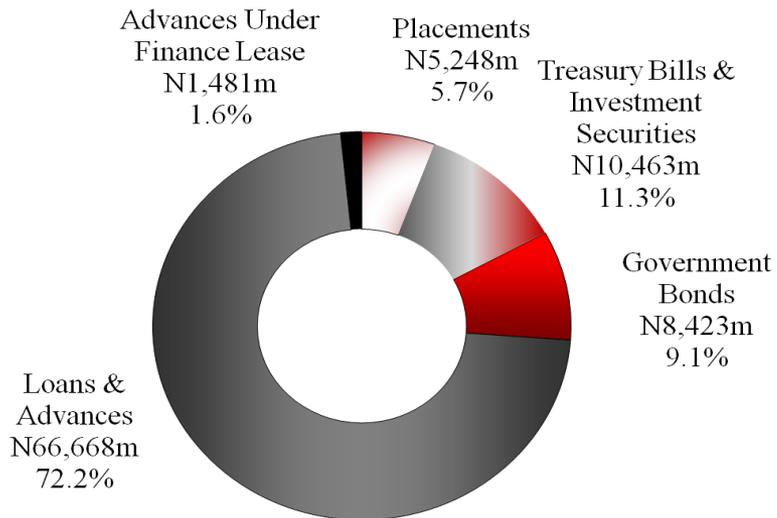


Revenue Base...well diversified

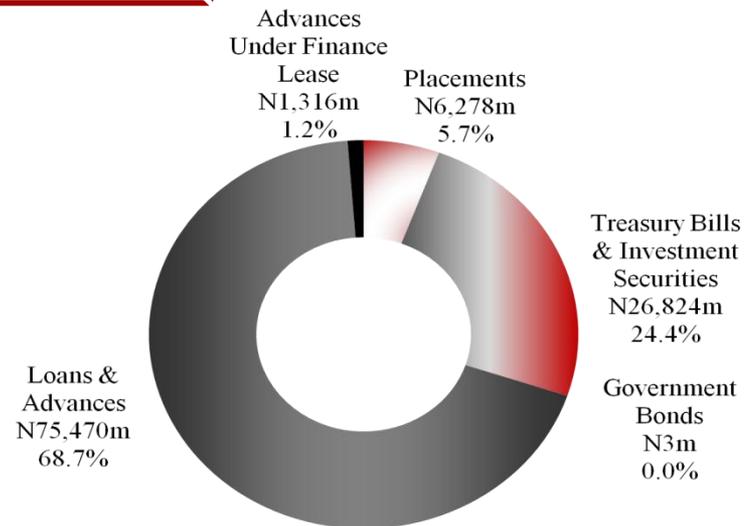


Interest Income

Q3 2010

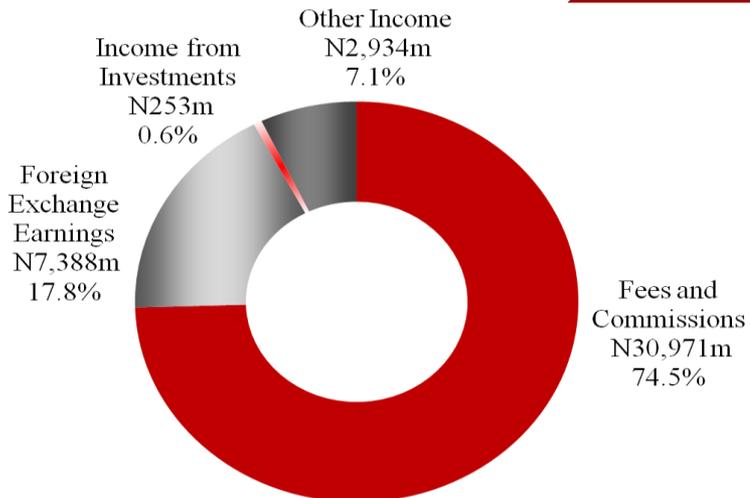


Q3 2009

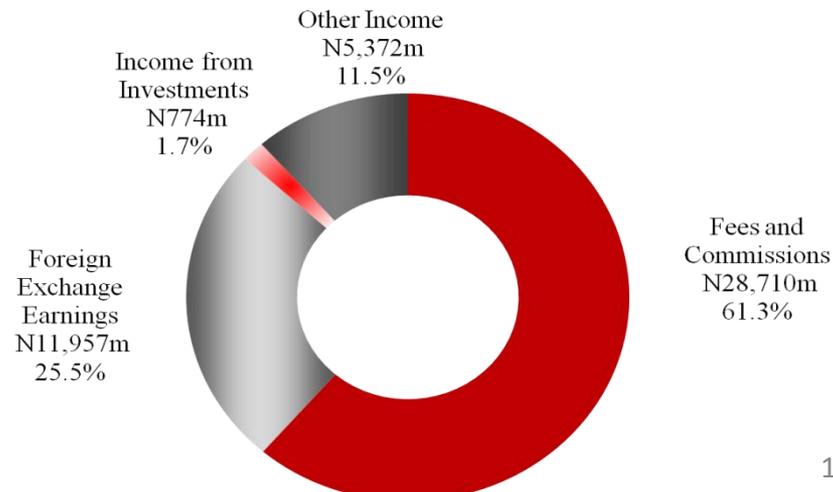


Non-Interest Income

Q3 2010



Q3 2009



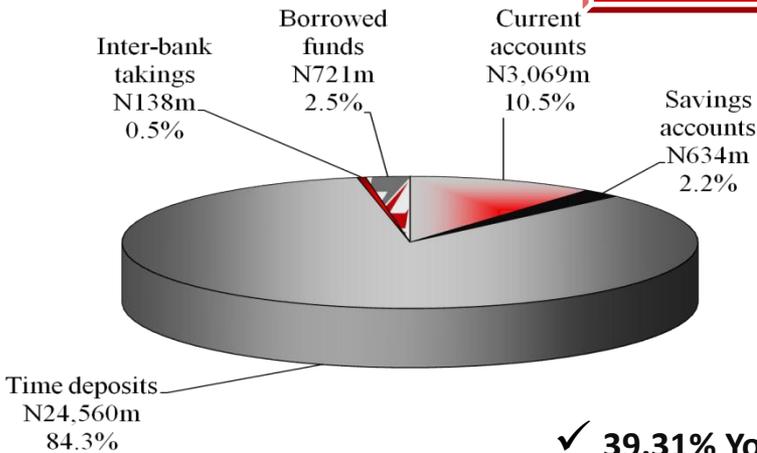


Sustained cost reduction strategies....yielding results

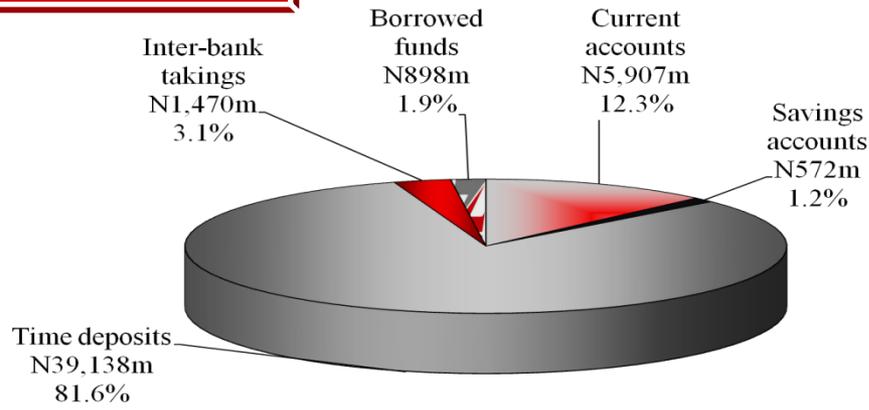


Interest Expenses

Q3 2010



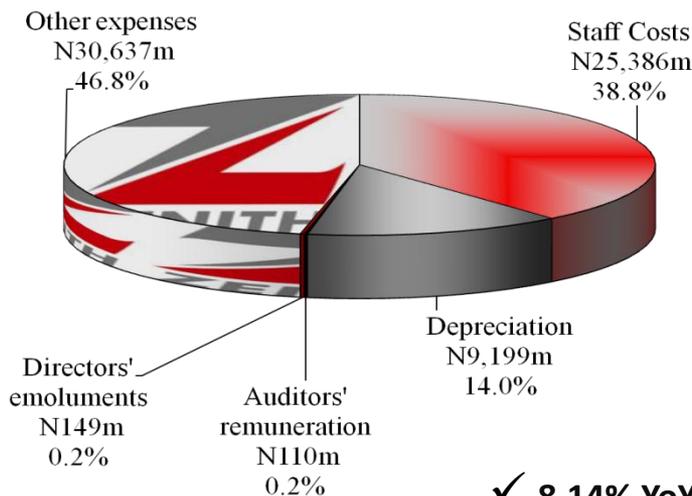
Q3 2009



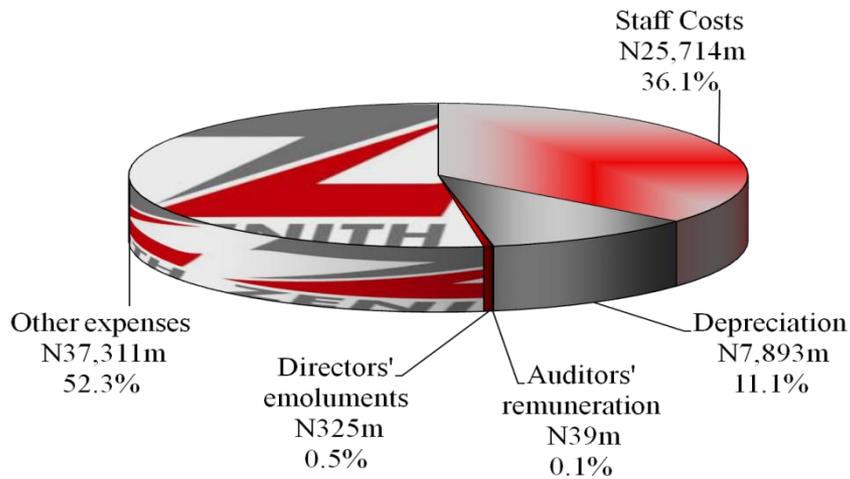
✓ **39.31% YoY drop in Interest Expense**

Operating Expenses

Q3 2010



Q3 2009



✓ **8.14% YoY drop in Operating Expense**



Balance Sheet - Assets



	Group Sep-10 (N'm)	Group Dec-09 (N'm)	Group Sep-09 (N'm)
Cash and balances with central banks	80,847	126,779	86,422
Treasury bills	355,843	234,115	227,075
Due from other banks	322,142	341,830	457,947
Loans and advances	701,265	698,326	658,074
Advances under finance lease	10,526	5,506	6,177
Insurance receivables	1,749	635	2,168
Investment securities	198,373	158,977	126,747
Deferred tax assets	1,676	966	33
Other assets	27,220	13,517	46,415
Investment property	7,111	433	433
Fixed assets	69,071	78,619	75,425
Total Assets	1,775,823	1,659,703	1,686,916

Sustained solid liquid asset balance sheet base.....



Balance Sheet- Liabilities & Equity



	Group Sep-10 (N'm)	Group Dec-09 (N'm)	Group Sep-09 (N'm)
Customer deposits	1,278,010	1,173,917	1,090,090
Claims Payable	109	198	247
Liabilities on insurance contracts	2,144	1,202	945
Borrowings	30,661	35,984	30,079
Current income tax	5,551	7,407	2,348
Other liabilities	97,404	100,085	225,302
Deferred income tax liabilities	3,696	3,117	1,959
Total liabilities	1,417,575	1,321,910	1,350,969
	Group Sep-10 (N'm)	Group Dec-09 (N'm)	Group Sep-09 (N'm)
Share capital	267,606	267,606	263,419
Reserves	88,085	67,964	70,245
Shareholder's funds	355,691	335,570	333,664
Non-controlling interest	2,557	2,223	2,283
Total liabilities & equity	1,775,823	1,659,703	1,686,917
Customers' Acceptances	806,133	638,708	620,587

Large Capital cushion...adequate protection against adverse events

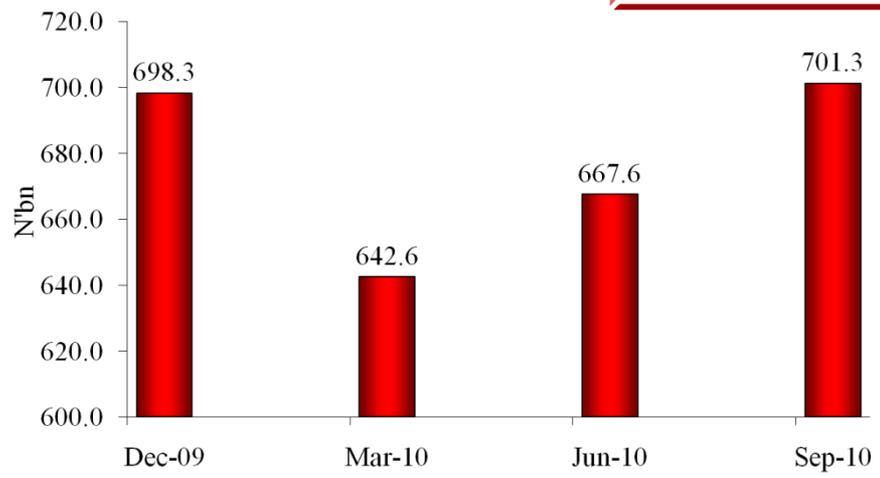


Appropriately matched assets & liabilities with sufficient core deposit base...to ensure safety and better returns

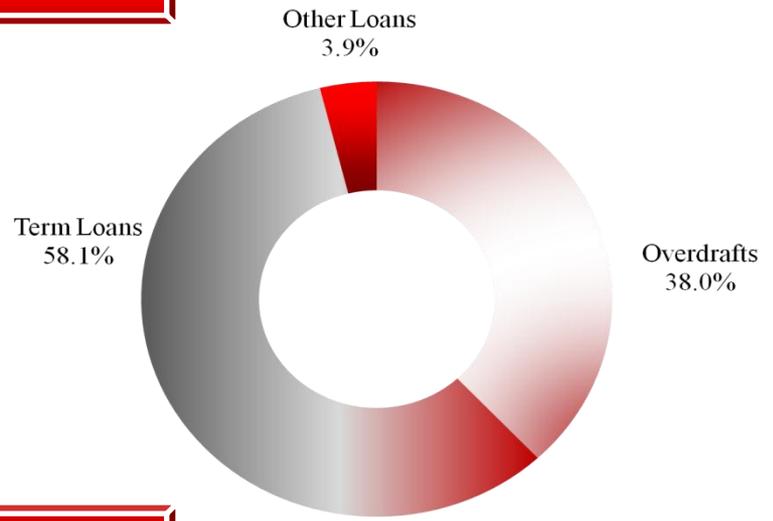


Quarter on Quarter

Loans and Advances

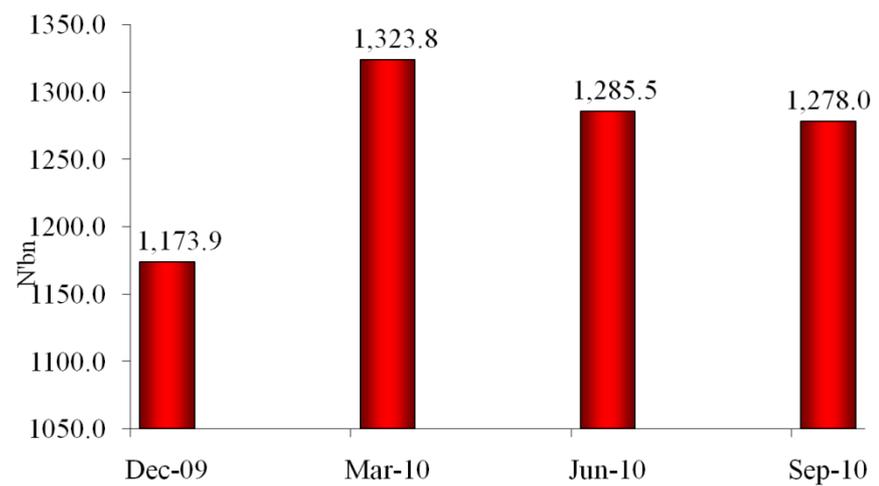


Sept'10 Breakdown

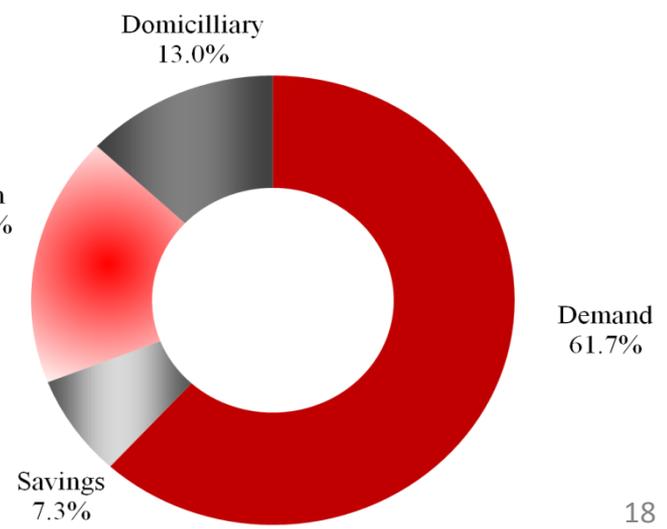


Quarter on Quarter

Deposits



Sept'10 Breakdown



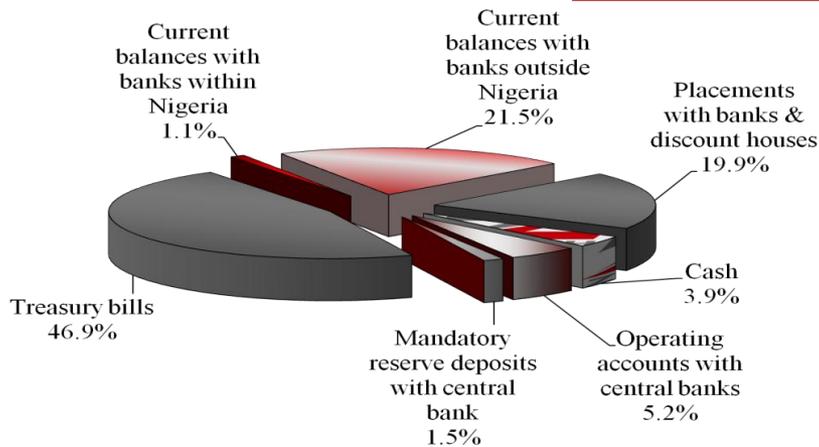


Sustained strong liquidity and right funding mix

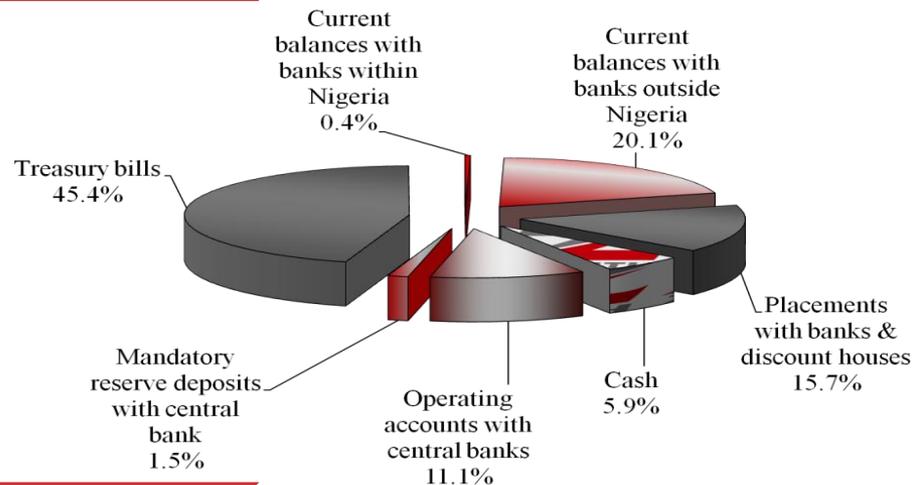


Liquid Assets

Sept'10

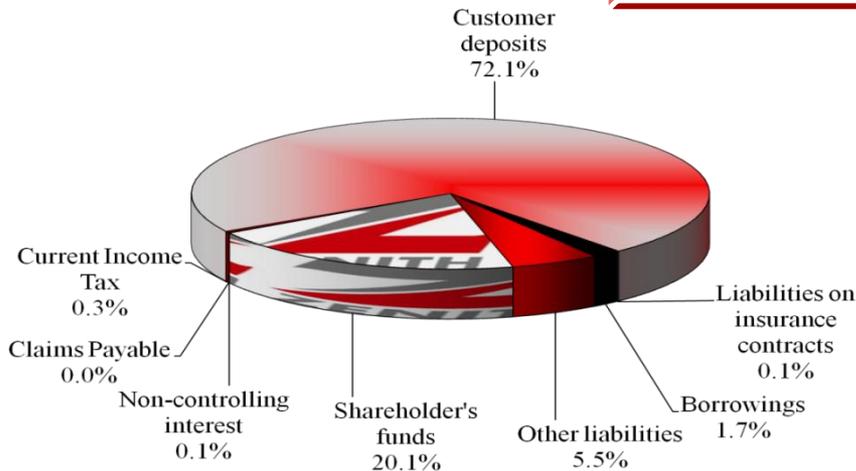


Jun'10

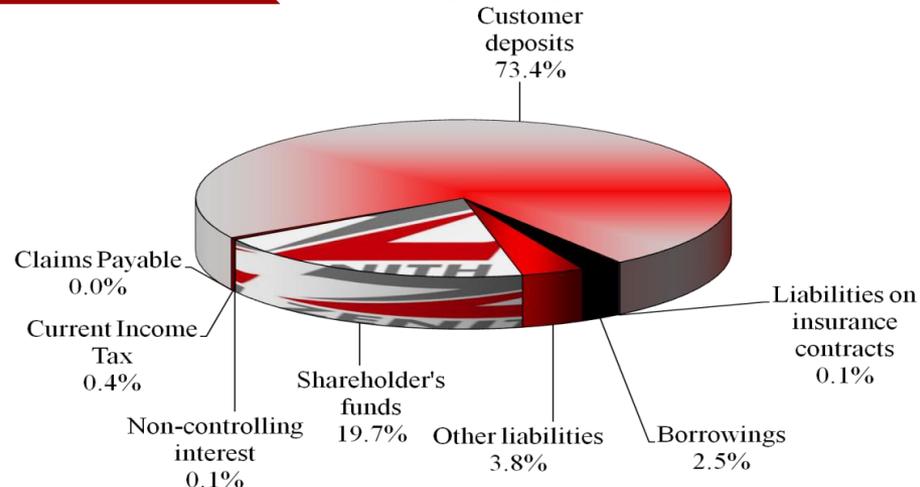


Funding Mix

Sept'10

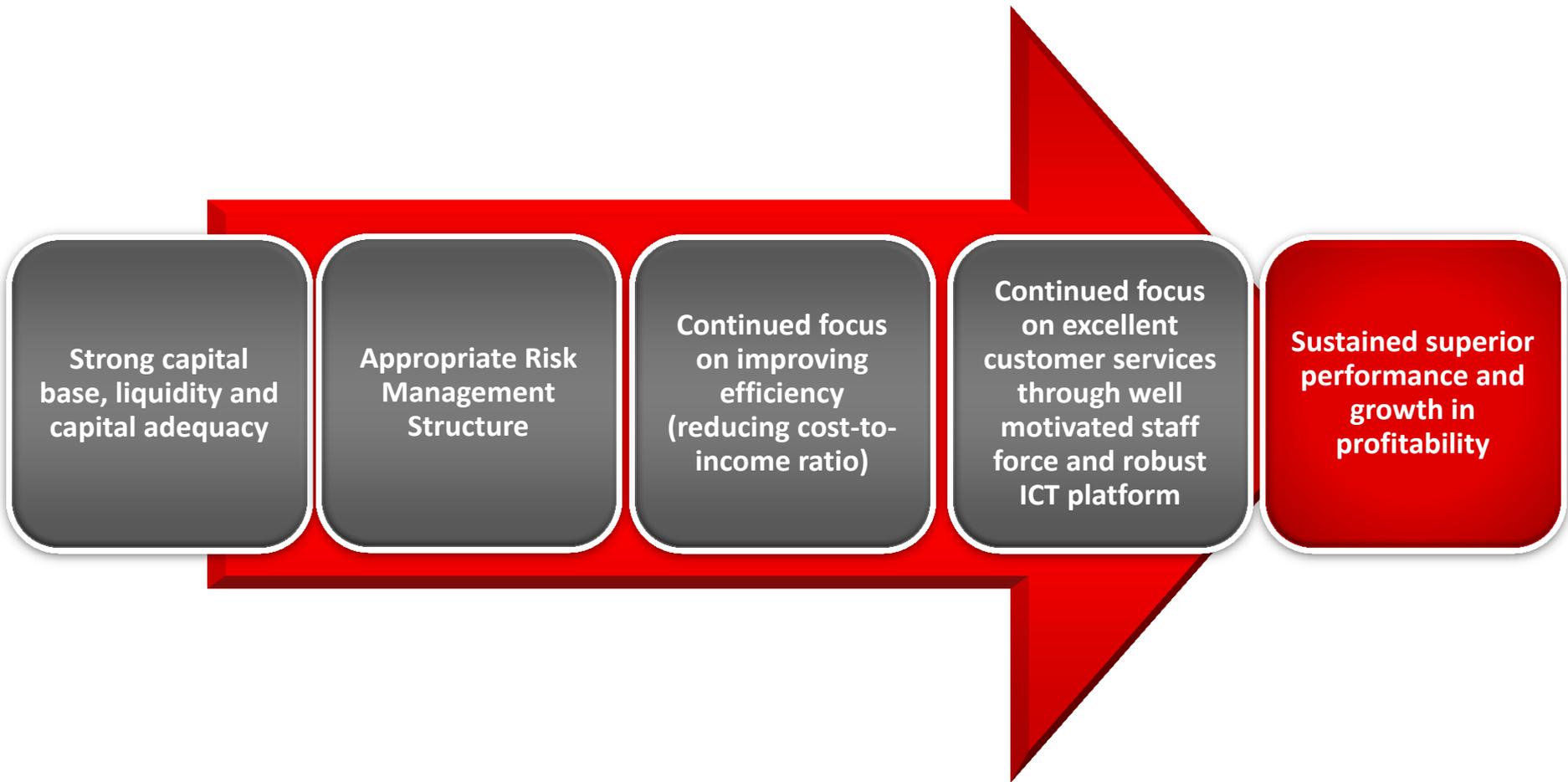


Jun'10





Summary of Q3 2010 Performance...



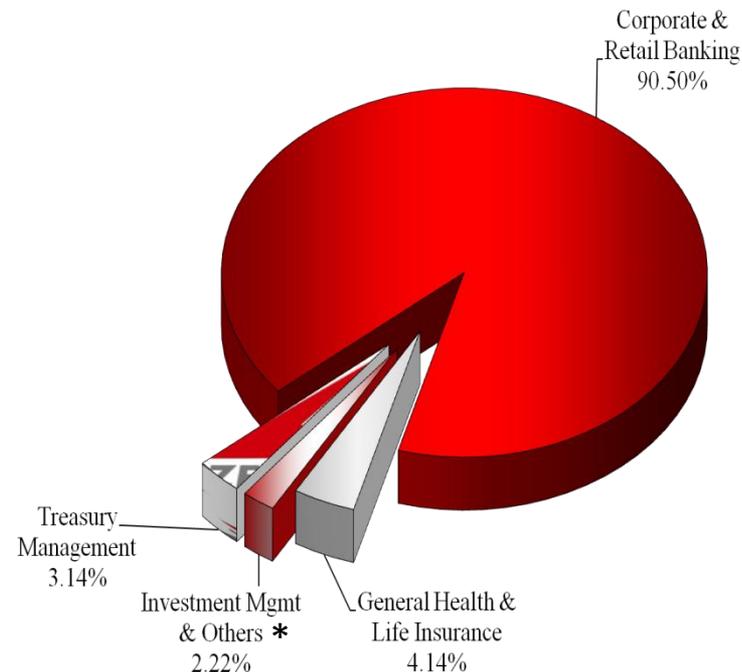
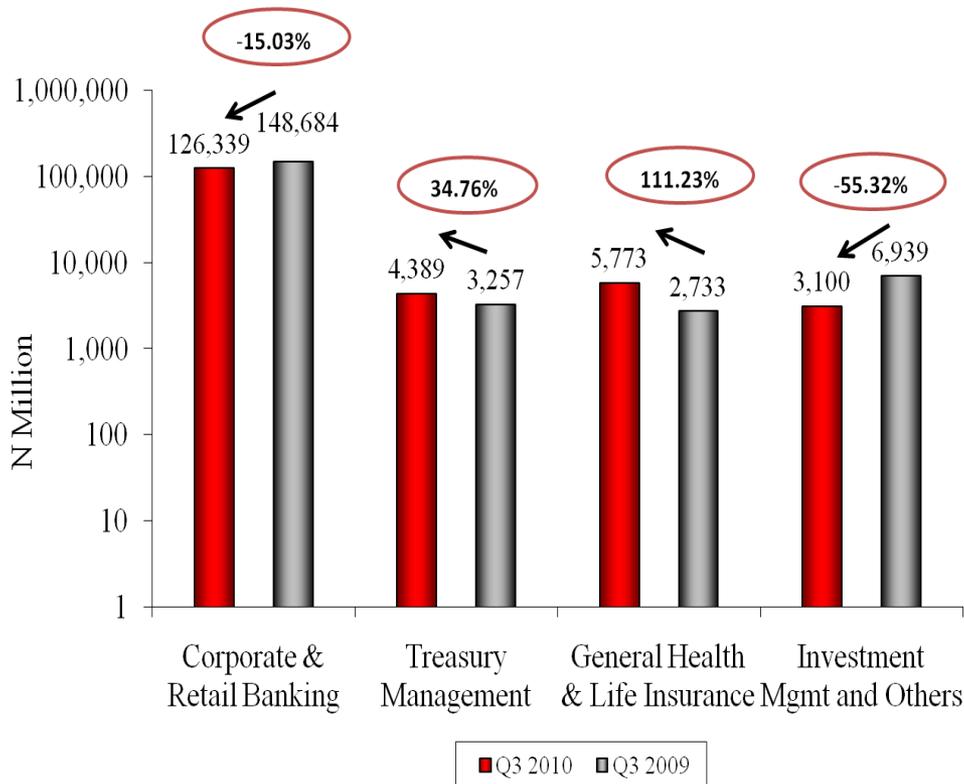


Revenue - By Segment



Gross Revenue by Segment

Gross Revenue by Segment – Q3'10



*Comprises Registrars, Trustees and Pension Funds

Corporate & Retail Banking still dominates the income stream of the group

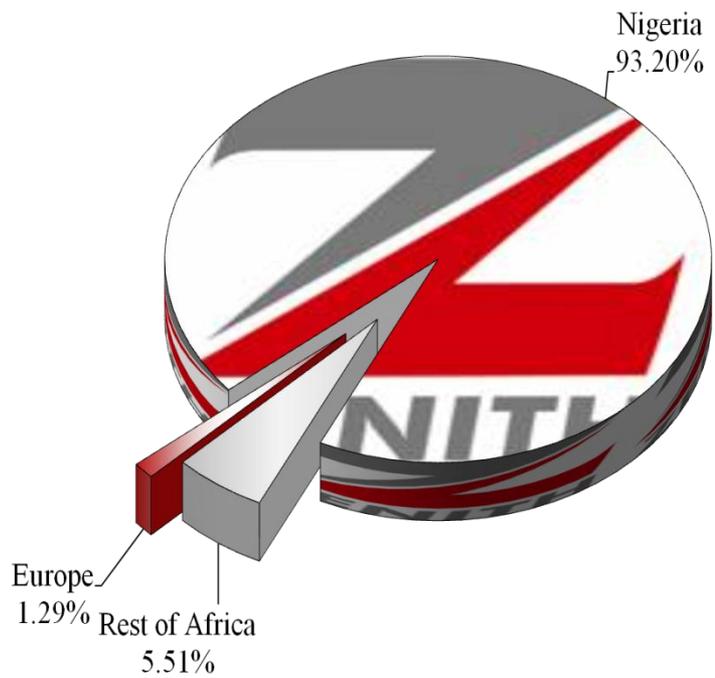
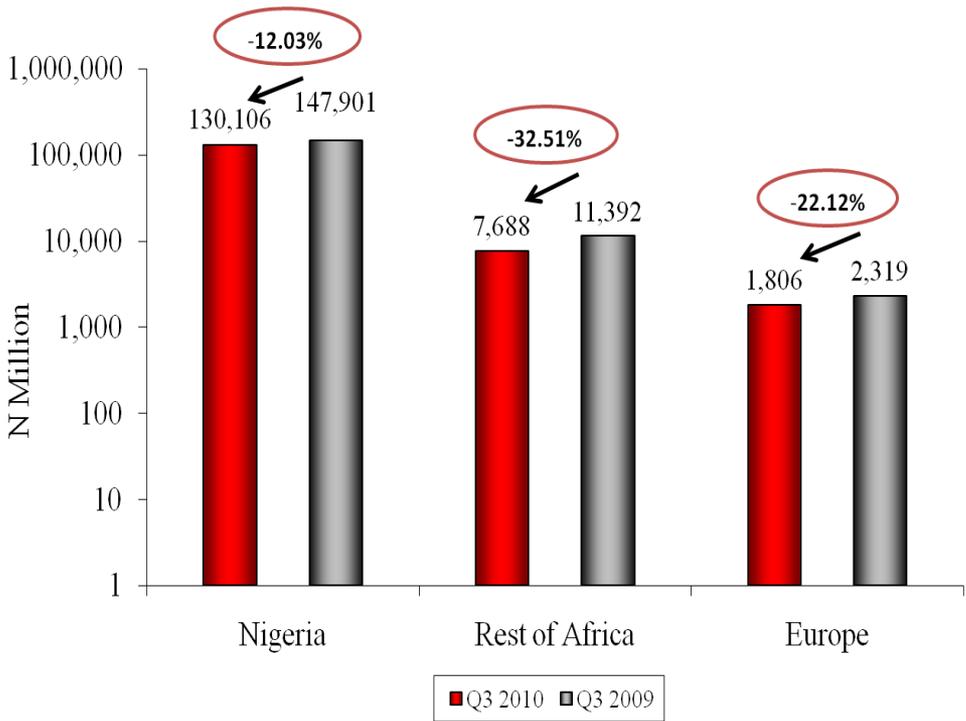


Revenue - By Geography



Gross Revenue by Geography

Gross Revenue by Geography – Q3'10



Nigeria business activities account for over 90 percent of the group's revenue

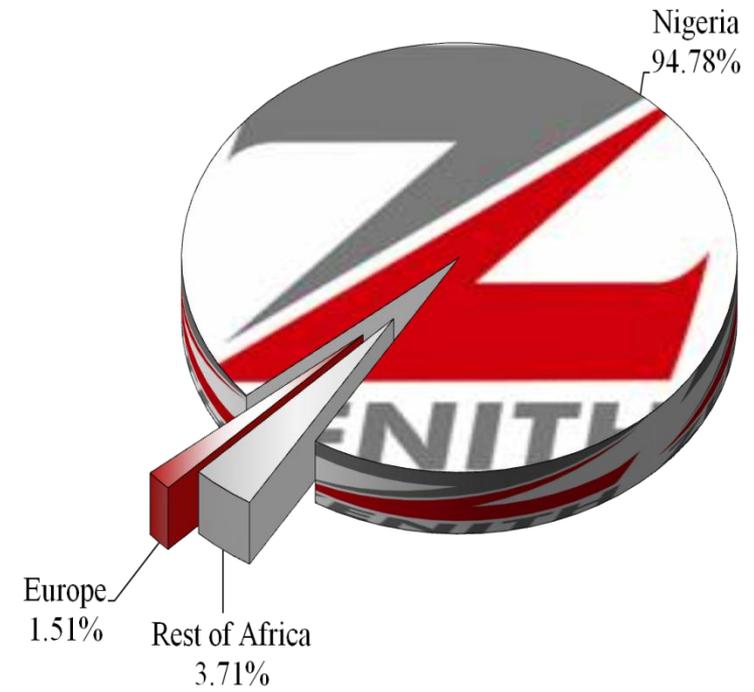
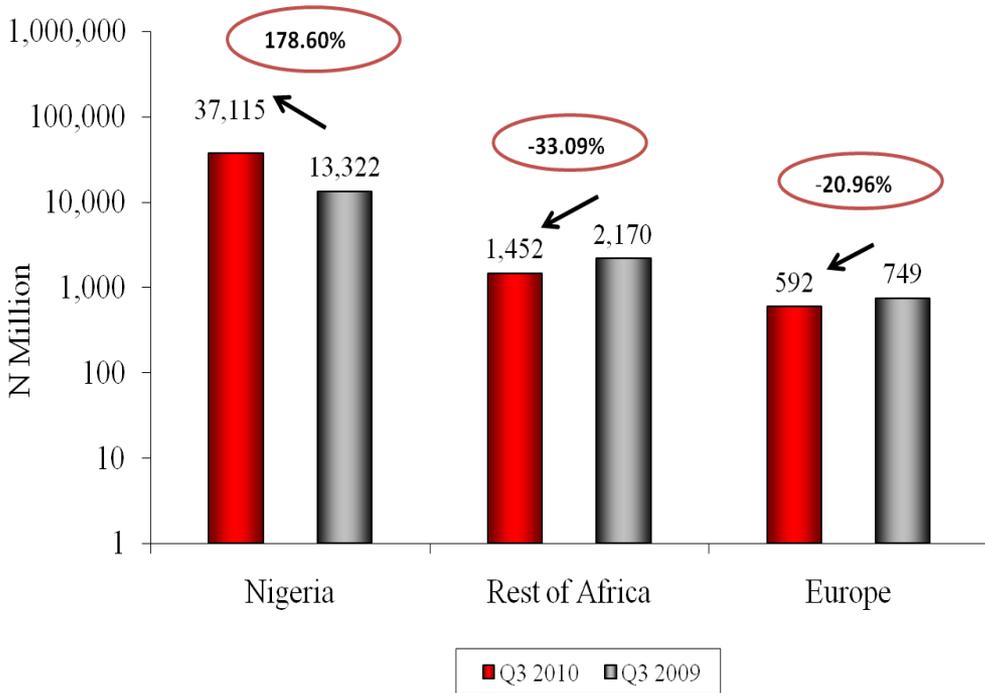


PBT - By Geography



PBT by Geography

PBT by Geography – Q3'10



Nigeria continues to be the group's main profitability driver



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Robust risk Management structure..sustained Risk Asset Quality

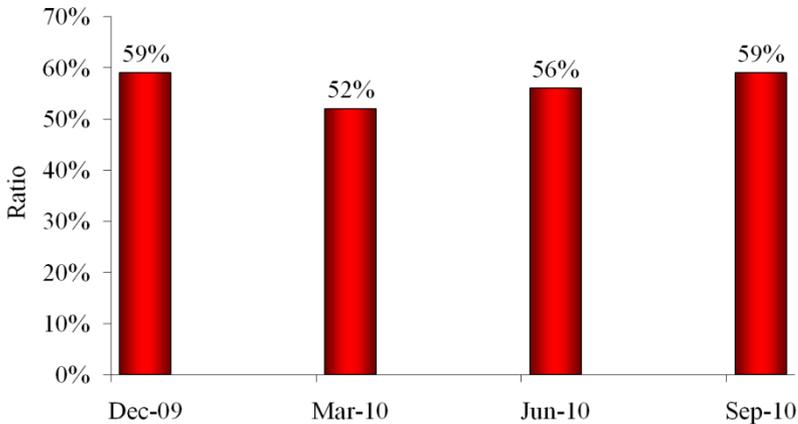


Loans/Provisions

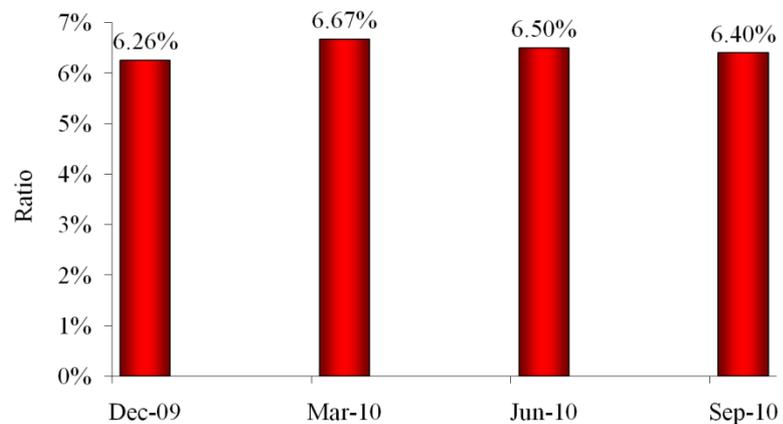
(N'm)	Group Sep-10	Group June-10	Group Mar-10	Group Dec-09
Gross Loans and Advances	754,075	718,622	691,522	747,465
Provision for Loan Losses	52,810	50,989	48,903	49,139
Non-Performing Loans	48,379	48,379	48,379	48,379
NPLP/NPL coverage ratio	109.2%	105.4%	101.1%	101.6%

- Conservative loan to deposit ratios..... providing sufficient room for future expansions.
- Sustained low NPL ratios, highlighting the group's robust risk management strategy.
- Coverage ratios – consistently above 100%

Loan to Deposit Ratio



Low NPL Ratios

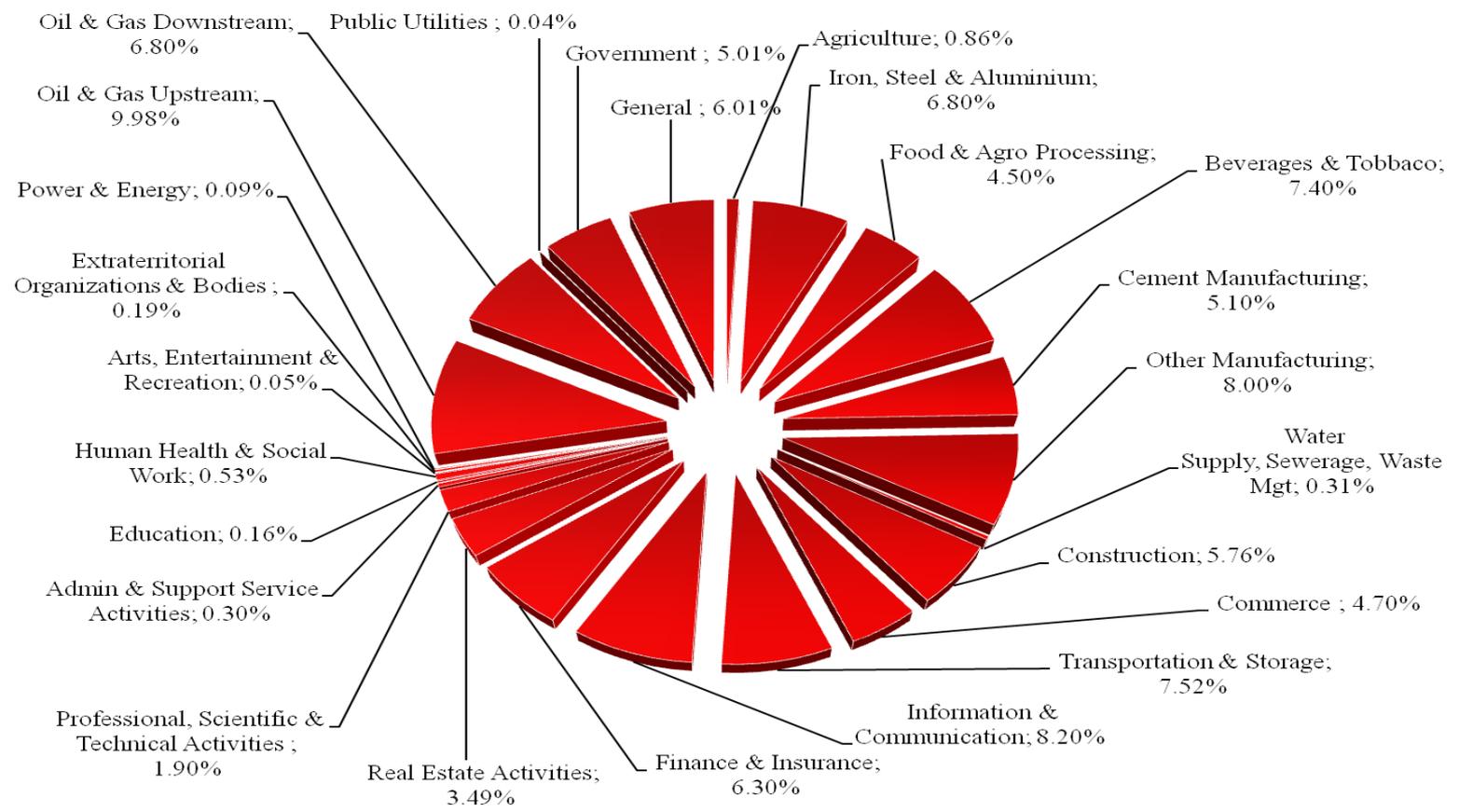




Diversified Loan Portfolio across all Sectors



Loans by Sector – Sept'10



No concentration risk with no sector above 10%



Robust risk management approach....to ensure cohesive oversight and good corporate governance



Enterprise risk management via top-down sectoral exposures.....aligning the Board's decision with the bank's risk philosophy and appetite.

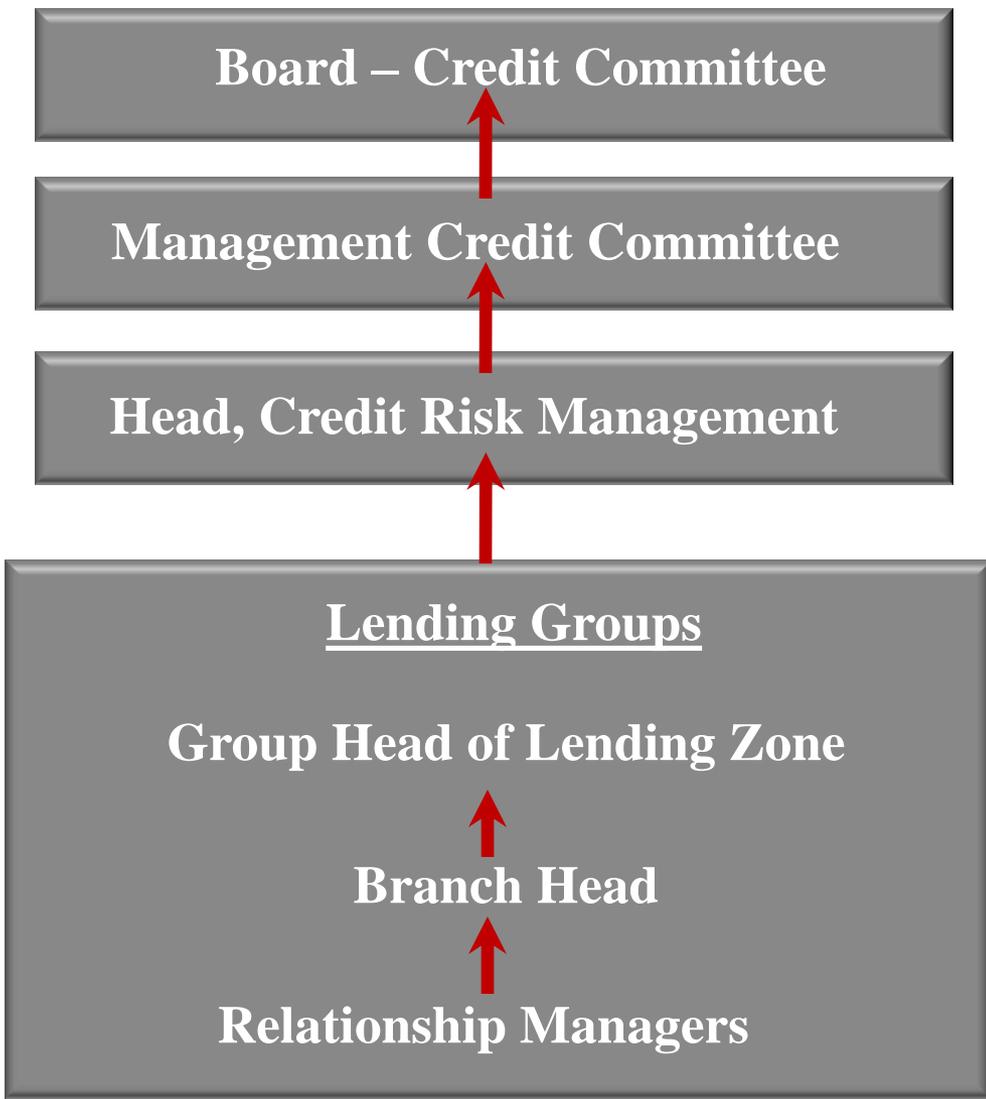
The composition of our loan by customer reinforces our business model of focusing our lending to blue chip multinational companies and large domestic conglomerates which account for the bulk of our loan portfolio.

Specific strategies include:

- Coordinate the risk management strategies with other goals of the bank's management**
- Design and implement necessary risk methodology and stress testing models to assess risk vulnerability**
- Establish a comprehensive framework of requirements to ensure that risk is appropriately measured, monitored and managed.**



Effective Credit Risk Management Structure



The Credit Risk Management Group (CRMG) provides high level centralized management of Credit Risks for the entire Group

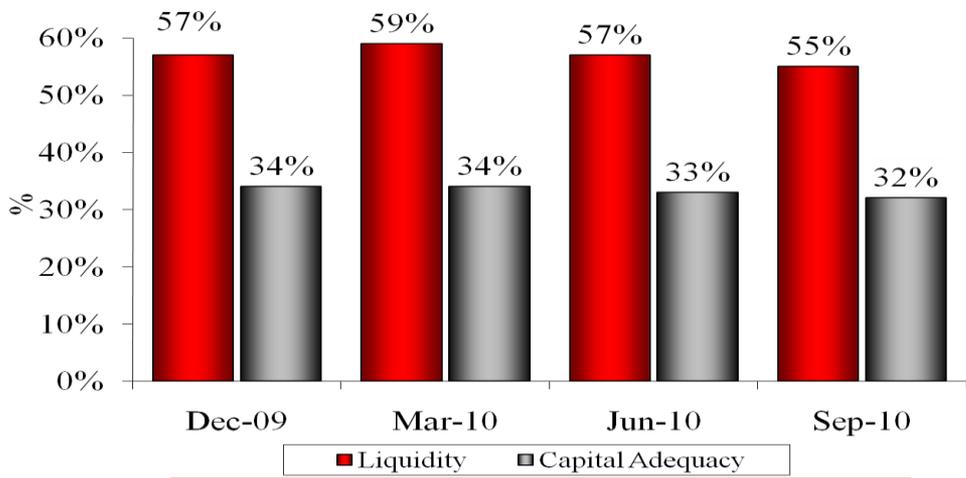
Risk Mgt structure and processes are continually reviewed to ensure their adequacy and appropriateness



Strong Capitalization and liquidity....key factors in our success

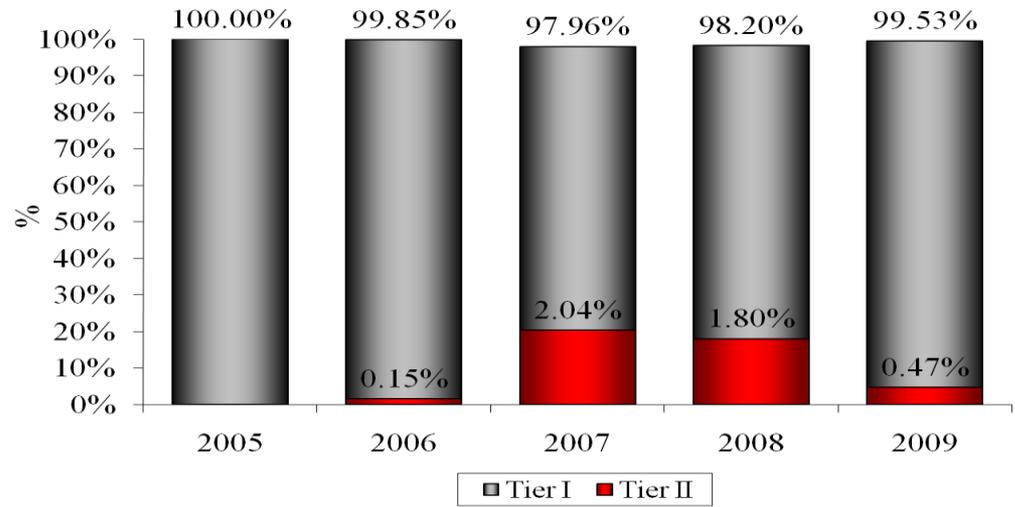


Liquidity and Capital Adequacy



Comfortable Capital Adequacy & Liquidity Ratios for the Bank – well above the regulatory and industry requirements.

Capital Mix



Consistently low leverage – capital base predominantly made up of tier 1



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....Our Strategy



Our Vision

“.....build the Zenith brand into a reputable international financial institution recognised for innovation, superior customer service and performance while creating premium value for all stakeholders”.

Our Mission

“....establish a presence in all major economic and financial centres in Nigeria, Africa and indeed all over the world; creating premium value for all stakeholders”

Our Business Model

..has remained conservative, primarily focused on deploying extensive branch network to generate cost-effective deposits from the retail end of the market to lend to the corporate end with emphasis on emerging markets

Our Execution

...we have strived to keep our pledge to offering excellent customer services through our well motivated people and robust ICT platform

People | Technology | Service

Our Enterprise Risk Management

..engaged in the continuous review of our risk mgt culture & processes and remain focused on lending to AAA rated tier 1 companies as well as ensure that we maintain an appropriate & adequate Risk Mgt Structure at all times

Our Heritage

- Excellent Customer Services
- Superior Performances
- Financial Strength
- International Management Culture



Outlook - Key Growth Target Areas





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