



3-Month Group Results

Presentation to Investors & Analysts

IFRS Compliant Results

March 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.



Agenda

Overview & Operating Environment

- Speaker: Managing Director/Chief Executive Officer Godwin Emefiele Slides 4 - 6

Results - Group

- Speaker: Executive Director/Chief Financial Officer Udom Emmanuel Slides 8- 16

Results – By Segment & Geography

- Speaker: Executive Director/Corporate Banking Peter Amangbo Slides 18 - 19

Company Risk Management

- Speaker: Executive Director – Enterprise Risk Management Andy Ojei Slides 21- 24

Strategy & Outlook

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

Q & A



The Nigerian Economy ...



• GDP Growth:

- The GDP grew at the rate of 6.99% in Q4 2012, down by 77 bps from 7.76% recorded in the corresponding quarter of the previous fiscal year.
- However, the growth in Q4 output outstrips that of Q3 2012 of 6.48%.
- The Q on Q growth observed was on the back of the performance of the non-oil sector, driven by growth in activities recorded in the building & construction, cement, hotel and restaurants, and electricity sectors.
- A stronger GDP growth is expected in 2013 as government continues to revamp the economy through various sectoral policy reforms such as energy reforms, agricultural reforms and oil sector reforms.

• Oil Production & Price:

- The average crude oil production was 2 million barrels per day (bpd) in Q1 2013 against 2.35 million bpd recorded in Q1 2012.
- The Nigerian oil sector had witnessed levels of disruptions due to facility shut downs. For example, the activities of vandals and oil theft affected production in some crude oil producing areas.
- However, the sector benefited immensely from the relative high stability in the price of crude oil in the international market.

• Foreign Reserves:

- Nigeria's foreign reserves have been on a constant increase over the last one year
- The figure stood at \$48.57 billion as at the end of Q1 2013. This represented a 9.94% increase from the figure recorded at the end of 2012 and 36.43% increase y/y.
- Nigeria's forex reserves had been largely driven by strong oil prices. The price of Bonny Light, the country's sweet crude has been trading at about \$100 per barrel at the international market, a development which favoured the increase in reserves.

• Exchange Rate:

- The FX market remained stable in Q1 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 WDAS segment of the market hovered between US\$/N155.5 and US\$/N156 in Q4 2012.

• Headline Inflation:

- Headline Inflation recorded a 5-year low of 8.6% y/y in March 2013. This was 90 bps lower than 9.5% recorded in February 2013.
- The lower y/y change was largely attributed to base effects as the broad economy recorded higher price levels in the corresponding period of 2012. This was against the backdrop of the relative scarcity of food products due to the drawdown from the end of year harvest which pushed market prices much higher

Source: Nigeria Bureau of Statistics Official Website
Central Bank of Nigeria Official Website



Pertinent Development in the Banking Industry



Description

Effect on Zenith Bank

Tax Exemption on investment in Government Securities

Effective 2012 and for the next 10 years, income earned on investment in government securities will be tax exempt for

•Zenith bank is experiencing a significant reduction in tax charge due to huge investments in government securities.

Commission on Turnover (COT)

Reduction in COT from a maximum of N5 per mille to N3 per mille in 2013, N2 per mille in 2014, N1 per mille in 2015 and zero in 2016

•Zenith bank deals mostly with the large corporate organizations who currently enjoy COT concessions. We expect minimal impact for 2013 as we look at improving income accruable to the bank on e-banking products and services

Interest on Savings Deposits

A minimum of 30% of MPR per annum (MPR is currently 12%) will be paid on savings deposits accounts.

• Savings deposits accounts for 7.9% of total customer deposits of the bank but only 2.3% of total interest cost. We expect the increase in interest expense on our savings accounts deposits to be minimal.

AMCON Charge

AMCON resolution charge has been increased from 30 bps to 50 bps of total assets.

This is expected to increase operating cost by about 4% in 2013.



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.
- ❑ **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.
- ❑ **Credit Rating/Awards.** 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. 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)”.
- ❑ **Strong Focus on Risk Management.** Despite the challenging business environment, the Bank is able to improve its NPL ratio to 3% with a coverage ratio of about 77%. The management of the Bank will strive to bring NPL ratios to below 3%.
- ❑ **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 and 160 kobo per share for FY12.
- ❑ **Return On Equity.** Since the banking sector began recovery in 2009, Zenith Bank has steadily grown its ROAE. ROAE for FY12 was at 23.49%. We however expect some decline in ROAA and ROAE for 2013 against the backdrop of mandated interest rate increase on savings accounts and AMCON charges, and reduced COT rates on transactions



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Financial Highlights



Key Theme

On Course for an Impressive Performance in 2013.

P & L

Gross Earnings: N86.98bn
Net Interest Income: N45.61bn
Net Interest Margin: 8.77%
PBT: N28.88bn
PAT: N23.41bn

+20.21% YoY
+19.22% YoY
+4.96% YoY
+25.48% YoY
+21.75% YoY

Balance Sheet

Customer Deposit: N1.99tn
Total Assets: N2.77tn
Total Shareholders' Funds: N486.23bn
Loans & Advances: N1.125tn

+3.39% (YTD)
+6.41% (YTD)
+5.03% (YTD)
+10.90% (YTD)

Key Ratios

Loan to Deposit Ratio: 52.45%
Cost to Income Ratio: 53.95%
Liquidity: 63%
Capital Adequacy: 29%
NPL:3%; Cost of Risk: 0.57%
ROAE: 19.73%
EPS: 74k



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

Amortisation of intangible assets

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-13	Group 3 mths to Mar-12	YOY Change
Gross Income	86,977	72,352	20.21%
Continuing Operations:			
Interest Income	65,534	52,826	24.06%
Interest Expense	-19,924	-14,568	36.77%
Net Interest Income	45,610	38,258	19.22%
Impairment Charge for Credit Losses	-1,535	-1,211	26.75%
Net Interest Income after Impairment Charge for Credit Losses	44,075	37,047	18.97%
Fees and Commission Income	12,704	10,848	17.11%
Net gains on Financial Instruments	5,088	2,970	71.31%
Other Income	21	7	203.95%
Amortisation of intangible assets	-215	-107	100.93%
Operating Expenses	-33,700	-29,590	13.89%
Profit Before Tax from continued operations	27,973	21,175	32.10%
Discontinued Operations:			
Gross income from discontinued operations	3,630	5,702	-36.34%
Gross expenses from discontinued operations	-2,726	-3,865	-29.47%
Profit Before Tax from discontinued operations	904	1,837	-50.79%
Continued & Discontinued Operations:			
Profit Before Tax	28,877	23,012	25.48%
Income Tax Expense	-5,469	-3,786	44.45%
Profit After Tax	23,408	19,226	21.75%

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



Strengthening earnings and profitability...

Comments

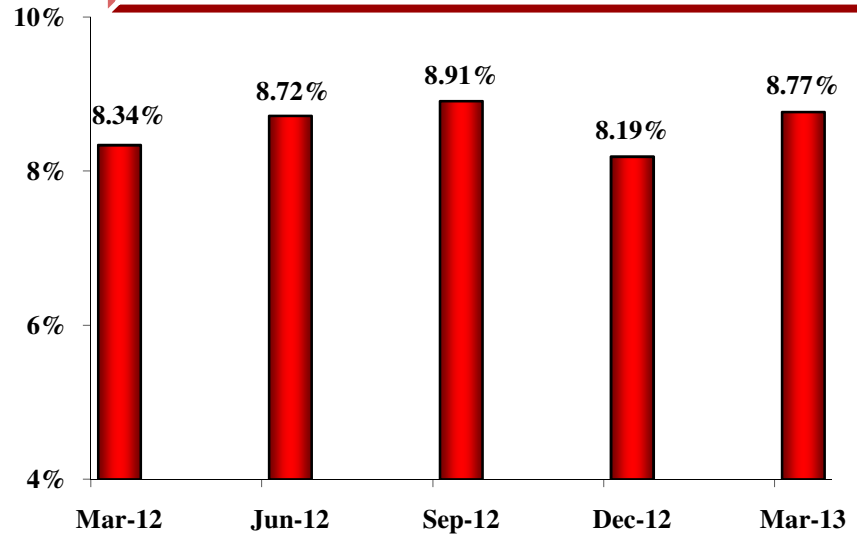
▣ *Improved Net Interest Margin (NIM) on the back of efficient balance sheet management (optimal resource allocation and assets pricing).*

▣ *Improved Cost to Income Ratio driven by improved operating efficiency (The Group's cost reduction strategies continued to yield the desired results).*

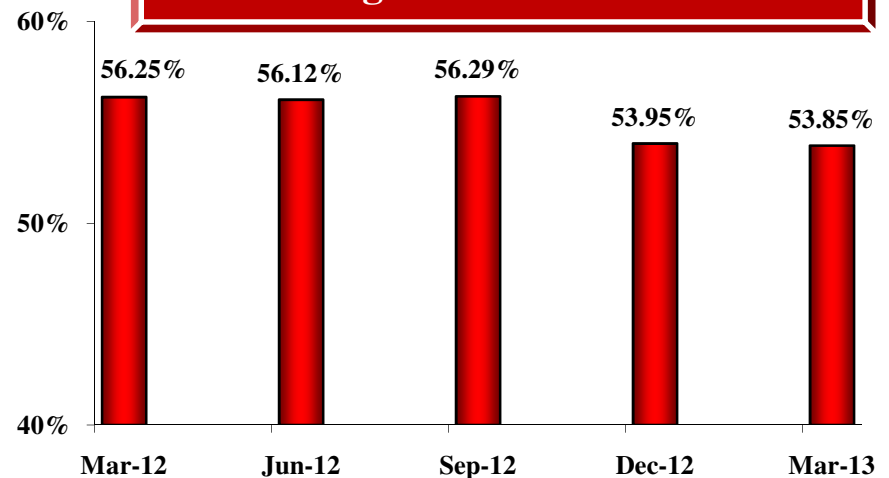
▣ *ROAE also increased marginally YOY from 19.42% in Q1 2012 to 19.73% in Q1 2013*

▣ *PBT – N28.88bn, up 25.49% from N23.01bn in Q1 2012 while PAT rose to N23.41bn from N19.23bn in Q1 2012 – this represents a year-on year growth of 21.75%.*

Consistently high Net Interest Margin



Falling Cost to Income Ratio

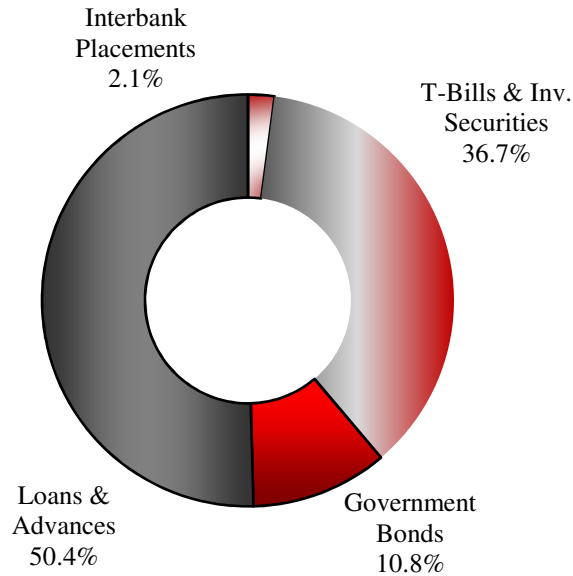




Revenue Base ...Sustained Diversification



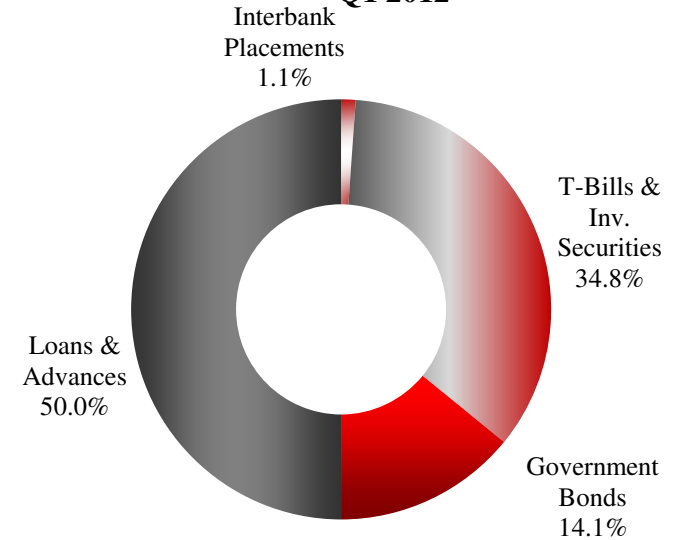
Q1 2013



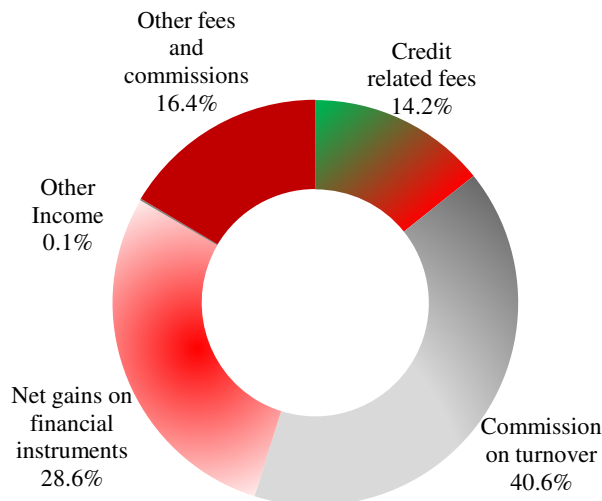
Interest Income

N'million	Q1 2013	Q1 2012	YoY
Interbank Placements	1,356	582	133%
T-Bills & Inv. Securities	24,083	18,382	31%
Government Bonds	7,046	7,454	-5%
Loans & Advances	33,049	26,408	25%
Total	65,534	52,826	24%

Q1 2012



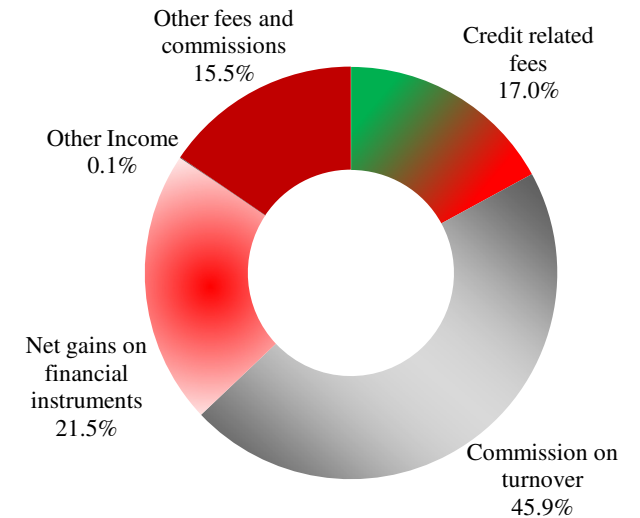
Q1 2013



Non-Interest Income

N'million	Q1 2013	Q1 2012	YoY
Credit related fees	2,536	2,355	8%
Commission on turnover	7,238	6,348	14%
Net gains on financial instruments	5,088	2,970	71%
Other Income	21	7	204%
Other fees and commissions	2,930	2,145	37%
Total	17,813	13,825	29%

Q1 2012

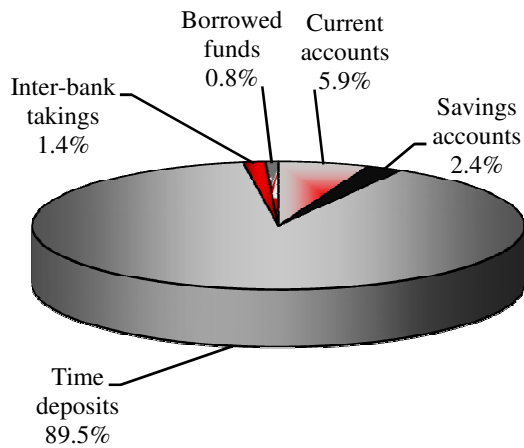




Continuous efforts in cost-reduction strategies



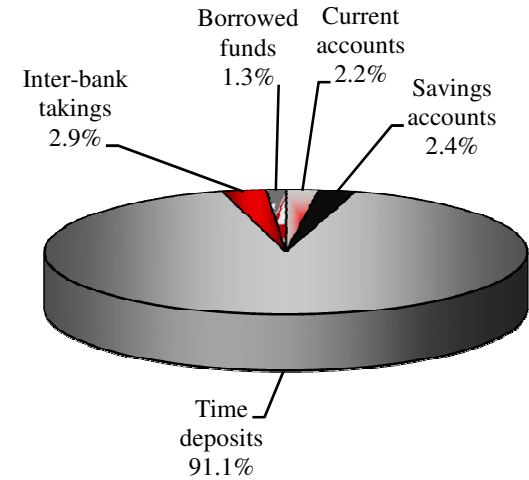
Q1 2013



Interest Expenses

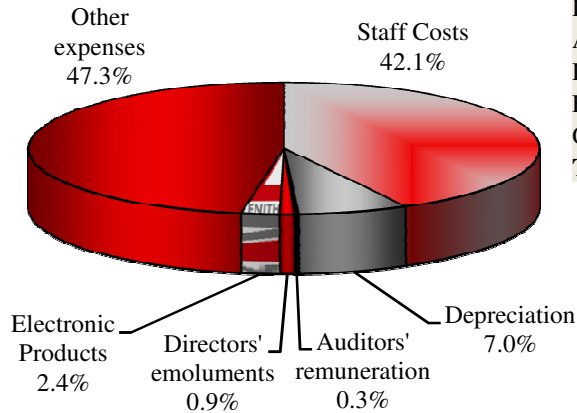
N'million	Q1 2013	Q1 2012	YoY
Current accounts	1,174	316	271%
Savings accounts	473	354	33%
Time deposits	17,824	13,276	34%
Inter-bank takings	287	425	-33%
Borrowed funds	166	196	-15%
Total	19,924	14,568	37%

Q1 2012



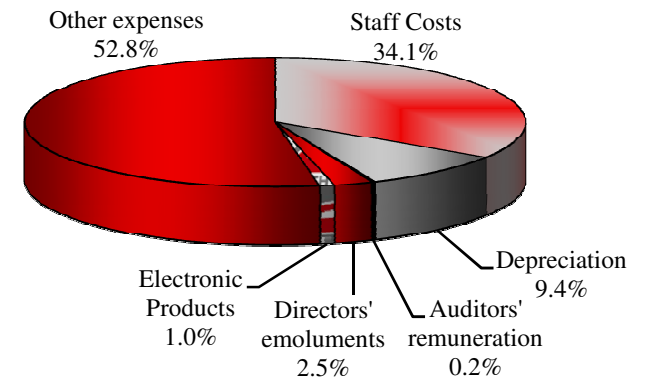
Operating Expenses

Q1 2013



N'million	Q1 2013	Q1 2012	YoY
Staff Costs	14,197	10,102	41%
Depreciation	2,346	2,770	-15%
Auditors' remuneration	93	60	55%
Directors' emoluments	305	742	-59%
Electronic Products	814	286	185%
Other expenses	15,945	15,630	2%
Total	33,700	29,590	14%

Q1 2012





Balance Sheet- Assets

(N'm)	Group Mar-13	Group Dec-12	Ytd Change	Group Mar-12
Cash and balances with central banks	317,003	332,515	-4.67%	173,294
Treasury bills	727,990	669,164	8.79%	534,523
Due from other banks	205,751	182,020	13.04%	274,473
Loans and advances	1,099,327	989,814	11.06%	909,466
Investment securities	261,518	299,343	-12.64%	293,902
Investments in associates	419	420	-0.24%	1,822
Deferred tax assets	87	432	-79.86%	100
Other assets	54,405	28,665	89.80%	35,848
Assets classified as held for sale	34,113	31,943	6.79%	60,163
Investment property	-	-	-	7,404
Property and equipment	69,506	68,782	1.05%	69,143
Intangible assets	1,309	1,406	-6.92%	1,240
Total Assets	2,771,428	2,604,504	6.41%	2,361,378

Sustained Balance sheet strengthening and Growth with strong liquidity.



Balance Sheet- Liabilities & Equity

(N'm)

Customers deposits
 Current income tax
 Deferred income tax liabilities
 Other liabilities
 On-lending facilities
 Borrowings
 Liabilities classified as held for sale
Total liabilities

Group Mar-13	Group Dec-12	YTD Change	Group Mar-12
1,994,650	1,929,244	3.39%	1,670,856
11,152	6,577	69.56%	10,015
5,584	5,584	0.00%	5,963
175,509	117,355	49.55%	164,313
62,111	56,066	10.78%	53,427
22,117	15,138	46.10%	18,773
14,080	11,584	21.55%	40,201
2,285,203	2,141,548	6.71%	1,963,548

(N'm)

Share capital
 Share premium
 Reserves
Total Shareholder's funds
 Non-controlling interest
Total liabilities & equity

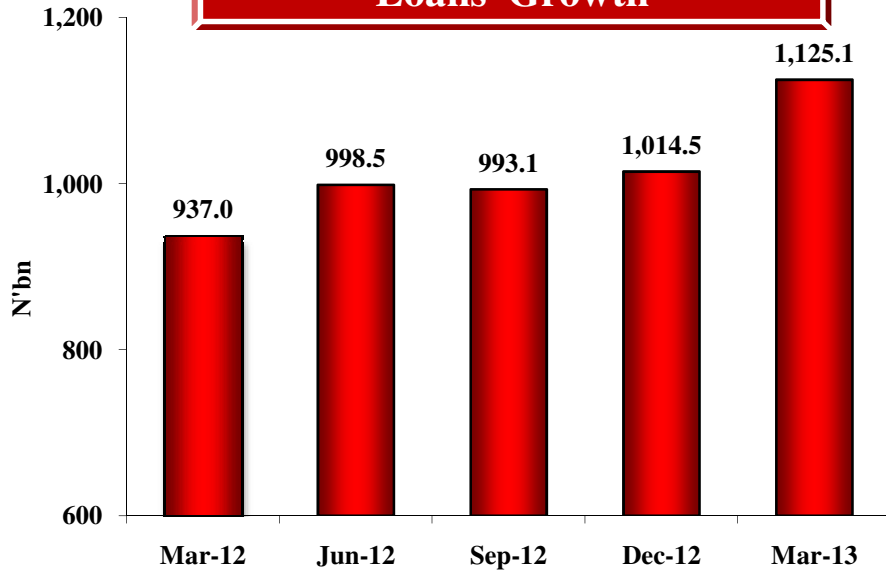
Group Mar-13	Group Dec-12	YTD Change	Group Mar-12
15,698	15,698	0.00%	15,698
255,047	255,047	0.00%	255,047
212,039	188,939	12.23%	124,548
486,225	462,956	5.03%	397,830
3,441	3,272	5.17%	2,537
2,771,428	2,604,504	6.41%	2,361,378

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

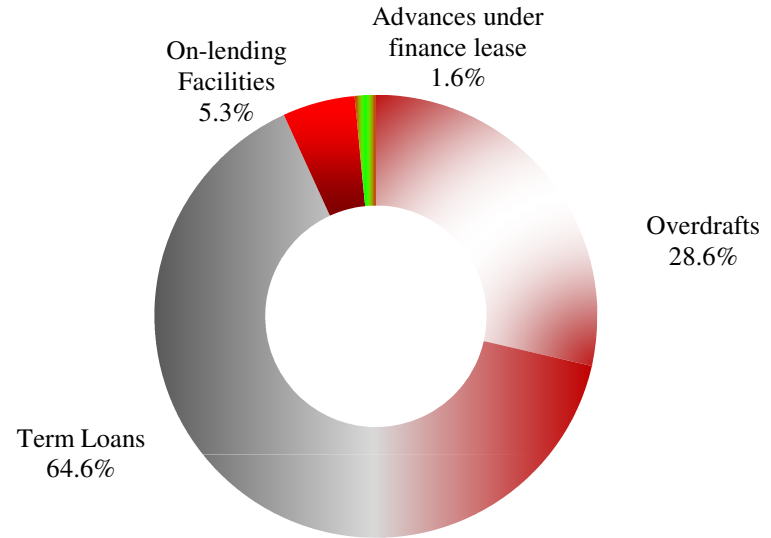


Sustained assets & liabilities match..

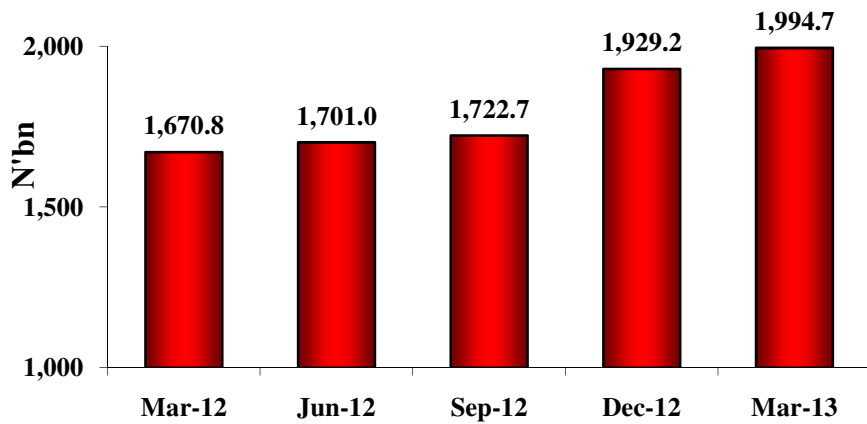
Loans Growth



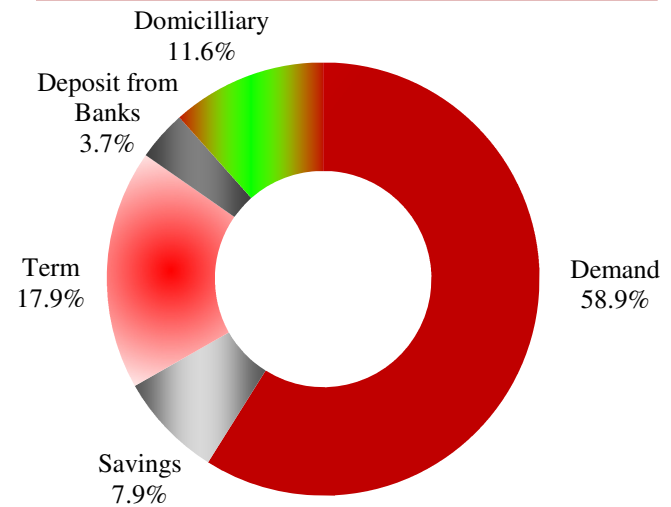
Loans & Advances Q1 2013



Customer Deposits



Deposits Mix Q1 2013

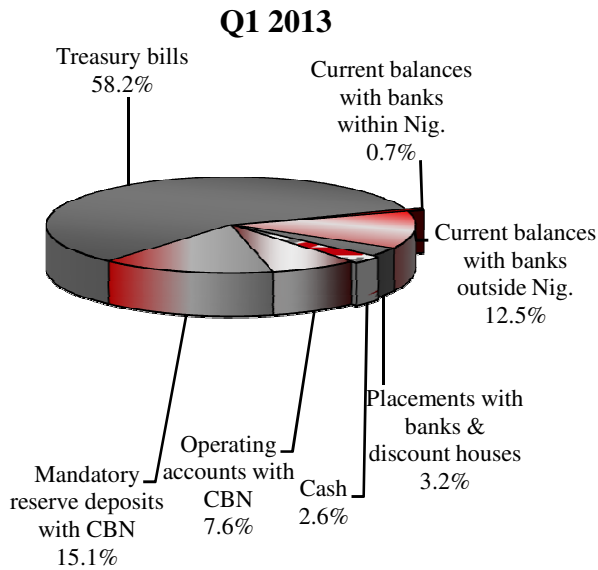




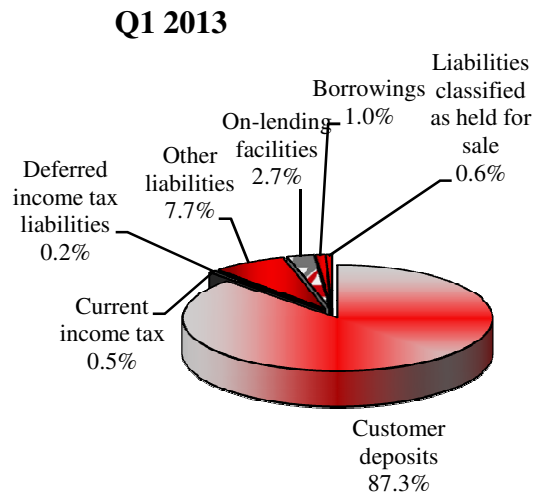
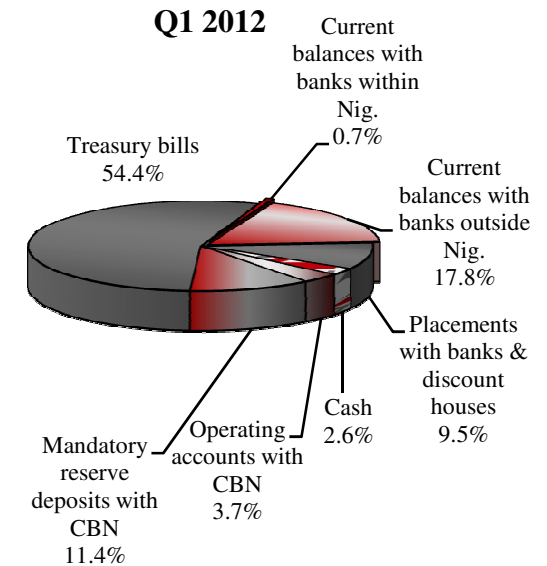
Continued market dominance through strong liquid asset base and funding mix...



Liquid Assets

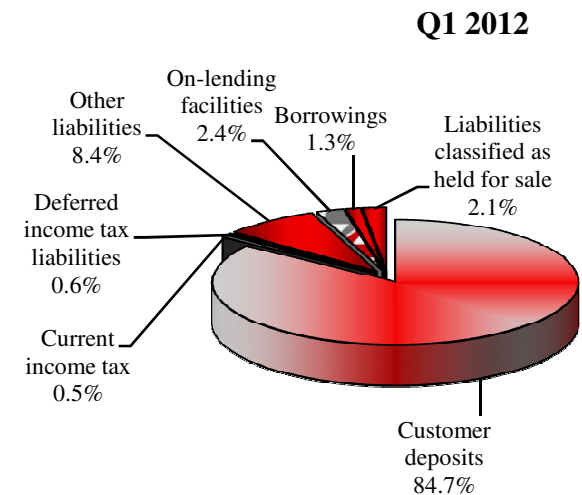


N'million	Q1 2013	Q1 2012	YoY
Cash	32,915	25,630	28%
Operating accounts with CBN	95,041	35,955	164%
Mandatory reserve deposits with CBN	189,047	111,709	69%
Treasury bills	727,990	534,523	36%
Current balances with banks within Nig.	9,235	7,009	32%
Current balances with banks outside Nig.	156,806	174,392	-10%
Placements with banks & discount houses	39,710	93,072	-57%
Total	1,250,744	982,290	27%



Funding Mix

N'million	Q3 2012	Q3 2011	YoY
Customer deposits	1,994,650	1,670,856	19%
Current income tax	11,152	10,015	11%
Deferred income tax liabilities	5,584	5,963	-6%
Other liabilities	175,509	164,313	7%
On-lending facilities	62,111	53,427	16%
Borrowings	22,117	18,773	18%
Liabilities classified as held for sale	14,080	40,201	-65%
Total	2,285,203	1,963,548	16%





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Q & A



P&L – By Geography

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
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

3 Months Ended Mar 2012 (N'm)

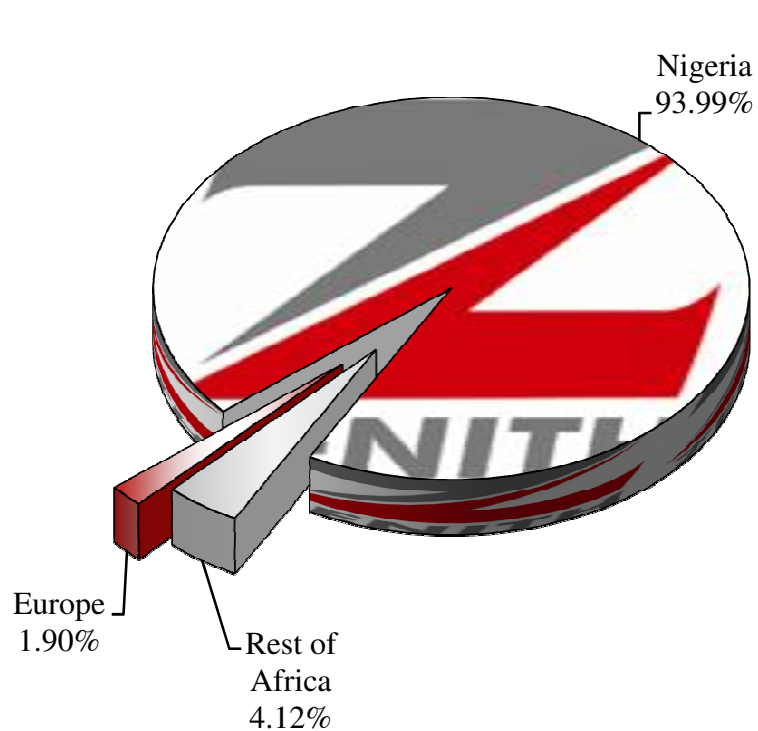
	Nigeria	Rest of Africa	Europe	Eliminations	Consolidated
Total Revenue	70,023	2,890	1,286	-1,847	72,352
Total Expense	-48,290	-1,966	-931	1,847	-49,340
Profit Before Tax	21,733	924	355	-	23,012
Tax	-3,143	-551	-92	-	-3,786
Profit After Tax	18,590	373	263	-	19,226

Improved earnings across geographies.....

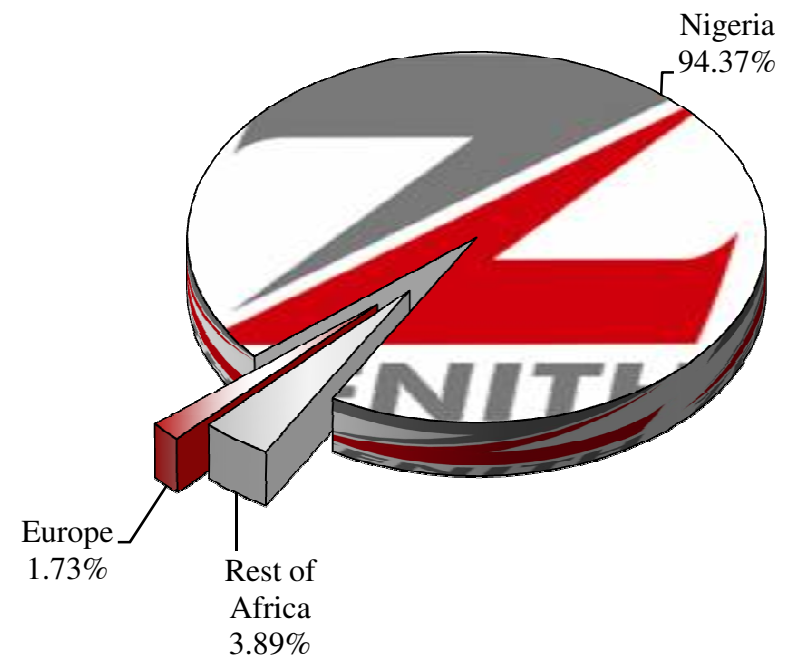


P&L – By Geography

Gross Revenue by Geography – Q1 2013



Gross Revenue by Geography – Q1 2012



Our Nigerian business continues to be the main driver of profitability ... providing about 94% of gross revenue



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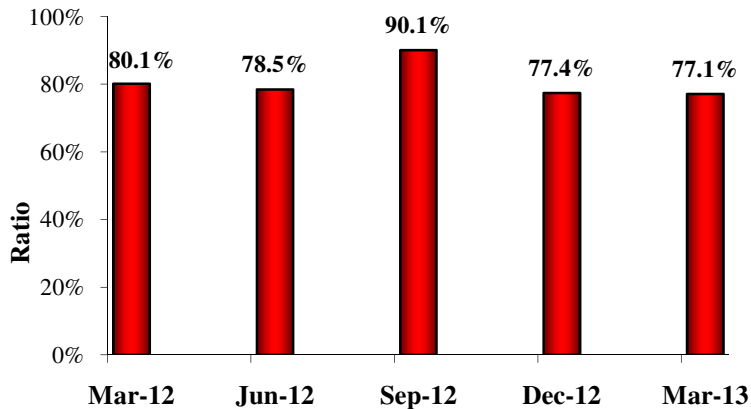
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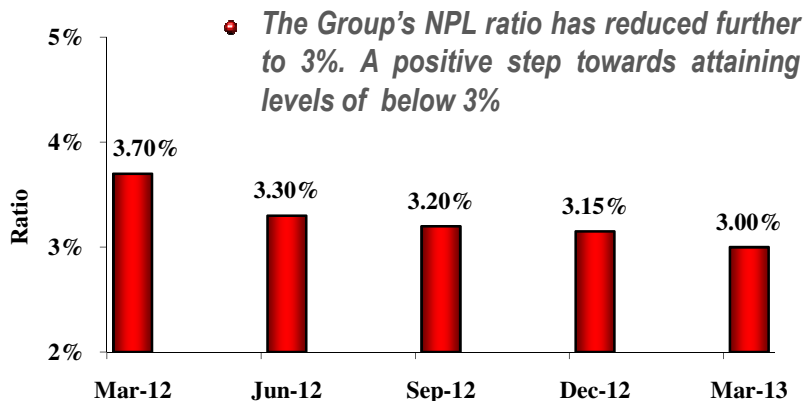


Healthy Risk Assets Portfolio...

NPL Coverage Ratio



NPL Ratio



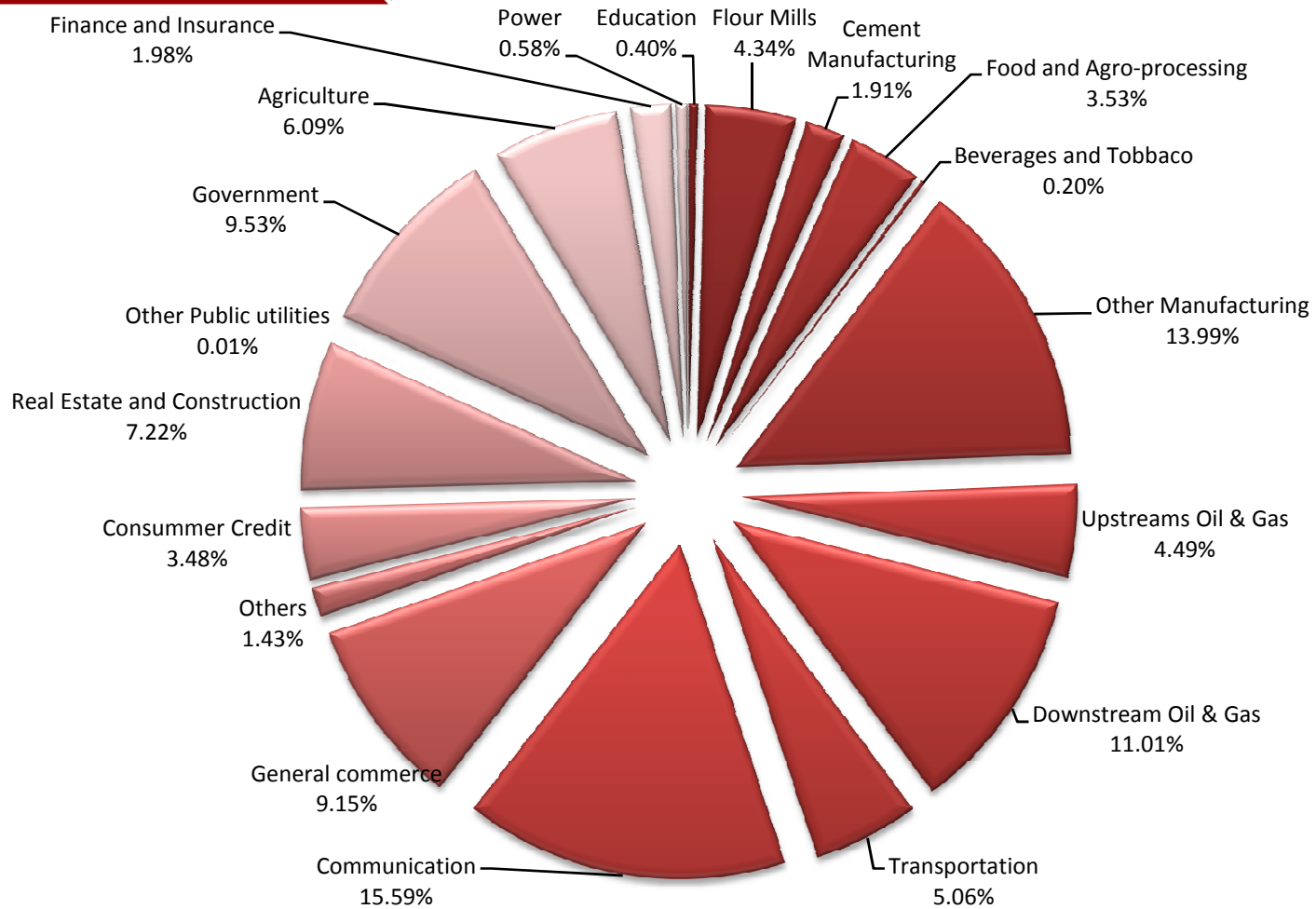
Our Risk Management Strategy

- The group 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

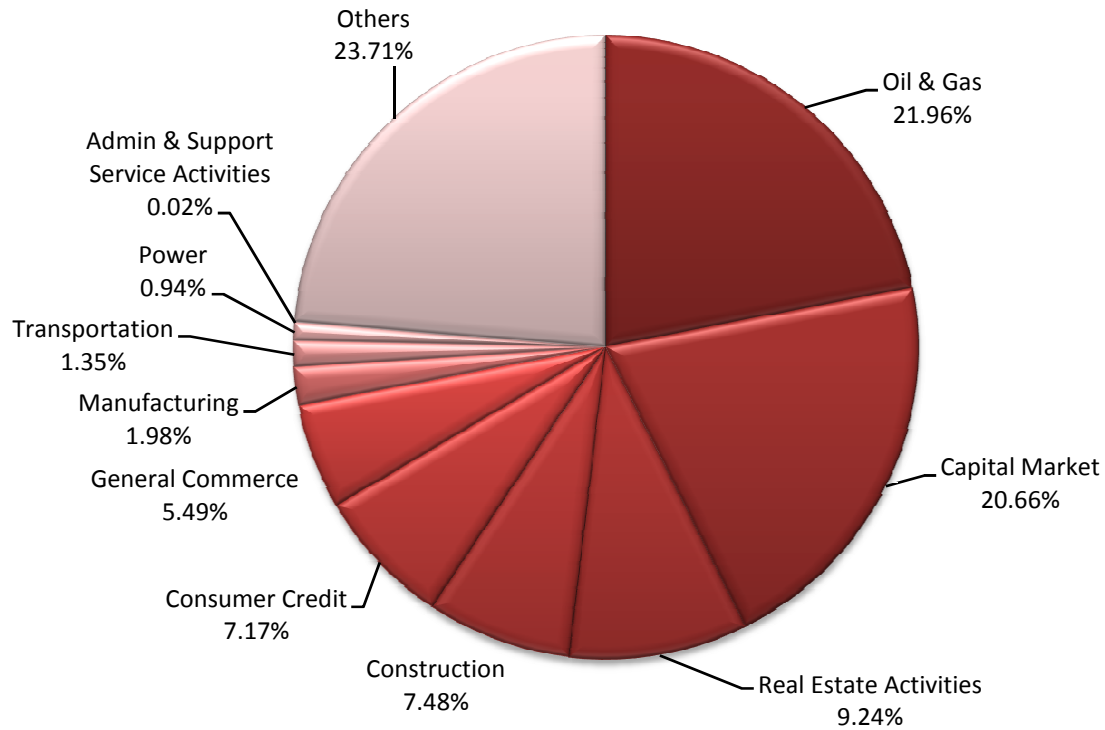
Loans by Sector – Q 1 2013



No concentration risk



NPL by Segment



Comments

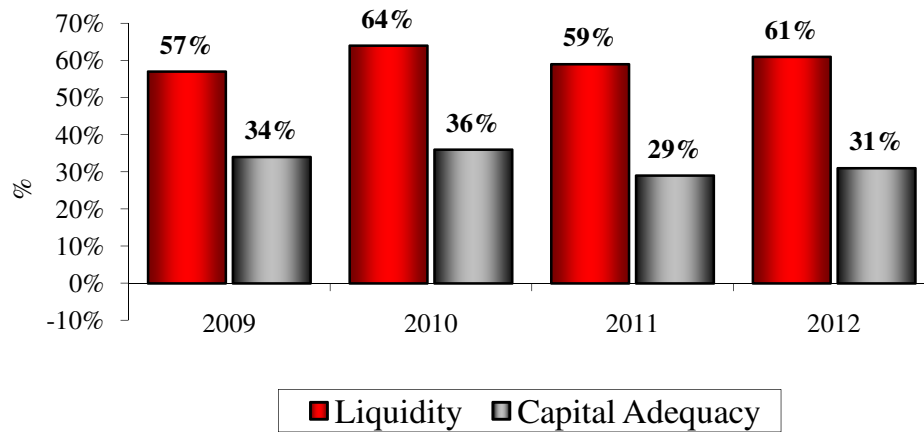
- We continue to develop our Risk Management Strategy and improve on the quality of our loan portfolio.
- Overall NPL ratio of 3% is currently one of the lowest in the industry



Strong Capitalization and Liquidity

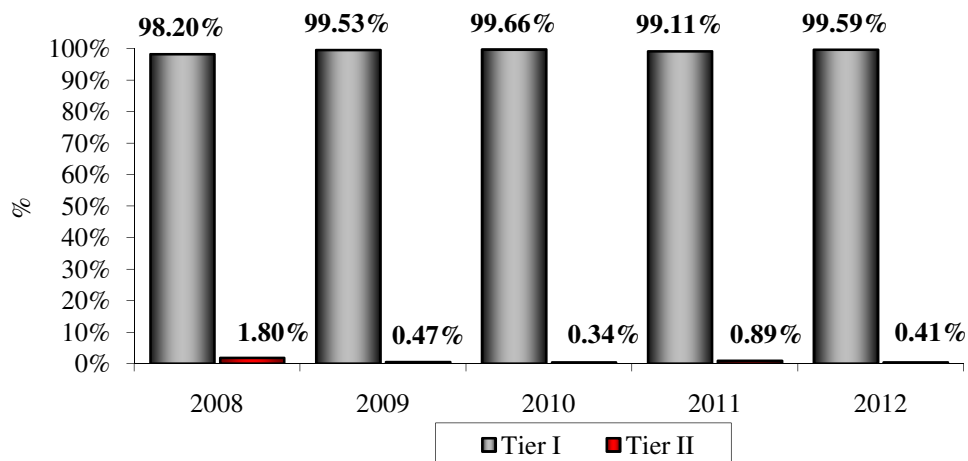


Liquidity and Capital Adequacy



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.



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Q & A



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



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 FY2013



- ❑ **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 (CACs) 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 preferred bidders have been identified and are expected to pay 25% of the purchase cost by end of March, 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 has been fully implemented in Lagos while this is expected to be extended to other states in the country. 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 FY2013. 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

