Pharezratings

CREDIT RISK RATING

ZENITH

PHAREZ RATINGS LTD.,

VALLEY VIEW PLAZA (1ST FLOOR),

99, OPEBI ROAD,

IKEJA, LAGOS,

NIGERIA.

www.pharezgroup.com

Tel: +234 1 791 6187, +234 803 384 9961

Email: ceo@pharezgroup.com

ZENITH BANK LTD: RATINGS SUMMARY

TYPE OF RATINGS WORK:	SOLICITED RATINGS
CREDIT RISK RATING:	Aaa
CLASSIFICATION	Tier 1
PREVIOUS RATING	-
REVIEW PERIOD	31st December, 2013
EXPIRY DATE	30th June, 2015

*Ratings may be revised as and when necessary, at any time prior to the expiry date or upon conversion to the higher type of ratings (Solicited Ratings), for the purpose of awarding a Rating.

CLASSIFICATIONS (TIERS)		
Tier 1	Aaa, Aa, A	Strong
Tier 2	Bbb, Bb	Adequate
Tier 3	B, Ccc,	Moderately Adequate
Tier 4	Cc, C, Ddd,	Weak

PHAREZ RATINGS INDEPENDENT CREDIT RISK RATINGS COMMITTEE:

Mr. Remi Oyefiade, Mr. Ayo Bajomo and

Mrs Ijeoma Ozulumba.

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	Bank Corporate Information		
1.	Date of Incorporation	30th May, 1990	As a private Limited Liability Company
2.	Commencement of Business	16th June, 1990	
3.	Listing	21st October, 2004	
4.	Significant Shareholders	Stanbic Nominees Nigeria Ltd	16.74%
		Jim Ovia	9.38%

Directors	Designation	Shareholding (%)
Godwin Emefiele	Former MD/CEO	0.15%
Peter Amangbo	Current MD/CEO	0.02%
Elias Igbinakenzua	ED	0.04%
Andy Ojei	ED	0.03%
Udom Emmanuel	ED	0.02%
Adaora Umeoji	ED	0.06%
Ebenezer Onyeagwu	ED	0.01%
Sir Steve Omojafor	Former Chairman	0.01%
Jim Ovia	Current Chairman	9.38%
Babatunde Adejuwon	Non-Executive Director	0.00%
Alhaji Baba Tela	Independent Director	0.00%
Alhaji Lawal Sani	Independent Director	0.00%
Mr. Jeffery Efeyini	Non-Executive Director	0.00%
Prof. Chukuka Enwemeka	Non-Executive Director	0.00%
Chief (Mrs) Chinyere Asika (OFR)	Independent Director	0.00%
Dr. Haruna Usman	Independent Director	0.00%

Subsidiaries		
	Zenith Bank (Ghana) Ltd	98.07%
	Zenith Bank (UK) Ltd	100%
	Zenith Bank (Sierra Leone) Ltd	99.99%
	Zenith Bank (Gambia) Ltd	98.96%
	Zenith Pension Custodian Ltd	99%

Executive Summary

Pharez Rating has affirmed Zenith Bank Ltd a Tier 1 Bank in the Nigeria Banking Industry and assigned the Bank **Aaa RATING**. The rating represents a Bank with a satisfactory financial condition and will be able to meet obligations as and when due. Overtime, the bank has proven its capacity to thrive despite challenges in its operating environment. Hence, adverse changes in the macro-economic, political and regulatory environment may not result in any increase in the risk attributable to an exposure to the bank and will not materially affect the financial condition or ability to meet obligations as and when due.

The rating is supported by the Bank's earnings capacity. Zenith Bank reported a 13% increase in net earnings. This improvement was achieved following the growth in interest income and non-interest income by 14% and 88% respectively. The Bank recorded a cost to income ratio of 59.6% an increase from 54.3% of the previous accounting period. It also generated a pre-tax return on average equity (ROE) of 5.2%, lower than the industry average of 13% and a pre-tax return on average assets (ROA) of 3.5%, but higher than the industry average of 2.2%. This we believe is a reflection good earnings capacity.

Zenith Bank reported a Basle Ratio of 26% in 2013 FYE, down from 30% at 2012 FYE, as a result of substantial increase in its Risk-weighted Assets. We view the bank's capitalisation as very adequate to support its level of risk.

The Bank's asset quality remained robust during the period under review. For instance, the non-performing represent 2.4% of the Bank total loans in which 78% are covered by its loan loss provision. In addition, 51% of its assets portfolio is liquid and the loan portfolio was found to be well diversified across various sectors of the economy.

STRENGTHS

- Strong Capital Base
- Good Assets Quality
- Strong Branch Network
- High Public Profile
- Strong Liquidity Profile

EXPECTATIONS

- Prospects for continued dominance in Key Market Indicators.

THREAT

- Volatile Operating Environment

WHAT IS PHAREZ CREDIT RISK RATING?

- It entails an assessment of the **credit worthiness** of a bank. As judged by the Pharez Credit Ratings Model. It rates, by CAMEL parameters, the relative ability and willingness of a bank to meet the (debt) service obligations.
- In essence, it indicates the ABILITY of an institution to put its stakeholders first – this is of paramount interest to investors, corporate (borrowers), and other stakeholders.

RATINGS FACTORS

1. CAPITAL ADEQUACY
2. ASSETS QUALITY
3. MANAGEMEMT
4. EARNINGS
5. LIQUIDUTY

RATING GRADES
Aaa
Aa
A
Bbb
Bb
B
Ccc
Cc
C
D

* Ratings from Aa to Cccmaybe enhanced with a plus (+) sign or a minus (-) sign to indicate that the creditquality is near the top or bottom respectively of theratings category CreditRatings

CLASSIFICATIONS
TIER 1
TIER 2
TIER 3
TIER 4

	RATING GRADES: meaning	RISK IMPLICATIONS
Aaa	Achievement of 90% and above by the Pharez CR Criteria. A company in this category has an excellent and outstanding financial condition with overwhelming capacity to meet obligations as and when they fall due. Adverse changes in the macro-economic, political and regulatory environment are unlikely to lead to deterioration in financial condition or an impairment of the bank's ability to meet its obligations.	EXCELLENT RISK
Aa	Achievement of 80-89% by the Pharez CR Criteria. A company in this category has a very good financial condition and strong capacity to meet obligations as and when due. Adverse changes in the macro-economic, political and regulatory environment may result in a slight increase in the risk attributable to an exposure to the bank which would, however, not impair its financial condition or ability to meet obligation.	SUPERIOR RISK
A	Achievement of 70-79% by the Pharez CR Criteria. A company in this category has a good financial condition and strong capacity to meet financial obligations as and when due. Adverse changes in the macro-economic, political and regulatory environment may result in medium increase in the risk attributable to an exposure to the bank which would, however, not impair its financial condition or ability to meet obligations as and when due.	GOOD RISK
Bbb	Achievement of 60-69% by the Pharez CR Criteria. A company in this category has a satisfactory financial condition and adequate capacity to meet its obligations as and when due. Adverse changes in the macro-economic, political and regulatory environment may result in a medium increase in risk attributable to an exposure to the bank but which should not affect its ability to meet obligations in the short term.	ACCEPTABLE RISK
Bb	Achievement of 50-59% by the Pharez CR Criteria. A company in this category has a satisfactory financial condition and able to meet obligations as and when due. Adverse changes in the macro-economic, political and regulatory environment may increase the risk attributable to an exposure to the bank significantly but may not affect ability to meet obligations in the short term.	ACCEPTABLE RISK
B	Achievement of 40-49% by the Pharez CR Criteria. A company in this category has a satisfactory financial condition and able to meet obligations as and when due. Adverse changes in the macro-economic, political and regulatory environment may substantially increase the risk attributable to the bank but may not materially affect its ability to meet obligations in the short term.	FAIR RISK
Ccc	Achievement of 30-39% by the Pharez CR Criteria. A company in this category has a weak financial condition and may be technically insolvent. It is currently vulnerable to non-payment, and is highly dependent on favourable business and financial conditions to operate. Usually a bank in this condition will be due for regulatory action such as a 'holding action' and carious failure resolution options may already be in place.	WEAK RISK

Cc	Achievement of 30-39% by the Pharez CR Criteria. A company in this category has a weak financial condition and may be technically insolvent. It is extremely vulnerable to non-payment	WEAK RISK
C	Achievement of 30-39% by the Pharez CR Criteria. A company in this category has a weak financial condition and technically insolvent. Usually a bank in this condition will have been under regulatory 'holding action' for a considerable time without apparently improvement in its financial condition	POOR RISK
D	Achievement of 20-29% by the Pharez CR Criteria. A company in this category has an extremely weak financial condition and technically insolvent and unable to meet financial obligations as and when due	IN DEFAULT

Capital Adequacy

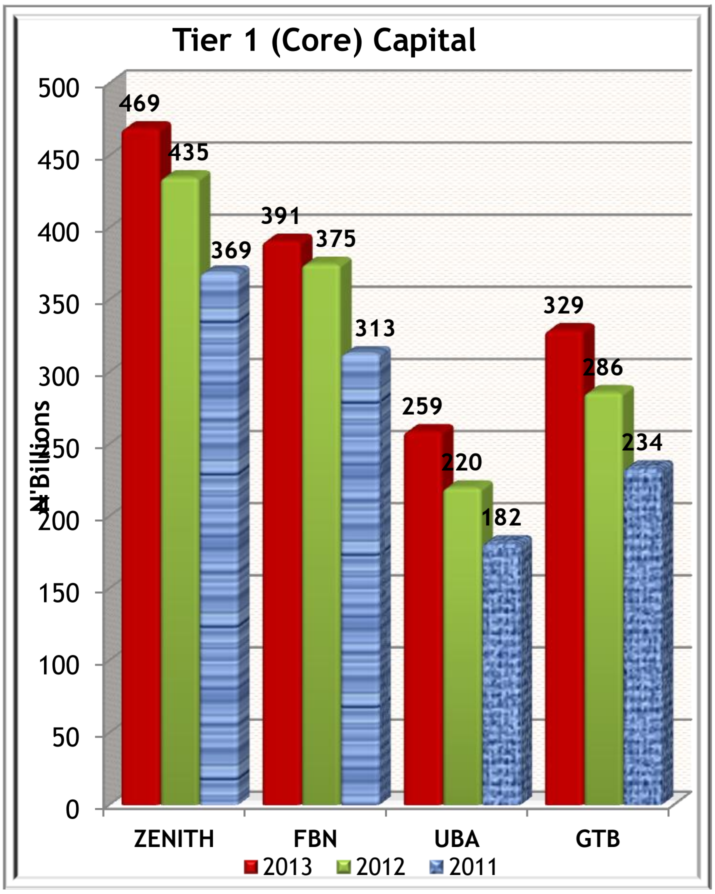
Core (Tier 1) Capital:

The Bank's core capital (Tier 1 capital) stood at ₦469.1 billion in 2013 FYE, an 8% increase from ₦435.9 billion in the previous year. In 2012 FYE, the Bank posted a profit of ₦80.9 billion to retained earnings increasing the primary (Tier 1) capital of the Bank by 17.8% to ₦435.9 billion. While in 2013 FYE, a revenue-generating driven profit after tax of ₦83.4 billion increased the Bank's core capital. The core capital fund represents 16.3% of the total assets and ranks highest among its selected peers (FBN (12%), UBA (12%), and GTB (15%)).

Basle Ratio:

The Bank's Basle Ratio (Adjusted Capital/Risk Weighted Assets) in 2013 FYE stood at 26%. Though lower than the previous year's figure of **30%**, it was significantly higher than our benchmark of 16% and the prudentially required minimum of 10%. The decline in the Bank's ratio was attributable to substantial growth in some classes of its risk-weighted assets. Growth in the Bank's risk-weighted assets outweighed growth in its Tier 1 capital. Whereas Tier 1 Capital grew by 8% during the financial year, the risk-weighted assets increased by 25%.

Every bank is required to maintain a ratio of not less than 1:10 between its Adjusted Capital and its Net Loans and Advances. Zenith Bank's Adjusted Capital to Net Credits Ratio was 43.7% or 1:2.3 indicating that the bank has ample opportunity to further grow its volume of business with no capital constraints.



Conclusion

Zenith Bank's capital base is very robust and more than adequate to meet the current level of its business risks.

Asset Quality

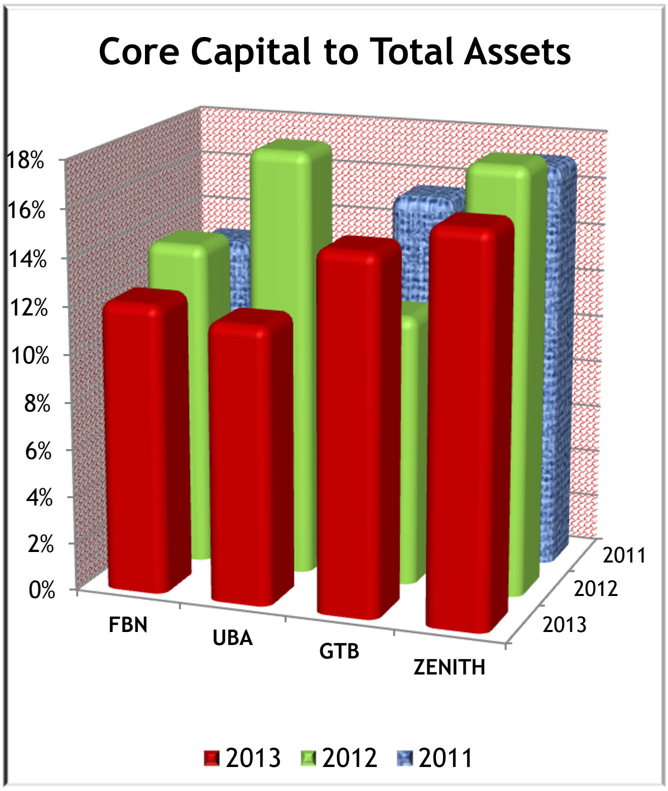
Assets

As at year ended December 31st, 2013, Zenith Bank total assets' was 18% higher than the previous year rising from ₦2.4 trillion to ₦2.8 trillion. The classes of assets with significant growth as at the FYE were cash & short term funds, loans & advances and assets classified as others and, which grew by 62%, 26% and 87%. Investment in treasury bills, FGN Bonds & Associates, decreased by 12%, 18% and 81% respectively. The Bank has a portfolio of ₦1.5 trillion in liquid assets and placements representing 51% (liquid balance sheet) of its total assets. These assets are in form of placements, cash and risk-free government securities (long term Federal Government (FGN) Bonds and short term treasury bills).

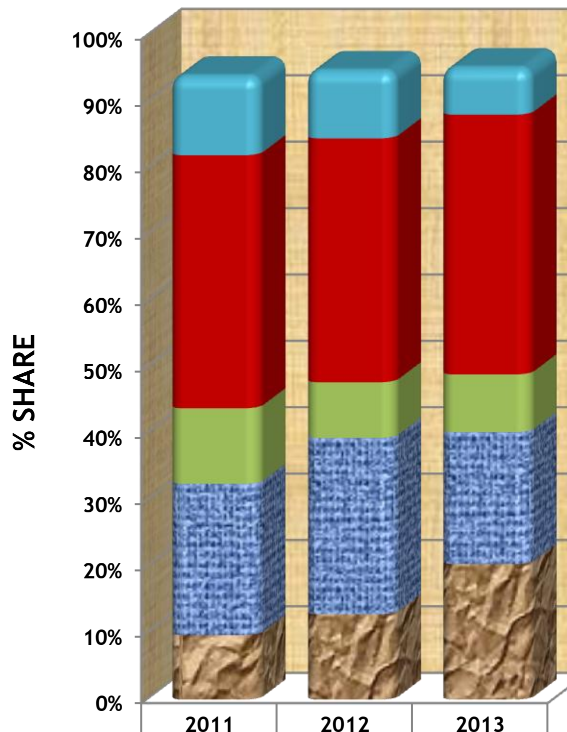
Net loans & advances, cash & short term funds and short term investment were the largest assets class, all accounting for 39%, 29% and 20% each of the total assets. Investment in treasury securities bond accounted for 81% the total long term investment. The short term perspective on risk assumption and credit creation as at the FYE is reflected by the 51% of the Bank's loans which had maturity profiles ranging from 1 to 90 days.

Loans Performance

As at 2013 FYE, the Bank's ratio of non-performing (impaired) loans (NPL) to total loans stood at 2.4%, a drop from 3.1% in the previous FYE. This is lower than most of other players in the industry FBN (3%), GTB (14.8%), UBA (0.6%) and lower than the market average of 10.2%. The Bank's capacity to effectively withstand loans defaults as at the FYE is reflected by its loan loss provision coverage of 78%, which is lower than the industry average of 98%. This we believe is adequate considering the proportion of non-performing loans to total loans.

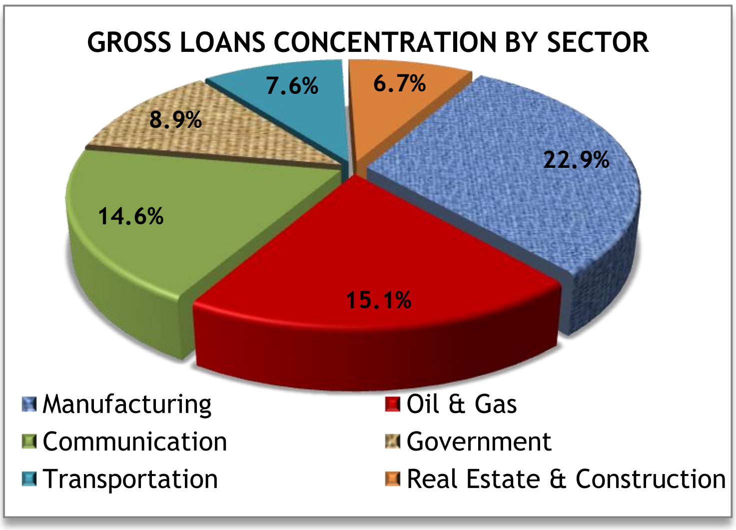


ZENITH ASSETS COMPOSITIONS



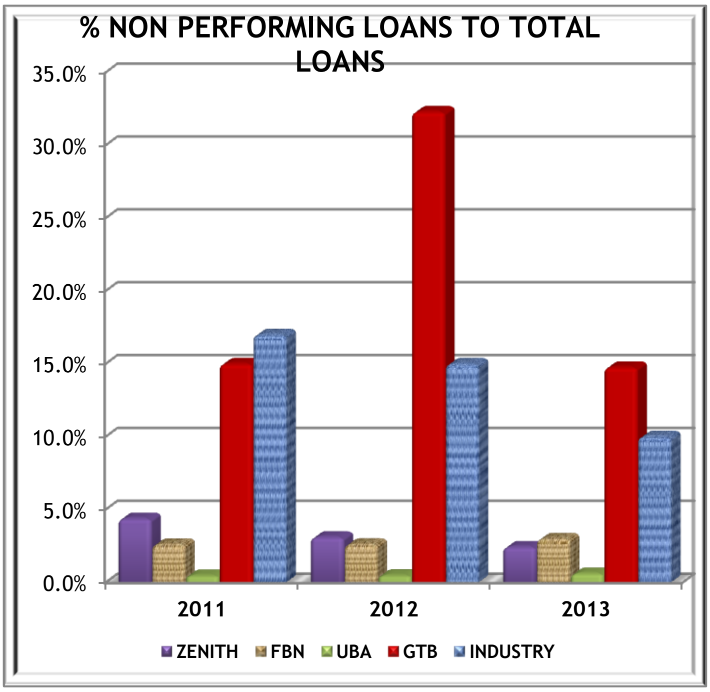
	2011	2012	2013
FGN BONDS	12%	10%	7%
LOANS	38%	37%	39%
PLACEMENTS	11%	8%	9%
TREASURY BILLS	23%	27%	20%
CASH	10%	13%	20%

The impact of charge-offs on interest income which is measured by the percentage of loan loss expense to net interest income increased to 6% from 5% in the previous financial year



Sectoral& Obligor's Exposure

In sectoral terms, the highest exposure is to manufacturing (22.9%), followed by oil&gas (15.1%) and communication (14.6%). Government, transportation and real estate & construction accounted for 8.9%, 7.6%, and 6.7% respectively. These according to our opinion represent an even distribution to active, potentials and profitable sectors of the Nigeria Economy. The percentage share of the manufacturing shows an exposure to a sector which is mostly described as "the next big thing beyond oil" with an unutilised huge potential, considering the government and world focus on the sector, a land mass of over 900,000 square kilometers and a population of over 150 million people. The ratio of exposure to oil & gas also indicate an appreciable investment in a key sector that contributes 95% of Nigeria Export earnings and 65% of government revenue. However, irrespective of the potentials imbedded in the sector, the sector is always exposed to international price fluctuations which may in the long run affects the liquidity position of any Bank. In addition, the 14.6% exposure to the communication sector utilizes the earnings potential of the sector, being the third largest non-oil export contributor to the GDP.



As at the time of the rating, 44.3% of gross loans and advances were total exposure made to top twenty borrowers. None of the top 20 obligors accounted for above 20% of the Bank's exposures which is in line with the stipulated limit of total outstanding by a bank to any single person or a group of related borrowers which shall not at any point in time exceeds 20% of shareholders' funds.

In our opinion, the assets quality and creation of a liquid balance are adequate. In addition, thebreakdown of the Bank's loan portfolio by sectors shows a diversification to both the oil and non-oilsector of the economy which we consider adequate.

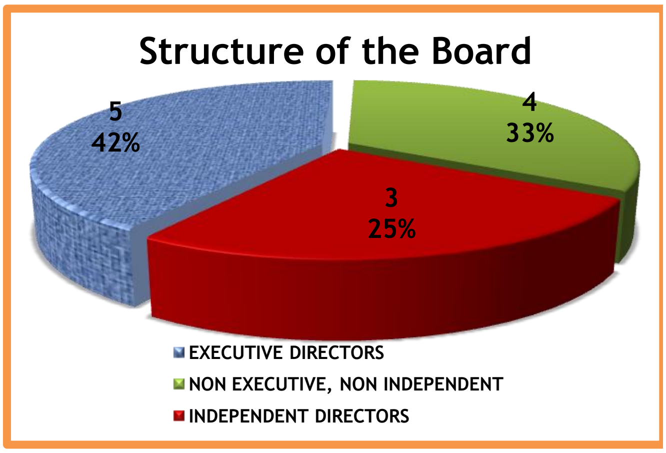
Management Competence and Corporate Governance

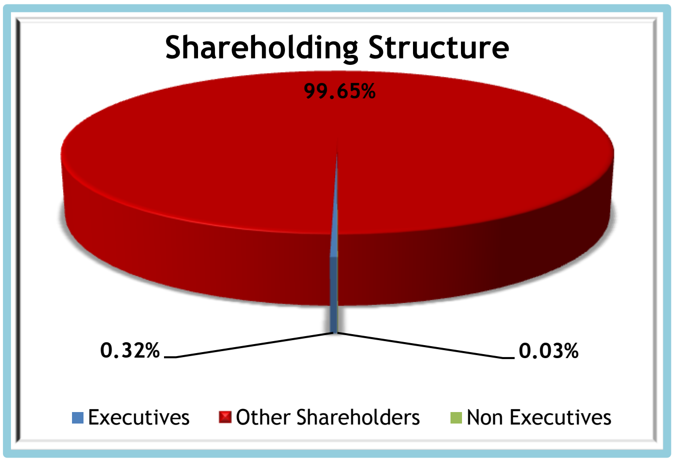
The Board

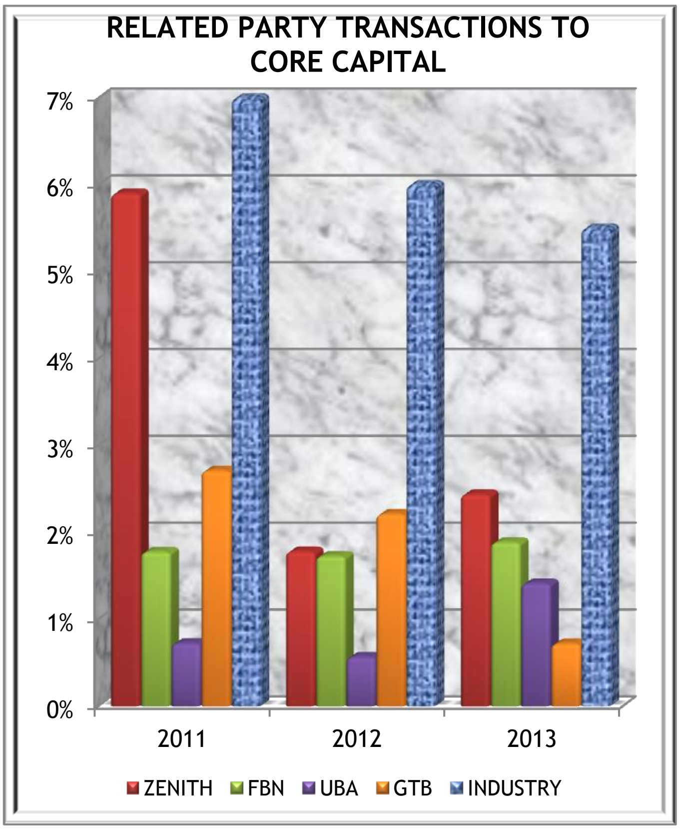
The Board of Zenith Bank comprise of four (4) executive directors (EDs), eight (8) non-executive directors (NEDs). Three (3) of the non-executives directors are independent directors (with no substantial material interest in Zenith Bank Ltd., as at the time this rating was conducted). The ratio of NEDs to EDs is 58:42, with a 17% differential, which is lower than our minimum industry differential of 25%.

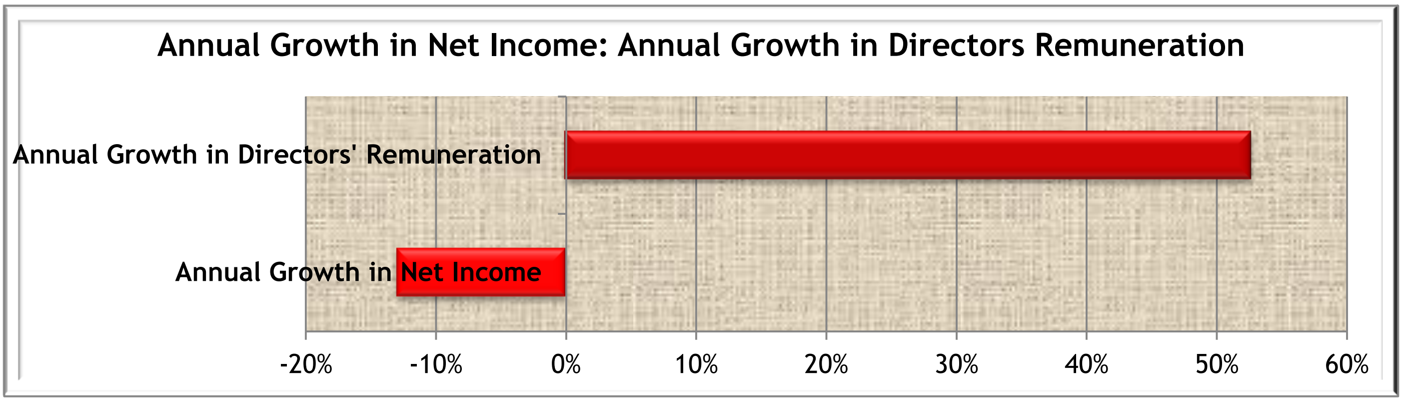
The Bank's shareholding structure is made up of management-controlled holdings, individual holding and corporate holdings. In all, management, individual and corporate holdings make up 26.1% of the total shareholdings. The shareholders control 73.5% of the total shares outstanding. As a group, the executive directors officially control 0.32% of the shareholding, which supports balance of powers. Dichotomy of executive control and ownership control is paramount in ensuring balance and separation of powers. Thus, shareholding structure leaves more powers to other shareholders, and limits the possible excesses of management.

The shareholders' with above 5% equity as at the FYE were the current chairman, Jim Ovia (appointed in July, 2014) and Stanbic Nominees Nigeria Ltd. They both had 9.38% and 16.74% respectively.





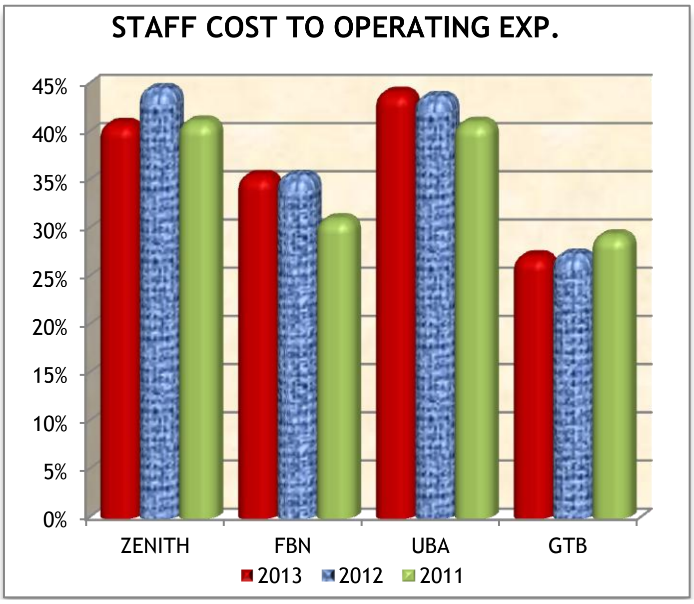


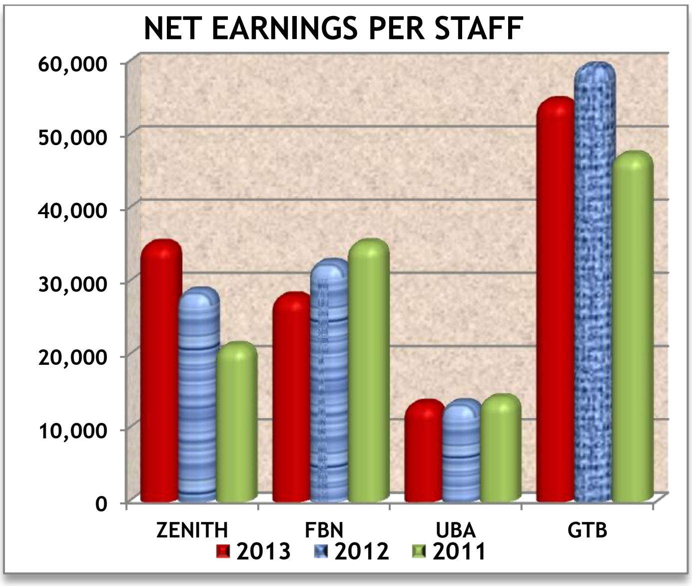

Annual Growth in Net Income: Annual Growth in Directors Remuneration
Annual Growth in Directors' Remuneration
Annual Growth in Net Income
-20%
-10%
0%
10%
20%
30%
40%
50%
60%

Remuneration of the Board of Directors did outpace earnings performance. This is reflected by the negative growth in net income (PAT) of the Bank by 13% during the 2013 FYE, compared to positive growth in directors' remuneration by 53%.

The Bank has in place properly constituted Risk Management, Audit, and Credit & Remuneration Committees.

The Bank's related-party transactions(as a percentage of core capital) are lower than the industry average (2% vs. 5.5%). A related party transaction is a transaction between the reporting entity, its affiliates, principal owners, management and members of their immediate families and any other party with which the reporting entity may deal when one party has the ability to significantly influence management or operating policies of the other to the extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. Therefore, the Bank's ratio of related party transactions indicates that dealings with related parties are carried out at arm's length, thus minority shareholders and stakeholders may be atadvantaged position most specifically as it relates to the amount of the Bank's core capital of ₦469 billion.

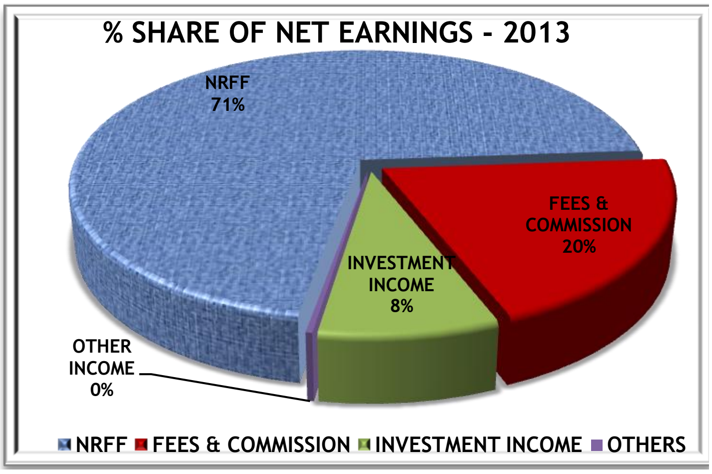


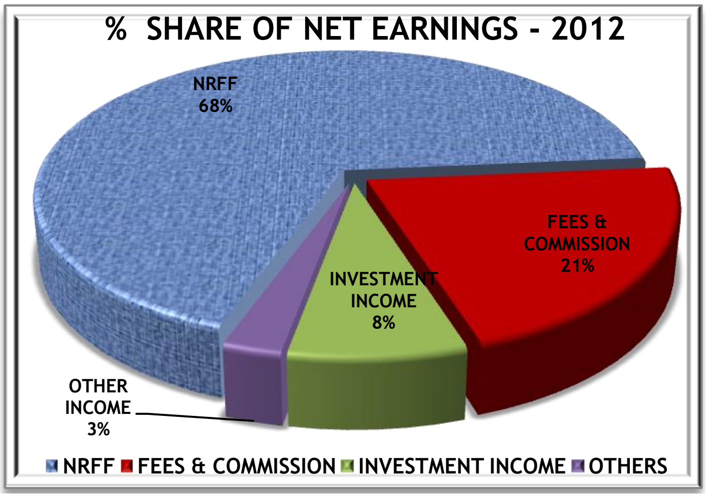


StaffCompensation

The staff members of the Bank areadequately compensated relative to their performance. Pharez Ratings track staff productivity by the ratio of net earnings per staff. As at 2013 FYE, the number of employee decreased to 6615 from7164 representing a 7.7% decline. The Bank's staff productivity grew by 22.6% from ₦28.7million to ₦35.7million, while staff compensation increased by 23.7% to ₦8.6million from ₦6.9million respectively. Staff cost was 41% of operating expenses. Staff compensation is estimated by assuming the figure for staff cost in the annual reports.

In our opinion, the Board structure is satisfactory. The Bank's ownership is well diversified and its management team and corporate governance structure is adequate for risk management governance. Inspite of the above, we expect the ratio of non-executive to out-space that of executive directors.

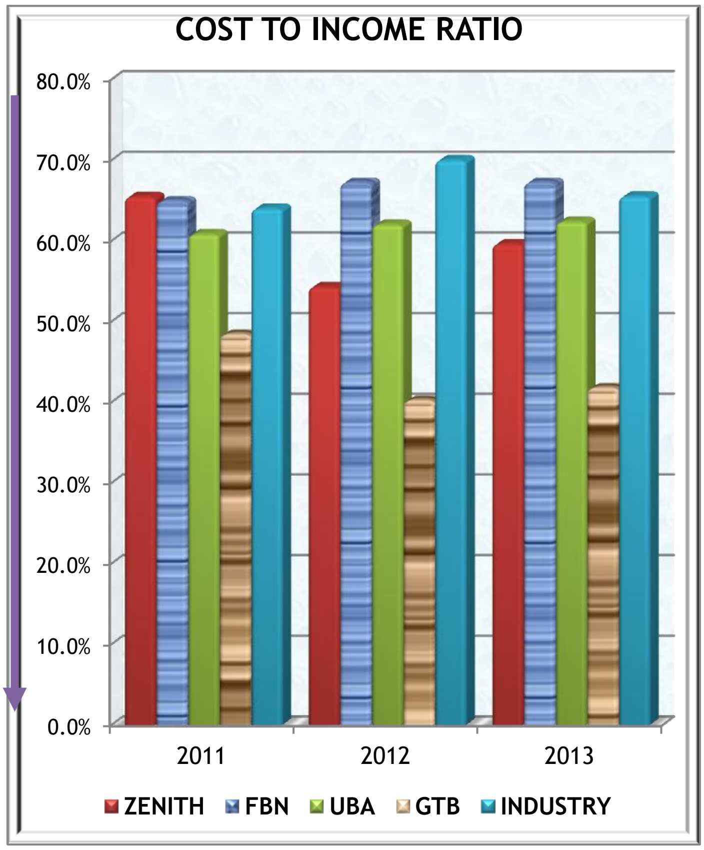




Earnings

Gross/Net Earnings

Gross Earnings increased by 12% from ₦279 billion to ₦311 billion while Profit Before Tax decreased by 13% from N95 billion to ₦83 billion during the same period.



The Bank generated net earnings of ₦232.9 billion in 2013 FYE, a 13% increase from ₦205.7 billion. The growth in net earnings was largely driven by proportionate increase in both the Bank's streams of income and expense line, but not as a result of decline in expenses line. For instance, Interest income and Non-interest income increased by 14% and 2%; while interest expense and loan loss expenses decreased by 5% and 24% respectively. The revenue stream of the Bank was significantly accounted for by 71% of net revenue from funds (NRFF); fees & commissions, investment income and income classified as others only accounted for 20%, 8% and 0.3% respectively.

The growth in NRFF can also be attributed to the 26% growth in the Bank's net loans and advances. The income generated from the primary source of NRFF increased by 21% to ₦133.7 billion up from ₦110.9billion.

Similarly, the income generated from the auxiliary sources (treasury bills & investment FGN bonds) and placements increased by 7% and 21% respectively. The Bank's profitability structure of 71% NRFF increases the traditional credit risk that results from loan portfolios. A Bank's profitability, if equitably attributed decreases the credit risk exposure resulting from large loan portfolios.

Cost to IncomeRatio

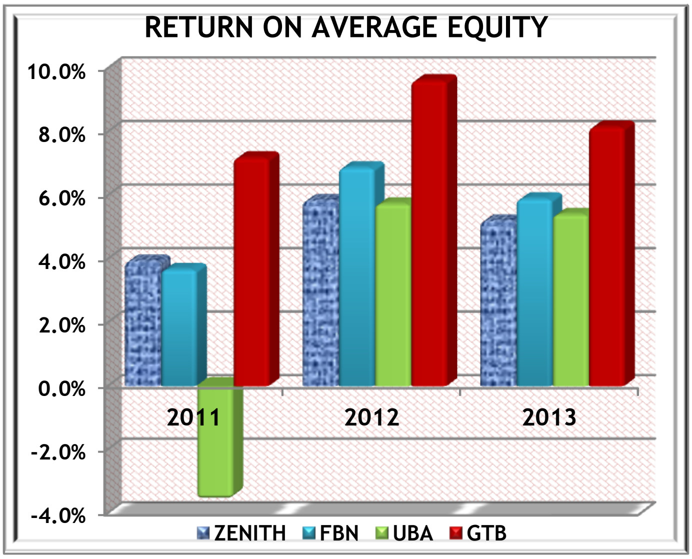
Cost to income ratio is a traditional measure of bank productivity; it is the cost required to generate each naira of revenue. For the purpose of this rating, cost toincome ratio is calculated as non-interest expense divided by the sum of NRFFand non-interest income. Zenith Bank Ltd. achieved a ratio of 59.6% in 2013 FYE, an increase from 54.3% in the previous year, but higher than an industry average of 72%.

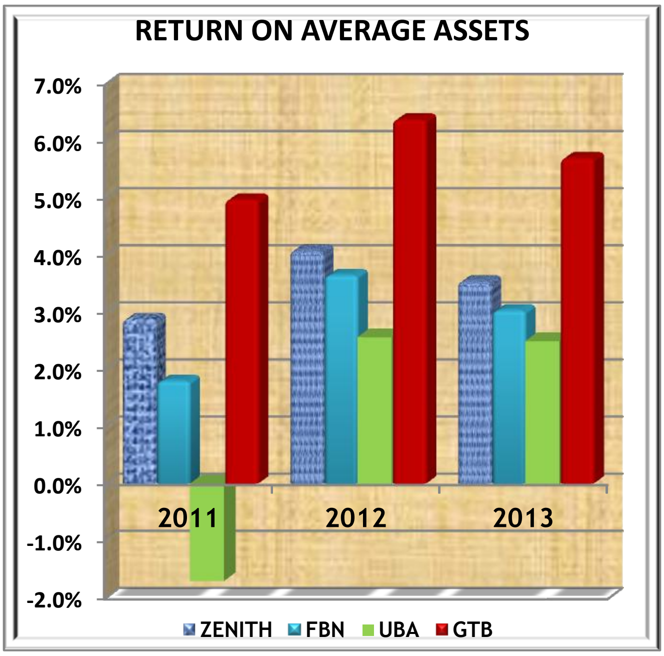
Pre-Tax Returns

The Bank's generated a pre-tax return on average equity (ROE) of 5.2% in 2013 FYE, a decrease from 5.8% recorded in the previous year and lower than the industry average of 13%. Zenith pre-tax return on average assets (ROA) also witnessed a decrease to 3.5% down from 4.1% recorded in the previous financial year but higher than the market average of 2%.

Conclusion

Overall, the Bank's earnings profile reflects a revenue-driven earnings rather than a cost-reduction one, this we consider adequate. However, a bank with low interest expense and thus low funding cost can be said to be better positioned than one with high interest expense, as it would be able to lend at markets lower rate competitively.





Funding and Liquidity Generation

The Bank's Total Deposit Liabilities was ₦2.079 trillion, an increase of 15% over last year's figure of ₦1.802 trillion with a mix of 72% Demand, 8% Savings, and 20% Time. The Bank's deposit mix translated to an estimated weighted average cost of funds of 4%, equal to the industry average of 4%.

There was a significant growth across all categories of deposit. Demand deposit increased by 12%, savings and time deposit increased by 24% and 28% respectively.

The Bank's 2013 year-end Liquidity Ratio at 53.1% represented 6.9 percentage points decrease over the 2012 figure of 60% but significantly higher than the regulatory minimum of 30%.

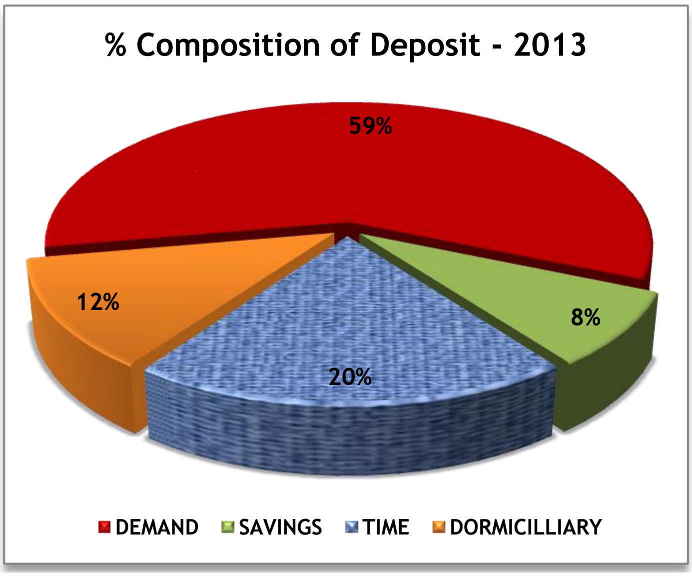
As at time of the rating, the Bank had a moderate concentration risk by deposits, as top twenty depositors accounted for 13% of the Bank's total deposit base and maintains a matched balance sheet with 51% of its loans compared to the 45% of its total deposits both within the maturity period of 180 days.

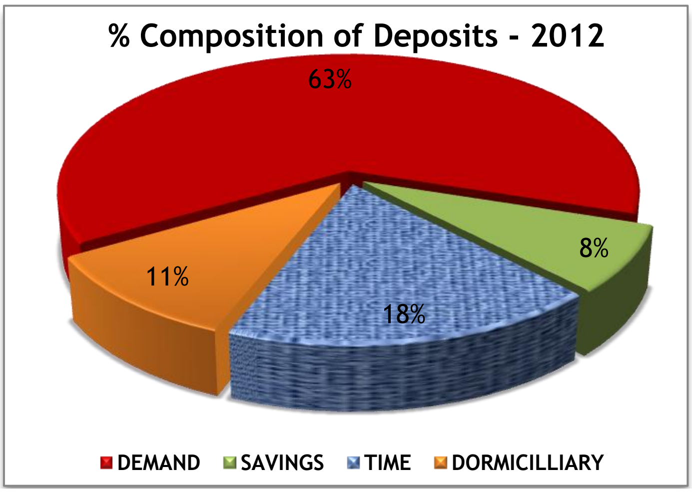
The Bank's Total Loans and Advances relative to Total Deposit stood at 55%, below our maximum expectation of 75% and the regulatory maximum of 80%. Loan to deposit ratio is the amount of a bank's loans divided by the amount of its deposits at any given time. The higher the ratio, the more the bank is relying on borrowed funds, which are generally more costly than most types of deposits. Zenith Bank loan to deposit ratio is lower than our maximum expectation, thus demonstrates average reliance on borrowed fund.

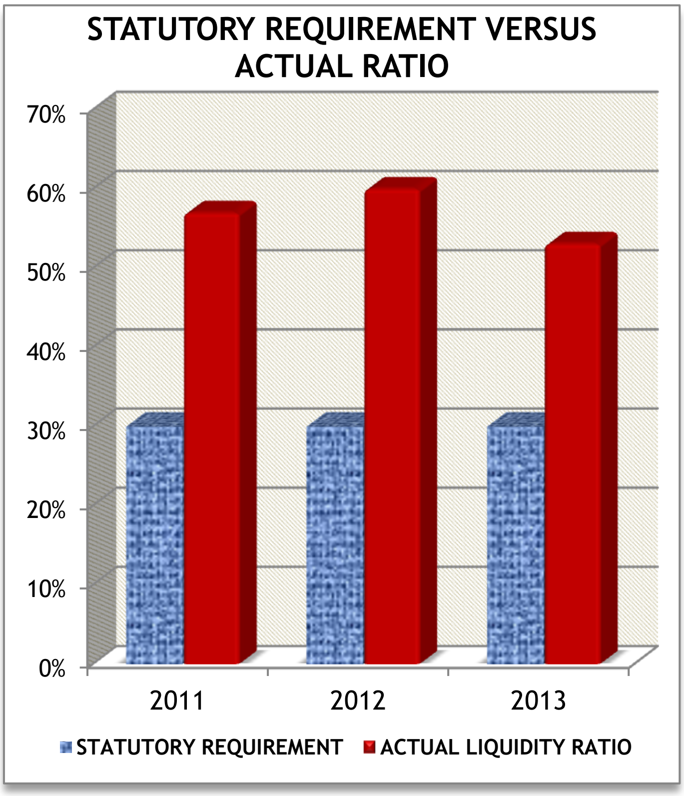
The *Liquidity Weighted Loans to Deposit Ratio* is an important ratio for further consideration. When weights are attached to the composition of deposits according to current, time, and savings deposits, and thecomposition of loans is also weighted according to maturity, the ratio reduces to 33%, which is lower than the industry's weighted of 46%.

Its estimated nominal cost of funds, measured by the ratio of Interest Expense to Local Currency Deposit, at 3.3% was at par with the Industry Average of 5%. Interest expense due to other banks during the financial year was nil of total interest expense in both the reporting year and prior financial year end.

In our opinion the Bank's liquidity is deemed very adequate.





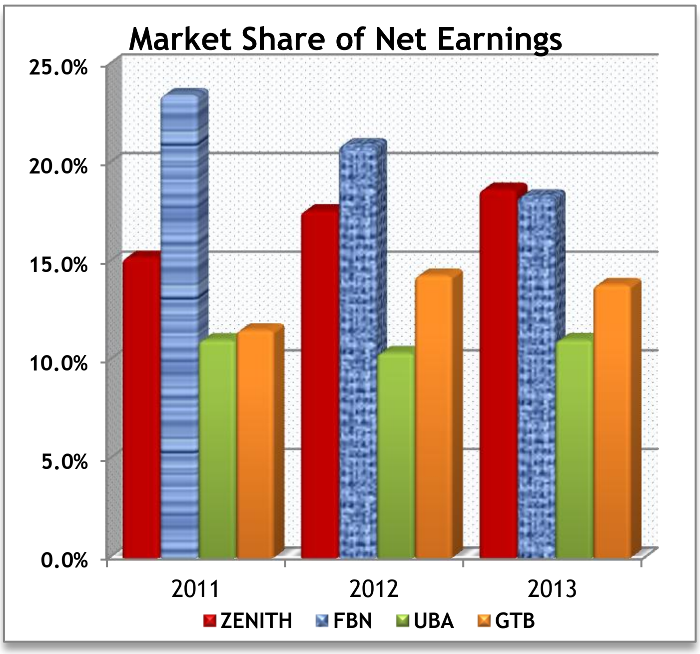


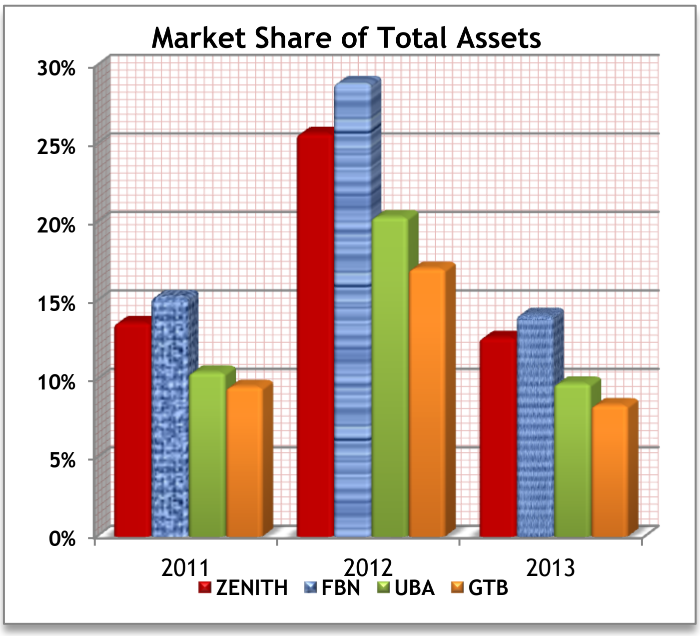
Industry Position

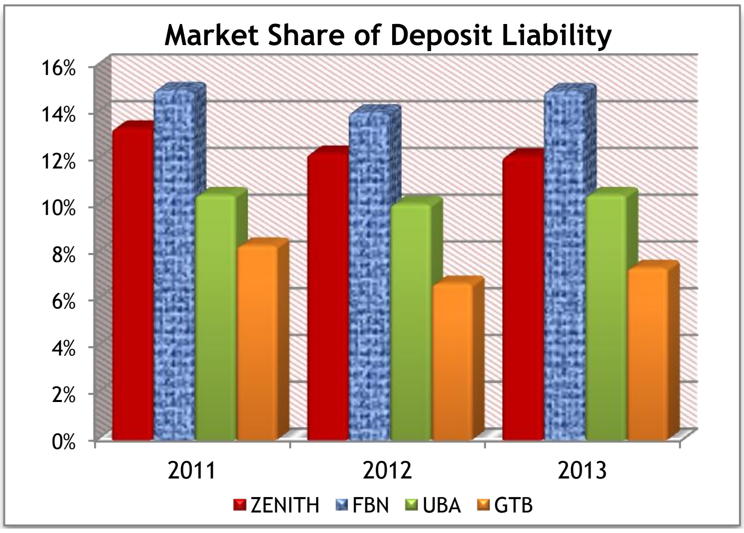
During the 2013 financial year, Zenith bank recorded a dominant position on all the market share key parameters. Estimated market share of total assets stood at 13%, maintaining a significant position of 14% in the prior accounting year.

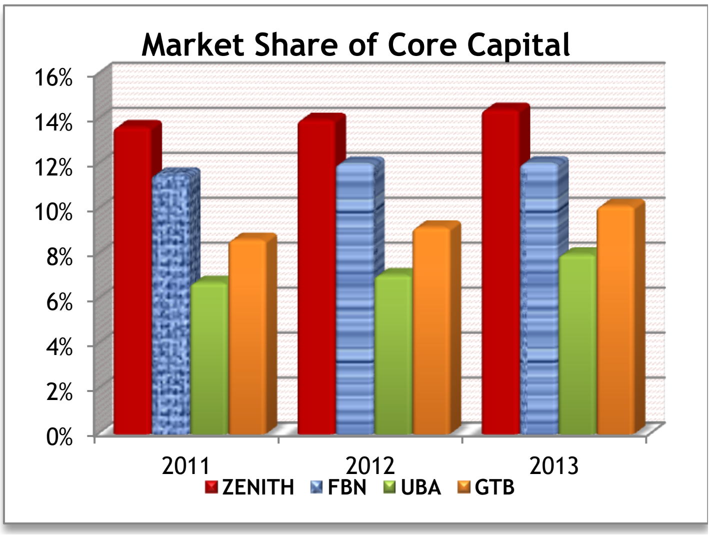
Estimated market share of local currency deposit stood at12% in December 2013 FYE (December 2012: 12%), while estimated market share of net earnings represented 18.7% in the year under review; 18.5% in 2012 FYE.

From our analysis, Zenith Bank currently is in a very strong industry position and also in a competitive environment where she is expected to continue to harness the wholesale banking competency which is the forte of other industry players. Similarly, like most major banks of its type that dominates the market, the Bank is foreseen to continue to grow its key market parameters.









Outlook

Good Defensive Qualities

External factors pose the most obvious threat, particularly due to the structure of the Nigerian Economy. The stable outlook on Zenith Bank Ltd Ratings is supported by its strong Balance Sheet which place it in good stead to cope with the threat of a still uncertain global economic environment. Pharez Ratings has a cautious outlook on banks in Nigeria. This is because their improving profitability and relentless loan growth are still dependent and operated on an economy which is primarily driven by agriculture and oil & gas as against service driven economy where wholesale & trading, hotel & tourism, power & energy, construction, telecommunications, computers & IT, manufacturing, transport, maritime & shipping etc. are the major contribution to the National GDP (see table below).

Satisfactory Capital

Barring any large losses, the Bank capitalisation should remain satisfactory on average, given the stable earnings. These also serve as effective lines of defence in any foreseeable systemic crises, enabling them to always emerge with their capital largely intact to pursue growth. In addition to the banks' capital buffers, the agency expects her to remain well capitalised.

Loan Growth and Steady Assets Quality

Steady loan growth, due to the level of optimism in the Bank, and stable credit costs will not underpin the Banks' profitability irrespective of the level of competition in the industry.

Management Competence & Continuity

Overtime, the management of the Bank by its managers has demonstrated its experience considering the level of innovation that has greeted the sector and the volatility of the operating environment. Surviving various stress tests and engaging in high profile projects in the economy; Pharez Ratings believes it to be proofs in continuous participation in the Nigeria Banking Industry.

Healthy Funding Profiles

Funding will not be a major concern for the Bank since she is largely deposit-funded and a healthy loan-to-deposit ratio. Banks with high deposit franchise in an emerging economy such as Nigeria faces no pressure in meeting up loan growth opportunities as a financial institution.

GDP - Composition by Sector

Sectors:	Agriculture		Industry		Services	
Country:	2012 est.	2013 est.	2012 est.	2013 est.	2012 est.	2013 est.
Nigeria	30.9%	31.2%	43%	45%	26%	23.8%
South Africa	2.40%	2.6%	32.10%	33.6%	64.90%	68.4%
China	9.7%	10%	46.6%	43.9%	43.7%	46.1%
Singapore	0%	0%	27.8%	29.4%	72.2%	70.6%
Canada	1.8%	1.7%	28.6%	28.4%	69.6%	69.9%
Germany	0.8%	0.8%	28.1%	28.7%	71.1%	69%
France	1.9%	1.9%	18.3%	18.7%	79.8%	79.4%
Japan	1.2%	1.1%	27.5%	25.6%	71.4%	73.2%

CIA World Fact Book

APPENDIX: Disclosure of the Credit Ratings Computed Ratios

	Number of months in financial year	12		12		12	12
	REGULATORY BALANCE SHEET	31-Dec-2013		31-Dec-2012		31-Dec-2011	
		₦'Million		₦'Million		₦'Million	
	ASSET						
1	CASH AND SHORT TERM FUNDS	837,317	29%	517,337	21%	457,462	21%
2	SHORT TERM INVESTMENTS	573,187	20%	647,474	27%	494,253	23%
3	LOANS AND ADVANCES	1,126,559	39%	895,354	37%	827,035	38%
4	OTHER LOANS AND ADVANCES						
5	ADVANCES UNDER FINANCE LEASE						
6	OTHER ASSETS	31,415	1%	16,814	1%	24,730	1%
7	LONG TERM INVESTMENTS	241,148	8%	292,081	12%	299,055	14%
8	FIXED ASSETS	67,364	2%	66,651	3%	65,877	3%
9	GOODWILL AND OTHER INTANGIBLES	1,703	0%	1,175	0%	661	0%
	TOTAL ASSETS	2,878,693	100%	2,436,886	100%	2,169,073	100%
	LIABILITIES						
10	DEPOSITS AND OTHER ACCOUNTS	2,079,862	72%	1,802,008	74%	1,577,290	73%
11	OTHER DEPOSITS						
12	TAXATION PAYABLE	5,266	0%	5,071	0%	11,934	1%
13	OTHER LIABILITIES	260,793	9%	171,093	7%	176,030	8%
14	DEFERRED TAX LIABILITIES			5,573	0%	10,732	0%
15							
16	BORROWINGS	60,150	2%	15,138	1%		
	TOTAL LIABILTIES	2,406,071	84%	1,998,883	82%	1,775,986	83%
	NET ASSETS	472,622	16%	438,003	18%	393,087	17%
17	CAPITAL AND RESERVES						
18	SHARE CAPITAL	15,698	1%	15,698	1%	15,698	1%
19	SHARE PREMIUM	255,047	9%	255,047	10%	255,471	12%
20	OTHER RESERVES	201,877	7%	167,258	7%	100,848	5%
	SHAREHOLDERS FUNDS	472,622	16%	438,003	18%	372,017	17%
	TOTAL LIABILITIES AND SHAREHOLDERS FUNDS	2,878,693	100%	2,436,886	100%	2,148,003	100%
21	*GUARANTEES AND OTHER COMMITMENTS ON BEHALF OF CUSTOMER*						
	TOTAL ASSETS & CONTINGENTS						

	CAPITAL & RESERVE ANALYSIS			
	RESERVE ANALYSIS			
22	SHARE PREMIUM	255,047	255,047	255,047
23	STATUTORY RESERVE	57,710	45,198	30,204
24	RETAINED EARNINGS	126,678	106,010	55,028
25	SMALL SCALE INDUSTRIES RESERVE	3,729	3,729	3,729
26	FOREIGN CURRENCY TRANSLATION RESERVE			
27	BONUS RESERVE			
28	REVALUATION RESERVE	3,517	2,078	2,068
29	CAPITAL RESERVES			
30	CREDIT RISK RESERVES	10,243	10,243	10,243
		456,924	**422,305**	**356,319**
	TIER 1 CAPITAL			
31	EQUITY SHARES	15,698	15,698	15,698
32	SHARE PREMIUM	255,047	255,047	255,047
33	RETAINED EARNINGS	126,678	106,010	55,028
34	OTHER QUALIFYING RESERVES	71,682	59,170	44,176
35	NON REDEEMABLE, NONCUMULATIVE PREFERENCE SHARES			
		469,105	**435,925**	**369,949**
	TIER 2 CAPITAL			
36	ASSET REVALUATION RESERVE	3,517	2,708	2,068
37	GENERAL PROVISIONS/LOSS RESERVES	14,355	11,460	10,636
38	HYBRID (DEBT/EQUITY) CAPITAL INSTRUMENTS			
39	SUBORDINATED TERM DEBT			
		17,872	**14,168**	**12,704**
	TIER 3 CAPITAL			
40	SHORT TERM SUBORDINATED DEBT			

	CAPITAL ADEQUACY RATIOS			
41	Risk-weighted assets/Total assets & contingents	47.5%	45%	51%
42	Adjusted capital/risk weighted assets	26%	30%	33%
43	Tier 1 capital/Adjusted capital	93.4%	94.5%	96%
44	Adjusted capital/Total loans - net	44.6%	51.5%	45%
	ASSET QUALITY RATIOS			
45	Performing Loans (N'Million)	1,120,401	888,334	813,627
46	Total Non-Performing Loans (N 'Million)	27,977	28,457	37,290
47	Total Loans	1,148,378	916,791	850,917
48	Non-performing loans/Total loans - Gross	2.4%	3.1%	4.4%
49	Loan loss provision/Total loans - Gross	1.9%	2.3%	**2.8%**
50	Loan Loss Provisions Coverage of Nonperforming Loans	78%	75%	64%
51	Risk-weighted assets/Total assets & contingents	47.5%	45%	51%
	STAFF INFORMATION			
52	Number of employees	6,615	7,164	7,783
53	Staff cost per employee (N 'Million)	8,596	6,950	5,731
54	Net earnings per staff (N 'Million)	35,207	28,712	21,248
55	Staff cost/Net earnings	24%	24%	27%
56	Staff costs/Operating expenses	41%	45%	41%
	EARNINGS RATIOS			
57	Net interest margin	71.9%	69.4%	78.9%
58	Operating expenses/Net earnings	59.6%	54.3%	65.4%
59	Return on average assets (pre-tax)	3.5%	4.1%	2.9%
60	Return on average equity (pre-tax)	5.2%	5.8%	3.9%
	LIQUIDITY RATIOS			
70	Total loans/Total lcy deposits	55%	51%	58%
71	Liquid assets/Total lcy deposits	53.1%	60.0%	
72	Demand deposits/Total lcy deposits	59%	63%	
73	Savings deposits/Total lcy deposits	8%	8%	
74	Time deposits/Total lcy deposits	32%	29%	
75	Inter-bank borrowings/Total lcy deposits	0%	0%	
	MARKET SHARE OF INDUSTRY TOTAL			
76	Total assets	13%	26%	14%
77	Net earnings	18.7%	17.6%	15.2%
78	Lcy deposit	12%	12%	13%
79	Core capital	14%	13%	15%

In addition to CREDIT RATINGS and INVESTMENT RESEARCH, Pharez Ratings conducts two types of CORPORATE GOVERNANCE RATINGS: *Solicited and Public Information*. Public information ratings start with a review of relevant information in the public domain, including but not limited to published accounts, company websites, surveys and questionnaires, information from regulatory agencies, news services, professional websites, and other sources of information deemed reliable and trustworthy. The ratings reflect Pharez Rating's opinion of a company's credit worthiness, and are accordingly classified as reflected on page 7. Pharez does not undertake an audit or assurance procedure prior to reliance upon data or information reckoned to be reliable. Accordingly, Pharez Ratings cannot guarantee the correctness of any information relating to any rated company. However, Pharez Ratings reserves the right to moderate, alter, or suspend a rating, where, in its judgment, certain events or occurrences have impacted upon any aspects of the credit risk framework or processes of a rated entity.