

9-Month Results Presentation to Investors & Analysts

IFRS Compliant Results

September 2012

people | technology | service



ZENITH BANK PLC





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 3 - 5

Results - Group

- Speaker: Executive Director/Chief Financial Officer Udom Emmanuel Slides 6 - 17

Results – By Segment & Geography

- Speaker: Executive Director/Corporate Banking Peter Amangbo Slides 18 - 22

Company Risk Management

- Speaker: Executive Director – Enterprise & Risk Management Andy Ojei Slides 23 - 27

Strategy & Outlook

- Speaker: Managing Director/Chief Executive Officer Godwin Emefiele Slides 28 - 32

Q & A



- **GDP Growth:** The GDP grew at the rate of 6.28% in Q2 2012, down by 133 bps from 7.61% recorded in the corresponding quarter of the previous fiscal year. However, the growth in Q2 output outstrips that of Q1 2012 of 6.17%. 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 sector, while oil sector output decreased. Nigeria's Q2 2012 growth rate was relatively favourable compared to the downturn observed in most countries as the Euro zone crisis persists. A stronger GDP growth is expected in the third quarter of 2012 as Nigeria continues to pursue complementary fiscal and monetary policies, to serve as a cushioning effect against domestic and external shocks.
- **Oil Prices:** Crude oil price in the international market has been on an up-ward trend for the third consecutive month. From less than \$94/b recorded in June 2012, it has moved up to above \$110/b in September, 2012. The force driving up the price is the demand for oil, particularly from the emerging economies which has grown significantly, without a corresponding increase in increase global production. However, Nigeria production hit an all time high of 2.7million pbd in Q3 2012.. **Zenith Bank will continue to support business opportunities in the oil and gas sector of the economy in a bid to boost its earnings.**
- **Foreign Reserves:** Nigeria's foreign reserves rose to a 29-month high of \$41.19 billion by end of September 2012. This represents a 6.02% increase from the figure recorded at the end of Q2 2012 and 29.73% increase y/y. Nigeria's forex reserves had been largely driven by strong oil prices and higher production. The price of Bonny Light, the country's sweet crude had remained above \$115 per barrel at the international market, a development which had favoured the increase in reserves.
- **Exchange Rate:** The FX market remained stable in Q3 2012 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 Q3 2012. **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 dropped for the third consecutive month to 11.3% y/y in September 2012 from 11.7% recorded in August 2012. The decline is partly as a result of the aggressive monetary policy initiatives by the Central Bank of Nigeria, with its base effects and a much lower increase in several food prices, such as yam and vegetables, due to the harvest season.



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 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 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 improve its NPL ratio to 3.2% with a coverage ratio of over 90%. The management of the Bank will strive to bring NPL ratios to about 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 it intends to maintain this trend.
- ❑ **Return On Equity.** Since the banking sector began recovery in 2009, Zenith Bank has steadily grown its ROAE. We project an ROAE in the high teens for FY12.



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Q & A

Key Theme

**Increased Efficiency Through Optimal Resource Allocation
Building A Shock-Proof Balance Sheet**

P & L

Gross Earnings: N229.16bn
 Net Interest Income: N119.75bn
 Net Interest Margin: 8.91% (Annualized)
 PBT: N75.22bn
 PAT: N64.06bn

+25.18% YoY
 +23.67% YoY
 +14.50% YoY
 +41.59% YoY
 +50.60% YoY

Balance Sheet

Customer Deposit: N1.72tn
Total Assets: N2.46tn
Total Shareholders' Funds: N421.31bn
Loans & Advances: N993.13bn

+4.06% (YTD)
 +5.64% (YTD)
 +6.86% (YTD)
 +7.88% (YTD)

Key Ratios

Loan to Deposit Ratio: 54.29%
 Operating Cost to Income Ratio: 40.46%
 Liquidity: 60.48%
 Capital Adequacy: 29.10%
 NPL:3.20%; Cost of Risk: 0.57%
 ROAE: 20.96% (Annualized)
 EPS: 202k



Profit & Loss Statement

(N'm)

	Group 9 mths to Sep-12	Group 9 mths to Sep-11	YOY Change
Gross Income	229,161	183,067	25.18%
Interest Income	168,219	122,588	37.22%
Interest Expense	48,466	25,756	88.17%
Net Interest Income	119,753	96,831	23.67%
Impairment Charge for Credit Losses	-4,016	-5,701	29.55%
Net Interest Income after Impairment Charge for Credit Losses	115,737	91,130	27.00%
Fees and Commission Income	36,896	36,266	1.74%
Net gains on Financial Instruments	11,383	11,991	-5.07%
Other Income	709	1,518	-53.30%
Operating Expenses	-92,719	-93,313	-0.64%
Profit Before Tax	75,223	53,129	41.59%
Taxation	-11,162	-10,592	5.38%
Profit After Tax	64,061	42,537	50.60%

Improved top line earnings driven by efficient allocation of resources



Comments

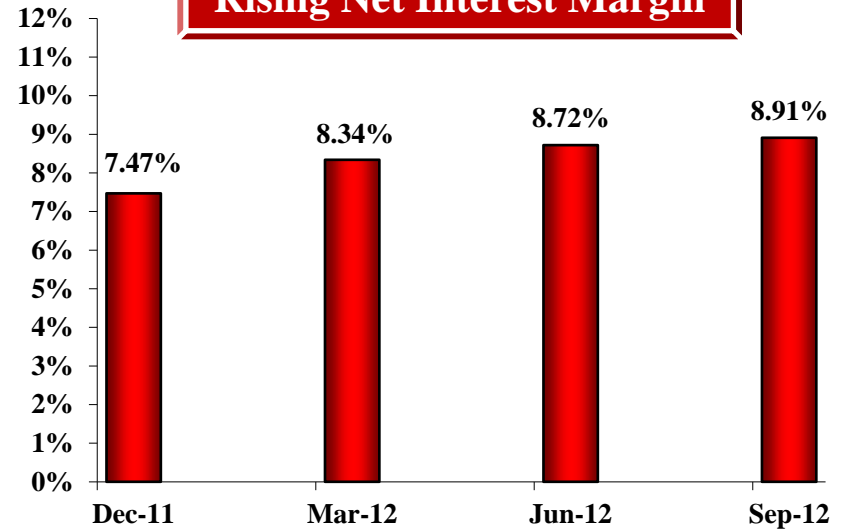
❑ *Net Interest Margin: Consistent increase over the last 4 quarters. The Group maintained a strong Net Interest Margin through an efficient balance sheet management.*

❑ *Operating Cost declined marginally by 0.64% from N93.31bn in Q3 2011 to N92.72bn in Q3 2012. The Group's cost reduction strategies continued to yield the desired results. The Operating Cost to Income Ratio further declined by 20.64% YoY, from 50.98% to 40.46%.*

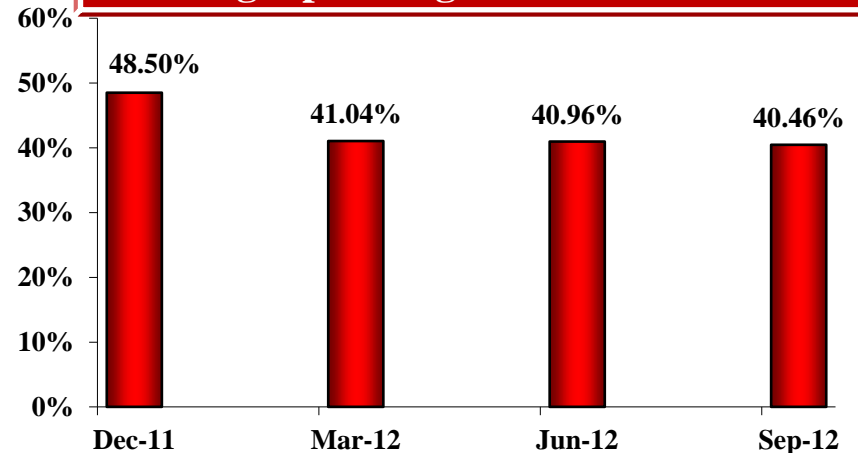
❑ *Strong ROAE at 20.95% (annualized) compared to Q3 2011's figure of 15.09%.*

❑ *PBT – N75.22bn, up 41.59% from first Q3 2011 while PAT rose to N64.06bn from N42.54bn in Q3 2011 – this represents a year-on year growth of 50.60%.*

Rising Net Interest Margin



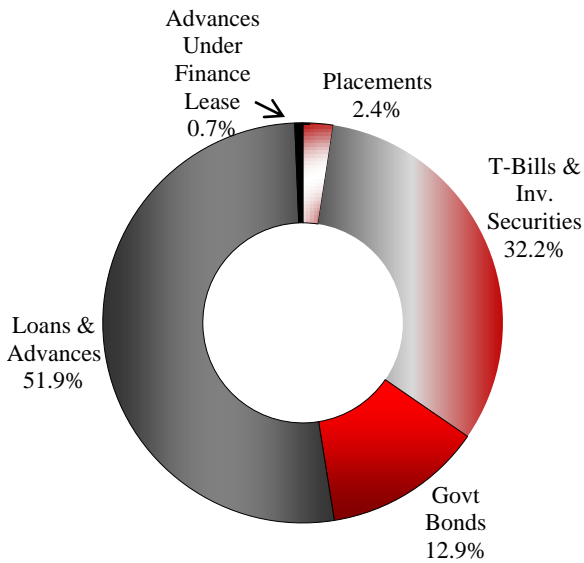
Falling Operating Cost to Income Ratio





Revenue Base ...Sustained Diversification

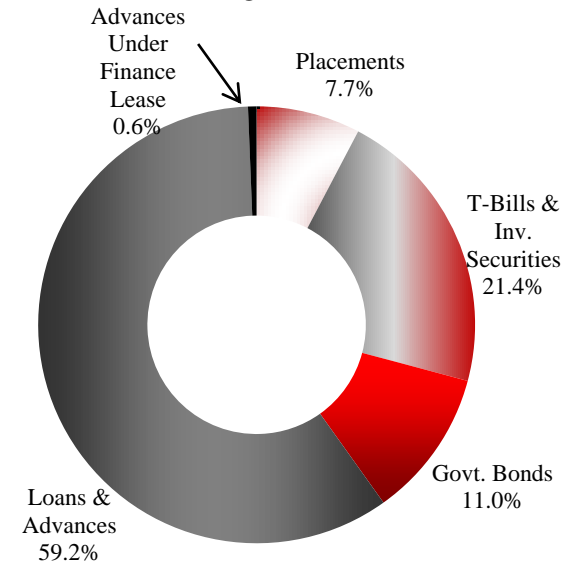
Q3 2012



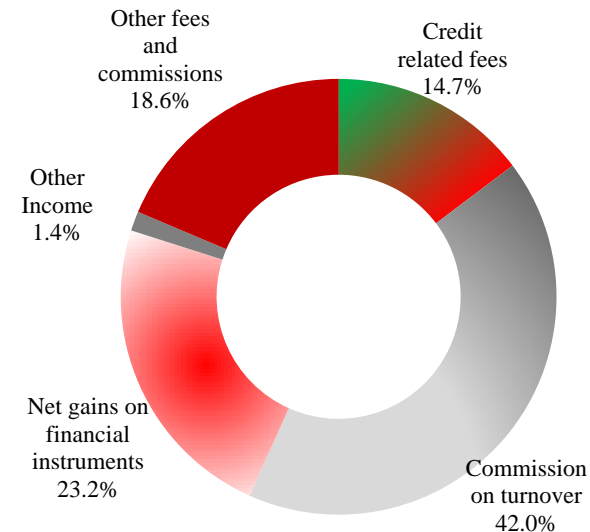
Interest Income

N'm	Q3 2012	Q3 2011	YoY
Placements	4,100	9,437	-57%
T-Bills & Inv. Securities	54,104	26,281	106%
Government Bonds	21,679	13,481	61%
Loans & Advances	87,237	72,618	20%
Advances Under Finance Lease	1,099	769	43%
Total	168,219	122,588	37%

Q3 2011



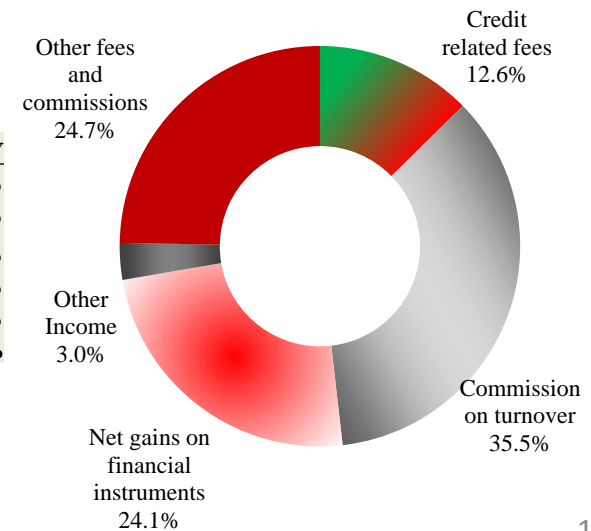
Q3 2012



Non-Interest Income

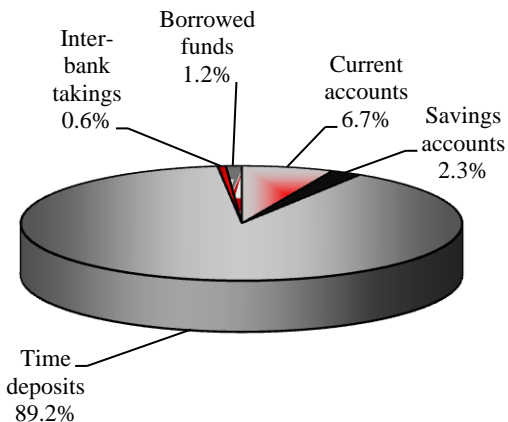
N'million	Q3 2012	Q3 2011	YoY
Credit related fees	7,209	6,289	15%
Commission on turnover	20,561	17,675	16%
Net gains on financial instruments	11,383	11,991	-5%
Other Income	709	1,518	-53%
Other fees and commissions	9,126	12,302	-26%
Total	48,988	49,775	-2%

Q3 2011





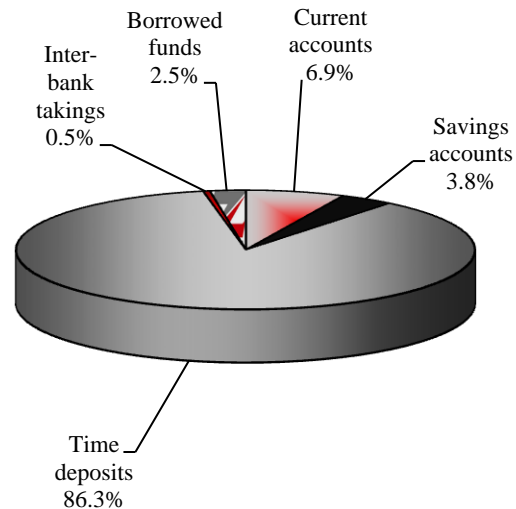
Q3 2012



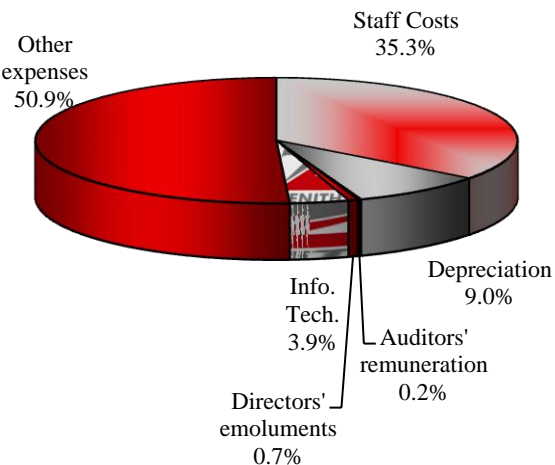
Interest Expenses

N'million	Q3 2012	Q3 2011	YoY
Current accounts	3,250	1,787	82%
Savings accounts	1,110	980	13%
Time deposits	43,254	22,221	95%
Inter-bank takings	290	121	140%
Borrowed funds	563	647	-13%
Total	48,466	25,756	88%

Q3 2011



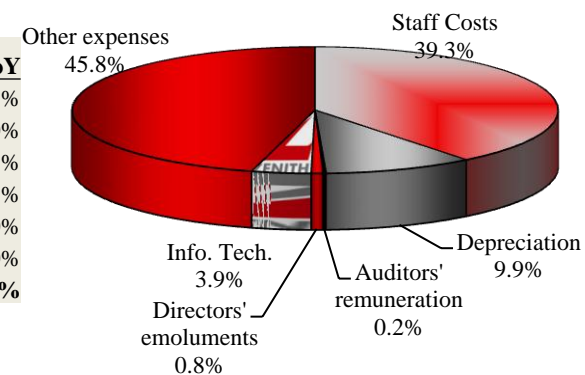
Q3 2012



Operating Expenses

N'million	Q3 2012	Q3 2011	YoY
Staff Costs	32,734	36,714	-11%
Depreciation	8,328	9,267	-10%
Auditors' remuneration	196	177	11%
Directors' emoluments	615	742	-17%
Info. Tech.	3,662	3,664	0%
Other expenses	47,185	42,750	10%
Total	92,719	93,313	-1%

Q3 2011





Balance Sheet- Assets

(N'm)	Group	Group	YTD	Group
	Sep-12	Dec-11		Sep-11
Cash and balances with central banks	288,576	223,187	29.30%	113,600
Treasury bills	360,658	510,738	-29.38%	442,877
Due from other banks	392,605	234,521	67.41%	324,835
Loans and advances	964,871	893,834	7.95%	895,302
Investment securities	293,995	308,231	-4.62%	253,866
Investments in associates	1,756	1,756	3.76%	1756
Deferred tax assets	89	186	-52.15%	38
Other assets	43,941	25510.3	72.25%	42,625
Assets classified as held for sale	35,418	52,482	-32.51%	62,836
Investment property	7,052	7,114	-0.87%	7,077
Property and equipment	67,640	68,366	-1.06%	68,350
Intangible assets	1,362	770	76.90%	798
Total Assets	2,457,963	2,326,695	5.64%	2,213,960

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



Balance Sheet- Liabilities & Equity

(N'm)	Group	Group	YTD	Group
	Sep-12	Dec-11		Sep-11
Customers deposits	1,722,683	1,655,458	4.06%	1,546,837
Current income tax	12,029	13,348	-9.88%	9,967
Deferred income tax liabilities	10,743	10,742	0.01%	10,253
Other liabilities	200,860	152,836	31.81%	153,219
On-lending facilities	59111	49370	19.73%	43,966
Borrowings	17,193	21,070	-18.40%	23,350
Liabilities classified as held for sale	14,037	29,603	-52.58%	38,098
Total liabilities	2,036,656	1,932,427	5.42%	1,825,690

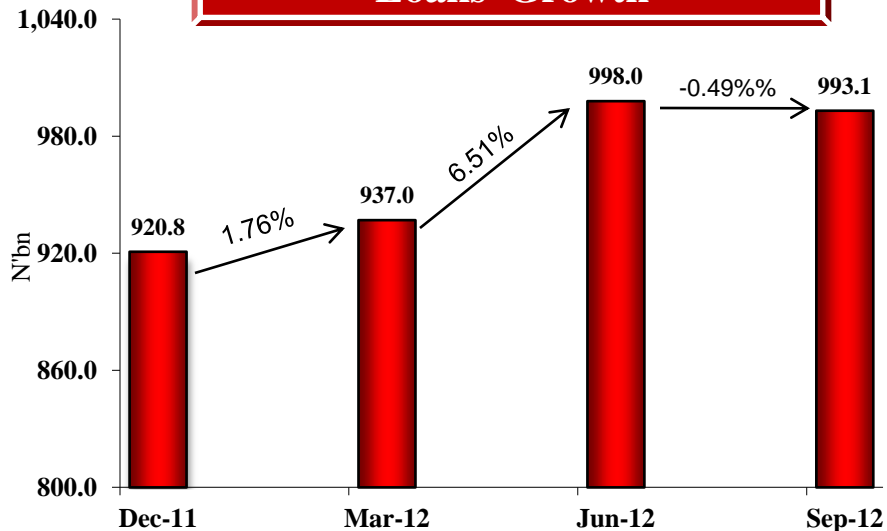
(N'm)	Group	Group	YTD	Group
	Sep-12	Dec-11		Sep-11
Share capital	270,745	270,745	0.00%	270,745
Reserves	147,325	120,837	21.48%	114,615
Total Shareholder's funds	421,307	394,268	6.72%	388,271
Non-controlling interest	3,237	2,686	20.51%	2,911
Total liabilities & equity	2,457,963	2,326,695	5.64%	2,213,960

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

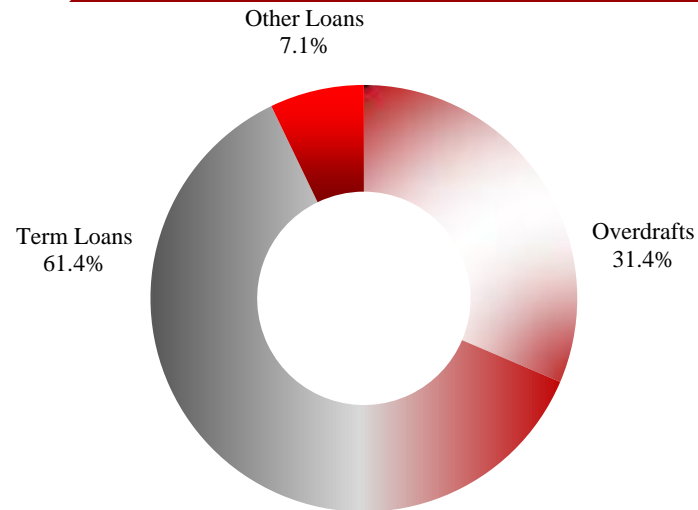


Sustained assets & liabilities match..

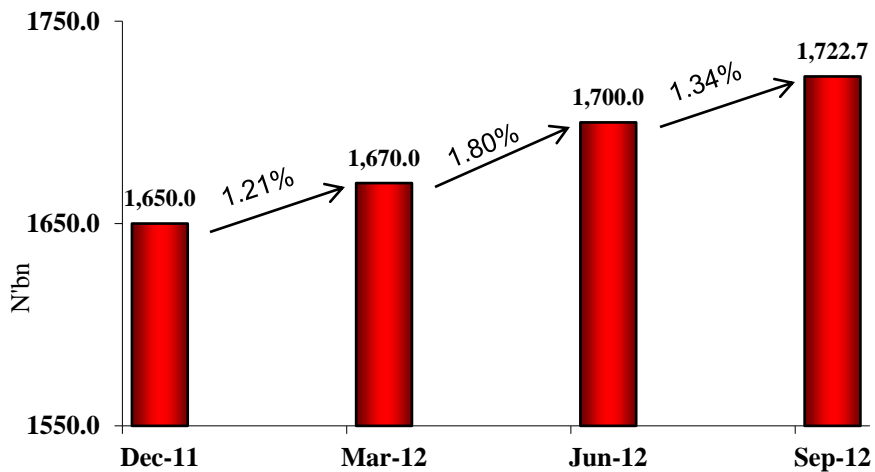
Loans Growth



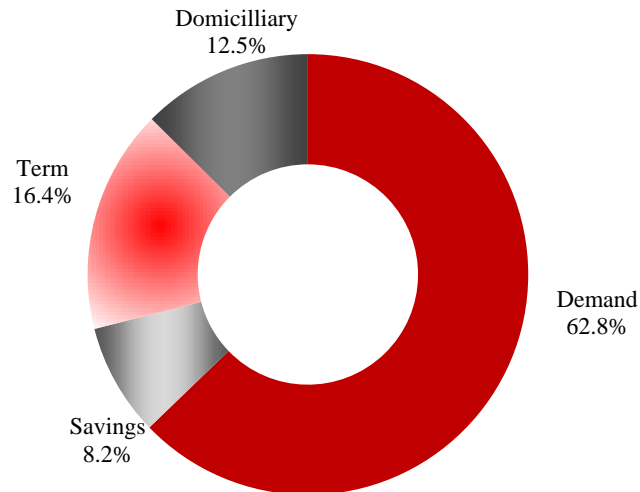
Loans & Advances Q3 2012



Customer Deposits



Deposits Mix Q3 2012

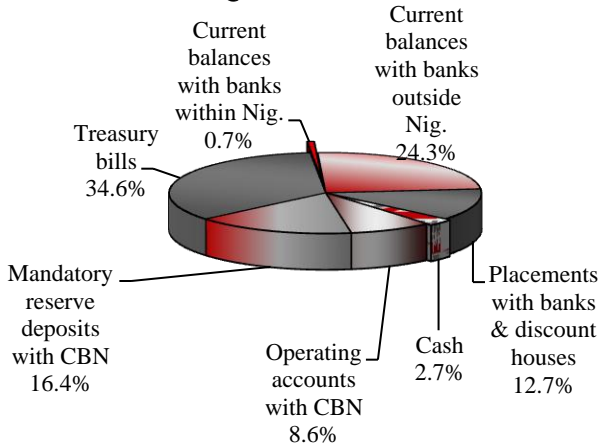




Continued market dominance through strong liquid asset base and funding mix...



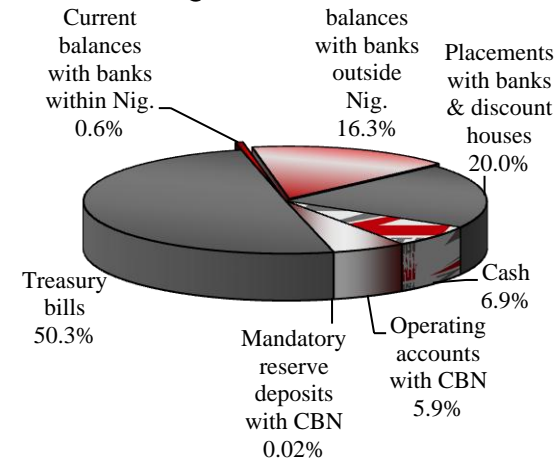
Q3 2012



Liquid Assets

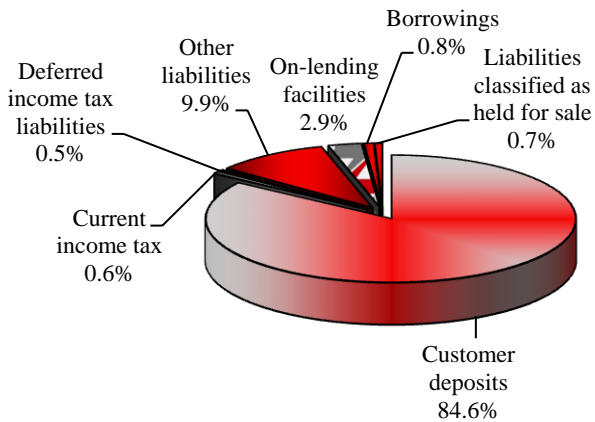
N'million	Q3 2012	Q3 2011	YoY
Cash	28,402	61,202	-54%
Operating accounts with CBN	89,150	52,204	71%
Mandatory reserve deposits with CBN	171,024	194	88057%
Treasury bills	360,658	442,877	-19%
Current balances with banks within Nig.	7,667	5,331	44%
Current balances with banks outside Nig.	253,078	143,379	77%
Placements with banks & discount houses	131,860	176,125	-25%
Total	1,041,839	881,312	18%

Q3 2011



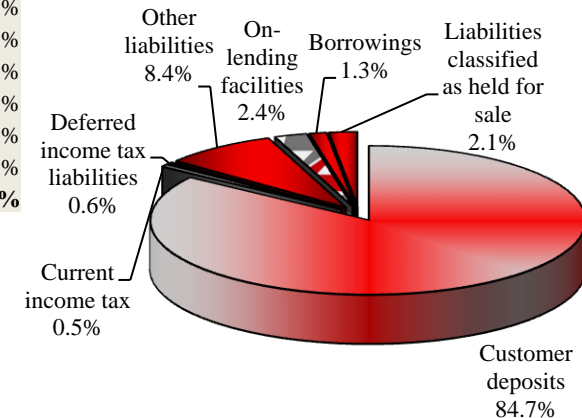
Funding Mix

Q3 2012



N'million	Q3 2012	Q3 2011	YoY
Customer deposits	1,722,683	1,546,837	11%
Current income tax	12,029	9,967	21%
Deferred income tax liabilities	10,743	10,253	5%
Other liabilities	200,860	153,218	31%
On-lending facilities	59,111	43,966	34%
Borrowings	17,193	23,350	-26%
Liabilities classified as held for sale	14,037	38,098	-63%
Total	2,036,656	1,825,689	12%

Q3 2011

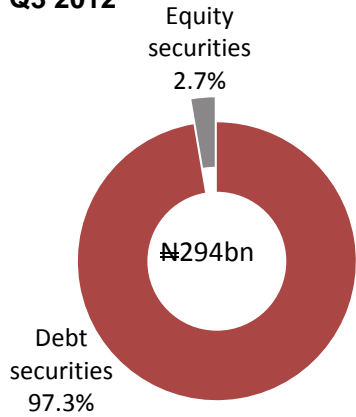




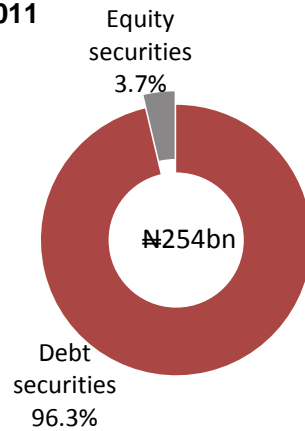
Other Assets

Investment Securities

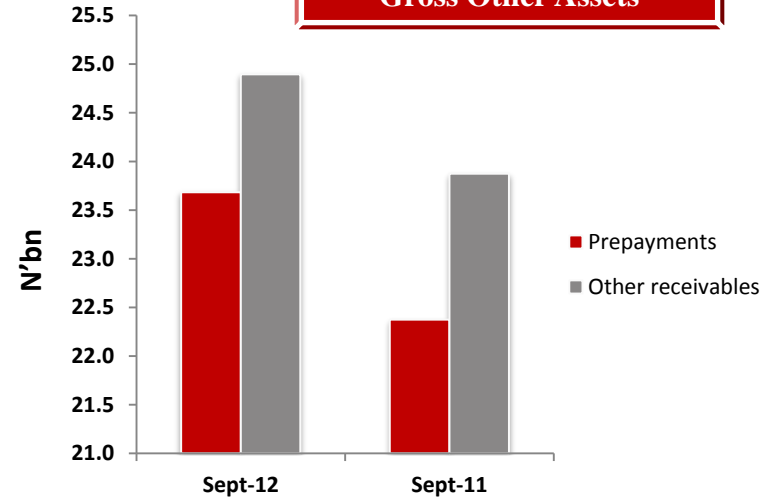
Q3 2012



Q3 2011

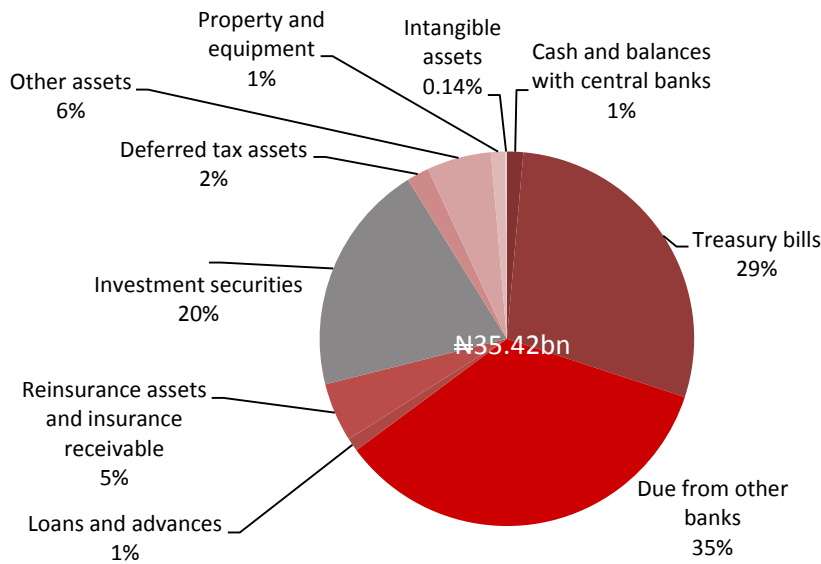


Gross Other Assets

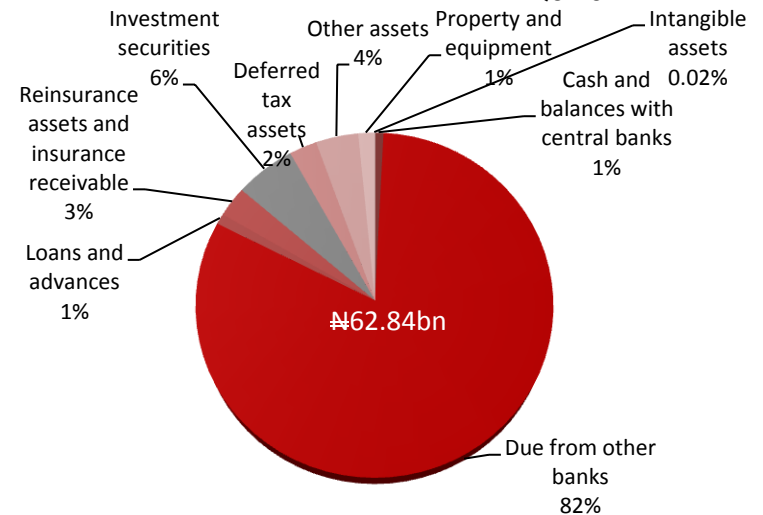


Assets Classified as Held for Sale

Q3 2012



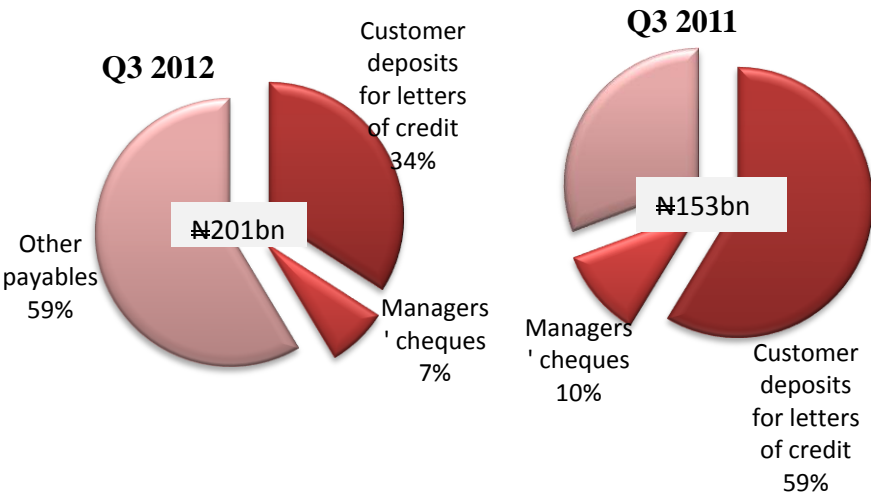
Q3 2011



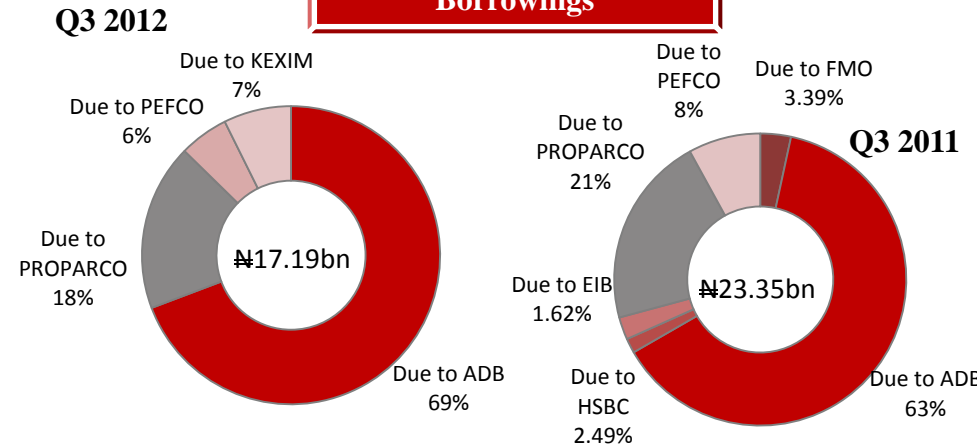


Other Liabilities

Other Liabilities

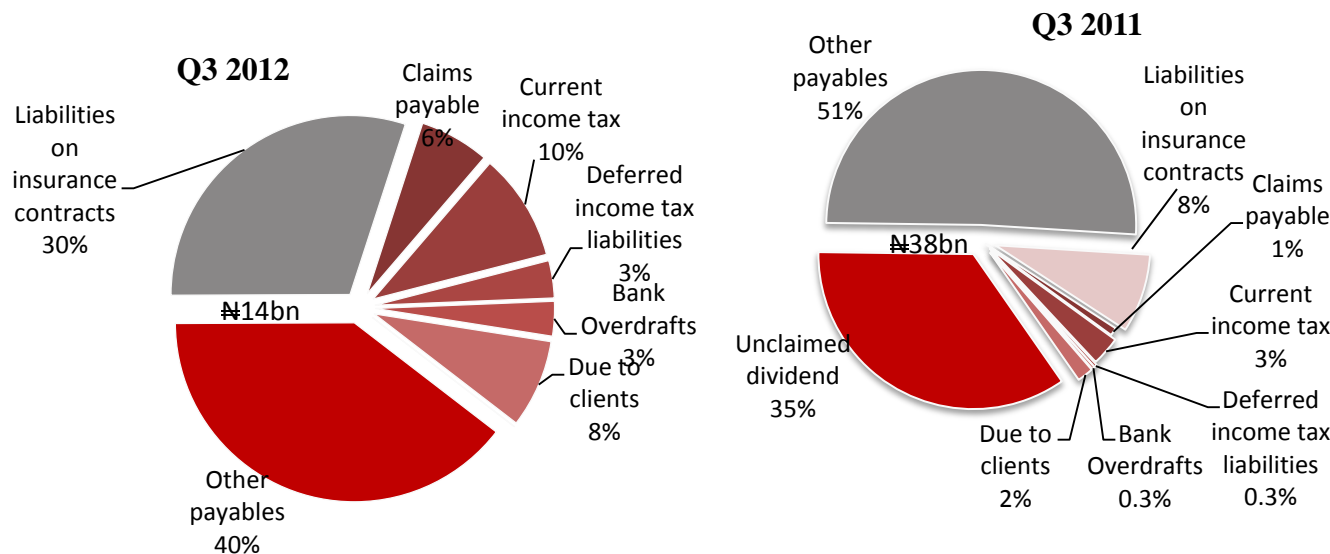


Borrowings

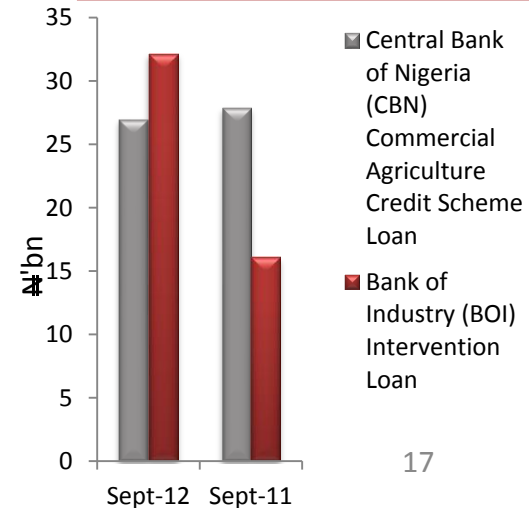


ADB – African Development Bank; EIB – European Investment Bank
FMO – Netherlands Development Finance Coy.; KEXIM – The Export/Import Bank of Korea.
PEFCO – Private Export Funding Corporation, USA.

Liabilities Classified as Held for Sale



On-lending Facilities





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Q & A



P&L – By Segment

9 Months Ended Spet 2012 (N'm)	Corporate & Commercial	Institutional	Public	Discontinued Operations	Consolidated
Total Revenue	135,395	40,485	41,327	11,954	229,161
Total Expenses	-90,114	-27,260	-27,827	-8,737	-153,938
Profit Before Tax	45,281	13,225	13,500	3,217	75,223
Tax	-7,115	-1,849	-1,887	-311	-11162
Profit After Tax	38,166	11,376	11,613	2,906	64,061

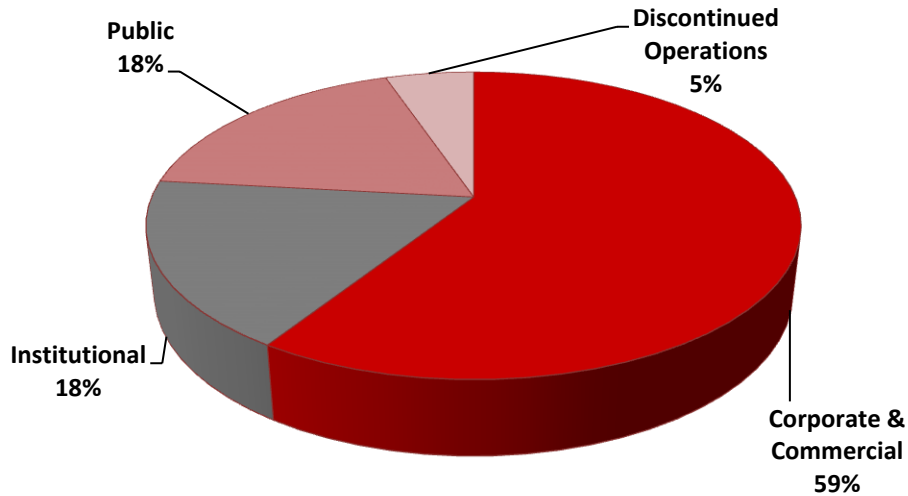
9 Months Ended Spet 2011 (N'm)	Corporate & Commercial	Institutional	Public	Discontinued Operations	Consolidated
Total Revenue	104,602	31,401	36,359	10,705	183,067
Total Expenses	-77,110	-22,087	-25,574	-5,168	-129,938
Profit Before Tax	27,493	9,314	10,785	5,537	53,129
Tax	-6,334	-1,854	-2,147	-257	-10,592
Profit After Tax	21,159	7,460	8,638	5,280	42,537

Improved profitability YoY on core business segments

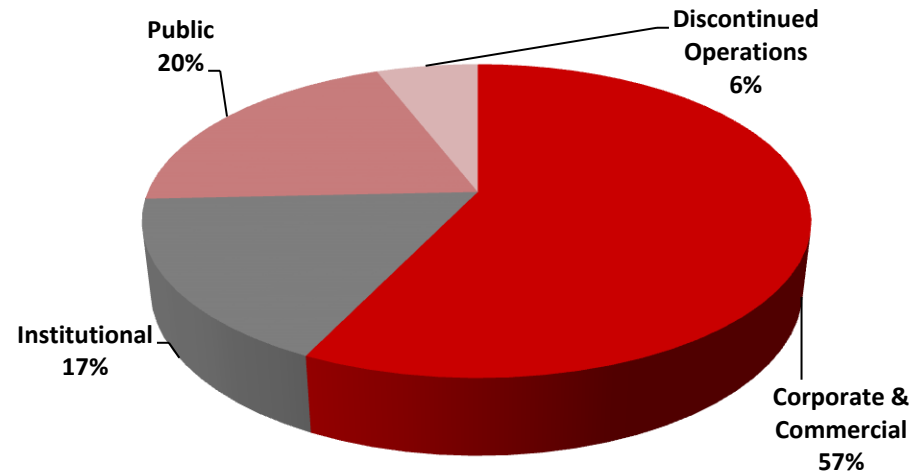


P&L – By Segment

Gross Revenue by Segment –Sept '12



Gross Revenue by Segment – Sept '11



Definition

- *Corporate & Commercial: Multinationals, Conglomerates , SMEs, Churches, Mosques, Schools etc*
- *Institutional : Pension, Treasury Activities, Financial Institutions and Investment, Securities and Capital Companies*
- *Public: MDAs, State and Local Governments*

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



P&L – By Geography



9 Months Ended Spet 2012 (N'm)

	Nigeria	Rest of Africa	Europe	Eliminations	Consolidated
Total Revenue	218,584	9,852	3,866	-3,141	229,161
Total Expense	160,012	-6,421	-2,794	3,141	153,938
Profit Before Tax	70,720	3,431	1,072	-	75,223
Tax	-9,947	-947	-268	-	-11,162
Profit After Tax	60,773	2,484	804	-	64,061

9 Months Ended Spet 2011 (N'm)

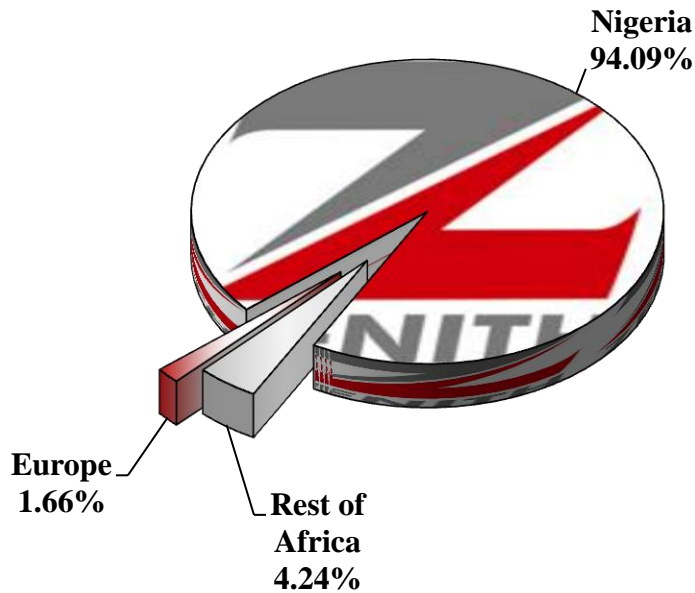
	Nigeria	Rest of Africa	Europe	Eliminations	Consolidated
Total Revenue	173,486	8,765	2,704	-1,933	183,067
Total Expense	-122,898	-7,195	-1,733	1,933	-129,938
Profit Before Tax	50,588	1,570	971	0	53,129
Tax	-10,116	-217	-259	-	-10,592
Profit After Tax	40,472	1,353	712	0	42,537

Improved earnings across geographies.....

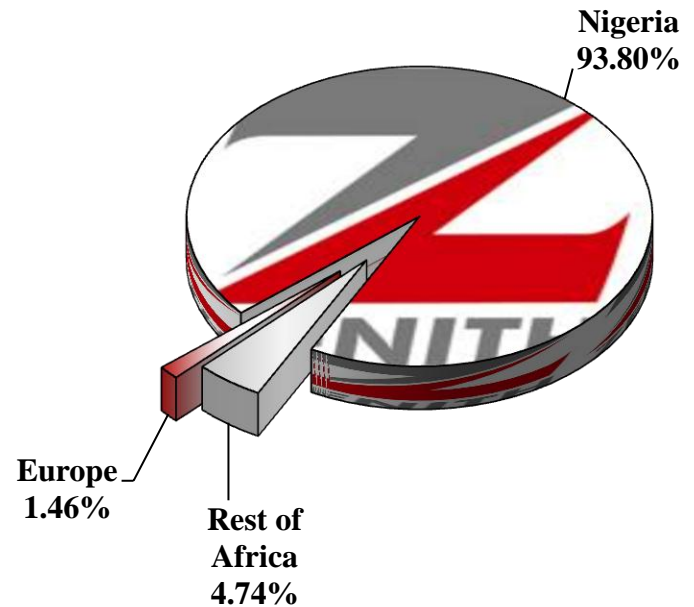


P&L – By Geography

Gross Revenue by Geography –Sept '12



Gross Revenue by Geography – Sept '11



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



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Company Risk Management

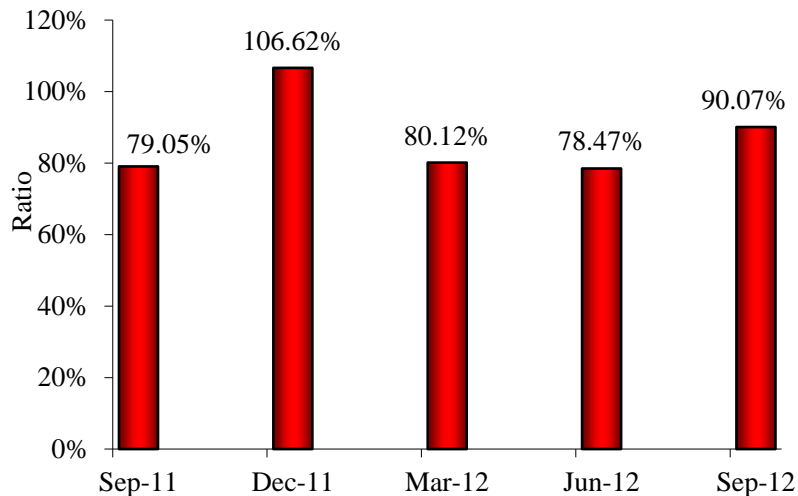
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Strategy & Outlook

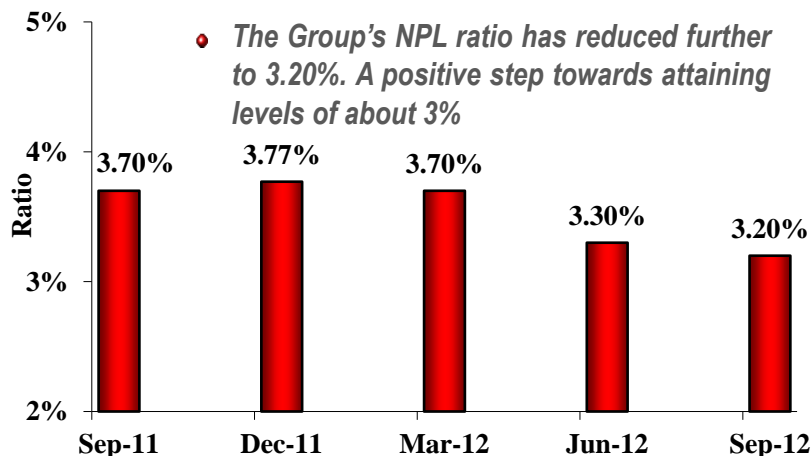
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Q & A

NPL Coverage Ratio



NPL Ratio



Our Risk Management Strategy

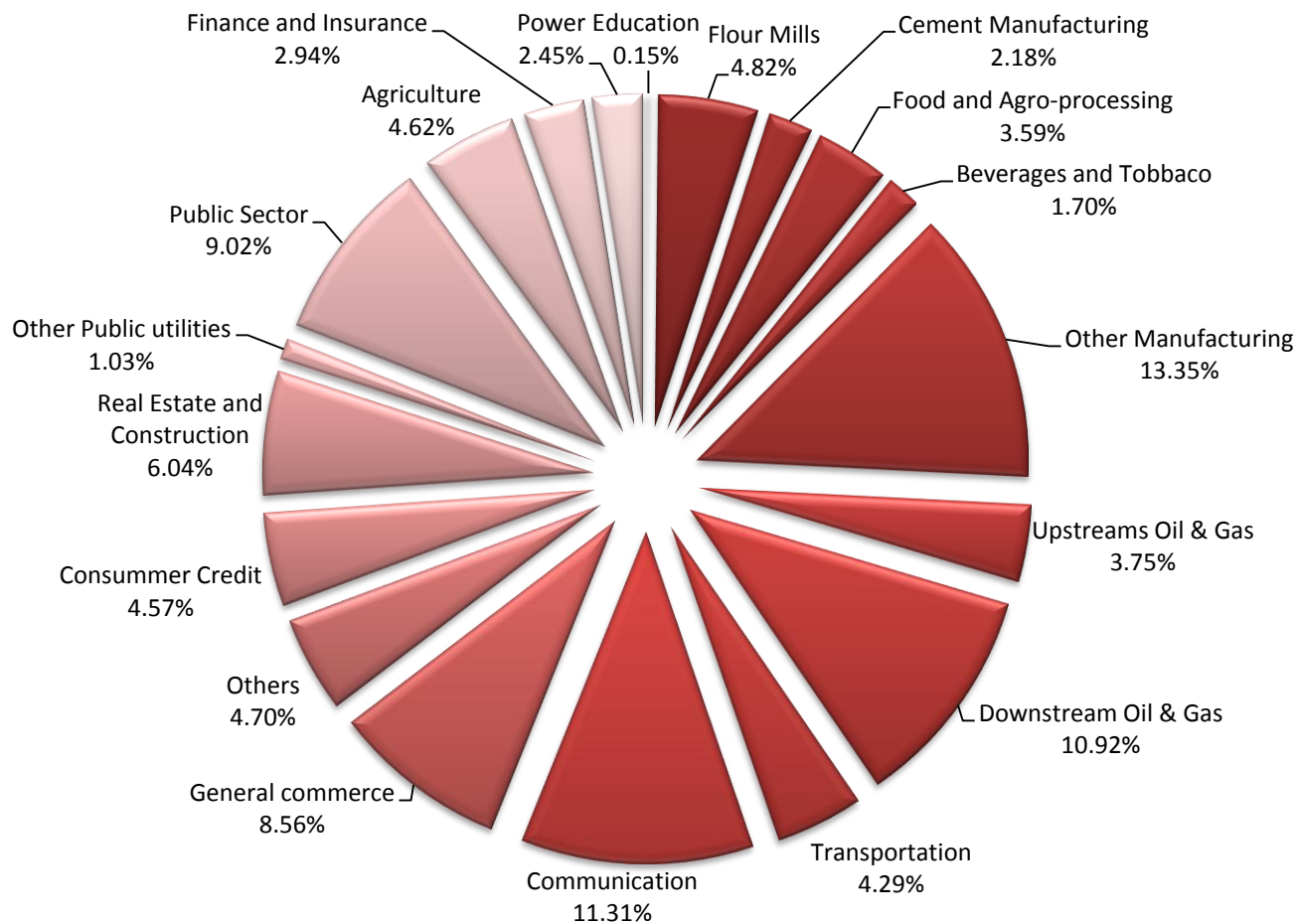
- The group adopts a complete and integrated approach to risk management that is driven from the Board level to the operational activities of the bank.
- Risk management is practiced as a collective responsibility coordinated by the risk control units and is properly segregated from the market facing 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 – Q3 2012

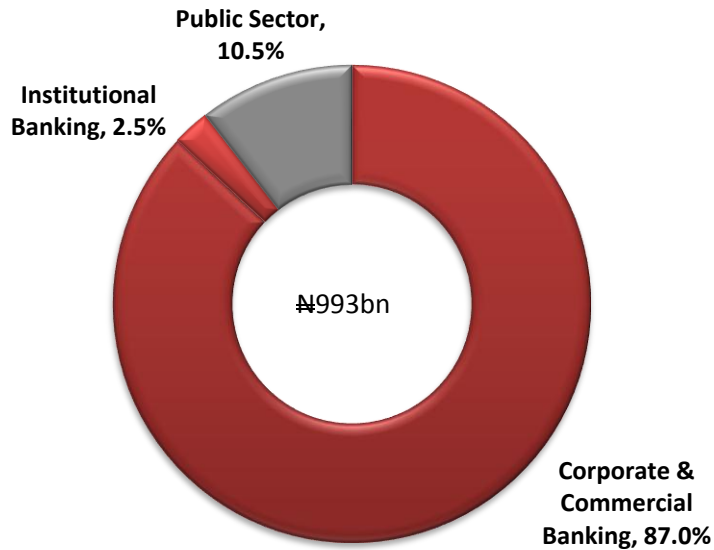


No concentration risk

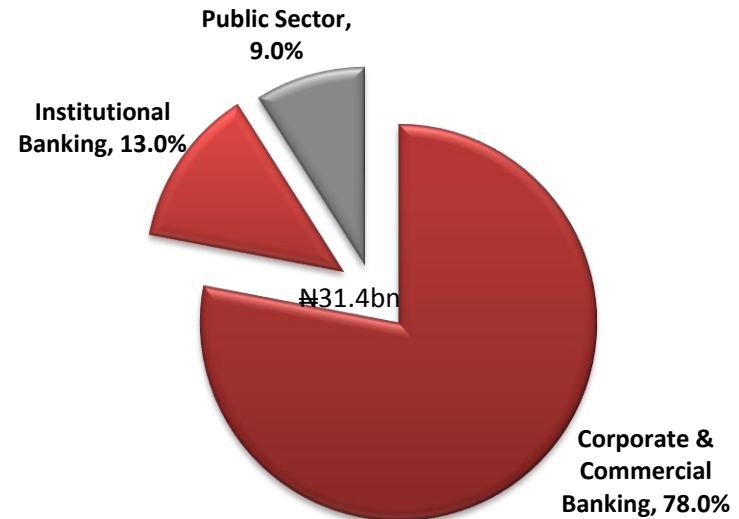


Loans and NPL by Segment

Loans by Segment – Q3 2012



NPL by Segment – Q3 2012



NPL Ratio by Segment – Q3 2012

Corporate & Commercial Banking	2.83%
Institutional Banking	16.43%
Public Sector	2.71%
Overall	3.20%

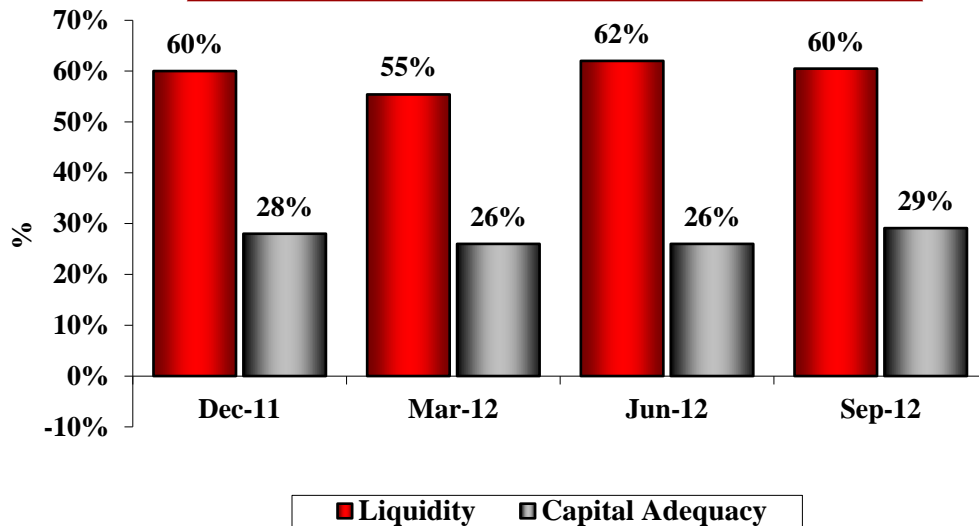
Comments

- We continue to develop our Risk Management Strategy and improve on the quality of our loan portfolio.
- Overall NPL ratio of 3.20% is currently one of the lowest in the industry
- Corporate & Commercial Banking constitutes 87% of the bank's loan portfolio with NPL ratio of 2.83% by segment



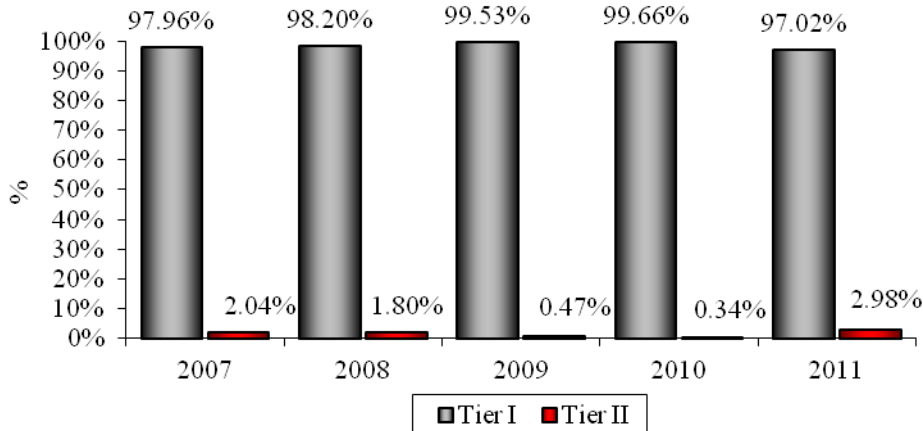
Strong Capitalization and Liquidity

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.



Agenda

Overview & Operating Environment

- Speaker: Managing Director/Chief Executive Officer Godwin Emefiele Slides 3 - 5

Results - Group

- Speaker: Executive Director/Chief Financial Officer Udom Emmanuel Slides 6 - 17

Results – By Segment & Geography

- Speaker: Executive Director/Corporate Banking Peter Amangbo Slides 18 - 22

Company Risk Management

- Speaker: Executive Director – Enterprise & Risk Management Andy Ojei Slides 23 - 27

Strategy & Outlook

- Speaker: Managing Director/Chief Executive Officer Godwin Emefiele Slides 28 - 32

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



- ❑ **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 has already taken advantage of this initiative as we have received our mobile banking licence and 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 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. 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

