

# ZENITH BANK PLC

## GROUP RESULTS

For 6 Months Ended June 30, 2010

people | technology | service

[www.zenithbank.com](http://www.zenithbank.com)

July 29, 2010



*...In Your Best Interest*

# Disclaimer



This presentation is based on the consolidated financial statements of Zenith Bank Plc, a company incorporated in Nigeria on 30 May 1990, and its subsidiaries (hereinafter collectively referred to as "the Group"). The financial statements are prepared under the historical cost convention as modified by the revaluation of certain investment securities and comply with the Statements of Accounting Standards issued by the Nigerian Accounting Standards Board.



The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results ultimately may differ from those estimates.



# Speakers



**Godwin Emefiele – MD/CEO Designate**



**Udom Emmanuel – Executive Director/Chief Financial Officer**

**Peter Amangbo – Executive Director-Corporate Banking**

**Andy Ojei – Executive Director/Chief Risk Officer**



# Agenda



## Operating Environment

### Company Overview

### Results

#### Group

#### By Segment

#### By Geography

### Company Risk Management

### Strategy and Outlook

### Q&A

# Improving macroeconomic environment



	2007	2008	2009	Q1 2010	Q2 2010
GDP Growth (%)	6.2	6.1	6.9	7.23	7.68
Inflation (%)	6.6	15.1	12.4	12.3	10.3
Oil Price	69.1	94.5	61.1	76.01	72.49
Exchange Rate (USD/NGN)	125.8	126.5	149.6	150.35	150.24
Foreign Reserves (\$'bn)	51.3	53.0	42.5	40.7	37.63

Source: NBS

- ◆ **GDP Growth** in the 2<sup>nd</sup> Qtr was higher than Q1 2010 and above Q2 2009 which stood at 7.22%. Overall growth mainly driven by the non-oil sector.
- ◆ Q2 2010 **Headline Inflation** down from first quarter. Relatively stable as inflationary threats remain subdued in the short to medium term.
- ◆ **MPR** unchanged at 6.0%.
- ◆ **Exchange Rate** stability attributable to measures taken by CBN policy and robust level of foreign reserves.
- ◆ **Oil Prices** remained stable at \$71-\$78
- ◆ Despite the drop, the current level of **Foreign Reserves** is still adequate compared to the internationally recommended benchmark.

# Banking Sector Outlook for H2 2010



## POSITIVE

- ✓ The successful take-off of the Asset Management Company of Nigeria (AMCON) will be a key determinant of how events play out in the Nigerian Banking Sector space.
- ✓ Improved margins by the banks.
- ✓ Improved corporate governance.
- ✓ New guidelines issued on liquidity criteria for banks' investment in state government bonds expected to deepen and strengthen the bond market.
- ✓ Consolidated and risk-based supervision towards effective risk management.
- ✓ IFRS adoption to help with transparency.
- ✓ CBN extended guarantees for all inter-bank transactions, pension funds placements with banks and foreign credit lines up till June 30, 2011.
- ✓ The impact of the FGN reforms on some key sectors of the economy.

## DRAWBACKS

- ✗ The impact of infrastructural deficit on the bank's operational costs.
- ✗ Dearth of business opportunities to create yield assets.

# Agenda



Operating Environment

**Company Overview**

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By Segment

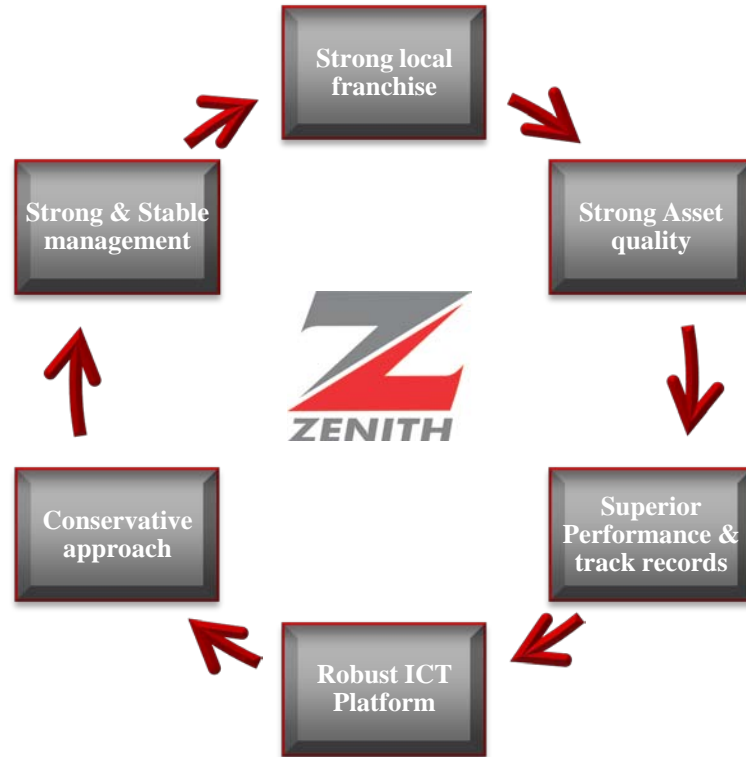
By Geography

Company Risk Management

Strategy and Outlook

Q&A

# Zenith Bank Plc



- The most capitalized company in the country with shareholders' funds of N344bn as at date.
- Total assets of N1.75trn.
- Capital adequacy and liquidity ratios are comfortably above the CBN benchmarks & requirements.
- Historically amongst the lowest non-performing loan ratios against industry averages.
- Superior performance over the years through well motivated people, robust ICT platform and exceptional customer services.
- One of the strongest banking brands in Nigeria with a branch network of over 310 branches
- Over 7,800 professional staff – locally and internationally.
- With our deep understanding of financial markets, Zenith Bank has the confidence to innovate.

# Agenda



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Q&A

# Financial Highlights



## Key Theme

Strong bottom line income  
Large Capital and liquidity cushion  
Positive outlook for the rest of the year

## P&L

Gross Earnings: N96bn  
Net Interest Income: N40bn  
Net Interest Margin: 2.37%  
PBT: N25bn

-12.80% YoY  
-12.33% YoY  
-9.54% YoY  
+101% YoY

## Balance Sheet

Customer Deposit: N1.29trn  
Total Assets: N1.75trn  
Shareholders' Funds: N344bn  
Loans & Advances: N667bn

N1.17trn (Dec'09)  
N1.66trn (Dec'09)  
N336bn (Dec'09)  
N698bn (Dec'09)

## Key Ratios

ROE: 6.1% (6 Month Figure)  
Conservative Loan to deposit Ratio: 56%  
Liquidity: 50% (Group), 57% (Bank)  
Strong Capital Adequacy: 30% (Group), 33% (Bank)

## Operational Highlights

New Group MD/CEO (Godwin Emefiele) set to take over on 01/08/10  
Appointment of more independent Directors on the Board  
Enhanced capacity in Enterprise Risk Mgt. Dept. in terms of systems and human resources

# Profit & Loss Statement



(N'm)

Gross Income	Interest Income	Interest Expense	<b>Net Interest Income</b>	Foreign Exchange Trading Income	Underwriting Profit	Trusteeship Income	Income from Investments	Other Income	Operating Income	Operating Expenses	Diminution in Asset Values	<b>Profit Before Tax</b>	Taxation	<b>Profit After Tax</b>
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Group	Group	YOY
6 mths to	6 mths to	Change
June-10	June-09	
96,850	111,071	-13%
63,827	79,883	-20%
-23,352	-33,714	-31%
<b>40,475</b>	<b>46,169</b>	-12%
4,979	4,818	3%
1,171	518	126%
17	6	183%
204	20	920%
2,249	2,604	-14%
70,059	75,491	-7%
-44,204	-50,501	-12%
-519	-12,363	-96%
<b>25,336</b>	<b>12,627</b>	101%
-4,031	-2,777	45%
<b>21,105</b>	<b>9,850</b>	114%

**Twofold increase in profitability on diverse revenue streams and improved credit quality.**

# Revenue Base- Sustained diversification.....



## Interest Income

H1 2010

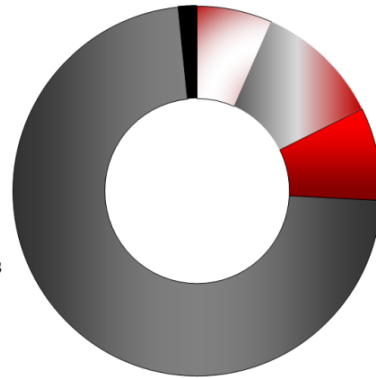
Advances Under Finance Lease  
N1,036m  
2%

Placements  
N4,233m  
7%

Treasury Bills & Investment Securities  
N7,049m  
11%

Government Bonds  
N5,195m  
8%

Loans & Advances  
N46,314m  
72%



H1 2009

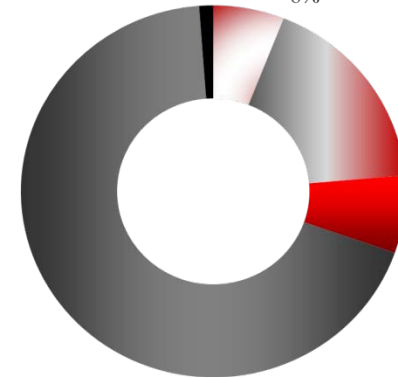
Advances Under Finance Lease  
N941m  
1%

Placements  
N4,770m  
6%

Treasury Bills & Investment Securities  
N14,105m  
18%

Government Bonds  
N5,388m  
7%

Loans & Advances  
N54,679m  
68%



## Non-Interest Income

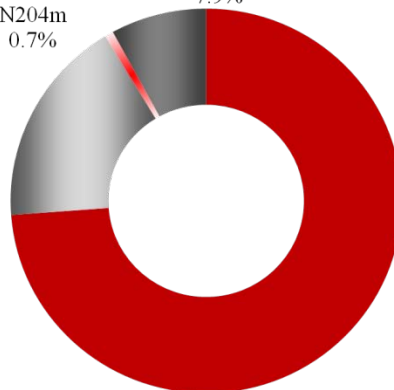
H1 2010

Income from Investments  
N204m  
0.7%

Other Income  
N2,249m  
7.9%

Foreign Exchange Earnings  
N4,979m  
17.5%

Fees and Commissions  
N20,964m  
73.8%



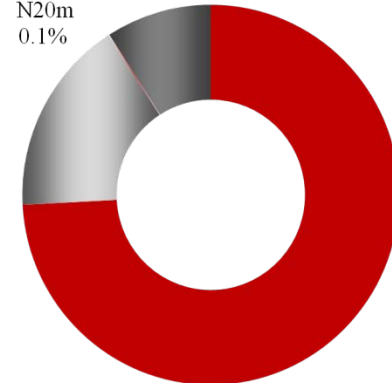
H1 2009

Income from Investments  
N20m  
0.1%

Other Income  
N2,604m  
9.0%

Foreign Exchange Earnings  
N4,818m  
16.7%

Fees and Commissions  
N21,355m  
74.2%



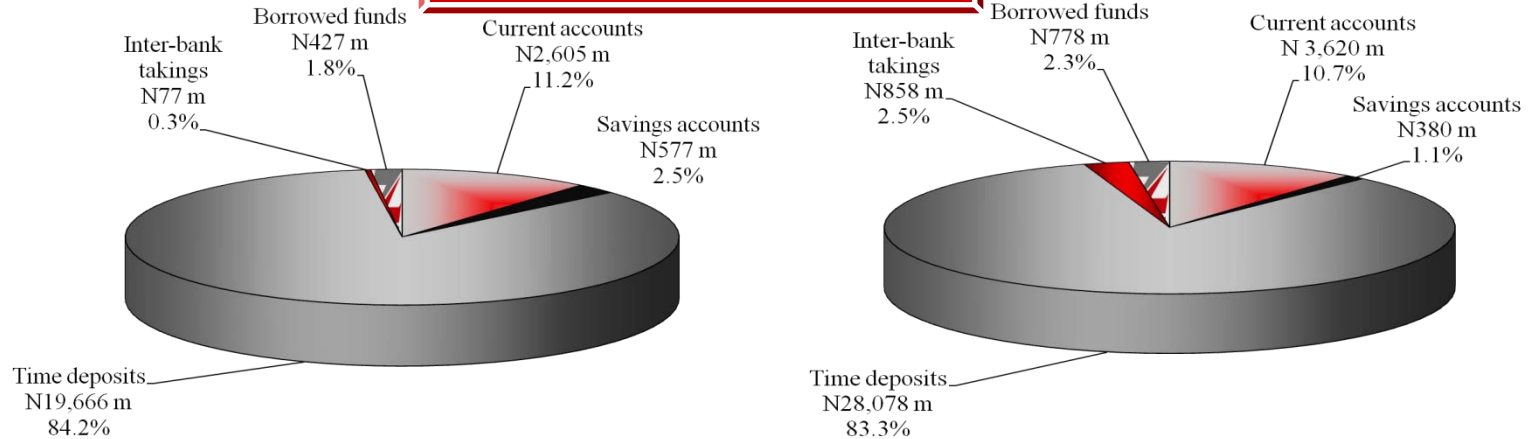
# Sustained efforts at Cost reduction yielding results....



H1 2010

## Interest Expenses

H1 2009

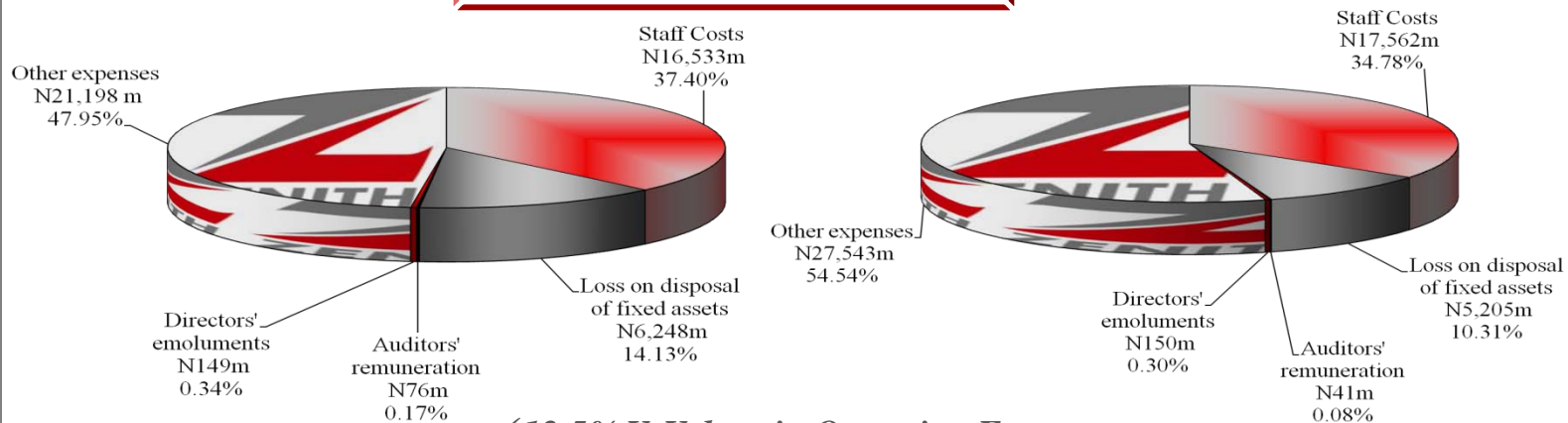


✓ 31% YoY drop in Interest Expense  
 ✓ More reliance on demand deposits significantly improving cost of funds

H1 2010

## Operating Expenses

H1 2009



✓ 12.5% YoY drop in Operating Expense

# Balance Sheet- Assets



(N'm)

Cash and balances with central banks

Treasury bills

Due from other banks

Loans and advances

Advances under finance lease

Insurance receivables

Investment securities

Deferred tax assets

Other assets

Investment property

Fixed assets

**Total Assets**

	Group June-10	Group Dec-09	Group June-09
Cash and balances with central banks	145,824	126,779	120,064
Treasury bills	358,813	234,115	260,212
Due from other banks	286,024	341,830	357,506
Loans and advances	667,633	698,326	662,898
Advances under finance lease	11,114	5,506	8,171
Insurance receivables	2,022	635	2,372
Investment securities	177,068	158,977	152,017
Deferred tax assets	1,929	966	28
Other assets	26,857	13,517	50,308
Investment property	6,751	433	433
Fixed assets	69,907	78,619	66,226
<b>Total Assets</b>	<b>1,753,942</b>	<b>1,659,703</b>	<b>1,680,235</b>

**The Group continues to maintain a robust, liquid & well structured balance sheet with significant room to expand lending.**

# Balance Sheet- Liabilities & Equity



(N'm)

Customer deposits	1,285,538	1,173,917	1,130,436
Claims Payable	125	198	370
Liabilities on insurance contracts	2,392	1,202	1,744
Borrowings	43,016	35,984	42,092
Current income tax	6,179	7,407	9,956
Other liabilities	66,105	100,085	160,232
Deferred income tax liabilities	3,427	3,117	1,966
<b>Total liabilities</b>	<b>1,406,782</b>	<b>1,321,910</b>	<b>1,346,796</b>

(N'm)

Share capital	267,606	267,606	263,419
Reserves	77,091	67,964	67,579
Shareholder's funds	344,697	335,570	330,998
Non-controlling interest	2,456	2,223	2,441
<b>Total liabilities &amp; equity</b>	<b>1,751,479</b>	<b>1,657,480</b>	<b>1,677,794</b>

Customers' Acceptances

Group  
June-10

Group  
Dec-09

Group  
June-09

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Group  
June-10

Group  
Dec-09

Group  
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781,618

638,708

615,158

**We have sustained our large capital cushion...comfortably protecting us against any adverse market conditions**

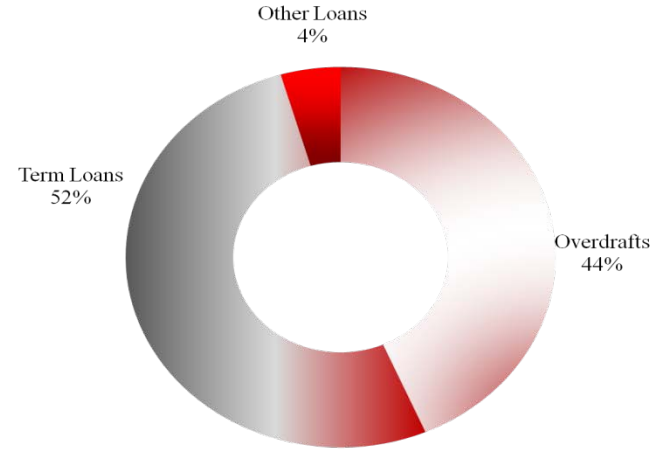
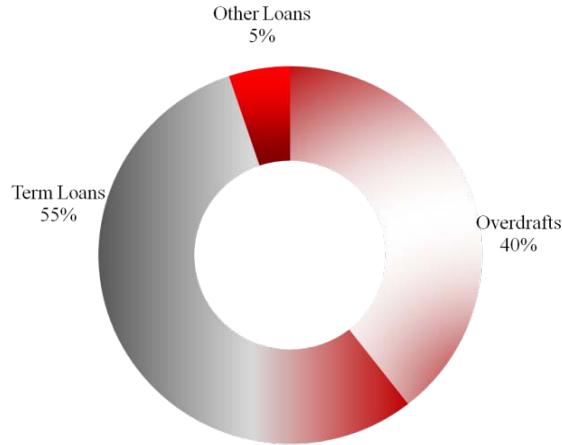
# Improving yield through lower cost funding and better Assets-Liabilities match up...



Jun'10

## Loans & Advances

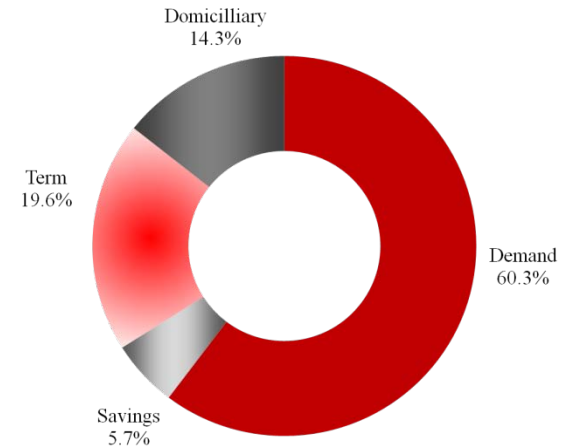
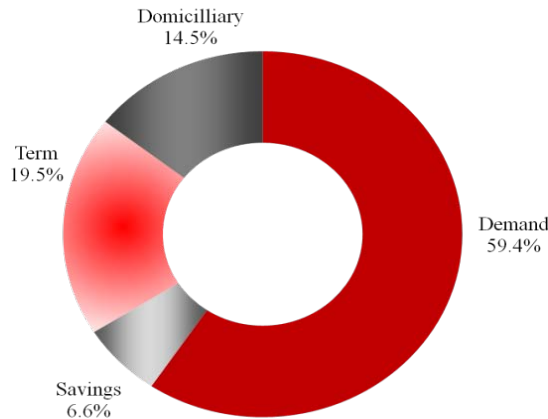
Mar'10



## Deposits

Jun'10

Mar'10



*Lower Funding cost through low cost Demand Deposits*

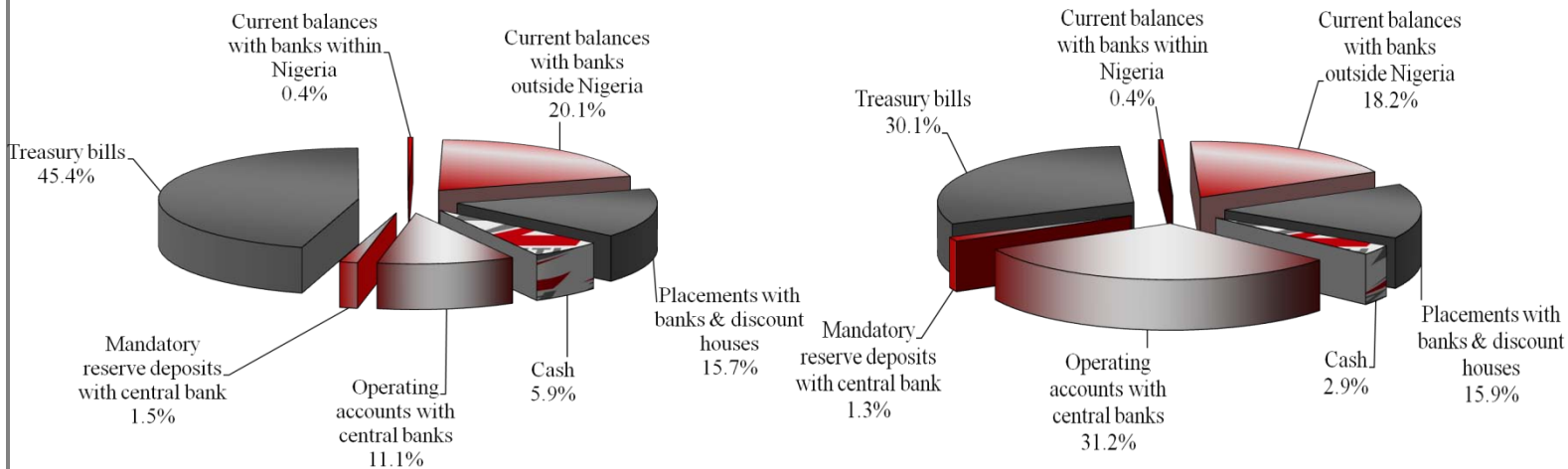
# Maintaining Good Safety-Profitability matrix.....



Jun'10

## Liquid Assets

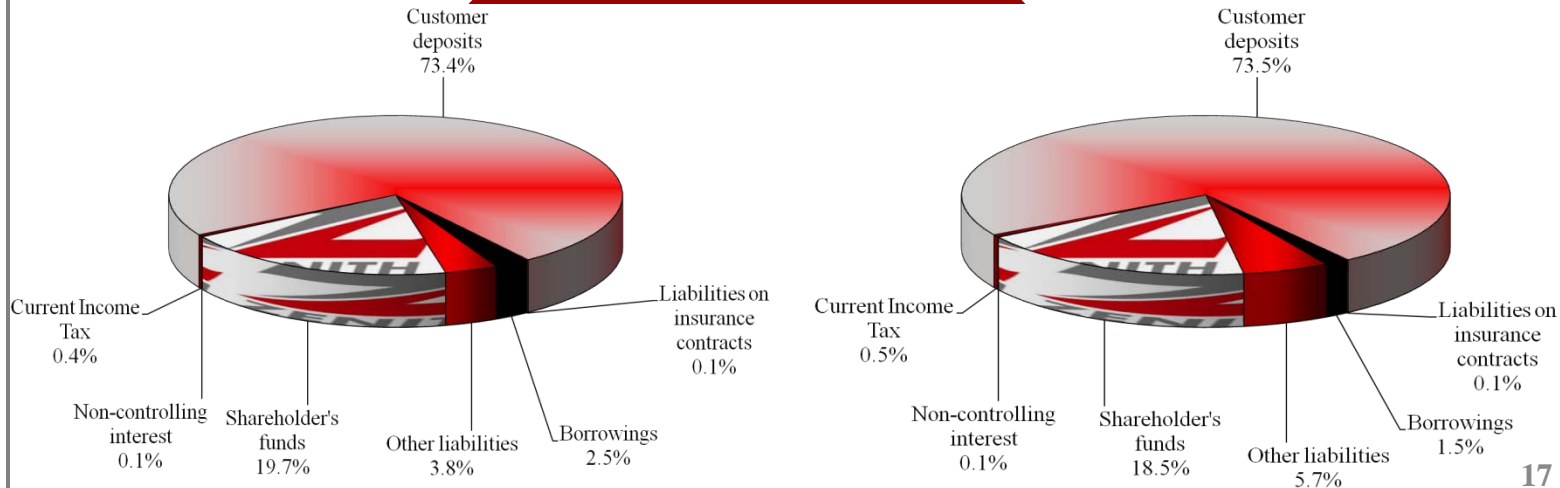
Mar'10



Jun'10

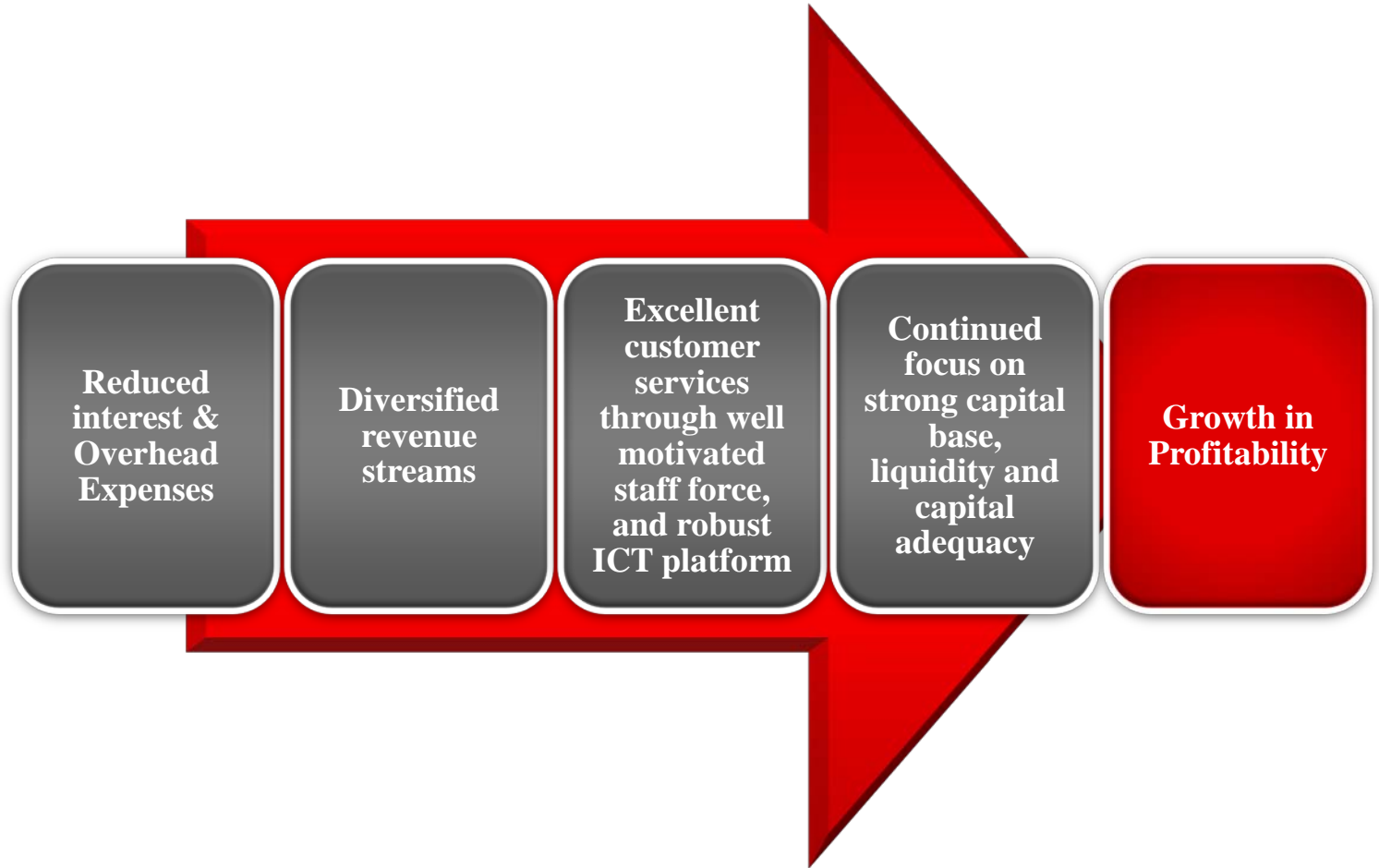
## Funding Mix

Mar'10



*Customer Deposits continue to be a significant funding source for the Group*

# Summary of Q2 2010 Performance...

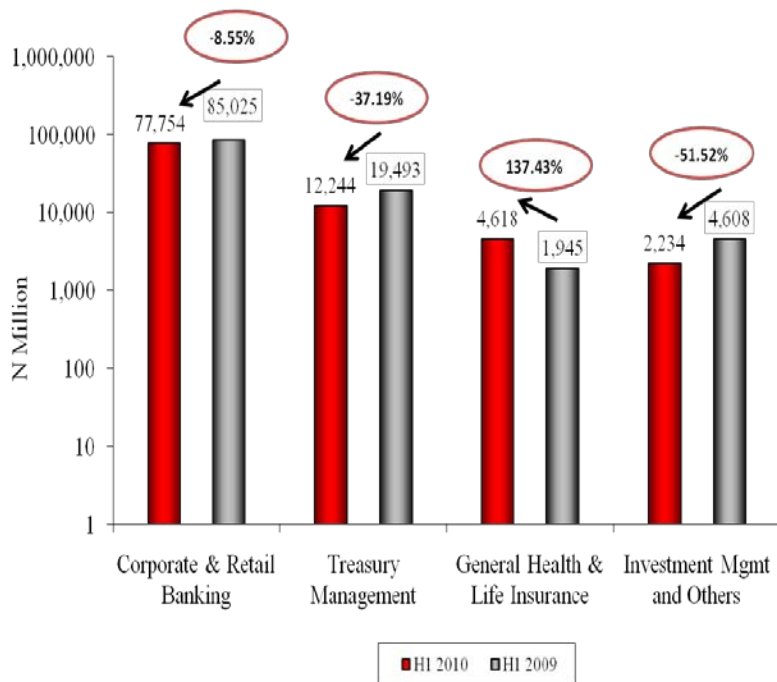


*Declining cost to income ratio achieved between Q1'10 (74.2%) and Q2'10 (69.8%)*

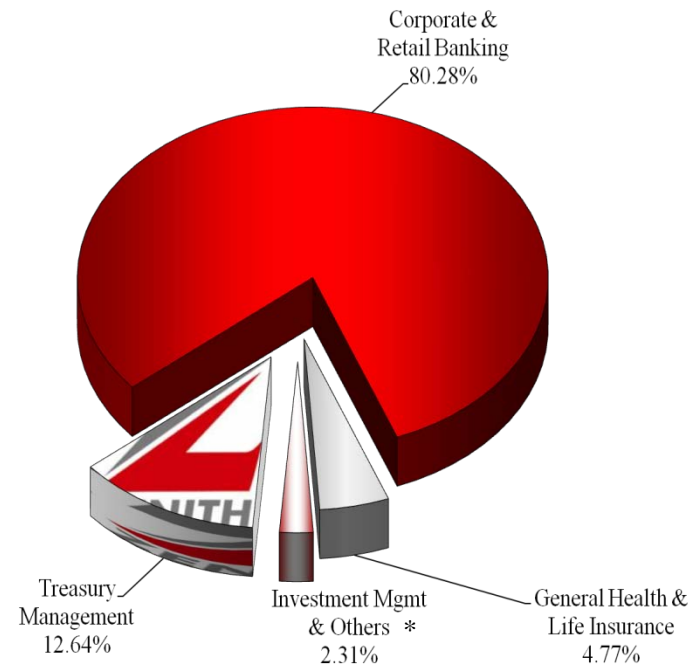
# Revenue - By Segment



Revenue by Segment



Revenue by Segment – H1'10



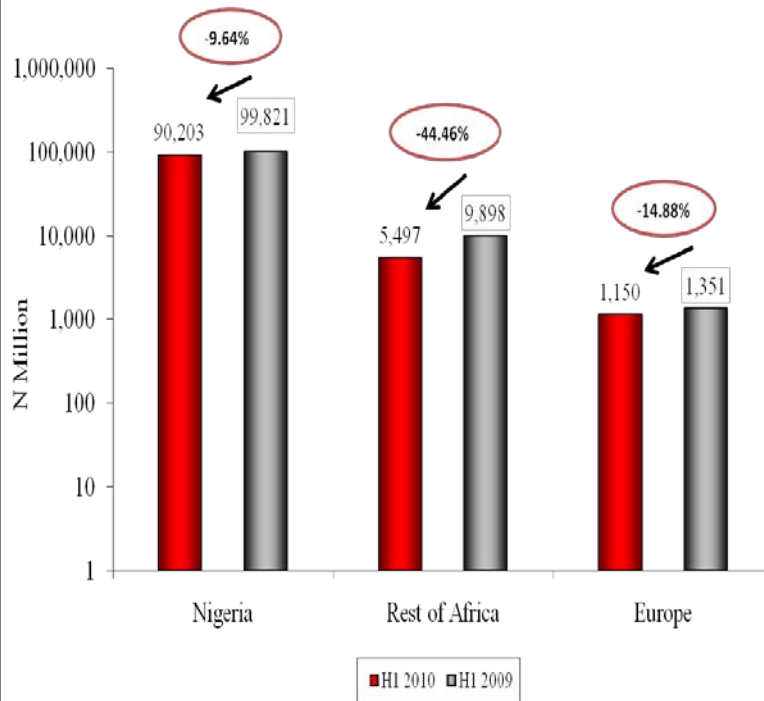
\*Comprises Registrars, Trustees and Pension Funds

**Corporate & Retail Banking continues to be the cornerstone of our business and focus...**

# Revenue - By Geography



Revenue by Geography



Revenue by Geography – H1 '10

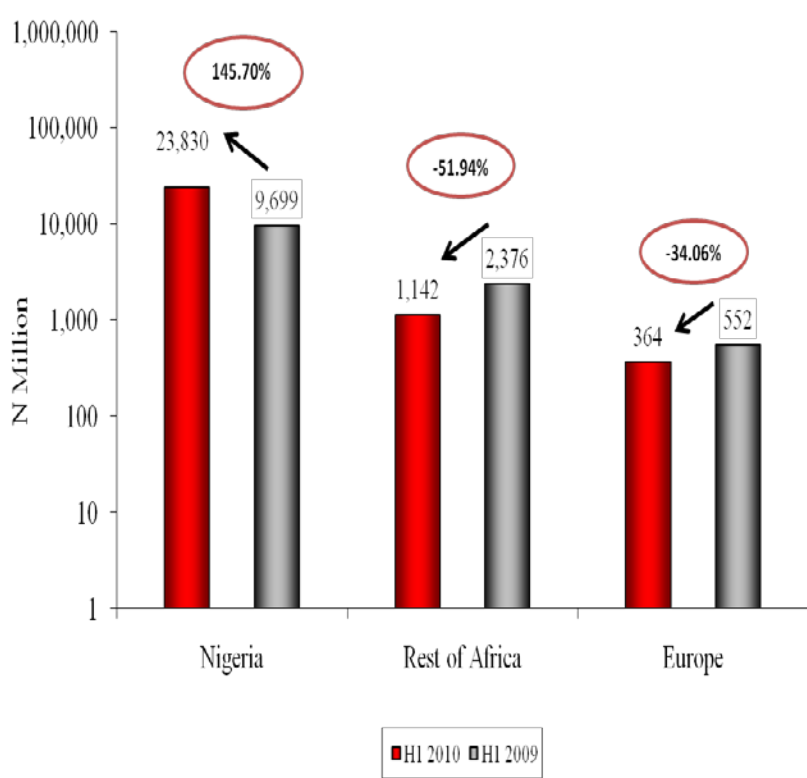


**Nigeria continues to remain the dominant driver of income and profitability for the Group.....**

# PBT- By Geography



PBT by Geography



PBT by Geography – H1'10



**Contribution margins from the Rest of Africa expected to be on an upward trend given business growth in Ghana & Sierra Leone**

# Agenda



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**Company Risk Management**

Strategy and Outlook

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# Strong risk management policies & practice.....



## Loans/Provisions

(N'm)

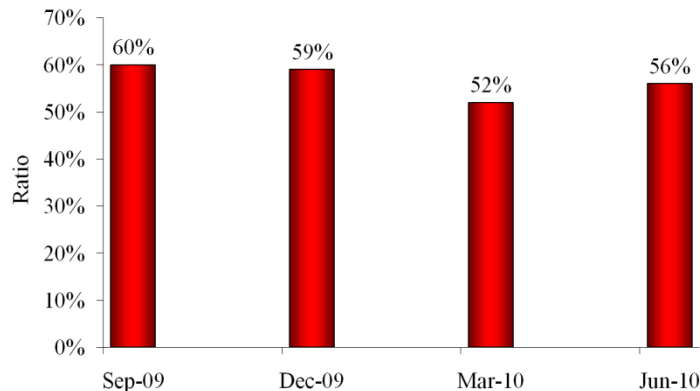
	Group June-10	Group Mar-10	Group Dec-09	Group Sep-09
Gross Loans and Advances	718,622	691,522	747,465	701,540
Provision for Loan Losses	50,989	48,903	49,139	49,117
Non-Performing Loans	46,704	46,156	46,771	25,162

## Loan to Deposit Ratio

- Well diversified loan portfolio
- Low NPL Ratios in comparison to industry peers
- Adequate provisions to cover NPL (consistently above 100%)
- Dec;09 NPLs impacted by new CBN provisioning guidelines

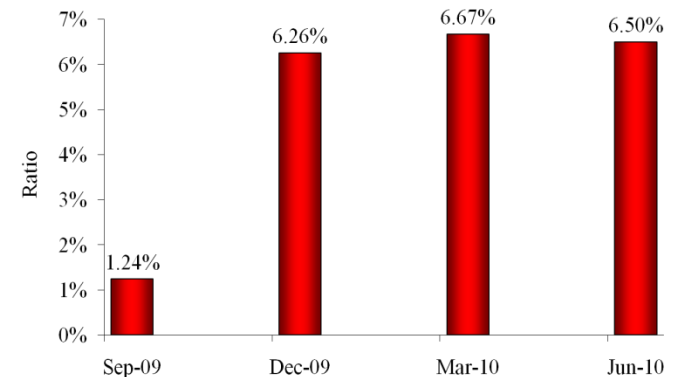
## Prudent Loan to Deposit Ratios

*Conservative LTD ratio providing adequate room for future expansion*



## Low NPL Ratios

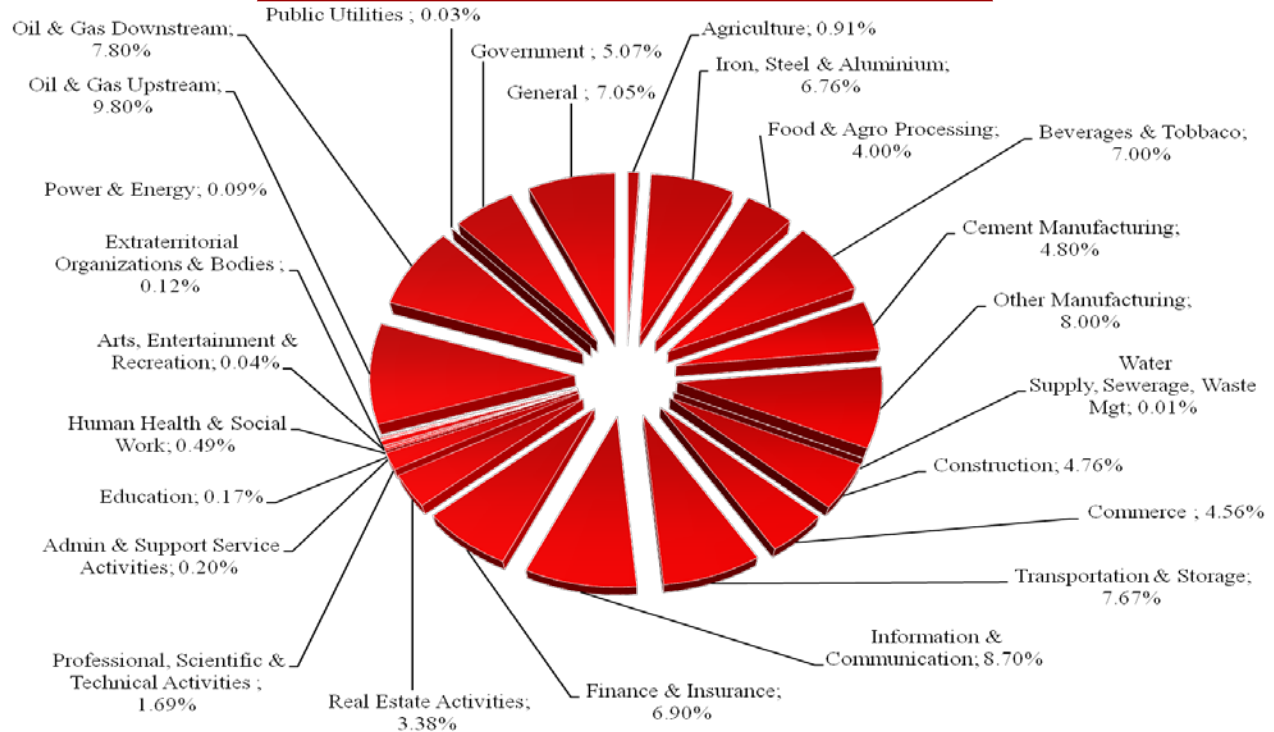
*Consistently amongst the lowest NPL ratios in the industry*



# Focused risk management via portfolio diversification



## Loans by Sector – June '10



Enterprise Risk management driven by the Board of Directors across all business activities...providing means of dealing with uncertainties and opportunities

Strategies include:

Integrating risk Mgt into all facets of the organizations

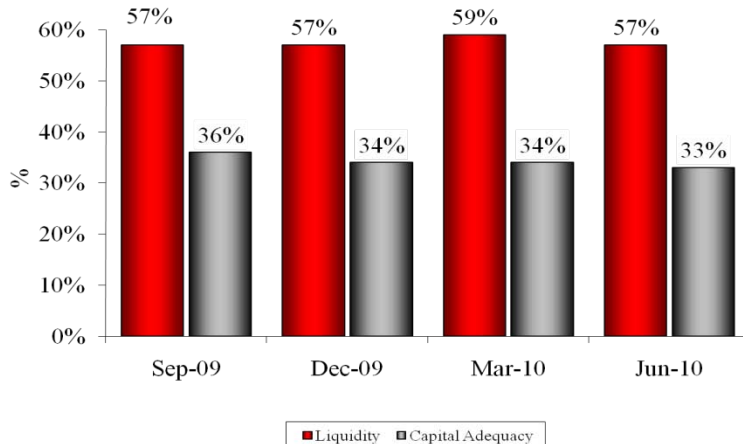
Identify and manage all risk exposures, threats and opportunities in accordance with best practices and regulatory requirements

Implement cost effective actions

# Strong capitalization coupled with low leverage-the keystone to our success...

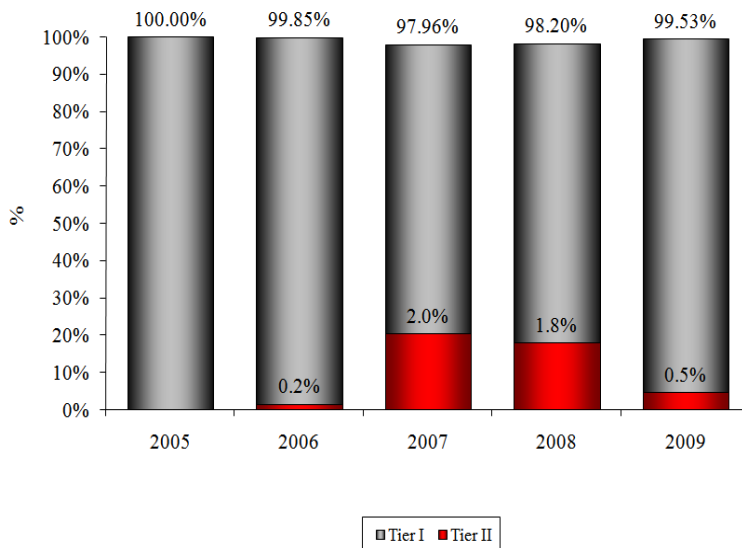


## Liquidity & Capital Adequacy



*Capital Adequacy & Liquidity Ratios for the Bank are comfortably above industry requirements & sector averages.*

## Capital Mix



*Capital base predominantly made up of Tier I capital sustaining low cost of funding.*

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# Our 2010 Strategic Objectives.....impressive scorecard



## 2010 - Scorecard

- Good H1 performance and barring any unforeseen circumstances, this trend is expected to continue
- Successfully curtailing Cost to Income ratios (74.2%-Q1'10 to 69.8% - Q2'10)
- Low level of NPLs at about 6%
- Institutionalizing strong Enterprise Risk & corporate governance culture across the group businesses.

## 2010 - Targets

- Continuous reduction in NPL volume
- Curtail cost to income ratio
- Maintain high level of capital adequacy
- Remain conservative but innovative
- Maintain strong risk mgt. and corporate governance practices
- Sustain strong Liquidity and Capital base
- Remain Customer services Focused
- Continue emphasis on use of technology as a competitive tool
- Consolidating our global expansion

# Revisiting our Strategic Objectives for 2010 and beyond...



## Beyond 2010

- Sustain strong profitability and ensure adequate Return on Equity (ROE)
- Remain conservative but innovative
- Maintain strong risk mgt. and corporate governance practices
- Sustain strong balance sheet size with adequate Liquidity and Capital base
- Sustain our brand and premium customer services
- Continue emphasis on use of technology
- Cautious and synergistic global expansion

## Strategies.....

- Maintain strong risk mgt. and corporate governance culture
- Ensure proper pricing of our products and services
- Improving our corporate and retail banking market share via deploying our E-business tools and enhanced customer service
- Continuous review and improvement of our recruitment and training policies to ensure the attraction and retention of well trained & motivated staff force
- Continuous investment in technology as a driving tool for customer services
- Increasing corporate finance activities to boost fee income
- Leveraging on our existing branch network to drive our product delivery

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