



**JIM OVIA, CFR**  
Founder and Chairman

Dear Esteemed Shareholders, Guests, and Ladies and Gentlemen,

I am delighted to welcome you to the 32nd Annual General Meeting of our Bank and to present to you the Annual Report and Financial Statements for the Financial year ended December 31st, 2022.

Before I proceed, I want to express my sincere appreciation to all of you for your continued unwavering loyalty and commitment to our Bank. Your continued support has been instrumental to the Bank's sterling performance since its inception.

The year 2022 was challenging in many respects, with significant global and domestic economic developments that impacted our business in several ways. However, Zenith Bank responded well, adapting our strategies to leverage available opportunities while creating value for all our stakeholders. Against this background, I will review the economic and financial environment within which our Bank operated during the fiscal year under review.

#### **MACROECONOMIC REVIEW**

The Nigerian economy continued to maintain a positive growth trend in 2022, albeit at a slower pace than in 2021, since exiting recession in 2020. According to the National Bureau of Statistics (NBS), Gross Domestic Product (GDP) grew by 3.10 per cent in 2022, lower than the 3.40 per cent recorded in 2021. Specifically, GDP grew by 3.11 per cent in Q1 2022, 3.54 per cent in Q2 2022, 2.25 per cent in Q3 2022, and 3.52 in Q4 2022. The slower pace of growth is attributable to the base effects of the

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recession and the challenging economic conditions that have impeded productive activities.

Available statistics from the NBS show that the non-oil sector, comprising Telecommunication, Trade, and Agriculture, which grew by 4.84 per cent, was the major driver of the positive growth recorded in 2022. This rate was higher by 0.4 percentage points compared to the 4.44 growth rate recorded in 2021. In real terms, the non-oil sector contributed 94.33 per cent to the nation's GDP in 2022, higher than the 92.76% reported in 2021. The oil sector, on the other hand, contracted by 19.22 per cent, indicating a decrease of 10.92 percentage points relative to the 8.30 per cent recorded in 2021. The performance of the sector was affected by the lingering impact of muted domestic oil production, which stood at an average daily output of 1.34 million barrels per day (mbpd), lower than the average daily production of 1.50 mbpd recorded in 2021. The sector contributed 5.67 per cent to the total real GDP in 2022, down from the 7.24 per cent recorded in 2021. Aggregate GDP stood at NGN199,336,043.78 million in nominal terms in 2022, higher than the NGN173,527,662.34 million recorded in 2021.

In 2022, the Consumer Price Index (CPI), which measures inflation, showed an upward trend. This was caused by disruptions in the supply of food products, increased import costs due to persistent currency depreciation, ongoing conflicts in eastern Europe, and a general increase in production costs due to high energy prices. According to the National Bureau of Statistics (NBS), the headline index steadily rose to 21.47 per cent in November 2022 before easing to 21.34 per cent in December 2022. The index averaged 18.85 per cent in 2022 compared to 16.95 per cent recorded in 2021. Although headline inflation showed signs of moderation in December 2022, it remained significantly above the growth-aiding threshold of 6-9 per cent set by the Central Bank of Nigeria (CBN) and reached multi-decade highs in many other countries. To rein in inflation and maintain price stability globally, central banks across economies embarked on a rapid and synchronised tightening of monetary conditions not seen over the past five decades. On the domestic front, the Monetary Policy Committee (MPC) of the CBN raised

the benchmark interest rate, Monetary Policy Rate (MPR), four consecutive times to 16.5 per cent. The committee also increased the Cash Reserve Requirement (CRR) by 500 basis points to 32.5 per cent. These hikes were aimed at reducing the negative real interest rate gap and inflationary pressure. However, other monetary policy parameters were held constant, with the asymmetric corridor around the MPR retained at +100/-700 basis points and the Liquidity Ratio (LR) maintained at 30 per cent.

Despite significant fluctuations, global oil prices experienced a second straight year of gains in 2022. U.S. West Texas Intermediate (WTI) and Brent crude oil averaged \$95.73/b and \$100.61/b, respectively. The first half of the year saw a price surge as Russia's invasion of Ukraine disrupted global crude flows, with Brent reaching its highest price since 2008 at \$139.13/b. However, central bank interest rate hikes in the second half of the year caused prices to cool down and raised concerns about a recession. Brent gained about 10 per cent for the year, following a 50 per cent increase in 2021, while U.S. WTI rose nearly 7 per cent in 2022, after a 55 per cent gain in the previous year.

The foreign exchange market continued to experience pressure in 2022. This was largely due to the high demand for dollars, a rising global inflation rate, and a decline in forex inflow from foreign capital flows, remittances, and oil exports. As of December 2022, the exchange rate stood at NGN461.1/\$1 at the Investors' and Exporters' (I&E) Window, while banks continued to sell foreign currencies to retail customers following the ban of Bureau De Change (BDC) Operators by the Central Bank of Nigeria (CBN). To manage demand pressure and maintain exchange rate stability, the CBN continued to implement its managed-floating exchange rate regime with regular interventions in the foreign exchange market.

Consequently, Nigeria's foreign exchange reserves significantly depleted in 2022, according to data from the Central Bank of Nigeria (CBN). The country's foreign reserves closed at \$37.08 billion, having declined by \$3.44 billion from \$40.52 billion at the beginning of the year.

Slower forex inflow from foreign capital flows, remittances, and oil exports contributed to the decline in Nigeria's stock of foreign reserves.

During the year under review, the Federation Account Allocation Committee (FAAC) disbursed NGN11.69 trillion as allocations to the three tiers of government. This figure represents a 43.6% increase compared to the NGN8.14 trillion shared in the preceding year, attributable to improved government oil and non-oil revenue receipts.

Despite dire macroeconomic conditions and global volatility, the Nigerian Exchange (NGX) closed 2022 with a positive return. For investors in the Nigerian stock market, 2022 represents an improvement over 2021 in terms of nominal price appreciation. Specifically, the All-Share Index (ASI) appreciated by 19.98%, rising from 42,716.44 index points at the start of the year to 51,251.06 index points by year-end. Market capitalisation also recorded a 25.20 per cent appreciation, closing at NGN27.915 trillion, up from NGN22.297 trillion at the start of the year. During the year, the market faced challenges such as foreign investors' exit due to scarcity of foreign exchange and aggressive hikes in the Monetary Policy Rate (MPR), among others.

## FINANCIAL RESULTS

The year 2022 presented several challenges for operators in the Nigerian banking industry due to various supervening factors in the global and domestic environment. However, despite these challenges, we were able to leverage inherent opportunities within the business environment to record a performance that further attests to our resilience as a brand. The result is a manifestation of the remarkable financial health of the Bank and the Group.

The Group's gross earnings grew by 24 per cent from NGN 765.56 billion in 2021 to NGN 945.55 billion in 2022. Profit-Before-Tax (PBT) rose by 2 per cent from NGN 280.37 billion in 2021 to NGN 284.65 billion in 2022, while Profit-After-Tax (PAT) fell by 8 per cent from NGN 244.56 billion in 2021 to NGN 223.91 billion in 2022. Total deposits were NGN 8.97 trillion for the year ended December 31st, 2022, representing a 38.7 per cent increase over the previous year's figure of NGN 6.47 trillion. During the same period,

the Bank's total assets grew by 30 per cent from NGN 9.45 trillion to NGN 12.28 trillion, while shareholders' funds rose by 7.76 per cent from NGN 1.28 trillion to NGN 1.38 trillion.

## DIVIDEND

At Zenith Bank, we remain committed to consistently delivering superior returns to our highly esteemed shareholders by ensuring that a significant portion of our profit is set aside for you. Despite the macroeconomic headwinds, we declared and paid an interim dividend of 30 kobo per share in the course of the 2022 financial year. We hereby propose a final dividend of NGN 2.90 per share. If approved, this will bring the total dividend for the year ended December 31st, 2022, to NGN 3.20 per share.

## THE BOARD OF DIRECTORS

In 2022, Zenith Bank appointed Mrs. Adobi Stella Nwapa and Mr. Anthony Akindele Ogunranti as Executive Directors, while Mr. Peter Olatunde Bamkole and Mr. Chuks Emma Okoh were appointed as Independent Non-Executive Directors and Non-Executive Director, respectively. These appointments were approved by the Central Bank of Nigeria (CBN) effective April 12th, 2022. Meanwhile, two Executive Directors, Mr. Ummar Shuaib Ahmed and Mr. Dennis Olisa retired from the Board on December 28th, 2022, following the expiration of their tenure.

## INVESTMENT IN TECHNOLOGY

Zenith Bank remains committed to setting the pace in financial technology. As such, we have invested significantly in new technologies and digital solutions, in line with our commitment to creating value for our esteemed customers through innovative products and solutions that cater to their diverse needs.

## CORPORATE SOCIAL RESPONSIBILITY

Zenith Bank is committed to building a more balanced, fairer, and inclusive economy, which is why we continue to internalise sustainability principles in our business operations and investment decisions, in line with global

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best practices. In 2022, we made considerable progress in this regard, bearing in mind our role in accelerating the achievement of the United Nations Sustainable Development Goals (SDGs).

Our Corporate Social Responsibility initiatives are targeted at health, education, women and youth empowerment, sports development, and public infrastructure enhancement. In the course of the year, we invested NGN1.671 billion in these focus areas across the country. We believe that institutions' social investments, contributions to inclusive economic growth and development, as well as improvements in the physical environment, all constitute the balanced scorecard. As a testament to our achievements in this aspect, Zenith Bank won the awards for "Best Company in Technology for Development" and "Best Company in Workplace Practice" at the 2022 Sustainability, Enterprise, and Responsibility Awards (SERAs).

### MACROECONOMIC OUTLOOK

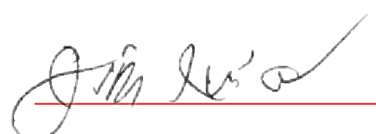
The outlook for the domestic and global economy remains uncertain amid the heightened global recession risk. The Nigerian economy is expected to continue to grow through 2023 but at a subdued pace. The World Bank expects a 2.9 per cent expansion, while the CBN forecasts a 3.03 per cent growth rate. Headwinds to growth remain persistent high inflation, perennial scarcity of Premium Motor Spirit (PMS), high energy prices, the rising cost of debt servicing, and deteriorating fiscal balances, among others. The Federal Government of Nigeria (FGN) 2023 budget has an aggregate expenditure estimate of NGN21.83 trillion, representing a 27 per cent increase compared to the NGN17.13 trillion budget for the 2022 fiscal year. The budget is predicated on crude oil production estimate of 1.69 million barrels per day, an exchange rate of NGN435.57/\$1, real GDP growth of 3.75 per cent, and an inflation rate of 17.16 per cent. The budget deficit is estimated at about NGN11.34 trillion and will be financed mainly by new borrowings totalling NGN8.80 trillion, NGN206.18 billion from Privatization Proceeds, and NGN1.77 trillion drawdowns on loans secured for specific development projects.

On the global front, the outlook of the global economy in the short to medium-term remains clouded by uncertainties associated with lingering headwinds from the Russia-Ukraine conflict and the residual impact of the COVID-19 pandemic. Also, the growth outlook is dampened by tightening global financial conditions with elevated shocks to foreign capital flows, the high level of corporate and public debt with a heightened risk of a global financial meltdown, and the high level of inflation across several economies. Overall, the economic prospect in 2023 remains that of cautious optimism.

### APPRECIATION

The year 2022 was a challenging but successful year for us as a Bank. Our superior performance recorded in the year was made possible by the collective efforts of all our stakeholders. I am grateful to our customers for their steadfast loyalty, our staff and Management for their dedication and commitment, and our Board for continually guiding the Bank along the path of sustained growth and prosperity. I welcome you to the 2023 financial year with the firm assurance of continued excellent performance by our Bank.

Thank you.



**JIM OVIA, CFR**

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