

ZENITH BANK PLC

GROUP RESULTS

For 12 Months Ended December 31, 2010

people | technology | service

www.zenithbank.com

Thursday March 24, 2011



...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** – **Managing Director/Chief Executive Officer**
- Udom Emmanuel** – **Executive Director/Chief Financial Officer**
- Peter Amangbo** – **Executive Director – Corporate Banking**
- Andy Ojei** – **Executive Director/Chief Risk Officer**



Agenda



Company Overview

Operating Environment

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By Segment

By Geography

Company Risk Management

Strategy and Outlook

Q&A



Zenith Bank Plc – Commitment to excellence



- **Strengthened global institutional brand** with upside from strong talent pool, **increased footprint** and **expanded market share**.
- A stable and **experienced management team** that is well positioned for strong execution leading to significant growth opportunities.
- One of Nigeria's **strongest banking brands** and **one of the country's largest banks** by market capitalization of N471.3bn (as at Dec. 31, 2010).
- **Strong liquidity and capital adequacy ratios** with a year-on-year increase in profit after tax of over 126% in 2010.
- Broad based strength in banking leveraged on **strong local franchise** with a branch network of 315 branches (as at Dec. 31st, 2010).
- The combined **intellectual capital** and dedication of the staff, management and Board has enabled Zenith to develop into the world-class institution that it is today.
- Zenith's success is anchored on its **continued investment in people, technology** and **excellent customer service-focused strategy**.
- The Bank has opted for the **International Commercial Bank License**, which will authorize it to conduct banking business on an international basis. We believe this will strengthen our global brand and boost our presence in the global financial sphere.



People | Technology | Service



Ratings.....consistently above industry average



Fitch Ratings – “B+” (2010 – international)

“The Stable Outlook for the long term IDR reflects Zenith’s strong and well-established domestic franchise and acceptable levels of Tier 1 capital”



S&P Rating – “B+/B-” (2010 - international)

“The Stable Outlook on Zenith reflects our view that the bank’s financial profile is proving comparatively resilient to the domestic market turmoil”



Agusto & Co – “Aaa” Rating (2003 – 2007)

“We believe Zenith Bank is a financial institution of impeccable financial condition and overwhelming capacity to meet obligations as and when they fall due”



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Optimistic Macro-Economic Environment for Nigeria



	2008	2009	Q1'10	Q2'10	Q3'10	Q4'10
GDP Growth (%)	6.1	6.9	7.36	7.69	7.86	8.29
Inflation (%)	15.1	12.4	14.8	14.1	13.60	11.80
Oil Price (\$)	94.5	61.1	76.01	72.49	77.48	88.99
Exch. Rate (USD/NGN)	126.5	149.6	147.84	148.22	149.04	150.66
Foreign Reserves (\$'bn)	52.8	42.4	40.7	37.42	34.50	32.32

Source: NBS

- ◆ **GDP Growth:** The economy recorded a growth of 8.29% in 2010 largely driven by the non-oil sector. Our Bank leveraged on the drivers of this growth to boost its earnings in FY10. We expect GDP to continue to grow on the back of anticipated enhanced activities in the real sector of the economy in 2011.
- ◆ **Headline Inflation:** Inflation hit a 13-month low of 11.80% YoY in Q4'10 (after peaking at 14.80% in Q1'10) partly as a result of the effect of MPR hikes. Following this, interest rates continued to inch upwards and this positively impacted on the Bank's earnings in FY10. The outlook for Q1'11 shows inflation could fluctuate between 11% – 13% fueled by pre-election spending, implementation of the increased wage structure for public workers, etc. The average rate of Government borrowing is expected to rise.
- ◆ **Exchange Rate:** The foreign exchange market remained relatively stable in 2010. The Bank generally followed the trend of the USD/NGN by taking advantage of the upsides during the period under review. We expect that the CBN will continue to defend the Naira, though there may be a gradual devaluation depending on movements in crude oil prices and the level of pressure on the country's foreign reserves in 2011.



Optimistic Macro-Economic Environment...



- ◆ **Oil Prices:** Owing to improvement and stability of oil production at an average of 2.2 million barrels per day and strong prices averaging \$80.90 per barrel in 2010, oil sector contribution to the economy received a boost. This also impacted positively on the Bank's revenue as is evident from its improved activities in the oil & gas sector(downstream and upstream). Strengthened demand from Asia (which drives about 75% of global oil demand growth), especially from China (largest global oil consumer), the series of civil unrests in the Middle East and increased demand from the US following resurgence in industrial production and capacity utilization are key drivers of oil in 2011. Oil prices are currently hovering between \$108.14 - \$112.90 per barrel.
- ◆ **Foreign Reserves:** The external reserves were under pressure from Q1 to Q3 2010 (from \$40.7 billion in Q1'10 to \$32.32 billion in Q4'10) due to increased dollar demand from importers and flight to safety by foreign investors before the elections. The Bank however effectively employed various excellent FX trading strategies to meet our customers FX demands. We expect a significant improvement in external reserves in 2011 due to a more stable environment, increased inflows and high oil prices.
- ◆ **AMCON:** On December 31, 2010, AMCON signed a debt purchase agreement with 21 of the 24 banks operating in Nigeria and issued N1.04 trillion consideration bonds (not tradable to buy) to purchase the non-performing loans worth N2.2 trillion from banks with the FGN the guarantor. The AMCON has announced its intention to begin the second phase of its asset purchase programme. This stage of bad debt purchases (worth N1.5 trillion) will be taken from the healthy banks and other banks that did not meet up with the first stage. We expect the impact of AMCON to positively reflect on the Bank's activities going forward.



Positive Micro-Economic Environment...



In 2010 a number of the stronger banks in Nigeria applied a sizeable number of stress-free banks in Nigeria applied to AMCON to request for AMCON to take on their NPLs. This move underscores the level of confidence the financial institutions place on the Corporation's operations. The AMCON's bail out of the banking industry is expected to continue and facilitate the much needed recapitalization of the sector. **So far, Zenith Bank along with other banks in the industry participated in the first phase of asset purchase and benefited from the positive impacts on its balance sheet.**

The Government (via the CBN) in H1'10 communicated that no bank would fail and that it had no intention of being a shareholder of any bank. At the same time, the CBN requested bids from interested parties to acquire the intervened banks. We expect new strategic investors to eventually take over the Government bailed out banks, and this will change the competitive landscape of the industry. As a Bank, we would continue to leverage on our broad client base to grow and maintain our leading position in all the key sectors of the economy.

Deposit interest rates are expected to increase marginally notwithstanding the anticipated withdrawal of CBN guarantee of inter-bank lines, as new investors are expected to recapitalize the weak banks. **Zenith Bank will continue to be a major player in the inter-bank market so as to enhance its bottom-line.**

For the most part of 2010, the CBN gradually employed tight monetary policies to avert threatening inflationary pressures. The lending rate to Government is expected to increase due to the flight to safety by investors prior to the upcoming elections. However, strong oil prices and improved reserves are likely to improve the bargaining power of the Government.



Positive Micro-Economic Environment...



The manufacturing sector last year witnessed some challenges that eventually renewed Government interest in this sector of the economy. Anticipated real sector growth is expected to boost confidence and lending activities. Zenith will support this growth initiative by lending to infrastructure projects, the power sector, manufacturing and telecoms. **In this regard, our Bank is strategically positioned to be a dominant player complementing our strategic relationships with key stakeholders in this area.**

In 2010, the Nigerian banking sector witnessed some improved earnings although still below the FY08 level. The industry is expected to return fully to pre-crisis profitability levels with ROE well above inflation rate. **Our goal is to further improve top-line and bottom-line items while keeping a reasonable cost to income ratio in 2011.**



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Financial Highlights



Key Theme

Consolidating Superior Performance and Sustaining Competitive Advantage through our People, Technology and Exceptional Customer Service

P&L

Gross Earnings: N192.5bn
Net Interest Income: N91.5bn
Net Interest Margin: 5.95%
PBT: N50bn

-13.23% YoY
4.42% YoY
-25.63% YoY
78.23% YoY

Balance Sheet

Customer Deposit: N1.32trn
Total Assets: N1.90trn
Shareholders' Funds: N364bn
Net Loans & Advances: N713bn

12.28% (YoY)
14.18% (YoY)
7.63% (YoY)
2.14% (YoY)

Key Ratios

Loan to deposit Ratio: 57%
Liquidity: 63.74% (Group), 61.51% (Bank)
Capital Adequacy: 36% (Group), 32.9% (Bank)

NPL: 5.93%
ROE: 10.71%
EPS: 119k

Key Events

- Commenced Operations in Gambia (January 2010)
- New CEO and Chairman appointed (June 2010)
- New auditors appointed (July 2010)



Profit & Loss Statement



	Group 12 mths to Dec-10 (N'm) Audited	Group 12 mths to Dec-09 (N'm) Audited (Annualized)	YOY Change
Gross Income	192,488	221,840	-13.23%
Interest Income	127,265	154,836	-17.81%
Interest Expense	-35,719	-67,166	-46.82%
Net Interest Income	91,546	87,670	4.42%
Fees and Commission Income	46,180	44,011	4.93%
Foreign Exchange Trading Income	10,823	15,750	-31.28%
Underwriting Profit	2,524	1,876	34.54%
Trusteeship Income	45	34	33.93%
Income from Investments	304	1,061	-71.34%
Other Income	726	189	284.53%
Operating Income	152,148	150,590	1.03%
Operating Expenses	-97,769	-90,630	7.88%
Diminution in Asset Values	-4,353	-31,892	-86.35%
Profit Before Tax	50,026	28,068	78.23%
Taxation	-12,612	-11,586	8.86%
Profit After Tax	37,414	16,482	126.99%

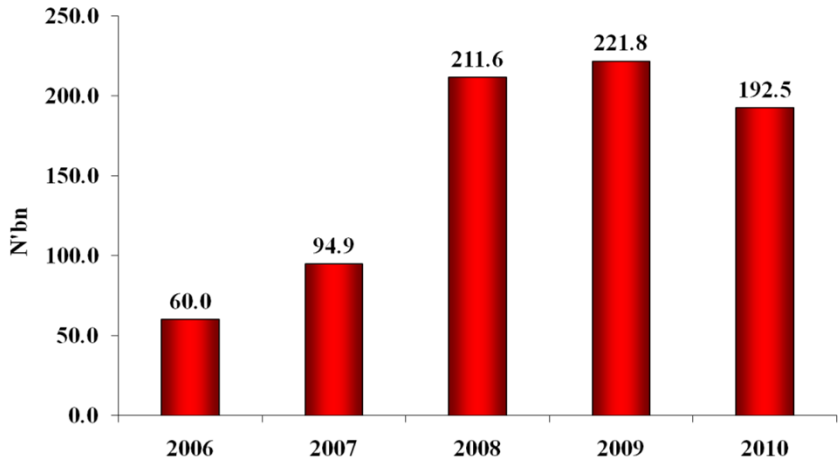
Efficiency in cost of fundingstrong bottom line



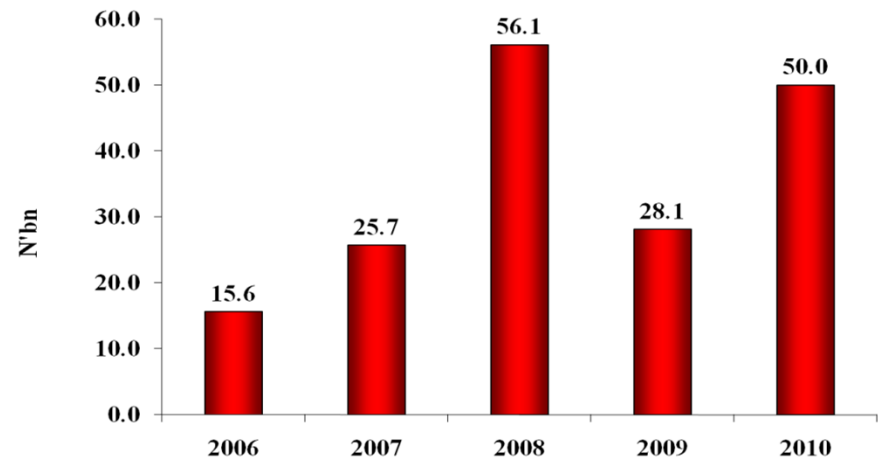
Strong Earnings and Profitability



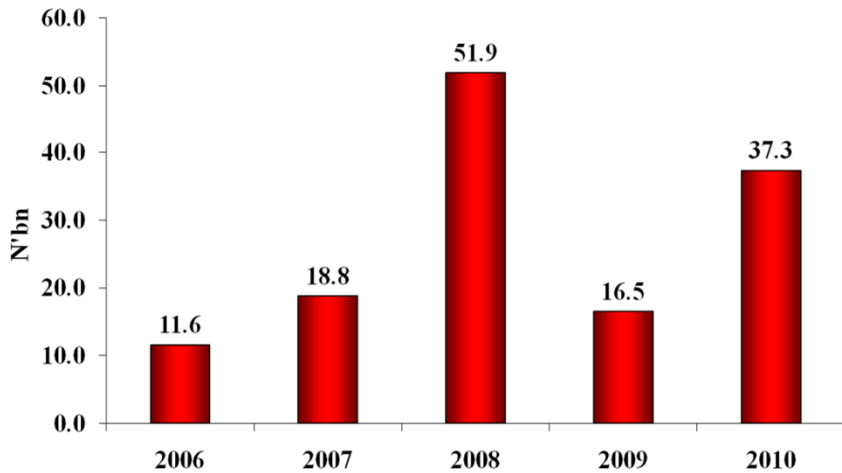
Gross Revenue



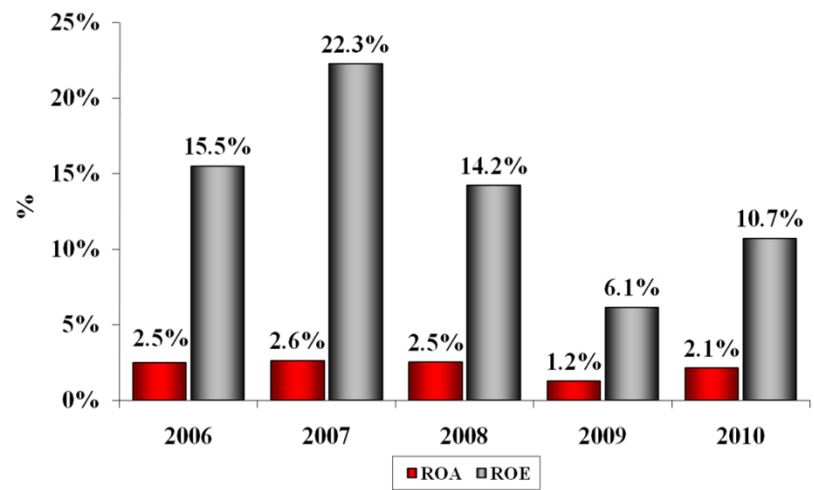
PBT



PAT



ROE/ROA





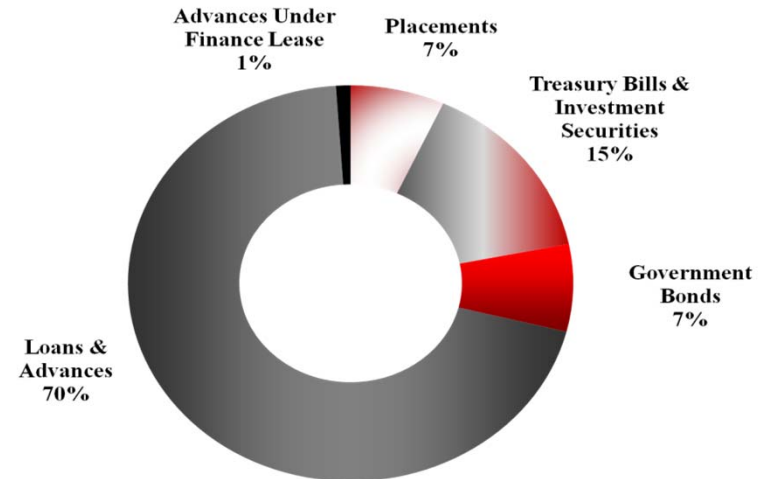
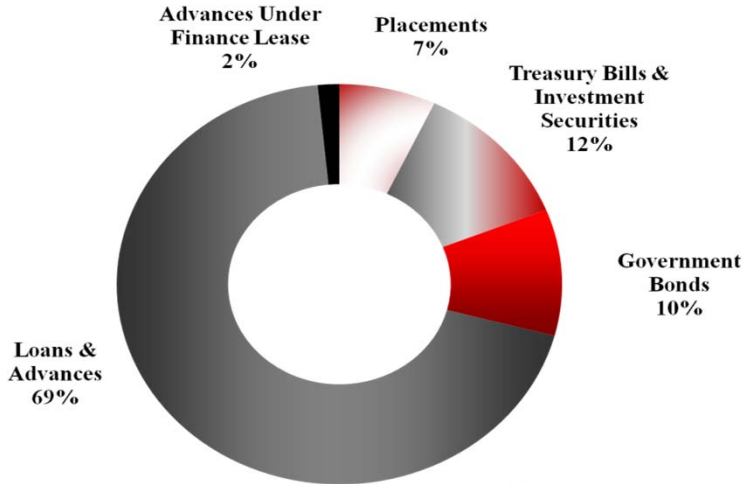
Diverse Revenue Base



2010

Interest Income

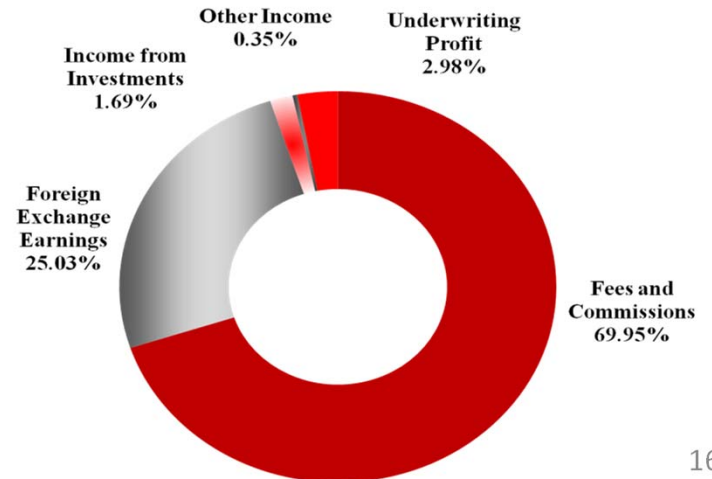
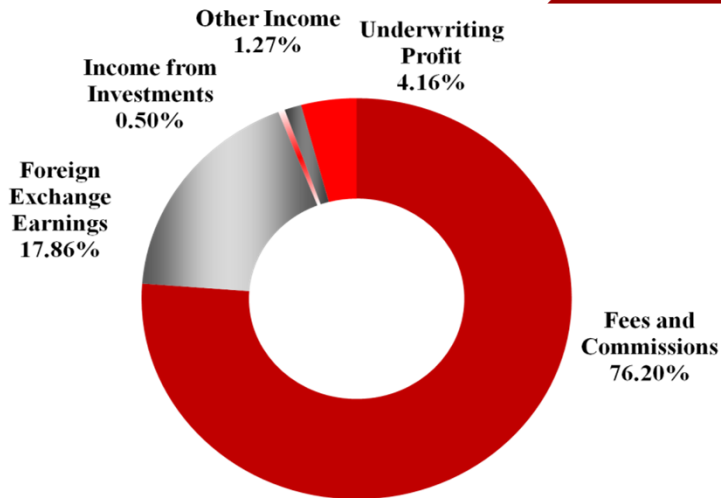
2009



2010

Non-Interest Income

2009

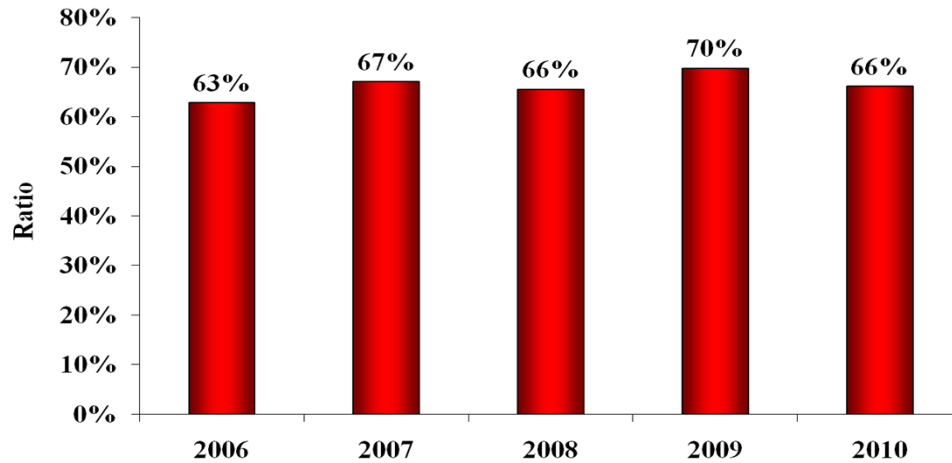




Revenue Composition

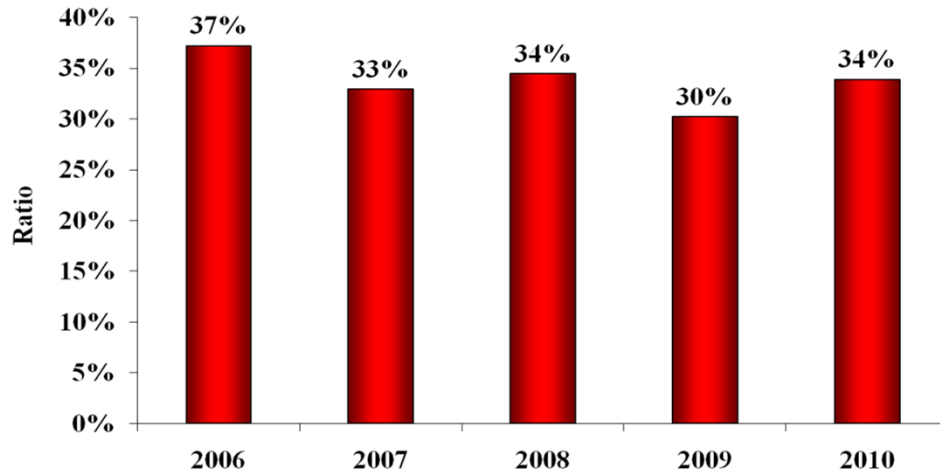


Interest Income/ Income



- ◆ *Drop in Interest Income as a result of low money market rates prevalent for the most part of 2010.*

Non-Interest Income / Income



- ◆ *Growth in Non Interest Income fueled by improved fees and commissions ... an attestation of our excellent customer focused services*



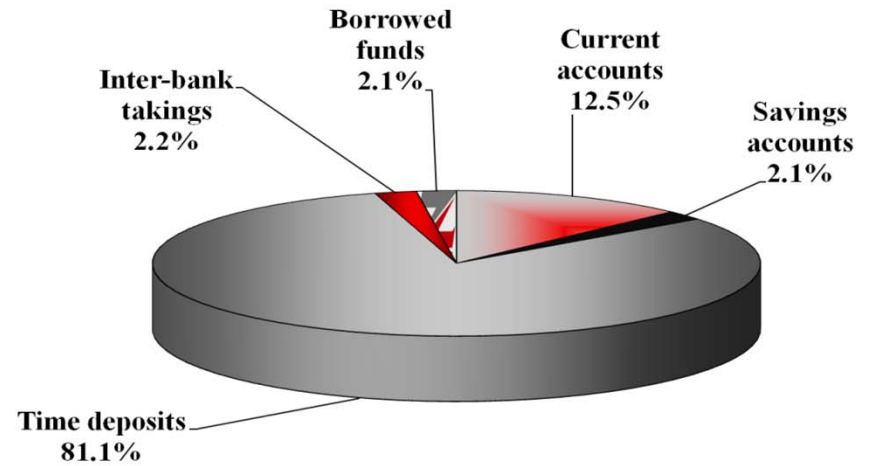
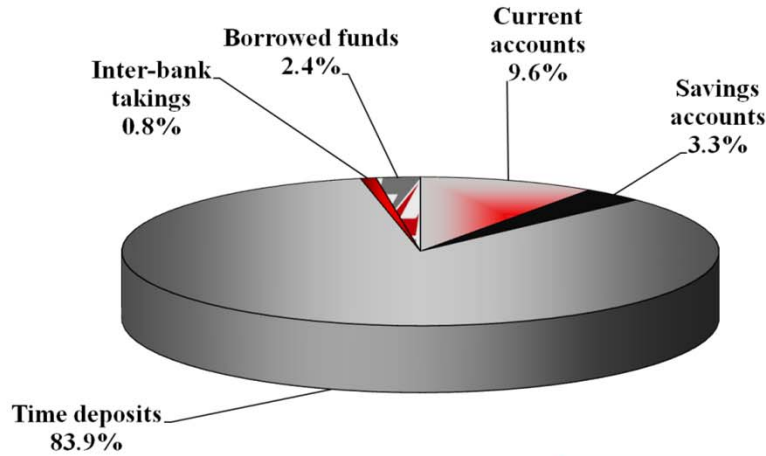
Sustained Efforts towards Cost Effectiveness...



2010

Interest Expenses

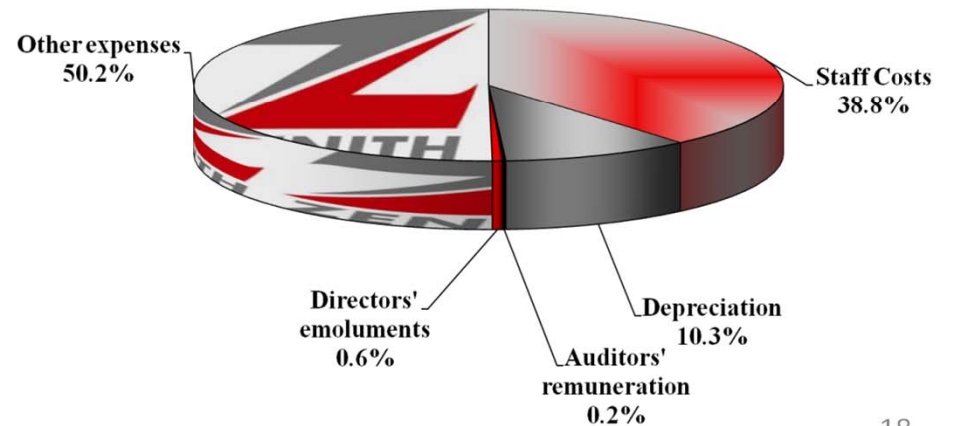
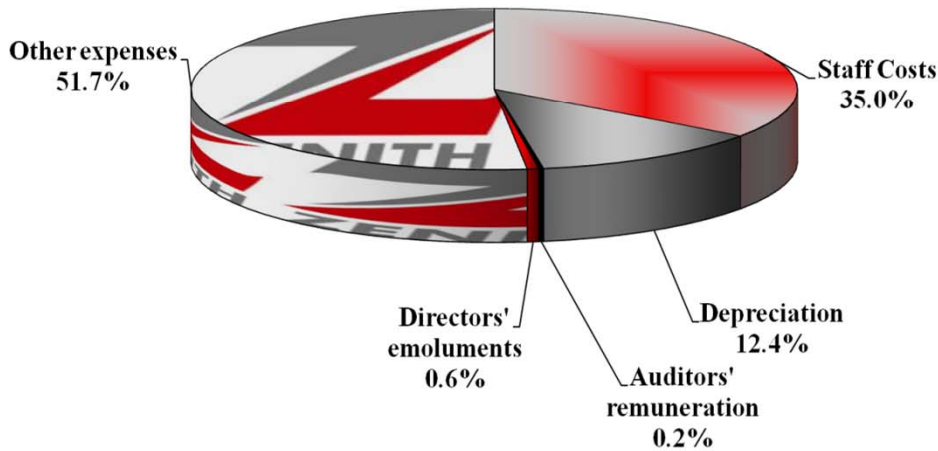
2009



2010

Operating Expenses

2009

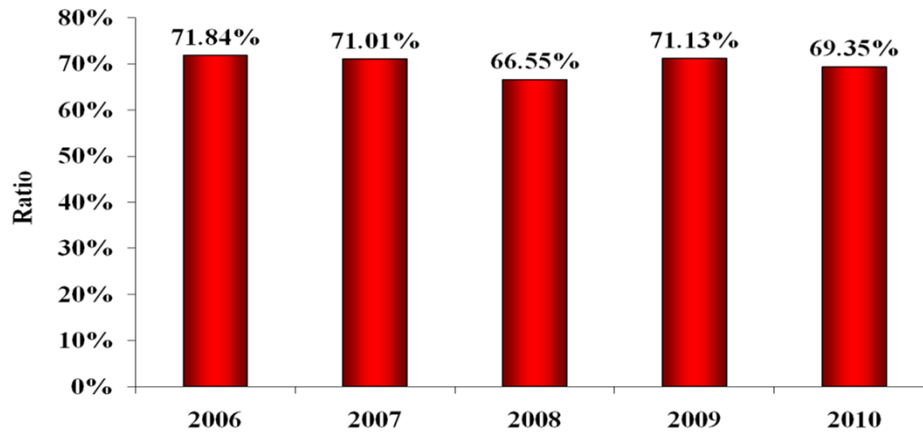




Cost Analysis

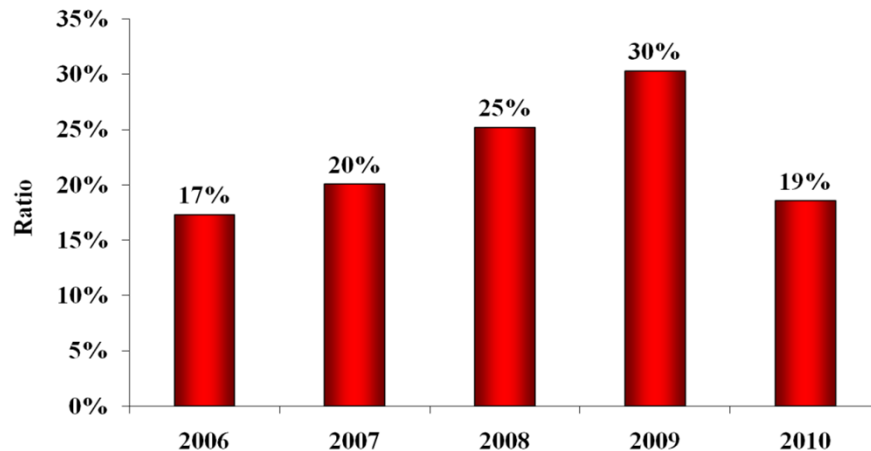


Cost Income Ratio

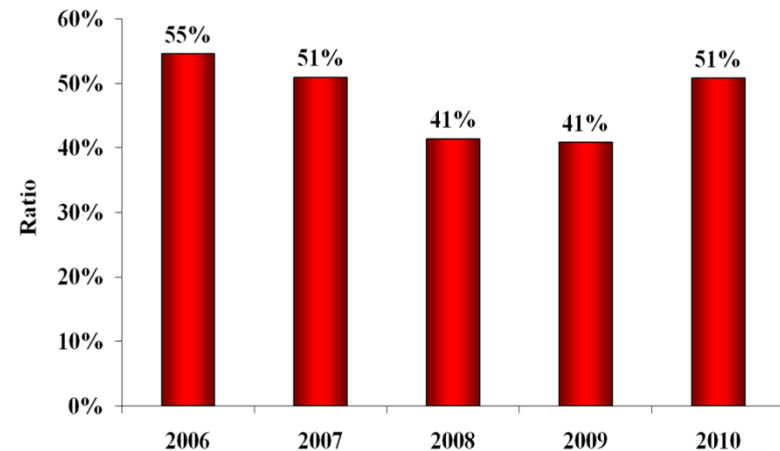


- ◆ 1.78% YoY reduction in Total Cost to Income ratio.
- ◆ Significant YoY drop in Interest Expense as a result of strategic focus on mobilizing cheap demand and savings accounts deposits through our extensive branch network.
- ◆ Continuous efforts in cost-reduction strategies.

Interest Expense / Income



Operating Expense / Income





Balance Sheet - Assets



	Group Dec-10 (N'm)	Group Dec-09 (N'm)
Cash and balances with central banks	141,724	126,779
Treasury bills	298,869	234,115
Due from other banks	399,503	341,830
Loans and advances	713,285	698,326
On-lending facilities	22,536	-
Advances under finance lease	13,188	5,506
Insurance receivables	711	635
Investment securities	210,345	158,977
Deferred tax assets	1,162	966
Other assets	18,936	13,517
Investment property	7,623	433
Fixed assets	67,145	78,619
Total Assets	1,895,027	1,659,703

Strong Liquid Assets Base.....Cushion against adverse events



Balance Sheet- Liabilities & Equity



	Group Dec-10 (N'm)	Group Dec-09 (N'm)
Customer deposits	1,318,072	1,173,917
Claims Payable	218	198
Liabilities on insurance contracts	2,287	1,202
On-lending facilities	26,049	-
Borrowings	27,975	35,984
Current income tax	3,735	7,407
Other liabilities	145,750	100,085
Deferred income tax liabilities	7,380	3,117
Total liabilities	1,531,466	1,321,910
	Group Dec-10 (N'm)	Group Dec-09 (N'm)
Share capital	15,698	12,559
Reserves	345,544	323,011
Shareholder's funds	361,242	335,570
Non-controlling interest	2,319	2,223
Total liabilities & equity	1,895,027	1,659,703
	902,931	638,708
Acceptances and guarantees		

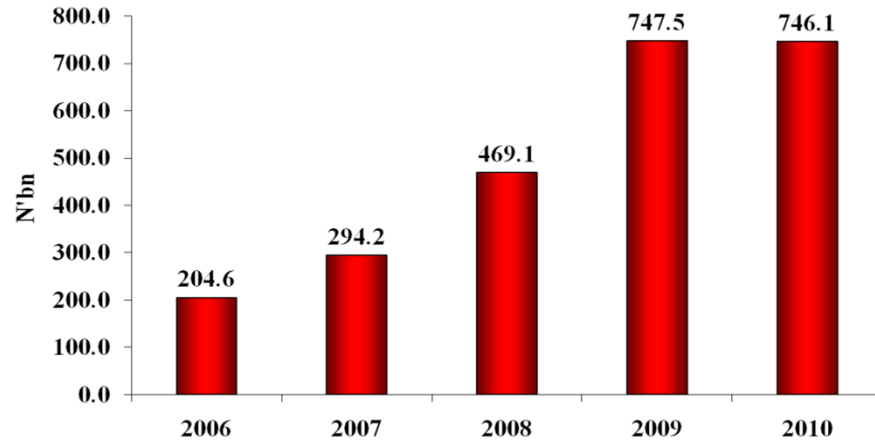
Solid Capital Base....Enhancing capacity for new deals



Loan and Deposit Growth

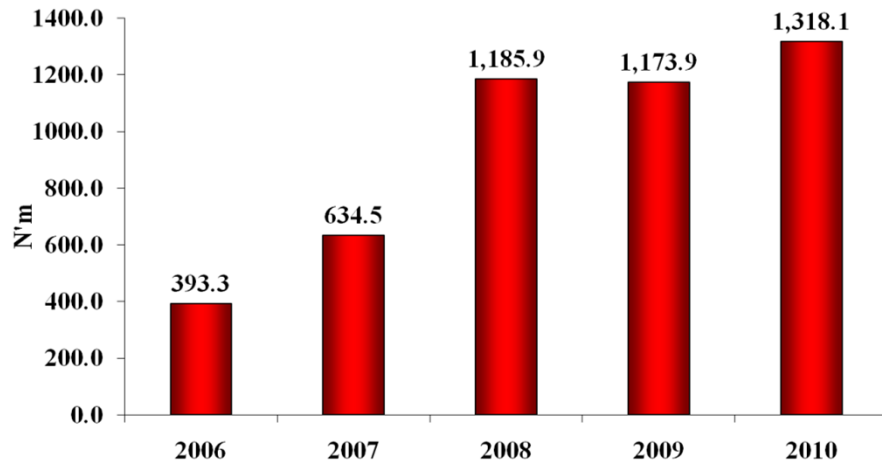


Loan Growth



- ◆ *Enterprise Risk Management policies yielding results with over 2% increase in net loans despite drop in gross loans.*

Deposit Growth



- ◆ *Successfully leveraging on extensive and strategically located branches to drive deposit mobilization.*
- ◆ *Over 12% YoY growth in Deposits.*



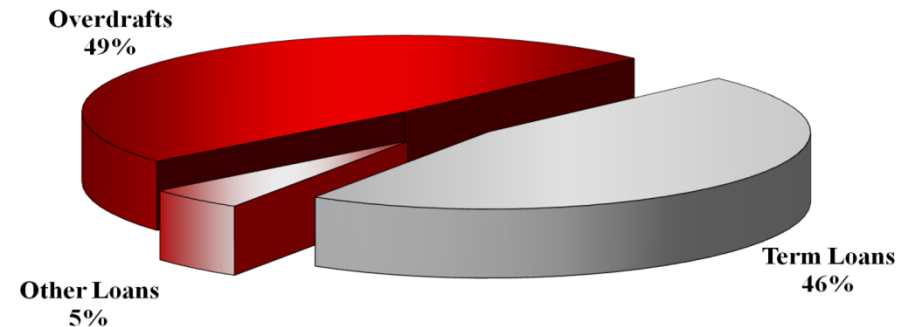
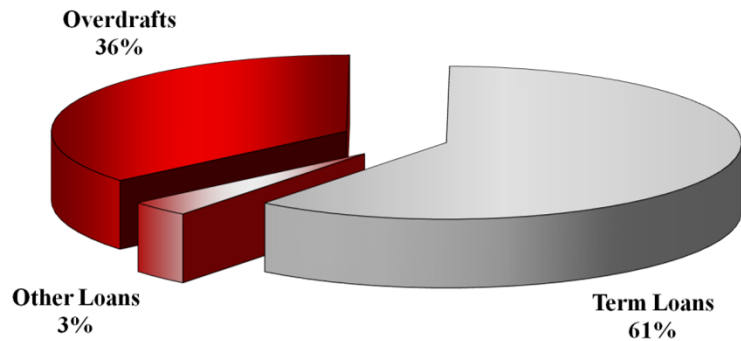
Core deposits...more than sufficient to fund relatively longer tenured assets



Dec'10

Loans and Advances

Dec'09

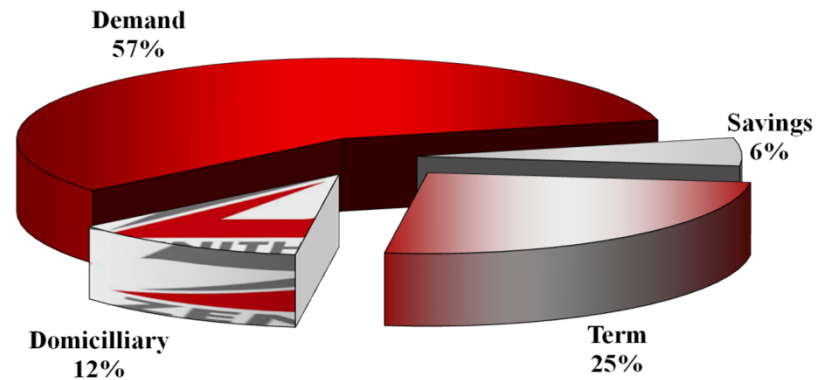
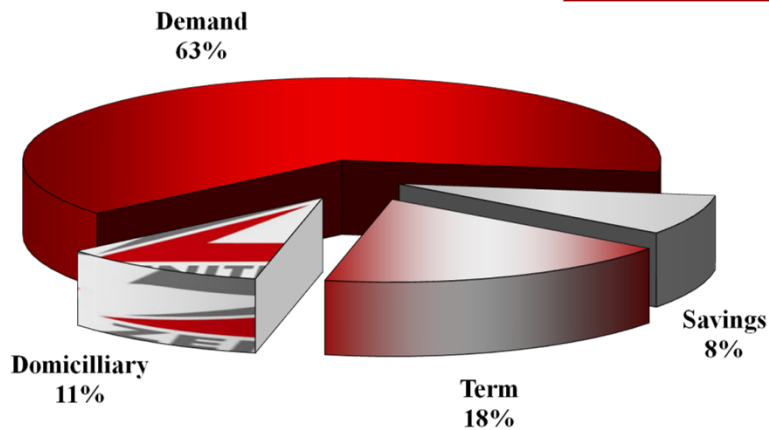


- ◆ *Improving yield through strategic focus on short to medium term funding.*

Dec'10

Deposits

Dec'09



- ◆ *Excellent Customer Service and Robust ICT platform driving up Demand & Savings Accounts Volumes.*

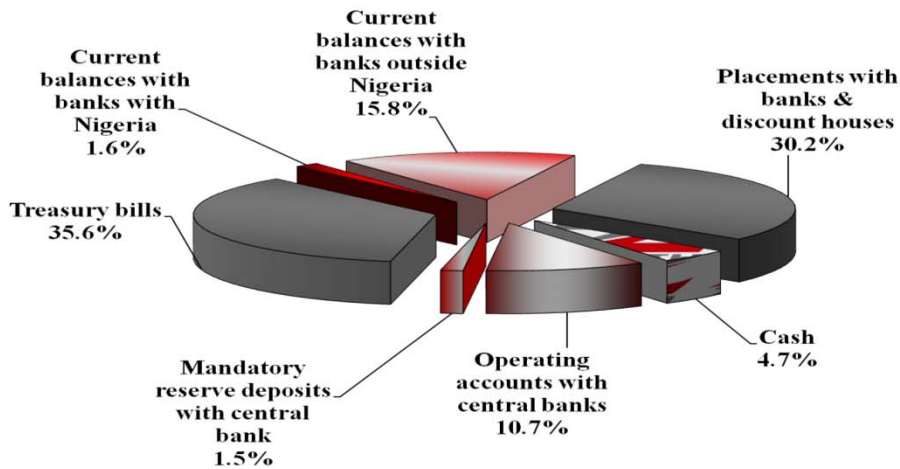


Sustained dominance of the market through strong liquidity and right funding mix

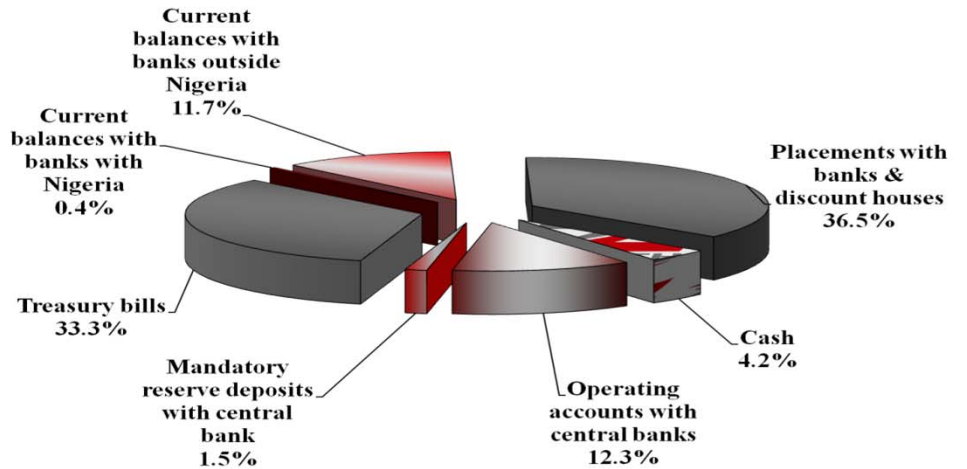


Liquid Assets

2010

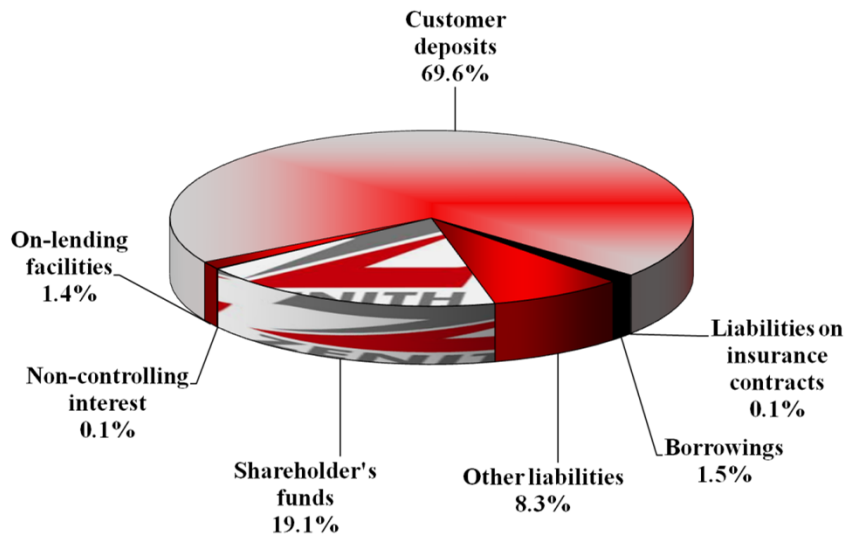


2009

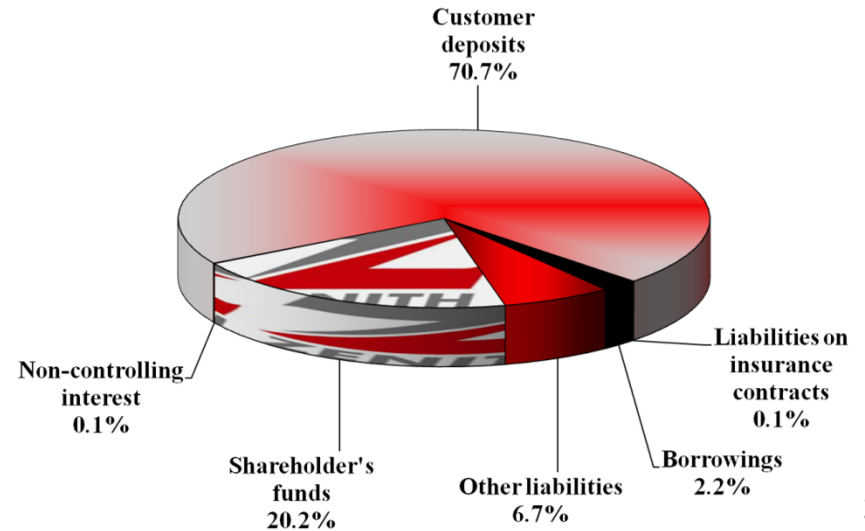


Funding Mix

2010



2009





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P&L – By Segment



**12 Months Ended Dec 2010 (N'm)
(Audited)**

	Corporate & Retail Banking	Investment Mgmt & Stockbroking	General Health & Life Insurance	Others	Eliminations	Consolidated
Total Revenue	182,033	1,686	7,642	3,094	-1,967	192,488
Operating Expenses	137,564	-430	6,292	1,003	-1,967	-142,462
Profit Before Tax	44,469	2,116	1,350	2,091	-	50,026
Tax	-10,117	-571	-962	-962	-	-12,612
Profit After Tax	34,352	1,545	388	1,129	-	37,414

**12 Months ended Dec 2009 (N'm)
(Audited and Annualized)**

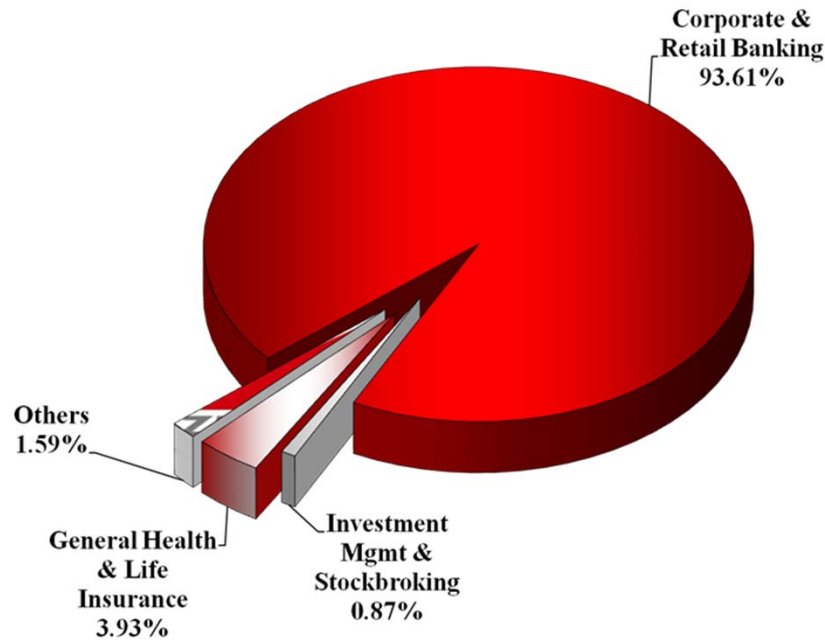
	Corporate & Retail Banking	Investment Mgmt & Stockbroking	General Health & Life Insurance	Others	Eliminations	Consolidated
Total Revenue	216,542	4,512	6,980	4,698	-10,893	221,840
Operating Expenses	188,826	8,030	6,496	1,313	-10,893	-193,772
Profit Before Tax	27,716	-3,518	484	3,386	-	28,068
Tax	-11,213	827	-327	-873	-	-11,586
Profit After Tax	16,503	-2,690	157	2,513	-	16,482



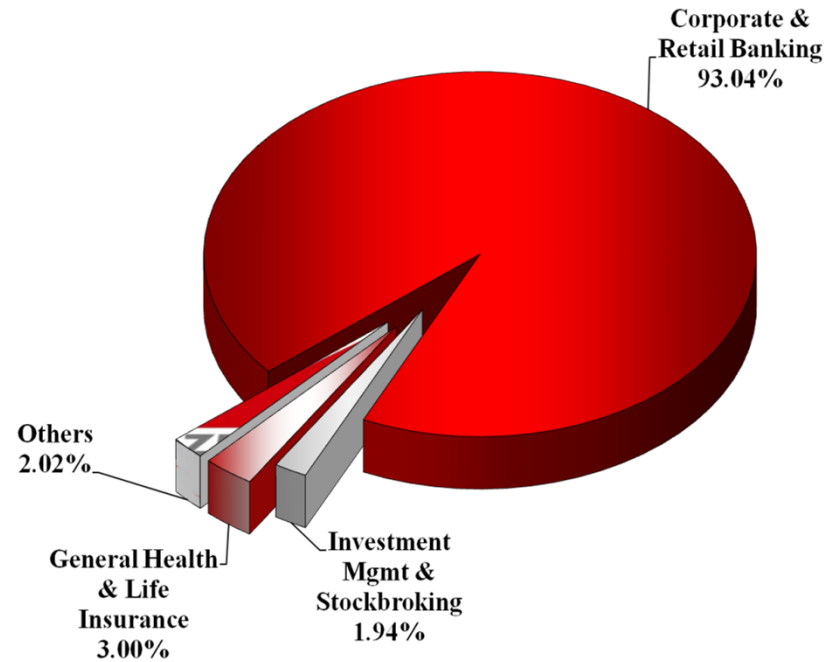
P&L – By Segment



Gross Revenue by Segment – Dec'10



Gross Revenue by Segment – Dec'09



Core Banking activities continue to dominate the Revenue stream of the Group.



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P&L – By Geography



12 Months Ended Dec 2010 (N'm) (Audited)

	Nigeria	Rest of Africa	Europe	Eliminations	Consolidated
Total Revenue	181,787	10,074	2,594	-1,967	192,488
Operating Expenses	133,321	9,386	1,722	-1,967	-142,462
Profit Before Tax	48,466	688	872	-	50,026
Tax	-12,117	-240	-255	-	-12,612
Profit After Tax	36,349	448	617	-	37,414

12 Months ended Dec 2009 (N'm) (Audited and Annualized)

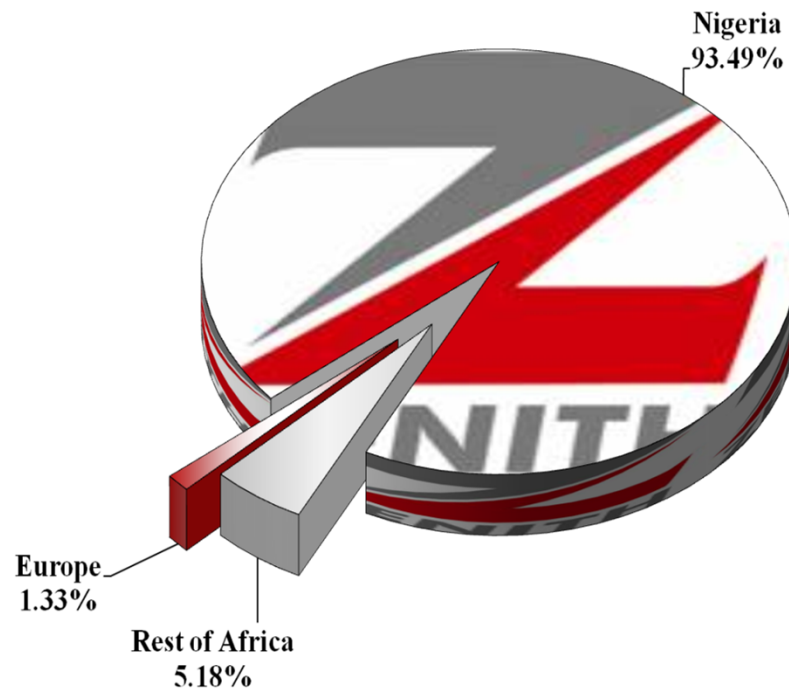
	Nigeria	Rest of Africa	Europe	Eliminations	Consolidated
Total Revenue	219,451	10,314	2,967	-10,893	221,840
Operating Expenses	193,780	8,780	2,105	-10,893	-193,772
Profit Before Tax	25,670	1,534	862	-	28,068
Tax	-11,083	-304	-198	-	-11,586
Profit After Tax	14,587	1,230	664	-	16,482



P&L – By Geography



Gross Revenue by Geography – Dec'10



Gross Revenue by Geography – Dec'09



Business from Nigeria continues to account for a substantial portion of the Group's Revenue base.



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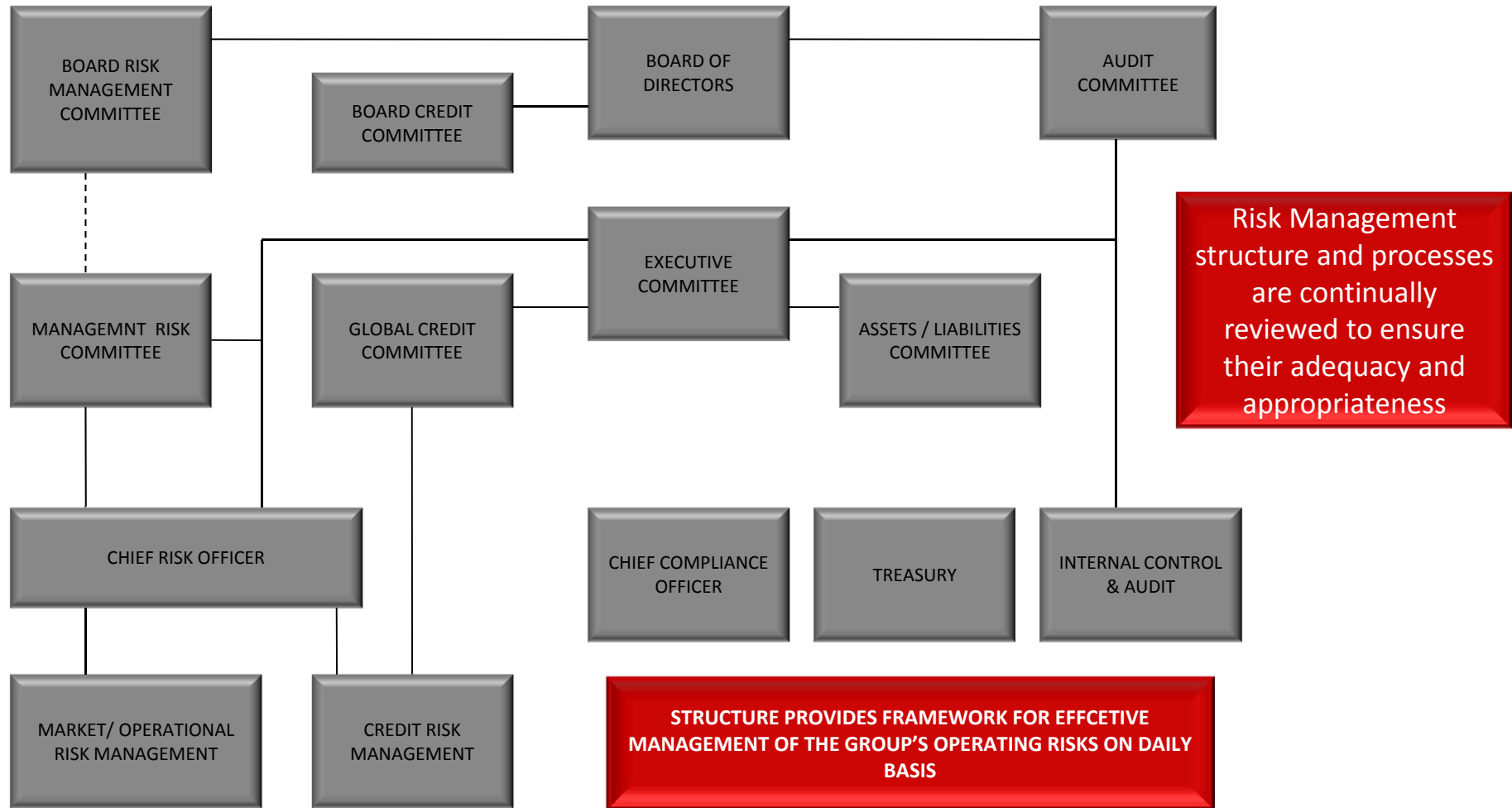
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Sound Enterprise Risk Management Structure



The Credit Risk Management Group (CRMG) provides high level centralized management of Credit Risks for the entire Group



Our Strategy for Risk Management



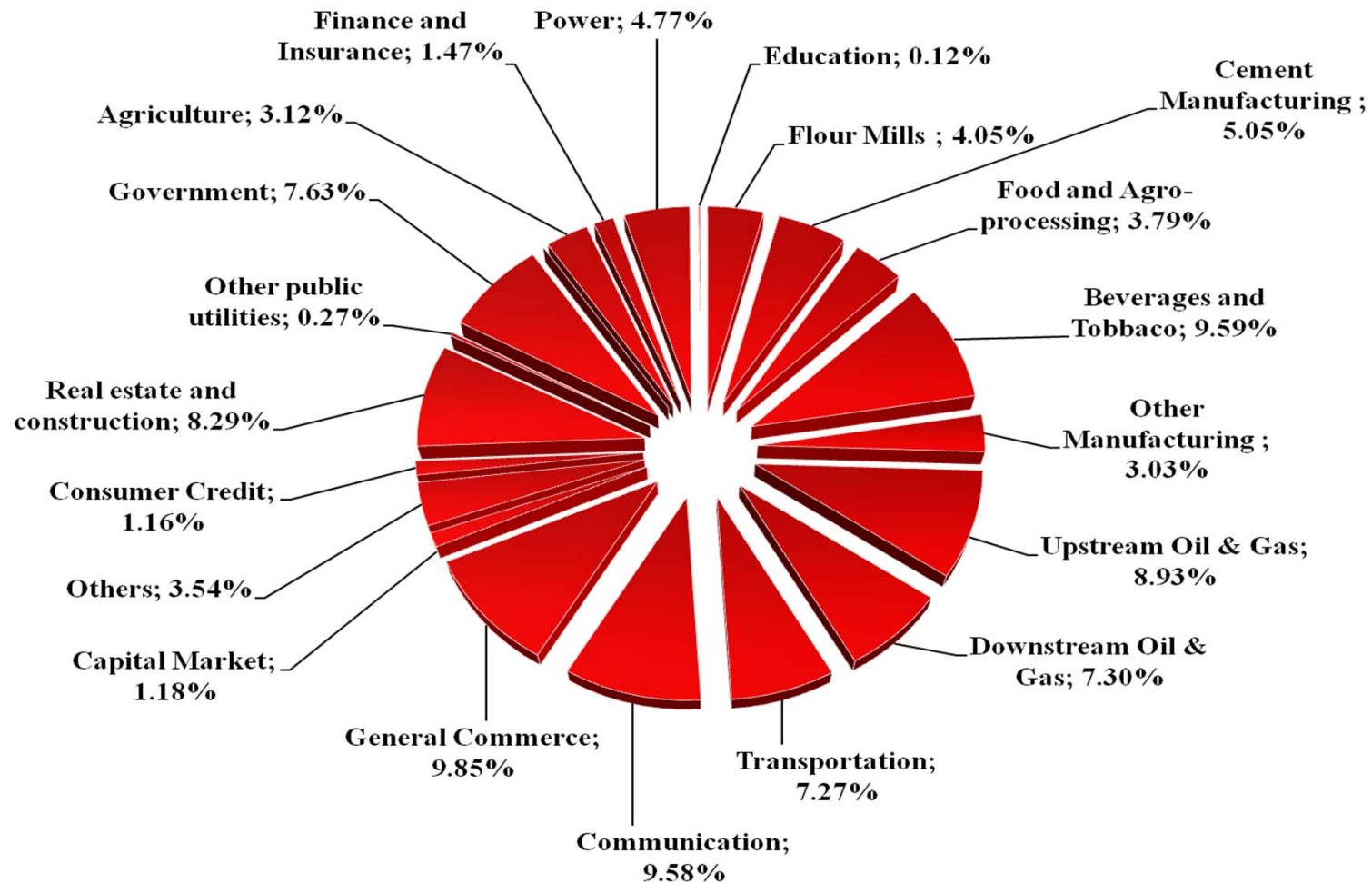
- Integrating risk management into the culture of the Bank via training and acculturation.
- Continuing to identify all risk exposures, threats and opportunities which are then managed with appropriate processes in line with best practices and regulatory requirements.
- Implementing cost effective actions.
- Measurement, analysis, management & control.
- Fine-tuning processes that will ensure timely compliance with risk based supervision and Basel II compliance.
- Continuing to maintain high quality credit by complementing our credit portfolio with clear cohesion logic.
- Ensuring that all staff with risk management functions are adequately qualified and trained.
- Continuing to uphold and preserve our liquidity management philosophy.
- Zero tolerance for regulatory breaches.
- Continuously growing our assets with reasonable quality and increasing our market share.



Diversified Loan Portfolio



Loans by Sector – Dec'10



Sustaining loan policy of no concentration risk



NPL Analysis

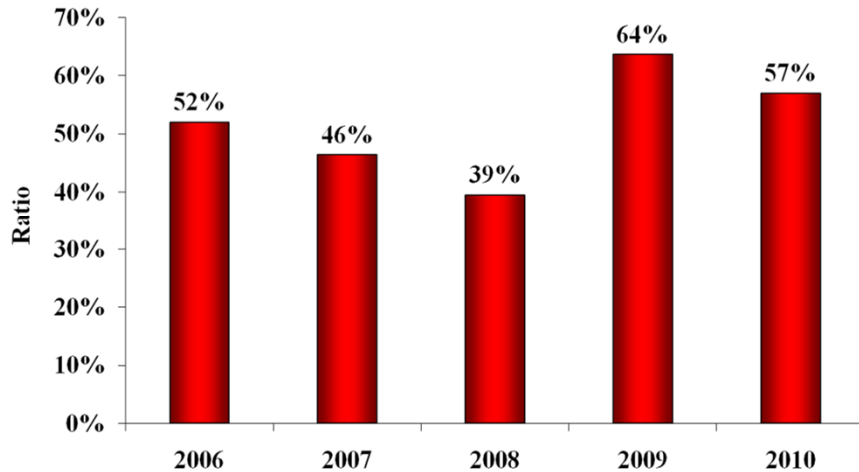


Loans/Provisions

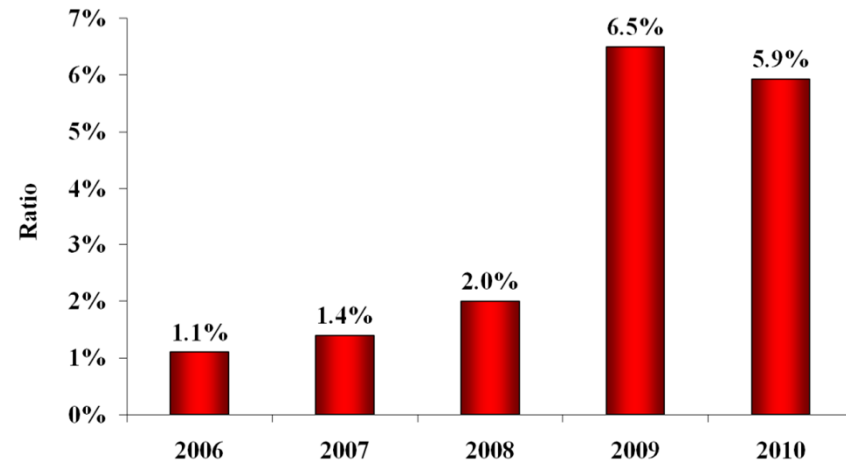
(N'm)	Group Dec-10	Group Dec-09
Gross Loans and Advances	746,051	747,465
Provision for Loan Losses	32,766	49,139
Non-Performing Loans	44,271	48,379
NPLP/NPL coverage ratio	74.0%	101.6%

- Sustaining conservative loan to deposit ratio giving room to take advantage of emerging business opportunities.
- Consistent low NPL ratios in comparison with industry averages.

Loan to Deposit Ratio



NPL Ratios

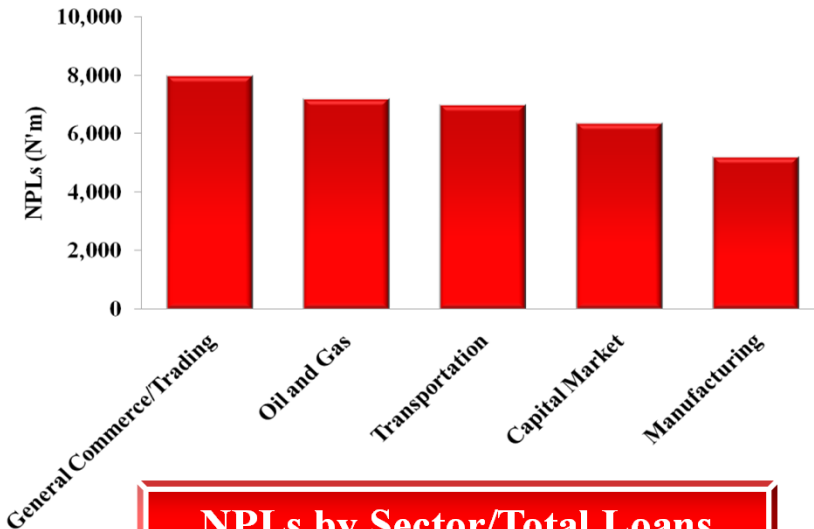




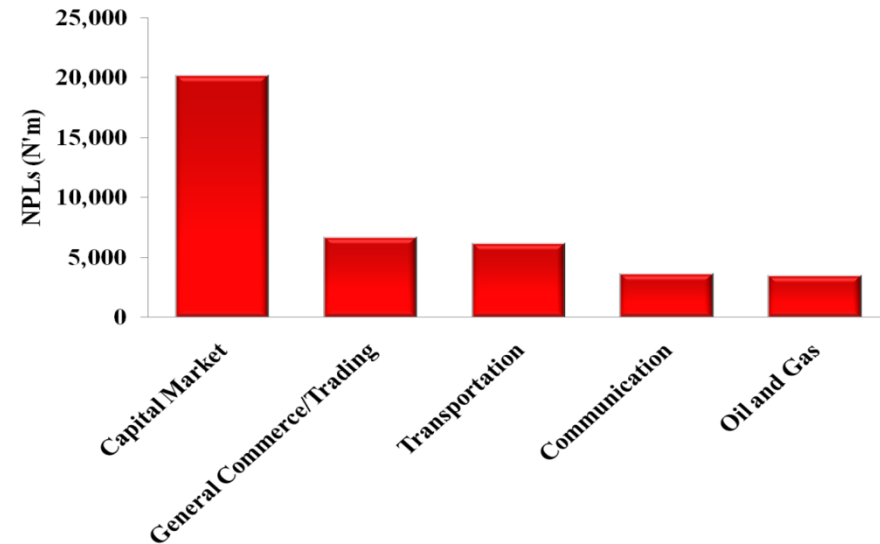
NPL Analysis



2010 NPLs by Sector



2009 NPLs by Sector



NPLs by Sector/Total Loans

	<u>2010</u>	<u>2009</u>
General commerce NPLs/ Total Loans	1.07%	0.89%
Oil and gas NPLs/ Total Loans	0.96%	0.46%
Transportation NPLs/ Total Loans	0.94%	0.82%
Capital market NPLs/ Total Loans	0.85%	2.69%
Manufacturing NPLs/ Total Loans	0.69%	0.25%
Finance and insurance NPLs/ Total Loans	0.38%	0.06%
Real estate and construction NPLs/ Total Loans	0.22%	0.29%
Communication NPLs/ Total Loans	0.20%	0.48%
Consumer credit NPLs/ Total Loans	0.11%	0.43%
Agriculture NPLs/ Total Loans	0.10%	0.04%
Other NPLs/Total Loans	<u>0.41%</u>	<u>0.06%</u>
Total NPLs/Total Loans	5.93%	6.47%

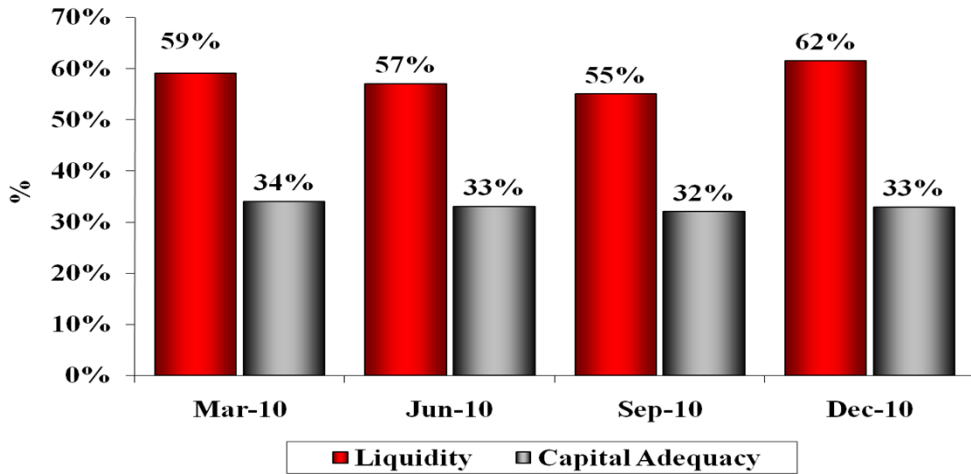
◆ *Losses spread across different sectors.*



Strong Capitalization and Liquidity

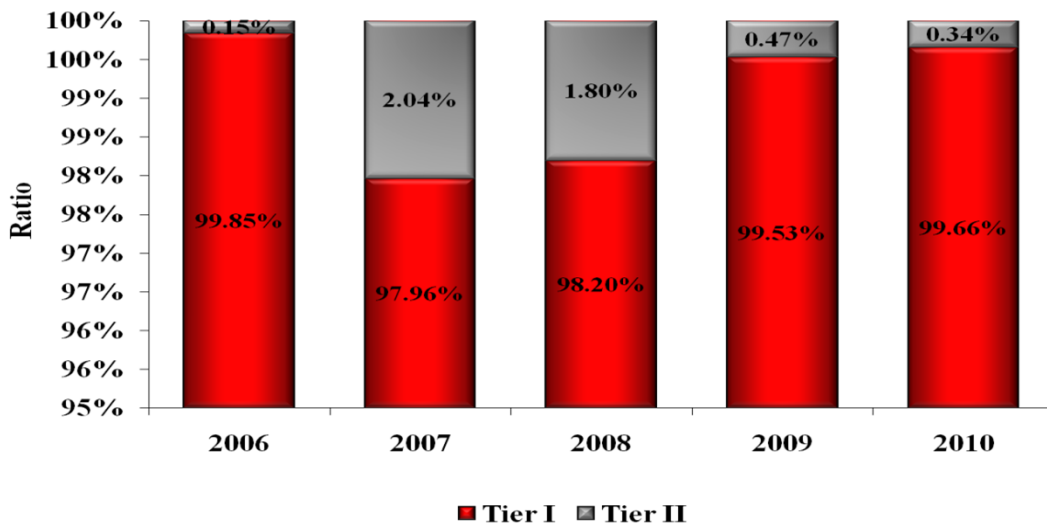


Liquidity and Capital Adequacy



Capital and liquidity ratios for the Bank – well above industry requirements.

Capital Mix



Capital base – predominantly made up of Tier 1 capital.



Agenda



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Well positioned to deliver a strong performance in 2011



**Strong capitalization and liquidity
with sustained capital and liquidity
ratios well above industry
requirements.**

**Well disciplined and focused
management team ; Well motivated
and dedicated workforce**

**Adequate protection against any
adverse event with huge capital base
and liquidity cushion**

**Huge investment in up-to-date
state of the art ICT platform to
drive efficient customer service
delivery**

**Opportunities
to increase
market share**

**Various cost curtailing measures
already working to pull down
the cost to income ratios.**

**Efficient and robust risk
management structure driving
down NPL ratios**

**Conservative loan-to-deposit ratio
giving adequate headroom for
loan growth**

**Cheap demand and savings accounts
deposit mobilization through our
extensive branch network working to
push up NIM**



Pursue cost efficiency programme.....



STRATEGY FOR REDUCING COST TO INCOME RATIO:

- Process review and realignment to enhance efficiency in our operations.
- Collaboration with other industry players in shared services.
- Developing more electronic platforms to further improve efficiency
- Optimal use of resources by effective performance measurement.
- Further strengthen our due diligence to ensure value for money in all activities.
- Outsourcing of non-core operational activities.

STRATEGY FOR TREASURY :

- Effectively managing the Bank's liquidity to ensure it meets its obligations as they fall due.
- Ensuring the Bank maintains a low cost of funds to achieve profitability.
- Trading and investment of government, corporate and sub-national securities for income generation i.e. Bonds and Treasury Bills.
- Management of the Bank's deposit liabilities i.e. Purchased funds.
- Coordinating and advising management on indicative rates of all tenures of deposit liability.
- Focusing on financial goals which include increasing the Bank's shareholder value through creation of wealth by way of optimizing revenue.



Pursue cost efficiency programme.....



STRATEGY FOR INFORMATION TECHNOLOGY :

- Designing the Bank's IT infrastructure to maximize its efficiency, minimize cost of operation and improve overall business manageability.
- Monitoring and evaluating Information Technology projects and achievements against IT strategic plans.
- Maintaining a robust e-payment infrastructure.
- Developing e-banking products that will enhance the customers' business.
- Achieving a major level of operational efficiency.
- Employing strategies and projects that are realistic and achievable during the life of the Information Technology Strategic Plan.



Strategic Objectives Beyond 2011



*“We will continue consolidating on our Superior Performance and Sustaining Competitive Advantage through our People, Technology and Exceptional Customer Services”
.... GIE*

- Continue to uphold and preserve our liquidity management philosophy.
- Grow our assets with reasonable quality and increase our market share.
- Projected loan growth of approximately 15% in 2011.
 - Maintain high quality risk assets by constantly reviewing our risk management structures and policies along international best practices.
 - Continuous reduction in NPL volumes.
- Curtail cost to income ratio by maintaining efficient resource allocation and utilization control.
- ROE to gradually move to pre-2008 levels. Target for 2011 averaging between 13-16%.
 - Ensure zero tolerance for regulatory breaches.
- Remain innovative in delivery of products and services using technology and global standards.
 - Strengthen our institutional brand by focusing on best banking principles and corporate governance.



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