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Banks

Nigeria
Credit Analysis

Zenith Bank Plc

Ratings

	Current Ratings
Foreign Currency	
Long-Term IDR	B+
Short-Term IDR	B
Individual	D
Support Rating	4
Support Rating Floor	B+
National	
Long-Term	AA-(nga)
Short-Term	F1+(nga)
Sovereign Risk	
Foreign Long-Term IDR	BB-
Local Long-Term IDR	BB

Outlook

Foreign Long-Term IDR	Stable
Sovereign Foreign Long-Term IDR	Stable
Sovereign Local Long-Term IDR	Stable

Financial Data

Zenith Bank Plc

	30 Sept 08	30 June 07
Total assets (USDm)	15,186.4	7,641.9
Total assets (NGNbn)	1,787.8	972.9
Total equity (NGNbn)	346.6	116.5
Net income (NGNbn)	52.0	18.8
ROAA (%)	3.01	2.36
ROAE (%)	17.93	17.30
Tier 1 ratio (%)	36.10	27.46

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Rating Rationale

- The ratings assigned to Zenith Bank Plc (Zenith) reflect its strong and growing domestic franchise, good financial performance and adequate asset quality. The ratings also reflect Nigeria's increasingly difficult operating environment.
- During the 15-month financial year-ended 30 September 2008 (FY08), Zenith's operating profits improved by 74.9% to NGN56.2bn on the back of higher levels of net interest and non-interest income following strong growth in the bank's loan and deposit books. Fitch expects earnings to continue to grow but expects the rate of growth to slow on the back of rising impairment charges and declining levels of economic activity as a result of lower oil prices which will affect asset growth.
- Zenith's credit growth was a robust 75.6%, resulting in gross loans of NGN470.2bn at FYE08. The rapid rate of growth was in line with or below many of Zenith's peers'. Zenith's loan book mostly comprised exposures to large domestic corporates and multinationals. At FYE08, the 20-largest exposures accounted for 17.2% of total loans and represented 23.3% of equity.
- Zenith's NPLs increased by 112% from a low base, resulting in a weaker NPL ratio of 2.0% at FYE08 (FYE07: 1.7%). Despite this deterioration, Fitch Ratings considers asset quality to be acceptable and notes that Zenith has consistently reported one of the lowest NPL ratios in the sector. Coverage was acceptable at 1.45x at FYE08 (FYE07: 1.53x).
- Fitch considers Zenith's liquidity to be acceptable. At FYE08, the agency calculated the group's loans/deposits and money market funding ratio at 36.3% (FYE07: 31.0%).
- Zenith's equity increased substantially on the back of a rights issue and public offering totalling NGN197bn during FY08. Following the injection of fresh capital Zenith's Tier 1 and total capital adequacy ratios (CARs) stood at 36.1% and 36.6%, respectively, at FYE08 (FYE07: 27.5% and 28.1%). While capital adequacy is acceptable at current levels, Fitch is concerned that the strong expected credit growth and Zenith's generous dividend policy will erode the current levels of capital adequacy.

Support

- Given Zenith's position as a settlement bank for the CBN and its strong franchise, Fitch believes that support from the CBN would be possible if required, but may be limited, given Nigeria's 'BB-' Sovereign Rating.

Key Rating Drivers

- The Outlook on Zenith's ratings is Stable. Upward movement in Zenith's ratings appears unlikely in the short term, following the revision of the Outlook to Stable from Positive.
- Downward pressure on the Foreign Currency IDR is unlikely, given that the rating is already at the support floor. Downward pressure on the Individual and National Ratings is unlikely in the short term in light of Zenith's consistent financial performance track record and acceptable levels of Tier 1 capital.

Profile

Zenith commenced operations in 1990 and became a public limited liability company in 2004, with shares listed on the Nigerian Stock Exchange. Zenith is one of Nigeria's largest banks by total assets.

- One of the largest banks in Nigeria by total assets
- International subsidiaries in Ghana, Sierra Leone and the UK

Profile

Zenith commenced operations in 1990 and became a public limited liability company in 2004, with shares listed on the Nigerian Stock Exchange. The bank provides universal banking services to corporate, commercial and individual customers.

At FYE08, Zenith had various subsidiaries, including Zenith Securities Limited, Zenith General Insurance Company Limited, Zenith Registrars Limited, Zenith Bank (Ghana) Limited, Zenith Pension Custodian Limited, Zenith Life Assurance Company Limited, Zenith Bank (UK) Limited, Zenith Capital Limited, Zenith Trust Company Limited and Zenith Medicare Limited. At FYE08, Zenith Bank accounted for 94% of the group's assets. Zenith Bank (UK) Limited accounted for an additional 5.4%, with the other subsidiaries contributing an insignificant amount to the group's balance sheet at year-end. Subsequent to year-end, a new subsidiary, Zenith Bank (Sierra Leone) Limited began operations.

Zenith is one of the largest banks in Nigeria by assets and controlled approximately 16% of system assets at FYE08. At FYE08, Zenith had a retail presence comprising 252 branches, 103 service centres and 420 ATMs (FYE07: 200 branches, 85 service centres and 242 ATMs). Its head office is in Lagos and it owns international subsidiaries in Ghana, Sierra Leone and London, UK. The bank also operates from a representative branch office in Johannesburg, South Africa. Zenith has been appointed a settlement bank by the CBN and in partnership with JP Morgan Chase NA manages a portion of Nigeria's foreign reserves.

Presentation of Accounts

This report is prepared with reference to the audited financial statements for the 15-month financial year-ended 30 September 2008. The financial statements were prepared in accordance with Nigerian Accounting Standards and were unqualified.

Corporate Governance

Zenith complied with most of the CBN's revised requirements for good corporate governance at FYE08. Areas currently receiving attention include identifying independent directors for appointment to the board and defining the maximum tenor that members can serve on the board. At FYE08, the board consisted of 14 members, seven of whom were non-executive. Of the non-executive directors, one was considered to be independent.

Strategy

Zenith intends to focus on deposit growth, with 40% growth anticipated to FYE09. The bank will target earnings growth through increased net interest and non-interest income. Management expects strong credit growth to continue with average credit growth of 45% per year over the next three years and 60% growth forecast for FY09.

- 15-month financial year
- Strong net earnings growth as a result of improvement in net-interest and non-interest revenues
- Increasingly challenging operating environment

Performance

The Nigerian banking sector has enjoyed relatively benign operating conditions and robust economic activity over the past four years with GDP growth at 6.7% in June 2008. In August 2008, yoy inflation was reportedly 12.4%, which is at historically low levels for Nigeria. The relatively stable operating environment, combined with significant new equity in the banking system has contributed to Nigeria having the highest credit growth of any country covered by Fitch (see 'Bank Systemic Risk Report', published on www.fitchratings.com on 21 October 2008). As a result, Fitch's Macro Prudential Indicator rose to '2' in April 2008, signalling the potential for increased risks within the system. To date, the Nigerian banks have been insulated from the global crisis, although domestic equity markets have been under pressure and the CBN has tried to pre-empt any signs of liquidity pressure by relaxing high liquidity requirements for the banks. In addition, due to increased volatility in the country's currency markets, the CBN reintroduced foreign exchange (FX) controls in February 2009 and has reduced the maximum allowable net open FX position for banks to 1% of shareholders' funds (see Market Risk). With increased turbulence in the foreign currency markets, rising interest rates and the continuing pressure on the equities market, it is likely that the Nigerian banking sector will contend with an increasingly difficult operating environment during 2009.

Zenith's operating earnings improved by an annualised 74.9% to NGN56.2bn during FY08 following significant loan book expansion and deposit growth which contributed to higher levels of net interest and non-interest income. At FYE08, Zenith reported a return on average assets (ROAA) and return on average equity (ROAE) of 3.01% and 17.93%, respectively. Zenith's ROAA lagged its peers partly due to a weaker efficiency ratio while the ROAE was hampered as a result of a significant capital injection during the year (see Capital).

Table 1: Peer Group Financial Performance

	Zenith Bank Plc ('B+'/'AA-(nga)')		Guaranty Trust ('B+'/'AA-(nga)')		Intercontinental ('B+'/'A+(nga)')	
(NGNbn)	**Sep 08**	**Jun 07**	**Feb 08**	**Feb 07**	**Feb 08**	**Feb 07**
Total assets	1,787.8	972.9	735.7	486.5	1,392.2	704.8
Customer deposits	1,096.8	574.8	364.6	294.5	1,057.1	467.9
Total equity	346.6	116.5	163.3	50.0	208.9	158.6
Net income	52.0	18.8	21.2	13.2	34.8	15.5
(%)						
ROAE	17.93	17.30	19.85	29.08	18.93	14.47
ROAA	3.01	2.36	3.46	3.32	3.32	2.88
Net int./av. assets	5.15	5.60	5.70	4.72	6.37	6.43
NPL ratio	2.03	1.66	1.28	1.95	3.52	4.39
Coverage ratio (x)	1.45	1.53	1.66	1.30	1.27	1.16
Tier 1 capital adequacy	36.10	27.46	27.82	19.38	24.85	38.70
Cost/income	59.60	63.72	49.58	54.75	57.60	60.68

Source: Banks, Fitch

Net Interest Income

Net interest income improved by an annualised 59.3% during FY08 to NGN88.8bn following strong credit growth and enhanced income from interest earned on government securities and bank placements as a result of higher levels of liquidity. Zenith's net interest margin declined slightly to 5.2% at FYE08 (FYE07: 5.6%) against the backdrop of historically low interest rates and intensifying competition within the domestic banking sector.

Non-Interest Income

Fees and commissions increased by an annualised 51.1% during FY08 to NGN47.4bn on the back of the group's expanded loan and depositor base. Other operating income increased by an annualised 142.6% from a low base to NGN18.5bn during FY08. This improvement came as a result of improved FX earnings of NGN5.8bn (FY07: NGN2.2bn) as well as client-driven transaction income on securities and strong revenue growth from the subsidiaries.

Operating Expenses

Operating expenses rose significantly to support the expanding bank. This was driven by an 84.5% increase in personnel costs to NGN33.9bn during FY08 on the back of market-related salary increases and annualised growth of 32.2% in the staff complement, particularly at the middle-management level.

In addition, a higher national depositor protection charge on the back of a larger deposit base and increases in other expenses relating to the bank's increased branch infrastructure contributed to a 38.4% rise in other operating expenses to NGN58.3bn during FY08.

In aggregate, Zenith's operating expenses increased at a slower rate than the enhanced revenue base, resulting in an improved cost/income ratio of 59.6% at FYE08 (FYE07: 63.7%).

Loan Loss Provisions

Loan loss provisions (LLPs) increased by an annualised 180% on the back of increased levels of NPLs from a low base to NGN6.3bn during FY08 (FY07: NGN1.8bn). The increased NPLs follow rapid credit growth over the past four years.

Prospects

With an increasingly difficult operating environment expected by Fitch during FY09, the agency expects Zenith's earnings to continue to grow, however it anticipates that the rate of growth will slow. Fitch anticipates that Zenith's financial performance could be negatively impacted by further impairment charges arising from increases in absolute NPLs, particularly if the rapid credit growth continues.

Risk Management

- Strong credit growth
- Low level of NPLs
- Interest rate risk is considered to be moderate

Risk management within Zenith is ultimately the responsibility of the board of directors. They are assisted in this regard by the following board committees: the board credit committee (BCC); the staff matters, finance and general purpose committee; the board risk management committee; the executive committee of the board; and the board audit committee. Management committees comprised: the assets and liabilities committee (ALCO); the management committee; the management credit committee (MCC); the risk management committee and; the information technology steering committee.

Zenith employs a nine-point scale according to an internal rating system from 'AAA', the best to 'C', the worst. These ratings are arrived at using publicly available financial information and external rating agency assessments. Zenith's credit approval framework is fairly rigorous and consists of a six-step approval process for all credits. Prospective loans are evaluated at each stage before progression to the next level. This process culminates with the approval of the MCC, which has a mandate to approve credits up to NGN3bn (0.9% of equity at FYE08). Credits above this limit, not exceeding the regulatory maximum lending limit of 20% of equity (NGN69.3bn at FYE08) must be referred to the BCC for approval. In addition, monitoring is carried out on Zenith's entire portfolio on an ongoing basis whereby credits are constantly re-evaluated through discussions between relationship managers and high-level credit committees. While Fitch recognises the importance of the rigour with which credit is continually assessed, the agency is concerned that this may place a restrictive burden on executive management's time.

Credit Risk

Zenith's loan book expanded by a strong 75.6% to NGN470.2bn at FYE08 (FYE07: NGN241.8bn). This growth was chiefly to Zenith's core client-base of large blue-chip corporates and comprised mostly lending to existing clients on the back of the increased gearing of Nigerian corporates during 2008. The growth was concentrated, with significant expansion in the transportation, real estate and construction and finance and insurance categories.

Zenith's loan book is concentrated, with the 20-largest non-bank loans accounting for 17.2% of the total at FYE08. Concentration was mitigated by the bank's high relative capital base, with the 20-largest non-bank exposures representing 23.3% of shareholders' funds at FYE08. At FYE08, Zenith's largest loan, which was to a related-party, accounted for 2.0% of total loans and represented 2.7% of capital.

In light of the untested nature of the domestic mass consumer market and perceived higher risk, retail lending is limited to high-net-worth individuals and staff of the bank's corporate clients. Lending to individuals comprised less than 2% of Zenith's loan book at FYE08.

Table 2: Loan Book Composition

(%)	FYE08	FYE07
Agriculture	1.2	1.9
Basic metal manufacturing	4.9	5.0
Beverages and tobacco	6.4	8.9
Building materials and ceramics	4.8	4.4
Cement manufacturing	7.9	9.4
Communications	7.8	10.0
Finance and insurance	7.4	6.0
Flour milling and processing	8.6	10.3
General commerce	5.8	5.2
Individuals	1.4	1.8
Mining and quarrying	5.4	5.0
Miscellaneous manufacturing	4.6	6.9
Non-metallic mining	4.7	3.6
Oil and gas	6.6	7.7
Personal and professional	2.8	3.2
Real estate and construction	8.3	2.6
Transportation	11.4	8.1
	100.0	**100.0**

Source: Bank

Lending for the purpose of acquiring shares was a feature of the Nigerian market during FY08. Zenith's gross exposure to share lending was NGN23bn at FYE08 (4.9% of total loans and 6.6% of equity). This comprised lending to individuals (NGN3.4bn), corporates (NGN13.8bn) and stockbrokers (NGN5.8bn), with collateral coverage of 98%, 104% and 113% respectively at FYE08 which Fitch deems to be low. At that date, Fitch notes that 86% of Zenith's performing loan book had ratings of 'A' and higher (FYE07: 81%). Some deterioration was evident at the lower end of the scale, with 3.1% of performing loans having ratings of 'CCC' or lower (FYE07: 1.7%).

Off-balance sheet exposures increased substantially, with off-balance sheet credit growth of 114.4% to NGN724.3bn at FYE08 (FYE07: NGN298.1bn). This growth reflected rapid growth in bonds and guarantees and letters of credit on the back of increased customer activity. At FYE08, 93% of Zenith's bond's and guarantees were secured by underlying assets or corporate guarantees. The rest of the growth came by virtue of Zenith's guarantee of the assets within Zenith Pension Custodian Limited. Related party lending totalled NGN15.3bn and accounted for 3.3% of total loans at FYE08.

Loan Loss Experience and Reserves

Loan loss reserves increased by an annualised 99.4% to NGN13.9bn at FYE08, from NGN6.2bn at FYE07 following increased impairment charges on the back of higher NPLs.

At FYE08, Zenith's NPLs had increased by 112% to NGN9.6bn, from NGN4.0bn the previous year. The increase in NPLs outstripped loan book growth, resulting in a weakened NPL ratio of 2.0% at FYE08 (FYE07: 1.7%). Coverage was acceptable at 1.45x at FYE08 (FYE07: 1.53x).

Zenith's NPLs were concentrated, with the 20-largest accounting for 59.6% of total NPLs at FYE08. The largest NPL represented 15.1% of the total non-performing book.

Other Earning Assets

'Deposits with banks' comprised balances with banks in (NGN165.0bn) and outside (NGN147.6bn) Nigeria at FYE08 (FYE07: NGN4.3bn and NGN183.2bn). Balances with banks outside Nigeria included NGN65.9bn (FYE07: NGN120.1bn) which represented the NGN value of foreign currency bank balances held on behalf of customers in respect of letters of credit. 'Realisable securities' was represented by Nigerian treasury bills of NGN401.0bn (FYE07: NGN249.8bn) and secured treasury placements of NGN223.1bn at FYE08 (FYE07: NGN86.3bn). At FYE08, 'Other investments' was made up of NGN18.1bn in unlisted investments and NGN45.7bn in government securities (FYE07: NGN6.4bn and NGN35.3bn). The government securities comprised mainly Nigerian government bonds with some exposure to Ghanaian government bonds and Nigerian state bonds at FYE08.

Market Risk

Zenith's market risk relates primarily to interest rate risk. Fitch considers Zenith's interest rate risk to be moderate. At FYE08, Zenith estimated that a 100bp parallel shift in the yield curve would have had an impact of 5.4% on annualised FY08 net interest income. Under stress conditions, a 500bp shock would have had an impact of 27.3% of net interest income at FYE08.

At FYE08, Zenith's net open FX position of NGN160.8m was represented by 5.5% of the group's shareholders' funds. FX risk is therefore considered to be low. Fitch notes that the regulatory limits for FX positions have been reduced considerably by the CBN following heightened currency volatility toward the end of 2008 and the beginning of 2009. The maximum allowable net open foreign exchange position was revised to 1% during February 2009 (FYE08: 20%). At end-February 2009, Zenith complied with this revised requirement.

Operational Risk

Operational risk is considered high, as a result of Nigeria's difficult operating environment. These risks have been exacerbated by the recent increased volatility in the domestic currency markets, rising interest rates and the continuing pressure on the equities market (see Performance above).

Funding and Capital

- Strong deposit growth
- Acceptable liquidity
- Acceptable levels of Tier 1 capital could come under pressure in the wake of continued credit growth

Funding

Zenith has a large and well-diversified deposit base. Customer deposits grew by an annualised 72.7% to NGN1,096.8bn at FYE08 (FYE07: NGN574.8bn), of which 80.7% came from the retail sector. At FYE08, Zenith's 20-largest deposits accounted for just 8.5% of total customer deposits (FYE07: 7.4%). Fitch notes however, that foreign currency deposits are concentrated with NGN126.7bn of foreign currency funding coming from government sources at FYE08. The 20-largest foreign currency deposits totalled NGN145.2bn and represented 57% of foreign currency funding at FYE08.

Interbank deposits comprised placements with Zenith Bank (UK) Limited, including a CBN placement of USD429m (NGN50.5bn), which represented about 56.7% of the former's funding at FYE08. Such placements are 90-day fixed deposits, with the option of rollover by mutual consent. Zenith places this money on deposit in the UK interbank market. Zenith's funding also comprised NGN34.6bn of foreign currency borrowings which was available for on-lending at FYE08 (FYE07: NGN21.9bn).

As is common in Nigeria, liabilities are mostly short-term, with 74.2% of liabilities maturing within 30 days at FYE08 (FYE07: 67.8%). Zenith's asset maturity lengthened, with just 32.3% of assets maturing within 30 days at FYE08 (FYE07: 60.2%). This was offset by an increase in longer term loans and medium-term bank placements and deposits with the CBN which had maturities in excess of one year.

Liquidity

Following the significant capital injection during the year, Zenith's liquidity was strong at FYE08. At this date, Fitch calculated the group's loans/deposits and money market funding ratio at 36.3% (FYE07: 31.0%). During FY08, following evidence of liquidity tightening in some of Nigeria's banks, the CBN reduced the minimum liquidity ratio to 30% from 40%. Zenith intends to manage this CBN ratio in the range of 40%-45% (FYE08: 90.6%).

Capital

Zenith's shareholders' funds increased by 158% to NGN346.6bn at FYE08 (USD2.9bn), compared with NGN116.5bn the previous year as a result of a rights issue and public offering totalling NGN197bn during the year. Following the injection of fresh capital Zenith's Tier 1 and total CARs stood at 36.1% and 36.6%, respectively, at FYE08 (FYE07: 27.5% and 28.1%). If the expected dividend of NGN28.5bn were removed from these calculations, Zenith's Tier 1 and total CARs would reduce to 33.1% and 33.6%, respectively. While capital is acceptable at current levels, Fitch is concerned that the strong expected credit growth and Zenith's generous dividend policy will erode the current levels of capital adequacy. The agency anticipates that this may constrain future growth in light of the difficulties in raising capital in the domestic market.

Balance Sheet Analysis
ZENITH BANK PLC (C.)

	30 Sep 2008				30 Jun 2007		30 Jun 2006		30 Jun 2005	
	Year End USDm Original	**Year End NGNbn Original**	**As % of Assets Original**	**Average NGNbn Original**	**Year End NGNbn Original**	**As % of Assets Original**	**Year End NGNbn Original**	**As % of Assets Original**	**Year End NGNbn Original**	**As % of Assets Original**
A. LOANS										
1. Secured Loans	3,135.2	369.1	20.64	271.2	173.4	17.82	127.8	20.64	71.2	21.60
2. Other Loans	737.1	86.8	4.85	74.3	61.9	6.36	76.7	12.38	52.2	15.84
3. Leased Assets	40.5	4.8	0.27	3.6	2.5	0.25	2.1	0.34	0.8	0.26
4. Impaired Loans	81.2	9.6	0.53	6.8	4.0	0.41	2.3	0.37	2.1	0.63
5. (Loan Loss Reserves)	117.8	13.9	0.78	10.0	6.2	0.63	4.7	0.76	3.0	0.92
TOTAL A	**3,876.1**	**456.3**	**25.52**	**345.9**	**235.6**	**24.21**	**204.2**	**32.97**	**123.3**	**37.41**
B. OTHER EARNING ASSETS										
1. Deposits with Banks	2,655.5	312.6	17.49	250.0	187.5	19.27	72.1	11.63	46.0	13.94
2. Realisable Securities	5,301.4	624.1	34.91	480.1	336.1	34.55	209.7	33.85	92.2	27.97
3. Other Investments	541.8	63.8	3.57	52.7	41.6	4.28	11.2	1.80	6.1	1.86
TOTAL B	**8,498.8**	**1,000.5**	**55.96**	**782.9**	**565.2**	**58.10**	**292.9**	**47.29**	**144.3**	**43.78**
C. TOTAL EARNING ASSETS (A+B)	**12,374.8**	**1,456.8**	**81.49**	**1,128.8**	**800.8**	**82.31**	**497.1**	**80.26**	**267.7**	**81.18**
D. FIXED ASSETS	**432.7**	**50.9**	**2.85**	**43.9**	**36.8**	**3.78**	**24.2**	**3.91**	**15.1**	**4.57**
E. NON-EARNING ASSETS										
1. Cash and Due from Banks	2,034.9	239.6	13.40	175.3	111.1	11.41	83.4	13.47	42.2	12.80
2. Other	343.9	40.5	2.26	32.4	24.3	2.50	14.6	2.35	4.8	1.44
F. TOTAL ASSETS	**15,186.4**	**1,787.8**	**100.00**	**1,380.4**	**972.9**	**100.00**	**619.3**	**100.00**	**329.7**	**100.00**
G. DEPOSITS AND MONEY MARKET FUNDING										
1. Customer Deposits	9,316.7	1,096.8	61.35	835.8	574.8	59.08	393.3	63.50	233.4	70.79
2. Inter-bank Deposits	756.6	89.1	4.98	74.4	59.7	6.14	0.0	0.00	0.0	0.00
3. Other	609.5	71.8	4.01	98.3	124.8	12.83	61.7	9.96	0.0	0.00
TOTAL G	**10,682.8**	**1,257.6**	**70.34**	**1,008.5**	**759.3**	**78.05**	**455.0**	**73.47**	**233.4**	**70.79**
H. OTHER FUNDING										
1. Subordinated Debt	0.0	0.0	0.00	0.0	0.0	0.00	0.0	0.00	0.0	0.00
2. Other Long-term Borrowing	293.6	34.6	1.93	28.3	21.9	2.26	12.8	2.06	0.0	0.00
3. Hybrid Capital	0.0	0.0	0.00	0.0	0.0	0.00	0.0	0.00	0.0	0.00
I. OTHER (Non-int. bearing)	**1,265.6**	**149.0**	**8.33**	**112.1**	**75.2**	**7.73**	**50.9**	**8.22**	**58.5**	**17.75**
L. EQUITY	**2,944.3**	**346.6**	**19.39**	**231.5**	**116.5**	**11.97**	**100.7**	**16.25**	**37.8**	**11.46**
M. TOTAL LIABILITIES & EQUITY	**15,186.4**	**1,787.8**	**100.00**	**1,380.4**	**972.9**	**100.00**	**619.3**	**100.00**	**329.7**	**100.00**
Exchange Rate		USD1 = NGN 117.7260			USD1 = NGN 127.3110		USD1 = NGN 128.4400		USD1 = NGN 132.3700	

Income Statement Analysis
ZENITH BANK PLC (C.)

	30 Sep 2008		30 Jun 2007		30 Jun 2006		30 Jun 2005	
	Income Expenses NGNbn Original	As % of Total AV Earning Assts Original	Income Expenses NGNbn Original	As % of Total AV Earning Assts Original	Income Expenses NGNbn Original	As % of Total AV Earning Assts Original	Income Expenses NGNbn Original	As % of Total AV Earning Assts Original
1. Interest Income	142.4	10.09	63.6	9.80	37.7	9.86	22.9	11.04
2. Interest Expense	53.6	3.80	19.0	2.93	10.4	2.71	5.6	2.71
3. NET INTEREST REVENUE	**88.8**	**6.29**	**44.6**	**6.87**	**27.3**	**7.14**	**17.3**	**8.33**
4. Net Fees and Commissions	47.4	3.36	25.1	3.87	17.7	4.63	10.6	5.10
5. Other Operating Income	18.5	1.31	6.1	0.94	4.6	1.21	1.5	0.71
6. Personnel Expenses	33.9	2.41	14.7	2.26	9.6	2.51	5.9	2.83
7. Other Operating Expenses	58.3	4.13	33.7	5.19	23.1	6.04	12.3	5.93
8. Loan Loss Provisions	6.3	0.45	1.8	0.28	1.3	0.34	2.0	0.95
9. OPERATING PROFIT	**56.2**	**3.98**	**25.7**	**3.96**	**15.6**	**4.08**	**9.2**	**4.42**
10. Other Income and Expenses	-0.1	0.00	0.0	0.00	0.0	0.00	0.0	0.00
11. PROFIT BEFORE EXCEPTIONAL ITEMS	**56.1**	**3.98**	**25.7**	**3.96**	**15.6**	**4.08**	**9.2**	**4.42**
12. Exceptional Items	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
13. PRE-TAX PROFIT	**56.1**	**3.98**	**25.7**	**3.96**	**15.6**	**4.08**	**9.2**	**4.42**
14. Taxes	4.1	0.29	6.9	1.06	4.0	1.04	2.0	0.97
15. PUBLISHED NET INCOME INCLUDING MINORITIES	**52.0**	**3.68**	**18.8**	**2.89**	**11.6**	**3.04**	**7.2**	**3.45**
17. Memo: FITCH NET INCOME	52.0	3.68	18.8	2.89	11.6	3.04	7.2	3.45

Ratio Analysis
ZENITH BANK PLC (C.)

		30 Sep 2008 Original	30 Jun 2007 Original	30 Jun 2006 Original	30 Jun 2005 Original
I. PROFITABILITY LEVEL					
1. Pre-tax Profit/Total Assets (av.)	%	3.25	3.23	3.29	3.50
2. Net Income/Equity (av.)	%	17.93	17.30	16.78	26.77
3. Net Income/Total Assets (av.)	%	3.01	2.36	2.45	2.74
4. Non-int. Exp./Net Interest Rev. + Other Operating Income	%	59.60	63.72	65.94	61.97
5. Net Interest Rev./Total Assets (av.)	%	5.15	5.60	5.75	6.60
II. CAPITAL ADEQUACY (year end)					
1 Internal Capital Generation	%	14.76	11.22	10.72	18.66
2. Equity/Total Assets	%	19.39	11.97	16.25	11.46
3. Equity/Loans	%	75.96	49.44	49.29	30.64
4. Capital/Risks - Tier 1	%	36.10	27.46	31.54	21.90
5. Capital/Risks - Total	%	36.57	28.08	32.19	21.90
III. LIQUIDITY (year end)					
1. Liquid Assets/Deposits and Money Market Funding	%	93.53	83.58	80.26	77.29
2. Loans/Deposits and Money Market Funding	%	36.28	31.02	44.88	52.84
IV. ASSET QUALITY					
1. Net Charge-offs/Loans (av.)	%	0.00	0.05	0.00	0.00
2. Provision for Loan Losses/Loans Gross (av.)	%	1.42	0.81	0.78	2.17
3. Provision for Loan Losses/Profit before Provisions and Taxes	%	10.13	6.66	7.75	17.73
4. Loan Loss Reserves/Loans Gross	%	2.95	2.55	2.26	2.40
5. Impaired Loans Gross/Loans Gross	%	2.03	1.66	1.11	1.65
6. Loan Loss Reserves/Impaired Loans Gross	%	145.08	153.41	204.20	145.66
7. Impaired Loans Net/Equity	%	-1.24	-1.84	-2.39	-2.52