STANDARD & POOR'S

Global Credit Portal
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December 31, 2009

Zenith Bank PLC

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Zenith Bank PLC

Major Rating Factors

Counterparty Credit Rating
B+/Negative/B
Nigeria National Scale *ngA/--/ngA-1*

Strengths:

- Leading market position in top-tier corporate banking in Nigeria.
- Comfortable funding and liquidity profile.
- Good capitalization and loan loss reserves, supporting loss-absorption capacity.

Weaknesses:

- Very high economic and industry risks associated with concentration in Nigeria.
- Limited business diversification given top-tier corporate banking focus.
- High exposure to credit risk and deteriorated asset quality indicators.
- Weakened financial performance.

Rationale

The ratings on Zenith Bank PLC are supported by the bank's leading market position in high-end corporate banking in the Federal Republic of Nigeria (B+/Stable/B), comfortable funding and liquidity profile, and good capitalization and loan loss reserves, supporting loss-absorption capacity.

Offsetting factors include the very high economic and industry risks associated with operating in Nigeria and Zenith's limited business and geographic diversification, being focused on domestic corporate banking. Exposure to credit risk is consequently high and accentuated by the economic slowdown and capital market turmoil in 2009, reflected through increasing numbers of problem loans. Financial performance has also been weakened by significantly increased provisioning charges. The ratings on Zenith reflect the bank's stand-alone credit profile, and do not incorporate any uplift for potential extraordinary support from the Nigerian government.

Founded in 1990, Zenith is one of the largest banks operating in Nigeria, with total assets of Nigerian naira (NGN) 1.69 trillion on Sept. 30, 2009 (US$ 11.2 billion, at NGN150.60 to US$ 1). Zenith focuses on private-sector banking with high-end Nigerian corporates, and has built a deep banking franchise in the domestic market in this area--leading to a relatively conservative risk profile relative to certain domestic peers, though also limited business and geographic diversification. Concentration in Nigeria, in our view, leads to structural exposure to high credit and operational risks, accentuated by the toughened market conditions since 2009. Management's business targets are moderate for 2010, with focus now placed on deepening the bank's existing corporate relationships; low-cost deposit gathering; and efficiency improvements rather than aggressive franchise growth.

Zenith lends mainly to a traditionally higher quality large corporate clientele. However, the bank's operating environment involves high credit risks. Strong lending growth has further compounded high credit risk exposure, as has the bank's exposure to certain industries--such as the downstream oil and gas segment, the real estate and construction sector, and capital market-related margin lending--though sector concentrations are only moderate overall. Given the general decline in corporate creditworthiness this year, asset quality indicators have deteriorated, albeit less dramatically than certain peers', with the ratio of nonperforming loans (NPLs) rising to 3.5% of lending at Sept. 30, 2009 (2.0% at year-end 2008). Coverage by reserves remains sizable, however, providing comfort in the event of further asset quality deterioration.

Financial performance also deteriorated in 2009, negatively impacted by material provisioning charges on margin lending. Given lower expected lending growth and business activity in 2010, paired with Zenith's still high cost base, Standard & Poor's Ratings Services expects earnings to remain under pressure--though we are not expecting credit risk charges to exceed the amount of provisioning incurred this year, which should support the bottom-line. Liquidity remains comfortable, while Zenith's large stock of liquid assets provides an additional cushion. Funding vulnerability is nevertheless increased by the structurally short-term nature of deposits in Nigeria.

With a ratio of adjusted total equity (ATE) to adjusted assets of 19.3% at Sept. 30, 2009, and a regulatory Tier 1 ratio of 31.6%, Zenith continues to have good capitalization, the maintenance of which is important for the ratings given the bank's high risk operating environment.

Outlook

The negative outlook on Zenith reflects the weakened financial profile of the Nigerian banking sector, and Standard & Poor's view that asset quality could potentially deteriorate further, given economic uncertainty and the lagged effects of the downturn this year. Although we take comfort from the conclusion in October 2009 of the extraordinary audit by the Central Bank of Nigeria (CBN), which Zenith passed, we feel that exposure to credit risk remains high.

We could revise the outlook on the ratings on Zenith to stable in the event that the bank is able to minimize any further deterioration in the loan book, maintain good capital and comfortable liquid asset cushions, and keep profitability resilient. Significant further deterioration in Zenith's loan portfolio and/or marked worsening in financial performance, with the knock-on effect these factors could have on capital, would, in the absence of any other relevant factors, have negative rating implications.

Profile: Leading Corporate-Focused Bank In Nigeria

Zenith is one of the largest banks operating in Nigeria, with total assets of $11.2 billion. The bank focuses on private-sector banking with high-end domestic corporates and multinationals, and has built a deep corporate-focused franchise in the domestic market, with market shares of 14% and 19% of system loans and deposits, respectively, at Sept. 30, 2009. Services are offered through a network of 305 branches and business centers, as well as through alternative channels such as Internet and telephone banking.

Zenith was one of fourteen domestic financial institutions to have successfully passed the CBN audit concluded in October 2009, which led to the quasi-nationalization of ten banks--representing approximately 50% of system assets--which demonstrated poor corporate governance, severe asset quality and liquidity stress, and solvency indicators that had fallen below minimum regulatory requirements.

Zenith offers a range of banking services to its corporate clientele--such as treasury services, trade finance, overdrafts, term lending, and advisory--and is strong in domestic industries such as manufacturing, construction, general trade, infrastructure and power, and oil and gas, among others. The bank's corporate focus results, however, in limited business diversification, with loans extended to large corporate and commercial enterprises accounting for almost 95% of the loan book at Sept. 30, 2009. Corporate and commercial clients also provide a large share of Zenith's funding base, at 46% of total deposits at the same date.

Apart from corporate banking, Zenith operates in retail banking, primarily aimed at small businesses and focused on liability generation, to provide the bank with low-cost deposit-based funding. As of Sept. 30, 2009, retail clients represented a minor 5% of lending, though they contributed to 45% of total deposits. Household lending is limited, with credit products only extended to the staff of corporate clients and certain high net worth individuals. Services include basic salary-backed term lending, credit and debit cards, and very limited mortgage lending. Zenith's public sector-related business is also minor and primarily liability-focused, with public sector deposits contributing to almost 10% of the total and lending marginal.

Zenith complements its core corporate banking business with insurance, pension custodian, and investment banking/capital market services provided through subsidiaries, though their contribution to group earnings is only moderate. Geographic diversification outside of Nigeria is also limited. International subsidiaries include 96.9%-owned Zenith Bank (Ghana) Ltd., 100%-owned Zenith Bank (Sierra Leone) Ltd., 100%-owned Zenith Bank (U.K.) Ltd., and a South African representative office. These subsidiaries complement Zenith's corporate banking and trade finance services rather than representing significant sources of earnings diversification.

Support And Ownership: Diversified Shareholding Base

The ratings reflect Zenith's stand-alone credit profile, and do not include any uplift for external, extraordinary support. Although Standard & Poor's considers Zenith to have high systemic importance in Nigeria, we do not factor in the probability of government support into the ratings, and consider timely, sufficient government support to be uncertain over the longer term. Although the CBN has positively intervened in the banking sector during the second half of 2009--with currently high political willingness and financial ability to support the quasi-nationalized banks--there are uncertainties, in our view, regarding the long-term willingness of the government to provide support to banks.

Zenith has a diverse shareholder base of more than 700,000 shareholders. The only single shareholder with a more than 5% stake is the bank's CEO, Jim Ovia, who held 9.5% at mid-November 2009. Zenith's shares have been listed on the Nigerian stock exchange since October 2004, with market capitalization standing at US$1.3 billion at December 2009.

Strategy: Consolidating Role As Top-Tier Corporate Bank In A Changed Competitive Environment

Management remains focused on consolidating Zenith's position as a leading top-tier corporate bank in Nigeria--capturing the business and cash flows of its large corporate clients, while offering banking services to their suppliers, distributors, and staff. Given the toughened market environment this year, Zenith has moderate growth targets for 2010--with emphasis placed on deepening existing corporate relationships, targeting specific sectors with good growth potential such as power and infrastructure; low-cost retail deposit gathering; and improved efficiency in the branch network. Franchise expansion, both domestically and abroad, is likely to be limited. Despite, in our view, the likelihood of greater banking sector consolidation in Nigeria, a large acquisition by Zenith is currently unlikely.

We expect credit expansion to be lower in 2010, albeit remaining in the double-digits. Zenith's deep domestic franchise places the bank, in turn, in a good position to benefit from the changed competitive dynamics in Nigerian banking following the CBN intervention, particularly as management aims to expand the deposit base. As Zenith focuses on its core corporate lending business, capital market-related activities--conducted through subsidiaries Zenith Capital Ltd. and Zenith Securities Ltd.--are set to be downsized significantly, especially following the costs incurred by the bank on its margin lending activities this year.

Risk Profile And Management: High Exposure To Credit And Operational Risks Dominating Zenith's Financial Profile

Zenith's risk profile is dominated by high exposure to credit and operational risks, due to its concentration in Nigeria. Risks are only partly mitigated by Zenith's focus on banking with a traditionally higher quality large corporate clientele, insofar as domestic firms still remain exposed to high corruption, economic uncertainty, poor infrastructure development, and political fragility.

Exposure to liquidity risk is more moderate, given Zenith's wide deposit funding base and large liquid asset cushion. Exposure to market risk is mainly interest-rate and foreign-exchange related.

Enterprise risk management: adequate relative to Zenith's risk profile

Enterprise risk management is adequate relative to Zenith's risk profile. Credit risk management benefits from a centralized underwriting process and adequate tools for loan portfolio monitoring. Liquidity management involves daily treasury monitoring, analysis of liquidity ratios, and the production of gap reports. In terms of market risk, relatively conservative limits are placed on net open foreign currency exposures, with scenario analyses employed in the management of interest rate risk.

Zenith's Internal Control and Audit Division monitors compliance with group policies and procedures, identifying irregularities, in pair with the Operational Risk Management Unit. Management has also been aiming to strengthen Zenith's operational risk management framework, including through self risk assessments undertaken at selected units, although a comprehensive heat-map is not yet finalized.

Credit risk: high risk exposure accentuated by toughened market conditions, fast lending growth in recent years, and certain sector exposures

Zenith lends mainly to a higher quality large corporate clientele; however, the bank's operating environment still involves particularly high credit risks--accentuated by the domestic economic slowdown, the reduction in oil prices during the first half of 2009, and capital market turmoil. Given the general decline in corporate creditworthiness this year, asset quality indicators have deteriorated, albeit much less dramatically than certain peers'. Coverage by reserves remains sizable, providing comfort in the event of further asset quality deterioration.

Zenith's corporate loan portfolio has been expanding strongly over the past five years and into 2009, increasing credit risks in our view. In the twelve months to Sept. 30, 2009, lending expanded by a high 35%, adjusted for exchange rate appreciation. Potential credit risks are further compounded by Zenith's exposure to certain corporate sectors--such as the downstream oil and gas segment, the real estate and construction sector, and especially margin lending, provisioning for which materially increased the bank's cost of risk this year.

Concentrations are only moderate relative to peers', however. At Sept. 30, 2009, Zenith was mainly exposed to firms in the general commerce and manufacturing sectors, representing 10% and 9%, respectively, of the loan book, with exposure to the oil and gas industry (both upstream and downstream firms) at 8% of lending, followed by real estate and construction (7%), and margin lending (at under 5%). Concentration toward individual client groups is also comparatively low, with Zenith's 20 largest corporate borrowers accounting for 60% of adjusted total equity (ATE) at Sept. 30, 2009. Lending remains overwhelmingly short-term, though tenor has been increasing as term loans and leases gain in popularity.

Asset quality indicators have deteriorated, albeit less dramatically than certain peers', with the ratio of NPLs (on a 90-day overdue basis) increasing to 3.5% of loans outstanding as of Sept. 30, 2009 (2.0% in 2008), a large share of which relates to margin lending. Ratios are diluted, however, by loan portfolio expansion, as on a nominal basis, the gross size of Zenith's NPLs jumped to NGN25.2 billion at Sept. 30, 2009, significantly up from the NGN4.4 billion the previous year. Provisioning charges also shot up in 2009, as Zenith provided for and marked down to market its margin exposures, with credit risk costs representing a material 6.3% of customer loans (1.7% in 2008). Loan portfolio indicators could deteriorate further given domestic economic uncertainty, although we take comfort from Zenith's sizable reserves, which covered approximately 200% of NPLs as of Sept. 30, 2009. Collateralization is high, with 57% of the loan portfolio backed by real estate collateral at Sept. 30, 2009, and only limited collateralization by shares or securities (4.5% of lending).

In addition to its corporate lending activities, Zenith holds a large portfolio almost wholly invested in Nigerian government debt, which translates into high credit exposure to the Nigerian sovereign. As of Sept. 30, 2009, government treasury bills and federal government bonds together accounted for almost 20% of balance-sheet assets, and are generally held to maturity. Zenith's total exposure to the Nigerian public sector--not only sovereign debt but also central bank placements and state government bonds--stood at approximately NGN480 billion at Sept. 30, 2009, or 1.5x ATE.

Market risk: manageable

Exposure to market risk is manageable, being concentrated in foreign exchange and interest rate risk. Zenith does not undertake active trading for its own account. Indirect exposure to the capital markets, through the bank's margin lending activity, severely penalized asset quality and earnings in 2009, however, following the sharp falls in Nigerian equities.

Exposure to foreign exchange and interest rate risks is manageable. Zenith's net open exposure to foreign exchange is capped at a maximum of 5% of shareholders' equity. Interest rate risk exposure is contained, in turn, through the short-term nature of assets and liabilities--with approximately 49% and 54% of loans and deposits, respectively, maturing in under three months as of Sept. 30, 2009--as well as through the large proportion of non-interest bearing deposits, though this increases margin pressure in periods of falling interest rates.

Funding and liquidity: comfortable funding and liquidity profile

Liquidity at Zenith is comfortable, albeit tightened from a previously very solid level, while the bank's large liquid asset stock provides an additional cushion. Vulnerability is still increased, in our view, by the structurally short-term nature of the bank's deposit base.

Zenith's liquidity profile is supported by its large customer base, which covers approximately 97% of total funding needs. By Sept. 30, 2009, the bank's loan-to-deposit ratio stood at a still good 62%--though up from the 37% reported the previous year, due in part to an -8% annualized decrease in deposits, as the bank paid down certain higher-cost fixed-rated accounts.

Zenith's deposit base remains mainly corporate in nature, with 46% derived from large corporate and commercial clients, and with small and midsized enterprises and retail customers contributing together to another 45%. Concentrations are low, with the bank's 20 largest depositors accounting for 5.9% of the total deposit base. Despite relative stability to date, Standard & Poor's feels that vulnerability is increased by the short-term nature of deposits, insofar as 93% mature in less than one year (and 54% in under three months).

In order to better diversify its funding profile while also lengthening the maturity of liabilities, Zenith aims to issue a bond on the domestic market in 2010, adding an additional NGN300 billion in funding. Liquidity provided by international organizations enhances financial flexibility, though it is limited.

Zenith's large stock of liquid assets provides an additional liquidity cushion. Given comparatively low leverage, the bank channels excess liquidity from deposits into government securities and interbank placements. As of Sept. 30, 2009, cash, central bank and interbank placements, and government treasuries accounted for a high 52% of Zenith's total assets, though holdings also result in concentrated exposure to sovereign debt.

Profitability: Under Pressure From Significantly Increased Provisioning Charges

Financial performance deteriorated in 2009, negatively impacted by material provisioning charges on margin lending. By Sept. 30, 2009, Zenith's return on assets (ROA) had declined to a modest 0.94%, compared with approximately 3% the previous year-end, though this still remains favorable relative to domestic peers'. Given lower expected lending growth and business activity in 2010, paired with Zenith's still high cost base, Standard & Poor's expects earnings to remain under pressure. At the same time, we are not expecting credit risk charges to exceed the amount of provisioning incurred this year (at 62% of operating income on Sept, 30, 2009), supporting the bottom-line.

Given Zenith's focus on high-end corporate banking, earnings remain relatively undiversified. Net interest income drives profitability--contributing to 65% of total revenues at Sept. 30, 2009--more than half of which is generated through corporate loans and advances, followed by short-term placements and investments in government bonds. Commercial margins are wide, albeit tightened from last year, and should remain relatively stable as management focuses on retail deposit gathering while actively pricing its corporate loan book. Fees and commissions also contribute to a high share of Zenith's revenues--at approximately 25%--and are derived from ancillary business with corporate customers and transactions. Market-related earnings are minor, related mainly to foreign exchange transactions.

High costs--related to personnel expenditure and investments on Zenith's branch network--have continued to constrain financial performance, limiting financial flexibility during periods of reduced earnings. At Sept. 30, 2009, operating expenditures represented a high 5.4% of the bank's average adjusted assets, and are unlikely to reduce significantly over the short term.

Financial accounts are consolidated, prepared according to Nigerian Accounting Standards Board guidelines, and audited by PricewaterhouseCoopers (with the exception of end-Sept. 2009 accounts, which are unaudited). The bank's financial year-end is currently Sept. 30, 2009, but will be changed to a December year-end this year (as is the case with all Nigerian banks). Standard & Poor's views the Nigerian accounting framework as weak, given the limited amount of disclosure. We are, however, expecting Zenith to adopt International Financial Reporting Standards (IFRS) by the end of 2010, in line with the sector, which should help to improve transparency.

Capitalization: Good Capitalization Remaining Important For The Ratings

With a ratio of ATE to adjusted assets of 19.3% at Sept. 30, 2009, Zenith continues to have good capitalization. The bank's regulatory Tier 1 ratio reached, at the same time, an even higher 31.6%--well above minimum regulatory requirements--though this is aided by the 0% risk-weighting of Nigerian government debt, which Standard & Poor's does not consider to be risk-free. Capital is of good quality, consisting of shareholders' equity and reserves.

Zenith's maintenance of good solvency indicators is important for the ratings, and the bank's own ability to absorb unexpected risks and losses in light of its high-risk operating environment. Management's medium-term Tier 1 ratio target of 30% provides, in this way, a degree of comfort. Nevertheless, Standard & Poor's views with caution any continuation of an aggressive dividend payout policy, especially as internal capital generation is currently being pressured by lower profitability. We would also expect it to be more difficult for Nigerian banks to return to the domestic equity markets for fresh capital, at least over the short-term, given ongoing capital market tension and following the recent CBN interventions in the financial sector.

Table 1

Zenith Bank PLC Asset Quality, Funding, And Liquidity Ratios

	--Year ended Sept. 30--				
(%)	2009	2008	2007	2006	2005
Gross nonperforming assets/customer loans plus other real estate owned	3.6	2.0	1.4	1.1	1.5
Net nonperforming assets/customer loans plus other real estate owned	(3.7)	(1.0)	(0.7)	(1.0)	(0.9)
Loan loss reserves/gross nonperforming assets	195.7	148.4	152.2	193.0	160.2
Loan loss reserves/customer loans	7.0	3.0	2.1	2.1	2.4
New loan loss provisions/average customer loans	6.3	1.7	0.7	0.8	2.2
Net charge-offs/average customer loans	N.M.	N.M.	N.M.	(0.0)	N.M.
Customer deposits/funding base	97.5	97.3	97.2	97.3	100.0
Total loans/customer deposits	61.6	37.1	39.3	45.5	48.8
Total loans/customer deposits plus long-term funds	47.7	29.0	34.1	37.3	42.6
Customer loans (net)/assets (adjusted)	39.0	25.2	29.9	32.6	37.4

N.M.--Not meaningful.

Table 2

Zenith Bank PLC Profitability Ratios

	--Year ended Sept. 30--				
(%)	2009	2008	2007	2006	2005
Net interest income/average earning assets	6.7	7.9	6.9	7.1	7.7
Net interest income/revenues	65.2	57.4	58.8	55.0	58.9
Fee income/revenues	25.4	30.7	33.2	35.7	36.0
Market-sensitive income/revenues	0.0	0.0	0.0	0.0	0.0
Noninterest income/revenues	34.8	42.6	41.2	45.0	41.1
Personnel expense/revenues	23.1	21.9	19.3	19.4	20.0
Noninterest expenses/revenues	62.6	59.6	63.7	65.9	62.0
Net operating income before provision/revenues	37.4	40.4	36.3	34.1	38.0

Table 2

Zenith Bank PLC Profitability Ratios (cont.)					
New loan loss provisions/revenues	23.5	4.1	2.4	2.6	6.7
Net operating income before loan loss provisions/loan loss provisions	159.1	986.9	1,501.3	1,290.3	564.0
Net operating income after loan loss provisions/revenues	13.9	36.3	33.9	31.4	31.3
Pretax profit/revenues	13.9	36.3	33.9	31.4	31.3
Tax/pretax profit	22.0	7.4	26.9	25.5	21.9
Core earnings/revenues	10.8	33.6	24.8	23.4	24.4
Core earnings/average adjusted assets	0.9	3.8	2.4	2.4	2.7
Noninterest expenses/average adjusted assets	5.4	6.7	6.1	6.9	6.9
Core earnings/average risk-weighted assets	N.M.	N.M.	N.M.	N.M.	N.M.
Core earnings/average adjusted common equity	5.1	24.5	18.7	18.2	29.1
Pretax profit/average common equity (%)	6.2	24.5	23.9	22.5	34.3

N.M.--Not meaningful.

Table 3

Zenith Bank PLC Capital Ratios					
	--Year ended Sept. 30--				
(%)	**2009**	**2008**	**2007**	**2006**	**2005**
Adjusted common equity/risk assets (%)	N.M.	N.M.	N.M.	N.M.	N.M.
Tier 1 capital ratio	N.A.	N.A.	N.A.	N.A.	N.A.
Adjusted total equity/adjusted assets	19.3	17.8	11.0	15.2	9.9
Adjusted total equity/managed assets	19.3	17.8	11.0	15.2	9.9
Adjusted total equity plus loan loss reserves (specific)/customer loans (gross)	52.9	71.4	38.2	47.7	28.3
Common dividend payout ratio	55.2	55.2	49.6	56.8	58.7

N.A.--Not available. N.M.--Not meaningful.

Table 4

Zenith Bank PLC Summary Balance Sheet					
	--Year ended Sept. 30--				
(Mil. NGN)	**2009**	**2008**	**2007**	**2006**	**2005**
Assets					
Cash and money market instruments	544,369	775,336	325,142	208,502	88,177
Securities	330,238	453,116	285,094	164,930	95,985
Trading securities (marked to market)	0	0	0	0	0
Nontrading securities	330,238	453,116	285,094	164,930	95,985
Mortgage-backed securities included above	0	0	0	0	0
Loans to banks (net)	0	0	0	0	0
Customer loans (gross)	707,836	464,330	296,679	206,324	126,381
Loan loss reserves	49,236	13,815	6,123	4,370	3,045
Customer loans (net)	658,601	450,515	290,556	201,954	123,336
Earning assets	1,495,912	1,453,221	795,861	496,308	268,340
Equity interests/participations (nonfinancial)	24,016	11,634	6,351	2,889	1,459
Investments in unconsolidated subsidiaries (financial companies)	N.A.	N.A.	N.A.	N.A.	925

Table 4

Zenith Bank PLC Summary Balance Sheet (cont.)					
Intangibles (nonservicing)	0	0	0	0	0
Interest-only strips	N.A.	N.A.	N.A.	N.A.	N.A.
Fixed assets	75,425	50,943	36,799	24,234	15,079
Derivatives credit amount	N.A.	N.A.	N.A.	N.A.	N.A.
Accrued receivables	48,582	40,326	24,177	14,569	4,756
All other assets	5,684	5,962	4,702	2,263	0
Total assets	1,686,915	1,787,832	972,822	619,341	329,717
Intangibles (nonservicing)	0	0	0	0	0
Minus insurance statutory funds	0	0	0	0	0
Adjusted assets	1,686,915	1,787,832	972,822	619,341	329,717
Liabilities					
Total deposits	1,149,787	1,251,786	754,589	453,008	259,170
Noncore deposits	0	0	0	0	0
Core/customer deposits	1,149,787	1,251,786	754,589	453,008	259,170
Acceptances	0	0	0	0	0
Repurchase agreements	N.A.	N.A.	N.A.	N.A.	N.A.
Other borrowings	30,079	34,570	21,948	12,750	0
Other other borrowings	30,079	34,570	21,948	12,750	0
Other credit reserves	N.A.	N.A.	N.A.	N.A.	N.A.
Other liabilities	172,628	154,859	79,830	52,922	32,757
Total liabilities	1,352,494	1,441,214	856,367	518,680	291,927
Total equity	334,421	346,618	116,455	100,662	37,790
Manditorily convertible securities	0	0	0	0	0
Limited life preferred and quasi equity	0	0	0	0	0
Enhanced trust preferred	0	0	0	0	0
Minority interest-equity	2,283	2,269	1,869	19	N.A.
Common shareholders' equity (reported)	332,138	344,348	114,586	100,643	37,790
Share capital and surplus	263,419	263,419	73,870	72,346	21,224
Revaluation reserve	N.A.	322	79	N.A.	N.A.
Retained profits	16,391	N.A.	N.A.	N.A.	N.A.
Other equity					
Total liabilities and equity	1,686,915	1,787,832	972,822	619,341	329,717

NGN--Nigerian naira. N.A.--Not available.

Table 5

Zenith Bank PLC Equity Reconciliation Table					
	--Year Ended Sept. 30--				
(Mil. NGN)	**2009**	**2008**	**2007**	**2006**	**2005**
Common shareholders' equity (reported)	332,138	344,348	114,586	100,643	37,790
Plus minority interest (equity)	2,283	2,269	1,869	19	0
Minus dividends (not yet distributed)	(9,041)	(28,466)	(9,266)	(6,600)	(4,200)
Minus revaluation reserves	0	(322)	(79)	0	0

Table 5

Zenith Bank PLC Equity Reconciliation Table (cont.)					
Minus nonservicing intangibles	0	0	0	0	0
Minus interest-only strips (net)	0	0	0	0	0
Minus tax loss carryforwards	0	0	0	0	0
Minus postretirement benefit adjustment	0	0	0	0	0
Adjusted common equity	325,380	317,829	107,110	94,062	33,590
Plus admissible preferred and hybrids	0	0	0	0	0
Plus general reserves	0	0	0	0	0
Plus unrealized gains	0	0	0	0	0
Minus equity in unconsolidated subsidiaries	0	0	0	0	(925)
Minus capital of insurance subsidiaries	0	0	0	0	0
Minus adjustment for securitized assets	0	0	0	0	0
Minus other adjustments	0	0	0	0	0
Adjusted total equity	325,380	317,829	107,110	94,062	32,664

Table 6

Zenith Bank PLC Profit And Loss					
	--Year Ended Sept. 30--				
(Mil. NGN)	**2009**	**2008**	**2007**	**2006**	**2005**
Net interest income	98,435	88,792	44,586	27,309	17,265
Interest income	146,517	142,390	63,625	37,686	22,885
Interest expense	48,082	53,598	19,039	10,377	5,620
Operating noninterest income	52,483	65,904	31,255	22,316	12,028
Fees and commissions	38,328	47,424	25,144	17,694	10,559
Net brokerage commissions	0	0	0	0	0
Trading gains	0	0	0	0	0
Other market-sensitive income	N.A.	N.A.	N.A.	N.A.	N.A.
Net insurance income	0	0	0	0	0
Equity in earnings of unconsolidated subsidiaries	0	0	0	0	0
Other noninterest income	14,155	18,479	6,111	4,622	1,469
Operating revenues	150,918	154,696	75,841	49,625	29,293
Noninterest expenses	94,460	92,258	48,333	32,726	18,154
Personnel expenses	34,845	33,942	14,651	9,614	5,861
Other general and administrative expense	49,091	49,289	28,889	19,831	10,015
Net operating income before loss provisions	56,458	62,438	27,509	16,900	11,140
Credit loss provisions (net new)	35,493	6,327	1,832	1,310	1,975
Net operating income after loss provisions	20,966	56,111	25,676	15,590	9,165
Nonrecurring/special income	48	7	0	0	0
Nonrecurring/special expense	0	0	0	0	0
Amortization of intangibles	0	0	0	0	0
Impairment of intangibles	0	0	0	0	0
Pretax profit	21,014	56,119	25,676	15,590	9,165
Tax expense/credit	4,623	4,126	6,897	3,971	2,009

Table 6

Zenith Bank PLC Profit And Loss (cont.)					
Net income (before minority interest)	16,391	51,992	18,780	11,619	7,156
Minority interest in consolidated subsidiaries	N.A.	384	103	(1)	N.A.
Net income before extraordinaries	16,391	51,609	18,677	11,620	7,156
Net income after extraordinaries	16,391	51,609	18,677	11,620	7,156

N.A.--Not available.

Table 7

Zenith Bank PLC Core Earning Reconciliation Table					
	--Year Ended Sept. 30--				
(Mil. NGN)	**2009**	**2008**	**2007**	**2006**	**2005**
Net income (before minority interest)	16,391	51,992	18,780	11,619	7,156
Minus nonrecurring/special income	(48)	(7)	0	0	0
Plus nonrecurring/special expense	0	0	0	0	0
Plus or minus tax impact of adjustments	11	1	0	0	0
Plus amortization/ impairment of goodwill/ intangibles	0	0	0	0	0
Minus preferred dividends	0	0	0	0	0
Plus or minus other earnings adjustments	0	0	0	0	0
Core earnings	16,353	51,985	18,780	11,619	7,156

Ratings Detail (As Of December 31, 2009)*		
Zenith Bank PLC		
Counterparty Credit Rating		B+/Negative/B
Nigeria National Scale		ngA/--/ngA-1
Certificate Of Deposit		B+/B
Counterparty Credit Ratings History		
24-Aug-2009		B+/Negative/B
30-Mar-2009		BB-/Negative/B
16-Nov-2007		BB-/Stable/B
24-Aug-2009	*Nigeria National Scale*	ngA/--/ngA-1
30-Mar-2009		ngA+/--/ngA-1
26-Mar-2009		ngAA-/--/ngA-1
Sovereign Rating		
Nigeria (Federal Republic of)		B+/Stable/B
Nigeria National Scale		ngA+/--/ngA-1

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

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