Q3 2017 Group Results

Presentation to Investors & Analysts

September 2017

ZENITH BANK PLC

▪ PEOPLE ▪ TECHNOLOGY ▪ SERVICE

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 in accordance with the International Financial Reporting Standard (IFRS), and the going concern principle under the historical cost convention as modified by the measurement of certain financial instruments held at fair value.

The preparation of financial statements in accordance with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and disclosures at the date of the financial statements. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates.

Agenda

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Strategy & Outlook	Slides 27 – 30
Q&A	

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1. Overview & Operating Environment

Nigerian Economy and Key Developments in the Banking Sector

Despite a challenging macroeconomic environment and short-to-medium term complications, Nigeria remains Africa's largest economy with strong sectors and significant opportunities.

Real GDP Growth (Rebase):

- Nigeria emerged out of recession in Q2 2017 with a real GDP growth of 0.55% YoY, up by 107bps from -0.52% recorded in Q1 2017. The Oil sector grew by 1.64% YoY, while the non-oil sector grew by 0.45% - driven largely by activities in the Agriculture Sector, Finance & Insurance, Electricity, Gas, Steam & Air Conditioning supply and Other Services.

Headline Inflation:

- Headline Inflation moderated to 15.98% YoY in Sept 2017, representing a 3bps decline from the preceding month. Accordingly, this represents the eighth consecutive decline in the rate of inflation since Jan'17
- The Food Index which increased by 20.32% YoY is the major contributor to the relatively high inflation rate.

Oil Production & Price:

- OPEC Average Monthly Basket Price rebounded by 18.1% from its lowest price of $45.2/bbl (in 2017) recorded at the end of Q2 2017 to $53.4/bbl recorded at the end Q3 2017 (highest value since July 2015).

Foreign Reserves:

- On QoQ, Nigerian foreign reserves grew by 7.3% from $30.29bn recorded at the end of Q2 2017 to $32.49bn recorded at the end of Q3 2017.

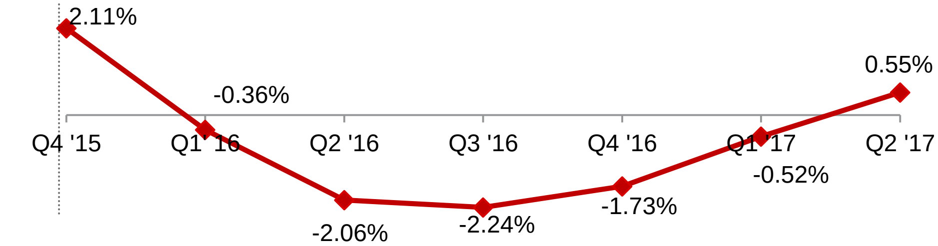
Exchange Rate:

- The CBN official exchange rate has remained stable at 306NGN/USD since the beginning of 2017 while we have seen a gradual convergence of the other exchange rate windows. Current rates (NGN/USD): Parallel – 362; NAFEX(I&E) – 360; NIFEX – 329)

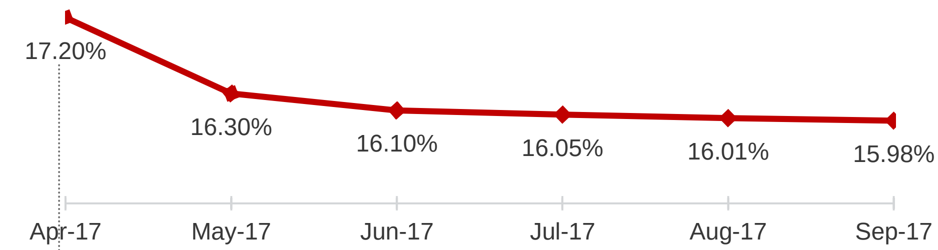
Cash Reserve Ratio (CRR) & Monetary Policy Rate (MPR):

- Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) concluded its 5th policy meeting for the year, where the committee voted to leave all policy rates unchanged - the Monetary Policy Rate (MPR) at 14% 7), the Cash Reserve Ratio (CRR) at 22.5% and liquidity ratio at 30%.

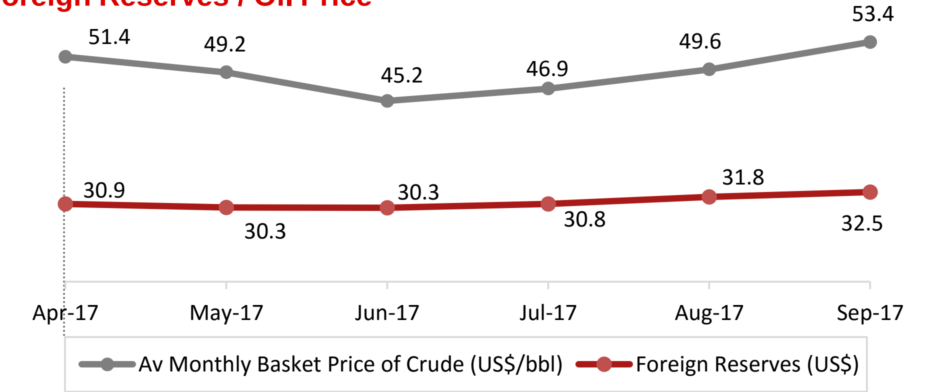
GDP Growth Rate



Inflation Rate



Foreign Reserves / Oil Price



Source:Nigeria Bureau of Statistics , Central Bank of Nigeria, OPEC

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Our Investment Proposition

Strong earnings capacity and growth, solid and liquid capital base, strengthened ERM practices, good returns on investment and excellent customer service

- A dominant player in the Nigerian Banking Industry:
  - ✓ Controls a significant share of the high end corporate clients in strategic sectors of the Nigerian economy.
  - ✓ The bank uses its strong balance sheet and liquidity as well as efficient trade finance processes and services, to continuously grow and support businesses.

- Strong Focus on Risk Management:
  - ✓ Despite the tough operating environment, NPL ratio came in at 4.2% with a coverage ratio of 110.3%.

- Good Dividend Payout:
  - ✓ Good and consistent dividend payout to its investors.
  - ✓ The Bank paid a dividend of 160 kobo per share for FY2012, 175 kobo per share for both FY2013 and FY2014, and 180 kobo per share for FY2015
  - ✓ A total dividend amount of 202 kobo per share (25 kobo interim and 177 kobo final) was paid for FY2016 and 25 kobo per share interim dividend also paid in H1 2017.

- Credit Rating/Certifications:
  - ✓ Standard and Poor's ratings for Zenith Bank Zenith Bank are: B/Stable/B (Issuer Credit Rating) and ngBBB/ngA-2 (National Scale Rating), being the highest rating awarded to any Nigerian bank and in line with the country's risk rating.
  - ✓ **Fitch** ratings are: 1) Long-term foreign currency IDR: 'B+' - Negative Outlook; 2)Short-term foreign currency IDR: 'B'; 3)National Long-term rating: 'AA-(nga)'; 4)National Short-term rating: 'F1+(nga)'

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2. Group Results

Financial Highlights – Third Quarter - 2017

Key Themes

Creativity for Market Dominance and Risk Management for Superior Performance
Building A Shock-Proof Balance Sheet

P or L

Gross Earnings: N531.27bn	+39.7%YoY
Net Interest Income: N201.49bn	+6.2%YoY
Non-Interest Income: N169.48bn	+79.0% YoY
Profit Before Tax: N152.55bn	+30.8% YoY
Profit After Tax: N129.24bn	+35.5% YoY

Balance Sheet

Gross Loans & Advances: N2.27tn	-3.7% YTD
Total Assets: N5.13tn	+8.3% YTD
Customer Deposits: N3.06tn	+2.6% YTD
Total Shareholders' Funds: N767.69bn	+9.0% YTD

Key Ratios

Loans to Deposits Ratio: 62.1%	Cost of Funds: 5.4%
Liquidity Ratio: 61.1%	Net Interest Margin: 7.2%
NPL Ratio: 4.2%	Cost to Income Ratio: 52.9%
Coverage Ratio: 110.3%	Cost of Risk: 2.7%
Capital Adequacy Ratio: 22.2%	RoAE: 23.4%
	EPS: 411k

Profit or Loss Statement

- Strong bottom-line profitability, driven by robust core earnings generation and continued cost control to deliver improved operating leverage and sustainable stakeholder value.

(N'million)	Group 9M 17	*Group 9M 16	YoY Change
Gross earnings	531,266	380,352	39.68%
Interest income	361,789	285,674	26.64%
Interest expense	(160,297)	(95,857)	67.23%
Net interest income	201,492	189,817	6.15%
Impairment charge	(47,053)	(21,858)	115.27%
Net interest income after impairment charge	154,439	167,959	-8.05%
Fees and commission income	71,021	46,282	53.45%
Trading income	81,809	16,410	398.53%
Other income	16,647	31,986	-47.96%
Amortisation of intangible assets	(1,163)	(1,069)	8.79%
Depreciation of property and equipment	(8,660)	(7,091)	22.13%
Personnel expenses	(53,740)	(54,911)	-2.13%
Operating expenses	(107,801)	(82,979)	29.91%
Profit before income tax	152,552	116,587	30.85%
Income tax expense	(23,317)	(21,201)	9.98%
Profit after tax	**129,235**	**95,386**	**35.49%**

* Restated

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Consolidating Earnings and Profitability

- In spite of the macroeconomic backdrops, Zenith Bank has delivered an attractive earnings profile, supported by increasing revenue and improving operating efficiency.

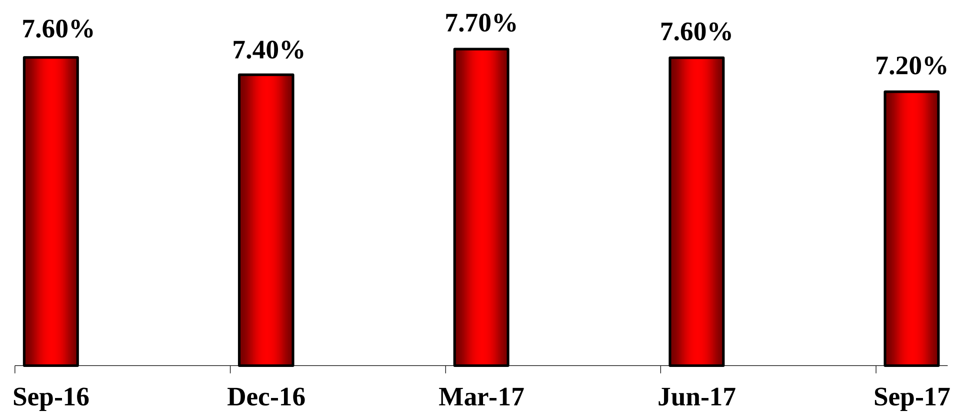
Comments

- **Net Interest Margins (NIMs)** decreased by 5.3% YoY from 7.6% in Q3 2016 to 7.2% in Q3 2017. FX swap transactions contributed significantly to the compression in NIMs

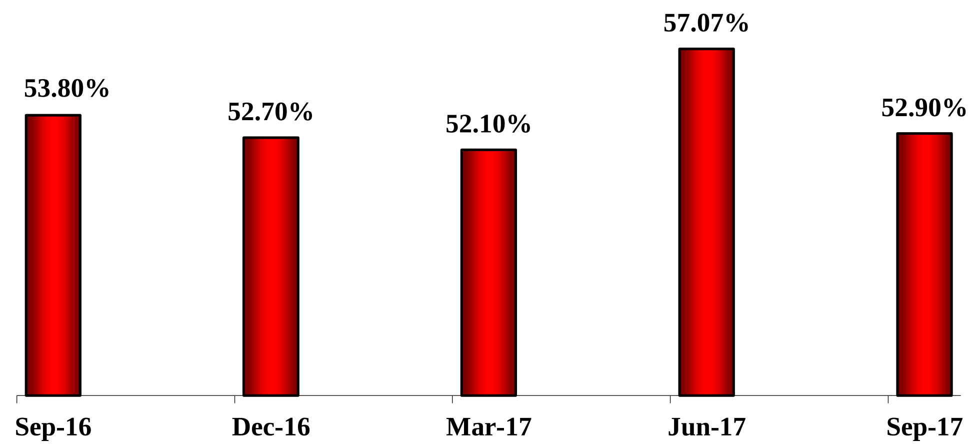
- **Cost-to-Income Ratio** declined by 1.70% YoY from 53.8% in Q3 2016 to 52.9% in Q3 2017. The bank is committed to keeping its cost–to-income ratio under control

- **PBT** increased by an impressive 30.8% YoY from N116.60 bn during Q3 2016 to N152.46bn in Q3 2017. **PAT** figures also increased significantly by 35.5% from N95.40bn in Q3 2016 to N129.24bn in Q3 2017.

Net Interest Margin



Cost to Income Ratio



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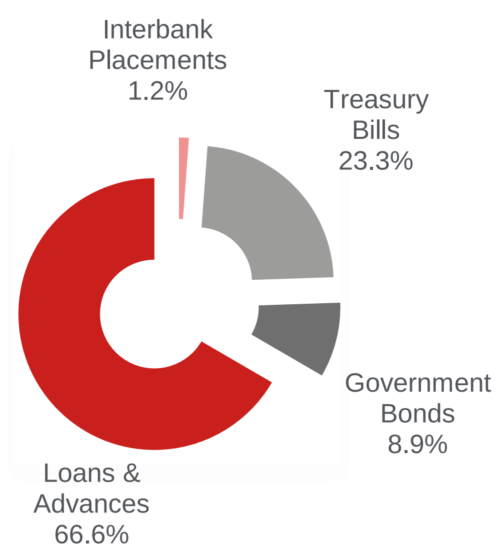
Revenue Base: Interest Income Diversification

- Attractive YoY growth in interest income (+27%) to support the Bank's net interest margin
- Growth in interest income can be attributed to the current high yield environment.
- The Group has maintained a consistent mix of interest income across the various interest-generating assets over the years

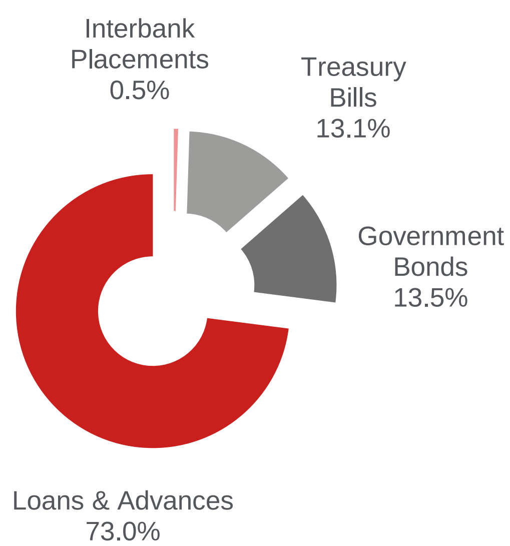
Interest Income

Q3 2017



N'million	Q3 2017	Q3 2016	YoY
Interbank Placements	4,213	1,434	194%
Treasury Bills	84,332	37,349	126%
Government Bonds	32,245	38,442	-16%
Loans & Advances	240,999	208,449	16%
Total	**361,789**	**285,674**	**27%**

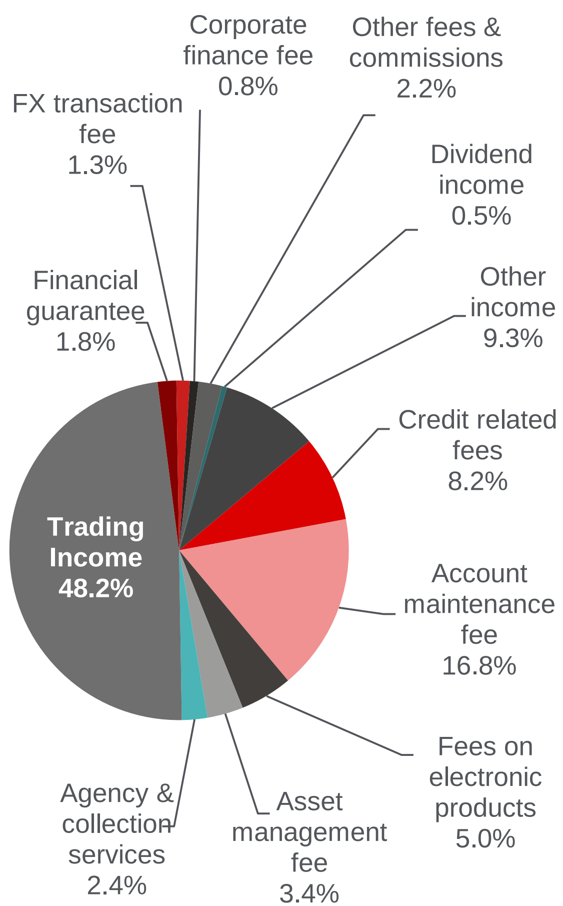
Q3 2016



Revenue Base: Non-Interest Income Diversification

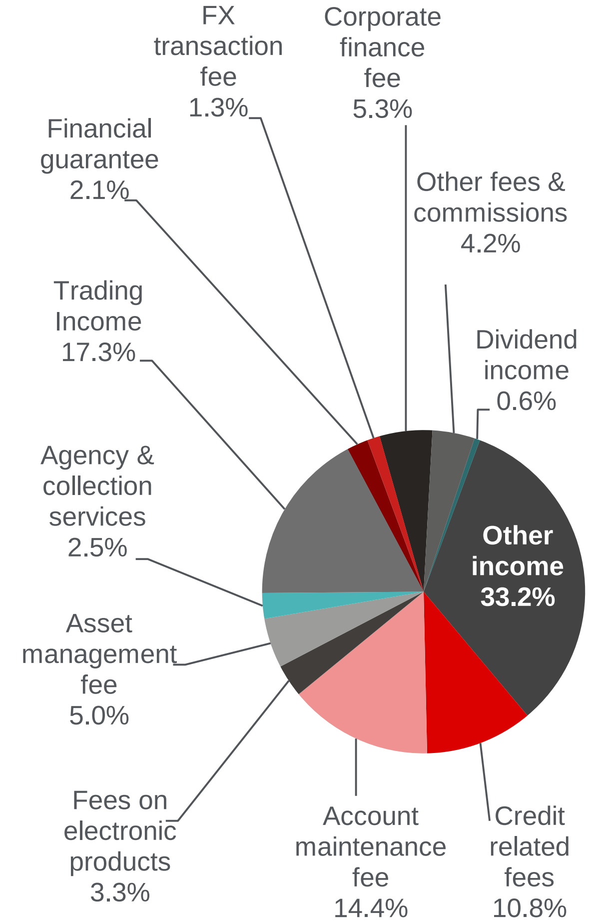
- The increase in most lines of non-interest income resulted in a YoY growth of +79%.
- Trading and derivative activities led to the increase in trading income
- Decline in other income was as a result of the foreign currency revaluation gained recorded in 2016.

Q3 2017



N'million	Q3 2017	Q3 2016	YoY
Credit related fees	13,861	10,193	36%
Account maintenance fee	28,584	13,651	109%
Fees on electronic products	8,442	3,096	173%
Asset management fee	5,832	4,718	24%
Agency & collection services	4,115	2,414	70%
Trading Income	81,809	16,410	399%
Financial guarantee	3,018	2,729	11%
FX transaction fee	2,152	1,194	80%
Corporate finance fee	1,394	4,986	-72%
Other fees & commissions	3,803	3,301	15%
Dividend income	833	527	58%
Other income	15,814	31,459	-50%
Total	**169,657**	**94,678**	**79%**

Q3 2016



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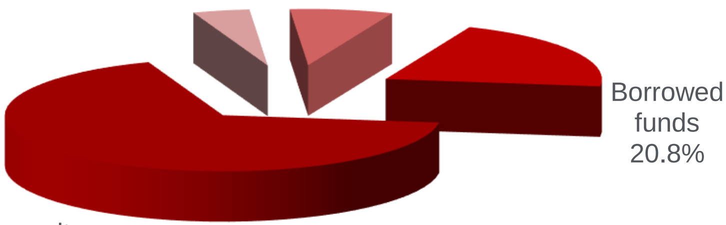
Continuous Efforts in Cost-Reduction Strategies

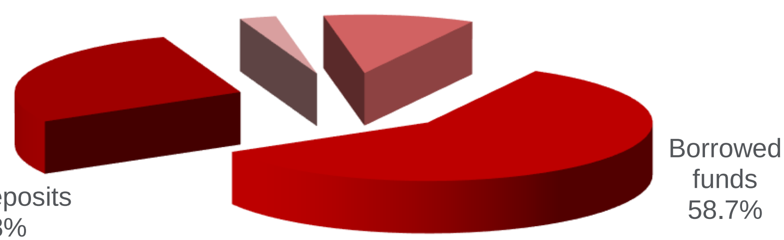
- Interest expense increased by 67% due to the tight monetary environment, resulting in elevated cost of funding.

Interest Expenses

Q3 2017



Q3 2016



N'million	Q3 2017	Q3 2016	YoY
Current accounts	6,755	2,528	167%
Savings accounts	12,270	10,404	18%
Borrowed funds	33,287	26,659	25%
Time deposits	107,985	56,266	92%
Total	**160,297**	**95,857**	**67%**

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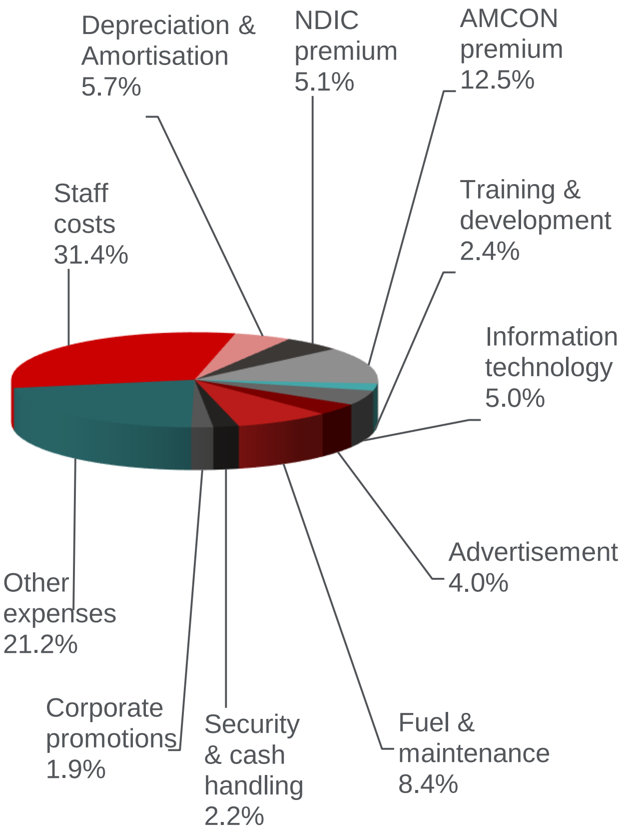
Continuous Efforts in Cost-Reduction Strategies

- High inflation rate, Naira devaluation and Information Technology cost contributed significantly to the 17% increase in total operating expenses.
- We expect operating expense to moderate for full year as AMCON premium for 2017 has been fully taken.

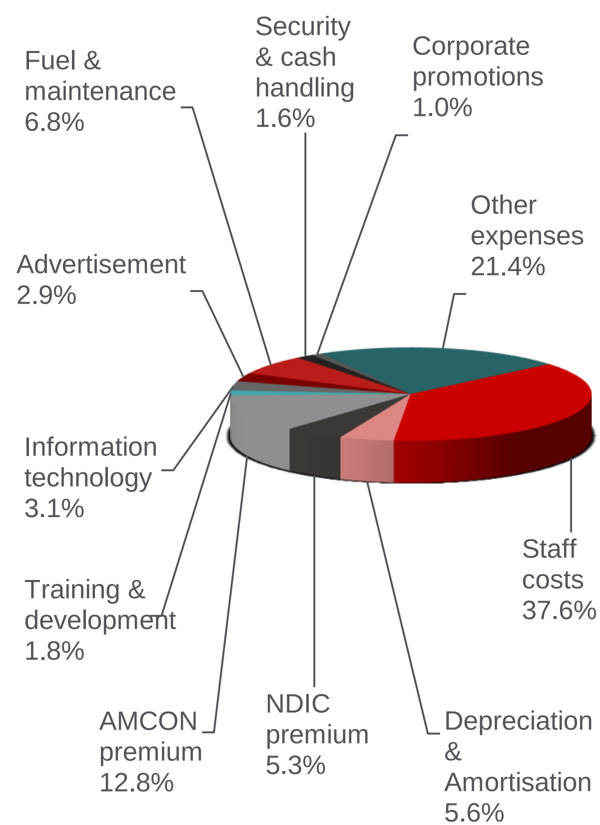
Total Operating Expenses

Q3 2017



N'million	Q3 2017	Q3 2016	YoY
Staff costs	53,740	54911	-2%
Depreciation & Amortisation	9,823	81,160	20%
NDIC premium	8,762	7,794	12%
AMCON premium	21,419	18,752	14%
Training & development	4,159	2,583	61%
Information technology	8,640	4,587	88%
Advertisement	6,829	4,306	59%
Fuel & maintenance	14,432	10,002	44%
Security & cash handling	3,851	2,310	67%
Corporate promotions	3,296	1,412	133%
Other expenses	36,413	31,233	17%
Total	**171,364**	**146,050**	**17%**

Q3 2016



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Balance Sheet – Assets

Strong, liquid balance sheet with continued growth led by loans and securities portfolio.

(N'm)	Group Sep-17	Group Dec-16	YTD Change	Group Sep-16
Cash and balances with central banks	767,394	669,058	14.70%	555,891
Treasury bills	718,964	557,359	28.99%	424,399
Assets pledged as collateral	455,875	328,343	38.84%	354,481
Due from other banks	520,988	459,457	13.39%	455,823
Derivative assets	63,508	82,860	-23.36%	99,100
Loans and advances	2,155,749	2,289,365	-5.84%	2,425,318
Investment securities	242,348	199,478	21.49%	184,266
Deferred tax assets	9,598	6,440	49.04%	7,103
Other assets	70,130	37,536	86.83%	39,243
Property and equipment	115,807	105,284	9.99%	100,176
Intangible assets	11,457	4,645	146.65%	3,885
Total Assets	**5,131,818**	**4,739,825**	**8.27%**	**4,649,685**

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Balance Sheet – Liabilities & Equity

Assets are well funded by a significant deposit base and the balance sheet remains robustly capitalised, providing a buffer for further growth.

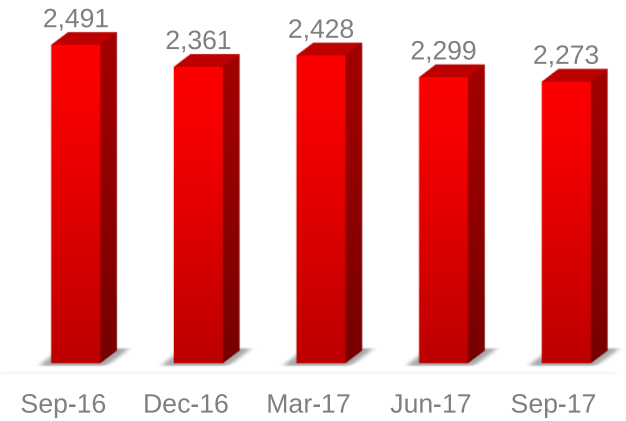
(N'm)	Group Sep-17	Group Dec-16	YTD Change	Group Sep-16
Customers deposits	3,062,214	2,983,621	2.63%	2,691,985
Derivative liabilities	15,357	66,834	-77.02%	74,996
Current income tax payable	9,426	8,953	5.28%	5,608
Deferred income tax liabilities	-	45	-100.00%	46
Other liabilities	205,390	208,680	-1.58%	302,512
On-lending facilities	380,460	350,657	8.50%	336,123
Borrowings	378,751	263,106	43.95%	389,704
Debt securities issued	312,530	153,464	103.65%	157,803
Total liabilities	**4,364,128**	**4,035,360**	**8.15%**	**3,958,777**

(N'm)	Group Sep-17	Group Dec-16	YTD Change	Group Sep-16
Share capital	15,698	15,698	0.00%	15,698
Share premium	255,047	255,047	0.00%	255,047
Retained earnings	312,673	267,549	16.87%	224,992
Other reserves	183,114	165,188	10.85%	198,912
Total Shareholders' funds	767,690	704,465	8.97%	695,596
Non-controlling interest	1,158	983	17.80%	947
Total liabilities & equity	**5,131,818**	**4,739,825**	**8.27%**	**4,654,373**

Sustained Assets & Liabilities Match

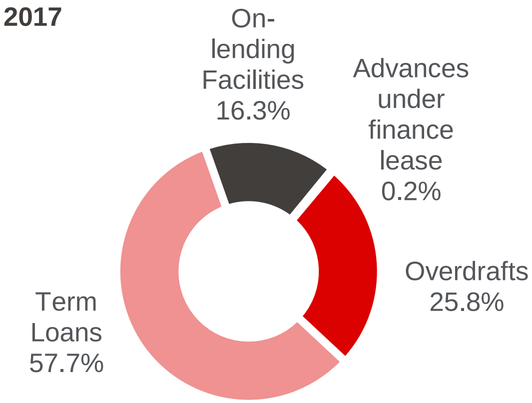
The group's approach to Loans and Advances is largely cautious, reflective of the realities of the operating environment. Our focus remains on advances to large corporates supported predominantly by demand deposit funds.

Loan Growth

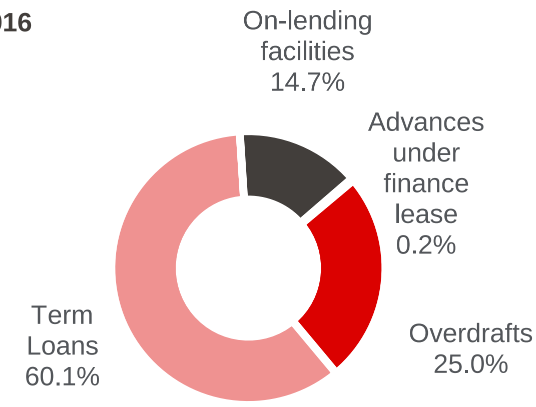


Loans & Advances

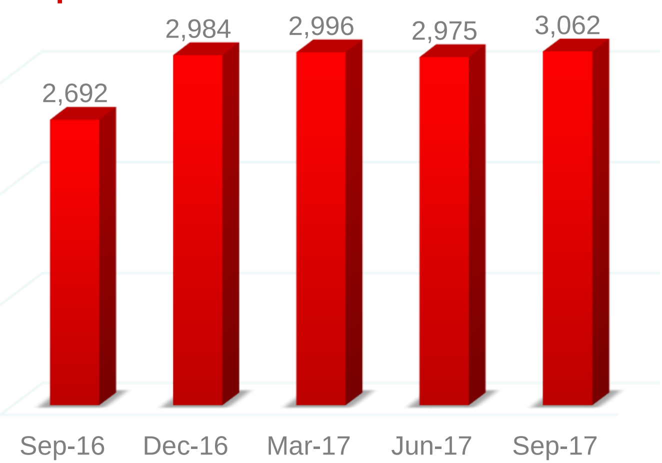
Q3 2017



FY 2016

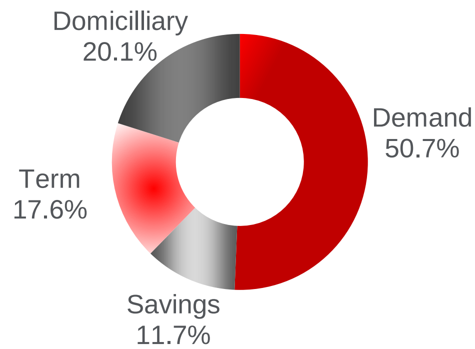


Deposit Growth

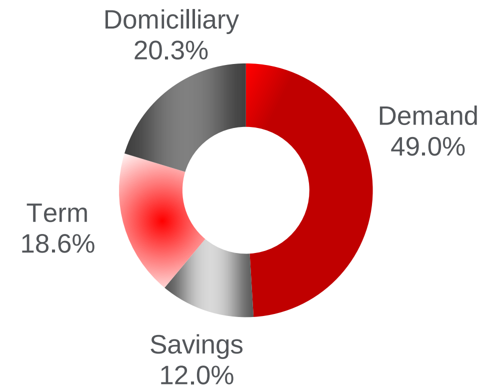


Deposit Mix

Q3 2017



FY 2016

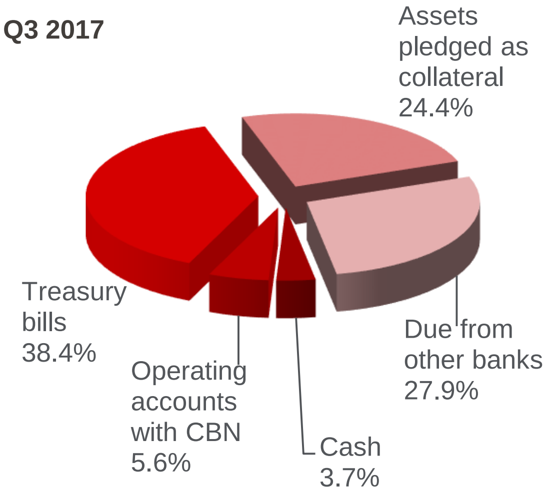


Continued Market Dominance through Strong Liquid Asset Base and Funding Mix

High quality and liquid balance sheet, with diversified sources of funding.

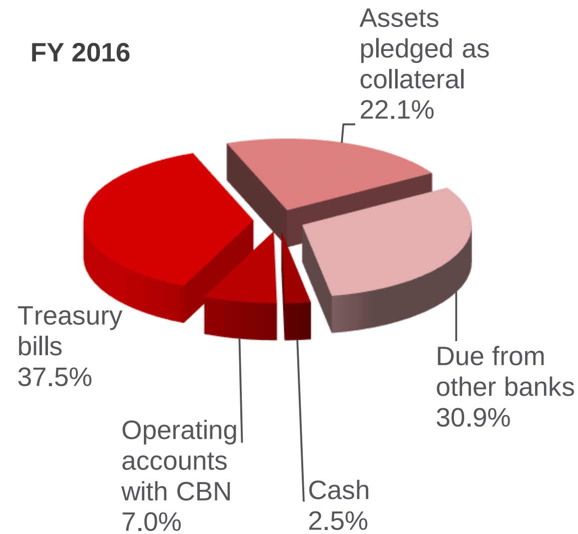
Liquid Assets

Q3 2017



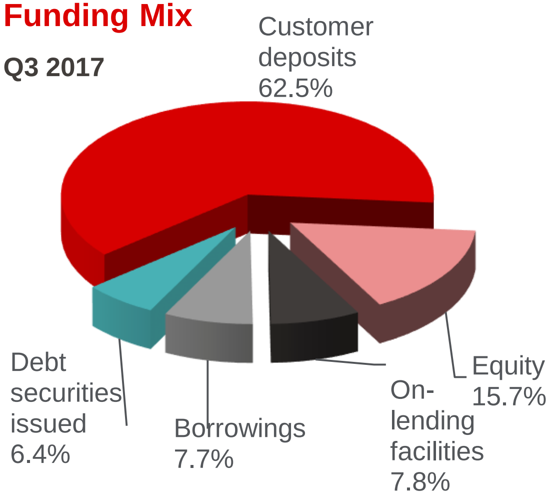
N'million	Q3 2017	FY 2016	YoY
Cash	68,475	36,953	85%
Operating accounts with CBN	105,575	103,921	2%
Treasury bills	718,964	557,359	29%
Assets pledged as collateral	455,875	328,343	39%
Due from other banks	520,988	459,457	13%
Total	1,869,877	1,486,033	26%

FY 2016



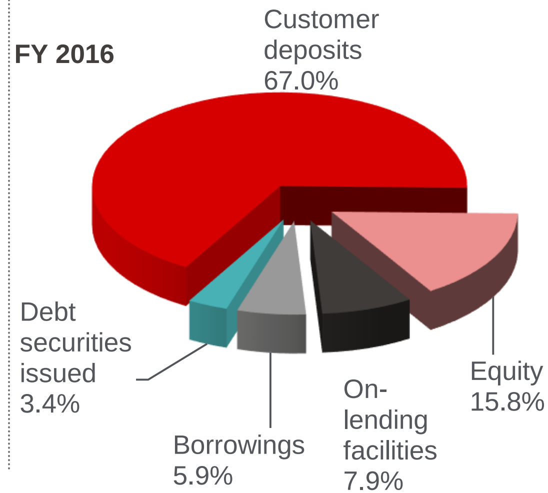
Funding Mix

Q3 2017



N'million	Q3 2017	FY 2016	YoY
Customer deposits	3,062,214	2,983,621	3%
On-lending facilities	380,460	350,657	8%
Borrowings	378,751	263,106	44%
Debt securities issued	312,530	153,464	104%
Equity	767,532	704,465	9%
Total	**4,901,487**	**3,959,528**	**24%**

FY 2016



P or L by Geography

Nigeria continues to be the main driver of profitability, providing about 90% of gross revenue.

9 Months Ended Sep 2017 (N'm)	Nigeria	Rest of Africa	Europe	Eliminations	Consolidated
Total Revenue	477,959	36,968	10,176	(2,241)	522,862
Total expense	(337,031)	(25,048)	(10,566)	2,241	(370,404)
Profit before tax	140,928	11,920	-390	-	152,458
Tax	(19,632)	(3,771)	86	-	(23,317)
Profit after tax	121,296	8,149	-304	-	129,141

Gross Revenue

9M17

9 Months Ended Sep 2016 (N'm)	Nigeria	Rest of Africa	Europe	Eliminations	Consolidated
Total revenue	347,196	27,422	11,481	(5,747)	380,352
Total expense	(230,557)	(17,024)	(12,161)	1,105	(257,955)
Profit before tax	116,639	10,398	(680)	(4,642)	121,715
Tax	(18,176)	(3,195)	170	-	(21,201)
Profit after tax	98,463	7,203	(510)	(4,642)	100,514

9M16

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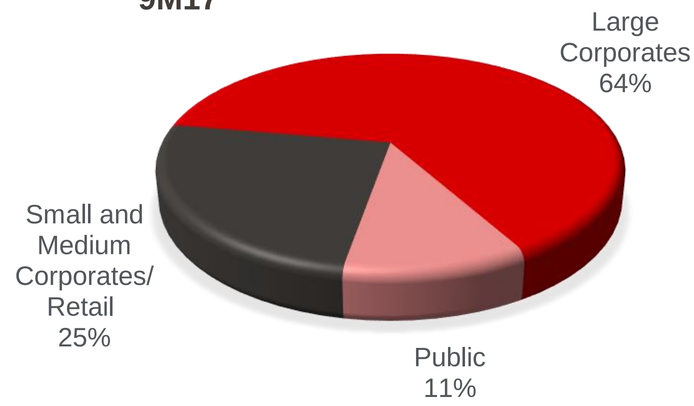
P or L – By Sector

Continuous diversification and improved profitability across core business sectors

9 Months Ended Sep 2017 (N'm)	Large Corporates	Public	Small and Medium Corporates / Retail	Consolidated
Total revenue	340,010	58,439	132,817	531,266
Total expenses	(249,951)	(37,871)	(90,891)	(378,714)
Profit before tax	90,059	20,568	41,925	152,552
Tax	(13,765)	(3,144)	(6,408)	(23,317)
Profit after tax	76,294	17,424	35,517	129,235

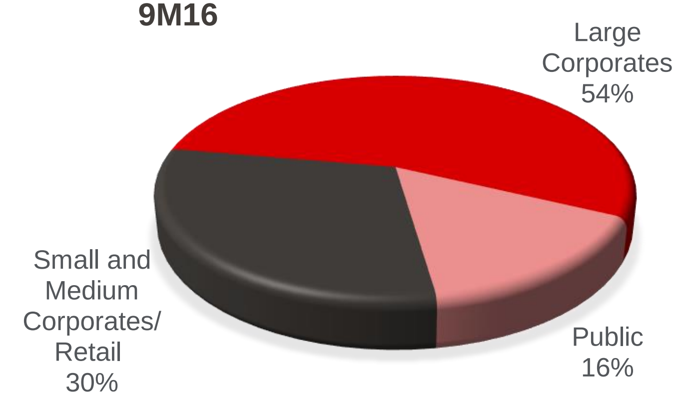
Gross Revenue

9M17



9 Months Ended Sep 2016 (N'm)	Large Corporates	Public	Small and Medium Corporates / Retail	Consolidated
Total revenue	206,560	59,302	114,490	380,352
Total expenses	(120,381)	(52,109)	(86,587)	(259,077)
Profit before tax	86,179	7,194	27,903	121,275
Tax	(15,066)	(1,258)	(4,878)	(21,201)
Profit after tax	71,113	5,936	23,025	100,074

9M16



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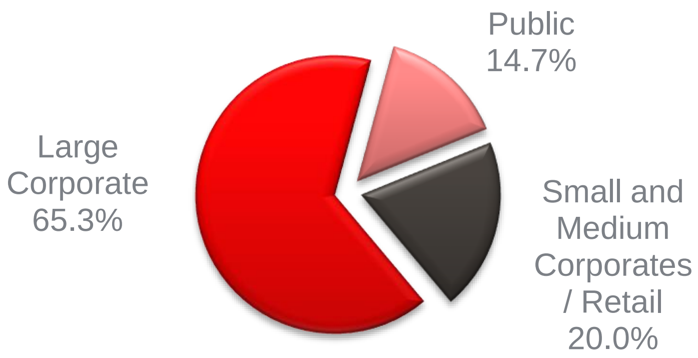
Loans & Deposits – By Sector

Corporate-oriented franchise, with improving retail component.

Gross Loans

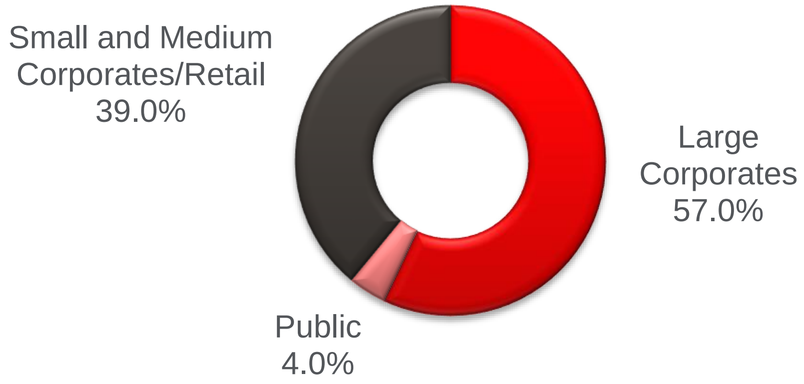
Q3 2017 Gross Loans – ₦2.27 Trillion



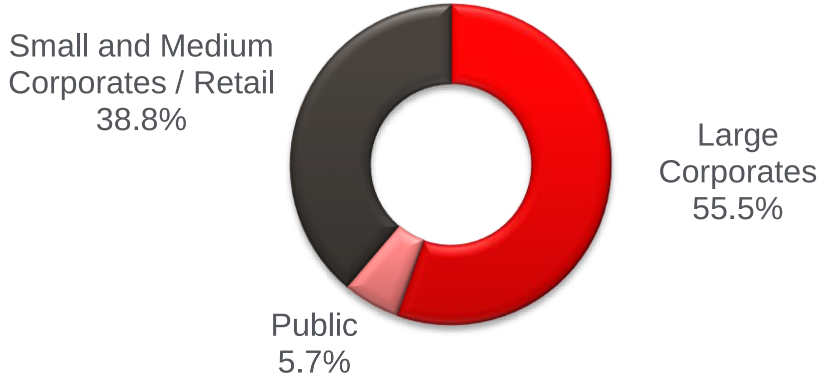
FY 2016 Gross Loans – ₦2.36 Trillion

Total Deposits

Q3 2017 Total Deposits – ₦3.06 Trillion



FY 2016 Total Deposits – ₦2.98 Trillion



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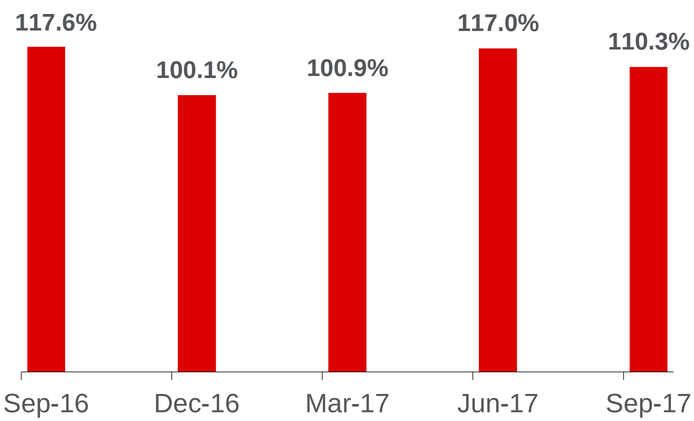
3. Risk Management

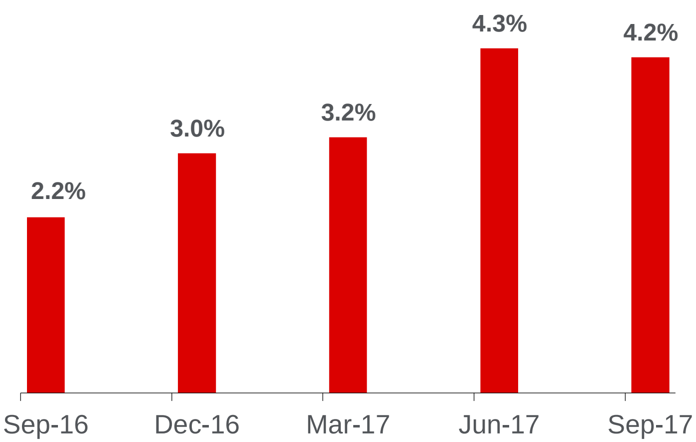
Healthy Risk Assets Portfolio

Historically strong risk controls have resulted in a largely stable NPL ratio, with robust coverage levels that compare favourably with peers and the sector.

NPL Coverage Ratio



NPL Ratio



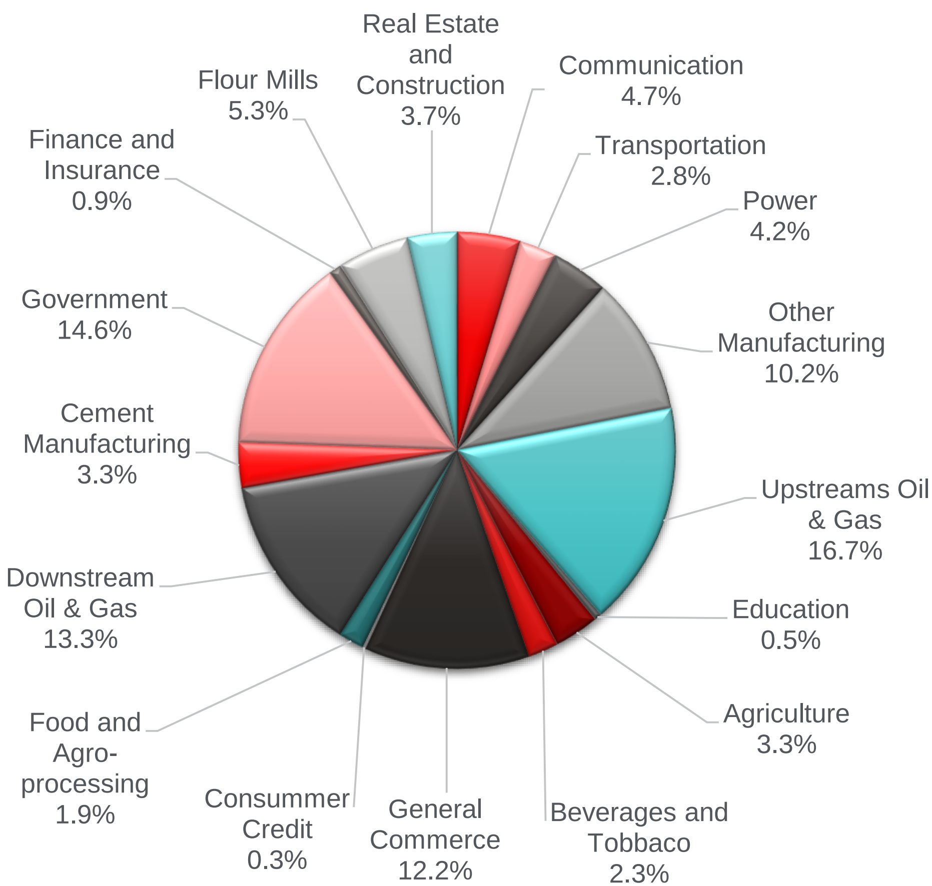
Our Risk Management Strategy

- ✓ The Group adopts a complete and integrated approach to risk management that is driven from the Board level to the operational activities of the bank.
- ✓ Risk management is practiced as a collective responsibility coordinated by the risk control units and is properly segregated from the market facing units to assure independence.
- ✓ The process is governed by well defined policies and procedures that are subjected to continuous review and are clearly communicated across the group.
- ✓ There is a regular scan of the environment for threats and opportunities to improve industry knowledge and information that drives decision making.
- ✓ The group maintains a conservative approach to business and ensures an appropriate balance in its risk and reward objectives.
- ✓ Risk culture is continuously being entrenched through appropriate training and acculturation.
- ✓ **Loans to Oil & Gas Sector:** As price of crude oil continues to fall, the bank has put in place the following to guide against delinquent loans:
  - ✓ Hedges against drop in crude oil price for customers with loans
  - ✓ Encourage customers to increase production capacity to generate more cash flows
  - ✓ Customers are advised to diversify into gas production
  - ✓ Restructuring of loans in line with expected cash flow
- ✓ **Loans to Power Sector:**
  - ✓ Zenith Bank advanced loans to DISCOs with high cash generating capacity
  - ✓ The bank supported customers with other thriving businesses

Focused Risk Management via Portfolio Diversification

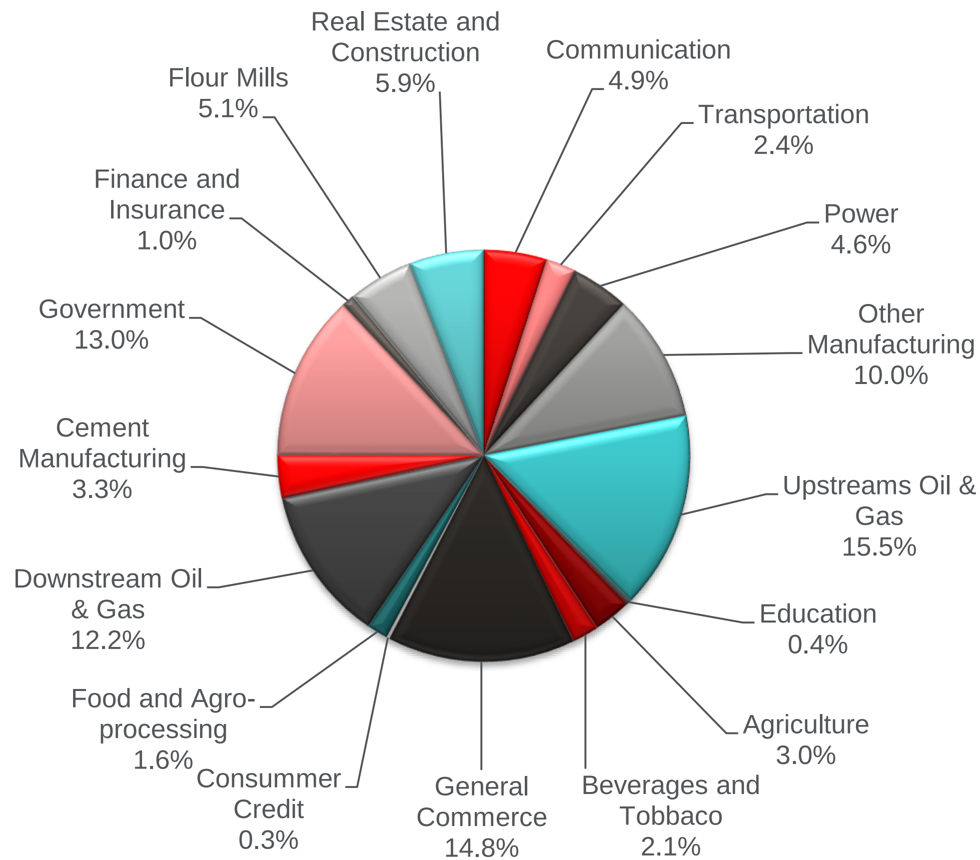
Well diversified loan portfolio across sectors supports asset quality.

Loans by Sector – Q3 2017



Gross Loans – N2.27 Trillion

Loans by Sector – FYE 2016



Gross Loans – N2.36Trillion

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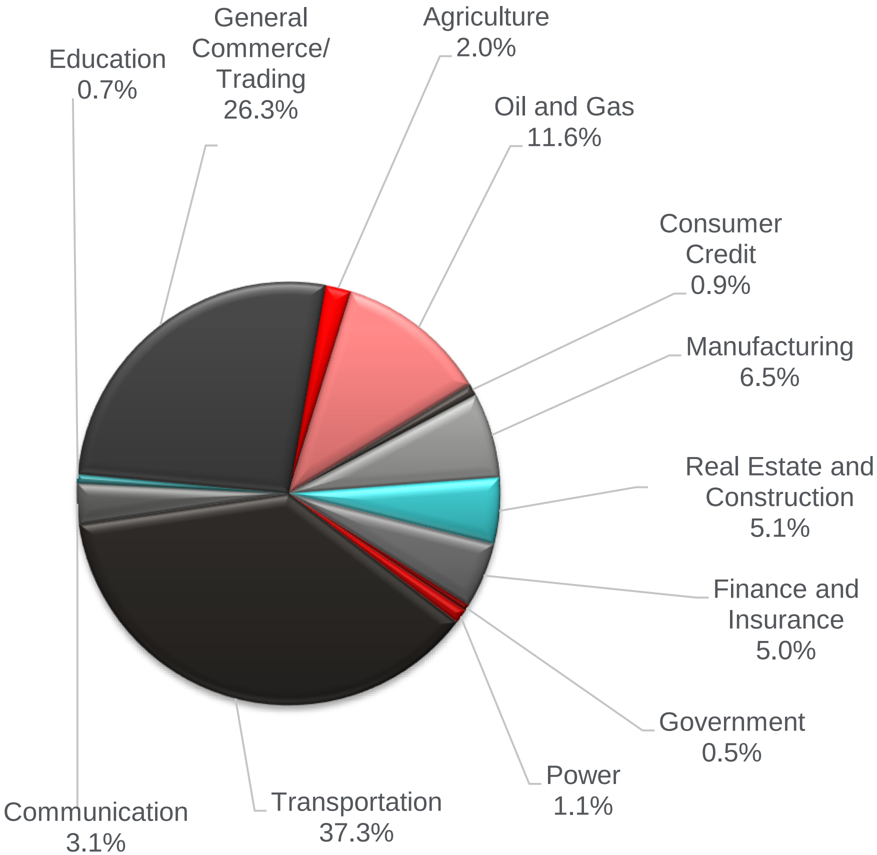
NPLs by Sectors

Zenith Bank continues to develop its risk management strategy and improve on the quality of its loan portfolio. The NPL ratio of 4.2% is currently one of the lowest in the industry.

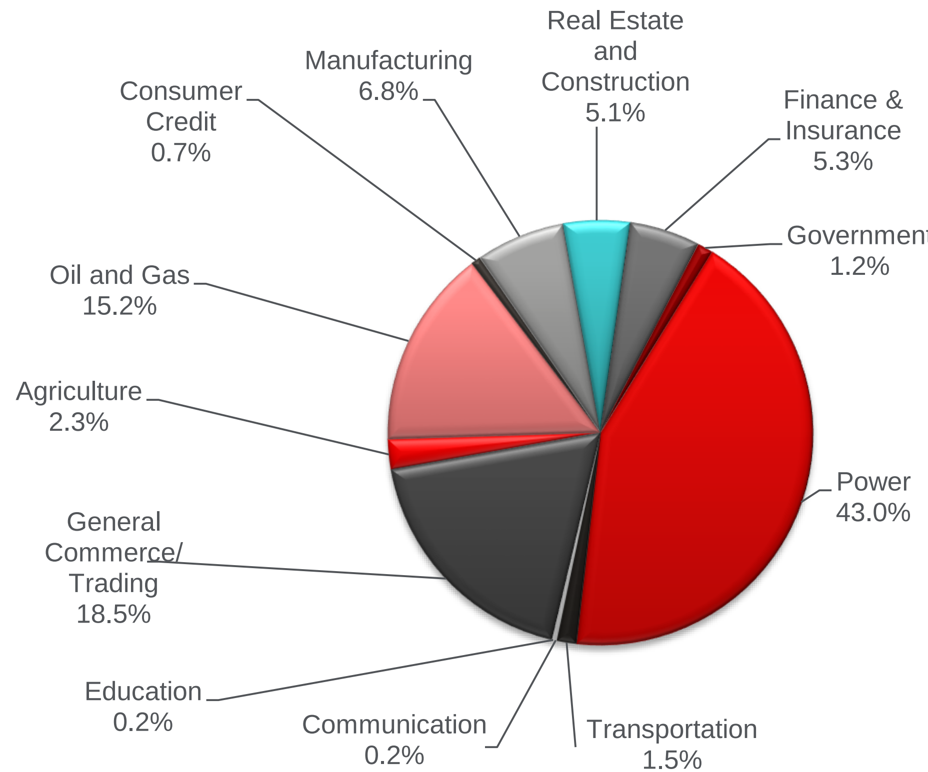
Q3 2017



Total NPLs – N95.50 Billion

NPL Ratio – 4.2%

FYE 2016



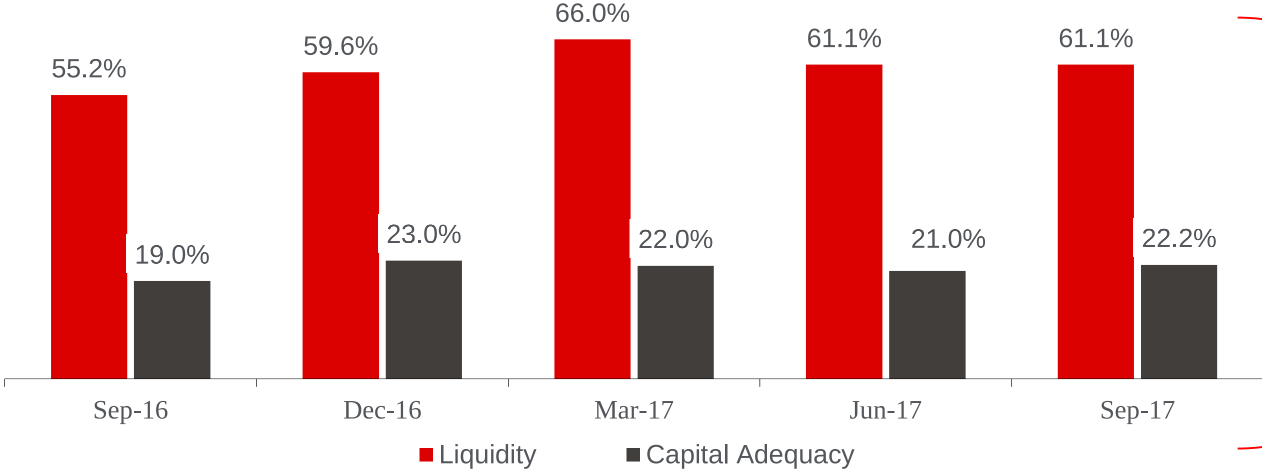
Total NPLs – N71.37Billion

NPL Ratio – 3.0%

Strong Capitalisation and Liquidity

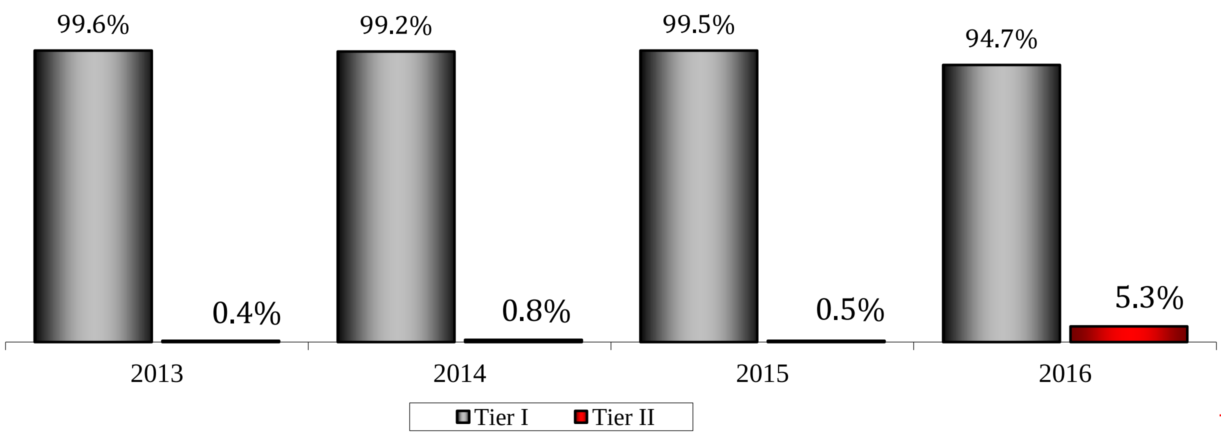
Liquidity buffer well in excess of regulatory requirements. Solid and high-quality capital position provides room for further growth and has supported Zenith Bank’s historically strong dividend pay-out profile.

Liquidity and Capital Adequacy



Capital and liquidity ratios for the Bank – well above industry requirements of 30% for Liquidity and 15% for Capital Adequacy Ratio (Banks with international authorisation which are also systematically significant)

Capital Mix



Capital base – predominantly made up of Tier 1 (core capital) which consists of mainly share capital and reserves created by appropriations of retained earnings

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4. Strategy

Strategies for driving our vision

1

Compete aggressively for market share, but focus on high quality assets and top-end relationships while adopting cost reduction strategies

- The Bank focuses on cost effective deposits from the retail end of the market to lend to the corporate end with emphasis on emerging business opportunities
- Encourages strong risk management and corporate governance practices

2

Delivering superior service experience to all clients and customers

- The Bank accomplishes this strategy by:
- Consistent focus and investment in attracting and keeping quality people
- Employing cutting edge technology
- Deploying excellent customer service

3

Develop specific solutions for each segment of our customers' base

- Leveraging our capabilities and brand strength to consistently meet our clients' needs
- Developing a strong Zenith Bank platform to serve as an integrated financial solutions provider to our diverse customers base

4

Trading Management

- We are taking advantage of our liquidity in Naira and foreign currencies to optimize our yields in the FX and money markets.

Our Key Growth Target Sectors

Driving profitability with our competitive advantages

Identified Growth Sectors	Competitive Advantage
• Agriculture	• Strong capital and liquidity
• Infrastructure	• Strong brand
• Manufacturing	• Strong international rating
• Petrochemicals	• Extensive branch network
• Real Estate and Construction	• Robust ICT and E-bank channels
• Retail	• Well motivated staff force
• Service Industry	• Excellent customer services
• Telecoms	
• Transportation and General Commerce	

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Outlook and Prospects for FY2017

- **Retail Banking:** The bank will continue to grow its retail business especially in liability generation. This will be achieved through the deployment of innovative products in mobile banking, internet banking and cards services. The capturing of bio-data of all bank's customers across the industry into a single data base has also boosted our retail banking business. Each customer now has a unique Biometric Verification Number (BVN) and this has helped to reduce fraud in the banking system.

- **Agriculture:** The Federal government's resolve to boost the agricultural sector in the country would no doubt create quite a number of opportunities in the areas of funding, job creation and indeed food security to Africa's most populous nation. Various Funding Schemes to ensure that the country's economy is diversified have been put in place. These include Commercial Agriculture Credit Scheme (CACS) that has 159 projects and Nigeria Incentive-Based Risk Sharing for Agricultural Lending (NIRSAL). Others are Seed and Fertilizer Scheme launched for banks to lend at a subsidized rate to local farmers and the value chain for the production of fertilizer. Zenith Bank has played a major role in this sector to support the various government's projects aimed at boosting our economy.
- **Deposit Base:** Our drive for low cost and appropriately mixed deposit base to fund our credit and money market transactions would continue in FY2016. We are committed to be a dominant player in the money market space to drive up income and profitability going forward.

- **Customer Services:** At the center of the Group's pursuit of excellent customer service, we would continue to focus on strengthening our relationship management in a bid to surpass stakeholders' expectations.

- **Investments in Technology and Product Innovations:** The Group has over the years become synonymous with the use of ICT in banking and general innovation in the Nigerian banking industry. We have renewed our commitment in ensuring that all our activities are anchored on the e-platform and providing service delivery through the electronic media to all customers irrespective of place, time and distance. Zenith group only recently scored another first, becoming the first Nigerian institution to be awarded a triple ISO certification by the British Standards International (BSI): the ISO 22301, 27001 and 20000 standards

- **Risk Assets:** The Group would continue to seek opportunities to grow its risk assets while maintaining a low NPL ratio and sustaining our improved coverage ratio. We would continue to strive for the optimal protection of our shareholders' wealth through the continuous review and improvement of our risk management culture and processes

- **Manufacturing and Real Sector:** More emphasis will be placed on manufacturing and the real sector by providing support to local production. This is expected to drive the self sustainability policy of the federal government.

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Thank you