



Q1 2017 Group Results

Presentation to Investors & Analysts

March 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).

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.

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Q&A



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):

- GDP growth rate declined to (2.24%) y/y in Q3 2016, down by 18bps from (2.06%) recorded in Q2 2016, despite the overall performance key development areas in the non-oil sector e.g. Agriculture and Telecommunications fared better growing by 4.54% and 1.11% respectively in the quarter.

Headline Inflation:

- Headline Inflation declined to 17.3% y/y in Mar'16 from 17.8% y/y recorded in Feb'17.
- Increases were recorded in all Classification of Individual Consumption by Purpose (COICOP) divisions which contribute to the Headline Index.

Oil Production & Price:

- OPEC Average Monthly Basket Price remained above \$50/bbl during the 1st quarter of 2017. However, there was a decline of 2.7%, from \$51.7/bbl recorded at the end of Q4 2016 to \$50.3/bbl recorded at the end of Q1 2017.

Foreign Reserves:

- Nigerian foreign reserves increased by 17.4% during the 1st quarter of 2017, from \$25.8bn recorded in Dec'16 to \$30.3bn in Mar'17.

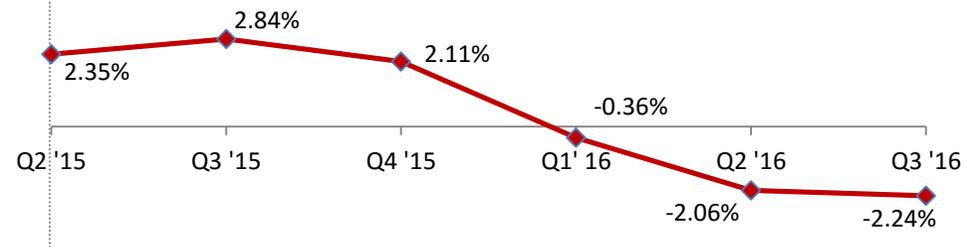
Exchange Rate:

- Naira remained stable over the last month against the USD at the interbank market with the exchange rate unchanged in the 1st quarter of 2017 at 315NGN/USD.

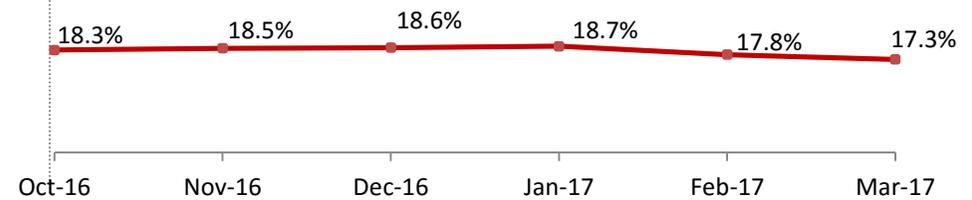
Cash Reserve Ratio (CRR) & Monetary Policy Rate (MPR):

- At the Monetary Policy Committee (MPC) meeting held on March 20th and 21st, 2017, the committee decided to retain all monetary policy instruments at their current levels; MPR at 14.0%, CRR at 22.5% and Liquidity Ratio at 30.0%.

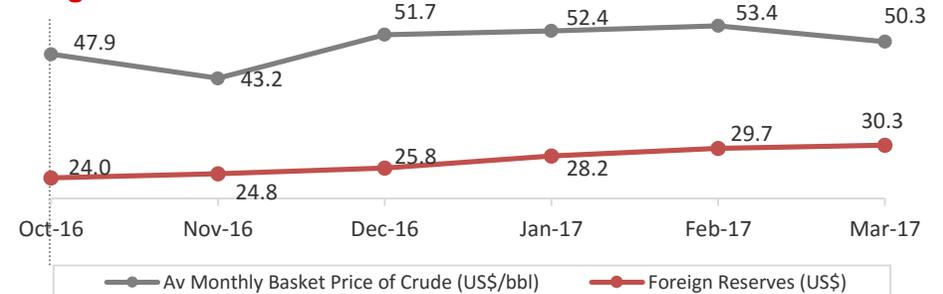
GDP Growth Rate



Inflation Rate



Foreign Reserves / Oil Price



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

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.

❑ Increased Share of Middle Tier Market:

- ✓ Low cost of funds due to increased share of retail market through deposit mobilization and various forms of electronic banking applications.

❑ Strong Focus on Risk Management:

- ✓ Despite the tough operating environment, NPL ratio came in at 3.2% with a coverage ratio of about 100.9%.

❑ Good Dividend Payout:

- ✓ Good and consistent dividend payout to its investors.
- ✓ The Bank paid a dividend of 160 kobo per share for FY12, 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.

❑ Multilateral Financing Partnerships:

- ✓ Zenith Bank Plc and the French Development Agency (Agence Francaise de Development (AFD), operator of France's bilateral development finance mechanism, have signed a US\$100 Million power sector credit facility. The on-lending term loan being made available to Zenith Bank is to support new investments in the CAPEX (capital expenditure) of Distribution Companies (DISCOs) in the power sector in Nigeria.
- ✓ International Finance Corporation (IFC), a member of the World Bank Group, signed a bilateral agreement to provide a \$100 million loan facility to Zenith Bank Plc in order to increase the bank's lending capacity to the various economic sectors, boost economic growth and job creation in Nigerian.

❑ 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)'
- ✓ The bank became the first Nigerian institution to be awarded a triple ISO certification by the British Standards International (BSI):
 - ISO 22301 Standard – Business Continuity Management;
 - ISO 27001 Standard – Information Security Management; and
 - ISO 20000 standard – IT Service Management

❑ Extension of the Group's brand:

- ✓ In October 2015, the Dubai branch of Zenith Bank UK was opened.

2. Group Results

Financial Highlights – Q1 2017

Key Themes

Efficiency and Risk Management for Superior Performance
Building A Shock-Proof Balance Sheet

P or L

Gross Earnings: N147.74bn	+48.6% YoY
Net Interest Income: N70.60bn	+21.4% YoY
Non-Interest Income: N29.64bn	+93.7% YoY
Profit Before Tax: N44.20bn	+37.6% YoY
Profit After Tax: N37.50bn	+41.1% YoY

Balance Sheet

Gross Loans & Advances: N2.43tn	+2.8% YTD
Total Assets: N4.74tn	+0.0% YTD
Customer Deposits: N3.00tn	+0.4% YTD
Total Shareholders' Funds: N687.86bn	-2.4% YTD

Key Ratios

Loans to Deposits Ratio: 68.1%	Cost of Funds: 5.0%
Liquidity Ratio: 66.0%	Net Interest Margin: 7.7%
NPL Ratio: 3.2%	Cost to Income Ratio: 52.1%
Coverage Ratio: 100.9%	Cost of Risk: 1.3%
Capital Adequacy Ratio: 22.0%	RoAE: 21.5%
	EPS: 119k

Profit or Loss Statement

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

(N'million)	Group 3M 17	Group 3M 16	YOY Change
Gross earnings	147,736	99,435	48.58%
Interest income	118,092	84,177	40.29%
Interest expense	(47,488)	(26,020)	82.51%
Net interest income	70,604	58,157	21.40%
Impairment charge	(7,886)	(2,577)	206.01%
Net interest income after impairment charge	62,718	55,580	12.84%
Fees and commission income	21,128	15,668	34.85%
Trading income/(Loss)	7,064	(1,893)	473.16%
Other income	1,452	1,483	-2.09%
Share of profit of associates	-	48	-100.00%
Amortisation of intangible assets	(282)	(341)	-17.30%
Depreciation of property and equipment	(2,723)	(2,252)	20.91%
Personnel expenses	(18,166)	(16,885)	7.59%
Operating expenses	(26,991)	(19,287)	39.94%
Profit before income tax	44,200	32,121	37.60%
Income tax expense	(6,701)	(5,548)	20.78%
Profit after tax	37,499	26,573	41.12%

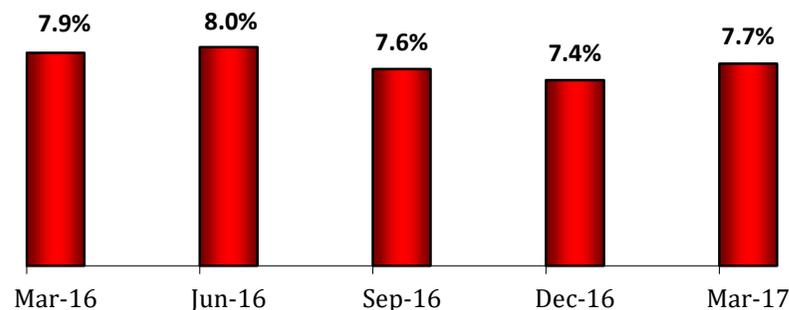
Consolidating Earnings and Profitability

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

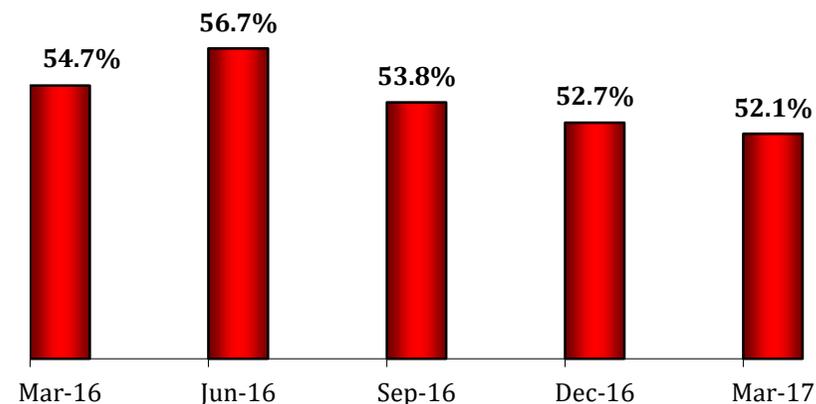
Comments

- Net Interest Margin (NIM)** decreased YoY by 2.5% (from 7.9% in Q1 2016 to 7.7% in Q1 2017) but grew by 4.1% QoQ. The group will continue to deploy its resources optimally.
- Cost-to-Income Ratio** declined by 4.8% YoY (from 54.7% in Q1 2016 to 52.1% in Q1 2017). Zenith Group is committed to keeping its cost-to-income ratio under control.
- PBT** increased by 37.6% YoY from N32.1bn in Q1 2016 to N44.2bn in Q1 2017 while **PAT** increased by 41.1% from N26.6bn in Q1 2016 to N37.5bn in Q1 2017.

Net Interest Margin



Cost to Income Ratio

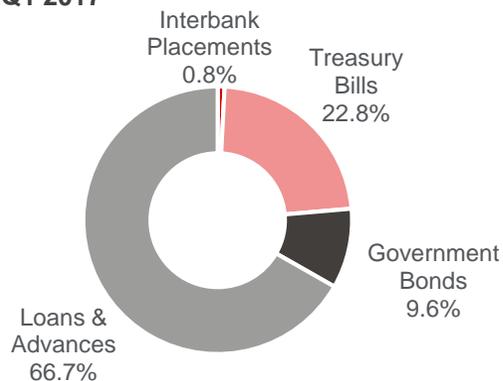


Revenue Base: Sustained Diversification

- Attractive YoY growth in interest income (+40%) to support the Bank's net interest margin, while non-interest income (+94%) was driven by account maintenance fees and trading income.

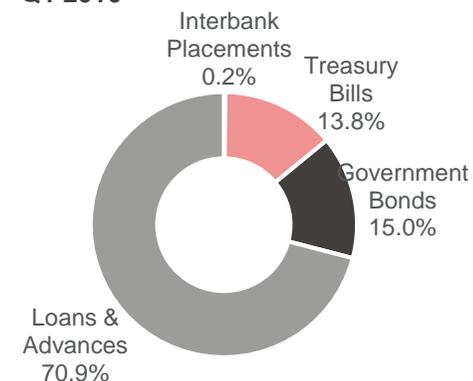
Interest Income

Q1 2017



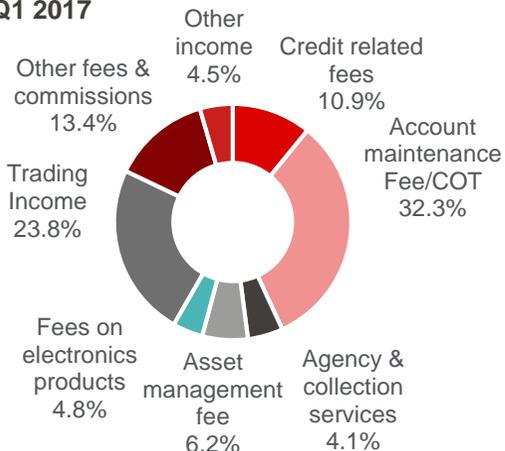
N'million	Q1 2017	Q1 2016	YoY
Interbank Placements	968	156	521%
Treasury Bills	26,927	11,643	131%
Government Bonds	11,388	12,668	-10%
Loans & Advances	78,809	59,710	32%
Total	118,092	84,177	40%

Q1 2016



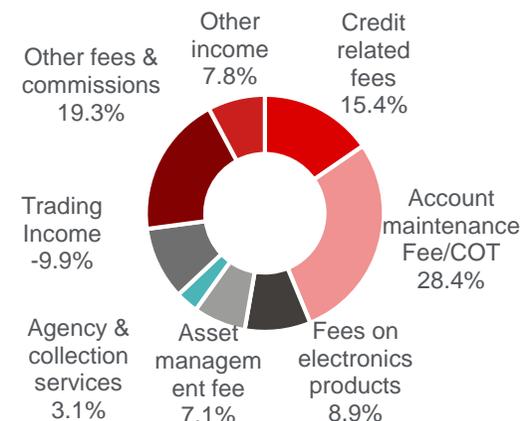
Non-Interest Income

Q1 2017



N'million	Q1 2017	Q1 2016	YoY
Credit related fees	3,218	2,930	10%
Account maintenance fee/COT	9,571	5,406	77%
Fees on electronic products	1,424	1,704	-16%
Asset management fees	1,840	1,360	35%
Agency & collection services	1,224	589	108%
Trading Income	7,064	(1,893)	473%
Other fees and commissions	3,851	3,679	8%
Other Income	1,452	1,483	-11%
Total	29,644	15,258	94%

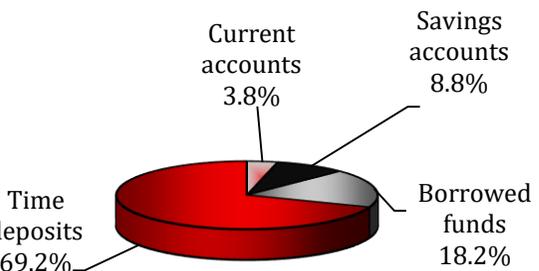
Q1 2016



Continuous Efforts in Cost-Reduction Strategies

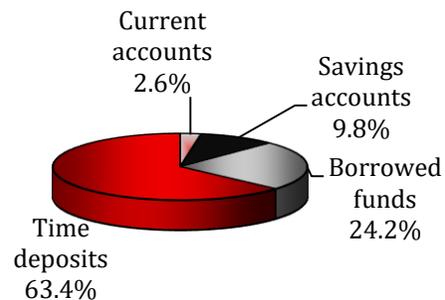
- Interest expense increased by 83% as a result of elevated cost of funding. The effect of high yields in government securities is now fully reflected in time deposit rates.
- High inflation rate, Naira devaluation and cost of information Technology contributed significantly to the 24% increase in total operating expenses.

Interest Expenses Q1 2017

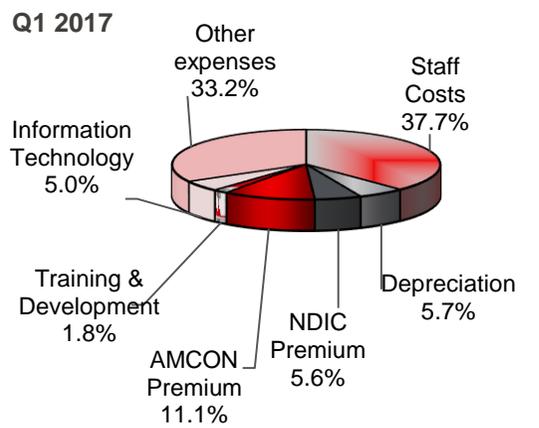


N'million	Q1 2017	Q1 2016	YoY
Current accounts	1,792	685	162%
Savings accounts	4,189	2,542	65%
Borrowed funds	8,659	6,288	38%
Time deposits	32,848	16,505	99%
Total	47,488	26,020	83%

Q1 2017

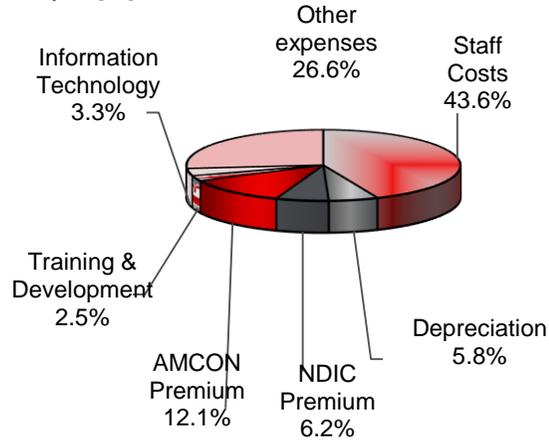


Total Operating Expenses



N'million.	Q1 2017	Q1 2016	YoY
Staff Costs	18,166	16,885	8%
Depreciation	2,723	2,252	21%
NDIC Premium	2,700	2,400	13%
AMCON Premium	5,355	4,688	14%
Training & Development	854	958	-11%
Information Technology	2,388	1,289	85%
Other expenses	15,976	10,293	55%
Total	48,162	38,765	24%

Q1 2016



Balance Sheet – Assets

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

(N'm)	Group Mar-17	Group Dec-16	YTD Change	Group Mar-16
Cash and balances with central banks	604,419	669,058	-9.66%	638,242
Treasury bills	646,387	557,359	15.97%	441,882
Assets pledged as collateral	338,996	328,343	3.24%	259,303
Due from other banks	389,541	459,457	-15.22%	367,158
Derivative assets	19,519	82,860	-76.44%	5,756
Loans and advances	2,349,470	2,289,365	2.63%	1,928,526
Investment securities	221,967	199,478	11.27%	208,638
Investments in associates	-	-	-	578
Deferred tax assets	6,638	6,440	3.07%	5,516
Other assets	49,119	37,536	30.86%	43,838
Property and equipment	105,768	105,284	0.46%	89,218
Intangible assets	8,004	4,645	72.31%	3,424
Total assets	4,739,828	4,739,825	0.00%	3,992,079

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.

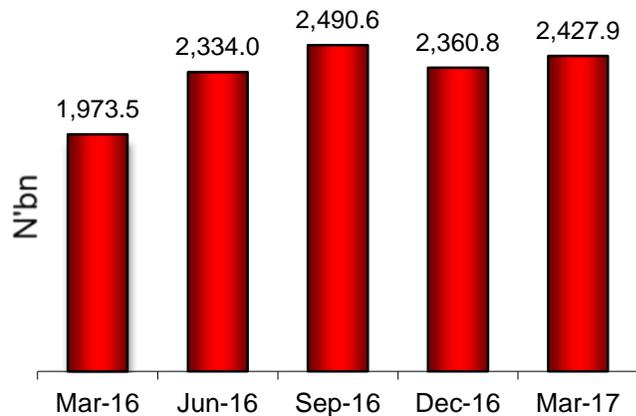
(N'm)	Group Mar-17	Group Dec-16	YTD Change	Group Mar-16
Customers deposits	2,996,262	2,983,621	0.42%	2,563,932
Derivative liabilities	2,027	66,834	-96.97%	281
Current income tax payable	13,578	8,953	51.66%	7,972
Deferred income tax liabilities	46	45	2.22%	35
Other liabilities	227,372	208,680	8.96%	153,724
On-lending facilities	360,213	350,657	2.73%	306,110
Borrowings	296,041	263,106	12.52%	237,527
Debt securities issued	156,431	153,464	1.93%	101,425
Total liabilities	4,051,970	4,035,360	0.41%	3,371,006

(N'm)	Group Mar-17	Group Dec-16	YTD Change	Group Mar-16
Share capital	15,698	15,698	0.00%	15,698
Share premium	255,047	255,047	0.00%	255,047
Retained earnings	244,019	267,549	-8.79%	226,640
Other reserves	172,072	165,188	4.17%	123,046
Total shareholder's funds	687,858	704,465	-2.36%	621,073
Non-controlling interest	1022	983	3.97%	642
Total liabilities & equity	4,739,828	4,739,825	0.00%	3,992,079

Sustained Assets & Liabilities Match

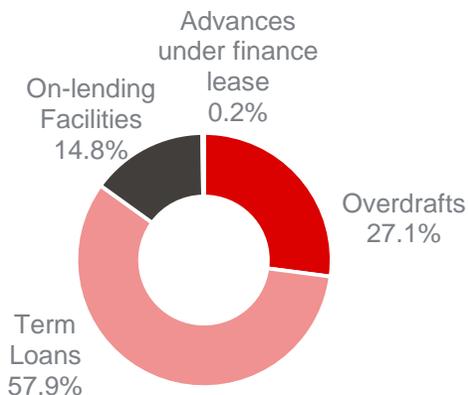
Deposit funded loan growth, with largely term loans to top-rated corporates and a predominantly demand deposit funding base that supports attractive net interest margin extraction.

Loan Growth

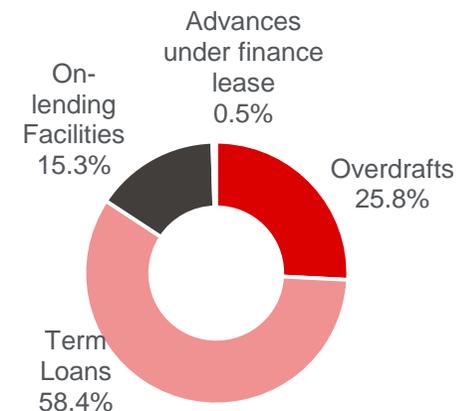


Loans & Advances

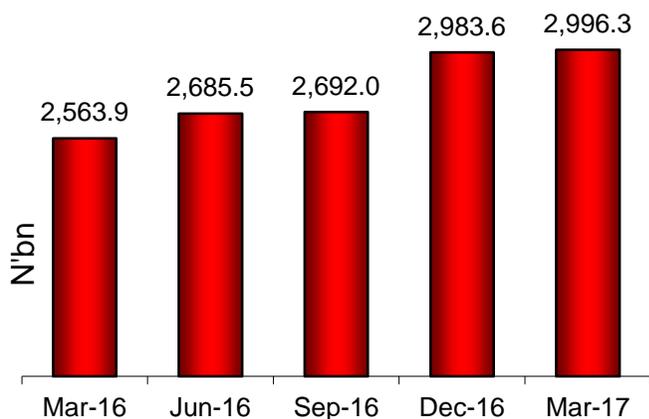
Q1 2017



Q1 2016

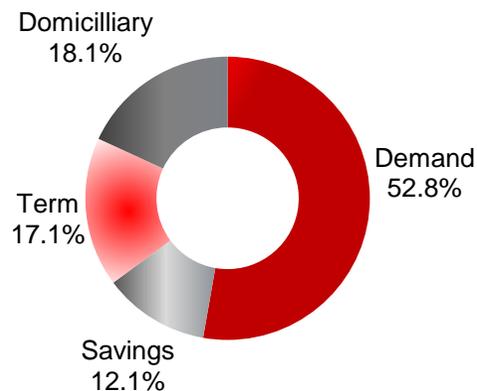


Deposit Growth

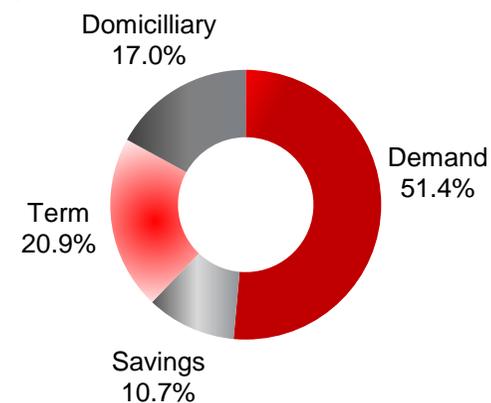


Deposit Mix

Q1 2017



Q1 2016

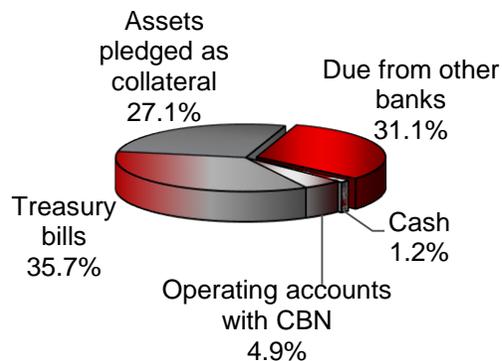


Continued Market Dominance through Strong Liquid Asset Base and Funding Mix

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

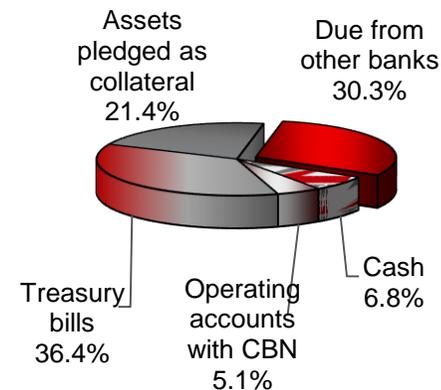
Liquid Assets

Q1 2017



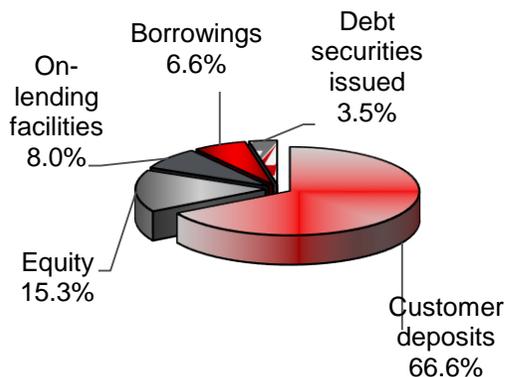
N'million	Q1 2017	Q1 2016	YoY
Cash	15,257	82,372	-81%
Operating accounts with CBN	61,491	62,307	-1%
Treasury bills	446,982	441,882	1%
Assets pledged as collateral	338,996	259,303	31%
Due from other banks	389,541	367,158	6%
Total	1,252,267	1,213,022	3%

Q1 2016



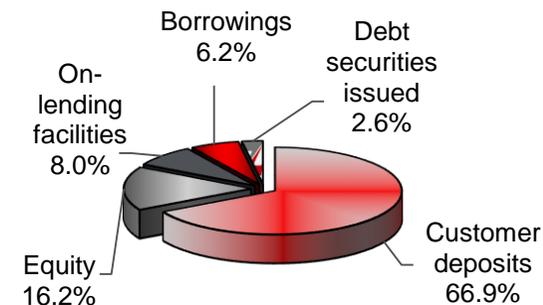
Funding Mix

Q1 2017



N'million	Q1 2017	Q1 2016	YoY
Customer deposits	2,996,262	2,563,932	17%
On-lending facilities	360,213	306,110	18%
Borrowings	296,041	237,527	25%
Debt securities issued	156,431	101,425	54%
Equity	687,858	621,073	11%
Total	4,496,805	3,830,067	17%

Q1 2016



P&L by Geography

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

Q1 2017

(N'million)

	Nigeria	Rest of Africa	Europe	Eliminations	Consolidated
Total Revenue	132,379	10,577	3,595	1,185	147,736
Share of profit of associates	-	-	-	-	-
Total expense	(93,542)	(7,755)	(2,031)	(208)	(103,536)
Profit before tax	38,837	2,822	1,564	(977)	44,200
Tax	(5,073)	(1,284)	(344)	-	(6,701)
Profit after tax	33,764	1,538	1,220	(977)	37,499

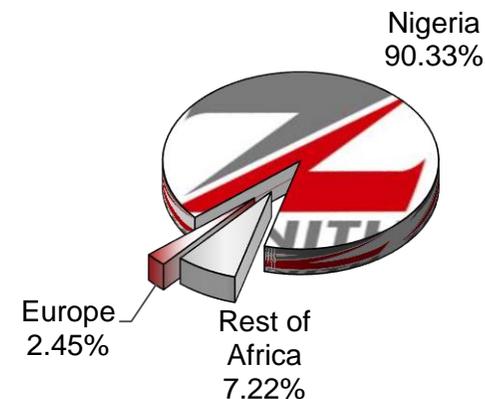
Q1 2016

(N'million)

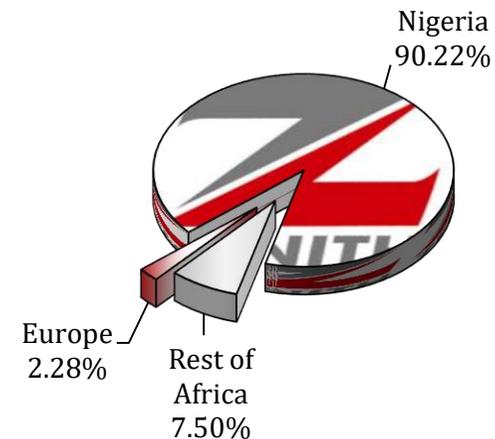
	Nigeria	Rest of Africa	Europe	Eliminations	Consolidated
Total Revenue	90,199	7,496	2,278	-538	99,435
Share of profit of associates	-	-	-	48	48
Total expense	(61,933)	(4,378)	(1,590)	539	(67,362)
Profit before tax	28,266	3,118	688	49	32,121
Tax	(4,472)	(904)	(172)	-	(5,548)
Profit after tax	23,794	2,214	516	49	26,573

Gross Revenue

3M17



3M16



P or L – By Sector

Continuous diversification and improved profitability across core business sectors

Q1 2017

(N'million)

	Large Corporates	Public	Small and Medium Corporates / Retail	Consolidated
Total revenue	79,663	21,252	46,821	147,736
Total expenses	(52,487)	(17,267)	(33,782)	(103,536)
Profit before tax	27,175	3,985	13,040	44,200
Tax	(4,120)	(604)	(1,977)	(6,701)
Profit after tax	23,055	3,381	11,063	37,499

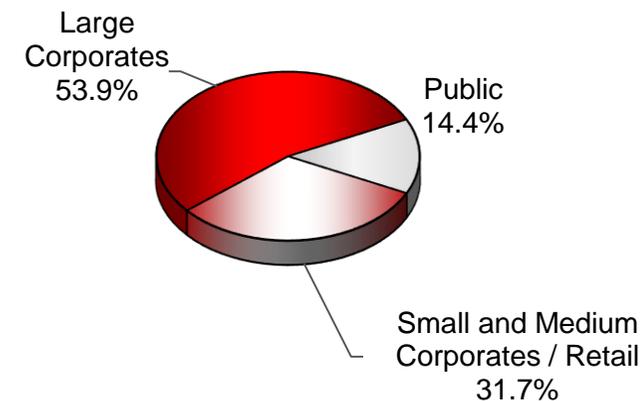
Q1 2016

(N'million)

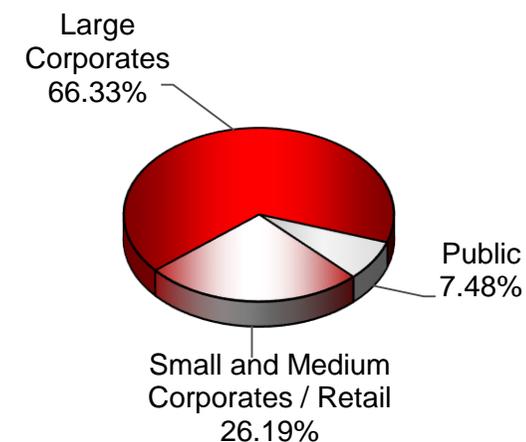
	Large Corporates	Public	Small and Medium Corporates / Retail	Consolidated
Total revenue	65,959	7,437	26,039	99,435
Total expenses	(45,752)	(4,958)	(16,603)	(67,314)
Profit before tax	20,207	2,479	9,435	32,121
Tax	(3,427)	(420)	(1,600)	(5,548)
Profit after tax	16,780	2,058	7,835	26,573

Gross Revenue

3M17



3M16

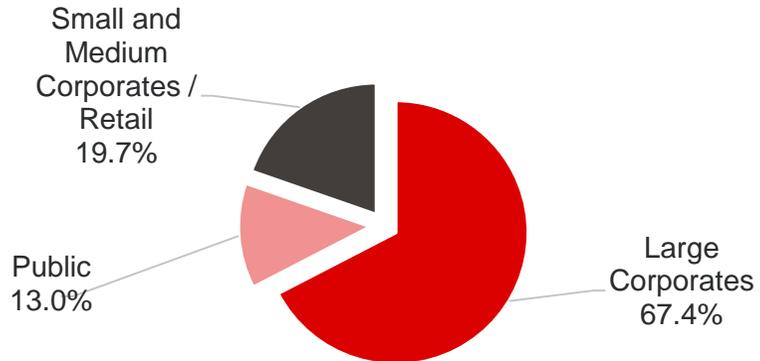


Loans & Deposits – By Sector

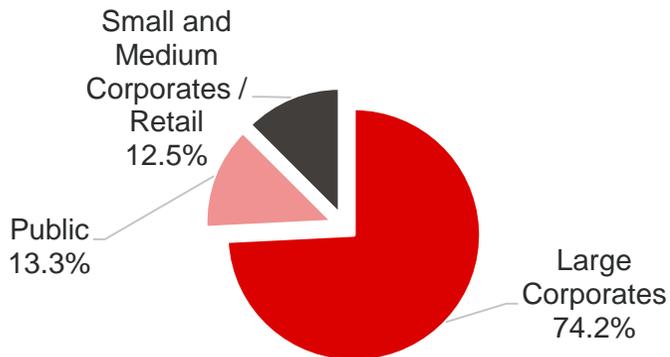
Corporate-oriented franchise, with recently improved retail component.

Gross Loans

Q1 2017 Gross Loans – ₦2.43 Trillion

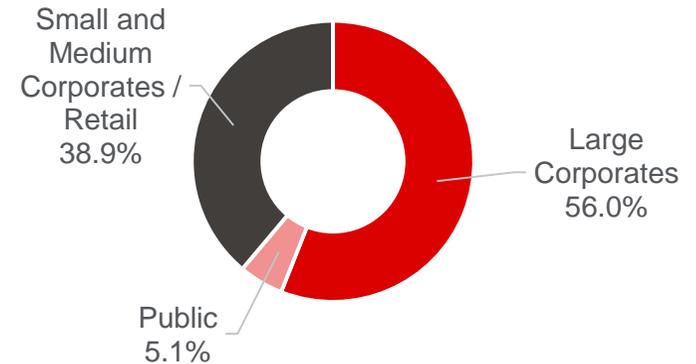


Q1 2016 Gross Loans – ₦1.97 Trillion

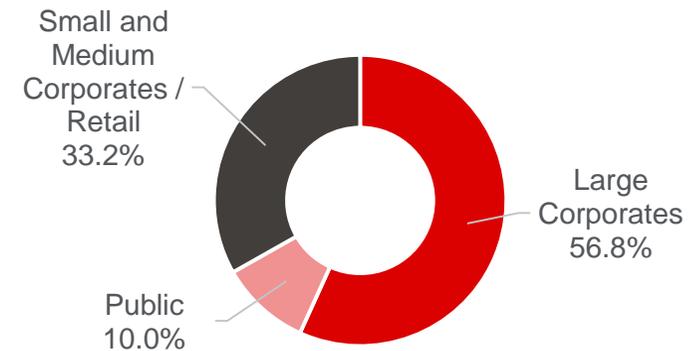


Total Deposits

Q1 2017 Total Deposits – ₦3.00 Trillion



Q1 2016 Total Deposits – ₦2.56 Trillion

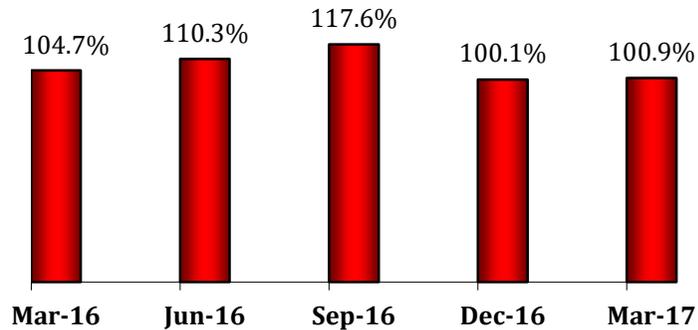


3. Risk Management

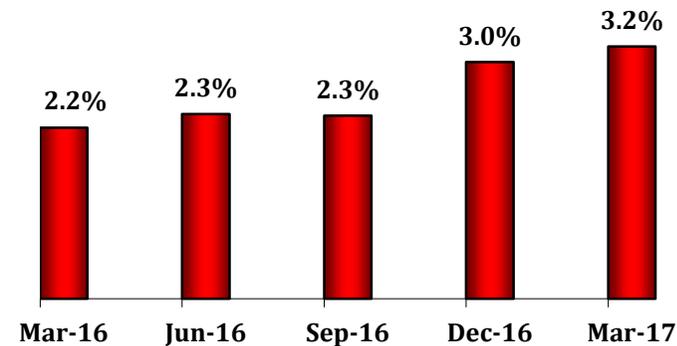
Healthy Risk Assets Portfolio

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



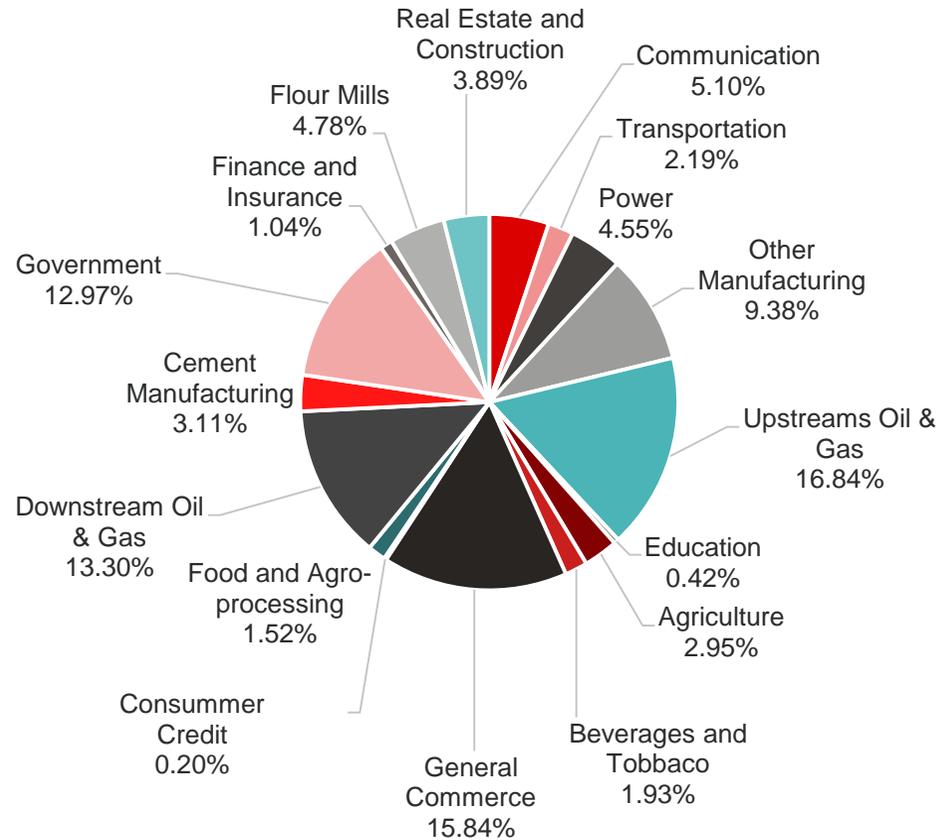
Our Risk Management Strategy

- ✓ 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

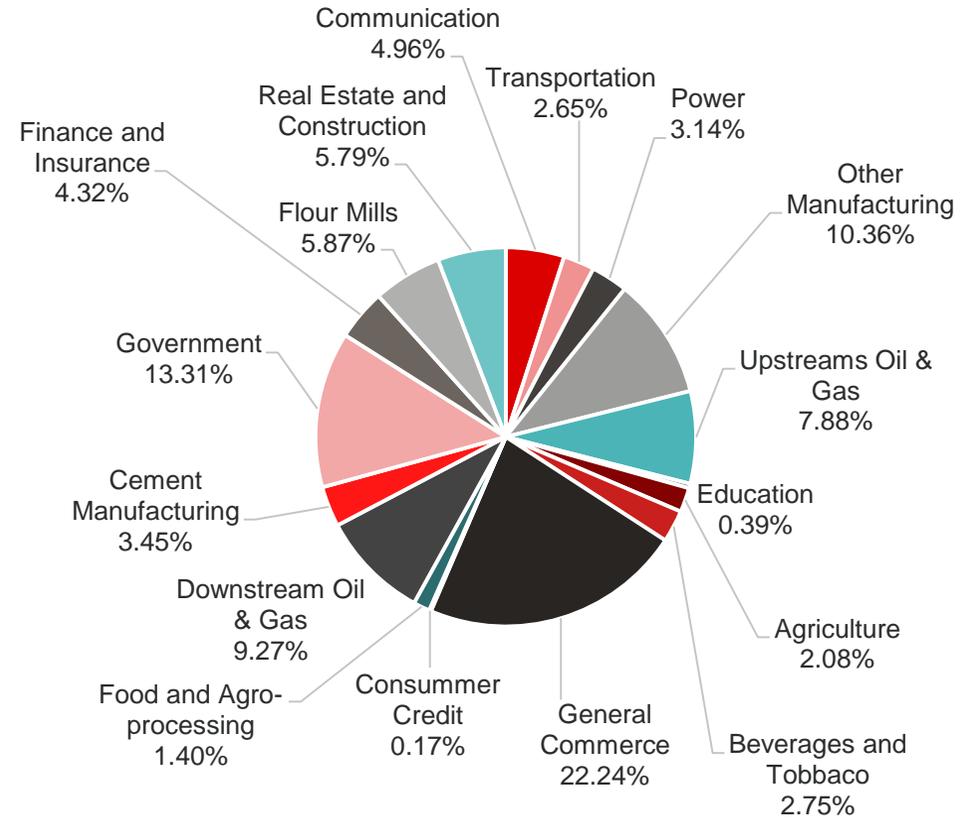
Well diversified loan portfolio across sectors supports asset quality.

Loans by Sector – Q1 2017



Gross Loans – N2.43 Trillion

Loans by Sector – Q1 2016

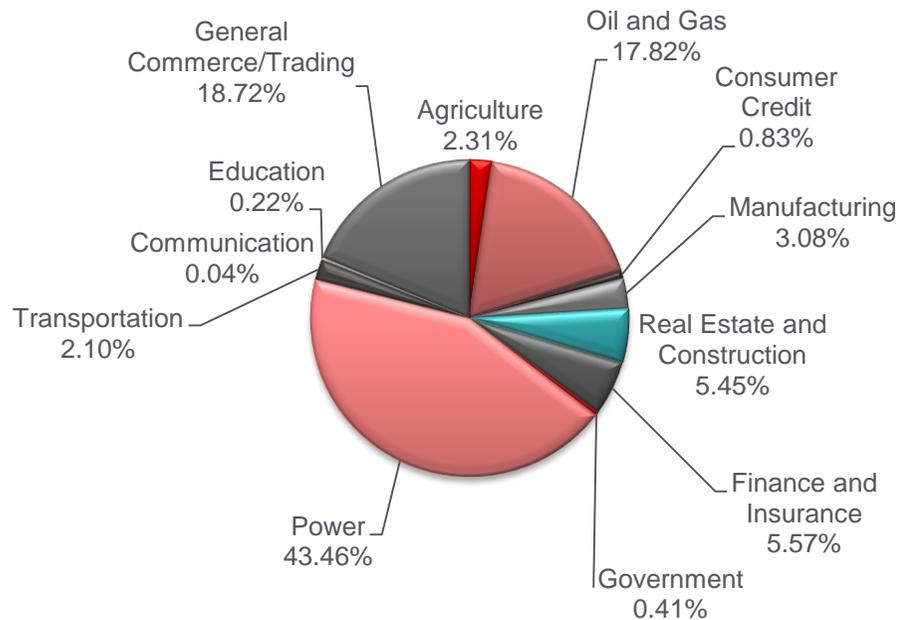


Gross Loans – N1.97 Trillion

NPL by Sectors

Zenith Bank continues to develop its risk management strategy and improve on the quality of its loan portfolio. The NPL ratio of 3% is currently one of the lowest in the industry.

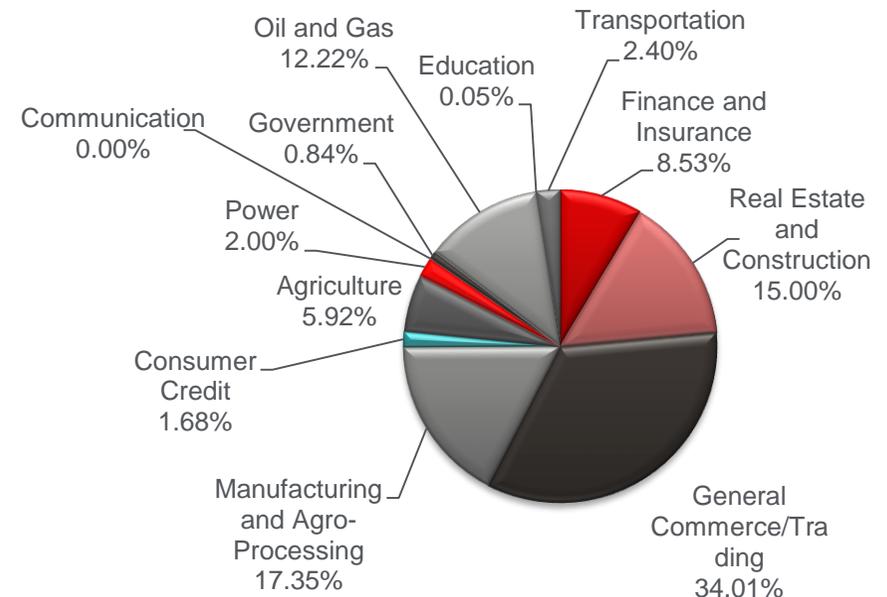
Q1 2017 Additional provision was made for power sector as a result of the current events in the sector and possible devaluation of the currency.



Total NPLs – N77.69 Billion

NPL Ratio – 3.2%

Q1 2016



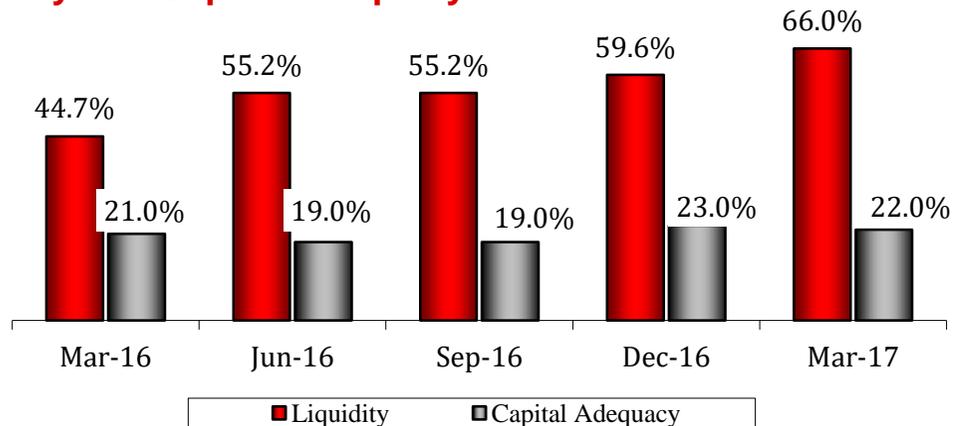
Total NPLs – N42.91 Billion

NPL Ratio – 2.2%

Strong Capitalisation and Liquidity

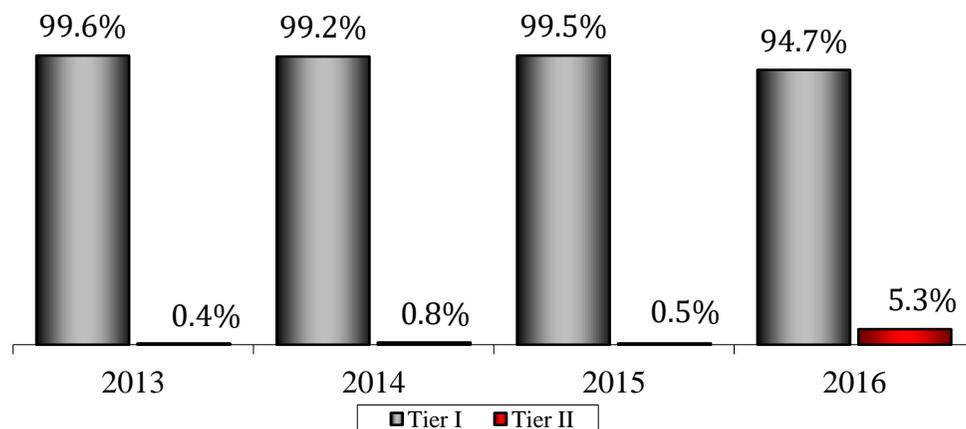
Liquidity buffer well in excess of regulatory requirements. Solid and high-quality capital position provides room for further growth and has supported Zenith Bank's historically strong dividend payout profile.

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

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

- Agriculture
- Infrastructure
- Manufacturing
- Petrochemicals
- Real Estate and Construction
- Retail
- Service Industry
- Telecoms
- Transportation and General Commerce

Competitive Advantage

- Strong capital and liquidity
- Strong brand
- Strong international rating
- Extensive branch network
- Robust ICT and E-bank channels
- Well motivated staff force
- Excellent customer services

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.



Thank you