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Zenith Bank PLC

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Zenith Bank PLC

Ratings Score Snapshot

Issuer Credit Rating
B-/Stable/B
Nigeria National Scale
ngBBB+/--/ngA-2

SACP: b+ → **Support: 0** → **Additional factors: -2**

SACP: b+		
Anchor	b	
Business position	Strong	+1
Capital and earnings	Constrained	0
Risk position	Adequate	0
Funding	Strong	0
Liquidity	Adequate	
CRA adjustment		0

Support: 0	
ALAC support	0
GRE support	0
Group support	0
Sovereign support	0

Issuer credit rating
B-/Stable/B

ALAC--Additional loss-absorbing capacity. CRA--Comparable ratings analysis. GRE--Government-related entity. ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Credit Highlights

Overview	
Key strengths	**Key risks**
Top-tier bank in Nigeria with a well-established corporate franchise.	High economic and industry risk associated with operating in Nigeria.
Strong earnings through economic cycles, supported by growing share of non-interest income.	High level of stage 2 loans and single-name concentration.
	Weak sovereign creditworthiness constrains the ratings.

We expect strong earnings in 2024 supported by rising interest rates. The bank's net interest margin significantly increased by 49% year-on-year as of June 2024, supported by higher interest rates in Nigeria. The Central Bank of Nigeria (CBN) hiked its monetary policy rate to 27.25% in 2024. The bank repriced its loan book and gained from higher yields on government securities, although this was partly offset by the increase in funding costs. Non-interest income also remains strong in 2024 supported by higher trading gains. We therefore expect the bank to record a return on equity ratio of 30%-35% in 2024. As a result, we expect the bank to maintain significant regulatory capital buffers, which will be further supported by new capital issuance of Nigerian naira (NGN) 290 million (US$181,250). The bank recorded a capital adequacy ratio (CAR) of 21.9% as at end of September 2024.

Asset quality metrics will remain under pressure in 2024. Zenith Bank's nonperforming loans (NPLs) slightly increased to 4.5% of gross loans as at end September 2024 from 4.4% as of end 2023. This reflects the further depreciation of the naira, high inflation, and interest rates. The weak currency and high inflation continue to constrain obligors who cannot fully pass through higher costs to consumers. We therefore expect NPLs to increase to about 5.2% at year-end 2024. At the same time, we expect cost of risk to remain elevated at 6.8% in 2024, above the expected sector average of 3.0% reflecting the bank's need to raise provisions for its stage 2 loans because they are mostly in foreign currency.

Our ratings on Zenith Bank are constrained by the Nigeria sovereign credit ratings. The bank's 'b+' stand-alone credit profile (SACP) reflects the 'b' blended anchor and the bank's strong business position. We do not rate Nigerian banks above the sovereign because of the likely direct and indirect influence of a sovereign distress on the banks' operations including their ability to service foreign currency obligations.

Outlook

The stable outlook on the ratings on Zenith Bank reflects that on Nigeria.

Downside scenario

If we took a negative rating action on Nigeria, we would take a similar negative action on Zenith Bank over the next 12 months.

Upside scenario

A rating action reflecting an improvement of Nigeria's sovereign creditworthiness would result in a similar positive action on Zenith Bank over the next 12 months, all else being equal.

Key Metrics

Zenith Bank PLC--Key ratios and forecasts

	--Fiscal year ended Dec. 31 --				
(%)	**2021a**	**2022a**	**2023a**	**2024f**	**2025f**
Growth in operating revenue	13.7	19.0	120.8	53.9-65.8	(12.8)-(15.7)
Growth in customer loans	20.0	17.8	71.1	45.0-55.0	13.5-16.5
Net interest income/average earning assets (NIM)	4.6	4.2	5.9	7.6-8.4	7.1-7.9
Cost-to-income ratio	46.0	45.4	27.3	27.5-28.9	43.2-45.5
Return on average common equity	20.4	16.9	36.6	30.9-34.2	19.7-21.8
New loan loss provisions/average customer loans	1.6	0.9	6.9	6.5-7.1	1.7-1.8
Gross nonperforming assets/customer loans	4.2	1.9	4.4	4.9-5.5	4.5-5.0
Risk-adjusted capital ratio	5.9	4.8	4.4	4.5-4.8	4.5-4.8

All figures are S&P Global Ratings-adjusted. a--Actual. f--Forecast. NIM--Net interest margin.

Anchor: 'b' For Banks Operating Predominantly In Nigeria

Macroeconomic challenges will persist in 2025. Nigeria's removal of oil subsidies and exchange rate liberalization in 2023 pushed up inflation, which continued to exceed 30% in September 2024. The CBN has settled a significant amount of the backlog of foreign currency transactions, which helped stabilize the naira at NGN1,600-NGN1,700 to $1 in September 2024. Also, to counter inflation, the CBN raised its benchmark rate in 2024 to 27.25%. The CBN imposes cash reserve requirements (CRR) on banks at a high statutory minimum of 45%. Although it has eased, we expect the supply of U.S. dollars to remain tight in 2024, also constraining corporates' operations and financial performance and dampening banks' lending prospects. That said, we see some growth opportunities in the oil and gas sector, thanks to increased refining capacity. Elevated prices and interest rates will continue to constrain household spending. GDP per capita will remain low, partly reflecting the country's large population growth. Average income levels will fluctuate at a low $1,300 through 2025.

The banking industry's credit cycles are intrinsically linked to the oil and gas sector and foreign currency flows. We forecast impairment charges to remain high about 3% of loans in 2024 because of the currency depreciation on credit risk and tight supply of U.S dollar on corporates. Although the amount of NPLs will increase, the NPL ratio will likely stay below 5% through 2025, as gross loans increase because of the depreciation of the naira. Overall, we expect the share of foreign-currency-denominated lending to remain high at about 50% of total loans in 2024. The industry has material exposure to the oil and gas sector, accounting for about a third of total loans.

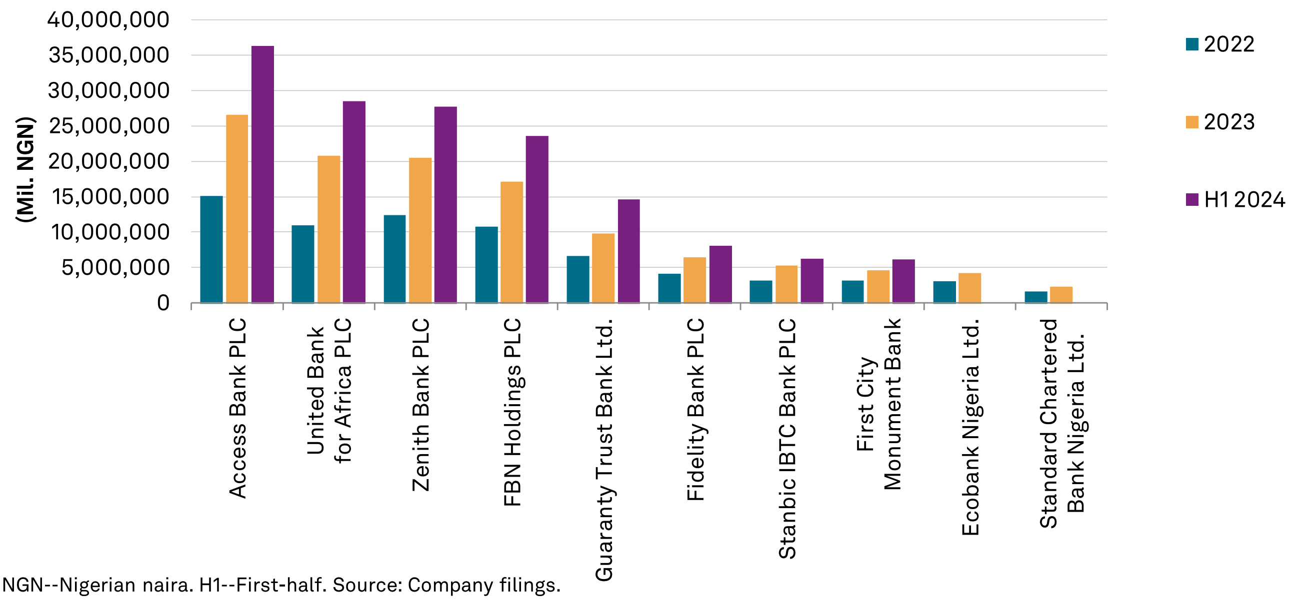
We anticipate the sector's profitability should stay resilient. The depreciating naira has eroded banks' capitalization in U.S. dollar because of higher risk-weighted assets. We forecast return on equity will remain strong at 30% in 2024 supported by strong growth in net interest income at the back of high interest rates. We foresee potential mergers, acquisitions, or changes in business models as a result of the CBN's recapitalization exercise. The CBN has raised banks' minimum paid-up capital 10x to NGN500 billion (about $300 million) for an international banking license and NGN200 billion for a national license. We estimate the capital shortfall of rated banks at about $2.5 billion. The deadline to comply is March 2026.

Business Position: Top-Tier Bank With A Leading Corporate Franchise And An Aspirational Retail Brand

Zenith Bank has a leading business position in Nigeria's competitive banking sector. It is the third-largest bank in the country (see chart 1), with total assets of NGN30 trillion (equivalent to $19 billion at an exchange rate of $/NGN1600). The group's diversified revenue stream and increasing share of non-funded income has supported its earnings capacity through a challenging economic and regulatory environment.

Chart 1

Zenith is among the five largest banking groups by total assets in Nigeria
Total assets



NGN--Nigerian naira. H1--First-half. Source: Company filings.

Zenith Bank has a well-established corporate franchise and serves blue chip corporates that operate in strategic sectors of the Nigerian economy. The group's aim is to create a leading retail franchise while consolidating its position in trade finance and institutional banking. Zenith Bank is actively pursuing a retail strategy by leveraging electronic channels to optimize its cost of funding and generate more transactional revenue.

Higher-margin lending to small and midsize enterprises and households relies partly on corporates' value chains and targets suppliers of large corporates and salary domiciliation. The group's resilient revenue and earnings generation through the cycle have contributed to its good efficiency. Cost-to-income ratio decreased to 27% in 2023 from a historical average of 45% over 2020-2022 supported by strong operating revenue growth. We expect the cost-to-income ratio to remain relatively low and below peers' at about 28% in 2024 also supported by expected higher operating revenue growth.

Outside of Nigeria, the bank has operations in Gambia, Ghana, Sierra Leone, U.K., and the UAE. The bank however derives most of its revenue from Nigeria, accounting for 89% of total revenue in the first half of 2024, while 6% stemmed from the rest of Africa and 5% from Europe.

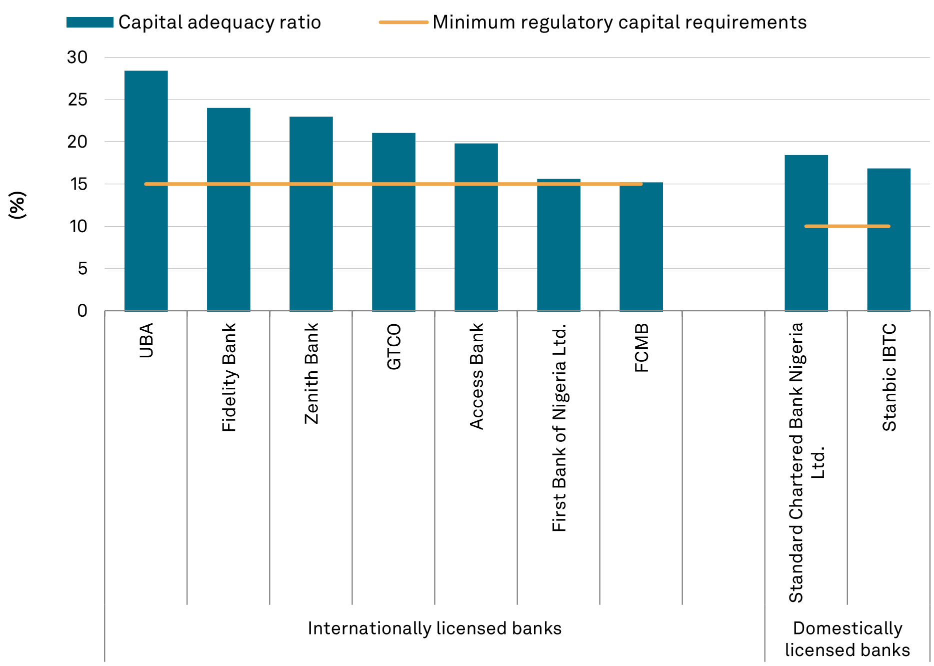
Capital And Earnings: Strong Earnings And Capital Issuance Will Support Regulatory Capitalization

The group's regulatory CAR slightly increased to 21.9% as of Sept. 30, 2024, from 21.7% as at end December 2023 supported by strong earnings. The group maintains strong buffers against the regulatory minimum CAR of 15% for a bank operating with an international license in Nigeria under the Basel II framework (see chart 2). We expect the group's regulatory capital buffers to increase further in 2024 because of the new capital issuance. This follows the change in paid-up capital requirements by the CBN in March 2024. To maintain its international banking license Zenith Bank needs to increase its paid-up capital to NGN500 billion from the NGN270.7 billion as at end of September 2024. The bank went to the market to raise NGN290 billion in July, split between rights issue (65%) and new share issuance (35%). The bank plans to deploy a significant portion of the funds to expanding its footprint in Africa and other regions, enhancing its information and technology infrastructure and as working capital to support the real sector of the economy.

Chart 2

Zenith Bank PLC demonstrates strong regulatory capitalization

Capital adequacy ratio vs minimum regulatory requirements



*Data as at end June 2024 except for First Bank of Nigeria which is as at end March 2024 and Standard Chartered Bank Nigeria which is as at end December 2023. Source: S&P Global Ratings.

The group's quality of capital compares adequately with that of its domestic peers. Its adjusted common equity accounts for 100% of total adjusted capital.

We expect Zenith Bank's RAC ratio will slightly improve to 4.50%-4.75% over the next 12-18 months, from 4.4% as of Dec. 31, 2023.

Our forecast incorporates the following assumptions:

- Credit growth of 50% in 2024--mainly driven by the naira depreciation--and 15% in 2025.
- Increase in net interest margin to 7.5%-8.0% reflecting the high interest rates.
- Sharp increase in operating expenses in 2024 on the back of inflation and weak naira. However, the cost-to-income ratio will remain low at 28%-30% supported by strong operating revenue growth.
- Following Zenith Bank's sizeable, extraordinary provisions in the first half of 2024, we forecast a cost of risk of about 6.8%.
- Dividend payout of about 40% of normalized (net of currency revaluation gains) profits.

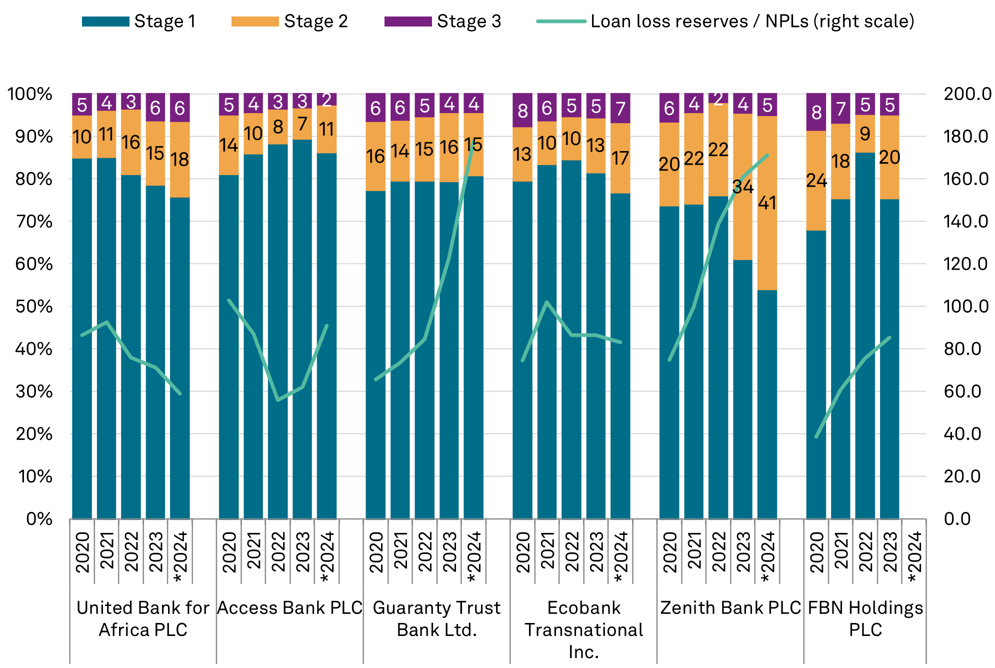
Risk Position: Asset Quality Metrics Will Remain Under Pressure In 2024

In the first half of 2024, Zenith Bank significantly increased its loan provisions, with a cost of risk of 7.3% as of September 2024. The bank's stage 2 loans are largely in foreign currency, which necessitates the increase in provisions when the naira depreciates. Stage 2 loans have increased to 37% of the bank's gross loan book as of end of September 2024 and are among the highest in the sector. U.S. dollar shortages combined with a currency depreciation led Zenith Bank to adopt a conservative loans classification. We, however, expect to gradually see a decline in the share of stage 2 loans as some of the key loans have been successfully restructured and are starting to perform under the new terms. We expect new provisions in the second half of 2024 to be lower than the first half because we do not expect further significant naira depreciation. We forecast a cost of risk of 6.8% for 2024, significantly above the expected sector average of 3.0%. As a result of the bank's conservative provisioning, it maintains one of the highest NPL coverage compared to peers. We expect the bank's coverage to remain significantly above 100% over the forecast horizon (198% as at end of September 2024).

Zenith Bank's share of stage 3 loans slightly increased to 4.5% of gross customer loans as of end September 2024. We expect the challenging macroeconomic conditions--particularly the weak currency, high inflation, and interest rates--to continue to dampen obligor creditworthiness. Most corporates outside of the fast-moving consumer goods industry have limited capacity to pass through higher costs to consumers. In addition, households face a cost-of-living crisis. We expect limited migration to stage 3 loans with a NPL ratio of 5.2% in 2024, before gradually decreasing to below 5% in 2025.

Chart 3

Zenith Bank's share of problem loans (stage 2 and stage 3) is higher than peers' because of a large foreign currency exposure.



*As at end June 2024. NPLs--Nonperforming loans. Sources: Compnay filings and S&P Global Ratings.

Currency-induced credit risk remains high for Zenith Bank, but in line with most peers at 58% of customer loans denominated in foreign currency. The share of foreign currency loans has increased because of the depreciation of the naira in 2023 and 2024. Single-name concentration is also high but in line with domestic peers, with top 20 loans accounting for 39% of customer loans as at end December 2023.

Zenith Bank is exposed to energy transition risk because of its exposure to the oil and gas sector. Loans to the oil and gas sector accounted for 33% of gross customer loans as at end June 2024, in line with the sector average. More than 75% of these stems from the oil and gas upstream sector with the remainder stemming from the oil and gas downstream sector. Moreover, a large portion of oil and gas exposures has already been restructured during previous downturns and is currently in stage 2, with tighter control over cash flows.

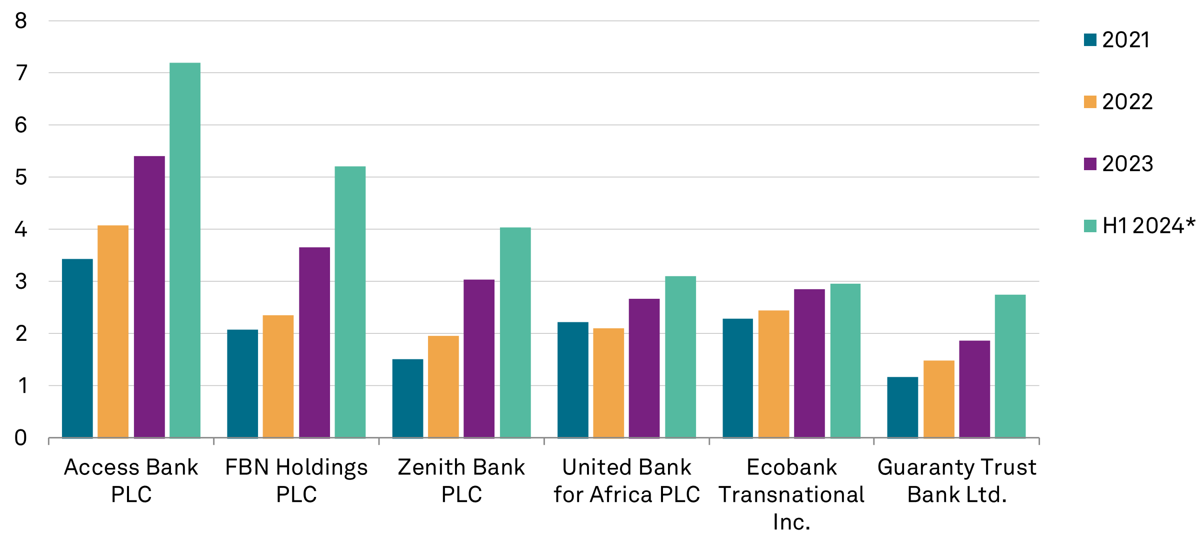
Funding And Liquidity: Strong Franchise Supports Deposit Stability

We view the stable deposit-based funding, the well-managed low cost of funds, and limited depositor concentrations as relative strengths of Zenith Bank. The top-tier domestic banks in Nigeria are funded largely by short-term, low-cost deposits, thanks to their robust franchises. Because of its reliance on deposit funding, Zenith Bank has a stable funding ratio of 176%. While it experienced an increase in cost of funds to about 4.3% as of end of September 2024 because of high interest rates, it remains in the middle of the peer group (see chart 4).

Chart 4

Zenith Bank's cost of funding compares adequately to that of most peers

Cost of funds (%)



*As at end June 2024. H1--First-half. Source: S&P Global Ratings.

Zenith Bank's funding will remain largely contractually short-term, in line with that of domestic peers, which results in an asset liability mismatch. However, this is partially offset by stable deposits and a very liquid balance sheet. On June 30, 2024, net broad liquid assets covered 58% of short-term customer deposits while net customer loans accounted for 47% of customer deposits.

U.S. dollar-denominated deposits have been gradually increasing at constant exchange rates and accounted for about 34% of total deposits as of end June 2024.

Support: No Uplift To The SACP

We consider Zenith Bank of high systemic importance, reflecting its top-tier market position in Nigeria. However, we do not incorporate any uplift to the ratings above the 'b+' SACP as we consider the Nigerian government's support for the domestic banking sector uncertain.

Additional Rating Factors

The 'b+' SACP is constrained by the ratings on Nigeria. Unless they pass the sovereign stress test, we do not rate Nigerian banks above the sovereign because of the likely direct and indirect influence of sovereign distress on their operations, including their ability to service foreign currency obligations.

Environmental, Social, And Governance

Environmental and governance factors are negative considerations in our Banking Industry Country Risk Assessment (BICRA) of Nigeria and, consequently, in our credit rating analysis of Zenith Bank.

Energy transition risk is material for the Nigerian banking system because of its large direct exposure to the oil and gas sector. This sector accounts for about a third of systemwide loans, which negatively affects our view of economic resilience and credit risk in the economy. Zenith Bank's exposure to the oil and gas sector is material and accounted for 33% of total loans at the end of June 2024.

Banking regulation lags international standards. This partly stems from the slow banking reforms and lack of transparency with regard to how the regulator enforces regulation on structural risks. Gaps in corporate governance exist in the wider economy. These could negatively affect the banking sector because of elevated concentration risks. However, we view Zenith Bank's management favorably and note its strong track record of delivering steady risk-adjusted returns through the economic cycles.

Key Statistics

Table 1

Zenith Bank PLC--Key figures

	--Year ended Dec. 31--				
(Mil. NGN)	**2024***	**2023**	**2022**	**2021**	**2020**
Adjusted assets	27,509,836.0	20,321,437.0	12,260,378.0	9,422,842.0	8,465,029.0
Customer loans (gross)	10,150,467.0	7,055,447.0	4,123,966.0	3,501,878.0	2,919,342.0
Adjusted common equity	2,796,622.0	2,083,755.0	1,206,242.0	1,111,860.0	964,941.0
Operating revenues	1,602,725.0	1,633,907.0	740,103.0	621,786.0	547,037.0
Noninterest expenses	469,711.0	446,003.0	336,014.0	285,754.0	252,495.0
Core earnings	579,978.0	680,217.0	225,573.0	248,269.0	233,789.0

*Data as of June 30. NGN--Nigerian naira.

Table 2

Zenith Bank PLC--Business position

	--Year ended Dec. 31--				
(%)	**2024***	**2023**	**2022**	**2021**	**2020**
Total revenue from business line (mil. NGN)	2,100,000	2,130,000	742,666.0	621,864.0	547,384.0
Commercial and retail banking/total revenue from business line	94.3	93.6	93.2	97.4	92.0
Other revenue/total revenue from business line	5.7	6.5	6.8	2.6	8.0
Return on average common equity (%)	41.9	36.6	16.9	20.4	22.4

*Data as of June 30. NGN--Nigerian naira.

Table 3

Zenith Bank PLC--Capital and earnings

	--Year ended Dec. 31--				
(%)	**2024***	**2023**	**2022**	**2021**	**2020**
Tier 1 capital ratio	17.5	18.0	18.6	19.0	20.8
S&P Global Ratings' RAC ratio before diversification	N/A	4.4	4.8	5.9	6.2
S&P Global Ratings' RAC ratio after diversification	N/A	3.5	3.7	4.6	4.8
Adjusted common equity/total adjusted capital	100.0	100.0	100.0	100.0	100.0
Net interest income/operating revenue	44.8	45.3	49.6	51.7	55.3
Fee income/operating revenue	6.8	6.7	17.9	16.7	14.5
Noninterest expenses/operating revenue	29.3	27.3	45.4	46.0	46.2
Preprovision operating income/average assets	9.5	7.3	3.7	3.8	3.9
Core earnings/average managed assets	4.8	4.2	2.1	2.8	3.1

*Data as of June 30. N/A--Not applicable. RAC--Risk-adjusted capital.

Table 4

Zenith Bank PLC--Risk-adjusted capital framework data

(Mil. NGN)	Exposure*	Basel III RWA	Average Basel III RW (%)	S&P Global Ratings' RWA	Average S&P Global Ratings' RW (%)
Credit risk					
Government & central banks	8,139,945.0	2,627,423.3	32.3	17,111,119.6	210.2
Of which regional governments and local authorities	0.0	0.0	0.0	0.0	0.0
Institutions and CCPs	1,984,817.4	2,627,423.3	132.4	3,008,864.1	151.6
Corporate	10,295,424.1	2,627,423.3	25.5	18,560,114.9	180.3
Retail	119,585.6	0.0	0.0	255,819.0	213.9
Of which mortgage	0.0	0.0	0.0	0.0	0.0
Securitization§	0.0	0.0	0.0	0.0	0.0
Other assets†	667,298.5	0.0	0.0	1,908,056.1	285.9
Total credit risk	21,207,070.5	7,882,270.0	37.2	40,843,973.7	192.6
Credit valuation adjustment					
Total credit valuation adjustment	--	0.0	--	0.0	--

Table 4

Zenith Bank PLC--Risk-adjusted capital framework data (cont.)

(Mil. NGN)	Exposure	Basel III RWA	Average Basel II RW (%)	S&P Global Ratings' RWA	% of S&P Global Ratings RWA
Market risk					
Equity in the banking book	216,134.0	0.0	0.0	2,431,507.5	1,125.0
Trading book market risk	--	214,752.0	--	603,990.0	--
Total market risk	--	214,752.0	--	3,035,497.5	--
Operational risk					
Total operational risk	--	1,894,809.0	--	3,063,575.6	--

(Mil. NGN)	Exposure	Basel III RWA	Average Basel II RW (%)	S&P Global Ratings' RWA	% of S&P Global Ratings RWA
Diversification adjustments					
RWA before diversification	--	9,991,831.0	--	46,943,046.9	100.0
Total diversification/concentration adjustments	--	--	--	13,373,799.1	28.5
RWA after diversification	--	9,991,831.0	--	60,316,846.0	128.5

(Mil. NGN)	Tier 1 capital	Tier 1 ratio (%)	Total adjusted capital	S&P Global Ratings' RAC ratio (%)
Capital ratio				
Capital ratio before adjustments	1,800,327.0	18.0	2,083,755.0	4.4
Capital ratio after adjustments‡	1,800,327.0	18.0	2,083,755.0	3.5

*Exposure at default. §Securitization exposure includes the securitization tranches deducted from capital in the regulatory framework. †Exposure and S&P Global Ratings' RWAs for equity in the banking book include minority equity holdings in financial institutions. ‡Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital.NGN -- Nigerian naira . Sources: Company data as of Dec. 31, 2023 and S&P Global Ratings.

Table 5

Zenith Bank PLC--Risk position

	--Year ended Dec. 31--				
(%)	2024*	2023	2022	2021	2020
Growth in customer loans	87.7	71.1	17.8	20.0	18.6
Total managed assets/adjusted common equity (x)	9.9	9.8	10.2	8.5	8.8
New loan loss provisions/average customer loans	9.4	6.9	0.9	1.6	1.3
Net charge-offs/average customer loans	0.0	(0.1)	1.8	1.1	1.9
Gross nonperforming assets/customer loans plus other real estate owned	4.9	4.4	1.9	4.2	6.4
Loan loss reserves/gross nonperforming assets	171.3	160.8	138.8	99.5	74.9

*Data as of June 30.

Table 6

Zenith Bank PLC--Funding and liquidity					
	--Year ended Dec. 31--				
(%)	**2024***	**2023**	**2022**	**2021**	**2020**
Core deposits/funding base	85.5	90.0	87.4	84.5	80.2
Customer loans (net)/customer deposits	47.3	43.2	44.7	51.9	52.0
Long-term funding ratio	92.2	94.5	92.0	91.1	89.8
Stable funding ratio	176.4	192.7	191.4	177.2	162.9
Short-term wholesale funding/funding base	8.9	6.3	9.1	10.4	11.9
Broad liquid assets/short-term wholesale funding (x)	6.5	9.9	7.1	6.1	5.3
Net broad liquid assets/short-term customer deposits	57.8	62.9	64.5	63.1	117.1
Short-term wholesale funding/total wholesale funding	61.6	62.6	72.5	66.8	60.0
Narrow liquid assets/three-month wholesale funding (x)	18.0	17.3	23.3	17.4	9.8

*Data as of June 30.

Zenith Bank PLC--Rating component scores	
Issuer credit rating	**B-/Stable/B**
SACP	b+
Anchor	b
Economic risk	10
Industry risk	9
Business position	Strong
Capital and earnings	Constrained
Risk position	Adequate
Funding	Adequate
Liquidity	Adequate
Comparable ratings analysis	0
Support	0
ALAC support	0
GRE support	0
Group support	0
Sovereign support	0
Additional factors	-2

ALAC--Additional loss-absorbing capacity. GRE--Government-related entity. SACP--Stand-alone credit profile.

Related Criteria

- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, April 30, 2024
- General Criteria: National And Regional Scale Credit Ratings Methodology, June 8, 2023
- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021

- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Nigeria, Aug. 5, 2024
- Nigerian Banking Outlook 2024: Banks Stand Firm Amid Macroeconomic Pressures, Jan. 18, 2024
- Banking Industry Country Risk Assessment: Nigeria, Nov. 30, 2023

Regulatory Disclosures

The most recent credit rating action can be found at "Nigeria-Based Zenith Bank PLC Affirmed At 'B-/B' Despite Credit Risk Headwinds From Devaluation; Outlook Stable," published Sept. 27, 2023, on RatingsDirect.

Glossary

- Adjusted assets: Total assets minus nonservicing intangibles.
- Adjusted common equity: Common shareholders' equity plus minority interest, minus dividends (not yet distributed), minus revaluation reserves, minus nonservicing intangibles, minus interest only strips, minus tax-loss carryforward, minus postretirement benefit adjustments.
- Anchor: The starting point for assigning a bank a long-term rating, based on economic and industry risk.
- Asset-liability mismatch: Occurs when financial terms of an institution's assets and liabilities do not correspond.
- Asset quality: A key measure of the quality and performance of the assets of a bank.
- Available stable funding: Core deposits, plus deposits due to banks (net of those that mature within one year), plus other borrowings (net of maturities within one year), plus total equity, minus intangibles.
- Business position: A measure of the strength of a bank's business operations.
- Broad liquid assets: cash (net of restricted cash) and reserves at the central bank, plus other cash and money market, plus bank loans and reverse repos that mature in less than one year, plus total liquid assets.
- Capital and earnings: A measure of a bank's ability to absorb losses.
- Core deposits: Total deposits minus noncore deposits (such as deposits due to banks and certificates of deposits).

- Core earnings over average managed assets: Annualized core earnings, over average assets of current period and last fiscal year.
- Core earnings: Net income before minority interest, minus nonrecurring income, plus nonrecurring expenses, plus/minus tax impact on adjustments, plus amortization/impairment of goodwill/intangibles, minus preferred dividends.
- Cost of funds: Interest expense as a percentage of average interest-bearing liabilities.
- Cost of risk: As a percentage of total loans, the charge for bad and doubtful debts.
- Counterparty credit rating: A form of issuer credit rating, which is a forward-looking opinion about an obligor's overall creditworthiness.
- Credit losses: Losses arising from credit risk.
- Credit risk: Risk that a borrower will default on its payment obligations.
- Customer loans (gross): Total customer loans before loan-loss reserves.
- Customer loans (net) over customer deposits: Gross customer loans net of loan loss reserves, over core deposits.
- Date initial rating assigned: The date S&P Global Ratings assigned the long-term foreign currency issuer credit rating on the entity.
- Date of previous review: The date S&P Global Ratings last reviewed the credit rating on the entity.
- Earning capacity: The capacity of a bank to generate sufficient earnings against losses and the primary way that a bank builds or maintains its capitalization.
- Earnings buffer: A measure of the capacity for earnings to absorb normalized losses through the credit cycle.
- ESG credit factors: Those environmental, social, and governance (ESG) factors that can materially influence the creditworthiness of a rated entity or issue and for which we have sufficient visibility and certainty to include in our credit rating analysis. These credit factors can have a negative or positive impact on creditworthiness, depending on whether they represent a risk or an opportunity.
- Fee income over operating revenues: Net income on fees and commissions over operating revenues.
- Funding and liquidity: A combined assessment of the strength and stability of a bank's funding mix and its ability to manage its liquidity needs in adverse market and economic conditions over an extended period.
- Funding base: Total deposits, plus acceptances, repurchase agreements, and other borrowings (including commercial papers, short- and long-term debt, subordinated debt, and minimal equity content hybrids).
- Group credit profile (GCP): S&P Global Ratings' opinion of a group's creditworthiness as if the group were a single legal entity and is conceptually equivalent to an issuer credit rating. A GCP does not address any specific obligation.
- Group support: An assessment of the likelihood that a parent or other group member would provide extraordinary support to a bank within that group.
- Gross nonperforming assets over customer loans plus other real estate owned over customer loans: Nonaccrual loans, plus restructured loans, plus repossessed assets plus loans 90-days past due; over gross customer loans plus repossessed assets.
- Loan-loss reserves over gross nonperforming assets: General plus specific reserves, over adjusted nonperforming assets (nonaccrual loans plus restructured loans plus repossessed assets plus 90-day past due loans).

- Long-term funding ratio: Available stable funding, over funding base plus total equity, minus intangibles.
- National scale rating: An opinion of an obligor's creditworthiness or overall capacity to meet specific financial obligations, relative to other issuers and issues in a given country or region.
- Net interest income over operating revenues: Net interest income (including net interest income on loans, securities, and other assets), over operating revenues.
- New loan-loss provisions over average customer loans: Credit loss provisions (including specific loan provisions and general and other provisions) minus recoveries, over average gross customer loans of current period and last fiscal year.
- Noninterest expenses: Salaries and general administrative expenses (including depreciations and amortizations).
- Operating revenues: Net interest income, plus operating noninterest income (mainly includes fees and commissions and trading gains).
- Pre provision operating income over average assets: Operating revenues minus noninterest expenses, over average assets.
- Return on equity: Net income before extraordinary results minus preferred dividends over average common equity (average between current period and last fiscal period).
- Risk position: Our view of the specific risk characteristics of a particular bank.
- Risk-adjusted capital (RAC ratio before diversification: This is calculated according to S&P Global Ratings' methodology as total adjusted capital over risk-adjusted assets.
- Short-term wholesale funding: Debt securities that mature in less than one year (of commercial papers, debt and senior and subordinated bonds), plus bank deposits that mature in less than one year.
- Sovereign support: An assessment of the likelihood that the government would provide extraordinary support to a bank.
- Short-term wholesale funding: Debt securities that mature in less than one year (of commercial paper, debt, and senior and subordinated bonds), plus bank deposits that mature in less than one year.
- Stable funding needs: Restricted cash and reserves at the central bank, plus interbank deposits, plus loans to banks (net of maturities within one year), plus reverse repurchase agreements, plus gross customer loans net of loan-loss reserves, plus securities, minus total liquid securities, plus equity participations in nonfinancial entities, plus fixed assets, plus other assets (considering foreclosed assets, tax loss carry forward, and deferred assets).
- Stable funding ratio: Available stable funding over stable funding needs.
- Stand-alone credit profile (SACP: An interim step in assessing a bank's overall creditworthiness. It includes government support, but not extraordinary government support.
- Total adjusted capital: adjusted common equity plus admissible preferred instruments and hybrids.
- Total wholesale funding: Noncore deposits, plus acceptances, repurchase agreements, other borrowings (including commercial papers, debt and senior and subordinated bonds, minimal equity content hybrids), and total equity, minus minority interest and common shareholders' equity.

Ratings Detail (As Of November 13, 2024)*		
Zenith Bank PLC		
Issuer Credit Rating		B-/Stable/B
Nigeria National Scale		ngBBB+/--/ngA-2
Senior Unsecured		B-
Short-Term Debt		B
Issuer Credit Ratings History		
11-Aug-2023		B-/Stable/B
08-Feb-2023		B-/Negative/B
31-Mar-2020		B-/Stable/B
03-Mar-2020		B/Negative/B
11-Aug-2023	*Nigeria National Scale*	ngBBB+/--/ngA-2
08-Feb-2023		ngBBB-/--/ngA-3
27-Jan-2022		ngBBB/--/ngA-2
20-Jan-2022		ngBBB+/--/ngA-2
31-Mar-2020		ngBBB/--/ngA-2
03-Mar-2020		ngA-/--/ngA-2
Sovereign Rating		
Nigeria		B-/Stable/B
Nigeria National Scale		ngBBB+/--/ngA-2

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.