Q3 2015 Group Results

Presentation to Investors & Analysts

September 2015

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

Overview & Operating Environment

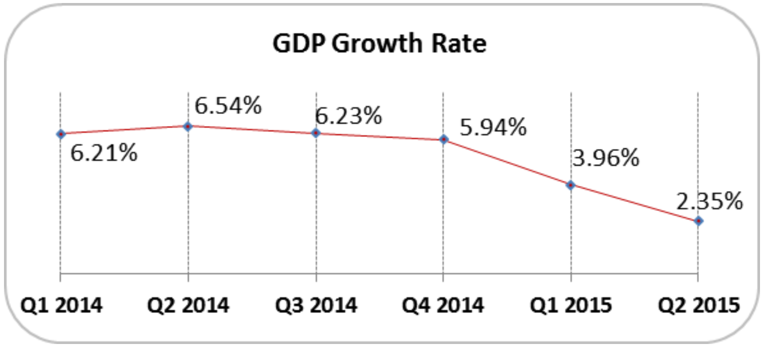
- Speaker: Managing Director/Chief Executive Officer — Peter Amangbo — Slides 4 - 6

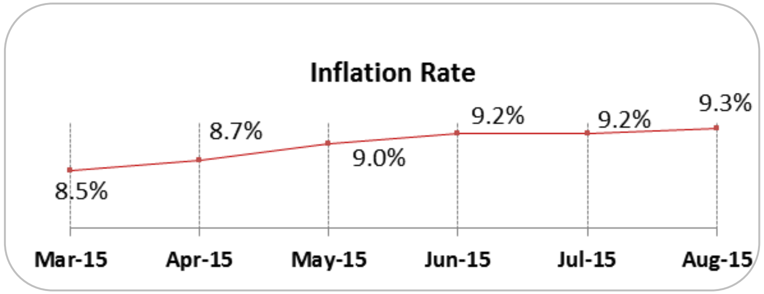
Results - Group

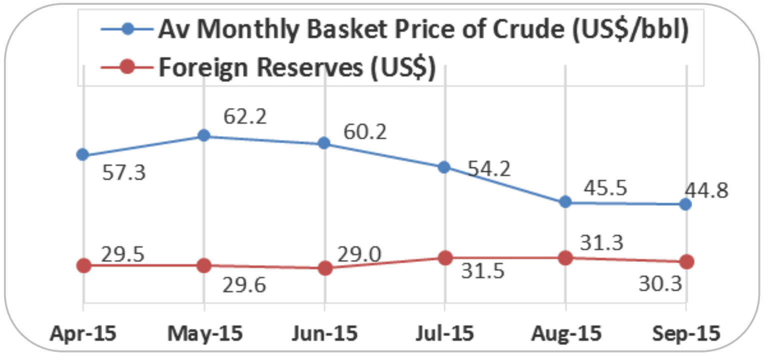
- Speaker: Chief Financial Officer — Stanley Amuchie — Slides 8- 16

Q & A

- **Real GDP Growth (Rebase):**
  - GDP grew at the rate of 2.35% y/y in Q2 2015, down by 419bps from 6.54% recorded in the corresponding quarter of previous fiscal year.
- **Headline Inflation:**
  - Headline Inflation increased to 9.3% y/y in Aug'15 from 9.2% y/y recorded in Jul'15.
  - The marginal increase was as a result of slower increases in Alcoholic Beverages, Tobacco and Kola; Health, Transport; and Recreation and Culture Divisions
- **Oil Production & Price:**
  - OPEC Average Monthly Basket Price declined by 25.6% during the 3rd quarter of the year, from \$60.2/bbl recorded in Jun 2015 to \$44.8/bbl in Sept 2015.
- **Foreign Reserves:**
  - Nigerian foreign reserves inched up by \$1.3bn (4.5%) during the 3rd quarter of the year, from \$29.0bn at the end of Q2 2015 to \$30.3bn at the end of Q3 2015.
- **Exchange Rate:**
  - The Naira remained stable at N196.95/\$ (CBN FX rate) and N199.05 (interbank market rate) during Q3 2015.
- **Treasury Single Account (TSA):**
  - The Federal Government gave a deadline of September 15th for the implementation of TSA by Ministries, Departments and Agencies of Government (MDAs)
- **Cash Reserve Ratio (CRR) & Monetary Policy Rate (MPR):**
  - Following the implementation of TSA, MPC reduced CRR from 31% to 26% while MPR was maintained at 13%







Source: Nigeria Bureau of Statistics
Central Bank of Nigeria
OPEC

New CBN Circulars and Other Directives

Limit on Foreign Currency Borrowings	• The Central Bank has placed a limit on foreign currency borrowings by banks to 75% of shareholders' funds.
BASEL II Implementation Update	• A revised guideline on BASEL II implementation covering Pillar 1 (minimum capital requirement), Pillar 2 (ICAAP) and Pillar 3 (disclosure requirements) with accompanying reporting template was issued to DMBs by the CBN on June 24, 2015
Biometric Verification Number (BVN) Enrolment	• Enrolment for Biometric Verification Number (BVN) for all bank's customers in the industry has been extended to October 31, 2015
Publication of Delinquent Credit Facilities	• In order to discourage accumulation of bad loans, the CBN issued guidelines for DMBs to publish names of debtors.
Foreign Currency Loans to Customers	• To hedge against FX risk, CBN has restricted the granting of foreign currency loans by banks to companies with foreign currency revenue. • Zenith Bank typically extends foreign currency loans to customers with foreign currency revenue
Public Sector Short-term Loans	• As part of Federal Government (FG) bail out plan, bank loans to state governments have been converted to FG 20-year bonds
Foreign Exchange Management Strategy	• The Central Bank has reduced the spending limits on naira denominated cards abroad, prohibited payment of foreign currencies for transactions conducted in Nigeria and excluded some import items from accessing foreign currency at the official market

Our Investment Proposition

Strong earnings capacity and growth, Solid and liquid capital base, strengthened ERM practices, Good returns on investments and excellent customer services

- **A dominant player in 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 position as well as efficient trade finance products 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:**
  - ✓ Low NPL ratio of 1.6% with a coverage ratio of about 124.4%.
- **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 FY2013 and FY2014, and an interim dividend of 25kobo per share was paid for half-year 2015
- **Return On Equity:**
  - ✓ ROAE moved from 18.70% as at FY14 to 19.71% in Q3 2015
- **Multilateral Financing Partnerships:**
  - ✓ 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
  - ✓ The U.S. Agency for International Development (USAID) and other parties signed an agreement with Zenith Bank to make available $90 million in new private sector financing for the Power Africa Fund. This is first of its kind in Nigeria
- **Credit Rating/Certifications:**
  - ✓ Zenith Bank is rated B+/Stable/B by S and P, being the highest rating awarded to any Nigerian bank and in line with the country's risk rating.
  - ✓ 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

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Q & A

Financial Highlights

Key Theme

Marching towards exceptional performance in 2015

P & L

Gross Earnings: N336.85bn	+23.1% YoY
Net Interest Income: N161.40bn	+11.2% YoY
Net Interest Margin: 7.9%	-1.3% YoY
PBT: N104.05bn	+19.9% YoY
PAT: N83.09bn	+16.9% YoY

Balance Sheet

Customer Deposit: N2.52tn	-0.6% YTD
Total Assets: N3.84tn	+2.3% YTD
Total Shareholders' Funds: N571.40bn	+3.4% YTD
Gross Loans & Advances: N1.88tn	+6.9% YTD

Key Ratios

Loan to Deposit Ratio: 68.5%
Cost to Income Ratio: 55.1%
Liquidity: 45.2%
Capital Adequacy:21.1%
Coverage Ratio: 124.4%;
ROAE: 19.7%
EPS: 264k

NPL: 1.6%
Cost of Risk: 0.7%
Cost of Funds: 4.3%

Profit & Loss Statement

(N'm)	Group 9 mths to Sep-15	Group 9 mths to Sep-14	YOY Change
Gross Income	**336,853**	**273,738**	**23.29%**
Continuing Operations:			
Interest and similar income	256,737	213,011	21.73%
Interest and similar expense	-95,337	-69,644	40.57%
Net interest income	**161,400**	**143,367**	**12.58%**
Impairment charge for credit losses	-9,725	-4,882	99.20%
Net interest income after impairment charge for credit losses	**151,675**	**138,485**	**9.52%**
Fees and commission income	54,500	49,919	9.18%
Trading income	15,914	9,183	73.30%
Other income	9,702	1,373	465.84%
Share of profit of associates	206	324	-36.42%
Amortisation of intangible assets	-851	-522	63.03%
Depreciation of property and equipment	-7,137	-6,942	2.81%
Personal expenses	-52,296	-50,311	3.95%
Operating expenses	-67,661	-54,691	23.72%
Profit before minimum tax and income tax	104,052	86,818	19.85%
Income Tax Expense	-20,965	-15,772	32.93%
Profit After Tax	**83,087**	**71,046**	**16.95%**

Improved top & bottom line earnings driven by deposit and loan growth and operating efficiency…

Consolidating earnings and profitability…

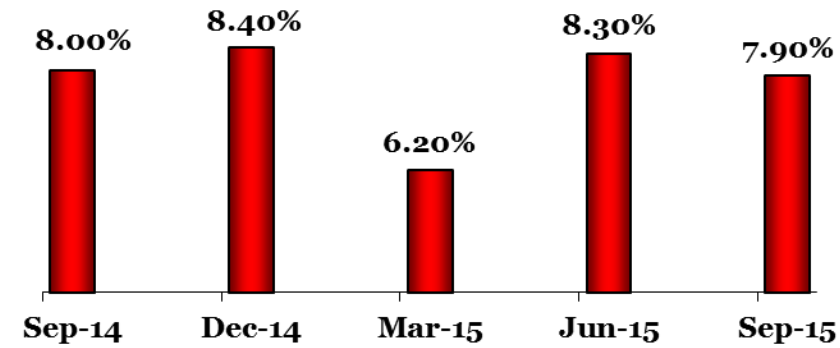
Comments

❑***Net Interest Margin (NIM)*** *declined marginally YoY by 1.3% (from 8.0% in Q3 2014 to 7.9% in Q3 2015) as yields on government securities dropped during the 3rd quarter of 2015.*

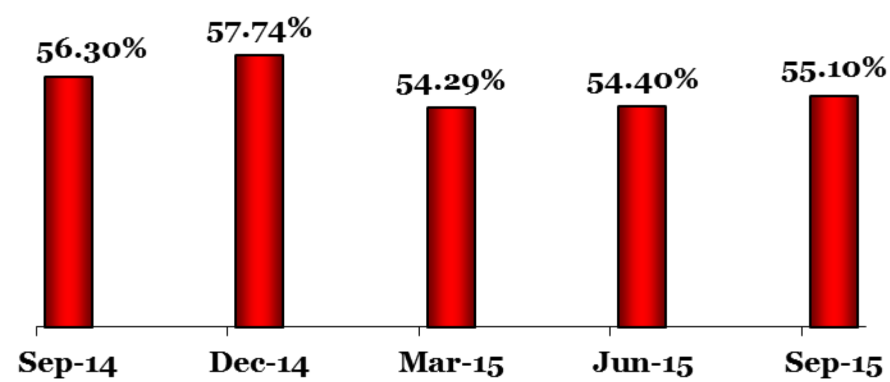
❑ ***Cost-to-Income Ratio*** *declined YoY by 2.3% (from 56.3% in Q3 2014 to 55.1% in Q3 2015). Zenith Group is committed to keeping its cost-to-income ratio under control.*

❑ ***PBT*** *increased by 19.9% YoY from N86.82bn in Q3 2014 to N104.05bn in Q3 2015 while **PAT** increased by 16.9% YoY from N71.05bn in Q3 2014 to N83.09bn in Q3 2015.*

Net Interest Margin



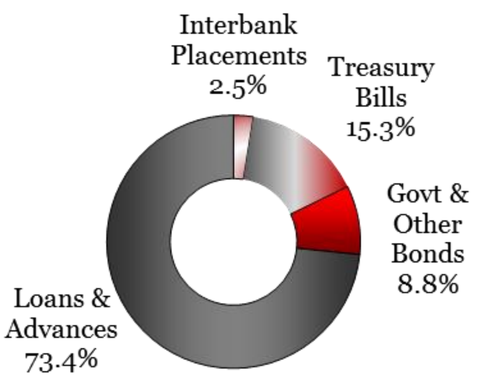
Cost to Income Ratio



Revenue Base ...Sustained Diversification

Interest Income

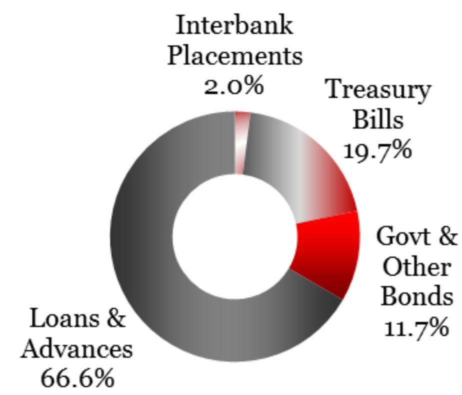
Q3 2015



N'million	Q3 2015	Q3 2014	YoY
Interbank Placements	6,401	4,271	50%
Treasury Bills	39,301	41,910	-6%
Govt & Other Bonds	22,622	25,016	-10%
Loans & Advances	188,413	141,814	33%
Total	**256,737**	**213,011**	**21%**

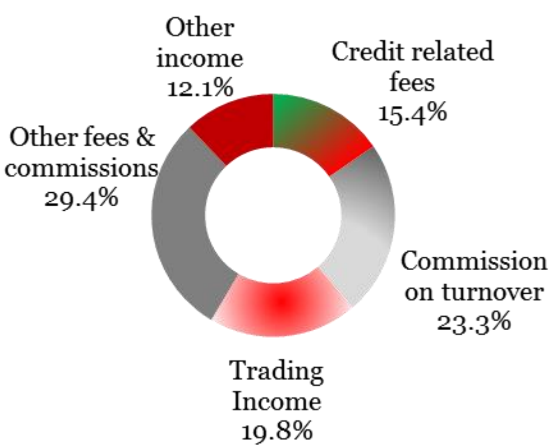
- ✓ Interest income from loans and advances increased by 33% YoY as a result of loan growth and proper pricing of all risk assets
- ✓ Interest income on interbank placements increased by 50% as the bank took advantage of its liquidity position

Q3 2014



Non-Interest Income

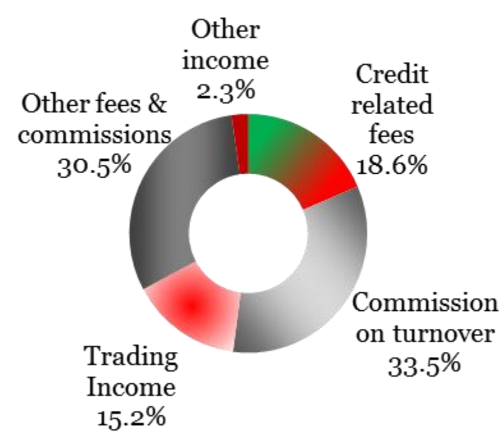
Q3 2015



N'million	Q3 2015	Q3 2014	YoY
Credit related fees	12,360	11,234	10%
Commission on turnover	18,713	20,249	-8%
Trading Income	15,914	9,183	73%
Other fees & commissions	23,633	18,760	26%
Other income	9,702	1,373	607%
Total	**80,322**	**60,799**	**32%**

- ✓ The Group's continued effort in diversifying its revenue base yielded positive results as its non-interest revenue grew by 32% over the prior period

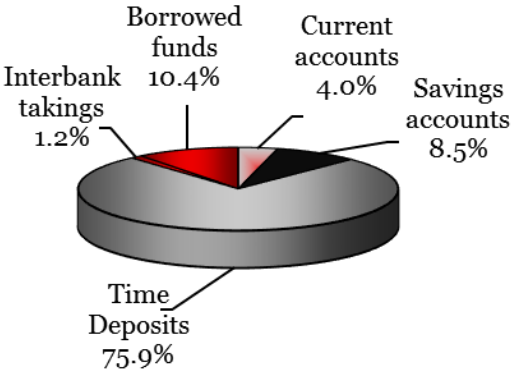
Q3 2014



Continuous efforts in cost-reduction strategies …..

Interest Expenses

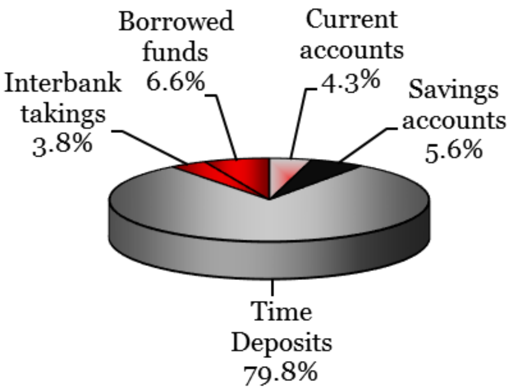
Q3 2015



N'million	Q3 2015	Q3 2014	YoY
Current accounts	3,771	2,969	27%
Savings accounts	8,131	3,871	110%
Time Deposits	72,358	55,548	30%
Interbank takings	1,150	2,645	-57%
Borrowed funds	9,927	4,611	115%
Total	**95,337**	**69,644**	**37%**

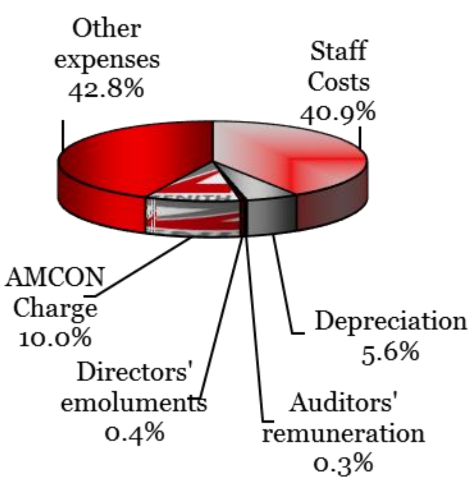
- ✓ Interest expense was up by 37% YoY because of the increase in funding cost

Q3 2014



Total Operating Expenses

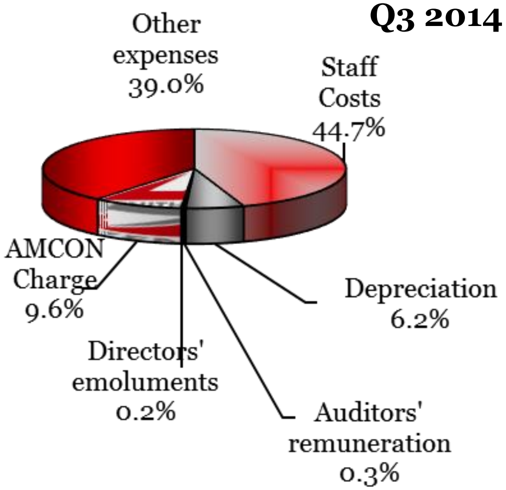
Q3 2015



N'million	Q3 2015	Q3 2014	YoY
Staff Costs	52,296	50,311	4%
Depreciation	7,137	6,942	3%
Auditors' remuneration	372	362	3%
Directors' emoluments	493	182	171%
AMCON Charge	12,839	10,795	19%
Other expenses	54,808	43,874	25%
Total	**127,945**	**112,466**	**14%**

- ✓ Total operating expense increased by 14%, driven by the consistent rise in inflation and AMCON charge

Q3 2014



Balance Sheet- Assets

(N'm)	Group Sep-15	Group Dec-14	YTD Change	Group Sep-14
Cash and balances with central banks	565,124	752,580	-24.91%	556,330
Treasury bills	356,853	295,397	20.80%	438,555
Assets pledged as collateral	263,027	151,746	73.33%	6,930
Due from other banks	472,590	506,568	-6.71%	426,165
Derivative assets	15,790	17,408	-9.29%	1,970
Loans and advances	1,841,392	1,729,507	6.47%	1,526,109
Investment securities	205,484	200,079	2.70%	319,372
Investments in associates	508	302	68.21%	548
Deferred tax assets	3,790	6,449	-41.23%	36
Other assets	38,349	21,455	78.74%	59,653
Property and equipment	76,275	71,571	6.57%	70,951
Intangible assets	2,677	2,202	21.57%	2,014
Total Assets	**3,841,859**	**3,755,264**	**2.31%**	**3,408,633**

Sustained Balance sheet strengthening and Growth with strong liquidity.

Balance Sheet- Liabilities & Equity

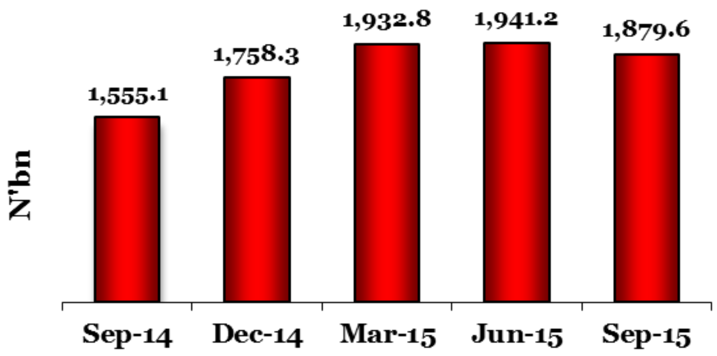
(N'm)	Group Sep-15	Group Dec-14	YTD Change	Group Sep-14
Customers deposits	2,521,828	2,537,311	-0.61%	2,309,614
Current income tax	3,627	10,042	-63.88%	1,778
Deferred income tax liabilities	36	-	-	482
Other liabilities	300,524	289,858	3.68%	274,698
On-lending facilities	105,752	68,344	54.73%	92,176
Borrowings	237,049	198,066	19.68%	122,604
Debt securities issued	101,209	92,932	8.91%	83,349
Derivative liabilities	333	6,073	-94.52%	-
Total liabilities	**3,270,358**	**3,202,626**	**2.11%**	**2,884,701**

(N'm)	Group Sep-15	Group Dec-14	YTD Change	Group Sep-14
Share capital	15,698	15,698	0.00%	15,698
Share premium	255,047	255,047	0.00%	255,047
Retained earnings	203,891	183,396	11.18%	176,856
Other reserves	96,297	97,945	-1.68%	75,834
Total Shareholder's funds	**571,501**	**552,638**	**3.41%**	**523,932**
Non-controlling interest	568	552	2.90%	497
Total liabilities & equity	**3,841,859**	**3,755,264**	**2.31%**	**3,408,633**

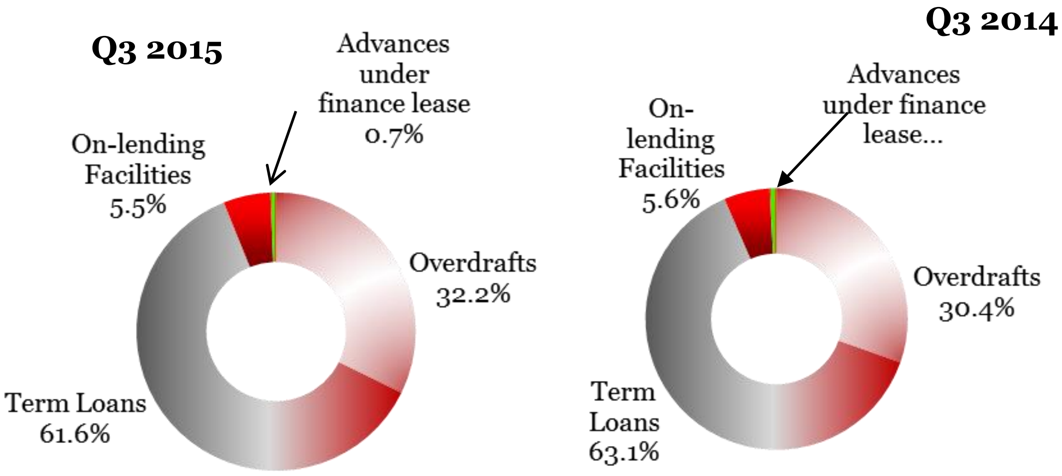
Strong Capital base…. Remains a solid buffer against any adverse event

Sustained assets & liabilities match……

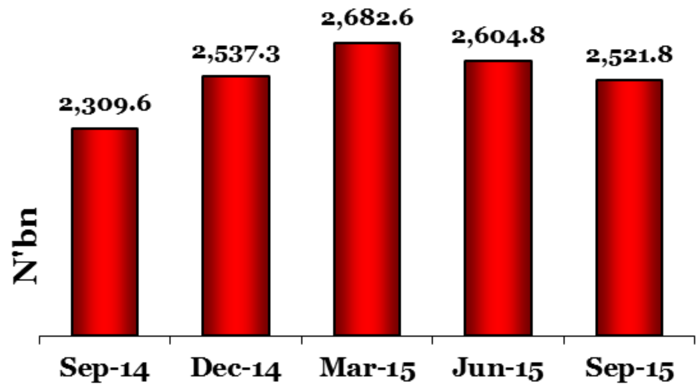
Loan Growth



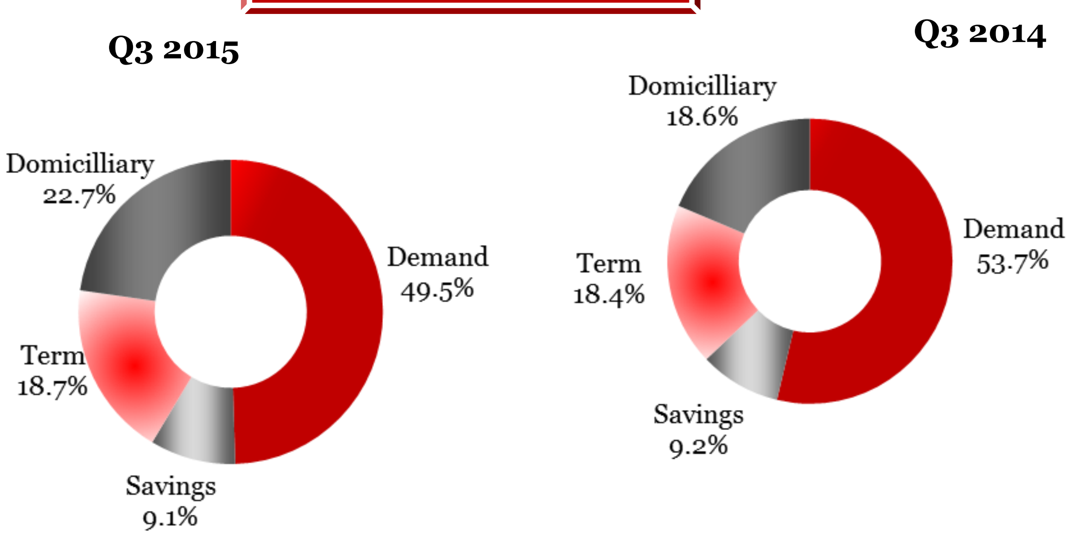
Loans & Advances



Deposit Growth



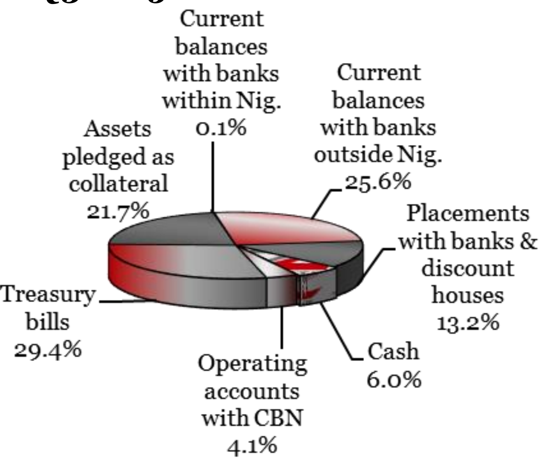
Deposit Mix



Continued market dominance through strong liquid asset base and funding mix…

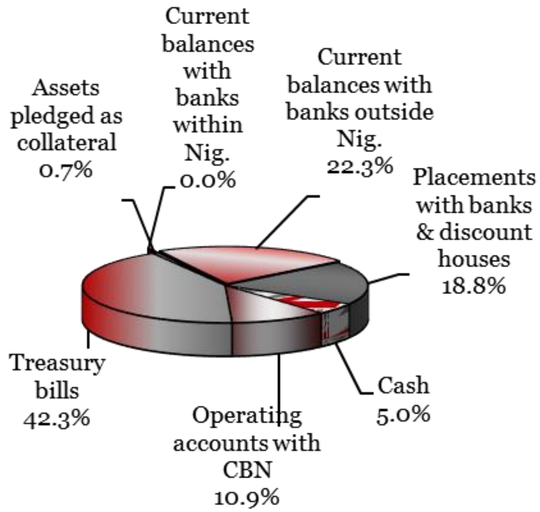
Liquid Assets

Q3 2015



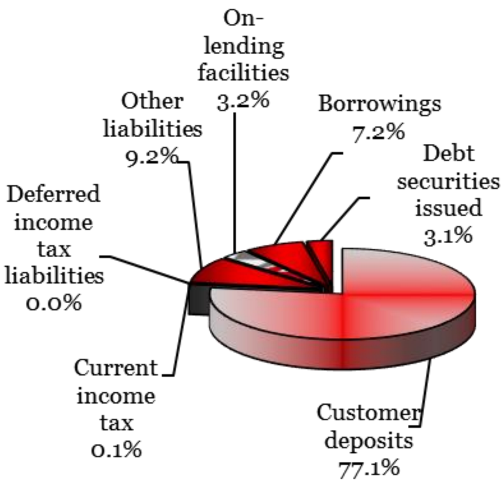
N'million	Q3 2015	Q3 2014	YoY
Cash	72,243	51,572	40%
Operating accounts with CBN	49,264	113,144	-56%
Treasury bills	356,853	438,555	-19%
Assets pledged as collateral	263,027	6,930	3695%
Current balances with banks within Nig.	1,241	42	2855%
Current balances with banks outside Nig.	311,047	230,871	35%
Placements with banks & discount houses	160,302	195,253	-18%
Total	**1,213,977**	**1,036,367**	**17%**

Q3 2014



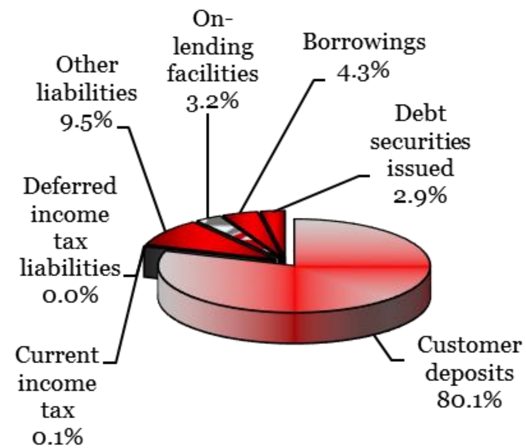
Funding Mix

Q3 2015



N'million	Q3 2015	Q3 2014	YoY
Customer deposits	2,521,828	2,309,614	9%
Current income tax	3,627	1,778	104%
Deferred income tax liabilities	36	482	-93%
Other liabilities	300,524	274,698	9%
On-lending facilities	105,752	92,176	15%
Borrowings	237,049	122,604	93%
Debt securities issued	101,209	83,349	-
Total	**3,270,025**	**2,884,701**	**13%**

Q3 2014



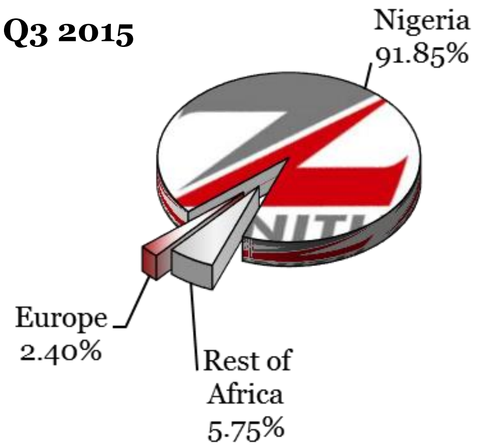
P&L – By Geography

9 Months Ended Sept 2015 (N'm)	Nigeria	Rest of Africa	Europe	Eliminations	Consolidated
Total Revenue	**316,929**	**19,854**	**8,272**	**-8,202**	**336,853**
Share of profit of Associates	-	-	-	206	206
Total Expense	-208,768	-13,325	-6,674	4,240	-233,007
Profit Before Tax	**99,681**	**6,529**	**1,598**	**3,756**	**104,052**
Tax	-19,236	-1330	-399	-	-20,965
Profit After Tax	**80,445**	**5,199**	**1,199**	**3,756**	**83,087**

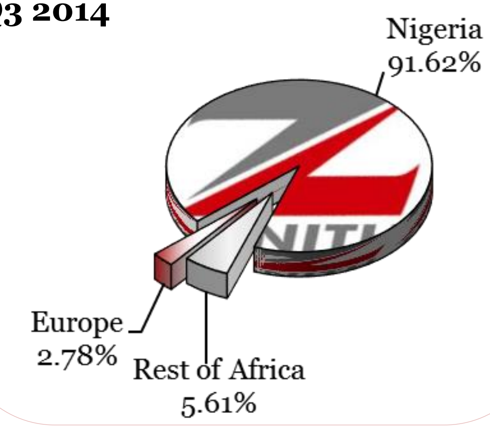
9 Months Ended Sept 2014 (N'm)	Nigeria	Rest of Africa	Europe	Eliminations	Consolidated
Total Revenue	**259,320**	**15,868**	**7,858**	**-9,308**	**273,738**
Share of profit of Associates	-	-	-	-	-
Total Expense	-175,982	-9,195	-5,553	3,810	-186,920
Profit Before Tax	**83,338**	**6,673**	**2,305**	**5,498**	**86,818**
Tax	-13,553	-1660	-559	-	**-15,772**
Profit After Tax	**69,785**	**5,013**	**1,746**	**5,498**	**71,046**

Gross Revenue

Q3 2015



Q3 2014



Our Nigerian business continues to be the main driver of profitability … providing over 90% of gross revenue

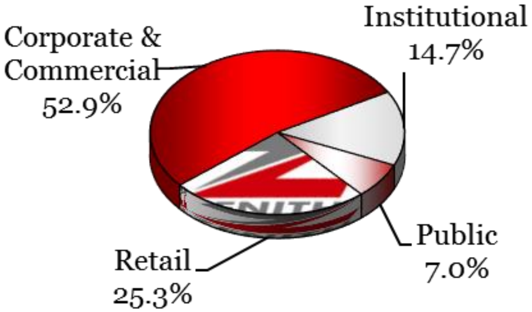
P&L – By Sector

9 Months Ended Sept 2015 (N'm)	Corporate	Institutional	Public	Retail	Consolidated
Total Revenue	**178,213**	**49,662**	**23,610**	**85,368**	**336,853**
Total Expenses	-125,712	-30,796	-18,355	-57,938	-232,801
Profit Before Tax	**52,501**	**18,866**	**5,255**	**27,430**	**104,052**
Tax	-10,578	-3,801	-1,059	-5,527	-20,965
Profit After Tax	**41,923**	**15,065**	**4,196**	**21,903**	**83,087**

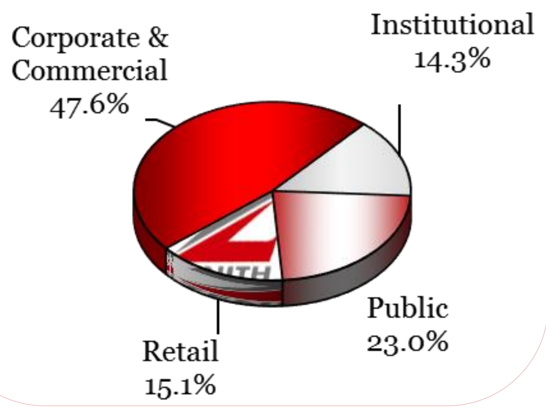
9 Months Ended Sept 2014 (N'm)	Corporate	Institutional	Public	Retail	Consolidated
Total Revenue	**130,355**	**39,256**	**62,877**	**41,250**	**273,738**
Total Expenses	-89,710	-27,176	-33,078	-36,956	-186,920
Profit Before Tax	**40,645**	**12,081**	**29,799**	**4,294**	**86,818**
Tax	-7,814	-2,322	-5,729	-826	-15,772
Profit After Tax	**33,261**	**9,886**	**24,385**	**3,514**	**71,046**

Gross Revenue

Q3 2015

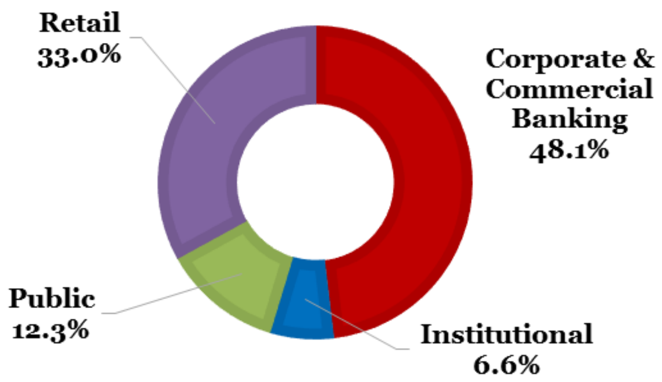


Q3 2014

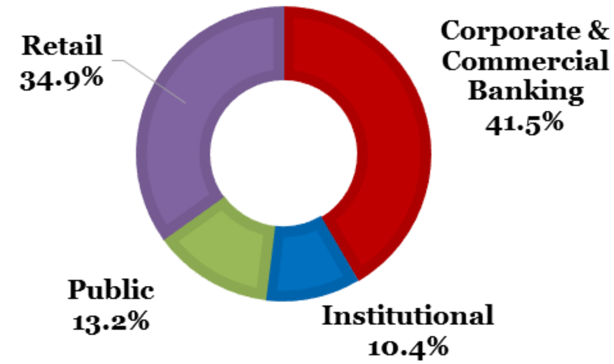


Improved profitability on core business segments

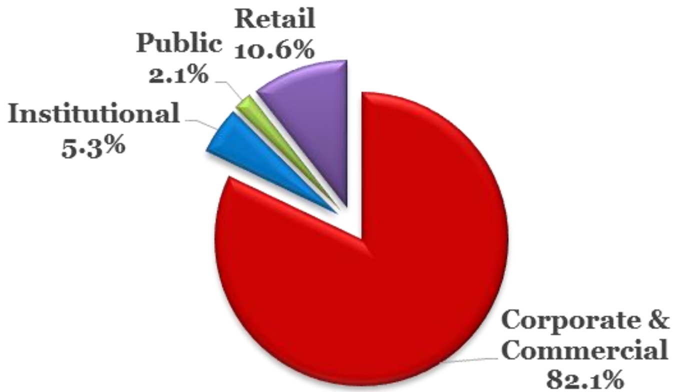
Deposits & Loans – By Sector



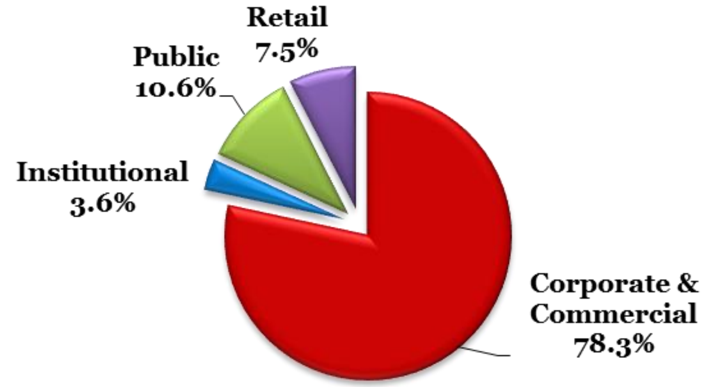
Q3 2015 Total Deposits - ₦2.52tn



Q3 2014 Total Deposits - ₦2.31tn



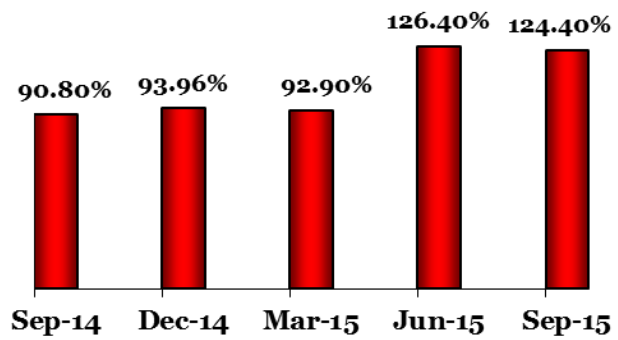
Q3 2015 Gross Loans - ₦1.88tn



Q3 2014 Gross Loans - ₦1.56tn

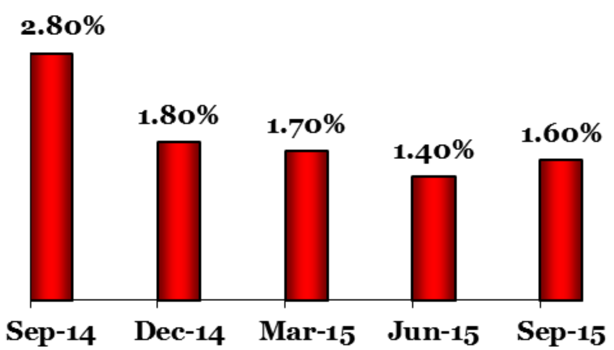
Healthy Risk Assets Portfolio…

NPL Coverage Ratio



NPL Ratio

- *The Group's NPL ratio has declined significantly from 2.8% recorded in Q3 2014 to 1.6% in Q3 2015.*

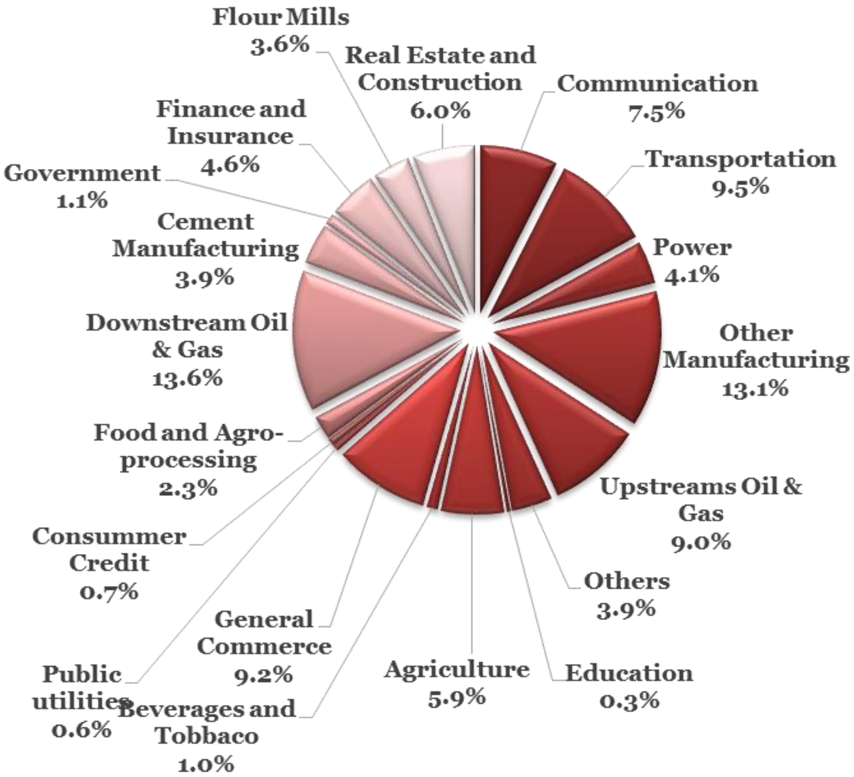


Our Risk Management Strategy

- ✓ 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
  - ✓ Restructuring of loans in line with expected cash flow
  - ✓ Provision of Debt Service Reserve Accounts (DSRA)
- ✓ **Loans to Power Sector:**
  - ✓ Zenith bank advanced loans to DISCOs located in high cash generating areas like Ikeja and Eko DISCOS
  - ✓ The bank supported customers with other thriving businesses

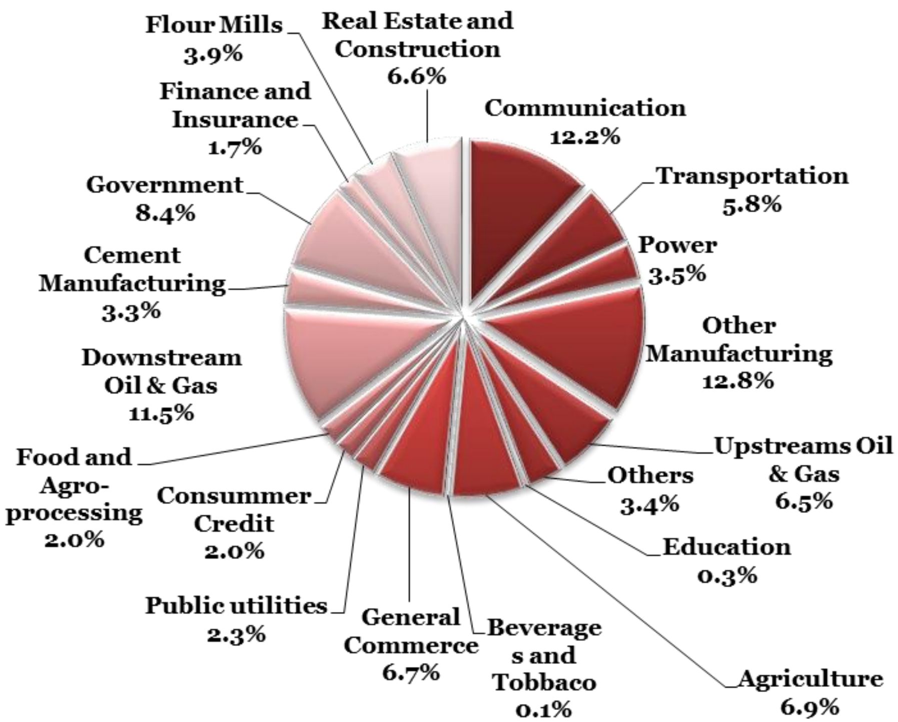
Focused risk management via portfolio diversification

Loans by Sector – Q3 2015



- Gross Loans – N1.88tn

Loans by Sector – Q3 2014

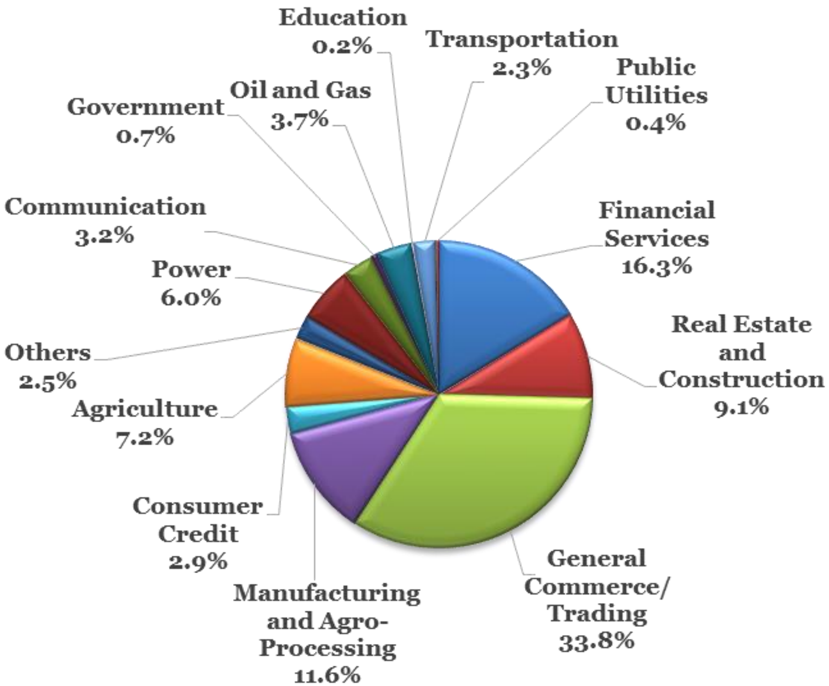


- Gross Loans – N1.56tn

Well Diversified Loan Portfolio

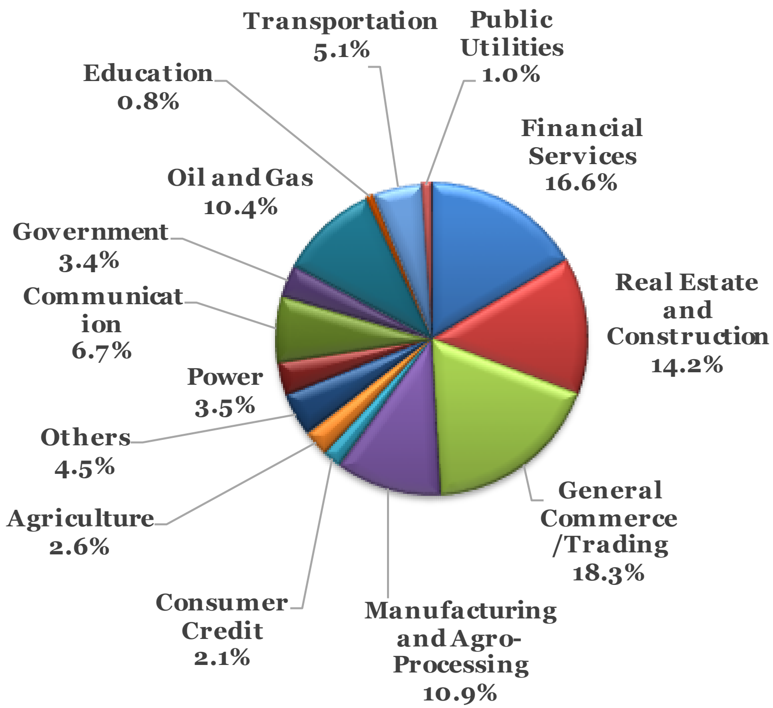
NPL by Sectors

Q3 2015



- Total NPLs – N30.73bn
- NPL Ratio – 1.6%

Q3 2014

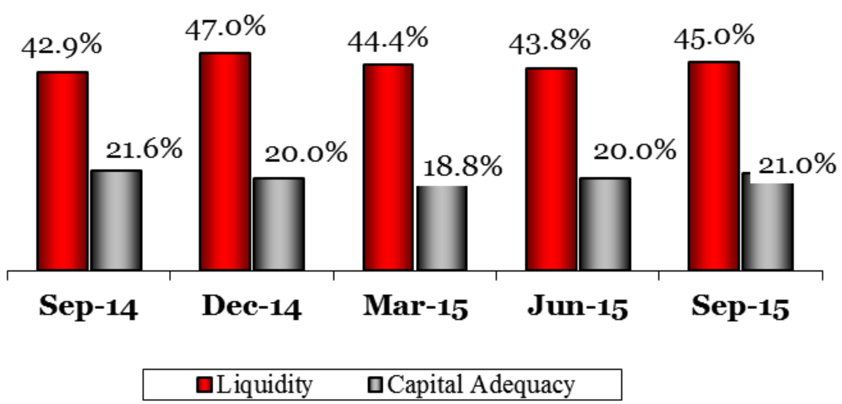


- Total NPLs – N44.01bn
- NPL Ratio – 2.8%

- We continue to develop our Risk Management Strategy and improve on the quality of our loan portfolio.
- Overall NPL ratio of 1.6% is currently one of the lowest in the industry

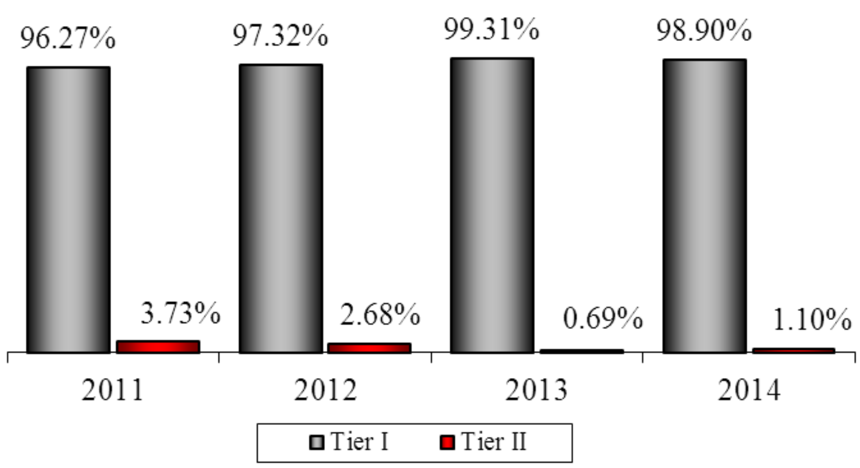
Strong Capitalization and Liquidity

Liquidity and Capital Adequacy



Capital and liquidity ratios for the Bank – well above industry requirements.

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.

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

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

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 FY2015

- **Retail Banking:** The bank has tremendously grown its retail business especially in liability generation. This has been achieved through 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.

- **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 FY2015. 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

Thank you

ZENITH