



FY 2015 Group Results

Presentation to Investors & Analysts

December 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



Nigerian Economy and Key Developments in the Banking Sector

Real GDP Growth (Rebase):

GDP grew at the rate of 2.11% y/y in Q4 2015, down by 383bps from 5.94% recorded in the corresponding quarter of previous fiscal year.

Headline Inflation:

Headline Inflation increased to 9.6% y/y in Dec'15 from 9.4% y/y recorded in Nov'15.

The highest spikes were witnessed in the food & beverage, clothing & footwear and transportation sectors of the economy.

Oil Production & Price:

OPEC Average Monthly Basket Price declined by 25% during the 4th quarter of the year, from \$44.8/bbl recorded in Sept'15 to \$33.6/bbl in Dec'15.

Foreign Reserves:

Nigerian foreign reserves declined by 4.0% during the 4th quarter of the year, from \$30.3bn at the end of Q3 2015 to \$29.1bn at the end of Q4 2015.

Exchange Rate:

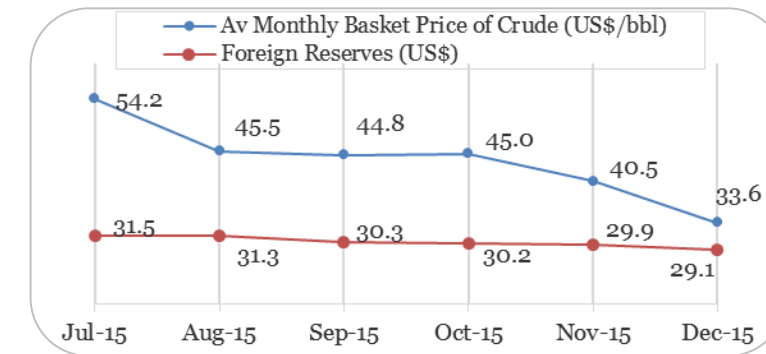
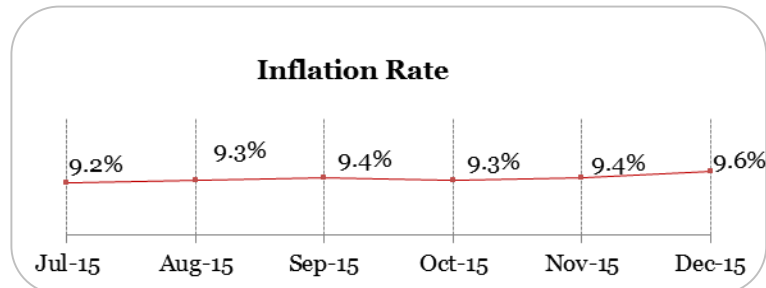
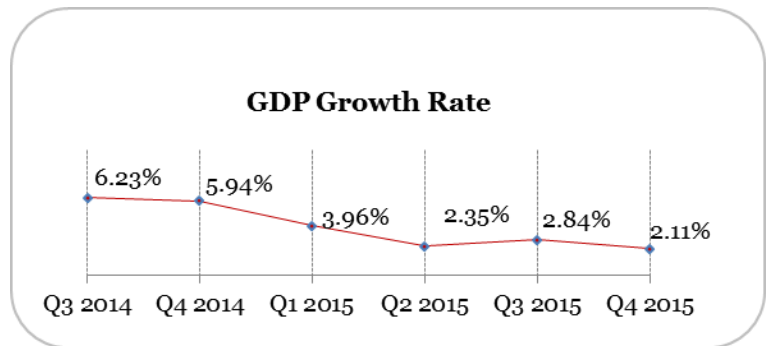
The Naira remained stable at N196.95/\$ (CBN FX rate) and N199.05 (interbank market rate) during Q4 2015.

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); this is an ongoing process.

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

During Q4 2015, MPC reduced CRR from 25% to 20% on condition while MPR was reduced from 13% to 11%



Source: Nigeria Bureau of Statistics
Central Bank of Nigeria
OPEC



New CBN Circulars and Other Directives

General Loan Loss Provisions

- The Central Bank of Nigeria has increased the General Loan Loss Provision (GLLP) for performing loans from 1% to 2%

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

- Biometric Verification Number (BVN) is mandatory for all FX transactions while all accounts yet to be enrolment for BVN have been restricted

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:**

- ✓ Despite the tough operating environment, NPL ratio came in at 2.2% with a coverage ratio of about 96.9%.

❑ **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 FY2013 and FY2014.
- ✓ A final dividend of 155 kobo per share has been proposed for FY2015, which in addition to the 25kobo per share already paid as interim dividend amounts to 180 kobo per share.

❑ **Return On Equity:**

- ✓ ROAE at 18.40% for FY15 and 18.7% for FY2014

❑ **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



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

Key Theme

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

P & L

Gross Earnings: N432.5bn
Net Interest Income: N224.6bn
Net Interest Margin: 8.1%
PBT: N125.62bn
PAT: N105.67bn

+7.2% YoY
+8.8% YoY
-3.6% YoY
+4.9% YoY
+6.3% YoY

Balance Sheet

Customer Deposit: N2.56tn
Total Assets: N4.01tn
Total Shareholders' Funds: N594.35bn
Gross Loans & Advances: N2.03tn

+0.8% YoY
+6.7% YoY
+7.5% YoY
+15.6% YoY

Key Ratios

Loan to Deposit Ratio: 67.2%
Cost to Income Ratio: 57.2%
Liquidity Ratio: 51.4%
Capital Adequacy: 21.0%
Coverage Ratio: 96.9%;
ROAE: 18.4%
EPS: 336k

NPL: 2.2%
Cost of Risk: 0.8%
Cost of Funds: 4.1%



Profit & Loss Statement

(N'm)

Gross Earnings

Continuing Operations:

Interest Income

Interest Expense

Net Interest Income

Impairment Charge for Financial Assets

Net Interest Income after Impairment Charge for Financial Assets

Fees and Commission Income

Trading Income

Other Income

Share of profit of associates

Total Operating Expenses

Profit Before Income Tax

Income Tax Expense

Profit After Tax

	Group 12 mths to Dec-15	Group 12 mths to Dec-14	YOY Change
Gross Earnings	432,535	403,343	7.24%
Continuing Operations:			
Interest Income	348,179	313,422	11.09%
Interest Expense	-123,597	-106,919	15.60%
Net Interest Income	224,582	206,503	8.75%
Impairment Charge for Financial Assets	-15,673	-13,064	19.97%
Net Interest Income after Impairment Charge for Financial Assets	208,909	193,439	8.00%
Fees and Commission Income	60,904	70,512	-13.63%
Trading Income	18,150	15,877	14.32%
Other Income	5,302	3,532	50.11%
Share of profit of associates	228	138	65.22%
Total Operating Expenses	-167,877	-163,702	2.55%
Profit Before Income Tax	125,616	119,796	4.86%
Income Tax Expense	-19,953	-20,341	-1.91%
Profit After Tax	105,663	99,455	6.24%

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



Consolidating earnings and profitability...



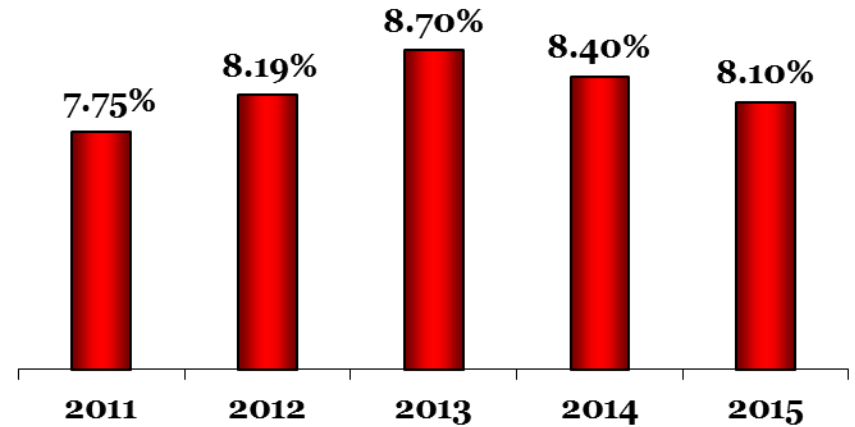
Comments

❑ **Net Interest Margin (NIM)** declined YoY by 3.6% (from 8.4% in 2014 to 8.1% in 2015) as yields on government securities dropped during 2015 financial year.

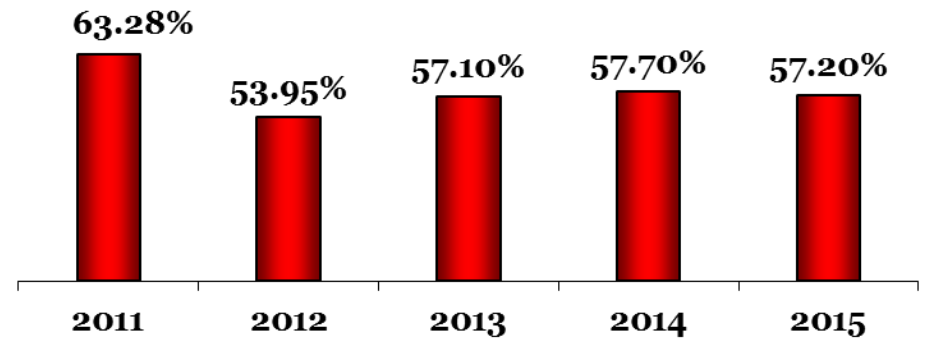
❑ Despite the tough operating environment, **Cost-to-Income Ratio** declined YoY by 0.9% (from 57.7% in 2014 to 57.2% in 2015). Zenith Group is committed to keeping its cost-to-income ratio under control.

❑ **PBT** increased by 4.9% YoY from N119.80bn in 2014 to N125.62bn in 2015 while **PAT** increased by 6.2% YoY from N99.46bn in 2014 to N105.66bn in 2015.

Net Interest Margin



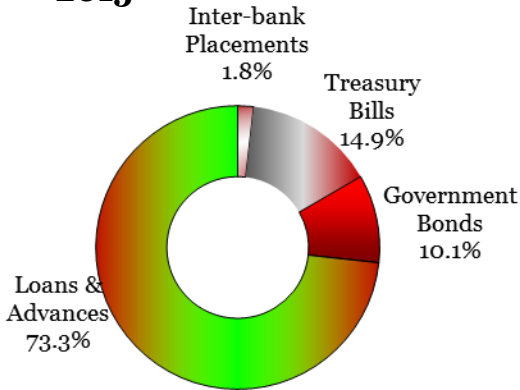
Cost to Income Ratio





Interest Income

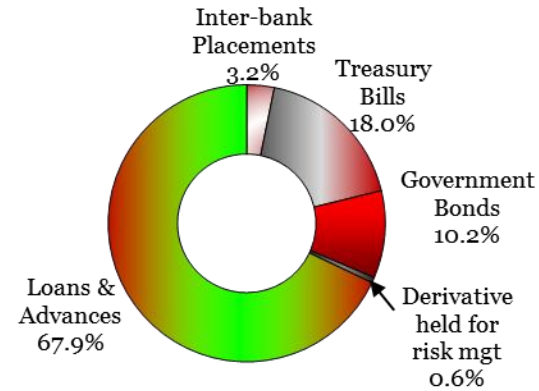
2015



N'million	2015	2014	YoY
Inter-bank Placements	6,232	10,026	-38%
Treasury Bills	51,809	56,463	-8%
Government Bonds	34,998	31,997	9%
Derivative held for risk mgt	-	1,972	-100%
Loans & Advances	255,140	212,964	20%
Total	348,179	313,422	11%

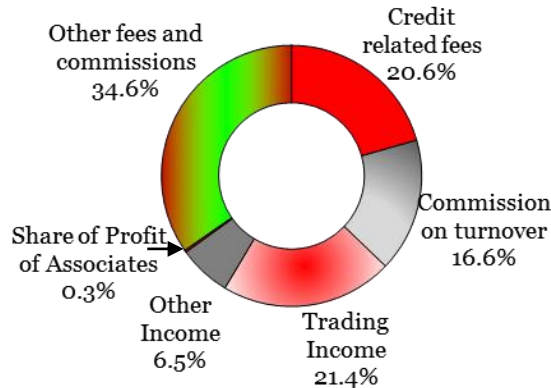
- ✓ Interest income from loans and advances increased by 20% YoY as a result of loan growth and appropriate pricing of risk assets
- ✓ Interest income from interbank placements decreased by 38% as a result of the drop in interbank rate during 2015 financial year

2014



Non-Interest Income

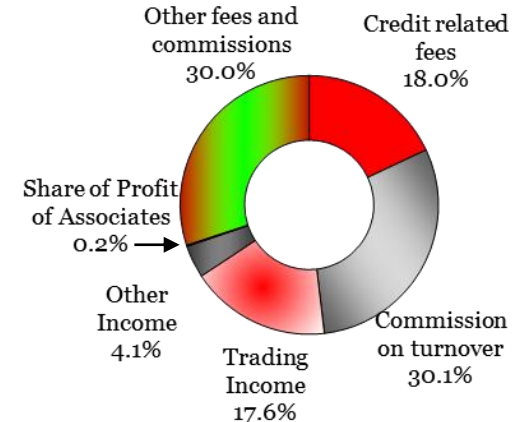
2015



N'million	2015	2014	YoY
Credit related fees	17,466	16,251	7%
Commission on turnover	14,051	27,165	-48%
Trading Income	18,150	15,877	14%
Other Income	5,530	3,670	51%
Share of Profit of Associates	228	138	65%
Other fees and commissions	29,387	27,096	8%
Total	84,812	90,197	-6%

- ✓ COT declined by 48% due to the phased out COT and adjustment of the effective date from April 1st to January 1st 2015

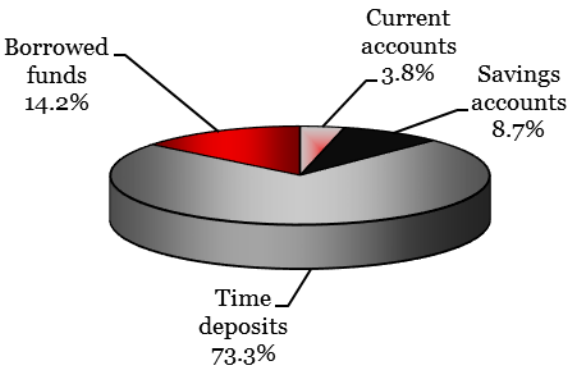
2014





2015

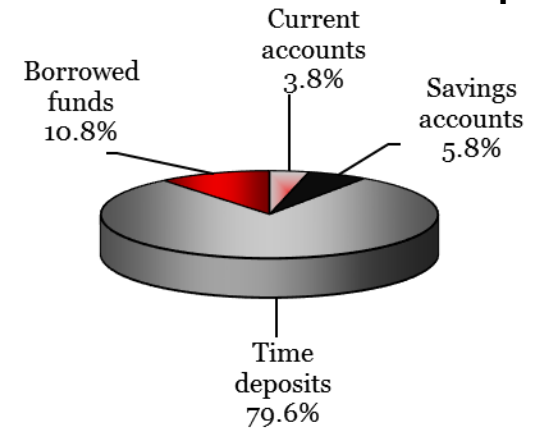
Interest Expenses



N'million	2015	2014	YoY
Current accounts	4,638	4,020	15%
Savings accounts	10,771	6,183	74%
Time deposits	90,591	85,156	6%
Borrowed funds	17,597	11,560	52%
Total	123,597	106,919	16%

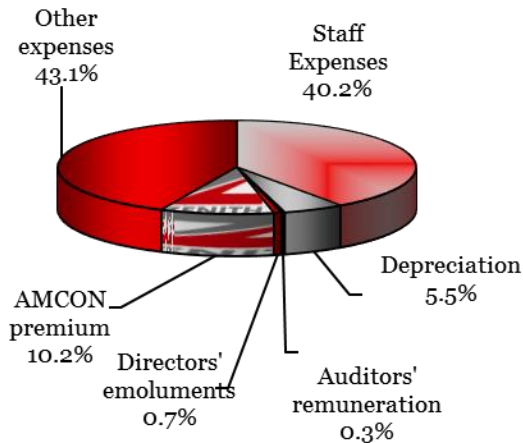
✓ Interest expense was up by 16% YoY as a result of the increase in funding sources

2014



2015

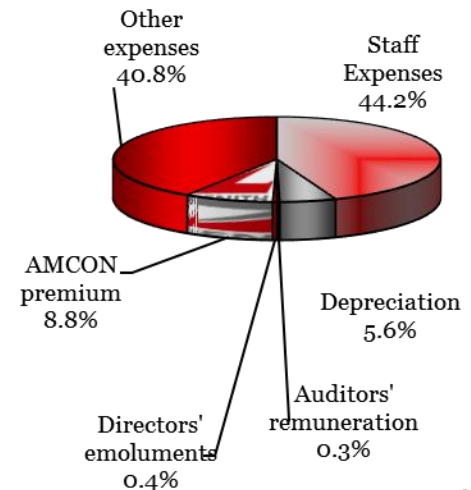
Total Operating Expenses



N'million	2015	2014	YoY
Staff Expenses	67,522	72,320	-7%
Depreciation	9,188	9,087	1%
Auditors' remuneration	546	460	19%
Directors' emoluments	1,145	630	82%
AMCON premium	17,119	14,393	19%
Other expenses	72,357	66,812	8%
Total	167,877	163,702	3%

✓ Total operating expense increased marginally by 3%, driven by the consistent rise in inflation and AMCON charge.
 ✓ Staff cost reduced by 7% as the Bank continues its efficiency drive

2014





Balance Sheet- Assets

(N'm)	Group	Group	YOY
	Dec-15	Dec-14	Change
Cash and balances with central banks	761,561	752,580	1.19%
Treasury bills	377,928	295,397	27.94%
Assets Pledged as collateral	265,051	151,746	74.67%
Due from other banks	272,194	506,568	-46.27%
Derivative assets	8,481	17,408	-51.28%
Loans and advances	1,989,313	1,729,507	15.02%
Investment securities	213,141	200,079	6.53%
Investments in associates	530	302	75.50%
Deferred tax assets	5,607	6,449	-13.06%
Other assets	22,774	21,455	6.15%
Property and equipment	87,022	71,571	21.59%
Intangible assets	3,240	2,202	47.14%
Total Assets	4,006,842	3,755,264	6.70%

Sustained Balance sheet strengthening and Growth with strong liquidity.



Balance Sheet- Liabilities & Equity



(N'm)

Customers deposits
 Derivative Liabilities
 Current income tax payable
 Deferred income tax liabilities
 Other liabilities
 On-lending facilities
 Borrowings
 Debt Securities Issued
Total liabilities

	Group Dec-15	Group Dec-14	YOY Change
Customers deposits	2,557,884	2,537,311	0.81%
Derivative Liabilities	384	6,073	-93.68%
Current income tax payable	3,579	10,042	-64.36%
Deferred income tax liabilities	19	-	-
Other liabilities	205,062	289,858	-29.25%
On-lending facilities	286,881	68,344	319.76%
Borrowings	258,862	198,066	30.69%
Debt Securities Issued	99,818	92,932	7.41%
Total liabilities	3,412,489	3,202,626	6.55%

(N'm)

Share capital
 Share premium
 Retained earnings
 Other reserves
Total Shareholder's funds
 Non-controlling interest
Total liabilities & equity

	Group Dec-15	Group Dec-14	YOY Change
Share capital	15,698	15,698	0.00%
Share premium	255,047	255,047	0.00%
Retained earnings	200,115	183,396	9.12%
Other reserves	122,900	97,945	25.48%
Total Shareholder's funds	594,353	552,638	7.55%
Non-controlling interest	593	552	7.43%
Total liabilities & equity	4,006,842	3,755,264	6.70%

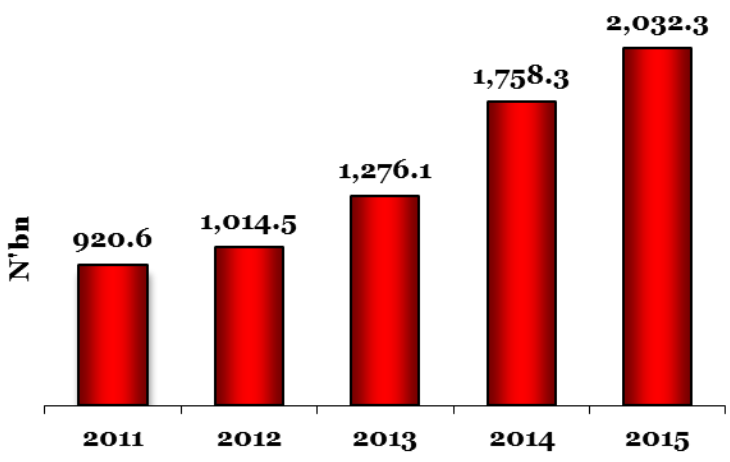
Strong Capital base.... Remains a solid buffer against any adverse event



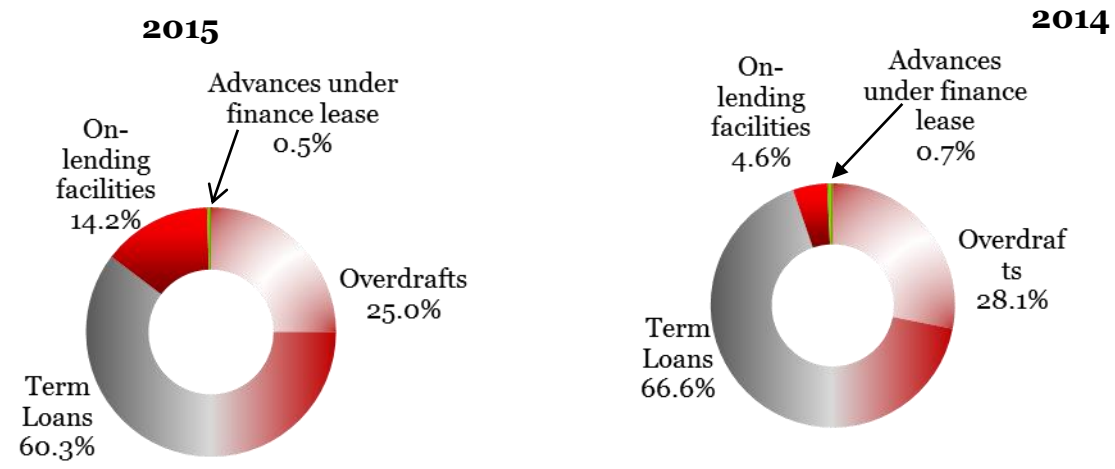
Sustained assets & liabilities match.....



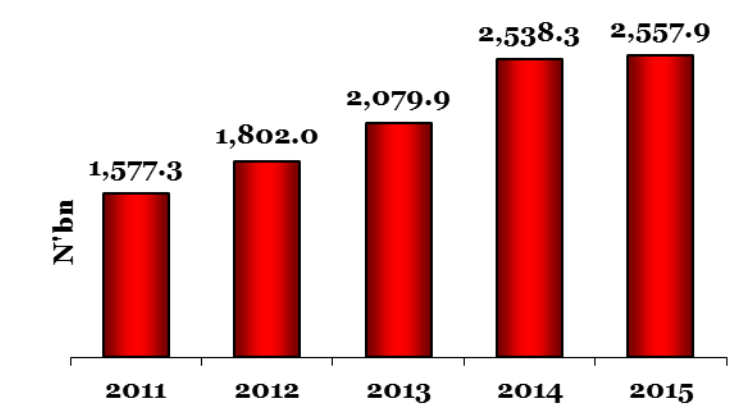
Loan Growth



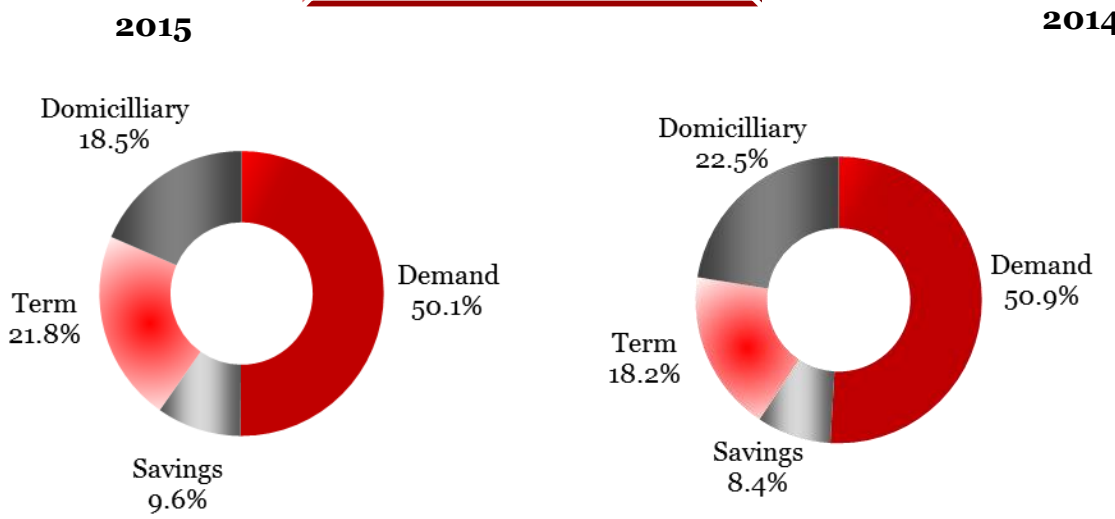
Loans & Advances



Deposit Growth



Deposit Mix





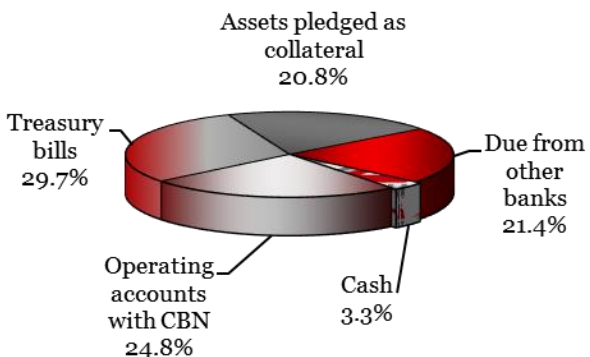
Continued market dominance through strong liquid asset base and funding mix...



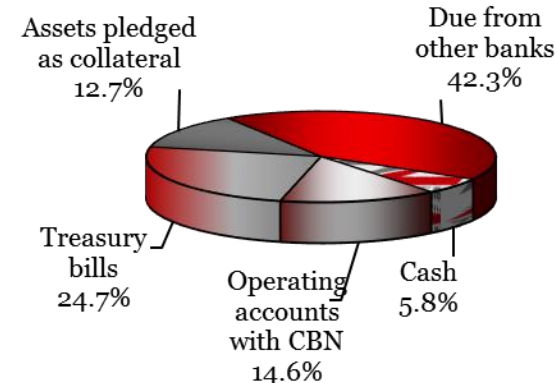
2015

Liquid Assets

2014



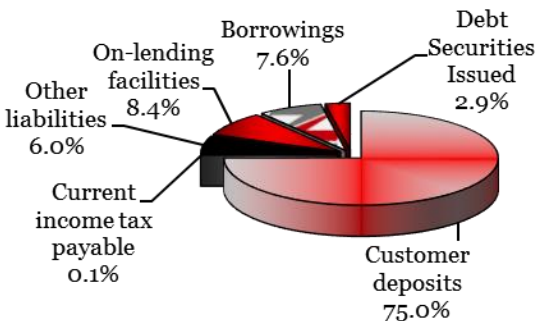
N'million	2015	2014	YoY
Cash	41,649	70,084	-41%
Operating accounts with CBN	316,358	174,350	81%
Treasury bills	377,928	295,397	28%
Assets pledged as collateral	265,051	151,746	75%
Due from other banks	272,194	506,568	-46%
Total	1,273,180	1,198,145	6%



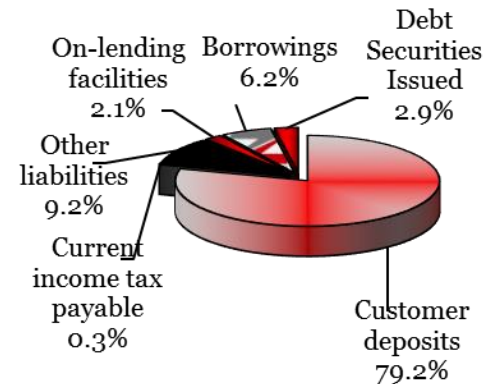
2015

Funding Mix

2014



N'million	2015	2014	YoY
Customer deposits	2,557,884	2,537,311	1%
Current income tax payable	3,579	10,042	-64%
Other liabilities	205,465	295,931	-31%
On-lending facilities	286,881	68,344	320%
Borrowings	258,862	198,066	31%
Debt Securities Issued	99,818	92,932	7%
Total	3,412,489	3,202,626	7%



12 Months Ended Dec 2015 (N'm)

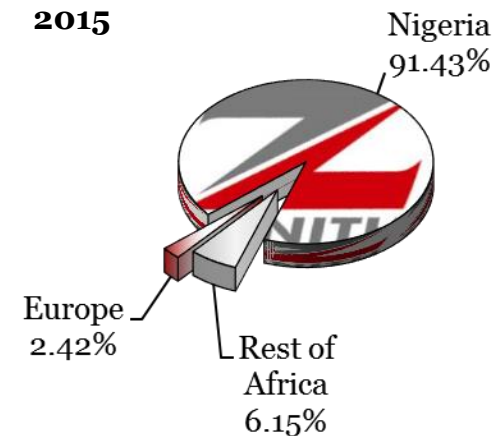
	Nigeria	Rest of Africa	Europe	Eliminations	Consolidated
Total Revenue	403,658	27,147	10,686	-8,956	432,535
Share of profit of Associates	-	-	-	228	228
Total Expense	-282,338	-20,528	-9,279	4,998	-307,147
Profit Before Tax	121,320	6,619	1,407	-3,730	125,616
Tax	-17,782	-1,819	-352	-	-19,953
Profit After Tax	103,538	4,800	1,055	-3,730	105,663

12 Months Ended Dec 2014 (N'm)

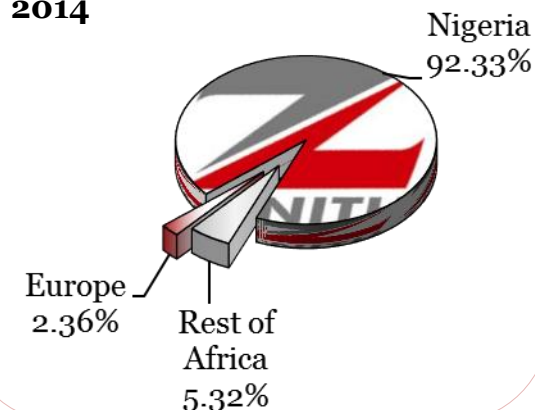
	Nigeria	Rest of Africa	Europe	Eliminations	Consolidated
Total Revenue	377,734	26,630	10,622	-11,643	403,343
Share of profit of Associates	-	-	-	138	138
Total Expense	-264,972	-16,376	-7,454	5,117	-283,685
Profit Before Tax	112,762	10,254	3,168	-6,388	119,796
Tax	-16,526	-3,047	-768	-	-20,341
Profit After Tax	96,236	7,207	2,400	-6,388	99,455

Gross Revenue

2015



2014



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

P&L – By Sector



**12 Months Ended
Dec 2015 (N'm)**

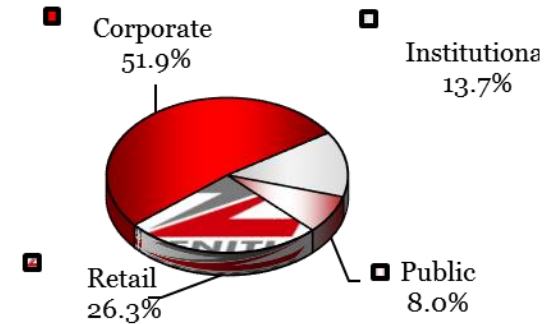
	Corporate	Institutional	Public	Retail	Consolidated
Total Revenue	224,508	59,443	34,642	113,942	432,535
Total Expenses	-159,567	-44,561	-24,730	-78,061	-306,919
Profit Before Tax	64,941	14,882	9,911	35,882	125,616
Tax	-10,315	-2,364	-1,574	-5,700	-19,953
Profit After Tax	54,626	12,518	8,337	30,182	105,663

**12 Months Ended
Dec 2014 (N'm)**

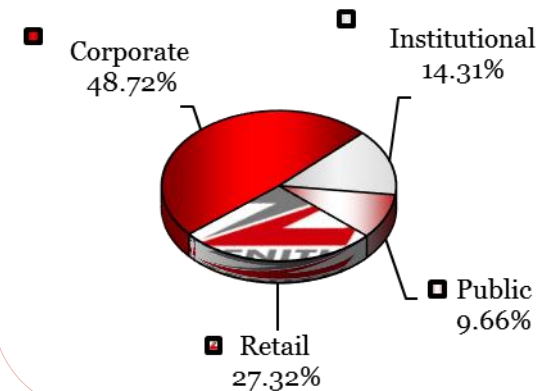
	Corporate	Institutional	Public	Retail	Consolidated
Total Revenue	196,494	57,713	38,961	110,176	403,343
Total Expenses	-143,408	-48,203	-35,368	-56,568	-283,547
Profit Before Tax	53,085	9,510	3,593	53,608	119,796
Tax	-9,014	-1,615	-610	-9,102	-20,341
Profit After Tax	44,072	7,896	2,983	44,505	99,455

Gross Revenue

2015



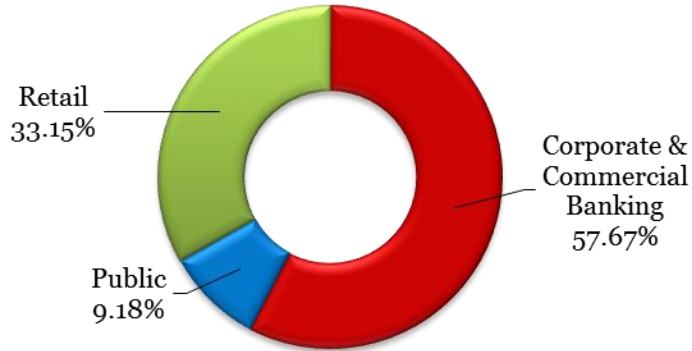
2014



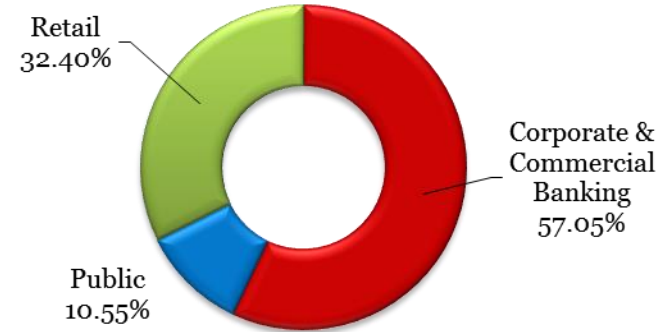
Improved profitability on core business segments



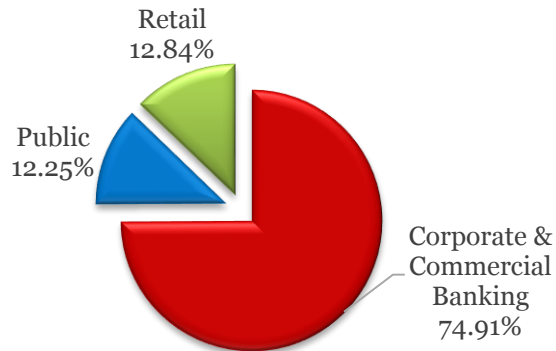
Deposits & Loans – By Sector



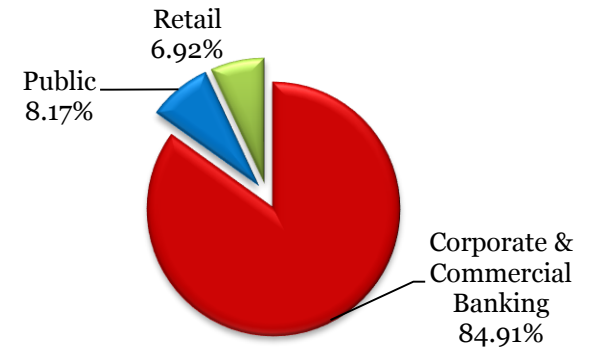
2015 Total Deposits - ₦2.56tn



2014 Total Deposits - ₦2.54tn



2015 Gross Loans - ₦2.03tn

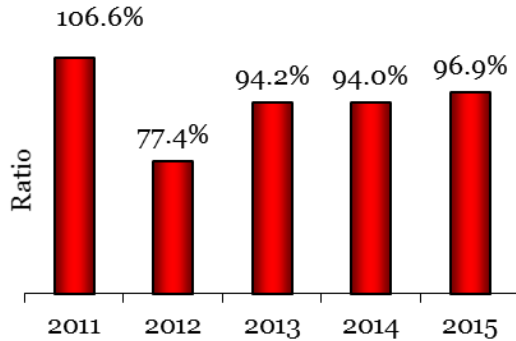


2014 Gross Loans - ₦1.76tn

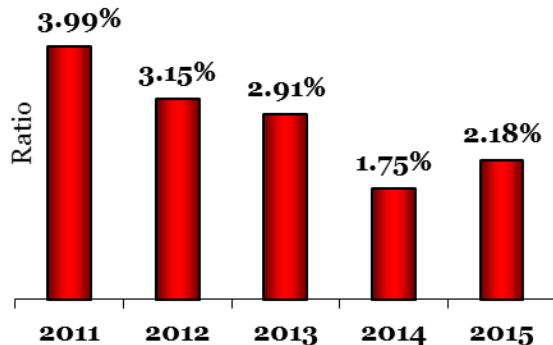


Our Risk Management Strategy

NPL Coverage Ratio



NPL Ratio



- ✓ 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 located in high cash generating areas like Ikeja and Eko DISCOS
 - ✓ The bank supported customers with other thriving businesses

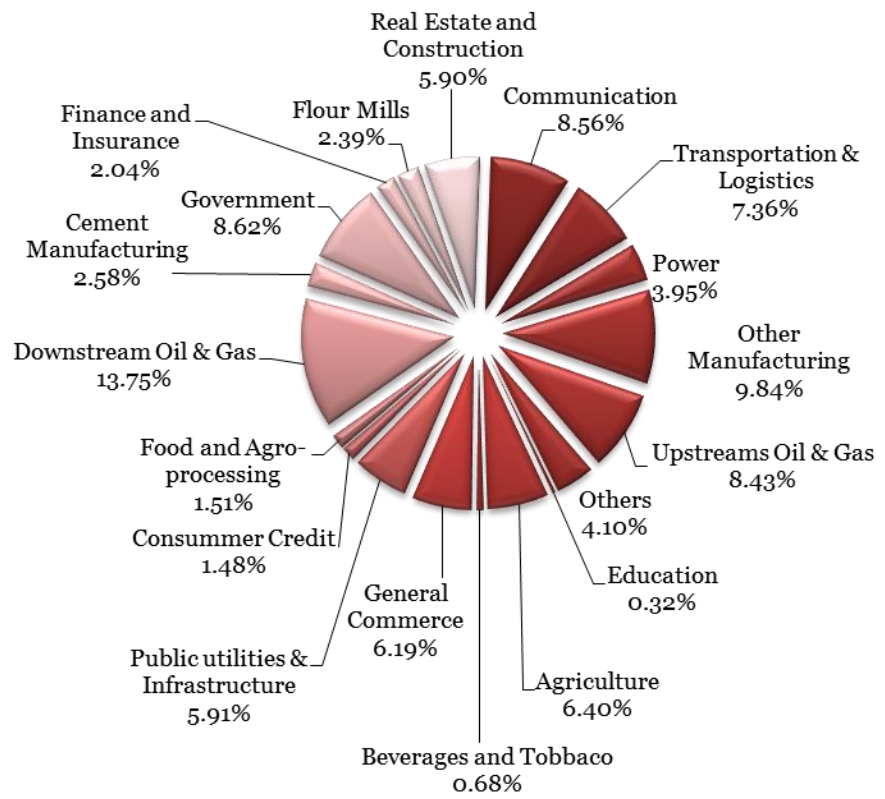
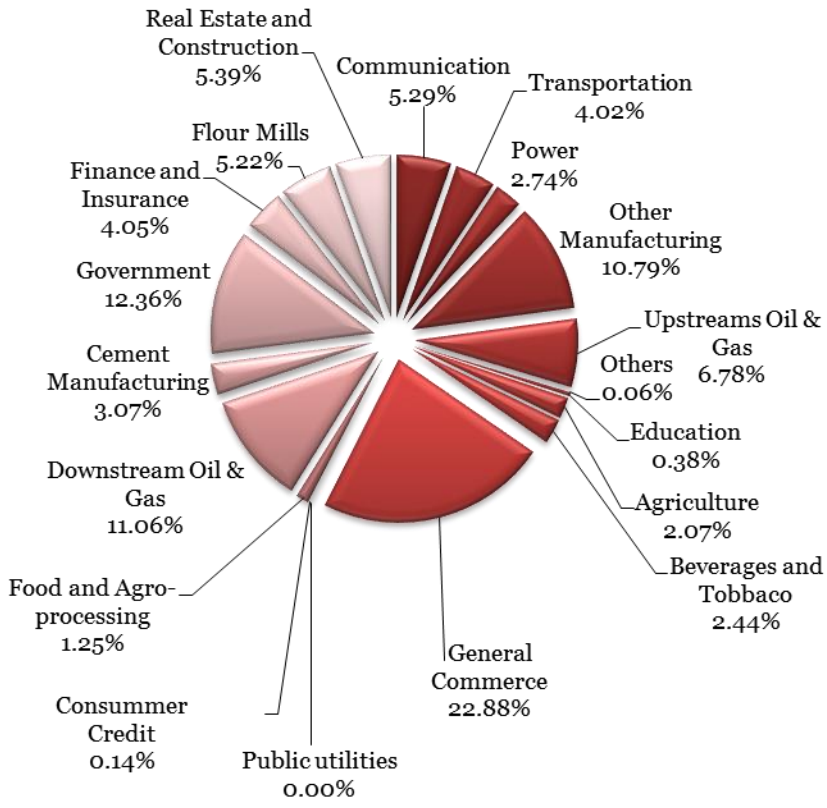


Focused risk management via portfolio diversification



Loans by Sector – 2015

Loans by Sector – 2014



o Gross Loans – N2.03tn

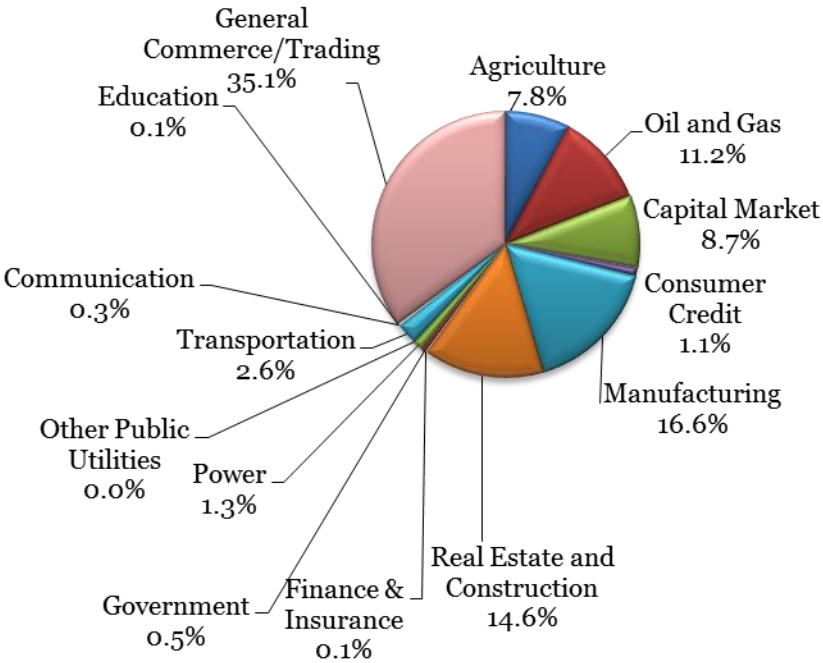
o Gross Loans – N1.76tn

Well Diversified Loan Portfolio



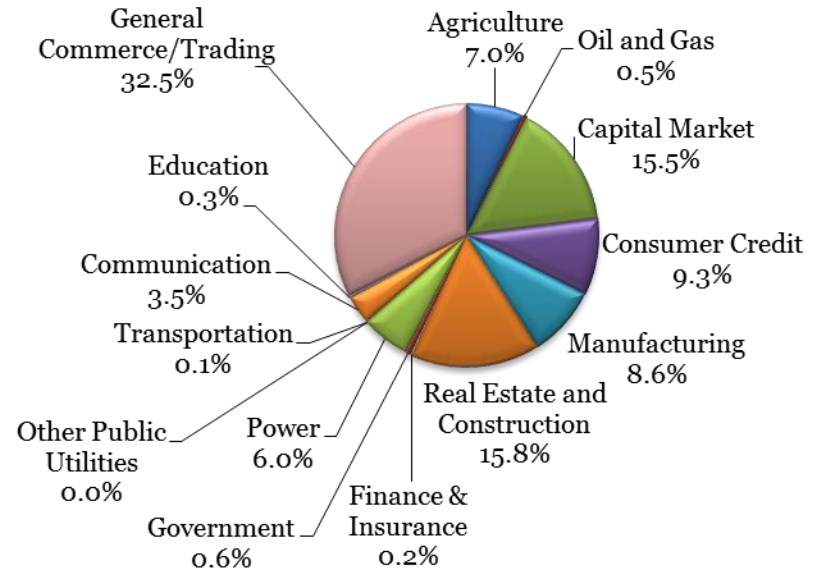
NPL by Sectors

2015



- Total NPLs – N44.90bn
- NPL Ratio – 2.2%

2014



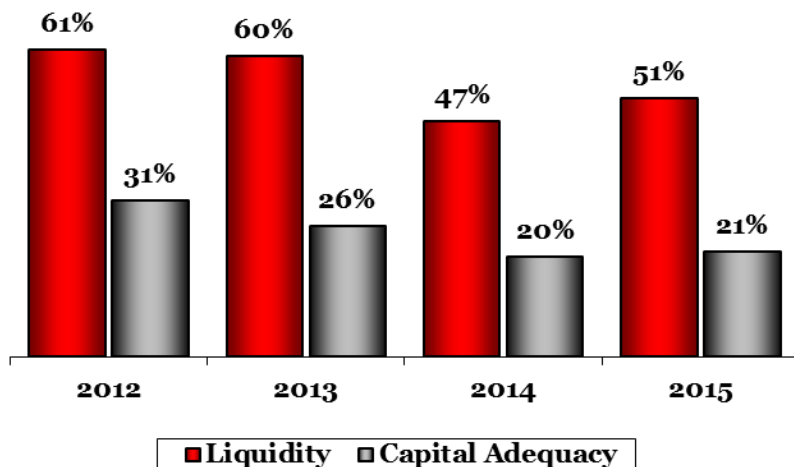
- Total NPLs – N30.77bn
- NPL Ratio – 1.8%

- We continue to develop our Risk Management Strategy and improve on the quality of our loan portfolio.
- Overall NPL ratio of 2.2% is currently one of the lowest in the industry



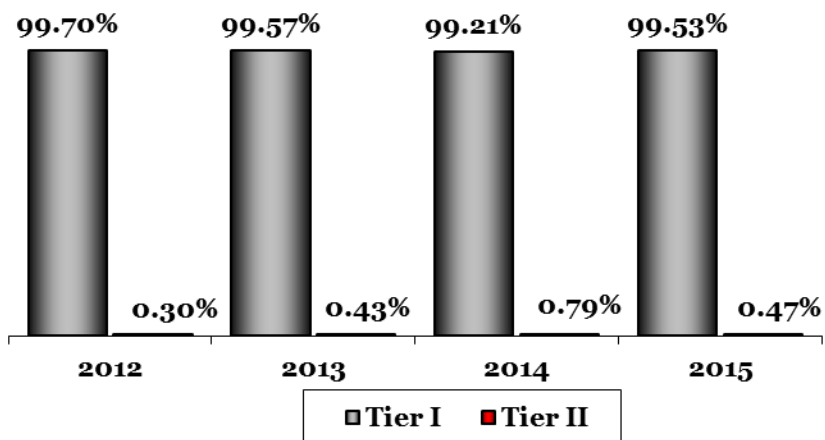
Strong Capitalization and Liquidity

Liquidity and Capital Adequacy



Capital and liquidity ratios for the Bank – well above industry requirements of 30% for Liquidity and 16% Capital Adequacy Ratio for Banks with international authorization and are 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.



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 FY2016



- ❑ **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.



Guidance for FYE 2016

	FYE 2015 Achieved	FYE 2016 Projection
Capital Adequacy	21.00%	19.00%
ROAE	18.40%	18.50%
Cost to Income	57.20%	55.00%
ROAA	2.70%	2.60%
NIM	8.10%	8.00%
Liquidity Ratio	54.10%	44.00%
NPL	2.18%	2.50%
NPL Coverage	96.90%	95.00%
Loan to Deposit	67.20%	65.00%
Cost of Funds	4.10%	4.30%
Cost of Risk	0.80%	1.00%
Deposit Growth	0.80%	10.00%
Loan Growth	15.60%	5 -10%
PBT	N125.62bn	N126.00bn
*Effective Tax Rate	15.88%	19%
PAT	N105.66bn	N102.06bn

Thank you

