CREDIT OPINION
18 June 2025

Update

Send Your Feedback

Zenith Bank Plc

Update following upgrade to B3, outlook changed to stable

RATINGS

Zenith Bank Plc

Domicile	Lagos, Nigeria
Long Term CRR	B2
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	(P)B3
Type	Senior Unsecured MTN - Fgn Curr
Outlook	Not Assigned
Long Term Deposit	B3
Type	LT Bank Deposits - Fgn Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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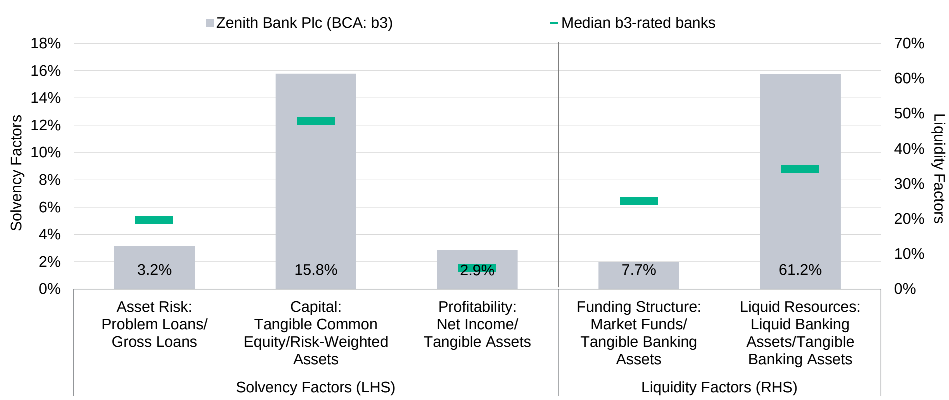
Summary

Zenith Bank Plc's (Zenith) B3 long-term deposit ratings is aligned with its b3 Baseline Credit Assessment (BCA). Although we believe there is a high probability that the Government of Nigeria (B3 stable) would support the bank's senior liabilities in case of need, this does not benefit the ratings as the bank's b3 BCA is aligned with the government's B3 issuer rating.

Zenith's BCA is constrained at b3 (in line with the government rating of B3 stable), given the high interlinkages between the sovereign's creditworthiness and the bank's balance sheet. The b3 BCA further captures the bank's strong capitalisation, high profitability underpinned by the bank's disciplined approach and strong ties with large corporates, and its deposit-funded balance sheet combined with its conservative management of foreign currency liquidity (supported by strong ties with large oil and non-oil exporting corporates). These strengths are moderated by the bank' asset quality exposed to a lagged impact of elevated inflation, local currency devaluation and high interest rates, and the exposure to the still fragile operating environment in Nigeria.

Exhibit 1
Rating Scorecard - Key financial ratios



The problem loan and profitability ratios (in this exhibit and the scorecard) are the weaker of the average of three-year ratios and the latest reported quarterly ratio. The capital ratio is the latest reported figure. The funding and liquid assets ratios are the latest year-end figures.
Source: Moody's Ratings

Credit strengths

» Strong capitalisation provides some buffer against a potential further currency depreciation

» Strong profitability underpinned by the bank's disciplined approach, robust franchise and strong ties with large corporate clients

» Conservative management of foreign currency liquidity moderates the risk from FX shortages in Nigeria

» High probability of government support in case of need

Credit challenges

» Challenging (but noticeably improving) operating environment in Nigeria

» Lagged impact of elevated inflation, local currency devaluation and high interest rates poses risks to the bank's asset quality

» Sovereign exposure creates interlinkages between the sovereign's creditworthiness and the bank's balance sheet

Outlook

The stable outlook on the long-term deposit ratings is in line with the stable outlook of Nigeria's government rating, and also reflects our expectation that the bank's financial performance will remain broadly stable.

Factors that could lead to an upgrade

The ratings could be upgraded if there was a material improvement in the sovereign's credit profile and in the local operating environment, and provided that the bank maintains its resilient financial performance.

Factors that could lead to a downgrade

The ratings could be downgraded if there was (a) a deterioration in the sovereign's credit profile, and/or (b) a significant weakening in the operating environment in Nigeria, and/or (c) a material deterioration in the bank's solvency and liquidity.

Key indicators

Exhibit 2

Zenith Bank Plc (Consolidated Financials) [1]

	03-25[2]	12-24[2]	12-23[2]	12-22[2]	12-21[2]	CAGR/Avg.[3]
Total Assets (NGN Million)	32,415,395.0	29,957,525.0	20,368,455.0	12,285,629.0	9,447,843.0	46.1[4]
Total Assets (USD Million)	21,123.4	19,402.5	22,694.7	26,664.4	22,834.7	(2.4)[4]
Tangible Common Equity (NGN Million)	4,008,200.0	3,607,587.0	2,097,824.0	1,305,896.0	1,208,044.0	44.6[4]
Tangible Common Equity (USD Million)	2,611.9	2,336.5	2,337.4	2,834.3	2,919.7	(3.4)[4]
Problem Loans / Gross Loans (%)	3.5	3.1	4.4	1.9	4.2	3.4[5]
Tangible Common Equity / Risk Weighted Assets (%)	--	15.8	14.2	15.9	15.4	15.3[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	7.7	7.4	12.0	5.6	10.8	8.7[5]
Net Interest Margin (%)	7.5	6.6	4.7	3.5	3.8	5.2[5]
PPI / Average RWA (%)	--	11.1	10.4	5.1	4.7	7.8[6]
Net Income / Tangible Assets (%)	3.9	3.5	3.3	1.8	2.6	3.0[5]
Cost / Income Ratio (%)	40.9	29.0	26.9	45.4	46.0	37.7[5]
Market Funds / Tangible Banking Assets (%)	11.1	7.7	8.6	10.4	12.5	10.1[5]
Liquid Banking Assets / Tangible Banking Assets (%)	57.4	61.2	57.4	60.0	54.7	58.1[5]
Gross Loans / Due to Customers (%)	48.9	50.1	46.5	45.9	54.1	49.1[5]

[1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel II; IFRS. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel II periods.
Sources: Moody's Ratings and company filings

Profile

Zenith Bank Plc (Zenith) is a Nigeria-based bank established in 1990, and is listed on the Nigeria Stock Exchange (NGX). Zenith is the third largest bank in Nigeria, with a market share of 18% of total banking assets and reported total consolidated assets of $19 billion (NGN 30 trillion) as of December 2024. Zenith is regulated by the Central Bank of Nigeria (CBN) and is a domestic systemically important bank in Nigeria.

Zenith operates four main business segments: Corporates (61% of its gross revenue during the full year 2024), Commercial & SMEs (20%), Public (10%) and Retail (9%). Zenith has international operations with subsidiaries across six countries (Nigeria, UK, Ghana, Sierra Leone, Gambia and UAE) and a representative office in China. As of December 2024 80% of Zenith's assets were located in Nigeria.

Detailed credit considerations

Despite solid asset quality metrics, asset risks remain high due to elevated inflation, high interest rates and currency pressures

Zenith's problem loans to gross loans ratio was at 3.5% as of March 2025 (down from 4.4% as of December 2023), and compared to the 5.1% average amongst Nigerian rated banks[1]as of December 2024. Similar to other Nigerian banks, Zenith's relatively high stock of restructured loans, primarily comprising exposures to the oil and gas sector, poses some risk to asset quality. The bank reported high Stage 2 loans at 30% of total gross loans as of March 2025.

We expect Zenith's asset quality to remain solid, reflecting its disciplined and robust risk management, along with the skew of its loan book towards the more resilient large corporates. In addition, Zenith's decision during 2023-24 to allocate a portion of its large FX gains to build up its loan loss reserves provides the bank with buffer against potential asset quality deterioration. Zenith's cost of risk increased materially to 6.2% during full year (FY) 2024 and 7.5% during FY 2023, which led to an improvement in its problem loans coverage ratio. As a result the bank's loan loss reserves to problem loans was a high 266% of problem loans as of March 2025, from 139% as of December 2022.

Nonetheless, we expect all Nigerian banks to face some asset quality pressures, as the lagged impact of local currency devaluation (during 2023-24), elevated inflation and high interest rates together weigh on the repayment capacity of borrowers. This is partly because business costs and expenses rise owing to both the higher cost of locally sourced goods (due to the elevated inflation) and the higher local currency value of imported items (due to local currency devaluation).The proportion of foreign currency loans in Zenith's loan book increased as a result of the material devaluation to 54% of loans as of December 2024, however related risks are mitigated by the fact that the majority of foreign currency borrowers in the bank's loan book have a natural hedge, given that they operate in the upstream oil and gas sector and hence their revenues are in US dollar currency. Furthermore, the balance of foreign currency borrowers at Zenith, which typically borrow US dollars for trade finance imports, are required by the bank to post sizeable collateral in foreign currency before initiation of the trade finance transaction.

Recent rights issue has strengthened capital metrics, while also providing a buffer against a potential further currency devaluation

Zenith's reported Tier 1 ratio was 20.6% as of December 2024, compared to 18.0% as of December 2023. Additionally, Zenith's shareholders' equity / total assets (an unweighted measure of capital) stood at 13.4% and remained the second highest in the country. Going forward, we expect the bank's capitalisation to remain strong, reflecting its high profitability and prudent dividend policy. Zenith's capitalisation metrics can also withstand some additional naira devaluation and any renewed asset quality pressures.

The bank's tangible common equity (TCE) to risk weighted assets increased to 15.8% as of December 2024, from 14.2% in December 2023, well above the average TCE ratio of 13.4% as of June 2024 calculated for the local peers.[2] We adjust the denominator at the bank's TCE ratio risk weighting on the bank's holding of Nigerian government securities, in line with the Basel II framework.

The material devaluation in the local currency during 2023-2024 had relatively limited implications on the capital metrics of Zenith reflecting the balance between (a) the bank's sizeable long net open position in foreign currency (which generated material FX gains) carried until regulatory changes in early 2024; (b) the NGN350 billion regulatory capital raised since the Central Bank of Nigeria (CBN) announced its capital raising exercise in March 2024; (c) the bank's noticeable exposure to foreign currency loans, which resulted in higher risk weighted assets in local currency; and (d) the bank's conservative approach in materially increasing its loan loss reserves through impairment charges. As of June 2025, Zenith has surpassed the NGN500 billion regulatory capital requirement for banks with an international banking license.

Strong profitability underpinned by the bank's disciplined approach, robust franchise and strong ties with large corporate clients

Zenith's robust profitability will continue to reflect its established and leading corporate banking franchise, supported by the bank's strong ties with large corporate clients and their supply chains. Going forward, we expect the bank's profitability to remain strong, but be lower than in 2023-24 driven by: (1) both interest rates and the exchange rate stabilising following material volatility (during 2023-24) that supported interest income and foreign exchange income; (2) low foreign currency liquidity in the country will continue to constrain the access of local corporates to US dollars, and hence affect the bank's business generation; (3) increasing operating expenses, due to still high inflation and continued high regulatory costs. Nonetheless, the following factors will maintain the bank's profitability strong: (1) the still high policy rates and net interest margins, and this is despite the high cash reserve requirements that are non-remunerated; and (2) the normalisation of provisioning charges, off a high base in 2023 and 2024.

Zenith's net income to tangible assets ratio stood at 3.5% during full year (FY) 2024 (3.9% in first quarter 2025) compared to 3.3% during FY 2023. Zenith's net interest margins increased to 6.6% during FY 2024 (7.5% in first quarter 2025), compared to 4.7% in FY 2023, as the bank's assets repriced faster than liabilities in the higher interest rate environment. The contribution of non-interest income to total revenue was 40% in FY 2024, providing some level of diversification to the top line profitability. Zenith's cost to income ratio was at 29% (41% in first quarter 2025). The bank's provisioning policy remained conservative, with loan loss provisions consuming 29% of-pre provision income during FY 2024 (9% in first quarter 2025) and 33% in FY 2023.

Zenith's conservative management of foreign currency liquidity partly moderates the risk posed by foreign currency shortages in Nigeria

Foreign currency shortages faced by local Nigerian non-financial corporates still pose some risk to Nigerian banks through their trade finance activities with those corporates. However, the clearing over recent months of a significant portion of unsettled central bank forwards[3] (estimated to have peaked at around $6.8 billion around mid-2023 for the entire banking system), combined with the repayment of some central bank's swaps at maturity, have together helped reduce the FX liquidity risks for banks.

For Zenith, foreign currency liquidity is supported by its dominant position and strong ties with large oil and non-oil exporting corporates, placing their foreign currency revenues with the bank. The fact that Zenith's foreign currency funding is primarily sourced from depositors, development financial institutions and international banks (as opposed to the more expensive eurobonds or other type of debt securities) helps reduce the bank's debt servicing costs in US dollars. Zenith's strong foreign currency liquidity management is also evident from (a) the requirement for significant US dollar cash cover before opening letter of credits for clients; (b) its strict acceptance criterion for discounting to spot the US dollar forwards instruments held by its clients; and (c) the collection of transaction fees in US dollar (as opposed to local currency equivalent) for US dollar transactions.

Separately, the large amounts of foreign currency lent by Nigerian banks (including Zenith) to the central bank pose some roll-over risk in the context of foreign currency shortages in the country. As of December 2024, we note that 19.7% (NGN5.9 trillion, USD3.8 billion) of the bank's assets are in the form of restricted and unrestricted central bank reserves.

Robust local currency liquidity

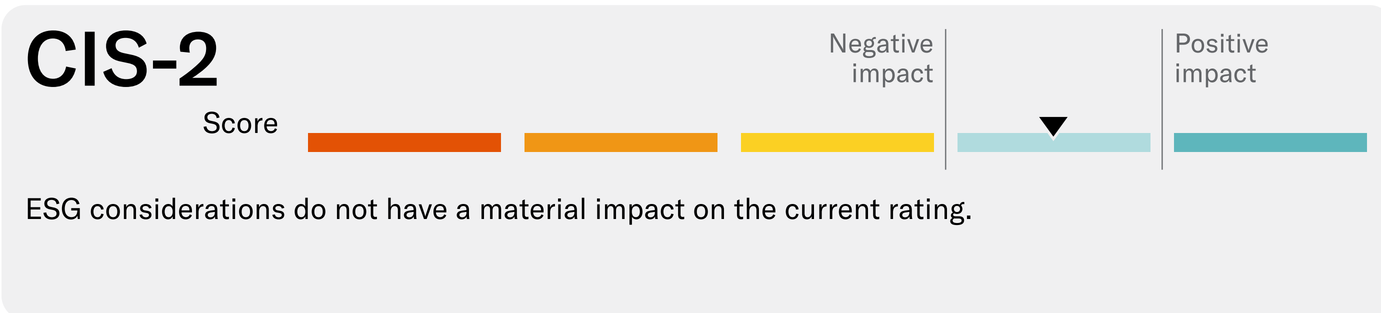
We expect Zenith's local currency liquidity to remain sound. The bank's liquid banking assets to tangible banking assets ratio stood at 57.4% as of March 2025. When excluding the deposits encumbered with the central bank (owing to the high cash reserve requirement in the country), the bank's liquid banking assets to tangible assets ratio declines to a still sound 43% as of December 2024. Zenith's reported liquidity ratio was 83% as of December 2024, which is well above the 30% regulatory minimum.

We expect Zenith's balance sheet to remain predominantly deposit funded - customer deposits made up 81% of the bank's non-equity funding as of March 2025 - with a low reliance on market funds. The bank's exposure to non-retail deposits at 52% of total deposits poses some risk as such deposits tend to be more confidence sensitive than retail deposits. However, the historical stickiness of those deposits, as well as the deep nature of the relationship between the bank and those entities, reduces the aforementioned risk. In addition, the diversified nature of these non-retail deposits in terms of segments (including corporate deposits, commercial & SME deposits, as well as public sector deposits) also mitigates the risk. The bank's market funding ratio remains low at 11.1% as of March 2025.

ESG considerations

Zenith Bank Plc's ESG credit impact score is CIS-2

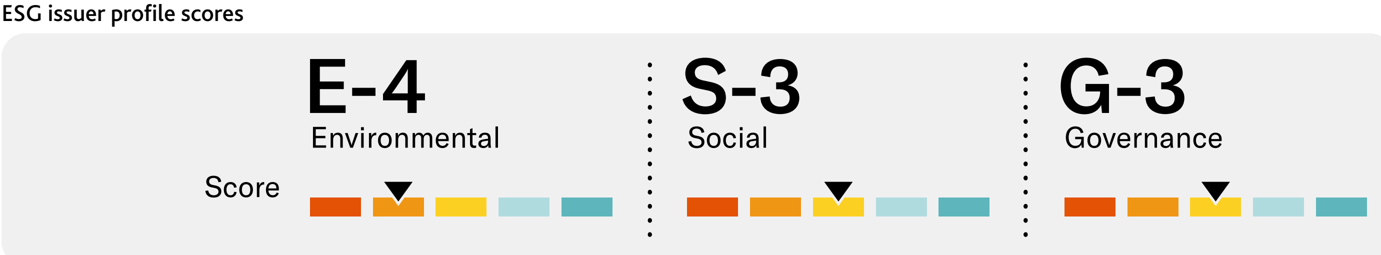
Exhibit 3
ESG credit impact score



Source: Moody's Ratings

Zenith Bank's **CIS-2** indicates that the high probability of government support in case of need mitigates the potential risk that environmental, social and governance factors pose to the bank's credit profile.

Exhibit 4
ESG issuer profile scores



Source: Moody's Ratings

Environmental

Zenith Bank faces high environmental risks. Carbon transition risks reflect the bank's exposure to oil and gas lending, and to holdings of Nigerian government securities. Moreover, the important role played by hydrocarbons for the Nigerian economy and government revenue increases the vulnerability to carbon transition risks, potentially more broadly affecting the creditworthiness of the bank's counterparties. In line with peers, the bank is facing mounting business risks and stakeholder pressure to meet broader carbon transition goals. The bank also faces moderate portfolio exposure to physical climate risk, water management, and waste and pollution risks. Mitigants to environment risks include Zenith Bank's loan book diversification and exposure to the affluent portion of the population.

Social

Zenith Bank faces moderate social risks. Customer relations risk exposure is lower than the banking industry average, reflecting the fact that Nigerian banks have historically faced limited legal and regulatory actions related to mis-selling or mis-representation. High personal data risks are partly mitigated by a solid IT framework. Risks related to societal and demographic trends are also lower than those for global peers, with the bank benefitting from Nigeria's young population and an increase in digitalisation and financial inclusion.

Governance

Zenith Bank's governance risks are moderate. The bank has strong risk management practices that compare favourably with most local peers, as well as a track record of disciplined financial strategy. However, financial strategy and risk management risks for Zenith Bank are moderate, reflecting the constraints resulting from operating in a country with weak control of corruption.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Support and structural considerations

Government support

Zenith' B3 deposit ratings do not incorporate any rating uplift from its b3 BCA. The absence of government support uplift for the bank's deposit ratings, despite Moody's assessment of a 'high' likelihood of government support in case of need, reflects the positioning of the bank's BCA at the same level as the B3 sovereign rating.

Our assumption of a 'high' probability of support in case of financial stress is driven by (a) the bank's D-SIB status; (b) Zenith's importance to the local financial system, as the fourth-largest bank in Nigeria with a market share of 11% of total assets as of December 2024; and (c) the authorities' track record of supporting troubled banks in the past.

National scale rating (NSR)

Zenith's NSRs of A3.ng/NG-2 for local and foreign currency deposits are generated from the bank's global scale ratings through maps specific to each country. NSRs are not intended to rank credits across multiple countries; instead they provide a measure of relative creditworthiness within a single country (Nigeria in the case of Zenith). Our NSRs are given a two-letter suffix to distinguish them from our global scale ratings. For example, NSRs in Nigeria have the country abbreviation “ng.”

Zenith's NSRs capture the bank's robust capital buffers, which provide a relatively thick buffer to withstand asset-quality deterioration; its high liquidity buffers, complimenting a predominantly deposit-funded balance sheet; and a strong and well-established franchise, which allows the bank to attract inexpensive deposits and to lend to high-credit-quality borrowers (relative to other Nigerian banks). These strengths are partially moderated by the bank's high proportion of more confidence-sensitive corporate deposits versus retail deposits, as well as by the still fragile operating environment.

Rating methodology and scorecard factors

Exhibit 5
Rating Factors

Macro Factors		
Weighted Macro Profile	**Very Weak +**	**100%**

Factor	Historic Ratio	Initial Score	Expected Trend	Assigned Score	Key driver #1	Key driver #2
Solvency						
Asset Risk						
Problem Loans / Gross Loans	3.5%	b3	↔	b3	Expected trend	
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel II)	15.8%	b1	↓	b2	Expected trend	
Profitability						
Net Income / Tangible Assets	3.1%	ba1	↔	ba2	Expected trend	
Combined Solvency Score		b1		b2		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	7.7%	b2	↓	b3	Deposit quality	
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	61.2%	ba3	↓	b1	Quality of liquid assets	Asset encumbrance
Combined Liquidity Score		b1		b2		
Financial Profile		b1		b2		
Qualitative Adjustments				Adjustment		
Business Diversification				0		
Opacity and Complexity				0		
Corporate Behavior				0		
Total Qualitative Adjustments				0		
Sovereign or Affiliate constraint				-		
BCA Scorecard-indicated Outcome - Range				b2 - caa1		
Assigned BCA				b3		
Affiliate Support notching				0		
Adjusted BCA				b3		

Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating
Counterparty Risk Rating	1	0	b2	-	B2	B2
Counterparty Risk Assessment	1	0	b2 (cr)	-	B2(cr)	
Deposits	0	0	b3	-	B3	B3
Senior unsecured bank debt	-	-	-	-	B3	(P)B3

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.
Source: Moody's Ratings

Ratings

Exhibit 6

Category	Moody's Rating
ZENITH BANK PLC	
Outlook	Stable
Counterparty Risk Rating	B2/NP
Bank Deposits	B3/NP
Baseline Credit Assessment	b3
Adjusted Baseline Credit Assessment	b3
Counterparty Risk Assessment	B2(cr)/NP(cr)
Issuer Rating	B3
Senior Unsecured MTN	(P)B3
ST Issuer Rating	NP

Source: Moody's Ratings

Endnotes

1 Excluding Sterling Bank Limited

2 Excluding Sterling Bank Limited

3 Foreign-exchange forwards (where the central bank commits to sell to a corporate client a predefine amount of foreign currency for settlement at a future date at a pre-agreed exchange rate), help the central bank smooth demand for foreign exchange by moving some of the foreign-currency demand from the spot market to a later date.

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CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454