



Zenith Bank (“The Group”) delivered a strong performance in FY 2024, with gross earnings growing by 86% year-on-year to N3.97trn from N2.13trn in FY 2023. This impressive topline growth was driven by a 138% surge in interest income and a 27% growth in non-interest income. The strong performance reflects higher yields on interest-earning assets, FX revaluation gains, and improved customer transaction volumes.

In line with its strong earnings, the Group declared a total dividend of N5.00 per share for FY 2024 - comprising an interim dividend of N1.00 and a final dividend of N4.00. This represents a 25% increase from the N4.00 paid in FY 2023 (N0.50 interim and N3.50 final). The qualification date for the dividend is on April 15, 2025, while the payment date is April 29, 2025.

Interest Income and Interest Expense - Riding on Elevated Yields

The Group impressive performance in FY 2024 was largely anchored on the elevated interest rate environment that characterised most parts of the year. With monetary policy tightening and yields trending higher, they were well positioned to benefit from the repricing of its loan book and increased allocation to high-yielding fixed income securities.

Interest income surged by 138%, reaching N2.72trn, up from N1.14trn in FY 2023. This was driven by a 126% growth in income from loans and advances to customers, which grew to N1.52trn from N671.92bn and was supported by a 52% jump in loans and advances to customers, which rose to N9.97trn from N6.56trn in FY 2023. Additionally, income from Treasury Bills grew by 224%, reaching N579.92bn from N178.97bn. This was driven by a 121% rise in the Group's investment in Treasury Bills at FVTPL, which grew to N1.66trn from N749.61bn. Similarly, income from bonds increased by 135%, reaching N440.47bn from N187.35bn, driven by a 128% growth in FGN Bonds, which stood at N2.42trn, up from N1.06trn in FY 2023.

On the other hand, interest expense rose by 143% to N992.47bn from N408.49bn in FY 2023. This increase was largely driven by a 145% growth in payments to current accounts, which reached N237.41bn from N96.81bn. Payments to savings accounts rose by 83%, reaching N156.43bn from N85.59bn, while time deposit interest increased by 83%, reaching N228.16bn from N124.35bn. The Group also saw a significant 264% jump in borrowed funds, with interest payments rising to N370.47bn from N101.74bn in FY 2023.

Despite the rise in interest expenses, Zenith Bank's net interest income grew by a robust 135%, reaching N1.73trn from N736.18bn in FY 2023. This reflects the Group's effective management of interest-earning assets, offsetting the pressures from higher funding costs in a challenging rate environment.

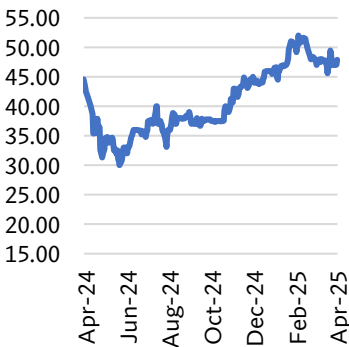
BUY

Fair Value Estimate:
N67.65

Total Return: **+47%**

Stock Data	
Current price (N)	49.80
Shares Outstanding (m)	31,396
Market Cap (N'mn)	1,563,521
52-week high (N)	47.35
52-week low (N)	29.70
Trailing EPS (N)	21.55
Forward EPS (N)	19.03
Forward PE (X)	2.62
Justified PE Multiple (X)	3.55

Price Movement



Stock Data	FY 2023	FY 2024	FY 2025F
P/E	2.31x	1.51x	2.62x
P/BV	0.67x	0.51x	0.40x
PBT Margin	37%	33%	39%
PAT Margin	32%	26%	19%
RoE	37%	33%	17%
Dividend Yield	8%	10%	11%

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Despite the Group's impressive growth in interest income, it faced an uptick in impairment charges, which rose by 61% to N658.81bn from N409.62bn in FY 2023. This growth can be attributed to the surge in Stage 1 provisions, which jumped to N96.92bn from N13.10bn in FY 2023. This is likely due to the significant volume of new loans booked during the year.

On the other hand, Stage 2 provisions saw a more substantial increase, rising to N441.34bn from N132.84bn in FY 2023. This likely reflects a shift in the credit quality of certain loans due to the macroeconomic pressures from higher interest rates and inflation. Despite this, interest income after impairment charges still experienced substantial growth, soaring 228% year-on-year to N1.07trn, compared to N326.57bn in FY 2023.

Fee and Commission Income — Significant Growth Across Key Drivers

The Group experienced robust growth in fee and commission income, which surged by 101% to N356.34bn, up from N177.52bn in FY 2023. This growth was primarily driven by a massive 298% increase in foreign withdrawal charges, which rose to N78.53bn from N19.72bn. The sharp jump in foreign withdrawal charges is reflective of both higher transaction volumes and the impact of an elevated foreign exchange environment.

Additionally, there was a 54% increase in income from electronic products, which grew to N80.05bn from N51.82bn, highlighting the Group's success in monetizing its digital banking offerings. They also saw a 54% increase in account maintenance fees, which rose to N72.93bn from N47.20bn, a trend driven by the growing number of accounts and customer activity. Furthermore, credit-related fees grew by 183%, reaching N45.40bn, up from N16.05bn, as the Group continued to expand its lending portfolio. On the flip side, interest expenses related to fee and commission grew by 119% to N149.48bn, up from N68.21bn. However, the net fee and commission income, grew by 89% to N206.87bn N109.31bn.

Net trading income grew by 94%, reaching N1.10trn from N566.97bn in FY 2023. The Group attributed much of this gain to derivative trading and trading gains, with derivatives making a significant contribution to overall trading performance. They also reported a marked shift in its foreign exchange (FX) revaluation position, with a loss of N220.54bn compared to a gain of N228.98bn in FY 2023. This highlights the challenges in the FX market during the year, with volatility impacting the Group's FX transactions. Overall, the non-interest income growth of N1.25trn and the net interest income of N1.07bn led to a 74% growth in operating income to N2.17trn, up from N1.25trn in FY 2023.

Operating expenses grew significantly by 88% to N843.35bn from N449.47bn in FY 2023. This growth was driven by a substantial rise in wages and salaries, fuel and maintenance costs, and a sharp increase in both the AMCON levy and information technology expenses. The increase in operating expenses reflects the Group's continued investment in its workforce, energy, and digital infrastructure. Consequently, cost-to-income ratio increased slightly to 39% from 36% in FY 2023.

Despite the rise in operating expenses, Zenith Bank posted a strong 67% growth in profit before tax, which reached N1.33trn, compared to N797.70bn in FY 2023. Tax expense grew by 147% to N293.96bn (inclusive of a N63.31bn windfall tax), up from N119.23bn in FY 2023. Nevertheless, profit after tax spiked by 53%, reaching N1.03trn, compared to N678.47bn in FY 2023.

FY 2024 Financial Performance

Income Statement (N'mn)	FY 2024	FY 2023	(%)
Gross earnings	3,970,959	2,131,750	86%
Interest income	2,721,377	1,144,674	138%
Interest expense	(992,474)	(408,492)	143%
Net interest income	1,728,903	736,182	135%
Impairment charge	(658,805)	(409,616)	61%
Net interest income after impairment	1,070,098	326,566	228%
Non-interest income	1,249,582	987,076	27%
Net fee and commission income	206,867	109,307	89%
Fee and commission income	356,344	177,515	101%
Fee and commission expense	(149,477)	(68,208)	119%
Trading income	1,100,002	566,973	94%
Other operating (expense)/income	(206,764)	242,588	-185%
Operating income	2,170,203	1,245,434	74%
Depreciation	(44,228)	(29,857)	48%
Amortisation	(8,318)	(3,469)	140%
Personnel expenses	(204,170)	(124,415)	64%
Other expense	(586,636)	(291,731)	101%
Operating expense	(843,352)	(449,472)	88%
Profit before tax	1,326,851	795,962	67%
Income tax	(293,956)	(119,053)	147%
Profit after tax	1,032,895	676,909	53%
Balance Sheet (N'mn)	FY 2024	FY 2023	(%)
Assets			
Cash & balances with CBN	5,888,216	4,253,374	38%
Loans and advances to customers	9,965,364	6,556,470	52%
Investment securities	5,098,044	3,290,895	55%
Others	9,005,901	6,267,716	44%
Total Assets	29,957,525	20,368,455	47%
Liabilities			
Deposits from customers	21,959,369	15,167,740	45%
Borrowings	2,045,185	1,410,885	45%
Others	1,923,698	1,466,450	31%
Total Liabilities	25,928,252	18,045,075	44%
Net Assets	4,029,273	2,323,380	73%

Source: Company Accounts, WSTC Research



Outlook

Looking ahead, we project a slower growth in gross earnings for Zenith Bank in FY 2025. The remarkable derivative gains seen in FY 2024 is unlikely to repeat as we expect relative stability of the Naira, so we expect interest income growth to remain the primary driver, with an estimated growth of 22%. This will be supported by an elevated interest rate environment, although not as high as in 2024, and continued expansion of loan book.

While operating expenses will likely continue to grow, we anticipate the Group will be able to manage its cost-to-income ratio efficiently. Zenith bank's investments in wages, digital infrastructure, and energy costs will likely put upward pressure on expenses, but the growth in revenue should help offset these rising costs. As a result, we project a profit before tax of N1.60trn and a profit after tax of N1.25trn for FY 2025.

Our recommendation remains a **BUY**, based on the strong fundamentals and solid growth prospects. Following our analysis, we revised the Group valuation to N67.65, up from N56.22 in our last report. This revised target price implies a 47% medium-to-long-term total return, including a dividend yield of 11%.

Financial Projections

Income Statement (N' mn)	FY 2023	FY 2024	FY 2025F	FY 2026F	FY 2027F	FY 2028F	FY 2029F
Gross earnings	2,131,750	3,970,959	4,073,630	4,496,797	4,946,676	5,290,316	5,680,484
Interest income	1,144,674	2,721,377	3,308,147	3,672,019	4,019,605	4,333,477	4,648,427
Interest expense	(408,492)	(992,474)	(1,124,615)	(1,305,246)	(1,485,384)	(1,654,509)	(1,817,381)
Net interest income	736,182	1,728,903	2,183,532	2,366,773	2,534,221	2,678,967	2,831,046
Non-interest income	987,076	1,249,582	765,483	824,777	927,071	956,840	1,032,057
Operating expense	(449,472)	(843,352)	(865,157)	(955,029)	(1,050,575)	(1,123,557)	(1,206,421)
Impairment charge	(409,616)	(658,805)	(380,780)	(327,717)	(316,220)	(349,360)	(383,573)
Profit before tax	795,962	1,326,851	1,603,532	1,805,402	1,988,382	2,054,374	2,163,167
Profit after tax	676,909	1,032,895	1,248,279	1,405,426	1,547,868	1,599,240	1,683,930
EPS (N)	21.55	28.50	30.39	34.22	37.69	38.94	41.00
DPS (N)	4.00	5.00	5.64	6.35	7.24	7.70	8.48
Balance Sheet (N'mn)							
Cash and cash equivalents	4,253,374	5,888,216	5,269,076	5,614,115	6,236,414	6,885,338	7,641,454
Treasury bills	2,736,273	2,678,929	5,815,556	6,477,234	7,083,323	7,825,662	8,592,036
Investment securities	3,290,895	5,098,044	4,776,780	5,320,270	5,818,099	6,427,841	7,057,326
Loan to banks	534,739	280,626	324,268	361,162	394,957	436,348	479,080
Loan to customers	6,556,470	9,965,364	12,420,356	14,222,917	15,558,003	17,193,153	18,882,009
Other assets	2,996,704	6,046,346	6,010,342	6,559,241	7,071,813	7,812,945	8,491,131
Total assets	20,368,455	29,957,525	34,616,377	38,554,939	42,162,609	46,581,287	51,143,037
Customer deposits	15,167,740	21,959,369	25,374,386	28,261,418	30,905,901	34,144,866	37,488,705
Other liabilities	2,877,335	3,968,883	4,160,505	4,088,320	3,858,319	3,781,868	3,696,601
Total liabilities	18,045,075	25,928,252	29,534,891	32,349,738	34,764,219	37,926,734	41,185,307
Shareholder funds	2,323,380	4,029,273	5,081,486	6,205,201	7,398,390	8,654,553	9,957,730
BV/Share (N)	74.00	98.11	123.73	151.09	180.14	210.73	242.46
Ratio Analysis							
Net interest margin	6.14%	9.32%	8.75%	8.14%	7.85%	7.56%	7.26%
PAT margin	31.75%	26.01%	30.64%	31.25%	31.29%	30.23%	29.64%
RoE	36.57%	32.52%	27.40%	24.90%	22.76%	19.92%	18.09%
RoA	4.15%	4.10%	3.87%	3.84%	3.84%	3.60%	3.45%
Cost / Income	34.22%	36.36%	33.69%	33.35%	33.40%	34.19%	34.67%
Loans / Deposit	43.23%	45.38%	48.95%	50.33%	50.34%	50.35%	50.37%

Source: Company Accounts, WSTC Research



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- Hold Rating: estimated change in price is between -10% and 19% of current market price.
- Sell Rating: estimated change in price is $\leq -10\%$ of current market price.

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