



Zenith Bank Plc (“the Group”) began the 2025 financial year on a strong footing, extending the momentum built in FY 2024. The Group reported gross earnings of N949.86bn in Q1 2025, representing a 22% year-on-year uptick from N780.62bn in Q1 2024. This impressive growth was primarily driven by a significant surge in interest income, which helped offset the steep decline in non-interest income.

Interest Income – Driven by Loan Growth and Treasury Investments

Interest income rose sharply by 71% year-on-year to N837.64bn, compared to N488.55bn in Q1 2024. This performance was supported by a 53% jump in income from loans and advances to customers, which rose to N460.97bn from N300.51bn. Additionally, the Group recorded a 205% spike in income from treasury bill investments, reflecting the more than doubling of its treasury bills holdings to N4.72trn from N2.04trn in Q1 2024. Income from government bonds also grew by 56% to N122.63bn, buoyed by a 7% rise in long-term investment securities. The growth in overall interest income was underpinned by a 16% expansion in the loan book – supporting the growth in income from loan and advances and the continued elevated interest rate environment.

Interest Expense – Rising Funding Costs Reflect Market Conditions

On the cost side, interest expense rose by 35% year-on-year to N246.45bn from N182.10bn. This rise was driven by higher funding costs across deposit categories and borrowed funds. Specifically, the Group experienced a 40% growth in current deposit costs, a 62% jump in savings deposit costs, and a 12% uptick in time deposit costs. The cost of borrowed funds also rose by 39% to N68.75bn. These increases reflected a 35% growth in customer deposits to N22.68trn and a 46% rise in borrowings to N3.32trn. Despite the higher funding costs, the Group’s net interest income almost doubled, reaching N591.19bn from N306.45bn.

Asset Quality – Improvement in Risk Charges

Net impairment charge declined by 12% year-on-year to N49.38bn from N55.97bn. This improvement is likely the result of better credit quality, a more stable macroeconomic environment, and enhancements in the Group’s risk management framework.

Non-Interest Income – Hit by FX Gains Normalisation

Non-interest income, however, came under pressure, declining by 67% year-on-year. The decline was primarily due to an 89% drop in net trading income, which fell to N22.17bn from N210.69bn in Q1 2024. This performance reflects the absence of the large foreign exchange gains recorded in the prior year, when the Group benefited from derivative positions during a period of significant naira volatility. In contrast, Q1 2025 was marked by relative currency stability.

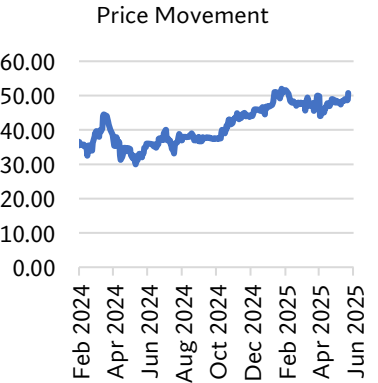
Fee and commission income remained flat at N78.98bn compared to N78.22bn in Q1 2024, while fee and commission expenses rose by 12% to N22.94bn, resulting in a slight compression in net fee-based income.

BUY

Fair Value Estimate:
N62.15

Total Return: +43%

| Stock Data | |
|---------------------------|-----------|
| Current price (N) | 47.00 |
| Shares Outstanding (m) | 41,069 |
| Market Cap (N'mn) | 1,930,259 |
| 52-week high (N) | 52.00 |
| 52-week low (N) | 31.95 |
| Trailing EPS (N) | 28.50 |
| Forward EPS (N) | 14.61 |
| Forward PE (X) | 3.22 |
| Justified PE Multiple (X) | 4.25 |



| Stock Data | FY 2023 | FY 2024 | FY 2025F |
|----------------|---------|---------|----------|
| P/E | 2.35x | 1.54x | 3.22x |
| P/BV | 0.69x | 0.52x | 0.40x |
| PBT Margin | 37% | 33% | 34% |
| PAT Margin | 32% | 26% | 15% |
| RoE | 37% | 33% | 13% |
| Dividend Yield | 8% | 10% | 11% |

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Operating Performance – Strong Core Income Absorbs Weak Trading

Despite the sharp decline in non-interest revenue, the growth in net interest income and the reduction in impairment charges were sufficient to lift operating income by 21% to N631.09bn from N522.05bn in Q1 2024. This outcome highlights the strength of the Group's core banking operations, even in the face of reduced trading gains.

Operating Expenses – Rising Cost Environment Weighs on Efficiency

Operating expenses grew by 39% year-on-year to N280.27bn from N201.85bn. This was driven by a 47% rise in personnel expenses, which climbed to N63.02bn, as well as a 35% uptick in other operating costs to N201.47bn. Key cost drivers included a spike in AMCON levy to N71.92bn from N46.22bn, increased fuel and maintenance expenses of N27.04bn, and higher information technology costs, which grew to N21.93bn from N13.14bn. These developments pushed the cost-to-income ratio up to 44%, from 39% in Q1 2024. Normalising the trading gains of Q1 2024 with Q1 2025 levels, cost to income ratio in Q1 2024 would have been 61%.

Profit before tax grew modestly by 10% to N350.82bn, constrained by the significant decline in trading income and rising operating costs. However, net profit advanced by 21% to N311.38bn from N258.34bn in Q1 2024, supported by a 37% decline in tax expenses to N38.99bn. The lower tax burden may reflect deferred tax adjustments or lower taxable income from FX-related activities, offering some cushion to bottom-line performance.

Outlook

Looking ahead to the remainder of 2025, we expect the strong core performance to be sustained. The Group is well-positioned to continue leveraging the momentum from Q1, underpinned by a resilient balance sheet, solid asset growth, and a favourable interest rate environment. We anticipate continued strength in net interest income, driven by sustained loan growth and attractive yields on investment securities. The Group's disciplined credit risk management should also support a benign impairment trend, reinforcing profitability from core banking activities.

However, we also expect operating expenses to rise over the coming quarters. This will largely be driven by higher other operating costs - including regulatory levies, technology upgrades, and inflation-linked expenses. The cost run-rate observed in Q1 2025 suggests a more aggressive operating expense environment than previously projected, and we believe this will weigh on full-year earnings.

As a result, we revised our FY 2025 profit after tax forecast downward to N1.07trn, from our earlier estimate of N1.25trn. While the Group's earnings power remains strong, this revision reflects our updated assumptions on expense pressure and reduced non-interest income contribution. We will continue to monitor the evolution of the cost base and management's efforts to enhance operational efficiency in the coming quarters.

Valuation & Recommendation

We revise our fair value estimate downwards to N62.15 from N67.65. Despite the revision, the stock offers a compelling 43% upside, and we maintain our **BUY** rating. Our valuation implies a justified P/E of 4.25x and a forward P/E ratio of 3.22x, which both are well above the Group's five (5) year historical average P/E of 2.79x, reflecting stronger core earnings and improved balance sheet resilience.

Q1 2025 Financial Performance

| Income Statement (N'mn) | Q1 2025 | Q1 2024 | (%) |
|---|-------------------|-------------------|-------------|
| Gross earnings | 949,857 | 780,617 | 22% |
| Interest income | 837,643 | 488,546 | 71% |
| Interest expense | (246,453) | (182,096) | 35% |
| Net interest income | 591,190 | 306,450 | 93% |
| Impairment charge | (49,377) | (55,972) | -12% |
| Net interest income after impairment | 541,813 | 250,478 | 116% |
| Non-interest income | 112,214 | 292,071 | -62% |
| Net fee and commission income | 56,039 | 57,711 | -3% |
| Fee and commission income | 78,979 | 78,215 | 1% |
| Fee and commission expense | (22,940) | (20,504) | 12% |
| Trading income | 22,174 | 210,685 | -89% |
| Other operating (expense)/income | 11,061 | 3,171 | 249% |
| Operating income | 631,087 | 522,045 | 21% |
| Depreciation | (12,430) | (8,773) | 42% |
| Amortisation | (3,359) | (1,041) | 223% |
| Personnel expenses | (63,017) | (42,851) | 47% |
| Other expense | (201,466) | (149,186) | 35% |
| Operating expense | (280,272) | (201,851) | 39% |
| Profit before tax | 350,815 | 320,194 | 10% |
| Income tax | (38,985) | (61,853) | -37% |
| Profit after tax | 311,830 | 258,341 | 21% |
| Balance Sheet (N'mn) | 3M 2025 | 3M 2024 | (%) |
| Assets | | | |
| Cash & balances with CBN | 6,452,508 | 4,197,351 | 54% |
| Loans and advances to customers | 10,050,732 | 8,650,493 | 16% |
| Investment securities | 5,108,531 | 6,813,961 | -25% |
| Others | 10,803,624 | 4,618,972 | 134% |
| Total Assets | 32,415,395 | 24,280,777 | 34% |
| Liabilities | | | |
| Deposits from customers | 22,681,836 | 16,784,228 | 35% |
| Borrowings | 3,324,372 | 2,269,865 | 46% |
| Others | 1,966,299 | 2,379,159 | -17% |
| Total Liabilities | 27,972,507 | 21,433,252 | 31% |
| Net Assets | 4,442,888 | 2,847,525 | 56% |

Source: Company Accounts, WSTC Research

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 | 4,103,817 | 4,578,355 | 4,892,531 | 5,111,176 | 5,432,064 |
| Interest income | 1,144,674 | 2,721,377 | 3,281,710 | 3,595,619 | 3,706,565 | 3,878,778 | 4,085,049 |
| Interest expense | (408,492) | (992,474) | (1,257,439) | (1,607,248) | (1,809,101) | (1,976,189) | (2,121,668) |
| Net interest income | 736,182 | 1,728,903 | 2,024,271 | 1,988,371 | 1,897,464 | 1,902,589 | 1,963,380 |
| Non-interest income | 987,076 | 1,249,582 | 822,106 | 982,736 | 1,185,966 | 1,232,398 | 1,347,016 |
| Operating expense | (449,472) | (843,352) | (970,060) | (1,100,545) | (1,159,432) | (1,185,690) | (1,260,130) |
| Impairment charge | (409,616) | (658,805) | (385,346) | (371,044) | (398,387) | (332,875) | (387,702) |
| Profit before tax | 795,962 | 1,326,851 | 1,388,296 | 1,388,435 | 1,404,680 | 1,484,370 | 1,519,723 |
| Profit after tax | 676,909 | 1,032,895 | 1,066,844 | 1,080,835 | 1,107,528 | 1,170,360 | 1,198,235 |
| EPS (N) | 21.55 | 28.50 | 25.98 | 26.32 | 26.97 | 28.50 | 29.18 |
| DPS (N) | 4.00 | 5.00 | 5.20 | 5.47 | 6.04 | 6.86 | 8.24 |
| Balance Sheet (N'mn) | | | | | | | |
| Cash and cash equivalents | 4,253,374 | 5,888,216 | 5,390,114 | 7,588,711 | 8,007,808 | 8,438,927 | 8,898,740 |
| Treasury bills | 2,736,273 | 2,678,929 | 5,885,291 | 7,333,590 | 7,874,016 | 8,603,557 | 9,304,856 |
| Investment securities | 3,290,895 | 5,098,044 | 5,810,739 | 7,334,626 | 7,824,701 | 8,577,222 | 9,246,579 |
| Loan to banks | 534,739 | 280,626 | 328,156 | 408,911 | 439,045 | 479,723 | 518,826 |
| Loan to customers | 6,556,470 | 9,965,364 | 11,858,153 | 14,841,778 | 16,169,843 | 17,924,064 | 19,662,032 |
| Other assets | 2,996,704 | 6,046,346 | 5,759,018 | 6,144,672 | 6,553,698 | 7,188,118 | 7,754,974 |
| Total assets | 20,368,455 | 29,957,525 | 35,031,471 | 43,652,288 | 46,869,111 | 51,211,610 | 55,386,007 |
| Customer deposits | 15,167,740 | 21,959,369 | 24,978,027 | 31,124,815 | 33,418,463 | 36,514,738 | 39,491,153 |
| Other liabilities | 2,877,335 | 3,968,883 | 5,089,352 | 6,462,085 | 6,536,977 | 6,862,553 | 7,180,413 |
| Total liabilities | 18,045,075 | 25,928,252 | 30,067,379 | 37,586,900 | 39,955,440 | 43,377,292 | 46,671,566 |
| Shareholder funds | 2,323,380 | 4,029,273 | 4,964,092 | 6,065,389 | 6,913,671 | 7,834,319 | 8,714,441 |
| BV/Share (N) | 74.00 | 98.11 | 120.87 | 147.69 | 168.34 | 190.76 | 212.19 |
| Ratio Analysis | | | | | | | |
| Net interest margin | 6.14% | 9.32% | 8.04% | 6.44% | 5.38% | 4.95% | 4.67% |
| PAT margin | 31.75% | 26.01% | 26.00% | 23.61% | 22.64% | 22.90% | 22.06% |
| RoE | 36.57% | 32.52% | 23.73% | 19.60% | 17.07% | 15.87% | 14.48% |
| RoA | 4.15% | 4.10% | 3.28% | 2.75% | 2.45% | 2.39% | 2.25% |
| Cost / Income | 34.22% | 36.36% | 39.42% | 42.33% | 43.18% | 42.31% | 43.12% |
| Loans / Deposit | 43.23% | 45.38% | 47.47% | 47.68% | 48.39% | 49.09% | 49.79% |

Source: Company Accounts, WSTC Research



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Investment Recommendation

WSTC uses a 3-tier recommendation system for stocks under coverage: Buy, Hold, and Sell.

- Buy Rating: estimated fair value is $\geq 20\%$ above current market price.
- 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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