



Zenith Bank recorded a sharp decline in profitability in Q2 2025 as impairment costs weighed heavily on earnings. Profit after tax fell to N220.35bn from N319.67bn in Q2 2024, reflecting the industry-wide wind down of regulatory forbearance mandated by the monetary authorities. The shift triggered a steep 98% rise in net impairment charge to N711.44bn from N359.32bn, while the Group also wrote off N1.18trn in legacy exposures. As a result, loan and advances fell by about 4% on a year-to-date basis.

Despite the drag from credit charges, gross earnings rose by 18% year-on-year to N1.53trn from N1.29trn, driven mainly by stronger interest income. Interest income grew by 52% to N1.00trn from N660.89bn, and now accounts for 66% of total gross earnings, up from 51% in the prior year.

The surge in interest income was underpinned by higher yields and expansion across key earning lines. Income from loans and advances grew to N474.79bn, income from treasury bills climbed to N317.13bn, while income from bonds rose to N136.09bn. The performance was supported by a 9% rise in interest-earning assets and the persistently elevated interest rate environment. Consequently, earnings yield strengthened to 7.89% in H1 2025 from 5.37% in H1 2024.

Interestingly, funding cost moved in the opposite direction. Interest expense fell by 6% to N238.07bn from N252.32bn, helped by a sharp drop in time deposit and borrowed fund costs, which declined by 80% and 48% respectively. The reduction in funding expense was aided by a significant contraction in other borrowings, which dropped to N1.04trn from N3.04trn on a year-on-year basis and from N2.05trn year-to-date. This balance sheet deleveraging provided a temporary cushion against margin pressure.

Non-interest income weakened during the period, falling to N523.87bn from N627.77bn, largely due to lower trading gains. Trading income dropped by 24% to N445.62bn as trading book activities slowed by 31%, masking the 39% improvement in net fee and commission income. Consequently, operating income fell to N575.97bn from N677.07bn. Operating expenses rose to N301.16bn from N270.23bn, reflecting continued investment in technology infrastructure and a higher AMCON levy. This pushed the cost-to-income ratio to 52% from 40%, underscoring rising cost pressure amid weaker income momentum.

Ultimately, profit before tax declined to N274.81bn while profit after tax settled at N220.35bn, despite a 38% reduction in tax expense. The results highlight the impact of the post-forbearance credit adjustment and the cost of repositioning the balance sheet for a more stable risk profile.

BUY

Fair Value Estimate:
N76.01

Total Return: +25%

Stock Data

Current price (N)	65.50
Shares Outstanding (mn)	41,069
Market Cap (N'mn)	2,690,042
52-week high (N)	78.50
52-week low (N)	39.00
Trailing EPS (N)	28.50
Forward EPS (N)	31.01
Forward PE (X)	2.11
Justified PE Multiple (X)	2.45

Price Movement



Stock Data

	FY 2023	FY 2024	FY 2025F
P/E	2.67x	2.72x	2.11x
P/BV	0.43x	0.38x	0.52x
PBT Margin	37%	33%	32%
PAT Margin	32%	26%	27%
RoE	37%	33%	28%
Dividend Yield	13%	13%	9%

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Q2 2025 Financial Performance

Income Statement (N'mn)	Q2 2025	Q2 2024	(%)
Gross earnings	1,525,478	1,288,656	18%
Interest income	1,001,606	660,890	52%
Interest expense	(238,072)	(252,267)	-6%
Net interest income	763,534	408,623	87%
Impairment charge	(711,437)	(359,322)	98%
Net interest income after impairment	52,097	49,301	6%
Non-interest income	523,872	627,766	-17%
Net fee and commission income	72,024	51,905	39%
Fee and commission income	117,448	84,004	40%
Fee and commission expense	(45,424)	(32,099)	42%
Trading income	445,618	584,887	-24%
Other operating (expense)/income	6,230	(9,026)	-169%
Operating income	575,969	677,067	-15%
Depreciation	(14,979)	(11,809)	27%
Amortisation	(4,804)	(1,330)	261%
Personnel expenses	(71,551)	(73,049)	-2%
Other expense	(209,821)	(184,043)	14%
Operating expense	(301,155)	(270,231)	11%
Profit before tax	274,814	406,836	-32%
Income tax	(54,464)	(87,180)	-38%
Profit after tax	220,350	319,656	-31%

Source: Company Accounts, WSTC Research

H1 2025 Financial Performance

Income Statement (N'mn)	H1 2025	H1 2024	(%)
Gross earnings	2,520,759	2,101,372	20%
Interest income	1,839,249	1,149,436	60%
Interest expense	(484,525)	(434,363)	12%
Net interest income	1,354,724	715,073	89%
Impairment charge	(760,814)	(415,294)	83%
Net interest income after impairment	593,910	299,779	98%
Non-interest income	681,510	951,936	-28%
Net fee and commission income	128,063	109,616	17%
<i>Fee and commission income</i>	<i>196,427</i>	<i>162,219</i>	<i>21%</i>
<i>Fee and commission expense</i>	<i>(68,364)</i>	<i>(52,603)</i>	<i>30%</i>
Trading income	467,792	795,572	-41%
Other operating (expense)/income	17,291	(5,855)	-395%
Operating income	1,207,056	1,199,112	1%
<i>Depreciation</i>	<i>(27,409)</i>	<i>(20,582)</i>	<i>33%</i>
<i>Amortisation</i>	<i>(8,163)</i>	<i>(2,371)</i>	<i>244%</i>
<i>Personnel expenses</i>	<i>(134,568)</i>	<i>(115,900)</i>	<i>16%</i>
<i>Other expense</i>	<i>(411,287)</i>	<i>(333,229)</i>	<i>23%</i>
Operating expense	(581,427)	(472,082)	23%
Profit before tax	625,629	727,030	-14%
Income tax	(93,449)	(149,033)	-37%
Profit after tax	532,180	577,997	-8%
Balance Sheet (N'mn)	H1 2025	H1 2024	(%)
Assets			
Cash & balances with CBN	6,657,952	4,462,965	49%
Loans and advances to customers	9,601,715	9,293,464	3%
Investment securities	5,279,614	4,690,206	13%
Others	9,453,667	9,129,172	4%
Total Assets	30,992,948	27,575,807	12%
Liabilities			
Deposits from customers	23,483,444	19,633,484	20%
Borrowings	1,039,687	3,037,727	-66%
Others	1,901,080	1,710,637	11%
Total Liabilities	26,424,211	24,381,848	8%
Net Assets	4,568,737	3,193,959	43%

Source: Company Accounts, WSTC Research

Outlook

Following the strong interest income in H1 2025, we now expect Zenith Bank to sustain momentum through the rest of the year. We project FY 2025 interest income at N3.90trn compared to our earlier forecast of N3.28trn, supported by loan growth and improved asset yields. Interest expense is expected to moderate to N1.04trn from our initial estimate of N1.26trn, reflecting the lower cost of borrowed funds and the Group's conservative funding mix. These adjustments translate to a net interest margin (NIM) of 8.42%, up from 6.63% in FY 2024 and a net interest income of N2.86bn.

We anticipate that the weakness in non-interest income will persist till year end, with the segment contributing about 19% to gross earnings of N4.80trn, while interest income will account for 81%, up from 69% in FY 2024. The earnings mix highlights the Group's growing dependence on core banking income amid muted trading and revaluation gains.

Impairment charges are expected to ease in the second half as the Zenith bank completes its post-forbearance clean-up and rebuilds loan growth. We project total impairment of N892.32bn in FY 2025, which should drop sharply to N382.51bn in FY 2026 as the loan book stabilises and recoveries improve.

Operating expenses are projected to grow by 42% to N1.20trn, driven by higher staff costs, technology investments, and regulatory levies. Despite the cost escalation, we expect operating income to grow by 24%, keeping cost-to-income ratio around 42%, compared with 36% in FY 2024. Overall, we project profit after tax of N1.27trn for FY 2025, representing a 23% improvement year-on-year. This translates to an earnings per share of N31.01 and we project a total dividend of N6.00, inclusive of the N1.25 interim payout.

We also raise our fair value estimate to N76.01 from N62.15 in our previous report. This implies a justified P/E multiple of 2.45x and a forward P/E of 2.11x, both below the 10-year average of 3.13x. At current valuation levels, Zenith Bank remains attractively priced relative to its fundamentals and long-term earnings potential. We therefore maintain our **BUY** recommendation.

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	4,798,844	5,183,074	5,588,154	5,859,969	6,289,260
Interest income	1,144,674	2,721,377	3,904,907	4,212,333	4,468,947	4,704,373	5,022,348
Interest expense	(408,492)	(992,474)	(1,040,513)	(1,081,392)	(1,166,040)	(1,298,641)	(1,394,010)
Net interest income	736,182	1,728,903	2,864,394	3,130,940	3,302,907	3,405,731	3,628,339
Non-interest income	987,076	1,249,582	893,937	970,741	1,119,207	1,155,597	1,266,911
Operating expense	(449,472)	(843,352)	(1,201,484)	(1,302,866)	(1,402,456)	(1,470,673)	(1,578,412)
Impairment charge	(409,616)	(658,805)	(892,316)	(382,512)	(363,218)	(345,459)	(325,157)
Profit before tax	795,962	1,326,851	1,518,830	2,264,558	2,497,290	2,578,067	2,808,175
Profit after tax	676,909	1,032,895	1,273,472	1,898,732	2,093,868	2,161,595	2,354,531
EPS (N)	21.55	28.50	31.01	46.23	50.98	52.63	57.33
DPS (N)	4.00	5.00	6.00	8.53	10.14	11.41	14.78
Balance Sheet (N'mn)							
Cash and cash equivalents	4,253,374	5,888,216	6,205,698	6,649,769	7,300,889	7,590,210	8,037,264
Treasury bills	2,736,273	2,678,929	5,996,369	6,426,213	7,178,908	7,738,282	8,404,064
Investment securities	3,290,895	5,098,044	5,920,410	6,427,121	7,133,946	7,714,596	8,351,429
Loan to banks	534,739	280,626	334,350	358,317	400,286	431,476	468,599
Loan to customers	6,556,470	9,965,364	12,081,961	13,005,422	14,742,391	16,121,409	17,758,575
Other assets	2,996,704	6,046,346	5,153,859	5,384,399	5,975,146	6,465,196	7,004,224
Total assets	20,368,455	29,957,525	35,692,647	38,251,242	42,731,567	46,061,169	50,024,155
Customer deposits	15,167,740	21,959,369	25,449,457	27,273,778	30,468,325	32,842,387	35,668,063
Other liabilities	2,877,335	3,968,883	5,104,753	4,447,981	4,152,684	3,574,865	3,123,096
Total liabilities	18,045,075	25,928,252	30,554,210	31,721,760	34,621,009	36,417,253	38,791,159
Shareholder funds	2,323,380	4,029,273	5,138,437	6,529,483	8,110,559	9,643,917	11,232,997
BV/Share (N)	74.00	98.11	125.12	158.99	197.48	234.82	273.51
Ratio Analysis							
Net interest margin	6.14%	9.32%	11.42%	10.92%	10.46%	9.78%	9.57%
PAT margin	31.75%	26.01%	26.54%	36.63%	37.47%	36.89%	37.44%
RoE	36.57%	32.52%	27.78%	32.55%	28.60%	24.35%	22.56%
RoA	4.15%	4.10%	3.88%	5.14%	5.17%	4.87%	4.90%
Cost / Income	34.22%	36.36%	41.92%	35.03%	34.55%	34.88%	34.54%
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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- Hold Rating: estimated change in total return is between -10% and 19% of current market price.
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