

ZENITH BANK PLC

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Robust NII growth sustains trillion Naira bottom-line

Zenith Bank Plc (NGX: ZENITHBANK - TP: UR*) reported a marginal 0.7% YoY growth in PAT, printing at N1.0 trillion in its recently released FY'25 audited financial results. The performance was largely bolstered by a 52.7% YoY jump in Net Interest Income (NII) to N2.6 trillion, masking the sizeable N843.4 billion impairment charge on loans.

The Company recorded a 2.20ppts increase in Net-interest Margin (NIM) to 12.2%, driven by a robust N23.4 trillion Interest Earning Asset (IEA) base as the bank ramped up investments in Treasury bills (+74.1% YoY). As a result, interest income from treasury bills nearly doubled (+94.8% YoY), bringing asset yield to 17.0% (FY'24: 15.7%). On the funding side, the notable repayment of borrowings in Q2'25 capped the growth in Interest-Bearing Liabilities (IBL) at 4.1% YoY and inspired a 0.7ppts moderation in Cost-of-Funds (CoF) to 4.2%.

ZENITHBANK also reported a N63.1 billion trading loss, in contrast to the N1.1 trillion recorded in FY'24. Consequently, total Non-interest Revenue (NIR) fell by 63.2% YoY to N404.9 billion. Net income on fee and commission, however, provided some support (+41.1% YoY), benefiting from a 23.7% dip in fee and commission expense alongside increases in income from financial guarantee contracts issued (+69.7% YoY) and Foreign currency transaction fees & commission (+118.5% YoY). Consequently, operating income rose by 7.6% YoY, with Cost-to-Income ratio (CIR) settling at 34.1% (FY'24: 29.8%) as OPEX grew at a quicker pace of 23.3%. Personnel expenses (+44.1% YoY), AMCON levy (+54.7% YoY), IT spend (+36.6% YoY), and deposit insurance charge (+39.1% YoY) remained key drivers for OPEX.

The bank reported a largely flat gross loan balance of N11.1 trillion (+0.6% YoY), despite the substantial loan write-off in Q2'25, as the bank grew loans by N1.0 trillion in Q4'25 standalone (the strongest QoQ expansion in gross loans since Q1'25). Asset quality metrics, however, weakened modestly, with NPL ratio increasing by 0.7ppts to 3.8% and NPL coverage ratio declining to 145.6% (vs 298.4% in FY'24). Also, Cost-of-Risk (CoR) rose by 2.2ppts to 7.6%, reflecting the sizeable impairment charge recorded.

In Q4'25 standalone, interest expense was down 33.5% QoQ, likely reflecting the lower MPR. This, coupled with 3.4% increase in interest income, resulted in a 2.2ppts QoQ uptick in NIM to 13.2% for Q4'25.

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Following the positive FY'25 performance, ZENITHBANK proposed a final dividend of N8.75, bringing the full-year dividend to N10.00 (vs N5.00 paid in FY'24).

FY'25 Earnings Breakdown

₦'billion	FY'25	FY'24	YoY	FY'25E	% of FY'25E
Gross Earnings	4,077.9	3,821.5	6.7%	4,341.4	93.9%
Interest income	3,673.0	2,721.4	35.0%	3,695.8	99.4%
Interest expense	(1,033.4)	(992.5)	4.1%	(1,114.1)	92.8%
Net interest income	2,639.5	1,728.9	52.7%	2,581.7	102.2%
Net impairment (charge)/writeback	(741.6)	(658.8)	12.6%	(817.6)	90.7%
Non-interest income	404.9	1,100.1	-63.2%	645.7	62.7%
Operating Expenses	(1,039.5)	(843.4)	23.3%	(1,032.8)	100.7%
Profit before tax	1,263.4	1,326.9	-4.8%	1,377.0	91.7%
Income tax expense	(222.8)	(294.0)	-24.2%	(275.4)	80.9%
Profit for the period	1,040.5	1,032.9	0.7%	1,101.6	94.5%

Ratio Analysis

Net Interest Margins (NIM)	12.2%	10.0%
Cost of Risk (CoR)	7.6%	5.4%
Cost-to-income (CIR)	34.1%	29.8%
ROAA	3.4%	4.1%
ROAE	23.2%	32.5%
EPS (Naira)	25.34	32.87
P/B	0.9x	
10-yr average P/B	0.7x	

Q4'25 Earnings Breakdown

₦'billion	Q4'25	Q4'24	YoY	Q3'25	QoQ
Gross Earnings	706.1	921.9	-23.4%	919.4	-23.2%
Interest income	932.0	774.3	20.4%	901.7	3.4%
Interest expense	(219.2)	(326.0)	-32.8%	(329.7)	-33.5%
Net interest income	712.8	448.2	59.0%	572.0	24.6%
Net impairment writeback/(charge)	39.9	(181.0)	NM	(20.7)	NM
Non-interest income	(129.8)	244.1	NM	(78.4)	NM
Operating Expenses	(276.9)	(187.3)	47.9%	(181.1)	52.9%
Profit before tax	346.0	324.0	6.8%	291.8	18.6%
Income tax expense	(69.6)	(118.4)	-41.2%	(59.8)	16.5%
Profit for the period	276.3	205.6	34.4%	232.0	19.1%

Sources: S&P Capital IQ, Company financials, CardinalStone Research

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