

ZENITH BANK PLC

Outsized net impairment charge softens 9M'25 profitability

In its unaudited 9M'25 financial results, Zenith Bank Plc (NGX: ZENITHBANK; TP: UR*) reported a weaker bottom line, as Profit Before Tax (PBT) and Profit After Tax (PAT) declined by 8.5% and 7.6% YoY to N917.4 billion and N764.2 billion, respectively. The earnings contraction primarily reflected the outsized impact of a significant loan impairment charge booked in Q2'25, alongside a sharp drop in Non-Interest Revenue (NIR).

Gross earnings grew by 16.3% YoY to N3.4 trillion, underscoring the resilience of the bank's core business. Interest income surged 40.8% YoY to N2.7 trillion, supported by strong growth in interest income from loans to customers (+27.0% YoY) and treasury bills (+74.4% YoY). Although interest expense rose by 22.2% YoY to N814.2 billion, the bank maintained a healthy Net Interest Margin (NIM) of 12.8% (vs. 10.4% in 9M'24), as Net Interest Income (NII) advanced 50.4% YoY to N1.9 trillion.

However, overall earnings were weighed down by a 37.5% YoY drop in NIR to N534.8 billion, driven by a 59.5% decline in trading gains. In addition, the steep increase in loan impairment charges — Q1'25: N35.9 billion, Q2'25: N755.2 billion, Q3'25: N19.3 billion — significantly dampened profitability in the period.

Consequently, the bank's profitability softened as annualized ROAA and ROAE moderated to 3.3% (vs 4.3% in 9M'24) and 23.3% (vs 37.8% in 9M'24), respectively. Similarly, Earnings Per Share (EPS) fell by 29.4% YoY to N18.60, reflecting the expanded equity base following its recapitalization efforts.

On a quarterly basis, Q3'25 performance was buoyed by a sharp decline in net impairment charges to N20.7 billion (vs. N62.5 billion in Q3'24) and a strong rebound in NIR (+81.0% YoY), supported by higher net fee & commission income, foreign currency revaluation gains, and the reversal of prior-period hyperinflationary losses. As a result, PBT grew 5.8% YoY to N291.8 billion, though PAT declined 6.9% YoY to N232.0 billion, reflecting a higher effective tax rate during the quarter.

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*UR – Under Review

9M'25 Earnings Breakdown

₦'billion	9M'25	9M'24	YoY
Gross Earnings	3,371.8	2,899.6	16.3%
Interest income	2,740.9	1,947.1	40.8%
Interest expense	(814.2)	(666.4)	22.2%
Net interest income	1,926.7	1,280.7	50.4%
Net impairment charge	(781.5)	(477.8)	63.6%
Non-interest income	534.8	856.0	-37.5%
Operating Expenses	(762.6)	(656.1)	16.2%
Profit before tax	917.4	1,002.8	-8.5%
Income tax expense	(153.2)	(175.6)	-12.7%
Profit for the period	764.2	827.3	-7.6%
Ratio Analysis			
Net Interest Margins (NIM)	12.8%	10.4%	
Cost of Risk (CoR)	10.8%	5.6%	
Cost-to-income (CIR)	31.0%	30.7%	
Annualised ROAA	3.3%	4.3%	
Annualised ROAE	23.3%	37.8%	
EPS (Naira)	18.60	26.34	
P/B	0.6x		
10-yr average P/B	0.7x		

Q3'25 Earnings Breakdown

₦'billion	Q3'25	Q3'24	YoY	Q2'25	QoQ
Gross Earnings	851.1	797.7	6.7%	1,570.9	-45.8%
Interest income	901.7	797.7	13.0%	1,001.6	-10.0%
Interest expense	(329.7)	(232.1)	42.1%	(238.1)	38.5%
Net interest income	572.0	565.6	1.1%	763.5	-25.1%
Net impairment charge	(20.7)	(62.5)	-66.8%	(711.4)	-97.1%
Non-interest income	(78.4)	(43.3)	81.0%	523.9	NM
Operating Expenses	(181.1)	(184.0)	-1.5%	(301.2)	-39.9%
Profit before tax	291.8	275.8	5.8%	274.8	6.2%
Income tax expense	(59.8)	(26.5)	125.2%	(54.5)	9.7%
Profit for the period	232.0	249.3	-6.9%	220.4	5.3%

Source: CapIQ, NGX, CardinalStone Research

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