



**Q1:2024  
EARNINGS RESULT  
ZENITH BANK PLC**

**6TH MAY 2024**

**BANKING | EQUITY RESEARCH**

Price NGN34.60

52-week range NGN23.65 - NGN47.35

**TP NGN44.04**

**Rating STRONG BUY**

Market Cap NGN1.09trn

#### ZENITH-Share Price Trend



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## ZENITH BANK PLC | Interest & Non-Interest Income Improved Profitability

Gross earnings for Q1:2024 increased by 189.12% YoY to NGN780.62bn on the back of increased interest and non-interest income.

Interest Income grew by 154.94% YoY to NGN488.55bn while Non-Interest Income climbed 272.72% YoY to NGN292.07bn. On the other hand, Operating Expenses increased by 101.37% YoY to NGN199.77bn following a surge in personnel cost, Licenses, registrations, and subscription cost, AMCON levy and energy cost. Overall, Net Profit Margin increased by 8.91% to 33.36% in the quarter. Profit Before Tax (PBT) and Profit After Tax (PAT) grew by 272.12% and 294.51% to NGN322.28bn and NGN260.42bn respectively.

### Income from Customer Loans and Fixed Income Securities Supports Performance

Interest income grew by 154.94% YoY to NGN488.55bn as income from loans spiked 142.59% YoY to NGN300.51bn following a 114.66% YoY expansion in customer loans to NGN8.65tn. We opine that loan repricing, following a higher interest rate environment may have also supported the boost in interest on customers' loans. Income from Treasury bills and Government and other bonds also supported interest income with a 353.90% YoY and 95.05% YoY increase respectively, reflecting higher yields in the domestic fixed income market.

### Interest on Deposits Headlines Sharp Rise in Interest Expenses

Interest expenses spiked 157.04% YoY to NGN182.10bn, reeling from a 187.14% YoY surge in interest on deposits, in line with a 83.71% YoY increase in total customer deposits. Interest on borrowed funds also increased by 102.82% YoY to NGN49.53bn. Annualized cost of funds rose 105bps to 3.82% amid declining CASA mix (79.47% in Q1:2024 Vs 92.29% in Q1:2023). Also, higher deposit rates may have also contributed to the higher interest paid on customers' deposits, reflecting the elevated interest rate environment. Overall, net interest income grew by 153.71% to NGN306.45bn in Q1:2024 and when annualized, Net Interest Margin increased by 132bps to 5.27%.

### Non-Interest Revenue – Supported by Trading Income

On the Non-Interest Revenue leg, we saw a 272.72% YoY growth to NGN292.07bn. Trading income rose sharply by 521.65% YoY following a tremendous increase (+4,203.33% YoY to NGN186.33bn) in gains on other trading books. Contrasting its Q1:2023 performance, Fee & Commission income increased by 96.73% YoY to NGN78.22bn following an increase in foreign withdrawal charges (+235.89% YoY to NGN14.71bn), Fees on electronic products (+65.32% YoY to NGN19.97bn) and Account maintenance fee (+65.79% YoY to NGN16.90bn).

### OPEX – Influenced by Inflationary Environment

Operating expenses rose by 101.37% YoY to NGN199.77bn following a surge in personnel expenses (+84.96% YoY to NGN42.85bn), Licenses, registrations, and subscription (+932.69% YoY to NGN20.88bn), AMCON levy (+61.09% YoY to NGN46.22bn). Similarly, Fuel & Maintenance costs spiked by 2.98x to NGN22.07bn resulting from the rising energy costs. However, due to a faster rise in operating income, Cost-to-Income ratio declined by 16.70% to 34.56%.

### Impressive Bottom-line Amid Rising Operating Costs

Overall, profitability improved with PBT and PAT up 272.12% YoY and 294.51% to NGN322.28bn and NGN260.42bn respectively. Annualized Efficiency ratios – RoE improved, increasing by 18.27% to 36.58% while RoA grew by 2.31% to 4.29% respectively.

### Outlook – Loan Growth to Boost Performance

We see loan growth boosting Interest Income alongside income from investment securities. Non-Interest Revenue should improve and sustain accretion to the topline. Overall, we maintain our 2024FY target price of **NGN44.04** and based on its closing price of NGN34.60 as of 3rd May 2024, we rate Zenith Bank a “**STRONG BUY**”.

## Summary of Results

N'million	Q1:2024	Q1:2023	YoY
Gross Earnings	780,617	269,994	189.1%
Net Interest Income	306,450	120,789	153.7%
Non-Interest Revenue	292,071	78,362	272.7%
Operating Expenses	(199,769)	(99,206)	101.4%
Impairment	(55,972)	(7,730)	624.1%
PBT	322,276	86,605	272.1%
PAT	260,423	66,012	294.5%
EPS	8.29	2.10	294.8%
N'million	Q1:2024	Q1:2023	YoY
Loans	10,565,847	5,428,043	94.7%
Total Assets	24,280,777	13,359,216	81.8%
Deposits	16,784,228	9,136,259	83.7%
Total Liabilities	21,433,252	11,917,659	79.8%
Net Assets	2,847,525	1,441,557	97.5%
BVPS	90.70	45.92	97.5%
Annualized Ratios	Q1:2024	Q1:2023	YoY
Cost of Funds	3.82%	2.77%	1.1%
Net Interest Margin	5.27%	3.95%	1.3%
ROE	36.58%	18.32%	18.3%
ROA	4.29%	1.98%	2.3%

## ARM ratings and recommendations.

ARM now employs a two-tier rating system which is based on systemic importance of the security under review and the deviation of our target price for the stock from current market price. We characterize systemic importance as a function of a stock's ranking among the group of top 20 stocks by NSE market capitalization over a trailing 6-month period (minimum) to the review date. We adopt a 5-point rating system for this category of stocks and a 3-point rating system for stocks outside this group. The choice of top 20 stocks arises from the consideration that this group of stocks constitutes >75% of overall market capitalization and stocks outside this group are generally less liquid and individually account for <<1% of market capitalization. For stocks in both categories, the basis for ratings subject to target price deviation is outlined below:

TOP 20		NON-TOP 20	
Rating	Deviation	Rating	Deviation
<b>STRONG BUY</b>	>20%	BUY	>20%
<b>OVERWEIGHT</b>	10% – 20 %	NEUTRAL	5% – 20 %
<b>NEUTRAL</b>	0% – 10 %	SELL	<5%
<b>UNDERWEIGHT</b>	-5% – 0%	N/A	
<b>SELL</b>	<-5%		

Ratings	Recommendation
<b>BUY</b>	Accumulate security to a substantial extent constrained only by portfolio diversification considerations.
<b>OVERWEIGHT</b>	Accumulate security to an extent moderated by cognizance of its benchmark weight
<b>NEUTRAL</b>	Maintain status quo for security with respect to current holding –i.e. keep if already holding and don't buy otherwise—subject to reasonable portfolio constraints
<b>UNDERWEIGHT</b>	Minimize exposure to security taking cognizance of its index weighting
<b>SELL</b>	Sell-off security completely from portfolio

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