

Company Brief

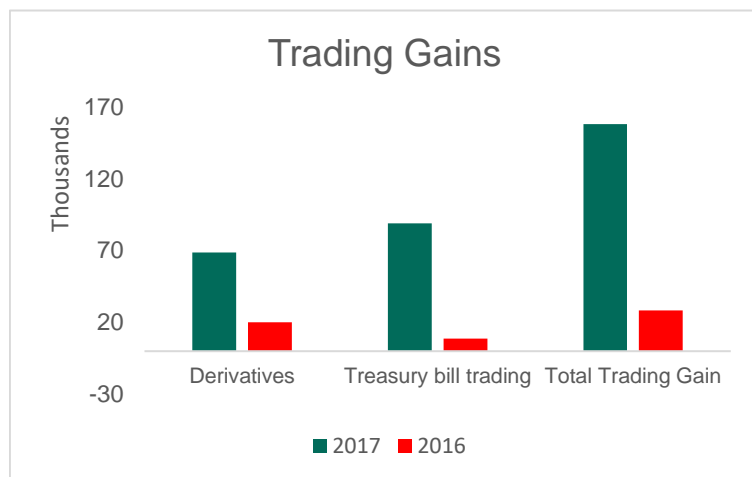
Zenith Bank Plc was established in May 1990 and commenced operations in July of the same year as a commercial bank. The Bank became a public limited company on June 17, 2004 and was listed on The Nigerian Stock Exchange (NSE) on October 21, 2004 following a highly successful Initial Public Offering (IPO). Zenith Bank Plc currently has a shareholder base of about 700,000. In 2013, the Bank listed \$850 million worth of its shares at \$6.80 each on the London Stock Exchange (LSE).

Zenith Bank Plc released its FY 2017 financial statement showing 46.69% year-on-year (YOY) growth in gross earnings to ₦745.2 billion while the Profit After Tax (PAT) grew by 37.24% YOY to ₦177.9 billion. Also, the management of Zenith Bank Plc has proposed a final dividend of ₦2.45 per share which represents a dividend yield of 7.90%.

PAT growth fuelled by Non-Interest Income

The growth in PAT was driven largely by 119.18% growth in Non-Interest Income. Despite a tremendous surge in loan loss expenses by 203.64%, the growth in the Non-Interest Income was able to offset the negative impact of the growth in the loan loss expenses.

Meanwhile the growth in the Non-interest income was supported largely by huge trading gains from derivative income (+242.24%) and Treasury Bill trading (+927.81%).



The derivative income grew by 242.24% to ₦68.7 billion from its previous value of ₦20.1 billion, this was predominantly made up of foreign exchange forward contracts. Also, the treasury bill trading income spiked by 927.81% to ₦88.9 billion from ₦8.6 billion in the prior year.

We expect treasury bill trading income to fall in 2018 due to the recent government decision to restructure its debt portfolio, by replacing local debt with foreign debt. Consequently, yield on government securities has declined significantly between Q1 2017 and Q1 2018.

*Using Market Price as at 13 March 2018

Adewole Adedeji

adewole.adedeji@anchoriaam.com

TARGET PRICE: UNDER REVIEW

Income Statement Summary

In millions of Naira	Dec-17	Dec-16	YOY%
Gross Earnings	745,189	507,997	46.69%
Interest Income	474,628	384,557	23.42%
Interest Expenses	(216,637)	(144,378)	50.05%
Net interest Income	257,991	240,179	7.42%
Loan Loss Expenses	(98,227)	(32,350)	203.64%
Non-Interest Income	270,561	123,440	119.18%
Operating Expenses	(226,864)	(174,521)	29.99%
Profit before Tax	203,461	156,748	29.80%
Tax expenses	(25,528)	(27,096)	-5.79%
Profit after Tax	177,933	129,652	37.24%
EPS (Kobo)	566	412	37.38%

Stock Information

Bloomberg Ticker	ZENITHBA:NL
NSE Ticker	ZENITHBANK
Market Price	31.00
Share Outstanding (Mn)	31,396
Market Cap (N'Bn)	973,291

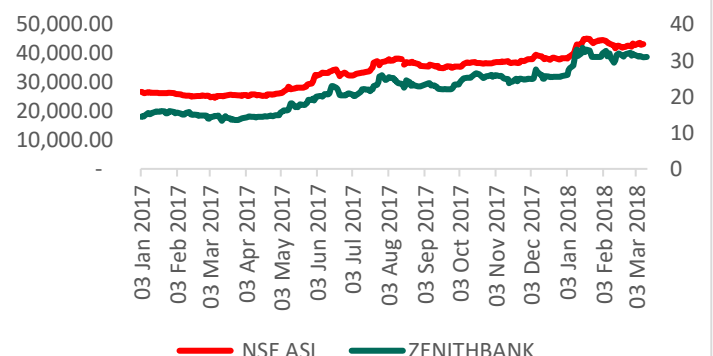
Price Performance

	ZENITHBANK	NSE
WTD*	0.32%	-0.26%
MTD*	-2.82%	-0.63%
YTD*	20.90%	12.59%

Valuation

	2017	2016
P/E (x)	5.48	3.58
P/BV (x)	1.19	0.66
Dividend Yield (%)	7.90	13.69

NSE ASI Vs ZENITHBANK

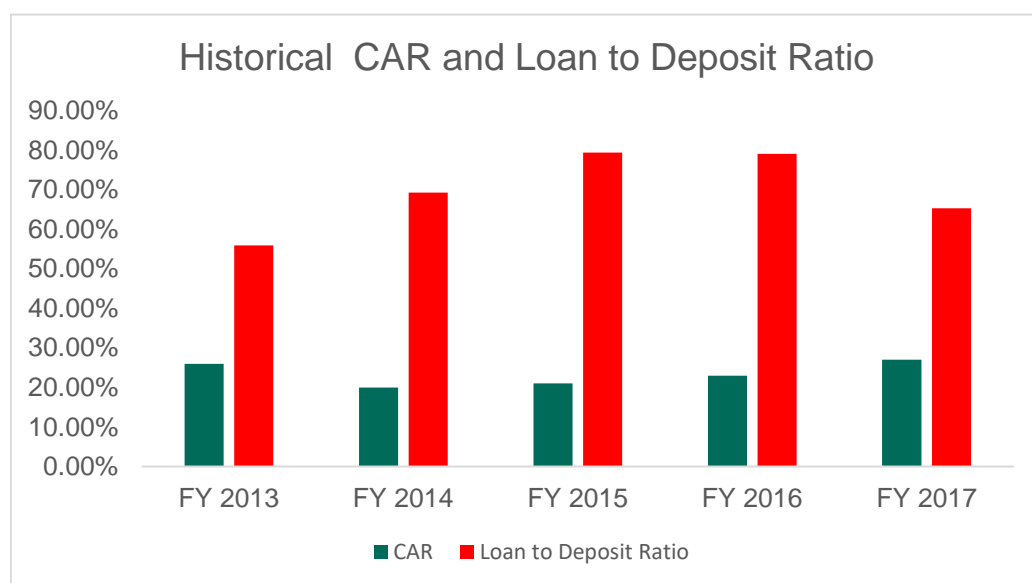


Also, the growth in the provision for loan loss by 203.64% can be attributed to provision in the communication category due to the bank's Etisalat loan exposure.

Strong Financial Position

We highlight strong growth recorded in the balance sheet line items with the total deposit growth of 15.23% and total asset growth of 18.05% while the total loan fell by 4.86% to a gross loan of ₦2.25 billion. We see improving asset quality as the bank continues to strengthen its risk management framework.

Also, the Capital Adequacy Ratio (CAR) rose to 27.00% from the previous rate of 23.00% in the FY 2016. This is above the regulatory requirement of 15% for banks with international license and 16% for systemically important banks.



Contacts

Adewole Adedeji
 Adewole.adedeji@anchoriaam.com
 +234 908 720 6076

Adaobi Ekweanya
 Adaobi.ekweanya@anchoriaam.com
 +234 908 706 3567

Income Statement	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013
(in Million Naira)					
Gross Earnings	745,189	507,997	432,535	403,343	335,150
Interest Income	474,628	384,557	348,179	313,422	270,538
Interest Expenses	(216,637)	(144,378)	(123,597)	(106,919)	(70,796)
Net interest Income	257,991	384,557	348,179	313,422	270,538
Loan Loss Expenses	(98,227)	(32,350)	(15,673)	(13,064)	(11,067)
Non-Interest Income	270,561	123,440	84,356	89,921	64,612
Operating Expenses	(226,864)	(174,521)	(248,617)	(153,887)	(147,196)
Profit before Tax	203,461	156,748	125,616	119,796	106,209
Tax expenses	(25,528)	(27,096)	(19,953)	(20,341)	(14,621)
Profit after Tax	177,933	129,652	105,663	99,455	91,588
EPS (Kobo)	566	412	336	316	301
Balance Sheet	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013
(in Million Naira)					
Cash & Cash Equivalent	957,663	669,058	1,033,755	1,259,148	860,580
Investment Securities	330,951	199,478	213,141	200,079	303,125
Loan and Advances	2,100,362	2,289,365	1,989,313	1,729,507	1,251,355
PPE	133,384	105,284	87,022	71,571	69,410
Total Asset	5,595,253	4,739,825	4,006,842	3,755,264	3,143,133
Total Deposit	3,437,915	2,983,621	2,557,884	2,537,311	2,276,755
Total Liabilities	4,773,595	4,035,360	3,412,489	3,202,626	2,633,882
Shareholders' fund	821,658	704,465	594,353	552,638	509,251
Total Liabilities & Equity	5,595,253	4,739,825	4,006,842	3,755,264	3,143,133
Key Ratios	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013
Return on Average Equity (ROAE)	23.32%	19.96%	18.42%	18.73%	-
Return on Average Asset (ROAA)	3.44%	2.96%	2.72%	2.88%	-
Loan to Deposit Ratio	61.01%	79.13%	79.45%	69.30%	55.92%
Capital Adequacy Ratio	27.00%	23.00%	21.00%	20.00%	26.00%
Valuation Multiples					
Last Price (₦)	31.00	14.75	14.05	18.41	27.40
Basic EPS	5.66	4.12	3.36	3.16	3.01
P/E Ratio (x)	5.48	3.58	4.18	5.83	9.10
BVPS	26.13	22.41	18.91	17.58	16.09
P/B Ratio (x)	1.19	0.66	0.74	1.05	1.70

*Using Market Price as at 13 March 2018