



# ZENITH BANK Q3 2017

06 DECEMBER 2017

MPR: 14%  
 Oct '17 Inflation Rate: 15.91%  
 Q3 '17 GDP: 1.40%

TICKER: ZENITHBANK  
 Price as at 05 September 2017: N25.01  
 Target Price: N28.92  
 Performance Rating: Bb (Average)  
 Recommendation: BUY

	9M 2017	9 M 2016	Y-o-Y %Δ
Gross Earnings	531.27	380.35	39.68%
Interest Income	361.79	285.67	26.64%
Operating Cost	171.36	146.05	17.33%
PAT	129.24	95.39	35.49%
Total Loans	2,676.74	2,881.14	-7.09%
Deposits	3,062.21	2,691.99	13.75%
H1 Total Assets	5,131.82	4,649.69	10.37%
H1 Shareholders' Fund	767.69	690.91	11.11%

Source: Company Financials, Cowry Research

Financial Ratios	9M 2017	9M 2016	Industry Average
Cost of interest bearing liabilities	5.57%	3.68%	4.91%
Cost to Income ratio	62.43%	63.60%	71.95%
Cost of Risk ratio	1.69%	0.84%	2.05%
Loan to Deposit	87.41%	107.03%	79.11%
Net Interest Margin	7.25%	7.31%	8.43%
Yield on Interest Earning Assets	13.02%	11.00%	14.56%
Debt to Capital	58.26%	56.12%	47.12%
Return on Equity (ROE)	17.72%	15.11%	9.15%
Return on Total Assets (ROA)	2.64%	2.25%	1.27%

Source: Company Financials, Cowry Research

Investment Ratios	9M 2017	Industry Average
EPS TTM (NGN)	4.44	1.48
F' EPS (NGN)	5.49	1.86
NAV (NGN)	24.88	13.45
PER TTM (x)	5.59	5.12
Weighted PER (x)	1.10	6.43
P/B (x)	1.00	0.61
Target Price (NGN)	28.92	

Source: NSE, Company Financials, Cowry Research

Key: EPS – Earnings Per Share; NAV – Net Asset Value; PER – Price to Earnings; P/B – Price to Book; F' – Full Year Forecast; TTM – Trailing Twelve Months

Performance Ratings: A – Excellent; BB – Investment Grade; Bb – Acceptable (Average); D-E – Not Acceptable

\* Estimated as Skve Bank Plc was vet to release its financials as at report time

## Zenith Bank Records Average Performance

In our assessment, relative to the banking industry, Zenith Bank Plc recorded average performance for 9mths to September 2017. Taking into consideration relevant ratios, we arrived at a 'Bb' rating. Given its performance, plus an upside of 15.62% to its target price of N28.92, we recommend a BUY on its shares.

## ...Profitability Beats Industry Average despite Rising Costs, Higher Leverage

Zenith Bank Plc based on its 9M 2017 improved ROE and ROA to 17.72% and 2.64% respectively from 9M 2016 levels (beating industry averages of 9.15% and 1.27%). Increased profitability was driven by a 26.64% rise in interest income to N361.79 billion in a high yield environment. However, the Cost of Risk ratio doubled (albeit, still lower higher than industry average of 2.05%) following a 77.88% spike in loan loss expense. Also, Debt to Capital rose to 58.26% (higher than industry average of 47.12%) having sold more debt.

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