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Q1'26 Earnings | ZENITHBANK: Strong core income supports Zenith Bank's Q1 2026 earnings growth

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Zenith Bank Plc delivered a resilient but moderated performance in Q1'26, as solid growth in core interest and fee income was partly offset by elevated operating costs and margin pressures on profitability. Gross earnings rose by 5.3% y/y to ₦976.0 billion (Zedcrest estimate: ₦820.0 billion), supported primarily by steady expansion in interest income, which accounted for c.89.1% of total earnings.

Interest income increased by 3.8% y/y to ₦869.0 billion (Zedcrest: ₦842.0 billion), underpinned by improved asset yields and stronger earnings from treasury instruments. Meanwhile, interest expense declined by 4.7% y/y to ₦235.0 billion (Zedcrest: ₦243.0 billion), reflecting continued optimization of the funding mix and a moderation in cost of funds to 3.8%. Consequently, net interest income grew by 7.3% y/y to ₦634.0 billion (Zedcrest: ₦599.0 billion), with net interest margin settling at 12.1%, highlighting sustained strength in core banking operations.

Non-interest income expanded strongly by 19.1% y/y to ₦106.0 billion (Zedcrest: ₦94.0 billion), driven by increased customer activity, higher transaction volumes, and robust growth in fees and commissions. Additional support came from loan recoveries and FX revaluation gains, which helped offset trading-related losses during the period. Overall, operating income rose to ₦740.5 billion (+8.8% y/y), reinforcing the bank's diversified revenue base.

However, cost pressures remained elevated, with operating expenses rising by 14.9% y/y to ₦322.0 billion (Zedcrest: ₦295.0 billion), largely driven by inflationary pressures, regulatory costs, and a sharp increase in IT-related expenses. As a result, the cost-to-income ratio deteriorated to 43.5%, reflecting declining operating efficiency despite revenue growth.

On the balance sheet, Zenith Bank recorded solid loan growth, with total loans and advances increasing by 8.9% to ₦11.38 trillion, while total deposits edged up modestly by 0.6% to ₦24.47 trillion, indicating a stable but slower deposit mobilization environment. The bank also continued to strengthen its funding structure, supported by a higher CASA mix.

Asset quality remained broadly stable, with the NPL ratio unchanged at 3.8%, although impairment charges rose, pushing the cost of risk slightly higher to 1.4%. This suggests a cautious risk environment despite overall portfolio resilience.

Ultimately, profit after tax grew marginally by 0.7% y/y to ₦314.0 billion (Zedcrest: ₦350.0 billion), reflecting the combined impact of strong revenue growth and rising cost pressures. Earnings per share printed at ₦7.64 (vs ₦7.59 in Q1'25). Profitability metrics showed mixed trends, with ROAA stable at 4.0%, while ROAE declined to 24.9% (from 29.4% in Q1'25), indicating some dilution in shareholder returns.

Overall, Zenith Bank's Q1'26 performance highlights the strength of its core interest-generating capacity and diversified income streams, even as rising operating costs and modest margin compression weighed on bottom-line expansion. Sustained balance sheet growth, funding efficiency, and cost discipline will remain key drivers of performance going forward.

FY'26 outlook brightens for Zenith Bank as core income remains resilient

In light of Zenith Bank Plc's Q1'26 performance, we have revised our full-year outlook upward, projecting a robust financial showing for FY'26. Looking ahead to 2026, the Group's earnings outlook remains moderately positive, supported by continued topline expansion albeit with near-term margin pressures. Gross earnings are projected to rise significantly to ₦6.12 trillion from ₦4.19 trillion in 2025, driven by growth in interest income to ₦4.00 trillion. However, this is expected to be partly offset by a sharp increase in interest expense to ₦1.71 trillion, reflecting a still-elevated interest rate environment and higher funding costs. As a result, net interest income is forecast to decline to ₦2.29 trillion, indicating some compression in margins in the near term. On

Rating	HOLD
NGX Ticker	ZENITHBANK
Bloomberg Ticker	ZENITHBA
Target price	₦143.05

Company statistics (FY 2025)	
Return on average equity	24.90%
Net Interest Margin	12.10%
Cost-to-income	43.50%
Market cap	₦5.63trn

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the non-interest side, net fees and commission income is expected to improve modestly to ₦312.9 billion, supported by stronger transactional volumes. Overall, profit after tax is projected to increase to ₦1.12 trillion, highlighting the Group's resilient earnings capacity despite pressure on core margins.

Following the release of Q1'26 earnings and the upward revision to our 2026 projections, we raise our target price to ₦143.05 (from ₦126.07) and maintain a HOLD rating on ZENITHBANK, reflecting our view of balanced upside potential amid sustained earnings resilience and a strong balance sheet position.

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ZENITHBANK Plc	Q1 2026	Q1 2025	Change (%)	Zedcrest's estimate	Variance
Income statement (₦'Billion)					
Gross earnings	976	927	5.3%	820	19.0%
Interest income	869	838	3.8%	842	3.2%
Interest expense	(235)	(247)	-4.7%	(243)	-3.3%
Net-interest income	634	591	7.3%	599	5.9%
Non-interest income	106	89	19.1%	94	13.2%
Operating expenses	(322)	(280)	14.9%	(295)	9.2%
Profit after tax	314	312	0.7%	350	-10.3%
Balance sheet (₦'Billion)					
	Q1 2026	FY 2025	Change (%)		
Total loans and advances	11,382	10,449	8.9%		
Total deposits	24,474	24,330	0.6%		

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