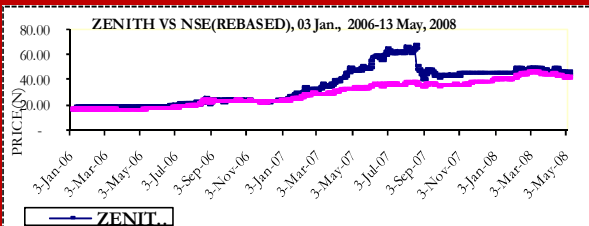


Ticker	ZENITH
Sector	Banking
Yr of Incorporation	30-May-90
Date of Listing	21-Oct-04
Financial End	June
Number of Shares	16,744,796,686
Capitalisation	820,327,589,647
NSE Mkt Cap.(N)	121,121,063,734,378
NSE Mkt Cap.(US\$)	1,038,061,910,648
% of NSE Cap.	6.54%
52 Wk High	68.97
52 Wk Low	41.20
52 Wk Return	27.42
YTD	6.29
52 Wk Ave. Trade	7,946,616
Beta value	1.11
Current EPS	2.26
Current PE	21.68

Q3	2008	2007	Ch (%)
GEs	120,306	70,768	70.00
PBT	40638	19257	111.03
PAT	33,323	14,084	136.60
PBT Margin	33.78	27.21	6.57
PAT Margin	27.70	19.90	7.80

Full Year	2007	2006	Ch (%)
GEs	94,800	60,000	58.00
PBT	25,600	15,500	65.16
PAT	18,600	11,600	60.34
PBT Margin	27.00	25.83	1.17
PAT Margin	19.62	19.33	1.48



## Equity Research Report **BUY**

**Result Period:** Q3, 2008  
**Date:** 13, May, 2008  
**Fair Value:** NGN 63.43  
**ZENITH BANK Plc**

### Growing Through People, Technology & Service:

The unaudited Q3,'08 result of **Zenith Bank** for the period ended 31<sup>st</sup> March, 2008 released recently shows that its Gross Earnings (GEs) grew by 70% to N120.31billion in 2008, compared with N70.77billion in the corresponding period of 2007. Profit Before Tax (PBT) grew by 111% between 2008 and 2007 to N40.64billion from N19.26billion in the corresponding period of 2007. The bank's provision for tax which increased by 41.4% between 2007 and 2008 to N7.31billion from N5.17billion in 2007 brought about a Profit After Tax (PAT) of N33.32billion as against N14.08billion in 2007, representing a growth of 136.6%.

The bank improved its cost management strategy in order to increase return to shareholders. This is reflected in the improvement in its PBT margins which increased to 33.78% in Q3, '08 from 27.21% as at Q3, '07, and from 27% as at the end of the financial year in June, 2007. This shows that the bank was able to reduce its total costs as a percentage of GEs to 66.22% in Q3, '08 from 73% in FY, '07. PAT Margin currently stands at 27.7% up from 19.9% in the corresponding period of 2007 and up from 19.62% as at FY, '07. It is also worthy to note that the bank has the lowest non-performing loan to its gross loan, in the banking industry, as at the end of its financial year last year.

The result also shows that the proportion of the GEs, PBT, and PAT in the Q3, '08 to the Full Year Audited GEs, PBT and PAT for the period ended June, 2007 are 126.91%, 158.74% and 179.16%, respectively. This shows that the bank has been able to achieve more than 75% of the previous year's result; this is an indication that the bank's current year performance would exceed its 2007 performance with a wide margin.

The bank increased its Ordinary Shares recently by 5.16bn (approximately 44.59%) to 16.74bn following the conclusion of its recent Hybrid Offer. Growing the bottom-line at about 137% is an indication that both the Forward Earnings Per Share (FEPS) and the Dividend Per Share (FDPS) at the end of the current financial year will be an improvement over the previous year.

### Valuation/Analyst Recommendation

We project a PAT of **N44.43bn** for FYE 2008 (June). This will generate a forward EPS of **N2.65k** and a DPS of **N1.12k** based on a payout of **42.29%**. Applying a beta value of **1.11**, risk premium of **5%**, risk free rate of **10%** and forward PE ratio of **20x**, the Discounted Future Earnings Model generates a value of **N100.90k**, the Dividend Discount Method (DDM) generates **N36.33k** and the Relative Valuation Method generates **N51.16k**. An average of the valuation methods yields a final value of **N63.43k** per Share of Zenith.

Company	GEs(Nbn)	PBT(Nbn)	PAT(Nbn)	PAT Marg.(%)	ROE(%)	EPS*	P/E*
UBA	109.51	25.36	21.44	19.58	12.78	2.31	24.87
FBN	90.32	25.56	20.37	22.55	24.43	1.58	28.22
<b>Zenith Bank</b>	<b>94.80</b>	<b>25.68</b>	<b>18.68</b>	<b>19.70</b>	<b>16.06</b>	<b>2.26</b>	<b>21.68</b>
GT Bank	49.05	15.72	13.19	26.89	27.87	1.26	26.95
Oceanic Bank	74.94	23.01	17.53	23.40	5.19	1.33	21.05
Intercontinental	87.36	22.63	15.48	17.72	4.10	1.26	36.11

\* Current

Note: Result as at Audited 2007 but with different Financial Year end

PLEASE SEE PAGE 2

## Disclaimer Policy

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