

Nigeria: Zenith Bank - Growth Built On Resilience

By Eromosele Abiodun

ABUJA, Nigeria, July 04, 2012 (This Day) - Banks the world over are primarily established to encourage and mobilise savings for onward lending and thereby extend economic prosperity to the people. In carrying out this responsibility, a lot of risks are involved and the Nigerian banking industry has particularly witnessed tough situations in the last few years, with many of them distressed.

However, a few banks have risen from the tough operating environment to record performance that has revived hope in the banking industry in Nigeria. Leading the pack is Zenith Bank Plc. While it has faced challenges, the bank has come to denominate creativity, excellent service delivery, good corporate governance and corporate social responsibility in the market place. In the last few years, the bank has maintained its leadership with frantic efforts towards meeting obligations of its stakeholders subject to the constraints of liquidity and safety. Analysts believe the bank is indeed, leveraging its earning potentials accorded to it by the size of its balance sheet.

"Incidentally it has the capacity, the network and the spread to sustain its larger customer base. Zenith Bank shows a commendable growth trajectory that reassures on the resilience of the bank's growth strategy. The bank appears to be in better stead to consolidate profitability. Already noted as a technology-savvy bank, Zenith Bank stands to benefit more in the emerging cashless banking system. While it needs to open up lending to strengthen profitability, its cautious risks assessment and low cost of funds would provide relative stability as it ventures out to explore greater risk-return potential," said a trader at the Nigerian Stock Exchange who

do not want his name mentioned.

Overview

Zenith Bank Plc consolidated its performance in the immediate past year with strong growths in key profit and loss items and a generally positive balance sheet. The banks' audited accounts for the year ended December 31, 2011 showed appreciable improvement in profitability underpinned by an increasingly efficient internal cost management and more profitable core banking operations. With 27 per cent growth in gross earnings, pre and post tax profits rose by 21 per cent and 18 per cent respectively.

The steady growth in profit consolidated Zenith Bank's position as Nigeria's most profitable quoted bank-by size. The uptrend trickled down to shareholders with a 12 per cent increase in cash payout per share to 95 kobo. With classified loans totaling 4.0 per cent of total loans and advances, the bank has surpassed the 5.0 per cent minimum bad debt ratio target of the Central Bank of Nigeria (CBN). Improved assets quality was simultaneous with appreciable improvement in the core banking operations of the bank, which profit margin increased by 6.0 percentage points.

However, with the general business growth outpacing equity funds, capital adequacy and liquidity of the bank lagged behind, although both remained within a steady range. Besides, the overall underlying profitability slipped by a point from 26 per cent to about 25 per cent.

Balance Sheet

Zenith Bank Group's balance sheet expanded by 22 per cent to N2.31 trillion in 2011 as against N1.90 trillion in 2010. With 3.8 per cent increase in fixed assets from N66.32 billion to N68.84 billion, the balance sheet growth was driven by earning assets, which rose appreciably by 23 per cent to N2.24 trillion compared with N1.83 trillion in previous year. Total deposits grew by about 26 per cent from N1.32 trillion to N1.65 trillion. This impacted on total liabilities, which grew at almost similar rate to N1.93 trillion in contrast with N1.53 trillion in the previous year. While paid-up share capital remained unchanged at N15.7 billion, shareholders' funds inched up from N363.56 billion to N380.34 billion.

However, the proportion of equity funds to total assets dropped from 19.2 per cent in 2010 to 16.5 per cent in 2011. Equity funds covered about 46 per cent of loans and advances in 2011 compared with funding rate of 51 per cent in 2010. Fixed assets/equity funds ratio remained steady at 18.1 per cent in 2011 as against 18.2 per cent in 2010.

Asset Quality

Zenith Bank showed appreciable improvement in asset quality during the year with a significant decline in non-performing loans as against appreciable increase in gross loans and advances. Total loans and advances rose by 17 per cent from N746.05 billion in 2010 to N869.84 billion in 2011.

Conversely, non-performing loans dropped by 22 per cent from N44.27 billion to N34.71 billion. With these, the proportion of classified bad loans to gross loans and advances slipped from 5.9 per cent in 2010 to 4.0 per cent in 2011.

Possible threats from non-performing loans to the bank reduced considerably with classified loans/equity funds ratio of 9.1 per cent in 2011 compared with 12.2 per cent in 2010. In spite of this, the bank improved provisions for classified loans to 107 per cent in 2011 as against 74 per cent in 2010.

Profitability

The bank rode on the back of expansive incomes from core banking operations and non-core banking incomes as well as improving internal cost management to consolidate its profitability. Gross earnings rose by 27 per cent to N244.07 billion in 2011 as against N192.49 billion in 2010.

The gross top-line performance was driven by appreciable growths in the two broad lines of incomes. Interest income had grown by 26 per cent from N127.27 billion to N160.52 billion while non-interest income grew by 28 per cent from N65.22 billion to N83.55 billion. With a 2.3 per cent reduction in interest expense from N35.72 billion in 2010 to N34.91 billion in 2011, net interest income leapt by 37 per cent to N125.61 billion in 2011 compared with N91.55 billion in 2010.

Operating expenses meanwhile rose by 21 per cent to N118.26 billion as against N97.77 billion.

Profit before tax stood at N60.7 billion in 2011 as against N50 billion in 2010, representing an increase of 21 per cent. In the same vein, profit after tax rose by 18 per cent from N37.41 billion to N44.19 billion.

Further analysis showed basic earnings per share of N1.40 in 2011 compared with N1.19 in 2010. The board of the bank reflected the improvement in net earnings on shareholders' return with increase in cash dividend per share from 85 kobo to 95 kobo.

Even with the 12 per cent increase in cash payouts, the sustainable dividend outlook of the bank improved with a dividend cover of 1.47 times in 2011 as against 1.40 times in 2010. Return on total assets was stable at 2.6 per cent while return on equity improved from 10.3 per cent to 11.6 per cent.

Intrinsic profitability analysis showed a generally positive outlook. Net interest margin, which indicates the actual profitability of core banking operations, improved from about 72 per cent to 78.3 per cent.

Governance and Structures

Zenith Bank's shares are held by about 682,000 shareholders, with two shareholders holding more than 5 per cent. Mr. Jim Ovia, founder and immediate past managing director of the bank, holds the largest equity stake of 8.75 per cent while Stanbic Nominees Nigeria Limited, which represents the interests of some institutional shareholders, holds 6.91 per cent. There is no evident foreign shareholding in the bank.

Zenith Bank broadly complies with the code of corporate governance and the auditors' report indicates no contravention of any banking regulations. Against the background of the operating environment, the overall outlook is steady and reassuring. (END)

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С «[Серийные номера кряки скачать](#)» этими словами девушка гордо вышла из комнаты, предоставив мужчинам, которые все «[Скачать ключ к игре веселая ферма рыбный день](#)» еще сидели за столом, размышлять над ее словами.

Предложение было «[Скачать квип на компьютер бесплатно на русском языке](#)» ;встречено с энтузиазмом, и все сразу бросились «[Ловушка для невесты скачать торрент в хорошем качестве](#)» ;разрывать сухую хвою.

Но ведь я могу опираться только на одно колено.

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