



Q1:2024 EARNINGS RESULT

UNITED BANK FOR AFRICA PLC



6TH MAY 2024

BANKING | EQUITY RESEARCH

Price	NGN25.80
52-week range	NGN7.9 - NGN34
TP	NGN29.57
Rating	OVERWEIGHT
Market Cap	NGN884.06bn

UBA-Share Price Trend



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UNITED BANK FOR AFRICA PLC |

Impressive Performance Riding on Core Banking Income

United Bank for Africa Plc. recently released its unaudited Q1:2024 financial result. Gross earnings grew 110.25% YoY to NGN570.16bn following impressive interest and non-interest income growth. Interest Income soared 129.71% YoY to NGN440.76bn while Non-Interest Income grew by 63.17% YoY to NGN129.39bn. On the other side, Operating Expenses advanced 104.05% YoY to NGN218.97bn owing to employee expenses, energy, and maintenance cost. Profit Before Tax (PBT) and Profit After Tax (PAT) grew by 154.74% YoY and 166.07% YoY respectively to NGN156.34bn and NGN142.58bn consecutively. Overall, Net Profit Margin increased by 5.25% to 25.01% in the period.

Income from Customers Loans and Bonds

Interest income rose by 129.71% YoY to NGN440.76bn in Q1:2024, driven majorly by a surge in income from interests on loans to customers (+103.34% YoY to NGN195.31bn) and income from bonds (+142.25% YoY to NGN139.85bn). This correlates with the expansion in customers loans (+120.94% YoY to NGN7.29trn) and improved investment in bonds (+127.60% YoY to NGN4.54trn) as well as the elevated interest rate environment.

Higher Interest on Customer Deposits

Interest expense advanced (+93.90% YoY) to NGN140.09bn on the back of a 71.15% increase in interest on customer deposits to NGN84.61bn in Q1:2024. This aligns with the sharp increase (+112.55% YoY) in total customer deposits to NGN18.38trn. Although CASA proportion slightly improved to 87.01% of total deposits in Q1:2024 from 84.04% in Q1:2023, the eventual surge in interest expenses is attributable to the higher interest rate environment in 2024. However, due to faster growth in interest-bearing liabilities, annualized cost of funds declined by 34bps to 2.53% in Q1:2024. Furthermore, Net Interest Margin (NIM) improved (+54bps) to 4.91% in Q1:2024. Finally, Net Interest Income increased by 151.34% to NGN300.68bn.

Non-Interest Income: E-Banking and Commissions Spurs Performance

Non-interest revenue increased by 63.17% YoY to NGN129.39bn on the back of growth in commissions on transactional services (+451.28% YoY to NGN30.28bn) and E-banking income (+111.95% YoY to NGN44.36bn).

On the expense leg, Fees, and commission expense advanced 121.75% YoY to NGN51.48bn, an offshoot of higher E-banking expenses (+129.18% YoY to NGN45.66bn) in the period. Overall, total net non-interest revenue grew by 38.93% YoY to NGN77.91bn.

Personnel and Energy Cost Spikes OPEX

Operating expenses increased 104.05% YoY to NGN218.97bn as personnel-related costs (Employee benefit expenses) spiked 112.09% YoY to NGN66.31bn. Similarly, the increase in energy costs reflected in higher fuels, repairs, and maintenance expenses (+136.52% YoY to NGN33.16bn). Furthermore, Occupancy and premises maintenance cost increased by 173.16% YoY to NGN17.84bn. However, due to higher growth in operating income vis-à-vis operating expenses, cost-to-income ratio declined by 323bps to 57.84% in Q1:2024 from 61.07% in Q1:2023.

Impressive Bottom-Line Performance

UBA recorded improved profitability with Profit before Tax up 154.74% YoY to NGN156.34bn and Profit after Tax up 166.07% YoY to NGN142.58bn. Overall, annualized Return on Equity (ROE) declined by 19bps to 21.84% in Q1:2024 while Return on Assets (ROA) inched 36bps higher to 2.25% in Q1:2024.

For 2024FY, we expect this performance to be sustained upon higher loan growth relative to 2023. The lender's digital banking drive should also improve Non-Interest Revenue. We maintain our 2024FY target price of **NGN29.57** for UBA and compared to its close price of NGN25.80 as of 3rd of May 2024, we put an **OVERWEIGHT** rating on UBA.

Summary of Results

N'million	Q1:2024	Q1:2023	YoY
Gross Earnings	570,158	271,177	110.3%
Net Interest Income	300,676	119,879	150.8%
Non-Interest Revenue	129,394	79,298	63.2%
Operating Expenses	(218,965)	(107,307)	104.1%
Impairment	(3,280)	(7,032)	-53.4%
PBT	156,344	61,373	154.7%
PAT	142,584	53,589	166.1%
EPS	3.96	1.47	169.4%
N'million	Q1:2024	Q1:2023	YoY
Loans	7,457,230	3,610,841	106.5%
Total Assets	25,369,422	11,360,779	123.3%
Deposits	21,149,451	9,526,763	122.0%
Total Liabilities	22,757,763	10,387,643	119.1%
Net Assets	2,611,659	973,136	168.4%
BVPS	76.37	28.46	168.3%
Annualized Ratios	Q1:2024	Q1:2023	YoY
Cost of Funds	2.53%	2.87%	-0.3%
Net Interest Margin	4.91%	4.37%	0.5%
ROE	21.84%	22.03%	-0.2%
ROA	2.25%	1.89%	0.4%

ARM ratings and recommendations.

ARM now employs a two-tier rating system which is based on systemic importance of the security under review and the deviation of our target price for the stock from current market price. We characterize systemic importance as a function of a stock's ranking among the group of top 20 stocks by NSE market capitalization over a trailing 6-month period (minimum) to the review date. We adopt a 5-point rating system for this category of stocks and a 3-point rating system for stocks outside this group. The choice of top 20 stocks arises from the consideration that this group of stocks constitutes >75% of overall market capitalization and stocks outside this group are generally less liquid and individually account for <<1% of market capitalization. For stocks in both categories, the basis for ratings subject to target price deviation is outlined below:

TOP 20		NON-TOP 20	
Rating	Deviation	Rating	Deviation
STRONG BUY	>20%	BUY	>20%
OVERWEIGHT	10% – 20 %	NEUTRAL	5% – 20 %
NEUTRAL	0% – 10 %	SELL	<5%
UNDERWEIGHT	-5% – 0%	N/A	
SELL	<-5%		

Ratings	Recommendation
BUY	Accumulate security to a substantial extent constrained only by portfolio diversification considerations.
OVERWEIGHT	Accumulate security to an extent moderated by cognizance of its benchmark weight
NEUTRAL	Maintain status quo for security with respect to current holding –i.e. keep if already holding and don't buy otherwise—subject to reasonable portfolio constraints
UNDERWEIGHT	Minimize exposure to security taking cognizance of its index weighting
SELL	Sell-off security completely from portfolio

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