

United Bank for Africa Plc

BLOOMBERG: UBA NL

Soft earnings growth in H1'25

United Bank for Africa Plc (NGX: UBA— TP: UR*) reported a modest earnings growth of 6.1% YoY to N335.5 billion in its audited H1'25 results. Although the results showed a robust topline performance, the accelerated growth in interest expense (+70.4% YoY), amidst a 36.0% YoY decline in Non-interest Revenue (NIR) undermined overall performance.

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Interest income expanded by 32.9% YoY to N1.3 trillion, reflecting a strong asset yield of 12.2% on a robust earning-asset base of c.N23.0 trillion. However, the sharp jump in interest expenses (+70.4% YoY) due to a higher cost-of-funds (CoF) of 4.0% (vs 2.8% in H1'24), exerted some pressure on topline performance and led to a relatively modest growth of 14.6% in Net Interest Income (NII), which printed at N773.0 billion. Accordingly, Net-Interest Margin (NIM) tapered to 7.1% from 7.4% in the prior year.

Meanwhile, NIR fell by 36.0% YoY to N167.8 billion, largely due to the 397.7% YoY decline in foreign currency revaluation gains. Additionally, the Group recorded a moderation in FX trading gains and a net fair value loss on derivatives to the tune of N164.4 billion.

Following the slower growth in operating expense (OPEX), which expanded by only 9.6% YoY to N520.4 billion compared to 0.45% YoY growth of operating income to N940.8 billion, cost-to-income ratio (CIR) printed at 55.3% (vs 50.7% in H1'24).

Surprisingly, impairment charges showed no significant increase in H1'25 despite the CBN's directive for banks to exit loan forbearance. Impairment charges on loans declined by 19.8%, which resulted in the moderation of cost of risk (CoR) to 1.0% (vs. 1.9% in H1'24). The total impairment on loans and financial assets fell to 32.0 billion from 60.2 billion previously. Elsewhere, UBA's stage 3 loans grew by 5.3% Ytd compared to the meagre 2.2% Ytd increase in gross loans, which led to the increase in Non-Performing Loans (NPL) ratio to 6.2% (vs. 6.0% in FY'24).

Breakdown from its geographical segments that showed a sharp decline in earnings from UBA Nigeria (-59.3% YoY) to N86.4 billion, which reflected the accelerated increase in interest expense. Consequently, the Nigerian segment's contribution to bottom-line (ex-eliminations) contracted to 16.6% (vs 39.6% in H1'24), with contributions from the rest of Africa and the international segment printing at 74.6% (47.6% in H1'24) and 8.9% (12.7% in H1'24), respectively.

*UR: Under Review

The H1'25 PAT of N335.5 billion (+6.1% YoY) translates to an Earnings Per Share (EPS) of N8.86. Profitability also improved, with ROAA increasing to 3.3% (vs. 2.4% in H1'24) and ROAE climbing to 27.5% (vs. 22.6% in H1'24).

UBA announced an interim dividend of N0.25 (vs N2.00 in H1'24)—implying a payout ratio of 2.8% and a dividend yield of 0.5% on the current share price of N47.00.

H1'25 Earnings Breakdown

₦' billion	H1'25	H1'24	YoY Growth	FY'25E	% of FY'25E
Gross Earnings	1,608.0	1,371.0	17.3%	3,208.1	50.1%
Interest income	1,333.6	1,003.6	32.9%	2,608.5	51.1%
Interest expense	(560.6)	(328.9)	70.4%	(1,025.2)	54.7%
Net interest income	773.0	674.6	14.6%	1,583.3	48.8%
Loan Loss Expenses	(32.0)	(60.2)	-46.9%	(504.2)	6.3%
Non-interest income	167.8	262.0	-36.0%	599.6	28.0%
Operating Expenses	(520.4)	(474.8)	9.6%	(1,178.8)	44.2%
Profit before tax	388.4	401.6	-3.3%	507.6	76.5%
Income tax expense	(52.9)	(85.2)	-37.9%	(88.8)	59.5%
Profit for the period	335.5	316.4	6.1%	418.8	80.1%

Ratio Analysis

Net-interest margin (NIM)	7.1%	7.4%
Cost-of-risk (CoR)	1.0%	1.9%
Cost to income (CIR)	55.3%	50.7%
Annualised ROA	3.3%	2.4%
Annualised ROE	27.5%	22.6%
EPS (Naira)	8.86	8.90
P/B	0.45x	
10-yr average P/B	0.44x	

Q2'25 Earnings Breakdown

₦' billion	Q2'25	Q2'24	YoY	Q1'25	QoQ
Gross Earnings	843.7	800.9	5.3%	764.3	10.4%
Interest income	733.8	562.8	30.4%	599.8	22.3%
Interest expense	(312.6)	(188.8)	65.6%	(248.0)	26.1%
Net interest income	421.2	373.9	12.6%	351.9	19.7%
Loan Loss Expenses	(17.8)	(56.9)	-68.8%	(14.2)	25.4%
Non-interest income	55.4	184.1	-69.9%	112.4	-50.7%
Operating Expenses	(274.6)	(251.6)	9.2%	(245.8)	11.7%
Profit before tax	184.1	249.5	-26.2%	204.3	-9.8%
Income tax expense	(38.5)	(71.5)	-46.2%	(14.4)	266.7%
Profit for the period	145.7	178.1	-18.2%	189.8	-23.3%

Source: Company financials, CapIQ, CardinalStone Research

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