

UNITED BANK FOR AFRICA PLC

... Short-Term Margin Strain, Long-Term Value Intact



October 24, 2025.



Earnings Note

Event

UBA Group posted a mixed performance in Q2 2025, with slow growth in gross earnings and heavy strain from rising funding costs. Gross earnings inched up by 5% year-on-year to N843.66bn from N800.89bn in Q2 2024, as gains in interest income were largely offset by a sharp decline in non-interest revenue.

Interest income rose by 30% to N773.80bn, driven by higher yields across core assets. Income from loans to customers improved to N265.58bn from N246.54bn, while income from investment securities recorded strong growth of about 30%. The momentum reflected the relative elevated yield environment and the 28% year-on-year expansion in average interest-earning assets, mainly from growth in investment securities. Notably, investment securities sustained its 55% contribution to overall interest income, while loans and advances account for 36%, down from 44% in Q2 2024. Contributions from cash and cash equivalents also climbed to 9% from 1%. Overall, asset yield improved to 5.19% in H1 2025 from 4.99% in H1 2024.

The benefit from stronger yields was however curtailed by significant funding pressure. Interest expense surged by 66% to N312.65bn from N188.85bn, driven by a steep rise in payments to banks which expanded by 386% to N123.15bn. Average deposits from banks rose by 18% on a year-to-date basis, while the cost of funds on those deposits climbed to 18% from 12%. Furthermore, average interest-bearing liabilities grew by 23%, pushing the group's overall cost of funds to 2.06% from 1.53% in H1 2024. Consequently, net interest income rose by only 13%, marking the slowest pace of growth since 2020 when the pandemic constrained earnings across the sector.

Credit losses provided some support to the bottom line. Impairment charges fell to N17.79bn from N56.93bn, reflecting strong recoveries. The group also wrote off N91.13bn as it completed its exit from the forbearance regime. Management explained that adequate provisions had already been recognised in prior years, evidenced by the 207.20bn and N253.57bn impairment charges in FY 2023 and FY 2024, respectively.

Non-interest income remained the major drag. Fee and commission income stood at N129.52bn compared to N136.96bn in Q2 2024, as lower commissions on transactional services offset the rise in electronic banking and credit-related fees. Trading and foreign exchange income also dropped sharply by 155%, reflecting the impact of currency appreciation which erased prior revaluation gains. The moderate gains from fixed-income trading were not sufficient to absorb the hit from the foreign exchange segment. As a result, operating income slipped to N458.79bn from N501.07bn in Q2 2024.

Operating expenses grew modestly by 7% to N274.69bn from N255.84bn, largely due to a 30% rise in personnel costs. Effectively, cost-to-income ratio rose to 60% from 51%. In the end, profit before tax fell by 25% while profit after tax declined by 16%, reflecting the combined pressure from rising funding costs and the slump in non-interest income.

BUY

Fair Value Estimate:
N50.02

Total Return: +30%

Stock Data	
Current price (N)	42.00
Shares Outstanding (mn)	41,039
Market Cap (N'mn)	1,723,651
52-week high (N)	50.55
52-week low (N)	26.30
Trailing EPS (N)	18.68
Forward EPS (N)	21.70
Forward PE (X)	1.94
Justified PE Multiple (X)	2.31

Price Movement



Stock Data	FY 2023	FY 2024	FY 2025F
P/E	2.88x	2.28x	1.94x
P/BV	0.86x	0.51x	0.40x
PBT Margin	37%	25%	28%
PAT Margin	29%	24%	24%
RoE	39%	28%	23%
Dividend Yield	7%	12%	11%

Analysts

Isaac Osaro

i.osaro@wstc.com.ng

Desmond Gabriel

d.gabriel@wstc.com.ng

Habeeb Oladehinde

h.oladehinhe@wstc.com.ng

Q2 2025 Financial Performance

Income Statement (N'mn)	Q2 2025	Q2 2024	(%)
Gross earnings	843,657	800,889	5%
Interest income	733,799	562,789	30%
Interest expense	(312,649)	(188,847)	66%
Net interest income	421,150	373,942	13%
Impairment charge for credit losses on financial assets	(17,786)	(56,932)	-69%
Net interest income after impairment on financial assets	403,364	317,010	27%
Non-interest income	109,858	238,100	-54%
Fee and commission income	129,522	136,963	-5%
Fee and commission expense	(54,436)	(54,038)	1%
Net fee and commission income	75,086	82,925	-9%
Net trading and FX gain	(47,084)	86,278	-155%
Other operating income	27,420	14,859	85%
Operating income	458,786	501,072	-8%
Personnel expense	(87,889)	(67,552)	30%
Depreciation and amortization	(16,902)	(14,242)	19%
Other operating expenses	(164,409)	(169,763)	-3%
Net monetary loss on hyperinflation	(5,439)	(4,282)	27%
Operating expense	(274,639)	(255,839)	7%
	0	0	
Profit before tax	184,147	245,233	-25%
Income tax	(38,459)	(71,457)	-46%
Profit after tax	145,688	173,776	-16%

Source: Company's Account, WSTC Research

H1 2025 Financial Performance

Income Statement (N'mn)	H1 2025	H1 2024	(%)
Gross earnings	1,607,969	1,371,047	17%
Interest income	1,333,633	1,003,553	33%
Interest expense	(560,606)	(328,935)	70%
Net interest income	773,027	674,618	15%
Impairment charge for credit losses on financial assets	(31,965)	(60,212)	-47%
Net interest income after impairment on financial assets	741,062	614,406	21%
Non-interest income	274,336	367,494	-25%
Fee and commission income	253,596	250,616	1%
Fee and commission expense	(106,555)	(105,519)	1%
Net fee and commission income	147,041	145,097	1%
Net trading and FX gain	(10,049)	98,179	-110%
Other operating income	30,789	18,699	65%
Operating income	908,843	876,381	4%
Personnel expense	(172,205)	(133,860)	29%
Depreciation and amortization	(29,829)	(24,303)	23%
Other operating expenses	(312,957)	(312,359)	0%
Net monetary loss on hyperinflation	(5,439)	(4,282)	27%
Operating expense	(520,430)	(474,804)	10%
	0	0	
Profit before tax	388,413	401,577	-3%
Income tax	(52,881)	(85,217)	-38%
Profit after tax	335,532	316,360	6%
Balance Sheet (N'mn)	H1 2025	H1 2024	(%)
Assets			
Cash & balances with CBN	8,751,723	9,108,233	-4%
Loans and advances to banks	533,464	107,658	396%
Loans and advances to customers	7,211,496	7,675,178	-6%
Investment securities	13,758,154	13,225,247	4%
Others	3,013,625	1,685,043	79%
Total Assets	33,268,462	31,801,359	5%
Liabilities			
Deposits from customers	24,187,878	22,968,672	5%
Deposits from banks	3,410,895	3,530,816	-3%
Borrowings	712,639	1,120,131	-36%
Others	740,627	596,292	24%
Total Liabilities	29,052,039	28,215,911	3%
Net Assets	4,216,423	3,585,447	18%

Source: Company's Account, WSTC Research



Outlook

Following the modest performance in H1 2025, we expect full year gross earnings to grow by about 17% to N2.93trn from N2.29trn in FY 2024. The growth will be driven mainly by a projected 28% uplift in interest income, supported by higher asset yields and sustained expansion in earning assets. However, we forecast a slight moderation in net interest margin to 7.61% from 7.85% in FY 2024 as funding costs continue to exert pressure on spreads.

We expect non-interest income to fall by 19% to N659.23bn from N816.84bn in FY 2024, as the foreign exchange gains that boosted prior year earnings fade. Fee and commission income is projected to contribute about 95% of non-interest revenue, well above the five-year average of 74% (excluding 2023). We see this ratio normalising to 74% by 2026 as foreign exchange-related income returns to a more stable trend.

Operating expenses are projected to grow by 27%, reflecting rising personnel costs, technology investments, and general administrative spending. Consequently, we now forecast profit after tax of N890.50bn compared with our previous estimate of N1.03trn. This translates to an earnings per share (EPS) of N21.70, slightly below N22.41, due to the enlarged weighted average share following the recent rights issue. We also expect a total dividend payout of N4.45 (inclusive of the interim dividend of N0.25).

Overall, we raise our fair value estimate to N50.52 from N47.54 in our previous report. This implies a forward price-to-earnings (P/E) multiple of 1.94x, below the seven-year average of 2.42x, suggesting attractive valuation relative to historical levels. On this basis, we maintain our **BUY** recommendation.

Financial Projections

Income Statement (N' mn)	FY 2023	FY 2024	FY 2025F	FY 2026F	FY 2027F	FY 2028F	FY 2029F	FY 2030F
Gross earnings	2,075,386	3,186,880	3,699,142	4,359,441	4,814,825	5,358,737	5,867,018	6,641,685
Interest income	1,075,347	2,370,037	3,039,909	3,463,984	3,826,593	4,247,125	4,650,255	5,219,492
Interest expense	(367,807)	(839,250)	(999,950)	(1,000,557)	(1,040,136)	(1,072,023)	(1,197,953)	(1,358,621)
Net interest income after impairment	500,339	1,277,222	1,953,062	2,363,597	2,652,263	3,027,294	3,298,560	3,674,794
Non-interest income	881,785	582,845	420,154	619,417	686,760	767,071	847,122	988,391
Net Operating Income	1,382,124	1,860,067	2,373,216	2,983,014	3,339,022	3,794,365	4,145,681	4,663,185
Net Operating Expenses	(625,013)	(1,056,341)	(1,337,497)	(1,353,848)	(1,521,237)	(1,719,171)	(1,923,682)	(2,215,442)
Profit before income tax	757,111	803,726	1,035,719	1,629,452	1,817,865	2,075,305	2,222,151	2,447,964
Profit for the period	607,127	766,568	890,496	1,340,054	1,500,682	1,734,747	1,839,804	2,031,286
EPS	17.75	22.41	21.70	32.65	36.57	42.27	44.83	49.50
DPS	2.80	5.00	4.45	7.84	9.14	10.99	12.10	13.86
Balance Sheet (N'mn)	FY 2023	FY 2024	FY 2025F	FY 2026F	FY 2027F	FY 2028F	FY 2029F	FY 2030F
Cash and cash balances	6,069,496	8,163,668	9,001,237	10,425,733	11,399,657	12,463,431	13,614,700	15,731,787
Loans and advances to banks	320,732	556,072	564,796	772,648	781,643	907,122	973,616	1,148,727
Loans and advances to customers	5,228,848	6,954,545	7,714,407	8,473,781	9,511,476	10,712,081	11,830,616	13,948,850
Investment securities	7,407,991	12,534,505	15,533,643	16,819,067	19,015,737	20,848,228	23,014,134	26,772,337
Property, plant, and equipment	267,146	416,623	482,896	540,609	601,088	664,539	730,520	851,590
Other assets	1,358,980	1,697,942	2,910,020	2,900,199	3,421,968	3,673,714	4,098,535	4,742,748
Total assets	20,653,193	30,323,355	36,206,999	39,932,037	44,731,568	49,269,114	54,262,121	63,196,039
Deposits from banks	2,464,444	2,756,472	3,724,469	3,868,788	4,467,572	4,847,082	5,378,865	6,240,835
Deposits from customers	14,891,277	21,894,688	26,124,367	29,421,296	32,616,298	36,112,793	39,669,039	46,260,556
Borrowings	858,739	1,394,796	861,300	794,360	529,645	781,736	751,725	939,101
Other liabilities	408,542	858,760	1,133,218	1,190,342	2,106,019	1,837,719	2,158,868	2,482,789
Total liabilities	18,623,002	26,904,716	31,843,353	35,274,786	39,719,534	43,579,329	47,958,497	55,923,281
Shareholder's Funds	2,030,195	3,418,639	4,363,646	4,657,251	5,012,034	5,689,785	6,303,624	7,272,759
BV/Share	59.36	99.96	106.33	113.48	122.13	138.64	153.60	177.21
Ratios	FY 2023	FY 2024	FY 2025F	FY 2026F	FY 2027F	FY 2028F	FY 2029F	FY 2030F
Net margin	29.25%	24.05%	24.07%	30.74%	31.17%	32.37%	31.36%	30.58%
RoE	41.13%	28.14%	22.89%	29.71%	31.04%	32.42%	30.68%	29.92%
RoA	3.85%	3.01%	2.68%	3.52%	3.55%	3.69%	3.55%	3.46%
Financial leverage	10.17x	8.87x	8.30x	8.57x	8.92x	8.66x	8.61x	8.69x
Cost / Income	-45.22%	-56.79%	-56.36%	-45.39%	-45.56%	-45.31%	-46.40%	-47.51%
Loans / Deposit	35.11%	31.76%	29.53%	28.80%	29.16%	29.66%	29.82%	30.15%

Source: Company Accounts, WSTC Research



Disclaimer & Disclosures

The value of any investment is subject to fluctuations, i.e., may rise and fall. Past performance is no guide to the future. The rate of exchange between currencies may cause the value of an investment to increase or decrease. Hence investors may not get back the full value of their original investment.

Investment Recommendation

WSTC uses a 3-tier recommendation system for stocks under coverage: Buy, Hold, and Sell.

- Buy Rating: estimated total return is $\geq 20\%$ above current market price.
- Hold Rating: estimated change in price is between -10% and 19% of current market price.
- Sell Rating: estimated change in price is $\leq -10\%$ of current market price.

This document is not an offer to buy or sell any security. This document does not provide individually tailored investment advice. It has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. The appropriateness of a particular investment will depend on an investor's circumstances and objectives. The investments and shares referred to in this document may not be suitable for all investors.

This document is based on information WSTC Securities Limited (WSTC Securities) received from publicly available reports and industry sources. WSTC Securities may not have verified all of this information with third parties. Neither WSTC Securities nor its shareholders, directors, employees or advisors can guarantee the accuracy, reasonableness or completeness of the information received from any sources consulted for this publication; and neither WSTC Securities nor its shareholders, directors, employees or advisers accept any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection with this document. This document is not to be relied upon and should not be a substitute for the exercise of independent judgment.

This document includes certain statements, estimates and projections concerning the anticipated future performance of securities listed on the Nigerian Exchange and as to the market for these shares. Such statements, estimates and projections are based on information that we consider reliable and may reflect various assumptions made concerning anticipated economic developments, which have not been independently verified and may or may not prove correct. No representation or warranty is made as to the accuracy of such statements, estimates and projections or as to their appropriateness for the purpose intended and it should not be relied upon as such. Opinions expressed are current opinions as of the date appearing on this material only and may change without notice. Other third parties may have issued other reports that are inconsistent with and reach different conclusions from, the information presented in this report. Those reports reflect the different assumptions, views and analytical methods of the analysts who prepared them.

This document is for information purposes only and private circulation. No portion of this document may be reprinted, sold or redistributed without the written consent of WSTC Securities.

Additional information on recommended securities/instruments is available on request.

WSTC Securities Limited is a Trading License Holder of the Nigerian Exchange Limited (NGX) and is registered with the Securities & Exchange Commission (SEC) as a Broker/Dealer to conduct Securities Brokerage & Dealing in Nigeria. Therefore, we may deal in any securities listed on the NGX.

WSTC Securities Limited has its registered office at 2, Maitama Sule Street, South-West Ikoyi, Lagos, Nigeria.

Email: research@wstc.com.ng

Website: www.wstc.com.ng

© WSTC Securities Limited 2025.