



## 9M-2021 Earnings Update: UNITED BANK FOR AFRICA

26 October 2021

### High Cost of Production Undermines Revenue Gains

#### THINGS WE LIKE ABOUT THE RESULT

1. Increase in Net Interest Income YoY by 23.25% to ₦229.3 million driven by a decline in Interest Expense by 12.73%.
2. Increase in Net Fees & Commissions YoY by 20.75% driven by a significant increase in Electronic Banking Income and Commissions on Transactional Services.
3. Decreases in Net Impairment Charges on Financial Assets YoY by 70.33% driven by a 38% decline in the Impairment charges on loans to customers and a significant growth in Recoveries on loans written off by 163.14%.
4. Increases in Net Operating Income, Profit Before Tax and Profit After Tax YoY by 16.28%, 36.50% and 35.61% respectively.
5. The company has already achieved c.92% of FY 2020 PAT as of 9months 2021.
6. Decrease in Cost to Income Ratio YoY by 8.04%.
7. Increase in Loans and Advances YoY by 14.22% as the proportion of Loans & Advances to Total Asset increase by 5.31% from FY 2020.
8. Increase in Deposits YoY by 8.89% driven by a significant increase in deposits from Corporate Customers.

#### THINGS WE DID NOT LIKE ABOUT THE RESULT

1. Decline in Net Trading & Foreign Exchange Income YoY by 40.23% driven by losses in Foreign Currency Revaluations and Net Fair Value loss on derivative contracts.
2. Increase in Total Operating Expenses by 6.93% due to an increase in Other Operating Expenses by 10.34% YoY.

Kindly click [here](#) for the full financial statement.

#### Disclaimer

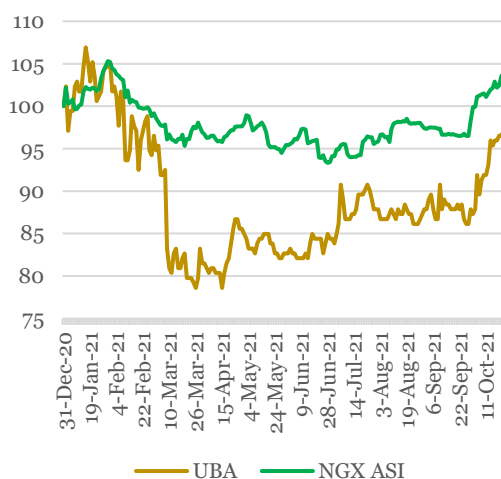
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TICKER	UBA
Price (₦) at 26 Oct 2021	8.45
Shares Outstanding	34,199,421,368
P/E	2.069
Entry Price (₦)	8.40
Exit Price (₦)	9.74
Expected Return (%)	15.95
Rating	BUY

#### REMARKS

Despite the improvement in revenue, the high cost of sales kept a downward pressure on the bottom-line numbers.

REBASED PRICE MOVEMENT IN  
UBA AND NGX ASI



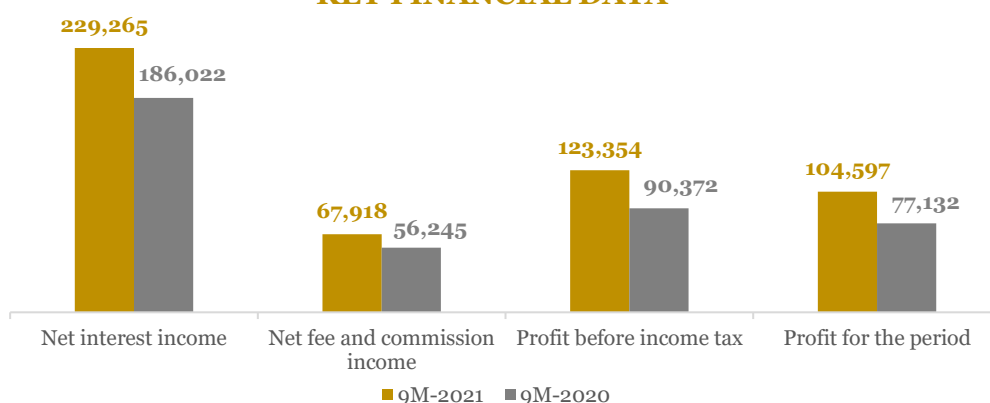
Source: Bloomberg, Parthian Securities Research



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INCOME STATEMENT	9M-2021	9M-2020	Change (%)
Interest income on amortised cost and FVOCI securities	341,294	315,249	8%
Net interest income	229,265	186,022	23%
Net fee and commission income	67,918	56,245	21%
Net trading and foreign exchange income	27,329	45,721	-40%
Other operating income	7,172	5,796	24%
Operating income	331,684	293,784	13%
Net impairment charge on financial assets	-3,405	-11,476	-70%
Net operating income after impairment loss on loans and receivables	328,279	282,308	16%
Employee benefit expenses	(66,492)	(66,617)	0%
Depreciation and amortisation	(16,304)	(14,371)	13%
Other operating expenses	(123,217)	(111,671)	10%
Total operating expenses	(206,013)	(192,659)	7%
Profit before income tax	123,354	90,372	36%
Income tax expense	(18,757)	(13,240)	42%
Profit for the period	104,597	77,132	36%
BALANCE SHEET	9M-2021	Dec-2020	Change (%)
Cash and bank balances	1,750,176	1,874,618	-7%
Financial assets at fair value through profit or loss	43,147	214,400	-80%
Other assets	229,838	115,432	99%
TOTAL ASSETS	8,349,322	7,697,980	8%
Deposits from customers	6,084,143	5,676,011	7%
Other liabilities	407,720	157,827	158%
Borrowings	479,254	694,355	-31%
TOTAL LIABILITIES	7,551,043	6,973,832	8%
Retained earnings	304,373	255,059	19%
TOTAL EQUITY	798,279	724,148	10%
CASH FLOW STATEMENT	9M-2021	Dec-2020	Change (%)
Net cash generated from operating activities	551,752	607,454	-9%
Net cash used in investing activities	(501,568)	(143,019)	251%
Net cash used in financing activities	(279,032)	(226,007)	23%
Cash and cash equivalents at end of period	583,727	(453,996)	29%

### KEY FINANCIAL DATA



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