



**Wema Bank 9M 2024 Result: Net Profit Climbs to N52.73bn with Higher Interest and Non-interest Income.**



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Nigeria's fiscal policy reforms and monetary tightening pushed banking sector performance in 2024, strengthening its top-line and bottom-line earnings. Wema Bank's digital strategy allowed a positive financial performance in 9M 2024. The group's gross earnings and net profit rose above the bank's five-year average to N289.12bn and N52.735bn, respectively. The efficiency, profitability, and liquidity ratios improved in 9M 2024 compared to 9M 2023, reflecting a better operational structure than previous years. However, the cost-to-income ratio (CIR) above 50% remains a soft concern and is expected to fall. Analysts foresee recapitalisation costs and inflationary pressure continuing to threaten the bank's ability to scale down CIR (see table 1).

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Table 1:

KEY HIGHLIGHT 9M 2024			
	9M 2023 (N'bn)	9M 2024 (N'bn)	Change
Gross Earnings	151.69	289.12	90.60%
Interest Income	127.46	229.91	80.37%
Non-Interest Income	24.23	59.21	144.38%
Operating Expenses	31.07	53.95	73.60%
Profit Before tax	22.12	60.62	174.06%
Profit After Tax	19.24	52.73	174.08%
Earnings Per Share	2.00	3.28	84.29%
Total Assets	2001.27	3092.71	54.54%
Loans and Advances	661.30	1003.28	51.71%
Customers Deposit	1650.75	2292.30	38.86%
Shareholders Fund	118.56	224.77	89.58%
Foreign exchange revaluation gain	3.95	14.20	259.52%
Return on Equity	29.32%	38.62%	9.30%
Return on Asset	1.72%	2.64%	0.92%
NPL	4.70%	3.19%	-1.51%
Capital Adequacy Ratio	13.31%	14.06%	0.75%
Cost to Income	71.11%	60.47%	-10.64%

Investor Indicators.

Wema Bank’s improved financial performance in 9M 2024 stirred strong buying interest, causing a decline in price-to-earnings and price-to-book compared to the previous year. The bank’s share price rose to N7.90 as of September 30, 2024, from N5.07k on September 30, 2023 (see illustration 1).

Illustration 1

INVESTOR INDICATORS					
Investors Indicator					
	Market Capitalisation (N'bn)	Current Share Price	Price to Earnings (P/E)	P/B	EPS (N)
9M 2023	108.65	N5.07	2.54x	0.92x	2.00
9M 2024	169.30	N7.90	2.41x	0.75x	3.28

Share price Movement.

Wema Bank’s bullish share price run halted in February as investors anticipated a post-recapitalization markdown. The share price declined from the resistant price of N12.03k to N6.01k in August 2024. It averaged N7.54 in 9M 2024, a 73.33% rise from the N4.35 average share price in 9M 2023, mostly driven by the bank’s financial performance and market optimism about recapitalisation (see chart 1).

Chart 1:



Peers Analysis.

In 9M 2024, Fidelity Bank outperformed other tier 2 banks in profitability, total assets, deposits, and loans. Stanbic IBTC was the most efficient, with the lowest CIR at 38.92%, ahead of Fidelity and Wema Bank (see table 2).

Table 2:

PEER ANALYSIS IN 9M 2024				
	Fidelity	Stanbic	Wema	Sterling
Profit Before Tax (N'bn)	281.41	222.93	60.62	29.42
Total Assets (N'bn)	9,536.40	7,263.75	3,092.71	3,456.62
ROA	2.52%	4.10%	2.64%	0.79%
ROE	53.30%	42.90%	38.62%	13.21%
NPL	2.80%	3.19%	3.19%	5.36%
EPS	N7.02k	N13.9k	N3.28k	N0.95k
P/E	1.98x	4.17x	2.41x	5.25x
CIR	41.90%	39.40%	60.47%	74.05%
Customer Deposit (N'bn)	6,083.45	3,115.34	2,292.30	2,458.69
Customer Loan (N'bn)	4,254.79	2,361.76	1,003.28	1,130.37

Closing Thought.

The recent stability in the exchange rate threatens banks’ ability to score large revaluation gains, as seen in 2023 and 2024. Therefore, banks will see lower non-interest income and slightly reduced top-line earnings growth, especially for Tier 1 banks with large FX revaluation gains. Wema Bank will see smaller revaluation gains in 2025 compared to larger banks (Wema Bank saw revaluation gains of N14.20bn for 9M 2024 and N13.60bn for FY 2023).

For further updates on Wema Bank, follow the company Proshare Investor Relations (IR) Portal.

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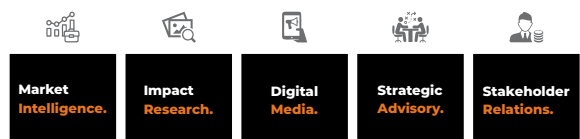
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