

Access Bank Plc. (ACCESS.NL)

Initial View

Quarterly EPS	Q1	Q2	Q3	Q4
2015 A	0.60	0.77	0.66	0.70
2016 A	0.67	0.49	0.71	0.60
2017 A	0.90	0.46	0.59	-

Stock Data	
Price	₦9.87
52-week range	₦4.72 - ₦10.49
Market Cap. (N'm)	286,387
1-month Avg. Vol	21,198,473
Curr. PE	3.98x

Access Bank Plc- Share Price Trend



Analyst(s)

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- Moderate 9M: Strong revenue but funding cost gaining motion.** Access Bank Plc. (Access.NL) released a 9M 2017 result that was a tad below our expectation, with the company's EPS of ₦1.95 printing 4.3% higher YoY. Notwithstanding strong growth in interest income and non-interest revenue (NIR), earnings were markedly moderated by higher funding cost and operating expenses with a loss on derivative instrument further compounding pressures.
- Parsing through the details, despite higher asset yields (+320bps YoY to 13.5%), net interest margin (NIM) rose by a mild 63bps YoY to 6.7% on the back of pressures from funding cost (WACF: +230bps YoY to 5.9%). Funding cost pressure was, in turn, a reflection of higher interest expense on term deposits and debt securities (\$900 million outstanding Eurobond instruments maturing 2021). For evidence, low-priced deposits (CASA) as a share of total deposit declined from 57% (9M 2016) to 47% in 9M 2017.
- Elsewhere, NIR tracked 28% higher YoY on the back of robust trading income (+76% YoY to ₦75 billion) - a reflection of ₦116 billion realized FX gains on matured derivatives in the period. Despite the foregoing and the net interest income of ₦121.5 billion (+14.2% YoY), higher operating expenses (+31% YoY) and a flattish loan loss provisioning (+4.0% YoY) moderated pass-through from gross earnings with PAT of ₦56.4 billion only 4% higher relative to prior year.

- **Softer provisioning masks soft core earnings in Q3 17.** Like its peers that have released results thus far, Access reported lower loan loss provisioning in Q3 17 (-66% QoQ) which combined with softer operating expenses (-18% YoY)—a reflection of the one-off AMCON charge in Q2 17—to mask underlying weakness on the core front. Pertinently, while interest income rose marginally (1.7% QoQ) given lower yield on assets (-26bps QoQ to 10.4%), interest expense rose by a sharper 7.7% QoQ with WACF tracking higher by 35bps QoQ to 6.4%. The foregoing drove a contraction in NIM (-53bps QoQ to 5.8%).
- Further down, with ₦37.2 billion FX loss on derivative position (Q2 17: ₦7.9 billion loss), trading income declined 43% relative to prior quarter to drive a 28% contraction in NIR to ₦34.4 billion. Consequently, PBT of ₦20.8 billion was flat QoQ. Irrespective, lower taxes (-47% QoQ to ₦3.9 billion) provided support for EPS, which printed 26% higher QoQ at ₦0.59 (Q2 17: ₦0.46).
- Further analysis to follow.

Summary of Results

₦'million	9M 17	9M 16	YoY growth	% of FY 17E forecasts	Q3 17	Q2 17	QoQ
Gross Earnings	365,055	274,468	33.0%	81%	118,480	130,634	-9%
Net interest income	121,473	106,374	14.2%	75%	38,431	40,305	-5%
Non-interest revenue	118,815	92,889	27.9%	82%	34,395	47,938	-28%
Operating expenses	(154,554)	(117,938)	31.0%	91%	(49,504)	(60,237)	-18%
Impairment charges	(12,824)	(12,336)	4.0%	46%	(2,461)	(7,166)	-66%
PBT	72,910	68,989	5.7%	67%	20,861	20,841	0%
PAT	56,396	54,081	4.3%	61%	16,936	13,441	26%
EPS	1.95	1.87	4.3%	61%	0.59	0.46	26%

	9M 17	9M 16	change (pps)	Q3 17	Q2 17	change (pps)
Asset Yields	13.5%	13.3%	0.19	10.4%	10.6%	(0.26)
WACF	5.9%	5.7%	0.18	6.4%	6.1%	0.35
Net interest margins	6.7%	6.8%	(0.16)	5.8%	6.3%	(0.53)
Cost-income ratio	64.3%	62.7%	1.59	68.0%	68.3%	(0.29)
Cost of risk	2.9%	2.4%	0.50	0.5%	1.6%	(1.07)
PBT margin	20.0%	21.1%	(1.14)	17.6%	16.0%	1.65
PAT margin	15.4%	16.0%	(0.55)	14.3%	10.3%	4.01
ROE	15.3%	16.5%	(1.29)			
ROA	2.1%	2.2%	(0.01)			
CAR	23.1%					

Source: ARM Research *unless otherwise stated