

Price	₦11.75
FVE (last communicated)	₦12.70
52-week range	₦10.60 – ₦13.45
Market Cap. (₦'mn)	339,904
1-month Avg. Vol	54,085,020
Curr. PE	5.40x

ACCESS:NL - Share Price Trend



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Access Bank Plc. (ACCESS.NL)

Initial View

FY 2017 - No Room to Swing a Cat

- Access Bank Plc (Access) released its audited FY 17 result yesterday with earnings running a tad behind our estimates on account of higher impairment and FX revaluation losses. Precisely, EPS declined by 13% YoY to ₦2.14 (2017E: ₦2.53). Nonetheless, the bank declared a final dividend of ₦0.40 which brings total FY 17 pay-out to ₦0.65 (same as 2016) and translates to dividend yield of 3%.
- The result resonates with our earlier report at the start of 2017 (*Access Bank: Can lightning strike thrice?*) wherein we highlighted the boost in 2016 earnings that stemmed from gains from the disposal of its 17% stake in Stanbic Pensions and thus noted that with no assets to sell and with less fuel from currency depreciation for its derivative tank, at least relative to prior years, we expected Access to face an uphill struggle to replicate earnings momentum to boost ROAE. In sync with this view, though the bank booked ₦120 billion in FX trading income with a sizable chunk stemming from realized gains on derivatives that matured during the year, non-interest revenue (NIR) was marginally flat at ₦139 billion (2016: ₦133 billion) on the back of ₦12 billion FX revaluation loss and a flattish fee income (+2.2% YoY to ₦57 billion). Given the preceding, Net Interest Margin (NIMs) pressure became more evident, with declining yield on assets at 12.0% (9M 2017: 13.5%) putting pressure on NIMs growth (+38bps YoY to 6.1%). Further down, Access booked ₦34.5 billion in impairment with specific provisioning constituting 95% of impairment. Cost of risk and NPL ratio printed at 1.7% and 4.8% respectively (2016: 1.2% and 2.1% accordingly).

- ***Sharp decline in asset yields drives NIMs lower.*** In the fourth quarter, asset yield moderated to 260bps QoQ to 7.8%. Surprisingly, much of the moderation stemmed from asset yields on loans. Consequently, despite a 257bps moderation in funding cost, the lower asset yields led to a 37bps QoQ moderation in NIMs to 5.4%. In terms of funding cost, Access reported a faster decline in interest expense (-30% QoQ) relative to interest income (-12% QoQ), largely from a 60% QoQ drop in interest expense on deposits, reflecting a 18% QoQ jump in CASA deposit. However, CASA as a share of total deposit remained flat at 43%.
- ***9-mobile exposure drives asset quality deterioration.*** In line with peers that have released thus far, higher provisioning in Q4 has been a key theme. In our view, a sizable chunk of this stemmed from exposure to 9mobile which banks have had to take a hair-cut based on the disparity between the carrying value and market value. Consequently, Access booked ₦27.3 billion in impairment over Q4 (9mobile exposure: ₦40 billion) with cost of risk expanding to 4.2% in the period (Q3 17: 0.5%).
- ***Derivative Income line starts to cool off.*** Over Q4 17, NIR declined by 41% QoQ to ₦20.4 billion. Much of the deceleration reflected a 39% QoQ in trading income and a ₦12 billion FX revaluation losses. On the trading income leg, the decline stemmed from FX trading income (largely realized gains on derivatives) which moderated sizably to ₦3.8 billion in the quarter (Q3 17: ₦56.6 billion) while FX revaluation losses possibly reflects translation of FCY position from ₦305/\$ to ₦330/\$, which from our estimate, the bank has a net-short FCY position of \$450 million. To our minds, we expect to see a sustained decline in the derivative line over 2018 as situations now seems unappealing for such swap positions. Overall, the troika of lower NIMs and NIR, alongside sharp increase in provisioning drove Q4 EPS lower by 67% QoQ to ₦0.19 – the lowest in 24 quarters (Q4 17E: ₦0.59).
- The Bank will be holding a conference call on Monday, 26th March at 2pm Lagos time (1pm London/3pm Johannesburg/9am New York).
- Access is trading at a P/B of 0.65x which is at a discount to peers of 1.7x - ROE of 12%. Our last communicated FVE on Access is ₦12.70 which translates to a **NEUTRAL** rating on the stock. We will revisit our numbers after further analysis and discussion with management.

Summary of Results and Forecast

₹ million	FY 2017	FY 2017E	FY 2016	YoY	Q4 2017	Q3 2017	QoQ
Gross Earnings	459,076	484,480	380,744	20.6%	94,021	118,480	-20.6%
Net Interest Income	163,452	159,569	139,148	17.5%	41,979	38,431	9.2%
Non-Interest Revenue	139,144	152,248	133,457	4.3%	20,329	34,395	-40.9%
Operating Expenses	(188,057)	(203,034)	(160,313)	17.3%	(33,502)	(49,504)	-32.3%
Impairment	(34,467)	(17,127)	(21,953)	57.0%	(21,643)	(2,461)	779.6%
PBT	80,072	91,655	90,339	-11.4%	7,162	20,861	-65.7%
PAT	61,991	73,324	71,439	-13.2%	5,595	16,936	-67.0%
EPS	2.14	2.53	2.47		0.19	0.59	
DPS	0.65	0.70	0.65				
₹ million	FY 2017	FY 2017E	FY 2016	YoY			
Loans	1,995,988	1,810,784	1,809,459	10.3%			
Total Assets	4,102,243	3,688,262	3,483,866	17.7%			
Deposits	2,244,879	2,162,319	2,089,197	7.5%			
Total Liabilities	3,586,795	3,173,788	3,029,371	18.4%			
Net Assets	515,447	514,474	454,495	13.4%			
BVPS	17.82	17.78	15.71	13.4%			
	FY 2017	FY 2016	YoY (pps)	Q4 2017	Q3 2017	YoY (pps)	
Assets Yields	12.0%	11.4%	0.6	7.8%	10.4%	(2.6)	
WACF	4.7%	4.3%	0.4	3.9%	6.4%	(2.6)	
Net Interest Margin	6.1%	5.8%	0.3	5.4%	5.8%	(0.4)	
Cost-Income Ratio	62.1%	58.8%	3.3	53.8%	68.0%	(14.2)	
Cost of Risk	1.7%	1.2%	0.5	4.2%	0.5%	3.7	
ROE	12.0%	15.7%	(3.7)	4.4%	13.7%	(9.4)	
CAR	22.5%	21.6%	0.9				

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