

Price	₦5.75
FVE ( <i>last communicated</i> )	<b>₦11.80</b>
52-week range	₦5.50 – ₦12.45
Market Cap. (₦' Mn)	167,782
1-month Avg. Vol	7,097,081
Curr. PE	1.75x

#### ACCESS:NL - Share Price Trend



#### Analyst(s)

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## Access Bank Plc. (ACCESS.NL)

### Initial View

#### *Impressive performance across income lines in Q4 18*

- Access Bank Plc (Access) full-year 2018 earnings released this morning showed EPS expansion of 53.2% YoY to ₦3.28 following material decline in loan-loss provision (-57% YoY to ₦14.7 billion) and increase in net interest income (+6.2% YoY to ₦173.6 billion). On the latter, we reckon that despite 19.1% YoY growth in interest income (with assets yield expanding 4bps YoY to 12.5%), the single-digit growth in net interest income was due to a faster increase in interest expense by 32% YoY (with related cost of fund expanding 46bps YoY) which pressured moderation in Net Interest Margin (NIMs) to 5.7% (-47bps YoY).
- On asset quality, Access recorded 230bps YoY contraction in Non-Performing Loans (NPL) ratio to 2.5% (compared to GTB and Zenith of 7.3% and 5% respectively). Accordingly, the impact reflected in the lower provisioning during the year, with cost of risk contracting 100bps YoY to 0.7%. Elsewhere, we reckon that the bank Non-Interest Revenue (NIR) remained resilient during the year declining by 0.7% YoY (relative to our estimate 15% YoY decline) to ₦138.2 billion due to strong performance in net trading income over Q4 18, which more than outweighed declines in fee income (-49% YoY) and foreign exchange loss of ₦39.5 billion on the Other Income line.
- The bank declared a final dividend of ₦0.25 which in addition to interim of ₦0.25 brings total payout to ₦0.50. The final dividend translates to a dividend yield of 4.2% on current pricing.

- Impressive performance across income lines in Q4 18.*** Access Q4 standalone numbers was impressive with sturdy performance across income lines resulting in 38% QoQ growth in EPS to ₦1.11. The strong performance stemmed from double-digit growth in net interest income by 34% and NIR growth of 10% QoQ, both of which more than outweighed the surprise additional ₦6.3 billion loan loss provision during the period and higher operating expense (+6% QoQ). On NIM, the gains stemmed largely from growth in interest income of 21% QoQ following recovery in interest on investment securities (+94% QoQ) and strong outing on interest on cash and interbank lending (+255% QoQ) both of which offset decline on interest on loans (-11.3% QoQ) to support 226bps QoQ expansion in assets yield. On the other hand, funding cost over the quarter expanded +18bps QoQ to 5.3% with interest expense rising 11.2% QoQ. Accordingly, the stronger expansion in assets yield necessitated expansion in NIM by 252bps QoQ to 6.9%. For Interest expense, the QoQ increase emanated from growth in interest on interbank placements (+76% QoQ to ₦16.5 billion) and customers deposit (+2% QoQ to ₦30.4 billion).
- FX trading income and derivative gains pulled the magic.*** Over the fourth quarter of 2018, NIR expanded 10.4% QoQ to ₦37.8 billion stemming largely from higher FX trading gains of ₦24.3 billion (+45% QoQ) and gains on derivative instruments of ₦15.2 billion (compared to a loss of ₦12.7 billion in the prior quarter). However, we note that net fee income (-29% QoQ) declined – due to higher fee expense of ₦9.3 billion over the quarter – and the bank recorded loss on the Other Income line of ₦17.3 billion emanating revaluation loss of ₦18 billion (compared to GTB and Zenith of ₦5.4 billion and ₦5.1 billion revaluation gains respectively).
- Higher provisioning compound earnings pressure.*** As stated above, the bank recorded a materially lower loan loss provision over 2018, with cost of risk contracting 100bps YoY to 0.7%. However, we witnessed a slightly higher provisioning over Q4 18, with the bank booking additional provision of ₦6.3 billion (more than 5x of the level provided in Q3 18 of ₦1.0 billion) with related cost of risk expanding 100bps YoY to 1.2%, a development we will be seeking clarity from management.
- The impact of the higher net interest income and strong NIR outweighed the higher loan loss provision to drive expansion in Q4 18 EPS by 38% QoQ to ₦1.11 from ₦0.80 in Q3 18 with ROE expanding to 36.7% from 23.1% in Q3 18. Overall, Access' full year ROAE rose to a three year high of 18.9% (+610bps YoY, compared to GTB and Zenith FY 18 expansion of 59bps and 85bps YoY) on account of stronger net profit margin.
- The stock currently trades at a current P/B of 0.34x which is at a discount to peers of 0.76x. Our last communicated FVE on ACCESS is ₦11.80, however, we have a **HOLD** rating on the stock. We will revisit our numbers after further analysis and discussion with management.

## Summary of Results and Forecast

₹ million	FY 2018	FY 2017	YoY	Q4 2018	Q3 2018	QoQ
Gross Earnings	519,144	458,999	13.1%	153,514	122,206	26%
Net Interest Income	173,578	163,452	6.2%	50,628	37,653	34%
Non-Interest Revenue	138,229	139,144	-0.7%	37,834	34,275	10%
Operating Expenses	(193,962)	(188,057)	3.1%	(49,240)	(46,489)	6%
Impairment	(14,657)	(34,467)	-57.5%	(6,303)	(1,013)	522%
PBT	103,188	80,072	28.9%	32,919	24,426	35%
PAT	94,981	61,991	53.2%	32,070	23,286	38%
<b>EPS</b>	3.28	2.14	53.2%	1.11	0.80	38%
DPS	0.50	0.65	-23.1%			
₹ million	FY 2018	FY 2017	YoY	Q3 2018	QoQ	
Loans	1,993,606	1,995,988	-0.1%	1,975,648	0.9%	
Total Assets	4,954,157	4,102,243	20.8%	4,555,173	8.8%	
Deposits	2,564,908	2,244,879	14.3%	2,474,808	3.6%	
Total Liabilities	4,463,645	3,586,795	24.4%	4,082,489	9.3%	
Net Assets	490,512	515,447	-4.8%	472,683	3.8%	
BVPS	17.0	17.8	-4.8%	16.34	3.8%	
	FY 2018	FY 2017	YoY (pps)	Q4 2017	Q3 2018	YoY (pps)
Assets Yields	12.5%	12.0%	0.43	10.7%	8.4%	2.26
WACF	5.5%	5.1%	0.46	5.3%	5.1%	0.18
Net Interest Margin	5.7%	6.2%	(0.47)	6.9%	4.4%	2.52
Cost-Income Ratio	62.2%	62.1%	0.06	55.7%	64.6%	(8.97)
Cost of Risk	0.7%	1.7%	(0.99)	1.2%	0.2%	0.99
ROE	18.9%	12.8%	6.10			
CAR	20.8%	20.1%	0.70			

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