



## ACCESS BANK PLC

### Bank on course for outsized profit growth

Access Bank released its 9M'21 results last Friday, reporting Gross earnings of ₦693 billion, a 17% y/y improvement. The bank continued its impressive earnings growth from the previous quarter, thanks to a 78% jump in Non-Interest Revenue (NIR) in Q3 to ₦81 billion, after making gains in investment income to counter the losses reported in Q2 (-₦50 billion). However, Interest Income was 14% lower q/q at ₦151 billion, while Interest Expense grew 20% q/q to ₦84 billion, bringing Net Interest Income down 36% q/q to ₦68 billion. This meant that Net Interest Margin (NIM) for Q3 (4.0%) was 170bps weaker than Q2 (6.7%).

For 9M'21 however, the strong growth in Interest Income reported in preceding quarters meant that the line item came in 25% higher y/y at ₦471 billion, while Interest Expense was 14% higher at ₦203 billion. This meant a 36% y/y increase in Net Interest Income to ₦268 billion. On the other hand, Non-Interest Revenue came in 2% lower y/y at ₦197 billion, as the aforementioned investment losses dragged overall performance.

For loan loss impairments, the bank saw a 20% y/y growth in provisions on loans to customers (₦37 billion), almost mirroring the growth in loans and advances reported in the same period. Coupled with lower write-backs during the period and higher impairments on investment securities and money market placements, the bank reported net impairment charges of ₦39 billion for the 9M period, a 14% increase y/y. Furthermore, the bank's Opex experienced a sharp rise in Q3, driven by a 20% q/q rise in staff costs to ₦28 billion for Q3 and ₦71 billion for 9M'21, 26% higher y/y. This, along with a 17% y/y increase in AMCON levy - which was paid in H1 - caused Opex to rise 18% y/y to ₦291 billion.

As a result, the bank reported a 16% y/y growth in PBT to ₦135 billion and PAT of ₦122 billion, 19% higher y/y, yielding an ROAE of 22.0% (9M'20: 21.4%) and EPS of ₦3.38 (9M'20: ₦2.88).

#### Rise in Opex affects profit growth expectation for FY'21

Due to the bank's high cost of risk, coupled with the expansion in Opex seen in Q3, we anticipate a slower expansion in profits in the final quarter, tempering our FY'21 expectations. Firstly, we forecast a FY Interest Income of ₦621 billion (Previous: ₦630 billion) while increasing our Interest Expense forecast to ₦264 billion (Previous: ₦241 billion) which gives a Net Interest Income figure of ₦356 billion (Previous: ₦389 billion) and a NIM estimate of 5.5%.

In terms of NIR, we are slightly more optimistic with regard to commissions and fees income and expect this to support an improved FY'21 figure of ₦247 billion (Previous: ₦223 billion); however, we note the volatility of the bank's trading line, which could erode some of those gains.

## Equity Research 01 November 2021

# BUY

**Target price** **₦11.98**

### Company Statistics

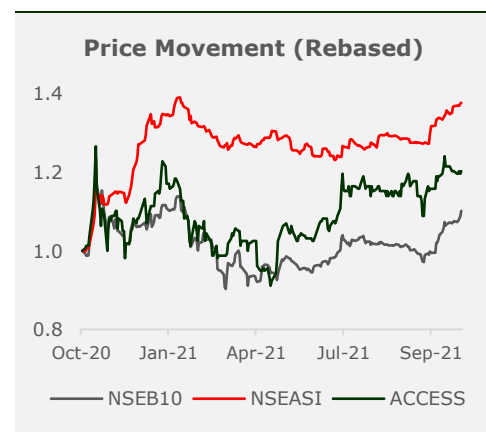
Price (₦)	9.50
Market Cap (₦Mn)	337,678
Shares Outstanding (Mn)	35,545
NSE	ACCESS
P/B (FY'21)	0.4x
P/E (FY'21)	1.6x
Bloomberg	ACCESS.NL
Reuters	ACCESS.LG

### Ownership Structure

Stanbic Nominees Ltd	11.51%
Herbert Wigwe	4.27%
Others	84.22%

### Share Price Performance

30 Days	3.83%
YTD	12.43%
365 Days	23.38%



Source: NSE, Vetiva Research

### Business Description

ACCESS BANK PLC (ACCESS) is a leading full-service commercial Bank with over 729 branches and service outlets, with a customer base of over 42 million spread across 16 countries. The Bank employs over 6,497 people in its operations in Nigeria and Sub-Saharan Africa, the United Kingdom and the UAE. The bank has been listed on the Nigerian Stock Exchange since 1998.



For Opex, we raised our personnel expenses estimate to ₦92 billion (Previous: ₦78 billion) based on Q3 run rate, which gives us a new Opex figure of ₦368 billion (Previous: ₦357 billion), a cost-to-income ratio of 61.0% (FY'20: 63.4%). Our new estimates yield a PBT forecast of ₦174 billion (Previous: ₦203 billion) and PAT of ₦150 billion (Previous: ₦174 billion), giving us an EPS expectation of ₦4.22 (Previous: ₦4.91) and DPS of ₦0.85/share (Previous: ₦0.90)

The new earnings and dividend projections give us a 12-month target price of ₦11.98 (Previous: ₦12.08). Thus, we maintain our **BUY** rating on the stock. The bank's shares are currently trading at 26% discount to our target price and a P/B value of 0.4x vs a Tier-I average of 0.6x.

₦'Million	9M'21	9M'20	y/y Change	Vetiva Estimate	Variance	Q3'21	Q2'21	q/q Change
Gross Earnings	693,117	592,787	17%	676,209	3%	242,496	228,480	6%
Net Interest Income	267,728	196,274	36%	297,234	-10%	67,660	106,109	-36%
Loan Loss Provisions	-38,922	-34,240	14%	-41,548	-6%	-10,253	-16,134	-36%
Non-Interest Revenue	197,361	201,461	-2%	177,747	11%	81,462	45,777	78%
Operating Expenses	-291,103	-246,872	18%	-279,035	4%	-101,301	-98,306	3%
Profit After Tax	121,890	102,300	19%	136,742	-11%	34,955	34,388	2%
	9M'21	FY'20	ytd Change	Vetiva Estimate		Q3'21	Q2'21	q/q Change
Loans and Advances	3,746,028	3,256,216	15%	3,239,573	14%	3,746,028	3,582,947	5%
Deposits	6,227,066	5,684,591	10%	5,755,041	8%	6,227,066	5,974,756	4%
Total Assets	10,366,585	9,054,204	14%	9,374,291	10%	10,366,585	10,054,850	3%

Source: Company filings, Vetiva Research



Income statement	2019A	2020A	2021E	2022F	2023F
	₦'mil	₦'mil	₦'mil	₦'mil	₦'mil
<b>Gross Earnings</b>	<b>666,754</b>	<b>764,717</b>	<b>867,865</b>	<b>924,537</b>	<b>1,009,365</b>
Interest income	536,847	489,217	620,616	655,555	708,829
Interest expenses	(259,618)	(226,267)	(264,269)	(302,608)	(322,244)
Loan loss provision	(20,189)	(62,893)	(60,815)	(50,470)	(52,993)
Net interest income	277,229	262,950	295,531	302,478	333,592
Non-interest revenue	129,907	275,501	247,249	268,982	300,536
Operating income	407,136	538,451	542,780	571,460	634,128
Operating Expense	(271,568)	(349,636)	(368,454)	(385,732)	(412,382)
<b>PBT</b>	<b>115,379</b>	<b>125,922</b>	<b>174,326</b>	<b>185,728</b>	<b>221,746</b>
Taxation	(17,869)	(19,912)	(24,406)	(27,859)	(33,262)
<b>PAT</b>	<b>97,510</b>	<b>106,010</b>	<b>149,920</b>	<b>157,869</b>	<b>188,484</b>

2019A	2020A	2021E	2022F	2023F
\$'mil	\$'mil	\$'mil	\$'mil	\$'mil
<b>1,618</b>	<b>1,856</b>	<b>2,106</b>	<b>2,244</b>	<b>2,450</b>
1,303	1,187	1,506	1,591	1,720
(630)	(549)	(641)	(734)	(782)
(49)	(153)	(148)	(122)	(129)
673	638	717	734	810
315	669	600	653	729
988	1,307	1,317	1,387	1,539
(659)	(849)	(894)	(936)	(1,001)
<b>280</b>	<b>306</b>	<b>423</b>	<b>451</b>	<b>538</b>
(43)	(48)	(59)	(68)	(81)
<b>237</b>	<b>257</b>	<b>364</b>	<b>383</b>	<b>457</b>

Balance Sheet	2019A	2020A	2021E	2022F	2023F
	₦'mil	₦'mil	₦'mil	₦'mil	₦'mil
Cash	723,064	723,873	1,604,568	1,431,266	1,119,884
Interbank Placement	152,825	392,821	439,960	492,755	551,886
Investment Securities	1,085,531	2,208,831	2,234,463	2,502,599	2,802,911
Loans and Advances	3,041,399	3,218,107	3,632,583	3,815,762	4,008,162
PP and E	211,214	226,479	249,136	279,033	312,517
<b>Total Assets</b>	<b>7,146,610</b>	<b>8,679,748</b>	<b>10,459,417</b>	<b>11,055,895</b>	<b>11,590,181</b>
Deposits	4,255,837	5,587,418	5,974,756	6,080,657	6,253,702
Total Liabilities	6,536,417	7,928,706	9,279,417	9,631,040	10,146,022
<b>Total Equity</b>	<b>610,193</b>	<b>751,041</b>	<b>775,433</b>	<b>828,377</b>	<b>909,873</b>

2019	2020	2021	2022	2023
\$'mil	\$'mil	\$'mil	\$'mil	\$'mil
1,755	1,757	3,895	3,474	2,718
371	953	1,068	1,196	1,340
2,635	5,361	5,423	6,074	6,803
7,382	7,811	8,817	9,262	9,729
513	550	605	677	759
<b>17,346</b>	<b>21,067</b>	<b>25,387</b>	<b>26,835</b>	<b>28,132</b>
10,330	13,562	14,502	14,759	15,179
15,865	19,244	22,523	23,376	24,626
<b>1,481</b>	<b>1,823</b>	<b>1,882</b>	<b>2,011</b>	<b>2,208</b>

Ratios	2019	2020	2021	2022	2023
Cost to Income Ratio	-66.70%	-66.70%	61.04%	62.02%	60.02%
ROAE	17.99%	17.99%	18.92%	18.14%	20.44%
ROAA	1.98%	1.98%	1.54%	1.45%	1.64%
Loan to Deposit Ratio	72.91%	72.91%	59.74%	61.02%	62.81%
EPS	2.74	2.74	4.22	4.37	5.22
DPS	0.65	0.65	0.85	1.00	1.20



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