

Access Bank FY 2019 results

Solid growth, slight fall in RoAE

- Access Bank reported audited FY 2019 results on Friday. Net Profits were reported at N97.5bn (US\$270.8m), up 2.7% from the previous year. Net Interest Income (NII) was up 59.7% y/y.
- Access Bank proposes a total dividend of N0.65/s which (inclusive of an earlier interim dividend of N0.25/s) translates to a total gross dividend yield of 9.4%.
- We maintain our Buy recommendation.

Highlights:

Net interest income rose 59.9% y/y on the back of 40.9% y/y growth in interest income (largely driven by 49.1% y/y growth in gross loans) and slower growth of 25.2% y/y interest expenses. The significant growth in loans was largely due to the merger between Access and Diamond Bank and composition of the regulatory 65.0% minimum loan-to-deposit ratio.

Fee income was strong, up 41.1% y/y, largely on account of strong growth in account maintenance charge and commission (+118.0% y/y) and fees on electronic banking channels (+154.4% y/y).

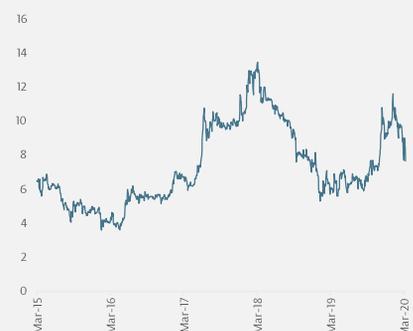
Access Bank recorded a N83.9bn foreign exchange loss in FY 2019, this led to a decline (-55.6% y/y) in Other Income. Management stated that the loss recorded was due to unwinding of its derivative contracts and de-risking of some of its foreign currency exposure.

The cost-to-income ratio increased by 297bps y/y from 62.2% in FY 2018 to 65.2% in FY 2019. This was due to a increase in personnel cost (+34.7% y/y) as the bank harmonised its staff salaries and increased in the number of branches on merging with Diamond Bank.

Rating	Buy
Price (N)	6.90
Price target (N)	8.70
Up/downside potential	16.0%
Market cap (Nbn/US\$m)	246 / 683
Bloomberg	ACCESS:NL
Free float	94.7%

Priced 9 March 2019

Share price performance (N)



Source: Bloomberg, Coronation Research

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Access Bank FY 2019

Naira millions	FY 2018	FY 2019	y/y %	Q4 2018	Q4 2019	y/y %
Interest and similar inc	380,915	536,847	40.9%	106,418	131,821	24%
Interest and similar exp	(207,337)	(259,618)	25.2%	(55,790)	(64,810)	16%
Net Int Income	173,578	277,229	59.7%	50,628	67,010.99	32%
Net Fee & Commission Income	52,495	74,047	41.1%	15,035	18,037	20%
Other Income	85,734	38,061	-55.6%	28,528	(3,673)	-113%
Total Op Inc.	311,807	389,338	24.9%	94,191	81,374.98	-14%
Opex	(193,962)	(253,770)	30.8%	(54,968)	(59,522)	8%
cost to inc ratio ex prov.	62.2%	65.2%	297.39bps	58.4%	73.1%	1,479bps
Operating income	117,844	135,568	15.0%	39,223	21,853.21	-44%
Loan losses	(14,657)	(20,189)	37.7%	(6,303)	(9,579)	52%
Cost of risk (COR)	0.7%	0.8%	10bps	n/a	n/a	n/a
Profit before tax	103,188	115,379	11.8%	32,919	12,274.51	-63%
Tax	(8,207)	(17,869)	117.7%	(849)	(5,504)	548%
Net Profits	94,981	97,510	2.7%	32,070	6,770	-79%

Source: Company, Coronation Research, N.B. The merger of Access and Diamond Bank was completed 1 April 2019.

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The bank's provision for credit losses rose by 37.7% y/y due to significant growth in gross loans. The non-performing loan (NPL) ratio fell to 5.8% at FY 2019 from 6.4% at 9M 2019.

Return on assets (RoAA) of 1.6% and return on equity (RoAE) of 17.7% showed deterioration on FY 2018 level (at 2.1% and 19.0% respectively) and are on par with industry benchmarks for Nigeria. There was also a decrease in earnings per share (EPS) from N3.31/s in FY 2018 to N3.00/s in FY 2019.

The bank's cost of funds also declined by 50bps from 5.5% in FY 2018 to 5.0% in FY 2019, a benefit we can say comes from the retail franchise of the de-listed Diamond Bank.

Pretax profits were up 11.8% y/y while Net profits were up 2.7% y/y.

We have a price target of N8.70/s for Access Bank and given the upside relative to current price of N6.90/s, and we maintain our Buy rating on the stock.

Access Bank: forecasts

[Back to Top](#) 

Income statement Nm	2014	2015	2016	2017	2018	2019	2020f	2021f
Net Interest Income	100,017	105,382	139,148	163,452	173,578	277,229	353,945	430,870
Net Fee and Commission Income	30,760	33,313	54,864	56,597	52,495	74,047	85,461	99,461
Other non-interest Income	37,503	96,138	78,594	82,547	85,734	38,061	46,601	56,645
Operating income	168,280	234,832	272,605	302,596	311,807	389,338	486,008	586,976
Loan loss & other provision	(11,652)	(14,225)	(21,953)	(34,467)	(14,657)	(20,189)	(14,140)	(15,413)
Operating expenses	(104,605)	(145,569)	(160,313)	(188,057)	(193,962)	(253,770)	(296,846)	(330,816)
Pretax profits	52,023	75,038	90,339	80,072	103,188	115,379	175,021	240,747
Effective tax rate	17%	12%	21%	23%	8%	15%	21%	21%
Net Profits	43,064	65,869	71,439	61,991	94,981	97,510	138,267	190,190
EPS (reported)	1.88	2.65	2.47	2.14	3.28	2.98	4.23	5.81
DPS	0.60	0.55	0.65	0.65	0.65	0.65	1.00	0.65
Payout ratio	32%	21%	22%	26%	20%	22%	24%	11%
Dividend sum	13,730	13,561	16,028	16,028	18,804	21,264	32,715	21,265
Shares outstanding	22,883	24,657	24,658	28,928	28,929	32,715	32,715	32,716

Statement of financial position

Cash and balances with CBN	405,015	478,409	713,889	953,944	740,926	723,064	1,625,424	1,462,819
Loans and advances to Bank	12,436	42,734	45,203	68,114	142,490	152,825	188,442	216,709
Loans and advances to Customers	1,110,464	1,365,831	1,809,459	1,995,988	1,993,606	2,911,580	2,858,424	3,115,682
Investment securities	270,211	186,223	229,114	278,168	501,072	1,084,604	547,071	563,483
Fixed assets (PP&E)	69,660	73,330	84,109	97,115	103,669	211,214	113,994	114,432
Other assets	236,575	444,803	602,091	708,915	1,472,394	2,063,323	2,022,404	2,293,576
Total assets	2,104,361	2,591,330	3,483,866	4,102,243	4,954,157	7,146,610	7,355,759	7,766,700
Customer deposits	1,454,419	1,683,244	2,089,197	2,244,879	2,564,908	4,255,837	3,017,871	3,198,943
Other liabilities	145,993	150,916	314,448	711,939	1,248,554	1,521,185	1,661,353	1,899,579
Taxation	8,181	7,781	5,939	7,490	4,058	3,531	3,660	3,461
Deferred taxation	59	267	3,699	8,764	6,457	11,273	6,477	6,487
Long term liabilities/borrowings	218,297	381,321	616,088	613,724	639,668	744,591	1,950,347	1,808,809
Total liabilities	1,826,950	2,223,529	3,029,371	3,586,795	4,463,645	6,536,417	6,639,708	6,917,279
Shareholders' Funds	273,880	363,902	448,248	508,540	482,641	601,664	707,741	840,874
Minority Interest	3,531	3,900	6,247	6,908	7,870	8,529	8,310	8,547
BVPS	12.1	14.9	15.7	17.8	17.0	18.7	21.9	26.0

Ratios

Cost/income ratio	69.1%	68.0%	66.9%	73.5%	66.9%	70.4%	64.0%	59.0%
Cost/income ratio ex prov.	62.2%	62.0%	58.8%	62.1%	62.2%	65.2%	61.1%	56.4%
Pre-tax margin	21.2%	22.2%	23.7%	17.4%	19.5%	17.3%	23.1%	27.7%
RoAA	2.6%	3.2%	2.4%	1.6%	2.1%	1.6%	2.0%	2.5%
RoAE	16.5%	20.4%	17.4%	12.8%	18.9%	17.7%	20.7%	24.3%
NPL ratio	1.7%	1.7%	1.9%	2.0%	2.7%	5.8%	4.4%	4.4%
Cost of risk	1.2%	1.0%	1.3%	1.3%	0.7%	0.8%	0.5%	0.5%
Leverage ratio	7.6x	7.0x	7.7x	8.0x	10.1x	11.7x	10.3x	9.1x
Loan to deposit	71%	80%	82%	77%	60%	56%	67%	66%
Capital adequacy ratio (CAR)	18%	20%	20%	18%	21%	20%	24%	24%
Price to book ratio (x)	0.93	0.75	0.72	0.63	0.62	0.37	0.46	0.39
Price to earnings ratio	5.62	3.70	4.12	4.94	3.26	2.31	2.39	1.74
Dividend yield	5.3%	4.9%	5.8%	5.8%	9.6%	9.4%	10.2%	6.6%

Source: Company, Coronation Research

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Security Name	Available Disclosure
Access Bank	D, E, F, G
Diamond Bank	
FBN Holdings	D, F, G
FCMB	
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Ratings and Price target history

	Date Recommendation	Recommendation	Date Recommendation	Recommendation	Date Recommendation	Recommendation	Current price, Naira/s	Target price, Naira/s
FBNH	5-Apr-18	Buy	21-Dec-18	Buy	1-Jan-19	Buy	7.40	12.50
Zenith	5-Apr-18	Hold	21-Dec-18	Buy	1-Jan-19	Buy	21.85	27.50
UBA	5-Apr-18	Buy	21-Dec-18	Buy	1-Jan-19	Buy	7.35	11.50
GT Bank	5-Apr-18	Buy	21-Dec-18	Hold	1-Jan-19	Hold	33.50	35.00
Access	5-Apr-18	Buy	21-Dec-18	Buy	1-Jan-19	Buy	5.65	8.70
Diamond	5-Apr-18	Buy	21-Dec-18	Buy	1-Jan-19	Buy	2.02	3.13
Fidelity	5-Apr-18	Buy	21-Dec-18	Buy	1-Jan-19	Buy	2.00	2.40
Stanbic IBTC	5-Apr-18	Hold	21-Dec-18	Buy	1-Jan-19	Buy	46.15	66.00
Sterling	5-Apr-18	Hold	21-Dec-18	Hold	1-Jan-19	Hold	1.98	1.90

Coronation Research Investment Rating Distribution

Buy	78%
Sell	0%
Hold	22%
Under Review	0%

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