

Quick take: NIR drives relatively moderate profit growth.

Access Holding's H1 2023 audited numbers showed a 63.0% y/y growth in Interest Income driven by growth in both Interest Income on Net Loans and yields on investment securities. Net Loans grew 31.5% in June compared with December 2022 inclusive of the impact of devaluation on foreign currency loans. Interest Expense also grew strongly, up 114.4% y/y driven mainly by strong growth in Interest Expense on deposits from financial institutions (up 245.3% y/y) and deposits from customers (up 91.1% y/y). Overall, Net Interest Income grew moderately, up 17.5% y/y. Customer Deposits were up 35.2% in H1 2023 compared with the December 2022 position also inclusive of the impact of devaluation on foreign currency deposits.

Net Fee and Commission grew strongly, up 49.40% y/y. The strong growth in Fee and Commission Income was driven mainly by a significant jump in credit related fees and commissions (up 369.1% y/y).

	H1 2022	H1 2023	y/y %
Interest income	372,304	606,837	63.0%
Interest expense	(174,802)	(374,720)	114.4%
Net Int Income	197,502	232,117	17.5%
Net Fee & commission Income	55,437	82,833	49.4%
Other Income	138,285	208,218	50.6%
Total Op Inc	391,224	523,168	33.7%
Opex	(254,389)	(308,906)	21.4%
Cost to income	65.0%	59.0%	-598bps
Loan losses	(36,863)	(37,175)	0.8%
Share of profit of investment in Associate	118	382	223.7%
PBT	100,090	177,469	77.3%
Tax	(9,284)	(30,886)	232.7%
Net Profits	90,806	146,583	61.4%
Gain from Discontinued operations	148	0	
Profit for the period	90,954	146,583	61.2%

Source: Company, CSL Research.

Other Income (Net (loss)/gains on financial instruments at fair value, Net foreign exchange gain/(loss), Net loss on fair value hedge (Hedging ineffectiveness), and Other Operating Income) was up 50.6% y/y to N208.2bn in H1 2023 from N138.3bn in H1 2022. The group reported Net Foreign Exchange gain of N158.5bn in H1 2023 compared with N52.8bn in H1 2022. Unlike its peers, Access reported no revaluation gains before PBT but reported N340.0bn in unrealized foreign currency translation difference under Other Comprehensive Income (OCI).

Impairment charge of N37.2bn was up 0.8% y/ bringing H1 2023 annualized Cost of Risk (COR) to 1.2%.

The bank's Opex grew moderately, up 21.4% y/y. The moderately higher y/y growth in Total Operating Income (up 33.7% y/y) compared with the growth in Opex led to a moderate improvement in the H1 2023 Cost to Income Ratio (CIR ex provisions) to 59.0% compared with 65.0% in H1 2022. Major drivers of the strong opex were growth in personnel expenses (up 11.8% y/y), Amcon charge (up 30.5% y/y), growth in IT and e-business related expenses (up 30.9% y/y), and administrative expenses (up 25.0% y/y).

CONTACT INFORMATION

Lagos: +234 (1) 448 5436

Analyst: Gloria Fadipe

+234 (1) 448 5436 ext. 4457

Head of Research: Gloria Fadipe

Sales:

Walter Bassey

+234 (1) 448 5436



Overall, PBT was up 77.3% y/y while Net Profits also grew 61.2% y/y, bringing H1 2023 annualised RoAE to 19%.

Management proposed an interim dividend of No.30/s same as was paid last year.

We have a Buy rating on Access Bank with a target price of N20.84/s. Current price of N17.25/s.

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CSL STOCKBROKERS LIMITED

Member of the Nigerian Stock Exchange

PO Box 9117

Lagos State, NIGERIA

CSL Stockbrokers

A trading name of CSL Capital (UK) Ltd

43-44 New Bond Street

London

W1s 2SA

United Kingdom