



**Access Bank: Chronicles of an African Financial Supermarket Ahead of a Recapitalisation.**



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*"Good banking is produced not by good laws, but by good bankers."* - Hartley Withers

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Prologue: **Rising from the Tarmac.**

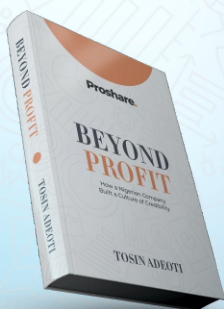
Corporations are defined less by their size than by their leadership. Leadership guides a company's vision, and its vision shapes corporate action. From Access Bank's early days of an investor buyout in 2002 to its evolution into a financial takeover specialist in the following two decades, the bank's leadership has been focused, fiery, and fast. Its leadership arrowhead, as represented by Aigboje Aig-I moukhuede and Herbert Wigwe symbolized the new face of corporate dexterity, flexibility, and steely nerves. They represented the coming age of banking *fearlessness*. In other words, this was a banking vision backed by tough-as-nails corporate execution.

The fate of the 35-year-old lending institution swept into a new phase when two young C-suite Turks bought over the bank on March 22, 2002, after it had run for 13 years under

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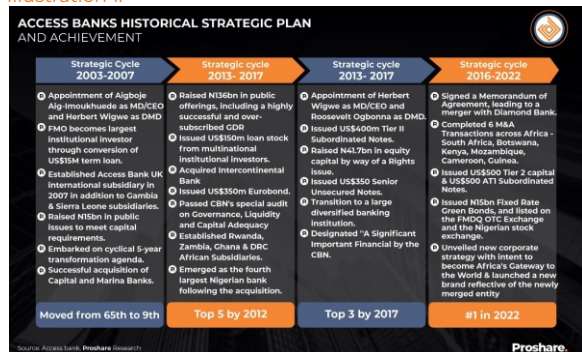
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previous owners. The acquisition took roughly two years, and the bank was relaunched with a mandate to reposition itself as one of Nigeria's leading financial institutions. The new management set to its task by producing a 5-year strategic plan to track execution and achieved a 100% growth in balance sheet size and N1bn in profit before tax in the first year of the new management team, demonstrating uncommon dedication and tenacity.

As is usual with Nigeria, monetary policy headwinds came swiftly. In 2004, the CBN announced a N25bn bank recapitalization programme that broadsided the relatively new management and disrupted the earlier crafted growth strategy. Imoukhuede and Wigwe were flustered but not bowed. They realized they had to think quickly and call up all the goodwill they could muster. The bank scaled through by raising N15bn in a public offer, acquired two other smaller banks (Capital and Marina), bought the Netherlands Finance Company (FMC) for US\$15m and resumed pursuing their initial goal. The bank has rolled out five different 5-year strategic plans with progressive achievements over the years (see illustration 1).

Illustration 1:

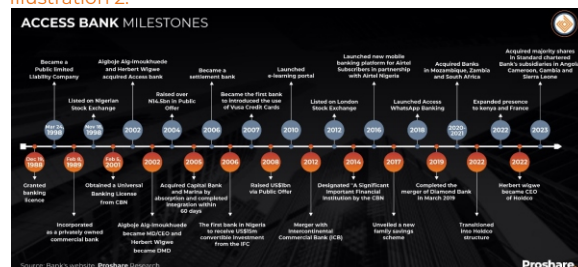


The bank's rapid growth and execution gave the encouragement for cracking bigger expansion codes, as the bank proceeded to an initial 75% majority acquisition interest in Intercontinental Bank in 2012 and finally a complete merger by 2013. This milestone, among others, earned the group a designation of Systemically Important Financial Institution (SiFi) by the CBN. By late 2013, Aigboje Aig-Imoukhuede resigned as the MD of the bank, and Herbert Wigwe took over in 2014. The power transition was smooth since they seemed to have a similar vision based on the initial acquisition in 2002 and Herbert's commitment to fulfilling the mandate.

Wigwe was the bank's CEO from 2014 to 2022 before becoming CEO of the Holding company.

During this period, there was a significant improvement in the bank's performance as gross earnings grew by +466% to N1.39trn, total assets rose by +613% to N14.99trn, and PBT rose by +222% to N167.68bn in 2022. The improvement in the bank's performance showcased the quality of work done, especially as regards the inorganic expansion in Nigeria and Africa (acquiring around 23 banks) (see illustration 2).

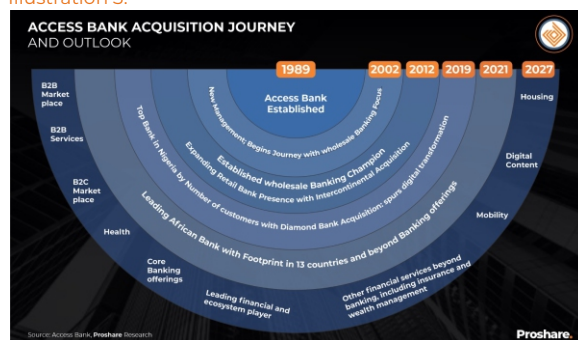
Illustration 2:



Access Bank Growth: **The Glide.**

In 2019, Access Bank strategically pursued its vision for expansion by acquiring Diamond Bank. This discerning move aimed to catalyze digital transformation and fortify Access Bank's presence in retail banking. The acquisition of Diamond Bank positioned Access Bank as the leading financial institution in Nigeria, characterized by an expanded customer base and robust financial performance relative to the period before the acquisition of Diamond Bank (see illustration 3).

Illustration 3:



The Holdco expansion and growth strategy outlook for the next five years (2023-2027) shows continuous adoption of organic and inorganic growth strategies to become a leading financial institution.

Access evolved into a prominent financial institution by strategically employing inorganic growth measures such as mergers and acquisitions. Analysts have noticed that the bank is skilled and meticulous at the art of corporate takeovers, specifically targeting institutions with substantial growth potential (see illustration 4).

Illustration 4:

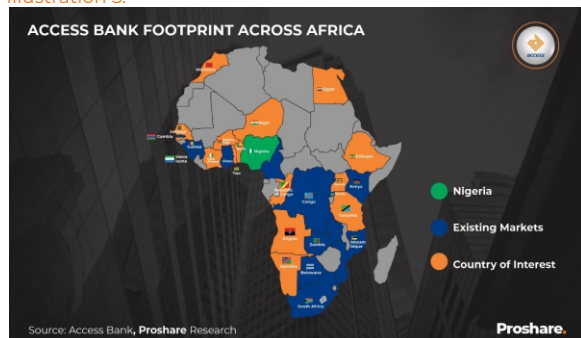
**ACCESS BANK INORGANIC GROWTH: MERGERS AND ACQUISITIONS**

Year	Institution	Mode	Acquired by
2005	Capital Bank and Marina Bank	Merger	Access Bank
Apr-05	Marina Bank	Merger	Access Bank
2012	Intercontinental Bank	Merger	Access Bank
2019	Diamond Bank	Merger	Access Bank
Dec-22	Sigma Pension Limited	Complete acquisition of Indirect equity stake in Sigma Pension after Sigma merger with First Guarantee Pension	Access Corporation
Jan-23	Sidian Bank Limited, Kenya	Cancellation of Proposed acquisition of 83.4% stake	Access Bank Plc
Jul-23	Finibanco Angola	Complete acquisition	Access Bank Plc
Jul-23	Bank ABC, Tanzania	Proposed acquisition of majority stake	Access Bank Plc
Jul-23	Standard Chartered's Banking Business in Angola, Cameroon, The Gambia, Sierra Leone and Tanzania	Proposed acquisition	Access Bank Plc
Jan-24	Atlas Mara, Zambia	Complete acquisition	Access Bank, Zambia
Jan-24	Megatech Insurance Brokers Limited	Approval granted for acquisition	Access Bank Plc
Jul-24	Finance Trust Bank, Uganda	Proposed acquisition	Access Bank Plc

Source: Access Bank, Proshare Research

The Access Corporation noted in its five-year strategic growth plan that it would “capitalize on our strong M&A capability and ability to build organically to create value with each expansion, prioritizing countries with a better sovereign rating and complementary business landscape”. As a result, Access has successfully grown its presence across Africa, creating a significant footprint in various continental markets (see illustration 5).

Illustration 5:



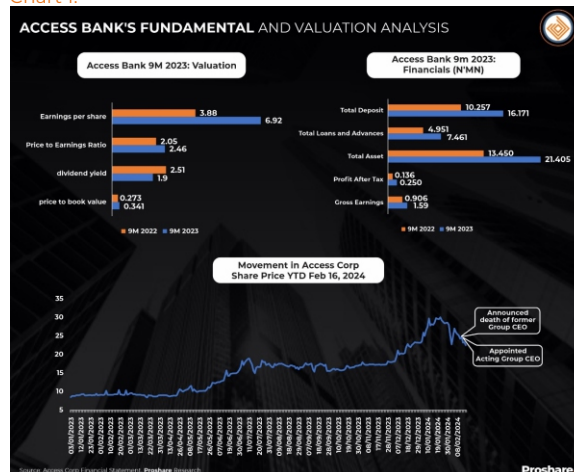
**Access Bank: The Investors’ Bean Stalk Wallet.**

Access Corporation’s gross earnings leapt by +75.73% to N1.59trn in 9M 2023 from N906.93bn in 9M 2022, mainly from higher interest income and investments in traded securities and loans and advances. In a steeply inflationary environment, the lender’s profitability more than doubled in 9M 2023, where the company’s Profit After Tax (PAT) increased by +138.29% to N115.00bn in 9M 2023 from N48.26bn in 9M 2022. The growth in total liabilities was driven by deposits from customers and financial institutions, which rose by +43.66% to N16.17trn. Under borrowings, analysts noticed that Holdco has a US\$500m Eurobond that will mature in 2026. Consequently, the financial position

improved, with total loans and advances contributing +34.28% to the group’s total assets, slightly lower than the 37% recorded in 9M 2022. Hence, the group’s total assets rose by +59.15% to N21.41trn in 9M 2023.

Access Holding’s inorganic expansion strategy of buying up existing financial institutions increased its risk exposure. Nevertheless, the market perceives the financial lender positively, with the price-to-earnings rising to 2.46x in 9M 2023 from 2.05x in 9M 2022 but lower than the industry average P/E of 5.5x. Compared to peers’ average price-to-earnings of 2x. While the Holdco’s numbers show a strong performance with notable quarterly gains, analysts view the contemporary performance as reflecting strong windfall gains attributable to the fair value adjustments on investment securities (FVOCI) and FX revaluation. The lender’s earnings per share (EPS) increased from N3.88 in 9M 2022 to N6.92 in 9M 2023, reflecting an increase in its net income relative to the number of shares outstanding (see chart 1).

Chart 1:



On January 23, 2024, Access Bank’s share price peaked at N30, its highest market value. Before the peak, the share price saw rapid fluctuations in early January 2023 and gradually increased. The share price broke free from a bearish corridor seen in 2022 to a bullish cycle with a YTD return of +85% as of September 30, 2023. The share price rose from N8.80k on January 2, 2023, to a price of N18.90k on July 01, 2023, before encountering a slight pullback between N14.00k and N17.00k, triggered by the Holdco’s acquisition of Standard Chartered Banks businesses in Sub-Sahara Africa and Angolan-based Finibanco. However, on February 12, 2024, the announcement of significant leadership changes, including the sad transition of Dr Herbert Wigwe (CFR) which led to the appointment of an Acting Group CEO on February 12th, contributed to a share price decline.

## Closing Thoughts .

The tragic loss of Herbert Wigwe, his wife, and his son to the cold hands of death was a damper not only to Access Holding but also the entire Nigerian banking, finance, and investment markets. Based on Herbert Wigwe's lifetime, analysts believe he was more than just a banker; he was a visionary who believed in the power of banking to drive positive change in Nigeria. His fearlessness and benevolence marked his legacy. He was not merely focused on banking but saw it to a larger end – nation-building. Herbert's leadership style was anchored on professionalism, strategic planning, and a relentless pursuit of excellence. His ability to navigate challenges and insistence on operating gracefully and with integrity earned him respect and admiration across the industry and made Access Bank today's leader.

The good news however is that the succession planning and strategic foresight of Wigwe and his team will ensure that the Group is properly positioned to navigate the tragedy and remain a top-class institution. Wigwe was once quoted as saying, *"Put two bankers side by side on Wall Street; one a JP Morgan and the other an Access Banker, no one should be able to tell the difference"*. Our review of the lender's consecutive plans and their execution thus far suggests that the team (from board members to the routine staff) is devoted to the bank's inorganic growth and continuity. Herbert's legacy would be carried on by the skilled team, who understand the fearless nature of the brand and the importance of market integrity and customer confidence.

Nonetheless, Proshare analysts believe Herbert's personal attributes and character, that morphed into the brand identity, would have to be carefully managed. The Board will need to prioritize stability and continuity, even as it nurtures a new brand personality for the behemoth. This we believe inspired the Board to act swiftly and boldly in appointing an Acting Group CEO, Ms Bolaji Agbede, who carries the burden of sustaining the clarity of purpose and execution rigour that Wigwe was gifted. They also appointed the founding CEO of the bank, Aigboje Aig-Imoukhuede (CON); founder and chairman of Coronation Group Limited as the Chairman of the Holdco.

The group's attractiveness to foreign and institutional investors has been a cornerstone of its growth strategy. Analysts premise the foreign and institutional interests on the visionary leadership and strategic professionalism of Wigwe and Aig-Imoukhuede, the successful leadership transition and continuity of the Access vision are fundamental to sustaining the group's growth. Understanding the founders' goals, maintaining a

tight governance framework, and commitment to preserving shareholder value will be critical for investor confidence and market attractiveness.

In Proshare's forthcoming Tier 1 Banking Sector Report 2024, analysts will discuss how the bank will reposition itself across the African continent and the Nigerian economy to optimize equity and improve shareholder value. In addition, analysts will look at the bank's prospective earnings and asset growth, cost of risk (CoR), capital adequacy ratio (CAR), cost-to-income ratio (CIR), and loan-to-deposit ratio (LDR). The report will look at the bank's potential lending diversity and the impact of the statutory local Nigerian cash reserve ratio (CRR) on its operations and outlook. More importantly, it will look at the possible candidates for another inorganic growth which the recapitalization will throw up.

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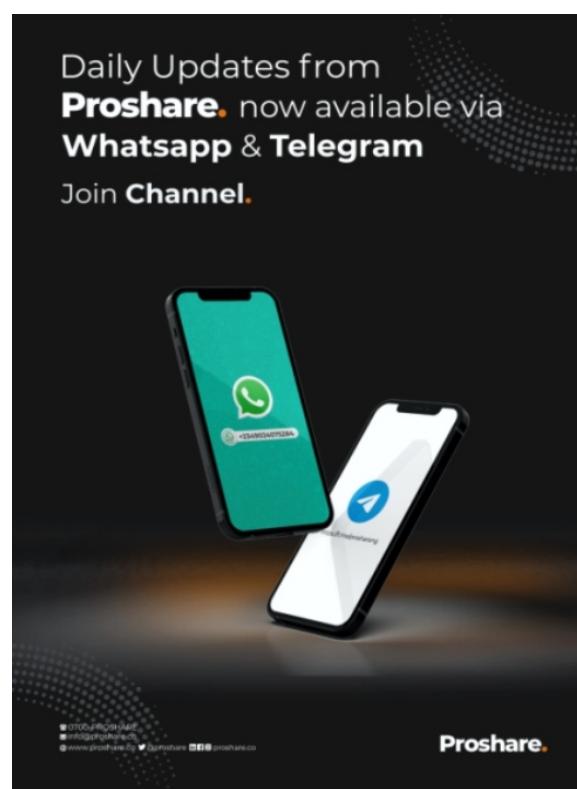
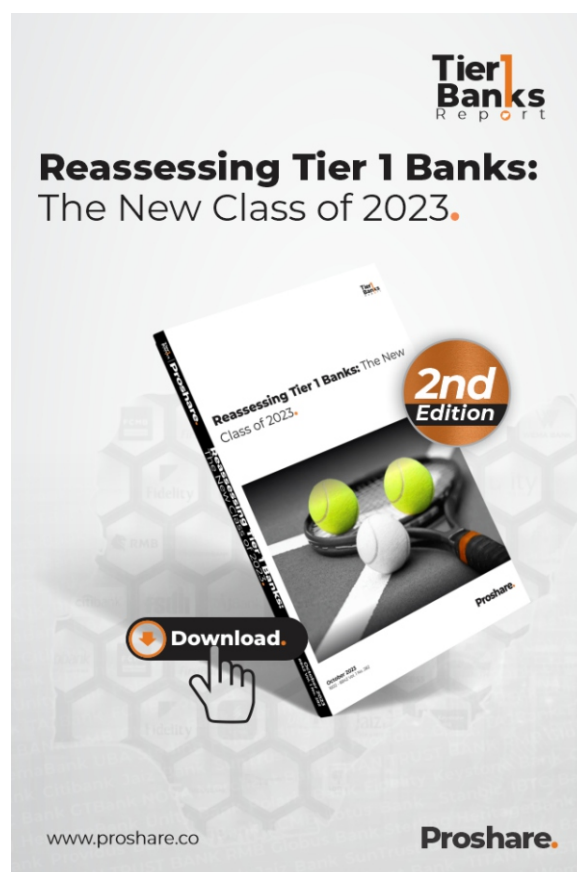
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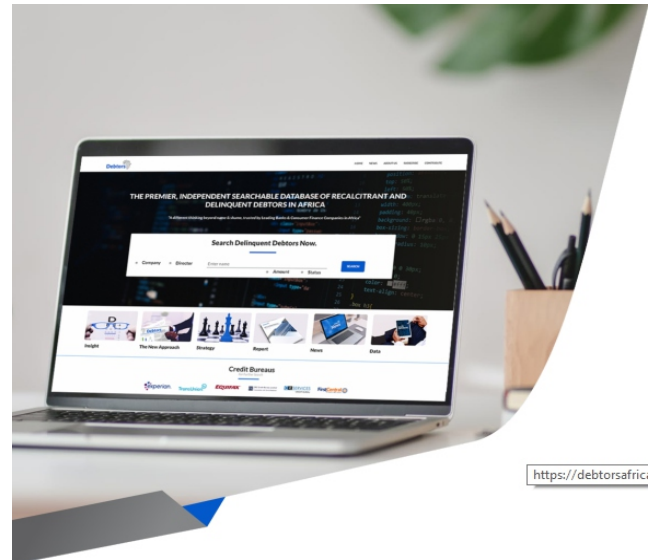
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**Teslim SHITTA-BEY**  
 Managing Editor/CE

  
**Tosin IGE**  
 Head, Research



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### Contacts.

 Olufemi <b>AWOYEMI</b> , <i>mni</i> ceo@proshare.co	 <a href="http://www.proshare.co">www.proshare.co</a>
 Teslim <b>SHITTA-BEY</b> teslim.bey@proshare.co	 +234 902 407 5284
 Tosin <b>IGE</b> research@Proshare.co	 @proshare
 Ademidun <b>SHOGO</b> ireconomist@Proshare.co	 proshare.co
	 proshare.co
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 Plot 590b, Lekan Asuni  
 Close, Off Toyin Omotosho Street,  
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