Access Bank Plc

Three-Statement Model Review & Outlook (2018–2022)

Report Date: *February 14th 2026*

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1. Executive Summary

In 2018, Access was already a strong Tier-1 bank. But from 2019 onward, especially after the Diamond Bank acquisition, the financial statements began to tell a very different story. This wasn't a steady operating cycle anymore. It became a transformation phase.

From my model, interest income grew from about ₦360 billion in 2018 to roughly ₦769 billion in 2022. That's significant scaling in earning assets. Total assets nearly doubled over the period following the Diamond Bank merger, and deposits expanded aggressively. By 2022, the balance sheet had materially strengthened compared to where it stood in 2018. Between 2018 and 2022. Total assets grew from ₦4.9 trillion to ₦15.0 trillion, and deposits increased from ₦2.5 trillion to ₦9.3 trillion. Despite this growth, profitability and efficiency weakened significantly due to rising funding costs, higher operating expenses, and a sharp increase in loan impairments However, the income statement tells a more nuanced story.

While revenue expanded, interest expense grew even faster. Funding became more competitive. Net interest margins gradually compressed. At the same time, operating expenses increased as the bank absorbed integration costs, expanded regionally, invested in technology, and scaled its retail footprint.

Then came credit pressure. Impairment charges rose significantly by 2022, reflecting macroeconomic stress and credit cycle normalization. That decline shows clearly in the ratios ROE, ROA and cost-to-income peaked.

If you only looked at profitability ratios, you might conclude performance weakened.

But when you step back and look at the full three statements together, the bigger picture becomes clearer.

This period wasn't about optimizing efficiency. It was about building scale.

Assets expanded. Deposits strengthened. Capital increased. The bank became systemically larger and more strategically positioned than it was in 2018. The loan-to-deposit ratio moderated, suggesting a more cautious stance during macro uncertainty. The equity base improved, reinforcing stability.

Key concerns:

- Net interest margin declined from 3.88% to 2.40%.

- Cost-to-income ratio rose from 92% to 138%.

- Impairment charges increased from ₦20B to ₦198B.

- ROE declined from 16% to 13%.

The bank remains Nigeria's largest by assets and deposits, but operational efficiency and asset quality must improve for sustainable returns.

2. Income Statement Performance

Revenue grew moderately between 2019 and 2022, driven by higher interest income and strong growth in fees. However, interest expense increased faster than interest income, reducing net interest income.

Highlights:

- Interest income grew 56% over four years.

- Interest expense grew 152%, compressing margins.

- Fee income nearly doubled, showing diversification progress.

- Operating expenses increased 87%, driven by integration and expansion costs.

- Loan impairment charges rose sharply, heavily impacting profit.

Net profit increased overall compared to 2019, but momentum slowed due to cost pressure and credit losses.

3. Balance Sheet Review

Total assets expanded from ₦7.1T to ₦15.0T. Growth was funded mainly by customer deposits.

Key observations:

- Loans grew 74%, slower than total asset growth.

- Investment securities and cash balances increased significantly.

- Loan-to-deposit ratio declined from 68% to 55%, indicating a more conservative stance.

- Equity increased to ₦1.23T, strengthening capital buffers.

The balance sheet shows strong funding capacity but reduced lending efficiency.

4. Key Financial Ratios

- ROA declined from 1.37% to 1.04%.

- ROE declined from 16.07% to 12.71%.

- Net Interest Margin fell from 3.88% to 2.40%.

- Cost-to-Income ratio increased to 137.8%.

- Impairment ratio rose to 3.88%.

Metric	**Direction (2018–2022)**	**Interpretation**
ROA	Moderately declined	Expansion diluted short-term efficiency
ROE	Declined but stable above double digits	Acceptable during integration phase
Net Interest Margin	Compressed	Funding cost pressure
Cost-to-Income	Increased	Expansion + integration cycle
Impairment Ratio	Increased	Macro stress + portfolio cleanup

Overall, profitability weakened while risk and cost levels increased.

5. Core Issues Identified

1. Post-merger integration challenges increased operating costs.

2. Rising non-performing loans significantly increased credit losses.

3. Competitive pressure reduced lending margins.

4. Rapid expansion without strict cost discipline reduced efficiency.

6. Outlook.

Looking strictly at the numbers from 2018 to 2022, the direction of travel is clear.

Access Bank used this period to build scale. Assets expanded aggressively, largely supported by acquisitions and balance sheet growth. Deposits deepened significantly, strengthening liquidity and funding stability. The capital base improved, giving the bank more resilience and flexibility.

Though profitability ratios declined toward 2022. Margins compressed. Costs increased. Credit losses rose. But those pressures occurred due to transformation cycle not cause of stagnation.

The expansion was deliberate.

The balance sheet today (as at 2022 in my model) reflects a bank that is materially larger, more diversified, and more systemically relevant than it was in 2018. That matters. In banking, scale improves funding access, competitive positioning, and long-term earnings capacity.

If integration stabilizes and operating leverage improves over time, the foundation built between 2018 and 2022 creates room for efficiency recovery.

From a structural standpoint, the trajectory supports confidence. The franchise is stronger than it was five years earlier.

7. Investment View

When I look at this purely through the lens of the model, I see transition at the expense of temporal decline in key ratios.

Short-term profitability weakened somewhat toward the end of the period. But the bank did not shrink. It expanded. It capitalized. It consolidated.

Assets nearly doubled. Deposits scaled materially. Equity strengthened. Market positioning improved.

That combination is important.

For long-term investors, especially those who understand banking cycles, transformation phases often look noisy in the income statement. Expansion increases costs before it increases efficiency. Acquisitions temporarily dilute margins before synergies materialize.

What matters is whether the bank exits the cycle stronger than it entered.

Based on 2018–2022 data, Access Bank did.

8. Conclusion

The franchise value increased. The balance sheet strengthened. The capital buffer improved. The platform became larger and more diversified.

That doesn't eliminate risk banking is inherently cyclical but it does support a constructive long-term view built on scale, capitalization, and strategic positioning.

In my view, the story here isn't short-term margin pressure. It's long-term structural expansion.

Thank for reading!