

ACCESS HOLDINGS PLC

Upward revision in TP on improved funding outlook

BLOOMBERG: ACCESSCO NL

BUY

Target Price: N52.14

Ref Price: N25.30

FY'25 marked a strategic transition for Access Holdings Plc (NGX: ACCESSCORP), as the institution shifted focus from scale expansion to value creation. During the FY'25 earnings call, management noted that the Group is now entering a more execution-focused phase centred on earnings quality, efficiency, capital optimisation, and sustainable value creation.

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Deposit mix optimisation to buoy Net Interest Income growth

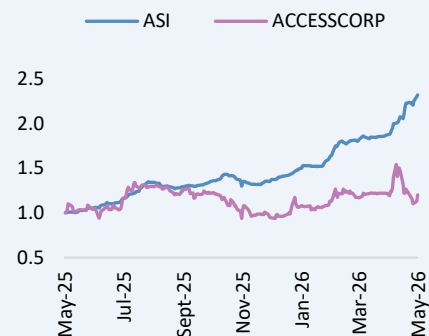
For FY'26, we expect Net Interest Income (NII) to grow by 32.6% YoY to N1.8 trillion, supported by continued optimisation of funding mix and easing of funding cost pressures. Our view is anchored on management's deliberate strategy to optimise the Group's foreign currency (FCY) liabilities and reduce reliance on expensive wholesale deposits. Historically, USD deposits from corporate treasuries have accounted for a significant portion of funding costs, with FCY deposits constituting c.60.9% of cumulative customer and financial institution deposits between FY'23 and FY'25. However, following sharp Naira devaluations in FY'23 and FY'24 (which inflated translated liability balances) and the subsequent improvement in FX liquidity conditions in FY'25, the returns on this strategy proved less compelling, prompting a recalibration of the liability structure.

Specifically, the Group is shifting its FCY funding mix away from costly corporate treasury deposits toward lower-cost transactional balances, collection mandates from International Oil Companies (IOCs), and government-related flows. In line with this new strategy, the Group repaid approximately \$500.0 million (c.N692.6 billion using Q1'26 average exchange rate) to depositors, which we believe contributed to the 26.9% YoY decline in interest expense to N556.2 billion in Q1'26. In our view, this repositioning represents a meaningful tailwind for earnings and a key enabler for management's target NIM of above 5.0% for FY'26 (vs 4.5% in FY'25). We now expect Cost of Funds (CoF) to moderate to 5.0% in FY'26, down from 5.7% in our previous estimate and 6.1% in FY'25.

The argument for this shift remains compelling, especially as the ratio of funding costs to interest income has averaged 61.1% over the last three years, well above the c.32.8% of Tier-1 peers. We see material upside potential from a more efficient liability mix over the medium term.

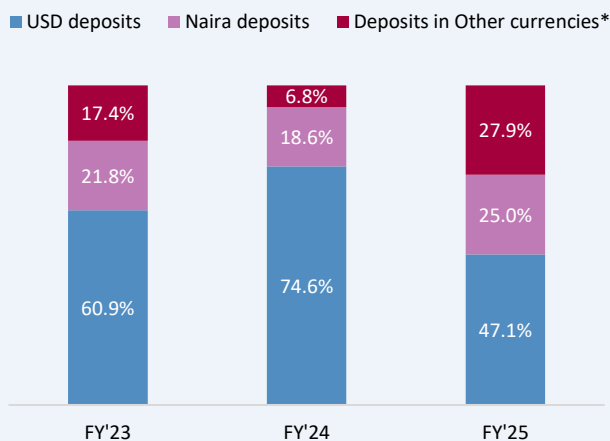
Market Data	
Market Cap (N'tn)	1.4
Last close price (N)	25.30
52-week high-low price (N)	36.00-19.90
Avg 3M daily volume (mn)	94.14

1-year price performance (rebased)



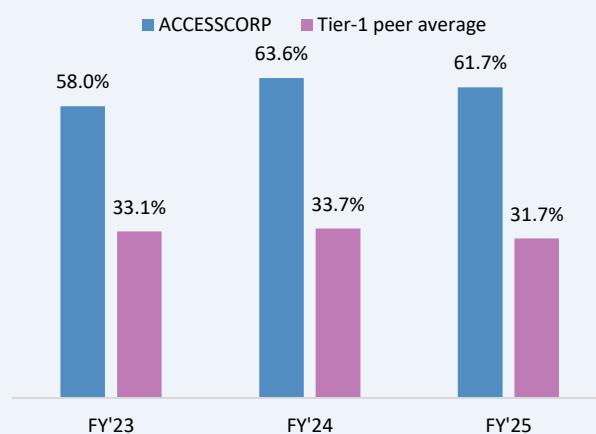
Source: Bloomberg, CardinalStone Research

Figure 1: Aggregate deposit analysis by currency



Source: Company Financials, CardinalStone Research

Figure 2: ACCESSCORP's ratio of funding costs to interest income compared to tier-1 peers



Asset yields moderated in FY'25 amid capital adequacy management

The Group's loan book has maintained sturdy growth in recent periods, expanding by 16.4% YoY in FY'25 to N13.7 trillion and by 23.4% YoY in Q1'26 to N13.9 trillion (+1.5% QoQ). This growth in the loan book was a direct result of increased correspondent banking relationships and a continuously growing franchise. Interestingly, the double-digit growth in FY'25 stemmed primarily from the international business (The Access Bank UK), which accounted for c.35.1% of banking subsidiary loans as of Q1'26 (vs 22.7% in FY'24).

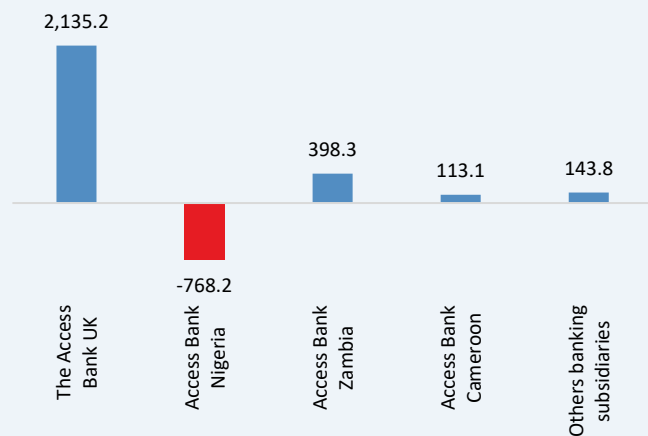
The evolving loan mix came with a margin trade-off, as a larger proportion of incremental loan growth was driven by lower-yielding international markets (vs Nigeria), highlighting a key driver of the sharp 5.6ppts YoY decline in asset yields to 11.8% in FY'25. Thus, the decline in asset yields also reflects the deliberate slowdown in lending in the Nigerian segment to preserve capital buffers (Holdco Capital Adequacy Ratio (CAR): 18.3%, Access Bank Plc CAR: 21.0%). Nigeria's contribution to the loan book has shrunk from 57.7% in FY'24 to 43.4% in Q1'26.

For FY'26, we project a 15.0% YoY expansion in gross loans to N15.7 trillion, moderating slightly from the 16.4% growth recorded in FY'25. Our outlook is supported by an expected ramp-up in lending within the Nigerian business, as the capitalisation of some of the previous year's earnings provides greater latitude to absorb more credit risk. We also note that the slower loan growth forecast reflects the high base effect from FY'25, which was partly driven by the consolidation of newly acquired subsidiaries in H2'25.

We continue to view the Nigerian market as strategically important to the Group's lending outlook, given the relatively higher margins achievable within the segment compared to international operations.

*this includes deposits the group has in other currencies which includes Pound Sterling, Euros, South Africa Rand, Japanese Yen, Ghanaian Cedis, Dirham, Australian dollars, Canadian dollars, Swiss franc, Chinese Yuan etc.

Figure 3: Nominal growth in gross loans of key subsidiaries between FY'24 & Q1'26 (N'billion)



Source: Company Financials, CardinalStone Research

Cautious outlook on dividends for FY'26

The Group recommended dividend payments, subject to regulatory approval, for both the half-year and the full year. However, the required approvals were not obtained. Below is a summary of the reasons for the lack of required approval for dividends:

- **Interim dividend:** Holdco's paid-up capital was below the sum of the minimum paid-up capital of all its subsidiaries, which was not consistent with section 7.1 of the CBN Guidelines for Financial Holding Companies. According to management, this issue was eventually resolved through the successful private placement capital raise at the Holdco level.
- **Final dividend:** A separate issue was flagged related to under Banks and Other Financial Institutions Act (BOFIA) Section 19.8(c), which limits investments in foreign banking subsidiaries to 10.0% of shareholders' funds. Currently, this ratio stands at 19.4%, and ACCESSCORP has been given a 12-month window to remediate this by increasing shareholders' funds (potentially through higher upstream dividends from subsidiaries), reducing investments in foreign subsidiaries, or a combination of both.

In our projections, we have conservatively assumed no dividend distribution for FY'26, but note that an accelerated resolution of the issue can cascade to a dividend payout of c.30.0%. During engagements with management, subsidiaries in markets such as the Republic of Congo, Gambia, Ghana, the UK, and Zambia were identified as potential candidates for a reduction in ownership stake to c.75.0%–80.0%, subject to regulatory approval (see Figure 4). Even though cash proceeds from the partial divestments (assuming a resolution through reduction in investment stakes in the select foreign subsidiaries) could support the resumption of dividends, we remain mindful of the potential implications of accelerated transactions for bargaining power and valuation outcomes.

Figure 4: Extracts from condensed results of consolidated entities

Banking subsidiaries	FY'25 PBT (N'mn)	As of Q1'26 (N'mn)			
		Loans to customers	Investment securities	Deposits from customers	Current holdings (%)
Access Bank UK	288,593	4,740,563	6,819,915	12,693,000	100.00%
Access Bank Ghana	95,917	497,635	769,629	1,844,371	93.40%
Access Bank Zambia	69,435	684,898	505,541	1,477,419	80.98%
Access Bank D.R. Congo	40,050	178,709	283,502	463,648	99.98%
Access Bank Gambia	6,334	30,160	101,242	186,521	93.22%

Source: Company Financials, CardinalStone Research

Valuation summary

We maintain our **BUY** recommendation on ACCESSCORP and revise our 12-month Target Price ("TP") to **N52.14** (from N45.12 previously). Our new TP portends a 106.1% upside relative to our reference price of N25.30 and represents an exit P/B of 0.6x, above the counter's 10-year mean P/B of 0.4x, while remaining below the MEA peer of 1.4x.

Figure 5: Summary of Financials

Income Statement (N'billion)	2024A	2025A	2026E	2027E
Gross Earnings	4,778.0	5,359.2	5,247.9	5,551.7
Interest Income	3,480.5	3,546.3	3,885.3	4,025.0
Interest expense	(2,212.4)	(2,189.4)	(2,086.4)	(2,154.0)
Net interest income	1,268.0	1,356.9	1,798.9	1,870.9
Non-interest income	1,298.8	1,812.9	1,362.6	1,526.7
Loan loss provisions	(245.3)	(523.6)	(315.1)	(357.3)
Operating expenses	(1,454.5)	(1,639.1)	(1,802.1)	(1,873.3)
PBT	867.0	1,007.1	1,044.4	1,167.1
Tax	(224.8)	(264.1)	(273.8)	(306.0)
PAT	642.2	743.0	770.5	861.1
Attributable to owners	618.6	718.7	713.5	797.4
EPS (attributable to equity holders)	16.71	13.48	13.38	14.95
DPS (NGN)	2.50	-	-	4.49
Payout ratio	15.0%	0.0%	0.0%	30.0%
Shares outstanding	37.0	53.3	53.3	53.3
Balance Sheet (N'billion)	2024A	2025A	2026E	2027E
Cash and cash equivalents	5,220.9	6,229.6	8,042.4	8,834.5
Pledged Assets	1,591.8	741.9	795.6	873.9
Investments Securities	13,095.2	19,896.3	21,640.1	23,765.6
Loans and Advances	13,067.7	16,241.2	18,280.6	20,121.1
Restricted deposit and other asset	7,061.2	6,897.8	6,485.8	7,124.6
Other Current Assets	603.4	565.1	592.7	632.9
PP&E	857.9	984.3	963.6	1,058.5
Total assets	41,498.0	51,556.3	56,800.7	62,411.1
Customer deposits	22,524.9	34,562.1	37,061.6	40,711.8
Due from banks	9,308.3	3,732.3	3,880.8	4,729.4
Trading Liabilities	114.8	415.6	415.6	415.6
Other Liabilities	2,299.8	5,548.1	7,962.0	8,651.6
Current income tax payable	98.1	23.4	23.4	23.4
Borrowings	3,392.0	2,948.7	2,460.9	2,324.8
Total Liabilities	37,737.8	47,230.3	51,804.3	56,856.7
Shareholders' equity	3,544.3	3,879.2	4,549.6	5,107.7
Minority interests	215.9	446.8	446.8	446.8
Total Liabilities & equity	41,498.0	51,556.3	56,800.7	62,411.1

Source: Company reports, CardinalStone Research estimates

Note: NGN in billions (except per-share data). Fiscal year ends in December.

*Totals may not add up due to independent rounding

Loan Analysis	2024A	2025A	2026E	2027E
Cost of Risk (CoR)	0.9%	2.3%	1.5%	1.5%
NPL ratio	3.0%	3.0%	3.0%	2.9%
NPL Coverage	80.0%	84.8%	82.4%	85.0%

Capital & Liquidity Analysis	2024A	2025A	2026E	2027E
Capital adequacy ratio	18.0%	18.1%	26.4%	25.1%
Liquidity ratio	34.3%	43.9%	47.7%	49.9%

Ratio Analysis	2024A	2025A	2026E	2027E
Asset Yield	17.4%	11.8%	10.8%	10.2%
Cost of Funds (CoF)	8.7%	6.1%	5.0%	4.8%
Net Interest Margin (NIM)	6.3%	4.5%	5.0%	4.7%
Cost-to-Income (CIR)	56.7%	51.7%	57.0%	55.1%
PBT Margin	28.9%	18.1%	18.8%	19.9%
Tax Rate	25.9%	26.2%	26.2%	26.2%

Profitability Analysis	2024A	2025A	2026E	2027E
ROAA	1.9%	1.6%	1.4%	1.4%
ROAE	21.6%	18.4%	16.5%	16.3%

Growth Analysis	2024A	2025A	2026E	2027E
Gross Earnings YoY Growth	89.3%	12.2%	-2.1%	5.8%
Pre-provision operating profit YoY Growth	64.9%	31.4%	-5.9%	8.0%
Impairment charge YoY Growth	75.8%	113.4%	-39.8%	13.4%
OPEX YoY Growth	108.5%	12.7%	9.9%	4.0%
PBT YoY Growth	18.9%	16.2%	3.7%	4.0%
PAT YoY Growth	3.7%	15.7%	3.7%	11.8%
EPS YoY Growth	-3.0%	-19.3%	-0.7%	11.8%
Total assets YoY Growth	55.5%	24.2%	10.2%	11.8%
Total liabilities YoY Growth	54.0%	25.2%	9.7%	9.9%
Equity YoY Growth	72.0%	15.0%	15.5%	9.8%

Valuation	2024A	2025A	2026E	2027E
P/E (x)	1.4	1.6	1.9	1.7
P/BV (x)	0.2	0.3	0.3	0.3
Dividend Yield	9.9%	0.0%	0.0%	17.7%

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