

RATING ANNOUNCEMENT

GCR assigns national scale long/short-term issuer ratings of AA_(NG)/A1+_(NG) to Access Bank Plc

Rating action

Lagos, 18 February 2025 – GCR Ratings (GCR) has assigned national scale long and short-term issuer ratings of AA_(NG) and A1+_(NG) respectively to Access Bank Plc (Access or the bank). The outlook is Stable.

Rated Entity	Rating class	Rating scale	Rating	Outlook
Access Bank Plc	Long Term Issuer	National	AA _(NG)	Stable
	Short Term Issuer	National	A1+ _(NG)	

Rating rationale

The bank's ratings reflect its position as the largest bank in Nigeria by assets, as well as its growing presence across key markets in Africa and beyond. Access' well-established ability to acquire funding via local and international financiers, and good asset quality also underpin the ratings.

Being the largest subsidiary of Access Holdings Plc (the Holdco) - a financial holding company listed on the Nigerian Exchange Limited - the bank's ratings are derived from the strengths and weaknesses of the consolidated Holdco. The credit considerations, as well as the ensuing analytical perspectives are based on the Holdco's consolidated position. However, the ratings have been assigned to the bank.

Access accounts for over one-fifth of Nigeria's banking sector assets as of September 2024 and is present in 20 other countries across Africa, Europe and Asia. The bank's international footprints are strategically positioned at key global trade hubs, thus, making Access a key enabler of cross border trades and payments targeted at Africa. In addition, diversification also provides a natural hedge against the bank's exposure to Nigeria's relatively volatile operating environment. Besides the benefits of size and diversification, Access' strong competitive position is supported by its well-entrenched ESG principles-based business, whilst noting 15.8% of oil and gas loan exposures

The ratings are also driven by the bank's good funding and liquidity position. Access maintained a foreign exchange (FX) liquidity cover of at least 30% from 2020 to 2024 despite significant sector-wide shortages over the same period. However, overall liquidity ratio declined to 43.9% (albeit higher than the regulatory minimum of 30%) as of September 2024 from 53.0% as at December 2024, due to the Central Bank of Nigeria's higher cash reserve requirements and other tightening measures.

Funding base is considered stable, consisting primarily of low-cost customer deposits. Stable funding (including long term funding and core customer deposits) typically account for over 75% of funding needs, while reliance on market funding is curtailed at about 3%. Given Access' franchise strength, we expect good

FX liquidity management, as well as access to diverse funding sources to continue supporting the bank's funding and liquidity position.

Access' moderate risk appetite is evident in the quality of its loan portfolio which is deemed to perform better than those of the bank's Nigerian peers. Non-performing loans (NPLs) declined steadily from 5.8% in 2019 fiscal year to 1.9% in 2022 albeit increasing slightly to 2.8% in 2023. This was due to the June 2023 naira to US dollar devaluation which pressured the foreign currency (FCY) loan portfolio. The risk posed by FCY loans has since been managed down through proactive risk management and paydowns of FCY obligations by obligors. FCY NPLs ratio has consequently declined to 0.65% as of June 2024, from 0.98% as of December 2023, while overall NPLs ratio declined to 2.7% over the same period. We expect asset quality to remain strong based on (1) curtailed FX exposures in general, (2) sustained portfolio diversification by sector and obligors especially away from problematic sectors, (3) natural hedging and purchase of FX forwards to manage similar portfolio risk.

Access raised additional share capital of over NGN340 billion (USD228.5 million) in the last quarter of 2024, bringing the balance of paid-up share capital (including share premium) to NGN594.8 billion (USD396.3 million). The bank has therefore met the new capital requirements set by the Nigerian regulator for its license category ahead of schedule. However, the capital adequacy ratio (CAR) did not increase due to the offsetting effect of the increase in risk-weighted assets. A slightly decreased from 21.1% at December 2023 to 20.6% at December 2024 was recorded. The 'GCR CAR' on the other hand is expected to remain within the range of 14.0% and 14.5% over the next 12 to 18 months. Core capitalisation is therefore modest relative to peers due to the bank's sizeable risk-weighted assets. Going forward, core capital could be further pressured as lending grows but this may be mitigated by (1) strong internal capital generation as the bank enters the consolidation phase of its strategic implementation, and (2) robust risk management especially with respect to foreign currency lending.

Outlook statement

The Stable outlook reflects Access' strong business and financial profile, and our expectation that key credit metrics will remain within the assigned rating level.

Rating triggers

An upgrade is unlikely over the next 12 to 18 months, however, an increase in core capital levels which translates to a GCR CAR above 15.0% will be positively considered. On the other hand, a downward rating action could emanate from (1) weaker core capital levels (GCR CAR below 12.5%), (2) weaker asset quality with NPLs ratio above 5.0% and cost of risk above 2.0%, (3) sustained pressure on liquidity with liquidity ratio under 40.0%.

Analytical contacts

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Related criteria and research

Criteria for the GCR Ratings Framework, May 2024
Criteria for Rating Financial Institutions, May 2024
GCR Ratings Scales, Symbols & Definitions, May 2023
GCR Country Risk Scores, August 2024
GCR Financial Institutions Sector Risk Score, August 2024

Ratings history

Access Bank Plc

Rating class	Review	Rating scale	Rating	Outlook/watch	Date
Long Term Issuer	Initial/Last	National	N/A	N/A	N/A
Short Term Issuer	Initial/Last	National	N/A	---	N/A

Risk score summary

Rating Components & Factors	Risk Scores
Operating environment	7.50
Country risk score	4.00
Sector risk score	3.50
Business profile	2.25
Competitive position	2.25
Sustainability	0.00
Financial profile	(0.00)
Capital and Leverage	(1.75)
Risk	0.75
Funding and Liquidity	1.00
Comparative profile	0.00
Group support	0.00
Government support	0.00
Peer analysis	0.00
Total Score	9.75

Glossary

Asset Quality	Refers primarily to the credit quality of a bank's earning assets, the bulk of which comprises its loan portfolio, but will also include its investment portfolio as well as off balance sheet items. Quality in this context means the degree to which the loans that the bank has extended are performing (ie, being paid back in accordance with their terms) and the likelihood that they will continue to perform.
Assets	A resource with economic value that a company owns or controls with the expectation that it will provide future benefit.
Credit Rating	An opinion regarding the creditworthiness of an entity, a security or financial instrument, or an issuer of securities or financial instruments, using an established and defined ranking system of rating categories.
Credit Risk	The possibility that a bond issuer or any other borrowers (including debtors/creditors) will default and fail to pay the principal and interest when due.
Credit	A contractual agreement in which a borrower receives something of value now and agrees to repay the lender at some date in the future, generally with interest. The term also refers to the borrowing capacity of an individual or company
Debt	An obligation to repay a sum of money. More specifically, it is funds passed from a creditor to a debtor in exchange for interest and a commitment to repay the principal in full on a specified date or over a specified period.
Diversification	Spreading risk by constructing a portfolio that contains different exposures whose returns are relatively uncorrelated. The term also refers to companies which move into markets or products that bear little relation to ones they already operate in.
Exposure	Exposure is the amount of risk the holder of an asset or security is faced with as a consequence of holding the security or asset. For a company, its exposure may relate to a particular product class or customer grouping. Exposure may also arise from an overreliance on one source of funding. In insurance, it refers to an individual or company's vulnerability to various risks
Interest Rate	The charge or the return on an asset or debt expressed as a percentage of the price or size of the asset or debt. It is usually expressed on an annual basis.
Interest	Scheduled payments made to a creditor in return for the use of borrowed money. The size of the payments will be determined by the interest rate, the amount borrowed or principal and the duration of the loan.
Issuer Ratings	See GCR Rating Scales, Symbols and Definitions.
Issuer	The party indebted or the person making repayments for its borrowings.
Liquid Assets	Assets, generally of a short term, that can be converted into cash.
Liquidity	The speed at which assets can be converted to cash. It can also refer to the ability of a company to service its debt obligations due to the presence of liquid assets such as cash and its equivalents. Market liquidity refers to the ease with which a security can be bought or sold quickly and in large volumes without substantially affecting the market price.
Pari Passu	Side by side; at the same rate or on an equal footing. Securities issued with a pari passu clause have rights and privileges that are equivalent to those of existing securities of the same class.
Rating Horizon	The rating outlook period
Rating Outlook	See GCR Rating Scales, Symbols and Definitions.
Repayment	Payment made to honour obligations in regard to a credit agreement in the following credited order: 3.) Satisfy the due or unpaid interest charges; 4.) Satisfy the due or unpaid fees or charges; and 5.) To reduce the amount of the principal debt.
Risk	The chance of future uncertainty (i.e., deviation from expected earnings or an expected outcome) that will have an impact on objectives.
Short Term Rating	A short-term rating is an opinion of an issuer's ability to meet all financial obligations over the upcoming 12-month period, including interest payments and debt redemptions.
Short Term	Current; ordinarily less than one year.

Salient points of accorded rating

GCR affirms that a.) no part of the rating process was influenced by any other business activities of the credit rating agency; b.) the ratings were based solely on the merits of the rated entity, security or financial instrument being rated; and c.) such ratings were an independent evaluation of the risks and merits of the rated entity, security or financial instrument.

The credit ratings have been disclosed to the rated entity.

The ratings above were solicited by, or on behalf of, the rated entity.

The rated entity participated in the rating process via in person interaction and/or via online virtual interaction and/or via electronic and/or verbal communication and correspondence. Furthermore, the quality of information received was considered adequate and has been independently verified where possible. The information received from the rated entity and other reliable third parties to accord the credit ratings included:

- The audited financial results to 31 December 2023
- Unaudited management accounts as at 30 September 2024
- Four years of comparative audited financial statements
- Other related documents
- Exchange rate source: Central Bank of Nigeria USD1.00 = NGN1,500.8 (31 January 2025)

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