

RATING ANNOUNCEMENT

GCR affirms LAPO Microfinance Bank Limited's national scale issuer ratings of BBB_(NG) /A3_(NG); Outlook revised to Stable from Negative.

Rating action

Lagos, 25 July 2025 – GCR Ratings (GCR) has affirmed LAPO Microfinance Bank Limited's national scale long and short-term issuer ratings of BBB_(NG) and A3_(NG) respectively, with the Outlook revised to Stable from Negative.

Rated entity	Rating class	Rating scale	Rating	Outlook
LAPO Microfinance Bank Limited	Long Term Issuer	National	BBB _(NG)	Stable
	Short Term Issuer	National	A3 _(NG)	

Rating rationale

The ratings of LAPO Microfinance Bank Limited's (LAPO MfB or the Bank) balance its strong capitalisation against a modest competitive position, moderate liquidity and weak asset quality metrics.

LAPO MfB is a leading player within the Nigerian microfinance banking sub-sector, with an established track record of over a decade. The bank has grown steadily over the years, registering total assets of NGN125 billion (USD86.4 million) as of 31 December 2024 (31 December 2023: NGN104.6 billion), which represents an estimated market share of 3.0% of the microfinance subsector. However, LAPO MfB's competitive position assessment is largely constrained by its smaller size relative to the broader banking sector. Additionally, the assessment is further limited by the bank's operational inefficiencies, as reflected by the relatively high cost-to-income ratio of 75.8% as of 31 December 2024 (31 December 2023: 80.9%). Looking ahead, the bank's planned debt issuance and increased deposit mobilisation could further support growth, while its sustained digitalisation strategy is expected to enhance digital offerings and improve operational efficiency over the next 12 to 24 months.

LAPO MfB's capitalisation remains a major ratings strength. As of 31 December 2024, the bank's GCR core capital ratio registered at a strong 30.9% (December 2023: 33.8%), underpinned by the moderate loan book growth and good earnings accretion. The capital adequacy ratio (CAR) also remained well above the regulatory minimum of 10% for its microfinance banking license category. Over the next 12-18 months, we expect the GCR core capital ratio to remain within 27%-30%, supported by sustained strong earnings generation and retention, and balanced against the planned loan book growth from the proposed NGN10 billion bond issuances.

LAPO MfB's risk position is negative to the ratings, reflecting its weak asset quality metrics. Although the bank's non-performing loans (NPL) and credit loss ratios improved to 9.4% and 0.6% respectively as of 31 December 2024 (December 2023: 16.7% and 4.6% respectively), this was largely supported by loans write-offs. Looking ahead, the bank's improved collections channels, recovery efforts and other remedial actions could support further improvement in the asset quality metrics. However, LAPO MfB's risk profile remains vulnerable to the challenges operating environment, particularly given its focused segment.

We assessed funding and liquidity as neutral to ratings. The bank is largely funded by customer deposits, which accounted for 74.6% of the total funding base as of 31 December 2024 (31 December 2023: 74.5%). More so, the relatively cheaper current and savings accounts (CASA) comprising 81.8% of customer deposits positively supports the Bank's cost of funding which registered at 6.6% as of 31 December 2024, comparing well with the broader banking industry average. Depositor concentration remains low and well diversified, with the top 20 depositors accounting for 1.2% of customer deposits as of 31 December 2024 (31 December 2023: 1.8%). However, the bank's liquidity position is considered weak, as reflected by the low GCR liquid assets coverage of customer deposits and wholesale funding of 16.6% and 0.5x respectively as of 31 December 2024 (December 2023: 25.2% and 0.7x respectively). While we note that liquidity pressure is mitigated by the seasonality of the bank's liquid asset base and the expected inflows from the proposed bond issuance, our liquidity assessment could be negatively impacted if the bank's liquidity position does not materially improve over the next 12 months.

Outlook statement

The Stable outlook reflects our expectation that asset quality metrics will hover around similar levels over the next 12-18 months. The GCR core capital ratio is expected to range between 27% and 30%, reflecting the good earnings retention and projected loan book. Additionally, we expect LAPO MfB's funding and liquidity position to be bolstered by the proposed bond issuance.

Rating triggers

A rating upgrade could be triggered by sustained improvement in asset quality metrics such that the NPL ratio declines below 9% on a sustainable basis. Additionally, a significant improvement in liquidity metrics and the GCR core capital ratio above 30% could result in a positive rating action. Conversely, the rating may be downgraded if (i) there is a deterioration in asset quality metrics such that the NPL and credit losses registers above 10% and 3% respectively (ii) the GCR Core Capital Ratio declines to below 27% and (iii) sustained weak liquidity position.

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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, July 2025
GCR Financial Institutions Sector Risk Score, July 2025

Ratings history

LAPO Microfinance Bank Limited

Rating class	Review	Rating scale	Rating	Outlook	Date
Long Term Issuer	Initial	National	BBB+ _(NG)	Stable	July 2017
Short Term Issuer	Initial	National	A2 _(NG)		July 2017
Long Term Issuer	Last	National	BBB- _(NG)	Negative	November 2024
Short Term Issuer	Last	National	A3 _(NG)		November 2024

Risk score summary

Rating Components & Factors	Score
Operating environment	6.75
Country risk score	3.50
Sector risk score	3.25
Business profile	(2.00)
Competitive position	(2.00)
Sustainability	0.00
Financial profile	1.25
Capital & Leverage	2.25
Risk	(1.00)
Funding & Liquidity	0.00
Comparative profile	0.00
Group support	0.00
Peer comparison	0.00
Total Risk Score	6.00

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 (i.e, being paid back in accordance with their terms) and the likelihood that they will continue to perform.
Asset	A resource with economic value that a company owns or controls with the expectation that it will provide future benefit.
Balance Sheet	Also known as Statement of Financial Position. A statement of a company's assets and liabilities provided for the benefit of shareholders and regulators. It gives a snapshot at a specific point in time of the assets the company holds and how they have been financed.
Capital Adequacy	A measure of the adequacy of an entity's capital resources in relation to its risks.
Capital Base	The issued capital of a company, plus reserves and retained profits.
Capitalisation	The provision of capital for a company, or the conversion of income or assets into capital.
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
Customer Deposit	Cash received in exchange for a service, including safekeeping, savings, investment, etc. Customer deposits are a liability in a bank's books.
Income	Money received, especially on a regular basis, for work or through investments.
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.
Loan	A sum of money borrowed by a debtor that is expected to be paid back with interest to the creditor. A debt instrument where immovable property is the collateral for the loan. A mortgage gives the lender a right to take possession of the property if the borrower fails to repay the loan. Registration is a prerequisite for the existence of any mortgage loan. A mortgage can be registered over either a corporeal or incorporeal property, even if it does not belong to the mortgagee. Also called a Mortgage bond.
Loss	1. A tangible or intangible, financial or non-financial loss of economic value. 2. The happening of the event for which insurance pays (insurance).
Obligor	The party indebted or the person making repayments for its borrowings.
Performing Loan	A loan is said to be performing if the borrower is paying the interest on it on a timely basis.
Performing	An obligation that performs according to its contractual obligations.
Risk	The chance of future uncertainty (i.e. deviation from expected earnings or an expected outcome) that will have an impact on objectives.

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 2024
- Unaudited interim management accounts as of April 2025
- Other related documents.
- Exchange Rate Source: Central Bank of Nigeria. End of period exchange rate for 2023: NGN899.4/USD. End of period exchange rate for 31 December 2024: NGN1,447/USD

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