

## MEDIA RELEASE

November 3, 2022

### **CariCRIS assigns Corporate Credit Ratings to Access Financial Services Limited**

Caribbean Information and Credit Rating Services Limited (CariCRIS) has assigned initial issuer/corporate credit ratings of *CariBB+* (Foreign Currency Rating) and *CariBBB-* (Local Currency Rating) on the regional rating scale and *jmBBB* (Foreign Currency Rating) and *jmBBB+* (Local Currency Rating) on the Jamaica national rating scale to Access Financial Services Limited (AFS or the Group). The regional scale local currency rating indicates that the level of creditworthiness of this obligor, adjudged in relation to other obligors in the Caribbean is **adequate**, and the regional scale foreign currency rating indicates **below average** relative creditworthiness. The national scale ratings indicate that the level of creditworthiness of this obligor, adjudged in relation to other obligors in Jamaica is **adequate**.

The ratings are driven by the Group's favourable market position in the microfinance sector underpinned by its long history and good brand equity. The Group has a history of profitability that is supported by healthy net interest spreads, sufficient capitalisation and liquidity. The growth in total earning assets underpinned by good asset quality also supports the ratings. The Group also has adequate governance structure and risk management practices. These rating strengths are tempered by AFS' small size and high-risk business model with little diversity in revenue streams which may hamper growth potential and overall profitability. Furthermore, the downside risks associated with high sovereign risk exposure to Jamaica could impact AFS' earnings.

CariCRIS has also assigned a **stable** outlook on the ratings. The stable outlook is based on our expectation that over the next 12 to 15 months, AFS will continue to record good financial performance and maintain all its key credit drivers including good asset quality as well as adequate capitalisation and liquidity metrics. Notwithstanding the high-risk nature of the Group's business model, CariCRIS believes this expected performance going forward will be supported by continued economic recovery in Jamaica, its main market, as most coronavirus (COVID-19) lockdown measures have been lifted.

**Rating Sensitivity Factors:**

**Factors that could, individually or collectively, lead to an improvement in the ratings and/or Outlook include:**

- An improvement in the credit risk profile of the Government of Jamaica
- Improving business conditions over the next 12-15 months, thereby leading to growth in total asset base > 18% and/or sustained earnings growth > 10% over the next 2 years
- Diversity in revenue streams through the successful launch of new products

**Factors that could, individually or collectively, lead to a lowering of the ratings and/or Outlook include:**

- A deterioration in the credit risk profile of the Government of Jamaica
- Change in AFS' debt/ TNW or TNW/Total Assets ratios > 1.5 times or < 25% respectively
- A sustained decrease in yield from interest earning assets > 600 basis points over the next 12-15 months, thereby leading to a tightening of the net interest spread earned
- A fall in AFS' net loans and advances by more than 20%
- A deterioration in AFS' Gross NPLs/Gross Loans ratio to > 8%

**About the company:**

Access Financial Services Limited (AFS or the Group) is a microfinance entity incorporated in Jamaica in 2000. In 2009, AFS became the first company to list on the Junior Market of the Jamaica Stock Exchange (JSE), thus making it subject to all laws applicable to issuers of listed securities in Jamaica, as well as the regulatory authority of the JSE and the Financial Services Commission. AFS' principal activity is to provide retail lending to micro-entrepreneurs and individuals underserved by traditional financial services providers in Jamaica. In keeping with its long-term growth strategy, AFS acquired 100% shareholding of its subsidiary, Embassy Loans Incorporated (Embassy) in 2018. Embassy is a consumer finance company located in Florida, United States of America (USA) and licensed under the Florida Consumer Finance Act. The Company offers auto equity loans in Florida. As at March 2022, the 2 largest shareholders of AFS

were Springhill Holdings Limited<sup>1</sup> (47.33%) and PROVEN Investments Limited (24.72%). On July 29, 2022, AFS became the first Company to be approved by the Bank of Jamaica as a microcredit institution and as such became regulated under the Microcredit Act 2021.

In Jamaica, AFS operates throughout an island-wide retail network of 17 branches and has disbursed in excess of J \$15 billion in loans since inception to the Microfinance Sector, a sector which contributes to the economic growth and development of the island. As a non-deposit taking institution, funding is derived from debt-financing through non-governmental financial institutions and the Development Bank of Jamaica, which is 100% owned by the Government of Jamaica (GOJ).

As at March 2022, AFS reported total assets of J \$5.2 billion and for the period ended March 2022, reported total income of J \$2 billion, of which 3.3% of total assets and 18.8% of total income respectively were derived from Embassy.

***For more information on AFS' ratings, please visit [www.caricris.com](http://www.caricris.com) or contact:***

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<sup>1</sup> Springhill Holdings Limited is a private company formed by Mr. Marcus James (the Founder and Executive Chairman of AFS) to hold his interest in AFS. The company is registered in Saint Lucia.