

African Export-Import Bank

Key Rating Drivers

Rating Upgrade: The upgrade of African Export-Import Bank's (Afreximbank) ratings reflects a strengthening in its Standalone Credit Profile (SCP) to 'bbb' from 'bbb-' at the previous review. This follows Fitch Ratings' revision of the bank's business profile to 'Medium' risk from 'High'. Afrximbank has strengthened its institutional role and raised its profile as one of the main multilateral development banks (MDBs) focused on supporting public and private sectors in Africa.

Increased Policy Importance: The improvement in Afrximbank's business profile follows Fitch's revised assessment of the bank's policy importance to 'Low' risk from 'Medium'. This is primarily underpinned by the recent large capital increase, which highlights the increased importance of the bank for its shareholders. The increasing number of key mandates that the African Union has given the bank is further evidence of its rising profile.

SCP Drives Ratings: The bank's ratings are driven by its SCP, reflecting the lower of the solvency (a-) and liquidity (a) assessments, and the 'High Risk' business environment in which the bank operates. The 'a-' solvency assessment balances the bank's 'Strong' capitalisation and 'Moderate' risk profile. The 'High Risk' business environment now leads to a two-notch negative adjustment to the lower of solvency and liquidity from a three-notch adjustment previously.

Strong Capitalisation: Afrximbank's capitalisation is 'Strong' and reflects a 'Strong' equity/assets and guarantees ratio (E/A; 17% at end-2021), the 'Moderate' usable capital to risk-weighted assets (FRA; 18%) and the 'Excellent' internal capital generation (ICG). Fitch expects the E/A and FRA ratios to remain broadly unchanged over the forecast period to 2024. Our projections assume a 12% yoy growth in the banking operations and capital injections under the general capital increase approved by Afrximbank's board in June 2021.

Credit Risk Mitigated: The average rating of Afrximbank's loans and guarantees remained at 'B-' as of end-2021. This reflects exposure to non-sovereign entities (83% of total loans), whose credit quality are deemed very weak, and sovereign borrowers with an average rating of 'B-'. Our credit risk assessment also factors in a high degree of loan collateralisation (87% of loans at end-2021), including cash collaterals and credit insurance from 'A'-'AA' rated insurers, which provide an uplift of three notches above the average rating of loans to 'BB-'.

Other Risks 'Low': Concentration risk is 'Low', with its five largest exposures accounting for 26% of total banking exposure (TBE) at end-2021. The bank uses derivative instruments to manage FX and interest rate risks. The 'Moderate' risk management policies primarily reflect the use of credit risk mitigants that helped maintain a fairly low non-performing loan (NPL) ratio (3.3% at end-2021), despite the high-risk operating environment. Equity participation will remain below 2% of TBE by 2024.

Strengthening Liquidity Profile: The improvement in the quality of liquid assets led to a revision of Afrximbank's liquidity assessment to 'a' from 'a-' previously. The share of treasury assets rated 'AA'-'AAA' continued to increase to 44.7% at end-2021 from 38.9% at end-2020. Fitch's assessment also reflects the 'Moderate' size of liquidity buffer (defined as liquid assets/short-term debt at 1.0x at end-2021). The short duration of Afrximbank's loan portfolio and its access to diversified funding sources, including credit lines and deposits, enhance its liquidity.

Rating Sensitivities

Solvency (Capitalisation): Material improvement in the bank's capitalisation (E/A and FRA ratios rising above 25%) as a result of operating with lower leverage and stronger asset quality.

Solvency (Risks): Strengthening of the bank's risk profile owing to an improvement in the credit quality of the portfolio and sustainable decline in NPL ratio below 3%. Reduction in geographical concentration, supported by the introduction of more conservative country limits.

This report does not constitute a new rating action for this issuer. It provides more detailed credit analysis than the previously published Rating Action Commentary, which can be found on www.fitchratings.com.

Ratings

Long-Term IDR	BBB
Short-Term IDR	F2

Outlook

Long-Term IDR	Stable
---------------	--------

Financial Data

African Export-Import Bank		
	Dec 20	Dec 21
Total assets (USDm)	19,307	21,930
Equity/assets (%)	16.5	16.6
Fitch's usable capital/risk-weighted assets (%)	17.8	17.8
Average rating of loans & guarantees	B-	B-
Impaired loans (% of total loans)	3.7	3.3
5 largest exposures/total exposure (%)	25.1	25.7
Share of non-sovereign exposure (%)	80.3	83.7
Net income/equity (%)	11.4	10.6
Average rating of key shareholders	BB-	BB-

Source: Fitch Ratings, Afrximbank

Applicable Criteria

Supranational Rating Criteria (April 2022)

Related Research

Strong Capital Ratios Support MDBs' Ratings (April 2022)

Fitch Ratings 2022 Mid-Year Outlook: Supranationals (June 2022)

Supranationals Dashboard: High and Stable Ratings, Growing Asset Class (October 2022)

Analysts

Khamro Ruziev, CFA
+44 20 3530 1813
khamro.ruziev@fitchratings.com

Enrique Bernardez, CFA
+44 20 3530 1964
enrique.bernardez@fitchratings.com

Business Environment

Afreximbank is a regional MDB established in 1993 to finance and promote intra- and extra-African trade. The bank provides loans, guarantees, letters of credit and advisory services to sovereigns and private-sector entities. As part of the mandate, it also extends countercyclical loans to assist its member states in tackling negative economic impact of external shocks (COTRALF in 2016-17, PATIMFA in 2020-21, UKAFPA in 2022)¹.

The bank operates in 52 African countries and has recently launched its financing operations in several Caribbean states. Afreximbank's head office is based in Cairo, Egypt and it has offices in Abuja (Nigeria), Abidjan (Cote d'Ivoire), Kampala (Uganda), Harare (Zimbabwe) and Yaoundé (Cameroon).

Unlike other MDBs, the bank has a profit-driven business model, which focuses on trade finance. Most of the loans have fairly short maturity and self-liquidating nature. In line with its risk management policies, loans are secured with various types of collaterals, and a large part of payment risk is transferred to third parties based in OECD countries. This approach has helped Afreximbank mitigate the high-risk operations and maintain low NPLs (about 3% of total loans).

Afreximbank operates in high-risk business environment, which translates into two-notch negative adjustment to its lower of solvency (a-) and liquidity (a) assessments.

Business Profile

Fitch revised its assessment of the bank's business profile to 'Medium Risk' from 'High Risk' due to strengthening its institutional role and rising profile as one of the main MDBs focused in supporting the public and private sectors in Africa.

The agency revised Afreximbank's policy importance to 'Low Risk' from 'Medium Risk' previously. This primarily reflects by the recent large capital increase (USD6.5 billion, of which USD2.6 billion paid-in), which highlights the increasing importance of the bank for its shareholders. The increasing number of key mandates given to Afreximbank by the African Union (e.g. to implement the health response crisis, or more recently to support access to grains and fertilisers in the context of the Russia-Ukraine war) is further evidence of the bank's rising profile.

Since the outbreak of the pandemic, Afreximbank has undertaken various initiatives endorsed by the African Union Commission. To ease the impact of the pandemic on economic activity in its countries of operations, the bank set up the PATIMFA facility and disbursed more than USD8 billion loans in 2020-2021.

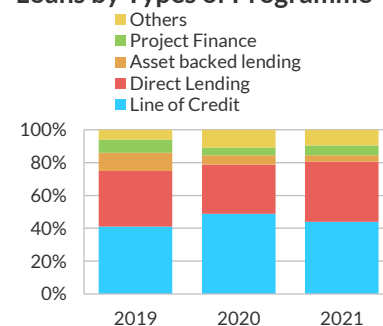
Following Russia's invasion of Ukraine, the bank set up a new USD4 billion net credit facility (the Ukraine Crisis Adjustment Trade Financing Programme for Africa (UKAFPA)) to assist African economies heavily relying on grain, fertilisers and other crucial imports. Furthermore, Afreximbank is taking part in the recently launched [Save Crops Operation](#) initiative, set up by several sovereigns and supranationals, through which the bank aims to help African states procure fertilisers and other commodities.

Afreximbank's banking portfolio, which comprises loans, guarantees and equity investments, totalled USD22.7 billion at end-1H22. Since 2018, the size of the portfolio more than doubled owing to high loan growth financed by capital increase and robust profitability. The bank's loan facilities are mainly extended under line of credit and direct financing programmes, which together accounted for about 80% of total loan approvals in 2021.

SCP Assessment

Indicative value	Assessment
Solvency	a-
Liquidity	a
Business environment	-2 notches
Standalone Credit Profile	bbb
Source: Fitch Ratings	

Loans by Types of Programme



Source: Fitch Ratings, Afreximbank

¹ COTRALF programme initiated in 2015 to assist a few member states to ease the implication of adverse conditions in commodity markets and impact of terrorist acts in many African states. PATIMFA was launched to help African countries deal with the economic shocks and health impacts caused by Covid-19 crisis. Afreximbank has approved and disbursed more than USD8 billion loans through this facility. UKAFPA introduced to help member states to manage the negative impact of the Russia-Ukraine war on African economies and businesses

Fitch considers Afreximbank's strategy as 'High Risk', reflecting a rapid growth of its banking portfolio (15% yoy on average over the past five years) in high-risk countries. The bank primarily extends financing to non-sovereign entities, accounting for 85% of TBE, consistent with 'High Risk' assessment for non-sovereign sector financing.

The quality of Afreximbank's governance is deemed 'Medium Risk' in line with that of its peers. Afreximbank's overall governance structure is similar to that of most sub-regional peers, consisting of general assembly of shareholders. The board is delegated most of power and selects the president to run the bank's daily operations. Our assessment is affected by the concentration of the ownership among a few borrowing shareholders (e.g. Nigeria and Egypt).

Operating Environment

Fitch considers Afreximbank's operating environment as 'High Risk' in line with that of Africa-focused peers. The bank primarily operates in low- and middle-income African countries with low credit profile, weak business environment and high political risk. The average rating of Afreximbank's countries of operations is estimated at 'B-', which is within the 'High Risk' threshold as per Fitch's criteria.

The income per capita in countries of operation is also considered 'High Risk'. Half of the African member states are low-income countries, with an average GDP per capita at USD2,988.

Political risk and business climate in countries of operations, including Egypt (B+/Negative) where the bank is headquartered, are considered as 'High Risk'. Egypt experienced several political and civil unrest over the past decade, resulting in deterioration of its rankings in the World Bank's governance indicators.

Fitch assesses operational support from those countries as 'Low Risk'. Like other MDBs, Afreximbank is exempt from direct taxes and benefits from various immunities and privileges. The bank also benefits from its close relationship with African government authorities, which helped to resolve non-payment of loans by private sector borrowers in the past.

Solvency

Afreximbank's 'a-' solvency balances 'Strong' capitalisation and 'Moderate' risk profile. The assessment reflects Fitch's expectation that the bank will continue to maintain its strong capital position and preserve its risk management practices over the forecast period despite operating in high-risk environment.

Capitalisation

Fitch assesses Afreximbank's capitalisation as 'Strong'. This takes into account the bank's 'Strong' E/A ratio, the 'Moderate' FRA ratio. The high ICG (return on equity after distributions) relative to other MDBs, that averaged 8%-9% over the past five years, also supports our capitalisation assessment.

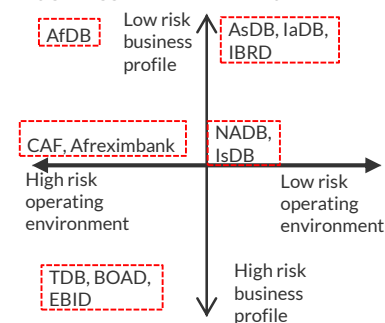
The E/A ratio was stable at 17% at end-2021 (end-2020: 17%). The balance-sheet expansion was broadly matched by paid-in capital payments and robust profitability in 2021.

Fitch's FRA ratio also remained unchanged in 2021 at 18%. The bank's usable capital, including shareholders' equity and 10% of 'AAA'-'AA' rated callable capital, totalled USD4 billion at end-2021, from USD3.4 billion at end-2020. In line with a strong growth in banking operations, risk-weighted assets surged to USD22.3 billion, from USD18.9 billion at end-2020. This was slightly larger than the size of total assets at USD22 billion at end-2021.

Afreximbank has continued to enjoy robust earnings driven by high loan growth, increasing income from its treasury assets as well as fees and commissions. Net income rose to USD387 million at end-2021 from USD352 million at end-2020.

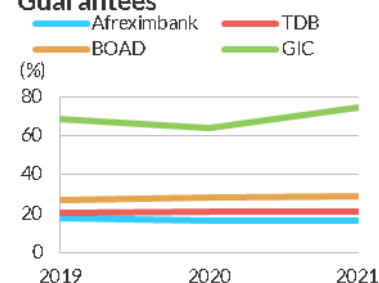
The agency expects Afreximbank's E/A and FRA ratios to moderate and remain within 'Strong' and 'Moderate' thresholds, respectively, over the forecast horizon. Fitch's projections assume a 12% yoy growth in banking operations and capital injections under the general capital increase

Business Environment



Source: Fitch Ratings

Equity/Adj.Assets & Guarantees



Source: Fitch Ratings

approved by the bank's board in June 2021 (totalling USD2.6 billion in paid-in capital, of which USD1.3 billion has been already paid).

Peer Comparison: Capital Ratios and Profitability

	Afreximbank		BOAD	GIC	TDB
	End-2021	Projection ^a	(BBB/Stable) End-2021	(BBB+/Stable) End-2021	(BB+/Positive) End-2021
Equity/adjusted assets (%)	17	15-20	29	75	22
Usable capital/risk-weighted assets (%)	18	15-20	27	41	20
Net income/average equity	9	5-8	3.0	5.3	9

^a Medium-term projections, forecast range

BOAD: Banque Ouest Africaine de Developpement; GIC: Gulf Investment Corporation; TDB: Eastern and Southern

African Trade and Development Bank

Source: Fitch Ratings, MDBs

Risks

Fitch considers Afreximbank's risk profile as 'Moderate', balancing 'Moderate' credit risk and risk management policies with 'Low' concentration and 'Very Low' equity and market risks.

The 'Moderate' credit risk assessment reflects the low credit quality of the bank's portfolio at 'B-' as of end-2021. This primarily reflects Afreximbank's exposure to non-sovereign entities (83% of total loans), whose credit quality are deemed very weak as per Fitch's assessment. It also has exposures to more than 20 African sovereign borrowers with an average rating of 'B-'.

Afreximbank's banking portfolio is highly collateralised, with 87% of exposures secured with various types of risk-mitigating instruments, including cash collaterals, credit insurance, pledges over assets and assignment of trade receivables. More than 40% of total repayment risk is transferred to third parties based in highly rated countries, through cash collaterals kept in banks, loans insured by 'A' and above rated insurers and assignments of receivables from entities based in OECD countries. The bank also holds a significant amount of cash deposits from central banks and corporates, a part of which has been used to secure loans. All deposits are denominated in hard currencies and treated in line with cash collaterals.

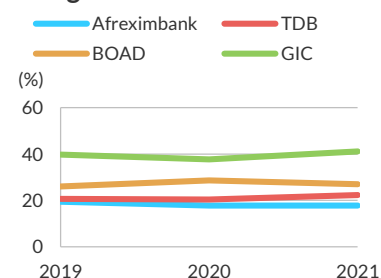
The use of the credit risk mitigants has helped the bank maintain limited impairment ratio historically (close to 3% on five-year basis), relative to a high-risk operating environment. The credit risk mitigants translate into three-notch uplift over the average rating of loans and guarantees, to 'BB-'.

Bank-reported NPLs remained broadly stable at 3.3% of total loans at end-2021 (2020: 3.2%). This mainly related to non-sovereign exposures that were overdue by more than 90 days. NPLs are well collateralised and provisioned (32%). Despite the high growth in loan disbursements, Fitch expects the NPLs to grow but remain in the 3%-6% range over the forecast period, due to expected deterioration in macroeconomic conditions in the region. The global economic slowdown, the Russia-Ukraine war and worsening debt dynamics in several countries of operations pose downside risks to our NPL projections.

Concentration risk remains 'Low', with top five exposures accounting for 26% of TBE at end-2021 (end-2020: 25%). However, geographical concentration is high. More than half of exposures were to entities based in Egypt and Nigeria (B-/Stable), the bank's two largest shareholders. In terms of sectorial exposure, the main beneficiaries of Afreximbank's loans were entities from the financial services (53% of total loans) and oil & gas (21%) sectors.

Fitch assesses Afreximbank's equity risk as 'Very Low', with equity participation accounting for 0.5% of TBE. In 2021, the bank invested USD66.5 million in its recently established Fund for Export Development in Africa as well as acquired minority shares in several African entities. The agency expects the bank's equity participation to remain below 2% of TBE over the forecast horizon.

Usable Capital to Risk-Weighted Assets Ratio



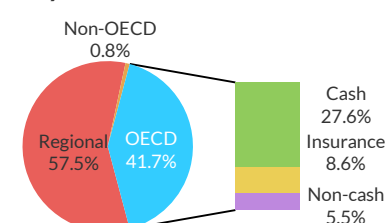
Source: Fitch Ratings

Risks Assessment

Indicative value	Risk level
Credit	Moderate
Concentration	Low
Equity risk	Very Low
Market risks	Very Low
Risk management policies	Moderate

Source: Fitch Ratings

Geographical Distribution of Payment Risk on Loan Portfolio



Source: Fitch Ratings, Afreximbank

The market risk is assessed as 'Very Low', reflecting limited impact of currency and interest rate variations on Afreximbank's balance sheet. Most of the loans are denominated in US dollars and are matched with financial liabilities in the same currency after using cross-currency swaps and forward contracts. The bank manages net interest rate exposures and maturity structure of assets and liabilities with interest rate swaps. The short-term tenor of the bank's trade finance assets also supports the 'Very Low' market risk assessment.

Afreximbank's risk management policies are considered 'Moderate'. Some of the prudential limits are in line with Basel III standards (e.g. capital adequacy ratio, liquidity coverage ratio). However, limits per country, obligor, transaction and sector are not applied to gross loans, but net exposures (after collaterals), which is a less conservative approach than most peers.

Peer Comparison: Risks

	Afreximbank		BOAD	GIC	TDB
	End-2021	Projection ^a	End-2021	End-2021	End-2021
Estimated average rating of loans & guarantees	B-	B-	B	n.a.	B-
Impaired loans/gross loans (%) ^b	3.3	3.0-6.0	2.9	0	2.9
Five largest exposures/total banking exposure (%) ^c	26	20-25	48	46	49
Equity stakes/total banking exposure (%)	0.5	0-2	5.4	86	1.9

^a Medium-term projections, forecast range

^b Stage 3 loans as per IFRS 9 accounting standard

^c TBE = loans + equity stakes + guarantees

Source: Fitch Ratings, MDBs

Liquidity

Fitch revised its assessment of the bank's liquidity profile to 'a' from 'a-' previously. The revision reflects improvement in the quality of liquid assets.

Liquidity Buffer

Afreximbank's liquidity buffer is 'Moderate', with liquid assets accounting for 104% of short-term debt at end-2021. This metric has improved from 88% at end-2020, following the increase in liquid assets by USD1 billion to USD9.2 billion and the repayment of short-term debt in 2021. In line with Fitch's criteria, liquid assets include investment grade treasury assets and discounted trade finance loans with maturity of less than one year (USD10.1 billion at end-2021). Fitch expects Afreximbank's liquid assets to short-term debt to fall below 1.0x by 2024 on the back of expected strong growth in lending operations.

Quality of liquid assets:

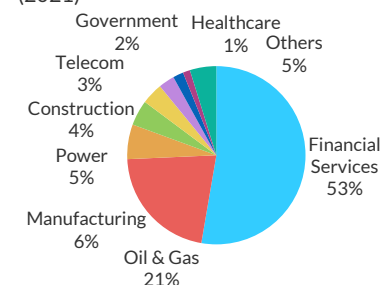
Fitch revised its assessment of the quality of liquid assets to 'Strong' from 'Moderate' previously. This reflects the increase in the share of 'AA-' and above rated assets in treasury portfolio to 44.7% at end-2021 (above the 'Strong' threshold) from 38.9% at end-2020 and 20.9% at end-2018. This has been in line with Afreximbank's liquidity management strategy and imbedded in the bank's strategic plan for 2022-2026. More than 90% of treasury assets, including short-term deposits and money market placements, are kept with investment-grade financial institutions. Fitch expects the quality of liquid assets to remain 'Strong' over the forecast horizon.

Access to Capital Markets and Alternative Sources of Liquidity

Afreximbank's liquidity profile is enhanced by shorter duration (23 months on average) of its loan portfolio and its access to alternative liquidity sources.

The bank is not as frequent issuer on the international capital markets as more highly rated MDBs, which regularly issue debt securities in multiple currencies and in various jurisdictions. However, Afreximbank benefits largely from its access to low-cost syndicated loans and credit

Loans by Economic Sector (2021)



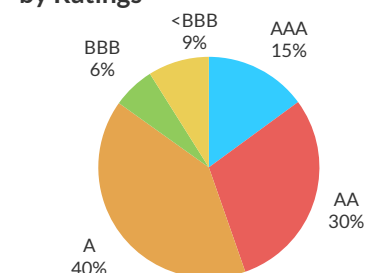
Source: Fitch Ratings, Afreximbank

Liquidity Assessment

Indicative value	Risk level
Liquidity buffer	Moderate
Quality of treasury assets	Strong
Access to capital markets & alternative sources of liquidity	Moderate (+1 notch)

Source: Fitch Ratings

Breakdown of Treasury Assets by Ratings



Source: Fitch Ratings, Afreximbank

lines from commercial banks, DFIs and ECAs. At end-2021, undrawn lines totalled USD3.4 billion, of which USD1.8 billion was committed.

Furthermore, the bank benefits from well-diversified non-equity funding sources, including deposits raised under the Africa Resource Mobilisation Programme from central banks (CENDEP), financial institutions and corporates. The bank raises deposits in hard currency (USD5.4 billion at end-2021), which are relatively sticky in nature, and partly used as loan collaterals.

Peer Comparison: Liquidity

	Afreximbank		BOAD	GIC	TDB
	End-2021	Projection ^a	End-2021	End-2021	End-2021
Liquid asset/short-term debt (%)	104	80-100	283	248	86
Share of treasury assets rated 'AA-' and above (%)	45	40-50	0	27	29

^a Medium-term projections, forecast range
Source: Fitch Ratings, MDBs

Shareholders' Support

Fitch assesses Afreximbank's Support Rating at 'bb'.

Peer Comparison: Shareholder Support

	Afreximbank		BOAD	GIC	TBD
	End-2021	Projection ^a	End-2021	End-2021	End-2021
Coverage of net debt by callable capital	NC	NC	NC	NC	NC
Average rating of key shareholders	BB-	BB-	BBB-	A-	B+
Propensity to support (notch adjustment)		Strong (0)	Exceptional (+1)	Moderate (-1)	Moderate (-1)

^a Medium-term projections
Source: Fitch Ratings, MDBs

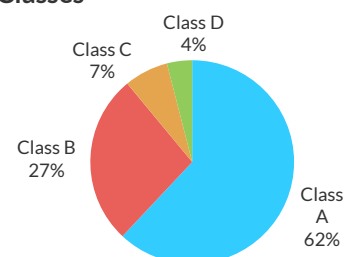
Ongoing expansion efforts of Afreximbank's management led to the increase and diversification of the bank's shareholder base, which grew to 157 at end-2021 from 146 at end-2017 and 121 at end-2009. Nevertheless, the bank is mainly owned by class A shareholders, comprising African sovereigns, their representative institutions and Africa-focused MDBs, together accounting for 62% of total shares. Other shareholders are financial institutions and private investors, which own class B, C and D shares. The class D shares are backed by freely tradeable depositary receipts, which were issued and listed in the Stock Exchange of Mauritius in 2017.

Capacity to Provide Extraordinary Support

The average credit quality of key shareholders accounting for more than 50% of Afreximbank's equity capital remained stable at 'BB-' as of end-2021. The largest two shareholders, the Central Bank of Egypt and Nigerian sovereign, account for 29% of total capital subscription. The average credit rating of key shareholders is enhanced by AfDB's participation in the bank (3% of subscribed capital). The AfDB holds a permanent seat on the board of directors.

Fitch's assessment also takes into account medium-term credit risk mitigating instruments on callable capital (covering 63% of USD1.8 billion), particularly insurance policies issued by highly rated insurers based in OECD countries. This allows the bank to call the insurance in the event of a default of a shareholder on its callable commitments. Fitch considers this mechanism as beneficial to the bank's support capacity assessment, leading to a one-notch uplift over the average rating of key shareholders, to 'BB'.

Shareholder Ownership by Classes



Source: Fitch Ratings, Afreximbank

Propensity to Provide Extraordinary Support

Fitch assesses shareholders' propensity to support the bank as 'strong' to reflect constant inflow of capital injections and dividend reinvestments. The latest significant capital increase (USD6.5 billion, of which USD2.6 billion paid-in) highlights the increased strategic relevance of the bank for its shareholders.

Our assessment also factors in the board's authority to call capital as and when needed to finance growth in operations and recapitalise the bank. Such a call becomes mandatory when the capital adequacy ratio falls close to 4%, in line with the Basel guideline. This differentiates the bank from other rated MDBs, which can only call capital when unable to repay a short-term liability. The bank has never resorted to callable capital and maintains it as an additional buffer.

Credit-Relevant ESG Derivation

African Export-Import Bank has 2 ESG rating drivers and 5 ESG potential rating drivers

- ➔ African Export-Import Bank has exposure to board independence and effectiveness, ownership composition which, in combination with other factors, impacts the rating.
- ➔ African Export-Import Bank has exposure to lack of supervision by an external authority and is not subject to banking regulation which, in combination with other factors, impacts the rating.
- ➔ African Export-Import Bank has exposure to borrowers with limited access to external funding sources and/or extend concessional loans but this has very low impact on the rating.
- ➔ African Export-Import Bank has exposure to social pressure to provide support at times of crisis but this has very low impact on the rating.
- ➔ African Export-Import Bank has exposure to risk around the execution/predictability of its strategy but this has very low impact on the rating.
- ➔ African Export-Import Bank has exposure to quality of financial reporting and medium-term financial forecasts but this has very low impact on the rating.

Showing top 6 issues

Overall ESG Scale				
key driver	0	issues	5	
driver	2	issues	4	
potential driver	5	issues	3	
not a rating driver	2	issues	2	
	6	issues	1	

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference	E Scale
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
Exposure to Environmental Impacts	2	Impact of extreme weather events and climate change on assets and corresponding risk appetite and management	Asset Quality; Risk Management	1

How to Read This Page

ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board (SASB).

Sector references in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference	S Scale
Human Rights, Community Relations, Access & Affordability	3	Lending to borrowers with limited or no access to other external sources of finance; extension of concessional loans or grants; credit protection schemes	Importance of the Public Mandate; Credit Risk; Propensity to Support	5
Privacy & Data Security	1	n.a.	n.a.	4
Labour Relations & Practices	2	Restriction on recruitment based on nationality and quotas	Governance	3
Employee Well-being	1	n.a.	n.a.	2
Exposure to Social Impacts	3	Counter-cyclical mandate and development role; social pressure to provide support at times of crisis	Credit Risk; NPLs; Capitalisation; Strategy	1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
Management Strategy (Operational Execution)	3	Lack of predictability and/or risk around the execution of strategy	Business Profile; Strategy; Governance	5
Governance Structure	4	Board independence and effectiveness, ownership composition, degree of political or external influence, control of one member state over the management of the institution	Business Profile; Strategy; Governance	4
Rule of Law, Institutional & Regulatory Quality	4	Supranationals are neither subject to bank regulation nor supervised by an external authority; all supranationals attract a score of '4'	Risk Management Policies; Governance	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes, detail and scope of information, medium-term financial forecasts	Minimum Data Requirement	2
Policy Status and Mandate Effectiveness	3	Inherent obligor risk concentration; effectiveness of preferred creditor status; access to liquidity support from central bank	Concentration; Credit Risk; Access to Central Bank Refinancing	1

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

Balance Sheet

	31 Dec 21		31 Dec 20		31 Dec 19		31 Dec 18	
	Year end (USDm) Original	As % of assets Original	Year end (USDm) Original	As % of assets Original	Year end (USDm) Original	As % of assets Original	Year end (USDm) Original	As % of assets Original
A. Loans								
1. To/guaranteed by sovereigns	3,186.7	14.53	3,222.1	16.69	2,082.0	14.42	2,276.2	16.96
2. To/guaranteed by public institutions	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. To/guaranteed by private sector	15,579.8	71.04	13,551.3	70.19	10,301.4	71.34	9,128.6	68.03
4. Trade financing loans (memo)	18,010.0	82.12	15,975.2	82.74	11,422.6	79.11	7,108.5	52.97
5. Other loans	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Loan loss reserves (deducted)	590.3	2.69	471.3	2.44	353.9	2.45	270.4	2.01
A. Loans, total	18,176.2	82.88	16,302.1	84.44	12,029.5	83.31	11,134.4	82.97
B. Other earning assets								
1. Deposits with banks	2,062.0	9.40	1,650.1	8.55	1,263.1	8.75	1,305.6	9.73
2. Securities held for sale & trading	98.2	0.45	0.0	0.00	0.0	0.00	0.0	0.00
3. Investment debt securities (including other investments)	205.6	0.94	93.6	0.48	29.2	0.20	168.3	1.25
4. Equity investments	104.5	0.48	0.0	0.00	0.0	0.00	0.0	0.00
5. Derivatives (including fair-value of guarantees)	0.0	0.00	5.7	0.03	0.5	0.00	3.7	0.03
B. Other earning assets, total	2,470.3	11.26	1,749.4	9.06	1,292.8	8.95	1,477.6	11.01
C. Total earning assets (A+B)	20,646.5	94.14	18,051.5	93.50	13,322.3	92.26	12,612.0	93.98
D. Fixed assets	114.5	0.52	72.0	0.37	60.6	0.42	46.1	0.34
E. Non-earning assets								
1. Cash and due from banks	986.0	4.50	1,067.3	5.53	962.4	6.67	612.9	4.57
2. Other	183.8	0.84	116.1	0.60	94.3	0.65	148.4	1.11
F. Total assets	21,930.8	100.00	19,306.9	100.00	14,439.6	100.00	13,419.4	100.00
G. Short-term funding								
1. Bank borrowings (<1 year)	3,867.6	17.64	3,817.6	19.77	2,558.8	17.72	2,055.0	15.31
2. Securities issues (<1 year)	145.0	0.66	941.5	4.88	900.0	6.23	700.2	5.22
3. Other (including deposits)	5,840.6	26.63	4,470.1	23.15	2,102.8	14.56	2,365.4	17.63
G. Short-term funding, total	9,853.2	44.93	9,229.2	47.80	5,561.6	38.52	5,120.6	38.16
H. Other funding								
1. Bank borrowings (>1 year)	4,472.2	20.39	4,234.5	21.93	3,598.3	24.92	3,092.9	23.05
2. Other borrowings (including securities issues)	3,298.1	15.0	2,141.5	11.1	2,180.6	15.1	2,327.5	17.3
3. Subordinated debt	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Hybrid capital	n.a.	-	n.a.	-	n.a.	-	n.a.	-
H. Other funding, total	7,770.3	35.43	6,376.0	33.02	5,778.9	40.02	5,420.4	40.39
I. Other (non-interest bearing)								
1. Derivatives (including fair value of guarantees)	16.7	0.08	2.0	0.01	4.9	0.03	24.8	0.18
2. Fair value portion of debt	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Other (non-interest bearing)	326.6	1.49	332.7	1.72	292.1	2.02	293.8	2.19
I. Other (non-interest bearing), total	343.3	1.57	334.7	1.73	297.0	2.06	318.6	2.37
J. General provisions & reserves	n.a.	-	n.a.	-	n.a.	-	n.a.	-
L. Equity								
1. Preference shares	161.0	0.73	122.1	0.63	n.a.	-	191.5	1.43
2. Subscribed capital	2,468.4	11.26	2,007.1	10.40	1,723.1	11.93	1,379.3	10.28
3. Callable capital	-1,821.0	-8.30	-1,423.6	-7.37	-1,172.5	-8.12	-873.0	-6.51
4. Arrears/advances on capital	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
5. Paid in capital (memo)	647.3	2.95	583.5	3.02	550.5	3.81	506.3	3.77

Balance Sheet

	31 Dec 21		31 Dec 20		31 Dec 19		31 Dec 18	
	Year end	As % of	Year end	As % of	Year end	As % of	Year end	As % of
	(USDm)	assets	(USDm)	assets	(USDm)	assets	(USDm)	assets
	Original	Original	Original	Original	Original	Original	Original	Original
6. Reserves (including net income for the year)	3,155.6	14.39	2,661.4	13.78	2,251.5	15.59	1,862.0	13.88
7. Fair-value revaluation reserve	n.a.	-	n.a.	-	n.a.	-	n.a.	-
K. Equity, total	3,964.0	18.08	3,367.0	17.44	2,802.1	19.41	2,559.8	19.08
M. Total liabilities & equity	21,930.8	100.00	19,306.9	100.00	14,439.6	100.00	13,419.4	100.00

Source: Fitch Ratings

Income Statement

	31 Dec 21		31 Dec 20		31 Dec 19		31 Dec 18	
	Year end (USDm)	As % of earning assets	Year end (USDm)	As % of earning assets	Year end (USDm)	As % of earning assets	Year end (USDm)	As % of earning assets
	Original		Original		Original		Original	
1. Interest received	1,008.3	4.88	934.1	5.17	948.5	7.12	720.1	5.71
2. Interest paid	305.0	1.48	358.9	1.99	423.5	3.18	316.3	2.51
3. Net interest revenue (1. - 2.)	703.3	3.41	575.2	3.19	525.0	3.94	403.8	3.20
4. Other operating income	92.3	0.45	102.1	0.57	115.4	0.87	81.4	0.65
5. Other income	11.4	0.1	34.6	0.2	5.8	0.0	-2.8	0.0
6. Personnel expenses	81.9	0.40	65.4	0.36	59.9	0.45	47.0	0.37
7. Other non-interest expenses	104.4	0.51	61.3	0.34	55.0	0.41	40.6	0.32
8. Impairment charge	233.3	1.1	233.0	1.3	216.4	1.6	118.0	0.9
9. Other provisions	0.1	0.0	0.5	0.0	-0.4	0.0	0.9	0.0
10. Pre-derivative operating profit ((3. + 4. + 5.) - (6. + 7. + 8. + 9.))	387.3	1.88	351.7	1.95	315.3	2.37	275.9	2.19
11. Net gains/(losses) on non-trading derivative instruments	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. Post-derivative operating profit (10. + 11.)	387.3	1.88	351.7	1.95	315.3	2.37	275.9	2.19
13. Other income and expenses	n.a.	-	n.a.	-	n.a.	-	n.a.	-
14. Net income (12. + 13.)	387.3	1.88	351.7	1.95	315.3	2.37	275.9	2.19
15. Fair value revaluations recognised in equity	5.6	0.0	6.2	0.0	8.9	0.1	9.5	0.1
16. Fitch's comprehensive net income (14. + 15.)	392.9	1.90	357.9	1.98	324.2	2.43	285.4	2.26

Source: Fitch Ratings

Ratio Analysis

	31 Dec 21 Year end (%) Original	31 Dec 20 Year end (%) Original	31 Dec 19 Year end (%) Original	31 Dec 18 Year end (%) Original
I. Profitability level				
1. Net income/equity (avg.)	10.6	11.4	11.8	11.8
2. Net income/total assets (avg.)	1.7	2.0	2.1	2.1
3. Net interest revenue + commitment fees/gross loans + treasury assets + guarantees (avg.)	n.a.	n.a.	n.a.	n.a.
4. Cost-income ratio	23.4	18.7	17.9	18.1
5. Income from equity investment/equity investment (avg.)	n.a.	n.a.	n.a.	n.a.
6. Provisions/average total banking exposure (excl LCs)	n.a.	n.a.	n.a.	n.a.
II. Capital adequacy				
1. Net total banking exposure (excl LCs)/subscribed capital + reserves	348.5	363.5	329.5	337.1
2. Equity/adjusted total assets	18.1	17.4	19.4	19.1
3. Equity/adjusted total assets + guarantees	16.6	16.5	18.1	18.5
4. Paid-in capital/subscribed capital	26.2	29.1	32.0	36.7
5. Internal capital generation after distributions	7.6	8.8	9.2	9.2
6. Usable capital/risk-weighted assets (FRA ratio)	17.8	17.8	20.0	20.4
III. Liquidity				
1. Liquid assets/short-term debt	104.0	87.5	88.7	118.6
2. Treasury assets/total assets	15.3	14.6	15.6	15.6
3. Treasury assets IG + eligible non-IG/total assets	14.1	13.3	14.1	13.5
4. Unimpaired trade financing loans/total assets	46.2	47.6	33.5	53.0
5. Liquid assets/total assets	41.8	41.8	34.2	45.3
6. Liquid assets/undisbursed loans & equity	207.6	515.8	400.1	1,113.9
IV. Asset quality				
1. Impaired loans/gross loans	3.3	3.7	4.0	8.2
2. Loan loss reserves/gross loans	3.2	2.8	2.9	2.4
3. Total reserves/gross loans, equity investment & guarantees	2.8	2.6	2.6	2.3
4. Loan loss reserves/impaired loans	93.9	76.3	71.0	29.1
V. Leverage				
1. Debt/equity	444.6	463.5	404.7	411.8
2. Debt/subscribed capital + reserves	304.6	325.8	285.3	307.1
3. Debt/callable capital	967.8	1,096.2	967.2	1,207.5
4. Net income + interest paid/interest paid	227.0	198.0	174.5	187.2

Source: Fitch Ratings

Appendix

	31 Dec 21 (USDm) Original	31 Dec 20 (USDm) Original	31 Dec 19 (USDm) Original	31 Dec 18 (USDm) Original
1. Lending operations				
1. Loans outstanding	18,766.5	16,773.4	12,383.4	11,404.8
2. Undisbursed loans	4,413.0	1,566.1	1,232.8	545.2
3. Approved loans	14,973.0	16,295.0	12,399.5	12,412.3
4. Disbursed loans	9,872.0	10,958.0	9,013.6	7,557.0
5. Loan repayments	7,739.0	6,729.0	5,635.3	4,662.7
6. Net disbursements	2,133.0	4,229.0	3,378.3	2,894.3
Memo: Loans to sovereigns	3,186.7	3,222.1	2,082.0	2,276.2
Memo: Loans to non-sovereigns	15,579.8	13,551.3	10,301.4	9,128.6
2. Other banking operations				
1. Equity participations	104.5	0.0	0.0	0.0
2. Guarantees (off-balance sheet)	1,881.6	1,113.4	1,065.8	436.5
Memo: Guarantees to sovereigns	0.0	0.0	0.0	14.9
Memo: Guarantees to non-sovereigns	1,881.6	1,113.4	1,065.8	421.6
3. Total banking exposure (on- and off-balance sheet)				
1. Total banking exposure (loans + equity participations + guarantees off-balance sheet)	20,752.6	17,886.8	13,449.2	11,841.3
2. Growth in total banking exposure	16.0	33.0	13.6	30.1
Memo: Non-sovereign exposure	17,565.9	14,664.7	11,367.2	9,550.2
Memo: LCs and other off-balance-sheet credit commitments (not included in total banking exposure)	1,161.2	1,236.7	458.2	421.6
4. Support (%)				
1. Share of AAA/AA shareholders in callable capital	4.3	2.0	2.4	3.2
2. Share of A/BBB shareholders in callable capital	3.1	14.0	17.1	12.8
3. Share of speculative-grade shareholders in callable capital	3.1	86.0	82.9	84.0
4. Rating of callable capital ensuring full coverage of net debt	NC	NC	NC	NC
5. Weighted average rating of key shareholders	BB-	BB-	BB-	BB
5. Breakdown of banking portfolio				
1. Loans to sovereigns/total banking exposure	15.4	18.0	15.5	19.2
2. Loans to non-sovereigns/total banking exposure	75.1	75.8	76.6	77.1
3. Equity participation/total banking exposure	0.5	0.0	0.0	0.0
4. Guarantees covering sovereign risks/total banking exposure	0.0	0.0	0.0	0.1
5. Guarantees covering non-sovereign risks/total banking exposure	9.1	6.2	7.9	3.6
Memo: Non-sovereign exposure [2.+3.+5.]/total banking exposure	83.7	80.3	84.5	80.7
6. Concentration measures				
1. Largest exposure	1,180.0	1,053.0	919.0	1,011.3
2. Five largest exposures	5,340.0	4,492.0	3,423.7	3,215.8
3. Largest exposure/equity (%)	29.8	31.3	32.8	39.5
4. Five largest exposures/equity (%)	134.7	133.4	122.2	125.6
5. Largest exposure/total banking exposure (%)	5.7	5.9	6.8	8.5
6. Five largest exposures/total banking exposure (%)	25.7	25.1	25.5	27.2
7. Credit risk				
1. Average rating of loans & guarantees	B-	B-	B-	B-
2. Loans to investment-grade borrowers/gross loans	0.0	0.0	0.0	0.0
3. Loans to sub-investment-grade borrowers/gross loans	100.0	100.0	100.0	100.0

Appendix

	31 Dec 21 (USDm) Original	31 Dec 20 (USDm) Original	31 Dec 19 (USDm) Original	31 Dec 18 (USDm) Original
4. Share of treasury assets rated AAA-AA	44.7	38.9	31.3	20.9
5. Average rating of treasury assets	A	n.a.	n.a.	n.a.
8. Liquidity				
1. Treasury assets	3,351.8	2,811.0	2,254.7	2,086.8
2. Treasury assets o/w IG + eligible non-IG	3,087.1	2,569.8	2,028.8	1,807.6
3. Unimpaired short-term trade financing loans	10,123.0	9,179.8	4,838.8	7,108.5
4. Unimpaired short-term trade financing loans - discounted 40%	6,073.8	5,507.9	2,903.3	4,265.1
5. Liquid assets [2. + 4.]	9,160.9	8,077.7	4,932.1	6,072.7

Source: Fitch Ratings

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

DISCLAIMER & DISCLOSURES

All Fitch Ratings (Fitch) credit ratings are subject to certain limitations and disclaimers. Please read these limitations and disclaimers by following this link: <https://www.fitchratings.com/understandingcreditratings>. In addition, the following <https://www.fitchratings.com/rating-definitions-document> details Fitch's rating definitions for each rating scale and rating categories, including definitions relating to default. Published ratings, criteria, and methodologies are available from this site at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance, and other relevant policies and procedures are also available from the Code of Conduct section of this site. Directors and shareholders' relevant interests are available at <https://www.fitchratings.com/site/regulatory>. Fitch may have provided another permissible or ancillary service to the rated entity or its related third parties. Details of permissible or ancillary service(s) for which the lead analyst is based in an ESMA- or FCA-registered Fitch Ratings company (or branch of such a company) can be found on the entity summary page for this issuer on the Fitch Ratings website.

In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001.

Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the "NRSRO"). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see <https://www.fitchratings.com/site/regulatory>), other credit rating subsidiaries are not listed on Form NRSRO (the "non-NRSROs") and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

Copyright © 2022 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved.