GCR GLOBAL CREDIT RATING CO.
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African Export-Import Bank

Multilateral Development Bank Analysis **November 2018**

Rating class	Rating scale	Rating	Rating outlook	Review date
Long-term	International FC	BBB+	Stable	May 2019
Short-term	International FC	A2		
Long-term	National†	$AAA_{(EG)}$	Stable	May 2019
Short-term	National†	$A1+_{(EG)}$		
USD5bn Euro Medium Term Note Programme	International FC	BBB+	Stable	May 2019

Financial data:

USDm comparative

	31/12/16	31/12/17
Total assets	11 726.1	11 913.5
Capital and reserves	1 626.4	2 124.0
Borrowings	6 141.9	7 113.0
Net advances	10 148.2	8 330.0
Liquid assets	1 269.1	3 214.6
Operating income	305.4	372.1
Net income	165.0	220.5

Rating history:

Initial rating (February 2017)
Long-term (International FC): BBB+
Short-term (International FC): A2
Rating outlook: Stable

USD5bn EMTN programme
Initial rating (June 2017)
Long-term (International FC): BBB+
Rating outlook: Stable

Last rating (November 2017)
Long-term (International FC): BBB+
Short-term (International FC): A2
Rating outlook: Stable
USD5bn EMTN programme
Long-term (International FC): BBB+
Rating outlook: Stable

Related methodologies/research:

Global Criteria for Rating Banks and Other Financial Institutions, updated March 2017

Global Criteria for Rating Multilateral Development Banks ("MDBs"), updated September 2017

Afreximbank rating report, 2016-17

GCR contacts:

Primary Analyst
Simbarake Chimutanda
Credit Analyst
simbarakec@globalratings.net

Committee Chairperson
Matthew Pirnie
Sector Head: Financial Institution Ratings
matthewp@globalratings.net

Analyst location: Johannesburg, ZA
Tel: +27 11 784 – 1771
Website: http://globalratings.net

Summary rating rationale

- African Export-Import Bank's ("Afreximbank", "the bank") credit profile is supported by its countercyclical role and mandate, strong shareholder support, strong capitalisation, strong risk position, funding flexibility, and very strong liquidity.
- Shareholder support remains strong. This is because of Afreximbank's countercyclical role, which enables it to fulfil its trade mandate independent of the economic cycle. The broad equity participation by member states through general capital increase, deposit mobilisation programmes, and support to African institutions whose economies are affected by market stresses underpins shareholder support and the bank's relevance. In addition, because Afreximbank's mandate to promote and expand trade across the African region is considered strong relative to peers within the region, the willingness of member states to support the bank when needed remains high in GCR's view.
- Capitalisation is strong. This is in part supported by robust membership mobilisation. An overlay of new member states and issuance of Class D shares enabled the bank to raise c. USD577m by 1H18 vs a 2021 target of USD1bn. As is typical of multilateral development banks ("MDBs"), callable capital committed by member states is a buffer on the capital base. While note is taken that only 10% of callable capital is committed by investment grade shareholders, 56% is credit insured by highly rated international insurers. This credit enhancement supports callable capital which otherwise is constrained by the low average shareholder rating. On the other hand, capitalisation is maintained at sustainable levels supported by healthy internal capital generation. This is reflected in 1H18 performance which continues to trend within positive ranges, with growth coming from increase in loan book and well contained operating expenses. IFRS 9 has not yet been implemented but we expect minimal adjustments to retained earnings given the current sufficient levels of reserving. Furthermore, the bank's conservative dividend policy supports an adequate retention of earnings. Overall, we expect Basel III capital adequacy ratio to trend within the bank's target range of 20-30%.
- Risk position is strong. This is because of the low risk structured trade finance model that shifts repayment risk to counterparties outside Africa. 52% of the loan book at 1H18 consists of off-take agreements with companies from countries in the Organisation for Economic and Development Cooperation ("OECD"). Repayment risk is low given the strong credit profiles of obligors and cash collateral held with highly rated OECD banks. As a result, asset quality remains good and broadly in line with best performing peers, with the gross non-performing loan ("NPL") ratio stable at 2.4%. The repayment risk profile is expected to change however, as the bank envisages growth in intra- African trade from the current 15% to c. 32% by 2021. Although the quality of the book may lower a little as a result, the balance of intra- and extra-African trade is viewed positively with regards to the bank fulfilling its mandate, which in GCR's view underpins the preferred creditor status. Strong evidence of this preferred treatment will continue to support good recovery prospects. In addition, the geographical diversification of the loan book is improving with increasing focus on Eastern, Central and Southern Africa regions.
- Funding flexibility is supported by strong access to international capital markets and shareholder support. In addition to debt market funds, the bank also mobilises foreign reserves of central banks of member states. Liquidity is supported by a low risk source of cash flows which are ring fenced with maturities of assets staggered to match liabilities, resulting in positive liquidity gaps across all maturity buckets.

Factors that could trigger a rating action may include

Positive change: Sustained good intrinsic credit profile, enforcement of the expected capital protection facility, reduction in concentration of exposures with adverse macro conditions pre-risk mitigation, and improvement of the economic environment within the region is viewed as broadly positive.

Negative change: Downside pressure may stem from weakening shareholder support, deviation from mandate, elevated leverage, and or weakening risk position.

† GCR has also affirmed national scale ratings in the following markets: Nigeria: $AAA_{(NG)}/A1+_{(NG)}$/Stable; Ghana: $AAA_{(GH)}/A1+_{(GH)}$/Stable; Kenya: $AAA_{(KE)}/A1+_{(KE)}$/Stable; Uganda: $AAA_{(UG)}/A1+_{(UG)}$/Stable; Cote D'Ivoire: $AAA_{(CI)}/A1+_{(CI)}$/Stable; Tanzania: $AAA_{(TZ)}/A1+_{(TZ)}$/Stable; Namibia: $AAA_{(NA)}/A1+_{(NA)}$/Stable; Mauritius: $AA+_{(MU)}/A1+_{(MU)}$/ Stable; and Botswana: $AA_{(BW)}/A1+_{(BW)}$/Stable.

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Company Profile

Established under African Development Bank's ("AfDB") auspices, Afreximbank operates as a multilateral development bank driven by a mandate to promote and expand African trade with the objective to increase Africa's share of global trade. This mandate is fulfilled through a broad range of financing programmes designed not only to support trade but trade enabling infrastructure as well.

Table 1: Key programmes/products	
Line of Credit	Funded and unfunded credit line facilities to African and non-African banks active in trade finance. Banks are mandated to channel these facilities to small and medium sized trading entities.
Syndications	Risk sharing programme under which the bank arranges or joins a syndicate of reputable international and/or African banks to finance African entities.
Direct Financing	Pre and post-export financing directly to corporates with balance sheet size of at least USD2m and annual trade turnover of USD10m.
Special Risks Programme	Risk transferring programme through which the bank provides comfort to lenders; extend facilities to African sovereigns, banks, and corporates by taking on risks without market solutions.
Note Purchase	Financing corporates through purchase of promissory notes or similar instruments issued by them and guaranteed by an acceptable bank or corporate.
Receivables Purchase/Discounting	Purchase of receivables from goods and services sold to foreign or domestic buyers.
Project Financing	Limited recourse financing of export projects including mining; manufacturing and related projects; and infrastructure projects to facilitate exports.
Export Development	Combines credit, risk bearing, twinning, market access, and advisory services to create non-commodity export products for sale to broad range of export markets.
Future Flow Pre-Financing	Debt offering with repayments ring fenced to cash flows from credit card and other receivables.
Asset-Backed Lending	Financing acquisition physical assets within the framework of privatization and local content promotion.
Country Programme	Assistance to member countries in peculiar circumstances not amenable to the bank's market solutions.

Source: Afreximbank.

Line of credit, syndications, and direct financing are the bank's major programmes accounting 85% of the loan portfolio at FY17.

Afreximbank's countercyclical role enables it fulfil its mandate independent of the economic or trading cycle. In 2015, the bank launched the Countercyclical Trade Liquidity Facility ("COTRALF") which was implemented under the line of credit programme. The facility was introduced to enable central and designated commercial banks in countries affected by commodity price and terrorism induced shocks to meet a backlog of trade debt payment obligations. With African economies improving in 2017, the bank has begun winding down the facility.

Ownership Structure

Afreximbank has four classes of ordinary shares. Class A- African states and their designated institutions/ state-owned entities ("SOEs"), AfDB, and African regional/ sub-regional institutions; Class B- African institutions and African public and private investors; Class C- non-African institutions. The Charter was amended in 2012 to allow for the issuance of Class D shares to any person.

Subscribed capital in respect of Class A, B and C shares require a payment of 40% with balance remaining as callable capital. Class D shares require payment of 100% implying no capital is callable within this class. Shareholders can only exit membership by selling shares to other members within their Class.

Shareholder Support

Shareholders' support for Afreximbank is very strong and is one of the main drivers of the bank's rating (inclusive of credit enhancement in force). As is typical of MDBs, support takes the form of callable capital committed by member states, accounting for 61% of subscribed capital at 1H18.

Table 2: Shareholder strength (key shareholders) † at 1H18	% shareholding	Rating*
Member states/SOEs and multilaterals		
Nigeria*	11.7	B+
Egypt*	11.7	B
Zimbabwe	5.8	-
AfDB*	4.0	AAA
Cote D'Ivoire*	4.1	B+
African non-government investors		
National Bank of Egypt*	5.9	B
Institutional investors		
China Eximbank*	4.6	A+
Total	**47.8**	
Other notable shareholders		
Standard Chartered Bank*	2.2	A+
SBM (NBFC) Holdings Limited (Mauritius)^	1.2	Baa3
Citibank*	0.3	A
Export Import Bank of India*	0.2	BBB-
HSBC Bank PLC*	0.1	AA-
KBC Bank PLC*	0.1	A-
Landesbank Baden-Wurttemberg *	0.04	A-
Botswana^	0.1	A
Namibia*	0.03	BBB-

* Fitch Ratings.
^ Moody's Investors Service.
Source: Afreximbank, and Fitch and Moody's Investors Service websites.

The average rating of shareholders is low given the low credit quality of member states, with some unrated as well. Investment grade shareholders (AfDB, China Eximbank, and others) contribute only 10% of total callable capital at 1H18. However, USD433m (56% of callable capital) is insured with highly rated insurance companies. The bank's internal policy requires minimum rating of A- on insurance companies.

Because of Afreximbank's mandate to promote economic development within the African region, the willingness of member states to support the bank when needed remains high in GCR's view. This is evidenced by the ongoing successful equity mobilisation, with no instances of failure to subscribe. By 1H18, USD577m of equity has been raised vs a 2021 target of USD1bn. Although with callable capital accounting for 8% of the bank's debt is adequate for the current rating, any reduction in that ratio would signal weakening in GCR's measure of shareholder support capacity. Class B and C shares (callable capital) have the option to migrate to Class D (no callable capital) and we may lower the rating should callable capital/debt ratio come down.

Management and Governance
The board of directors ("BOD") constitutes 12 members including four directors for Class A shareholders (with AfDB having a permanent seat); four for Class B shareholders; two for Class C shareholders; and two independent directors. The President chairs the BOD although he is not a director. In order to promote diversity of the BOD, as well as optimal representation of all member states, no two directors may be of the same nationality.

Under its fifth strategic plan, Afreximbank is focused on expanding intra- African trade, facilitate and promote industrialization, support export development, and strengthening the financial soundness of the bank. The governance and risk management framework, together with management are considered strong and capable to achieve strategic objectives of the bank. Returns to shareholder funds continue to register within target range of 11-12%, while capital and liquidity are managed at very strong levels.

Annual financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). Deloitte & Touche and KPMG Hazem Hassan, the bank's joint external auditors, issued an unqualified opinion on the FY17 financial statements.

Competitive Position
Market position is strong, underpinned by the unique mandate and economic role within the broader African continent. The bank's operating model relies on trade finance intermediaries as key channels of product delivery.

Key competitive strengths are derived from:

- Diverse shareholding with demonstrated willingness to support the bank;
- Strong access to international capital markets;
- Strong linkages with government institutions and central banks across the African continent, enabling mobilisation of foreign currency reserves; and
- Active role in supporting the private sector, recognised as the engine for growth in member states.

Table 3 provides a comparison of Afreximbank to the other regional MDBs based on key balance sheet and income statement indicators at 31 December 2017.

Table 3: Peer comparison (USDm)	TDB Bank	EADB	Afrexim Bank
Total assets	5 264.7	390.4	11 913.5
Capital and reserves	1 021.0	261.4	2 124.0
Borrowings (bank loans and bonds)	4 022.9	109.5	7 113.0
Net loans and advances	3 806.3	190.0	8 329.9
Net income	111.9	10.2	220.5
Selected ratios			
Equity/Total assets	19.4	66.9	17.8
Debt/Equity	394.0	41.9	334.9
Gross NPLs/Gross loans	2.4	9.2	2.5
Cost/income ratio	19.5	36.0	17.9
ROaE	10.8	2.3	11.8
ROaA	2.1	1.5	2.0

Operating environment: Africa

Economic overview
The bank's member states are low wealth economies with the international scale ratings, from the three large credit rating agencies, all in the B range. Positively, regional growth has been strong in comparison to other parts of the continent. The major economic factors include:

Pan-African economic overview[1]
Real GDP in Africa is estimated to have increased by 3.7% in 2017, up from 2.8% in 2016. This stemmed largely from strengthening commodity prices, positive reversal of economic fortunes of Africa's two largest economies, Nigeria and South Africa, and general improvement of macroenvironment in a number of countries.

Sub-Saharan Africa ("SSA")[2]
Sub-Saharan Africa is set for a modest growth uptick amid growing challenges. Growth is estimated to be 3.4% in 2018, up 0.6% from 2017. This growth is coming from about two-thirds of the countries in the region, supported by stronger global growth, surge in commodity prices, and improved market access. External imbalances have narrowed, however, progress with fiscal consolidation remains mixed and vulnerabilities are rising. Approximately 40% of low-income countries in the region are either in debt distress or at high risk of debt distress.

North Africa ("MENAP")[3]
The North Africa region has recovered strongly since the Arab Spring in 2010. GDP was revised to 4.9% for 2017, up from 3.3% in 2016. Growth is coming largely from the greater than expected production and export of oil by Libya. But also, growth is benefitting from Egypt and Morocco's steady positive performance. Opportunities for growth in this region will be underpinned by recovering commodity prices and improved government revenues to enable structural reforms. For example, Egypt has a

[1] Source: Afreximbank annual report.
[2] Source: IMF Regional Economic Outlook ("REO"), Sub-Saharan Africa, April 2018.
[3] Source: African Development Bank Group, North Africa Economic Outlook 2018; and Afreximbank annual report.

USD4.5bn reform programme supported by AfDB, International Monetary Fund, and World Bank, and the macroeconomic environment has started to improve as a result.

Financial profile

Funding and Liquidity

Funding largely takes the form of wholesale debt, augmented by deposits mobilised from African central banks, financial institutions and corporates of member states.

Table 4: Funding Structure	FY17		1H18	
	USDm	%	USDm	%
Debt issues	2 882	25.3	2 383	21.2
Credit lines with banks	4 231	37.1	5 033	44.6
Cust. accounts† and CENDEP deposits	2 149	18.9	1 548	13.7
Total non-equity funding	**9 262**	**81.3**	**8 964**	**79.5**
Equity	2 125	18.7	2 310	20.5
Total	**11 387**	**100.0**	**11 274**	**100.0**

† From sovereigns, enterprises and financial institutions. Deposit accounts are used as structural elements in trade finance transactions and are usually held until the client's outstanding amounts are fully paid, and may be used to retire loans.

The Central Bank Deposit Programme ("CENDEP") consist of short-term deposits mobilised to fund viable trade programmes. Although the majority of these deposits are expected to be redeemed by 1H19, behavioural stickiness has been observed with c.75% staying with the bank for over 6 months.

Liquidity is supported by a low risk source of cash flows. This is because of the short-term, self-liquidating structured trade facilities. Cash flows are ring fenced with maturities of assets staggered to match liabilities, resulting in positive liquidity gaps across all maturity buckets. Basel III liquidity coverage ratio registered 185% at FY17, reflecting significant headroom above required minimum of 90%. Further liquidity support is derived from the insured callable capital and undrawn committed lines of credit amounting to USD1.3bn at 1H18.

Very strong levels of liquidity alleviate the bank's refinancing needs. The bank intends to utilise excess liquidity to redeem debts with expected maturities during 1H19. The bank has no significant covenant risk.

Capital and Leverage

Capitalisation is strong supported by robust membership mobilisation and healthy internal capital generation. This supports capital adequacy ratio to be maintained within target range of 20-30%.

Table 5: Capital adequacy	FY16 USDm	FY17 USDm	1H18 USDm
Tier 1 capital	1 628.2	2 104.6	2,290.4
Tier 2 capital	28.3	37.7	52.3
Total capital	**1 656.5**	**2 142.3**	**2,343.1**
Total risk weighted assets	**7 280.2**	**8 257.2**	**9,446.1**
Capitalisation indicators:			
Capital adequacy ratio	22.8	25.9	24.8
Debt/Equity	377.6	334.9	321.0
Total capital/Total assets	13.9	17.8	20.0

We view capitalisation to be sustainable to support a healthy internal capital generation. This is reflected in 1H18 performance which continues to trend within positive ranges, with growth coming from increase in the loan book and well contained operational expenses. IFRS 9 has not yet been implemented but we think adjustments to retained earnings are going to be minimal because of the sufficient current levels of reserving. Overall, retention of earnings will continue to be supported by a conservative dividend policy.

Risk

Risk position is strong because of good and improving asset quality. The gross NPL ratio remained somewhat stable at 2.4% at 1H18. This is in part because of improving risk distribution as shown in table below.

Table 6: Gross loans by region	FY16		FY17	
	USDm	%	USDm	%
West Africa	4 510	43.7	3 967	46.6
North Africa	4 365	42.3	1 940	22.8
Regional†	108	1.1	65	0.8
East Africa	442	4.3	765	9.0
Central Africa	137	1.3	779	9.1
Southern Africa	754	7.3	994	11.7
Total	**10 316**	**100.0**	**8 511**	**100.0**

† Refers to entities operating within several countries in two or more regions.

West and North Africa exposures still dominate the loan book although exposure to Eastern, Central and Southern Africa is increasing. NPLs at 1H18 are largely West Africa borrowers, while borrowers from the Eastern and Southern Africa regions are performing well. For example, Zimbabwe is the third largest borrower accounting for 5.5% of the loan book. The exposure is low risk grade evidencing strong performance with no arrears. The distribution of the book to increase exposure to other African regions is viewed broadly positive in that regard.

Repayment risk is considered lower with 85% of the loan book at 1H18 being extra- African trade exposures. 52% of the book is located in OECD countries and include known obligors such as Shell, Total, Chevron, Lafarge just to mention a few. Furthermore, cash collateral is held with investment-grade OECD banks. The repayment risk profile of the book is expected to change however, with the bank targeting to increase intra- African trade exposure to c.32% by 2021. We think the quality of the book will lower a little as a result. Strong evidence of preferred creditor status will continue to support recovery prospects nonetheless.

Table 7: Asset quality	FY17 USDm	1H18 USDm
Gross loans and advances	**8 511**	**8 965**
Neither past due nor impaired	*8 003*	*8 428*
Past due but not impaired	*295*	*325*
Impaired	*213*	*212*
Less : Provisions	**181**	**212**
Individual	*152*	*168*
Collective	*29*	*44*
Net advances	**8 330**	**8 753**
Net NPLs	61	44
Fair value collateral on NPLs	119	103
Key asset quality indicators (%):		
Gross NPL ratio (%)	2.5	2.4
Net NPL ratio (%)	0.7	0.5
Net NPL/Tier 1 Capital (%)	2.9	1.9
Coverage ratio (specific provisions)	71.4	79.2
Coverage ratio (specific +collective)	85.0	100.0
Coverage ratio (specific+ collateral)	127.2	127.8
Credit loss ratio†	0.7	0.4

† Bad debt charge as a % of average gross loans and advances.

Loan loss reserve coverage of 100% is considered sufficient. The loan book is covered 2% by provision and the cost of risk continues to trend lower (0.4% at 1H18).

High risk concentration is a common feature of MDBs and this risk is acute for Afreximbank pre-risk mitigation whose five largest exposures accounted for 120.9% of equity. But this in line with other MDBs.

Table 8: Gross loans at 1H18†			
By size	**% of gross loans**	**Net exposure before mitigation as a % of capital**	**Net exposure after mitigation as a % of capital**
Single largest	11.2	43.3	-
5 largest	31.2	120.9	36.2
20 largest	64.7	250.9	59.6

† Exposure to a single obligor is limited to 20% of the bank's unimpaired capital. The limits are applied on the exposure netted with a factor defined by the bank based on the quality of the collateral held.

Risk concentration after mitigation is sustainably low. This takes into account the high-quality collateral held against loans. Cash collateral accounts for 15% of the book, while government backed securities, insurance and guarantees from investment grade entities make up a total of 32%. In addition, a USD250m risk participation agreement with AfDB overlays risk mitigation buffers.

Market and Operational risks

Afreximbank has limited exposure to market risk. Although the majority of bank's loans are to sub-investment grade sovereigns with underdeveloped capital and currency markets, convertibility risk is mitigated by the ring-fenced structure of cash flows. In addition, loans are denominated largely in convertible currencies (mostly US dollars) and are matched with liabilities in the relevant currency. Any mismatch is limited to 2% of capital.

Interest rate risk is limited. Most of the bank's loans are floating, matched with floating/hedged borrowing.

African Export Import Bank

(US dollars in thousands except as noted)

Year end: 31 December					
Income Statement Analysis	**2014**	**2015**	**2016**	**2017**	**1H 2018**
Interest income	317 511	371 569	484 012	606 074	314 809
Interest expense	(144 363)	(172 791)	(210 758)	(267 749)	(139 272)
Net interest income	**173 148**	**198 778**	**273 254**	**338 325**	**175 537**
Fee and commission income	28 423	29 802	30 435	30 362	23 039
Other income	2 420	2 828	1 675	3 439	1 312
Total operating income	**203 991**	**231 408**	**305 364**	**372 126**	**199 888**
Impairment charge	(55 696)	(63 447)	(82 747)	(63 397)	(31 952)
Operating expenditure	(40 602)	(48 421)	(56 091)	(66 543)	(40 917)
Exchange adjustments and derivatives	(1 759)	11 847	2 124	(19 835)	(16 912)
Other provisions	(949)	(6 070)	(3 616)	(1 857)	(122)
Profit for the year	**104 985**	**125 317**	**165 034**	**220 494**	**109 985**
Balance Sheet Analysis					
Subscribed capital	242 419	511 013	733 798	1 033 166	1 158 593
Reserves (incl. net income for the year)	676 650	755 696	892 570	1 090 868	1 151 626
Total capital and reserves	**919 069**	**1 266 709**	**1 626 368**	**2 124 034**	**2 310 219**
Bond issues	1 762 055	1 734 272	2 091 114	2 881 622	2 383 318
Due to banks	2 093 037	2 678 765	4 050 912	4 231 374	5 033 024
Deposits and customer accounts	296 780	1 308 143	3 778 493	2 149 356	1 547 838
Payables/Deferred liabilities	118 253	145 648	179 360	527 091	243 746
Total liabilities	**4 270 125**	**5 866 828**	**10 099 879**	**9 789 443**	**9 207 926**
Total capital and liabilities	**5 189 194**	**7 133 537**	**11 726 247**	**11 913 477**	**11 518 145**
Cash in hand	69	72	75	90	-
Property and equipment	45 654	45 941	24 466	32 838	31 640
Receivables/Deferred assets	101 180	178 536	245 439	302 281	371 424
Held to Maturity Investments	-	-	30 268	30 268	30 268
Derivative financial instruments	41 970	23 652	8 792	3 574	102
Non-earning assets	**188 873**	**248 201**	**309 040**	**369 051**	**433 434**
Loans and advances (net of provisions)	4 346 009	6 061 316	10 148 202	8 329 943	8 752 759
Bank and money market placements	654 312	824 020	1 269 005	3 214 483	2 331 952
Total earning assets	**5 000 321**	**6 885 336**	**11 417 207**	**11 544 426**	**11 084 711**
Total assets	**5 189 194**	**7 133 537**	**11 726 247**	**11 913 477**	**11 518 145**
Contingencies	**252 449**	**514 166**	**745 445**	**696 619**	**946 011**
Ratio Analysis (%)					
Capital and Leverage					
Internal capital generation	11.4	9.9	10.1	10.4	4.8
Total capital / Total assets	17.7	17.8	13.9	17.8	20.1
Total debt / Equity	419.5	348.4	377.7	334.9	321.0
Funding and Liquidity					
Net advances / Total funding (excl. equity portion)	104.7	105.9	102.3	89.9	97.6
Liquid and trading assets / Total assets	12.6	11.6	10.8	27.0	20.2
Liquid and trading assets / Total funding (excl. equity portion)	15.8	14.4	12.8	34.7	26.0
Asset quality					
Impaired loans / Gross advances	3.8	2.8	2.4	2.5	2.4
Total loan loss reserves / Gross advances	1.0	1.7	1.6	2.1	2.4
Bad debt charge (income statement) / Gross advances (avg.)	1.4	1.2	1.0	0.7	0.4
Bad debt charge (income statement) / Total operating income	27.3	27.4	27.1	17.0	16.0
Profitability					
Net interest margin	3.8	3.3	2.9	2.9	3.0
Non-interest income / Total operating income	15.1	14.1	10.5	9.1	12.2
Non-interest income / Total operating expenses (or burden ratio)	76.0	67.4	57.2	50.8	59.5
Cost / Income ratio	19.9	20.9	18.4	17.9	20.5
ROaE	12.9	11.5	11.4	11.8	10.0
ROaA	2.2	1.8	1.7	2.0	1.9
Nominal growth indicators					
Total assets (incl. contingencies)	19.1	37.5	64.4	1.6	(3.3)
Net advances	26.6	39.5	67.4	(17.9)	5.1
Shareholders funds	30.1	37.8	28.4	30.6	8.8
Total capital and reserves	30.1	37.8	28.4	30.6	8.8
Total borrowings	133.4	123.1	160.6	147.7	123.2
Total funding (excl. equity portion)	22.9	37.8	73.4	(6.6)	(3.2)
Net income	17.9	19.4	31.7	33.6	n.a

GLOSSARY OF TERMS/ACRONYMS USED IN THIS DOCUMENT AS PER GCR'S FINANCIAL INSTITUTIONS GLOSSARY

Arrears	An overdue debt, liability or obligation. An account is said to be 'in arrears' if one or more payments have been missed in transactions where regular payments are contractually required.
Asset	A resource with economic value that a company owns or controls with the expectation that it will provide future benefit.
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.
Balance Sheet	Also known as a 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.
Basel	Basel Committee on Banking Supervision housed at the Bank for International Settlements.
Basel I	Basel Committee regulations, which set out the minimum capital requirements of financial institutions with the goal of minimising credit risk.
Bond	A long term debt instrument issued by either: a company, institution or the government to raise funds.
Budget	Financial plan that serves as an estimate of future cost, revenues or both.
Callable	A provision that allows an Issuer to repurchase a security before its maturity.
Capital	The sum of money that is invested to generate proceeds.
Capital Adequacy	A measure of the adequacy of an entity's capital resources in relation to its current liabilities and also in relation to the risks associated with its assets. An appropriate level of capital adequacy ensures that the entity has sufficient capital to support its activities and that its net worth is sufficient to absorb adverse changes in the value of its assets without becoming insolvent.
Cash	Funds that can be readily spent or used to meet current obligations.
Cash Flow	The inflow and outflow of cash and cash equivalents. Such flows arise from operating, investing and financing activities.
Collateral	Asset provided to a creditor as security for a loan.
Corporate Governance	Refers to the mechanisms, processes and relations by which corporations are controlled and directed, and is used to ensure the effectiveness, accountability and transparency of an entity to its stakeholders.
Cost Ratio	The ratio of operating expenses to operating income. Used to measures a bank's efficiency.
Country Risk	The range of risks emerging from the political, legal, economic and social conditions of a country that have adverse consequences affecting investors and creditors with exposure to the country, and may also include negative effects on financial institutions and borrowers in the country.
Coupon	The interest paid on a bond expressed as a percentage of the face value. If a bond carries a fixed coupon, the interest is usually paid on an annual or semi-annual basis. The term also refers to the detachable certificate entitling the bearer to the interest payment.
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/or interest when due.
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.
Default	Failure to meet the payment obligation of either interest or principal on a debt or bond. Technically, a borrower does not default, the initiative comes from the lender who declares that the borrower is in default.
Diversification	Spreading risk by constructing a portfolio that contains different investments, 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.
Dividend	The portion of a company's after-tax earnings that is distributed to shareholders.
Drawdown	When a company utilises facilities availed by a financial institution or lender, there is said to be a drawdown of funds.
Equity	Equity (or shareholders' funds) is the holding or stake that shareholders have in a company. Equity capital is raised by the issue of new shares or by retaining profit.
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.
Facility	The grant of availability of money at some future date in return for a fee.
Fair Value	The fair value of a security, an asset or a company is the rational view of its worth. It may be different from cost or market value.
Financial Institution	An entity that focuses on dealing with financial transactions, such as investments, loans and deposits.
Financial Statements	Presentation of financial data including balance sheets, income statements and statements of cash flow, or any supporting statement that is intended to communicate an entity's financial position at a point in time.
Fixed Assets	Assets of a company that will be used or held for longer than a year. They include tangible assets, such as land and equipment, stake in subsidiaries and other investments, as well as intangible assets such as goodwill, information technology or a company's logo and brand.
Forecast	A calculation or estimate of future financial events.
Guarantee	An undertaking in writing by one person (the guarantor) given to another, usually a bank (the creditor) to be answerable for the debt of a third person (the debtor) to the creditor, upon default of the debtor.
Hedge	A risk management technique used to reduce the possibility of loss resulting from adverse movements in commodity prices, equity prices, interest rates or exchange rates arising from normal banking operations. Most often, the hedge involves the use of a financial instrument or derivative such as a forward, future, option or swap. Hedging may prove to be ineffective in reducing the possibility of loss as a result of, inter alia, breakdowns in observed correlations between instruments, or markets or currencies and other market rates.
Impairment	Reduction in the value of an asset because the asset is no longer expected to generate the same benefits, as determined by the company through periodic assessments.
Income Statement	A summary of all the expenditure and income of a company over a set period.
Institutional Investors	Financial institutions such as pension funds, asset managers and insurance companies, which invest large amounts in financial markets on behalf of their clients.
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.
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.
International Financial Reporting Standards	IFRS is designed as a common global language for business affairs so that company accounts are understandable and comparable across international boundaries.
International Scale Rating FC	International foreign currency (International FC) ratings measure the ability of an organisation to service foreign currency obligations, taking into account transfer and convertibility risk.
Investment Grade	Credit ratings equal to or higher than 'BBB-'.

Leverage	With regard to corporate analysis, leverage (or gearing) refers to the extent to which a company is funded by debt.
Liabilities	All financial claims, debts or potential losses incurred by an individual or an organisation.
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.
Liquidity Risk	The risk that a company may not be able to meet its financial obligations or other operational cash requirements due to an inability to timeously realise cash from its assets. Regarding securities, the risk that a financial instrument cannot be traded at its market price due to the size, structure or efficiency of the market.
Long-Term	Not current; ordinarily more than one year.
Long-Term Rating	Reflects an issuer's ability to meet its financial obligations over the following three to five year period, including interest payments and debt redemptions. This encompasses an evaluation of the organisation's current financial position, as well as how the position may change in the future with regard to meeting longer term financial obligations.
Margin	The rate taken by the lender over the cost of funds, which effectively represents the entity's profit and remuneration for taking the risk of the loan; also known as spread.
Maturity	The length of time between the issue of a bond or other security and the date on which it becomes payable in full.
National Scale Rating	Provides a relative measure of creditworthiness for rated entities only within the country concerned. Under this rating scale, a 'AAA' long term national scale rating will typically be assigned to the lowest relative risk within that country, which in most cases will be the sovereign state.
Net Asset Value	The value of an entity's assets less its liabilities. It is a reflection of the company's underlying value and is usually quoted on a per share basis.
Net Interest Margin	Net interest income divided by average interest earning assets. Measures a bank's margin after paying funding sources and how successful a bank's interest-related operations are.
Net Profit	Trading/operating profits after deducting the expenses detailed in the profit and loss account (including taxes).
Nominal Value	The value of a security set by the entity that issues it. It is unrelated to market value. Also known as face value or par value.
Off Balance Sheet	Off balance sheet items are assets or liabilities that are not shown on a company's balance sheet. They are usually referred to in the notes to a company's accounts.
Operational Risk	The risk of loss resulting from inadequate or failed internal processes, people or systems or from external events. This includes legal risk, but excludes strategic risk and reputational risk.
Past Due	Any note or other time instrument of indebtedness that has not been paid on the due date.
Performing Loan	A loan is said to be performing if the borrower is paying the interest on it on a timely basis.
Pledge	An asset or right delivered as security for the payment of a debt or fulfilment of a promise, and subject to forfeiture on failure to pay or fulfil the promise.
Portfolio	A collection of investments held by an individual investor or financial institution. They may include stocks, bonds, futures contracts, options, real estate investments or any item that the holder believes will retain its value.
Provision	The amount set aside or deducted from operating income to cover expected or identified loan losses.
Rating Outlook	Indicates the potential direction of a rated entity's rating over the medium term, typically one to two years. An outlook may be defined as: 'Stable' (nothing to suggest that the rating will change), 'Positive' (the rating symbol may be raised), 'Negative' (the rating symbol may be lowered) or 'Evolving' (the rating symbol may be raised or lowered).
Receivables	Any outstanding debts, current or not, due to be paid to a company in cash.
Recourse	The right to demand payment/collect from the maker or endorser of a negotiable instrument.
Refinancing	The issue of new debt/loan to replace maturing debt/loan. New debt may be provided by existing or new lenders, with a new set of terms in place.
Regulatory Capital	The total of primary, secondary and tertiary capital.
Retained Earnings	Earnings not paid out as dividends by a company. Retained earnings are typically reinvested back into the business and are an important component of shareholders' equity.
Risk	The chance of future uncertainty (i.e. deviation from expected earnings or an expected outcome) that will have an impact on objectives.
Risk Management	Process of identifying and monitoring business risks in a manner that offers a risk/return relationship that is acceptable to an entity's operating philosophy.
Securities	Various instruments used in the capital market to raise funds.
Security	An asset deposited or pledged as a guarantee of the fulfilment of an undertaking or the repayment of a loan, to be forfeited in case of default.
Shareholder	An individual, entity or financial institution that holds shares or stock in an organisation or company.
Short-Term	Current; ordinarily less than one year.
Short-Term Rating	An opinion of an issuer's ability to meet all financial obligations over the upcoming 12 month period, including interest payments and debt redemptions.
Swap	An exchange of payment streams between two parties for their mutual benefit. Swaps can involve an exchange of debt obligations, interest payments or currencies, with a commitment to re-exchange them at a specified time.
Syndicated Loan	A large loan arranged by a group of funders, usually international banks, that form a syndicate, headed by a lead manager.
Tenor	The time from the value date until the expiry date of a financial instrument.
Tier 1 Capital	Primary capital consists of issued ordinary share capital, hybrid debt capital, perpetual preference share capital, retained earnings and reserves. This amount is then reduced by the portion of capital that is allocated to trading activities and other regulatory deductions.
Tier 2 Capital	Secondary capital is mainly made up of subordinated debt, portfolio impairment and 50% of any revaluation reserves and other specified regulatory deductions.
Tranche	Used to mean an allocation or instalment of a larger loan facility. Tranches of the same debt programme may differ from each other because they pay different interest rates, mature on different dates, carry different levels of risk, or differ in some other way.

For a detailed glossary of terms please click here

SALIENT FEATURES OF ACCORDED RATINGS

GCR affirms that a.) no part of the ratings 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.

African Export-Import Bank participated in the rating process via face-to-face management meetings, teleconferences and other written correspondence. Furthermore, the quality of information received was considered adequate and has been independently verified where possible.

The credit ratings have been disclosed to African Export-Import Bank.

Information Received

- Audited financial results of the bank as at 31 December 2017 (plus four years of comparative figures);
- Unaudited interim results of the bank as at 30 June 2018;
- Budgeted financial statements for 2018;
- Latest internal and/or external audit report to management;
- A breakdown of facilities available and related counterparties; and
- Corporate governance and enterprise risk framework.

The ratings above were solicited by, or on behalf of, African Export-Import Bank, and therefore, GCR has been compensated for the provision of the ratings.