FitchRatings

Supranationals
Africa

African Export-Import Bank (Afreximbank)

Ratings

Long-Term IDR	BBB-
Short-Term IDR	F3

Outlook

Long-Term IDR	Stable

Financial Data

African Export-Import Bank (Afreximbank)

	Dec 19	Dec 18
Total assets (USDm)	14,440	13,419
Equity/adjusted assets and guarantees (%)	18.1	18.5
Fitch's usable capital/ risk-weighted assets (%)	21.1	20.4
Average rating of loans & guarantees	B-	B-
Impaired loans (% of total loans) [a]	4.0	8.2
5 largest exposures/ total exposure (%)	25.5	27.2
Share of non-sovereign exposure (%)	71.7	80.7
Net income/equity (%)	11.8	11.8
Average rating of key shareholders	BB-	BB

[a] Stage 3 loans as per IFRS 9 accounting standard
Source: Fitch Ratings, Afreximbank

Applicable Criteria

Supranational Rating Criteria (April 2020)

Related Research

The Coronavirus Crisis and Supranationals (July 2020)

Fitch Ratings 2020 Outlook: Supranationals (December 2019)

The Cost to Sovereigns for Supranationals (November 2019)

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Key Rating Drivers

Rating Affirmed: The Long-Term Issuer Default Rating of African Export-Import Bank (Afreximbank) is driven by its intrinsic features, including solvency and liquidity, both assessed at 'a-'. Despite the pressure on asset quality from the coronavirus pandemic, the ongoing and expected capital increases support the resilience of the bank's solvency. The high-risk business environment in which the bank operates translates into a three-notch negative adjustment to our assessment of the bank's solvency and liquidity, leading to an intrinsic assessment of 'bbb-'.

Strong Capitalisation: Afreximbank's strong capitalisation is underpinned by an equity/assets and guarantees ratio of close to 18%. Usable capital/risk-weighted assets is at a moderate level (2019: 21%). The agency expects both ratios to decline in the near term as the impact of the pandemic affects internal capital generation and the bank accelerates loan disbursements. The bank's capitalisation metrics should remain consistent with a 'Strong' assessment by end-2022.

Strong Shareholder Support: The Bureau of African Union Heads of States and Governments has endorsed a significant increase in Afreximbank's capital, which underscores the importance of the bank's mandate in the region. This would support the resilience of Afreximbank's solvency. Fitch understands that the final approval of this capital increase could take place at the bank's AGM in 2021 and that the first capital payments would start shortly after.

Pandemic Response: In March 2020, the bank's Board of Directors approved a USD3 billion net Pandemic Trade Impact Mitigation Facility to assist its member states in addressing negative impacts of the pandemic crisis. The approved package represents a reallocation of existing resources and will lead to acceleration of loan approvals and disbursements.

Increased Credit Risk: Fitch revised Afreximbank's credit risk to 'High', due to expected asset-quality deterioration. The agency expects the average rating of loans before mitigants to decline to 'CCC' over the medium term from 'B-' in 2019. This reflects expected downgrades of those African sovereigns on Negative Outlook and their impact on non-sovereign loans.

Non-performing loans (NPLs), as reported by the bank, increased to 3.5% of gross loans as of end-1H20 from 2.8% in 2019, while Stage 3 loans remained at 4%. Fitch expects NPLs and Stage 3 loans to increase markedly (more than 6%) in the short term (from 3.5% and 4% respectively as of end-1H20), and would be driven by increasing non-sovereign NPLs.

High-Risk Business Environment: The 'High Risk' assessment of the business environment primarily reflects the bank's strategy, characterised by a rapid growth of its banking operations in high-risk countries. The assessment also reflects the low per capita income and high political risk in the countries of operations and in Egypt (B+/Stable), where the bank is based.

Rating Sensitivities

Capitalisation: Improvement in capitalisation metrics stemming from marked increase in paid-in capital or weaker-than-expected lending growth could be rating positive. Weaker-than-expected capital increase or higher-than-projected lending growth would be rating negative.

Risk Profile: Strengthening in the credit risk profile of the bank via improvement in the credit quality of the portfolio and decline in the NPL ratio would be rating positive. Worst-than-expected deterioration in asset quality and loan performance would be rating negative.

Liquidity: Higher coverage of short-term debt by liquid assets or improvement in the share of 'AAA'-'AA' treasury assets would be rating positive.

African Export-Import Bank (Afreximbank)
Balance Sheet

	31 Dec 2019		31 Dec 2018		31 Dec 2017		31 Dec 2016	
	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	3,800.9	26.3	2,276.2	17.0	2,652.2	22.3	5,970.2	50.9
2. To / Guaranteed by public institutions	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. To / Guaranteed by Private Sector	8,582.5	59.4	9,128.6	68.0	6,074.1	51.0	4,345.4	37.1
4. Trade Financing Loans (memo)	11,422.6	79.1	7,108.5	53.0	2,592.6	21.8	5,002.0	42.7
5. Other Loans	n.a.	-	n.a.	-	n.a.	-	0.0	0.0
6. Loan Loss Reserves (deducted)	353.9	2.5	270.4	2.0	180.6	1.5	167.4	1.4
A. LOANS, TOTAL	**12,029.5**	**83.3**	**11,134.4**	**83.0**	**8,545.7**	**71.7**	**10,148.2**	**86.5**
B. OTHER EARNING ASSETS								
1. Deposits with Banks	1,263.1	8.7	1,305.6	9.7	2,353.2	19.8	650.3	5.5
2. Securities held for Sale & Trading	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. Investment Debt Securities (incl. other invest.)	29.2	0.2	168.3	1.3	30.3	0.3	30.3	0.3
4. Equity Investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5. Derivatives (incl. Fair-value of guarantees)	0.5	0.0	3.7	0.0	3.6	0.0	8.8	0.1
B. OTHER EARNING ASSETS, TOTAL	**1,292.8**	**9.0**	**1,477.6**	**11.0**	**2,387.1**	**20.0**	**689.4**	**5.9**
C. TOTAL EARNING ASSETS (A+B)	**13,322.3**	**92.3**	**12,612.0**	**94.0**	**10,932.8**	**91.8**	**10,837.6**	**92.4**
D. FIXED ASSETS	**60.6**	**0.4**	**46.1**	**0.3**	**34.0**	**0.3**	**25.3**	**0.2**
E. NON-EARNING ASSETS								
1. Cash and Due from Banks	962.4	6.7	612.9	4.6	861.4	7.2	618.8	5.3
2. Other	94.3	0.7	148.4	1.1	85.3	0.7	244.4	2.1
F. TOTAL ASSETS	**14,439.6**	**100.0**	**13,419.4**	**100.0**	**11,913.5**	**100.0**	**11,726.1**	**100.0**
G. SHORT-TERM FUNDING								
1. Bank Borrowings (< 1 Year)	2,558.8	17.7	2,055.0	15.3	1,733.4	14.5	2,077.8	17.7
2. Securities Issues (< 1 Year)	0.0	0.0	700.2	5.2	508.6	4.3	0.0	0.0
3. Other (incl. Deposits)	2,102.8	14.6	2,365.4	17.6	2,149.4	18.0	3,778.5	32.2
G. SHORT-TERM FUNDING , TOTAL	**4,661.6**	**32.3**	**5,120.6**	**38.2**	**4,391.4**	**36.9**	**5,856.3**	**49.9**
H. OTHER FUNDING								
1. Bank Borrowings (> 1 Year)	3,598.3	24.9	3,092.9	23.0	2,498.0	21.0	1,973.1	16.8
2. Other Borrowings (incl. Securities Issues)	3,080.6	21.3	2,327.5	17.3	2,373.0	19.9	2,091.0	17.8
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	**6,678.9**	**46.3**	**5,420.4**	**40.4**	**4,871.0**	**40.9**	**4,064.1**	**34.7**
I. OTHER (Non-Int Bearing)								
1.Derivatives (incl. Fair value of guarantees)	4.9	0.0	24.8	0.2	21.5	0.2	22.0	0.2
2. Fair value portion of debt	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Other (Non-Int Bearing)	292.1	2.0	293.8	2.2	505.6	4.2	157.4	1.3
I. OTHER (Non-Interest Bearing), TOTAL	**297.0**	**2.1**	**318.6**	**2.4**	**527.1**	**4.4**	**179.4**	**1.5**
J. GENERAL PROVISIONS & RESERVES	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
L. EQUITY								
1. Preference Shares	0.0	0.0	191.5	1.4	91.7	0.8	98.7	0.8
2. Subscribed Capital	1,723.1	11.9	1,379.3	10.3	1,125.3	9.4	946.2	8.1
3. Callable Capital	(1,172.5)	-8.1	(873.0)	(6.5)	(654.5)	(5.5)	(567.7)	(4.8)
4. Arrears/Advances on Capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5. Paid in Capital (memo)	550.5	3.8	506.3	3.8	470.8	4.0	378.5	3.2
6. Reserves (incl. Net Income for the year)	2,251.5	15.6	1,862.0	13.9	1,561.5	13.1	1,149.1	9.8
7. Fair-value revaluation reserve	n.a.	-	n.a.	-	n.a.	-	n.a.	-
K. EQUITY, TOTAL	**2,802.1**	**19.4**	**2,559.8**	**19.1**	**2,124.0**	**17.8**	**1,626.3**	**13.9**
M. TOTAL LIABILITIES & EQUITY	**14,439.6**	**100.0**	**13,419.4**	**100.0**	**11,913.5**	**100.0**	**11,726.1**	**100.0**
Exchange rate	USD1 = USD1		USD1 = USD1		USD1 = USD1		USD1 = USD1	

African Export-Import Bank (Afreximbank)
Income Statement

	31 Dec 2019		31 Dec 2018		31 Dec 2017		31 Dec 2016	
	Year End USDm Original	As % of Earning Assets	Year End USDm Original	As % of Earning Assets	Year End USDm Original	As % of Earning Assets	Year End USDm Original	As % of Earning Assets
1. Interest Received	948.4	7.1	720.1	5.7	606.1	5.5	484.0	4.5
2. Interest Paid	423.5	3.2	316.3	2.5	267.7	2.4	210.8	1.9
3. NET INTEREST REVENUE (1. - 2.)	**524.9**	**3.9**	**403.8**	**3.2**	**338.4**	**3.1**	**273.2**	**2.5**
4. Other Operating Income	91.3	0.7	81.4	0.6	28.7	0.3	32.5	0.3
5. Other Income	23.3	0.2	(2.8)	(0.0)	3.5	0.0	1.7	0.0
6. Personnel Expenses	59.9	0.4	47.0	0.4	38.8	0.4	32.0	0.3
7. Other Non-Interest Expenses	48.3	0.4	40.6	0.3	27.8	0.3	23.8	0.2
8. Impairment charge	216.4	1.6	118.0	0.9	65.3	0.6	86.6	0.8
9. Other Provisions	(0.4)	(0.0)	0.9	0.0	0.0	0.0	0.0	0.0
10.PRE-DERIVATIVE OPERATING PROFIT ((3. + 4. + 5.) - (6. + 7. + 8. + 9.)	**315.3**	**2.4**	**275.9**	**2.2**	**238.7**	**2.2**	**165.0**	**1.5**
11. Net gains / (losses) on non-trading derivative instruments	0.0	0.0	0.0	0.0	(18.2)	(0.2)	0.0	0.0
12. POST-DERIVATIVE OPERATING PROFIT (10. + 11.)	**315.3**	**2.4**	**275.9**	**2.2**	**220.5**	**2.0**	**165.0**	**1.5**
13. Other income and expenses	n.a.	-	n.a.	-	n.a.	-	n.a.	-
14. NET INCOME (12. + 13.)	**315.3**	**2.4**	**275.9**	**2.2**	**220.5**	**2.0**	**165.0**	**1.5**
15. Fair value revaluations recognised in equity	8.9	0.1	9.5	0.1	9.3	0.1	(51.7)	(0.5)
16. FITCH'S COMPREHENSIVE NET INCOME (14. + 15.)	**324.2**	**2.4**	**285.4**	**2.3**	**229.8**	**2.1**	**113.3**	**1.0**

African Export-Import Bank (Afreximbank)
Ratio Analysis

	31 Dec 2019 Year End % Original	31 Dec 2018 Year End % Original	31 Dec 2017 Year End % Original	31 Dec 2016 Year End % Original
I. PROFITABILITY LEVEL				
1. Net Income/Equity (av.)	11.8	11.8	11.8	11.4
2. Net Income/Total Assets (av.)	2.1	2.1	1.8	1.7
3. Net Interest Revenue + Commitment Fees / Gross Loans + Treasury Assets + Guarantees (av.)	3.5	3.1	2.8	2.8
4. Cost-Income Ratio	17.6	18.1	18.1	18.3
5. Income from Equity Investment / Equity Investment (av.)	n.a.	n.a.	n.a.	n.a.
6. Provisions / Average Total Banking Exposure (excl LCs)	1.7	1.1	0.7	1.0
II. CAPITAL ADEQUACY				
1. Net Total Banking Exposure (excl LCs) / Subscribed Capital + Reserves	329.5	337.1	321.1	485.4
2. Equity/Adjusted Total Assets	19.4	19.1	17.9	13.9
3. Equity /Adjusted Total Assets + Guarantees	18.1	18.5	17.3	13.3
4. Paid-in capital / Subscribed capital	32.0	36.7	41.8	40.0
5. Internal Capital Generation after Distributions	9.2	9.2	9.2	5.2
6. Usable Capital / Risk Weighted Assets (FRA ratio)	21.1	20.4	n.a.	n.a.
III. LIQUIDITY				
1. Liquid Assets / Short-term debt	105.8	118.6	106.5	72.9
2. Treasury Assets / Total Assets	15.6	15.6	27.2	11.1
3. Treasury Assets IG + eligible non IG / Total Assets	14.1	13.5	26.2	10.8
4. Unimpaired Trade Financing Loans / Total Assets	33.5	53.0	21.8	42.7
5. Liquid Assets / Total Assets	34.2	45.3	39.3	36.4
6. Liquid Assets / Undisbursed Loans & Equity	400.1	1,113.9	1,456.3	941.6
IV. ASSET QUALITY				
1. Impaired Loans /Gross Loans*	4.0	8.2	2.4	2.4
2. Loan Loss Reserves / Gross Loans	2.9	2.4	2.1	1.6
3. Total reserves / Gross Loans, Equity Investment & Guarantees	2.6	2.3	2.0	1.6
4. Loan Loss Reserves/Impaired Loans	71.0	29.1	84.8	68.3
V. LEVERAGE				
1. Debt/Equity	404.7	411.8	436.1	610.0
2. Debt/Subscribed Capital + Reserves	285.3	307.1	333.4	452.2
3. Debt/Callable Capital	967.2	1,207.5	1,415.2	1,747.5
4. Net Income + Interest Paid/Interest Paid	174.5	187.2	182.4	178.3

* Stage 3 loans as per IFRS9 accounting standard

African Export-Import Bank (Afreximbank)
Spreadsheet Annex

	31 Dec 2019 USDm Original	31 Dec 2018 USDm Original	31 Dec 2017 USDm Original	31 Dec 2016 USDm Original
1. LENDING OPERATIONS				
1. Loans outstanding	12,383.4	11,404.8	8,726.3	10,315.6
2. Undisbursed Loans	1,232.8	545.2	321.2	453.5
3. Approved Loans	12,399.5	12,412.3	7,930.0	12,031.0
4. Disbursed Loans	9,013.6	7,557.0	4,136.0	10,421.0
5. Loan Repayments	5,635.3	4,662.7	5,942.0	6,274.0
6. Net disbursments	3,378.3	2,894.3	-1,806.0	4,147.0
Memo: Loans to Sovereigns	3,800.9	2,276.2	2,652.2	5,970.2
Memo: Loans to Non-Sovereigns	8,582.5	9,128.6	6,074.1	4,345.4
2. OTHER BANKING OPERATIONS				
1. Equity participations	0.0	0.0	0.0	0.0
2. Guarantees (off BS)	1,065.8	436.5	376.7	500.4
Memo: Guarantees to Sovereigns	0.0	14.9	0.0	0.0
Memo: Guarantees to Non-Sovereigns	1,065.8	421.6	376.7	500.4
3. TOTAL BANKING EXPOSURE (BS and off BS)				
1. Total banking exposure (Loans + Equity Participations + Guarantees (off BS))	13,449.2	11,841.3	9,103.0	10,816.0
2. Growth in total banking exposure	13.6	30.1	-15.8	63.7
Memo: Non Sovereign Exposure	9,648.3	9,550.2	6,450.8	4,845.8
Memo: LCs and other off BS credit commitments (not incl. in Total Banking Exposure)	458.2	421.6	319.9	245.1
4. SUPPORT				
1. Share of AAA / AA shareholders in callable capital	2.4	3.2	4.3	5.1
2. Share of A / BBB shareholders in callable capital	17.1	12.8	17.8	12.9
3. Share of Speculative Grade shareholders in callable capital	82.9	84.0	77.9	82.0
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	28.3	19.2	29.1	55.2
2. Loans to Non Sovereigns / Total Banking Exposure	63.8	77.1	66.7	40.2
3. Equity participation / Total Banking Exposure	0.0	0.0	0.0	0.0
4. Guarantees covering Sovereign risks / Total Banking Exposure	0.0	0.1	0.0	0.0
5. Guarantees covering Non-Sovereign risks / Total Banking Exposure	7.9	3.6	4.1	4.6
Memo: Non Sovereign Exposure [2.+3.+5.] / Total Banking Exposure	71.7	80.7	70.9	44.8
6. CONCENTRATION MEASURES				
1. Largest exposure	919.0	1,011.3	1,000.0	3,700.0
2. Five largest exposures	3,423.7	3,215.8	2,561.0	5,645.0
3. Largest exposure / Equity (%)	32.8	39.5	47.1	227.5
4. Five largest exposures / Equity (%)	122.2	125.6	120.6	347.1
5. Largest exposure / Total Banking Exposure (%)	6.8	8.5	11.0	34.2
6. Five largest exposures / Total Banking Exposure (%)	25.5	27.2	28.1	52.2
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
4. Share of Treasury Assets rated AAA-AA	31.3	20.9	31.2	3.9
5. Average rating of treasury assets	n.a.	n.a.	n.a.	n.a.
8. LIQUIDITY				
1. Treasury Assets	2,254.7	2,086.8	3,244.9	1,299.4
2. Treasury Assets o/w IG + eligible non-IG	2,028.8	1,807.6	3,122.0	1,269.1
3. Unimpaired Short-Term Trade Financing Loans	4,838.8	7,108.5	2,592.6	5,002.0
4. Unimpaired Short-Term Trade Financing Loans - discounted 40%	2,903.3	4,265.1	1,555.6	3,001.2
5. Liquid Assets [2. + 4.]	4,932.1	6,072.7	4,677.6	4,270.3

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.