21-I-0062
December 7, 2021

Japan Credit Rating Agency, Ltd. (JCR) announces the following credit rating.

The African Export-Import Bank (security code: -)

<Assignment>
Long-term Issuer Rating: A−
Outlook: Stable

Rationale

(1) The African Export-Import Bank (the Bank) is a multilateral development bank (MDB) established in 1993 with the mandate of facilitating, promoting and expanding intra-African and extra-African trade. It provides trade finance both to sovereign and non-sovereign borrowers. The rating is primarily supported by the strong support it enlists from its shareholders for its operations, its preferred creditor status and solid earnings capacity. On the other hand, the rating is constrained mainly by the high risk environment in the regions where the Bank operates, its shareholder structure mainly consisting of shareholders with relatively low credit profile, and its relatively high leverage and narrow liquidity. The outlook of the rating is Stable. The Bank has been carrying out its mandate under its Fifth Strategic Plan (2017-2021) and also playing an important role by pushing forward with various strategic initiatives in support of the African Union (AU) and assisting its member countries affected by the COVID-19 pandemic. Support from the shareholders for the Bank's operations is strong, as indicated by the fact that capital increases have progressed since 2014 and an additional large-scale capital increase is planned going forward. Although the quality of loans may deteriorate, particularly to the private sector, due to the impact of the pandemic, JCR holds that the Bank will maintain its financial base by absorbing credit costs through its solid earnings capacity.

(2) The Bank’s headquarters is located in Cairo, the capital of Egypt, with branches set up in Côte d'Ivoire, Zimbabwe, Nigeria, Uganda, and Cameroon. Its member countries and institutions continued to increase since its establishment and consisted of 50 African countries and 5 Africa-based multilateral institutions including the African Development Bank at the end of 2020. Its shareholders include not only member countries and Africa-based multilateral institutions but also other institutions including private institutions. The number of shareholders stood at 156 at the end of 2020. The Bank has four classes of shares, A, B, C and D. At the end of 2020, 61.3% of the Bank’s shares were held by Class A shareholders (African governments, government institutions and other designated institutions), 23.9% by class B shareholders (African non-government investors), 9.7% by class C shareholders (non-African investors) and 5.1% by class D shareholders (others). Top shareholders include the Central Bank of Egypt, Federal Republic of Nigeria, the Reserve Bank of Zimbabwe and the National Bank of Egypt. The Bank’s main operations include the provision of trade finance through direct lending and credit lines (for funds that are provided through intermediary financial institutions), project finance, and guarantees. Main recipients of the Bank’s facilities are African financial institutions, corporates and sovereigns. Entities resident outside of Africa are also eligible when the Bank’s financing is used to support intra-African trade (i.e. imports and/or exports in or out of Africa). Like other MDBs, the Bank enjoys the privileges stipulated in the Establishment Agreement such as exemptions from asset expropriation and taxation, and the Bank will not be subject to any legislative, administrative or other forms of restrictions by member countries.

(3) The Bank has been carrying out its mandate by expanding support to African countries even under the challenging economic environment. It introduced "Counter-Cyclical Trade Liquidity Facility" in 2016 to address the plunge of commodity prices and launched "Pandemic Trade Impact Mitigation Facility (PATIMFA)" (USD3 billion in net terms after taking into account risk mitigation) in 2020 to counter the outbreak of the COVID-19 pandemic. The Bank’s Fifth Strategic Plan “IMPACT 2021- Africa Transformed” covering the 2017-2021 period set out four strategic pillars: Intra-African Trade, Industrialization and Export Development; Trade Finance Leadership; and Financial Soundness and Performance. Under the Plan, the Bank has been expanding lending while proceeding with capital increases. In recent years, the Bank has also been promoting initiatives to support the African Continental Free Trade Area (AfCFTA) being implemented by the AU, which in JCR’s view indicates the Bank’s growing role in the region. Its key initiatives include Pan African Payment and Settlement System (PAPSS), the first pan-continental digital payment system; Afreximbank-African Collaborative

Transit Guarantee Scheme (AACTGS), a guarantee framework to facilitate the smooth cross-border movement of goods; and the AfCFTA Adjustment Facility which aims to help member countries facing reduced tariff revenues as a result of the implementation of the AfCFTA. In addition, the Bank set up a USD2 billion guarantee facility to support COVID-19 vaccine procurement under the initiative of the AU to ensure availability of sufficient vaccines for African countries.

(4) The Bank's authorized capital was USD750 million at the time of its inception but was raised to USD5 billion in 2012. Following the general capital increase of USD500 million implemented between 2014 and 2016, an additional capital increase of USD1 billion was approved in 2016 as part of the Fifth Strategic Plan. Subscriptions and payments in this capital increase have made steady progress, with total subscribed capital increasing from USD950 million to USD3 billion and total paid-in capital (paid-in capital plus share premium) increasing from USD734 million to USD1.61 billion between the end of 2016 and the end of 2020. Paid-in capital accounted for 53% of subscribed capital at the end of 2020, with the remaining 47% being callable capital, which will be paid in at the request of the Board of Directors. Shareholders with relatively low creditworthiness constitute the majority of the subscribers to the callable capital, but the Bank provides credit enhancement to its callable capital by using insurance service providers to increase the certainty of payment upon calls. In order to support the Bank's future business expansion including for the implementation of the Sixth Strategic Plan (2022-2026) currently being formulated, the Board of Directors approved an additional general capital increase of USD6.5 billion in June 2021, consisting of USD2.6 billion in paid-in capital (of which USD1.5 billion will be contributed by Class A shareholders) and USD3.9 billion in callable capital. This capital increase is scheduled to be carried out from 2021 to 2026, and its materialization is expected to contribute to strengthening the Bank's capital base. Leverage is relatively high, with the ratio of outstanding loans to shareholders' equity at about 500% at the end of 2020 (over 600% when guarantees and approved but undisbursed loans were included).

(5) The Bank's total assets (USD19.3 billion at the end of 2020) consist predominantly of loans (85% of the total), with other assets consisting mostly of cash and cash equivalents. The outstanding balance of loans had been on the increase since its establishment, amounting to USD16.8 billion at the end of 2020. In 2020, it grew significantly by 35% year-on-year, particularly due to the expansion of support to the member countries through the PATIMFA. A breakdown of total loans by country shows a high concentration, with Nigeria accounting for 27% of the total and Egypt for 24% which broadly mirrors existing trade flows within the continent. The combined share of the top five countries including Zimbabwe, Ghana and Angola came close to 70%. The top five borrowers together accounted for about 25% of the total loans. With sovereign and non-sovereign loans accounting for about 20% and 80%, respectively, main beneficiaries of the Bank's facilities are non-sovereign entities in regions with high risks. Under this circumstance, the Bank mitigates credit risk through measures including the use of the structured trade finance scheme to transfer payment risk to counterparties with higher creditworthiness, insurance and collateralization. At the end of 2020, more than 77% of the Bank's loans were secured. In addition, like other MDBs, the Bank has a track record of enjoying preferential repayment of its debts as a preferred creditor. Against this backdrop, the Bank's non-performing loan ratio, although comparatively high, had been contained at the 2-3% level, even in 2015-2016 when the economies of the main countries where the Bank operates were hit by the fall of commodity prices. The rise of the non-performing loan ratio has remained limited even after the onset of the pandemic. The Bank is not subject to the Debt Service Suspension Initiative (DSSI) implemented by the G20 and the Paris Club following the pandemic. It provided its own deferral only to a limited number of its sovereign debtors.

(6) Unlike general MDBs, the Bank is profit-oriented and pays dividends. The bank has never incurred annual losses since its establishment, steadily expanding profits. In 2020, it reported a record profit as higher pre-provision profit led by interest income absorbed increased credit costs stemming from the impact of the pandemic. With respect to risk management, the Bank sets the level of risks it can accept in executing its mandate and strategies, and operates based on its Board approved risk appetite regarding various aspects such as loan commitments, exposures by country, obligor and sector, liquidity, and foreign exchange positions. Liquidity is relatively narrow with the ratio of the balance of cash and cash equivalents to total assets standing at around 15% at the end of 2020. On top of this, the Bank secures undrawn portion of credit lines totaling USD1.6 billion, of which USD450 million was committed. Its source of funding is diversified, including bilateral loans and syndicated loans from financial institutions, borrowing from export credit agencies and development finance institutions, and bond issuances in international markets. In recent years, deposits by central banks in African countries under the Central Bank Deposit Programme (CENDEP) have also been an important source of funding.

Toshihiko Naito, Haruna Saeki

Rating
Issuer: The African Export-Import Bank

<Assignment>
Long-term Issuer Rating: A- Outlook: Stable

Rating Assignment Date: December 2, 2021

The assumptions for the credit ratings and the definitions of the rating symbols are published as "Types of Credit Ratings and Definitions of Rating Symbols" (January 6, 2014) in Information about JCR Ratings on JCR's website (https://www.jcr.co.jp/en/).

Outline of the rating methodology is shown as "Multilateral Development Banks" (March 29, 2013) in Information about JCR Ratings on JCR's website (https://www.jcr.co.jp/en/).

Japan Credit Rating Agency, Ltd.
Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026

INFORMATION DISCLOSURE FORM

Japan Credit Rating Agency, Ltd.

Disclosure Required by Paragraph (a)(1)(ii) of Rule 17g-7

Issuer:	The African Export-Import Bank
Rating Publication Date:	December 7, 2021

1 The Symbol, Number, or Score in the Rating Scale used to Denote Credit Rating Categories and Notches and, the Identity of the Obligor or the Identity and a Description of the Security or Money Market Instrument as Required by Paragraph (a)(1)(ii)(A) of Rule 17g-7

- Please see the news release. If the credit rating is a private rating, please see the report for private rating.

2 The version of the procedure or methodology used to determine the credit rating; as Required by Paragraph (a)(1)(ii)(B) of Rule 17g-7

- Please see the news release. If the credit rating is a private rating, please see the report for private rating.

3 The Main Assumptions and Principles used in Constructing the Procedures and Methodologies used to Determine the Credit Rating as Required by Paragraph (a)(1)(ii)(C) of Rule 17g-7

- The credit rating methodology assumes, in principle, to be applied to assess the likelihood of a given debt payment in light of its issuer's condition and business environment, etc. in the relevant future. There is certain limitation, however, in the time horizon that the rating foresees.
- The credit rating methodology assumes, in principle, that the factors posted in the below are particularly important for such likelihood to be determined, and that the rating determination is made by evaluating each of them not only quantitatively but also employing qualitative analyses.

A) Business Bases

The likelihood of a given debt payment is highly conditional to its issuer's business bases - how they can be maintained/ expanded into the future and thereby secure earnings and cash flows in adequacy and in a sustainable way.

B) Financial Grounds and Asset Quality

The likelihood of debt payment is highly dependent on the degree of the issuer's indebtedness and loss absorption capacity in terms of equity capital. Also notable is that a financial institution might see a significant loss of financial grounds as a result of changes in value of the assets under its possession.

C) Liquidity Positions

The likelihood of debt payment is highly dependent on the adequacy of the issuer's cash and other sources of repayment (liquidity positions).

D) Related Parties' Status and Stance of Support/ Assistance for the Issuer

The likelihood of debt payment is affected one way or the other by the issuer's related parties such as member countries, the issuer's related organizations, guarantor, and the government of the issuer's business domicile, etc. - by their own conditions and/ or position of support/ assistance for the issuer.

E) Order of Seniority in Debt Payment

The likelihood of debt payment can be different between given debts of the same issuer. The likelihood of debt payment for an individual debt is dependent on the issuer's discretion, and/ or its rank relative to other debts of the same issuer in the order of seniority in principal/ interest payment which is determined by design as financial product or by laws, etc.

4 The Potential Limitations of the Credit Rating as Required by Paragraph (a)(1)(ii)(D) of Rule 17g-7

- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- The objective of the credit rating herewith presented does not include any concerns other than the likelihood of debt payment, such as risks of price changes, market liquidity, etc.
- The credit rating herewith presented is necessary to be reviewed along with possible changes of the issuer of rated objects in its business performance and/ or circumstances which include regulatory environment, and hence subject to possible alteration.

5 Information on the Uncertainty of the Credit Rating as Required by Paragraph (a)(1)(ii)(E) of Rule 17g-7

- The information used for the determination of credit rating as herewith presented is obtained by JCR from the issuer of rated objects and other sources that JCR trusts in terms of accuracy and reliability but possibly contains errors due to human, non-human or other causes. Consequently, the credit rating determined on the grounds of such information does not constitute, explicitly or implicitly, any representation or warrant of JCR on the information itself or any consequences of its use in terms of accuracy, relevance, timeliness, wholeness, market value, or usefulness for any specific purposes.

6 Use of Due Diligence Services of a Third Party in Taking the Rating Action as Required by Paragraph (a)(1)(ii)(F) of Rule 17g-7

- There is no use of any third-party due diligence service in the determination of the credit rating herewith presented.

7 Use of Servicer or Remittance Reports to Conduct Surveillance of the Credit Rating Required by Paragraph (a)(1)(ii)(G) of Rule 17g-7

- There is no use of any servicer or remittance report to conduct surveillance of the credit rating herewith presented.

8 The Types of Data Relied Upon for the Purpose of Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(H) of Rule17g-7

- The information posted in the below, which includes data, is used for the determination of the credit rating herewith presented.

  A) Audited financial statements presented by the rating stakeholders

  B) Explanations of business performance, management plans, etc. presented by the rating stakeholders

9 Overall assessment of the Quality of Information Available and Considered in Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(I) of Rule 17g-7

- JCR holds its basic policies for securing the quality of information as a base of due diligence for the determination of credit ratings. The information used as a base for the determination of credit rating herewith presented satisfies such policies, which include the audit by an independent auditor, the publication by the issuer or some independent media or, otherwise, JCR analyst's scrutiny, etc.
- JCR sees no particular weakness in the quality of information used for the determination of the credit rating herewith presented as compared to the information used in other cases of the credit rating for comparable issuers or ratable objects.
- If the credit rating is an Indication, please see the report for Indication.

10 Information Relating to Conflicts of Interest as Required by Paragraph (a)(1)(ii)(J) of Rule 17g-7

- JCR receives payment of compensation for the determination of the credit rating herewith presented from either one of those parties who are issuer, underwriter, depositor or sponsor.
- JCR did not receive in the last fiscal year in the past payment of compensation from the same party for any kind of JCR's service other than the determination of public or private credit rating, such as one in the ancillary business.

11 Explanation or Measure of the Potential Volatility of the Credit Rating as Required by Paragraph (a)(1)(ii)(K) of Rule 17g-7

A) Business Bases

The credit rating is subject to alteration if there is improvement or deterioration of the issuer's business bases, since its revenue, etc. may improve or deteriorate by the change in its business management policies, clients' preferences, competitive situation, or a technological innovation. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change in the business bases is large.

B) Financial Grounds and Asset Quality

The credit rating is subject to alteration if the issuer increases/ decreases its debt/ capital or vice versa and thereby makes its individual debt payment liability less or more bearable and its loss absorption capacity into the future decreased or increased. Also, the changes in the quality of asset under the issuer's holding may affect the credit rating, since such changes could raise or lower the likelihood of future loss of the issuer's financial grounds. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change in the financial grounds and/ or asset quality is large.

C) Liquidity Positions

The credit rating is subject to alteration if there is a change in the issuer's financial management policy or in the relations with fund procurement sources and the change thereby makes its liquidity positions improve or deteriorate. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.

D) Related Parties' Status and Stance of Support/ Assistance for the Issuer

The credit rating is subject to alteration if there is a change in the issuer's member countries, the issuer's related organizations, guarantor or other provider of credit enhancement, or the government of the issuer's business domicile, or other related parties' own conditions and/ or position of support/ assistance for the issuer, and the change thereby makes its business bases, financial grounds and/ or liquidity positions improve or deteriorate, and/ or making the effectiveness of guarantee and other credit enhancement improve or deteriorate. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change is large.

E) Order of Seniority in Debt Payment and Non-Payment Forgiven by Contract

The credit rating is subject to alteration if there is a change in the rated debt's status in the order of seniority relative to other debts caused by the improvement/ deterioration of the issuer's financial condition. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change is large. Also, in case of the financial products for which non-payment of interest/ principal is contractually permissible, the credit rating is subject to alteration if and when the likelihood of such non-payment is projected to increase or decrease. The resultant alteration of the credit rating could be by a notch but often as much as a few notches.

F) Rise and Fall in General Economy and Markets

The credit rating is subject to alteration if there is a rise/ fall in the general economy and/ or the markets inducing the issuer's revenues/ expenses to increase/ decrease and vice versa, etc. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is exceptionally large.

G) Various Events

The credit rating is subject to alteration on occurrence of various events, such as change in the issuer's major shareholders, M&A and other organizational change, accident, violation of the law, litigation, legal/ regulatory change, natural disaster, etc., which are unforeseeable at the time when the credit rating is determined, causing a significant change on the issuer's business bases, financial grounds, etc. The resultant alteration of the credit rating could be by a notch but more often than not as much as a few notches.

12 Information on the Content of the Credit Rating, Including the Historical Performance of the Credit Rating and the Expected Probability of Default and the Expected Loss in the Event of Default as Required by Paragraph (a)(1)(ii)(L) of Rule 17g-7

- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- Facts of the probability of default are posted as Form NRSRO Exhibit 1 on the JCR website under the URL:

https://www.jcr.co.jp/en/service/company/regu/nrsro/

13 Information on the Sensitivity of the Credit Rating to Assumptions Made as Required by Paragraph (a)(1)(ii)(M) of Rule 17g-7

A) Business Bases

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's business bases and powers of earning or cash flow generation, etc. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's business bases on some drastic change in the operational environments, etc.

B) Financial Grounds and Asset Quality

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's financial grounds and asset quality. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's financial grounds and/ or asset quality on some drastic change in its business bases.

C) Liquidity Risks

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's liquidity positions. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's liquidity positions on some drastic change in its financial management policy or relations with fund procurement sources, etc.

D) Related Parties' Status and Stance of Support/ Assistance for the Issuer

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to member countries, the issuer's related organizations, guarantor or other providers of credit enhancement, the government of the issuer's business domicile or other related parties' status and stance of support/ assistance for the issuer. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if there is a major change on the part of related parties, such as replacement, disappearance, some drastic improvement/ deterioration of financial grounds/ balances, etc.

E) Rise and Fall in General Economy and Markets

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the prospects of general economy and markets. JCR expects the change should be most likely by a notch but could be as much as a few notches, should the economy or the markets change so greatly.

14 Information on the Representations, Warranties, and Enforcement Mechanisms of an Asset-backed Security as Required by Paragraph (a)(1)(ii)(N) of rule 17g-7

・ The credit rating herewith presented is not for an ABS product, and hence no relevant issue.

Japan Credit Rating Agency, Ltd.
Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026

Attachment

Attestation Required by Paragraph (a)(1)(iii) of Rule 17g-7

I, Toshihiko Naito, have responsibility to this Rating Action and to the best of my knowledge:

A) No part of the credit rating was influenced by any other business activities.

B) The credit rating was based solely upon the merits of the obligor, security, or money market instrument being rated.

C) The credit rating was an independent evaluation of the credit risk of the obligor, security, or money market instrument.

Toshihiko Naito
General Manager of International Rating Department

Japan Credit Rating Agency, Ltd.
Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026