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S&P Global
China Ratings

Issuer Credit Rating Report

Africa Finance Corporation

Issuer Credit Rating*: AAA_{spc}; Outlook: Stable

Rating Date: January 15, 2025
Date of Expiry: January 14, 2026

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* This rating is an Issuer Credit Rating (ICR). An ICR typically reflects our view of the senior unsecured credit rating of an issuer and is not specific to an individual issuance that it may issue.

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Tear Sheet

Company Name	Rating Type	Current Rating	Rating Date	Outlook/Credit Watch
Africa Finance Corporation	Issuer Credit Rating	AAA_{spc}	January 15, 2025	Stable

Company Overview: The Africa Finance Corporation (AFC or the Corporation) was established in 2007 as a multilateral development finance institution by twin constitutive documents: the Agreement for the Establishment of Africa Finance Corporation (the "AFC Establishment Agreement") and the Charter of AFC (the "AFC Charter"). The AFC Establishment Agreement, signed or acceded by 44 African nations as of the end of 2024, is a treaty under public international law, providing AFC with full legal capacity to carry out its operations. As a supranational entity, AFC is not bound by the domestic laws or regulations of any member state.

AFC was established with the purpose of fostering economic growth and industrial development of African countries. It devotes itself to becoming Africa's leading infrastructure solutions provider.

As of the end of 2023, AFC reported total assets of USD 12.35 billion, up by 17.26% YoY. In 2023, its net income increased by 15.31% YoY to USD 330 million.

Key Metrics:

(mil. USD, %)	2019	2020	2021	2022	2023	2024.6/1-6
Total Assets	6,119	7,363	8,565	10,528	12,345	12,193
Net Income	183	166	210	286	330	255
Total Debts/ Adjusted Equity (X)	2.99	3.78	3.73	4.12	3.61	3.23
Return on Average Assets	3.46	2.46	2.63	3.00	2.88	N/A
NPL Ratio	1.87	1.58	2.97	3.30	2.77	2.50
Reserve Coverage Ratio	321	391	180	154	188	209
12-month Liquidity Ratio (X)	2.71	3.00	3.06	3.49	4.13	NA

Note: NA – not available; N/A – not applicable.

Source: AFC, collected and adjusted by S&P Global (China) Ratings.

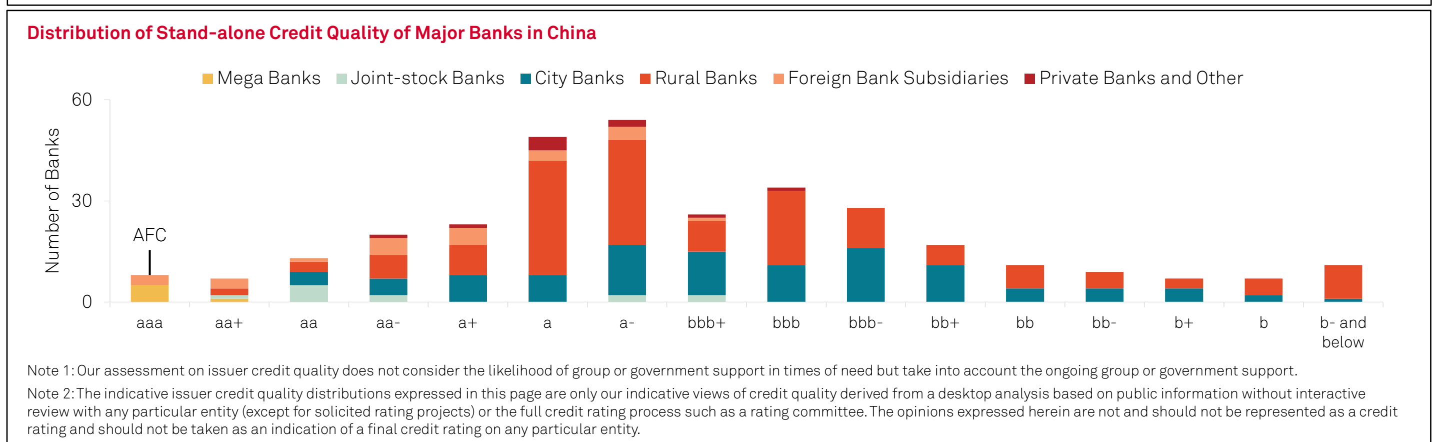
Rating Snapshot:

Snapshot of SACP

	Score	Scale	Description
Enterprise Risk Profile (ERP)	1/Very Strong	A 6-point scale, with 1 the optimal score and 6 the worst.	By evaluating AFC's 1/Very Strong policy importance and its 2/Adequate governance and management expertise, we determine that AFC has a 1/Very Strong enterprise risk profile.
• Policy Importance	1/Very Strong	A 5-point scale, with 1 the optimal score and 5 the worst.	AFC was established by treaty with the purpose of fostering economic growth and industrial development of African countries. It has benefitted from PCT from almost all sovereign borrowers. We determine its policy importance to be 1/Very Strong.
• Governance and Management Expertise	2/Adequate	A 3-point scale, with 1 the optimal score and 3 the worst.	AFC has implemented well-defined corporate policies, business practices and internal controls to safeguard its interests while pursuing its developmental mandate. We assign 2/Adequate to its governance and management expertise.
Financial Risk Profile (FRP)	2/Strong	A 6-point scale, with 1 the optimal score and 6 the worst.	By evaluating its 3/Adequate capital adequacy and 2/Strong funding and liquidity, we determine that AFC has a 2/Strong financial risk profile.
• Final Capital Adequacy	3/Adequate		Combining AFC's low leverage and neutral risk position, we assign it a capital adequacy score of 3/Adequate.
o Initial Capital Adequacy	3/Adequate		AFC maintains a solid capital base. The management will continue to maintain the leverage ratio at the current level. Hence, we score AFC's initial capital adequacy as 3/Adequate.
o Risk Position	3/Neutral		AFC has effective risk mitigation measures and relatively low bad debt ratios because of its prudent risk management. Its project portfolio faces challenging operating risk in the African continent. Its risk position is 3/Neutral.
• Funding and Liquidity	2/Strong		AFC has very prudent liquidity management policy and is committed to diversified funding strategy. We determine that its funding and liquidity score would be 2/Strong.
o Funding	2/Neutral	A 3-point scale, with 1 the optimal score and 3 the worst.	AFC is committed to a diversified funding strategy and expands its funding base on a global scale. We assign its funding score to be 2/Neutral.
o Liquidity	1/Very Strong	A 6-point scale, with 1 the optimal score and 6 the worst.	AFC can manage its liquidity needs in adverse market and economic conditions and is likely to function properly over an extended period in such conditions. We score AFC's liquidity as 1/Very Strong.
Stand-alone Credit Profile (SACP)	aaa_{spc}	Determined by ERP and FRP.	AFC's 2/Strong FRP, together with its 1/Very Strong ERP, leads to the SACP of aaa_{spc}.
Extraordinary Shareholder Support	+0		AFC's issuer credit rating of AAA_{spc} is mainly based on its stand-alone credit strength in terms of high policy importance, disciplined capital management and sufficient liquidity buffer, and not including any uplift from shareholder support.
Issuer Credit Rating (ICR)	AAA_{spc}		

Source: S&P Global (China) Ratings.

Distribution of Stand-alone Credit Quality of Major Banks in China



Note 1: Our assessment on issuer credit quality does not consider the likelihood of group or government support in times of need but take into account the ongoing group or government support.

Note 2: The indicative issuer credit quality distributions expressed in this page are only our indicative views of credit quality derived from a desktop analysis based on public information without interactive review with any particular entity (except for solicited rating projects) or the full credit rating process such as a rating committee. The opinions expressed herein are not and should not be represented as a credit rating and should not be taken as an indication of a final credit rating on any particular entity.

Declaration

No association that may affect the independence, objectivity and unbiasedness of the rating process exists between S&P Global (China) Ratings or its analysts and the rated entity, other than the engagement as a result of this credit rating project.

This rating is based on publicly available information or information provided by the rated entity or collected in compliance with regulatory requirements. S&P Global (China) Ratings has conducted prudent analysis on such information but not guarantee the legitimacy, accuracy, adequacy, or completeness of any information used.

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S&P Global (China) Ratings arrived at analytical conclusions presented in this credit rating report based on its own methodologies and procedures and did not change any of its rating opinions as a result of any inappropriate influence from the rated entity or any other organization(s) or individual(s).

This credit rating report is used to support related decision making, and does not constitute a conclusion or recommendation that any particular decision(s) should be made.

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Rating Summary

Company Name	Rating Type	Current Rating	Rating Date	Outlook/CreditWatch
Africa Finance Corporation	Issuer Credit Rating	AAA_{spc}	January 15, 2025	Stable

Stand-alone Credit Profile (SACP)	aaa_{spc}	+	External Support	+0	Issuer Credit Rating (ICR)
Enterprise Risk Profile	1/Very strong		Extraordinary Shareholder Support	+0	AAA_{spc}/Stable
• Policy Importance	1/Very strong				
• Governance and Management Expertise	2/Adequate				
Financial Risk Profile	2/Strong				
• Capital Adequacy	3/Adequate				
• Funding and Liquidity	2/Strong				

Credit Highlights

Key Strengths	Key Risks
— Very strong policy importance in the African continent.	— Significant exposure to high country risk.
— AFC has a very solid liquidity buffer which enables its normal functioning in adverse market and economic conditions.	— Concentrated low credit quality shareholder.
— Good asset quality backed by credit protection measures.	

Rating Outlook

The stable outlook reflects our expectation that AFC's credit profile will remain unchanged over the next two years.

Downside Scenario:

We might downgrade the ratings if AFC loses its policy importance, or relaxes its very conservative liquidity policy and liquidity buffer deteriorates; or its asset quality significantly weakens, or it raises leverage significantly.

Related Methodologies, Models & Research

Methodology Applied:

— S&P Global (China) Ratings Multilateral Lending Institutions Methodology, November 28, 2024.

Model Applied: None.

Macro-Economic and Industry Trends

Macro-economic Environment

AFC's main exposures in Africa are in Nigeria, Egypt, Senegal, Gabon, and Cote d'Ivoire.

Nigeria

Nigeria is the most populous country in Africa. It is a sizable producer and exporter of hydrocarbons, ranking among the world's top 15 exporters. However, most Nigerians work in the non-oil economy, with just below half of the labor force employed in relatively low-productivity agriculture, which accounts for an estimated quarter of total economic output. According to International Monetary Fund (IMF) data, only about 10% of Nigerian workers engage in wage employment, primarily in the public sector. Given the composition of the labor force, and the economy's high informality, increasing tax collection is a key fiscal challenge, resulting in the continued dependence on hydrocarbon production for government revenue.

The hydrocarbon sector is a key pillar of the economy, but a significant increase in production is unlikely. Hydrocarbons provide close to 90% of current account receipts, an important source of dollars to the import dependent country, and just below half of the government's fiscal revenue. Despite this importance, structural impediments will keep crude and condensate production from growing significantly through 2027. There is significant refinery capacity coming online in 2024 and 2025, which should benefit the economy.

Nigeria has struggled to maintain hydrocarbon production levels over the past several years. However, crude and condensate production levels improved slightly to 1,470 barrels per day (bpd) on average over 2023 from 1,380 bpd in 2022, partly due to improved security surveillance tied to the establishment of a new security task force, which has enhanced collaboration with government and defense forces. With no large projects in the pipeline and limited investment in the sector, S&P Global Ratings expects oil production to only increase to 1,550 bpd by 2027.

Authorities have advanced a series of economic, fiscal, and monetary reforms in the past year to support economic stability and improve growth potential. The more liberal exchange rate policy, better coordination between the government and central bank, and halting of monetary financing benefit economic outcomes. But elevated inflation and popular discontent, for instance around food insecurity, will make further reforms more difficult. After removing the fuel subsidy in the summer of 2023, an implicit subsidy was returned in 2024. Increasing government revenue, ameliorating the security situation, and improving the business environment will take time.

S&P Global Ratings expects Nigeria real GDP growth of 2.9% in 2024. First-quarter growth was 3.0%, lower than the 3.5% in the fourth quarter of 2023. S&P Global Ratings forecasts growth will average 3.2% a year over 2025-2027 (less than one percentage point above population growth), driven primarily by the non-oil sector. While reforms will improve growth in the later years of our forecast period, for 2024, tightening monetary and fiscal policy could dampen growth potential. Growth in terms of GDP per capita will remain low, partly reflecting the country's high population growth and the recent depreciation of the Nigerian naira (NGN).

Table 1

Nigeria--Selected Indicators										
	2018A	2019A	2020A	2021A	2022A	2023A	2024F	2025F	2026F	2027F
Economic indicators (%)										
Nominal GDP (tril. NGN)	129.10	145.60	154.30	176.10	202.40	234.40	361.70	466.50	534.30	601.00
Nominal GDP (bil. $)	356.80	403.70	404.70	432.00	474.60	366.60	288.10	284.10	309.30	331.60
GDP per capita (000s $)	1.80	2.00	2.00	2.00	2.20	1.70	1.30	1.20	1.30	1.40
Real GDP growth	1.90	2.20	(1.80)	3.70	3.30	2.90	2.90	3.20	3.20	3.20
Real GDP per capita growth	(0.70)	(0.40)	(4.30)	1.10	0.70	0.30	0.30	0.60	0.60	0.60
Real investment growth	9.70	8.30	(14.70)	4.70	3.30	6.60	5.00	5.00	5.00	5.00
Investment/GDP	19.80	25.40	27.50	33.80	33.00	36.10	34.50	33.80	33.50	33.70
Savings/GDP	21.90	22.00	23.60	33.10	33.70	37.70	35.60	34.20	34.00	34.10
Exports/GDP	15.50	14.20	8.10	10.70	14.30	16.60	18.40	17.70	16.40	15.40
Real exports growth	(0.90)	15.00	(33.40)	(32.10)	69.10	28.20	4.00	4.00	4.00	4.00
Unemployment rate	22.60	24.00	33.00	31.00	31.00	31.00	29.00	28.00	28.00	28.00
External indicators (%)										
Current account balance/GDP	2.00	(3.40)	(4.00)	(0.80)	0.70	1.60	1.20	0.40	0.50	0.40
Current account balance/CARs	7.90	(13.80)	(25.30)	(4.30)	3.70	7.10	4.30	1.50	2.10	1.60
CARs/GDP	26.00	24.60	15.60	17.40	19.70	23.30	26.80	26.10	24.10	22.70
Trade balance/GDP	5.70	0.70	(4.10)	(1.10)	1.30	2.20	1.60	0.50	0.50	0.50
Net FDI/GDP	0.10	0.50	0.20	0.40	(0.40)	0.40	0.10	0.20	0.40	0.40
Net portfolio equity inflow/GDP	0.20	(0.40)	(0.10)	0.00	0.10	0.40	0.40	0.40	0.40	0.40
Gross external financing needs/CARs plus usable reserves	87.30	102.40	123.00	109.40	100.50	121.20	124.60	116.10	115.20	115.20
Narrow net external debt/CARs	8.10	25.10	45.80	37.00	53.70	71.20	72.80	76.80	77.80	78.60
Narrow net external debt/CAPs	8.80	22.10	36.60	35.40	55.80	76.70	76.10	78.00	79.40	79.80
Net external liabilities/CARs	65.00	72.60	124.10	90.60	90.70	94.90	99.80	107.20	111.00	115.10
Net external liabilities/CAPs	70.60	63.80	99.10	86.80	94.20	102.10	104.30	108.80	113.40	116.90
Short-term external debt by remaining maturity/CARs	26.10	24.60	53.00	44.50	35.60	58.50	69.80	58.10	58.30	58.40
Usable reserves/CAPs (months)	4.60	3.70	4.30	4.20	3.90	3.20	4.10	4.30	4.40	4.40
Usable reserves (Mil. $)	34,843.10	28,434.40	27,091.20	29,276.20	21,215.40	25,232.90	25,930.80	26,498.90	27,117.50	27,780.60

Note: A – Actual. F – Forecast. NGN - Nigerian naira. CARs - Current account receipts. FDI - Foreign direct investment. CAPs - Current account payments.

Sources: S&P Global Ratings, collected by S&P Global (China) Ratings.

Egypt

The sociopolitical environment in Egypt remains relatively fragile given high unemployment and poverty indicators. In S&P Global Ratings' view, about 30% of Egypt's 105 million population lives below the poverty line.

Egypt's current regional geopolitical risks are considerable, and have implications for key sectors including tourism, gas, and Suez Canal receipts. The country is

experiencing a sharp reduction in traffic through the Suez Canal because of Houthi rebel attacks on international shipping around the Bab al-Mandab Strait since November 2023. Nevertheless, despite regional tensions, tourism has remained strong and the depreciation of the exchange rate should make the sector more competitive. Egypt also faced an electricity shortage over the exceptionally hot summer as domestic gas production, largely from the Zohr field, fell sharply.

Egypt’s government announced a broad-based reform agenda to support medium-term growth. S&P Global Ratings expects the government's debt interest expenditure to steadily reduce but remain very high, amounting to about 45% of government revenues in fiscal year 2027 (ending June 30, 2027), one of the highest levels of all sovereigns S&P Global Ratings rates. Meanwhile, headline general government fiscal deficits will slightly moderate to under 6% of GDP in fiscal 2027 from 7.2% of GDP in fiscal 2024, assuming the government proceeds with its fiscal consolidation plans and inflationary conditions facilitate looser monetary policy and lower government interest costs.

Egypt’s headline inflation is well above the upper boundary of the CBE's target range. The country’s inflation rose marginally to 26.2% in August, from 25.7% in July, due largely to an increase in petroleum prices. The authorities' stated commitment to maintaining a market-determined exchange rate, alongside the policy anchor of the expanded IMF program and other donor and FDI funding, should help begin to reduce inflation. S&P Global Ratings expect the inflation pressures to moderate from 2025 onward.

Egypt's real economic growth slowed sharply to 2.4% in fiscal 2024, partly due to limited foreign currency availability for most of the year, and high inflation. S&P Global Ratings expects its real economic growth to rebound from fiscal 2025 and average 4.2% in 2025-2027.

Table 2

Egypt--Selected Indicators

	2018A	2019A	2020A	2021A	2022A	2023A	2024F	2025F	2026F	2027F
Economic indicators (%)										
Nominal GDP (bil. LC)	4,666	5,596	6,153	6,663	7,843	10,155	13,903	18,128	21,988	25,973
Nominal GDP (bil. $)	264	319	384	425	477	394	384	366	419	468
GDP per capita (000s $)	2.7	3.2	3.8	4.2	4.6	3.7	3.6	3.4	3.8	4.2
Real GDP growth	5.3	5.5	3.6	3.3	6.7	3.8	2.4	3.8	4.3	4.5
Real GDP per capita growth	3.3	4.5	1.0	1.7	5.1	2.2	0.8	2.2	2.7	2.9
Real investment growth	8.7	11.9	(18.4)	(2.4)	30.5	(21.6)	15.9	4.0	6.5	6.5
Investment/GDP	18.7	20.1	16.0	15.2	17.0	12.9	13.0	14.1	15.1	16.2
Savings/GDP	16.4	16.6	13.1	10.8	13.5	11.7	7.6	9.2	10.5	11.7
Exports/GDP	18.0	16.6	12.5	10.6	15.1	19.1	16.4	17.6	17.2	17.3
Real exports growth	32.6	(2.4)	(23.5)	(14.5)	51.7	31.4	(10.6)	35.0	15.0	15.0
Unemployment rate	9.9	7.9	7.9	7.4	7.2	7.0	7.0	7.0	7.0	7.0
External indicators (%)										
Current account balance/GDP	(2.3)	(3.4)	(2.9)	(4.3)	(3.5)	(1.2)	(5.4)	(4.9)	(4.5)	(4.5)

Egypt--Selected Indicators	2018A	2019A	2020A	2021A	2022A	2023A	2024F	2025F	2026F	2027F
Current account balance/CARs	(8.0)	(13.8)	(14.6)	(24.2)	(16.0)	(4.8)	(24.0)	(19.8)	(18.8)	(18.4)
CARs/GDP	28.3	24.8	19.9	17.9	21.7	24.9	22.6	24.6	24.2	24.2
Trade balance/GDP	(14.1)	(11.9)	(9.5)	(9.9)	(9.1)	(7.9)	(10.3)	(10.6)	(10.7)	(11.0)
Net FDI/GDP	2.8	2.5	1.9	1.1	1.8	2.5	11.9	2.7	2.4	2.4
Net portfolio equity inflow/GDP	0.1	0.0	(0.3)	0.0	(0.2)	(0.1)	0.0	(0.1)	(0.1)	(0.1)
Gross external financing needs/CARs plus usable reserves	120.9	120.3	122.0	133.4	134.7	138.1	164.9	143.4	134.6	129.0
Narrow net external debt/CARs	68.1	82.0	104.8	139.5	119.3	135.8	126.3	127.1	112.0	99.0
Narrow net external debt/CAPs	63.1	72.1	91.4	112.3	102.8	129.6	101.8	106.1	94.2	83.6
Net external liabilities/CARs	198.9	214.7	253.7	293.2	234.7	274.2	333.9	338.6	309.9	285.5
Net external liabilities/CAPs	184.2	188.7	221.3	236.0	202.3	261.6	269.3	282.6	260.9	241.0
Short-term external debt by remaining maturity/CARs	51.2	62.8	66.4	62.6	61.0	66.6	83.2	79.9	68.7	60.0
Usable reserves/CAPs (months)	3.5	4.9	5.1	3.9	3.2	2.8	2.5	3.9	4.0	3.9
Usable reserves (Mil. $)	36,977	36,943	30,521	32,450	23,718	22,233	35,436	39,743	43,386	46,968

Note: A – Actual. F – Forecast. LC - Local currency. CARs - Current account receipts. FDI - Foreign direct investment. CAPs - Current account payments.

Sources: S&P Global Ratings, collected by S&P Global (China) Ratings.

Senegal

Senegal's institutions and governance remain fairly predictable, compared with those of peers at the same rating level. The country has established a track record of smooth transfers of power since its independence, and policymaking has improved in recent years. The transfer of power could lead to significant policy shifts, although the new authorities have yet to elaborate on their key economic policy proposals.

S&P Global Ratings updated the budget deficit anticipation after the Senegalese authorities announced that the country's debt and deficit were significantly wider than reported by the previous administration. S&P Global Ratings now anticipate the budget deficit will average 5.5% of GDP over 2024-2026, and the shortfall in revenue led the authorities to resort to short-term commercial funding with higher interest rates.

Hydrocarbon production and an improving mining sector trends should bolster Senegal's economic growth. Oil & Gas output will continue to drive Senegal's growth in 2025-2027. S&P Global Ratings anticipate that economic growth will accelerate in 2024, to 6.0% from 4.6% in 2023. S&P Global Ratings anticipate consumer demand will benefit from lower inflation, estimated at below 3% this year. Therefore, S&P Global Ratings expects real GDP growth to accelerate to 10% in 2025.

Senegal's membership in the West African Economic and Monetary Union (WAEMU) provides an important policy anchor and a buffer against external shocks, although limits monetary flexibility, and therefore fiscal policy flexibility, for individual members. The 2019 WAEMU currency reform, alongside the Banque Centrale des

Etats de l'Afrique de l'Ouest (BCEAO)'s monetary tightening, has helped tame inflationary pressure and maintain adequate reserve buffers in member countries, even during political crises and commodity price volatility. Over 2003-2023, WAEMU inflation averaged about 2.2%, compared with almost 10% in the rest of sub-Saharan Africa. As of August 2024, S&P Global Ratings estimate headline inflation at 4.4%, primarily driven by food prices. However, core inflation remains below 3%.

Table 3

Senegal--Selected Indicators

	2018A	2019A	2020A	2021A	2022A	2023A	2024F	2025F	2026F	2027F
Economic indicators (%)										
Nominal GDP (bil. XOF)	12,840.1	13,712.7	14,119.4	15,261.1	17,227.9	18,711.6	20,568.2	23,303.8	25,177.5	26,888.1
Nominal GDP (bil. $)	23.1	23.4	24.5	27.5	27.6	30.8	34.4	40.7	44.7	48.1
GDP per capita (000s $)	1.5	1.5	1.5	1.6	1.6	1.7	1.9	2.2	2.3	2.5
Real GDP growth	6.2	4.6	1.3	6.5	3.8	4.6	6.0	10.0	5.2	4.7
Real GDP per capita growth	3.4	1.8	(1.3)	3.8	1.2	2.0	3.4	7.3	2.7	2.2
Real investment growth	13.7	10.3	7.2	15.8	11.0	(4.6)	3.0	4.0	3.8	3.0
Investment/GDP	32.6	32.0	35.6	38.4	45.6	45.4	43.0	39.9	38.7	37.6
Savings/GDP	23.1	23.9	24.8	26.3	25.5	27.2	29.4	32.6	32.6	32.6
Exports/GDP	22.9	25.0	20.7	24.6	26.9	22.8	24.8	27.5	27.9	28.2
Real exports growth	8.2	14.7	(13.2)	22.5	3.5	(7.9)	14.0	21.0	6.0	6.0
Unemployment rate	3.6	2.9	3.4	3.4	3.0	2.9	6.0	6.0	6.0	6.0
External indicators (%)										
Current account balance/GDP	(9.6)	(8.1)	(10.9)	(12.1)	(20.1)	(18.2)	(13.6)	(7.3)	(6.1)	(5.0)
Current account balance/CARs	(26.1)	(20.9)	(30.5)	(31.2)	(50.0)	(47.0)	(32.1)	(16.8)	(14.3)	(11.9)
CARs/GDP	36.7	38.8	35.6	38.7	40.2	38.6	42.6	43.2	42.5	42.1
Trade balance/GDP	(14.7)	(12.3)	(11.4)	(10.9)	(17.5)	(16.9)	(13.4)	(8.6)	(6.9)	(5.8)
Net FDI/GDP	3.4	4.2	7.1	9.2	10.3	12.0	8.1	4.3	3.2	3.1
Net portfolio equity inflow/GDP	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.2	0.2	0.1
Gross external financing needs/CARs plus usable reserves	137.5	130.3	129.9	132.0	141.0	144.0	128.1	123.9	120.8	118.1
Narrow net external debt/CARs	119.5	120.4	155.7	128.4	141.3	146.0	132.7	117.1	111.9	107.8
Narrow net external debt/CAPs	94.8	99.6	119.3	97.9	94.2	99.3	100.5	100.3	97.9	96.3
Net external liabilities/CARs	134.1	140.7	189.3	165.1	194.9	227.6	218.6	198.7	195.4	192.5
Net external liabilities/CAPs	106.4	116.4	145.0	125.8	130.0	154.8	165.5	170.1	171.0	172.0
Short-term external debt by remaining maturity/CARs	42.0	45.0	43.5	39.5	45.1	44.2	39.5	38.8	41.0	42.6
Usable reserves/CAPs (months)	2.1	2.7	3.1	2.7	3.1	2.7	3.1	2.6	3.0	3.3
Usable reserves (Mil. $)	2,474.9	2,968.8	3,124.3	4,246.3	3,917.2	4,967.5	4,486.1	5,422.2	6,227.5	6,756.2

Note: A – Actual. F – Forecast. XOF - CFA franc. CARs - Current account receipts. FDI - Foreign direct investment. CAPs - Current account payments.

Sources: S&P Global Ratings, collected by S&P Global (China) Ratings.

Gabon

Even after decades of oil extraction and several years of budget surpluses, Gabon's financial reserves are low, with fiscal policies predominantly aligned with economic

cycles. A considerable risk arises from the potential worsening of the nation's fiscal health due to the anticipated reduction in oil income, coupled with intense demands on government expenditures to satisfy elevated social expectations.

Gabon's nominal GDP growth rates were 3.0% in 2022 and 2.3% in 2023, driven by robust demand for export commodities such as oil, manganese, timber, and palm oil, along with ongoing economic reforms. The GDP per capita stood at USD 8,409 in 2022 and decreased slightly to USD 7,803 in 2023.

Industries like timber, palm oil and rubber plantations, as well as the commencement of operations at the Belinga iron mine and the discovery of new manganese deposits, are expected to be pivotal in driving future economic growth.

Furthermore, Gabon is confronted with the possibility of diminished financing opportunities and higher borrowing costs, a consequence of the global financial environment's contraction and the substantial funding requirements needed to manage the maturity of eurobonds in 2025.

Cote d'Ivoire

Real GDP per capita in Cote d'Ivoire remains low, at USD 2,985 in 2024, but S&P Global Ratings expect economic activity will continue to expand faster than in peer economies, averaging 6.6% annually over 2024-2027. Infrastructure investment, ongoing industrialization, an increase in transport capacity, rising activity in information and communication technology, and a rapid increase in hydrocarbon and mining output should support strong real GDP growth.

Policymaking in Cote d'Ivoire has improved since the 2011 political crisis, but S&P Global Ratings thinks tensions could crystalize before the 2025 presidential elections. The political dialogue has reduced entrenched ethnic tensions and helped sustain political stability and the predictability of policymaking.

Significant external imbalances are set to decline rapidly, although uncertainties remain. The current account deficit widened significantly in 2022-2023, owing to a surge in global commodity prices, higher preproduction imports for the oil and gas sector, and a weak cocoa output in 2023. S&P Global Ratings expect the budget deficit to continue its downward trend.

Cote d'Ivoire's membership in WAEMU continues to provide monetary stability and additional external buffers though limits its monetary flexibility.

Industry Trends

We define supranational institutions as institutions owned or established by the governments of two or more countries. Most have a mandate to pursue specified policy objectives under international treaties, for example, to promote the economic development of their less-developed or regional member countries, encourage regional integration, or facilitate the expansion of cross-border trade.

Multilateral lending institutions (MLI) have some similarity with commercial banks, but with some material differences. MLIs tend to be specialized institutions established by several sovereign governments and mandated to support the public policy intent of their owners. This results in several unique characteristics for MLIs compared with banks, including:

- Their special status is governed by international treaties and the institution's bylaws. (MLIs are usually not subject to national banking regulation or commercial law.)
- Preferred Creditor Treatment (PCT) on the exposures to sovereigns is a cornerstone of the MLI sector that historically has enabled it to operate with low losses. One distinguishing factor of MLI lending to sovereigns is commonly referred to as PCT. Historically, MLIs have had lower default rates and higher recovery rates in sovereign lending than commercial lenders have had. The reason for this is that MLIs have been exempt from participating in sovereign debt rescheduling coordinated by the Paris Club of bilateral creditors, whereas commercial lenders often have not (under the principle of "comparability of treatment"). Similarly, in a distress scenario, sovereigns often will service debt owed to MLIs, even while defaulting on commercial debt, because sovereigns expect MLIs will offer additional financing throughout the period of distress even when commercial markets have closed. When sovereigns do default to MLIs, these defaults are usually cured before commercial debt arrears because such clearance is usually a condition of resumed access to funding from the IMF. The PCT is not applicable to MLIs on a contractual basis, but rather it's a function of the importance of their policy role and depends, in practice, on the decision of the individual defaulting sovereign.
- MLIs generally have simpler and narrower business profiles than commercial banks. Most MLIs' activities consist primarily of lending to or guaranteeing obligations of sovereign governments. They usually do not entail trading or underwriting.
- MLIs have a higher reliance on market funding (no or very limited deposits and generally no access to central bank funding), which is mitigated, in most cases, by high levels of capital and liquid assets.

G20 countries have called on multilateral banks and lending institutions to spearhead channeling funds from the private sector to tackle development ambitions and climate action goals in middle- and low-income countries, but progress has been slow.

Lately, members of the G20 have intensified pressure on MLIs to deliver more financing as the world continues to fall significantly behind meeting commitments under the U.N.'s SDGs by 2030. In addition, the G20 wants to close the financing gap

in the climate transition toward a net-zero emission scenario by 2050. Estimates on the annual financing gap amount to approximately USD 4 trillion in developing countries, according to the United Nations Conference on Trade and Development, a significant increase from the USD 2.5 trillion estimate in 2014.

As public funds are nowhere near enough to cover the needs, the G20 announced after the IMF-World Bank meetings in Marrakech in 2023 its ambitions to deliver better, bigger and more effective MDBs by enhancing operating models and substantially increase the financing capacity of MDBs to maximize development impact where private-sector mobilization plays a key role.

Mobilization volumes in low- and middle-income countries have only grown to USD 65 billion in 2022 from USD 60 billion in 2017. Mobilized capital in high-income countries is on average double that of volumes mobilized in low- and middle-income countries, although own commitments from the MLIs are about the same.

The MLI sector's current operating model seems to be lagging in its capacity of sufficiently scaling up private capital mobilization. Positively, the sector's own lending increased by 30% to about USD 200 billion annually in 2020 compared with USD 150 billion in the five years prior and has roughly remained at that level. This was a significant increase beyond our expectations, although the bar is now higher for it to continue expanding. But private-sector capital mobilized to low- and middle-income countries has only grown by 10% to USD 65 billion in 2022 from USD 60 billion in 2017, partly reflecting a general lack of explicit targets and steering models to increase mobilization.

We are seeing some structural improvements that could lead to higher mobilization. The World Bank Group has launched a new scorecard, which, among other significant updates, proposed to include a key variable that measures the mobilization of private-sector capital. For example, IDB Invest’s strategic focus on mobilization first launched in 2022, and in 2024 it was reinforced with the USD 3.5 billion capital increase explicitly linked to scaling up mobilization.

However, obstacles to scale up private-sector investments are much of the same as in the past. Potential projects that can be mobilized face similar challenges in many low- but also some middle-income countries as in the past. Often, the lack of solid institutional support and low capacity or appetite for public funds to provide first-loss equity or mezzanine-like financing prevents a higher scale of mobilization. In addition, there are risks related to foreign exchange, among others.

MLIs' loans to sovereigns are not priced to account for credit risk, making mobilization of capital from the private sector toward these loans difficult as returns on these loans are too low compared with other investments. Sovereign loans make up about two-thirds of the overall loans on MLI balance sheets, while the remainder is made up of direct private-sector corporate and financial institution loans of USD 250 billion and USD 400 billion, respectively--significantly reducing the capacity for mobilization.

These institutions play an important role in accelerating sustainable development goals and Paris alignment deliveries in part underpins their policy importance.

When turning to climate financing, the loan volumes in the sector have ramped up significantly during the last five years, but mobilization levels for low- and middle-income countries have yet to recover from pre-COVID-19 levels. MLI climate targets

are now committing 40%-75% of all new lending to climate, almost doubling from five to seven years ago. The sector combined lent USD 60.7 billion to low- and middle-income countries in 2022 for climate purposes. This was split roughly one-third to adaptation projects and two-thirds for climate change mitigation projects. We believe this will increase by 5%-10% annually given higher internal targets.

Stand-alone Credit Profile

The Africa Finance Corporation (AFC) was established in 2007 as a multilateral development finance institution by twin constitutive documents: the Agreement for the Establishment of Africa Finance Corporation (the "AFC Establishment Agreement") and the Charter of AFC (the "AFC Charter"). The AFC Establishment Agreement, signed or acceded by 44 African nations as of the end of 2024, is a treaty under public international law, providing AFC with full legal capacity to carry out its operations. As a supranational entity, AFC is not bound by the domestic laws or regulations of any member state.

As of the end of 2023, AFC reported total assets of USD 12.35 billion, up by 17.26% YoY. In 2023, its net income increased by 15.31% YoY to USD 330 million. As of the end of June 2024, AFC reported total assets of USD 12.19 billion.

Enterprise Risk Profile

Policy Importance

AFC was established with the purpose of fostering economic growth and industrial development of African countries. It devotes itself to becoming Africa's leading infrastructure solutions provider. It is structured as a partnership between public and private investors to promote infrastructure investment. AFC operates on a pan-African basis. It has 44 member states, covering 80% of African countries, as of the end of 2024.

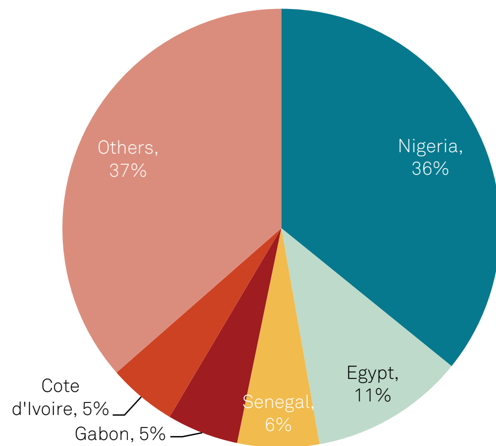
AFC was established by treaty with the purpose of fostering economic growth and industrial development of African countries. It has benefitted from PCT from almost all sovereign borrowers. We determine its policy importance to be 1/Very Strong.

AFC achieved geographical diversification by investing in about 40 countries with over 60% of the development related assets (DRA) invested in 5 African nations. Nigeria, being one of Africa's largest economies, receives the largest share of AFC's investments. As of the end of June 2024, AFC's development related portfolio in Nigeria comprised of USD 3.1 billion in loans, investment securities, equity and others, which constituted 35.8% of AFC's DRA. Egypt follows as the second most significant country in terms of AFC's DRA. As of the end of June 2024, AFC had USD 1.0 billion development related investment in Egypt. The aggregate exposure to Egypt represented 11.4% of AFC's DRA. Senegal, Gabon and Cote d'Ivoire, holding the 3rd to 5th largest exposure, represented 6%, 5% and 5% of AFC's total DRA, respectively.

Chart 1

AFC is Operating in the Pan-Africa Region

AFC: Development Related Assets by Nations as of End of June 2024



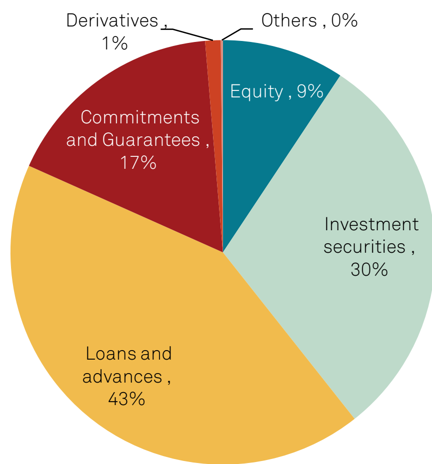
Note: The development related assets in this analysis exclude the treasury assets.
Source: AFC, collected and adjusted by S&P Global (China) Ratings.

AFC bolsters African sovereigns, corporations, and financial institutions in achieving their economic ambitions. It offers a range of financial services, including equity, mezzanine, and debt financing, as well as treasury and trade finance. AFC also extends advisory services in project development and management, capital raising, and restructuring, and provides financing options for African financial institutions. As of the end of June 2024, loans and advances to banks and other customers, investment securities, off-balance sheet commitments and guarantees, and equity accounted for 42.3%, 30.0%, 17.0% and 9.3% of AFC's total exposure, respectively.

Chart 2

AFC Offers a Wide Range of Financial Services

AFC: Distribution of Exposure by Products as of End of June 2024



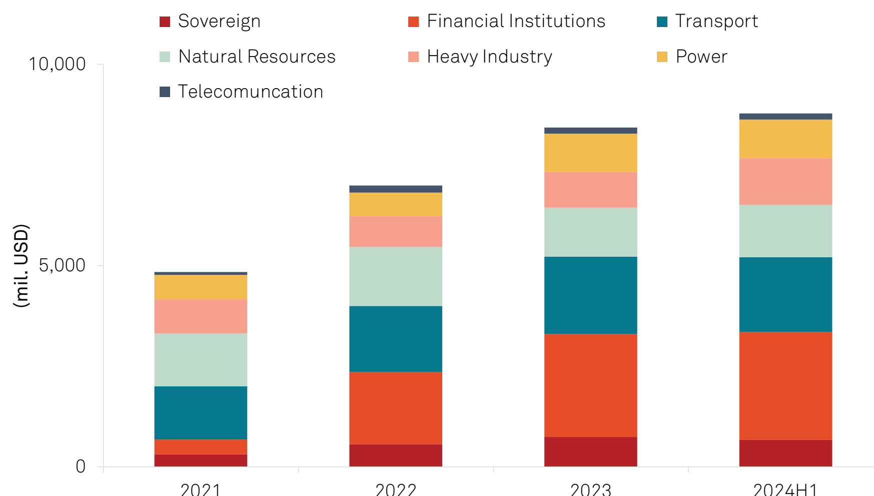
Source: AFC, collected and adjusted by S&P Global (China) Ratings.

AFC is dedicated to promoting Africa's export competitiveness by focusing on infrastructure-based lending. It invests across the entire spectrum of five strategic sectors: Power, Natural Resources, Transport & Logistics, Heavy Industry, and Telecommunications & Technology. AFC also invests in sovereigns and financial institutions, to which loans and other investments made by AFC will ultimately flow into the 5 infrastructure development related sectors, as mentioned above, of the invested countries. As of the end of June 2024, AFC's largest allocation was in the Financial sector, with 2.7 billion representing 30.5% of its total DRA. The Transport sector followed, with USD 1.9 billion in DRA, accounting for 21.2% of the portfolio. The Natural Resources sector ranked third, with USD 1.3 billion in DRA, constituting 14.9% of the portfolio.

Chart 3

Financial Institutions, Transport and Natural Resources Have Been the 3 Largest Sectors for AFC Regarding Development Related Assets

AFC: Development Related Assets by Sector



Note: The development related assets in this analysis exclude the treasury assets.
Source: AFC, collected and adjusted by S&P Global (China) Ratings.

The AFC Establishment Agreement, in conjunction with the AFC Charter, grants AFC's assets and operations to be exempted from any regulations or controls, including moratoria and monetary constraints. Furthermore, it entitles AFC to a preferred creditor status among its member states, which confers upon AFC certain immunities and privileges within those countries.

AFC is committed to backing the continent's energy transition through investments in sustainable industrialization and has become Africa's largest renewable energy investor.

AFC is proactively facilitating the shift towards cleaner and more sustainable energy solutions, thereby enhancing Africa's energy security, and progressing its environmental sustainability goals. The corporation and its partners have established the continent's largest platform dedicated to renewable energy.

AFC is a key shareholder of Infinity Energy, alongside the European Bank for Reconstruction and Development (EBRD). Infinity Energy is a holding company that owns a majority stake in Infinity Power Holdings, one of the largest renewable energy platforms in Africa. In 2023, Infinity Power successfully closed the acquisition of Lekela Power BV, Africa's largest wind platform. AFC played a leading role in proffering an innovative funding solution, with the Corporation deploying a combination of equity and quasi-equity instruments. Following the acquisition, Infinity Power Holdings is now the largest renewable energy company in Africa, with 1.3 GW of operational projects and a 14 GW project pipeline.

In 2023, AFC achieved a milestone by developing and launching Djibouti's first wind farm and independent power production facility. This initiative is in line with Djibouti's ambition to become the first African nation to generate all of its electricity from renewable energy sources.

Operating through its fund management arm, AFC Capital Partners, AFC has obtained a substantial commitment of USD 240 million from the Green Climate Fund for its maiden fund, the Infrastructure Climate Resilient Fund (ICRF) which has a target fund size of USD 750 million. This achievement signifies a major in the development of sustainable and climate-resilient infrastructure across Africa.

Governance and Management Expertise

AFC has implemented well-defined corporate policies, business practices and internal controls to safeguard its interests while pursuing its developmental mandate. The strict financial polices set by AFC are designed to maintain robust capitalization and the performance of assets against a worsening business climate. We expect AFC to adhere to these frameworks going forward, highlighting its strategy to expand the balance sheet and improve its financial leverage.

AFC has implemented well-defined corporate policies, business practices and internal controls to safeguard its interests while pursuing its developmental mandate. We assign 2/Adequate to its governance and management expertise.

Together with the 1/Very Strong Policy Importance, we determine that AFC has a 1/Very Strong ERP.

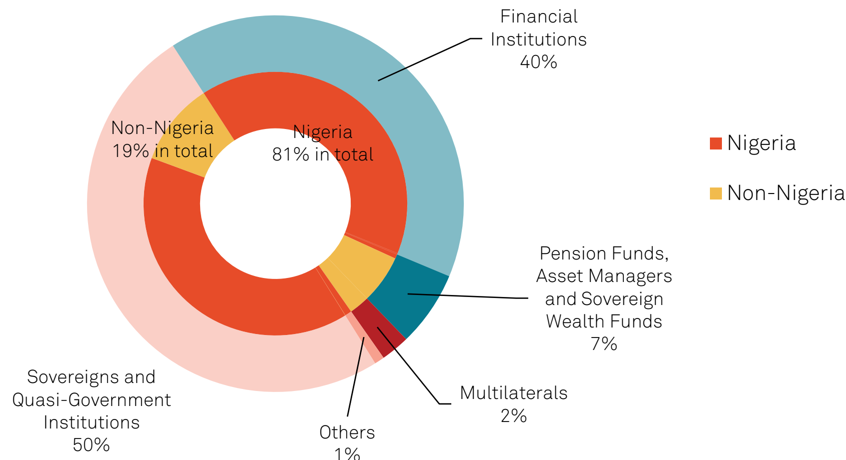
AFC is a partnership among African State Parties via the Establishment Agreement, with equity investments from several African State Parties, including the Central Bank of Nigeria (CBN), Ghana Infrastructure Investment Fund (GIIF), CDC Gabon, etc. It also receives funding from multilaterals such as the African Development Bank (AfDB), BADEA, and TurkEximbank as well as private sector investors across Africa. Structured as a collaborative venture between public and private investors, AFC is dedicated to fostering public-private partnerships in infrastructure financing. Most of AFC's private sector shareholders are prominent African multinational corporations, sovereign wealth funds, central banks, pension funds, and financial institutions.

AFC benefits from a diverse shareholder structure, which is designed to leverage strong public-private partnerships. As of the end of June 2024, AFC had over 47 shareholders comprising of 14 African sovereigns, 1 non-African sovereign, 2 sovereign wealth funds, 9 pension funds and asset managers, 3 multilaterals, and 13 financial institutions. Nigerian shareholders are AFCs biggest shareholders. The CBN is AFC's largest shareholder with approximately 40% of paid-in capital as of end of June 2024, while other Nigerian financial institutions accounted for about 40%.

Chart 4

AFC Is The Product of A Collaboration Among The CBN, A Host of African States, And Private Sector Investors

AFC: Breakdown of Shareholders



Source: AFC, collected and adjusted by S&P Global (China) Ratings.

AFC successfully executed its 2019-2023 strategy aimed at reducing Africa's infrastructure deficit by identifying, developing, and financing high-quality projects across the continent. AFC increased its total assets to USD 12.3 billion as of the end of 2023, surpassing the target set out in its 5-year strategy by USD 2.3 billion. It also improved its ROE from 8.4% in 2018 to 10.8% in 2023 while maintaining capital adequacy ratio at 34.5%.

Financial Risk Profile

Capital Adequacy

We expect AFC to maintain a solid capital base. As an MLI, AFC is not subject to the Basel capital adequacy requirements. Nevertheless, AFC sets a minimum Basel capital adequacy ratio target of 30%. As of the end of June 2024, AFC's reported Basel capital adequacy ratio stood at 34.7%,0.2 percentage points higher than that of the beginning of the year.

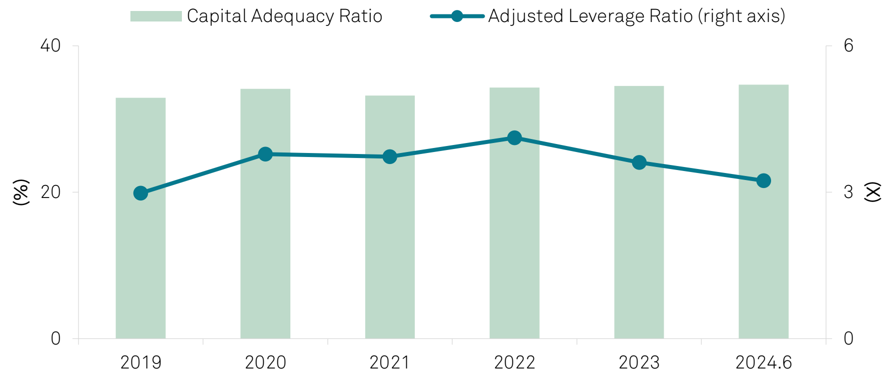
AFC maintains a solid capital base. The management will continue to maintain the leverage ratio at the current level. Hence, we score AFC's initial capital adequacy as 3/Adequate.

Given the company's adherence to a minimum capital adequacy ratio of 30%, we anticipate that the management will continue to maintain the leverage ratio at the current level. We measure MLI's initial capital standing by employing the adjusted leverage ratio, which takes into account the effects of under-provisioning on loans and debt investments, warrants, FVOCI equity investments, and off-balance sheet commitments. As of the end of June 2024, AFC's leverage ratio adjusted by S&P Global (China) Ratings was 3.2 times, 0.4 times lower than at the start of the year.

Chart 5

We Are Confident That AFC Maintains A Solid Capital Base

AFC: Capital Adequacy Ratio and Adjusted Leverage Ratio



Source: AFC, S&P Global (China) Ratings.

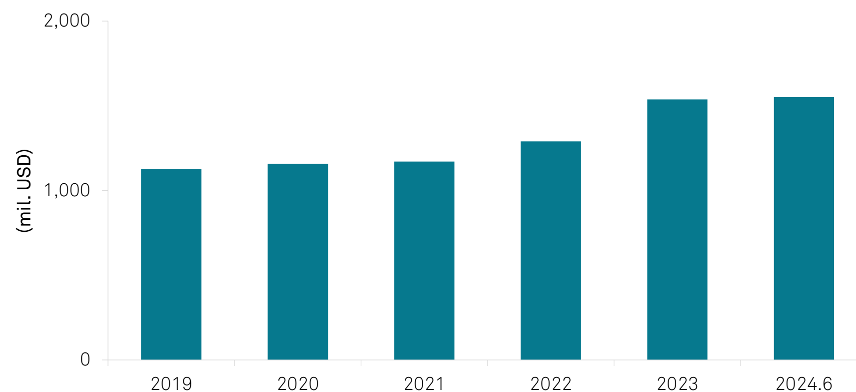
AFC has concluded its capital fundraising initiative for the period 2019-2023, surpassing its goal of USD 1 billion by December 2023, with an actual total of USD 1.1 billion raised, which equates to 110% of the intended target. This accomplishment underscores AFC's robust investor confidence and backing, and its proactive strategy featuring innovative fundraising mechanisms.

As part of its forthcoming five-year expansion strategy, AFC targets on attracting another USD 1 billion fresh capital inflow by 2028. AFC has established a strong portfolio of engagements, spanning a range of potential global investors and has been successful raising paid-in capital in recent years. It is confident in achieving its 2024 equity target of approximately USD 200 million in equity investments.

Chart 6

AFC Has Been Successful Raising Paid-in Capital in Recent Years

AFC: Paid in Capital Through the Years



Source: AFC, collected and adjusted by S&P Global (China) Ratings.

AFC is on track to double its total equity by 2028, thanks to the projected USD 2.3 billion in retained earnings from 2024 to 2028, complemented by additional capital raised during this period. The anticipated substantial growth in retained earnings is bolstered by AFC's robust financial performance and a positive shift in its dividend policy. Dividend distributions were lowered to 25% in 2023, down from 30% in 2022, which will enable the retention of a larger portion of profits, thereby fostering organic growth of the capital base in the future.

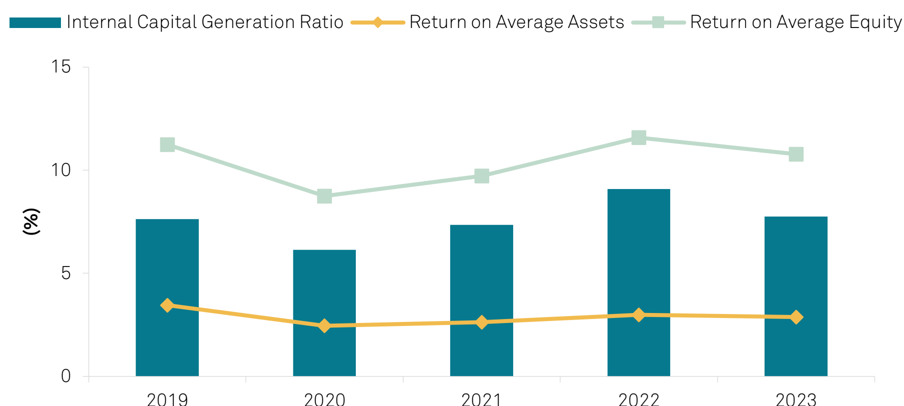
AFC has maintained effective control over operating cost. In 2023, its adjusted cost-to-income ratio came to 19.6%, 3 percentage points lower than that of 2022. We expect the ratio to stay at a reasonable level in the following 2 years.

AFC has seen an enhancement in its profitability over recent years. In 2023, the company reported a Return on Average Assets (ROAA) of 2.88% and a Return on Average Equity (ROAE) of 10.77%, which were 19 bps and 76 bps above the averages from 2019 to 2022, respectively. AFC continued to demonstrate robust profitability in the first half of 2024, with a net income of USD 255 million, more than twice the amount recorded in the same period of 2023. Looking ahead, we anticipate that AFC will sustain a healthy level of profitability for 2024 and 2025.

Chart 7

AFC Has Seen Solid Revenue Growth Which Generates Sufficient Retained Earnings

AFC: Return on Average Assets, Return on Average Equity and Internal Capital Generation Capacity



Note: Internal capital generation ratio = (net income – dividend) / average total equity.
Source: AFC, collected and adjusted by S&P Global (China) Ratings.

AFC has effective risk mitigation measures and relatively low bad debts because of its prudent risk management. Its project portfolio faces challenging operating risk in the African continent. Its risk position is 3/Neutral.

Combining AFC's low leverage and neutral risk position, we assign it a final capital adequacy score of 3/Adequate.

Risk Position

AFC has implemented effective credit safeguards that have shielded its asset quality from deterioration, despite operating in a challenging environment characterized by high credit risk in the countries it serves. Throughout 2023 and the first half of 2024, AFC maintained a strong asset quality. The non-performing loans (NPL) ratios stood at 2.77% as of the end of 2023 and decreased to 2.50% by June 2024. The proportion of IFRS Stage 2 and 3 loans has been on a downward trajectory since 2020. Furthermore, the percentage of overdue loans relative to total loans was 2.07% as of

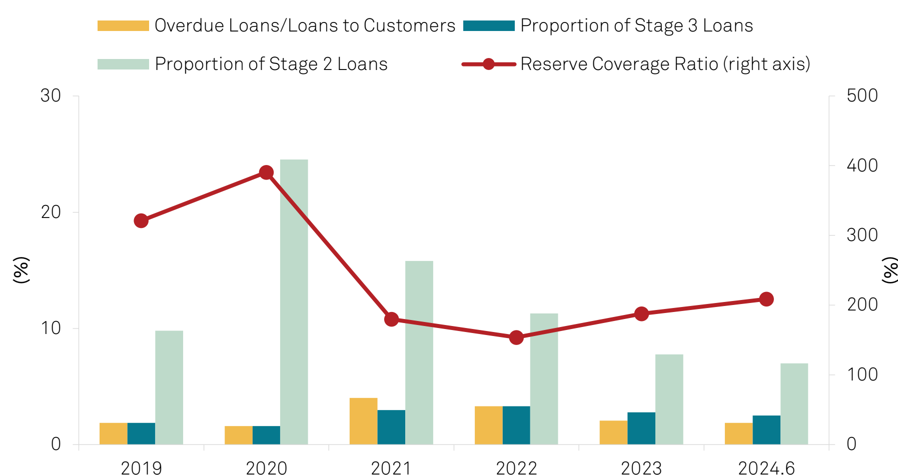
the end of 2023 and further reduced to 1.86% by June 2024, which were lower than the NPL ratios for both periods.

AFC has adopted substantial credit enhancement strategies to mitigate the potential for ultimate credit losses. Initially, AFC adheres to a stringent provisioning policy to safeguard against NPLs. The reserve coverage ratios were robust at 188% as of the end of 2023 and 209% by June 2024. Additionally, AFC secures its assets with elevated collateral levels and third-party insurance. Approximately USD 1 billion of AFC's loans, which accounted for 17.7% and 17.2% of the total portfolio as of the end of 2023 and June 2024 respectively were covered by non-payment insurance. This included single name non-payment insurance covering 12.1% and 11.8% of the loan portfolio as of the end of 2023 and June 2024, respectively. As well as portfolio non-payment insurance, which covered 5.6% and 5.4% as of the end of 2023 and June 2024, respectively. Furthermore, AFC benefits from the PCT, which provides it with certain immunities and privileges within its member countries. PCT has been demonstrated to be an effective tool for AFC against losses in the event of sovereign defaults.

Chart 8

AFC's Maintained Good Asset Quality And Sufficient Reserve

AFC: Asset Quality Metrics and Loan Loss Reserve Coverage



Note: The NPL amount is the same as that of IFRS stage 3 loans for the periods above.
Source: AFC, collected and adjusted by S&P Global (China) Ratings.

AFC's investment portfolio, as well as its exposures to financial institutions, maintained good asset quality. It invests its surplus treasury funds in securities issued by various governments in the region in line with the corporation's development mandate. AFC had no investment securities, nor exposures with banks, classified as stage 2 or 3 as of the end of 2023 and June 2024.

AFC has developed a comprehensive market risk management framework that addresses various types of risks, including interest rate risk, equity price risk, foreign exchange (FX) risk, commodity price risk, and credit spread risk. The Corporation employs Value at Risk (VaR) and stress testing methodologies to quantify market risk, with backtesting conducted on a daily basis. AFC has also established a limit

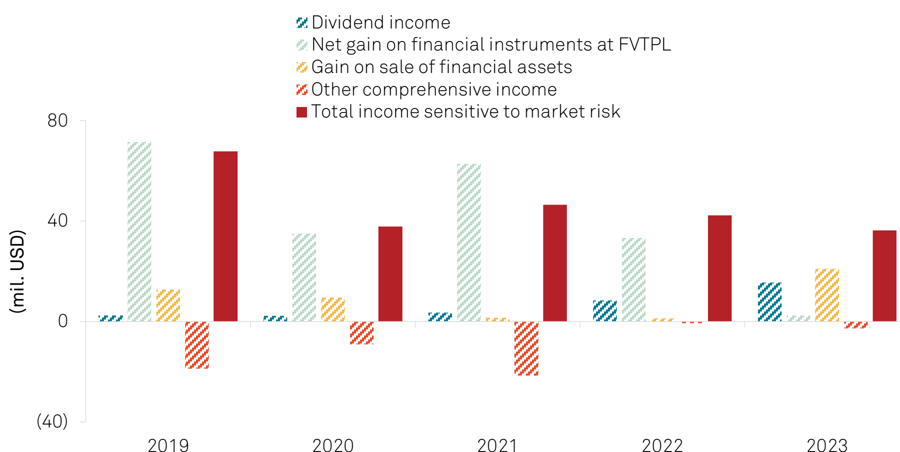
framework that encompasses instrument limits, country limits, duration limits, and stop-loss limits. This framework is designed to contain market risk at levels that are aligned with AFC's business objectives, market strategies, risk appetite, and the capital allocated for such risks.

Over the past five years, AFC's income sensitive to market risk, along with its other comprehensive income, has remained in positive territory. This track record gives us confidence that AFC is well-positioned to prevent significant losses that could arise from market risk exposures.

Chart 9

AFC's Total Income Sensitive to Market Risk Remained Positive for The Past 5 Years

AFC: Total Income Sensitive to Market Risk



Note: Total income sensitive to market risk = Dividend income + Net gain on financial instruments at FVTPL + Gain on sale of financial assets + Other comprehensive income

Source: AFC, collected and adjusted by S&P Global (China) Ratings.

Funding and Liquidity

Funding

AFC is committed to diversified funding strategy. Unlike commercial banks, AFC, as an MLI, does not take deposits and generally has no access to central bank funding and liquidity mechanisms.

AFC is committed to a diversified funding strategy and expands its funding base on a global scale. We assign its funding score to be 2/Neutral.

AFC possesses manageable refinancing risk and has successfully refinanced the majority of its debts. The primary sources of its funding include development finance institutions, banks, and the international capital market. As of June 30, 2024, AFC's total borrowings amount to USD 8 billion, with USD 3.1 billion sourced from commercial banks, USD 1.9 billion from development financial institutions, and USD 3 billion from the capital markets, specifically bonds and medium-term notes ("MTNs"). In October 2024, AFC successfully issued USD 500 million MTNs in the Eurobond market. Investors include asset/fund managers, banks, central banks, hedge funds, pension and insurance from UK & Ireland, US/Americas, Continental Europe, MENA and Asia. In November 2024, AFC announced the successful closure of a USD 300 million India-focused syndicated loan.

AFC is expanding its funding base on a global scale. In 2023, it onboarded the Republic of Turkey as its first non-African shareholder. Additionally, AFC has formed partnerships with the German Investment Corporation (DEG), Société de Promotion et de Participation pour la Coopération Economique (PROPARCO), Cassa Depositi E Prestiti (CDP), the Green Climate Fund (GCF), the OPEC Fund, the Export-Import Bank of China, and also engaged new creditors from the Middle East and Asia.

AFC seeks to extend the maturity profile of debt to match longer-term assets while also seeking local currency funding solutions to enable the corporation to fund infrastructure assets in local currency.

Table 4

AFC: Breakdown of Financial Assets and Liabilities by Maturities as of The End of 2023

(mil. USD)	Within 1 Month	1-3 Months	3-12 Months	1-5 Years	Above 5 Years	Total Gross Amount
Financial Assets						
Cash and balances with banks	7	-	-	-	-	7
Loans and advances to banks	914	279	220	-	-	1,413
Derivative financial instruments	168	136	60	67	(2)	429
Financial assets at fair value through profit or loss	-	19	19	234	1,503	1,775
Loans and advances to other customers	116	267	1,130	2,868	2,432	6,813
Investment securities	2,151	552	1,002	288	644	4,638
Pledged assets	-	8	127	396	38	570
Other assets	-	24	-	-	-	24
Total financial assets	3,357	1,285	2,559	3,852	4,616	15,669
Financial Liabilities						
Accrued expenses and other liabilities	27	114	1	-	-	142
Borrowings	2	68	1,447	6,282	1,926	9,725
Derivative financial instruments	(106)	(27)	(64)	(1)	1	(196)
Total financial liabilities	**(77)**	**155**	**1,384**	**6,281**	**1,928**	**9,670**

Source: AFC, collected and adjusted by S&P Global (China) Ratings.

Liquidity

AFC can manage its liquidity needs in adverse market and economic conditions and is likely to function properly over an extended period in such conditions. We score AFC's liquidity as 1/Very Strong.

AFC has very prudent liquidity management policy and is committed to diversified funding strategy. We determine that its funding and liquidity score would be 2/Strong.

AFC has sufficient on-balance sheet liquidity resources to pay upcoming maturing obligations over the next 12 months. Therefore, even in severe adverse scenario without market access to funding, it can avoid default for 12 months.

AFC adheres to a highly conservative approach to liquidity management. It employs the Minimum Liquidity Level (MLL) and the Liquidity Coverage Ratios (LCR) among other critical indicators and triggers to mitigate liquidity risks. Both the MLL and LCR are determined based on both 18-month business-as-usual (BAU) scenarios and 12-month stressed scenarios. As of the end of June 2024, the LCR stood at 139% under BAU assumptions (December 2023, 161%) and 122% under a stressed scenario (December 2023, 143%).

Our analysis of liquidity focuses on AFC's capacity to handle its liquidity requirements amidst challenging market and economic environments as well as its potential to maintain regular operations over an extended period under such circumstances. We assess liquidity ratios across various time frames by determining the ratio of liquid assets discounted under stressed scenario to liabilities for each specified period (the upcoming 6 and 12 months). As of the end of 2023, the liquidity ratios are 7.7X and 4.1X for 6-month and 12-month periods, respectively.

Table 5

AFC: Liquid Assets and Liabilities as of the end of 2023

	Haircut at stressed scenario (%)	Total Gross Amount (mil. USD)
Liquid Assets		
Cash and balances with banks	1	6.71
Loans and advances to banks	50	1,413.50
Equity securities at fair value hierarchy level 1	50	36.74
Loans and advances to other customers	50	6,813.38
Government debt securities outside Africa	10	2,108.40
Financial Liabilities		
Total financial liabilities within 6 months		779.34
Total financial liabilities within 12 months		1,461.30

Source: AFC, collected and adjusted by S&P Global (China) Ratings.

By evaluating its 3/Adequate capital adequacy and 2/Strong funding and liquidity, we determine that AFC has a 2/Strong FRP, which, together with its 1/Very Strong ERP, leads to the SACP of aaa$_{spc}$.

Issuer Credit Rating

Extraordinary Shareholder Support

AFC will probably receive extraordinary shareholder support in time of stress. The support may come from callable capital. Since its stand-alone credit profile is aaa$_{spc}$, there is no uplift for extraordinary shareholder support.

In conclusion, AFC's issuer credit rating of AAA$_{spc}$ is mainly based on its stand-alone credit profile in terms of high policy importance, disciplined capital management and sufficient liquidity buffer, and not including any uplift from shareholder support.

In December 2020, AFC amended its Charter to allow the introduction of callable capital for new shareholders on a voluntary basis. Following this Charter revision, several countries have pledged callable capital and have contributed a total of USD 39 million.

As of the end of June 2024, the amount of outstanding callable capital was USD 43 million (compared to USD 39 million as of the end of 2023).

Table 6

AFC: Contribution of Callable Capital Since 2020

	Year of Contribution	Callable Capital Contributed (mil. USD)
Government of Togo	2021	15
Government of Sierra Leone	2022	8
Government of Benin	2023	8
Government of Botswana	2023	8
Government of Zimbabwe	2024	4
Total		43

Source: AFC, collected and adjusted by S&P Global (China) Ratings.

The USD 43 million in callable capital represents less than 1% of AFC's total outstanding debt, thereby not significantly impacting AFC's debt servicing capacity. Nonetheless, these contributions of callable capital demonstrate the willingness of the contributing countries to support AFC when necessary.

In conclusion, AFC's issuer credit rating of AAA_{spc} is mainly based on its stand-alone credit strength in terms of high policy importance, disciplined capital management and sufficient liquidity buffer, and not including any uplift from shareholder support.

Appendix

Appendix 1: Key Financial Data

AFC -- Key Financial Data	2019	2020	2021	2022	2023	2024.6/1-6
Enterprise Risk Profile						
Total assets (mil. USD)	6,119	7,363	8,565	10,528	12,345	12,193
Total assets YoY growth (%)	36.35	20.34	16.32	22.92	17.26	N/A
Shareholder equity (mil. USD)	1,708	2,076	2,239	2,699	3,421	3,617
Shareholder equity YoY growth (%)	10.02	21.54	7.84	20.58	26.72	N/A
Operating income (mil. USD)	231	219	259	400	497	336
Operating income YoY growth (%)	28.95	(4.97)	18.31	54.32	24.24	N/A
Net income (mil. USD)	183	166	210	286	330	255
Net income YoY growth (%)	42.55	(9.68)	26.68	36.33	15.31	N/A
Financial Risk Profile						
Reported Basel total capital adequacy ratio (%)	32.92	34.13	33.20	34.30	34.54	34.70
Total debts/ adjusted equity (X)	2.99	3.78	3.73	4.12	3.61	3.23
Adjusted cost-to-income ratio (%)	17.23	22.79	22.91	22.61	19.61	14.61
Return on average assets (%)	3.46	2.46	2.63	3.00	2.88	N/A
Return on average equity (%)	11.24	8.75	9.72	11.58	10.77	N/A
Non-performing loan ratio (%)	1.87	1.58	2.97	3.30	2.77	2.50
Overdue loans/ loans to customers (%)	1.87	1.58	4.03	3.30	2.07	1.86
Reserve coverage ratio (%)	321	391	180	154	188	209
6-month liquidity ratio (X)	4.12	5.63	9.13	13.14	7.75	NA
12-month liquidity ratio (X)	2.71	3.00	3.06	3.49	4.13	NA
Extraordinary Shareholder Support						
Callable capital (mil. USD)	-	-	15	23	39	43

Note 1: In our view, AFC has a clear business model and sound financial management. Therefore, we haven't conducted any material adjustments to its financial data.

Note 2: AFC's annual financial reports for 2019-2023 have been audited by KPMG. All are standard unqualified opinions. AFC's financial report for 2024H1 has been reviewed by KPMG.

Note 3: Total debts/ adjusted equity = (Interest-bearing liabilities + off-balance sheet commitments) / (shareholder equity-under provisioning on loans and debt investments – share warrants -equity securities at FVOCI)

Note 4: Return on average assets = net income / [(total assets at the beginning of the year + total assets at the end of the year)/2].

Note 5: Return on average equity = net income / [(total equity at the beginning of the year + total equity at the end of the year)/2].

Note 6: Non-performing loan ratio is calculated as NPL divided by loans to customers.

Note 7: NA – not available; N/A – not applicable.

Source: AFC, S&P Global (China) Ratings.

Appendix 2: Rating History of AFC by S&P Global (China) Ratings

Issuer Credit Rating	Outlook/CreditWatch	Rating Date	Analysts	Related Reports
AAA_{spc}	Stable	2025-01-15	Xiaochen Luan, Yanyu Wang, Jiancheng Yang	Current Report

Note: These ratings are conducted based on S&P Global (China) Multilateral Lending Institutions Methodology, and no quantitative model is used.

Appendix 3: Ratings Definitions

Category	Definition
AAA_{spc}	The repayment ability is extremely strong, generally not impacted by any adverse economic environment, and the default risk is extremely low.
AA_{spc}	The repayment ability is very strong, not considerably impacted by any adverse economic environment, and the default risk is very low.
A_{spc}	The repayment ability is comparatively strong, comparatively vulnerable to the impact of adverse economic environment, and the default risk is comparatively low.
BBB_{spc}	The repayment ability is average, comparatively impacted by adverse economic environment, and the default risk is average.
BB_{spc}	The repayment ability is comparatively weak, materially impacted by adverse economic environment, and the default risk is comparatively high.
B_{spc}	The repayment ability relies comparatively on fair economic environment and the default risk is very high.
CCC_{spc}	The repayment ability relies extremely on fair economic environment and the default risk is extremely high.
CC_{spc}	Lower protection in situation of bankruptcy or reorganization and the repayment of debt may not be generally guaranteed.
C_{spc}	Unable to repay the debt.

Note: Ratings from "AA_{spc}" to "CCC_{spc}" may be added a "+" or "-" sign for minor adjustment to indicate a slightly higher or lower rating.

Appendix 4: Surveillance Plan

S&P Ratings (China) Co., Ltd. shall monitor the credit quality of the rated issuer on a periodic and an ongoing basis. If any material credit events are likely to change the credit quality of the issuer, we will conduct ad-hoc surveillance, and determine whether the outstanding ratings need to be adjusted.

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