



GCR affirms African Banking Corporation Limited's rating of BBB(KE); outlook Stable

Johannesburg, 25 Oct 2013 — Global Credit Ratings has today affirmed the long term national scale and affirmed the short term national scale issuer ratings assigned to African Banking Corporation Limited of BBB_(KE) and A3_(KE) respectively; with the outlook accorded as Stable. The rating(s) are valid until 10/2014.

RATING RATIONALE

Global Credit Ratings has accorded the above credit rating(s) on African Banking Corporation Limited based on the following key criteria:

The ratings reflect African Banking Corporation Limited's ("ABC" or "the bank") moderate business and financial profile. ABC benefits from its developing niche position - providing focused services and solutions for mid-to-large size corporate firms, leveraging on its strengths in asset/trade finance and international/local remittance solutions.

The bank's creditworthiness is enhanced by its capital strength. Its equity base, which exceeded KShs2.3bn at end-August 2013, provides room to absorb the risks inherent in its loan portfolios. Furthermore, underlying profitability remained firm and stable with the bank registering a 3% growth in net income for the year. However, the operations are not quite diversified constraining the revenue base to an extent.

Lower collection rates fuelled by an increasingly difficult credit environment, accelerated delinquent loans to 2.9% of the lending portfolio as at end-August 2013, up from 2% in F12. Although credit mitigation is supported by taking collateral and other guarantees/cessions time delays and/or the costs involved with converting collateral into cash makes the bank less protected against the fallout from defaulting clients.

The funding profile remained relatively stable in terms of composition and maturity profile; in turn, liquidity risk reduced on a number of fronts, with the bank maintaining an adequate liquid asset cover equating to 42% of total assets and 43.9% of short term funding (above the statutory limit of 20%). Supplementing the funding envelope are offshore facilities from the European Investment Bank.

Positive rating triggers are premised on a sustained firm financial performance, further improvement in the funding profile/mix along with solid credit protection ratios. Conversely, a rapid loan growth which could lead to further spikes in non-performing loans, and a decline in the earnings profile, could negatively impact the rating.

NATIONAL SCALE RATINGS HISTORY	

Initial rating (Sep/2010)	
Long term: BBB _(KE) ; Short term: A3 _(KE)	
Outlook: Stable	
Last rating (Nov/2012)	
Long term: BBB _(KE) ; Short term: A3 _(KE)	
Outlook: Stable	
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APPLICABLE METHODOLOGIES AND RELATED RESEARCH



GCR's Criteria For Rating Banks, 2013

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SALIENT FEATURES OF ACCORDED RATINGS

GCR affirms that a.) no part of the rating was influenced by any other business activities of the credit rating agency; b.) the rating was based solely on the merits of the rated entity, security or financial instrument being rated; c.) such rating was an independent evaluation of the risks and merits of the rated entity, security or financial instrument.

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

The credit rating/s has been disclosed to African Banking Corporation Limited with no contestation of the rating.

The information received from African Banking Corporation Limited and other reliable third parties to accord the credit rating included the latest available audited annual financial statements (plus four years of comparative numbers), latest internal and/or external report to management, full year detailed budgeted financial statements, most recent year to date management accounts, corporate governance and enterprise risk framework, reserving methodologies, capital management policy, Industry comparative data and regulatory framework and a breakdown of facilities available and related counterparties.

The ratings above were solicited by, or on behalf of, the rated client, and therefore, GCR has been compensated for the provision of the ratings.

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