

CREDIT RATING ANNOUNCEMENT

AFB (Ghana) PLC Medium Term Note Programme – Rating Affirmed

Johannesburg, 19 October 2016 -- Global Credit Ratings ('GCR') has affirmed the *final, public* long term credit rating of 'BBB_(GH)' with a Stable Outlook accorded to the Medium Term Notes ('MTN') Programme of AFB (Ghana) PLC.

The Senior Unsecured Notes (GHS66,7m) are issued by the Issuer under its MTN Programme. GCR will review the MTN Programme Senior Unsecured Notes rating as and when new debentures are issued in order to assess the recovery prospects of the transaction, which will be accompanied by a Ratings Announcement.

The Senior Unsecured Notes benefit from a Negative Pledge that acts as structural protection and a contractual restriction to the Notes, which restricts the Issuer from creating any additional security (except for Permitted Encumbrances). The *final, public* rating accorded to the MTN Programme relate to ultimate payment of interest and principal (as opposed to timely, akin to an expected loss rating, which is a function of probability of default and loss severity). The rating excludes an assessment of the ability of the Issuer to pay either any (early repayment) penalties or any default interest rate penalties.

RATIONALE

The Issuer is an unsecured lender licenced by the Bank of Ghana as a *non-banking financial institution* ('NBF'), having met the minimum capital requirement of GHS15m, under the Financial Institutions (Non-Banking) Law of 1993 and under the Banking Act, 2004 (Act 673) as amended under the Non-Bank Financial Institution Act, 2008 (Act 774). The Issuer has a payroll lending model primarily targeting Ghanaian government employees.

The Issuer maintained the *Receivables to Net External Debt Ratio* financial covenant above the 150% limit for the period under review (March to September 2016). The lowest reported number for 2016 was 155% (January 2016) which increased marginally to 164% at September 2016. The AFB1000 Notes (GHS9m) were issued on 26 September 2016, increasing the total amount of debt in issuance to GHS66.7m, with a further GHS4m issuance planned for January 2017.

The AFB loan portfolio consists of 95% or GHS94.0m, at September 2016, payroll collected loans with the remaining GHS5.0m in Direct and Smart Cash loans. The non-payroll loans attracted substantial provisions for bad debt, currently at 37%, whilst payroll loans have a 8% provisions for bad debt at September 2016.

The rating of the Senior Unsecured Notes is derived by applying a notching approach, starting from the long term unsecured credit rating of the Issuer. In determining the appropriate number of rating notches to be applied, GCR compares the estimated overall recovery rate after a potential default of the MTN Programme with an assumed average corporate senior unsecured debt obligation recovery rate. If overall estimated recoveries are higher than the assumed average recovery rate, a notching uplift may be applicable. Based on GCR's Global Structurally Enhanced Corporate Bonds Rating Criteria, the calculated overall recovery rate of 92.8% carries the qualification "*Excellent Recovery Prospects*".

A *three* notch national scale rating uplift on the Ghanaian national scale long term rating of the Issuer was deemed to be appropriate for the MTN Programme. Accordingly, GCR has accorded a long term national scale rating to the MTN Programme of 'BBB_(GH)' with a Stable Outlook.

RATINGS HISTORY

Stock code/Series	Initial Rating	Long Term Rating	Short Term Rating	Outlook
AFB100	19 August 2015	BBB _(GH)	n.a.	Stable
AFB200	19 August 2015	BBB _(GH)	n.a.	Stable
AFB300	19 August 2015	BBB _(GH)	n.a.	Stable
AFB400	19 August 2015	BBB _(GH)	n.a.	Stable
AFB500	18 April 2016	BBB _(GH)	n.a.	Stable
AFB600	18 April 2016	BBB _(GH)	n.a.	Stable
AFB700	18 April 2016	BBB _(GH)	n.a.	Stable
AFB800	18 April 2016	BBB _(GH)	n.a.	Stable
AFB900	18 April 2016	BBB _(GH)	n.a.	Stable
AFB1000	22 September 2016	BBB _(GH)	n.a.	Stable
14	18 April 2016	BBB _(GH)	n.a.	Stable
17	18 April 2016	BBB _(GH)	n.a.	Stable
20	18 April 2016	BBB _(GH)	n.a.	Stable
Stock code/Series	Last Rating	Long Term Rating	Short Term Rating	Outlook
AFB100	14 October 2016	BBB _(GH)	n.a.	Stable
AFB200	14 October 2016	BBB _(GH)	n.a.	Stable
AFB300	14 October 2016	BBB _(GH)	n.a.	Stable
AFB400	14 October 2016	BBB _(GH)	n.a.	Stable

Stock code/Series	Last Rating	Long Term Rating	Short Term Rating	Outlook
AFB500	14 October 2016	BBB _(GH)	n.a.	Stable
AFB600	14 October 2016	BBB _(GH)	n.a.	Stable
AFB700	14 October 2016	BBB _(GH)	n.a.	Stable
AFB800	14 October 2016	BBB _(GH)	n.a.	Stable
AFB900	14 October 2016	BBB _(GH)	n.a.	Stable
AFB1000	14 October 2016	BBB _(GH)	n.a.	Stable
14	14 October 2016	BBB _(GH)	n.a.	Stable
17	14 October 2016	BBB _(GH)	n.a.	Stable
20	14 October 2016	BBB _(GH)	n.a.	Stable

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APPLICABLE METHODOLOGIES AND RELATED RESEARCH

Global Summary Structurally Enhanced Corporate Bonds Rating Criteria - Oct '15;

Global Master Structured Finance Rating Criteria - Feb '16;

Global Consumer Asset Backed Securitisation Rating Criteria - May '16;

Global Master Criteria for Rating Banks and Other Financial Institutions - Mar '16;

AFB (Ghana) PLC Rating Announcement - Apr '16.

RATING LIMITATIONS AND DISCLAIMERS

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GLOSSARY OF TERMS/ACRONYMS USED IN THIS DOCUMENT AS PER GCR'S STRUCTURED FINANCE GLOSSARY

Bond	A long term debt instrument issued by either: a company, institution or the government to raise funds.
Capital	The sum of money that is used to generate proceeds.
Covenant	A provision that is indicative of performance. Covenants are either positive or negative. Positive covenants are activities that the borrower commits to, typically in its normal course of business. Negative covenants are certain limits and restrictions on the borrowers' activities.
Credit	A contractual agreement in which a borrower receives something of value now, and agrees to repay the lender at some date in the future, generally with interest. The term also refers to the borrowing capacity of an individual or company
Credit Rating	An opinion regarding the creditworthiness of an entity, a security or financial instrument, or an issuer of securities or financial instruments, using an established and defined ranking system of rating categories.
Debt	An obligation to repay a sum of money.
Default	A default occurs when: 1.) The Borrower is unable to repay its debt obligations in full; 2.) A credit-loss event such as charge-off, specific provision or distressed restructuring involving the forgiveness or postponement of obligations; 3.) The borrower is past due more than X days on any debt obligations as defined in the transaction documents; 4.) The obligor has filed for bankruptcy or similar protection from creditors.
International Scale Rating LC	International local currency (International LC) ratings measure the likelihood of repayment in the currency of the jurisdiction in which the issuer is domiciled. Therefore, the rating does not take into account the possibility that it will not be able to convert local currency into foreign currency or make transfers between sovereign jurisdictions.
Issuer	The party indebted or the person making repayments for its borrowings.
Lender	A credit provider that is owed debt obligations by a debtor.
Long-Term Rating	A long term rating reflects an issuer's ability to meet its financial obligations over the following three to five year period, including interest payments and debt redemptions. This encompasses an evaluation of the organisation's current financial position, as well as how the position may change in the future with regard to meeting longer term financial obligations.
Loss	A tangible or intangible, financial or non-financial loss of economic value.
National Scale Rating	The national scale provides a relative measure of creditworthiness for rated entities only within the country concerned. Under this rating scale, a 'AAA' long term national scale rating will typically be assigned to the lowest relative risk within that country, which in most cases will be the sovereign state.
Negative Pledge	A pledge made by a creditor that it will not incur any debt or event that may negatively impact the transaction or entity or material subsidiary.
Notching	A movement in ratings.

Obligation	The title given to the legal relationship that exists between parties to an agreement when they acquire personal rights against each other for entitlement to perform.
Pledge	Constituted by an agreement between the pledgor, who undertakes to deliver the article, and the pledgee, and subsequent delivery of the property in question as security for debt. A pledge is only applicable to movable property.
Principal	The total amount borrowed or lent, e.g. the face value of a bond, excluding interest.
Receivables	General term for economic benefit derived from an asset.
Recovery	The action or process of regaining possession or control of something lost. To recoup losses.
Repayment	Payment made to honour obligations in regards to a credit agreement in the following credited order: 3.) Satisfy the due or unpaid interest charges; 4.) Satisfy the due or unpaid fees or charges; and 5.) To reduce the amount of the principal debt.
Security	An asset deposited or pledged as a guarantee of the fulfilment of an undertaking or the repayment of a loan, to be forfeited in case of default.
Senior	A security that has a higher repayment priority than junior securities.
Senior Unsecured Debt	Securities that have priority ahead of all other unsecured or subordinated debt for the payment in the event of default.
Short-Term Rating	A short term rating is an opinion of an issuer's ability to meet all financial obligations over the upcoming 12 month period, including interest payments and debt redemptions.
Ultimate Payment	A measure of the principal debt, interest, fees and expenses being repaid over a period of time determined by recoveries.

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; and d.) the validity of the rating is for a maximum of 12 months, or earlier as indicated by the applicable credit rating document.

The Issuer participated in the rating process via face-to-face meetings, teleconferences and other written correspondence. Furthermore, the quality of info received was considered adequate and has been independently verified where possible.

The rating/s above were solicited by the Issuer of the Transaction; GCR has been compensated for the provision of the ratings.

The credit rating/s has been disclosed to the Issuer and the Arranger with no contestation of the rating.

The information received from the Issuer and other reliable third parties to accord the credit ratings included:

- Payment Projection Rundown of the loan book as at 31 August 2016;
- Loan Book performance from October 2013 to August 2016;
- Signed Applicable Pricing Supplements for the Senior Unsecured Notes;
- Issuer's Management Account/Performance Report from September 2014 to September 2016;
- Issuer's Audited Annual Financial Statements for 28 February 2011; 29 February 2012; 31 December 2012, 31 December 2013; 31 December 2014 and 31 December 2015;

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