

## Export-Import Bank of China (The)

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# Export-Import Bank of China (The)

## Major Rating Factors

Issuer Credit Rating

A+/Stable/A-1

Strengths:	Weaknesses:
<ul style="list-style-type: none"><li>• Almost certain likelihood of extraordinary government support.</li><li>• Strong access to wholesale funding.</li></ul>	<ul style="list-style-type: none"><li>• Low profitability due to policy role.</li><li>• Heightened asset quality pressure from COVID-19 disruptions globally and continued credit challenge in China.</li></ul>

## Outlook

The stable outlook on Export-Import Bank of China (CEXIM) for the next two years is in line with our outlook on the sovereign credit rating on China (A+/Stable/A-1). Given the bank's integral link and critical role to the government, rating movements will continue to be in tandem with the sovereign.

### Downside scenario

We could lower the rating on CEXIM if we downgrade China. This could happen if we see a higher likelihood that China will ease its efforts to stem rising financial risk to support economic expansion in an unsustainable manner, or if we believe that the country's fiscal performances could be materially weaker than our current projections.

We could also lower our rating on CEXIM if we believe the sovereign's willingness to support the bank has declined. However, we believe this scenario is very unlikely over the next two years, given the importance of CEXIM's role in cushioning the impact of China's slowing economic growth and disruptions to international trade due to the pandemic.

### Upside scenario

We could upgrade CEXIM if we raise the rating on China. This could happen if we believe the risks to China's financial stability and medium-term growth prospects have reduced.

## Rationale

The ratings on CEXIM reflect our view of an almost certain likelihood that the Chinese government would provide timely and sufficient extraordinary support to the policy bank in times of need. We therefore equalize the ratings on CEXIM with the sovereign credit ratings on China. Our assessment of government support considers CEXIM's:

- Integral link with the Chinese government, through 100% ownership and ongoing government influence. The government drives CEXIM's business strategy, determines its growth target and loan distribution, appoints its senior management, and approves its budget; and
- Critical role because of the bank's policy mandate in promoting the export and import of Chinese products and services to support the development of the domestic economy. CEXIM also facilitates China's overseas development and the country's international cooperation. CEXIM has historically focused on providing trade credit to China's exporters and importers.

CEXIM has in recent years transformed into a full-fledged international cooperation bank, with banking relationships in more than 150 countries and regions. While steadily facilitating trade finance for Chinese corporates to fulfill its policy role, CEXIM has also increased loans to foreign entities to support China's international projects, such as the government's "Belt and Road" initiatives (BRI). CEXIM's assets and net loans expanded by about 8% and 11%, respectively, in 2019, compared with 15.2% and 15.8% increases in 2018. We expect CEXIM to maintain steady loan growth over the next two years as it continues to fund China's export-import activities and mitigate risks arising from COVID-19 related disruptions to international trade.

In our view, CEXIM's importance to support China's economy has become more prominent due to the pandemic. CEXIM responded to the government's guidance immediately after the COVID-19 outbreak, and has been providing funding support to affected corporates. As of mid-April, CEXIM has provided about Chinese renminbi (RMB) 50 billion in relief funds to affected companies with supportive terms, such as flexible repayment schedule and beneficial loan pricing. CEXIM also offered special working capital loans to help the local economy to reopen and recover.

For micro and small and midsize enterprises (SMEs), CEXIM's support is through small regional banks that have closer relationship with these borrowers. Loans granted under this framework increased rapidly over the past year, and are likely to grow further in the next one to two years.

The China Banking and Insurance Regulatory Commission (CBIRC) released new regulatory guidelines for supervising CEXIM in November 2017. These reinforce CEXIM's policy role in promoting foreign trade and investment in government-favored segments. The guidance also highlights enhanced standards on corporate governance, internal control, as well as capital and risk management. To meet the tightened CBIRC supervisory requirements, CEXIM has strengthened its credit risk management, including heightened due diligence and surveillance efforts, such as having more staff on the ground.

In our view, CEXIM's official nonperforming loan (NPL) ratio of 1.63% in 2019 only presents part of the policy bank's asset quality story. CEXIM did not disclose its special mention loans (SML) or three-stage loan classification, but we note that China Development Bank (CDB), a close peer of CEXIM, had a stage-two loan ratio of about 9.7% in 2019.

We expect CEXIM's asset quality to be under more pressure compared to the other two policy banks in China due to the deterioration in the export segment amid the pandemic. Some of CEXIM's loans that have not been credit impaired could turn into NPLs. For instance, CEXIM has sizable exposure to a number of long-tenured Belt and Road Initiatives-related infrastructure projects, many of which are in countries where the domestic economy is less developed and severely hit by the pandemic. These projects' revenue-generating and debt-repayment abilities remain untested, and it will take some time for the loans to fully season.

In addition, CEXIM carries a sizable amount of off-balance-sheet credit risks. At end-2018 the policy bank had commitments amounting to RMB921 billion (mostly irrevocable loan commitments and letters of guarantee issued), equivalent to about 29% of total loans. CEXIM's reported provision coverage ratio was about 250% in 2019 (2018: 274%) but we estimate this to be lower assuming CEXIM has a similar stage-two loan ratio as CDB and a portion of these loans are nonperforming.

CEXIM did not report its capital ratios. In our view, CEXIM's ability to improve its capitalization through internal capital generation is likely to be limited owing to its weak profitability. Provisioning pressure will likely further weigh on profitability, given rising asset quality challenges due to the pandemic. CEXIM's low-yielding policy loans resulted in a low net interest margin of 0.55% and negligible return on assets of 0.12% in 2018, by our estimates. We anticipate CEXIM's profitability will remain low due to its policy role and the lack of cheap deposit funding.

CEXIM's policy role results in its reasonably good funding and liquidity despite heavy reliance on wholesale funding. The policy bank has extremely strong access to the Chinese domestic capital market and strong access to dollar funding from the international capital market. Its bonds are very attractive to domestic investors who view exposure to CEXIM as an exposure to the central government. CEXIM's papers carry zero risk weight for bank regulatory capital calculation purposes. CEXIM's liquidity is also supported by its access to central bank liquidity facilities. Such access also strengthens investors' confidence in the policy bank despite its weak profitability.

**Table 1**

## Export-Import Bank of China (The)--Key Figures

	--Year ended Dec. 31--				
(Mil. RMB)	2018	2017	2016	2015	2014
Adjusted assets	4,193,462.5	3,640,332.3	3,334,120.2	2,833,259.4	2,367,540.9
Customer loans (gross)	3,180,133.2	2,746,467.1	2,375,925.3	2,052,496.6	1,741,727.5
Adjusted common equity	301,329.2	296,384.2	307,829.5	308,605.8	28,005.2
Operating revenues	60,798.0	6,218.4	46,285.8	48,430.4	22,865.0
Noninterest expenses	3,556.9	3,351.7	2,892.8	2,624.4	2,269.2
Core earnings	4,740.3	(12,672.0)	3,857.5	3,977.8	2,808.1

RMB—Chinese renminbi.

**Table 2**

## Export-Import Bank of China (The)--Business Position

	--Year ended Dec. 31--				
(%)	2018	2017	2016	2015	2014
Total revenues from business line (currency in millions)	60,955.1	6,662.3	48,606.1	51,117.9	25,902.2

**Table 2**

Export-Import Bank of China (The)--Business Position (cont.)					
	--Year ended Dec. 31--				
(%)	2018	2017	2016	2015	2014
Other revenues/total revenues from business line	100.0	100.0	100.0	100.0	100.0
Return on average common equity	1.5	(4.0)	1.6	3.0	15.5

**Table 3**

Export-Import Bank of China (The)--Capital And Earnings					
	--Year ended Dec. 31--				
(%)	2018	2017	2016	2015	2014
Adjusted common equity/total adjusted capital	100.0	100.0	100.0	100.0	100.0
Net interest income/operating revenues	33.9	239.3	17.9	24.4	64.5
Fee income/operating revenues	6.6	71.2	9.8	8.6	17.0
Market-sensitive income/operating revenues	57.7	(236.7)	72.2	66.9	18.4
Noninterest expenses/operating revenues	5.9	53.9	6.2	5.4	9.9
Preprovision operating income/average assets	1.5	0.1	1.4	1.8	1.0
Core earnings/average managed assets	0.1	N/A	0.1	0.2	0.1

N/A--Not applicable.

**Table 4**

Export-Import Bank of China (The)--Risk Position					
	--Year ended Dec. 31--				
(%)	2018	2017	2016	2015	2014
Growth in customer loans	15.8	15.6	15.8	17.8	20.0
Total managed assets/adjusted common equity (x)	13.9	12.3	10.8	9.2	84.5
New loan loss provisions/average customer loans	1.6	0.6	1.6	1.9	0.9

**Table 5**

Export-Import Bank of China (The)--Funding And Liquidity					
	--Year ended Dec. 31--				
(%)	2018	2017	2016	2015	2014
Core deposits/funding base	5.9	5.3	5.3	3.3	3.3
Customer loans (net)/customer deposits	1,412.6	1,564.6	1,521.8	2,517.6	2,279.0
Long-term funding ratio	60.8	65.7	64.3	63.4	53.9
Stable funding ratio	71.8	78.1	79.5	78.8	66.4
Short-term wholesale funding/funding base	42.4	37.4	39.5	41.2	46.6
Broad liquid assets/short-term wholesale funding (x)	0.4	0.5	0.6	0.6	0.5
Net broad liquid assets/short-term customer deposits	(503.0)	(414.5)	(362.3)	(615.3)	(937.9)
Short-term wholesale funding/total wholesale funding	45.0	39.5	41.7	42.6	48.2

## Related Criteria

- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- Criteria | Financial Institutions | Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- Criteria | Financial Institutions | Banks: Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- Criteria | Financial Institutions | Banks: Commercial Paper I: Banks, March 23, 2004

Ratings Detail (As Of December 16, 2020)*	
<b>Export-Import Bank of China (The)</b>	
Issuer Credit Rating	A+/Stable/A-1
Senior Unsecured	A+
Short-Term Debt	A-1
<b>Issuer Credit Ratings History</b>	
21-Sep-2017	A+/Stable/A-1
01-Apr-2016	AA-/Negative/A-1+
16-Dec-2010	AA-/Stable/A-1+
<b>Sovereign Rating</b>	
China	A+/Stable/A-1
<b>Related Entities</b>	
<b>Agricultural Development Bank of China</b>	
Issuer Credit Rating	A+/Stable/A-1
Senior Unsecured	A+
<b>Avi Funding Co. Ltd.</b>	
Senior Secured	A+
<b>CDB Aviation Lease Finance Designated Activity Co.</b>	
Issuer Credit Rating	A/Stable/–
<b>China</b>	
Issuer Credit Rating	A+/Stable/A-1
Transfer & Convertibility Assessment	A+
Senior Unsecured	A+
<b>China Development Bank</b>	
Issuer Credit Rating	A+/Stable/A-1
Senior Unsecured	A+

## Ratings Detail (As Of December 16, 2020)\*(cont.)

Short-Term Debt	A-1
<b>China Development Bank Capital Corp. Ltd.</b>	
Issuer Credit Rating	A+/Stable/A-1
<b>China Development Bank Corp. (Hong Kong Branch)</b>	
Senior Unsecured	A+
Short-Term Debt	A-1
<b>China Development Bank Financial Leasing Co. Ltd.</b>	
Issuer Credit Rating	A/Stable/A-1
Subordinated	BBB+
<b>China Development Bank International Holdings Ltd.</b>	
Issuer Credit Rating	A+/Stable/A-1
<b>China Export &amp; Credit Insurance Corp.</b>	
Financial Strength Rating	
<i>Local Currency</i>	A+/Stable/-
Issuer Credit Rating	
<i>Local Currency</i>	A+/Stable/NR
<b>Export-Import Bank of China (The) (Paris Branch)</b>	
Senior Unsecured	A+

\*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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# MOODY'S

## INVESTORS SERVICE

### **Announcement of Periodic Review: Moody's announces completion of a periodic review of ratings of Export-Import Bank of China (The)**

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**21 May 2021**

Hong Kong, May 21, 2021 – Moody's Investors Service ("Moody's") has completed a periodic review of the ratings of Export-Import Bank of China (The) and other ratings that are associated with the same analytical unit. The review was conducted through a portfolio review discussion held on 18 May 2021 in which Moody's reassessed the appropriateness of the ratings in the context of the relevant principal methodology(ies), recent developments, and a comparison of the financial and operating profile to similarly rated peers. The review did not involve a rating committee. Since 1 January 2019, Moody's practice has been to issue a press release following each periodic review to announce its completion.

This publication does not announce a credit rating action and is not an indication of whether or not a credit rating action is likely in the near future. Credit ratings and outlook/review status cannot be changed in a portfolio review and hence are not impacted by this announcement. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on [www.moody's.com](http://www.moody's.com) for the most updated credit rating action information and rating history.

Key rating considerations are summarized below.

The A1 senior unsecured debt rating of Export-Import Bank of China (The) (CEXIM) is in line with the senior unsecured debt rating of the Government of China (A1). Very close links between the bank's credit quality and that of the government underpin its rating.

The State Council assigns CEXIM a policy finance role of supporting economic growth and structural adjustments in the export-import sector, implying a prolonged alignment of interests and objectives between the bank and the government. The government fully owns CEXIM, directly and indirectly. CEXIM functions under strong control and directives of the government, with its operations and finances inextricably intertwined with those of the government.

CEXIM's policy role results in a weak standalone financial profile and a limited degree of business diversification.

This document summarizes Moody's view as of the publication date and will not be updated until the next periodic review announcement, which will incorporate material changes in credit circumstances (if any) during the intervening period.

The principal methodology used for this review was Government-Related Issuers Methodology published in February 2020. Please see the Rating Methodologies page on [www.moody's.com](http://www.moody's.com) for a copy of this methodology.

This announcement applies only to EU rated, UK rated, EU endorsed and UK endorsed ratings. Non EU rated, non UK rated, non EU endorsed and non UK endorsed ratings may be referenced above to the extent necessary, if they are part of the same analytical unit.

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