

RATING ACTION COMMENTARY

Fitch Rates Banque Ouest Africaine de Developpement 'BBB'; Outlook Stable

Thu 11 Jun, 2015 - 09:46 ET

Fitch Ratings-Paris-11 June 2015: Fitch Ratings has assigned the Banque Ouest Africaine de Developpement (BOAD) a Long-term Issuer Default Rating (IDR) of 'BBB' with a Stable Outlook and a Short-term IDR of 'F2'.

BOAD's ratings are primarily based on the strong support the bank receives from its largest shareholder, the Banque Centrale des Etats d'Afrique de l'Ouest (BCEAO), which is the regional central bank for the West African Economic and Monetary Union (Union Economique et Monetaire Ouest-Africaine - UEMOA in French) and owns 45% of BOAD's capital. The ratings also reflect support from the regional member states (RMS) of the UEMOA, each of which owns 6% of capital, as well as from its non-regional member states, especially France (AA/Stable; 4% of capital).

KEY RATING DRIVERS

The ratings and Stable Outlook reflect the following key rating drivers:

BOAD's shareholder's capacity to support reflects the average rating of key shareholders, BCEAO and Cote d'Ivoire (B / Positive), the only RMS rated by Fitch. The other RMS - Benin, Burkina Faso, Guinea Bissau, Mali, Niger, Senegal, and Togo - are not rated by Fitch.

In the agency's view, the credit quality of BCEAO is significantly higher than that of individual RMS. This assessment reflects the Country Ceiling for the UEMOA (BBB-), largely based on the monetary arrangements with France, and the privileged access of

Nous utilisons des cookies pour fournir nos services en ligne, pour comprendre comment ils sont utilisés et à des fins publicitaires. Les détails relatifs aux cookies que nous utilisons et les indications à suivre pour les désactiver sont disponibles dans notre Politique relative aux cookies. Pour accepter notre utilisation des cookies, veuillez cliquer sur [Accepter](#).

are characterised by high poverty, weak business climate, low level of human development and, for some of them, political instability. Since 2011, three UEMOA countries went through civil wars or political coups.

BOAD's capitalisation and leverage measures are more favourable than peers, with an adjusted equity to asset ratio of 40% and a debt to equity ratio of 145.1% at end-2014. Projected growth in lending will lead to a decrease in capital adequacy measures and to higher leverage, as new loans will largely be funded by debt; however, the ongoing capital increase, launched in 2013 and spread until 2023, will help maintain the equity to adjusted assets ratio above 35% in the next three years.

Based on Fitch's estimates, the average rating of BOAD's loan portfolio is very low speculative grade and impaired loans accounted for 3.3% of portfolio at end-2014. Across the portfolio, 64% of loans are extended to or guaranteed by the eight UEMOA sovereigns, for which BOAD enjoys preferred creditor status; all UEMOA's countries have an account at BCEAO which ensures that, in case of stress on public finances, priority will be given to the repayment of BOAD's loans. As a result, BOAD has never suffered any default on its loans to UEMOA's sovereigns.

Liquidity risk is well-controlled; the access of the bank to the refinancing window of the BCEAO provides an additional buffer. As BOAD is not subject to bank supervision, it has put in place policies to reduce risk-taking; however, the limits set are not conservative overall compared with peers, especially in loan impairment recognition and provisioning. In addition, BOAD is exposed to the risk of a devaluation of the CFA franc against the euro, although in Fitch's view, this scenario is unlikely.

RATING SENSITIVITIES

The Stable Outlook reflects Fitch's expectation that the average rating of key shareholders will remain stable.

BOAD's ratings are driven by shareholder support. An upgrade could follow a significant improvement in the average credit quality of UEMOA countries, leading to an improvement of BCEAO's capacity to support the bank.

While a reduction in the rating of individual RMS would not have a direct impact given

Nous utilisons des cookies pour fournir nos services en ligne, pour comprendre comment ils sont utilisés et à des fins publicitaires. Les détails relatifs aux cookies que nous utilisons et les indications à suivre pour les désactiver sont disponibles dans notre Politique relative aux cookies. Pour accepter notre utilisation des cookies, veuillez cliquer sur [Accepter](#).

KEY ASSUMPTIONS

The ratings and Outlooks are sensitive to a number of assumptions. In particular, Fitch assumes that the average sovereign rating of the seven non-publicly rated countries of the UEMOA is very low speculative grade. It also assumes that the French treasury will honour its commitment to provide liquidity to BCEAO and preserve the convertibility of the CFA franc into euro in the event of a depletion of its international assets.

BOAD's rating committee was held on 21 May 2015.

Contact:

Primary Analyst

Eric Paget-Blanc

Senior Director

+33 1 44 29 91 33

Fitch France S.A.S.

60 rue de Monceau

75008 Paris

Secondary Analyst

Arnaud Louis

Director

+33 1 44 29 91 42

Committee Chairperson

Tony Stringer

Managing Director

+44 20 7530 1219

Media Relations: Peter Fitzpatrick, London, Tel: +44 20 3530 1103, Email:

peter.fitzpatrick@fitchratings.com.

Additional information is available on www.fitchratings.com

Nous utilisons des cookies pour fournir nos services en ligne, pour comprendre comment ils sont utilisés et à des fins publicitaires. Les détails relatifs aux cookies que nous utilisons et les indications à suivre pour les désactiver sont disponibles dans notre Politique relative aux cookies. Pour accepter notre utilisation des cookies, veuillez cliquer sur [Accepter](#).

Additional Disclosures

[Solicitation Status](#)

[Endorsement Policy](#)

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK:

[HTTP://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](http://fitchratings.com/understandingcreditratings). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEBSITE '[WWW.FITCHRATINGS.COM](http://www.fitchratings.com)'. PUBLISHED RATINGS, CRITERIA AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE 'CODE OF CONDUCT' SECTION OF THIS SITE. FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.

PARTICIPATION STATUS

The rated entity (and/or its agents) or, in the case of structured finance, one or more of the transaction parties participated in the rating process except that the following issuer(s), if any, did not participate in the rating process, or provide additional information, beyond the issuer's available public disclosure.

SOLICITATION STATUS

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

ENDORSEMENT POLICY

Fitch's approach to ratings endorsement so that ratings produced outside the EU may be used by regulated entities within the EU for regulatory purposes, pursuant to the terms

Nous utilisons des cookies pour fournir nos services en ligne, pour comprendre comment ils sont utilisés et à des fins publicitaires. Les détails relatifs aux cookies que nous utilisons et les indications à suivre pour les désactiver sont disponibles dans notre Politique relative aux cookies. Pour accepter notre utilisation des cookies, veuillez cliquer sur [Accepter](#).



Nous utilisons des cookies pour fournir nos services en ligne, pour comprendre comment ils sont utilisés et à des fins publicitaires. Les détails relatifs aux cookies que nous utilisons et les indications à suivre pour les désactiver sont disponibles dans notre Politique relative aux cookies. Pour accepter notre utilisation des cookies, veuillez cliquer sur [Accepter](#).