

Moody's: BOAD's credit profile balances strong liquidity against risks inherent to its WAEMU development role

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London, 31 May 2018 -- The West African Development Bank's (BOAD, Baa1 stable) credit profile reflects its strong liquidity balanced against the credit risks arising from its role as the strategic promoter of economic development in the West African Economic and Monetary Union (WAEMU), Moody's Investors Service said in an annual report today.

The report, "West African Development Bank -- Baa1 Stable, Annual credit analysis", is now available on www.moody's.com. Moody's subscribers can access this report via the link at the end of this press release. The research is an update to the markets and does not constitute a rating action.

"BOAD's strong liquidity stems from its access to a refinancing window at the Central Bank of West African States (BCEAO) under the same conditions as commercial banks, and a strategic mandate in the region that makes its principal shareholders prompt to support it," said Lucie Villa, a Moody's Vice President -- Senior Credit Officer and co-author of the report.

"Its main credit weakness stems from a relatively low capital position because of low borrower quality and a difficult operating environment in a region that has had periods of economic and political turmoil."

In line with its strategic plan for 2015-19, BOAD is increasing its loan activity and leverage. The bank is also upgrading its risk management policy in line with international best practice.

BOAD's low capital adequacy reflects both low borrower quality and moderate levels of non-performing loans (NPLs).

The bank's capital adequacy trend is toward rising leverage but improving loan performance, as shown by NPLs now at 2.2% of loans, versus 8.3% in 2008.

Despite the expansion of BOAD's loan portfolio over the last five years, the share of NPLs has remained relatively low and has progressively decreased to reach 2.2% in 2017. While the recent improvement in NPL levels is encouraging, Moody's remains cautious about their evolution in the medium-term.

BOAD's substantial liquid assets and central bank refinancing window are key credit supports. Unlike most of the multi-lateral development banks that Moody's rates, BOAD is eligible for access to a



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While BOAD is managing a safe expansion of its loan portfolio, its rating could be downgraded if the expansion in lending activity were to put pressure on asset quality. Upward pressure on the rating could develop if BOAD continues to manage the safe expansion of its loan portfolio while demonstrating a track record of low non-performing loans (NPLs) and international capital market debt issuance management.

Subscribers can access the report at: https://www.moody.com/viewresearchdoc.aspx?docid=PBC_1120780

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