

Banque Ouest Africaine de Développement (BBB/Stable)

Key Rating Drivers and Credit Developments

Fitch Ratings has revised Banque Ouest Africaine de Développement (BOAD)'s Standalone Credit Profile (SCP) to 'bbb' from 'bb+'. The upward revision in the SCP primarily reflects a new capital increase of XOF554 billion, equivalent to 50% of existing capital. The bulk of the capital increase (80%) will be in the form of paid-in capital, which will support BOAD's capital ratios. Fitch expects BOAD to operate with stronger capital ratios over the medium term.

The Niger sovereign accounted for 12% of loan as of end-2022. Following a military coup in the country, the Economic Community of West African States (ECOWAS) has imposed sanctions, including a freeze of Niger sovereign assets held at the central bank. This means Niger is unable to repay any foreign creditor, including BOAD. If the ECOWAS sanctions led to payment delays by more than six months, we would consider BOAD's exposure to Niger as non-performing.

The support-driven nature of BOAD's rating means it would be resilient to such a marked deterioration in loan performance. However, in this scenario, BOAD's SCP would likely be revised downwards and the vulnerability of the bank's ratings to future shocks would increase as under Fitch's criteria the uplift from the support is capped at three notches above the SCP.

Negative Rating Sensitivities

Given that BOAD's ratings are underpinned by the SCP and support, a negative rating action would require a deterioration in our assessment of both BOAD's SCP and support.

SCP (solvency): Deterioration in BOAD's solvency assessment, potentially stemming from a worsening of the bank's credit risk profile or weaker capitalisation and loss-absorption capacity.

SCP (liquidity): A material deterioration in Fitch's liquidity assessment, which could result from a weakening in the coverage of short-term debt by liquid assets or in the quality of treasury assets.

Support (capacity): A weakening in the support assessment, which would stem from a deterioration in the credit quality of BOAD's main shareholders or a dilution in the share ownership of BCEAO that would not be offset by the participation of a highly rated shareholders as a key shareholder.

Positive Rating Sensitivities

SCP (solvency): Material improvement in the bank's solvency assessment. This could result from a combination of stronger-than-expected capital ratios and strengthening in the risk profile.

Support (capacity): A strengthening in Fitch's assessment of BOAD's key shareholders capacity to provide support, for example an improvement in the credit quality of BOAD's key shareholders.

Latest Rating Review Date: 4 May 2023

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Arnaud Louis
+ 33 1 44 29 91 42
arnaud.louis@fitchratings.com

Image

Hawa Ly
+ 44 20 3530 1280
hawa.ly@fitchratings.com

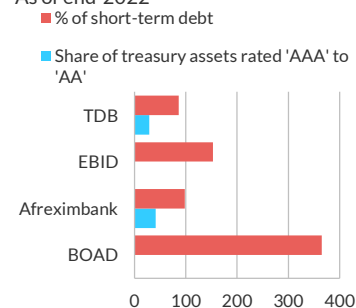
Rating Derivation Summary

Standalone Credit Profile (SCP)					Support			
Solvency	Liquidity	Lower of solvency and liquidity	Business environment (+3/-3 notches)	Final SCP	Capacity	Propensity (+1/-3 notches)	Support adjustment (up to 3 notches)	Final rating
a-	a	a-	-2	bbb	BBB-	+1	0	BBB

Source: Fitch Ratings

Liquidity Buffers

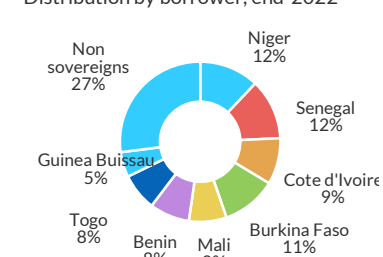
As of end-2022



Source: Fitch Ratings, MDBs

Loan Portfolio

Distribution by borrower, end-2022



Source: Fitch Ratings, BOAD

Metrics

	2019	2020	2021	2022
Usable capital/risk-weighted assets (FRA) ratio (%)	26.0	28.6	27.0	31.3
Average rating of loans and guarantees	B	B	B	B
Non-performing loans / gross loans (%)	2.9	2.7	2.9	2.9
Equity participation/total banking exposure (%)	6.4	5.4	5.3	5.4
Liquid assets/short-term debt (%)	364	104	283	365
Share of treasury assets rated 'AAA'-'AA' (%)	0.0	0.0	0.0	0.0
Weighted average rating of key shareholders	BBB-	BBB-	BBB-	BBB-
Rating of callable capital ensuring full coverage of net debt	NC	NC	NC	NC

Source: Fitch Ratings, Banque Ouest Africaine de Développement, NC means 'not covered'