

# Moody's places BOAD's Baa1 ratings on review for downgrade

**Rating Action** | 6 min read | 18 Mar 2022 | Moody's Ratings

Paris, March 18, 2022 -- Moody's Investors Service ("Moody's") has today placed The West African Development Bank's (BOAD) Baa1 long term issuer and senior unsecured debt ratings on review for downgrade.

Moody's decision to place BOAD's ratings on review for downgrade reflects pressure on the bank's asset quality as a result of its incapacity to collect payments from all borrowers based in Government of Mali (Caa2 review for downgrade) due to ongoing sanctions imposed on the country by regional institutions. Downside risks to the bank's capital adequacy also stem from broader political instability in parts of its region of operation. While BOAD may receive further support from its shareholders to attenuate deterioration in its capital adequacy, such policy response remains uncertain in terms of scale and timing. Depending on how the situation evolves and the degree of support provided by shareholders, Moody's assessment of the strength of member support may deteriorate. BOAD's liquidity profile is unlikely to weaken.

The review period will allow Moody's to assess the extent to which asset quality will weaken as a result of protracted sanctions on Mali and an increasingly challenging operating environment, but also the effectiveness of potential policy response from the West African Economic and Monetary Union (WAEMU) at supporting BOAD's capital position. Moody's will also consider during the review whether BOAD's strength of member support, scored as "medium", should be revised down.

BOAD is the development finance institution of the West African Economic and Monetary Union (WAEMU) promoting the development of its eight member states Governments of : Benin (B1 stable), Burkina Faso, Côte d'Ivoire (Ba3 stable), Guinea-Bissau, Mali, Niger (B3 stable), Senegal (Ba3 stable) and Togo (B3 stable). BOAD's shareholders comprise WAEMU member countries (47%), the central bank of the WAEMU (BCEAO) (47%) and eight non-regional members (6%).

RATINGS RATIONALE / FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

RATIONALE FOR INITIATING REVIEW FOR DOWNGRADE

Political instability and security challenges in the WAEMU region, including in Mali and Burkina Faso, present risks to BOAD's asset quality and performance, a key driver behind Moody's decision to

## Related Entities

## Read Next

## Events

Creditworthiness of Mali-based borrowers will become critical to the imposition of sanctions, BOAD had incurred a new non-performing loan in 2021, which came from a private sector company in Mali.

The longer current sanctions last on Mali, the greater the pressure on BOAD's credit profile, which Moody's assesses to be primarily felt through a weakening in BOAD's capital adequacy.

Developments in Burkina Faso since the military takeover also represent downside risk to BOAD's asset performance. Strength of member support could also weaken with regional shareholders representing 94% of the callable capital at year-end 2021. The review period will allow Moody's to monitor the evolution of political developments in WAEMU countries and assess the likelihood that sanctions on Mali become protracted. Moody's will also consider potential compensating support from shareholders to ultimately evaluate the extent to which BOAD's capital adequacy looks set to decline.

Mitigating the immediate pressures, BOAD has stopped all disbursements or approval of new loans to Mali-based borrowers, including the sovereign. This is the primary reason why BOAD's liquidity profile is unlikely to deteriorate as a result of the sanctions. BOAD's liquidity is not only supported by internal buffers with a liquid asset coverage ratio as defined by Moody's of 80% but also by its access to the refinancing window of the central bank of the WAEMU.

Furthermore, BOAD announced on 16 February 2022 the conclusion of the first part of its capital raising plan, which had been approved by its board in 2020. This first tranche of new paid-in capital payable over five years will provide some increased flexibility to the bank to manage ongoing pressure on asset quality, albeit Moody's expectation is that this new capital will primarily finance the bank's expansion in lending activity going forward.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONSIDERATIONS

BOAD's credit impact score is neutral to low (CIS-2), reflecting sound governance and strong shareholder support, including from the central bank of the WAEMU, notwithstanding moderate exposure to environmental risks.

BOAD's environmental issuer profile score is moderately negative (E-3), driven by its exposure to physical climate risks. Many of BOAD's borrowers in Sub-Saharan Africa are exposed to environmental risks, mostly because of their reliance on large agricultural sectors and thus exposure to extreme weather conditions and natural disasters. On the other hand, BOAD provides funding solutions to support member countries' resiliency to climate risk.

BOAD's social issuer profile score is neutral to low (S-2). Customer relationships are strong given the bank's role and importance as the strategic promoter of economic development and second largest financier in the WAEMU region.

## WHAT COULD LEAD TO CONFIRMATION OF THE RATINGS AT THE CURRENT LEVEL



## Related Entities

## Read Next

## Events

### FACTORS THAT COULD LEAD TO A DOWNGRADE

The ratings would likely be downgraded should Moody's conclude that BOAD's capital adequacy or strength of member support have deteriorated to an extent no longer consistent with the Baa1 rating. In particular, should the ongoing political crises in the region persist and prospects for lifting sanctions in Mali appear low, a downgrade would be likely unless there is swift and commensurate support in response from shareholders.

The principal methodology used in these ratings was Multilateral Development Banks and Other Supranational Entities Methodology published in October 2020 and available at [https://www.moody's.com/researchdocumentcontentpage.aspx?docid=PBC\\_1232238](https://www.moody's.com/researchdocumentcontentpage.aspx?docid=PBC_1232238). Alternatively, please see the Rating Methodologies page on [www.moody's.com](http://www.moody's.com) for a copy of this methodology.

### REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at:

[https://www.moody's.com/researchdocumentcontentpage.aspx?docid=PBC\\_79004](https://www.moody's.com/researchdocumentcontentpage.aspx?docid=PBC_79004).

For ratings issued on a program, series, category/class of debt or security this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series, category/class of debt, security or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on [www.moody's.com](http://www.moody's.com).

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this credit rating action, and whose ratings may change as a result of this credit rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

The ratings have been disclosed to the rated entity or its designated agent(s) and issued with no amendment resulting from that disclosure.



## Related Entities

## Read Next

## Events

credit analysis can be found at [http://www.moody's.com/researchdocumentcontentpage.aspx?docid=PBC\\_1288235](http://www.moody's.com/researchdocumentcontentpage.aspx?docid=PBC_1288235).

The Global Scale Credit Rating on this Credit Rating Announcement was issued by one of Moody's affiliates outside the UK and is endorsed by Moody's Investors Service Limited, One Canada Square, Canary Wharf, London E14 5FA under the law applicable to credit rating agencies in the UK. Further information on the UK endorsement status and on the Moody's office that issued the credit rating is available on [www.moody's.com](http://www.moody's.com).

Please see [www.moody's.com](http://www.moody's.com) for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on [www.moody's.com](http://www.moody's.com) for additional regulatory disclosures for each credit rating.

Lucie Villa

VP - Senior Credit Officer

Sovereign Risk Group

Moody's France SAS

96 Boulevard Haussmann

Paris, 75008

France

JOURNALISTS: 44 20 7772 5456

Client Service: 44 20 7772 5454

Marie Diron

MD - Sovereign Risk

Sovereign Risk Group

JOURNALISTS: 44 20 7772 5456

Client Service: 44 20 7772 5454

Releasing Office:

Moody's France SAS

96 Boulevard Haussmann

Paris, 75008

France

JOURNALISTS: 44 20 7772 5456

Client Service: 44 20 7772 5454

## Related Entities

## Read Next

## Events

### Read Next

© 2024 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

**CREDIT RATINGS ISSUED BY MOODY'S CREDIT RATINGS AFFILIATES ARE THEIR CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED OR OTHERWISE MADE AVAILABLE BY MOODY'S (COLLECTIVELY, "MATERIALS") MAY INCLUDE SUCH CURRENT OPINIONS. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE APPLICABLE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S CREDIT RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS ("ASSESSMENTS"), AND OTHER OPINIONS INCLUDED IN MOODY'S MATERIALS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S MATERIALS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. AND/OR ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES OR OTHERWISE MAKES AVAILABLE ITS MATERIALS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.**

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS, AND MATERIALS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR MATERIALS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. FOR CLARITY, NO INFORMATION CONTAINED HEREIN MAY BE USED TO DEVELOP, IMPROVE, TRAIN OR RETRAIN ANY SOFTWARE PROGRAM OR DATABASE, INCLUDING, BUT NOT LIMITED TO, FOR ANY ARTIFICIAL INTELLIGENCE, MACHINE LEARNING OR NATURAL LANGUAGE PROCESSING SOFTWARE, ALGORITHM, METHODOLOGY AND/OR MODEL.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the credit rating process or in preparing its Materials.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay to Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it. MCO and Moody's Investors Service also maintain policies and procedures to address the independence of Moody's Investors Service credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody's Investors Service, Inc. and have

## Related Entities

## Read Next

## Events

2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for India only: Moody's credit ratings, Assessments, other opinions and Materials are not intended to be and shall not be relied upon or used by any users located in India in relation to securities listed or proposed to be listed on Indian stock exchanges.

Additional terms with respect to Second Party Opinions (as defined in Moody's Investors Service Rating Symbols and Definitions): Please note that a Second Party Opinion ("SPO") is not a "credit rating". The issuance of SPOs is not a regulated activity in many jurisdictions, including Singapore. JAPAN: In Japan, development and provision of SPOs fall under the category of "Ancillary Businesses", not "Credit Rating Business", and are not subject to the regulations applicable to "Credit Rating Business" under the Financial Instruments and Exchange Act of Japan and its relevant regulation. PRC: Any SPO: (1) does not constitute a PRC Green Bond Assessment as defined under any relevant PRC laws or regulations; (2) cannot be included in any registration statement, offering circular, prospectus or any other documents submitted to the PRC regulatory authorities or otherwise used to satisfy any PRC regulatory disclosure requirement; and (3) cannot be used within the PRC for any regulatory purpose or for any other purpose which is not permitted under relevant PRC laws or regulations. For the purposes of this disclaimer, "PRC" refers to the mainland of the People's Republic of China, excluding Hong Kong, Macau and Taiwan.

## Regional Sites



Note: Moody's does not post ratings to its social media accounts

© 2024 Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their affiliates and licensors. All rights reserved.

