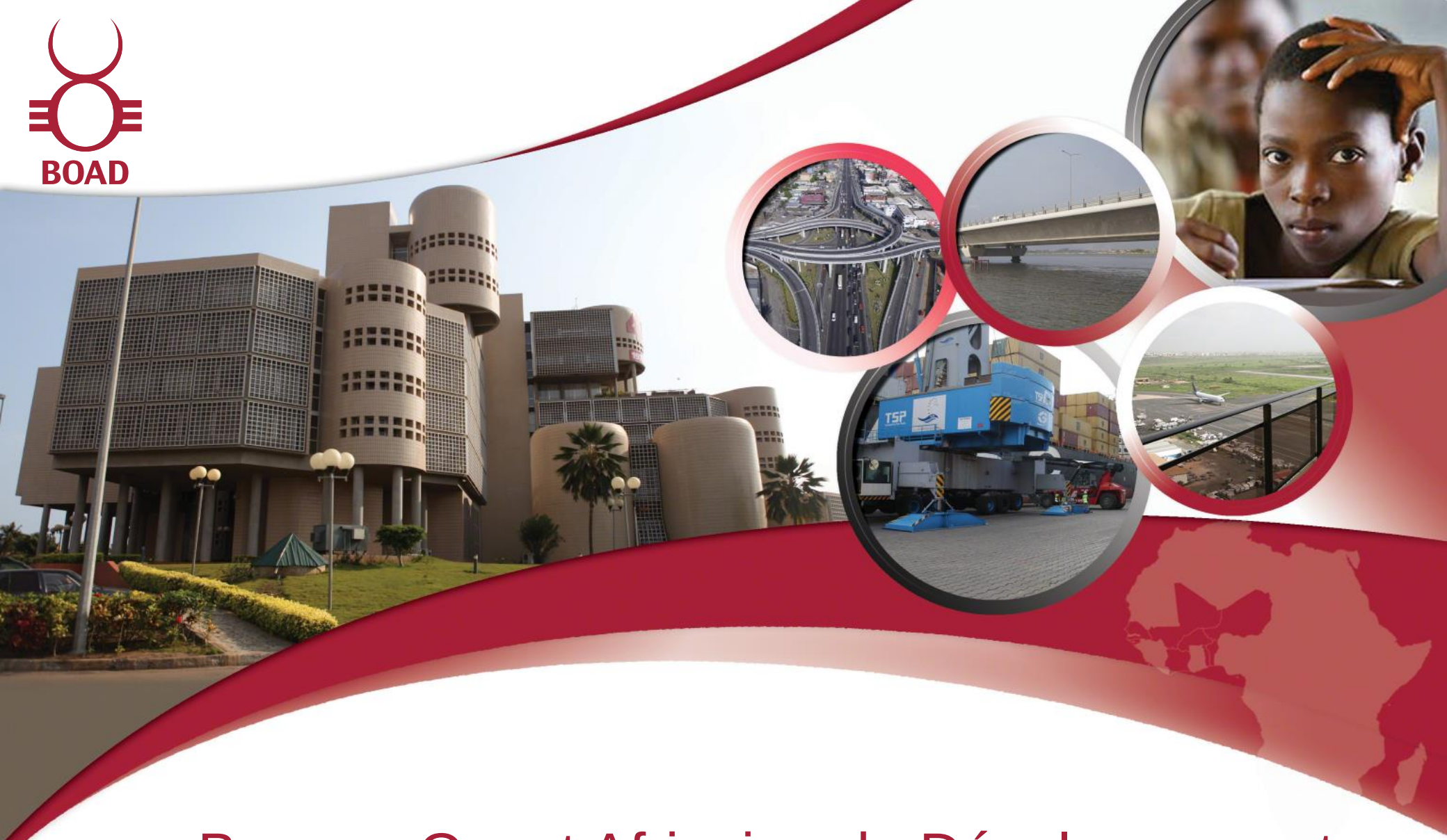

Banque Ouest Africaine de Développement

Global Investor Call Presentation

June 2020

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BOAD

BANQUE OUEST AFRICAINE
DE DÉVELOPPEMENT

BOAD

Introduction

Introduction

Covid-19 has impacted the global economy and has left the growth-bearing sectors of the Union exposed.

- Since late 2019, the world has been facing a COVID-19-related health crisis with significant impact on the economy and health of individuals worldwide.
- Consequently, **growth has been impacted** in the coming year – GDP growth for 2020 is estimated at 2.7%, a decrease of nearly four percentage points compared to the initial forecast of 6.6%.
- **Inflation is expected to be 2.5% in 2020 against -0.7% in 2019**.
- **Sectors most exposed include services**, the main growth-bearing sector in the countries of the Union; **trade, transport, hospitality, tourism** and **catering** could also greatly suffer.
- On a positive note, **telecommunications services** and trade in certain **health products are faring better.**

Market has improved considerably since April high, yet there is room for further improvement.

- BOAD is of the stronger credits among peers and has among the widest coverage from agencies.
- Spreads have tightened from April highs across the board – signifying improving market conditions from record low rates and successful mitigation measures.
- Emerging market spread more generally have recovered from c. 650bps highs in April according to the EMBI Index.

Issuer	Amount (USDm)	Coupon	Ratings (M/S&P)	Issue Date	Maturity Date	Years to Maturity	Price	YTW	Spread over Mid-Swaps	Δ 1 June Yield (%)	Δ 1 May Yield (%)	Δ 1 June Z-Spd	Δ 1 May Z-Spd
Afreximbank	750	3.99%	Baa1/-/BBB-	9/23/2019	9/21/2029	9.3	97.25	4.357	352	-0.03	-1.08	-28	-134
Afreximbank	750	4.13%	Baa1/-/-	6/20/2017	6/20/2024	4	102.5	3.455	304	-0.3	-1.34	-42	-141
Afreximbank	500	5.25%	Baa1/-/-	10/11/2018	10/11/2023	3.4	105.625	3.45	308	-0.16	-2.12	-26	-216
Afreximbank	900	4.00%	Baa1/-/-	5/24/2016	5/24/2021	1	101.5	2.406	210	-0.29	-1.1	-31	-105
AFC	500	3.75%	A3/-/-	10/30/2019	10/30/2029	9.4	98.375	3.958	312	0	-0.31	-25	-57
AFC	650	4.38%	A3/-/-	4/17/2019	4/17/2026	5.9	104.25	3.564	298	-0.1	-0.62	-27	-77
AFC	500	3.88%	A3/-/-	4/13/2017	4/13/2024	3.9	104.25	2.703	230	-0.24	-1.45	-36	-151
BOAD	**830**	**4.70%**	**Baa1/-/BBB**	**10/22/2019**	**10/22/2031**	**11.4**	**96.5**	**5.109**	**419**	**-0.18**	**-0.8**	**-44**	**-111**
BOAD	**850**	**5.00%**	**Baa1/-/BBB**	**7/27/2017**	**7/27/2027**	**7.1**	**102.75**	**4.543**	**386**	**-0.46**	**-1.31**	**-66**	**-151**
BOAD	**750**	**5.50%**	**Baa1/-/BBB**	**5/06/2016**	**5/06/2021**	**0.9**	**102**	**3.244**	**294**	**-0.31**	**-4.36**	**-33**	**-431**
TDB	750	4.88%	Baa3*-/-/BB+	5/23/2019	5/23/2024	4	98	5.443	503	-0.5	-2.05	-62	-211
TDB	700	5.38%	Baa3*-/-/BB+	3/14/2017	3/14/2022	1.8	100	5.37	508	-0.6	-4.51	-65	-448

Source: Standard Chartered

I. Measures Taken in Favour of Member States

I. Robust Measures Taken in Favour of Member States

Over €300m of concessional loans extended in support of Member States.

- Member countries have drawn up **plans to support the economic, social and physical health of citizens.**

- In support of these plans, the **BOAD Board of Directors approved** on 25 March 2020 a package of rapidly disbursable **XOF 200 billion or €305 million concessional loans.**

- **The loans are subsidized** through the support of the Central Bank of West African States (BCEAO) and the Commission of the West African Economic and Monetary Union (WAEMU).

BCEAO
BANQUE CENTRALE DES ETATS DE L'AFRIQUE DE L'OUEST

BOAD
BANQUE OUEST AFRICAINE DE DÉVELOPPEMENT

UEMOA

II. Financial Position and Performance

II. Sound Financial Position as of 2019

Strong financial performance in FY19, including Net Income growth of 48% vs. FY18.

BOAD

Net Income

- **XOF 26.8bn or €40.9m**, **having increased by 48%** compared to 2018.

Comfortable Cash Position

- **Strong overall cash position**, with a **buffer of 30 months** – over three-fold the required standard of 9 months.

Improved Operating Ratio

- Operating Ratio (Overhead Costs/Net Banking Income) stands at **32.5% as at end of December 2019 compared to 43.1% at YE2018**, for a standard of 50% maximum,

Capital Adequacy Ratio

- **CAR of 27.2%** according to the FITCH rating method for a minimum required level of 25% and 255.4% according to Moody's.

Gross Degradation Rate

- Gross Degradation Rate of the overall portfolio of **2.97% as against 2.23% at YE2018.**

II. Robust and Growing Financial Position as of Q1 2020 2/2

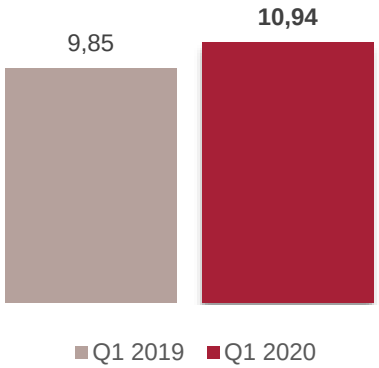
Strong Q1 2020 notwithstanding impact of Covid-19.

BOAD

Net Income

Comparable Net Income Growth

- ✓ Q1 2020 Net Income of XOF 10.94bn (or €16.7 million)
- ✓ **Increase of 11.1%** against XOF 9.85 billion (or €15.02 million) as of Q1 2019.



Liquidity Policy

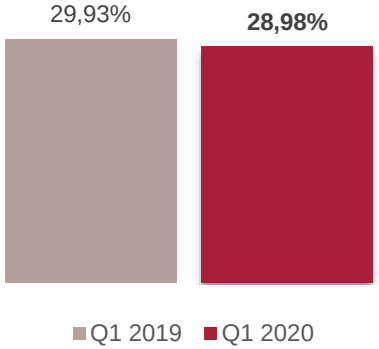
Comfortable Overall Cash Position

- ✓ Liquidity Policy fully observed.
- ✓ Comfortable overall cash position.
- ✓ **20 months liquidity buffer.**
- ✓ International capital market access since May 2016, supporting the diversification of its funding sources.
- ✓ Central Bank facility as a last resort and credible backstop in the event of adverse market conditions.

Operating Ratio

Improving Operating Ratio

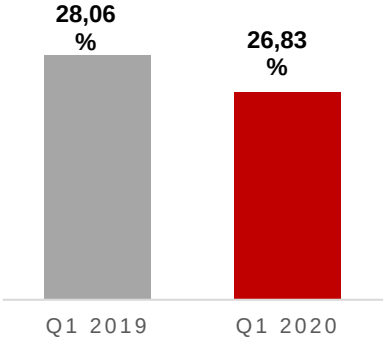
- ✓ Operating Ratio improvement of 3%.
- ✓ At 28.98% as at end of March 2020, below 29.93% as at late March 2019.
- ✓ **Well below 50% standard.**



Capital Adequacy Ratio

Robust Capital Adequacy Ratio Above Standards

- ✓ CAR of 26.83% according to Fitch methodology.
- ✓ **Above minimum required level** of 25% and 250% according to Moody's.



III. Rating

For the sixth year in a row, BOAD's investment grade status was reaffirmed by both Moody's and Fitch, after ratings in April.

BOAD Ratings Overview

Solvency	BBB
Liquidity	A
Business Environment	-3 Notches
Intrinsic Rating	BB (down from BB+ in 2019)
Capacity to Support	BBB-
Propensity to Support	Exceptional
Support Assessment	BBB
Rating	BBB based on support

Fitch has maintained BOAD's investment grade rating at "BBB", although outlook changed to "negative" from "stable".

- Importantly, this change is due to a change of rating of a non-regional and strategic partner and shareholder.
- **The outlook adjustment is linked to factors strictly external to BOAD** (and WAEMU) and **does not reflect the performance of BOAD,** nor does it reflect its core creditworthiness.
- **BOAD remains one of the 5 best rated banks on the African continent**.

Fitch's Support Criteria	Description
Unique Liquidity Position	✓ Strong liquidity position given the Bank's liquidity policy of holding the **equivalent of 9 months of funding requirements at any given time.** ✓ BOAD can access BCEAO's funding facility, which supports its intrinsic liquidity position. The only other multilateral development bank with a similar liquidity arrangement with a central bank is the EIB, with the European Central Bank.
De facto "Preferred Creditor Status"	✓ Despite no legal or contractual basis conferring any Preferred Creditor Status, historically, the WAEMU member states have tended to "favour" the payment of debts owed to BOAD. ✓ **Rating agencies consider BOAD's creditor status as "strong".**
Strong Shareholder Support in Case of Regional Shocks	✓ In 1994, shareholders compensated BOAD's financial loss resulting from the FCFA devaluation (the sole to date).
Strong Solvency Position	✓ **"Strong" capitalisation of BOAD and hence a "moderate" risk profile.**

Moody's has renewed BOAD's investment grade rating at "Baa1" with a stable outlook, notwithstanding the Covid-19 pandemic.

Moody's Support Criteria	Description
Unique Liquidity Position	✓ Strong liquidity position given the Bank's liquidity policy of holding the **equivalent of 9 months of funding requirements at any given time.** ✓ BOAD can access BCEAO's funding facility, which supports its intrinsic liquidity position. The only other multilateral development bank with a similar liquidity arrangement with a central bank is the EIB, with the European Central Bank.
Focus on Quality	✓ **Focused strategy for growth consolidation and moderation**, after an increase in the size of loan portfolio between 2013 and 2017.
Strong Shareholder Support in Case of Regional Shocks	✓ In 1994, shareholders compensated BOAD's financial loss resulting from the FCFA devaluation (the sole to date).
Adoption of Best Practices	✓ Efforts made to **improve its overall risk management framework.**

BOAD

IV. Impact of Covid-19 & Mitigation Measures

BOAD is well prepared for the impact of Covid-19 on portfolio quality

Portfolio impact from Covid-19 is mitigated by high, historically safe sovereign exposure and strong liquidity profile.

Sovereign Debtors

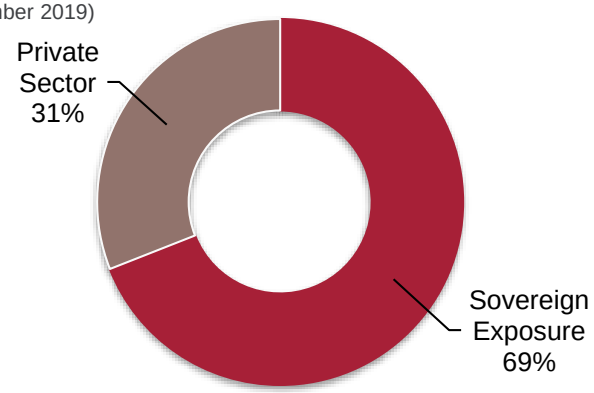
- BOAD does not expect defaults on sovereign borrowers given its Preferred Creditor Status.
- Sovereign borrowers represent over two-thirds (69%) of outstanding loans, as at late December 2019.
- BOAD has had no defaults on member countries.

Private Sector Debtors

- Private sector loans represent the minority of outstanding loans (31%) – of which the majority are extended to Financial Institutions (45%) and for Infrastructure (14%).
- Highly affected sectors such as Hotels and Industries represent only 7% of gross outstanding window loans.
- Borrowers may request a rescheduling of debt repayment terms from the Bank.
- All requests will be reviewed thoroughly on a case-by-case basis.
- As the Bank co-finances most projects with other donors, they will be consulted for joint actions.
- Arrears are not excluded.

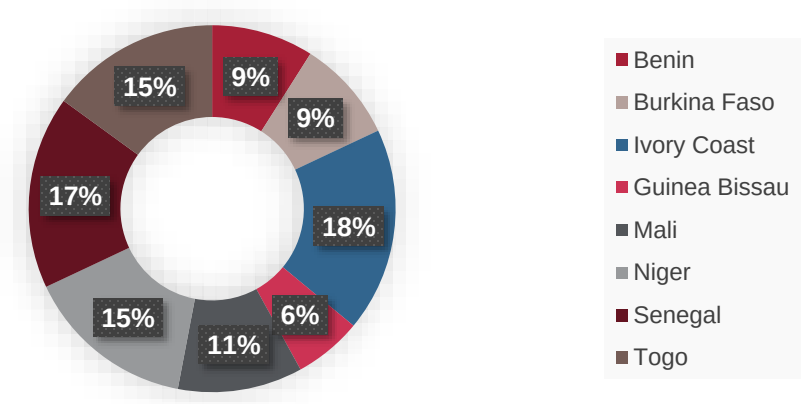
Distribution of the Gross Outstanding Loans Portfolio

(as of 31 December 2019)



Total Gross Outstanding Loan Portfolio by Country

(as of 31 December 2019)



Staff Well-being and Business Continuity

- Health protection measures taken at global level and in each of our countries to mitigate the risks of contamination are imposed on everyone, and the West African Development Bank (BOAD) immediately adopted the same.

- Since 24 March 2020, in addition to the previous measures and as recommended by our health, safety and working conditions committee, the **headquarters and our resident missions have been locked down** and our **business continuity plan (BCP) has been activated**.

Borrower Mitigation Measures

- As part of support to member countries in the fight against the spread of COVID-19, an overall package of **XOF 200 billion or €305 million of concessional loans** were made available and **subsidized with** the **support of the Central Bank of West African States** (BCEAO) **and the West African Economic and Monetary Union** (WAEMU) Commission.

- Furthermore an additional amount of 100 Billion FCFA or €152 million has been granted to support SME in preserving their business and sustain employment. Commercial banks and microfinance institutions will be the intermediaries under this financial scheme.

Borrower Mitigation Measures

- Discussions will be held, on a case-by-case basis, with companies active in the Bank's portofio so as to provide, based on their needs: deferrals of debt payments, maturity extensions, possible granting of fresh short-term loans to finance working capital requirements or maintenance capital expenditure with a view to boosting their activities.

- In consultation with multilateral financial partners, discussions are underway at BOAD to **package the best support to be provided to the private sector,** particularly, SMEs, through the financial intermediation of commercial banks.

- Resources are already being raised from partners to support private enterprises and maintain jobs.

BOAD

Thank you for your attention.