Fitch Ratings - Paris - 04 May 2023: Fitch Ratings has affirmed Banque Ouest Africaine de Développement's (BOAD) Long-Term Issuer Default Rating (LT IDR) at 'BBB' with a Stable Outlook.

A full list of rating actions is detailed below.

**KEY RATING DRIVERS**

**SCP Drives Rating:** Fitch has revised BOAD's Standalone Credit Profile (SCP) to 'bbb' from 'bb+' following a series of improvements. BOAD's ratings are now driven by its SCP, instead of support from shareholders. The 'BBB' LT IDR reflects BOAD's solvency of 'a-' and a two-notch negative adjustment to reflect the 'high' risk business environment in which the bank operates. BOAD's liquidity is assessed at 'a'.

**Capital Increase Supports Solvency:** BOAD's shareholders have approved a new capital increase of XOF554 billion, equivalent to 50% of subscribed capital. Existing shareholders will subscribe 75% of the capital increase, while new non-regional shareholders are set to subscribe the remaining 25%.

The bulk of the capital increase (80%) will be in the form of paid-in capital, which will support BOAD's capital ratios in the medium term. The participation of non-regional shareholders in BOAD's capital will increase to at least 14%, from 6% currently, increasing the highly rated callable capital that Fitch considers in its assessment of its usable capital to risk-weighted assets (FRA) ratio.
Capitalisation Ratios to Strengthen: Fitch expects BOAD to operate with stronger capital ratios over the medium term. As of end-2022, capital ratios had markedly increased following a XOF90 billion transfer to the bank's own funds from a fund owned by BOAD used to subsidise loans to member states ('mécánisme de bonification'). Following this transfer and a previous one in 2019, the 'mécánisme de bonification' is partly depleted, meaning no equivalent transfer will be possible in the next few years.

BOAD's equity-to-asset ratio was 33% in 2022, up from 29% in 2021. The FRA ratio increased to 31% from 27% over the same period. Fitch expects the two capital ratios to moderately strengthen in the medium term, reflecting paid-in capital payments spread over up to five years from 2023 and continued expansion of the bank's operations. These projections only factor in paid-in capital payments by existing shareholders.

Resilience in Risk Profile: Fitch has revised its assessment of credit risk to 'moderate' from 'high', principally reflecting the resumption of payments and clearance of all arrears by the Malian sovereign (8% of the loan book) to the bank after financial sanctions on the country were lifted in July 2022.

The average rating of the loan book was 'B' as of end-2022, an improvement from 'B-' at the previous review. After accounting for BOAD's preferred creditor status, the average rating of loans is 'BB-'. Non-performing loans (NPLs) were 2.9% as of end-2022 and Fitch expects they will remain just below 3% over the medium term, in line with the bank's record in recent years.

'Moderate' Risk Overall: The bank's top-five largest exposures (all sovereigns) accounted for 48% of total loans as of end-2022. The bank hedges its US dollar and CFA franc exchange rate risk with cross-currency swaps. The bank's main capital adequacy metrics are a Basel-type ratio and a leverage limit caps debt at three times the level of equity.

Access to Central Bank Refinancing: Fitch assesses the bank's liquidity at 'a'. The assessment reflects 'strong' coverage of short-term debt by liquid assets and the bank's proven access to capital markets. Fitch only considers as liquid the deposits held at the regional central bank and regional sovereign debt securities that the bank can refinance with the central bank. The liquidity assessment is enhanced by BOAD's access to the regional central bank's refinancing window.

Improvement in Business Environment: The business environment is 'high risk', leading to a notching down from the solvency assessment by two notches, versus three notches previously. The reduction in the negative notching reflects the rising policy importance
of the bank, as underlined by the growing size of its balance sheet and the new capital increase approved by shareholders.

We expect non-borrowing highly-rated shareholders to play a growing role in the bank's governance. The overall assessment of BOAD's business environment remains 'high risk', primarily due to the low income, low credit quality and high political risks in the countries in which the bank operates.

**BCEAO Dilution Could Affect Support:** Fitch assessment of BOAD shareholders' capacity to support is based on the average rating of key shareholders, i.e. those largest shareholders whose capital contribution totals at least 50% of subscribed capital. As of end-2022, BOAD's key shareholders were the Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO, owning 47% of BOAD's capital) and Cote d'Ivoire (BB-/Stable, 6%) resulting in a support capacity assessment at 'bbb-'. The dilution of BCEAO in line with the ongoing capital increase could lead to a weakening in this assessment unless one of the non-regional highly-rated shareholders becomes a key shareholder.

**Exceptional Propensity to Support:** BCEAO's ability to tap the fiscal resources it manages on behalf of the regional member states to secure payment of capital increases translates into an 'exceptional' propensity of shareholders to support, and a one-notch uplift over the capacity to support, leading to an overall support assessment of 'bbb'.

**Short-Term Rating:** The Short-Term IDR of 'F2' is the higher of two options mapping to a LT IDR 'BBB'. This reflects the bank's liquidity assessment of 'a', which is above the level equivalent to the minimum Long-Term IDR (BBB+), at which the higher Short-Term IDR (F2) would apply.

**RATING SENSITIVITIES**

**Factors that could, individually or collectively, lead to negative rating action/downgrade:**

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 in the medium term

**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 not offset by the participation of a non-regional highly-rated shareholder as key shareholder

**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 a weakening in the quality of treasury assets

**Factors that could, individually or collectively, lead to positive rating action/upgrade:**

**SCP (solvency):** Material improvement in the bank's solvency assessment. This could result from a combination of stronger-than-expected capital ratios (beyond the participation in the bank's capital of new non-regional shareholders) and significant strengthening in the risk profile

**Support (capacity):** A strengthening in Fitch's assessment of BOAD's key shareholders capacity to provide support. This could stem from an improvement in the credit quality of BOAD's key shareholders

**BEST/WORST CASE RATING SCENARIO**

International scale credit ratings of Sovereigns, Public Finance and Infrastructure issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of three notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit https://www.fitchratings.com/site/re/10111579.

**REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING**

The principal sources of information used in the analysis are described in the Applicable Criteria.

**ESG CONSIDERATIONS**

BOAD has an ESG Relevance Score of '4[+]' for 'Human Rights, Community Relations, Access and Affordability'. BOAD provides concessional loans to its member states funded by concessional resources provided by its shareholders. This supports BOAD's policy importance and shareholders' propensity to support the bank. This has a positive
impact on the credit profile, and is relevant to the ratings in conjunction with other factors.

BOAD has an ESG Relevance Score of ‘4’ for ‘Governance Structure’. A high share of capital ownership by borrowing countries with weak credit fundamentals and limited access to external funding has led to pressure to increase lending. This risk has been somewhat mitigated by a fairly high share of voting rights held by non-regional members at the board. This has a negative impact on the credit profile, and is relevant to the ratings in conjunction with other factors.

BOAD has an ESG Relevance Score of ‘4’ for ‘Rule of Law, Institutional and Regulatory Quality’. All supranationals attract a score of ‘4’. Supranationals are neither subject to bank regulation nor supervised by an external authority. Instead, supranationals comply with their own set of rules. Fitch pays particular attention to internal prudential policies, including compliance with these policies. This has a negative impact on the credit profile, and is relevant to the ratings in conjunction with other factors.

BOAD has an ESG Relevance Score of ‘4[+]’ for ‘Policy Status and Mandate Effectiveness’. BOAD has access to the BCEAO refinancing window. This is a rare feature for supranationals and supports the bank’s liquidity profile. This has a positive impact on the credit profile, and is relevant to the ratings in conjunction with other factors.

Except for the matters discussed above, the highest level of ESG credit relevance, if present, is a score of ‘3’. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or to the way in which they are being managed by the entity. For more information on Fitch’s ESG Relevance Scores, visit www.fitchratings.com/esg.

### RATING ACTIONS

<table>
<thead>
<tr>
<th>ENTITY / DEBT</th>
<th>RATING</th>
<th>PRIOR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banque Ouest Africaine de Developpement</td>
<td>LT IDR</td>
<td>BBB Rating Outlook Stable</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Affirmed</td>
</tr>
<tr>
<td></td>
<td>ST IDR</td>
<td>F2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>F2</td>
</tr>
</tbody>
</table>
Fitch Affirms BOAD at 'BBB', Outlook Stable

VIEW ADDITIONAL RATING DETAILS

FITCH RATINGS ANALYSTS

Arnaud Louis
Senior Director
Primary Rating Analyst
+33 1 44 29 91 42
arnaud.louis@fitchratings.com
Fitch Ratings Ireland Ltd
28 avenue Victor Hugo Paris 75116

Hawa Ly
Senior Analyst
Secondary Rating Analyst
+44 20 3530 1280
hawa.ly@fitchratings.com

Paul Gamble
Senior Director
Committee Chairperson
+44 20 3530 1623
paul.gamble@fitchratings.com

MEDIA CONTACTS

Peter Fitzpatrick
London
+44 20 3530 1103
peter.fitzpatrick@thefitchgroup.com

Additional information is available on www.fitchratings.com

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.

APPLICABLE CRITERIA
Supranationals Rating Criteria (pub. 11 Apr 2023) (including rating assumption sensitivity)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

Banque Ouest Africaine de Developpement EU Issued, UK Endorsed

DISCLAIMER & DISCLOSURES

All Fitch Ratings (Fitch) credit ratings are subject to certain limitations and disclaimers. Please read these limitations and disclaimers by following this link: https://www.fitchratings.com/understandingcetratings. In addition, the following https://www.fitchratings.com/rating-definitions-document details Fitch's rating definitions for each rating scale and rating categories, including definitions relating to default. ESMA and the FCA are required to publish historical default rates in a central repository in accordance with Articles 11(2) of Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 and The Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019 respectively.

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. Directors and shareholders’ relevant interests are available at https://www.fitchratings.com/site/regulatory. Fitch may have provided another permissible or ancillary service to the rated entity or its related third parties. Details of permissible or ancillary service(s) for which the lead analyst is based in an ESMA- or FCA-registered Fitch Ratings company (or branch of such a company) can be found on the entity summary page for this issuer on the Fitch Ratings website.

In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a
given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed.

The information in this report is provided “as is” without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the
tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US$1,000 to US$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US$10,000 to US$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001. Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the “NRSRO”). While certain of the NRSRO’s credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see https://www.fitchratings.com/site/regulatory), other credit rating subsidiaries are not listed on Form NRSO (the “non-NRSROs”) and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

dv01, a Fitch Solutions company, and an affiliate of Fitch Ratings, may from time to time serve as loan data agent on certain structured finance transactions rated by Fitch Ratings.

Copyright © 2023 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved.

READ LESS

SOLICITATION STATUS

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

ENDORSEMENT POLICY

Fitch's international credit ratings produced outside the EU or the UK, as the case may be, are endorsed for use by regulated entities within the EU or the UK, respectively, for regulatory purposes, pursuant to the terms of the EU CRA Regulation or the UK Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019, as the case may be. Fitch's approach to endorsement in the EU and the UK can be found on Fitch's Regulatory Affairs page on Fitch's website. The endorsement status of international credit ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.

Sovereigns  Supranationals, Subnationals, and Agencies  Africa  Togo