CREDIT RISK MANAGEMENT BEYOND NUMBERS

BOA BURKINA FASO

Credit rating note **May 2017**

Category of values	Rating scale	Currency	Current rating	Previous rating	Outlook
Long Term	Regional	CFA	A	A	Stable
Short Term	Regional	CFA	A1	A1	Stable

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Basic financial data:

In million CFA	2014	2015	2016
Total balance sheet	497 141	656 797	714 127
Interbank loans	34 787	63 405	40 471
Customer loans	340 584	349 408	372 418
Interbank debt	118 319	197 608	213 013
Customer deposits	323 570	391 924	430 312
Equity	44 128	49 528	54401
Interest margin	12 920	12 697	8918
Net banking product	26 686	31 317	33685
Gross operating result	14 857	17 288	17054
Net result	10 478	12 028	12443

Introduction

Incorporated as a public limited company on 12 March 1997, with a capital of CFA 1.5 billion, Bank Of Africa Burkina Faso (BOA Burkina) was opened to the public on 23 March 1998.

It is the fifth subsidiary of the Bank Of Africa Group.

Its registered capital amounts to CFA 11 billion as at 31 December 2016.

Justification of the rating and outlooks

Long term:

High credit quality. Protection factors are good. However, risk factors are more variable and more significant in times of economic pressure.

Short term:

There is very high assurance for timely repayment. Liquidity factors are strong and are supported by good protection factors of key elements. Risk factors are very low.

Key performance factors

The rating is based on the following positive factors:

- Socio-political context has stabilized;
- An improving economic environment that augurs well;
- A readjustment of the regulatory framework, conducive to the development of banking business;
- An improved position of the bank in 2016 on the competitive market;
- BOA Burkina is a partner of the State in major infrastructure projects;
- Risk management policy in continuous improvement thanks to the deployment of the Convergence Project;
- Concentration rate of commitment portfolio is in decline

Main factors of fragility of credit quality:

- Continued decline in intermediation margin and loan performance;
- Deterioration of the operating ratio;
- Operating profitability in decline;
- Increased cost of risk due to an increase in reserves;
- Internal and external security environment involving high terrorist risks.