CREDIT RISK MANAGEMENT BEYOND NUMBERS

SHELTER-AFRIQUE NAIROBI, KENYA

Analysis of the activities of a housing finance institution in Africa

Validity: July 2017 - June 2018

Category of values	Rating scale	Currency	Current rating	Previous rating	Expiry date	Outlook
Long-Term	Regional	CFA	BBB+	A	30/06/2018	Stable
Short-Term	Regional	CFA	A3	A1	30/06/2018	Negative

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Basic financial information

In thousand US$	2015	2015*	2016
Total assets	346 070	335 852	336 508
Borrowing	158 431	158 431	188 998
Equity	111 508	105 864	93 356
Liquid assets	40 834	40 834	28 139
Loans and advances	281 349	274 281	283 114
Interest and similar income	25 143	25 143	30 545
Total net result	3 107	-3 961	-12 681

*result adjusted after audit

Introduction

Shelter-Afrique is a Multilateral Development Bank (MDB) established in 1982.

The mission of Shelter-Afrique is to finance housing and urban development in the forty-four (44) African shareholder countries with a range of products.

Its authorized capital is one (1) billion US dollars and the issued and called capital is USD 146.114 million.

As at 31 December 2016, the paid-up capital is US$ 62.6 million, against US$ 62.2 million in 2015.

Justification of the rating and outlooks

Long term:

Protection factors are appropriate and are regarded as sufficient to ensure prudent investments. However, risks are highly variable during economic cycles.

Short term:

Liquidity is satisfactory and other protective factors mitigate potential issues regarding the investment index. However, risk factors are greater and subject to more variations.

Justification of the rating

The rating is based on the following positive factors:

- Rising need for housing despite the efforts of governments, which represents a good opportunity for Shelter-Afrique;
- Relative control of operating costs, which have declined by 4% in 2016

Main fragility factors of the rating:

- Significant decline in business in 2016 that continued in 2017.
- Risk management policy to be redefined to support portfolio cleansing and the revitalization of the credit portfolio;
- Enhancement and development of activities, largely dependent on the recapitalization of the institution;
- Planned suspension of activity to readjust the strategy and to restore financial balance;
- Negative net result under the impact of the increase in provisions for bad debts and the deterioration of the portfolio;
- Liquidity ratio in constant decline;
- Financial flexibility to be restored;
- High security risks in the countries of operation.