



PRESS RELEASE :

Credit Rating / Securitization FCTC COFINA



WARA assigns a « tAA » long-term rating to the senior bonds issued by FCTC-COFINA

WARA has assigned a long-term rating of “tAA” to the senior bonds issued by the securitization vehicle FCTC-COFINA. The outlook is stable.

Abidjan, on the 10/04/2018 — **West Africa Rating Agency (WARA)** has assigned a regional currency, long-term rating of “tAA” to the « senior » bonds issued by the securitization vehicle of COFINA Group, amounting to 10 billion CFA francs. The bonds carry a maturity of 18 months. As a matter of reference, the “tAA” rating stands two notches below the highest possible rating on the rating agency’s regional scale. The outlook is **stable**.

Methodology

- WARA assigns only a long-term rating to the bonds issued by FCTC-COFINA as the bonds mature in 18 months.
- From a methodology perspective, WARA assigns no rating to the “residual shares”, i.e. to the “equity” tranche.
- As a matter of fact, the securitization vehicle FCTC-COFINA does not issue any subordinated (i.e. “mezzanine”) tranche.
- In addition, WARA assigns no foreign-currency rating to the senior bonds issued by FCTC-COFINA as the bond issuance is entirely denominated in CFA francs.
- On top of this, from the standpoint of WARA’s methodology, the ratings assigned to bonds pertaining to securitization transactions (especially when they are cross-border and of a regional nature) are not subject to national ceilings, but only to the regional ceiling, which stands according to WARA at AAA in regional currency.
- Finally, the rating carries a stable outlook. WARA was of the view that, on the issuance date, no

information suggested that the Expected Loss attached to the securitized portfolio would be in a position to improve or worsen in the short to medium terms.

Analytics: key rating drivers

- The highly granular nature of the securitized portfolio
- The geographical balance of the securitized portfolio, split in almost equal parts between Ivory Coast and Senegal
- The robust degree of credit enhancement with a portfolio over-collateralization of 30.5% to which is added a reserve portfolio of 6%
- The good quality of the assets underlying the securitization transaction
- The predictable nature of the cash flows extracted from the underlying portfolio
- The amortizing nature of the bonds and of the underlying loan assets, which removes residual value risks
- The existence of a reserve fund expected to grow as excess spreads accrue within structure
- The limited intensity of operational risks, given the existence of alternative recovery solutions and the good quality of the legal documentation.

Dynamics

- A short-term upgrade of the rating assigned to the senior bonds issued by FCTC-COFINA would be the consequence of: i) an extremely favorable behavior of the underlying loan assets, with default and loss-given-default rates well below historical averages; ii) a higher rate of overcollateralization or a stronger/larger reserve portfolio; and/or iii) the use of external guarantees which credit ratings would be higher than the rating assigned to the issued bonds.
- A downgrade of the rating assigned to the senior bonds issued by FCTC-COFINA would be the result of: i) a sudden and very intense economic, political or sanitary crisis in one of the two countries from which the underlying loan assets originate; ii) a sudden and severe deterioration of the region’s macroeconomic indicators; or iii) operational risks materializing and weighing on credit recoveries.

- Altogether, WARA considers that the probability of occurrence of unfavorable scenarios is equivalent to that of favorable scenarios, with low intensity in both cases.
- Finally, WARA will review the rating and outlook assigned to FCTC-COFINA every 6 months.

The methodology used by WARA for rating the senior bonds issued by FCTC-COFINA is the rating methodology applicable to securitization transactions, published in March 2016, and immediately incorporated into WARA’s Methodology Manual, which is available on the rating agency’s Website:

www.emergingmarketsratings.com

Information sources used by WARA to conduct this rating assignment are mainly private pieces of information provided by COFINA Group and its specialized service providers, between April 2017 and February 2018. Such pieces of information, together with information available in the public domain, are considered by WARA as relevant and sufficient to assign a rating to the issued bonds.

Finally, WARA emphasizes the fact that the rating assigned to the senior bonds issued by FCTC-COFINA is solicited and participating, meaning it follows a rating request from COFINA Group (the originator), and that the originator’s management team has actively contributed to the discussions with WARA’s analytical team, in a transparent and collaborative way.

The “tAA” rating assigned by WARA to the issued bonds are two notches below the maximum possible rating, and seven notches above the minimum rating accepted by the CREPMF to issue bonds without a third-party guarantee.

The full rating report is available on demand by email at infos@rating-africa.org

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