February 2018

AFRICAN SOLIDARITY FUND

Niger

AA+/Stable/w-2

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Lead Analyst
Anouar HASSOUNE
Email: anouar.hassoune@rating-africa.org

Back-up Analyst
Saiba FAINKE
Email: saiba.fainke@rating-africa.org

Dakar: +221 33 825 72 22
Abidjan: +225 22 50 18 44

Ratings

Scale	Regional	International
Methodology	**Bank / MDB / GarFund**	Bank / MDB / GarFund
Long-term rating	**AA+**	iBB+
Outlook	**Stable**	Stable
Short-term rating	**w-2**	iw-5
Watch	**No**	No

Evolution of the long-term rating

First-time rating assigned to the African Solidarity Fund (ASF) in February 2018, at **AA+/w-2** on WARA's regional rating scale. The outlook is **stable**.

Summary

On WARA's regional scale, the long-term rating of the African Solidarity Funds is 'AA+'. This rating comes with a stable outlook.

WARA has assigned a long-term, regional scale rating of '**AA+**' to the African Solidarity Funds (ASF), a multilateral financial institution headquartered in Niger, with ownership of fourteen African Member States. This rating is not subject to any national sovereign ceiling, since the ASF is rated by WARA according to the methodology of multilateral development institutions, whose ratings are not capped. WARA also assigned the ASF a short-term rating of **'w-2'**. The outlook attached to these ratings is **stable.**

As a matter of reference, the international scale ratings and outlook that WARA assigns to the ASF are: **iBB + / Stable / iw-5**

AFRICAN SOLIDARITY FUND (ASF)

The standalone rating of the ASF, independent of external support factors, is '**A**' according to WARA, which equates to a total weighted score of 2.43 / 6.00. This score does not include any favorable or unfavorable adjustments. In view of its methodological classification criteria, WARA considers that the ASF is both a Bank / Multilateral Development Institution (MDB) and a Guarantee Fund (GarFo). Therefore, the applicable methodology is that of the banks, while adding the specificities inherent to the specific cases of BMD and (GarFund), especially with regard to the calibration rules of the external parental support factors (see the ASF's Company Profile). Once the external support factors are incorporated (see page 19), the ASF's long-term counterparty rating becomes '**AA+**', without this rating being subject to any national ceiling.

The shareholders of the ASF are exclusively African States. 14 Member States, out of the 54 countries of the African continent, are currently shareholders of the ASF. These states are also members of one of the following three integrated regions: Economic Community of West African States (ECOWAS); Economic Community of Central African States (ECCAS); and Common Market for Eastern and Southern Africa (COMESA).

The standalone rating of the ASF (A) is mainly based on the following drivers:

Credit Strengths

- **Very strong capitalization,** despite an uneasy process of releasing called capital
- **Very high asset liquidity**, with no leverage
- **Good diversification** by geographic and sectors
- **Sound governance, robust management and stringent controls**, which considerably limits operational risks
- **Astute strategic positioning,** in a market where very few players are active and where the strategic objectives of the ASF appear to be concomitantly clear, relevant and realistic

Credit Weaknesses

- **Resources, particularly human capital, are under pressure** despite a cost-to-income ratio that is still subject to improvement
- **Excessive concentration on a limited number of large exposures**, given the still modest size of the portfolio of commitments despite the institution's long history
- **Perfectible risk management**, especially through the acquisition of scoring and rating instruments already in use at other financial institutions, asset quality improvements and the implementation of sectoral policies. The risk management framework is indeed subject to particular attention in view of its incremental improvement
- **Volatile profitability**, due to the uneven multiregional macroeconomic context, the institution's public service mandate that does not focus on profitability and makes it necessarily subject to high credit risk, along with a very limited appetite for business aggressiveness, prior to the appointment of the new management team in 2015

Outlook

The outlook attached to the rating on the ASF is **stable**. WARA justifies this stable outlook by the fact that ASF's capital and liquidity indicators should remain strong over the medium term, a corollary of sound and transparent governance and a moderate appetite for risk. In addition, the strengthening of human resources should contribute to improving the quality of assets, while the expected growth in volumes should allow the institution to significantly raise its level of structural profitability, albeit with greater use of debt leverage.

An upgrade of the ASF's rating is subject to: i) the structural improvement of its member States' macroeconomic environment; ii) the full payment of called capital; iii) further enhancement of its human resources; iv) the institution's capacity to incrementally curb the concentration of its counterparties, and more generally, the modernization of its risk management framework; and v) the improvement and stabilization of its core/structural profitability, as a consequence of the successful execution of its medium-term strategic plan, built on both an increase in volumes as well as more ambitious quality standards.

A downgrade of the ASF's rating would be the consequence of: i) concentration risks materializing, i.e. further credit losses booked on large exposures; ii) macroeconomic volatility increasing in one or more economic communities where the ASF is operating, leading to a sharp deterioration of its asset quality; iii) a strategy that WARA would consider excessive in terms of financial leverage, capable of weakening the institution's capital or liquidity positions; iv) the member States calling off their capital support to the Fund; or v) governance becoming more lenient, especially less rigorous audit controls, compliance checks and expense management.

With a stable outlook, WARA signals that the probability of occurrence of the best-case scenarios is equivalent to that of the worst-case scenarios in the medium term; in other words, the ASF's current ratings carry as much downward pressure as upward potential, taking into consideration that the ASF's ratings are subject to no country ceiling.

Analysis of Standalone Rating Factors

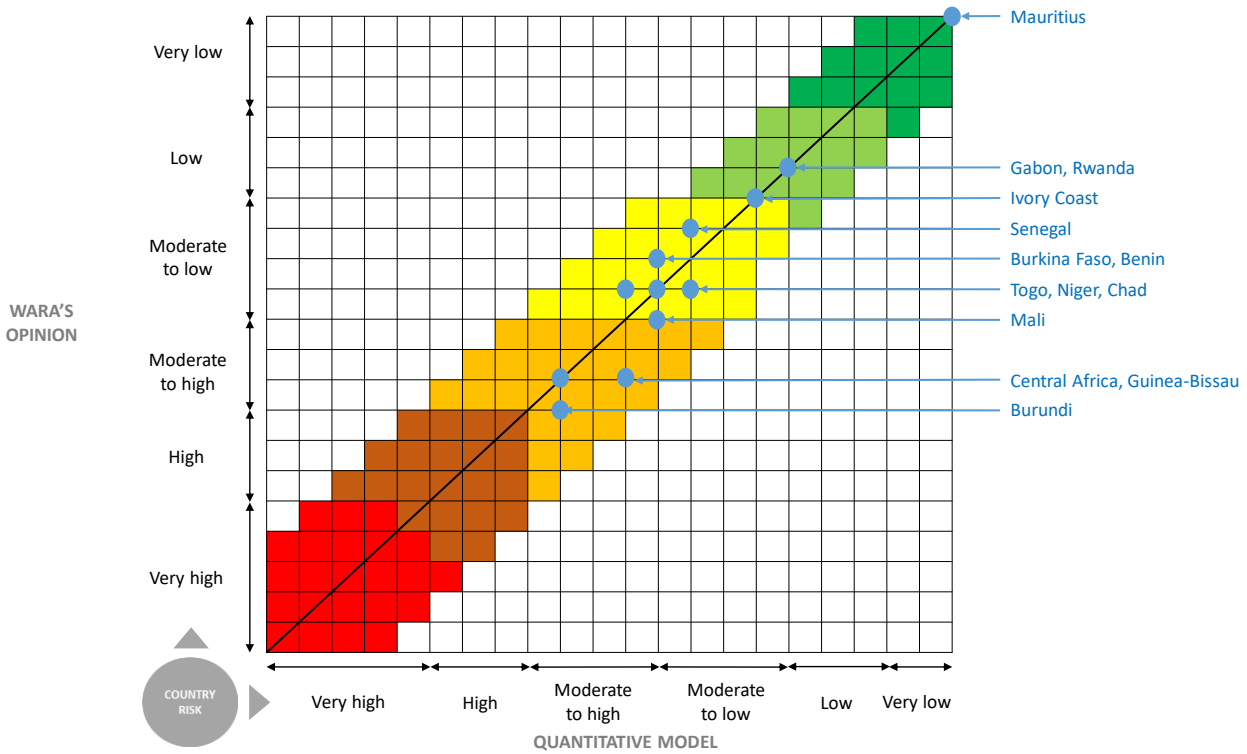
Environmental factors

Macroeconomic environment

The ASF operates in a multi-regional context, and covers a very large geographic area, which nourishes a good territorial diversification of its financial activities

The ASF is statutorily authorized to act only in the 14 countries whose respective States are shareholders, but this covers a very large geographical area. These states are members of one of the following three integrated regions: the Economic Community of West African States (ECOWAS); the Economic Community of Central African States (ECCAS); and the Common Market for Eastern and Southern Africa (COMESA). The ASF's 14 Member States together have a population of 160 million inhabitants and a purchasing power parity (PPP) GDP of USD 388 billion at the end of 2016, representing a PPP per capita GDP of USD 2,425. This geographical scope of action provides the ASF with natural territorial diversification, which is a very positive rating factor.

WARA considers that the average country risk faced by the ASF in this multi-regional context is "moderate to low". This conclusion is derived from a quantitative and qualitative analysis of the factors of macroeconomic resilience of each of the ASF's Member States, shown in the graph below. The quantitative model that WARA uses as an anchor links the main macroeconomic ratios of each of the 14 national economies to their country risk score. WARA then gives itself the opportunity to diverge from this score by one or two notches, up or down, depending on the qualitative characteristics of these national economies. The average and median level of country risk, in regional/national currencies, is "moderate to low"; however, three countries are in the "low" and "very low" country risk categories (Mauritius, Gabon and Rwanda), while in contrast, three countries are in the "moderate to high "country risk category (Central African Republic, Guinea-Bissau and Burundi).



AFRICAN SOLIDARITY FUND (ASF)

The macroeconomic statistics of the 14 Member States of the ASF in 2015 and 2016 tend to confirm this assessment. The economic growth of the group of Member States is on average robust (4% for each of these two years), but both the amplitude of performance and the volatility of growth in most countries remain high. Inflation is under control, except in the Central African Republic. On the other hand, competitiveness (measured by the current balance as a percentage of GDP) and attractiveness (measured by the ratio of FDI to GDP) remain fragile, even very fragile in some cases. These two sources of accumulation of foreign exchange reserves explain the relatively weak performance of the countries of the group in terms of debt coverage by foreign currency reserves. That said, this factor is neutral for the ASF: in fact, the Fund guarantees and lends only in regional currencies, and the CFAF (one of the ASF's major currencies) remains supported by the French Treasury, as to its convertibility and its structural anchoring vis-à-vis the euro.

2015	BEN	BKF	BUR	CAF	CDI	GAB	GIB	MAL	MAU	NIG	RWA	SEN	CHA	TOG
GDP growth%	2.1	4.0	(3.9)	4.8	9.2	3.9	4.8	6.0	3.5	3.6	8.9	6.5	1.8	5.4
Nominal GDP in PPP, billion USD	22.4	29.9	8.1	3.0	80.0	34.6	2.7	35.7	25.4	25.6	21.2	36.6	30.5	10.7
Budget balance % GDP	(8.3)	(2.3)	(5.2)	(3.1)	(2.1)	(1.0)	(2.9)	(1.0)	(3.7)	(9.1)	(5.4)	(5.0)	(4.7)	(7.9)
Inflation%	0.3	1.0	5.5	37.1	1.3	(0.3)	1.4	1.4	1.3	1.0	2.5	0.1	3.7	1.8
GDP per capita PPP USD	2115.8	1651.2	797.0	667.0	3461.4	17928.1	1516.9	2195.4	20103.2	1286.8	1827.0	2444.9	2180.1	1438.3
Current balance % GDP	(9.0)	(8.0)	(12.1)	(9.0)	(0.5)	(5.6)	3.6	(5.4)	(5.0)	(20.8)	(13.4)	(8.7)	(12.4)	(11.3)
FDI in billion USD	0.1	0.2	0.0	0.0	0.5	0.6	0.0	0.2	6.9	0.5	0.2	0.4	0.6	0.3
FDI% GDP	0.7	0.8	0.6	0.1	0.6	1.8	0.2	0.4	27.4	2.1	1.1	1.1	1.8	2.4
Total debt % GDP	26.3	23.5	20.2	41.8	30.6	35.7	32.2	28.8	125.2	40.9	27.1	43.3	14.9	25.8
Foreign exchange reserve % total debt	38.6	2.6	21.7	34.1	55	36.8	24.1	21.9	29.1	38.2	46	33.7	23.5	18.5

2016	BEN	BKF	BUR	CAF	CDI	GAB	GIB	MAL	MAU	NIG	RWA	SEN	CHA	TOG
GDP growth%	4.0	5.9	(0.6)	4.5	8.8	2.3	5.6	5.3	3.7	5.0	5.9	6.7	(7.0)	4.9
Nominal GDP in PPP, billion USD	22.6	32.1	8.2	3.2	88.1	35.8	2.9	38.1	26.7	27.2	22.8	39.6	28.8	11.3
Budget balance % GDP	(6.0)	(3.1)	(5.0)	1.4	(3.1)	(6.4)	(4.9)	(3.9)	(3.5)	(6.5)	(3.9)	(4.0)	(2.6)	(9.7)
Inflation%	(0.9)	(0.2)	5.5	4.6	0.7	2.1	1.7	(1.8)	1.0	0.2	5.7	0.8	(2.6)	0.9
GDP per capita PPP USD	2170.0	1720.1	779.7	699.0	3720.0	18106.6	1580.0	2270.0	21107.9	1320.0	1913.4	2568.1	1991.3	1480.9
Current balance % GDP	(7.2)	(7.5)	(11.8)	(9.1)	(1.0)	(10.0)	0.9	(7.2)	(3.4)	(18.9)	(14.4)	(7.8)	12.9	(9.8)
FDI in billion USD	0.2	0.3	0.0	0.0	0.5	0.7	0.0	0.2	20.5	0.3	0.3	0.4	0.6	0.3
FDI% GDP	0.7	1.0	0.1	0.2	0.5	2.0	0.3	0.4	76.7	1.1	1.1	1.0	1.9	2.2
Total debt % GDP	28.9	23.3	21.0	39.4	30.5	36.5	34.9	28.3	127.3	42.7	33.1	44.4	13.3	27.8
Foreign exchange reserve % total debt	10.7	1.8	15.0	36.5	44.8	15.5	20.3	9.9	31.9	36.7	39.7	23.7	1.6	13.9

Operating environment

The operating environment by country reveals very marked differences from one country to another; however, at the multiregional level, the degrees of institutional governance, economic information, management infrastructure and financial literacy are significantly improving

The ASF's Member States constitute a heterogeneous but collaborative economic zone. While each of the three regional groups (ECOWAS, ECCAS and COMESA) has made considerable progress in terms of the convergence of their institutions, their cyclical economic policies and their mutual supervision, the relative levels of integration still differ significantly. ECOWAS is undoubtedly the most coherent regional unit and, within it, WAEMU emerges as the most successful economic and monetary zone. The regionalization of African economies is a positive rating factor for the ASF, which fits perfectly in such logical dynamics and powerful trend. Emulation, coordination, mutual supervision, discipline and collaboration are all benefits that the sub-regions derive from their common institutions and policies, on which the ASF can rely in order to plan its public service action and make it as readable and predictable as possible.

AFRICAN SOLIDARITY FUND (ASF)

Country	Political context	Economic policies	External position	Country risk level
BEN	No major risk for Benin's political stability. Good institutional anchoring.	Structural reforms supported by the IMF. Expected growth of 5-6% in 2018. Stable inflation and FX rate.	High current account deficit, which is only partially compensated by the recovery of the cotton sector.	
BKF	Successful political transition. Increased security risks in the north of the country.	Ambitious economic program but supported by the IMF. Important structural needs. Growth at 6%.	External deficit decreasing due to the strengthening of the gold sector. Imports of equipment are high.	
BUR	Political instability; EU sanctions; international criticism.	Low economic performance; high poverty; resurgence of inflation.	Quasi-structural deficit of current account due to very low competitiveness.	
CAF	Recurring political fragility despite the return of the democratic process.	Improved economic policies with IMF support. Growth at 4-5%. Inflation remains high, but under control.	Despite renewed exports, the trade and current account deficits remain high.	
CDI	Overall, successful political transition. Political risks are intensifying as we approach 2020.	Strong growth in all sectors. Infrastructures very much improved. Gains of competitiveness and attractiveness.	Dynamic and diversified external flows. Robust and stable current account.	
GAB	Tedious transition. Post-electoral political instability. Institutional weakening.	Slow economic diversification but supported by the IMF. Growth at 2-3%. Moderate inflation.	The weakening of oil prices has widened the deficit of the trade balance, which is uneasy to curb in the medium term.	
GIB	Fragile political stability, especially as the next elections are scheduled in 2018.	Structural reform program supported by the IMF and external donors. Growth at 5-6%.	Current account surplus, supported by the good performance of the cashew nuts sector.	
MAL	Internal political stabilization, but high security risks.	Sound economic policies but difficult to apply. Very slow reduction of poverty. Growth at 5%.	Reduction of the trade deficit due to the good performance of the gold and cotton sectors.	
MAU	Robust institutions; successful democratic process; multicultural society with preserved balances.	Competitive and attractive economy, flexible and efficient. Growth stable at 3-4%.	High trade deficit, but largely offset by the capital balance.	
NIG	Political stability affirmed; homogeneous society; increased level of security risk.	Primary sector strengthening strategy supported by the IMF; better diversification.	Current account deficit despite significant natural resources for export.	
RWA	Good level of political stability and institution building.	Sound and well-executed economic policies; increasing diversification; spectacular development.	The external deficit persists but it is on a downward trend as competitiveness improves.	
SEN	Good level of political stability; robust institutions.	Robust growth at 6-7%; infrastructure improvement; ambitious structural program.	The current account deficit persists despite the recovery in tourism receipts and transfers.	
CHA	Political stability but risks of erosion of institutions.	Dependence on the oil sector. Fiscal fragility. Volatile growth.	Commercial balance surplus mainly fed by the oil sector.	
TOG	No threat to political stability. Good process of institutional strengthening.	Deterioration of the level of the public debt. Fiscal imbalances remain. Growth at 5-6%.	Significant trade deficit, but brought to a halt due to the country's dynamic primary sector.	

Country risk levels

Very high	High	High to moderate	Moderate to low	Low	Very low

AFRICAN SOLIDARITY FUND (ASF)

Regulatory environment

The ASF, as a guarantee institution, has chosen to be regulated in the WAEMU zone by the CREPMF; the regulation applicable to guarantors are adequate, but can be improved.

As an active guarantor in several WAEMU countries, the ASF is therefore subject to the regulation and supervision that the Regional Council for Public Savings and Financial Markets (CREPMF) applies to guarantee organizations in the sub-region. With regard to these two dimensions of control over guarantors, WARA considers that the prudential framework applicable in West Africa is adequate and sufficient, given the limited complexity of the guarantee institutions in the sub-region. The mere fact that the ASF is subject to the supervision of a common regulator is in itself a positive rating factor. The table below summarizes the prudential rules applicable to guarantors, their definition, and the ASF's position against them at the end of 2016. WARA emphasizes that the ASF is in compliance with the prudential standards in force, with the important exception of the standard pertaining to concentration, i.e. to the risk of concentration on one or more large accounts, which is a negative rating factor. Having said that, at yearend 2017, this exception was no more relevant. In addition, the Board of Directors (BoD) of the ASF also sets standards which, in their definition, are identical to those of the CREPMF, but which metrics are less conservative. Overall, the position of the ASF with regard to the prudential standards of its Board of Directors and its regulatory authority as of December 31, 2016 is summarized in the following table:

Standard denomination	Definition	Standard set by the Board	Standard set by the CREPMF	ASF's position	Compliant?
Global risk coverage ratio	Eligible Own Funds (EOF)* / Net Weighted Risks	8% minimum	20% minimum	76,69%	YES
Counterparty exposure ratio (i.e. concentration risk ratio)	Exposures to one single counterparty < X% of EOF **	60% x EOF = 10.43 billion CFAF	30% x EOF = 5.21 billion CFAF	One counter-party at 6.80 billion CFAF	NO
Volume of large exposures	Σ exposures larger than Y% of EOF < Z x EOF ****	Max. 8 x EOF = 139.0 billion CFAF	Max. 3.2 x EOF = 55,6 billion CFAF	26.34 billion CFAF	YES
Liquidity ratio	Assets disposable in less than 3 months / Current liabilities	N/D	Minimum 1x	11.07x	YES

* Eligible Own Funds (EOF) at 31.12.2016 = 17.38 billion CFAF. ** X% = 60% for Board, 30% for CREPMF. *** Y% = 25% for Board, 10% for CREPMF. **** Z = 8 for Board, 3.2 for CREPMF.

WARA's opinion is that the prudential standards that WAEMU guarantee institutions must comply with are still to be improved. In particular: (i) risk-adjusted regulatory capital ratios should in our view converge with those applicable to banks by the Central Bank of West African States (BCEAO), which draw heavily on the Basel Committee standards; (ii) the prudential ratios that constitute the backbone of the guarantors' supervision seem too static to us, since they are based on yearend accounting data: a more dynamic approach including stress tests (especially on interest rates and liquidity) would bring undeniable analytical and informational benefits; (iii) operational and market risks are not captured by existing prudential standards, while concentration risks are given special attention; and finally (iv) the liquidity risk seems to us better circumscribed by a set of short-term and long-term prudential indicators rather than by the short-term liquidity ratio alone.. That said, the ASF has a good level of transparency when it comes to publishing the annual position of its portfolio, particularly in terms of the quality of its assets, sectoral and geographical diversification and dynamic trends of its exposures. This is a positive rating factor.

AFRICAN SOLIDARITY FUND (ASF)

Qualitative factors

Strategic positioning

As one of the few multilateral and multi-regional guarantors, the ASF holds a clever positioning; its strategic goals are ambitious but realistic.

The guarantee sector for Africa's economic development is not strictly speaking a competitive sector, which is a positive rating factor, as market players do not engage in a price war, nor in a frantic race to volumes. Therefore, it is inappropriate, in the case of the ASF to mention its possible "competitors", but probably it is more relevant to mention its "peers". A relevant approximation for the identification of the ASF's peers is the list of guarantee organizations (commonly called "guarantors") in the WAEMU zone, which have agreed to opt for the Regional Council for Public Savings and Financial Markets (CREPMF) as their regulator, in order to maintain their accreditation. CREPMF regulates 6 entities as guarantors; the table below lists them. WARA adds the Africa Guarantee Fund (AGF), which the ASF considers as an entity in Africa that provides services similar to its own, although covering a significantly different geographical area on the continent. Reading this table, it appears that the ASF, excluding PROPARCO and USAID (whose details of guarantee activities on the African continent are not disclosed), represents a market share of 11% in terms of commitments, despite 4% of the sector's equity.

Peer Group / Acronyms	Full name	Country	Licensed by CREPMF	Guarantee commitments at YE'16 (CFAF mn)	% market share in commitments	Equity at YE'16 (CFAF mn)	% market sahre in equity
ASF	African Solidarity Fund	Niger	Yes	41,868	11%	55,049	4%
WADB (BOAD)	West African Development Bank	Togo	Yes	83,700	22%	722,800	56%
AFGEC (FAGACE)	African Fund for Guarantee and Economic Cooperation	Benin	Yes	38,543	10%	340,576	26%
GUARANTCO	Guarantco Limited	Mauritius	Yes	102,860	26%	142,114	11%
PROPARCO	Proparco	France	Yes	N/A*	N/A*	N/A*	N/A*
USAID	US Agency for International Development	United States	Yes	N/A*	N/A*	N/A*	N/A*
AGF / FONDS GARI	Africa Guarantee Fund	Kenya	No	122,320	31%	38,920	3%
TOTAL				**389,291**	**100%**	**1,299,459**	**100%**

** African business - N/A: not available*

The ASF, in comparison with its peers, appears to be relatively conservative in the use of its own funds, and is not inclined to excessive risk taking, which WARA regards as positive for its rating. Its capital intensity is of the same order of magnitude as the Mauritian GUARANTCO, which is equally averse to the risk of over-exploiting its own funds. The ASF uses its balance sheet much less than institutions with banking or financial institution status, such as BOAD, PROPARCO or USAID.

The strategic objectives of the ASF are ambitious but, according to WARA, realistic. The ASF deploys, over the 2016-2020 period, a Medium-Term Strategic Development Plan (MTSDP). Presented in the form of goals and objectives, the MTSDP revolves around the key elements summarized in the following table. In particular, the ASF will seek to double its outstanding commitments to 100 billion CFAF, which should strengthen its financial performance, provided that the level of its loss rate remains under control. In addition, the ASF will seek to limit its cost-to-income ratio to 55%, which seems paradoxical in view of its desire to strengthen its human resources and enhance its commercial impact. Only more volumes will allow both objectives to be met simultaneously.

AFRICAN SOLIDARITY FUND (ASF)

OBJECTIVES	STRATEGY	MAIN ACTION PLANS
1. Strengthen the financial performance, viability and sustainability of the ASF	Business volumes, productivity and efficiency gains	Doubling outstanding commitments to CFAF 100 billion; limit the loss ratio to 10%; curb the cost-to-income ratio to below 55%; maintain core liquidity at a minimum of 14 CFAF billion
2. Strengthen human resources with the recruitment of highly skilled and expert staff	Attractiveness, training, talent retention	Raise the management rate to at least 70%; ensure a job / profile matching rate of at least 80%; ensure a rate of implementation of at least 75% of annual training plans and budgets; be one of the top 10 financial institutions offering the best compensation packages in French-speaking Africa
3. Strengthen the ASF's commercial position with its customers and partners	Quality of service, speed, proximity, visibility, communication, marketing, new product development	Limit response times to customers and partners to 1 month max.; deployment of regional representations in some target cities in each of the 3 regions; recruit new business relationship managers; rethink the ASF's communication strategy, with the support of a dedicated expert; develop new products
4. Strengthen the ASF's institutional position in the States (be they existing Member States or future shareholders), and become a privileged tool to support the financing of public and private development projects, nationally and regionally	Lobbying and awareness programs, support for national and regional structural public policies	Schedule the full payment of called capital and the Special Fund for Subsidization; support States' policies for financing SMEs, with a minimum outstanding of CFAF 18 billion in portfolio guarantees; develop fund management for third parties
5. Develop a strong and diverse partnership network to generate a robust, profitable and quality business flow	Territorial network of partnerships	Formal partnerships with leading national banks, regional banking groups, major development banks, major African fund managers and brokers, investment funds, and national guarantee funds

In addition, the ASF intends to improve the quality of its services, in particular by a policy of proximity and reinforcement of its network of local partnerships, in particular with banks and national guarantee funds. WARA believes that the combination of a volume and quality strategy is well articulated, coherent and relevant, in line with the condition of making more capital available by the Member States. Looking forward, if this strategy proves successful, it is likely that WARA will upgrade the ASF's standalone rating by at least one notch over the next three to four years. At this point in time, WARA believes that it is too early to incorporate such potentially positive elements in the rating, even via a positive outlook. Only the implementation phase of this action plan and its results will allow us to consider their inclusion in the calibration of the standalone rating of the institution and / or its outlook, which remains stable for the moment.

Governance and risk management

The ASF's governance is sound and robust, but the risk management framework remains perfectible

The governance of the ASF is sound and robust, which is a positive rating factor. The good governance of the Fund derives from its Articles of Association as Multilateral Development Financial Institution, themselves built on the Multilateral Treaty Agreement establishing the ASF and dated 21 December 1976, emphasizing the role and the public service mission of the Fund. In this respect, its Board of Directors is made up of one representative of each of the Member States, which allows permanent control of the States on their common economic policy instrument. Moreover, the States, through the Board of Directors, have set up three committees whose responsibilities fully reflect this concern for control and compliance:

- The Audit Committee: it is responsible for monitoring and evaluating the application of the institution's internal control systems.
- The Compensation Committee: it is responsible for deciding on the policy and salary levels applicable to the Fund's agents.
- The Superior Committee for Intervention: it is responsible for deciding on the ASF's requests for intervention beyond a limit of CFAF 500 million. Below this limit, it is the Project Committee (under the authority of the General Manager) that decides on the requests for intervention (i.e. financial commitment).

In addition, the strong management team of the ASF echoes the control requirements of the Board of Directors, by setting up management committees that are also inclined to exercise close control over the activity. In fact, The ASF's Operational, Administrative and Financial Procedures Manual provides, under the authority of the General Manager, for the existence of various (Management) Committees. These Management Committees are:

COMMITTEE	DESCRIPTION
Restricted Executive Committee	Its meetings are weekly. This Committee rules on the management of the institution.
Projects Committee	It meets at the initiative of the Operations Department. This Committee reviews the applications for intervention received by the ASF.
Commitments Management Committee	This Committee reviews the status of the portfolio and the monitoring reports of commitments submitted by Legal Affairs, Risk Management and Portfolio Monitoring Department. It is held at the end of each semester.
Treasury Committee	This Committee meets once a week on the request of the Finance and Accounting Department's Manager, to review the institution's liquidity position.
Procurement Committee	Its meetings take place when any purchase exceeds CFAF 10 million and is less than CFAF 50 million.
Tender Committee	This Committee is composed of the Members of the Procurement Committee and two Directors, to examine the offers received in the process of calls for tenders and to decide on the best offer.
IT Committee	It is called by the General Manager, at the initiative of the head of the Management Accounting and IT Department, to discuss issues pertaining information systems and technology.

AFRICAN SOLIDARITY FUND (ASF)

That said, risk management remains perfectible according to WARA. Although the provisioning policy and its application are conservative (which is positive for the rating), the fact remains that the tolerance for concentration risks per counterparty is, from our point of view, too high. This is reflected in the non-compliance with the regulatory concentration risk standard and, more generally, in the overrepresentation of large exposures in the Fund's portfolio. The institution would probably benefit from adopting stricter rules on single exposures. In addition, the analytical team in charge of monitoring exposures is not large enough in our opinion: it consists essentially of two credit analysts assigned to monitor the 73 counterparties of the portfolio. In addition, the ASF does not have an analytical methodology capable of understanding its portfolio exposure given the potential correlations of its single exposures, an approach which is nevertheless highly recommended in relation to Pillar 2 of the regulatory capital standards for banks, known as Basel III. Analytical tools would also benefit from being strengthened, notably the scoring models (or even internal ratings of counterparties), as well as the quality of the financial and non-financial information that feeds them. In the same vein, stress tests would benefit from being systematically applied, while market and operational risks could be quantified, in order to measure appetite for, and tolerance to risk. Finally, contingency and business continuity plans should receive increased attention. Having said that, strengthening the risk management framework is high on the institution's agenda.

Asset quality

The ASF's portfolio of exposures is characterized by a good degree of geographical and sector diversification, but also by a high level of single-name concentration; therefore, the loss ratio is high.

The geographic and sector diversification of the ASF's portfolio is good. The table below summarizes, under a matrix approach, the distribution by country and sector of the ASF's portfolio of guarantees (both real and virtual) at the end of 2016, standing at CFAF 50.1 billion. Real exposures recorded off-balance sheet amounted to CFAF 44.4 billion, while virtual exposures (i.e. those being in the process of contractual finalization) stood at CFAF 5.7 billion. On the country / sector matrix, the distribution of the portfolio of exposures shows adequate balance. WARA highlights, however, that the exposures to Niger and Togo, in comparison with the respective contribution of these two markets to the cumulated GDP of the Member States, are oversized. In addition, WARA notices that more than 20% of exposures are geared towards the hospitality and real estate sector, which is a risk factor in our opinion.

In million CFAF	Benin	Burkina Faso	Burundi	Central Africa	Ivory Coast	Gabon	Guinea-Bissau	Mali	Mauritius	Niger	Rwanda	Senegal	Chad	Togo	TOTAL
Agro-industry		990.4			875.0			500.0		1,341.9	229.6	452.2		250.0	**4,639.1**
Construction														1,084.3	**1,084.3**
Trade and retail														1,080.0	**1,080.0**
Sustainable development					2,280.0										**2,280.0**
Education										630.9					**630.9**
Energy		626.1	126.6							875.0	343.5	920.0			**2,891.2**
Hospitality and real estate			2,122.9		2,677.5					34.6				6,070.4	**10,905.4**
Industry	7,506.3							520.0				59.0		1,439.0	**9,524.3**
Financial institutions		2,577.8												3,018.9	**5,596.7**
Microfinance										2,137.1			473.2		**2,610.3**
Healthcare										211.6	376.5			2,864.7	**3,452.8**
Telecom		160.0						1,500.0							**1,660.0**
Transport		878.7								2,915.0					**3,793.7**
TOTAL	**7,506.3**	**5,233.0**	**2,249.5**	**-**	**5,832.5**	**-**	**-**	**2,520.0**	**-**	**8,146.1**	**949.6**	**1,431.2**	**473.2**	**15,807.3**	**50,148.7**

On the other hand, single-name concentration is very high. This is a negative rating factor. At the end of 2016, the ASF's interventions amounted to 73, of which 62 called and non-called guarantees, 2 subsidies, 3 equity investments and 6 loan extensions. This number is very modest for an institution that is 40 years old. The table below summarizes the main quantitative characteristics of the portfolio at the end of 2016, which reveals an

average outstanding amount per counterparty of 697.9 million CFAF, which is very high compared to the ASF's Eligible Own Funds (EOF) of CFAF 17.38 billion at the same date: this means that 25 counterparties, on average, are sufficient to equalize the Fund's EOF. In addition, the 20 main exposures (real and virtual) at the end of 2016 accounted for CFAF 36.8 billion, or 73.4% of the approved guarantees and 72.2% of the outstanding portfolio, which is very high.

Position of the portfolio at the end of 2016	Number of interventions	Approved	Total outstanding amount (CFAF mn)	Average outstanding amount (CFAF mn)
Extension of loan maturity	6	1,956.0	568.3	94.7
Participations	3	1,799.0	1,799.0	599.7
Subsidies	2	915.0	446.3	223.2
Called guarantees	9	6,162.2	6,162.2	684.7
Committed guarantees	53	50,148.7	41,967.8	791.8
TOTAL INTERVENTIONS	**73**	**60,980.9**	**50,943.6**	**697.9**

The loss ratio of the portfolio is high, but provisioning remains very cautious. Asset quality, as measured by the ratio of nonperforming assets (NPA) as a proportion of on- and off-balance sheet exposures, stood at 18.2% at the end of 2016. This ratio has improved significantly over the past 4 years: it was 28.2% at the end of 2013; however, it remains high. WARA believes that the credit quality of the ASF's portfolio is poor. Having said that, the NPA coverage by loan loss reserves (LLR) reached 99.3% at the end of 2016, showing a conservative provisioning policy, which has improved in the last 5 years: NPA coverage by LLR was 80% at the end of 2012. The provisioning rate net of recoveries is very volatile from one year to the next. Consequently, each year, provisions net of recoveries may either consume the full pre-provisions operating profit (stable in any case) or strengthen it dramatically. Ultimately, in the long run, provisioning has had a very negative impact on the net result and, consequently, on ASF's equity position, through the negative retained earnings that the reserves do not yet fully cover. In the end, the loss experience, even if well provided for, remains a negative rating factor.

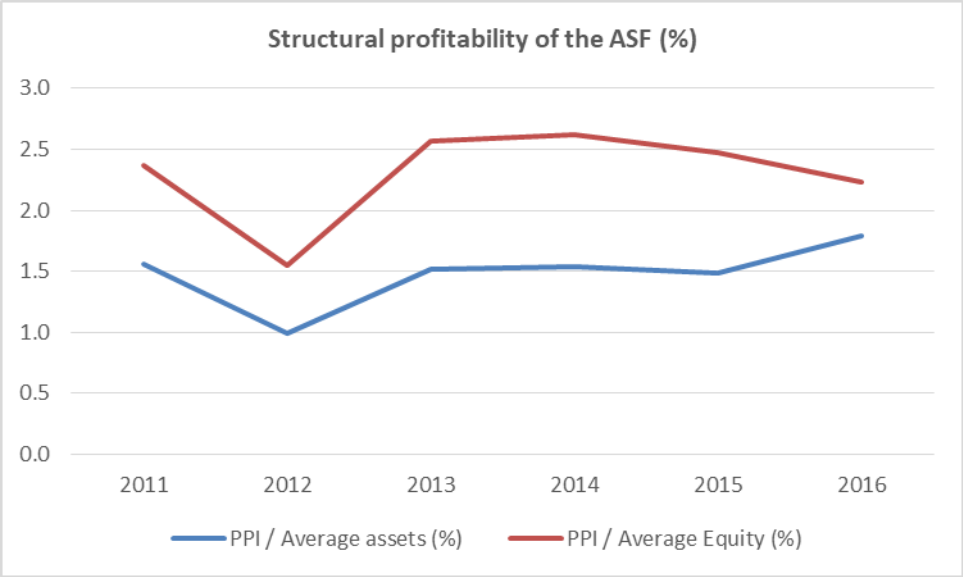
Quantitative factors

Profitability

Despite an adequate level of structural profitability, the ASF's financial performance is made volatile by a poorly controlled cost of risk.

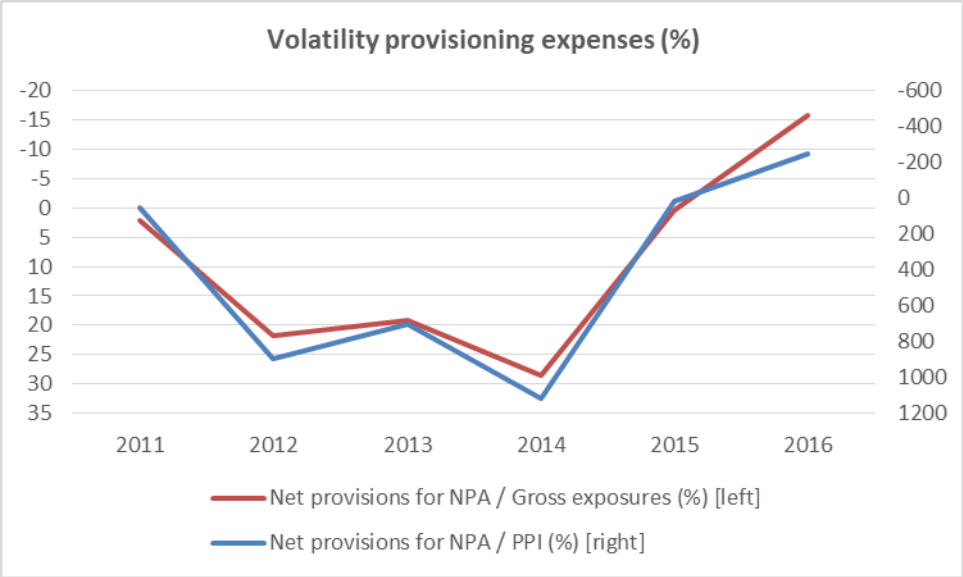
The structural rate of return of the ASF is adequate, which is a positive rating factor. WARA measures the level of structural profitability by the ratio of pre-provision income (PPI) to total assets and own funds (equity). As the graph below suggests, the ASF can claim a high level of stability in structural profitability: the PPI-to-assets ratio has remained in the range of 1% to 2% over the past 5 financial years, while the PPI-to-equity ratio has stabilized between 1.5% and 2.7% during the same period. These levels, in absolute terms, are not high in a regional context; but given the fact that the pursuit of profitability is not an objective per se for the ASF, its intrinsic stability is a

remarkable, positive element for its rating. In addition, the composition of returns and operating expenses over the past five years is also very stable, suggesting a good control of its pricing and business flows, as well as a conservative management of its volumes. In addition, the institution's cost-to-income ratio, although still high at 65.7% at the end of 2016, has started to improve thanks to the mechanical effect of volume growth. This trend is expected to continue in the future, as the ASF approaches its target of CFAF 100 billion outstanding exposures by 2020. Even though expenses should also be under pressure, the cost of new hires, expected investments in systems and tools, further marketing expenses and a more aggressive commercial strategy should be more than offset by the boost in volumes. Overall, WARA anticipates that the indicators of structural profitability and efficiency should continue to improve over the medium term.



On the other hand, the cost of risk can be very volatile. Provisions for NPA, net of recoveries, are very volatile, depending on both the regional and domestic macroeconomic contexts in each of the intervention countries, and the microeconomic issues of each of the portfolio's exposures. As the concentration of counterparties is high and the portfolio still lacks granularity due to insufficient volumes, some credit shocks can significantly weaken profitability, just as some dramatic recoveries can contribute to spectacular inflation in returns. Over the entire long-term cycle, since the creation of the ASF in the late 1970s, this volatility has proved to be ultimately negative, since at the end of the 2016 fiscal year, the Fund continued to record cumulative retained earnings of CFAF -16.1 billion. Counterparty risks and therefore the cyclicality of the cost of risk cannot be better controlled than under three conditions: i) a very significant increase in exposure volumes, ii) which will allow a material compression of the relative size of single exposures, and (iii) legitimize the reinforcement of human capital (in number) and technical resources (tools) allocated to the management of both idiosyncratic and portfolio credit risks.

AFRICAN SOLIDARITY FUND (ASF)



Liquidity

The ASF's asset liquidity is extremely robust, and the Fund carries no debt on its balance sheet... for now

The ASF's asset liquidity is a very positive rating factor. As of December 31, 2016, the basic liquidity of the ASF amounted to CFAF 11.6 billion or 18.4% of the balance sheet. When WARA adds the securities, this ratio goes to 20% of the balance sheet, which is very high. In addition, WARA notes that CFAF 39.8 billion of the CFAF 63.0 billion assets consist of capital called but not paid-in yet. By deducting this capital amount, still virtual, from the balance sheet, the liquidity ratio stands at 54% of assets and 24% of off-balance sheet exposures, which is very robust. This is the most important factor contributing to the Fund's rating. In the future, the ASF does not intend to put its liquidity under stress, even if its objectives of volumes and profitability would be revised significantly upward.

In addition, the ASF carries no debt on its balance sheet; however, the Fund should start borrowing, and its funding mix will certainly create a dependency on the banking system, due to the scarcity of savings as well as the risk of funding concentration. Up to 2017, the ASF has raised debt on very rare occasions and for very small amounts in comparison to the size of its actual and potential equity. This is the signal of a very conservative management, in a structurally fragile economic environment, and in a business line where the risks of crystallization of credit losses are indeed high. It is also a positive factor for the Fund's rating. However, the ASF will most certainly use debt in the near future. The Fund aims at raising CFAF 25 billion from one or more banks and / or multilateral financial institutions. This will mechanically create asset-liability management issues, funding concentrations, and an increased requirement for dynamic cash management. WARA already includes such drivers in its rating.

Capital

The ASF's equity ratios are very high; that said, its ambitious volume growth targets will call for the release of additional capital tranches

Despite historically low profitability metrics, the ASF's capital remains very robust. So far, unwilling to accept debt and excessive inflation of exposures, the ASF has maintained extremely high capital ratios, which is a very positive rating factor. While the CREPMF, as a regulator, imposes a minimum of 20% for the ratio of equity to risk-weighted assets (RWA), the ASF displays a ratio of 76.69% at the end of 2016. By de-weighting exposures, the ratio of equity to on- and off-balance sheet exposures stood at 51.25% at the end of 2016, which remains very high.

In addition, the quality of capital is excellent. This is also a positive rating factor. As of December 31, 2016, most of the equity was made of robust Tier 1 sources (83%), i.e. share capital, reserves, retained earnings, net income for the year, and provisions for risks and changes. The extremely conservative dividend policy of the ASF and its sovereign shareholders, which have, since inception, reinvested all profits and served no dividend, explains the good quality of capital, and signals the Member States' commitment to the ASF in its public service mission. The ratio of Tier 1 capital to RWA stood at 63.6% at the end of 2016.

In contrast, more exposure volumes in the future mean new capital tranches are needed. The intrinsic profitability of the ASF, even rising, will not allow it to support its expected growth. Therefore, while the second tranche of capital (bringing paid-in capital to CFAF 60 billion) appears to be on track, although somewhat tediously, WARA will pay close attention to the pace of capital release, based on the Fund's growth milestones. Too much discrepancy of the capital trajectory on one hand, compared to the trend in liabilities on the other hand would inevitably lead to lower capital scores, which (all other things being equal) could weaken the Fund's standalone rating.

AFRICAN SOLIDARITY FUND (ASF)

Scorecard

STANDALONE RATING FACTORS			Weight	Score	Weighted Score
ENVIRONMENTAL FACTORS			**20%**	**2.45**	**0.49**
SRF.B1	Macroecoomic environment	ME	8%	2.50	0.20
	Maturity		*2%*	*3.00*	*0.06*
	Volatility		*2%*	*2.00*	*0.04*
	Diversification		*2%*	*2.00*	*0.04*
	Sustainability		*2%*	*3.00*	*0.06*
SRF.B2	Operating environment	OE	7%	2.29	0.16
	Systemic governance		*3%*	*2.00*	*0.06*
	Infrastructure		*2%*	*3.00*	*0.06*
	Information		*2%*	*2.00*	*0.04*
SRF.B3	Regulatory environment	RE	5%	2.60	0.13
	Regulation		*3%*	*3.00*	*0.09*
	Supervision		*2%*	*2.00*	*0.04*
QUALITATIVE FACTORS			**50%**	**2.86**	**1.43**
SRF.B4	Strategic positioning	SP	15%	2.47	0.37
	Market share		*6%*	*3.00*	*0.18*
	Operating diversification		*5%*	*3.00*	*0.15*
	Geographic diversification		*4%*	*1.00*	*0.04*
SRF. B5	Governance and risk management	GR	20%	3.05	0.61
	Idiosyncratic governance		*7%*	*3.00*	*0.21*
	Risk Management		*7%*	*4.00*	*0.28*
	Controls		*6%*	*2.00*	*0.12*
SRF. B6	Asset quality	AQ	15%	3.00	0.45
	Qualitative performance of portfolios		*5%*	*4.00*	*0.20*
	Sector concentration		*5%*	*1.00*	*0.05*
	Concentration of counterparties		*5%*	*4.00*	*0.20*
FINANCIAL FACTORS			**30%**	**1.70**	**0.51**
SRF.B7	Profitability	PR	10%	2.60	0.26
	Net asset return		*6%*	*3.00*	*0.18*
	Operating efficency		*4%*	*2.00*	*0.08*
SRF. B8	Liquidity	LQ	10%	1.50	0.15
	Asset liquidity		*5%*	*1.00*	*0.05*
	Funding and liquidity management		*5%*	*2.00*	*0.10*
SRF. B9	Capitalization	CA	10%	1.00	0.10
	Financial leverage		*4%*	*1.00*	*0.04*
	Regulatory capital		*6%*	*1.00*	*0.06*

TOTAL WEIGHTED SCORE	**2.43**
ADJUSTMENT	**0%**
ADJUSTED TOTAL WEIGHTED SCORE	**2.43**
STANDALONE RATING	**A**

AFRICAN SOLIDARITY FUND (ASF)

ATWS		SR.B
From:	To:	
1.00	1.24	AAA
1.25	1.49	AA+
1.50	1.74	AA
1.75	1.99	AA-
2.00	2.24	A+
2.25	**2.49**	**A**
2.50	2.74	A-
2.75	2.99	BBB+
3.00	3.24	BBB
3.25	3.49	BBB-
3.50	3.74	BB+
3.75	3.99	BB
4.00	4.24	BB-
4.25	4.49	B+
4.50	4.74	B
4.75	4.99	B-
5.00	5.24	CCC+
5.25	5.49	CCC
5.50	5.74	CCC-
5.75	5.99	CC/C

External Support Factors

The counterparty rating of the ASF benefits from 4 notches of external support. As shown in the table below, the external support is parental in nature, considering that the ASF is viewed by WARA as an MDB, and that MDBs, according to our methodology, are likely to receive a high degree of capital support from their sovereign shareholders, particularly in the form of one or more releases of callable capital. The ASF is also considered by WARA as a GarFund, but this status, as such, does not contribute to providing it with any additional external support.

Standalone Rating	SI	A
Parental support		
Parent's identity	--	sovereigns
SI of the parent	SI_P	Various
Strategic Importance	I-Strat	MDB
External Support Factor - Parental	**ESF.P**	**+4**
Adjusted Standalone Rating	**ASI**	**AA+**
Systemic support		
National Systemic Importance	I-Syst nat	--
Propensity to Support	PS	--
External Support Factor - National Systemic	**ESF.Sn**	**--**
Regional Systemic Importance	I-Syst reg	--
External Support Factor - Regional Systemic	**ESF.Sr**	**--**
Counterparty Rating	**CR**	**AA+**

For reference: National Ceiling	N/A

In the case of MDBs, WARA uses a specific matrix for the calibration of parent support. This matrix is reported below. We now anticipate that the proportion of paid-in capital relative to authorized capital will, in the medium term, exceed 20% and remain less than 50%, while the share of Member States rated at least AA to the capital of the ASF should not exceed 20% in the same period of time.

AFRICAN SOLIDARITY FUND (ASF)

MDBs: Number of notches for External Support		PERCENTAGE OF CAPITAL OWNED BY AA/AAA-RATED SOVEREIGNS		
		<20%	20%-50%	>50%
PAID-IN CAPITAL / CALLABLE CAPITAL	>50%	+2	+4	+6
	20%-50%	+4	+6	AAA
	<20%	+6	AAA	AAA

AFRICAN SOLIDARITY FUND (ASF)

Key Financial Data

The ASF's consolidated accounts are based on the **WAEMU's Chart of Bank Accounts**

BALANCE SHEET (in thousands of CFAF)	31/12/2016	31/12/2015	31/12/2014	31/12/2013	31/12/2012	31/12/2011
Cash	739,134.4	284,257.3	397,407.2	401,157.0	360,022.7	236,924.5
Due from banks	10,820,000.0	7,676,454.7	4,557,884.7	5,557,884.7	6,857,884.7	5,193,883.8
Term deposits (Special Fund for Subsidization)	3,158,911.1	3,158,911.1	2,752,495.3	1,521,775.7	0.0	0.0
Securities and others similar assets	1,006,905.7	1,195,128.5	1,748,692.3	2,755,841.5	5,113,057.6	6,607,871.3
Gross claims on customers	11,975,273.4	13,276,811.3	13,275,062.1	13,429,002.8	10,230,886.1	9,735,670.7
- Loan loss reserves (LLRs)	-10,181,537.9	-12,743,344.6	-12,090,812.1	-9,215,843.7	-5,404,459.7	-3,438,430.3
Net claims on customers	1,793,735.5	533,466.7	1,184,250.0	4,213,159.1	4,826,426.4	6,297,240.4
Financial fixed asset	1,803,805.5	1,803,805.5	1,803,805.5	1,803,805.5	754,805.5	4,805.5
Tangible and intangible fixed asset	3,217,675.9	3,194,988.6	3,266,748.7	3,327,247.5	3,377,546.3	907,557.2
Shareholders: capital called but not paid in	39,812,082.7	3,665,616.5	4,818,407.8	3,618,681.4	3,741,595.9	5,974,606.4
Fixed assets acquired by foreclosure	648,750.0	648,750.0	648,750.0	0.0	0.0	0.0
Total Assets (in thousands of CFAF)	**63,001,000.8**	**22,161,378.9**	**21,178,441.5**	**23,199,552.4**	**25,031,339.1**	**25,222,889.2**
Total Asset (in millions of EUR)	*96.0*	*33.8*	*32.3*	*35.4*	*38.2*	*38.4*
Customer Deposits	0.0	0.0	0.0	0.0	0.0	0.0
Due to banks and other debts	1,194,237.3	1,543,822.2	1,374,920.4	1,934,702.0	0.0	0.0
Regularization accounts	3,565,162.9	3,680,851.4	3,169,716.9	3,775,668.8	5,368,866.4	6,220,697.6
Other liabilities	3,192,328.6	3,691,898.4	3,964,545.4	4,170,429.4	4,483,191.7	2,115,499.0
Total debt	7,951,728.8	8,916,572.1	8,509,182.7	9,880,800.2	9,852,058.2	8,336,196.5
Provision for risks and charges (PRC)	409,302.6	334,760.7	538,242.4	575,180.7	3,040,874.5	2,901,287.4
Equity, of which:	54,639,969.4	12,910,046.1	12,131,016.4	12,743,571.6	12,138,406.4	13,985,405.2
Shareholders: capital called and paid in	20,187,917.3	18,273,383.5	7,312,608.5	9,124,890.2	8,396,810.5	8,010,798.8
Shareholders: capital called but not paid in	39,812,082.7	3,665,616.5	4,818,407.8	3,618,681.4	3,741,595.9	5,974,606.4
Retained earnings	-16,125,716.1	-16,271,412.5	-12,979,537.3	-11,000,153.0	-9,014,000.1	-9,283,792.6
Net profit of the year	3,054,957.4	445,696.4	-3,291,875.3	-1,979,384.2	-1,986,152.9	269,792.5
Other equity	7,710,728.1	6,796,762.2	16,271,412.5	12,979,537.3	11,000,153.0	9,014,000.1
Own Funds = Equity + minorities + PRC	55,049,272.0	13,244,806.8	12,669,258.8	13,318,752.3	15,179,280.9	16,886,692.6
Total Liabilities	**63,001,000.8**	**22,161,378.9**	**21,178,441.5**	**23,199,552.4**	**25,031,339.1**	**25,222,889.2**

SUPPLEMENNTAL INFORMATION (in thousands of CFAF)	31/12/2016	31/12/2015	31/12/2014	31/12/2013	31/12/2012	31/12/2011
Risk-weighted assets (RWA)	22,663,976.4	21,458,598.8	18,161,484.0	18,410,068.9	20,366,313.6	16,334,643.4
Own funds (Tier 1)	14,407,570.1	8,824,113.0	8,749,211.9	8,704,573.6	11,784,089.6	9,959,584.1
Effective own funds (EOF = Tier 1 + Additional own funds)	17,381,003.5	12,158,442.1	10,555,454.5	12,599,851.2	15,022,192.9	12,270,584.1
Non-performing assets (NPA)	10,250,654.8	12,880,328.3	12,975,504.5	13,167,753.1	6,317,483.4	4,527,857.5
Total of commitments (on balance sheet + off balance sheet)	56,379,652.4	59,780,090.0	54,343,518.1	46,697,548.2	39,112,279.7	40,413,257.8
Commitments taken off balance sheet, of which:	44,404,379.1	46,503,278.7	41,068,456.0	33,268,545.4	28,881,393.6	30,677,587.1
Guarantees	41,967,813.2	44,066,712.9	39,135,313.2	31,770,229.5	27,870,107.1	29,824,099.9

INCOME STATEMENT (in thousands of CFAF)	31/12/2016	31/12/2015	31/12/2014	31/12/2013	31/12/2012	31/12/2011
Interest income	1,364,278.3	978,007.0	896,501.4	918,260.0	840,585.7	621,976.5
Interests expense	0.0	0.0	-13,699.1	-36,907.3	-20.7	-944.6
Interest margin	**1,364,278.3**	**978,007.0**	**882,802.3**	**881,352.7**	**840,565.0**	**621,031.9**
Net foreign exchange income / expense	-13,283.6	3,386.9	3,892.8	199.6	-278.7	-2,764.3
Net investment income / expense	9,469.3	21,086.2	33,980.1	45,264.7	43,192.9	23,190.4
Net commission income / expense	791,360.2	815,087.2	621,404.0	649,066.8	657,718.4	889,999.2
Other net operating income	75,504.6	66,267.8	99,276.0	139,474.4	30,884.0	15,323.4
Total operating income, excluding interest margin	**863,050.4**	**905,828.0**	**758,553.0**	**834,005.6**	**731,516.6**	**925,748.7**
Total operating income	**2,227,328.7**	**1,883,834.9**	**1,641,355.3**	**1,715,358.3**	**1,572,081.6**	**1,546,780.6**
Personnel expenses	-718,643.1	-622,993.3	-597,469.8	-628,651.7	-587,988.2	-544,955.9
Other operating expenses	-667,350.4	-855,685.4	-623,716.8	-627,069.9	-612,432.0	-515,346.5
Depreciation and amortization	-77,528.3	-84,046.2	-79,836.8	-93,996.1	-122,662.5	-100,702.5
Total operating expenses	**-1,463,521.7**	**-1,562,724.9**	**-1,301,023.3**	**-1,349,717.7**	**-1,323,082.7**	**-1,161,004.9**
Pre-Provision Income (PPI)	**763,807.0**	**321,110.0**	**340,332.0**	**365,640.6**	**248,998.9**	**385,775.7**
Provision for NPAs, net of recoveries	1,878,964.3	-55,266.0	-3,791,233.9	-2,561,468.0	-2,224,578.1	-213,737.3
Non-operating income	412,186.1	179,852.4	159,026.6	216,463.2	-10,573.7	97,754.0
Income before tax	**3,054,957.4**	**445,696.4**	**-3,291,875.3**	**-1,979,364.2**	**-1,986,152.9**	**269,792.5**
Income tax	0.0	0.0	0.0	0.0	0.0	0.0
Net income	**3,054,957.4**	**445,696.4**	**-3,291,875.3**	**-1,979,364.2**	**-1,986,152.9**	**269,792.5**
Dividends	0.0	0.0	0.0	0.0	0.0	0.0
Net variation of own funds	**41,804,465.2**	**575,548.0**	**-649,493.5**	**-1,860,528.7**	**-1,707,411.7**	**1,192,783.0**

AFRICAN SOLIDARITY FUND (ASF)

BALANCE SHEET GROWTH RATE (%)	31/12/2016	31/12/2015	31/12/2014	31/12/2013	31/12/2012	31/12/2011
Cash	160.02	-28.47	-0.93	11.43	51.96	-47.56
Due from banks	40.95	68.42	-17.99	-18.96	32.04	50.55
Term deposits (Special Fund for Subsidization)	0.00	14.77	80.87	--	--	--
Securities and similar assets	-15.75	-31.66	-36.55	-46.10	-22.62	35.14
Gross claims on customers	-9.80	0.01	-1.15	31.26	5.09	0.99
- Loan loss reserves (LLRs)	-20.10	5.40	31.20	70.52	57.18	30.54
Net claim on customers	236.24	-54.95	-71.89	-12.71	-23.36	-10.12
Financial fixed asset	0.00	0.00	0.00	138.98	15,607.12	0.00
Tangible and intangible fixed asset	0.71	-2.20	-1.82	-1.49	272.16	29.43
Shareholders: capital called but not paid-in	986.10	-23.92	33.15	-3.29	-37.38	-22.51
Fixed assets acquired by foreclosure	-0.00	0.00	--	--	--	--
Total Asset (in thousands of CFAF)	184.28	4.64	-8.71	-7.32	-0.76	4.17
Total Asset (in millions of EUR)	184.28	4.64	-8.71	-7.32	-0.76	4.17
Customer deposits	--	--	--	--	--	--
Due to banks	-22.64	12.28	-28.93	--	--	--
Regularization accounts	-3.14	16.13	-16.05	-29.67	-13.69	16.22
Other liabilities	-13.53	-6.88	-4.94	-6.98	111.92	1.10
Total debt	-10.82	4.79	-13.88	0.29	18.18	-2.16
Provisions for risks and charges (PRC)	22.27	-37.80	-6.42	-81.09	4.81	46.66
Equity	323.24	6.42	-4.81	4.99	-13.21	1.97
Own fund = Equity + minorities + PRC	315.63	4.54	-4.88	-12.26	-10.11	7.60
Total Liabilities	184.28	4.64	-8.71	-7.32	-0.76	4.17
Risk-weighted assets (RWA)	5.62	18.15	-1.35	-9.61	24.68	--
Commitments taken off balance sheet	-4.51	13.23	23.45	15.19	-5.86	--

INCOME STATEMENT GROWTH RATE (%)	31/12/2016	31/12/2015	31/12/2014	31/12/2013	31/12/2012	31/12/2011
Interest income	39.50	9.09	-2.37	9.24	35.15	56.12
Interests expense	--	--	-62.88	178,213.57	-97.81	-26.60
Interest margin	39.50	10.78	0.16	4.85	35.35	56.39
Net FX income	-492.21	-13.00	1,850.45	--	-89.92	-229.12
Net investment income	-55.09	-37.95	-24.93	4.80	86.25	-4.04
Net commission income	-2.91	31.17	-4.26	-1.32	-26.10	44.16
Other net operating income	13.94	-33.25	-28.82	351.61	101.55	-74.37
Total operating income, excluding interest margin	-4.72	19.42	-9.05	14.01	-20.98	31.60
Total operating income	18.23	14.77	-4.31	9.11	1.64	40.55
Personnel expenses	15.35	4.27	-4.96	6.92	7.90	-1.56
Other operating expenses	-22.01	37.19	-0.53	2.39	18.84	5.88
Depreciation and amortization	-7.76	5.27	-15.06	-23.37	21.81	75.84
Total operating expenses	-6.35	20.12	-3.61	2.01	13.96	5.78
Pre-provisions Income (PPI)	137.86	-5.65	-6.92	46.84	-35.46	12,852.62
Provision for NPAs, net of recoveries	--	-98.54	48.01	15.14	940.80	-74.04
Net non-operating income	129.18	13.10	-26.53	--	-110.82	1,061.80
Earnings before income tax	585.43	--	66.31	-0.34	-836.18	--
Income tax	--	--	--	--	--	--
Net income	585.43	--	66.31	-0.34	-836.18	--

BALANCE SHEET COMPOSITION (% OF TOTAL ASSETS)	31/12/2016	31/12/2015	31/12/2014	31/12/2013	31/12/2012	31/12/2011
Cash	1.17	1.28	1.88	1.73	1.44	0.94
Due from banks	17.17	34.64	21.52	23.96	27.40	20.59
Term deposits (Special Fund for Subsidization)	5.01	14.25	13.00	6.56	--	--
Securities and similar assets	1.60	5.39	8.26	11.88	20.43	26.20
Gross claims on customers	19.01	59.91	62.68	57.88	40.87	38.60
- Loan loss reserves (LLRs)	-16.16	-57.50	-57.09	-39.72	-21.59	-13.63
Net claim on customers	2.85	2.41	5.59	18.16	19.28	24.97
Financial fixed asset	2.86	8.14	8.52	7.78	3.02	0.02
Tangible and intangible fixed asset	5.11	14.42	15.42	14.34	13.49	3.60
Shareholders: capital called but not paid in	63.19	16.54	22.75	15.60	14.95	23.69
Fixed assets acquired by foreclosure	1.03	2.93	3.06	--	--	--
Customer deposits	--	--	--	--	--	--
Due to banks	1.90	6.97	6.49	8.34	--	--
Regularization accounts	5.66	16.61	14.97	16.27	21.45	24.66
Other liabilities	5.07	16.66	18.72	17.98	17.91	8.39
Total debt	12.62	40.23	40.18	42.59	39.36	33.05
Provisions for risks and charges (PRC)	0.65	1.51	2.54	2.48	12.15	11.50
Equity	86.73	58.25	57.28	54.93	48.49	55.45
Own Funds = Equity + minorities+ PRC	87.38	59.77	59.82	57.41	60.64	66.95

AFRICAN SOLIDARITY FUND (ASF)

INCOME STATEMENT COMPOSTION (% OF TOTAL ASSETS)	31/12/2016	31/12/2015	31/12/2014	31/12/2013	31/12/2012	31/12/2011
Interest income	3.20	4.51	4.04	3.81	3.35	2.52
Interest expense	--	--	-0.06	-0.15	0.00	0.00
Interest margin	3.20	4.51	3.98	3.65	3.35	2.51
Net FX income	-0.03	0.02	0.02	0.00	0.00	-0.01
Net investment income	0.02	0.10	0.15	0.19	0.17	0.09
Net commission income	1.86	3.76	2.80	2.69	2.62	3.60
Other net operating income	0.18	0.31	0.45	0.58	0.12	0.06
Total operating income, excluding interest margin	2.03	4.18	3.42	3.46	2.91	3.75
Total operating Income	5.23	8.69	7.40	7.11	6.26	6.26
Personnel expenses	-1.69	-2.87	-2.69	-2.61	-2.34	-2.20
Other operating expenses	-1.57	-3.95	-2.81	-2.60	-2.44	-2.08
Depreciation and amortization	-0.18	-0.39	-0.36	-0.39	-0.49	-0.41
Total operating expenses	-3.44	-7.21	-5.86	-5.60	-5.27	-4.70
Pre-provisions Income (PPI)	1.79	1.48	1.53	1.52	0.99	1.56
Provision for NPAs, net of recoveries	4.41	-0.26	-17.09	-10.62	-8.85	-0.86
Net non-operating income	0.97	0.83	0.72	0.90	-0.04	0.40
Earnings before income tax	7.17	2.06	-14.84	-8.21	-7.90	1.09
Income tax	--	--	--	--	--	--
Net income	7.17	2.06	-14.84	-8.21	-7.90	1.09

INCOME STATEMENT COMPOSITION (% OF TOTAL OPERATING INCOME)	31/12/2016	31/12/2015	31/12/2014	31/12/2013	31/12/2012	31/12/2011
Interest income	61.25	51.92	54.62	53.53	53.47	40.21
Interest expense	--	--	-0.83	-2.15	0.00	-0.06
Interest margin	61.25	51.92	53.78	51.38	53.47	40.15
Net FX income	-0.60	0.18	0.24	0.01	-0.02	-0.18
Net investment income	0.43	1.12	2.07	2.64	2.75	1.50
Net commission income	35.53	43.27	37.86	37.84	41.84	57.54
Other net operating income	3.39	3.52	6.05	8.13	1.96	0.99
Total operating income, excluding interest margin	38.75	48.08	46.22	48.62	46.53	59.85
Total operating Income	100.00	100.00	100.00	100.00	100.00	100.00
Personnel expenses	-32.26	-33.07	-36.40	-36.65	-37.40	-35.23
Other operating expenses	-29.96	-45.42	-38.00	-36.56	-38.96	-33.32
Depreciation and amortization	-3.48	-4.46	-4.86	-5.48	-7.80	-6.51
Total operating expenses	-65.71	-82.95	-79.27	-78.68	-84.16	-75.06
Pre-provisions Income (PPI)	34.29	17.05	20.73	21.32	15.84	24.94
Provision for NPAs, net of recoveries	84.36	-2.93	-230.98	-149.33	-141.51	-13.82
Net non-operating income	18.51	9.55	9.69	12.62	-0.67	6.32
Earnings before income tax	137.16	23.66	-200.56	-115.39	-126.34	17.44
Income tax	--	--	--	--	--	--
Net income	137.16	23.66	-200.56	-115.39	-126.34	17.44

AFRICAN SOLIDARITY FUND (ASF)

RATIOS	31/12/2016	31/12/2015	31/12/2014	31/12/2013	31/12/2012	31/12/2011
Profitability						
Return on average asset (%)	7.17	2.06	-14.84	-8.21	-7.90	1.09
Return on average RWA (%)	13.85	2.25	-18.00	-10.21	-10.82	3.30
Return on Asset – end of period [ROA] (%)	4.85	3.45	-27.14	-15.53	-16.36	1.93
Return on RWA – end of period (%)	13.48	2.08	-18.13	-10.75	-9.75	1.65
Return on total commitments – end of period (%)	5.42	0.75	-6.06	-4.24	-5.08	0.67
Return on balance sheet and off-balance sheet assets (%)	2.84	0.65	-5.29	-3.51	-3.68	0.48
Return on "Tier 1" capital (%)	21.20	5.05	-37.62	-22.74	-16.85	2.71
Return on EOF (%)	17.58	3.67	-31.19	-15.71	-13.22	2.20
Return on equity (excluding capital called but not paid in) [ROE] (%)	20.60	4.82	-45.02	-21.69	-23.65	3.37
Return on equity (including capital called but not paid in) (%)	5.59	2.44	-45.02	-21.69	-23.65	3.37
PPI / Average assets (%)	1.79	1.48	1.53	1.52	0.99	1.56
PPI / Average equity (%)	2.24	2.48	2.62	2.57	1.55	2.37
Interest expense / Interest income (%)	--	--	1.53	4.02	0.00	0.15
Interest income / Average earning assets[1] (%)	5.22	4.11	3.93	4.04	3.84	3.15
Interest expense / Average yielding liabilities [2] (%)	--	--	0.27	0.67	0.00	0.01
Net margin (%) [3]	--	--	3.66	3.37	3.84	3.13
Relative interest margin (%) [4]	5.22	4.11	3.87	3.88	3.84	3.14
Operating revenues, excluding margin / Total operating income (%)	38.75	48.08	46.22	48.62	46.53	59.85
Income tax / Earning before tax (%)	--	--	--	--	--	--
Operating expenses / Average assets (%)	3.44	7.21	5.86	5.60	5.27	4.70
Efficiency ratio (%) [5]	65.71	82.95	79.27	78.68	84.16	75.06
Personnel expenses / Total operating income (%)	32.26	33.07	36.40	36.65	37.40	35.23
Personnel expenses / Total operating expenses (%)	49.10	39.87	45.92	46.58	44.44	46.94
Liquidity						
Net claims on customers / Customer deposits (%)	--	--	--	--	--	--
Net claims on customers / Total deposits [6] (%)	150.20	34.55	86.13	217.77	--	--
Net average claims / Average customers deposits (%)	--	--	--	--	--	--
Net average claims / Average assets (%)	2.73	3.96	12.16	18.74	22.13	26.91
Current assets [7] / Average assets (%)	19.95	41.31	31.65	37.56	49.26	47.73
Customer deposits / Total deposits (%)	--	--	--	--	--	--
Customer deposits / Equity (x)	--	--	--	--	--	--
Due from banks / Due to banks (%)	906.02	497.24	331.50	287.27	--	--
Capitalization						
"Tier 1" capital / Risk-weighted assets (RWA) (%)	63.57	41.12	48.17	47.28	57.86	60.97
Regulatory Capital Ratio [Global risk coverage] (EOF/RWA)	76.69	56.66	58.12	68.44	73.76	75.12
Financial Leverage = Equity / Assets (%)	86.73	58.25	57.28	54.93	48.49	55.45
Equity / (Assets + contingent liabilities) (%)	50.87	18.80	19.49	22.57	22.51	25.02
Equity / Assets (%)	87.38	59.77	59.82	57.41	60.64	66.95
Own Funds / (Assets + contingent liabilities) (%)	51.25	19.29	20.35	23.59	28.16	30.21
Equity/ Own funds (%)	99.26	97.47	95.75	95.68	79.97	82.82
Contingent liabilities / Assets (%)	70.48	209.84	193.92	143.40	115.38	121.63
Dividends / Net income (%)	--	--	--	--	--	--
Asset quality						
Non-performing assets (NPAs) / Gross claims on customers (%)	85.60	97.01	97.74	98.05	61.75	46.51
Lon loss reserves (LLRs) / Gross claims on customers (%)	85.02	95.98	91.08	68.63	52.82	35.32
NPAs / Total commitments (%)	18.18	21.55	23.88	28.20	16.15	11.20
LLRs / Total Commitments (%)	18.06	21.32	22.25	19.74	13.82	8.51
NPA coverage by LLRs = NPAs/LLRs (%)	99.33	98.94	93.18	69.99	85.55	75.94
NPAs / (Equity + LLRs) (%)	15.81	50.21	53.57	59.96	36.01	25.99
(NPAs - LLRs) / Equity (%)	0.13	1.06	7.29	31.01	7.52	7.79
Provisions (net) / PPI (%)	-246.00	17.21	1,113.98	700.54	893.41	55.40
Provisions (net) / Gross claims on customers (%)	-15.69	0.42	28.56	19.07	21.74	2.20
Provisions (net) / Total commitments (%)	-3.33	0.09	6.98	5.49	5.69	0.53
PPI / Net claims on customers (%)	42.58	60.19	28.74	8.68	5.16	6.13
PPI / Total commitments (%)	1.35	0.54	0.63	0.78	0.64	0.95
Equity / Net claims on customers (%)	3,046.16	2,420.03	1,024.36	302.47	251.50	222.09
Equity / Total commitments (%)	96.91	21.60	22.32	27.29	31.03	34.61

Notes:

1. Earning assets = Due from banks+ Securities + Claims on customers
2. Yielding liabilities = Customers deposits + Due to banks + Debt + Subordinated debt
3. Net margin = Interest income / Average earning assets – Interest expense / Average yielding liabilities
4. Relative interest margin = Interest Margin / Average earning assets
5. Efficiency (cost-to-income) ratio = Operating Expenses / Operating Income
6. Total Deposits = Customer Deposits + Due to banks
7. Current assets = Cash + Due from banks + Securities

Other WARA publications

- *Analysis: Coris Holding – November 2017*
- *Company Profile: Coris Holding – November 2017*
- *Analysis: Total Senegal – October 2017*
- *Company Profile: Total Senegal – October 2017*
- *Analysis: Filtisac – October 2017*
- *Company Profile: Filtisac – October 2017*
- *Analysis: Servair Abidjan – October 2017*
- *Company Profile: Servair Abidjan – October 2017*
- *Analysis: ONATEL – September 2017*
- *Company Profile: ONATEL – September 2017*
- *Analysis: Coris Bank International – September 2017*
- *Company Profile: Coris Bnank International – September 2017*
- *Analysis: Microcred Senegal – September 2017*
- *Company Profile: Microcred Senegal – September 2017*
- *Analysis: Microcred Senegal – September 2017*
- *Company Profile: Microcred Senegal – September 2017*
- *Analysis: CFAO Motors CI – July 2017*
- *Company Profile: CFAO Motors CI – July 2017*
- *Analysis: SIFCA – June 2017*
- *Company Profile: SIFCA – June 2017*
- *Analysis: SAPH – June 2017*
- *Company Profile: SAPH – June 2017*
- *Analysis: Filtisac – December 2016*
- *Company Profile: Filtisac – December 2016*
- *Analysis: Sitab – October 2016*
- *Company Profile: Sitab – October 2016*
- *Analysis: Total Senegal – August 2016*

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- *Company Profile: Total Senegal – August 2016*
- *Analysis: Filtisac – August 2016*
- *Company Profile: Filtisac – August 2016*
- *Analysis: Onatel – July 2016*
- *Company Profile: Onatel – July 2016*
- *Analysis: CIB – July 2016*
- *Company Profile: CIB – July 2016*
- *Analysis: SAPH – June 2016*
- *Company Profile: SAPH – June 2016*
- *Analysis: CFAO Motors CI – June 2016*
- *Company Profile: CFAO Motors CI – June 2016*
- *Analysis: SAPH – June 2016*
- *Company Profile: SAPH – June 2016*
- *Analysis: Servair Abidjan May 2016*
- *Company Profile: Servair Abidjan May 2016*
- *Analysis Microcred Senegal – March 2016*
- *Company Profile Microcred Senegal – March 2016*
- *Analysis Port Autonome de Dakar – February 2016*
- *Company Profile Port Autonome de Dakar – February 2016*
- *Analysis: Total Senegal – November 2015*
- *Company Profile: Total Senegal- November 2015*
- *Analysis: Filtisac SA – October 2015*
- *Company Profile Filtisac SA – October 2015*
- *Analysis: ONATEL – August 2015*
- *Company Profile: ONATEL- August 2015*
- *Analysis: SIFCA – July 2015*
- *Company Profile: SIFCA – July 2015*
- *Analysis CFAO Motors CI – July 2015*
- *Company Profile CFAO Motors CI – July 2015*

AFRICAN SOLIDARITY FUND (ASF)

- *Analysis-SAPH- July 2015*
- *Company Profile - SAPH- July 2015*
- *Analysis: Servair Abidjan – June 2015*
- *Company Profile: Servair Abidjan – June 2015*
- *Analysis: PAD – December 2014*
- *Company Profile: PAD – December 2014*
- *Analysis: Filtisac SA – September 2014*
- *Company Profile: Filtisac SA – September 2014*
- *Analysis: CFAO Motors CI – September 2014*
- *Company Profile: CFAO Motors CI – September 2014*
- *Analysis: Group SIFCA – June 2014*
- *Company Profile: Group SIFCA – June 2014*
- *Analysis: SAPH – May 2014*
- *Company Profile: SAPH – May 2014*
- *Analysis: Onatel - April 2014*
- *Company Profile: Onatel - April 2014*
- *Analysis: Coris Bank - February 2014*
- *Company Profile: Coris Bank - February 2014*
- *Analysis: Filtisac SA – November 2013*
- *Company Profile: Filtisac SA – November 2013*
- *Analysis: CFAO Motors CI – September 2013*
- *Company Profile: CFAO Motors CI – September 2013*
- *Analysis: PAD – July 2013*
- *Company Profile: PAD – July 2013*
- *Analysis: Group SIFCA May2013*
- *Company Profile: Group SIFCA May2013*
- *Analysis: SAPH – March 2013*
- *Company Profile: SAPH – March 2013*

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Auteurs:

Anouar HASSOUNE, Chief Credit Officer

Saiba FAINKE, Back-up Analyst