WEST AFRICAN DEVELOPMENT BANK (BOAD)

STATUTORY AUDITOR REPORT ON FINANCIAL STATEMENTS

(YEAR ENDED DECEMBER 31, 2018)

West African Development Bank (BOAD)
68, avenue de la libération,
BP 1172 Lomé, Togo

STATUTORY AUDITOR REPORT ON FINANCIAL STATEMENTS

(YEAR ENDED DECEMBER 31, 2018)

Opinion

We have audited the financial statements of the West African Development Bank (BOAD), which comprise the statement of financial position as at December 31, 2018, and the statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standard Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in jurisdiction, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole. Our opinion on the financial statements is not modified with respect to any of the key audit matters described below, and we do not express an opinion on these individual matters.

Key audit matters	Audit procedures
1. Recoverability of loans granted to customers	
As at December 31, 2018, gross loans to customers amounted to F CFA 1,819 billion, with a provision for loan losses of F CFA 53 billion. Because of the magnitude of the carrying value of loans to customers (69% of total assets) and the significant use of judgment in determining the provision for loan losses, this area represents a key audit matter.	We performed the following audit procedures: - Understanding and documentation of the credit cycle (operation, commitment, recovery, litigation) and assessment of risks related to the loan portfolio; - Involvement of our IT auditor team for the review of the loans management system integrity, the reliability of IT generated reports used for the loan portfolio review (loans book, overdue loans, Non-Performing Loans…) and their reconciliation with the financial statements; - Review of loans files selected based on exposure amount and particular risks (doubtful receivables, overdue, rescheduled loans, or other specific risks); - Review of IFRS 9 compliance of loans impairment and disclosures .
2. Hedging instruments	
As at December 31, 2018, the bank's borrowings include bills and bonds amounting to F.CFA 1,228 billion. This amount includes F.CFA 903 billion Eurobond issued in 2016 and 2017, covered using swap and forward contracts. The audit of hedging instruments in connection with borrowings was considered as a key audit matter, due to their complexity and significant use of management judgment.	We have performed the following audit procedures: - Documentation of BOAD expert's competency; - Detailed analysis of hedging contracts; - Detailed review of BOAD's expert hedging instruments valuation report (critical review of assumptions and computation); - Review of compliance with IFRS requirements, including disclosure.
3. Valuation of equity investments	
The equity investments amount to F.CFA 126.5 billion as of December 31, 2018. Since January 1st, 2018, equity securities are equity instruments that are recognized at fair value into two distinct categories:	We have performed the following audit procedures: - Review of acquisitions and disposals decisions taken during the year; - Direct confirmation request for investments in subsidiaries; - Review of shareholdings financial statements and of the valuation of equity securities at the end of the year;

- fair value per income, for equity instruments held for transactions;
- Fair value through OCI non-recyclable to profit and loss, for all equity transactions of the Bank considered as strategic in line with its development mission.

The strict application of the valuation rules is necessary for correct valuation of securities.

- Review of compliance with IFRS requirements, including disclosures.

4. Assessment of the impacts of the first application of IFRS 9 "Financial instruments"

The bank has applied in 2018 IFRS 9 "financial instruments" effective since January 1st, 2018. The use of this new standard introduces significant modifications in the classification and assessment rules as well as in the financial asset's depreciation. The calculation of expected credit loss requires the use of judgement in determining the following:

- The criterions for credit risk deterioration
- The measurements of expected losses
- The effect of macro-economic projections both on the deterioration criterions and the measurements of expected losses.

The BOAD has recognized on January 1st, 2018 a diminution of its equity capital by F.CFA 21,529 millions following the use of IFRS 9. This amount results from the application of numerous hypothesizes and judgements.

Given the magnitude of the impact of the first application of this new standard, and the complexity of its application, that matter has been considered as an audit key matter.

We have performed the following audit procedures:

Concerning the classification and assessment of financial instruments, we have performed the following audit procedures:

- Documentation of the competence of the expert mobilized by BOAD for the classification, the assessment and the depreciation of financial instruments;
- Analysis of the different options retained by the bank per comparison with the standard;
- Detailed review of the classification and the assessment of the financial instruments report established by BOAD's expert in order to appreciate the models developed for reclassified assets.

Concerning the depreciation, we have performed the following audit procedures:

- Documentation of the competence of the expert mobilized by BOAD for the rating of the counterparties;
- Detailed review of the ratings of the counterparties established by the expert;
- Verification based upon samples of the notations attributed to the counterparties;
- Review of the compliance to IFRS 9 for the calculation, the parameters and the results of the depreciation calculation of financial instruments.

We have also verified the compliance to IFRS 9 through the accounting and the presentation of the financial instruments in the balance sheet, as well as the related disclosures.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Statutory Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Our responsibilities for the audit of the Financial Statements are further described in Appendix 1 of our report.

Abidjan, March 20, 2019

Statutory Auditor
PricewaterhouseCoopers

Didier N'Guessan
Partner

APPENDIX 1: STATUTORY AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

This appendix forms an integral part of our auditor's report.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- We also provide those charged with governance with a statement that we have complied with the relevant ethical requirements regarding independence, and disclosed all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

- We have the obligation of professional secrecy for the facts, acts and information of which we have been aware.

BOAD'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

MARCH 2019

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STATEMENT OF FINANCIAL POSITION

ASSETS	Note	31/12/2018	31/12/2017
Cash and cash equivalents	5	**270 786**	**302 904**
Loans and receivables at amortized cost	6	**2 150 773**	**2 154 020**
- Loans and advances to banks		70 144	122 674
- Loans and advances to customers		1 801 520	1 755 018
- Loans and advances to staff		10 751	6 164
- Securities portfolio		261 476	263 282
Held-to-maturity securities			263 282
Debt securities		*261 476*	
- Receivables from shareholders		6 882	6 882
Equity investments	7	**126 559**	**88 101**
- Available for sale equity investments			88 101
- Equity investments designated at fair value through P&L		8 014	
- Equity investments designated at fair value through OCI non-recyclable		118 545	
Adjustment accounts and other assets	8	**12 502**	**20 382**
- Derivative assets		1 065	966
- Accruals assets		2 120	9 823
- Other adjustement accounts		9 317	9 592
Tangible assets	9	**7 238**	**7 592**
Intangible assets	9	**333**	**516**
TOTAL ASSETS		**2 568 191**	**2 573 515**

LIABILITIES	Note	31/12/2018	31/12/2017
Liabilities at amortized cost	10	**1 740 300**	**1 751 976**
- Deposits from banks		6 625	4 553
- Debt securities issued		1 253 872	1 284 276
- Other debts		479 802	463 147
Funds	11	**113 251**	**81 740**
Adjustments accounts and other liabilities	12	**31 917**	**93 041**
- Derivative liabilities		23 786	76 439
- Accruals liabilities		5 730	14 372
- Other adjustement accounts		2 401	2 230
Provisions	13	**7 539**	**6 790**
Total liabilities		***1 893 007***	***1 933 547***
Capital		**206 580**	**193 594**
- Subscribed capital		1 103 650	1 103 650
- Callable capital		-826 230	-826 230
- Unpaid Capital		-67 975	-79 781
- Cost related to deferred paying-up of capital		-2 865	-4 046
Share premium		**2 622**	**2 622**
Reserves		**465 982**	**443 752**
- Reserves allocated to development activities		76 050	76 050
- Fair value reserves (available-for-sale financial assets)		0	15 987
- Net gains on investments in equity instruments designated at fair value through other comprehensive income non recyclable		40 689	0
- Cashflow hedging reserves		-39 429	-38 711
- Other reserves		26	26
- Retained earnings		369 229	374 941
- Remeasurements of defined benefit liability		1 245	2 165
- Net income for the period		18 173	13 295
Total equity	14	***675 184***	***639 968***
TOTAL LIABILITIES AND EQUITY		**2 568 191**	**2 573 515**

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COMPREHENSIVE INCOME STATEMENT

COMPREHENSIVE INCOME STATEMENT		Note	31/12/2018	31/12/2017
Interests and related income			121 411	107 113
Interests and related charges			-84 911	-78 218
Margin on interests			*36 500*	*28 896*
Fees and commissions (income)			3 758	3 240
Fees and commissions (charges)			-1 127	-1 395
Margin on interests and fees		15	*39 131*	*30 741*
Exchange gains			50	75 283
Exchange losses			-42 479	-65
Gains/ losses on hedging instruments			53 470	-70 786
Gains/ Losses on foreign exchange		***16***	***11 041***	***4 432***
Margin on interests, fees and foreign exchange			*50 172*	*35 173*
Gains/ losses on financial assets available for sale (IAS 39)				-1 600
Gains/ losses on financial assets designated at fair value through profit and loss (IFRS 9)			433	0
Income from equity investments (dividends)		17	3 703	3 847
Net banking income			***54 308***	***37 420***
Cost of risk		18	***-9 778***	***-3 499***
Endowment from member states			3 200	3 200
Other operating income			343	312
Charges related to development activities			-5 174	-1 890
Administrative costs			-24 653	-22 021
	- Staff overheads		-15 730	-13 969
	- Amortizations and depreciations - Property, equipment and intangible assets		-1 234	-1 218
	- Other operating costs		-7 689	-6 833
Other operating charges			-73	-228
Other net operating income		**19**	***-26 357***	***-20 627***
Net income for the period			**18 173**	**13 295**
Other comprehensive income				
Items that will be reclassified to profit or loss			**-717**	**-16 338**
Cashflow hedges (CFH)			-717	-25 848
Net gains on financial assets at fair value through "other comprehensive income"			0	9 510
Items that will not be reclassified to profit or loss			**23 782**	**73**
Revaluation of tangible and intangible assets			0	0
Net gains on financial assets at fair value through "other comprehensive income"			24 702	0
Remeasurements of defined benefit liability			-920	73
Total other comprehensive income			***23 064***	***-16 264***
Total comprehensive income for the period			**41 237**	**-2 970**

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CHANGES IN EQUITY

	Capital							Reserves					
	Subscribed capital	Callable capital	Unpaid Capital	Cost related to the deffered paying-up capital (1)	Share premium	Reserves allocated to development activities	Other reserves	Remeasurements of defined benefit liability	Fair value reserves (available-for-sale financial assets)	Net gains on investments in equity instruments designated at fair value through other comprehensive	Cash flow hedges reserves	Retained earnings	Total
Equity capital as at 1st January 2017	1 097 750	-821 805		-5 489	2 622	76 050	26	2 091	6 477	0	-12 864	377 941	722 800
													0
Increase in capital	5 900	-4 425											1 475
Net income as at 31 December 2017 before allocation												13 295	13 295
Other comprehensive income								73	9 510		-25 848	0	-16 264
Fair value reserves (available-for-sale financial assets)									9 510			0	9 510
Remeasurements of defined benefit liability								73				0	73
Cash flow hedges											-25 848		-25 848
Others changes				1 443									1 443
Allocation of 2016 income												-3 000	-3 000
Transfers													0
Contributions et distributions													
Total transactions with the owners of the Bank													
Equity capital as at 31 december 2017	1 103 650	-826 230		-4 046	2 622	76 050	26	2 165	15 987	0	-38 711	388 235	719 748
Adjustments on initial application of IFRS 9									-15 987	15 987		-21 529	-21 529
Restated equity capital as at 1st January 2018	1 103 650	-826 230		-4 046	2 622	76 050	26	2 165	0	15 987	-38 711	366 707	698 219
Increase in capital	0												0
Résultat au 31 décembre 2018												18 173	18 173
Others changes				1 180									1 180
Allocation of 2017 income												-3 000	-3 000
Other comprehensive income													
Unpaid Capital			-67 975										-67 975
Net gains on investments in equity instruments designated at fair value through other comprehensive income (IFRS 9)										24 702		-7 090	17 611
Fair value reserves (available-for-sale financial assets)										0		12 612	12 612
Remeasurements of defined benefit liability								-920					-920
Cash flow hedges											-717		-717
Sub-total other comprehensive income								-920	0	24 702	-717		23 064
Transfers													0
Contributions et distributions													
Total transactions with the owners of the Bank													
Balance as at 31 december 2018	**1 103 650**	**-826 230**	**-67 975**	**-2 865**	**2 622**	**76 050**	**26**	**1 245**	**0**	**40 689**	**-39 429**	**387 402**	**675 184**

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CASHFLOW TABLE

Cashflow for operational activities	Notes	31/12/2018	31/12/2017
Income for the period		**18 173**	**13 295**
Adjustments related to non-monetary and other items			
Unrealised gains/losses		-11 063	-4 459
Exchange gains		-50	-38
Exchange losses		72	65
Amortization		1 234	1 218
Depreciation		0	0
Cost of risk		9 778	3 499
Gains/ losses on financial assets designated at fair value through profit and loss		-433	
Gains/losses on financial assets available for sale			1 600
Other items		1 152	1 100
		690	**2 985**
Changes in assets and liabilities from operations			
Loans and advances to banks		52 530	-89 253
Disbursements on receivables from customers		-296 268	-303 068
Repayments of receivables from customers		267 213	99 912
Other receivables from customers		-52 365	-10 202
Loans and advances to staff		-4 587	257
Securities portfolio		1 363	-91 846
Other receivables		0	0
Other assets		7 978	21 066
Deposits from banks		2 072	-11 384
Other debts		80 897	72 371
Other liabilities		18 861	12 268
		77 693	**-299 877**
Cashflow from operations		**96 556**	**-283 598**
Cashflow from investment activities		**31/12/2018**	**31/12/2017**
Acquisitions of tangible assets		-1 413	-704
Sales of tangible assets		814	25
Acquisitions of intangible assets		-79	-30
Sales of intangible assets		0	0
Acquisitions of shares		-8 471	-8 677
Sales of shares		1 133	583
			0
Cashflow from investments		**-8 017**	**-8 803**
Cashflow from financing activities		**31/12/2018**	**31/12/2017**
Resources from capital paying-up		16 416	10 749
Redemption of shares		0	0
Debt issuance		106 872	557 424
Repayment/debts represented by a security		-135 732	-189 355
Repayment/other loans		-108 214	-68 435
Cashflow from financing activities		***-120 657***	***310 383***
Net increase/(decrease) of cash and cash equivalents		**-32 118**	**17 982**
Cash and cash equivalents at opening	5	**302 904**	**284 921**
Cash and cash equivalents at closing	5	**270 786**	**302 904**
		31/12/2018	**31/12/2017**
ADDITIONAL INFORMATION			
Operating cashflow from interests and dividends:			
Interest paid		80 237	64 138
Interest received		55 575	58 014
Dividends received		3 703	3 847

NOTE 1. ACTIVITY OF BOAD

The West African Development Bank (BOAD) is the common development finance institution of the member countries of the West African Economic and Monetary Union (WAEMU), established by an Agreement signed on 14 November 1973.

BOAD became operational in 1976.

As an international public institution, BOAD has its headquarters in Lomé (Togo), located at 68, avenue de la Liberation, and Resident Missions in each of the capital cities of the other seven WAEMU member countries.

The Bank's shareholders include WAEMU member countries (Benin, Burkina Faso, Côte d'Ivoire, Guinea Bissau, Mali, Niger, Senegal, Togo) and the West African Central Bank (BCEAO), three European countries (Germany, France and Belgium), as well as African Development Bank (AfDB) and European Investment Bank, People's Republic of China, Eximbank of India and the Kingdom of Morocco.

As provided under article 2 of its Articles of Association, BOAD seeks to "promote balanced development of member countries and foster economic integration within West Africa" by financing priority development projects. The Bank provides financing for projects in the following areas: rural development, basic infrastructure, modern infrastructure, telecommunications, energy, industry, agro-industry, transport, tourism and other services.

To finance its activities, under Article 37 of its Articles of Association, the Bank can issue bond loans on the Union's domestic market or on the foreign capital markets and contract, from international or foreign public or private agencies, loans with any maturities and repayment conditions, both in the Union's currency and foreign currencies or units of accounts as may be deemed suitable to the Bank's Board of Directors.

Under Article 44 of its Articles of Association, the Bank, its revenues, property and other assets, as well as transactions and operations undertaken by it under these Articles of Association, shall be exempted from all direct or indirect taxes. No tax shall be levied by the Union's governments or communities on bonds issued by the Bank or on interests therefrom, whosoever the titleholder may be.

NOTE 2. SUMMARY OF ACCOUNTING PRINCIPLES AND PRACTICES

Apart from changes to the accounting methods explained in Note 4 of these financial statements, below is the summary of basic accounting principles used by the Bank:

2.1 Declaration of conformity

The financial statements of the West African Development Bank ("the Bank"), for the year ended 31 December 2018 and the comparative figures for 2017, have been established in accordance with the International Financial Reporting Standards (IFRS) - as issued by the IASB (*International Accounting Standards Board*).

2.2 Functional currency and reporting currency

The functional currency of the Bank is the African Financial Community Franc (FCFA/XOF). It is also its reporting currency.

All the figures in BOAD's financial statements are quoted in millions of FCFA/XOF (XOF' mln), unless otherwise stated.

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2.3 Basic financial reporting principles

The principles that serve as a basis for financial reporting include:

Continuity of operations
The financial statements for the year ended 31 December 2018 have been prepared based on the principle of continuity of operation where the Bank has neither the intention, nor the need to end or significantly reduce the scope of its activities.

Non-compensation of financial assets and liabilities
The Bank's financial statements are presented according to the principle of non-compensation of financial assets and liabilities.

2.4 Key bases for evaluation

Financial statements are based on historical cost except for certain financial assets measured at fair value.

These financial statements are the first annual statements of the Bank which take into account IFRS 9 and IFRS 15. Changes in accounting methods that had significant impact are described in Note 4.

2.5 Critical accounting assumptions and key sources of uncertainty for estimates

The preparation of financial statements, in accordance with IFRS, requires that the Bank's management provides estimates, assumptions and judgements that affect the value of assets, liabilities, income and expenditure. Estimates and assumptions are continually evaluated and take into account experiences and other factors, including future events deemed reasonable under the current circumstances. The most significant assumptions and estimates are summarized below:

2.5.1 Main assumptions

The Bank's accounting policy requires that assets and liabilities be recorded during their acquisition into different accounting categories. This decision requires detailed meaningful judgment on the classification and evaluation of financial assets in accordance with IFRS 9 (loans and receivables, equity investments, and investment portfolio).

2.5.2 Key estimates

The Bank also uses estimates for individual financial statements, as follows:

Assessing the fair value of equity investments: for each balance sheet, the Bank reviews its equity portfolio to assess its fair value based on financial information or stock prices available and estimates changes in fair value (**See Note 2.6**).

Assessing fair value of financial derivatives: for each balance sheet, the Bank contracts a specialist to assess the hedging instruments put in place to protect itself against currency risk on loans contracted in SDR and USD.

Assessing obligations linked to defined service schemes: the actual value of pension obligations is sensitive to the financial and actuarial assumptions used, including the discount rate. At the end of each financial year, the Bank determines the appropriate discount rate to be used to determine the fair value of the estimated future pension obligations, based on the interest rates of the WAEMU governments bonds/obligations (**See Note 2.17**).

2.6. Fair value of financial instruments

2.6.1 Definition and hierarchy of fair value

Fair value is the price at which an asset would be sold or bought to transfer a liability in a normal transaction between market participants at the valuation date.

The fair value of financial instruments is presented according to a fair value hierarchy that reflects the importance of the data used for the assessments.

- *Level 1 (N1):* instruments valued by price (unadjusted) quoted on active markets for similar assets or liabilities
- *Level 2 (N2):* Fair value estimated from data, other than quoted prices in level 1 whose asset or liability is observable directly (in the form of prices) or indirectly (derived from prices)
- *Level 3 (N3):* Instruments for which data for valuation are not based on observable market data ('unobservable' data).

As much as possible, the Bank uses observable market data to assess assets and liabilities at fair value.

2.6.2 Valuation methods

For financial instruments measured at fair value on the balance sheet, the fair value is determined primarily on the basis of prices quoted in an active market. These prices may be adjusted, where applicable if they are not available at the reporting date or if the value of compensation does not reflect transaction prices.

However, due to the multiplicity of the features of the financial instruments negotiated OTC on financial markets, a large number of financial products handled by BOAD are not directly listed on the markets. The fair value of these products is determined by using the valuation techniques with observable or unobservable data.

2.7 Cash and Cash equivalents

Cash includes cash on hand and demand deposits.

Bank deposits of more than three (3) months are also classified as cash and cash equivalents given the clause specifying that they can be freed-up at any time. No short-term bank deposits should exceed one year.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. They are held in order to meet the short-term (operational and functional) cash commitments rather than for investments or other purposes.

2.8 Loans and advances to banks

Loans and advances to banks include interbank loans and related interests. As at 31 December 2018, all these receivables were due in less than a year.

The transition to IFRS 9 did not impact their classification as "loans and receivables" and measurement at amortized cost.

2.9 Loans and advances to customers

The Bank's portfolio on "loans and advances to customers" mainly correspond to loans granted to governments in the public (non-commercial and commercial public) and private sectors.

The transition to IFRS 9 did not impact the classification of these loans as "loans and receivables" and their measurement at amortized cost.

2.9.1 General principles

Loans from BOAD are denominated in CFA Francs (XOF) and granted at fixed rates. Borrowers have the option to make early repayment of such amounts subject to conditions contained in loan agreements and conventions.

BOAD rate conditions as regards the non-commercial Energy sector are equivalent to those applied by the Energy Development Fund (FDE) at market conditions.

2.9.2 Interests and commissions on receivables from customers

Interest and commissions on loans granted to customers are recorded in the period in which they were obtained as effective interest rate. Interests that have accrued but not yet due at the reporting date are recorded as interests on receivable loans.

Default interests are captured in unpaid instalments after a grace period of one month.

Flat commissions (processing fees) are fees charged only once at the project evaluation. They are captured in the income statement by linear spread over the lifespan of the loan. The difference between this method of accounting for these commissions and their integration in the effective interest rate of the loan is considered non-significant.

The financing arrangement fees are captured as income upon their payment.

2.9.3 Loans to States

Loans to States are initially recorded at fair value in the balance sheet and measured at amortized cost. These loans receive a subsidy that is consistent with market practice.

The Bank incorporates an adjustment clause in its loans to States portfolio. Since the Bank has put in place hedging instruments to protect itself against currency risk, activating the adjustment clause for Loans to States is not necessary based on the current financing structure. Moreover, the risk management policy agreed by the Bank provides for a systematic hedging on loans contracted in SDR and USD. Therefore, the creation of an adjustment clause is more of a safeguard measure than a risk management policy and its activation is not expected neither in the short-, nor in the long term.
Finally, the existing adjustment clause does not exclude recognizing these loans at amortized cost.

2.9.4 Loans to the commercial public sector

These loans are recognized based on the contract rate corresponding to the market rate.

2.9.5 Impairment of receivables to customers

Under IFRS 9, the credit risk on financial assets at amortized cost are analyzed between the transition date (1 January 2018) and the reporting date. Therefore, the portfolio is divided into three buckets by using significant impairment notion since inception. The allocation of a financial instrument to each stage is based on whether or not there has been a significant increase in its credit risk since its initial recognition. The amount of impairment and the basis for applying the effective interest rate depend on the bucket to which the financial asset is allocated.

The expected loss provisioning model applies systematically in the event of credit risk downgrading or improvement (i.e. *significant increase in the credit risk of an instrument classified in bucket 2 may, for example, result in reclassification to bucket 1*).

a) Classification of the Bank's loans to customers based on the three buckets

The Bank carries out the classification of a loan or security within a bucket according to the following criteria:

- ✓ Bucket 1: financial assets considered as performing loans with no credit downgrading or downgrading of credit risk by one notch since their initial recognition. *Particularly for loans, interest income is calculated with effective interest rate on the basis of the gross value of receivables;*
- ✓ Bucket 2: financial assets whose credit risk shows a downgrading by at least two notches since the initial recognition or whose rating is lower than the SG5 sensitivity limit in the case of the Bank. Restructured loans are classified in bucket 2 with the rate SG6 during the 18 months following their restructuring. SG means Speculative Grade and corresponds to a risk level higher than that of the Investment Grade (IG). *The interest income on loans are calculated with effective interest rate on the basis of the gross value of receivables;*
- ✓ Bucket 3: financial assets with more than 90-day outstanding balance or whose credit risk downgrading is such that there is incurred loss. The provision is individual and remains unchanged from the practice under IAS 39. *The interest income on loans is calculated with effective interest rate based on the net value of impaired receivables.*

b) Calculation of Expected Credit Losses (ECL)

Generally, expected losses are calculated based on the following formula:

$$\boxed{ECL = PD \times LGD \times EAD}$$

The calculation parameters are as follows:

- ✓ **Exposure at default (EAD)** which represents the exposure of the Bank in case of default of the obligor is determined as follows:
  - i. (+) amount of disbursements
  - ii. (-) payment of principal
  - iii. (+) income not yet received (interests, fees, incidental expenses, etc.)
  - iv. (+) CCF (Credit conversion factor equivalent to credit balance yet to be disbursed) *PNU (portion of undrawn commitments).

In application of Basel III principles and based on characteristics of the Bank's loan contracts, the CCF ratio is set at 10%. A 10% CCF is put either on commitments that a bank may unconditionally revoke at any time without prior notice, or on commitments that effectively provide for automatic revocation in the event of a downgrade in the borrower's creditworthiness. BOAD loan contracts fall within this second category of commitments.

✓ **Loss given default (LGD) and Probability of default (PD):** the calibration of BOAD rating model, with a master scale mapped on GEMs[1], helped put in place a loans risk matrix according to the type of borrowers (sovereign states, public companies, private companies).

In reality, expected credit losses represent an estimate, established by probability-weighted credit losses, that must incorporate past events, current conditions and forecast of future economic conditions. They are measured at the present value of all expected cash flow shortfalls. Expected credit losses are discounted at the effective interest rate of the financial asset.

For *bucket 1* exposures, the above formula is used to calculate the expected credit loss over the next 12-month (1-year) period while for exposures under *bucket 2*, this formula is used to calculate lifetime ECL.

For *bucket 3*, the impairment remains the same as the one applied to the financial statements as at 31 December 2017.

c) Calculation of impairment under bucket 3

Impairment is determined by comparing the present value of future cash flows and the carrying amount. The effect of the impairment update is recorded in banking income.

The calculation of the present value of future flows of recovery requires the determination at each closing and for each outstanding credit:

- expected cash flows from the borrower,
- estimated value of recovery associated with each type of guarantee obtained,
- estimated period to recover the guarantee.

The cash flow value, discounted at the effective credit interest rate, is calculated on the basis of these data and the difference with the book value of the credit is recognized as risk cost in the income statement.

The interests on bad debts are calculated based on the net impairment value of these debts. Prior to 1 January 2018, date of the Bank's transition to IFRS 9, impairment under IAS 39 was recognized as described below except that interest on overdue receivables were impaired by 100% because the Bank assumes that the recovered cash flow on these interests is zero.

2.9.6 Loans to staff

Employee loans are loans granted to the Bank's staff at market conditions. There are, thus, recognized at their nominal value.

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[1] Global Emerging Markets(GEMs): rating database of counterparties subscribed to by most development banks in the west African sub region.

2.9.7 Pre-financing of studies

Advances for financing of studies are loans granted to finance the cost of a feasibility study of a project.

Advances for financing of studies granted by BOAD are borne by the borrower where the studies conclude that the projects are viable. If studies lead to a project financed by the Bank, the amount of the advance in addition to the interests is incorporated to the loan amount and will thus constitute the first disbursement.
If studies lead to a viable project which will not be financed by the Bank, the advance plus interest is repaid over a defined period of time and at a given rate. On the contrary (if studies do not lead to a viable project), the cost of the advance is considered as a grant from the Bank and charged on expenses for the year.

These receivables generate interests which are calculated periodically and recorded as income.

2.9.8 Grants and subsidy mechanism

Loan subsidies are paid in by countries to reduce the cost of loans for borrowers. These subsidies help to grant concessional loans based on market resources (*by reducing the average cost of resources allocated to each of the concerned loans*).

2.9.9 Financial guarantees and financing commitments

Financing commitments record the outstanding amounts due as part of loan agreements signed with customers. These commitments are recorded off-balance sheet for amounts not yet used.

Some of these loans are hedged by financial guarantees. Financial guarantee agreements are contracts that require the issuer to make specific payments to repay the subscriber for loss incurred as a result of a default from the issuer to make payment at maturities in accordance with provisions of the specific debt instrument. The fair value of these guarantees corresponds to their nominal value.

2.10 Receivables from shareholders

The item on" Receivables from shareholders" includes endowments and amounts due but not yet paid.

2.11 Securities

2.11.1 Accounting principle applicable from 1 January 2018

With the transition to IFRS 9, all securities held by the Bank are classified as financial assets at amortized cost. These include bonds with fixed or determinable payments that are not quoted on active market.

The impairment model is the same as that applied to loans and receivables from customers.

2.11.2 Accounting principle applied before 1 January 2018

All securities held by the Bank meet the IAS 39 requirements for "Loans and Receivables". They are classified as "loans and receivables at amortized cost". Depreciation criteria are those that apply to loans and receivables. These securities are evaluated at amortized cost through the use of a depreciation account as the amount of the loss is captured in the income statement, with a possible recovery in the event of further improvement of the ratings of concerned counterparties.

2.12 Equity securities (equity investments)

Equity securities (equity investments) are shares held by the Bank in other entities from diverse sectors in accordance with its equity investments strategy (**See Note 7.1**).

2.12.1 Accounting method applicable from 1 January 2018

Equity securities are equity instruments that are recognized at fair value into two distinct categories:

a) Fair value per income

This default classification is mandatory for equity instruments held for transactions. This is an option identified for equity investments held by the Bank and representing an undertaking for collective investment in transferable securities (UCITS), namely an open-ended investment company and a mutual fund. Dividends and capital gains or losses on these assets are recognized in the income statement. They are not subject to depreciation.

b) Fair value through OCI non-recyclable to profit and loss

This classification was selected for all equity transactions of the Bank considered as strategic in line with its development mission. Accounting principles regulating the subsequent evaluation of these financial assets are presented as follows:

- assets are evaluated at fair value. Any subsequent variation of the fair value (gains/losses) is recognized as other items in the comprehensive income statement and never recycled as income;
- dividends are recognized as income in the income statement.

All new equity investments will be analyzed line by line to ensure their classification in one of the above categories.

2.12.2 Accounting principle applicable before 1 January 2018

Until 31 December 2017, equity investments considered as financial assets available for sale under IAS 39 are valued at fair value and any change in fair value apart from above-mentioned impairment criteria is recognized as "Other items under the comprehensive income statement".

An impairment occurs when there is an objective indication of depreciation resulting from one or more events that occurred under the following conditions:

- For quoted equity instruments, an impairment is recorded in the income statement when latent losses higher than 50% of the cost of acquisition is noted at the date of closing. This is the same case for listed shares in a situation of latent losses during a continuous period of 36 months or more prior to the date of closing.
- The impairment criteria for unquoted equity instruments are identical to those mentioned above, the value of the instruments at the reporting date is determined based on the valuation methods described in Note 2.6: "Fair value of financial instruments ".

2.13 Fixed assets and amortizations

2.13.1 Recognition and evaluation

Fixed assets are recognized at their cost of acquisition. When significant components of fixed assets have different useful life, they are recognized as distinct fixed assets (major components). Subsequent expenses are only activated if there is probability that associated economic profits will go to the Bank. The loss or profit on fixed assets are recognized in the net income statement.

2.13.2 Amortizations and impairment test

Fixed assets are amortized on a straight line over their estimated useful life. Estimated residual values are considered as nil. Below is the different useful life:

	Amortization per component over the following duration
1. Constructions	
a. Land	Not amortizable
b. Construction work	40 years
c. Technical installations	20 years
d. Technical lots, fittings and facilities	15 years
e. Diverse facilities	10 years
2. Office materials and furniture	3 to 10 years
3. Housing equipment and furniture	3 to 10 years
4. Transportation material	3 years
5. Fittings and facilities	3 to 10 years

Assets that are likely to depreciate are reviewed annually to determine whether they have suffered a loss in value. The carrying value of an asset is immediately captured in the recoverable amount if the carrying amount exceeds its estimated recoverable amount. The recoverable amount is the highest amount between the fair value of the asset (minus selling costs) and its value-in-use. The residual values and useful life of assets are reviewed periodically and adjusted if necessary.

The monthly amortization charges are recognized in the income statement under item "Depreciations" on line "general operating expenses".

2.13.3 Intangible assets

Only software is considered intangible assets. They are amortized over a period of 3 to 5 years.

2.14 Deposits from banks

Deposits from banks correspond to investments made in BOAD's books by partner institutions such as ROPPA, AFD, NIMAO, etc.

2.15 Debts represented by securities and debts from donors

Debts evidenced by a security equate to the outstanding bonds and securities debts issued by BOAD.

Other debts include BOAD's loans from its partners such as AFD, EIB, PROPARCO, AfDB, etc. All these borrowings are at fixed rates.

2.16 Allocated external funds

These are funds with external contributions from AFD, IDA, Belgian Assistance Fund, China International Fund, etc.
Expenses incurred are charged directly on the Fund created. No charge nor income is recognized in the comprehensive income statement of the Bank for these funds.

2.17 Pension commitments

2.17.1 Plan used by the Bank: Defined benefit scheme

The Bank uses the "defined benefit" system in which the employer agrees to pay specific benefits in the form of pensions or retirement benefits, depending on the employee's length of service and salary. This system provides for the payment of a lump sum equal to the last monthly remuneration (gross monthly salary) multiplied by the number of years of actual service. These benefits are paid directly by the Bank to the beneficiary.

The pension plan is entirely financed by the Bank. Staff are not obliged to contribute to the scheme.

2.17.2 Determination of net liability under the defined benefit scheme

The Bank's net defined benefit obligation is assessed by estimating the amounts of future benefits acquired by the staff during their actual and past periods. This amount is calculated based on the actuarial liability related to the company pension obligations, but less the fair value of assets of these commitments.

The Bank does not have assets to cover its pension plan.

The actuarial assumptions used are calculated annually by a qualified actuary using the Projected Unit credit method.

Revaluations of the net liability for defined benefit plans including actuarial gaps are recorded immediately under other items in the comprehensive income statement.

2.17.3 Actuarial assumptions

Actuarial assumptions as at the closing date are as follows:

Actuarial assumptions	2018	2017
Discounted rate	6%	6.5%
Rate of salary increase	6.18%	5%
Rate of staff turnover	1%	1%
Retirement age	60 years	60 years
Mortality table	Table CIMA	French Table

The risks related to the retirement benefit scheme are rather related to the changes in discount rate and increases in salary.

2.18 Transactions on share capital and allocations

2.18.1 Capital

The Bank's capital is made up of shares of nominal value equal to XOF50,000,000. It is divided into two categories of shareholders: Class A shareholders including WAEMU member countries and the Central Bank of West African States (BCEAO) and class B shareholders which are non-regional shareholders. Capital call-up is based on a long term payment plan. Therefore, the amount of the capital increase is discounted at each reporting date. For the sake of good presentation, the difference is captured in a debtor sub-account of the capital.

According to Article 7 of its Articles of Association, the Bank's callable capital is used as guarantee for loans contracted by the Bank.

2.18.2 Allocations

Member countries make allocations annually to BOAD. BOAD's right to these allocations is established at the adoption of the Bank's updated financial outlook over a period of four (4) years. This application is made annually and as a result, the allocations are captured annually as income. The allocations are therefore recognized as receivables during the fiscal year, with impact on the year's income under IAS 20.

This recognition helps cover expenses related to development activities namely studies conducted but captured as final consumption, interest rate subsidies for loans to States, and also charges inherent in equity participation, exchange gains and losses.

2.19 Investment income at the Central Bank

Interests paid by BCEAO on BOAD's assets invested with it, are captured as "Interests and related income" for the period in which they were earned.

Interests receivable from BCEAO as at the year-end reporting are recorded as assets under "loans and advances to banks".

2.20 Interests and fees on borrowings

Interests and commitment fees are subject to a monthly subscription calculated on the basis of loans recorded at the reporting date.

Interests accrued but not due on loans are recorded at the end of the year and find their counterpart liabilities on the balance sheet under "Other liabilities at amortized cost".

At each financial year, loans, interests and commitment fees accrued but not due pertaining to loans in foreign currencies are valued at the last reported exchange rate.

2.21 Derivative financial instruments and hedge accounting

2.21.1 Derivatives instruments

The Bank uses derivative instruments to hedge exchange risks. These instruments are mainly an exchange cross-currency swap specifically for the Eurobond 1 issue and forward exchange contracts on Eurobond 2 issue and other borrowings. Derivatives serve to cover the variability of cash flows resulting from exchange rates fluctuations on borrowings contracted in foreign currencies (SDR and USD). This relation is established from the date of issue of the borrowing and maintained throughout the contract terms.

The Bank assesses all its financial derivatives at fair value and changes in fair value are generally recognized through profit and loss. When the required conditions are met for the application of the fair value option, the debt in question is also assessed at fair value and changes in fair value are recognized as net income.

2.21.2 Hedging at fair value

The Bank applies fair value hedge accounting to derivatives to hedge the exposure to currency risk associated with foreign currency borrowings. Under fair value hedge accounting, changes in fair value of the hedging instrument and changes in fair value of the hedged item attributable to the risk being hedged are recognized as profit and loss.

From the onset, the Bank documents the relation between the hedging instrument and the hedged item as well as the risk management objectives and its strategy to undertake hedging transactions. The hedge accounting stops being applied when the objective of the Bank's risk management for the hedging relationship changes or when the hedging instrument has matured, is sold or is abrogated or is exercised or when the hedge accounting does no longer meet required conditions for the hedge accounting.

2.21.3 Cashflows hedging

When a derivative is recognized as cash flow hedge instrument, the effective portion of the change in fair value of the derivatives is recognized as other comprehensive income and accumulated in the cashflow hedge reserve. All other ineffective portion in the change in fair value of the derivative is recognized immediately as profit or loss.

The accumulated amount in equity is recognized as Other comprehensive income and reclassified to profit or loss at a date or dates when the anticipated cashflow hedged or the hedged item affects profit or loss.
If the anticipated transaction is no longer expected to occur and the hedge no longer meets the criteria for hedge accounting, or the hedging instrument expires, is sold, terminated, exercised or cancelled, the Bank ceases to apply prospective hedge accounting. If the anticipated transaction is no longer expected to occur, the balance in equity is reclassified to net income.

2.21.4 Transition to IFRS 9

The types of hedge relationships generally recognized by the Bank meet IFRS 9 requirements and are consistent with its risk management objectives and strategy.

When adopting IFRS 9, the Bank chose to recognize the premium/discount items that represent the difference between the forward rate and the initial spot rate of the derivative instrument in other comprehensive income. Changes over time in this difference are accumulated in the reserve for hedging costs in shareholders' equity. They are then gradually recycled to the income statement over the life of the hedging relationship.

2.22 <u>Principles of the cashflow table</u>

The cashflow table explains the change in the Bank's cashflows during the period under review.

The cashflows are distributed among the operating, investments and financing activities. Cash and cash equivalents appearing in the cashflow table should be compared with those presented in the financial statement. Flows from operating activities are presented using the indirect method whereby the result is adjusted for the effects of non-cash transactions, any deferrals or accruals from past entries or past/future operational cash payments and income or expenditure items related to the cashflows for investments or financing.

Cashflows related to investing and financing activities are presented separately according to major categories of gross cash inflows and outflows from investing and financing activities.

Cashflows from foreign currency transactions are recorded under the Bank's functional currency by applying the foreign exchange rate between the functional currency and the foreign currency as at the date of the cashflows.

2.23 Events after closing

The Bank makes adjustments to its financial statements to reflect events that occurred between the reporting date and the date on which the said financial statements are authorized for issue, provided that these events relate to existing situations as at the reporting date.

If these events relate to events that occurred after the date of closing of the accounts but require disclosure, the balance sheet, income statement, cash flow table and the table of changes in equity are not adjusted. The nature and potential impact of these events are captured in note 25 below.

2.24 Statement of accounts

BOAD's individual accounts as at 31 December 2018 were approved by the Board of Directors at its 20 March 2019 meeting.

NOTE 3. IMPACT OF NEW OR REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The standards and interpretations contained in the Bank's financial statements as at 31 December 2017 were supplemented by provisions of the new standards and interpretations for the 2018 financial year. These involve the following standards and amendments:

3.1 New provisions in force and published by IASB

Date of entry into force	New Standards or amendments	Impact on the Bank's financial statements as at 31 December 2018
1January 2018	IFRS 15 "Revenue from ordinary activities drawn on contracts with customers"	As at this reporting date, the transition towards IFRS 15 had no impact on the Bank's financial statements.
	IFRS 9 « Financial Instruments»	The implementation of IFRS 9 will impact the valuation and classification of the Bank's financial instruments which represents the core of its activities. The impact of this standard is presented in Note 4 "significant

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Date of entry into force	New Standards or amendments	Impact on the Bank's financial statements as at 31 December 2018
		changes in accounting policies-first application of IFRS 9" of these financial statements.
	"Classification and Measurement of Share-based Payment Transactions " (Amendments to IFRS 2)	The Bank does not conduct any share-based payment transaction; thus, this amendment does not have any impact on its financial statements.
	Applying IFRS 9 "Financial Instruments" with IFRS 4 (Amendments to IFRS 4)	The Bank's operations are mainly bank-related and do not fall within the scope of IFRS 4 (this standard applies to entities conducting insurance and reinsurance related operations).
	"Investment property transfer" (amendments to IAS 40)	The Bank does not have investment properties. Moreover, the renting transaction is secondary given the portion of rented space compared to properties occupied by the Bank itself. Thus, these amendments to IAS 40 do not have any impact on the Bank's accounts.
	"Annual improvements to IFRS 2014-2016 cycle" (amendments to IFRS 1 and IAS 28)	Amendment to IFRS 1: This amendment applies to first-time applicants to IFRS. Since the Bank is not adopting IFRS Standards for the first time, this amendment does not have any impact on its financial statements. Amendment to IAS 28: All equity investments of the Bank are assessed in accordance with IFRS 9; this amendment is therefore not applicable.
	IFRIC 22 "Foreign currency transactions and advance consideration"	The Bank does not conduct advance payments on its foreign currency transactions (Euro, USD, CHF, etc.). The issue of exchange rate to be reclassified to profit or loss is not applicable. Consequently, the Bank's foreign currency transactions do not fall within the scope of this interpretation.

3.2 Upcoming provisions

Date of entry into force	New standards or amendments
1 January 2019[2]	IFRS 16 "Leases"
	IFRIC 23 "Uncertainty over Income Tax Treatments"
	Amendments to IFRS 9 "*Prepayment Features with Negative Compensation*"
	Amendments to IAS 28 "Long-term interests in Associates and Joint Ventures"

[2] The impacts of these new standards to be effective from 1 January 2019 on the Bank's accounts are being assessed.

Date of entry into force	New standards or amendments
	Amendments Limited to IAS 19 "*Plan Amendment, Curtailment or Settlement*"
	Annual improvements to IFRS 2015-2017 Cycle (Amendments to IFRS 3, IFRS 11, IAS 12, and IAS 23)
1 January 2021	IFRS 17 "Insurance contracts"

NOTE 4. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES - FIRST APPLICATION OF IFRS 9

The Bank applied for the first time the IFRS 9 "Financial instruments" on 1 January 2018. Other standards including IFRS 15 "Revenue from ordinary activities drawn on contracts with customers" entered into force on 1 January 2018, but had no impact on the Bank's financial statements.

IFRS 9 specifies how an entity should classify and measure financial assets, financial liabilities, and some contracts to buy or sell non-financial items. This standard replaces IAS 39 "Financial instruments: recognition and measurement". The impact of the first-time application of IFRS 9 is mainly due to the increase in impairment losses recognized for financial assets (see Note 4.3.3).

Besides the above-mentioned change, the Bank has applied the same accounting principles and methods as described in Note 2 to the entire reporting dates.

4.1 Accounting Classification under IFRS 9

IFRS 9 specifies classification of financial instruments under different accounting categories depending on the management model applied to the portfolio and the nature of these instruments (loan instruments, equity instruments and its derivatives).

4.1.1 Classification of financial assets under IFRS 9

4.1.1.1 Debt instruments

The initial qualification of a debt instrument depends on a two-step approach, namely the business model test and the contractual cashflow characteristics test.

a) Business model

The business model can fall into the following three (3) groups:

- Business model whose objective aims at holding assets to collect contractual cashflows (hold to collect);
- Business model whose objective aims at holding to collect contractual cashflows and sell financial assets (hold to collect and to sell);
- Other business model (to sell).

b) Contractual cashflow characteristics test (SPPI Test)

The analysis of the "Solely payments of principal and interest" ("SPPI") of a financial asset focuses on five (5) components, namely: i) analysis of the principal amount, ii) analysis of payments, iii) analysis of the clauses of subordination, iv) analysis of prepayment and term extending options, and v) analysis of other contingent payment features. This evaluation is formalized in a specific questionnaire aimed at covering all aspects that could likely affect the payment of the financial instrument.

4.1.1.2 Equity instruments

Equity instruments are recorded as follows:

- At fair value per income: this default classification is mandatory for equity instruments held for transactions. This includes classification for UCITS investments (Counterpart funds and open-end investment funds) held by the Bank;
- At fair value in other comprehensive income (OCI) non-recyclable to profit and loss: this option was selected for all equity transactions of the Bank considered as strategic in line with its development mission.

4.1.1.3 Derivatives

There has been no change as a result of IFRS 9.

4.1.2 Classification of financial liabilities under IFRS 9

The IFRS 9 standard provides for the classification of financial liabilities according to the following accounting categories:

- financial liabilities at amortized cost: this is the classification by default; it is used for the Bank's entire financial liabilities;
- fair value through profit or loss: this category applies to instruments mainly issued for sale or short-term redemption (trading);
- fair value through other comprehensive income with irrevocable option: at the recognition date, a financial liability may, under irrevocable option, be measured at fair value through profit and loss. Access to this category is restricted and limited to the following three cases:
  - ✓ hybrid instruments with one or more separable embedded derivatives;
  - ✓ reduction or elimination of accounting mismatch;
  - ✓ group of assets and liabilities managed and whose performance is assessed at fair value.

4.2 Assets impairments under IFRS 9

The impairment model in IFRS 9 provides on one hand, that expected losses are based on expected credit losses instead of incurred losses expected under IAS 39. On the other, it takes into account macroeconomic forecast in determining risk parameters (forward-looking).

4.2.1 Impairment model

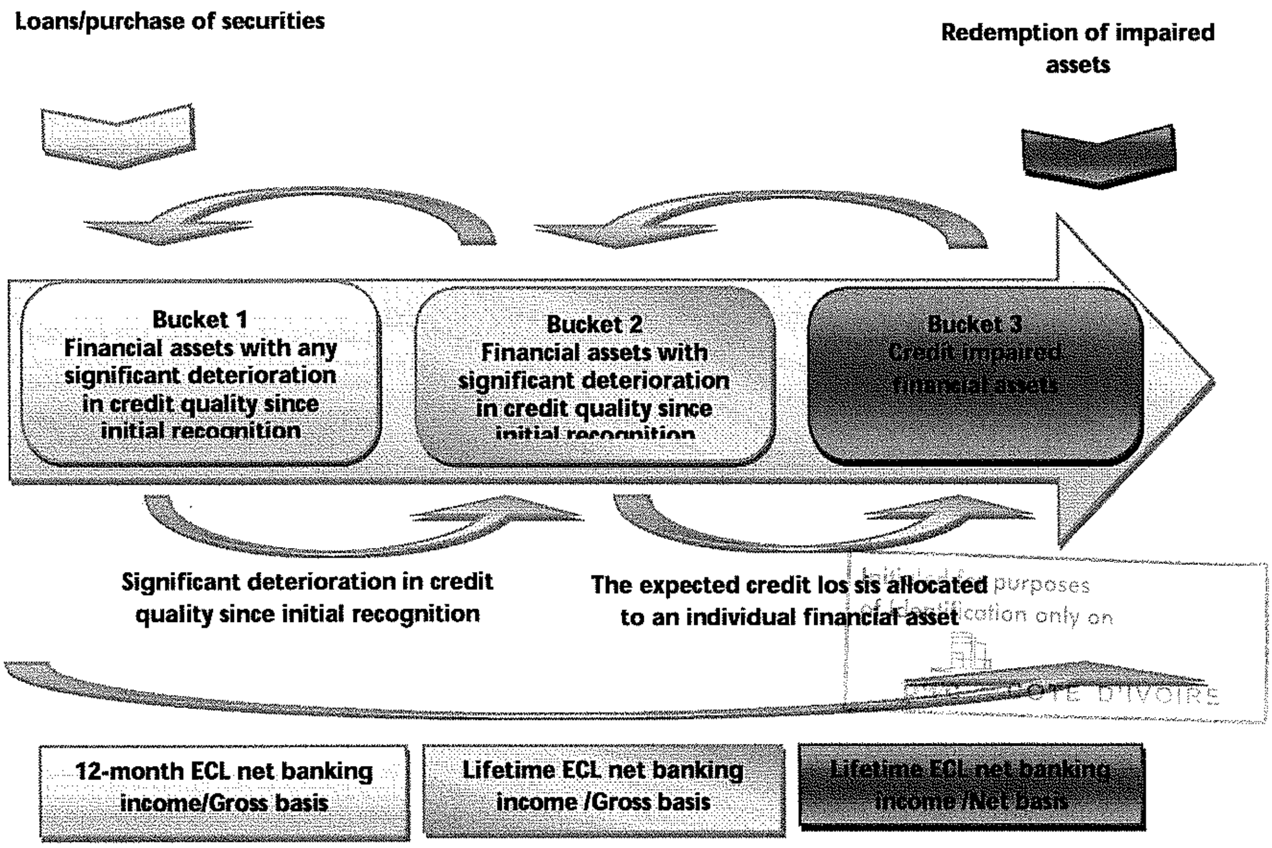
The main impairment rules under IFRS 9 are:

- calculation of provisions on performing loans;
- forward-looking: integrating forward-looking information to measure default parameters;
- the need to assess the credit risk deterioration over its lifetime starting from contract inception;
- a broader scope of financial assets included in the impairment calculation. The financial assets concerned are financial assets at amortized cost, loan commitments and financial guarantees that are not recognized at market value, as well as receivables from leasing contracts.

Under IFRS 9, the portfolio is divided into three buckets or stages by using significant impairment notion since inception. The allocation of a financial instrument to each stage is based on whether or not there has been a significant increase in its credit risk since its initial recognition. The amount of impairment and the basis for applying the effective interest rate depend on the bucket to which the financial asset is allocated.

The expected loss provision model should apply systematically in the event of deterioration or improvement of credit risk (i.e. significant increase in credit risk of an instrument classified in bucket 2 may, for example, result in reclassification to bucket 1).

The chart below describes the general approach for determining buckets and calculating provision amounts.



4.2.2 Financial assets impairment principles

The financial assets impairment principles applied by the Bank is presented in Note 2.9.5.

4.3 First application as at 1 January 2018

Notwithstanding the general principles of IAS 8 "Accounting policies, changes in accounting estimates and errors", IFRS 9 allows a first application retrospectively, without restating the comparative period of the N-1 financial year. As a result, it is not necessary to restate the 2017 financial statements. This first application of IFRS 9 leads to the presentation of the opening balance sheet as at 1 January 2018 as if IFRS 9 had always been applied. This method was selected by BOAD.

4.3.1 Opening balance sheet as at 1 January 2018

ASSETS		01/01/2018	31/12/2017
Cash and cash equivalents		**302 904**	**302 904**
Loans and receivables at amortized cost		**2 132 491**	**2 154 020**
	- Loans and advances to banks	122 674	122 674
	- Loans and advances to customers (IFRS 9 impact)	1 733 731	1 755 018
	- Loans and advances to staff	6 164	6 164
	- Securities portfolio	263 040	263 282
	Held-to-maturity securities (IAS 39)		*263 282*
	Debt securities (IFRS 9)	*263 040*	
	- Receivables from shareholders	6 882	6 882
Equity investments		**88 101**	**88 101**
	- Available for sale equity investments (IAS 39)		*88 101*
	- Equity investments designated at fair value through P&L (IFRS 9)	*7 774*	
	- Equity investments designated at fair value through OCI non-recyclable (IFRS 9)	*80 327*	
Other assets		**20 382**	**20 382**
	- Derivative assets	966	966
	- Accruals	9 823	9 823
	- Other	9 592	9 592
Tangible assets		**7 592**	**7 592**
Intangible assets		**516**	**516**
TOTAL ASSETS		**2 551 986**	**2 573 515**

LIABILITIES		01/01/2018	31/12/2017
Liabilities at amortized cost		**1 751 976**	**1 751 976**
	- Deposits from banks	4 553	4 553
	- Debt securities issued	1 284 276	1 284 276
	- Other debts	463 147	463 147
Funds		**81 740**	**81 740**
Other liabilities		**93 041**	**93 041**
	- Derivative liabilities	76 439	76 439
	- Accruals	14 372	14 372
	- Other	2 230	2 230
Provisions		**6 790**	**6 790**
Total liabilities		***1 933 547***	***1 933 547***
Capital		**193 594**	**193 594**
	- Subscribed capital	1 103 650	1 103 650
	- Callable capital	-826 230	-826 230
	- Unpaid Capital	-79 781	-79 781
	- Cost related to deferred paying-up of capital	-4 046	-4 046
Primes d'émission		**2 622**	**2 622**
Réserves		**422 223**	**443 752**
	- Reserves allocated to development activities	76 050	76 050
	- Fair value reserves (available-for-sale financial assets) (IAS	*0*	*15 987*
	- Net gains on investments in equity instruments designated at fair value through other comprehensive income (IFRS 9)	*15 987*	*0*
	- Cashflow hedging reserves	-38 711	-38 711
	- Other reserves	26	26
	- Retained earnings (IFRS 9 impact)	*353 412*	*374 941*
	- Revaluation of defined benefit liability	2 165	2 165
	- Net income for the period	13 295	13 295
Total equity		***618 439***	***639 968***
TOTAL LIABILITIES AND EQUITY		**2 551 986**	**2 573 515**

4.3.2 Classification and assessment of financial instruments

While IFRS 9 largely retains the provisions of IAS 39 on the classification and measurement of financial liabilities, it removes the categories of held-to-maturity financial assets, available-for-sale assets and loans and receivables. The adoption of IFRS 9 had no significant impact on the Bank's accounting policies on financial assets and liabilities, except for changes which occurred on equity investments as described in Note 2.12.1.

The tables and comments below provide details on the categories of initial measurement under IAS 39 and the new categories under IFRS 9 for each category of financial assets and financial liabilities of the Bank as at 1 January 2018.

			31/12/2017	01/01/2018											
			IAS 39	Reclassifications under IFRS 9											
				Financial assets designated at fair value through Profit and Loss				Financial assets designated at fair value through OCI		Financial assets measured at amortised cost					
					Other financial assets designated at fair value through Profit and Loss										
	Financial assets	Notes	Carrying amount	Trading assets	Equity instruments	Financial assets designated at fair value through profit and loss on option	Hedging derivatives	Debt instruments designated at fair value through recyclable OCI	Equity instruments designated at fair value through OCI non-recyclable	Cash and cash equivalents	Loans and advances to banks	Loans and advances to customers	Loans and advances to staff	Debt instruments	Receivables from shareholders
IAS 39	Cash and cash equivalents	(a)	302 904							302 904					
	Financial assets measured at Fair value through Profit and Loss		-	-	-	-	-	-	-	-	-	-	-	-	-
	Financial assets at fair value through profit and loss		-	-	-	-	-	-	-	-	-	-	-	-	-
	Trading assets		-	-	-	-	-	-	-	-	-	-	-	-	-
	Financial assets at fair value through profit and loss on option		-	-	-	-	-	-	-	-	-	-	-	-	-
	Hedging derivatives	(b)	966	-			966								
	Available for sale (AFS) investment securities	(c)	88 101	-	7 774	-		-	80 327	-	-	-	-	-	-
	Loans and advances to banks	(d)	122 674	-		-		-			122 674	-	-		-
	Loans and advances to customers	(e)	1 755 018	-		-		-		-	-	1 755 018	-	-	-
	Loans and advances to staff	(f)	6 164	-		-		-		-	-	-	6 164	-	-
	Held to maturity (securities portofolio)	(g)	263 282	-		-		-						263 282	
	Receivables from shareholders	(h)	90 802	-		-		-							90 802
	IAS 39 carrying amount 31 December 2017		**2 629 911**												
	Remeasurements under IFRS 9											**- 21 287**		**- 242**	
01/01/2018	**IFRS 9 carrying amount 1 January 2018**			**-**	**7 774**	**-**	**966**	**-**	**80 327**	**302 904**	**122 674**	**1 733 731**	**6 164**	**263 040**	**90 802**

	Financial liabilities	Notes	31/12/2017	01/01/2018					
			IAS 39	Reclassifications under IFRS 9					
				Financial liabilities designated at fair value through Profit and Loss			Financial liabilities measured at amortised cost		
			Carrying amount under IAS 39	Trading liabilities	Financial liabilities at fair value through profit and loss on option	Hedging derivatives	Deposits from banks	Debts securities issued	Other debts
IAS 39	Financial liabilities measured at Fair value through Profit and Loss		76 439	-	-	76 439	-	-	-
	Trading liabilities		-	-	-	-	-	-	-
	Financial liabilities at fair value through profit and loss on option		-	-	-	-	-	-	-
	Hedging derivatives	(i)	76 439	-		76 439			
	Deposits from banks	(j)	4 553		-		4 553		
	Debts securities issued	(k)	463 147		-			463 147	
	Other debts	(l)	1 284 276		-				1 284 276
	IAS 39 carrying amount 31 December 2017		**1 828 415**						
	Remeasurements under IFRS 9			-	-	-	-	-	-
01/01/2018	**IFRS 9 carrying amount 1 January 2018**			-	-	**76 439**	**4 553**	**463 147**	**1 284 276**

Comments

(a) Cash and cash equivalents include cash on hand and demand deposits. These are short-term investments (up to 12 months), highly liquid and with virtually no credit risk. The holding of cash and cash equivalents is part of an economic model whose objective is to hold assets in order to collect contractual cash flows. It is therefore classified and measured at amortized cost without any expected loss.

(b) The active derivatives held by the Bank are only exchange risk hedging instruments. They are therefore measured at fair value through profit and loss

(c) These equity instruments are divided into two categories.

- ✓ The first category (XOF80,327 M) represents investments that the Bank expects to hold for long-term strategic purposes. As permitted by IFRS 9, the Bank has designated these investments at fair value through other comprehensive income at the date of first application.
- ✓ The second category (XOF7,774 M) concerns investments representing UCITS (Undertakings for collective investments in transferable securities). It has been designated at fair value through profit or loss because the instruments concerned are managed on a fair value basis and their performance is monitored on this basis.

(d) Loans and advances to banks include interbank loans of more than three (3) months and their related interests. Classified as "loans and receivables" in accordance with IAS 39, they are classified and remain measured at amortized cost. The transition to IFRS 9 therefore did not require any value adjustments.

(e) Loans and advances to customers mainly correspond to loans granted to governments (non-commercial public sector) and to the commercial sector. All the Bank's loans are granted at fixed rates. In accordance with IAS 39, they were classified as "loans and receivables" and remain measured at amortized cost in accordance with IFRS 9. An increase of XOF21,287 M in the impairment loss for these receivables was recognized in the beginning retained earnings balance as at 1 January 2018 during the transition to IFRS 9.

(f) Staff loans are loans granted to the Bank's staff at market conditions. Classified as "loans and advances" under IAS 39, they remain measured at amortized cost. Therefore, the transition to IFRS 9 did not require any value adjustment as no value adjustment is expected on these loans.

(g) The securities portfolio is made up of bonds, treasury bills and certificates of deposits acquired by the Bank as part of its cash investment. Previously classified as held-to-maturity assets, the transition to IFRS 9 did not impact their measurement. They are classified and measured at amortized cost. The Bank plans to hold these assets to maturity in order to receive the contractual cash flows corresponding only to principal repayments and interest payments on the outstanding principal. The Bank recorded an impairment loss amounting to XOF242 M in the beginning retained earnings balance as at 1 January 2018 during the transition to IFRS 9.

(h) Receivables from shareholders include endowments and amounts due but not yet paid, the amount of grants not yet paid for revaluation of loans and the amount of called-up capital not yet paid. These various receivables from shareholders (unpaid called-up share capital, grants for loans revaluation) are part of a payment plan. Initially classified as "loans and advances "under IAS 39, the transition to IFRS 9 did not impact their measurement. They are classified and measured at amortized cost. Therefore, they required no value adjustment as no impairment loss is expected on these receivables.

(i) Derivatives liabilities are only exchange risk hedging instruments and are measured at fair value.

(j) Deposits from banks correspond to investments made by partner institutions (ROPPA, AFD, NIMAO, etc.) in the books of BOAD. They are classified and remain measured at amortized cost following the transition to IFRS 9.

(k) The debts securities correspond to outstanding amounts of bonds and bills issued by BOAD. They are classified as "liabilities at amortized cost" under IAS 39. The transition to IFRS 9 did not impact their measurement. They are classified and measured at amortized cost.

(l) The other debts include BOAD borrowings from its partners such as AFD, EIB, PROPARCO, DEG, AfDB, etc. All these loans are set at fixed rates. Previously classified as "liabilities at amortized cost", the transition to IFRS 9 did not impact their measurement. These financial liabilities are classified and measured at amortized cost.

4.3.3 <u>Financial instruments impairment</u>

In the balance sheet, value adjustments for losses related to financial assets measured at amortized cost (loans to customers and securities) are deducted from the gross carrying amount of the assets. For assets subject to the IFRS 9 impairment model, impairment losses are generally expected to increase and be more volatile. The Bank has determined that the application of the value adjustment provisions of IFRS 9 as at 1 January 2018 would result in the following additional impairment losses:

Depreciation		Notes	31/12/2017	01/01/2018								
				Reclassifications under IFRS 9								
				Financial assets designated at fair value	Other financial assets designated at fair value		Financial assets designated at fair value through OCI		Financial assets measured at amortised cost			
			IAS 39 Carrying amount under IAS 39	Trading assets	Equity instruments	Financial assets designated at fair value through profit and loss on option	Debt instruments designated at fair value through recyclable OCI	Equity instruments designated at fair value through OCI non-recyclable	*Cash and cash equivalents*	*Loans and advances to banks*	*Loans and advances to customers*	*Debt instruments*
Depreciation under IAS 39	Cash and cash equivalents											
	Available for sale (AFS) investment securities	(m)	9 212					9 212				
	Loans and advances to banks											
	Loans and advances to customers	(n)	45 679								45 679	
	Held to maturity (securities portofolio)	(o)										
	IAS 39 carrying amount of depreciation 31 December 2017		**54 891**									
	Remeasurements under IFRS 9							**- 9 212**			**21 287**	**242**
01/01/2018	**IFRS 9 carrying amount 1 January 2018**			-	-	-	-	-		-	**66 966**	**242**

(m) Since the Bank's strategic investments are classified as equity instruments designated at fair value through OCI non-recyclable, existing depreciations under IAS 39 (XOF9,212 M) are reclassified as counterparty at their gross carrying amount.

(n) As at 31 December 2017, existing depreciations under IAS 39 were only related to the portfolio of defaulted receivables amounting to XOF28,104 M plus 100% provisioning of interest earned on these receivables (XOF17,575 M). As at 1 January 2018, the additional value adjustments (XOF21,287 M) induced by IFRS 9 relating to buckets 1 and 2 were added to this inventory of impairments.

(o) The transition to IFRS 9 resulted in the value adjustment of investment securities as at 1 January 2018 for an amount of XOF242 M.

The table below presents the breakdown of the total depreciations of financial assets under IAS 39 either for collective impairments or individual impairment.

Breakdown of total depreciations of financial assets under IAS 39	31/12/2017	
	Collective impairment	Individual impairment
IAS 39 carrying amount of depreciation	-	**54 891**

The breakdown of depreciations under IFRS 9 per bucket is summarized in the table below:

Financial assets : Breakdown of total depreciations under IFRS 9	01/01/2018		
	Bucket 1	Bucket 2	Bucket 3
Financial assets designated at fair value through OCI	-	-	-
Loans and advances to banks	-	-	-
Loans and advances to customers	-	-	-
Debt instruments	-	-	-
Financial assets measured at amortised cost	***6 668***	***14 861***	***45 679***
Loans and advances to banks	-	-	-
Loans and advances to customers	*6 426*	*14 861*	*45 679*
Debt instruments	*242*		
Total	**6 668**	**14 861**	**45 679**

NOTE 5. CASH AND CASH EQUIVALENTS

Analysis of the "Cash and cash equivalents" item (see Note 2.7 on Summary of key accounting principles and policies) comprises the following:

Cash and cash equivalents		31/12/2018	31/12/2017
Cash accounts		149	95
BOAD HQ Current Account		431	132
Deposit Accounts for Resident Missions at BCEAO	5.1	126 038	44 702
Japan Eximbank Special Account*	5.2	15	15
Kingdom of Belgium Special Account**	5.3	4 212	4 212
FDE P/C BOAD Contribution Account		22 473	51 231
FDE P/C Contribution Account***	5.4	1 985	1 985
BOAD Settlement Account Lomé		5 581	62 429
Operating Account for Resident Missions		406	487
Bank and correspondent bank accounts		6 428	3 615
Short-term bank deposits (a)	5.5	103 006	133 006
Deposits/ Margin calls****		63	997
TOTAL		**270 786**	**302 904**

5.1 The deposit accounts of Resident missions are detailed as follows:

Resident missions	31/12/2018	31/12/2017
Deposit Accounts BCEAO Abidjan	5 535	966
Deposit Accounts BCEAO Bamako	12 288	59
Deposit Accounts BCEAO Bissau	654	868
Deposit Accounts BCEAO Cotonou	1 825	88
Deposit Accounts BCEAO Dakar	14 996	2 087
Deposit Accounts BCEAO Lomé	79 376	38 171
Deposit Accounts BCEAO Niamey	3 163	2 387
Deposit Accounts BCEAO Ouagadougou	8 201	76
Total	**126 038**	**44 702**

5.2 The Japan Eximbank special account is a current account used for recording transactions related to Japan Eximbank credit line.

5.3 The Kingdom of Belgium special account records the share of callable capital subscribed by the Kingdom of Belgium and paid in advance.

5.4 This account records the resources of the Energy Development Fund (FDE) used to finance energy projects in the WAEMU region. The Bank is the fund manager.

5.5 Short-term bank deposits include the following:

Short-term bank deposits	31/12/2018	31/12/2017
BOA-CI, special liquidity account	996	996
BOA-BENIN liqiuidity account	1 010	1 010
Term deposit with BOA Group	15 000	10 000
Term deposit with ORABANK Group	10 000	10 000
Term deposit with BSIC Group	3 000	8 000
Term deposit with Banque Atlantique To	5 000	5 000
Term deposit with Coris Bank Group	31 000	39 000
Term deposit with Diamond Bank Group	13 000	24 000
Term deposit with BHBF	5 000	5 000
Term deposit with UTB	10 000	10 000
Term deposit with BDM	0	5 000
Term deposit with BRM	0	15 000
Term deposit with UBA	1 000	0
Term deposit with BAIC	5 000	0
Term deposit with NSIA BANK	3 000	0
Total	**103 006**	**133 006**

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NOTE 6. LOANS AND RECEIVABLES AT AMORTIZED COST

The item on loans and receivables at amortized cost is as follows:

Loans and receivables at amortized cost		31/12/2018	31/12/2017
Loans and advances to banks	6.1	70 144	122 674
Loans and advances to customers	6.2	1 801 520	1 755 018
Loans and advances to staff		10 751	6 164
Securities portfolio	6.3	261 476	263 282
Receivables from shareholders	6.4	6 882	6 882
TOTAL		**2 150 773**	**2 154 020**

Loans and advances to banks include interbank loans and related interests. As at 31 December 2018, all these receivables were due in less than a year.

Receivables from customers include loans to member countries (non-commercial sector) and the commercial sector.

6.1 Loans and advances to banks

Loans and advances to banks per counterparty is detailed as at 31 December 2018 and 31 December 2017 as follows:

Counterparties	31/12/2018	31/12/2017
BCEAO- Interests on ordinary accounts	46	49
ORAGROUP	20 000	20 000
BRM	15 000	15 000
BGFI	5 000	10 000
BSIC	8 500	28 000
BAIC	3 000	
BHS	5 000	
BDM	10 000	5 000
BDU		14 000
UTB		5 000
BOA West Africa		12 000
SONIBANK		10 000
Interests receivable	3 598	3 625
TOTAL	**70 144**	**122 674**

6.2 Receivables from customers

6.2.1 Breakdown per type, sector of activity and per country

A detailed analysis of receivables from customers per type of loans, sector of activity and per country is presented in Note 20.1 on credit risk.

6.2.2 Schedule of receivables from customers

The schedule of receivables from customers is presented as follows as at 31 December 2018 and 31 December 2017:

Items	31/12/2018	31/12/2017
At most one year	148 062	141 818
More than one year and at least 2 years	211 773	202 842
More than 2 years and less than 3 years	195 100	186 873
More than 3 years and less than 5 years	335 842	321 679
More than 5 years	926 987	887 893
Technical outstanding receivables*	1 286	2 321
Gross outstanding loans	**1 819 050**	**1 743 425**
Advance for financing studies	13 889	14 153
Deferred income from fees	-8 801	- 8 410
Receivables related to bad debts	39 886	39 671
Depreciation of bad debts	-30 198	- 28 104
Receivables related to bad debts	11 887	17 575
Depreciation of receivables related to bad debts	-11 887	- 17 575
Depreciation buckets 1 and 2	-22 928	-
Value adjustement on advances to customers	-9 377	- 5 717
Receivables from customers	**1 801 520**	**1 755 018**

*Technical outstanding receivables are amounts not yet recovered on calls for payment of the principal amount of sound debts that are less than 30 days old at the accounts closing date.

6.2.3 Variation table for bad debts

Gross outstanding loans also include bad debts that have evolved as follows:

	Balance as at	Changes of the period			Balance as at
	1st January 2018 (a)	Increase (b)	Decrease (c)	Balance of the period (d) = (b) + (c)	31 december 2018 (e) = (a) + (d)
1. Gross outstanding of bad debts	40 845	8 874	-9 160	-287	40 558
2. Interest receivables of bad debts	17 575	2 119	-7 807	-5 688	11 887
3. Depreciation	-45 679	-12 148	15 742	3 594	-42 085
4. Net outstanding of bad debts (gross outstanding and interest receivables) = (1) + (2) + (3)	**12 741**	**-1 156**	**-1 225**	**-2 381**	**10 361**

6.3 Securities portfolio

6.3.1 Variation table for securities

The variation table of securities as at 31 December 2018 is as follows:

	Balance as at	As restated		Variations of the period			Balance as at
	31 december 2017 (a)	First application IFRS 9 carrying amount (b)	1st January 2018 (c)= (a) + (b)	Increase (d)	Decrease (e)	Balance of the period (f) = (d) + (e)	31 december 2018 (g) = (c) + (f)
1. Gross outstanding of securities portfolio	256 785		256 785	74 633	-76 112	-1 479	255 306
2. Interest receivables of securities portfolio	6 497		6 497	15 759	-15 642	117	6 614
3. Depreciation	0	-242	-242	-202	0	-202	-444
4. Net outstanding of securities portfolio (gross outstanding and interest receivables) = (1) + (2) + (3)	**263 282**	**-242**	**263 041**	**90 190**	**-91 754**	**-1 564**	**261 476**

6.3.2 Details of the securities portfolio

The breakdown of the securities portfolio is as follows:

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Securities portfolio	31/12/2018	31/12/2017
Treasury bonds Senegal	22 250	23 500
Treasury bonds Côte d'Ivoire	45 000	40 000
Treasury bonds Benin	50 000	45 000
Treasury bonds Burkina Faso	54 986	34 986
Treasury bonds Mali	30 000	10 000
Treasury bonds Niger	6 411	6 812
Treasury bonds Togo	33 242	21 609
CRRH Bonds	12 617	6 350
Treasury bills Burkina Faso	0	24 550
Treasury bills Côte d'Ivoire	0	9 000
Treasury bills Mali	0	6 666
Treasury bills Niger	0	6 313
Treasury bills Senegal	0	6 000
Treasury bills Togo	0	15 000
Deposit Certificate BRM	800	1 000
Sub-total	***255 306***	***256 785***
Interests receivable	6 614	6 497
Depreciation	-444	0
TOTAL	**261 476**	**263 282**

6.3.3 Schedule of securities investments

The contractual schedule of securities investments, as at 31 December 2017 and 31 December 2018 is as follows (in XOF'M):

Maturity	31/12/2018	31/12/2017
At most one year	42 565	70 113
More than one year and at least 2 years	25 682	40 570
More than 2 years and less than 3 years	30 613	21 787
More than 3 years and less than 5 years	92 727	18 718
More than 5 years	63 719	105 597
TOTAL	**255 306**	**256 785**

6.4 Receivables from shareholders to be paid up

The item on « receivables from shareholders to be paid up » includes the following:

Receivables from shareholders	31/12/2018	31/12/2017
Endowment from member states receivable	5 029	5 029
Admission fee Guinea Bissau	1 853	1 853
TOTAL	**6 882**	**6 882**

NOTE 7. EQUITY INVESTMENTS

7.1. The Bank's equity investments strategy

Equity investment activity is consistent with the statutes of the Bank, which, inter alia, provide: (i) in article 2, that "... The Bank shall provide financing particularly through

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equity participation, granting of loans..." and (**ii**) in article 30, that it "may constitute or participate in the establishment of the capital of institutions or companies". The set objective is to strengthen the equity capital and expertise of businesses operating in the Union.

In accordance with this mission and implementation of this strategy, BOAD provided assistance to all the countries in the Union by investing in the share capital of several companies. Many companies in the financial sector (banks, financial institutions) and non-financial sector businesses (energy, telecommunications, hotel, airline, etc.) have benefited from such financial support.

The Bank's equity investment strategy is as follows:

- **Objective**: fulfilling the Bank's development agenda while ensuring that it stays financially viable in accordance with the strategic orientations of the Bank.
- **Areas of intervention**: all sectors eligible for financing by the Bank.
- **Modes of intervention**: when entering into a transaction, the Bank must have sufficient visibility of the terms and conditions of exit, when the time comes. The transfer of equity shares will be traded for listed shares and at the best conventional conditions for unlisted shares.
- **Positioning in the governing bodies**: each of the Bank's equity participations is conditioned by the allocation of a seat on the company's governing body (board of directors, supervisory board, credit or investment committee, etc.).

In addition to the equity investment strategy, BOAD has taken measures to (i) adapt to the evolution and the requirements of WAMU's financial sector (increase of minimum capital of banks and financial institutions) and (ii) take into account the special nature of the agricultural sector with regard to its importance in the economies of WAEMU countries.

7.2. Intervention limits for equity investments

The Bank's threshold for intervention is defined in relation to its risk capital, which corresponds to the paid-up capital plus net reserves and similar funds, less unproductive assets.

Operations	Limit per company and per transaction	Level of engagement per borrower (all transactions combined)	Maximum overall volume of equity investments
Projects from National Financial institutions (NFI) and SME promoting agencies, privatization projects, regional projects and projects from the mining and energy sectors	5% of risk capital	15% of the company's share capital within the temporary limit of 100% for entities in which BOAD plays a role of major promoter. This level must be reduced to 51% with a clear exit strategy within	20% of risk capital
All projects other than those from National Financial institutions (NFI) and agencies promoting SME, privatization projects, regional	2.5% of risk capital		

Operations	Limit per company and per transaction	Level of engagement per borrower (all transactions combined)	Maximum overall volume of equity investments
projects and projects from the mining and energy sectors		reasonable deadlines	

7.3. <u>Change in equity securities</u>

7.3.1 Equity securities variation table

Changes in gross equity investments are as follows:

Variation des titres de participation	2018	2017
Valeur brute des participations au 1er janvier	83 958	75 864
Acquisitions	8 934	8 677
Cessions	-8 223	-583
Valeur brute des participations au 31 décembre	**84 668**	**83 958**
Gains et pertes latents sur instruments en JVOCI non recyclables	40 689	3 181
Gains et pertes réalisés sur instruments en JVOCI non recyclables cédés	-7 090	
Gains et pertes comptabilisés en résultat sur instruments en JVR	1 202	962
Valeur nette des participations au 31 décembre 2018	**126 559**	**88 101**

7.3.2 Breakdown of equity securities per counterparty

Equity investments recognized in the financial statement balance sheet are detailed per counterparty in the tables below:

a) Instruments recognized at fair value through profit or loss

Changes between 1 January 2018 and 31 December 2017

				01/01/2018				31/12/2017		
N°	Country	Equity investments	Percentage of interest (%)	Gross outstanding (a)	Gains /losses of equity investments designated at fair value through P&L (b)	Gains/ Losses recognised in P&L (c)	Balance sheet value (d) = (a) + (c)	Gross outstanding (a)	Gains et pertes latents en OCI Gains/ losses recognized through OCI (b)	Balance sheet value (d) = (a) + (b)
1	BN	FOAI - Sicav ABDOU DIOUF	18,6%	2 500	952		3 452	2 500	952	3 452
2	h-uemoa	FEFISOL	8,2%	1 312	10		1 322	1 312	10	1 322
3	SN	FCP/IFC BOAD	100,0%	3 000	0		3 000	3 000		3 000
TOTAL				6 812	962	0	7 774	6 812	962	7 774

Changes between 31 December 2018 and 1 January 2018

				31/12/2018				01/01/2018			
N°	Country	Equity Investments	Percentage of interest (%)	Gross outstanding (a)	Gains /losses of equity investments designated at fair value through P&L (b)	Gains/ Losses recognised in P&L (c)	Balance sheet value (d) = (a) + (c)	Gross outstanding (a)	Gains /losses of equity investments designated at fair value through P&L (b)	Gains/ Losses recognised in P&L (c)	Balance sheet value (d) = (a) + (b)
1	BN	FOAI - Sicav ABDOU DIOUF	15,8%	2 500	952	107	3 558	2 500	952		3 452
2	h-uemoa	FEFISOL	8,2%	1 312	10	14	1 336	1 312	10		1 322
3	SN	FCP/IFC BOAD	100,0%	3 000	0	120	3 120	3 000	0		3 000
TOTAL				6 812	962	241	8 014	6 812	962	0	7 774

b) Instruments recognized at fair value through non-recyclable other comprehensive income

Equity investments recognized at fair value through non-recyclable OCI as at 1 January 2018 and 31 December 2017 are as follows:

N°	Pays	Participations	% Détention	01/01/2018				31/12/2017				
				Encours brut (a)	Plus/Moins values de la période (b)	Gains et pertes latents en OCI non recyclables (c)	Valeur au bilan (d) = (a) + (b) + (c)	Encours brut (a)	Dépréciation (b)	Reprise par OCI (c)	Gains et pertes latents en OCI recyclables (d)	Valeur au bilan (e) = (a) + (b) + (c) + (d)
1	BN	SOAGA	19,3%	103		83	186	103	0	0	83	186
4	TG	CAURIS CROISSANCE	49,6%	758		1 483	2 241	758	0	0	1 483	2 241
5	SN	BNDE	9,1%	1 000		1 588	2 588	1 000	0	0	1 588	2 588
6	h-uemoa	CAURIS CROISSANCE II	17,7%	4 513		-376	4 137	4 513	0	0	-376	4 137
7	TG	GARI S. A.	11,6%	1 500		1 242	2 742	1 500	0	0	1 242	2 742
8	MA	BDM Mali	16,0%	600		10 107	10 707	600	0	0	10 107	10 707
9	BN	BOA Bénin	2,4%	98		1 824	1 923	98	0	0	1 824	1 923
10	NG	SONIBANK Niger	9,5%	1 082		2 414	3 496	1 082	0	0	2 414	3 496
11	CI	BHCI Côte d'Ivoire	2,2%	150		0	150	150	-79	79	0	150
12	NG	BOA Niger	6,9%	165		1 858	2 023	165	0	0	1 858	2 023
13	TG	BIA Togo	5,2%	392		154	546	392	0	0	154	546
14	BN	African Investsment Bank (AIB) (1)		250		-250	0	250	-250	0	0	0
15	h-uemoa	Afreximbank	0,4%	2 500		2 218	4 718	2 500	0	0	2 218	4 718
16	SN	Banque Régionale de Marché (BRM)	4,0%	400		657	1 057	400	0	0	657	1 057
17	BF	Banque de l'Habitat du BF	1,6%	200		225	425	200	0	0	225	425
18	CI	BRIDGE BANK Côte d'Ivoire	3,5%	0		0	0		-193	193		
19	CI	BRVM	9,3%	56		591	647	56	0	0	591	647
20	CI	DC/BR (BRVM)	9,1%	140		267	407	140	0	0	267	407
21	TG	CICA RE	3,3%	999		270	1 269	999	-219	219	270	1 269
22	MA	MANDE Hotel	16,7%	50		247	297	50	-12	12	247	297
23	CI	SIALIM (1)		100		-100	0	100	-100	0	0	0
24	CI	AIR AFRIQUE (1)		2 500		-2 500	0	2 500	-2 500	0	0	0
25	CI	CIPREL	2,0%	584		1 287	1 871	584	0	0	1 287	1 871
26	BN	COTEB (1)		272		-272	0	272	-272	0	0	0
27	TG	ASKY (EX SPCAR)	17,2%	5 990		-5 954	36	5 990	-2 128	2 128	-5 954	36
28	SN	SCIE	18,9%	130		-130	0	130	-130	0	0	0
29	CI	RASCOM	7,1%	1 600		-1 600	0	1 600	-1 600	0	0	0
30	h-uemoa	PROPARCO	0,7%	3 420		737	4 157	3 420	0	0	737	4 157
31	TG	BOAD-Titrisation	100,0%	500		-69	431	500	0	0	-69	431
32	TG	CRRH-UEMOA	18,4%	1 543		1 302	2 845	1 543	0	0	1 302	2 845
33	h-uemoa	Fonds Agricole pour l'Afrique (FAA)	2,5%	2 438		190	2 629	2 438	0	0	190	2 629
34	TG	ORAGROUP	2,8%	2 000		866	2 866	2 000	0	0	866	2 866
35	BF	Burkina Bail	15,0%	689		144	833	689	0	0	144	833
36	SN	CNCAS	10,1%	1 573		2 297	3 870	1 573	0	0	2 297	3 870
37	BF	CORIS BANK	4,3%	1 997		2 737	4 733	1 997	0	0	2 737	4 733
38	CI	Nouvelle BRS CI/ORA Bank CI	38,2%	16 995		-6 123	10 872	16 995	0	0	-6 123	10 872
39	CI	Banque de l'Union Côte d'Ivoire (BDU-CI)	9,6%	1 100		-433	667	1 100	0	0	-433	667
40	BF	Banque de l'Union Burkina Faso (BDU-BF)	10,1%	1 100		-187	913	1 100	0	0	-187	913
41	Kenya	FAER	7,6%	3 960		-2 334	1 627	3 960	0	0	-2 334	1 627
42	BF	AMETHIS WEST AFRICAN (AWA)	11,1%	1 877		-866	1 011	1 877	0	0	-866	1 011
43	CI	Air Côte d'Ivoire	7,9%	6 330		-5 768	562	6 330	0	0	-5 768	562
44	CI	RASCOM STAR QAF		4 360		-4 360	0	4 360	-4 360	0	0	0
45	h-uemoa	Investisseurs & Partenaires/ Dévoppement (IPDEV2)	24,0%	632		-277	355	632	0	0	-277	355
46	Bn	Société Immobilière d'Aménagement Urbain SImAU	10,0%	500		-10	490	500	0	0	-10	490
47	SN	Banque Outarde										
48	h-uemoa	Fonds I&P Afrique Entrepreneurs 2 (IPAE2)										
49	NG	Banque de l'Habitat du Niger										
50		Fonds d'investissements dédié au développement des services financiers dans l'UEMOA										
TOTAL				77 146	0	3 181	80 327	77 146	-11 843	2 631	12 393	80 327

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Equity investments recognized at fair value through OCI as at 31 December 2018 and 1 January 2018 are as follows:

N°	Pays	Participations	% Détention	31/12/2018				01/01/2018			
				Encours brut (a)	Plus/Moins values de la période en OCI (b)	Gains et pertes latents en OCI non recyclables (c)	Valeur au bilan (d) = (a) + (c)	Encours brut (a)	Plus/Moins values de la période en OCI (b)	Gains et pertes latents en OCI non recyclables (c)	Valeur au bilan (d) = (a) + (b) + (c)
1	BN	SOAGA	19,3%	103	13	96	198	103		83	186
4	TG	CAURIS CROISSANCE	49,6%	175	-792	691	866	758		1 483	2 241
5	SN	BNDE	9,1%	1 000	146	1 733	2 733	1 000		1 588	2 588
6	h-uemoa	CAURIS CROISSANCE II	17,7%	4 584	-3 566	-3 941	643	4 513		-376	4 137
7	TG	GARI S. A.	11,6%	1 500	42	1 283	2 783	1 500		1 242	2 742
8	MA	BDM Mali	16,0%	600	854	10 961	11 561	600		10 107	10 707
9	BN	BOA Bénin	2,4%	98	74	1 899	1 997	98		1 824	1 923
10	NG	SONIBANK Niger	9,5%	1 082	103	2 517	3 599	1 082		2 414	3 496
11	CI	BHCI Côte d'Ivoire	2,2%	150	20	20	169	150		0	150
12	NG	BOA Niger	5,7%	137	909	2 768	2 905	165		1 858	2 023
13	TG	BIA Togo	5,2%	392	67	221	613	392		154	546
14	BN	African Investsment Bank (AIB) (1)		0	250	0	0	250		-250	0
15	h-uemoa	Afreximbank	0,3%	2 500	-1 676	542	3 042	2 500		2 218	4 718
16	SN	Banque Régionale de Marché (BRM)	4,0%	400	28	685	1 085	400		657	1 057
17	BF	Banque de l'Habitat du BF	0,9%	200	-136	89	289	200		225	425
18	CI	BRIDGE BANK Côte d'Ivoire	3,5%	0	0		0	0		0	0
19	CI	BRVM	9,3%	56	-7	584	640	56		591	647
20	CI	DC/BR (BRVM)	9,1%	140	35	302	442	140		267	407
21	TG	CICA RE	3,3%	999	91	361	1 360	999		270	1 269
22	MA	MANDE Hotel	16,7%	50	4	251	301	50		247	297
23	CI	SIALIM (1)		0	100	0	0	100		-100	0
24	CI	AIR AFRIQUE (1)		0	2 500	0	0	2 500		-2 500	0
25	CI	CIPREL	2,0%	584	255	1 542	2 126	584		1 287	1 871
26	BN	COTEB (1)		0	272	0	0	272		-272	0
27	TG	ASKY (EX SPCAR)	17,2%	5 990	5 954	0	5 990	5 990		-5 954	36
28	SN	SCIE	0,0%	0	130	0	0	130		-130	0
29	CI	RASCOM	7,1%	1 600	0	-1 600	0	1 600		-1 600	0
30	h-uemoa	PROPARCO	0,8%	3 420	394	1 131	4 551	3 420		737	4 157
31	TG	BOAD-Titrisation	100,0%	500	-109	-178	322	500		-69	431
32	TG	CRRH-UEMOA	18,4%	1 543	-713	589	2 132	1 543		1 302	2 845
33	h-uemoa	Fonds Agricole pour l'Afrique (FAA)	2,6%	2 438	182	373	2 811	2 438		190	2 629
34	TG	ORAGROUP	2,7%	2 000	67	933	2 933	2 000		866	2 866
35	BF	Burkina Bail	15,0%	689	174	318	1 007	689		144	833
36	SN	CNCAS	10,1%	1 573	83	2 380	3 953	1 573		2 297	3 870
37	BF	CORIS BANK	4,3%	1 997	7 231	9 968	11 964	1 997		2 737	4 733
38	CI	Nouvelle BRS CI/ORA Bank CI	38,2%	16 995	20 049	13 926	30 921	16 995		-6 123	10 872
39	CI	Banque de l'Union Côte d'Ivoire (BDU-CI)	9,6%	1 100	368	-65	1 035	1 100		-433	667
40	BF	Banque de l'Union Burkina Faso (BDU-BF	10,6%	1 100	0	-187	913	1 100		-187	913
41	Kenya	FAER	5,0%	5 000	615	-1 719	3 281	3 960		-2 334	1 627
42	BF	AMETHIS WEST AFRICAN (AWA)	11,1%	1 975	444	-422	1 553	1 877		-866	1 011
43	CI	Air Côte d'Ivoire	6,9%	8 990	-1 079	-6 847	2 143	6 330		-5 768	562
44	CI	RASCOM STAR QAF		0	4 360	0	0	4 360		-4 360	0
45	h-uemoa	Investisseurs & Partenaires/ Dévoppement (IPDEV2)	11,1%	632	181	-96	536	632		-277	355
46	Bn	Société Immobilière d'Aménagement Urbain SImAU	10,0%	500	0	-10	490	500		-10	490
47	SN	Banque Outarde	14,3%	2 000	-408	-408	1 592	0		0	0
48	h-uemoa	Fonds I&P Afrique Entrepreneurs 2 (IPAE2)		253	0	0	253	0		0	0
49	NG	Banque de l'Habitat du Niger	8,3%	825	0	0	825	0		0	0
50		Fonds d'investissements dédié au développement des services financiers dans l'UEMOA	49,5%	576	0	0	576	0		0	0
		ECP Africa Fund IV		1 411	0	0	1 411				
				0		0	0	0		0	0
TOTAL				77 856	37 508	40 689	118 544	77 146	0	3 181	80 327

NOTE 8. ADJUSTMENT ACCOUNTS AND OTHER ASSETS

Adjustment accounts and other assets include the following:

Adjustement accounts and other assets		31/12/2018	31/12/2017
Derivative assets	8.1	1 065	966
Accruals assets	8.2	2 121	9 824
Other adjustement accounts	8.3	9 317	9 592
TOTAL		**12 503**	**20 382**

8.1 Derivative assets

The item on "Derivative assets-currency risk hedging instruments" recorded a value of XOF1,065 M as at 31 December 2018 against XOF966 M as at 31 December 2017 corresponding to the quota of the Bank's derivatives set up to hedge against foreign exchange fluctuations on interests accrued from loans denominated in foreign currencies.

8.2 Accruals assets

Accruals assets	31/12/2018	31/12/2017
Deferred expenses	873	9 294
Accruals and prepaid expenses	377	395
Accrued receivables	37	30
Other accruals	834	105
TOTAL	**2 121**	**9 824**

8.3 Other adjustment accounts

Other adjustement accounts	31/12/2018	31/12/2017
Sundry debtors	1 982	2 116
Staff and other social security receivables	1 404	1 018
Prefinancing of studies from foreign funds meant for studies	1 613	1 992
Deposits paid	66	79
Advances on mission expenses	16	22
Advances and prepayments made	206	226
Other endowments and subsidies to be received	4 030	4 139
TOTAL	**9 317**	**9 592**

NOTE 9. TANGIBLE AND INTANGIBLE ASSETS

9.1 Tangible assets

The net carrying amount of tangible assets as at 31/12/2018 and 31/12/2017 is as follows:

Tangible assets	31/12/2018	31/12/2017
Cost of acquisition	27 067	26 709
Allocations and reversal of depreciations	-19 831	-19 117
Net outstanding of tangible assets	**7 236**	**7 592**

The breakdown by category of tangible assets is shown in the table below (in XOF' M):

	Lands	Buildings	Properties under construction	Fittings and fixtures	Equipment held under finance lease	Total
Cost of acquisition						
Balance as at 1st January 2017	**981**	**14 319**	**344**	**10 576**	**0**	**26 219**
Acquisitions	0	0	327	377	0	**704**
Transfers	0	0	0	0	0	**0**
Disposals	0	0	0	-215		**-215**
Revaluation acquisitions	0	0	0			**0**
Other revaluations	0	0	0	0		**0**
Balance as at 1st January 2018	**981**	**14 319**	**671**	**10 738**	**0**	**26 708**
Acquisitions	0	667	-172	919	0	**1 413**
Transfers	0	0	0	0		**0**
Sales	-790	0	0	-264	0	**-1 054**
Balance as at 31 December 2018	**190**	**14 986**	**499**	**11 393**	**0**	**27 068**
Cumulative amortizations and disposals						
Balance as at 1st January 2017	**0**	**8 794**	**0**	**9 546**	**0**	**18 340**
Amortization charges	0	329	0	656	0	**985**
Reversals of depreciation (disposals)		0	0	-209	0	**-209**
Impairment losses recognized during the period	0	0	0			**0**
Reversals of depreciation	0	0	0			**0**
Balance as at 1st January 2018	**0**	**9 123**	**0**	**9 993**	**0**	**19 117**
Charges d'amortissement	0	333	0	639		**972**
Reversals of amortization (disposals cessions)	0	0	0	-257		**-257**
Impairment losses recognized during the period	0	0	0			**0**
Balance as at 31 December 2018	**0**	**9 456**	**0**	**10 375**	**0**	**19 831**
Net value of tangible assets as at 31 December 2018						**7 236**

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9.2 Intangible assets

The net carrying amounts of intangible assets are as follows:

Intangible assets	31/12/2018	31/12/2017
Cost of acquisition	1 538	1 459
Allocations and reversal of depreciations	-1 205	-943
Net outstanding of intangible assets	**333**	**516**

The net carrying amount of intangible assets between 31/12/2017 and 31/12/2018 is as follows:

Acquisitions of intangible assets (in XOF'M)		Allocations and reversal of depreciations (in XOF'M)	
Balance as at 1 January 2018	**1 459**	**Balance as at 1 January 2018**	**943**
Acquisitions	79	Amortization charges	262
Disposals	0	Reversals of amortization	0
Classified as assets held for sale	0	Classified as assets held for sale	0
Balance as at 31 december 2018	**1 538**	**Balance as at 31 december 2018**	**1 205**
Net value on balance sheet as at 31 december 2018			**333**

NOTE 10. LIABILITIES AT AMORTIZED COST

Liabilities at amortized cost consist of loans by the Bank and debts attached to them (accrued interest and commissions).

10.1 Breakdown of item « liabilities at amortized cost »

Details of this item as at 31 December 2018 and 31 December 2017 is as follows (in XOF' M):

Liabilities at amortized cost	31/12/2018	31/12/2017
I-Debts represented by a security		
Bond loans	948 158	955 539
BOAD bonds	190 360	247 030
Maturities of less than one year/debts repr. by securities	89 885	54 865
Sub-total I	***1 228 403***	***1 257 433***
II- Other loans from foreign partners		
Loans for funding long-term projects	409 746	368 519
Loans for funding long-term project studies	482	383
Maturities of less than one year/loans	66 540	91 159
Sub-total II	***476 768***	***460 061***
Total I+II	1 705 171	1 717 494
III- Debts attached to loans and & debts repr.		
Accrued interests on debts represented by a security	25 965	27 641
Deferred expenses on bills and bonds	-495	-798
Interests and fees accrued on other loans	3 242	3 386
Deferred expenses on other loans	-208	-300
Sub-total III	***28 504***	***29 929***
IV- Interbank debts (Cauris ROPPA, AFD...)	**6 625**	**4 553**
Total I+II+III+IV	**1 740 300**	**1 751 976**

10.2 Table of changes in borrowings

The borrowings variation per counterparty between 31 December 2017 and 31 December 2018 is as follows:

Changes in deposits from banks

Debts	Balance as at 1st January 2018	Increases	Decreases	Exchange risk	Capitalisation interests differential by effective interest rate	Balance as at 31 December 2018
Deposits from Banks	4 553	2 072		0		6 625
						0
TOTAL	4 553	2 072	0	0	0	6 625

Changes in debt securities issued

Debts	Balance as at 1st January 2018	Increases	Decreases	Exchange risk	Capitalisation interests differential by effective interest rate	Balance as at 31 December 2018
EMPRUNTS OBLIGATAIRES	971 708	0	-33 225	40 810	2 090	981 383
BONS	285 725	0	-38 695		-10	247 020
TOTAL	1 257 433	0	-71 920	40 810	2 080	1 228 403

Changes in other debts by counterparties

Debts	Balance as at 1st January 2018	Increases	Decreases	Exchange risk	Capitalisation interests differential by effective interest rate	Balance as at 31 December 2018
IDA	60 831	11 709	-2 099	1 357	-9	71 790
KfW	49 981	52 477	-3 573	0		98 885
AFD	111 803	39 357	-12 329	0		138 832
BEI	21 516	0	-4 661	0		16 854
PROPARCO	3 040	0	-2 220	0		820
BAD	84 290	0	-6 888	0		77 403
ICD	52 477	0	-39 030	0		13 447
BDC	62 972	0	-17 055	0		45 917
BDA	4 472	0	-2 982	0		1 491
BADEA	5 470	0	-422	240	14	5 302
BNP Fortis	2 700	0	0	0		2 700
ITFC	509	3 329	-509	0		3 329
TOTAL BY COUNTERPARTIES	460 061	106 872	-91 767	1 597	5	476 768
TOTAL DEBTS	1 722 047	108 944	-163 688	42 407	2 085	1 711 796

10.3 Maturity of liabilities at amortized cost

Maturity	31/12/2018	31/12/2017
At most one year	162 231	162 626
More than 1 year and less than 2 years	171 785	142 498
More than 2 years and less than 3 years	568 440	152 428
More than 3 years and less than 4 years	87 951	530 134
More than 4 years and less than 5 years	59 567	77 651
More than 5 years	661 822	656 710
Sub-total outstanding	**1 711 796**	**1 722 047**
Debts attached to loans and & debts repr.	**28 504**	**29 929**
TOTAL	**1 740 300**	**1 751 976**

10.4 The Bank's debt-equity ratio

Under Article 37 of the Article of Association, the WAMU Council of Ministers decided to limit the Bank's total outstanding borrowings, at any time, to three times its equity. As at 31 December 2018, the Bank's outstanding borrowings represented 240.93% of its equity capital out of the regulatory threshold of 300%.

NOTE 11. EARMARKED FUNDS

Other liabilities are made up of the following:

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Funds	31/12/2018	31/12/2017
Belgian Technical Assistance Fund	185	180
Dutch Fund	34	34
IDA Matching Fund	327	224
AFD Research Fund	310	310
AFD Counterpart Fund	70	148
Environmental Partnership Fund	4	4
KfW Counterpart Fund	6 141	6 250
China Cooperation Fund	139	139
AFD IV Capacity Building Fund	30	30
Energy Development Fund	1 985	1 985
Crop Insurance Fund	2 836	2 992
Regional Collaboration Centre (RCC)	246	174
Regional Facility for Access to Sustainable Energy	10 000	10 000
New subsidy mechanism fund	80 776	53 098
CMS Fund for Interest Subsidy	1 000	1 000
Global Environment Facility	1 514	8
Climate change fund	2 197	702
Regional initiatives supports fund	1 257	179
Belgian Fund for capital release	4 200	4 200
BMUB Fund		83
TOTAL	**113 251**	**81 740**

NOTE 12. ADJUSTMENT ACCOUNTS AND OTHER LIABILITIES

As at 31 December 2018, the adjustment accounts and other liabilities were as follows:

Adjusment accounts and liabilities		31/12/2018	31/12/2017
Derivatives liabilities	12.1	23 786	76 439
Accruals liabilities	12.2	5 730	14 372
Other adjustement accounts	12.3	2 401	2 230
TOTAL		**31 917**	**93 041**

12.1 Derivatives liabilities

Derivative liabilities dropped by XOF52,563 M between 31 December 2017 and 31 December 2018. This decline is due to increase in the dollar and SDR exchange rates over the period. This increases foreign exchange risk recorded in borrowings at amortized cost at the close of the 2018 fiscal year.

12.2 Accruals liabilities

Details of accruals liabilities are as follows:

Accruals liabilities	31/12/2018	31/12/2017
Deferred income	3 445	11 145
Accrued liabilities	2 277	1 905
Advanced payments	8	1 322
TOTAL	**5 730**	**14 372**

12.3 Other adjustments accounts

Details of other adjustments accounts are as follows:

Other adjustement accounts	31/12/2018	31/12/2017
Sundry creditors	759	415
Staff and other social security liabilities	408	587
Suppliers payables	1 234	1 228
TOTAL	**2 401**	**2 230**

NOTE 13. PROVISIONS

This item covers the amount of liabilities under benefit plans for severance payments upon retirement.

The table below compares the opening balance with the closing balance of the net liabilities for defined benefit plans:

13. Provision for defined benefit liability	2018	2017
	kFCFA	kFCFA
Present value of the obligation		
Opening balance	6 625 885	7 025 821
Cost of services rendered during the period	437 939	464 620
Contributions made by participants	0	0
Financial cost	425 515	446 649
Actuarial difference due to		
a) Changes in demographic assumptions	-32 195	0
b) Changes in financial assumptions	720 302	0
c) Experience adjustments	231 982	-73 361
d) Total	920 089	-73 361
Service provision	-1 034 882	-1 237 844
Cost of past services	0	0
Payments	0	0
Closing balance	**7 374 546**	**6 625 885**
Completely unfinanced schemes	*7 374 546*	*6 625 885*
Partly or fully financed schemes	*0*	*0*
Fair value of assets of the scheme	n.a.	n.a.
Opening balance	0	0
Expected returns	0	0
Actuarial difference	0	0
Contributions made by the employer	0	0
Contributions made by the participants	0	0
Benefits payment	0	0
Payments	0	0
Closing balance	**0**	**0**
Net assets/liabilities recognized in the balance sheet		
Current value of the bonds	7 374 546	6 625 885
Fair value of assets of the scheme	0	0
Surplus/deficit	7 374 546	6 625 885
Amount not recognized as an asset because of limit 58(b)	0	0
Net assets/liabilities recognized in the balance sheet	**7 374 546**	**6 625 885**
Total cost		
Cost of services rendered during the period	437 939	464 620
Cost of past services	0	0
Effect of all payments	0	0
Cost of services provided as net income	**437 939**	**464 620**
Financial cost	425 515	446 649
Interests	0	0
Net interest on net income	**425 515**	**446 649**
Actuarial difference	920 089	-73 361
Additional returns on assets of the scheme	0	0
Effect of the limit of paragraph 58(b)	0	0
Revaluation of net pension liab. under fixed benefit scheme	**920 089**	**-73 361**
Total cost	**1 783 543**	**837 908**
The cumulative actuarial difference recorded		
in profit and loss	2 879 532	1 959 443

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The principal actuarial assumptions at the reporting date are following (expressed as weighted averages) :

Principal actuarial assumptions		
Discount rate	6,18%	6,50%
Future salary growth	6,00%	5,00%
Future mortality rate	TF 2002 multiplié par 2(	
The duration of the defined benefit obligation is	9	7
Sensitivity analysis		

At the reporting date, the reasonable possible changes of one of the relevant acturial assumptions would have impacted the defined benefit obligation by the following amounts (any other assumption remains constant):

	hangement de l'obligati(	
Discount rate	9,00%	7,30%
Future salary growth	8,90%	7,40%
Future mortality rate	-0,20%	-0,70%
Reconciliation of net liabilities recognized		
Opening balance	6 625 885	7 025 821
Total charge in net income	863 454	911 269
Benefits payment	-1 034 882	-1 237 844
Remeasurements of defined benefit liability recognised in OCI	920 089	-73 361
Closing balance	7 374 546	6 625 885

The total provisional cost for benefit plans with respect to 2019 amounts to XOF986 M. Besides, the Bank intends to provide services to the tune of XOF 726 M in 2019.

NOTE 14. EQUITY CAPITAL

14.1 Details of equity capital

The equity capital as at 31 December 2017 and 31 December 2018 is as follows:

Equity capital	31/12/2018	31/12/2017
Subscribed capital	1 103 650	1 103 650
Callable capital	-826 230	-826 230
Unpaid Capital	-67 975	-79 781
Cost related to deferred paying-up of capital	-2 865	-4 046
Capital (A)	**206 580**	**193 594**
Share premium (B)	**2 622**	**2 622**
Reserves allocated to development activities	76 050	76 050
Other reserves	26	26
Retained earnings	369 229	374 941
Reserves and retained earnings (C)	**445 304**	**451 016**
Net income for the period (D)	**18 173**	**13 295**
Fair value reserves (available-for-sale financial assets) (IAS 39)	0	15 987
Net gains on investments in equity instruments designated at fair value through other comprehensive income non recyclable (IFRS 9)	40 689	
Cashflow hedging reserves	-39 429	-38 711
Remeasurements of defined benefit liability	1 245	2 165
Other comprehensive income (E)	**2 505**	**-20 559**
TOTAL (A+B+C+D+E)	**675 184**	**639 968**

14.2 BOAD capital structure

The table below outlines the Bank's capital structure as at 31 December 2018 in nominal value and share distribution. Each share confers the same rights and duties on its holder.

SHAREHOLDERS	SUBSCRIBED CAPITAL	%	Number of shares	CALLED-UP CAPITAL	PAID UP CAPITAL	UNPAID CAPITAL	CALLABLE CAPITAL
	(1)=(2)+(5)			(2)=(3)+(4)	(3)	(4)	(5)
CATEGORY A							
BENIN	64 650	5,86%	1 293	16 163	12 043	4 120	48 487
BURKINA	64 650	5,86%	1 293	16 163	12 043	4 120	48 487
COTE D'IVOIRE	64 650	5,86%	1 293	16 163	12 043	4 120	48 487
GUINEE BISSAU	64 650	5,86%	1 293	16 163	10 143	6 020	48 487
MALI	64 650	5,86%	1 293	16 163	12 043	4 120	48 487
NIGER	64 650	5,86%	1 293	16 163	12 043	4 120	48 487
SENEGAL	64 650	5,86%	1 293	16 163	12 043	4 120	48 487
TOGO	64 650	5,86%	1 293	16 163	12 043	4 120	48 487
BCEAO	517 200	46,86%	10 344	129 304	96 344	32 960	387 896
	1 034 400	**93,73%**	**20 688**	**258 608**	**190 788**	**67 820**	**775 792**
CATEGORY B							
France	38 400	3,48%	768	9 600	7 680	1 920	28 800
Germany	2 000	0,18%	40	2 000	2 000	0	0
Belgium (1)	5 600	0,51%	112	1 400	1 400	0	4 200
EIB	4 000	0,36%	80	1 000	1 000	0	3 000
AfDB	6 000	0,54%	120	1 500	1 043	457	4 500
EXIM BANK OF INDIA	750	0,07%	15	188	150	38	563
CHINA	12 000	1,09%	240	3 000	2 400	600	9 000
MOROCCO	500	0,05%	10	125	119	6	375
	69 250	**6,27%**	**1 385**	**18 813**	**15 792**	**3 020**	**50 438**
	1 103 650	**100,00%**	**22 073**	**277 421**	**206 580**	**70 840**	**826 230**
UNSUBSCRIBED CAPITA	**51 350**		**1 027**				
AUTHORIZED CAPITAL	**1 155 000**		**23 100**				

(1) versement par anticipation d'un montntant de 4 200MFCFA dans un compte sequestre

14.3 Effective equity capital (Core tiers 1 capital)

The Bank's effective equity capital is broken down as at 31 December 2018 and 31 December 2017 as follows:

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Items	31/12/2018	31/12/2017
A- Core own funds (=1+2)	**396 144**	**377 822**
1- Capital and other funds	206 580	193 594
2- Reserves and other funds (=2.1 - 2.2)	189 564	184 228
B- Additionnal own funds	**311 587**	**277 988**
Effective equity capital/Core Tier 1 Capital (=A+B)	**707 731**	**655 810**
C- Unpaid own funds	- 32 547	- 15 842
Equity capital (A+B+C)	**675 184**	**639 968**

NOTE 15. INTERESTS AND FEES

Details of this item are as follows:

Margin on interests and fees	31/12/2018	31/12/2017
Interests and related income	121 411	107 113
Interests and related charges	-84 911	-78 217
Sub-total on interests (A)	*36 500*	*28 896*
Fees and commissions (income)	3 758	3 240
Fees and commissions (charges)	-1 127	-1 395
Sub-total on fees (B)	*2 631*	*1 845*
TOTAL (A) + (B)	**39 131**	**30 741**

15.1. Interests et related income

Interests and related income

Interests and related income	31/12/2018	31/12/2017
Interests and related income/ interbank loans	12 341	8 752
Interest on loans to customers	92 328	83 997
Interest on staff loans	249	181
Interest on securities portfolio	14 963	12 143
Commission on loan commitments	1 530	2 040
TOTAL	**121 411**	**107 113**

Interests and related costs

Interests and related charges	31/12/2018	31/12/2017
Interest charges on debts represented by a security	-64 225	-55 222
Interest charges on other debts	-15 923	-16 252
Financial costs-Discounting effect	-4 054	-5 717
Income/investments repaid	0	-378
Commissions/commitments received	-709	-649
TOTAL	**-84 911**	**-78 218**

15.2. Fees and commissions

Fees and commissions (income)

Fees and commissions (income)	31/12/2018	31/12/2017
Commission obtained as processing fees	1 458	1 064
GARI's commission on guarantees	437	128
Other flat commissions	285	70
Commission on guarantees/bond issues	114	211
Commission on financial arrangements and advisory ser	1 219	1 767
Commssions on FEM and FA	533	
Retroceded commissions to partners	-288	
TOTAL	**3 758**	**3 240**

Fees and commissions (charges)

Fees and commissions (charges)	31/12/2018	31/12/2017
Other charges/debts represented by securities	-423	-597
Other fees on borrowings	-679	-798
Charges et pertes sur titres de placements	-25	
TOTAL	**-1 127**	**-1 395**

NOTE 16. EXCHANGE RISK AND HEDGING INSTRUMENTS

Foreign exchange gains and losses are due to the Bank's resource mobilization in foreign currencies, excluding euros, from its financial partners and on the international financial market for project financing. These losses have been hedged with forward purchase and swap transactions. The Bank's procedures for exchange risk management are described in Note 20.2.1 on Exchange risk.

As at 31 December 2018, the impact on the income statement from the valuation of the Bank's foreign currency debt (excluding euros) with various financial partners is as follows:

Exchange risk and hedging instruments	31/12/2018	31/12/2017
Exchange gain consumed	50	38
Potential exchange gain	0	75 245
Sub-total forex gains (A)	***50***	***75 283***
Foreign exchange loss consumed	-72	-65
Potential foreign exchange loss	-42 407	0
Sub-total forex losses (B)	***-42 479***	***-65***
Net forex loss of C = (A) + (B)	***-42 429***	***75 218***
Loss/profit on hedging instruments	***53 470***	***-70 786***
Net profit/loss on currency transactions	**11 041**	**4 432**

NOTE 17. DIVIDENDS RECEIVED

Details of dividends on the Bank's equity investments are as follows:

Dividends received	31/12/2018	31/12/2017
Dividends from BRVM	112	203
Dividends from DC BR	84	
Dividends from BOA Bénin	208	243
Dividends from CIPREL	422	
Dividends from BOA NG	390	338
Dividends from BDM-SA	791	862
Dividends from BNDE	90	
Dividends from AFREXIM Bank		60
Dividends from SONIBANK	239	211
Dividends from PROPARCO	133	64
Dividends from Cauris Croissance I	419	0
Dividends from Cauris Croissance II	132	1 215
Dividends from SICAV Abdou Diouf	109	115
Dividends from BRM		100
Dividends from CICA-RE	42	38
Dividends from Coris Bank International	410	273
Dividends from ORAGROUP	101	95
Dividends from Fidelis Finance	21	30
TOTAL	**3 703**	**3 847**

NOTE 18. COST OF RISK

The cost of risk as at 31 December 2017 and as at 31 December 2018 is presented as follows:

Cost of risk	31/12/2018	31/12/2017
Write-back of depreciations on receivables from customers	16 525	5 409
Depreciation on receivables from customers	-14 774	-8 118
Losses on receivables covered by depreciations	-11 529	-790
TOTAL	**-9 778**	**-3 499**

The increase in the cost of risk is mainly due to the application of IFRS 9 which requires the recognition of an impairment on all loans portfolio (sound and bad debts) including off-balance sheet commitments.

The breakdown of the cost of risk per bucket is as follows:

Distribution by bucket of the cost of risk	31/12/2018	31/12/2017
Bucket 1	- 748	
Bucket 2	- 1 095	
Bucket 3	- 7 935	-3 499
TOTAL	**- 9 778**	**-3 499**

NOTE 19. OTHER OPERATING INCOME

Other operating income amounts to XOF26,357 M as at 31 December 2018 against XOF20,627 M as at 31 December 2017. The breakdown is as follows:

19.1 Endowments of member countries

Endowments of member countries remain unchanged as at 31 December 2018 and amount to XOF3,200 M.

19.2 Costs related to development activities

This item includes charges related to the development activities of BOAD, including subsidies of non-market projects and preliminary studies for the financing of development activities.

Charges related to development activities	31/12/2018	31/12/2017
Interest subsidy	3 924	1 890
Other charges related to development activities	378	
Charges related to inconclusive surveys	872	
TOTAL	**5 174**	**1 890**

19.3 Administrative costs

The Bank's general operating expenditure is detailed as follows:

Administrative costs	31/12/2018	31/12/2017
Staff overheads (a)	15 730	13 969
Amortizations and depreciations - Property, equipment and intangible assets	1 234	1 219
Other operating costs	7 689	6 833
TOTAL	**24 653**	**22 021**

(a) The details of staff overheads as at 31 December 2018 and 31 December 2017 are as follows:

Detail of staff overheads	31/12/2018	31/12/2017
Wages and salaries	11 152	9 949
Social security contributions	632	594
Other short-term benefits	756	920
Long-term construction contribution - Servicing city BOAD	2 692	1 986
Health insurance funds	60	55
Defined benefit plan expenses	438	465
TOTAL	**15 730**	**13 969**

NOTE 20. RISK MANAGEMENT

BOAD has adopted and put in place processes and mechanisms to quantify, monitor and control its measurable risks (credit, market, liquidity and operational risks) adapted to its activities, resources and its organization and integrated into its internal control framework. The main categories of risks (credit, exchange, interest rate, liquidity and operational risks) are monitored by special committees (Commitments committee, ALM Committee, etc.).

20.1. Credit risk

Credit risk represents the financial loss incurred by the Bank when customers or counterparties of a financial instrument fail to meet their contractual obligations. Credit risk is the main source of risk for the Bank and stems essentially from its lending and investment operations.

The credit risk management relies on standards and procedures, management tools, rating systems, a risk hedging and provisioning policy and a close monitoring mechanism.

The overall organization of credit risk management is characterized by:

- a well-structured awards framework, based on a clear separation between the business lines and the commitment lines (notice of second opinion), which allows for an objective double-check;
- commitment limits fixed in proportion to the tier 1 capital and approved by the Bank's decision-making organs;
- an internal rating system based on **(i)** a set of peculiar characteristics to the client and **(ii)** historical data of the client's credit behavior;
- a depreciation (provisioning) policy based on IAS/IFRS standards.

20.1.1 Analysis of the portfolio's creditworthiness

The Bank has clearly defined limits and procedures to enable it streamline, measure and manage risks, as well as formalize aggregate limits for its commitments per sector and operational limits (counterparties / related counterparties).
The Bank's maximum balance sheet and off-balance sheet exposure to credit risk prior to consideration of guarantees received for 2018 and 2017 is as follows:

Maximum exposure of the Bank in terms of credit risk	31/12/2018	%	31/12/2017	%
Loans and advances to banks	70 144	3%	122 674	6%
Loans and advances to customers	1 801 520	84%	1 755 018	81%
Loans and advances to staff	10 751	0%	6 164	0%
Securities portfolio	261 476		263 282	
Held-to-maturity securities (IAS 39)		0%	*263 282*	12%
Debt securities (IFRS 9)	*261 476*	12%		0%
Receivables from shareholders	6 882	0%	6 882	0%
Derivative assets	1 065	0%	966	0%
TOTAL	**2 151 838**	**100%**	**2 154 986**	**100%**

20.1.2 Intervention limits for credit risks

The Bank's intervention limits are defined in relation to its risk capital which corresponds to the paid-up capital plus net reserves and similar funds less non-recurring items.

20.1.2.1 Loans

<u>For non-commercial (member Countries) and commercial (public companies) public sector</u>

Counterparties	Limit per transaction	Level of commitment per borrower (all operations combined)
Countries	5% of risk capital	55% of risk capital
Public companies	5% of risk capital	25% of risk capital

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For the private sector

Direct and indirect loans	Limit per operation	Level of commitment per borrower (all operations combined and cumulated)	Maximum overall volume of individual risks
Category 1 **Regional projects and those in the mining and energy sectors or projects for National Financial Institutions (NFI), NFI Holdings, organizations that support SMEs, information and Communication technologies**	5% for a maximum of 50% of the project's pre-tax total cost	7% des FPR	Overall volume of risks reaching individually 12.5% of risk capital is limited to 5 times the risk capital
Category 2 **Indirect financing through national financial institutions (NFI), NFI holdings or organizations that promote SMEs and for financing direct loans to regional projects, projects in the mining and energy sectors and in Information, Communication technologies**	7% for a maximum of 50% of the project's pre-tax total cost	20% of risk capital for loans onlent to a financial institution in which the Bank is a shareholder and 10% of capital risk for any other case	

20.1.2.2 Equity investments (public sector or private sector)

Limits relating to equity investments are presented in Note 7 on Equity investments.

20.1.2.3 Financing operations per signature and short-term financing

Operations	Limit per borrower and per operation
Loan guarantee and short-term operation	5% of risk capital
Financing by short-term cashflow	5% of risk capital
Commitment level per borrower all operations combined (loan guarantee, short-term operation guarantee, short-term cashflow financing)	25% of risk capital

20.1.2.4 Dominant sectors of activity

The total level of commitments (all countries of intervention included) must not at any time exceed fifty percent (50%) of the Bank's tier 1 capital in any one of the following dominant sectors: Industries (agro-business, chemical and pharmaceutical and other manufacturing industries, ...); telecommunications (telephony, Internet, call center); Extractive Industries (cement and mining); Hospitality and other services.

However, for National Financial Institutions (NFIs) and their holdings, water and energy sectors, transport infrastructure (port, airport, railway and bus stations), this limit is set at seventy-five percent (75%) of the Bank's tier 1 capital.

The outstanding loan for the commercial sector (private and commercial public) is broken down per sector of activity as at 31 December 2018:

Sectors of activity	31/12/2018	%	31/12/2017	%
Agro-business	32 222	5%	39 889	7%
Banks and financial institutions	159 148	26%	129 846	22%
Water & Energy	171 661	28%	180 036	31%
Hospitality	30 906	5%	24 577	4%
Extractive industries	61 370	10%	36 074	6%
Transport Infrastructures	115 190	19%	127 408	22%
Telecommunications	38 167	6%	41 492	7%
TOTAL	**608 664**	**100%**	**579 322**	**100%**

20.1.2.5 Limit per country

With regard to intervention limits per country, BOAD cannot commit in a member country more than 100% of its core tier 1 capital (all operations combined and cumulated).

The outstanding loans per country is broken down as at 31 December 2018 and 31 December 2017 as follows:

COUNTRY	31/12/2018					Total 2018	31/12/2017					Total 2017
	FDC	FDE	PSCM	PUM	PV		FDC	FDE	PSCM	PUM	PV	
BENIN	87 051	10 833	8 394	23 923	32 295	**162 496**	83 422	7 846	54 853	24 374	35 045	**205 540**
BURKINA FASO	88 300	19 048	19 221	17 765	15 899	**160 233**	82 239	20 000	14 699	21 368	26 215	**164 521**
CÔTE D'IVOIRE	63 787	25 858	39 666	78 865	131 747	**339 924**	58 152	23 283	37 316	83 127	108 615	**310 493**
GUINEE BISSAU	69 198	7 858	21 356	-	-	**98 412**	60 357	7 160	14 899	-	-	**82 416**
MALI	100 049	9 404	27 138	14 950	51 311	**202 852**	94 455	8 168	23 343	18 393	47 571	**191 930**
NIGER	91 452	30 764	102 325	1 649	31 037	**257 227**	94 028	30 105	92 361	2 191	23 180	**241 865**
SENEGAL	100 421	18 591	56 229	44 632	85 775	**305 648**	95 092	13 065	34 707	48 054	72 931	**263 849**
TOGO	122 621	3 781	85 755	19 566	57 464	**289 187**	119 845	3 230	91 478	16 980	51 278	**282 811**
HORS-UEMOA				-	3 070	**3 070**						
TOTAL	**722 879**	**126 137**	**360 084**	**201 350**	**408 599**	**1 819 050**	**687 590**	**112 857**	**363 656**	**214 487**	**364 835**	**1 743 425**

20.1.3 Description of the Bank's internal portfolio rating system

All entities that have received loans from the Bank undergo rating, at least once a year.

Under the consolidation of its risk management system, the Bank has recalibrated its credit risk rating models. This has allowed it to move from a two-point internal rating scale (Bank and businesses) to a six-point rating scale. The six models developed concern « Sovereign » (member countries), « Corporates » (Businesses in portfolio), « Bank » (Banks in portfolio), « Project Finance » (financing of start-up projects), « Bank Private Equity » (equity investments in Banks) and « Corporate Private Equity » (equity investments in businesses). The new models help better cover the different segments subject to rating. The scores in the old rating grid have been replaced by Default probability towards a central tendency (average default probability observed in the portfolio). Rating classes have been defined based on the intervals of default probability.

The Bank also has an audit pathway to enable it track the passage of an initial score to an adjusted score at a given maturity.

20.1.3.1 BOAD's internal master scale

The Bank's internal rating grid includes 20 ratings for instruments that are not in default and a class for those in default. The main scale assigns each rating category a specified range of default probability, which is stable over time. The internal rating scale is calibrated in relation to default probabilities through a main rating scale developed for the Global Emerging Markets (GEMS) consortium. The evaluation methods are validated annually and recalibrated to ensure that they reflect the latest projections in the light of all actual defaults observed. The Bank's internal master scale with a mapping to external ratings is as follows:

One year PD(in %)	Lower bound PD rating class	Upper bound PD rating class	GEMsPD Rating scale	Internal Rating	Moody's	S&P	Fitch	Rating appreciation	Risk Class
0,00%	0,00%	0,00%	GI1	1+	Aa3	AA-	AA-	High Level	Risk very low
0,00%	0,00%	0,00%	GI2	1	A2	A	A	Upper medium grade	
0,00%	0,00%	0,00%	GI3	1-	A3	A-	A-		
0,00%	0,00%	0,00%	GI4	2+	A3	A-	A-		
0,01%	0,00%	0,01%	GI5	2	Baa1	BBB+	BBB+	Lower medium grade	
0,01%	0,01%	0,02%	GI6	2-	Baa1	BBB+	BBB+		
0,04%	0,02%	0,06%	GI7	3+	Baa2	BBB	BBB		
0,09%	0,06%	0,12%	GI8	3	Baa3	BBB-	BBB-		
0,17%	0,12%	0,27%	GI9	3-	Ba1	BB+	BB+	Speculative	Risk low
0,42%	0,27%	0,73%	GI10	4+	Ba1	BB+	BB+		
1,28%	0,73%	1,58%	Gs1	4	Ba2	BB	BB		
1,96%	1,58%	2,49%	Gs2	4-	Ba2	BB	BB		
3,16%	2,49%	3,44%	Gs3	5+	Ba3	BB-	BB-		
3,75%	3,44%	3,86%	Gs4	5	B1	B+	B+	Highly speculative	Moderate risk
3,98%	3,86%	4,35%	Gs5	5-	B2	B	B		
4,74%	4,35%	6,26%	Gs6	6+	B3	B-	B-	Increasing risk	
8,28%	6,26%	12,08%	Gs7	6	Caa1	CCC+	CCC+	Ultra speculative	Risk high
17,64%	12,08%	22,38%	Gs8	6-	Caa2	CCC	CCC		
28,40%	22,38%	36,22%	Gs9	7+	Caa2	CCC	CCC		Risk very high
46,21%	36,22%	100%	Gs10	7-	Caa3	CCC-	CCC-		
100%	100%	100%	D	8	D	D	D	Default	

20.1.3.2 Qualitative and quantitative factors considered in rating

For each scoring model, qualitative and quantitative elements with specific weighting have been retained. Weighting is based on statistical methods, expert opinion and outcomes of a benchmark with other multilateral development banks. The scores are statistically transformed into default probabilities under the constraint of the central tendency and a rating cap defined for each model.

In summary, the rating of each counterparty helps appreciate its capital consumption in terms of capital adequacy, quality of its assets, market positioning, quality evaluation and level of profitability, adequacy of liquidity and financing situation and quality of the management structure.

20.1.4 The Bank's depreciation policy

Depending on its activities, the Bank manages two types of credit risk, namely sovereign credit risk and non-sovereign credit risk.

20.1.4.1 Sovereign risk and non-sovereign risk

Sovereign risk

Loans granted to member States of the Union are considered sovereign or non-market credit risk loans. The Bank manages this risk by suspending all disbursements and presentation of any project requests to a country in default.

Non-sovereign risk

The non-sovereign or market credit risk refers to loans granted by the Bank to borrowers in the private sector or commercial public entities.

Distribution of loan outstandings per risk category and per rating

The table below presents the breakdown of the Bank's loans and equity securities portfolio (assessed at amortized cost) in terms of outstandings per rating scale:

	Total 2018					
Portfolio exposure in terms of outstanding amounts by rating	Sovereign risk	%	Non sovereign risk	%	Total	%
Receivables from customers						
3-	295 224	24%			295 224	16%
4+	106 277	9%			106 277	6%
4	319 679	26%	4 819	1%	324 498	18%
4-	145 985	12%	30 187	5%	176 172	10%
5+		0%	84 710	14%	84 710	5%
5	19 541	2%	149 456	25%	168 997	9%
5-	224 503	19%	243 187	40%	467 690	26%
6+	97 891	8%	55 747	9%	153 638	8%
6-		0%	-	0%	-	0%
8			40 558	7%	40 558	2%
Total	**1 209 100**	**100%**	**608 664**	**100%**	**1 817 764**	**100%**
Securities portfolio						
3-	67 250	28%			67 250	26%
4+	50 000	21%			50 000	20%
4	88 227	36%	12 617	94%	100 844	39%
4-	30 000	12%	800	6%	30 800	12%
5-	6 412	3%			6 412	3%
Total	**241 889**	**100%**	**13 417**	**100%**	**255 306**	**100%**

20.1.3.2 Description of impairments on loans and receivables

a) General principles

Adequacy of the provisioning level of risk based on IFRS 9 applicable since 1 January 2018 is reviewed at each reporting date.

Independently from the risk category, all concerned counterparties are classified in Bucket 1 at inception. They are further reclassified in Bucket 2 or Bucket 3 depending on their rating in terms of significant impairment. The recognition of the credit risk significant impairment is based on quantitative and qualitative criteria. For example, the quantitative criteria retained consists of reducing by at least two notches between the first rating date and the rating at the reporting date.

The significant impairment assessment of the credit risk integrates forward-looking information.

All new entities are subject to a rigorous approval process and require a minimum initial or ex-post credit rating. The rating of each of the Bank's commercial counterparty is updated in order to protect the Bank to a certain extent against possible risks of insolvency of its entities for either environmental deterioration or lack of good governance that would affect the financial situation of the companies concerned.

Especially for Bucket 3, the Bank has adopted a mechanism that makes it possible to analyze its portfolio and apply rules enabling a quality portfolio.

The amount of impairment is equal to the difference between the asset's carrying amount (exposure) and the value of expected cashflows discounted at the asset's actual interest rate at the initial recognition.

b) Breakdown of ECL per bucket and per category of counterparty

Counterparty categories	2018								2017	
	Bucket 1	%	Bucket 2	%	Bucket 3	%	Total	%	Amounts	%
Sovereign	1 510	21%	1 933	12%	0	0%	3 443	6%	0	0%
Public	2 129	30%	3 322	20%	0	0%	5 451	10%	213	1%
Private	3 468	49%	11 010	68%	30 198	100%	44 676	83%	27 891	99%
TOTAL	**7 107**	**100%**	**16 265**	**100%**	**30 198**	**100%**	**53 570**	**100%**	**28 104**	**100%**

c) Distribution of ECL per bucket and per sector

Sectorial breakdown	2018								2017	
	Bucket 1	%	Bucket 2	%	Bucket 3	%	Total	%	Amounts	%
Industries	183	3%	458	3%	7 258	24%	7 899	15%	5 829	21%
Banks and financial institutions	1 437	20%	6 712	41%	1 283	4%	9 432	18%	0	0%
Water and energy	2 126	30%	1 352	8%	0	0%	3 478	6%	0	0%
Hospitality	120	2%	776	5%	7 681	25%	8 577	16%	5 633	20%
Extractive industries	431	6%	1 380	8%	5 374	18%	7 185	13%	6 629	24%
Transport infrastructures	966	14%	3 023	19%	6 503	22%	10 492	20%	7 381	26%
Telecommunications	334	5%	631	4%	2 099	7%	3 064	6%	2 632	9%
ECL on non sovereign oustanding	**5 597**	**79%**	**14 332**	**88%**	**30 198**	**100%**	**50 127**	**94%**	**28 104**	**100%**
ECL on sovereign oustanding	**1 510**	**21%**	**1 933**	**12%**			**3 443**	**6%**	**0**	**0%**
TOTAL ECL	**7 107**	**100%**	**16 265**	**100%**	**30 198**	**100%**	**53 570**	**100%**	**28 104**	**100%**

d) Distribution of ECL per bucket and per country

Country	2018								2017	
	Bucket 1	%	Bucket 2	%	Bucket 3	%	Total	%	Amounts	%
BENIN	595	8%	715	4%	6 057	20%	**7 367**	**14%**	**7 532**	**27%**
BURKINA FASO	661	9%	51	0%	1 274	4%	**1 986**	**4%**	**752**	**3%**
CÔTE D'IVOIRE	2 347	33%	2 097	13%	6 287	21%	**10 731**	**20%**	**5 422**	**19%**
GUINEE BISSAU	21	0%	1 921	12%	0	0%	**1 942**	**4%**	**1 487**	**5%**
MALI	759	11%	1 418	9%	1 206	4%	**3 383**	**6%**	**0**	**0%**
NIGER	842	12%	964	6%	1 283	4%	**3 089**	**6%**	**2 851**	**10%**
SENEGAL	1 402	20%	1 829	11%	3 355	11%	**6 586**	**12%**	**0**	**0%**
TOGO	481	7%	7 196	44%	10 736	36%	**18 413**	**34%**	**7 731**	**28%**
EXCLUDING UEMOA AREA	0	0%	74	0%	0	0%	**74**	**0%**	**2 328**	**8%**
TOTAL	**7 107**	**100%**	**16 265**	**100%**	**30 198**	**100%**	**53 570**	**100%**	**28 104**	**100%**

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20.2. Market risk

20.2.1. Exchange risk- operations in foreign currencies

Exchange risk is the possibility of recording losses due to an unfavorable exchange rate on the market. At BOAD, the exchange risk arises out of the fact that part of the loans is issued in foreign currency, while the balance sheet profit is quoted in XOF. The Bank can therefore record losses in profitability, due to adverse changes in certain currencies against the Euro. Parity between Euro and XOF is fixed.

20.2.1.1 Hedge accounting

To hedge against fluctuations in these currencies, the Bank signed hedging agreements (forward-looking contracts and cross currency swap) on its borrowings in SDR and dollars. Through these agreements, the Bank has hedged 100% of its foreign currency risk excluding euros. As at the closing date, most agreements signed has a maturity of less than a year renewable at each maturity. The Bank's policy is to align the essential conditions of hedging agreements with agreements on hedged items.

The Bank creates an economic link between the hedging instrument and the hedged item depending on the currency, amount and schedule of their respective cashflows.

20.2.1.2 Debt structure as at 31 December 2018

The debt structure of the principal over the other borrowings from external partners and debts represented by securities are presented as at 31 December 2018 as follows:

Debt structure as at 31/12/2018							
Currencies	Currency amount	Exchange rate as at 31/12/2018	Present outstanding amount		% of total borrowings (D)	excluding Euro (A)	borrowings (B)
JPY	-	-	-				
USD	1 587 082 078,70	572,89	909 223 452 065,90		53,32%	93,85%	65,88%
DTS	74 740 394,12	796,77	59 550 880 141,31		3,49%	6,15%	4,31%
CHF	-	-	-		0,00%	0,00%	0,00%
TOTAL EXCLUDING Euros (A)			**968 774 332 207**	**70%**	**56,81%**	100%	
Euro	627 153 990,89	655,96	411 386 050 401,26	**30%**	**24,13%**		29,81%
TOTAL EXCLUDING F CFA (B)			**1 380 160 382 608**	**100%**			
F CFA for domestic bond issues ('C)			**325 010 664 500**		**19,06%**		
TOTAL BORROWINGS D= (B)+('C)			**1 705 171 047 108**		**100%**		

20.2.1.3 Analysis of sensitivity to exchange risk

Exchange rate sensitivity is measured in terms of impact of exchange rate variations on loan repayments. A positive impact is equivalent to a savings made on the repayment amount (gain) while a negative impact means an increased cost on repayment (loss). The market value as at closing of the accounts (31/12/2018) was the real value as at that date and +/-10% variations corresponded to anticipated value in the quarter following the date of reporting. It should be noted that all loans are granted in XOF and repaid in XOF. **The balance sheet impact of the analysis of sensitivity to exchange risk is nil due to the hedges put in place.**

20.2.2. Interest rate risk

It is the risk for the Bank to see its profitability negatively affected by adverse changes in interest rates. Interest rate risk occurs when assets over a period and a given rate are backed by liabilities for a period and/or a different type of rate.

20.2.2.1 Sources of exposure to interest rate risk and mitigating strategy of the Bank

The Bank's exposure to interest rate risk is caused by (i) sensitivity to interest rate associated with the margin between the rate that the Bank applies to its assets and the rate at which it contracted borrowings that finance its assets (ii) sensitivity to interest rate associated with the margin the Bank earns on its assets funded on equity capital and (iii) rate of interest associated with the margin of sensitivity that the Bank earns on its funded assets both on equity and loans.

The Bank's financial policy seeks to optimize profitability by ensuring a correct affiliation between the characteristics of each asset category and those of the corresponding liabilities. It is worth noting that the Bank's assets and liabilities are at fixed rates. Thus, the Bank does not apply any hedging accounting to hedge against the interest rate risk.

20.2.2.2 Interest rate risk sensitivity analysis

The Bank's balance sheet may be analyzed based on several parameters including: (i) balance sheet and off-balance sheet, (ii) Banking activity only, or (iii) FDC activity only. Then, based on the yield curve, there is a +/-1% variation of different market rates.

Parameters (without off-balance sheet commitments)	31/12/2018		31/12/2017	
	Variation	Impact on the 2019 income	Variation	Impact on the 2018 income
Banking activity only	+ 100 basis points	+ 4485	+ 100 basis points	+ 558
Banking activity only	- 100 basis points	-4 485	- 100 basis points	-558
FDC activity only	+ 100 basis points	-152	+ 100 basis points	-62
FDC activity only	- 100 basis points	+ 152	- 100 basis points	+ 62

It appears from the sensitivity test that the Bank's balance sheet profile presents a gap of resources on its FDC activity. It should be noted that the Bank does not borrow at different rates as per its interest rate management policy.

The impact of the interest rate sensitivity analysis on equity capital is nil.

20.3. Liquidity risk

Liquidity risk is the institution's risk of not meeting its financial commitments on time and at reasonable cost. This is addressed by measuring the degree of processing and adequacy between resources and its use. The Asset-Liability management (ALM) committee, by analyzing the gaps and durations, sees to the adequacy, in terms of amount and duration, uses and resources, thereby contributing to liquidity risk management.

Details of maturities of assets and liabilities on an undiscounted basis is presented as at 31 December 2018 as follows:

	DURING 2019			BEYOND		
	]0 month; 1 month]	]1month;6 months]	]6 months; 12 months]	]1 year; 5 years]	>5 years	Total
Cash + Bank - opening balance	169 786					169 786
Term deposits	23 000	63 000	15 000			101 000
Loans and advances to banks	20 000	34 000	16 144			70 144
Loans and advances to customers	6 389	60 112	98 857	846 597	789 566	1 801 521
Loans and advances to staff	205	1 003	1 381	4 915	3 247	10 751
Securities portfolio	1 825	22 008	32 024	85 913	119 706	261 477
Equity investments					126 559	126 559
Shareholders receivables			6 882			6 882
Derivatives assets				1 065		1 065
Accruals assets			2 120			2 120
Other assets			9 317			9 317
TOTAL ASSETS (A)	221 205	180 123	181 725	938 490	1 039 078	2 560 622
Deposits from banks (CAURIS, ROPPA, AFD)	6 625					6 625
Debts securities issued	25 470	67 503	21 563	661 296	477 222	1 253 054
Other debts		35 978	33 596	226 447	184 601	480 622
Funds					113 251	113 251
Other liabilities			2 401			2 401
Provisions					7 539	7 539
Derivatives liabilities				23 786		23 786
Accruals liabilities			5 730			5 730
TOTAL LIABILITIES (excluding equity) (B)	32 095	103 481	63 290	911 529	782 613	1 893 008

Details on maturities of assets and liabilities as at 31 December 2017 are presented as follows:

	DURING 2018			BEYOND		
	]0 month; 1 month]	]1month;6 months]	]6 months; 12 months]	]1 year; 5 years]	>5 years	Total
Cash + Bank - opening balance	171 904					171 904
Term deposits	20 000	89 000	22 000			131 000
Loans and advances to banks	10 000	34 000	78 674			122 674
Loans and advances to customers	19 541	52 821	83 405	671 584	927 667	1 755 018
Loans and advances to staff	157	716	1 026	3 696	569	6 164
Securities portfolio	6 721	33 949	29 542	97 492	95 578	263 282
Equity investments					88 101	88 101
Shareholders receivables			13 556	49 104	28 142	90 802
Other assets			15 197	966		*16 163*
Other loans and receivables					79	*79*
TOTAL ASSETS (A)	228 323	210 486	243 400	822 842	1 140 136	2 645 187
Deposits from banks (CAURIS, ROPPA, AFD)	4 553					4 553
Debts securities issued		49 540	22 383	715 748	496 605	1 284 276
Other debts		28 427	56 449	220 184	158 087	463 147
Other liabilities					174 781	174 781
Provisions					6 790	6 790
TOTAL LIABILITIES (excluding equity) (B)	4 553	77 967	78 832	935 932	836 263	1 933 547

Furthermore, the Bank has a liquidity policy, which ensures that, at any time, the Bank has a liquidity reserve to make disbursements on its banking and administrative operations, as well as for debt servicing.

The standard practice is to hold liquid assets of at least nine (9) to twelve (12) months of net disbursements on loans, minus repayments obtained) + nine (9) to twelve (12) months for debt repayment.

20.4. Operational risk

The implementation of operational risk within BOAD is based on the Basel standards for compliance with international best practices.

The approach aims at achieving the following objectives: (i) increase risk control by developing a risk culture at the Bank, (ii) understand upstream risks caused by the development of activities, (iii) keep top management informed about major hazards and their monitoring mechanisms and (iv) improve internal controls.

This will help in directing efforts based on the priority nature of the risks and take measures to improve the internal control system.

The operational risk management approach is based on the development and annual updating of the risk map. The methodology used has the following characteristics:

- the approach per business with the creation and updating of a process mapping;
- identification of risks using the Basel risk categories help in refining the risk types;
- listing of the risks identified;
- listing of net risks from a grid defining the levels of probability and severity (impact);
- identifying action plans to reduce such risks;
- appointment of a risk owner for each identified risk.

The incidents database is developed and updated by collecting incidents using the Operational Risk Correspondents with an automated tool and gradually consolidated to obtain the losses of sufficient depth for their analysis.

NOTE 21. FAIR VALUE OF FINANCIAL INSTRUMENTS

The table below presents the classification of the Bank's assets and liabilities as well as their fair value as at 31 December 2018.

Financial instruments	Financial assets and liabilities through profit and loss	Financial assets and liabilities through OCI recyclable	Financial assets and liabilities through OCI non recyclable	Financial assets and liabilities at amortized cost	Total amount of book value	Total amount of fair value
- Cash and cash equivalents				270 786	270 786	270 786
- Loans and advances to banks				70 144	70 144	70 144
- Securities portfolio				261 476	261 476	261 476
- Loans and advances to customers				1 812 271	1 812 271	1 812 271
- Shareholders receivables				6 882	6 882	6 882
- Equity investments	8 014		118 545	0	126 559	126 559
- Derivative assets	1 065			0	1 065	1 065
- Amounts receivable				11 438	11 438	11 438
Total amount of financial assets	**9 080**	**0**	**118 545**	**2 432 997**	**2 560 621**	**2 560 621**
Borrowings				1 740 300	1 740 300	1 740 300
Derivative liabilities	23 786				23 786	23 786
Payable amounts				128 921	128 921	128 921
Total amount of financial liabilities	**23 786**	**0**	**0**	**1 869 221**	**1 893 006**	**1 893 006**

As at 31 December 2017, the classification of financial assets and liabilities is as follows:

Financial instruments	Financial assets and liabilities through profit and loss	Financial assets and liabilities through OCI recyclable	Financial assets and liabilities through OCI non recyclable	Financial assets and liabilities at amortized cost	Total amount of book value	Total amount of fair value
- Cash and cash equivalents				302 904	302 904	302 904
- Interbank receivables				122 674	122 674	122 674
- Securities portfolio				263 282	263 282	263 282
- Customer receivables				1 761 182	1 761 182	1 761 182
- Shareholders receivables				6 882	6 882	6 882
- Equity investments		88 101			88 101	88 101
- Derivative assets	966			-	966	966
- Amounts receivable				19 415	19 415	19 415
Total amount of financial assets	**966**	**88 101**	**-**	**2 476 340**	**2 565 407**	**2 565 407**
Borrowings				1 751 976	1 751 976	1 751 976
Derivative liabilities	76 439				76 439	76 439
Payable amounts				105 132	105 132	105 132
Total amount of financial liabilities	**76 439**			**1 857 108**	**1 933 547**	**1 933 547**

The table below classifies the financial instruments measured at fair value per level of fair value:

	Active market prices (level 1)		Evaluation techniques, of which all critical data are based on observable market data (level 2)		Evaluation techniques, of which all critical data are not based on observable market data (level 3)		Total amount	
	2018	2017	2018	2017	2018	2017	2018	2017
Derivative assets			1 065	966			1 065	966
Equity investments	16 866	8 679	14 004	7 810	95 688	71 611	126 559	88 101
							-	-
Total amount of financial assets	**16 866**	**8 679**	**15 070**	**8 776**	**95 688**	**71 611**	**127 624**	**89 067**
Derivative liabilities		-	23 786	76 439			23 786	76 439
Total amount of financial liabilities	**-**	**-**	**23 786**	**76 439**	**-**	**-**	**23 786**	**76 439**

The table below records the valuation techniques of fair values at level 2 and 3 for financial instruments recognized at fair value in the balance sheet and key non-observable data used.

Type of financial instrument	Valuation technique	Significant unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Forward foreign currency contracts	Futures price fixing Fair value is calculated using quoted forward exchange rates at the reporting date and commuted value measurements based on high-quality contract yield curve / yield curves.	Non applicable	Non applicable
Currency swaps	Swaps models Fair value is the present value of the estimated cash flows. Floating rate future cash flow estimates are based on quoted swap rates, futures contract prices and interbank lending rates. The estimated cash flows are discounted using a yield curve developed from similar sources that reflects the benchmark interbank rate used by market participants in setting foreign exchange swap prices.	Non applicable	Non applicable
Equity investments	Sales comparison approach/ Discounted Cash Flow/ Net book value The fair value is estimated based (i) on the last market prices of comparable assets (normally up to 12 months), entered into under normal market conditions or a firm bid on more than 15% of the existing stock or (ii) the net present value is calculated using a discount rate of equity investments with similar risk/yield couple adjusted to take account of finance structure (provided that the entity has generated positive cashflow from operating activities during at least the two previous years), or (iii) the mathematical value based on the last financial statements available.	Non applicable	Non applicable

NOTE 22. LEASE CONTRACTS

22.1. As a lessor

The Bank leases part of its offices for professional uses. Beneficiaries include GARI Fund, CAURIS SA, AfDB, CRRH-UEMOA, JICA, KFW and BIA Togo.

Most contracts are signed for a 2 years' period with tacit renewal. The tacit non-renewal of the lease should be notified by one of the Parties at least three months prior to the expected end date of the contract. The Bank controls and manages risks of the leased offices since any substantial modification to the leased offices or any willingness of tenants to sublet one or several parts of the leased offices must be done with its prior authorization. Furthermore, the Bank has put in place all required security mechanisms and any amendments must be approved by both parties.

The contracts include a clause on amendment of the rent at each renewal in order to take into account the price trend on the lease market, but the rate cannot exceed 10%.

22.1.1 Future minimal payments

As at 31 December 2018, the amount of future minimum payments for non-cancellable lease contracts is as follows:

In millions of F CFA	2018	2017
Less than on year	112	115
Between one and five years	495	507
More than five years	767	774

22.1.2 Amounts recognized as net income

Income from lease contracts is recognized as" other operating income "as follows:

Items	2018	2017
Minimum payments as rent	112	115
TOTAL	**112**	**115**

22.2. As a lessee

The Bank has rented villas, which serve as residences for the Vice-President and Chiefs of Resident missions. Signed for several years, these contracts cover villas on a set of real estate made up of plain lands and buildings.

Some contracts do not anticipate an end period but include a clause which stipulates that they can only be cancelled upon prior notice by one of the parties within an interval of six months before the expected date of cancellation. Other contracts plan for a two-year lease period with a clause on tacit renewal. Based on historical relations with the lessors, contracts have always been renewed tacitly since their signing.

To take into account the trend of the lease markets, the rent amount is renegotiated every two years. Under such lease contracts, the Bank cannot sign a sublease contract.

The Bank has determined that these contracts will be simple lease contracts. The rent to be paid to the property owner is adjusted regularly depending on the trend on the lease market and the Bank does not cover any risk related to the residual value of the land or building. Consequently, the owner holds quasi-totality of risks benefits related to the lands and buildings.

22.2.1 Future minimum payments

As at 31 December 2018, future minimum payments for non-cancellable simple lease contracts are as follows:

In millions of F CFA	2018	2017
Less than on year	159	140
Between one and five years	606	607
More than five years	943	890

22.2.2 Amounts recognized as net income

Items	31/12/2018	31/12/2017
Minimum payments as rent	159	140
TOTAL	**159**	**140**

It is worth noting that the application of IFRS 16 will have no impact on the recognition of the Bank's lease agreements.

NOTE 23. TRANSACTIONS WITH RELATED PARTIES

23.1. Loans to member countries

The outstanding loans to member countries is broken down as at 31 December 2018 as follows:

Items	Number of loans	Amount disbursed on signed loans				% Outstanding amounts	Undisbursed amounts
		FDC (1)	FDE (2)	PSCM (3)	TOTAL(4)=(1+2+3)		
BENIN	32	87 051	10 833	8 394	106 277	8,8%	207 182
BURKINA	28	88 300	19 048	19 221	126 569	10,5%	194 215
COTE D'IVOIRE	24	63 787	25 858	39 666	129 312	10,7%	165 427
GUINEA BISSAU	22	69 198	7 858	21 356	98 412	8,1%	84 404
MALI	32	100 049	9 404	27 138	136 591	11,3%	149 461
NIGER	37	91 452	30 764	102 325	224 541	18,6%	107 394
SENEGAL	34	100 421	18 591	56 229	175 242	14,5%	185 021
TOGO	28	122 621	3 781	85 755	212 157	17,5%	107 272
TOTAL	**237**	**722 879**	**126 137**	**360 085**	**1 209 100**	100,0%	**1 200 377**

Loans granted to member countries are subject to intervention limits presented in Note 20.1.1. They are granted for a maximum period of eighteen (18) years (duration of FDC loans) with a five (5) years' grace period.

23.2. Loans guaranteed by GARI Fund

The Bank holds shares in the capital of the GARI Fund. Outstanding loans guaranteed by the GARI Fund stood at XOF43,932 million as at 31 December 2018 for a guaranteed amount of XOF21,375 million.

Details of these outstandings and their guarantees are as follows:

Items	Amount disbursed as at 31/12/2018	Guaranteed part
NIGERLAIT	189	57
ISOCEL TELCOM	51	31
STTB	2 783	1 670
IVORY COCOA PRODUCTS	893	446
USINE PHARMAC. DO-PHARMA	3 428	1 714
COMPLEXE HOTEL SODEX-TOGO SA	1 334	800
MODERN. USINE PHARMAQUICK	612	306
IMPLANT. UNITE TRANSF.EXTRACT. MARBRE	3 828	2 297
EXTENSION RESEAU TELECEL FASO	353	148
IMPLANT. USINE PRODUC. CAOUT. C.I.H.	1 747	437
CONSTRUCT. & EXPLOIT. GAZ S.T.S.G.	928	464
SOBEMAP	4 933	1 726
PHARMIVOIRE RCI	2 442	1 221
IVORY COCOA PRODUCTS II	1 300	650
Société Lacoste & Compagnie (Sénégal)	5 513	2 205
MDS BURKINA	1 876	1 126
SCS CARTONNERIE	2 204	1 322
MOULIN MODERNE DU MALI	7 000	3 500
PARENTERUS	2 497	1 248
TOTAL	**43 911**	**21 368**

23.3. Remuneration of Senior Executives

Items	31/12/2018	31/12/2017
Salaries and gratuities	4 375	3 928
Pension contributions	246	222
Financial costs and services/pension	456	414
Compensation to Board of Directors	60	62
Sub-total 1	**5 137**	**4 626**
Pension benefit obligations	3 803	3 338
Sub-total 2	**3 803**	**3 338**

The remuneration of the President and Vice-President are fixed by the governing bodies (Council of Ministers and Board of Directors) while remunerations of Managers are based on the Bank's salary scale.

Retirement commitments are retirement benefits granted to senior executives upon their final departure from the Bank.

NOTE 24. OFF-BALANCE SHEET COMMITMENTS

24.1 Commitments received

These commitments are funding agreements given to the Bank by foreign lenders and the guarantees received from regional funds for customers.
These commitments are as follows:

Commitments received	31/12/2018	31/12/2017
Loan commitments to be drawn	6 373	168 132
Guarantees received from Regional Funds	40 822	40 521
Total	**47 195**	**208 653**

Commitments to be drawn are the remainder of loans yet to be mobilized, loans borrowed from donors.

Besides, the Bank receives for its loans guarantees that are not financial (mortgage, pledge, collateral, etc.).

24.2 Commitments given

Commitments given include lending agreements and past equity investments with various beneficiaries of BOAD loans; these are presented as follows:

Commitments given	31/12/2018	31/12/2017
Loan commitments given (a)	1 645 612	1 587 450
Advances for the financing of studies	17 175	11 439
Equity investment commitments (b)	28 668	24 625
Sureties and other guarantees	32 206	5 300
Total	**1 723 661**	**1 628 814**

(a) Loan commitments given include financing agreements whose execution is dependent upon compliance with conditions precedent or whose actual disbursement is pending drawing requests from the borrower.

(b) Commitments for equity investments relate to BOAD's unpaid subscriptions to the capital of the following companies:

COMMITMENTS FOR EQUITY INVESTMENTS (in XOF 'M)	2018	2017
SOCIETE AFRICAINE DE GESTION D'ACTIF (SOAGA)		97
Compagnie Aérienne ASKY		10
Fonds Cauris Croissance II	1 905	1 976
SONIBANK		183
Fonds Africain pour les Energies Renouvelables (FAER)		1 040
Société d'Amethis West Africa (AWA) en Côte d'Ivoire	1 305	1 403
PROPARCO		233
Air Côte d'Ivoire (3ème augmentation du capital)	1 330	3 990
Fonds Investisseurs et partenaires pour le développement 2 (IPDEV2)	868	868
Fonds d'investissements dédié au développement des services financiers dans l'UEMOA	9 424	10 000
Fonds I&P Afrique Entrepreneurs 2 (IPAE2)	1 747	2 000
Banque Outarde au Sénégal		2 000
Banque de l'Habitat du Niger		825
Fonds Cauris Croissance IV	5 000	
ECP Africa Fund IV	1 589	
Fonds AFIG Fund II	3 000	
ADIWALE FUND I	2 500	
TOTAL	**28 668**	**24 625**

NOTE 25. EVENTS AFTER CLOSING

As at the date of the closing of the accounts, we had not recorded any subsequent events likely to influence the financial position and results of the Bank as at 30 December 2018.

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