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# West African Development Bank (BOAD)

## Statutory Auditor's report on the Audit of the Financial Statements

For the year ended 31 December 2022
West African Development Bank (BOAD)
68, avenue de la libération
BP 1172 Lomé (Togo)
*This report contains 6 pages*
*Appendices contain 62 pages*

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To the Board of Ministers of the West African Monetary Union (WAMU)
68, avenue de la libération, BP 1172 Lomé, Togo

**Statutory Auditor's report on the Audit of the Financial Statements of the West African Development Bank (BOAD)**

For year ended 31 December 2022

# 1. 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, 2022, and the statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes to the 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, 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

# 2. 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 Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), 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.

# 3. Emphasis of matters

Without qualifying the opinion expressed above, we draw your attention to:

a) Note 19 to the financial statements «Net income for the period», relating to the impact of the transfer by the Council of Ministers to BOAD, in the form of a donation, of a part of the funds from the new bonus mechanism for XOF 90 billion.

b) Note 25.3 to the financial statements which describes the impact of conflict in Ukraine on the bank's accounts.

# 4. 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 of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## 4.1. Credit risk identification and assessment

### 4.1.1. Identified risks

BOAD is exposed to a credit and counterparty risk.

These risks are defined as the probability that a debtor will be unable to meet the repayment of the granted loan. Counterparty default can have a significant impact on BOAD's net income.

BOAD books impairment on his exposures to mitigate these risks.

Impairment/provisions on healthy and doubtful receivables are based on an expected loss model, considering, in addition to the outstanding amounts, the commitments approved by the Board of Directors, the remaining disbursement on the corresponding loan through conversion factors. This method is based on a model for calculating expected losses according to changes appeared since the origin of the credit risk and according to a model integrating the various parameters (Probability of default, Loss given default, Exposure at default, notation).

We considered that the assessment of the credit risk and the measurement of the impairments / provisions represent a significant accounting estimate area, due to the significant use of judgment by the Management in determining the assumptions and the exposures classification.

As at December 31, 2022, the gross amount of customers receivables amounted to XOF 2,578 billion and were subject to a provision for impairment for a total amount of XOF 130 billion, including 23 billion of impairment recorded during the current year as detailed in appendix 5 and 17 to the financial statements.

Due to the magnitude of the carrying value of loans to customers and the significant use of judgment in determining the provision for loan losses, this area represents a key audit matter.

### 4.1.2. Audit procedures performed

To assess the reasonableness of the impairments / provisions made, we have:

- ✓ acknowledged the provision assessment process and the relative internal control system;
- ✓ reviewed the provision/impairment governance process;
- ✓ verified the consistency of data issued from the risk management systems with accounting data;
- ✓ performed an independent calculation of expected credit losses on a selection of financial instruments as at December 31, 2022;
- ✓ assessed the consistency of the variation of provisions, receivables and cost of risk;
- ✓ verified the consistency of the parameters applied in the calculation system in accordance with approved methodological principles;
- ✓ verified that the rules for downgrading and impairment of doubtful debts have not been modified compared to the previous financial year and are correctly applied during the current financial year.

## 4.2. Valuation of hedging instruments

### 4.2.1. Identified risks

As at December 31, 2022, the Bank's outstanding borrowings include investment securities amounting to XOF 1,532 billion as specified in appendix 9 to the financial statements. This amount includes XOF 1 026 billion Eurobond issued in 2017 and 2019 covered by forward contracts.

The audit of the valuation of hedging instruments in connection with borrowings was considered as a key audit matter due to:

- ✓ the significant impact of the complex valuation method on the Bank's net income;
- ✓ their materiality in the Bank's accounts.

### 4.2.2. Audit procedures performed

In this context, the works performed have been related to:

- ✓ update our knowledge then test the effectiveness of the control system relating to the determination of valuation parameters;
- ✓ make a detailed analysis of the Bank's hedging contracts;
- ✓ test the correct application of the valuation method on a selection of hedging instruments;
- ✓ Examine the disclosures relating to the valuation of financial instruments published in the notes to the financial statements.

## 4.3. Valuation of financial assets

### 4.3.1. Identified risks

BOAD records financial assets at fair value for XOF 146 billion as detailed in note 6 of the appendix to the financial statements. Changes in the fair value from one closing to another are recorded either in profit and loss or in equity in compliance with the adopted classification under IFRS 9.

Due to the restricted availability of market data, the valuation of level 2 and 3 financial instruments requires the use of judgment by the management in determining the valuation method and the parameters to be used.

We have considered the financial assets valuation at fair value (level 2 and 3) as key audit matter because of:

- ✓ the significant impact of the choice of valuation method on the Bank's net income;
- ✓ the sensitivity of the parameters used for management's assumptions;
- ✓ their materiality.

### 4.3.2. Audit procedures performed

In this context, our works on financial assets (portfolio of equity instruments) have been related to:

- ✓ update our knowledge then test the effectiveness of the control system relating to the determination of the valuation method used;
- ✓ test the correct application of the valuation method on a selection of equity securities;
- ✓ conciliate the value of the selected instruments with external documentation;
- ✓ verify the accounting and management data's reconciliation;

- ✓ verify the appropriateness of the accounting methods used by the Bank and their correct application.

## 5. 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.

## 6. 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.

Lomé, March 31, 2023

Statutory Auditor

KPMG Togo

**Franck FANOU**
*Partner*

# Appendix 1:

# Statutory Auditor's responsibilities for the audit of the Financial statements

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 Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of 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 Company 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 relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

# Appendix 2:

# Financial statements for the year ended 31 December 2022

BOAD

BANQUE OUEST AFRICAINE DE DÉVELOPPEMENT

# BOAD'S FINANCIAL STATEMENTS FOR THE YEAR

# ENDED 31 DECEMBER 2022

**MARCH 2023**

**SUMMARY**

## STATEMENT OF FINANCIAL POSITION

| ASSETS | | Note | 31 December 2022 | 31 December 2021 |
|---|---|---|---|---|
| Cash and cash equivalents | | 4 | **284,092** | **230,373** |
| Financial assets at amortized cost | | 5 | **2,805,778** | **2,797,015** |
| | - Loans and advances to banks | | 238 | 10,412 |
| | - Loans and advances to customers | | 2,439,926 | 2,368,457 |
| | - Loans and advances to staff | | 18,571 | 15,514 |
| | - Debt Securities portfolio | | 340,595 | 396,047 |
| | - Receivables from shareholders | | 6,448 | 6,585 |
| Equity investments | | 6 | **146,440** | **138,161** |
| | - Equity investments designated at fair value through P&L | | 10,025 | 10,771 |
| | - Equity investments designated at fair value through OCI non-recyclable | | 136,414 | 127,390 |
| Adjustment accounts and other assets | | 7 | **115,521** | **115,507** |
| | - Derivative assets | | 94,084 | 88,067 |
| | - Accruals assets | | 11,560 | 16,596 |
| | - Other adjustement accounts | | 9,877 | 10,844 |
| Tangible assets | | 8 | **6,041** | **6,177** |
| Investment properties | | 8 | **627** | **654** |
| Intangible assets | | 8 | **1,537** | **1,154** |
| Non-current assets held for sale | | 8 | **2,245** | **2,245** |
| **TOTAL ASSETS** | | | **3,362,279** | **3,291,286** |

| LIABILITIES | | Note | 31 December 2022 | 31 December 2021 |
|---|---|---|---|---|
| Financial liabilities at amortized cost | | 9 | **2,135,146** | **2,188,700** |
| | - Deposits from banks | | 7,171 | 7,571 |
| | - Debt securities issued | | 1,562,479 | 1,539,277 |
| | - Other debts | | 565,496 | 641,852 |
| Earmarked funds | | 10 | **92,305** | **114,083** |
| Adjustments accounts and other liabilities | | 11 | **20,181** | **28,271** |
| | - Derivative liabilities | | 306 | 0 |
| | - Accruals liabilities | | 15,400 | 24,533 |
| | - Other adjustement accounts | | 4,475 | 3,739 |
| Provisions | | 12 | **10,006** | **9,182** |
| ***Total liabilities*** | | | ***2,257,638*** | ***2,340,237*** |
| Capital | | | **260,888** | **247,902** |
| | - Subscribed capital | | 1,103,650 | 1,103,650 |
| | - Callable capital | | -826,230 | -826,230 |
| | - Unpaid Capital | | -15,956 | -29,009 |
| | - Cost related to deferred paying-up of capital | | -577 | -510 |
| Share premium | | | **2,622** | **2,622** |
| Reserves | | | **841,131** | **700,525** |
| | - Reserves allocated to development activities | | 76,050 | 76,050 |
| | - Net gains on investments in equity instruments designated at fair value through other comprehensive income non recyclable | | 48,045 | 39,664 |
| | - Cashflow hedging reserves | | 34,504 | 22,514 |
| | - Other reserves | | 26 | 26 |
| | - Retained earnings | | 559,570 | 531,745 |
| | - Remeasurements of defined benefit liability | | -746 | -298 |
| | - Net income for the period | | 123,682 | 30,824 |
| ***Total equity*** | | 13 | ***1,104,641*** | ***951,049*** |
| **TOTAL LIABILITIES AND EQUITY** | | | **3,362,279** | **3,291,286** |

## COMPREHENSIVE INCOME STATEMENT

| COMPREHENSIVE INCOME STATEMENT | | Note | December 2022 | December 2021 |
|---|---|---|---|---|
| Interests and related income | | | 149,621 | 145,904 |
| Interests and related charges | | | -76,993 | -85,744 |
| *Net interest income* | | | *72,627* | *60,160* |
| Fees and commissions (income) | | | 3,741 | 3,101 |
| Fees and commissions (charges) | | | -6,580 | -1,111 |
| *Net interest and fee income* | | 14 | *69,789* | *62,150* |
| Exchange gains (a) | | | 8,083 | 30,047 |
| Exchange losses (b) | | | -65,046 | -107,822 |
| Gains/ losses on hedging instruments (c ) | | | 76,257 | 97,761 |
| ***Gains/ Losses on foreign exchange (a + b + c )*** | | ***15*** | ***19,294*** | ***19,986*** |
| *Margin on interests, fees and foreign exchange* | | | 89,082 | *82,136* |
| Gains/ losses on financial assets designated at fair value through profit and loss (IFRS 9) | | | 550 | 112 |
| Dividends received (income from equity investments) | | 16 | 3,419 | 3,390 |
| ***Net banking income*** | | | ***93,051*** | ***85,638*** |
| ***Cost of risk*** | | 17 | ***-28,829*** | ***-30,092*** |
| Endowment from member states | | | 3,200 | 3,200 |
| Other operating income | | | 90,316 | 461 |
| Charges related to development activities | | | -1,321 | -1,370 |
| General operating expenditures | | | -32,698 | -26,960 |
| | - Staff overheads | | -18,988 | -16,935 |
| | - Amortizations and depreciations - Property, equipment and intangible assets | | -1,257 | -1,230 |
| | - Other operating costs | | -12,453 | -8,795 |
| Other operating charges | | | -35 | -52 |
| ***Other net operating income*** | | **18** | ***59,461*** | ***-24,721*** |
| **Net income for the period** | | **19** | **123,682** | **30,824** |
| **Other comprehensive income** | | | | |
| **Items that will be reclassified to profit or loss (d )** | | | **11,990** | **2,090** |
| Cashflow hedges (CFH) | | | 11,990 | 2,090 |
| Net gains on financial assets at fair value through "other comprehensive income" | | | | |
| **Items that will not be reclassified to profit or loss (e )** | | | **7,934** | **4,504** |
| Revaluation of tangible and intangible assets | | | | |
| Net gains on financial assets at fair value through "other comprehensive income" | | | 8,381 | 5,439 |
| Remeasurements of defined benefit liability | | | -447 | -935 |
| ***Total other comprehensive income (d ) + (e )*** | | | ***19,924*** | ***6,595*** |
| **Total comprehensive income for the period** | | | **143,606** | **37,419** |

# 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 | Net gains on investments in equity instruments designated at fair value through other comprehensive income (IFRS 9) | Cash flow hedges reserves | Retained earnings | Total |
| **Equity as at 1st January 2021** | 1,103,650 | -826,230 | -42,063 | -1,012 | 2,622 | 76,050 | 26 | 636 | 34,225 | 20,424 | 534,746 | 903,074 |
| | | | | | | | | | | | | 0 |
| **Increase in capital** | | | | | | | | | | | | |
| Unpaid capital | | | | | | | | | | | | |
| **Modifications of the first application of IFRS 9** | | | | | | | | | | | | |
| ***Net income as at 31 December 2021 before allocation*** | | | | | | | | | | | 30,824 | 30,824 |
| ***Other changes*** | | | | 503 | | | | | | | | 503 |
| ***Allocation of profit for the 2020 financial year*** | | | | | | | | | | | -3,000 | -3,000 |
| ***Release of capital for the 2021 financial year*** | | | 13,054 | | | | | | | | | 13,054 |
| ***Other comprehensive income*** | | | | | | | | | | | | 0 |
| Net gains or losses on investments in equity instruments designated at fair value through other comprehensive income (IFRS 9) | | | | | | | | | 5,439 | | 0 | 5,439 |
| Fair value reserves (available-for-sale financial assets) | | | | | | | | | 0 | | | 0 |
| Remeasurements of defined benefit liability | | | | | | | | -935 | | | | -935 |
| Cash flow hedges | | | | | | | | | | 2,090 | | 2,090 |
| ***Sous-total autres éléments du Résultat global*** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **-935** | **5,439** | **2,090** | **0** | **6,595** |
| Transfers | | | | | | | | | | | | 0 |
| Contributions and distributions | | | | | | | | | | | | |
| **Total transactions with the owners of the Bank** | | | | | | | | | | | | |
| **Equity as at 31 december 2021 and as at 1st january 2022** | **1,103,650** | **-826,230** | **-29,009** | **-510** | **2,622** | **76,050** | **26** | **-298** | **39,664** | **22,514** | **562,570** | **951,049** |
| ***Increase in capital*** | 0 | | | | | | | | | | | 0 |
| ***Net income as at 31 december 2022*** | | | | | | | | | | | 123,682 | 123,682 |
| ***Others changes*** | | | | -67 | | | | | | | | -67 |
| ***Allocation of 2021 income*** | | | | | | | | | | | -3,000 | -3,000 |
| Capital paid-up in 2022 | | | 13,053 | | | | | | | | | 13,053 |
| ***Other comprehensive income*** | | | | | | | | | | | | |
| Adjustments on retained earnings | | | | | | | | | | | 0 | 0 |
| Net gains on investments in equity instruments designated at fair value through other comprehensive income (IFRS 9) | | | | | | | | | 8,381 | | 0 | 8,381 |
| Fair value reserves (available-for-sale financial assets) | | | | | | | | | 0 | | | 0 |
| Remeasurements of defined benefit liability | | | | | | | | -447 | | | | -447 |
| Cash flow hedges | | | | | | | | | | 11,990 | | 11,990 |
| ***Sub-total other comprehensive income*** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **-447** | **8,381** | **11,990** | **0** | **19,924** |
| Transfers | | | | | | | | | | | | 0 |
| Contributions and distributions | | | | | | | | | | | | |
| **Total transactions with the owners of the Bank** | | | | | | | | | | | | |
| **Balance as at 31 december 2022** | **1,103,650** | **-826,230** | **-15,956** | **-577** | **2,622** | **76,050** | **26** | **-746** | **48,045** | **34,504** | **683,252** | **1,104,641** |

## CASHFLOW STATEMENT

| Items | Notes | 2022 | 2021 |
|---|---|---|---|
| **Cashflow from operational activities** | | **31/12/2022** | **31/12/2021** |
| Income for the period | | **123,682** | **30,824** |
| *Adjustments related to non-monetary and other items* | | | |
| Unrealised gains/losses | | -15,231 | -20,133 |
| Exchange gains | | -8,083 | -30,047 |
| Exchange losses | | 4,020 | 30,194 |
| Amortization | | 1,257 | 1,230 |
| Depreciation | | 0 | 0 |
| Cost of risk | | 28,829 | 30,092 |
| Gains/ losses on financial assets designated at fair value through profit and loss | | -550 | -112 |
| Other items | | -2,859 | -2,838 |
| | | **7,383** | **8,387** |
| Changes in assets and liabilities from operations | | | |
| Loans and advances to banks | | 10,174 | 24,391 |
| Loans disbursements | | -388,661 | -452,630 |
| Repayments of loans | | 396,664 | 341,518 |
| Other receivables from customers | | -108,370 | -105,169 |
| Loans and advances to staff | | -3,057 | -3,813 |
| Securities portfolio | | 54,903 | -55,175 |
| Other receivables | | 0 | 0 |
| Other assets | | 6,420 | -26,023 |
| Deposits from banks | | -400 | 5,202 |
| Other debts | | 162,892 | 85,797 |
| Other liabilities | | -33,175 | 32,614 |
| | | **97,389** | **-153,289** |
| ***Cashflow from operations activities (a)*** | | **228,455** | **-114,077** |
| **Cashflow from investment activities** | | **2022** | **2021** |
| Acquisitions of tangible assets | | -995 | -1,045 |
| Sales of tangible assets | | 20 | 14 |
| Acquisitions of intangible assets | | -493 | -546 |
| Sales of intangible assets | | 0 | 0 |
| Acquisitions of shares | | -1,265 | -4,025 |
| Sales of shares | | 1,919 | 1,374 |
| ***Cashflow from investment activities (b)*** | | **-815** | **-4,228** |
| **Cashflow from financing activities** | | **2022** | **2021** |
| Resources from capital paying-up | | 16,553 | 17,283 |
| Redemption of shares | | 0 | 0 |
| Debt issuance | | 22,568 | 621,274 |
| Repayment/debts represented by a security | | -98,299 | -574,708 |
| Repayment/other loans | | -114,743 | -184,520 |
| ***Cashflow from financing activities (c )*** | | ***-173,920*** | ***-120,672*** |
| **Net increase/(decrease) of cash and cash equivalents (a+b+c)** | | **53,719** | **-238,977** |
| **Cash and cash equivalents at opening** | **4** | **230,373** | **469,350** |
| **Cash and cash equivalents at closing** | **4** | **284,092** | **230,373** |
| **ADDITIONAL INFORMATION** | | | |
| Operating cashflow from interests and dividends: | | | |
| Interest paid | | 75,341 | 75,563 |
| Interest received | | 128,576 | 122,081 |
| Dividends received | | 3,305 | 3,390 |

## 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 the achievement of 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.

In order to finance its activities, the Bank can, as stated under Article 37 of its Articles of Association, 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

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 2022 and the comparative figures for 2021, 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.

## 2.3 Basis of accounting

The principle that serves as a basis for financial reporting includes:

**Going concern**

The financial statements for the year ended 31 December 2022 have been prepared on a going concern basis as the Bank has neither the intention, nor the need to end or significantly reduce the scope of its activities.
The Bank has sufficient resources to continue its business for the foreseeable future.
In making this assessment, management has considered a wide range of information, including profitability projections, regulatory capital requirements and funding requirements.
The assessment also includes consideration of reasonably possible adverse economic scenarios and their potential impact on the Bank's profitability, capital and liquidity.

## 2.4 Key basis for evaluation

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

## 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 judgements

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 Main assumptions and uncertainties related to the estimates

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

*Impairment of loans and advances to customers*: the determination of input parameters in the ECL valuation model such as default probabilities, the consideration of key assumptions in the estimation of recoverable cash flows (e.g. conversion factors to credit equivalents) and information on the forward-looking (***See Note 2.9.4***)

*Assessing the fair value of equity investments:* at each reporting date, 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*: at each reporting date, the Bank contracts a specialist to assess the fair value of hedging instruments put in place to protect itself against currency risk on loans contracted in SDR and USD. (***See Note 2.19***).

*Assessing obligations linked to defined benefit pension plan:* the actual value of pension obligations is sensitive to the financial and actuarial assumptions used, including the discount rate. At the end of each reporting date, the Bank determines the appropriate discount rate to be used to determine the fair value of the estimated future pension obligations (***See Note 2.15***).

## 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 with three levels depending on the importance of the data used for the assessments.

**Level 1:** Fair value determined using quoted prices (unadjusted) on active markets for similar assets or liabilities

**Level 2:** 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:** 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.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

**2.8 Financial assets at amortised cost**

These are debt instruments that are classified at amortised cost if both of the following criteria are met: the contractual cash flows are solely payments of principal and interest on the principal and the business model qualifies as pure collection. This category of financial assets includes:

- Loans and advances to banks
- Loans and advances to customers
- Loans to staff
- Receives from shareholders
- Debt securities portfolio

**2.8.1 Loans and advances to banks**

Loans and advances to banks include interbank loans, related accrued interests and Interests receivable from BCEAO on BOAD's assets invested. As at 31 December 2022, all these receivables were due in less than a year.

They are recorded at amortised cost representing the nominal amount and accrued interest. These operations do not involve any transaction or commitment fees.

**2.8.2 Loans and advances to customers**

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

**2.8.2.1 General principles**

Loans granted by BOAD are denominated in CFA Francs (XOF) and at fixed rates. They are accounted at the contract rate which corresponds to the market rate. 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), which are themselves at market conditions.

**2.8.2.2 Interests and commissions on receivables from customers**

Interest and commissions on loans granted to customers are recorded in the period in which they were acquired using 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 calculated on unpaid instalments after a grace period of one month.
Flat commissions (processing fees) are fees charged only once at the project evaluation. They are recorded 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 in income as soon as they are due.

#### 2.8.2.3 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 borrowings contracted in SDR and USD. Therefore, the creation of an adjustment clause is more of a safeguard measure than a risk management policy. Its activation is not expected.
Finally, the existing adjustment clause does not exclude recognizing these loans at amortized cost.

#### 2.8.2.4 Impairment of loans and advances to customers

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;
- 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;
- Bucket 3: financial assets with more than 90-day unpaid installments 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.

**a) Expected losses approach to provisionning for buckets 1 and 2**

Expected losses represent an estimate established by probabilistic weighting of credit losses. This weighting must integrate past events, current conditions and the forecast of future economic conditions.

They are determined collectively by discounting at effective interest rates according to the formula **ECL = PD x LGD x EAD** where PD (Probability of Default) represents the probability of default, LGD (Loss Given Default) corresponds to the loss in the event of default and EAD (Exposure at Default) is the Bank's exposure in the event of default.

The determination of PD and LGD takes into account the calibration of the Bank's rating models with a "masterscale" mapped to GEM's[1]. This mapping made it possible to draw up a loan claims matrix by category of borrower (sovereign, public and private companies).

For the calculation of the EAD, all outstanding amounts as well as financing commitments

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

are taken into account. A factor of conversion factor into credit equivalent of the balance to be disbursed is applied to the parts not yet disbursed from financing commitments.

The shortfalls in cash flow are discounted over a period of one year for bucket 1 while the discount is made on the residual maturity for bucket 2. They are recognized as cost of risk in the income statement.

It should also be noted that interest income is calculated on the basis of the gross value of the receivables.

**b) Expected losses approach of impairment for bucket 3**

The calculation of expected losses is carried out instrument by instrument. They correspond to the difference between the discounted amounts of future cash flows (expected from the borrower, financial guarantees, etc.) and the book value at the reporting date. Cash flows are discounted at the effective interest rate of the loan. This difference is recognized in cost of risk in the income statement.

Interest income is calculated on the basis of the net book value. The difference between interest income calculated on the basis of gross value and that calculated on the basis of net book value is carried in cost of risk in the income statement.

**2.8.2.5 Originating, restructuring or renegotiating loans**

When the loan contracts are modified, the Bank analyzes the reasons (renegotiation, reorganization or restructuring) for the modifications and assesses the substantial nature of the modifications made on a case-by-case basis.

**a) Changes without substantial impacts**

In the event of a modification resulting from financial difficulties, the loan is considered as impaired outstanding (bucket 3) and is subject to a discount of an amount equal to the difference between the discounted contractual cashflows initially expected and the discounted future cashflows expected (capital and interests) following the restructuring. The discount rate used is the initial effective interest rate. This discount is entered in the net result in the "cost of risk" item and in the balance sheet as a reduction of the corresponding outstandings. It is impacted on the net income over the lifespan of the loan. This loan is reinstated as a healthy loan when there is no longer any uncertainty about the borrower's ability to honor its commitments.

In the event of modifications not justified by financial difficulties, the loan is entered in bucket 2. The gross book value of the loan is recalculated so that it is equal to the present value of the contractual cash flows renegotiated or modified at the rate of initial effective interest. The difference noted (profit-surcharge or loss-discount) is entered in the net result in the “cost of risk” item and then reported in the result over the term of the loan.

**b) Changes with substantial impacts**

When the change is substantial, the contractual rights to the cash-flow of the original loan are deemed to have expired. In this case, a new loan is recorded at fair value, while the original loan is derecognized. The difference between the book value of the derecognized loan and the fair value of the new loan is recorded in profit or loss in the “cost of risk” item. Any impairment previously recorded on the loan is adjusted or fully reversed.

#### 2.8.2.6 Pre-financing of surveys or studies

Pre-financing of surveys represents an advance granted by the Bank to finance the cost of a feasibility survey for a project.

The pre-financing of studies granted by BOAD are the responsibility of the borrower in the event that the studies conclude that the projects are viable. If the study results in a project financed by the Bank, its cost plus interest is then incorporated into the loan amount and, therefore, constitutes the first disbursement.

In the event that the survey leads to a viable project whose financing is not requested from the Bank, the advance plus interest is reimbursed to it over a defined period and at a given rate. Otherwise (unsustainable project), it constitutes a subsidy granted by the Bank and recognized in final consumption therefore expensed over the reporting date.

#### 2.8.2.7 Grants and subsidy mechanism

Loan subsidies are paid in by States in order 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).

#### 2.8.2.8 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 covered by financial guarantees received. These financial guarantees allow the Bank to be reimbursed by the guaranteeing companies in the event of default by its customers. The fair value of these guarantees corresponds to their nominal value.

The Bank also grants financial guarantees (essentially commitments by signature in the framework of short or medium or long-term guarantee or counter-guarantee contracts) which oblige it to reimburse the subscribers of the beneficiary of the guarantee in the event of default of the latter.

The financing commitments received correspond to the drawdowns not yet made on the loans from which the Bank benefits.

### 2.8.3 Loans to staff

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

### 2.8.4 Debt securities portfolio

All the securities held by the Bank are classified as financial assets at amortized cost like debt securities. 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.

### 2.8.5 Receivables from shareholders

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

## 2.9 Equity investments (equity securities)

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 6.1).

Equity securities are equity instruments that are recognized at fair value into two distinct categories (fair value through profit and loss and fair value through OCI non-recyclable to profit and loss). All new equity investments will be analyzed line by line to ensure their classification in one of the above categories.

**a) Fair value through profit and loss**

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. Dividends are recognized as income in the income statement. Any subsequent variation of the fair value (gains/losses) is recognized as other items in the comprehensive income statement and never recycled as income.

## 2.10 Fixed assets and amortizations

### 2.10.1 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.

### 2.10.2 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 book value of an asset is immediately captured in the recoverable amount if the book value 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".

#### 2.10.3 Intangible assets

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

#### 2.10.4 Investment properties

**a) Recognition and measurement**

Investment properties are initially measured at cost, including transaction costs and subsequently measured at amortised cost.

Subsequent expenses are recognized in the book value of the investment property when they increase the capacity of the investment property or when they are intended to replace significant parts of the investment property. The Bank has choosen the cost model, all the investment properties are measured at cost less accumulated depreciation and less accumulated impairment losses at closing.

**b) Transfers to or from investment property classification**

Transfers to, or from, investment property should only be made when there is a change in use. Transfers between categories do not change the book value of the property transferred, and they do not change the cost of the property for measurement or disclosure purposes.

**c) Derecognition and disposals**

An investment property should be derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

**d) Rental income from investment properties**

The Bank recognises the lease payments associated with these leases as an income on a straight-line basis over the lease term. The benefits granted by the Bank under a rental contract form an integral part of the total net rental income over the entire duration of the rental contract.

### 2.11 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease.

All rental contracts are classified as operating leases. All the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

### 2.12 Deposit from banks

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

### 2.13 Debts securities and debts from donors

Debts securities correspond 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, IDA, etc. All these borrowings are at fixed rates.

## 2.14 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.

## 2.15 Pension commitments

### 2.15.1 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. 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.

### 2.15.2 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 Bank pension obligations, but less the fair value of the hedging assets of the pension fund.

The Bank does not have any assets ceiling 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.

### 2.15.3 Actuarial assumptions

Actuarial assumptions as at the closing date are as follows:

| Actuarial assumptions | 2022 | 2021 |
|---|---|---|
| Discount rate | 6.18% | 6.18% |
| Rate of salary increase | 6% | 6% |
| Rate of staff turnover | 1% | 1% |
| Retirement age | 60 years | 60 years |
| Mortality table | Table CIMA | Table CIMA |

The risks related to the retirement benefit scheme are rather related to the changes in discount rate and increases in salary. The discount rate remains the same and corresponds to the average yield of bonds purchased by the Bank during the 2022 financial year.

## 2.16 Transactions on share capital and allocations

### 2.16.1 Capital

The Bank's capital is made up of shares of nominal value equal to XOF 50,000,000. 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. In order to provide a more appropriate presentation, the difference is captured in "Cost related to deferred paying-up of 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.

#### 2.16.2 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.

### 2.17 Investment income from 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".

### 2.18 Interests and fees on debts

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 "Financial liabilities at amortized cost".

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

### 2.19 Derivatives and hedge accounting

#### 2.19.1 Derivatives

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.

### 2.19.2 Fair value hedge

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.

### 2.19.3 Cash flow hedge

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.

## 2.20 Non-current Assets Held for Sale

Non-current assets are classified as held for sale if it is highly likely that they will be recovered primarily through sale rather than through continuous use.

Non-current assets that are classified as held for sale are measured at the lower of book value and fair value less costs to sell. Any impairment prior to classifying an asset as held for sale and gains of losses for any subsequent increase in fair value less costs to sell of an asset are recognised in the statement of profit or loss.

## 2.21 Cashflow statement principles of presentation

The cashflow statement 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 of 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.

### 2.22 Subsequent events

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 statement and the statement of changes in equity are not adjusted. The nature and potential impact of these events are captured in note 26 below.

### 2.23 Approval of accounts

BOAD's individual accounts as at 31 December 2022 were approved by the Board of Directors at its 28 March 2023 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 2021 were supplemented by provisions of the new standards and interpretations for the 2022 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 |
|---|---|---|
| 1st January 2022 | Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37) | This amendment affects only those companies that apply the incremental approach to determining contract performance costs. It implies that provisions are recognised when the lesser of the costs of performing the contract and the costs of termination outweigh the economic benefits.<br>**The Bank still applies the full cost approach to the performance of these contracts. This change will therefore have no impact on the Bank's accounts.** |

| Date of entry into force | New standards or amendments | Impact on the Bank's financial statements |
|---|---|---|
| 1st January 2022 | Annual Improvements to IFRSs 2018-2021 - Amendments to IFRS 1, IFRS 9, Illustrative Examples of IFRS 16 and IAS 41 | **IFRS 1:** This amendment allows a subsidiary that has adopted IFRSs after the parent company to measure cumulative translation differences at the amounts included in the parent company's consolidated financial statements, depending on the parent company's date of transition to IFRSs.<br>**IFRS 9:** The amendment clarifies that fees paid net of fees received shall be included in performing the 10% test for derecognition of financial liabilities.<br>**IFRS 16:** The objective of this amendment is to eliminate confusion in the identification of lease incentives by removing the example of lessor payments for leasehold improvements.<br>**IAS 41:** This amendment involves aligning the fair value measurement requirements of IAS 41 with those of IFRS 13 « Fair Value Measurement ».<br>**No impact is expected from these annual improvements.** |
| 1st January 2022 | Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16) | The amendments prohibit an entity from deducting revenue generated by an asset during its transfer to site or during its rehabilitation from the cost of the asset. Instead, the entity shall recognise such revenue and related costs in profit or loss.<br>**The BOAD business is banking and there will be no impact on its accounts.** |

### 3.2 Upcoming provisions

| Date of entry into force | New standards or amendments | Impact on the Bank's financial statements |
|---|---|---|
| 1st january 2023 | Amendments to IAS 1: Classification of liabilities as current or non-current | The purpose of these amendments is to specify the criteria for classifying liabilities, namely debt and other liabilities as current or non-current. **The application of these amendments has no material impact on the Bank's accounts.** |
| 1st january 2023 | IFRS 17 "Insurance contracts" Amendments to IFRS 17 "Insurance Contracts" | The Bank's activity is essentially banking and does not fall within the scope of IFRS 17, which replaces IFRS 4**. There will therefore be no impact on BOAD's accounts.** |
| 1st january 2023 | Amendments to IAS 8 "Definition of Accounting Estimates" | These amendments aim to facilitate the distinction between accounting methods and accounting estimates. **The anticipated impact of these amendments is not material.** |
| 1st January 2023 | Amendments to IAS 1 and the Practice Statement "Disclosures on accounting policies" | The objective of these amendments is to improve the definition of the term "significant" in order to allow entities to **more easily exercise their judgment in terms of materiality** for the information to be included in the financial statements. **The application of these amendments will have no significant impact on the Bank's accounts**. |
| 1st January 2023 | Amendments to IAS 12, Income Taxes | The purpose of these amendments is to clarify how entities should account for deferred taxes on transactions such as leases and decommissioning obligations.<br>**As BOAD is exempt from all taxes due to the established headquarters agreement, these amendments will have no impact on its accounts.** |

## NOTE 4. 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 | Note | 31 December 2022 | 31 December 2021 |
|---|---|---|---|
| Cash accounts | | 55 | 79 |
| BOAD HQ Current Account | | 32,417 | 3 |
| Deposit Accounts for Resident Missions at BCEAO | 4.1 | 119,831 | 174,968 |
| Japan Eximbank Special Account | | 15 | 15 |
| FDE Contribution Account | 4.2 | 1,985 | 1,985 |
| BOAD Settlement Account Lomé | | 89,920 | 22,247 |
| Operating Account for Resident Missions | | 217 | 1,491 |
| Bank and correspondent bank accounts | | 8,610 | 7,547 |
| Short-term bank deposits (a) | 4.3 | 31,010 | 22,006 |
| Deposits/ Margin calls | | 33 | 33 |
| **TOTAL** | | **284,092** | **230,373** |

4.1. The deposit accounts of Resident missions are detailed as follows:

| Resident missions deposit accounts | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Deposit Accounts BCEAO Abidjan | 2,820 | 4,549 |
| Deposit Accounts BCEAO Bamako | 397 | 12,058 |
| Deposit Accounts BCEAO Bissau | 564 | 16,959 |
| Deposit Accounts BCEAO Cotonou | 13,906 | 9,748 |
| Deposit Accounts BCEAO Dakar | 23,541 | 6,462 |
| Deposit Accounts BCEAO Lomé | 53,228 | 114,736 |
| Deposit Accounts BCEAO Niamey | 11,079 | 5,717 |
| Deposit Accounts BCEAO Ouagadougou | 14,296 | 4,739 |
| **Total** | **119,831** | **174,968** |

4.2. 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.

4.3. Short-term bank deposits include the following**:**

| Short-term bank deposits | 31 December 2022 | 31 December 2021 |
|---|---|---|
| BOA-CI, special liquidity account | 0 | 996 |
| BOA-BN liqiuidity account | 1,010 | 1,010 |
| Term deposit with BOA Group | 15,000 | 15,000 |
| Term deposit with BSIC Group | 5,000 | 5,000 |
| Term deposit with Coris Bank Group | 5,000 | 0 |
| Term deposit with NSIA | 5,000 | |
| **Total** | **31,010** | **22,006** |

## NOTE 5. FINANCIAL ASSETS AT AMORTISED COST

The item « loans and receivables at amortised cost » (*see note 2.9 of summary of accounting principles and practices)* breaks down as follows:

| Loans and receivables at amortized cost | Note | 31 December 2022 | 31 December 2021 |
|---|---|---|---|
| Loans and advances to banks | 5.1 | 238 | 10,412 |
| Loans and advances to customers | 5.2 | 2,439,926 | 2,368,457 |
| Loans and advances to staff | | 18,571 | 15,514 |
| Securities portfolio | 5.3 | 340,595 | 396,047 |
| Receivables from shareholders | | 6,448 | 6,585 |
| **TOTAL** | | **2,805,778** | **2,797,015** |

## 5.1 Loans and advances to banks

Loans and advances to banks include interbank loans and related interests. Loans and advances to banks per counterparty is detailed as at 31 December 2022 and 31 December 2021 as follows:

| Counterparties | 31 December 2022 | 31 December 2021 |
|---|---|---|
| BCEAO- Interests on ordinary accounts | 35 | 39 |
| ORAGROUP | 0 | 10,000 |
| Interests receivable | 203 | 373 |
| **TOTAL** | **238** | **10,412** |

## 5.2 Loans and advances to customers

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

### 5.2.1 Break down 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.

### 5.2.2 Schedule of receivables from customers

The schedule of receivables from customers is presented as follows as at 31 December 2022 and 31 December 2021:

| Items | 31 December 2022 | 31 December 2021 |
|---|---|---|
| **Gross outstanding receivables from customers** | **2,577,940** | **2,478,065** |
| of which gross outstanding loans | 2,516,414 | 2,417,284 |
| At most six months | 154,133 | 158,253 |
| More than six months and less than one year | 159,847 | 132,355 |
| More than one year and less than two years | 304,817 | 273,001 |
| More than two years and less than three years | 297,699 | 274,303 |
| More than three years and less than five years | 493,563 | 495,989 |
| More than five years | 1,106,354 | 1,083,384 |
| of which advance for financing studies | 14,812 | 14,741 |
| of which related receivable to loans | 46,713 | 46,040 |
| **Total depreciation on loans and related receivables** | **-129,505** | **-100,607** |
| of which depreciation of non-performing loans (*) | -78,355 | -65,410 |
| of which depreciation on buckets 1 and 2 | -51,150 | -35,196 |
| **Deferred income from fees** | **-7,521** | **-8,013** |
| **Value adjustement on advances to customers** | **-988** | **-988** |
| ***Receivables from customers*** | ***2,439,926*** | ***2,368,457*** |

(*) The total amount of depreciation of non-performing loans includes XOF 68,848 M for depreciation on the principal (as of XOF 59,903 M for loans and XOF 8,945 M for advances on studies) and XOF 9,507 M for interests and commissions on non-performing loans.

### 5.2.3 Variation table for non-performing loans

Gross outstanding loans also include non-performing loans that have evolved as follows:

| | Balance as at | Changes of the period | | | Balance as at |
|---|---|---|---|---|---|
| | 31 december 2021 (a) | Increase (b) | Decrease (c ) | Balance of the period (d) = (b) + (c ) | 31 december 2022 (e) = (a ) + (d) |
| 1. Gross outstanding of non-performing loans | 70,701 | 5,705 | -2,984 | 2,721 | 73,422 |
| 2. Depreciation | -58,832 | -3,601 | 2,530 | -1,071 | -59,903 |
| 3. Net outstanding of non performing loans = (1) + (2) | **11,869** | **2,104** | **-453** | **1,651** | **13,519** |

## 5.3 <u>Debt securities portfolio</u>

### 5.3.1 Variation table for securities

The variation table of securities as at 31 December 2021 is as follows:

| | Balance as at | Variations of the period | | | Balance as at |
|---|---|---|---|---|---|
| | 31 december 2021 (a) | Increase (d) | Decrease (e ) | Balance of the period (f) = (d) + (e ) | 31 december 2022 (e) = (a ) + (d) |
| 1. Gross outstanding of securities portfolio (premiums bonds included) | 388,792 | 96,278 | -150,722 | -54,444 | 334,349 |
| 2. Interest receivables of securities portfolio | 9,957 | 19,700 | -20,159 | -459 | 9,498 |
| 3. Depreciation | -2,702 | -732 | 183 | -549 | -3,251 |
| **4. Net outstanding of securities portfolio = (1) + (2) + (3)** | **396,047** | **115,246** | **-170,698** | **-55,452** | **340,595** |

### 5.3.2 Details of debt securities portfolio

The breakdown of the debt securities portfolio is as follows:

| Securities portfolio | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Treasury bonds Senegal | 60,250 | 53,000 |
| Treasury bonds Côte d'ivoire | 37,857 | 54,571 |
| Treasury bonds Benin | 11,500 | 19,000 |
| Treasury bonds Burkina Faso | 37,375 | 43,750 |
| Coris Bank Holdings bonds | 10,500 | 13,000 |
| Treasury bonds Mali | 47,448 | 43,448 |
| Treasury bonds Niger | 32,000 | 18,000 |
| Treasury bonds Togo | 66,700 | 54,931 |
| CRRH Bonds | 7,317 | 8,617 |
| EBID Bonds | 7,645 | 1,667 |
| SONATEL Bonds | 10,000 | 10,000 |
| Treasury bills Burkina Faso | 0 | 15,000 |
| Treasury bills Mali | 5,000 | 8,989 |
| Treasury bills Niger | 0 | 30,000 |
| Treasury bills Côte d'ivoire | 0 | 5,000 |
| Treasury bills Senegal | 0 | 9,000 |
| Deposit Certificate BRM | | 800 |
| ***Sub-total 1. Gross outstandings*** | ***333,591*** | ***388,773*** |
| Bonds premiums and discounts | -43 | 20 |
| ***Sub-total 2. Gross outstandings with premiums included*** | ***333,549*** | ***388,792*** |
| Interests receivable | 9,382 | 9,957 |
| Depreciation/securities portfolio (buckets 1 and 2) | -2,336 | -2,702 |
| **TOTAL** | **340,595** | **396,047** |

### 5.3.3 Schedule of debt securities portfolio

The contractual schedule of debt securities portfolio in XOF’ M as at 31 December 2022 and 31 December 2021 is as follows:

| Maturity | 31 December 2022 | 31 December 2021 |
|---|---|---|
| At most six months | 48,043 | 59,666 |
| More than six months and less than one year | 24,077 | 80,827 |
| More than one year and less than two years | 76,456 | 66,953 |
| More than two years and less than three years | 57,664 | 75,030 |
| More than three years and less than five years | 61,831 | 76,663 |
| More than five years | 65,521 | 29,633 |
| ***Sub-total 1. Gross outstandings*** | **333,591** | **388,773** |
| Bonds premiums and discounts | -43 | 20 |
| ***Sub-total 2. Gross outstandings with premiums included*** | ***333,549*** | ***388,792*** |
| Interests receivable | 9,382 | 9,957 |
| Depreciation/securities portfolio (buckets 1 and 2) | -2,336 | -2,702 |
| **TOTAL** | **340,595** | **396,047** |

## 5.4 Receivables from shareholders to be paid up

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

| Receivables from shareholders | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Endowment from member states receivable | 5,029 | 5,029 |
| Admission fee Guinea Bissau | 1,419 | 1,556 |
| **TOTAL** | **6,448** | **6,585** |

# NOTE 6. EQUITY INVESTMENTS

## 6.1. The Bank’s equity investments strategy

Equity investment activity is consistent with the Articles of Association of the Bank, which, inter alia, provide: **(i)** in article 2, that “... The Bank shall provide financing particularly through 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 WAEMU'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.

## 6.2. 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 reasonable deadlines | 20% of risk capital |
| **All projects other than those from National Financial institutions (NFI) and agencies promoting SME, privatization projects, regional projects and projects from the mining and energy sectors** | 2.5% of risk capital | | |

## 6.3. Change in equity investments

### 6.3.1 Equity investments variation table

Changes in gross equity investments (*see note 2.12 of summary of accounting principles and practices)* are as follows:

| Changes in equity investments | 2022 | 2021 |
|---|---|---|
| Gross outstanding of equity investments as at 1st January | 96,539 | 93,888 |
| Increases | 1,265 | 4,025 |
| Decreases | -1,919 | -1,374 |
| **Gross outstanding of equity investments as at 31 December** | **95,885** | **96,539** |
| Gains /losses of equity investments designated at fair value through OCI non-recyclable | 48,045 | 39,662 |
| Gains /losses of sold equity investments designated at fair value through OCI non-recyclable | 2,509 | 1,960 |
| **Net outstanding of equity investments as at 31 December** | **146,440** | **138,161** |

### 6.3.2 Breakdown of equity securities per counterparty

Equity investments recognized in the balance sheet between the 31 December 2022 and

31 December 2021 are detailed per counterparty in the tables below:

a) Instruments recognized at fair value through profit or loss

| N° | Country | Equity investments | Percentage of interest (%) | 31 December 2022 | | | | 31 December 2021 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | 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) + (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) + (c ) |
| 1 | BN | FOAI - Sicav ABDOU DIOUF | 14.5% | 2,500 | 1,240 | 23 | 3,763 | 2,500 | 1,063 | 176 | 3,740 |
| 2 | h-uemoa | FEFISOL | 8.2% | 16 | 31 | 7 | 53 | 1,312 | 52 | -21 | 1,343 |
| 3 | SN | FCP/IFC BOAD | 100.0% | 5,000 | 689 | 520 | 6,209 | 5,000 | 733 | -44 | 5,689 |
| TOTAL | | | | 7,516 | 1,959 | 550 | 10,025 | 8,812 | 1,848 | 112 | 10,771 |

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

| N° | Country | Equity investments | Percentage of interest (%) | 31 December 2022 | | | | 31 December 2021 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | 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) + (c ) | Gross outstanding (a) | Gains/ Losses recognised in OCI (b ) | Gains/ Losses of equity instruments designated at fair value through OCI non-recyclable (c) | Balance sheet value (d) = (a) + (c ) |
| 1 | BN | SOAGA | 19,3% | 103 | -25 | 90 | 193 | 103 | 11 | 116 | 218 |
| 2 | TG | CAURIS CROISSANCE | 0,0% | - | 0 | - | 0 | 0 | 0 | 0 | 0 |
| 3 | SN | BNDE | 9,1% | 1,000 | 324 | 2,553 | 3,553 | 1,000 | 182 | 2,229 | 3,229 |
| 4 | h-uemoa | CAURIS CROISSANCE II | 17,7% | 4,268 | 371 | - 1,470 | 2,798 | 4,250 | 0 | -1,841 | 2,410 |
| 5 | TG | GARI S. A. | 11,6% | 1,500 | 54 | 1,149 | 2,649 | 1,500 | -71 | 1,095 | 2,595 |
| 6 | MA | BDM Mali | 16,0% | 600 | 385 | 18,630 | 19,230 | 600 | 1,265 | 18,244 | 18,844 |
| 7 | BN | BOA Bénin | 2,3% | 98 | 309 | 2,729 | 2,827 | 98 | 762 | 2,420 | 2,518 |
| 8 | NG | SONIBANK Niger | 7,1% | 1,082 | -286 | 2,218 | 3,300 | 1,082 | 119 | 2,504 | 3,586 |
| 9 | CI | BHCI Côte d'Ivoire | 0,3% | 150 | 10 | - 140 | 10 | 150 | 92 | -150 | 0 |
| 10 | NG | BOA Niger | 5,7% | 137 | 510 | 4,171 | 4,308 | 137 | 1,192 | 3,661 | 3,798 |
| 11 | TG | BIA Togo | 5,2% | 392 | 63 | 316 | 708 | 392 | 42 | 252 | 644 |
| 12 | h-uemoa | Afreximbank | 0,3% | 2,500 | 1,448 | 3,594 | 6,094 | 2,500 | 543 | 2,146 | 4,646 |
| 13 | SN | Banque Régionale de Marché (BRM) | 4,0% | 400 | 0 | - 400 | 0 | 400 | 0 | -400 | 0 |
| 14 | BF | Banque de l'Habitat du BF | 0,9% | 200 | 6 | 25 | 225 | 200 | 92 | 19 | 219 |
| 15 | CI | BRVM | 9,2% | 56 | -42 | 489 | 545 | 56 | 20 | 531 | 587 |
| 16 | CI | DC/BR (BRVM) | 9,1% | 140 | -16 | 219 | 359 | 140 | 29 | 235 | 375 |
| 17 | TG | CICA RE | 2,0% | 999 | 28 | 497 | 1,496 | 999 | 75 | 469 | 1,468 |
| 18 | MA | MANDE Hotel | 16,7% | 50 | -6 | 229 | 279 | 50 | -6 | 235 | 285 |
| 19 | CI | CIPREL | 2,0% | 584 | -416 | 1,270 | 1,854 | 584 | 74 | 1,686 | 2,270 |
| 20 | TG | ASKY (EX SPCAR) | 16,8% | 5,990 | 1,915 | - 4,075 | 1,915 | 5,990 | -675 | -5,990 | 0 |
| 21 | CI | RASCOM | 7,1% | 1,600 | 0 | - 1,600 | 0 | 1,600 | 0 | -1,600 | 0 |
| 22 | h-uemoa | PROPARCO | 0,7% | 4,347 | 194 | 1,011 | 5,358 | 4,347 | -80 | 817 | 5,164 |
| 23 | TG | BOAD-Titrisation | 100,0% | 500 | -185 | - 500 | 0 | 500 | -86 | -315 | 185 |
| 24 | TG | CRRH-UEMOA | 15,3% | 1,543 | 227 | 1,375 | 2,918 | 1,543 | 179 | 1,148 | 2,691 |
| 25 | h-uemoa | Fonds Agricole pour l'Afrique (FAA) | 1,9% | 2,189 | -544 | - 1,725 | 465 | 2,246 | 91 | -1,180 | 1,066 |
| 26 | TG | ORAGROUP | 2,1% | 1,642 | -378 | 3,951 | 5,593 | 1,642 | 57 | 4,329 | 5,970 |
| 27 | BF | Fidélis Finance (ex Burkina Bail) | 14,3% | 689 | -30 | 290 | 978 | 689 | 18 | 320 | 1,009 |
| 28 | SN | CNCAS | 7,9% | 1,573 | 680 | 1,577 | 3,150 | 1,573 | -709 | 897 | 2,470 |
| 29 | BF | CORIS BANK | 0,0% | - | 0 | - | 0 | 0 | 0 | 0 | 0 |
| 30 | CI | Nouvelle BRS CI/ORA Bank CI | 24,5% | 16,995 | 4,623 | 20,721 | 37,716 | 16,995 | 101 | 16,098 | 33,093 |
| 31 | CI | Banque de l'Union Côte d'Ivoire (BDU-CI) | 9,6% | 1,100 | 392 | 954 | 2,054 | 1,100 | 260 | 561 | 1,661 |
| 32 | BF | Banque de l'Union Burkina Faso (BDU-BF) | 10,1% | 1,100 | 571 | 1,449 | 2,549 | 1,100 | 321 | 878 | 1,978 |
| 33 | Kenya | FAER | 4,9% | 5,844 | -998 | 149 | 5,993 | 5,789 | 766 | 1,147 | 6,936 |
| 34 | BF | AMETHIS WEST AFRICAN (AWA) | 11,1% | 1,040 | 750 | - 213 | 827 | 1,445 | 321 | -964 | 481 |
| 35 | CI | Air Côte d'Ivoire | 7,9% | 10,320 | -715 | - 9,720 | 600 | 10,320 | -2,127 | -9,004 | 1,315 |
| 36 | h-uemoa | Investisseurs & Partenaires/ Dévoppement (IPDEV2) | 11,0% | 781 | -35 | - 322 | 459 | 781 | -67 | -286 | 494 |
| 37 | Bn | Société Immobilière d'Aménagement Urbain SImAU | 10,0% | 500 | 69 | 16 | 516 | 500 | 64 | -52 | 448 |
| 38 | SN | Banque Outarde | 11,3% | 2,000 | -3 | - 665 | 1,335 | 2,000 | -198 | -663 | 1,337 |
| 39 | h-uemoa | Fonds I&P Afrique Entrepreneurs 2 (IPAE2) | 3,3% | 1,068 | -8 | - 292 | 777 | 711 | -86 | -283 | 428 |
| 40 | NG | Banque de l'Habitat du Niger | 7,0% | 825 | -96 | - 273 | 552 | 825 | -63 | -178 | 647 |
| 41 | h-uemoa | Fonds d'investissements dédié au développement des services financiers dans l'UEMOA | 49,5% | 4,781 | 654 | - 344 | 4,437 | 4,527 | -167 | -998 | 3,529 |
| 42 | | ECP Africa Fund IV | 1,8% | 3,000 | -400 | 1,047 | 4,047 | 3,000 | 2,403 | 1,447 | 4,447 |
| 43 | CI | MANSA BANK | 7,6% | 1,200 | 74 | - 249 | 951 | 1,200 | 225 | -323 | 877 |
| 44 | h-uemoa | ADIWALE Fund I | 6,4% | 892 | -235 | - 389 | 502 | 334 | -93 | -154 | 180 |
| 45 | h-uemoa | AFIG Fund | 4,0% | 2,592 | -857 | - 295 | 2,297 | 2,730 | 562 | 562 | 3,292 |
| | | | | | | | | | | | |
| TOTAL | | | | 88,370 | 8,381 | 48,045 | 136,414 | 87,727 | 5,439 | 39,663 | 127,390 |

# NOTE 7. ADJUSTMENTS ACCOUNTS AND OTHER ASSETS

Adjustment accounts and other assets include the following items:

| Adjustement accounts and other assets | Note | 31 December 2022 | 31 December 2021 |
|---|---|---|---|
| Derivative assets | 7.1 | 94,084 | 88,067 |
| Accruals assets | 7.2 | 11,560 | 16,596 |
| Other adjustement accounts | 7.3 | 9,877 | 10,844 |
| **TOTAL** | | **115,521** | **115,507** |

## 7.1 Derivative assets

The breakdown of derivative assets by type of hedging relationship is as follows

| Derivative assets | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Derivative assets-fair value hedge | 0 | 1,437 |
| Derivative assets-cash flow hedge | 94,084 | 86,630 |
| **TOTAL** | **94,084** | **88,067** |

The item on “Derivative assets-currency risk hedging instruments” recorded a value of XOF 94,084 M as at 31 December 2022 against XOF 88,067 M as at 31 December 2021. These amounts correspond to the quota of the derivatives set up by the Bank to hedge against foreign exchange fluctuations on interest cashflows on loans denominated in foreign currencies.

## 7.2 Accruals assets

| Accruals assets | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Deferred expenses | 10,150 | 14,968 |
| Accruals and prepaid expenses | 524 | 1,284 |
| Accrued receivables | 181 | 61 |
| Other accruals | 704 | 284 |
| **TOTAL** | **11,560** | **16,596** |

## 7.3 Other adjustments accounts

| Other adjustement accounts | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Sundry debtors | 462 | 228 |
| Prefinancing of studies | 1,861 | 3,564 |
| Deposits paid | 59 | 70 |
| Advances on mission expenses | 0 | 1 |
| Advances and prepayments made | 830 | 115 |
| Other endowments and subsidies to be received | 6,665 | 6,866 |
| **TOTAL** | **9,877** | **10,844** |

# NOTE 8. TANGIBLE AND INTANGIBLE ASSETS

## 8.1 Tangible assets

The net book value of tangible assets as at 31 December 2022 and 31 December 2021 is as follows:

| Tangible assets | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Cost of acquisition | 24,950 | 24,391 |
| Allocations and reversal of depreciations | -18,909 | -18,214 |
| **Net outstanding of tangible assets** | **6,041** | **6,177** |

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

| Items | Lands | Buildings | Properties under construction | Fittings and fixtures | Equipment held under finance lease | Total |
|---|---|---|---|---|---|---|
| **Cost of acquisition** | | | | | | |
| **Balance as at 1st January 2021** | **190** | **13,389** | **1,171** | **8,939** | **0** | **23,690** |
| Acquisitions | 225 | 306 | 477 | 1,268 | 0 | **2,276** |
| Transfers | 0 | 0 | -1,231 | 0 | 0 | **-1,231** |
| Disposals | 0 | 0 | 0 | -344 | 0 | **-344** |
| Revaluation acquisitions | 0 | 0 | 0 | 0 | 0 | **0** |
| Other revaluations | 0 | 0 | 0 | 0 | 0 | **0** |
| **Balance as at 1st January 2022** | **415** | **13,695** | **418** | **9,863** | **0** | **24,391** |
| Acquisitions | 0 | 0 | 285 | 711 | 0 | **995** |
| Transfers | 0 | 0 | 0 | 0 | 0 | **0** |
| Transfers to investment properties | 0 | 0 | 0 | 0 | 0 | **0** |
| Sales | 0 | 0 | 0 | -437 | 0 | **-437** |
| **Balance as at 31 December 2022** | **415** | **13,695** | **702** | **10,138** | **0** | **24,950** |
| | | | | | | |
| **Cumulative amortizations and disposals** | | | | | | |
| **Balance as at 1st January 2021** | **0** | **10,373** | **0** | **7,094** | **0** | **17,467** |
| Amortization charges | 0 | 345 | 0 | 731 | 0 | **1,076** |
| Reversals of depreciation (disposals) | 0 | 0 | 0 | 0 | 0 | **0** |
| Impairment losses recognized during the period | 0 | 0 | 0 | -329 | 0 | **-329** |
| Reversals of depreciation | 0 | 0 | 0 | 0 | 0 | **0** |
| **Balance as at 1st January 2022** | **0** | **10,718** | **0** | **7,496** | **0** | **18,214** |
| Amortization charges | 0 | 345 | 0 | 774 | 0 | **1,119** |
| Reversals of amortization (disposals) | 0 | 0 | 0 | 0 | 0 | **0** |
| Transfers to investment properties | 0 | 0 | 0 | -424 | 0 | **-424** |
| Impairment losses recognized during the period | 0 | 0 | 0 | 0 | 0 | **0** |
| **Balance as at 31 December 2022** | **0** | **11,064** | **0** | **7,846** | **0** | **18,909** |
| **Net value of tangible assets as at 31 December 2022** | | | | | | **6,041** |

## 8.2 Investment properties

The investment properties consist solely of the leisure center of the staff city. The contract provides for an initial non-cancellable rental period of two years. Rents are payable in advance quarterly. Subsequent renewals are negotiated by mutual agreement between the parties. No conditional rent is charged.

The net book values of investment properties are presented below:

| Investment properties | 2022 | 2021 |
|---|---|---|
| Cost of acquisition | 770 | 770 |
| Allocations and reversal of depreciations | -144 | -117 |
| Net outstanding of intangible assets | **627** | **654** |

The evolution of the net book value of investment properties between 31 December 2021 and 31 December 2022 is as follows:

| Acquisitions of investment properties (in XOF'M) | | Allocations and reversal of depreciations (in XOF'M) | |
|---|---|---|---|
| **Balance as at 1st January 2022** | **770** | **Balance as at 1st January 2022** | **117** |
| Acquisitions | 0 | Amortization charges | 27 |
| Disposals | 0 | Write-back of amortization | 0 |
| Classified as assets held for sale | 0 | Classified as assets held for sale | 0 |
| **Balance as at 31 december 2022** | **770** | **Balance as at 31 december 2022** | **144** |
| **Net value on balance sheet as at 31 december 2022** | | | **627** |

## 8.3 Intangible assets

The net book values of intangible assets are as follows:

| Intangible assets | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Cost of acquisition | 3,187 | 2,694 |
| Allocations and reversal of depreciations | -1,650 | -1,539 |
| Net outstanding of intangible assets | **1,537** | **1,154** |

The net book value of intangible assets between 31 December 2022 and 31 December 2021 is as follows:

| Acquisitions of intangible assets (in XOF'M) | | Allocations and reversal of depreciations (in XOF'M) | |
|---|---|---|---|
| **Balance as at 1st January 2022** | **2,694** | **Balance as at 1st January 2022** | **1,539** |
| Acquisitions | 493 | Amortization charges | 111 |
| Disposals | 0 | Write-back of amortization | 0 |
| **Balance as at 31 december 2022** | **3,187** | **Balance as at 31 december 2022** | **1,650** |
| **Net value on balance sheet as at 31 december 2022** | | | **1,537** |

## 8.4 Non-current assets held for sale

In December 2021, the Bank was declared co-owner of a property complex jointly with other co-lessors. This property complex is presented as a non-current asset held for sale. The active buyer research program is in progress with the relevant parties.

The assets held for sale has been recorded at the lowest amount between the book value of the receivables owed by the loan's beneficiaries (***which amounts to 2,245 MFCFA***) and the amount of fair value less costs of sale. Any gain or loss from the sale and the cost of the sale will be recognized in profit or loss. There is no accumulated income or expense included in other comprehensive income related to the assets held for sale.

# NOTE 9. FINANCIAL LIABILITIES AT AMORTIZED COST

Financial liabilities at amortized cost consist of loans by the Bank and debts attached to them (accrued interest and fees).

## 9.1 Breakdown of item ''financial liabilities at amortized cost''

Details of this item as at 31 December 2022 and 31 December 2021 is as follows (in XOF' M)

| Liabilities at amortized cost | 31 December 2022 | 31 December 2021 |
|---|---|---|
| **I-Debts represented by a security** | | |
| BOAD bond issues (*) | 1,512,572 | 1,451,289 |
| BOAD bills | 19,557 | 19,557 |
| Maturities of less than one year/debts repr. by securities | 0 | 37,524 |
| ***Sub-total I*** | ***1,532,130*** | ***1,508,371*** |
| **II- Other loans from foreign partners** | | |
| Accrued interest on debts represented by a security | 30,354 | 30,937 |
| Deferred charges on bonds and bonds | -4 | -30 |
| ***Sub-total II*** | ***30,349*** | ***30,906*** |
| **Total I+II** | **1,562,479** | **1,539,277** |
| **III- Debts attached to loans and & debts repr.** | | |
| Loans to finance long-term projects | 563,077 | 545,188 |
| Loans for financing long-term studies | 482 | 482 |
| Maturities within one year/borrowings | 0 | 94,271 |
| ***Sub-total III*** | ***563,558*** | ***639,941*** |
| ***IV Debts related to other borrowings*** | | |
| Accrued interest and commissions on other borrowings | *2,536* | ***2,824*** |
| Deferred charges on other borrowings | *-598* | ***-913*** |
| ***Sub-total IV*** | ***1,938*** | ***1,911*** |
| **IV- Interbank debts (Cauris ROPPA, AFD...)** | **7,171** | **7,571** |
| **Total I+II+III+IV** | **2,135,146** | **2,188,700** |

(*) The total outstanding of bonds only consists of eurobonds issued in 2017, 2019 and 2021 on the international financial market.

## 9.2 Table of changes in borrowings

The borrowings variation per counterparty between 31 December 2021 and 31 December 2022 is as follows:

**Changes in deposits from banks**

| Debts | Balance as at 31 december 2021 | Increases | Decreases | Exchange risk | Capitalisation interests differential by effective interest rate | Balance as at 31 december 2022 |
|---|---|---|---|---|---|---|
| Deposits from Banks | 7,571 | 430 | -830 | 0 | 0 | 7,171 |
| | | | | | | 0 |
| **TOTAL** | **7,571** | **430** | **-830** | **0** | **0** | **7,171** |

**Changes in debt securities issued**

| Debts | Balance as at 31 december 2021 | Increases | Decreases | Exchange risk | Capitalisation interests differential by effective interest rate | Balance as at 31 december 2022 |
|---|---|---|---|---|---|---|
| Debentures | 1,451,289 | 0 | 0 | 59,799 | 1,484 | 1,512,572 |
| Bonds | 57,081 | 0 | -37,524 | 0 | 0 | 19,557 |
| **TOTAL** | **1,508,371** | **0** | **-37,524** | **59,799** | **1,484** | **1,532,130** |

**Changes in other debts by counterparties**

| Debts | Balance as at 31 december 2021 | Increases | Decreases | Exchange risk | Capitalisation interests differential by effective interest rate | Balance as at 31 december 2022 |
|---|---|---|---|---|---|---|
| IDA | 143,036 | 7,609 | -3,614 | 668 | 0 | 147,699 |
| KfW | 160,321 | 0 | -27,187 | 0 | 0 | 133,134 |
| AFD | 161,927 | 14,958 | -15,190 | 0 | 0 | 161,696 |
| BEI | 3,751 | 0 | -2,491 | 0 | 0 | 1,260 |
| BAD | 66,531 | 0 | -13,387 | 0 | 0 | 53,144 |
| BDC | 6,560 | 0 | -6,560 | 0 | 0 | 0 |
| BADEA | 40,226 | 0 | -31,201 | 558 | 0 | 9,584 |
| BNP Fortis | 5,112 | 0 | -547 | 0 | 0 | 4,566 |
| BDA | 19,679 | 0 | 0 | 0 | 0 | 19,679 |
| OPEC | 32,798 | 0 | 0 | 0 | 0 | 32,798 |
| **TOTAL BY COUNTERPARTIES** | **639,941** | **22,568** | **-100,177** | **1,226** | **0** | **563,558** |
| **TOTAL DEBTS** | **2,155,883** | **22,998** | **-138,531** | **61,026** | **1,484** | **2,102,859** |

### 9.3 Maturity of financial liabilities at amortized cost

| Maturity | 31 December 2022 | 31 December 2021 |
|---|---|---|
| At most six months | 53,285 | 78,671 |
| More than six months and less than one year | 63,625 | 60,695 |
| More than one year and less than two years | 60,059 | 114,853 |
| More than two years and less than three years | 58,741 | 59,920 |
| More than three years and less than five years | 637,622 | 124,514 |
| More than five years | 1,229,525 | 1,717,230 |
| **Sub-total outstanding** | **2,102,859** | **2,155,883** |
| **Debts attached to loans and & debts repr.** | **32,287** | **32,817** |
| **TOTAL** | **2,135,146** | **2,188,700** |

### 9.4 The Bank's debt-equity ratio

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 2022, the Bank's outstanding borrowings represented 197% of its equity capital out of the regulatory threshold of 300%.

## NOTE 10. EARMARKED FUNDS

Funds are made up of the following:

| Earmarked funds | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Belgian Technical Assistance Fund | 215 | 201 |
| Dutch Fund | 34 | 34 |
| IDA Counterpart Fund | 551 | 727 |
| AFD Research Fund | 310 | 310 |
| AFD Counterpart Fund | 26 | 26 |
| Environmental Partnership Fund | 4 | 4 |
| KfW Counterpart Fund | 5,215 | 5,497 |
| China Cooperation Fund | 139 | 139 |
| AFD IV Capacity Improvement Fund | 30 | 30 |
| Energy Development Fund | 1,985 | 1,985 |
| Crop Insurance Fund | 2,836 | 2,836 |
| Regional Collaboration Centre (RCC) | 472 | 365 |
| New subsidy mechanism fund | 9,468 | 87,649 |
| CMS Fund for Interest Subsidy | 1,000 | 1,000 |
| Global environment fund | 10,817 | 1,152 |
| Climate change fund | 3,352 | 4,852 |
| Green Climate Fund | 16,438 | 662 |
| Regional initiatives supports fund | 383 | 383 |
| PACAN KFW Funds | 6,232 | 6,232 |
| Fund early release of capital | 32,798 | 0 |
| **TOTAL** | **92,305** | **114,083** |

## NOTE 11. ADJUSTMENT ACCOUNTS AND OTHER LIABILITIES

As at 31 December 2022, the adjustment accounts and other liabilities were as follows:

| Adjusment accounts and liabilities | Note | 31 December 2022 | 31 December 2021 |
|---|---|---|---|
| Derivatives liabilities | 11.1 | 306 | 0 |
| Accruals liabilities | 11.2 | 15,400 | 24,533 |
| Other adjustement accounts | 11.3 | 4,475 | 3,739 |
| **TOTAL** | | **20,181** | **28,271** |

### 11.1 Derivatives liabilities

The breakdown of derivative liabilities by type of hedging relationship is as follows

| Derivatives liabilities | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Derivatives liabilities-fair value hedge | 306 | 0 |
| Derivatives liabilities-cash flow hedge | - | 0 |
| **TOTAL** | **306** | **0** |

Derivative liabilities amount to XOF 306 M as at 31 December 2022 and relates only to the hedging of the borrowings denominated in USD and DTS. This level of financial liabilities results from the decrease of the dollar and SDR exchange rates compared to the guaranteed rates obtained by BOAD during the implementation of the hedging contracts.

### 11.2 Accruals liabilities

Details of accruals liabilities are as follows:

| Accruals liabilities | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Deferred income | 9,683 | 18,826 |
| Accrued liabilities | 5,602 | 4,723 |
| Advanced payments | 115 | 984 |
| **TOTAL** | **15,400** | **24,533** |

### 11.3 Other adjustment accounts

Details of other adjustments accounts are as follows:

| Other adjustment accounts | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Sundry creditors | 1,333 | 1,491 |
| Suppliers payables | 3,143 | 2,248 |
| **TOTAL** | **4,475** | **3,739** |

## NOTE 12. PROVISIONS

This item covers the amount of liabilities under benefit plans for severance payments upon retirement benefits. The table below compares the opening balance with the closing balance of the net liabilities for defined benefit plans.

| 12. Provision for retirement benefits | 2022 | 2021 |
|---|---|---|
| | KFCFA | kFCFA |
| Present value of the obligation | _ | _ |
| Opening balance | 9,182,100 | 7,783,887 |
| Cost of services rendered during the period | 652,430 | 568,371 |
| Contributions made by participants | 0 | 0 |
| Financial cost | 596,419 | 497,815 |
| Actuarial difference due to | 0 | 0 |
| a) Changes in demographic assumptions | 0 | 0 |
| b) Changes in financial assumptions | 0 | 0 |
| c) Experience adjustments | 447,259 | 934,669 |
| d) Total | 447,259 | 934,669 |
| Benefit payment | -872,497 | -602,641 |
| Cost of past services | 0 | |
| Payments | 0 | |
| Closing balance | **10,005,711** | **9,182,101** |
| *Completely unfinanced schemes* | *10,005,711* | *9,182,101* |
| *Partly or fully financed schemes* | | |
| | | |
| 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 | _ | |
| Present value of the benefit plan liability | 10,005,711 | 9,182,101 |
| Fair value of assets of the scheme | 0 | 0 |
| Surplus/deficit | 10,005,711 | 9,182,101 |
| Amount not recognized as an asset because of the limit 58(b) | **0** | **0** |
| Net assets/liabilities recognized in the balance sheet | **10,005,711** | **9,182,101** |
| | | |
| Total cost | _ | _ |
| Cost of services rendered during the period | 652,430 | 568,371 |
| Cost of past services | 0 | 0 |
| Effect of all payments | 0 | 0 |
| Cost of services provided in net income | **652,430** | **568,371** |
| | | |
| Financial cost | 596,419 | 497,815 |
| Interests | 0 | 0 |
| Net interest on net income | **596,419** | **497,815** |
| | | |
| Actuarial difference | 447,259 | 934,669 |
| Additional returns on assets of the scheme | 0 | 0 |

| 12. Provision for retirement benefits | 2022 | 2021 |
|---|---|---|
| **Effect of the limit of paragraph 58(b)** | 0 | 0 |
| **Revaluation of net pension liab. under fixed benefit scheme** | **447,259** | **934,669** |
| | | |
| **Total cost** | **1,696,108** | **2,000,855** |
| | | |
| **The cumulative actuarial difference recorded** | | |
| **in profit and loss** | **4,919,726** | **4,472,467** |
| | | |
| The principal actuarial assumptions at the reporting date are following (expressed as weighted averages) : | | |
| | | |
| **Principal actuarial assumptions** | _ | _ |
| **Discount rate** | 6.18% | 6.18% |
| **Future salary growth** | 6.00% | 6.00% |
| **Future mortality rate** | **TH / TF 2002 multiplied by 200%** | |
| | | |
| **The duration of the defined benefit obligation is** | 9.8 | 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): | | |
| | Changes of assumptions | |
| **Discount rate** | 9.80% | 9.70% |
| **Future salary growth** | 9.70% | 9.60% |
| **Future mortality rate** | -0.20% | -0.20% |
| | | |
| **Reconciliation of net liabilities recognized** | _ | _ |
| **Opening balance** | 9,182,100 | 7,783,887 |
| **Total charge in net income** | 1,248,849 | 1,066,186 |
| **Benefits payment** | -872,497 | -602,641 |
| **Remeasurements of defined benefit liability recognised in OCI** | 447,259 | 934,669 |
| **Closing balance** | **10,005,711** | **9,182,101** |

The total forecasted charge for contributions to the defined benefit plan for 2023 amounts to XOF 1,417 M. Also, the Bank plans to provide services amounting to XOF 71 M in 2023.

## NOTE 13. EQUITY

### 13.1 Details of equity

The equity as at 31 December 2022 and 31 december 2021 is as follows:

| Equity capital | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Subscribed capital | 1,103,650 | 1,103,650 |
| Callable capital | -826,230 | -826,230 |
| Unpaid Capital | -15,956 | -29,009 |
| Cost related to deferred paying-up of capital | -577 | -510 |
| **Capital (A)** | **260,888** | **247,902** |
| | | |
| **Share premium (B)** | **2,622** | **2,622** |
| | | |
| Reserves allocated to development activities | 76,050 | 76,050 |
| Other reserves | 26 | 26 |
| Retained earnings | 559,570 | 531,745 |
| **Reserves and retained earnings (C )** | **635,646** | **607,821** |
| | | |
| **Net income for the period (D)** | **123,682** | **30,824** |
| | | |
| Net gains on investments in equity instruments designated at fair value through other comprehensive income non recyclable (IFRS 9) | 48,045 | 39,664 |
| Cashflow hedging reserves | 34,504 | 22,514 |
| Remeasurements of defined benefit liability | -746 | -298 |
| **Other comprehensive income (E )** | **81,804** | **61,880** |
| | | |
| **EQUITY CAPITAL (A+B+C+D+E)** | **1,104,641** | **951,049** |

## 13.2 <u>BOAD capital structure</u>

a) The table below outlines the Bank's capital structure as at 31 December 2022 in nominal value and share distribution. Each share confers the same rights and duties to its holder.

CAPITAL STRUCTURE AS AT 31 DECEMBER 2022

| 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 | 15,183 | 980 | 48,487 |
| BURKINA | 64,650 | 5.86% | 1,293 | 16,163 | 15,183 | 980 | 48,487 |
| COTE D'IVOIRE | 64,650 | 5.86% | 1,293 | 16,163 | 15,183 | 980 | 48,487 |
| GUINEE BISSAU | 64,650 | 5.86% | 1,293 | 16,163 | 15,183 | 980 | 48,487 |
| MALI | 64,650 | 5.86% | 1,293 | 16,163 | 15,183 | 980 | 48,487 |
| NIGER | 64,650 | 5.86% | 1,293 | 16,163 | 15,183 | 980 | 48,487 |
| SENEGAL | 64,650 | 5.86% | 1,293 | 16,163 | 15,183 | 980 | 48,487 |
| TOGO | 64,650 | 5.86% | 1,293 | 16,163 | 15,183 | 980 | 48,487 |
| BCEAO | 517,200 | 46.86% | 10,344 | 129,304 | 121,464 | 7,840 | 387,896 |
| | **1,034,400** | **93.73%** | **20,688** | **258,608** | **242,928** | **15,680** | **775,792** |
| **CATEGORY B** | | | | | | | |
| France | 38,400 | 3.48% | 768 | 9,600 | 8,960 | 640 | 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 | 1,500 | 0 | 4,500 |
| EXIM BANK OF INDIA | 750 | 0.07% | 15 | 188 | 175 | 13 | 563 |
| CHINA | 12,000 | 1.09% | 240 | 3,000 | 2,800 | 200 | 9,000 |
| MOROCCO | 500 | 0.05% | 10 | 125 | 125 | 0 | 375 |
| | **69,250** | **6.27%** | **1,385** | **18,813** | **17,960** | **853** | **50,438** |
| | **1,103,650** | **100.00%** | **22,073** | **277,421** | **260,888** | **16,533** | **826,230** |
| **UNSUBSCRIBED CAPITAL** | **605,700** | | **12,114** | | | | |
| **AUTHORIZED CAPITAL(*)** | **1,709,350** | | **34,187** | | | | |

(*) In December 2022, the Bank's governing bodies authorised a capital increase of XOF 554 M, thus raising the Bank's authorised capital from XOF 1,155 M to XOF 1,709 M. The diligence relating to the signing of subscription forms and calls for payment will be carried out in 2023.

b) The table below presents the detail of the “unpaid capital” appearing in the capital structure.

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Unpaid Capital without cost related to deffered paying-up of capital (a) | 15,956 | 29,009 |
| Cost related to deferred paying-up of capital (b) | 577 | 510 |
| **Unpaid capital (a+b)** | **16,533** | **29,519** |

### 13.3 Effective equity (core tier 1 capital)

The Bank’s effective equity is broken down as at 31 December 2022 and 31 December 2021 as follows:

| Items | 31 December 2022 | 31 December 2021 |
|---|---|---|
| **A- Tier 1 capital * (=1+2) (a)** | **989,906** | **856,685** |
| 1- Capital and other funds | 260,888 | 247,902 |
| 2- Reserves and other funds | 729,018 | 608,783 |
| **B- Additionnal own funds (b)** | **73,350** | **64,968** |
| **Effective equity capital/Core Tier 1 Capital (=A+B)** | **1,063,256** | **921,653** |
| C- Unpaid own funds (c ) | 41,386 | 29,396 |
| **Equity capital (A+B+C)** | **1,104,641** | **951,049** |

(a ): **Tier 1 capital** refers to component of equity requirements for risks which represents the higher quality capital, enabling the Bank for going concern

(b ) **Additional own funds:** these are own funds of lower quality than the Tier 1 capital but with the capacity to absorb losses, in the event of liquidation.

(c ) **Unpaid equity** corresponds to equity items without consideration received in cash. They include i) the reserves for hedging the exchange risk linked to the interest on hedged debts, ii.) the unpaid share of issue premiums and iii.) the unpaid share of Member States allocations.

* Equity requirement for risks

## NOTE 14. INTERESTS AND FEES

Details of this item are as follows:

| Margin on interests and fees | 2022 | 2021 |
|---|---|---|
| Interests and related income | 149,621 | 145,904 |
| Interests and related charges | -76,993 | -85,744 |
| *Sub-total on interests (A)* | *72,627* | *60,160* |
| Fees and commissions (income) | 3,741 | 3,101 |
| Fees and commissions (charges) | -6,580 | -1,111 |
| *Sub-total on fees (B)* | *-2,839* | *1,990* |
| **TOTAL (A) + (B)** | **69,789** | **62,150** |

## 14.1. Interests

### Interests and related income

| Interests and related income | 2022 | 2021 |
|---|---|---|
| Interests and related income/ interbank loans | 1,156 | 1,496 |
| Interest on loans to customers | 125,944 | 119,199 |
| Interest on staff loans | 196 | 208 |
| Interest on securities portfolio | 21,024 | 22,929 |
| Commission on loan commitments | 1,300 | 2,072 |
| **TOTAL** | **149,621** | **145,904** |

### Interests and related charges

| Interests and related charges | 2022 | 2021 |
|---|---|---|
| Interest charges on debts represented by a security | -61,678 | -71,106 |
| Interest charges on other debts | -14,292 | -13,936 |
| Commissions/commitments received | -281 | -616 |
| Credit insurance commission | -742 | -87 |
| **TOTAL** | **-76,993** | **-85,744** |

## 14.2. Fees

### Fees and commissions (income)

| Fees and commissions (income) | 2022 | 2021 |
|---|---|---|
| Commission obtained as processing fees | 1,846 | 1,793 |
| GARI's commission on guarantees | 181 | 219 |
| Other flat commissions | 32 | 25 |
| Commission on financial arrangements and advisory services | 1,288 | 483 |
| Commssions on FEM and FA | 395 | 582 |
| **TOTAL** | **3,741** | **3,101** |

### Fees and commissions (charges)

| Fees and commissions (charges) | 2022 | 2021 |
|---|---|---|
| Other charges/debts represented by securities | -1,533 | -429 |
| Other fees on borrowings | -912 | -680 |
| Charges and losses on investment securities | 0 | -2 |
| Profit or loss on securities portfolio | -4,135 | |
| **TOTAL** | **-6,580** | **-1,111** |

## NOTE 15. 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 gains and 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 2022, 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 | 2022 | 2021 |
|---|---|---|
| Exchange gain consumed | 8,083 | 30,047 |
| Potential exchange gain | 0 | 0 |
| ***Sub-total forex gains (A)*** | ***8,083*** | ***30,047*** |
| | | |
| Foreign exchange loss consumed | -4,020 | -30,194 |
| Potential foreign exchange loss | -61,026 | -77,629 |
| ***Sub-total forex losses (B)*** | ***-65,046*** | ***-107,822*** |
| | | |
| Net forex loss of C = (A) + (B) | ***-56,963*** | ***-77,775*** |
| ***Loss/profit on hedging instruments*** | ***76,257*** | ***97,761*** |
| **Net profit/loss on currency transactions** | **19,294** | **19,986** |

## NOTE 16. DIVIDENDS RECEIVED

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

| Dividends received | 2022 | 2021 |
|---|---|---|
| Dividends from BRVM | 84 | 70 |
| Dividends from DC BR | 91 | 70 |
| Dividends from BOA Bénin | 273 | 218 |
| Dividends from CIPREL | 241 | 726 |
| Dividends from BOA NG | 454 | 344 |
| Dividends from BDM-SA | 732 | 1,219 |
| Dividends from BNDE | | 80 |
| Dividends from AFREXIM Bank | 128 | 90 |
| Dividends from SONIBANK | 114 | 114 |
| Dividends from PROPARCO | 102 | |
| Dividends from CICA-RE | 50 | 40 |
| Dividends from Fidelis Finance | | 61 |
| Dividends from SOAGA | 111 | 141 |
| Dividends from BDU BF | 101 | 101 |
| Dividends from BDU CI | 194 | 108 |
| Dividends from IB BANK | | 9 |
| Dividends from SICAV ABDOU DIOUF | 106 | |
| Dividends from ORABANK CI | 636 | |
| **TOTAL** | **3,419** | **3,390** |

## NOTE 17. COST OF RISK

The cost of risk as at 31 December 2022 and as at 31 December 2021 is presented as follows:

| Cost of risk | 2022 | 2021 |
|---|---|---|
| Depreciations on receivables from customers | -22,628 | -15,132 |
| Write-back of depreciations on receivables from customers | 2,675 | 629 |
| Depreciations on securities portfolio | -732 | -2,234 |
| Write-back of depreciations on securities portfolio | 183 | 562 |
| Losses on receivables covered by depreciations | 0 | 0 |
| Depreciations on other assets | -8,945 | -13,917 |
| Write-back of depreciations on other assets | 618 | 0 |
| **TOTAL** | **-28,829** | **-30,092** |

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

| Distribution by bucket of the cost of risk | 2022 | 2021 |
|---|---|---|
| Bucket 1 | 283 | 637 |
| Bucket 2 | -16,785 | -6,319 |
| Bucket 3 | -12,327 | -24,411 |
| **TOTAL** | **-28,829** | **-30,092** |

The change in depreciation on bucket 2 between the two periods comes mainly from the consideration of the socio-political situation in Mali and Burkina in adjusting the ratings of counterparties based in these countries and, by extension, in estimating expected credit losses.

## NOTE 18. OTHER OPERATING INCOME

Other operating income amounts to XOF 59,461 M as at 31 december 2022 against XOF -24,721 M as at 31 december 2021. The breakdown is as follows:

### 18.1 Endowment of member countries

Endowments of member countries remain unchanged as at 31 December 2022 and amount to XOF 3,200 M.

### 18.2 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 | 2022 | 2021 |
|---|---|---|
| Interest subsidy | -1,321 | -1,370 |
| **TOTAL** | **-1,321** | **-1,370** |

### 18.3 General operating expenditures

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

| General operating costs | 2022 | 2021 |
|---|---|---|
| Staff overheads (*) | -18,988 | -16,935 |
| Amortizations and depreciations - Property, equipment and intangible assets | -1,257 | -1,230 |
| Other operating costs | -12,453 | -8,795 |
| **TOTAL** | **-32,698** | **-26,960** |

(*) The details of staff overheads as at 31 December 2022 and 31 December 2021 are as follows:

| Detail of staff overheads | 2022 | 2021 |
|---|---|---|
| Wages and salaries | -16,470 | -14,666 |
| Social security contributions | -901 | -762 |
| Other short-term benefits | -948 | -887 |
| Long-term construction contribution - Servicing city BOAD | 0 | 0 |
| Health insurance funds | -89 | -72 |
| Defined benefit plan expenses (**) | -580 | -549 |
| **TOTAL** | **-18,988** | **-16,935** |

(**) Apart from the amount presented in personnel expenses, the expenses for the financial year for defined benefit plans include a financial cost which stands at XOF 596 M, recorded in financial expenses (*see note 12*).

## NOTE 19. NET INCOME OF THE PERIOD

For the year-end 2022, the Bank recorded a profit of XOF 123,682 M The exceptional level of the result is explained by the decision of the WAEMU Council of Ministers to transfer to BOAD, in the form of a donation, part of the funds of the new bonus mechanism for an amount of XOF 90,000 M.

The purpose of this donation is to allow the strengthening of the Bank's equity capital within the framework of the measures taken by its Management to anticipate any shocks resulting from the economic and financial sanctions taken against Mali.

If this donation is not taken into account, the Bank's profit as of 31 December 2022 would be 33,682 M FCFA against 30,824 M FCFA as of 31 December 2021.

## 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 cash investment.

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

The overall organization of credit risk management is characterized by:

- a well-structured grant process, 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 consisting of models specific to each customer portfolio item (sovereign, corporate, bank, project in creation, capital investment at the corporate level, capital investment in banks) based on both quantitative and qualitative variables specific to the customer and its socio-economic environment**;**
- a depreciation (impairment) policy and a fair value measurement of equity investments 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 (*in terms of gross outstandings*) to credit risk prior to consideration of guarantees received for 2022 and 2021 is as follows:

| Maximum exposure of the Bank in terms of credit risk | 31 December 2022 | % | 31 December 2021 | % |
|---|---|---|---|---|
| Loans and advances to banks | 238 | 0% | 10,412 | 0.36% |
| Loans and advances to customers (gross outstandings) | 2,516,414 | 85% | 2,417,284 | 82.60% |
| Loans and advances to staff | 18,571 | 1% | 15,514 | 0.53% |
| Debt securities portfolio (gross outstandings) | 334,391 | 11% | 388,773 | 13.28% |
| Receivables from shareholders | 6,448 | 0% | 6,585 | 0.23% |
| Derivatives assets* | 94,084 | 3% | 88,067 | 3.01% |
| **TOTAL** | **2,970,147** | **100%** | **2,926,634** | **100%** |

**(*) Potential loss that the Bank would have incurred on foreign currency borrowings if no hedging instruments had been put in place**

### 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 value items.

#### 20.1.2.1 Loans

**For non-commercial (member Countries) and commercial (public companies) public sector**

| Counterparties | Limit per transaction | Level of commitment per borrower (all operations combined) | Internal limits management |
|---|---|---|---|
| **Member States** | 5% of risk capital | 55% of risk capital | 444 943 |
| **Public companies** | 5% of risk | 25% of risk capital | 100 000 |

| | | | |
|---|---|---|---|
| | capital | | |

**For the private sector**

| Counterparties | Limit per transaction | Level of commitment per borrower (all operations combined and cumulated) | Maximum overall volume of individual risks | Internal limits management |
|---|---|---|---|---|
| **Category 1**<br>**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% of risk capital | Overall volume of risks reaching individually 12.5% of risk capital is limited to 5 times the risk capital | 20 000 |
| **Category 2**<br>**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 | 10% of risk capital | | 15 000 |

### 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 |
|---|---|
| **Bonds and short term operation's guarantee** | 5% of risk capital |
| **Short term financing operations** | 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-industry, 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 2022:

| Sectorial breakdown of commercial portfolio | 31 December 2022 | % | 31 December 2021 | % |
|---|---|---|---|---|
| Agriculture and rural development | 8,277 | 1% | - | 0% |
| Industries | 99,691 | 14% | 87,781 | 13% |
| Finance and Insurance | 232,151 | 33% | 252,862 | 37% |
| Energy, Water and Information and Communication technologies | 215,084 | 31% | 216,581 | 31% |
| Hospitality and other services | 58,551 | 8% | 39,641 | 6% |
| Transport, town planning, environment | 83,828 | 12% | 92,287 | 13% |
| **TOTAL** | **697,583** | **100%** | **689,152** | **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 2022 and 31 December 2021 as follows:

| COUNTRIES | 31 December 2022 | | | Total 2022 | 31 December 2021 | | | Total 2021 |
|---|---|---|---|---|---|---|---|---|
| | FDC | FDE | Bank | | FDC | FDE | Bank | |
| BENIN | 137,493 | 12,018 | 94,967 | 244,478 | 130,122 | 12,970 | 78,047 | 221,139 |
| BURKINA FASO | 150,803 | 15,238 | 125,472 | 291,513 | 139,273 | 16,190 | 135,145 | 290,608 |
| CÔTE D'IVOIRE | 99,454 | 27,764 | 337,764 | 464,981 | 95,884 | 27,650 | 305,164 | 428,697 |
| GUINEE BISSAU | 105,106 | 13,326 | 8,476 | 126,908 | 108,915 | 12,813 | 10,999 | 132,727 |
| MALI | 140,564 | 11,417 | 114,700 | 266,681 | 142,954 | 12,332 | 127,261 | 282,547 |
| NIGER | 144,447 | 26,499 | 157,496 | 328,442 | 144,170 | 28,071 | 156,222 | 328,463 |
| SENEGAL | 136,431 | 25,681 | 277,188 | 439,300 | 129,509 | 26,470 | 250,957 | 406,936 |
| TOGO | 158,099 | 1,030 | 194,981 | 354,110 | 153,454 | 1,982 | 170,730 | 326,167 |
| **TOTAL** | **1,072,398** | **132,971** | **1,311,044** | **2,516,414** | **1,044,281** | **138,478** | **1,234,525** | **2,417,284** |

## 20.1.3 Description of the Bank's internal portfolio rating system

All counterparties financed by the Bank are rated at least once a year. To this end, the Bank provides six (6) models: "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).

### 20.1.3.1 BOAD's internal master scale

The Bank's internal rating grid includes 21 scale ratings, supplemented by risk assessment. Each scale corresponds to default probability. The Bank's internal master scale with a mapping to external ratings is as follows:

| | One year PD(in %) | GEMsPD Rating scale | Moody's | S&P | Fitch | Rating appreciation | Risk Class |
|---|---|---|---|---|---|---|---|
| 1 | 0.00% | GI1 | Aa3 | AA- | AA- | High Level | Risk very low |
| 2 | 0.00% | GI2 | A2 | A | A | Upper medium grade | |
| 3 | 0.00% | GI3 | A3 | A- | A- | | |
| 4 | 0.00% | GI4 | A3 | A- | A- | | |
| 5 | 0.01% | GI5 | Baa1 | BBB+ | BBB+ | Lower medium grade | |
| 6 | 0.01% | GI6 | Baa1 | BBB+ | BBB+ | | |
| 7 | 0.04% | GI7 | Baa2 | BBB | BBB | | |
| 8 | 0.09% | GI8 | Baa3 | BBB- | BBB- | | |
| 9 | 0.17% | GI9 | Ba1 | BB+ | BB+ | Speculative | Risk low |
| 10 | 0.42% | GI10 | Ba1 | BB+ | BB+ | | |
| 11 | 1.28% | Gs1 | Ba2 | BB | BB | | |
| 12 | 1.96% | Gs2 | Ba2 | BB | BB | | |
| 13 | 3.16% | Gs3 | Ba3 | BB- | BB- | | |
| 14 | 3.75% | Gs4 | B1 | B+ | B+ | Highly speculative | Moderate risk |
| 15 | 3.98% | Gs5 | B2 | B | B | | |
| 16 | 4.74% | Gs6 | B3 | B- | B- | Increasing risk | |
| 17 | 8.28% | Gs7 | Caa1 | CCC+ | CCC+ | Ultra speculative | Risk high |
| 18 | 17.64% | Gs8 | Caa2 | CCC | CCC | | |
| 19 | 28.40% | Gs9 | Caa2 | CCC | CCC | | Risk very high |
| 20 | 46.21% | Gs10 | Caa3 | CCC- | CCC- | | |
| 21 | 100% | D | 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 benchmarking with other multilateral development banks. The scores are statistically transformed into default probabilities under the constraint of the central trend and a rating cap defined for each model.

### 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
Sovereign or non commercial credit risk is related to loans granted to member States of the Union. 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.
The management of this risk results in the anticipated recognition (buckets 1 and 2) and in real time (bucket 3) of the expected credit losses.

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

| Portfolio exposure in terms of outstanding amounts by rating | | Sovereign risk | | Non sovereign risk | | Total | |
|---|---|---|---|---|---|---|---|
| Appréciation | Rating | Outstanding | % | Outstanding | % | Outstanding | % |
| High Level | Gl9 | | 0% | | 0% | - | 0% |
| | Gl10 | | 0% | | 0% | - | 0% |
| | Gs1 | | 0% | | 0% | - | 0% |
| | GS2 | | 0% | | 0% | - | 0% |
| | Gs3 | 540,457 | 30% | 76,601 | 11% | 617,058 | 25% |
| Highly speculative | Gs4 | 199,406 | 11% | 269,669 | 39% | 469,075 | 19% |
| Highly speculative | Gs5 | 0 | 0% | 132,798 | 19% | 132,798 | 5% |
| Increasing risk | Gs6 | 619,515 | 34% | 51,760 | 7% | 671,275 | 27% |
| Ultra speculative | Gs7 | 268,655 | 15% | 83,977 | 12% | 352,632 | 14% |
| | Gs8 | 190,797 | 10% | 6,450 | 1% | 197,247 | 8% |
| | Gs9 | | 0% | 2,905 | 0% | 2,905 | 0% |
| | Gs10 | | 0% | | 0% | 0 | 0% |
| Default | D | | 0% | 73,422 | 11% | 73,422 | 3% |
| ***Receivables from customers*** | | ***1,818,830*** | ***100%*** | ***697,583*** | ***100%*** | ***2,516,414,00*** | ***100%*** |
| High level | Gl9 | | 0% | | 0% | 0 | 0% |
| | Gl10 | | 0% | | 0% | 0 | 0% |
| | Gs1 | | 0% | | 0% | 0 | 0% |
| | GS2 | | 0% | | 0% | 0 | 0% |
| | Gs3 | 98,107 | 33% | | 0% | 98,107 | 30% |
| Highly speculative | Gs4 | 11,500 | 4% | 27,817 | 78% | 39,317 | 12% |
| | Gs5 | 15,000 | 5% | 7,645 | 22% | 22,645 | 7% |
| Increasing risk | *Gs6* | *83,699* | *29%* | | *0%* | *83,699* | *25%* |
| Highly speculative | Gs7 | 37,375 | 13% | | 0% | 37,375 | 11% |
| Highly speculative | Gs8 | 47,448 | 16% | | 0% | 47,448 | 14% |
| ***Portofolio securities (*)*** | | ***293,129*** | ***100%*** | ***35,462*** | ***100%*** | ***328,591*** | ***100%*** |
| ***Total*** | | ***2,111,959*** | ***100%*** | ***733,045*** | ***100%*** | ***2,845,004*** | ***100%*** |

**(*) Bonds are excluded due to their very short maturity.**

### 20.1.4.2 Determination of impairments on loans and receivables

#### a) General principles

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

Regardless of 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 the evolution of 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 credit risk's significant impairment's assessment 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 book value (exposure) and the value of expected future cashflows discounted at the effective interest rate of the asset at the initial accounting.

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

| Counterparty categories | 2022 | | | | | | | | 2021 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Bucket 1 | % | Bucket 2 | % | Bucket 3 | % | Total | % | Bucket 1 | % |
| Sovereign | 642 | *14%* | 29,376 | *63%* | - | *0%* | 30,017 | *27%* | 22,908 | *24%* |
| Bank | 803 | *17%* | 11,394 | *24%* | 1,583 | *3%* | 13,780 | *12%* | 4,932 | *5%* |
| Public | 254 | *6%* | 560 | *1%* | - | *0%* | 814 | *1%* | 1,983 | *2%* |
| Private | 2,905 | *63%* | 5,216 | *11%* | 58,320 | *97%* | 66,441 | *60%* | 64,204 | *68%* |
| **TOTAL LOANS (A)** | **4,604** | ***100%*** | **46,545** | ***100%*** | **59,903** | ***100%*** | **111,052** | ***100%*** | **94,028** | ***100%*** |
| Sovereign | 111 | *33%* | 1,687 | *84%* | | | 1,797 | *77%* | 1,514 | *85%* |
| Bank | 108 | *32%* | 310 | *16%* | | | 419 | *18%* | 256 | *14%* |
| Public | - | *0%* | - | *0%* | | | - | *0%* | 17 | *1%* |
| Private | 119 | *35%* | - | *0%* | | | 119 | *5%* | - | *0%* |
| **TOTAL SECURITIES (B)** | **338** | ***100%*** | **1,997** | ***100%*** | **-** | ***0%*** | **2,336** | ***100%*** | **1,787** | ***100%*** |
| **TOTAL ECL (A+B)** | **4,942** | **4%** | **48,542** | **43%** | **59,903** | **53%** | **113,387** | **100%** | **95,814** | |

## c) Distribution of ECL per bucket and per sector

| Sectorial breakdown | 2022 | | | | | | | | 2021 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Bucket 1 | % | Bucket 2 | % | Bucket 3 | % | Total | % | Montants | % |
| Agriculture and rural Development | 170 | 4% | 11,357 | 24% | 0 | 0% | 11,527 | 10% | 8,993 | *10%* |
| Industries | 834 | 18% | 2,021 | 4% | 10,923 | 18% | 13,779 | 12% | 9,909 | *11%* |
| Energy, Water and Information and Communication Technologies | 1,543 | 34% | 6,552 | 14% | 25,840 | 43% | 33,935 | 31% | 41,448 | *44%* |
| Transport infrastructure and equipment,Sanitation and urban development | 1,213 | 26% | 13,604 | 29% | 7,290 | 12% | 22,107 | 20% | 11,685 | *12%* |
| Finances and insurance | 676 | 15% | 11,399 | 24% | 1,583 | 3% | 13,658 | 12% | 5,979 | *6%* |
| Hospitality and Tourism and other services | 166 | 4% | 1,613 | 3% | 14,266 | 24% | 16,045 | 14% | 16,014 | *17%* |
| **ECL LOANS (A)** | **4,604** | **100%** | **46,545** | **100%** | **59,903** | **100%** | **111,052** | **100%** | **94,028** | **100%** |
| Finances and insurance | 338 | 100% | 1,997 | 100% | | | 2,336 | 100% | 1,770 | *99%* |
| Energy, Water and Information and Communication Technologies | | | | | | | | | 17 | *1%* |
| **ECL SECURITIES (B)** | **338** | **100%** | **1,997** | **100%** | | | **2,336** | **100%** | **1,786** | **100%** |
| **TOTAL ECL (A+B)** | **4,942** | **4%** | **48,542** | **43%** | **59,903** | **53%** | **113,387** | **100%** | **95,814** | |

## d) Distribution of ECL per bucket and per country

| Country | 2022 | | | | | | | | 2021 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Bucket 1 | % | Bucket 2 | % | Bucket 3 | % | Total | % | Amounts | % |
| BENIN | 406 | *9%* | 2,846 | *6%* | 3,226 | *5%* | 6,479 | *6%* | 5,645 | *6%* |
| BURKINA FASO | 118 | *3%* | 7,178 | *15%* | 656 | *1%* | 7,953 | *7%* | 3,246 | *3%* |
| IVORY COAST | 2,033 | *44%* | 2,429 | *5%* | 2,718 | *5%* | 7,179 | *6%* | 5,562 | *6%* |
| GUINEE BISSAU | 10 | *0%* | 2,639 | *6%* | | *0%* | 2,649 | *2%* | 2,780 | *3%* |
| MALI | 0 | *0%* | 11,453 | *25%* | 8,890 | *15%* | 20,344 | *18%* | 17,338 | *18%* |
| NIGER | 161 | *3%* | 5,921 | *13%* | 1,583 | *3%* | 7,664 | *7%* | 7,951 | *8%* |
| SENEGAL | 804 | *17%* | 3,211 | *7%* | 30,772 | *51%* | 34,787 | *31%* | 33,265 | *35%* |
| TOGO | 1,071 | *23%* | 10,868 | *23%* | 12,057 | *20%* | 23,997 | *22%* | 18,240 | *19%* |
| **TOTAL LOANS** | **4,604** | ***100%*** | **46,545** | ***100%*** | **59,903** | ***100%*** | **111,052** | ***100%*** | **94,028** | ***100%*** |
| BENIN | 7 | *2%* | 22 | *1%* | | | 29 | *1%* | 52 | *3%* |
| BURKINA FASO | 35 | *10%* | 508 | *25%* | | | 543 | *23%* | 453 | *25%* |
| IVORY COAST | 7 | *2%* | 75 | *4%* | | | 82 | *4%* | 125 | *7%* |
| MALI | 0 | *0%* | 0 | *0%* | | | 0 | *0%* | 0 | *0%* |
| NIGER | 0 | *0%* | 499 | *25%* | | | 499 | *21%* | 389 | *22%* |
| SENEGAL | 0 | *0%* | 390 | *20%* | | | 390 | *17%* | 209 | *12%* |
| TOGO | 182 | *54%* | 21 | *1%* | | | 203 | *9%* | 105 | *6%* |
| **TOTAL SECURITIES** | **338** | ***100%*** | **1,997** | ***100%*** | | | **2,336** | ***100%*** | **1,787** | ***100%*** |
| **TOTAL ECL** | **4,942** | **4%** | **48,542** | **43%** | **59,903** | **53%** | **113,387** | **100%** | **95,814** | |

## 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 evolution of exchange rate on the market. At BOAD, the exchange risk arises out of the fact that a part of the loans is issued in foreign currencies, while the balance sheet assets is quoted in XOF. The Bank can therefore record losses in profitability, due to adverse changes in the price of currencies against the Euro. Parity between Euro and XOF is fixed.

#### 20.2.1.1 Hedge accounting

To hedge the fluctuations in these currencies price, 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 have 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 hedged items’ones.

**Economic link determination**

The Bank determines the existence of an economic link between the hedging instrument and the hedged item depending on the currency, amount and schedule of their respective cashflows.
The essential conditions (such as nominal value, maturity and underlying) of the hedging instrument and the hedged item are in perfect agreement. The characteristics of the loans and their hedging instruments are identical. As a result, the two vary in opposite directions at the instigation of the same risk. In accordance with IFRS 9-B6.4.14, there is an economic link between the loans denominated in currencies other than euros of the Bank and the hedging instruments put in place.

**Coverage ratio**

The Bank covers all of its exposure to currency exchange risk (excluding euros). The amounts covered are the same as the notional amounts of the cover. As a result, the coverage ratio is 100%.

**Sources of ineffectiveness**

For all of the hedging instruments, the ineffectiveness could arise from certain decision-making affecting the maturities and timelines of the hedged items such as the early repayments of certain loans questionning the concordance between the characteristics of the hedged items and the instruments cover.

As of December 31, 2022, hedge ineffectiveness is considered not significant

**Notional schedule**

As of December 31, 2022, the schedule for the notional hedges is the same as that for the hedged loans.

The following table presents the fair value and notional amounts of derivative financial assets and liabilities as at 31 December 2022 and 2021 respectively:

| Financial instruments | Notes | 31 December 2022 Assets | 31 December 2022 Liabilities | 31 December 2022 Notional/ Outstanding | 31 December 2021 Assets | 31 December 2021 Liabilities | 31 December 2021 Notional/ Outstanding |
|---|---|---|---|---|---|---|---|
| Derivative assets-fair value hedge | 8 | - | - | - | 1,437 | - | 63,802 |
| Derivative assets-cash flow hedge | | 94,084 | - | 1,189,322 | 86,630 | - | 1,136,624 |
| Derivatives liabilities-fair value hedge | 12 | - | 306 | 62,693 | - | - | - |
| Derivatives liabilities-cash flow hedge | | | - | | | - | - |
| **Total** | | **94,084** | **306** | **1,252,015** | **88,067** | **-** | **1,200,425** |

The derivative assets come from the positive variation of the value of all the derivatives instruments (on the dollar and SDR credit lines and on 2027 and 2031 Eurobonds at 31 December 2022).

### 20.2.1.2 Debt structure as at 31 December 2022

The debt structure of the principal of the other borrowings from external partners and debts represented by securities are presented as at 31 December 2022 as follows:

| Debt structure as at 31 December 2022 | | | | | | | |
|---|---|---|---|---|---|---|---|
| Currencies | Currency amount | Exchange rate as at 31/12/2022 | Present outstanding amount (millions of XOF) | | % of total borrowings (D) | excluding Euro (A) | borrowings (B) |
| JPY | - | - | - | | | | |
| USD | 1,683,988 | 615,00 | 1,035,653 | | 49,42% | 95,16% | 49,88% |
| DTS | 64,152 | 820,69 | 52,649 | | 2,51% | 4,84% | 2,54% |
| CHF | - | - | - | | 0,00% | 0,00% | 0,00% |
| TOTAL EXCLUDING Euros (A) | - | - | **1,088,302** | **52%** | 51,93% | 100,00% | |
| Euro | 1,505,935 | 655,96 | **987,829** | **48%** | 47,14% | | 47,58% |
| TOTAL EXCLUDING F CFA (B) | | | **2,076,130** | **100%** | | | |
| | | | **-** | | | | |
| F CFA for domestic bond issues ('C) | | | **19,557** | | 0,93% | | |
| TOTAL BORROWINGS D= (B)+('C) | | | **2,095,688** | | 100,00% | | |

### 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 (31/12/2022) is the real value as at that date and +/-10% variations are 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 of a given rate and period are backed by liabilities of 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 that the Bank earns on its assets funded 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 liability. 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 and FDE activities only. Then, based on the yield curve, there is a +/-1% variation of different market rates. The results of the analysis are summarized in the table below:

| Scope (without off balance sheets) | 31/12/2022 | | 31/12/2021 | |
|---|---|---|---|---|
| | Variation | Impact on income for 2023 | Variation | Impact on income for 2022 |
| Bank activity only | + 100 points de base | + 8,016 | + 100 points de base | + 8,541 |
| Bank activity only | - 100 points de base | - 8,016 | - 100 points de base | - 8541 |
| FDC activity only | + 100 points de base | - 2,895 | + 100 points de base | - 2,114 |
| FDC activity only | - 100 points de base | + 2,895 | - 100 points de base | + 2,114 |

It appears from the sensitivity test that the Bank's balance sheet profile presents a gap of resources on FDC and FDE activities. It should be noted that the Bank does not borrow at variable rates according to its interest rate management policy.

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

### 20.3. <u>Liquidity risk</u>

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 2022 as follows:**

| | DURING 2023 | | | BEYOND | | |
|---|---|---|---|---|---|---|
| | ]0 month; 1 month] | ]1month;6 months] | ]6 months; 12 months] | ]1 year; 5 years] | >5 years | Total |
| Cash + Bank - opening balance | 253,082 | 0 | 0 | 0 | 0 | 253,082 |
| Term deposits | 0 | 31,010 | 0 | 0 | 0 | 31,010 |
| Assets held for sale | 0 | 0 | 2,245 | 0 | 0 | 2,245 |
| Loans and advances to banks | 0 | 0 | 238 | 0 | 0 | 238 |
| Loans and advances to customers | 19,423 | 134,710 | 221,373 | 1,096,080 | 968,340 | 2,439,926 |
| Loans and advances to staff | 354 | 1,733 | 2,386 | 8,490 | 5,609 | 18,571 |
| Debt securities portfolio | 3,842 | 45,001 | 24,077 | 195,950 | 71,725 | 340,595 |
| Equity investments | 0 | 0 | 0 | 0 | 146,440 | 146,440 |
| Shareholders receivables | 0 | 0 | 6,448 | 0 | 0 | 6,448 |
| Derivatives assets | 0 | 0 | 0 | 41,625 | 52,459 | 94,084 |
| Accruals assets | 0 | 0 | 11,560 | 0 | 0 | 11,560 |
| Other assets | 0 | 0 | 0 | 0 | 9,877 | 9,877 |
| **TOTAL ASSETS excluding tangible and intangible assets (A)** | **276,701** | **212,454** | **268,327** | **1,342,145** | **1,254,449** | **3,354,076** |
| Deposits from banks (CAURIS, ROPPA, AFD) | 7,171 | 0 | 0 | 0 | 0 | 7,171 |
| Debts securities issued | 0 | 19,558 | 0 | 546,696 | 996,225 | 1,562,479 |
| Other debts | 1,420 | 25,137 | 63,625 | 242,014 | 233,300 | 565,496 |
| Earmarked funds | 0 | 0 | 0 | 0 | 92,305 | 92,305 |
| Provisions | 0 | 0 | 0 | 0 | 10,006 | 10,006 |
| Derivatives liabilities | 0 | 0 | 0 | 306 | 0 | 306 |
| | 0 | 0 | 15,400 | 0 | 0 | 15,400 |
| Other liabilities | 0 | 0 | 0 | 0 | 4,475 | 4,475 |
| **TOTAL LIABILITIES (excluding equity) (B)** | **8,590** | **44,695** | **79,025** | **789,016** | **1,336,311** | **2,257,638** |

**Details on maturities of assets and liabilities as at 31 December 2021 are presented as follows:**

| | DURING 2022 | | | BEYOND | | |
|---|---|---|---|---|---|---|
| | ]0 month; 1 month] | ]1month;6 months] | ]6 months; 12 months] | ]1 year; 5 years] | >5 years | Total |
| Cash + Bank - opening balance | 210,373 | 0 | 0 | 0 | 0 | 210,373 |
| Term deposits | 0 | 20,000 | 0 | 0 | 0 | 20,000 |
| Loans and advances to banks | 0 | 0 | 2,245 | 0 | 0 | 2,245 |
| Loans and advances to customers | 0 | 0 | 10,412 | 0 | 0 | 10,412 |
| Loans and advances to staff | 25,626 | 132,627 | 193,136 | 1,043,292 | 973,776 | 2,368,457 |
| Debt securities portfolio | 296 | 1,447 | 1,993 | 7,092 | 4,685 | 15,514 |
| Equity investments | 2,425 | 57,241 | 88,101 | 218,646 | 29,633 | 396,047 |
| Shareholders receivables | 0 | 0 | 0 | 0 | 138,161 | 138,161 |
| Derivatives assets | 0 | 0 | 6,585 | 0 | 0 | 6,585 |
| Accruals assets | 0 | 0 | 0 | 0 | 88,067 | 88,067 |
| Other assets | 0 | 0 | 16,596 | 0 | 0 | 16,596 |
| | 0 | 0 | 0 | 0 | 10,844 | |
| **TOTAL ASSETS excluding tangible and intangible assets (A)** | **238,719** | **211,315** | **319,069** | **1,269,031** | **1,245,167** | **3,283,301** |
| Deposits from banks (CAURIS, ROPPA, AFD) | 7,571 | 0 | 0 | 0 | 0 | 7,571 |
| Debts securities issued | 0 | 37,524 | 30,906 | 19,558 | 1,451,289 | 1,539,277 |
| Other debts | 273 | 33,303 | 62,606 | 279,729 | 265,940 | 641,852 |
| Earmarked funds | 0 | 0 | 0 | 0 | 114,083 | 114,083 |
| Provisions | 0 | 0 | 0 | 0 | 9,182 | 9,182 |
| Derivatives liabilities | 0 | 0 | 0 | 0 | 0 | 0 |
| Accruals liabilities | 0 | 0 | 24,533 | 0 | 0 | 24,533 |
| Other liabilities | 0 | 0 | 0 | 0 | 3,739 | 3,739 |
| **TOTAL LIABILITIES (excluding equity) (B)** | **7,845** | **70,826** | **118,045** | **299,287** | **1,844,234** | **2,340,237** |

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 (*disbursements on loans minus repayments obtained and repayment of debt incurred*).

### 20.4. Operational risk

The implementation of operational risk 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 risks and their monitoring mechanisms and (iv) improve internal controls.
This will help in directing efforts based on the priority nature of the risks and taking measures to improve the internal control system.
The operational risk management approach is based on the establishment 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;
- the identification of risks using the Basel risk categories help in refining the risk types;
- the rating of the risks identified;
- the rating of net risks from a grid defining the levels of probability and severity (impact);
- the identification of action plans to reduce such risks;
- the appointment of a risk owner for each identified risk.

The incidents database is developed and updated with incidents collected through the Operational Risk Correspondents, an automated tool and gradually consolidated to obtain the sufficient depth losses 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 2022.

### 21.1 Classification of financial instruments

As at 31 december 2022, the classification of financial assets and liabilities is as follows:

| Financial instruments | Financial assets and liabilities | | | Financial assets and liabilities at amortized cost | Total amount of book value | Total amount of fair value |
|---|---|---|---|---|---|---|
| | through profit and loss | through OCI recyclable | through OCI non recyclable | | | |
| - Cash and cash equivalents | | | | 284,092 | 284,092 | 284,092 |
| - Loans and advances to banks | | | | 238 | 238 | 238 |
| - Debt Securities portfolio | | | | 340,595 | 340,595 | 340,595 |
| - Loans and advances to customers | | | | 2,439,926 | 2,439,926 | 2,439,926 |
| - Loans and advances to staff | | | | 18,571 | 18,571 | 18,571 |
| - Shareholders receivables | | | | 6,448 | 6,448 | 6,448 |
| - Equity investments | 10,025 | | 136,414 | 0 | 146,440 | 146,440 |
| - Derivative assets | 94,084 | | | 0 | 94,084 | 94,084 |
| **Total amount of financial assets** | **104,109** | **0** | **136,414** | **3,089,870** | **3,330,393** | **3,330,393** |
| Borrowings | | | | 2,135,146 | 2,135,146 | 2,135,146 |
| Derivative liabilities | 306 | | | | 306 | 306 |
| **Total amount of financial liabilities** | **306** | **0** | **0** | **2,135,146** | **2,135,452** | **2,135,452** |

As at 31 december 2021, the classification of financial assets and liabilities is as follows:

| Financial instruments | Financial assets and liabilities | | | Financial assets and liabilities at amortized cost | Total amount of book value | Total amount of fair value |
|---|---|---|---|---|---|---|
| | through profit and loss | through OCI recyclable | through OCI non recyclable | | | |
| - Cash and cash equivalents | | | | 230,373 | 230,373 | 230,373 |
| - Loans and advances to banks | | | | 10,412 | 10,412 | 10,412 |
| - Debt Securities portfolio | | | | 396,047 | 396,047 | 396,047 |
| - Loans and advances to customers | | | | 2,368,457 | 2,368,457 | 2,368,457 |
| - Loans and advances to staff | | | | 15,514 | 15,514 | 15,514 |
| - Shareholders receivables | | | | 6,585 | 6,585 | 6,585 |
| - Equity investments | 10,771 | | 127,390 | 0 | 138,161 | 138,161 |
| - Derivative assets | 88,067 | | | 0 | 88,067 | 88,067 |
| **Total amount of financial assets** | **98,838** | **0** | **127,390** | **3,027,388** | **3,253,616** | **3,253,616** |
| Borrowings | | | | 2,188,700 | 2,188,700 | 2,188,700 |
| Derivative liabilities | 0 | | | | 0 | 0 |
| **Total amount of financial liabilities** | **0** | **0** | **0** | **2,188,700** | **2,188,700** | **2,188,700** |

## 21.2 Levels of fair values

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 | |
|---|---|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Derivative assets | | | 94 084 | 88 067 | | | 94 084 | 88 067 |
| Equity investments designated at fair value through P&L | | | 10 025 | 10 771 | | | 10 025 | 10 771 |
| Equity investments designated at fair value through OCI non-recyclable | 12 728 | 12 286 | - | - | 123 687 | 115 103 | 136 414 | 127 390 |
| **Total amount of financial assets** | **12 728** | **12 286** | **104 109** | **98 838** | **123 687** | **115 103** | **240 523** | **226 227** |
| Derivative liabilities | | | 306 | - | | | 306 | - |
| **Total amount of financial liabilities** | | | **306** | **-** | | | **306** | **-** |

## 21.3 Valuation techniques of fair values

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<br>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<br>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<br><br>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. LEASES

### 22.1. As a lessor

The Bank leases part of its offices for professional uses as well as the leisure centre based in the staff residential estate. Beneficiaries include CAURIS SA, AfDB, CRRH-UEMOA, KFW and DYTOUI Consulting.

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 décember 2022, the amount of future minimum payments for non-cancellable lease contracts is as follows:

| In millions of F CFA | 2022 | 2021 |
|---|---|---|
| Less than one year | 77 | 100 |
| Between one and five years | 357 | 439 |
| More than five years | 557 | 677 |

#### 22.1.2 Amounts recognized as net income

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

| Items | 2022 | 2021 |
| --- | --- | --- |
| Office rental income | 74 | 105 |
| Income from investment properties | 3 | 7 |
| **TOTAL** | **77** | **112** |

### 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 are 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 bear any risk related to the residual value of the land or building. Therefore, the owner holds quasi-totality of risks and benefits related to the lands and buildings.

#### 22.2.1 Future minimal payments

As at 31 December 2022, future minimum payments for non-cancellable simple lease contracts are as follows:

| In millions of F CFA | 2022 | 2021 |
| --- | --- | --- |
| Less than one year | 187 | 172 |
| Between one and five years | 865 | 797 |
| More than five years | 1,348 | 1,242 |

#### 22.2.2 Amounts recognized as net income

| Items | 2022 | 2021 |
| --- | --- | --- |
| Conditional rent payments | 182 | 202 |
| **TOTAL** | **182** | **202** |

## 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 2022 as follows:

| Items | Number of loans | Amount disbursed on signed loans | | | | | % Outstanding amounts | Undisbursed amounts |
|---|---|---|---|---|---|---|---|---|
| | | FDC (1) | FDE (2) | PSCM (3) | PSPUM (4) | TOTAL(4) = (1+2+3) | | |
| BENIN | 78 | 150,803 | 15,238 | 85,439 | 17,175 | 268,655 | 14.8% | 156,606 |
| BURKINA | 106 | 137,493 | 12,018 | 47,797 | 2,098 | 199,406 | 11.0% | 267,308 |
| IVORY COAST | 49 | 105,106 | 13,326 | 8,476 | 0 | 126,908 | 7.0% | 112,804 |
| GUINEE BISSAU | 73 | 140,564 | 11,417 | 37,322 | 1,494 | 190,797 | 10.5% | 200,132 |
| MALI | 82 | 144,447 | 26,499 | 124,085 | 8,000 | 303,031 | 16.7% | 158,935 |
| NIGER | 80 | 99,454 | 27,764 | 65,469 | 40,452 | 233,139 | 12.8% | 244,790 |
| SENEGAL | 101 | 136,431 | 25,681 | 107,284 | 37,922 | 307,318 | 16.9% | 217,048 |
| TOGO | 66 | 158,099 | 1,030 | 30,447 | 0 | 189,576 | 10.4% | 154,046 |
| **TOTAL** | **635** | **1,072,398** | **132,971** | **506,320** | **107,141** | **1,818,830** | **100.0%** | **1,511,669** |

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 AGF West Africa (Ex GARI Fund)

The Bank holds shares in the capital of the AGF West Africa Funds (Ex-GARI Fund). Outstanding loans guaranteed by AGF West Africa Funds (Ex-GARI Fund) amounts to XOF28,652 M as at 31 december 2022 for a guaranteed amount of XOF12,887 M.
Details of these outstandings and their guarantees are as follows:

| Items | Outstanding amounts as at 31 December 2022 | Guaranteed part | Guarantee ratio |
|---|---|---|---|
| USINE PHARMAC. DO-PHARMA | 3,428 | 1,150 | 33.6% |
| MODERN. USINE PHARMAQUICK | 612 | 306 | 50.0% |
| IMPLANT. UNITE TRANSF.EXTRACT. MARBRE | 3,828 | 2,297 | 60.0% |
| IMPLANT. USINE PRODUC. CAOUT. C.I.H. | 1,330 | 333 | 25.0% |
| CONSTRUCT. & EXPLOIT. GAZ S.T.S.G. | 171 | 85 | 50.0% |
| (SOBEMAP) | 548 | 192 | 35.0% |
| PHARMIVOIRE RCI | 2,472 | 1,136 | 46.0% |
| Société Lacoste & Compagnie (Sénégal) | 5,760 | 2,000 | 34.7% |
| MDS BURKINA | 1,319 | 792 | 60.0% |
| SCS CARTONNERIE | 2,751 | 1,380 | 50.2% |
| MOULIN MODERNE DU MALI | 3,529 | 1,764 | 50.0% |
| PARENTERUS | 2,905 | 1,453 | 50.0% |
| **TOTAL** | **28,652** | **12,887** | **45%** |

### 23.3. Remunerations of senior executives and corporate officers

The remuneration of senior executives and corporate officers is as follows

| Items | 2,022 | 2,021 |
|---|---|---|
| Salaries and gratuities | 6,872 | 6,291 |
| Pension contributions | 401 | 345 |
| Financial costs and services/pension | 292 | 291 |
| Costs of past services/pension | 320 | 265 |
| Compensation to Board of Directors | 86 | 29 |
| ***Sub-total 1*** | **7,971** | **7,221** |
| Pension benefit obligations | 4,879 | 4,606 |
| ***Sub-total 2*** | **4,879** | **4,606** |

The remuneration of the President and Vice-Presidents 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 correspond to 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 December 2022 | 31 December 2021 |
|---|---|---|
| Loan commitments to be drawn (a) | 190,318 | 185,880 |
| Guarantees received from Regional Funds (b) | 18,972 | 27,651 |
| Guarantees received from international insurers (c) | 24,182 | |
| **Total** | **233,473** | **213,531** |

a) Commitments to be drawn are the remainder of loans yet to be mobilized on loans obtained from donors.
b) The Bank receives for its loans guarantees that are not financial (mortgage, pledge, collateral, etc.).
c) The Bank covers the credit risk of part of its outstanding loans through insurance policies signed with international insurers. The guarantee on the outstanding amount covered by these policies as at 31 December 2022 amounts to XOF 24,182 M.

### 24.2 Commitments given

The commitments given are mainly related to loan and equity agreements signed with various beneficiaries of BOAD's financing. These commitments are presented as follows:

| Commitments given | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Loan commitments given (a) | 1,866,246 | 1,764,044 |
| Advances for the financing of studies | 24,066 | 20,892 |
| Equity investment commitments (b) | 54,197 | 55,264 |
| Sureties and other guarantees | 25,000 | 10,000 |
| Credit insurance premiums to be paid (c ) | 4,978 | 5,903 |
| **Total** | **1,974,488** | **1,856,102** |

(a) Loan commitments given correspond to financing agreements whose execution depends on the compliance with suspensive conditions or whose actual disbursement depends on drawing requests from the borrower.

(b) Commitments for equity investments relate to BOAD's unpaid subscriptions to the capital of the following companies. The detail is presented as follows:

| COMMITMENTS FOR EQUITY INVESTMENTS (in XOF 'M) | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Cauris Croissance II Fund | 1,791 | 1,808 |
| African Renewable Energy Funds | 0 | 17 |
| Amethis West Africa (AWA) | 282 | 282 |
| Investors and Partners for Development Fund 2 | 719 | 719 |
| Investment fund dedicated to the development of financial services in WAEMU | 5,219 | 5,473 |
| I&P Afrique Entrepreneurs 2 (IPAE2) Fund | 932 | 1,289 |
| Cauris Croissance IV fund | 5,000 | 5,000 |
| AFIG Fund II | 408 | 270 |
| ADIWALE FUND I | 1,608 | 2,166 |
| Seed Funds | 12,000 | 12,000 |
| Infrastructure Funds | 26,238 | 26,238 |
| **TOTAL** | **54,197** | **55,264** |

(c) During the 2022 financial year, the Bank concluded credit insurance policies with insurers having a better international rating (A, A+, etc.). The purpose of this transaction is to reduce the Bank's exposure risk and to benefit from the effect of the better rating of these insurers which should enable the Bank, in time, to improve its own rating. The cost of committing to future payments under these policies amounts to XOF 4,978 M as at 31 December 2022 compared to XOF 5,903 M as at 31 December 2021.

## NOTE 25. EFFECTS OF THE COVID-19 AND SOCIO-POLITICAL SITUATION ON THE FINANCIAL STATEMENTS OF THE BANK

### 25.1. Effects of the covid-19

On the date of closing of the individual accounts by its Board of Directors and taking into account the evolution of the pandemic, the known and estimated effects of COVID-19 were recorded in the Bank's financial statements. BOAD will continue to anticipate and report other financial effects of COVID-19 in its financial statements as they become known and estimable.

### 25.2. Suspension of operations with Mali

The period under consideration saw the sanctions of the Economic Community of West African States (ECOWAS) against Mali. These sanctions resulted in the suspension of operations with Mali from 9$^{th}$ January to 3$^{rd}$ July 2022 corresponding to the period of the sanctions.

### 25.3. Conflict in Ukraine

The conflict between Russia and Ukraine which began since February 2021 has effects on the WAEMU zone, in particular through the increase in the prices of fuel and certain basic necessities, thus leading to generalized inflation in the zone. Public counterparties, the Bank's main clients, could be impacted by this situation; which would result in an increase in their deficit and therefore in their credit quality. Private counterparties are also facing this difficult economic situation. Nevertheless, it should be noted that on the date of closing of the accounts, no counterparty was prevented from fulfilling its obligations to BOAD in connection with this situation.

## NOTE 26. SUBSEQUENT EVENTS

As of the date of the closing of the 2022 financial statements by the Board of Directors, the Bank's Management has not noted any subsequent event likely to call into question the Bank's continuity of operations.