



**BANQUE OUEST AFRICAINE DE DÉVELOPPEMENT**

U.S.\$750,000,000

**5.50% Notes due 2021**

**Issue Price: 98.927%**

Application has been made for the U.S.\$750,000,000 5.50 % Notes due 2021 (the **Notes**) of Banque Ouest Africaine de Développement (the **Issuer** and, together with its subsidiaries and affiliates, the **Group**) to be admitted to the official list of the Luxembourg Stock Exchange and traded on the Bourse de Luxembourg, which is the regulated market in Luxembourg (the **Market**). In this Prospectus, references to “regulated market” shall mean a regulated market for the purposes of European Parliament and Council Directive 2004/39/EC.

This Prospectus does not constitute a prospectus for the purpose of Directive 2003/71 EC, as amended, and may only be used for the purpose for which it is published.

Interest on the Notes is payable semi-annually in arrear on May 6 and November 6 in each year commencing on November 6, 2016. Payments on the Notes will be made without deduction for or on account of any taxes to the extent described under “*Terms and Conditions of the Notes—Taxation*”.

The Notes mature on May 6, 2021 on which date they will be redeemed at their principal amount. The Notes are subject to redemption in whole (but not in part), at their principal amount, together with accrued interest, at the option of the Issuer at any time for taxation reasons. See “*Terms and Conditions of the Notes—Redemption and Purchase*”. The Notes are not redeemable otherwise prior to maturity.

Notes which are offered and sold in reliance on Regulation S (as defined below) will be represented by beneficial interests in a permanent global Note certificate (the **Unrestricted Global Note Certificate**) in registered form, without interest coupons attached, which will be registered in the name of Citivic Nominees Limited as nominee for, and shall be deposited on or about the Closing Date with Citibank Europe plc as common depository for, and in respect of interests held through Euroclear Bank SA/NA (**Euroclear**) and Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**). Notes which are offered and sold in reliance on Rule 144A (as defined below) will be represented by beneficial interests in one or more permanent global Note certificates (the **Restricted Global Note Certificate(s)**) and, together with the Unrestricted Global Note Certificate, the **Global Note Certificates**) in registered form, without interest coupons attached, which will be deposited on or about the Closing Date with Citibank N.A., as custodian for, and registered in the name of Cede & Co. as nominee for The Depository Trust Company (**DTC**). The Notes will be issued in denominations of U.S.\$200,000 and integral multiples of \$1,000 in excess thereof. See “*Terms and Conditions of the Notes—Form, Denomination and Title*”. Interests in the Restricted Global Note Certificate will be subject to certain restrictions on transfer. See “*Form of the Notes and Transfer Restrictions*”. Beneficial interests in the Global Note Certificates will be shown on, and transfers thereof will be effected only through, records maintained by DTC, Euroclear and Clearstream, Luxembourg and their participants. Except as described herein, certificates for Notes will not be issued in exchange for beneficial interests in the Global Note Certificates.

**THE NOTES HAVE NOT BEEN, NOR WILL THEY BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE U.S. SECURITIES ACT), OR UNDER THE APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND THE NOTES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON (AS SUCH TERMS ARE DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT (REGULATION S)), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT. THE NOTES MAY BE OFFERED AND SOLD ONLY (I) OUTSIDE OF THE UNITED STATES TO PERSONS OTHER THAN U.S. PERSONS AS DEFINED IN AND IN ACCORDANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT AND (II) IN THE UNITED STATES TO PURCHASERS THAT ARE QUALIFIED INSTITUTIONAL BUYERS AS DEFINED IN RULE 144A (RULE 144A) UNDER THE U.S. SECURITIES ACT (QIBs) THAT ARE ALSO QUALIFIED PURCHASERS AS DEFINED IN SECTION 2(A)(51)(A) OF THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE U.S. INVESTMENT COMPANY ACT) AND THE RULES AND REGULATIONS THEREUNDER (QPs), IN EACH CASE ACTING FOR THEIR OWN ACCOUNT OR THE ACCOUNT OF ONE OR MORE QIBs THAT ARE ALSO QPs IN RELIANCE ON AND IN COMPLIANCE WITH RULE 144A. SEE “*FORM OF THE NOTES AND TRANSFER RESTRICTIONS*”.**

The Issuer may be a “covered fund” as defined in Section 13 of the Bank Holding Company Act (the **Volcker Rule**). However, the Issuer does not believe that an investment in the Notes would constitute an acquisition of an “ownership interest” (as defined in the Volcker Rule regulation) in a covered fund. See “*Subscription and Sale and Transfer and Selling Restrictions—Covered Fund*”.

The Notes are expected to be rated Baa1 by Moody’s Investors Service Ltd. (**Moody’s**) and BBB by Fitch Ratings Limited (**Fitch**). The Issuer’s current long-term rating by Moody’s is Baa1 (outlook stable) and Fitch is BBB (outlook stable). A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization. Each of Moody’s and Fitch is established in the European Union (the **EU**), domiciled in the United Kingdom, and is included in the list of credit rating agencies registered in accordance with Regulation (EC) No. 1060/2009 on Credit Rating Agencies as amended by Regulation (EU) No. 513/2011 (the **CRA Regulation**). This list is available on the ESMA website (<http://www.esma.europa.eu/page/list-registered-and-certified-CRAs>).

Investing in the Notes involves a high degree of risk. See “*Risk Factors*” beginning on page 10.

JOINT LEAD MANAGERS

**BNP PARIBAS**

**J.P. MORGAN**

**DEUTSCHE BANK**

**STANDARD BANK**

The date of this Prospectus is May 3, 2016

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer (having taken all reasonable care that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Prospectus includes certain statistical and other data, which the Issuer believes are useful in helping investors to understand the markets in which the Issuer operates. Unless indicated otherwise, these data are based on internal calculations and estimates and have not been independently verified. Accordingly, no assurance can be given that such internal calculations and estimates are accurate and investors should not place undue reliance on such data included in this Prospectus. Where information has been extracted from third-party sources such as International Monetary Fund (**IMF**) reports, rating agency documents and publications by WAEMU institutions such as the BCEAO or the WAEMU Commission (each, as defined below), the Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Neither the Joint Lead Managers (as defined in “*Subscription and Sale*” below) nor Citicorp Trustee Limited (the **Trustee**) nor any of their respective directors, affiliates, advisers or agents has made an independent verification of the information contained in this Prospectus in connection with the issue or offering of the Notes and no representation or warranty, express or implied, is made by the Joint Lead Managers, the Trustee or any of their respective directors, affiliates, advisers or agents with respect to the accuracy or completeness of such information. Nothing contained in this Prospectus is, is to be construed as, or shall be relied upon as, a promise, warranty or representation, whether to the past or the future, by the Joint Lead Managers, the Trustee or any of their respective directors, affiliates, advisers or agents in any respect. The contents of this Prospectus are not, are not to be construed as, and should not be relied on as, legal, business or tax advice and each prospective investor should consult its own legal and other advisers for any such advice relevant to it.

No person is authorized to give any information or make any representation not contained in this Prospectus in connection with the issue and offering of the Notes and, if given or made, such information or representation must not be relied upon as having been authorized by any of the Issuer, the Trustee or the Joint Lead Managers or any of their respective directors, affiliates, advisers or agents. The delivery of this Prospectus does not imply that there has been no change in the business and affairs of the Issuer since the date hereof or that the information herein is correct as of any time subsequent to its date.

Neither this Prospectus nor any other information supplied in connection with the offering of the Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer, any of the Joint Lead Managers or the Trustee that any recipient of this Prospectus or any other information supplied in connection with the offering of the Notes should subscribe for or purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation and appraisal of the condition (financial or otherwise) of the Issuer. Neither this Prospectus nor any other information supplied in connection with the offering of the Notes constitutes an offer or invitation by or on behalf of the Issuer, any of the Joint Lead Managers or the Trustee to any person to subscribe for or to purchase any Notes.

This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy the Notes by any person in any jurisdiction where it is unlawful to make such an offer or solicitation. The distribution of this Prospectus and the offer or sale of the Notes in certain jurisdictions is restricted by law. This Prospectus may not be used for, or in connection with, and does not constitute, any offer to, or

solicitation by, anyone in any jurisdiction or under any circumstance in which such offer or solicitation is not authorized or is unlawful.

In particular, this Prospectus does not constitute an offer of securities to the public in the United Kingdom. Consequently this document is being distributed only to, and is directed at (a) persons who have professional experience in matters relating to investments falling within article 19(1) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the **Order**) or (b) high net worth entities falling within article 49(2)(a) to (d) of the Order, and other persons to whom it may be lawfully communicated, falling within article 49(1) of the Order (all such persons together being referred to as **relevant persons**). Any person who is not a relevant person should not act or rely on this document or any of its contents. Persons into whose possession this Prospectus may come are required by the Issuer and the Joint Lead Managers to inform themselves about and to observe such restrictions. Further information with regard to restrictions on offers, sales and deliveries of the Notes and the distribution of this Prospectus and other offering material relating to the Notes is set out under “*Subscription and Sale*” and “*Summary of Provisions Relating to the Notes in Global Form*”.

This Prospectus has not been prepared in the context of a public offering in France within the meaning of Article L. 411-1 of the French *Code monétaire et financier* and therefore has not been and will not be submitted for clearance to the French *Autorité des marchés financiers* (the **AMF**). Consequently, the Notes are not being offered directly or indirectly to the public in France and this Prospectus has not been distributed or caused to be distributed and will not be distributed or caused to be distributed to the public in France. Offers, sales and distributions of the Notes have been and shall only be made in France to (a) persons providing investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d’investissement de gestion de portefeuille pour compte de tiers*) and/or (b) qualified investors (*investisseurs qualifiés*) acting for their own account, as defined in, and in accordance with, Articles L. 411-1, L. 411-2, D. 411-1, D. 411-4, D. 744-1, D. 754-1 and D. 764-1 of the French *Code monétaire et financier*. The direct or indirect distribution to the public in France of any Notes so acquired may be made only as provided by Articles L. 411-1 to L. 411-4, L. 412-1 and L. 621-8 to L. 621-8-3 of the French *Code monétaire et financier*.

The Notes have not been, nor will they be, registered under the U.S. Securities Act or under the applicable securities laws of any state of the United States, and the Notes may not be offered or sold, directly or indirectly, within the United States or to, or for the account or benefit of, any U.S. person (as such terms are defined in Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. See “*Form of the Notes and Transfer Restrictions*”.

**The Notes may be offered and sold only (i) outside of the United States to persons other than U.S. persons as defined in and in accordance with Regulation S (the Regulation S Notes) and (ii) in the United States to purchasers that are QIBs as defined in Rule 144A that are also QPs as defined in Section 2(a)(51)(A) of the U.S. Investment Company Act (the Rule 144A Notes), in each case acting for their own account or the account of one or more QIBs that are also QPs in reliance on and in compliance with Rule 144A.** Each U.S. purchaser of Notes is hereby notified that the offer and sale of any Notes to it may be being made in reliance upon the exemption from the registration requirements of the U.S. Securities Act provided by Rule 144A.

The Notes have not been approved or disapproved by the U.S. Securities and Exchange Commission (the **SEC**), any state securities commission in the United States or any other U.S. regulatory authority nor have any of the foregoing authorities passed upon or endorsed the merits of any offering of the Notes or the accuracy or the adequacy of this Prospectus. Any representation to the contrary is a criminal offense in the United States.

This Prospectus has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant EU Member State**) will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant EU Member State of Notes which are the subject of the placement contemplated in this Prospectus may only do so in circumstances in which no obligation arises for the Issuer or any of the Joint Lead Managers to publish a prospectus pursuant to Article 3 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor the Joint Lead Managers have authorized, nor do they authorize, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or the Joint Lead Managers to publish or supplement a prospectus for such offer. The expression “Prospectus Directive” means Directive 2003/71/EC, as amended, and includes any relevant implementing measure in the Relevant EU Member State.

The Prospectus has not been prepared in the context of a public offering as this term is defined by Article 81 of the Uniform Act of the *Organisation pour l'Harmonisation en Afrique du Droit des Affaires (OHADA)* relating to commercial companies (AUSC&GIE). Therefore prior approval of the *Conseil Régional de l'Épargne Publique et des Marchés Financiers de l'UEMOA (CREPMF)* is not required. Consequently, neither AUSC&GIE provisions nor WAEMU regulations are applicable.

In connection with the issue of the Notes, Deutsche Bank AG, London Branch (the **Stabilizing Manager**) (or any person acting on behalf of the Stabilizing Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilizing Manager (or persons acting on behalf of the Stabilizing Manager) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilization action or over-allotment must be conducted by the Stabilizing Manager (or person(s) acting on behalf of the Stabilizing Manager) in accordance with all applicable laws and rules.

## GLOSSARY AND CONVENTIONS

Capitalized terms which are used but not defined in any particular section of this prospectus will have the meaning attributed thereto in **Terms and Conditions of the Notes** or any other section of this prospectus.

Unless otherwise specified or the context so requires, references to **FCFA** or **CFA Franc** are to the currency of the West African Economic and Monetary Union (**WAEMU**) under the auspices of which the Issuer was established, references to **U.S. dollars** and **U.S.\$** are to United States dollars and references to **euro**, **EUR** and **€** are to the currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended.

Unless otherwise specified, where financial information in relation to the Issuer has been translated into euro, it has been so translated, for convenience only, at the rate of one euro equals FCFA 655.957, which is the fixed exchange rate between the euro and the FCFA.

Certain figures and percentages included in this prospectus have been subject to rounding adjustments; accordingly figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

The language of the prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

References to a billion are to a thousand million.

In this Prospectus:

- **AFD** means *Agence Française de Développement* or the French Development Agency;
- **AfDB** means the African Development Bank;
- **ALM** means Asset/Liability Management;
- **BADEA** means *La Banque Arabe pour le Développement Economique en Afrique* or the Arab Bank for Economic Development in Africa;
- **BCEAO** means the *Banque Centrale des Etats de l'Afrique de l'Ouest* or the Central Bank of the WAEMU Member States;
- **BCP** means the business continuity plan;
- **Benin** means the Republic of Benin;
- **BOAD** means the *Banque Ouest Africaine de Développement* or the West African Development Bank;
- **BRVM** means the *Bourse Régionale des Valeurs Mobilières* or the WAEMU regional stock exchange;
- **Burkina Faso** means the Republic of Burkina Faso;

- **By-laws** means the by-laws of the Issuer, as last modified in September 2014;
- **CAG** means the *Comité d’Agrément* or the Project Approval Committee;
- **CDB** means the Chinese Development Bank;
- **CDM** means the Clean Development Mechanism;
- **CDR** means the Commitments and Risks Directorate;
- **CIDA** means the Canadian International Development Agency;
- **Côte d’Ivoire** means the Republic of Côte d’Ivoire;
- **DC/BR** means the *Dépositaire Central et Banque de Règlement* or central depository and settlement bank of the WAEMU;
- **DEG** means the *Deutsche Investitions und Entwicklungs Gesellschaft* or the German Development Agency
- **DFI** means Development Finance Institution;
- **ECOWAS** means the Economic Community of West African States;
- **EIB** means the European Investment Bank;
- **ERP** means the Enterprise Resource Planning software system;
- **ESMP** means the Environmental and Social Management Plan;
- **ESMU** means the Environmental and Social Management Unit;
- **EU** means the European Union;
- **FCFA** means the *Franc de la Communauté Financière Africaine*, the currency of the WAEMU;
- **FDC** means the Development and Cohesion Fund;
- **FDE** means the Energy Development Fund;
- **GEF** means the *Fonds pour l’Environnement Mondial* or the Global Environment Fund;
- **Guinea Bissau** means the Republic of Guinea Bissau;
- **ICD** means the Islamic Corporation for the Development of the Private Sector, a member of the IBD Group;
- **IDA** means the International Development Association of the World Bank Group;
- **IDB** means the Islamic Development Bank;
- **IFC** means the International Finance Corporation;

- **IMF** means the International Monetary Fund;
- **IMP** means the Information Master Plan;
- **IRED** means the Regional Initiative for Sustainable Energy;
- **JBIC** means the Japan Bank for International Cooperation;
- **JICA** means the Japan International Cooperation Agency;
- **KfW** means the *Kreditanstalt für Wiederaufbau* or the German Agency for Financial Cooperation;
- **LDCs** means lesser developed countries;
- **Mali** means the Republic of Mali;
- **MISS** means the Management of Information Security System;
- **NFIs** means National Financial Institutions;
- **Niger** means the Republic of Niger;
- **OeEB** means the *Österreichische Entwicklungsbank* or the Development Bank of Austria;
- **OFAC** means the Office of Foreign Assets Control of the U.S. Department of the Treasury;
- **OHADA** means the *Organisation pour l'Harmonisation en Afrique du Droit des Affaires*;
- **PEPs** means Politically Exposed Persons;
- **Policy Statement** means the Issuer's Policy Statement, adopted by the WAEMU Council of Ministers in 2009
- **President** means the President of the Issuer from time to time;
- **Proparco** means the *Société de Promotion et de Participation pour la Coopération Economique*;
- **PUFs** means *Projet d'Utilisation des Fonds suisses* or the Swiss Project Utilization Fund;
- **RIP** means the Regional Indicative Programme of the 11th European Development Fund;
- **ROPPA** means *Réseau des Organisations Paysannes et des Producteurs de l'Afrique de l'Ouest* or the Network of Farmers and Agricultural Producers in West Africa;
- **SDR** means "Special Drawing Rights", an international type of monetary reserve currency, created by the IMF, which operates as a supplement to the existing reserves of member countries. The SDR is an international reserve asset which is neither a currency, nor a claim on the IMF. Rather, it is a potential claim on the freely usable currencies of IMF members. The value of the SDR is based on a basket of key international currencies—the Euro, Japanese Yen, Pound Sterling and U.S. dollar. The basket will be expanded to include the Chinese Renminbi as the fifth currency, effective October 1, 2016. The U.S. dollar-value of the SDR is posted daily on the IMF's website;

- **Senegal** means the Republic of Senegal;
- **SMEs** means small- and medium-sized enterprises;
- **Togo** means the Republic of Togo;
- **WAEMU** means the West African Economic and Monetary Union;
- **WAEMU Commission** means the Commission of the West African Economic and Monetary Union, consisting of a President (always from Senegal) and eight commissioners (one from each country), three dealing with macro policy (public finance, trade, macroeconomics) and five others dealing with sectoral policies;
- **WAEMU Member States** means Benin, Burkina Faso, Cote d'Ivoire, Niger, Senegal, Togo, Mali and Guinea Bissau; and
- **WAMU** means the West African Monetary Union.

## LEGAL PERSONALITY, WAIVER OF IMMUNITY AND ENFORCEMENT

The Issuer is an international organization established by the agreement signed in Paris on November 14, 1973 and is recognized as an organization (of which the Togolese Republic and the other WAEMU Member States are members) pursuant to Ordinance N° 1 dated January 10, 1974 ratifying the Establishment Treaty in the Republic of Togo (the **Issuer Ratification Ordinance**), with separate legal and juridical personality capable of suing and being sued under the laws of the Togolese Republic. As at the date of this Prospectus, the Issuer's shareholders include the eight member states of the WAEMU. For a description of the Issuer's other shareholders, see "*Capital Structure—Capital and shareholding structure*".

The Issuer is an organization originally emanating from article 23 of the agreement establishing the WAMU signed originally in Paris on November 14, 1973 (the **WAMU Treaty**, as replaced by the agreement signed in Ouagadougou on January 20, 2007, the **2007 WAMU Treaty**), which is also recognized as an organization (of which the Togolese Republic the other WAEMU Member States are members) pursuant to the Ordinance N° 1 dated January 10, 1974 ratifying the 1973 WAMU Treaty (the **1973 WAMU Treaty Ratification Ordinance**) also with separate legal and juridical personality capable of suing and being sued under the laws of the Togolese Republic and one of the WAMU's institutions pursuant to article 25 of the 2007 WAMU Treaty and ratified by the Law N° 2009-020 dated September 7, 2009 ratifying the 2007 WAMU Treaty in the Republic of Togo (the **2007 WAMU Ratification Law**). No further acts, notifications, authorisations or other actions are required under the laws of the Togolese Republic to recognize and/or grant such legal and juridical personality in respect of either the Issuer or the WAMU.

The Issuer is an autonomous specialized institution of the WAEMU with full legal personality and has the power, capacity and authority to issue the Notes and to enter into and deliver the Subscription Agreement, Agency Agreement and Trust Deed and perform the obligations expressed and assumed by it under such agreements and the Notes.

The Issuer has agreed that the English courts have exclusive jurisdiction to settle any dispute arising from or connected with the Notes (the **Proceedings**). The Issuer has agreed that the courts of England are the most appropriate and convenient courts to settle a dispute and, accordingly, that it will not argue to the contrary. The Issuer has appointed Law Debenture Corporate Services Limited (**Law Debenture**) of Fifth Floor, 100 Wood Street, London EC2V 7EX, United Kingdom, as its agent on whom process may be served in any action arising out of or based on the Notes in an English court and has further undertaken that, in the event of Law Debenture ceasing so to act or ceasing to be located in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings.

The Issuer has submitted to the jurisdiction of the English courts for the benefit of the Noteholders and, as a result, to the extent allowed by law, Noteholders may take concurrent proceedings in any number of jurisdictions. However, it may not be possible to (a) effect service of process or enforce against the Issuer in courts of jurisdictions other than England and the Member States, or (b) enforce in the courts of any Member State any judgment obtained against the Issuer in any other jurisdiction, including judgments obtained on the Notes in the United States predicated upon the civil liability provisions of the federal securities laws of the United States. The Notes do not provide any alternative dispute resolution mechanism, such as arbitration, and accordingly Noteholders will have legal recourse in the event of any dispute under the Notes only through the courts.

Pursuant to the By-laws, the Immunities Protocol and the Headquarters Agreement, the Issuer benefits from various immunities and privileges. See "*Description of the Issuer—Overview—Privileges and Immunities*" and "*Risk Factors—Risks relating to the market generally—It may be difficult to effect service of legal process and enforce judgments obtained in the WAEMU Member States against the*

*Issuer and its officers*”. Article 4 of the By-laws provides that no judgment or award other than a definitive judgment or award may be enforced against the Issuer and all property and assets of the Issuer shall, wherever located and by whomsoever held, be immune from all forms of seizure, attachment or execution before the delivery of definitive judgment or award against the Issuer. The Issuer has, in accordance with the Decision of the Council of Ministers of the WAEMU dated December 17, 2015 (the **Waiver of Immunity Decision**) and pursuant to the relevant provisions of the Notes, the Agency Agreement and the Trust Deed, undertaken not to claim any immunity to the full extent permitted by the laws of any jurisdiction.

The courts of a WAEMU Member State will likely not automatically enforce any judgment obtained in a court established in a country other than that WAEMU Member State unless there is in effect a treaty between such country and such WAEMU Member State providing for reciprocal enforcement of judgments and then only in accordance with the terms of such treaty. There is currently no such treaty in effect between any of the WAEMU Member States and the United Kingdom. Accordingly, should a holder of the Notes be successful in obtaining a judgment against the Issuer in the United Kingdom or any other jurisdiction other than a WAEMU Member State, no assurance can be given that such judgment will be enforced against the Issuer in such WAEMU Member State. See “*Risk Factors—Risks relating to the market generally—It may be difficult to effect service of legal process and enforce judgments obtained in the WAEMU Member States against the Issuer and its officers*”.

Judgments may be enforceable in WAEMU Member States following compliance with certain procedural or other requirements. For example, in the Togolese Republic, where the Issuer is headquartered, foreign judgments are enforceable under local procedural rules, including a special order called *exequatur* which requires that:

- the party seeking the enforcement of a foreign judgment in Togo must submit a request to the president of the competent court where the enforcement will be instituted and produce a copy of the judgment, an original of the document evidencing the notification of the judgment and a certificate to attest that there is no possible further appeal or opposition against the judgment; and
- the president of the competent court shall verify, among other conditions, that the foreign judgment has been made by a competent jurisdiction, that the competent jurisdiction has applied the applicable law to the relevant dispute, that the foreign judgment cannot be further appealed and that the judgment is not obviously contrary to Togolese public policy.

In the circumstances described above, however, the enforcement in Togo of a judgment obtained in another jurisdiction, including the United Kingdom, cannot be assured. The Togolese Republic is not party to any international conventions or bilateral treaties with foreign countries providing for reciprocal enforcement of judgments obtained in any foreign country in the Togolese Republic. As a result, enforcement of foreign judgments in the Togolese Republic is reliant on the local laws and the ability of Noteholders to enforce foreign judgments in the courts of the Togolese Republic could be affected by a change of local law.

In addition, certain of the members of the Board of Directors of the Issuer and principal officers of the Issuer are residents of a Member State and all or a substantial portion of the property and assets of the Issuer are located in the Member States.

As a result, it may not be possible (a) to effect service of process upon any such person outside the relevant Member State in which such person is resident, (b) to enforce against any such person, in courts of jurisdictions other than the relevant Member State in which such person is resident, judgments obtained in such courts or (c) to enforce against any such person, in the courts of the Member State in which such person is resident, judgments obtained in any other jurisdiction, including judgments obtained on the Trust Deed in the courts of England and judgments obtained on

the Notes in the United States predicated upon the civil liability provisions of the federal securities laws of the United States.

## FORWARD-LOOKING STATEMENTS

Certain statements included herein may constitute “forward-looking statements” within the meaning of Section 27A of the U.S. Securities Act and Section 21E of the United States Securities Exchange Act of 1934, as amended (the **Exchange Act**); however, this Prospectus is not entitled to the benefit of the safe harbor created thereby. Such statements, certain of which can be identified by the use of forward-looking terminology such as “believes”, “expects”, “may”, “are expected to”, “intends”, “will”, “will continue”, “should”, “could”, “would be”, “seeks”, “approximately”, “estimates”, “predicts”, “projects”, “aims” or “anticipates”, or similar expressions or the negative thereof or other variations thereof or comparable terminology, or by discussions of strategy, plans or intentions, involve a number of risks and uncertainties. Such forward-looking statements are necessarily dependent on assumptions, data or methods that may be incorrect or imprecise and that may be incapable of being realized. Such forward-looking include all matters that are not historical facts. They appear in a number of places throughout this Prospectus and include statements regarding the Issuer’s intentions, beliefs or current expectations concerning, amongst other things, the Issuer’s results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which it operates. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future.

The Issuer is not obliged to, and does not intend to, update or revise any forward-looking statements made in this Prospectus whether as a result of new information, future events or otherwise. All subsequent written or oral forward-looking statements attributable to the Issuer, or persons acting on its behalf, are expressly qualified in their entirety by the cautionary statements contained throughout this Prospectus. As a result of these risks, uncertainties and assumptions, a prospective purchaser of the Notes should not place undue reliance on these forward-looking statements.

The sections of this Prospectus entitled “*Risk Factors*”, “*Description of the Issuer*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” contain a more complete discussion of the factors that could affect the Issuer’s future performance and the industry in which it operates. In light of these risks, uncertainties and assumptions, the forward-looking events described in this Prospectus may not occur.

These forward-looking statements speak only as at the date of this Prospectus. The Issuer does not undertake any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to the Issuer or to persons acting on its behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Prospectus.

Prospective investors should be aware that forward-looking statements are not guarantees of future performance and that the Issuer’s actual results of operations, financial condition and liquidity, and the development of the industry in which it operates may differ materially from those made in or suggested by the forward-looking statements contained in this Prospectus. In addition, even if the Issuer’s results of operations, financial condition and liquidity and the development of the industry in which it operates are consistent with the forward-looking statements contained in this Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause those differences include, but are not limited to:

- the anticipated growth of the Issuer’s business; and
- expectations as to the Issuer’s investments.

Factors that could cause actual results to differ materially from the Issuer’s expectations are contained in cautionary statements in this Prospectus and include, among other things, the following:

- significant political, economic, legal, regulatory and social uncertainties in the WAEMU Member States and the Issuer's jurisdictions of operation, and high risk of fraud, bribery and corruption;
- the Issuer is not subject to regulatory supervision, including with regard to capital adequacy, corporate governance or disclosure laws;
- actions by WAEMU Member States that may have consequences for the Issuer's business;
- failure of one of the WAEMU Members to pay a portion of paid-in capital that is due to be paid or its debts to the Issuer;
- geographic concentration of loans;
- failure to adapt the financial model to the lack of concessional funding;
- limited growth of the loan portfolio or higher credit exposure and decrease in asset quality;
- competition;
- volatility of earnings derived from equity investments;
- decline in the value of collateral;
- inadequate provisions;
- operational risk;
- unavailability of capital markets and other sources of financing;
- delays or failure to implement the 2015-2019 Strategic Plan;
- undrawn commitments;
- evolution of the FCFA/euro peg;
- market risks and liquidity risk;
- risk perception of the WAEMU Member States;
- changes in corporate governance structure and management;
- condition of international financial markets;
- government intervention;
- militant activity and terrorism; and
- disease outbreaks (*e.g.*, HIV/AIDS, Ebola virus).

## AVAILABLE INFORMATION

The Issuer is not required to file periodic reports under Sections 13 or 15 of the Exchange Act with the SEC. To permit compliance with Rule 144A in connection with resales and transfers of Notes, the Issuer has agreed that, for so long as any of the Notes are “restricted securities” within the meaning of Rule 144(a)(3) under the U.S. Securities Act, the Issuer will provide to any holder or beneficial owner of such restricted securities, or to any prospective purchaser of such restricted securities designated by a holder or beneficial owner, upon the request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the U.S. Securities Act, if at the time of such request the Issuer is not a reporting company under Section 13 or Section 15(d) of the Exchange Act or exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act. See “*Terms and Conditions of the Notes—Provision of Information*”.

## CERTAIN ERISA CONSIDERATIONS

Unless otherwise provided in any supplement to this Prospectus, the Notes should be eligible for purchase by employee benefit plans and other plans subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended (**ERISA**), and/or the provisions of Section 4975 of the Code and by governmental, church and non-U.S. plans that are subject to state, local, other federal law of the United States or non-U.S. law that is substantially similar to ERISA or the Code (**Similar Law**) subject to consideration of the issues described in this section. ERISA imposes certain requirements on **employee benefit plans** (as defined in Section 3(3) of ERISA) subject to Title I of ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, **ERISA Plans**) and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirements of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan. The prudence of a particular investment must be determined by the responsible fiduciary of an ERISA Plan by taking into account the ERISA Plan's particular circumstances and all of the facts and circumstances of the investment including, but not limited to, the matters discussed under "*Risk Factors*".

Section 406 of ERISA and Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the **Code**), prohibit certain transactions involving the assets of an ERISA Plan (Section 4975 of the Code also imposes prohibitions for certain plans that are not subject to Title I of ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, **Plans**)) and certain persons (referred to as **parties in interest** or **disqualified persons**) having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and Section 4975 of the Code. Accordingly, each original or subsequent purchaser or transferee of a Note that is or may become a Plan is responsible for determining that its purchase and holding of such Note will not constitute a prohibited transaction under ERISA or Section 4975 of the Code.

The Issuer, the Registrar, the Trustee, the Joint Lead Managers, their affiliates or any other party to the transactions referred to in this Prospectus may be parties in interest or disqualified persons with respect to many Plans. Prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if any of the Notes is acquired or held by a Plan, including but not limited to where the Issuer, the Registrar, the Trustee, the Joint Lead Managers, their affiliates or any other party to such transactions is a party in interest or a disqualified person. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable, however, depending in part on the type of Plan fiduciary making the decision to acquire any Notes and the circumstances under which such decision is made. Included among these exemptions are Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code (relating to transactions between a person that is a party in interest (other than a fiduciary or an affiliate that has or exercises discretionary authority or control or renders investment advice with respect to assets involved in the transaction) solely by reason of providing services to the plan, provided that there is adequate consideration for the transaction), Prohibited Transaction Class Exemption (**PTCE**) 91-38 (relating to investments by bank collective investment funds), PTCE 84-14 (relating to transactions effected by a qualified professional asset manager), PTCE 95-60 (relating to transactions involving insurance company general accounts), PTCE 90-1 (relating to investments by insurance company pooled separate accounts) and PTCE 96-23 (relating to transactions determined by in-house asset managers). Prospective investors should consult with their advisors regarding the prohibited transaction rules and these exceptions. There can be no assurance that any of these exemptions or any other exemption will be available with respect to any particular transaction involving any Notes.

Governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and non-U.S. plans (as described in Section 4(b)(4) of ERISA), while not subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code, may nevertheless be subject to Similar Law. Fiduciaries of any such plans should consult with their counsel before purchasing the Notes to determine the need for, if necessary, and the availability of, any exemptive relief under any Similar Law.

Accordingly, except as otherwise provided in any supplement to this Prospectus, each purchaser and subsequent transferee of any Notes will represent and warrant, on each day from the date on which the purchaser or transferee acquires such Notes (or any interest therein) through and including the date on which the purchaser or transferee disposes of such Notes (or any interest therein), either that (a) it is not a Plan or any entity whose underlying assets include, or are deemed for purposes of ERISA or the Code to include, the assets of any Plan or a governmental, church or non-U.S. plan which is subject to any Similar Law or (b) its acquisition, holding and disposition of such Notes (or any interest therein) will not constitute or result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of a governmental, church or non-U.S. plan subject to Similar Law, a violation of any Similar Law) for which an exemption is not available.

Each Plan fiduciary who is responsible for making the investment decisions whether to purchase or commit to purchase and to hold any of the Notes should determine whether, under the documents and instruments governing the Plan, an investment in such Notes is appropriate for the Plan, taking into account the overall investment policy of the Plan and the composition of the Plan's investment portfolio. Any Plan proposing to invest in such Notes (including any governmental, church or non-U.S. plan) should consult with its counsel to confirm that such investment will not constitute or result in a non-exempt prohibited transaction and will satisfy the other requirements of ERISA and the Code (or, in the case of a governmental, church or non-U.S. plan, any Similar Law).

The sale of any Notes to a Plan is in no respect a representation by the Issuer, the Registrar, the Trustee, the Joint Lead Managers, their affiliates or any other party to the transactions that such an investment meets all relevant legal requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan.

**THE PRECEDING DISCUSSION IS ONLY A SUMMARY OF CERTAIN ERISA IMPLICATIONS OF AN INVESTMENT IN THE NOTES AND DOES NOT PURPORT TO BE COMPLETE. PROSPECTIVE INVESTORS SHOULD CONSULT WITH THEIR OWN LEGAL, TAX, FINANCIAL AND OTHER ADVISORS PRIOR TO INVESTING IN THE NOTES TO REVIEW THESE IMPLICATIONS IN LIGHT OF SUCH INVESTOR'S PARTICULAR CIRCUMSTANCES.**

## PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

### Financial Statements

The Issuer maintains its books of account in FCFA in accordance with International Financial Reporting Standards (**IFRS**) as issued by the International Accounts Standards Board (**IASB**). As at the date of this Prospectus, the FCFA is pegged to the euro at a rate of €1.00 per FCFA 655.957.

The financial information of the Issuer set forth herein, has, unless otherwise indicated, been derived from its statements of financial position and statements of comprehensive income, cash flows and changes in shareholders' equity for the years ended, December 31, 2013, 2014 and 2015 (the **2013 Financial Statements**, the **2014 Financial Statements** and the **2015 Financial Statements**, respectively and together, the **Financial Statements**).

The Issuer does not prepare segmental breakdowns along the lines of its business reporting (*i.e.*, by window).

The Issuer's accounts are subject to an annual audit carried out by an external auditor appointed by the WAEMU Council of Ministers after consultation of the Board of Directors from among international audit firms.

The Financial Statements were audited by Auditeurs Associés en Afrique KPMG CI, independent auditors in accordance with International Standards on Auditing.

Without qualifying its opinion on the 2014 Financial Statements, Auditeurs Associés en Afrique KPMG CI noted that by decision dated December 31, 2014, the Council of Ministers transferred to the Issuer, as a donation, the FDE initial allocation of FCFA 250 billion to strengthen its equity. The impact of this decision led to the recording of exceptional income of FCFA 250 billion in its accounts as of December 31, 2014. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—FDE Window financial statements*". Further, Auditeurs Associés en Afrique KPMG CI also noted that the Issuer changed from the cost method to the fair value method of accounting as at December 31, 2014 on eligible financial instruments classified as financial assets available for sale. This change in method resulted in evaluating the total portfolio of such financial instruments at fair value. The impact of this change in method resulted in the recognition of net capital gains of FCFA 16.4 billion recognized in equity for the 2014 financial year. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical accounting policies*" and Note 2.19 to the 2014 Financial Statements.

## Exchange Rate Information

As at the date of this Prospectus, the FCFA is pegged to the euro at a rate of €1.00 per FCFA 655.957. The following table shows the period-end, average, high and low noon buying rates in New York City for cable transfers payable in foreign currencies as certified by the Federal Reserve Bank of New York (the **Noon Buying Rates**) for the euro, expressed in dollars per one euro, for the periods and dates indicated. Any translation based on such rates should not be construed as a representation that the amounts in question have been, could have been or could be, converted into U.S. dollars at that or any other rate.

	Noon Buying Rate			
	Period End	Average <sup>(1)</sup>	High	Low
<b>Year:</b>				
2011 .....	1.2973	1.4002	1.4875	1.2926
2012 .....	1.3186	1.3119	1.3260	1.2930
2013 .....	1.3779	1.3281	1.3816	1.2774
2014 .....	1.2101	1.3210	1.3927	1.2101
2015 .....	1.0859	1.1096	1.2015	1.0524
<b>Month:</b>				
November 2015 .....	1.0562	1.0727	1.1026	1.0562
December 2015 .....	1.0859	1.0889	1.1025	1.0573
January 2016 .....	1.0832	1.0855	1.0964	1.0743
February 2016 .....	1.0868	1.1092	1.1362	1.0868
March 2016 .....	1.1390	1.1134	1.1390	1.0845
April 2016 (through 22 April) .....	1.1239	1.1349	1.1430	1.1239

(1) *The average of the Noon Buying Rates on the last business day of each month (or portion thereof) during the relevant period for annual averages; on each business day of the month (or portion thereof) for monthly averages. Source: Federal Reserve Bank of New York.*

## Rounding

Certain amounts which appear in this Prospectus have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

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## GENERAL DESCRIPTION OF THE ISSUER AND THE OFFERING

The following general description does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus.

Words and expressions defined in “*Terms and Conditions of the Notes*” and “*Form of the Notes and Transfer Restrictions*” shall have the same meanings in this General Description of the Issuer and the Offering.

### General Description of the Issuer

The Issuer is the regional development bank for the current member states of the West African Economic and Monetary Union (the **WAEMU**) headquartered in Lomé, Togo and is an international organization established by the Establishment Treaty signed by the six original member states of the WAEMU (Benin, Burkina Faso, Côte d’Ivoire, Niger, Senegal and Togo), which were joined by Mali and Guinea Bissau on June 1, 1984 and May 2, 1997, respectively (the **WAEMU Member States**). The Issuer commenced operations in 1976. The Issuer and the BCEAO (the Central Bank of the WAEMU Member States) are the two key financial institutions of the WAEMU.

The WAEMU is an economic and monetary union created in January 1994, based on the WAMU, whose member states are the same WAEMU Member States, established following independence under the Treaty establishing the West African Monetary Union dated May 12, 1962 (the **WAMU Treaty**). The WAEMU is characterized by the existence of a single currency known as the “*Franc de la Communauté Financière Africaine*” (**FCFA**), the issuance and management of which are entrusted to its common issuing institution, the BCEAO (whose members are also the WAEMU Member States). The FCFA exchange rate is currently fixed to the euro at FCFA 655.957 to EUR 1.00.

The Issuer’s shareholders are the WAEMU Member States, the BCEAO and several non-regional members such as France, Germany, the European Investment Bank (**EIB**), the African Development Bank (**AfDB**), Belgium, the People’s Bank of China, Exim Bank of India and recently the Kingdom of Morocco.

The Issuer’s mission is to foster the balanced development of the WAEMU Member States and contribute to the economic integration of West Africa, in particular by financing a variety of projects in the WAEMU Member States in various sectors including rural development, road infrastructure, telecommunications, energy, industry, transport, the financial industry and tourism. The Issuer provides short-, medium- and long-term funding in these sectors, as well as loan syndication arrangement and advisory services.

The Issuer extends credit through three separate financing windows:

- the Bank window (**Bank Window**);
- the Development and Cohesion Fund (**FDC**) window (**FDC Window**); and
- the Energy Development Fund (**FDE**) window (**FDE Window**).

The window used to extend credit depends on the type of project.

The “**Bank Window**” provides commercial funding to private sector entities as well as, to a lesser extent, the WAEMU Member States and their public sector entities or agencies, in each case at market rates. Bank Window activities are financed by matching market rate resources. The Issuer intends to

expand the activities of this window under the 2015-2019 Strategic Plan. See “*Description of the Issuer—Operations—Financing Windows—Bank Window*” below.

The “**FDC Window**” provides non-commercial rate funding to the WAEMU Member States and their public sector entities or agencies on a concessional basis, *i.e.*, “concessional loans” that are extended on preferential terms compared to market rate loans, either through interest rates below those available in the market and/or by grace periods for the commencement of the repayment of principal and/or the payment of interest. Generally, the Issuer only funds loans from the FDC Window when it has a matching source of concessional funds. Due to difficulties the Issuer has encountered in obtaining sufficient concessional resources to support this type of funding, it has decided to temporarily suspend its activities in this (although concessional financing to the WAEMU Member States is expected to resume during the course of 2016 due to additional funding being provided). See “*Description of the Issuer—Operations—Financing Windows—FDC Window*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments*” below.

The “**FDE Window**” provides concessional funding of regional and national priority energy programs and projects. Originally set up at the WAEMU level and managed by the Issuer, the initial endowment provided by the WAEMU Council of Ministers and the WAEMU Member States to the FDE has been capitalized within the Issuer’s own equity capital as of December 31, 2014. The FDE Window is funded with grants from the WAEMU Member States, regulatory bodies and institutions of the WAEMU, as well as from Belgium. However, decision-making authority with respect to projects funded through the FDE Window is made by the Issuer. See “*Description of the Issuer—Operations—Financing Windows—FDE Window*” below.

Through these three windows, the Issuer provides primarily medium- and long-term financing; however, since 2012, the Issuer also grants short-term loans, primarily in connection with trade financing, as well as “market rate sovereign loans” (*i.e.* long-term loans to the WAEMU Member States at market rates and under market conditions). These “market rate sovereign loans” extended through the Bank Window apply an interest rate that takes into consideration the type of borrower and the Issuer’s cost of funding from which the loan is funded. Accordingly, for the pricing of sovereign loans at arm’s length, a minimum margin is applied to the Issuer’s Bank Window reference rate. In addition, the Issuer is progressively developing its loan syndication arrangement and advisory services. These new services allow the Issuer to broaden its offering of products and services to better serve the WAEMU Member States and their respective economies as well as to create additional sources of revenue.

The Issuer’s major initiatives over the last 10 years have included the following:

- Creation of the Guarantee Fund for Private Investment in West Africa (**GARI**), a regional investment guarantee fund;
- Creation of a West African Asset Management Company (SOAGA) and a Regional Investment Fund known as *SICAV Abdou Diouf*;
- Creation of CRRH-UEMOA (*Caisse Régionale de Refinancement Hypothécaire*), a regional mortgage refinancing bank and BOAD *Titrisation*, a regional securitization company, in which the Issuer has a 99.99% ownership interest;
- Supporting the restructuring of the regional banking system;
- Becoming accredited by the Global Environment Fund (*Fonds pour l’Environnement Mondial*) (**GEF**) in furtherance of the Issuer’s dedication to environmental protection in connection with its financing projects (see “*—Environmental governance*” below);

- The strengthening and diversification of the Issuer’s offering of financing and financial services in order to promote public-private partnerships;
- Supporting the emergence and development of a regional financial market, including by way of equity investments. For example, the Issuer is a shareholder of the regional stock exchange (*Bourse Régionale des Valeurs Mobilières (BRVM)*) and of the central depository and settlement bank (*Dépositaire Central et Banque de Règlement (DC/BR)*), both located in Abidjan; and
- Creation of Cauris Management (**Cauris**), in which the Issuer holds a 49.5% interest, the first regional private equity fund established in Francophone West Africa. Operational since 1996, Cauris’s activities focus on the WAEMU region where it invests in SMEs with substantial growth potential;

The Issuer’s principal assets comprise loans predominantly in FCFA to WAEMU Member States and private and public entities operating in the WAEMU region. The Issuer’s total assets were FCFA 1,783 billion (€2,719 million) as of December 31, 2015, FCFA 1,658 billion (€2,527 million) as at December 31, 2014 and FCFA 1,411 billion (€2,151 million) as of December 31, 2013. As at December 31, 2015, the Bank’s total outstanding loans amounted to FCFA 1,349 billion, divided between the three windows as follows: the Bank Window accounted for 50.8%, the FDC Window accounted for 43.7% and the FDE Window accounted for 5.5%.

The Issuer’s Board of Directors meets in March, June, September and December of each year. At the meetings held in 2015, the Board of Directors approved 22 medium- and long-term proposals involving loans totalling FCFA 207 billion and two equity investments in June 2015 totalling FCFA 4.5 billion. In addition, four short-term facilities were approved in March 2015, two in June 2015 and one in each of September and December 2015 totalling FCFA 59.4 billion. At the meeting held in March 2016, the Board of Directors approved seven medium- and long-term proposals involving loans totalling FCFA 100.6 billion, a short-term facility in an amount of FCFA 17.9 billion and an equity investment totalling FCFA 10 billion. See “*Description of the Issuer—Approved projects*”.

The Issuer’s net banking income, which represents net income from banking operations before cost of risk and other operating expenses, and before allocations from the WAEMU Member States, amounted to FCFA 32.6 billion (€49.7 million) for the year ended December 31, 2015, FCFA 29.8 billion (€45.4 million) for the year ended December 31, 2014 and FCFA 33.1 billion (€50.4 million) for the year ended December 31, 2013.

As at December 31, 2015, the Issuer had subscribed capital of FCFA 1,097.8 billion (€1.7 billion), called up capital of FCFA 275.9 billion (€420.7 million) and paid-in capital of FCFA 173.7 billion (€264.8 million), of which FCFA 5,128 million (€7.8 million) remains to be paid-in by Guinea Bissau. See “*Risk Factors—As at December 31, 2015, the Issuer’s subscribed share capital is 25% to be paid-in, of which 15.49% has already been paid. Any failure of one of the WAEMU Member States to pay a portion of paid-in capital that is due to be paid could have a material adverse effect on the Issuer’s operations*”. The Issuer’s equity capital as at December 31, 2015 was FCFA 734.1 billion (€1,111 million), and its total liabilities were FCFA 1,049.5 billion (€1,598 million).

## Selected Financial Information

The selected statement of comprehensive income and other data for the years ended December 31, 2013, 2014 and 2015, and the selected statement of financial position data for the Issuer as at December 31, 2013, 2014 and 2015 set out below have been derived from, and should be read in conjunction with and are qualified in their entirety by the financial statements of the Issuer as at, and for the years ended, December 31, 2013, 2014 and 2015 which have been audited by Auditeurs Associés en Afrique KPMG CI, an English version of which is included elsewhere in this Prospectus.

For a description of the basis of preparation of these financial statements, see the notes thereto and the auditors' report in respect of such financial statements included herein, and "*Presentation of Financial and Certain Other Information*" above and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" below.

### Results of Operations

The table below sets forth the Issuer's results of operations for the years ended December 31, 2013, 2014 and 2015.

<i>(in FCFA millions)</i>	December 31,		
	2013	2014	2015
Interest income .....	52,654	61,390	72,167
Interest expense .....	(25,367)	(31,585)	(40,993)
<i>Sub-total</i> .....	27,287	29,805	31,175
Commissions income.....	2,474	3,318	5,512
Fees and commissions expense .....	(857)	(1,162)	(1,246)
<i>Sub-total</i> .....	28,903	31,961	35,440
Exchange rate gains .....	2,933	121	12
Exchange rate losses .....	(94)	(4,742)	(5,120)
Gains/(losses) on hedging instruments .....	—	—	(247)
<i>Sub-total</i> .....	31,742	27,340	30,085
Dividends received .....	2,032	2,474	2,529
Gains/(losses) on financial assets available for sale.....	(699)	(46)	—
<b>Net banking income</b> .....	<b>33,075</b>	<b>29,769</b>	<b>32,614</b>
<b>Cost of risk</b> .....	<b>(6,696)</b>	<b>(7,135)</b>	<b>(6,964)</b>
Allocations from Member States .....	3,200	3,200	3,200
Other operating income .....	793	251,055*	984
Expenses related to development activities .....	(1,509)	(1,547)	(1,530)

\* Includes the FCFA 250 billion capital endowment of the FDE Fund.

<i>(in FCFA millions)</i>	December 31,		
	2013	2014	2015
General operating expenses .....	(18,260)	(16,913)	(19,395)
Staff costs.....	(10,635)	(10,403)	(11,226)
Amortization .....	(1,085)	(979)	(1,187)
Other.....	(6,540)	(5,531)	(6,983)
Other operating expenses.....	(34)	(30)	(69)
<b>Other operating income</b> .....	<b>(15,811)</b>	<b>235,765</b>	<b>(16,811)</b>
<b>Operating income</b> .....	<b>10,872</b>	<b>258,399</b>	<b>8,839</b>
<b>Other elements of income</b>			
Revaluation of fixed assets .....	—	—	—
Cash flow coverage .....	—	—	—
Variation in fair market value of securities available for sale .....	—	16,442	(2,967)
<b>Elements not reclassified in income</b>			
Revaluation of net liabilities under defined benefit plans.....	(297)	(129)	(50)
<b>Other elements of income</b> .....	<b>(297)</b>	<b>16,313</b>	<b>(3,017)</b>
<b>Total income</b> .....	<b>10,575</b>	<b>274,712</b>	<b>5,823</b>

### Assets and Liabilities

The following table sets forth the Issuer's statement of financial position as at December 31, 2013, 2014 and 2015.

<i>(FCFA millions)</i>	As at December 31,		
	2013	2014	2015
<b>Assets</b>			
Cash and cash equivalents .....	289,123	281,902	194,317
Net loans and receivables (net of depreciation), of which:	1,063,179	1,290,718	1,487,624
Interbank deposits <sup>1</sup> .....	6,358	340	530
Loans and advances to customers.....	905,232	1,161,728	1,360,100
Loans to personnel.....	6,306	6,096	6,270
Securities portfolio .....	39,402	22,546	15,227
Advances to shareholders .....	105,801	99,933	105,420
Other <sup>2</sup> .....	79	75	77
Equity participations .....	48,020	66,166	78,123
Other assets .....	2,178	10,632	14,793
Intangible assets .....	377	1,031	879
Tangible assets.....	8,562	8,022	7,904
<b>TOTAL ASSETS</b>	<b>1,411,439</b>	<b>1,658,471</b>	<b>1,783,640</b>

<i>(FCFA millions)</i>	<b>As at December 31,</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Liabilities</b>			
Amortized liabilities.....	698,722	904,391	1,015,058
Interbank debts .....	7,228	10,459	34,704
Debt represented by a security .....	332,851	561,559	557,265
Other .....	358,643	332,374	423,088
Other liabilities.....	277,457	33,164 <sup>3</sup>	28,561
Funds .....	268,978	18,958	13,231
Other .....	8,479	14,206	15,330
Provisions.....	5,422	5,517	5,873
<b>Total liabilities</b> .....	<b>981,601</b>	<b>943,072</b>	<b>1,049,491</b>
Capital .....	244,970	255,819	268,746
Subscribed capital.....	1,009,250	1,050,550	1,097,750
Callable capital .....	(755,430)	(786,405)	(821,805)
Costs related to deferred release of capital.....	(8,850)	(8,327)	(7,200)
Share premium.....	2,622	2,622	2,622
Reserves .....	182,246	456,958 <sup>4</sup>	462,781 <sup>4</sup>
Reserves earmarked for development activity .....	76,050	76,050	76,050
Other reserves.....	26	16,468 <sup>5</sup>	13,501
Retained earnings .....	95,229	106,041	364,390
Profit/loss for the period.....	10,872	258,399	8,839
Total shareholders' equity.....	<u>429,838</u>	<u>715,398</u>	<u>734,149</u>
<b>TOTAL LIABILITIES AND CAPITAL</b> .....	<b><u>1,411,439</u></b>	<b><u>1,658,471</u></b>	<b><u>1,783,640</u></b>

<sup>1</sup> Interest receivable from the BCEAO in respect of the Issuer's cash holdings with the BCEAO.

<sup>2</sup> Advances and operational accounts, adjustment accounts.

<sup>3</sup> The significant decrease between 2013 and 2014 relates to the initial FDE endowment of FCFA 250 billion being accounted for in reserves.

<sup>4</sup> Includes the initial FDE endowment of FCFA 250 billion.

<sup>5</sup> Increase relates to a change in valuation policy of the Issuer's equity investments from book value to fair market value.

### General Description of the Offering

<b>Issuer:</b>	Banque Ouest Africaine de Développement.
<b>Trustee:</b>	Citicorp Trustee Company Limited.
<b>Principal Paying and Transfer Agent:</b>	Citibank, N.A., London Branch.
<b>Registrar:</b>	Citigroup Global Markets Deutschland AG.
<b>The Issue:</b>	U.S. \$750,000,000 5.50% Notes due 2021.
<b>Issue Price:</b>	98.927% of the principal amount of the Notes.
<b>Issue Date:</b>	May 6, 2016.
<b>Maturity Date:</b>	May 6, 2021.
<b>Interest Rate:</b>	The Notes will bear interest at the rate of 5.50% per annum from and including May 6, 2016 to but excluding the Maturity Date (as defined in “Terms and Conditions of the Notes”).
<b>Yield:</b>	5.750%.
<b>Interest Payment Dates:</b>	Interest will be payable semi-annually in arrear on May 6 and November 6 in each year, commencing on November 6, 2016.
<b>Withholding Taxes:</b>	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes to the extent provided in Condition 10 ( <i>Taxation</i> ). In the event that any such deduction is made, the Issuer will, save in certain circumstances provided in Condition 10 ( <i>Taxation</i> ), be required to pay additional amounts to cover the amounts so deducted.
<b>Ranking:</b>	The Notes constitute direct, general, unconditional, unsubordinated and (subject to Condition 5 ( <i>Negative Pledge and Certain Other Covenants</i> )) unsecured obligations of the Issuer which will at all times rank <i>pari passu</i> , without any preference, among themselves and (subject as aforesaid) at least <i>pari passu</i> and at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
<b>Cross Default:</b>	The terms of the Notes will contain a cross default provision as further described in Condition 12 ( <i>Events of Default and Enforcement</i> ).
<b>Negative Pledge:</b>	The terms of the Notes will contain a negative pledge provision with certain permitted exceptions) as further described in Condition 5 ( <i>Negative Pledge and Certain Other Covenants</i> ).
<b>Other Covenants:</b>	The terms of the Notes will contain certain financial and information covenants as further described in Condition 5 ( <i>Negative Pledge and Certain Other Covenants</i> ).

**Tax Redemption:** The Issuer may at its option redeem the Notes, in whole but not in part, at their principal amount plus accrued interest in the event of certain changes affecting taxation.

**Use of Proceeds:** The net proceeds of the issue of the Notes, amounting to approximately U.S.\$739 million after the deduction of total expenses in connection with the issuance of the Notes, will be used by the Issuer for project financing and general corporate purposes.

**Form of the Notes:** Notes which are offered and sold in reliance on Regulation S will be represented by beneficial interests in the Unrestricted Global Note Certificate in registered form, without interest coupons attached, which will be registered in the name of Citivic Nominees Limited as nominee for, and shall be deposited on or about the Closing Date with Citibank Europe plc as common depository for and in respect of interests held through Euroclear and Clearstream, Luxembourg. Notes which are offered and sold in reliance on Rule 144A will be represented by beneficial interests in one or more Restricted Global Note Certificates in registered form, without interest coupons attached, which will be deposited on or about the Closing Date with Citibank, N.A., as custodian for, and registered in the name of Cede & Co. as nominee for DTC. Notes sold will be issued in denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. See “*Terms and Conditions of the Notes—Form, Denomination and Title*”.

Interests in the Restricted Global Note Certificate(s) will be subject to certain restrictions on transfer. See “*Form of the Notes and Transfer Restrictions*”.

Beneficial interests in the Global Note Certificates will be shown on, and transfers thereof will be effected only through, records maintained by DTC, Euroclear and Clearstream, Luxembourg and their participants.

Except as described herein, certificates for Notes will not be issued in exchange for beneficial interests in the Global Note Certificates.

**Listing and Clearing:** Application has been made to list the Notes on the Luxembourg Stock Exchange. The Notes have been accepted for clearance and settlement through DTC, Euroclear and Clearstream, Luxembourg with the following ISIN, Common Code and CUSIP:

ISIN: Regulation S XS1350670839 / Rule 144A US06675QAA13

Common Code: Regulation S 135067083 / Rule 144A 140704601

CUSIP: 06675QAA1.

**Governing Law:** The Notes and the Trust Deed will be governed by, and shall be construed in accordance with, English law.

**Selling Restrictions:**

The offering and sale of Notes is subject to applicable laws and regulations including, without limitation, those of the United States, the United Kingdom and France, the Togolese Republic and the other WAEMU Member States. See “*Subscription and Sale*”.

**Ratings:**

The Notes are expected to be rated Baa1 by Moody’s and BBB by Fitch.

The Issuer’s current long term rating by Moody’s is Baa1 (outlook stable) and Fitch is BBB (outlook stable).

A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization.

**Risk Factors:**

Investing in the Notes involves a high degree of risk. See “*Risk Factors*” beginning on page 10.

## **RISK FACTORS**

*The Issuer believes that the following factors may affect its ability to fulfill its obligations under the Notes. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.*

*In addition, factors which the Issuer believes are material for the purpose of assessing the market risks associated with the Notes are also described below.*

*The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons and the Issuer does not represent that the statements below regarding the risks of holding the Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus (including any documents incorporated by reference herein) and reach their own views prior to making any investment decision.*

### **Risks Associated with Emerging Markets**

***Investing in securities involving emerging market issuers such as the Issuer generally involves a higher degree of risk than more developed markets***

The Issuer's activity is concentrated in the WAEMU Member States. Consequently, the Issuer's income, operational results and the quality and growth of its assets depends, to a large extent, on the performance of these economies. Due to this concentration, the Issuer's operating environment faces a number of risks, due to the high prevalence in these countries of poverty, a weak business climate and, for some of them, political instability such as the recent conflicts in Guinea Bissau, Côte d'Ivoire and the Sahel region. Any deterioration in economic or political conditions in these countries could adversely affect the Issuer's borrowers and contractual counterparties. This, in turn, could adversely affect the Issuer's financial position. See “—*The Issuer's loans are geographically highly concentrated*” below.

Investors should also note that emerging markets such as the WAEMU Member States are subject to rapid changes and that the information set out in this Prospectus may become outdated relatively quickly. See “—*Risks Relating to Africa*” below. For example, the WAEMU Member States could experience weaker growth than currently anticipated, particularly in the context of a general slowdown in emerging markets expected in 2016.

### **Factors relating to the Issuer and the jurisdictions in which it operates**

***The Issuer has historically benefited from rights and immunities granted to it by its Member States, however there can be no assurance that it will continue to do so in the future.***

The Issuer is a multilateral development financial institution established pursuant to the Establishment Treaty, establishing the *Banque Ouest Africaine de Développement*, for the WAEMU Member States, which include Benin, Burkina Faso, Côte d'Ivoire, Niger, Senegal, Togo, Mali and Guinea Bissau. The Establishment Treaty has the status of a treaty under international public law and the Issuer is the creation of, and subject to, international public law. Pursuant to the By-laws, the Issuer enjoys freedom from restrictions, regulations, supervision or controls and other legislative, executive, administrative, fiscal and monetary restrictions of any nature. The Issuer may also enjoy immunities and privileges under the laws and regulations of other jurisdictions (including the United Kingdom and the United States of America) generally accorded to international treaty organizations.

In particular, under Article 4 of the By-laws, in the territory of the WAEMU Member States, the Issuer enjoys immunities and privileges granted to international and supranational financial institutions such as protection of its property and assets from any form of search, seizure, expropriation, inviolability of its archives, and tax exemption for its assets and operations. Furthermore, Article 4 of the By-laws provides that the archives of the Issuer and in general all documents belonging to it or held by it, shall be inviolable. However, if the Issuer is instructed by one of the WAEMU Member States to carry on specific activities pursuant to a special agreement, such privileges and immunities may be waived if expressly agreed between the parties to such agreement. The Council of Ministers of WAEMU may also authorize the non-application to the Issuer of such privileges and immunities in the context of specific agreements between the Issuer and its counterparty. The Issuer's Resident Missions, which are permanent representative offices in each of the WAEMU Member States, also enjoy these privileges and immunities. Any potential conflicts arising therefrom are to be amicably resolved, failing which, submitted to arbitration by the WAEMU Council of Ministers and, as a final resort, submitted to arbitration by the WAEMU Heads of State.

Notwithstanding these immunities and the absence of government interference up to the date of this Prospectus, there can be no assurance that the WAEMU Member States will not interfere or seek to interfere with the Issuer's operations or that violation through unlawful or arbitrary actions by some of the WAEMU Member States will not occur, which could lead to disruption in the Issuer's operations and adversely affect its results of operations, financial condition and business prospects.

***As a supranational institution, the Issuer is not subject to regulatory supervision, including with regard to capital adequacy, corporate governance or disclosure laws***

The Issuer, being a supranational financial institution, is not subject to any regulatory supervision, including by any national body or by the *Commission bancaire de l'Union monétaire Ouest Africaine*. The conduct of its operations is vested with the Board of Directors, which closely monitors directly or through its Audit Committee the Issuer's performance, risk profile and capital adequacy. While the Issuer has also adopted its own risk management policy covering credit, market and operational risk in 2013, including an internal ratings system, a conservative liquidity policy and a statutory borrowing policy which limits the amount of total debt to three times its equity capital (the **Risk Management Policy**), (see "*Risk Management*"), there can be no assurance that, in the absence of an independent regulatory or supervisory authority, the Issuer will in the future maintain its risk management, capital adequacy and liquidity frameworks, that such frameworks will remain adequate, or that the Issuer will be able to continue to comply with such frameworks and adhere to its internal requirements.

For example, the Issuer aims to follow international best practices for capital adequacy to support its current credit rating as well as to upgrade such rating. While the Issuer is working to integrate Basel III standards into its internal practices, the Issuer currently measures capital adequacy and liquidity according to the standards and recommendations of Basel II, namely to hold capital greater than or equal to 8% of risk weighted assets with a minimum internal target of 15%. In addition, it may be more difficult in the future to apply such standards and recommendations. The projected growth of the Issuer's lending activities pursuant to the Issuer's second strategic plan, established in 2014 and covering the period 2015-2019 (the **2015-2019 Strategic Plan**), is expected to lead to higher leverage (subject to the Issuer's 300% of equity capital limit on such leverage), as new loans will largely be funded by debt and, in particular, debt incurred at prevailing market rates. See "*Description of the Issuer—Strategy—The 2015-2019 Strategic Plan*".

Furthermore, the operating risks in the WAEMU Member States are high and the Risk Management Policy could overlook or undervalue major credit, market or operational risks, which could result in the number and/or nature of risks detected being incomplete or understated with the result that the Issuer could identify or face additional credit, market or operational risks which could adversely affect the Issuer's financial position.

However, as the Issuer is not a regulated entity, it is not subject to any mandatory capital requirements so there can be no assurance that the Issuer will continue to apply such standards and recommendations, whether in their current form or as they may evolve in the future and/or maintain its current ratios.

To the extent that the capital management strategy adopted by the Board differs from expectations of investors or other market participants, it could result in negative market perceptions of the Issuer. Dissatisfaction of some of the Issuer's investors or a negative market perception of the Issuer with regard to its size and/or use of capital could adversely affect the Issuer's financial position.

Although the Issuer has a corporate governance structure enshrined in the By-laws with which it has complied throughout its history and strives to comply with best international governance practices, the Issuer is not subject to any corporate governance laws or rules normally applicable to national or international banks, including those relating to money laundering, anti-corruption and sanctions compliance. Accordingly, the corporate governance and other such compliance standards adhered to by the Issuer may differ from those generally applicable to banks subject to specific statutory regimes such as those organized in the United States, the United Kingdom or other similar jurisdictions and these may change in the future.

***The WAEMU Member States may take actions that will have direct or indirect adverse consequences for the Issuer's business or have interests that do not coincide with those of the Issuer or the Noteholders***

Under the Establishment Treaty, the WAEMU Member States are required to refrain from attempts to influence any member of management or employee of the Issuer who owe their duty solely to the Issuer. Furthermore, the Issuer's Board of Directors, as well as management and employees, are required under the Establishment Treaty to only take decisions that are relevant to the Issuer's purpose, functions and operations.

However, the WAEMU Conference of Heads of State and Government and the WAEMU Council of Ministers are the primary governing bodies of the Issuer (along with the Board of Directors and the Credit Committee) and their members, respectively, are presidents of their respective nations and government officials appointed by each of the WAEMU Member States, respectively.

Although the Issuer considers that it has not experienced any external pressure from the WAEMU Member States to deviate from its credit and investment policies and procedures or make decisions that are adverse to the Issuer's purpose, functions and operations, there is no guarantee that the Issuer will not experience this type of pressure in the future. Any deviation from its credit and investment policies and procedures as a result of such pressure could have a material adverse effect on the Issuer's business, results of operations and financial condition.

In addition, although the Issuer is an international organization having a legal personality separate from the WAEMU Member States, the Issuer and its business operations may be affected by decisions of such states in their relations with other nations. These decisions may result in adverse effects on the Issuer and the business environment in which the Issuer and its counterparties operate including the reduction or cessation of commercial activity by private counterparties as the result of perceived increases in operational risk, or more formal actions by countries or international organisations to limit or preclude business activity by their nationals or other participants with the Issuer or in the areas in which the Issuer operates.

***As at December 31, 2015, the Issuer's subscribed share capital is 25% to be paid-in, of which 15.49% has already been paid. Any failure of one of the WAEMU Member States to pay a portion of paid-in capital that is due to be paid could have a material adverse effect on the Issuer's operations***

The Issuer's share capital is divided into two classes — Class A Shares and Class B Shares. Class A Shares can only be subscribed by the WAEMU Member States and the BCEAO and Class B Shares can only be subscribed by foreign entities (States and State instrumentalities such as development institutions). The Issuer's authorized capital comprises subscribed capital and capital which is not yet subscribed. Subscribed capital comprises two types: paid-in capital and callable capital. Paid-in capital represents the sum of what has already been paid and what remains to be paid (including capital that is due to be paid but has not yet been paid and capital not yet due to be paid) in accordance with a set payment schedule. For example, of the part that is deemed to have been paid-in, some amounts may be in arrears, as is the case for Guinea Bissau (as discussed below). Pursuant to Article 7 of the By-laws, paid-in capital must represent at least 25% of the Issuer's subscribed capital at all times, with the remaining 75% subject to being called. However, this 25% threshold applies to the entire five-year period during which shareholders pay in the relevant share of capital and must be satisfied at the end of such period. As a result, there may be situations in which, at any given time during the five-year period, less than 25% has actually been paid-in. Pursuant to Articles 8 and 9 of the By-laws, the Board of Directors decides all increases and reductions in the capital of the Issuer as well as the release schedule for each tranche of called up capital and callable capital. As at December 31, 2015, FCFA 275.9 billion (€420.7 million) had been called up, and FCFA 173.7 billion (€264.8 million) out of the overall nominal subscribed capital of FCFA 1,097.8 billion (€1.7 billion) had been actually paid. As of December 31, 2015, the Issuer had FCFA 821.8 billion (€1.3 billion) in callable capital (subscribed share capital that had not yet been called).

The terms and conditions of payment of the callable capital of the paid-in portion of subscribed share capital for new members are determined by the Board of Directors when each new member is admitted. See "*Capital Structure*".

In the event of a share capital increase unrelated to the admission of a new member to the Issuer, the allocation of shares will be proportional to each Member State's shareholding prior to the capital increase. It is the Board's responsibility to set the paid in capital payment schedule (which is agreed to be paid in over the relevant period, *e.g.*, five or 10 years), taking into account both the Issuer's needs and the financial resources of its shareholders. Regarding the most recent share capital increases in June 2010 and December 2013, the Board established a timeframe of 10 years for the payment of the portion of capital to be paid in, which will be reduced to five years (starting in 2017) for amounts to be paid under the December 2013 capital increase.

If the paid-in portion of capital is not paid in accordance with the established schedule and is not materially honored in full, this could have an adverse impact on the Issuer's financial position. At the date of this Prospectus, only one of the WAEMU Member States and a holder of Class A Shares, Guinea Bissau, has not fully paid the paid-in portion of its capital. As at December 31, 2015, its outstanding capital arrears were FCFA 5,128 million (€7.8 million). The Issuer is also awaiting the subscription of Mali for the share capital increase of 2013. See "*Capital Structure*". If shareholders do not pay the paid-in capital to be paid over time as it becomes due and payable, the Issuer's resources available to finance its lending activity may be adversely affected.

The callable capital of the Issuer (the portion that has been subscribed but not to be paid up until actually called) serves as "quasi-security" for borrowings that the Issuer contracts, in accordance with Article 37 of the By-laws. If the Issuer defaults on its contractual payments of principal, interest, commissions, fees and charges related to its borrowing, or to meet its payment commitments on loans that it has guaranteed, the Issuer may call the share capital needed by it to meet the aforementioned

obligations. Capital may not be called in order to disburse loans. However, creditors do not have any rights or claims to any such callable capital and there can be no assurance that the shareholders will honor such commitments of callable capital in the timeframe required by the Issuer or at all, nor that the Issuer will be able to undertake similar capital increases in the future.

Any failure by a shareholder to honor a call on capital or any failure by the Issuer to undertake a future capital increase could have a material adverse effect on the Issuer. In the event of a stress scenario, any such failure could have an adverse impact on the Issuer's ability to meet its liabilities, which could have a material adverse effect on its business, results of operations and financial condition. As of the date of this Prospectus, the Issuer is neither subject to stress tests nor required to raise capital in a stress scenario.

### ***The Issuer's loans are geographically highly concentrated***

The Issuer finances both concessional (through the FDC Window and the FDE Window) and market rate development finance (through the Bank Window) activities in the WAEMU and its lending and investment activities are therefore concentrated in the WAEMU Member States. The Issuer's exposure to credit risk is significant, given in particular the difficult operating environment in the region, characterized by the low credit quality of both sovereign and private borrowers. Due to the difficult economic environment including the potential increase in public debt in the majority of the WAEMU Member States and the unstable political environment in certain of those countries, no assurance can be given that the Issuer's credit risk profile will improve in the future.

The Issuer's largest exposures (including both public and private sector loans) are to its WAEMU Member States, which comprised 66.1% of total outstanding loans and 71.0% of equity investments as at December 31, 2015.

Some of the market rate loans made by the Issuer to the private sector are guaranteed by (i) organizations such as the African Guarantee Fund for Economic Cooperation (*Fonds Africain de Garantie pour la Coopération Economique*), the African Solidarity Fund (*Fonds de Solidarité Africain*), a guarantee fund for private investment (GARI) and/or (ii) escrow accounts, Payment Mechanics Agreements (*Accords de Mécanisme de Paiement*) or promissory notes secured on bank deposit accounts. See "*Description of the Issuer—Financing and Portfolio Activities—Overall Portfolio—Guaranteed loans in the commercial sector*".

The Bank's operations entail geographical concentration similar to those of other regional multilateral financial institutions, which reflect the mandate of the Issuer to concentrate on trade and economic activity in the WAEMU region. As a result, the concentration of the Issuer's lending activities is accompanied by a concentration of country risks. This risk is particularly high in a region such as the WAEMU, which comprises a number of vulnerable economies. Historically, the economies of some countries in the region have periodically experienced significant volatility and economic instability, which has been characterized, in some cases, by political uncertainty, slow growth or recession, declining investment, government and private sector debt default and restructurings and significant inflation and currency devaluation. Global economic changes, including the recent fall in oil and other commodities prices, euro interest rates, the euro exchange rate (to which the FCFA is pegged), and slower economic growth in developed countries, could have a further significant adverse effect on the economic condition of countries in the WAEMU. In turn, adverse changes affecting the economies of the WAEMU Member States could have a significant adverse impact on the Issuer's loan portfolio, including increased loan loss provisions, debt restructurings and loan losses and, as a result, on the Issuer's growth, asset quality, prospects, profitability and financial condition.

Risks related to such geographical concentration are heightened by the fact that the Issuer's main capital providers and shareholders (or indirect shareholders through the BCEAO) are the WAEMU Member States. As a result, an adverse economic environment in any of the WAEMU Member States

could negatively affect the relevant shareholder's ability to meet capital calls, which could have an adverse impact on the Issuer's loan portfolio and, as a result, its financial condition, growth, prospects, cash flows and results of operations. See “—As at December 31, 2015, the Issuer's subscribed share capital is 25% to be paid-in, of which 15.49% has already been paid. Any failure of one of the WAEMU Member States to pay a portion of paid-in capital that is due to be paid could have a material adverse effect on the Issuer's operations”.

***The Issuer's loans are concentrated in its WAEMU Member States, and the Issuer has a policy not to make any provisions for such loans***

The Issuer's largest exposures (including both public and private sector loans) are to its WAEMU Member States, which comprised 66.1% of total outstanding loans and 71.0% of equity investments as at December 31, 2015.

Loans granted to WAEMU Member States are deemed to be sovereign risk loans, and the Issuer manages these risks using its ability to suspend disbursements to any country that falls in arrears. Accordingly, loans which are not in arrears are not considered by the Issuer as being at risk and no provision or depreciation is made. However, no assurances can be provided that these loans are without risk, even with the options available to the Issuer. Failure to make appropriate provisions when a sovereign loan is at risk of default could result in a material adverse effect on the Issuer's results of operations or financial condition.

***The Issuer has had to suspend concessional lending because of lack of concessional funding and failure to adapt its financial model could materially adversely affect its financial condition, growth and prospects***

The Issuer gradually disengaged from concessional lending in 2015 and is not currently granting any new concessional loans in response to the absence of a lasting solution to the chronic shortfall in concessional resources relative to the demand (although concessional financing to the WAEMU Member States is expected to resume during the course of 2016 due to additional funding being provided). See “*Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments*”. As a result, the Issuer lowered its annual commitments under the FDC Window to the level of concessional resources available. Overall, the increased level of activity by the Issuer has resulted in the need to increase outstanding loans made through the Bank Window at prevailing market rates. The mismatch between the Issuer's financing needs and the concessional resources available has increased pressure on the Issuer to adapt its financial model. If the Issuer's efforts to adapt its financial model are unsuccessful, this could materially adversely affect the Issuer's financial condition, growth and prospects. See “*Description of the Issuer—Operating and financing models of the Issuer—Financing model*”.

***The Issuer may incur substantially more debt in the future, which may make it difficult for it to service its debt obligations, including the Notes.***

According to its 2015-2019 Strategic Plan, the Issuer intends to focus primarily on capital markets borrowings obtained at market rates for future sources of funding. In 2014, the Issuer amended its borrowing limitations to make it easier for the Issuer to increase its borrowings as a source of funding. Currently the only internal limit on borrowings is a requirement that the Issuer's debt not exceed three times its equity (paid-in capital plus reserves). As at December 31, 2015, the Issuer's total indebtedness (represented by debt securities and deposits made by financial institutions with the Issuer) was FCFA 1,015.1 million, compared to FCFA 904.4 million at December 31, 2014 and FCFA 698.7 million at December 31, 2013. In addition, as concessional funding is increasingly less available to the Issuer, the Issuer needs to seek alternative funding sources at market rates, which are likely to increase the Issuer's debt servicing costs. The incurrence of significant additional debt, including debt at higher rates than the Issuer has historically paid, will increase the Issuer's overall

borrowing costs and could have a material adverse effect on the Issuer's results of operations and financial condition.

***The Issuer's loan portfolio may or may not continue to grow at the same or similar rate as historically and any continued growth could increase credit exposure and, consequently, credit risk***

During the 2013-2015 review period, the Issuer's loan portfolio grew from FCFA 904,518 million at December 31, 2013 to FCFA 1,161,304 million at December 31, 2014 and FCFA 1,349,175 million at December 31, 2015.

No assurance can be given that the Issuer's loan portfolio will continue to grow at historical rates in the future. A sustained reversal or acceleration of the growth rate in the WAEMU region could adversely affect the quality of the Issuer's loan portfolio, which could materially adversely affect the Issuer's business, financial condition, growth, prospects, cash flows and results of operations.

The Issuer's historical rates of non-performing loans and associated cost of risk may not be indicative of future rates of impaired loans levels. As at December 31, 2015, non-performing loans amounted to FCFA 36,911 million, as compared to FCFA 38,845 million as at December 31, 2014. The non-performing loan ratio was 2.73% as at December 31, 2015, as compared to 3.34% as at December 31, 2014. Furthermore, growth at any rate of the Issuer's loan portfolio could expose the Issuer to increased credit risk, which, in turn, could have a material adverse effect on the Issuer's business, financial condition, growth, prospects, cash flows and results of operations if the Issuer were to be unable to manage such increase in credit risk.

***The rapid growth of the Issuer's loan portfolio subjects it to the risk that it might not be able to maintain asset quality and that its overall leverage will increase***

The significant and rapid increase in the Issuer's loan portfolio (including a significant portion of unseasoned loans, which are counter-cyclical loans such as those developed during the food and energy crisis in 2008) over recent years has increased the Issuer's credit exposure and requires continued and improved monitoring by the Issuer's management of its lending policies, credit quality and adequacy of provisioning levels through the Issuer's risk management program. The Issuer intends to increase its loan portfolio further and any such increase could further increase the credit risk faced by the Issuer as well as increase its overall leverage. Negative developments in the economies of the WAEMU Member States could affect these regional borrowers, resulting in higher levels of non-performing loans and, as a result, higher levels of provisioning. Any failure by the Issuer to manage the growth of its loan portfolio or the credit quality of its creditors within prudent risk parameters or to monitor and regulate the adequacy of its provisioning levels could have a material adverse effect on the Issuer's business, financial condition, prospects and/or results of operations.

***The Issuer does business in jurisdictions with operating risks relating to fraud, bribery and corruption which could have a material adverse effect on its business, results of operations or financial condition***

The Issuer operates in a number of jurisdictions that have from time to time experienced high levels of fraud, bribery and corruption. For example, certain jurisdictions have been allocated low scores on Transparency International's "Corruption Perceptions Index". Doing business in developing countries brings with it operating risks associated with enforcement of the Issuer's legal and contractual rights and third party obligations, fraud, bribery and corruption.

While the Issuer has policies and procedures in place (including to regulate its exposure to "politically exposed persons" (PEPs)) and maintains training programs covering anti-money laundering and counter-terrorist financing as well as codes of conduct and other safeguards designed to prevent the occurrence of fraud, bribery and corruption, it may not be possible for the Issuer to detect or prevent

every instance of fraud, bribery or corruption in every jurisdiction in which it does business or where its employees or agents are located. Instances of fraud, bribery and corruption and violation of laws and regulations in the jurisdictions in which the Issuer operates surrounding either the Issuer's clients, investments or its activities could subject the Issuer to civil and criminal penalties, cause reputational damage and have a material adverse effect on the business, results of operations and financial condition of the Issuer.

***The Issuer is subject to competition from other lenders and investors. If the Issuer is not able to successfully maintain its competitive position, its financial performance and business prospects could be materially adversely affected.***

Despite the size of the WAEMU region's infrastructure deficit, the provision of financing to infrastructure and other development projects takes place in a competitive market, due to the lack of well-structured and financially viable projects that are available for investment. The Issuer's principal competitors with respect to market rate debt financing and equity investments are infrastructure-focused funds, foreign direct investments by project sponsors (**FDI**), private equity funds as well as bilateral and multilateral agencies providing market rate funds. Foreign entries by commercial institutions into the banking markets of the WAEMU Member States may further increase competition in those countries for market rate lending and investment. Some of these competitors could be more established, and have greater financial resources than the Issuer. In addition, in recent years, sovereign wealth funds, private equity funds and hedge funds have risen in prominence as alternative sources of financing.

Although the Issuer finances both concessional and market rate development finance activities in the WAEMU region, such competition could limit its financial performance as well as the growth and expansion of its statement of financial position, its leadership roles in large scale projects, political access, geographic growth, pricing and tenor of its loans and project execution, especially in cases where the Issuer's development role requires it to collaborate with development partners and private sector entities. There can be no assurance that the Issuer will be able to respond adequately to these multiple sources and forms of competition, whether from existing competitors or new market entrants. As a result of such competitive pressures or other factors beyond the Issuer's control, its business, results of operations and financial condition could be materially adversely affected.

***The Issuer makes equity investments, which could increase the volatility of earnings***

The Issuer makes equity investments as part of its mandate as a development bank. The Issuer's equity investments represented a small but growing part of the Issuer's assets – FCFA 72,457 million as at December 31, 2015 (4.1% of total assets) compared to FCFA 66,166 million as at December 31, 2014 (4.0% of total assets) and FCFA 48,020 million as at December 31, 2013 (3.4% of total assets). Equity investments involve a higher degree of risk than traditional debt financing due to a variety of factors, including that such investments are subordinate to debt and are not generally secured. If the Issuer's portfolio of equity investments continues to grow as a proportion of its total assets, this could further increase the Issuer's risk exposure. In addition, as a majority of the Issuer's equity investments are in entities that are not publicly quoted or traded, it is more difficult for the Issuer to establish the market value or price of such investments and to divest itself of such investments. The variability in the valuation of the Issuer's equity investments could affect the Issuer's business, results of operations and financial condition. See “*Description of the Issuer—Equity investments*”.

Investments in equity securities are also subject to risks of: (i) limited liquidity and tradability in the secondary trading market, (ii) substantial value volatility resulting from changes in various macroeconomic and industry factors that affect the Issuer, and (iii) the declining creditworthiness and potential for insolvency of the investee companies during periods of rising interest rates, low commodity prices and general economic downturns. These risks could adversely affect the value of

equity securities that the Issuer invests in. The inclusion of equities among the assets of the Issuer subjects it to potential adverse movements in the market value of these investments, leading to greater potential volatility in earnings and financial condition.

***Deterioration in the credit quality of the Issuer's borrowers and counterparties or changes arising from systemic risk in the financial system could materially adversely affect the Issuer's financial performance***

The Issuer's business is subject to inherent risks regarding borrower credit quality and the recoverability of loans and amounts due from counterparties. Credit risk is defined as the risk that a customer or counterparty will be unable or unwilling to meet a commitment that it has entered into and that pledged collateral does not fully cover the lender's claims. In particular, as at December 31, 2015, 66% of the Issuer's loans were to the non-commercial sector (i.e., sovereign borrowers); therefore changes in the sovereigns' ability to repay the loans, due to economic, political, financial or other conditions or reasons, can have a negative impact on credit quality of the portfolio. The Issuer is therefore exposed to significant credit risk given the low credit quality of sovereign borrowers, which may lead to loan restructurings (such as term or rate changes).

As of the date of this Prospectus, the Issuer has one sovereign exposure currently in default, Guinea Bissau, which comprises a loan of FCFA 909 million with a three-year term. The Issuer does not record provisions against non-commercial loans because it considers such loans to be without risk, and therefore its loans provisions would not cover any credit losses sustained on non-commercial loans. The reason for this is that the Issuer believes that it benefits from a "preferred creditor status" and by virtue of the official provisioning policy approved by the Issuer's Board of Directors. In the case of a restructuring, the net present value of a loan is calculated in the usual way. See "*—The Issuer believes that it has historically benefited from de facto "preferred creditor status" from each of the WAEMU Member States, however there can be no assurance that the Member States will in fact pay their respective debts to the Issuer in priority over other creditors or at all, which may result in a material adverse effect on the Issuer's financial results and operations*".

In addition, changes in the credit quality of the Issuer's borrowers and counterparties in the commercial sector, and a failure by the Issuer to manage such change in credit quality, could reduce the value of the Issuer's assets and require increased provisions for bad and doubtful debts. In addition, changes in economic conditions and the level of systemic risk in the financial system could result in a deterioration in the value of security held against lending exposures and increase the risk of loss in the event of borrower default.

***The absence of collateral, a decline in the value of collateral or the illiquidity of the collateral securing the Issuer's loans, or a decline in the creditworthiness of third parties guaranteeing the Issuer's loans could adversely affect its loan portfolio***

More than 85% of the Issuer's loan book is neither secured nor guaranteed. The Issuer takes collateral and guarantees from a portion of its non-sovereign borrowers and as at December 31, 2015, 13.8% of the Issuer's total loan portfolio was collateralized or guaranteed. Acceptable collateral includes collateral in the form of assignments of receivables, cash collateral, government securities (in the form of bonds or guarantees) issued or guaranteed by sovereigns and pledges over assets. Certain loans made by the Issuer to the private sector are guaranteed by (i) organizations such as the African Guarantee Fund for Economic Cooperation (*Fonds Africain de Garantie pour la Coopération Economique*, FAGACE), the African Solidarity Fund (*Fonds de Solidarité Africain*, FSA), the GARI fund or (ii) escrow accounts, Payment Mechanics Agreements (*Accords de Mécanisme de Paiement*) or promissory notes secured on bank deposit accounts.

Downturns in the relevant markets or a general deterioration of economic conditions could result in reductions in the value of collateral securing a number of loans to levels below the amounts of the

outstanding principal and accrued interest on such loans. If collateral values decline, they may not be sufficient to cover uncollectable amounts on the Issuer's secured loans. A failure to recover the expected value of collateral could expose the Issuer to losses, which could, in turn, have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

***The Issuer's provisions for credit losses could prove inadequate to cover credit losses related to its loans and contingencies***

The Issuer determines the appropriate level of provisions for credit losses in its Bank Window operations according to its internal policy, which necessarily requires the Board's and management's approval, including assumptions and estimates made in the context of changing political and economic conditions in the regions and sectors to which the Issuer lends. The Issuer does not make provisions for losses on any sovereign exposure, which comprised 66% of the loan book as of December 31, 2015. Consequently, there can be no guarantee that the Issuer's allowances for credit losses will be adequate to cover losses in its loan portfolio, which, in turn, could have a material adverse effect on the Issuer's business, financial condition, growth, prospects, cash flows and results of operations.

***The Issuer believes that it has historically benefited from de facto "preferred creditor status" from each of the WAEMU Member States, however there can be no assurance that the Member States will in fact pay their respective debts to the Issuer in priority over other creditors or at all, which may result in a material adverse effect on the Issuer's financial results and operations***

Historically, the WAEMU Member States have met their obligations under loans granted by the Issuer, except in 2000 when the WAEMU Commission decided to pay the arrears of Niger, which amounted to a total of FCFA 8.2 billion (including penalties of FCFA 2.9 billion). As at December 31, 2015, the Issuer's exposures to WAEMU Member States (gross outstanding loans that have been disbursed) were FCFA 892.3 billion (or 66.1% of total loans), compared to FCFA 728,403 billion and FCFA 540,577 billion at December 31, 2014 and 2013, respectively.

The Issuer believes that it has historically benefited from de facto "preferred creditor status" from each of the WAEMU Member States. This "preferred creditor status" is not contained in a treaty, law or contract, but is based on the belief of the Issuer that its favorable lending policies, development imperative and enduring and important role as a concessional lender and adviser to the WAEMU Member States means that such States will likely place priority on debt repayments to the Issuer over other private or official creditors during times of debt distress. Accordingly, the Issuer believes that its exposure to the WAEMU Member States subjects it to less risk than its commercial loans, and as a policy matter does not provide any provisions in its Financial Statements for its loans to WAEMU Member States. However, as this "preferred creditor status" does not exist as a matter of law or contract, there can be no assurance that, during a time of debt distress, WAEMU Member States will actually give the Issuer priority of payment, or even if they do give the Issuer priority, that the Issuer will be able to recover the full amount of its loans extended to WAEMU Member States. Any failure by WAEMU Member States to repay their debts in full to the Issuer at the time that they come due may have a material adverse effect on the Issuer's financial results and operations.

***Operational problems, errors or fraud could have a material adverse impact on the Issuer's business, financial condition and results of operations***

The Issuer, like any financial institution, is exposed to operational risks, including the risk of fraud by employees and third parties, failure to obtain proper internal authorisations, failure to properly document transactions, equipment failures, and errors by employees. Although the Issuer has put in place a system of internal controls, there can be no assurance that operational problems, errors or fraud will not occur, and that their occurrence will not have a material adverse effect on the Issuer's business, financial condition, growth, prospects, cash flows and results of operations.

***Any future unavailability of capital markets and other sources of financing could have a material adverse effect on the Issuer's business, operations and financial condition***

The Issuer has historically obtained financing for the growth of its loan portfolio from syndicated and bilateral loans (including from Development Finance Institutions (**DFIs**) such as the International Development Association of the World Bank Group (**IDA**) which provides resources on the concessional basis, the *Agence Française de Développement* (French Development Agency) (**AFD**) and the *Kreditanstalt für Wiederaufbau* (German Agency for Financial Cooperation) (**KfW**) which provide resources both on a concessional basis and on a market basis, and the Chinese Development Bank (**CDB**), the Arab Bank for Economic Development in Africa (**BADEA**), the ICD (a member of the Islamic Development Bank (**IBD**) Group), the AfDB and the *Österreichische Entwicklungsbank* (Development Bank of Austria) (**OeEB**) which provide resources on a market basis as well as through the issuance of debt instruments on the regional capital markets through the issuance of short-term and longer term debt instruments. The ongoing global economic crisis has seen a general reduction in the availability of such financing to borrowers.

Although the international financial crisis affected the WAEMU regional capital markets to a limited extent and with delayed effect on the economic sector, there can be no assurance that future international financial crises will not have an adverse effect on the regional capital markets, which represent a significant source of financing for the Issuer. The WAEMU regional capital markets show a low diversification in issuers and maturities and marginal foreign participation. The governments of Côte d'Ivoire, Senegal and Burkina Faso are the main issuers in the market, followed by the Issuer, which is the primary non-sovereign debt issuing institution, and de facto a reference issuer in the regional capital markets. As of December 31, 2015, 54.9% of the Issuer's debt financing represents funding from the regional capital markets.

The Issuer plans to further diversify its funding sources by accessing the international capital markets by means of bond issuances, starting with the proposed issue of the Notes. The Issuer can also call upon its shareholders to provide additional capital to a certain extent. As of December 31, 2015, the Issuer had FCFA 821,804 million in subscribed share capital that has not yet been called.

However, if at any time in the future, further bond issuances are not possible and loan financing is unavailable and/or its shareholders default in their obligation to pay the unpaid and not yet due portion of paid-in capital, this could limit the Issuer's ability to meet its growth targets and could have a material adverse effect on the Issuer's business, financial performance, conditions and prospects and on its ability to meet its obligations under the Notes. In addition, should the Issuer successfully access the international capital markets in the future, this could lead to other risks including increased financial market volatility and financing costs. Any of the above risks could adversely affect the Issuer's business, financial condition and results of operations.

***Any delays or failure of the Issuer to implement its 2015-2019 Strategic Plan or other business initiatives that it undertakes could prevent the Issuer from realizing the anticipated revenues and benefits of such initiatives, divert the attention of its management, cause additional expenses, or cause other negative repercussions for the Issuer***

The 2015-2019 Strategic Plan sets forth the Issuer's growth strategy and performance for the period. Under the 2015-2019 Strategic Plan, the Issuer has identified a number of challenges facing its business model and activities that will need to be addressed in the WAEMU region (such as the high infrastructure deficit, limited access to clean water and the lack of sanitation facilities and climate change) and has undertaken to implement a number of business initiatives to help meet these challenges and further its growth and performance. See "*Description of the Issuer—Strategy—2015-2019 Strategic Plan*".

While a number of these initiatives are currently underway, their implementation may not be concluded within the set timeframes and others may not be implemented at all. The Issuer considers that the main risks to the implementation of the 2015-2019 Strategic Plan are the (i) risk of insufficient borrowing capacity (e.g., due to inability to access the international capital markets), (ii) inability to secure adequate concessional resources (iii) risk of credit rating changes that might limit access to capital markets in the future, and (iv) risks of liquidity and loss of margin. In addition, the Issuer's growth strategy is dependent on identifying appropriate investment and lending opportunities. Over the 2015-2019 period, the Issuer is seeking to expand the non-concessional segment of its lending portfolio, funding this primarily through borrowing on the international and regional capital markets.

However, such initiatives may not be successful or lead to the anticipated benefits. For example, the expansion of the non-concessional lending segment may increase the Issuer's levels of non-performing loans as most non-performing loans are related to the private sector lending that is being targeted for expansion in the 2015-2019 Strategic Plan. In addition, if the Issuer is unable at any time to obtain financing on acceptable terms to comply with its growth strategy and to meet ongoing liquidity requirements, it may not be able to pursue investment opportunities as planned or meet its growth targets and its business, results of operations and financial condition could be materially adversely affected. See "*—Any future unavailability of capital markets and other sources of financing could have a material adverse effect on the Issuer's business, operations and financial condition*".

Any delays or failure of the Issuer in implementing the 2015-2019 Strategic Plan or other initiatives that it undertakes could divert the attention of the Issuer's management, result in additional expense or, ultimately, prevent the Issuer from realizing the anticipated benefits of the initiatives, any of which could adversely affect the Issuer's business, results of operations and financial condition.

***The Issuer has a high proportion of undrawn commitments, which if drawn, could negatively affect the Issuer's capitalization metrics***

The Issuer has a high proportion of undrawn commitments to its borrowers and its investee companies, which are recorded as off-balance sheet items in its financial statements. Such undrawn commitments represent future funding of projects to which the Issuer has committed to provide resources and totalled FCFA 1,313 billion at December 31, 2015, which represents 73.6% of total assets. 50% of these undrawn commitments is included in risk weighted assets and thereby in the capital adequacy calculations. Should commitments be drawn at a rate faster than anticipated (i.e., higher than 50%), this could have a negative impact in the medium-term on the Issuer's capitalization metrics and have a compounding effect on the ratio of non-performing loans in an adverse scenario, which could adversely affect the Issuer's business, results of operations and financial condition.

***The Issuer's business could be adversely affected if the FCFA/euro peg were to be removed or adjusted or as a result of any devaluation of the FCFA against the euro***

The Issuer maintains its accounts, and reports its results, in FCFA. Since 1973, the FCFA was pegged to the French Franc and, since 1999 has been and, as at the date of this Prospectus, remains pegged to euro. However, there can be no assurance that the FCFA will not be de-pegged in the future or that the existing peg will not be adjusted in a manner that adversely affects the Issuer. All loans granted by the Issuer are denominated in FCFA, but certain of the Issuer's significant contracts and borrowings are denominated in euros (36% of the Issuer's debt as at December 31, 2015). Any depreciation or appreciation of the euro as against other major world currencies such as the U.S. dollar would have a consequential effect on the FCFA. As a result, any such de-pegging or adjustment, or any devaluation of the FCFA against the euro or any such depreciation or appreciation of the euro, could have a material adverse effect on the Issuer's business, results of operations, cash flows and financial conditions.

***The Issuer is exposed to market risks, including exchange rate and interest rate risks, and enters into derivative financial instruments to manage such risks***

Market risk generally represents the risk that values of assets and liabilities or revenues will be adversely affected by changes in market conditions. Market risk is inherent in the financial transactions associated with many of the Issuer's operations and activities, including loans, deposits, short-term borrowings and long-term debt. The Issuer seeks to manage some of its market risk through the use of derivatives such as currency and interest rate hedging and swaps. Fluctuations in interest and currency exchange rates, changes in the implied volatility of interest rates and changes in foreign exchange rates, due to changes in either market perception or actual credit quality of the Issuer, expose the Issuer to market risk. Accordingly, depending on the instruments or activities impacted, market risks can have wide-ranging, complex adverse effects on the Issuer's financial condition, results of operations and business. Although the Issuer is only slightly affected by fluctuations in interest rates, depending on whether the Issuer is acting as lender or investor, such fluctuations will negatively or positively affect the Issuer.

The Issuer is in the process of concluding some hedging transactions to manage currency fluctuations on its contractual debt funding in currencies other than FCFA. In particular, an arrangement has been concluded with a French bank in order to hedge exchange rate risk on the Issuer's funds held in currencies other than euro (in particular, the U.S. dollar and SDR, including the Notes) through appropriate currency forward contracts, which is intended to partly neutralize the exchange rate risk. However, the Issuer is not fully hedged against exchange rate risk as it will use rolling forward swaps with up to five-year maturities, rather than the maturity of SDR debt. The Issuer's actual hedging decisions will be determined in light of the facts and circumstances existing at the time of the hedge, which may differ from time to time.

In some cases, the Issuer may elect not to, or may not have the ability to, implement such hedges or, if the Issuer does implement them, such hedges may not achieve the desired effect of reducing the Issuer's currency exchange risks. Such hedging arrangements may also result in increased costs to the Bank to the extent it is required to post sufficient collateral to cover the risk prevented to the relevant counterparty and which is likely to increase as a result of any deterioration in the credit quality of the Issuer. Such financial instruments may also expose the Issuer to the risk that its counterparties to such hedging contracts will default on their obligations. Furthermore, although hedging transactions may limit to some degree the Issuer's risk from fluctuations in currency exchange rates (and possibly interest rates), the Issuer may potentially forgo any benefits that might result from such fluctuations if it did not take undertake the hedging transactions. However, there can be no assurance that the Issuer will be hedged as intended against currency fluctuations, or that it will be able to hedge against the risk of currency fluctuations in the future or under similar conditions.

Interest rate risks are intended to be managed with a 15 basis point margin along with a six-monthly review of lending rates. The Issuer is exposed to interest rate risk related to a shift in the maturities (refinancing risk or reinvestment as appropriate). There can be no assurance that the Issuer will be protected as intended against interest rate fluctuations, or that it will be able to effectively manage the risk of interest rate fluctuations in the future, which in turn, could adversely affect the Issuer's business, financial condition or results of operations. See "*Risk Management—Market risk management—Interest rate risk*".

***Increased risk perception in any of the WAEMU Member States to which the Issuer has large credit exposure could have an adverse impact on the Issuer's credit ratings, funding activities and funding costs***

There is no guarantee that the Issuer will not be subject to negative changes in its credit rating for any reason. In particular, increased risk perception in any of the WAEMU Member States in which the

Issuer operates could, among other factors, trigger downgrades to the Issuer's credit ratings. A credit rating downgrade would likely increase the Issuer's funding costs, and reduce its access to the debt capital markets. In that case, the Issuer's ability to obtain the necessary funding to carry on its financing activities in West Africa at meaningful levels could be adversely affected.

### ***The Issuer is exposed to liquidity risk***

The Issuer monitors maturity mismatches between its assets and liabilities in order to minimize its liquidity risk and has a liquidity policy in place to ensure sufficient liquidity to meet its requirements over the following nine months. Although management believes that the Issuer's income and access to capital markets and other financings will continue to allow it to meet its short-term liquidity needs, mismatches between its income and assets and the maturity of its indebtedness could negatively impact its liquidity position. For example, the loans are extended by the bank with an average maturity of 10 years while the Issuer incurs debt with an average maturity of seven years; as a result, the Issuer must find resources to cover this gap.

In addition, in order to meet any liquidity needs, the Issuer has a statutory right to access the refinancing windows of the BCEAO, the Issuer's largest shareholder and its liquidity provider. The Issuer has never had to resort to this refinancing window; however, any inability on the part of the BCEAO to provide such liquidity should the Issuer require it could have material adverse effects on the Issuer's liquidity and access to funding.

The French Treasury provides an unlimited convertibility guarantee of the FCFA to the euro. In addition, the BCEAO maintains an operational account with the French Treasury, which supports the free convertibility of the FCFA and the euro. This operational account offers an unlimited overdraft facility, subject to operating rules and procedures agreed between the BCEAO and the French Treasury. Any limitation on, or termination of, the unlimited convertibility guarantee or the liquidity provided by the French Treasury to the BCEAO through the operational account, may have a material adverse effect on the BCEAO's ability to provide in turn liquidity to the Issuer.

Any inability to meet liquidity needs could adversely impact the evaluation of the Issuer's creditworthiness by counterparties and rating agencies, which could significantly limit its operating activities. Accordingly, if the Issuer failed to manage its liquidity position successfully, this could have a material adverse effect on its business, results of operations, financial condition and cash flows.

### ***The Issuer may have relationships with States that are subject to international sanctions***

As a supranational financial institution focused on financing development within the WAEMU Member States, the Issuer has relationships (including shareholder, personnel, lending and trading relationships) with States, some of which are subject to one or more international sanctions regimes. One such State, Cote d'Ivoire, is subject to a United Nations-administered embargo prohibiting the trading of arms and rough diamonds in, to or with Côte d'Ivoire, although trading in both such items is not within the Issuer's business mandate. The Office of Foreign Assets Control of the U.S. Department of the Treasury (**OFAC**) also maintains sanctions against certain persons and entities in Côte d'Ivoire.

Although the Issuer transacts only with entities and persons that are not themselves subject to such sanctions or embargoes and the Issuer seeks to adhere to sanctions and embargoes imposed and administered by the African Union, the United Nations Security Council, the European Union, OFAC, Her Majesty's Treasury and other relevant internationally recognized sanctions authorities, as the same are in force from time to time, there can be no guarantee that the Issuer will not be subject, directly or indirectly, to investigation in connection with the sanctions or embargoes described above or other sanctions and embargoes that may be applicable either presently or in the future. If any such

investigation occurred and resulted in the Issuer being found to have breached any applicable sanctions or embargoes, this could adversely affect the Issuer's business, financial condition, cash flows, results of operations and prospects. For more information, see “*Risk Management—Anti-Money Laundering and other compliance initiatives*”.

***The Issuer's corporate governance structure could change***

The By-laws provide for a balanced governance structure, in terms of the distribution of shareholdings among the WAEMU Member States, the BCEAO and sovereign or quasi-sovereign entities that are not part of the WAEMU (Class B shareholders) on the Board. See “*Capital Structure*”.

There is no restriction on the number of shares that may be held by any one single shareholder or group of shareholders, which could potentially lead to a concentration of ownership of the Issuer. As an exception, the BCEAO has to subscribe to, at least, the amount held by the WAEMU Member States. As at the date of this Prospectus, a concentration of ownership of the Issuer would not in itself result in an ability to appoint or remove a majority of the Board. At present and since 1973, one-third of the Board seats are reserved for the WAEMU Member States, one third for the BCEAO (which is itself controlled by the WAEMU Member States) and one-third for non-regional members who accounted for only 6.31% of the Issuer's total shares as at December 31, 2015. However, if the By-laws were to change, this could have an effect on the Issuer's corporate governance structure and voting rights, and in turn on its business, results of operations and prospects.

***The loss of certain members of the Issuer's management could have an adverse effect on the Issuer's business***

The Issuer's growth strategy is dependent on the efforts and abilities of its senior management. In addition, the Issuer's operations depend in part upon the continued services of certain key employees, which are those employees whose functions have a determinative impact of the operational activities or strategic objectives of the Issuer and which group includes most management positions. If the Issuer loses the services of any of its existing key personnel without timely and suitable replacements, or is unable to attract and retain new personnel with suitable experience, the Issuer's business, financial condition, results of operations and prospects could be materially and adversely affected.

**Risks relating to Africa**

***Emerging markets such as those in the WAEMU Member States are subject to greater risks than more developed markets***

African markets are generally considered by international investors to be emerging markets. Investors in emerging markets such as those in the WAEMU Member States should be aware that these markets are subject to greater risk than more developed markets. These risks include economic and financial market instability as well as, in some cases, significant legal and political risks. In addition, in a number of the WAEMU Member States, structural reforms are still needed in many sectors, including agriculture, energy and transport.

Economic instability in the WAEMU Member States in the past and in other emerging market countries has been manifested in many ways, including but not limited to:

- (i) general economic and business conditions;
- (ii) high interest rates;
- (iii) exchange rate volatility;

- (iv) high levels of inflation;
- (v) exchange controls;
- (vi) industrial action;
- (vii) commodity price fluctuations;
- (viii) slowdown in the economic activity of key trading partners;
- (ix) wage and price controls;
- (x) sudden changes in economic or tax policies;
- (xi) imposition of trade barriers;
- (xii) changes in investor confidence;
- (xiii) perceived or actual security issues and political instability;
- (xiv) budget deficits; and
- (xv) lack of adequate infrastructure necessary to accelerate economic growth.

Any of these factors could have a material adverse effect on the Issuer's business, financial condition, growth, prospects, cash flows and results of operations.

Accordingly, investors should exercise particular care in evaluating the risks involved in investing in the Notes and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investments in emerging markets are only suitable for sophisticated investors who fully appreciate the significance of the risks involved in, and are familiar with, investing in emerging markets, and prospective investors are urged to consult with their own legal and financial advisors before making an investment in the Notes.

***Turmoil in emerging markets, even outside Africa, can adversely affect the economies of the WAEMU Member States***

Any significant financial turmoil in one emerging market country has a tendency to adversely affect prices of capital markets financings of other emerging market countries, as investors may seek to move their money to what are perceived to be more stable, developed markets. As has happened in the past, financial problems or an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment across Africa and adversely affect the economies across the African continent, which comprises 54 states, as well as the WAEMU Member States more specifically. In addition, during such times, entities that operate in emerging markets can face severe liquidity constraints as foreign funding sources are withdrawn. Thus, even if the wider African economy remains stable (as a whole), financial turmoil in any emerging market country or region (African or otherwise) could adversely affect the Issuer's business, and result in a decrease in the price of the Notes.

The disruptions experienced in the international capital markets during the past few years arising from the financial crisis in developed countries have also led to reduced liquidity and increased credit risk premiums for certain market participants and have resulted in financing being unavailable for certain entities. Entities located in, or doing business with, countries in emerging markets may be particularly susceptible to disruptions in the capital markets and the reduced availability of credit or the increased

cost of debt, which could result in them experiencing financial difficulty. In addition, the availability of credit to entities operating within emerging markets is significantly influenced by levels of investor confidence in such markets as a whole and so any factors that impact market confidence (for example, a decrease in credit ratings or state or central bank intervention) could affect the price or availability of funding for entities within any of these markets. Finally, the recent slowdown in the Chinese economy may result in reduced investment in Africa from Chinese institutions.

***The business, operations and financial results of the Issuer could be adversely affected by the current general condition in the international financial markets and its effect on African economic growth and trade finance***

As a result of the global financial crisis, financial sector dysfunctionality has become an ongoing and immediate threat for many African economies. Banking systems have come under pressure as (i) access to foreign currency has become restricted, and (ii) a deterioration in the real economic sector threatens the quality of the assets of banks. The restoration of credit flow both to and within Africa and the continued return of financial markets to functionality represent critical elements for the ongoing recovery from the global financial crisis. If such dysfunctionality in the financial sector persists, this could have an adverse impact on the Issuer's results of operations and profitability.

***The official data upon which prospective investors could base their investment decisions may not be as reliable as equivalent data from official sources in developed countries***

Official statistics and other data published by central banks, governments, and non-governmental agencies in Africa may be substantially less complete or researched and, consequently, less reliable than those published by comparable bodies in more developed jurisdictions. Accordingly, the Issuer cannot assure prospective investors that the sources from which it has drawn some of the information set out in this Prospectus are reliable or complete. State entities in the WAEMU Member States may produce official statistics on bases different from those used by comparable bodies in other jurisdictions. The absence of accurate statistical, corporate and financial information, including audited financial statements, relating to its corporate borrowers, makes the valuation of collateral and overall credit risk assessment more difficult and less accurate. Accordingly, any discussion of matters relating to the Issuer's operations herein could, therefore, be subject to uncertainty due to concerns about the completeness or the reliability of available official and public information.

***A worsening of the political climate (including significant changes to social conditions and foreign policies) in any of the states with which the Issuer has relationships could have a material adverse effect on the Issuer's financial condition and/or results of operations***

Political factors which could adversely affect the Issuer's business, financial condition, cash flows, results of operations and prospects include:

- regional political instability, including government or military regime change, riots or other forms of civil disturbance violence or strife, including through acts of terrorism, guerrilla activities and insurrection;
- military conflicts or the outbreak of war or other hostilities involving countries in the region;
- any material curtailment of the industrial and economic infrastructure development that is currently underway across Africa;
- government intervention, including expropriation or nationalisation of assets or increased levels of protectionism;

- increased government regulations, or adverse governmental activities, with respect to price, import and export controls, the environment, customs and immigration, capital transfers, foreign exchange and currency controls, labour policies and land and water use, foreign ownership, legal structures and tax laws;
- cancellation of contractual rights;
- trade barriers;
- difficulties in staffing and managing operations;
- lack of well-developed legal systems which could make it difficult for the Issuer to enforce its intellectual property and contractual rights;
- security and safety of employees;
- restrictions on the right to convert or repatriate currency or export assets;
- greater risk of uncollectible accounts and longer collection cycles;
- indigenization and empowerment programs;
- logistical and communications challenges; and
- arbitrary, inconsistent or unlawful government action.

The WAEMU Member States are in various stages of developing the institutions and legal and regulatory systems that are characteristic of established democracies. However, institutions in these countries may not yet be as firmly established as they are in countries in the developed world. Many of these countries are also in the process of recovering from recent political and economic upheavals and transitioning to a market economy and, as a result, are experiencing changes in their economies and their government policies that can affect the Issuer's investments in those countries. Moreover, the procedural safeguards of the new legal and regulatory regimes in those countries are still being developed and, therefore, existing laws and regulations may be applied inconsistently. In some circumstances, it may not be possible to obtain the legal remedies provided under those laws and regulations in a timely manner.

As the political, economic and legal environments remain subject to continuous development, investors in these countries and regions face uncertainty as to the security of their investments. Any unexpected changes in the political or economic conditions in these or neighbouring countries or others in the region could have a material adverse effect on the Issuer's business, financial condition, cash flows, results of operations and prospects.

In recent years, many African countries have been subject to increasing numbers of terrorist attacks, including but not limited to high profile incidents over the last 12 months and many African countries suffer from a high prevalence of violent crime. An increase in the number of terrorist attacks or violent crimes, or the occurrence of a large-scale terrorist attack in Africa could have a negative impact on West African economies and therefore the Issuer's financial condition and business. See “—*Militant activity, terrorism and other forms of unrest may adversely affect the Issuer's business, operations and financial results*”.

***Despite the immunities and privileges afforded to the Issuer in the By-laws, there can be no guarantee that the Issuer's assets and operations will not be affected by government intervention***

Article 4 of the By-laws states that "the property and assets of the Issuer wherever located and by whomsoever held shall be immune from: (a) search, requisition, expropriation, confiscation, nationalisation and all other forms of seizure, taking or foreclosure by executive or legislative action; and (b) seizure, attachment or execution before the delivery of final judgment against the Issuer" (see "*Description of the Issuer—Immunities and Privileges*"). In addition, the Issuer's Resident Missions also enjoy these privileges and immunities. See "*—As a supranational institution, the Issuer is not subject to regulatory supervision, including with regard to capital adequacy, corporate governance or disclosure laws*".

As at the date of this Prospectus, the Issuer has not been subject to any violation of the above provisions. However, there can be no guarantee that such privileges and immunities will continue indefinitely, or that they will never be violated, and any changes to current governments of the WAEMU Member States could potentially affect the privileges and immunities granted to the Issuer and its Resident Missions. Any alteration, suspension or violation of these immunities and privileges and/or unlawful or arbitrary government action in the WAEMU Member States could disrupt the Issuer's operations and/or materially adversely affect its financial performance and results of operations.

***Militant activity, terrorism and other forms of unrest may adversely affect the Issuer's business, operations and financial results***

Militant activity and terrorism pose a major threat to security in certain of the jurisdictions in which the Issuer operates, such as Mali and Niger. During the post-electoral crisis in Cote d'Ivoire in 2011, the Issuer suspended disbursements and did not submit approval documents for commercial and public sector loans to Cote d'Ivoire until July 2011.

Security risks are linked to the activities of autonomous rebel movements in Northern Mali, jihadist groups in the Sahelian part of the WAEMU region and the Boko Haram group in Niger as well as in some neighbouring countries (Chad, Nigeria), all of which have increased geopolitical tensions in the region. As part of the fight against jihadist movements operating in the Sahel, the WAEMU Member States are now supported by international military forces, including those of France and the United States. The countries directly involved in the fight against the Boko Haram threat, including Nigeria, Chad, Cameroon, Niger and Benin, have also formed a multinational force attempting to combat this threat. Other countries in the region have also implemented security measures aimed at surveillance and intervention to counter possible actions by Boko Haram in their territories. Any increase in such militant activity or terrorism could lead to, among other things: (a) a decrease in demand from the euro zone, which is the WAEMU's principal economic partner; (b) decreases in commodity prices for the main products exported from the region (*e.g.*, cocoa, cotton); or (c) further tensions in the Sahel zone. Any such development would negatively impact the WAEMU's growth potential and, consequently, negatively impact the Issuer. On March 13, 2016, Côte d'Ivoire was the target of a terrorist attack in which 18 people were killed, at the Grand Bassam beach resort, near Abidjan. The risk of further attacks on beach resorts and other tourist centers cannot be excluded, and could lead to further disruption and tension in Côte d'Ivoire.

In addition, elections in the region can cause or result in socio-political unrest in the countries in which the Issuer operates. Election related risks include the destruction of property and human casualties as well as a negative impact on economic growth. In addition, problematic elections can lead to the postponement of reforms or projects in the relevant state. The September 2015 coup d'état in Burkina Faso, which resulted in the dissolution of the transitional government just weeks before the scheduled elections is illustrative of the potential risk to the sub-region and, while the recent elections

in Côte d'Ivoire (October 25, 2015) and in Burkina Faso (November 26, 2015) went smoothly, no assurance can be given that future elections in the various WAEMU Member States will take place peacefully.

The September 16, 2015 coup d'état in Burkina Faso was finally aborted with the surrender of those attempting the coup but it has had a negative impact on socio-economic activities. This could result in lower tax revenues and budgetary difficulties at the state level, which could negatively impact Burkina Faso's ability to honor its commitments (debt service, public investment, social grants) as well as its economic performance. As a result, following these events, the growth rate of Burkina Faso reached 4.4% in 2015 (compared to the June 2015 estimate of 5.0% and a rate of 6.8% in December 2014). (Source: Multilateral Surveillance Report of the WAEMU Commission). As at December 31, 2015, the Issuer's total outstanding loans to Burkina Faso amounted to FCFA 145.5 billion (including the FDE Window).

It is not possible to predict the occurrence of events or circumstances such as terrorism, war hostilities or political unrest described above, or the impact of such occurrences, and no assurance can be given that the Issuer would be able to sustain its current profit levels if such adverse events or circumstances were to occur in any of the African states in which the Issuer has significant operations or exposure.

***The Issuer faces certain risks dealing with HIV/AIDS and with disease outbreaks, such as malaria and the Ebola virus, which could adversely affect the Issuer's business, results of operations and financial condition***

HIV/AIDS and associated diseases remain one of the major health challenges faced by African countries. Malaria and other tropical diseases pose significant health risks at all of the Issuer's operations in West Africa where such diseases could assume epidemic proportions because of ineffective national control programs. Malaria is the major cause of death in young children and pregnant women and also gives rise to fatalities and absenteeism in adult men. The impact of the Ebola epidemic in the WAEMU countries is so far modest although two countries of the WAEMU were affected: Senegal, where one case was reported and treated and Mali where five Ebola related deaths were reported. The IMF notes that border closures in the region could negatively impact trade and could have adverse effects on tourism and transport in the WAEMU Member States.

Governments in the region have begun to institute policies on the testing, monitoring and quarantining of individuals travelling from affected countries in order to avoid worldwide pandemic. It is impossible to predict the effect and potential spread of the Ebola virus in Africa and the WAEMU. In particular, the epidemic of the Ebola virus disease could cause the infection of any employee of the Issuer. As of the date of this Prospectus, a vaccine is being administered in Guinea, the epicenter of the Ebola virus. The Centers for Disease Control and Prevention in the United States have confirmed that preliminary results suggest that the vaccine is safe and effective and the trial has been expanded into Sierra Leone.

Nevertheless, vigilance is still required because any spread of the epidemic could cause a negative impact on the region's finances, as well as its socio-economic condition. Any spread of the disease could cause the region to be faced with financial, social, political and economic consequences resulting in a downturn in economic activity due to factors such as a decline in travel, trade, deferment of investment projects and the wait-and-see policy of some investors. All of these effects could have a significant impact on the Issuer's business and results of operations.

Such diseases impair the health of employees and negatively affect productivity and profitability as a result of employees' diminished focus or skill, absenteeism, treatment costs and allocated resources. Subsequently this could adversely affect the operations of the Issuer or those of the underlying businesses supporting the Issuer's portfolio assets. The Issuer is not able to quantify these costs

accurately and no assurance can be given that costs it will incur in connection with these health risks will not have a material adverse effect on its business, results of operations and financial condition.

**Factors which are material for the purpose of assessing market risks associated with the Notes**

***The Notes may not be a suitable investment for all investors***

Investing in securities of issuers in emerging markets generally involves a higher degree of risk than investments in securities of corporate or sovereign issuers from more developed countries and carries risks that are not typically associated with investing in more mature markets, including in some cases significant economic risks. Generally, investing in securities of emerging market issuers, such as the Issuer, is only suitable for sophisticated investors who fully appreciate the significance of the risks involved in, and are familiar with, investing in emerging markets. Investors should note that emerging markets are subject to rapid change and that the information set out in this Prospectus may become outdated relatively quickly. Investors are urged to consult their own legal and financial advisers before making an investment. Such risks include, but are not limited to, higher volatility and more limited liquidity in respect of the Notes, greater political risk, a narrow export base, budget deficits, lack of adequate infrastructure necessary to accelerate economic growth and changes in the political and economic environment. Emerging markets can also experience more instances of corruption by government officials and misuse of public funds than do more mature markets, which could affect the ability of governments to meet their obligations under issued securities.

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes including where the currency for principal or interest payments is different from a potential investor's home currency;
- (iv) understand thoroughly the terms of the Notes; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

A potential investor should not invest in Notes unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

***The Notes are not guaranteed by any sovereign entity or agency***

Although established by treaty between the WAEMU Member States, the Issuer is a legal entity separate from both the governments of its members and the agencies of such governments. Therefore, the principal of the Notes, and interest due or to become due in respect of the Notes, constitute obligations solely of the Issuer and do not constitute the obligation of, nor are they guaranteed or

insured by any WAEMU Member State or sovereign entity or agency thereof. Holders of the Notes will not have recourse to any WAEMU Member State, or sovereign entity or agency thereof, to enforce judgments against the Issuer.

## **RISKS RELATED TO THE NOTES GENERALLY**

Set out below is a brief description of certain risks relating to the Notes generally:

### ***Redemption prior to maturity for tax reasons***

In the event that the Issuer would be obliged to increase the amounts payable in respect of the Notes for taxation reasons, the Issuer may redeem all (but not some only) outstanding Notes in accordance with the terms and conditions of the Notes set out under “Terms and Conditions of the Notes” (the **Conditions**). Consequently, it may not be possible to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes and this may only be possible at a significantly lower rate.

### ***The Conditions of the Notes contain provisions which may permit their modification without the consent of all investors***

The Conditions of the Notes contain provisions for calling meetings of holders of Notes to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders of Notes including those who did not attend and vote at the relevant meeting and those who voted in a manner contrary to the majority.

The Conditions of the Notes also provide that the Trustee may, without the consent of holders of Notes, agree to (i) any modification of the Notes the Trust Deed or the Agency Agreement (other than in respect of certain reserved matters) which is, in the opinion of the Trustee, proper to make if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of holders of Notes and (ii) any modification of the Notes the Trust Deed or the Agency Agreement which is of a formal, minor or technical nature or to correct a manifest error. In addition, the Trustee may, without the consent of holders of Notes, authorize or waive any proposed breach or breach of the Notes, the Trust Deed or the Agency Agreement (other than in respect of certain reserved matters) or determine without the consent of holders of Notes that any Event of Default or Potential Event of Default (each as defined in the Trust Deed) shall not be treated as such in the circumstances described in Condition 14 (*Meetings of Noteholders, Modification and Waiver*) of the Notes.

### ***The proposed financial transactions tax (the FTT)***

On February 14, 2013, the European Commission published a proposal (the **Commission’s Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating EU Member States**).

The Commission’s Proposal has a very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. Under the Commission’s Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating EU Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating EU Member State. A financial institution may be, or be deemed to be, “established” in a participating EU Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating EU Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating EU Member State.

The FTT proposal remains subject to negotiation between the participating EU Member States. It may therefore be altered prior to any implementation, the time of which remains unclear. On December 8, 2015, Estonia indicated that it will no longer be a participating Member State. Furthermore, additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

***As the Global Note Certificates are held by or on behalf of DTC, Euroclear and/or Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer***

The Notes may be represented by one or more Global Note Certificates which will be deposited with a custodian for, and registered in the name of a nominee of, DTC or a common depository for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Note Certificate, investors will not be entitled to receive definitive notes. DTC, Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Note Certificates. While the Notes are represented by one or more Global Note Certificates, investors will be able to trade their beneficial interests only through DTC, Euroclear and Clearstream, Luxembourg.

While the Notes are represented by one or more Global Note Certificates, the Issuer will discharge its payment obligations under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Note Certificate must rely on the procedures of the relevant clearing system to receive payments under the Notes. The Issuer shall have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Note Certificates.

Holders of beneficial interests in the Global Note Certificates will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system to appoint appropriate proxies.

***The value of the Notes could be adversely affected by a change in English law or administrative practice***

The Conditions of the Notes are based on English law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Prospectus and any such change could materially adversely impact the value of the Notes.

***Investors who purchase Notes in denominations that are not an integral multiple of U.S.\$200,000 may be adversely affected if definitive Note Certificates are subsequently required to be issued***

The Notes have denominations consisting of a minimum of U.S.\$200,000 or its equivalent plus one or more higher integral multiples of U.S.\$1,000 or its equivalent. It is possible that the Notes may be traded in amounts that are not integral multiples of U.S.\$200,000 or its equivalent. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than U.S.\$200,000 or its equivalent in his account with the relevant clearing system at the relevant time may not receive a definitive Note Certificate in respect of such holding (should definitive Note Certificates be printed) and would need to purchase a principal amount of Notes such that its holding amounts to U.S.\$200,000 or its equivalent.

If definitive Note Certificates are issued, holders should be aware that definitive Note Certificates which have a denomination that is not an integral multiple of U.S.\$200,000 or its equivalent may be illiquid and difficult to trade.

## **RISKS RELATED TO THE MARKET GENERALLY**

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

***An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Notes***

The Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a severely adverse effect on the market value of the Notes.

***If an investor holds Notes which are not denominated in the investor's home currency, he will be exposed to movements in exchange rates which may adversely affect the value of his holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes***

The Issuer will pay principal and interest on the Notes in U.S. dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than U.S. dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of the U.S. dollar or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the U.S. dollar would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

***The value of the Notes may be adversely affected by movements in market interest rates***

In general, as market interest rates rise, securities bearing interest at a fixed rate such as the Notes generally decline in value. Consequently, investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

***Credit ratings may not reflect all risks***

The credit rating(s) assigned to the Notes at any time may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. Similar ratings on different types of notes do not necessarily mean the same thing. The ratings do not address the marketability of the Notes or any market price. The significance of each rating should be analyzed independently from any other rating.

***The market price of the Notes may be volatile***

The market price of the Notes could be subject to significant fluctuations in response to actual or anticipated variations in the Issuer's operating results and those of its competitors, adverse business developments, changes to the regulatory environment in which the Issuer operates, changes in financial estimates by securities analysts and the actual or expected sale of a large number of Notes, as

well as other factors. In addition, in recent years the global financial markets have experienced significant price and volume fluctuations, which, if repeated in the future, could adversely affect the market price of the Notes without regard to the Issuer's results of operations, prospects or financial condition. Factors including increased competition, fluctuations in the Issuer's operating results, the regulatory environment, availability of reserves, general market conditions, natural disasters and armed conflict may have an adverse effect on the market price of the Notes.

***It may be difficult to effect service of legal process and enforce judgments obtained in any of the WAEMU Member States against the Issuer and its officers***

Pursuant to the By-laws, the Immunities Protocol and the Headquarters Agreement, the Issuer benefits from various immunities and privileges. See “*Description of the Issuer—Overview—Privileges and Immunities*”. Article 4 of the By-laws provides that no judgment or award other than a definitive judgment or award may be enforced against the Issuer and all property and assets of the Issuer shall, wherever located and by whomsoever held, be immune from all forms of seizure, attachment or execution before the delivery of definitive judgment or award against the Issuer. The Issuer has, in accordance with the Waiver of Immunity Decision and pursuant to the relevant provisions of the Notes, the Subscription Agreement, the Agency Agreement and the Trust Deed, undertaken not to claim any immunity to the full extent permitted by the laws of any jurisdiction.

The Issuer has agreed that the English courts have exclusive jurisdiction to settle any Proceedings. The Issuer has submitted to the jurisdiction of the English courts for the benefit of the Noteholders and, as a result, to the extent allowed by law, Noteholders may take concurrent proceedings in any number of jurisdictions. However, the Notes do not provide any alternative dispute resolution mechanism, such as arbitration, and accordingly Noteholders will have legal recourse in the event of any dispute under the Notes only through the courts. See “*Terms and Conditions of the Notes—Governing Law and Dispute Resolution*”.

In addition, the courts of a WAEMU Member State will likely not automatically enforce any judgment obtained in a court established in a country other than that WAEMU Member State unless there is in effect a treaty between such country and such WAEMU Member State providing for reciprocal enforcement of judgments and then only in accordance with the terms of such treaty. There is currently no such treaty in effect between any of the WAEMU Member Countries and the United Kingdom. Accordingly, should a holder of the Notes be successful in obtaining a judgment against the Issuer in any jurisdiction other than a WAEMU Member State, no assurance can be given that such judgment will be enforced against the Issuer in such WAEMU Member State.

In Togo, where the Issuer is headquartered, there is no requirement for a bilateral treaty between a foreign country and the Togolese Republic providing for reciprocal enforcement of judgments in order to enforce a judgment obtained in such foreign country in the Togolese Republic. Foreign judgments are enforceable in the Togolese Republic under local procedural rules, including a special order called *exequatur* which requires that:

- the party seeking the enforcement of a foreign judgment in Togo must submit a request to the president of the competent court where the enforcement will be instituted and produce a copy of the judgment, an original of the document evidencing the notification of the judgment and a certificate to attest that there is no possible further appeal or opposition against the judgment; and
- the president of the competent court shall verify, among other conditions, that the foreign judgment has been made by a competent jurisdiction, that the competent jurisdiction has applied the applicable law to the relevant dispute, that the foreign judgment cannot be further appealed and that the judgment is not obviously contrary to Togolese public policy.

In the circumstances described above, however, the enforcement in Togo of a judgment obtained in another jurisdiction, including England, cannot be assured. The Togolese Republic is not party to any international conventions or bilateral treaties with foreign countries providing for reciprocal enforcement of judgments obtained in any foreign country in the Togolese Republic. As a result, enforcement of foreign judgments in the Togolese Republic is reliant on the local laws and the ability of Noteholders to enforce foreign judgments in the courts of the Togolese Republic could be affected by a change of local law.

In addition, certain of the members of the Board of Directors of the Issuer and principal officers of the Issuer are residents of a Member State and all or a substantial portion of the property and assets of the Issuer are located in the Member States.

As a result, it may not be possible (a) to effect service of process upon any such person outside the relevant Member State in which such person is resident, (b) to enforce against any such person, in courts of jurisdictions other than the relevant Member State in which such person is resident, judgments obtained in such courts or (c) to enforce against any such person, in the courts of the Member State in which such person is resident, judgments obtained in any other jurisdiction, including judgments obtained on the Trust Deed in the courts of England and judgments obtained on the Notes in the United States predicated upon the civil liability provisions of the federal securities laws of the United States.

***Investors are relying solely on the creditworthiness of the Issuer***

The Notes will constitute direct, general, unconditional, unsubordinated and, subject to the provisions of Condition 5 (*Negative Pledge and Certain Other Covenants*), unsecured obligations of the Issuer and will rank at all times *pari passu*, without any preference among themselves, and at least *pari passu* with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application. If a prospective investor purchases such Notes, it is relying on the creditworthiness of the Issuer and no other person. In addition, an investment in such Notes involves the risk that subsequent changes in the actual or perceived creditworthiness of the Issuer may adversely affect the market value of such Notes.

***Return on an investment in Notes will be affected by charges incurred by investors***

An investor's total return on an investment in any Notes will be affected by the level of fees charged by an agent, nominee service provider and/or clearing system used by the investor. Such a person or institution may charge fees for the opening and operation of an investment account, transfers of Notes, custody services and on payments of interest and principal. Potential investors are, therefore, advised to investigate the basis on which any such fees will be charged on the relevant Notes.

***Legal investment considerations may restrict certain investments***

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

### ***U.S. securities laws may restrict the transfer of Notes***

The Issuer is offering the Notes in reliance upon exemptions from registration under the U.S. Securities Act and applicable state securities laws and the U.S. Investment Company Act. Therefore, the Notes may be transferred or resold only in transactions registered under, exempt from or not subject to the registration requirements of the U.S. Securities Act and all applicable state securities laws, and that will not require the Issuer to register as an investment company under the U.S. Investment Company Act. See “*Subscription and Sale*” and “*Form of the Notes and Transfer Restrictions*”.

### ***The Issuer is relying on Section 3(c)(7) of the U.S. Investment Company Act for its exemption from registration thereunder and may be a “covered fund” under the Volcker Rule***

Final rules implementing Section 619 of the Dodd-Frank Act (the **Volcker Rule**) have been adopted and became effective on July 21, 2015, subject to two additional one-year extensions announced by the Federal Reserve which together would extend until July 21, 2017 the period for covered banking entities to conform their ownership interests in and sponsorship of certain entities to the Volcker Rule. As of that date and thereafter, the Volcker Rule would generally prohibit covered banking entities and other entities subject to the Volcker Rule from, among other things, acquiring or retaining an “ownership interest” in a “covered fund” (each as defined in the Volcker Rule).

As the Issuer is relying on Section 3(c)(7) of the U.S. Investment Company Act for its exemption from registration thereunder, unless the Issuer qualifies for an exemption under the Volcker Rule, it may be considered to be a covered fund. The Issuer will not seek to qualify for any exemption to the Volcker Rule. There is no assurance that the Issuer will seek such an exemption in the future or that, if the Issuer did so, it would be successful. If the Issuer is a “covered fund” subject to the Volcker Rule, then covered banking entities and other entities subject to the Volcker Rule would be restricted from acquiring and retaining Notes or any other interests in the Issuer that qualify as “ownership interests” under the Volcker Rule.

While the Issuer does not believe that an investment in the Notes would constitute acquiring or retaining an ownership interest in a covered fund, each investor in the Notes must make its own determination as to whether the investor is a covered banking entity or otherwise subject to the Volcker Rule, whether the Issuer is a “covered fund” under the Volcker Rule, whether its investment in the Notes would or could in the future be restricted or prohibited by any provisions of the Volcker Rule, whether any extension of the Volcker Rule conformance period would be applicable to such investor’s investment in the Notes, and the potential impact of the Volcker Rule on its investment, any marketability or liquidity in connection therewith and on its portfolio generally. The Volcker Rule and interpretations thereunder are still uncertain, may restrict or discourage the acquisition of Notes by covered banking entities, and may adversely affect the marketability or liquidity of the Notes. Investors in the Notes are responsible for analysing their own regulatory positions, and none of the Issuer, the Joint Lead Managers, the Trustee or any of their affiliates makes any representation to any prospective investor or purchaser of the Notes regarding the application of the Volcker Rule to the Issuer or to such investor’s investment in the Notes on the Issue Date or at any time in the future.

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions of the Notes which, subject to amendment and completion and except for the text in italics, will be endorsed on each Definitive Note Certificate (if issued).*

The U.S.\$750,000,000 5.50% Notes due 2021 (the **Notes**, which expression includes any further notes issued pursuant to Condition 18 (*Further Issues*) and forming a single series therewith) of Banque Ouest Africaine de Développement (the **Issuer**) are (a) constituted by and subject to, and have the benefit of, a trust deed dated on or around May 6, 2016 (as amended or supplemented from time to time, the **Trust Deed**) between the Issuer and Citicorp Trustee Company Limited as trustee (the **Trustee**, which expression includes all persons for the time being appointed as trustee for the holders of the Notes (**Noteholders**) under the Trust Deed) and (b) the subject of a paying agency agreement dated on or around May 6, 2016 (as amended or supplemented from time to time, the **Agency Agreement**) between the Issuer, the Trustee and Citibank N.A., London Branch as principal paying and transfer agent (the **Principal Paying and Transfer Agent**, which expression includes any successor principal paying and transfer agent appointed from time to time in connection with the Notes and **Paying and Transfer Agent** shall mean the Principal Paying and Transfer Agent and/or any additional paying and transfer agent appointed from time to time in connection with the Notes) and Citigroup Global Markets Deutschland AG, in its capacity as registrar (the **Registrar**, which expression shall include any successor registrar appointed from time to time in connection with the Notes and, together with the Principal Paying and Transfer Agent and any other Paying and Transfer Agents, the **Agents**).

Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and are subject to their detailed provisions. The Noteholders are bound by, and are deemed to have notice of all the provisions of the Trust Deed and the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection by prior appointment during normal business hours at the Specified Offices (as defined in the Agency Agreement) of the Paying and Transfer Agents.

### 1. FORM, DENOMINATION AND TITLE

- (a) **Form and denomination.** The Notes are in registered form, serially numbered and a certificate (a **Definitive Note Certificate**) will be issued to each Noteholder (as defined below) in respect of its registered holding of Notes.

Notes sold (i) in offshore transactions to persons other than U.S. persons (as defined in Regulation S (**Regulation S**) under the Securities Act of 1933, as amended (the **Securities Act**)) in reliance upon Regulation S will be issued in minimum denominations of U.S.\$200,000 or any amount in excess thereof which is an integral multiple of U.S.\$1,000 and (ii) to qualified institutional buyers (as defined in Rule 144A (**Rule 144A**) under the Securities Act) (**QIBs**) that are also qualified purchasers (as defined in Section 2(a)(51)(A) under the U.S. Investment Company Act of 1940, as amended (the **Investment Company Act**)) (**QPs**) in reliance on Rule 144A will be issued in minimum denominations of U.S.\$200,000 or any amount in excess thereof which is an integral multiple of U.S.\$1,000 (each denomination referred to in (i) and (ii), an **Authorised Holding**).

- (b) **Title.** Title to the Notes will pass by transfer and registration as described in Conditions 2 (*Registration*) and 3 (*Transfer of Notes*). The holder (as defined below) of any Note will (except as otherwise required by law or as ordered by a court of

competent jurisdiction) be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or any other interest in it, any writing thereon by any Person (as defined below) (other than a duly executed transfer thereof in the form endorsed thereon) or any notice of any previous theft or loss thereof; and no Person will be liable for so treating the holder.

In these Conditions, **Person** means any individual, company, corporation, firm, partnership, joint venture, association, unincorporated organisation, trust or other judicial entity, including, without limitation, any state or agency of a state or other entity, whether or not having separate legal personality, **Noteholder** or **holder** means the Person in whose name a Note is for the time being registered in the Register (as defined below) (or, in the case of joint holders, the first named thereof) and **holder of Notes**, and related expressions shall be construed accordingly. A Definitive Note Certificate (as defined below) will be issued to each Noteholder in respect of its registered holding.

*Notes sold to QIBs that are also QPs in the United States in reliance on Rule 144A under the Securities Act will be represented by a Restricted Global Note Certificate. Notes sold to investors outside the United States who are not U.S. persons in reliance on Regulation S under the Securities Act will be represented by an Unrestricted Global Note Certificate. The Unrestricted Global Note Certificate will be deposited with, and registered in the name of a nominee for, a common depositary for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**). The Restricted Global Note Certificate will be deposited with a custodian for, and registered in the name of, Cede & Co., as nominee of the Depositary Trust Company (**DTC**).*

*Ownership of beneficial interests in the Restricted Global Note Certificate will be limited to persons that have accounts with DTC or persons that may hold interests through such participants. Ownership of beneficial interests in the Unrestricted Global Note Certificate will be limited to Persons that have accounts with Euroclear or Clearstream, Luxembourg or Persons that may hold interests through such participants. Beneficial interests in the Restricted Global Note Certificate and the Unrestricted Global Note Certificate (together, the **Global Note Certificates**) will be shown on, and transfers thereof will be effected through, records maintained in book-entry form by DTC and its participants or by Euroclear, Clearstream, Luxembourg and their participants as applicable. Global Note Certificates will be exchangeable for Notes in definitive form only in certain limited circumstances specified in the Global Note Certificate.*

- (c) **Third party rights.** Subject to Condition 17 (*Provision of Information*), no Person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

## 2. REGISTRATION

The Issuer will maintain a register (the **Register**) in respect of the Notes in accordance with the provisions of the Agency Agreement at the Specified Office of the Registrar in which will be entered the names and addresses of the holders of the Notes and the particulars of the Notes held by them and all transfers and redemptions of the Notes.

### 3. TRANSFER OF NOTES

- (a) **Transfer.** Each Note may, subject to the terms of the Trust Deed and to Conditions 3(b) (*Formalities Free of Charge*), 3(c) (*Closed Periods*) and 3(e) (*Regulations Concerning Transfer and Registration*), be transferred in whole or in part in an Authorised Holding by lodging the relevant Definitive Note Certificate (with the endorsed form of application for transfer in respect thereof duly executed and duly stamped where applicable) at the Specified Office of the Registrar or any Paying and Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Paying and Transfer Agent may reasonably require to prove the title of the transferor and the authority of the persons who have executed the form of transfer. A Note may be registered only in the name of, and transferred only to, a named person or persons. No transfer of a Note will be valid unless and until entered on the Register.

The Registrar will within five Business Days (as defined below) of any duly made application for the transfer of a Note, register the transfer and deliver a new Definitive Note Certificate to the transferee (and, in the case of a transfer of part only of a Note, deliver a new Definitive Note Certificate in respect of the part transferred to the transferee and a further new Definitive Note Certificate for the untransferred balance to the transferor), at its Specified Office or (as the case may be) the Specified Office of any Paying and Transfer Agent or (at the risk and, if mailed at the request of the transferee or, as the case may be, the transferor otherwise than by ordinary mail, at the expense of the transferee or, as the case may be, the transferor) mail the Definitive Note Certificate by uninsured mail to such address as the transferee or, as the case may be, the transferor may request.

- (b) **Formalities Free of Charge.** Such transfer will be effected without charge subject to (i) the person making such application for transfer paying or procuring the payment of any taxes, duties and other governmental charges in connection therewith, (ii) the Registrar or (as the case may be) such Paying and Transfer Agent being satisfied with the documents of title and/or identity of the person making the application and (iii) such reasonable regulations as the Issuer may from time to time agree with the Registrar and the Trustee.
- (c) **Closed Periods.** Neither the Issuer nor the Registrar will be required to register the transfer of any Note (or part thereof) during the period of 15 days immediately prior to the due date for any payment of principal or interest in respect of the Notes.
- (d) **Business Day.** In these Conditions, **Business Day** means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in both New York City and the city in which the Specified Office of the Registrar or, as the case may be, the relevant Paying and Transfer Agent is located.
- (e) **Regulations Concerning Transfer and Registration.** All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer to reflect changes in legal requirements or in any other manner which is not prejudicial to the interests of Noteholders with the prior approval of the Registrar and the Trustee. A copy of the current regulations will be mailed (free of

charge) by the Registrar to any Noteholder who has requested in writing a copy of such regulations.

- (f) **Authorised Holdings.** No Note may be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a holder are being transferred) the principal amount of the balance of the Notes not transferred are Authorised Holdings.

#### 4. STATUS

The Notes constitute direct, general, unconditional, unsubordinated and (subject to Condition 5(a) (*Negative Pledge*)) unsecured obligations of the Issuer. The Notes will at all times rank *pari passu*, without any preference among themselves and (subject as aforesaid) at least equally, with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

#### 5. NEGATIVE PLEDGE AND CERTAIN OTHER COVENANTS

- (a) **Negative Pledge:** So long as any Note remains outstanding (as defined in the Trust Deed) the Issuer shall not, and shall procure that none of its Subsidiaries will, create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or any Guarantee of any Relevant Indebtedness without at the same time or prior thereto (i) securing the Notes equally and rateably therewith to the satisfaction of the Trustee or (ii) providing such other security for the Notes as the Trustee may in its absolute discretion consider to be not materially less beneficial to the interests of the Noteholders or as may be approved by an Extraordinary Resolution (as defined in the Trust Deed) of Noteholders.

- (b) **Other Covenants:**

- (i) **Financial Covenants:**

The Issuer shall ensure that, unless it currently holds at least two Investment Grade Ratings (in which case this Condition 5(b)(i) (*Other Financial Covenants*) shall be disappplied for the duration of the existence of both such Investment Grade Ratings) as at each Test Date:

- (A) it maintains a minimum capital adequacy ratio of 12 per cent. of capital against risk weighted assets calculated in accordance with the provisions of the Basel Paper; and

- (B) its Tangible Net Worth shall not be less than U.S.\$400,000,000,

all as calculated by reference to the audited annual or semi-annual (with limited review) consolidated or, if the Issuer does not produce consolidated financial statements, non-consolidated financial statements of the Issuer prepared in accordance with IFRS.

- (ii) **Information Covenants:** The Issuer shall supply to the Trustee:
- (A) as soon as the same become available, but in any event within 135 days after the end of each of its financial years, its audited non-consolidated and (if prepared) consolidated financial statements for that financial year, as approved by the Issuer's Board of Directors, together with a copy of the audit opinion thereon; and
  - (B) as soon as the same become available, but in any event within 90 days after the end of each half of each of its financial years, as approved by the Issuer's Board of Directors, its non-consolidated and (if prepared) consolidated financial statements for the relevant financial half year in the form such financial statements were so approved, together with a copy of a limited review report thereon from the Issuer's auditors.
- (iii) **No Event of Default Certificate, etc.:**
- (A) The Issuer has undertaken in the Trust Deed to deliver to the Trustee in relation to each set of financial statements delivered pursuant to paragraph (A) and (B) of Condition 5(b)(ii) (*Information Covenants*) a certificate of the Issuer as to there not having occurred an Event of Default or a Potential Event of Default (each as defined in the Trust Deed) and that (as from the date they became applicable) the covenants in Condition 5(b)(i) (*Financial Covenants*) have been complied with since the date of the last such certificate and were met on the most recent Test Date (together with details of the relevant calculations) (the **No Event of Default Certificate**), or, if such an event or failure to comply with the relevant covenants had occurred, as to the details of such event or such failure to comply, in the form set out in the Trust Deed. The Trustee will be entitled to rely without liability on any No Event of Default Certificate and shall not be obliged to monitor compliance by the Issuer with the covenants set forth in this Condition 5(b) (*Other Covenants*) and shall not be required to review any financial statements or certificates provided pursuant to Condition 5(b) (*Other Covenants*) or to perform any calculations in relation to figures provided in such financial statements or certificates or to monitor the timing of their delivery and need not enquire further as regards the circumstances existing on the date of such No Event of Default Certificate or any applicable Test Date.
  - (B) If the Issuer is not in compliance with any of the covenants in Condition 5(b)(i) (*Financial Covenants*) then it shall as soon as practicable inform the Trustee in writing that it is no longer in compliance.
  - (C) If the Issuer no longer benefits from at least two Investment Grade Ratings, it shall as soon as practicable inform the Trustee in writing thereof. The Issuer shall also, as soon as practicable, inform the Trustee in writing whenever it has re-established at least two Investment Grade Ratings.
  - (D) Each such No Event of Default Certificate or notification in (B) or (C) above shall be signed by two Authorised Signatories of the Issuer (as defined in the Trust Deed).

## 6. DEFINITIONS

For the purposes of these Conditions:

**Articles** means the articles of association (*statuts*) of the Issuer from time to time;

**Basel Paper** means the paper entitled “International Convergence of Capital Measurement and Capital Standards: A Revised Framework – Comprehensive Version” dated June 2006 and prepared by the Basel Committee on Banking Supervision, as amended or replaced from time to time;

**Guarantee** means any guarantee or indemnity in respect of any indebtedness or any arrangement having a similar effect;

**IFRS** means the International Financial Reporting Standards (formerly International Accounting Standards) issued by the International Accounting Standards Board (**IASB**) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (as amended, supplemented or re-issued from time to time);

**indebtedness** includes any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present, future, actual or contingent;

**Indebtedness for Borrowed Money** means any indebtedness of any Person for or in respect of:

- (a) moneys borrowed;
- (b) amounts raised by acceptance under any acceptance credit facility;
- (c) amounts raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or similar instruments;
- (d) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with IFRS, be treated as finance or capital leases;
- (e) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred primarily as a means of raising finance or financing the acquisition of the relevant asset or service;
- (f) amounts raised under any other transaction (including any forward sale or purchase agreement and the sale of receivables or other assets on a **with recourse** basis) having the commercial effect of a borrowing;
- (g) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the mark-to-market value shall be taken into account);
- (h) any counter-indemnity obligation in respect of any guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and
- (i) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (h) above;

**Investment Grade Rating** means a long-term senior debt rating (or its equivalent) in respect of the Issuer of at least BBB- given by Standard & Poor's Rating Services (**S&P**), at least Baa3 given by Moody's Investors Services Ltd. (**Moody's**) or at least BBB- given by Fitch Ratings Ltd. (**Fitch**);

**Permitted Security Interest** means any Permitted Securitisation;

**Permitted Securitisation** means any transaction or series of transactions where any indebtedness is incurred by the Issuer or any of its Subsidiaries in connection with a securitisation of assets or factoring of receivables where the recourse of the provider(s) of that indebtedness is limited to those assets and or receivables, *provided that* the aggregate outstanding principal amount of such indebtedness does not at the time of incurrence exceed 15 per cent. of the total assets (which shall be the consolidated total assets if the Issuer prepares consolidated financial statements) of the Issuer (as determined by reference to the latest available audited annual or semi-annual (with limited review) financial statements of the Issuer (which shall be the consolidated financial statements if the Issuer prepares such financial statements)), save that where the outstanding principal amount of indebtedness under any existing Permitted Securitisation is to be fully or partially repaid or refinanced with the proceeds of a transaction or series of transactions which itself or themselves will constitute a Permitted Securitisation then the existing outstanding principal amount of indebtedness to be repaid will not be taken into account for the purpose of the foregoing determination;

**Regional Member State** means those member states of the Treaty of the West African Economic and Monetary Union (the **WAEMU**) that are adherents to the Articles in accordance with Article 6 of the Articles from time to time;

**Related Party** means, with respect to the Issuer, any of its shareholders (including any holding company of the Issuer), any department, ministry or agency of, or any other Person owned or controlled by or which is an affiliate of, any of the shareholders of the Issuer including any Subsidiary of any such holding company from time to time;

**Relevant Date** means whichever is the later of (i) the date on which such payment first becomes due and (ii) if the full amount payable has not been received in New York City by the Principal Paying and Transfer Agent or the Trustee on or prior to such due date, the day which is seven days after the Principal Paying and Transfer Agent or the Trustee has notified the Noteholders that it has received the full amount plus any accrued interest in accordance with Condition 15 (*Notices*);

**Relevant Indebtedness** means any present or future indebtedness (whether being principal, premium, interest or other amounts) of any Person for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities which (with the consent of the Issuer) are for the time being quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market;

**Relevant Jurisdiction** means any Regional Member State or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and interest on the Notes;

**Security Interest** means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

**Subsidiary** means, in relation to any Person at any time, any other Person (whether or not now existing) which is controlled directly or indirectly, or more than 50% of whose issued equity share capital (or equivalent) is then beneficially owned by the first Person and/or any one or more of the first Person's Subsidiaries, and **control** means the power (whether directly or indirectly) and whether by the ownership of share capital, the possession of voting power, contract or otherwise to appoint the majority of the members of the governing body of management or otherwise to control the affairs and policies, of that other Person;

**Tangible Net Worth** means, in respect of the Issuer, at any time the aggregate of:

- (a) the amount paid up or credited as paid up on the common stock of the Issuer;
- (b) to the extent the Issuer's general reserves (**General Reserves**) and/or share premium (**Share Premium**) are included in the financial statements produced by the Issuer, the Issuer's General Reserves and Share Premium; and
- (c) the Issuer's retained earnings,

(in each case as calculated in accordance with IFRS); and

**Test Date** means June 30 and December 31 in each year commencing on June 30, 2016.

## 7. INTEREST

- (a) **Interest Accrual.** Each Note bears interest from May 6, 2016 (the **Issue Date**) at the rate of 5.50% per annum (the **Rate of Interest**) payable semi-annually in arrear on May 6 and November 6 in each year (each, an **Interest Payment Date**) commencing November 6, 2016, subject as provided in Condition 8 (*Payments*). Each period beginning on (and including) the Issue Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date is herein called an **Interest Period**.
- (b) **Cessation of Interest.** Each Note will cease to bear interest from the due date for final redemption unless, upon due surrender of the relevant Note, payment of principal is improperly withheld or refused. In such case it will continue to bear interest at such rate (after as well as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying and Transfer Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment) in accordance with Condition 15 (*Notices*).
- (c) **Calculation of Interest for an Interest Period.** The amount of interest payable in respect of each Note for any Interest Period shall be calculated by applying the Rate of Interest to the principal amount of such Note, dividing the product by two and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).
- (d) **Calculation of Interest for any other Period.**

If interest is required to be calculated for any period other than an Interest Period, it will be calculated on the basis of a year of 360 days consisting of 12 months of 30 days each and, in the case of an incomplete month, the actual number of days elapsed.

The determination of the amount of interest payable under Conditions 7(c) (*Calculation of Interest for an Interest Period*) and 7(d) (*Calculation of Interest for any other period*) by the Principal Paying and Transfer Agent shall, in the absence of manifest error, be binding on all parties.

## 8. PAYMENTS

- (a) **Principal.** Payment of principal in respect of each Note and payment of interest due other than on an Interest Payment Date will be made to the person shown in the Register at the close of business on the Record Date (as defined below) and, in the case of payments due on the final redemption of the Notes, subject to the surrender of the relevant Definitive Note Certificate at the Specified Office of the Registrar or of any Paying and Transfer Agent.
- (b) **Interest and other Amounts.** Payments of interest and other amounts due on an Interest Payment Date will be made to the persons shown in the Register at close of business on the Record Date.
- (c) **Record Date.** Each payment in respect of the Notes will be made to the person shown as the Noteholder in the Register at the close of business (local time in the place of the specified office of the Registrar) on the fifteenth calendar day before the due date for such payment (the **Record Date**).

*Payments in respect of the Global Note Certificate will be made to the person shown as the Noteholder in the Register on the Record Date, being for this purpose, the first Clearing System Business Day before the due date for payment, where **Clearing System Business Day** means a day on which each clearing system for which the Global Note Certificate is being held is open for business.*

- (d) **Payments.** Each payment in respect of the Notes pursuant to Conditions 8(a) (*Principal*) and 8(b) (*Interest and other Amounts*) will be made in United States dollars by transfer to a United States dollar account maintained by the payee with a bank in New York City and identified as such in the Register.

Where payment is to be made by transfer to a United States dollar account, payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated, in the case of payments of principal referred to in Condition 8(a) (*Principal*), on the later of the due date for payment and the day on which the relevant Definitive Note Certificate is surrendered (or, in the case of part payment only, endorsed as the case may be) and, in the case of payments of interest and other amounts referred to in Condition 8(b) (*Interest and other Amounts*) on the due date for payment.

- (e) **Agents.** The names of the initial Principal Paying and Transfer Agent and Registrar and their Specified Offices are set out below. The Issuer reserves the right under the Agency Agreement at any time with the prior written approval of the Trustee by giving to the Principal Paying and Transfer Agent and any other Agent concerned at least 60 days' prior written notice, which notice shall expire at least 30 days before or after any due date for payment in respect of the Notes, to vary or terminate the appointment of any Paying and Transfer Agent or the Registrar and to appoint successor or additional Paying and Transfer Agents or another Registrar, provided that it will at all times maintain:

- (i) A Principal Paying and Transfer Agent;
- (ii) a Paying and Transfer Agent in at least one major European city approved by the Trustee (which may be the Principal Paying and Transfer Agent); and
- (iii) a Registrar.

Notice of any such removal or appointment and of any change in the Specified Office of any Paying and Transfer Agent or Registrar will be given to Noteholders in accordance with Condition 15 (*Notices*) as soon as practicable.

- (f) **Payments subject to Fiscal Laws.** All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 10 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.
- (g) **Delay in Payment.** Noteholders will not be entitled to any interest or other payment in respect of any delay in payment resulting from the due date for payment not being a business day.
- (h) **Business Days.** In this Condition, **business day** means any day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in New York City and, in the case of surrender of a Definitive Note Certificate (which, for the avoidance of doubt, shall not be relevant when determining if a day is a business day for the purpose of Condition 12(a)(i)), in the place of the Specified Office of the Registrar or relevant Paying and Transfer Agent, to whom the relevant Definitive Note Certificate is surrendered.

## 9. REDEMPTION AND PURCHASE

- (a) **Scheduled Redemption.** Unless previously redeemed or purchased and cancelled as provided below, each Note will be redeemed at its principal amount on May 6, 2021, subject as provided in Condition 8 (*Payments*).
- (b) **Redemption for Taxation Reasons.** The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 15 (*Notices*) (which notice shall be irrevocable) at their principal amount, together with interest accrued to (but excluding) the date fixed for redemption if, immediately before giving such notice, the Issuer satisfies the Trustee that:
  - (i) on the next Interest Payment Date it has or will become obliged to pay additional amounts as provided or referred to in Condition 10 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective after May 6, 2016; and
  - (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it to mitigate the effects of the occurrence of the relevant events described in (i) above,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee (x) a certificate signed by two Authorised Signatories of the Issuer stating that the obligation referred to in (i) above will apply on the next Interest Payment Date and cannot be avoided by the Issuer taking reasonable measures available to it, and (y) an opinion in form and substance satisfactory to the Trustee of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment, and the Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the condition precedent set out in (i) and (ii) above in which event it shall be conclusive and binding on the Noteholders.

Upon the expiry of any such notice as is referred to in this Condition 9(b) (*Redemption for Taxation Reasons*), the Issuer shall be bound to redeem the Notes in accordance with this Condition 9(b) (*Redemption for Taxation Reasons*).

- (c) **Compulsory Sale.** If, at any time, the Issuer determines that any beneficial owner of Notes, or any account for which such beneficial owner purchased Notes, who is required to be a QIB that is also a QP is not a QIB that is also a QP, the Issuer may: (i) require such beneficial owner to sell its interest in the Notes to a person (A) who is a QIB that is also a QP, and who is otherwise qualified to purchase such Notes in a transaction exempt from registration under the Securities Act; or (B) to a non-U.S. person purchasing the Notes in an offshore transaction pursuant to Regulation S; or (ii) require such beneficial owner to sell its interest in such Notes to the Issuer or an affiliate of the Issuer or transfer its interest in such Notes to a person designated by or acceptable to the Issuer. The Issuer has the right to refuse to permit a transfer of interests in such Notes to a person who is not both a QIB and a QP.
- (d) **No other redemption.** The Issuer shall not be entitled to redeem, or as the case may, otherwise revise the sale by any Noteholder of, the Notes otherwise than as provided in Conditions 9(a) (*Scheduled Redemption*), 9(b) (*Redemption for Taxation Reasons*) and 9(c) (*Compulsory Sale*) above.
- (e) **Purchase.** The Issuer or any Subsidiary of the Issuer may at any time purchase or procure others to purchase for its account Notes in the open market or otherwise and at any price. The Notes so purchased (including any Notes purchased by it pursuant to Condition 9(c) (*Compulsory Sale*)) may be held or resold (provided that such resale is outside the United States or, in the case of any Notes resold pursuant to Rule 144A, is only made to QIBs that are also QPs and is otherwise in compliance with all applicable laws) or surrendered for cancellation at the option of the Issuer or otherwise, as the case may be in compliance with Condition 9(f) (*Cancellation of Notes*) below. The Notes so purchased and not cancelled, while held by or on behalf of the Issuer (including by any of its Subsidiaries) and/or Related Parties, shall not entitle the holder to vote at any meeting of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Condition 14(a) (*Meetings of Noteholders*) or Condition 14(b) (*Written Resolution*).

- (f) **Cancellation of Notes.** All Notes which are submitted for cancellation pursuant to Condition 9(e) (*Purchase*) will be cancelled and may not be reissued or resold. For so long as the Notes are admitted to trading on the Luxembourg Stock Exchange (the **Stock Exchange**) and the rules of such exchange so require, the Issuer shall promptly inform the Stock Exchange of the cancellation of any Notes under this Condition 9(f) (*Cancellation of Notes*).

## 10. TAXATION

All payments of principal and interest in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by or on behalf of or within any Relevant Jurisdiction or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as will result in the receipt by the Noteholders of such amounts as would have been received by them if no such withholding or deduction had been required, except that no such additional amounts shall be payable in respect of any Note:

- (i) **Other Connection:** presented for payment by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of his having some connection with any Relevant Jurisdiction other than the mere holding of the Note;
- (ii) **Presentation more than 30 days after the Relevant Date:** where (in the case of a payment of principal or interest on redemption) the relevant Definitive Note Certificate is surrendered for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder of it would have been entitled to such additional amounts on surrendering such Definitive Note Certificate for payment on the last day of such period of 30 days; or
- (iii) **Payment in a Regional Member State:** where (in the case of a payment of principal or interest on redemption) the relevant Definitive Note Certificate is surrendered for payment in a Regional Member State.

Any reference in these Conditions to principal and/or interest shall be deemed to include any additional amounts which may be payable under this Condition or any undertaking given in addition to or substitution for it under the Trust Deed.

## 11. PRESCRIPTION

Claims in respect of principal and interest will become void unless the relevant Definitive Note Certificate is surrendered for payment as required by Condition 8 (*Payments*) within a period of ten years in the case of principal and five years in the case of interest from the appropriate Relevant Date in respect of such payment and thereafter any principal, or other amounts payable in respect of such Notes shall be forfeited and resent to the Issuer.

## 12. EVENTS OF DEFAULT AND ENFORCEMENT

- (a) **Events of Default.**

The Trustee at its discretion may, and if so requested in writing by the holders of not less than 25 per cent. in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution, shall (subject in each case to being

indemnified and/or secured and/or prefunded to its satisfaction) (but in the case of the occurrence of any of the events mentioned in Conditions 12(a)(ii) (*Breach of other obligations*), 12(a)(v)(A)(e) (*Bankruptcy/Winding up, etc.*), 12(a)(vi) (*Illegality, invalidity or unenforceability*), 12(a)(vii) (*Government Intervention*) and 12(a)(ix) (*Status/Breach*) and, in relation only to a Subsidiary of the Issuer, Conditions 12(a)(iii) (*Cross-default*), 12(a)(iv) (*Security enforced*), 12(a)(v) (*Bankruptcy/Winding-up, etc.*) (except for Condition 12(a)(v)(A)(e), Condition 12(a)(v)(B) and Condition 12(a)(v)(C) provided that reference therein to Condition 12(a)(v)(A) shall be deemed to be solely to Condition 12(a)(v)(A)(e) only if the Trustee shall have certified in writing that the happening of such event is in its opinion (and in its sole discretion) materially prejudicial to the interests of the Noteholders) give notice to the Issuer that the Notes are and they shall immediately become due and repayable in each case at their principal amount together with accrued interest if any of the following events (each, an “**Event of Default**”) occurs:

- (i) **Non-payment.** The Issuer fails to pay any amount of principal or interest payable in respect of any of the Notes and such default continues for a period of ten business days (as defined in Condition 8 (*Payments*)); or
- (ii) **Breach of other obligations.** The Issuer defaults in the performance or observance of any of its other obligations under the Notes or the Trust Deed and such default (i) is in the opinion of the Trustee, incapable of remedy or (ii) being a default which is, in the opinion of the Trustee, capable of remedy, remains unremedied for 30 days or such longer period as the Trustee may agree after the Trustee has given written notice thereof, addressed to the Issuer; or
- (iii) **Cross-default.**
  - (A) Any Indebtedness for Borrowed Money of the Issuer or any of its Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period;
  - (B) any such Indebtedness for Borrowed Money becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any event of default (however described) by any Person entitled to such Indebtedness for Borrowed Money; or
  - (C) the Issuer or any of its Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any Indebtedness for Borrowed Money,

provided that the amount of Indebtedness for Borrowed Money referred to in Conditions 12(a)(iii)(A) and/or 12(a)(iii)(B) above and/or the amount payable under any Guarantee referred to in Condition 12(a)(iii)(C) above individually or in the aggregate equals or exceeds U.S.\$20,000,000 (or its equivalent in any other currency or currencies) (as reasonably determined by the Trustee); or

- (iv) **Security enforced.** A secured party takes possession of, or a receiver, manager or other similar officer is appointed in relation to, the whole or substantially the whole of the undertaking, assets and revenues of the Issuer or any of its Subsidiaries; or

(v) **Bankruptcy/Winding-up, etc.**

- (A) (a) The Issuer or any of its Subsidiaries becomes insolvent or is unable to pay its debts as they fall due, (b) an administrator or liquidator or other similar officer of the Issuer or any of its Subsidiaries is appointed in relation to the whole or substantially the whole of the undertaking, assets and revenues of the Issuer or any of its Subsidiaries, (c) the Issuer or any of its Subsidiaries takes any action for a readjustment or deferment of any of its obligations or (d) the Issuer makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness for Borrowed Money or any Guarantee of any Indebtedness for Borrowed Money given by it or (e) the Issuer or any of its Subsidiaries (x) ceases or threatens to cease to carry on all or any substantial part of its business or (y) makes or threatens to make any substantial change in the principal nature of its business as presently conducted (otherwise than in respect of both (x) and (y) in the case of a Subsidiary, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring on terms previously approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders); or
- (B) an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or any of its Subsidiaries (otherwise than, in the case of a Subsidiary of the Issuer, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring on terms previously approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders); or
- (C) any event occurs which (in respect of the Issuer) under the laws of any Regional Member State or (in respect of any Subsidiary of the Issuer) under the laws of the jurisdiction of such Subsidiary, in the Trustee's opinion, has an analogous effect to any of the events referred to in Conditions 12(a)(v)(A) and 12(a)(v)(B) above; or

(vi) **Illegality, invalidity or unenforceability.**

- (A) Any action, condition or thing at any time required to be taken, fulfilled or done in order (A) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the Notes or the Trust Deed, (B) to ensure that those obligations are and remain legal, valid, binding and enforceable (including, but not limited to, the provisions of Condition 20 (*Governing Law and Dispute Resolution*)) and (C) to make the Definitive Note Certificates and the Trust Deed admissible as evidence in the courts of any Regional Member State is not taken, fulfilled or done; or
- (B) it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or the Trust Deed; or

- (vii) **Government intervention.**
  - (A) All or substantially all of the undertaking, assets and revenues of the Issuer or any of its Subsidiaries is condemned, seized, nationalised or otherwise appropriated by any Person acting under the authority of any national, regional or local government; or
  - (B) the Issuer or any of its Subsidiaries is prevented by any such Person from exercising normal control over all or substantially all of its undertaking, assets and revenues; or
- (viii) **Enforcement Proceedings.** Any expropriation, distress, attachment, sequestration or execution (or any analogous procedure) or other legal process is levied, enforced or sued out on or against the whole or substantially the whole of the property, assets or revenues of the Issuer and is not discharged within 14 days; or
- (ix) **Status/Breach.** The Issuer ceases to be an international treaty organisation and/or any amendments are made in the Articles and/or the Issuer breaches any of the provisions of the Articles.

(b) **Enforcement.**

The Trustee may at any time, at its discretion and without notice, institute such proceedings as it thinks fit to enforce its rights under the Notes and the Trust Deed, but it shall not be bound to do so or to take any other action under the Notes or the Trust Deed unless:

- (i) it has been so requested in writing by the holders of at least 25 per cent. in aggregate principal amount of the outstanding Notes or has been so directed by an Extraordinary Resolution; and
- (ii) it has been indemnified and/or secured and/or prefunded to its satisfaction.

No Noteholder shall be entitled to proceed directly against the Issuer to enforce the provisions of the Notes or the Trust Deed unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing, in which case the Noteholder shall have only such rights against the Issuer as those which the Trustee is entitled to exercise.

### 13. REPLACEMENT OF NOTES

If any Definitive Note Certificate is lost, stolen, mutilated, defaced or destroyed it may be replaced at the Specified Office of the Registrar or any Paying and Transfer Agent subject to all applicable laws and stock exchange or other relevant authority requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Definitive Note Certificates must be surrendered before replacements will be issued.

## 14. MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER

- (a) **Meetings of Noteholders.** The Trust Deed contains provisions for convening meetings of Noteholders to consider any matters relating to the Notes, including the modification of any provision of these Conditions or the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Trustee or the Issuer and shall be convened by the Issuer if requested in writing by Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more persons holding or representing a clear majority of the aggregate principal amount of the Notes for the time being outstanding or, at any adjourned meeting, one or more persons being or representing Noteholders whatever the principal amount of the Notes for the time being outstanding so held or represented; provided, however, that certain proposals (including any proposal (i) to change any date fixed for payment of principal or interest in respect of the Notes, (ii) to reduce or cancel the amount of principal or interest or other amounts payable on any date in respect of the Notes or to reduce the rate of interest on the Notes, (iii) to change the currency of payment under the Notes, (iv) to change the governing law of the Notes, (v) to amend this proviso or (vi) to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a **Reserved Matter**)) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which one or more persons holding or representing not less than three-quarters or, at any adjourned meeting, one-quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present at the meeting(s) or not.
- (b) **Written resolution.** A resolution in writing will take effect as if it were an Extraordinary Resolution if it is signed by or on behalf of all holders holding not less than 75 per cent. in aggregate principal amount of the outstanding Notes. Such a resolution in writing will be binding on all Noteholders whether or not they participated in such written resolution and may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.
- (c) **Modification without Noteholders' consent.** The Trustee may agree, without the consent of the Noteholders, (a) to any modification of these Conditions, the Trust Deed or the Agency Agreement (other than in respect of a Reserved Matter) which is, in the opinion of the Trustee, proper to make if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Noteholders and (b) to any modification of the Notes, the Trust Deed or the Agency Agreement which is of a formal, minor or technical nature or to correct a manifest error. In addition, the Trustee may, without the consent of the Noteholders, authorise or waive any proposed breach or breach of the Notes, the Trust Deed or the Agency Agreement (other than a proposed breach or breach relating to the subject of a Reserved Matter) or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default shall not be treated as such if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby. Any such authorisation, waiver, determination or modification shall be binding on the Noteholders and, if the Trustee so requires, shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 15.

## 15. NOTICES

Notices to Noteholders will be valid if sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register and shall be deemed to have been given on the fourth day after the date of mailing. Notices to Noteholders will also be published for so long as the Notes are admitted to trading on the Stock Exchange and the rules of such exchange so require, in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, alternatively on the Luxembourg Stock Exchange's website. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made.

*So long as any of the Notes are represented by any Global Note Certificate, notices required to be published in accordance with Condition 15 (Notices) may be given by delivery of the relevant notice to Euroclear, Clearstream, Luxembourg and DTC for communication by them to the relevant accountholders, provided: (i) that such notice is also delivered to the Stock Exchange; and (ii) so long as the Notes are admitted to trading on the Stock Exchange and the rules of the Stock Exchange so require, publication will also be made in (x) a leading daily newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or (y) on the internet website of the Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).*

## 16. TRUSTEE

- (a) **Indemnification.** Under the Trust Deed, the Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer and any entity relating to the Issuer without accounting for any profit and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any of its Subsidiaries.
- (b) **Exercise of power and discretion.** In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination referred to above), the Trustee shall have regard to the general interests of the Noteholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Noteholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders, except to the extent already provided for in Condition 10 (*Taxation*).
- (c) **Reliance.** The Trustee may, in making any determination under these Conditions, act on the opinion or advice of, or information obtained from, any accountants, financial advisers, investment bank or other expert and will not be responsible for any loss, liability, cost, claim, action, demand, expense or inconvenience which may result from it so acting.

The Trustee may rely without liability to Noteholders on any certificate or report prepared by any of the above mentioned advisers or experts, including specifically the Auditors (as defined in the Trust Deed), or any auditor, pursuant to the Conditions or the Trust Deed, whether or not the expert, adviser or auditor's liability in respect thereof is limited by a monetary cap or otherwise.

Until the Trustee has actual or express knowledge to the contrary, the Trustee may assume that no Event of Default or Potential Event of Default (as defined in the Trust Deed) has occurred.

The Trustee is not liable for any failure to monitor compliance by the Issuer with the Conditions (including Conditions 5 (*Negative Pledge and Certain Other Covenants*) and 12 (*Events of Default and Enforcement*)), however, the Trust Deed obliges the Issuer to furnish the Trustee with a certificate annually, on which the Trustee may rely as to such compliance.

- (d) **Confidentiality.** Unless ordered to do so by a court of competent jurisdiction or unless required by the rules of the Stock Exchange, the Trustee shall not be required to disclose to any Noteholder any confidential financial or other information made available to the Trustee by the Issuer.

## 17. PROVISION OF INFORMATION

The Issuer shall, during any period in which it is not subject to the reporting requirements of Section 13 or 15(d) of the United States Securities Exchange Act of 1934 (the **Exchange Act**) nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, duly provide to any holder of a Note which is a **restricted security** within the meaning of Rule 144(a)(3) under the Securities Act or to any prospective purchaser of such securities designated by such Noteholder, upon the written request of such Noteholder or (as the case may be) prospective Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Registrar, the information specified in Rule 144A(d)(4) under the Securities Act.

## 18. FURTHER ISSUES

The Issuer may from time to time, without notice to or the consent of the Noteholders and in accordance with the Trust Deed, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the date for and amount of the first payment of interest) so as to be consolidated and form a single series with the Notes (**Further Notes**).

*Noteholders should note that additional securities that are treated as a single series for non-tax purposes may be treated as a separate series for U.S. federal income tax purposes. In such case, the new securities may be considered to have been issued with original issue discount, as defined in the U.S. Internal Revenue Code of 1986, as amended, and the U.S. Treasury regulations issued thereunder, which may affect the market value of the Notes since such additional securities may not be distinguishable from the Notes.*

## 19. CURRENCY INDEMNITY

The Trust Deed provides that if any sum due from the Issuer in respect of the Notes or any order or judgment given or made in relation thereto has to be converted from the currency (the **first currency**) in which the same is payable under these Conditions or such order or judgment into another currency (the **second currency**) for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other

tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Registrar or any Paying and Transfer Agent with its Specified Office in London against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof, on the date of such receipt. This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

## 20. GOVERNING LAW AND DISPUTE RESOLUTION

- (a) **Governing Law.** The Trust Deed, the Agency Agreement and the Notes (including any non-contractual obligations arising from or in connection with any of them) are governed by, and shall be construed in accordance with, English law.
- (b) **English Courts.** The Issuer agrees for the benefit of each of the Trustee and the Noteholders that the courts of England shall have exclusive jurisdiction to hear and determine any claim, dispute or difference of whatever nature arising under, out of or in connection with the Trust Deed, the Agency Agreement and the Notes (including any claim, dispute or difference regarding its existence, termination or validity or any non-contractual obligations arising out of or in connection with the Trust Deed, the Agency Agreement and the Notes) (a **Dispute**) and that the Issuer may not commence proceedings (**Proceedings**) for the determination of any such Dispute(s) in any other jurisdiction.
- (c) **Appropriate Forum.** For the purposes of Condition 20(b) (*English Courts*), the Issuer irrevocably submits to the jurisdiction of the courts of England and waives any objection which it might now or hereafter have to the courts of England being nominated as the forum to hear and determine any Proceedings and agrees not to claim that any such court is not a convenient or appropriate forum.
- (d) **Rights of the Trustee and the Noteholders to take Proceedings outside England.** Conditions 20(b) (*English Courts*) and 20(c) (*Appropriate Forum*) are for the benefit of the Trustee and the Noteholders only. As a result, nothing in this Condition 20 (*Governing Law and Dispute Resolution*) shall (or shall be construed so as to) limit the right of any of the Trustee and the Noteholders to bring Proceedings for the determination of any such Dispute(s) in the courts of England or in any other court of competent jurisdiction, nor shall the bringing of such Proceedings in any one or more jurisdictions preclude the bringing of Proceedings by any of the Trustee or the Noteholders in any other jurisdiction (whether concurrently or not) if and to the extent permitted by law.
- (e) **Process Agent.** The Issuer confirms and agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Law Debenture Corporate Services Limited (Fifth Floor, 100 Wood Street, London, EC2V 7EX, United Kingdom) who have been irrevocably appointed by the Issuer as its agent in England to receive such documents. If such agent ceases to be able to act as a process agent or to have an address in England, the Issuer irrevocably agrees to appoint a new process

agent in England and notify the Trustee and the Noteholders thereof as soon as practicable thereafter.

- (f) **Consent to Enforcement etc.** The Issuer consents generally in respect of any Proceedings to the giving of any relief or the issue of any process in connection with such Proceedings including, without limitation, the making, enforcement or execution against any property whatsoever of any order or judgment which is made or given in such Proceedings.
- (g) **Waiver of Immunity.** To the extent that the Issuer may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process, including in relation to the enforcement of any arbitration award, and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer or its assets or revenues, the Issuer agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction (and consents generally for the purposes of the State Immunity Act 1978 to the giving of any relief or the issue of any process in connection with any Proceedings).

## **USE OF PROCEEDS**

The net proceeds of the issue of the Notes, amounting to approximately U.S.\$739 million after the deduction of total expenses in connection with the issuance of the Notes, will be used by the Issuer for project financing and general corporate purposes.

## DESCRIPTION OF THE ISSUER

### Overview

The Issuer is the common development finance institution of the WAEMU Member States. It is an international organization created by the Establishment Treaty signed on November 14, 1973 by Benin, Burkina Faso, Côte d'Ivoire, Niger, Senegal and Togo, which were joined by Mali and Guinea Bissau on June 1, 1984 and May 2, 1997, respectively. The Issuer has its headquarters in Lomé, Togo, with resident missions, which are permanent representative offices, in each of the WAEMU Member States (the **Resident Missions**). The Issuer commenced operations in 1976. The map set forth below indicates in green the WAEMU Member States, which is the region in which the Issuer operates.



(Source: The World Bank).

The Issuer's powers are based on Article 33 of the WAMU Treaty (as defined above), under which it is recognized as an independent specialized institution. Article 2 of the By-laws outlines the mission of the Issuer and lists the statutory objectives of the Issuer, its areas of intervention and its priorities.

The Issuer's shareholders are the WAEMU Member States, the BCEAO and several non-regional members such as France, Germany, the European Investment Bank, the African Development Bank, Belgium, the People's Bank of China, Exim Bank of India and recently the Kingdom of Morocco.

### *The creation of the Issuer and the WAEMU*

Established following independence under the WAMU Treaty, the West African Monetary Union is characterized by the existence of a single currency known as the FCFA, the issuance and management of which are entrusted to its common issuing institution, the BCEAO.

In order to develop political and monetary cooperation between the WAEMU Member States, the operating profits of the BCEAO serve to finance common development activities. Reform of the

WAMU institutions such as the West African Customs Union was undertaken from 1970 to 1973, lead to the signing of the Establishment Treaty and the establishment of the Issuer as the WAEMU Member States' common instrument for long-term development finance.

Consequently, the WAMU Heads of State mandated the Governor of the BCEAO to implement the intended goals of economic integration and development. The Treaty establishing the WAEMU was signed on January 10, 1994 in Dakar. Under this Treaty, which entered into force on August 1, 1994, the Issuer became a specialized and stand-alone institution of the WAEMU, contributing to the attainment of the WAEMU's objectives.

By signing the WAEMU Treaty, the WAEMU Member States indicated their intention to build, in addition to the WAMU, which is a monetary union, a union for economic integration and development, as it had become clear that monetary regulation mechanisms should be complemented by economic reforms in order to ensure cohesion within the WAMU. Initially, the West African Customs Union was established on June 9, 1959, which then became the West African Economic Community, pursuant to Treaty of Abidjan which came into force on January 1, 1974, then the WAMU and, in 1994, finally became the WAEMU.

The WAEMU's aims are: to strengthen competition in the context of an open, competitive market and a streamlined, harmonized legal framework; to ensure the convergence of economic performance and policies by instituting a multilateral surveillance procedure; to create a common market among the WAEMU Member States, based on the free movement of persons, goods, services and capital; to work towards a common external tariff and a common trade policy; to establish the coordination of national sectorial policies; and to harmonize laws in the WAEMU Member States to the extent necessary for the proper functioning of the common market. Within this framework, the Issuer plays a key role in promoting the balanced development and economic integration of the WAEMU Member States.

The BCEAO, as the central bank, and the Issuer, as the development bank, for the WAEMU region, represent complementary institutions for economic and financial policy in the region: the BCEAO formulates and implements the common regional monetary policy and the Issuer serves the needs of the WAEMU Member States with respect to long-term economic development and regional integration.

### ***Privileges and immunities***

The Issuer is a legal entity with full legal personality and the widest legal capacity available to corporate bodies by national laws in each of the WAEMU Member States. As set out under Article 4 of its By-laws, it enjoys privileges and immunities in the territory of WAEMU Member States, as are generally available to international and supranational financial institutions, such as protection of its property and assets from any form of seizure, inviolability of its archives, and tax exempt status for its assets and operations. See "*Risk Factors—Factors relating to the Issuer and the jurisdictions in which it operates*".

### ***Purpose and mission of the Issuer***

The Issuer's purpose, as set out in Article 2 of the By-laws, is to "promote the balanced development of its member states and foster economic integration in West Africa". The Issuer was mandated to help:

- source internal funds in accordance with regulations at the State and WAEMU levels;
- obtain external capital through loans or obtain funds from non-repayable direct assistance;

- make equity investments and grant loans, guarantees, interest-rate subsidies and other modes of financing in line with national, WAEMU and international regulations to finance investments or activities in the WAEMU region in the following areas:
  - rural development;
  - road infrastructure;
  - telecommunications;
  - energy;
  - industry;
  - transport;
  - the financial industry; and
  - tourism.
- carry out advisory activities and provide assistance to corporate bodies, public or private institutions in the WAEMU in connection with the privatization of means of production and distribution of goods and services for transfer to corporate, political and private entities from the WAEMU or one of the WAEMU Member States, or national corporate bodies in the WAEMU; and
- provide technical and financial evaluations of development projects and the creation as well as supervision of entities in charge of their implementation.

The Bank's Policy Statement further states that the Bank shall work together with the WAEMU Commission, the BCEAO and other national organizations and institutions of the WAEMU, and in close collaboration with the WAEMU Member States to formulate and harmonize the economic policies of the WAEMU Member States by making clear and relevant choices between national and regional interests.

Since it commenced operations in 1976, the Issuer has supported development efforts in the WAEMU Member States by supporting medium- to long-term financing of projects relating to infrastructure, agriculture and the environment. Any WAEMU or foreign corporate body willing to invest in such projects in the WAEMU region is eligible for the Issuer's financial support and other advisory services. The volume and quality of the Issuer's projects have enabled it to become a major player in the development and integration of the WAEMU region. See "*Risk Management—Intervention and commitment limits— Exposure limit for bonds and short-term financing*".

The Issuer operates a concessional lending activity through the FDC Window and the FDE Window, which it generally funds with concessional resources. However, due to the reduction in the availability of concessional funding, the Issuer also uses market funding sources to fund "market rate sovereign loans" (*i.e.* long-term loans to the WAEMU Member States at market rates and under market conditions). The Issuer also operates a market rate lending activity through the Bank Window, which it funds with market rate resources. See "*Risk Factors—The Issuer has had to suspend concessional lending because of lack of concessional funding and failure to adapt its financial model could materially adversely affect its financial condition, growth and prospects.*"

The Bank does not pay dividends. Pursuant to Article 47 of the By-laws, the Bank's profits are fully transferred into reserves after clearing previous years' losses, if any. If the Bank incurs losses, these are carried forward to future years.

### ***International partnerships***

At the international level, many countries and international institutions have established partnerships or cooperative relations with the Issuer to support its development agenda. These partnerships mainly include but are not limited to non-regional shareholders of the Issuer (France, Germany, Belgium, China, India, Morocco, the AfDB and the EIB) as well as the IDA of the World Bank Group, the AFD, the KfW, the CDB, the BADEA, the ICD, the BAD and the OeEB.

On November 4, 2015, the Issuer entered into an agreement with the CDB Togo/Benin Task Force pursuant to which the CDB granted a FCFA 65.6 billion (€100 million) credit facility to the Issuer to fund direct loans to the commercial sector. This credit facility is expected to strengthen the Issuer's presence in this sector as well as its cooperation with the CDB.

On October 12, 2014, the Issuer signed a memorandum of understanding (**MOU**) with the Japan International Cooperation Agency (**JICA**) to strengthen cooperation to support socio-economic development in West Africa. Specific cooperation items covered in the MOU include: (i) exchanging information on regional infrastructure projects, particularly in the sectors of transportation, electrical power and water supply, (ii) holding collaborative seminars and surveys, (iii) collaboratively formulating and implementing projects for infrastructure and private sector development, and to alleviate poverty, and (iv) promoting activities in the private sector, including cooperation with Japanese companies.

The JICA has supported financing for the Issuer through private sector assistance loans provided to the AfDB as part of the Enhanced Private Sector Assistance for Africa, launched by the government of Japan and the AfDB in 2005. Moreover, the Issuer's ties with Japanese cooperation agencies date back to 1988, when the Japan Bank for International Cooperation (**JBIC**) granted a credit line to the Issuer.

In 2014, the Issuer, in collaboration with the Economic Community of West African States (**ECOWAS**) and the WAEMU Commission, continued the process started in 2000 with the European Commission in order to be included in the Regional Indicative Program (**RIP**) 2014-2020 of the 11th European Development Fund. This program relates to aid provided by the European Union (the **EU**) in an amount of €1,150 million in the "A envelope" to West Africa (including the WAEMU Member States). This allocation is intended to cover economic integration and trade support, sectoral policies, and programs and projects at the regional level in support of the priority sectors for EU aid. Financing decisions are made by the European Commission.

The "B envelope", which is a reserve for unforeseen needs, is intended for humanitarian aid, emergency and post-emergency assistance where such support cannot be financed from the EU budget, contributions to internationally agreed debt relief initiatives and support to mitigate the impact of exogenous shocks. For example, the EU decided on December 18, 2015 to use B-envelope funds for humanitarian aid to Cameroon.

The Issuer also continues developing its relations with South Korea, the United Kingdom, Malaysia, Turkey, Russia and South Africa to, *inter alia*, strengthen cooperation with these countries. In 2012, the Canadian International Development Agency (*Agence Canadienne de Développement International*, **CIDA**) helped finance the technical assistance component of the Project for the Development of the WAEMU Financial Market (*Projet de Développement du Marché Financier de l'UEMOA*).

In 2014, the Issuer signed a credit agreement with the ICD for an amount of €30 million to bolster the Issuer's capacity to intervene in the private sector, especially in favor of small and medium sized enterprises (SMEs). This amount will be used to finance private projects in the WAEMU region. Furthermore, the Issuer received a grant from the ICD in the amount of €25 million. In addition to providing financial support, the ICD provides training relating to Islamic finance to the Issuer's executives and a master cooperation agreement was entered into between the two institutions in December 2014.

## **Operating and financing models of the Issuer**

The Issuer finances infrastructure, rural, environmental and social development projects and promotes the development of the private sector (industry, SMEs, privatizations of public companies) and regional operations (projects of common interest to two or more countries, be they national or regional in nature).

### ***Operating model***

The Issuer operates under a unitary governance structure, which runs all of its development financing activities, commercial financing activities and its development activities in the energy sector. The Issuer divides these activities into three separate financing windows: the Bank Window, the FDC Window and the FDE Window.

Whether a project is funded through the FDC Window, the FDE Window or the Bank Window depends on the type of project. Low profitability projects that benefit the public and the responsibility for which lies with the State (*e.g.*, sanitation, road infrastructure) are funded through the FDC Window. Projects relating to regional and national priority energy programs are funded through the FDE Window. Projects sponsored by the private sector are funded through the Bank Window. However, when concessional resources are not available for projects historically funded through the FDC Window, the WAEMU Member States can access funding through the Bank Window, in the form of market rate sovereign loans.

- The **Bank Window**, which is funded with market resources (such as capital market issuances in the regional market and bilateral loans), finances commercial activities (such as the financing of factories, hotels, energy projects and harbor terminal equipment). These operations take the form of direct or indirect short to medium-term loans, bond and loan guarantees, loan syndications, short term financing, equity investment or financial advice. Indirect loans include four credit products to assist national financial institutions and SMEs: credit facilities, refinancing framework agreements, credit leasing lines, and special credit lines to other regional financial institutions that directly finance projects. See "*—Methods of Financing to National Financial Institutions and SMEs*" below for more details on these products.

In the context of decreasing concessional resources, the Issuer has had to shift its focus away from concessional resources towards market resources. Since 2012, the Bank Window has developed a new category of loans to the WAEMU Member States: market rate sovereign loans. Such loans serve as supplementary funding for non-commercial projects without any concessional resources but which cannot wait for concessional funding to become available as they need to be implemented quickly. These loans obtained from the Bank Window are based on a rate that takes into consideration the type of borrower (whether private or sovereign) and the Issuer's cost of funding from which the loan is funded. Accordingly, for the pricing of sovereign loans at arm's length, a minimum margin is applied to the Bank Window reference rate. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Activity Pricing Policy*".

The Issuer sets the levels of its lending activities at the end of each year and allocates half of its own capital (paid-in capital plus reserves) to finance the activities of the Bank Window.

- The **FDC Window**, which is funded by the WAEMU Member States and various institutions such as the ADB and the AFD, finances development support operations for which corresponding concessional resources are available. These include non-commercial socio-economic development projects undertaken by the WAEMU Member States or their independent institutions and are mostly rural development and infrastructure projects. Through the FDC Window, the Issuer extends concessional loans which benefit from preferential terms, also known as “concessional” terms within the meaning of the OECD’s Development Assistance terminology. One-half of the Issuer’s own capital allocated to its lending activities is used to finance the activities of the FDC Window. Due to the lack of concessional resources available since 2014, the Issuer has temporarily suspended new funding of concessional activities through the FDC Window (although concessional financing to the WAEMU Member States is expected to resume during the course of 2016 due to additional funding being provided). See “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments*”.

Until 2012, the Issuer had complied with the requirement of concessionality for loans granted to the WAEMU Member States, as required by the IMF and the World Bank. Accordingly, a grant component of at least 35% was expected to be included in the loan conditions applied to all WAEMU Member States, many of which are lesser developed countries (**LDCs**). Following the relaxation of these IMF requirements, and in addition to the establishment of market rate sovereign loans at the Bank Window level, the Issuer conducted a restructuring of its pricing policy for loans to States (the **Pricing Policy**), namely the reduction of the grant component in its loan conditions under the concessional FDC Window and the increased use of the Bank Window to grant market rate sovereign loans. The “grant” component of concessional loans (as defined by the IMF) made to the WAEMU Member States decreased from 26.43% in 2014 and 29.65% in 2013. No concessional loans were granted in 2015.

- The **FDE Window**, which is funded by the initial endowment of the FDE, finances energy development projects through concessional loans. The Energy Development Fund was established at the WAEMU level under the Regional Initiative for Sustainable Energy (**IRED**) and is managed by the Issuer. Pursuant to a decision dated December 31, 2014, the WAEMU Council of Ministers and the WAEMU States granted the initial capital of the FDE in the amount of FCFA 250 billion to the Issuer, which was incorporated into the Issuer’s equity to strengthen its capacity to raise further debt financing in support of energy development projects, resulting in a 66% increase in shareholders’ equity between December 31, 2013 and December 31, 2014.

Out of FCFA 257.3 billion of resources received to date to fund the FDE Window, FCFA 205.3 billion is already committed. As of December 31, 2014, the amount available for commitment under the FDE Window is FCFA 39.9 billion.

Contributions required to meet future funding requirements under the FDE Window are being sought in the form of borrowings and grants from development agency partners. A FCFA 7.22 billion grant was made by the Kingdom of Belgium over the 2009-2013 period. FDE loans made in the 2015-2019 period will be funded by the initial FCFA 250 billion endowment of the FDE provided now forming part of the Issuer’s capital.

For further information, see “—*Operations*” below.

The Issuer’s financial statements reflect all activities of the Issuer, including those of the Bank Window, the FDC Window and, as of the 2015 financial year following the transfer of the FDE fund activity directly to the Issuer at the end of 2014, the FDE Window. In addition, the Issuer maintains separate accounts for the FDC Window, consisting of (i) a statement of sources and uses of funding, (ii) a statement of income and expenditure, and (iii) a statement of off-balance-sheet commitments related to the FDC Window activities. These separate accounts allow the Issuer to monitor the FDC Window’s specific financial situation, which comprises concessional funding that the Issuer has obtained and concessional loans that the Issuer has made. All concessional funding and lending is reflected in the FDC Window accounts. The Issuer also maintains separate accounts for the FDE Window, a special Window managed in accordance with a framework established at the WAEMU level to monitor the activities of the FDE Window. Both the FDC Window accounts and the FDE Window accounts are audited by the auditors. For further detail, see “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Financial statements—FDC Window and FDE Window*”.

The Issuer has historically financed its activities through retained earnings, borrowing on the regional capital markets, and funding from external financing partners. See “—*Sources of funding*” below.

As a general rule, the Issuer does not finance more than 50% of a given project and aims to catalyze other funding sources for public and private entities from, for example, other supranational entities, in order to get large infrastructure projects financed in the WAEMU Member States. Therefore, the Issuer typically finances projects jointly with other multilateral and bilateral development agencies and domestic financial institutions.

As part of its co-financing activities, the Issuer shares its experience in the preparation, financing and implementation of development projects with commercial banks. It also maintains strong relationships with these financial institutions and cooperates with them in various areas, including:

- co-financing of investment projects and operations, including the preparation, financing and implementation of development projects with commercial banks;
- granting of refinancing facilities and equity investments, including to strengthen the financial capacity of domestic financial institutions and enable them to better support SMEs in the region;
- loan syndication;
- interbank transactions; and
- acquisition of securities issued by the WAEMU Member States and private enterprises on the regional capital markets.

### ***Financing model***

The Issuer currently has two distinct sources of funding to finance its activities: (i) its shareholders and development agency partners and (ii) the regional capital markets. The former is used for the financing of FDC Window activities while the latter is used for the financing of Bank Window activities. The Issuer intends to extend the latter to include funds raised on the international capital markets. Contributions required to meet future funding requirements under the FDE Window are being sought in the form of borrowings and grants from development agency partners. A FCFA 7.22 billion grant was made by the Kingdom of Belgium over the 2009-2013 period. FDE loans made in

the 2015-2019 period will be funded by the initial FCFA 250 billion endowment of the FDE provided by the WAEMU Member States and the BCEAO, now forming part of the Issuer's capital.

The Issuer's financing model is based on the principle that, for every commitment the Issuer extends in the form of a loan, it must have a corresponding commitment in the form of its own resources (paid-in capital, retained earnings, an identified third-party lender that provides capital to be on-lent by the Issuer) or borrowed resources. The Issuer's policy is to have at all times coverage of 90% for activities under the FDC Window and 75% under the Bank Window. This policy helps the Issuer draw on funding commitments received to cover loan disbursements whenever a loan commitment is made by the Issuer.

The Issuer allocates half of its equity capital (paid-in capital plus reserves) to finance the activities of the Bank Window. The internal rate charged on this allocation is calculated on the weighted average cost of the Issuer's loan resources for transactions through the Bank Window. The other half of the Issuer's equity capital is allocated to the FDC Window to support financing of the non-commercial sector. There is no internal rate charged on the allocation of these funds. This approach is based on the fact that, unlike institutions such as the AfDB and the IDA, the Issuer is not a large recipient of international development funds and lacks concessional resources to finance the non-commercial sector. Due to this lack of concessional resources, at times the Issuer is required to substitute market rate resources for concessional resources and to provide "market rate sovereign loans" to WAEMU Member States, which results in a higher cost of funding.

Given the Issuer's increasing difficulties in obtaining concessional resources, the Issuer lowered its annual commitment under the FDC Window to the level of resources available. The mismatch between the Issuer's financing needs and the concessional resources available has increased pressure on the Issuer to modify its financial model. Under the Issuer's financial model, borrowing levels are based on volumes of funding. Therefore, the increased level of activity combined with decreasing concessional resources has resulted in the need to increase borrowings from the Issuer's financial partners and to reduce the share of concessional lending. Due to the establishment of a new interest subsidy fund in December 2015, the Issuer anticipates that it will resume concessional financing during the course of 2016. The purpose of the fund is to reduce interest rates on loans granted by the Issuer to Member States using market resources but lending out at concessional rates with the fund paying a portion of the interest on behalf of the borrower. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments*".

The FDE was initially expected to be funded by an amount of FCFA 500 billion, including an initial allocation of FCFA 250 billion provided by the WAEMU Member States and organs and institutions of the WAEMU for the commencement of activities in 2012. This allocation was paid in by BCEAO in an amount of FCFA 110 billion, by the WAEMU Member States in an amount of FCFA 80 billion and by the WAEMU Commission in an amount of FCFA 60 billion. Contributions required to meet the remaining funding requirements under the FDE are being sought in the form of borrowings and grants from development partners.

Until December 2013, the borrowing policy of the Issuer had been simultaneously determined by two limitations. The first, provided for by the By-laws, stipulates that "total outstanding borrowings [...] will be limited at any time to the amount of subscribed callable capital of the Bank." The second limitation contained in the Policy Statement states that "BOAD shall limit its debt level to three times its equity", which means paid-in capital plus reserves.

These limitations (especially the first one) have caused the Issuer to seek more capital increases than it considered desirable, including subscribed, callable and paid-in capital. Given the challenges in supporting new capital increases and in light of best practices among other multilateral institutions, the Issuer decided in 2014 to review its two borrowing rules pursuant to which it has historically

limited its debt levels and decided to discontinue the first limitation of borrowings to subscribed and callable capital and to maintain only the second limitation on its debt to three times its paid-in capital plus reserves. See “*Risk Factors—The Issuer may incur substantially more debt in the future, which may make it difficult for it to service its debt obligations, including the Notes.*”

If required, the Issuer can obtain additional liquidity by accessing the BCEAO liquidity facilities, which enable the Issuer to use its sovereign bond holdings to enhance liquidity. In addition, the Issuer can use bonds issued by companies, and financial institutions in the WAEMU region as collateral for its refinancing transactions with the BCEAO. Such bonds may only be refinanced if held by the Issuer in its own name. Such bonds can be refinanced at interest rates applicable to BCEAO refinancing transactions at the time of the request. The acceptance by the BCEAO of such bonds for refinancing purposes is in principle independent of the interest rate of such bonds at their issuance. However, bonds issued by the BCEAO or benefiting from a BCEAO guarantee are not accepted in connection with a refinancing application when the interest rate paid on these bonds is higher than the rate in effect at the BCEAO refinancing window. The Issuer views this access to funding as an emergency liquidity backstop, and one which it has not yet needed to use.

### **Strengths**

The Issuer believes that the following competitive strengths differentiate it from its competitors and will enable it to capitalize on growth opportunities and expand its operations pursuant to the 2015-2019 Strategic Plan.

#### ***Importance of the Issuer in the WAEMU region***

As the development banking arm of the WAEMU, the Issuer has been and continues to be an important funding source of the WAEMU Member States and contributes significantly to their economies.

Pursuant to its 2009-2013 strategic plan (the **2009-2013 Strategic Plan**), the Issuer significantly increased the level of its funding and became one of the leading financial institutions supporting infrastructure and rural development projects in most of the WAEMU Member States. Under the 2015-2019 Strategic Plan, the Issuer aims to prioritize: (i) the acceleration of regional economic integration through sustained infrastructure financing; (ii) support for financial integration, food security and sustainable development; (iii) support for businesses and states, development of financial engineering and services; and (iv) access to the international capital markets. See “—*Strategy—2015-2019 Strategic Plan—Areas of focus under the 2015-2019 Strategic Plan*” below. Loans provided during the five-year period under the 2009-2013 Strategic Plan corresponded to approximately 50% of the total amount of loans extended since inception.

Projects funded by the Issuer have included the development of 2,672 kilometers of national and interstate roads, 85 kilometers of urban roads and the modernization of five airports and four ports. In the energy sector, the Issuer has funded projects, which generated 1,073 MW of additional production capacity, the construction or rehabilitation of 2,826 kilometers of interconnections of lines of power transport and distribution and the connection of 57,000 new subscribers to the electricity grid. The Issuer has also funded valuable projects in relation to rural development and food security, sanitation, telecommunications and agriculture.

The Issuer is a major player in regional infrastructure projects. Having allocated over FCFA 220 billion between 2011 and 2014 to transport and energy facilities in Côte d’Ivoire following the 2010-2011 post-electoral crisis, the Issuer has become one of the leading lenders in Côte d’Ivoire in the transport and energy sector. In Senegal, the Issuer was the largest contributor to the financing of road construction projects between 2009 and 2014. Since 2009, the Issuer has been one of the largest contributors to the upgrading of transport and communication facilities in Togo. In Senegal, Benin and

Niger, the Issuer is a leading lender in terms of amount of funding and/or the number of projects financed in the areas of road construction, energy as well as rural development in Senegal, Benin, Togo, Niger and Mali. (Source: annual loan approval statistics by sector, BOAD, AfDB and the World Bank)

The Issuer also supports the WAEMU Member States in planning and accessing resources needed for the implementation of their national development plans. The Issuer has regularly pledged funding for such programs, particularly in Benin, Burkina Faso, Côte d'Ivoire, Guinea Bissau, Mali and Senegal.

Similarly, the Issuer has been an active participant in the implementation of the second phase of the Regional Economic Program (PER II), a program involving various actors in the WAEMU region with a view to facilitating regional integration. Out of the FCFA 4,413 billion needed for the program during the 2012-2016 period, the Issuer pledged FCFA 350 billion (17%). To date, the Issuer has financed 12 projects and two development studies in connection with the program, for an amount of FCFA 126.4 billion, or 36.1% of the total amount pledged. The strategy of the second phase of the (PER II) for the 2012-2016 period is to (i) direct investment in common priorities in the region, (ii) remove obstacles to the proper functioning of the common market, (iii) match the role of stakeholders to their respective areas of expertise and (iv) integrate solutions to technical challenges raised during the evaluation of the first phase of the PER (2006-2010) such as the development of new financing methods (e.g., private-public partnerships) and the adaptation of the budget management system of the WAEMU Commission to project management. The five axes of the second phase of the PER II focus on the urgent needs identified by the stakeholders of regional integration and on the areas of competency attributed to actors at the WAEMU level, in connection with which results are expected at the regional level. These axes are: (1) social and territorial cohesion, governance and economic integration; (2) economic infrastructure; (3) integrated and sustainable systems (in the field of food security, water management, cotton textile, etc.); (4) developing human resources; and (5) mobilizing financial resources and subsequent monitoring and evaluation.

In addition to the financing it provides in order to accelerate growth and foster development in the WAEMU Member States, the Issuer also plays a structuring role in the regional economy through various initiatives, particularly in local capital market development, including:

- Promoting and developing capital markets in the WAEMU: the Issuer has contributed to the emergence of the regional capital markets and played a pioneering role with its first regional bond issue in 1993. See “—*Sources of Funding—Regional capital markets*”. The Issuer’s outstanding securities represent 9.13% of the volume of unmatured securities issued through public offerings in the WAEMU region.
- Promoting new financing instruments and market structures: the Issuer created Cauris, a guarantee fund for private investment (GARI), a West African investment fund known as SICAV Abdou Diouf and its fund manager, the West African Assets Management company (SOAGA), the WAEMU regional mortgage refinancing bank (CRRH-UEMOA) and BOAD *Titrisation*, a securitization vehicle, which manages funds that securitize loan receivables for entities in the WAEMU region. In addition, it handles commercial, real estate and personal property transactions directly or indirectly related to such management of loan receivables in order to strengthen the assets of the securitization funds.
- The 2014 launch of a crop insurance program in Benin and Senegal to help protect farmers against the adverse effects of climate variability and price instability on their respective cotton and rice (Benin) and cotton and corn (Senegal) harvests, respectively. Funding is provided first to increase insurance of agricultural activities in countries with agricultural insurance companies and secondly to initiate activities that promote the creation of this type of insurance company in other countries. The Issuer had financed a feasibility study from 2010

to 2012, which concluded that a crop insurance scheme would be feasible in the WAEMU region, particularly in Benin and Senegal, which both had dedicated insurance data and insurance companies specializing in crop insurance. In addition, the Issuer pledged to help the other six WAEMU States increase the reliability of agricultural and meteorological data and establish the institutional framework that is necessary for the implementation of crop insurance.

As part of the implementation of this program, the Issuer obtained FCFA 3.4 billion of funding from the Swiss Agency for Development and Cooperation. After an international bidding process, the Issuer mandated a company specialized in agricultural insurance to provide it with technical assistance. The Issuer granted the first two crop insurance loans in September 2014.

- Leading initiatives in the environmental sector: the Issuer has contributed, among other things, to initiatives relating to climate change mitigation. For example, it hosted the first of two Regional Collaboration Centers on Clean Development Mechanism (CDM) in Africa. The Issuer is also a board member of the Green Climate Fund (GCF), an organization with the following five priorities: (i) transforming energy generation and access, (ii) creating climate-compatible towns and cities, (iii) encouraging low-emission and climate-resilient agriculture, (iv) scaling up financing for forests and climate change and (v) enhancing resilience in the region.

#### ***Strong support from shareholders and the WAEMU Member States***

The Issuer is backed by supportive shareholders, in particular the WAEMU Member States, who participate at the Board of Directors and Board committee levels and all WAEMU Member States have participated in the capital increases launched by the Issuer in 2010 and 2013 (except Mali in 2013). In addition, the Issuer has a diverse shareholder base, including, in addition to Class A and WAEMU-based Class B shareholders, Class B shareholders based outside the WAEMU region, in Europe, Northern Africa and Asia (notably India and China). The Board of Directors comprises senior government ministers and representatives of international development banks and development corporations representing the Issuer's various shareholders.

Although not provided in any treaty, law or contract, the Issuer believes that, historically, it has benefitted from de facto "preferred creditor status" from the WAEMU Member States, which have, at times, agreed to settle obligations to the Issuer in priority to other creditors, as in the case of Côte d'Ivoire in 2011. See "*Risk Factors—The Issuer believes that it has historically benefitted from de facto "preferred creditor status" from each of the WAEMU Member States, however there can be no assurance that the Member States will in fact pay their respective debts to the Issuer in priority over other creditors or at all, which may result in a material adverse effect on the Issuer's financial results and operations.*". In addition, the Issuer is not subject to local foreign exchange controls and enjoys tax privileges in the WAEMU Member States, which enables the Issuer to provide more competitive financing solutions than commercial lenders. The involvement of the BCEAO in the operations of the Issuer – disbursement of the regional shareholders' capital, placement of treasury assets (the Issuer places 25% of such assets with the BCEAO) and access to financing – underscores the strong support of the BCEAO.

The Issuer plays an important role in the financing of infrastructure projects in the WAEMU Member States as well as public utilities, which have limited access to long-term funding. After decades of cautious and increasingly diversified activities in providing financing to the public and private sectors, the Issuer has gained greater regional and international credibility. Its healthy balance sheet and its reputation have enabled it to expand its membership and sources of funding over time. The Issuer continues to explore new partnerships with non-regional member states and supranational

organizations to further expand its shareholder base and sources of vital support, with the goal of increasing the number of non-regional member states to 25% of its shareholding over the medium term.

The Issuer also has the ability to access the refinancing windows of the BCEAO, the Issuer's largest shareholder and its liquidity provider. The Issuer is the only non-commercial lender that can access the BCEAO's liquidity facility.

### ***Strong Capitalization***

The Issuer believes that it benefits from strong capitalization and leverage measures, with an adjusted equity/assets ratio of 41.0% and a debt/equity ratio (defined as "debts represented by a security" and "other borrowings from external partners" divided by "actual own funds") of 155.8% as of December 31, 2015. The Issuer's capital was significantly strengthened in late 2014 when, pursuant to a decision dated December 31, 2014, the WAEMU Council of Ministers and the WAEMU States transferred to the Issuer the initial capital of the FDE in the amount of FCFA 250 billion, which was integrated into the Issuer's equity to strengthen its capacity to raise further debt financing in support of energy development projects, resulting in a 66% increase in shareholders' equity between December 31, 2013 and December 31, 2014.

### ***Robust liquidity***

The Issuer is the only non-commercial lender that can access the BCEAO's liquidity facility, which supports the Issuer's liquidity position. The Issuer views this access to funding as an emergency liquidity backstop, and one which it has not yet needed to use. The Issuer's conditions of access to BCEAO financing are the same as for commercial banks, *e.g.*, posting eligible collateral. Acceptable collateral includes not only all short-term debt instruments issued by the private and public sectors, but also other longer-term debt instruments, which are selected on a case-by-case basis by the Monetary Policy Committee of the BCEAO every quarter. Bonds issued by the Issuer are eligible for refinancing by the BCEAO. The decision as to the eligibility of any securities for such refinancing is given by the Monetary Policy Committee and, once given, is valid throughout the life of the securities.

The Issuer believes that this mechanism not only ensures the liquidity of the Issuer's eligible collateral, which include debt instruments issued by the WAEMU Member States, but that it also enhances corporate bond liquidity on the regional capital markets.

### ***Attractive growth region with a sizeable and growing infrastructure investment opportunity***

The Issuer operates in a region with a high potential for continued growth. Despite a difficult external environment characterized by decreasing commodity prices and unfavorable financing conditions, the WAEMU regional economy showed resilience and maintained a strong growth rate, with GDP growth increasing by 6.5% in 2015 compared to 6.6% in 2014 and 6.0% in 2013, according to the WAEMU Commission.

At the level of the WAEMU Member States, GDP growth rates in 2015 were as follows: Benin (5.2%), Burkina Faso (4.4%), Ivory Coast (9.5%), Guinea Bissau (6.0%), Mali (4.9%), Niger (4.4%), Senegal (5.4%) and Togo (5.5%).

Economic activity in 2015 was marked by efforts to control consumer price increases. The inflation rate in the WAEMU region was 1.0% in 2015 compared to -0.1% in 2014.

The outlook for the WAEMU regional economy is continued growth, with a GDP growth of 7.2% expected by the WAEMU Commission in 2016 in an ongoing environment of stable prices, with the

peaceful management of upcoming elections and limited security risks (especially in the Sahel region). (Source: WAEMU Commission Multilateral Surveillance Report, December 2015).

### ***Diverse and experienced work force and management team***

The Issuer's multinational and multi-lingual employees have significant experience in banking and infrastructure financing across the WAEMU Member States and strong technical backgrounds and experience across all sectors on which the Issuer focuses. In addition, the Issuer's management comprises experienced local bankers from public administrations and the private sector with strong reputations in the WAEMU Member States and in-depth knowledge of local conditions. Historically, management and employee turnover has been low reflecting high employee commitment. The Issuer believes that the experience of its employees has helped it to deliver strong financial performance and growth. See “—Employees” below.

### **Strategy**

The Issuer aims at continuing to position itself as a strategic partner to the WAEMU Member States in the areas of infrastructure, agriculture and environment, and to become a business partner and leader in innovative financing in the WAEMU region. The main components of the Issuer's prior and current strategic plans are as follows:

#### ***2009-2013 Strategic Plan***

As part of its 2009-2013 Strategic Plan, the Issuer's key operational targets were to double the size of its operations in 2013 compared to 2008, increase its annual commitment to the non-commercial sector to FCFA 100 billion, diversify its products, and strengthen its financial structure and profitability. The Issuer believes it has achieved all of these goals during the 2009-2013 period.

The 2009-2013 Strategic Plan was implemented during a period when most of the WAEMU Member States were experiencing persistent food shortages and energy crises, causing them to require substantial additional development assistance and thereby increasing the lending activity of the Issuer. As a result, annual medium- and long-term loan forecasts were consistently exceeded during this five-year period, particularly in the non-commercial sector.

To support its activities, over the past five years the Issuer has developed new modes of financing and revenue sources. Since 2012, in addition to providing traditional medium- and long-term financing, the Issuer now extends short-term loans, notably in connection with trade financing and market rate sovereign loans. The Issuer is also gradually developing financial intermediation and advisory activities, which enable the Issuer to reach out to market participants and economies to which it did not previously have access and to create additional sources of revenue.

The 2009-2013 Strategic Plan resulted in the modernization of the Issuer's management and organization, with the implementation of program budgeting, the transition to IAS and IFRS financial reporting standards, the creation of a formal credit committee and the adoption of a code of ethics, among other achievements. However, the evaluation of the 2009-2013 Strategic Plan also stressed the need for growth to be proportional with the Issuer's resources, especially given the reduction in the availability of concessional funding and the increase in the Issuer's activities in recent years.

During 2014, which was a transitional year, the Issuer took stock of the implementation of the 2009-2013 Strategic Plan, and drew up the 2015-2019 Strategic Plan.

### ***2015-2019 Strategic Plan***

The 2015-2019 Strategic Plan aims to consolidate the Issuer's current portfolio and volume of loans, while enhancing the Issuer's capacity to offer financial services to private companies and the WAEMU Member States. In addition, the Issuer aims to be innovative in its offering of products and services in order to meet present and future challenges.

The key priorities of the 2015-2019 Strategic Plan are:

- an increase in financing volumes/loans outstanding;
- increased selectiveness in financing, with priority given to projects promoting economic growth in the WAEMU Member States;
- support for the economic development of the WAEMU Member States;
- enhancement of the Issuer's role as a catalyst for the development of regional financing; and
- innovation and further development of the Issuer's loan syndication arrangement and advisory services.

The Issuer expects to benefit from a growth-oriented environment in which to implement these objectives, with the WAEMU Member States aiming to become emerging economies in the coming decades. To this end, several ambitious investment programs are being financed by the Issuer in the WAEMU Member States at both national and regional levels. For more information, see "*Approved projects*" below.

In the context of decreasing concessional resources, the 2015-2019 Strategic Plan aims to stabilize loan volumes while increasing the focus on market loans and strengthening the Issuer's offering of loan syndication arrangement and financial advisory services.

The Issuer has also taken steps to broaden its investor base. To this end, it is exploring the possibility of increasing its issuances of securities in the WAEMU region by approaching new institutional investors, including some large foreign banking groups with subsidiaries in the WAEMU region, and accessing the international capital markets.

#### *Areas of focus under the 2015-2019 Strategic Plan*

In conformity with the mission of the Issuer and taking into consideration the major economic challenges facing the WAEMU Member States, the major areas of intervention of the 2015-2019 Strategic Plan are set out below. Measures have also been taken to ensure that management and governance are enhanced (*e.g.*, risk and financial management) in order to comply with the strategy.

##### *Area 1: Accelerate regional integration through sustained infrastructure financing*

The Issuer intends to strengthen its contribution towards regional integration, primarily through the financing of regional transport, energy and telecommunications infrastructure projects and programs. In addition, the Issuer aims to support regional growth clusters, in particular clusters for industry and agriculture in order to take advantage of synergies and positive externalities stemming from the proximity and cooperation between actors in each of these areas (*e.g.*, businesses, universities, research centers and related knowhow), with a view to strengthening industrial and agricultural production and increasing exports.

### Area 2: Support for financial integration, food security and sustainable development

In line with national and regional strategies of the WAEMU Member State, the Issuer also aims to: (i) support food security and crop resistance, (ii) enhance financial integration, (iii) enhance the financing of basic infrastructure, (iv) support the development of agribusiness, and (v) strengthen environmental governance and develop the financing of green growth projects. In furtherance of its dedication to environmental protection in connection with its financing projects, the Issuer was accredited by the GEF in June 2015, in preparation for which the Issuer revised its standards in 2013 in order to meet GEF requirements relating to environmental and fiduciary standards as well as social safeguards.

### Area 3: Support for businesses and states, development of financial engineering and services

The Issuer intends to strengthen and diversify its offering of financing and financial services, with a view to: (i) promote public-private partnerships (PPP) through the Regional PPP Development Unit, an internal body of experts created by the Issuer in 2014; (ii) support the economic transformation of the economies of the WAEMU Member States through an increase in the development of agricultural and mineral resources and industries as well as the emergence of regional businesses; (iii) enhance the offer of innovative financial products and services to private companies, states and local communities; and (iv) increase the support for SMEs and small- and medium-sized industries as well as the development of the financial sector.

### Area 4: Access the international capital markets

During the next five-year period, the Issuer will need to identify resources to meet the financing requirements of its 2015-2019 Strategic Plan and to cover earlier commitments in respect of which disbursements have not yet been made. The regional capital markets will remain a source of financing for the Issuer. The Issuer also aims to access the international capital markets, such as the issuance of Notes offered hereby, as well as to explore alternative methods of financing, while developing a new strategy with respect to concessional resources.

The following are some of the Issuer's key strategic objectives in furtherance of the above areas of focus:

- Increasing the share of financing dedicated to infrastructure projects that will promote integration among the WAEMU Member States to approximately 50% of medium- and long-term commitments during the five-year period, compared to an average of 31% during the past five years and to 37.4% cumulatively since the commencement of its activities;
- Allocating approximately 60% of the financing for the period in the form of assistance to the WAEMU Member States;
- Allocating at least 50% of concessional resources to rural development and food security;
- Originating environmental and climatic governance projects, especially those with a regional dimension, with the ambition of having a structural effect in favor of regional environmental governance;
- Maintaining portfolio quality by limiting the overall rate of non-performing loans to 4% and limiting the rate of commercial sector non-performing loans to 10% by the end of 2019;
- Enhancing debt capacity and increasing the Issuer's resources; and
- Increasing the share of income from services within income from operations by half.

## Products and services

The Issuer provides financing to private companies active in the WAEMU Member States as well as to the WAEMU Member States themselves through three windows, through which it provides primarily medium- and long-term financing. However, since 2012, the Issuer also grants short-term loans, primarily in connection with trade financing, and “market rate sovereign loans” (*i.e.* long-term loans to the WAEMU Member States at market rates and under market conditions). In addition, the Issuer is also progressively developing loan syndication arrangement and advisory services. These new services allow the Issuer to broaden its offering of products and services to better serve the WAEMU Member States and their respective economies as well as to create additional sources of revenue. For further information, see “—*Financing and Portfolio Activities*” below.

The Issuer also aims to contribute to the emergence and strengthening of domestic financial institutions through equity investments and other activities. It grants refinancing facilities in order to strengthen the financial capacity of banks and financial institutions and enable them to better finance regional SMEs. Since 2002, it also grants loan guarantees in order to facilitate the access of SMEs to the financial markets. The Issuer is also a shareholder of the BRVM and of the Central Depository/Settlement Bank (*Dépositaire Central/ Banque de Règlement (DC/BR)*), both located in Abidjan. It was involved in the establishment of regional private equity and guarantee funds, an asset management company, a mortgage refinancing bank and in the launch of a crop insurance scheme.

For the purposes of this section and based on the OECD Development Assistance Committee terminology:

**Concessional resources or concessional loans** means loans that are extended on preferential terms compared to market loans. The “concessionality” is achieved either through below market interest rates and/or by longer grace periods for amortizing principal amounts. Typically, a concessional loan will have a longer than average repayment period, with a grace period of several years during which no payment of interest or principal is required.

**Grant component** means the difference between the nominal value of a tied-aid credit and the present value of the debt service as of the date of disbursement, calculated at a discount rate applicable to the currency of the transaction and expressed as a percentage of the nominal value.

**Tied-aid credits** are official or officially-supported loans, credits or associated financing packages where procurement of the goods or services involved is limited to the donor country or to a group of countries. Tied aid credits are subject to certain disciplines concerning their concessionality levels, the countries to which they may be directed, and their developmental relevance so as to avoid using aid funds on projects that would be commercially viable with private finance, and to ensure that recipient countries receive good value.

### *Equity Investments*

The Issuer has made equity investments in all sectors eligible for its financing activities, in accordance with its By-laws and the Policy Statement. As an investment criterion, at the date of completion of an investment, the Issuer must have sufficient visibility of the terms and conditions of a potential exit from its investment.

The Issuer may condition its equity investments, depending on the particular circumstances of each investment, and particularly for strategic equity investments, on having a representative on the management body (*e.g.*, board of directors, supervisory board, credit or investment committee, etc.) of the entity in which it is investing.

In 2014, the Issuer approved the following equity investments, amounting to a total of FCFA 16.5 billion. These were aimed at enhancing the equity capital of the following financial institutions and airline companies:

- *Société de Promotion et de Participation pour la Coopération Economique (Proparco)*: the Issuer increased its equity participation in Proparco, a Côte d'Ivoire company, by an amount of FCFA 1.2 billion. This new transaction by the Issuer increased its initial equity participation to FCFA 2.5 billion (nominal capital and issue premium). The project is intended to enhance the Issuer's partnership with the AFD Group, of which Proparco is one of the subsidiaries.
- *ASKY regional airline company*: the Issuer contributed an amount of FCFA 3.0 billion to ASKY Airlines, a passenger airline founded on the initiative of West African governments with its headquarters in Lomé, Togo. This investment is intended to promote regional integration and constitutes one of the Issuer's strategic equity investments.
- *Air Côte d'Ivoire*: the Issuer took an equity participation in Air Côte d'Ivoire in an amount of FCFA 2 billion as part of a larger share capital increase, which increased the airline company's capital from FCFA 25 billion to FCFA 65 billion. The objective was to enhance the company's equity capital as part of its development, with a view to consolidating the Abidjan airport as a regional hub.
- *ORABANK Côte d'Ivoire (ORABANK CI)*: the increase in the equity participation of BOAD in ORABANK CI is part of the recapitalization of ORABANK CI, following the restructuring of Banque Régionale de Solidarité (BRS). The recapitalization amounted to FCFA 37.5 billion, with the Issuer's participation amounting to FCFA 10.4 billion. The objective was to enable ORABANK CI to restore its equity capital and support the growth of the activities envisaged in the 2015-2019 Strategic Plan.
- *Africa Renewable Energy Fund (AREF)*: an equity participation in AREF was approved by the Issuer's Board in December 2014. AREF is a dedicated renewable energy fund, which will have a life of 10 years (2014-2023) at the end of which period it will be liquidated. AREF's objectives are to: (i) to promote access in sub-Saharan Africa to renewable and clean energy; (ii) to invest in the development, acquisition construction and/or improvement, operation and sale of renewable energy projects to expand the energy potential in the region. The closing of the fund took place in October 2015 and raised \$200.8 million. Other sponsors include the AfDB, the EIB, the CDC and the OeEB, among others. As of October 2015, AREF's portfolio includes two hydroelectric power plants in Uganda and a geothermal power plant in Ethiopia. As a sponsor, the Issuer regularly contributes to the Advisory Board of Investors.

In 2015, the Issuer approved two equity investments for a total amount of FCFA 4.5 billion:

- *Fonds INVESTISSEUR & PARTENAIRE POUR LE DEVELOPPEMENT 2 (IPDEV 2)*: the primary objective of this fund is to develop 10 investment vehicles over the next 10 years in 10 African countries (including at least five in the WAEMU region) to support the creation of an estimated 15,000 jobs.
- *Air Côte d'Ivoire*: the objective of this further equity participation is to strengthen the capital of the company to support its development. The Issuer also considers this investment strategic because of the potential of the regional and domestic markets.

In the first quarter of 2016, the Issuer approved one equity investment for a total amount of FCFA 10 billion:

- *Fonds d'investissement dédié au développement des services financiers dans les pays de l'UEMOA (WAEMU Financial Services Sector Development Investment Fund):* The objective of this fund is : (i) to support the development of banks, financial institutions and insurance companies in the WAEMU region in accordance with new regulatory requirements, which increase minimum capital requirements for financial institutions from FCFA 5 billion to FCFA 10 billion; (ii) to take equity holdings at the time of creation of banks and financial institutions; (iii) to participate (both in an advisory capacity and as a provider of funding) in mergers and acquisitions as well as the restructuring of the banking and financial sector; (iv) to promote diversification and the competitiveness of financial services in the region; and (v) to support the development of the regional financial markets through the promotion of new services that contribute to the development of the banking system and increase access to financial services for the greatest number of people. The Issuer advised on the creation of this fund and took an equity participation.
- The fund seeks to raise an additional FCFA 100 billion. In addition to the Issuer, its capital structure will include investment funds, pension funds, multilateral international development banks, insurance companies, social welfare funds and other sovereign funds.
- The fund will run for 12 years, subject to early dissolution or extension as provided in its statutes. The investment phase will last six years, with the possibility to extend for one year, followed by a divestment phase of six years. The life of the fund may be extended by three-year periods by decision of the investors.

See Note 6.2 to the 2015 Financial Statements, Note 6.2 to the 2014 Financial Statements and Note 6.1 to the 2013 Financial Statements for details of the Issuer's equity portfolio.

#### *Loan syndication and advisory*

Under its loan syndication activity, the Issuer plays a financial intermediation or arranger role, which consists of researching and raising funds to finance (in whole or in part) projects undertaken by the WAEMU Member States or private companies.

As part of this activity, the Issuer is the agent or arranger and acts on behalf of a principal (project sponsor), including the identification of resources on behalf of the sponsor with various donors (bank, financial institutions, specialized financial institutions, investment funds, private or institutional investors), which can form a consortium, a syndicate or a banking pool for the granting of one or more types of funding for the benefit of the sponsor.

The Issuer's financial consultancy activity comprises the following types of services:

- **Privatizations:** as part of a privatization transaction or the opening of a particular sector to competition, the Issuer assists and advises the WAEMU Member States throughout the sale process, concession implementation or opening up to competition of a sector initially under public monopoly;
- **Mergers & Acquisitions:** the Issuer assists companies wishing to acquire, sell, or merge with an existing business to enable them to assess the feasibility and appropriateness of the transaction, to price the transaction, to create guarantees for investor protection and implement post-acquisition strategies; and

- Restructurings: the Issuer provides solutions to companies experiencing financial difficulties and/or undergoing financial restructuring. The services provided can cover any form of restructuring (including financial, operational and/or organizational restructuring) and any technical and financial plan consulting for a project, including: (i) the analysis of technical, market, feasibility studies, environmental and social impact; (ii) the research of valuation reports and skills for technical assistance to the sponsor and (iii) the identification and the research of funding sources for the project which could lead to the structuring of financing for which the sponsor can provide a mandate of arrangement for the Issuer).

For example, the Issuer was involved in the arrangement of two following financings in 2014:

- the FCFA 26 billion financing of the construction and equipping of the bulk terminal of the autonomous port of Dakar by Société Terminaux Vraquier du Sénégal (TVS); and
- the FCFA 12 billion financing for the State of Benin for the rehabilitation and development of the Djeregbe-Dja-Owode Road.

The Issuer was also involved in other mandates in 2014, including the financing of various partners for transport infrastructure (rehabilitation and development of roads), telecommunications, photovoltaic equipment, construction of thermal power stations, the purchase of power equipment and gensets for the 2015-2016 emergency rural electrification program in Niger, energy and sanitation projects in Senegal, and support for the cotton farming seasons.

In 2015, the Issuer signed four new financing mandates accounting for financings valued at FCFA 200 billion.

As part of its advisory activities, in September 2015 the Issuer also signed a mandate with Niger for the concession of the management of GAWEYE Hotel, a luxury hotel complex. In addition, the Issuer signed a mandate with Guinea Bissau in March 2016 to conduct a diagnostic study of the cashew nut sector in order to make recommendations for a more appropriate organization of the sector.

#### *Methods of Financing to National Financial Institutions and SMEs*

BOAD offers four methods of financing to assist National Financial Institutions (**NFIs**), which are regional banks and financial institutions and SMEs:

*Credit facilities:* This involves making loan resources available to an NFI in order to finance SMEs and micro-enterprises. The amount allocated is capped at FCFA 400 million per sub-project, unless otherwise agreed by the Issuer. Projects selected by the NFI are refinanced by the credit facility after authorization by BOAD. However, the NFI may access the facility without prior permission from BOAD (free-limit) in relation to financings not in excess of FCFA 200 million. Credit facilities are granted for a maximum term of 10 years and a principal repayment grace period of three years.

*Refinancing framework agreements:* These agreements are refinancing instruments, *i.e.*, medium-term refinancing lines to commercial institutions such as commercial banks and micro-credit institutions, which extend loans to SMEs and large businesses. The maximum amount available under such agreements is FCFA 1 billion (subject to prior authorization) and FCFA 500 million (free limit), unless otherwise agreed by the Issuer. Refinancing framework agreements provide a maximum term of 10 years and a principal repayment grace period of three years. The Issuer will refinance a maximum of approximately 50% of the amount of the loan extended by the financial institution.

*Leasing lines:* These are intended to refinance productive investments made under lease agreements for machinery. For any given project, the loan amount may not exceed FCFA 400 million, unless otherwise agreed by the Issuer. A free limit (approximately 80% of the refinancing line) is accepted

by the Issuer. This aims to ensure that any allocation to the NFI is less than or equal to FCFA 200 million. The maximum term of the leasing arrangement is six years with a maximum principal repayment grace period of two years.

*Specialized comprehensive packages:* These are intended to finance a range of projects within the same program that is known in advance or has been previously evaluated by the Issuer. This financing is done through an NFI or promotion agency. The term “program” refers to all small projects within the same sector, based on the cost of funding. The specialized comprehensive package can also cover special projects which would have been eligible for direct assistance from the Issuer but which, due to insufficient proximity to the project, are being refinanced through a local bank, which is better placed to monitor the project.

#### *Fund management for third parties*

The Issuer has proven experience in asset management.

In addition to managing the FCFA 250 billion FDE, the Issuer manages a FCFA 5 billion fund for Swiss Project Utilization Fund (*Projet d’Utilisation des Fonds suisses*) (**PUFs**). Furthermore, the Issuer holds deposits for certain international institutions and organizations, including the Network of Farmers and Agricultural Producers in West Africa (**ROPPA**) and funds raised by AFD as part of its FCFA 20 billion bond issue in 2008, which demonstrates the confidence placed in the Issuer by its partners.

#### **Approved projects**

The Issuer’s Board of Directors meets in March, June, September and December of each year. At the meetings held in 2015, the Board of Directors approved 22 medium- and long-term proposals involving loans totalling FCFA 207 billion and two equity investments in June 2015 totalling FCFA 4.5 billion. In addition, four short-term facilities were approved in March 2015, two in June 2015 and one in each of September and December 2015 totalling FCFA 59.4 billion. At the meeting held in March 2016, the Board of Directors approved 7 medium- and long-term proposals involving loans totalling FCFA 100.6 billion, a short-term facility in an amount of FCFA 17.9 billion and an equity investment totalling FCFA 10 billion. These loans and equity investments are intended to partially fund the following projects:

- Proposed improvement and asphaltting of the Tansoba Boulevard (southeast and north ring roads) in Ouagadougou (Burkina Faso) (FCFA 20 billion);
- Proposed asphaltting of streets and sanitation in 20 towns in Benin and the construction of collectors for rainwater drainage in the town of Malanville (FCFA 20 billion);
- Proposed Priority Programme for increased accessibility of remote areas, Phase I (Senegal) (FCFA 20 billion);
- Proposed construction of a 100 megawatt thermal power unit in Gorou Banda, and final 20 megawatt unit in Niger (FCFA 15 billion);
- Proposed reinforcement of the drinking water supply system of the city of Parakou and surroundings by the National Water Company of Benin(SONEB) (FCFA 5.6 billion);
- Proposed expansion and modernization of shucking capacity of the Malian Company for Textile Development (**CMDT**) (FCFA 15 billion);

- Proposed short-term loan for the CMDT for the partial financing of the cotton campaign in Mali (FCFA 17.9 billion);
- Proposed rehabilitation and planning of infrastructure in the autonomous districts and regional capitals (Côte d'Ivoire) (FCFA 15 billion);
- Proposed planning and asphaltting of road infrastructure (Mali) (FCFA 20 billion);
- Proposed rehabilitation of the trunk road No.17 over the Katchiamba-Sadori road section (Togo) (FCFA 9 billion);
- Proposed rehabilitation of urban roadways in Bissau – Phase 3 (Guinea Bissau) (FCFA 12 billion);
- Proposed construction of a 120 MW thermal power plant at Maria Gleta (Benin) (FCFA 10 billion);
- Upgrading of safe drinking water supply system in Parakou and surrounding communities (Benin) (FCFA 8 billion);
- Proposed construction of a 90-MW thermal power plant at Kayes by *Albatros Energy Mali SA* (Mali) (FCFA 15 billion);
- Proposed inception of a telecom network by Alpha Telecommunication Mali (ATEL MALI) SA (Mali) (FCFA 10 billion);
- Proposed rehabilitation and operation under “Radisson Blu” banner of Hôtel 2 Février in Lomé by Kalyan Hospitality Development Togo SAU (Togo) (FCFA 10 billion);
- Proposed short-term refinancing facility to Coris Bank International (CBI) for funding the financial requirements of *Société Burkinabé des Fibres Textiles (SOFITEX)* as part of the 2014-2015 cotton season (Burkina Faso) (FCFA 6 billion);
- Proposed short-term credit facility to *Compagnie Malienne pour le Développement des Textiles (CMDT)* for the partial funding of the 2014-2015 cotton season (Mali) (FCFA 4.42 billion);
- Proposed short-term credit facility to the Government of Niger for the procurement of materials for power grids and gensets under the 2015-2016 emergency rural electrification program (Niger) (FCFA 8 billion);
- Proposed short-term credit facility to CCBM Industries Espace Auto (CCBM-IEA) for funding the assembly and marketing of agricultural machinery and rolling stock (Senegal) (FCFA 3 billion);
- Proposed cancellation of the second credit facility extended by ITFC to BOAD and provision of a credit line to BOAD by the Arab Bank for Economic Development in Africa (ABEDA) for funding short-term operations;
- Proposed provision of an overdraft facility to BOAD by the Islamic Corporation for Private Sector Development (**ICD**);
- Rehabilitation and planning/asphaltting of the main roads in Maradi, Niger (FCFA 10 billion);

- Sanitation program in 10 towns in Senegal (FCFA 10 billion);
- Street paving and sanitation in 12 townships in Benin (FCFA 15 billion);
- Electrification of 177 villages using mini-solar photovoltaic power plants (2014-2016 national emergency rural electrification program) in Senegal (FCFA 10 billion);
- Strengthening and promotion of inclusive finance for farmers and youths' access to financial services in Togo (FCFA 5 billion);
- Construction of an injection solution production unit by Parenterus SA at Bayakh, Senegal (FCFA 2.5 billion);
- Construction of a clinker grinding plant by Ivory Diamond Cement (IVOCEM DIAMOND) SA at Anyama, Côte d'Ivoire (FCFA 7.5 billion);
- Granting of a refinancing facility to *Banque Sahelo-Saharienne pour l'Investissement et le Commerce Mali* (BSIC Mali SA) (FCFA 6.5 billion);
- Granting of a third refinancing facility to *Banque Malienne de Solidarité* (BMS-SA) (FCFA 6.5 billion);
- Granting a short-term facility to *Grand Distributeur Céréaliier du Mali* (GDCM) to fund the import of foodstuffs in Mali (FCFA 3 billion);
- Granting a short-term facility to Toguna Agro-Industries SA to fund the import of raw materials for the production of agricultural inputs in Mali (FCFA 4 billion);
- Proposed loan of FCFA 10 billion to fund phase 1 of the Lake Bam restoration, protection and development project in Burkina Faso;
- Supplementary equity participation of FCFA 3 billion by BOAD in the share capital of Air Côte d'Ivoire;
- Granting of short-term loan of FCFA 27 billion to the Government of Benin for the partial financing of the 2015-2016 cotton season;
- Partial financing of the electrical power interconnection project of the member countries of the Gambia River Development Organization (OMVG), amounting to FCFA 10 billion, of which FCFA 4 billion will be granted to Guinea Bissau and FCFA 6 billion to Senegal. The project involves, among other things, the construction of 1,677 km of 225-kV transmission lines connecting the power grids of the four OMVG member countries (Gambia, Guinea, Guinea Bissau and Senegal);
- Granting of a fifth refinancing facility amounting to FCFA 5 billion to Fidelis Finance-Burkina. This facility includes a “refinancing framework agreement” component of FCFA 2 billion and a “leasing” component of FCFA 3 billion to refinance productive investments in sectors that are eligible for funding from the Issuer; and
- Renewal of the short-term loan facility of FCFA 4 billion for *Société Africaine de Transformation, de Reconditionnement et de Commerce* (SATREC) to finance the importation of milk powder in Senegal, which will enable the company to increase its monthly milk production capacity from 2,000 to 2,750 tons.

The Board of Directors has also approved a FCFA 1.5 billion equity investment in the share capital of an investment fund, the *Investisseur et Partenaire pour le Développement 2* (IPDEV 2) and a FCFA 10 billion equity investment in an investment fund dedicated to the development of financial services in the WAEMU region.

All such projects approved by the Board of Directors take approximately one to two years to be implemented due to internal processes and obtaining the necessary authorizations.

### **Management and governance processes**

The Issuer intends to strengthen its management and governance processes to further improve efficiency and bring these in line with its new strategic outlook. The key objectives in this respect are to:

- enhance the legal enforceability of transactions;
- improve financial and risk management;
- develop the monitoring and evaluation of transactions, sectorial studies and knowledge management;
- align marketing and communication action with the strategy;
- optimize staff performance;
- enhance asset management and the security of persons and property;
- continue to modernize the Issuer's IT systems;
- strengthen governance and control systems; and
- potentially reorganizing the separation of the financing windows, *i.e.*, possibly creating separate institutions within the Issuer depending on the type of funding provided (commercial or non-commercial). These discussions are in the very early stages.

### **Sectors**

The key sectors supported by the Issuer are transport infrastructure, agriculture and rural development.

#### *Transport Infrastructure*

In the area of road transport infrastructure, the Issuer contributed financing to eight projects in 2014 related to 678.8 kilometers of roads. The three largest projects accounted for 36% of the financing granted and 41% of the total length of roads financed by the Issuer. These projects included: (i) the rehabilitation, improvement and asphaltting of two interstate roads (particularly the WAEMU community network Cu19c, which corresponds to the Ghana-Atakpame-Doumé-Tchetti-Savalou-Logozohe-Glazoué-Nigeria border corridor); and (ii) the rehabilitation of a section of community road Cu2b of the WAEMU (Bamako-Dakar corridor through the south), which are both still being implemented.

The Issuer is contributing financing to the construction and operation of a 1,500 meter-long toll bridge on the Ebrié lagoon in Côte d'Ivoire to connect the neighborhoods of Marcory and Riviera. The total project cost is FCFA 148,040 million, and is to be finalized within 28 months. This project is

expected to contribute to the economic and social development of the two communities by improving traffic conditions. Specific objectives are to (decongest the two existing bridges by reducing crossing times from approximately one hour to 10 minutes during peak periods; (ii) create a direct and fast connection between the districts of North-East and South Abidjan; and (iii) rehabilitate the Houphouët Boigny bridge.

The Issuer is contributing financing to the development of the 63 kilometer-long Road Ouahigouya Thiou Mali Border Project in Burkina Faso, which aims to contribute to the improvement of Burkina Faso's economic competitiveness by making international trade more fluid. In addition, the project will improve the level of road service and facilitate socio-economic exchanges in the area. The total cost of the project is FCFA 17,533 million. The project was subject to an assessment by the Issuer in April 2009 and the proposal for the partial financing of the project was approved by the Issuer's Board of Directors in June 2011. The loan was issued in August 2013 with a deadline for the mobilization of the loan resources of August 2017.

Such infrastructure is expected to contribute towards enhancing economic integration within the WAEMU Member States by facilitating intra-community trade, particularly by improving mobility along the interstate road corridors and enhancing the contribution of countries with coastal access or which serve as transit countries. Related works are also expected to make it possible to construct 4,300 linear meters of paved roads, 150 kilometers of tracks (including drainage structures), eight parking lots for heavy-duty vehicles on approximately 5,000 square meters per parking lot.

In the area of maritime transport infrastructure, the Issuer contributed to the strengthening of harbor infrastructure in 2014 by financing the development, equipment and operation of the bulk terminal at the autonomous port of Dakar in Senegal. The objective was to optimize and ensure the safety of solid non-food bulk product handling services while seeking to increase the level of traffic from a current level of 1.9 million metric tons per annum to 13 million metric tons per annum by 2025.

#### *Agriculture*

In 2014, the Issuer financed two ecosystem regeneration and irrigation development projects. These projects aim to address or improve productivity, harvests, food safety, environmental protection, safety of dams, and local energy needs, all of which are expected to contribute, ultimately, to promoting environmental sustainability and poverty reduction. Following a recommendation of the November 2013 forum on sub-regional development organized on the occasion of the Issuer's 40<sup>th</sup> anniversary, in February 2014 the Issuer also established an *ad hoc* commission on food security in West Africa (in particular in the Sahel region), the mission of which is to submit proposals relating to food security to the Authority of Heads of State and Government of the WAEMU. This Commission is chaired by a former FAO Director General.

The Issuer initiated a crop insurance program following the food crisis that occurred in the WAEMU region in 2008. At the date of this Prospectus, the Issuer is financing two pilot projects in Benin and Senegal. Through these projects, the Issuer supports agricultural insurance companies in expanding their crop insurance activities. In 2014, the Issuer also gave assistance to Burkina Faso and Mali to help them establish a crop insurance scheme, which is still being implemented.

#### *Rural development*

The Issuer financed two projects in 2014 relating to rural development, in particular sanitation. The first project relates to the establishment of a center for burying solid waste on an area of roughly 192 hectares near Lomé, Togo. This project is aimed at improving the treatment of solid waste as well as protecting the urban environment and sanitary conditions. The project is intended to (i) reduce the production of greenhouse gases through the capture and utilization of biogas (flaring, utilization as energy) and (ii) utilize household solid waste as alternative fuel to meet the energy needs of a local

clinker factory. The second project concerns the treatment of sewage and rainwater drainage in the town of Fatick in Senegal.

### **Financing activities**

Compared to domestic financial institutions, the Issuer prioritizes financings in development projects and generally offers loans with longer maturities. On average, loan maturities range from 10 to 12 years in the private sector and 27 years for concessional loans, compared to maturities of between three and seven years offered by private banks in the region.

#### ***Financing approved over the past three years***

From 2013 to 2015, the Issuer's annual volume of medium- to long-term loan approvals (excluding the FDE Window) decreased from FCFA 515.3 billion in 2013 to FCFA 280.9 billion in 2014 and decreasing further to FCFA 211.5 billion in 2015, reflecting the Issuer's decision to ensure that the amount and tenor of resources match the requirements of the projects to be funded.

As at December 31, 2015, total net commitments in the form of medium- to long-term loans and equity investments, amounted to FCFA 3,376.1 billion (€5.2 billion) for 738 operations.

Total Bank Window financing (including medium- and long-term financing, short-term financing and equity investments) decreased by 39% from FCFA 451.8 billion for the year ended December 31, 2013 to FCFA 276.9 billion for the year ended December 31, 2014, and increasing by 1.4% to FCFA 280.9 billion for the year December 31, 2015, as compared to the year ended December 31, 2014. Excluding short-term financing, Bank Window loans decreased by 43% from FCFA 410.3 billion for the year ended December 31, 2013 to FCFA 235.9 billion for the year ended December 31, 2014 and decreased by 46% to FCFA 221.5 billion for the year ended December 31, 2015. These decreases were due to the lack of available good quality private projects and the fact that the terms (primarily the interest rates) of the refinancing facilities were perceived as too expensive.

Due to difficulties the Issuer has encountered in obtaining sufficient concessional resources to support the FDC Window, it has decided to temporarily suspend its activities in the concessional loan area until such resources become available again.

FDE Window loans were low during 2013 and non-existent in 2014 and 2015, due partly to the Issuer's new strategy to reserve funding for regional energy projects, which take time to identify, as well as to the fact that as of December 31, 2014 and 2015, the remaining amounts available for commitment under the FDE Window were approximately FCFA 39.9 billion (see presentation of the FDE Window above).

Short-term financing refers to loans extended for a period not exceeding two years, in the form of seasonal credit to farmers, bridging facilities, market advances to states and stand-by letters of credit.

#### ***Disbursement of loans, equity holdings, studies and assistance***

Under its liquidity policy, the Issuer must hold liquid assets equivalent to at least nine- to 12 -months' worth of net loan disbursements (disbursements minus principal repayments where the Issuer is acting as lender) plus nine to twelve months' worth of repayment of debt (where the Issuer is acting as borrower).

### *Medium- and long-term loans*

- Loans not yet disbursed

Disbursement forecasts are based on the average timeframes for project milestones observed by industry for fully disbursed loans. These disbursement forecasts apply to off-balance sheet loans, *i.e.*, the undisbursed portion of loan commitments approved, on the basis of the historical disbursement rate.

Market rate sovereign loans are generally disbursed over an average of four years, with the first disbursement occurring during the fourth quarter of the year following the loan's approval date, amounting to 20% of the total approved amount. The outstanding balance is generally disbursed during the three following years in tranches of 35%, 30% and 15%.

Private and public business loans are generally disbursed over an average of five years, with the first disbursement of up to 15% of the total approved amount being made during the fourth quarter of the year following the approval date.

- Current loans

Disbursements depend on the forecast assumptions made in the context of the Issuer's updated financial outlook for each loan. Forecast assumptions are updated on the basis of the sponsor's operational contracts concluded as part of the execution of the relevant project and on the basis of the disbursement rates.

### *Short-term loans*

- Loans not yet disbursed

These loans typically have a maximum maturity of two years and, in most cases, are repaid during the second calendar year (*i.e.*, 50% of a loan is repaid in the first calendar year and the other 50% in the second calendar year).

- Current loans

Disbursements depend on the disbursement forecast assumptions for each loan on the basis of signed contracts.

### *Equity investments*

Equity investments are disbursed in accordance with the drawdown timetables agreed with the beneficiaries.

Subsequent equity investments are generally disbursed over an average of 30% during the fiscal year following the approval, 40% during the second fiscal year and 30% during the third fiscal year.

## ***Overall portfolio***

### *Outstanding loans*

The table below sets out gross and net outstanding loans as at December 31, 2013, 2014 and 2015. Under IFRS, the provisions for individually assessed loans are determined by a case-by-case assessment of losses incurred as at the date of the statement of financial position. This assessment takes into account the collateral held and the estimated funds considered recoverable from the

borrower. The level of provisions to be made is equal to the difference between the amount of exposure and the estimated amount of discounted cash flows recoverable on the borrower's collateral.

<i>(FCFA millions)</i>	<b>December 31,</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
Gross outstanding loans .....	904,518	1,161,304	1,349,175
Provisions on loans .....	(22,335)	(25,732)	(24,931)
Net outstanding loans.....	882,183	1,135,572	1,324,244
<b>Impairment provisions/ gross loans</b> .....	2.47%	2.22%	1.84%

The distribution of gross outstanding loans extended (as distinct from commitments) per Window as at December 31, 2013, 2014 and 2015 is set forth in the table below.

<i>(FCFA billions)</i>	<b>FDC and Bank Window</b>				<b>FDE Window</b>	<b>Total of the 3 Windows (FDC + Bank + FDE)</b>
	<b>FDC</b>	<b>Bank*</b>	<b>Total</b>	<b>Bank share</b>		
2013 .....	464	409	873	47%	32	905
2014 .....	545	563	1,108	51%	53	1,161
2015 .....	590	685	1,275	53.7%	74	1,349

\* Including market rate sovereign loans: FCFA 37.8 billion in 2013, FCFA 120.35 billion in 2014 and FCFA 288.4 billion in 2015.

Net outstanding loans per Window are set out in the table below as at December 31, 2013, 2014 and 2015.

<i>(FCFA millions)</i>	<b>December 31,</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
Net outstanding loans.....	882,183	1,135,572	1,324,244
<i>FDC Window</i> .....	463,596	544,572	589,645
<i>Bank Window</i> .....	386,677	537,762	660,344
<i>FDE Window</i> .....	31,911	53,238	74,255

Loans to WAEMU Member States (non-commercial sector) as at December 31, 2013 amounted to FCFA 496 billion, representing 55% of gross outstanding loans (FCFA 905 billion) and 56% of net outstanding loans (FCFA 882 billion). These include loans from the FDC Window in an amount of FCFA 464 billion and FCFA 32 billion in Bank Window loans known as market rate sovereign loans.

Loans to WAEMU Member States (non-commercial sector) as at December 31, 2014 amounted to FCFA 618 billion, representing 53% of gross outstanding loans (FCFA 1,161 billion) and 54% of net outstanding loans (FCFA 1,135 billion). These include loans from the FDC Window in an amount of FCFA 565 billion and approximately FCFA 53 billion in Bank Window loans in the form of market rate sovereign loans.

Loans to WAEMU Member States (non-commercial sector) as at December 31, 2015 amounted to FCFA 892.31 billion, representing 66.14% of gross outstanding loans (FCFA 1,349 billion) and 67.38% of net outstanding loans (FCFA 1,324 billion). These include loans from the FDC Window in an amount of FCFA 589.6 billion and approximately FCFA 228.4 billion in Bank Window loans in the form of market rate sovereign loans.

As a matter of policy, the Issuer does not make any provisions for loans to the WAEMU Member States. See "Risk Factors—The Issuer's provisions for credit losses could prove inadequate to cover

credit losses related to its loans and contingencies” and “Risk Factors—The Issuer’s loans are concentrated in its WAEMU Member States, and the Issuer has a policy not to make any provisions for such loans”.

The table below sets forth the Issuer’s outstanding loans by country for the years ended December 31, 2013, 2014 and 2015.

<i>(FCFA billions)</i>	As at December 31,		
	2013	2014	2015
Benin.....	127	159	164
Burkina Faso.....	114	134	146
Côte d’Ivoire.....	116	177	202
Guinea Bissau.....	30	46	55
Mali.....	106	123	136
Niger.....	133	178	212
Senegal.....	164	187	212
Togo.....	115	157	224
<b>Total</b> .....	<b>905</b>	<b>1,161</b>	<b>1,349</b>

The table below sets forth the Issuer’s outstanding Bank Window loans by sector for the years ended December 31, 2013, 2014 and 2015.

<i>(FCFA billions)</i>	As at December 31,		
	2013	2014	2015
Agro-industry.....	33,234	38,423	37,580
Banks and financial institutions.....	41,057	45,520	57,003
Energy.....	134,609	153,044	171,217
Hotels.....	3,017	2,759	19,309
Extractive industries.....	46,698	53,694	43,115
Commercial infrastructure.....	100,679	112,659	114,623
Telecommunications.....	41,873	26,609	14,019
<b>Total</b> .....	<b>401,167</b>	<b>432,708</b>	<b>456,865</b>

The table below sets forth the Issuer’s equity participations by country for the years ended December 31, 2013, 2014 and 2015.

<i>(FCFA billions, except number of projects)</i>	No. of projects	As at December 31,		
		2013	2014	2015
Benin.....	5	3,238	4,085	5,219
Burkina Faso.....	4	2,885	4,152	5,209
Côte d’Ivoire.....	12	11,830	4,345	17,010
Mali.....	2	1,650	3,010	3,515
Niger.....	2	1,247	4,494	4,835
Senegal.....	4	2,103	4,285	6,569
Togo.....	10	18,631	16,707	14,515
WAEMU.....	7	12,273	25,088	21,251
<b>Total</b> *.....	<b>46</b>	<b>53,858</b>	<b>66,166</b>	<b>78,123</b>

\* Totals represent gross values. For further detail, see Note 6 to the Financial Statements.

The table below sets forth the Issuer's equity participations by sector for the years ended December 31, 2013, 2014 and 2015.

<i>(FCFA billions, except number of projects)</i>	<b>No. of projects</b>	<b>As at December 31,</b>		
		<b>2013</b>	<b>2014</b>	<b>2015</b>
Other productive activities.....	4	2,102	1,147	1,236
Other financial institutions* & promotion of SMEs.....	11	7,279	8,250	10,580
Banks .....	19	25,321	30,106	37,899
Investment funds.....	8	13,281	19,550	19,098
Infrastructure.....	1	384	1,123	1,320
Airlines.....	3	5,490	5,990	7,990
<b>Total**</b> .....	<b>46</b>	<b>53,858</b>	<b>66,166</b>	<b>78,123</b>

\* Includes entities such as Proparco, the BVRM and the GARI fund.

\*\* Totals represent gross values. For further detail, see Note 6 to the Financial Statements.

#### *Guaranteed loans in the commercial sector*

Certain loans made by the Issuer to the private sector are guaranteed by: (i) organizations such as the African Guarantee Fund for Economic Cooperation (*Fonds Africain de Garantie pour la Coopération Economique*), the African Solidarity Fund (*Fonds de Solidarité Africain*), a guarantee fund for private investment (GARI) and/or (ii) escrow accounts, Payment Mechanics Agreements (*Accords de Mécanisme de Paiement*) or promissory notes secured by bank deposit accounts. The first category are first demand guarantees provided by guarantee funds. The second category of guarantees (so called financial guarantees) are provided by corporates.

At December 31, 2015, the guarantee coverage rate amounted to 13.8% of the Issuer's total loan portfolio. See "Risk Factors— A decline in the value of collateral, the creditworthiness of guarantors or the illiquidity of the collateral securing the Issuer's loans could adversely affect its loan portfolio".

The proportion of net outstanding commercial loans (net of depreciation) extended via the Bank Window in total financing (excluding the FDE Window) decreased slightly compared to gross outstanding loans extended via the Bank Window. This is due to the fact that loan depreciations are calculated only for the commercial loan portfolio. Net outstanding Bank Window loans represented 45%, 48% and 53% of total loans (excluding loans granted through the FDE Window) as at December 31, 2013, 2014 and 2015, respectively.

#### *Off-balance sheet commitments*

The table below sets forth the Issuer's off-balance sheet commitments as of December 31, 2013, 2014 and 2015.

<i>(FCFA billions)</i>	<b>December 31,</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Commitments received</b>			
Commitments on loans to be drawn.....	48,481	74,670	24,164
Unauthorized loan commitments .....	8,910	—	—
Guarantees received from regional funds .....	21,561	18,683	22,320
<b>Total</b> .....	<b>78,952</b>	<b>93,353</b>	<b>46,484</b>

<i>(FCFA billions)</i>	<b>December 31,</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Commitments given</b>			
Loan commitments.....	1,362,653	1,406,431	1,313,313
Advances on development studies .....	9,285	14,666	10,949
Commitments for equity participations.....	29,174	36,753	25,441
Commitments from subsidy funds .....	—	—	—
Securities and other guarantees.....	33,490	33,548	22,140
<b>Total</b> .....	<b>1,434,602</b>	<b>1,491,398</b>	<b>1,371,844</b>

Pledges refer to collateral received in respect of direct loans made.

Commitments received listed as off-balance sheet commitments received correspond to undrawn credit lines provided by financial partners. Commitments given listed as off-balance sheet commitments given correspond to undrawn loans made by BOAD and other similar commitments.

### ***Largest exposures and commitment per sector of activity***

As at December 31, 2015, outstanding loans of the Issuer's 20 largest exposures amounted to FCFA 281,299 million, representing 20.9% of its total outstanding loans. Of this, loans were concentrated in the energy sector, the transport infrastructure sector, the processing industry and NFIs.

As at December 31, 2014, outstanding loans of the Issuer's 20 largest exposures amounted to FCFA 256,784 million, representing 22.11% of its total outstanding loans. Of this, loans were concentrated in the energy sector, the transport infrastructure sector, the industrial sector and NFIs.

The Issuer's 20 largest exposures accounted for 22.11% of its outstanding loans as at December 31, 2014 and for 20.9% as at December 31, 2015. The majority of those exposures were in the energy sector, which accounted for 52.61% of the Issuer's 20 largest exposures on outstanding loans as at December 31, 2014 and for 52.3% as at December 31, 2015.

The Issuer's internal exposure limits (threshold) per borrower in all sectors have been complied with as of each of the above dates.

## **Investments**

### ***Debt securities portfolio***

See Note 5.2 to the 2013, 2014 and 2015 Financial Statements for details of the Issuer's debt securities portfolio.

## **Sources of funding**

The Issuer's borrowing policy strives for an adequate balance between resources and their use and currently limits the Issuer's debt to three times its subscribed paid-in capital plus reserves.

The borrowing policy of the Issuer takes into account financial risk due to its activities and assets, and as a result mainly seeks fixed-rate funding in FCFA or euro. As at December 31, 2015, outstanding debt of the Issuer (excluding deposits made by financial institutions with the Issuer) amounted to FCFA 963.8 billion (€1,469.3 million), of which FCFA 543.4 billion (€828.5 million), or 56.38% of the resources was obtained from the regional capital markets and FCFA 420.3 billion (€640.8 million) was raised from external partners (including the World Bank, the AFD, the EIB, the KfW, the ADB, the People's Bank of China). As at December 31, 2014, outstanding debt amounted to FCFA 879.5

billion, of which FCFA 549.2 billion (62.4%) was represented by debt securities issued by the Issuer on the regional financial market and FCFA 330.3 billion (37.6%) were external resources.

The Issuer generally seeks to match resources with their uses, so that concessional resources are used to fund concessional lending activity through the FDC Window and the FDE Window, while market resources are used to fund market rate lending activity through the Bank Window. However, due to the reduction in the availability of concessional funding, the Issuer also uses market funding sources to fund market rate sovereign loans and, on certain occasions, other concessional lending commitments. Given the importance to the relevant state of the projects that were historically funded by concessional resources, the WAEMU Member States agreed with the Issuer to pay market rates for continued funding in order to continue to pursue the development and implementation of these projects. The use of market resources to fund such projects has had an adverse effect on the Issuer's results of operations by increasing the Issuer's cost of funding. However, no new concessional loans were extended in 2015 and the Issuer is only financing projects approved in prior years through the FDC Window. As a result, the funding of concessional lending commitments through market resources is expected to decrease.

The principal terms and conditions of loans granted by BOAD since the beginning of its activities are provided in "*Management's Discussion and Analysis of Results of Operations and Financial Condition—Funding*".

### ***Regional capital markets***

The Issuer is a pioneer in the regional capital markets, issuing its first bond in 1993. It is also the leading non-sovereign bond issuer in the region with 28 issuances of debt instruments since 1993, amounting to FCFA 991.1 billion (€1.5 billion) in cumulative issuances as at March 31, 2016. As at December 31, 2014, FCFA 841.0 billion (€1.3 billion) in debt instruments were issued in these markets through 26 issuances. During 2014, the Issuer issued three series of bonds, raising a total of FCFA 269.2 billion and issued one series of bonds in 2015 raising FCFA 71.9 billion. In March 2016, the Issuer issued notes in a principal amount of FCFA 78.3 billion (€119.4 million). Principal will be repaid over four years starting in 2020.

In December 2014, the Issuer issued FCFA 89.5 billion (€136.5 million) 5.95% notes due 2021, for which principal will be repaid over four years starting in 2018. These securities are eligible for the BCEAO refinancing facility. In May 2015, the Issuer issued FCFA 71.9 billion (€109.6 million) 5.837% notes due 2022, for which principal will be repaid over four years starting in 2019. In March 2016, the Issuer issued FCFA 78.3 billion (€119.4 million) 5.871% notes due 2022, for which principal will be repaid over four years starting in 2020. The amounts issued by the Issuer in its last three regional capital markets bond issues average FCFA 79.9 billion (€121.8 million).

Banks in the WAEMU region holding FCFA-denominated bonds issued by the Issuer can also use the bonds issued by the Issuer as collateral for their refinancing transactions with the BCEAO. See "*Operating and financing models of the Issuer—Financing Model*".

Bonds that are accepted by the BCEAO in connection with a refinancing transaction include treasury bills, certificates of deposit, regional bills and bonds issued by regional institutions (*e.g.*, the Issuer, ECOWAS and the Bank for Investment and Development), corporate bills and bonds issued by WAEMU resident private companies, including State-owned enterprises and all bonds issued or guaranteed by one of the WAEMU Member States or an entity established in the WAEMU region pursuant to the decision by the BCEAO setting forth eligible entities. The eligibility of the Issuer's bonds in connection with a financing transaction is evaluated on a case by case basis, with the Issuer being required to seek the approval of the Monetary Policy Committee of the BCEAO. However, bills issued by the Issuer are automatically eligible for refinancing transactions with the BCEAO.

Up until 2013, the maturities of the securities issued by the Issuer were between five and 10 years, with a weighted average maturity of seven years. As part of the diversification of the maturity profile of its securities, the Issuer issued securities with a maturity of three years for the first time in 2014. The market is more sensitive to interest rates than maturity because of the eligibility for BCEAO refinancing of the Issuer's bonds.

The Issuer has taken steps to broaden its investor base. To this end, it is exploring the possibility of extending its issuances of securities to the WAEMU region, approaching new institutional investors, including some large foreign banking groups with subsidiaries in the WAEMU region and funding through the international capital markets.

### ***Non-regional resources***

As at December 31, 2015, resources raised by the Issuer from sources outside the WAEMU region amounted to FCFA 420.3 billion (€640.8 million), compared to FCFA 330.3 billion (€503.5 million) as at December 31, 2014, excluding non-repayable loans (FCFA 81.3 billion). Non-repayable loans comprise subsidies and donations from the Issuer's development agency partners.

These resources are denominated in various currencies (EUR, USD, SDR, CHF, JPY) and have varying maturities. However, under its new debt policy, over the last five years the Issuer has significantly limited its borrowings in currencies other than the euro. It tries to borrow in euros to the fullest extent possible. As at December 31, 2015, resources in euros accounted for 35.6% of the Issuer's outstanding debt. The Issuer is in the process of hedging all of its exchange rate exposure.

The Issuer raises resources from its partners and investors at both market and preferential rates. As at December 31, 2015, borrowings at market rates accounted for 68.9% of such resources. Resources obtained from financial institutions (including the World Bank, the AFD, the EIB, the KfW, the ADB and the People's Bank of China) under preferential terms include the credit line signed with AFD in 2006, the annual interest rate of which is equal to 6-month Euribor -14 basis points and the EIB tranche B line 5, the annual interest rate of which is equal to 1.50%.

Pursuant to the regulations of the WAEMU, outstanding bonds issued by regional financial institutions are subject to a limit equal to 25% of assets in the form of loans and advances to customers.

The Issuer obtained a line of credit in 2014 in an amount of FCFA 26.2 billion (€40 million) from the KfW for the refinancing of SMEs. This line of credit was granted at a market rate and the Issuer has drawn the entire amount granted.

The Issuer continues to raise funding from its financial partners. Funding requests submitted by the Issuer are currently being reviewed by certain of these partners. Meanwhile, the Issuer pursues its cooperation activities with a view to establishing new partnerships. It has approached CIDA and EXIM Bank of South Korea to potentially develop new partnerships.

### ***Concessional resources***

The total amount of concessional resources and grants (non-refundable loans) raised by the Issuer from financial partners as at December 31, 2015 amounted to FCFA 355.0 billion (€541.5 million).

This amount is included in the grants received by the Issuer from various partners referred to above (AFD, IDA, AfDB, KfW, BADEA, OeEB) amounting to FCFA 81.3 billion (€124.0 million) as at December 31, 2015. These grants, often backed by credit facilities, have enabled the Issuer to modernize its management and organization in several areas such as: financing research, establishment of anti-money laundering procedures (AML), strengthening the Issuer's and its clients'

environmental and social policies, strengthening the structural role of the Issuer on the regional financial market, transitioning to IFRS financial reporting standards, improving the Issuer's IT system through the implementation of the ERP (Enterprise Resource Planning) software system at a cost of FCFA 2,745 million, and strengthening the organizational units responsible for financing public sector projects.

### ***Debt servicing***

The Franc Zone currency, FCFA (which is pegged to the euro), is freely convertible into other currencies as well as freely "transferable" across borders.

The BCEAO is the Issuer's financial services provider. All payments made by the Issuer under its borrowings are made from funds held in the Issuer's accounts maintained by the BCEAO.

### ***Enhancement of debt capacity and diversification of funding sources of the Issuer***

During its sessions held on September 24 and 25, 2014, the WAEMU Council of Ministers approved the following measures proposed by the Issuer in order to enhance its sources of funding:

- the review of the borrowing policy by retaining the following norm as the only borrowing policy ratio going forward: "Outstanding loans  $\leq$  300% of equity capital" where equity is defined as paid-in capital plus reserves. Going forward, BOAD's total "callable capital" will no longer be a borrowing limit, but rather a ceiling for the explicit guarantee by the Issuer's shareholders via callable capital.
- the inclusion in the Issuer's equity capital, in the form of a one-time "special endowment" from the WAEMU Member States, BCEAO and the WAEMU Commission, of an amount of FCFA 250 billion, which served as the initial endowment of the FDE. This endowment allows the Issuer to borrow against this new capital and, as a result, enhances the synergy between the financial resources available to the Issuer and the FDE.

No new measures related to funding sources were adopted during the December 2015 sessions of the WAEMU Council of Ministers.

### **Environmental governance**

The Issuer created an Environmental and Social Management Unit (**ESMU**) in 2003 to address environmental and social concerns in project financing, thereby marking the beginning of the environmental component in the Issuer's operations. This environmental component has generally been extended to sustainable development. In furtherance of its dedication to environmental protection in connection with its financing projects, the Issuer was accredited by the GEF in June 2015, in preparation for which the Issuer revised its standards in 2013 in order to meet GEF requirements relating to environmental and fiduciary standards as well as social safeguards.

In connection with the financing of a project, the ESMTU is involved in all stages of the project including the identification, evaluation and supervision. The Environmental and Social Management Plan (**ESMP**) is the framework for the management of environmental and social aspects (mitigation of negative impacts and taking advantage of positive impacts) is prepared for each project on the basis of the Environmental Impact Assessment Report and Social (ESIA) and the evaluation committee. The cost of the ESMP can vary between 1% and 10% of the total cost of the project, which cost is integrated into the overall project cost and can be financed by the Issuer, the developer or the two together.

From July 2005 to November 2015, the ESMU participated in the evaluation (analysis and development of environmental and social management plans) of over 220 projects financed by the Issuer in all sectors.

The Issuer has put in place measures to mitigate the environmental impact of funded projects and taken steps to reduce greenhouse gas emission through the promotion of the CDM projects.

In the area of climate change adaptability, the Issuer has obtained accreditation at the Climate Change Adaptation Fund of the Secretariat of the United Nations Framework Convention on Climate Change (UNFCCC). It also hosts the Regional Collaboration Centre the aim of which is to support the development of projects eligible under the CDM.

### **Competitive environment**

Given the size of the infrastructure deficit in the WAEMU region, there is a tendency for entities financing the infrastructure sector in the WAEMU region often to cooperate and co-invest rather than to compete aggressively. Although the Issuer operates in a relatively competitive market for the provision of financing, it does not view other financial institutions offering financing as direct competition but rather endeavors to work in cooperation with them to provide value to its clients. It is the Issuer's policy to cooperate and coordinate with other DFIs and government agencies and to actively seek out partnerships with international financial institutions and official agencies in co-financing opportunities to meet client needs. The World Bank, the AFD, the EIB, the KfW, the ADB, the People's Bank of China and local commercial banks are among the Issuer's main partners.

Due to the numerous challenges involved with operating in the region such as, inter alia, uncertainty surrounding the legal and regulatory framework for business activity, the inadequate level of resources devoted to the functioning of the judicial system and administrative or bureaucratic red tape, there is a lack of well-structured projects. As the Issuer is typically involved at an early stage in each project's lifecycle, it can put in place the necessary requirements, which allow it to be competitive in attracting financing.

### **Related party transactions**

The Issuer's related parties include its shareholders, directors, key management personnel and certain of the funds in which it has invested. The Issuer does not extend loans to representatives of the WAEMU Council of Ministers. Loans to key management personnel are made at the same conditions as loans to other personnel, which means at preferential conditions compared to market conditions. Loans to and investments in related parties other than key personnel are made at market interest rates and subject to arm's length commercial negotiations as to terms. Board members that are related parties to a particular transaction cannot participate in any board or committee discussions that relate to any such transaction. See Note 25 to the 2015 Financial Statements for further information on related party transactions.

### **Technology**

The Issuer has an IT system based on a multi-branch architecture (core of the network – distribution – access) which evolves with new technologies (including fiber optic cabling and secured wireless access). The network is based on Microsoft technology with a redundant messaging system and business applications. Internet access is provided by redundant broadband Internet connections via several network protection devices and intrusion detection devices.

As part of the 2015-2019 Strategic Plan, the Issuer is pursuing the modernization and securing of its information system by consolidating the achievements resulting from the implementation of the Information Master Plan (IMP) launched in 2011. The aim of the IMP is to build a target system that

is integrated, effective and secured. The IMP should achieve these goals on the basis of: (i) governance of the information system, (ii) application infrastructures, (iii) technical infrastructures, and (iv) the security of the IT system. The equipment and the production of the ERP is the first major project of the IMP. The interconnection of the representative offices of the Issuer in order to build a corporate network for data exchange, and voice and video communication in real time, is currently being implemented via VSAT antennas. As of the date of this prospectus, four of the Issuer's local representative offices are interconnected with the Issuer's Togo headquarters. The remaining three local offices are expected to be connected in 2016.

### ***Software infrastructure***

The Issuer's application system is multifaceted. It is composed of software packages and specific applications.

For accounting, the Issuer uses accounting management software which takes into account budget accounting, general accounting, sub ledger accounting and fixed assets with a SQL Server data base. Since December 2014, SAP's FI-CO module is in production for the purpose of replacing the old system. To ensure the inclusion of accounting needs in SAP in particular regarding the retention of the old system's achievements, a parallel treatment of the two systems is implemented.

Sales order processing and the inventory management (for the internal use of the Issuer) are managed by SAP's MM module.

Human resources are currently managed in tandem by a software infrastructure and by SAP's HR module, including the payroll aspects. This double treatment allows the Issuer to assert the reliability of the configuration realized on SAP in particular in connection with payroll. Certain human resource functions are managed by specific software, such as the performance management system. Payroll processing is conducted in parallel through a separate software system called PLEIADE and on SAP. The objective of this parallel processing is to verify and to confirm the reliability of the configuration of personnel data on SAP. This parallel processing system was discontinued as from December 31, 2015, from which point payroll processing is conducted only on the SAP module.

The Issuer also has library management software, with external access via its intranet now being implemented.

The Issuer's fund transfers are conducted using the proprietary software of the BCEAO whose operation is secured by a validation circuit with three levels that interface automatically with SWIFT.

Customer loans are managed by a specific application which takes into account the study phase of the project, the grant of the loan and the management of the disbursement and reimbursements of the loan. After the stabilization of SAP's ERP, the second phase will be the implementation of SAP's Banking module for the management of banking transactions.

Each division of the Issuer produces a monthly scorecard which allows it to follow its performance through key performance indicators (*e.g.*, expected and achieved loan approvals by window, net banking product, debt ratios, etc.). The scorecards of these divisions feed into the scorecards of the Bank's directorates, which, in turn, feed into the scorecards of the Bank's departments. The scorecards are managed by a specific application developed in-house.

Several other applications are being developed in-house by the Issuer, in particular to ensure the control of the management by objectives system, management of staff loans, management of telephone enquiries, management of mission orders etc. All these applications are developed under Visual Studio and SQL Server language as database manager.

### ***IT infrastructure***

All the software, software packages and applications mentioned above are part of a system composed of several dozen physical and virtual servers, some of which are clustered in storage to ensure the availability, integrity, confidentiality and traceability of the Issuer's database.

Users are connected to different servers via workstations (desktop computers, laptops, smartphones, etc.) with a secured access to printers and the Internet.

### ***IT security***

In connection with the expansion of the Issuer's activities and to control risks linked to its growth the Issuer has implemented a security process relating to its IT system. As an internationally recognized banking institution, the security of its IT system is particularly important, because it assures information processing efficiency in a highly regulated context where confidence is a pillar of its business.

The Issuer aims to guarantee the security of its IT system with the support of a database protection policy and appropriate working methods. For this purpose, the Issuer established a Management of Information Security System (**MISS**) aimed at continuous improvement of security. The Issuer also has a disaster recovery plan and a business continuity plan (**BCP**) and tests are performed frequently. The BCP strategy has been built around the design of two backup storage sites (covering construction risk and country risk) and one temporary backup site (in Europe), and also a permanent backup site in the WAEMU region (in progress). Regarding the temporary backup site outside the WAEMU region, disaster recovery tests are performed twice a year to ensure the optimal operational condition of BCP.

In case of disaster, the BCP will allow the Issuer to restart the most critical activities within the following two to five days, prioritizing project supervision, staff payroll, control and disbursement. The minimum required staffing essential to the recovery of most critical activities represent about one-fifth (1/5) of the staff at the Issuer's headquarters.

The BCP strategy focuses on: (a) setting up an internal backup at the headquarters of the Issuer; (b) construction of two storage sites for backup and a recovery fallback site in the WAEMU region; and (c) temporary lodging with a service provider outside the WAEMU region.

The Issuer has also taken steps to obtain ISO 27001/27002 certification for its IT system. As of the date of this Prospectus, the certification process is on-going. This is a quality initiative that aims to ensure continuous improvement of the protection and security of the Issuer's information systems.

Total expenditure on IT investments (hardware, network, security, maintenance, licenses, etc.) in the years ended December 31, 2013, 2014 and 2015 amounted to FCFA 1,215 million.

### ***Legal proceedings***

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which are expected to have, or have had during the 12 months prior to the date of this Prospectus, significant effects on the Issuer's financial position or results of operations.

### **Property**

The Issuer owns the building where its headquarters are located at 68, avenue de la Libération, BP 1172 Lomé, Togo. Its telephone number is +228 22 21 59 06.

## Subsidiaries

As of the date of this Prospectus, the Issuer has two subsidiaries. The main subsidiary of the Issuer is its securitization subsidiary, “BOAD *Titrisation*”. BOAD *Titrisation* manages funds that securitize loan receivables for entities in the WAEMU region. In addition, it handles commercial, real estate and personal property transactions directly or indirectly related to such management of loan receivables in order to strengthen the assets of the securitization funds. The other subsidiary is Cauris, which is the first regional private equity fund established in Francophone West Africa. Operational since 1996, Cauris’s activities focus on the WAEMU region where it invests in SMEs with substantial growth potential.

None of the activities of the Issuer’s subsidiaries are currently considered to be sufficiently significant to require the preparation by the Issuer of consolidated financial statements.

## Employees

As of December 31, 2015, the Issuer had 280 operational staff (excluding staff on secondment or on call), of which 54.6% were professional staff. All operational staff are nationals of the WAEMU Member States. 250 operational employees are located at the headquarters, while the remaining 30 are located at the Resident Missions in the other WAEMU states.

The below table sets out the Issuer’s staff as at December 31, 2013, 2014 and 2015.

Staff	December 31,		
	2013	2014	2015
Professional staff.....	158	161	153
Support staff.....	120	130	127
<b>Total</b> .....	<b>278</b>	<b>291</b>	<b>280</b>

The following table sets forth the Issuer’s staff distribution by nationality and professional category as at December 31, 2015.

<b>Nationality</b>	<b>Support staff</b>	<b>Professional staff</b>
Burkina Faso .....	3	1
Benin.....	3	1
Côte d’Ivoire .....	3	2
Guinea Bissau .....	3	1
Mali.....	3	2
Niger .....	3	1
Senegal.....	3	1
Togo.....	106	144
<b>Total</b> .....	<b>127</b>	<b>153</b>

Recruitment is based on a jobs and skills management planning, which aims to provide the organizational units with adequate and skilled human resources. Temporary staff is also engaged and, when necessary, consultants are also hired.

The Issuer’s recruitment policy aims to ensure the continuity of its services and staff development through internal mobility and appropriate recruitment. The policy also seeks to engage the best candidates based on the identified needs of the Issuer. All members of the Issuer’s management hold at least a master’s degree with several years of experience.

The Issuer attracts highly skilled staff by offering comparatively better working conditions compared to other employers in the WAEMU Member States. These working conditions have historically ensured a low turnover and high levels of commitment from staff. The Issuer has recorded an average staff turnover of 4.3% over the last ten years. This turnover includes all departures combined (resignations, deaths, dismissals, retirement, etc.). The average length of service for professional staff is 12 years.

The Issuer has Staff Rules and Regulations in place. These provides for a Joint Consultative Committee (as described below) and conciliation rules in case of collective labor dispute.

The Issuer’s training policy is based on a systematic approach (business, organizational unit and staff) which resulted in the development of a training plan covering a rolling three-year period. The implementation of this plan has enhanced and increased the know-how and well-being of the Issuer’s staff through professional and personal development and the better management of a staff member’s career trajectory.

The Issuer’s Joint Consultative Committee is also responsible for dealing with staff complaints. The committee has seven members, including six elected representatives of staff and one member appointed by the Chairman of the Issuer.

The Chairman and Vice-Chairman of the Issuer are appointed by the WAEMU Council of Ministers and Board of Directors respectively. The Vice Chairman assumes the role of Chairman in the latter’s absence.

The Issuer maintains policies and procedures to combat corruption, which it considers to be a threat to its mission. In addition, the Issuer has policies to protect whistle blowers within its organization. These policies require all staff members to denounce acts of which they are aware that undermine the Issuer’s commitment to fighting corruption as evidenced by these policies, committed by any

employee of the Issuer in connection with his or her functions or by any other person in connection with a project being financed by the Issuer or in its business dealings with the Issuer. Such formal denouncements may be made anonymously if so desired by the relevant employee, and can be made by email, mail, facsimile, telephone or by completing a form available on the Issuer's intranet and on its website. The Issuer also has an ethical code for all personnel; ethical violations can be reported directly to the Issuer's Ethics Committee. The Issuer guarantees the anonymity of whistle blowers and provides protection against any possible retaliatory measures taken against such persons.

## SELECTED FINANCIAL INFORMATION AND OPERATING DATA

The selected statement of comprehensive income and other data for the years ended December 31, 2013, 2014 and 2015 and the selected statement of financial position data for the Issuer as at December 31, 2013, 2014 and 2015 set out below have been derived from, and should be read in conjunction with and are qualified in their entirety by the financial statements of the Issuer as at, and for the years ended, December 31, 2013, 2014 and 2015, which have been prepared by the Issuer under IFRS, audited by Auditeurs Associés en Afrique KPMG CI and English language translations of which are included elsewhere in this Prospectus.

For a description of the basis of preparation of these financial statements, see the notes thereto and the auditors' report in respect of such financial statements included herein, and "*Presentation of Financial and Certain Other Information*" above and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" below.

### Results of Operations

The table below sets forth the Issuer's results of operations for the years ended December 31, 2013, 2014 and 2015.

<i>(in FCFA millions)</i>	December 31,		
	2013	2014	2015
Interest income.....	52,654	61,390	72,167
Interest expense.....	(25,367)	(31,585)	(40,993)
Sub-total.....	27,287	29,805	31,175
Commissions income.....	2,474	3,318	5,512
Fees and commissions expense.....	(857)	(1,162)	(1,246)
Sub-total.....	28,903	31,961	35,440
Exchange rate gains.....	2,933	121	12
Exchange rate losses.....	(94)	(4,742)	(5,120)
Gains/(losses) on hedging instruments.....	—	—	(247)
Sub-total.....	31,742	27,340	30,085
Dividends received.....	2,032	2,474	2,529
Gains/(losses) on financial assets available for sale.....	(699)	(46)	—
<b>Net banking income</b> .....	<b>33,075</b>	<b>29,769</b>	<b>32,614</b>
<b>Cost of risk</b> .....	<b>(6,696)</b>	<b>(7,135)</b>	<b>(6,964)</b>
Allocations from Member States.....	3,200	3,200	3,200
Other operating income.....	793	251,055*	984
Expenses related to development activities.....	(1,509)	(1,547)	(1,530)
General operating expenses.....	(18,260)	(16,913)	(19,395)
Staff costs.....	(10,635)	(10,403)	11,226
Amortization.....	(1,085)	(979)	1,187
Other.....	(6,540)	(5,531)	6,983
Other operating expenses.....	(34)	(30)	(69)
<b>Other operating income</b> .....	<b>(15,811)</b>	<b>235,765</b>	<b>(16,811)</b>
<b>Operating income</b> .....	<b>10,872</b>	<b>258,399</b>	<b>8,839</b>
<b>Other elements of income</b>			
Revaluation of fixed assets.....	—	—	—
Cash flow coverage.....	—	—	—

<i>(in FCFA millions)</i>	<b>December 31,</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
Variation in fair market value of securities available for sale .....	—	16,442	(2,967)
<b>Elements not reclassified in income</b>			
Revaluation of net liabilities under defined benefit plans .....	(297)	(129)	(50)
Other elements of income .....	(297)	16,313	(3,017)
<b>Total income</b> .....	<b>10,575</b>	<b>274,712</b>	<b>5,823</b>

\*Includes the FCFA 250 billion capital endowment of the FDE Fund.

## Assets and Liabilities

The following table sets forth the Issuer's statement of financial position as at December 31, 2013, 2014 and 2015.

<i>(FCFA millions)</i>	<b>As at December 31,</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Assets</b>			
Cash and cash equivalents .....	289,123	281,902	194,317
Net loans and receivables (net of depreciation), of which:	1,063,179	1,290,718	1,487,624
Interbank deposits <sup>1</sup> .....	6,358	340	530
Loans and advances to customers.....	905,232	1,161,728	1,360,100
Loans to personnel.....	6,306	6,096	6,270
Securities portfolio .....	39,402	22,546	15,227
Advances to shareholders .....	105,801	99,933	105,420
Other <sup>2</sup> .....	79	75	77
Equity participations.....	48,020	66,166	78,123
Other assets.....	2,178	10,632	14,793
Intangible assets.....	377	1,031	879
Tangible assets.....	8,562	8,022	7,904
<b>TOTAL ASSETS</b>	<b>1,411,439</b>	<b>1,658,471</b>	<b>1,783,640</b>

<sup>1</sup> Interest receivable from the BCEAO in respect of the Issuer's cash holdings with the BCEAO

<sup>2</sup> Advances and operational accounts, adjustment accounts.

<b>Liabilities</b>			
Amortized liabilities .....	698,722	904,391	1,015,058
Interbank debts .....	7,228	10,459	34,704
Debt represented by a security.....	332,851	561,559	557,265
Other.....	358,643	332,374	423,088
Other liabilities .....	277,457	33,164 <sup>3</sup>	28,561
Funds .....	268,978	18,958	13,231
Other.....	8,479	14,206	15,330
Provisions .....	5,422	5,517	5,873
<b>Total liabilities</b> .....	<b>981,601</b>	<b>943,072</b>	<b>1,049,491</b>
Capital .....	244,970	255,819	268,746
Subscribed capital.....	1,009,250	1,050,550	1,097,750
Callable capital .....	(755,430)	(786,405)	(821,805)
Costs related to deferred release of capital.....	(8,850)	(8,327)	(7,200)
Share premium.....	2,622	2,622	2,622
Reserves.....	182,246	456,958 <sup>4</sup>	462,781 <sup>4</sup>
Reserves earmarked for development activity .....	76,050	76,050	76,050
Other reserves.....	26	16,468 <sup>5</sup>	13,501
Retained earnings .....	95,229	106,041	364,390
Profit/loss for the period.....	10,872	258,399	8,839
Total shareholders' equity .....	429,838	715,398	734,149
<b>TOTAL LIABILITIES AND CAPITAL</b> .....	<b>1,411,439</b>	<b>1,658,471</b>	<b>1,783,640</b>

<sup>3</sup> The significant decrease between 2013 and 2014 relates to the initial FDE endowment of FCFA 250 billion being accounted for in reserves.

<sup>4</sup>Includes the initial FDE endowment of FCFA 250 billion.

<sup>5</sup> Increase relates to a change in valuation policy of the Issuer's equity investments from book value to fair market value.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion and analysis is intended to assist in the understanding and assessment of the trends and significant changes in the Issuer's results of operations and financial condition. Historical results may not be indicative of future performance. Some of the information in this section, including information in respect of the Issuer's plans and strategies for its business and expected sources of financing, contains forward-looking statements that involve risks and uncertainties and is based on assumptions about the Issuer's future business. Actual results could differ materially from those contained in such forward-looking statements as a result of a variety of factors, including the risks discussed in "Risk Factors" included elsewhere in this prospectus.*

*Potential investors should read "Forward-Looking Statements" for a discussion of the risks and uncertainties related to those statements and should also read "Risk Factors" for a discussion of certain factors that may affect the business, results of operations or financial condition of the Issuer. The following discussion should be read in conjunction with the Financial Statements, including accompanying notes an English language translation of which is included elsewhere in this Prospectus. The financial information set out below and referred to in this section has been extracted from the 2015 Financial Statements, the 2014 Financial Statements and the 2013 Financial Statements, or has been extracted from the Issuer's accounting records, which formed the underlying basis of the financial information included in the Financial Statements.*

*The Financial Statements reflect all of the Issuer's operations and activities including its operations through all of the Bank Window and the FDC Window. While the FDE Window loans were reflected on the Issuer's balance sheet prior to the integration of the initial FCFA 250 billion endowment in the Issuer's capital, the FDE Window activities were not fully reflected in the Issuer's financial statements until 2015 and for which year such activities appear in the Financial Statements. The Bank Window, FDC Window and FDE Window Financial Statements have been approved by the Board of Directors and the WAEMU Council of Ministers.*

*Prior to December 31, 2014, loans extended through the FDE Window were part of the Issuer's assets and corresponding funds were accounted for in the Issuer's liabilities, but interest derived from loans extended through the FDE Window was neutralized through the line "retroceded income". At December 31, 2014, the initial FCFA 250 billion endowment of the FDE Fund was transferred into the Issuer's capital following the decision to transfer the FDE fund activity to the Issuer, therefore subsequent financial statements reflect interest derived from loans extended through the FDE Window without any retrocession.*

### Overview

The Issuer is the regional development bank for the current member states of the WAEMU headquartered in Lomé, Togo and is an international organization established by the Establishment Treaty signed by the WAEMU Member States. The Issuer commenced operations in 1976. The Issuer and the BCEAO (the Central Bank of the WAEMU Member States) are the two key financial institutions of the WAEMU.

The WAEMU is an economic and monetary union created in January 1994, based on the WAMU, whose member states are the same WAEMU Member States, established following independence under the WAMU Treaty. The WAEMU is characterized by the existence of a single currency, the FCFA, the issuance and management of which are entrusted to its common issuing institution, the BCEAO. The FCFA exchange rate is currently fixed to the euro at FCFA 655.957 to EUR 1.00.

The Issuer's shareholders are the WAEMU Member States, the BCEAO and several non-regional members such as France, Germany, the EIB, the AfDB, Belgium, the People's Bank of China, Exim Bank of India and recently the Kingdom of Morocco.

The Issuer's mission is to foster the balanced development of the WAEMU Member States and contribute to the economic integration of West Africa, in particular by financing a variety of projects in the WAEMU Member States in various sectors including rural development, road infrastructure, telecommunications, energy, industry, transport, the financial industry and tourism. The Issuer provides short-, medium- and long-term funding in these sectors, as well as loan syndication arrangement and advisory services.

The Issuer extends credit through three separate financing windows:

- the Bank Window;
- the FDC Window; and
- the FDE Window.

The window used to extend credit depends on the type of project.

The "**Bank Window**" provides commercial funding to private sector entities as well as, to a lesser extent, the WAEMU Member States and their public sector entities or agencies, in each case at market rates. Bank Window activities are financed by matching market rate resources. The Bank intends to expand the activities of this window under the 2015-2019 Strategic Plan. See "*Description of the Issuer—Operations—Financing Windows—Bank Window*" below.

The "**FDC Window**" provides non-commercial rate funding to the WAEMU Member States and their public sector entities or agencies on a concessional basis, *i.e.*, "concessional loans" that are extended on preferential terms compared to market rate loans, either through interest rates below those available in the market and/or by grace periods for the commencement of the repayment of principal and/or the payment of interest. Generally, the Bank only funds loans from the FDC Window when it has a matching source of concessional funds. Due to difficulties the Bank has encountered in obtaining sufficient concessional resources to support this type of funding, it has decided to temporarily suspend its activities in this area until such resources become available again. See "*Description of the Issuer—Operations—Financing Windows—FDC Window*" below.

The "**FDE Window**" provides concessional funding of regional and national priority energy programs and projects. Originally set up at the WAEMU level and managed by the Issuer, the initial endowment provided by the WAEMU Council of Ministers and the WAEMU Member States to the FDE has been capitalized within the Issuer's own equity capital. The FDE Window is funded with grants from the WAEMU Member States, regulatory bodies and institutions of the WAEMU, as well as from Belgium. However, decision-making authority with respect to projects funded through the FDE Window is made by the Issuer. See "*Description of the Issuer—Operations—Financing Windows—FDE Window*" below.

Through these three windows, the Issuer provides primarily medium- and long-term financing; however, since 2012, the Issuer also grants short-term loans, primarily in connection with trade financing, as well as "market rate sovereign loans" (*i.e.* long-term loans to the WAEMU Member States at market rates and under market conditions). These "market rate sovereign loans" extended through the Bank Window apply an interest rate that takes into consideration the type of borrower and the Issuer's cost of funding from which the loan is funded. Accordingly, for the pricing of sovereign loans at arm's length, a minimum margin is applied to the Issuer's Bank Window reference rate. In addition, the Issuer is progressively developing its loan syndication arrangement and advisory

services. These new services allow the Issuer to broaden its offering of products and services to better serve the WAEMU Member States and their respective economies as well as to create additional sources of revenue.

### **Factors affecting the Issuer's Results of Operations**

The Issuer principally derives its revenues from net interest income and, to a lesser extent, fee and commission income. Net interest income, or the difference between the interest income the Issuer receives on its interest-earning assets and the interest it pays on interest-bearing liabilities, is generated principally by the Issuer's lending and treasury activities. The Issuer generates fees and commissions mainly from its loan syndication activities and financial advisory services as well as financing transactions. The results of operations of the Issuer are affected by a variety of factors. Set out below is a discussion of the most significant factors that have affected its results in the periods presented and which the Issuer expects will affect its results in the future. Factors other than those set forth below could also have a significant impact on the results of operations and financial condition in the future. See "*Risk Factors*".

### ***Economic and political environment in the WAEMU***

All of the Issuer's financing and financial services activities currently take place in the WAEMU region, where it extends financing to the WAEMU Member States and entities based in such states or based elsewhere but active in the WAEMU region. Accordingly, its results of operations and financial condition are driven by the economic, political, financial and social environment in the WAEMU Member States.

The overall economic situation in the WAEMU Member States improved in 2014, owing to an increase in economic activity since 2012 due to efforts made to improve the general business climate, incentives for agricultural production (provision of agricultural inputs and equipment), infrastructure development in all WAEMU Member States (especially with the recovery in the Cote d'Ivoire and Togo) and support for exports (*e.g.*, gold, cotton, cocoa, coffee) although with varying individual performances among the WAEMU Member States. The growth rate of the regional economy increased to 6.5% in 2015 compared to 6.6% in 2014 due to the combined effect of global economic recovery, increased investments in infrastructure and good climate conditions resulting in improved harvests in several of the WAEMU Member States. The 2015 growth rate in each of the WAEMU Member States was as follows: Benin (5.2% as against 6.5% in 2014), Burkina Faso (4.4% as against 4.0% in 2014), Côte d'Ivoire (9.5% as against 8.5% in 2014), Guinea Bissau (6.0% as against 2.7% in 2014), Mali (4.9% as against 7.2% in 2014), Niger (4.4% as against 6.9% in 2014), Senegal (5.4% as against 4.7% in 2014) and Togo (5.5% as against 5.9% in 2014) (Source: Semi-annual reports on the implementation of multilateral surveillance (WAEMU Commission) of December 2015 and previous editions).

In 2015, economic activity in the WAEMU region was also marked by an overall increase in consumer prices, with an average inflation rate of 1.0% as against (0.1)% in 2014. This deflation was primarily the result of lower food prices, following a strong harvest, the decrease in oil prices and measures taken by governments to assure a regular supply of goods to markets.

In 2015, the WAEMU region maintained its growth rate, which reached 6.5% for 2015 as against 6.6% in 2014, which is a higher rate than in sub-Saharan Africa, which was 3.5% for 2015. Such performance is expected to be maintained in the coming years, with a growth rate in real GDP expected at 7.3% on average in the 2016-2019 period. This growth forecast takes into account expectations regarding price stabilization, the containment of health risks (associated in particular with the Ebola virus) and decreasing security risks (particularly in the Sahel). See "*Risk Factors— Militant activity, terrorism and other forms of unrest may adversely affect the Issuer's business, operations and financial results*" and "*Risk Factors—The Issuer faces certain risks dealing with*

*HIV/AIDS and with disease outbreaks, such as malaria and the Ebola virus, which could adversely affect the Issuer's business, results of operations and financial condition”.*

Growth in the WAEMU Member States is expected to be driven primarily by the development of the agricultural sector, the secondary sector (in particular the processing, extractive, building, engineering and civil industries), the utilities sector (*e.g.*, telecommunications and transport) and the trade sector. Economic activity will be carried out within an environment of price controls monitored by the BCEAO and the respective governments of the WAEMU Member States.

The impact of the Ebola epidemic prevailing in three West African countries during 2014 and 2015 in the WAEMU region has so far been modest. Two of the WAEMU Member States were affected: Senegal, where one case was reported and treated, and Mali, where five Ebola-related deaths were reported, leading to the close monitoring of approximately 300 people. However, none of the isolated persons developed the disease and no new case has been reported within the WAEMU region since December 2014. The countries that sustained the highest incidence of Ebola in 2014 (Sierra Leone, Guinea Conakry and Liberia) are not members of the WAEMU but do share common borders with certain WAEMU Member States.

A popular uprising in October 2014 in Burkina Faso forced Blaise Compaore to resign after 27 years as president of the country. A transitional government was put in place, but it did not have the support of Compaore's elite presidential guard. The presidential guard staged a coup on September 16, 2015 that lasted one week and caused the election, originally scheduled for October 11, 2015, to be postponed. The election finally took place on November 29, 2015 in relative calm resulting in the election of Roch Marc Christian Kaboré.

### ***Interest rates***

Changes in interest rates affect the Issuer's net interest income, borrowings and overall results of operations. For example, the December 2015 interest rate increase by the U.S. Federal Reserve (which was the first increase in interest rates since rates were brought down to zero in 2008, but the first overall rise since 2006), or any future increase in interest rates in the Eurozone, will cause the Issuer's cost of funding to increase, which could reduce its net interest income. In a decreasing interest rate environment, investor credit risk appetite generally increases and the Issuer may be able to incur borrowings at tighter credit spreads. Interest rates are driven by many factors beyond the Issuer's control, including the policies of global central banks, and African and international economic and political conditions. Furthermore, the Issuer's intentions to expand and diversify its funding sources by accessing international capital markets (such as through the issuance of the Notes) may increase these risks. The Issuer's profitability may be adversely affected by interest rate risks arising from (i) interest rate changes associated with the margin on the rate that the Issuer applies to its loans and advances to customers and the rate at which it borrows to finance its assets, and (ii) interest rate changes associated with the margin that the Issuer earns on its assets funded by its equity and/or loans.

In accordance with its current interest rate risk management policy, the Issuer does not borrow at floating rates. Furthermore, all of the Issuer's loans are granted at fixed rates. Accordingly, the Issuer is not exposed to a mismatch between floating and fixed rates in its assets and its liabilities. However, the Issuer remains exposed to mismatches, or “gap risk”, in the repricing of its fixed-rate assets and liabilities. It is not always possible for the Issuer to match the interest periods of its assets and liabilities and as a result, rising interest rates can lead to higher or lower interest margins, depending on whether the Issuer's interest-bearing assets reprice at a faster rate than its interest-bearing liabilities.

The Issuer's net interest margin (calculated as interest income received on loans to clients and commissions on loan commitments, commissions obtained as processing fees and other flat

commissions *divided by* average balances of gross outstanding loans, *minus* interest expense on debts represented by a security, other debts, and commitments and commissions received, other expenses on debts represented by a security and other commissions on borrowings *divided by* average balances of debts represented by a security and other borrowings from external partners, in each case for the relevant period) was 0.95%, 1.58% and 1.74% for the years ended December 31, 2015, 2014 and 2013, respectively. At the Bank Window level, the Issuer's net interest margin increased by 12.94% from December 31, 2013 to December 31, 2014 and decreased by 15% from December 31, 2014 to December 31, 2015. However, the net interest margin for the FDC Window decreased from 2.13% as at December 31, 2013 to 2.11% as at December 31, 2014 increasing to 2.54% as at December 31, 2015. This decrease was due to the depletion of the Issuer's concessional resources and the subsequent resort to market resources (with an average borrowing rate of 5.85% per annum over the three-year period) to fund FDC loans (with an average interest rate of 2.95% per annum over the three-year period). As a result, the Issuer has temporarily suspended new lending on concessional rates.

### ***Foreign exchange rate fluctuations***

The Issuer's functional currency is the FCFA, which is also the currency of preparation of its financial statements. The exchange rate of the FCFA is currently pegged to the euro, at €1.00 = FCFA 655.957.

The Issuer's assets, comprising principally its loans and equity investments, as well as some of its liabilities and off-balance sheet exposures, are incurred in FCFA. However, the Issuer has a portion of its borrowings denominated in other currencies, such as U.S. dollars, Swiss francs and SDRs, representing 0.69%, 0.12% and 7.16%, respectively, of its total borrowings as at December 31, 2015, and 0.53%, 0.14% and 7.59% as at December 31, 2014. Increases and decreases in the value of the FCFA, and of the euro, against other currencies could affect the Issuer's results of operations and financial condition. Furthermore, to the extent that the Issuer's liabilities that are not denominated in the same currency as related loan assets, this can give rise to translation gains and losses as currencies appreciate or depreciate against the FCFA and the euro. As at December 31, 2015, the total outstanding amount of borrowings in currencies other than the FCFA of the Issuer was FCFA 420.3 billion equivalent, representing 57.70% of shareholders' equity and reserves, an increase of FCFA 90 billion equivalent, or 27.24%, from FCFA 330.3 billion equivalent, representing 46.17% of shareholders' equity and reserves as at December 31, 2014.

### ***Lending activity***

The Issuer conducts commercial lending activities through its Bank Window and concessional, non-commercial development activities through its FDC Window and FDE Window. The FDC Window carries out the activities of the Development and Cohesion Fund, which was created by decision of the Council of Ministers of the WAMU on June 27, 2002. Since 2010, the Issuer has also administered the FDE Fund, created by the WAEMU in 2009, through the FDE Window. Based on a decision of the WAEMU Council of Ministers dated December 31, 2014, the initial endowment of the FDE Fund provided by the WAEMU Member States was integrated into the Issuer's equity. As at December 31, 2014, the assets corresponding to this initial capital endowment of the FDE, comprising outstanding loans and off-balance sheet commitments in the amounts of FCFA 53 billion and FCFA 146 billion, respectively, which used to be accounted for in the Issuer's financial statements but not being the property of the Issuer, were likewise fully integrated in the assets of the Issuer.

### **Financial statements—FDC Window and FDE Window**

The Issuer's Financial Statements, an English language translation of which is included elsewhere in this Prospectus, reflect all of its activities, irrespective of the window through which they are carried out. However, for internal management purposes, separate accounts are also prepared for the FDC Window. The FDC Window financial statements are prepared on the basis of accounting principles

which are approved by the Board of Directors. Separate accounts for the FDE Window are prepared by the Donor Council (*Conseil des Donateurs*), which is the decision-making and supervisory body of the FDE Fund and which includes the President of the WAEMU Commission, the Governor of the BCEAO, the President of BOAD and representatives of the other contributors to the FDE Fund.

The source of funding for activities carried out through the FDC Window is equity capital and concessional borrowing. Equity capital is comprised of the initial capital allocated to the Development and Cohesion Fund, as well as supplementary capital, including accumulated profits of the FDC Window and annual allocation of the Issuer's equity capital, which is currently allocated equally between the FDC Window and the Bank Window. Concessional loans are loans extended to the Issuer by entities such as KfW, AFD and the IDA, on concessional terms and specifically allocated to FDC Window activity.

This funding is used by the Issuer through the FDC Window to fund loans and related receivables, advances for the financing of research, and other similar uses but excluding equity investments and market rate sovereign loans to the Issuer's regional shareholders (*i.e.*, the WAEMU Member States).

### ***FDE Window financial statements***

Activities carried out by the FDE Window are primarily funded through the initial endowment of the FDE of FCFA 250 billion granted by the WAEMU Member States, which, as mentioned above, was integrated into the Issuer's capital as of December 31, 2014. These funds were contributed by the BCEAO, the WAEMU Member States and the WAEMU Commission. Future contributions are being sought by the Issuer in the form of borrowings and grants from development partners.

The Donor Council prepares the financial statements for the FDE Window.

### **Pricing policy**

The Issuer's pricing policy is based on its Policy Statement, which provides that "interest rates on loans extended by the Issuer must be enough to balance its accounts and be adjustable for risks".

The Pricing Policy is underpinned by the following principles: (i) transparency between sources of funding and their uses and (ii) risk adjusted pricing based on the specific features and risks of each project category.

The Issuer sets a reference rate each year, to which a margin is applied depending on the window through which funding is provided. The Issuer calculates a reference rate for loans from each of the two categories of Bank Window and the FDC Window according to the following formula:

Reference rate = average cost of funding + administrative charges (including impairment provisions) + margin for exchange rate risk incurred on foreign currency funding.

A margin is added to the base rate for Bank Window activities in order to reflect the risk profile of the relevant project. No margin is applied to FDC Window or FDE Window loans.

The reference rate for loans from the FDE Window is determined by the fund's Donor Council. These rate determinations are made with reference to the FDC Window interest rate, which is set annually, as discounted by the Donor Council for FDE Window loans. The rates on FDE loans cover administrative costs incurred by the Issuer in connection with such loans and are based on the applicable lending rate, the duration of the loan and any grace periods.

Since 2012, the Issuer reviews its reference rates semi-annually, rather than annually as previously was the case. This change was intended to provide more flexibility for the Issuer to fix a scale of

interest rates to be charged on new loans to better reflect the changing cost of resources from one half-year to the next. However, over the period under review (2013-2015), the reference rates applied in the second half of each year have not differed from the base rates applied in the first half of the relevant year.

### ***FDC Window***

Loans to WAEMU Member States extended through the Issuer's FDC Window receive an interest subsidy and were historically financed by concessional borrowing. In 2015, the Issuer decided to suspend the granting of loans through the FDC Window until such time as it is able to obtain required concessional funding sources, which, as of the date of this Prospectus still remain scarce. See "*Description of the Issuer—Operating and financing models of the Issuer—Operating model*".

### ***Bank Window***

The majority of loans extended by the Issuer through the Bank Window are amortizing loans. The maximum term for Bank Window loans is 10 years, with an initial three-year principal grace period, although market rate sovereign loans may have a maximum term (and average maturity) of 12 years, with on average a three-year principal grace period.

Rates for short term financing are determined by reference to both the rates used for the Issuer's short-term cash investment operations and prevailing market rates. Similarly, the amount of commissions on loan syndication and consultancy services are also based on prevailing market rates.

Commissions on guarantees range from 1.5% to 3.0% of the amount guaranteed (generally the principal amount but interest amounts can also be included) and are determined on the basis of the risk posed by each borrower. These commissions take into account the role of the Issuer in the development of the regional capital markets, and are therefore priced so as to avoid creating a financial burden for local issuers.

The rate for advances for preliminary studies for the financing of development activities is 1.5% per annum.

The Issuer launched a project in 2013 with the aim of redesigning its pricing model, assess current practices and propose technical and innovative solutions to propose pricing that can respond more flexibly to offer and demand levels. The rates set out in the table below for the period did not yet reflect any changes to the Issuer's pricing model. The Issuer faces two main challenges with respect to pricing: (i) identifying any scope for the Issuer to apply a more competitive tariff package, and (ii) providing the Issuer with a mechanism to better monitor financial balance, control of margins and profitability.

The main project activities in 2014 included a review of the methodology and proposed areas of improvement in the design of the new pricing model. The testing phase of this new model will commence at the start of 2016.

### ***Weighted average interest rates on loans***

The weighted average interest rate is calculated on an annual basis on loans disbursed by the Issuer in each of the years ended December 31, 2013, 2014 and 2015 is set out in the table below. Until December 31, 2014 loans extended through the FDE Window were neutralized in the Issuer's statement of comprehensive income. Prior to 2015, interest income derived from loans extended through the FDE Window was recorded in the line item "interest received on loans" and, at the same time, recorded under interest expense as "retroceded income related to the FDE Window". As a result,

it did not have an impact on the Issuer’s results of operations. Starting in 2015, income derived from FDE loans will impact the Issuer’s results of operations.

The Issuer only prepares annual financial statements for its FDC Window activity.

The table below sets out the weighted average interest rates on loans extended by the Issuer for each of the years ended December 31, 2013, 2014 and 2015.

<b>Weighted average interest rate</b>	<b>December 31,</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
Weighted average interest rates on loans extended through the FDC Window.....	2.73%	2.52%	2.54%
Weighted average interest rates on loans extended through the Bank Window.....	9.51%	9.46%	7.91%
Weighted average interest rates on all loans.....	5.91%	5.83%	5.48%

### **Cost of funding**

As set out under “*Description of the Issuer—Sources of funding*” and “*—Liquidity and Capital Resources*” below, in addition to resources from shareholders, the Issuer receives funding to support its financing activity through the WAEMU regional capital markets and through regional bilateral loans. As of December 31, 2015, the Issuer’s funding consisted of FCFA 173.7 billion (€264.8 million) in paid-in capital and FCFA 462.8 billion (€705.5 million) in reserves. As of the same date, the Issuer’s funding comprised of borrowings amounted to FCFA 963.8 billion (€1,469 million), consisting of FCFA 162.5 billion (€247.7 million) in concessional resources and FCFA 801.3 billion (€1,222 million) in market rate sovereign loan resources.

The following table sets out the cost of borrowing for the Issuer for each of the years ended December 31, 2013, 2014 and 2015. The Issuer only prepares annual financial statements for its FDC Window activity.

<b>Cost of borrowing</b>	<b>December 31,</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
Cost of borrowing for FDC Window.....	0.62%	0.63%	0.76%
Cost of borrowing for Bank Window.....	5.71%	5.29%	5.51%
Average cost of borrowing.....	4.08%	4.08%	4.56%

The average cost of borrowing for the FDC Window is calculated by dividing FDC Window financial expenses by the average balance of outstanding loans extended through the FDC Window (concessional resources). The average cost of borrowing for the Bank Window is calculated by dividing Bank Window financial expenses by the average balance of outstanding loans extended through the Bank Window (commercial resources).

### **Presentation of financial statements**

As an international organization, the Issuer is not subject to regulation or supervision by national or international authorities. Nevertheless, the Issuer complies on a voluntary basis with the prudential guidelines of the Bank of International Settlements (BIS). The legislative bodies of the Issuer adopted international accounting standards IAS/IFRS in September 2010 to enable the Issuer to develop a system for producing financial statements that meet international standards. Since 2010, the Issuer’s financial statements have been prepared in accordance with IFRS, including International Accounting Standards (IAS) and interpretations, as issued by the International Accounting Standards Board.

The Issuer does not currently prepare consolidated financial statements, despite its holding of 99.99% of the share capital of its securitization subsidiary, BOAD *Titrisation*, and 49.5% of CAURIS Investment as the activities of these companies are not currently being regarded as significant in the Issuer's overall activities. As at December 31, 2015, the combined total assets of these two companies amounted to FCFA 4,306 million, representing 0.24% of the Issuer's total assets as of that date. See "*Description of the Issuer—Subsidiaries*".

As mentioned above, separate financial statements in respect of its FDC Window activity are also prepared in accordance with the accounting principles set out therein. The Donor Council prepares the separate accounts for the FDE Window.

The Issuer does not prepare segmental breakdowns along the lines of its business reporting (*i.e.*, by window).

## Recent developments

In December 2015, the Council of Ministers established a new interest subsidy fund within the FDC Window whose annual funding will amount to at least FCFA 25 billion. This fund is a mechanism managed by the Issuer that relies on resources contributed by way of donation by the WAEMU Commission and the WAEMU Member States. Resources granted to the fund do not need to be repaid to the Member States. The purpose of the fund is to reduce interest rates on loans granted by the Issuer to Member States using market resources but lending out at concessional rates with the fund paying a portion of the interest on behalf of the borrower. For example, if the Issuer's normal commercial lending rate is e.g., 7%, the Issuer will effectively lend to Member States at a rate of e.g., 4%, with the 3% difference being paid by the resources of the interest subsidy fund and thereby reducing the Issuer's interest rate risk. Only WAEMU Member States are allowed to receive interest subsidies from this fund. This mechanism will be funded annually primarily by the WAEMU Member States and the WAEMU Commission as follows: (i) funding from the Member States in an amount of FCFA 15 billion will be raised through a tax levied on foreign exchange transfers, (ii) the WAEMU Commission will contribute FCFA 5 billion, and (iii) the BCEAO and the Issuer will contribute the remaining FCFA 5 billion, which amount will be determined based on each entity's income for the year. International development partners such as sovereigns and development banks seeking to contribute to the economic development of the WAEMU region may also contribute.

The WAEMU Member States have all pledged to donate to the fund on an annual basis, with such donations being paid by the BCEAO on behalf of Member States based on their available assets at the central bank. If the Issuer is unable replenish the fund, it will not commit to concessional loans and concessional lending could once again be suspended although the Issuer will continue to seek concessional resources from its development partners.

The interest subsidy fund was put into place on December 17, 2015 with disbursements expected to commence during the course of 2016. It is aimed at enabling the Issuer to resume concessional financing during the course of 2016 and to more fully fulfil its role as an instrument of regional financing at a time when WAEMU Member States are aspiring to economic emergence and therefore in need of high volumes of resources under conditions adapted to development finance. Due to the nature of the resources of the fund (*i.e.*, resources from external parties), the Issuer cannot account for the fund's resources as equity so accounts for it as debt on the balance sheet. When a loan is granted at an interest rate of, e.g., 7% with 4% being paid by the resources of the fund, the Issuer takes the equivalent of the 4% interest rate and accounts for it in the income statement under "*Allocations from Member States*".

## Results of operations

The table below sets forth the Issuer's results of operations for the years ended December 31, 2013, 2014 and 2015.

<i>(FCFA millions)</i>	<b>December 31,</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
Interest income .....	52,654	61,390	72,167
Interest expense .....	(25,367)	(31,585)	(40,993)
<i>Sub-total</i> .....	27,287	29,805	31,175
Commissions income.....	2,474	3,318	5,512
Fees and commissions expense .....	(857)	(1,162)	(1,246)
<i>Sub-total</i> .....	28,903	31,961	35,440
Exchange rate gains .....	2,933	121	12
Exchange rate losses .....	(94)	(4,742)	(5,120)
Gains/(losses) on hedging instruments .....	—	—	(247)

<i>(FCFA millions)</i>	<b>December 31,</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
<i>Sub-total</i> .....	31,742	27,340	30,085
Dividends received .....	2,032	2,474	2,529
Gains/(losses) on financial assets available for sale .....	(699)	(46)	—
<b>Net banking income</b> .....	<b>33,075</b>	<b>29,769</b>	<b>32,614</b>
<b>Cost of risk</b> .....	<b>(6,696)</b>	<b>(7,135)</b>	<b>(6,964)</b>
Allocations from Member States .....	3,200	3,200	3,200
Other operating income .....	793	251,055*	984
Expenses related to development activities .....	(1,509)	(1,547)	(1,530)
General operating expenses .....	(18,260)	(16,913)	(19,395)
<i>Staff costs</i> .....	<i>(10,635)</i>	<i>(10,403)</i>	<i>11,226</i>
<i>Amortization</i> .....	<i>(1,085)</i>	<i>(979)</i>	<i>1,187</i>
<i>Other</i> .....	<i>(6,540)</i>	<i>(5,531)</i>	<i>6,983</i>
Other operating expenses .....	(34)	(30)	(69)
<b>Other operating income</b> .....	<b>(15,811)</b>	<b>235,765</b>	<b>(16,811)</b>
<b>Operating income</b> .....	<b>10,872</b>	<b>258,399</b>	<b>8,839</b>
<b>Other elements of income</b>			
Revaluation of fixed assets .....	—	—	—
Cash flow coverage .....	—	—	—
Variation in fair market value of securities available for sale .....	—	16,442	(2,967)
<b>Elements not reclassified in income</b>			
Revaluation of net liabilities under defined benefit plans .....	(297)	(129)	(50)
<b>Other elements of income</b> .....	<b>(297)</b>	<b>16,313</b>	<b>(3,017)</b>
<b>Total income</b> .....	<b>10,575</b>	<b>274,712</b>	<b>5,823</b>

\*Includes the exceptional FCFA 250 billion capital endowment of the FDE Fund which was integrated as capital.

### ***Results of operations for the years ended December 31, 2015, 2014 and 2013***

The Issuer's operating income includes (i) interest and related income, (ii) fees and commissions, (iii) allocations from WAEMU Member States and (iv) other operating income. The FDE activity was integrated into the Issuer's financial statements in 2015; the initial FDE endowment of FCFA 250 billion granted by the WAEMU Member States was integrated into the Issuer's capital and the matching cash holdings and loans disbursed were integrated into the Issuer's assets as at December 31, 2014. Accordingly, the 2015 Financial Statements include income and expenses from the FDE Window. The transfer of the matching assets consisted of outstanding loans in the amount of FCFA 53,238 million and cash holdings of FCFA 196,762 million. In addition, commitments already approved by the FDE's credit committees in the amount of FCFA 199.7 billion and disbursed in the amount of FCFA 53 billion were also transferred to the Issuer.

Prior to 2015, interest income derived from loans extended through the FDE Window was recorded in the line item "interest received on loans" and, at the same time, recorded under interest expense as "retroceded income related to the FDE Window". As a result, it did not have an impact on the Issuer's results of operations. Starting in 2015, income derived from FDE loans will impact the Issuer's results of operations.

### ***Interest income and expense***

Interest and related income increased by FCFA 10,777 million, or 17.6%, to FCFA 72,167 million in the year ended December 31, 2015, from FCFA 61,390 million in the year ended December 31, 2014, which itself represented an increase of FCFA 8,736 million, or 16.6%, from FCFA 52,654 million in the year ended December 31, 2013. These increases are due to the growth of the loan portfolio,

reflecting an increase in disbursed loans and increased activity levels in the Issuer's loan syndication business.

*Interest receivable and similar income*

The following table sets forth the Issuer's interest and related income for the years ended December 31, 2013, 2014 and 2015.

<i>(FCFA millions)</i>	<b>December 31,</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
Interest and similar income/interbank receivables.....	3,652	2,221	2,896
Interest income on loans and advances to customers.....	44,095	56,008	66,270
Interest income on personal loans to staff members .....	140	145	162
Interest on securities portfolio .....	2,903	1,488	1,106
Commitment charges on loans.....	1,864	1,528	1,733
<b>Interest and related income.....</b>	<b>52,654</b>	<b>61,390</b>	<b>72,167</b>

Interest on loans and advances to customers is the most significant component of the Issuer's total interest income and total banking income, reflecting the core business of the Issuer, which is lending through the Bank Window. Interest on loans and advances to customers represented 92.0% of total interest income and 91.8% of total banking income, respectively, in 2015, 91.2% and 83.2%, respectively, in 2014, and 83.7% and 73.4%, respectively, in 2013. Total banking income is defined as the sum of net interest and related proceeds, net fees and commissions, net exchange gains, dividends received and gains/(losses) on financial assets available for sale. Interest on loans and advances to customers increased by FCFA 10,262 million, or 18.3%, to FCFA 66,270 million in the year ended December 31, 2015 from FCFA 56,008 million in the year ended December 31, 2014, which itself represented an increase of FCFA 11,913 million, or 27.0%, from FCFA 44,095 million in the year ended December 31, 2013. These increases were driven primarily by the increase in disbursed loans, notably through the Bank Window as a result of increased activity levels, while interest rates remained relatively stable.

Interest and similar income on interbank receivables increased by FCFA 675 million, or 30.4% to FCFA 2,896 million in the year ended December 31, 2015, from FCFA 2,221 million in the year ended December 31, 2014, itself a decrease of FCFA 1,431 million, or 39.2%, from FCFA 3,652 million in the year ended December 31, 2013. The increase in 2015 was primarily due to the volume of investment in term deposits, with interest rates on investments remaining stable over the period, while the decrease in 2014 was primarily driven by decreases in interest rates payable by the BCEAO on deposits, as well as lower average deposit amounts. The Issuer deposits all of its cash deposits with the BCEAO. Interest rates paid by the BCEAO on these holdings are not set by the BCEAO; these rates are set by reference to the average quarterly rate of the marginal facility rate of the ECB, after deducting a 0.25% account-holding fee. The applicable interest rate as at December 31, 2015 after deduction of the fee was 0.15%.The rate for 2015 was 0.15% throughout the year.

Income on the Issuer's securities portfolio decreased by FCFA 382 million, or 25.7%, to FCFA 1,106 million from FCFA 1,488 million in the year ended December 31, 2014, itself a significant decrease of FCFA 1,415 million, or 48.7%, from FCFA 2,903 million in the year ended December 31, 2013. These variations in income on the securities portfolio, in particular the decrease over the 2014 financial year, were primarily driven by prevailing conditions on the regional capital markets (e.g., lower rates of return) and by a decrease in volume of the Issuer's treasury investment holdings available for investment due to increased amounts disbursed during the period. The Issuer invested in

government securities issued by certain of the WAEMU Member States in order incidentally to support the relevant states while at the same time increasing earnings from such liquid holdings pending disbursements of funds in respect of committed loans. This activity is treated as an investment by the Issuer.

Commitment charges on loans are commitment fees payable by borrowers, which are calculated on the committed but undisbursed amount of commercial loans, being loans extended through the Bank Window. These fees increased by FCFA 205 million, or 13.4%, to FCFA 1,733 million in the year ended December 31, 2015, from FCFA 1,528 million in the year ended December 31, 2014, itself a decrease of FCFA 336 million, or 18.0% from FCFA 1,864 million in the year ended December 31, 2013. The increase in 2015 was principally due to the increasing amount of undisbursed commitments, while the decrease in 2014 was driven by lower balances of committed but undisbursed amounts on commercial loans extended by the Issuer.

*Interest payable and similar expenses*

The following table sets forth the Issuer’s interest payable and similar expenses for the years ended December 31, 2013, 2014 and 2015.

<i>(FCFA millions)</i>	<b>December 31,</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
Interest expense on debt securities.....	12,050	18,104	28,363
Interest expense on other debts (borrowings from financial partners) .....	12,517	12,444	12,013
Retroceded income related to the FDE Window.....	431	747	265
Fees/commitments received.....	368	290	352
<b>Interest and similar expense.....</b>	<b>25,367</b>	<b>31,585</b>	<b>40,993</b>

Interest and similar expenses increased in each of the three years under review, driven by the increasing volumes of funding obtained by the Issuer from external partners and from the regional capital markets to finance its funding commitments to borrowers. Interest and similar expenses increased by FCFA 9,408 million, or 29.8%, to FCFA 40,993 million in the year ended December 31, 2015 from FCFA 31,585 million in the year ended December 31, 2014, itself an increase of FCFA 6,218 million, or 24.5%, from FCFA 25,367 million in the year ended December 31, 2013.

Interest expense on debt securities represents the interest payable by the Issuer in respect of borrowings in the WAEMU regional capital markets. This amount increased in each of the three years under review, reflecting primarily the increasing balances of borrowings from the regional capital markets (that is, FCFA 266,954 million in 2012, FCFA 324,349 million in 2013, FCFA 549,230 million in 2014 and FCFA 543,428 million in 2015), while average rates of market borrowings remained relatively stable. The weighted average interest rates for the Issuer’s three bond issuances in 2014 were 5.93%, 5.89% and 5.95% per annum; 5.86% for the issuance in 2013. The weighted average interest rate for the Issuer’s bond issuance in May 2015 is 5.84%. Interest expense on debt securities increased by FCFA 10,259 million, or 56.7%, to FCFA 28,363 million in the year ended December 31, 2015, from FCFA 18,104 million in the year ended December 31, 2014, itself a significant increase of FCFA 6,054 million, or 50.2%, from FCFA 12,050 million in the year ended December 31, 2013, primarily due to the increasing volume of debt issued on the regional capital markets.

Interest expense on other debts represents the interest payable by the Issuer in respect of borrowings at arm’s length from sources outside the WAEMU region (e.g., borrowings from AFD, KfW, AfDB, etc.). This amount decreased by FCFA 431 million, or 3.5%, to FCFA 12,013 million in the year ended December 31, 2015, from FCFA 12,444 million in the year ended December 31, 2014, itself a

decrease of FCFA 73 million, or 0.6%, from FCFA 12,517 million in the year ended December 31, 2013. The weighted average interest rate for the Issuer's borrowings at arm's length was 4.08% in 2013, 4.08% in 2014 and 4.56% for the year ended December 31, 2015. The increase in 2015 was primarily due to borrowing volumes, while the decrease in 2014 was driven by lower amounts borrowed from external resources due to increased issuances on the regional markets. The external funding raised by the Issuer as at December 31, 2015, 2014 and 2013 amounted to FCFA 128,971 million, FCFA 6,283 million and FCFA 68,138 million, respectively.

#### *Net interest income*

For the reasons set out above, net interest income increased by FCFA 1,370 million, or 4.6%, to FCFA 31,175 million in the year ended December 31, 2015, from FCFA 29,805 million in the year ended December 31, 2014, itself and increase of FCFA 2,518 million, or 9.2%, from FCFA 27,287 million in the year ended December 31, 2013.

#### *Fee and commission income*

##### *Commission Income*

The Issuer earns commission income primarily on loan applications, loan guarantees, and loan syndication and financial services. The following table sets forth the Issuer's commissions earned for the years ended December 31, 2013, 2014 and 2015.

<i>(FCFA millions)</i>	<b>December 31,</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
Commissions earned on document processing fees .....	1,033	916	938
GARI guarantee commission .....	51	106	61
Other flat commissions .....	105	66	100
Commissions on guarantees/bond issues .....	653	698	500
Commissions on loan syndication and financial services .....	632	1,533	3,913
<b>Total Commissions</b> .....	<b>2,474</b>	<b>3,318</b>	<b>5,512</b>

In order of size of contribution, these commissions include the following:

- commissions on loan syndication and financial services, which relate to mandates to provide funding to the WAEMU Member States and other public enterprises and local communities in the WAEMU region. Changes in this amount during the period under review were driven by varying volumes of loan syndication mandates handled by the Issuer;
- document processing fees, which are payable by borrowers in the commercial sector and are recognized by the Issuer when loans are granted. Changes in this amount over the period under review reflect changes in the volume of loans granted during a given period;
- commissions on guarantees/bond issues, which are commissions earned by the Issuer on guarantees granted by it to issuers of bonds on the regional capital markets. Changes in this amount during the period under review reflect the increase in guarantees provided by the Issuer on bonds issued on the regional capital markets;
- other flat commissions, which are expenses relating to loan syndication mandates to provide funding to commercial borrowers arranged by the Issuer. Changes in this amount during the period under review reflect the increase in mandates obtained by the Issuer; and

- GARI commissions, which are payable by those clients who have subscribed a guarantee provided by the GARI funds. Changes in this amount during the period under review reflect the activity of the GARI fund.

#### *Commission expenses*

The Bank incurs commissions on its borrowing activities through loans and debt securities. The following table sets forth the Issuer's commission expenses for the years ended December 31, 2013, 2014 and 2015.

<i>(FCFA millions)</i>	<b>December 31,</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
Listing expenses.....	29	14	—
Other expenses on debt securities .....	207	297	625
Other commissions on loans .....	621	704	621
Expenses and losses relating to financial assets held for trading .....	—	147 <sup>1</sup>	—
<b>Total Commission Expenses.....</b>	<b>857</b>	<b>1,162</b>	<b>1,246</b>

<sup>1</sup> Loss incurred by the Issuer upon disposal of certain financial assets held for trading.

Total commission expenses increased by FCFA 84 million, or 7.2%, to FCFA 1,246 million in the year ended December 31, 2015, from FCFA 1,162 million in the year ended December 31, 2014, itself an increase of FCFA 305 million, or 35.6%, from 857 million in the year ended December 31, 2013. These increases were principally due to the increase in issuance volumes by the Issuer on the regional capital markets between the periods. Issuances by the Issuer increased from 76.39 billion in the year ended December 31, 2013 to FCFA 259.1 billion in the year ended December 31, 2014 to FCFA 82,238 million in the year ended December 31, 2015.

#### *Foreign exchange gains/(losses)*

Foreign exchange gains/(losses) arise from the conversion of debts repayable by the Issuer in foreign currencies into FCFA at the exchange rates communicated by the BCEAO as at December 31 of each year. The Issuer sustained significant exchange losses in 2015 and 2014 due primarily to the appreciation of the U.S. dollar against the euro, which has also had an impact on the exchange rate for SDRs. Losses in the previous two years reflect past fluctuations on the currency market (especially the EUR/USD exchange rate).

In the fourth quarter of 2015, the Issuer, put into place hedging instruments to hedge against currency fluctuations on its borrowings in SDR and U.S. dollars. The Issuer's currency risk policy prioritizes borrowings in local currency (FCFA) and euro (fixed parity with FCFA), and as of December 31, 2015, 92% of the Issuer's borrowings are in such currencies. See "*Risk Management—Market risk management—Foreign exchange risk*". Due to the hedging instruments put into place in 2015, nearly all of the Issuer's SDR and U.S. dollar borrowings are hedged. The Issuer intends to hedge the U.S. dollar proceeds from the issuance of Notes offered hereby, however there can be no assurance that the Issuer will be able to do so.

<i>(FCFA millions)</i>	<b>December 31,</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
Exchange gains .....	2,933	121	12
Exchange losses .....	(94)	(4,742)	(5,120)

### ***Dividends earned***

Dividends earned represent dividends received from the Issuer's equity investments. A full table of the Issuer's equity investments, and the dividends received on such investments, is set out in Note 6 to each of the Financial Statements. The Issuer earned dividends from its equity holdings of FCFA 2,032 million, FCFA 2,474 million and FCFA 2,529 million in the years ended December 31, 2013, 2014 and 2015, respectively, due to the improved performance of the companies in which the Issuer has invested. The more significant increase in the year ended December 31, 2014 was due to a higher payout ratio on the underlying equity investments. All equity participations are held as financial assets available for sale and recorded at their fair value. Any variation in such fair value shall be recorded as "Other general profit components (OCI)". For more information, see Note 6 to each of the Financial Statements.

### ***Gains/(losses) on financial assets available for sale***

Gains/(losses) on financial assets available for sale result from losses recorded on financial assets available for sale. Gains/(losses) on financial assets available for sale in the year ended December 31, 2014 reflects the change in fair value of the Issuer's equity interests arising from a change in valuation methodology for equity interests in 2014. See Note 2.04 to the 2014 Financial Statements for further details on this change. There were no gains or losses on financial assets available for sale in the years ended December 31, 2013 and 2015.

### ***Net banking income***

Net banking income, representing net income from banking operations as set out above before cost of risk and other operating expenses, and before allocations from the WAEMU Member States, amounted to FCFA 33,075 million, FCFA 29,769 million FCFA 32,614 million in the years ended December 31, 2013, 2014 and 2015, respectively. The 9.6% increase in net banking income from December 31, 2014 to December 31, 2015 was primarily due to the combined effect of the increase in income derived from loans, the evolution of the EUR/USD exchange rate, the relative stability of income from the securities portfolio net of retrocessions and the increase in financial expenses. The 10% decrease in net banking income from December 31, 2013 to December 31, 2014 was due to the combined effect of the decrease by 52% of the securities portfolio, the negative evolution of the EUR/USD exchange rate (with the significant increase in the value of the USD) and the increase in financial expenses. The increase in financial expenses over the periods under review resulted from the increased volume of borrowings required to fund increasing disbursements (except FDE loans).

### ***Cost of risk***

Cost of risk, representing provisions for impairment in respect of the commercial loan portfolio and in respect of equity participations, amounted to FCFA 6,964 million in the year ended December 31, 2015, a decrease of FCFA 171 million, or 2.4%, from FCFA 7,135 million in the year ended December 31, 2014, itself an increase of FCFA 742 million, or 11.6%, from FCFA 6,393 million in the year ended December 31, 2013 (cost of risk in the 2013 Financial Statements includes unrealized gains and losses on financial assets available for sale and amounts to FCFA 7,092 million). The decrease in the cost of risk as at December 31, 2015 is primarily due to the simultaneous decrease in depreciation and reversals of provisions on customer receivables. It should be noted that the decrease in depreciation was more significant than the reversal of provisions, which explains the lower cost of risk between 2015 and 2014. Historically, the cost of risk has increased generally in line with the growth of the loan portfolio, although the rate of increase of the cost of risk has been lower than the rate of growth of the commercial loan portfolio, which increased by 5.2%, 8.3% and 28.6% in the years ended December 31, 2015, 2014 and 2013, respectively, due to the increase in market rate sovereign loans and a better management of the loan portfolio.

The level of provisions between 2013 and 2014 increased more rapidly than the level of impairments because impairment increases were contained due to the recording of an insignificant level of defaults on projects, in application of the objective provisioning rules of the Issuer. Since loans granted through the FDC and FDE Windows are considered by the Issuer to be relatively risk-free, cost of risk only applies to (and accordingly provisions are only made in respect of) loans granted through the Bank Window.

### ***Allocations from the WAEMU Member States***

Allocations from the WAEMU Member States represent annual allocations to the Issuer of FCFA 3,200 million, which are intended to cover expenses related to development activities, including project-related studies, subsidies on loans to the WAEMU Member States, exchange losses and costs related to specific equity participations. These allocations were paid in each of 2015, 2014 and 2013. This amount is paid in by the WAEMU Member States each year concurrently with their release of share capital, and results in a cash inflow for the Issuer and revenues in the statement of comprehensive income. These allocations are allotted entirely to the FDC Window, and support the Issuer's concessional lending activities.

### ***Other operating income***

Other operating income amounted to FCFA 984 million in the year ended December 31, 2015, a significant decrease of FCFA 250,071 million from FCFA 251,055 million in the year ended December 31, 2014. Other operating income recorded an exceptional increase in the year ended December 31, 2014 as a result of the grant by the BCEAO of the FCFA 250 billion initial endowment of the FDE Fund, which was recorded under this line item, in order to then effectively capitalize it into the Issuer's reserves.

Excluding the exceptional increase in 2014, the decrease of FCFA 71 million between the two periods reflects the auction of used equipment to the Issuer's staff that resulted in capital gains amounting to FCFA 270 million. Other operating income in 2013 amounted to FCFA 793 million and included commercial discounts, income from real estate leases, etc.

### ***Expenses related to development activities***

Expenses related to development activities include expenses relating to the Issuer's interest subsidies and preliminary studies for the financing of development activities. Interest subsidies are provided to the Issuer through an historical interest subsidy fund (*Fonds de Bonification d'intérêts*), which was funded by WAEMU Member States on a regular basis. This fund allows the Issuer to extend loans at very favorable conditions to finance infrastructure projects. Expenses to finance studies in relation to projects proposed by borrowers are advanced by the Issuer to the borrower. If the study culminates in a sustainable project, these advances are borne by the borrower. Otherwise, the advance is recorded in expenses related to development activities. This fund was reclassified as equity capital at the time of the Issuer's transition to IFRS in 2010. Since then, expenses related to interest subsidies are accounted for in the income statement (under *Expenses related to development activities*), and the resources received from the WAEMU Member States under *Allocations from Member States*.

A new interest subsidy fund was established in December 2015, which is intended to allow concessional financing to resume during the course of 2016. This fund is a mechanism that relies on resources paid by the WAEMU Member States and WAEMU Member State institutions to reduce interest rates on loans granted by the Issuer to Member States. Due to the nature of the resources of the fund (*i.e.*, loans from external parties dedicated exclusively to the financing of the interest subsidy), the fund will be accounted for as debt on the Issuer's balance sheet written down periodically by corresponding amounts used to finance the interest subsidy charge, which will be

accounted for as income in the Issuer's statement of comprehensive income. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments*".

The following table sets forth the expenses related to development activities for the years ended December 31, 2013, 2014 and 2015.

<i>(FCFA millions)</i>	<b>December 31,</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
Interest subsidies on concessional loans .....	1,509	1,547	1,530
Studies.....	—	—	—
<b>Expenses related to development activities.....</b>	<b>1,509</b>	<b>1,547</b>	<b>1,530</b>

### *Operating expenses*

Operating expenses include staff costs, other operating costs (*e.g.*, maintenance costs, vehicles, consulting fees) and depreciation on tangible fixed assets.

The following table sets forth the Issuer's general operating expenses for the years ended December 31, 2013, 2014 and 2015, excluding the defined benefit pension plans.

<i>(FCFA millions)</i>	<b>December 31,</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
Staff costs.....	10,635	10,403	11,226
Depreciation.....	1,085	979	1,187
Other operating expenses.....	6,540	5,531	6,983
<b>Operating expenses .....</b>	<b>18,260</b>	<b>16,913</b>	<b>19,395</b>

General operating expenses increased by FCFA 2,482 million, or 14.7%, to FCFA 19,395 million in the year ended December 31, 2015, from FCFA 16,913 million in the year ended December 31, 2014, itself a decrease of FCFA 1,347 million, or 7.4 from FCFA 18,260 million in the year ended December 31, 2013. The increase between 2014 and 2015 was primarily due to an increase of 7.9% in staff costs and an increase of 26.3% in other operating expenses due to the costs associated with consultants hired in connection with supporting the SAP process integration, the Issuer's rating, accreditation of the Issuer from the GEF and the redesigning of the loan pricing model. The decrease between 2013 and 2014 was primarily due to measures taken by the Issuer to reduce its expenses as well as the completion of the first phase of training relating to ERP software implementation and the resulting decrease in costs.

### *Net income*

Net income amounted to FCFA 8,839 million in the year ended December 31, 2015, a decrease of FCFA 249,560 million compared to net income of FCFA 258,399 million in the year ended December 31, 2014. The high net income in the year ended December 31, 2014, resulted primarily from a non-recurrent item and was due to the decision by the WAEMU Council of Ministers to transfer the FDE's initial endowment of FCFA 250 billion to the capital of the Issuer. The purpose of this decision was to strengthen the Issuer's equity capital and increase its capacity to support the WAEMU Member States. Net income remained flat, amounting to FCFA 8,839 million in the year ended December 31, 2015, representing an increase of 5.0% compared to FCFA 8,399 million (excluding the FDE endowment) in the year ended December 31, 2014, itself a decrease of 22.7%, from FCFA 10,872 million in the year ended December 31, 2013. The decrease in the year ended December 31, 2014 was primarily due to the potential exchange losses recorded on outstanding foreign currency-denominated debts.

## Assets and Liabilities

The following table sets forth the Issuer's statement of financial position as at December 31, 2013, 2014 and 2015.

<i>(FCFA millions)</i>	<b>As at December 31,</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Assets</b>			
Cash and cash equivalents .....	289,123	281,902	194,317
Net loans and receivables (net of depreciation), of which:			
Interbank deposits <sup>1</sup> .....	1,063,179	1,290,718	1,487,624
Loans and advances to customers.....	6,358	340	530
Loans to personnel.....	905,232	1,161,728	1,360,100
Securities portfolio .....	6,306	6,096	6,270
Advances to shareholders .....	39,402	22,546	15,227
Other <sup>2</sup> .....	105,801	99,933	105,420
Equity participations .....	79	75	77
Other assets .....	48,020	66,166	78,123
Intangible assets .....	2,178	10,632	14,793
Tangible assets .....	377	1,031	879
<b>TOTAL ASSETS</b>	<b>8,562</b>	<b>8,022</b>	<b>7,904</b>
	<b><u>1,411,439</u></b>	<b><u>1,658,471</u></b>	<b><u>1,783,640</u></b>

## Liabilities

Amortized liabilities.....	698,722	904,391	1,015,058
Interbank debts .....	7,228	10,459	34,704
Debt represented by a security .....	332,851	561,559	557,265
Other .....	358,643	332,374	423,088
Other liabilities.....	277,457	33,164 <sup>3</sup>	28,561
Funds .....	268,978	18,958	13,231
Other .....	8,479	14,206	15,330
Provisions.....	5,422	5,517	5,873
<b>Total liabilities</b> .....	<b>981,601</b>	<b>943,072</b>	<b>1,049,491</b>
Capital .....	244,970	255,819	268,746
Subscribed capital.....	1,009,250	1,050,550	1,097,750
Callable capital .....	(755,430)	(786,405)	(821,805)
Costs related to deferred release of capital .....	(8,850)	(8,327)	(7,200)
Share premium.....	2,622	2,622	2,622
Reserves .....	182,246	456,958 <sup>4</sup>	462,781 <sup>4</sup>
Reserves earmarked for development activity .....	76,050	76,050	76,050
Other reserves.....	26	16,468 <sup>5</sup>	13,501
Retained earnings .....	95,229	106,041	364,390
Profit/loss for the period.....	10,872	258,399	8,839
Total shareholders' equity.....	<u>429,838</u>	<u>715,398</u>	<u>734,149</u>
<b>TOTAL LIABILITIES AND CAPITAL</b> .....	<b><u>1,411,439</u></b>	<b><u>1,658,471</u></b>	<b><u>1,783,640</u></b>

<sup>1</sup> Interest receivable from the BCEAO in respect of the Issuer's cash holdings with the BCEAO.

<sup>2</sup> Advances and operational accounts, adjustment accounts.

<sup>3</sup> The significant decrease between 2013 and 2014 relates to the initial FDE endowment of FCFA 250 billion being accounted for in reserves.

<sup>4</sup> Includes the initial FDE endowment of FCFA 250 billion.

<sup>5</sup> Increase relates to a change in valuation policy of the Issuer's equity investments from book value to fair market value.

## Assets

Total assets increased by 7.5% to FCFA 1,783,640 million as at December 31, 2015, compared to FCFA 1,658,471 million December 31, 2014, primarily due to an increase in outstanding loans and advances to customers of 17.1% and an increase in advances to shareholders of 5.5%, offset by a decrease of 32.5% in the securities portfolio. Total assets increased by 17.5% as at December 31, 2014 compared to December 31, 2013, primarily due to an increase in loans and advances to customers of 28.3%, offset by reductions in the securities portfolio of 42.8% and loans and advances to shareholders of 5.5%.

Net outstanding loans by window of activity (FDC Window, Bank Window and FDE Window) are set forth in "Description of the Issuer—Lending Activity", represented 98.2% of customer receivables as at December 31, 2015, compared to 97.8% as at December 31, 2014. Other receivables from customers include net accrued interest and advances for financing project studies. The FDE activity was only effectively integrated into the Issuer's Financial Statements prepared in 2015 although the capitalization of the initial FCFA 250 billion endowment is reflected in the Issuer's statement of financial position as at December 31, 2014.

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to cash. These amounts are held to meet short-term cash commitments. This line item also records the resources of the FDE Window to finance projects in WAEMU's energy sector. Cash is invested as part of banking operations and purchases of securities

in the regional financial markets. The securities portfolio amounted to FCFA 15,227 million as at December 31, 2015, representing a decrease of FCFA 7,319 million from FCFA 22,546 as at December 31, 2014, itself a decrease of FCFA 16,856 million, or 42.8%, from FCFA 39,402 million as at December 31, 2013. These decreases are primarily due to the redemption at maturity and/or sale of certain securities.

Interbank receivables include interest receivables from deposits with the BCEAO and other regional and non-regional (when they hold FCFA funds) financial institutions (such as ORABANK, Diamond Bank, BANQUE Atlantique) and interbank loans over three months including accrued interest. Receivables from clients include loans to the WAEMU Member States (non-commercial sector) and to the commercial sector.

Advances to shareholders consist mainly of the principal of the capital called but not paid up, which is updated once annually as at each year end based on the most recent payment of capital by the shareholders. The provisional payment schedule for capital releases as at December 31, 2015 is set out in “*Description of the Issuer—Capital Structure*”. For the WAEMU Member States shareholders who hold an equal share of capital, the release of capital is carried out during the allocation of BCEAO profits to its members and is usually effected in June of each year with the BCEAO deducting the amount due at source from the relevant member’s account with the BCEAO.

The securities portfolio reflects holdings of debt securities issued by WAEMU Member States. See Note 5.2 to the 2015 Financial Statements for a breakdown of these holdings and their maturity profile. The decrease in the securities portfolio is due to the reimbursements effected during the year ended December 31, 2015.

The net worth of equity investments (financial assets) was estimated at FCFA 78,123 million as at December 31, 2015, compared to FCFA 66,166 million as at December 31, 2014 and FCFA 48,020 million as at December 31, 2013. These equity investments are held principally in 34 financial institutions, including 17 banks across the WAEMU region. The equity investment portfolio is set out in Note 6 to the 2014 Financial Statements and 2013 Financial Statements.

Other assets include accrued expenses and as of December 31, 2014, included assets relating to loans extended to employees at the Issuer’s headquarters in Lomé and advances on mission costs.

## **Liabilities**

Total liabilities increased by 7.5% to FCFA 1,783,640 million as at December 31, 2015, compared to FCFA 1,658,471 million as at December 31, 2014, primarily due to a 12.2% increase in amortized liabilities, primarily due to the 27.3% increase in loans from partners, which were disbursed during the year ended December 31, 2015 and the increase in receivables from shareholders due to BCEAO’s subscription in the last capital increase. Total liabilities increased by 17.5% as at December 31, 2014 compared to December 31, 2013, primarily due to a 68.7% increase in debt represented by a security, primarily due to issuances on the regional capital markets in 2014 (amounting to FCFA 250 billion) and due to increased receivables from shareholders due to the subscription by Member States in the Issuer’s share capital increase.

Interbank debts include investments and deposits made by partner institutions in the Issuer, such as the ROPPA, the AFD, the New Microfinance Initiative in West Africa (*Nouvelle Initiative de Microfinance en Afrique de l’Ouest*, NIMAO) and the PUFs. These debts increased to FCFA 34,704 million as at December 31, 2015, compared to FCFA 10,459 million as at December 31, 2014 and FCFA 7,228 million as at December 31, 2013. The increase in interbank debts between 2015 and 2014 is due to the increase of the amount of registered cash investments during fiscal 2015.

The Issuer's borrowings can be categorized into (i) "debt securities", corresponding to outstanding debt securities issued by the Issuer on the regional capital markets, and (ii) "other financial liabilities" consisting of loans to the Issuer from partners such as the AFD, the EIB, PROPARGO and the *Deutsche Investitions und Entwicklungs Gesellschaft* (German Development Agency) (DEG).

Borrowings represented by debt securities accounted for 54.9% of all amortized liabilities in the year ended December 31, 2015, as against 53.1% for other liabilities. Borrowings represented by debt securities increased 68.7% as at December 31, 2014, to FCFA 561,559 million, representing 62.1% of all amortized liabilities of the Issuer. Borrowings represented by debt securities accounted for 47.6% of amortized liabilities in the year ended December 31, 2013, as against 33.9% for other liabilities. See "*Risk Factors—Any future unavailability of capital markets and other sources of financing could have a material adverse effect on the Issuer's business, operations and financial condition*" and "*Description of the Issuer—2015-2019 Strategic Plan*".

At December 31, 2015, total borrowings amounted to FCFA 1,015.1 billion, representing 56.9% of total liabilities and equity; at December 31, 2014, they amounted to FCFA 904.4 billion, representing 54.5% of total liabilities and equity. Total borrowings amounted to FCFA 698.7 billion as at December 31, 2013, representing 49.5% of total liabilities and equity. Borrowings increased by an annual average of 20.8% over the 2013-2015 period.

The table below sets forth the maturity profile of liabilities at amortized cost as at December 31, 2015.

<i>(FCFA millions)</i>	<b>As at December 31, 2015</b>
Up to one year.....	194,279
More than one year and up to and including two years .....	190,746
More than two years and up to and including three years.....	128,242
More than three years and up to and including five years .....	137,340
More than five years .....	364,450
<b>Total</b> .....	<b>1,015,058</b>

Shareholders' equity includes called-up capital net of the cost of deferred release of such capital (called-up capital which has not already been paid-in is discounted to take into account the time value of money until the time of payment), reserves and related assets, and other income of the Issuer. Shareholders' equity represented 41.1% of total assets as at December 31, 2015, compared to 43.1% and 30.4% of total assets as at December 31, 2014 and 2013, respectively. As at December 31, 2015, shareholders' equity amounted to FCFA 734,149 million (41.1% of total assets), including the integration of the initial FDE endowment of FCFA 250 billion from the BCEAO and the WAEMU Member States into the reserves of the Issuer in relation to the FDE.

Reserves comprising existing retained income and current net annual income amounted to FCFA 373,229 million as at December 31, 2015, from FCFA 364,440 million as at December 31, 2014 and FCFA 106,171 million as at December 31, 2013. The increase between 2013 and 2014 reflected the integration of the initial FDE endowment of FCFA 250 billion from the BCEAO in relation to the FDE (and amounted to FCFA 114,440 million excluding this allocation) into the statement of comprehensive income before being capitalized into the reserves. These reserves represented 50.8% of shareholders' equity and reserves as at December 31, 2015, compared to 50.9% and 24.7% as at December 31, 2014 and 2013, respectively.

Apart from retained income, reserves primarily include "reserves related to development activities". These were comprised mainly of annual allocations from the WAEMU Member States (FCFA 3,200 million per year per WAEMU Member State). This line item also includes funds that existed before the transition to IFRS (e.g., interest subsidy funds and education funds). These funds were established

voluntarily by the Issuer to support development activities, *e.g.*, through subsidized interest rates on loans and the financing of studies. Interest subsidies are provided to the Issuer through an historical interest subsidy fund (*Fonds de Bonification d'intérêts*), which is funded by WAEMU Member States on a regular basis. It allows the Issuer to extend loans at very favorable conditions to finance infrastructure projects. With the transition to IFRS in 2010, these development activity reserves are recorded as the Issuer's own resources. As discussed above in “—Recent Developments”, a new interest subsidy fund was established in December 2015, but which is not recorded as part of the Issuer's own resources.

## **Liquidity and Capital Resources**

The Issuer finances its activities from its own capital, callable capital from its shareholders, regional capital market borrowings and bilateral borrowings from other states or their agencies and instrumentalities. As of December 31, 2015, the Issuer's funding consisted of FCFA 173.7 billion (€264.8 million) in paid-in capital and FCFA 462.8 billion (€705.5 million) in reserves. As of the same date, the Issuer's funding comprised of borrowings amounted to FCFA 963.8 billion (€1,469 million), consisting of FCFA 162.5 billion (€247.7 million) in concessional resources and FCFA 801.3 billion (€1.2 billion) in market rate sovereign loan resources. See “*Description of the Issuer—Funding Sources*” for further information on the Issuer's sources of funding.

On November 4, 2015, the Issuer entered into an agreement with the CDB Togo/Benin Task Force pursuant to which the CDB granted a FCFA 65.6 billion (€100 million) credit facility to the Issuer to fund direct loans to the commercial sector.

In accordance with Article 47(4) of the By-laws, the Issuer does not distribute dividends to its shareholders. The Issuer's profits are fully transferred into reserves after clearing previous years' losses. If the Issuer incurs losses, these are carried forward to future years.

### ***Financing and liquidity policy***

BOAD does not take deposits from the private sector. It obtains funding from two main sources:

- equity capital (capital, allocations, reserves, capitalized dividends); and
- funding from the WAEMU regional capital markets or from international entities.

The Issuer is authorized under Article 38 of the By-laws to finance itself by accessing the BCEAO repo facilities, which enable the Issuer to sell its sovereign bond holdings to enhance liquidity. The Issuer is the only supranational other than the EIB that benefits from such a liquidity facility. In addition, the Issuer can use bonds issued by companies, and financial institutions in the WAEMU region as collateral for its refinancing transactions with the BCEAO. Such bonds may only be refinanced if held by the Issuer in its own name. The refinancing of such bonds is effected at interest rates prevailing at the BCEAO refinancing window at the time of the request. The acceptance by the BCEAO of such bonds for refinancing purposes is in principle independent of the interest rate of such bonds at their issuance. However, bonds issued by the BCEAO or benefiting from a BCEAO guarantee are not accepted in connection with a refinancing application when the interest rate paid on these bonds is higher than the rate in effect at the BCEAO refinancing window. For further details, see “*Description of the Issuer—Sources of funding—Regional capital markets*”.

According to the 2015-2019 Strategic Plan, the Issuer intends to focus primarily on capital markets borrowings obtained at market rates for future sources of funding.

### ***Equity allocation policy***

In accordance with its equity allocation policy, the Issuer considers that for each loan commitment it makes, there should be a corresponding resource in terms of own funds or borrowed resources. This policy allows the Issuer to draw on its resources for the disbursement of loans when approved.

Equity capital (paid-in capital plus reserves) is allocated between commercial and non-commercial activities at the end of each year during the budgeting process. Each year, the Issuer allocates 50% of its equity capital to finance the activities of the FDC Window and 50% to finance activities of the Bank Window. The FDE Window is funded by the initial endowment of the Energy Development Fund which now forms part of the Issuer's capital. See "*Description of the Issuer—Operating and financing models of the Issuer—Operating model*".

The internal rate charged on this allocation is calculated on the weighted average cost of the Issuer's loan resources or interventions through the Bank Window. There is no internal rate charged on the allocation of funds to the FDC Window. This approach was adopted because, unlike institutions such as the AfDB or the World Bank Group, which constantly receive concessional funding, the Issuer has limited access to concessional resources and any decrease in concessional funding could impact the Issuer's ability to provide financing at more preferential interest rates for concessional lending purposes. See "*Description of the Issuer—Operating and financing models of the Issuer—Financing model*".

### ***Liquidity policy***

The Issuer's liquidity policy aims to protect the Issuer against the risk of not being able to make payments when due, after taking into consideration its liquid portfolio. This policy ensures that there is always a liquidity buffer for banking or administrative operations as well as for debt servicing.

The Issuer's policy is to hold liquid assets equivalent to at least nine to 12 months' worth of net loan disbursements (disbursements minus principal repayments where the Issuer is acting as lender) plus nine- to 12 -months' worth of repayment of debt (where the Issuer is acting as borrower).

As part of its liquidity policy, the Issuer can refinance loans with the BCEAO to obtain funding from the BCEAO (although this facility has not been used to date). It can also make deposits with other financial institutions, draw on the credit facilities negotiated with donors or issue bonds eligible for refinancing operations with the BCEAO. For more information, see "*Description of the Issuer—Operating and financing models of the Issuer—Operating model*".

### ***Cash investment policy***

The Issuer's policy is to hold one-quarter of its overall cash funds at the BCEAO, and invest the remaining three-quarters in interbank loans with commercial banks and affiliates of banking groups in the WAEMU and in debt securities issued by the WAEMU Member States or financial institutions and companies operating in the WAEMU Member States. These investment transactions are governed by the guidelines on market and treasury management operations that set the Issuer's exposure limits per transaction and per counterparty. See "*Risk Management—Intervention and commitment limits*".

At the end of 2015, only counterparties from Benin (S&P), Burkina Faso (S&P), Côte d'Ivoire (Moody's), Senegal (S&P), BOA Benin (Fitch) and BOA Niger (Fitch) were rated B. Other counterparties had not been rated.

## ***Debt policy***

Pursuant to the Policy Statement, outstanding debt of the Issuer is limited to an equivalent of three times its equity capital (paid-in capital, additional capital plus reserves). See “*Description of the Issuer–Financing Model*” and “*Description of the Issuer–Sources of Funds*” for further information on the Issuer’s borrowing policy.

For a breakdown of the Issuer’s share capital, see “*Risk Management—Capital Adequacy*”.

## **Loan portfolio**

### ***Outstanding loans***

The following table sets out a summary of outstanding loans (including loans granted through the FDE Window) and provisions for impairment as at December 31, 2013 and 2014 and 2015.

<i>(FCFA millions)</i>	<b>As at December 31,</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
Gross outstanding loans .....	904,518	1,161,304	1,349,175
Provisions for impairment.....	(22,335)	(25,731)	(24,931)
<b>Net outstanding loans</b> .....	<b>882,183</b>	<b>1,135,572</b>	<b>1,324,244</b>
<b>Impairment provisions/ gross loans</b> .....	<b>2.47%</b>	<b>2.22%</b>	<b>1.84%</b>

For more detail on gross outstanding loans by Window of activity, see “*Description of the Issuer—Operations—Financing Windows*”.

Total net outstanding loans to customers increased by 16.6% to FCFA 1,324 billion as December 31, 2015 from FCFA 1,135 billion as at December 31, 2014, itself an increase of 28.7% from FCFA 882 billion as at December 31, 2013.

Gross outstanding loans as at December 31, 2015 include FCFA 53,238 million corresponding to the market value of FDE Window loans granted to WAEMU Member States, which were acquired by the Issuer as a result of the December 31, 2014 decision of the WAEMU Council of Ministers to transfer the FDE’s initial endowment of FCFA 250 billion to the Issuer, which was integrated into the Issuer’s equity. As at December 31, 2015, the assets corresponding to this initial capital endowment of the FDE, comprising outstanding loans and off-balance sheet commitments amounted to FCFA 74 billion and FCFA 125.5 billion, respectively. As at December 31, 2014, the assets corresponding to this initial capital endowment of the FDE, comprising outstanding loans and off-balance sheet commitments in the amounts of FCFA 53 billion and FCFA 146 billion, respectively, which used to be accounted for in the Issuer’s financial statements but not being the property of the Issuer, were also fully integrated into the assets of the Issuer or otherwise recorded in the Issuer’s financial statements. The interest rates applied by the Issuer to non-commercial energy sector loans correspond to market rates.

As at December 31, 2015, loans to the WAEMU Member States amounted to FCFA 892.3 billion, representing 66.1% of gross outstanding loans (FCFA 1,349 billion) and 67.4% of net outstanding loans (FCFA 1,324 billion). These include loans granted through the FDC Window in the amount of FCFA 589.6 billion and FCFA 228.4 billion in loans extended through the Bank Window known as “market rate sovereign loans”.

As at December 31, 2014, loans to the WAEMU Member States amounted to FCFA 618 billion, representing 53% of gross outstanding loans as of that date (FCFA 1,161 billion) and 54% of net outstanding loans (FCFA 1,135 billion), and include FDC Window loans in an amount of FCFA 565

billion and market rate sovereign loans through the Bank Window, in an amount of FCFA 53 billion. As at December 31, 2013, these loans amounted to FCFA 496 billion, representing 55% of gross outstanding loans (FCFA 905 billion) and 56% of net outstanding loans (FCFA 882 billion). These include FDC Window loans in an amount of FCFA 464 billion and FCFA 32 billion in market rate sovereign loans through the Bank Window.

Provisions for impairment are not recorded in respect of loans to the WAEMU Member States. Previous loan repayments by all of the WAEMU Member States have been satisfactory (*i.e.*, none has defaulted in any payment for a period of more than six months) due to the fact that the Issuer has historically benefited from de facto “preferred creditor status” by the WAEMU Member States and no loan to any WAEMU Member State has been classified as a bad debt in the Issuer’s accounts. See “*Risk Management—Credit sanctions policy*” and “*Risk Factors—The Issuer believes that it has historically benefited from de facto “preferred creditor status” from each of the WAEMU Member States, however there can be no assurance that the Member States will in fact pay their respective debts to the Issuer in priority over other creditors or at all, which may result in a material adverse effect on the Issuer’s financial results and operations*”.

The proportion of net outstanding commercial loans, extended through the Bank Window, in total financing (excluding loans granted through the FDE Window) decreased slightly compared to gross outstanding loans in 2013, but its share increased in 2014 and 2015, as the relative share of Bank Window loans in the total gross portfolio increased. Net outstanding Bank Window loans represented 45%, 48% and 53% of total loans (excluding loans granted through the FDE Window) as at December 31, 2013, 2014 and 2015, respectively.

As at December 31, 2014, gross outstanding loans include an amount of FCFA 53,238 million corresponding to the market value of FDE Window loans granted to the WAEMU Member States that were transferred to the Issuer.

The maturity profile of the Issuer’s gross outstanding loans and loans and advances to clients as at December 31, 2013, 2014 and 2015 is set out in the following table.

<i>(FCFA millions)</i>	<b>As at December 31,</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
Up to one year.....	88,249	112,376	113,151
More than one year and up to and including two years .....	101,725	100,022	109,406
More than two years and up to including three years .....	112,753	93,331	128,838
More than three years and up to including five years.....	118,185	188,831	246,219
More than five years .....	483,606	666,745	751,561
<b>Total gross outstanding loans.....</b>	<b>904,518</b>	<b>1,161,304</b>	<b>1,349,175</b>
Loans and advances to clients.....	905,232	1,161,728	1,360,100

As noted above, most of the Issuer’s loans are amortizing loans, with varying principal repayment grace periods.

***Provisions for impairment***

The Issuer records a provision for impairments on its loans based on individual evaluation of impairment and collective evaluation of impairment. See Note 2.07(d) of the 2014 Financial Statements for further detail.

The following table sets forth the rate of provisioning for impairments as well as the provisions for impairments recorded on the Issuer's loan portfolio over the 2013-2015 period.

<i>(FCFA millions)</i>	<b>As at December 31,</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
Non-performing loans (1) .....	37,714	38,845	36,911
Gross outstanding loans (2) .....	904,518	1,161,304	1,349,175
Outstanding FDC + FDE loans (3) .....	495,507	597,809	663,900
Outstanding commercial portfolio (4) = (2)-(3) .....	409,011	563,495	685,274
Gross impairment (5) = (1)/(2) .....	4.17%	3.34%	2.73%
Provision for impairment amount (6).....	(22,335)	(25,731)	(24,931)
Provisioning rate (7) = (6)/(1).....	59.22%	66.24%	67.54%

The gross risk portfolio depreciation (commercial sector non-performing loans), calculated by dividing gross outstanding non-performing loans by the total outstanding commercial portfolio (only commercial loans may be depreciated), declined in 2013, 2014 and 2015, primarily due to significant recovery efforts to regularly reduce past due outstanding receivables. The reduction in the loss ratio, in particular in 2013, was due to the combined effect of stabilization of outstanding non-performing loans and a 16% increase in outstanding commercial sector loans between 2012 and 2013.

Outstanding non-performing loans decreased by 5.0% in 2015, and increased by 3% in 2014, compared to a decrease in accrued provisions of 3.1% in 2015, compared to an increase of 15.2% in 2014, thereby resulting in an improving provisioning rate over the relevant period. The level of provisions increased more rapidly than the level of impairments in the 2013-2015 period because impairment increases were contained due to the recording of an insignificant level of defaults on projects, in application of the objective provisioning rules of the Issuer.

Apart from the increased selectivity of projects submitted to the Issuer for funding and close monitoring of funded operations, measures have been taken by the Issuer to further reduce the number of overdue debts. These measures include (i) the possible transfer of overdue commercial public sector debts to the relevant Member State on a case by case basis and (ii) the involvement of the Issuer's Board of Directors in debt recovery. In the case of (i), if the relevant WAEMU Member State honors the payment obligation in respect of the transferred debt following such transfer, relevant provisions previously recorded are cancelled. In accordance with the Issuer's policy for depreciation of loans, provisions continue to be recorded in relation to commercial public sector debts as required by the policy.

#### ***Non-performing loans and write-back of provisions***

Non-performing loans between 2013 and 2015 were defined as loans that were more than 180 days past due and were being considered for impairment. Since 2015, non-performing loans are defined as loans that are more than 90 days past due. Non-performing loans are set out in the following table as at December 31, 2013, 2014 and 2015. Prior periods have not been restated to reflect the change in the definition of non-performing loans from 180 days past due to 90 days past due.

Provisions are recorded with respect to a counterparty when there is objective evidence of, for example unpaid principal or interest for 90 days, significant financial difficulty of the counterparty or high probability of bankruptcy.

(FCFA billions)	As at December 31,					
	2013	(%)	2014	(%)	2015	(%)
Gross non-performing loans .....	37.7	4.17%	38.8	3.34%	36.9	2.73%
Write-back of provisions .....	22.33	59.23%	25.73	66.31%	24.93	67.54%

The amount of provisions for impairment over the three year period from 2013 to 2015 are set out under Note 21-1.3 to the 2015 Financial Statements and Note 20 19-1.3.3. to the 2014 Financial Statements. The provisioning rate continued to improve from 59.2% as at December 31, 2013, 66.2% as at December 31, 2014 and 67.54% as at December 31, 2015. The level of provisions increased more rapidly than the level of impairments because impairment increases were contained due to the recording of an insignificant level of defaults on projects, in application of the objective provisioning rules of the Issuer. Previous loan repayments by all of the WAEMU Member States have been satisfactory (*i.e.*, none has defaulted in any payment for a period of more than six months) due to the fact that the Issuer has historically benefited from de facto “preferred creditor status” by the WAEMU Member States; no loan to any WAEMU Member State has been classified as a bad debt in the Issuer’s accounts. See “—*The Issuer believes that it has historically benefited from de facto “preferred creditor status” from each of the WAEMU Member States, however there can be no assurance that the Member States will in fact pay their respective debts to the Issuer in priority over other creditors or at all, which may result in a material adverse effect on the Issuer’s financial results and operations*”. All non-performing loans are loans to the commercial sector. Non-performing loans amounted to FCFA 36,911 million as at December 31, 2015, as compared to FCFA 38,845 million as at December 31, 2014.

In relation to guarantees, no specific provision has been made since 2010. Such provisions are made only with respect to commercial activity.

Provisions for equity investments progressed from FCFA 5,838 million for 2013 to FCFA 3,343 million for 2014 and FCFA 7,703 million for 2015. The higher level of provisions for equity investments in 2015 is primarily due to the partial conversion into equity of the Issuer’s loan to the company RASCOM, resulting in a stake amounting to FCFA 4,360 million. Provisions on the RASCOM loan were not taken as a result of this transaction but were allocated to cover the equity investment in an amount equal to the holding (FCFA 4,360 million). The detailed provisions on investments in equity securities are set out in Note 6 to each of the 2014 Financial Statements and 2013 Financial Statements.

### Contractual commitments

The table below sets out outstanding customer loans per maturity window for the years ended December 31, 2013, 2014 and 2015.

(FCFA millions)	December 31,		
	2013	2014	2015
Up to one year .....	88,249	112,376	113,151
More than one year and up to and including two years .....	101,725	100,022	109,406
More than two years and up to and including three years .....	112,753	93,331	128,838
More than three years and up to and including five years .....	118,185	188,831	246,219
More than five years .....	483,606	666,754	<b>751,561</b>
<b>Gross outstanding loans</b> .....	<b>904,518</b>	<b>1,161,304</b>	<b>1,349,175</b>
Advances on financing research .....	10,877	10,670	11,908

<i>(FCFA millions)</i>	<b>December 31,</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
Receivables related to loans.....	17,972	22,050	28,342
Overdue for technical reasons <sup>1</sup> .....	—	—	2,208
Depreciation of bad debts.....	(22,334)	(25,732)	(24,931)
Deferred income on commission.....	(5,800)	(6,564)	(6,601)
<b>Loans and advances to clients.....</b>	<b>905,232</b>	<b>1,161,728</b>	<b>1,360,100</b>

<sup>1</sup> Relates to unpaid amounts on maturity at the reporting date of December 31, 2015 as a result of delays due primarily to administrative processing times. Such arrears were settled in early 2016.

### Off-balance sheet commitments

The Issuer enters into off-balance sheet arrangements in the normal course of its business to facilitate its business and objectives. These arrangements, which involve credits provided in excess of amounts recognized on the statement of financial position, and primarily include debt and equity commitments.

The following table sets forth the Issuer's off-balance sheet commitments as at December 31, 2013, 2014 and 2015.

<i>(FCFA billions)</i>	<b>As at December 31,</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Commitments received<sup>1</sup>.....</b>	<b>79</b>	<b>94</b>	<b>46</b>
Loan commitments.....	57	75	24
Guarantees received from regional funds.....	22	19	22
<b>Commitments given<sup>2</sup>.....</b>	<b>1,401</b>	<b>1,458</b>	<b>1,349</b>
Loan commitments given.....	1,363	1,406	1,313
Advances on financing research.....	9	15	11
Commitments in equity participation.....	29	37	25
<b>Pledges and guarantees.....</b>	<b>43</b>	<b>34</b>	<b>22</b>

<sup>1</sup> Commitments received result from financing agreements with international lenders and guarantees received from regional funds for the benefit of clients

<sup>2</sup> Commitments given result from agreements pursuant to which the Issuer provides loans, interest subsidies or equity investments to its clients

Commitments received comprise funding agreements extended to the Issuer by foreign lenders, which remained undrawn by the Issuer as of the dates indicated, and the guarantees received from the regional funds for loans extended by the Issuer to borrowers.

Loan commitments given by the Issuer include financing agreements, the disbursement of which is subject to certain conditions precedent or awaiting receipt of the drawing request from the borrower. Commitments in equity participations relate to the Issuer's subscription in the capital of companies as set out in Note 26 to the 2015 Financial Statements.

The Issuer has developed a model for off-balance sheet guarantees that allows it to run frequent simulations of drawings of undrawn commitments. This model takes into account off-balance sheet assets to assess and manage liquidity risk.

### Critical Accounting Policies

The discussion and analysis of the Issuer's results of operations and financial condition are based on the Financial Statements, which have been prepared in accordance with IFRS as issued by the IASB. The preparation of these Financial Statements requires management to apply accounting methods and policies that are based on difficult or subjective judgments, estimates and assumptions that were

determined to be reasonable based on circumstances at the time. The application of these estimates and assumptions affects the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as the statement of financial position date and the reported amounts of income and expenses during the reporting period. The resulting accounting estimates could differ from the related actual results. All assumptions, expectations and forecasts used as a basis for certain estimates within the Financial Statements represent good-faith assessments of the Issuer's future performance for which management believes there is a reasonable basis. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### **Key judgments**

The Issuer's accounting policy requires that assets and liabilities are posted at their acquisition cost in the various accounting categories. This requires a detailed and meaningful judgment relating to the: (i) classification and valuation of financial assets pursuant to IAS 39 (loans and debts, equity investments and the investment portfolio); and (ii) review by the Issuer of the recommendations relating to IFRS 10 in order to determine whether there are entities under the Issuer's control that could be consolidated, as well as elements that would justify non-consolidation.

### **Key estimates**

*Fair value assessment of equity investments:* at the close of each accounting period, the Issuer reviews its investment portfolio in order to assess such portfolio's fair value based on financial information available to the Issuer and estimates further changes in fair value and/or the amount of required depreciations. All equity participations are held as financial assets available for sale and recorded at their fair value. Any variation in such fair value shall be recorded as "Other general profit components (OCI)".

*Depreciation of loans and advances:* the Issuer also reviews its debt portfolio and assesses whether there is an objective indication of depreciation on individual loans. For more information, see "*Risk Management—Credit sanctions policy—Procedures for managing non-performing loans*".

*Pension benefits:* the present value of pension benefits is sensitive to financial and actuarial assumptions, including the discount rate. At the end of each financial year, the Issuer determines the appropriate discount rate that should be applied to determine the fair value of accrued pension benefits based on the interest rates on sovereign bonds issued by the WAEMU Member States.

More detail relating to the Issuer's major critical accounting policies and key sources of uncertainty relating to estimates is set forth in Note 2.19 to the 2015 Financial Statements and Note 2.19 to the 2014 Financial Statements, included elsewhere in this Prospectus.

## **RISK MANAGEMENT**

The Issuer, being a supranational financial institution, is not subject to any regulatory supervision, including by any national body or by the *Commission bancaire de l'Union monétaire Ouest Africaine*. The conduct of its operations is vested with the Board of Directors, which closely monitors directly or through its Audit Committee the Issuer's performance, risk profile and capital adequacy.

The Issuer has adopted and implemented procedures and processes to quantify, monitor and manage its measurable risks (credit risk, market risk, liquidity risk and operational risk) adapted to its activities, its means and its organization, and integrated into its internal management controls. Management monitors principal risks through specific committees, such as Commitments Committee, the Asset/Liability Management (ALM) Committee, the Credit Committee and others.

Lending risk management covers lending risks, financial risks, operational risks and other legal and due diligence risks. In connection with such risk management, the Issuer has undertaken risk mapping since 2013.

### ***Credit risk management***

#### ***Project cycle and commitment and risk management unit***

BOAD's project cycle includes several review and selection phases carried out by the Project Approval Committee (CAG) and the Commitment Committee. Key phases of investigation and supervision of an investment project include: identification, initial review, portfolio entry, assessment, negotiations, signing of a financing agreement, project implementation and ex-post evaluation. Risks are identified throughout the cycle, following an iterative process. This cycle allows for a shared vision with the project sponsor on project execution, as well as constant monitoring of the operation being financed. In addition, it allows the Issuer to review the lessons learned and to integrate them into its process for future investments. For more information about the Issuer's committees, including membership and frequency of meetings, see "*Management and Governance*".

#### ***Project identification***

Each project proposal is submitted to the Issuer, whether at its Headquarters or one of the Resident Missions, by the borrower or project sponsor. The Issuer may itself also identify a project in the course of an exploratory mission, in connection with which teams are sent on site to meet with promoters and lenders to investigate projects requiring financing.

#### ***Initial review***

The actual preparatory inquiry into an investment project by the Issuer starts with the receipt of a formal request for funding accompanied by a dossier containing all relevant information relating to the project.

The team responsible for the appraisal of non-commercial and public sector projects then prepares a preliminary memorandum, highlighting the strengths and weaknesses of the project and other key information (name and registered office, promoter, organization and management of the project, cost and financing plan, analyzing the financial position and project profitability, setting out any outstanding or follow-up issues, etc.). The approval of the memorandum by the relevant department concerned precedes portfolio entry of the project.

With regard to loan applications from the private sector, a project brief is attached to an anti-money laundering/terrorism financing/bribery file and submitted to the Approval Committee which then

decides on whether or not to continue reviewing the request, taking into account the opinion of the relevant Resident Mission on the project, if such request was generated by the relevant Resident Mission. It is after this stage that a portfolio entry is established.

#### *Portfolio entry*

After reviewing the portfolio entry file submitted by the department handling the request, the Commitments Committee will make recommendations to the Office of the President to either accept or reject the project.

#### *Project evaluation*

A multidisciplinary team set up by the Issuer carries out the project evaluation. The evaluation report is then reviewed by the relevant department and by the Commitments Committee which will either recommend the continuation, suspension or rejection of the project proposal. During the review of the project evaluation report, the Commitments Committee takes note of a second opinion of the risk management unit based on its rating at the commencement of operation. See “—*Credit Sanctions Policy—Risk assessment and credit rating system of the Issuer*”.

#### *Financing negotiation and decision*

The preparatory inquiry into a financing request continues to the next stage which includes the negotiation of the financing and other contents relating to the project between the promoter and the Issuer.

As discussed below, the decision whether or not to finance the project is then taken by the Board of Directors (which meets every three months) or the Credit Committee (in the case of a project requiring more urgent approval). The Board of Directors and the Credit Committee comprise the same members.

#### *Disbursements*

After the signing of the relevant loan and/or other agreements, disbursements to finance a project are made when the loan conditions have been met and a non-objection certificate has been issued by the Issuer regarding the relevant project. Such non-objection certificate relates to certain structural conditions of the project having been met, as confirmed by the relevant project participants. On the basis of this confirmation, the Issuer issues the non-objection certificate,

#### *Supervision and monitoring-evaluation of project outcomes*

The project implementation phase includes periodic supervision of its technical, financial and environmental aspects.

Upon completion of the project, and within an average of six months from the date of completion or notice of final disbursement of the loan, the Issuer is required to prepare a project completion report.

The Issuer then carries out monitoring and evaluation of the project at various stages of the project cycle, including the establishment of benchmarks of various indicators (based on visits to the project sites, a review of calls for bids, problems encountered by the project sponsor, etc.) that will be regularly updated.

The project performance audit, which is the final stage in the project cycle, examines the impact of the outcomes and other project objectives and draws lessons for future project investments. This is usually done two to three years after project completion or after final disbursement.

### ***Unit in charge of commitments and risk***

The general organization is based on a lending process, which separates commercial business lines handled by the project finance directorates, from commitment lines handled by the Commitments and Risks Directorate (**CDR**).

The unit responsible for commitments and risks issues an independent opinion ("second opinion") on all proposals submitted to the Board of Directors, thus contributing to an informed selection of investments to be financed by the Issuer. This unit is an independent entity at the Issuer and is separate from the CDR. It develops and periodically updates policies and processes for the management of lending, market and operational risks and supervises their implementation. The unit also contributes to the implementation of procedures for the recovery of impaired assets.

### **Intervention and commitment limits**

The Issuer is not subject to any prudential or other regulation of any national or supranational body. The Board of Directors approves all funding requests regardless of the amount requested, while ensuring that it remains within BOAD's financing limits. The Credit Committee is, however, mandated to approve requests from the private sector that do not exceed FCFA 5 billion (€7.6 million), if such financing requests are considered urgent. It is also expected that the minimum tax-exclusive cost of a project seeking direct funding from the Issuer should be FCFA 3 billion. For further information, see "*Description of the Issuer—Sources of funding*".

BOAD has prudential limits for each of its financings. Such limits were reviewed in June 2011 after the Issuer had adopted IAS/IFRS accounting standards and are described below.

The Issuer's commitments in each of the WAEMU Member States are below the threshold of 200% of basic own funds (excluding FDE).

### ***Exposure limits for loans***

The exposure limit for public sector loans, per transaction, is fixed at 10% of the Issuer's basic own funds (comprising paid-in capital plus reserves and assimilated funds) (excluding FDE). The Issuer's Core Tier 1 capital comprises paid-in capital plus reserves and any IAS/IFRS adjustments which impact equity. The balance of the FDE's capitalized initial endowment has not been included for the purposes of the calculation of the Core Tier 1 capital used to calculate exposure limits.

In terms of its public sector commitment, representing outstanding plus undisbursed amounts (all transactions combined, which equals the share of undisbursed loan commitments and equity investment plus outstanding loans, equity investment and guarantees), BOAD limits its risk to State borrowers to 100% of its basic own funds (excluding FDE), and its risk to commercial public sector entities to 50% of its basic own funds (excluding FDE).

As of December 31, 2015, the Issuer's basic own funds (excluding FDE) amounted to FCFA 332,517 million.

The exposure limit for private sector loans, per transaction, is fixed at 10% of basic own funds (excluding FDE), except for indirect funding through NFIs and organizations that promote SMEs as well as direct loans to privatization project companies, regional projects, mining and energy sector projects, which have a 15% ceiling, per transaction. Furthermore, private sector loans obtained directly from the Issuer cannot exceed 50% of the total tax-exclusive cost of the project. The limitation for the private sector, which was historically approximately 5%, increased to 10% in 2011 so as to contribute more to the financing of key projects, whereas the 15% limitation noted above remains in place.

The Issuer's commitment towards each private sector borrower (all transactions combined) is limited to 15% of its basic own funds (excluding FDE), except for NFIs and organizations that promote SMEs, privatization project companies, regional projects and mining and energy sector projects (all such transactions combined), where the limit is 20% of basic own funds (excluding FDE).

Commitment levels per borrower in the commercial and private sectors had all always been complied with as of December 31, 2015. The exposure limit per individual borrower is limited to 25% of the Issuer's basic own funds (excluding FDE) with overall exposure limited to ten times the Issuer's basic own funds (excluding FDE). There is currently no commitment in the public or private sector with an outstanding individual risk greater than or equal to 25% of basic own funds (excluding FDE), representing FCFA 83 billion as at December 31, 2015.

The overall exposure limit per sector is fixed at 150% of the Issuer's basic own funds (excluding FDE) for sectors such as NFIs, water and energy (electricity, gas, hydrocarbons) and 100% for other sectors. As at December 31, 2015, the overall volume of the Issuer's risks in various sectors was below such thresholds.

Geographically, the Issuer cannot commit more than twice its basic own funds (excluding FDE) to any WAEMU Member State, all operations combined.

For a breakdown of the composition of capital of the Issuer as at December 31, 2013, 2014 and 2015, see "*Risk Management—Capital adequacy*".

#### ***Exposure limits for equity participations***

The Issuer's exposure to equity participations is limited per transaction and per company to 10% of the Issuer's basic own funds (excluding FDE) for projects undertaken by NFIs and SME promoting organizations, privatization projects, regional projects and those in the mining and energy sectors. For other projects, the limit is fixed at 5% of the Issuer's basic own funds (excluding FDE).

An equity participation cannot, in any case, exceed 25% of the capital of the relevant company. For projects where the Issuer is the principal sponsor, 100% of the capital of the company can be temporarily held at 100%; however, the Issuer will be expected to scale the level down to 51% as soon as reasonably possible, with a clear and comprehensive exit strategy.

The limit in terms of overall volume of equity investments is fixed at 50% of the Issuer's basic own funds (excluding FDE). The ratio was improved by 33% as at December 31, 2014 and 30% at December 31, 2015 whereby total paid-up capital and undisbursed commitments amounted to FCFA 101 billion as at December 31, 2015.

#### ***Exposure limit for financial guarantees for securities and short-term financing***

The Issuer's short-term financing consists of loans for a maximum period of two years, such as seasonal credit to farmers, bridging facilities, advancing funds that have been previously agreed with a State but not yet paid out and standby letters of credit.

The exposure limit for financial guarantees for securities and short-term financing per transaction and per borrower is fixed at 15% of the Issuer's Core Tier 1 capital. The exposure limit for short-term cash financing (resulting in disbursements), per transaction and per borrower, is fixed at 10% of the Issuer's Core Tier 1 capital.

The exposure limit for the overall volume of all financial guarantees for securities and short-term cash financing is 50% of the Issuer's basic own funds (excluding FDE). As of December 31, 2015, this

aggregate volume amounted to FCFA 127,595 million, representing 77% of the Issuer's basic own funds (excluding FDE).

The Issuer will only exceed the above limits when the underlying project justifies the risk. Analyses of the impact of an exposure are done on a case-by-case basis when evaluating the projects submitted for funding.

### **Credit sanctions policy**

Upon entry into force of a loan agreement, a provisional loan amortization schedule is communicated to the borrower. About a month before each scheduled payment date, a reminder is sent to the borrower with a copy sent to BOAD's Resident Mission in the relevant country of the borrower to ensure close monitoring of the actual payment. If there is any payment default by the borrower, reminders are sent and, if all attempts to obtain payment are unsuccessful within three months, the Issuer's sanctions policy will be applied.

The type of sanction applied depends on whether the loan was granted to or guaranteed by a WAEMU Member State, or to a private entity.

For loans granted to or guaranteed by WAEMU Member States, the sanctions policy stipulates that a formal demand for performance is sent two months after the due date. The relevant WAEMU Member State is given a three-month grace period during which payment can be made without incurring late payment fees; however, it is also notified that if repayment is not made, the Issuer will discontinue funding any project within the relevant WAEMU Member State.

Any further disbursements will then be suspended on unpaid loans three months after the default, and financing of the entire project will be stopped four months after the default. As from the fifth month after the default, no new loan requests from the defaulting WAEMU Member State will be accepted by the Board. As from six months after the default, all financing operations requiring approval of new loans to the WAEMU Member State or to a third party with the benefit of sovereign guarantee from such State, are suspended.

These sanctions are seen by the Issuer as a powerful deterrent, strongly encouraging WAEMU Member States to honor their commitments. Recent cases of application of these sanctions are set out in the table below.

<u>Country</u>	<u>Year of sanction</u>	<u>Sanctions</u>	<u>Reason for the sanction</u>	<u>Outstanding</u>	<u>Outstanding listed</u>	<u>Outcome</u>
<b>Republic of Côte d'Ivoire</b>	2011	Suspension of disbursements and non-submission of approval document for public and public sector loans	Post-election crisis	FCFA 2,668 million including FCFA 833 million for the State as at 31/03/2011	FCFA 61,503 million as at March 31, 2011	Ivory Coast paid in June 2011, while other borrowers paid during 2011. Disbursements resumed in July 2011 after the crisis.
<b>Republic of Niger</b>	2013	Suspension of disbursements on all public sector loans	Outstanding on loans granted to SONITEL (state	FCFA 1,600 million	FCFA 6,879 million	In March 2014, SONITEL's debt was taken over by the State of Niger

<u>Country</u>	<u>Year of sanction</u>	<u>Sanctions</u>	<u>Reason for the sanction</u> (corporation)	<u>Outstanding</u>	<u>Outstanding listed</u>	<u>Outcome</u>
<b>Republic of Guinea Bissau</b>	2014	Suspension of disbursement and non-submission of proposals for new approvals for public and private sector loans	Outstanding on loans granted to Guinea Bissau	FCFA 1,410 million (as at October 31, 2014)	FCFA 44,905 million	and the outstandings were cleared. Disbursements to the State have resumed. Republic of Guinea paid FCFA 500 million while the remaining FCFA 909 million was rescheduled over 36 months at 25.25 per month from January 2015. Sanctions have been lifted.

Previous loan repayments by all of the WAEMU Member States have been satisfactory, in that no non-commercial loan has been classified as bad debt in the Issuer's accounts. The exception to this was in 2000 when the WAEMU Commission eventually decided to settle arrears (FCFA 5 billion) to the Issuer on behalf of a defaulting State. However, such intervention of the WAEMU Commission is exceptional and is not part of the normal policy of the WAEMU. The long tradition of good debtor states and the Issuer's de facto status as a preferred creditor, has historically assisted the Issuer in recovering loans from WAEMU Member States. Sanctions have been imposed by the Issuer only in very rare cases to WAEMU Member States that had historically repaid loans on time but which, due to a political, economic crisis or administrative bottlenecks, have failed to repay their existing loan on time. The exception to this was in 2000 when the WAEMU Commission eventually decided to settle arrears (FCFA 5 billion) to the Issuer on behalf of a defaulting State. However, such intervention of the WAEMU Commission is exceptional and is not part of the normal policy of the WAEMU.

In the case of private sector loans, as in the case of loans to or bearing a sovereign guarantee by WAEMU Member States, the notice for performance is issued two months after the due date for the payment of principal and interest. Any further disbursements are then suspended three months after the default, after which the process of enforcing any security may begin after prior notice has been issued.

### ***Risk assessment and credit rating system of the Issuer***

The Issuer has established a risk rating system to ensure regular monitoring of projects in the commercial sector. The process of internal rating of commercial projects was adopted in 2002 and reviewed in 2010 with the automation of an internal credit rating tool.

The Issuer does not apply any internal credit rating tool to the non-commercial sector (comprising loans to sovereigns). There is almost no past due outstanding debt for the WAEMU Member States because their recovery rate was 100% at the end of each of the five-year observation period. Due to the historical prompt settlement by WAEMU Member States (which have historically conferred the Issuer a de facto "preferred creditor status"), their payment of penalties for past due outstanding debts

and the possibility of redress by political and institutional instances, the Issuer has a 100% recovery rate for sovereign loans. See “—*The Issuer believes that it has historically benefited from de facto “preferred creditor status” from each of the WAEMU Member States, however there can be no assurance that the Member States will in fact pay their respective debts to the Issuer in priority over other creditors or at all, which may result in a material adverse effect on the Issuer’s financial results and operations*”. Under IFRS standards, provisions are made only when there is evidence showing doubtful debt recovery. As a result, it has not been necessary to take provisions on loans to or bearing a sovereign guarantee by one of the WAEMU Member States.

For commercial projects that the Issuer plans to finance (loans, equity, securities), the initial credit assessment by the risk management unit is based on a rating (prior to funding) and/or issuance of a second opinion, if it involves a job creation project or a first assistance to an existing company. If it is an existing relationship in the Issuer’s portfolio, an assessment and rating (after funding) will be applied. The rating is based on quantitative and qualitative data of the type of projects: business (corporate) or bank (financial institution).

The rating method used includes an assessment of security for the credit exposure such as the availability of adequate mortgage, collateral, cash, etc. The value of the collateral is determined separately in order to assess the probability that the loan can be recovered. Given the fact that equipment trusts and professional facilities are difficult to estimate, BOAD’s provisioning model applies a zero value for collateral for this type of financing. An appraisal is however made with respect to the first demand guarantees and financial guarantees.

The internal rating system is based on a scale of 1 to 8, where 1 represents the lowest level of risk and 8 represents the highest level of risk and where loans generally have arrears of six months or more. For risks rated 7 with outstanding debts of less than six months, the internal risk procedures manual provides an optional provisioning depending on the causes of default (*e.g.*, degraded environment that may improve in the short term). No specific provision is made for loans with a risk rating of 1 to 6 because their financial situation is still considered satisfactory and they do not appear to have any payment delays. The ratings are reviewed at least once a year.

The Issuer’s integrated risk management system is based on Basel II and covers management of credit, market and operational risk. It is being implemented as part of the process to modernize the Issuer’s control mechanisms with the aim of allowing for better risk management efforts based on the levels of project risk.

### **Procedures for managing non-performing loans**

Key considerations in this area include:

- any debt in arrears longer than three months from the due date is considered a bad debt to be written down and provisions in respect of such a loan are recorded; and
- any debt on a project with a risk rating of 7 shall be considered a loan likely to be impaired, even in the absence of arrears of more than three months, if objective events indicate a risk of non-payment.

Such provisioning is consistent with IFRS that prescribes the “fair value” concept, which requires a debt to be written down and provided for where there is every indication that part of the debt cannot be recovered even if there has been no actual default.

The Issuer has an internal policy with respect to the recovery of arrears that was approved by the Board of Directors. The Head of the Resident Mission in the country concerned also meets with the

promoter as part of the recovery attempt, if necessary. For further information, see “—*Credit sanctions policy*” above.

A committee for management of projects in difficulty (**CGPD**) chaired by the President of BOAD, meets quarterly to take decisions about each outstanding debt.

Supervisory missions carried out frequently by the Issuer have made it possible for the Issuer to meet the promoters and find solutions in defaulting debt scenarios. Amicable recovery and restructuring are done in consultation with the Directorate for Commitments and Risks, which is responsible for monitoring the Issuer's loan portfolio. When all amicable means of recovery have been exhausted, the case is referred to the Issuer's Legal Affairs Department.

The procedures incumbent upon the Legal Affairs Department in charge of litigation, are contained in the manual for monitoring and collecting defaulted debts and loan restructuring. These include:

- receiving the pre-litigation files submitted by the Commitments Department;
- drafting and sending a reminder followed by a formal notice to the defaulting borrower;
- managing relations with the guarantor or surety, if any;
- taking steps for the judicial recovery of debts, in case all other attempts fail; and
- enforcing and monitoring the process of realizing the collateral security provided to the Issuer, if any.

If negotiations concern a restructured loan and if the terms of the restructuring are met, the case is forwarded to the appropriate unit and the commitments and risks committee.

Loans are written off after all amicable and/or legal channels have been exhausted (and when all collateral securities (if any) have been realized).

### **Impairment and provisioning policy**

Until 2010, the Issuer had individualized impairment provisions and general provisions based on a percentage of the outstanding amount of any loans and securities. For lending activities, the general provision was 1% of the outstanding FDC Window loans and 3% of the outstanding loans from the Bank Window. For securities, however, the general provision was 3% of the nominal amount.

With the adoption of IAS/IFRS financial reporting standards by the Issuer in 2010, receivables are now subject to individual depreciation only when there is objective evidence of the existence of an event that occurred after the granting of the loan that may cause a measurable loss. In such cases, there is no longer any provision for contingencies for general banking risks. The new provisioning policy is based solely on an individual estimate of losses incurred on loans, equity investments and loan guarantees which are directly linked to the rating of the borrower involved.

The Issuer does not make any specific or general provision for non-commercial loans, and does not assign internal credit ratings to borrowers in the non-commercial sector. See “—*Risk assessment and credit rating system of the Issuer*”.

Individualized depreciation of commercial debts is done by comparing the current net asset value of estimated future recoverable cash flows (defined as the flow of future payments, discounted at the loan interest rate, to which the recovery rate is applied (based on historical payments) plus actualized expected recovery of collateral (if any)) and the carrying value of the debt. The calculation of net asset

value of future recoverable cash flow is based on determining the following, for each accounting period closing and each loan in default:

- expected cash flows generated by the business of the borrower;
- estimated value of each collateral obtained, if any;
- estimated realization time for the enforcement of the collateral, if any.

Based on these data, the value of future cash flows, discounted at the interest rate charged on the loan, is calculated and the difference between such amount and the nominal amount of the loan is added to the interest due.

### *Loans and credit facilities*

The amount of the depreciation provision is equal to the difference between the current value of expected future cash flows and the carrying value in the Issuer's books. This discounting affects the income of the Issuer. The valuation method used for each exposure to defaulted loans and debts to be impaired takes into account the following:

	Disbursed but outstanding amounts:
+	Previously capitalized interest and costs
-	Estimated recoverable amount on first demand as well as present value, which takes into account the time period before recovery (time value of money)
+	Uncapitalized costs and accrued interest payable
-	Capitalized value of expected payments from borrower
-	Discounted amount on mortgage guarantees payable with an accurate estimate taking into account the recovery dates (the Issuer retains a zero value if it is not possible to estimate this value)
-	Discounted amount of estimated recovery of medium-term assets provided as collateral (the Issuer retains a zero value if it is not possible to estimate this value)
-	Present value of any future cash inflows, which can be estimated reasonably and accurately (insurance payments, final payments on liquidation, non-recurring income from the loan in question)
=	<b>Exposure (outstanding accounts) of the loan</b>

See Note 21 – 1.3.3 (b) of the 2014 and 2015 Financial Statements for a breakdown of bad debts by sector and by country, together with provisions recorded.

### *Equity participations*

Equity securities held by the Issuer are recognized under IFRS in the "Assets Available-For Sale" line item. The valuation principles are as follows.

- Valuation of listed shares
  - On initial assessment, the securities are recorded at fair value, which corresponds to the purchase value; and
  - On a subsequent assessment, the securities are valued according to the two following valuation options depending on whether the securities were acquired more or less than 24 months prior to the valuation date.
- Valuation of unlisted shares
  - On initial assessment, the securities are valued at their purchase price.
  - Subsequent valuations are made as follows depending on whether the securities were acquired more or less than 24 months prior to the valuation date:
    - Valuation of securities acquired less than 24 months before the valuation date:

- i. Recently acquired securities in an entity in which an equity investment is being made for the first time are valued at the purchase price which, in the short term, reflects the fair market value of such entity.
  - ii. Recently acquired securities in an entity in which equity investments have been made previously are valued using the method of valuation applied to the valuation a holding of the existing shares.
- Valuation of securities acquired more than 24 months before the valuation date:
  - i. Valuation following a recent transaction with the held entity: such valuations are based on the value of the actual transaction.
  - ii. Valuation of securities that have received a firm payment offer: such valuations are based on the value of the offer.
  - iii. In the absence of a recent transaction or a firm offer, the valuation is made using models and the comparable approach.
  - iv. In the absence of a recent transaction, a firm offer or the ability to use models and the comparable approach, the valuation is based on the parity value.
- Impairment of equity investment

*Criteria for impairment of listed shares*

Apart from the ability to determine depreciation by output based on a qualitative analysis of specific indicators in an "expert opinion", the criteria for the assessment of depreciation include:

- i. Securities having decreased more than 50% in value based on the closing price on the date of reporting compared to its statement of financial position value; or
- ii. Securities having decreased more than 30% in value in more than three years compared to its statement of financial position value:

Where there is evidence of depreciation, the loss on the security is automatically recorded in statement of comprehensive income.

*Criteria for impairment of unlisted shares*

Besides the possibility, using meaningful indicators, of triggering a documented qualitative analysis for the valuation of a security, the value loss index is determined if there is depreciation of over 50% between value of the securities on the statement of financial position and the value obtained using (i) the price of the last transaction; (ii) the price of a firm payment offer; (iii) discounted cash flow; (iv) an EBITDA multiple of listed comparable, (v) revaluated net asset or (vi) parity value. Depreciation corresponds to this loss in value.

***Guarantees for bond issues and commitments by signature***

A guaranteed bond, according to IAS/IFRS 39, is a financial liability to assess at the amortized cost by using the effective interest rates formula compared to the initial book value. The formula used to

depreciate this value is the same as is used for loans in the event of default by the principal debtor to the guarantor if it had been a direct lender. Thus, the amount of exposure (the debt) is equal to the amount covered by the guarantee minus repayments already made and expected future income under the guaranteed bond but increased by unpaid interest and accrued interest not due.

### **Market risk management**

The Issuer's market risks include interest rate, foreign exchange and asset/liability matching risks. These risks are assessed through the ALM Committee, which also recommends remedial actions to optimize the balance between the risks and profitability of the Issuer.

The ALM Committee meets quarterly to assess the Issuer's market risk and income sensitivity with respect to changes in interest rates.

According to its financial management policy, the Issuer's financing gap (a mismatch of resources and commitments) does not require any remedial measures unless its threshold (10% of net banking income or 1% of equity capital) is reached with a simulated change of 0.5% in interest rates. The Issuer regularly runs such simulations to monitor potential financing gaps and impacts on income. See *“Risk Factors—The Issuer is exposed to market risks, including exchange rate and interest rate risks, and enters into derivative financial instruments to manage such risks”*.

### ***Interest rate risk***

The Issuer generally grants loans at fixed interest rates. The borrowing rates when the Issuer borrows funds on the regional capital markets are also fixed for both internal issues (on the WAEMU market) and external loans (in foreign currency) (from lenders outside the WAEMU region). This policy helps to ensure a better matching of the amount of authorized credit for which resources are available with the same maturity. The Issuer does not accept deposits from private depositors.

The Issuer is exposed to interest rate risks due to a difference in maturity periods between loans made with an average maturity of 10 years and loans received with an average maturity of 8 years (refinancing or reinvestment risk as the case may be). It therefore seeks to minimize the risk by linking its resources and its lending activities.

In addition, the Issuer fixes its lending rates at the beginning of each year for the following 12 months with a semi-annual review and conducts periodic draws on resources, which leads to a spread risk that could be favorable or unfavorable relative to the Issuer's interest rate on loans granted by the Issuer during such period. Measures are taken to raise funds when the market situation is favorable. The Issuer also reserves the right to review its lending rates after six months and/or at the end of the year, which can lead to revisions in lending rates that are not retroactively applicable but will apply to funds that have not yet been disbursed under the Issuer's outstanding commitments (*i.e.*, the Issuer is entitled to adjust interest rates for future interest payments under existing loans).

Interest rate sensitivity is more pronounced on FDC Window activity due to the financing gaps in this activity as a result of the lack of concessional resources.

The Issuer manages maturity risk by taking into account both current disbursed loans and loans granted but not yet disbursed. It does this individually for each of the FDC Window and the Bank Window and cumulatively for both windows combined. Recent analyses (as of December 31, 2015) indicate that:

- assets of the Bank Window and the FDC Window generally have shorter maturities than the liabilities of each of these Windows;

- loans granted but not yet disbursed extended through the Bank Window and the FDC Window have longer maturities than the liabilities of each of these Windows, which amounted to FCFA 1,363 billion as at December 31, 2013, (FCFA 1,406 billion as December 31, 2014 and FCFA 1,313 billion as at December 31, 2015), for a total outstanding loans of FCFA 905 billion (FCFA 1,161 billion as at December 31, 2014 and FCFA 1,349 billion as at December 31, 2015).

The rates of the fixed-rate resources raised by the Issuer are generally lower than the rates of the outstanding fixed-rate loans and commitments extended by the Issuer. Consequently, the Issuer which is necessary to constitute a margin is prone to a refinancing rate risk. However, simulations conducted by the ALM Committee show that exposure limits have not been reached.

The Issuer also manages its interest rate risk by ensuring better maturity periods for the financing it extends and a better risk pricing policy. See “*Description of the Issuer—Operations—Financing Windows—FDC Window*”.

### **Foreign exchange risk**

Exchange risk relates to the possibility of recording losses due to an unfavorable exchange rate on the market. The exchange risk arises out of the fact that a portion of loans are issued in foreign currency (other than the euro), while the statement of financial position is presented in FCFA, which can result in losses in the event of adverse changes in certain currencies against the FCFA or the euro. As of the date of this Prospectus, an exchange risk margin is incorporated into interest rates to address adverse currency fluctuations.

The Issuer’s currency risk policy prioritizes borrowings in local currency (FCFA) and euro (fixed parity with FCFA). The Issuer's debt structure as at December 31, 2015 was as follows:

<b>Currency</b>	<b>Amount in the relevant currency</b>	<b>Exchange rate as at 12/31/2015</b>	<b>Outstanding (in FCFA)</b>	<b>% of non-euro non-FCFA</b>	<b>% of non-FCFA</b>	<b>% of TOTAL</b>
<b>JPY</b>	—	—	—	0.00%		
<b>USD</b>	11,177,055.64	602.5100	6,734,287,792	8.61%		
<b>SDR</b>	82,681,686.90	834.9220	69,032,759,394	89.78%		
<b>CHF</b>	1,886,579.91	605.4100	1,142,154,345	1.61%		
<b>TOTAL non-euro</b>			<b>76,909,201,531</b>	100.00%	<b>18%</b>	<b>8%</b>
<b>Euro</b>	523,561,955.60	655.9570	<b>343,434,129,711</b>		<b>82%</b>	<b>36%</b>
<b>TOTAL non-FCFA</b>			<b>420,343,331,242</b>		<b>100%</b>	
<b>FCFA issuance</b>			<b>543,428,354,500</b>			<b>56%</b>
<b>TOTAL Borrowing</b>			<b>963,771,685,742</b>			<b>100%</b>

The Issuer’s current mechanism for exchange rate protection includes applying a 0.15% margin on interest rates charged to borrowers in order to protect the Issuer against any exchange rate losses on foreign currency (other than the euro) borrowings (until 2014, the margin was 0.25 basis points). With the adoption of IFRS, the fund which absorbs exchange rate profits and losses (the "exchange hedging fund"), a historically separate fund, was integrated into the Issuer’s capital.

In addition, negotiations on currency futures contracts with financial institutions are underway in order to ensure better management of the Issuer’s exchange risk. These contracts will be used to convert into euro to the extent possible all non-euro or non-FCFA exposures. During the fourth

quarter of 2015, the Issuer entered into hedging contracts to cover all of its borrowings denominated in SDR and in USD.

The Issuer is more sensitive to fluctuations in SDRs, which represent a substantial part of the outstanding debt in foreign currency that is not denominated in euro. Resources granted to the Issuer by the IDA are recorded in SDRs.

### ***Liquidity risk***

Liquidity risk refers to risks that could arise due to differences between the average term of loans and those of the Issuer's funding. The Issuer's liquidity policy is to hold 9-12 months' net cash requirements. The Issuer measures its liquidity coverage ratio (LCR) in accordance with Basel III standards. See "*Risk Factors—The Issuer is exposed to liquidity risk*".

### ***Operational risk management***

Operational risks include risks that the Issuer could be exposed to, in addition to credit and market risks. These include the risk of loss resulting from inadequate or failed internal processes, personnel and systems or from external events.

The Issuer's operational risk management process is relatively new. It began with the development of the comprehensive mapping of the Issuer's operational risks and commencement of incident reporting in 2013. The Issuer's mapping is upgraded as and when incidents are reported.

The Issuer's operational risks are monitored by the operational risk management unit, which works together with the operational risk correspondents appointed by departments of the Issuer. In addition, a handbook on procedures and a charter of operational risk correspondents have been developed.

The management process guides risk management efforts based on the level of priority of the risks and the appropriate internal control measures to enhance control operations.

The process is designed so that incidents will be compiled progressively so as to obtain a base of losses over several years and to identify the various types of risk in order to better analyze them. Management believes that the macro processes with the greatest risks are: risk of financing operations based on false or fraudulent information; legal risk hampering the enforcement of collateral or guarantees; evaluation of anti-money laundering (AML) procedures of local partner banks; conflicts of interest and corruption between officials of the Issuer and borrowers; error and intent to harm and the obsolescence of IT platforms.

With regards to IT risks, the Issuer has an information system security policy (PSSI), a BCP and an IT disaster recovery plan (PRI), all of which are periodically tested.

To address the risk of possible fraud and corruption in its operations, the Issuer has adopted a policy and established a procedures manual for prevention and control. The Issuer's commitment to fight fraud and corruption is also reflected in the relevant provisions contained in the procedures governing its activities and operations including the rules regarding procurement of goods and services on funded projects, guidelines on procedures for disbursement of funds, various clauses regarding cybersecurity in its financing agreements and contracts, statutes, staff regulations and a code of ethics. An ethics committee was also set up to oversee actions in the fight against corruption and fraud.

## Capital adequacy

In addition to the Issuer's internal mechanisms such as exposure limits per commitment, the Issuer has assessed its capital adequacy using rules established by Basel II Standard Approach.

Changes in net actual own funds under Basel II available to cover operational, exchange and lending risk, as at December 31, 2013, 2014 and 2015, is provided in summary as follows\*:

<i>(FCFA millions)</i>	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<b>(excluding</b>	<b>(including</b>	<b>(including</b>
	<b>FDE)</b>	<b>FDE)</b>	<b>FDE)</b>
Paid-in capital and reserves (a) .....	293,493	567,277	582,517
Additional Tier 1 funds (b) .....	33,349	34,894	36,219
Other reserve in fair market value of securities available for sale (c) .....	—	16,442 <sup>1</sup>	13,475
<b>Net actual own funds (Core Tier 1 capital) = a+b+c .....</b>	<b><u>326,842</u></b>	<b><u>618 612</u></b>	<b><u>632,211</u></b>

<sup>1</sup> Variation relates to a change in valuation methodology implemented in 2014, which takes into account the change in fair value in equity. For the calculation of risk-weighted assets, equity investments were considered at fair value (and not at historical cost).

\* Capital adequacy calculations in accordance with Basel II differ from the IFRS calculation. See Note 13 to the 2015 Financial Statements for a calculation in accordance with IFRS.

The table below summarizes the composition of capital of the Issuer as at December 31, 2013, 2014 and 2015.

<i>(FCFA millions)</i>	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<b>(excluding FDE)</b>	<b>(including FDE)</b>	<b>(including FDE)</b>
1. Capital and assimilated funds .....	148,856	165,914	173,690
Paid-in capital .....	148,856	165,914	173,690
2. Reserves and assimilated funds .....	<b>144,637</b>	<b>401,363</b>	<b>408,827</b>
<b>A. Basic own funds (= 1+2).....</b>	<b>293,493</b>	<b>567,277</b>	<b>582,517</b>
3. Bonus funds .....	29,144	28,097	28,767
4. Development study funds .....	4,029	7,277	7,277
5. EIB Margin 2010, 2011 and 2012 .....	175	175	175
<b>B. Additional own funds (= 3+4+5) .....</b>	<b>33,349</b>	<b>35,549</b>	<b>36,219</b>
<b>C. Other reserve in fair market value of securities available for sale .....</b>	—	16,442 <sup>1</sup>	13,475
<b>D. Total own funds (A+B+C).....</b>	<b>326,842</b>	<b>618,612</b>	<b>632,211</b>
<b>Total qualifying Core Tier 1 capital (= A+B+C).....</b>	<b>326,842</b>	<b>618,612</b>	<b>632,211</b>

<sup>1</sup> Variation relates to a change in valuation methodology implemented in 2014, which takes into account the change in fair value in equity. For the calculation of risk-weighted assets, equity investments were considered at fair value (and not at historical cost).

Capital adequacy under Basel II is measured by compliance with the internationally accepted solvency ratio, which calculates the minimum equity required to cover risks weighted on and off the statement of financial position.

According to calculations based on the Basel II framework, the solvency or capital adequacy ratio, corresponding to the coverage of all the risks by Core Tier 1 capital as at December 31, 2015 was 29%, including the initial FDE resources (under the standard approach of Basel II), with a minimum requirement of 8%). As such, the Issuer's capital adequacy is in line with its commitments. The Issuer's capital adequacy target is to always exceed 15%.

The Issuer's capital adequacy ratio measures the ratio of capital against the risk weighted asset values for credit, market and operational risk, where capital includes Tier 1 and Tier 2 capital (revaluation reserves, non-repayable grants, subordinated perpetual securities and subordinated debt with an initial maturity of five years. As of the date of this Prospectus, the Issuer does not hold any such components of Tier 2 capital.

#### *Determination of risk weighted assets*

*Credit risk:* risk weighted assets are calculated according to the Basel II standardized approach. The Issuer's potential exposure in an event of default is calculated for each loan and is equal to the sum of (i) 100% of the amount outstanding net of provisions; (ii) 50% of undisbursed amounts on current loans; and (iii) 100% of outstanding guarantee. For equity investments, the Exposure at Default (EAD) is equal to the sum of (i) 100% of the fair value and (ii) 50% of the undisbursed amounts. For tangible and intangible assets, EAD is equal to the balance sheet value.

*Weighting risk rate:* Using the Basel II standardized approach, the weighting risk rate used is 100% for unrated counterparties by a recognized external credit assessment organization.

*Operational risk:* the Issuer's business is divided into four categories: (i) commercial banking, (ii) corporate finance, (iii) capital markets activities and (iv) asset management. Each of these business lines is assigned an activity indicator and a  $\beta$  factor representing the proportion of losses attributable to operational risk for that business line.

*Market risk:* the Issuer calculates market risk according to the value at risk (VAR) methodology at a threshold of 99% at 10 days, based on the historical daily variations in exchange rates recorded in the last financial year.

The table below sets forth the Issuer's calculation of its capital adequacy for the years ended December 31, 2013, 2014 and 2015.

<i>(FCFA millions)</i>	<b>As at December 31,</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Credit risk</b>			
<b>(Basel II standardized approach)</b>			
Gross outstanding sovereign risk	503,351	728,596	892,309
.....			
Gross outstanding non-sovereign risk.....	401,167	432,708	456,865
Provision for impairments .....	(22,335)	(25,732)	(24,931)
<i>Net outstanding loans</i> .....	<u>882,183</u>	<u>1,135,572</u>	<u>1,324,244</u>
Amounts to be disbursed on sovereign risk.....	752,845	877,102	869,558
Amounts to be disbursed on non-sovereign risk .....	609,808	529,329	443,755
<i>To be disbursed on loans</i> .....	<u>1,362,653</u>	<u>1,406,431</u>	<u>1,313,313</u>
Credit equivalent (CEQ) .....	0.5	0.5	0.5
Exposure at default (EAD) on loans = outstanding amount + CEQ x amounts to be disbursed = (1).....	1,563,510	1,838,788	1,980,901
EAD on guarantees = (2) .....	33,490	33,548	22,140
<b>EAD on loans = (3) = (1) + (2) .....</b>	<b><u>1,597,000</u></b>	<b><u>1,872,336</u></b>	<b><u>2,003,041</u></b>
Gross outstanding participations.....	53,858	55,607	74,891
Provision for impairments .....	(5,837)	(5,883)	(10 243)
Other reserve in fair market value of securities available for sale .....	—	16,442 <sup>1</sup>	13,475
Amounts to be disbursed on participations .....	29,174	36,753	25,441
Credit Conversion Factor (CCF) .....	0.5	0.5	0.5
<b>EAD on participations = (4) = outstanding amount + CCF x amounts to be disbursed .....</b>	<b><u>74,282</u></b>	<b><u>68,101</u></b>	<b><u>90, 843</u></b>
<b>EAD on other assets (non-current assets) (5) .....</b>	<b><u>8,939</u></b>	<b><u>9,053</u></b>	<b><u>8,783</u></b>
<b>EAD on loans, other assets and participations = A = (3) + (4) + (5) .....</b>	<b><u>1,680,221</u></b>	<b><u>1,965,931</u></b>	<b><u>2 ,102, 667</u></b>
<b>Market risk</b>			
<b>(Basel II standardized approach)</b>			
<i>Debt structure</i>			
JPY .....	—	—	—
USD .....	640	4,670	6,734
SDR .....	64,479	66,792	69,033
CHF .....	1,369	1,208	1,142

<sup>1</sup> Variation relates to a change in valuation methodology implemented in 2014, which takes into account the change in fair value in equity. For the calculation of risk-weighted assets, equity investments were considered at fair value (and not at historical cost).

<i>(FCFA millions)</i>	As at December 31,		
	2013	2014	2015
Euro .....	290,675	257,632	343,434
FCFA .....	324,349	549,230	543,428
VAR (99%; 1 day) .....	636	577	13
Capital requirement (CR) (Var ST x (10 <sup>1/2</sup> ) x 3.5) .....	7,043	6,389	144
<b>Risk weighted assets at market risk: 12.5 x CR = C</b> .....	<b>88,038</b>	<b>79,863</b>	1,794
<b>Operational risk (Basel II standardized approach)</b>			
<i>Average amounts</i>			
Average interest received (1) .....	23,382	25,745	29,340
Average commission received (2) .....	2,106	2,313	2,584
Average exchange result (3) .....	646	(168)	(2,379)
Average dividend received (4) .....	2,107	2,138	2,345
Capital requirement .....	4,256	4,505	4,719
<b>Risk weighted assets at operational risk: 12.5 x CR = C</b> .....	<b>53,194</b>	<b>56,306</b>	<b>58,992</b>
<b>Total risk weighted assets at risk = D = A+B+C</b> .....	<b>1,812,513</b>	<b>2,076,605</b>	<b>2 163 453</b>
Base capital .....	293,493	567,277	582,517
Additional capital .....	33,349	35,549	36,219
Net tangible and intangible assets .....	—	16,442	13,475
<b>Total qualifying Core Tier 1 capital = E</b> .....	<b>326,842</b>	<b>618,612</b>	<b>632,211</b>
<b>Capital adequacy ratio = E/D</b> .....	<b>18%</b>	<b>29%</b>	<b>29%</b>
Minimum regulatory ratio .....	8%	8%	8%

The Issuer's capital adequacy policy complies with the Basel II standardized approach, namely to hold equity greater than or equal to 8% of risk weighted assets with an internal target of 15% minimum. The Issuer's capacity to enter into commitments is also related to (i) changes in equity; (ii) resource mobilization opportunities; (iii) its liquidity ratio; and (iv) its debt/equity ratio.

### Anti-Money Laundering and other compliance initiatives

In 2006, the Issuer implemented an anti-money laundering (AML) and terrorist financing risk management process. To help ensure that borrowers with which the Issuer transacts are not involved in money laundering or terrorist financing, the Issuer cross-checks relevant information from multiple sources. The Issuer's financing risk management rests on two distinct principles: (i) the requirement to abstain from conducting business in the case of an embargo or other sanctions and (ii) the requirement to cooperate in the fight against the financing of terrorism by making appropriate declarations with the competent authorities if necessary. As a result, in the case of an embargo or other sanctions, the Issuer takes the appropriate actions so as to avoid breaching such embargo or other sanctions in its capacity as (i) a lender because such embargo could result in a prohibition of the contemplated commercial transaction, (ii) a depository for assets that could be frozen, or (iii) an asset manager of assets that could be frozen.

The Issuer monitors unusual incidents that occur during the implementation of projects and prepares a list of clients and businesses that it considers are high risk, as well as clients suspected to have links with terrorist groups, to be PEPs or to be the subject or target of sanctions.

This financial security function is provided by the unit in charge of compliance. It uses AML procedures to prepare a file on proposals submitted to the Issuer. This is then submitted to the CAG as part of its mandate of preliminary assessment of operations identified by the Issuer.

With regard to the financing of environmental projects, the Issuer has taken steps to obtain accreditation from the GEF, which required the upgrading of its compliance documents relating to fiduciary standards and environmental safeguard policies.

The Issuer has adopted policies and procedures to promote gender, conflict management and information dissemination. It has also established a code of ethics for its staff and the President, Vice-president as well as the other members of the Board of Directors, all in an attempt to further strengthen and foster good governance within the institution.

## CAPITALIZATION AND INDEBTEDNESS

The following table sets forth the capitalization of the Issuer at December 31, 2015, and as adjusted to give effect to the issuance and sale of the Notes before payment of expenses. Investors are encouraged to read this table in conjunction with “*Management's Discussion and Analysis of Result of Operations and Financial Condition*” and the financial statements and notes thereto included elsewhere in this Prospectus.

<i>(FCFA millions)</i>	<b>At December 31, 2015</b>	
	<b>Actual</b>	<b>As Adjusted</b>
<b>Borrowings:</b>		
<i>Debts represented by a security</i> .....	557,266	557,266
The U.S.\$       % Notes due 20 referred to in this Prospectus .....	—	
Bond issues .....	122,058	122,058
BOAD bonds.....	337,701	337,701
Maturities of less than one year .....	83,669	83,669
<i>Other borrowings from external partners</i> .....	423,088	423,088
Borrowings for financing long-term projects.....	360,513	360,513
Borrowings for financing long-term studies .....	506	506
Maturities of less than one year .....	59,324	59,324
<i>Interbank debts</i> .....	34,704	34,704
<b>Total borrowings</b> .....	<b>1,015,058</b>	
<b>Capital and reserves:</b>		
<i>Capital</i> .....	268,746	268,746
Subscribed capital – 21,955 shares .....	1,097,750	1,097,750
Callable capital .....	(821,805)	(821,805)
<i>Share premium</i> .....	2,622	2,622
<i>Reserves</i> .....	462,781	462,781
Reserves transferred for development activities .....	76,050	76,050
Other reserves .....	7,835	13,501
Retained earnings.....	364,390	364,390
Income for the year .....	8,839	8,839
<b>Total Capitalization</b> .....	<b>734,149</b>	

Total capitalization is equal to total borrowings plus capital and reserves.

Between December 31, 2015 and March 31, 2016, the total amount of debt securities and other borrowings increased by FCFA 58,009 million due to an issuance of bonds on the regional capital markets amounting to FCFA 77,405 million and FCFA 19,396 million in repaid loans.

The information in this table is based on the Financial Statements of the Issuer as of and for the year ended December 31, 2015. There has been no material adverse change to the total capitalization of the Bank since December 31, 2015 other than as described above.

## CAPITAL STRUCTURE

### *Capital and shareholding structure*

As at December 31, 2015, the authorized share capital of the Issuer was FCFA 1,155 billion, divided into 23,100 shares of nominal value FCFA 50,000,000 each. As at December, 2015, the Issuer had subscribed capital of FCFA 1,097.8 billion (€1.7 billion), paid-in capital to be paid over time in accordance with a set timetable of FCFA 275.9 billion (€420.7 million) and paid-in capital of FCFA 173.7 billion (€264.8 million). Shareholders of the Issuer include the WAEMU Member States, the BCEAO and certain foreign states and institutions.

The BCEAO is the Issuer's largest shareholder, with 47.11% of the share capital as at December 31, 2015. The BCEAO is also the largest depository of cash deposits from the Issuer. The BCEAO is responsible for managing the relationship with the European Central Bank, the French Treasury and the Banque de France with respect to the convertibility and transferability of the Franc CFA (FCFA). In addition, the BCEAO takes an active role in the operations of the Issuer, disbursing capital, placing treasury assets and providing access to financing; however the BCEAO is not involved in the disbursement of loans provided by the Issuer to the WAEMU Member States. Bonds issued by the Issuer on the regional capital markets can be used for refinancing activities (repo transactions) with the BCEAO. Moreover, the Issuer is authorized under Article 38 of its By-laws to refinance its loans at the BCEAO, the only supranational entity other than the EIB that benefits from such a central bank liquidity support facility.

The Issuer has two classes of shares:

- Category A shares held by regional shareholders: Benin, Burkina Faso, Côte d'Ivoire, Guinea Bissau, Mali, Niger, Senegal, Togo and the BCEAO (the largest single shareholder), which is the central bank and common issuing institution of the WAEMU Member States; and
- Category B shares held by non-regional shareholders: France, Germany, the EIB, the AfDB, Kingdom of Belgium, EXIM Bank of India, the People's Republic of China and the Kingdom of Morocco.

Each category of shares provides for different voting rights and representation rights at the board of directors level.

Each of the WAEMU Member States has two votes, the Governor of the BCEAO (itself controlled by the WAEMU Member States) has half of the total number of votes allotted to the WAEMU Member States, and Category B shareholders have such number of votes as equal a maximum of one third of the total number of votes allotted to Category A shareholders.

The Board of Directors is composed of

- the Chairperson, who chairs the Board;
- two representatives appointed by each of the WAEMU Member States;
- the Governor of the BCEAO or his/her representative;
- the representatives of Category B shareholders, *pro rata* to the capital amount subscribed for by these shareholders, such number of representatives being limited to one-half of the total number of representatives of Category A shareholders. There are currently seven Category B shareholder representatives.

The non-regional shareholders have appointed a total of one-third of the members of the Board, representing a higher proportion than their share of capital (6.31%), which allows them greater representation than their share of ownership, with the decisions in practice being made by consensus. The Issuer believes that the participation in its capital of non-regional shareholders, including developed and emerging countries in Europe and Asia, has enhanced its international reputation and intends to enlarge this base in the future.

The Issuer's share capital has been increased seven times since the Issuer's creation in 1973, most recently in 2010, 2013 and 2014. In 2013, the Issuer's authorized capital was increased by 10%, to FCFA 1,155.0 billion, its subscribed capital was increased by 7% to FCFA 1,009.3 billion and its paid-in capital was increased by 53%, to FCFA 148.8 billion. In 2014, the Issuer's subscribed capital increased by 4% to FCFA 1,050.55 billion and its paid-in capital increased by 11%, to FCFA 165.9 billion. The evolution of the share capital in 2014 is due to the subscription by all WAEMU Member States (except Mali) to the 2013 capital increase.

The callable capital of the Issuer (the portion that has been subscribed but not to be paid until called) serves as "quasi-security" for borrowings that the Issuer contracts, in accordance with Article 37 of the By-laws. If the Issuer defaults on its contractual payment obligations of principal, interest, commissions, fees and charges related to its borrowing, or to meet its payment commitments on loans that it has guaranteed, the Issuer may call the share capital needed by it to meet such obligations. See *"Risk Factors—As at December 31, 2015, the Issuer's subscribed share capital is 25% to be paid-in, of which 15.49% has already been paid. Any failure of one of the WAEMU Member States to pay a portion of paid-in capital that is due to be paid could have a material adverse effect on the Issuer's operations"* and Note 13 to the 2015 Financial Statements for further detail on the Issuer's capital structure as at December 31, 2015.

The following table sets forth the Issuer's shareholders' subscribed, callable and paid-in capital and the corresponding percentages of subscribed, callable and paid-in capital as at December 31, 2015, together with shareholders' ratings. As of the date of this Prospectus, only four of the nine regional shareholders were rated by international agencies.

	<u>Subscribed capital</u>		<u>Callable capital</u>		<u>Paid-in capital</u>		<u>Ratings (Moody's/S&amp;P/ Fitch)<sup>1</sup></u>
	<u>Amount</u>		<u>Amount</u>		<u>Amount</u>		
	<u>(FCFA billions)</u>	<u>%</u>	<u>(FCFA billions)</u>	<u>%</u>	<u>(FCFA billions)</u>	<u>%</u>	
<b>Category A shareholders</b>							
Benin.....	64.65	5.89	48.49	5.90	10.28	5.92	NR/B/B
Burkina Faso.....	64.65	5.89	48.49	5.90	10.28	5.92	NR/B-/NR
Côte d'Ivoire .....	64.65	5.89	48.49	5.90	10.28	5.92	B1/NR/B
Guinea Bissau.....	64.65	5.89	48.49	5.90	5.15	2.96	NR/NR/NR
Mali .....	58.75	5.35	44.06	5.36	10.28	5.92	NR/NR/NR
Niger.....	64.65	5.89	48.49	5.90	10.28	5.92	NR/NR/NR
Senegal .....	64.65	5.89	48.49	5.90	10.28	5.92	B1/B+/NR
Togo.....	64.65	5.89	48.49	5.90	10.28	5.92	NR/NR/NR
BCEAO.....	517.20	47.11	387.896	47.20	82,224	47.34	NR/NR/NR
<b>Sub-total Category A shareholders</b>	<b>1,028.50</b>	<b>93.69</b>	<b>771.367</b>	<b>93.86</b>	<b>159.32</b>	<b>91.73</b>	
<b>Category B shareholders</b>							
France .....	38.40	3.50	28.80	3.50	6.72	3.87	Aa1/AA/AAA(N)
Germany .....	2.00	0.18	—	0.00	2.00	1.15	Aaa/AAA/AAA
Kingdom of Belgium .....	5.60	0.51	4.20	0.51	1.40	0.81	Aa3/AA/AA
EIB.....	4.00	0.36	3.00	0.37	1.00	0.58	Aaa/
AfDB .....	6.00	0.55	4.50	0.55	0.90	0.52	Aaa/AAA/AAA
Eximbank of India .....	0.75	0.07	0.56	0.07	0.131	0.08	Baa3/BBB-/NR
People's Rep. of China.....	12.00	1.09	9.00	1.10	2.10	1.21	Aa3/AA-/AA-(N)
Kingdom of Morocco.....	0.50	0.05	0.38	0.05	0.119	0.07	Ba1/BBB-/BBB-
<b>Sub-total Category B shareholders</b>	<b>69.25</b>	<b>6.31</b>	<b>50.44</b>	<b>6.14</b>	<b>14.37</b>	<b>8.27</b>	
<b>Total Categories A + B shareholders</b>	<b>1,097.75</b>	<b>100.00</b>	<b>821.804</b>	<b>100.00</b>	<b>173.82</b>	<b>100.0</b>	

<sup>1</sup> Rating of regional shareholders as at September 30, 2014.

Regional Category A shareholders have an aggregate subscribed capital of FCFA 1,028.5 billion (representing 93.69% of the total share capital) while non-regional Category B shareholders have an aggregate subscribed capital of FCFA 69.25 billion (representing 6.31% of the total share capital).

BCEAO, the Issuer's largest shareholder, holds 47.11% of the subscribed capital as at December 31, 2015. After its subsequent subscription at the Issuer's most recent capital increase in December 2013, the BCEAO's share had increased to FCFA 517.20 billion (47.11%), equal to the number of subscribed shares held by all the WAEMU Member States (subject to Mali's subscription to this capital increase) in accordance with the By-laws. The profits made by the BCEAO every year are used to subscribe for the Issuer's shares, as all of the BCEAO's members are also shareholders of the Issuer.

As of the date of this Prospectus, the Issuer is still waiting for the subscription of Mali to the December 2013 capital increase, representing subscribed capital of FCFA 5.9 billion.

### ***Status of paid-in capital***

The following table sets forth the Issuer's called-up, paid-in and callable capital as at December 31, 2015.

<u>(FCFA millions)</u>	<b>Called-up capital</b>	<b>Paid-in capital (already paid)</b>	<b>Capital to be paid</b>	
			<b>Past due</b>	<b>Not yet scheduled</b>
Category A shareholders .....	257,133	159,320	5,128 <sup>1</sup>	92,685
Category B shareholders.....	18,812	14,370		4,762
<b>Total A+B shareholders .....</b>	<b>275,945</b>	<b>173,690</b>	<b>5,128</b>	<b>97,447</b>

<sup>1</sup> Remains to be paid by Guinea Bissau.

The BCEAO pays capital on behalf of the WAEMU Member States based on their available assets upon the decision of the WAEMU Council of Ministers, while non-regional shareholders pay their capital to the Issuer directly. The BCEAO is able to do this as it is the central bank of each of the WAEMU Member States.

The schedule for share capital payments is as follows:

<i>(FCFA millions)</i>	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
<b>Shareholders</b>												
CONTRIBUTION OF EACH MEMBER												
STATE .....	1,088	490	490	785	785	785	785	785	490	490	490	7,463
June 2004 capital increase .....	1,088											1,088
June 2010 capital increase .....		490	490	490	490	490	490	490	490	490	490	4,900
December 2013 capital increase .....				295	295	295	295	295				1,475
CONTRIBUTION OF THE BCEAO .....	8,701	3,920	3,920	6,280	6,280	6,280	6,280	6,280	3,920	3,920	3,920	59,701
June 2004 capital increase .....	8,701											8,701
June 2010 capital increase .....		3,920	3,920	3,920	3,920	3,920	3,920	3,920	3,920	3,920	3,920	39,200
December 2013 capital increase .....				2,360	2,360	2,360	2,360	2,360				11,800
CONTRIBUTION OF CLASS B SHAREHOLDERS .....	100	596	596	996	996	996	996	996	596	596	596	8,063
June 2004 capital increase .....	100											100
June 2010 capital increase .....		596	596	596	596	596	596	596	596	596	596	5,963
December 2013 capital increase .....				400	400	400	400	400				2,000
CAPITAL TO BE PAID UP BY THE WAEMU MEMBER STATES .....	8,701	3,920	3,920	6,280	6,280	6,280	6,280	6,280	3,920	3,920	3,920	59,701
CAPITAL TO BE PAID UP BY THE BCEAO .....	8,701	3,920	3,920	6,280	6,280	6,280	6,280	6,280	3,920	3,920	3,920	59,701
CAPITAL TO BE PAID UP BY CLASS B SHAREHOLDERS .....	100	596	596	996	996	996	996	996	596	596	596	8,063
<b>TOTAL CAPITAL TO BE PAID UP .....</b>	<b>17,502</b>	<b>8,436</b>	<b>8,436</b>	<b>13,556</b>	<b>13,556</b>	<b>13,556</b>	<b>13,556</b>	<b>13,556</b>	<b>8,436</b>	<b>8,436</b>	<b>8,436</b>	<b>127,464</b>

As of the date of this Prospectus, Guinea Bissau is the only shareholder to have capital arrears. However, it does not have any arrears on loans granted to it by the Issuer. As at December 31, 2015, its outstanding capital arrears were FCFA 5,128 million (€7.8 million). Guinea Bissau has since generally restructured its debt and has agreed a payment schedule with the Issuer. Thus far, it has honored its commitments to the Issuer under the agreed schedule.

In 2005, Guinea Bissau signed a 25-year settlement agreement with the Issuer (terminating in 2031) to cover its arrears. These arrears were accumulated between 2007 and 2014 during the country's socio-political crisis. These arrears are not included in the calculation of the Issuer's equity capital.

The amount payable by Guinea Bissau to cover its capital subscription (FCFA 3,228 million) and membership fee (FCFA 2,368 billion), totaling FCFA 5,596 million represents 3.13% of the total capital due to the Issuer, amounting to FCFA 178,966 million (173,370+5,596) and 0.76% of the Issuer's equity capital (FCFA 736,108 million) as at December 31, 2015.

### ***Strong shareholder support***

The Issuer receives political and financial support from its shareholders, who have historically supported its proposals for capital increases. In this regard, the Issuer has undertaken seven capital increases in order to expand its financing activity since its creation in 1973.

The table below illustrates the Issuer's capital increases since 2004:

<i>(FCFA millions)</i>	<b>2004</b>	<b>2010</b>	<b>2013</b>	<b>2014</b>
<b><i>Shareholders</i></b>				
Subscribed Capital — Class A shareholders.....	455.9	900.8	940.0	981.3
Subscribed Capital — Class B shareholders.....	22.1	49.7	69.3	69.2
<b>Total subscribed capital A et B.....</b>	<b>478.0</b>	<b>950.5</b>	<b>1,009.3</b>	<b>1,050.5</b>
Authorized Capital .....	700.0	1,050	1,155	1,155
Paid-up Capital .....	53.5	97.4	148.8	165.9

The Issuer enjoys strong support from the WAEMU Member States. In addition to the presence of their representatives on the Board of Directors and the advice provided to the Issuer by the WAEMU Council of Ministers, assistance from the WAEMU Member States takes the form of an exemption from direct and indirect taxes on the Issuer's revenue, assets and liabilities as well as operations and transactions it carries out as part of its statutory mission. None of the WAEMU Member States or the WAEMU itself imposes taxes on securities issued by the Issuer or on the interest payable in respect of such securities, irrespective of the identity or residence of the holder of such securities.

Moreover, the Issuer receives annual allocations from the WAEMU Member States to support its activities, such as subsidies on rural and infrastructural development loans, financing of feasibility studies and project surveys.

In addition, the Issuer believes that it benefits from a "preferred creditor status" from the WAEMU Member States. In practice, the Issuer believes it is a priority creditor of the WAEMU Member States and historically, the loans it has granted to the WAEMU Member States have been repaid in priority over loans granted by other multilateral development financial institutions. See "*—The Issuer believes that it has historically benefited from de facto "preferred creditor status" from each of the WAEMU Member States, however there can be no assurance that the Member States will in fact pay their respective debts to the Issuer in priority over other creditors or at all, which may result in a material adverse effect on the Issuer's financial results and operations*". All WAEMU Member States have an account at the BCEAO which ensures that, in the event of stress on public finances, priority will be given to the repayment of the Issuer's loans. In particular, in case of a payment default by one of the WAEMU Member States under its loan, no matter whether such default is due to political, economic or technical difficulties, the Issuer is entitled to take remedial measures and even impose sanctions against such member state. See "*Risk Management-Credit Sanctions Policy*". Historically, the WAEMU Member States have met their obligations under loans granted by the Issuer, except in 2000 when the WAEMU Commission decided to pay the arrears of Niger, which amounted to a total of FCFA 8.2 billion (including penalties of FCFA 2.9 billion).

As further and most recent evidence of WAEMU member support, and to enable the Issuer to improve its debt/equity ratio, the WAEMU Council of Ministers decided in September 2014, to integrate their initial endowment of the FDE in an amount of FCFA 250 billion (€381 million) directly into the Issuer's capital, which occurred as of December 31, 2014.

The Issuer does not pay dividends to shareholders but rather transfers all profits into reserves. This demonstrates the support from all shareholders to enable the Issuer to achieve its objectives. This

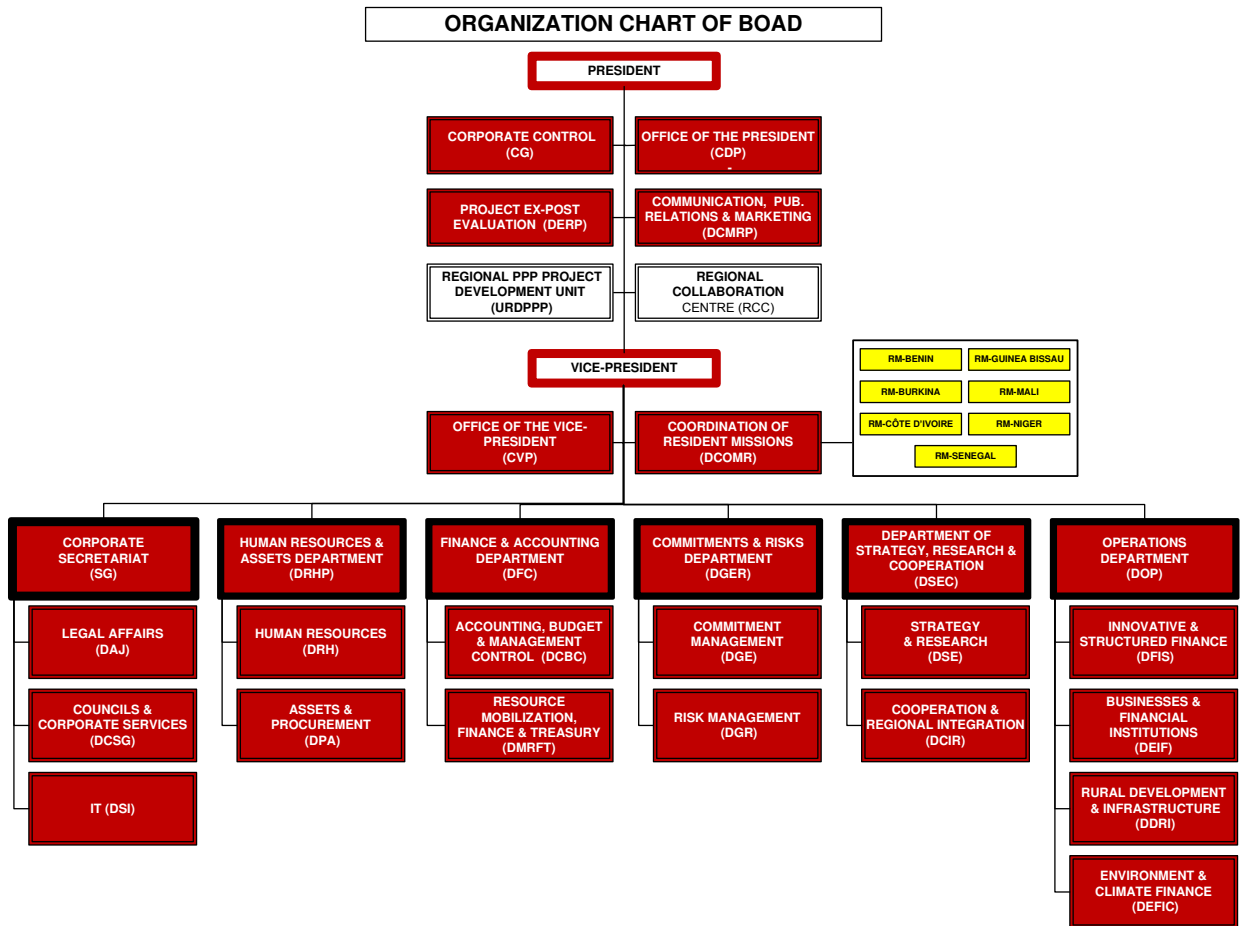
support is particularly important with regards to non-regional Category B shareholders in light of the fact that only the WAEMU Member States, their institutions and the private sector are allowed to borrow from the Issuer. The Issuer also receives financial and technical assistance from its non-regional shareholders.

While its non-regional shareholders represent a relatively small percentage of the Issuer's subscribed capital, their role in the governance of the Issuer is significant. Non-regional shareholders take an active part in the deliberations of the Board, which includes eight directors from non-regional Category B shareholders as compared to sixteen from the WAEMU Member States and one from the BCEAO. While the Issuer aims to increase its non-regional shareholder base to approximately 25% over the medium term, the BCEAO will remain the principal shareholder.

## MANAGEMENT AND GOVERNANCE

### Organization

Set forth below is the organizational chart of the Issuer.



The headquarters of BOAD are located in Lomé, Togo. The Issuer also has Resident Missions in the seven other member states of the WAEMU: Benin, Burkina Faso, Côte d’Ivoire, Guinea Bissau, Mali, Niger and Senegal.

Internal bodies within the Issuer include the Office of the President, the Corporate Secretariat, Departments, Directorates and Divisions.

The organization of the various departments of the Issuer is managed by the President, assisted by a Vice-President.

Management of the Issuer consists of the President, the Vice-President, and the Office of the Chairperson. Other units forming part of Management include: (i) Corporate Control, (ii) Directorate of Communication, Marketing and Public Relations, (iii) Directorate of Ex-Post Project Evaluation (DERP) (iv) Regional Private Public Partnership Project Development Unit, and (v) Regional Collaboration Centre (RCC).

Governing bodies under the President and the Vice-President include the Corporate Secretariat (CS), the Human Resource and Asset Departments (DRHP), the Finance and Accounting Department

(DFC), Strategy, Research and Cooperation Department (DSEC), Directorate of Commitment and Risk Management, and the Department of Operations (DOP). The department in charge of coordinating Resident Missions reports directly to the Vice-President.

The Corporate Secretariat advises the President on issues relating to the competence of Departments under its jurisdiction. These include the Directorate of Legal Affairs, the Directorate of Councils and Corporate Services (DCSG), the Directorate of IT Systems (DSI) and the SDI Program Coordination Unit (UCPSDI).

Departments are also subdivided into Divisions. Each Department advises the President on issues within the scope of the Divisions under their jurisdiction.

BOAD also has an institutional framework, which includes standing committees that monitor the implementation of its actions. These include:

- the Government;
- the Management Board;
- the Commitments Committee;
- the ALM Committee;
- the CAG;
- the Ethics Committee; and
- the Fraud and Corruption Monitoring Committee.

### **Governance structure**

The Issuer has a governance structure at several levels and has four decision-making bodies. These include the WAEMU Conference of Heads of State and Government, the WAEMU Council of Ministers, the Issuer's Board of Directors and the Issuer's Credit Committee.

Decisions of the Board of Directors are adopted by majority vote. Each WAEMU Member State has two representatives and a total of two votes, the Governor of the BCEAO has a number of votes at any time equal to one-half of the total votes allocated to the representatives of the WAEMU Member States, currently representing eight votes, while the representatives of the non-regional shareholders have an aggregate number of votes, which is at least one-third of the votes allocated to category A shareholders, currently eight votes. Neither the President of BOAD nor the Chairman of the Board of Directors are entitled to any votes. In practice, decisions of the Board of Directors are reached by consensus.

In addition to these decision-making bodies, the Audit Committee serves as a statutory body, which assists the Board of Directors in decision making regarding the management of the Issuer.

The list of members of the decision-making bodies as of December 31, 2015 is set out below.

### *WAEMU Conference of Heads of State and Government*

<b>Incumbent Chairman</b>	H.E. Alassane Dramane Ouattara, President of the Republic of Côte d'Ivoire, Chairman of the Conference of Heads of State and Government
<b>Republic of Benin</b>	H.E. Dr. Thomas Boni Yayi, President of the Republic
<b>Republic of Burkina Faso</b>	H.E. Roch Marc Christian KABORE, President of Burkina Faso Chairman of the Transition, Chairman of the Council of Ministers
<b>Republic of Côte d'Ivoire</b>	H.E. Alassane Dramane Ouattara, President of the Republic
<b>Republic of Guinea Bissau</b>	H.E. Dr. José Mario Vaz, President of the Republic
<b>Republic of Mali</b>	H.E. Ibrahim Boubacar Keita, President of the Republic
<b>Republic of Niger</b>	H.E. Issoufou Mahamadou, President of the Republic
<b>Republic of Senegal</b>	H.E. Macky Sall, President of the Republic
<b>Republic of Togo</b>	H.E. Faure Essozimna Gnassingbé, President of the Republic

### *WAEMU Council of Ministers*

<b>Incumbent Chairman</b>	Mr. Amadou Ba, Minister of Economy, Finance and Planning
<b>Republic of Benin</b>	Mr. Komi Koutche, Minister of Economy, Finance and Denationalization Programs  Mr. Pocoun Damè Koumbienou, Minister of Industry and Trade
<b>Republic of Burkina Faso</b>	Mrs COULIBALY Hadizatou Rosine SORI, Minister of Economy, Finance and of Development  Mr. Eric Wendenmanegha BOUGOUMA, Minister of Infrastructure
<b>Republic of Côte d'Ivoire</b>	Mr. Adama KONE, Minister reporting to Prime Minister in charge of Economy and Finance  Mr. Abdourahmane Cisse, Minister reporting to Minister in charge of budget and state portfolio
<b>Republic of Guinea Bissau</b>	Mr. Geraldo Joao Martins, Minister of Finance  Mr. Degol Mendes, Secretary of State in charge of Planning and Regional Integration
<b>Republic of Mali</b>	Dr. Boubou Cisse, Minister of Economy and Finance  Mr. Abdel Karim Konate, Minister of Trade and Industry

<b>Republic of Niger</b>	Mr. Saidou Sidibe, Minister of Economy and Finance  Mr. Mohamed BOUCHA, Minister Delegate to the Minister of Economy and Finance for the Budget
<b>Republic of Senegal</b>	Mr. Amadou Ba, Minister of Economy, Finance and Planning  Mr. Birima Mangara, Minister Delegate to the Minister of Economy, Finance and Planning, in charge of Budget
<b>Republic of Togo</b>	Mr. Adji Otèth Ayassor, Minister of State, Minister of Economy, Finance and Development Planning  Mr. Kossi Assimaidou, Minister reporting to the President of the Republic, in charge of Planning, Development and Land-Use Planning
<b><i>Board of Directors</i></b>	
<b>Chairman</b>	Mr. Christian Adovelande, President, West African Development Bank, Chairman of the Board of Directors
<b>Republic of Benin</b>	Mr. Philippe A. R. Dahoui, Technical Advisor for Economy, Ministry of Economy, Finance and Denationalization Programs  Mrs. Mireille GUEDOU MADODE, Director of the Prime Minister in charge of Economic Development, Public Policy Evaluation and Promotion of Good Governance
<b>Republic of Burkina Faso</b>	Mr. Salam Kafando, Director of Multilateral Cooperation, Minister of Economy and Finance  Mr. Piga Prosper Tapsoba, Director General of Budget, Ministry of Economy and Finance
<b>Republic of Côte d'Ivoire</b>	Mr. Pierre Narcisse N'dri Kouadio, former Chief of Cabinet of the Prime Minister  Mrs. Patricia Marie Laure Anoma, Technical Adviser to the Minister of Industry and Mines, Ministry of Industry and Mines
<b>Republic of Guinea Bissau</b>	Mr. Vasco da Silva, Technical Advisor of the Minister in charge of Planning and Regional Integration Ministry in Charge of Planning and Regional Integration  Mr. Issa Jandi, Director General of Planning, State secretariat in charge of Planning and Regional Integration
<b>Republic of Mali</b>	Mrs. Sy, Fadimata Tapo, Deputy Executive Director, Public Debt Ministry of Economy and Finance  Mr. Issoufou Keita, Chief, Department of Research and Projects, Secretariat of the National Commission for African Integration Ministry for Malians living Abroad and African Integration

<b>Republic of Niger</b>	Mr. Hassane Taher, Chief Director of the Ministry of Finance  Mr. Mahaman Sani Yakoubou, Director General for Investments, Ministry of Planning, Land-Use Planning and Community Development
<b>Republic of Senegal</b>	Mr. Lat Diop, Director, Investment, Ministry of Economy and Finance  Mr. Mamadou Moustapha Ba, General Manager of Finance, Ministry of Economy and Finance
<b>Republic of Togo</b>	Mr. Kpanlou Patassé, Advisor to the Minister of Economy and Finance Ministry of Economy and Finance  Mr. Djerkbary Massaouadousse Bambah, Director General of Planning, Development and Land-Use Planning
<b>Central Bank of West African States (BCEAO)</b>	Mr. Mamadou Diop, Vice-Governor, Central Bank of West African States (BCEAO)
<b>French Republic</b>	Mr. Olivier Chambard, Financial Advisor for Africa Directorate of Treasury, Ministry of Economy and Finance (Incumbent)  Mr. Fabien Bouvet, Assistant Chief, Bureau for Sub-Saharan Africa and AFD Directorate of Treasury, Ministry of Economy and Finance (Alternate)
<b>KfW</b>	<i>To be appointed</i>
<b>Kingdom of Belgium</b>	Mrs. Natacha Durieux, Head, North and West Africa and Arab Region Department (D1.2), Directorate of Development Cooperation (DGCD)  Mrs. Laura Strens, Attachée to the North and West Africa and the Arab World (D 1.2), General Directorate for Development Cooperation (DGCD)
<b>European Investment Bank (EIB)</b>	Mrs. Isabelle Van Grunderbeeck, EIB Regional Representative to West Africa West Africa Regional Office  Mr. Robert Schofield, Chef de Division ACP
<b>African Development Bank (AfDB)</b>	Mrs. Hassatou N'Sele, Division Manager, Capital Markets and Financial Operations Division  Mr. Serge N'Guessan, Resident Representative of the African Development Bank
<b>Republic of India</b>	Mr. Nadeem Panjetan, General Manager, Eximbank of India  Mr. Puspesh Tyagi, Resident Representative EXIM Bank of India (West Africa), Abidjan

**People’s Republic of China** Mrs. Danhan Huang, Senior Advisor, International Department, People’s Bank of China

**Kingdom of Morocco** Mme Malika Dhif, Deputy Director of Treasury and External Finance Ministry of Economy and Finance

Mr. Mohamed Abderamad El Hamraoui, Division Manager of Relations with the Arab and Islamic World, countries in Africa and Asia, Management of the Treasury and External Finance

***Bodies of BOAD***

The prerogatives, frequency of meetings and members of the decision-making bodies as well as key standing committees are listed below.

***WAEMU Conference of Heads of State and Government***

<b>Prerogatives</b>	<b>Frequency of Meetings</b>	<b>Members</b>
Takes major policy decisions of the Union and addresses issues that could not be addressed by unanimous decision of the WAEMU Council of Ministers.	Annually	WAEMU Heads of State

***WAEMU Council of Ministers***

<b>Prerogatives</b>	<b>Frequency of Meetings</b>	<b>Members</b>
(i) appoints the President of the Issuer; (ii) approves the general guidelines and strategies of the Issuer; (iii) authorizes the entry of new shareholders in the capital of the Issuer; (iv) approves the agreements establishing the withdrawal of member states of the WAEMU who cease to participate in the capital of the Issuer; (v) approves the agreements for the withdrawal of international funding agencies and non-member states of the WAEMU who cease to hold shares in the Issuer’s capital; (vi) appoints the Auditor(s); (vii) determines the remuneration of the Chairman, directors and auditors; (viii) determines the amount of sitting allowances paid to members of the Board of Directors; (ix) determines the allowances payable to members of the Audit Committee; (x) approves the accounts of the Issuer, (xi) takes or causes all the necessary measures to be taken by the authorities of the Issuer to implement directives given by the WAEMU	Quarterly	Each WAEMU Member State is represented by two ministers and has only one vote which is cast by the Minister of Finance.

<b>Prerogatives</b>	<b>Frequency of Meetings</b>	<b>Members</b>
Conference of Heads of State and Government relating to it; (xii) amends the Statutes of the Issuer; (xiii) approves the report of the Chairman of the Issuer; (xiv) decides on the termination of the activities of the Issuer; (xv) appoints the liquidation committee of the Issuer; and (xvi) determines the distribution of available assets among members of the Issuer in the event of liquidation.		

***Board of Directors***

<b>Prerogatives</b>	<b>Frequency of Meetings</b>	<b>Members</b>
(i) decides on the increase or reduction of the Issuer's capital and the call dates of each installment of uncalled capital under conditions stipulated in the Statutes, (ii) decides on the calls for callable capital and modalities of such calls, (iii) approves the Issuer's equity participation in companies or institutions, (iv) determines the general rules for the granting of loans and guarantees by the Issuer, (v) determines the financial assistance that may be granted by the Issuer pursuant to Articles 32 to 36, (vi) decides on loans to be contracted by the Issuer, (vii) sets the general rules on how to use available funds of the Issuer, (viii) approves the agreements to be signed by the Issuer for the acceptance of non-refundable allocations, constitution of special funds, and the administration and operation of these funds and (ix) adopt the Issuer's annual accounts and the annual report of its activities.	Quarterly	Category A shareholders, 2 directors per member state and Governor of BCEAO.  Category B shareholders, one director per member up to half of the total number of representatives of the Category A shareholders

***Credit Committee (internal body of the Board of Directors)***

<b>Prerogatives</b>	<b>Frequency of Meetings</b>	<b>Members</b>
Approves loans and loan guarantees within the limits set by the Board of Directors (for decisions relating to a maximum of FCFA 5 billion FCFA, in case of emergency). All financing proposals submitted to the Credit Committee and the Board of Directors are first reviewed by the accreditations committee in charge of private sector projects, and then by	As often as necessary between two sessions of the Board of Directors	Chairman of BOAD who is also the Chairman of the committee  Governor of BCEAO or their representative  Three representatives of

<b>Prerogatives</b>	<b>Frequency of Meetings</b>	<b>Members</b>
the Commitments Committee for all projects that are of interest to the Issuer. The Issuer's Chief Risk Officer is in charge of commitments and risks.		WAEMU member states  One representative of non-regional shareholders

***Audit Committee (internal body of the Board of Directors)***

<b>Prerogatives</b>	<b>Frequency of Meetings</b>	<b>Members</b>
Assists the Board of Directors to assess the quality of its administration, operation, financial information and control systems at the Issuer.  It may also carry out other tasks that may be assigned it by the Board.	At least twice per year	Two representatives of WAEMU member states  One representative of the Governor of BCEAO  One representative of non-regional shareholders

**Internal and external audit**

The Issuer's internal control system involves a prior control mechanism (financial control) and a post disbursement control (internal audit). An audit committee was also set up in 2005 by the Board of Directors to reinforce internal controls (see "*-Audit Committee*" below).

The internal audit and financial control units are attached to the corporate control, which is directly under the President of the Issuer, while the audit committee reports to the Board of Directors.

The Issuer's accounts are subject to an annual audit carried out by an external auditor appointed by the WAEMU Council of Ministers from among international audit firms.

***Financial control***

The financial control unit carries out prior control and mainly ensures:

- The consistency of commitments in the procurement of goods and services for the Issuer's operations, staff costs as well as other fringe benefits;
- The consistency, genuineness and justification of any cash outflows to be made (banking operations, loans, general expenditure, equipment, fund transfers, etc.).

***Internal audit***

Internal audit missions cover all activities of the Issuer, including project financing, treasury, securities, information system, resident missions and assistance processes. The internal audit bases its interventions on the importance of the identified risk, while its control system is preventive in nature. Internal audit activities are in line with the program of activity approved by the Chairman of the Issuer and endorsed by the Audit Committee. The internal audit is responsible, among other things, for:

- Examining the internal control systems and procedures of the Issuer regarding risks related to activities of its organizational units and making recommendations to make it more effective;
- Carrying out performance audits of the departments as well as compliance audit of processes;
- Carrying out audits of on-going projects financed by the Issuer to ensure compliance with procedures and provisions in the loan agreements.

Recommendations made by the internal audit mission are submitted to the Chairman with an implementation timeline.

#### ***Audit committee***

The audit committee assists the Board of Directors in assessing: (i) the integrity of financial statements, accounts and financial reports as well as the effectiveness and appropriateness of the Issuer's information policies and procedures; (ii) the soundness of the internal control system put in place to monitor the Issuer's finance and accounting systems and their effective implementation; (iii) the independence, competence and performance of the Issuer's external auditors; and (iv) the risk assessment and management capacity of the Issuer. Operations of the Audit Committee are governed by a charter approved by the Board of Directors.

#### ***External audit***

Accounts of the Issuer are audited annually by auditors appointed by the WAEMU Council of Ministers.

The Issuer's external auditors for the financial years ended December 31, 2013, 2014 and 2015 were Auditeurs Associés en Afrique KPMG CI. Pursuant to the Terms of Reference for the Selection of External Auditors of BOAD (*Termes de Référence pour le Choix du Commissaire aux Comptes de la BOAD*) of July 2015, the mandate of external auditors is three years. The mandate of Auditeurs Associés en Afrique—KPMG CI expired after the approval of the accounts for the fiscal year 2015. As of January 1, 2016, the Issuer's external auditors are PricewaterhouseCoopers—Côte d'Ivoire.

#### ***Conflicts of interest***

As of the date of this Prospectus, as a result of policies that were adopted to prevent conflicts of interest between the duties owed by the members of the Board of Directors and Executive Management to the Issuer and their private interests and/or other duties, there are no such conflicts of interest to report. According to Article 11 of the Code of Conduct of the members of the Board of Directors of BOAD (*Charte des Administrateurs de la BOAD*) of March 2011, Directors of the Issuer have to perform their duties with independence, integrity and professionalism. In particular, members of the Board of Directors must ensure that their analysis, judgments, decisions and actions remain independent in all circumstances. They undertake not to seek or accept any benefit likely to compromise their independence. In addition, the code of ethics and professional conduct applicable to the Chairman and Vice-Chairman of the Board of the Issuer (June 2013) requires them to take all necessary measures to avoid any situation of conflict of interest. In addition, the members of the Board of Directors, the Chairman, the Vice-Chairman as well as any member of the staff of the Issuer are required to declare any actual or potential conflicts of interest.

## FORM OF THE NOTES AND TRANSFER RESTRICTIONS

*The following information relates to the form, transfer and delivery of the Notes.*

### 1. Form of The Notes

All Notes will be in fully registered form, without interest coupons attached. Notes offered and sold outside the United States in reliance on Regulation S will be represented by interests in the Unrestricted Global Note Certificate, in fully registered form, without interest coupons attached, which will be deposited on or about the Closing Date with Citibank Europe plc, as common depository for Euroclear and Clearstream, Luxembourg, and registered in the name of Citivic Nominees Limited, as nominee for such common depository in respect of interests held through Euroclear and Clearstream, Luxembourg.

Notes offered and sold in reliance on Rule 144A to QIBs that are also QPs will be represented by interests in one or more Restricted Global Note Certificates, in fully registered form, without interest coupons attached, which will be registered in the name of Cede & Co., as nominee for, and which will be deposited on or about the Closing Date with a custodian (the **Custodian**) for, DTC. The Restricted Global Note Certificate (and any Note Certificates (as defined below) issued in exchange therefor) will be subject to certain restrictions on transfer contained in a legend appearing on the face of such Note as set forth under paragraph 3 below.

*The Unrestricted Global Note Certificate will have an ISIN number and a Common Code and the Restricted Global Note Certificate will have a separate CUSIP number.*

### 2. Notices

So long as the Notes are represented by a Global Note Certificate and the Global Note Certificate is held on behalf of a clearing system, notices to holders of Notes may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders except that so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that Exchange so require, notices shall also be published in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

### 3. Transfer Restrictions

On or prior to the 40th day after the Closing Date, a beneficial interest in the Unrestricted Global Note Certificate may be transferred to a person who wishes to take delivery of such beneficial interest through the Restricted Global Note Certificate(s) only upon receipt by the Registrar of a written certification from the transferor (in the form set out in the schedule to the Agency Agreement), to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB within the meaning of Rule 144A that is also a QP as defined in Section 2(a)(51)(A) of the U.S. Investment Company Act and the rules and regulations thereunder, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. After such 40th day, such certification requirements will no longer apply to such transfers, but such transfers will continue to be subject to the transfer restrictions contained in the legend appearing on the face of such Note, as set out below.

A beneficial interest in the Restricted Global Note Certificate(s) may also be transferred to a person who wishes to take delivery of such beneficial interest through the Unrestricted Global

Note Certificate only upon receipt by the Registrar of a written certification from the transferor (in the form set out in the schedule to the Agency Agreement) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 (if available) under the U.S. Securities Act to QIBs that are also QPs.

Any beneficial interest in either the Restricted Global Note Certificate(s) or the Unrestricted Global Note Certificate that is transferred to a person who takes delivery in the form of a beneficial interest in the other Global Note Certificate will, upon transfer, cease to be a beneficial interest in such Global Note Certificate and become a beneficial interest in the other Global Note Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to a beneficial interest in such other Global Note Certificate for so long as such person retains such an interest.

Each purchaser of Notes offered hereby pursuant to Rule 144A will be deemed to have represented and agreed as follows (terms used herein that are defined in Rule 144A are used herein as defined therein):

- (i) the purchaser (a) is a QIB within the meaning of Rule 144A that is also a QP as defined in Section 2(a)(51)(A) of the U.S. Investment Company Act and the rules and regulations thereunder, (b) is acquiring the Notes for its own account or for the account of such a QIB that is also a QP and (c) such person is aware that the sale of the Notes to it is being made in reliance on Rule 144A;
- (ii) the Notes are being offered only in a transaction not involving any public offering in the United States within the meaning of the U.S. Securities Act, and the Notes offered hereby have not been and will not be registered under the U.S. Securities Act and may not be reoffered, resold, pledged, or otherwise transferred except in accordance with the legend set out below;
- (iii) that either (a) it is not and for so long as it holds a Note (or any interest therein) will not be (i) an “employee benefit plan” as defined in Section 3(3) of ERISA that is subject to Title I of ERISA, (ii) a “plan” as defined in and subject to Section 4975 of the Code, (iii) an entity whose underlying assets include the assets of any such employee benefit plan subject to ERISA or other plan subject to Section 4975 of the Code, or (iv) a governmental, church or non-U.S. plan which is subject to any state, local, other federal law of the United States or non-U.S. law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, or (b) its acquisition, holding and disposition of the Notes will not result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code, or, in the case of such a governmental, church or non-U.S. plan, any such substantially similar state, local, other federal law of the United States or non-U.S. law, for which an exemption is not available;
- (iv) the Restricted Global Note Certificate(s) and any Restricted Note Certificates (as defined below) issued in exchange for an interest in the Restricted Global Note Certificate(s) will bear a legend to the following effect, unless the Issuer determines otherwise in accordance with applicable law:

“THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER, AND WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER, THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE **U.S. SECURITIES ACT**), AND THE NOTES MAY NOT BE OFFERED, SOLD, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE

EXEMPTION THEREFROM. THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF REPRESENTS AND AGREES, FOR THE BENEFIT OF THE ISSUER, THAT (A) THIS NOTE (AND ANY INTEREST HEREIN) MAY BE OFFERED, SOLD, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (1) TO THE ISSUER, (2) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT) (**QIB**) THAT IS ALSO A QUALIFIED PURCHASER (AS DEFINED IN SECTION 2(A)(51)(A) OF THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE U.S. **INVESTMENT COMPANY ACT**)) AND THE RULES AND REGULATIONS THEREUNDER (**QP**) PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS EACH OF WHICH IS A QP WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT SUCH OFFER, SALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A UNDER THE U.S. SECURITIES ACT, AND IN AN AMOUNT FOR EACH ACCOUNT OF NOT LESS THAN U.S.\$200,000 PRINCIPAL AMOUNT OF NOTES, (3) IN AN OFFSHORE TRANSACTION MEETING THE REQUIREMENTS OF RULE 903 OR RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT (**REGULATION S**) OR (4) PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER, IF AVAILABLE, BUT ONLY UPON DELIVERY TO THE ISSUER OF AN OPINION OF COUNSEL IN FORM AND SCOPE SATISFACTORY TO THE ISSUER, AND IN EACH OF SUCH CASES IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION, AND THAT (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE (OR INTEREST HEREIN) FROM IT OF THE TRANSFER RESTRICTIONS REFERRED TO IN (A) ABOVE.

IF THE HOLDER OF THIS NOTE HEREOF IS A U.S. PERSON WITHIN THE MEANING OF REGULATION S, SUCH HOLDER REPRESENTS THAT (1) IT IS A QIB THAT IS ALSO A QP; (2) IT IS NOT A BROKER-DEALER WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.\$25,000,000 IN SECURITIES OF UNAFFILIATED BANKS; (3) IT IS NOT A PARTICIPANT-DIRECTED EMPLOYEE PLAN, SUCH AS A 401(K) PLAN; (4) IT IS HOLDING THIS NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS, EACH OF WHICH IS A QP; (5) IT WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER OR THIS NOTE; (6) IT UNDERSTANDS THAT THE ISSUER MAY RECEIVE A LIST OF PARTICIPANTS HOLDING POSITIONS IN ITS SECURITIES FROM ONE OR MORE BOOK-ENTRY DEPOSITARIES AND (7) IT WILL PROVIDE NOTICE OF THE FOREGOING TRANSFER RESTRICTIONS TO ITS SUBSEQUENT TRANSFEREES.

THE HOLDER HEREOF HEREBY ACKNOWLEDGES THAT IF AT ANY TIME WHILE IT HOLDS AN INTEREST IN THIS NOTE IT IS A U.S. PERSON WITHIN THE MEANING OF REGULATION S THAT IS NOT A QIB AND A QP, THE ISSUER MAY (A) COMPEL IT TO SELL ITS INTEREST IN THIS NOTE TO A PERSON WHO IS (I) A U.S. PERSON WHO IS A QIB AND A QP THAT IS, IN EACH CASE, OTHERWISE QUALIFIED TO PURCHASE THIS NOTE IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE U.S. SECURITIES ACT OR (II) NOT A U.S. PERSON WITHIN THE MEANING OF

REGULATION S WHO IS LOCATED OUTSIDE THE UNITED STATES AND IS PURCHASING SUCH NOTE IN AN OFFSHORE TRANSACTION OR (B) COMPEL THE HOLDER TO SELL ITS INTEREST IN THIS NOTE TO THE ISSUER OR AN AFFILIATE OF THE ISSUER OR TRANSFER ITS INTEREST IN THIS NOTE TO A PERSON DESIGNATED BY OR ACCEPTABLE TO THE ISSUER. THE ISSUER HAS THE RIGHT TO REFUSE TO PERMIT A TRANSFER OF AN INTEREST IN THIS NOTE TO A PERSON WHO IS NOT BOTH A QIB AND A QP. THE ISSUER HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. INVESTMENT COMPANY ACT, BUT RATHER INTENDS TO RELY ON SECTION 3(C)(7) THEREUNDER.

THE ISSUER MAY COMPEL EACH HOLDER OF THIS NOTE THAT IS A U.S. PERSON WITHIN THE MEANING OF REGULATION S TO CERTIFY PERIODICALLY THAT SUCH HOLDER IS A QIB AND A QP.

THIS NOTE AND ALL RELATED DOCUMENTATION MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR REALES AND OTHER TRANSFERS OF THIS NOTE TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO THE RESALE OR TRANSFERS OF RESTRICTED SECURITIES GENERALLY. BY THE ACCEPTANCE OF THIS NOTE, THE HOLDER HEREOF SHALL BE DEEMED TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT.

BY ITS ACQUISITION HEREOF, THE HOLDER REPRESENTS THAT EITHER (A) IT IS NOT AND FOR SO LONG AS IT HOLDS THE NOTE REPRESENTED HEREBY (OR ANY INTEREST HEREIN) WILL NOT BE (I) AN “EMPLOYEE BENEFIT PLAN” AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (**ERISA**) THAT IS SUBJECT TO TITLE I OF ERISA, (II) A “PLAN” AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (**THE CODE**), (III) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN SUBJECT TO ERISA OR OTHER PLAN SUBJECT TO SECTION 4975 OF THE CODE, OR (IV) A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY STATE, LOCAL, OTHER FEDERAL LAW OF THE UNITED STATES OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR (B) ITS ACQUISITION, HOLDING AND DISPOSITION OF THE NOTE REPRESENTED HEREBY WILL NOT RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR, IN THE CASE OF SUCH A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, ANY SUCH SUBSTANTIALLY SIMILAR STATE, LOCAL, OTHER FEDERAL LAW OF THE UNITED STATES OR NON-U.S. LAW, FOR WHICH AN EXEMPTION IS NOT AVAILABLE.”

- (v) that if it is a U.S. person within the meaning of Regulation S, it is (a) not a broker-dealer which owns and invests on a discretionary basis less than U.S.\$25 million in securities of unaffiliated Banks, (b) not a participant-directed employee plan, such as a 401(k) plan, (c) not formed for the purpose of investing in the Notes or the Issuer, and (d) aware, and each beneficial owner of such Notes has been advised, that the

seller of such Notes may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A;

- (vi) that it will, (a) along with each account for which it is purchasing, hold and transfer beneficial interests in the Rule 144A Notes in a principal amount that is not less than U.S.\$200,000 and (b) provide notice of these transfer restrictions to any subsequent transferees. In addition, it understands that the Issuer may receive a list of participants holding positions in the Issuer's securities from one or more book-entry depositories; and
- (vii) that it understands that the Issuer has the power to compel any holder of Rule 144A Notes that is a U.S. person and is not a QIB and a QP to sell or transfer its interest in the Rule 144A Notes. The Issuer has the right to refuse to permit the transfer of an interest in the Rule 144A Notes to a person who is not both a QIB and a QP.

Each purchaser of Notes outside the United States pursuant to Regulation S, and each subsequent purchase of such Notes in re-sales during the period which expires on and includes the 40th day after the later of the commencement of the offering of the Notes and the Closing Date (the **distribution compliance period**), will be deemed to have represented, agreed and acknowledged as follows:

- (i) it is, or at the time Notes are purchased will be, the beneficial owner of such Notes and it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S);
- (ii) it understands that such Notes have not been and will not be registered under the U.S. Securities Act and that, prior to the expiration of the distribution compliance period, it will not offer, sell pledge or otherwise transfer such Notes except in an offshore transactions in accordance with Rule 903 or Rule 904 of Regulation S, and in accordance with any applicable securities laws of any State of the United States;
- (iii) that either (a) it is not and for so long as it holds a Note (or any interest therein) will not be (i) an "employee benefit plan" as defined in Section 3(3) of ERISA that is subject to Title I of ERISA, (ii) a "plan" as defined in and subject to Section 4975 of the Code, (iii) an entity whose underlying assets include the assets of any such employee benefit plan subject to ERISA or other plan subject to Section 4975 of the Code, or (iv) a governmental, church or non-U.S. plan which is subject to any state, local, other federal law of the United States or non-U.S. law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, or (b) its acquisition, holding and disposition of the Notes will not result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code, or, in the case of such a governmental, church or non-U.S. plan, any such substantially similar state, local, other federal law of the United States or non-U.S. law, for which an exemption is not available; and
- (iv) the Issuer, the Registrar, the Trustee, the Joint Lead Managers and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

#### **4. Exchange of Interests in Global Note Certificates for Note Certificates**

The Restricted Global Note Certificate(s) will become exchangeable, free of charge to the holder, in whole but not in part, for Note certificates in definitive form (**Restricted Note Certificates**) if DTC (a) notifies the Issuer that it is no longer willing or able to discharge

properly its responsibilities as depositary with respect to the Restricted Global Note Certificate(s) or ceases to be a **clearing agency** registered under the Exchange Act, or is at any time no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC or (b) an Event of Default (as defined and set out in Condition 12 (*Events of Default and Enforcement*) of the Notes) occurs. In such circumstances, such Restricted Note Certificates shall be registered in such names as DTC shall direct in writing and the Issuer will procure that the Registrar notify the holders as soon as practicable after the occurrence of the events specified in (a) and (b).

The Unrestricted Global Note Certificate will become exchangeable, free of charge to the holder, in whole but not in part, for Note certificates in definitive form (**Unrestricted Note Certificates**) if (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or does in fact do so or (b) an Event of Default (as defined and set out in Condition 12 (*Events of Default and Enforcement*) of the Notes) occurs. In such circumstances, such Unrestricted Note Certificates will be registered in such names as Euroclear and Clearstream, Luxembourg shall direct in writing and the Issuer will procure that the Registrar notify the holders as soon as practicable after the occurrence of the events specified in (a) and (b).

In the event that the Restricted Global Note Certificate(s) is to be exchanged for Restricted Note Certificates or the Unrestricted Global Note Certificate is to be exchanged for Unrestricted Note Certificates (together **Note Certificates**) the relevant Global Note Certificate shall be exchanged in full for the relevant Note Certificates and the Issuer will, without charge to the holder or holders thereof, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange, cause sufficient Note Certificates to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant holders of Notes.

On exchange, a person having an interest in a Global Note Certificate must provide the Registrar with (i) a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Note Certificates and (ii) in the case of the Restricted Global Note Certificate(s) only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A to a person whom the transferor reasonably believes is a QIB that is also a QP. Note Certificates issued in exchange for a beneficial interest in the Restricted Global Note Certificate(s) shall bear the legends applicable to transfers pursuant to Rule 144A, as set out under “Transfer Restrictions” above. Restricted Note Certificates issued as described above will not be exchangeable for beneficial interests in the Unrestricted Global Note Certificate and Unrestricted Note Certificates issued as described above will not be exchangeable for beneficial interests in the Restricted Global Note Certificate(s).

In addition to the requirements described under “Transfer Restrictions” above, the holder of a Note may transfer such Note only in accordance with the provisions of Condition 3 (*Transfer of Notes*) of the Notes.

Upon the transfer, exchange or replacement of a Restricted Note Certificate bearing the legend referred to under “Transfer Restrictions” above, or upon specific request for removal of the legend on a Restricted Note Certificate, the Issuer will deliver only Restricted Note

Certificates that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the U.S. Securities Act and the U.S. Investment Company Act.

The Registrar will not register the transfer of any Notes or exchange of interests in a Global Note Certificate for Note Certificates for a period of 15 calendar days ending on the due date of any payment of principal or interest in respect of such Notes.

## 5. Euroclear, Clearstream, Luxembourg and DTC Arrangements

So long as DTC or its nominee or Euroclear, Clearstream, Luxembourg or the nominee of their common depository is the registered holder of a Global Note Certificate, DTC, Euroclear, Clearstream, Luxembourg or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Global Note Certificate for all purposes under the Agency Agreement, the Trust Deed and the Notes. Payments of principal, interest and Additional Amounts, if any, in respect of Global Note Certificates will be made to DTC, Euroclear, Clearstream, Luxembourg or such nominee, as the case may be, as the registered holder thereof. None of the Issuer, the Trustee, any Paying and Transfer Agent or the Joint Lead Managers or any affiliate of any of the above or any person by whom any of the above is controlled for the purposes of the U.S. Securities Act will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Global Note Certificates or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Distributions of principal and interest with respect to book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by Euroclear or Clearstream, Luxembourg from (or on behalf of) the Principal Paying and Transfer Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg customers in accordance with the relevant system's rules and procedure.

Holders of book-entry interests in the Notes through DTC will receive, to the extent received by DTC from (or on behalf of) the Principal Paying and Transfer Agent, all distributions of principal and interest with respect to book-entry interests in the Notes from the Principal Paying and Transfer Agent through DTC. Distributions in the United States will be subject to relevant U.S. tax laws and regulations.

Interest on the Notes (other than interest on redemption) will be paid to the person shown as the Noteholder in the Register at close of business on the Clearing System Business Day before the due date for payment (the **Record Date**), where **Clearing System Business Day** means a day on which each clearing system for which the Global Note Certificate is being held is open for business. Principal and interest with respect to the Restricted Note Certificates and the Unrestricted Note Certificates on redemption will be paid to the holder shown on the Register on the Record Date upon delivery and surrender of the relevant Note Certificate. Trading between the Restricted Global Note Certificate(s) and the Unrestricted Global Note Certificate will therefore be net of accrued interest from the relevant Record Date to the relevant Interest Payment Date.

The laws of some states of the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer interests in a Global Note Certificate to such persons will be limited. Because DTC, Euroclear and Clearstream, Luxembourg can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Global Note Certificate to

pledge such interest to persons or entities which do not participate in the relevant clearing system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

The holdings of book-entry interests in the Notes in Euroclear, Clearstream, Luxembourg and DTC will be reflected in the book-entry accounts of each such institution. As necessary, the Registrar will adjust the amounts of Notes on the Register for the accounts of a nominee for a common depository of Euroclear and Clearstream, Luxembourg and Cede & Co. to reflect the amounts of Notes held through Euroclear and Clearstream, Luxembourg on the one hand and DTC, on the other. Beneficial ownership in Notes will be held through financial institutions as direct and indirect participants in Euroclear, Clearstream, Luxembourg and DTC.

Interests in the Unrestricted Global Note Certificate and the Restricted Global Note Certificate(s) will be in uncertificated book-entry form.

*Trading between Euroclear and/or Clearstream, Luxembourg Account Holders.* Secondary market sales of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the Notes through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional eurobonds.

*Trading between DTC Participants.* Secondary market sales of book-entry interests in the Notes between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to United States corporate debt obligations in DTC's Same Day Funds Settlement System.

*Trading between DTC Seller and Euroclear/Clearstream, Luxembourg Purchaser.* When book-entry interests in Notes are to be transferred from the account of a DTC participant holding a beneficial interest in the Restricted Global Note Certificate(s) to the account of a Euroclear or Clearstream, Luxembourg accountholder wishing to purchase a beneficial interest in the Unrestricted Global Note Certificate (subject to such certification procedures as are provided in the Agency Agreement), the DTC participant will deliver instructions for delivery to the relevant Euroclear or Clearstream, Luxembourg accountholder to DTC by 12 noon, New York time, on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg accountholder. On the settlement date, the Custodian will instruct the Registrar to (a) decrease the amount of Notes registered in the name of Cede & Co. and evidenced by the Restricted Global Note Certificate(s) and (b) increase the amount of Notes registered in the name of the nominee of the common depository for Euroclear and Clearstream, Luxembourg and evidenced by the Unrestricted Global Note Certificate. Book-entry interests will be delivered free of payment to Euroclear or Clearstream, Luxembourg, as the case may be, for credit to the relevant accountholder on the first Business Day following the settlement date. See above concerning the Record Date for payment of interest.

*Trading between Euroclear/Clearstream, Luxembourg Seller and DTC Purchaser.* When book-entry interests in the Notes are to be transferred from the account of a Euroclear or Clearstream, Luxembourg accountholder to the account of a DTC participant wishing to purchase a beneficial interest in the Restricted Global Note Certificate(s) (subject to such certification procedures as are provided in the Agency Agreement), the Euroclear or Clearstream, Luxembourg participant must send to Euroclear or Clearstream, Luxembourg delivery free of payment instructions by 5:00 p.m. Brussels or Luxembourg time, one Business Day prior to the settlement date. Euroclear or Clearstream, Luxembourg, as the case

may be, will in turn transmit appropriate instructions to the common depository for Euroclear and Clearstream, Luxembourg and the Registrar to arrange delivery to the DTC participant on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg account holder, as the case may be. On the settlement date, the common depository for Euroclear and Clearstream, Luxembourg will (a) transmit appropriate instructions to the Custodian who will in turn deliver such book-entry interest in the Notes free of payment to the relevant account of the DTC participant and (b) instruct the Registrar to (i) decrease the amount of Notes registered in the name of the nominee of the common depository for Euroclear and Clearstream, Luxembourg and evidenced by the Unrestricted Global Note Certificate and (ii) increase the amount of Notes registered in the name of Cede & Co. and evidenced by the Restricted Global Note Certificate(s). See above concerning the Record Date for payment of interest.

Although the foregoing sets out the procedures of Euroclear, Clearstream, Luxembourg and DTC in order to facilitate the transfers of interests in the Notes among participants of DTC, Clearstream, Luxembourg and Euroclear, none of Euroclear, Clearstream, Luxembourg or DTC is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Trustee, any Paying and Transfer Agent or any of the Joint Lead Managers or any affiliate of any of the above, or any person by whom any of the above is controlled for the purposes of the U.S. Securities Act, will have any responsibility for the performance by DTC, Euroclear and Clearstream, Luxembourg or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations or for the sufficiency for any purpose of the arrangements described above.

## 6. Meetings

The holder of a Global Note Certificate will at a meeting of holders of Notes have one vote in respect of each U.S.\$1,000 in principal amount of Notes for which the Global Note Certificate may be exchanged.

For so long as the Notes are in the form of a Global Note Certificate registered in the name of any nominee for one or more of Euroclear, Clearstream, Luxembourg or any other clearing system, then, in respect of any resolution proposed by the Issuer or the Trustee, where the terms of the proposed resolution have been notified to the Noteholders through the relevant clearing system(s), each of the Issuer and the Trustee shall be entitled to rely upon approval of such resolution proposed by the Issuer or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in aggregate principal amount of the Notes outstanding (**Electronic Consent**). Neither the Issuer or the Trustee shall be liable or responsible to anyone for such reliance; and

where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution has been validly passed, the Issuer and the Trustee shall be entitled to rely on consent or instructions given in writing directly to the Issuer and/or the Trustee, as the case may be, by accountholders in the clearing system with entitlements to such Global Note Certificate or, where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held, whether such beneficiary holds directly with the accountholder or via one or more intermediaries and provided that, in each case, the Issuer and the Trustee have obtained commercially reasonable evidence to ascertain the validity of such holding and have taken reasonable steps to ensure that such holding does not alter

following the giving of such consent or instruction and prior to the effecting of such amendment. Any resolution passed in such manner shall be binding on all Noteholders, even if the relevant consent or instruction proves to be defective. As used in this paragraph, “commercially reasonable evidence” includes any certificate or other document issued by Euroclear, Clearstream, Luxembourg or any other relevant clearing system, or issued by an accountholder of them or an intermediary in a holding chain, in relation to the holding of interests in the Notes. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear’s EUCLID or Clearstream, Luxembourg’s CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. Neither the Issuer nor the Trustee shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

**7. Purchase and Cancellation**

Cancellation of any Note required by the Conditions to be cancelled following its purchase will be effected by reduction in the principal amount of the relevant Global Note Certificate.

**8. Trustee’s Powers**

In considering the interests of holders of Notes while a Global Note Certificate is held on behalf of a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to the Global Note Certificate and may consider such interests as if such accountholders were the holder of the Global Note Certificate.

## TAXATION

*The following is a general summary of certain tax consequences as at the date hereof in relation to payments made under the Notes. It is not exhaustive and purchasers are urged to consult their professional advisors as to the tax consequences to them of holding or transferring Notes.*

### The By-Laws

Under Article 44 of the By-laws, the Issuer, its revenues, its property and other assets, as well as transactions and operations it undertakes, are exempt from all direct or indirect taxation. Article 44 further states that no tax of any kind shall be levied by any of the WAEMU Member States or any of their local authorities on any bonds issued by the Issuer, by whomever held.

### U.S. Taxation

The following discussion is a summary of the principal U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes by a U.S. holder (defined below), but does not purport to be a complete analysis of all potential tax effects. This summary is based upon the U.S. Internal Revenue Code of 1986, as amended (the **Code**), existing, temporary and proposed U.S. Treasury Regulations issued thereunder, and judicial and administrative interpretations thereof, each as available and in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect or differing interpretations which could affect the tax consequences described herein. This discussion does not address all of the U.S. federal income tax consequences that may be relevant to a holder in light of such holder's particular circumstances or to holders that may be subject to special rules, such as certain financial institutions, certain former citizens or long-term residents of the United States, insurance companies, dealers or traders in securities or currencies, holders whose functional currency is not the U.S. dollar, tax exempt organizations, regulated investment companies, real estate investment trusts, grantor trusts, holders that will hold Notes through partnerships or other pass through entities and persons holding the Notes as part of a "straddle", "hedge", "conversion transaction" or other integrated transaction for U.S. federal income tax purposes. Moreover, this summary does not address the U.S. federal estate and gift tax, Medicare net investment income tax or alternative minimum tax consequences of the acquisition, ownership, disposition or retirement of the Notes. In addition, this discussion is limited to persons who purchase the Notes for cash at original issue and at their "issue price" (the first price at which a substantial part of the Notes are sold to the public for cash, excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) and who hold the Notes as capital assets.

For purposes of this discussion, a **U.S. holder** is a beneficial owner of a Note that is (i) an individual citizen or resident of the United States; (ii) a corporation or other entity taxable as a corporation for U.S. federal income tax purposes created or organized in or under the laws of the United States or any state or any political subdivision thereof; (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust, or if a valid election is in place under applicable U.S. Treasury Regulations to treat the trust as a U.S. person.

A **non-U.S. holder** is a beneficial owner of the Notes that is neither a U.S. holder nor a partnership (or other entity that is treated as a partnership for U.S. federal income tax purposes).

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds the Notes, the tax treatment of the partnership and a partner in such partnership will generally

depend upon the status of the partner and the activities of the partnership. Such partner or partnership should consult its own tax advisor as to its consequences.

### ***U.S. holders***

#### *Interest*

Payments of stated interest on the Notes, including any additional amounts, generally will be taxable to a U.S. holder as ordinary income at the time that such payments are received or accrued, in accordance with such U.S. holder's usual method of accounting for U.S. federal income tax purposes.

Interest income on a Note generally will be treated as foreign source income for U.S. federal income tax purposes and generally will be considered "passive income" or, in the case of certain U.S. holders, "general category income".

#### *Original Issue Discount*

A Note that has an "issue price" that is less than its "stated redemption price at maturity" will be considered to have been issued at an original discount for U.S. federal income tax purposes (and will be referred to as an **original issue discount Note**) unless the Note satisfies a *de minimis* threshold (as described below). The "issue price" of a Note generally will be the first price at which a substantial amount of the Notes are sold to the public (which does not include sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The "stated redemption price at maturity" of a Note generally will equal the sum of all payments required to be made under the Note other than payments of "qualified stated interest". "Qualified stated interest" is stated interest unconditionally payable (other than in debt instruments of the issuer) at least annually during the entire term of the Note and equal to the outstanding principal balance of the Note multiplied by a single fixed rate of interest. Stated interest on the Notes will be treated as qualified stated interest.

If the difference between a Note's stated redemption price at maturity and its issue price is less than a *de minimis* amount, *i.e.*, 1/4 of 1 percent of the stated redemption price at maturity multiplied by the number of complete years to maturity, then the Note will not be considered to have original issue discount. U.S. holders of Notes with a *de minimis* amount of original issue discount will include this original issue discount in income, as capital gain, on a pro rata basis as principal payments are made on the Note.

A U.S. holder of original issue discount Notes will be required to include any qualified stated interest payments in income in accordance with the U.S. holder's method of accounting for U.S. federal income tax purposes. U.S. holders of original issue discount Notes that mature more than one year from their date of issuance will be required to include original issue discount in income for U.S. federal tax purposes as it accrues in accordance with a constant yield method based on a compounding of interest, regardless of whether cash attributable to this income is received.

#### *Sale, exchange or retirement of Notes*

If you are a U.S. holder, upon the sale, exchange or retirement of a Note you will recognize taxable gain or loss equal to the difference, if any, between the amount realized on the sale, exchange or retirement, other than accrued but unpaid stated interest which will be taxable as such, and your adjusted tax basis in the Note. Your adjusted tax basis in a Note generally will equal the cost of the Note to you increased by the amount of original issue discount included in your gross income and decreased by the amount of any payment received from the Issuer other than a payment of qualified stated interest. Any gain or loss recognized on the sale, exchange or retirement of a Note (other than amounts attributable to accrued but unpaid stated interest) will be capital gain or loss. If you are a

non-corporate U.S. holder, the maximum marginal U.S. federal income tax rate applicable to the gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income (other than certain dividends) if your holding period for the Notes exceeds one year (*i.e.*, such gain is a long-term capital gain). Any gain or loss realized on the sale, exchange or retirement of a Note generally will be treated as U.S. source gain or loss, as the case may be. The deductibility of capital losses is subject to limitations.

### ***Non-U.S. holders***

Subject to the discussion below under the heading “Information reporting and backup withholding tax”, payments of interest on a Note to a non-U.S. holder generally will not be subject to U.S. federal income tax unless the income is effectively connected with the conduct by such non-U.S. holder of a trade or business in the United States.

Subject to the discussion below under the heading “Information reporting and backup withholding tax”, any gain realized by a non-U.S. holder upon the sale, exchange, redemption or other disposition of a Note generally will not be subject to U.S. federal income tax, unless (i) the gain is effectively connected with the conduct by such non-U.S. holder of a trade or business in the United States or (ii) in the case of any gain realized by an individual non-U.S. holder, such non-U.S. holder is present in the United States for 183 days or more in the taxable year of the sale, exchange, redemption or other disposition and certain other conditions are met.

### ***Information reporting and backup withholding tax***

A backup withholding tax and information reporting requirements apply to certain payments of principal of, and interest on (including any original issue discount), an obligation and to proceeds of the sale or redemption of an obligation, to certain non-corporate holders of Notes that are U.S. persons. The payor will be required to withhold backup withholding tax on payments made within the United States, or by a U.S. payor or U.S. middleman, on a Note to a holder of a Note that is a U.S. person, other than an exempt recipient, such as a corporation, if the holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, the backup withholding requirements. Payments within the United States, or by a U.S. payor or U.S. middleman, of principal and interest to a holder of a Note that is not a U.S. person will not be subject to backup withholding tax and information reporting requirements if an appropriate certification is provided by the holder to the payor and the payor does not have actual knowledge or a reason to know that the certificate is incorrect.

Backup withholding is not an additional tax but, rather, is a method of tax collection. Any amounts withheld under the backup withholding rules will be allowed as a refund or credit against the holder’s U.S. federal income tax liability provided the required information is furnished to the U.S. Internal Revenue Service in a timely manner.

### ***Foreign Asset Reporting***

Certain specified individuals and, to the extent provided by future guidance, certain domestic entities, who, at any time during the taxable year, hold interests in specified foreign financial assets (including obligations, such as the Notes, that are not held in an account maintained by a financial institution) having an aggregate value in excess of applicable reporting thresholds (which depend on the individual’s filing status and tax home, and begin at a low of more than US\$50,000 on the last day of the taxable year or more than US\$75,000 at any time during the taxable year) are required to attach a disclosure statement on Form 8938 (Statement of Specified Foreign Financial Assets) to their US federal income tax return. No Form 8938 is required to be filed by a specified person who is not required to file a US federal income tax return for the taxable year. Investors are urged to consult their own tax adviser regarding these reporting requirements.

**Prospective purchasers of the Notes should consult their own tax advisors concerning the tax consequences of holding Notes in light of their particular circumstances, including the application of the U.S. federal income tax considerations discussed above, as well as the application of state, local, foreign or other tax laws.**

## SUBSCRIPTION AND SALE

BNP Paribas, Deutsche Bank AG, London Branch, J.P. Morgan Securities plc and The Standard Bank of South Africa Limited (the **Joint Lead Managers**) have, pursuant to a Subscription Agreement dated May 3, 2016, severally and not jointly agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe the Notes at 98.927 % of their principal amount less a commission. The Subscription Agreement entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

To the extent permitted by local law, the Joint Lead Managers and the Issuer have agreed that commissions may be offered to certain brokers, financial advisors and other intermediaries based upon the amount of investment in the Notes purchased by such intermediary and/or its customers. Each such intermediary is required by law to comply with any disclosure and other obligations related thereto, and each customer of any such intermediary is responsible for determining for itself whether an investment in the Notes is consistent with its investment objectives.

### **Selling Restrictions**

#### *United States*

The Notes have not been and will not be registered under the U.S. Securities Act and the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from, or in transaction not subject to the registration requirements of, the U.S. Securities Act.

The Notes are being offered and sold in the United States only to QIBs within the meaning of Rule 144A that are also QPs as defined in Section 2(a)(51)(A) of the U.S. Investment Company Act and the rules and regulations thereunder, in reliance on Rule 144A. Because of the following restrictions, purchasers of Notes offered in the United States in reliance on Rule 144A are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such Notes.

Each Joint Lead Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date (the **distribution compliance period**) within the United States or to, or for the account or benefit of, U.S. persons and that it will have sent to each dealer to which it sells Notes (other than a sale pursuant to Rule 144A) during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons substantially to the following effect:

“The Notes covered hereby have not been registered under the U.S. Securities Act of 1933 (the **Securities Act**) and may not be offered and sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, except in either case in accordance with Regulation S or Rule 144A under the Securities Act. Terms used above have the meanings given to them by Regulation S.”

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or pursuant to another exemption from registration under the U.S. Securities Act.

Notes may be offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. The Joint Lead Managers may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of Notes within the United States pursuant to Rule 144A only to persons whom they reasonably believe are QIBs within the meaning of Rule 144A and QPs as defined in Section 2(a)(51)(A) of the U.S. Investment Company Act and the rules and regulations thereunder, who can represent that (a) they are QIBs who are also QPs, (b) they are not broker-dealers who own and invest on a discretionary basis less than U.S.\$25 million in securities of unaffiliated Banks, (c) they are not a participant-directed employee plan, such as a 401(k) plan, (d) they are acting for their own account, or the account of one or more QIBs each of which is also a QP, (e) they are not formed for the purpose of investing in the Issuer or the Notes, (f) each account for which they are purchasing will hold and transfer at least U.S.\$200,000 in principal amount of Notes at any time, (g) they understand that the Issuer may receive a list of participants holding positions in its securities from one or more book-entry depositaries, and (h) they will provide notice of the transfer restrictions set forth in this Prospectus to any subsequent transferees.

If it is a QIB that is also a QP purchasing the Notes pursuant to Rule 144A, it will not offer, sell, pledge or otherwise transfer the Notes except (i) (a) to the Issuer, (b) to a person whom the purchaser reasonably believes is a QIB that is also a QP in a transaction meeting the requirements of Rule 144A, (d) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S or (d) in a transaction that is otherwise exempt from the registration requirements of the Securities Act and that will not cause the Issuer to become required to register under the U.S. Investment Company Act but only upon delivery to the Issuer of an opinion of counsel in form and scope satisfactory to the Issuer and (ii) in accordance with all applicable securities laws of the States of the United States.

Terms used in this paragraph have the meaning given to them by Regulation S under the U.S. Securities Act.

### ***Covered Fund***

The Issuer may be classified as a "covered fund" as defined in Section 13 of the Bank Holding Company Act (the **Volcker Rule**). The definition of "covered fund" in the Volcker Rule includes (generally) any entity that would be an investment company under the U.S. Investment Company Act of 1940, as amended (the **1940 Act**), but for the exemption provided under Section 3(c)(1) or 3(c)(7) thereunder. Because the Issuer relies on Section 3(c)(7) of the 1940 Act for its exemption from registration thereunder (which exemption limits sales of the Notes to "qualified purchasers" as such term is defined in the 1940 Act) it may be considered to be a covered fund, which may limit the ability of U.S. "banking entities" and non-U.S. affiliates of U.S. banking entities to hold an ownership interest in the Issuer or enter into financial transactions with the Issuer.

If the Issuer is deemed to be a "covered fund", the marketability and liquidity of the Notes could be significantly impaired. Some investors may choose not to purchase any securities of a covered fund – whether or not the securities constitute an ownership interest in a covered fund under the Volcker Rule. In addition, limited regulatory guidance is available to interpret the Volcker Rule, and implementation of the regulatory framework for the Volcker Rule is still evolving. Thus, the uncertainty caused by the breadth of Volcker Rule's prohibitions and the lack of interpretive guidance could further negatively impact the liquidity and value of the Notes. Any purchaser, and in particular any entity that is a "banking entity" as defined under the Volcker Rule, should consider the potential impact of the Volcker Rule in respect of such investment. Each purchaser must determine for itself whether it is a banking entity subject to regulation under the Volcker Rule.

Under the Volcker Rule, "ownership interest" is defined broadly to include any participation or other interest that entitles the holder of such interest to, amongst other things: (a) vote to remove management or otherwise other than as a creditor exercising remedies upon an event of default, (b)

share in the income, gains, profits or excess spread of the covered fund or (c) receive underlying assets of the covered fund. The Issuer does not believe that an investment in the Notes issued would constitute acquiring or retaining an ownership interest in a covered fund.

Notwithstanding the forgoing, none of the Issuer, the Joint Lead Managers, the Trustee, their respective Affiliates or any other person makes any representation as to any investor's ability to acquire or hold the Notes now or at any time in the future.

### ***United Kingdom***

Each Joint Lead Manager has severally represented, warranted and undertaken that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

### ***France***

Each of the Joint Lead Managers has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, any Notes to the public in France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Prospectus or any other offering material relating to the Notes and such offers, sales and distributions have been and will be made in France only to (a) persons providing investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*) and/or (b) qualified investors (*investisseurs qualifiés*) acting for their own account, as defined in, and in accordance with, Articles L. 411-1, L. 411-2, D. 411-1, D. 411-4, D. 744-1, D. 754-1 and D. 764-1 of the French *Code monétaire et financier*.

### ***WAEMU Member States***

Each of the Joint Lead Managers has represented and agreed that, has part of its initial distribution of the Notes, it has not offered or sold and will not offer or sell, directly or indirectly, any Notes to residents of any Regional Member State or legal entities incorporated in any Regional Member State of the WAEMU and has not distributed and will not distribute this Prospectus or any other offering material relating to the Notes in or to any person in any of the Regional Member States of the WAEMU.

### ***Certain Relationships***

Certain of the Joint Lead Managers and their affiliates from time to time have performed, and in the future will perform, banking, investment banking, advisory, consulting and other financial services for the Issuer and its affiliates, for which they may receive customary advisory and transaction fees and expenses reimbursement. As one particular example, some or all of the Joint Lead Managers and the Issuer are intending to enter into swap documentation to hedge the U.S. dollar exposure represented by the Notes. The Joint Lead Managers will be paid a transaction fee to provide this service to the Issuer.

In addition, in the ordinary course of their business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer's affiliates (including the Notes). Certain of the Joint Lead Managers or their affiliates that have a lending relationship with the Issuer may hedge their credit exposure to the Issuer consistent with their customary risk management policies. Such Joint Lead Managers and their affiliates may hedge such exposure by entering into transactions that consist of either the purchase of credit default swaps or the creation of short positions in securities (potentially including the Notes). Any such short positions could adversely affect future trading prices of Notes. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

## GENERAL INFORMATION

### 1. Clearing Systems

The Notes have been accepted for clearance and settlement through the DTC, Clearstream, Luxembourg and Euroclear systems with a Common Code of 135067083. The International Securities Identification Number for the Notes is XS1350670839 (Regulation S); US06675QAA13 (Rule 144A). The CUSIP Number for the Notes is 06675QAA1.

### 2. Admission to Trading

Application has been made to list and trade the Notes on the regulated market of the Luxembourg Stock Exchange.

### 3. Authorizations

The Issuer has obtained all necessary consents, approvals and authorizations in connection with the issue and performance of the Notes. The issue of the Notes was authorized by resolution of the Board of Directors of the Issuer passed on December 14, 2015.

### 4. Material Adverse Change

There has been no material adverse change in the financial position or prospects of the Issuer or of the Group since December 31, 2015.

### 5. Litigation

Neither the Issuer nor any of its Subsidiaries is involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened) which may have, or have had during the 12 months preceding the date of this Prospectus, a significant effect on the financial position or profitability of the Issuer or of the Group.

### 6. Documents on Display

For so long as any of the Notes is outstanding, copies of the following documents will be available free of charge by prior appointment at the specified offices of each of the Paying and Transfer Agents during normal business hours:

- (a) the By-laws (in French and English);
- (b) the Waiver of Immunity Decision (in French);
- (c) the agreement establishing the Issuer signed at Paris on November 14, 1973, as completed by the Treaty of the West African Economic and Monetary Union (the **Establishment Agreement**) (in French);
- (d) the annual report and audited financial statements of the Issuer for the financial years ended 31 December 2013, 2014 and 2015 including, in each case, the audit report relating to such accounts (in French and English);
- (e) the Trust Deed;
- (f) the Agency Agreement; and

(g) this Prospectus and any supplements thereto.

**7. Auditors**

The audited financial statements of the Issuer for the financial years ended December 31, 2013, 2014 and 2015, an English language translation of which is contained in this Prospectus, have been audited by Auditeurs Associés en Afrique KPMG CI in accordance with International Standards on Auditing (without qualification).

The auditors of the Issuer have no material interest in the Issuer.

**8. Certificates**

Any certificate of the Auditors (as defined in the Trust Deed) or any other person called for by or provided to the Trustee (whether or not addressed to the Trustee) in accordance with or for the purposes of the Trust Deed may be relied upon by the Trustee as sufficient evidence of the facts set out therein notwithstanding that such certificate or report and/or any engagement letter or other document entered into by the Trustee in connection therewith contains a monetary or other limit on the liability of the Auditors or such other person in respect thereof and notwithstanding that the scope and/or basis of such certificate or report may be limited by any engagement or similar letter or by the terms of the certificate or report itself.

**9. Conflicts of Interest**

There are no potential conflicts of interest between any duties of the members of the administrative, management or supervisory bodies of the Issuer towards the Issuer and their private interests and/or other duties.

**10. Enforcement by the Trustee**

The Conditions provide for the Trustee to take action on behalf of the holders of Notes in certain circumstances, but only if the Trustee is indemnified to its satisfaction. It may not be possible for the Trustee to take certain actions in relation to the Notes and accordingly in such circumstances the Trustee will be unable to take action, notwithstanding the provision of an indemnity to it, and it will be for holders of Notes to take action directly.

**ENGLISH LANGUAGE TRANSLATIONS OF THE REPORTS OF THE  
INDEPENDENT AUDITORS AND FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013**

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**WEST AFRICAN DEVELOPMENT  
BANK (BOAD)**

**BOAD'S FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 31 DECEMBER 2015**

**MARCH 2016**

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<b>Statement of financial position</b>			
<b>ASSETS</b>	<b>Note</b>	<b>31/12/2015</b>	<b>31/12/2014</b>
Cash and cash equivalent	4	194 317	281 902
Loans and receivables at amortized cost	5	1 487 624	1 290 718
- Interbank receivables		530	340
- Receivables from customers		1 360 100	1 161 728
- Loans to staff		6 270	6 096
- Securities portfolio		15 227	22 546
- Receivables from shareholders		105 420	99 933
- Others		77	75
Equity investments	6	78 123	66 166
Other assets	7	14 793	10 632
Intangible assets	8	879	1 031
Tangible assets	9	7 904	8 022
<b>TOTAL ASSETS</b>		<b>1 783 640</b>	<b>1 658 471</b>
<b>LIABILITIES</b>	<b>Note</b>	<b>31/12/2015</b>	<b>31/12/2014</b>
Liabilities at amortized cost	10	1 015 058	904 391
- Interbank debts		34 704	10 459
- Debts represented by a security		557 265	561 559
- Others		423 088	332 374
Other liabilities	11	28 561	33 164
- Funds		13 231	18 958
- Others		15 330	14 206
Provisions	12	5 873	5 517
<b>TOTAL Liabilities</b>		<b>1 049 491</b>	<b>943 072</b>
Capital		268 746	255 819
- Subscribed capital		1 097 750	1 050 550
- Callable capital		-821 805	-786 405
- Cost related to the paying-up of capital		-7 200	-8 327
Share premium		2 622	2 622
Reserves		462 781	456 958
- Reserves transferred for development activities		76 050	76 050
-Reserves at fair value on AFS-rated securities		13 475	16 442
- Other reserves		26	26
- Retained earnings		364 390	106 041
- Earnings for the year		8 839	258 399
<b>TOTAL Equity</b>	13	<b>734 149</b>	<b>715 398</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1 783 640</b>	<b>1 658 471</b>

**Comprehensive income statement (in XOF millions)**

<b>Profit and loss account</b>	<b>Note</b>	<b>31/12/2015</b>	<b>31/12/2014</b>
Interests and related incomes	14	72 167	61 390
Interests and related expenses	14	-40 993	-31 585
<i>Subtotal</i>		31 175	29 805
Commissions (income)	15	5 512	3 318
Commissions (expenses)	15	-1 246	-1 162
<i>Subtotal</i>		35 440	31 961
Exchange gains	16	12	121
Exchange losses	16	-5 120	-4 742
Gains/losses on hedging instruments	16	-247	-
<i>Subtotal</i>		30 085	27 340
Dividends received	17	2 529	2 474
Gains/losses on financial assets available for sale		0	-46
<b>Net banking income</b>		<b>32 614</b>	<b>29 769</b>
<b>Cost of risk</b>	18	<b>-6 964</b>	<b>-7 135</b>
Endowment from member countries		3 200	3 200
Other operating income	21	984	251 055
Charges related to development activities	19	-1 530	-1 547
General operating costs	20	-19 395	-16 913
- Staff overheads		-11 226	-10 403
- Amortizations		-1 187	-979
- Others		-6 983	-5 531
Other operating costs		-69	-30
<b>Other operating result</b>	21	<b>-16 811</b>	<b>235 765</b>
<b>Income for the period</b>	21	<b>8 839</b>	<b>258 399</b>
<b>Other items in the comprehensive income statement</b>			
<b>Items likely to be recognised as income</b>			
Revaluation of intangibles			
Cash flow coverage			
Variation in fair value of AFS-rated securities		-2 967	16 442
<b>Items not likely to be recognised as income</b>			
Revaluation of net liabilities under the fixed benefits scheme		-50	-129
<b>Other comprehensive income</b>		<b>-3 017</b>	<b>16 313</b>
<b>Comprehensive income</b>		<b>5 823</b>	<b>274 712</b>

<b>Statement of cash-flow</b>				
<b>Cash flow for operations</b>		<b>Note</b>	<b>31/12/2015</b>	
			<b>31/12/2014</b>	
Income for the period			<b>8 839</b>	<b>258 399</b>
<i>Adjustments related to non-monetary and other items</i>				
	Unrealised gains/losses		5 057	4 676
	Exchange gains		-9	-121
	Exchange losses		307	66
	Amortizations		1 187	979
	Depreciations		0	0
	Cost of risk		-6 964	7 135
	Gains/losses on financial assets available for sale		0	46
	Other items		810	-7 258
			388	5 522
Variations of assets and liabilities from operations				
	Interbank loans		-190	6 018
	Disbursement on receivables from customers		-313 055	-366 214
	Repayment on receivables from customers		121 987	111 641
	Other receivables from customers		-6 503	-2 397
	Loans to staff		-174	210
	Securities portfolio		7 320	16 856
	Other receivables		-2	5
	Other assets		-4 161	-8 454
	Interbank debts		24 246	3 231
	Other debts		6 861	3 818
	Other liabilities		-4 603	-244 560
			-168 276	-479 848
<b>Cash flow from operations</b>			<b>-159 049</b>	<b>-215 927</b>
<b>Cash flow from investment activities</b>			<b>31/12/2015</b>	<b>31/12/2014</b>
	Acquisition of tangible assets		-860	-419
	Sale of tangible assets		17	23
	Acquisition of intangible assets		-58	-680
	Sale of intangible assets		0	0
	Acquisition of shares		-16 014	-8 978
	Sale of shares		1 277	7 756
<b>Cash flow from investment activities</b>			<b>-15 638</b>	<b>-2 297</b>
<b>Cash flow from financing activities</b>			<b>31/12/2015</b>	<b>31/12/2014</b>
	Resources from capital release		7 676	17 058
	Redemption of shares		0	0
	Debt issuance		211 209	265 376
	Repayment/debts represented by a security		-88 041	-34 211
	Repayment/Other loans		-43 742	-37 221
<b>Cash flow from financing activities</b>			<b>87 103</b>	<b>211 002</b>
<b>Net increase/(decrease) in cash and cash</b>			<b>-87 584</b>	<b>-7 221</b>
<b>Cash and cash equivalents at opening</b>		<b>4</b>	281 902	289 123
<b>Cash and cash equivalents at closing</b>		<b>4</b>	194 317	281 902
			<b>31/12/2015</b>	<b>31/12/2014</b>
<b>ADDITIONAL INFORMATION</b>				
Operating cashflows from interests and dividends:				
	Interests paid		41 106	31 382
	Interests received		72 702	61 444
	Dividends received		2 529	2 474

**Variations in equity capital (in XOF millions )**

	Capital			Share premium	Reserves		Revaluation of net liability under fixed benefits scheme
	Subscribed capital	Callable capital	Cost related to the differed paying-up of capital (1)		Reserves transferred for development activities	Other reserves	
<b>Equity capital as at 1 January 2014</b>	1 009 250	-755 430	-8 850	2 622	76 050	26	0
<b>Increase in capital</b>	41 300	-30 975					
<b>Income as at 31 December 2014</b>							
<b>Other items in the comprehensive income</b>							-129
Variation of fair value on AFS-rated securities							
Revaluation of net liability under fixed benefits scheme							-129
<b>Other variations</b>			523				
<b>Income allocation</b>							
Transfers							
<b>Equity capital as at 1 January 2015</b>	1 050 550	-786 405	-8 327	2 622	76 050	26	-129
<b>Increase in capital</b>	47 200	-35 400					
<b>Income as at 31 December 2015</b>							
<b>Other variations</b>			1 127				
<b>Other items in the comprehensive income</b>							
Variation of fair value on AFS-rated securities							
Revaluation of net liability under fixed benefits scheme							-50
<b>Subtotal: Other items on comprehensive income</b>							-50
<b>Balance as at 31 December 2015</b>	<b>1 097 750</b>	<b>-821 805</b>	<b>-7 200</b>	<b>2 622</b>	<b>76 050</b>	<b>26</b>	<b>-179</b>

(1) See note 2.08

## **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.

As an international public institution, BOAD has its headquarters in Lomé (Togo), located at 68, avenue de la Libération, 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 BCEAO, three European countries (Germany, France and Belgium), as well as African Development Bank (AfDB), People's Bank of China and Eximbank of India became shareholders of the Bank in 2004. The Kingdom of Morocco joined the shareholders in 2013.

BOAD became operational in 1976.

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

Under article 42 of the Bank's Articles of Association, income, assets, transactions and operations of the Bank are exempt from direct and indirect taxes. Bonds issued by the Bank or interests accruing thereof are exempt from taxes either by individual governments or collectively by the Union, irrespective of the holder of such bonds.

## **NOTE 2. SUMMARY OF ACCOUNTING PRINCIPLES AND PRACTICES**

Below is a 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 2015 and the comparative figures for 2014 have been established in accordance with the international financial reporting standards (IFRS) -including the international accounting standards (IAS) and interpretations -as issued by the IASB (*International Accounting Standards Board*).

### **2.2 Basic financial reporting principles**

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

#### **Going Concerns**

The financial statements for the year ended 31 December 2015 have been prepared based on the principle of continuity of operations where the Bank has neither the intention nor the need to end or significantly reduce the scope of its activities.

#### **Non-compensation of financial assets and liabilities**

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

## 2.3 Key bases for evaluation

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

## 2.4 Fair value of financial instruments

### i. 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.

For purposes of information in the annex on individual accounts, the fair value of financial instruments is presented according to a fair value hierarchy that reflects the importance of the data used for the assessments. The fair value hierarchy consists of the following levels:

**Level 1 (L1):** instruments valued by price (unadjusted) quoted on active markets for assets or similar liabilities.

Instruments at fair value in the balance sheet, found in this category, include stocks listed on an active market, government bonds or debentures that benefit from external ratings.

A financial instrument is regarded as listed on an active market when market values readily and regularly available from a stock exchange, a broker, a negotiator, a sector of activity, a price evaluator or regulatory agency and those values represent actual and regular ongoing transactions on the market under conditions of normal competition.

Assessing the inactivity of a market is based on indicators such as the significant decrease in the volume of transactions and level of activity on the market, the wide dispersion of available price in time and between different market participants mentioned above or time lapse of the last transactions observed on the market under conditions of normal competition.

Transactions based on situations of forced sales are generally not considered when determining the market price.

**Level 2 (L2):** fair values estimated from data that are directly or indirectly observable, other than those in level 1.

These data are directly observable (prices) or indirectly observable (data derived from prices) and generally meet the following characteristics: These are data that are not specific to the entity, but are available / accessible publicly and based on a market consensus. Level 2 includes:

- shares and bonds traded on a relevant market as inactive or not listed in an active market and for which the fair value is determined using a method commonly used by stakeholders (such as methods of discounting of future flows), and based on observable market data;
- instruments traded over-the counter (OTC) for which recovery is made using templates that use data from observable markets, i.e. which can be obtained from several independent internal sources, on a regular basis.

When the models used are based on standard templates and on observable market parameters (such as curve rate or the implicit volatility range), the original margin on valued instruments is found in income upon initiation.

Financial instruments traded in markets considered to be insufficiently active, as well as those traded on OTC markets are presented.

Category L2 includes securities at fair value in the balance sheet which are not directly listed (this may include corporate bonds, mortgage-backed securities, portions of funds). These instruments have maturities corresponding to terms commonly treated in the market and can be simple or have profiles of more complex compensation (for example, barrier options multiple underlying products), with limited complexity. The valuation techniques are based on common and shared methods by key market players.

**Level 3 (L3):** instruments for which data for valuation are not based on observable market data ('unobservable' data).

The determination of the fair value of certain complex market instruments, not traded on an active market, is based on valuation techniques that use assumptions that are not supported by observable market data in the market for the same instrument.

The methodologies and models for valuation of financial instruments presented in level 2 and level 3 include all factors that market participants use to calculate a price. They must be previously validated by independent control. The determination of the fair values of these instruments, takes into account the liquidity risk and counterparty risk.

## ii. 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 balance sheet 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 in capital markets, a large number of financial instruments 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.

## 2.5 Income

Interests on loans are recorded at the effective interest rate.

The effective interest rate is the rate that exactly actualises the disbursements or future cash receipts over the life of the financial instrument or, where appropriate, a shorter period to obtain the net book value of the asset or financial liability.

Interests and commissions are recognized in the period where they are received. It thus covers accrued interests and commissions not yet due.

## 2.6 Equity security

Investments are considered as financial assets available for sale and as such, the valuation principles used are as follows:

### a) Initial assessment

When entering the asset stock, securities are valued at their fair value.

## **b) Further assessment**

During their subsequent evaluation, equity securities are measured at fair value and any change in fair value outside depreciation below standards is entered as "other elements of the overall statement".

The fair value of the securities at the balance sheet date is determined on the basis of the methods of valuation outlined in note 2.04.

## **c) Criteria for depreciation of securities**

Depreciation losses must be recognized when there is an objective indication of impairment resulting from one or more events that occurred after the acquisition of securities other than those classified at fair value by outcome.

For quoted equity instruments, a significant or extended reduction in price below their acquisition cost is an objective indication of impairment. BOAD believes that this is particularly the case for equities which present over 50% losses of the cost of acquisition at the date of closing, as well as for the listed shares in a situation of latent losses during a continuous period of 36 months or more prior to the date of closing.

Other factors, such as for example the financial situation of the issuer or its growth outlook, may lead the Bank to estimate that its investment could not be recovered when even the criteria mentioned above would not be met. An impairment charge is then recorded in the income statement as the difference between the price quoted of the securities at date of closing date and its acquisition cost.

The impairment losses recognised in income related to an equity instrument classified as available for sale are therefore not listed as long as the financial instrument has not been transferred. As an equity instrument is impaired, any additional impairment loss constitutes an additional depreciation. For debt instruments, impairment losses are recognised in profit and loss in case of future appreciation in their value.

The impairment criteria for instruments of unlisted equity are identical to those mentioned above, the value of the instruments at the reporting date is determined based on the valuation methods described in Note 2.04: " Fair value of financial instruments " (p. 6 and following).

## **2.7 Receivables from customers**

### **a) General principles**

Loans from the BOAD are denominated in CFA Francs (XOF).

Interest and commitment on loans granted to customers are recorded in the period in which they were obtained. Interest that have accrued but not yet due at the balance sheet date are recorded as interest on loans receivable.

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

The flat commissions are fees charged only once in the project evaluation. They are captured in the income statement by linear spread over the lifespan of the loan. The difference between this method of accounting for these commissions and their integration in the loan TIE is considered non-significant.

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

b) 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.

c) Loans to the commercial sector

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

d) Provisioning

The Bank's impairment model has two components:

➤ Individual impairment

All claims are subject to individual impairment when there is objective evidence that an event occurring after the introduction of the loan may generate a measurable loss. Impairment is determined by comparing the present value of future cashflows and the carrying amount. The effect of the impairment update is recorded in banking income.

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

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

Based on these data, the value of flows, discounted at the actual loan interest rate is calculated while the difference with the book value of the loan is accounted for in cost of risk under the income statement.

Interest on bad debts are depreciated at 100% because the Bank makes the assumption that the cashflow from recovery of these interests is zero.

➤ Collective depreciation

Collective depreciation related to receivables (i) which are not subject to individual depreciation and (ii) are grouped based on similar credit risks, which indicate the debtor's capacity to repay all amounts due according to the contractual conditions (e.g. based on the assessment of the credit risk or a rating process which takes into account the sector of activity, geographical location, the type of guarantee instrument, the possible delay in payment observed and other relevant factors).

e) Staff loans

Staff loans are granted at a subsidised rate considered as the market rate for staff loans. They are therefore recorded at their nominal value.

## 2.8 Securities

All securities held by the Bank meet the IAS 39 requirements for IAS 39 on Loans and Receivables. They are classified as "loans and receivables at amortised cost".

These include bonds with fixed or determinable payments that are not listed in an active market.

Depreciation criteria are those that apply to loans and receivables.

These securities are evaluated at amortized cost are valued at amortized cost through the use of a depreciation account, the amount of the loss is captured in the income statement, with a possible recovery in the event of further improvement.

## **2.9 Currency operations**

Transactions in foreign currencies are accounted for on the basis of the exchange rate at the time of the transaction.

Refundable debts in foreign currency are converted at the exchange rate communicated by the BCEAO as at 31 December of each year. Gains and losses resulting from these transactions are recorded in the income statement.

## **2.10 Interest on borrowings**

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

## **2.11 Transactions on share capital and allocations**

### a) Capital

During capital call-up, because a long term payment plan is granted to shareholders, the amount of the capital increase is the discounted original debt amount, and not the amount indicated on the subscription forms. For the sake of good presentation, the difference is captured in a debtor sub-account of the capital.

### b) Allocations

Member countries make allocations annually to BOAD. BOAD's right to the allocation is established at the request of payment. This application must be made annually and as a result, the allocations are captured annually as income. The allocations are therefore recognised as receivables at the time of annual call for funds, with impact on the year's income under IAS 20.

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

## **2.12 Subsidies**

Subsidies on fixed assets are recorded on the liabilities side of the balance sheet. These subsidies are amortized at the same rate as the funded capital.

## **2.13 External funds**

These are the funds with external contributions (AFD, IDA, Belgian Assistance Fund, Chinese Fund,...).

Expenditures are recorded directly in the debit entry of the Fund created. No cost or income is captured in the Bank's comprehensive income statement.

## 2.14 Investment income at the Central Bank

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

Interest receivable from BCEAO as at close of the year are recorded as assets under 'interbank receivables'.

## 2.15 Pre-financing of studies

Advances for financing of studies granted by BOAD are borne by the borrower where the studies conclude that the projects are viable.

If the studies do not lead to a project, the cost of the advance is charged on expenses for the year (charges related to development activities).

These receivables generate interest which is calculated periodically and recorded as income.

## 2.16 Fixed assets and depreciation

### a) Value and depreciation period

Capital assets are recorded at their cost of acquisition and are amortized using the straight line method over their useful lives. The forecast residual values are considered null.

The following time frames were used:

Constructions: amortization per component on the following periods:

Land		Non-depreciable
Major works		40 years
Close, Open		20 years
Technical lots, layout and designs		15 years
Various facilities		10 years
Office equipment and furniture	3 to 10 years	
Home furniture and equipment	3 to 10 years	
Transport equipment	3 years	
Layout and design	3 to 10 years	

### b) Review of the components of amortization and impairment tests

The residual value and useful lives are reviewed periodically and adjusted if necessary. Assets that are likely to depreciate are reviewed annually to determine whether they have suffered a loss in value. The carrying value of an asset is immediately captured in the recoverable amount if the carrying amount exceeds its estimated recoverable amount. The recoverable amount is the higher amount of fair value of the asset (net of selling costs) and its going concern value.

### c) Intangible assets

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

## **2.17 Pension liability**

The Bank uses the "defined benefits" 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.

The net amount of the provision in liabilities is calculated based on the actuarial liability related to the company pension obligations, but less the fair value of plan assets of these commitments.

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

The actuarial assumptions used are: discount rate (6.5%), salary increase rate (5%), mortality tables (French table), turnover rate (1%), retirement age (60 years).

Revaluations of the net liability for defined benefit plans are recorded under other items in the comprehensive income.

## **2.18 Principles of the Statement of cash flow**

The statement of cash flow explains the change in the Bank's cashflows during the period.

The cashflows are distributed among the operations, investments and financing.

Cash and cash equivalents appearing in the cash flow table should be compared with those presented in the financial statement.

Flows from operating activities are presented using the indirect method whereby the result is adjusted for the effects of non-cash transactions, any deferrals or accruals of past entries or past/future operational cash payments and income or expenditure items related to the cash flows for investments or financing.

Cashflows related to investing and financing activities are presented separately according to major categories of inputs and gross cash 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 cash flows.

## **2.19 Critical accounting judgments and key sources of uncertainty for estimates**

The preparation of financial statements in accordance with IFRS requires that Management provides estimates, assumptions and judgments that affect the value of assets, liabilities, income and expenditure. Estimates and judgments are continually evaluated and take into consideration experience and other factors, including expectations of future events deemed reasonable under the current circumstances.

The most significant judgments and estimates are summarized below:

### **a) Key judgments**

The Bank's accounting policy requires that assets and liabilities be recorded at inception into different accounting categories. This decision requires significant detailed judgment in the following categories:

- the classification and evaluation of financial assets under IAS 39 (loans and receivables, equity securities and investment portfolio).
- the Bank's review of IFRS 10 provisions, in order to determine whether there are entities it controls and which could be consolidated (**see note 6**).

## b) Key estimates

The Bank also uses the following estimates for its separate financial statements:

*Evaluation of fair value of equity securities:* At each reporting date, the Bank reviews its portfolio to assess its fair value based on available financial information or stock prices and proceeds to estimate changes in fair value and / or amount of impairments necessary (**see Note 2.06**)

*Impairment of loans and advances:* the Bank also reviews its debt portfolio and assesses first whether there is objective evidence of impairment of loans taken individually (**see Note 2.07**).

*Pension benefits:* The present value of pension obligations is sensitive to financial and actuarial assumptions including the discount rate. At the end of each year the Bank determines the appropriate discount rate to be used to determine the fair value of future pension liabilities estimated on the basis of interest rate obligations of member countries of the Union (**see note 2.07**).

### 2.20 Functional 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<sup>2</sup> million), unless otherwise stated.

### 2.21 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 balance sheet date.

If these are events that occurred after the date of closing of the accounts but require disclosure, the balance sheet, income statement, cash flow table and the table of changes in equity are not adjusted. The nature and potential impact of these events are captured in note 27 below.

### 2.22 Change in methods of accounting estimates

In 2015, in order to ensure closer monitoring of its portfolio to further improve quality, the Bank changed one of its criteria for downgrading or depreciating its assets / loans. The Bank thus moved from the criteria of "unpaid for more than 6 months" to "unpaid for more than 3 months". The change in this criteria has had no impact on the comparative financial statements as at 31 December 2014.

### 2.23 Approval of accounts

BOAD's accounts for the year ended 31 December 2015 were approved by the Board of Directors at its meeting on 22 March 2016 and subject to approval by the WAEMU Council of Ministers at its meeting on 24 March 2016.

**NOTE 3. EFFECTS OF NEW OR REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS**

The standards and interpretations contained in the Bank's financial statements as at 31 December 2014 were supplemented by provisions of the new standards and interpretations for the 2015 financial year. These include:

- Amendment regarding the annual improvements to IFRS 2011-2013 (12/13) cycle modifying the following standards: IFRS 3, IFRS 13 and IAS 40

The entry into force of this amendment had no impact on the Bank's financial statements as at 31 December 2015.

Moreover, when the early application of standards and interpretations published by IASB is optional over a period, the option is not used by the Bank, unless otherwise specified. Thus, the standards and interpretations issued but not yet in force could have an impact on the financial statements of the Bank for their entry into force. This is with regard to:

- The new version of IFRS 9 "Financial Instruments", published in July 2014, which is applicable to financial years beginning on or after 1 January 2018. It was not applied in advance in preparing these financial statements. The implementation of this standard will impact the valuation and classification of the Bank's financial instruments.
- IFRS 15: "Revenue from contracts with customers" whose entry into force is scheduled for 1 January 2018;
- IFRS 16 "Leases" which came into force on 1 January 2019;
- Amendment to IAS 27 "equity method in the separate financial statements" which will come into effect on 1 January 2016;
- Amendments on annual improvements to IFRS 2012-2014 cycle modifying the following standards: IFRS 5, IFRS 7 and IAS 19 and IAS 34, which will come into force on 1 January 2016;
- Amendment to IAS 1 "Presentation of Financial Statements" - Disclosure Initiative which will come into force on 1 January 2016;
- Amendment to IFRS 11 – "Partnerships: Accounting for acquisitions of interests in a joint venture" which will enter into force on 1 January 2016.
- The amendment to IAS 16 and IAS 38, "clarification on acceptable depreciation methods" which will come into force on 1 January 2016.

**NOTE 4. CASH AND CASH EQUIVALENTS**

Cash includes cash on hand and demand deposits.

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 include:

	<b>31/12/2015</b>	<b>31/12/2014</b>
Cash accounts	54	61
BOAD Headquarters current account with BCEAO	213	383
Resident missions' deposit accounts at BCEAO	72 252	81 180
Japan Eximbank Special Account*	15	15
Kingdom of Belgium special account**	4 205	4 205
Other BCEAO Headquarters accounts	51 167	120 395
FDE P/C FDE contribution account***	1 985	7 756
BOAD Lomé settlement account	1 018	37 463
Resident missions' operating account	446	75
Bank clearing accounts	960	368
Short-term bank deposits (a)	62 000	30 000
<b>Total Cash and cash equivalents</b>	<b>194 317</b>	<b>281 902</b>

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

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

\*\*\* This account records the resources of the Energy Development Fund (FDE) used to finance energy projects in the WAEMU region. As at 31 December 2015, the FDE's cash flow amount was XOF 1,986 M. The Bank is still the fund manager.

(a) Short-term bank deposits include:

	<b>31/12/2015</b>	<b>31/12/2014</b>
BOA-CI, special cash account	1 009	1 009
BOA-BENIN cash account	991	991
Atlantique banking Group (BA-TG) term deposit	0	0
Term deposit in Senegal	0	0
Term deposit in Burkina Faso/Coris Bank Internation	10 000	5 000
Term deposit in other countries of the Union	50 000	23 000
UTB (XOF10 000 M) ;BTD XOF10 000 M; BSIC-TG (XOF3 000 M) ; ORABANK-TG (XOF3 000 M); BOA-TG (XOF2 000 M); BOA-TG (XOF2 000 M);Diamond Bank-TG (XOF3 000 M), ECOBANK-TG (XOF10 000 M);Coris Bank TG (XOF2 000MF);UTB (XOF5000 M)		
<b>Total Short-term bank déposit</b>	<b>62 000</b>	<b>30 000</b>

**NOTE 5. LOANS AND RECEIVABLES**

Loans and receivables at amortized cost include:

	<b>31/12/2015</b>	<b>31/12/2014</b>
- Interbank loans	530	340
- Receivables from customers	1 360 100	1 161 728
- Loans to staff	6 270	6 096
- Securities portfolio	15 227	22 546
- Receivables from shareholders	105 420	99 933
- Others	77	75
<b>Total loans and receivables</b>	<b>1 487 624</b>	<b>1 290 718</b>

Interbank receivables include interbank deposits and loans of over 3 months and related interests. As at 31 December 2015, all these receivables were due in less than a year.

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

**5.1 The Bank's loan portfolio includes loans granted to:**

- Non-commercial public sector
- Commercial public sector
- Private sector
- Energy sector

All the Bank's loans are granted at fixed rates.

As at 31 December 2015, receivables from clients were as follows:

	31/12/2015	31/12/2014
At most one year	113 151	112 376
More than one year and at least 2 years	109 406	100 022
More than 2 years and less than 3 years	128 838	93 331
More than 3 years and less than 5 years	246 219	188 831
More than 5 years	751 561	666 745
<b>Gross outstanding loans</b>	<b>1 349 175</b>	<b>1 161 304</b>
Advances for financing of studies	11 908	10 670
Receivables related to loans	28 342	22 050
Technical contingencies	2 208	
Depreciation of bad debts	-24 931	-25 732
Deferred income on commission	- 6 601	-6 564
<b>Loans and advances to clients</b>	<b>1 360 100</b>	<b>1 161 728</b>

Borrowers have the option of early repayments of these amounts subject to the conditions contained in the loan agreements.

Gross outstanding loans include XOF74,255 M corresponding to the value of energy sector loans granted to states. In 2014, the WAEMU Council of Ministers decided to allocate an initial grant of

XOF250 billion to BOAD's FDE. The implementation of this decision led to the transfer of these loans to BOAD.

BOAD's interest rate terms for the non-commercial energy sector are equivalent to those applied by the FDE, which correspond to the market conditions.

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

	31/12/2015	31/12/2014
Gross amounts	36 911	38 845
Depreciations	- 24 931	- 25 732
Total net outstanding loans	11 980	13 113

## 5.2 The breakdown of the securities portfolio as follows:

	31/12/2015	31/12/2014
Senegal treasury bonds	6 800	8 500
RCI 6 treasury bonds	1 050	2 100
CAA BN 2011-2016 bonds	1 750	3 000
BF 2010-2015 bonds	667	2 000
CRRH bonds	3 325	3 775
Groupe BOA bonds	862	1 110
Deposit certificate	200	400
	14 653	20 885
Interests receivable	573	1 661
<b>Total securities portfolio</b>	<b>15 227</b>	<b>22 546</b>

The contractual schedule of securities investments, as at 31 December 2015, is as follows:

<b>2015 Maturities</b>	<b>Amounts</b>
More than one year	3 666
More than a year and less than 2 years	862
More than 2 years and less than 3 years	
More than 3 years and less than 5 years	4 800
More than 5 years	5 325
<b>Total securities portfolio</b>	<b>14 653</b>

**5.3** The item on 'receivables from shareholders' includes allocations and amounts due but not yet disbursed (XOF7749 million), grant amounts not yet paid for loan revaluation (XOF2,615 billion) and the called-up capital not yet paid (XOF95,056 million). The last two amounts were as a result of discounting as at 31 December 2015, at average rates of 5.55% (rate applied in 1996 for the non-commercial public sector loans) and 2.45% (applied in 2014 for non-market public sector loans) for payments expected on their scheduled repayment dates.

## **NOTE 6. EQUITY INVESTMENTS**

Equity participations were done in accordance with Section 2 of Bank's statutes, which provides, that (i) "the Bank shall contribute to funding by equity participation, granting of loans..." and (i) section 30, which provides that the bank " shall constitute or participate in raising the capital of institutions or

companies. The set objective is to enable the Bank to strengthen its equity capital and expertise of businesses operating in the Union.

As part of this mission and implementation of this strategy, BOAD intervened in all States of the Union by taking part in the shareholding of several companies. These actions benefitted companies in the financial sector (banks, financial institutions) as well as non-financial sector businesses (energy, telecommunications, hotel, airlines, etc).

The Bank's new strategy, adopted in 2010 for equity participation is as follows:

- **Objective:** To complete the Bank's development agenda while placing more emphasis on its financial viability in accordance with the strategic orientations of the Bank.
- **Sectors of activity:** All sectors that are eligible for funding from the Bank.
- **Modes of intervention :** When entering a transaction, the Bank must be sufficiently clear on the terms and conditions of exit, when the time comes. Equity securities may be transferred as quoted shares and under the most suitable conditions for unquoted shares.
- **Position on governing bodies :** Every equity investment by the Bank is conditioned on the allocation of a position on the entity's governing Board (Board of Directors, supervisory board, Credit or investment committee, etc).

In addition to the new equity participation strategy, BOAD has taken appropriate measures to (i) adapt to the changing trends and requirements of the financial sector of WAMU (raising the minimum capital of banks and financial institutions) and (ii) take into account the special nature of the agricultural sector in terms of its importance in the economies of the countries in the Union.

### 6.1 Intervention limits for equity investments

The maximum commitment of the Bank in the form of equity participation is limited per operation and per Borrower at five percent (5%) of the Bank's tier 1 capital, for projects other than those by national financial institutions (NFIs) and organizations involved in the promotion of SMEs, privatization projects, regional projects and key sectors such as mining and energy, not more than twenty five percent (25%) of the company's share capital.

This intervention limit is 10% of the Bank's tier 1 capital for projects undertaken by National Financial institutions (NFIs) and organizations that promote SMEs, privatization projects, regional projects and those in the mining and energy sectors with amounts not exceeding twenty-five percent (25%) of the company's share capital.

The limit in terms of total volume of the Bank's equity participation is set at 50% of the Bank's tier 1 capital. However, for entities in which BOAD is a major promoter, the capital of the company may be held temporarily at one hundred percent (100%); while the Bank must aim at bringing its percentage share to fifty-one percent (51%) within a reasonable period and with a clear exit strategy.

All the participations must be considered available for sale. Such participations will also be evaluated at the fair value, while any variation at the fair value shall be calculated as "Other comprehensive income (OCI)". The depreciation criteria are provided in note 2.06.

6.2 Equity investments indicated in the financial statement have to do with the following institutions:

Country	Securities	31/12/2015						
		Gross outstanding	Depreciation	Recovery using OCI	Potential gains/losses	Balance sheet value	Gross outstanding	Depreciation
BN	SOAGA	103			70	172	103	-
BN	FOAI	2 500			1 140	3 640	2 500	-
TG	CAURIS CROISSANCE	1 341			58	1 399	2 333	-
SN	BNDE	1 000			1 556	2 556	1 000	-
h-uemoa	CAURIS CROISSANCE II	4 888			-	1 104	3 784	4 226
TG	GARI S. A.	1 500			808	2 308	1 500	-
MA	BDM Mali	600			2 891	3 491	600	-
BN	BOA Bénin	98			1 309	1 407	113	-
NG	SONIBANK Niger	1 082			2 046	3 127	1 082	-
CI	BHCI Côte d'Ivoire	150	79		68	3	150	79
NG	BOA Niger	165			1 542	1 707	165	-
TG	BIA Togo	392			276	668	392	-
BN	African Investment Bank (AIB) (1)	250	250			-	250	250
Outside WAEMU	Afreximbank	2 500			1 417	3 917	2 500	-
SN	Banque Régionale de Marché (BRM)	400			836	1 236	400	-
CI	BRIDGE BANK Côte d'Ivoire	300	193	193	142	442	300	193
BF	Banque de l'Habitat du BF	200			45	245	200	-
NG	BRS-HOLDING	-				-	-	-
CI	Bourse Régionale de Valeurs Mobilières (BRVM)	56			56	112	56	-
CI	DC/BR (BRVM)	140			234	374	140	-
TG	CICA RE	999	219	219	374	1 373	999	219
MA	MANDE Hotel	50	12		-	24	50	12
CI	SALIM (1)	100	100			-	100	100
CI	AIR AFRIQUE (1)	2 500	2 500			0	2 500	2 500
CI	CIPREL	584			736	1 320	584	-
BN	COTEB (1)	272	272			-	272	272
	Total to be brought forward	22 169	3 625	412	14 351	33 307	22 515	3 625

		31/12/2015					
		Gross outstanding					
Country	Securities		Depreciation	Recovery using OCI	Potential gains/losses	Balance sheet value	Gross outstanding
	Brought forward	22 169	3 625	412	14 351	33 307	22 515
TG	ASKY (EX SPCAR)	2 990	2 128	2 128		2 990	2 990
TG	Nouvelle prise de participation ASKY	3 000				3 000	3 000
SN	SCIE	130	130			-	130
CI	RASCOM	1 600			- 338	1 262	1 600
Out-WAEMU	PROPARCO	3 420			775	4 195	3 420
TG	BOAD-Titrisation	500			- 28	472	500
Out-WAEMU	GEO COTON	2 242			2 417	4 659	2 242
TG	CRRH-UEMOA	750			154	904	750
TG	AFG	-				-	-
Out-WAEMU	Fonds Agricole pour l'Afrique (FAA)	2 404			- 458	1 946	1 904
TG	ORAGROUP	2 000			- 599	1 401	2 000
BF	Burkina Bail	689			1	690	689
SN	CNCAS	1 573			1 204	2 777	1 573
BF	CORIS BANK	1 997			327	2 324	1 997
CI	Nouvelle BRS CI/ORA Bank CI	16 995			- 6 600	10 395	6 600
CI	Banque de l'Union Côte d'Ivoire (BDU-CI)	1 100				1 100	1 100
BF	Banque de l'Union Burkina Faso (BDU-BF)	1 100				1 100	1 100
Out-WAEMU	FEFISOL	1 075			- 79	996	860
Kenya	FAER	1 947			- 192	1 755	523
BF	AMETHIS WEST AFRICAN (AWA)	850				850	115
CI	Air Côte d'Ivoire	2 000				2 000	
CI	RASCOM STAR QAF	4 360	4 360			-	
	<b>Total gross value</b>	<b>74 891</b>	<b>10 243</b>	<b>2 540</b>	<b>10 935</b>	<b>78 123</b>	<b>55 607</b>
	<b>Net depreciations</b>			<b>7 703</b>			
	Variation of fair value of AFS securities through comprehensive income	- 2 967					
	Gains and losses recorded directly in equity capital over financial assets available for sale (1)	13 475					
	(1) Securities depreciated at 100%						

- The amount of dividends from these equity participations, as indicated in the financial statement stood at XOF2,529 million by 31 December 2015, compared to XOF2,474 million at the end of 2014 (See Note 17 below).

The Bank uses a valuation model to determine the fair value of equity securities.

- As at 31 December 2015, the Bank did not have any consolidated accounts despite holding up to 99.99% shares in BOAD SECURITIES and about 49.5% in Cauris, due to its insignificance to the Bank's total financial statement. The combined total asset of these two companies stood at XOF4,306 million, as against XOF1,783,640 million, representing 0.15% of BOAD's total asset.

### 6.3 Variations in gross participation are as follows:

	31/12/2015	31/12/2014
Gross value as at 1 January 2015 (1)	55 607	53 858
Acquisitions (2)	20 374	8 978
Transfers (3)	-1 090	7 228
Fair value variations (4)	10 935	13 902
Gross value as at 31 December 2015 (5) = (1)+(2)+(3)+(4)	85 826	69 509
Depreciation as at 1 January 2015 (6)	-3 344	5 838
Depreciations for the financial year(7).	-4 360	46
Impairment recovery by OIC	-	2 540
Total depreciation as at 31 December 2015*(8)=(6) + (7)	7 704	3 344
Net value as at 31 December 2015 (5)-(8)	78 123	66 166

### NOTE 7. OTHER ASSETS

Other assets include the following:

	31/12/2015	31/12/2014
Advances on mission expenses	56	50
Salary advances	0	113
Expenditure to be regularized	13 992	9 824
Sundry debtors	444	291
Charges paid in advance and profits receivable	203	257
Pre-financing of studies from foreign funds meant for studies	97	97
<b>Total Other assets</b>	<b>14 793</b>	<b>10 632</b>

\* Expenditure to be paid include advances to be paid by the Bank as part of construction of the BOAD staff quarters (XOF9,772 million), financial cost of the special agricultural programme involving XOF2,684 million, expenses made on behalf of other institutions (XOF1,216 million) and other expenditure yet to be reclassified. The BOAD quarters is expected to be handed over in 2016.

**NOTE 8. INTANGIBLE ASSETS**

Intangible assets include only software. These will be amortized on a straight line over a period of 3 to 5 years Their values are as follows:

	<u>31/12/2015</u>	<u>31/12/2014</u>
Gross value	1 373	1 315
Cumulative amortizations and depreciations	-494	-284
Net book value	879	1 031

<b>Gross value of software (in XOF)</b>		<b>Cumulative amortization and depreciation of software</b>	
<b>Balance as at 1 January 2014</b>	<b>636</b>	<b>Balance as at 1 January 2014</b>	<b>259</b>
Acquisitions of software in 2014	1 630	Allocations on 2015 amortization	26
Transfers	950	Transfers	0
Classified as being held for sale	-	Classified as being held for sale	0
<b>Balance as at 1 January 2015</b>	<b>1 315</b>	<b>Balance as at 1 January 2015</b>	<b>284</b>
Acquisitions of software in 2015	117	Allocations on 2015 amortizations	210
Transfers	59	Transfers	0
Classified as being held for sale	-	Classified as being held for sale	0
<b>Balance as at 31 December 2015</b>	<b>1 373</b>	<b>Balance as at 31 December 2015</b>	<b>494</b>
<b>Net balance sheet value as at 31 December 2015</b>			<b>879</b>

Annual amortization charges are stated in the income statement under the “Depreciations” item of general operating expenses.

**NOTE 9. TANGIBLE ASSETS**

The summary of tangible assets is as follows:

	<u>31/12/2015</u>	<u>31/12/2014</u>
Cost of acquisition	25 309	24 676
Cumulated amortizations and depreciations	-17 405	-16 654
Net book value	7 904	8 022

The annual amortization of expenditure are indicated in the income statement under the 'Depreciation' column of general operating expenses.

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

	<b>Lands</b>	<b>Buildings</b>	<b>Properties under construction</b>
<b>Cost of acquisition</b>			
<b>Balance as at 1 January 2014</b>	<b>981</b>	<b>14 309</b>	<b>50</b>
Acquisitions	-	10	133
Transfers	-	-	- 50
Acquisitions by revaluation			
Other revaluations			
<b>Balance as at 1 January 2015</b>	<b>981</b>	<b>14 319</b>	<b>133</b>
Acquisitions		-	279
Transfers		-	- 316
<b>Balance as at 31 December 2015</b>	<b>981</b>	<b>14 319</b>	<b>96</b>
<b>Cumulative amortization and transfers</b>			
<b>Balance as at 1 January 2014</b>	<b>-</b>	<b>7 778</b>	<b>-</b>
Depreciation cost		339	-
Transfers		-	
Depreciations recorded during the period	-		
Recovery of depreciations	-		
<b>Balance as at 1 January 2015</b>	<b>-</b>	<b>8 117</b>	<b>-</b>
Depreciation cost		340	-
Transfers		-	-
Depreciations recorded during the period	-		
<b>Balance as at 31 December 2015</b>	<b>-</b>	<b>8 457</b>	<b>-</b>
<b>Net value of intangible assets as at 31 December 2015</b>			

**NOTE 10. LIABILITIES AT AMORTIZED COST**

Liabilities at amortized cost consist of loans by the Bank and receivables attached to them (accrued interest and commissions). These include interbank debts, debts represented by securities or other debts.

Interbank liabilities correspond to investments made by partner institutions (ROPPA, AFD, NIMAO, PUFIS, Coris Bank International...) in the books of BOAD.

Debts evidenced by a security equate to the outstanding debt securities issued by BOAD.

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

Details of this item, as at 31 December 2015, are as follows (in XOF'millions):

**Details of liabilities at amortized cost**

<b>Interbank debts</b>		<b>34 704</b>
PAFD, CAURIS, ROPPA Investments	34 440	
Accrued interest on debt/investments as at D/d	265	
<b>Debts represented by a security</b>		<b>557 266</b>
BOAD bond issue	122 058	
BOAD treasury bills	337 701	
Maturities in less than a year/debts represented by securities	83 669	
Accrued interest on debts represented by a security	15 682	
Differed costs on debts represented by a security	-1 845	
<b>Other loans</b>		<b>423 088</b>
Loans to finance long-term projects	360 513	
Loans to finance long-term studies	506	
Maturities of less than a year in loans	59 324	
Accrued interest on other loans	2 943	
Commission payable on loans	102	
Differed cost on other loans	-301	
<b>Total liabilities at amortized cost</b>		<b>1 051 058</b>

Under Section 7 of its statutes, the amount of the Bank's callable capital shall be used as guarantee for loans it may incur.

Moreover, under Article 37 of the statutes, 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 2015, the Bank's outstanding borrowings represented 155.8% of its equity capital out of the regulatory limit of 300%.

As at 31 December 2015, liabilities at amortized cost was made up of:

	<b>31/12/2015</b>	<b>31/12/2014</b>
<b>I- Debts represented by a security</b>		
Bond issues	122 058	122 527
BOAD bonds	337 701	338 683
Maturities in less than a year/debts represented by securities	83 669	88 021
Sub-total I	543 428	549 230
<b>II- Other borrowings from external partners</b>		
<b>Borrowings</b> for financing long-term projects	360 513	273 854
<b>Borrowings</b> for financing long-term studies	506	556
Maturities in less than a year/borrowings	59 324	55 892
Sub-total II	420 344	330 302
Total I+II	<u>963 772</u>	<u>879 533</u>

<b>III- Debts attached to borrowings and debts repr. by a security</b>		
Accrued interest on debts represented by a security	15 682	14 332
Deferred costs on debt securities and loans	-1 845	-2 004
Accrued interests and commissions on other borrowings	3 045	2 606
Deferred costs on other loans	-301	-534
<i>Sub-total III</i>	<i>16 582</i>	<i>14 400</i>
<b>IV- Interbank debts (Cauris ROPPA, AFD)</b>	34 704	10 459
<b>Total I+II+III+IV</b>	<b>1 015 058</b>	<b>904 391</b>

Maturity of liabilities at amortized cost presented as follows:

	31/12/2015	31/12/2014
At most one year	194 279	138 216
More than a year and less than two years	190 746	132 796
More than two years and less than three years	128 242	176 506
More than three years and less than five years	137 340	102 061
More than five years	364 450	354 812
<b>Total liabilities at amortized cost</b>	<b>1 015 058</b>	<b>904 391</b>

#### **NOTE 11. OTHER LIABILITIES**

Other liabilities include funds that are liabilities to BOAD and other suspense accounts.

	31/12/2015	31/12/2014
<b>Funds</b>		
Belgian Technical Assistance Fund	169	163
Dutch Fund	34	34
IDA Counterpart Fund	183	272
French Development Agency Research Fund	310	310
French Development Agency (AFD) counterpart fund	349	382
Environmental Partnership Fund	67	36
KFW Counterpart Fund	6 676	6 628
China Cooperation fund	139	139
AFD IV Capacity Building Fund	30	1
Energy Development Fund	1985	7 756
"Crop Insurance" Fund	3 164	3 173
Regional Collaboration Centre (RCC)	124	63
<b>Sub-total Funds</b>	<b>13 231</b>	<b>18 958</b>
<b>SUSPENSE ACCOUNT AND OTHERS</b>		
Suppliers	553	1 162
Various creditors	1 683	1 145
Charges payable	1 864	1 620
Receipts to be paid	7 069	6 030
Income recorded in advance	7	49
Kingdom of Belgium current account	4 200	4 200
<b>Sub-total for suspense and other accounts</b>	<b>15 330</b>	<b>14 206</b>
<b>Total other liabilities</b>	<b>28 561</b>	<b>33 164</b>

**NOTE 12. PROVISIONS**

This item covers the amount of liabilities under benefit plans for severance payments upon retirement. This plan provides for payment of a lump sum equal to the last monthly salary multiplied by the number of years of service. Such benefits are paid directly by the Bank to the beneficiary.

These liabilities stood at XOF5,814 million as at 31 December 2015, as against XOF5,482 million as at 31 December 2014.

Details of the actuarial calculations for the 2015 and 2014 are presented below:

	<u>2015</u> <u>XOF'M</u>	<u>2014</u> <u>XOF'M</u>
<b><u>Current value of the bond</u></b>		
Opening balance	5 481 950	5 392 628
Cost of services rendered during the period	376 781	379 104
Contributions made by participants	0	0
Financial cost	380 818	404 021
Actuarial difference due to		
a) Changes in demographic assumptions	0	0
b) Changes in financial assumptions	0	-208 588
c) Experience adjustments	<u>50</u>	<u>337 984</u>
d) Total	50	129 396
Service provision	-426 081	-823 199
Cost of past services	0	0
Payments	<u>0</u>	<u>0</u>
<b>Closing balance</b>	<b>5 813 518</b>	<b>5 481 950</b>
<i>Completely unfinanced schemes</i>	5 813 518	5 481 950
<i>Partly or fully financed schemes</i>	0	0
<b><u>Fair value of assets of the scheme</u></b>		
	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
Services provided	0	0
Payments	0	0
<b>Closing balance</b>	<b>0</b>	<b>0</b>
<b><u>Net assets/liabilities recognized in the balance sheet</u></b>		
Current value of the obligation	5 813 518	5 481 950
Fair value of assets of the scheme	<u>0</u>	<u>0</u>
Surplus/deficit	5 813 518	5 481 950
Amount not recognized as an asset because of limit 58(b)	<u>0</u>	<u>0</u>
<b>Net assets/liabilities recognized in the balance sheet</b>	<b>5 813 518</b>	<b>5 481 950</b>

**Total cost**

Cost of services rendered during the period	376 781	379 104
Cost of past services	0	0
Effect of all payments	<u>0</u>	<u>0</u>
<b>Cost of services rendered as net income</b>	<b>376 781</b>	<b>379 104</b>

Financial cost	380 818	404 021
Interests	<u>0</u>	<u>0</u>
<b>Net interest on net income</b>	<b>380 818</b>	<b>404 021</b>

Actuarial difference	50	129 396
Additional returns on assets of the scheme	0	0
Effect of the limit of paragraph 58(b)	<u>0</u>	<u>0</u>
<b>Revaluation of net liabilities</b> under fixed benefits scheme	<b>50</b>	<b>129 396</b>

<b>Total cost</b>	<b>757 649</b>	<b>912 521</b>
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Charges calculated as income appears in the "Interest and related charges" and "staff overheads" column

The cumulative actuarial difference recorded in the income and expenditure statement	1 287 489	1 287 439
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**Main actuarial assumptions**

Discount rate	6.50%	6.50%
Expected rates of salary increases	5.00%	5.00%
Mortality rate		

Duration of equal obligation:	7	7
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**Sensitivity analysis**

	<u>Changes in obligation</u>	
Discount rate	7.3%	7.5%
Expected rates of salary increases	7.4%	7.5%
Mortality rate	-0.7%	-0.7%

**Reconciliation of net liabilities recognized**

Opening balance	5 481 950	5 392 628
Total charge in net income	757 599	783 125
Services provided	-426 081	-823 199
Revaluation of net liabilities under fixed benefits scheme	<u>50</u>	<u>129 396</u>
Closing balance	5 813 518	5 481 950

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

**NOTE 13. EQUITY CAPITAL**

Capital	<b>30/12/2015</b>	<b>31/12/2014</b>
Subscribed capital	1 097 750	1 050 550
Callable capital	-821 805	-786 405
Cost related to deferred paying-up of capital	-7 200	-8 327
Total	268 746	255 819
Share premium	<b>2 622</b>	<b>2 622</b>
Reserves		
Reserves allocated to development activities	76 050	76 050
Fair value reserves on securities classified as AFS	13 475	16 442
Other reserves	26	26
Retained earnings	364 390	106 041
	<b>453 942</b>	<b>198 559</b>
Earnings for the year	8 839	258 399
Total equity	<b>734 149</b>	<b>715 399</b>

The item on "cost related to the deferred paying-up of capital" refers to the difference between the nominal amount of the unpaid called-up capital and the discounted amount following the capital payment schedule.

The Bank's capital is divided into shares at a face value equal to XOF50,000,000.

The Bank's capital is divided between the two categories of shareholders: Category A shareholders are member countries of the WAEMU and the BCEAO, while category B shareholders include non-regional shareholders.

The table below outlines the Bank's capital structure as at 31 December 2015 in nominal value and share distribution. Each share confers the same rights and duties on its holder.

STRUCTURE OF BOAD'S CAPITAL AS AT 31 DECEMBER 2015						
SHAREHOLDERS	SUBSCRIBED CAPITAL	%	no of shares	CALLED-UP CAPITAL	PAID-UP CAPITAL	
	(1)=(2)+(5)			(2)=(3)+(4)	(3)	
<b>CATEGORY A</b>						
BENIN	64 650 000 000	5,89	1 293	16 163 000 000	10 278 000 000	
BURKINA	64 650 000 000	5,89	1 293	16 163 000 000	10 278 000 000	
COTE D'IVOIRE	64 650 000 000	5,89	1 293	16 163 000 000	10 278 000 000	
GUINEA BISSAU	64 650 000 000	5,89	1 293	16 163 000 000	5 149 590 582	
MALI	58 750 000 000	5,35	1 175	14 688 000 000	10 278 000 000	
NIGER	64 650 000 000	5,89	1 293	16 163 000 000	10 278 000 000	
SENEGAL	64 650 000 000	5,89	1 293	16 163 000 000	10 278 000 000	
TOGO	64 650 000 000	5,89	1 293	16 163 000 000	10 278 000 000	
BCEAO	517 200 000 000	47,11	10 344	129 304 000 000	82 224 000 000	
	<b>1 028 500 000 000</b>	<b>93,69</b>	<b>20 570</b>	<b>257 133 000 000</b>	<b>159 319 590 582</b>	<b>97</b>
<b>CATEGORY B</b>						
France	38 400 000 000	3,50	768	9 600 000 000	6 720 000 000	
Germany	2 000 000 000	0,18	40	2 000 000 000	2 000 000 000	
Belgium (1)	5 600 000 000	0,51	112	1 400 000 000	1 400 000 000	
EIB	4 000 000 000	0,36	80	1 000 000 000	1 000 000 000	
AfDB	6 000 000 000	0,55	120	1 500 000 000	900 000 000	
EXIM BANK OF INDIA	750 000 000	0,07	15	187 500 000	131 249 998	
PEOPLE'S REP. OF CHINA	12 000 000 000	1,09	240	3 000 000 000	2 100 000 000	
MOROCCO	500 000 000	0,05	10	125 000 000	119 375 000	
	<b>69 250 000 000</b>	<b>6,31</b>	<b>1 385</b>	<b>18 812 500 000</b>	<b>14 370 624 998</b>	<b>4</b>
	<b>1 097 750 000 000</b>	<b>100,00</b>	<b>21 955</b>	<b>275 945 500 000</b>	<b>173 690 215 580</b>	<b>102</b>
<b>UNSUBSCRIBED CAPITAL</b>	<b>57 250 000 000</b>		<b>1 145</b>			
<b>AUTHORIZED CAPITAL</b>	<b>1 155 000 000 000</b>		<b>23 100</b>			

(1) Advance deposit of an amount of XOF 4 200 M into an escrow account.

Moreover, the Bank's equity as at 31 December 2015 and 31 December 2014 was as follows:

Items	31/12/2015	31/12/2014
<b>1- Paid-up capital</b>	<b>173 690</b>	<b>165 914</b>
Paid-up Capital	173 690	165 914
<b>2. Reserves and related funds</b>	<b>408 827</b>	<b>401 363</b>
<b>A- Tier 1 capital (=1+2)<sup>1</sup></b>	<b>582 517</b>	<b>567 277</b>
3 - Interest Subsidy Fund	28 767	28 097
4 - Funds for the financing of studies (II)	7 277	7 277
5 - EIB Margin	175	175
<b>B- Supplementary capital (= 3+4+5)</b>	<b>36 219</b>	<b>35 549</b>
<b>Actual own funds (=A+B)</b>	<b>618 736</b>	<b>602 826</b>
<b>Net tangible and intangible assets ( C)</b>	<b>8 783</b>	<b>9 053</b>
<b>Core tier 1 capital = A+B-C</b>	<b>609 952</b>	<b>593 772</b>

**NOTE 14. INTERESTS AND RELATED INCOME**

Details of this item are as follows:

**Interests and related incomes**

	31/12/2015	31/12/2014
Interests and related incomes/ interbank loans	2 896	2 221
Interest on loans to clients	66 270	56 008
Interest on loans to staff	162	145
Interest on securities portfolio	1 106	1 488
Commission on loan commitments	1 733	1 528
<b>Total Interest and related income</b>	<b>72 167</b>	<b>61 390</b>

**Interests and related charges**

	31/12/2015	31/12/2014
Interest charges on interbank debts	-	-
Interest charges on debts represented by a security	28 363	18 104
Interest charges on other debts	12 013	12 444
Incomes/ investments paid back	265	747
Commission/commitment received	352	290
<b>Total Interests and related charges</b>	<b>40 993</b>	<b>31 585</b>

<sup>1</sup> Actual equity used internally within the thresholds, stood at XOF332,517M as at 31 December 2015.

**NOTE 15. COMMISSIONS****Commissions (income)**

This item refers mainly to commissions received on financial advice and arrangements as well as operational loans.

	<u>31/12/2015</u>	<u>31/12/2014</u>
Commission obtained as processing fees	938	916
GARI Commission guarantees	61	106
Other flat commissions	100	66
Commission on guarantees/bond issues	500	698
Commission on financial arrangements and services	3 913	1 533
<b>Total Commissions (income)</b>	<b><u>5 512</u></b>	<b><u>3 318</u></b>

Change in this item are mainly due to the increased activity of the Bank's financing arrangement during 2015. This increase resulted in the signing and implementation of new arrangement mandates.

**Commissions (expenses)**

This item includes commissions paid on loans and debentures.

	<u>31/12/2015</u>	<u>21/12/2014</u>
Listing charges	—	14
Other charges/debt represented by a security	625	297
Other commissions on loans	621	704
Charges and losses on securities investments	—	147
<b>Total</b>	<b><u>1 246</u></b>	<b><u>1 162</u></b>

**NOTE 16. EXCHANGE RISK AND HEDGING INSTRUMENTS**

This item records the impact on the income statement from the valuation of the bank's foreign currency debt (excluding euros) with various financial partners.

The impact, as at 31 December 2015, is as follows:

	<u>31/12/2015</u>	<u>31/12/2014</u>
Exchange gain consumed	9	121
Potential exchange gain	3	-
Subtotal for exchange gain (A)	<u>12</u>	<u>121</u>
Exchange loss consumed	- 307	- 66
Potential exchange loss	- 4 813	- 4 676
Subtotal exchange loss (B)	<u>- 5 120</u>	<u>- 4 742</u>
<b>Net exchange loss of C = (A) - (B)</b>	<b><u>- 5 108</u></b>	<b><u>- 4 621</u></b>

To hedge against fluctuations in these currencies, the Bank signed a hedging agreement in the fourth quarter of 2015 hedging contracts against the currency risk on its borrowings in SDR and dollars. Through these agreements, the Bank has hedged 98.5% of its foreign currency debt excluding euros (fluctuating currencies).

The valuation of these hedging instruments as at 31 December 2015 recorded a loss of XOF 247 M, which was also recorded in the bank's balance sheet.

**NOTE 17. DIVIDENDS RECEIVED**

This item includes dividends on the Bank's equity investments in various companies.

	<b>31/12/2015</b>	<b>31/12/2014</b>
Dividends BTD	-	-
Dividends BRVM et DC-BR	168	126
Dividends BOA Bénin	197	105
Dividends CIPREL	100	100
Dividends BOA NG	225	184
Dividends BDM-SA	606	540
Dividends BHBF	18	18
Dividends SONIBANK	284	228
Dividends PROPARCO	66	56
Dividends BIA-TG	35	-
Dividends Cauris Croissance II	226	20
Dividends SICAV Abdou Diouf	94	63
Dividends BRM	120	160
Dividends CICA-RE	27	20
Dividends Bridge Bank CI	75	60
Dividends Caoris Bank International	288	427
Dividends CNCAS	-	32
Dividends FAA	-	111
<b>Total dividends received</b>	<b>2 529</b>	<b>2 474</b>

**NOTE 18. COST OF RISK**

	31/12/2015	31/12/2014
Write-back of depreciations on receivables from clients	2 758	3 807
Depreciation on receivables from clients	-8 069	-10 942
Bad debts covered by depreciations	-1 225	0
Depreciation on other asset components	-429	0
<b>Total Cost of risk</b>	<b>- 6 964</b>	<b>-7 135</b>

**NOTE 19. COSTS RELATED TO DEVELOPMENT ACTIVITIES**

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

	<u>31/12/2015</u>	<u>31/12/2014</u>
Interest subsidy	<u>1 530</u>	<u>1 547</u>
Total cost related to development activities	<u>1 530</u>	<u>1 547</u>

**NOTE 20. GENERAL OPERATING EXPENSES**

The Bank's general operating expenses are as follows:

	<u>31/12/2015</u>	<u>31/12/2014</u>
Staff overheads	11 226	10 403
Amortisations	1 187	979
Other operating costs	6 983	5 531
Total general operating expenditure	<u>19 395</u>	<u>16 913</u>

**NOTE 21. INCOME FOR THE PERIOD**

Year 2015 ended with a profit of XOF8,839 million compared to XOF258 399 million as at 31 December 2014. This exceptional level of earnings for the 2014 fiscal year (XOF258 399 million), was due to the decision of the WAEMU Council of Ministers to transfer the FDE's initial allocation of XOF250,000M to BOAD in the form of a grant. This grant was recorded in 2014 under "other operating income" in the comprehensive income statement.

The purpose of this decision is to help strengthen the Bank's equity capital and increase its capacity to support WAEMU member countries.

Without this grant component, the Bank's profit as at 31 December 2015 (XOF8,839M) represents a 5.24% increase of the 2014 profit of XOF8,399 million).

**NOTE 22. FINANCIAL 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 risk are monitored by special committees (Commitments committee, ALM Committee, etc.)

**1. CREDIT RISK**

Credit risk is the inability or the unwillingness of certain counterparties to fulfil their financial commitments it is the potential financial loss resulting from the failure of one or several borrowers/debtors. Credit risk is the main source of risk for the Bank and stems essentially from its lending and investment operations.

The application of the credit risk strategy relies on standards and procedures, management tools, rating systems, policy coverage and provisioning risks and close monitoring.

The overall organization of credit risk management is characterized by:

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

The Bank has clearly defined limits and procedures to enable it streamline, measure and manage the risks, as well as formalize aggregate limits for its commitments per sector and operational limits (counterparties / related counterparties).

## **1.1- Intervention limits for credit risks**

### **1.1.1- For the public sector**

- a. The risks limit per transaction, in the form of loans granted by BOAD, is set at ten percent (10%) of its tier 1 capital, which corresponds to the paid-up capital + net reserves and related Fund net of non-values items.
- b. BOAD's level of commitment per public sector borrower (all operations included), is limited to one hundred percent (100%) of the Bank's tier 1 capital for member States and fifty percent (50%) of its tier 1 capital for commercial public sector businesses.

### **1.1.2- For the private sector**

- a. The maximum risk limit per transaction, in the form of direct loans by BOAD, other than National Financial Institutions (NFI), organizations that support SMEs, privatisation projects, regional projects and those in the mining and energy sectors), shall be ten percent (10%) of the Bank's tier 1 capital, whereas the amount of the loan shall not exceed fifty percent (50%) of the total cost of the project (excluding tax).
- b. A ceiling, per transaction, of fifteen percent (15%) of the Bank's tier 1 capital is set for its indirect financing of National Financial institutions (NFIs) and organizations that support SMEs as well as its direct loans to privatisation projects, regional projects, and projects in the mining and energy sectors.
- c. The level of BOAD's commitment per private sector borrower (all operations combined) is limited to fifteen percent (15%) of the Bank's tier 1 capital, except for National Financial Institutions (NFIs) and organizations that support SMEs, privatization projects, regional projects as well as projects in the mining and energy sector for which the limit is twenty percent (20%)

Furthermore, with regard to the division of risks between the public or private sectors, the overall volume of risk for each transaction is twenty five percent (25%) of BOAD's tier 1 capital and is limited to ten (10) times the Bank's tier 1 capital.

### **1.1.3- Financing operations per signature and short-term financing**

- a. The financing commitment limited per signature (loan guarantee and short-term financing per signature) is set at fifteen percent (15%) of the Bank's tier 1 capital, per transaction and per borrower.
- b. The commitment limit by transaction and per borrower of short-term cash is set at ten percent (10%) of the Bank's tier 1 capital.
- c. The commitment limit in terms of overall volume for financing operations (a) per signature and (b) short-term cash financing, shall be fifty percent (50%) of the Bank's tier 1 capital.

#### 1.1.4- Limits on loans per sector of activity

The dominant sectors include: **(i)** telecommunications (telephony, Internet, call centre); **(ii)** water and energy (water, electricity, gas, oil); **(iii)** market infrastructure (port, airport, railway and bus stations); **(iv)** Extractive Industries (cement and mining); **(v)** hospitality and other services; **(vi)** agro-industries and **(vii)** NFIs.

The total level of commitment in any one of the dominant sectors above, must not at any time exceed one hundred percent (100%) of the Bank's tier 1 capital, (all countries of intervention included). However, for National Financial Institutions (NFIs) and the water and energy sectors, this limit is set at one hundred and fifty percent (150%) of the Bank's tier 1 capital.

#### 1.1.5- Limit per country

With regard to intervention limits per country, BOAD cannot commit more the twice (2x) its tier 1 capital (all operations combined)

The intervention limits as indicated shall constitute the ceiling for the Bank unless a justification is established. Loan applications are reviewed on a case-by-case basis.

#### 1.2- Description of the internal portfolio rating system

All entities that have received loans from the Bank undergo rating, at least once a year. The credit risk evaluation is measured on an 8 point internal scale for better differentiation among the debtors.

BOAD's rating tool is thus based on an 8 point rating scale, of which 6 (1,2,3,4,5,6) correspond to sound loans, while 2 (7 and 8) correspond to distress loans, with **7 being for loans that need to be monitored closely and 8 for bad debts**

BOAD rating	Evaluation of the signature of the counterparty	Assessment of the associated risk	International equivalent (Mapping)
1	« EXCELLENT »	VERY WEAK	A-BBB
2	« VERY GOOD»		
3	« GOOD»	WEAK -	BB
4	« QUITE GOOD»	WEAK +	
5	« ACCEPTABLE »	MODERATE	B
6	« WEAK»	HIGH -	CCC
7	« TO BE MONITORED CLOSELY»	HIGH +	<CCC
8	« DOUBTFUL»	VERY HIGH	D

The rating is based on very distinct quantitative and qualitative elements whether it is a corporate entity or bank (financial institution):

##### 1.2.1- Rating of corporate entities

The rating of corporate entities takes into consideration 4 quantitative factors and 4 qualitative factors.

The first quantitative factor is the overall assessment of the financial situation and outlook of the borrower. This evaluation takes into consideration (i) the capacity of the borrower or project to generate enough cash flow to service the debt; (ii) operating income and the profitability of the business; (iii) the capital structure and the financial flexibility and liquidity of the business or project; (iv) financial equilibrium and (v) outlook of the company. Other quantitative factors include guarantees, arrears and the number of times the loan is rescheduled.

#### 1.2.2- Rating of banks (financial institutions)

The rating of financial institutions is based on the assessment of 8 variables, including 3 quantitative and 5 qualitative elements.

The assessment of quantitative factors is based on (i) compliance with regulatory and prudential ratios, (ii) evaluation of operational ratios (management and profitability ratios) and (iii) guarantees.

Qualitative factors include (i) outlook and quality of management, (ii) experience of Management, (iii) popularity, (iv) confidence of the bank's external partners and (v) environmental situation.

Each variable carries some weight in the overall rating of the bank or financial institution.

The rating of a business or a financial institution helps in assessing how it uses its equity capital as part of its capital adequacy, quality of its assets, profitability and market position, quality and level of profitability, adequacy of its liquidity and the quality of its management structure.

Distribution of the market portfolio based on major risk categories is presented in the table below:

#### Risk profile of the outstanding non-sovereign loans portfolio

Rating	Risk	2011	2012	2013	2014	bank
"1" to "4"	Low risk	31.07%	37.23%	37.54%	41.35%	45.53%
5	Moderate risk	22.60%	26.67%	22.37%	32.34%	32.51%
"6" to "7"	High risk	43.74%	31.56%	36.26%	23.00%	18.28%
"8"	Very high risk	2.59%	4.55%	3.82%	3.31%	3.68%

#### 1.3- Provisioning/depreciation policy

Depending on its activities, the Bank manages two types of credit risk if necessary: i) non-market credit risk (sovereign risk) for its loan portfolio to member States and ii) market credit risk for its private sector and public sector commercial loans portfolio (non-sovereign risk)..

The adequacy of the level of risk provisioning, based on IAS/IFRS standards, is measured at least

once per year.

#### 1.3.1. Non market credit risk (sovereign risk)

Loans granted to member States of the Union are considered sovereign risk loans. The Bank manages this risk through flexible mechanisms, including suspension of all disbursements to a country in default. Thus, such loans which have still not been paid are considered to be "risk-free" and so no specific provision or depreciation is constituted.

#### 1.3.2. Market credit risk (non-sovereign risk)

This risk refers to loans granted by the Bank to borrowers in the private sector or commercial public entities.

The Bank uses internal credit risk rating to assess this risk. All new projects are subjected to a rigorous approval process and require a minimum initial or ex-post credit rating. An update of each of the Bank's commercial counterparty rating is done at least once a year in order to prevent, to some extent, against potential risks of insolvency of its relations either due to deterioration of the environment or lack of good governance that would affect the financial situation of the businesses concerned.

In case of default by counterparty in the non-sovereign sector, the current depreciation policy is applied. It is described below.

#### 1.3.3. Description of the methods used to determine losses on loans and receivables

##### a) Principles

The Bank adopted a loans depreciation policy to enable it analyse its portfolio and apply the rules so as to obtain a quality portfolio.

Thus, under the current mechanism, two criteria are selected to categorize and write-down a debt/loan, namely: arrears of more than 6 months or the counterparty rating.

If these criteria are ascertained, the Bank must assess and recognize depreciation on a loan equal to the difference between the carrying amount of the asset (exposure) and the value of the expected future cash flows as the effective rate of interest of assets at initial recognition. The effect of the update is recorded as net banking income.

b) Distribution of outstanding bad debts and depreciation

Distribution of bad debts by sector and by country is as follows:

- Breakdown per sector

ITEMS	31/12/2015			31/12/2014		
	Gross outstanding	Provisions	Net outstanding	Gross outstanding	Provisions	Net outstanding
Energy	0	0	0	0	0	0
Market infrastructure	17 762	11 591	6 171	17 371	11 232	6 139
Extractive industry	8 510	6 629	1 881	8 510	6 628	1 882
Hospitality	2 878	1 138	1 740	1 334	409	925
Telecommunications	2 563	2 563	0	8 199	5 178	3 021
Agro-industry	5 198	3 010	2 188	3 431	2 284	1 147
Banks & fin. institutions	0	0	0	0	0	0
<b>TOTAL</b>	<b>36 911</b>	<b>24 931</b>	<b>11 980</b>	<b>38 845</b>	<b>25 731</b>	<b>13 114</b>

- Breakdown per country

COUNTRY	31/12/2015			31/12/2014		
	Gross outstanding	Provisions	Net outstanding	Gross outstanding	Provisions	Net outstanding
BURKINA	9 934	6 522	3 412	8 405	6 147	<b>2 258</b>
COTE D'IVOIRE	1 620	917	703	717	642	<b>75</b>
MALI	4 533	2 845	1 688	4 532	2 846	<b>1 686</b>
MALI	10 550	8 010	2 540	10 929	8 105	<b>2 824</b>
NIGER	0	0	0	400	243	<b>157</b>
SENEGAL	2 782	1 685	1 097	2 854	1 192	<b>1 662</b>
TOGO	5 162	2 622	2 540	5 162	2 356	<b>2 806</b>
Outside WAEMU	2 330	2 330	0	5 846	4 200	<b>1 646</b>
<b>TOTAL</b>	<b>36 911</b>	<b>24 931</b>	<b>11 980</b>	<b>38 845</b>	<b>25 731</b>	<b>13 114</b>

**2- Market risk**2.1- Exchange risk

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

**b) Debt structure as at 31 December 2015**

Debt structure as at 31/12/2015						% of
Currency	Currency amount	Rate as at 31/12/2015	Current outstanding		% of total loans (D)	currency borrowings outside euros (A)
JPY	-	-	-			
USD	11 177 055,64	602,5100	6 734 287 792		0,70%	8,76%
SDR	82 681 686,90	834,9220	69 032 759 394		7,16%	89,76%
CHF	1 886 579,91	605,4100	1 142 154 345		0,12%	1,49%
<b>TOTAL OUTSIDE euros (A)</b>			<b>76 909 201 531</b>	<b>18%</b>	<b>8%</b>	<b>100%</b>
Euro	523 561 955,60	655,9570	<b>343 434 129 711</b>	<b>82%</b>	<b>36%</b>	
<b>TOTAL OUTSIDE XOF (B)</b>			<b>420 343 331 242</b>	<b>100%</b>		
XOF internal issue ('C)			<b>543 428 354 500</b>		<b>56%</b>	
<b>TOTAL BORROWINGS D= (B)+('C)</b>			<b>963 771 685 742</b>		<b>100%</b>	

To strengthen the Bank's ability to deal with adverse currency fluctuations, the outstanding debt in USD and SDR will be subject to exchange hedging agreement in euro. At the end of these hedging, only the exchange position in CHF shall remain open.

**a) Analysis of sensitivity to exchange risk**

- Methods and assumptions used in developing the sensitivity analysis

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 (31/12/2015) was the real value as at that date and +/-10% variations corresponded to anticipated value in the quarter following the date of reporting. It should be noted that all loans granted in XOF and repaid in XOF.

Exchange rate basis: Real exchange rates at each balance sheet date.

Currency	31/12/2015			31/12/2014		
	Variation	Impact on income for the coming year (2016)	Impact on income for 2015	Variation	Impact on income for the coming year (2015)	Impact on income for 2014
EURO	+ 10%	0	0	+ 10%	0	0
EURO	- 10%	0	0	- 10%	0	0
US Dollar	+ 10%	0	0	+ 10%	-2	0
US Dollar	- 10%	0	0	- 10%	2	0
SDR	+ 10%	0	0	+ 10%	-270	0
SDR	- 10%	0	0	- 10%	270	0
JPY	+10%	0	0	+10%	0	0
JPY	-10%	0	0	-10%	0	0
CHF	+ 10%	-2	0	+ 10%	-4	0
CHF	- 10%	2	0	- 10%	4	0

The previous table shows that the Bank is more sensitive to fluctuations in SDR due to its weight in the currency stock.

## 2.2- Interest rate risk

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

Thus, 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) the sensitivity to interest rate associated with the margin the Bank earns on its assets funded on equity capital and (iii) the rate of interest associated with the margin of sensitivity that the Bank earns on its funded assets both on equity and loans.

The Bank's financial policy seeks to optimize profitability by ensuring a correct affiliation between the characteristics of each asset category and those of the corresponding liabilities.

a) **Rate sensitivity analysis**

- Methods and assumptions used in developing sensitivity analysis

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

Perimeter (without commitments)	31/12/2015			31/12/2014		
	Variation	Impact on income for 2016	Impact on income for 2015	Variation	Impact on income for 2015	Impact on income for 2014
Bank activity only	+100 base point	+3 585	+299	+100 base point	+1 381	188
Bank activity only	+100 base point	- 3 585	-299	+100 base point	- 1381	-188
FDC activity only	+100 base point	- 2 406	-198	+100 base point	-2 005	-139
FDC activity only	+100 base point	+ 2 406	198	+100 base point	2 005	139

Interest rate sensitivity is more pronounced on FDC activity only due to the gaps in this activity.

The Bank does not borrow at a different rate as per its interest rate management policy.

### 3- Liquidity risk

Liquidity risk is the institution's risk of not meeting its financial commitments on time and at reasonable cost. This is addressed by measuring the degree of processing and adequacy between resources and its use. This is to ensure that, at any time, the Bank has a liquidity reserve to make disbursements on its banking and administrative operations, as well as for debt servicing.

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

The Asset-Liability management (ALM) committee, by analysing the gaps and durations sees to the adequacy, in terms of amount and duration, uses and resources, thereby contributing to liquidity risk management.

### 4- Operational risk

Operational risks include risks that the Bank could be exposed to outside the credit and market risks. These include the risk of potential losses arising from the inefficiency or failure of internal processes, people and systems or external events.

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

The approach aims at achieving the following objectives: (i) increase risk control by developing a risk culture at the Bank, (ii) understand upstream risks caused by the development of activities, (iii) keep top management informed about major hazards and their monitoring mechanisms and (iv) improve internal controls. This will help in directing efforts based on the priority nature of the risks and take measures to improve the internal control system.

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

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

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

**NOTE 23. LEASE AGREEMENTS (LESSOR)**

This item summarizes the revenue collected by the Bank as rent of the premises, which it made available to certain companies under a single lease. These include GARI Fund, CAURIS SA, AfDB and BIA Lomé. Details of sums received are as follows:

**Payments records as income in the overall income statement**

	<b>31/12/2015</b>	<b>31/12/2014</b>
Minimum payments as rent	82	113
Contingent rent	-	-
Total lease agreements (lessor)	<u>82</u>	<u>113</u>

**NOTE 24. LEASE AGREEMENTS (Lessee)**

This item summarizes the amounts paid by the Bank for the rental of residences for the Vice President and the heads of Resident Missions, as well as the amounts paid to the Central Bank in respect of the rental of the offices of the resident missions (leases). Details of the amounts paid as follows:

	<b>31/12/2015</b>	<b>31/12/2014</b>
Minimum payments as rent	129	241
Contingent rent	-	-
Sub-letting income	-	-
Total lease agreements (lessee)	<u>129</u>	<u>241</u>

**NOTE 25. TRANSACTIONS WITH RELATED PARTIES****1- LOANS TO MEMBER COUNTRIES**

The following is a breakdown of outstanding loans to member States, as at 31 December 2015.

2015						
DESCRIPTION	Loan commitments (undisbursed portion)	OUTSTANDING				% of outstanding per country
		FDC	FDE	PSCM	TOTAL	
BENIN	192 135	63 349	366	31 077	94 792	10,6%
BURKINA	98 868	87 988	20 000	5 449	113 437	12,7%
COTE D'IVOIRE	109 280	48 081	14 506	14 360	76 948	8,6%
GUINEA BISSAU	46 389	42 099	296	12 389	54 783	6,1%
MALI	128 258	75 175	4 511	2 031	81 717	9,2%
NIGER	105 507	94 639	23 963	66 582	185 184	20,8%
SENEGAL	98 639	76 574	9 342	15 246	101 163	11,3%
TOGO	90 481	101 740	1 270	81 274	184 284	20,7%
	<b>869 558</b>	<b>589 645</b>	<b>74 255</b>	<b>228 409</b>	<b>892 309</b>	100,0%
PSCM: Sovereign loans at market conditions						
FDE: Energy Development Fund						
FDC: Development and Cohesion Fund (Concessional loans to member countries)						

**2- LOANS GUARANTEED BY GARI FUND**

The Bank holds shares in the capital of the GARI Fund. Outstanding loans guarantee by the GARI Fund stood at XOF32,630 million as at 31 December 2015 for a guaranteed amount of XOF15,731 million.

**3- REMUNERATION OF TOP EXECUTIVES**

	<u>31/12/2015</u>	<u>31/12/2014</u>
Salaries and bonuses	3 610	3 297
Pension contributions	204	204
Total remuneration	<u>3 814</u>	<u>3 501</u>

**NOTE 26. OFF-BALANCE SHEET COMMITMENTS****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 detailed as follows :

	<b>31/12/2015</b>	<b>31/12/2014</b>
Loan commitments to be drawn	24 164	74 670
Guarantees received from Regional Funds	22 320	<u>18 683</u>
	<b><u>46 484</u></b>	<b><u>93 353</u></b>

- Commitments to be drawn are the remainder of loans yet to be mobilized ;

The substantial decline in borrowing commitments is due to the volume of the drawings made during 2015 especially in the last quarter on existing commitments as at 31 December 2014. These drawings involved the second credit line granted by the China Development Bank (XOF65,596 million), the second credit line granted by KfW for SMEs (XOF26 238 million), the credit line set up by the Islamic Corporation for the Development of the private sector (XOF19,679 million), drawings on the fifth line of credit granted by the EIB (XOF13 838 million), etc.

Commitments given include lending agreements, interest rate subsidies and past participation with various beneficiaries of BOAD loans; these are presented as follows:

	<b>31/12/2015</b>	<b>31/12/2014</b>
Loan commitments given (a)	1 313 313	1 406 431
Advances for the financing of studies	10 949	14 666
Commitments for equity participations (b)	25 441	36 753
Securities and other guarantees	22 140	<u>33 548</u>
	<b><u>1 371 844</u></b>	<b><u>1 491 398</u></b>

- (a) Loan commitments given include financing agreements whose execution is dependent upon compliance with conditions precedent or whose actual disbursement is pending drawing requests from the borrower.
- (b) Commitments for equity participations relate to BOAD's subscriptions to the capital of the following companies:

	Amount in XOF
African Asset Management Company (SOAGA)	97
ASKY airline	10
Cauris Croissance II Fund	2 112
CICA-RE	1
Agricultural Fund for Africa (AFA)	34
African Municipal Credit (CMA)	1 000
SONIBANK	183
BENIN AGRIBANK	1 000
Carbon Fund for African (ACF)	9 839
European solidarity financing for in Africa (FEFISOL)	237
CORIS BANK INTERNATIONAL	711
African Renewable Energy Fund (AREF)	3 053

Amethis West Africa (AWA) in Cote d'Ivoire	2 430
PROPARCO	233
Investment and partnership fund for development 2 (IPDEV2)	1 500
Equity investment in Air Cote d'Ivoire	3 000
<b>Total</b>	<b>25 441</b>

**NOTE 27. SUBSEQUENT EVENTS**

As at the date of the closing of the accounts, we had not recorded any subsequent events likely to influence the financial position and results of the Bank as at 31 December 2015.



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**Banque Ouest Africaine de Développement  
(BOAD)  
Statutory auditor's report to the West African  
Monetary Union Council of Ministers (WAEMU)**

*This is a free translation into English of the statutory auditors' report on the financial statements issued in French and it is provided solely for the convenience of English-speaking users.*

Year ended 31 December 2015  
Banque Ouest Africaine de Développement  
68, avenue de la libération  
BP 1172 Lomé (Togo)  
This report contains 3 pages



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### **Banque Ouest Africaine de Développement (BOAD)**

Registered office : 68, avenue de la libération, BP 1172 Lomé, Togo  
Share capital : CFA Francs 1 155 billion

### **Statutory auditor's report to the West Africa Economic and Monetary Union's Council of Ministers (WAEMU)**

Year ended 31 December 2015

Dear Sir / Madam

We have audited the accompanying financial statements of Banque Ouest Africaine de Développement (BOAD), which comprise the statement of financial position as at 31 December 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, 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.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.



**Banque Ouest Africaine de Développement (BOAD)**  
*Statutory auditor's report to the West Africa Economic  
and Monetary Union's Council of Ministers (WAEMU)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements give a true and fair view, in all material respects, of the financial position of Banque Ouest Africaine de Développement (BOAD) as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Abidjan, 24 March 2016  
Auditeurs Associés en Afrique – KPMG CI

**Franck Nangbo**  
Chartered accountant  
Partner



WEST AFRICAN DEVELOPMENT BANK (BOAD)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

MARCH 2015

## I. STATEMENT OF FINANCIAL POSITION XOF'M

ASSETS		Note	31/12/2014	31/12/2013
Cash and cash equivalent	4		281 902	289 123
Loans and receivables at amortized cost	5		1 290 718	1 063 178
- Interbank receivables		340		6 358
- Receivables from customers		1 161 728		905 232
- Loans to staff		6 096		6 306
- Securities portfolio		22 546		39 402
- Receivables from shareholders		99 933		105 801
- Others		75		79
Equity investments	6		66 166	48 020
Other assets	7		10 632	2 178
Intangible assets	8		1 031	377
Tangible assets	9		8 022	8 562
<b>TOTAL ASSETS</b>			<b>1 658 471</b>	<b>1 411 439</b>
LIABILITIES		Note	31/12/2014	31/12/2013
Liabilities at amortized cost	10		904 391	698 722
- Interbank debts		10 459		7 228
- Debts represented by a security		561 559		332 851
- Others		332 374		358 643
Other liabilities	11		33 164	277 457
- Funds		18 958		268 978
- Others		14 206		8 479
Provisions	12		5 517	5 422
<b>TOTAL LIABILITIES</b>			<b>943 072</b>	<b>981 601</b>
Capital			255 819	244 970
- Subscribed capital		1 050 550		1 009 250
- Callable capital		-786 405		-755 430
- Cost related to the paying-up of capital		-8 327		-8 850
Share premium			2 622	2 622
Reserves			456 958	182 246
- Reserves transferred for development activities.		76 050		76 050
- Other reserves		16 468		26
- Retained earnings		106 041		95 299
- Income for the year		258 399		10 872
<b>TOTAL EQUITY</b>	13		<b>715 398</b>	<b>429 838</b>
<b>TOTAL LIABILITIES AND EQUITY</b>			<b>1 658 471</b>	<b>1 411 439</b>

## II. STATEMENT OF COMPREHENSIVE INCOME XOF'M

Profit and loss account	Note	31/12/2014	31/12/2013
Interests and related income	14	61 390	52 654
Interests and related charges	14	-31 585	-25 367
<i>Sub-total</i>		29 805	27 287
Commissions (income)	15	3 318	2 474
Commissions (charges)	15	-1 162	-857
<i>Sub-total</i>		31 961	28 903
Exchange gains		121	2 933
Exchange losses		-4 742	-94
<i>Sub-total</i>		27 340	31 742
Dividends received	16	2 474	2 032
Gains/losses on financial assets available for sale		-46	-699
<b>Net banking income</b>		<b>29 769</b>	<b>33 075</b>
<b>Cost of risk</b>	17	<b>-7 135</b>	<b>-6 393</b>
Endowment from member countries		3 200	3 200
Other operating income		251 055	793
Charges related to development activities	18	-1 547	-1 509
General operating cost	19	-16 913	-18 260
- Staff overheads		-10 403	-10 635
- Amortization		-979	-1 085
- Others		-5 531	-6 540
Other operating charges		-30	-34
<b>Other operating income</b>		<b>235 765</b>	<b>-15 811</b>
<b>Income over the period</b>	20	<b>258 399</b>	<b>10 872</b>
<b>Other items of the comprehensive income</b>			
<b>Items likely to be recognized as income</b>			
Revaluation of intangibles			
Cashflow coverage			
Variation of fair value on AFS-rated securities		16 442	
<b>Items not likely to be recognized as income</b>			
Revaluation of net liabilities under fixed benefits scheme		-129	-297
<b>Other items in the comprehensive income</b>		<b>16 313</b>	<b>-297</b>
<b>Comprehensive income</b>		<b>274 712</b>	<b>10 575</b>

### III. CASHFLOW STATEMENT

Cashflow table			
		31/12/2014	31/12/2013
<b>Cashflow from operational activities</b>			
Income over the period		258 399	10 872
<i>Adjustments related to non-monetary elements and other components</i>			
Unrealized gains/losses		4 676	-2 852
Exchange gains		-121	-81
Exchange losses		66	94
Amortizations		979	1 085
Depreciations		0	0
Risk cost		7 135	6 393
Gains/losses on disposable financial assets		46	0
Other components		-7 258	-2 155
		5 522	2 484
<b>Spreads of assets &amp; liabilities resulting from operational activities</b>			
Interbank debts		6 018	450
Disbursement from customer debts		-366 214	-269 189
Repayment of customer debts		111 641	94 611
Other customer debts		-2 397	-9 682
Loans to personnel		210	-2 432
Security portfolio		16 856	17 155
Other debts		5	-6
Other assets		-8 454	-770
Interbank debts		3 231	-12 832
Other debts		3 818	3 150
Other liabilities		-244 560	56 783
		-479 848	-122 762
<i>Cashflow from operational activities</i>		<i>-215 927</i>	<i>-109 406</i>
<b>Cashflow from investment activities</b>			
		31/12/2014	31/12/2013
Acquisitions of tangible assets		-419	-527
Disposals of tangible assets		23	10
Acquisitions of intangible assets		-680	-33
Disposals of intangible assets		0	0
Acquisitions of interests		-8 978	-2 416
Disposals of interests		7 756	0
<i>Cashflow from investment activities</i>		<i>-2 297</i>	<i>-2 966</i>
<b>Cashflow from financing activities</b>			
		31/12/2014	31/12/2013
Resources derived from capital paying-up		17 058	17 502
Repurchase of shares		0	0
Debt issue		265 376	144 528
Repayment/Debts represented by a security		-34 211	-18 995
Repayment/other borrowings		-37 221	-25 075
<i>Cashflow from financing activities</i>		<i>211 002</i>	<i>117 959</i>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>-7 221</b>	<b>5 587</b>
<b>Opening cash and cash equivalents</b>		<b>289 123</b>	<b>283 537</b>
<b>Closing cash and cash equivalents (see Note 4)</b>		<b>281 902</b>	<b>289 123</b>
		<b>31/12/2014</b>	<b>31/12/2013</b>
<b>ADDITIONAL INFORMATION</b>			
Operating cashflows derived from interests and dividends:			
Interests paid		31 382	25 430
Interests received		27 170	27 077
Dividends received		2 474	2 032

IV. TABLE OF CHANGES IN EQUITY (IN XOF'MILLION)

	Capital			Issue premium	Reserves	
	Subscribed capital	Callable capital	Cost related to deferred capital paying-up (1)		Reserves allocated to dev. activities	Other reserves
<b>Balance as at 1<sup>st</sup> January 2013</b>	1 008 750	-755 055	-10 814	2 622	76 028	
Dividend distribution						
Capital increase	500	-375	0	0	0	
Income over the period	0	0	0	0	0	
Other components of overall income						
Other changes	0	0	1 964	0	22	
Income allocation						
Transfers						
<b>Balance as at 1<sup>st</sup> January 2014</b>	<b>1 009 250</b>	<b>-755 430</b>	<b>-8 850</b>	<b>2 622</b>	<b>76 050</b>	
Dividend distribution						
Capital increase	41 300	-30 975				
Income over the period						
Other components of overall income						
Other changes			523		0	
Increase/decrease in fair value of disposable securities						
<b>Balance as at 31 December 2014</b>	<b>1 050 550</b>	<b>-786 405</b>	<b>-8 327</b>	<b>2 622</b>	<b>76 050</b>	

## **NOTE 1. BOAD's ACTIVITY**

The West African Development Bank (BOAD) is the common development finance institution of the States of the West African Economic and Monetary Union (WAEMU) which was created by a Treaty signed on 14 November 1973.

Its shareholding structure includes, in addition to the WAEMU member countries (Benin, Burkina Faso, Côte d'Ivoire, Guinea Bissau, Mali, Niger, Senegal, Togo) and BCEAO, three European States (Germany, France and Belgium) as well as the African Development Bank and the European Investment Bank. People's Bank of China and EximBank India bought into the Bank's capital during the 2004 financial year.

BOAD became operational in 1976.

BOAD is an international public institution the object of which, as per Article 2 of its Articles of Association, is "to promote the balanced development of member countries and foster economic integration within West Africa" by financing priority development projects. The Bank intervenes in the following areas : rural development, basic infrastructure, modern infrastructure, telecommunications, energy, industries, agribusiness, transport, tourism and other services.

## **NOTE 2 - SUMMARY OF ACCOUNTING PRINCIPLES AND PROCEDURES**

The basic accounting principles applied by the Bank are summarized as below.

### **2. 01 Declaration of compliance**

The individual financial statements of the West African Development Bank (the Bank) for the year ended 31 December 2014 and the comparative figures of 2013, were prepared according to the IFRS (International Financial Reporting Standards) reference base - including International Accounting Standards (IAS) and interpretations-, as issued by IASB (*International Accounting Standards Board*).

### **2.02 Basic financial information presentation principles**

The principles used as basis for financial information presentation are as follows:

#### **Continuity of operation:**

The financial statements for the year ended 31 December 2014 were prepared according to the principle of continuity of operation insofar as the Bank has neither the intent nor the need to close down its operations or reduce significantly the size of its operations.

#### **Non-offsetting of financial assets and liabilities**

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

### **2.03 Key bases for valuation**

The financial statements are presented based on the historic cost except for some financial assets valued at their fair value.

### **2.04 Fair value of financial instruments**

#### **i) Fair value definition and hierarchy**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

For reporting purposes as attached to individual accounts, the fair value of financial of financial instruments is presented according to fair value hierarchy which reflects the significance of data used for measurements. Fair value hierarchy is tiered as follows:

**Level 1 (L1):** instruments valued using (unadjusted) quoted prices in active markets for identical assets or liabilities.

Instruments recognized at their fair value on the balance sheet, grouped in this category, include listed shares in active markets, sovereign or corporate bonds, which avail of external listings.

A financial instrument is regarded as listed in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

A market is considered to be inactive on the basis of indicators such as the significant decline in trading volumes and the level of activity in the market, the significant disparity between prices over time and between the various market operators mentioned above or the length of time elapsed since the most recent transactions took place in the market on an arm's length basis. Transactions arising from involuntary or distressed sales must not be generally taken into account to determine market prices.

**Level 2 (L2):** fair values measured from directly and indirectly observable data other than those of level 1.

These data are directly observable (i.e. as prices) or indirectly observable (i.e. derived from prices) and generally meet the following characteristics: these include data which are not specific to the entity, which are available/accessible publicly and based on market consensus.

Are presented at level 2:

- stocks and bonds listed in a market considered to be inactive, or unlisted in an active market, but for which the fair value determined based on a valuation method commonly used by market operators (such as of discounted future cashflow methods) and based on observable market data;
- Over-the-counter derivative instruments for which measurement is made based on models using observable market data, which can be obtained from many sources independent from internal sources and on a regular basis.

When models used are based on standard models and observable market parameters (such as rate curves or implied volatility ranges), the original margin obtained from instruments thus measured is recognized in the income account upon initiation.

Financial instruments listed in markets considered as inadequately active, as well as those traded over the counter are presented in this category.

Are grouped in category L2, instruments recognized at their fair value on the balance sheet, which are not granted any direct listings (this may include corporate bonds, securities backed by mortgage loans, units of funds). These instruments have maturities corresponding to range of terms commonly traded in the market, and may be simple or present more complex earning profiles (barrier options, multiple underlying products for example), the complexity being rather limited. At this juncture, valuation techniques call for typical methods shared by the key market operators.

This category also includes the fair value of loans.

Level 3 (L3): instruments for which data used for valuation are not based on observable market data (so-called unobservable data).

Determination of the fair value of certain complex market instruments, not traded in an active market, is based on valuation techniques using assumptions which are not supported by observable market data for the same instrument.

The financial instrument valuation methods and models presented in levels 2 and 3 include all factors used by market players to calculate a rate. They must be validated beforehand by an independent control. The determination of the fair value of these instruments takes into account the liquidity and counterparty risk.

## ii) Valuation methods

For financial instruments valued at fair value on the balance sheet, the fair value is determined in priority based on the prices quoted in an active market. These prices can be adjusted, where appropriate, if they are not available as at the closing date or if the offsetting does not reflect transaction prices.

However, due to the multitude of characteristics of financial instruments traded over the counter in the capital markets, a great number of financial instruments used by the Bank are not directly listed in the markets.

For these instruments, the fair value is determined by applying valuation techniques using observable and unobservable data.

## **2.05 Proceeds**

Loan interests are recognized at the effective interest rate.

The effective interest rate is the rate that actually discounts disbursements or future cashflow receipts over the projected tenor of the financial instrument or, as the case may be, over a shorter period so as to obtain the net book value of the financial asset or liability.

Interests and fees are posted during the financial year in respect of which they have accrued. Therefore, interests and fees accrued but not yet due are taken into account.

## **2.06 Investment securities**

Investment securities are considered as disposable assets, and as such, the valuation principles adopted are as follows:

### **a) Initial valuation**

At the initial recognition, securities are posted at their fair value plus the acquisition cost.

### **b) Further valuation**

For further valuation, investment securities are valued at fair value and any change in fair value in addition to the depreciation criteria below is recognized as “components of overall income”.

The fair value of securities as at the closing date is determined based on valuation methods described in note 2.0.4.

### **a) Depreciation criteria of listed equities**

A depreciation must be noted when there is an objective depreciation index resulting from one or several events occurring following the acquisition of securities other than those recognized at fair value through profit and loss.

For listed equities, a significant or extended decline in their prices below their acquisition cost is a clear indication of impairment. The Bank believes this is particularly the case for listed equities which show as at the closing date unrealized losses above 50% of their

acquisition cost, as well as for listed equities posting unrealized losses for a continuous period of 36 months or more prior to the closing date.

Other factors such as the financial position of the issuer or its development prospects may lead the Bank to conclude that it may not recover its investment even if the aforementioned criteria were not met. An impairment charge is therefore recorded in the income statement amounting to the difference between the listed security price as at the closing date and its acquisition cost.

The impairment criteria of these debt instruments are similar to those applied to the impairment of financial assets valued at amortized cost.

Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available for sale are not reversed through the income statement only when the financial instrument is sold. Once impairment has been recorded on an equity instrument, any additional loss of value constitutes additional impairment. Conversely, for debt instruments, losses of value are reversed into the income statement in case further appreciation of their value.

## **2.07 Receivables relating to customers**

### **a) General principles**

Loans extended by BOAD are denominated in francs CFA.

Interests and fees on loans extended to customers are recorded during the year in respect of which they have accrued. Interests accrued but not yet due at the closing of the year are posted as loan interests receivable.

Outstanding interests are deducted from the outstanding amounts due after one-month grace period.

Flat fees are one-time fees collected during project evaluation. Their recognition in the income statement is made on a straight line basis over the tenor of the loan. The difference between this method for recognizing such fees and their incorporation into the EIR of the loan is deemed insignificant.

As regards financing arrangement fees, they are recognized in income once realized.

### **b) Loans to member countries**

Loans to member countries are initially posted at their fair value on the balance sheet, then measured at their amortized cost. Such loans receive an interest subsidy which is in line with market practices.

c) Loans to the commercial sector

Such loans are accounted for depending on the contract value which corresponds to the market rate.

d) Provisioning

The Bank's impairment evaluation model comprises two components:

➤ Individual evaluation of impairment

Debts are subject to individual evaluation of impairment as soon as there is a clear indication of an event occurring after the extension of the loan likely to generate a measurable loss. Such depreciations are determined by comparing present value of future inflows and book value. The impact of discounted depreciation is posted as banking income.

Calculation of the present value of future recovery inflows requires that at each closing and for each outstanding credit, the following be determined:

- the cashflows expected from the borrower,
- the estimated value of the recovery associated with each type of guarantee secured,
- the estimated term of guarantee recovery.

The depreciation amount is equal to the gap between the valuation of securities bearing the last known stock market price in relation to the date when the position and book value of the same securities were reported in the balance sheet.

Based on such data, the present value of inflows at the effective credit rate is calculated and the difference with the credit book value.

Interests on impaired loans are depreciated at 100%, for the Bank assumes that recovery cashflow of such interests is nil.

➤ Collective evaluation of impairment

Collective evaluation of impairment relates to debts that (i) are not subject to individual impairment and grouped on the basis of similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due according to the contractual terms (for example, on the basis of a credit risk evaluation or a rating process that considers asset type, industry, geographical location, collateral type, past due status and other relevant factors).

a) Loans to staff

Loans to staff members are granted at a subsidized rate regarded as market rate applicable to loans to staff. They are posted at their nominal value.

## **2.08 Investment securities**

All security holdings of the Bank are in line with criteria for loans and receivables as defined by IAS 39. They are classified in “loans and receivables at amortized cost”.

These include bonds with fixed or determinable payments which are not listed in an active market.

Impairment criteria are those that apply to loans and receivables.

These holdings are valued at amortized cost using a depreciation account, the loss amount being recorded in the profit and loss account, with possible reversal in case of subsequent improvement.

## **2.09 Foreign exchange transactions**

Foreign exchange transactions are posted on the basis of applicable exchange rates as at the time of transaction.

Debts repayable in foreign currencies are converted at the exchange rates communicated by BCEAO as of 31 December of each year. Exchange gains and losses which arise from these transactions are recorded in the profit and loss account.

## **2.10 Interests on borrowings**

Interests accrued but not due on borrowings shall be recorded at the end of the financial year and reflected in the liabilities of the balance sheet under the heading “Other liabilities at amortized cost”.

## **2.11 Share capital-related transactions and appropriations**

### **a) Share capital**

When calling for capital, given that shareholders are offered a long-term payment schedule, the amount of capital increase is the discounted amount of the initial debt, and not the amount indicated on the subscription forms. For the sake of good presentation, the difference is posted in a capital debit sub-account.

### **b) Appropriations**

Member countries make annual appropriations to BOAD. BOAD's lien over member countries is established during the request for payment. Such request is made annually, and subsequently, appropriations are recorded annually in the income statement. Appropriations are posted as debts during the annual assessment, with an impact on year earnings pursuant to IAS 20.

This accounting method makes it possible to cover expenses related to development activities, including related costs, studies into final consumption, interest subsidies on loans to member countries. But also, costs related to equity participations, exchange gains and losses.

## **2.12 Capital grants**

Capital grant assets are posted as liabilities on the balance sheet. These grants are depreciated at the same rate as financed fixed assets.

## **2.13 External funds**

These include funds with external financial contributions (AFD, IDA, Belgian Assistance Fund, Chinese Fund...).

Expenses incurred are directly charged to the established Fund. No expense nor income is posted in the overall income statement of the Bank.

## **2.14 Return on cash holdings at the Central Bank (BCEAO)**

Interests paid by BCEAO in remuneration for BOAD's cash holdings placed at BCEAO are posted during the financial year in respect of which they have accrued. Such cash holdings are remunerated at the average quarterly rate of the marginal facility rate of the European Central Bank, after deducting 0.25% fee in respect of book-keeping.

Interests receivable from BCEAO as at the financial year closing date are posted under assets with the heading "interbank debts".

## **2.15 Prefinancing of studies**

Advances granted by BOAD for funding studies are borne by the Borrower in the event where the studies culminate in the sustainability of projects.

If studies do not culminate in a project, the advance is posted in the financial year's expenses (expenses related to development activities).

These debts generate interests which are periodically calculated and posted as earnings.

## **2.16 Fixed assets and depreciations**

### **a) Value and depreciation time**

Fixed assets are posted at their acquisition cost and are subject to straight-line depreciation over their possible life cycle. Their estimated residual values are deemed useless.

The useful life for these fixed assets are as follows:

Constructions: depreciation as per items:

Land	Non-depreciable
Shell	40 years
Closed, open	20 years
Work packages, fixtures and fittings	15 years
Sundry improvements	10 years
Office equipment and furniture	3-10 years
Home appliances and furniture	3-10 years
Transportation equipment	3 years
Fixtures and fittings	3-10 years

b) Reviewing the depreciation components and depreciation tests

The residual value and useful life are periodically reviewed and adjusted as required. Amortizable assets are reviewed every year to determine whether they have lost value. The book value of an asset is immediately brought down to the recoverable value as soon as the book value exceeds the amount deemed recoverable. The recoverable value is the highest amount between the fair value of assets (netted of sale costs) and its useful value.

c) Intangible assets

Only softwares are regarded as intangible assets. They are amortized over 3-5 years.

## **2.17 Retirement benefits**

The pension scheme used by the Bank is that of “Defined pension benefits” in which the employer is committed to pay defined benefits in the form of pension or severance pay depending on employee’s seniority and salary.

The net amount of provision on liabilities side is calculated based on the actuarial debt to the company’s retirement commitments, but net of the fair value of plan assets of these commitments.

The Bank has no plan assets for its pension scheme.

Actuarial assumptions adopted are as follows: discount rate (6.5%), salary increase (5%), mortality tables (French table), turnover (1%), retirement age (60 years).

Revaluations of net liabilities under the defined benefit plans are posted in other components of overall income.

## **2.18 Principles of cashflow statement**

The contents and presentation of the cashflow statement are formalized by IAS 7. The cashflow statement explains the increase/decrease in cashflow of the Bank over the period under review.

Cashflows are divided between operating, investment and financing activities.

Cash and cash equivalents that appear in the cashflow statement must be reconciled with those presented in the financial position.

Cashflows from operating activities may be presented under the indirect method, whereby profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments or items of income or expense associated with investing or financing cashflows.

Cashflows associated with investment and financing activities are presented separately according to the key categories of receipts and gross cash payments arising from investment and financing activities.

Cashflows arising from foreign currency transactions are recorded in the operating currency of the Bank by applying to the foreign currency denominated amount the exchange rate between the operating currency and the foreign currency as at the cashflow date.

## **2.19 Major critical accounting policies and key sources of uncertainty relating to estimates**

The preparation of financial statements according to IFRS requires from the directorate to make estimates and assumptions that may affect the book value of certain assets and liabilities, income and expenses. Estimates and judgments are continuously evaluated and are based on historical experience and other factors such as future events deemed reasonable under the circumstances.

Key estimates and judgments are summarized as follows:

### **a) Key judgments**

The Bank's accounting policy requires that assets and liabilities are posted at their acquisition cost in the various accounting categories. This decision requires a detailed and meaningful judgment in the following categories:

- the classification and evaluation of financial assets pursuant to IAS 39 (loans and debts, equity investments and investment portfolio).
- the review by the Bank of the recommendations relating to IFRS 10 in order to determine whether there are entities under its control and which could be consolidated as well as elements that justify a non-consolidation (**see note 6**).

## **b) Key estimates**

The Bank uses also estimates for its individual financial statements which are as follows:

*Fair value assessment of equity investments:* at each accounting close, the Bank reviews its investment portfolio in order to assess its fair value based on financial information available or stock prices and further estimates changes in fair value and/or the amount of required depreciations (see **note 2.05**).

*Depreciation of loans and advances:* the Bank also reviews its debt portfolio and assesses whether there is an objective depreciation indication of individual loans (see **note 2.06** ).

*Pension benefits:* the present value of pension benefits is sensitive to financial and actuarial assumptions used, including the discount rate. At the end of each financial year, the Bank determines the appropriate discount rate that should be used to determine the fair value of accrued pension benefits based on the Union's sovereign bonds' interest rates (see **note 2.15**).

### **2.20 Operating currency**

The operating currency of the Bank is the franc of the African Financial Community (FCFA/XOF). It is also the reporting currency. All figures contained in the financial statements are reported in millions of francs CFA (FCFA/XOF<sup>3</sup>M), except as otherwise specified.

### **2.21 Events subsequent to the reporting period**

The Bank adjusts its financial statements to reflect events occurring between the closing date and the date when the said financial statements were released provided that these events relate to circumstances existing as at the balance sheet date.

Where these events relate to circumstances subsequent to the end of the reporting date, but require some information to be provided, the balance sheet, profit and loss account, statement of changes in equity and cashflow statement are not adjusted. The nature and possible impact of these events are reflected in the above note 26.

### **2.22 Approval of accounts**

BOAD's accounts for the year ended 31 December 2014 are closed by the Board of Directors at its meeting of 19 March 2015 and submitted for approval by the WAEMU Council of Ministers at its meeting of 30-31 March 2015.

### **NOTE 3 EFFECTS OF NEW OR REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS**

The standards and interpretations as described in the Bank's financial statements as at 31 December 2013 were supplemented by the provisions of the new standards and interpretations which became effective from 2014. These include:

- Amendment to IAS 19 –“Defined benefit plans – Staff contributions”;
- Amendment to IAS 32 –“Presentation: compensation of financial assets and financial liabilities”;
- Amendment to IAS 36 – Information to be furnished on the recoverable amount of non-financial assets”;
- Amendment to IAS 39 and IFRS 9 – “Novation of derivatives and maintaining a hedge accounting”
- Amendments relating to the transitional provisions for IFRS 10;
- Amendment to IFRS 10 and 12 in relation to investment companies
- Interpretation IFRIC 21 on duties and taxes.

The entry into force of these standards and interpretations had had no impact on the Bank's financial statements closed as at 31 December 2014.

Furthermore, while the early application of the standards and interpretations issued by IASB is optional for a period, the option has not been taken up by the Bank, unless otherwise specified. Thus, the standards and interpretations issued, but not yet in force, could have some impact on the Bank's financial statements upon effectiveness. This relates specifically to:

- IFRS 9 “Financial instruments”, whose new version was released in July 2014 is applicable for accounting periods beginning on 1<sup>st</sup> January 2018. It was not applied in advance in the preparation of the current financial statements. The effectiveness of this standard will have an impact on the evaluation and classification of the Bank's financial instruments;
- IFRS 15 “Revenues from contracts with customers”, whose effectiveness is scheduled for 1st January 2017;
- Amendment to IAS 27: equity method in the individual financial statements which become effective as at 1st January 2016;
- Amendment relating to 2011–2013 annual improvements to IFRS modifying the following standards: IFRS 3, IFRS 13 and IAS 40 which become effective on 1<sup>st</sup> January 2015;
- Amendment to IAS 1 “Presentation of the financial statements” – Initiative Information to be furnished, effective on 1<sup>st</sup> January 2016;
- Amendment to IFRS 11 – Partnerships: recording of acquisitions of interests in a common business which will become effective on 1<sup>st</sup> January 2016.

### **NOTE 4: CASH AND CASH EQUIVALENTS**

Cash includes cash on hand and demand deposits

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 investment or other purposes.

Cash and cash equivalents comprise the following:

	31/12/2014	31/12/2013
Cash account	61	58
BOAD Headquarters current account	383	469
Deposit accounts of resident missions at BCEAO	81 180	21 769
Japan Eximbank special account*	15	15
Kingdom of Belgium special account**	4 205	4 205
Energy Development Fund contribution account***	128 151	223 152
BOAD Lome settlement account	37 463	1 060
Resident missions operations account	75	85
Bank clearing account	368	309
Short term bank deposits (a)	30 000	38 000
	281 902	289 123

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

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

\*\*\* This account records the resources of the Energy Development Fund (FDE) used to finance projects in WAEMU's energy sector. As at 31 December 2014, the amount of cash belonging to FDE was XOF7,756 million. Part of the balance of this account (about XOF120 billion) belonged to BOAD as per the decision of the WAEMU Council of Ministers to transfer EDF's initial allocation of XOF250 billion to BOAD. The Bank is still managing the fund

(a) The short-term bank deposits include

	31/12/2014	31/12/2013
BOA-CI account 12 612, special account for liquidities	1 009	1 009
BOA- Benin account 12 613 , liquidities account	991	991
Time deposit account 12 618 in Burkina Faso	5 000	-
Time deposit account 12619 in other countries of the Union	23 000	36 000
	30 000	38 000

## NOTE 5. LOANS AND RECEIVABLES AT AMORTIZED COST

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

	31/12/2014	31/12/2013
Interbank loans	340	6 358

Receivables from clients	1 161 728	905 232
Loans to staff	6 096	6 306
Securities portfolio	22 546	39 402
Receivables from shareholders	99 933	105 801
Other	75	79
Total	<b>1 290 718</b>	<b>1 063 178</b>

Interbank receivables include deposits and interbank loans over 3 months and their related interests. As at 31 December 2014, all these receivables were due in less than a year.

Receivables from clients include loans to States (non-market sector) and the market sector.

#### 5.1 The Bank's loan portfolio includes loans granted to:

- Non-market public sector
- Public market sector
- Private sector
- Energy sector

All the Bank's loans are granted at fixed rates.

As at 31 December 2014, receivables from clients were as follows:

The schedule of loans to clients was as follows:

	31/12/2014	31/12/2013
At most one year	112 376	88 249
More than one year and at least 2 years	100 022	101 725
More than 2 years and less than 3 years	93 331	112 753
More than 3 years and less than 5 years	188 831	118 185
More than 5 years	666 745	483 606
Gross outstanding loans	1 161 304	904 518
Advances for financing of studies	10 670	10 877
Receivables related to loans	22 050	17 972
Depreciation of bad debts	-25 732	-22 334
Deferred income on commission	- 6 564	-5 800
Loans and advances to clients	<b>1 161 728</b>	<b>905 232</b>

Borrowers have the opportunity to make early repayments of their loans, subject to conditions contained in the loan agreements.

Gross outstanding loans include an amount of XOF53,238 million corresponding to the market value of energy sector loans granted to States and belonging to BOAD as per the decision of WAEMU Council of Ministers to transfer EDF's initial endowment of XOF250 billion to BOAD. Conditions regarding BOAD's interest rate for non-market energy sector

loans are equivalent to those applied by the EDF, which correspond to market conditions.

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

	31/12/2014	31/12/2013
Gross amounts	38 845	37 714
Depreciations	-25 732	-22 335
	13 113	15 379

## 5.2 The breakdown of the securities portfolio as follows

	31/12/2014	31/12/2013
Senegal treasury bonds	8 500	8 500
RCI 6 treasury bonds	2 100	8 150
Togo treasury bonds	-	7 500
CAA BN 2011-2016 bonds	3 000	3 750
BOA Benin bonds	-	199
BOA Niger bonds	-	100
BF 2010-2015 bonds	2 000	2 000
CRRH bonds	3 775	4 000
BOA bonds	1 110	1 359
CI treasury bonds	-	2 000
Certificate of deposit	400	600
	20 885	38 158
Interests receivable as at 31/12	1 661	1 245
	22 546	39 402

The contractual schedule of securities investments, as at 31 December 2014, is as follows:

2014 Maturities	Amounts
More than one year	1 500
More than a year and less than 2 years	7 500
More than 2 years and less than 3 years	1 111
More than 3 years and less than 5 years	5 000
More than 5 years	5 775
Total securities portfolio	20 886

5.3 - The item on 'receivables from shareholders' includes allocations and amounts due but not yet disbursed (XOF7,292 million), grant amounts not yet paid for loan revaluation (XOF2,736 million) and the called-up capital not yet paid (XOF89,905 million). The last two amounts were as a result of discounting as at 31 December 2014, at average rates of 5.55% (rate applied in 1996 for the non-market public sector loans) and 2.45% (applied in 2014 for non-market public sector loans) for payments expected on their scheduled repayment dates.

## NOTE 6. EQUITY INVESTMENTS

Equity participations were done in accordance with Section 2 of Bank's statutes, which provides, that (i) "the Bank shall contribute to funding by equity participation, granting of loans" and (i) section 30, which provides that the bank " shall constitute or participate in raising the capital of institutions or companies. The set objective is to enable the Bank to strengthen its equity capital and expertise of businesses operating in the Union.

As part of this mission and implementation of this strategy, BOAD intervened in all States of the Union by taking part in the shareholding of several companies. These actions benefitted companies in the financial sector (banks, financial institutions) as well as non-financial sector businesses (energy, telecommunications, hotel, airlines, etc.

The Bank's new strategy for equity participation is as follows:

- **Objective:** To complete the Bank's development agenda while placing more emphasis on its financial viability in accordance with the strategic orientations of the Bank.
- **Sectors of intervention:** All sectors that are eligible for funding from the Bank;
- **Modes of intervention:** When entering a transaction, the Bank must be sufficiently clear on the terms and conditions of exit, when the time comes. Equity securities may be transferred as quoted shares and under the most suitable conditions for unquoted shares.
- 
- **Position on the governing bodies:** Every equity participation by the Bank is conditioned on the allocation of a position on the entity's governing Board (Board of Directors, supervisory board, Credit or investment committee, etc.).

In addition to the new equity participation strategy, BOAD has taken appropriate measures to (i) adapt to the changing trends and requirements of the financial sector of WAMU (increase in the minimum capital of banks and financial institutions) and (ii) take into account the special nature of the agricultural sector in terms of its importance in the economies of the countries in the Union.

## **6.1 – Intervention limits for equity participation**

The maximum commitment of the Bank in the form of equity participation is limited per operation and per Borrower at five percent (5%) of the Bank's tier 1 capital, for projects other than those by National Financial Institutions (NFIs) and organizations involved in the promotion of SMEs, privatization projects, regional projects and key sectors such as mining and energy, not more than twenty five percent (25%) of the company's share capital.

This intervention limit is 10% of the Bank's tier 1 capital for projects undertaken by National Financial institutions (NFIs) and organizations that promote SMEs, privatization projects, regional projects and those in the mining and energy sectors of amounts not exceeding twenty-five percent (25%) of the company's share capital.

The limit in terms of total volume of the Bank's equity participation is set at 50% of the Bank's tier 1 capital. However, for entities in which BOAD is a major promoter, the capital of the company may be held temporarily at one hundred percent (100%); while the Bank must aim at bringing its percentage share to fifty-one percent (51%) within a reasonable period and with a clear exit strategy.

All the participations must be considered available for transfer. Such participations will also be evaluated at the fair value, while any variation at the fair value shall be calculated as "Other general profit components (OCI)". The depreciation criteria are provided in Note 2.05.

**6.2 – Equity participations indicated in the financial statement have to do with the following institutions:**

Country	Entity	31/12/2014					Outsta gro
		Gross outstanding	Depreciation	Unrealised gain	Unrealised loss	Bal. sheet value	
BN	SOAGA	103		66		169	
BN	FOAI	2 500		896		3 396	
TG	CAURIS CROISSANCE	2 333		1 542		3 875	
SN	BNDE	1 000		25		1 025	
Outside							
-		4 226		321		4 547	
WAEMU	CAURIS CROISSANCE II						
TG	GARI S. A.	1 500		914		2 414	
MA	BDM Mali	600		2 395		2 995	
BN	BOA Benin	113		474		587	
NG	SONIBANK Niger	1 082		1 863		2 945	
CI	BHCI Côte d'Ivoire	150	79		-28	43	
NG	BOA Niger	165		1 384		1 549	
TG	BIA Togo	392		235		627	
BN	African Investment Bank (AIB) (1)	250	250			-	
Outside							
-		2 500		7 559		10 059	
WAEMU	Afreximbank						
SN	Banque Rég. des Marchés (BRM)	400		779		1 179	
CI	BRIDGE BANK Côte d'Ivoire.	300	193	288		395	
BF	Bank for Housing of BF	200		45		245	
NG	BRS-HOLDING	-				-	
	Bourse Régionale de Valeurs						
CI	Mobilières (BRVM)	56		69		125	

CI	DC/BR (BRVM)	140		158		298
TG	CICA RE	999	219	271		1 051
MA	MANDE Hotel	50	12		-23	15
CI	SIALIM (1)	100	100			-
CI	AIR AFRIQUE (1)	2 500	2 500			0
CI	CIPREL	584		538		1 122
BN	COTEB (1)	272	272			-
	Total b/f	22 515	3 625	19 822	-51	38 661

Country	Entity	31/12/2014				Bal. sheet value	outsta
		Gross outstanding	Depreciation	Unrealised gain	Unrealised loss		
	Total b/f	22 515	3 625	19 822	-51	38 661	2
TG	ASKY (EX SPCAR)	2 990	2 128	2 128		2 990	
TG	New equity participation ASKY	3 000				3 000	
SN	SCIE	130	130		-130	-130	
CI	RASCOM	1 600			-338	1 262	
Outside- WAEMU	PROPARCO	3 420			-386	3 034	
TG	BOAD-Securities	500			-38	462	
Outside- WAEMU	GEO COTON	2 242		2 360		4 602	
TG	CRRH-UEMOA	750		116		866	
TG	AFG	-				-	
Outside- WAEMU	Africa Agriculture Fund (AAF)	1 904			-397	1 507	
TG	ORAGROUP	2 000			-579	1 421	
BF	Burkina Bail	689			-122	567	
SN	CNCAS	1 573		638		2 211	
BF	CORIS BANK	1 997		62		2 059	
CI	Nouvelle BRS CI/ORA Bank CI	6 600			-6 600	-	
CI	Union Bank of Côte d'Ivoire (BDU-CI)	1 100				1 100	
BF	Union Bank of Burkina Faso	1 100				1 100	

Outside	(BDU-BF)						
WAEMU	FEFISOL	860			-43	817	
Kenya	AREF	523				523	
BF	AMETHIS WEST AFRICAN (AWA)	115				115	
	<b>Total gross value</b>	55 607	5 883	25 126	-8 684	66 166	5
	Variation of the fair value of AFS through aggregate income (1)	16 442					
	Profit and losses recorded directly as equity on financial assets available for sale. (1)						

(1) As at 31 December 2014 the amount of net unrealized capital gain of 16 442 (25126-8684) is recorded in equity capital.

- The amount of dividends from these equity participations, as indicated in the financial statement stood at XOF2,474 million as at 31 December 2014 against 2,032 million at the end of 2013 (See Note 16 below)

The Bank's securities were valued at cost until 31 December 2013, have failed to obtain the fair value of the equity participations. During the 2014 financial year, the Bank put in place a mechanism to evaluate the fair value of equity securities (See Note 2.05 above). This model helped in the value adjustment of certain participations and the depreciation of others. These adjustments were worked out in other components of the overall profit while the depreciations were indicated as profit.

- As at 31 December 2014, the Bank did not have any consolidated accounts in spite of holding of BOAD SECURITIES of up to 99.99% and Cauris of about 49.5% due to its insignificance to the Bank's total financial statement. The combined total asset of these two companies stood at XOF4 306 million, compared to BOAD's total asset of XOF 1 658 471 million (or 0.15%)

### 6.3 Variations in gross participation are as follows:

	31 December 2014	31 December 2013
Gross value as at 1 January 2014 (1)	53 858	47 242
Acquisitions (2)	8 978	9 136
Transfers	7 228	2 520
Fair value variations (4)	16 442	0
Gross value as at 31 December 2014 (5) = (1)+(2)+(3)+(4)	72 050	53 858
Depreciation as at 1 January 2014 (6)	(5 838)	(5 838)
Depreciations for 2014 financial year.	(46)	-
Total depreciation as at 31 December 2014*(8)=(5) + (7)	(5 884)	(5 838)
Net value as at 31 December 2014 (5) - (8)	66 166	48 020

### NOTE 7. OTHER ASSETS

Other assets include the following:

	31/12/2014	31/12/2013
Advances on mission expenses	50	52
Salary advances	113	4
Expenditure to be regularized	9 824	1 453
Various debtors	291	329
Charges paid in advance and profits receivable	257	242
Prefinancing of studies on funds for foreign studies	97	97
	10 632	2 177

Expenses to be made include advances to be paid by the Bank as part of construction of the BOAD staff quarters (XOF5,509 million). The financial cost of the special agricultural programme to the tune of XOF1,809 million, expenses made on behalf of other institutions (XOF782 million) and other expenditure to be categorized. The handing over of the BOAD quarters to staff is expected to be done in June 2015.

#### NOTE 8. INTANGIBLE ASSETS

Intangible assets include only software. These will be amortized on a straight line over a period of 3 to 5 years Their values are follows:

	31/12/2014	31/12/2013
Cost of acquisition	1 315	636
Accumulated amortizations and depreciations	-284	-259
	1 031	377

Procurement of software (in XOF)		Cumulative amortizations and depreciation of software	
Balance a tat 1 January 2013	602 637 947	Balance a tat 1 January 2013	235 230 722
Acquisitions	156 180 766	Acquisitions	23 566 232
Transfers	123 217 172	Transfers	0
Classified as being held for sale	-	Classified as being held for sale	0
Balance as at 1 January 2014	635 601 541	Balance as at 1 January 2014	258 796 954
Acquisitions	1 629 847 713	Acquisitions	25 664 753
Transfers	949 973 492	Transfers	0
Classified as being held for sale	-	Classified as being held for sale	0
Balance as at 31 December 2014	1 315 475 762	Balance as at 31 December 2014	284 461 707
Net balance sheet value as at 31 December 2014			1 031 014 055

The annual amortization charges are stated in the income statement under the 'Depreciation' column of general operating expenses.

#### NOTE 9. TANGIBLE ASSETS

The summary of tangible assets is as follows:

	31/12/2014	31/12/2013
Cost of acquisition	24 676	24 653
Cumulated amortization and depreciations	-16 654	-16 091
	8 022	8 652

The annual amortization of expenditure are indicated in the income statement under the 'Depreciation' column of general operating expenses.

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

	Land	Buildings	Properties under construction	Installations and equipment	Equip fin
<b>Cost of acquisition</b>					
<b>Balance as at 1 January 2013</b>	980 519 560	14 308 769 784	82 246 386	8 832 637 746	
Acquisitions	-	-	60 929 800	559 344 105	
Transfers	-	-	-93 146 451	-77 936 517	
Revaluation of acquisitions					
Other revaluations					
<b>Balance as at 1 January 2014</b>	980 519 560	14 308 769 784	50 029 735	9 314 045 334	
Acquisitions		9 985 140	133 225 698	325 391 038	
Transfers		-	-50 029 734	-396 100 304	-
<b>Balance as at 31 December 2014</b>	980 519 560	14 318 754 924	133 225 699	9 243 336 068	
Amortisations and cumulated transfer					
<b>Balance as at 1 January</b>	-	7 410 022 477	-	7 697 998 544	

<b>2013</b>					
Depreciation cost		367 874 483	-	693 308 075	
Transfers		-		-77 936 517	
Depreciations recorded during the period	-				
Reversal of impairment	-				
<b>Balance as at 1 January 2014</b>	-	<b>7 777 896 960</b>	-	<b>8 313 370 102</b>	
Depreciation costs		339 096 416	-	613 977 715	
Transfers		-	-	-390 533 398	
Depreciation recorded during the period	-				
<b>Balance as at 31 December 2014</b>	-	<b>8 116 993 376</b>	-	<b>8 536 814 419</b>	
<b>Net fixed asset value as at 31 December 2014</b>					

## NOTE 10. AMORTIZED LIABILITIES

Liabilities at amortized cost consist of loans by the Bank and receivables attached to them (accrued interest and commissions). These include interbank debts, debts represented by securities or other debts.

Interbank liabilities correspond to investments made by partner institutions (ROPPA, AFD, NIMAO, PUFS, Coris Bank International ...) in the books of the BOAD.

Debts evidenced by a security correspond to the outstanding debt securities issued by BOAD.

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

Details of this item, as at 31 December 2014, are as follows (in XOF' million):

<b>Interbank debts</b>		10 459	10 459
AFD, CAURIS, ROPPA Investments		10 459	
Interest of debts/investments on D/D		0	
<b>Debts represented by a security</b>			561 556
BOAD bond issue		122 527	
BOAD bills		338 683	
Maturities in less than a year/debt represented by a security		88 021	
Accrued interest on debts represented by a security		14 332	
Differed costs on debts represented by a security		-2 004	
<b>Other loans</b>			332 374
Loans for financing of long term projects		273 854	
Loans for financing of long term studies		556	
Loan maturities in less than a year		55 892	
Accrued interests on other loans		2 513	
Commissions payable on loans		92	
Differed charges on other loans		-534	
<b>Total liabilities at amortized cost</b>			<b>904 391</b>

Under Section 7 of its Statutes, the amount of the Bank's callable capital shall be used as guarantee for loans it may contract.

Moreover, under Article 37 of the Statutes, the WAMU Council of Ministers decided to limit the Bank's total outstanding loans, at any time, to three times its equity. As at 31 December 2014, the Bank's outstanding loans represented 145.5% of its equity capital out of the regulatory limit of 300%.

As at 31 December 2014, liabilities at amortized cost was made up of:

	31/12/2014	31/12/2013
I-Debts represented by a security		
Bond issues	122 527	45 781
BOAD bonds	338 683	244 198

Maturities in less than a year/debts rep. by securities	88 021	34 371
Sub total I	549 230	324 349
II-Other loans from external partners		
Loans for financing of long term projects	273 854	305 555
Loans for financing of long term studies	556	591
Maturities in less than a year/loans	55 892	50 417
Subtotal II	330 302	356 563
Total I+II	<u>879 533</u>	<u>680 912</u>
III-Debts attached to loans and debts rep. by a security		
Accrued interest on debts represented by a security	14 332	9 237
Differed costs on debt securities and loans	-2 004	-734
Accrued interests and commissions on other loans	2 606	2 756
Differed costs on other loans	-534	-677
Sub-total III	14 400	10 582
IV. Interbank debts (Cauris ROPPA, AFD)	10 459	7 228
Total I+II+III+IV	<u>904 391</u>	<u>698 722</u>

Maturity of liabilities at amortized cost presented as follows:

	31/12/2014
At most one year	<u>138 216</u>
More than a year and less than two years	132 796
More than two years and less than three years	176 506
More than three years and less than five years	102 061
More than five years	354 812
	<u><u>904 391</u></u>

## NOTE 11. OTHER LIABILITIES

Other liabilities include funds which are liabilities to BOAD and other suspense accounts. The breakdown is as follows:

Funds		
FAIR Subsidy fund	-	-
Swiss Development Support Fund	0	0
Belgian Technical Assistance Fund	163	154
Dutch Fund	34	34
IDA counterpart fund	272	326
French Development Agency research Fund	310	310
French Development Agency (AFD) counterpart fund	382	328
NIMAO Fund	-	-
Environmental Partnership Fund	36	21
KFW counterpart Fund	6 628	6 841
China cooperation fund	139	214
AFD IV capacity building fund	1	4
Energy Development Fund	7 756	257 273
"Crop Insurance" Fund	3 173	3 418
Regional collaboration Centre (RCC)	63	55
<b>Funds sub-total</b>	<b>18 958</b>	<b>268 978</b>
<b>SUSPENSE ACCOUNT AND OTHERS</b>		
Suppliers	1 162	694
Staff remunerations	-	-
Various creditors	1 145	199
Charges payable	1 620	1 896
Incomes to rectify	6 030	1 331
Incomes recorded in advance	49	160
Kingdom of Belgium current account	<b>4 200</b>	<b>4 200</b>
<b>Sub-total for suspense and other accounts</b>	<b>14 206</b>	<b>8 479</b>

## NOTE 12. PROVISIONS

This item covers the amount of liabilities under benefit plans for severance payments upon retirement. This plan provides for payment of a lump sum equal to the last monthly salary multiplied by the number of years of service. Such benefits are paid directly by the Bank to the beneficiary.

These liabilities amounted XOF5,482 million as at 31 December 2014, as against XOF5,393 million as at 31 December 2013

Details of the actuarial calculations for the 2014 and 2013 are presented below:

	<b>2014</b>	<b>2013</b>
	<b>XOF'M</b>	<b>XOF'M</b>
<b>Current value of the bond</b>		
Opening balance	5 392 628	4 36 710
Cost of services rendered during the period	379 104	325 765
Contributions made by participants	0	0
Financial cost	404 021	333 373

Actuarial difference due to		
a) Changes in demographic assumptions	0	0
b) Changes in financial assumptions	-208 588	0
c) Experience adjustments	<u>337 984</u>	<u>296 780</u>
d) Total	129 396	296 780
Service provision	-823 199	0
Cost of past services	0	0
Payments	<u>0</u>	<u>0</u>
<b>Closing balance</b>	<b>5 481 950</b>	<b>5 392 628</b>
<i>Completely unfinanced schemes</i>	<i>5 481 950</i>	<i>5 392 628</i>
<i>Partly or fully financed schemes</i>	<i>0</i>	<i>0</i>
<b><u>Fair value of assets of the scheme</u></b>	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
Services provided	0	0
Payments	0	0
<b>Closing balance</b>	<b>0</b>	<b>0</b>
<b><u>Net assets/liabilities recognized in the balance sheet</u></b>		
Current value of the obligation	5 481 950	5 392 628
Fair value of assets of the scheme	<u>0</u>	<u>0</u>
Surplus/deficit	5 481 950	5 392 628
Amount not recognized as an asset because of limit 58(b)	<u>0</u>	<u>0</u>
<b>Net assets/liabilities recognized in the balance sheet</b>	<b>5 481 950</b>	<b>5 392 628</b>
<b><u>Total cost</u></b>		
Cost of services rendered during the period	379 104	325 765
Cost of past services	0	0
Effect of all payments	<u>0</u>	<u>0</u>
<b>Cost of services rendered as net income</b>	<b>379 104</b>	<b>325 765</b>
Financial cost	404 021	333 373
Interests	<u>0</u>	<u>0</u>
<b>Net interest on net income</b>	<b>404 021</b>	<b>333 373</b>
Actuarial difference	129 396	296 780
Additional returns on assets of the scheme	0	0
Effect of the limit of paragraph 58(b)	<u>0</u>	<u>0</u>
<b>Revaluation of net liabilities under fixed benefits scheme</b>	<b>129 396</b>	<b>296 780</b>

<b>Total cost</b>	<b>912 521</b>	<b>955 918</b>
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Charges calculated as income appears in the "Interest and related charges" and "staff overheads" column

The cumulative actuarial difference recorded in the income and expenditure statement	1 287 439	1 158 043
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**Main actuarial assumptions**

Discount rate	6.50%	7.00%
Expected rates of salary increases	5.00%	6.00%
Mortality rate	Male/female mortality rates 2002 multiplied by 200%	
Duration of equal obligation:	7	8

**Sensitivity analysis**

	<u>Changes in obligation</u>	
Discount rate	7.5%	8.0%
Expected rates of salary increases	7.5%	8.0%
Mortality rate	-0.7%	-0.6%

**Reconciliation of net liabilities recognized**

Opening balance	5 392 628	4 436 710
Total charge in net income	783 125	659 138
Services provided	-823 199	0
Revaluation of net liabilities under fixed benefits scheme	<u>129 396</u>	<u>296 780</u>
Closing balance	5 481 950	5 392 628

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

## NOTE 13 - EQUITY CAPITAL

Capital	31/12/2014	31/12/2013
Subscribed capital	1 050 550	1 009 250
Callable capital	786 405	755 430
Cost related to differed release of capital	8 327	8 850
Total	255 819	244 970
Share premium	<b>2 622</b>	<b>2 622</b>
Reserves		
Reserves transferred for development activities	76 050	76 050
Fair value reserves on top-class AFS security	16 442	-
Other reserves	26	26
Retained earnings	106 041	95 299
	<b>198 559</b>	<b>171 374</b>
Earnings for the year	258 399	10 872
Total equity	<b>715 399</b>	<b>429 838</b>

The item on 'cost related to the differed release of capital' refers to the difference between the nominal amount of the called-up unpaid capital and the discounted amount following the capital release schedule

The Bank's capital is divided into shares at a nominal value equalling XOF50 000 000.

The Bank's capital is divided between the two categories of shareholders: Category A shareholders are member States of WAEMU and the BCEAO, while the category B shareholders include non-regional shareholders.

The table below outlines the Bank's capital structure as at 31 December 2014 in nominal value and share distribution. Each share confers the same rights and responsibilities on its holder.

CAPITAL STRUCTURE AS AT 31 DECEMBER 2014

SHAREHOLDERS	SUBSCRIBED CAPITAL	%	Number of shares	CALLED UP CAPITAL	PAID-UP CAPITAL	UNCA
	(1)=(2)+(5)			(2)=(3)+(4)	(3)	
<b>CATEGORY A</b>						
BENIN	64 650 000 000	6.15	1 293	16 163 000 000	9 788 000 000	
BURKINA	64 650 000 000	6.15	1 293	16 163 000 000	9 788 000 000	
COTE D'IVOIRE	64 650 000 000	6.15	1 293	16 163 000 000	9 788 000 000	
GUINEE BISSAU	64 650 000 000	6.15	1 293	16 163 000 000	5 149 590 582	
MALI	58 750 000 000	5.59	1 175	14 688 000 000	9 788 000 000	
NIGER	64 650 000 000	6.15	1 293	16 163 000 000	9 788 000 000	
SENEGAL	64 650 000 000	6.15	1 293	16 163 000 000	9 788 000 000	
TOGO	64 650 000 000	6.15	1 293	16 163 000 000	9 788 000 000	
BCEAO	470 000 000 000	44.74	9 400	117 504 000 000	78 304 000 000	
	<b>981 300 000 000</b>	<b>93.41</b>	<b>19 626</b>	<b>245 333 000 000</b>	<b>151 969 590 582</b>	
<b>CATEGORY B</b>						
France	38 400 000 000	3.66	768	9 600 000 000	6 400 000 000	
Germany	2 000 000 000	0.19	40	2 000 000 000	2 000 000 000	
Belgium (1)	5 600 000 000	0.53	112	1 400 000 000	1 400 000 000	
EIB	4 000 000 000	0.38	80	1 000 000 000	1 000 000 000	
AfDB	6 000 000 000	0.57	120	1 500 000 000	900 000 000	
EXIM BANK OF INDIA	750 000 000	0.07	15	187 500 000	125 000 000	
CHINA	12 000 000 000	1.14	240	3 000 000 000	2 000 000 000	
MOROCCO	500 000 000	0.05	10	125 000 000	119 375 000	
	<b>69 250 000 000</b>	<b>6.59</b>	<b>1 385</b>	<b>18 812 500 000</b>	<b>13 944 375 000</b>	
	<b>1 050 550 000 000</b>	<b>100.00</b>	<b>21 011</b>	<b>264 145 500 000</b>	<b>165 913 965 582</b>	
<b>UNSUBSCRIBED CAPITAL</b>	<b>104 450 000 000</b>		<b>2 089</b>			
<b>AUTHORISED CAPITAL</b>	<b>1 155 000 000 000</b>		<b>23 100</b>			

(1) Payment in advance of an amount of XOF 4 200 M into an escrow account.

## NOTE 14: INTERESTS AND RELATED

Details of this item are as follows:

### Interests and related incomes

	31/12/2014	31/12/2013
Interests and related incomes/ interbank loans	2 221	3 652
Interest on loans to clients	56 008	44 095
Interest on loans to staff	145	140
Interest on securities portfolio	1 488	2 903
Commission on loan commitments	1 528	1 864
<b>Total</b>	<b>61 390</b>	<b>52 654</b>

### Interests and related charges

	31/12/2014	31/12/2013
Interest charges on interbank debts	-	-
Interest charges on debts represented by a security	18 104	12 050
Interest charges on other debts	12 444	12 517
Incomes/ investments paid back	747	431
Commission/commitment received	290	368
<b>Total</b>	<b>31 585</b>	<b>25 367</b>

## NOTE 15 - COMMISSIONS

### Commissions (income)

This item refers mainly to commissions received on financial advice and arrangements as well as operational loans.

	31/12/2014	31/12/2013
Commission obtained as processing fees	916	1 033
GARI Commission guarantees	106	51
Other flat commissions	66	105
Commission on guarantees/bond issues	698	653
Commission on financial arrangements and services	1 533	632
<b>Total</b>	<b>3 318</b>	<b>2 474</b>

### commissions (expenses)

This item covers commissions paid on loans, notes and bonds.

	31/12/2014	31/12/2013
Listing charges	14	29
Other charges/ debts represent by securities	297	207
Other commissions on loans	704	621
Charges and losses of securities investments	147	-
<b>Total</b>	<b>1 162</b>	<b>857</b>

## NOTE 16 - DIVIDENDS RECEIVED

This item includes dividends on the Bank's equity participations in various companies/businesses.

	<u>31/12/2014</u>	<u>31/12/2013</u>
BTD dividends	-	138
BRVM dividends	126	266
BOA Benin dividends	105	128
CIPREL dividends	100	121
BOA NG dividends	184	152
BDM-SA dividends	540	510
Cauris dividends	-	-
BHBF dividends	18	17
AFREXIM Bank dividends	-	89
GARI dividends	-	20
SONIBANK dividends	228	123
PROPARCO dividends	56	108
BIA-TG dividends	-	114
Cauris Croissance I	228	-
Cauris Croissance II dividends	20	30
Sicav Abou Diouf dividends	63	63
BRM dividends	160	140
CICA-RE dividends	20	14
Bridge Bank CI dividends	60	-
Coris Bank International dividends	427	-
CNCAS dividends	32	-
FAA dividends	111	-
	<u>2 474</u>	<u>2 032</u>

## NOTE 17 - RISK COST

	<u>31/12/2014</u>	<u>31/12/2013</u>
Write-back of depreciations on receivables from clients	3 807	2 034
Depreciation on receivables from clients	-10 942	-8 285
Bad debts covered by depreciations	0	-81
Depreciation on other asset components	0	-61

## NOTE 18 - CHARGES RELATED TO DEVELOPMENT ACTIVITIES

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

	31/12/2014	31/12/2013
Interest subsidy	1 547	1 509
Studies		-
	1 547	1 509

## NOTE 19 - GENERAL OPERATING COSTS

The Bank's operating expenses are as follows:

	31/12/2014	31/12/2013
Staff overheads	10 403	10 635
Amortizations	979	1 085
Other operating costs	5 531	6 540
Total	16 913	18 260

## NOTE 20. INCOME OVER THE PERIOD

The 2014 financial year ended with a profit of XOF258,399 million. The exceptionally high income was due to the decision by the WAEMU Council of Ministers to transfer the FDE's initial capital of XOF250 billion to BOAD.

The purpose of this decision is to help strengthen the Bank's equity capital and increase its capacity to support WAEMU member States.

The Bank's income, excluding the FDE endowment, as at 31 December 2014 stood at XOF8,339 million as against XOF10,872 million as at 31 December 2013, representing a 22.7% decrease mainly due to the potential exchange losses recorded on outstanding foreign exchange debts.

## NOTE 21. FINANCIAL 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 risk are monitored by special committees (Commitments committee, ALM Committee, etc.)

### 1. CREDIT RISK

Credit risk is the inability or the unwillingness of certain counterparties to fulfil their financial commitments it is the potential financial loss resulting from the failure of one or several

borrowers/debtors. Credit risk is the main source of risk for the Bank and stems essentially from its lending and investment operations.

The application of the credit risk strategy relies on standards and procedures, management tools, rating systems, policy coverage and provisioning risks and close monitoring.

The overall organization of credit risk management is characterized by:

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

The Bank has clearly defined limits and procedures to enable it streamline, measure and manage the risks, as well as formalize aggregate limits for its commitments per sector and operational limits (counterparties/related counterparties).

#### **1.1- Intervention limits for credit risk**

##### **A. For the public sector**

- a. The risks limit per transaction, in the form of loans granted by BOAD, is set at ten percent (10%) of its tier 1 capital, which corresponds to the paid-up capital + net reserves and related Fund net of non-values items.
- b. BOAD's level of commitment per public sector borrower (all operations included), is limited to one hundred percent (100%) of the Bank's tier 1 capital for member States and fifty percent (50%) of its tier 1 capital for commercial public sector businesses.

##### **B. For the private sector**

- a. The maximum risk limit per transaction, in the form of direct loans by BOAD, other than National Financial Institutions (NFI), organizations that support SMEs, privatisation projects, regional projects and those in the mining and energy sectors), shall be ten percent (10%) of the Bank's tier 1 capital, whereas the amount of the loan shall not exceed fifty percent (50%) of the total cost of the project (excluding tax).

- b. A ceiling, per transaction, of fifteen percent (15%) of the Bank's tier 1 capital is set for its indirect financing of National Financial institutions (NFIs) and organizations that support SMEs as well as its direct loans to privatization projects, regional projects, and projects in the mining and energy sectors.
- c. The level of BOAD's commitment per private sector borrower (all operations combined) is limited to fifteen percent (15%) of the Bank's tier 1 capital, except for National Financial Institutions (NFIs) and organizations that support SMEs, privatization projects, regional projects as well as projects in the mining and energy sector for which the limit is twenty percent (20%).

Furthermore, with regard to the division of risks between the public or private sectors, the overall volume of risk for each transaction is twenty five percent (25%) of BOAD's tier 1 capital and is limited to ten (10) times the Bank's tier 1 capital.

C. Financing operations per signature and short-term financing

- a. The financing commitment limited per signature (loan guarantee and short-term financing per signature) is set at fifteen percent (15%) of the Bank's tier 1 capital, per transaction and per borrower.
- b. The commitment limit by transaction and per borrower of short-term cash is set at ten percent (10%) of the Bank's tier 1 capital.
- c. The commitment limit in terms of overall volume for financing operations (a) per signature and (b) short-term cash financing, shall be fifty percent (50%) of the Bank's tier 1 capital.

D. Limits on loans per sector of activity

The dominant sectors include: (i) telecommunications (telephony, Internet, call centre); (ii) water and energy (water, electricity, gas, oil); (iii) market infrastructure (port, airport, railway and bus stations); (iv) Extractive Industries (cement and mining); (v) hospitality and other services; (vi) agro-industries and (vii) NFI.

The total level of commitment in any one of the dominant sectors above, must not at any time exceed one hundred percent (100%) of the Bank's tier 1 capital, (all countries of intervention included). However, for National Financial Institutions (NFIs) and the water and energy sectors, this limit is set at one hundred and fifty percent (150%) of the Bank's tier 1 capital.

#### E. Limit per country

With regard to intervention limits per country, BOAD cannot commit more the twice (2x) its tier 1 capital (all operations combined)

The intervention limits as indicated shall constitute the ceiling for the Bank unless a justification is established. Loan applications are reviewed on a case-by-case basis.

#### 1.2- Description of the internal portfolio rating system

All entities that have received loans from the Bank undergo rating, at least once a year. The credit risk evaluation is measured on an 8 point internal scale for better differentiation among the debtors.

BOAD's rating tool is thus based on an 8 point rating scale, of which 6 (1,2,3,4,5,6) correspond to sound loans, while 2 (7 and 8) correspond to distress loans, with **7 being for loans that need to be monitored closely and 8 for bad debts.**

BOAD rating	Evaluation of the signature of the counterparty	Assessment of the associated risk	International equivalent ( Mapping )
1	« EXCELLENT »	VERY WEAK	A-BBB
2	"VERY GOOD"		
3	"GOOD"	WEAK-	3
4	"QUITE GOOD"	WEAK+	
5	« ACCEPTABLE »	MODERATE	B
6	"WEAK"	HIGH-	CCC
7	"TO BE MONITORED CLOSELY"	HIGH+	<CCC
8	"DOUBTFUL"	VERY HIGH	D

The rating is based on very distinct quantitative and qualitative elements whether it is a corporate entity or bank (financial institution):

- Rating of corporate entities:

The rating of corporate entities takes into consideration 4 quantitative factors and 4 qualitative factors.

The first quantitative factor is the overall assessment of the financial situation and outlook of the borrower. This evaluation takes into consideration (i) the capacity of the borrower or project to generate enough cash flow to service the debt; (ii) operating income and the profitability of the business; (iii) the capital structure and the financial flexibility and liquidity of the business or project; (iv) financial equilibrium and

(v) outlook of the company. Other quantitative factors include guarantees, arrears and the number of times the loan is rescheduled.

The analysis of the qualitative factors for corporate ratings is based on four non-financial parameters: (i) the number of years of experience and quality of its management structure (solidity of the project management, with particular emphasis on the entity's capacity to deal with difficult challenges), (ii) the popularity of the major shareholder in business circles, (iii) the confidence of credible external partners involved in the project, and (iv) the environmental situation (competitive position of the project company in the sector. Each variable carries some weight in the overall rating of the business.

- Rating of banks (financial institutions):

The rating of a business or a financial institution helps in assessing how it uses its equity capital as part of its capital adequacy, quality of its assets, profitability and market position, quality and level of profitability, adequacy of its liquidity and the quality of its management structure.

Each variable carries some weight in the overall rating of the bank or financial institution.

Distribution of the market portfolio based on major risk categories is presented in the table below:

Risk profile of the outstanding non-sovereign loans portfolio

Ratings	Risk	2009	2010	2011	2012	2013	2014
"1" to "4"	Low risk	41.83%	38.99%	31.07%	37.23%	37.54%	41.35%
"5"	Moderate risk	20.24%	18.01%	22.60%	26.67%	22.37%	32.34%
"6" to "7"	High risk	31.01%	38.07%	43.74%	31.56%	36.26%	23%
"8"	Very high risk	6.93%	4.92%	2.59%	4.55%	3.82%	3.31%

**1.3- Provisioning/depreciation policy**

Depending on its activities, the Bank manages two types of credit risk if necessary: i) non-market credit risk (sovereign risk) for its loan portfolio to member States and ii) market credit risk for its private sector and public sector commercial loans portfolio (non-sovereign risk).

The adequacy of the level of risk provisioning, based on IAS/IFRS standards, is measured at least once per year.

### 1.3.1. Non-market credit risk (sovereign risk)

Loans granted to member States of the Union are considered sovereign risk loans. The Bank manages this risk through flexible mechanisms, including suspension of all disbursements to a country in default. Thus, such loans which have still not been paid are considered to be "risk-free" and so no specific provision or depreciation is constituted.

### 1.3.2. Market credit risk (non-sovereign risk)

This risk refers to loans granted by the Bank to borrowers in the private sector or commercial public entities.

The Bank uses internal credit risk rating to assess this risk. All new projects are subjected to a rigorous approval process and require a minimum initial or ex-post credit rating. An update of each of the Bank's commercial counterparty rating is done at least once a year in order to prevent, to some extent, against potential risks of insolvency of its relations either due to deterioration of the environment or lack of good governance that would affect the financial situation of the businesses concerned.

In case of default by counterparty in the non-sovereign sector, the current depreciation policy is applied. It is described below:

### 1.3.3. Description of the methods used to determine losses on loans and receivables

#### a) Principles

The Bank adopted a loans depreciation policy to enable it analyse its portfolio and apply the rules so as to obtain a quality portfolio.

Thus, under the current mechanism, two criteria are selected to categorize and write-down a debt/loan, namely: arrears of more than 6 months or the counterparty rating. If these criteria are ascertained, the Bank must assess and recognize depreciation on a loan equal to the difference between the carrying amount of the asset (exposure) and the value of the expected future cash flows as the effective rate of interest of assets at initial recognition. The effect of the update is recorded as net banking income.

b) Distribution of outstanding bad debts and depreciation

Distribution of bad debts by sector and by country is as follows:

- Breakdown per sector

Item	31/12/2014				31/12/2013			
	Gross outstanding	Provisions	Net outstanding	%	Gross outstanding	Provision	Net outstanding	%
Energy	0	0	0	0	0	0	0	0
Market infrastructure	17 371	11 232	6 139	48%	15 254	9 460	5 794	38%
Extractive industry	8 510	6 629	1 881	15%	6 681	5 658	1 023	7%
Hospitality	1 334	409	925	7%	0	0	0	0
Telecomm.	8 199	5 178	3 021	21%	13 019	6 184	6 835	44%
Agro-indus.	3 431	2 284	1 147	9%	2 760	1 032	1 728	11%
Banks & Financial inst.	0	0	0	0	0	0	0	0
<b>Total</b>	<b>38 845</b>	<b>25 732</b>	<b>13 113</b>	<b>100%</b>	<b>37 714</b>	<b>22 334</b>	<b>15 380</b>	<b>100%</b>

- Breakdown per country

Item	31/12/2014			31/12/2013		
	Gross outstanding	Provisions	Net outstanding	Gross outstanding	Provision	Net outstanding
BENIN	8 405	6 147	2 258	8 326	6 166	2 160
BURKINA	717	642	75	717	642	75
COTE D'IV	4 532	2 846	1 686	4 533	2 050	2 483
MALI	10 929	8 105	2 824	9 921	7 065	2 856
NIGER	400	243	157	5 763	4 029	1 734
SENEGAL	2 854	1 192	1 662	2 854	982	1 872
TOGO	5 162	2 356	2 806			
OUTSIDE WAEMU	5 846	4 200	1 646	5 600	1 400	4 200
<b>TOTAL</b>	<b>38 845</b>	<b>25 732</b>	<b>13 113</b>	<b>37 714</b>	<b>22 334</b>	<b>15 380</b>

**2.1- Market risk**

- a) Exchange risk is the possibility of recording losses due to an unfavourable exchange rate on the market. At BOAD, the exchange risk arises out of the fact that part of the loans are issued in foreign currency, while the balance sheet profit is quoted in XOF. The Bank can therefore record losses in profitability, due to adverse changes in certain currencies against the Euro. Till date, a margin for exchange risk is incorporated into rates of output to address adverse currency fluctuations.

**b) Debt as at 31 December 2014.**

Debt structure as at 31/12/2014						
Currency	Amount in forex	Rate as a 31/12/2014	Current outstanding debts			%
JPY	-	-	-			0.00%
USD	8 643 679.76	540,2800	4 670 007 300			6.43%
DTS	85 328 782.01	782,7640	66 792 298 721			91.91%
CHF	2 214 541.70	545,5400	1 208 121 081			1.66%
Total (excl. Euro)			72 670 427 102	22%	8%	100%
Euro	392 756 730.66	655,9570	257 631 526 772	78%	29%	
Total (excl. XOF)			330 301 953 874	100%		
Domestic issues			549 230 432 000		62%	
TOTAL LOANS			879 532 385 874		100%	

In order to strengthen the Bank's ability to deal with unfavourable exchange fluctuations, negotiations are underway to conclude future exchange transactions with banks that are specialized in market operations in order to convert into euro, any debt of the Bank quoted in borrowing currency other than euro and XOF. At the end of this operation, the basket of reference resources (which could serve as basis for indexing of loans from the Bank) will be reduced to one basket for two currencies (Euro and XOF).

**c) Analysis of sensitivity to exchange risk**

- Methods and assumptions used in developing the sensitivity analysis

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 (31/12/2014) was the real value as at that date and +/-10% variations corresponded to anticipated value in the quarter following the date of reporting. It should be noted that all loans granted in XOF and repaid in XOF were recorded under assets. Parity between the Euro and XOF is fixed. Base rate: Current value of exchange as at the date of reporting.

Currency	31/12/2014			31/12/2013		
	Variation	Impact of income for the coming year (2015)	Impact on income for 2014	Variation	Impact of income for the coming year (2014)	Impact on income for 2013
EURO	+ 10%	0	0	+ 10%	0	0
EURO	- 10%	0	0	- 10%	0	0
US Dollar	+ 10%	-2	0	+ 10%	-2	0
US Dollar	- 10%	2	0	- 10%	2	0
DTS	+ 10%	-270	0	+ 10%	-271	0
DTS	- 10%	270	0	- 10%	271	0
JPY	+10%	0	0	+10%	0	0
JPY	-10%	0	0	-10%	0	0
CHF	+ 10%	-4	0	+ 10%	-3	0
CHF	- 10%	4	0	- 10%	3	0

The previous table shows that the Bank is more sensitive to fluctuations in DTS due to its weight in the currency stock.

## 2.2- Interest rate risk

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

Thus, 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) the sensitivity to interest rate associated with the margin the Bank earns on its assets funded on equity capital and (iii) the rate of interest associated with the margin of sensitivity that the Bank earns on its funded assets both on equity and loans.

The Bank's financial policy seeks to optimize profitability by ensuring a correct affiliation between the characteristics of each asset category and those of the corresponding liabilities

### b) Rate sensitivity analysis

- Methods and assumptions used in developing sensitivity analysis

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

Perimeter	31/12/2014			31/12/2013		
	Variation	Impact on income for 2015	Impact on income for 2014	Variation	Impact on income for 2014	Impact on income for 2013
Bank activity only	+100 base point	-1 813	188	+100 base point	91	294
Bank activity only	-100 base points	1 813	-188	-100 base points	-91	-294
FDC activity only	+100 base point	-2 916	-139	+100 base point	-5 398	-185
FDC activity only	-100 base points	2 916	139	-100 base points	5 398	185

Interest rate sensitivity is more pronounced on FDC activity only due to the gaps in this activity.

The Bank does not borrow at a different rate as per its interest rate management policy.

### **3 Liquidity risk management**

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. This is to ensure that, at any time, the Bank has a liquidity reserve to make disbursements on its banking and administrative operations, as well as for debt servicing.

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

The Asset-Liability management (ALM) committee, by analysing the gaps and durations sees to the adequacy, in terms of amount and duration, uses and resources, thereby contributing to liquidity risk management.

### **4. Operational risk management**

Operational risks include risks that the Bank could be exposed to outside the credit and market risks. These include the risk of potential losses arising from the inefficiency or failure of internal processes, people and systems or external events.

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

The approach aims at achieving the following objectives: (i) increase risk control by developing a risk culture at the Bank, (ii) understand upstream risks caused by the development of activities, (iii) keep top management informed about major hazards and their monitoring mechanisms and (iv) improve internal controls. This will help in directing efforts based on the priority nature of the risks and take measures to improve the internal control system.

The database of incidents would be gradually consolidated in order to obtain sufficient information on losses for their analysis.

**NOTE 22 - LEASE AGREEMENTS (Lessor)**

This item summarizes the revenue collected by the Bank as rent of the premises, which it made available to certain companies under a single lease. These include GARI Fund, CAURIS SA, AfDB and BIA Lomé. Details of sums received are as follows:

**Payments records as income in the overall income statement.**

	<b>31/12/2014</b>	<b>31/12/2013</b>
Minimum payments as rent	113	66
Contingent rent	-	-
	<b>113</b>	<b>66</b>

**NOTE 23 - LEASE AGREEMENTS (Lessee)**

This item summarizes the amounts paid by the Bank for the rental of residences for the Vice President and the heads of Resident Missions, as well as the amounts paid to the Central Bank in respect of the rental of the offices of the resident missions (leases). Details of the amounts paid as follows:

**Payments recorded as costs in the overall income statement**

	<b>31/12/2014</b>	<b>31/12/2013</b>
Minimum payments as rent	241	119
Contingent rent	-	-
Sub-letting income	-	-
	<b>241</b>	<b>119</b>

## NOTE 24-TRANSACTIONS WITH RELATED PARTIES

### 1 LOANS TO MEMBER STATES

The following is a breakdown of outstanding loans to member States, as at 31 December 2014.

Country	Number of active loans	Loan commitments	Outstanding PSCM	Outstanding FDC loans	Total outstanding loans to States as at 31/12/2014	% of total outstanding per country
Benin	38	247 633	10 777	87 877	98 653	16%
Burkina F.	27	176 711	-	71 271	71 271	13%
Cote d'Iv.	19	123 103	12 944	45 687	58 631	8%
G. Bissau	13	73 383	9 164	36 739	45 903	7%
Mali	35	194 208	1 607	67 664	69 271	12%
Niger	37	251 670	26 699	89 762	116 461	16%
Senegal	26	151 172	8 339	68 306	76 645	13%
Togo	28	234 745	50 821	77 266	128 088	14%
Total	223	1 452 624	120 352	544 571	664 923	100%
PSCM : Market condition sovereign loans						
FDC : Development and Cohesion Fund (non-market loans)						

### 2- LOANS GUARANTEED BY GARI FUND

The Bank holds shares in the capital of the GARI Fund. Outstanding loans guarantee by the GARI Fund stood at XOF30,284 million as at 31 December 2014 for a guaranteed amount of XOF12,616 million.

### 3- REMUNERATION OF TOP EXECUTIVES

	<b>31/12/2014</b>	<b>31/12/2013</b>
Salaries and bonuses	3 297	3 855
Pension contributions	204	180
Total	3 501	4 035

## NOTE 25 - OFF-BALANCE SHEET COMMITMENTS

### Commitments received

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

These commitments are as follows:

	<b>2014</b>	<b>2013</b>
Loan commitment to be drawn	74 670	48 481
Unauthorised loan commitments	0	8 910
Guarantees received from the Regional Fund	20 555	<u>21 561</u>
	<b><u>95 225</u></b>	<b><u>78 952</u></b>

- Commitments to be drawn are the remainder of loans that is yet to be mobilized.
- Unauthorized commitments are loans and grants for which financing authorization has not yet been given by the lenders.

### Commitments given

Commitments given include lending agreements, interest rate subsidies and past participation with various beneficiaries of BOAD loans: These are presented as follows:

	<b>2014</b>	<b>2013</b>
Loan commitments given (a)	1 406 431	1 362 653
Advances for the financing of studies	14 666	9 285
Commitments for equity participation (b)	36 753	29 174
Securities and other guarantees	33 548	<u>33 490</u>
	<b><u>1 491 398</u></b>	<b><u>1 434 602</u></b>

- (a) Loan commitments given include financing agreements whose execution is dependent on compliance with certain suspensive conditions or whose actual disbursements is pending the drawing request of the borrower;
- (b) Commitments of equity participation relate to BOAD subscriptions in the capital of the following companies.

	Amount in XOF
African Asset Management Company (SOAGA)	97
ASKY airline	10
Cauris Croissance II Fund	2 774
CICA-RE	1
African Agriculture Fund (AAF)	996
African Municipal Credit (CMA)	1 000

GEOCOTON	0
SONIBANK	183
BENIN AGRIBANK	1 000
BRS	-
Carbon Fund for African (ACF)	9 258
European solidarity financing for in Africa (FEFISOL)	452
Union Bank of Burkina Faso (BDU-Burkina Faso)	-
Union Bank of Cote d'Ivoire (BDU-Cote d'Ivoire)	-
CORIS BANK INTERNATIONAL	711
African Renewable Energy Fund (AREF)	4 477
Amethis West Africa (AWA) in Cote d'Ivoire	3 165
Electricity company of Cote d'Ivoire (CIPREL SA)	-
PROPARCO	233
Air Cote d'Ivoire	2 000
AOBANK-CI	10 395
Total	36 753

(c) Interest subsidy commitments refer to rebates of interest to various projects during disbursement

#### **NOTE 26 - EVENTS AFTER CLOSURE**

As at the date of the closing of the accounts, we had not recorded any subsequent events likely to influence the financial statement of the Bank as at 31 December 2014.

**Banque Ouest Africaine de Développement  
(BOAD)**

**Statutory auditor's report to the West  
Africa Economic and Monetary  
Union's Council of Ministers  
(WAEMU)**

This is a free translation into English of the statutory auditor's report on the financial statements issued in French and it is provided solely for the convenience of English-speaking users.

Year ended 31 December 2014  
Banque Ouest Africaine de Développement  
68, avenue de la libération  
BP 1172 Lomé (Togo)

*This report contains 4 pages*

**Banque Ouest Africaine de Développement (BOAD)**

Registered office : 68, avenue de la libération, BP 1172 Lomé, Togo

Share capital : CFA Francs 1 050 550 000 000

**Statutory auditor's report to the West Africa Economic and Monetary Union's Council of Ministers (WAEMU)**

Year ended 31 December 2014

Dear Sir / Madam

We have audited the accompanying financial statements of Banque Ouest Africaine de Développement (BOAD), which comprise the statement of financial position as at 31 December 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, 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.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements give a true and fair view, in all material respects, of the financial position of Banque Ouest Africaine de Développement (BOAD) as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Without qualifying our opinion above, we draw your attention to the following points:

- a) As disclosed in notes 4 and 20, by decision dated 31 December 2014, the Council of Ministers transferred to BOAD, as a donation, the FDE initial allocation of CFA Francs 250 billion to strengthen of its equity without prejudice to the continuation of the Fund's mission and its ability to acquire legal personality. The impact of this decision on the accounts led to the recording of exceptional income of CFA Francs 250 billion in the books of BOAD at 31 December 2014.

- b) Similarly as stated in note 6, the bank changed from the cost method to the fair value method at 31 December 2014 on eligible financial instruments classified as financial assets available for sale. This change in estimate resulted in evaluating the total portfolio of such financial instruments at fair value. The impact of this change in estimate resulted in the recognition of net capital gains of CFA Francs 16 442 million recognized in recyclable equity.

Abidjan, 12 March 2015

Auditeurs Associés en Afrique – KPMG CI

**Franck Nangbo**  
*Chartered Accountant*  
*Partner*



**WEST AFRICAN DEVELOPMENT BANK (BOAD)**

**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013**

## Statement of financial position (in FCFA million)

ASSETS		Note	31/12/2013	31/12/2012
Cash and cash Equivalents		4	289 123	283 537
Loans and receivables		5	1 063 179	918 829
	- Interbank receivables		6 358	6 808
	- Loans and advances to customers		905 232	730 684
	- Loans to staff		6 306	3 266
	- Share/Security portfolio		39 402	56 557
	- Loans and advances to shareholders		105 801	121 440
	-Other		79	73
Equity investment		6	48 020	39 704
Other Assets		7	2 178	1 408
Intangible Assets		8	377	367
Tangible Assets		9	8 562	9 096
<b>TOTAL ASSETS</b>			<b>1 411 439</b>	<b>1 252 940</b>
LIABILITIES		Note	31/12/2013	31/12/2012
Amortised Cost Liabilities		10	698 722	610 798
	- Interbank Debts		7 228	20 060
	- Debts evidenced by securities		332 851	273 011
	- Other		358 643	317 727
Other Liabilities		11	277 457	220 524
	- Funds		268 978	213 279
	- Other		8 479	7 245
Provisions		12	5 422	4 466
<b>TOTAL Liabilities</b>			<b>981 601</b>	<b>835 788</b>
Capital		13	244 970	242 881
	- Subscribed Capital		1 009 250	1 011 027
	- Callable Capital		-755 430	-755 055
	- Costs involved in deferred paying up of Capital		-8 850	-13 091
Share Premiums			2 622	2 622

Reserves			<b>182 246</b>	<b>171 649</b>
- Reserves earmarked for Development Activities			76 050	76 028
- Other Reserves			26	26
- Retained Earnings			95 299	85 980
- Profits/Loss for the Period			10 872	9 615
<b><i>TOTAL Shareholders' Equity</i></b>			<b><i>429 838</i></b>	<b><i>417 152</i></b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>			<b>1 411 439</b>	<b>1 252 940</b>

Notes 1 to 24 form an integral part of the financial statements.

## Statement of comprehensive income (in FCFA million)

Profit and Loss Account		Note	31/12/2013	31/12/2012
Interest receivable and similar Income		14	52 654	41 896
Interest payable and similar Charges		14	-25 367	-21 753
<i>Sub-Total</i>			27 287	20 143
Commissions (Income)		15	2 474	3 712
Commissions (Charges)		15	-857	-545
<i>Sub-Total</i>			28 903	23 310
Exchange Gains			2 933	1 422
Exchange Losses			-94	-144
<i>Sub-Total</i>			31 742	24 589
Dividends earned		16	2 032	1 909
<b><i>Net banking income</i></b>			<b>33 774</b>	<b>26 498</b>
<b><i>Risk cost</i></b>		17	<b>-7 092</b>	<b>-5 850</b>
Endowments from States			3 200	3 200
Other operating Income			793	3 604
Costs involved in Development Activities		18	-1 509	-1 502
General operating Costs			-18 260	-16 300
	- Staff costs		-10 635	-9 232
	- Amortisations		-1 085	-1 045
	- Others		-6 540	-6 023
Other operating costs			-34	-35
<b><i>Other operating profits/losses</i></b>			<b>-15 811</b>	<b>-11 033</b>
Profit/Loss for the period		13	10 872	9 615

Other Items of comprehensive Income			
Items likely to be reclassified later as Results			
Financial Assets available for Sale			
Coverage of cash flows			
Re-valuation of intangible Assets			
Exchange gains or losses arising from the Conversion of Activities abroad			
Items not likely to be reclassified as results			
Re-valuation of net liabilities in respect of defined benefit schemes		-297	-204
<b><i>Other items of comprehensive income</i></b>		<b>-297</b>	<b>-204</b>
<b>Total comprehensive income</b>		<b>10 575</b>	<b>9 411</b>

## Cashflow statement (in FCFA million)

Cashflows from operational activities		31/12/2013	31/12/2012
Profit/Loss for the period		10 872	9 615
<i>Adjustments associated with non-monetary and other elements</i>			
	Unrealised gains/losses	-2 852	49
	Exchange gains	-81	-83
	Exchange losses	94	132
	Amortisations	1 085	1 045
	Depreciation	0	0
	Risk cost	7 092	5 453
	Dividends earned	-2 032	-1 909
	Interest earned	-27 077	-21 303
	Interest paid	25 430	21 920
	Other elements	-2 854	-5 893
		-1 195	-588
Changes in assets and liabilities arising from operational activities			
	Interbank receivables	450	4 865
	Disbursements of loans and advances to customers	-269 189	-173 592
	Repayment of loans and advances to customers	94 611	65 326
	Other receivables from customers	-9 682	-17 195
	Staff loans	-2 432	-358
	Share/Security portfolio	17 155	-18 770
	Other receivables	-6	2
	Other assets	-770	658
	Interbank debts	-12 832	-13 463
	Other debts	3 150	904
	Other liabilities	56 783	61 549
		<b>-122 762</b>	<b>-90 074</b>
	Dividends earned	2 032	1 909
	Interest earned	27 077	21 303
	Interest paid	-25 430	-21 920
	<b>Cashflow from operational activities</b>	<b>-109 406</b>	<b>-79 756</b>
<b>Cashflow from investment activities</b>		<b>31/12/2013</b>	<b>31/12/2012</b>
	Acquisition of tangible assets	-527	-755
	Sale of tangible assets	10	10
	Acquisition of intangible assets	-33	-246
	Sale of intangible assets	0	0
	Acquisition of equity investments	-2 416	-7 755

Sale of equity investments	0	5 021
<b><i>Cashflow from investment activities</i></b>	<b><i>-2 966</i></b>	<b><i>-3 725</i></b>
<b>Cashflow from financing activities</b>	<b>31/12/2013</b>	<b>31/12/2012</b>
Resources from the paying up of capital	17 502	17 402
Buy-back of shares	0	0
Debt issue	144 528	136 362
Repayment/Debts evidenced by a security	-18 995	-18 995
Repayment/Other loans	-25 075	-18 724
<b><i>Cashflow from financing activities</i></b>	<b><i>117 959</i></b>	<b><i>116 045</i></b>
<b>Net Increase/(Reduction) in cash and cash equivalents</b>	<b>5 587</b>	<b>32 563</b>
<b>Opening cash and cash equivalents</b>	<b>283 537</b>	<b>250 973</b>
<b>Closing cash and cash equivalents</b>	<b>289 123</b>	<b>283 537</b>
	<b>31/12/2013</b>	<b>31/12/2012</b>

Table of changes in equity (in FCFA million)				
	Capital			Share/ Security premium
	Subscribed capital	Callable capital	Costs involved in deferred paying up of capital (1)	
<b>Balance as at 1 January 2012</b>	1 006 500	-753 367	-13 090	2 622
Payment of dividends				
Capital increase	2 250	-1 688	0	0
Profit/Loss for the period	0	0	0	0
Other items of comprehensive income				
Other variations	0	0	82 276	0
Income appropriation				
Transfers				
<b>Balance as at 1 January 2013</b>	<b>1 008 750</b>	<b>-755 055</b>	<b>-10 814</b>	<b>2 622</b>
Payment of dividends				
Capital Increase	500	-375		
Profit/Loss for the Period				
Other Items of comprehensive Income				
Other changes			1 964	

Income appropriation					
<b>Balance as at 31 December 2013</b>	<b>1 009 250</b>	<b>-755 430</b>	<b>-8 850</b>	<b>2 622</b>	

(1) See note 2.08

## **NOTE 1. BOAD's ACTIVITY**

The West African Development Bank (BOAD) is the common development finance institution of the States of the West African Economic and Monetary Union (WAEMU) which was created by a Treaty signed on 14 November 1973.

Its shareholding structure includes, in addition to the WAEMU member countries (Benin, Burkina Faso, Côte d'Ivoire, Guinea Bissau, Mali, Niger, Senegal, Togo) and BCEAO, three European States (Germany, France and Belgium) as well as the African Development Bank and the European Investment Bank. People's Bank of China and EximBank India bought into the Bank's capital during the 2004 financial year.

BOAD became operational in 1976.

BOAD is an international public institution the object of which, as per Article 2 of its Articles of Association, is "to promote the balanced development of member countries and foster economic integration within West Africa" by financing priority development projects. The Bank intervenes in the following areas : rural development, basic infrastructure, modern infrastructure, telecommunications, energy, industries, agribusiness, transport, tourism and other services.

## **NOTE 2. SUMMARY OF ACCOUNTING PRINCIPLES AND PRACTICES**

The basic accounting principles applied by the Bank are summed up below.

### **2.01 Declaration of conformity**

The individual accounts of the West African Development Bank (« the Bank »), for the year ended 31 December 2013 and the comparative figures for 2012 were prepared in conformity with the International Financial Reporting Standards (IFRS) reference system and the International Accounting Standards (IAS) and the interpretations as issued by the *International Accounting Standards Board* (IASB).

### **2.02 Major bases of evaluation**

The financial statements are presented based on historical cost, with the exception of certain financial assets valued at amortised cost.

### **2.03 Income**

Interest on loans is posted at the effective interest rate.

The effective interest rate is the rate which converts to current value exactly the future cash incomings and outgoings over the expected duration of the financial instrument or, as the case may be, over a shorter period in order to obtain the net book value of the financial asset or liability

Interest and commissions are posted in the year during which they are **earned**. Account is therefore taken of the interest and commissions accruing but not yet due.

Considering the fact that certain commissions received or paid are associated with assets and liabilities evaluated at amortised cost, such commissions are deferred in proportion to their time horizon.

### **2.04 Equity securities**

Stocks held in companies are considered as financial assets available for sale and as such, the principles of valuation adopted are as follows :

- ✓ Initial valuation: the **securities** are posted in the books at their fair value which corresponds to the historical cost.

✓ Subsequent valuation :

- In the case of listed securities, the fair value corresponds to the stock market price :
  - (i) Case of variations : impact of the variations posted under other items of the comprehensive results.
  - (ii) Case of a prolonged and significant fall in fair value below the purchase price: valuation at the fair value based on the result after clearance of fair value reserves in the balance sheet.
  - (iii) After noting that depreciation has occurred, any new decrease is charged to the profits and any increase is charged to stockholders' equity.
- In the case of unlisted securities, the valuation is done based on historical cost, minus any possible depreciation.

**2.05 Loans to customers**

a) General principles

The loans granted by BOAD are expressed in francs CFA. The interest and commissions on loans granted to clients are recorded during the year in respect of which they are earned. The interest accruing but not yet due as at the date of closing of the financial year is recorded as interest receivable on loans.

Interest on delayed payments is calculated on the outstanding instalments after a grace period of one month.

b) Loans to member countries

Loans to States are recorded initially in the balance sheet at their fair value and then their amortized cost is determined. These loans benefit from an interest rate subsidy in line with the practice on the market.

c) Loans to the commercial sector

Loans to the commercial sector will be posted in the books in accordance with the rate specified in the contract, which corresponds to the market rate.

#### d) Recording of Provisions

Given their individual importance, receivables are depreciated individually once after the granting of the loan, there is an objective indication that an event has occurred which is likely to result in a measurable loss. These depreciations are assessed by comparing the book value with the value of future flows converted to current value. The outcome of updating the conversion to current value of the depreciation is recorded as banking income.

In order to calculate the conversion to current value of future flows of recovery, it is necessary to determine, at each closing of accounts and for each outstanding loan:

- the cash flows expected from the borrower,
- the estimated salvage value attached to each type of guarantee obtained,
- the estimated duration of recovery of the guarantee.

Based on these data, the value of flows converted to current value at the interest rate of the credit is calculated and a provision is recorded for the difference with the nominal amount of the credit plus termination expenses.

#### e) Loans to staff

Loans to staff members are granted at subsidized rates. This subsidy is considered as an additional remuneration and is spread over the duration of the loan.

### **2.06 Foreign currency transactions**

Foreign currency transactions are posted based on the exchange rates applicable at the time of the transactions.

Debts repayable in foreign currencies are converted at the exchange rate communicated by the BCEAO as at 31 December of each year. Exchange gains and losses resulting from these transactions are posted in the profit and loss account.

### **2.07 Interest on Loans**

A provision is recorded for the interest accrued but not due on loans at the close of the financial year and a counterpart entry is made on the liabilities side of the balance sheet under the item "Other liabilities".

### **2.08 Transactions based on the Authorised Capital and Endowments**

#### a) Capital

During the call for capital, since a long term payment plan is proposed to shareholders, the amount of the capital increase is the amount of the original amount payable and not the amount on the subscription forms. Out of concern for a proper presentation, the balance is posted into a capital subsidiary debit account.

b) Endowments

The member countries give annual appropriations to BOAD. BOAD's right to claims from the States is established at the time of the request for payment. This request is made annually and consequently, the endowments are acknowledged annually in the profit and loss account. The endowments are therefore posted as debts at the time of the annual call up of funds, and have an impact on the income for the year.

This accounting procedure makes it possible to cover the costs of development activities, namely studies posted as final consumptions, and interest rate subsidies for loans to the States, but also the costs inherent in equity participations and exchange gains and losses.

**2.09 Subsidies**

Subsidies in respect of fixed assets are posted on the liabilities side of the balance sheet. These subsidies are amortized at the same rate as the fixed assets financed.

**2.10 External funds**

These are funds with contributions from external sources (AFD, IDA, Belgian Assistance Fund, Chinese Fund, ...).

The costs incurred are debited directly to the Fund created. No charges or income are posted in the statement of comprehensive income of the Bank.

**2.11 Income from placements with other financial institutions**

a) Remuneration of assets with BCEAO

The interest paid by BCEAO on BOAD's assets invested with it is accounted for during the financial year in which it is earned. These assets earn interest at the quarterly average marginal lending rate of the European Central Bank, minus a 0.25% commission for the keeping of accounts.

The interest receivable from BCEAO as at the date of closing of the financial year is posted to the assets side under "interbank receivables".

b) Marketable securities

All the securities held by the Bank are held in conformity with the loans and receivables criteria defined by IAS Standard 39. They are classified under “amortized cost loans and receivables”.

**2.12 Pre-financing of studies**

The cost of advances granted by BOAD for the financing of studies are borne by the borrower in the event that the studies conclude that the projects are viable.

If the studies do not lead to a project, the cost of the advance is charged to the financial year's expenses (expenses relating to development activities).

These receivables earn interest which is calculated from time to time and posted as income.

**2.13 Fixed assets and amortization**

a) Value and duration of amortization

Fixed assets are posted in the books at their historical cost and amortized according to the straight line depreciation method over their useful life. Their provisional residual values are considered as nil.

The following are the life cycles decided upon :

Buildings: amortization by components over the following durations :

Land	Not depreciable
Structural works	40 years
Closed, Open	20 years
Technical lots, fixtures and fittings	15 years
Various installations	10 years
Office furniture and equipment	3-10 years
Household furniture and equipment	3-10 years
Vehicles	3 years
Fixtures and fittings	3-10 years

#### b) Review of amortization components and depreciation test

The residual value and useful life are reviewed periodically and adjusted where necessary. Depreciable assets are reviewed each year to determine whether they have reduced in value. The book value of an asset is immediately made to reflect its recoverable value once the book value is higher than the amount deemed recoverable. The recoverable value is the highest amount between the fair value of the asset (minus the cost of sale) and its value in use.

#### c) Intangible assets

The only asset considered as intangible is software. It is amortized over a period of 3 years.

### 2.14 Retirement commitment

The system used by the Bank is the one referred to as the « defined benefits » system whereby the employer undertakes to pay defined benefits in the form of pension or severance pay on retirement, depending on the length of service and salary of the employee.

The net amount of the provision on the liability side is calculated based on the actuarial debt associated with the company's retirement commitments, minus the fair value of the **assets** which cover these commitments.

The Bank does not have assets to cover its retirement scheme.

The actuarial assumptions used are as follows : rate of conversion to current value (7%), rate of salary increase (6%), mortality tables (French table), rate of turnover (1%), retirement age (60 years).

The revaluation of the net liabilities in respect of defined benefit schemes are recognized in other items of the overall result.

### 2.15 Crucial accounting judgments and major sources of uncertainty in making estimates

The preparation of financial statements in conformity with IFRS standards requires the Management to make estimates, assumptions and judgments which affect the value of assets, liabilities income and costs. Estimates and judgments are evaluated continually taking into into consideration experience and other factors such as future events deemed reasonable under current circumstances.

The major judgments and estimates are summed up hereinafter.

#### 1) The major Judgments

The accounting policy of the Bank demands that assets and liabilities should be posted in the accounts in the various accounting categories at the time of their acquisition date. This decision demands a significant detailed judgment in the following categories:

*Held until due:* the Bank applies the guidelines of the IAS standard 39 in classifying as assets held until due financial assets other than derivatives, together with fixed or determinable payments, as well as fixed due dates. In exercising its judgment, the Bank evaluates its intention and its capacity to keep this placement until its maturity.

## 2) The major estimates

The Bank also uses estimates for its financial statements which are as follows:

*Depreciation of Loans and Advances:* At each closing of accounts, the Bank reviews its portfolio and determines first of all whether there is any sign indicating objectively that loans considered individually are depreciating.

*Retirement Benefits:* The current value of retirement benefit payments is sensitive to the financial and actuarial assumptions used, including the rate of conversion to current value. At the end of each financial year, the Bank determines the appropriate rate of conversion to be used in determining the fair value of estimated future pension obligations, based on the interest rates of bonds in the States of the Union.

### 2.16 **Functional currency**

The functional currency of the Bank is the Franc of the Communauté Financière Africaine (the African Financial Community). This is also its currency of presentation of documents.

All the figures of the financial statements of BOAD are presented in millions of FCFA (FCFA M), unless otherwise specified.

### 2.17 **Events occurring after the closure of the accounts**

The Bank adjusts its financial statements to reflect events occurring between the date of closing of accounts and the date on which authorization is granted for the publication of the financial statements, on condition that these events are related to situations existing as at the balance sheet date.

Where these events concern situations occurring after the closure of the accounts, but requiring that information should be provided, the balance sheet, the profit and loss account, the cash flow table and the table of changes in equity are not adjusted. The nature and impact of these events are indicated in Note 24 of the financial statements.

### 2.18 **Approval of the accounts**

BOAD's accounts closed as at 31 December 2013 will be approved by the Council of Ministers of UEMOA at its session on 28 March 2014.

### **NOTE 3 - EFFECTS OF NEW OR REVISED INTERNATIONAL STANDARDS OF FINANCIAL INFORMATION**

Certain published standards, amendments and interpretations are in force with effect from the 2013 financial year. These are:

- IAS 19 « Employee Benefits »
- IFRS 13 « Determination of the Fair Value »
- Amendments to IFRS 7 « Financial Instruments : Information to be Provided »
- IFRS 10 « Consolidated Financial Statements »
- IFRS 11 « Partnerships »
- IFRS 12 « Information to be provided on Interests held in other Entities »
- IAS 27 « Individual Financial Statements »
- IAS 28 « Equity Participation in Associated Companies and Joint Ventures »

The impact on the Bank's financial statements mainly concerns the standards IAS 19 (Information in Note 12 concerning sensitivity analysis) and IAS 27 (Information in Note 6 concerning quotas of capital held in subsidiaries and in joint ventures).

The Bank has no shares in any structured unconsolidated entities.

Also, IFRS standard 9 « Financial Instruments » which was published in November 2009 is not yet in force. It was not applied in preparing these financial statements. The entry into force of this standard could have an impact on the Bank's financial statements, particularly on the evaluation and classification of financial instruments.

### **NOTE 4. CASH AND CASH EQUIVALENTS**

The cash comprises cash in hand and sight deposits.

Cash equivalents are very liquid short-term placements which are easily convertible into a known amount of cash and are subject to negligible risk of change in value. They are held with the objective of meeting short-term cash commitments (operational and functional) rather than for placements or for other purposes

Cash and cash equivalents include the following items :

	<b>31/12/2013</b>	<b>31/12/2012</b>
Cash accounts	58	37
BOAD Headquarters current account	469	75
Deposit accounts of resident missions at BCEAO	21 769	15

		530
Eximbank Japan Special Account	15	15
Kingdom of Belgium Special Account	4 205	4 205
Energy Development Fund Contribution Account	223 152	196 694
BOAD Lome Settlement Account	1 060	1 662
Resident Missions Operating Accounts	85	75
Banks and Correspondents Accounts	309	243
Short-term bank deposits (a)	38 000	65 000
	<b>289 123</b>	<b>283 537</b>

\*The Eximbank Japan special account is a current account meant for recording the movements relating to the EXIMBANK Japan line of credit.

\*\*The Kingdom of Belgium special account records the portion of the callable capital subscribed to by the Kingdom of Belgium and paid up in advance.

(a) Short-term bank deposits comprise :

	31/12/2013	31/12/2012
Account 12 612 BOA-CI, special account for liquid assets	1 009	1 009
Account 12 613 BOA-BENIN, account for liquid assets	991	991
Account 12616, Time Deposit, Banque Atlantique Group	-	2 500
Account 12617, Time Deposit in Senegal	-	12 000
Account 12619, Time Deposit, other Union countries	36 000	48 500
	<b>38 000</b>	<b>65 000</b>

## **NOTE 5. LOANS AND RECEIVABLES**

The balance sheet heading “amortized cost loans and receivables” is broken down as follows :

	31/12/2013	31/12/2012
Interbank receivables	6 358	6 808
Loans and advances to customers (a)	905 232	730 684
loans to Staff	6 306	3 266
Share/Securities Portfolio	39 402	56 557

Loans and advances to shareholders	105 801	121 440
Others	79	73
<b>Total</b>	<b>1 063 179</b>	<b>918 829</b>

Interbank receivables comprise interbank deposits and loans lasting more than 3 months, namely ORABANK (4 billion), BSIC Senegal(1.2 billion) and interest on same. As at 31 December 2013, all these receivables will mature in less than a year.

Loans and advances to customers correspond to the loans granted to States (non-commercial sector) and to the commercial sector. The value of the loans to the States stood at FCFA 471 052 million as at 31 December 2013.

#### **5.1 The Bank's loan portfolio includes the loans granted to :**

- the non commercial public sector,
- the commercial public sector,
- the private sector,
- the Energy Development Fund.

All the Bank's loans are granted at fixed rates.

The breakdown of receivables from clients as at 31 December 2013 was as follows :

	<b>31/12/2013</b>	<b>31/12/2012</b>
Gross outstanding loans	904 518	731 966
Loan depreciation	-22 334	-19 060
Amount of loans	882 184	712 906
Advance for financing of project studies	10 877	9 486
Net accruing interest or income receivable from loans	17 972	14 242
Deferred income on flat commission (38225)	-5 800	-5 950
Receivables from clients	<b>905 232</b>	<b>730 684</b>

The schedule of receivables from customers is as follows :

	<b>31/12/2013</b>	<b>31/12/2012</b>
Maturity		
One year at most	88 249	50 152
More than one year and less than twoyears	101 725	88 249
More than two years and less than three years	112 753	101 725
More than three years and less than five years	118 185	112 753
More than five years	483 606	379 087
Gross outstanding loans	<b>904 518</b>	<b>731 966</b>

The gross outstanding loans include doubtful debts the trends of which are as follows :

	<b>31/12/2013</b>	<b>31/12/2012</b>
Gross amounts	37 714	37 527
Depreciation	-22 335	-19 060
	<b>15 380</b>	<b>18 466</b>

5.2 The breakdown of the securities' portfolio is as follows :

	31/12/2013	31/12/2012
Treasury bills Senegal	8 500	7 250
Treasury bills RCI 6	8 150	9 200
Treasury bills Togo	7 500	10 000
Bonds CAA BN 2011-2016	3 750	5 000
Bonds BOA Benin	199	396
Bonds BOA Niger	100	200
Bonds BF 2010-2015	2 000	2 000
Bonds CRRH	4 000	-
Bonds BOA Group	1 359	1 608
Treasury bills CI	2 000	2 800
Treasury bills Benin	-	5 279
Treasury bills Mali	-	1 000
Treasury bills Senegal	-	10 000
Certificate of deposit	600	800
	38 158	55 532
Interest receivable as at 31/12	1 245	1 025
	39 402	56 557

As at 31 December 2013, the contractual schedule of securities placements was as follows:

Maturity	Amount
One year at most	2 290
More than one year and less than two years	2 550
More than two years and less than three years	20 950
More than three years and less than five years	1 367
More than five years	11 000

5.3 The heading "Receivables from Shareholders" includes the endowment and amounts not yet paid (FCFA6,892 million), the amount not yet paid of grants for revaluation of loans (FCFA2,796 million) and the amount of called up capital not yet paid (FCFA96,114 Million). The last two amounts we arrived at following the conversion to current value as at 31 December 2013 of the expected payments, according to their respective schedules.

## NOTE 6 - EQUITY INVESTMENT

Equity investment activities are provided for in the Articles of Association of the Bank, which stipulate : (i) in Article 2, inter alia, that « the Bank, ...shall contribute to financing through equity investment, granting of loans... » and (ii) in Article 30 that the Bank “can constitute or participate in the constitution of the capital of institutions and companies”. The objective is to make it possible to enhance the equity capital and level of expertise of companies operating in the Union.

In keeping with this mission and in implementing this strategy, BOAD has intervened in all the States of the Union in the form of equity investment in several companies. These interventions concern companies in the financial sector (banks, financial institutions) as well as companies in the non-financial sector (energy, telecommunications, the hotel industry, air transport, etc.).

The new equity investment strategy of the Bank is as follows in terms of :

- **Objective** : fulfill the Bank’s development mission while placing more emphasis on financial profitability in conformity with the guidelines in the 2009–2013 Strategic Plan.
- **Sectors of intervention** : all the sectors eligible for **financing by the Bank** ;
- **Modalities of intervention** : at the time of embarking on a transaction, the Bank should have enough visibility concerning the conditions and modalities of exit at the appropriate moment. The shares could be transferred on the stock exchange in the case of listed shares and under the best conventional conditions in the case of unlisted shares.
- **Positioning in the administrative bodies** : each equity participation must be subject to the granting to the Bank of a position of member of a governing body (Board of Directors, Supervisory Board, Credit Committee or Investment Committee, etc.).

In addition to the new equity participation strategy, BOAD has taken appropriate measures in order to (i) adapt itself to the trends and demands of the financial sector of WAMU (increase in the minimum capital of banks and financial institutions) and (ii) take into consideration the specific characteristics of the agricultural sector in view of its importance in the economies of the Union’s member countries.

### **6.1- Intervention limits in equity participation**

The maximum exposure of the Bank in the form of equity participation is limited per transaction and per company to five percent (5%) of original own funds of the Bank for projects other than those in respect of national financial institutions and SME promotion organizations, privatization projects, regional projects and projects in the mining and energy sectors, without exceeding twenty-five percent (25%) of the company’s capital.

This limit is ten percent (10%) of the original own funds of the Bank for projects in respect of national financial institutions and SME promotion organizations, privatization projects, regional projects and projects in the mining and energy sectors, without exceeding twenty-five percent (25%) of the company's capital.

The limit in terms of total volume of equity participation is fixed at 50% of the original own funds of the Bank. However, for entities in which BOAD plays the role of principal promoter, the capital of the company could be held one hundred percent (100%) temporarily by the Bank; the Bank should have the objective of reducing this level of participation to fifty-one percent (51%) within a reasonable period, with a clear exit strategy.

All the equity investment is considered as being available for sale. Given the fact that it is impossible to determine a fair value, the equity participation is valued at the cost of acquisition, less depreciation on account of loss of value.

**6.2** The variations in gross equity investment are as follows :

	31 December 2013	31 December 2012
Balance as at 1 January	47 242	40 922
Acquisition	9 136	7 755
Other variations	2 520	1 435
<b>Balance as at 31 December</b>	<b>53 858</b>	<b>47 242</b>

**6.3** The equity investment posted in the statement of financial position concerns the following institutions :

	% of Holding	31/12/2013	31/12/2012
SOAGA	20.60%	103	103
FOAI	29.41%	2 500	2 500
CAURIS CROISSANCE	49.63%	3 500	3 500
BNDE	16.67%	1 000	1 000
CAURIS CROISSANCE II	17.69%	3 709	1 955
GARI S.A.	11.58%	1 500	1 500
BDM Mali	6%	600	600
BOA Benin	2.71%	113	113
SONIBANK Niger	10.54%	1 082	1 082
BHCI Cote d'Ivoire	2.21%	150	150
BOA Niger	2.06%	165	165
BIA Togo	5.74%	392	392
African Investment Bank (AIB)	10.00%	250	250

Afreximbank	0.07%	2 500	2 500
Banque Regionale de Marche (BRM)	6.78%	400	400
BRIDGE BANK Cote d'Ivoire	3.53%	300	300
Banque de l'Habitat du BF	4.00%	200	200
BRS-HOLDING	-	0	2 400
Bourse Regionale de Valeurs Mobilieres (BRVM) (Regional Stock Exchange)	1.83%	56	56
DC/BR (BRVM)	9.20%	140	140
CICA RE	3.33%	999	999
MANDE Hotel	16.67%	50	50
SIALIM*		100	100
AIR AFRIQUE*		2 500	2 500
CIPREL	2.00%	384	184
COTEB*		272	272
ASKY (EX SPCAR)	12.31%	2 990	2 990
SCIE	18.90%	130	130
RASCOM	5.23%	1 600	1 600
PROPARCO	0.91%	2 493	2 493
BOAD-Titrisation	100.00%	500	500
GEO COTON	9.29%	2 242	2 242
CRRH-UEMOA	14.80%	750	750
AFG	9.59%	6 000	6 000
Fonds Agricole pour l'Afrique (FAA)	2.99%	1 330	868
ORA GROUP	2.90%	2 000	2 000
Burkina Bail	15.00%	689	689
CNCAS	15.91%	1 573	1 573
CORIS BANK	10.00%	1 997	1 997
Nouvelle BRS CI	44.00%	6 600	-
Total gross value		<b>53 858</b>	<b>47 243</b>
Depreciation		5 838	7539
Net value		<b>48 020</b>	<b>39 704</b>
• Company in liquidation-no information available			

**NOTE 7. OTHER ASSETS**

The other assets include the following items :

	31/12/2013	31/12/2012
<b>Mission expense advances</b>	52	43
<b>Salary advances</b>	4	5
<b>Expenditure to be regularised</b>	1 453	532
<b>Sundry accounts receivable</b>	329	399
<b>Prepaid expenses and income receivable</b>	242	333
<b>Prefinancing of studies with external studies funds</b>	97	97
	<b>2 178</b>	<b>1 408</b>

The expenditure to be regularized concerns the advances given by the Bank in connection with the BOAD housing estate construction project for the staff (FCFA 742 billion), the expenditure made on behalf of other institutions (FCFA 607 billion) and other expenses to be reclassified.

**NOTE 8. INTANGIBLE ASSETS**

Intangible assets comprise only software. They are subject to straight line depreciation for a period of 3 years. Their values are presented below:

	31/12/2013	31/12/2012
<b>Historical cost</b>	<b>636</b>	<b>603</b>
<b>Cumulative amortization/depreciation</b>	<b>-259</b>	<b>-235</b>
	<b>377</b>	<b>367</b>

Acquisition of software		Cumulative amortization/depreciation of software	
Balance as at 01 January 2012	319 839 358	Balance as at 01 January 2012	206 486 839
Acquisitions	283 898 485	Acquisitions	28 743 883
Transfers	-	Transfers	0
Classified as being held for sale	-	Classified as being held for sale	0
Balance as at 10 January 2013	<b>603 737 843</b>	Balance as at 01 January 2013	<b>235 230 722</b>
Acquisitions	156 180 766	Acquisitions	23 566 232
Transfers	123 217 172	Transfers	0
Classified as being held for sale	-	Classified as being held for sale	0
Balance as at 31 December 2013	<b>636701 437</b>	Balance as at 31 December 2013	<b>258 796 954</b>
Net balance sheet value as at 31 December 2013			<b>377 904 483</b>

Annual amortization costs are posted in the profit and loss account in the item “Amortisation” under “General Operating Costs”.

## NOTE 9. TANGIBLE ASSETS

Tangible assets are summed up as follows:

	31/12/2013	31/12/2012
<b>Historical cost</b>	<b>24 653</b>	<b>24 204</b>
<b>Cumulative amortisation/depreciation</b>	<b>-16 091</b>	<b>-15 108</b>
	<b>8 562</b>	<b>9 096</b>

Annual amortization costs are also posted in the profit and loss account in the item « Amortization » under the « General Operating Costs ».

The breakdown of tangible assets by category is presented in the following table (in FCFA).

	Land	Buildings	Property under construction	Plant and equipment
Historical cost				
Balance as at 1 January 2012	980 519 560	13 110 578 539	1 098 216 427	8 360 274 260
Acquisitions	0	1 198 191 245	285 610 137	573 248 840
Transfer	0		-1 301 580 178	-100 885 360
Increase following revaluation				
Others (revaluations)				
Balance as at 1 January 2013	980 519 560	14 308 769 784	82 246 386	8 832 637 740
Acquisitions		0	60 929 800	559 344 100
Transfer		0	-93 146 451	-77 936 510
Balance as at 31 December 2013	980 519 560	14 308 769 784	50 029 735	9 314 045 330
Cumulative amortisation and depreciation				
Balance as at 1 January 2012	0	7 071 240 122	0	7 121 670 590
Amortisation costs		338 782 355	0	677 213 310
Transfer				-100 885 360
Depreciations posted during the period	0			
Repeat of depreciations	0			
Balance as at 1 January 2012	0	7 410 022 477	0	7 697 998 540
Amortisation costs		367 874 483	0	693 308 070
Transfer		0	0	-77 936 510
Depreciations posted during the period	0			

Balance as at 31 December 2012	0	7 777 896 960	0	8 313 370 10
Net value of tangible assets as at 31 December 2013				

## NOTE 10. AMORTISED COST LIABILITIES

Amortized cost liabilities are made up of loans contracted by the Bank and receivables associated with such loans (interest and commissions accruing but not due). These are interbank debts, debts evidenced by a security and the other debts.

Interbank debts correspond to placements made by partner institutions (ROPPA, AFD, NIMAO, PUFs, Coris Bank OAD's borrowing from its partners such as AFD, EIB, PROPARCO, DEG, AfDB, etc. All of them are fixed rate loans.

The breakdown of this heading is as follows (in million FCFA) as at 31 December 2013:

Interbank debts		7 228
Placements by AFD, CAURIS, ROPPA	7 228	
Debts evidenced by a security		332 851
BOAD debenture loans	45 047	
BOAD bonds	244 198	
Interest accruing on debts evidenced by a security	9 237	
Other loans		358 643
Loans for the financing of long term projects	304 883	
Loans for the financing of long term studies	586	
Less than one year maturities (amounts borrowed)	50 417	
Interest accruing on other loans	2 713	
Commissions payable on loans	43	
Total amortized cost liabilities		698 722

With regard to amounts borrowed and debts evidenced by securities, the Articles of Association of the Bank stipulate that the total outstanding amounts of these loans shall at any moment be limited to the amount of the subscribed callable capital of the Bank, which represents a statutory limit of 100% of the callable capital. This standard is strengthened by the Statement of General Policy of the Bank which limits the Bank's indebtedness to three times its shareholders' equity.

As at 31 December 2013, the outstanding portion of amounts borrowed represented 90% of

the callable capital and 208% of the shareholders' equity compared to the regulatory limits of 100% and 300% respectively.

The breakdown of amortized cost liabilities as at 31 December 2013 was as follows :

	31/12/2013	31/12/2012
<b>I- Debts evidenced by a Security</b>		
Debenture loans	45 781	48 160
BOAD bonds	244 198	203 518
Less than one year maturity/debts evidenced by a security	34 371	15 276
Interest accruing on debts evidenced by a security	9 237	6 689
Deferred charges on bonds and debentures	- 734	- 631
<b>Sub-total I</b>	<b>332 851</b>	<b>273 011</b>
<b>II - Other amounts borrowed from foreign partners</b>		
Amounts borrowed for financing long term projects	305 555	294 841
Amounts borrowed for financing long-term studies	591	641
Borrowed amounts maturing in less than one year	50 417	21 196
Interest accruing on other amounts borrowed	2 756	1 934
Deferred charges on other amounts borrowed	- 677	- 886
<b>Sub-total II</b>	<b>358 643</b>	<b>317 727</b>
<b>Total I+II</b>	<b>691 494</b>	<b>590 738</b>
III - Interbank debts (Cauris, ROPPA, AFD,...)	7 228	20 060
<b>Total I+II+III</b>	<b>698 722</b>	<b>610 798</b>

The schedule of amortized cost liabilities is as follows :

	31/12/2013
<b>One year at most</b>	83 945
<b>More than one year and less than two years</b>	136 410
More than two years and less than three years	119 436
More than three years and less than four years	74 754
More than five years	284 177
<b>Total amortized cost liabilities</b>	<b>698 722</b>

#### NOTE 11. OTHER LIABILITIES

The other liabilities group together the suspense accounts and funds which are like debts for BOAD. They are broken down as follows :

	31/12/2013	31/12/2012
<b>Funds</b>		
<b>FAIR Interest Rate Subsidy Fund</b>	-	-
Swiss Fund for Development Assistance	-	19
Belgian Technical Assistance Fund B/TAF	154	124
Netherlands Fund	34	34
IDA Counterpart Fund	326	275
AFD Studies Fund	310	310
<b>AFD Counterpart Fund</b>	328	543
<b>NIMAO Fund</b>	-	3 389
<b>Environmental Partnership Fund</b>	21	491
<b>KFW Counterpart Fund</b>	6 841	7 123
<b>Chinese Cooperation Fund</b>	214	214
<b>AFD IV Capacity-Building Fund</b>	4	88
<b>Energy Development Fund</b>	257 273	200 668
<b>Crop Insurance Fund</b>	3 418	-
<b>Regional Centre for Collaboration</b>	55	-
<b>SUSPENSE AND MISCELLANEOUS ACCOUNTS</b>		
<b>Accounts payable</b>	694	648
<b>Remunerations due to staff</b>	-	-
<b>Sundry accounts payable</b>	199	165
<b>Expenses payable</b>	1 896	1 203
<b>Income to be regularized</b>	1 331	507
<b>Deferred items</b>	160	522
<b>Kingdom of Belgium Current Account</b>	4 200	4 200
	<b>277 457</b>	<b>220 524</b>

## NOTE 12. PROVISIONS

This item mainly concerns the amount of provisions made for the Bank's employees who proceed on retirement.

These provisions stood at FCFA5,393 million as at 31 December 2013 compared to FCFA4,437 million as at 31 December 2012.

The breakdown of the actuarial calculations for the 2013 and 2012 financial years is as follows :

	<u>2013</u> <u>kFCFA</u>	<u>2012</u> <u>kFCFA</u>
<u>Current value of the bond</u>		
Opening balance	4 436 710	3 765 573
Cost of services rendered during the period	325 765	289 503
Contributions made by participants	0	0
Financial cost	333 373	283 855

Revaluation of net liabilities under defined benefit schemes due to :		
a) changes in demographic assumptions	0	0
b) changes in financial assumptions	0	0
c) adjustments based on experience	<u>296 780</u>	<u>203 640</u>
d) total	296 780	203 640
Benefits paid out	0	-105 861
Cost of past services	0	0
Settlements	<u>0</u>	<u>0</u>
<b>Closing balance</b>	<b>5 392 628</b>	<b>4 436 710</b>
<i>entirely unfunded schemes</i>	<i>5 392 628</i>	<i>4 436 710</i>
<i>entirely or partially funded schemes</i>	<i>0</i>	<i>0</i>
<b><u>Fair value of assets of the scheme</u></b>	n.a.	n.a.
Opening balance	0	0
Expected yield	0	0
Revaluation of net liabilities under defined benefit schemes	0	0
Employer's contributions	0	0
Employees' contributions	0	0
Benefits paid out	0	0
Settlements	0	0
<b>Closing balance</b>	<b>0</b>	<b>0</b>
<b><u>Assets/liabilities recorded in the balance sheet</u></b>		
Current value of the bond	5 392 628	4 436 710
Fair value of the assets of the scheme	<u>0</u>	<u>0</u>
Surplus/deficit	5 392 628	4 436 710
Amount not posted as asset due to limit 58 (b)	<u>0</u>	<u>0</u>
<b>Net (Assets)/liabilities recorded in the balance sheet</b>	<b>5 392 628</b>	<b>4 436 710</b>
<b><u>Total Charges</u></b>		
Cost of services rendered during the period	325 765	289 503
Cost of past services	0	0
Effect of any settlement	<u>0</u>	<u>0</u>
<b>Cost of services rendered as part of net result</b>	<b>325 765</b>	<b>289 503</b>
Financial cost	333 373	283 855
Interest income	<u>0</u>	<u>0</u>
<b>Net interest in net result</b>	<b>333 373</b>	<b>283 855</b>
Actuarial gains/losses	296 780	203 640
Additional yields on assets of the scheme	0	0
Effect of the paragraph 58 (b) limit	<u>0</u>	<u>0</u>
<b>Revaluation of net liabilities in other elements of overall result</b>	<b>296 780</b>	<b>203 640</b>

<b>Total Charges</b>	<b>955 918</b>	<b>776 998</b>
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Cumulative amount of actuarial gains/losses posted in the statement of income and charges

	1 158 043	861 263
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**Major actuarial assumptions**

Rate of conversion to current value	7.00%	7.00%
Expected rates of salary increase	6.00%	6.00%
Mortality rate	TH/TF 2002 multiplied by 200%	
Duration of the bond is equal to :	8	

**Sensitivity analysis**

Change of the bond

Rate of conversion to current value	8.0%
Expected rates of salary increase	8.0%
Expected rates of salary increase	8.0%
Mortality rate	-0.6%

**Background to adjustments based on experience**

Current value of the bond	5 392 628	4 436 710
Fair value of assets of the scheme	<u>0</u>	<u>0</u>
Surplus/deficit	5 392 628	4 436 710
Adjustments associated with experience concerning		
a) the current value of the bond	296 780	203 640
b) the fair value of assets of the scheme	0	0

**NOTE 13 - CAPITAL**

	<b>31/12/2013</b>	<b>31/12/2012</b>
Capital		
Subscribed capital	1 009 250	1 008 750
Callable capital	- 755 430	755 055
Costs associated with deferred paying up of capital	- 8 850	10 814
	244 970	242 881
Share/issue premium	<b>2 622</b>	<b>2 622</b>
Reserves		
Reserves earmarked for development activities	76 050	76 028
Other reserves	26	26
Retained earnings	95 299	85 980
	171 374	<b>162 034</b>
Profit/Loss for the period	10 872	9 615
Total stockholders' equity	<b>429 838</b>	<b>417 152</b>

The item "costs associated with the deferred paying-up of capital" represents the difference between the nominal amount of the outstanding called-up capital and its amount converted to current value based on the schedule for the paying-up of the capital.

**NOTE 14 - INTEREST AND SIMILAR**

These items are broken down as follows :

**Interest earned and similar income**

	<b>31/12/2013</b>	<b>31/12/2012</b>
<b>Interest Income</b>		
Interest earned and similar income/interbank receivables	3 652	4 308
Interest income from loans and advances to customers	44 095	33 737
Interest income from loans to staff	140	103
Interest income from share/securities portfolio	2 903	2 834
Commitment charges on loans	1 864	914
	<b>52 654</b>	<b>41 896</b>

**Interest payable and similar charges**

	<b>31/12/2013</b>	<b>31/12/2012</b>
Interest charges		
Interest charges on interbank debts	0	0

Interest charges on debts evidenced by a security	12 050	9 609
Interest charges on other debts	12 517	8 923
	<b>24 568</b>	<b>18 532</b>
Similar charges		
Retroceded income/placements	431	2 888
Fees/commitment received	368	334
	<b>799</b>	<b>3 222</b>
Total interest payable and similar charges	<b>25 367</b>	<b>21 753</b>

## **NOTE 15 - COMMISSIONS**

### **Commissions (income)**

This heading concerns mainly the commissions charged on arrangement activities and financial advisory services as well as operational loans.

	<b>31/12/2013</b>	<b>31/12/2012</b>
Commissions earned as document processing fees	1 033	729
GARI commissions/guarantees	51	126
Other flat commissions	105	201
Guarantee commission/bond issues	653	697
Commissions for arrangements and financial services	632	1 958
	<b>2 474</b>	<b>3 712</b>

### **Commissions (Charges)**

This heading covers the commissions paid in respect of loans, bonds and debentures.

	<b>31/12/2013</b>	<b>31/12/2012</b>
Quotation charges	29	12
Other charges/debts evidenced by securities	207	179
Other commissions on loans	621	353
Total	<b>857</b>	<b>545</b>

## **NOTE 16 - DIVIDENDS EARNED**

This heading lists the dividends earned from the Bank's equity participation in various companies.

	31/12/2013	31/12/2012
BTD dividend	138	309
BRVM dividend	266	120
BOA Benin dividend dividend	128	107
CIPREL dividend	121	196
BOA NG dividend	152	117
BDM-SA dividend	510	450
Cauris dividend	-	-
BHBF dividend	17	12
AFREXIM Ban dividend k	89	-
GARI dividend	20	-
SONIBANK dividend	123	70
PROPARCO dividend	108	23
BIA-TG dividend	114	67
Cauris Croissance dividend	30	438
SICAV Abdou Diouf dividend	63	
BRM dividend	140	
CICA-RE dividend	14	
	<b>2 032</b>	<b>1 909</b>

#### **NOTE 17 - RISK COST**

	31/12/2013	31/12/2012
Repeat of provisions for loans and advances to customers	2 034	522
Provisions for loans and advances to customers	-8 285	-5 822
Losses on receivables covered by provisions	-2 481	-550
Repeat of provisions for equity participation	1 701	0
Provisions for equity participation	0	0
Provisions for other asset items	-61	0
	<b>-7 092</b>	<b>-5 850</b>

#### **NOTE 18 - COSTS INVOLVED IN DEVELOPMENT ACTIVITIES**

This heading groups together the costs associated with the development activities carried out by BOAD, particularly subsidies for non-commercial projects and studies prior to the financing of development activities.

	31/12/2013	31/12/2012
Interest subsidy	1 509	1 502
Studies		-
	<b>1 509</b>	<b>1 502</b>

## **NOTE 19- FINANCIAL RISK MANAGEMENT**

BOAD has adopted and is implementing processes and measures for quantifying, monitoring and controlling measurable risks (counterpart, market, liquidity and operational risks) which are suited to its activities, means and set-up and which have been incorporated into its internal control mechanism. The major categories of risks are monitored within the framework committees set up for the purpose (Commitments Committee, ALM Committee, etc.).

### **1. CREDIT RISK**

Credit risk stems from the inability or unwillingness of certain counterparts to honour their financial commitments. It is the possible financial loss resulting from default on the part of one or several borrowers or debtors. Credit risk is the major source of risk for the Bank and arises mainly from its lending operations and cash placement transactions.

The implementation of the credit risk strategy is based on standards and procedures, management tools, rating systems, and a policy for recording of provisions and coverage of risks as well as a close monitoring mechanism.

The overall organization of credit risk management is characterized by :

- a closely supervised and monitored loan granting process based on the separation of commercial business lines from commitment business lines (notice of second opinion), thus ensuring a double objective scrutiny.
- commitment limits fixed in proportion to actual own funds and validated by the decision-making bodies;
- an internal rating system based on (i) a set of distinctive characteristics associated with the individual client or corporate client and on (ii) background data concerning their behaviour;
- a policy of depreciation (recording of provisions) based on IAS/IFRS standards.

BOAD has thus defined precisely the limits and procedures making it possible for it to monitor a priori, assess and control risks, in the form of a mechanism comprising mainly general limits and formalized for its commitments by sector and operational limits (counterparts/related counterparts).

#### **1.1 Intervention limits associated with credit Risk**

##### **A. For the public sector**

- a. BOAD's risk limit for loans per transaction is fixed at ten percent (10%) of its original own funds which corresponds to paid up capital plus reserves and similar funds, less bad debts/worthless stocks and IAS/IFRS adjustments which have an impact on the equity capital.
- b. BOAD's level of exposure per borrower (for all transactions put together) in the public sector is limited to one hundred percent (100%) of the Bank's original own funds for States and fifty percent (50%) of its original own funds for companies in the commercial public sector.

**B. For the private sector**

- a. The limitation of risks taken by BOAD in the form of direct loans per transaction other than vis-a-vis national financial institutions (NFI), SME promotion agencies, privatization projects, regional projects and mining and energy sector projects is fixed at ten percent (10%) of the Bank's original own funds, it being understood that the amount of the loan should not exceed fifty percent (50%) of the total tax-free cost of the project.
- b. A ceiling of fifteen percent (15%) of the Bank's original own funds per transaction is fixed for its indirect financing through national finance institutions (NFI) and SME promotion agencies as well as for its direct loans to privatization projects, regional projects and mining and energy sector projects.
- c. BOAD's level of commitments per borrower (for all transactions put together) in the private sector is limited to fifteen percent (15%) of the Bank's original own funds, with the exception of national financial institutions (NFI) and SME promotion agencies, privatization project management companies, regional projects as well as mining and energy sector projects for which the limit is twenty percent (20%).

Furthermore, with regard to risk sharing for the public or private sectors, the total volume of risks which individually attain twenty-five percent (25%) of BOAD's original own funds is limited to ten (10) times the Bank's original own funds.

**C. For transactions involving financing by signature and short-term financing**

- a. The limit of exposure in terms of financing by signature (guaranteeing of debenture loans and short-term financing by signature) is fixed at fifteen percent (15%) of the Bank's original own funds per transaction and per borrower.
- b. The limit of exposure per transaction and per borrower in terms of short-term cash financing is fixed at ten percent (10%) of the Bank's original own funds.
- c. The limit of exposure in terms of total volume for transactions involving financing (a) by signature and (b) short-term cash is fixed at fifty percent (50%) of the Bank's original own funds.

#### **D. Limits on loans per dominant sector of activity**

The dominant sectors are listed hereafter : (i) telecommunications (telephony, internet, call centre) ; (ii) water and energy (water, electricity, gas, oil) ; (iii) commercial infrastructure (harbour and airport, railway, bus station) ; (iv) extractive industries (cement factory and mines) ; (v) hotel industry and other services ; (vi) agribusiness, and (vii) NFIs.

The total level of exposure in any of the preceding dominant sectors should not at any moment exceed one hundred percent (100%) of the original own funds of the Bank for all the countries of intervention put together. However, for national financial institutions (NFI) and the water and energy sectors, this limit is fixed at one hundred and fifty percent (150%) of the original own funds of the Bank.

#### **E. Limit per country**

In terms of limit per country, the Bank can not commit more than twice its original own funds in a single member country for all transactions in that member country put together.

The limits thus fixed are ceilings which the Bank can attain only when there is justification for it. A case by case analysis is carried out when proposals for the granting of credit are being made.

#### **1.1- Description of the internal portfolio rating system**

All the relations which receive assistance from the Bank are rated at least once a year. The evaluation of credit risk is done with a uniform internal scale of eight points which makes it possible to better differentiate between the debtors.

Thus, BOAD's rating tool is based on a rating scale which has eight levels, six (1, 2, 3, 4, 5, 6) of which are for sound credits and two (7 and 8) for non performing credits.

Category of risk	Rating	Equivalent in international ratings	Evaluation
Very low	1	A-BBB	EXCELLENT
	2		VERY GOOD
Low -	3	BB	GOOD
Low +	4		FAIR
Moderate	5	B	ACCEPTABLE
High -	6	CCC	LOW
High +	7	Lower than CCC	TO BE MONITORED CLOSELY
Very high	8	D	DOUBTFUL

The rating is done based on quantitative and qualitative elements which are distinct depending on whether the rated entity is a company (corporate) or a bank (financial institution) :

- **With regard to companies (corporates) :**

In rating companies, 4 quantitative and 4 qualitative factors are taken into consideration.

The first quantitative factor concerns **the general evaluation of the financial situation and prospects** of the borrower. This evaluation takes into consideration: (i) the capability of the borrower or the project to generate enough cash flow in order to service their debt ; (ii) the operating results and profitability of the company; (iii) the capital structure, the financial flexibility and liquidity situation of the company or project; (iv) the financial equilibrium; and (v) the prospects of the company. The other quantitative factors relate to **guarantees, outstanding payments and the number of times the loan is rescheduled.**

As for the qualitative factors of rating of companies, their analysis is based on four non-financial parameters : (i) the numbers of years of experience and quality of management of the management structure (soundness of the management of the company or project, with special emphasis on the capacity to face difficult conditions), (ii) the reputation of the major shareholder in local economic circles, (iii) the situation of the environment (competitive position of the company or project in the sector). Each variable represents a certain weight in the overall rating of the company.

- **With regard to banks (financial institutions):**

Financial institutions are also rated based on the evaluation of 8 variables of which 3 are quantitative while 5 are qualitative.

The assessment of the quantitative factors is based on: (i) compliance with the regulatory and prudential ratios, (ii) the evaluation of the operational ratios (management ratios and profitability) and (iii) guarantee.

The qualitative factors for their part, have to do with: (i) the prospects and the quality of management, (ii) experience of the management structure, (iii) its reputation, (iv) the confidence of foreign partners in the bank and (v) the situation of the environment.

The rating of a company or financial institution makes it possible to assess its consumption of equity capital within the framework of capital adequacy, the quality of its assets, profitability and its positioning on the market, the evaluation of quality and level of profitability, how the liquidity situation and financing match each other and the quality of the management structure.

Each variable represents a certain weight in the overall rating of the bank or financial institution.

The breakdown of the commercial portfolio according to the major categories of risk is indicated in the following table :

**Risk profile of the outstanding non sovereign loan portfolio**

<b>YEARS</b>	<b>Scores (“1”, “2”, “3”) Low risk</b>	<b>Scores (“4”, “5”, “6”) Moderate risk</b>	<b>Item “7” High risk</b>	<b>Scores “8” Very high risk</b>
2013	10%	70%	14%	5%
2012	9%	67%	19%	5%
2011	14%	58%	26%	3%
2010	15%	56%	23%	5%
2009	13%	65%	15%	7%
2008	15%	51%	26%	9%
2007	9%	62%	16%	13%

## **1.2- Policy for recording provisions/depreciation**

Depending on its activities, the Bank manages two types of depreciable credit risk where necessary: i) non-commercial credit risk (sovereign risk) for its portfolio of loans to States and ii) commercial credit risk (non-sovereign risk) for its portfolio of loans to the private and public commercial sectors.

Based on the IAS/IFRS standards adopted, verifications are carried out at least once a year to determine whether the level of provisions recorded matches the level of risks.

### **1.3.1. Non-commercial credit risk (sovereign risk)**

Loans granted to Union member States are deemed to be sovereign risk loans. The Bank manages this risk through flexible mechanisms which are essentially based on the suspension of any disbursement to a country which falls into arrears. Consequently, these loans which hitherto are not in arrears are considered as being without risks and no provision or specific depreciation is made. The Bank is aware of the limits of this assumption, even though it is objective, and is making efforts to improve upon it.

### **1.3.2. Commercial credit risk (non-sovereign risk)**

This risk is associated with loans granted by the Bank to private sector borrowers or commercially-managed public entities.

In order to evaluate this risk, the Bank uses an internal credit risk rating system. All new projects are put through a rigorous process of approval and require a minimum initial credit or ex-post rating. At least once a year, the rating of each of the Bank's commercial counterparts is updated in order to pre-empt to some extent the possible risk of insolvency of its relations either because of the deterioration of the environment, or lack of good governance, which would adversely affect the financial situation of the companies concerned.

In the event of default of a non-sovereign sector counterpart, the depreciation policy currently applicable is described as follows :

### **1.3.3. Description of the method of determining the depreciation of loans and receivables**

#### **a) Principles**

In the area of debt depreciation policy, the Bank has adopted a mechanism which makes it possible for it to analyze its portfolio and apply rules for the presentation of a portfolio of good quality.

Thus, according to the current mechanism, there are two major criteria for downgrading and depreciating a debt/loan, namely : when payment has been outstanding for more than 6 months and/or the rating of the counterpart. If these criteria are borne out, the Bank must evaluate and post a depreciation on the loan which is equal to the difference in the book value of the asset (exposure) and the value of expected future cash flows converted to the original interest rate of the asset at the time of the initial posting. The outcome of the updating of the conversion to current value is posted as net banking income.

#### **b) Breakdown of doubtful outstanding amounts and depreciations**

Doubtful loans are broken down by sector and by country as follows:

##### **- Breakdown by sector**

HEADINGS	31/12/2012			31/12/2013		
	Gross outstanding amount	Provi-sions	Net outstan- ding amount	Gross outstanding amount	Provi- sions	Net outstanding amount
<b>Modern infrastructure</b>	<b>27 809</b>	<b>12 986</b>	<b>14 823</b>	<b>23 111</b>	<b>13 004</b>	<b>10 107</b>
Telecommunications	17 717	6 166	11 551	13 019	6 184	6 835
Electricity/Gas	0	0	0	0	0	0
Water	0	0	0	0	0	0
Harbour	0	0	0	0	0	0
Airport	0	0	0	0	0	0
Railways	7 426	5 941	1 485	7 426	5 941	1 485
Road transport /Bus station	2 666	879	1 787	2 666	879	1 787
<b>Other productive activities</b>	<b>9 718</b>	<b>6 075</b>	<b>3 643</b>	<b>14 603</b>	<b>9 330</b>	<b>5 273</b>
Mining/Hydrocarbons/Petrochemicals	1 999	976	1 023	1 999	976	1 023
Cement factory	4 682	2 728	1 954	4 682	4 682	0
Hotel industry/tourism	0	0	0	0	0	0
Cotton/Textile	0	0	0	0	0	0
Farm produce industry /Foodstuffs	1 008	514	494	2 760	1 032	1 728
Miscellaneous	2 029	1 857	172	5 162	2 640	2 522
<b>Financial institutions and SME promotion boards</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Refinancing facilities	0	0	0	0	0	0
<b>TOTAL</b>	<b>37 527</b>	<b>19 061</b>	<b>18 466</b>	<b>37 714</b>	<b>22 334</b>	<b>15 380</b>

### Breakdown by country

COUNTRY	31/12/2012			31/12/2013		
	Gross outstanding amount	Provi- sions	Net outstanding amount	Gross outstanding amount	Provi- sions	Net outstanding amount
BENIN	16 866	5 556	11 310	8 326	6 166	2 160
BURKINA	717	642	75	717	642	75
COTE D'IVOIRE	1 400	1 267	133	10 133	3 450	6 683
MALI	9 921	7 065	2 856	9 921	7 065	2 856
NIGER	7 303	4 138	3 165	5 763	4 029	1 734
SENEGAL	1 320	393	927	2 854	982	1 872
GUINEA BISSAU	0	0	0	0	0	0
TOGO	0	0	0	0	0	0
<b>TOTAL</b>	<b>37 527</b>	<b>19 061</b>	<b>18 466</b>	<b>37 714</b>	<b>22 334</b>	<b>15 380</b>

## 2. Market risk management

Market risk is defined as the potential losses associated with variations in market parameters : interest rate and exchange rate, share prices, etc. On a quarterly basis, BOAD assesses its exposure to market risk within the framework of the Asset-Liability Management (ALM) Committee which makes recommendations for the implementation of possible corrective measures. The objective of Asset-Liability Management is to permanently optimize the risk/profitability balance of the Bank's activities.

## 2.1- Exchange risk

a) Exchange risk is the possibility of recording losses as a result of an unfavourable trend of exchange rates on the market. At BOAD, exchange risk is due to the fact that a portion of borrowed amounts is expressed in foreign exchange whereas the balance sheet assets are expressed in FCFA. As a result, the Bank can experience reductions in profitability associated with unfavourable variations in the rates of certain currencies in relation to the euro. So far, an exchange risk margin has been built into the borrowing rates in order to cater for unfavourable foreign currency fluctuations.

### b) Debt structure as at 31 December 2013

Debt structure as at	31/12/2013					
Foreign currencies	Amount in Forex	Rate as at 31/12/13	Outstanding amounts converted to current value			%
JPY	-	4.5326	-			0.00%
USD	1 345 203.64	475.6400	639 832 659			0.96%
SDR	87 975 800.66	732.9130	64 478 607 988			96.98%
CHF	2 561 692.11	534.3400	1 368 814 562			2.06%
<b>TOTAL , OUTSIDE EURO</b>			<b>66 487 255 209</b>	<b>19%</b>	<b>10%</b>	100%
Euro	442 217 591.60	655.9570	<b>290 075 724 735</b>	<b>81%</b>	<b>43%</b>	
<b>TOTAL OUTSIDE FCFA</b>			<b>356 562 979 944</b>	<b>100%</b>		
<b>FCFA internal issues</b>			<b>324 349 135 948</b>		<b>48%</b>	
<b>TOTAL BORROWINGS</b>			<b>680 912 115 892</b>		100%	

In order to boost the Bank's ability to face up to unfavourable exchange fluctuations, negotiations are going on for the execution of forward exchange transactions with a view to converting into euros all of the Bank's debts expressed in borrowing currencies other than euros and FCFA. On completion of this exercise, the basket of benchmark resources (which could serve as the basis for the indexing of the Bank's loans) will be turned into a two-currency basket (Euro and FCFA).

**a) Analysis of sensitivity to exchange risk**

- Methods and assumptions used in carrying out the sensitivity analysis

Sensitivity to exchange rate is measured in terms of the impact of exchange rate variations on the repayment of borrowed resources. A positive impact is equivalent to savings made on the amount of repayments (gain) whereas a negative impact is equivalent to additional repayment cost (loss). The rates as at the date of closure of the balance sheet (31/12/2013) are the actual rates as at that date and the variations of +/- 10% correspond to the expected rates for the quarter following the date of closure. It should be pointed out that on the assets side, all loans are granted in FCFA and repaid in FCFA. Basis of exchange rate: the actual rate of foreign exchange at each closure date.

Currency	31/12/2013			31/12/2012		
	Variation	Impact on the 2014 result	Impact on the 2013 result	Variation	Impact on the 2013 result	Impact on the 2012 result
EURO	+ 10%	0	0	+ 10%	0	0
EURO	- 10%	0	0	- 10%	0	0
US Dollar	+ 10%	-2	0	+ 10%	-2	0
US Dollar	- 10%	2	0	- 10%	2	0
SDR	+ 10%	-271	0	+ 10%	-108	0
SDR	- 10%	271	0	- 10%	108	0
JPY	+10%	0	0	+10%	-27	0
JPY	-10%	0	0	-10%	27	0
CHF	+ 10%	-3	0	+ 10%	-30	0
CHF	- 10%	3	0	- 10%	30	0

The previous table shows that the Bank is more sensitive to SDR fluctuations, given the weight of the SDR in the stock of currencies.

## 2.2- Interest rate risk

- a) This is the risk of the Bank experiencing a negative effect on its profitability as a result of unfavourable interest rate fluctuations. Interest rate risk occurs when assets of a given duration and rate are used to back liabilities with a different duration and/or type of rate.

Thus, the Bank's exposure to interest rate risk stems from (i) sensitivity to the interest rate associated with the net margin between the rate applied by the Bank to its assets and the rate at which it obtains the loans used to finance its assets (ii) sensitivity to the interest rates associated with the margin earned by the Bank on its assets financed from its shareholders' equity and (iii) sensitivity to the interest rates associated with the margin earned by the Bank on its assets financed from both its shareholders' equity and loans.

The Bank's financial policy seeks to optimize its profitability by ensuring that the characteristics of each category of asset are properly backed by the characteristics of the corresponding liability.

## b) Analysis of rate sensitivity

- Methods and Assumptions used in making the Sensitivity Analysis

Parameter	31/12/2013			31/12/2012		
	Variation	Impact on the 2014 results	Impact on the 2013 results	Variation	Impact on the 2013 results	Impact on the 2012 results
Entire balance sheet and off-balance sheet	+ 100 basis points	-5 784	0	+ 100 basis points	-1 872	0
Entire balance sheet and off-balance sheet	- 100 basis points	5 784	0	- 100 basis points	1 872	0
Banking activity only	+ 100 basis points	91	294	+ 100 basis points	-260	263
Banking activity only	- 100 basis points	-91	-294	- 100 basis points	260	-263
FDC activity only	+ 100 basis points	-5398	-185	+ 100 basis points	-3 290	-94
FDC activity only	- 100 basis points	5398	185	- 100 basis points	3 290	94

The Bank's balance sheet can be analyzed using several parameters, namely : (i) balance sheet items and off-balance sheet items, (ii) the Bank's activity alone or (iii) the activity of FDC alone. Subsequently, based on the rate curve, a variation of +/-1% of the various market rates is made.

Interest rate sensitivity is more marked in the activity of the **FDC** alone in relation to the gaps in this activity.

### 3. Liquidity risk management

As for liquidity risk, namely the risk for the Institution of not honouring its financial commitments at the appropriate time at reasonable prices, it is managed by ascertaining the degree of transformation and by matching resources with their application. By analyzing the gaps and durations, the Asset-Liability Management Committee ensures that resources match applications properly in terms of amounts and duration, thus contributing towards the management of liquidity risk. In order to limit this risk, the Bank makes it a point to follow a liquidity policy consisting in holding twelve months of net disbursements and twelve months of amounts for the financial servicing of debts.

### 4. Operational risk management

The operational risk management at BOAD is based on the Basle standards in order to conform with international best practices.

The measure is aimed at attaining the following objectives : (i) increasing risk control by developing a risk culture at the Bank, (ii) understanding beforehand the risks arising from

the expansion of activities, (iii) keeping top Management informed about the major risks and their monitoring mechanisms, and (iv) improving internal control.

All of the Bank's operational risks are managed by the structure responsible for the management of operational risks based on a methodology and with the support of the Operational Risk Correspondents in each structure of the Bank.

#### **NOTE 20 - LEASE AGREEMENTS (LESSOR)**

This item recapitulates the income received by the Bank for the premises it has placed at the disposal of certain companies. These are the GARI Fund, CAURIS SA., AfDB and BIA Lome. The breakdown of the amounts received is as follows :

##### **Payments posted as income in the statement of comprehensive income**

	<b>31/12/2013</b>	<b>31/12/2012</b>
Minimum payments as rent	66	69
Conditional rent	-	-
	<b>66</b>	<b>69</b>

#### **NOTE 21- LEASE AGREEMENTS (LESSEE)**

This item recapitulates the amounts paid by the Bank for the residences of the Vice-Chairman and Resident Representatives and the amounts paid to the Central Bank for the rental of the offices of resident missions. The breakdown of amounts paid is as follows:

##### **Payments posted as costs in the statement of comprehensive income**

	<b>31/12/2013</b>	<b>31/12/2012</b>
Minimum rental payments	119	88
Contingent rent	-	-
Income from sub-leases	-	-
	<b>119</b>	<b>88</b>

## **NOTE 22- TRANSACTIONS WITH RELATED PARTIES**

### **1- LOANS TO MEMBER STATES**

The outstanding loans to the States is broken down as follows as at 31 December 2013.

<b>Country</b>	<b>Number of current loans</b>	<b>Amount of commitments</b>	<b>Outstanding amount as at 31/12/13</b>	<b>Percentage by country of total outstanding amount</b>
<b>Benin</b>	34	103 866	81 933	18%
<b>Burkina Faso</b>	26	108 198	61 525	13%
<b>Cote d'Ivoire</b>	20	71 120	35 596	8%
<b>Guinea Bissau</b>	11	40 520	27 587	6%
<b>Mali</b>	35	83 690	58 330	13%
<b>Niger</b>	34	135 409	74 788	16%
<b>Senegal</b>	23	59 572	59 922	13%
<b>Togo</b>	25	111 022	63 914	14%
<b>Totals</b>	<b>208</b>	<b>713 397</b>	<b>463 595</b>	<b>100%</b>

### **2- LOANS GUARANTEED BY THE GARI FUND**

The Bank has shares in the GARI Fund. The outstanding amount of loans guaranteed by the GARI Fund stands at FCFA27,828 million as at 31 December 2013 while the amount guaranteed is FCFA13,399 million.

### **3- REMUNERATION OF SENIOR EXECUTIVES**

	<b>31/12/2013</b>	<b>31/12/2012</b>
Salaries and bonuses	3 856	3 290
Pension scheme contributions	180	155
<b>Total</b>	<b>4 035</b>	<b>3 445</b>

## NOTE 23- OFF-BALANCE SHEET COMMITMENTS

### Commitments received

Commitments received represent agreements in respect of funds given to the Bank by foreign lenders and the guarantees received from regional Funds for the Bank's clients.

The breakdown of these commitments is as follows :

	2013	2012
Commitments on loans to be drawn down	48 481	89 231
Unauthorized loan commitments	8 910	8 910
Guarantees received from regional Funds	21 561	18 699
	<u>78 951</u>	<u>116 840</u>

- The commitments to be drawn down represent the yet-to-be-mobilized balances of loans.
- Unauthorized commitments concern loans and gifts granted towards projects in respect of the financing of which lenders have not yet granted authorization.

### Commitments given

The commitments given are in respect of loan, interest rate subsidy and equity participation agreements signed with various beneficiaries of BOAD's assistance. They are analyzed as follows :

	2013	2012
Loan commitments given (a)	1 362 653	1 017 193
Advances for the financing of studies	9 285	9 856
Equity participation commitments (b)	29 174	25 407
Securities and other guarantees	43 237	38703
	<u>1 444 350</u>	<u>1 091 159</u>

- (a) Loan commitments given correspond to the financing agreements the implementation of which remains linked to the satisfying of the conditions precedent or the disbursement of which is pending the request for drawdown by the borrower ;

(b) The equity participation commitments concern BOAD's subscription to the capital of the following companies :

	Amount in FCFA
Societe Africaine de Gestion d'Actif (SOAGA)	97
ASKY Airline	10
Cauris Croissance Fund II	3 291
CICA-RE	1
Agricultural Fund for Africa	1 632
Credit Municipal Africain (CMA)	1 000
GEOCOTON	0
SONIBANK	183
AGRIBANQUE BENIN	1 000
BRS	-
Carbon Fund for Africa (CFA)	9 258
European Fund for Solidarity Financing in Africa	1 312
Banque de l'Union in Burkina Faso (BDU-Burkina Faso)	1 100
Banque de l'Union in Cote d'Ivoire (BDU-Cote d'Ivoire)	1 100
CORIS BANK INTERNATIONAL	711
African Fund for Renewable Energies	5 000
Amethis West Africa (AWA) in Cote d'Ivoire	3 280
Compagnie Ivoirienne de Production d'Electricite (CIPREL SA)	200
<b>TOTAL</b>	<b>29 174</b>

(c) Interest rate subsidy commitments concern interest rebates granted to various projects towards which disbursements are about to be made.

#### **NOTE 24 - EVENTS OCURRING AFTER THE CLOSURE OF ACCOUNTS**

As at the date of closure of the accounts, we did not note any subsequent event likely to influence the financial situation and the results of the Bank as at 31 December 2013.

**Banque Ouest Africaine de Développement  
(BOAD)**

**Statutory auditor's report to the West  
Africa Economic and Monetary  
Union's Council of Ministers  
(WAEMU)**

This is a free translation into English of the statutory auditor's report on the financial statements issued in French and it is provided solely for the convenience of English-speaking users.

Year ended 31 December 2013  
Banque Ouest Africaine de Développement  
68, avenue de la libération  
BP 1172 Lomé (Togo)  
*This report contains 3 pages*

**Banque Ouest Africaine de Développement (BOAD)**

Registered office : 68, avenue de la libération, BP 1172 Lomé, Togo

Share capital : CFA Francs 1 009 250 000 000

**Statutory auditor's report to the West Africa Economic and Monetary Union's Council of Ministers (WAEMU)**

Year ended 31 December 2013

Dear Sir / Madam

We have audited the accompanying financial statements of Banque Ouest Africaine de Développement (BOAD), which comprise the statement of financial position as at 31 December 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, 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.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements give a true and fair view, in all material respects, of the financial position of Banque Ouest Africaine de Développement (BOAD) as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Abidjan, 17 March 2014

Auditeurs Associés en Afrique – KPMG CI

**Franck Nangbo**  
*Chartered Accountant*  
*Partner*

**The Issuer**

**Banque Ouest Africaine de Développement (BOAD)**

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**Registrar**

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**Principal Paying and Transfer Agent**

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**Former Auditors of the Issuer**  
(mandate expired on December 31, 2015)

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**Current Auditors of the Issuer**  
(as from January 1, 2016)

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