



Banque Ouest Africaine de Développement

U.S.\$850,000,000

5.000 per cent. Notes due 2027

Issue Price: 98.074 per cent.

Banque Ouest Africaine de Développement (the “**Issuer**” and, together with its subsidiaries and affiliates, the “**Group**”) is offering (the “**Offering**”) U.S.\$850,000,000 5.000 per cent. Notes due 2027 (the “**Notes**”). Application will be made for the Notes to be admitted to the official list of the Luxembourg Stock Exchange and to trading on the Luxembourg Stock Exchange’s regulated market (the “**Market**”). In this Offering Circular, references to “**regulated market**” shall mean a regulated market for the purposes of European Parliament and Council Directive 2004/39/EC.

The Notes will bear an interest at 5.000 per cent. per annum, payable semi-annually in arrear on 27 January and 27 July in each year commencing on 27 January 2018. 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 27 July 2027 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.

This Offering Circular includes information on the terms of the Notes, including redemption prior to maturity and covenants. This Offering Circular 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.

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 Issue Date with a common depository for, and in respect of interests held through Euroclear Bank SA/NA (“**Euroclear**”) and Clearstream Banking, SA (“**Clearstream**”). 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 Issue 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 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 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 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 ISSUER HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE “U.S. INVESTMENT COMPANY ACT”) IN RELIANCE UPON THE EXCEPTION PROVIDED BY SECTION 3(C)(7) THEREOF. 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 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**”). While 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’s implementing regulations) in a covered fund, each investor should consult its own advisers concerning the impact of the Volcker Rule on its investment. See “—*Subscription and Sale—Covered Fund*”.

The Notes are rated Baa1 by Moody’s Investors Service, Inc. (“**Moody’s**”) and are expected to be rated BBB by Fitch Ratings Ltd (“**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 organisation. 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. 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 28.

Joint Lead Managers

Citigroup

J.P. Morgan

NATIXIS

Standard Bank

The date of this Offering Circular is 25 July 2017

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

This Offering Circular 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 Offering Circular. 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*”) 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 Offering Circular in connection with the Offering and no representation or warranty, express or implied, is made by the Joint Lead Managers, the Trustee or any of their respective directors, employees, affiliates, advisers or agents with respect to the accuracy or completeness of such information. Nothing contained in this Offering Circular 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, employees, affiliates, advisers or agents in any respect. The contents of this Offering Circular 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 authorised to give any information or make any representation not contained in this Offering Circular in connection with the Offering and, if given or made, such information or representation must not be relied upon as having been authorised by any of the Issuer, the Trustee or the Joint Lead Managers or any of their respective directors, employees, affiliates, advisers or agents. The delivery of this Offering Circular 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 at any time subsequent to its date.

Neither this Offering Circular nor any other information supplied in connection with the Offering (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 or any of their respective directors, employees, affiliates, advisers or agents that any recipient of this Offering Circular or any other information supplied in connection with the Offering 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 Offering Circular nor any other information supplied in connection with the Offering 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 Offering Circular 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 Offering Circular and the offer or sale of the Notes in certain jurisdictions is restricted by law. This Offering Circular 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 authorised or is unlawful.

In particular, this Offering Circular 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 are outside the United Kingdom, (b) persons in the United Kingdom 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, as amended (the “**Order**”), (c) high net worth entities falling within article 49(2)(a) to (d) of the Order, and (d) any other persons to whom it may be lawfully communicated (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 Offering Circular 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 Offering Circular and other offering material relating to the Notes is set out under “*Subscription and Sale*” and “*Form of the Notes and Transfer Restrictions*”.

This Offering Circular has not been prepared in the context of a public offer 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*. Consequently, the Notes are not being offered directly or indirectly to the public in France and this Offering Circular 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. 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 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, 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 or the accuracy or the adequacy of this Offering Circular. Any representation to the contrary is a criminal offence in the United States.

This Offering Circular has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area (each, a “**Relevant 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 Member State of Notes which are the subject of the placement contemplated in this Offering Circular 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 authorised, nor do they authorise, 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, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

The Offering Circular 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* relating to commercial companies (“**AUSC&GIE**”). Therefore prior approval of the *Conseil Régional de l’Epargne Publique et des Marchés Financiers de l’UEMOA* is not required. Consequently, neither AUSC&GIE provisions nor WAEMU regulations are applicable.

In connection with the issue of the Notes, Citigroup Global Markets Limited (the “**Stabilising Manager**”) (or any person acting on behalf of the Stabilising 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 Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation 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 stabilisation action or over-allotment must be conducted by the Stabilising Manager (or person(s) acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules.

GLOSSARY AND CONVENTIONS

Capitalised terms which are used but not defined in any particular section of this Offering Circular will have the meaning attributed thereto in the terms and conditions of the Notes or any other section of this Offering Circular.

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 Offering Circular 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 Offering Circular 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 Offering Circular:

- “**AF**” means the climate change Adaptation Fund;
- “**AFD**” means *Agence Française de Développement* or the French Development Agency;
- “**AfDB**” means the *Banque Africaine de Développement* or the African Development Bank;
- “**ALM**” means Asset/Liability Management;
- “**ALM Committee**” means the ALM committee of the Issuer;
- “**AMP**” means *Accords de Mécanisme de Paiement* or Payment Mechanics Agreements;
- “**BADEA**” means *La Banque Arabe pour le Développement Economique en Afrique* or the Arab Bank for Economic Development in Africa whose headquarters are located in the Republic of Sudan;
- “**BCEAO**” means the *Banque Centrale des Etats de l’Afrique de l’Ouest* or the Central Bank of the West African 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;
- “**Board of Directors**” means the board of directors of the Issuer;

- “**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 June 2017;
- “**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;
- “**CMDT**” means the Malian Company for Textile Development;
- “**Côte d’Ivoire**” means the Republic of Côte d’Ivoire;
- “**Commitments Committee**” means the commitments committee of the Issuer;
- “**Credit Committee**” means the credit committee of the Issuer;
- “**CRRH-UEMOA**” means the *Caisse Régionale de Refinancement Hypothécaire* or the WAEMU regional mortgage refinancing bank;
- “**DC/BR**” means the *Dépositaire Central et Banque de Règlement* or central depository and settlement bank of the WAEMU;
- “**DEFIC**” means the Direction of Environment and Climate Finance;
- “**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;
- “**FAGACE**” means *Fonds Africain de Garantie et de Coopération Economique* or the African Guarantee Fund for Economic Cooperation;
- “**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;
- “**FSA**” means *Fonds de Solidarité Africain* or the African Solidarity Fund;
- “**GARI**” means *Fonds de Garantie des Investissements Privés en Afrique de l’Ouest* or the Guarantee Fund for Private Investment in West Africa;

- “**GCF**” means the Green Climate Fund;
- “**GEF**” means the *Fonds pour l’Environnement Mondial* or the Global Environment Facility;
- “**Guinea Bissau**” means the Republic of Guinea Bissau;
- “**Headquarters Agreement**” means the headquarters agreement dated 19 July 1977 between Togo and the Issuer;
- “**ICD**” means the Islamic Corporation for the Development of the Private Sector, a member of the IDB Group;
- “**IDA**” means the International Development Association of the World Bank Group;
- “**IDB**” means the Islamic Development Bank;
- “**IMF**” means the International Monetary Fund;
- “**IMP**” means the Information Master Plan;
- “**Immunities Protocol**” means the additional protocol No. 3 dated 10 May 1996 relating to the rights, privileges and immunities of (*inter alia*) the WAEMU;
- “**JICA**” means the Japan International Cooperation Agency;
- “**KfW**” means the *Kreditanstalt für Wiederaufbau* or the German Agency for Financial Cooperation;
- “**Mali**” means the Republic of Mali;
- “**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;
- “**ORABANK CI**” means ORABANK Côte d’Ivoire;
- “**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*, a subsidiary of the AFD;
- “**PUFs**” means *Projet d’Utilisation des Fonds suisses* or the Swiss Project Utilisation Fund, the project organisation established within the Issuer to manage funds received from the Swiss Agency for Development and Cooperation, Switzerland’s international cooperation agency within the Federal Department of Foreign Affairs;
- “**RCC**” means the Regional Collaboration Centre;
- “**ROPPA**” means *Réseau des Organisations Paysannes et des Producteurs de l’Afrique de l’Ouest* or the Network of Peasant Organisations 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 was expanded to include the Chinese Renminbi as the fifth currency, effective 1 October 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;
- “**SOAGA**” means the West African Asset Management Company;
- “**Togo**” means the Republic of Togo;
- “**UNFCCC**” means the United Nations Framework Convention on Climate Change;
- “**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, Côte 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 organisation established by the agreement signed in Paris on 14 November 1973 by Benin, Burkina Faso, Côte d'Ivoire, Niger, Senegal and Togo, which were joined by Mali and Guinea Bissau on 1 June 1984 and 2 May 1997, respectively (the “**Establishment Treaty**”) and is recognised as an organisation (of which Togo and the other WAEMU Member States are members) pursuant to Ordinance No. 1 dated 10 January 1974 ratifying the Establishment Treaty in Togo (the “**Ordinance**”), with separate legal and juridical personality and capable of suing and being sued under the laws of Togo. As at the date of this Offering Circular, 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 organisation originally emanating from article 23 of the agreement establishing the WAMU signed in Paris on 14 November 1973 (the “**WAMU Treaty**”, as replaced by the agreement signed in Ouagadougou on 20 January 2007, the “**2007 WAMU Treaty**”), which is also recognised as one of the WAMU’s institutions pursuant to article 25 of the 2007 WAMU Treaty ratified by the Law N° 2009-020 dated 7 September 2009 ratifying the 2007 WAMU Treaty in Togo. No further acts, notifications, authorisations or other actions are required under the laws of Togo to recognise and/or grant such legal and juridical personality in respect of either the Issuer or the WAMU.

The Issuer is an autonomous specialised 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 (as defined in “*Subscription and Sale*” below), Agency Agreement and Trust Deed (each as defined in the terms and conditions of the Notes below) 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 under, out of or in connection with the Notes, the Trust Deed and the Agency Agreement (the “**Proceedings**”). The Issuer has agreed that the courts of England are the most appropriate and convenient courts to settle any Proceedings 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 the Trustee and, as a result, to the extent allowed by law, Noteholders or the Trustee may take concurrent proceedings in any other courts of competent jurisdiction. 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 WAEMU Member States, or (b) enforce in the courts of any WAEMU 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 any of 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 WAEMU Council of Ministers dated 30 June 2017 (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 any of 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 Togo, 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. Togo 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 Togo. As a result, enforcement of foreign judgments in Togo is reliant on the local laws and the ability of Noteholders to enforce foreign judgments in the courts of Togo could be affected by a change of local law.

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

As a result, it may not be possible (a) to effect service of process upon any such person outside the relevant WAEMU Member State in which such person is resident, (b) to enforce against any such person, in courts of jurisdictions other than the relevant WAEMU 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 WAEMU Member State in which such person is resident, judgments obtained in any other jurisdiction, including judgments obtained on the Trust Deed and the Notes in the courts of England and judgments obtained on the Trust Deed and 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 are not historical facts and 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 Offering Circular is not entitled to the benefit of the safe harbour 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 realised. Such forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Offering Circular 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 Offering Circular 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 Offering Circular. 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 Offering Circular 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 Offering Circular may not occur.

These forward-looking statements speak only as at the date of this Offering Circular. 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 Offering Circular.

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 Offering Circular. 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 Offering Circular, 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 Offering Circular 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 of the new Interest Subsidy Mechanism (as defined below) to achieve its objectives;
- 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;
- failure of the Issuer's IT system or attacks by third parties;
- condition of international financial markets;
- government intervention;
- militant activity and terrorism; and
- disease outbreaks (e.g., HIV/AIDS, Ebola).

AVAILABLE INFORMATION

The Issuer is not subject to the periodic reporting and other information requirements of the Exchange Act and regulations of the SEC. However, 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 Offering Circular, 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 such provisions of 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 respective affiliates or any other party to the transactions referred to in this Offering Circular 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 respective 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 advisers 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 any 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 Offering Circular, each purchaser and subsequent transferee of any Notes will be deemed by its purchase or acquisition to 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 are deemed for purposes of ERISA or Section 4975 of 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 any Similar Law, a violation of any Similar Law) for which an exemption is not available.

In addition, each beneficial owner of the Notes that is a Plan, including any fiduciary purchasing the Notes on behalf of a Plan (a **“Plan Fiduciary”**) will represent or be deemed to have represented by its acquisition of the Notes that (I) it either: (A) is a bank as defined in Section 202 of the Advisers Act, or similar institution that is regulated and supervised and subject to periodic examination by a State or Federal agency; (B) is an insurance carrier which is qualified under the laws of more than one state to perform the services of managing, acquiring or disposing of assets of a Plan; (C) is an investment adviser registered under the Advisers Act, or, if not registered as an investment adviser under the Advisers Act by reason of paragraph (1) of Section 203A of the Advisers Act, is registered as an investment adviser under the laws of the state in which it maintains its principal office and place of business; (D) is a broker-dealer registered under the Securities Exchange Act of 1934, as amended; or (E) has, and at all times that the Plan is invested in the Notes will have, total assets of at least U.S.\$50,000,000 under its management or control (provided that this clause (E) shall not be satisfied if the Plan Fiduciary is either (X) the owner or a relative of the owner of an investing individual retirement account or (Y) a participant or beneficiary of the Plan investing in the Notes in such capacity); (II) the Plan Fiduciary is capable of evaluating investment risks independently, both in general and with respect to particular transactions and investment strategies, including the acquisition by the Plan of the Notes; (III) the Plan Fiduciary is a “fiduciary” with respect to the Plan within the meaning of Section 3(21) of ERISA, Section 4975 of the Code, or both, and is responsible for exercising independent judgment in evaluating the Plan’s acquisition of the Notes; and (IV) the Plan Fiduciary has been informed by the Issuer, the Registrar, the Trustee, the Joint Lead Managers, or their respective affiliates (the **“Transaction Parties”**): (A) that none of the Transaction Parties is undertaking to provide impartial investment advice or to give advice in a fiduciary capacity, and that no such entity has given investment advice or otherwise made a recommendation, in connection with the Plan’s acquisition of the Notes; and (B) of the existence and nature of the Transaction Parties financial interests in the Benefit Plan Investor’s acquisition of such Notes.

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 respective affiliates or employees 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 ADVISERS 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 Offering Circular, 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 in this Offering Circular, has, unless otherwise indicated, been derived from its statements of financial position and statements of comprehensive income, cash flows and changes in shareholders’ equity as at, and for the years ended 31 December 2014, 2015 and 2016 (the “**2014 Financial Statements**”, the “**2015 Financial Statements**” and the “**2016 Financial Statements**”, respectively) and from its interim financial statements as at, and for the three-month period ended, 31 March 2017 (the “**2017 Interim Financial Statements**” and, together, with the 2014 Financial Statements, the 2015 Financial Statements and the 2016 Financial Statements, the “**Financial Statements**”).

The Issuer is not required to, and does not normally, produce quarterly financial statements and has produced the 2017 Interim Financial Statements solely for inclusion in this Offering Circular for the purposes of the Offering. Following issuance of the Notes, the Issuer agrees, pursuant to Condition 5 under “*Terms and Conditions of the Notes – Negative Pledge and certain other Covenants*”, to provide to the Trustee only annual and semi-annual financial statements under its periodic reporting obligations and therefore will not be providing to the Trustee, or otherwise publishing, any quarterly financial statements as part of such obligations. 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 2014 Financial Statements and the 2015 Financial Statements were audited by Auditeurs Associés en Afrique KPMG CI (“**KPMG CI**”), independent auditors in accordance with IFRS. The 2016 Financial Statements were audited by PricewaterhouseCoopers-Côte d’Ivoire (“**PWC**”), independent auditors in accordance with IFRS. The 2017 Interim Financial Statements were subject to a limited review by PWC, independent auditors in accordance with International Accounting Standards (the “**IAS**”).

Without qualifying its opinion on the 2014 Financial Statements, KPMG CI noted that by decision dated 31 December 2014, the WAEMU 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 at 31 December 2014. See “—*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Financial statements—FDC Window and FDE Window—FDE Window financial statements*”. Further, KPMG CI also noted that the Issuer changed from the cost method to the fair value method of accounting as at 31 December 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 recognised 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 6 to the 2014 Financial Statements.

Exchange Rate Information

As at the date of this Offering Circular, 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 U.S. 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 ⁽¹⁾	High	Low
Year:				
2012	1.3186	1.2859	1.3463	1.2062
2013	1.3779	1.3281	1.3816	1.2774
2014	1.2101	1.3297	1.3927	1.2101
2015	1.0859	1.1096	1.2015	1.0524
2016	1.0552	1.1072	1.1516	1.0375
Month:				
January 2017	1.0794	1.0635	1.0794	1.0416
February 2017	1.0618	1.0650	1.0802	1.0551
March 2017	1.0698	1.0691	1.0882	1.0514
April 2017	1.0895	1.0714	1.0941	1.0606
May 2017	1.1236	1.1050	1.1236	1.0869
June 2017	1.1411	1.1233	1.1420	1.1124
July 2017 (through 7 July)	1.1396	1.1377	1.1409	1.1336

Note:

- (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 and on each business day of the month (or portion thereof) for monthly averages. Source: Federal Reserve Bank of New York.

Rounding

Certain numerical figures set out in this Offering Circular, including financial data presented in millions or thousands and certain percentages, have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

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 Offering Circular.

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 WAEMU headquartered in Lomé, Togo and is an international organisation established by the Establishment Treaty signed on 14 November 1973 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 1 June 1984 and 2 May 1997, respectively (the “**WAEMU Member States**”). The Issuer commenced operations in 1976. The Issuer and the BCEAO are designated as the institutions of the WAMU, pursuant to Article 25 of the 2007 WAMU Treaty.

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 characterised 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 divided into two classes: Class A and Class B, with Class A comprising the WAEMU Member States and the BCEAO (its largest shareholders holding 94.0 per cent. of shares), and Class B comprising several non-regional members (who, together, hold 6.0 per cent. of shares) such as France, KfW acting on behalf of the Federal Republic of Germany, the EIB acting on behalf of the European Union, the AfDB, the Kingdom of Belgium, the People’s Bank of China acting on behalf of the Popular Republic of China, Exim Bank of India acting on behalf of India and 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-term, medium-term 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**”).

Each window extends credit depending 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 market rate resources. Pursuant to the 2015-2019 Strategic Plan, the Issuer has expanded the activities of the Bank Window, which represented 52.2 per cent. of its gross outstanding loans as at 31 March 2017, compared to 48.4 per cent. as at 31 December 2014. See “—*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Pricing Policy—Bank Window*”.

The “**FDC Window**” provides funding to the WAEMU Member States and their public sector entities or agencies on a concessional basis (“concessional loans” being loans that are extended on preferential terms compared to market rate loans, either through interest rates below those available in the market and/or through grace periods for the commencement of the repayment of principal and/or the payment of interest). Between mid-2014 and mid-2016, the Issuer temporarily suspended its activities in this area because it had encountered difficulties in obtaining sufficient concessional resources to support this type of funding. In December 2015, the WAEMU Council of Ministers decided to put in place an interest subsidy mechanism (“**Interest Subsidy Mechanism**”) to allow the Issuer to reopen the FDC Window. The funds made available under the Interest Subsidy Mechanism finance the interest gap between concessional loans granted through the FDC Window and the indebtedness incurred by the Issuer at market rates to fund these loans. The Interest Subsidy Mechanism applies solely to new commitments entered into after the mechanism was introduced and not to lending made under any pre-existing commitments. The Interest Subsidy Mechanism is to be funded by the WAEMU Member States and, to a lesser extent, by the BCEAO, the WAEMU Commission and the Issuer itself. Approximately FCFA 25 billion is to be made available on a yearly basis. The Issuer resumed its FDC Window activities in mid-2016. The activities of the FDC Window represented 41.7 per cent. of the Issuer’s gross outstanding loans as at 31 March 2017, compared to 47.0 per cent. as at 31 December 2014. See “—*Description of the Issuer—Operating and financing models of the Issuer—Operating model*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Pricing policy—FDC Window – Interest Subsidy Mechanism*”.

Implemented on 25 September 2009, the “**FDE Window**” provides concessional funding for energy projects of regional and national priority. Originally set up at the WAEMU level and managed by the Issuer, the initial endowment of FCFA 250 billion provided by the WAEMU Council of Ministers and the WAEMU Member States to the FDE was capitalised within the Issuer’s own equity capital during fiscal year 2014. The FDE Window is funded with grants from the WAEMU Member States, regulatory bodies and institutions of the WAEMU, as well as by the Kingdom of Belgium. However, decision-making authority with respect to projects funded through the FDE Window is made by the Issuer. The activities of the FDE Window represented 6.1 per cent. of the Issuer’s gross outstanding loans as at 31 March 2017, compared to 4.6 per cent. as at 31 December 2014. See “—*Description of the Issuer—Operating and financing models of the Issuer—Operating model*”.

Through these three windows, the Issuer provides primarily medium-term 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 identity of the 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 have included the following:

- Creation of the GARI in 1994, a regional investment guarantee fund in which the Issuer currently holds a 11.6 per cent. ownership interest;
- Creation of the SOAGA in 2004 in which the Issuer currently holds a 6.0 per cent. ownership interest and an equity Regional Investment Fund known as *SICAV Abdou Diouf* launched in 2002 in which it owns a minority stake;

- Creation of CRRH-UEMOA in 2010, a regional mortgage refinancing bank in which the Issuer currently holds an 18.0 per cent. ownership interest and BOAD *Titrisation* in 2011, a regional securitisation company in which it currently holds a 100.0 per cent. ownership interest;
- Supporting the restructuring of the regional banking system;
- Becoming accredited in June 2015 as a GEF Project Agency in furtherance of the Issuer's dedication to environmental protection in connection with its financing projects (see "*—Description of the Issuer—Environmental governance*");
- 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 bond issuances, equity investments and securitisation transactions. For example, the Issuer is the largest non-sovereign Issuer on the regional capital markets and is a shareholder of the regional stock exchange (the BRVM) and of the DC/BR, both located in Abidjan;
- Investment in two funds managed by Cauris Management (created in 1996). The Issuer currently holds a 49.6 per cent. participation in the Cauris Croissance Fund and a 17.7 per cent. participation in the Cauris Croissance II Fund. Cauris' activities focus on the WAEMU region where it invests in SMEs with significant growth potential. Cauris Management currently has €83.3 million of assets under management; and
- Diversification of funding sources away from the regional market, development of relationships with non-regional development finance institutions, assignment of international credit ratings in 2015 and inaugural international capital markets issuance in 2016.

The Issuer's principal assets are primarily comprised of loans denominated in FCFA to WAEMU Member States and private and public entities operating in the WAEMU region, as well as equity participations in regional private and public entities. The Issuer's total assets were FCFA 2,287 billion (€3,487 million), FCFA 2,263 billion (€3,450 million), FCFA 1,783 billion (€2,719 million) and FCFA 1,658 billion (€2,527 million) as at 31 March 2017 and 31 December 2016, 2015 and 2014, respectively. As at 31 March 2017, the Issuer's total gross outstanding loans amounted to FCFA 1,555 billion (€2,371 million) (compared to FCFA 1,542 billion (€2,350 million), FCFA 1,350 billion (€2,057 million) and 1,161 billion (€1,770 million) as at 31 December 2016, 2015, 2014 respectively), divided between the three windows as follows: the Bank Window accounted for 52.3 per cent., the FDC Window accounted for 41.7 per cent. and the FDE Window accounted for 6.0 per cent.

The Issuer's fiscal year runs from 1 January to 31 December and its Board of Directors meets in March, June, September and December of each year. At the meetings held in 2016, the Board of Directors approved 41 medium-term and long-term loan proposals totalling FCFA 433.8 billion (€661.3 million) and three equity investments totalling FCFA 12.8 billion (€19.5 million). In addition, six short-term facilities were approved in 2016 totalling FCFA 51.9 billion (€79.1 million). At the meeting held in March 2017, the Board of Directors approved 25 short-term, medium-term and long-term loan proposals totalling FCFA 394.1 billion (€600.8 million). 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 10.3 billion (€15.7 million), FCFA 34.1 billion (€52.1 million), FCFA 32.6 billion (€49.7 million) and FCFA 29.8 billion (€45.4 million) for the three-month period ended 31 March 2017 and for the years ended 31 December 2016, 2015 and 2014, respectively.

The Issuer's equity capital as at 31 March 2017 was FCFA 729.7 billion (€1,112.4 million) and FCFA 722.8 billion (€1,101.9 million), FCFA 734.1 billion (€1,119.2 million) and FCFA 715.4 billion (€1,090.6 million) as at 31 December 2016, 2015 and 2014, respectively. Its total liabilities were FCFA 1,557.4 billion (€2,374.4 million) as at 31 March 2017 and FCFA 1,540.6 billion (€2,348.7 million), FCFA 1,049.5 billion (€1,599.9 million) and FCFA 943.1 billion (€1,437.7 million) as at 31 December 2016, 2015 and 2014, respectively.

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 (under the standard approach of Basel II) as at 31 March 2017 and 31 December 2016 was 24.6 per cent. and 25.1 per cent., respectively, including the initial FDE resources, which have been capitalised on 31 December 2014, with a minimum requirement of 8.0 per cent.). As such, the Issuer's capital adequacy is in line with its commitments. The Issuer's capital adequacy target is to always exceed 15.0 per cent.

Recent Developments

On 27 June 2017, the Board of Directors met and approved fifteen new financing projects, representing a total of FCFA 256.4 billion (€390.9 million) for:

- Transport: FCFA 60.3 billion (€92.0 million);
- Social housing: FCFA 100.2 billion (€152.7 million);
- Tourism: FCFA 16.4 billion (€25 million);
- Credit lines to be used to finance SMEs: FCFA 20 billion (€30.5 million);
- Water supply: FCFA 15 billion (€22.9 million);
- Agriculture: FCFA 18.5 billion (€28.2 million);
- Energy: FCFA 20 billion (€30.5 million); and
- Industry: FCFA 6 billion (€ 9.1 million).

Selected Financial Information

The selected statement of comprehensive income and other data of the Issuer for the years ended 31 December 2014, 2015 and 2016, and the selected statement of financial position data as at 31 December 2014, 2015 and 2016 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, 31 December 2014, 2015 and 2016 which have been prepared by the Issuer under IFRS, audited by KPMG CI for the years ended 31 December 2014 and 2015, and PWC as at, and for the year ended, 31 December 2016, and English version translations of which are included elsewhere in this Offering Circular.

The selected statement of comprehensive income and other data of the Issuer for the three-month periods ended 31 March 2016 and 2017, and the selected statement of financial position data as at 31 March 2016 and 2017 set out below have been derived from, and should be read in conjunction with, and are qualified in their entirety by, the 2017 Interim Financial Statements of the Issuer as at, and for the three-month periods ended, 31 March 2016 and 2017, which have been prepared by the Issuer under IAS, and subject to a limited review by PWC, and English language translations of which are included elsewhere in this Offering Circular. The Issuer is not required to, and does not normally, produce quarterly financial statements and has produced the 2017 Interim Financial Statements solely for inclusion in this Offering Circular for the purposes of the Offering. Following issuance of the Notes, the Issuer agrees, pursuant to Condition 5 under “*Terms and*

Conditions of the Notes – Negative Pledge and certain other Covenants”, to provide to the Trustee only annual and semi-annual financial statements under its periodic reporting obligations and therefore will not be providing to the Trustee, or otherwise publishing, any quarterly financial statements as part of such obligations.

For a description of the basis of preparation of these financial statements, see the notes thereto and the auditors’ report or limited review report, as the case may be, in respect of such financial statements included in this Offering Circular, and “*Presentation of Financial and Certain Other Information*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*”.

Results of Operations

The table below sets forth the Issuer's results of operations for the years ended 31 December 2014, 2015 and 2016 and for each of the three-month periods ended 31 March 2016 and 2017.

	31 December			31 March	
	2014 (audited)	2015 (audited)	2016 (audited)	2016 (unaudited)	2017 (unaudited)
	(FCFA millions)				
Interest income.....	61,390	72,167	87,210	20,083	25,137
Interest expense.....	(31,585)	(40,993)	(59,734)	(11,262)	(18,358)
Net Interest Income.....	29,805	31,175	27,477	8,821	6,778
Commissions income.....	3,318	5,512	3,836	567	647
Commissions expense.....	(1,162)	(1,246)	(2,363)	(497)	(312)
Sub-total.....	31,961	35,440	28,949	8,890	7,114
Exchange rate gains.....	121	12	52	2,210	6,878
Exchange rate losses.....	(4,742)	(5,120)	(32,725)	(2)	(2)
Gains/(losses) on hedging instruments.....	—	(247)	34,271	(2,000)	(3,738)
Sub-total.....	27,340	30,085	30,548	9,098	10,251
Dividends received.....	2,474	2,529	3,583	—	14
Gains/(losses) on financial assets available for sale.....	(46)	—	—	—	—
Net banking income.....	29,769	32,614	34,131	9,098	10,266
Cost of risk.....	(7,135)	(6,964)	(6,017)	(1,175)	(351)
Allocations from Member States.....	3,200	3,200	3,200	—	—
Other operating income.....	251,055 ⁽¹⁾	984	883	22	107
Expenses related to development activities.....	(1,547)	(1,530)	(1,627)	(407)	(425)
General operating expenses.....	(16,913)	(19,395)	(19,326)	(3,689)	(4,385)
Staff costs.....	(10,403)	(11,226)	(11,086)	(2,107)	(2,729)
Amortisation.....	(979)	(1,187)	(1,201)	(291)	(298)
Other.....	(5,531)	(6,983)	(7,040)	(1,291)	(1,358)
Other operating expenses.....	(30)	(69)	(695)	(11)	(68)
Other operating income.....	235,765	(16,811)	(17,565)	(4,086)	(4,771)
Income for the period.....	258,399	8,839	10,548	3,837	5,143
Other elements of income					
Revaluation of fixed assets.....	—	—	—	—	—
Cash flow coverage.....	—	—	(12,864)	—	(9,570)
Variation in fair market value of securities available for sale.....	16,442	(2,967)	(6,998)	(2,967)	(6,998)
Elements not reclassified in income					
Revaluation of net liabilities under defined benefit plans.....	(129)	(50)	(745)	(50)	(745)
Other elements of income.....	16,313	(3,017)	(20,607)	(3,017)	(17,313)
Comprehensive income.....	274,712	5,822	(10,059)	820	(12,170)

Note:

(1) Includes the FCFA 250 billion capital endowment of the FDE.

Assets and Liabilities

The following table sets forth the Issuer's statement of financial position as at 31 December 2014, 2015 and 2016 and 31 March 2016 and 2017.

	31 December			31 March	
	2014 (audited)	2015 (audited)	2016 (audited)	2016 (unaudited)	2017 (unaudited)
	(FCFA millions)				
Assets					
Cash and cash equivalents	281,902	194,317	284,921	254,875	282,599
Net loans and receivables (net of provisions), of which:	1,290,718	1,487,624	1,860,051	1,514,332	1,883,463
Interbank deposits	340	530	33,421	768	38,781
Loans and advances to customers	1,161,728	1,360,100	1,550,385	1,388,268	1,565,145
Loans to personnel	6,096	6,270	6,421	6,442	6,618
Securities portfolio	22,546	15,227	171,437	13,356	173,060
Advances to shareholders	99,933	105,420	98,307	105,420	99,782
Other ⁽¹⁾	75	77	79	77	78
Equity participations	66,166	78,123	72,097	80,202	74,790
Other assets	10,632	14,793	37,690	15,708	37,838
Intangible assets	1,031	879	719	840	666
Tangible assets	8,022	7,904	7,879	7,720	7,751
Total Assets	1,658,471	1,783,640	2,263,357	1,873,676	2,287,108
Liabilities					
Amortised liabilities	904,391	1,015,058	1,466,600	1,078,573	1,478,821
Interbank debts	10,459	34,704	15,937	44,816	16,236
Debt represented by a security	561,559	557,265	1,018,843	619,546	981,173
Other	332,374	423,088	431,819	414,212	481,413
Other liabilities	33,164	28,561	66,340	51,245	70,847
Funds	18,958	13,231	45,389	13,195	53,350
Other	14,206	15,330	20,951	38,049	17,496
Provisions	5,517	5,873	7,618	5,873	7,728
Total liabilities	943,072	1,049,491	1,540,558	1,135,691	1,557,396
Capital	255,819	268,746	270,457	268,746	271,932
Subscribed capital	1,050,550	1,097,750	1,097,750	1,097,750	1,103,650
Callable capital	(786,405)	(821,805)	(821,805)	(821,805)	(826,230)
Costs related to deferred release of capital	(8,327)	(7,200)	(5,489)	(7,200)	(5,489)
Share premium	2,622	2,622	2,622	2,622	2,622
Reserves	456,958 ⁽²⁾	462,781 ⁽²⁾	449,721 ⁽²⁾	466,617	455,159
Reserves allocated to development activity	76,050	76,050	76,050	76,050	76,050
Reserves of cash flow hedges	—	—	(12,864)	—	(9,570)
Other reserves	16,468	13,501	6,503	13,501	6,503
Retained earnings	106,041	364,390	370,408	373,229	377,956
Profit/loss for the period	258,399	8,839	10,548	3,837	5,143
Total shareholders' equity	715,398	734,149	722,800	737,985	729,712
Total Liabilities and Capital	1,658,471	1,783,640	2,263,357	1,873,676	2,287,108

Notes:

(1) Represents advances and operational accounts and adjustment accounts.

(2) Includes the initial FDE capital endowment of FCFA 250 billion (€381.1 million) which was capitalised as on 31 December 2014.

GENERAL DESCRIPTION OF THE OFFERING

*The following is an overview of certain information contained elsewhere in this Offering Circular. It does not purport to be complete and is qualified in its entirety by the more detailed information appearing elsewhere in this Offering Circular. Prospective investors should also carefully consider the information set forth in “Risk Factors” below prior to making an investment decision. Capitalised terms not otherwise defined in this overview have the same meaning as in the terms and conditions (for the purposes of this section, the “**Conditions**”) of the Notes. See “—Terms and Conditions of the Notes” for a more detailed description of the Notes.*

Issuer	Banque Ouest Africaine de Développement.
Trustee	Citicorp Trustee Company Limited.
Principal Paying and Transfer Agent	Citibank, N.A., London Branch.
Registrar	Citigroup Global Markets Deutschland AG.
The Issue	U.S.\$850,000,000 5.000 per cent. Notes due 2027.
Issue Price	98.074 per cent. of the principal amount of the Notes.
Issue Date	27 July 2017.
Maturity Date	27 July 2027.
Interest Rate	The Notes will bear interest at the rate of 5.000 per cent. per annum from and including 27 July 2017 to but excluding the Maturity Date (as defined in the Conditions).
Yield	5.250 per cent. calculated on the basis of the Issue Price.
Interest Payment Dates	Interest will be payable semi-annually in arrear on 27 January and 27 July in each year, commencing on 27 January 2018.
Withholding Taxes	All payments in respect of the Notes will be made free and clear of, and without withholding or deduction for, any withholding taxes imposed, levied, collected, withheld or assessed by or on behalf of or within any Relevant Jurisdiction (as defined in the Conditions) to the extent provided in Condition 10 (<i>Taxation</i>). In the event that any such withholding or 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.
Ranking	The Notes constitute direct, general, unconditional, unsubordinated and (subject to Condition 5(a) (<i>Negative pledge</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> 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.

Cross Default	The terms of the Notes will contain a cross default provision as further described in Condition 12 (<i>Events of Default and Enforcement</i>).
Negative Pledge	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>).
Other Covenants	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 if it has or become obliged to pay additional amounts as provided or referred to in Condition 10 (<i>Taxation</i>) 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 on or after the Issue Date.
Use of Proceeds	The net proceeds of the issue of the Notes, amounting to approximately U.S.\$832 million after the deduction of total expenses in connection with the issuance of the Notes, will be used to fund the Issuer's general financing activities.
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 Issue Date with, a common depository for, and in respect of interests held through, Euroclear and Clearstream. 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 Issue 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 Condition 1 (<i>Form, Denomination and Title</i>). Interests in the Restricted Global Note Certificate(s) will be subject to certain restrictions on transfer. See “—<i>Form of the Notes and Transfer Restrictions</i>”. 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 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 will be made to list the Notes on the Luxembourg Stock Exchange. There is no assurance that the Notes will be listed on the official list of the Luxembourg Stock Exchange and traded on the regulated market thereof. The Notes have been accepted for clearance and settlement through DTC, Euroclear and Clearstream with the following ISINs, Common Codes and CUSIP:

ISINs: XS1650033571 (Regulation S)/US06675QAB95 (Rule 144A)

Common Codes: 165003357 (Regulation S)/165004108 (Rule 144A)

CUSIP: 06675Q AB9 (Rule 144A).

Governing Law

The Notes, the Trust Deed and the Agency Agreement 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, France and the WAEMU Member States. See “—*Subscription and Sale*”.

Ratings

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

Risk Factors

Please see the “*Risk Factors*” section for a description of certain of the risks you should carefully consider before investing in the Notes.

RISK FACTORS

An investment in the Notes involves a high degree of risk. Investors should carefully consider the following risk factors in this Offering Circular before making an investment decision. The Issuer believes that the following factors may affect its ability to fulfil 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 Offering Circular (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, almost exclusively, 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, poor infrastructure, increasing terrorism risk, and, for some of them, political instability and internal security challenges, such as the recent conflicts in Guinea Bissau, Mali, Burkina Faso, 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 "*Factors relating to the Issuer and the jurisdictions in which it operates—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 Offering Circular 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 and challenging macroeconomic conditions in emerging markets in 2016, which are expected to continue for the foreseeable future, and rather modest recovery projections in 2017.

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 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 organisations.

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, 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 WAEMU Council of Ministers may also authorise 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 between the Issuer, on the one hand, its lenders, borrowers or third parties, on the other hand, shall be settled by national jurisdiction bodies, or by means of any dispute settlement mechanism agreed by the Issuer, subject to provisions of Article 4 of the By-laws.

Notwithstanding these immunities and the absence of government interference up to the date of this Offering Circular, 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 “**Audit Committee**”) the Issuer's performance, risk profile and capital adequacy. While the Issuer also adopted its own risk management policy covering credit, market and operational risk, 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 according to the standards and recommendations of Basel II, namely to hold capital greater than or equal to 8.0 per cent. of risk weighted assets with a minimum internal target of 15.0 per cent. (which it is currently exceeding). 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 a decrease in the level of capital adequacy and higher leverage (subject to the Issuer's 300.0 per cent. 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.

Moreover, 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 of Directors 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 organised 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 Board of Directors, as well as management and employees, are required under the Establishment Treaty only to 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 organisation 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.

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 authorised 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. Callable capital represents the portion of subscribed capital that has been subscribed but is not to be paid until actually called. With regard to paid-in capital, of the part that is deemed to have been paid-in, some amounts may be in arrears, as was the case for Guinea Bissau until April 2017 (as discussed below). Pursuant to Article 7 of the By-laws, paid-in capital must represent at least 25.0 per cent. of the Issuer's subscribed capital at all times, with the remaining 75.0 per cent. subject to being called. However, this 25.0 per cent. threshold applies to the entire five-year period during which shareholders pay in the relevant share of capital in accordance with that established payment schedule 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 25.0 per cent. has actually been paid. 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 31 March 2017, FCFA 277 billion (€422.3 million) had been called up, and FCFA 182 billion (€277.5 million) out of the overall nominal subscribed capital of FCFA 1,104 billion (€1,683 million) had been actually paid. As at 31 March 2017, the Issuer had FCFA 826 billion (€1,259.2 million) in callable capital (subscribed share capital that had not yet been called).

The terms and conditions of payment of the called 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 of Directors' 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 of Directors initially established a timeframe of 10 years for the payment of the portion of capital to be paid in, which was subsequently reduced starting from 2017 to five years for amounts to be paid under the December 2013 capital increase. If the paid-in portion of capital is not paid up in accordance with the established schedule and is not materially honoured in full, this could have an adverse impact on the Issuer's financial position and the Issuer's resources available to finance its lending activity. The callable capital of the Issuer serves as “quasi-security” for borrowings that the Issuer contracts, in accordance with Article 37 of the By-laws. If the Issuer anticipates being in default 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 honour 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 honour 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 at the date of this Offering Circular, 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, characterised 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 are to its WAEMU Member States: as at 31 March 2017, loans to the WAEMU Member States (both through the FDC Window and market rate sovereign loans made through the Bank Window) represented 67.4 per cent. of total gross outstanding loans and equity investments in companies incorporated in the WAEMU Member States represented 78.6 per cent. of the Issuer's total equity investments.

The Issuer'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 characterised, in some cases, by political uncertainty, military conflict, terrorism, civil unrest, slow growth or recession, declining investment, government and private sector debt default and restructurings, significant inflation and currency devaluation, epidemics, high poverty and low level of human development. 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 “—*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*” above.

Most of the Issuer's loans are made to the WAEMU Member States, and the Issuer has a policy not to make any provisions for such loans.

The Issuer's largest exposures are to its WAEMU Member States (both through the FDC Window and market rate sovereign loans made through the Bank Window), which comprised 67.4 per cent. and 66.6 per cent. of total gross outstanding loans as at 31 March 2017 and 31 December 2016, respectively. With respect to its loans to the WAEMU Member States, the Issuer believes that it has benefitted from *de facto* “preferred creditor status”. See “—*While the Issuer believes that it has historically benefitted from de facto “preferred creditor status” from each of the WAEMU Member States; 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" below.

Loans granted to the WAEMU Member States, whether on a concessional basis or at market rates, 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 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 recently resumed concessional lending following implementation of a new Interest Subsidy Mechanism; failure of this new Interest Subsidy Mechanism to achieve its objectives could materially adversely affect the Issuer's financial condition, growth and prospects.

Loans to WAEMU Member States extended through the Issuer's FDC Window were historically financed by concessional borrowing. In mid-2014, the Issuer decided to suspend temporarily the granting of new loans through the FDC Window until such time as it is able to obtain required concessional funding sources.

In December 2015, the WAEMU Council of Ministers established a new Interest Subsidy Mechanism to allow the Issuer to resume concessional lending through the FDC Window (see "*—Management's Discussion and Analysis of Financial Condition and Results of Operations—Pricing Policy—FDC Window—Interest Subsidy Mechanism*"). The funds made available under the Interest Subsidy Mechanism finance the interest gap between concessional loans granted through the FDC Window and the indebtedness incurred by the Issuer at market rates to fund these loans. The Interest Subsidy Mechanism is to be funded by the WAEMU Member States and, to a lesser extent, by the BCEAO, the WAEMU Commission and the Issuer itself. Approximately FCFA 25 billion are to be made available on a yearly basis. The amount paid on the date the loan is granted covers the entire interest difference over the duration of the loan. This mechanism is available only for concessional loans made to WAEMU Member States.

If any of the WAEMU Commission, the WAEMU Member States and the BCEAO fail to fulfil their commitment to fund the Interest Subsidy Mechanism every year or should the Interest Subsidy Mechanism be discontinued, the Issuer will have to suspend again its concessional lending activities conducted through the FDC Window. This will negatively impact its activities, results of operations, growth and prospects. See "*—Description of the Issuer—Operating and financing models of the Issuer—Financing model*".

Furthermore, the Interest Subsidy Mechanism applies solely to new commitments entered into after the mechanism was introduced and not to lending made under any pre-existing commitments. Therefore, concessional lending under such pre-existing commitments will not benefit from the Interest Subsidy Mechanism and will, as a result, continue to negatively affect the Issuer's net interest income and its credit margin until such loans are fully reimbursed.

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.

As part of the 2015-2019 Strategic Plan, the Issuer has expanded the activities of the Bank Window, which is funded through capital markets borrowings obtained at market rates. Further, concessional funding is increasingly less available to the Issuer and, as a result, the FDC Window lending activities are now also funded through capital markets borrowings at market rates. As a result, the Issuer's total indebtedness (represented by debt securities and deposits made by financial institutions with the Issuer) has increased during the period under review, from FCFA 904.1 billion as at 31 December 2014 to FCFA 1,015.1 billion as at 31 December 2015, FCFA 1,466.6 billion as at 31 December 2016 and FCFA 1,478.8 billion as at 31 March

2017. Over the period, the Issuer's interest expenses have also increased, from FCFA 31.6 billion during the year ended 31 December 2014 to FCFA 41 billion during the year ended 31 December 2015 and FCFA 59.7 billion during the year ended 31 December 2016. During the three-month period ended March 31, 2017, it amounted to FCFA 18.4 billion, compared to FCFA 11.3 billion during the three-month period ended 31 March 2016. In the meantime, the Issuer's net interest income has decreased by 11.9 per cent. between the year ended 31 December 2015 and the year ended 31 December 2016 and by 23.2 per cent. between the three-month period ended 31 March 2016 and the three-month period ended 31 March 2017.

From the start of 2014 to the end of March 2017 period, the Issuer's credit margin (defined as the difference between the weighted average interest rates on all loans and the average cost of borrowing) deteriorated. It decreased from 1.6 per cent for the year ended 31 December 2014, to 0.9 per cent. for the year ended 31 December 2015, to 0.2 per cent. for the year ended 31 December 2016 and to 0.2 per cent. for the three-month period ended 31 March 2017. This was due to the decrease in the average return on loans (see “—*Management's Discussion and Analysis of Financial Condition and Results of Operations—Pricing Policy—Weighted average interest on loans*”) and to a significant increase in the average cost of borrowing (see “—*Management's Discussion and Analysis of Financial Condition and Results of Operations—Pricing Policy—Cost of funding*”). This deterioration is the result of the financing of the FDC Window and lending activities through the Bank Window (capital markets borrowings at market rates), resulting in loss of margins.

If the Issuer incurs substantially more debt in the future, and does so at market rates, as will the case be with the proposed issuance of the Notes, its debt servicing burden will increase. This will be compounded if the Issuer is unable to increase its credit margin, including if the Interest Subsidy Mechanism does not adequately cover the gap between the interest rate on loans granted through the FDC Window and the interest rate on the debt incurred by the Issuer to finance such loans. This would have a material adverse effect on the Issuer's result of operations, financial condition and capacity to service its obligations under the Notes.

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 2014-2017 review period, the Issuer's loan portfolio grew from FCFA 1,161.3 billion as at 31 December 2014 to FCFA 1,349.2 billion as at 31 December 2015, FCFA 1,541.6 billion as at 31 December 2016 and FCFA 1,555 billion as at 31 March 2017.

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 loan levels. As at 31 March 2017, non-performing loans amounted to FCFA 34.6 billion, as compared to FCFA 34.8 billion as at 31 December 2016 and FCFA 36.9 billion as at 31 December 2015. The non-performing loan ratio was 2.2 per cent. as at 31 March 2017, as compared to 2.3 per cent. as at 31 December 2016 and 2.7 as at 31 December 2015. 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 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, 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 FCFA 74.8 billion as at 31 March 2017, as compared to FCFA 72.1 billion as at 31 December 2016 (3.2 per cent. of total assets) as compared to 78.1 billion as at 31 December 2015 (4.4 per cent. of total assets) and FCFA 66.2 billion as at 31 December 2014 (4.0 per cent. 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—Products and services—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 (if any) does not fully cover the lender's claims. In particular, as at 31 March 2017 and 31 December 2016, 67.4 per cent. and 66.6 per cent., respectively, of the Issuer's loans were to the WAEMU Member States (through both the FDC Window and market rate sovereign loans made through the Bank Window). 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 at the date of this Offering Circular, the Issuer has one sovereign exposure, Guinea Bissau, for a total amount of FCFA 11 billion, whose reimbursement was rescheduled over an eight-year period due to financial difficulties encountered by that country several years ago.

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 79.0 per cent. of the Issuer's loan book is neither secured nor guaranteed. The Issuer takes collateral and guarantees from only a portion of its non-sovereign borrowers and, as at 31 March 2017 and 31 December 2016, 12.5 per cent. and 12.7 per cent., respectively, of the Issuer's total loan portfolio was collateralised 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) organisations such as the FAGACE, the FSA and the GARI or (ii) escrow accounts, AMP 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 approval of the Board of Directors and management of the Issuer, 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 its sovereign exposure to WAEMU Member States (whether through the FDC Window or market rate sovereign loans made through the Bank Window), which comprised 67.4 per cent. and 66.6 per cent., respectively, of total gross outstanding loans as at 31 March 2017 and 31 December 2016. 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.

While the Issuer believes that it has historically benefited from de facto "preferred creditor status" from each of the WAEMU Member States, 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 FCFA 8.2 billion (including penalties of FCFA 2.9 billion). Furthermore, as previously described, the reimbursement of several loans granted to Guinea Bissau for a total amount of FCFA 11 billion, was rescheduled over an eight-year period due to financial difficulties encountered by that country several years ago. As at 31 March 2017, the Issuer's exposures to the WAEMU Member States (both through the FDC Window and market rate sovereign loans made through the Bank Window) were FCFA 1,048 billion (or 67.4 per cent. of total gross outstanding loans), as compared to FCFA 1,026.9 billion (or 66.6 per cent. of total gross outstanding loans) as at 31 December 2016, FCFA 892.3 billion (or 66.1 per cent. of total gross outstanding loans) as at 31 December 2015, and FCFA 728.6 billion (or 62.7 per cent. of total gross outstanding loans) as at 31 December 2014.

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 favourable 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 the WAEMU Member States, whether extended on a concessional basis or at market rates. 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, the 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 the WAEMU Member States. Any failure by the 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 access to 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 DFIs such as the IDA, which provides resources on a concessional basis, the AFD and the KfW, which provide resources both on a concessional basis and on a market basis, and the CDB, the BADEA, the ICD (a member of the IBD Group), the AfDB and the 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 recent 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 a *de facto* reference issuer in the regional capital markets. As at 31 December 2016 and 31 March 2017, 37.7 per cent. and 35.3 per cent., respectively, of the Issuer’s debt financing represent funding from the regional capital market.

The Issuer further diversified its funding sources by accessing the international capital markets in May 2016 by means of its inaugural issuance of U.S.\$750,000,000 5.5 per cent. notes due 2021, and the Issuer plans to do so again with the proposed issue of the Notes. The Issuer can also call upon its shareholders to provide additional capital to a certain extent. In particular, as at 31 March 2017, the Issuer had FCFA 94.6 billion in subscribed share capital that has not yet been called.

If at any time in the future:

- any future unavailability of access to the regional or international capital markets were not possible;
- loan financing was unavailable;
- interest rates for such sources of financing were to increase; and/or
- the Issuer's shareholders were to default on their obligation to pay the unpaid and/or not yet due portion of paid-in capital,

this would 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 and other indebtedness. 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. See *"—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."*

Any delays or failure of the Issuer to fully implement its 2015-2019 Strategic Plan or other business initiatives that it undertakes could prevent the Issuer from realising 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, the lack of sanitation facilities and the mitigation costs of the impact of climate change) and has undertaken to implement a number of business initiatives to help meet these challenges and further growth and performance in the WAEMU region. See *"—Description of the Issuer—Strategy – The 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 full implementation of the 2015-2019 Strategic Plan are (i) the risk of insufficient borrowing capacity (e.g. due to inability to continue accessing the international capital markets), (ii) the inability to secure adequate concessional resources (including through the Interest Subsidy Mechanism put in place for the FDC Window lending activities), (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 nor lead to the anticipated benefits. For example, the expansion of the non-sovereign lending segment, as contemplated by the 2015-2019 Strategic plan, may increase the Issuer's levels of non-performing loans since private sector lending is inherently riskier than sovereign lending and therefore more susceptible to default. 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 access to capital markets and other sources of financing could have a material adverse effect on the Issuer's business, operations and financial condition"* above.

Any delays or failure of the Issuer in fully 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 realising 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 capitalisation 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 non-WAEMU Member States, to which the Issuer has committed to provide resources and totalled FCFA 1,505 billion as at 31 March 2017 and FCFA 1,427 billion as at 31 December 2016, representing 65.8 per cent. and 73.6 per cent., respectively, of total assets. 50.0 per cent. of these undrawn commitments are 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 50.0 per cent.), this could have a negative impact in the medium-term on the Issuer's capitalisation 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 Offering Circular, remains pegged to the 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. Almost all loans granted by the Issuer are denominated in FCFA, but certain of the Issuer's significant contracts and borrowings are denominated in euros (25.0 per cent. of the Issuer's debt as at 31 December 2016 and 28.0 per cent. of the Issuer's debt as at 31 March 2017). 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 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 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.

In the fourth quarter of 2015, the Issuer put into place hedging instruments to hedge against currency fluctuations on its existing borrowings in SDR and U.S. dollars (totalling as at 31 December 2015 FCFA 75.2 billion). The Issuer hedged its U.S. dollar exposure on the U.S.\$750,000,000 5.5 per cent. notes due 2021 and intends, subject to appropriate pricing, to hedge its additional U.S. dollar exposure on the Notes. Such

hedging, if entered into, may be entered into after the issue of the Notes. However, the Issuer is not fully hedged against exchange rate risk on its SDR borrowings, as it uses 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 Issuer 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. Finally, under IFRS, the Issuer is required to mark-to-market its hedging instruments, resulting in the possible recording of losses on hedging instruments. Losses can also be incurred when the hedging instruments are rolled-over or unwound. Losses on hedging instruments amounted to FCFA 3.7 billion in the three-month period ended 31 March 2017 and FCFA 34.3 billion in the year ended 31 December 2016, compared to FCFA 0.2 billion in the year ended 31 December 2015, at a time when there was very little currency hedging activity. 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 minimise 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.

The Issuer has a statutory right to access the refinancing window of the BCEAO, the Issuer's largest shareholder, either by discounting its receivables under loans to the WAEMU Member States or by using them as collateral for repo-type arrangements. The Issuer has never had to resort to this refinancing window. Nonetheless, 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's creditors are increasingly investors in the capital markets and commercial lenders, while a significant portion of its debtors are the WAEMU Member States which are also its shareholders.

A significant portion of the Issuer's total gross outstanding loans (67.4 per cent. as at 31 March 2017) are made to the WAEMU Member States (both through the FDC Window and market rate sovereign loans made through the Bank Window), which are also the main shareholders of the Issuer (directly and through the BCEAO). Conflicts of interest may arise between the Issuer, as creditor, and the WAEMU Member States, both as shareholders and debtors of the Issuer. Those conflicts may not always be resolved in the interest of the Issuer, which may have a material adverse effect on the Issuer's business and financial condition. Furthermore, an increasing portion of the Issuer's debt is incurred on the regional and international capital markets (including through the proposed issuance of the Notes) and from commercial lenders. Rescheduling or restructuring discussions with the Issuer's debtors would take place with entities that are also its shareholders. If the Issuer had to enter into similar discussions with its other non-shareholder creditors, it cannot guarantee that these creditors would be as willing to accommodate the Issuer as the WAEMU Member States.

The Issuer may have relationships in and with WAEMU Member States that are the subject of international sanctions regimes and in the Republic of Sudan.

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) in and with WAEMU Member States, some of which are the subject of one or more international sanctions regimes.

One such State, Côte d'Ivoire, had until recently been the subject of 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 was and is not within the Issuer's business mandate. The OFAC currently maintains sanctions against certain persons and entities in Côte d'Ivoire.

The Issuer has entered into three USD financing agreements with BADEA, which is located in the Republic of Sudan, dedicated to the financing of SMEs in the WAEMU region and to the import of goods by the WAEMU Member States from Arab countries. In addition, BADEA, in 2012, financed consulting services for the Issuer. (See "*Description of the Issuer - International partnerships*"). Those financings represent all together less than 0.5% of the Issuer's total liabilities as at 31 March 2017. (See "*Selected Financial*

Information and Operating Data – Results of Operations – Assets and Liabilities”). While BADEA itself has not been, and is not, listed on a sanctions list in connection with an international sanctions regime, the Republic of Sudan is the subject of sanctions, including sanctions administered by the United States. Until recently sanctions against the Republic of Sudan administered by the United States included, among other things, an embargo on imports and exports of goods and services from and to the Republic of Sudan. The embargo was temporarily lifted in January 2017 by way of a general license authorising most of the previously prohibited transactions.

Although the Issuer transacts only with entities and persons that are not themselves the subject of sanctions or embargoes, except as described above, and the Issuer seeks to adhere to sanctions and embargoes imposed and administered by the African Union, the United Nations Security Council, the EU, OFAC, Her Majesty’s Treasury and other relevant internationally recognised 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 regimes or embargoes described above, or other sanctions regimes 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, including because of the sanctioned status of any entities or persons with whom the Issuer has relationships and the nature of any payments or services provided to or received from those entities and persons, 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 of Directors. 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, and this 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 Offering Circular, a concentration of ownership of the Issuer would not in itself result in an ability to appoint or remove a majority of the Board of Directors. Since 1973, one-third of the Board of Directors 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, which accounted for only 6.3 per cent. of the Issuer’s subscribed capital as at 31 March 2017. 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.

The Issuer’s IT systems are subject to failure or attacks by third parties.

The Issuer’s success depends on the continuous, uninterrupted availability of its information technology systems, notably in terms of risk management. Events beyond the Issuer’s control, such as

telecommunications difficulties, software failures, inadequate capacity of information technology centers, the lack of availability of internal resources, fires, electrical failures, third party attacks (such as hacking, computer viruses or ransomware) and any delay in or impossibility of installing new information technology systems could adversely affect the capacity and availability of the Issuer's IT systems. Any major disruption to or slowdown in the Issuer's systems could cause losses or delays in processing information, resulting in disruption of its lending activities, debt servicing and monitoring and management of its exposure to credit, interest rate, foreign exchange rates and other risks. See "*Description of the Issuer—Technology*".

Moreover, the security systems installed by the Issuer (See "*Description of the Issuer—IT security*") may prove inadequate to prevent loss or theft of information or disruption to its IT systems. If technological changes were to result in its IT systems becoming obsolete, or if they were no longer able to support the Issuer's activities growth, this could result in operational shortcomings and increased risks for the Issuer.

Finally, the Issuer's senior management uses IT systems to assist in decision-making and to monitor the results of Issuer's business. If these systems were to fail, the Issuer may no longer be capable of generating accurate, comprehensive operational and financial reports, which are vital for decision-making, and this could have a material adverse effect on the Issuer's business, financial condition, results of operations, development or prospects.

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 due to the lack of safeguards and infrastructure that investors traditionally encounter in more developed economies. 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 advisers 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 current 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 flows 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 Offering Circular 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;
- epidemics;
- restrictions on the right to convert or repatriate currency or export assets;

- greater risk of uncollectible accounts and longer collection cycles;
- indigenisation 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 two years 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*” below.

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—Privileges and immunities*”). In addition, the Issuer's Resident Missions also enjoy these privileges and immunities. See “—*Factors relating to the Issuer and the jurisdictions in which it operates—As a supranational institution, the Issuer is not subject to regulatory supervision, including with regard to capital adequacy, corporate governance or disclosure laws*” above.

As at the date of this Offering Circular, 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 Côte d'Ivoire in 2011, the Issuer suspended disbursements and did not submit approval documents for commercial and public sector loans to Côte 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. In May 2017 Mali was subject to several terrorist attacks in which more than 20 people were killed. On 13 March 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 cannot be excluded, and could lead to further disruption and tension in the WAEMU region.

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 presidential elections in Benin (6 March 2016) and parliamentary elections in Côte d'Ivoire (18 December 2016) went smoothly, no assurance can be given that future elections in the various WAEMU Member States will take place peacefully. Indeed, Côte d'Ivoire has recently experienced cases of military or para-military unrest, which led the government to make payments to certain armed groups of individuals, with no guarantee that those groups will not at a later stage make additional financial demands.

In the last two years Burkina Faso was subject to two coups d'état (in September 2015 and October 2016) both of which were 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 honour its commitments (debt service, public investment, social grants) as well as its economic performance. In particular, as at 31 March 2017, the Issuer's total outstanding loans to Côte d'Ivoire and Burkina Faso amounted to FCFA 111.0 billion and FCFA 118.2 billion, respectively (including the FDE Window). As at the date of this Offering Circular, the Issuer has one sovereign exposure, Guinea Bissau, for a total amount of FCFA 11 billion, whose reimbursement was rescheduled over an eight-year period due to financial difficulties encountered by that country several years ago.

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, 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 2014-2016 Ebola epidemic in the WAEMU countries was 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 World Health Organisation's Public Health Emergency of International Concern related to Ebola in West Africa was lifted on 29 March 2016 and the last declared Ebola case was reported in June 2016.

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. This could in turn 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.

Risks related to the Notes generally

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

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 Offering Circular 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 Offering Circular 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.

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*". 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 being redeemed and this may only be possible at a significantly lower rate.

The terms and conditions of the Notes contain provisions which may permit their modification without the consent of all investors.

The terms and 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 terms and 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, authorise 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 (as defined in the Trust Deed) shall not be treated as such, if in the opinion of the Trustee, the interests of Noteholders will not be materially prejudiced thereby. See “—*Terms and Conditions of the Notes—Meetings of Noteholders, Modification and Waiver*”.

The proposed financial transactions tax (the “FTT”).

On 14 February 2013, the European Commission published a proposal (the “**Commission’s Proposal**”) for a Directive for a common FTT in the Kingdom of 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 8 December 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, 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 depositary for Euroclear and Clearstream. Except in the circumstances described in the relevant Global Note Certificate, investors will not be entitled to receive definitive notes. DTC, Euroclear and Clearstream 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.

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 terms and conditions of the Notes are based on English law in effect as at the date of this Offering Circular. 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 Offering Circular 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 will 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 trading market in respect of the Notes may never be established or may be illiquid, in which case the investors' ability to sell the Notes may be limited.

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.

Although an application will be made for the Notes to be listed on the official list of the Luxembourg Stock Exchange and traded on the regulated market thereof, the Issuer cannot assure the investors that the Notes will become or remain listed. Although no assurance is made as to the liquidity of the Notes as result of the admission to trading on the official list of the Luxembourg Stock Exchange, failure to be approved for listing or the delisting (whether or not for an alternative admission to listing on another stock exchange) of the Notes, as applicable, from the official list of the Luxembourg Stock Exchange, may have a material effect on a holder's ability to resell the Notes in the secondary market.

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 and are subject to revision or withdrawal, either of which could adversely affect the trading price of the Notes.

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, suspended 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 analysed independently from any other rating. Credit ratings included or referred to in this Offering Circular have been issued by Moody's and Fitch, each of which is established in the EU 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 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—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 the Trustee and, as a result, to the extent allowed by law, Noteholders and the Trustee may take concurrent proceedings in other courts of competent jurisdiction and 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 Togo providing for reciprocal enforcement of judgments in order to enforce a judgment obtained in such foreign country in Togo. Foreign judgments are enforceable in Togo 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. Togo 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 Togo. As a result, enforcement of foreign judgments in Togo is reliant on the local laws and the ability of Noteholders to enforce foreign judgments in the courts of Togo could be affected by a change of local law.

In addition, certain of the members of the Board of Directors 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 “*Terms and Conditions of the Notes—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 advisers 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 the Volcker Rule have been adopted and became effective on 21 July 2015, subject to two additional one-year extensions announced by the Federal Reserve which together extend until 21 July 2017 the period for covered banking entities to conform their ownership interests in and sponsorship of certain entities to the Volcker Rule. The Volcker Rule generally prohibits covered banking entities 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 a covered fund. The Issuer will not seek to qualify for any exemption under 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 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, any prospective 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 directors, employees, affiliates, advisers or agents 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.\$850,000,000 5.000 per cent. Notes due 2027 (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 27 July 2017 (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 27 July 2017 (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, SA (“**Clearstream**”). 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 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 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) the relevant 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 (and including) 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 *pari passu*, 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 Covenants – Financial Covenants*) shall be disapplied 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 paragraphs (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) and shall not be required to review any financial statements or certificates provided pursuant to this Condition 5(b) 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 the covenant in Condition 5(b)(i) (*Other Covenants - 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 paragraph (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 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;

“Permitted Security Interest” means any Permitted Securitisation;

“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 (a) the date on which such payment first becomes due and (b) 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 per cent. 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 30 June and 31 December in each year commencing on 31 December 2017.

7 Interest

- (a) **Interest Accrual.** Each Note bears interest from 27 July 2017 (the “**Issue Date**”) at the rate of 5.000 per cent. per annum (the “**Rate of Interest**”) payable semi-annually in arrear on 27 January and 27 July in each year (each, an “**Interest Payment Date**”) commencing 27 January 2018, 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 and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

The determination of the amount of interest payable under Condition 7(c) (*Calculation of Interest for an Interest Period*) and this Condition 7(d) 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.** If any date for payment in respect of any Note is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. 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) (*Non-payment*)), 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 27 July 2027, 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 on or after 27 July 2017; 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 paragraph (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 (A) a certificate signed by two Authorised Signatories (as defined in the Trust Deed) of the Issuer stating that the obligation referred to in paragraph (i) above will apply on the next Interest

Payment Date and cannot be avoided by the Issuer taking reasonable measures available to it, and (B) 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 paragraphs (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), the Issuer shall be bound to redeem the Notes in accordance with this Condition 9(b).

- (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 (A) to a person 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*).
- (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*). 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 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).

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, or on account of, any present or future 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, 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:

- (a) **Other Connection.** presented for payment by or on behalf of a holder who is liable for such taxes, duties, assessments or governmental charges in respect of such Note by reason of such holder having some connection with any Relevant Jurisdiction other than the mere holding of the Note; or
- (b) **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
- (c) **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 10 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 10 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 sent 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 Condition 12(a)(ii) (*Breach of other obligations*), paragraph (A)(V) of Condition 12(a)(v) (*Bankruptcy/Winding-up, etc.*), and Conditions 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*) and 12(a)(v) (*Bankruptcy/Winding-up, etc.*) (except for paragraphs (A)(V), (B) and (C), provided that reference therein to paragraph (A) shall be deemed to be solely to paragraph (A)(V) of Condition 12(a)(v) (*Bankruptcy/Winding-up, etc.*)) 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 when due and such default continues for a period of 10 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 (A) is in the opinion of the Trustee, incapable of remedy or (B) 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 paragraphs (A) and/or (B) above and/or the amount payable under any Guarantee referred to in paragraph (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) (I) The Issuer or any of its Subsidiaries becomes insolvent or is unable to pay its debts as they fall due, (II) 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, (III) the Issuer or any of its Subsidiaries takes any action for a readjustment or deferment of any of its obligations, (IV) 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 (V) the Issuer or any of its Subsidiaries (1) ceases or threatens to cease to carry on all or any substantial part of its business or (2) makes or threatens to make any substantial change in the principal nature of its business as presently conducted (otherwise than in respect of both (1) and (2) 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 paragraphs (A) and (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 (I) 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, (II) 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 (III) 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, (i) 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 (ii) 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 (as defined in the Trust Deed) 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 (*Notices*).

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 this Condition 15 may be given by delivery of the relevant notice to Euroclear, Clearstream and DTC for communication by them to the relevant accountholders, provided: (a) that such notice is also delivered to the Stock Exchange; and (b) 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 (i) a leading daily newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or (ii) on the internet website of the Stock Exchange (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, legal or other 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 Noteholder receives or recovers any amount in a currency other than the Contractual Currency (as defined in the Trust Deed) (whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding up or dissolution of the Issuer or otherwise), in respect of any sum expressed to be due to it from the Issuer, that amount will only discharge the Issuer to the extent of the Contractual Currency amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt of recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

If that Contractual Currency amount is less than the Contractual Currency amount expressed to be due to the relevant Noteholder under the Notes, the Issuer will indemnify such Noteholder against any loss sustained by it as a result. In any event, the Issuer will indemnify the relevant Noteholder against the cost of making any such purchase.

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 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 any applicable statute conferring immunity upon the Issuer 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.\$832 million after the deduction of total expenses in connection with the issuance of the Notes, will be used to fund the Issuer's general financing activities.

DESCRIPTION OF THE ISSUER

Overview

The Issuer is the common development finance institution of the WAEMU Member States. It is an international organisation created by the Establishment Treaty signed on 14 November 1973 by Benin, Burkina Faso, Côte d'Ivoire, Niger, Senegal and Togo, which were joined by Mali and Guinea Bissau on 1 June 1984 and 2 May 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 originally emanated from article 23 of the 1973 WAMU Treaty and are currently based on Article 33 of the 2007 WAMU Treaty; the Issuer is defined as an autonomous specialised institution pursuant to Article 41 of the 1994 WAEMU Treaty. 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 (its largest shareholder) and several non-regional members such as France, KfW acting on behalf of the Federal Republic of Germany, the EIB acting on behalf of the European Union, the AfDB, the Kingdom of Belgium, the People's Bank of China acting on behalf of the Popular Republic of China, Exim Bank of India acting on behalf of India and the Kingdom of Morocco. See “—Capital Structure—Capital and shareholding structure”.

The creation of the Issuer and the WAEMU

Established following independence under the WAMU Treaty, the West African Monetary Union is characterised 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. A reform of the WAMU institutions, such as the West African Customs Union, was undertaken from 1970 to 1973 and led 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 10 January 1994 in Dakar. Under this Treaty, which entered into force on 1 August 1994, the Issuer became a specialised and autonomous 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 9 June 1959, which then became the West African Economic Community, pursuant to the Treaty of Abidjan which came into force on 1 January 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, harmonised 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 harmonise 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 the 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 regional liquidity 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:
 - Infrastructures (including, in particular, transport, energy and water supply);
 - Agriculture and rural development;
 - Industry;
 - Environment;
 - Finance and insurance; and
 - Tourism.

The table below sets out the allocation by sectors of commitments (including disbursed loans) as at 31 March 2017.

	31 March 2017	
	(FCFA millions)	(%)
Infrastructure.....	3,143.2	69.5%
Agriculture and rural development	566.6	12.5%
Environment.....	20.1	0.4%
Industry	333.2	7.4%
Finance and insurance	389.2	8.6%
Tourism	68.5	1.5%
Total.....	4,520.8	100.0%

- Transfer of the means of production and of distribution of goods and services to legal persons, public or private, from the WAEMU or one of the WAEMU Member States, or to natural persons that are nationals of the WAEMU;
- carry out advisory activities and provide assistance to legal persons, public or private from 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 Issuer's Policy Statement further states that the Issuer shall work together with the WAEMU Commission, the BCEAO and other national organisations and institutions of the WAEMU, and in close collaboration with the WAEMU Member States to formulate and harmonise 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-term 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 financial guarantees for securities and short-term financing*”.

The Issuer operates a concessional lending activity through the FDC Window and the FDE Window. The FDC Window used to being funded with concessional resources but since mid-2016 it is funded with market resources. The FDE is funded from grants from some of the Issuer’s shareholders. The Issuer also operates a market rate lending activity through the Bank Window, which it funds with market rate resources. In addition, the Issuer also uses market funding sources to fund “market rate sovereign loans” made through the Bank Window (i.e. long-term loans to the WAEMU Member States at market rates and under market conditions, in addition to the concessional loans made available through the FDC Window). See “—*Risk Factors—Factors relating to the Issuer and the jurisdictions in which it operates—The Issuer has recently resumed concessional lending following implementation of a new Interest Subsidy Mechanism; failure of this new Interest Subsidy Mechanism to achieve its objectives could materially adversely affect the Issuer’s financial condition, growth and prospects*”.

The Issuer does not pay dividends. Pursuant to Article 47 of the By-laws, the Issuer’s profits are fully transferred into reserves after clearing previous years’ losses, if any.

International partnerships

At the international level, many countries and 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 (which in total account for 6.3 per cent. of the Issuer’s subscribed capital) of the Issuer and/or their development finance arms (France, KfW acting on behalf of the Federal Republic of Germany, the EIB acting on behalf of the European Union, the AfDB, the Kingdom of Belgium, the People’s Bank of China acting on behalf of the Popular Republic of China, Exim Bank of India acting on behalf of India and the Kingdom of Morocco) as well as the IDA of the World Bank Group, the AFD, the KfW, the CDB, the BADEA, the ICD, the AfDB, the OeEB, the International Organisation of la Francophonie, the FAO and the Permanent Interstate Committee for drought control in the Sahel.

In 2012, the Canadian International Development Agency (“**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*).

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. The Japan International Cooperation Agency (“**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.

On 30 June 2015, the Issuer signed a credit agreement with the ICD for an amount of €30 million with a maturity of five years. The purpose of this credit agreement was to bolster the Issuer’s capacity to intervene in the private sector, especially in favour of SMEs. This amount has been 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.

In 2015, the Issuer continued to deepen and broaden its international partnerships. It initiated contacts with Qatar, Kuwait, Russia, the UAE and South Africa and continued the discussions, started in 2014, with South Korea, the United Kingdom, Malaysia, Turkey and Brazil. Together with the ECOWAS and the WAEMU Commissions, the Issuer also pursued the discussions initiated in 2014 with the EU Commission on the role of

the Issuer in the West Africa 2014-2020 Regional Indicative Program of the 11th European Development Fund and, more generally, to establish a closer collaboration between the Issuer and the EU. The Issuer also started the process to become entrusted with the budget implementation of the EU Commission resources for specific projects. The Regional Indicative Program relates to aid provided by 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.

On 4 November 2015, the Issuer entered into an agreement with the CDB pursuant to which the CDB granted to the Issuer a FCFA 65.6 billion (€100 million) credit facility, with a maturity of 7 years, 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. In 2016, the Issuer entered into several financing agreements, including:

- A €40 million financing agreement with the KfW, with a maturity of 10 years, pursuant to which the funds advanced will be made available to the WAEMU CRRH-UEMOA to promote housing for modest income households;
- a U.S.\$15 million financing agreement with the BADEA, with a maturity of 10 years, dedicated to the financing of SMEs in the WAEMU region (which followed a U.S.\$250,000 grant in 2012, a first facility of U.S.\$10 million entered into in 2013 and a second facility of U.S.\$20 million entered into in 2015);
- a second €50 million short-term revolving credit line with the ICD, with a maturity of two years;
- a €140 million financing agreement with the AfDB, dedicated to the financing of the private sector in the WAEMU region; the financing is divided in two tranches: tranche A for a total amount of €100 million and a maturity of 10 years and tranche B for a total amount of €40 million and a maturity of 15 years; and
- a €100 million financing agreement with the AFD, with a 12 years maturity, dedicated to the consolidation of the concessional activities of the Issuer.

During the first half of 2017, the Issuer entered into three financing agreements:

- a €27 million financing agreement with the *Société Internationale Islamique de Financement du Commerce*, with a maturity of one year, dedicated to the financing of the short-term operations in the WAEMU region;
- a €10 million financing agreement with BNP Paribas/EKF, with a maturity of 14 years, dedicated to the refinancing of 100.0 per cent. of the loan granted by the Issuer to the Albatros Energy Mali SA Company; and
- a €80 million financing agreement with the KfW, with a maturity of 10 years, dedicated to the financing of SMEs in the WAEMU region.

In addition, the Issuer is currently negotiating the arrangement of a credit line dedicated to short terms transactions with the OPEC Fund for International Development.

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, privatisations 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 currently into three separate financing windows: the Bank Window, the FDC Window and the FDE Window.

The table below sets out net outstanding loans¹ per Window as at 31 December 2014, 2015 and 2016 and 31 March 2016 and 2017.

	31 December			31 March	
	2014 (audited)	2015 (audited)	2016 (audited)	2016 (unaudited)	2017 (unaudited)
	(FCFA millions)				
Net outstanding loans:	1,135,572	1,324,244	1,515,340	1,346,954	1,528,727
• FDC Window	544,572	589,645	634,924	598,478	648,218
• Bank Window	537,762	660,344	787,375	668,488	786,088
• FDE Window	53,238	74,255	93,041	79,988	94,421

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 resources are not available for projects 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 and international markets and bilateral loans), finances commercial activities (such as the financing of factories, hotels, energy projects and harbour 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. Pursuant to the 2015-2019 Strategic Plan, the Issuer has expanded the activities of this window, which represented 52.2 per cent. of its gross outstanding loans as at 31 March 2017, compared to 48.4 per cent. as at 31 December 2014. See “—Products and services—Methods of Financing to National Financial Institutions and SMEs” below for more details on these products.

¹ Net of provisions. See “Description of the Issuer-Overall portfolio.”

In the context of decreasing concessional resources availability, the Issuer has had to shift its focus away from concessional resources towards market resources, and suspended funding from the FDC Window between mid-2014 and mid-2016. 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 and the Issuer's cost of funding from which the loan is funded. They typically have shorter maturities and grace periods than concessional loans. Accordingly, for the pricing of sovereign loans at arm's length, a minimum margin is applied to the Bank Window reference rate. The Issuer intends to continue to grant market rate sovereign loans even though it resumed concessional lending through the FDC Window after the implementation of the Interest Subsidy Mechanism in late 2015/early 2016, as the amounts available under this mechanism are not sufficient to generate enough concessional lending to cover the needs of the WAEMU Member States. See “—*Management's Discussion and Analysis of Financial Condition and Results of Operations—Pricing Policy*”.

- The FDC Window, which is funded by market resources and has benefited since December 2015 from an Interest Subsidy Mechanism funded by the WAEMU Member States, and, to a lesser extent, the WAEMU Commission, the BCEAO and the Issuer itself, finances development support operations. These include non-commercial socioeconomic 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. Between mid-2014 and mid-2016, the Issuer decided to temporarily suspend its activities in this area because it had encountered difficulties in obtaining sufficient concessional resources to support this type of funding. In December 2015, the WAEMU Council of Ministers decided to put in place an Interest Subsidy Mechanism to allow the Issuer to reopen the FDC Window, which it did in mid-2016. The funds made available under the Interest Subsidy Mechanism finance the interest gap between concessional loans granted through the FDC Window and the indebtedness incurred by the Issuer at market rates to fund these loans. The Interest Subsidy Mechanism applies solely to new commitments entered into after the mechanism was introduced and not to lending made under any pre-existing commitments. Approximately FCFA 25 billion is to be made available on a yearly basis. The activities of the FDC Window represented 41.7 per cent. of the Issuer's gross outstanding loans as at 31 March 2017, compared to 47.0 per cent. as at 31 December 2014. See “—*General Description of the Issuer and the Offering—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 was expected to be included in the loan conditions applied to all WAEMU Member States. The value of the grant component (as defined by the IMF) was calculated by taking into account the lower level of the applicable interest rate, the lender's right to defer interest payments, the longer maturity of the loan and the longer grace period than for commercial loans. This value had to represent the equivalent of a 35.0 per cent. discount to a reference rate set by the IMF. In 2013, following the relaxation of these IMF requirements, and in addition to the establishment of market rate sovereign loans at the Bank Window level starting in 2012, the Issuer conducted a restructuring of its pricing policy for loans to Member 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 value of the “grant” component of concessional loans (as defined by

the IMF) made to the WAEMU Member States was reduced to 12.4 per cent. for the three-month period ended 31 March 2017 and for the three-month period ended 31 December 2016, compared to 26.4 per cent. for the three-month period ended 31 December 2014. No concessional loans were granted in 2015.

- The FDE Window, which is funded by the FCFA 250 billion initial endowment of the FDE, finances energy development projects through concessional loans. The FDE was established at the WAEMU level under the Regional Initiative for Sustainable Energy and is managed by the Issuer. Pursuant to a decision dated 31 December 2014, the WAEMU Council of Ministers and the WAEMU Member States granted the initial capital of the FDE 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 66.0 per cent. increase in shareholders' equity between 31 December 2013 and 31 December 2014. The activities of the FDE Window represented 6.1 per cent. of the Issuer's gross outstanding loans as at 31 March 2017, compared to 4.6 per cent. as at 31 December 2014.

Out of FCFA 250 billion of resources received to date from the WAEMU Member States to fund the FDE Window, FCFA 239.2 billion is already committed as at 31 March 2017 and the remaining amount available for commitment is FCFA 10.8 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. 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.

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 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. 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 and international capital markets, and funding from external financing partners. See "*—Sources of funding*" below.

As a general rule, the Issuer does not finance more than 50.0 per cent. of a given project and aims to catalyse 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:

- 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 FDC Window and Bank Window activities: (i) its shareholders and development agency partners and (ii) the regional and 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. 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 90.0 per cent. for activities under the FDC Window and 75.0 per cent. 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 used to allocate half of its equity capital (paid-in capital plus reserves) to finance the activities of the Bank Window. However, now that the Issuer has resumed its concessional lending activities through the FDC Window, it has decided to allocate its equity capital to finance these activities until at least 2019, as resources to finance concessional lending are still scarce, even after the implementation of the Interest Subsidy Mechanism. 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 decided to temporarily suspend its FDC Window activity between mid-2014 and mid-2016. The mismatch between the Issuers' financing needs and the concessional resources available 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 resulted in the need to increase borrowings from the Issuer's financial partners and to reduce the share of concessional lending. However, due to the establishment of a new Interest Subsidy Mechanism in December 2015, the Issuer resumed concessional financing in mid-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 difference in rates being covered by the mechanism. See "*—Management's Discussion and Analysis*

of Financial Condition and Results of Operations—Pricing policy—FDC Window – Interest Subsidy Mechanism”.

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 the 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 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 rule – namely the one limiting limitation of borrowings to subscribed and (see above in brackets) callable capital – and to maintain only the second limitation on its debt to three times its paid-in capital plus reserves. See “—Risk Factors—Factors relating to the Issuer and the jurisdictions in which it operates—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” and “Description of the Issuer—Strengths—Strong Capitalisation”.

If required, the Issuer can obtain additional liquidity by accessing the BCEAO liquidity window, which permits the Issuer to either discount loans it has made to WAEMU Member States, companies, and financial institutions in the WAEMU region or use them as collateral under repo-type arrangements. Such loans can be refinanced at interest rates applicable to BCEAO refinancing transactions at the time of the request. The acceptance by the BCEAO of such loans for refinancing purposes is, in principle, not conditional on any minimum interest rate for such loans. In addition, the Issuer can use its holdings of bonds and other securities as collateral with the BCEAO under repo-type arrangements. Acceptable collateral includes short-term debt instruments issued by the private and public sectors, as well as, long-term debt instruments, in each case as approved by the Monetary Policy Committee of the BCEAO by regulation adopted from time to time. The decision as to the eligibility of any securities for such refinancing by the Monetary Policy Committee is valid throughout the life of the securities. The Issuer views this access to funding as an emergency liquidity backstop. To date, it has not needed to use it.

Strengths

The Issuer believes that the following competitive strengths differentiate it from its peer universe and will enable it to capitalise 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 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. Loans provided during the five-year period of the 2009-2013 strategic plan account for approximately 50.0 per cent. of the total amount of loans extended since the establishment of the Issuer in 1973. Under the 2015-2019 Strategic Plan, the Issuer aims to prioritise: (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 – The 2015-2019 Strategic Plan—Areas of focus under the 2015-2019 Strategic Plan” below.

Projects funded by the Issuer over the period 2009-2016 have included the development of 3,760 kilometres of national and interstate roads, 677 kilometres of urban roads and the modernisation of five airports and four ports. In the energy sector, the Issuer has funded projects, which resulted in the construction of 1,374 MW of additional production capacity, the construction or rehabilitation of 6,308 kilometres of interconnections of lines of power transport and distribution and the connection of more than 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 374.3 billion between 2011 and 2016 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 2016. 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 Mali².

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 (17.0 per cent.). As at 31 March 2017, the Issuer has financed 19 projects and four development studies in connection with the program, for an amount of FCFA 241.8 billion, or 69.1 per cent. 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) mobilising financial resources and subsequent monitoring and evaluation.

² (Source: as calculated by the Issuer on the basis of annual loan approval statistics by sector, BOAD, AfDB and the World Bank).

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 inaugural regional bond issue in 1993, the first in the zone being issued in a public offering. The Issuer is currently the largest non-sovereign issuer on the regional capital market, with FCFA 991 billion issued to date. See “—*Regional capital markets*” below.
- Promoting new financing instruments and market structures: the Issuer created Cauris, Management the GARI, a West African investment fund known as SICAV Abdou Diouf and its fund manager, the SOAGA, the CRRH-UEMOA and BOAD *Titrisation*, a securitisation vehicle, which manages funds that securitise loan receivables for entities in the WAEMU region (particularly active in the issuance of domestic sovereign sukuk). 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 securitisation funds.
- The 2014 launch of a crop insurance program of FCFA 1.9 billion and FCFA 1.9 billion in Benin and Senegal, respectively, 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 specialising 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 in March 2013. After an international bidding process, the Issuer mandated a company specialised in agricultural insurance to provide it with technical assistance. The Issuer granted the first two crop insurance loans in September 2014 to Benin and Senegal.

- 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 RCCs on the CDM in Africa. The Issuer is also a board member of the GCF, an organisation 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 and increasingly diverse shareholders, split into Class A, comprised of WAEMU Member States and the BCEAO (its largest single shareholder), and Class B, comprised of non-regional shareholders from Europe, Northern Africa and Asia (notably India and China) owning shares in their own name or through their respective development finance arms. Both classes of shareholders have played an important part in the Issuer. The WAEMU Member States are represented at the Board of Directors and Board of Directors’ committee levels and have all participated in the capital increases launched by the Issuer in 2010 and 2013 (except Mali in 2013). The non-regional shareholders, comprising Class B, have appointed a total of

one third of the members of the Board, representing a higher proportion than their share of capital (6.3 per cent.), 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.

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—Factors relating to the Issuer and the jurisdictions in which it operates—While the Issuer believes that it has historically benefited from de facto “preferred creditor status” from each of the WAEMU Member States, 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 involvement of the BCEAO in the operations of the Issuer – disbursement of the regional shareholders’ capital, placement of treasury assets (the Issuer places 25.0 per cent. of such assets with the BCEAO) and access to financing – underscores the strong support of the BCEAO. The Issuer also has the ability to access the refinancing window of the BCEAO. The Issuer is the only non-commercial lender that can access the BCEAO’s liquidity facility. Finally, the Issuer does not distribute dividends to its shareholders. All of the Issuer’s profits are retained as reserves (after set-off against prior years’ losses, if any).

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 organisations to further expand its shareholder base and sources of vital support, with the goal of increasing the number of non-regional member states to 25.0 per cent. of its subscribed capital over the medium-term, compared to 6.3 per cent. as at 31 March 2017.

Strong Capitalisation

The Issuer believes that it benefits from strong capitalisation and leverage ratios. As at 31 March 2017 and 31 December 2016, its adjusted equity/assets ratio (defined as “total equity” divided by “total assets”) was 31.9 per cent. and 31.9 per cent., respectively. As at 31 March 2017 and 31 December 2016, its debt/equity ratio (defined as “debts represented by a security” and “other borrowings from external partners” divided by “actual own funds”) was 226.0 per cent. and 225.0 per cent., respectively. The Issuer’s capital was significantly strengthened in late 2014 when, pursuant to a decision dated 31 December 2014, the WAEMU Council of Ministers and the WAEMU Member 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 66.4 per cent. increase in shareholders’ equity between 31 December 2013 and 31 December 2014 from FCFA 430 billion to FCFA 715 billion.

Robust liquidity

As referred to above, the Issuer can access the BCEAO’s liquidity window, which permits the Issuer to use loans it made to WAEMU Member States, companies, and financial institutions in the WAEMU region or use them as collateral under repo-type arrangements. Such loans can be refinanced at interest rates applicable to BCEAO refinancing transactions at the time of the request. The acceptance by the BCEAO of such loans for

refinancing purposes is in principle independent of the interest rate of such loans. In addition, the Issuer can use its holdings of bonds and other securities as collateral with the BCEAO. 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. The decision as to the eligibility of any securities for such refinancing by the Monetary Policy Committee is valid throughout the life of the securities. The Issuer views this access to funding as an emergency liquidity backstop, but one which it has not yet needed to use.

The Issuer believes that this mechanism not only ensures the liquidity of much of the Issuer's assets as 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 characterised by decreasing commodity prices and unfavourable financing conditions, the WAEMU regional economy showed resilience and maintained a strong growth rate driven by investment in infrastructures, with GDP growth in the WAEMU increasing by 6.7 per cent. in the year ended 31 December 2016 compared to 6.3 per cent. in the year ended 31 December 2015 and 6.6 per cent. in the year ended 31 December 2014, according to the WAEMU Commission³.

At the level of the WAEMU Member States, GDP growth rates in the year ended 31 December 2016, as published by the WAEMU Commission⁴, were as follows: Benin (3.9 per cent.), Burkina Faso (5.9 per cent.), Côte d'Ivoire (8.8 per cent.), Guinea Bissau (5.1 per cent.), Mali (5.8 per cent.), Niger (5.0 per cent.), Senegal (6.7 per cent.) and Togo (5.1 per cent.).

Economic activity in the year ended 31 December 2016 was marked by efforts to control consumer price increases. The inflation rate in the WAEMU region was 0.3 per cent. in the year ended 31 December 2016 compared to 1.0 per cent. in 2015, in connection with oil prices collapse and a good crop year in most Member States.

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 2015-2019 Strategic Plan

The Issuer aims to continue 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 current 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

³ (Source: WAEMU Commission, *Rapport d'exécution de la surveillance multilatérale*, June 2017)

⁴ (Source: WAEMU Commission, *Rapport d'exécution de la surveillance multilatérale*, June 2017)

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.

As at the end of June 2017, half-way through the execution of the 2015-2019 Strategic Plan, the Issuer had lent an aggregate amount of FCFA 1,093 billion since the beginning of the plan, or 84 per cent of the five-year minimum target of FCFA 1,310 billion. Moreover, planned upgrades to the Issuer's corporate governance have been achieved or are in the process of being achieved, including in particular the review of the risk management model, in order to align this model with international standards, the review of the pricing model to enhance competitiveness, and ongoing initiatives to reinforce the financial model. In particular with respect to the pricing model, the Council of Ministers of December 2016 adopted a new pricing package, which has been applied since January 2017. It introduces more flexibility to better match each borrower's individual situation and provides the Issuer with a mechanism to better monitor financial balance, control of margins and profitability. With respect to the reinforcement of the financial model, the main achievement has been the introduction of the Interest Subsidy Mechanism. It reduces the Issuer's reliance on concessional funding for its FDC Window Activities, as it can now fund these from market sources, with the Interest Subsidy Mechanism covering the gap between the market interest rates paid by the Issuer and the lower ones paid on concessional loans. See *“—Risk Factors—Factors relating to the Issuer and the jurisdictions in which it operates—The Issuer has recently resumed concessional lending following implementation of a new Interest Subsidy Mechanism; failure of this new Interest Subsidy Mechanism to achieve its objectives could materially adversely affect the Issuer's financial condition, growth and prospects”* and *“—Management's Discussion and Analysis of Financial Condition and Results of Operations—Pricing policy—FDC Window – Interest Subsidy Mechanism”*.

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 stabilise 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 further accessing the international capital markets following its successful debut issuance of U.S.\$750,000,000 5.5 per cent. notes due 2021.

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 infrastructure 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 centres and related knowhow), with a view to strengthening industrial and agricultural production and increasing exports.

Area 2: Support for inclusive growth, 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 resilience, (ii) enhance financial inclusion, (iii) strengthen 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 as a Project Agency 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: Deepening of the resources mobilisation process

Over the next three years, 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 an important source of financing for the Issuer. However, the Issuer also aims to further access the international capital markets, including, following the issuance of the U.S.\$ 750,000,000 5.5 per cent. notes due 2021 in May 2016, through the issue of the Notes offered hereby. In addition, the Issuer will 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 50.0 per cent. of medium-term and long-term commitments during the five-year period, compared to an average of 31.0 per cent. during the past five years and to 37.4 per cent. cumulatively since the commencement of its activities;
- allocating approximately 60.0 per cent. of the financing for the period in the form of assistance to the WAEMU Member States;

- allocating at least 50.0 per cent. 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 favour of regional environmental governance;
- maintaining portfolio quality by limiting the overall rate of non-performing loans to 4.0 per cent. and limiting the rate of commercial sector non-performing loans to 10.0 per cent. 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-term and long-term financing. 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 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 DC/BR, both located in Abidjan. It was involved in the establishment of regional private equity (Cauris Management) and guarantee funds (GARI), an asset management company (SOAGA), a mortgage refinancing bank (CRRH-UEMOA), in the launch of a crop insurance scheme and the creation of BOAD *Titrisation*.

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 amortising 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. At 31 March 2017, the reported value of the Issuer's equity investments amounted FCFA 74.8 billion or 3.3 per cent. of the Issuer's total assets.

In 2014, the Board of Directors approved the following equity investments, amounting to a total amount of FCFA 16.5 billion, each of which is aimed at enhancing the equity capital of the following companies:

- *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 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 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 CI*: the increase in the equity participation of the Issuer in ORABANK CI is part of the recapitalisation of ORABANK CI, following the restructuring of BRS. The recapitalisation 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 Board of Directors in December 2014. AREF is a dedicated renewable energy fund with a 10-year term (2014-2023). 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 U.S.\$200.8 million. Other sponsors include the AfDB, the EIB, the CDC and the OeEB, among others. As at 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 Board of Directors approved two equity investments for a total amount of FCFA 4.5 billion:

- *Fonds INVESTISSEUR & PARTENAIRE POUR LE DEVELOPPEMENT 2*: a FCFA 1.5 billion investment. 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*: a FCFA 3 billion investment. 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 2016, the Board of Directors approved the following equity investments for a total amount of FCFA 12.793 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 has committed to an equity participation of FCFA 10 billion.

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.

- *CRRH-UEMOA*: The CRRH-UEMOA is a financial institution dedicated to the financing of housing in WAEMU countries. It was created at the initiative of the Issuer in 2010. The Issuer's investment was FCFA 0.8 billion. The increase in the equity participation of the Issuer in CRRH-UEMOA prompted the International Finance Corporation to contribute FCFA 1.3 billion to the capital of the CRRH-UEMOA.
- *Investisseurs & Partenaires Afrique Entrepreneurs 2 (IPAE 2)*: the Issuer's commitment in IPAE 2 amounts to FCFA 2 billion. IPAE 2 is a successor of the IPAE Fund which is dedicated to finance SMEs with equity or quasi-equity in sub-Saharan Africa. The objective of IPAE 2 is to raise FCFA 65 billion to undertake 40 to 55 investments.

In 2017 to date, the Board of Directors approved one equity investment for a total amount of FCFA 2 billion:

- *La Banque Outarde ("LBO")*: LBO is a new commercial bank in Senegal approved by the WAEMU banking commission in February 2017 and dedicated to the financing of SMEs.

See Note 6.2 to the 2017 Interim Financial Statements, Note 6.2 to the 2016 Financial Statements, Note 6.2 to the 2015 Financial Statements and Note 6.2 to the 2014 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, public or private companies.

As part of this activity, the Issuer is the agent or arranger and acts on behalf of a mandator (project sponsor). The mandate includes the identification of resources on behalf of the sponsor with various donors (bank, financial institutions, specialised 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 advisory activity comprises the following types of services:

- **Privatisations:** as part of a privatisation 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 organisational 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 the FCFA 115 billion financing for the State of Benin for the 2015/2016 cotton production season.

In 2016, the Issuer signed five new financing mandates valued at FCFA 155 billion, the largest mandate of which was the arrangement of the FCFA 44.7 billion financing for the State of Senegal to implement various sanitation projects in 10 cities in Senegal. The other four mandates related to the financing of various partners for transport infrastructure (rehabilitation and development of roads), photovoltaic equipment and construction of thermal power stations.

The Issuer acted as Mandated Lead Arranger in relation to a €85 million syndicated loan facility for an independent thermal power plant in Mali which successfully closed in the first half of 2017.

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.

Methods of Financing to National Financial Institutions and SMEs

The Issuer offers four methods of financing to assist 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 0.4 billion per sub-project, unless otherwise agreed by the Issuer. Projects selected by the NFI are refinanced by the credit facility after authorisation by

the Issuer. However, the NFI may access the facility without prior permission from the Issuer (free-limit) in relation to financings not in excess of FCFA 0.2 billion. 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 authorisation) and FCFA 0.5 billion (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 per cent. 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 0.4 billion, unless otherwise agreed by the Issuer. A free limit (approximately 80.0 per cent. 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 0.2 billion. The maximum term of the leasing arrangement is six years with a maximum principal repayment grace period of two years.

Specialised 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 specialised 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 PUFs.

Approved projects

The Board of Directors meets in March, June, September and December of each year. At the meetings held in 2016, the Board of Directors approved 41 medium-term and long-term proposals involving loans totalling FCFA 433.8 billion and three equity investments totalling FCFA 12.8 billion. In addition, six short-term facilities were approved in 2016 totalling FCFA 51.9 billion.

At the meetings held in March and June 2017, the Board of Directors approved 25 short-term, medium-term and long-term proposals involving loans totalling FCFA 394.1 billion

As at 30 June 2017, the total commitments for approved projects raised the global amount of loans granted by the Issuer to FCFA 4,694.8 billion, taking the total amount of approved projects to 1,071 at that date.

The following major projects were approved during the first half of 2017:

Infrastructures

- Electrification of 14 towns from the transformer substations of the 225 KV interconnection grid owned by the Organisation for Gambia River Enhancement (*Organisation pour la Mise en Valeur du Fleuve Gambie*) in Guinea Bissau. This project will improve access to electricity for approximately 350,000 people, representing 22 per cent. of the population of the country.
- Rehabilitation of the road between Lomé and Cotonou (Phase 2) and coastal protection (Togo). This project will enable the conversion of the road between Avépozo and Aného to a 2x2 lane highway for approximately 30 kilometres, and to stop coastal erosion on more than 13 kilometres of Togolese coast.

- 2017-2019 periodical maintenance programme of asphalted roads in Senegal. This program relates to the periodical maintenance of 722 kilometres of asphalted roads, as well as the enlargement and reinforcement of the asphalted roads between Kaffrine and Mbacké and between Fatick, Foundiougne and Passy for 167 kilometres.
- Drinkable water supply system enhancement program for Abidjan (Côte d'Ivoire). This program should contribute, together with other ongoing projects, to increase the daily volume of drinkable water produced from 460,000m³ to 744,000m³ in December 2017, compared to an estimated need of 500.000m³ per day.
- Site preparation and construction of 1,300 social housing units in Ouédo, in the Abomey-Calavi (Bénin) borough. This project will spread over 25 hectares and will provide housing for 9,500 people and promote new ways to access housing for the population.
- Purchase of an equity participation in the third capital increase of the Air Côte d'Ivoire (Air CI) company.

Agriculture and rural development

- Climate change resilience enhancement for agriculture through the implementation of modern irrigation technologies (Nigeria). Approximately 1,000 hectares of farmland will be rearranged into 1-5 hectare sections fitted with photovoltaic kits to power the irrigation system.

Finance

The three following transactions have been approved, aimed at supporting the productive investments made by SMEs in the WAEMU Region, in relation to sectors eligible for financing by the Issuer:

- A credit line in favour of the Development Bank of Mali (*Banque de Développement du Mali SA*).
- A subordinated loan and a credit line in favour of Côte d'Ivoire ORABANK (*ORABANK Côte d'Ivoire (ORABANK CI)*).
- A credit line in favour of the Economic Development National Bank (*Banque Nationale pour le Développement Economique (BNDE, Sénégal)*).

Tourism

- Construction and operation of the five star "Marriott Hotels & Resorts Cotonou" hotel by the *Société d'Hôtellerie, de Restauration et de Loisirs (SHRL Bénin)*. This hotel with 202 rooms will contribute to increasing the volume of high quality accommodation in Cotonou.

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 authorisations.

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;

- optimise staff performance;
- enhance asset management and the security of persons and property;
- continue to modernise the Issuer's IT systems;
- strengthen governance and control systems; and
- potentially reorganise 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 infrastructure, agriculture and rural development which are decisive sectors for economic growth, competitiveness and regional economic integration and employ the highest percentage of the employed population.

Infrastructure

Over the period 2006-2016, in the area of transportation infrastructure, the Issuer is contributing to the development of 3,760 kilometres of national and interstate roads, 677 kilometres of urban roads and the modernisation of five airports and four ports. 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. In 2016, two major projects were approved, which aim to contribute to the improvement of WAEMU Member States' economic competitiveness by making international trade more fluid and improve the level of road service and facilitate socio-economic exchanges in the area:

- the upgrade of a dual carriageway for the urban road in Sikasso (Mali), the purpose of which is to extend and to asphalt 4.6 kilometres of the urban road and develop a further 2.4 kilometres of roads adjacent to the carriageway; and
- phase 2 of the Priority Program for Improved Access (*Programme prioritaire de désenclavement*) – development of the Boucle du Boudier (Sénégal). This phase consists in the improvement and asphaltting of 54 kilometres of road between Sédhiou, Kamoya and Marsassoum and 8 kilometres of road in the city of Sédhiou and Marsassoum, and in the renovation of 81 kilometres of the trail between Marsassoum, Djibabouya, Bambaly and Sédhiou.

In the area of maritime transport infrastructure, the Issuer contributed to the strengthening of harbour 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 optimise 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.

In the energy sector, the Issuer is contributing to the financing of the implementation of 1,347 MW of additional capacity and 6,308 kilometres of interconnection lines. In 2016, seven major projects were approved:

- decentralised rural electrification of 62 towns in 5 different areas based on photovoltaic systems (Togo). This project constitutes the first phase of the Solar Energy Enhancement Programme (PROVES), for a total amount of FCFA 80 billion. Its implementation will allow the distribution of

electricity to low-voltage subscribers and provide public lighting and internal electric systems to subscribers.

- electricity interconnection between Guinea and Mali: construction of the 225 KV power line between Sanankoroba and the Guinean border and extension of the high-voltage post of Sanankoroba (Mali). The objective of the project is to reduce the cost per KWh and to secure the energy supply in Mali.
- strengthening and reorganisation of the energy distribution network of Senelec in the Dakar, Thès, Kaolack, Fatick, Saint-Louis and Tambacounda areas.
- rural electrification project by micro-hybrid power stations of 47 towns in the Agadez, Diffa, Dosso, Maradi, Tahoua, Tillabéri and Zinder areas.
- establishment and operation of a 50 MW photovoltaic power plant through a Build-Own-Operate-Transfer agreement (BOOT) by AKUO KITA SOLAR SA in Kita, Mali.
- construction and operation of a 44 MW hydroelectric power plant in Singrobo-Ahouaty, Côte d'Ivoire.
- expansion and modernisation of the infrastructures of the Félix Houphouët-Boigny Airport in Abidjan (Côte d'Ivoire) by the AERIA SA Company, the general objective being to improve the facilities of the Abidjan airport with the aim of being able to cater for 2,000,000 passengers by 2020.

Agriculture and rural development

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. 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 Offering Circular, 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 technical 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 centre 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 utilisation of biogas (flaring, utilisation as energy) and (ii) utilise 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.

In 2016, the Issuer approved two major projects. The first project relates to the development and better management of surface waters in Burkina Faso's central plateau. The project involves the construction of five flood barriers in Wéotenga, Taba, Pougma, Kouldisgou and Niou, as well as the development of 195.3 hectares of land downstream from those dams for the cultivation of rice, corn and vegetables. The second project concerns the development of a hydro-agricultural infrastructure in the north Modolo hydraulic

retention area, which is the last tranche of the second phase in l'Office du Niger (Mali). This project is expected to enable the production of 25,800 tonnes of paddy rice and 24,080 tonnes of vegetables.

Financing activities

Compared to domestic financial institutions, the Issuer gives priority to 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

The total amount of medium-term and long-term loan facilities granted by the Issuer (excluding FDE) decreased from FCFA 277.9 billion for the year ended 31 December 2014 to FCFA 203.7 billion for the year ended 31 December 2015 and later rose to FCFA 406 billion for the year ended 31 December 2016. This evolution reflects the suspension of the FDC Window lending in mid-2014 and its reinstatement in mid-2016 following the implementation of the Interest Subsidy Mechanism decided by the WAEMU Council of Ministers in December 2015.

As at 31 March 2017 and 31 December 2016, total commitments in the form of medium-term to long-term loans and equity investments, amounted to, respectively, FCFA 4,184 billion (€6,378 million) and FCFA 4,041.5 billion (€6,160.8 million) for 819 and 801 operations.

Total FDC Window financing was maintained at the same level for the years ended 31 December 2014 and 2015, namely FCFA 1,222.6 billion and increased by 7.0 per cent. to FCFA 1,313.6 billion for the year ended 31 December 2016, as compared to the year ended 31 December 2015. This evolution over the three years reflects the fact that the Issuer suspended its FDC Window lending activities between mid-2015 and mid-2016. As at 31 March 2017, total FDC Window financing represented FCFA 1,345.2 billion.

Total Bank Window financing (including medium-term and long-term financing, short-term financing and equity investments) increased by 11.0 per cent. to FCFA 2,374.9 billion for the year ended 31 December 2015, as compared to the year ended 31 December 2014 and increased by 16.0 per cent. to FCFA 2,745.8 billion for the year ended 31 December 2016, as compared to the year ended 31 December 2015. Excluding short-term financing, Bank Window loans decreased by 10.0 per cent. to FCFA 2,205.2 billion, as compared to the year ended 31 December 2014 and increased by 15.0 per cent. to FCFA 2,526.8 billion for the year ended 31 December 2016, as compared to the year ended 31 December 2015. The decrease in 2015 compared to 2014 was due to the lack of available good quality private projects and the fact that the terms (primarily the interest rates) of the loans were perceived as too expensive by potential borrowers. In 2016, the quality of the approved projects presented, together with a reduced cost of funding for the Issuer, allowed for more competitive pricing and, therefore, resulted in more loans. As at 31 March 2017, total Bank Window financing represented FCFA 2,861.9 billion (FCFA 2,637.9 billion excluding short term financing).

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 be identified, as well as to the fact that as at 31 December 2014 and 2015, the remaining amounts available for commitment under the FDE Window were approximately FCFA 39.9 billion (see "*Description of the Issuer—Operating and financing models of the Issuer—Operating model—FDE Window*"). In 2016, financing for three energy projects were approved, for a total amount of FCFA 3 billion and, to date in 2017, financing for one energy project was approved for a total amount of FCFA 9.5 billion. As at the date of this Offering Circular, the amounts available for commitments under the FDE Window were approximately FCFA 25.4 billion. 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 12-months' worth of repayment of debt (where the Issuer is acting as borrower).

Medium-term 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).

For sovereign lending on an arm's length basis (market rate sovereign loans granted through the Bank Window), disbursement is deemed to be completed within five years on average. The first drawdown of an amount equal to 5.0 per cent. of the authorised amount occurs during the last quarter of the year following the facility approval. The outstanding amount is then to be drawn over a four-year span in tranches of respectively 30.0 per cent., 30.0 per cent., 20.0 per cent. and 15.0 per cent.

For private and public commercial lending through the Bank Window, disbursement is deemed to be achieved over five years on average, the first 15.0 per cent. tranche drawdown occurring within the last quarter of the year following the facility approval. The outstanding amount is then to be drawn over a four-year span in tranches of respectively 25.0 per cent., 25.0 per cent., 20.0 per cent. and 15.0 per cent.

- 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.

- 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 in average increments of 30.0 per cent. during the fiscal year following the approval, 40.0 per cent. during the second fiscal year and 30.0 per cent. during the third fiscal year.

Overall portfolio

Outstanding loans

The table below sets out gross and net outstanding loans as at 31 December 2014, 2015 and 2016 and 31 March 2016 and 2017. 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.

	31 December			31 March	
	(FCFA millions)				
	2014 (audited)	2015 (audited)	2016 (audited)	2016 (unaudited)	2017 (unaudited)
Gross outstanding loans	1,161,304	1,349,175	1,541,589	1,371,885	1,554,975
Non-performing loans provisions	(25,732)	(24,931)	(26,248)	(24,931)	(26,248)
Net outstanding loans	1,135,572	1,324,244	1,515,340	1,346,954	1,528,727
Non-performing loans provisions/gross outstanding loans	2.2%	1.8%	1.7%	1.8%	1.7%

The distribution of gross outstanding loans extended (as distinct from commitments) per Window as at 31 December 2014, 2015, 2016 and 31 March 2016 and 2017 is set forth in the table below.

	FDC and Bank Window					Total of the 3 Windows (FDC + Bank + FDE)
	FDC	Bank ⁽¹⁾	Total	Bank share	FDE Window	
	(FCFA millions)					
31 December 2014.....	545,563	562,503	1,108,066	51.0%	53,238	1,161,304
31 December 2015.....	590,335	684,585	1,274,920	53.7%	74,255	1,349,175
31 December 2016.....	634,924	813,624	1,448,548	56.2%	93,041	1,541,589
31 March 2016.....	598,478	693,419	1,291,897	53.7%	79,988	1,371,885
31 March 2017.....	648,218	812,336	1,460,554	55.6%	94,421	1,554,975

Note:

- (1) Including market rate sovereign loans: FCFA 120.4 billion as at 31 December 2014, FCFA 228.4 billion as at 31 December 2015, FCFA 299 billion as at 31 December 2016, FCFA 234 billion as at 31 March 2016 and FCFA 305 billion as at 31 March 2017.

Net outstanding loans per Window are set out in the table below as at 31 December 2014, 2015 and 2016 and 31 March 2016 and 2017.

	31 December			31 March	
	2014 (audited)	2015 (audited)	2016 (audited)	2016 (unaudited)	2017 (unaudited)
	(FCFA millions)				
Net outstanding loans	1,135,572	1,324,244	1,515,340	1,346,954	1,528,727
FDC Window.....	544,572	589,645	634,924	598,478	648,218
Bank Window	537,762	660,344	787,375	668,488	786,088
FDE Window	53,238	74,255	93,041	79,988	94,421

Loans to WAEMU Member States as at 31 December 2014 amounted to FCFA 728.6 billion, representing 62.7 per cent. of gross outstanding loans (FCFA 1,161 billion) and 54.0 per cent. of net outstanding loans (FCFA 1,135 billion). These include loans from the FDC Window in an amount of FCFA 545 billion and approximately FCFA 53.0 billion in Bank Window loans in the form of market rate sovereign loans.

Loans to WAEMU Member States as at 31 December 2015 amounted to FCFA 892.3 billion, representing 66.1 per cent. of gross outstanding loans (FCFA 1,349 billion) and 67.4 per cent. 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.

Loans to WAEMU Member States as at 31 December 2016 amounted to FCFA 1,026.9 billion, representing 66.6 per cent. of gross outstanding loans (FCFA 1,542 billion) and 67.8 per cent. of net outstanding loans (FCFA 1,515 billion). These include loans from the FDC Window in an amount of FCFA 634.9 billion and approximately FCFA 299 billion in Bank Window loans in the form of market rate sovereign loans.

Loans to WAEMU Member States as at 31 March 2017 amounted to FCFA 1,048 billion, representing 67.4 per cent. of gross outstanding loans (FCFA 1,555 billion) and 68.6 per cent. of net outstanding loans (FCFA 1,529 billion). These include loans from the FDC Window in an amount of FCFA 648 billion and approximately FCFA 305 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—Factors relating to the Issuer and the jurisdictions in which it operates—The Issuer’s provisions for credit losses could prove inadequate to cover credit losses related to its loans and contingencies” and “Risk Factors—Factors relating to the Issuer and the jurisdictions in which it operates—Most of the Issuer’s loans are made to the 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 as at 31 December 2014, 2015 and 2016 and 31 March 2016 and 2017.

	31 December			31 March	
	2014 (audited)	2015 (audited)	2016 (audited)	2016 (unaudited)	2017 (unaudited)
	<i>(FCFA billions)</i>				
Benin	159	164	184	168.8	184.7
Burkina Faso.....	134	146	147	148.8	158.4
Côte d'Ivoire.....	177	202	236	205.0	233.2
Guinea Bissau	46	55	64	56.6	68.6
Mali	123	136	166	139.5	163.7
Niger.....	178	212	231	214.3	233.1
Senegal	187	212	234	214.8	233.5
Togo.....	157	224	280	224.2	279.7
Total	1,161	1,349	1,542	1,372	1,554.9

The table below sets forth the Issuer's outstanding Bank Window loans by sector as at December 2014, 2015, 2016 and 31 March 2016 and 2017.

	31 December			31 March	
	2014 (audited)	2015 (audited)	2016 (audited)	2016 (unaudited)	2017 (unaudited)
	<i>(FCFA millions)</i>				
Agro-industry	38,423	37,580	35,999	40,681	33,476
Banks and financial institutions	45,520	57,003	85,977	57,008	88,577
Energy	153,044	171,217	187,220	186,969	179,201
Hotels.....	2,759	19,309	22,006	19,537	22,006
Extractive industries	53,694	43,115	39,208	42,953	41,011
Commercial infrastructure	112,659	114,623	125,934	98,720	124,392
Telecommunications.....	26,609	14,019	18,273	13,419	18,273
Total	432,708	456,865	514,616	459,287	506,936

The table below sets forth the outstanding amounts of the largest non-sovereign loans of the Issuer as at 31 March 2017.

	31 March 2017 (unaudited)
	<i>(FCFA millions)</i>
CRRH	26,238
COMPAGNIE D'ELECTRICITE DU SENEGAL.....	24,428
CI-Energies.....	22,758
SONABEL.....	21,077
AZITO	21,051
Port Autonome Cotonou (PAC).....	15,408
SENAC (Eiffage).....	15,294
CIPREL	14,318
SENELEC.....	13,714
SOCOPRIM.....	13,657
Total	187,944

The table below sets forth the Issuer's equity participations by country as at 31 December 2014, 2015 and 2016 and 31 March 2016 and 2017.

	31 December			31 March		
	2014 (audited)	2015 (audited)	2016 (audited)	2016 (unaudited)	2017 (unaudited)	
	<i>(FCFA millions, except number of projects)</i>					No. of projects
Benin.....	4,085	5,219	5,489	5,219	5,489	5
Burkina Faso	4,152	5,209	5,141	4,359	5,142	4
Côte d'Ivoire	4,345	17,010	13,077	19,360	14,577	12
Mali	3,010	3,515	13,092	3,515	13,090	2
Niger	4,494	4,835	5,089	4,835	5,089	2
Senegal	4,285	6,569	3,111	6,569	3,111	4
Togo	16,707	14,515	13,795	14,515	13,796	10
Non-WAEMU	25,088	21,251	13,304	21,830	14,497	7
Total⁽¹⁾	66,166	78,123	72,097	80,202	74,790	46

Note:

(1) Totals represent fair values. For further detail, see Note 6 to the Financial Statements.

The table below sets forth the Issuer's equity participations by sector as at 31 December 2014, 2015 and 2016 and 31 March 2016 and 2017.

		31 December			31 March	
	No. of projects	2014 (audited)	2015 (audited)	2016 (audited)	2016 (unaudited)	2017 (unaudited)
		(FCFA millions, except number of projects)				
Other productive activities.....	4	1,147	1,236	2,207	1,344	2,207
Other financial institutions & promotion of SMEs.....	11	8,250	10,580	10,226	15,416	10,226
Banks.....	19	30,106	37,899	40,670	41,381	40,670
Investment funds.....	8	19,550	19,098	16,897	11,308	18,090
Infrastructure	1	1,123	1,320	1,551	1,262	1,551
Airlines	3	5,990	7,990	0,546	9,490	2,046
Total⁽²⁾	44	66,166	78,123	72,097	80,202	74,790

Note:

- (1) Includes entities such as Proparco, the BVRM and the GARI.
- (2) Totals represent gross values. For further detail, see Note 6 to the Financial Statements.

The table below set forth the fair value of the 20 largest equity participations of the Issuer as at 31 March 2017.

	31 March 2017 (unaudited)
	<i>(FCFA millions)</i>
BDM Mali	10,225
Nouvelle BRS CI.....	6,541
PROPARCO.....	3,943
CAURIS CROISSANCE II	3,742
FOAI.....	3,605
FAER.....	3,280
SONIBANK Niger	3,215
Afreximbank.....	2,915
Fonds Agricole pour l'Afrique (FAA).....	2,788
CORIS BANK	2,778
GARI S. A.	2,676
BNDE	2,585
CAURIS CROISSANCE.....	1,931
RASCOM	1,925
BOA Niger.....	1,873
CNCAS.....	1,843
ORAGOUP.....	1,747
BOA Bénin	1,710
CIPREL	1,551
Air Côte d'Ivoire	1,500
Total.....	62,373

Guaranteed loans in the commercial sector (non-sovereign borrowers)

Certain loans made by the Issuer to the private sector are guaranteed by: (i) organisations such as the FAGACE, the FSA, the GARI (of which the Issuer holds 11.6 per cent. of the capital) and/or (ii) escrow accounts, AMP or promissory notes secured by bank deposit accounts. The first category of guarantees represents first-demand guarantees provided by guarantee funds. The second category (so-called financial guarantees) includes guarantees provided by corporates.

At 31 December 2016, the guarantee coverage rate amounted to 12.7 per cent. (estimated at 12.5 per cent. on 31 March 2017) of the Issuer's total loan portfolio. See “—*Risk Factors—Factors relating to the Issuer and the jurisdictions in which it operates—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*”.

The proportion of net outstanding commercial loans, extended through the Bank Window, in total financing (excluding loans granted through the FDE Window) increased in the year ended 31 December 2014 and the year ended 31 December 2015, and increased in the year ended 31 December 2016 as the relative share of

FDC Window loans in the total gross portfolio decreased following the suspension of concessional lending from mid-2014 to mid-2016 and the initiation by the Issuer of market rate sovereign loans through the Bank Window. Net outstanding Bank Window loans represented 49.6 per cent., 49.7 per cent., 45.0 per cent., 48.0 per cent. and 53.0 per cent. of total loans (excluding loans granted through the FDE Window) as at 31 March 2016 and 2017 and 31 December 2014, 2015 and 2016, respectively.

Undrawn commitments

The tables below set forth the Issuer's undrawn commitments as at 31 December 2014, 2015 and 2016 and as at 31 March 2017.

	31 December			31 March
	2014 (audited)	2015 (audited)	2016 (audited)	2017 (unaudited)
	(FCFA millions)			
Commitments received				
Commitments on loans to be drawn.....	74,670	24,164	185,433	148,146
Unauthorised loan commitments	—	—	—	—
Guarantees received from regional funds	18,683	22,320	32,601	34,863
Total	93,353	46,484	218,034	183,009

	31 December			31 March
	2014 (audited)	2015 (audited)	2016 (audited)	2017 (unaudited)
	(FCFA millions)			
Commitments given				
Loan commitments	1,406,431	1,313,313	1,427,348	1,505,564
Advances on development studies.....	14,666	10,949	13,280	12,864
Commitments for equity participations.....	36,753	25,441	21,658	20,965
Commitments from subsidy funds.....	—	—	—	—
Securities and other guarantees.....	33,548	22,140	13,369	11,328
Total	1,491,398	1,371,844	1,475,655	1,550,720

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 the Issuer and other similar commitments.

Largest exposures and commitment per sector of activity

As at 31 March 2017, outstanding loans of the Issuer's 20 largest exposures amounted to FCFA 301.5 billion, representing 19.4 per cent. 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 31 December 2016, outstanding loans of the Issuer's 20 largest exposures amounted to FCFA 305 billion, representing 19.8 per cent. of its total outstanding loans. Of this, loans were concentrated in the energy sector, the transport infrastructure sector, the processing industry and NFIs.

The Issuer's 20 largest exposures accounted for 20.9 per cent. of its outstanding loans as at 31 December 2016 and for 19.4 per cent. at 31 March 2017. The majority of those exposures were in the energy sector, which accounted for 44.3 per cent. of the Issuer's 20 largest exposures on outstanding loans as at 31 December 2016 and for 43.0 per cent. as at 31 March 2017.

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 2017 Interim Financial Statements, Note 5.2 to the 2016 Financial Statements, Note 5.2 to the 2015 Financial Statements and Note 5.2 to the 2014 Financial Statements for details of the Issuer's debt securities portfolio.

Sources of funding

The Issuer's borrowing policy strives to achieve an adequate balance between the availability of 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 31 March 2017, outstanding debt of the Issuer (excluding deposits made by financial institutions with the Issuer) amounted to FCFA 1,439.6 billion (€2,195 million), of which FCFA 962 billion (€1,466 million), or 66.8 per cent. of the resources was obtained from both the regional capital markets and the international financial market and FCFA 478 billion (€728.4 million) was raised from external partners (including the World Bank, the AFD, the EIB, the KfW, the ADB, the People's Bank of China).

The Issuer used to seek to match resources with their uses, so that concessional resources were 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 between mid-2014 and mid-2016, the Issuer also used market funding sources to fund market rate sovereign loans and, on certain occasions, concessional lending commitments. Given the importance 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 had an adverse effect on the Issuer's results of operations by increasing the Issuer's cost of funding. Since 2016, the Issuer benefits from an Interest Subsidy Mechanism pursuant to which it can lend at lower rates through the FDC Window and refinance at markets rates, with the difference in rates being covered by this mechanism. This mechanism allowed the Issuer to resume concessional financing in mid-2016.

The principal terms and conditions of loans granted by the Issuer since the beginning of its activities are provided in "*Management's Discussion and Analysis of Financial Condition and Results of Operations—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 31 March 2017. During the year ended 31 December 2016, FCFA 78.3 billion (€119.4 million) in debt instruments were issued in these markets through one issuance. During the year ended 31 December 2015, FCFA 71.8 billion (€109.5 million) in debt instruments were issued in these markets through one issuance. During the year ended 31 December 2014, FCFA 269.2 billion (€410.4 million) in debt instruments were issued in these markets through three issuances. Since 31 December 2016 and as of the date of this Offering Circular, there have been no issuances on the regional capital markets.

In December 2014, the Issuer issued FCFA 89.5 billion (€136.5 million) 6.0 per cent. 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) 5.8 per cent. 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) 5.9 per cent. 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*” above.

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.

Further, 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 31 March 2017, total resources raised by the Issuer from sources outside the WAEMU region amounted to FCFA 1,447.5 billion (€2.2 billion), compared to FCFA 1,370.1 billion (€2.1 billion) as at 31 December 2016, excluding non-repayable loans (FCFA 81.5 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 31 March 2017, resources in euros accounted for 28.1 per cent. of the Issuer's outstanding debt (25.0 per cent. as at 31 December 2016). As at the date of this Offering Circular, the Issuer considers that all the exchange rate exposure of the Issuer is fully hedged.

The Issuer raises resources from its partners and investors at both market and preferential rates. As at 31 March 2017, borrowings at market rates accounted for 74.4 per cent. of such resources (72.3 per cent. as at 31 December 2016). 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 plus 14 basis points, and the EIB tranche B line 5, the annual interest rate of which is equal to 1.5 per cent.

Pursuant to the regulations of the WAEMU, outstanding bonds issued by regional financial institutions are subject to a limit equal to 25.0 per cent. 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.

In May 2016, the Issuer issued its U.S.\$750,000,000 5.5 per cent. notes due 2021.

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 also approached CIDA and EXIM Bank of South Korea to potentially develop new partnerships.

Concessional resources

The total amount of concessional resources raised by the Issuer from financial partners as at 31 March 2017 and 31 December 2016 both amounted to FCFA 264.5 billion (€403.2 million).

The total amount of grants received by the Issuer from various partners referred to above (AFD, IDA, AfDB, KfW, BADEA, OeEB) amounting to FCFA 81.5 billion (€124.3 million) as at 31 March 2017. These grants, often backed by credit facilities, have enabled the Issuer to modernise its management and organisation in several areas such as: financing research, establishment of anti-money laundering ("AML") procedures, 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 2.7 billion, and strengthening the organisational 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 24 and 25 September 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 < 300 per cent. of equity capital” where equity is defined as paid-in capital plus reserves. Going forward, the Issuer’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; and
- 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.

Apart from the decision to create the Interest Subsidy Mechanism, 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 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. The ESMU was transformed into the DEFIC in 2015. A Sustainable Development Committee was also created in 2016 to coordinate the Issuer’s internal and external actions in social and environmental responsibility. In furtherance of its dedication to environmental protection in connection with its financing projects, the Issuer was accredited to the three climate funds of the Secretariat of the UNFCCC: (i) the AF in June 2011 – renewed in 2015; (ii) the GEF in June 2015 and (iii) the GCF in October 2016, in preparation for which the Issuer revised its standards in 2013 and 2015 in order to meet AF, GEF and GCF requirements relating to fiduciary, environmental, and climate change and standards as well as social safeguards.

In connection with the financing of a project, the DEFIC is involved in all stages of the project including the identification, evaluation and supervision. The ESMP is the framework for the management of environmental and social aspects (mitigation of negative impacts and taking advantage of positive impacts) and 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 1.0 per cent. and 10.0 per cent. 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 June 2017, the DEFIC participated in the evaluation (analysis and development of environmental and social management plans) of over 260 projects financed by the Issuer in private and public sector.

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. It also hosts the RCC the aim of which is to support the development of projects eligible under the CDM.

In the area of climate change adaptability, the Issuer has obtained accreditation at the Climate Change Adaptation Fund of the Secretariat of the UNFCCC.

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 endeavours 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. The Board of Directors 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 24 to the 2016 Financial Statements, Note 25 to the 2015 Financial Statements and Note 24 to the 2014 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 fibre 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 modernisation and securing of its information system by consolidating the achievements resulting from the implementation of the 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 Offering Circular, five of the Issuer's local representative offices are interconnected with the Issuer's Togo headquarters. The remaining two local offices are expected to be connected in 2017.

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. SAP's FI-CO module has been in operation, for the purpose of replacing the old system, since December 2014. 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 realised 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 31 December 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 stabilisation 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 Issuer's directorates, which, in turn, feed into the scorecards of the Issuer'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 recognised 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 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, prioritising 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.

ISO 27001 Certification has been obtained by the Issuer in January 2017 confirming the quality of its IT system security. This initiative aims to ensure the continuous improvement of the protection and security of the Issuer's information systems.

The following table sets forth the Issuer's total expenditure on IT investments (hardware, network, security, maintenance, licenses, etc.) for the years ended 31 December 2014, 2015 and 2016 and for the three-month periods ended 31 March 2016 and 2017.

	31 December			31 March	
	2014	2015	2016	2016	2017
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
	<i>(FCFA millions)</i>				
Total expenditure on IT investments	1,254	832.8	1,482	446.2	366.77

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 Offering Circular, 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 Offering Circular, the Issuer has two subsidiaries. The main subsidiary of the Issuer is its securitisation subsidiary, "BOAD Titrisation". BOAD Titrisation manages funds that securitise 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 securitisation 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 at 31 March 2017, the Issuer had 270 operational staff (excluding staff on secondment or on call), of which 56.0 per cent. were professional staff. All operational staff are nationals of the WAEMU Member States. 239 operational employees are located at the Issuer's headquarters in Togo, while the remaining 31 are located at the Resident Missions in the other WAEMU states.

The below table sets out the Issuer's staff as at 31 December 2014, 2015 and 2016 and as at 31 March 2016 and 2017.

	31 December			31 March	
	2014 (audited)	2015 (audited)	2016 (audited)	2016 (unaudited)	2017 (unaudited)
Staff					
Professional staff	161	153	153	153	151
Support staff	130	127	119	125	119
Total	291	280	272	278	270

The following table sets forth the Issuer's staff distribution by nationality and professional category as at 31 March 2017.

Nationality	Professional staff	
	Support staff	Professional staff
Burkina Faso	3	20
Benin	14	38
Côte d'Ivoire	3	17
Guinea Bissau	3	2
Mali	4	17
Niger	3	11
Senegal	3	17
Togo	86	29
Total	119	151

Recruitment is based on a jobs and skills management planning, which aims to provide the organisational 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 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 4.5 per cent. over the last 10 years. This turnover includes all departures combined (resignations, deaths, dismissals, retirement, etc.). The average length of service for professional staff is 13 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 labour dispute.

The Issuer's training policy is based on a systematic approach (business, organisational 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 organisation. 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 of the Issuer for the years ended 31 December 2014, 2015 and 2016 and the selected statement of financial position data of the Issuer as at 31 December 2014, 2015 and 2016 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, 31 December 2014, 2015 and 2016, which have been prepared by the Issuer under IFRS, audited by KPMG CI for the years ended, 31 December 2014 and 2015, and PWC for the year ended 31 December 2016, and English language translations of which are included elsewhere in this Offering Circular.

The selected statement of comprehensive income and other data of the Issuer for the three-month periods ended 31 March 2016 and 2017 and the selected statement of financial position data of the Issuer as at 31 March 2016 and 2017 set out below have been derived from, and should be read in conjunction with and are qualified in their entirety by, the 2017 Interim Financial Statements of the Issuer as at, and for the three-month period ended, 31 March 2016 and 2017, which have been prepared by the Issuer under IAS, and reviewed by PWC, and English language translations of which are included elsewhere in this Offering Circular. The Issuer is not required to, and does not normally, produce quarterly financial statements and has produced the 2017 Interim Financial Statements solely for inclusion in this Offering Circular for the purposes of the Offering. Following issuance of the Notes, the Issuer agrees, pursuant to Condition 5 under “*Terms and Conditions of the Notes – Negative Pledge and certain other Covenants*”, to provide to the Trustee only annual and semi-annual financial statements under its periodic reporting obligations and therefore will not be providing to the Trustee, or otherwise publishing, any quarterly financial statements as part of such obligations.

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*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*”.

Results of Operations

The table below sets forth the Issuer's results of operations for the years ended 31 December 2014, 2015 and 2016 and for each of the three-month periods ended 31 March 2016 and 2017.

	31 December			31 March	
	2014 (audited)	2015 (audited)	2016 (audited)	2016 (unaudited)	2017 (unaudited)
	(FCFA millions)				
Interest income.....	61,390	72,167	87,210	20,083	25,137
Interest expense.....	(31,585)	(40,993)	(59,734)	(11,262)	(18,358)
Net Interest Income	29,805	31,175	27,477	8,821	6,778
Commissions income	3,318	5,512	3,836	567	647
Commissions expense	(1,162)	(1,246)	(2,363)	(497)	(312)
Sub-total	31,961	35,440	28,949	8,890	7,114
Exchange rate gains	121	12	52	2,210	6,878
Exchange rate losses	(4,742)	(5,120)	(32,725)	(2)	(2)
Gains/(losses) on hedging instruments	—	(247)	34,271	(2,000)	(3,738)
Sub-total	27,340	30,085	30,548	208	3,138
Dividends received.....	2,474	2,529	3,583	—	14
Gains/(losses) on financial assets available for sale.....	(46)	—	—	—	—
Net banking income.....	29,769	32,614	34,131	9,098	10,266
Cost of risk.....	(7,135)	(6,964)	(6,017)	(1,175)	(351)
Allocations from Member States	3,200	3,200	3,200	—	—
Other operating income.....	251,055 ⁽¹⁾	984	883	22	107
Expenses related to development activities	(1,547)	(1,530)	(1,627)	(407)	(425)
General operating expenses	(16,913)	(19,395)	(19,326)	(3,689)	(4,385)
Staff costs.....	(10,403)	(11,226)	(11,086)	(2,107)	(2,729)
Amortisation.....	(979)	(1,187)	(1,201)	(291)	(298)
Other	(5,531)	(6,983)	(7,040)	(1,291)	(1,358)
Other operating expenses	(30)	(69)	(695)	(11)	(68)
Other operating income.....	235,765	(16,811)	(17,565)	(4,086)	(4,771)
Income for the period.....	258,399	8,839	10,548	3,837	5,143
Other elements of income					
Revaluation of fixed assets.....	—	—	—	—	—
Cash flow coverage.....	—	—	(12,864)	—	(9,570)
Variation in fair market value of securities available for sale.....	16,442	(2,967)	(6,998)	(2,967)	(6,998)
Elements not reclassified in income					
Revaluation of net liabilities under defined benefit plans	(129)	(50)	(745)	(50)	(745)
Other elements of income.....	16,313	(3,017)	(20,607)	(3,017)	(17,313)
Comprehensive income	274,712	5,822	(10,059)	820	(12,170)

Note:

(1) 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 31 December 2014, 2015 and 2016 and as at 31 March 2016 and 2017.

	31 December			31 March	
	2014 (audited)	2015 (audited)	2016 (audited)	2016 (unaudited)	2017 (unaudited)
	(FCFA millions)				
Assets					
Cash and cash equivalents	281,902	194,317	284,921	254,875	282,599
Net loans and receivables (net of provisions), of which:	1,290,718	1,487,624	1,860,051	1,514,332	1,883,463
Interbank deposits	340	530	33,421	768	38,781
Loans and advances to customers	1,161,728	1,360,100	1,550,385	1,388,268	1,565,145
Loans to personnel	6,096	6,270	6,421	6,442	6,618
Securities portfolio	22,546	15,227	171,437	13,356	173,060
Advances to shareholders	99,933	105,420	98,307	105,420	99,782
Other ⁽¹⁾	75	77	79	77	78
Equity participations	66,166	78,123	72,097	80,202	74,790
Other assets	10,632	14,793	37,690	15,708	37,838
Intangible assets	1,031	879	719	840	666
Tangible assets	8,022	7,904	7,879	7,720	7,751
Total Assets	1,658,471	1,783,640	2,263,357	1,873,676	2,287,108
Liabilities					
Amortised liabilities	904,391	1,015,058	1,466,600	1,078,573	1,478,821
Interbank debts	10,459	34,704	15,937	44,816	16,236
Debt represented by a security	561,559	557,265	1,018,843	619,546	981,173
Other	332,374	423,088	431,819	414,212	481,413
Other liabilities	33,164	28,561	66,340	51,245	70,847
Funds	18,958	13,231	45,389	13,195	53,350
Other	14,206	15,330	20,951	38,049	17,496
Provisions	5,517	5,873	7,618	5,873	7,728
Total liabilities	943,072	1,049,491	1,540,558	1,135,691	1,557,396
Capital	255,819	268,746	270,457	268,746	271,932
Subscribed capital	1,050,550	1,097,750	1,097,750	1,097,750	1,103,650
Callable capital	(786,405)	(821,805)	(821,805)	(821,805)	(826,230)
Costs related to deferred release of capital	(8,327)	(7,200)	(5,489)	(7,200)	(5,489)
Share premium	2,622	2,622	2,622	2,622	2,622
Reserves	456,958 ⁽²⁾	462,781 ⁽²⁾	449,721	466,617	455,159
Reserves earmarked for development activity	76,050	76,050	76,050	76,050	76,050
Reserves of cash flow hedges	—	—	(12,864)	—	(9,570)
Other reserves	16,468	13,501	6,503	13,501	6,503
Retained earnings	106,041	364,390	370,408	373,229	377,956
Profit/loss for the period	258,399	8,839	10,548	3,837	5,143
Total shareholders' equity	715,398	734,149	722,800	737,985	729,712
Total Liabilities and Capital	1,658,471	1,783,640	2,263,357	1,873,676	2,287,108

Notes:

(1) Represents advances and operational accounts and adjustment accounts.

(2) Includes the initial FDE endowment of FCFA 250 billion which was capitalised on 31 December 2014.

The table below sets forth the Issuer's return on average equity, return on average assets and operating ratio for the years ended 31 December 2014, 2015 and 2016 and for each of the three-month periods ended 31 March 2016 and 2017.

	31 December			31 March	
	2014	2015	2016	2016	2017
			(%)		
return on average equity ⁽¹⁾	1.9 ⁽²⁾	1.2	1.5	0.5	0.7
return on average assets ⁽³⁾	0.6 ⁽²⁾	0.5	0.5	0.2	0.2
operating ratio (excluding amortisation).....:	53.5	55.8	53.1	39.8	36.4
operating ratio (including amortisation) ⁽⁴⁾:	56.8	59.4	56.6	40.5	42.7

Notes:

- (1) Return on average equity = Income for the period "Y" / ((total equity "Y-1" + total equity "Y")/2).
- (2) 2014 return on average equity and return on average assets figures have been adjusted to neutralise the one-off recognition of the initial FDE endowment of FCFA 250 billion as Other operating income.
- (3) Return on average assets = Income for the period "Y" / ((total assets "Y-1" + total assets "Y")/2).
- (4) Operating ratio = General operating expenses / net banking income.

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 Offering Circular.

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 Offering Circular. The financial information set out below and referred to in this section has been extracted from the 2016 Financial Statements, the 2015 Financial Statements and the 2014 Financial Statements and the 2017 Interim 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 Issuer is not required to, and does not normally, produce quarterly financial statements and has produced the 2017 Interim Financial Statements solely for inclusion in this Offering Circular for the purposes of the Offering. Following issuance of the Notes, the Issuer agrees, pursuant to Condition 5 under “Terms and Conditions of the Notes – Negative Pledge and certain other Covenants”, to provide to the Trustee only annual and semi-annual financial statements under its periodic reporting obligations and therefore will not be providing to the Trustee, or otherwise publishing, any quarterly financial statements as part of such obligations.

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 31 December 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 neutralised through the line “retroceded income”. At 31 December 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 organisation established by the Establishment Treaty signed by the WAEMU Member States. The Issuer commenced operations in 1976. The Issuer and the BCEAO 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 characterised 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, China, AfDB, the Kingdom of Belgium, the EIB, Germany, India and 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-term, medium-term 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 extends credit depending 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. Pursuant to the 2015-2019 Strategic Plan, the Issuer has expanded the activities of this window, which represented 52.2 per cent. of its gross outstanding loans as at 31 March 2017, compared to 48.4 per cent. as at 31 December 2014. 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 through grace periods for the commencement of the repayment of principal and/or the payment of interest). In the past, the Issuer only funded loans from the FDC Window when it had a matching source of concessional funds. Between mid-2014 and mid-2016, the Issuer decided to temporarily suspend its activities in this area because it had encountered difficulties in obtaining sufficient concessional resources to support this type of funding. In December 2015, the WAEMU Council of Ministers decided to put in place an Interest Subsidy Mechanism to allow the Issuer to reopen the FDC Window. The funds made available under the Interest Subsidy Mechanism finance the interest gap between concessional loans granted through the FDC Window and the indebtedness incurred by the Issuer at market rates to fund these loans. The Interest Subsidy Mechanism applies solely to new commitments entered into after the mechanism was introduced and not to lending made under any pre-existing commitments. The Interest Subsidy Mechanism is to be funded by the WAEMU Member States and, to a lesser extent, by the BCEAO, the WEAMU Commission and the Issuer itself. Approximately FCFA 25 billion (€38.1 million) is to be made available on a yearly basis. The Issuer resumed its FDC Window activities in mid-2016. The activities of the FDC Window represented 41.7 per cent. of the Issuer's gross outstanding loans as at 31 March 2017, compared to 47.0 per cent. as at 31 December 2014. See “—*Description of the Issuer—Operations—Financing Windows—FDC Window*” and “—*Pricing policy—FDC Window – Interest Subsidy Mechanism*” 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 capitalised 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 the Kingdom of Belgium. However, decision-making authority with respect to projects funded through the FDE Window is made by the Issuer. The activities of the FDE Window represented 6.1 per cent. of the Issuer's gross outstanding loans as at 31 March 2017, compared to 4.6 per cent. as at 31 December 2014. See "*—Description of the Issuer—Operations—Financing Windows— FDE Window*" below.

Through these three windows, the Issuer provides primarily medium-term 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 continued to slightly improve in 2016, 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 in Côte d'Ivoire and Togo) and support for exports (e.g. gold, cotton, cocoa, coffee) and sustained performance in transport and communications although with varying individual performances among the WAEMU Member States. The growth rate of the regional economy increased to 6.7 per cent. in 2016 compared to 6.3 per cent. in 2015 and 6.6 per cent. 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. As published by the

WAEMU Commission⁵, the 2016 growth rate in each of the WAEMU Member States was as follows: Benin (3.9 per cent. as against 2.1 per cent. in 2015 and 6.3 per cent. in 2014), Burkina Faso (5.9 per cent. as against 4.0 per cent. in 2015 and 4.2 per cent. in 2014), Côte d'Ivoire (8.8 per cent. as against 9.2 per cent. in 2015 and 8.8 per cent. in 2014), Guinea Bissau (5.1 per cent. as against 5.1 per cent. in 2015 and 1.0 per cent. in 2014), Mali (5.8 per cent. as against 6.0 per cent. in 2015 and 7.0 per cent. in 2014), Niger (5.0 per cent. as against 4.0 per cent. in 2015 and 7.5 per cent. in 2014), Senegal (6.7 per cent. as against 6.5 per cent. in 2015 and 4.1 per cent. in 2014) and Togo (5.1 per cent. as against 5.5 per cent. in 2015 and 6.1 per cent. in 2014).

In 2016, economic activity in the WAEMU region was also marked by an overall increase in consumer prices, with an average annual inflation rate of 0.3 per cent. as against 1.0 per cent. in 2015 and (0.2) per cent. 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 ensure a regular supply of goods to markets.

In 2016, the WAEMU region maintained its growth rate, which reached 6.7 per cent. for 2016 as against 6.3 per cent. in 2015 and 6.6 per cent. in 2014, which is a higher rate than in sub-Saharan Africa, which was 1.4 per cent. for 2016. Such performance is expected to be maintained in the coming years, with a growth rate in real GDP expected at 7.5 per cent. on average in the 2017-2019 period according to the WAEMU Commission⁶. This growth forecast takes into account expectations regarding price stabilisation and decreasing security risks. 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, 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.

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, and the first overall rise since 2006), the two successive increases in 2017 (four since the Federal Reserve began raising rates in December 2015, with the likelihood of a further increase in 2017), 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 continue to expand and diversify its funding sources by accessing international capital markets (such as through the issuance of its U.S.\$750,000,000 5.5 per cent. notes due 2021 in May 2016 and 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.

⁵ (Source: WAEMU Commission, *Rapport d’exécution de la surveillance multilatérale*, June 2017)

⁶ (Source: WAEMU Commission, *Rapport d’exécution de la surveillance multilatérale*, June 2017)

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 table below sets out 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 paid, 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) for the years ended 31 December 2016, 2015 and 2014, and for the three-month periods ended 31 March 2016 and 2017.

	31 December			31 March	
	2014 (audited)	2015 (audited)	2016 (audited)	2016 (unaudited)	2017 (unaudited)
			(%)		
Net interest margin	1.6	1.0	0.2	0.9	0.2

The evolution of the Issuer's net interest margin is due to the depletion of the Issuer's concessional resources and the subsequent resort to market resources (with an average borrowing rate of 5.9 per cent. per annum over the three-year period) to fund FDC loans (with an average interest rate of 3.0 per cent. per annum over the three-year period). This negative impact on the Issuer's net interest margin has not yet been compensated by the implementation of the Interest Subsidy Mechanism, since it applies solely to new commitments entered into after the mechanism was introduced and not to lending made under any pre-existing commitments. Therefore, the impact of the overall gap between the cost of funding and the interest received on pre-existing FDC loans will continue to be felt until such loans are fully reimbursed.

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 a rate of €1.00 per 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. U.S. dollars and SDRs represented 32.0 per cent. and 4.6 per cent., respectively, of its total borrowings as at 31 March 2017, compared to 32.7 per cent. and 4.7 per cent. as at 31 December 2016. U.S. dollars, Swiss francs and SDRs represented 0.7 per cent., 0.1 per cent. and 7.7 per cent., respectively, of the Issuer's total borrowings as at 31 December 2015 and 0.5 per cent., 0.1 per cent. and 7.6 per cent., respectively, of its total borrowings as at 31 December 2014. This increase in the share of the U.S. dollar in 2016 results in the issuance of U.S.\$750,000,000 5.5 per cent. notes due 2021.

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 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 31 March 2017, the total outstanding amount of borrowings in currencies other than the FCFA of the Issuer was FCFA 932 billion equivalent, representing 146.3 per cent. of shareholders' equity and reserves as at that date, compared to FCFA 890 billion equivalent, representing 140.0 per cent. of shareholders' equity and reserves as at 31 December 2016.

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 WAEMU Council of Ministers on 27 June 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 31 December 2014, the initial endowment of the FDE Fund provided by the WAEMU Member States was integrated into the Issuer's equity. As at 31 December 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 Offering Circular, 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 the Issuer and representatives of the other contributors to the FDE.

The source of funding for activities carried out through the FDC Window is equity capital and concessional and market 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. Since 2016, the Issuer also benefits from an Interest Subsidy Mechanism, pursuant to which it can lend at lower rates through the FDC Window and refinance at market rates, with the difference in rates being covered by this mechanism.

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 at 31 December 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 for loans from each of the two categories of the Bank Window and the FDC Window according to the following formula:

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

A margin is added to the reference rate for Bank Window activities in order to reflect the risk profile of the relevant project. No margin is applied to FDC 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 then applicable FDC Window interest rate, as discounted by the Donor Council for FDE Window loans, and takes into account the administrative costs incurred by the Issuer in connection with such loans, the duration of the loan and any grace periods. No margin is applied to that reference rate.

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, since 1 January 2014 and as of the date of this Offering Circular, the reference rates applied in the second half of each year have not differed from the reference rates applied in the first half of the relevant year.

FDC Window – Interest Subsidy Mechanism

Loans to WAEMU Member States extended through the Issuer's FDC Window were historically financed by concessional borrowing. In 2014, 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.

In December 2015, the WAEMU Council of Ministers established a new Interest Subsidy Mechanism to allow the Issuer to resume concessional lending through the FDC Window. The funds made available under the Interest Subsidy Mechanism finance the interest gap between concessional loans granted through the FDC Window and the indebtedness incurred by the Issuer at market rates to fund these loans. The amount paid on the date the loan is granted covers the entire interest difference over the duration of the loan. This mechanism is available only for concessional loans made to WAEMU Member States. The Interest Subsidy Mechanism applies solely to new commitments entered into after the mechanism was introduced and not to lending made under any pre-existing commitments. Therefore, it will progressively compensate the overall gap between the cost of funding and the interest received FDC loans, as the loans made under pre-existing commitments are gradually reimbursed.

It is funded annually as follows: (i) funding from the Member States in an amount of FCFA 15 billion raised through a tax of 0.6 per cent. levied on foreign exchange transfers, (ii) a FCFA 5 billion annual contribution from the WAEMU Commission, and (iii) the remaining FCFA 5 billion contributed by the BCEAO and the

Issuer, the amount of such contribution being 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. These amounts are paid by the BCEAO on behalf of Member States based on their available assets at the central bank. Amounts made available do not have to be repaid. For 2016, the Interest Subsidy Mechanism was funded for a total amount of FCFA 26.6 billion, as follows (i) WAEMU Member States FCFA 13.6 billion, (ii) BCEAO FCFA 5 billion, WAEMU Commission FCFA 5 billion and (iii) the Issuer FCFA 3 billion.

On 31 March 2017, the WAEMU Council of Ministers determined the amount of the annual funding for 2017, at FCFA 28 billion, as follows: (i) WAEMU Member States FCFA 15 billion, (ii) BCEAO FCFA 5 billion, WAEMU Commission FCFA 5 billion and (iii) the Issuer FCFA 3 billion.

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 and so accounts for it as debt on the balance sheet. When a loan is granted at an interest rate of, for example, 7.0 per cent. with 4.0 per cent. being paid by the resources of the fund, the Issuer takes the equivalent of the 4.0 per cent. interest rate and accounts for it in the income statement under "*Allocations from Member States*". If funding for the Interest Subsidy Mechanism is interrupted, the Issuer 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 17 December 2015 and disbursements began in 2016 with the Issuer resuming concessional financing in mid-2016.

Bank Window

The majority of loans extended by the Issuer through the Bank Window are amortising 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 per cent. to 3.0 per cent. 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 cent. per annum.

The Issuer launched a project in 2013 with the aim of redesigning its pricing model, assessing current practices and proposing technical and innovative solutions to propose pricing that can respond more flexibly to offer and demand levels. As a result, the Council of Ministers of December 2016 adopted a new pricing package, which has been applied since January 2017. It introduces more flexibility to better match each borrower's individual situation and provides 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 31 December 2014, 2015 and 2016, and the three-month periods ended 31 March 2016 and 2017 is set out in the table below.

Prior to 31 December 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 neutralised through the line "retroceded income". At 31 December 2014, the initial FCFA 250 billion endowment of the FDE 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.

The table below sets out the weighted average interest rates on loans extended by the Issuer for each of the years ended 31 December 2014, 2015 and 2016 and for each of the three-month periods ended 31 March 2016 and 2017.

	31 December			31 March	
	2014 (audited)	2015 (audited)	2016 (audited)	2016 (unaudited)	2017 (unaudited)
Weighted average interest rate					
Weighted average interest rates on loans extended through the FDC Window	2.6%	2.5%	2.5%	3.7%	3.5%
Weighted average interest rates on loans extended through the Bank Window	9.3%	8.8%	8.3%	7.7%	7.2%
Weighted average interest rates on all loans.....	5.7%	5.5%	5.3%	5.6%	5.4%

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, through regional bilateral loans, and, since mid-2016, from the Interest Subsidy Mechanism. As at 31 December 2016, the Issuer's funding consisted of FCFA 182.8 billion (€278.8 million) in paid-in capital and FCFA 449.7 billion (€685.6 million) in reserves. As at the same date, the Issuer's funding comprised of borrowings amounted to FCFA 1,427.8 billion (€2,177 million), consisting of FCFA 107.5 billion (€163.9 million) in concessional resources and FCFA 1,320.2 billion (€2,012 million) in market rate sovereign loan resources. As at 31 December 2016, the Interest Subsidy Mechanism will represent a resource of FCFA 21.6 billion (€32.7 million).

As at 31 March 2017, the Issuer's funding consisted of FCFA 182.8 billion (€278.8 million) in paid-in capital and FCFA 455.2 billion (€693.9 million) in reserves. As at the same date, the Issuer's funding comprised of borrowings amounted to FCFA 1,439.6 billion (€2,195 million), consisting of FCFA 105.2 billion (€160.4 million) in concessional resources and FCFA 1,334.4 billion (€2,034 million) in market rate sovereign loan resources. As at 31 March 2017, the Interest Subsidy Mechanism represented a resource of FCFA 29.6 billion (€45.2 million).

The following table sets out the all-in cost of borrowing for the Issuer for each of the years ended 31 December 2014, 2015 and 2016 and for each of the three-month periods ended 31 March 2016 and 2017. The Issuer only prepares annual financial statements for its FDC Window activity.

	31 December			31 March	
	2014 (audited)	2015 (audited)	2016 (audited)	2016 (unaudited)	2017 (unaudited)
Cost of borrowing					
Cost of borrowing for the FDC Window	0.6%	0.7%	1.0%	0.9%	0.9%
Cost of borrowing for the Bank Window	5.2%	5.5%	5.7%	5.4%	5.5%
Average cost of borrowing	4.1%	4.6%	5.1%	4.7%	5.2%

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). As from 1 January 2016, the cost of borrowing for the FDC Window reflects the implementation of the Interest Subsidy Mechanism. However, the Interest Subsidy Mechanism applies solely to new commitments entered into after the mechanism was introduced and not to lending made under any pre-existing commitments. Therefore, the impact of the overall gap between the cost of funding and the interest received on pre-existing FDC loans will continue to be felt until such loans are fully reimbursed. The figures in the table above for the year ended 31 December 2016 and the three-month periods ended 31 March 2017 and 2016 take this into account. 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 organisation, 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. 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 IAS and interpretations, as issued by the IASB. The Issuer is not required to, and does not normally, produce quarterly financial statements and has produced the 2017 Interim Financial Statements solely for inclusion in this Offering Circular for the purposes of the Offering. Following issuance of the Notes, the Issuer agrees, pursuant to Condition 5 under "*Terms and Conditions of the Notes – Negative Pledge and certain other Covenants*", to provide to the Trustee only annual and semi-annual financial statements under its periodic reporting obligations and therefore will not be providing to the Trustee, or otherwise publishing, any quarterly financial statements as part of such obligations.

The Issuer does not currently prepare consolidated financial statements, despite its holding of 100.0 per cent. of the share capital of its securitisation subsidiary, BOAD *Titrisation*, and 49.5 per cent. of CAURIS Investment as the activities of these companies are not currently being regarded as significant in the Issuer's overall activities. The separate financial statements in respect of its Bank Window and FDC Window activities are prepared by the Issuer in accordance with the accounting principles set out therein. The Donor Council prepares the separate accounts for the FDE Window that are prepared according to FDE-specific accounting principles.

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

Results of operations

The table below sets forth the Issuer's results of operations for the years ended 31 December 2014, 2015 and 2016 and for each of the three-month periods ended 31 March 2016 and 2017.

	31 December			31 March	
	2014 (audited)	2015 (audited)	2016 (audited)	2016 (unaudited)	2017 (unaudited)
	(FCFA millions)				
Interest income.....	61,390	72,167	87,210	20,083	25,137
Interest expense.....	(31,585)	(40,993)	(59,734)	(11,262)	(18,358)
Net Interest Income	29,805	31,175	27,477	8,821	6,778
Commissions income	3,318	5,512	3,836	567	647
Commissions expense	(1,162)	(1,246)	(2,363)	(497)	(312)
Sub-total	31,961	35,440	28,949	8,890	7,114
Exchange rate gains	121	12	52	2,210	6,878
Exchange rate losses	(4,742)	(5,120)	(32,725)	(2)	(2)
Gains/(losses) on hedging instruments	—	(247)	34,271	(2,000)	(3,738)
Sub-total	27,340	30,085	30,548	9,098	10,251
Dividends received.....	2,474	2,529	3,583	—	14
Gains/(losses) on financial assets available for sale.....	(46)	—	—	—	—
Net banking income.....	29,769	32,614	34,131	9,098	10,266
Cost of risk.....	(7,135)	(6,964)	(6,017)	(1,175)	(351)
Allocations from Member States	3,200	3,200	3,200	—	—
Other operating income.....	251,055 ⁽¹⁾	984	883	22	107
Expenses related to development activities	(1,547)	(1,530)	(1,627)	(407)	(425)
General operating expenses.....	(16,913)	(19,395)	(19,326)	(3,689)	(4,385)
Staff costs.....	(10,403)	(11,226)	(11,086)	(2,107)	(2,729)
Amortisation.....	(979)	(1,187)	(1,201)	(291)	(298)
Other	(5,531)	(6,983)	(7,040)	(1,291)	(1,358)
Other operating expenses	(30)	(69)	(695)	(11)	(68)
Other operating income.....	235,765	(16,811)	(17,565)	(4,086)	(4,771)
Income for the period.....	258,399	8,839	10,548	3,837	5,143
Other elements of income					
Revaluation of fixed assets.....	—	—	—	—	—
Cash flow coverage	—	—	(12,864)	—	(9,570)
Variation in fair market value of securities available for sale.....	16,442	(2,967)	(6,998)	(2,967)	(6,998)
Elements not reclassified in income					
Revaluation of net liabilities under defined benefit plans	(129)	(50)	(745)	(50)	(745)
Other elements of income.....	16,313	(3,017)	(20,607)	(3,017)	(17,313)
Comprehensive income	274,712	5,822	(10,059)	820	(12,170)

Note:

(1) Includes the exceptional FCFA 250 billion capital endowment of the FDE Fund which was integrated as capital.

Results of operations for the three-month periods ended 31 March 2017 and 2016

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.

Net interest income

Interest and related income increased by FCFA 5.1 billion, or 25.6 per cent., to FCFA 25.1 billion in the three-month period ended 31 March 2017, from FCFA 20.1 billion in the three-month period ended 31 March 2016. This evolution is due to the increase in the loan portfolio and increased drawings on existing loans, in particular Bank Window loans.

Interest income

The following table sets forth the Issuer's interest and related income for the three-month periods ended 31 March 2016 and 2017.

	31 March	
	2016	2017
	(unaudited)	(unaudited)
	<i>(FCFA millions)</i>	
Interest and similar income/interbank receivables	1,077	2,154
Interest income on loans and advances to customers	18,442	19,695
Interest income on personal loans to staff members.....	43	46
Interest on securities portfolio.....	230	2,417
Commitment charges on loans	290	825
Interest and related income	20,083	25,137

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 78.3 per cent. of total interest income and 55.8 per cent. of total banking income, respectively, in the three-month period ended 31 March 2017, compared to 91.8 per cent. and 81.3 per cent., respectively, in the three-month period ended 31 March 2016. 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 1.3 billion, or 6.8 per cent., to FCFA 19.7 billion in the three-month period ended 31 March 2017 from FCFA 18.4 billion in the three-month period ended 31 March 2016. This evolution is due to the increase in the loan portfolio and increased drawings on existing loans, in particular Bank Window loans.

Interest and similar income on interbank receivables increased by FCFA 1.1 billion, or 100.0 per cent., to FCFA 2.2 billion in the three-month period ended 31 March 2017, from FCFA 1.1 billion in the three-month period ended 31 March 2016. This evolution is due to increased investments in term deposits and short-term interbank loans over the period (FCFA 148.8 billion as at 31 March 2017, compared to FCFA 74 billion as at 31 March 2016 as the Issuer invested the proceeds of the U.S.\$750,000,000 5.5 per cent. notes due 2021. 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 every quarter by reference to the average quarterly rate of the marginal facility rate of the ECB, after deducting a 0.3 per cent. account-holding fee. The applicable interest

rate as at 31 March 2017 after deduction of the fee was 0.1 per cent, compared to 0.2 per cent. as at 31 March 2016.

Income on the Issuer's securities portfolio increased by FCFA 2.2 billion, or 951.0 per cent., to FCFA 2.4 billion in the three-month period ended 31 March 2017, from FCFA 0.2 billion in the three-month period ended 31 March 2016. This evolution is due to increased investments in securities over the period (FCFA 168.9 billion as at 31 March 2017, compared to FCFA 13.1 billion as at 31 March 2016) resulting from the Issuer investing a significant portion of the proceeds of the U.S.\$750,000,000 5.5 per cent. notes due 2021, pending full utilisation for its activities. 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 0.5 billion, or 184.2 per cent., to FCFA 0.8 billion in the three-month period ended 31 March 2017, from FCFA 0.3 billion in the three-month period ended 31 March 2016. This evolution is due to the increase in the loan portfolio of the Bank Window.

Interest payable and similar expenses

The following table sets forth the Issuer's interest payable and similar expenses for the three-month period ended 31 March 2016 and 2017.

	31 March	
	2016 (unaudited)	2017 (unaudited)
	<i>(FCFA millions)</i>	
Interest expense on debt securities	7,335	14,307
Interest expense on other debts (borrowings from financial partners)	3,717	3,878
Retroceded income related to the FDE Window	189	120
Fees/commitments received	20	54
Interest and similar expense	11,262	18,358

Interest and similar expenses increased by FCFA 7.1 billion, or 63.0 per cent., to FCFA 18.358 billion in the three-month period ended 31 March 2017, from FCFA 11.3 billion in the three-month period ended 31 March 2016. This evolution is due to the increase in the borrowings of the Issuer, incurred to finance its increasing loan portfolio.

Interest expense on debt securities represents the interest payable by the Issuer in respect of borrowings in the WAEMU regional and international capital markets. Interest expense on debt securities increased by FCFA 7.0 billion, or 95.0 per cent., to FCFA 14.3 billion in the three-month period ended 31 March 2017, from FCFA 7.3 billion in the three-month period ended 31 March 2016. This evolution is due to the interest payable on the U.S.\$750,000,000 5.5 per cent. notes due 2021 and the increase in other borrowings incurred by the Issuer to finance its increased loan portfolio. Balances of borrowings from the regional capital markets amounted to FCFA 508.0 billion as at 31 March 2017, compared to FCFA 610.0 billion as at 31 March 2016,

while the weighted average rates of market borrowings amounted to 5.9 per cent. for the three-month period ended 31 March 2017, compared to 5.7 per cent. for the three-month period ended 31 March 2016. The weighted average interest rate for the Issuer's total outstanding bond issuances as at 30 June 2017 is 5.89 per cent

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 increased by FCFA 0.2 billion, or 4.3 per cent., to FCFA 3.9 billion in the three-month period ended 31 March 2017, from FCFA 3.7 billion in the three-month period ended 31 March 2016. The weighted average interest rate for the Issuer's borrowings at arm's length was 3.4 per cent. in the three-month period ended 31 March 2017, compared to 3.5 in the three-month period ended 31 March 2016. The evolution was due to the increase in drawings under available financings, which amounted to FCFA 59.0 billion as at 31 March 2017, compared to FCFA nil as at 31 March 2016.

Net interest income

Net interest income decreased by FCFA 2.0 billion, or 23.2 per cent., to FCFA 6.8 billion in the three-month period ended 31 March 2017, from FCFA 8.8 billion in the three-month period ended 31 March 2016 as the increase of the interest income from the increased loan portfolio and drawings from existing loans was more than offset by the increase in interest expense on the borrowings incurred to finance the additional loans and increased drawings.

This is also reflected in the decrease of the Issuer's credit margin over the period (defined as the difference between the weighted average interest rates on all loans and the average cost of borrowing), which went from 0.9 per cent. for the three-month period ended 31 March 2016 to 0.2 per cent for the three-month period ended 31 March 2017 (see "*—Management's Discussion and Analysis of Financial Condition and Results of Operations—Pricing Policy—Weighted average interest on loans*" and "*—Cost of funding*"). The application of the Issuer's new pricing policy since January 2017 and the contributions to the FDC Window under the Interest Subsidy Mechanism are expected to improve the credit margin in 2017. However, since the Interest Subsidy Mechanism applies solely to new commitments entered into after the mechanism was introduced and not to lending made under any pre-existing commitments, its positive impact will not be fully experienced until such loans are fully reimbursed.

Commission income and expenses

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 three-month periods ended 31 March 2016 and 2017.

	31 March	
	2016 (unaudited)	2017 (unaudited)
	<i>(FCFA millions)</i>	
Commissions earned on document processing fees	228	220
GARI guarantee commission	—	—
Other flat commissions	144	10
Commissions on guarantees/bond issues	97	58
Commissions on loan syndication and financial services	98	359
Total Commissions	567	647

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 recognised 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 decrease 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 decrease 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.

Commission expenses

The Issuer incurs commissions on its borrowing activities through loans and debt securities. The following table sets forth the Issuer's commission expenses for the three-month periods ended 31 March 2016 and 2017.

	31 March	
	2016	2017
	(unaudited)	(unaudited)
	<i>(FCFA millions)</i>	
Listing expenses	—	—
Other expenses on debt securities	269	130
Other commissions on loans	228	182
Expenses and losses relating to financial assets held for trading.....	—	—
Total Commission Expenses	497	312

Total commission expenses decreased by FCFA 0.185 billion, or 37.3 per cent., to FCFA 0.3 billion in the three-month period ended 31 March 2017, from FCFA 0.5 billion in the three-month period ended 31 March 2016. This decrease reflects the fact that total commission expenses for the three-month period ended 31 March 2016 included a portion of the expenses incurred in connection with the issuance in May 2016 of U.S.\$ 750,000,000 5.5 per cent. notes due 2021. There were no issuances by the Issuer on the regional capital markets during the three-month period ended 31 March 2017 compared to FCFA 77,405 billion of issuances during the three-month period ended 31 March 2016.

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 31 December of each year.

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 prioritises borrowings in local currency (FCFA), euro (fixed parity with FCFA) and the U.S. dollars (U.S.\$750,000,000 5.5 per cent. notes due 2021) and as at 31 March 2017, 63.4 per cent. 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. Subject to appropriate pricing, the Issuer intends to hedge the U.S. dollar proceeds from the issuance of Notes offered hereby, however there can be no assurance as to whether or when the Issuer will be able to do so.

The following table sets forth the Issuer's foreign exchange gains/(losses) for the three-month periods ended 31 March 2016 and 2017.

	31 March	
	2016	2017
	(unaudited)	(unaudited)
	<i>(FCFA millions)</i>	
Exchange gains	2,210	6,878
Exchange losses	(2)	(2)
Gains (losses) on hedging instruments.....	(2,000)	(3,738)

As the euro strengthened against the U.S.\$ over the period, the Issuer recorded non-cash exchange gains as the market value of its foreign currency debt burden (including the U.S.\$750,000,000 5.5 per cent. notes due 2021) decreased in consequence. However, this was partly and correspondingly offset by non-cash losses recorded on the mark-to-market of the hedging instruments put in place to cover the currency risk at the time those notes were issued.

Dividends received

Dividends received 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 the 2017 Interim Financial Statements. The Issuer earned dividends from its equity holdings of FCFA 0.01 billion in the three-month period ended 31 March 2017. The amount received in 2017 is a refund of the income tax withheld on dividends, to which the Issuer is not subject since it is a tax exempt international organisation. All equity participations are held as financial assets available for sale and recorded at their fair value. Any variation in such fair value is recorded as "Other general profit components (OCI)". For more information, see Note 6 to the 2017 Interim 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. There were no gains or losses on financial assets available for sale in the three-month period ended 31 March 2017.

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 9.1 billion and FCFA 10.3 billion in the three-month periods ended 31 March 2016 and 2017, respectively. The 12.8 per cent. increase in net banking income from the three-month period ended 31 March 2016 to the three-month period ended 31 March 2017 was primarily due to the implementation of the cross-currency swap in the second half of 2016, which generated an additional income of FCFA 3.1 billion for the three-month period ended 31 March 2017, compared to an additional income of FCFA 0.2 billion for the three-month period ended 31 March 2016. The additional income booked in 2017 corresponds mainly to the share of the accrued interest on the mark-to-market of the cross currency swap as at 31 March 2017.

Cost of risk

Cost of risk, representing provisions for non-performing loans in respect of the commercial loan portfolio and in respect of equity participations, amounted to FCFA 0.4 billion in the three-month period ended 31 March

2017, a decrease of FCFA 0.8 billion, or 70.1 per cent., from FCFA 1.2 billion in the three-month period ended 31 March 2016. This evolution is mainly due to the fact that the amount of defaulting loans has diminished and, therefore, so has the corresponding amount of late interest, which is accounted for in cost of risk. For the same reason, the level of provisions decreased between the three-month period ended 31 March 2016 and the three-month period ended 31 March 2017. 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 3.2 billion, 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. 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 0.11 billion in the three-month period ended 31 March 2017, an increase of FCFA 0.08 billion from FCFA 0.02 billion in the three-month period ended 31 March 2016. This evolution is due to the increase in income on certain assets that the Issuer rents to third parties and the receipt during the first quarter of 2017 of an insurance indemnity on losses incurred in 2016.

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 favourable 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, the Interest Subsidy Mechanism, was established in December 2015, which allowed the Issuer to resume concessional financing in mid-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 is 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 “—Pricing Policy—FDC Window – Interest Subsidy Mechanism” above.

The following table sets forth the expenses related to development activities for the three-month periods ended 31 March 2016 and 2017.

	31 March	
	2016 (unaudited)	2017 (unaudited)
	<i>(FCFA millions)</i>	
Interest subsidies on concessional loans	407	425
Expenses related to development activities	407	425

General operating expenses

General operating expenses include staff costs, other operating costs (e.g. maintenance costs, vehicles, consulting fees) and provisions on tangible fixed assets.

The following table sets forth the Issuer's general operating expenses for the three-month periods ended 31 March 2016 and 2017, excluding the defined benefit pension plans.

	31 March	
	2016 (unaudited)	2017 (unaudited)
	<i>(FCFA millions)</i>	
Staff costs	2,107	2,729
Provisions	291	298
Other operating expenses	1,291	1,358
General operating expenses	3,689	4,385

General operating expenses increased by FCFA 0.7 billion, or 18.9 per cent., to FCFA 4.4 billion in the three-month period ended 31 March 2017, from FCFA 3.7 billion in the three-month period ended 31 March 2016. Thus evolution was primarily due to an increase in staff costs due to the impact of a change in the performance-based compensation of the staff and to promotions which mechanically increase the overall level of compensation.

Variation in fair value on securities available for sale

The variation in fair value on securities available for sales represented a charge of FCFA 6,998 million for the three-month period ended 31 March 2017, compared to a charge of FCFA 2,967 million for the three-month period ended 31 March 2016. These amounts are the same as for the years ended 31 December 2016 and 2015, respectively, as the Issuer evaluates these securities only at year-end. See “—*Management's Discussion and Analysis of Financial Condition and Results of Operations Results of Operations— Results of Operations for the years ended 31 December 2016, 2015 and 2014— Variation in fair value on securities available for sale*”.

Income for the period

Income for the period amounted to FCFA 5.1 billion in the three-month period ended 31 March 2017, an increase of FCFA 1.3 billion compared to income for the period of FCFA 3.8 billion in the three-month period ended 31 March 2016. This evolution is due to the increase in interest income and the impact of the implementation of currency risk hedges.

Results of operations for the years ended 31 December 2016, 2015 and 2014

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 31 December 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 53.2 billion and cash holdings of FCFA 196.8 billion. 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 15.0 billion, or 20.8 per cent., to FCFA 87.2 billion in the year ended 31 December 2016 from FCFA 72.2 billion in the year ended 31 December 2015, which itself represented an increase of FCFA 10.8 billion, or 17.6 per cent., from FCFA 61.4 billion in the year ended 31 December 2014. 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 31 December 2014, 2015 and 2016.

	31 December		
	2014	2015	2016
	(audited)	(audited)	(audited)
		<i>(FCFA millions)</i>	
Interest and similar income/interbank receivables.....	2,221	2,896	6,499
Interest income on loans and advances to customers	56,008	66,270	74,296
Interest income on personal loans to staff members.....	145	162	182
Interest on securities portfolio.....	1,488	1,106	4,792
Commitment charges on loans	1,528	1,733	1,441
Interest and related income	61,390	72,167	87,210

Interest on loans and advances to customers represented 90.3 per cent. of total interest income and 57.9 per cent. of total banking income, respectively, in 2016, 92.0 per cent. and 91.8 per cent., respectively, in 2015, and 91.2 per cent. and 83.2 per cent., respectively, in 2014. It increased by FCFA 8.0 billion, or 12.1 per cent., to FCFA 74.3 billion in the year ended 31 December 2016 from FCFA 66.3 billion in the year ended 31 December 2015, which itself represented an increase of FCFA 10.3 billion, or 18.3 per cent., from FCFA 56.1 billion in the year ended 31 December 2014. The increase in 2016 is due to the increase in the loan portfolio and increased drawings on existing loans, in particular Bank Window loans. The increase in 2015 was 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 3.6 billion, or 124.4 per cent. to FCFA 6.5 billion in the year ended 31 December 2016 from FCFA 2.9 billion in the year ended 31 December 2015, itself an increase of FCFA 1.7 billion, or 30.4 per cent., from FCFA 2.2 billion in the year ended 31 December 2014. The evolution in 2016 is due to investments in term deposits and short-term interbank loans in the banks of the WEAMU zone in 2016 (for an amount of FCFA 148.8 billion) as the Issuer invested the proceeds of the U.S.\$750,000,000 5.5 per cent. notes due 2021. 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. 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 0.3 per cent. account-holding fee. The average interest rate for 2016, after deduction of the fee, was 0.1, compared to 0.2 per cent. in 2015 and 0.2 in 2014.

Income on the Issuer's securities portfolio increased by FCFA 3.7 billion, or 333.3 per cent., to FCFA 4.8 billion in the year ended 31 December 2016 from FCFA 1.1 billion in the year ended 31 December 2015, itself a decrease of FCFA 0.3 billion, or 25.7 per cent., from FCFA 1.5 billion in the year ended 31 December 2014. This evolution in 2016 was due to increased investment in treasuries in 2016 in an amount of FCFA 168.1 billion as at 31 December 2016, compared to FCFA 14.7 billion. As at 31 December 2015, as the Issuer invested the proceeds of the U.S.\$750,000,000 5.5 per cent. notes due 2021. The decrease in 2015 was 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 decreased by FCFA 0.3 billion, or 16.8 per cent., to FCFA 1.4 billion in the year ended 31 December 2016, from FCFA 1.7 billion in the year ended 31 December 2015, itself an increase of FCFA 0.2 billion, or 13.4 per cent. from FCFA 1.5 billion in the year ended 31 December 2014. The evolution in 2016 was due to the increase in the amounts of drawings under existing loans, which has the mechanical effect of reducing the commitment fees on the diminished undisbursed amount, which more than offset the increase in undisbursed new loans. The increase in 2015 was principally due to the increasing amount of undisbursed commitments.

Interest payable and similar expenses

The following table sets forth the Issuer's interest payable and similar expenses for the years ended 31 December 2014, 2015 and 2016.

	31 December		
	2014	2015	2016
	(audited)	(audited)	(audited)
		<i>(FCFA millions)</i>	
Interest expense on debt securities	18,104	28,363	44,230
Interest expense on other debts (borrowings from financial partners).....	12,444	12,013	14,539
Retroceded income related to the FDE Window	747	265	723
Fees/commitments received	290	352	242
Interest and similar expense	31,585	40,993	59,734

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 (such as the KfW, the AfDB, the EIB, the AFD, the AfDB and Proparco) and from the regional capital markets to finance its funding commitments to borrowers. Interest and similar expenses increased by FCFA 18.8 billion, or 45.9 per cent., to FCFA 59.7 billion in the year ended 31 December 2016 from FCFA 41.0 billion in the year ended 31 December 2015, itself an increase of FCFA 9.4 billion, or 29.8 per cent., from FCFA 31.6 billion in the year ended 31 December 2014.

Interest expense on debt securities increased in each of the three years under review, reflecting primarily the increasing balances of borrowings from the regional capital markets (that is, FCFA 549.2 billion as at 31 December 2014, FCFA 543.4 billion as at 31 December 2015 and FCA 998.2 billion as at 31 December 2016), while average rates of market borrowings remained relatively stable. The weighted average interest rate for the Issuer's regional bond issuance in May 2015 was 5.8 per cent. The weighted average interest rate for the Issuer's bond issuances in 2016 was 5.9 per cent. Interest expense on debt securities increased by FCFA 15.9 billion, or 55.9 per cent., to FCFA 44.2 billion in the year ended 31 December 2016, from FCFA 28.4 billion in the year ended 31 December 2015, itself a significant increase of FCFA 10.3 billion, or 56.7 per cent., from FCFA 18.1 billion in the year ended 31 December 2014, primarily due to the increasing volume of debt issued on the regional capital markets. The significant increase in 2016 is the result of the issuance of the U.S.\$750,000,000 5.5 per cent. notes due 2021.

Interest expense on other debts increased by FCFA 2.5 billion, or 21.0 per cent., to FCFA 14.5 billion in the year ended 31 December 2016, from FCFA 12.0 billion in the year ended 31 December 2015, itself a decrease of FCFA 0.4 billion, or 3.5 per cent., from FCFA 12.4 billion in the year ended 31 December 2014. The weighted average interest rate for the Issuer's borrowings at arm's length was 4.1 per cent. in 2014, 4.6 per cent. for 2015 and 5.1 per cent. for 2016. Drawings on external funding amounted to FCFA 85,756, FCFA 129.0 billion and FCFA 6.3 billion, respectively as at 31 December 2016, 2015 and 2014. As the bulk of the drawings in 2015 were made towards the end of the year, the full-year impact was not recorded until 2016, which explains why interest expense on external debt was higher in 2016 than in 2015 even though the amount of drawings had diminished at year end 2016. Similarly, interest expense on external debt decreased

in 2015 compared to 2014, as the average level of drawings was lower in 2015 than in 2014, even though the average interest rate was higher.

Net interest income

For the reasons set out above, net interest income decreased by FCFA 3.7 billion, or 11.9 per cent., to FCFA 27.5 billion in the year ended 31 December 2016 from FCFA 31.2 billion in the year ended 31 December 2015, itself an increase of FCFA 1.4 billion, or 4.6 per cent., from FCFA 29.8 billion in the year ended 31 December 2014.

This is also reflected in the decrease in the Issuer's credit margin over the period (defined as the difference between the weighted average interest rates on all loans and the average cost of borrowing), which went from 1.6 per cent for the year ended 31 December 2014, to 0.9 per cent. for the year ended 31 December 2015, 0.2 per cent. for the year ended 31 December 2016 (see “—*Management's Discussion and Analysis of Financial Condition and Results of Operations—Pricing Policy—Weighted average interest on loans*” and “—*Cost of funding*”).

Commission income and expenses

Commission Income

The following table sets forth the Issuer's commissions earned for the years ended 31 December 2014, 2015 and 2016.

	31 December		
	2014	2015	2016
	(audited)	(audited)	(audited)
	<i>(FCFA millions)</i>		
Commissions earned on document processing fees	916	938	896
GARI guarantee commission	106	61	106
Other flat commissions	66	100	525
Commissions on guarantees/bond issues	698	500	325
Commissions on loan syndication and financial services	1,533	3,913	1,984
Total Commissions	3,318	5,512	3,836

During the period under review, commissions on loan syndication and financial services evolved in line with the volumes of loan syndication mandates handled by the Issuer, and the changes in document processing fees reflect changes in the volume of loans granted during a given period. Other flat commissions increased as the Issuer obtained more mandates, and change in commissions on guarantees/bond issues reflect the decrease in guarantees provided by the Issuer on bonds issued on the regional capital markets. GARI commissions evolved in line with the activity of the GARI.

Commission expenses

The Issuer 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 31 December 2014, 2015 and 2016.

	31 December		
	2014 (audited)	2015 (audited)	2016 (audited)
		(FCFA millions)	
Listing expenses.....	14	—	—
Other expenses on debt securities	297	625	519
Other commissions on loans	704	621	1,844
Expenses and losses relating to financial assets held for trading	147 ⁽¹⁾	—	—
Total Commission Expenses	1,162	1,246	2,363

(1) Loss incurred by the Issuer upon disposal of certain financial assets held for trading.

Total commission expenses increased by FCFA 1.1 billion, or 89.6 per cent., to FCFA 2.4 billion in the year ended 31 December 2016, from FCFA 1.2 billion in the year ended 31 December 2015, itself an increase of FCFA 0.1 billion, or 7.2 per cent., from 1.2 billion in the year ended 31 December 2014. The significant increase in 2016 was due to the increase in other commissions on loans, which was itself due to the increased amount of commissions paid to the lender in connection with new credit lines entered into by the Issuer. The increase in 2015 was principally due to expenses on debt securities issued in 2014 but spread over the maturity of those securities.

Foreign exchange gains/(losses)

The very significant exchange losses incurred in 2016 are due to the strengthening of the U.S. dollar against the euro. This resulted in non-cash exchanges losses as the market value of the Issuer's foreign currency debt burden (including the U.S.\$ 750,000,000 5.5 per cent. notes due 2021) increased in consequence. This was largely offset by non-cash exchange gains recorded on the mark-to-market of the hedging instruments put in place to cover the Issuer's currency risks since December 2015 and simultaneously with the issuance of the U.S.\$ 750,000,000 5.5 per cent. notes due 2021. The significant exchange losses in 2015 and 2014 are 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.

The following table sets forth the Issuer's foreign exchange gains/(losses) for the years ended 31 December 2014, 2015 and 2016.

	31 December		
	2014	2015	2016
	(audited)	(audited)	(audited)
	<i>(FCFA millions)</i>		
Exchange gains	121	12	52
Exchange losses	(4,742)	(5,120)	(32,725)
Gains (losses) on hedging instruments.....	-	(247)	34,271

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 prioritises borrowings in local currency (FCFA) and euro (fixed parity with FCFA), and as at 31 December 2016, 62.6 per cent. 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. Subject to appropriate pricing, the Issuer intends to hedge the U.S. dollar proceeds from the issuance of Notes offered hereby, however there can be no assurance as to whether or when the Issuer will be able to do so.

Dividends received

A full table of the Issuer's equity investments, and the dividends received on such investments, is set out in Note 6 to the 2016 Financial Statements, Note 6 to the 2015 Financial Statements and Note 6 to the 2014 Financial Statements. The Issuer earned dividends from its equity holdings of FCFA 2.5 billion, FCFA 2.5 billion and FCFA 3.6 billion in the years ended 31 December 2014, 2015 and 2016, respectively, due to the improved performance of the companies in which the Issuer has invested, notably the performance of the Cauris Croissance Fund, managed by Cauris Management, in which the Issuer holds a 49.5 per cent. interest, the first regional private equity fund established in Francophone West Africa.

Gains/(losses) on financial assets available for sale

Gains/(losses) on financial assets available for sale in the year ended 31 December 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 31 December 2015. There were no gain or losses on financial assets available for sale in the years ended 31 December 2016.

Net banking income

Net banking income amounted to FCFA 29.8 billion, FCFA 32.6 billion and FCFA 34.1 billion in the years ended 31 December 2014, 2015 and 2016, respectively. The 4.7 per cent. increase from 31 December 2015 to 31 December 2016 was due to the positive impact of the implementation of the exchange rate risk hedges and the increase performance of the Issuer's equity investments. The 9.6 per cent. increase in net banking income from 31 December 2014 to 31 December 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 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 amounted to FCFA 6.0 billion in the year ended 31 December 2016, a decrease of FCFA 0.9 million, or 13.6 per cent., from FCFA 7.0 billion in the year ended 31 December 2015, itself a decrease of FCFA 0.2 billion, or 2.4 per cent., from FCFA 7.1 billion in the year ended 31 December 2014. The decrease in the cost of risk in the year ended 31 December 2016 is due to the improvement in the quality of the loan portfolio and the decrease in the provisioning rate of non-performing loans between 2015 and 2016. The decrease in the cost of risk in the year ended 31 December 2015 is primarily due to the simultaneous decrease in provisions and reversals of provisions on loans to customers. 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 18.5 per cent., 5.2 per cent. and 8.3 per cent. in the years ended 31 December 2016, 2015 and 2014, respectively, due to the increase in market rate sovereign loans and a better management of the loan portfolio.

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 to non-sovereign borrowers.

Allocations from the WAEMU Member States

Allocations from the WAEMU Member States represent annual allocations to the Issuer of FCFA 3.2 billion, 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 2016, 2015 and 2014. 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 0.9 billion in the year ended 31 December 2016, a decrease of FCFA 0.1 billion, or 10.3 per cent., from FCFA 1.0 billion in the year ended 31 December 2015, itself a decrease of FCFA 250.1 billion from FCFA 251.1 billion in the year ended 31 December 2014. The decrease in 2016 was due to the decrease in proceeds from the sales of used equipment. Other operating income recorded an exceptional increase in the year ended 31 December 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 capitalise it into the Issuer's reserves. Excluding the exceptional increase in 2014, the decrease of FCFA 0.1 billion between the two periods reflects the auction of used equipment to the Issuer's staff that resulted in capital gains amounting to FCFA 0.3 billion.

Expenses related to development activities

The following table sets forth the expenses related to development activities for the years ended 31 December 2014, 2015 and 2016.

	31 December		
	2014 (audited)	2015 (audited)	2016 (audited)
	(FCFA millions)		
Interest subsidies on concessional loans	1,547	1,530	1,627
Expenses related to development activities	1,547	1,530	1,627

General operating expenses

The following table sets forth the Issuer's general operating expenses for the years ended 31 December 2014, 2015 and 2016, excluding the defined benefit pension plans.

	31 December		
	2014 (audited)	2015 (audited)	2016 (audited)
	(FCFA millions)		
Staff costs	10,403	11,226	11,086
Provisions	979	1,187	1,201
Other operating expenses	5,531	6,983	7,040
General operating expenses	16,913	19,395	19,326

General operating expenses slightly decreased by FCFA 0.1 billion, or 0.4 per cent., to FCFA 19.3 billion in the year ended 31 December 2016, from FCFA 19.4 billion in the year ended 31 December 2015, itself an increase of FCFA 2.5 billion, or 14.7 per cent., from FCFA 16.9 billion in the year ended 31 December 2014. All the components of general operating expenses remained stable during the year ended 31 December 2016, compared to the year ended 31 December 2015. The increase between the year ended 31 December 2014 and the year ended 31 December 2015 was primarily due to an increase of 7.9 per cent. in staff costs and an increase of 26.3 per cent. 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.

Variation in fair value on securities available for sale

The variation in fair value on securities available for sales represented a loss of FCFA 6,998 million for the year ended 31 December 2016, compared to a loss of FCFA 2,967 million for the year ended 31 December 2015 and a profit of FCFA 16,442 million for the year ended 31 December 2014. This increased loss in 2016 compared to 2015 reflects difficulties experienced by two airlines companies in which the Issuer owns a participation.

Income for the period

Income for the period amounted to FCFA 10.6 billion in the year ended 31 December 2016, an increase of FCFA 1.7 billion or 19.3 per cent. from FCFA 8.8 billion for the year ended 31 December 2015. This increase reflected the increase in net banking income, the decrease of the cost of risk and the stability of the general operating expenses.

Income for the period very significantly decreased between the year ended 31 December 2015 and the year ended 31 December 2014, from FCFA 258,399 to FCFA 8,839, but this resulted primarily from a non-recurring item, namely 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. Excluding the impact of the FDE endowment, net income for the year ended 31 December 2014 amounted to FCFA 8.4 billion, and thus increased by only FCFA 0.4 billion, or 5.0 per cent., in the year ended 31 December 2015.

Assets and Liabilities

The following table sets forth the Issuer's statement of financial position as at 31 December 2014, 2015 and 2016 and 31 March 2016 and 2017.

	31 December			31 March	
	2014 (audited)	2015 (audited)	2016 (audited)	2016 (unaudited)	2017 (unaudited)
	(FCFA millions)				
Assets					
Cash and cash equivalents	281,902	194,317	284,921	254,875	282,599
Net loans and receivables (net of provisions), of which:	1,290,718	1,487,624	1,860,051	1,514,332	1,883,463
Interbank deposits	340	530	33,421	768	38,781
Loans and advances to customers	1,161,728	1,360,100	1,550,385	1,388,268	1,565,145
Loans to personnel	6,096	6,270	6,421	6,442	6,618
Securities portfolio	22,546	15,227	171,437	13,356	173,060
Advances to shareholders	99,933	105,420	98,307	105,420	99,782
Other ⁽¹⁾	75	77	79	77	78
Equity participations	66,166	78,123	72,097	80,202	74,790
Other assets	10,632	14,793	37,690	15,708	37,838
Intangible assets	1,031	879	719	840	666
Tangible assets	8,022	7,904	7,879	7,720	7,751
Total Assets	1,658,471	1,783,640	2,263,357	1,873,676	2,287,108
Liabilities					
Amortised liabilities	904,391	1,015,058	1,466,600	1,078,573	1,478,821
Interbank debts	10,459	34,704	15,937	44,816	16,236
Debt represented by a security	561,559	557,265	1,018,843	619,546	981,173
Other	332,374	423,088	431,819	414,212	481,413
Other liabilities	33,164	28,561	66,340	51,245	70,847
Funds	18,958	13,231	45,389	13,195	53,350
Other	14,206	15,330	20,951	38,049	17,496
Provisions	5,517	5,873	7,618	5,873	7,728
Total liabilities	943,072	1,049,491	1,540,558	1,135,691	1,557,396
Capital	255,819	268,746	270,457	268,746	271,932
Subscribed capital	1,050,550	1,097,750	1,097,750	1,097,750	1,103,650
Callable capital	(786,405)	(821,805)	(821,805)	(821,805)	(826,230)
Costs related to deferred release of capital	(8,327)	(7,200)	(5,489)	(7,200)	(5,489)
Share premium	2,622	2,622	2,622	2,622	2,622
Reserves	456,958 ⁽²⁾	462,781 ⁽²⁾	449,721	466,617	455,159
Reserves earmarked for development activity	76,050	76,050	76,050	76,050	76,050
Reserves of cash flow hedges	—	—	(12,864)	—	(9,570)
Other reserves	16,468	13,501	6,503	13,501	6,503
Retained earnings	106,041	364,390	370,408	373,229	377,956
Profit/loss for the period	258,399	8,839	10,548	3,837	5,143
Total shareholders' equity	715,398	734,149	722,800	737,985	729,712
Total Liabilities and Capital	1,658,471	1,783,640	2,263,357	1,873,676	2,287,108

Notes:

(1) Represents advances and operational accounts and adjustment accounts.

(2) Includes the initial FDE endowment of FCFA 250 billion which was capitalised on 31 December 2014.

Assets

Total assets increased by 1.1 per cent. to FCFA 2,287.1 billion as at 31 March 2017, compared to FCFA 2,263.4 billion as at 31 December 2016, primarily due to the increase of the loan portfolio.

Total assets increased by FCFA 479.7 billion, or 26.9 per cent., to FCFA 2,263.4 billion as at 31 December 2016, compared to FCFA 1,783.6 billion as at 31 December 2015, primarily due to an increase in outstanding loans and advances to customers of FCFA 190.3 billion, or 14.0 per cent., and in the securities portfolio of FCFA 156.2 billion.

Total assets increased by 7.5 per cent. to FCFA 1,783.6 billion as at 31 December 2015, compared to FCFA 1,658.5 billion as at 31 December 2014, primarily due to an increase in outstanding loans and advances to customers of 17.1 per cent. and an increase in advances to shareholders of 5.5 per cent., offset by a decrease of 32.5 per cent. in the securities portfolio.

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 97.1 per cent. of customer receivables as at 31 March 2017, compared to 97.8 per cent. as at 31 December 2016, 97.6 per cent. as at 31 December 2015 and 97.8 per cent. as at 31 December 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 capitalisation of the initial FCFA 250 billion endowment is reflected in the Issuer’s statement of financial position as at 31 December 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 173.1 billion as at 31 March 2017, representing an increase of FCFA 1.6 billion, or 1.0 per cent., from FCFA 171.4 billion as at 31 December 2016. This evolution is due to the acquisition of securities, treasury bills and sovereign bonds on the regional financial markets. As at 31 December 2016, the securities portfolio had increased by FCFA 156.2 billion from FCFA 15.2 billion as at 31 December 2015. This evolution is due to the acquisition of securities on the regional financial markets. As at 31 December 2015, the securities portfolio had decreased by FCFA 7.3 billion from FCFA 22.6 billion as at 31 December 2014. This decrease is 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 CI, 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 31 December 2016 is set out in “*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 mechanism is the same for the funding of the Interest Subsidy Mechanism.

The securities portfolio reflects holdings of debt securities issued by WAEMU Member States. See Note 5.2 to the 2017 Interim Financial Statements and Note 5.2 to the 2016 Financial Statements for a breakdown of these holdings and their maturity profile.

The net worth of equity investments (financial assets) was at FCFA 74.8 billion as at 31 March 2017, compared to FCFA 72.1 billion as at 31 December 2016, FCFA 78.1 billion as at 31 December 2015 and 66.2 billion as at 31 December 2014. 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 2017 Interim Financial Statements, Note 6 to the 2016 Financial Statements, Note 6 to the 2015 Financial Statements and Note 6 to the 2014 Financial Statements.

Other assets include accrued expenses and, as at 31 March 2017 and 31 December 2016, 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 1.1 per cent. to FCFA 2,287.1 billion as at 31 March, 2017, compared to FCFA 2,263.4 billion as at 31 December 2016, primarily due to the increase in debt incurred to finance the increased loan portfolio.

Total liabilities increased by FCFA 479.7 billion or 26.9 per cent. to FCFA 2,263.4 billion as at 31 December 2016, compared to FCFA 1,783.6 billion as at 31 December 2015, primarily due to an increase in debt represented by a security. Total liabilities increased by 7.5 per cent. to FCFA 1,783.6 billion as at 31 December 2015, compared to FCFA 1,658.5 billion as at 31 December 2014, primarily due to a 12.2 per cent. increase in amortised liabilities, primarily due to the 27.3 per cent. increase in loans from partners, which were disbursed during the year ended 31 December 2015 and the increase in receivables from shareholders due to BCEAO's subscription in the last 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*) and the PUFs. These debts decreased to FCFA 16.2 billion as at 31 March 2017, compared to FCFA 44.8 billion as at 31 December 2016, itself a decrease compared to FCFA 34.7 billion as at 31 December 2015, after they had increased from FCFA 10.5 billion as at 31 December 2014. The decrease in interbank debt between the year ended 31 December 2016 and the three-month period ended 31 March 2017 is due to partner institutions withdrawing their funds to make other investments. The decrease in interbank debt between the year ended 31 December 2016 and the year ended 31 December 2015 is due to the same reason and the increase in interbank debts between the year ended 31 December 2014 and the year ended 31 December 2015 is due to the increase of the amount of registered cash investments during fiscal year ended 31 December 2015.

The Issuer's borrowings can be categorised into (i) "debt represented by a security", corresponding to outstanding debt securities issued by the Issuer on the regional capital markets and international capital markets, and (ii) "other financial liabilities" consisting of loans to the Issuer from partners such as the AFD, the EIB, Proparco and the *Deutsche Investitions und Entwicklungs Gesellschaft* (German Development Agency).

Borrowings represented by debt securities accounted for 66.4 per cent. of all amortised liabilities as at 31 March 2017, compared to 69.5 per cent. as at 31 December 2016, 54.9 per cent. as at 31 December 2015 and 62.1 per cent. as at 31 December 2014. The FCFA 461.6 billion, or 82.8 per cent., increase in debt between 31 December 2015 and 31 December 2016 represented by securities is due to the inaugural issuance of its U.S.\$750,000,000 5.5 per cent. notes due 2021 on the international capital markets. See "—Risk Factors—Any future unavailability of access to 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—Strategy – The 2015-2019 Strategic Plan".

As at 31 March 2017, amortised liabilities amounted to FCFA 1,478.8 billion, representing 64.7 per cent. of total liabilities, compared to FCFA 1,466.7 billion representing 64.8 per cent. of total liabilities as at 31 December 2016, FCFA 1,015.1 billion representing 56.9 per cent. of total liabilities as at 31 December 2015 and FCFA 904.4 billion representing 54.5 per cent. of total liabilities as at 31 December 2014. Borrowings increased by an annual average of 20.7 per cent. over the 2014-2016 period.

The table below sets forth the maturity profile of liabilities at amortised cost as at 31 December 2016 and 31 March 2017.

	As at 31 March 2016 (unaudited) (FCFA millions)	As at 31 March 2017 (unaudited) (FCFA millions)
Up to one year.....	239,460	248,799
More than one year and up to and including two years.....	206,305	159,007
More than two years and up to and including three years.....	116,546	156,069
More than three years and up to and including five years.....	263,178	696,478
More than five years	253,084	218,469
Total.....	1,078,573	1,478,822

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 amounted to FCFA 729.7 billion, representing 31.9 per cent. of total liabilities as at 31 March 2017, compared to FCFA 722.8 billion representing 34.1 per cent. of total liabilities as at 31 December 2016, FCFA 734.2 billion representing 41.1 per cent. of total liabilities as at 31 December 2015 and FCFA 715.4 billion representing 43.1 per cent. of total liabilities as at 31 December 2014.

Reserves comprising existing retained earnings and current net annual income amounted to FCFA 382.2 billion as at 31 March 2017, compared to FCFA 380.0 billion as at 31 December 2016, FCFA 373.2 billion as at 31 December 2015 and FCFA 364.4 billion as at 31 December 2014. In 2014, the current annual income reflected the integration of the initial FDE endowment of FCFA 250 billion from the BCAEO in relation to the FDE. Excluding this allocation, Reserves comprising existing retained earnings and current net annual income amounted to FCFA 114.4 billion as at 31 December 2014. These reserves represented 52.3 per cent. of shareholders' equity as at 31 March 2017, 49.2 per cent. as at 31 December 2016, 50.8 per cent. as at 31 December 2015 and 50.9 per cent. as at 31 December 2014. 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 3.2 billion 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 subsidised 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 favourable 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 "*Pricing policy—FDC Window – Interest Subsidy*

Mechanism”, 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 and international capital market borrowings and bilateral borrowings from other states or their agencies and instrumentalities. As at 31 March 2017, the Issuer’s funding consisted of FCFA 182.9 billion (€278.8 million) in paid-in capital and FCFA 455.2 billion (€693.9 million) in reserves. As at the same date, the Issuer’s funding comprised of borrowings amounted to FCFA 1,439.6 billion (€2,194.7 million), consisting of FCFA 105.2 billion (€160.4 million) in concessional resources and FCFA 1,334.4 billion (€2,034.4 million) in market rate loan resources. As at 31 December 2016, the Issuer’s funding consisted of FCFA 182.9 billion (€278.8 million) in paid-in capital and FCFA 449.7 billion (€685.6 million) in reserves. As at the same date, the Issuer’s funding comprised of borrowings amounted to FCFA 1,427.8 billion (€2,176.6 million), consisting of FCA 107.5 billion (€163.9 million) in concessional resources and FCFA 1,320.2 billion (€2,012.7 million) in market rate loan resources. See “—*Description of the Issuer—Sources of funding*” 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

The Issuer does not take deposits from the private sector. It obtains funding from two main sources:

- equity capital (capital, allocations, reserves, capitalised dividends); and
- funding from the WAEMU regional and international capital markets or from international entities.

The Issuer is authorised 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—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 used to allocate 50.0 per cent. of its equity capital to finance the activities of the FDC Window and 50.0 per cent. to finance activities of the Bank Window. However, because of the scarcity of concessional funding, it has been decided to allocate all of the equity capital to the FDC Window activities until at least 2019. 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*”.

As at 31 March 2017, the only counterparties rated were Burkina Faso (rated B by S&P), Côte d'Ivoire (rated Ba3 by Moody's and B+ by Fitch) and Senegal (rated B+ by S&P and Ba3 by Moody's).

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 funding*” 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 tables set out a summary of outstanding loans (including loans granted through the FDE Window) and provisions for non-performing loans as at 31 March 2016 and 2017 and as at December 2014, 2015 and 2016.

	31 December			31 March	
	2014 (audited)	2015 (audited)	2016 (audited)	2016 (unaudited)	2017 (unaudited)
	(FCFA millions)				
Gross outstanding loans.....	1,161,304	1,349,175	1,541,588	1,371,885	1,554,975
Provisions for non-performing loans	(25,731)	(24,931)	(26,248)	(24,931)	(26,248)
Net outstanding loans	1,135,572	1,324,244	1,515,340	1,346,954	1,528,727
Provisions for non-performing loans/gross outstanding loans	2.2%	1.8%	1.7%	1.8%	1.7%

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 0.9 per cent. to FCFA 1,528.7 billion (€2,330 million) as at 31 March 2017 from FCFA 1,515.3 billion (€2,310.1 million) as at 31 December 2016.

Total net outstanding loans to customers increased by 14.4 per cent. to FCFA 1,515.3 billion (€2,310.1 million) as at 31 December 2016 from FCFA 1,324.2 billion (€2,018.8 million) as at 31 December 2015, itself an increase of 16.6 per cent. from FCFA 1,135.6 billion (€1,731.2 million) as at 31 December 2014.

Gross outstanding loans as at 31 December 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 31 December 2014 decision of the WAEMU Council of Ministers to transfer the FDE’s initial endowment of FCFA 250 billion (€381.1 million) to the Issuer, which was integrated into the Issuer’s equity. As at 31 March, 2017, the assets corresponding to this initial capital endowment of the FDE, comprising outstanding loans and off-balance sheet commitments amounted to FCFA 94.4 billion (€143.9 million) and FCFA 93.0 billion (€141.8 million), respectively. As at 31 December 2016, the assets corresponding to this initial capital endowment of the FDE, comprising outstanding loans and off-balance sheet commitments, amounted to FCFA 93 billion (€141.8 million) and FCFA 106 billion (€161.6 million), respectively. As at 31 December 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 (€112.8 million) and FCFA 125.5 billion (€191.3 million), respectively. As at 31 December 2014, the assets corresponding to this initial capital endowment of the FDE, comprising outstanding loans and off-balance sheet commitments, amounted to FCFA 53 billion (€80.8 million) and FCFA 146 billion (€222.6 million), 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 31 March 2017, loans to the WAEMU Member States amounted to FCFA 1,048.0 billion (€1,597.7 million), representing 67.4 per cent. of gross outstanding loans (FCFA 1,555.0 billion (€2,370.5 million)) and 68.6 per cent. of net outstanding loans (FCFA 1,528.7 billion (€2,333.5 million)). These include FCFA 674.5 billion (€1,028.3 million) in loans granted through the FDC Window in the amount of FCFA 105.2 billion

(€160.4 million) and FCFA 786.0 billion (€1,198.3 million) in loans extended through the Bank Window known as “market rate sovereign loans”.

As at 31 December 2016, loans to the WAEMU Member States amounted to FCFA 1,026.9 billion (€1,565.6 million), representing 66.6 per cent. of gross outstanding loans (FCFA 1,542 billion (€2,350.7 million)) and 67.8 per cent. of net outstanding loans (FCFA 1,515 billion (€2,309.6 million)). These include loans granted through the FDC Window in the amount of FCFA 634.9 billion (€967.9 million) and FCFA 299 billion (€455.8 million) in loans extended through the Bank Window known as “market rate sovereign loans”.

As at 31 December 2015, loans to the WAEMU Member States amounted to FCFA 892.3 billion (€1,360.3 million), representing 66.1 per cent. of gross outstanding loans (FCFA 1,349 billion (€2,056.5 million)) and 67.4 per cent. of net outstanding loans (FCFA 1,324 billion (€2,018.4 million)). These include loans granted through the FDC Window in the amount of FCFA 589.6 billion (€898.8 million) and FCFA 228.4 billion (€348.2 million) in loans extended through the Bank Window known as “market rate sovereign loans”.

As at 31 December 2014, loans to the WAEMU Member States amounted to FCFA 728.6 billion (€1,110.7 million), representing 62.7 per cent. of gross outstanding loans as at that date (FCFA 1,161 billion (€1,769.9 million)) and 54.0 per cent. of net outstanding loans (FCFA 1,135 billion (€1,730.3 million)), and include FDC Window loans in an amount of FCFA 565 billion (€861.3 million) and market rate sovereign loans through the Bank Window, in an amount of FCFA 53 billion (€80.8 million).

Provisions for non-performing loans 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—Factors relating to the Issuer and the jurisdictions in which it operates—While the Issuer believes that it has historically benefited from de facto “preferred creditor status” from each of the WAEMU Member States, 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) increased in the year ended 31 December 2014 and the year ended 31 December 2015, and increased in the year ended 31 December 2016 as the relative share of Bank Window loans in the total gross portfolio increased. Net outstanding Bank Window loans represented 49.6 per cent., 49.7 per cent., 45.0 per cent., 48.0 per cent. and 53.0 per cent. of total loans (excluding loans granted through the FDE Window) as at 31 March 2016 and 2017 and 31 December 2014, 2015 and 2016, respectively.

The maturity profile of the Issuer's gross outstanding loans and loans and advances to customers as at 31 March 2017 and 2016 and as at December 2014, 2015 and 2016 is set out in the following table.

	31 December			31 March	
	2014 (audited)	2015 (audited)	2016 (audited)	2016 (unaudited)	2017 (unaudited)
	(FCFA millions)				
Up to one year	112,376	113,151	121,995	132,753	139,898
More than one year and up to and including two years.....	100,022	109,406	137,559	118,159	135,815
More than two years and up to including three years.....	93,331	128,838	158,896	131,007	153,787
More than three years and up to including five years	188,831	246,219	308,514	223,072	267,274
More than five years	666,745	751,561	814,623	764,212	858,201
Total gross outstanding loans	1,161,304	1,349,175	1,541,588	1,371,885	1,554,975
Loans and advances to customers	1,161,728	1,360,100	1,550,386	1,386,060	1,565,145

As at 31 December 2016, gross outstanding loans include an amount of FCFA 53.2 billion (€81.1 million) corresponding to the market value of FDE Window loans granted to the WAEMU Member States that were transferred to the Issuer.

As noted above, most of the Issuer's loans are amortising loans, with varying principal repayment grace periods.

Provisions for non-performing loans

The Issuer records a provision for non-performing loans on its loans based on both individual and collective evaluations of non-performing loans and collective evaluation of non-performing loans. See Note 2.07(d) of the 2016 Financial Statements, Note 2.07(d) of the 2015 Financial Statements and Note 2.07(d) of the 2014 Financial Statements for further detail.

The following table sets forth the rate of provisioning for non-performing loans as well as the provisions for non-performing loans recorded on the Issuer's loan portfolio over the 2013-2015 period.

	31 December			31 March	
	2014 (audited)	2015 (audited)	2016 (audited)	2016 (unaudited)	2017 (unaudited)
	<i>(FCFA millions)</i>				
Non-performing loans (1)	38,845	36,911	34,799	36,911	34,601
Gross outstanding loans (2)	1,161,304	1,349,175	1,541,589	1,371,885	1,554,975
Outstanding FDC + FDE loans (3)	597,809	685,275	727,966	678,466	742,639
Outstanding commercial portfolio (4) = (2)- (3)	563,495	685,275	813,623	693,418	812,336
Percentage of non-performing loans (5) = (1)/(2).....	3.3%	2.7%	2.3%	2.7%	2.2%
Provision for non-performing loans amount (6)	(25,731)	(24,931)	(26,248)	(24,931)	(26,248)
Provisioning rate (7) = (6)/(1).....	66.2%	67.5%	75.4%	67.5%	75.9%

The percentage of gross non-performing loans (commercial sector non-performing loans), calculated by dividing gross outstanding non-performing loans by the total outstanding commercial portfolio (only commercial loans may be deemed non-performing), declined in the years ended 31 December 2014, 2015 and 2016, primarily due to significant recovery efforts to consistently reduce past due outstanding receivables. The reduction in the loss ratio was due to the combined effect of stabilisation of outstanding non-performing loans and a 16.0 per cent. increase in outstanding commercial sector loans before the period under review.

Outstanding non-performing loans decreased by 5.0 per cent. from the year ended 31 December 2014 to the year ended 31 December 2015, by 5.7 per cent. from the year ended 31 December 2015 to the year ended 31 December 2016 and by 6.2 per cent. from the three-month period ended 31 March 2016 to the three-month period ended 31 March 2017. The amount of non-performing loans decreased in the 2014-March 2017 period as a result of improved risk management policies and increased and successful recovery efforts made by the Issuer.

However, because of the application of the objective provisioning rules of the Issuer, the provisions increased during the period from the start of 2014 to the end of March 2017, by 3.1 per cent. from the year ended 31 December 2014 to the year ended 31 December 2015, by 5.3 per cent. from the year ended 31 December 2015 to the year ended 31 December 2016 and by 5.3 per cent. from the three-month period ended 31 March 2016 to the three-month period ended 31 March 2017. Consequently, the provisioning rate increased from 66.2 per cent. as at 31 December 2014, 67.5 per cent. as at 31 December 2015, 75.4 per cent. as at 31 December 2016 and 75.9 per cent. as at 31 March 2017.

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 Board of Directors in debt recovery. In the case of (i), if the relevant WAEMU Member State honours 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 provision 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

Until the end of the year ended 31 December 2014, non-performing loans were defined as loans that were more than 180 days past due and were being considered for provision. Since the start of the 2015 financial year, non-performing loans are defined as loans that are more than 90 days past due. The tables below set out non-performing loans as at 31 March 2016 and 2017 and as at 31 December 2014, 2015 and 2016. 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 (or 180 days up to 31 December 2014), significant financial difficulty of the counterparty or high probability of bankruptcy (see also Note 21 – 1.4.3 to the 2016 Financial Statements, Note 21 – 1.3.3 to the 2015 Financial Statements and Note 21 – 1.3.3 to the 2014 Financial Statements).

	31 December						31 March			
	2014 (audited)	(%)	2015 (audited)	(%)	2016 (audited)	(%)	2016 (unaudited)	(%)	2017 (unaudited)	(%)
	(FCFA billions)									
Gross non-performing loans..	38.8	3.3%	36.9	2.7%	34.8	2.3%	36.9	2.7%	34.6	2.2%
Write-back of provisions	25.73	66.2%	24.93	67.5%	26.24	75.4%	24.93	67.5%	26.2	75.9%

Previous loan repayments by all of the WAEMU Member States have been satisfactory, in that no non-commercial loan has been classified as a bad debt in the Issuer's accounts. An exception to this was in 2000 when the WAEMU Commission finally decided to settle arrears (FCFA 8.2 billion, including penalties of FCFA 2.9 billion), owed to the Issuer by Niger. However, such intervention of the WAEMU Commission is exceptional and is not part of the normal policy of the WAEMU. The case of Guinea Bissau, in which several loans for a total amount of FCFA 11 billion had to be rescheduled over an eight-year period due to financial difficulties encountered by that country several years ago, is different since the rescheduling took place before the country was formally declared in default. The long tradition of relationships with the Issuer's debtor states, and the Issuer's de facto status as a preferred creditor, have 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, failed to repay a particular loan on time.

All non-performing loans are loans to the commercial sector. Non-performing loans amounted to FCFA 34.6 billion (€52.7 million) as at 31 March 2017, compared to FCFA 34.8 billion (€53.1 million) as at 31 December 2016, FCFA 36.9 billion (€56.3 million) as at 31 December 2015 and 38.8 billion (€59.2 million) as at 31 December 2014. See “—Risk Factors—Factors relating to the Issuer and the jurisdictions in which it operates—While the Issuer believes that it has historically benefited from de facto “preferred creditor status” from each of the WAEMU Member States, 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 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 increased from FCFA 3.3 billion as at 31 December 2014, FCFA 7.7 billion as at 31 December 2015 and slightly decreased to FCFA 7.6 billion as at 31 December 2016. They amounted to FCFA 7.6 billion as at 31 March 2017. 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 4.4 billion. 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 4.4 billion). The detailed provisions on investments in equity securities are set out in Note 6 to the 2017 Interim Financial Statements, Note 6 to the 2016 Financial Statements, Note 6 to the 2015 Financial Statements and Note 6 to the 2014 Financial Statements.

Undrawn commitments

The following table sets forth the Issuer's undrawn commitments as at 31 March 2016 and 2017 and as at 31 December 2014, 2015 and 2016.

	31 December			31 March	
	2014 (audited)	2015 (audited)	2016 (audited)	2016 (unaudited)	2017 (unaudited)
	(FCFA billions)				
Commitments received⁽¹⁾	94	46	218	218	183
Loan commitments	75	24	185	185	148
Guarantees received from regional funds	19	22	33	33	35
Commitments given⁽²⁾	1,458	1,349	1,476	1,432	1,551
Loan commitments given	1,406	1,313	1,427	1,389	1,506
Advances on financing research	15	11	13	—	13
Commitments in equity participation	37	25	22	30	21
Pledges and guarantees	34	22	13	13	11

Notes:

- (1) Commitments received result from financing agreements with international lenders and guarantees received from regional funds for the benefit of clients.
- (2) 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 at 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 16 to the

2017 Interim Financial Statements, Note 25 to the 2016 Financial Statements, Note 26 to the 2015 Financial Statements and Note 25 to the 2014 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 at 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: (i) the classification and valuation of financial assets pursuant to IAS 39 (loans and debts, equity investments and the investment portfolio); and (ii) the 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 provision. 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)".

Provision of loans and advances: the Issuer also reviews its debt portfolio and assesses whether there is an objective indication of provision 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 2.03 to the 2017 Interim Financial Statements, Note 2.19 to the 2016 Financial Statements and Note 2.19 to the 2015 Financial Statements, included elsewhere in this Offering Circular.

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 organisation, and integrated into its internal management controls. Management monitors principal risks through specific committees, such as Commitments Committee, the 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

The Issuer's project cycle includes several review and selection phases carried out by the 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, organisation and management of the project, cost and financing plan, analysing 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, an anti-money laundering/terrorism financing/bribery file is prepared and submitted to the Approval Committee, along with the project brief. 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” below.

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 organisation is based on a lending process, which separates commercial business lines handled by the project finance directorates, from commitment lines handled by the 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 the Issuer'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*”.

The Issuer 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 200.0 per cent. of basic own funds (excluding FDE).

Exposure limits for loans

The exposure limit for public sector loans, per transaction, is fixed at 10.0 per cent. 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 capitalised 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), the Issuer limits its risk to sovereign borrowers to 100.0 per cent. of its basic own funds (excluding FDE), and its risk to non-sovereign public sector entities to 50.0 per cent. of its basic own funds (excluding FDE).

As of 31 March 2017 and 31 December 2016, the Issuer's basic own funds (excluding FDE) amounted to FCFA 349.7 billion and FCFA 347.6 billion, respectively.

The exposure limit for private sector loans, per transaction, is fixed at 10.0 per cent. of basic own funds (excluding FDE), except for indirect funding through NFIs and organisations that promote SMEs as well as direct loans to privatisation project companies, regional projects, mining and energy sector projects, which have a 15.0 per cent. ceiling, per transaction. Furthermore, private sector loans obtained directly from the Issuer cannot exceed 50.0 per cent. of the total tax-exclusive cost of the project. The limitation for the private sector, which was historically approximately 5.0 per cent., increased to 10.0 per cent. in 2011 so as to contribute more to the financing of key projects, whereas the 15.0 per cent. limitation noted above remains in place.

The Issuer's commitment towards each private sector borrower (all transactions combined) is limited to 15.0 per cent. of its basic own funds (excluding FDE), except for NFIs and organisations that promote SMEs, privatisation project companies, regional projects and mining and energy sector projects (all such transactions combined), where the limit is 20.0 per cent. of basic own funds (excluding FDE).

Commitment levels per borrower in the commercial and private sectors had all always been complied with as of 31 March 2017. The overall exposure to borrowers in respect of whom individual exposure is at least 25.0 per cent. of the Issuer's basic own funds (excluding FDE) is limited to ten times the Issuer's basic own funds

(excluding FDE). There is currently no commitment in the non-sovereign public sector entities or private sector with an outstanding individual risk of at least 25.0 per cent. of basic own funds (excluding FDE), representing 87 billion and FCFA 87 billion as at 31 March 2017 and 31 December 2016, respectively.

The overall exposure limit per sector is fixed at 150.0 per cent. of the Issuer's basic own funds (excluding FDE) for sectors such as NFIs, water and energy (electricity, gas, hydrocarbons) and 100.0 per cent. for other sectors. As at 31 March 2017, 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 31 March 2017 and as at 31 December 2014, 2015 and 2016, 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 10.0 per cent. of the Issuer's basic own funds (excluding FDE) for projects undertaken by NFIs and SME promoting organisations, privatisation projects, regional projects and those in the mining and energy sectors. For other projects, the limit is fixed at 5.0 per cent. of the Issuer's basic own funds (excluding FDE).

An equity participation cannot, in any case, exceed 15.0 per cent. of the capital of the relevant company. For projects where the Issuer is the principal sponsor, 100.0 per cent. of the capital of the company can be temporarily held at 100 per cent.; however, the Issuer will be expected to scale the level down to 51.0 per cent. 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 50.0 per cent. of the Issuer's basic own funds (excluding FDE). The ratio is 30.0 per cent. of the Issuer's basic own funds (excluding FDE) at 31 December 2015, 28.0 per cent. of the Issuer's basic own funds (excluding FDE) at 31 December 2016 and 28.0 per cent. of the Issuer's basic own funds (excluding FDE) as at 31 March 2017. Total paid-up capital and undisbursed commitments amounted to FCFA 102.0 billion and 97.5 billion as at 31 December 2016 and 31 March 2017, respectively.

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 15.0 per cent. of the Issuer's basic own funds (excluding FDE). The exposure limit for short-term cash financing (resulting in disbursements), per transaction and per borrower, is fixed at 10.0 per cent. of the Issuer's basic own funds (excluding FDE).

The exposure limit for the overall volume of all financial guarantees for securities and short-term cash financing is 50.0 per cent. of the Issuer's basic own funds (excluding FDE), representing FCFA 175 billion and FCFA 174 billion as at 31 March 2017 and 31 December 2016, respectively. As at 31 March 2017, this aggregate volume amounted to FCFA 115.4 billion, representing 33.0 per cent. of the Issuer's basic own funds (excluding FDE). As at 31 December 2016, this aggregate volume amounted to FCFA 151.4 billion, representing 44.0 per cent. 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 amortisation 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 the Issuer'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 granted 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 of Directors. 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 honour their commitments. Recent cases of application of these sanctions are set out in the table below.

Country	Year of sanction	Sanctions	Reason for the sanction	Outstanding	Outstanding listed	Outcome
Republic of Côte d'Ivoire.....	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 31 March 2011	Côte d'Ivoire paid in June 2011, while other borrowers paid during 2011. Disbursements resumed in July 2011 after the crisis.
Republic of Niger	2013	Suspension of disbursements on all public sector loans	Outstanding on loans granted to SONITEL (state 134 corporation)	FCFA 1,600 million	FCFA 6,879 million	In March 2014, SONITEL's debt was taken over by the State of Niger and the outstandings were cleared. Disbursements to the State have resumed.
Republic of Guinea Bissau....	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 31 October 2014)	FCFA 44,905 million	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 a bad debt in the Issuer's accounts. An exception to this was in 2000 when the WAEMU Commission finally decided to settle arrears (FCFA 8.2 billion, including penalties of FCFA 2.9 billion), owed to the Issuer by Niger. However, such intervention of the WAEMU Commission is exceptional and is not part of the normal policy of the WAEMU. The case of Guinea Bissau, in which several loans for a total amount of FCFA 11 billion had to be rescheduled over an eight-year period due to financial difficulties encountered by that country several years ago, is different since the rescheduling took place before the country was formally declared in default. The long tradition of relationships with the Issuer's debtor states, and the Issuer's de facto status as a preferred creditor, have 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, failed to repay a particular loan on time.

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 100.0 per cent. 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 on 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 100.0 per cent. recovery rate for sovereign loans. See "*—Risk Factors—Factors relating to the Issuer and the Issuer and the jurisdictions in which it operates—While the Issuer believes that it has historically benefited from de facto "preferred creditor status" from each of the WAEMU Member States, 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, the Issuer'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 modernise 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 is 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 the "fair value" concept prescribed under IFRS, which requires a debt to be written down and provisioned where the Issuer considers 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 is chaired by the President of the Issuer, and 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 CDR, 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 realising 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 realised).

Non-performing loans and provisioning policy

Until 2010, the Issuer had individualised non-performing loans provisions and general provisions based on a percentage of the outstanding amount of any loans and securities. For lending activities, the general provision was 1.0 per cent. of the outstanding FDC Window loans and 3.0 per cent. of the outstanding loans from the Bank Window. For securities, however, the general provision was 3.0 per cent. of the nominal amount.

With the adoption of IAS/IFRS financial reporting standards by the Issuer in 2010, receivables are now subject to individual provision 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 consequence, 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*” above.

In relation to loans made to WAEMU Member States by the Issuer, historically, the WAEMU Member States have met their obligations under such loans. However, in 2000, 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). Furthermore, the reimbursement of several loans granted to Guinea Bissau for a total amount of FCFA 11 billion was rescheduled over an eight-year period due to financial difficulties encountered by that country.

Individualised provision 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 actualised 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 determined based on 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; and
- estimated realisation 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 provisions 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 capitalised 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)
- + Uncapitalised costs and accrued interest payable

- Capitalised 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)

= Exposure (outstanding accounts) of the loan

See Note 5 to the 2017 Interim Financial Statements, Note 21 – 1.4.3 (b) of the 2016 Financial Statements, Note 22 – 1.3.3 (b) of the 2015 Financial Statements and Note 21 – 1.3.3 (b) of the 2014 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 recognised 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.

- Provisioning of equity investments

Criteria for provisioning of listed shares

Apart from the ability to determine the amount of provisions by output based on a qualitative analysis of specific indicators in an “expert opinion”, the criteria for the assessment of the amount of provisions include:

- (i) Securities having decreased more than 50.0 per cent. 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 30.0 per cent. in value in more than three years compared to its statement of financial position value:

Where there is evidence of a need for provisioning, the loss on the security is automatically recorded in statement of comprehensive income.

Criteria for provision 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 difference of over 50.0 per cent. 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. The amount of provisions 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 that is assessed at the amortised 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 a 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 optimise 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 (10.0 per cent. of net banking income or 1.0 per cent. of equity capital) is reached with a simulated change of 0.5 per cent. 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 authorised 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 eight years (refinancing or reinvestment risk as the case may be). It therefore seeks to minimise 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 favourable or unfavourable 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 favourable. 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, although the implementation of the Interest Subsidy Mechanism (as described below) contributes to reduce this sensitivity as it covers the gap between the market interest rate at which new concessional loans are funded and the rate on these loans.

In December 2015, the WAEMU Council of Ministers established the Interest Subsidy Mechanism within the FDC Window to allow the Issuer to resume concessional lending. This mechanism is 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 Interest Subsidy Mechanism do not need to be repaid to the Member States. The purpose of the mechanism 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 “—*Risk Factors—Factors relating to the Issuer and the jurisdictions in which it operates—The Issuer has recently resumed concessional lending following implementation of a new Interest Subsidy Mechanism; failure of this new Interest Subsidy Mechanism to achieve its objectives could materially adversely affect the Issuer's financial condition, growth and prospects*”.

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 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 1,439 billion as at 31 March 2017, FCFA 1,427 billion as at 31 December 2016, FCFA 1,313 billion as at 31 December 2015 and FCFA 1,406 billion as at 31 December 2014, for a total outstanding loans of FCFA 1,554 billion as at 31 March 2017, FCFA 1,542 billion as at 31 December 2016, FCFA 1,349 billion as at 31 December 2015 and FCFA 905 billion, FCFA 1,161 billion as at 31 December 2014.

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 “—*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Pricing policy—FDC Window – Interest Subsidy Mechanism*”.

Foreign exchange risk

Exchange risk relates to the possibility of recording losses due to an unfavourable 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 Offering Circular, an exchange risk margin is incorporated into interest rates to address adverse currency fluctuations.

The Issuer’s currency risk policy prioritises borrowings in local currency (FCFA) and euro (fixed parity with FCFA and the U.S. dollar (U.S.\$750,000,000 5.5 per cent. notes due 2021)). The Issuer’s debt structure as at 31 March 2017 was as follows:

Currency	Amount in the relevant currency	Exchange rate as at 31 March 2017 (expressed as FCFA per unit of relevant currency)	Outstanding (in FCFA)	% of non-euro non-FCFA	% of non-FCFA	% of Total
JPY	—	—	—	—	—	—
USD	750,701,052.79	613.5600	460,600,137,948	87.5	49.4	32.0
SDR	79,377,274.77	832.5080	66,082,216,268	12.6	7.1	4.6
CHF	—	—	—	—	—	—
Total non-euro			526,682,354,216			
Euro	617,326,367.25	655.9570	404,939,551,884	—	43.5	28.0
Total non- FCFA			931,621,906,100	—	—	—
FCFA issuance	507,987,124.50	1	507,987,124,500	—	—	35.0
			1,439,609,030,600			
Total Borrowing			00	100.0	100.0	100.0

The Issuer’s current mechanism for exchange rate protection includes applying a 0.15 per cent. 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. In May 2016, it also hedged its U.S. dollar exposure resulting from the issuance of the U.S.\$750,000,000 5.5 per cent. notes due 2021. Subject to appropriate pricing, the Issuer intends to hedge the U.S. dollar exposure from the issuance of

Notes offered hereby, however there can be no assurance as to whether or when the Issuer will be able to do so.

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 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 analyse 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 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 regard to IT risks, the Issuer has an information system security policy, a BCP and an IT disaster recovery plan, 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 cyber-security 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 the Basel II Standard Approach. See "*—Capital Structure—Capital and shareholding structure*".

Changes in net actual own funds under Basel II available to cover operational, exchange and lending risk, as at 31 December 2014, 2015 and 2016 and 31 March 2016 and 2017, are provided in summary as follows:

	31 December			31 March	
	2014 (including FDA) (audited)	2015 (including FDA) (audited)	2016 (including FDA) (audited)	2016 (including FDA) (unaudited)	2017 (including FDA) (unaudited)
	(FCFA millions)				
Paid-in capital and reserves (a)	567,277	582,517	597,558	585,989	599,701
Additional Tier 1 funds (b)	34,894	36,219	37,135	36,219	37,135
Other reserve in fair market value of securities available for sale (c)	16,442	13,475	6,477	13,475	6,477
Net actual own funds (Core Tier 1 capital) = a+b+c	618,612	632,211	641,170	635,683	643,313

Note:

Capital adequacy calculations in accordance with Basel II differ from the IFRS calculation. See Note 11 to the 2017 Interim Financial Statements and Note 13 to the 2016 Financial Statements for a calculation in accordance with IFRS.

The table below summarises the composition of capital of the Issuer as at 31 December 2014, 2015 and 2016 and 31 March 2016 and 2017.

	31 December			31 March	
	2014 (including FDE) (audited)	2015 (including FDE) (audited)	2016 (including FDE) (audited)	2016 (including FDE) (unaudited)	2017 (including FDE) (unaudited)
	(FCFA millions)				
1. Capital and assimilated funds	165,914	173,690	182,845	173,690	182,845
Paid-in capital	165,914	173,690	182,845	173,690	182,845
2. Reserves and assimilated funds	401,363	408,827	417,713	412,300	411,713
A. Basic own funds (= 1+2)	567,277	582,517	597,558	585,990	594,558
3. Bonus funds	28,097	28,767	27,640	28,767	27,640
4. Development study funds	7,277	7,277	9,320	7,277	9,320
5. EIB Margin 2010, 2011 and 2012	175	175	175	175	175
B. Additional own funds (= 3+4+5)	35,549	36,219	37,135	36,219	37,135
C. Other reserve in fair market value of securities available for sale	16,442	13,475	6,477	13,475	6,477
D. Total own funds (A+B+C)	618,612	632,211	641,170	635,684	638,170
Total qualifying Core Tier 1 capital (= A+B+C)	618,612	632,211	641,170	635,684	638,170

Note:

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 31 March 2017 and 31 December 2016 was 24.6 per cent. and 25.1 per cent., respectively, including the initial FDE resources (under the standard approach of Basel II), with a minimum requirement of 8.0 per cent.). As such, the Issuer's capital adequacy is in line with its commitments. The Issuer's capital adequacy target is to always exceed 15.0 per cent.

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 Offering Circular, 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 standardised approach. The Issuer's potential exposure in an event of default is calculated for each loan and is equal to the sum of (i) 100.0 per cent. of the amount outstanding net of provisions; (ii) 50.0 per cent. of undisbursed amounts on current loans; and (iii) 100.0 per cent. of outstanding guarantee. For equity investments, the Exposure at Default ("**EAD**") is equal to the sum of (i) 100.0 per cent. of the fair value and (ii) 50.0 per cent. of the undisbursed amounts. For tangible and intangible assets, EAD is equal to the balance sheet value.

Weighting risk rate: Using the Basel II standardised approach, the weighting risk rate used is 100.0 per cent. for unrated counterparties by a recognised external credit assessment organisation.

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 β 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 99.0 per cent. 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 31 December 2014, 2015 and 2016 and 31 March 2016 and 2017.

	31 December			31 March	
	2014 (audited)	2015 (audited)	2016 (audited)	2016 (unaudited)	2017 (unaudited)
			(FCFA millions)		
Credit risk					
(Basel II standardised approach)					
Gross outstanding sovereign risk	728,596	892,309	1,026,973	922,444	1,048,039
Gross outstanding non-sovereign risk	432,708	456,865	514,616	491,284	506,936
Provision for non-performing loans	(25,732)	(24,931)	(26,248)	(24,931)	(26,248)
Net outstanding loans	1,135,572	1,324,244	1,515,340	1,388,796	1,528,727
Amounts to be disbursed on sovereign risk....	877,102	869,558	930,167	880,213	983,071
Amounts to be disbursed on non-sovereign risk	529,329	443,755	497,182	440,774	522,493
To be disbursed on loans	1,406,431	1,313,313	1,427,348	1,320,987	1,505,564
Credit equivalent (CEQ)	0.5	0.5	0.5	0.5	0.5
Exposure at default (EAD) on loans = outstanding amount +CEQ x amounts to be disbursed = (1).....	1,838,788	1,980,901	2,229,014	2,049,290	2,281,509
EAD on guarantees = (2)	33,548	22,140	12,496	21,078	10,630
EAD on loans = (3) = (1) + (2)	1,872,336	2,003,041	2,241,510	2,070,368	2,292,139
Gross outstanding participations	55,607	74,891	75,864	76,970	78,557
Provision for non-performing loans	(5,883)	(10,243)	(10,243)	(10,243)	(10,243)
Other reserve in fair market value of securities available for sale	16,442 ⁽¹⁾	13,475	6,477	13,475	6,477
Amounts to be disbursed on participations	36,753	25,441	21,658	33,362	20,965
Credit Conversion Factor (CCF).....	0.5	0.5	0.5	0.5	0.5
EAD on participations = (4) = outstanding amount + CCF x amounts to be disbursed..	68,101	90,843	82,927	96,883	85,273
EAD on other assets (non-current assets) (5).....	29,938,486	23,436,491	176,689	22,547	181,685
EAD on loans, other assets and participations = A = (3) + (4) + (5)	1,986,816,524	2,117,320,400	2,501,126	2,189,798	2,559,097
Market risk					
(Basel II standardised approach)					
Debt structure					
JPY	—	—	—	—	—
USD	4,670	6,734	467 154	6,440	460,600
SDR.....	66,792	69,033	66 954	66,580	66,082
CHF.....	1,208	1,142	—	1,132	—
Euro.....	257,632	343,434	355,663	335,430	404,940
FCFA	549,23	543,428	537,990	609,991	507,987
VAR (99%; 1 day).....	577	13	—	8	—
Capital requirement ("CR") (Var ST x (10 ^{1/2} x 3.5)	6,389	144	—	86	—
Risk weighted assets at market risk: 12.5 x CR = C	79,863	1,792	—	1,073	—

	31 December			31 March	
	2014 (audited)	2015 (audited)	2016 (audited)	2016 (unaudited)	2017 (unaudited)
			(FCFA millions)		
Operational risk					
(Basel II standardised approach)					
Average amounts					
Average interest received (1).....	25,745	29,34	29,403	29,34	29,403
Average commission received (2).....	2,313	2,584	2,536	2,584	2,536
Average exchange result (3)	(168)	(2,379)	(2,792)	(2,379)	(2,792)
Average dividend result (4)	2,138	2,345	2,862	2,345	2,862
CR	4,404	4,719	4,708	4,719	4,708
Risk weighted assets at operational risk: 12.5 x CR = C	56,306	58,992	58,848	58,992	58,848
Total risk weighted assets at risk = D = A +B+C.....					
	2,122,616,908	2,178,106	2,559,973	2,249,863,28	2,617,944,52
Base capital					
	567,277	582,517	597,558	585,989	599,701
Additional capital					
	35,549	36,219	37,135	36,219	37,135
Net tangible and intangible assets					
	16,442	13,475	6,477	13,475	6,477
Total qualifying Core Tier 1 capital = E					
	618,612	632,211	641,170	635,683	643,313
Capital adequacy ratio = E/D					
	29.1%	29.0%	25.1%	28.0%	24.6%
Minimum regulatory ratio					
	8.0%	8.0% ⁸	8.0%	8.0%	8.0%

Notes:

For the calculation of risk-weighted assets, equity investments were considered at fair value (and not at historical cost).

The Issuer's capital adequacy policy complies with the Basel II standardised approach, namely to hold equity greater than or equal to 8.0 per cent. of risk weighted assets with an internal target of 15.0 per cent. minimum. The Issuer's capacity to enter into commitments is also related to (i) changes in equity; (ii) resource mobilisation opportunities; (iii) its liquidity ratio; and (iv) its debt/equity ratio.

Anti-Money Laundering and other compliance initiatives

In 2006, the Issuer implemented an 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 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.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the capitalisation of the Issuer as of 31 March 2017:

- on a historical basis, as derived from the Financial Statements included elsewhere in this Offering Circular; and
- as adjusted to give effect to the issuance and sale of the Notes as if they had occurred on 31 March 2017.

Investors are encouraged to read this table in conjunction with “*Use of Proceeds*”, “*Management’s Discussion and Analysis of Result of Operations and Financial Condition*” and the Financial Statements and notes thereto included elsewhere in this Offering Circular.

At 31 March 2017		
	Actual	As Adjusted
	(FCFA millions)	
Borrowings:		
I - Debts represented by a security		
Bond issues ⁽¹⁾	565,010	
<i>Including the Notes offered hereby</i>	—	
Commercial Paper	285,725	
Maturities of less than one year	111,046	
II - Other borrowings from external partners ⁽²⁾		
Borrowings for financing long-term projects	435,038	
Borrowings for financing long-term studies	446	
Maturities of less than one year	42,343	
III – Debts represented by other forms of security and other forms of borrowings		
Accrued interest on debts represented by a security	20,591	
Deferred costs on debt securities and loans	1,199	
Accrued interests and commissions on other borrowings	4,117	
Deferred costs on other loans	533	
IV - Interbank debts	16,236	
Total borrowings I + II + III + IV	1,478,821	
Capital and reserves:		
<i>Capital</i>		
Subscribed capital	1,103,650	
Callable capital	(826,230)	
Cost related to deferred paying-up of capital	(5,489)	
Issue premium	2,622	
<i>Reserves</i>		
Reserves transferred for development activities	76,050	
Fair value reserves on securities classified in AFS	6,477	
Reserves for cashflow coverage	(9,570)	
Other reserves	26	
Revaluation of liabilities under fixed benefits schemes	(924)	
Retained earnings	377,956	
Income for the year	5,143	
Total Capitalisation	729,712	

Notes:

(1) Bonds issued on the international and regional capital markets, including the U.S.\$ 750,000,000 5.50 per cent. notes due 2021.

(2) Such as the KfW, the AfDB, the EIB, the AFD, the AfDB and Proparco.

The information in this table is based on the 2017 Interim Financial Statements. There has been no material adverse change to the total capitalisation of the Issuer since 31 March 2017.

CAPITAL STRUCTURE

Capital and shareholding structure

As at 31 March 2017, the authorised share capital of the Issuer was FCFA 1,155 billion (€1,760.8 million), divided into 23,100 shares of nominal value FCFA 50,000,000 each. As at 31 December 2015, the Issuer had subscribed capital of FCFA 1,097.8 billion (€1,673.6 million), 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 173.8 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 47.1 per cent. of the share capital as at 31 March 2017. 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 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 authorised 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, the People's Republic of China, AfDB, the Kingdom of Belgium, the EIB, Germany, EXIM Bank of India 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 of Directors;
- two representatives appointed by each of the WAEMU Member States;
- the Governor of the BCEAO or his/her representative; and
- the representatives of Category B shareholders, *pro rata* to the capital amount subscribed 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 of Directors, representing a higher proportion than their share of capital (6.3 per cent.), 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 authorised capital was increased by 10.0 per cent., to FCFA 1,155.0 billion, its subscribed capital was increased by 7.0 per cent. to FCFA 1,009.3 billion and its paid-in capital was increased by 53.0 per cent., to FCFA 148.8 billion. In 2014, the Issuer's subscribed capital increased by 4.0 per cent. to FCFA 1,050.6 billion and its paid-in capital increased by 11.0 per cent., 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 31 December 2015, the Issuer's subscribed share capital is 25.0 per cent. to be paid-in, of which 15.5 per cent. 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 31 December 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 31 December 2016, together with shareholders' ratings. As at the date of this Offering Circular, only three of the nine regional shareholders were rated by international agencies.

	Subscribed capital		Callable capital		Paid-in capital ⁽¹⁾		Ratings (Moody's/ S&P/ Fitch) ⁽²⁾
	Amount		Amount		Amount		
	(FCFA billions)	(%)	(FCFA billions)	(%)	(FCFA billions)	(%)	
Category A shareholders							
Benin	64.65	5.89	48.49	5.90	10.77	5.89	NR/NR/NR
Burkina Faso	64.65	5.89	48.49	5.90	10.77	5.89	NR/B/NR
Côte d'Ivoire	64.65	5.89	48.49	5.90	10.77	5.89	Ba3/NR/B+
Guinea Bissau.....	64.65	5.89	48.49	5.90	6.39	3.49	NR/NR/NR
Mali	58.75	5.35	44.06	5.36	10.77	5.89	NR/NR/NR
Niger	64.65	5.89	48.49	5.90	10.77	5.89	NR/NR/NR
Senegal	64.65	5.89	48.49	5.90	10.77	5.89	Ba3/B+/NR
Togo	64.65	5.89	48.49	5.90	10.77	5.89	NR/NR/NR
BCEAO	517.20	47.11	387.90	47.20	86.14	47.11	NR/NR/NR
Sub-total Category A shareholders.....	1,028.50	93.69	771.37	93.86	167.92	91.83	
Category B shareholders							
France.....	38.40	3.50	28.80	3.50	7.04	3.85	Aa2/AA/AA A(N)
KfW ⁽³⁾	2.00	0.18	—	0.00	2.00	1.09	Aaa/AAA/A AA
Kingdom of Belgium.....	5.60	0.51	4.20	0.51	1.40	0.77	Aa3/AA/AA-
EIB ⁽⁴⁾	4.00	0.36	3.00	0.37	1.00	0.55	Aaa/AA/AA
AfDB	6.00	0.55	4.50	0.55	1.04	0.57	Aaa/AAA/A AA
Exim Bank of India ⁽⁵⁾	0.75	0.07	0.56	0.07	0.14	0.07	Baa3/BBB- /BBB-
People's Bank of China ⁽⁶⁾	12.00	1.09	9.00	1.10	2.20	1.20	A1/AA-/A+
Kingdom of Morocco	0.50	0.05	0.38	0.05	0.12	0.07	Ba1/BBB- /BBB-
Sub-total Category B shareholders.....	69.25	6.31	50.44	6.14	14.94	8.17	
Total Categories A + B shareholders.....	1,097.75	100.00	821.80	100.00	182.86	100.00	

Notes:

- (1) Excluding (i) capital that is due to be paid but has not yet been paid and (ii) capital not yet due to be paid.
- (2) Rating of regional shareholders as at 31 March 2017.
- (3) Acting on behalf of the Federal Republic of Germany.
- (4) Acting on behalf of the European Union.
- (5) Acting on behalf of India.
- (6) Acting on behalf of the Popular Republic of China.

Regional Category A shareholders have an aggregate subscribed capital of FCFA 1,028.5 billion (representing 93.7 per cent. of the total share capital) while non-regional Category B shareholders have an aggregate subscribed capital of FCFA 69.3 billion (representing 6.3 per cent. of the total share capital).

BCEAO, the Issuer's largest shareholder, holds 47.1 per cent. of the subscribed capital as at 31 December 2016. After its subsequent subscription at the Issuer's most recent capital increase in December 2013, the BCEAO's share increased to FCFA 517.2 billion (47.1 per cent.), 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 on its operations are used to subscribe for the Issuer's shares, as all of the BCEAO's members are also shareholders of the Issuer.

Status of paid-in capital

The following table sets forth the Issuer's called-up, paid-in and callable capital as at 31 December 2016.

	Called-up capital	Paid in capital (already paid)	Capital to be paid	
			Past due	Not yet scheduled
			<i>(FCFA millions)</i>	
Category A shareholders.....	257,133	167,905	4,383 ⁽¹⁾	84,845
Category B shareholders.....	18,813	14,940	-	3,873
Total A+B shareholders	275,946	182,845	4,383	88,718

Note:

(1) 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:

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
					<i>(FCFA millions)</i>						
Shareholders											
Contribution of each member state	490	490	785	785	785	785	785	490	490	490	6,375
June 2004 capital increase	—	—	—	—	—	—	—	—	—	—	—
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	3,920	3,920	6,280	6,280	6,280	6,280	6,280	3,920	3,920	3,920	51,000
June 2004 capital increase	—	—	—	—	—	—	—	—	—	—	—
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	596	596	996	996	996	996	996	596	596	596	7,960
June 2004 capital increase	—	—	—	—	—	—	—	—	—	—	—
June 2010 capital increase	596	596	596	596	596	596	596	596	596	596	5,960
December 2013 capital increase	—	—	400	400	400	400	400	—	—	—	2,000
Capital to be paid up by the WAEMU member states	3,920	3,290	6,280	6,280	6,280	6,280	6,280	3,920	3,920	3,920	51,000
Capital to be paid up by the BCEAO	3,920	3,290	6,280	6,280	6,280	6,280	6,280	3,920	3,920	3,920	51,000
Capital to be paid up by Class B shareholders	596	596	996	996	996	996	996	596	596	596	7,960
Total capital to be paid up	8,436	8,436	13,556	13,556	13,556	13,556	13,556	8,436	8,436	8,436	109,960

Guinea Bissau had capital arrears in the past. However, it has since restructured and rescheduled the payment of these capital arrears and this restructuring has been approved by the WAEMU Council of Ministers at its meeting in June 2017.

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 3.2 billion) and membership fee (FCFA 2.4 billion), totalling FCFA 5.6 billion represents 3.1 per cent. of the total capital due to the Issuer, amounting to FCFA 179.0 billion (173,370 + 5,596) and 0.8 per cent. of the Issuer's equity capital (FCFA 736.1 billion) as at 31 December 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, since its creation in 1973, in order to expand its financing activity.

The table below sets forth the Issuer's share capital for the years ended 31 December 2004, 2010, 2013 and 2014, illustrating the Issuer's capital increases over the period:

	2004	2010	2013	2014
		(FCFA millions)		
Shareholders				
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
Total subscribed capital A + B.....	478.0	950.5	1,009.3	1,050.5
Authorised Capital.....	700.0	1,050	1,155	1,155
Paid-up Capital	53.5	97.4	148.8	165.9

The Issuer benefits from 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 “—Risk Factors—Factors relating to the Issuer and the jurisdictions in which it operates—While the Issuer believes that it has historically benefited from *de facto* “preferred creditor status” from each of the WAEMU Member States, 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 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 at 31 December 2014.

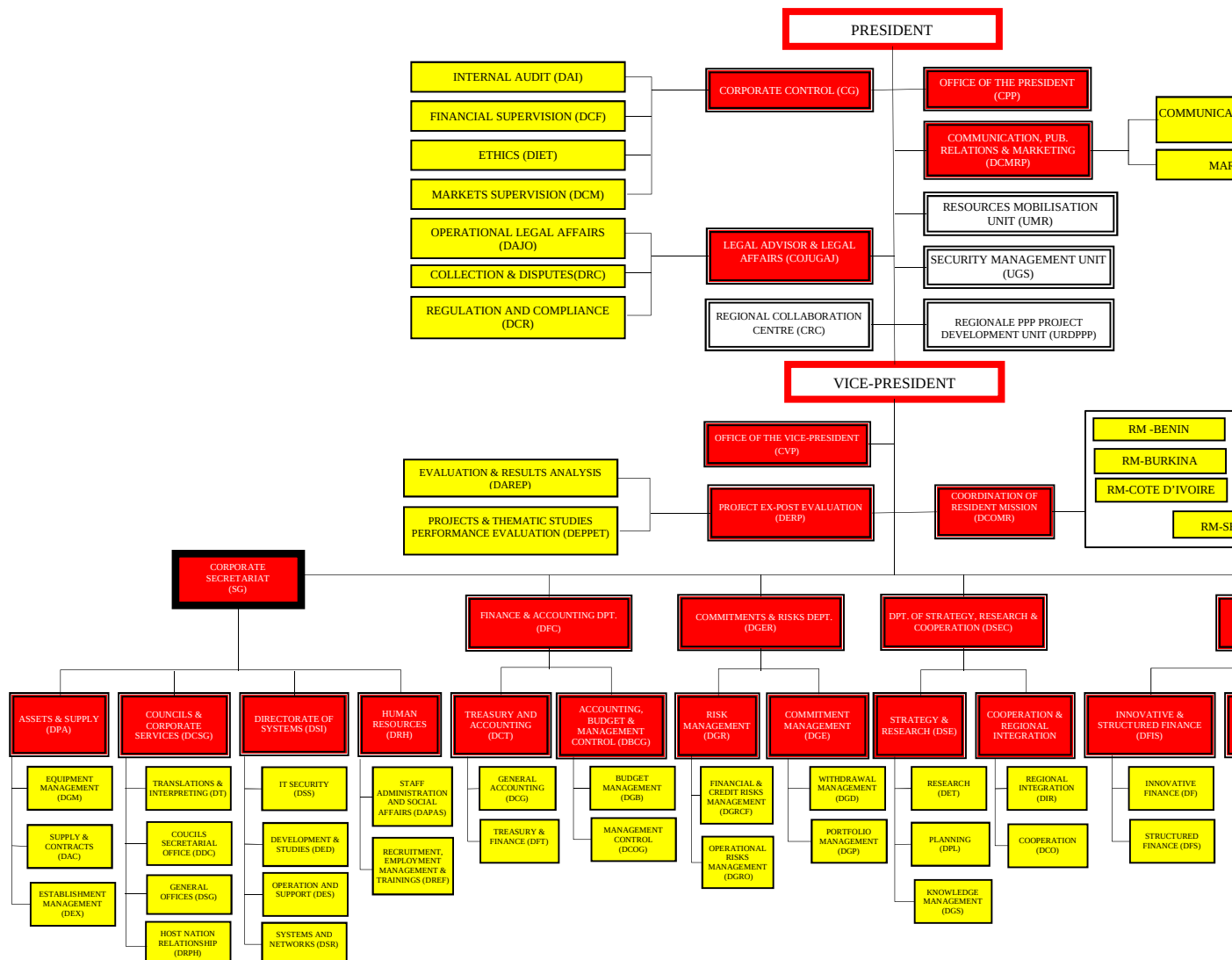
The Issuer does not pay dividends to shareholders but rather transfers all profits into reserves. This demonstrates the support from all shareholders to enable the Issuer to achieve its objectives. This support is particularly important in the eyes of non-regional Category B shareholders in light of 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 16 from the WAEMU Member States and one from the BCEAO. While the Issuer aims to increase its non-regional shareholder base to approximately 25.0 per cent. over the medium-term, the BCEAO will remain the principal shareholder.

MANAGEMENT AND GOVERNANCE

Organisation

Set forth below is the organisational chart of the Issuer.



The headquarters of the Issuer 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 organisation 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 (iv) Regional Private Public Partnership Project Development Unit, and (v) RCC.

Governing bodies under the President and the Vice-President include the Corporate Secretariat, the Human Resource and Asset Departments, the Finance and Accounting Department, Strategy, Research and Cooperation Department, Directorate of Commitment and Risk Management, and the Department of Operations. 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, the Directorate of IT Systems and the SDI Program Coordination Unit.

Departments are also subdivided into Divisions. Each Department advises the President on issues within the scope of the Divisions under their jurisdiction.

The Issuer 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 Board of Directors and the 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 the Issuer 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 at 31 December 2015 is set out below.

WAEMU Conference of Heads of State and Government

Incumbent Chairman	H.E. Alassane Ouattara, President of the Republic of Côte d'Ivoire, Chairman of the Conference of Heads of State and Government
Republic of Benin	H.E. Patrice Athanase Guillaume TALON, President of the Republic
Republic of Burkina Faso	H.E. Roch Marc Christian KABORE, President of Burkina Faso, Chairman of the Council of Ministers
Republic of Côte d'Ivoire	H.E. Alassane Ouattara, President of the Republic
Republic of Guinea Bissau	H.E. Dr. José Mario Vaz, President of the Republic
Republic of Mali	H.E. Ibrahim Boubacar Keita, President of the Republic
Republic of Niger	H.E. Issoufou Mahamadou, President of the Republic
Republic of Senegal	H.E. Macky Sall, President of the Republic
Republic of Togo	H.E. Faure Essozimna Gnassingbé, President of the Republic

WAEMU Council of Ministers

Incumbent Chairman	Mr Amadou Ba, Minister of Economy, Finance and Planning
Republic of Benin	Mr. Romuald Wadagni, Minister of Economy and Finance Mr. Abdoulaye Bio-Tchané, Minister of State, Minister of Development and Planning
Republic of Burkina Faso	Mrs Coulibaly Hadizatou Rosine SORI, Minister of Economy, Finance and of Development Mr Eric Wendenmanegha BOUGOUMA, Minister of Infrastructure
Republic of Côte d'Ivoire	Mr. Adama KONE, Minister of Economy and Finance Mr. Abdourahmane Cissé, Minister of budget and state portfolio
Republic of Guinea Bissau	Mr. Joao Alage Mamadu Fadia, Minister of Economy and Finance Mr. José Biai, Secretary of State in charge of Planning and Regional Integration
Republic of Mali	Dr. Boubou Cissé, Minister of Economy and Finance Mr. Abdel Karim Konate, Minister of Trade
Republic of Niger	Mr. Massaoudou Hassoumi, Minister of Finance Mrs. Kane Aïchatou Boulama, Minister of Planning

Republic of Senegal	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
Republic of Togo	Mr. Sani Yaya, Minister of Economy and Finance Mr. Kossi Assimaidou, Minister of Development Planning

Board of Directors

Chairman	Mr Christian Adovelande, President, West African Development Bank, Chairman of the Board of Directors
Republic of Benin	Mr. Philippe A. R. Dahoui, Technical Advisor for Economy, Ministry of Economy and Finance Mr. Rufino Sosthène d'Almeida, Director of the Minister of State, Minister of Development and Planning
Republic of Burkina Faso	Mr. Salam Kafando, Director of Multilateral Cooperation, Ministry of Economy and Finance Mr. Vieux Abdoul Rachid Soulama, Director General of Budget, Ministry of Economy and Finance
Republic of Côte d'Ivoire	Mr. Pierre Narcisse N'dri Kouadio, Special Advisor in charge of Structural Reform, Ministry of Employment, Social affairs and Professional training Mrs. Patricia Marie Laure Anoma, Technical Advisor to the Minister of Industry and Mines, Ministry of Industry and Mines
Republic of Guinea Bissau	Mr. Nivaldo Correia Mendes, Chief Technical Advisor of the State Secretary in charge of Planning and Regional Integration, Ministry of Economy and Finance Mr. Malam Mane, Director General of Planning, State secretariat in charge of Planning and Regional Integration
Republic of Mali	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
Republic of Niger	Mr. Hassane Taher, Chief Director of the Ministry of Finance Mr. Mahaman Sani Yakoubou, Director General for Investments, Ministry of Finance
Republic of Senegal	Mr. Lat Diop, Director, Investment, Ministry of Economy, Finance and Planning Mr. Mamadou Moustapha Ba, General Manager of Finance, Ministry of Economy, Finance and Planning
Republic of Togo	Mr Kpanlou Patassé, Advisor to the Minister of Economy and Finance Ministry of Economy and Finance Mr Djerkbary Massaouadoussey Bambah, Director General of

	Planning, Development and Land-Use Planning
Central Bank of West African States States (“ BCEAO ”)	Mr Mamadou Diop, Vice-Governor, Central Bank of West African States
French Republic	Mr. Olivier Chambard, Financial Advisor for Africa Directorate of Treasury, Ministry of Economy and Finance (Incumbent) Mr. Pierre-Ange Savelli, Assistant Chief, Bureau for Sub-Saharan Africa and AFD Directorate of Treasury, Ministry of Economy and Finance (Alternate)
KfW	Mr. Michael Wehinger, Manager, West Africa Mr. Matthias Adler, Division Manager, Infrastructures and Financial System Development
Kingdom of Belgium	Mrs. Natacha Durieux, Head, North and West Africa and Arab Region Department (D1.2), Directorate of Development Cooperation Mrs. Laura Strens, Attachée to the North and West Africa and the Arab World (D 1.2), General Directorate for Development Cooperation
European Investment Bank	Mrs. Isabelle Van Grunderbeeck, EIB Regional Representative to West Africa West Africa Regional Office Mr. Robert Schofield, ACP Division Manager
African Development Bank	Mrs. Hassatou N’Sele, Treasurer, Head of Finance Department Mr. Serge N’Guessan, Resident Representative of the African Development Bank
Republic of India	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. Li Xiaoping, Deputy Manager, 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 the Issuer

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

Prerogatives	Frequency of Meetings	Members
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

Prerogatives	Frequency of Meetings	Members
(i) appoints the President of the Issuer; (ii) approves the general guidelines and strategies of the Issuer; (iii) authorises 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 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	Quarterly	Each WAEMU Member State is represented by two ministers and has only one vote which is cast by the Minister of Finance.

Prerogatives

liquidation committee of the Issuer; and (xvi) determines the distribution of available assets among members of the Issuer in the event of liquidation.

Frequency of Meetings**Members****Board of Directors****Prerogatives**

(i) decides on the increase or reduction of the Issuer's capital and the call dates of each instalment 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.

Frequency of Meetings

Quarterly

Members

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)**Prerogatives**

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

Frequency of Meetings

As often as necessary between two sessions of the Board of Directors

Members

Chairman of the Issuer who is also the Chairman of the committee
Governor of BCEAO or their representative
Three representatives of WAEMU member states

Prerogatives	Frequency of Meetings	Members
accreditations committee in charge of private sector projects, and then by 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.		One representative of non-regional shareholders

Audit Committee (internal body of the Board of Directors)

Prerogatives	Frequency of Meetings	Members
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 of Directors.	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), a post disbursement control (internal audit) and a procurement control. The 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 organisational 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.

Procurement Control

- The Procurement Control monitors compliance with the Issuer's guidelines and procedures on procurement of goods and services for the Issuer and in projects financed by the Issuer. It ensures that procurement contracts are entered into in compliance with the applicable fairness, transparency and good management rules.

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

The WAEMU Council of Ministers appoint the Issuer's auditors. They audit the annual financial statements and, since 2016 review the June 30 interim financial statements. The Issuer is not required to, and does not normally produce, quarterly financial statements and has produced the 2017 Interim Financial Statements solely for inclusion in this Offering Circular for the purposes of the Offering. Following issuance of the Notes, the Issuer agrees, pursuant to Condition 5 under "*Terms and Conditions of the Notes – Negative Pledge and certain other Covenants*", to provide to the Trustee only annual and semi-annual financial statements under its periodic reporting obligations and therefore will not be providing to the Trustee, or otherwise publishing, any quarterly financial statements as part of such obligations.

The Issuer's external auditors for the financial years ended 31 December 2013, 2014 and 2015 were 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 KPMG CI expired after the approval of the accounts for the fiscal year 2015. As at 1 January 2016, the Issuer's external auditors are PWC for the financial years ended 2016, 2017 and 2018.

Conflicts of interest

As at the date of this Offering Circular, 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 Directors (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 Issue Date with a common depositary for Euroclear and Clearstream, and registered in the name of Citivic Nominees Limited, as nominee for such common depositary in respect of interests held through Euroclear and Clearstream.

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 Issue 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 and a Common Code and the Restricted Global Note Certificate will have a separate CUSIP.

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). Such notices shall be deemed to have been given to the relevant accountholders as of the day following the day on which they are given to Euroclear, Clearstream, DTC or any Alternative Clearing System.

3 Transfer Restrictions

On or prior to the 40th day after the Issue 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 for purposes of ERISA or Section 4975 of the Code 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) if it is a Plan, including any fiduciary purchasing the Notes on behalf of a Plan (a “**Plan Fiduciary**”) that (I) it either: (A) is a bank as defined in Section 202 of the Advisers Act, or similar institution that is regulated and supervised and subject to periodic examination by a State or Federal agency; (B) is an insurance carrier which is qualified under the laws of more than one state to perform the services of managing, acquiring or disposing of assets of a Plan; (C) is an investment adviser registered under the Advisers Act, or, if not registered as an investment adviser under the Advisers Act by reason of paragraph (1) of Section 203A of the Advisers Act, is registered as an investment adviser under the laws of the state in which it maintains its principal office and place of business; (D) is a broker-dealer registered under the Securities Exchange Act of 1934, as amended; or (E) has, and at all times that the Plan is invested in the Notes will have, total assets of at least U.S.\$50,000,000 under its management or control (provided that this clause (E) shall not be satisfied if the Plan Fiduciary is either (X) the owner or a relative of the owner of an investing individual retirement account or (Y) a participant or beneficiary of the Plan investing in the Notes in such capacity); (II) the Plan Fiduciary is capable of evaluating investment risks independently, both in general and with respect to particular transactions and investment strategies, including the acquisition by the Plan of the Notes; (III) the Plan Fiduciary is a “fiduciary” with respect to the Plan within the meaning of Section 3(21) of ERISA, Section 4975 of

the Code, or both, and is responsible for exercising independent judgment in evaluating the Plan's acquisition of the Notes; and (IV) the Plan Fiduciary has been informed by the Issuer, the Registrar, the Trustee, the Joint Lead Managers, or their respective affiliates (the "**Transaction Parties**"): (A) that none of the Transaction Parties is undertaking to provide impartial investment advice or to give advice in a fiduciary capacity, and that no such entity has given investment advice or otherwise made a recommendation, in connection with the Plan's acquisition of the Notes; and (B) of the existence and nature of the Transaction Parties financial interests in the Benefit Plan Investor's acquisition of such Notes;

- (v) 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 RESALES 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 FOR PURPOSES OF ERISA OR SECTION 4975 OF THE CODE 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.”

- (vi) 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;
- (vii) that it will, (a) along with each account for which it is purchasing, hold and transfer beneficial interests in the Restricted Global Note Certificates 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
- (viii) that it understands that the Issuer has the power to compel any holder of Restricted Global Note Certificates that is a U.S. person and is not a QIB and a QP to sell or transfer its interest in the Restricted Global Note Certificates. The Issuer has the right to refuse to permit the transfer of an interest in the Restricted Global Note Certificates 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 Issue 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 for purposes of ERISA or Section 4975 of the Code 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) if it is a Plan, including any fiduciary purchasing the Notes on behalf of a Plan (a “**Plan Fiduciary**”) that (I) it either: (A) is a bank as defined in Section 202 of the Advisers Act, or similar institution that is regulated and supervised and subject to periodic examination by a State or Federal agency; (B) is an insurance carrier which is qualified under the laws of more than one state to perform the services of managing, acquiring or disposing of assets of a Plan; (C) is an investment adviser registered under the

Advisers Act, or, if not registered as an investment adviser under the Advisers Act by reason of paragraph (1) of Section 203A of the Advisers Act, is registered as an investment adviser under the laws of the state in which it maintains its principal office and place of business; (D) is a broker-dealer registered under the Securities Exchange Act of 1934, as amended; or (E) has, and at all times that the Plan is invested in the Notes will have, total assets of at least U.S. \$50,000,000 under its management or control (provided that this clause (E) shall not be satisfied if the Plan Fiduciary is either (X) the owner or a relative of the owner of an investing individual retirement account or (Y) a participant or beneficiary of the Plan investing in the Notes in such capacity); (II) the Plan Fiduciary is capable of evaluating investment risks independently, both in general and with respect to particular transactions and investment strategies, including the acquisition by the Plan of the Notes; (III) the Plan Fiduciary is a “fiduciary” with respect to the Plan within the meaning of Section 3(21) of ERISA, Section 4975 of the Code, or both, and is responsible for exercising independent judgment in evaluating the Plan’s acquisition of the Notes; and (IV) the Plan Fiduciary has been informed by the Issuer, the Registrar, the Trustee, the Joint Lead Managers, or their respective affiliates (the “**Transaction Parties**”): (A) that none of the Transaction Parties is undertaking to provide impartial investment advice or to give advice in a fiduciary capacity, and that no such entity has given investment advice or otherwise made a recommendation, in connection with the Plan’s acquisition of the Notes; and (B) of the existence and nature of the Transaction Parties financial interests in the Benefit Plan Investor’s acquisition of such Notes; and

- (v) the Issuer, the Registrar, the Trustee, the Joint Lead Managers and their respective 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 depository 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 “*Terms and Conditions of the Notes—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 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 “*Terms and Conditions of the Notes—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 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 “*Terms and Conditions of the Notes—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 and DTC Arrangements

So long as DTC or its nominee or Euroclear, Clearstream or the nominee of their common depositary is the registered holder of a Global Note Certificate, DTC, Euroclear, Clearstream 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 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 will be credited, to the extent received by Euroclear or Clearstream from (or on behalf of) the Principal Paying and Transfer Agent, to the cash accounts of Euroclear or Clearstream 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 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 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 and Cede & Co. to reflect the amounts of Notes held through Euroclear and Clearstream 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 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 Account Holders. Secondary market sales of book-entry interests in the Notes held through Euroclear or Clearstream to purchasers of book-entry interests in the Notes through Euroclear or Clearstream will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream 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 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 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 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 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 depositary for Euroclear and Clearstream and evidenced by the Unrestricted Global Note Certificate. Book-entry interests will be delivered free of payment to Euroclear or Clearstream, 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 Seller and DTC Purchaser. When book-entry interests in the Notes are to be transferred from the account of a Euroclear or Clearstream 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 participant must send to Euroclear or Clearstream 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, as the case may be, will in turn transmit appropriate instructions to the common depositary for Euroclear and Clearstream 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 account holder, as the case may be. On the settlement date, the common depositary for Euroclear and Clearstream 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 depositary for Euroclear and Clearstream 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 and DTC in order to facilitate the transfers of interests in the Notes among participants of DTC, Clearstream and *Euroclear*, none of Euroclear, Clearstream 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 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.

Settlement of Pre-issue Trades. It is expected that delivery of Notes will be made against payment therefor on the Issue Date, which could be more than three business days following the date of pricing. Under Rule 15c6-l under the Exchange Act, trades in the United States secondary market generally are required to settle within three business days (T+3), unless the parties to any such trade expressly agree otherwise.

Accordingly, purchasers who wish to trade Notes in the United States on the date of pricing or the next succeeding business days until three days prior to the Issue Date will be required, by virtue of the fact the Notes initially may settle beyond T+3, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement.

Settlement procedures in other countries will vary. Purchasers of Notes may be affected by such local settlement practices and purchasers of Notes between the relevant date of pricing and the Issue Date should consult their own advisers.

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 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 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’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 advisers 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. Federal Income Tax Considerations

The following discussion is a summary of certain U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes by a U.S. holder (defined below). 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 as of 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 lawful permanent residents of the United States, insurance companies, dealers or traders in securities or currencies individual retirement accounts and other tax-deferred accounts, investors holding the Notes in connection with a trade or business conducted outside of the United States, 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 an entity or arrangement treated as a partnership for U.S. federal income tax purposes, 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, state, local, non-U.S. or other tax laws (e.g., 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 for U.S. federal income tax purposes (i) an individual citizen or resident of the United States; (ii) a corporation 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.

If an entity or arrangement 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. Prospective purchasers that are entities or arrangements treated as

partnerships should consult their own tax advisors as to the consequences to them and their partners of the purchase, ownership and disposition of the Notes by the partnership.

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 paid by the Issuer on the Notes and original issue discount ("**OID**"), if any, accrued with respect to the Notes 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". Prospective purchasers should consult their tax advisers concerning the applicability of the foreign tax credit and source of income rules to income attributable to the Notes.

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 OID Note) unless the Note satisfies a *de minimis* threshold (as described below). 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 per cent. 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 OID. U.S. holders of Notes with less than 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.

U.S. holders will be required to include OID 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. The amount of OID includible in income by a U.S. holder of a Note is the sum of the daily portions of OID with respect to the Note for each day during the taxable year or portion of the taxable year on which the U.S. holder holds the Note (accrued OID). The daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID allocable to that accrual period. Accrual periods with respect to a Note may be of any length selected by the U.S. holder and may vary in length over the term of the Note as long as (i) no accrual period is longer than one year; and (ii) each scheduled payment of interest or principal on the Note occurs on either the final or first day of an accrual period. The amount of OID allocable to an accrual period equals the excess of (a) the product of the Note's adjusted issue price at the beginning of the accrual period and the Note's yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of the payments of interest on the Note allocable to the accrual period. The "adjusted issue price" of a Note at the beginning of any accrual period is the issue price of the Note increased by the amount of accrued OID for each prior accrual period.

Sale, exchange or retirement of Notes

Upon the sale, exchange or retirement of a Note a U.S. holder generally 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, which will be taxable as interest income to the extent not previously included in income) generally 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 generally will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income 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.

Information reporting and backup withholding tax

Payments of principal and interest on (including accruals of OID), and the proceeds of the sale or redemption of the Notes by a U.S. paying agent or other intermediary will be reported to the Internal Revenue Service (the “IRS”) and to the U.S. holder as may be required under applicable U.S. Treasury Regulations. The payor will be required to backup withhold on these payments if a U.S. holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, the backup withholding requirements.

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 IRS in a timely manner. U.S. holders should consult their tax advisers about these rules and any other reporting obligations that may apply to the ownership or disposition of Notes, including requirements related to the holding of certain “specified foreign financial assets.”

SUBSCRIPTION AND SALE

Citigroup Global Markets Limited, J.P. Morgan Securities plc, Natixis and The Standard Bank of South Africa Limited (the “**Joint Lead Managers**”) have, pursuant to a subscription agreement dated on or about 25 July 2017 (the “**Subscription Agreement**”), severally and not jointly agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe or procure subscribers for the Notes at 98.074 per cent. 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 advisers 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.

The Joint Lead Managers may offer and sell Notes through certain of their affiliates (as defined under Rule 501(b) of Regulation D of the U.S. Securities Act). To the extent the Joint Lead Managers intend to effect any sales of the Notes in the United States, they will do so through their respective selling agents, or through one or more U.S. registered broker dealers or as otherwise permitted by applicable U.S. law.

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 accordance with Regulation S or pursuant to an exemption from the registration requirements of the 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 or sell 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 Issue 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 such 40 day 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 securities covered hereby have not been registered under the United States Securities Act of 1933 (the “**Securities Act**”) and may not be offered or 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, and except in either case only (a) outside the United States in offshore transactions to a person who is not a U.S. person in reliance on, and in compliance with, Regulation S under the Securities Act (“**Regulation S**”) and (b) in the United States to qualified institutional buyers as defined in Rule 144A under the 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 (“QPs”), in connection with resales by Joint Lead Managers in reliance, and in compliance with 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. registered 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 both 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 QPs who are QIBs, (b) they are not broker-dealers who own and invest on a discretionary basis less than U.S.\$25 million in securities of unaffiliated issuers, (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 another QIB who is also a QP, (e) they are not formed for the purpose of investing in the Issuer or the Notes, (f) they will and each account for which they are purchasing will hold and transfer Notes in a principal amount that is not less than U.S.\$200,000 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 Offering Circular to any subsequent transferees.

Covered Fund

The Issuer may be classified as a “covered fund” as defined in 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, but for the exemption provided under Section 3(c)(1) or 3(c)(7) thereunder. Because the Issuer relies on Section 3(c)(7) for its exemption from registration under the U.S. Investment Company Act (which exemption limits sales of the Notes to “qualified purchasers” as such term is defined therein), it may be considered 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 Offering Circular 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, other than individuals, all as defined in, and in accordance with, Articles L. 411-1, L. 411-2, D. 411-1, 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, as 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 Offering Circular 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 or their respective affiliates from time to time have provided in the past, and may provide in the future, banking, investment banking, advisory, consulting and other financial services for the Issuer and its affiliates in the ordinary course of business, for which they have received or may receive customary fees, commissions and expenses reimbursement. The Joint Lead Managers or their respective affiliates (as defined under Rule 501(b) of Regulation D of the Securities Act) may also receive all allocations of the Notes. In addition, some or all of the Joint Lead Managers and the Issuer may 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 respective 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 respective 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 respective 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 respective 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. The Joint Lead Managers and their respective affiliates may be currently advising the Issuer or other interested parties, and may advise the Issuer or other interested parties from time to time on other transactions in the future.

GENERAL INFORMATION

1 Clearing Systems

The Notes have been accepted for clearance and settlement through the DTC, Clearstream and Euroclear systems with Common Codes of 165003357 (Regulation S); 165004108 (Rule 144A). The ISINs for the Notes are XS1650033571 (Regulation S); US06675QAB95 (Rule 144A). The CUSIP for the Notes is 06675QAB9 (Rule 144A).

2 Admission to Trading

Application will be made to list the Notes on the official list of the Luxembourg Stock Exchange and trade the Notes on the regulated market thereof.

3 Authorisations

The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes. The issue of the Notes was authorised by resolution of the Board of Directors passed on 14 December 2016.

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 31 December 2016.

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 Offering Circular, 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 Establishment Agreement (in French);
- (d) the English language translation of the 2014 Financial Statements, the 2015 Financial Statements and the 2016 Financial Statements, including, in each case, the audit report thereon and the 2017 Interim Financial Statements, including, in each case, limited review report thereon;
- (e) the Trust Deed (in English);
- (f) the Agency Agreement (in English); and
- (g) this Offering Circular and any supplements thereto.

7 Auditors

The 2014 Financial Statements and the 2015 Financial Statements were audited by KPMG CI, independent auditors in accordance with IFRS. The 2016 Financial Statements were audited by PWC, independent auditors in accordance with IFRS. The 2017 Interim Financial Statements were subject to a limited review by PWC, independent auditors in accordance with the IAS. Neither KPMG CI when they were the Issuer's auditors had, nor have at the date of this Offering Circular, nor does PWC have, any 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 THREE-MONTH PERIOD ENDED 31 MARCH 2017
AND FOR THE YEARS ENDED 31 DECEMBER 2016, 2015 AND 2014**

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WEST AFRICAN DEVELOPMENT BANK (BOAD)

BOAD INTERIM FINANCIAL REPORT AS AT 31 MARCH 2017

JUNE 2017

SUMMARY

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ACTIVITY REPORT AS AT 31 MARCH 2017

1- BACKGROUND

Global growth should improve by increasing from 3.1% in 2016 to 3.5% in 2017 on account of pick-up in investment, rebound in manufacturing and dynamic trade. This upturn would be observed both in advanced countries and emerging and developing countries as well.

Economic activity in developing and emerging countries is expected to improve significantly to 4.5% in 2017 compared to 4.1% in 2016, buoyed by a strong growth in China and the partial recovery in commodity prices.

In sub-Saharan Africa, economic activity would pick up in 2017 (+2.6%) following a downturn recorded in 2016 (1.4%), primarily due to an upturn in oil production in Nigeria, increased public spending, gradual reduction in drought impact in South Africa, as well as a slight improvement in the terms of trade.

However, the forecast growth rate in 2017 would conceal considerable disparities among countries, as in some countries in West Africa, high growth rates of about 5-7% are projected.

Especially, in the WAEMU¹ region, the growth rate is expected to remain robust in 2017. It would stand at 7.3% compared to 6.8%, driven by the soundness of the primary sector on account of favourable climate conditions, increased investment in infrastructure and high performance in transports and communications.

2- SIGNIFICANT EVENTS

BOAD's activity is consistent with its 2015-2019 strategic plan.

Significant events during the period under review include the following:

2.1. Continued funding under the FDC window

The interest subsidy mechanism set up at the Bank for concessionary lending has been replenished for the second time during the meeting of the Council of Ministers held on 22 March 2017.

During the 1st quarter of 2017, the Board of Directors of the Bank has approved the financing of 5 development projects involving a total XOF30 billion under the FDC window.

Moreover, the total amount of resources paid into the interest subsidy mechanism as at 31 March 2017 stood at XOF29.62 billion.

2.2. Loan approvals and disbursements

As at 31 March, the total amount of funding granted so far in 2017 in the form of loans and equity investments stood at XOF137.75 billion. At that date, disbursements on loans and equity investments stood at XOF45.23 billion.

¹ Source: WAEMU Commission: Multilateral Monitoring Report, December 2016.

2.3. Financial results

The Bank's total balance sheet stood at XOF2,287 billion compared to XOF2,263 billion as at 31 December 2016. The Bank's financial position remains sound. At the end of March 2016, equity accounted for 28.97% of its total assets, while outstanding loans/equity capital (debt ratio) stood at 226,06% out of a statutory threshold of 300%.

3- THE WAY FORWARD

Based on these achievements, the Bank's aim should consist of maintaining or improving the quality of its international financial standing to raise more resources to suitably support its member countries in their development objectives. It will therefore strive to strengthen its risk management framework and exercise greater control over its funding in line with its capital.

-B-
FINANCIAL STATEMENTS AS AT 31 MARCH 2017

Statement of financial position (in XOF'mln)			
ASSETS	Note	31/03/2017	31/12/2016
Cash and cash equivalents	4	282,599	284,921
Loans and receivables at amortized cost	5	1,883,464	1,860,051
- Interbank receivables		38,781	33,421
- Receivables from customers		1,565,145	1,550,385
- Loans to staff		6,618	6,421
- Securities portfolio		173,060	171,437
- Receivables from shareholders		99,782	98,307
- Others		78	79
Equity investments	6	74,790	72,097
Other assets	7	37,838	37,690
Tangible assets	8	7,751	7,879
Intangible assets	8	666	719
TOTAL ASSETS		2,287,108	2,263,357
LIABILITIES	Note	31/03/2017	31/12/2016
Liabilities at amortized cost	9	1,478,822	1,466,600
- Interbank debts		16,236	15,937
- Debts represented by a security		981,173	1,018,843
- Other		481,413	431,819
Other liabilities	10	70,846	66,340
- Funds		53,350	45,389
- Other		17,496	20,951
Provisions		7,728	7,618
TOTAL LIABILITIES		1,557,396	1,540,558
Capital		271,932	270,457
- Subscribed capital		1,103,650	1,097,750
- Callable capital		-826,230	-821,805
- Cost related to the paying-up of capital		-5,489	-5,489
Share premium		2,622	2,622
Reserves		455,159	449,721
- Reserves allocated for development activities.		76,050	76,050
- Fair value reserves on AFS-rated securities		6,477	6,477
- Cashflow hedge reserves		-9,570	-12,864
- Other reserves		26	26
- Retained earnings		377,956	370,408
- Revaluation of net liabilities under fixed benefits scheme		-924	-924
- Income for the year		5,143	10,548
TOTAL EQUITY	11	729,712	722,800
TOTAL LIABILITIES AND EQUITY		2,287,108	2,263,357

Comprehensive income statement (in XOF'M)

Profit and loss account	Note	31/03/2017	31/03/2016
Interests and related income		25,137	20,083
Interests and related charges		-18,358	-11,262
<i>Sub-total</i>		<i>6,778</i>	<i>8,821</i>
Fees (income)		647	567
Fees (charges)		-312	-497
<i>Sub-total</i>		<i>7,114</i>	<i>8,890</i>
Exchange gains		6,878	2,210
Exchange losses		-2	-2
Gains/losses on hedging instruments		-3,738	-2,000
<i>Gains/losses on foreign exchange</i>		<i>3,138</i>	<i>208</i>
<i>Sub-total</i>		<i>10,251</i>	<i>9,098</i>
Dividends received		14	0
Gains/losses on financial assets available for sale		0	0
<i>Net banking income</i>	12	<i>10,266</i>	<i>9,098</i>
<i>Cost of risk</i>	13	<i>-351</i>	<i>-1,175</i>
Endowment from member countries		0	0
Other operating income		107	22
Charges related to development activities	14	-425	-407
General operating costs		-4,385	-3,689
- Staff overheads		-2,729	-2,107
- Amortization		-298	-291
- Other		-1,358	-1,291
Other operating charges		-68	-11
<i>Other operating income</i>		<i>-4,771</i>	<i>-4,086</i>
Income for the period		5,143	3,837
Other items of the comprehensive income			
Items likely to be recognized as income		-16,568	-2,967
Revaluation of intangibles		0	0
Cashflow coverage		-9,570	0
Variation of fair value on AFS-rated securities		-6,998	-2,967
Items not likely to be recognized as income		-745	-50
Revaluation of net liabilities under fixed benefits scheme		-745	-50
<i>Other items in the comprehensive income</i>		<i>-17,313</i>	<i>-3,017</i>
Comprehensive income		-12,170	820

Cashflow statement (in XOF'M)

Cashflow for operational activities		Notes	31/03/2017	31/03/2016
Income for the period			5,143	3,837
<i>Adjustments related to non-monetary and other items</i>				
	Unrealised gains/losses		-3,137	-209
	Exchange gains		-2	-1
	Exchange losses		2	2
	Amortization		298	291
	Depreciation		0	0
	Cost of risk		351	1,175
	Gains/losses on financial assets available for sale		0	0
	Other items		1,700	-7,986
			-788	-6,727
Changes in assets and liabilities from operations				
	Interbank loans		-5,360	-238
	Disbursements on receivables from customers		-42,950	-39,004
	Repayments of receivables from customers		28,968	15,892
	Other receivables from customers		-777	-5,056
	Staff loans		-196	-172
	Securities portfolio		-1,623	1,871
	Other receivables		1	0
	Other assets		-148	-915
	Interbank debts		299	10,111
	Other debts		-5,310	2,415
	Other liabilities		4,507	22,684
			-22,590	7,587
Cashflow from operations			-18,235	4,696
Cashflow from investment activities			31/03/2017	31/03/2016
	Acquisitions of tangible assets		-118	-60
	Sales of tangible assets		0	4
	Acquisitions of intangible assets		0	-13
	Sales of intangible assets		0	0
	Acquisitions of shares		-2,693	-2,079
	Sales of shares		0	0
Cashflow from investments			-2,811	-2,147
Cashflow from financing activities			31/03/2017	31/03/2016
	Resources from capital paying-up		0	0
	Redemption of shares		0	0
	Debt issuance		59,036	77,405
	Repayment/debts represented by a security		-30,002	-10,842
	Repayment/other loans		-10,310	-8,554
Cashflow from financing activities			18,724	58,009
Net increase/(decrease) of cash and cash equivalents			-2,322	60,558
Cash and cash equivalents at opening		4	284,921	194,317
Cash and cash equivalents at closing		4	282,599	254,875
			31/03/2017	31/03/2016
ADDITIONAL INFORMATION				
Operating cashflow from interests and dividends:				
	Interest paid		18,421	11,301
	Interest received		25,191	20,223
	Dividends received		14	0

Changes in shareholders' equity (in XOF'M)

	Capital			Share premium	Reserves					Retained earnings	Total
	Subscribed capital	Callable capital	Cost related to deferred paying-up of capital (1)		Reserves transferred for development activities	Other reserves	Revaluation of net liabilities under fixed benefits scheme	Losses or gains resulting from the evaluation of AFS securities classified by OCI	Valuation of hedging instruments		
Equity capital as at 1 January 2016	1,097,750	-821,805	-7,200	2,622	76,050	26	-179	13,475	0	373,409	734,148
											0
Increase in capital	0	0									0
Income as at 31 December 2016 before allocation										10,548	10,548
Other comprehensive income							-745	-6,998	-12,864	0	-20,607
Changes in fair value on AFS rated securities								-6,998		0	-6,998
Revaluation of net liabilities under fixed benefits scheme							-745			0	-745
Variation in OCI of hedging instruments									-12,864		-12,864
Other changes			1,711								1,711
Allocation of 2016 income										-3,000	-3,000
Transfers											0
Equity as at 31 December 2016 and 1 January 2017	1,097,750	-821,805	-5,489	2,622	76,050	26	-924	6,477	-12,864	380,957	722,800
Capital increase	5,900	-4,425									1,475
Income as at 31 March 2017										5,143	5,143
Other changes			0								0
Allocation of 2016 income										-3,000	-3,000
Other comprehensive income											0
Variations of fair value on AFS rated securities								0			0
Revaluation of net liabilities under fixed benefits scheme							0				0
Change in OCI of hedging instruments									3,294		3,294
Sub-total of other comprehensive income							0	0	3,294		3,294
											0
Balance as at 31 March 2017	1,103,650	-826,230	-5,489	2,622	76,050	26	-924	6,477	-9,570	383,100	729,712

(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 (Central Bank of West African States), three European countries (Germany, France and Belgium), African Development Bank (AfDB), European Investment Bank (EIB), People's Bank of China and Eximbank of India. 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 supports projects in the following areas: rural development, basic infrastructure, modern infrastructure, telecommunications, energy, industry, agribusiness, transport, tourism and other services.

Under Article 44 of the Bank's Articles of Association, incomes, 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.

2.01 Basic financial reporting principles

The principles that serve as a basis for financial reporting are as follows:

The interim financial statements as at 31 March 2017 were prepared in accordance with IAS 34 – *Interim financial reporting*, as published by the IASB, which provides for the presentation of selected explanatory notes.

The interim notes do not contain all the required information for the comprehensive annual financial statements and should be read together with the financial statements closed as at 31 December 2016.

The interim financial statements as at 31 March 2017 were prepared in accordance with the same principles as those of the financial statements of 31 December 2016, subject to specific requirements under IAS 34.

Moreover, since the Bank's activities are not seasonal or cyclical, financial statements as at 31 March 2017 are not influenced by such factors.

2.02 Key bases for evaluation

The financial statements are based on historical cost except for items measured at fair value as described in this annex.

2.03 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 account experiences and other factors, including future events deemed reasonable under the current circumstances.

The most significant assumptions and estimates are summarized below:

a) Key assumptions

The Bank's accounting policy requires that assets and liabilities are recorded into different accounting categories during their acquisition. This decision requires detailed meaningful judgment in the following categories:

- The classification and evaluation of financial assets in accordance with IAS 39 (loans and receivables, equity investments and investment portfolio).
- The Bank's review of the recommendations of IFRS 10 to determine if any of the entities it controls is present.

b) Key estimates

The Bank also uses estimates for separate financial statements as follows:

Assessing the fair value of equity investments: for each balance sheet, the Bank reviews

its equity portfolio to assess its fair value based on financial information or stock prices available and estimates changes in fair value and/or amount of depreciation, if any.

2.04 Interim financial statements

The interim financial statements as at 31 March 2017, which cannot be used as a basis to foresee the full year, take into account only accounting entries up to the end of the period considered necessary by the Bank's Management to present a fair report.

Actuarial calculations for severance pay are made as part of budgetary procedure, while valuation of the provisions as at 31 March 2017 is based on projected actuarial calculations at the end of the previous year.

2.05 Functional currency

The functional currency of the Bank is the African Financial Community Franc (FCFA/XOF) and its reporting currency as well.

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

2.06 Events after closing of accounts

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 events occurred after the date of closing of the accounts but require disclosure, the balance sheet, income statement, cashflow table and table of changes in equity are not adjusted. The nature and potential impact of these events are captured in note 17 below.

2.07 Statement of accounts

BOAD's individual accounts as at 31 March 2017 were approved by the Board of Directors at its meeting of 27 June 2017.

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

The standards and interpretations contained in the Bank's financial statements as at 31 December 2016 were supplemented by provisions of the new standards and interpretations effective in 2017. These include amendments to the following IAS/IFRS standards:

- Amendment to IAS 7 "Initiative regarding information to be provided",
- Amendment to IAS 12 "Posting of deferred tax assets for unrealized losses",
- Amendments regarding annual improvements in the 2014-2016 IFRS (cycle as under IFRS 12 relating to the publication of stocks in other entities).

The entry into force of the amended IAS 7 will lead to a change in the presentation of the financial statements. On the other hand, the entry into force of the amended IAS 12 will have no impact on the Bank's financial statements.

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 may have an impact on the Bank's financial statements for their entry into force. This relates, particularly, 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 entry into force 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: Lease contract scheduled to enter into force from 1 January 2019 ;
- Amendment to IAS 40 "Investment property";
- Amendment to IFRS 4 "Application of IFRS 9 and IFRS 4" which will become effective on 1st January 2018;
- Amendments regarding annual improvements in the 2012-2014 IFRS cycle modifying the following standards: IFRS 12, IAS 28 and IFRS 1.
- Interpretation of IFRIC 22 "Transactions in foreign currencies and payment of advances".

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 a known amount of cash and which are subject to an insignificant risk of change in value. They are held in order to meet short-term (operational and functional) cash commitments rather than for investments or other purposes.

Cash and cash equivalents comprise the following:

	31/03/2017	31/12/2016
Cash accounts	72	60
BOAD HQ Current Account	22	13
Deposit Accounts for Resident Missions at BCEAO	103,166	96,480
Japan Eximbank Special Account*	15	15
Kingdom of Belgium Special Account**	4,208	4,206
FDE P/C BOAD Contribution Account	51,167	51,167
FDE P/C Contribution Account***	1,985	1,985
BOAD Settlement Account Lomé	7,175	6,635
Operating Account for Resident Missions	331	475
Bank and correspondent bank accounts	1,652	6,066
Short-term bank deposits (a)	112,806	117,819
	282,599	284,921

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

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

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

(a) Short-term bank deposits include:

	31/03/2017	31/12/2016
BOA-CI, special liquidity account	996	1,009
BOA-BENIN liquidity account	1,010	1,010
Term deposit with BOA Group	10,000	10,000
Term deposit with Coris Bank Group	25,800	30,800
Term deposit with Diamond Bank Group	16,000	16,000
Term deposit with ORABANK Group	18,000	18,000
Term deposit with BSIC Group	6,000	6,000
Term deposit with Banque Atlantique Togo	10,000	10,000
Term deposit with Ecobank Group	5,000	5,000
Term deposit with UTB	15,000	15,000
Term deposit with BDM	5,000	5,000
	112,806	117,819

NOTE 5. LOANS AND RECEIVABLES AT AMORTIZED COST

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

	31/03/2017	31/12/2016
- Interbank debts	38,781	33,421
- Receivables from customers	1,565,145	1,550,385
- Loans to staff	6,618	6,421
- Security portfolio	173,060	171,437
- Receivables from shareholders	99,782	98,307
- Other	78	79
Total	1,883,464	1,860,051

Interbank receivables include interbank loans and related interests. As at 31 March 2017, 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. Borrowers have the option to make early repayments of such amounts subject to conditions contained in the loan contracts and agreements.

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

	31/03/2017	31/12/2016
Gross amounts	34,601	34,799
Depreciations	- 26,248	- 26,248
	8,353	8,551

5.2 The breakdown of the securities portfolio is as follows:

	31/03/2017	31/12/2016
Treasury bonds Senegal	24,625	24,750
Treasury bonds Côte d'Ivoire	30,000	30,000
Treasury bonds Togo	-	
Treasury bonds Benin	30,000	30,000
BOA Benin Bonds	-	
BOA Niger Bonds	-	
Treasury bonds Burkina Faso	19,986	19,986
CRRH Bonds	4,733	4,817
Treasury bonds Togo	21,609	21,609
Treasury bonds Niger	2,000	2,000
BOA Group Bonds	613	613
Deposit Certificate	1,000	-
Treasury bills Togo	5,000	5,000
Treasury bills Mali	4,123	4,123
Treasury bills Burkina Faso	16,193	16,193
Treasury bills Côte d'Ivoire	9,000	9,000
	168,882	168,091
Interests receivable	4,178	3,346
	173,060	171,437

Repayments received on bonds as at 31 March 2017 stood at XOF1,371.60 Million as against XOF1,000 Million in new subscriptions (BRM certificate of deposit).

5.3- The item on "receivables from shareholders" includes endowments and amounts due but not yet paid in (XOF7,948 Million), grant amounts not yet paid for loan revaluation (XOF2,747 Million) and the called-up capital not yet paid in (XOF89,086 Million). The last two amounts were as a result of discounting as at 31 December 2016 at average rates of 5.55% (rates applied in 1996 to non-commercial public sector loans) and 2.45% (rates applied in 2014 to non-commercial public sector loans) for payments expected on their scheduled repayment dates.

NOTE 6. EQUITY INVESTMENTS

Equity investment activity is consistent with the Bank's Articles of Association, which provide, inter alia: (i) in its Article 2 that "... The Bank shall provide financing particularly through equity investment, granting of loans..." and (ii) in Article 30, that it "may constitute or participate in the establishment of the capital of institutions or companies". The set objective is to strengthen the equity capital and expertise of businesses operating in the Union.

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

The Bank's new equity investment strategy is as follows:

- **Objective :** to fulfill the Bank's development agenda by placing more emphasis on the financial profitability in line with its strategic directions.
- **Areas of intervention :** all sectors eligible for financing by the Bank.
- **Forms of intervention :** when entering into a transaction, the Bank must have sufficient visibility of exit modalities, when the time comes. The transfer of equity shares will be traded for listed shares and at the best conventional conditions for unlisted shares.
- **Positioning in the governing bodies:** the Bank's equity investments shall be subject to the allocation of a seat on the company's governing body (board of directors, supervisory board, credit or investment committee, etc.).

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

6.1- Intervention thresholds through equity investments

The maximum commitment that the Bank can provide in the form of equity investment is limited per operation and per company to five percent (5%) of its tier 1 equity capital for projects other than national financial institutions (NFIs) and organizations that promote SMEs, privatization projects, regional projects and those in areas such as mining and energy, not exceeding twenty five percent (25%) of the company's share capital.

This threshold is 10% of the Bank's tier 1 equity for projects being undertaken by national financial institutions (NFIs) and organizations that promote SMEs, privatization projects, regional projects and those in areas such as mining and energy without exceeding twenty-five percent (25%) of the company's share capital.

The threshold in terms of overall amount of equity investments is set at 50% of the Bank's tier 1 equity capital. However, for entities in which BOAD plays a role of principal promoter, the capital of the company may be held temporarily at one hundred percent (100%); the Bank should however aim at reverting to its fifty-one percent (51%) threshold, within a reasonable time and with a clear exit strategy.

All the equity investments are considered available for sale. They will be valued at fair value and any change in fair value is recognized as "Other comprehensive income (OCI)".

6.2- Equity investments posted in the statement of financial position relate to the following institutions:

Country	Securities	Equity interest	31/03/2017					Gross out-standing	Depreciation
			Gross out-standing	Depreciation	Carry-over by OCI	Unrealised gains/losses	Balance sheet value		
BN	SOAGA	19.3%	103			71	173	103	
BN	FOAI	21.4%	2,500			1,105	3,605	2,500	
TG	CAURIS CROISSANCE	49.6%	1,341			591	1,931	1,341	
SN	BNDE	9.1%	1,000			1,585	2,585	1,000	
h-uemo	CAURIS CROISSANCE II	17.7%	4,430			-	688	3,742	4,430
TG	GARI S. A.	11.6%	1,500			1,176	2,676	1,500	
MA	BDM Mali	16.0%	600			9,625	10,225	600	
BN	BOA Bénin	2.4%	98			1,612	1,710	98	
NG	SONIBANK Niger	9.0%	1,082			2,134	3,215	1,082	
CI	BHCI Côte d'Ivoire	2.2%	150	79	79	-	50	150	79
NG	BOA Niger	6.9%	165			1,708	1,873	165	
TG	BIA Togo	5.7%	392			184	576	392	
BN	African Investment Bank (AIB) (1)		250	250			-	250	250
h-uemo	Afreximbank	0.4%	2,500			415	2,915	2,500	
SN	Banque Régionale de Marché (BRM)	4.8%	400			868	1,268	400	
CI	BRIDGE BANK Côte d'Ivoire	3.5%	-	193	193	-	-	-	193
BF	Banque de l'Habitat du BF	4.0%	200			540	740	200	
CI	BRVM	9.1%	56			573	629	56	
CI	DC/BR (BRVM)	9.0%	140			261	401	140	
TG	CICA RE	3.3%	999	219	219	193	1,192	999	219
MA	MANDE Hotel	16.7%	50	12	12	232	282	50	12
CI	SIALIM (1)		100	100			-	100	100
CI	AIR AFRIQUE (1)		2,500	2,500			0	2,500	2,500
CI	CIPREL	2.0%	584			967	1,551	584	
BN	COTEB (1)		272	272			-	272	272
	Total amount to be carried-over		21,412	3,625	503	23,103	41,393	21,412	3,625

			31/03/2017					Gross out-standing	Depreciat
			Gross out-standing	Depreciation	Carry-over by OCI	Unrealised gains/losses	Balance sheet value		
Country	Securities	Equity interest							
	Carry-over		21,412	3,625	503	23,103	41,393	21,412	3,625
TG	ASKY (EX SPCAR)	17.8%	5,990	2,128	2,128	- 5,444	546	5,990	2,128
SN	SCIE	18.9%	130	130		-	-	130	130
CI	RASCOM	7.1%	1,600			325	1,925	1,600	
h-uemo	PROPARCO	0.7%	3,420			523	3,943	3,420	
TG	BOAD-Titrisation	100.0%	500			- 69	431	500	
h-uemo	GEO COTON	9.3%	-			-	-	-	
TG	CRRH-UEMOA	12.9%	1,543			- 590	953	1,543	
h-uemo	Fonds Agricole pour l'Afrique (FAA)	2.5%	2,425			363	2,788	2,425	
TG	ORAGROUP	2.8%	2,000			- 253	1,747	2,000	
BF	Burkina Bail	15.0%	689			25	714	689	
SN	CNCAS	10.1%	1,573			270	1,843	1,573	
BF	CORIS BANK	4.3%	1,997			782	2,778	1,997	
CI	Nouvelle BRS CI/ORA Bank CI	45.4%	16,995			- 10,454	6,541	16,995	
CI	Banque de l'Union Côte d'Ivoire (BDU-CI)	13.8%	1,100			- 171	929	1,100	
BF	Banque de l'Union Burkina Faso (BDU-BF)	20.0%	1,100			- 192	908	1,100	
h-uemo	FEFISOL	8.2%	1,312			4	1,316	1,312	
Kenya	FAER	7.6%	3,764			- 484	3,280	2,651	
BF	AMETHIS WEST AFRICAN (AWA)	16.4%	1,259			- 261	998	1,259	
CI	Air Côte d'Ivoire	7.9%	5,000			- 3,500	1,500	3,500	
CI	RASCOM STAR QAF		4,360	4,360			-	4,360	4,360
h-uemo	Investisseurs & Partenaires/ Développement (IPDEV2)	24.0%	387			- 132	255	308	
	Total gross values		78,557	10,243	2,631	3,845	74,790	75,864	10,243
	Net depreciations				7,612				
	Variation in fair value of AFS through comprehensive income		-					- 6,998	
	Gains and losses directly entered as equity for financial assets available for sale (1)		6,476					6,476	
	(1) Securities depreciated at 100%								

- The amount of dividends from these investments, posted in the income statement stood at XOF14 M as at 31 March 2017.
- As at 31 March 2017, the Bank had not presented any consolidated accounts despite holding up to 99.99% of *BOAD TITRISATION S.A.* and about 49.6% in Cauris, given its insignificance to the Bank's total balance sheet.

NOTE 7. OTHER ASSETS

Other assets include the following:

	31/03/2017	31/12/2016
Advances on mission expenses	6	17
Payday advances	10	-
Expenses to be adjusted	11,863	12,501
Exchange risk hedging instruments	20,716	21,161
Sundry debtors	4,872	3,630
Charges paid in advance and accruals	274	285
Prefinancing of studies from external research funds	97	97
	37,838	37,690

Expenditure to be rectified include advances made by the Bank as part of the construction of the BOAD staff quarters (XOF9,558 Million compared to XOF8,815 Million as at 31 December 2016).

The item on "foreign exchange risk hedging instruments" posted the value of the derivative instruments (XOF20,716 Million) put in place by the Bank to cover exchange rate fluctuations. The share of this item in the income statement makes up for forex losses incurred on dollar-denominated debts and SDRs.

NOTE 8. TANGIBLE AND INTANGIBLE ASSETS

- TANGIBLE ASSETS

The summary of tangible assets is as follows:

	31/03/2017	31/12/2016
Cost of acquisition	26,337	26,219
Allocations and reversal of depreciations	-18,586	-18,340
	7,751	7,879

Acquisitions of tangible assets (in XOF'M)		Allocations and reversal of depreciations (in XOF'M)	
Balance as at 1 January 2017	26,219	Balance as at 1 January 2017	18,340
Acquisitions	118	Acquisitions	246
Transfers		Transfers	0
Classified as assets held for sale	-	Classified as assets held for sale	0
Balance as at 31 March 2017	26,337	Balance as at 31 March 2017	18,586
Net value on balance sheet as at 31 March 2017			7,751

Monthly amortization charges are also posted as income under "Amortization" in the general operating expenses.

- 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:

	31/03/2017	31/12/2016
Gross value	1,429	1,429
Allocations and reversal of depreciations	-763	-710
	666	719

Acquisition of softwares (in XOF'M)		Allocations and reversal of depreciations (in XOF'M)	
Balance as at 1 January 2017	1,429	Balance as at 1 January 2017	710
Acquisitions	-	Amortization charges	53
Disposals	-	Reversals of amortization	0
Classified as assets held for sale	-	Classified as assets held for sale	0
Balance as at 31 March 2017	1,429	Balance as at 31 March 2017	763
Net value on balance sheet as at 31 March 2017			666

The monthly amortization charges are posted in the income statement under the "Depreciations" item of general operating expenses.

NOTE 9. LIABILITIES AT AMORTIZED COST

Liabilities at amortized cost consist of loans contracted by the Bank and their receivables (interests and commissions accrued not yet due). These include interbank debts, debts represented by securities or other debts.

Interbank debts correspond to investments made by partner institutions (ROPPA, AFD,...) in the books of BOAD.

Debts represented by a security equate to the outstanding debt securities issued by BOAD.

Other debts 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 March 2017 and 31 December 2016, are as follows (in XOF'mln):

	31/03/2017	31/12/2016
I-Debts represented by a security		
Bond loans	565,010	571,467
BOAD bonds	285,725	285,725
Maturities of less than one year/debts repr. by securities	111,046	141,049
<i>Sub-total I</i>	<i>961,781</i>	<i>998,240</i>
II- Other loans from foreign partners		
Loans for funding long-term projects	435,038	376,421
Loans for funding long-term project studies	446	446
Maturities of less than one year/loans	42,343	52,653
<i>Sub-total II</i>	<i>477,827</i>	<i>429,521</i>
Total I+II	1,439,608	1,427,761
III- Debts attached to loans and & debts repr.		
Accrued interests on debts represented by a security	20,591	21,930
Deferred expenses on bills and bonds	- 1,199	- 1,327
Interests and fees accrued on other loans	4,118	2,702
Deferred expenses on other loans	- 532	- 404
<i>Sub-total III</i>	<i>22,978</i>	<i>22,902</i>
IV- Interbank debts (Cauris ROPPA, AFD...)	16,236	15,937
Total I+II+III+IV	1,478,822	1,466,600

Under Article 7 of the Articles of Association, the amount of the Bank's callable capital shall be used as guarantee for loans it may contract.

Moreover, under Article 37 of the Articles of Association, the WAMU Council of Ministers decided to limit the Bank's total outstanding borrowings, at any time, to three times its equity. As at 31 March 2017, the Bank's outstanding borrowings represented 226.06% of its equity capital out of a regulatory threshold of 300%.

During the first quarter, the Bank made a drawdown from the AfDB line of credit of XOF59,036 Million granted it in 2016 and repayments totaling XOF40,312 Million, of which XOF10,310 Million for credit lines and XOF30,002 Million for debt securities (notes and bonds).

NOTE 10. OTHER LIABILITIES

Other liabilities include funds that are liabilities to BOAD and other suspense accounts. The breakdown is as follows:

	<u>31/03/2017</u>	<u>31/12/2016</u>
Belgian Technical Assistance Fund	176	174
Dutch Fund	34	34
IDA Matching Fund	59	137
AFD Research Fund	310	310
AFD Matching Fund	237	237
Environmental Partnership Fund	62	35
KfW Counterpart Fund	6,409	6,398
China Cooperation Fund	139	139
AFD IV Capacity Building Fund	30	30
Energy Development Fund	1,985	1,985
Crop Insurance Fund	3,110	3,110
Regional Collaboration Centre (RCC)	174	174
New Interest Subsidy Facility	29,625	21,625
CMS Fund for Interest Subsidy	1,000	1,000
Regional Facility for Access to Sustainable Energy	10,000	10,000
<i>Sub-total Funds</i>	<i>53,350</i>	<i>45,389</i>
SUSPENSE AND SUNDRY ACCOUNTS		
Suppliers	1,413	950
Sundry creditors	3,099	2,188
Charges payable	1,707	1,793
Income to be adjusted	5,285	9,593
Income recorded in advance	1,792	2,227
Kingdom of Belgium current account	4,200	4,200
<i>Sub-total for suspense and sundry accounts</i>	<i>17,496</i>	<i>20,951</i>
	70,846	66,340

NOTE 11- EQUITY CAPITAL

Capital	31/03/2017	31/12/2016	31/12/2015
Subscribed capital	1,103,650	1,097,750	1,097,750
Callable capital	- 826,230	- 821,805	- 821,805
Cost related to the paying-up of capital	- 5,489	- 5,489	- 7,200
Total	271,932	270,457	268,745
Share premium	2,622	2,622	2,622
Reserves			
Reserves transferred for development activities	76,050	76,050	76,050
Fair value reserve for top-class AFS security	6,477	6,477	13,475
Reserves for cashflow coverage	-9,570	12,864	-
Other reserves	26	26	26
Revaluation of liabilities for fixed benefits scheme	- 924	- 924	- 179
Retained earnings	377,956	370,408	364,569
	450,015	439,174	453,942
Income for the financial year	5,143	10,548	8,839
Total equity	729,712	722,800	734,148

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 BCEAO, while category B shareholders include non-regional shareholders.

The table below outlines the Bank’s capital structure as at 31 March 2017 in nominal value and share distribution. Each share confers the same rights and responsibilities on its holder.

CAPITAL STRUCTURE AS AT 31 MARCH 2017							
SHAREHOLDERS	SUBSCRIBED CAPITAL	%	Number of shares	CALLED-UP CAPITAL	PAID UP CAPITAL	UNPAID CAPITAL	CALLABLE CAPITAL
	(1)=(2)+(5)			(2)=(3)+(4)	(3)	(4)	(5)
CATEGORY A							
BENIN	64,650	5.86	1,293	16,163	10,768	5,395	48,487
BURKINA	64,650	5.86	1,293	16,163	10,768	5,395	48,487
COTE D'IVOIRE	64,650	5.86	1,293	16,163	10,768	5,395	48,487
GUINEA BISSAU	64,650	5.86	1,293	16,163	6,385	9,778	48,487
MALI	64,650	5.86	1,293	16,163	10,768	5,395	48,487
NIGER	64,650	5.86	1,293	16,163	10,768	5,395	48,487
SENEGAL	64,650	5.86	1,293	16,163	10,768	5,395	48,487
TOGO	64,650	5.86	1,293	16,163	10,768	5,395	48,487
BCEAO	517,200	46.86	10,344	129,304	86,144	43,160	387,896
	1,034,400	93.73	20,688	258,608	167,905	90,703	775,792
CATEGORY B							
France	38,400	3.48	768	9,600	7,040	2,560	28,800
Germany	2,000	0.18	40	2,000	2,000	-	-
Belgium (1)	5,600	0.51	112	1,400	1,400	-	4,200
EIB	4,000	0.36	80	1,000	1,000	-	3,000
AfDB	6,000	0.54	120	1,500	1,043	457	4,500
EXIM BANK OF INDIA	750	0.07	15	188	137	50	563
CHINA	12,000	1.09	240	3,000	2,200	800	9,000
MOROCCO	500	0.05	10	125	119	6	375
	69,250	6.27	1,385	18,813	14,940	3,873	50,438
	1,103,650	100.00	22,073	277,421	182,845	94,575	826,230
UNSUBSCRIBED CAPITAL	51,350		1,027				
AUTHORIZED CAPITAL	1,155,000		23,100				

(1) Payment in advance of an amount of XOF4,200 M into an escrow account.

NOTE 12 –NET BANKING INCOME

Details of this item are as follows:

1-Income and interest charges			
		31/03/2017	31/03/2016
	Interests and fees on loans	21,154	19,245
	Fees on bond loan guarantees	58	97
	Interests and investment income	4,572	1,308
	Sub-total interest income (A)	25,784	20,650
	Interests and charges on debts represented by a security	- 14,436	- 7,604
	Interests and charges on loans and investments	- 4,234	- 4,156
	Sub-total interest charges (B)	- 18,670	- 11,760
	Margin on interests and fees C= (A)-(B)	7,114	8,890
2-Gains/losses on hedging instruments			
2.1-Exchange gains and losses			
		31/03/2017	31/03/2016
	Consumed exchange gain	2	1
	Potential exchange gain	6,876	2,209
	Sub-total exchange gain (D)	6,878	2,210
	Consumed exchange loss	- 2	- 2
	Potential exchange loss	-	-
	Sub-total exchange loss (E)	- 2	- 2
	Net exchange loss F=(D)-(E)	6,876	2,208
	2.2-Gains/losses on hedging instruments (G)	- 3,738	- 2,000
	Net gains/losses on foreign exchange (G)+(F)	3,138	208
3- Other banking income (dividends,..)		14	-
4-Net banking income = (1)+(2)+(3)		10,266	9,098

Foreign exchange gains and losses are due to resource mobilization in foreign currencies by the Bank, excluding Euro, from its financial partners and in the international capital market for project financing. These exchange losses are hedged by swap and forward contract operations.

NOTE 13 – COST OF RISK

The cost of risk as at 31 March 2017 is as follows:

	31/03/2017	31/03/2016	31/12/2016
Reversal of provision for customer receivables			5,018
Depreciations related to customer receivables	- 351	- 1,175	- 10,160
Loan losses hedged by depreciations			- 875
Depreciation on other assets			
	-351	-1,175	-6,017

As at 31 March 2017 and 31 March 2016, the cost of risk is composed of the provision made for interests, commitment fees and default interests on bad debts.

NOTE 14 - COSTS RELATED TO DEVELOPMENT ACTIVITIES

This item includes charges related to BOAD's development activities, including subsidies on loans to non-commercial projects and preliminary studies to the financing of development activities.

	31/03/2017	31/03/2016	31/12/2016
Interest subsidy	425	407	- 1,627
	425	407	- 1,627

NOTE 15 - RISK MANAGEMENT

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

The goals and regulations regarding financial risk management are consistent with those applied to separate accounts as at 31 December 2016.

NOTE 16 - OFF-BALANCE SHEET COMMITMENTS

Commitments received

These commitments are loans approved to the Bank by foreign lenders and the guarantees received from regional funds for customers.

The breakdown of these commitments are as follows:

	31/03/2017	31/12/2016
Loan commitments to be drawn	148,146	185,433
Guarantees received from Regional Funds	34,863	32,601
	183,009	218,034

- Commitments to be drawn represent the yet-to-be-mobilized balance of loans.

Furthermore, the Bank receives for its loans, guarantees other than financial guarantees (mortgages, pledges, collaterals, etc.).

Commitments given

Commitments given include lending and equity investment agreements signed with various beneficiaries of BOAD loans. These are presented as follows:

	31/03/2017	31/12/2016
Loan commitments given (a)	1,505,564	1,427,348
Advances for funding studies	12,864	13,280
Commitments for equity investments (b)	20,965	21,658
Securities and other guarantees	11,328	13,369
	1,550,721	1,475,655

- (a) Loan commitments given include financing agreements whose execution is dependent upon the fulfillment of conditions precedent or whose actual disbursement is pending upon drawing requests from the borrower;
- (b) Commitments for equity investments relate to BOAD's participation in the capital of companies.

NOTE 17 - EVENTS AFTER CLOSING

As of the date of closing of the interim accounts, we have not recorded any subsequent event likely to influence the financial position and results of the Bank on 31 March 2017.



West African Development Bank
(BOAD)
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**STATUTORY AUDITOR REVIEW REPORT
ON INTERIM FINANCIAL INFORMATION AS AT 31 MARCH 2017**

(Period from 1st January to 31 March 2017)

Introduction

We have reviewed the accompanying condensed interim financial information of West African Development Bank (BOAD) as at 31 March 2017. These financial information include the statement of financial position, the comprehensive income statement, changes in shareholders' equity and the cash flow statement for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. The board of directors is responsible for the preparation and fair presentation of this interim financial information in accordance with International Accounting Standard (IAS) 34 – Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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BOAD

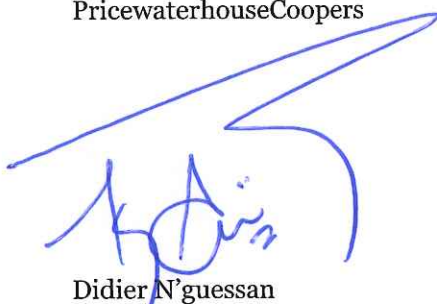
Statutory auditor review report on interim financial information as at 31 March 2017
(Period from 1st January to 31 March 2017)

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information are not prepared, in all material respects, in accordance with IAS 34 - the International Financial Reporting Standard as issued by the IASB on interim financial information.

Abidjan, 27 June 2017

Statutory Auditor
PricewaterhouseCoopers



Didier N'guessan
Partner



**WEST AFRICAN DEVELOPMENT BANK
(BOAD)**

**BOAD'S SEPARATE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2016**

MARCH 2017

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Statement of financial position (in XOF'mln)			
ASSETS	Note	31/12/2016	31/12/2015
Cash and cash equivalents	4	284,921	194,317
Loans and receivables at amortized cost	5	1,860,051	1,487,624
- Interbank receivables		33,421	530
- Receivables from customers		1,550,385	1,360,100
- Loans to staff		6,421	6,270
- Securities portfolio		171,437	15,227
- Receivables from shareholders		98,307	105,420
- Other		79	77
Equity investments	6	72,097	78,123
Other assets	7	37,690	14,793
Intangible assets	8	7,879	7,904
Tangible assets	9	719	879
TOTAL ASSETS		2,263,357	1,783,640
LIABILITIES	Note	31/12/2016	31/12/2015
Liabilities at amortized cost	10	1,466,600	1,015,058
- Interbank debts		15,937	34,704
- Debts represented by a security		1,018,843	557,265
- Other		431,819	423,088
Other liabilities	11	66,340	28,561
- Funds		45,389	13,231
- Other		20,951	15,330
Provisions	12	7,618	5,873
TOTAL LIABILITIES		1,540,558	1,049,491
Capital		270,457	268,746
- Subscribed capital		1,097,750	1,097,750
- Callable capital		-821,805	-821,805
- Cost related to deferred paying-up of capital		-5,489	-7,200
Share premium		2,622	2,622
Reserves		449,721	462,781
- Reserves allocated for development activities.		76,050	76,050
- Fair value reserves on AFS-rated securities		6,477	13,475
- Cashflow hedge reserves		-12,864	0
- Other reserves		26	26
- Retained earnings		370,408	364,569
- Revaluation of liabilities under pension schemes		-924	-179
- Income for the year		10,548	8,839
TOTAL EQUITY	13	722,800	734,149
TOTAL LIABILITIES & EQUITY		2,263,357	1,783,640

Comprehensive income statement (in XOF'mln)

Profit and loss statement	Note	31/12/2016	31/12/2015
Interests and related income	14	87,210	72,167
Interests and related charges	14	-59,734	-40,993
<i>Sub-total</i>		27,477	31,175
Fees (income)	15	3,836	5,512
Fees (charges)	15	-2,363	-1,246
<i>Sub-total</i>		28,949	35,440
Exchange gains	16	52	12
Exchange losses	16	-32,725	-5,120
Gains/losses on hedging instruments	16	34,271	-247
Gains/losses on foreign exchange		1,598	-5,355
<i>Sub-total</i>		30,548	30,085
Dividends received	17	3,583	2,529
Gains/losses on financial assets available for sale		0	0
Net banking income		34,131	32,614
Cost of risk	18	-6,017	-6,964
Endowment from member countries		3,200	3,200
Other operating income		883	984
Charges related to development activities	19	-1,627	-1,530
General operating costs	20	-19,326	-19,395
- Staff overheads		-11,086	-11,226
- Amortization		-1,201	-1,187
- Others		-7,040	-6,983
Other operating charges		-695	-69
Other operating income		-17,565	-16,811
Income for the period	21	10,548	8,839
Other comprehensive income			
Items likely to be recognized as income		-19,862	-2,967
Revaluation of intangibles		0	0
Cashflow coverage		-12,864	0
Variation in fair value on AFS-rated securities		-6,998	-2,967
Items not likely to be recognized as income		-745	-50
Revaluation of net liabilities under fixed benefits scheme		-745	-50
Other comprehensive income		-20,607	-3,017
Comprehensive income		-10,059	5,822

Cashflow table (in XOF'mln)

Cashflow for operations		Notes	31/12/2016	31/12/2015
Income for the period			10,548	8,839
<i>Adjustments related to non-monetary and other items</i>				
	Unrealised gains/losses		-1,646	5,057
	Exchange gains		-52	-9
	Exchange losses		100	307
	Amortization		1,201	1,187
	Depreciation		0	0
	Cost of risk		6,017	6,964
	Gains/losses on financial assets available for sale		0	0
	Other items		10,972	-13,119
			16,592	387
Changes in assets and liabilities from operations				
	Interbank loans		-32,891	-190
	Disbursements on customer receivables		-288,032	-313,055
	Repayment on receivables from customers		95,897	121,987
	Other receivables from customers		532	-6,503
	Staff loans		-151	-174
	Securities portfolio		-156,210	7,320
	Other receivables		-2	-2
	Other assets		-22,897	-4,161
	Interbank debts		-18,768	24,246
	Other debts		10,088	6,861
	Other liabilities		37,779	-4,603
			-374,655	-168,276
Cashflow from operations			-347,516	-159,049
Cashflow from investment activities				31/12/2015
	Acquisition of tangible assets		-965	-860
	Sale of tangible assets		4	17
	Acquisition of intangible assets		-56	-58
	Sale of intangible assets		0	0
	Acquisition of shares		-4,218	-16,014
	Sale of shares		1,864	1,277
Cashflow from investment activities			-3,371	-15,638
Cashflow from financing activities			31/12/2016	31/12/2015
	Resources from capital paying-up		9,084	7,676
	Debt issuance		591,948	211,209
	Repayment/debts represented by a security		-83,669	-88,041
	Repayment/other loans		-75,873	-43,742
Cashflow from financing activities			441,490	87,103
Net increase/(decrease) of cash and cash equivalents			90,604	-87,584
Cash and cash equivalents at opening		4	194,317	281,902
Cash and cash equivalents at closing		4	284,921	194,317
			31/12/2016	31/12/2015
ADDITIONAL INFORMATION				
Operating cashflow from interests and dividends:				
	Interest paid		60,622	41,106
	Interest received		87,700	72,702
	Dividends received		3,583	2,529

Variations in equity (in XOF'mln)

	Capital			Share premium	Reserves			
	Subscribed capital	Callable capital	Cost related to deferred paying-up of capital (1)		Reserves transferred for development activities	Other reserves	Revaluation of net liabilities under fixed benefits scheme	Losses or gains resulting from the evaluation of AFS-rated securities OCI
Equity capital as at 1st January 2015	1,050,550	-786,405	-8,327	2,622	76,050	26	-129	1
Capital increase	47,200	-35,400						
Results as at 31 December 2015								
Other comprehensive income							-50	-
Variations of fair value on AFS rated securities								
Revaluation of net liabilities under fixed benefits scheme							-50	
Other variations			1,127					
Income allocation								
Transfers								
Equity capital as at 1st January 2016	1,097,750	-821,805	-7,200	2,622	76,050	26	-179	1
Capital increase	0	0						
Results as at 31 December 2016								
Other variations			1,711					
Other comprehensive income								
Variations of fair value on AFS rated securities								
Revaluation of net liabilities under fixed benefits scheme							-745	
Variation in OCI of hedging instruments								
Sub-total OCI							-745	-
Balance as at 31 December 2016	1,097,750	-821,805	-5,489	2,622	76,050	26	-924	

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 the African Development Bank (AfDB). The 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, agribusiness, transport, tourism and other services.

Under article 44 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. 01 Declaration of compliance

Separate financial statements of the West African Development Bank ("the Bank") for the year ended 31 December 2016 and the comparative figures for 2015 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*).

2.02 Basic financial reporting principles

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

Continuity of operation

The financial statements for the year ended 31 December 2016 have been drawn up in accordance with the going concern principle 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.

2.03 Key bases for evaluation

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

2.04 Fair value of financial instruments.

i. Definition and ranking 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 (N1): 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 (N2): Fair values estimated from data that are directly or indirectly observable, other than those in level 1.

These data are directly observable (including 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 N2 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 (N3): 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 methods 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. Methods of valuation

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.

2.05 Income

Interests on loans are recorded at the actual interest rate.

The actual interest rate is the rate that exactly actualizes 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.

2.06 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 items of the comprehensive income 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 recognized 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 recognized 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 et seq.).

2.07 Receivables from customers

a) General principles

Loans from BOAD are denominated in CFA franc (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 installments 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 countries

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 receivables 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 cash flows and the carrying amount. The effect of the impairment update is recorded in banking income.

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

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

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.

Interest on receivables from unpaid accounts are considered to be occasional and is not accrued.

➤ Collective depreciation

Receivables are subject to collective, not individual, depreciation **(i)** 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 subsidized rate considered as the market rate for staff loans. They are therefore recorded at their nominal value.

2.08 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 amortized 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.

2.09 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.

Hedging mechanisms set up by the Bank (forward currency purchase and cross currency swap) to hedge foreign exchange fluctuations on loans it has contracted are valued at their fair value in each financial statement. Gains and losses resulting from these valuations are also recorded as income.

2.10 Interest on loans

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

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 recognized 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 member countries, and also charges inherent in equity investment, 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...).

Expenditure is 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.

Interests receivable from BCEAO as at close of the year are recorded as assets under 'interbank receivables'.

2.15 Prefinancing 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	3-10 years
Home furniture and equipment	3-10 years
Transport equipment	3 years
Layout and design	3-10 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 softwares are considered intangible assets. They are amortized over a period of 3 to 5 years.

2.17 Pension liability

The Bank uses the "fixed 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 cashflow table

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

The cashflows are distributed among the operations, investments and financing.

Cash and cash equivalents appearing in the cashflow table should be compared with those presented in the financial statement.

Inflows 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 cashflows 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.

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

2.19 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 2.17**).

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'mln), unless otherwise stated.

2.21 Events after closing

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

BOAD's accounts for the year ended 31 December 2016 were approved by the Board of Directors at its meeting on 22 March 2017 and submitted for approval by the WAEMU Council of Ministers at its meeting on 31 March 2017.

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 2015 were supplemented by provisions of the new standards and interpretations for the 2016 financial year. These include:

- Amendment to IAS 1 "Presentation of financial statements " – Information required (disclosure initiative),
- Amendment to IAS 16 and IAS 38 "Clarification on acceptable modes of depreciation",
- Amendment to IAS 27: Equity in individual financial statements.
- Amendment to IFRS 11 - Partnerships: accounting for the acquisitions of interests in a joint venture.
- Amendments to IFRS 10, IFRS 12 and IAS 28: "Investment entities: application of the consolidation exemption"
- Amendments on the annual improvements to IFRS 2012-2014 cycle, modifying the following standards: IFRS 5, IFRS 7 and IAS 19 and IAS 34.

The entry into force of this amendment had no impact on the Bank's financial statements as at 31 December 2016.

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.
- 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 7 "initiative on the information required "which will come into effect on 1 January 2017;
- Amendment to IAS 40 "Investment property";
- Amendment to IFRS 15 "Clarification" that will take effect on 1 January 2018;
- Amendment to IFRS 4 "Application of IFRS 9 and IFRS 4" which will come into force on 1 January 2018;
- Annual improvements to IFRS 2014-2016 cycle modifying the following standards: IFRS 12, IAS 28 and IFRS 1;
- IFRIC 22 interpretation "Foreign currency transactions and payment of advance considerations "

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 the following items:

	31/12/2016	31/12/2015
Cash accounts	60	54
BOAD HQ current account	13	213
Deposit accounts for Resident Missions at BCEAO	96,480	72,252
Japan Eximbank Special account*	15	15
Kingdom of Belgium Special account**	4,206	4,205
FDE P/C BOAD Contribution account	51,167	51,167
FDE P/C Contribution account***	1,985	1,985
BOAD Settlement account Lomé	6,635	1,018
Operating account for Resident Missions	475	446
Bank and correspondent bank accounts	6,066	960
Short-term bank deposits (a)	117,819	62,000
	284,921	194,317

*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 contains the resources of the Energy Development Fund (FDE) used to finance energy projects in the WAEMU region. As at 31 December 2016, the FDE's cashflow amount was XOF1,985 million. The Bank continues to be the fund manager.

(a) Short-term bank deposits include:

	31/12/2016	31/12/2015
BOA-CI, special liquidity account	1,009	1,009
BOA-BENIN liquidity account	1,010	991
Term deposit with BOA Group	10,000	4,000
Term deposit with Coris Bank Group	30,800	12,000
Term deposit with Diamond Bank Group	16,000	3,000
Term deposit with ORABANK Group	18,000	13,000
Term deposit with BSIC	6,000	3,000
Term deposit with Banque Atlantique Group	10,000	-
Term deposit with Ecobank Group	5,000	10,000
Term deposit with UTB	15,000	15,000
Term deposit with BDM	5,000	
	117,819	62,000

NOTE 5. LOANS AND RECEIVABLES

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

	31/12/2016	31/12/2015
- Interbank debts	33,421	530
-Receivables from customers	1,550,385	1,360,100
- Loans to staff	6,421	6,270
- Security portfolio	171,437	15,227
- Receivables from shareholders	98,307	105,420
- Other	79	77
Total	1,860,051	1,487,624

Interbank receivables include interbank deposits and loans of over 3 months and related interests. As at 31 December 2016, 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.

Some of these loans are covered by financial guarantees. The fair value of these guarantees is their nominal value.

As at 31 December 2016, receivables from clients were as follows:

	31/12/2016	31/12/2015
At most one year	129,952	113,151
More than one year and at least 2 years	145,357	109,406
More than 2 years and less than 3 years	163,105	128,838
More than 3 years and less than 5 years	283,124	246,219
More than 5 years	816,615	751,561
Technical outstanding amounts*	3,436	2,208
Gross outstanding loans	1,541,588	1,351,383
Advances for financing of studies	12,969	11,908
Differed income on commissions	-7,168	-6,601
Receivables from performing healthy loans	29,244	28,342
Depreciation of bad debts	-26,248	-24,931
Receivables from bad debts	16,422	12,597
Depreciation of bad debts	-16,422	-12,597
Loans and advances to clients	1,550,385	1,360,100

* Technical outstanding amounts are unrecovered amounts of call-ups at maturity of the principal of sound loans that are less than 3 months as at time of the financial statement.

These amounts stood at XOF3,436 million as at 31 December 2016 as compared to XOF2,208 million as at 31 December 2015.

Borrowers have the option of early repayments of these loans under the conditions contained in the loan agreements.

Gross outstanding loans include XOF93,041 million 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:

	31/12/2016	31/12/2015
Gross amounts	34,799	36,911
Depreciations	- 26,248	- 24,931
	8,551	11,980

Application of the Bank's policy regarding loan provisioning, investments and guarantees, receivables (interest, commitment fee, default interest) on bad debts are depreciated at 100%.

As at 31 December 2016, the receivables related to bad debts were as follows:

	31/12/2016	31/12/2015
Receivables related to bad debts	16,442	12,597
Depreciations/receivables related to bad debts	- 16,442	- 12,597
Receivables related to net bad debts	-	-

In 2016, interest income recorded under the profit and loss account on bad debts stood at XOF5,239 million as against XOF3,763 million as at 31 December 2015 and were written down by 100%.

Financial guarantees received on bad loans at the end of 2016 stood at XOF8,800 million as compared to XOF9,962 million at the end of 2015.

5.2 The breakdown of the securities portfolio as follows:

	31/12/2016	31/12/2015
Bond loan Senegal	24,750	6,800
Bond loan Côte d'Ivoire	30,000	1,050
Bond loan Benin	30,000	1,750
Bond loan Burkina Faso	19,986	667
CRRH Bond loan	4,817	3,325
Bond loan Togo	21,609	-
Bond loan Niger	2,000	-
Bond loan BOA Group	613	862
Certificate of deposit	-	200
Treasury bills Togo	5,000	-
Treasury bills Mali	4,123	-
Treasury bills Burkina Faso	16,193	-
Treasury bills RCI	9,000	-
	168,091	14,653
Interests receivable	3,346	573
	171,437	15,227

The contractual schedule of investments in securities, as at 31 December 2016, is as follows (in XOF'mln):

MATURITY	31/12/2016	31/12/2015
UP TO ONE YEAR	10,596	3,666
OVER 1 YEAR AND LESS THAN 2 YEARS	28,767	862
OVER 2 YEARS AND LESS THAN 3 YEARS	40,203	-
OVER 3 YEARS AND LESS THAN 5 YEARS	17,833	4,800
OVER 5 YEARS	70,692	5,326
TOTAL	168,091	14,654

5.3- The item on "receivables from shareholders" includes allocations and amounts due but not yet disbursed (XOF7,948 million as against XOF7,749 million as at 31 December 2015), grant amounts not yet paid for loan revaluation (XOF2,747 million as at 31 December 2016 and at the end of 2015) and the called-up capital not yet paid (XOF87,611 million as against XOF95,056 million as at 31 December 2015). The last two amounts were as a result of discounting as at 31 December 2016, at average rates of 5.55% (rate applied in 1996 for non-commercial public sector loans) and 2.45% (applied in 2014 for non-commercial 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 the member countries 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, hospitality, airlines, etc.).

The Bank's new strategy adopted in 2010 for equity investments 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 investment strategy, BOAD has taken appropriate measures to (i) adapt to the changing trends and requirements of the WAMU financial sector (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 investment is limited, per operation and per Borrower, to 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 equity investments must be considered available for transfer. Such investments 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	as % of share	31/12/2016					Gross out-standing	Depreciation
			Gross out-standing	Depreciation	Carry-over by OCI	Unrealised gains/losses	Balance sheet value		
BN	SOAGA	19.3%	103			71	173	103	-
BN	FOAI	21.4%	2,500			1,105	3,605	2,500	-
TG	CAURIS CROISSANCE	49.6%	1,341			591	1,931	1,341	-
SN	BNDE	9.1%	1,000			1,585	2,585	1,000	-
h-uemo	CAURIS CROISSANCE II	17.7%	4,430			- 688	3,742	4,888	-
TG	GARI S. A.	11.6%	1,500			1,176	2,676	1,500	-
MA	BDM Mali	16.0%	600			9,625	10,225	600	-
BN	BOA Bénin	2.4%	98			1,612	1,710	98	-
NG	SONIBANK Niger	9.0%	1,082			2,134	3,215	1,082	-
CI	BHCI Côte d'Ivoire	2.2%	150	79	79	- 50	101	150	79
NG	BOA Niger	6.9%	165			1,708	1,873	165	-
TG	BIA Togo	5.7%	392			184	576	392	-
BN	African Investment Bank (AIB) (1)		250	250			-	250	250
h-uemo	Afreximbank	0.4%	2,500			415	2,915	2,500	-
SN	Banque Régionale de Marché (BRM)	4.8%	400			868	1,268	400	-
CI	BRIDGE BANK Côte d'Ivoire	3.5%	-	193	193	-	-	300	193
BF	Banque de l'Habitat du BF	4.0%	200			540	740	200	-
CI	BRVM	9.1%	56			573	629	56	-
CI	DC/BR (BRVM)	9.0%	140			261	401	140	-
TG	CICA RE	3.3%	999	219	219	193	1,192	999	219
MA	MANDE Hotel	16.7%	50	12	12	232	282	50	12
CI	SIALIM (1)		100	100			-	100	100
CI	AIR AFRIQUE (1)		2,500	2,500			0	2,500	2,500
CI	CIPREL	2.0%	584			967	1,551	584	-
BN	COTEB (1)		272	272			-	272	272
	Total à reporter		21,412	3,625	503	23,103	41,393	22,169	3,625

Countries	Securities	as % of share	31/12/2016					Gross out-standing	Depreciation
			Gross out-standing	Depreciation	Carry-over by OCI	Unrealised gains/losses	Balance sheet value		
	Carry-over		21,412	3,625	503	23,103	41,393	22,169	
TG	ASKY (former SPCAR)	17.8%	5,990	2,128	2,128	- 5,444	546	5,990	
SN	SCIE	18.9%	130	130			-	130	
CI	RASCOM	7.1%	1,600			325	1,925	1,600	
h-uemoa	PROPARCO	0.7%	3,420			523	3,943	3,420	
TG	BOAD-Titrisation	100.0%	500			- 69	431	500	
h-uemoa	GEO COTON	9.3%	-			-	-	2,242	
TG	CRRH-UEMOA	12.9%	1,543			- 590	953	750	
h-uemoa	Fonds Agricole pour l'Afrique (FAA)	2.5%	2,425			363	2,788	2,404	
TG	ORAGROUP	2.8%	2,000			- 253	1,747	2,000	
BF	Burkina Bail	15.0%	689			25	714	689	
SN	CNCAS	10.1%	1,573			270	1,843	1,573	
BF	CORIS BANK	4.3%	1,997			782	2,778	1,997	
CI	Nouvelle BRS CI/ORA Bank CI	45.4%	16,995			- 10,454	6,541	16,995	
CI	Banque de l'Union Côte d'Ivoire (BDU-CI)	13.8%	1,100			- 171	929	1,100	
BF	Banque de l'Union Burkina Faso (BDU-BF)	20.0%	1,100			- 192	908	1,100	
h-uemoa	FEFISOL	8.2%	1,312			4	1,316	1,075	
Kenya	FAER	7.6%	2,651			- 484	2,166	1,947	
BF	AMETHIS WEST AFRICAN (AWA)	16.4%	1,259			- 261	998	850	
CI	Air Côte d'Ivoire	7.9%	3,500			- 3,500	-	2,000	
CI	RASCOM STAR QAF		4,360	4,360			-	4,360	
h-uemoa	Investisseurs & Partenaires/ Développement (IPDEV2)	24.0%	308			- 132	176		
	Total gross values		75,864	10,243	2,631	3,845	72,097	74,891	
	Net depreciations			7,612					
	Variation in fair value of AFS through comprehensive income	-	6,998					- 2,967	
	Gains and losses recognized directly as equity from financial assets available for sale (1)		6,476					13,475	
	(1) Securities depreciated at 100%								

NB: The change in fair value of securities classified into OIC in the table above (XOF-6,998 million) is determined in accordance with Notes 2

- The amount of dividends from these equity participations, as indicated in the financial statement stood at XOF3,583 million by 31 December 2016, compared to XOF2,529 million at the end of 2015 (**See Note 17 below**).

The Bank uses a valuation model to determine the fair value of equity securities. The applicable regulations and principles are outlined in Note 2.06.

6.3 Variations in gross participation are as follows :

	31/12/2016	31/12/2015
Gross value as at 1st January 2016 (1)	74,891	55,607
Acquisitions (2)	4,218	20,374
Assignments (3)	- 3,244	- 1,090
Change in fair value (4)	3,845	10,935
Gross value as at 31 December 2016 (5)=(1)+(2)+(3)+(4)	79,710	85,826
Depreciation as at 1st January 2016 (6)	- 7,704	- 3,344
Depreciation for the period (7)	-	- 4,360
Reversals of depreciation by OCI	91	-
Total depreciations as at 31 December 2016 (8)=(6)+(7)	- 7,613	- 7,704
Net value as at 31 December 2016 (5)-(8)	72,097	78,123

NOTE 7. OTHER ASSETS

The following items are included in other assets:

	31/12/2016	31/12/2015
Advances paid on mission expenses	17	56
Expenses to be adjusted	12,501	13,992
Exchange risk hedging instruments	21,161	-
Sundry debtors	3,630	444
Prepaid expenses and accruals	285	203
Prefinancing of studies on external funds	97	97
	37,690	14,793

* Expenditure to be paid include advances to be paid by the Bank as part of construction of the BOAD staff quarters, financial cost of the special agricultural programme, expenses made on behalf of other institutions and other expenditure yet to be reclassified. These are as follows at as 31 December 2016 and 31 December 2015:

	31/12/2016	31/12/2015
Advance/BOAD residential estate construction	8 815	9 772
Financial charges under special agricultural programme	1 510	2 684
Expenses prefinanced for third parties	1 441	1 216
Other expenses to be adjusted	735	320
	12 501	13 992

The BOAD staff quarters is expected to be handed over in 2017.

NOTE 8. TANGIBLE ASSETS

The summary of tangible assets is as follows:

	31/12/2016	31/12/2015
Cost of acquisition	26,219	25,309
Cumulative amortizati	-18,340	-17,405
	7,879	7,904

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:

	Lands	Buildings	Properties under construction	Fittings and fixtures	Equity unleased
Cost of acquisition					
Balance as at 1st January 2015	981	14,319	133	9,243	
Acquisitions	-	-	279	581	
Transfers	-	-	316	316	
Disposals				227	
Revaluation acquisitions					
Other revaluations					
Balance as at 1st January 2016	981	14,319	96	9,914	
Acquisitions	-	-	602	363	
Transfers	-	-	354	354	
Sales				56	
Balance as at 31 December 2016	981	14,319	344	10,576	
Cumulative amortizations and disposals					
Balance as at 1st January 2015	-	8,117	-	8,537	
Amortization charges		340	-	636	
Reversals of depreciation (disposals)		-	-	225	
Impairment losses recognized during the period	-				
Reversals of depreciation	-				
Balance as at 1st January 2016	-	8,457	-	8,948	
Charges d'amortissement		337	-	648	
Reversals of amortization (disposals cessions)		-	-	50	
Impairment losses recognized during the period	-				
Balance as at 31 December 2016	-	8,794	-	9,546	
Net value of tangible assets as at 31 December 2016					

NOTE 9. 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:

	31/12/2016	31/12/2015
Cost of acquisition	1,429	1,373
Cumulative amortizations and depreciations	-710	-494
	719	879

Acquisition of softwares		Cumulative depreciations of softwares	
Balance as at 1st January 2015	1,315	Balance as at 1st January 2015	284
Acquisitions	58	Amortization charges	210
Disposals	-	Reversals of amortization	0
Classified as being held for sales	-	Classified as being held for sales	0
Balance as at 1st January 2016	1,373	Balance as at 1st January 2016	494
Acquisitions	56	Amortization charges	216
Disposals	-	Reversals of amortization	0
Classified as being held for sales	-	Classified as being held for sales	0
Balance as at 31 December 2016	1,429	Balance as at 31 December 2016	710
Net value on balance sheet as at 31 December 2016			719

Annual depreciation charges are recorded in the income statement under "Depreciation" in the item on general operating expenses.

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,) 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 2016 and 31 December 2015, are as follows (in XOF'mln):

	31/12/2016		31/12/2015	
Interbank debts		15,937		34,704
Placements by AFD, CAURIS, ROPPA	15,823		34,440	
Accrued interest on debts/Placement on a daily basis	114		265	
Debts represented by a security		1,018,843		557,265
BOAD bond loans	571,467		122,058	
BOAD notes	285,725		337,701	
sec.	141,049		83,669	
Accrued interest on debts represented by a security	21,930		15,682	
Deferred charges on debts represented by a security	-1,327		-1,845	
Other loans		431,819		423,088
Loans for financing long-term projects	376,421		360,513	
Loans for financing long-term studies	446		506	
Loans with maturity at less than one year	52,653		59,324	
Accrued interests on other loans	2,691		2,943	
Commissions to be paid in loans	12		102	
Deferred charges on other loans	-404		-301	
Total liabilities at amortized cost		1,466,600		1,015,058

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 2016, the Bank's outstanding borrowings represented 224% of its equity capital out of the regulatory limit of 300%.

As at 31 December 2016, liabilities at amortized cost was made up of:

	31/12/2016	31/12/2015
I- Debts represented by a security		
Bond issues	571,467	122,058
BOAD bonds	285,725	337,701
Maturities in less than a year/debts represented by securities	141,049	83,669
Sub-total I	998,240	543,428
II- Other borrowings from external partners		
Borrowings for financing long-term projects	376,421	360,513
Borrowings for financing long-term studies	446	506
Maturities in less than a year/borrowings	52,653	59,324
Sub-total II	429,521	420,344
Total I+II	1,427,761	963,772
III- Debts attached to borrowings and debts repr. by a security		
Accrued interest on debts represented by a security	21,930	15,682
Deferred costs on debt securities and loans	-1,327	-1,845
Accrued interests and commissions on other borrowings	2,702	3,045
Deferred costs on other loans	-404	-301
Sub-total III	22,902	16,582
IV- Interbank debts (Cauris ROPPA, AFD)	15,937	34,704
Total I+II+III+IV	1,466,600	1,015,058

Maturity of liabilities at amortized cost presented as follows:

	31/12/2016	31/12/2015
At most one year	225,965	194,279
More than a year and less than two years	163,685	190,746
More than two years and less than three years	142,691	128,242
More than three years and less than five years	150,966	137,340
More than five years	783,294	364,450
	1,466,600	1,015,058

NOTE 11. OTHER LIABILITIES

Other liabilities include funds that are liabilities to BOAD and other suspense accounts. The breakdown is as follows :

	31/12/2016	31/12/2015
Funds		
Belgian Technical Assistance Fund	174	169
Dutch Fund	34	34
IDA Counterpart Fund	137	183
French Development Agency Research Fund	310	310
French Development Agency (AFD) counterpart fund	237	349
Environmental Partnership Fund	35	67
KFW Counterpart Fund	6,398	6,676
China Cooperation fund	139	139
AFD IV Capacity Building Fund	30	30
Energy Development Fund	1,985	1,985
"Crop Insurance" Fund	3,110	3,164
Regional Collaboration Centre (RCC)	174	124
New subsidy mechanism fund	21,625	-
CMS Fund for interest subsidy	1,000	-
Regional facility for access to sustainable energy	10,000	-
Fund subtotal	45,389	13,231
SUSPENSE ACCOUNT AND OTHERS		
Suppliers	950	553
Various creditors	2,188	1,683
Charges payable	1,793	1,864
Receipts to be paid	9,593	7,069
Income recorded in advance	2,227	7
Kingdom of Belgium current account	4 200	4,200
Sub-total for suspense and other accounts	20,951	15,331
	66,340	28,561

Other liabilities are debts with maturities less than one year.

NOTE 12. PROVISIONS

The provisions are analyzed as follows:

	31/12/2016	31/12/2015
Liabilities of fixed benefits schemes	7,026	5,814
Other provisions	592	59
	7,618	5,873

12.1. Liabilities under the fixed benefits scheme

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 XOF7,026 million as at 31 December 2016, as against XOF5,814 million as at 31 December 2015.

Details of the actuarial calculations for the 2016 and 2015 are presented below:

	<u>2016</u> <u>XOF</u>	<u>2015</u> <u>XOF</u>
<u>Current value of the bond</u>		
Opening balance	5,813,518	5,481,950
Cost of services rendered during the period	386,638	376,781
Contributions made by participants	0	0
Financial cost	392,854	380,818
Actuarial difference due to		
a) Changes in demographic assumptions	0	0
b) Changes in financial assumptions	0	0
c) Experience adjustments	<u>745 315</u>	<u>50</u>
d) Total	745 315	50
Service provision	-312 503	-426 081
Cost of past services	0	0
Payments	<u>0</u>	<u>0</u>
Closing balance	7,025,821	5,813,518
<i>Completely unfinanced schemes</i>	<i>7,025,821</i>	<i>5,813,518</i>
<i>Partly or fully financed schemes</i>	<i>0</i>	<i>0</i>
 <u>Fair value of assets of the scheme</u>	 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
Closing balance	0	0

Net assets/liabilities recognized in the balance sheet

Current value of the bonds	7,025,821	5,813,518
Fair value of assets of the scheme	0	0
Surplus/deficit	7,025,821	5,813,518
Amount not recognized as an asset because of limit 58(b)	0	0
Net assets/liabilities recognized in the balance sheet	7,025,821	5,813,518

Total cost

Cost of services rendered during the period	386,638	376,781
Cost of past services	0	0
Effect of all payments	0	0
Cost of services rendered as net income	386,638	376,781

Financial cost	392,854	380,818
Interests	0	0
Net interest on net income	392,854	380,818

Actuarial difference	745,315	50
Additional returns on assets of the scheme	0	0
Effect of the limit of paragraph 58(b)	0	0
Revaluation of net liabilities under fixed benefits scheme	745,315	50

Total cost	1,524,807	757,649

The cumulative actuarial difference recorded in the income and expenditure statement	2,032,804	1,287,489

Main actuarial assumptions

Discount rate	6,50%	6,50%
Expected rates of salary increases	5,00%	5,00%
Mortality rate	TH/TF 2002 multiplied by 200%	
Turnover rate	1%	1%
Duration of equal obligation :	7	7

Sensitivity analysis

	<u>Change in requirement</u>	
Discount rate	6,7%	7,3%
Expected rates of salary increases	6,7%	7,4%
Mortality rate	-0,6%	-0,7%

Reconciliation of net liabilities recognized

Opening balance	5,813,518	5,481,950
Total charge in net income	779,492	757,599
Services provided	-312,503	-426,081
Revaluation of net liabilities under fixed benefits scheme	<u>745,315</u>	<u>50</u>
Closing balance	7,025,821	5,813,518

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

12.2. Other provisions

Other components of the item include:

- A provision of XOF389 million used in 2016 to cover the risk of non-repayment of the last maturity of a bond issue that the Bank guaranteed;
- An amount of XOF203 million at the end of 2016 as against XOF59 million at the end of 2015, due to gap in the provision for retirement of BOAD staff seconded to member countries of the Union.

NOTE 13- EQUITY CAPITAL

Capital	31/12/2016	31/12/2015
Subscribed capital	1,097,750	1,097,750
Callable capital	- 821,805	- 821,805
Cost related to deferred paying-up of capital	- 5,489	- 7,200
Total	270,457	268,746
Issue premium	2,622	2,622
Reserves		
Reserves allocated to development activities	76,050	76,050
Fair value reserves on securities classified in AFS	6,477	13,475
Reserves for cashflow coverage	- 12,864	-
Other reserves	26	26
Revaluation of liabilities under fixed benefits schemes	- 924	- 179
Retained earnings	370,408	364,569
	439,174	453,942
Income for the year	10,548	8,839
Total equity	722,800	734,149

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.

Reserves related to development activities comprise funds initially set up by the Bank to guard against exchange rate fluctuations, either to achieve its development objectives (financing of studies, interest subsidy) which, during the transition to IFRS in 2010, were recorded as reserves because they do not constitute an obligation for the Bank.

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 2016 in nominal value and share distribution. Each share confers the same rights and duties on its holder.

SHAREHOLDERS	SUBSCRIBED CAPITAL	%	Number of shares	CALLED-UP CAPITAL	PAID-IN CAPITAL	C
	(1)=(2)+(5)			(2)=(3)+(4)	(3)	
CATEGORY A						
BENIN	64,650	5.89	1,293	16,163	10,768	
BURKINA	64,650	5.89	1,293	16,163	10,768	
COTE D'IVOIRE	64,650	5.89	1,293	16,163	10,768	
GUINEA BISSAU	64,650	5.89	1,293	16,163	6,385	
MALI	58,750	5.35	1,175	14,688	10,768	
NIGER	64,650	5.89	1,293	16,163	10,768	
SENEGAL	64,650	5.89	1,293	16,163	10,768	
TOGO	64,650	5.89	1,293	16,163	10,768	
BCEAO	517,200	47.11	10,344	129,304	86,144	
	1,028,500	93.69	20,570	257,133	167,905	
CATEGORY B						
France	38,400	3.50	768	9,600	7,040	
Germany	2,000	0.18	40	2,000	2,000	
Belgium (1)	5,600	0.51	112	1,400	1,400	
EIB	4,000	0.36	80	1,000	1,000	
AfDB	6,000	0.55	120	1,500	1,043	
EXIM BANK OF INDIA	750	0.07	15	188	137	
CHINA	12,000	1.09	240	3,000	2,200	
MOROCCO	500	0.05	10	125	119	
	69,250	6.31	1,385	18,813	14,940	
	1,097,750	100.00	21,955	275,946	182,845	
UNSUBSCRIBED CAPITAL	57,250		1,145			
AUTHORIZED CAPITAL	1,155,000		23,100			

(1) Payment in advance of an amount of XOF4,200 M in an escrow account.

Moreover, the Bank's equity as at 31 December 2016 and 31 December 2015 was as follows :

Items	31/12/2016	31/12/2015
Balance sheet equity	722,800	734,149
Unpaid called-up capital adjusted of the deferred	- 87,611	- 95,056
Issue premium (unpaid portion)	- 1,852	- 1,852
Allocations to member countries (unpaid portion)	- 5,029	- 5,029
Reserve for cashflow coverage	12,864	-
Fair value reserve on equity investment	- 6,477	- 13,475
Actual equity	634,693	618,736
Tangible and intangible assets	8,598	8,783
Core Tier 1 capital	626,095	609,953

NOTE 14 – INTERESTS AND RELATED INCOMES

Details of this item are as follows:

Interests and related incomes

	31/12/2016	31/12/2015
Interests and related income/ interbank loans	6,499	2,896
Interest on loans to customers	74,296	66,270
Interest on staff loans	181	162
Interest on securities portfolio	4,792	1,106
Commission on loan commitments	1,442	1,733
Total	87,210	72,167

Interests and related charges

	31/12/2016	31/12/2015
Interest charges on debts represented by a security	44,230	28,363
Interest charges on other debts	14,539	12, 013
Income/investments paid back	723	265
Commissions/commitments received	242	352
	59,734	40,993

NOTE 15 – COMMISSIONS**Commissions (income)**

This item refers mainly to commissions received on financial advisory services and arrangements as well as operational loans.

	31/12/2016	31/12/2015
Commission obtained as processing fees	896	938
GARI Commission guarantees	106	61
Other flat commissions	525	100
Commission on guarantees/bond issues	325	500
Commission on financial arrangements and services	1,984	3,913
	3,836	5,512

Commissions (expenses)

This item includes commissions paid on loans and debentures.

	31/12/2016	31/12/2015
Other charges/debts represented by securities	519	625
Other fees on borrowings	1 844	621
	2,363	1 246

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 2016, is as follows:

	31/12/2016	31/12/2015
Exchange gain consumed	52	9
Potential exchange gain	-	3
Sub-total for exchange gain (A)	52	12
Exchange loss consumed	- 100	- 307
Potential exchange loss	- 32,625	- 4,813
Sub-total exchange loss (B)	32,725	5,120
Net exchange loss of C = (A) + (B)	- 32,673	- 5,108
Loss/profit on hedging instruments	34,271	-247
Net profit/loss on currency transactions	1,598	-5,355

To hedge against fluctuations in these currencies, the Bank signed a hedging agreement against the currency risk on its borrowings in SDRs and dollars. Through these agreements, the Bank has hedged 100% of its foreign currency debt excluding euros (fluctuating currencies).

The valuation of these hedging instruments as at 31 December 2016 recorded a profit of XOF32,271 million, 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.

	31/12/2016	31/12/2015
Dividends from BTD		-
Dividends from BRVM	182	168
Dividends from BOA Bénin	192	197
Dividends from CIPREL	194	100
Dividends from BOA NG	348	225
Dividends from BDM-SA	844	606
Dividends from BHBF	-	18
Dividends from AFREXIM Bank	87	-
Dividends from SONIBANK	250	284
Dividends from PROPARCO	-	66
Dividends from BIA-TG	-	35
Dividends from Cauris Croissance II	819	226
Dividends from SICAV Abdou Diouf	110	94
Dividends from BRM	136	120
Dividends from CICA-RE	33	27
Dividends from Bridge Bank CI	75	75
Dividends from Coris Bank Internatan	312	288
	3,583	2,529

NOTE 18 – COST OF RISK

	31/12/2016	31/12/2015
Write-back of depreciations on receivables from clients	5,018	2,758
Depreciation on receivables from clients	-10,160	-8,069
Bad debts covered by depreciations	-875	-1,225
Depreciation on other asset components		-429
	- 6,017	-6,964

NOTE 19 – COSTS RELATED TO DEVELOPMENT ACTIVITIES

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

	<u>30/12/2016</u>	<u>31/12/2015</u>
Interest subsidy	<u>1,627</u>	<u>1,530</u>
	<u>1,627</u>	<u>1,530</u>

NOTE 20 – GENERAL OPERATING EXPENDITURE

The Bank's general operating expenditure are as follows:

	31/12/2016	31/12/2015
Staff overheads	11,086	11,226
Amortizations	1,201	1,187
Other operating costs	7,040	6,983
Total	19,326	19,395

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.). These risk categories include those covered under IFRS 7 and also under the Bank's operational risks.

1. CREDIT RISK

Credit risk is the inability or the unwillingness of certain counterparties to fulfill 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.

Credit risk management is based on standards and procedures, management tools, rating systems, provisioning and risk hedging policy risks and close monitoring mechanism.

The overall organization of credit risk management is characterized by:

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

The Bank has clearly defined limits and procedures to enable it to streamline, measure and manage the risks, and also formalize aggregate limits for its commitments per sector and operational limits (counterparties/related counterparties).

The Bank's maximum exposure (balance sheet and off-balance sheet) to credit risk prior to the consideration of the guarantees received for 2016 and 2015 is as follows:

	2016	2015
Interbank debts	33,421	33,421
Customer receivables and commitments	3,010,803	2,712,772
Securities portfolio	171,437	15,227
Shareholders' receivables	98,307	105,420
Equity investments	93,755	103,564
Derivative assets	21,161	-
Other amounts receivable	16,608	14,870

1.1- Intervention limits for credit risks

1.1.1- For the public sector

- a. The risk 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-value 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 countries 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, privatization 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 loan amount shall not exceed fifty percent (50%) of the total cost of the project (excluding taxes).
- b. A ceiling per transaction of fifteen percent (15%) of the Bank's tier 1 capital is set for its indirect financing through 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 and 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 borrower and (b) short-term cash financing, shall be fifty percent (50%) of the Bank's tier 1 capital.

1.1.4- Limit on loans per sector or 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)** agribusiness 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 than 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.

Outstanding loans per country as at 31 December 2016 and 31 December 2015 is broken down as follows:

COUNTRY	AS AT 31/12/2016						AS AT 31/12/2015					
	FDC	FDE	PSCM	Private	Commercial public	Total	FDC	FDE	PSCM	Private	Commercial public	Total
BENIN	81,372	4,796	39,130	23,556	34,683	183,537	63,349	366	31,077	23,810	29,343	147,945
BURKINA FASO	75,950	20,000	8,618	17,738	24,818	147,124	87,988	20,000	5,449	21,546	26,404	161,387
CÔTE D'IVOIRE	54,494	21,483	20,828	92,249	44,881	233,934	48,081	14,506	14,360	107,050	17,953	201,950
GUINEA BISSAU	49,497	296	13,794	-	-	63,587	42,213	296	12,550	-	-	55,059
MALI	84,293	6,613	16,870	30,513	27,257	165,545	75,175	4,511	2,192	21,838	32,322	136,038
NIGER	94,863	26,855	81,608	25,287	2,699	231,313	95,215	23,963	66,582	22,749	4,158	212,667
SENEGAL	84,360	10,455	23,298	65,721	50,507	234,341	76,574	9,342	15,556	61,037	49,861	212,370
TOGO	110,095	2,543	94,861	54,787	19,920	282,207	101,740	1,270	81,274	21,543	18,139	223,966
TOTAL	634,924	93,041	299,007	309,851	204,765	1,541,588	590,335	74,255	229,041	279,573	178,180	1,351,383

Moreover, outstanding commercial loans (private and public commercial) per sector of activity is broken down as follows as at 31 December 2016:

ITEMS	31/12/2016	31/12/2015
Agribusiness	35,999	38,339
Banks & financial institutions	85,977	57,003
Water & energy	187,220	171,217
Hospitality	22,006	19,309
Extractive industries	39,208	43,115
market infrastructure	125,934	114,623
Telecommunications	18,272	14,148
TOTAL	514,616	457,753

1.2- Schedule of the financial instruments by category

The following table shows the classification of the assets and liabilities of the Bank as well as their fair value as at 31 December 2016.

	Financial assets and		Fair value through OCI	Financial assets and liabilities at amortized	Total amount of book value	Total amount of fair value
	Absolutely at fair value	Designated at fair value				
- Cash and cash equivalents				284,921	284,921	284,921
- Interbank debts				33,421	33,421	33,421
- Securities portfolio				171,437	171,437	171,437
- Customer receivables				1,556,807	1,556,807	1,556,807
- Shareholders' debts				98,307	98,307	98,307
- Equity investments		68,252	3,845	-	72,097	72,097
- Derivative assets	21,161			-	21,161	21,161
- Amounts receivable				16,608	16,608	16,608
Total amount of financial assets	21,161	68,252	3,845	2,161,500	2,254,758	2,254,758
Borrowings				1,466,600	1,466,600	1,466,600
Derivative liabilities				-	-	-
Payable amount				74,048	74,048	74,048
Total amount of financial liabilities				1,540,648	1,540,648	1,540,648

The classification of assets and liabilities as at 31 December 2015 as follows:

	Financial assets and liabilities through profit		Fair value through OCI	Financial assets and liabilities at amortized cost	Total amount of book value	Total amount of fair value
	Absolutely at fair value	Designated at fair value				
- Cash and cash equivalents				194,317	194,317	194,317
- Interbank debts				530	530	530
- Securities portfolio				15,227	15,227	15,227
- Customer receivables				1,366,370	1,366,370	1,366,370
- Shareholders' debts				105,420	105,420	105,420
- Equity investments		67,188	10,935		78,123	78,123
- Derivative assets	247				247	247
- Amounts receivable				14,623	14,623	14,623
Total amount of financial assets	247	67,188	10,935	1,696,487	1,774,857	1,774,857
Borrowings				1,015,058	1,015,058	1,015,058
Derivative liabilities				-	-	-
Payable amount				34,433	34,433	34,433
Total amount of financial liabilities				1,049,491	1,049,491	1,049,491

The table below classifies financial instruments carried at fair value:

	Active market prices (level 1)		Evaluation techniques, of which all critical data are based on observable market data (level 2)		Evaluation techniques, of which all critical data are not based on observable market data (level 3)		Total amount	
	2016	2015	2016	2015	2016	2015	2016	2015
Derivative assets	21,161						21,161	-
Equity securities	1,710	1,407			70,387	76,716	72,097	78,123
							-	-
Total amount of financial assets	22,871	1,407					93,258	78,123
Total amount of financial liabilities								

1.3- 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 distressed 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 MONITOURED 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):

1.3.1. 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 cashflow 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.

Analysis of the qualitative factors of corporate rating is carried out on four non-financial parameters: (i) number of years of experience and quality of management of the governing body (strength of the Management of the project company, with particular emphasis on its ability to deal with adverse conditions), (ii) the reputation of the main shareholder in the local economy (iii) the trust of credible external partners involved in the project and (iv) the environmental situation (the competitive position of the project company in the sector). Each variable represents a certain weight in the overall rating of the company.

1.3.2. Rating of bank (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	2015	2016
"1" to "4"	Low risk	31.07%	37.23%	37.54%	41.35%	45.53%	48.92%
"5"	Moderate risk	22.60%	26.67%	22.37%	32.34%	32.51%	37.39%
"6" à "7"	High risk	43.74%	31.56%	36.26%	23.00%	18.28%	8.77%
"8"	Very high risk	2.59%	4.55%	3.82%	3.31%	3.68%	4.93%

The Bank's portfolio as at 31 December 2016 is characterized by improved ratings of counterparties as compared to 31 December 2015. Indeed, the risks brought on counterparties rated '1' to '4' represent 48.92% of total risk, an increase of 3.39 points compared to 31 December 2015 (45.53%). The same goes for average risk (rated '5') which increased by 4.88 points (or 37.39% of the total amount of risk) as at 31 December 2016.

Moreover, the low risk (rated "6" or "7") have strongly declined (due to reclassification of a counterparty which went from '6' to '5') and accounted for 8.77% of the total risk as at 31 December 2016.

On the other hand, counterparties rated '8' increased by 1.25 points and accounted for 4.93% of the total risk as at 31 December 2016.

1.4- 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.

1.4.1. 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.

1.4.2. 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:

1.4.3. Description of the methods used to determine losses on loans and receivables

a) Principles

The Bank adopted a loans depreciation policy to enable it analyze 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 3 months and/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.

b) Distribution of bad debts by sector and by country is as follows

Distribution of bad debts by sector and by country is as follows:

- Breakdown per sector

ITEMS	31/12/2016			31/12/2015		
	Gross outstanding	Provisions	Net outstanding	Gross outstanding	Provisions	Net outstanding
Energy	0	0	0	0	0	0
Market infrastructure	12,180	9,165	3,015	17,762	11,591	6,171
Extractive industry	8,510	6,629	1,881	8,510	6,629	1,881
Hospitality	2,879	1,777	1,102	2,878	1,138	1,740
Telecommunications	2,820	2,694	126	2,563	2,563	0
Agro-industry	8,410	5,979	2,431	5,198	3,010	2,188
Banks & fin. institutions	0	0	0	0	0	0
TOTAL	34,799	26,248	8,551	36,911	24,931	11,980

- Breakdown per country

COUNTRY	31/12/2016			31/12/2015		
	Gross outstanding	Provisions	Net outstanding	Gross outstanding	Provisions	Net outstanding
BENIN	10,112	7,578	2,534	9,934	6,522	3,412
BURKINA	1,210	890	320	1,620	917	703
COTE D'IVOIRE	6,271	5,419	852	4,533	2,845	1,688
MALI	6,222	4,587	1,635	10,550	8,010	2,540
NIGER	0	0	0	0	0	0
SENEGAL	3,492	2,492	1,000	2,782	1,685	1,097
TOGO	5,162	2,952	2,210	5,162	2,622	2,540
Outside WAEMU	2,330	2,330	0	2,330	2,330	0
TOTAL	34,799	26,248	8,551	36,911	24,931	11,980

- Rate of depreciation of the Bank's portfolio

Items	31/12/2016	31/12/2015
Outstanding receivables (XOF'M)	34,799	36,911
overall gross outstanding receivables (XOF'M)	1,541,588	1,349,178
Overall gross depreciation rates	2.26%	2.74%

Compared to 31 December 2015, the stock of non performing debts dropped by 6% to reach XOF34,799 million. The rate of deterioration in the Bank's portfolio was 2.26% as at 31 December 2016 compared with 2.74% at end of 2015.

- Schedule of improvements in the rate of provisioning and hedging of risks on non-performing loans

	31/12/2016	31/12/2015
Outstanding receivables	34,799	36,911
Provisions for outstanding receivables	26,248	24,931
Provisioning rate	75.42%	67.54%
Financial guarantees on non-performing loans	8,800	10,624
Risk coverage rate after taking into account the guarantees	100%	96.33%

As at 31 December 2016, the rate of provisioning on outstanding debts was 75.42%, representing an 8 points increase in the level of provisioning as compared to 2015 (67.54%). After including the guarantees received,¹ outstanding debts are fully covered.

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 2016**

The structure of the debt in principal on other loans from external partners and the liabilities represented by securities as at 31 December 2016 are as follows:

¹ It should be noted that only the financial guarantees given by the guarantee funds (GARI, FAGACE, FSA) are considered in determining the depreciation on outstanding debts. The other real guarantees (mortgage, collateral etc.) being difficult to value.

Debt structure as at 31/12/2016						% of foreign-currency borrowing	% of foreign-currency
Currencies	Currency amount	Exchange rate as at 30/12/2016	Present outstanding amount		% of total borrowings (D)	excluding Euro (A)	borrowings (B)
JPY	-	-	-				
USD	750,701,052.79	622.2900	467,153,758,139		32.72%	87.46%	52.50%
SDR	80,034,588.32	836.5660	66,954,215,416		4.69%	12.54%	7.52%
CHF	-	603.6200	-		0.00%	0.00%	0.00%
TOTAL EXCLUDING Euro (A)			534,107,973,555	60%	37%	100%	
Euro	542,205,479.19	655.9570	355,663,479,515	40%	25%		39.97%
TOTAL EXCLUDING XOF (B)			889,771,453,070	100%			
DF for domestic bond issues ('C)			537,989,614,500		38%		
TOTAL BORROWINGS D= (B)+('C)			1,427,761,067,570		100%		

The bank has signed exchange hedging agreements (forward currency purchase and cross currency swap) in an attempt to strengthen its ability to deal with adverse currency fluctuations (USD and SDRs)

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 (31/12/2016) 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.

	31/12/2016			31/12/2015		
Currency	Variation	Impact on income for the coming year (2017)	Impact on income for 2016	Variation	Impact on income for the coming year (2016)	Impact on income for 2015
EURO	10%	0	0	10%	0	0
EURO	-10%	0	0	-10%	0	0
US Dollar	10%	0	0	10%	0	0
US Dollar	-10%	0	0	-10%	0	0
SDR	10%	0	0	10%	0	0
SDR	-10%	0	0	-10%	0	0
JPY	10%	0	0	10%	0	0
JPY	-10%	0	0	-10%	0	0
CHF	10%	0	0	10%	-2	0
CHF	-10%	0	0	-10%	2	0

Moreover, the impact of the sensitivity analysis to Exchange risk on equity is zero.

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. The banks assets and liabilities are at a fixed rate.

b) Rate sensitivity analysis

- Method and assumptions used in developing sensitivity analysis

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

Scope (without commitments)	31/12/2016			31/12/2015		
	Variation	Impact on income for 2017	Impact on income for 2016	Variation	Impact on income for 2016	Impact on income for 2015
Bank activity only	+ 100 basis points	+8 693	+744	+ 100 basis points	+3 585	299
Bank activity only	- 100 basis points	-8 693	-744	- 100 basis points	- 3 585	-299
FDC activity only	+ 100 basis points	-2 264	-198	+ 100 basis points	- 2 406	-198
FDC activity only	- 100 basis points	+2 264	+198	- 100 basis points	+ 2 406	198

Interest rate sensitivity is more pronounced on FDC activity only due to the gaps in this activity.

It should be noted that in accordance with its rate risk management policy, the Bank borrows does not borrow at a variable rate.

Impact of the sensitivity analysis to rate on equity is zero.

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 analyzing the gaps and durations sees to the adequacy, in terms of amount and duration, uses and resources, thereby contributing to liquidity risk management.

The details on maturities of assets and liabilities on a basis that is not updated are as follows:

	During 2017			BEYOND		Total
	] 0 month; 1 month]	] 1 month; 6 months]	] 6 months; 12 months]	] 1 year; 5 years]	> 5 years	
Cash + Bank - opening balance	167,102				-	167,102
Term deposits	34,000	81,000	2,819		-	117,819
Interbank loans	-	9,000	24,421		0	33,421
Customer receivables	32,867	35,833	60,987	591,178	829,521	1,550,385
Staff loans	155	732	994	3,868	672	6,421
Investment securities			10,596	86,803	74,038	171,437
Equity investments			-		72,097	72,097
Shareholders			15,339	61,360	21,608	98,307
Tangible assets					7,879	7,879
Intangible assets					719	719
other assets			16,837	20,853		37,690
Other loans and receivables					79	79
TOTAL ASSETS (A)	234,124	126,565	131,993	764,062	1,006,613	2,263,357
Interbank debts (CAURIS, ROPPA, AFD)	15,937				0	15,937
Debts issued in the form of long-term securities	-	39,514	101,535	806,627	71,168	1,018,843
Long-term foreign debts	-	23,489	29,010	237,336	141,984	431,819
Other liabilities					66,340	66,340
Provisions					7,618	7,618
TOTAL LIABILITIES (excluding equity) (B)	15,937	63,003	130,545	1,043,963	287,109	1,540,558

The details on maturities of assets and liabilities as at 31 December 2015 are as follows:

	During 2016			BEYOND		Total
	] 0 month; 1 month]	] 1 month; 6 months]	] 6 months; 12 months]	] 1 year; 5 years]	> 5 years	
Cash + Bank - opening balance	132,317				0	132,317
Term deposits	17,000	43,000	2,000		-	62,000
Interbank loans	-	530	-		0	530
Customer receivables	29,546	30,549	52,728	481,819	765,458	1,360,100
Staff loans	152	714	971	3,777	656	6,270
Investment securities	925	100	5,448	6,080	2,674	15,227
Equity investments			-		78,123	78,123
Shareholders		8,436		40,668	56,316	105,420
Tangible assets					7,904	7,904
Intangible assets					879	879
other assets			801	13,992		14,793
Other loans and receivables					77	77
TOTAL ASSETS (A)	179,940	83,329	61,948	546,336	912,087	1,783,640
Interbank debts (CAURIS, ROPPA, AFD)	34,704				-	34,704
Debts issued in the form of long-term securities	-	51,016	46,350	382,047	77,852	557,265
Long-term foreign debts	-	21,771	51,275	208,580	141,463	423,088
Other liabilities					28,561	28,561
Provisions					5,873	5,873
TOTAL LIABILITIES (excluding equity) (B)	34,704	72,787	97,625	590,627	253,747	1,049,492

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 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 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, CRRH-UEMOA and BIA Lomé. Details of sums received are as follows:

Payments records as income in the overall income statement

	31/12/2016	31/12/2015
Minimum payments as rent	108	82
Contingent rent	-	-
	108	82

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:

	31/12/2016	31/12/2015
Minimum payments as rent	130	129
Contingent rent	-	-
	130	129

The IFRS 16 'Lease Agreements' published in January 2016 will replace IAS 17 "lease agreements and the interpretations on the accounting of such contracts with effect from 1 January 2019. The new definition of leasing agreements involves, on the one hand, the identification of an asset and, its control by the policyholder of the right of use of the said asset.

The standard analysis and the identification of its potential effects have begun, following its publication.

NOTE 24- TRANSACTIONS WITH RELATED PARTIES**1- LOANS TO MEMBER COUNTRIES**

The following is a breakdown of outstanding loans to member countries as at 31 December 2016.

SOVEREIGN OUTSTANDING LOANS (MEMBER COUNTRIES) AS AT 31/12/2016 IN XOF'M						
DESCRIPTION	LOAN COMMITMENTS (UNDISBURSED AMOUNTS)	FDC	FDE	PSCM	TOTAL	%
BENIN	180 999	81 372	4 796	39 130	125 298	12,2%
BURKINA	119 916	75 950	20 000	8 618	104 568	10,2%
COTE D'IVOIRE	113 427	54 494	21 483	20 828	96 804	9,4%
GUINEA BISSAU	55 311	49 497	296	13 794	63 587	6,2%
MALI	150 794	84 293	6 613	16 870	107 775	10,5%
NIGER	115 164	94 863	26 855	81 608	203 327	19,8%
SENEGAL	118 960	84 360	10 455	23 298	118 113	11,5%
TOGO	75 596	110 095	2 543	94 861	207 500	20,2%
TOTAL OUTSTANDING	930 167	634 924	93 041	299 007	1 026 973	100,0%
LOAN INCOME	0	15 010	1 358	19 562	35 930	

Loans to member countries are subject to intervention limits contained in Note 21 and are for a maximum period of eighteen (18) years (duration for FDC loan) and a grace period of five (5) years.

The FDC loans are granted with a subsidy while sovereign loans at market conditions are granted under commercial conditions. FDE loans are granted under special conditions.

2- LOANS GUARANTEED BY THE GARI FUND

The Bank hold shares in the capital of the GARI Fund. The outstanding amount of loans guaranteed by the GARI Fund, as at 31 December 2016 stood at XOF34,965 million for a guaranteed amount of XOF7,208 million.

3- REMUNERATION OF TOP EXECUTIVES

	31/12/2016	31/12/2015
Salaries and gratuities	3,746	3,610
Pension contributions	181	204
Financial costs and services/pension	308	287
Compensation of Board Directors	58	58
Sub-total 1	4,294	4,159
Pension benefit obligations	3,530	2,492
Sub-total 2	3,530	2,492

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

The pension commitments are related to retirement benefits to be received by executives upon their final departure from the Bank. At the departure of a staff, whether management staff or not, allowances are calculated based on the last total month salary (monthly gross) and the number of years of actual service.

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 regional funds for customers.

These commitments are as follows:

	31/12/2016	31/12/2015
Loan commitments to be drawn	185,433	24,164
Guarantees received from Regional Funds	32,601	22,320
	<u>218,034</u>	<u>46,484</u>

- Commitments to be drawn are the remainder of loans yet to be mobilized.

Moreover, the Bank also accepts other non-financial guarantees on its loans (mortgages, pledges etc.).

Commitments given

The commitments given are related to the loan, and previous equity investments with various beneficiaries of BOAD's loans. The include:

	31/12/2016	31/12/2015
Loan commitments given (a)	1,427,348	1,313,313
Advances for the financing of studies	13,280	10,949
Equity investment commitments (b)	21,658	25,441
Sureties and other guarantees	<u>13,369</u>	<u>22,140</u>
	<u>1,475,655</u>	<u>1,371,844</u>

- (a) Loan commitments given include financing agreements whose execution is dependent upon compliance with conditions precedent or whose actual disbursement is pending drawing requests from the borrower;
- (b) Commitments for equity investments relate to BOAD's subscriptions to the capital of the following companies:

EQUITY COMMITMENTS AS AT 31 DECEMBER 2016		
	Amount in XOF'M as at 31/12/2016	Amount in XOF'M as at 31/12/2015
SOCIETE AFRICAINE DE GESTION D'ACTIF (SOAGA)	97	97
ASKY	10	10
Fonds Cauris Croissance II	2,058	2,112
CICA-RE	1	1
Fonds Agricole pour l'Afrique (FAA)	13	34
Crédit Municipal Africain (CMA)	-	1,000
SONIBANK	183	183
AGRIBANQUE BENIN	-	1,000
BRS	-	-
Fonds Carbone pour l'Afrique (FCA)	-	9,839
Fonds Européen de Financement Solidaire en Afrique (FEFISOL)	-	238
CORIS BANK INTERNATIONAL	-	711
Fonds Africain pour les Energies Renouvelables (FAER)	2,350	3,053
Amethis West Africa (AWA) in Côte d'Ivoire	2,021	2,430
PROPARCO	233	233
Fonds Investisseurs et partenaires pour le développement 2 (IPDEV2)	1,192	1,500
Additional equity investment in the share capital of Air Côte d'Ivoire	1,500	3,000
Fonds d'investissement dédié au développement des services financiers dans l'UEMOA	10,000	-
Fonds I&P Afrique Entrepreneurs 2 (IPAE2)	2,000	-
TOTAL	21,658	25,441

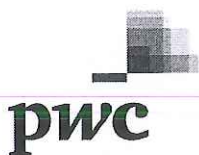
NOTE 26- EVENTS AFTER CLOSING

As at the date of the closing of the accounts, we had not recorded any subsequent events likely to influence the financial position and results of the Bank as at 31 December 2016.

WEST AFRICAN DEVELOPMENT BANK (BOAD)

**STATUTORY AUDITOR REPORT ON FINANCIAL
STATEMENTS**

(YEAR ENDED DECEMBER 31, 2016)



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

STATUTORY AUDITOR REPORT ON FINANCIAL STATEMENTS
(YEAR ENDED DECEMBER 31, 2016)

Opinion

We have audited the financial statements of the West African Development Bank (BOAD), which comprise the statement of financial position as at December 31, 2016, and the comprehensive income statement, statement of changes in equity, statement of cash flow for the year then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

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

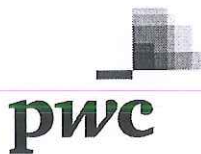
Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud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

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

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

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B. Edouard Messou, Associé Expert comptable inscrit au Tableau de l'Ordre.



West African Development Bank (BOAD)
Statutory auditor report on Financial Statements
(Year ended December 31, 2016)

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

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

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

Abidjan, March 22, 2017

Statutory Auditor
PricewaterhouseCoopers



Didier N'guessan
Partner



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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



**WEST AFRICAN DEVELOPMENT
BANK (BOAD)**

**BOAD'S FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2015**

MARCH 2016

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Statement of financial position			
ASSETS	Note	31/12/2015	31/12/2014
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
TOTAL ASSETS		1 783 640	1 658 471
LIABILITIES	Note	31/12/2015	31/12/2014
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
TOTAL Liabilities		1 049 491	943 072
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
TOTAL Equity	13	734 149	715 398
TOTAL LIABILITIES AND EQUITY		1 783 640	1 658 471

Comprehensive income statement (in XOF millions)

Profit and loss account	Note	31/12/2015	31/12/2014
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
Net banking income		32 614	29 769
Cost of risk	18	-6 964	-7 135
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
Other operating result	21	-16 811	235 765
Income for the period	21	8 839	258 399
Other items in the comprehensive income statement			
Items likely to be recognised as income			
Revaluation of intangibles			
Cash flow coverage			
Variation in fair value of AFS-rated securities		-2 967	16 442
Items not likely to be recognised as income			
Revaluation of net liabilities under the fixed benefits scheme		-50	-129
Other comprehensive income		-3 017	16 313
Comprehensive income		5 823	274 712

Statement of cash-flow			
Cash flow for operations	Note	31/12/2015	31/12/2014
Income for the period		8 839	258 399
<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
Cash flow from operations		-159 049	-215 927
Cash flow from investment activities		31/12/2015	31/12/2014
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
Cash flow from investment activities		-15 638	-2 297
Cash flow from financing activities		31/12/2015	31/12/2014
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
Cash flow from financing activities		87 103	211 002
Net increase/(decrease) in cash and cash		-87 584	-7 221
Cash and cash equivalents at opening	4	281 902	289 123
Cash and cash equivalents at closing	4	194 317	281 902
		31/12/2015	31/12/2014
ADDITIONAL INFORMATION			
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	Losses or gains resulting from the evaluation of AFS securities classified by OCI	Retained earnings	Total
	Subscribed capital	Callable capital	Cost related to the deferred paying-up of capital (1)		Reserves transferred for development activities	Other reserves				
Equity capital as at 1 January 2014	1 009 250	-755 430	-8 850	2 622	76 050	26	0	0	106 170	429 838
Increase in capital	41 300	-30 975								10 325
Income as at 31 December 2014									258 399	258 399
Other items in the comprehensive income									0	16 313
Variation of fair value on AFS-rated securities								16 442		16 442
Revaluation of net liability under fixed benefits scheme							-129	16 442	0	16 442
Other variations			523							-129
Income allocation										523
Transfers										0
Equity capital as at 1 January 2015	1 050 550	-786 405	-8 327	2 622	76 050	26	-129	16 442	364 569	715 398
Increase in capital	47 200	-35 400								0
Income as at 31 December 2015									8 839	11 800
Other variations			1 127							8 839
Other items in the comprehensive income										1 127
Variation of fair value on AFS-rated securities										0
Revaluation of net liability under fixed benefits scheme							-50	-2 967		-2 967
Subtotal: Other items on comprehensive income							-50	-2 967		-50
Balance as at 31 December 2015	1 097 750	-821 805	-7 200	2 622	76 050	26	-179	13 475	373 409	734 148

(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'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:

	31/12/2015	31/12/2014
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
Total Cash and cash equivalents	194 317	281 902

* 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:

	31/12/2015	31/12/2014
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 International	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)		
Total Short-term bank deposit	62 000	30 000

NOTE 5. LOANS AND RECEIVABLES

Loans and receivables at amortized cost include:

	31/12/2015	31/12/2014
- 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
Total loans and receivables	1 487 624	1 290 718

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
Gross outstanding loans	1 349 175	1 161 304
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
Loans and advances to clients	1 360 100	1 161 728

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
Total securities portfolio	15 227	22 546

The contractual schedule of securities investments, as at 31 December 2015, is as follows:

2015 Maturities	Amounts
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
Total securities portfolio	14 653

- 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					31/12/2014				
		Gross outstanding	Depreciation	Recovery using OCI	Potential gains/losses	Balance sheet value	Gross outstanding	Depreciation	Recovery using OCI	Potential gains/losses	Balance sheet value
BN	SOAGA	103			70	172	103	-		66	169
BN	FOAI	2 500			1 140	3 640	2 500	-		896	3 396
TG	CAURIS CROISSANCE	1 341			58	1 399	2 333	-		1 542	3 875
SN	BNDE	1 000			1 556	2 556	1 000	-		25	1 025
h-uemoa	CAURIS CROISSANCE II	4 888			-	3 784	4 226	-		321	4 547
	GARI S. A.	1 500			808	2 308	1 500	-		914	2 414
MA	BDM Mali	600			2 891	3 491	600	-		2 395	2 995
BN	BOA Bénin	98			1 309	1 407	113	-		474	587
NG	SONIBANK Niger	1 082			2 046	3 127	1 082	-		1 863	2 945
CI	BHCI Côte d'Ivoire	150	79		68	3	150	79		28	43
NG	BOA Niger	165			1 542	1 707	165	-		1 384	1 549
TG	BIA Togo	392			276	668	392	-		235	627
BN	African Investment Bank (AIB) (1)	250	250			-	250	250		-	-
Outside WAEMU	Afreximbank	2 500			1 417	3 917	2 500	-		7 559	10 059
	Banque Régionale de Marché (BRM)	400			836	1 236	400	-		779	1 179
	BRIDGE BANK Côte d'Ivoire	300	193	193	142	442	300	193	193	95	395
	Banque de l'Habitat du BF	200			45	245	200	-		45	245
	BRS-HOLDING	-				-	-	-		-	-
	Bourse Régionale de Valeurs Mobilières (BRV)	56			56	112	56	-		69	125
	DCBR (BRVM)	140			234	374	140	-		158	298
	CICA RE	999	219	219	374	1 373	999	219	219	52	1 051
	MANDE Hotel	50	12		14	24	50	12		23	15
	SIALIM (1)	100	100			-	100	100		-	-
CI	AIRAFRIQUE (1)	2 500	2 500			0	2 500	2 500		0	
CI	CIPREL	584			736	1 320	584	-		538	1 122
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	412	19 359	38 661

Country	Securities	31/12/2015				31/12/2014					
		Gross outstanding		Recovery using OCI	Potential gains/losses	Balance sheet value	Gross outstanding	Depreciation	Recovery using OCI	potential gains/losses	Balance sheet value
			Depreciation								
	Brought forward	22 169	3 625	412	14 351	33 307	22 515	3 625	412	19 359	38 661
TG	ASKY (EX SPICAR)	2 990	2 128	2 128		2 990	2 990	2 128	2 128	-	2 990
TG	Nouvelle prise de participation ASKY	3 000				3 000	3 000	-			3 000
SN	SCIE	130	130			-	130	130		- 130	130
CI	RASCOM	1 600			- 338	1 262	1 600	-		- 338	1 262
Out-WAEMU	PROPARCO	3 420			775	4 195	3 420	-		- 386	3 034
TG	BOAD-Titrisation	500			28	472	500	-		- 38	462
Out-WAEMU	GEO COTON	2 242			2 417	4 659	2 242	-		- 2 360	4 602
TG	CRRH-UEMOA	750			154	904	750	-		- 116	866
TG	AFG	-				-	-	-			-
Out-WAEMU	Fonds Agricole pour l'Afrique (FAA)	2 404			458	1 946	1 904	-		- 397	1 507
TG	ORAGROUP	2 000			599	1 401	2 000	-		- 579	1 421
BF	Burkina Bail	689			1	690	689	-		- 122	567
SN	CNCAS	1 573			1 204	2 777	1 573	-		- 638	2 211
BF	CORIS BANK	1 997			327	2 324	1 997	-		- 62	2 059
CI	Nouvelle BRS CI/ORA Bank CI	16 995			6 600	10 395	6 600	-		- 6 600	-
CI	Banque de l'Union Côte d'Ivoire (BDU-CI)	1 100				1 100	1 100	-			1 100
BF	Banque de l'Union Burkina Faso (BDU-BF)	1 100				1 100	1 100	-			1 100
Out-WAEMU	FEFISOL	1 075			79	996	860	-		- 43	817
Kenya	FAER	1 947			192	1 755	523	-			523
BF	AMETHIS WEST AFRICAN (AWA)	850				850	115	-			115
CI	Air Côte d'Ivoire	2 000				2 000		-			-
CI	RASCOM STAR QAF	4 360	4 360			-					
	Total gross value	74 891	10 243	2 540	10 935	78 123	55 607	5 883	2 540	13 902	66 166
	Net depreciations			7 703					3 343		
	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
Total Other assets	14 793	10 632

* 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:

	31/12/2015	31/12/2014
Gross value	1 373	1 315
Cumulative amortizations and depreciations	-494	-284
Net book value	879	1 031

Gross value of software (in XOF)		Cumulative amortization and depreciation of software	
Balance as at 1 January 2014	636	Balance as at 1 January 2014	259
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
Balance as at 1 January 2015	1 315	Balance as at 1 January 2015	284
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
Balance as at 31 December 2015	1 373	Balance as at 31 December 2015	494
Net balance sheet value as at 31 December 2015			879

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:

	31/12/2015	31/12/2014
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):

	Lands	Buildings	Properties under construction	Installations and equipment	Total
Cost of acquisition					
Balance as at 1 January 2014	981	14 309	50	9 314	24 653
Acquisitions	-	10	133	325	469
Transfers	-	-	50	396	446
Acquisitions by revaluation					-
Other revaluations					-
Balance as at 1 January 2015	981	14 319	133	9 243	24 676
Acquisitions		-	279	897	1 176
Transfers		-	316	227	542
Balance as at 31 December 2015	981	14 319	96	9 914	25 309
					-
Cumulative amortization and transfers					-
Balance as at 1 January 2014	-	7 778	-	8 313	16 091
Depreciation cost		339	-	636	976
Transfers		-	-	225	225
Depreciations recorded during the period	-				-
Recovery of depreciations	-				-
Balance as at 1 January 2015	-	8 117	-	8 725	16 842
Depreciation cost		340	-	614	954
Transfers		-	-	391	391
Depreciations recorded during the period	-				-
Balance as at 31 December 2015	-	8 457	-	8 948	17 405
Net value of intangible assets as at 31 December 2015					7 904

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, PUFS, 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

Interbank debts		34 704
PAFD, CAURIS, ROPPA Investments	34 440	
Accrued interest on debt/investments as at D/d	265	
Debts represented by a security		557 266
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	
Other loans		423 088
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	
Total liabilities at amortized cost		1 051 058

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:

	31/12/2015	31/12/2014
I- Debts represented by a security		
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
II- Other borrowings from external partners		
Borrowings for financing long-term projects	360 513	273 854
Borrowings 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	963 772	879 533

III- Debts attached to borrowings and debts repr. by a security

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>

IV- Interbank debts (Cauris ROPPA, AFD)

	34 704	10 459

Total I+II+III+IV

1 015 058	904 391

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
Total liabilities at amortized cost	1 015 058	904 391

NOTE 11. OTHER LIABILITIES

Other liabilities include funds that are liabilities to BOAD and other suspense accounts.

	31/12/2015	31/12/2014
Funds		
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
Sub-total Funds	13 231	18 958
SUSPENSE ACCOUNT AND OTHERS		
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
Sub-total for suspense and other accounts	15 330	14 206
Total other liabilities	28 561	33 164

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>
<u>Current value of the bond</u>		
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>
Closing balance	5 813 518	5 481 950
<i>Completely unfinanced schemes</i>	<i>5 813 518</i>	<i>5 481 950</i>
<i>Partly or fully financed schemes</i>	<i>0</i>	<i>0</i>
 <u>Fair value of assets of the scheme</u>	 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
Closing balance	0	0
 <u>Net assets/liabilities recognized in the balance sheet</u>		
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>
Net assets/liabilities recognized in the balance sheet	5 813 518	5 481 950

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>
Cost of services rendered as net income	376 781	379 104

Financial cost	380 818	404 021
Interests	<u>0</u>	<u>0</u>
Net interest on net income	380 818	404 021

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>
Revaluation of net liabilities under fixed benefits scheme	50	129 396

Total cost	757 649	912 521

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

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

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

	30/12/2015	31/12/2014
Capital		
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	2 622	2 622
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
	453 942	198 559
Earnings for the year	8 839	258 399
Total equity	734 149	715 399

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 (1)=(2)+(5)	%	no of shares	CALLED-UP CAPITAL (2)=(3)+(4)	PAID-UP CAPITAL (3)	UNPAID CAPITAL (4)
						CALLABLE CAPITAL (5)
CATEGORY A						
BENIN	64 650 000 000	5.89	1 293	16 163 000 000	10 278 000 000	5 885 000 000
BURKINA	64 650 000 000	5.89	1 293	16 163 000 000	10 278 000 000	5 885 000 000
COTE D'IVOIRE	64 650 000 000	5.89	1 293	16 163 000 000	10 278 000 000	5 885 000 000
GUINEA BISSAU	64 650 000 000	5.89	1 293	16 163 000 000	5 149 590 582	11 013 409 418
MALI	58 750 000 000	5.35	1 175	14 688 000 000	10 278 000 000	4 410 000 000
NIGER	64 650 000 000	5.89	1 293	16 163 000 000	10 278 000 000	5 885 000 000
SENEGAL	64 650 000 000	5.89	1 293	16 163 000 000	10 278 000 000	5 885 000 000
TOGO	64 650 000 000	5.89	1 293	16 163 000 000	10 278 000 000	5 885 000 000
BOEAO	517 200 000 000	47.11	10 344	129 304 000 000	82 224 000 000	47 080 000 000
	1 028 500 000 000	93.69	20 570	257 133 000 000	159 319 590 582	97 813 409 418
CATEGORY B						
France	38 400 000 000	3.50	768	9 600 000 000	6 720 000 000	2 880 000 000
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	600 000 000
EXIM BANK OF INDIA	750 000 000	0.07	15	187 500 000	131 249 998	56 250 002
PEOPLE'S REP. OF CHINA	12 000 000 000	1.09	240	3 000 000 000	2 100 000 000	900 000 000
MOROCCO	500 000 000	0.05	10	125 000 000	119 375 000	5 625 000
	69 250 000 000	6.31	1 385	18 812 500 000	14 370 624 998	4 441 875 002
	1 097 750 000 000	100.00	21 955	275 945 500 000	173 690 215 580	102 255 284 420
UNSUBSCRIBED CAPITAL	57 250 000 000		1 145			
AUTHORIZED CAPITAL	1 155 000 000 000		23 100			

(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
1- Paid-up capital	173 690	165 914
Paid-up Capital	173 690	165 914
2. Reserves and related funds	408 827	401 363
A- Tier 1 capital (=1+2)¹	582 517	567 277
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- Supplementary capital (= 3+4+5)	36 219	35 549
Actual own funds (=A+B)	618 736	602 826
Net tangible and intangible assets (C)	8 783	9 053
Core tier 1 capital = A+B-C	609 952	593 772

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
Total Interest and related income	72 167	61 390

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
Total Interests and related charges	40 993	31 585

¹ 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.

	31/12/2015	31/12/2014
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
Total Commissions (income)	5 512	3 318

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.

	31/12/2015	21/12/2014
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
Total	1 246	1 162

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:

	31/12/2015	31/12/2014
Exchange gain consumed	9	121
Potential exchange gain	3	-
Subtotal for exchange gain (A)	12	121
Exchange loss consumed	- 307	- 66
Potential exchange loss	- 4 813	- 4 676
Subtotal exchange loss (B)	- 5 120	- 4 742
Net exchange loss of C = (A) - (B)	- 5 108	- 4 621

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.

	31/12/2015	31/12/2014
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
Total dividends received	2 529	2 474

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
Total Cost of risk	- 6 964	-7 135

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
TOTAL	36 911	24 931	11 980	38 845	25 731	13 114

- 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	2 258
COTE D'IVOIRE	1 620	917	703	717	642	75
MALI	4 533	2 845	1 688	4 532	2 846	1 686
NIGER	10 550	8 010	2 540	10 929	8 105	2 824
SENEGAL	0	0	0	400	243	157
TOGO	2 782	1 685	1 097	2 854	1 192	1 662
Outside WAEMU	5 162	2 622	2 540	5 162	2 356	2 806
TOTAL	2 330	2 330	0	5 846	4 200	1 646
TOTAL	36 911	24 931	11 980	38 845	25 731	13 114

2- Market risk2.1- 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%
TOTAL OUTSIDE euros (A)			76 909 201 531	18%	8%	100%
Euro	523 561 955,60	655,9570	343 434 129 711	82%	36%	
TOTAL OUTSIDE XOF (B)			420 343 331 242	100%		
XOF internal issue ('C)			543 428 354 500		56%	
TOTAL BORROWINGS D= (B)+('C)			963 771 685 742		100%	

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

	31/12/2015	31/12/2014
Minimum payments as rent	82	113
Contingent rent	-	-
Total lease agreements (lessor)	82	113

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:

	31/12/2015	31/12/2014
Minimum payments as rent	129	241
Contingent rent	-	-
Sub-letting income	-	-
Total lease agreements (lessee)	129	241

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				
		FDC	FDE	PSCM	TOTAL	% of outstanding per country
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%
	869 558	589 645	74 255	228 409	892 309	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

	31/12/2015	31/12/2014
Salaries and bonuses	3 610	3 297
Pension contributions	204	204
Total remuneration	3 814	3 501

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 :

	31/12/2015	31/12/2014
Loan commitments to be drawn	24 164	74 670
Guarantees received from Regional Funds	22 320	18 683
	<u>46 484</u>	<u>93 353</u>

- 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:

	31/12/2015	31/12/2014
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	33 548
	<u>1 371 844</u>	<u>1 491 398</u>

- (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
Total	25 441

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
TOTAL ASSETS			1 658 471	1 411 439
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
TOTAL LIABILITIES			943 072	981 601
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
TOTAL EQUITY		13	715 398	429 838
TOTAL LIABILITIES AND EQUITY			1 658 471	1 411 439

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
Net banking income		29 769	33 075
Cost of risk	17	-7 135	-6 393
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
Other operating income		235 765	-15 811
Income over the period	20	258 399	10 872
Other items of the comprehensive income			
Items likely to be recognized as income			
Revaluation of intangibles			
Cashflow coverage			
Variation of fair value on AFS-rated securities		16 442	
Items not likely to be recognized as income			
Revaluation of net liabilities under fixed benefits scheme		-129	-297
Other items in the comprehensive income		16 313	-297
Comprehensive income		274 712	10 575

III. CASHFLOW STATEMENT

Cashflow table			
		31/12/2014	31/12/2013
Cashflow from operational activities			
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
Spreads of assets & liabilities resulting from operational activities			
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
Cashflow from operational activities		-215 927	-109 406
Cashflow from investment activities			
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
Cashflow from investment activities		-2 297	-2 966
Cashflow from financing activities			
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
Cashflow from financing activities		211 002	117 959
Net increase/(decrease) in cash and cash equivalents		-7 221	5 587
Opening cash and cash equivalents		289 123	283 537
Closing cash and cash equivalents (see Note 4)		281 902	289 123
		31/12/2014	31/12/2013
ADDITIONAL INFORMATION			
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	Callable capital	Cost related to deferred capital paying-up (1)	Issue premium	Reserves	Other reserves	Retained income	Total
Balance as at 1st January 2013	1 008 750	-755 055	-10 814	2 622	76 028	26	95 595	417 152
Dividend distribution								0
Capital increase	500	-375	0	0	0	0	0	125
Income over the period	0	0	0	0	0	0	10 872	10 872
Other components of overall income							-297	-297
Other changes	0	0	1 964	0	22	0		1 986
Income allocation								0
Transfers								0
Balance as at 1st January 2014	1 009 250	-755 430	-8 850	2 622	76 050	26	106 170	429 838
Dividend distribution								0
Capital increase	41 300	-30 975						10 325
Income over the period							258 399	258 399
Other components of overall income							-129	-129
Other changes			523		0			523
Increase/decrease in fair value of disposable securities						16 442		16 442
Balance as at 31 December 2014	1 050 550	-786 405	-8 327	2 622	76 050	16 468	364 440	715 398

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 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'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 1st 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 1st January 2015;
- Amendment to IAS 1 “Presentation of the financial statements” – Initiative Information to be furnished, effective on 1st January 2016;
- Amendment to IFRS 11 – Partnerships: recording of acquisitions of interests in a common business which will become effective on 1st 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
	<u>281 902</u>	<u>289 123</u>

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
	<u>30 000</u>	<u>38 000</u>

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	1 290 718	1 063 178

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	1 161 728	905 232

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					31/12/2013	
		Gross outstanding	Depreciation	Unrealised gain	Unrealised loss	Bal. sheet value	Outstanding gross	Depreciation
BN	SOAGA	103		66		169	103	
BN	FOAI	2 500		896		3 396	2 500	
TG	CAURIS CROISSANCE	2 333		1 542		3 875	3 500	
SN	BNDE	1 000		25		1 025	1 000	
Outside								
-		4 226		321		4 547	3 709	
WAEMU	CAURIS CROISSANCE II							
TG	GARI S. A.	1 500		914		2 414	1 500	
MA	BDM Mali	600		2 395		2 995	600	
BN	BOA Benin	113		474		587	113	
NG	SONIBANK Niger	1 082		1 863		2 945	1 082	
CI	BHCI Côte d'Ivoire	150	79		-28	43	150	79
NG	BOA Niger	165		1 384		1 549	165	
TG	BIA Togo	392		235		627	392	
BN	African Investment Bank (AIB) (1)	250	250			-	250	
Outside								
-		2 500		7 559		10 059	2 500	
WAEMU	Afreximbank							
SN	Banque Rég. des Marchés (BRM)	400		779		1 179	400	
CI	BRIDGE BANK Côte d'Ivoire.	300	193	288		395	300	193
BF	Bank for Housing of BF	200		45		245	200	
NG	BRS-HOLDING	-				-	-	
CI	Bourse Régionale de Valeurs Mobilières (BRVM)	56		69		125	56	

CI	DC/BR (BRVM)	140		158		298	140					
TG	CICA RE	999	219	271		1 051	999	219				140
MA	MANDE Hotel	50	12		-23	15	50	12				780
CI	SIALIM (1)	100	100			-	100	100				38
CI	AIR AFRIQUE (1)	2 500	2 500			0	2 500	2 500				-
CI	CIPREL	584		538		1 122	384					0
BN	COTEB (1)	272	272			-	272	272				384
												-
	Total b/f	22 515	3 625	19 822	-51	38 661	22 965	3 625				19 340

Country	Entity	31/12/2014					Bal. sheet value	Gross outstanding	Depreciation	Unrealised gain	Unrealised loss	Bal. sheet value	Gross outstanding	Depreciation	31/12/2013 Bal. sheet value
		Gross outstanding	Depreciation	Unrealised gain	Unrealised loss	Bal. sheet value									
	Total b/f	22 515	3 625	19 822	-51	38 661	22 965	-	-					3 625	19 340
TG	ASKY (EX SPCAR)	2 990	2 128			2 990	2 990			2 128		2 990	2 990	2 128	862
TG	New equity participation ASKY	3 000				3 000	-					3 000	-		-
SN	SCIE	130	130		-130	-130	130					-130	130	84	46
CI	RASCOM	1 600			-338	1 262	1 600					1 262	1 600		1 600
Outside- WAEMU	PROPARCO	3 420			-386	3 034	2 493					3 034	2 493		2 493
TG	BOAD-Securities	500			-38	462	500					462	500		500
Outside- WAEMU	GEO COTON	2 242		2 360		4 602	2 242					4 602	2 242		2 242
TG	CRRH-UEMOA	750		116		866	750					866	750		750
TG	AFG	-				-	6 000					-	6 000		6 000
Outside- WAEMU	Africa Agriculture Fund (AAF)	1 904			-397	1 507	1 330					1 507	1 330		1 330
TG	ORAGROUP	2 000			-579	1 421	2 000					1 421	2 000		2 000
BF	Burkina Bail	689			-122	567	689					567	689		689
SN	CNCAS	1 573		638		2 211	1 573					2 211	1 573		1 573
BF	CORIS BANK	1 997		62		2 059	1 997					2 059	1 997		1 997
CI	Nouvelle BRS CI/ORA Bank CI	6 600			-6 600	-	6 600					-	6 600		6 600
CI	Union Bank of Côte d'Ivoire (BDU-CI)	1 100				1 100						1 100			-
BF	Union Bank of Burkina Faso	1 100				1 100						1 100			-

Outside WAEMU Kenya BF	(BDU-BF)	860				-43	817					
	FEFISOL	523					523					
	AREF	115					115					
	AMETHIS WEST AFRICAN (AWA)											
	Total gross value	55 607	5 883	25 126	-8 684	66 166	53 858	5 837	48 021			
	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) was recorded as recyclable 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	Equipment held on financial lease	Total
Cost of acquisition						
Balance as at 1 January 2013	980 519 560	14 308 769 784	82 246 386	8 832 637 746	-	24 204 173 476
Acquisitions	-	-	60 929 800	559 344 105	-	620 273 905
Transfers	-	-	-93 146 451	-77 936 517	-	-171 082 968
Revaluation of acquisitions						-
Other revaluations						-
Balance as at 1 January 2014	980 519 560	14 308 769 784	50 029 735	9 314 045 334	-	24 653 364 413
Acquisitions		9 985 140	133 225 698	325 391 038	-	468 601 876
Transfers	-	-	-50 029 734	-396 100 304	-	- 446 130 038
Balance as at 31 December 2014	980 519 560	14 318 754 924	133 225 699	9 243 336 068	-	24 675 836 251
Amortisations and cumulated transfer						-
Balance as at 1 January	-	7 410 022 477	-	7 697 998 544	-	15 108 021 021

2013									
Depreciation cost				367 874 483	-	693 308 075	-		1 061 182 558
Transfers				-		-77 936 517	-		-77 936 517
Depreciations recorded during the period		-							-
Reversal of impairment		-							-
Balance as at 1 January 2014		-		7 777 896 960	-	8 313 370 102	-		16 091 267 062
Depreciation costs				339 096 416	-	613 977 715			953 074 131
Transfers				-	-	-390 533 398			-390 533 398
Depreciation recorded during the period		-							-
Balance as at 31 December 2014		-		8 116 993 376	-	8 536 814 419	-		16 653 807 795
Net fixed asset value as at 31 December 2014									8 022 028 456

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):

Interbank debts		10 459
AFD, CAURIS, ROPPA Investments	10 459	
Interest of debts/investments on D/D	0	
Debts represented by a security		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	
Other loans		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	
Total liabilities at amortized cost		904 391

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	879 533	680 912
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	904 391	698 722

Maturity of liabilities at amortized cost presented as follows:

	31/12/2014
At most one year	138 216
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
	904 391

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
Funds sub-total	18 958	268 978
SUSPENSE ACCOUNT AND OTHERS		
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	4 200	4 200
Sub-total for suspense and other accounts	14 206	8 479

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:

	<u>2014</u>	<u>2013</u>
	<u>XOF'M</u>	<u>XOF'M</u>
<u>Current value of the bond</u>		
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>
Closing balance	5 481 950	5 392 628
<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>
 <u>Fair value of assets of the scheme</u>	 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
Closing balance	0	0
 <u>Net assets/liabilities recognized in the balance sheet</u>		
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>
Net assets/liabilities recognized in the balance sheet	5 481 950	5 392 628
 <u>Total cost</u>		
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>
Cost of services rendered as net income	379 104	325 765
 Financial cost	404 021	333 373
Interests	<u>0</u>	<u>0</u>
Net interest on net income	404 021	333 373
 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>
Revaluation of net liabilities under fixed benefits scheme	129 396	296 780

Total cost	912 521	955 918

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

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	2 622	2 622
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
	198 559	171 374
Earnings for the year	258 399	10 872
Total equity	715 399	429 838

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	UNCALLED CAPITAL	CALLABLE CAPITAL
	(1)=(2)+(5)			(2)=(3)+(4)	(3)	(4)	(5)
CATEGORY A							
BENIN	64 650 000 000	6.15	1 293	16 163 000 000	9 788 000 000	6 375 000 000	48 487 000 000
BURKINA	64 650 000 000	6.15	1 293	16 163 000 000	9 788 000 000	6 375 000 000	48 487 000 000
COTE D'IVOIRE	64 650 000 000	6.15	1 293	16 163 000 000	9 788 000 000	6 375 000 000	48 487 000 000
GUINEE BISSAU	64 650 000 000	6.15	1 293	16 163 000 000	5 149 590 582	11 013 409 418	48 487 000 000
MALI	58 750 000 000	5.59	1 175	14 688 000 000	9 788 000 000	4 900 000 000	44 062 000 000
NIGER	64 650 000 000	6.15	1 293	16 163 000 000	9 788 000 000	6 375 000 000	48 487 000 000
SENEGAL	64 650 000 000	6.15	1 293	16 163 000 000	9 788 000 000	6 375 000 000	48 487 000 000
TOGO	64 650 000 000	6.15	1 293	16 163 000 000	9 788 000 000	6 375 000 000	48 487 000 000
BCEAO	470 000 000 000	44.74	9 400	117 504 000 000	78 304 000 000	39 200 000 000	352 496 000 000
	981 300 000 000	93.41	19 626	245 333 000 000	151 969 590 582	93 363 409 418	735 967 000 000
CATEGORY B							
France	38 400 000 000	3.66	768	9 600 000 000	6 400 000 000	3 200 000 000	28 800 000 000
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	-	4 200 000 000
EIB	4 000 000 000	0.38	80	1 000 000 000	1 000 000 000	-	3 000 000 000
AfDB	6 000 000 000	0.57	120	1 500 000 000	900 000 000	600 000 000	4 500 000 000
EXIM BANK OF INDIA	750 000 000	0.07	15	187 500 000	125 000 000	62 500 000	562 500 000
CHINA	12 000 000 000	1.14	240	3 000 000 000	2 000 000 000	1 000 000 000	9 000 000 000
MOROCCO	500 000 000	0.05	10	125 000 000	119 375 000	5 625 000	375 000 000
	69 250 000 000	6.59	1 385	18 812 500 000	13 944 375 000	4 868 125 000	50 437 500 000
	1 050 550 000 000	100.00	21 011	264 145 500 000	165 913 965 582	98 231 534 418	786 404 500 000
UNSUBSCRIBED CAPITAL							
	104 450 000 000		2 089				
AUTHORISED CAPITAL							
	1 155 000 000 000		23 100				

(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
Total	61 390	52 654

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
	31 585	25 367

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
	3 318	2 474

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	-
Total	1 162	857

NOTE 16 – DIVIDENDS RECEIVED

This item includes dividends on the Bank's equity participations in various companies/businesses.

	31/12/2014	31/12/2013
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	
	2 474	2 032

NOTE 17 - RISK COST

	31/12/2014	31/12/2013
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:

- non-market credit risk (sovereign risk) for its loan portfolio to member States and
- 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
Total	38 845	25 732	13 113	100%	37 714	22 334	15 380	100%

– 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
TOTAL	38 845	25 732	13 113	37 714	22 334	15 380

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.

	31/12/2014	31/12/2013
Minimum payments as rent	113	66
Contingent rent	–	–
	113	66

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

	31/12/2014	31/12/2013
Minimum payments as rent	241	119
Contingent rent	–	–
Sub-letting income	–	–
	241	119

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

	31/12/2014	31/12/2013
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:

	2014	2013
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>
	<u>95 225</u>	<u>78 952</u>

- 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:

	2014	2013
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>
	<u>1 491 398</u>	<u>1 434 602</u>

- (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

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(as from 1 January 2016)

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