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IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QIBS THAT ARE ALSO QPS (AS SUCH TERMS ARE DEFINED BELOW) OR (2) NON-U.S. PERSONS (AS DEFINED BELOW) LOCATED OUTSIDE OF THE UNITED STATES.

IMPORTANT: You must read the following before continuing. The following applies to the offering circular (the "**Offering Circular**") following this page and you are therefore advised to read this page carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from the Issuer and/or Joint Lead Managers (as defined in the Offering Circular) as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**U.S. SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, 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. PERSONS (AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE ATTACHED OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND, IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE OFFERING CIRCULAR OR THIS TRANSMISSION IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE NOTES DESCRIBED IN THE OFFERING CIRCULAR.

Confirmation of your representation: In order to be eligible to view the Offering Circular or make an investment decision with respect to the Notes, prospective investors must be either (1) qualified institutional buyers (within the meaning of Rule 144A ("**Rule 144A**") under the U.S. Securities Act) ("**QIBs**") that are also qualified purchasers within the meaning of Section 2(a)(51)(A) under the U.S. Investment Company Act of 1940, as amended and the rules and regulations thereunder (the "**U.S. Investment Company Act**") ("**QPs**") or (2) non-U.S. persons (as defined in Regulation S under the U.S. Securities Act ("**Regulation S**")) located outside the United States, provided that investors resident in a Member State of the European Economic Area must be qualified investors (within the meaning of Article 2(e) of Regulation (EU) 2017/1129).

The Offering Circular is being sent to you at your request and, by accessing the Offering Circular, you shall be deemed to have represented to the Issuer and Joint Lead Managers that (1) either (a) you and any customers you represent are QIBs that are also QPs or (b) you and any customers you represent are non-U.S. persons located outside of the United States, (2) unless you are a QIB that is also a QP, the electronic mail address that you gave us and to which this transmission has been delivered is not located in the United States, its territories and possessions, any State of the United States or the District of Columbia, (3) you are a person who is permitted under applicable law and regulation to receive the Offering Circular, (4) you consent to delivery of the Offering Circular by electronic

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transmission and (5) if you are a resident of a Member State of the European Economic Area, you are a qualified investor (within the meaning of Article 2(e) of Regulation (EU) 2017/1129).

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Offering Circular to any other person.

The materials relating to this offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer, and the Joint Lead Manager(s) or any affiliate (as defined under Rule 501(b) of Regulation D of the U.S. Securities Act) of the Joint Lead Manager(s) is a licensed broker or dealer in the relevant jurisdiction, the offering shall be deemed to be made by the Joint Lead Manager(s) or such affiliate on behalf of the Issuer in such jurisdiction.

The Offering Circular may only be distributed 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 (the "**Order**"), (c) high net worth entities falling within article 49(2)(a) to (d) of the Order, and (d) 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.

The Offering Circular has been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer and Joint Lead Managers, any person who controls them or any of their directors, officers, employees, agents, or affiliates accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers.

Banque Ouest Africaine de Développement

U.S.$830,000,000

4.70 per cent. Notes due 2031

Issue Price: 100 per cent.

Banque Ouest Africaine de Développement (the "**Issuer**" and, together with its subsidiaries and affiliates, the "**Group**") is offering (the "**Offering**") U.S.$830,000,000 4.70 per cent. Notes due 2031 (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 the Directive 2014/65/EU of the European Parliament and of the Council on the markets in financial instruments.

The Notes will bear an interest at 4.70 per cent. per annum, payable semi-annually in arrear on 22 April and 22 October in each year commencing on 22 April 2020. 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 22 October 2031 (the "**Maturity Date**") 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. The Notes may also be redeemed in whole (but not in part), at their principal amount, together with accrued interest, at the option of the Issuer at any time from and including the date falling three months prior to the Maturity Date to (but excluding) the Maturity Date. 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 Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"), and may only be used for the purpose for which it is published. Accordingly, this document has not been and will not be submitted for approval to any competent authority within the meaning of the Prospectus Regulation and in particular the Luxembourg *Commission de Surveillance du Secteur Financier* ("**CSSF**"), in its capacity as competent authority for the purposes of the Prospectus Regulation.

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 depositary for, and in respect of interests held through Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, S.A. ("**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 expected to be rated Baa1 by Moody's Investors Service, Inc. ("**Moody's**") and BBB by Fitch Ratings Ltd ("**Fitch**"). The Issuer's current long-term rating by Moody's is Baa1 and Fitch is BBB. 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. 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*".

Joint Bookrunners and Joint Lead Managers

BNP PARIBAS **J.P. Morgan** **NATIXIS** **Standard Chartered Bank**

The date of this Offering Circular is 18 October 2019

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ENGLISH LANGUAGE TRANSLATIONS OF THE REPORTS OF THE INDEPENDENT AUDITORS AND FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2019 AND 2018 AND FOR THE YEARS ENDED 31 DECEMBER 2018, 2017 AND 2016 ..... F1

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 Company 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*, other than to qualified investors (*investisseurs qualifiés*) as defined in Article 2(e) of the Prospectus Regulation, 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, other than to qualified investors, 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, other than to qualified investors. Offers, sales and distributions of the Notes have been and shall only be made in France to qualified investors and all in accordance with Articles L. 411-1 and L. 411-2 of the French *Code monétaire et financier*, as amended from time to time, and any other applicable French law or regulation.

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 that are also 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. 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 does not constitute a prospectus pursuant to Part II of the Luxembourg law on prospectuses for securities (*loi relative aux prospectus pour valeurs mobilières*) dated 16 July 2019 ("**Luxembourg Prospectus Law**") nor a simplified prospectus pursuant to Chapter 2 of Part III of the Luxembourg Prospectus Law. Accordingly, this Offering Circular does not purport to meet the format and the disclosure requirements of the Prospectus Regulation and it has not been and will not be, submitted for approval to any competent authority within the meaning of the Prospectus Regulation and in particular the CSSF, in its capacity as competent authority under the Luxembourg Prospectus Law.

This 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 I'Epargne Publique et des Marchés Financiers de I'UEMOA (CREPMF)* is not required. Consequently, neither AUSC&GIE provisions nor WAEMU regulations are applicable.

In connection with the issue of the Notes, Standard Chartered Bank (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.

MIFID II PRODUCT GOVERNANCE/PROFESSIONAL INVESTORS AND ELIGIBLE COUNTERPARTIES ONLY TARGET MARKET: Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

NOTICE TO PROSPECTIVE INVESTORS IN SINGAPORE

Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in Monetary Authority of Singapore (the **"MAS"**) Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

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;

"**AGF West Africa**" means the African Guaranties Fund West Africa or *Fonds de Garantie des Investissements Privés en Afrique de l'Ouest* or the Guarantee Fund for Private Investment in West Africa, previously named GARI;

"**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'lvoire**" 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 depositary 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;

"**Financial Services Investment Fund**" means the Yeelen Financial Fund L.P. (Fund), an investment fund sponsored by the Issuer;

"**FSA**" means *Fonds de Solidarité Africain* or the African Solidarity Fund;

"**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 banks and commercial institutions of WAEMU Member States;

"**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'lvoire;

"**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 exclusive 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 in accordance with the general conditions of *exequatur* and case law which require 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. After checking the effectiveness of these conditions, the president of the court shall deliver a reasoned order to make it enforceable in Togo. This procedure normally takes three to five business days.

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;
- 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;
- disease outbreaks (e.g., HIV/AIDS, Ebola);
- replacement of the Chairman of the Issuer;
- potential change of the Issuer's strategy due to the adoption of a new strategic plan; and
- replacement of the FCFA currency by a common currency called "ECO" in the ECOWAS region.

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 non-exempt 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 non-exempt 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) 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; (II) the Plan Fiduciary is responsible for exercising independent judgment in evaluating the Plan's acquisition of the Notes; and (III) the Plan Fiduciary has been informed by the Issuer, the Registrar, the Trustee, the Joint Lead Managers, or their respective affiliates (the "**Transaction Parties**"): 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.

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 2016, 2017 and 2018 (the "**2016 Financial Statements**", the "**2017 Financial Statements**" and the "**2018 Financial Statements**", respectively, and together, the "**Annual Financial Statements**") and from its half-year financial statements as at, and for the six-month period ended, 30 June 2018 and 30 June 2019 (the "**2018 Half-Year Financial Statements**" and the "**2019 Half-Year Financial Statements**", respectively, and, together, with the Annual Financial Statements, the "**Financial Statements**").

On 1 January 2018, the Issuer adopted IFRS 9, which specifies how an entity should classify and measure financial assets, financial liabilities, and some contracts to buy or sell non-financial items and has an impact on provisions and impairments. As a result, figures as of and for the years ended 31 December 2017 and 31 December 2018 may not be comparable. See Note 4 to the 2018 Financial Statements and in particular Note 4.3.1, which contains a comparison of the 31 December 2018 consolidated statement of financial position of the Issuer with the one as at 31 December 2017, to which IFRS 9 has been applied.

Without qualifying its conclusion expressed on the 2019 Half-Year Financial Statements, KPMG TG (as defined below) drew attention in its review report to Note 4 ("Significant changes in accounting policies – first application of IFRS 16") to the condensed interim financial information, which describes the impacts of the first-time application of IFRS 16 "Leases".

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 annual and semi-annual financial statements under its periodic reporting 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 Annual Financial Statements were audited and the 2018 Half-Year Financial Statements were subject to a review, in each case by PricewaterhouseCoopers-Côte d'Ivoire ("**PWC**"), independent auditors in accordance with International Standards on Auditing. The 2019 Half-Year Financial Statements were subject to a review by KPMG Togo ("**KPMG TG**") independent auditors in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

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:				
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
2017	1.2022	1,1288	1.5041	1.0416
2018	1.1456	1.1811	1.2488	1.1281
Month:				
January 2019	1.1454	1.1417	1.1524	1.1322
February 2019	1.1379	1.1349	1.1474	1.1268
March 2019	1.1228	1.1296	1.1376	1.1214
April 2019	1.1201	1.1233	1.1304	1.1140
May 2019	1.1149	1.1187	1.1136	1.1246
June 2019	1.1324	1.1260	1.1324	1.1206
July 2019	1.1130	1.1211	1.1307	1.1121
August 2019	1.0989	1.1128	1.1236	1.0989
September 2019	1.0900	1.0998	1.1111	1.0885
October (through 15 October)	1.1034	1.09715	1.1064	1.0879

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

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 93.73 per cent. of shares), and Class B comprising several non-regional members (who, together, hold 6.27 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 the following principal sectors:

- infrastructure (including, in particular, transport, telecommunication, energy and water supply);
- agriculture and rural development;
- industry;
- environment;
- finance and insurance; 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.

As at 30 June 2019, 61.7 per cent. of the Issuer's total commitments in the form of short-term loans, medium-term to long-term loans and equity investments were advanced to sovereign and sovereign related entities, and 38.3 per cent. to non-sovereign entities. This proportion has been relatively stable over the period under review.

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 the WAEMU Member States and their public sector entities or agencies and to private sector entities, in each case at market rates. Bank Window activities are financed by market rate resources. The table below sets out the proportions of gross outstanding loans extended through the Bank Window to the WAEMU Member States and their public sector entities or agencies, on the one hand, and to private sector entities, on the other:

	31 December			**30 June**	
	2016 (audited)	**2017 (audited)**	**2018 (audited)**	**2018 (unaudited)**	**2019 (unaudited)**
			(%)		
Public sector	61.9	61.3	57.9	60.9	55.2
Private sector	38.1	38.7	42.1	39.1	44.8
Total	100.0	100.0	100.0	100.0	100.0

Pursuant to the 2015-2019 Strategic Plan, the Issuer has expanded the activities of the Bank Window, which represented 54.1 per cent. of its gross outstanding loans as at 30 June 2019, compared to 53.3 per cent. as at 31 December 2018. 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 39.1 per cent. of the Issuer's gross outstanding loans as at 30 June 2019, compared to 41.2 per cent. as at 31 December 2016. 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 6.8 per cent. of the Issuer's gross outstanding loans as at 30 June 2019, compared to 6.0 per cent. as at 31 December 2016. 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, which became AGF West Africa in 2018, 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 19.3 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 18.4 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*");
- Strengthening and diversifying 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 €34.0 million of assets under management;

- Creation of the Financial Services Investment Fund in 7 July 2017 in which the Issuer currently holds a 44 per cent. ownership interest and currently has €34,105 million of assets under management; the other shareholders are Caisse Nationale de Prévoyance Sociale (CNPS Côte d'Ivoire), Atlantique Financial Group, NSIA-Vie Côte d'Ivoire and CFOA;

- Diversification of funding sources away from the regional market, development of relationships with non-regional development finance institutions, maintenance of international credit ratings since 2015 and international capital markets issuances since 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 2,611 billion (€3,981 million), FCFA 2,568 billion (€3,915 million), FCFA 2,573 billion (€3,923 million), FCFA 2,263 billion (€3,450million) as at 30 June 2019 and 31 December 2018, 2017 and 2016, respectively. As at 30 June 2019, the Issuer's total gross outstanding loans amounted to FCFA 1,892 billion (€2,884 million) (compared to FCFA 1,819 billion (€2,773 million), FCFA 1,743 billion (€2,657 million), FCFA 1,542 billion (€2,350 million) as at 31 December 2018, 2017 and 2016 respectively), divided between the three windows as follows: the Bank Window accounted for 54.1 per cent., the FDC Window accounted for 39.1 per cent. and the FDE Window accounted for 6.8 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 2018, the Board of Directors approved 26 medium-term and long-term loan proposals totalling FCFA 380 billion (€579.3 million) and four equity investments totalling FCFA 13.5 billion (€20.6 million). In addition, five short-term facilities were approved in 2018 totalling FCFA 31 billion (€47.3 million) and eight studies were approved in 2018 totalling FCFA 2.3 billion (€3.5 million). At the meeting held in June 2019, the Board of Directors approved 16 short-term, medium-term and long-term loan proposals totalling FCFA 136.2 billion (€207.6 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 32.6 billion (€49.7 million), FCFA 54.3 billion (€82.8 million), FCFA 37.4 billion (€57.1 million) and FCFA 34.1 billion (€52.1 million) for the six-month period ended 30 June 2019 and for the years ended 31 December 2018, 2017 and 2016, respectively.

The Issuer's equity capital was FCFA 726.7 billion (€1,107.9 million) as at 30 June 2019, and FCFA 675.2 billion (€1,029.3 million), FCFA 639.9 billion (€975.6 million) and FCFA 722.8 billion (€1,101.9 million) as at 31 December 2018, 2017 and 2016, respectively. Its total liabilities were FCFA 1,884.7 billion (€2,873.3 million) as at 30 June 2019 and FCFA 1,893 billion (€2,885.9 million), FCFA 1,933.5 billion (€2,947.7 million), FCFA 1,540.6 billion (€2,348.7 million) as at 31 December 2018, 2017 and 2016, 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 30 June 2019 and 31 December 2018 was 22.85 and 22.75 per cent., respectively, 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 20 June 2019, the Board of Directors met and approved 16 new financing projects, representing a total of FCFA 136.2 billion (€207.6 million) for:

- Transport: FCFA 36 billion (€54.9 million);
- Social housing: FCFA 25 billion (€38.1 million);
- Credit lines to be used to finance SMEs: FCFA 20 billion (€30.5 million);
- Rural development: FCFA 20 billion (€30.5 million);
- Education: FCFA 30 billion (€45.7 million);
- Industry: FCFA 4 billion (€6.1 million); and
- "*Prise de participations*": FCFA 1.2 billion (€1.8 million).

In the past 18 months, the Issuer has also implemented certain initiatives to improve its operations:

- With respect to risk management, the Issuer has adopted new exposure limits that distinguish between the type of transaction, the type of borrower, the economic sector and the country. It has also adopted a new internal rating model, with different models for sovereign debtors and private debtors and specific models for project finance and private equity (corporates and banks). Finally, it has adopted IFRS 9 on 1 January 2018 for the classification and measurement of financial assets, and the determination of impairments and the corresponding provisioning (see "*Risk Management—Intervention and commitment limits; —Credit sanction policy—Risk assessment and credit rating system of the Issuer*" and Note 4 to the 2018 Financial Statements).
- The Issuer has updated its policy in the field of financial security aimed at fighting against money laundering and terrorism financing and recently hired certified fraud examiners. It has been using the Dow Jones Risk Database, the Swift KYC Registry and Accuity Banks Almanac platforms to conduct searches and check on potential clients and counterparties.
- The ISO 27001 certification of the Issuer's IT system was renewed in 2018 and 2019, and the IT system is subject to quarterly management and security reviews.

Selected Financial Information

The selected comprehensive income statement data of the Issuer for the years ended 31 December 2016, 2017 and 2018 and for the six months period ended 30 June 2018, and the selected statement of financial position data as at 31 December 2016, 2017 and 2018 and for six months period ended 30 June 2018 set out below have been derived from, and should be read in conjunction with, and are qualified in their entirety, by the Annual Financial Statements and the 2018 Half-Year Financial Statements which have been prepared by the Issuer under IFRS, audited by PWC for the years ended 31 December 2016, 2017 and 2018 and subject to a review by PWC for the six month period ended 30 June 2018. English version translations of these financial statements are included elsewhere in this Offering Circular.

The selected comprehensive income statement data of the Issuer for the six-month period ended 30 June 2019, and the selected statement of financial position data as at 30 June 2019 set out below have been derived from, and should be read in conjunction with, and are qualified in their entirety by, the 2019 Half-Year Financial Statements of the Issuer as at, and for the six-month periods ended, 30 June 2019, which have been prepared

by the Issuer under IAS 34 "Interim Financial Reporting", and subject to a review by KPMG TG, and English language translations of which are included elsewhere in this Offering Circular. 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 annual and semi-annual financial statements under its periodic reporting obligations.

For a description of the basis of preparation of these financial statements, see the notes thereto and the auditors' report or review report, as the case may be, in respect of such financial statements English translations of which are 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*".

Comprehensive Income Statement

The table below sets forth the Issuer's results of operations for the years ended 31 December 2016, 2017 and 2018 and for each of the six-month periods ended 30 June 2018 and 2019.

	31 December			30 June	
	2016 (audited)	**2017 (audited)**	**2018 (audited)**	**2018 (unaudited)**	**2019 (unaudited)**
			(FCFA millions)		
Interest income	87,210	107,113	121,411	58,940	60,269
Interest expense	(59,734)	(78,218)	(84,911)	(40,634)	(36,875)
Net Interest Income	27,477	28,895	36,500	18,306	23,394
Commissions income	3,836	3,240	3,758	1,642	2,226
Commissions expense	(2,363)	(1,395)	(1,127)	(789)	(684)
Sub-total	28,949	30,740	39,131	19,159	24,935
Exchange rate gains	52	75,283	50	50	0
Exchange rate losses	(32,725)	(65)	(42,479)	(25,851)	(5,831)
Gains/(losses) on hedging instruments	34,271	(70,786)	53,470	31,421	11,239
Sub-total	30,548	4,432	11,041	5,620	5,409
Dividends received	3,583	3,847	3,703	1,447	2,194
Gains/(losses) on financial assets available for sale (IAS 39)	—	(1,600)	—	—	—
Gains/(losses) on financial assets designated at fair value through profit and loss (IFRS 9)	—	—	433	(278)	85
Net banking income	**34,131**	**37,420**	**54,308**	**25,948**	**32,623**
Cost of risk	**(6,017)**	**(3,499)**	**(9,778)**	**(2,794)**	**(603)**
Allocations from Member States	3,200	3,200	3,200	3,200	3,200
Other operating income	883	312	343	155	205
Expenses related to development activities	(1,627)	(1,890)	(5,174)	(1,093)	(1,918)
General operating expenses	(19,326)	(22,020)	(24,653)	(9,724)	(10,584)
Staff costs	(11,086)	(13,969)	(15,730)	(5,805)	(6,391)
Amortisation	(1,201)	(1,218)	(1,234)	(599)	(673)
Other	(7,040)	(6,833)	(7,689)	(3,321)	(3,520)
Other operating expenses	(695)	(228)	(73)	(62)	(31)
Other operating income	(17,565)	(20,626)	(26,357)	(7,525)	(9,128)
Income for the period	**10,548**	**13,295**	**18,173**	**15,629**	**22,893**
Other elements of income	—	—	—	—	—
Revaluation of fixed assets	—	—	—	—	—
Cash flow coverage	(12,864)	(25,848)	(717)	(19,287)	14,254
Variation in fair market value of securities available for sale	(6,998)	9,510	—	—	—
Elements not reclassified in income	—	—	—	—	—
Revaluation of net liabilities under defined benefit plans	(745)	73	(920)	—	—
Equity participation at fair value through OCI-net change in fair value	0	0	24,702	2,121	3,609
Other elements of income	**(20,607)**	**(16,264)**	**(23,064)**	**(17,166)**	**17,863**
Comprehensive income	**(10,059)**	**(2,970)**	**41,237**	**(1,537)**	**40,756**

Statement of Financial Position

The following table sets forth the Issuer's statement of financial position as at 31 December 2016, 2017 and 2018 and 30 June 2018 and 2019.

	31 December			30 June	
	2016 (audited)	**2017 (audited)**	**2018[1] (audited)**	**2018 (unaudited)**	**2019 (unaudited)**
			(FCFA millions)		
Assets					
Cash and cash equivalents	284,921	302,904	270,786	307,528	240,238
Net loans and receivables (net of provisions), of which:	1,860,051	2,154,020	2,150,773	2,248,259	2,208,195
Interbank deposits	33,421	122,674	70,144	108,932	69,284
Loans and advances to customers	1,550,385	1,755,018	1,801,520	1,796,372	1,878,423
Loans to personnel	6,421	6,164	10,751	11,430	11,196
Securities portfolio	171,437	263,282	261,476	253,775	242,410
Receivables from shareholders	98,307	86,662	6,882	77,685	6,882
Other[2]	79	—	—	65	—
Equity participations	72,097	88,101	126,559	94,116	133,296
Financial assets available for sale	72,097	88,101		94,116	
Financial assets designated at fair value through profit and loss	—	—	8,014	—	8,099
Financial assets designated at fair value through non-recyclable other comprehensive income (OCI)	—	—	118,545	—	125,197
Other assets	37,690	9,592	9,317	10,419	6,692
Accruals assets	—	9,823	2,120	—	2,143
Derivative assets	—	966	1,065	—	13,776
Intangible assets	719	516	333	403	203
Tangible assets	7,879	7,592	7,238	7,146	6,947
Total Assets	**2,263,357**	**2,653,295**	**2,568,191**	**2,667,870**	**2,611,490**
Liabilities					
Amortised liabilities	1,466,600	1,751,976	1,740,300	1,783,030	1,718,623
Interbank debts	15,937	4,553	6,625	5,572	10,133
Debt represented by a security	1,018,843	1,284,276	1,253,872	1,253,981	1,186,410
Other	431,819	463,147	479,802	523,477	522,080
Other liabilities	20,951	2,230	2,401	9,576	3,578
Derivative liabilities		76,439	23,786	64,406	11,003
Accrual liabilities		14,372	5,730	10,589	10,080
Funds	45,389	81,740	113,251	99,456	133,556
Provisions	7,618	6,790	7,539	7,130	7,921
Total liabilities	1,540,558	1,933,547	1,893,007	1,974,188	1,884,761
Capital	270,457	273,375	206,580	273,375	219,466
Subscribed capital	1,097,750	1,103,650	1,103,650	1,103,650	1,103,650
Callable capital	(821,805)	(826,230)	(826,230)	(826,230)	(826,230)
Unpaid capital[3]	—	—	(67,975)	70,940	(55,089)
Costs related to deferred release of capital	(5,489)	(4,046)	(2,865)	(4,046)	(2,865)
Share premium	2,622	2,622	2,622	2,622	2,622
Reserves	449,721	443,752	465,982	417,686	504,641
Reserves allocated to development activity	76,050	76,050	76,050	76,050	76,050

	31 December			30 June	
	2016 (audited)	**2017 (audited)**	**2018[(1)] (audited)**	**2018 (unaudited)**	**2019 (unaudited)**
			(FCFA millions)		
Reserves of cash flow hedges	(12,864)	(38,711)	(39,429)	(57,998)	(25,175)
Remeasurements of defined benefit liability	(924)	2,165	1,245	2,165	1,245
Fair value reserves (on available for sale financial assets)	6,477	15,987	—	—	—
Net gains on investments in equity instruments designated at fair value through non-recyclable other comprehensive income	—	—	40,689	18,108	44,297
Other reserves	26	26	26	26	26
Retained earnings	370,408	374,941	369,229	363,707	385,305
Profit/loss for the period	10,548	13,295	18,173	15,629	22,893
Total shareholders' equity	722,800	639,968	675,184	693,682	726,729
Total Liabilities and Capital	**2,263,357**	**2,653,295**	**2,568,191**	**2,667,870**	**2,611,490**

Notes:

(1) On 1 January 2018, the Issuer adopted IFRS 9, which specifies how an entity should classify and measure financial assets, financial liabilities, and some contracts to buy or sell non-financial items and has an impact on provisions and impairments. As a result, figures as of and for the years ended 31 December 2017 and 31 December 2018 may not be comparable. See Note 4 to the 2018 Financial Statements and in particular Note 4.3.1, which contains a comparison of the 31 December 2018 consolidated statement of financial position of the Issuer with the one as at 31 December 2017, to which IFRS 9 has been applied.

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

(3) For the first time in the 2018 Financial Statements, the Issuer decided to introduce a new line item, "Unpaid Capital", in the breakdown of the "Capital" line item in its balance sheet. Unpaid Capital represents called capital to be paid over time in accordance with a prescribed timetable. Previously, this amount was not deducted from the "Capital" line item. The presentation of 2017 comparative column of the 31 December 2018 balance sheet included in the 2018 Financial Statements was restated (compared to the 31 December 2017 balance sheet included in the 2017 Financial Statements) to be consistent with this new presentation. Unless otherwise indicated, the amounts discussed in this Offering Circular are those following the new presentation.

The table below shows the "Capital" line item and its breakdown as at 31 December 2016, 2017 and 2018 and as at 30 June 2018 and 2019 following this new presentation, and a reconciliation to the pre-2018 presentation:

	31 December			30 June	
	2016 (audited)	**2017 (audited)**	**2018 (audited)**	**2018 (unaudited)**	**2019 (unaudited)**
			(FCFA millions)		
Capital	182,846	193,594	206,580	206,481	219,466
Subscribed capital	1,097,750	1,103,650	1,103,650	1,103,650	1,103,650
Callable capital	(821,805)	(826,230)	(826,230)	(826,230)	(826,230)
Unpaid capital	(87,6211)	(79,781)	(67,975)	(66,894)	(55,089)
Costs related to deferred release of capital	(5,489)	(4,046)	(2,865)	(4,046)	(2,865)
Capital (before change in presentation)	*270,457*	*273,375*		*273,375*	
New "Unpaid capital" line item	(87,6211)	(79,781)		(66,894)	
Capital (after change in presentation)	***182,846***	***193,594***		***206,481***	

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.
Legal Entity Identifier (LEI)	529900LIZJABE4JJS826
Trustee	Citicorp Trustee Company Limited.
Principal Paying and Transfer Agent	Citibank, N.A., London Branch.
Registrar	Citigroup Global Markets Europe AG.
The Issue	U.S.$830,000,000 4.70 per cent. Notes due 2031.
Issue Price	100 per cent. of the principal amount of the Notes.
Issue Date	22 October 2019.
Maturity Date	22 October 2031.
Interest Rate	The Notes will bear interest at the rate of 4.70 per cent. per annum from and including the Issue Date to but excluding the Maturity Date (as defined in the Conditions).
Yield	4.70 per cent. per annum calculated on the basis of the Issue Price.
Interest Payment Dates	Interest will be payable semi-annually in arrear on 22 April and 22 October in each year, commencing on 22 April 2020.
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 (*Taxation*). If any such withholding or deduction is made, the Issuer will, save in certain circumstances provided in Condition 10 (*Taxation*), 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) (*Negative Pledge*)) unsecured obligations of the Issuer which 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.

Cross Default	The terms of the Notes will contain a cross default provision as further described in Condition 12 (*Events of Default and Enforcement*).
Negative Pledge	The terms of the Notes will contain a negative pledge provision with certain permitted exceptions as further described in Condition 5 (*Negative Pledge and certain other Covenants*).
Information Covenants	The terms of the Notes will contain certain information covenants as further described in Condition 5 (*Negative Pledge and certain other Covenants*).
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 (*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 the Issue Date.
Issuer Maturity Par Call Option	The Issuer may at its option redeem all, but not some only, of the Notes at any time from and including the date falling three months prior to the Maturity Date to (but excluding) the Maturity Date, at their principal amount, together with interest accrued to (but excluding) the date fixed for redemption.
Use of Proceeds	The net proceeds of the issue of the Notes, expected to amount to approximately U.S.$828 million after the deduction of estimated total expenses in connection with the issuance of the Notes, will (after conversion of such proceeds into Euros pursuant to the swap arrangements described under "Subscription and Sale – Certain Relationships") 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 depositary 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 (*Form, Denomination and Title*).

	Interests in the Restricted Global Note Certificate(s) will be subject to certain restrictions on transfer. See "*—Form of the Notes and Transfer Restrictions*". Beneficial interests in the Global Note Certificates will be shown on, and transfers thereof will be effected only through, records maintained by DTC, Euroclear and Clearstream 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: XS2063540038 (Regulation S)/US06675QAC78 (Rule 144A) Common Codes: 206354003 (Regulation S)/206664177(Rule 144A) CUSIP: 06675Q AC7 (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, Singapore, the WAEMU Member States, United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre and Switzerland. See "*—Subscription and Sale*".
Ratings	The Notes are expected to be rated Baa1 by Moody's and BBB by Fitch. The Issuer's current long-term rating by Moody's is Baa1 and Fitch is BBB. 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.
MiFID II Professionals / ECPs-only	Manufacturer target market (MiFID II product governance) is eligible counterparties and professional clients only (all distribution channels).

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 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.

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 in the WEAMU Member States. 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 headquarters in Togo and the Issuer's Resident Missions, which are permanent representative offices in each of the WAEMU Member States (except Togo), 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.

While the Issuer is working to integrate Basel III standards into its internal practices, the Issuer currently measures capital adequacy (Core Tier 1 capital) 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. As at 30 June 2019 and 31 December 2018 Core Tier 1 capital (Under Basel II) was 22.85 and 22.75 per cent., respectively. In order to improve its capital adequacy the Issuer is currently in discussions with the BCEAO about, and intends to ask its regional shareholders (the WAEMU Member States and the BCEAO) for, an increase in the paid-in capital by calling additional tranches over the 2020-2024 period for up to FCFA 40 billion. No assurance can be provided as to the outcome of these discussions.

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 European Union, 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.

Shareholders of the Issuer may not honour their capital commitments.

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. 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 30 June 2019, FCFA 277.4 billion (€422.9 million) had been called up, and FCFA 219.5 billion (€334.6 million) out of the overall nominal subscribed capital of FCFA 1,104 billion (€1,683 million) had been actually paid. As at 30 June 2019, the Issuer had FCFA 826 billion (€1,259.6 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 ten years)), taking into account both the Issuer's needs and the financial resources of its shareholders. Regarding the latest share capital increases in June 2010 and December 2013, the Board of Directors initially established a timeframe of ten 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 replacement of the Chairman of the Issuer at the end of his current term in February 2020, may create uncertainties and lead to changes in the strategy of the Issuer.

In February 2020, Mr. Adovelande will reach the end of his current mandate as Chairman of the Issuer which he has held since February 2011. The process for the appointment of his successor is still ongoing.

The new Chairman may implement some changes to the top management of the Issuer and the implications of such changes, if any, cannot be ascertained as at the date of this Offering Circular.

Further, the Issuer has started drawing up the outline of its new strategic plan for the 2020-2024 period, which will succeed to the 2015-2019 Strategic Plan. The new Chairman and his or her staff will be heavily involved in its finalisation which is expected to be adopted during the first half of 2020.

In contemplating an investment in the Notes offered hereby, prospective investors should be aware that the Issuer's current strategy, as encapsulated in the 2015-2019 Strategic Plan, will soon be superseded by the new strategic plan, the contents of which, as of the date of this Offering Circular, have yet to be adopted.

Any of these events could adversely affect the Issuer's business, financial condition and results of operations.

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 30 June 2019, loans to the WAEMU Member States (both through the FDC Window, the FDE Window and market rate sovereign loans made through the Bank Window) represented 65.9 per cent. of total gross outstanding loans and equity investments in companies incorporated in the WAEMU Member States represented 82.4 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.

Most of the Issuer's loans are made to the WAEMU Member States, and due to the fact that the Issuer has never experienced any loss on such loans, provisions required under IFRS 9 are very small.

The Issuer's largest exposures are to its WAEMU Member States (both through the FDC Window, the FDE Window and the Bank Window), which comprised 65.9 per cent. and 66.5 per cent. of total gross outstanding loans as at 30 June 2019 and 31 December 2018, 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 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*" 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. However, since January 2018, the Issuer has adopted IFRS 9 (see Note 4 to the 2018 Financial Statements) and has systematically applied an expected credit losses model to such loans. Under IFRS 9, all types of loans are depreciated (and provisioned) depending on their outstanding amount, their "loss given default" (i.e. the share of the loan that is estimated to be lost if the borrower defaults) and their probability of default. The Issuer has so far not experienced losses in relation to the sovereign loans in its portfolio and their "loss given default" and probability of default are therefore low. As a result, the amounts of depreciation recorded by the Issuer or the expected credit loss in relation to such sovereign loans are correspondingly low. However, if the Issuer were to suddenly and unexpectedly experience defaults on its sovereign loans, its level of provisions would be inadequate. This could in turn expose the Issuer to significant financial losses and could have a material adverse effect on the Issuer's business, financial condition, cash flows and results of operations.

The Issuer has resumed concessional lending following implementation of the Interest Subsidy Mechanism; failure of this 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 funded by the WAEMU Member States and, to a lesser extent, by the BCEAO, the WAEMU Commission and the Issuer itself. A sum of FCFA 25 billion is to be made available on a yearly basis by BCEAO and the WAEMU Commission. In addition, FCFA 3 billion are provided by the Issuer. 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*".

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) increased, from FCFA 1,466.6 billion as at 31 December 2016, to FCFA 1,752 billion as at 31 December 2017, and subsequently decreased to FCFA 1,740 billion as at 31 December 2018, and then to 1,718.6 billion as at 30 June 2019. Over the period 2016-2018, the Issuer's interest expenses have increased to FCFA 59.7 billion during the year ended 31 December 2016, to FCFA 78.2 billion during the year ended 31 December 2017 and to FCFA 84.9 billion during the year ended 31 December 2018. During the six-month period ended 30 June 2019, they amounted to FCFA 36.9 billion, compared to FCFA 40.6 billion during the six-month period ended 30 June 2018.

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.

During the 2016-2018 review period, the Issuer's loan portfolio grew from FCFA 1,541.6 billion as at 31 December 2016, FCFA 1,743.4 billion as at 31 December 2017, FCFA 1,819.1 billion as at 31 December 2018 and FCFA 1,891.6 billion as at 30 June 2019.

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 increase in the Issuer's loan portfolio increases its exposure to credit risk.

The rapid increase in the Issuer's loan portfolio 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'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 30 June 2019, non-performing loans amounted to FCFA 39.0 billion, as compared to FCFA 40.6 billion at 31 December 2018, FCFA 40.8 billion as at 31 December 2017 and FCFA 34.8 billion as at 31 December 2016. The non-performing loan ratio was 2.06 per cent. as at 30 June 2019, 2.23 per cent. as at 31 December 2018, 2.34 per cent. as at 31 December 2017, and 2.26 per cent. as at 31 December 2016. 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 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 87.7 billion as at 30 June 2019 (3.36 per cent. of total assets), as compared to FCFA 84.6 billion as at 31 December 2018 (3.31 per cent. of total assets), FCFA 83.9 billion as at

31 December 2017 (3.2 per cent. of total assets) and FCFA 75.9 billion as at 31 December 2016 (3.4 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. 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. In addition, as some 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. Failure to accurately measure 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*".

The Issuer does not hold trading books and its equity investments are in banks and other financial institutions and equity funds. Most of the Issuer's equity investments are measured at fair value through other comprehensive income ("**OCI**") and do not affect earnings. Equity investments measured at fair value through OCI have a balance sheet value of FCFA 67.2 billion at 31 December 2016, FCFA 80.3 billion at 31 December 2017, FCFA 118.5 billion at 31 December 2018 and FCFA 125.2 billion at 30 June 2019. Equity investments accounted for at fair value through profit or loss have a balance sheet value of FCFA 4.9 billion at 31 December 2016, FCFA 7.8 billion at 31 December 2017, FCFA 8.01 billion at 31 December 2018 and FCFA 8.1 billion at 30 June 2019.

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 30 June 2019, 31 December 2018, 31 December 2017 and 31 December 2016, 65.9 per cent., 66.5 per cent., 66.8 per cent. and 66.6 per cent., respectively, of the Issuer's loans were to the WAEMU Member States (through both the FDC Window, the FDE 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 defaulting sovereign exposure, Guinea Bissau for a total amount of FCFA 11 billion, whose reimbursement was rescheduled in 2017 over an eight-year period due to financial difficulties encountered by that country.

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.

Loans to sovereign and sovereign related entities are generally unsecured, while loans to non-sovereign entities generally are secured. As a result, more than 75 per cent. of the Issuer's loan book is neither secured nor guaranteed over the period under review. As at 30 June 2019, 31 December 2018, 31 December 2017 and 31 December 2016, 24.27 per cent., 22.49 per cent., 22.32 per cent. and 20.05 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 AGF West Africa 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 operations according to its internal policy and IFRS 9, 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. 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. *See "Most of the Issuer's loans are made to WAEMU Member States, and due to the fact that the Issuer has never experienced any loss on such loans, provisions required under IFRS 9 are very small" above.*

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 in 2017 over an eight-year period due to financial difficulties encountered by that country. As at 30 June 2019, the Issuer's exposures to the WAEMU Member States (both through the FDC Window, the FDE Window and market rate sovereign loans made through the Bank Window) were FCFA 1,246.4 billion (or 65.9 per cent. of total gross outstanding loans), as compared to FCFA 1,209 billion (or 66.5 per cent. of total gross outstanding loans) as at 31 December 2018, FCFA 1,164 billion (or 66.8 per cent. of total gross outstanding loans) as at 31 December 2017, FCFA 1,026 billion (or 66.6 per cent. of total gross outstanding loans) as at 31 December 2016.

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 mean 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, against operational problems, errors or fraud, there can be no assurance that they 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, amongst others, 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 2008 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 reflect a low diversification in issuers and maturities and marginal foreign participation and therefore have limited liquidity. 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 2018 and 30 June 2019, 19.1 per cent. and 15.3 per cent., respectively, of the Issuer's debt financing represent funding from the regional capital markets.

The Issuer further diversified its funding sources by accessing the international capital markets in May 2016 and July 2017 by means of its inaugural issuance of U.S.$750,000,000 5.5 per cent. notes due 2021 and a second issuance of U.S.$850,000,000 5 per cent. notes due 2027. 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 30 June 2019, the Issuer had FCFA 55.089 billion in subscribed share capital that has not yet been called.

If at any time in the future:

- any future 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."*

The implementation of the ECO, the common currency contemplated for the ECOWAS region to replace the FCFA, could impact the Issuer.

Since the 1980s, the 15 countries forming the ECOWAS, which include the eight countries forming the WAEMU, have periodically been discussing the possibility of introducing a common currency, akin to the FCFA. In the early 2000s the ECOWAS Heads of State conferences re-affirmed their interest in the project, which could result in the new currency replacing the FCFA in the WAEMU countries. The new currency would be called the "ECO". The ECO may not necessarily continue to be pegged to the euro in the future.

Previously, several target dates for the implementation of the ECO have been proposed and postponed. At the 55th ordinary meeting of ECOWAS Heads of State held in June 2019, a new deadline was set for 1 July 2020. The implementation of the ECO requires that the 15 countries of ECOWAS meet certain convergence criteria in terms of budget deficit, inflation, indebtedness, financing of the budget deficit by the central bank and foreign currency reserves. These criteria have been in the past, and remain today, far from being complied with.

However, even if the date of the implementation of the ECO still remains uncertain, it could have a material adverse impact on the Issuer. In particular, should the ECO no longer be pegged to the euro, the Issuer would be fully exposed to euro/ECO exchange rates variations. This could increase its debt and debt financing burden while reducing its capacity to serve its debt. See "*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.*" Moreover, the conversion to another currency would require significant and potentially costly modifications to the Issuer's internal processes and IT systems.

More broadly, banking and monetary unions are complicated and fragile arrangements, as shown by the recent experience with the euro. They can fail, with serious consequences for the economies involved and their actors.

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 (see Note 25 to the 2016 Financial Statements, Note 24 to the 2017 Financial Statements, Note 24 to the 2018 Financial Statements and Note 19 to the Half-Year 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 1,825.9 billion as at 30 June 2019, FCFA 1,645.6 billion as at 31 December 2018, FCFA 1,587 billion as at 31 December 2017 and FCFA 1,427 billion as at 31 December 2016, representing 69.9 per cent., 64.1 per cent., 62.0 per cent. and 63.0 per cent., respectively, of total assets. In compliance with capital adequacy rules, 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 (24.13 per cent. of the Issuer's debt as at 31 December 2018 and 26.27 per cent. of the Issuer's debt as at 30 June 2019). 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 hedging. Fluctuations in 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.

Since the fourth quarter of 2015, the Issuer has maintained hedging instruments to hedge against currency fluctuations on its existing borrowings in SDR and U.S. dollars. The Issuer hedged its U.S. dollar exposures on the U.S.$750,000,000 5.5 per cent. notes due 2021 and on the U.S.$ 850,000,000 5.0 per cent. notes due 2027 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. Gains on hedging instruments amounted to FCFA 11.2 billion in the six-month period ended 30 June 2019 and FCFA 53.5 billion in the year ended 31 December 2018, compared to losses on hedging instruments which amounted to FCFA -70.8 billion in the year ended 31 December 2017. However, there can be no assurance that the Issuer will continue to 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 (65.9 per cent. as at 30 June 2019) is made to the WAEMU Member States (both through the FDC Window and 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 has relationships in and with states that may be subject to or the target of international sanctions.

As a supranational financial institution focused on financing development within WAEMU Member States, the Issuer has relationships with a number of West African states that may be subject to one or more international sanctions regimes.

For instance, the Issuer has entered into five financing agreements with the BADEA, one in 2013, one in 2015, one in 2016 and two in 2018. Although the BADEA itself was not, and is not, listed on any sanctions list in connection with an international sanctions regime, it is located in the Republic of Sudan, which had been the subject of comprehensive sanctions administered by the United States until January 2017, after which these sanctions were lifted by the United States.

The 2013 financing agreement, which was drawn down by the Issuer for an amount of U.S.$10 million, is currently being repaid. The 2015 and 2016 financing agreements have not been drawn down by the Issuer and have, as at the date of this Offering Circular, been cancelled.

The Issuer's financing risk management imposes requirements to abstain from conducting business which could be considered to result in breach of an embargo or other sanctions. As a result, the Issuer has in place systems and procedures to monitor the consequences of any such embargos and sanctions and 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 depositary for assets that could be frozen, or (iii) an asset manager of assets that could be frozen. In particular, 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.

However, given the extent of the Issuer's involvement in financing transactions throughout West Africa, including as described above, there can be no assurance that the Issuer will not be subject, directly or indirectly, to investigation in connection with the sanctions or embargoes described above or other sanctions and embargoes that may be applicable either presently or in the future. If any such investigation occurs and results in the Issuer being found to have breached any applicable sanctions or embargoes, this could adversely affect

the Issuer's business, financial condition, cash flows, results of operations and prospects. For more information, see "—Risk Management—Anti-Money Laundering and other compliance initiatives".

The Issuer's corporate governance structure could change.

The By-laws provide for a balanced governance structure, in terms of the distribution of shareholdings among the WAEMU Member States, the BCEAO and sovereign or quasi-sovereign entities that are not part of the WAEMU (Class B shareholders) on the Board 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 30 June 2019. 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*".

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.

Further, African economies are highly susceptible to global economic changes, including in oil prices, U.S. dollar interest rates, the U.S. dollar exchange rate relative to local currencies, U.S. global trade policies and slower economic growth in other countries (particularly in China), any of which could have a significant adverse effect on the economic condition of countries in Africa.

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 of 2008, 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, Niger and Burkina Faso.

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 and in Burkina-Faso as well as in some neighbouring countries (Chad, Nigeria), all of which have increased geopolitical tensions in the region. 150 violent incidents, in which more than 300 people were killed, were reported for the single month of April 2019 in Burkina Faso, Mali and western Niger. Since November 2018, more than 500 people have been killed in jihadist attacks in Burkina-Faso, as shown by the two recent attacks of 8 September 2019 that killed 29 people in Sanmatenga province. As part of the fight against jihadist movements operating in the Sahel, the WAEMU Member States are supported by international military forces, including those of France and the United States. The countries directly involved in the fight against terrorism, including Burkina Faso, Nigeria, Chad, Cameroon, Niger and Benin, have also formed a multinational force attempting to combat this threat. As a result, a state of emergency was declared in December 2018 and was extended until January 2020 in several provinces of Burkina Faso which suffered from recurrent and murderous jihadist attacks. Other countries in the region have also implemented security measures aimed at surveillance and intervention to counter possible actions by terrorists 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. This could result in lower tax revenues and budgetary difficulties at the state level, which could negatively impact countries' ability to honour their commitments as well as its economic performance. In particular, as at 30 June 2019, the Issuer's total outstanding loans to Côte d'Ivoire and Burkina Faso amounted to FCFA 133.5 billion and FCFA 132.02 billion, respectively (including the FDE Window). As at the date of this Offering Circular, the Issuer has one defaulting sovereign exposure, Guinea Bissau, for a total amount of FCFA 11 billion, whose reimbursement was rescheduled in 2017 over an eight-year period due to financial difficulties encountered by that country.

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 Notes are subject to optional redemption by the Issuer.

The Notes may be redeemed at the option of the Issuer pursuant to Condition 9(d) (*Redemption at the Option of the Issuer (Issuer Maturity Par Call)*). An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem any Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. Should this happen, an investor generally may not be able to reinvest the redemption proceeds at an effective interest rate that is at least as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

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. Additional EU Member States may decide to participate and/or participating Member States may decide to withdraw.

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.

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 exclusive 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, 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. Foreign judgments are enforceable in Togo in accordance with the general conditions of *exequatur* and case law which require 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. U.S. regulators recently adopted certain amendments to these rules that become effective on 1 January 2020. The Volcker Rule and its implementing rules generally prohibit 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, 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 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.$830,000,000 4.70 per cent. Notes due 2031 (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 22 October 2019 (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 22 October 2019 (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 Europe 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. The Issuer may modify the Conditions at any time in accordance with the provisions of Condition 14 (*Meeting of Noteholders, Modifications and Waiver*) and the Trust Deed without obtaining the consent of any Person whose consent would otherwise have been required to be obtained solely due to the provisions of the Contracts (Right 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) 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.

(ii) 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)(i) (*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) (the "**No Event of Default Certificate**"), or, if such an event had occurred, as to the details of such event, 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 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.

(B) Each such No Event of Default Certificate 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;

"**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;

"**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; and

"**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.

7 Interest

(a) ***Interest Accrual.*** Each Note bears interest from 22 October 2019 (the "**Issue Date**") at the rate of 4.70 per cent. per annum (the "**Rate of Interest**") payable semi-annually in arrear on 22 April and 22 October in each year (each, an "**Interest Payment Date**") commencing 22 April 2020, 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 22 October 2031 (the "**Maturity Date**"), 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 22 October 2019; 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) ***Redemption at the Option of the Issuer (Issuer Maturity Par Call).*** The Issuer may, on giving not less than 30 nor more than 60 days' irrevocable notice to the Noteholders in accordance with Condition 15 (*Notices*), redeem all, but not some only, of the Notes at any time from and including the date falling three months prior to the Maturity Date to (but excluding) the Maturity Date, at their principal amount, together with interest accrued to (but excluding) the date fixed for redemption. All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

(e) ***No other redemption.*** The Issuer shall not be entitled to redeem, or as the case may be, 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*), 9(c) (*Compulsory Sale*) and 9(d) (*Redemption at the Option of the Issuer (Issuer Maturity Par Call)*).

(f) ***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(g) (*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*).

(g) ***Cancellation of Notes.*** All Notes which are submitted for cancellation pursuant to Condition 9(f) (*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(g).

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 resent to the Issuer.

12 Events of Default and Enforcement

(a) ***Events of Default.*** The Trustee at its discretion may, and if so requested in writing by the holders of not less than 25 per cent. in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution, shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction) (but in the case of the occurrence of any of the events mentioned in

Condition 12(a)(ii) (*Breach of other obligations*), paragraph (A)(V) of Condition 12(a)(v) (*Bankruptcy/Winding-up, etc.*), 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 required to be given to Noteholders pursuant to these Conditions 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 required to be given to Noteholders pursuant to these Conditions 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 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 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 when any Note remains outstanding and 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, expected to amount to approximately U.S.$828 million after the deduction of estimated total expenses in connection with the issuance of the Notes, will (after conversion of such proceeds into Euros pursuant to the swap arrangements described under "Subscription and Sale – Certain Relationships") 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 WAEMU 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.

Since the 1980s, the 15 countries forming the ECOWAS, which include the eight countries forming the WAEMU, have discussed the possibility of introducing a common currency, akin to the FCFA. In the early 2000s the ECOWAS Heads of State conferences restated their interest in the project, which would result in the new currency replacing the FCFA in the WAEMU countries. The new currency would be called the "ECO". The ECO may not necessarily continue to be pegged to the euro in the future. Over the past years, several target dates for the implementation of the ECO have been set and reported. At the 55th ordinary meeting of ECOWAS Heads of State, in June 2019, a new deadline was set for 1 January 2020. However, the implementation of the ECO requires that the 15 countries of ECOWAS meet certain convergence criteria in terms of budget deficit, inflation, financing of the budget deficit by the central bank and foreign currency reserves. These criteria have been in the past, and are still today, far from being complied with. As a result, the date of the implementation of the ECO still remains uncertain. If and when the ECO is implemented, the Issuer would expect to have the support of its shareholders to absorb any potential negative impacts, as was the case in 1994 when the value of the FCFA compared to the French franc was divided by two.

Privileges and immunities

The Issuer is a legal entity with full legal personality and the full 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, telecommunication, 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 30 June 2019.

	30 June 2019	
	(FCFA millions)	**(%)**
Infrastructure	3,873.1	68.1%
Agriculture and rural development	64.8	11.7%
Environment	20.1	0.4%
Industry	380.4	6.7%
Finance and insurance	604.9	10.6%
Tourism	81.6	1.4%
Social (health, education, etc.)	59.4	1.0%
Total	**5,684.3**	**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.

As at 30 June 2019, 61.7 per cent. of the Issuer's total commitments in the form of short term, medium-term to long-term loans and equity investments were to sovereign and sovereign related entities, and 38.3 per cent. to non-sovereign ones. This proportion has been relatively stable over the period under review.

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 be 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 as at 30 June 2019) 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 I'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.

In accordance with its objectives, the Issuer continues to deepen and broaden its international partnerships. Discussions initiated with Russia, South Africa, South Korea, the United Kingdom, Turkey and Brazil are ongoing. The Issuer also engaged in discussions with Morocco and the African Development Bank for an increase of their share in the capital of the Issuer; although negotiations are still underway, much progress has been made to complete this process.

Moreover, together with the ECOWAS and WAEMU Commissions, the Issuer also continued the discussions initiated in 2014 with the EU Commission on the Issuer's role in the West Africa 2021-2025 Regional Indicative Program of the 12th European Development Fund and, more generally, to establish a closer collaboration between the Issuer and the EU. The Issuer embarked in 2015 on the process to become eligible for indirect management of the EU Commission resources for specific projects. The "Financial Regulation applicable to the general budget of the Union" (July 2018) states that, under indirect management, the EU Commission can entrust budget implementation tasks to certain countries, organisations and bodies (further referred to as "Entities"). The systems, rules and procedures of these Entities must ensure a level of protection of the EU's financial interests equivalent to that under direct management. Pillar assessments are used to assess whether the protection of the EU's financial interests is equivalent. After being authorised by the EU Commission to engage in the pillar assessment in 2016, the Issuer engaged in a self-evaluation process with the support of an international consulting firm, Moore Stephens. The implementation of the recommendations made by the consulting firm is well advanced and will culminate in the pillar assessment process. In connection with this, the EU Commission provided in 2017 a grant of €1,250,000 to the Issuer to cover a capacity building program to help the Issuer in the accreditation process relating to the pillar assessment process. This 22-month program started in September 2019.

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 was made available to the WAEMU CRRH-UEMOA to promote housing for modest income households;
- 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 2017, the Issuer entered into four financing agreements:

- a €27 million financing agreement with the *Société Internationale Islamique de Financement du Commerce*, with a maturity of one year (not renewed), 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;
- a €80 million financing agreement with the KfW, with a maturity of 10 years, dedicated to the financing of SMEs in the WAEMU region;
- a U.S.$ 130 million financing agreement with the World Bank, with a maturity of 30 years: This credit line has been entirely on-lent to CRRH-UEMOA with the same maturity and is dedicated to the financing of social housing in the WAEMU. It was supported by a U.S.$ 25 million technical assistance programme for the WAEMU Commission.

In 2018, the Issuer entered into two financing agreements:

- a U.S.$ 30 million financing agreement with the BADEA, with a maturity of one year renewable twice, exclusively dedicated to the financing of imports from Middle Eastern countries;
- a U.S.$ 15 million financing agreement with the BADEA, with a maturity of 10 years, dedicated to the refinancing of projects in the private sector:

During the first half of 2019, the issuer entered into two financing agreements

- a €150 million financing agreement with the KfW signed in March 2019 immediately following its approval by the Issuer's Board of Directors, with a maturity of 10 years, dedicated to promotion of micro, small and medium-sized enterprises.
- a €50 million financing agreement with the Belorussian Development Bank (BDB), with a maturity of 10 years, dedicated to import of goods and services from Belarus.

In addition, the Issuer is currently negotiating the arrangement of a credit line dedicated to private sector and green projects with the Austrian Development Bank, and the World Bank and the Green Climate Fund, which is a new global fund created to support the efforts of developing countries to respond to the challenge of climate change.

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 gross outstanding loans, net of provisions[1], per Window as at 31 December 2016, 2017 and 2018 and 30 June 2018 and 2019.

	31 December			30 June	
	2016 (audited)	**2017 (audited)**	**2018 (audited)**	**2018 (unaudited)**	**2019 (unaudited)**
			(FCFA millions)		
Gross outstanding loans net of provisions:	1,515,340	1,715,321	1,765,924	1,750,670	1,840,075
• FDC Window	634,924	687,590	721,133	704,509	737,227
• Bank Window	787,375	914,874	918,654	924,801	974,080
• FDE Window	93,041	112,857	126,137	121,360	128,768

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) provides commercial funding to the WAEMU Member States and their public sector entities or agencies and to private entities, in each case at market rates.

  The table below sets out the proportions of gross outstanding loans extended through the Bank Window to the WAEMU Member States and their public sector entities or agencies, on the one hand, and to private sector entities, on the other:

	31 December			30 June	
	2016 (audited)	**2017 (audited)**	**2018 (audited)**	**2018 (unaudited)**	**2019 (unaudited)**
			(%)		
Public sector	61.9	61.3	57.9	60.9	55.2
Private sector	38.1	38.7	42.1	39.1	44.8
Total	100.0	100.0	100.0	100.0	100.0

  Pursuant to the 2015-2019 Strategic Plan, the Issuer has expanded the activities of this window, which represented 54.1 per cent. of its gross outstanding loans as at 30 June 2019, compared to 53.3 per cent.

[1] Net of provisions. See "*Description of the Issuer-Overall portfolio.*"

as at 31 December 2018. See "*—Products and services—Methods of Financing to National Financial Institutions and SMEs*" below for more details on these products.

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.

With respect to loans to private entities, such loans finance 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. 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 socio-economic development projects undertaken by the WAEMU Member States or their independent institutions and are mostly rural development and infrastructure projects. Through the FDC Window, the Issuer extends concessional loans which benefit from preferential terms, also known as "concessional" terms within the meaning of the OECD's Development Assistance terminology. 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 made available on a yearly basis. The activities of the FDC Window represented 39.1 per cent. of the Issuer's gross outstanding loans as at 30 June 2019, compared to 39.7 per cent. as at 31 December 2018. 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 remains at 35 per cent. and has not changed since.

- 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 6.8 per cent. of the Issuer's gross outstanding loans as at 30 June 2019, compared to 6.9 per cent. as at 31 December 2018.

  Out of FCFA 250 billion of endowment received from the WAEMU Member States to fund the FDE Window, FCFA 224,205 billion is already committed as at 30 June 2019 and the remaining amount available for commitment is FCFA 25,795 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 during the period from 1 January 2015 to 30 June 2019 have been 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 equity.

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 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 have been 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. Since 2016, as the Issuer's financing model improved, its policy is to have at all times coverage of 75.0 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, since the Issuer has resumed its concessional lending activities through the FDC Window, it has decided to allocate its equity capital to finance these activities, 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 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 sought 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 2009-2018 have included the development of 3,760 kilometres of national and interstate roads, 1,285 kilometres of urban roads and the modernisation of six airports and five ports. In the energy sector, the Issuer has funded projects, which resulted in the construction of 1,362 MW of additional generating capacity, the construction or rehabilitation of 7,173 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 411.8 billion between 2011 and 2018 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 2018. Since 2009, the Issuer has been one of the largest contributors to the upgrading of transport and communication facilities in Togo. In Senegal, Benin and Niger, the Issuer is a leading lender in terms of amount of funding and/or the number of projects financed in the areas of road construction, energy as well as rural development in Senegal, Benin, Togo, Niger and Mali[2].

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 December 2018, the Issuer has financed nineteen (19) projects and four (4) 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 was 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

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

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.

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 and the guarantee funds African Guarantee Fund West Africa (AGF West Africa (formerly known as GARI)), a West African investment fund known as SICAV Abdou Diouf and its fund manager, the SOAGA, the CRRH-UEMOA, a Financial Services Investment Fund 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 sukuks). 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 1.09 billion and FCFA 1.09 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. First steps towards the development of agricultural insurance have been undertaken in Burkina Faso, Côte d'Ivoire, Mali and Togo. Steering and management committees have been set up in Côte d'Ivoire and Togo. The Issuer has advanced funds to finance these developments.

  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 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 portion of non-regional member states to 25.0 per cent. of its subscribed capital over the medium-term, compared to 6.27 per cent. as at 30 June 2019.

Strong Capitalisation

The Issuer believes that it benefits from strong capitalisation and leverage ratios. As at 30 June 2019 and 31 December 2018, its adjusted equity/assets ratio (defined as "total equity" divided by "total assets") was 27.83 per cent. and 26.29 per cent., respectively. As at 30 June 2019 and 31 December 2018, its debt/equity ratio (defined as "debts represented by a security" and "other borrowings from external partners" divided by "actual own funds") was 226.35 per cent. and 240.93 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 Window 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 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. The liquidity coverage ratio (high quality liquid assets (HQLA) divided by the total net cash outflows) calculated as at 31 December 2018 amounted to 389 per cent. and as at 30 June 2019 to 252 per cent.

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 infrastructure, with GDP growth in the WAEMU increasing by 6.6 per cent. in each of the years ended 31 December 2018 and 31 December 2017 compared to 6.4 per cent. in the year ended 31 December 2016 and 6.3 per cent. in the year ended 31 December 2015, according to the WAEMU Commission[3].

At the level of the WAEMU Member States, GDP growth rates in the year ended 31 December 2018, as published by the WAEMU Commission[4], were as follows: Benin (6.7 per cent.), Burkina Faso (6.6 per cent.), Côte d'Ivoire (7.4 per cent.), Guinea Bissau (3.8 per cent.), Mali (4.9 per cent.), Niger (6.5 per cent.), Senegal (6.7 per cent.) and Togo (4.9 per cent.).

Economic activity in the year ended 31 December 2018 was marked by efforts to control consumer price increases. The inflation rate in the WAEMU region was 0.9 per cent. in the year ended 31 December 2018 compared to 1.1 per cent. in 2017, due to the moderate level of increases in food prices.

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 (7.19 per cent. in 2018, 5.8 per cent. in 2017 and 2.86 per cent. in 2016). The Issuer believes that the experience of its employees has helped it to deliver strong financial performance and growth. See "*—Employees*" below.

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[3] Source: WAEMU Commission, *Rapport d'exécution de la surveillance multilaterale*, June 2019.

[4] Source: WAEMU Commission, *Rapport d'exécution de la surveillance multilaterale*, June 2019.

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

The key priorities of the 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 31 December 2018, the implementation of the Strategic Plan was satisfactory, particularly regarding the rate of the implementation of commitments, which stood at 83.1% of the five-year target. Based on the forecasts for the past four years, the implementation rate reached 107%. The level of disbursement achievement was at 86% of its target and resource mobilisation continued in line with actual cash requirements.

As at 30 June 2019, the Issuer has granted loans for an aggregate amount of FCFA 2,156.7 billion since the beginning of the Strategic Plan, or 100.54 per cent of the five-year minimum target of FCFA 2,145.5 billion. In addition, a total of FCFA 1,968.3 billion of resources have so far been mobilized to meet the funding requirements of the Strategic Plan. The remaining amount of funding requirements will be mobilized as the commitments under the loans granted are being drawn. Moreover, planned upgrades to the Issuer's corporate governance had been achieved or were 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 introduced more flexibility to better match each borrower's individual situation and provided 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*".

Areas of focus under the 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 Strategic Plan and the results achieved so far are set out below.

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.

As at 30 June 2019, the Issuer had lent an aggregate amount of FCFA 534.9 billion since the beginning of the Strategic Plan, or 24.8 per cent. of the FCFA 2,156.7 billion aggregate amount lent, on projects falling within this area of the Strategic Plan.

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.

As at 30 June 2019, the Issuer had lent an aggregate amount of FCFA 847.2 billion since the beginning of the Strategic Plan, or 39.3 per cent. of the FCFA 2,156.7 billion aggregate amount lent, on projects falling within this area of the Strategic Plan.

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.

As at 30 June 2019, the Issuer had lent an aggregate amount of FCFA 774.6 billion since the beginning of the Strategic Plan, or 35.9 per cent. of the FCFA 2,156.7 billion aggregate amount lent, on project falling within this area of the Strategic Plan.

Area 4: Deepening of the resources mobilisation process

Over the duration of the Strategic Plan, the Issuer identified new resources to meet the financing requirements of the Strategic Plan and to cover earlier commitments in respect of which disbursements have not yet been made. The regional capital markets remain an important source of financing for the Issuer. However, the Issuer

also accessed the international capital markets, including with the issuance of the U.S.$ 750,000,000 5.5 per cent. notes due 2021, and the U.S.$ 850,000.000 5 per cent. notes due 2027 and through the issue of the Notes offered hereby. In addition, the Issuer will continue to explore alternative methods of financing, while developing a new strategy with respect to concessional resources.

As at 30 June 2019, the Issuer had mobilized an aggregate of FCFA 1,968.3 billion in resources in furtherance of the Strategic Plan.

The following are some of the key strategic objectives the Issuer set itself in furtherance of the above areas of focus and how they have been achieved:

- allocating approximately 60.0 per cent. of the loans and other financings granted for the period in the form of project funding to the WAEMU Member States; as at 31 December 2018, approximately 57% of the loans and other financings had been allocated (representing approximately 95% of the 60% target);
- allocating at least 50.0 per cent. of concessional resources to rural development and food security; as at 31 December 2018, approximately 57% of concessional resources had been allocated 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; as at March 2019, the Issuer had been accredited with the three main climate and environment financing mechanisms (the Adaptation Fund, the Global Environment Facility and the Green Fund Climate) and had received a FCFA 21.2 billion grant from the United Nations' Climate Change Adaptation Fund and the Global Environment Facility, to finance five projects in Niger, Togo, Guinea-Bissau, Benin and Burkina Faso; and
- maintaining portfolio quality by limiting the overall rate of non-performing loans to 4.0 per cent.; this has been achieved over the past three years and during the last six months, with the overall rate of non-performing loans equal to 2.26 per cent., 2.34 per cent., 2.23 per cent. and 2.06 per cent. as at 31 December 2016, 2017 and 2018 and 30 June 2019, respectively.

The Issuer expects to continue 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 Strategic Plan aims to stabilise loan volumes while increasing the focus on market funding resources and strengthening the Issuer's offering of loan syndication arrangement and financial advisory services.

Some aspects still need to be further strengthened in order to fully achieve all the strategic objectives set by the Strategic Plan.

In particular, the following key strategic objectives the Issuer set itself have not been fully achieved:

- increasing the share of loans and other financings 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; as at 31 December 2018, this share was only 23 per cent.;
- increasing the share of income from services (i.e. "Commissions on loan syndication and financial services") within income from operations by half (See "*Management's Discussion and Analysis of*

Financial Condition and Results of Operations—Results of operations—Results of operations for the six month periods ended 30 June 2018 and 2019—Commission income and expenses" and "*—Results of operations for the years ended 31 December 2018, 2017 and 2016—Commission income and expenses.*"); and

- enhancing lending capacity and increasing the Issuer's resources; the Issuer has obtained "investment grade" ratings and has successfully tapped the international financial markets twice over the duration of the plan, but the Issuer is currently in discussions with the BCEAO about, and intends to ask its regional shareholders (the WAEMU Member States and the BCEAO) for, an increase in the paid-in capital by calling additional tranches over the 2020-2024 period for up to FCFA 40 billion. No assurance can be provided as to the outcome of these discussions.

An assessment of the conditions for implementing the Strategic Plan has started in 2019, with the support of an outside firm, in order to draw the necessary lessons for the preparation of the next strategic plan.

The Issuer has started to elaborate a new 2020-2024 strategic plan. In February 2020, Mr. Adovelande will reach the end of his current mandate as Chairman of the Issuer. The process for the appointment of his successor is still ongoing. Further, the Issuer has started drawing the outline of the new strategic plan for the 2020-2024 period, which will succeed to the 2015-2019 Strategic Plan. The new Chairman and his or her staff will be heavily involved in its finalisation. The new strategic plan is then expected to be adopted during the first half of 2020. The Issuer's current 2020 priorities and operational programs are still aligned with the Strategic Plan's ones, and will be adjusted, if necessary, to those of the new strategic plan in mid-2020.

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.

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 (AGF West Africa), an asset management company (SOAGA), and a mortgage refinancing bank (CRRH-UEMOA), the launch of a crop insurance scheme and the creation of BOAD *Titrisation* and the Financial Services Investment Fund.

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 30 June 2019, the reported value of the Issuer's equity investments amounted FCFA 133.3 billion or 5.1 per cent. of the Issuer's total assets.

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 I'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's current size is €34,105,037. The fund is seeking to raise an additional €15,984,963. 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 from its inception, 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.

As at 31 December 2018, the total amount of the Issuer's share in the capital of CRR-UEMOA was FCFA 1.543 billion.

- *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 49.1 billion (€74.9 million) to undertake 40 to 55 investments.

In 2017, the Board of Directors approved the following equity investments for a total amount of FCFA 7.320 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. The Issuer has invested FCFA 2 billion in LBO and currently holds 14.8 per cent. of the total shares of LBO (representing FCFA 13.5 billion in nominal value).

- *Air Côte d'Ivoire*: the increase in the equity participation of the Issuer in Air Côte d'Ivoire in an amount of FCFA 5,320 million, which increased the airline company's capital from FCFA 63 billion to FCFA 130 billion. This new transaction increased the Issuer's total equity participation in Air Côte d'Ivoire to FCFA 10,320 million. This project is justified by the fact that the regional air transport sector in West and Central Africa is underdeveloped with limited supply and relatively high prices, thus limiting people's access to this mode of transport. This project is a driver for socio-economic development;

In 2018, the Board of Directors approved the following equity investments for a total amount of FCFA 13.5 billion:

- *Banque de l'Habitat du Niger ("**BHN**")*: an equity participation of the Issuer in BHN in an amount of FCFA 825 million, i.e. 8.25 per cent. of the capital fixed at FCFA 10 billion. The objectives are (i) to create a housing bank in Niger with capital and private management to contribute to the implementation of policies and actions undertaken by the Government of Niger to promote housing and (ii) to provide BHN with a credible shareholding composed of key institutional stakeholders able to provide expertise in the BHN's governance and development policy;

- *Fonds Cauris IV:* an equity participation of the Issuer in Fonds Cauris IV in an amount of FCFA 5 billion, which aims to reach a size of FCFA 52,476,560,000 (80 million euros) at the final closing and with an initial closing of FCFA 26,238,280,000 (40 million euros) which will take place in third quarter of 2020. Fonds Cauris IV's objective is to invest in SMEs (including 20 per cent. in start-ups) seeking capital and expertise in order to exploit growth opportunities in the target regions (ECOWAS countries excluding Nigeria and French-speaking Central Africa). Fonds Cauris IV will not invest directly in counterparties outside WAEMU. Indeed, the fund can indirectly invest 20 per cent. of its capital in supporting companies based in the WAEMU region, which have an expansion programme in countries outside WAEMU (ECOWAS countries excluding Nigeria and French-speaking Central Africa);

- Fonds ECP Africa fund IV: an equity participation of the Issuer in Fonds ECP Africa fund IV in an amount of FCFA 3 billion. The objective is to make eight to twelve investments in companies based on Africa including three in West Africa;

- *AFIG FUND II*: an equity participation of the Issuer in AFIG Fund II in an amount of FCFA 3 billion. AFIG Fund II is a generalist investment fund, which was targeted a share capital of U.S.$180 million (approximately FCFA 95,400 million) at the final closing occurred in June 2018. The objectives of the Fund are to: (i) contribute to the growth of African-led companies in Africa; (ii) foster the development of "regional champions" in Africa through, inter alia, an approach based on value-added creation and a

strong commitment of the investment managers in the governance of portfolio companies; (iii) seize investments of capital opportunities offered by companies in the targeted region as part of their business development; (iv) achieve high returns for investors;

- *ADIWALE FUND I*: an equity participation of the Issuer in ADIWALE Fund I in an amount of FCFA 2.5 billion, which is intended to reach a share capital size of €75 million, or approximately FCFA 49,197 million. The objectives of the Fund are to: (i) enable SMEs in the French-speaking West African region to develop and create jobs and to increase their financing capacity with debt investors such as BOAD and commercial banks; (ii) seize the many risk capital opportunities offered by companies in the targeted region as part of the development of their activities and (iii) achieve high returns on investment in the medium term and ensure recurring income through capital or quasi-equity investments in unlisted African companies with good growth prospects;

In 2019, the Board of Directors approved the following equity investment for a total amount of FCFA 2,006 million:

- *MANSA BANK*: an equity participation of the Issuer in MANSA BANK in an amount of FCFA 1,200 million, corresponding to 10 per cent. of MANSA Bank's share capital, set at FCFA 12 billion. The objective is to create a universal bank with a particular focus on investment banking, whose share capital is fully-owned by players in the WAEMU region in order to: (i) foster the emergence of major African regional groups, (ii) promote SMEs and SMIs and (iii) effectively support the economy of Côte d'Ivoire;

- *African renewable energy Fund ("**FAER**")*: an equity participation of the Issuer in the capital of the FAER in an amount of FCFA 806 million.

See Note 7.2 to the 2019 Half-Year Financial Statements, Note 7.3 to the 2018 Financial Statements, Note 6.2 to the 2017 Financial Statements, Note 6.2 to the 2016 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).

In 2016, the Issuer obtained 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.

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 0.35 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, 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 2018, the Board of Directors approved 26 medium-term and long-term proposals involving loans totalling FCFA 380 billion and four equity investments totalling FCFA 13.5 billion. In addition, five short-term facilities were approved in 2018 totalling FCFA 31 billion eight and studies were approved in 2018 totalling FCFA 2.1 billion.

At the meetings held in March 2019, the Board of Directors approved 23 short-term, medium-term and long-term proposals involving loans totalling FCFA 237.2 billion. In June 2019, the BOARD of Directors approved 16 short-term, medium-term and long-term proposals involving loans totalling FCFA 136.2 billion.

As at 30 June 2019, the total commitments for approved projects raised the global amount of loans granted by the Issuer to FCFA 5,684.3 billion of which FCFA 3,485.64 billion have been drawn as at 30 June 2019, taking the total number of approved projects to 1,187 at that date.

The following major projects were approved during the first semester of 2019:

Infrastructure

The major infrastructure projects approved in the first semester of 2019 were:

- Construction of the Dakar-Saint Louis coastal highway: Dakar-Tivaouane section in the Republic of Senegal for a length of 63.1 km. The overall objective of the project is to promote economic development, particularly agriculture, fisheries and tourism in the project area. The specific objectives are, inter alia: (i) to reduce the travel time to the major cities of Senegal's northern coastline by 60%; and (ii) reduce vehicle operating costs by approximately 80% from the first year of commissioning.

- Reinforcement and development of the Kanawolo-Korhogo road in the Republic of Côte d'Ivoire. The project aims to strengthen the Kanawolo – Korhogo road on 99 km, including the development of the urban crossing in 2x2 lanes on 9 km, the construction of two exchangers (in Kanawolo and Torgokaha), a walkway and a large parking and the development of three intersections in Korhogo. There are also social infrastructures such as schools, a medical centre, and paving of 9 km of lanes in the sub-prefectures of Tioronianrandougou (3 km), Napié (3 km) and Torgokaha (3 km).

- Development and paving of the Djougou-Péhunco-Kérou-Banikoara road in the Republic of Benin. The project is aimed at developing and paving of the land road linking Djougou to Banikoara via Péhunco and Kerou over a length of 209.68 km and a platform width of 10.20 metres in the current state of the road. The overall objective is to contribute to Benin's economic growth by improving transport conditions in its largest cotton production area and strengthening regional integration

- Emergency phase of the development and paving of 80 km of national priority network roads in the Republic of Guinea-Bissau: in particular, construction of the South Bissau bypass and the Bissau-Birla-Nhacra road. The purpose of the project is to: (I) the development and paving of the South Bissau bypass on the section Guimetal roundabout-Cuntum Madina-port of Bissau 11.6 km long, from the second exit of Bissau on the section Antula-Canal Impernal-Birla – Nhacra, long of 9, 3 km; and (ii) the construction of a 200 m bridge over the Canal Impernal River. The objectives are, inter alia: (I) to unlock the peripheral districts of Bissau, housing about 75 000 inhabitants; (ii) divert 90% of heavy-duty traffic through the city centre to the port of Bissau; and (iii) reduce vehicle operating costs by approximately 50% from the first year of operation of the new roads.

- Construction of various routes and networks of the urban centre of Diamniadio in Senegal. The purpose of the project is to build: (i) a road network comprising 5.3 km of lanes arranged in 2x2 lanes and 2x1 lane; (ii) a drinking water supply system comprising two water towers with a combined capacity of 1 500 m3 and a 14 km network; (iii) a wastewater treatment system comprising a 12-km network

connected to the existing sewage plant (STEP); (iv) a 4 km stormwater sanitation network; (v) an electrical system comprising nine medium voltage power stations, 630 kilo-volt-ampere, as well as the electrical distribution networks medium voltage (15 km) and low voltage (20 km) and the corresponding remote management.

- Development and paving of the urban road of Tillabéry in the Republic of Niger. The purpose of the project is the development and paving of 10 276 ml of structuring pathways to ensure permanent connections between the main areas of the town of Tillabéry. This is the urban section of the national road n ° 1 West with a length of 9 020 ml in 2x2 lanes, located on the inter-State axis Niamey-Bamako, and urban lanes with a total length of 1 256 ml in 2x1 lanes in the city.

- Rehabilitation and modernization of Osvaldo VIEIRA international airport in Bissau, Republic of Guinea-Bissau. The project consists of rehabilitating, modernising and redesigning a set of infrastructures and buildings at Osvaldo VIEIRA international airport in Bissau, in order to make them more operational and functional for users. It is also about making new constructions, acquiring and installing new operating equipment instead of obsolete equipment.

- Expansion of the capacity of the combined cycle thermal power plant of the company AZITO ENERGIE SA in Azito, Côte d'Ivoire. The purpose of the project is to install a gas turbine (TAG) with a nominal capacity of 181 MW and a steam turbine (TAV) of 72 MW for combined cycle operation as part of the AZITO thermal plant extension. This allows to carry the installed power from 427 MW to 680 MW.

- Construction of a 65 MW combined cycle power plant by KEKELI EFFICIENT POWER (KEP) SA in Lomé, Togo. The project aims at the construction of a combined cycle thermal power plant with a capacity of 65 MW including 47 MW for the SIEMENS SGT-800 (TAG) gas turbine and 18 MW for the steam turbine (TAV) connected to a recovery boiler.

- Support Programme for the Development of Local Economies (SPDLE) in six regions of Burkina Faso (High Basins, South-West, Central, Plateau, Central, Cascades and Central-West). The purpose of this project is: (i) to provide populations and communities in these six regions of Burkina Faso with a set of production, marketing and communication infrastructures to support their economic activities; (ii) to set up a FCFA 1 billion credit line for 3,000 micro and very small enterprises (MVSE); and (iii) to reinforce the technical capacities of 2,000 Informal Production Units (IPU).

- Development and asphalting of the Katchamba-Sadori section of the National Road No. 17 ("NR17") in the Togolese Republic. The project aims: (i) to develop and to asphalt the Katchamba-Sadori section of National Road No. 17 (NR17) over a total length of 60 km, and (ii) to build two (02) bridges over the Kara and Koumongou rivers.

- Site development and construction of 1,085 social and economic housing units in Samanko Republic of Mali. The project aims to: (i) develop the 42-hectare site located in Samanko, in the rural commune of Mandé, and (ii) build 1,085 housing units, including 785 social housing units and 300 economic units, to be leased to the beneficiaries.

- Construction, rehabilitation and equipment of school infrastructure in the Republic of Côte d'Ivoire. The project aims to: (i) build and equip 3,000 pre-school and elementary classrooms, 25 middle schools, 5 high schools and (ii) to provide 100,000 semi-metallic bench tables throughout the country.

- Modernisation of Niamey airport and construction of Tillabéri airport in the Republic of Niger. For Niamey airport, the project aims to (i) construct a new two-level passenger terminal and (ii) renovate the old terminal. As regards Tillabéri airport, the project aims to (i) construct an airstrip with the parking areas of an airport terminal and (ii) realise related works for the proper functioning of the airport.

Finance

In the first half of 2019, the following six transactions were implemented to provide a line of credit to finance SMEs via commercial banks:

- a FCFA 10 billion financing line for the Bank of Africa Niger (**BOA-Niger**);
- a FCFA 10 billion short-term credit line in favour of the National Bank for economic development (*Banque Nationale pour le Développement Economique* (**BNDE**)*, Sénégal*);
- a FCFA 10 billion short-term line in favour of NSIA Banque Côte d'Ivoire;
- a fourth financing line for Solidarity Bank of Mali in the amount of FCFA 10 billion (**BMS-SA**); and
- a FCFA 10 billion financing line for Banque de l'Union Côte d'Ivoire (**BDU CI**).

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; and
- strengthen governance and control systems.

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 2009-2018, in the area of transportation infrastructure, the Issuer is contributing to the development of 3,925 kilometres of national and interstate roads, 1,285 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 2018, 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 construction of an interchange at the crossroads of the OAU, a viaduct and the development 10 km of urban roads in the city of Sikasso in Mali, for an amount of FCFA 25 billion; and
- the development and paving of the urban road of Zinder in Niger which is a part of the trans-Saharan road linking Algiers and Lagos, for an amount of FCFA 10 billion.

The two above-mentioned projects constitute segments of community axes included in the PACITR (*Programme d'Action Communautaires des Infrastructure et du Programme Routier*), which is a component of PER 2(*Programme Economique Régional*).

In the field of port infrastructure, the Issuer contributed to the extension of the Bobo Dioulasso dry port in Burkina Faso. This project will support the growth of trade flows between the sub-region countries and seaports.

In the energy sector, in 2018, the Issuer supported the Société Nationale d'Electricité du Burkina Faso ("**SONABEL**") project to rehabilitate energy distribution and commercial management improvement works ("**PREDC**") in Burkina Faso (FCFA 12.9 billion) and the project to strengthen energy production capacity by building a 15 MW diesel thermal power plant in Bor in Guinea Bissau for an amount of FCFA 10 billion.

Agriculture and rural development

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.

The CNAAS Support Project made significant progress with the effective implementation of insurance for cotton and maize producers in Senegal for the 2017-2018 and 2018-2019 agricultural seasons. Subscriptions to the index climate insurance policy were handled by the *Fédération Nationale des Producteurs de Coton* ("**FNPC**") of Senegal for 22,000 producers through 13 unions. For the 2017-2018 season, claims for an amount of FCFA 191 million were recorded and, in accordance with the contract, producers were compensated by the CNAAS and reinsurers (AXA CS, AFRICA RE, CICA RE). Producers have expressed their satisfaction with the compensation and indicated that they will continually subscribe to this indexed climate insurance product.

However, the AMAB Support Project has not made any significant progress, despite the recruitment of a reinsurer, given the change in the institutional framework in 2016. Indeed, the management of the cotton sector in Benin is now entrusted to the *Association Interprofessionnelle du Coton* ("**AIC**"), which is currently undergoing reorganisation. The Beninese side must take measures to ensure (i) a broad consultation between the various players of the cotton sector and (ii) that the reinsurer elaborate the crop insurance product as soon as possible, with a view to marketing it for the next agricultural years.

During the last project supervision mission, it was agreed that the Beninese side would take steps to submit to the Issuer: (i) a new scheme for the implementation of the AMAB Support Project, with regard to the change in the institutional framework of the cotton sector and the redefinition of the role of the various stakeholders; (ii) the agreement of the AIC (or any other designated structure) to subscribe insurance policies and pay premiums on behalf of cotton producers; (iii) decisions resulting from the work of the Study Committee comprising the various stakeholders, with regard to the new mechanisms for setting up agricultural insurance in Benin; (iv) the terms and conditions for adapting the AMAB Support Project to the new configuration adopted for setting up agricultural insurance in Benin; and (v) the updated schedule for the implementation of this project.

First steps towards the development of agricultural insurance have been undertaken in Burkina Faso, Côte d'Ivoire, Mali and Togo. Steering and management committees have been set up in Côte d'Ivoire and Togo. The Issuer has advanced funds to finance these developments.

In 2018, two important rural development projects were approved. The first concerns the programme of support for the development of local economies (*Programme d'Appui au Développement des Economies Locales* / PADEL) in Burkina Faso which aims to: (i) provide integrated local development kits (KIT – DELI) which is a minimum investment package constituted according to the specificities of each region; (ii) establish a credit line of FCFA 25 billion to facilitate access to a suitable credit; and (iii) enhance the capacity building for 48

000 informal production units (UPI). The second project concerns the food processing programme in Togo, and its main purpose is to make the most of the human, natural, geographical and socio-cultural assets in Togo, in order to achieve inclusive, harmonious and sustainable, development that respects established development strategies and policies. Specifically, the projects aims to: (i) develop infrastructure; (ii) strengthen inclusive value chains; and (iii) build the capacity of stakeholders, in order to render operational the country's new agricultural policy with a view to promoting inclusive and strong economic growth.

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 20 to 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) increased from FCFA 377.7 billion for the year ended 31 December 2016 to FCFA 390.7 billion for the year ended 31 December 2017 and decreased to FCFA 380 billion for the year ended 31 December 2018. For the period under review, the Issuer had set itself a cap of FCFA 380 billion for the total amount of new medium-term and long-term loan facilities to be granted per fiscal year. However, in 2017, the Issuer decided to seize interesting opportunities for loans to the private sector, which led it to exceed this limit by approximately FCFA 10 billion.

As at 30 June 2019 and 31 December 2018, total commitments in the form of short term, medium-term to long-term loans and equity investments, amounted to, respectively, FCFA 5,684.3 billion (€8,665 million) and FCFA 5,310.9 billion (€8,096.4 million) for 1,187 and 1,149 operations.

Total FDC Window financing increased from FCFA 1,313.6 billion for the year ended 31 December 2016 to FCFA 1,467.9 billion for the year ended 31 December 2018,

Total Bank Window financing (including medium-term and long-term financing, short-term financing and equity investments) increased by 14.5 per cent. to FCFA 3,292.9 billion for the year ended 31 December 2017 from FCFA 2,875.5 billion for the year ended 31 December 2016 and increased by 9.4 per cent. to FCFA 3,603 billion for the year ended 31 December 2018. Excluding short-term financing (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) Bank Window loans increased by 16.5 per cent. to FCFA 2,978 billion for the year ended 31 December 2017 from FCFA 2,555.2 billion for the year ended 31 December 2016 and increased by 8.7 per cent. to FCFA 3,236.1 billion for the year ended 31 December 2018. As at 30 June 2019 Bank Window financing represented FCFA 3,912.2 billion excluding short term financing.

In 2018, the FDE Window financed the SONABEL project to rehabilitate energy distribution and commercial management improvement works (PREDC) in Burkina Faso, for an amount of FCFA 12.9 billion. At 31 December 2018, commitments granted through this window amounted to FCFA 239 billion. The remaining balance of the FDE available funding, i.e. FCFA 11 billion, has been reserved for an investment in an infrastructure fund to be created.

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 2016, 2017 and 2018 and 30 June 2018 and 2019. The performing gross outstanding loans refer to gross outstanding loans minus non-performing loans. 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			30 June	
	(FCFA millions)				
	2016 (audited)	**2017 (audited)**	**2018[1] (audited)**	**2018 (unaudited)**	**2019 (unaudited)**
Gross outstanding loans (a).....	1,541,588	1,743,425	1,819,050	1,806,283	1,891,576
Non-performing loans (b).....	34,799	40,845	40,558	43,839	39,007
Performing gross outstanding loans (c) = (a) – (b).....	1,506,789	1,702,580	1,778,492	1,762,444	1,852,569
Non-performing loans /gross outstanding loans (b)/(a)…….	2.26%	2.34%	2.23%	2.43%	2.06%

Note:

(1) On 1 January 2018, the Issuer adopted IFRS 9, which specifies how an entity should classify and measure financial assets, financial liabilities, and some contracts to buy or sell non-financial items and has an impact on provisions and impairments. As a result, figures as of and for the years ended 31 December 2017 and 31 December 2018 may not be comparable. See Note 4 to the 2018 Financial Statements and in particular Note 4.3.1, which contains a comparison of the consolidated statement of financial position of the Issuer as at 31 December 2018 with the consolidated balance sheet as at 31 December 2017, to which IFRS 9 has been applied.

The distribution of gross outstanding loans extended (as distinct from commitments) per Window as at 31 December 2016, 2017 and 2018 and 30 June 2018 and 2019 is set forth in the table below.

	FDC and Bank Window					
	FDC	Bank[1]	**Total**	**Bank share**	**FDE Window**	**Total of the 3 Windows (FDC + Bank + FDE)**
			(FCFA millions)			
31 December 2016.....	634,924	813,623	1,448,547	56.2 %	93,041	1,541,588
31 December 2017.....	687,590	943,248	1,630,838	57.8 %	112,857	1,743,425
31 December 2018.....	722,879	970,034	1,692,913	57.3 %	126,137	1,819,050
30 June 2018.....	706,224	978,699	1,684,923	58.1 %	121,360	1,806,283
30 June 2019.....	738,920	1,023,888	1,762,808	58.1 %	128,768	1,891,576

Note:

(1) Including market rate sovereign loans: FCFA 299,007 billion as at 31 December 2016, FCFA 363,766 billion as at 31 December 2017, FCFA 360,084 billion as at 31 December 2018, FCFA 387,775 billion as at 30 June 2018 and FCFA 378,506 billion as at 30 June 2019.

Performing gross outstanding loans per Window (which refers to gross outstanding loans minus non-performing loans) are set out in the table below as at 31 December 2016, 2017 and 2018 and 30 June 2018 and 2019.

	31 December			30 June	
	2016 (audited)	**2017 (audited)**	**2018 (audited)**	**2018 (unaudited)**	**2019 (unaudited)**
			(FCFA millions)		
FDC Window	634,924	687,590	722,879	706,224	738,920
Bank Window (performing loans)	778,824	902,133	929,476	934,860	984,881
Total 1 (FDC Window + Bank Window)	1,413,748	1,589,723	1,652,355	1,641,084	1,723,801
FDE Window	93,041	112,857	126,137	121,360	128,768
Total 2 (Performing gross outstanding loans)	1,506,789	1,702,580	1,778,492	1,762,444	1,852,569

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 68.2 per cent. of performing gross outstanding loans (FCFA 1,506.8 billion). These include loans from the FDC Window in an amount of FCFA 634.9 billion, the FDE Window in an amount of FCFA 93 billion and FCFA 299 billion in Bank Window loans in the form of market rate sovereign loans.

Loans to WAEMU Member States as at 31 December 2017 amounted to FCFA 1,164.2 billion, representing 66.8 per cent. of gross outstanding loans (FCFA 1,743.4 billion) and 68.4 per cent. of performing gross outstanding loans (FCFA 1,702.6 billion). These include loans from the FDC Window in an amount of FCFA 687.6 billion, the FDE Window in an amount of FCFA 112.9 billion and FCFA 363.8 billion in Bank Window loans in the form of market rate sovereign loans.

Loans to WAEMU Member States as at 31 December 2018 amounted to FCFA 1,209.1 billion, representing 66.5 per cent. of gross outstanding loans (FCFA 1,819.1 billion) and 67.9 per cent. of performing gross outstanding loans (FCFA 1,778.5 billion). These include loans from the FDC Window in an amount of FCFA 722.8 billion, the FDE Window in an amount of FCFA 126.1 billion and FCFA 360.2 billion in Bank Window loans in the form of market rate sovereign loans.

Loans to WAEMU Member States as at 30 June 2019 amounted to FCFA 1,246.4 billion, representing 65.9 per cent. of gross outstanding loans (FCFA 1,891.6 billion) and 66.9 per cent. of performing gross outstanding loans (FCFA 1,862.3 billion). These include loans from the FDC Window in an amount of FCFA 738.9 billion, the FDE Window in an amount of FCFA 128.8 billion and FCFA 378.7 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 gross outstanding loans by country as at 31 December 2016, 2017 and 2018 and 30 June 2018 and 2019.

	31 December			30 June	
	2016 (audited)	**2017 (audited)**	**2018 (audited)**	**2018 (unaudited)**	**2019 (unaudited)**
			(FCFA billions)		
Benin	184	206	163	212	180
Burkina Faso	147	165	160	167	172
Côte d'Ivoire	236	308	340	319	347
Guinea Bissau	64	82	98	93	100
Mali	166	192	203	202	208
Niger	231	242	257	242	268
Senegal	234	264	306	278	304
Togo	280	285	289	289	310
Outside WAEMU			3	4	2
Total	**1,542**	**1,744**	**1,819**	**1,806**	**1,891**

The table below sets forth the Issuer's outstanding Bank Window non-sovereign loans by sector as at 31 December 2016, 2017, 2018 and 30 June 2018 and 2019.

	31 December			30 June	
	2016 (audited)	**2017 (audited)**	**2018 (audited)***	**2018 (unaudited)**	**2019 (unaudited)**
			(FCFA billions)		
Agro-industry	36	40	32	39	33
Banks and financial institutions	86	130	159	152	203
Energy	187	180	172	176	164
Hotels	22	25	31	29	34
Extractive industries	39	36	61	34	64
Commercial infrastructure	126	127	115	120	110
Telecommunications	18	41	38	41	37
Total	**515**	**579**	**609**	**591**	**645**

* The data as at 31 December 2018 is not fully comparable with the data as at 31 December 2016 and 2017 and the data as at 30 June 2018 and 2019 because in the 2018 Financial Statements, and contrary to the 2016 Financial Statements, the 2017 Financial Statements, the 2018 Half-Year Financial Statements and the 2019 Half-Year Financial Statements, the table of the Issuer's outstanding Bank Window non-sovereign loans by sectors as at 31 December 2018 (Note 10.1.2.4) does not include FCFA 1,286 million of technical outstanding receivables (i.e. amounts not yet recovered on calls for payment of the principal amount of sound debts that are less than 30 days old at the closing date of the financial statements).

The table below sets forth the outstanding amounts of the largest non-sovereign loans of the Issuer as at 30 June 2019.

	30 June 2019 (unaudited)
	(FCFA millions)
CRRH	61,365
NSIA BANQUE COTED'IVOIRE	37,366
COMPAGNIE D'ELECTRICITE DU SENEGAL	27,736
CIMIVOIRE	25,000
ORABANK CI	19,200
MALBAZAR CEMENT COMPANY	18,599
AZITO	18,492
Total	**207,757**

The table below sets forth the Issuer's equity participations by country as at 31 December 2016, 2017 and 2018 and 30 June 2018 and 2019.

	31 December			**30 June**		
	2016 (audited)	**2017 (audited)**	**2018 (audited)**	**2018 (unaudited)**	**2019 (unaudited)**	
	(FCFA millions, except number of projects)					**No. of projects**
Benin	5,489	6,050	6,244	5,669	5,731	6
Burkina Faso	5,141	6,905	14,174	7,265	13,991	4
Côte d'Ivoire	13,077	16,187	39,029	18,057	41,481	12
Mali	10,507	11,003	11,862	11,858	16,261	2
Niger	5,089	5,520	7,329	6,396	6,726	3
Senegal	5,696	10,515	12,484	12,771	11,737	6
Togo	10,052	12,976	16,999	10,548	13,746	8
Non-WAEMU	17,047	18,945	18,439	21,551	23,622	10
Total[(1)]	**72,097**	**88,101**	**126,560**	**94,115**	**133,296**	**51**

Note:

(1) Totals represent fair values. For further detail, see Note 6 to the 2016 and 2017 Financial Statements and Note 7 to the 2018 Financial Statements and the 2019 Half-Year Financial Statements.

The table below sets forth the Issuer's equity participations by sector as at 31 December 2016, 2017 and 2018 and 30 June 2018 and 2019.

	31 December					30 June	
	No. of projects	**2016 (audited)**	**New sector Since September 2017**	**2017 (audited)**	**2018 (audited)**	**2018 (unaudited)**	**2019 (unaudited)**
				(FCFA millions, except number of projects)			
Other productive activities	3	2,207	Agro-industry	—	—	—	—
Other financial institutions & promotion of SMEs	8	10,226	Banks and financial institutions	85,335	116,000	90,554	127,194
Banks	19	40,670	Energy	1,871	2,126	1,871	2,295
Investment funds	12	16,897	Hotels	297	301	297	302
Infrastructure	1	1,551	Extractive industries	—	—	—	—
Airlines	**2**	546	Commercial infrastructure	598	8,133	1,393	3,506
	—	—	Telecommunications	—	—	—	—
Total[(2)]	**45**	**72,097**		**88,101**	**126,560**	**94,115**	**133,296**

Notes:

(1) Includes entities such as Proparco, the BVRM and the AGF West Africa.

(2) Totals represent fair values. For further detail, see Note 6 to the 2016 and 2017 Financial Statements and Note 7 to the 2018 Financial Statements and the 2019 Half-Year Financial Statements.

The table below set forth the fair value of the 20 largest equity participations of the Issuer as at 30 June 2019.

	30 June 2019 (unaudited)
	(FCFA millions)
ORABANK Côte d'ivoire	31,863
Banque de Développement du Mali (BDM SA)	15,960
CORIS Bank International	11,558
ORA Group	5,700
FAER	4,882
PROPARCO	4,631
CAURIS CROISSANCEII	3,946
AFREXIMBANK	3,830
SICAV Abdou DIOUF	3,545
Air Côte d'ivoire	3,506
Société Nigérienne de Banque (SONIBANK)	3,354
FCP/IFC BOAD	3,182
CNCAS	3,176
BNDE	2,806
Fonds AFG West Africa	2,784
Bank Of Africa Niger (BOA - Niger)	2,547
Fonds Agricole pour l'Afrique (FAA)	2,471
CIPREL	2,295
CRRH	2,229
Banque Outarde	1,761
Total	**116,024**

Guaranteed loans

Certain loans made by the Issuer to the private sector are guaranteed by: (i) organisations such as the FAGACE, the FSA, the AGF West Africa (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 2018, the guarantee coverage rate described above amounted to 22.5 per cent. (24.6 per cent. as at 30 June 2019) 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*".

Undrawn commitments

The tables below set forth the Issuer's undrawn commitments as at 31 December 2016, 2017 and 2018 and as at 30 June 2019.

	31 December			30 June
	2016 (audited)	**2017 (audited)**	**2018 (audited)**	**2019 (unaudited)**
	(FCFA millions)			
Commitments received				
Commitments on loans to be drawn	185,433	168,132	6,373	156,550
Unauthorised loan commitments	—	—	—	—
Guarantees received from regional funds	32,601	40,521	40,822	38,617
Total	**218,034**	**208,653**	**47,195**	**195,167**

	31 December			30 June
	2016 (audited)	**2017 (audited)**	**2018 (audited)**	**2019 (unaudited)**
	(FCFA millions)			
Commitments given				
Loan commitments	1,427,348	1,587,450	1,645,612	1,825,880
Advances on development studies	13,280	11,439	17,175	16,920
Commitments for equity participations	21,658	24,625	28,668	27,271
Commitments from subsidy funds	—	—	—	—
Securities and other guarantees	13,369	5,300	32,206	31,085
Total	**1,475,655**	**1,628,814**	**1,723,661**	**1,901,156**

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 (see Note 25 to the 2016 Financial Statements, Note 24 to the 2017 Financial Statements, Note 24 to the 2018 Financial Statements and Note 19 to the Half-Year Financial Statements).

The decrease in the Commitments on loans to be drawn as at 31 December 2018, in comparison to 31 December 2017, is due to the fact that there were a large number of drawdowns on the available commitments in the year ended 31 December 2018.

Largest exposures and commitment per sector of activity

	31 December			30 June	
	2016 (audited)	**2017 (audited)**	**2018 (audited)**	**2018 (unaudited)**	**2019 (unaudited)**
	(FCFA millions)				
Largest exposures					
Issuer's 20 largest exposures	305,234	330,053	358,629	322,370	391,262
% its total outstanding loans	19.8%	18.93%	19.72%	17.85%	20.68%

As at 30 June 2019, outstanding loans of the Issuer's 20 largest exposures amounted to FCFA 391.262 billion, representing 20.68 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 2018, outstanding loans of the Issuer's 20 largest exposures amounted to FCFA 358.629 billion, representing 19.72 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 2017, outstanding loans of the Issuer's 20 largest exposures amounted to FCFA 330.053 billion, representing 18.93 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 305.234 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 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 6.3 to the 2019 Half-Year Financial Statements, Note 6.3 to the 2018 Financial Statements, Note 5.2 to the 2017 Financial Statements, Note 5.2 to the 2016 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 30 June 2019, outstanding debt of the Issuer (excluding deposits made by financial institutions with the Issuer) amounted to FCFA 1,718.6 billion (€2,620 million), of which FCFA 1,186.4 billion (€1,809 million), or 69.03 per cent. of the resources was obtained from both the regional capital markets and the international financial markets and FCFA 532.2 billion (€811.4 million), was raised from external partners (including the World Bank, the AFD, the EIB, the KfW, the ADB, the China Development Bank).

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 991,053 billion (€1,510.8 million) in cumulative issuances as at 30 June 2019. During the years ended 31 December 2018 and 31 December 2017 no debt instruments were issued in these markets. During the year ended 31 December 2016, FCFA 78.23 billion (€119.3 million) in debt instruments were issued in these markets

through one issuance. Since 30 June 2019 and as of the date of this Offering Circular, there have been no issuances on the regional capital markets.

In March 2016, the Issuer issued FCFA 78.23 billion (€119.3 million) 5.9 per cent. notes due 2023, 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.

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 the outstanding loans granted by the Issuer to its customers.

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 30 June 2019, total resources raised by the Issuer from sources outside the WAEMU region amounted to FCFA 2,142.5 billion (€3.2 billion), compared to FCFA 2,011.3 billion (€3.06 billion) as at 31 December 2018, excluding non-repayable loans (FCFA 163.12 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. However, following the two issuances in U.S.$ on the international capital markets, the portion of the Issuer's borrowings in U.S.$ increased by 20 per cent. between 2016 and 2017 (from 32.72 per cent. to 50.45 per cent.), which consequently reduced the portion of the Issuer's borrowings in euro. As at 30 June 2019, resources in euros accounted for 26.27 per cent. of the Issuer's outstanding debt (24.13 per cent. as at 31 December 2018). 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 30 June 2019, borrowings at market rates accounted for 91.08 per cent. of such resources (91.07 per cent. as at

31 December 2018). 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 2016, 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.

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. In addition, the issuer raised in July 2017 for its second Eurobond U.S.$850,000,000 5 per cent. notes due 2027.

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 through borrowings from financial partners as at each of 30 June 2019 and 31 December 2018 amounted to FCFA 153.2 billion (€233.6 million) and FCFA 155.4 billion (€236.9 million), respectively.[5]

The total amount of grants received by the Issuer from various partners referred to above (AFD, IDA, AfDB, KfW, BADEA, OeEB) amounted to FCFA 518.8 billion (€790.9 million) as at 30 June 2019. 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 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,

[5] Amounts of concessional resources in this paragraph exclude accrued but unpaid interest.

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 climates 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 2018, 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 all 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 23 to the 2018 Financial Statements and Note 23 to the 2017 Financial Statements, Note 24 to the 2016 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.

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 accounting functions, since December 2014.

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 by SAP's HR module, including the payroll aspects. Certain human resource functions are managed by specific software, such as the performance management system. 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 includes the management of the disbursement and reimbursements of the loan. Now that the SAP's ERP has been stabilized, the Issuer is studying the possibility of implementing SAP's Banking module for the management of banking transactions.

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 many 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.

The Issuer is connected to internet through optical fiber and VSAT. These internet connections use redundant equipment with security components such as firewalls and traffic, Intrusion Prevention Systems and shaping equipment in order to ensure reliable traffic within the Issuer and with the outside world. All of the Issuer's offices are interconnected through the VSAT system, sharing the central IT system (including the PBX system at the headquarters).

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.

Currently, the Issuer is upgrading its BCP to ISO 22301, in order to have the capabilities to establish a better Business Continuity Management System (BCMS).

ISO 27001 Certification obtained by the Issuer in January 2017 has been maintained in 2018 and 2019 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 2016, 2017 and 2018 and for the six-month periods ended 30 June 2018 and 2019.

	31 December			30 June	
	2016 (audited)	**2017 (audited)**	**2018 (audited)**	**2018 (unaudited)**	**2019 (unaudited)**
	(FCFA millions)				
Total expenditure on IT investments	1,389.8	992.6	1,272.8	782.6	609.2

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 30 June 2019, the Issuer had 307 operational staff (excluding staff on secondment or on call), of which 60.26 per cent. were professional staff. All operational staff are nationals of the WAEMU Member States. 275 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 2016, 2017 and 2018 and as at 30 June 2018 and 2019.

	31 December			30 June	
Staff	**2016 (audited)**	**2017 (audited)**	**2018 (audited)**	**2018 (unaudited)**	**2019 (unaudited)**
Professional staff	153	151	171	165	185

Staff	31 December 2016 (audited)	31 December 2017 (audited)	31 December 2018 (audited)	30 June 2018 (unaudited)	30 June 2019 (unaudited)
Support staff	125	119	125	116	122
Total	**278**	**270**	**296**	**281**	**307**

The following table sets forth the Issuer's staff distribution by nationality and professional category as at 30 June 2019.

Nationality	Support staff	Professional staff
Burkina Faso	3	22
Benin	11	42
Côte d'Ivoire	3	22
Guinea Bissau	3	4
Mali	3	17
Niger	3	15
Senegal	3	19
Togo	93	44
Total	**122**	**185**

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 11 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 comprehensive income statement data of the Issuer for the years ended 31 December 2016, 2017 and 2018 and the selected statement of financial position data of the Issuer as at 31 December 2016, 2017 and 2018 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 2016, 2017 and 2018, which have been prepared by the Issuer under IFRS, audited by PWC, and English language translations of which are included elsewhere in this Offering Circular.

The selected comprehensive income statement data of the Issuer for the six-month periods ended 30 June 2018 and the selected statement of financial position data of the Issuer as at 30 June 2018 set out below have been derived from, and should be read in conjunction with and are qualified in their entirety by, the 2018 Half-Year Financial Statements of the Issuer, which have been prepared by the Issuer under IAS 34 "Interim Financial Reporting", and reviewed by PWC, and English language translation of which is included elsewhere in this Offering Circular.

The selected comprehensive income statement data of the Issuer for the six-month periods ended 30 June 2019 and the selected statement of financial position data of the Issuer as at 30 June 2019 set out below have been derived from, and should be read in conjunction with and are qualified in their entirety by, the 2019 Half-Year Financial Statements of the Issuer, which have been prepared by the Issuer under IAS 34, and reviewed by KPMG TG, and English language translation of which is included elsewhere in this Offering Circular. 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 annual and semi-annual financial statements under its periodic reporting obligations.

For a description of the basis of preparation of these financial statements, see the notes thereto and the auditors' report or review report, as the case may be, in respect of such financial statements, English language translations of which are included herein, and "*Presentation of Financial and Certain Other Information*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*".

Comprehensive Income

The table below sets forth the Issuer's results of operations for the years ended 31 December 2016, 2017 and 2018 and for each of the six-month periods ended 30 June 2018 and 2019.

	31 December			30 June	
	2016 (audited)	**2017 (audited)**	**2018 (audited)**	**2018 (unaudited)**	**2019 (unaudited)**
			(FCFA millions)		
Interest income	87,210	107,113	121,411	58,940	60,269
Interest expense	(59,734)	(78,218)	(84,911)	(40,634)	(36,875)
Net Interest Income	27,477	28,895	36,500	18,306	23,394
Commissions income	3,836	3,240	3,758	1,642	2,226
Commissions expense	(2,363)	(1,395)	(1,127)	(789)	(684)
Sub-total	28,949	30,740	39,131	19,159	24,935
Exchange rate gains	52	75,283	50	50	0
Exchange rate losses	(32,725)	(65)	(42,479)	(25,851)	(5,831)
Gains/(losses) on hedging instruments	34,271	(70,786)	53,470	31,421	11,239
Sub-total	30,548	4,432	11,041	5,620	5,409
Dividends received	3,583	3,847	3,703	1,447	2,194
Gains/(losses) on financial assets available for sale (IAS 39)	—	(1,600)	—	—	—
Gains/(losses) on financial assets designated at fair value through profit and loss (IFRS 9)	—	—	433	(278)	85
Net banking income	**34,131**	**37,420**	**54,308**	**25,948**	**32,623**
Cost of risk	**(6,017)**	**(3,499)**	**(9,778)**	**(2,794)**	**(603)**
Allocations from Member States	3,200	3,200	3,200	3,200	3,200
Other operating income	883	312	343	155	205
Expenses related to development activities	(1,627)	(1,890)	(5,174)	(1,093)	(1,918)
General operating expenses	(19,326)	(22,020)	(24,653)	(9,724)	(10,584)
Staff costs	(11,086)	(13,969)	(15,730)	(5,805)	(6,391)
Amortisation	(1,201)	(1,218)	(1,234)	(599)	(673)
Other	(7,040)	(6,833)	(7,689)	(3,321)	(3,520)
Other operating expenses	(695)	(228)	(73)	(62)	(31)
Other operating income	(17,565)	(20,626)	(26,357)	(7,525)	(9,128)
Income for the period	**10,548**	**13,295**	**18,173**	**15,629**	**22,893**
Other elements of income	—	—	—	—	—
Revaluation of fixed assets	—	—	—	—	—
Cash flow coverage	(12,864)	(25,848)	(717)	(19,287)	14,254
Variation in fair market value of securities available for sale	(6,998)	9,510	—	—	—
Elements not reclassified in income	—	—	—	—	—
Revaluation of net liabilities under defined benefit plans	(745)	73	(920)	—	—
Equity participation at fair value through OCI-net change in fair value	0	0	24,702	2,121	3,609
Other elements of income	**(20,607)**	**(16,264)**	**(23,064)**	**(17,166)**	**17,863**
Comprehensive income	**(10,059)**	**(2,970)**	**41,237**	**(1,537)**	**40,756**

Statements of Financial Position

The following table sets forth the Issuer's statement of financial position as at 31 December 2016, 2017 and 2018 and as at 30 June 2018 and 2019.

	31 December			30 June	
	2016 (audited)	**2017 (audited)**	**2018[1] (audited)**	**2018 (unaudited)**	**2019 (unaudited)**
			(FCFA millions)		
Assets					
Cash and cash equivalents	284,921	302,904	270,786	307,528	240,238
Net loans and receivables (net of provisions), of which:	1,860,051	2,154,020	2,150,773	2,248,259	2,208,195
Interbank deposits	33,421	122,674	70,144	108,932	69,284
Loans and advances to customers	1,550,385	1,755,018	1,801,520	1,796,372	1,878,423
Loans to personnel	6,421	6,164	10,751	11,430	11,196
Securities portfolio	171,437	263,282	261,476	253,775	242,410
Receivables from shareholders	98,307	86,662	6,882	77,685	6,882
Other[2]	79	—	—	65	—
Equity participations	72,097	88,101	126,559	94,116	133,296
Financial assets available for sale	72,097	88,101		94,116	
Financial assets designated at fair value through profit and loss	—	—	8,014	—	8,099
Financial assets designated at fair value through non-recyclable other comprehensive income (OCI)	—	—	118,545	—	125,197
Other assets	37,690	9,592	9,317	10,419	6,692
Accruals assets	—	9,823	2,120	—	2,143
Derivative assets	—	966	1,065	—	13,776
Intangible assets	719	516	333	403	203
Tangible assets	7,879	7,592	7,238	7,146	6,947
Total Assets	**2,263,357**	**2,653,295**	**2,568,191**	**2,667,870**	**2,611,490**
Liabilities					
Amortised liabilities	1,466,600	1,751,976	1,740,300	1,783,030	1,718,623
Interbank debts	15,937	4,553	6,625	5,572	10,133
Debt represented by a security	1,018,843	1,284,276	1,253,872	1,253,981	1,186,410
Other	431,819	463,147	479,802	523,477	522,080
Other liabilities	20,951	2,230	2,401	9,576	3,578
Derivative liabilities		76,439	23,786	64,406	11,003
Accrual liabilities		14,372	5,730	10,589	10,080
Funds	45,389	81,740	113,251	99,456	133,556
Provisions	7,618	6,790	7,539	7,130	7,921
Total liabilities	1,540,558	1,933,547	1,893,007	1,974,188	1,884,761
Capital	270,457	273,375	206,580	273,375	219,466
Subscribed capital	1,097,750	1,103,650	1,103,650	1,103,650	1,103,650
Callable capital	(821,805)	(826,230)	(826,230)	(826,230)	(826,230)
Unpaid capital[3]	—	—	(67,975)	70,940	(55,089)
Costs related to deferred release of capital	(5,489)	(4,046)	(2,865)	(4,046)	(2,865)
Share premium	2,622	2,622	2,622	2,622	2,622
Reserves	449,721	443,752	465,982	417,686	504,641
Reserves allocated to development activity	76,050	76,050	76,050	76,050	76,050

	31 December			30 June	
	2016 (audited)	**2017 (audited)**	**2018[1] (audited)**	**2018 (unaudited)**	**2019 (unaudited)**
			(FCFA millions)		
Reserves of cash flow hedges	(12,864)	(38,711)	(39,429)	(57,998)	(25,175)
Remeasurements of defined benefit liability	(924)	2,165	1,245	2,165	1,245
Fair value reserves (on available for sale financial assets)	6,477	15,987	—	—	—
Net gains on investments in equity instruments designated at fair value through non-recyclable other comprehensive income	—	—	40,689	18,108	44,297
Other reserves	26	26	26	26	26
Retained earnings	370,408	374,941	369,229	363,707	385,305
Profit/loss for the period	10,548	13,295	18,173	15,629	22,893
Total shareholders' equity	722,800	639,968	675,184	693,682	726,729
Total Liabilities and Capital	**2,263,357**	**2,653,295**	**2,568,191**	**2,667,870**	**2,611,490**

Note:

(1) On 1 January 2018, the Issuer adopted IFRS 9, which specifies how an entity should classify and measure financial assets, financial liabilities, and some contracts to buy or sell non-financial items and has an impact on provisions and impairments. As a result, figures as of and for the years ended 31 December 2017 and 31 December 2018 may not be comparable. See Note 4 to the 2018 Financial Statements and in particular Note 4.3.1, which contains a comparison of the 31 December 2018 statement of financial position sheet of the Issuer with the one as at 31 December 2017, to which IFRS 9 has been applied.

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

(3) For the first time in the 2018 Financial Statements, the Issuer decided to introduce a new line item, "Unpaid Capital", in the breakdown of the "Capital" line item in its balance sheet. Unpaid Capital represents called capital to be paid over time in accordance with a prescribed timetable. Previously, this amount was not deducted from the "Capital" line item. The presentation of 2017 comparative column of the 31 December 2018 balance sheet included in the 2018 Financial Statements was restated (compared to the 31 December 2017 balance sheet included in the 2017 Financial Statements) to be consistent with this new presentation. Unless otherwise indicated, the amounts discussed in this Offering Circular are those following the new presentation.

The table below shows the "Capital" line item and its breakdown as at 31 December 2016, 2017 and 2018 and as at 30 June 2018 and 2019 following this new presentation, and a reconciliation to the pre-2018 presentation:

	31 December			30 June	
	2016 (audited)	**2017 (audited)**	**2018 (audited)**	**2018 (unaudited)**	**2019 (unaudited)**
			(FCFA millions)		
Capital	182,846	193,594	206,580	206,481	219,466
Subscribed capital	1,097,750	1,103,650	1,103,650	1,103,650	1,103,650
Callable capital	(821,805)	(826,230)	(826,230)	(826,230)	(826,230)
Unpaid capital	(87,6211)	(79,781)	(67,975)	(66,894)	(55,089)
Costs related to deferred release of capital	(5,489)	(4,046)	(2,865)	(4,046)	(2,865)
Capital (before change in presentation)	*270,457*	*273,375*		*273,375*	
New "Unpaid capital" line item	(87,6211)	(79,781)		(66,894)	
Capital (after change in presentation)	***182,846***	***193,594***		***206,481***	

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 2016, 2017 and 2018 and for each of the six-month periods ended 30 June 2018 and 2019.

	31 December			30 June	
	2016	**2017**	**2018**	**2018**	**2019**
			(%)		
return on average equity[(1)]	1.4	2.0	2.8	2.3	3.2
return on average assets[(2)]	0.5	0.5	0.7	0.6	0.9
operating ratio (excluding amortisation).....:	53.1	55.6	43.1	35.2	30.4
operating ratio (including amortisation)[(3)].....:	56.6	58.8	45.4	37.5	32.4

Notes:

(1) Return on average equity = Income for the period "Y" / ((total equity "Y-1" + total equity "Y")/2).

(2) Return on average assets = Income for the period "Y" / ((total assets "Y-1" + total assets "Y")/2).

(3) 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 2018 Financial Statements, the 2017 Financial Statements and the 2016 Financial Statements, the 2018 Half-Year Financial Statements and the 2019 Half-Year 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. 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 annual and semi-annual financial statements under its periodic reporting obligations.

The Financial Statements reflect all of the Issuer's operations and activities including its operations through all of the Bank Window, the FDC Window and the FDE Window.

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 the WAEMU Member States and their public sector entities or agencies and to private sector entities, in each case at market rates. The table below sets out the proportions of gross outstanding loans extended through the Bank Window to the WAEMU Member States and their public sector entities or agencies, on the one hand, and to private sector entities, on the other:

	31 December			30 June	
	2016 (audited)	**2017 (audited)**	**2018 (audited)**	**2018 (unaudited)**	**2019 (unaudited)**
			(%)		
Public sector	61.9	61.3	57.9	60.9	55.2
Private sector	38.1	38.7	42.1	39.1	44.8
Total	100.0	100.0	100.0	100.0	100.0

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 54.1 per cent. of its gross outstanding loans as at 30 June 2019, compared to 53.3 per cent. as at 31 December 2018. 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 to the Issuer on a yearly basis to which the Issuer contributes an additional FCFA 3 billion every year. The Issuer resumed its FDC Window activities in mid-2016. The activities of the FDC Window represented 39.1 per cent. of the Issuer's gross outstanding loans as at 30 June 2019, compared to 39.7 per cent. as at 31 December 2018. 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 6.8 per cent. of the Issuer's gross outstanding loans as at 30 June 2019, compared to 6.9 per cent. as at 31 December 2018. 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 2018, 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 Senegal) 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 was 6.6 per cent. in 2018 compared to 6.6 per cent. in 2017 and 6.4 per cent. in 2016. This modest increase in growth rates between 2016 and 2017 and then their stability between 2017 and 2018 reflects contrasted situations in the different WAEMU member states. As published by the WAEMU Commission, the 2018 growth rate in each of the WAEMU Member States was as follows: Benin (6.7 per cent. as against 5.8 per cent. in 2017 and 4.0 per cent. in 2016), Burkina Faso (6.6 per cent. as against 6.3 per cent. in 2017 and 5.9 per cent. in 2016), Côte d'Ivoire (7.4 per cent. as against 7.7 per cent. in 2017 and 8.0 per cent. in 2016), Guinea Bissau (3.8 per cent. as against 5.9 per cent. in 2017 and 6.3 per cent. in 2016), Mali (4.9 per cent. as against 5.4 per cent. in 2017 and 5.8 per cent. in 2016), Niger (6.5 per cent. as against 4.9 per cent. in 2017 and 4.9 per cent. in 2016),

Senegal (6.7 per cent. as against 7.1 per cent. in 2017 and 6.4 per cent. in 2016) and Togo (4.9 per cent. as against 4.4 per cent. in 2017 and 4.9 per cent. in 2016). Continued investment infrastructure and good climate conditions, resulting in improved harvests, continued to be the main drivers of growth, but political instability and security issues impacted growth in certain countries, notably Guinea Bissau and Mali. In Côte d'Ivoire, according to a July 2019 Worldbank report, the decrease in the rate of growth was mainly due to a decrease in the contribution of the agricultural and the private sectors. In Senegal, slower growth in the secondary sector is, according to a June 2019 Worldbank report, the cause of the slower growth in 2018, compared to 2017.

In 2018, economic activity in the WAEMU region was also marked by an overall increase in consumer prices, with an average annual inflation rate of 0.9 per cent. as against 1.1 per cent. in 2017 and (0.3) per cent. in 2016. This very low inflation rate was primarily the result of lower food prices, following a strong harvest, and the measures taken by governments to ensure a regular supply of goods to markets.

In 2018, the WAEMU region maintained its growth rate, which reached 6.6 per cent. for 2018 (as against 6.6 per cent. in 2017 and 6.4 per cent. in 2016), which is a higher rate than in sub-Saharan Africa, which was 3.0 per cent. for 2018. Such performance is expected to be maintained in the coming years, with an annual growth rate in real GDP expected at 6.8 per cent. on average in the 2019-2021 period according to the WAEMU Commission[6]. 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. In a currently 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 issuances of its U.S.$750,000,000 5.5 per cent. notes due 2021 in May 2016, its U.S.$850,000,000 5.0 per cent. notes due 2027 in July 2017 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.

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

[6] (Source: WAEMU Commission, *Rapport d'exécution de la surveillance multilaterale*, June 2019)

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 2018, 2017 and 2016, and for the six-month periods ended 30 June 2018 and 2019.

	31 December			30 June	
	2016 (audited)	**2017 (audited)**	**2018 (audited)**	**2018 (unaudited)**	**2019 (unaudited)**
			(%)		
Net interest margin	0.4	0.8	1.1	1.0	1.4

The net interest margin improved over the three-year period from 0.4 per cent. in 2016 to 1.1 per cent. in 2018, in particular due to the acquisition of resources at favourable rates thanks to the two issuances on the international financial markets.

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 54.97 per cent. and 3.49 per cent., respectively, of its total borrowings as at 30 June 2019 compared to 53.32 per cent. and 3.49 per cent. as at 31 December 2018. U.S. dollars and SDRs represented 50.5 per cent. and 3.5 per cent., respectively, of the Issuer's total borrowings as at 31 December 2017 and 32.7 per cent., and 4.7 per cent., respectively, of its total borrowings as at 31 December 2016. This increase in the share of the U.S. dollar-denominated borrowings is the result of the issuances of the U.S.$750,000,000 5.5 per cent. notes due 2021 and the U.S.$850,000,000 5.0 per cent. notes due 2027. 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 30 June 2019, the total outstanding amount of borrowings in currencies other than the FCFA of the Issuer was FCFA 1,428.8 billion equivalent representing 196.6 per cent. of shareholders' equity and reserves as at that date, compared to FCFA 1,380 billion equivalent, representing 204.4 per cent. of shareholders' equity and reserves as at 31 December 2018.

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. Funding started in 2016 with the Issuer resuming concessional financing in mid-2016.

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, (iii) a FCFA 5 billion contribution by the BCEAO and (iv) a FCFA 3 billion contribution by the Issuer. 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. These are target amounts and, while they have on the whole consistently been attained since 2016, the WAEMU Member States' contribution has always been slightly below target. For 2018, the Interest Subsidy Mechanism was funded for a total amount of FCFA 28 billion, as follows (i) WAEMU Member States contributed FCFA 15 billion, (ii) the BCEAO FCFA 5 billion, (iii) WAEMU Commission FCFA 5 billion and (iv) 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.

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.

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 2016, 2017 and 2018, and the six-month periods ended 30 June 2019 and 2018 is set out in the table below.

The table below sets out the weighted average interest rates on loans extended by the Issuer for each of the years ended 31 December 2016, 2017 and 2018 and for each of the six-month periods ended 30 June 2018 and 2019.

	31 December			30 June	
	2016 (audited)	**2017 (audited)**	**2018 (audited)**	**2018 (unaudited)**	**2019 (unaudited)**
Weighted average interest rate					
Weighted average interest rates on loans extended through the FDC Window	2.5%	2.5%	2.7%	2.6%	2.7%
Weighted average interest rates on loans extended through the Bank Window	7.8%	7.2%	7.1%	6.8%	6.9%
Weighted average interest rates on loans extended through the FDE Window	1.62%	1.56%	1.67%	1.63%	1.67%
Weighted average interest rates on all loans	5.3%	5.3%	5.4%	5.2%	5.3%

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 2018, the Issuer's funding consisted of FCFA 206.6 billion (€314.9 million) in paid-in capital and FCFA 465.9 billion (€710.3 million) in reserves. As at the same date, the Issuer's funding comprised of borrowings, amounted to FCFA 1,705.2 billion (€2,600 million), consisting of FCFA 154.97 billion (€236 million) in concessional resources and FCFA 1,550.2 billion (€2,363 million) in market rate sovereign loan resources. From its inception in December 2015 to 31 December 2018, resources granted to the Issuer pursuant to the Interest Subsidy Mechanism represented an amount of FCFA 80.776 billion (€123.14 million).[7]

As at 30 June 2019, the Issuer's funding consisted of FCFA 219.5 billion (€334.6 million) in paid-in capital and FCFA 504.6 billion (€769.3 million) in reserves. As at the same date, the Issuer's funding comprised of borrowings amounted to FCFA 1,686.3 billion (€2,570.8 million), consisting of FCFA 152.7 billion (€232.8 million) in concessional resources and FCFA 1,533.6 billion (€2,338 million) in market rate sovereign loan resources. As at 30 June 2019, the Interest Subsidy Mechanism represented a resource of FCFA 108.32 billion (€165.1 million).[8]

[7] Amounts of concessional resources in this paragraph include accrued but unpaid interest.

[8] Amounts of concessional resources in this paragraph include accrued but unpaid interest.

The following table sets out the all-in cost of borrowing for the Issuer for each of the years ended 31 December 2016, 2017 and 2018 and for each of the six-month periods ended 30 June 2018 and 2019.

	31 December			30 June	
	2016 (audited)	**2017 (audited)**	**2018 (audited)**	**2018 (unaudited)**	**2019 (unaudited)**
Cost of borrowing					
Cost of borrowing for the FDC Window	1.0%	1.5%	1.6%	1.7%	1.8%
Cost of borrowing for the Bank Window	5.0%	4.6%	4.6%	4.5%	4.0%
Average cost of borrowing	5.0%	4.5%	4.3%	4.2%	3.9%

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 years ended 31 December 2016, 2017, 2018 and the six-month periods ended 30 June 2018 and 2019 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. 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 annual and semi-annual financial statements under its periodic reporting 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 49.6 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).

Comprehensive Income

The table below sets forth the Issuer's results of operations for the years ended 31 December 2016, 2017 and 2018 and for each of the six-month periods ended 30 June 2018 and 2019.

	31 December			30 June	
	2016 (audited)	**2017 (audited)**	**2018 (audited)**	**2018 (unaudited)**	**2019 (unaudited)**
			(FCFA millions)		
Interest income	87,210	107,113	121,411	58,940	60,269
Interest expense	(59,734)	(78,218)	(84,911)	(40,634)	(36,875)
Net Interest Income	27,477	28,895	36,500	18,306	23,394
Commissions income	3,836	3,240	3,758	1,642	2,226
Commissions expense	(2,363)	(1,395)	(1,127)	(789)	(684)
Sub-total	28,949	30,740	39,131	19,159	24,935
Exchange rate gains	52	75,283	50	50	0
Exchange rate losses	(32,725)	(65)	(42,479)	(25,851)	(5,831)
Gains/(losses) on hedging instruments	34,271	(70,786)	53,470	31,421	11,239
Sub-total	30,548	4,432	11,041	5,620	5,409
Dividends received	3,583	3,847	3,703	1,447	2,194
Gains/(losses) on financial assets available for sale (IAS 39)	—	(1,600)	—	—	—
Gains/(losses) on financial assets designated at fair value through profit and loss (IFRS 9)	—	—	433	(278)	85
Net banking income	**34,131**	**37,420**	**54,308**	**25,948**	**32,623**
Cost of risk	**(6,017)**	**(3,499)**	**(9,778)**	**(2,794)**	**(603)**
Allocations from Member States	3,200	3,200	3,200	3,200	3,200
Other operating income	883	312	343	155	205
Expenses related to development activities	(1,627)	(1,890)	(5,174)	(1,093)	(1,918)
General operating expenses	(19,326)	(22,020)	(24,653)	(9,724)	(10,584)
Staff costs	(11,086)	(13,969)	(15,730)	(5,805)	(6,391)
Amortisation	(1,201)	(1,218)	(1,234)	(599)	(673)
Other	(7,040)	(6,833)	(7,689)	(3,321)	(3,520)
Other operating expenses	(695)	(228)	(73)	(62)	(31)
Other operating income	(17,565)	(20,626)	(26,357)	(7,525)	(9,128)
Income for the period	**10,548**	**13,295**	**18,173**	**15,629**	**22,893**
Other elements of income	—	—	—	—	—
Revaluation of fixed assets	—	—	—	—	—
Cash flow coverage	(12,864)	(25,848)	(717)	(19,287)	14,254
Variation in fair market value of securities available for sale	(6,998)	9,510	—	—	—
Elements not reclassified in income	—	—	—	—	—
Revaluation of net liabilities under defined benefit plans	(745)	73	(920)	—	—
Equity participation at fair value through OCI-net change in fair value	0	0	24,702	2,121	3,609
Other elements of income	**(20,607)**	**(16,264)**	**(23,064)**	**(17,166)**	**17,863**
Comprehensive income	**(10,059)**	**(2,970)**	**41,237**	**(1,537)**	**40,756**

Results of operations for the six-month periods ended 30 June 2018 and 2019

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 1.3 billion, or 2.25 per cent., to FCFA 60.3 billion in the six-month period ended 30 June 2019, from FCFA 58.9 billion in the six-month period ended 30 June 2018. This evolution is due to the increase in the interest loans 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 six-month periods ended 30 June 2018 and 2019.

	30 June	
	2018 (unaudited)	**2019 (unaudited)**
	(FCFA millions)	
Interest income on loans and advances to customers	44,279	47,203
Interest and similar income/interbank receivables	6,525	4,469
Interest on securities portfolio.....	7,451	7,903
Commitment charges on loans	575	556
Interest income on personal loans to staff members.....	109	137
**Interest and related income ..... **	**58,940**	**60,269**

Interest and similar income on interbank receivables decreased by FCFA 2.1 billion, or 31.5 per cent., to FCFA 4.5 billion in the six-month period ended 30 June 2019, from FCFA 6.5 billion in the six-month period ended 30 June 2018. This evolution is due to the repayment at maturity of interbank deposits with commercial banks.

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 73.0 per cent. of total banking income, respectively, in the six-month period ended 30 June 2019, compared to 75.1 per cent. and 71.3 per cent., respectively, in the six-month period ended 30 June 2018. 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 (until 1 January 2018 under IAS 39) and financial assets designated at fair value through profit and loss (since 1 January 2018 under IFRS 9). Interest on loans and advances to customers increased by FCFA 2.9 billion, or 6.6 per cent., from FCFA 44.3 billion in the six-month period ended 30 June 2018 to FCFA 47.2 billion in the six-month period ended 30 June 2019. This evolution is due to the increase in the loan portfolio and increased drawings on existing loans, in particular Bank Window loans.

Income on the Issuer's securities portfolio increased by FCFA 0.5 billion, or 6.1 per cent., to FCFA 7.9 billion in the six-month period ended 30 June 2019, from FCFA 7.5 billion in the six-month period ended 30 June 2018. This evolution is due to the combined effect of the increase in the weighted average outstanding securities portfolio and the average interest rate from 30 June 2018 to 30 June 2019.

Commitment charges on loans are commitment fees payable by borrowers, which are calculated on the committed but undisbursed amount of loans. These fees decreased by FCFA 19 billion, or 3.2 per cent., to FCFA

0.556 billion in the six-month period ended 30 June 2019, from FCFA 0.57 billion in the six-month period ended 30 June 2018 as a result of the increase drawings under loan commitments.

Interest payable and similar expenses

The following table sets forth the Issuer's interest payable and similar expenses for the six-month period ended 30 June 2018 and 2019.

	30 June	
	2018 (unaudited)	**2019 (unaudited)**
	(FCFA millions)	
Interest expense on debt securities	32,353	29,602
Interest expense on other debts (borrowings from financial partners)	8,066	7,180
Retroceded income related to the FDE Window	—	—
Fees/commitments received	215	93
Interest and similar expense	40,634	36,875

Interest and similar expenses decreased by FCFA 3.8 billion, or 9.0 per cent., to FCFA 36.9 billion in the six-month period ended 30 June 2019, from FCFA 40,6 billion in the six-month period ended 30 June 2018. This evolution is mainly due to the decrease in the borrowings of the Issuer.

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 decreased by FCFA 2.8 billion, or 8.5 per cent., to FCFA 29.6 billion in the six-month period ended 30 June 2019, from FCFA 32.3 billion in the six-month period ended 30 June 2018. This evolution is due to the reimbursement of matured borrowings of the Issuer. Balances of borrowings from the regional capital markets amounted to FCFA 257.5 billion as at 30 June 2019, compared to FCFA 347.8 billion as at 30 June 2018, while the weighted average interest rates of market borrowings amounted to 5.9 per cent. for the six-month period ended 30 June 2019, compared to 5.7 per cent. for the six-month period ended 30 June 2018.The weighted average interest rate for the Issuer's total outstanding bond issuances as at 30 June 2019 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 and the international capital markets (e.g. borrowings from AFD, KfW, AfDB, etc.). This amount decreased by FCFA 0.8 billion, or 11.0 per cent., to FCFA 7.2 billion in the six-month period ended 30 June 2019, from FCFA 8.0 billion in the six-month period ended 30 June 2018. This evolution resulted from the combination of the decrease in borrowings, from FCFA 523.5 billion as at 30 June 2018 to FCFA 522.1 billion as at 30 June 2019, and a decrease in the cost of such borrowings over the periods under review.

Net interest income

Net interest income increased by FCFA 5.1 billion, or 27.8 per cent., to FCFA 23.4 billion in the six-month period ended 30 June 2019, from FCFA 18.3 billion in the six-month period ended 30 June 2018 as a result of both the increase of the interest income from the increased loan portfolio and drawings from existing loans and the decrease in interest expense on the Issuer's borrowings.

Credit margin

The Issuer's credit margin (defined as the difference between the weighted average interest rates on all loans and the average cost of borrowing) increased over the period from the year ended 31 December 2016 through the year ended 31 December 2017. It increased from 1.0 per cent. for the six-month period ended 30 June 2018 to 1.4 per cent for the six-month period ended 30 June 2019 (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 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 six-month periods ended 30 June 2018 and 2019.

	30 June	
	2018 (unaudited)	**2019 (unaudited)**
	(FCFA millions)	
Commissions on loan syndication and financial services	690	1,047
Commissions earned on document processing fees	504	890
AGF West Africa guarantee commission	330	163
Other flat commissions	76	113
Commissions on guarantees/bond issues	42	13
Total Commissions	**1,642**	**2,226**

In order of size of contribution, these commissions include the following:

- Commissions on loan syndication and financial services, relate to mandates to provide funding to the WAEMU Member States and other public enterprises and local communities in the WAEMU region. The increase in this amount during the period under review was driven by the increasing volume of loan syndication mandates handled by the Issuer.
- Document processing fees are payable by borrowers in the commercial sector and are recognised by the Issuer when loans are granted. The increase in this amount over the period under review reflects the increasing volume of loans granted during the period.
- AGF West Africa commissions are payable by those clients who have subscribed a guarantee provided by the AGF West Africa funds. The decrease in this amount during the period under review reflect a decrease in the activity of the AGF West Africa.
- Other flat commissions are expenses relating to loan syndication mandates to provide funding to commercial borrowers arranged by the Issuer. The increase in this amount during the period under review reflect the increase in mandates obtained by the Issuer.

- Commissions on guarantees/bond issues are commissions earned by the Issuer on guarantees granted by it to issuers of bonds on the regional capital markets. The decrease 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.

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 six-month periods ended 30 June 2018 and 2019.

	30 June	
	2018 (unaudited)	**2019 (unaudited)**
	(FCFA millions)	
Listing expenses	—	—
Other expenses on debt securities	233	73
Other commissions on loans	299	611
Losses on disposal of debt securities	25	—
Arrangement fee-sharing commissions	232	—
Total Commission Expenses	**789**	**684**

Total commission expenses decreased by FCFA 0.105 billion, or 13.3 per cent., to FCFA 0.684 billion in the six-month period ended 30 June 2019, from FCFA 0.789 billion in the six-month period ended 30 June 2018. The decrease in Other expenses on debt securities (which consist of expenses on debt securities issued on the regional capital markets) over the periods under review corresponds to the decrease in the amount of debt represented by a securities issued on the regional capital markets, from FCFA 347.8 billion as at 30 June 2018 to FCFA 257.5 billion as at 30 June 2019. Other commissions on loans increased in line with the amount of new loan, yet not fully drawn, made to the Issuer between the two periods. The decrease in arrangement fee-sharing commissions corresponds to a situation during the first half of 2018 in which the Issuer had to pay fees to another entity which was a sub-participant to a loan arranged by the Issuer.

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 privileges 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 U.S.$850,000,000 5.0 per cent. notes due 2027). As at 30 June 2019, 58.5 per cent. of the Issuer's borrowings were in SDR and U.S. dollars, and the remainder in FCFA and euros. 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 six-month periods ended 30 June 2018 and 2019.

	30 June	
	2018 (unaudited)	**2019 (unaudited)**
	(FCFA millions)	
Exchange gains	50	0
Exchange losses	(25,851)	(5,831)
Gains (losses) on hedging instruments	31,421	11,239

As the U.S. dollar strengthened against the euro over the first half of 2018 and 2019, the Issuer recorded non-cash exchange losses as the market value of its foreign currency debt burden (including the U.S.$750,000,000 5.5 per cent. notes due 2021 and U.S.$850,000,000 5.0 per cent. notes due 2027) increased in consequence. However, this was more than offset by non-cash gains 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 is set out in Note 7 to the 2019 Half-Year Financial Statements. The Issuer earned dividends from its equity holdings of FCFA 2.2 billion in the six-month period ended 30 June 2019, compared to FCFA 1.4 billion in the six-month period ended 30 June 2018. The increase is the result of the good performance of the companies into which the Issuer has invested. The amount received in 2019 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. Since 1 January 2018 the equity participations are recorded as follows:

- at fair value per income: this default classification is mandatory for equity instruments held for transactions;
- at fair value in other comprehensive income: this option was selected for all equity transactions of the Bank considered as strategic in line with its development mission.

See Note 2.12.1 to the 2018 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 six-month period ended 30 June 2019.

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 25.9 billion and FCFA 32.6 billion in the six-month periods ended 30 June 2018 and 2019, respectively. The 25.7 per cent. increase in net banking income from the six-month period ended 30 June 2018 to the six-month period ended 30 June 2019 was mainly due to the increase in net interest and commission income to FCFA 24.9 billion in the six-month period ended 30 June 2019 from FCFA 19.2 billion in the six-month period ended 30 June

2018 and dividends received to FCFA 2.2 billion in the six-month period ended 30 June 2019 from FCFA 1.4 billion in the six-month period ended 30 June 2018.

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 0.6 billion in the six-month period ended 30 June 2019, a decrease of FCFA 2.2 billion, or 78.4 per cent., from FCFA 2.8 billion in the six-month period ended 30 June 2018. 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 six-month period ended 30 June 2018 and the six-month period ended 30 June 2019. 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 0.21 billion in the six-month period ended 30 June 2019, an increase of FCFA 0.05 billion from FCFA 0.16 billion in the six-month period ended 30 June 2018.

Expenses related to development activities

Expenses related to development activities include expenses relating to the Issuer's interest subsidies (which are financial through the Interest Subsidy Mechanism – see below) 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.

The following table sets forth the expenses related to development activities for the six-month periods ended 30 June 2018 and 2019.

	30 June	
	2018 (unaudited)	**2019 (unaudited)**
	(FCFA millions)	
Interest subsidies on concessional loans	1,093	1,918

	30 June	
	2018 (unaudited)	**2019 (unaudited)**
	(FCFA millions)	
Expenses related to development activities	**1,093**	**1,918**

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 six-month periods ended 30 June 2018 and 2019, excluding the defined benefit pension plans.

	30 June	
	2018 (unaudited)	**2019 (unaudited)**
	(FCFA millions)	
Staff costs	5,805	6,391
Provisions	599	673
Other operating expenses	3,321	3,520
General operating expenses	**9,724**	**10,584**

General operating expenses increased by FCFA 0.9 billion, or 8.8 per cent., to FCFA 10.6 billion in the six-month period ended 30 June 2019, from FCFA 9.7 billion in the six-month period ended 30 June 2018. This evolution was primarily due to an increase in staff costs due to the impact of promotions which mechanically increase the overall level of compensation.

Income for the period

Income for the period amounted to FCFA 22.9 billion in the six-month period ended 30 June 2019, an increase of FCFA 7.3 billion compared to income for the period of FCFA 15.6 billion in the six-month period ended 30 June 2018.

Results of operations for the years ended 31 December 2018, 2017 and 2016

Interest income and expense

Interest and related income increased by FCFA 14.3 billion, or 13.3 per cent., to FCFA 121.4 billion in the year ended 31 December 2018 from FCFA 107.1 billion in the year ended 31 December 2017, which itself represented an increase of FCFA 19.9 billion, or 22.8 per cent., from FCFA 87.2 billion in the year ended 31 December 2016. 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 2016, 2017 and 2018.

	31 December		
	2016 (audited)	**2017 (audited)**	**2018 (audited)**
		(FCFA millions)	
Interest income on loans and advances to customers	74,296	83,997	92,328
Interest and similar income/interbank receivables	6,499	8,752	12,341
Interest on securities portfolio	4,792	12,143	14,963
Commitment charges on loans	1,441	2,040	1,530
Interest income on personal loans to staff members	182	181	249
Interest and related income	**87,210**	**107,113**	**121,411**

Interest income on loans and advances to customers represented 76.0 per cent. of total interest income and 50.6 per cent. of total banking income, respectively, in 2018, 78.4 per cent. and 44.5 per cent., respectively, in 2017, and 85.2 per cent. and 57.6 per cent., respectively, in 2016. It increased by FCFA 8.3 billion, or 9.9 per cent., to FCFA 92.3 billion in the year ended 31 December 2018, from FCFA 83.9 billion in the year ended 31 December 2017, which itself represented an increase of FCFA 9.7 billion, or 13.1 per cent., from FCFA 74.3 billion in the year ended 31 December 2016. The increase in 2018 is due to the increase in the loan portfolio and increased drawings on existing loans, in particular Bank Window loans. The increase in 2017 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 41.0 per cent. to FCFA 12.3 billion in the year ended 31 December 2018, from FCFA 8.8 billion in the year ended 31 December 2017, itself an increase of FCFA 2.2 billion, or 34.7 per cent., from FCFA 6.5 billion in the year ended 31 December 2016. The evolution in 2018 is due to investments in term deposits and short-term interbank loans in the banks of the WEAMU zone in 2017 and 2018 (for an amount of FCFA 175.2 billion) as the Issuer invested the proceeds of the U.S.$750,000,000 5.5 per cent. notes due 2021 and of the U.S. $850,000,000 5.0 per cent. Notes due 2027. The increase in 2017 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 2018, after deduction of the fee, was 0.1, compared to 0.2 per cent. in 2017 and 0.1 in 2016.

Interest on the Issuer's securities portfolio increased by FCFA 2.8 billion, or 23.2 per cent., to FCFA 14.9 billion in the year ended 31 December 2018, from FCFA 12.1 billion in the year ended 31 December 2017, which itself increased by FCFA 7.4 billion, or 153.4 per cent., from FCFA 4.8 billion in the year ended 31 December 2016. This evolution in 2017 was due to increased investment in treasuries in 2017 in an amount of FCFA 256.8

billion as at 31 December 2017, compared to FCFA 168.1 billion in 2016. As at 31 December 2017, the Issuer invested the proceeds of the U.S.$850,000,000 5.0 per cent. notes due 2027. 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 0.5 billion, or 25.0 per cent., to FCFA 1.5 billion in the year ended 31 December 2018, from FCFA 2.0 billion in the year ended 31 December 2017, itself an increase of FCFA 0.6 billion, or 41.6 per cent. from FCFA 1.4 billion in the year ended 31 December 2016. The evolution in 2018 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 2017 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 2016, 2017 and 2018.

	31 December		
	2016 (audited)	**2017 (audited)**	**2018 (audited)**
		(FCFA millions)	
Interest expense on debt securities	44,230	55,222	64,225
Interest expense on other debts (borrowings from financial partners)	14,539	16,252	15,923
Retroceded income related to the FDE Window	723	378	-
Fees/commitments received	242	649	709
Financial costs-Discounting effect		5,717	4,054
Interest and similar expense	**59,734**	**78,218**	**84,911**

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, CDB, World Bank, OeEB and Proparco) and from the regional capital markets to finance its funding commitments to borrowers. Interest and similar expenses increased by FCFA 6.7 billion, or 8.6 per cent., to FCFA 84.9 billion in the year ended 31 December 2018 from FCFA 78.2 billion in the year ended 31 December 2017, itself an increase of FCFA 18.5 billion, or 30.9 per cent., from FCFA 59.7 billion in the year ended 31 December 2016.

Interest expense on debt securities increased by FCFA 9.0 billion, or 16.3 per cent., to FCFA 64.2 billion in the year ended 31 December 2018, from FCFA 55.2 billion in the year ended 31 December 2017, itself a significant increase of FCFA 10.9 billion, or 24.9 per cent., from FCFA 44.2 billion in the year ended 31 December 2016, primarily due to the increasing volume of debt issued on the capital markets. The significant increase in 2018 is the result of the issuances of the U.S.$750,000,000 5.5 per cent. notes due 2021 in July 2017 and the U.S.$850,000,000 5.0 per cent. notes due 2027 in May 2016. The Issuer has not raised funding on the local markets since 2016.

Interest expense on other debts decreased by FCFA 0.3 billion, or 2.0 per cent., to FCFA 15.9 billion in the year ended 31 December 2018, from FCFA 16.2 billion in the year ended 31 December 2017, itself an increase of FCFA 1.7 billion, or 11.8 per cent., from FCFA 14.5 billion in the year ended 31 December 2016. The weighted average interest rate for the Issuer's borrowings at arm's length was 3.4 per cent. in 2018, 3.64 per cent. in 2017 and 3.4 per cent. in 2016. Drawings on external funding amounted to FCFA 106.9 billion, FCFA 88.5 billion and FCFA 85.8 billion, respectively as at 31 December 2018, 2017 and 2016. The evolution of interest expense on other debt over the period reflects the combination of the weighted average interest rate on the Issuer's borrowings over the three-year period as indicated above, and the increase over the three-year period in the drawings on external funding, also as indicated above.

Net interest income

For the reasons set out above, net interest income increased by FCFA 7.6 billion, or 26.3 per cent., to FCFA 36.5 billion in the year ended 31 December 2018, from FCFA 28.9 billion in the year ended 31 December 2017, itself an increase of FCFA 1.4 billion, or 5.2 per cent., from FCFA 27.5 billion in the year ended 31 December 2016.

Credit margin

The Issuer's credit margin (defined as the difference between the weighted average interest rates on all loans and the average cost of borrowing) increased over the period from 31 December 2016 through 31 December 2018. It went from 0.2 per cent for the year ended 31 December 2016, to 0.3 per cent. for the year ended 31 December 2017, 0.4 per cent. for the year ended 31 December 2018 (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 2016, 2017 and 2018.

	31 December		
	2016 (audited)	**2017 (audited)**	**2018 (audited)**
		(FCFA millions)	
Commissions on loan syndication and financial services	1,984	1,767	1,464
Commissions earned on document processing fees	896	1064	1458
AGF West Africa guarantee commission	106	128	437
Other flat commissions	525	70	285
Commissions on guarantees/bond issues	325	211	114
Total Commissions	**3,836**	**3,240**	**3,758**

During the period under review, commissions on loan syndication and financial services decreased, in line with the volumes of loan syndication mandates handled by the Issuer. The changes in document processing fees

reflect the increase in the volume of loans granted during the period. Similarly, AGF West Africa commissions increased in line with the activity of the AGF West Africa. Other flat commissions decreased from 2016 to 2017 and increased from 2017 to 2018 as the Issuer obtained less mandates in 2017 compared to 2018 and more mandates in 2018 than in 2017. The decrease in commissions on guarantees/bond issues reflect the decrease in guarantees provided by the Issuer on bonds issued on the regional capital markets.

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 2016, 2017 and 2018.

	31 December		
	2016 (audited)	**2017 (audited)**	**2018 (audited)**
		(FCFA millions)	
Listing expenses	—	—	—
Other expenses on debt securities	519	597	423
Other commissions on loans	1,844	798	679
Expenses and losses relating to financial assets held for trading	—	—	25
Total Commission Expenses	**2,363**	**1,395**	**1,127**

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

Total commission expenses decreased by FCFA 0.3 billion, or 19.2 per cent., to FCFA 1.1 billion in the year ended 31 December 2018, from FCFA 1.4 billion in the year ended 31 December 2017, itself a decrease of FCFA 0.9 billion, or 41.0 per cent., from 2.4 billion in the year ended 31 December 2016. The decrease in 2018 was due to the decrease in other commissions on loans, which was itself due to the decreased amount of commissions paid to lenders in connection with new credit lines entered into by the Issuer.

Foreign exchange gains/(losses)

The following table sets forth the Issuer's foreign exchange gains/(losses) for the years ended 31 December 2016, 2017 and 2018.

	31 December		
	2016 (audited)	**2017 (audited)**	**2018 (audited)**
		(FCFA millions)	
Exchange gains	52	75,283	50
Exchange losses	(32,725)	(65)	(42,479)
Gains (losses) on hedging instruments	34,271	(70,786)	53,470

The Issuer's currency risk policy consists of setting up hedging instruments to hedge against currency fluctuations on its borrowings in SDR and U.S. dollars. The Issuer's currency risk policy privileges 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 U.S.$850,000,000 5.0 per cent. notes due 2027) and as at 31 December 2018, 56.8 per cent. of the Issuer's borrowings were in U.S. dollars and SDR, and the remainder in FCFA and euros. See "*—Risk Management—Market risk management—Foreign exchange risk*". Due to the hedging instruments put into place since 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 as the Issuer did with its U.S.$750,000,000 5.5 per cent. notes due 2021 and its U.S. $850,000,000 5.0 per cent. Notes due 2027.

Because of the hedge accounting methods applied, the gains or losses on the hedging instruments are essentially equal in magnitude to the exchange losses or gains, respectively.

Dividends received

A full table of the Issuer's equity investments, and the dividends received on such investments, is set out in Note 7 to the 2018 Financial Statements, Note 6 to the 2017 Financial Statements and Note 6 to the 2016 Financial Statements. The Issuer earned dividends from its equity holdings of FCFA 3.6 billion, FCFA 3.8 billion and FCFA 3.7 billion in the years ended 31 December 2016, 2017 and 2018, respectively, due to the overall stable performance of the companies in which the Issuer has invested.

Gains/(losses) on financial assets available for sale (before 1 January 2018)

In 2017, the Issuer recorded FCFA 1.6 billion of losses on financial assets available for sale in connection with the sale of its equity stake in RASCOM, the Regional African Satellite Communication Organisation. There were no gain or losses on financial assets available for sale in the years ended 31 December 2016.

Fair value through OCI non-recyclable to profit and loss (since 1 January 2018)

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

- assets are evaluated at fair value: any subsequent variation of the fair value (gains/losses) is recognized as an item in the comprehensive income statement and never be reclassified to profit and loss;
- dividends are recognized as income in the income statement.

See Note 2.12.1 to the 2018 Financial Statements.

Net banking income

Net banking income amounted to FCFA 34.1 billion, FCFA 37.4 billion and FCFA 54.3 billion in the years ended 31 December 2016, 2017 and 2018, respectively. The 45.1 per cent. increase from 31 December 2017 to 31 December 2018 was due to the effect of the increase in income derived from loans and the securities portfolio and the positive impact of the implementation of the exchange rate risk hedges. The 9.6 per cent. increase in net banking income from the years ended 31 December 2016 to the years ended 31 December 2017 was primarily due to the combined effect of 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 9.8 billion in the year ended 31 December 2018, an increase of FCFA 6.3 billion, or 179.5 per cent., from FCFA 3.5 billion in the year ended 31 December 2017, itself a decrease of FCFA 2.5 billion, or 41.8 per cent., from FCFA 6.0 billion in the year ended 31 December 2016. The increase in the cost of risk in the year ended 31 December 2018 is mainly due to a combination of the application of IFRS 9, which

resulted mainly in the increase in impairment losses recognized on financial assets (See Note 4 to the 2018 Financial Statements) and the underlying increase in the loan portfolio. The decrease in the cost of risk in the year ended 31 December 2017 is due to the improvement in the quality of the loan portfolio and the decrease in the provisioning rate of non-performing loans between 2016 and 2017. 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 2.9 per cent., 15.9 per cent. and 18.5 per cent. in the years ended 31 December 2018, 2017 and 2016, 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 2018, 2017 and 2016. 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 0.34 billion in the year ended 31 December 2018, an increase of FCFA 0.03 billion, or 9.9 per cent., from FCFA 0.31 billion in the year ended 31 December 2017, itself a decrease of FCFA 0.57 billion from FCFA 0.88 billion in the year ended 31 December 2016.

Expenses related to development activities

The following table sets forth the expenses related to development activities for the years ended 31 December 2016, 2017 and 2018.

	31 December		
	2016 (audited)	**2017 (audited)**	**2018 (audited)**
		(FCFA millions)	
Interest subsidy	1,627	1,890	3,924
Other charges related to development activities	—	—	378
Charges related to inconclusive surveys	—	—	872
TOTAL	**1,627**	**1,890**	**5,174**

General operating expenses

The following table sets forth the Issuer's general operating expenses for the years ended 31 December 2016, 2017 and 2018, excluding the defined benefit pension plans.

	31 December		
	2016 (audited)	**2017 (audited)**	**2018 (audited)**
		(FCFA millions)	
Staff costs	11,086	13,969	15,730
Provisions	1,201	1,218	1,234
Other operating expenses	7,040	6,833	7,689
General operating expenses	**19,327**	**22,020**	**24,653**

General operating expenses increased by FCFA 2.6 billion, or 12.0 per cent., to FCFA 24.7 billion in the year ended 31 December 2018, from FCFA 22.0 billion in the year ended 31 December 2017, itself an increase of FCFA 2.7 billion, or 13.9 per cent., from FCFA 19.3 billion in the year ended 31 December 2016. The increase from the year ended 31 December 2016 through the year ended 31 December 2018 was primarily due to an increase of 26.0 per cent. in 2017 and 12.6 per cent. in 2018 in staff costs due to the increase in staff numbers.

Variation in fair value on equity securities

The variation in fair value on securities available for sales represented a profit of FCFA 9,510 million for the year ended 31 December 2017, compared to a loss of FCFA 6,998 million for the year ended 31 December 2016. This increase in 2017 compared to 2016 reflects the improvement of the financial situations of some companies from various business sectors in which the Issuer owns a participation such as ORAGROUP, CAURIS CROISSANCE, Afreximbank, CNCAS.

As from 1 January 2018 and in compliance with IFRS 9 application, the equity securities are divided into two categories.

- The first category represents investments that the Issuer expects to hold for long-term strategic purposes. They are designated at fair value through non-recyclable other comprehensive income. The variation in fair value on those securities is recorded in other elements of income ("Variation in fair market value of securities designated at fair value through non-recyclable other comprehensive income").
- The second category concerns investments representing undertakings for collective investments in transferable securities. They are designated at fair value through profit or loss because the instruments concerned are managed on a fair value basis and their performance is monitored on this basis. Income for the period.

Income for the period amounted to FCFA 18,2 billion in the year ended 31 December 2018, an increase of FCFA 4.8 billion or 36.1 per cent. from FCFA 13.3 billion for the year ended 31 December 2017. This increase reflected the increase in net banking income, the increase of the cost of risk and the general operating expenses.

Statement of Financial Position

The following table sets forth the Issuer's statement of financial position as at 31 December 2016, 2017 and 2018 and 30 June 2018 and 2019.

	31 December			30 June	
	2016 (audited)	**2017 (audited)**	**2018[1] (audited)**	**2018 (unaudited)**	**2019 (unaudited)**
			(FCFA millions)		
Assets					
Cash and cash equivalents	284,921	302,904	270,786	307,528	240,238
Net loans and receivables (net of provisions), of which:	1,860,051	2,154,020	2,150,773	2,248,259	2,208,195
Interbank deposits	33,421	122,674	70,144	108,932	69,284
Loans and advances to customers	1,550,385	1,755,018	1,801,520	1,796,372	1,878,423
Loans to personnel	6,421	6,164	10,751	11,430	11,196
Securities portfolio	171,437	263,282	261,476	253,775	242,410
Receivables from shareholders	98,307	86,662	6,882	77,685	6,882
Other[2]	79	—	—	65	—
Equity participations	72,097	88,101	126,559	94,116	133,296
Financial assets available for sale	72,097	88,101		94,116	
Financial assets designated at fair value through profit and loss	—	—	8,014	—	8,099
Financial assets designated at fair value through non-recyclable other comprehensive income (OCI)	—	—	118,545	—	125,197
Other assets	37,690	9,592	9,317	10,419	6,692
Accruals assets	—	9,823	2,120	—	2,143
Derivative assets	—	966	1,065	—	13,776
Intangible assets	719	516	333	403	203
Tangible assets	7,879	7,592	7,238	7,146	6,947
Total Assets	**2,263,357**	**2,653,295**	**2,568,191**	**2,667,870**	**2,611,490**
Liabilities					
Amortised liabilities	1,466,600	1,751,976	1,740,300	1,783,030	1,718,623
Interbank debts	15,937	4,553	6,625	5,572	10,133
Debt represented by a security	1,018,843	1,284,276	1,253,872	1,253,981	1,186,410
Other	431,819	463,147	479,802	523,477	522,080
Other liabilities	20,951	2,230	2,401	9,576	3,578
Derivative liabilities		76,439	23,786	64,406	11,003
Accrual liabilities		14,372	5,730	10,589	10,080
Funds	45,389	81,740	113,251	99,456	133,556
Provisions	7,618	6,790	7,539	7,130	7,921
Total liabilities	1,540,558	1,933,547	1,893,007	1,974,188	1,884,761
Capital	270,457	273,375	206,580	273,375	219,466
Subscribed capital	1,097,750	1,103,650	1,103,650	1,103,650	1,103,650
Callable capital	(821,805)	(826,230)	(826,230)	(826,230)	(826,230)
Unpaid capital[3]	—	—	(67,975)	70,940	(55,089)
Costs related to deferred release of capital	(5,489)	(4,046)	(2,865)	(4,046)	(2,865)
Share premium	2,622	2,622	2,622	2,622	2,622
Reserves	449,721	443,752	465,982	417,686	504,641
Reserves allocated to development activity	76,050	76,050	76,050	76,050	76,050

	31 December			30 June	
	2016 (audited)	**2017 (audited)**	**2018[(1)] (audited)**	**2018 (unaudited)**	**2019 (unaudited)**
			(FCFA millions)		
Reserves of cash flow hedges	(12,864)	(38,711)	(39,429)	(57,998)	(25,175)
Remeasurements of defined benefit liability	(924)	2,165	1,245	2,165	1,245
Fair value reserves (on available for sale financial assets)	6,477	15,987	—	—	—
Net gains on investments in equity instruments designated at fair value through non-recyclable other comprehensive income	—	—	40,689	18,108	44,297
Other reserves	26	26	26	26	26
Retained earnings	370,408	374,941	369,229	363,707	385,305
Profit/loss for the period	10,548	13,295	18,173	15,629	22,893
Total shareholders' equity	722,800	639,968	675,184	693,682	726,729
Total Liabilities and Capital	**2,263,357**	**2,653,295**	**2,568,191**	**2,667,870**	**2,611,490**

Note:

(1) On 1 January 2018, the Issuer has adopted IFRS 9, which specifies how an entity should classify and measure financial assets, financial liabilities, and some contracts to buy or sell non-financial items and has an impact on provisions and impairments. As a result, figures as of and for the years ended 31 December 2017 and 31 December 2018 may not be comparable. See Note 4 to the 2018 Financial Statements and in particular Note 4.3.1, which contains a comparison of the 31 December 2018 consolidated statement of financial position of the Issuer with the one as at 31 December 2017, to which IFRS 9 has been applied.

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

(3) For the first time in the 2018 Financial Statements, the Issuer decided to introduce a new line item, "Unpaid Capital", in the breakdown of the "Capital" line item in its balance sheet. Unpaid Capital represents called capital to be paid over time in accordance with a prescribed timetable. Previously, this amount was not deducted from the "Capital" line item. The presentation of 2017 comparative column of the 31 December 2018 balance sheet included in the 2018 Financial Statements was restated (compared to the 31 December 2017 balance sheet included in the 2017 Financial Statements) to be consistent with this new presentation. Unless otherwise indicated, the amounts discussed in this Offering Circular are those following the new presentation.

The tables below show the "Capital" line item and its breakdown as at 31 December 2016, 2017 and 2018 and as at 30 June 2018 and 2019 following this new presentation, and a reconciliation to the pre-2018 presentation:

	31 December			30 June	
	2016 (audited)	**2017 (audited)**	**2018 (audited)**	**2018 (unaudited)**	**2019 (unaudited)**
			(FCFA millions)		
Capital	182,846	193,594	206,580	206,481	219,466
Subscribed capital	1,097,750	1,103,650	1,103,650	1,103,650	1,103,650
Callable capital	(821,805)	(826,230)	(826,230)	(826,230)	(826,230)
Unpaid capital	(87,6211)	(79,781)	(67,975)	(66,894)	(55,089)
Costs related to deferred release of capital	(5,489)	(4,046)	(2,865)	(4,046)	(2,865)
Capital (before change in presentation)	*270,457*	*273,375*		*273,375*	
New "Unpaid capital" line item	(87,6211)	(79,781)		(66,894)	
Capital (after change in presentation)	***182,846***	***193,594***		***206,481***	

Assets

Total assets increased by FCFA 43.3 billion or 1.7 per cent. to FCFA 2,611.5 billion as at 30 June 2019, compared to FCFA 2,568.2 billion as at 31 December 2018, primarily due to the 2.7 per cent. increase in net loans and receivables.

Total assets decreased by FCFA 5.3 billion or 0.21 per cent., to FCFA 2,568.2 billion as at 31 December 2018, compared to FCFA 2,573.5 billion as at 31 December 2017, primarily due to the 10.6 per cent. decrease in cash and cash equivalents as a result of the reimbursement of debts represented by a security.

Total assets increased by FCFA 310.2 billion or 13.7 per cent. to FCFA 2,573.5 billion as at 31 December 2017, compared to FCFA 2,263.4 billion as at 31 December 2016, primarily due to the 15.8 per cent. increase in net loans and receivables.

Performing outstanding loans (which refers to gross outstanding loans minus non-performing loans) by window of activity (FDC Window, Bank Window and FDE Window) are set forth in "*Description of the Issuer—Lending Activity*", represented 98.6 per cent. of customer receivables as at 30 June 2019, compared to 98.7 per cent. as at 31 December 2018, 97.0 per cent. as at 31 December 2017 and 97.2 per cent. as at 31 December 2016. Other receivables from customers include net accrued interest and advances for financing project studies.

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 242.4 billion as at 30 June 2019, representing a decrease of FCFA 19.1 billion, or 7.3 per cent., from FCFA 261.5 billion as at 31 December 2018. This evolution is primarily due to the redemption at maturity and/or sale of certain securities As at 31 December 2018, the securities portfolio had decreased by FCFA 1.8 billion FCFA 261.5 billion from FCFA 263.3 billion as at 31 December 2017. This evolution is due to the combined effect of the first application of IFRS 9 with a required provision on all the securities in the portfolio, amounting FCFA 0.44 billion, and the redemptions of debt securities held in the portfolio which had reached their maturity date. As at 31 December 2017, the securities portfolio had increased by FCFA 91.8 billion from FCFA 171.4 billion as at 31 December 2016. This increase is primarily due to the acquisition of securities, treasury bills and sovereign bonds on the regional financial markets.

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 2018 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 6.2 to the 2019 Half-Year Financial Statements and Note 6.3 to the 2018 Financial Statements for a breakdown of these holdings and their maturity profile.

The net worth of equity investments (financial assets) was at FCFA 133.3 billion as at 30 June 2019, compared to FCFA 126.6 billion as at 31 December 2018, FCFA 88.1 billion as at 31 December 2017 and 72.1 billion as at 31 December 2016. 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 7 to the 2019 Half-Year Financial Statements, Note 7 to the 2018 Financial Statements, Note 6 to the 2017 Financial Statements and Note 6 to the 2016 Financial Statements.

Other assets include accrued expenses and, as at 30 June 2019 and 31 December 2018, 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 FCFA 43.3 billion or 1.7 per cent. to FCFA 2,611.5 billion as at 30 June 2019, compared to FCFA 2,568.2 billion as at 31 December 2018, primarily due to the 6.2 per cent. increase of the paid in capital and the 17.9 per cent. increase of funds (and in particular the variations in the balance of the unemployed resources dedicated to the Interest Subsidy Mechanism).

Total liabilities decreased by FCFA 85.1 billion or 3.2 per cent. to FCFA 2,568.2 billion as at 31 December 2018, compared to FCFA 2,653.3 billion as at 31 December 2017, primarily due to the 2.4 per cent. decrease in debt represented by a security and the 68.9 per cent. decrease in the valuation of derivative liabilities as a result of the strengthening in the dollar and SDR exchange rates over the period.

Total liabilities increased by FCFA 389.9 billion or 17.2 per cent. to FCFA 2,653.3 billion as at 31 December 2017, compared to FCFA 2,263.4 billion as at 31 December 2016 primarily due to the 26.1 per cent. increase in debts represented by a security and the 80.1 per cent. increase in funds (and in particular the variations in the balance of the unemployed resources dedicated to the Interest Subsidy Mechanism). Further, the mark-to-market of the hedging instruments for currency risk that was put in place following to two issuances of U.S. dollar denominated notes in 2016 and 2017 resulted in the Issuer recording a liability in its balance sheet.

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 increased to FCFA 10.1 billion as at 30 June 2019, compared to FCFA 6.6 billion as at 31 December 2018, itself an increase compared to FCFA 4.6 billion as at 31 December 2017, after they had decreased from FCFA 15.9 billion as at 31 December 2016. The increase in interbank debt between the year ended 31 December 2018 and the six-month period ended 30 June 2019 is due to new deposits of partner institutions. The increase in interbank debt between the year ended 31 December 2017 and the year ended 31 December 2018 is due to the same reason and the strong decrease in interbank debts between the year ended 31 December 2016 and the year ended 31 December 2017 is due to withdrawals of deposits by partner institutions during fiscal year ended 31 December 2017.

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 KfW, the AfDB, the EIB, the AFD, CDB, World Bank, OeEB and Proparco.

Borrowings represented by debt securities accounted for 69.0 per cent. of all amortised liabilities as at 30 June 2019, compared to 72.0 per cent. as at 31 December 2018, 73.3 per cent. as at 31 December 2017 and 69.5 per cent. as at 31 December 2016. The increase in debt between 31 December 2016 and 31 December 2017 came mainly from the issuance of its U.S.$850,000,000 5.0 per cent. notes due 2027 on the international capital markets. The decrease in debt between 31 December 2017 and 31 December 2018 is due to the reimbursement of some matured debts. 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 30 June 2019, amortised liabilities amounted to FCFA 1,718.6 billion, representing 65.8 per cent. of total liabilities, compared to FCFA 1,740.3 billion representing 67.8 per cent. of total liabilities as at 31 December 2018, FCFA 1,751.9 billion representing 68.1 per cent. of total liabilities as at 31 December 2017 and FCFA 1,466.7 billion representing 64.8 per cent. of total liabilities as at 31 December 2016. Borrowings increased by an annual average of 9.8 per cent. over the 2016-2018 period.

The tables below set forth the maturity profile of liabilities at amortised cost as at 31 December 2018 and 30 June 2019.

	As at 31 December 2018 (audited)
	(FCFA millions)
Up to one year	162,231
More than one year and up to and including two years	171,785
More than two years and up to and including three years	568,440
More than three years and up to and including four years	87,951
More than four years and up to and including five years	59,567
More than five years	661,822
Subtotal	**1,711,796**
Accrued interest on amortised liabilities	**28,504**
Total	**1,740,300**

	As at 30 June 2019 (unaudited)
	(FCFA millions)
Up to six months	64,642
More than six months and up to and including two years	684,075
More than two years and up to and including three years	81,208
More than three years and up to and including five years	98,769
More than five years	767,763
Subtotal	**1,696,457**
Accrued interest on amortised liabilities	**22,165**
Total	**1,718,623**

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 726.7 billion, representing 27.8 per cent. of total liabilities as at 30 June 2019, compared to FCFA 675.2 billion representing 26.3 per cent. of total liabilities as at 31 December 2018, FCFA 639.9 billion representing 24.9 per cent. of total liabilities as at 31 December 2017 and FCFA 722.8 billion representing 31.9 per cent. of total liabilities as at 31 December 2016.

Reserves comprising existing retained earnings and current net annual income amounted to FCFA 408.2 billion as at 30 June 2019, compared to FCFA 387.4 billion as at 31 December 2018, FCFA 388.2 billion as at 31 December 2017 and FCFA 380.9 billion as at 31 December 2016. These reserves represented 56.2 per cent. of shareholders' equity as at 30 June 2019, 57.4 per cent. as at 31 December 2018, 60.7 per cent. as at 31 December 2017 and 52.7 per cent. as at 31 December 2016. 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 30 June 2019, the Issuer's capital consisted of FCFA 219.5 billion (€334.6 million) in paid-in capital and FCFA 504.6 billion (€769.32 million) in reserves. As at the same date, the Issuer's funding comprised of borrowings amounted to FCFA 1,718.6 billion (€2,620 million), consisting of FCFA 153.2 billion (€233.6 million) in concessional resources and FCFA 1,565.4 billion (€2,386.4 million) in market rate loan resources. As at 31 December 2018, the Issuer's capital consisted of FCFA 206.58 billion (€314.93 million) in paid-in capital and FCFA 439.56 billion (€670.11 million) in reserves. As at the same date, the Issuer's funding comprised of borrowings amounted to FCFA 1,740.3 billion (€2,653 million), consisting of FCFA 155.4 billion (€236.9 million) in concessional resources and FCFA 1,584.9 billion (€2,416.2 million) in market rate loan resources. See "*—Description of the Issuer—Sources of funding*" for further information on the Issuer's sources of funding.[9]

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.

[9] Amounts of concessional resources in this paragraph exclude accrued but unpaid interest.

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 30 June 2019, the only counterparties rated were Burkina Faso (rated B by S&P), Côte d'Ivoire (rated Ba3 by Moody's and B+ by Fitch), Senegal (rated B+ by S&P and Ba3 by Moody's) and Togo (rated B by S&P).

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 30 June 2018 and 2019 and as at December 2016, 2017 and 2018.

	31 December			**30 June**	
	2016 (audited)	**2017 (audited)**	**2018 (audited)**	**2018 (unaudited)**	**2019 (unaudited)**
			(FCFA millions)		
Gross outstanding loans (a).....	1,541,588	1,743,425	1,819,050	1,806,283	1,891,576
Provisions for non-performing loans (b)	(26,248)	(28,104)	(30,198)	(33,099)	(29,262)
Net outstanding loans (a)-(b)	1,515,340	1,715,231	1,788,852	1,773,184	1,862,314
Provisions for non-performing loans/gross outstanding loans (a)/(b)	1.7%	1.6%	1.7%	1.8%	1.5%

For more detail on gross outstanding loans by Window of activity, see "*—Description of the Issuer—Operations—Financing Windows*".

Total net outstanding loans (which refers to gross outstanding loans minus provisions for non-performing loans) to customers increased by 4.1 per cent. to FCFA 1,862.3 billion (€2,839 million) as at 30 June 2019 from FCFA 1,788.9 billion (€2,727.1 million) as at 31 December 2018.

Total net outstanding loans (which refers to gross outstanding loans minus provisions for non-performing loans) to customers increased by 4.3 per cent. to FCFA 1,788.9 billion (€2,727.1 million) as at 31 December 2018 from FCFA 1,715.3 billion (€2,614.9 million) as at 31 December 2017, itself an increase of 13.2 per cent. from FCFA 1,515.3 billion (€2,310.1 million) as at 31 December 2016.

Gross outstanding loans as at 31 December 2017 include FCFA 112.857 billion 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 30 June 2019, the assets corresponding to this initial capital endowment of the FDE, comprising outstanding loans and off-balance sheet commitments amounted to FCFA 128.8 billion (€196.3 million) and FCFA 85.2 billion (€129.9 million), respectively. As at 31 December 2018, the assets corresponding to this initial capital endowment of the FDE, comprising outstanding loans and off-balance sheet commitments, amounted to FCFA 126.1 billion (€192.3 million) and FCFA 91.4 billion (€139.3 million), respectively. As at 31 December 2017, the assets corresponding to this initial capital endowment of the FDE, comprising outstanding loans and off-balance sheet commitments, amounted to FCFA 112.9 billion (€172.0 million) and FCFA 102.2 billion (€155.8 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 (€192.3 million) and FCFA 106 billion (€161.6 million), respectively. The interest rates applied by the Issuer to non-commercial energy sector loans correspond to market rates.

As at 30 June 2019, loans to the WAEMU Member States amounted to FCFA 1,246.4 billion (€1,900.1 million), representing 65.9 per cent. of gross outstanding loans (FCFA 1,891.6 billion (€2,883.7 million)) and 66.9 per cent. of net outstanding loans (which refers to gross outstanding loans minus provisions for non-performing loans) (FCFA 1,862.3billion (€2,839.1 million)). These include FCFA 738.9 billion (€1,126.5 million) in loans granted through the FDC Window, FCFA 128.8 billion (€196.3 million) in loans granted through the FDE Window and FCFA 378.7 billion (€577.3 million) in loans extended through the Bank Window known as "market rate sovereign loans".

As at 31 December 2018, loans to the WAEMU Member States amounted to FCFA 1,209.1 billion (€1,843.2 million), representing 66.5 per cent. of gross outstanding loans (FCFA 1,819.1 billion (€2,773.2 million)) and 67.9 per cent. of net outstanding loans (FCFA 1,778.5 billion (€2,711.3 million)). These include loans granted through the FDC Window in the amount of FCFA 722.9 billion (€1,102.1 million), FCFA 126.1 billion (€192.3 million) in loans granted through the FDE Window and FCFA 360.2 billion (€548.9 million) in loans extended through the Bank Window known as "market rate sovereign loans".

As at 31 December 2017, loans to the WAEMU Member States amounted to FCFA 1,164.2 billion (€1,774.8 million), representing 66.8 per cent. of gross outstanding loans (FCFA 1,743.4 billion (€2,657.8 million)) and 68.4 per cent. of net outstanding loans (FCFA 1,702.6 billion (€2,595.6 million)). These include loans granted through the FDC Window in the amount of FCFA 687.6 billion (€1,048.2 million), FCFA 112.9 billion (€172.0 million) in loans granted through the FDE Window and FCFA 363.8 billion (€554.6 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 as at that date (FCFA 1,542 billion (€2,350.7 million)) and 68.2 per cent. of net outstanding loans (FCFA 1,506.8 billion (€2,297.1 million)), and include FDC Window loans in an amount of FCFA 634.9 billion (€967.9 million), FCFA 93 billion (€141.8 million) in loans granted through the FDE Window and market rate sovereign loans through the Bank Window, in an amount of FCFA 299 billion (€455.8 million).

With IFRS 9, provisions for non-performing loans have, since 1 January 2018, been 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 increased in the year ended 31 December 2016 and the year ended 31 December 2017, and increased in the year ended 31 December 2018 as the relative share of Bank Window loans in the total gross portfolio increased. Net outstanding Bank Window loans (represented by the gross outstanding Bank Window loans net of provisions) represented 51.1 per cent., 51.5 per cent., 51.1 per cent., 52.5 per cent. and 50.4 per cent. of total loans as at 30 June 2018 and 2019 and 31 December 2016, 2017 and 2018, respectively.

The maturity profile of the Issuer's gross outstanding loans and loans and advances to customers as at 30 June 2019 and 2018 and as at December 2016, 2017 and 2018 is set out in the following tables.

	31 December		
	2016 (audited)	**2017 (audited)**	**2018 (audited)**
		(FCFA millions)	
Up to one year	129,952	141,818	148,062
More than one year and up to and including two years	145,357	202,842	211,773
More than two years and up to including three years	163,105	186,873	195,100
More than three years and up to including five years	283,124	321,679	335,842
More than five years	816,615	887,893	926,987
Technical outstanding receivables	3,436	2,321	1,286
Total gross outstanding loans	**1,541,588**	**1,743,426**	**1,819,050**
Loans and advances to customers	1,550,386	1,755,018	1,801,520

	30 June	
	2018 (unaudited)	**2019 (unaudited)**
	(FCFA millions)	
Up to six months	72,337	55,085
More than six months and up to and including two years	132,749	149,397
More than two years and up to and including three years	193,747	213,682
More than three years and up to and including five years	333,512	372,538
More than five years	1,072,808	1,098,537
Technical outstanding receivables	1, 129	2, 337
Total gross outstanding loans	**1,806,283**	**1,891,576**
Loans and advances to customers	1,796,372	1,878,423

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 2.9.5 of the 2018 Financial Statements, Note 2.07(d) of the 2017 Financial Statements and Note 2.07(d) of the 2016 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 2016-2018 period.

	31 December			**30 June**	
	2016 (audited)	**2017 (audited)**	**2018 (audited)**	**2018 (unaudited)**	**2019 (unaudited)**
			(FCFA millions)		
Non-performing loans (1)	34,799	40,845	40,558	43,839	39,007
Gross outstanding loans (2)	1,541,589	1,743,425	1,819,050	1,806,283	1,891,576
Outstanding FDC + FDE loans (3)	727,966	800,447	849,017	827,584	867,689
Outstanding commercial portfolio (4) = (2)-(3)	813,623	942,978	970,033	978,699	1,023,887
Percentage of non-performing loans (5) = (1)/(2)	2.26%	2.34%	2.23%	2.43%	2.06%
Provision for non-performing loans amount (6)	26,248	28,104	30,198	33,099	29,262
Provisioning rate (7) = (6)/(1)	75.4%	68.8%	74.5%	75.5%	75.0%
Non-performing loans/ Outstanding commercial portfolio (1)/(4)	4,3%	4,3%	4,2%	4,5%	3,8%

Outstanding non-performing loans increased by 17.4 per cent. from the year ended 31 December 2016 to the year ended 31 December 2017, decreased by 0.7 per cent. from the year ended 31 December 2017 to the year ended 31 December 2018 and decreased by 3.8 per cent. from the year ended 31 December 2018 to the six-month period ended 30 June 2019. This evolution is to be compared to that of the total the outstanding commercial portfolio (only commercial loans may be deemed non-performing), which increased by 15.9 per cent. between the year ended 31 December 2016 and the year ended 31 December 2017, by 2.9 per cent. between the year ended 31 December 2017 and the year ended 31 December 2018 and by 6 per cent. between the year ended 31 December 2018 and the six-month period ended 30 June 2019. As a result, outstanding non-performing loans represented respectively 4.3 per cent., 4.3 per cent., 4.2 per cent. and 3.8 per cent. of total of the gross outstanding commercial portfolio as at 31 December 2016, 2017 and 2018 and 30 June 2019. The improvement between 2017 and 2018 is primarily due to significant recovery efforts to consistently reduce past due outstanding receivables.

In terms of country of origin about half of the outstanding non-performing loans as at 30 June 2019 were with entities located in Togo and a quarter with entities located in Benin. In terms of industry, the three biggest sectors were hotels, agro-industries and mining.

However, because of the application of the objective provisioning rules of the Issuer, the provisions increased during the period from the start of 2016 to the end of June 2019, by 7.1 per cent. from the year ended 31

December 2016 to the year ended 31 December 2017, by 7.5 per cent. from the year ended 31 December 2017 to the year ended 31 December 2018 and decreased by 11.59 per cent. from the six-month period ended 30 June 2018 to the six-month period ended 30 June 2019. Consequently, the provisioning rate increased from 75.4 per cent. as at 31 December 2016, 68.8 per cent. as at 31 December 2017, 74.5 per cent. as at 31 December 2018 and 75.0 per cent. as at 30 June 2019.

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

Since January 2018, BOAD has been depreciating debt instruments (loans and bonds etc.) in accordance with IFRS 9 published in 2014 and effective on 1 January 2018.

IFRS 9 introduces a new model for recognizing impairments in financial assets, based on expected credit losses (ECL). This new model applies to portfolio debt instruments valued at a depreciated cost or in Fair Value per recyclable equity. In IFRS 9, it is no longer necessary or possible to wait for a generating event to occur to find a depreciation as was the case under IAS 39 ("incurred loss"). Improvements made by IFRS 9 include, among other things, a single, forward-looking impairment model based on "expected losses" (ECL) and a "bucket" phase approach (healthy, significant degradation, failing). The allocation of a financial instrument to each bucket is based on whether or not there has been a significant increase in its credit risk since its initial accounting.

Bucket 1 ("healthy portfolio"): "investment grade" category or any non-significant deterioration or degradation of credit risk since the initial accounting. ECL at 1 year;

Bucket 2 ("portfolio with significant deterioration in credit risk"): a significant increase in credit risk since initial accounting (e.g., unpaid 30 days, downgrade of credit rating, etc.), or a rating below sensitivity threshold set by the financial institution. ECL at maturity, i.e. on the residual duration of the instrument;

Bucket 3 ("default portfolio"): deterioration as the loss is proven (example: 90 days, proven reasons for default risk, etc.). ECL at maturity, assets depreciated individually.

The amount of depreciation and the basis for applying the effective interest rate depends on the bucket in which the financial asset is classified.

In the Bucket 3 Provisions are recorded with respect to a counterparty when there is objective evidence of, for example unpaid principal or interest for 90 days, significant financial difficulty of the counterparty or high probability of bankruptcy.

	31/12/2018	**30/06/2019**	**31/12/2018**	**30/06/2019**	
Bucket	**Exposure at default**		**Expected Credit Loss**		**Impairment**
Bucket 1	1,874,610	1,599,501	7,107	7,583	476
Bucket 2	321,799	234,731	16,265	15,079	-1,186
	Gross Non performing Loans		**Expected Credit Loss**		

Bucket 3	40,192	39,007	30,197	29,262	-936
	2,236,601	**1,873,239**	**53,569**	**51,924**	**-1,646**

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 in 2017 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 39.007 billion (€59,47 million) as at 30 June 2019, compared to FCFA 40.558 billion (€61.83 million) as at 31 December 2018, to FCFA 40.845 billion (€62.27 million) as at 31 December 2017, to FCFA 34.799 billion (€53.05 million) as at 31 December 2016.

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.

	31 December		**30 June**	
	2017* (audited)	**2018 (audited)**	**2018 (unaudited)**	**2019 (unaudited)**
	(FCFA millions)			
Gross value of equity securities as at 1 January	75,864	83,958	83,958	84,668
Acquisitions	8,677	8,934	4,822	3,479
Assignments	(583)	(8,223)	(650)	(436)
Gross value of equity securities	83,958	84,668	88,130	87,712
Unrealised gains and losses on non-recyclable JVOCI instruments	3,181	40,689	6,264	44,297
Unrealised gains and losses on non-recyclable JVOCI instruments transferred	—	(7,090)	—	—
Gain and losses calculated in income on instruments in JVR	962	1,202	(278)	1,287

	31 December		30 June	
	2017* (audited)	2018 (audited)	2018 (unaudited)	2019 (unaudited)
		(FCFA millions)		
Net value of equity securities as at 31 December	88,101	126,559	94,116	133,296

*Comparable 31 December 2016: Data not available

The detailed provisions on investments in equity securities are set out in Note 6 to the 2017 and 2016 and Financial Statements. Since 2018, in compliance with IFRS 9, equity investments are accounted at fair value and (see Note 7 in 2018 and financial statements).

Undrawn commitments

The following table sets forth the Issuer's undrawn commitments as at 30 June 2018 and 2019 and as at 31 December 2016, 2017 and 2018.

	31 December			30 June	
	2016 (audited)	2017 (audited)	2018 (audited)	2018 (unaudited)	2019 (unaudited)
			(FCFA billions)		
Commitments received[(1)]	218	**208**	**47**	182	195
Loan commitments	185	168	6	141	156
Guarantees received from regional funds	33	40	41	41	39
Commitments given[(2)]	**1,475**	**1,628**	**1,724**	**1,799**	**1,901**
Loan commitments given	1,427	1,587	1,646	1,723	1,826
Advances on financing research	13	11	17	12	17
Commitments in equity participation	22	25	29	31	27
Pledges and guarantees	**13**	**5**	**32**	**33**	**31**

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, equity investments or pledges and guarantees to its clients.

Undrawn commitments are recorded as off-balance sheet items in the Financial Statements (see Note 25 to the 2016 Financial Statements, Note 24 to the 2017 Financial Statements, Note 24 to the 2018 Financial Statements and Note 19 to the Half-Year Financial Statements).

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 17 to the 2019 Half-Year Financial Statements, Note 24 to the 2018 Financial Statements, Note 24 to the 2017 Financial Statements and Note 25 to the 2016 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 2.3 to the 2019 Half-Year Financial Statements, Note 2.5 to the 2018 Financial Statements, "key audit matters" in the Auditors' Report with respect to the 2018 Financial Statements, Note 2.19 to the 2017 Financial Statements and "key audit matters" in the Auditors' Report on the 2017 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's commitments in each of the WAEMU Member States are below the threshold of 100.0 per cent. of equity funds for risk ("**EFR**").

Exposure limits for loans

The Issuer's operating limits, since their adoption by the Council of Ministers in September 2017, are determined by reference to the relevant transaction, borrower, sector and country.

They take into account 100 per cent. of the outstanding amounts under loans as well as 50 per cent. of the undisbursed amounts on loans.

For the sovereigns:

(a) The risk limit, taken by the Issuer per transaction in the form of a direct loan (short, medium or long term) is set at 5 per cent. of EFR.

(b) The level of commitment of the Issuer, per sovereign borrower (all transactions combined) of the public sector, is limited to 55 per cent. of the EFR for the WAEMU Member States. It should be noted that this threshold is a ceiling that will only be reached with a relevant justification.

For public trading companies:

(a) The risk limit per transaction of a public trading company is 5 per cent. of EFR.

(b) The level of commitment of the Issuer per public trading company borrower (all translations combined) is set at 25 per cent. of EFR.

For the private sector:

(a) The risk limit per transaction (other than with the NFIs and SMEs), taken in the form of medium- and long-term direct loans to finance projects/loans, i.e., regional and mining and energy projects and information and communication technology projects ("**Category 1**"), is set at 5 per cent. of EFR, provided that the amount of the relevant loan should not exceed 50 per cent. of the total tax-free cost of the project.

(b) For the projects/loans providing for indirect financing through NFIs, NFI holding companies or SMEs, as well as for direct loans financing regional projects, projects in the mining and energy sectors and information and communication technologies ("**Category 2**"), the limit per operation is set at 7 per cent. of EFR, provided that the amount of the relevant loan should not exceed 50 per cent. of the total tax-free cost of the project.

(c) The Issuer's level of commitment, per borrower (all transactions combined for Category 1 borrowers) is limited to 7 per cent. of EFR, and for Category 2 borrowers, is limited to 10 per cent. of EFR.

The below table provides a breakdown of the Issuer's operating limits per sector as at 31 December 2018:

Loans	Limits as at 31 December 2018		
	% Equity Fund for risk (EFR)	FCFA	Euros
For Public sector	**(FCFA 646 Billion)**	**Billion**	**Million**
a. Per transaction	5% of EFR	32	49
b. By borrower (all transactions combined) for the States	55% of EFR	355	540
c. By borrower (all transactions combined) for Public Enterprises	25% of EFR	161	245
For the Private sector			
a. For the private sector other than national financial institutions (NIF) and SME, privatisation projects, regional projects and those in the mining and energy sectors	5% of EFR and less than 50% of the cost of the project	32	49
b. For national financial institutions (NIF) and SME promotion organisations, direct loans to privatisations projects, regional and mining an energy projects	7% of EFR and less than 50% of the cost of the project	45	69
c. Limit by Borrower	—	—	—
All transaction combined and accumulated other than (1) .	7% of EFR	45	69
(1) national financial institutions (NIFs) and SME promotions organisations, direct loans to privatisation projects, regional and mining and energy projects	10% of EFR	64	98
For the risk division: Overall risk volume reaching 25% of EFR	500% of EFR	3230	4917

In addition, with regard to the risk division for the merchant sector, the volume of risks amounted to 12.5 per cent. of EFR (individually); the overall volume of risks for the merchant sector is limited to 5 times the size of EFR.

The Issuer's Core Tier 1 capital comprises paid-in capital plus reserves and any IAS/IFRS adjustments which impact equity.

As of 30 June 2019 and 31 December 2018, respectively, the Issuer's basic own funds amounted to FCFA 679 billion and FCFA 646 billion.

Exposure limits for equity participations

For equity investments (public or private sector):

(a) The Issuer's exposure to equity participations is limited per transaction and per company to 5 per cent. of the Issuer's EFR for projects undertaken by NFIs for privatisation projects, regional projects and projects in the mining and energy sectors. For other projects, the limit is fixed at 2.5 per cent. of the Issuer's EFR.

An equity participation cannot, in any case, exceed 15 per cent. of the capital of the relevant company. For projects where the Issuer is the principal sponsor, capital may be held momentarily above 15 per

cent. of the Issuer's EFR; however, the Issuer will be expected to reduce the level to 15 per cent. as soon as reasonably possible and, in any event, within 5 years.

(b) The limit in terms of the overall volume of equity holdings is set at 20 per cent. of EFR.

The table below shows the Issuer's equity participation limits per sector and country.

Equity participation	**Limits as at 31 December 2018**		
	% Equity Fund for risk (EFR)	**FCFA**	**Euros**
Per transaction(*)	**FCFA 646 Billion**	**Billion**	**Million**
(1) Other than privatisation projects, regional and mining and energy projects	2,5% of EFR, 15% of target capital	16	24
(2) NFI privatisations projects, regional projects and those in the mining and energy sector.....	5% of EFR, 15% of target capital	32	49
Global commitment.....	20% of EFR	129	196

(*) For entities in which BOAD plays a leading promoter role, capital may be held momentarily above 15%; however, it should aim to reduce this level to 15% within a maximum of five years within a reasonable time frame

Exposure limit for financial guarantees for securities and short-term financing

For signature and short-term financing

(a) The commitment limit for signature financing (bond guarantee and short-term financing by signature) per transaction and per borrower is set at 5 per cent. of EFR.

(b) The commitment-per-transaction limit for short-term cash financing is set at 5 per cent. of EFRs.

(c) The commitment limit in terms of overall volume per borrower for signature financing (a) and short-term cash financing is set at 25 per cent. of EFR.

For the dominant business sectors

The overall level of engagement in one of the following dominant sectors must not exceed 50 per cent. of EFR at any time: industries (cement, mining, agribusiness, chemical and pharmaceutical industries, other manufacturing industries.), telecommunications (telephone, internet, call centre), and hotels and other services in any country of intervention combined.

However, for the NFI sectors and their holding companies, the water and energy sectors and transport infrastructure (port and airport, railway, road infrastructure), this limit is set at 75 per cent. of EFR.

For the country limit

For the geographical limit, i.e. the country limit, the Issuer cannot commit its EFR to a WAEMU Member State more than once (all transactions combined).

It should be noted that the limits set in this way are ceilings that the Issuer will only reach when the justification is established. A case-by-case analysis is done during the granting proposals.

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 in 2017 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. Before 2018, sovereign counterparties were not rated due to the historical prompt settlement by WAEMU Member States (which have historically conferred on the Issuer a de facto "preferred creditor status"). Since 2018, the Issuer has also adopted a new internal rating model, with different models for sovereign debtors and private debtors and specific models for project finance, and private equity (corporates and banks).

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.

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 rated below GS5 (from GS6 to GS10) according to the GEMs PD Rating scale are placed on a watch list.

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 or his delegate, 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

With the adoption of IAS/IFRS financial reporting standards by the Issuer in 2010 and the adoption of IFRS 9 in 2018, all the loans in the portfolio (whether performing or not and whether sovereign or not) can be provisioned. Receivables are 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 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 in 2017 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 6.2.2 to the 2019 Half-Year Financial Statements, Note 20 – 1.4.2 (b) of the 2018 Financial Statements, Note 21 – 1.4.3 (b) of the 2017 Financial Statements and Note 22 – 1.3.3 (b) of the 2016 Financial Statements for a breakdown of bad debts by sector and by country, together with provisions recorded.

Equity participations before 1 January 2018

Before 1 January 2018, equity participations 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.

Since 1 January 2018, the equity participations are recorded as follows:

- at fair value per income: this default classification is mandatory for equity instruments held for transactions;
- at fair value in other comprehensive income never to be reclassified to profit and loss: this option was selected for all equity transactions of the Issuer considered as strategic in line with its development mission.

For more details, see Note 2.12.1 to the 2018 Financial Statements.

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 14 years and borrowing with an average maturity of 9 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.

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 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 and U.S.$850,000,000 5.0 per cent notes due 2027)). The Issuer's debt structure as at 30 June 2019 was as follows:

Currency	Amount in the relevant currency	Exchange rate as at 30 June 2019 (expressed as FCFA per unit of relevant currency)	Outstanding (in FCFA)	% of non-euro non-FCFA	% of non-FCFA	% of Total
JPY	—	—	—	—	—	—
USD	1,608,180,035.03	576.41	926,971,053,994	94.03	64.88	54.97
SDR	73,416,846.09	801.335	58,831,488,365	5.97	4.12	3.49
CHF	—	—	—	—	—	—
Total non-euro	—	—	**985,802,542,359**	—	—	—
Euro	675,372,384.16	655.957	443,015,242,999	—	31.01	26.27
Total non- FCFA		—	1,428,817,785,358	—	—	—
FCFA issuance	257,506,894,500	—	257,506,894,500	—	—	15.27

Currency	Amount in the relevant currency	Exchange rate as at 30 June 2019 (expressed as FCFA per unit of relevant currency)	Outstanding (in FCFA)	% of non-euro non-FCFA	% of non-FCFA	% of Total
Total Borrowing			**1,686,324,679,858**	**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 have been undertaken in order to ensure better management of the Issuer's exchange risk. These contracts are 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 U.S. dollars. However, the Issuer is not fully hedged against exchange risk on its SDR borrowings, as it uses rolling forward swaps with up to five-year maturities, rather than the full maturity of the SDR debt. 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 and in July 2017 it hedged its U.S. dollar exposure resulting from the issuance of the U.S.$850,000,000 5.0 per cent. notes due 2027. Subject to appropriate pricing, the Issuer intends to hedge the U.S. dollar exposure from the issuance of Notes offered hereby.

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 the risk of loss resulting from inadequate or failed internal processes, personnel and systems or from external events.

Since 2013, the Issuer has carried out a detailed mapping of the operational risks arising from its activities. This mapping is updated every year to reflect changes in the Issuer's environment.

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 2016, 2017 and 2018 and 30 June 2018 and 30 June 2019, are provided in summary as follows:

	31 December			30 June	
	2016 (audited)	**2017 (audited)**	**2018 (audited)**	**2018 (unaudited)**	**2019 (unaudited)**
			(FCFA millions)		
Paid-in capital and reserves (a)	597,558	627,822	646,144	631,808	678,923
Additional Tier 1 capital (b)	37,135	27,988	27,988	27,988	27,988
Other reserve in fair market value of securities (c)	6,477	—	33,598	18,108	38,111
Net actual own funds (Core Tier 1 capital) = a+b+c	**641,170**	**655,810**	**707,731**	**677,904**	**745,022**

The table below summarises the composition of capital of the Issuer as at 31 December 2016, 2017 and 2018 and 30 June 2018 and 30 June 2019.

	31 December			30 June	
	2016 (audited)	**2017 (audited)**	**2018 (audited)**	**2018 (unaudited)**	**2019 (unaudited)**
			(FCFA millions)		
1. Capital and assimilated funds	182,845	193,594	206,580	206,480	219,466

	31 December			30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	(audited)	**(audited)**	**(audited)**	**(unaudited)**	**(unaudited)**
			(FCFA millions)		
Paid-in capital[(1)]	182,845	193,594	206,580	206,480	219,466
2. Reserves and assimilated funds	**417,713**	**434,228**	**439,564**	**425,328**	**459,457**
A. Paid-in capital and reserves (= 1+2)	**597,558**	**627,822**	**646,144**	**631,808**	**678,923**
3. Bonus funds	27,640	23,324	23,324	23,324	23,324
4. Development study funds	9,320	4,664	4,664	4,664	4,664
5. EIB Margin 2010, 2011 and 2012	175	—	—	—	—
B. Additional Tier 1 capital (= 3+4+5)	**37,135**	**27,988**	**27,988**	**27,988**	**27,988**
C. Other reserve in fair market value of securities	6,477	—	33,598	18,108	38,111
D. Total own funds (A+B+C)	**641,170**	**655,810**	**707,731**	**677,904**	**745,022**
Total qualifying Core Tier 1 capital (= A+B+C)	**641,170**	**655,810**	**707,731**	677,904	745,022

Note:

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

(1) See footnote 3 to "*General Description of the Issuer and the Offering—Selected Financial Information—Assets and Liabilities*" for a description of the change in the presentation of the Issuer's capital in its balance sheet as from 1st January 2018.

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 30 June 2019 and 31 December 2018, was 22.85 per cent. and 22.75 per cent., respectively (under the standard approach of Basel II), with a minimum requirement of 8.0 per cent.). The capital adequacy ratio remained stable over the period between 31 December 2016 to 30 June 2019. The risk-weighted assets of the Issuer are growing at a faster rate than equity capital, which have been impacted by the adoption of IFRS 9.

In order to improve its capital adequacy the Issuer is currently in discussions with the BCEAO about, and intends to ask its regional shareholders (the WAEMU Member States and the BCEAO) for, an increase in the paid-in capital by calling additional tranches over the 2020-2024 period for up to FCFA 40 billion. No assurance can be provided as to the outcome of these discussions.

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 ß 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. Since 2016, market risk has been hedged, thus no capital requirement has been made to cover this risk.

The table below sets forth the Issuer's calculation of its capital adequacy for the years ended 31 December 2016, 2017 and 2018 and 30 June 2018 and 30 June 2019.

	31 December			30 June	
	2016 (audited)	**2017 (audited)**	**2018 (audited)**	**2018 (unaudited)**	**2019 (unaudited)**
			(FCFA millions)		
Credit risk					
(Basel II standardised approach)					
Gross outstanding sovereign risk.....	1,026,972	1,164,103	1,209,101	1,215,359	1,246,381
Gross outstanding non-sovereign risk.....	514,616	579,322	609,949*	590,924	645,195
Provision on loans.....	(26,248)	(28,104)	(53,126)	(55,613)	(51,501)
Outstanding loans (net of provisions)	1,515,340	1,715,321	1,765,924	1,750,670	1,840,075
Amounts to be disbursed on sovereign	930,167	1,083,597	1,200,377	1,230,004	1,395,171
Amounts to be disbursed on non-sovereign risk.....	497,182	503,853	445,235	492,612	430,709
To be disbursed on loans.....	1,427,349	1,587,450	1,645,612	1,722,616	1,825,880
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)	2,229,014	2,509,045	2,588,730	2,611,978	2,753,015
EAD on guarantees = (2)	12,496	5,300	32,206	28,363	31,085
EAD on loans = (3) = (1) + (2)	**2,241,510**	**2,514,345**	**2,620,936**	**2,640,341**	**2,784,100**
Gross outstanding participations.....	75,864	83,958	84,668	88,130	87,712
Provision on participations.....	(10,243)	(11,843)	—	—	—
Other reserve in fair market value of securities.....	6,477	15,987	41,891	5,986	45,584
Amounts to be disbursed on	21,658	24,625	28,668	30,803	27,271
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	**82,927**	**100,414**	**140,893**	**109,518**	**146,932**

	31 December			30 June	
	2016 (audited)	**2017 (audited)**	**2018 (audited)**	**2018 (unaudited)**	**2019 (unaudited)**
			(FCFA millions)		
EAD on other assets (non-current assets) (5)	**180,035**	**271,390**	**269,047**	**261,324**	**249,560**
EAD on loans, other assets and participations = A = (3) + (4) + (5)	**2,504,472**	**2,886,149**	**3,030,876**	**3,011,183**	**3,180,592**
Market risk					
(Basel II standardised approach)					
Debt structure					
JPY	—	—	—	—	—
USD	467,154	866,514	909,223	892,407	926,971
SDR	66,954	60,279	59,551	60,199	58,831
CHF	—	—	—	—	—
Euro	355,663	393,760	411,386	453,928	443,015
FCFA	537,990	396,941	325,011	347,768	257,507
VAR (99%; 1 day)	—	—	—	—	—
Capital requirement ("**CR**") (Var ST x (10^1/2 x 3.5)	—	—	—	—	—
Risk weighted assets at market risk: 12.5 x CR = B	—	—	—	—	—
Operational risk					
(Basel II standardised approach)					
Average amounts	—	—	—	—	—
Average interest received (1)	29,462	29,145	30,921	32,284	30,517
Average commission received (2)	2,632	2,528	1,983	2,313	1,983
Average exchange result (3)	(2,792)	225	5,691	7,214	5,691
Average dividend result (4)	2,862	3,319	3,711	3,951	3,711
CR	4,734	5,266	6,465	7,031	6,404
Risk weighted assets at operational risk: 12.5 x CR = C	59,171	65,821	80,808	87,893	80,052
Total risk weighted assets at risk = D = A +B+C	2,563,643	2,951,970	3,111,684	3,099,076	3,260,644
Paid in capital and reserves	597,558	627,822	646,144	631,808	678,923
Additional Tier 1 capital	37,135	27,988	27,988	27,988	27,988
Net tangible and intangible assets	6,477		33,598	18,108	38,111
Total qualifying Core Tier 1 capital =	641,170	655,810	707,731	677,904	745,022
Capital adequacy ratio = E/D	25.01%	22.22%	22.75%	21.87%	22.85%
Minimum regulatory ratio	8.0%	8.0%	8.0%	8.0%	8.0%

Note:

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

* This data as at 31 December 2018 includes FCFA 1,286 million of technical outstanding receivables (i.e. amounts not yet recovered on calls for payment of the principal amount of sound debts that are less than 30 days old at the closing date of the financial statements). The table of the Issuer's outstanding Bank Window non-sovereign loans by sectors as at 31 December 2018 in Note 10.1.2.4 to the 2018 Financial Statements does not include this amount (contrary to the 2016 Financial Statements, the 2017 Financial Statements, the 2018 Half-Year Financial Statements and the 2019 Half-Year Financial Statements).

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. The Issuer's AML/CFT System (AML/CFT Policy and Procedures Manual) was revised in 2016. Furthermore, the AML/CFT Policy was updated and adopted by the Issuer's Board of Directors at its December 2018 session.

To help ensure that borrowers and partners 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 a bad reputation (e.g. bad reputation (involvement in fraud or corruption or other behaviour that is inconsistent with business ethics) or 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 mandatory. 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, through a risk cartography mechanism, 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 department in charge of compliance. It uses AML procedures to prepare a file on proposals submitted to the Issuer. To improve its KYC procedure, the Issuer has subscribed to the Dow Jones Risk Database and to the Swift KYC Registry and Accuity Banks Almanac platforms. 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 two a codes of ethics for its staff including the members of Board of Directors and the President and the Vice-president, all in an attempt to further strengthen and foster good governance within the institution. In addition, it has hired two Certified Fraud Examiners.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the capitalisation of the Issuer as of 30 June 2019:

- 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 30 June 2019.

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 30 June 2019	
	Actual	**As Adjusted**
	(FCFA millions)	
Borrowings[1]:		
I - Debts represented by a security		
Bond issues [2]	954,804	1,451,039
Including the Notes offered hereby	—	496,235[5]
Commercial Paper	190,360	190,360
Maturities of less than one year	22,381	22,381
II - Other borrowings from external partners[3]		
Borrowings for financing long-term projects	484,702	484,702
Borrowings for financing long-term studies	482	482
Maturities of less than one year	33,596	33,596
III – Debts represented by other forms of security and other forms of borrowings		
Accrued interest on debts represented by a security	19,310	19,310
Deferred costs on debt securities and loans	(445)	(445)
Accrued interests and commissions on other borrowings	3,472	3,472
Deferred costs on other loans	(171)	(171)
IV - Interbank debts	10,133	10,133
Total borrowings I + II + III + IV	**1,718,623**	**2,214,858**
Capital and reserves:		
Capital		
Subscribed capital	1,103,650	1,103,650
Callable capital	(826,230)	(826,230)
Unpaid capital	(55,089)	(55,089)
Cost related to deferred paying-up of capital	(2,865)	(2,865)
Issue premium	2,622	2,622
Reserves		
Reserves transferred for development activities	76,050	76,050
Fair value reserves on securities classified in AFS	44,297	44,297
Reserves for cashflow coverage	(25,175)	(25,175)
Other reserves	26	26
Revaluation of liabilities under fixed benefits schemes	1,245	1,245
Retained earnings	385,305	385,305
Not Income for the period	22,893	22,893
Total capital and reserves	**726,729**	**726,729**
Total Capitalisation[4]	**2,445,352**	**2,941,587**

Notes:

(1) Gross of capitalised issuance costs.

(2) Bonds issued on the international and regional capital markets, including the U.S.$ 750,000,000 5.50 per cent. notes due 2021 and the U.S.$850,000,000 5.00 per cent. notes due 2027.

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

(4) Total Capitalisation represents Total borrowings and Total capital and reserves.

(5) U.S.$830,000,000 principal amount of the Notes converted into euros by using the average Noon Buying Rate (as indicated on page 18 of the Offering Circular) of €1.00 per U.S.$1.09715 as of 15 October 2019, and then into FCFA at a rate of €1.00 per FCFA 655.957.

The information in this table is based on the 2019 Half-Year Financial Statements. There has been no material adverse change to the total capitalisation of the Issuer since 30 June 2019.

CAPITAL STRUCTURE

Capital and shareholding structure

As at 30 June 2019, 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 30 June 2019, the Issuer had subscribed capital of FCFA 1,103.7 billion (€1,682.5 million), called capital of FCFA 277.4 billion (€422.9 million) of which FCFA 219.5 billion (€334.6 million) is paid-in capital, FCFA 55.1 billion (€84 million) is Unpaid capital and FCFA 2.9 billion (€4.4 million) is costs related to deferred release of capital. 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 46.86 per cent. of the share capital as at 30 June 2019. 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. as at 31 December 2018 and as at 30 June 2019), 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 2014, 2015 and 2017. 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 subscribed capital was also increased by 8.8 per cent. to FCFA 1,097.8 billion in 2015 from FCFA 1,050.6 billion in 2014, a recent increase in the subscribed capital of 0.5 per cent. occurred in 2017, and currently the subscribed capital is FCFA 1,103.7 billion.

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 30 June 2019, the Issuer's subscribed share capital is 25.1 per cent. to be paid-in, of which 19.9 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 (See Note 13 to the 2019 Half-year Financial Statements for further detail on the Issuer's capital structure as at 30 June 2019).

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 30 June 2019, together with shareholders' ratings. As at the date of this Offering Circular, only five 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	5.86	48.49	5.87	12.828	5.85	B2/B+/B
Burkina Faso	64.65	5.86	48.49	5.87	12.828	5.85	NR/B/NR
Côte d'Ivoire	64.65	5.86	48.49	5.87	12.828	5.85	Ba3/NR/B+
Guinea Bissau	64.65	5.86	48.49	5.87	10.828	4.94	NR/NR/NR
Mali	64.65	5.86	48.49	5.87	12.828	5.85	B3/NR/NR
Niger	64.65	5.86	48.49	5.87	12.828	5.85	NR/NR/NR
Senegal	64.65	5.86	48.49	5.87	12.828	5.85	Ba3/B+/NR
Togo	64.65	5.86	48.49	5.87	12.828	5.85	B3/B/NR
BCEAO	517.2	46.86	387.9	46.95	102.624	46.78	NR/NR/NR
Sub-total Category A shareholders	**1,034.40**	**93.73**	**775.82**	**93.90**	**203.348**	**92.65**	
Category B shareholders							
France	38.4	3.48	28.8	3.49	8.000	3.65	Aa2/AA/AAA(N)
KfW[3]	2	0.18	—	0.00	2.000	0.91	Aaa/AAA/AAA
Kingdom of Belgium	5.6	0.51	4.2	0.51	1.400	0.64	Aa3/AA/AA-
EIB[4]	4	0.36	3	0.36	1.000	0.46	Aaa/AA/AA
AfDB	6	0.54	4.5	0.54	1.043	0.48	Aaa/AAA/AAA
Exim Bank of India[5]	0.75	0.07	0.56	0.07	0.156	0.07	Baa3/BBB-/BBB-
People's Bank of China[6]	12	1.09	9	1.09	2.400	1.09	A1/AA-/A+
Kingdom of Morocco	0.5	0.05	0.38	0.05	0.119	0.05	Ba1/BBB-/BBB-
Sub-total Category B shareholders	**69.25**	**6.27**	**50.44**	**6.10**	**16.118**	**7.35**	
Total Categories A + B shareholders	**1,103.65**	**100**	**826.26**	**100**	**219.466**	**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 30 June 2019.

(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 1,034.4 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 as at 31 December 2018 and as at 30 June 2019).

BCEAO, the Issuer's largest shareholder, holds 46.86 per cent. of the subscribed capital as at 31 December 2018. 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 30 June 2019.

			Capital to be paid	
	Called-up capital	**Paid in capital (already paid)**	**Past due**	**Not yet scheduled**
		(FCFA millions)		
Category A shareholders.....	258,608	203,348	1,900[(1)]	53,360
Category B shareholders.....	18,813	16,118	—	2,695
Total A+B shareholders	**277,421**	**219,466**	**1,900**	**56,055**

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
					(FCFA millions)						
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.

Guinea Bissau accumulated arrears between 2007 and 2014 during the country's socio-political crisis. These arrears were rescheduled in 2016 over a 30 year period. They 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, 2014 and 2018, illustrating the Issuer's capital increases over the period:

	2004	**2010**	**2013**	**2014**	**2018**
			(FCFA millions)		
Shareholders					
Subscribed Capital – Class A shareholders	455.9	900.8	940.0	981.3	1,034.4
Subscribed Capital – Class B shareholders	22.1	49.7	69.3	69.2	69.2
Total subscribed capital A + B	**478.0**	**950.5**	**1,009.3**	**1,050.5**	**1,103.7**
Authorised Capital	700.0	1,050	1,155	1,155	1,115
Paid-up Capital	53.5	97.4	148.8	165.9	277.4

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.

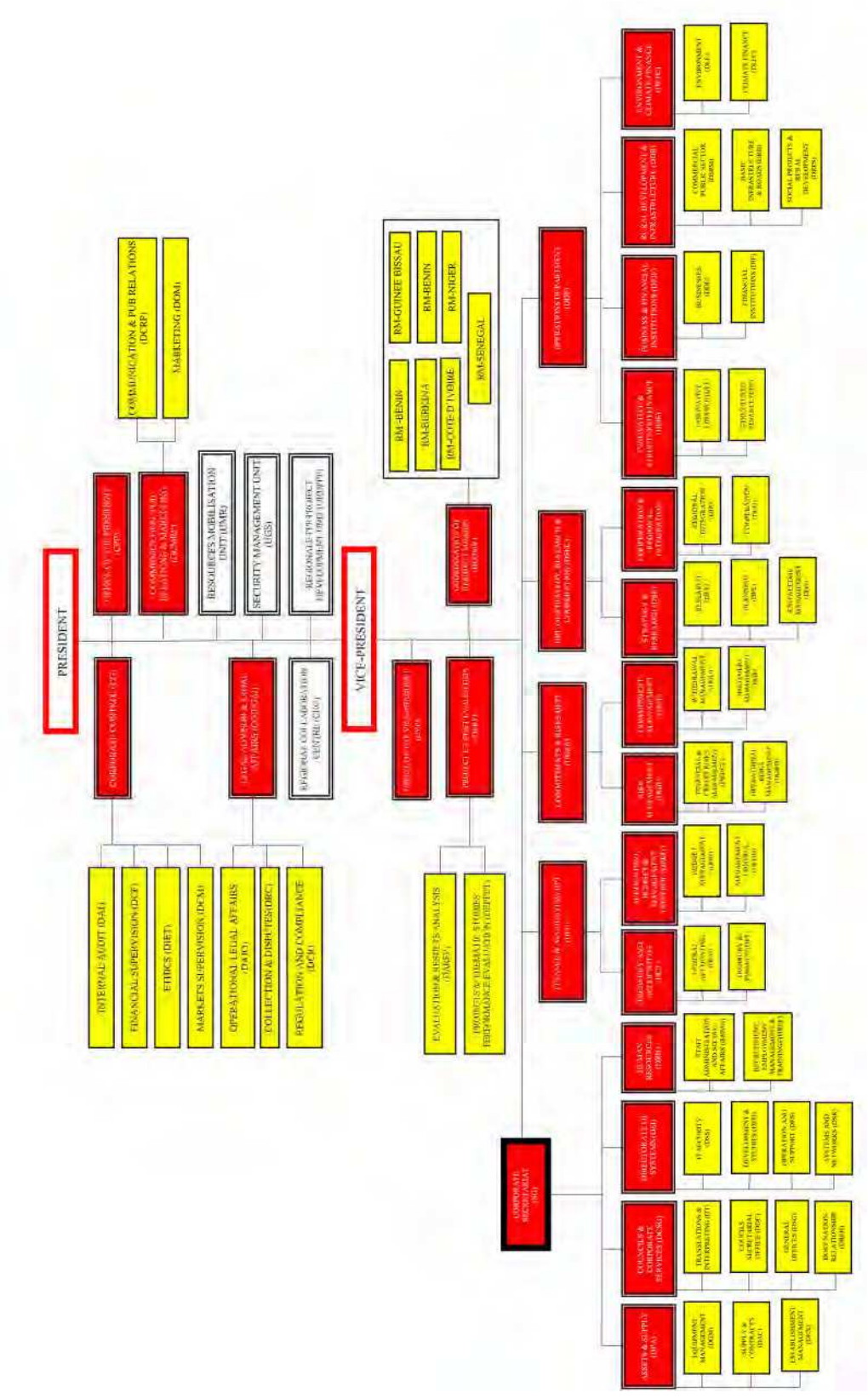
The Issuer does not pay dividends to shareholders but rather transfers all profits into reserves. This demonstrates the support from all shareholders to enable the Issuer to achieve its objectives. This support is particularly important in the eyes of non-regional Category B shareholders in light of 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 as at the date of this Offering Circular.



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.

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 2018 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.Romuald Wadagni Minister of Economy and Finance
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	Mr. Lassané Kabore, Minister of Economy, Finance and of DevelopmentMr Eric Wendenmanegha Bougouma, Minister of Infrastructure
Republic of Côte d'Ivoire	Mr. Adama Kone, Minister of Economy and Finance Mr. Abdourahmane Cissé, Minister of Oil, Energies and Renewable energies.
Republic of Guinea Bissau	Mr. Geraldo Joao Martins, Minister of Economy and FinanceMrs. Tomásia Manjuba, Secretary of State in charge of Planning and Regional Integration
Republic of Mali	Dr. Boubou Cissé, Minister of Economy and Finance Mr. Mohamed AG Erlaf, Minister of Trade and Industry
Republic of Niger	Mr. Mamoudou Diop, Minister of FinanceMrs. Kane Aïchatou Boulama, Minister of Planning
Republic of Senegal	Mr. Abdoulaye Daouda Diallo, Minister of Finance and BudgetMr. Amadou Hott, Minister of Economy, Plan and Cooperation
Republic of Togo	Mr. Sani Yaya, Minister of Economy and Finance Mr. Demba Tignokpa, Minister of Development Planning and Cooperation

Board of Directors

Chairman	Mr Christian Adovelande, President, West African Development Bank, Chairman of the Board of Directors
Republic of Benin	Mr. Abdou Rafiou Bello, Technical Advisor for Economy, Ministry of Economy and Finance
	Mr. Djaoudath Alidou, Technical Advisor for Economy, Ministry of Development and Planning
Republic of Burkina Faso	Mr. Salam Kafando, Director of Multilateral Cooperation, Ministry of Economy and Finance and Development
	Mr. Vieux Abdoul Rachid Soulama, Director General of Budget, Ministry of Economy and Finance and Development
Republic of Côte d'Ivoire	Mrs. Victorine Yao Attia, Technical Advisor to the Minister of Industry and Mines, Ministry of Trade, Industry and SME Promotion
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. Issa Jandi, Advisor to the Secretary of State in charge of Planning and Regional Integration, Ministry of Economy and Finance
Republic of Mali	Mr. Elly Prosper Arama, Deputy Executive Director, Public Debt Ministry of Economy and Finance
	Mr. Mohamed AG Ahmedou, General Delegate for African Integration. Ministry for Malians living Abroad and African Integration
Republic of Niger	Mr. Habou Hamidine, Secretary General of the Ministry of Finance
	Mr. Mahaman Sani Yakoubou, Director General for Investments, Ministry of Finance
Republic of Senegal	Mr. Cheikh Tidiane Senghor, Deputy Director of Cooperation and Foreign Financing, Directorate-General for the Budget, Ministry of Economy, Finance and budget
	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 Tiémoko Meyliet Kone, Governor, Central Bank of West African States

French Republic	Mr. Yves Charpentier, Financial Advisor for Africa, Directorate of Treasury, Ministry of Economy and Finance (Incumbent) Mr. Pierre-Léonard Rouzaud, Assistant Chief, Bureau for Sub-Saharan Africa and AFD Directorate of Treasury, Ministry of Economy and Finance (Alternate)
KfW/German Republic	Mr. Michael Wehinger, Manager, West Africa Mr. Matthias Adler, Division Manager, Infrastructures and Financial System Development
Kingdom of Belgium	Mrs. Philippe Gérard, Head of the Unit in charge of Development Banks, FPS Foreign Affairs, Directorate of Foreign Trade and Development Cooperation Mrs Robert Verhaeghe, Advisor, (D 2.2) Development Banks
European Investment Bank	Mrs Jane Feehan, EIB Regional Chief Representative to West Africa West Africa Regional Office
African Development Bank	Mrs. Kodeidja Diallo, NSO & Private Sector Support Department, African Development Bank Mr. Alhassane Haidara, Division Manager, Non-Sovereign Industries and Services Division, General Directorate for West Africa, African Development Bank
Republic of India	Mr. Nadeem Panjetan, Chief General Manager, Export-Import Bank of India Mr. Puspesh Tyagi, Resident Representative Exim Bank of India (West Africa), Abidjan
People's Republic of China	Mr Gao Yuchen, Former Ambassador of China in Mauritius, 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 liquidation committee of the Issuer; and (xvi)	Quarterly	Each WAEMU Member State is represented by two ministers and has only one vote which is cast by the Minister of Finance.

Prerogatives	Frequency of Meetings	Members
determines the distribution of available assets among members of the Issuer in the event of liquidation.		

Board of Directors

Prerogatives	Frequency of Meetings	Members
(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 of its Articles of association, (vi) decides on loans to be contracted by the Issuer, (vii) sets the general rules on how to use available funds of the Issuer, (viii) approves the agreements to be signed by the Issuer for the acceptance of non-refundable allocations, constitution of special funds, and the administration and operation of these funds and (ix) adopt the Issuer's annual accounts and the annual report of its activities.	Quarterly	Category A shareholders, 2 directors per member state and Governor of BCEAO. Category B shareholders, one director per member up to half of the total number of representatives of the Category A shareholders.

Credit Committee (internal body of the Board of Directors)

Prerogatives	Frequency of Meetings	Members
Approves loans and loan guarantees within the limits set by the Board of Directors (for decisions relating to a maximum of FCFA 5 billion FCFA, in case of emergency). All financing proposals submitted to the Credit Committee and the Board of Directors are first reviewed by the accreditations committee in charge of private sector	As often as necessary between two sessions of the Board of Directors	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
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 appoints the Issuer's auditors. They audit the annual financial statements and review the interim financial statements as at 30 June. The Issuer is not required to produce, nor does it normally produce, quarterly financial statements.

Following the issuance of the Notes, the Issuer agrees, in accordance with Condition 5, entitled "*Terms and Conditions of the Notes - Negative Pledge and certain other Covenants*", to provide the Trustee with only annual and semi-annual financial statements pursuant to its obligations and therefore will not provide the Trustee, or otherwise publish quarterly financial statements pursuant to such obligations.

The issuer's external auditors for the years ended 31 December 2016, 2017 and 2018 were PWC. In accordance with the terms of reference for the selection of the BOAD Auditor (Terms of reference for the selection of the auditor of the West African Development Bank for the 2019-2021 financial years inclusive), the term of office of the external auditors is three years. PWC's mandate expired after the approval of the 2018 financial year accounts. As at 1 January 2019, the Issuer's external auditors are KPMG TG for the 2019, 2020 and 2021 financial years. In this respect, the BOAD's semi-annual financial statements as at 30 June 2019 were reviewed by KPMG TG.

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 Global Note Certificates will each 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 that is also a QP, 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 that is also a QP, (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 non-exempt 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) 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; (II) the Plan Fiduciary is responsible for exercising independent judgment in evaluating the Plan's acquisition of the Notes; and (III) the Plan Fiduciary has been informed by the Issuer, the Registrar, the Trustee, the Joint Lead Managers, or their respective affiliates (the "**Transaction Parties**"): 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;

(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 NON-EXEMPT 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) 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; (II) the Plan Fiduciary is responsible for exercising independent judgment in evaluating the Plan's acquisition of the Notes; and (III) the Plan Fiduciary has been informed by the Issuer, the Registrar, the Trustee, the Joint Lead Managers, or their respective affiliates (the "**Transaction Parties**"): 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

(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 (a) DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the Restricted Global Note Certificate(s) or ceases to be a clearing agency registered under the Exchange Act, or is at any time no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC or (b) 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. 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) 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. 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 depositary 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 two 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 two business days (T+2), 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 two days prior to the Issue Date will be required, by virtue of the fact the Notes initially may settle beyond T+2, 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 Creation Online 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, holders subject to special tax accounting rules as a result of any item of gross income with respect to the Notes being taken into account in an applicable financial statement, 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.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF ACQUIRING, OWNING, AND DISPOSING OF THE NOTES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

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" for foreign tax credit purposes. 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

If the "stated redemption price at maturity" exceeds the "issue price" of a Note by more than a *de minimis* amount (as described below), the Note will be considered to have been issued at an original discount for U.S. federal income tax purposes. Generally, 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". In general, "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 from the issue date, then the Note will not be considered to have OID. U.S. holders of Notes with less than a *de minimis* amount of OID must include this OID 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 gain or loss equal to the difference, if any, between the amount realized on the sale, exchange or retirement and the U.S. holder's adjusted tax basis in the Note. A U.S. holder's adjusted tax basis in a Note generally will equal its U.S. dollar cost increased by the amount of OID included in the U.S. holder's gross income and decreased by the amount of any payment received from the Issuer other than a payment of qualified stated interest. The amount realized does not include the amount attributable to accrued but unpaid stated interest, which will be taxable as interest income to the extent not previously included in income. Gain or loss realized by a U.S. holder on the sale, exchange or retirement of a Note will be capital gain or loss and will be long-term capital gain or loss if the Note was held by the U.S. holder for more than one year. 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. 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 other disposition of Notes by a U.S. paying agent or other U.S. 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 (including payment of accrued OID) 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.

Certain U.S. holders are not subject to backup withholding. 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

BNP Paribas, J.P. Morgan Securities plc, Natixis and Standard Chartered Bank (the "**Joint Lead Managers**") have, pursuant to a subscription agreement dated 18 October 2019 (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 100 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 that are also QPs, 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 and QPs, 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, other than to qualified investors (*investisseurs qualifiés*) as defined in Article 2(e) of the Prospectus Regulation, and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, other than to qualified investors, 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 qualified investors, and all in accordance with Articles L. 411-1 and L. 411-2 of the French *Code monétaire et financier*, as amended from time to time, and any other applicable French law or regulation.

Singapore

Each Joint Lead Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the MAS. Accordingly, each Joint Lead Manager has severally represented, warranted and undertaken with the Issuer that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, the Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-Based Derivatives Contracts) Regulations 2018.

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.

United Arab Emirates (excluding the Dubai International Financial Centre)

Each of the Joint Lead Managers has represented and agreed that the Notes have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates (the "**UAE**") other than in compliance with any laws applicable in the UAE governing the issue, offering or sale of securities.

Dubai International Financial Centre

Each of the Joint Lead Managers has represented and agreed that it has not offered and will not offer the Notes to any person in the Dubai International Financial Centre unless such offer is:

(i) an "**Exempt Offer**" in accordance with the Markets Rules (MKT) Module of the Dubai Financial Services Authority (the "**DFSA**") rulebook; and

(ii) made only to persons who meet the Professional Client criteria set out in Rule 2.3.2 of the DFSA Conduct of Business (COBS) Module of the DFSA rulebook.

Switzerland

This Offering Circular is not intended to constitute an offer or solicitation to purchase or invest in the Notes described herein. The Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or any other exchange or regulated trading facility in Switzerland. Neither this Offering Circular nor any other offering or marketing material relating to the Notes constitutes (i) a prospectus as such term is understood pursuant to Article 652a or 1156 of the Swiss Code of Obligations, (ii) a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland, or (iii) a simplified prospectus or other prospectus as such term is defined in the Swiss Federal Act on Collective Investment Schemes and neither this Offering Circular nor any other marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland. Neither this Offering Circular nor any other offering and marketing material relating to the offering or the Notes have been or will be filed with or approved by the Swiss Financial Market Supervisory Authority FINMA or any other Swiss regulatory authority, the Notes are not subject to the supervision of any such Swiss authority, and investors in the Notes will not benefit from protection or supervision by such authority.

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, certain of the Joint Lead Managers and the Issuer have entered into swap documentation to hedge the U.S. dollar exposure represented by the Notes. Those 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 206354003 (Regulation S); 206664177 (Rule 144A). The ISINs for the Notes are XS2063540038 (Regulation S); US06675QAC78 (Rule 144A). The CUSIP for the Notes is 06675Q AC7 (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 25 September 2019.

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 2018.

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 Annual Financial Statements, including, in each case, the audit report thereon and the 2018 Half-Year Financial Statements and the 2019 Half-Year Financial Statements, including, in each case, Statutory Auditors' Report on Review of Interim Financial Information thereon;

(e) the Trust Deed (in English);

(f) the Agency Agreement (in English); and

(g) this Offering Circular and any supplements hereto.

7 Auditors

The Annual Financial Statements were audited by PWC, independent auditors. The 2019 Half-Year Financial Statements were subject to a review by KPMG TG, independent auditors in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". Neither PWC when they were the Issuer's auditors had, nor have at the date of this Offering Circular, nor does KPMG TG have, any material interest in the Issuer.

KPMG TG's review report with respect to the 2019 Half-Year Financial statements includes the following paragraph: " Without qualifying the conclusion expressed above, we draw your attention to Note 4 "Significant changes in accounting principles - first application of IFRS 16" to the condensed interim financial information which describes the impacts of the first-time application of IFRS 16 "Leases"".

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 SIX-MONTH PERIODS ENDED 30 JUNE 2019 AND 2018 AND FOR THE YEARS ENDED 31 DECEMBER 2018, 2017 AND 2016.

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BANQUE OUEST AFRICAINE DE DEVELOPPEMENT (BOAD)

Statutory Auditors' report on the 2019 half year financial information

This is a free translation into English of the independent auditors' review report on the condensed financial information issued in French and is provided solely for the convenience of English-speaking users.

For the six months period ended June 30, 2019
B.O.A.D.
68, Avenue de la Libération
BP 1172, Lomé - Togo
This report contains 3 pages
Appendice contains 32 pages

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BANQUE OUEST AFRICANE DE DEVELOPPEMENT (BOAD)

Registered office : 68, Avenue de la Libération, PO. Box 1172
Share Capital: XOF 1 155 000 000 000

Statutory Auditors' Report on Review of Interim Financial Information
From January 1, 2019 to June 30, 2019

Introduction

We have reviewed the accompanying condensed statement of financial position of Banque Ouest Africaine de Développement (BOAD) as at June 30, 2019, the condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the condensed interim financial information.

Board of directors is responsible for the preparation and presentation of this condensed interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as at June 30, 2019 is not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting".

Emphasis of Matter

Without qualifying the conclusion expressed above, we draw your attention to Note 4 "Significant changes in accounting principles – first application of IFRS 16" to the condensed interim financial information which describes the impacts of the first-time application of IFRS 16 "Leases".

Lomé, September 27, 2019

Statutory Auditors

KPMG Togo

Toussaint de Souza
Partner

APPENDIX:

Condensed financial statements for the period ended June 30, 2019

INTERIM FINANCIAL REPORT AS AT 30 JUNE 2019

AUGUST 2019

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INTERIM FINANCIAL STATEMENT AS AT 30 JUNE 2019

Statement of financial position

ASSETS	Note	30/06/2019	31/12/2018
Cash and cash equivalents	5	**240 238**	**270 786**
Loans and receivables at amortized cost	6	**2 208 195**	**2 150 773**
- Interbank loans		69 284	70 144
- Loans and advances to customers		1 878 423	1 801 520
- Loans and advances to staff		11 196	10 751
- Debt securities portfolio		242 410	261 476
- Receivables from shareholders		6 882	6 882
Equity participations	7	**133 296**	**126 559**
- Financial assets available for sale			
- Financial assets designated at fair value through profit and loss		8 099	8 014
- Financial assets designated at fair value through non-recyclable other comprehensive income (OCI)		125 197	118 545
Adjustment accounts and other assets	8	**22 611**	**12 502**
- Derivative assets		13 776	1 065
- Accruals assets		2 143	2 120
- Other adjustement accounts		6 692	9 317
Intangible assets	9	**203**	**333**
Tangible assets	9	**6 947**	**7 238**
TOTAL ASSETS		**2 611 490**	**2 568 191**

LIABILITIES	Note	30/06/2019	31/12/2018
Liabilities at amortized cost	10	**1 718 623**	**1 740 300**
- Interbank debts		10 133	6 625
- Debt represented by a security		1 186 410	1 253 872
- Other debts		522 080	479 802
Funds	11	**133 556**	**113 251**
Adjustments accounts and other liabilities	12	**24 662**	**31 917**
- Derivative liabilities		11 003	23 786
- Accruals liabilities		10 080	5 730
- Other adjustement accounts		3 578	2 401
Provisions		**7 921**	**7 539**
Total liabilities		***1 884 761***	***1 893 007***
Capital		**219 466**	**206 580**
- Subscribed capital		1 103 650	1 103 650
- Callable capital		-826 230	-826 230
- Unpaid Capital		-55 089	-67 975
- Cost related to deferred release of capital		-2 865	-2 865
Share premium		**2 622**	**2 622**
Reserves		**504 641**	**465 982**
- Reserves allocated to development activities		76 050	76 050
- Net gains on investments in equity instruments designated at fair value through non-recyclable other comprehensive income		44 297	40 689
- Reserves of cash flow hedges		-25 175	-39 429
- Other reserves		26	26
- Retained earnings		385 305	369 229
- Remeasurements of defined benefit liability		1 245	1 245
- Net income for the period		22 893	18 173
Total shareholders' equity	13	***726 729***	***675 184***
TOTAL LIABILITIES AND EQUITY		**2 611 490**	**2 568 191**

Comprehensive income statement

For the six months ended 30 June COMPREHENSIVE INCOME STATEMENT	Note	30/06/2019	30/06/2018
Interests and related income		60 269	58 940
Interests and related charges		-36 875	-40 634
Margin on interests		*23 394*	*18 306*
Fees and commissions (income)		2 226	1 642
Fees and commissions (charges)		-684	-789
Margin on interests and fees		*24 935*	*19 159*
Exchange rate gains		0	50
Exchange rate losses		-5 831	-25 851
Gains/ losses on hedging instruments		11 239	31 421
Gains/ Losses on foreign exchange		***5 409***	***5 620***
Margin on interests, fees and foreign exchange		*30 344*	*24 780*
Gains/ losses on financial assets designated at fair value through profit and loss		85	-278
Dividends received		2 194	1 447
Net banking income	**14**	***32 623***	***25 948***
Cost of risk	**15**	***-603***	***-2 794***
Allocations from Member states		3 200	3 200
Other operating income		205	155
Expenses related to development activities	16	-1 918	-1 093
General operating expenses		-10 584	-9 724
- Staff costs		-6 391	-5 805
- Amortisations on property, equipment and intangible assets		-673	-599
- Other operating costs		-3 520	-3 321
Other operating expenses		-31	-62
Other net operating income		***-9 128***	***-7 525***
Net income for the period		**22 893**	**15 629**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss		**14 254**	**-19 287**
Cash flow hedges (CFH)		14 254	-19 287
Items that will not be reclassified to profit or loss		**3 609**	**2 121**
Equity participations at FVOCI - net change in fair value		3 609	2 121
Remeasurements of defined benefit liability		0	0
Other comprehensive income for the period		***17 863***	***-17 166***
Total comprehensive income for the period		**40 756**	**-1 537**

Variations in equity

	Capital				Share premium	Reserves			
	Subscribed capital	Callable capital	Unpaid Capital	Cost related to the deffered paying-up capital (1)		Reserves allocated to development activities	Other reserves	Remeasurements of defined benefit liability	Fair value reserves (available-fo sale financi assets)
Balance as at 1st January 2018	1 103 650	-826 230		-4 046	2 622	76 050	26	2 165	15 9
Increase in capital	*0*	*0*	*-67 975*	*0*	*0*	*0*	*0*	*0*	*-15 9*
Unpaid Capital			-67 975						
Adjustments on initial application of IFRS9									-15 9
Net income as at 31 December 2018 before allocation									
Other comprehensive income	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*-920*	
Net gains on investments in equity instruments designated at fair value through other comprehensive income (IFRS9)									
Fair value reserves (available-for-sale financial assets)									
Remeasurements of defined benefit liability								-920	
Cash flow hedges									
Other changes				*1 180*					
Allocation of 2017 income									
Transfers									
Contributions et distributions									
Total transactions with the owners of the Bank									
Balance as at 31 December 2018	1 103 650	-826 230	-67 975	-2 865	2 622	76 050	26	1 245	
Adjusted balance as at 1st January 2019	1 103 650	-826 230	-67 975	-2 865	2 622	76 050	26	1 245	
Increase in capital	*0*	*0*	*12 886*	*0*	*0*	*0*	*0*	*0*	
Unpaid Capital			12 886						
Net income as at 30 June 2019									
Other comprehensive income	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	
Net gains on investments in equity instruments designated at fair value through other comprehensive income (IFRS9)									
Remeasurements of defined benefit liability									
Cash flow hedges									
Other changes									
Allocation of 2018 income									
Transfers									
Contributions et distributions									
Total transactions with the owners of the Bank									
Balance as at 30 June 2019	**1 103 650**	**-826 230**	**-55 089**	**-2 865**	**2 622**	**76 050**	**26**	**1 245**	

Cash flow table

Cashflow for operational activities	Notes	30/06/2019	30/06/2018
Income for the period		**22 893**	**15 629**
Adjustments related to non-monetary and other items			
Unrealised gains/losses		-5 437	-5 585
Exchange gains		0	-50
Exchange losses		29	15
Amortization		673	599
Depreciation		0	0
Cost of risk		603	2 794
Gains/ losses on financial assets designated at fair value through profit and loss		-85	278
Other items		-2 822	-2 903
		-7 040	**-4 852**
Changes in assets and liabilities from operations			
Interbank loans		860	13 742
Disbursements on receivables from customers		-165 768	-138 044
Repayments of receivables from customers		136 537	107 358
Other receivables from customers		-46 048	-34 745
Loans and advances to staff		-445	-5 266
Debt securities portfolio		19 086	9 261
Other receivables		0	14
Other assets		131	5 846
Deposits from banks		3 507	1 019
Other debts		36 957	40 827
Other liabilities		22 833	18 280
		7 650	**18 292**
Cashflow from operations		**23 503**	**29 069**
Cashflow from investment activities		**30/06/2019**	**30/06/2018**
Acquisitions of tangible assets		-250	-814
Sales of tangible assets		1	791
Acquisitions of intangible assets		-5	-16
Sales of intangible assets		0	0
Acquisitions of shares		-3 479	-4 712
Sales of shares		1 339	583
			0
Cashflow from investments		**-2 395**	**-4 169**
Cashflow from financing activities		**30/06/2019**	**30/06/2018**
Resources from capital paying-up		16 316	16 316
Redemption of shares		0	0
Debts represented by a security		74 710	87 193
Repayment/debts represented by a security		-102 671	-87 506
Repayment/other loans		-40 012	-36 280
Cashflow from financing activities		***-51 656***	***-20 277***
Net increase/(decrease) of cash and cash equivalents		**-30 548**	**4 623**
Cash and cash equivalents at opening	**5**	**270 786**	**302 904**
Cash and cash equivalents at closing	**5**	**240 238**	**307 528**
		30/06/2019	**30/06/2018**
ADDITIONAL INFORMATION			
Operating cashflow from interests and dividends:			
Interest paid		42 206	46 580
Interest received		55 075	32 661
Dividends received		2 194	1 447

NOTE 1. ACTIVITY OF BOAD

The West African Development Bank (BOAD) is the development finance institutions of member countries of the West African Economic and Monetary Union (WAEMU). It was established by a Treaty signed on 14 November 1973.

The Bank became operational in 1976.

BOAD is an international public institution, headquartered in Lomé (Togo) at 68, avenue de la libération, and with resident missions in each of the 7 other WAEMU member countries.

The Bank's shareholders include the WAEMU Member States (Benin, Burkina Faso, Côte d'Ivoire, Guinea Bissau, Mali, Niger, Senegal, Togo), the Central Bank of West African States (BCEAO), three European States (Germany, France and Belgium), as well as the African Development Bank (ADB), the European Investment Bank (EIB), China, Exim Bank India and the Kingdom of Morocco.

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

In order to finance its activities, the Bank, under Article 37 of its Statute, may grant loans on the Union's internal market or on external financial markets and contract loans from international or foreign public or private bodies, of any maturity and under any repayment conditions, both in the currency of the Union and in foreign currencies or units of account as deemed appropriate by the Bank's Governing Board.

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.

2.1 Basic financial reporting principles

The principles underlying the presentation of the financial information are as follows:

The interim financial statements as at 30 June 2019 were been prepared in accordance with IAS[1] 34 "Interim Financial Reporting", as published by the IASB[2], which allows a selection of explanatory notes to be presented.

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 2018.

[1] International Accounting Standards

[2] International Accounting Standards Board (IASB)

The separate financial statements at 30 June 2019 have been prepared in accordance with the same principles as at 31 December 2018, subject to the specific features of IAS 34. These financial statements of the Bank are the first to take into account IFRS 16. Any changes in accounting methods that may have a material impact are described in Note 4.

Moreover, since the Bank's activities are not seasonal or cyclical in nature, its output as at 30 June 2019 is therefore not affected by seasonal factors (e. g. climate).

2.2 Key basis for evaluation

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

2.3 Critical accounting assumptions 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 assumptions are continually evaluated and take into account experiences and other factors, including future events deemed reasonable under the current circumstances.

The most significant assumptions and estimates are summarized below.

a) Main assumptions

The Bank's accounting policy requires that assets and liabilities are recorded during their acquisition into different accounting categories. This decision requires detailed meaningful judgment on the classification and measurement of financial instruments in accordance with IFRS 9.

b) Key estimates

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

Assessing the fair value of equity investments: For each balance sheet, the Bank reviews its equity portfolio to assess its fair value based on financial information or stock prices available and estimates changes in fair value.

Fair value assessment of derivatives: Fair value assessment of derivatives: At each closing, the Bank engages a specialist to assess the hedging instruments deployed to protect itself against currency risk on borrowings contracted in SDRs and USD.

2.4 Interim financial statements

The interim financial statement as at 30 June 2019, which cannot be used as a basis to prejudge the full year, takes 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 are made as part of budgetary procedure, while valuation of the provisions as at 30 June 2019 is based on projected actuarial calculations at the end of the previous year.

2.5 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.

2.6 Events after closing of accounts

The Bank carries out adjustments of 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 these events relate to existing situations as at the balance sheet date.

If these events relate to events that occurred after the date of closing of the accounts but require disclosure, the balance sheet, income statement, cash flow table and the table of changes in equity are not adjusted. The nature and potential impact of these events are captured in note 20 below.

2.7 Statement of accounts

BOAD's individual accounts as at 30 June 2019 were approved by the Board of Directors at its meeting of September 25th, 2019.

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

The standards and interpretations described in the Bank's financial statements as at

As at 31 December 2018, the provisions of the new standards and interpretations that came into force for the 2019 financial year have been added. These are the following standards and amendments:

New regulations in force:

Date of entry into force	New standards or amendments	Impact on the Bank's financial statements as at 30 June 2019
1January 2019	IFRS 16 « Lease »	The objective of IFRS 16 " Leases" is to establish principles for the recognition, measurement, presentation and disclosure of leases for lessees and lessors. The impact of this standard is presented in Note 4 to these summarized interim financial statements.
	IFRIC 23 'Uncertainty over income tax treatment'	IFRIC 23 clarifies the application of the recognition and measurement provisions of IAS 12 " Income Taxes" when there is uncertainty over the treatment of income tax. Due to its status as an international public institution, BOAD is exempt from income tax. **No impact from this new interpretation standard is therefore anticipated.**
	Amendments to IFRS 9 entitled " Prepayment features with negative compensation "	The application of a prepayment option may result in a repayment of less than the sum of the principal and interest on the outstanding principal. In this case, the amendment allows the financial instrument to be recognized at amortized cost although the SPPI criterion (Solely Payment of Principal and Interest) is no longer met provided that this compensation is reasonable and that the instrument is held for the purpose of obtaining payment of interest and principal. The Bank's loans include prepayment terms, but since the start of the Bank's activities, the exercise of this term has only resulted in the payment by the borrowers of total amounts (outstanding principal, interest and penalties) slightly higher than those provided for in the amortization tables. On this basis, it must be concluded that the clauses in the loan agreements signed by BOAD with its borrowers do not provide for negative compensation. **It is therefore not necessary for the BOAD to apply this amendment.**
	Amendments to IAS 28 entitled " Long-term interests in associates and joint ventures	The Bank applies IFRS 9 to the individual financial statements for the accounting of all its long-term interests in companies. **The amendment is therefore not applicable to BOAD.**
	Amendments to IAS 19 on " Plan amendments, curtailments or settlements ".	The application of this amendment results in new obligations for the Bank whenever the net liability for benefits granted as a result of a plan amendment, curtailment or settlement is revalued. These obligations relate to the determination of current service cost, the calculation of net interest, the calculation of interest income and the calculation of interest on the effect of the asset limit for the remaining portion of the year after the plan is amended, curtailed or wound up.

Date of entry into force	New standards or amendments	Impact on the Bank's financial statements as at 30 June 2019
		The Bank is not currently considering any amendments, curtailments or settlements to the current plan. This amendment will therefore have no impact on the accounting for post-employment benefits under the defined benefit plan.
	"Annual Improvements to IFRS - Cycle (2015-2017)" (amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23)	**IAS 12:** The Bank does not pay dividends to its shareholders. Because of its status as an international public institution, it is exempt from corporate income tax. **Consequently, this improvement in presenting the tax implications of dividend payments has no impact on the Bank's accounts.** **IAS 23 :** This amendment specifies how to determine the amount of borrowing costs that can be incorporated into the cost of the asset when an entity borrows funds generally and uses them to obtain a qualifying asset (versus funds specifically borrowed to obtain a qualifying asset). The amendment considers that on average, part of the borrowed funds is allocated to expenditure on the assets concerned **No impact is expected on BOAD's accounts.** **IFRS 11:** Under this amendment, an entity does not reassess its previous interests in a joint operation when it obtains joint control of such a joint operation.. **This amendment is not applicable to BOAD's individual accounts and therefore has no impact.** **IFRS 3:** The amendment stipulates that an entity must reassess its previous interests in a joint operation when it obtains control of the joint operation. **As these are individual accounts, this amendment is not applicable and therefore has no impact.**

Future regulations:

Date of entry into force	New standards or amendments
1 January 2022[3]	IFRS 17 'Insurance contracts'

[3] The Bank's operations involve mainly banking activities and do not fall within the scope of IFRS 17, which replaces IFRS 4. **There will therefore be no impact on BOAD's accounts.**

NOTE 4. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES - FIRST APPLICATION OF IFRS 16

The Bank applied IFRS 16 "Leases" for the first time from 1 January 2019. Other standards and interpretations came into force on 1 January 2019, but have no impact on the Bank's financial statements as at 30 June 2019.

IFRS 16 replaces the previous "IAS 17" standard under which assets under "finance leases" and those under "operating leases" were recorded separately, the former being recorded in the balance sheet as quasi-acquisitions, but the latter were not. It also replaces the corresponding interpretations IFRIC 4, Determining whether an arrangement contains a lease, SIC 15, Advantages in operating leases and SIC 27, Valuation of the substance of transactions in the legal form of a lease.

4.1 General principles of IFRS 16

4.1.1 Scope and exemptions from the standard

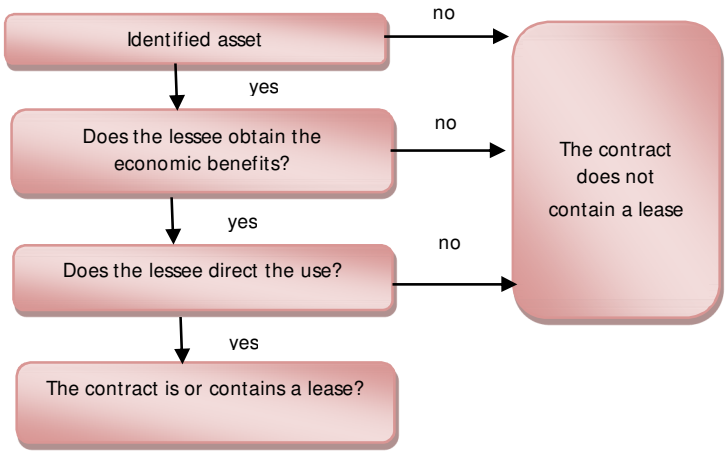
IFRS 16 applies to the accounting for leases other than leases for the exploration for or use of non-renewable mineral resources (scope of IFRS 6), leases of biological assets within the scope of IAS 41, service concession contracts within the scope of IFRIC 12, intellectual property rights licensing agreements granted by the owners of these rights, recognized under IFRS 15 and rights held by licensees as a result of licensing agreements, recognized as an intangible asset within the meaning of IAS 38, relating to films, video recordings, plays, manuscripts, patents and reproduction rights.

Leases of up to one year and contracts for low value assets *(maximum value of USD 5,000 with reference to the application requirements under US GAAP)* are exempt from the requirements of IFRS 16.

4.1.2 Definition and identification of a lease

A lease is a contract, or part of a contract, that confers the right to use an asset for a specified period of time for consideration.

The identification of a lease is based on the combination of two elements shown in the diagram below, namely an identified asset (step 1) and the right to control its use by the lessee (step 2).



Step 1 : **The existence of a lease implies that the leased asset must be identified.**

a. Identification may be explicit in the contract or implicit when given to the client, for example.

b. The property must be physically identified and distinct when it is part of a whole.

c. The lessor must not have a real right of substitution, i.e. he may not substitute another right for it during the term of the contract. The mere fact that the asset is temporarily replaced for repair or maintenance purposes alone is not sufficient to justify a substantial right of substitution. The reality of the right of substitution is assessed based on facts and circumstances existing at the start date of the contract, while excluding future events.

   The right of substitution is substantial only if the following two conditions are met:

   - The practical ability of the lessor to replace the asset with another throughout its useful life (for example, the lessee cannot prevent the lessor from replacing the asset and the lessor has ready access to a replacement asset or can provide one within a reasonable time);
   - The exercise of the right of substitution would provide an economic benefit to the lessor (the economic benefits of substitution would exceed the costs associated with it).

Step 2: **Control over the right to use the leased asset**

a. The right to obtain substantially all the economic benefits derived from the asset: economic benefits can be obtained by the lessee in many ways, by using the asset itself, by holding it or by subletting it. The assessment of the right to obtain economic benefits is carried out within the limits of the possibilities of use imposed on the client.

b. The lessee decides on "how and for what purpose" to use it during the lease period: depending on the contract, he must have the right to decide which asset to lease, over which period, where to use it, etc. Only rights that may affect the economic benefits provided by the asset should be considered. Even when the use is predetermined, the contract will qualify as a lease as long as it has the right to operate the asset throughout the period of use without the lessor being able to intervene in this mode of operation.

4.2 First adoption of IFRS 16 as at 1 January 2019

4.2.1 Transition to IFRS 16

By way of derogation from the general principles of IAS 8 *"Accounting policies, changes in accounting estimates and errors"*, IFRS 16 allows for a modified retrospective first application, without restatement of the comparative period of the N-1 financial year. As a result, it is not necessary to restate the financial statements for the 2018 financial year. This first application of IFRS 16 leads to the presentation of the opening balance sheet as at 1 January 2019 as if IFRS 16 had always been applied.

The Bank has opted to apply IFRS 16 using the modified retrospective method. **However, the impact assessments carried out concluded that there is no adjustment to be made to opening equity at 1 January 2019.**

The Bank has also decided to apply the simplification measure, which enables it to retain the previous definition of a lease at the time of transition. Accordingly, it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases within the meaning of IAS 17 and IFRIC 4. **Existing contracts are entered in the accounts under the scope of the old standard (IAS 17). It should be noted that after analysis, none of the leases during their term could be qualified as leases within the meaning of IAS 17 or IFRS 16.**

4.2.2 As lessee

An analysis of the various contracts concluded as lessee under IFRS 16 led to the conclusion that the Bank did not hold the property (rented houses or offices of the Resident Missions), the object of the lease. Contracts signed as lessee do not meet the definition of a lease. There is no change in accounting treatment to be applied and therefore no adjustment to be taken into account on opening shareholders' equity at 1 January 2019.

4.2.3 As a lessor

Unlike the lessee, the lessor must continue, even under IFRS 16, to classify its leases as finance and operating leases. The analysis of the signed contracts concluded that the criteria provided for in the standard for their qualification, as finance leases are not met. As a result, all contracts entered into are classified as operating leases. As a result, the accounting treatment remains unchanged as at 1 January 2019.

NOTE 5. 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 comprise the following:

Cash and cash equivalents		30/06/2019	31/12/2018
Cash accounts		94	149
BOAD HQ Current Account		95	431
Deposit Accounts for Resident Missions at BCEAO	5.1	106 275	126 038
Japan Eximbank Special Account		15	15
Kingdom of Belgium Special Account		4 213	4 212
FDE P/C Contribution Account		1 482	24 457
BOAD Settlement Account Lomé		31 022	5 581
Operating Account for Resident Missions		370	406
Bank and correspondent bank accounts		5 612	6 428
Short-term bank deposits (a)	5.2	91 006	103 006
Deposits/ Margin calls		55	63
TOTAL		**240 238**	**270 786**

5.1. The deposit accounts of the Resident Missions are as follows:

Resident missions	30/06/2019	31/12/2018
Deposit Accounts BCEAO Abidjan	1 947	5 535
Deposit Accounts BCEAO Bamako	1 991	12 288
Deposit Accounts BCEAO Bissau	1 234	654
Deposit Accounts BCEAO Cotonou	3 867	1 825
Deposit Accounts BCEAO Dakar	4 511	14 996
Deposit Accounts BCEAO Lomé	82 248	79 376
Deposit Accounts BCEAO Niamey	3 867	3 163
Deposit Accounts BCEAO Ouagadougou	6 610	8 201
Total	**106 275**	**126 038**

5.2 Short-term bank deposits include:

Short-term bank deposits	30/06/2019	31/12/2018
BOA-CI, special liquidity account	996	996
BOA-BENIN liqiuidity account	1 010	1 010
Term deposit with BOA Group	13 000	15 000
Term deposit with ORABANK Group	10 000	10 000
Term deposit with BSIC Group	13 000	3 000
Term deposit with Banque Atlantique Togo	5 000	5 000
Term deposit with Coris Bank Group	23 000	31 000
Term deposit with Diamond Bank Group	0	13 000
Term deposit with BHBF	5 000	5 000
Term deposit with UTB	10 000	10 000
Term deposit with UBA	2 000	1 000
Term deposit with BAIC	5 000	5 000
Term deposit with NSIA BANK	3 000	3 000
Total	**91 006**	**103 006**

NOTE 6. LOANS AND RECEIVABLES AT AMORTIZED COST

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

Loans and receivables at amortized cost		30/06/2019	31/12/2018
Interbank loans	6.1	69 284	70 144
Loans and advances to customers	6.2	1 878 423	1 801 520
Loans and advances to staff		11 196	10 751
Debt securities portfolio	6.3	242 410	261 476
Receivables from shareholders		6 882	6 882
TOTAL		**2 208 195**	**2 150 773**

6.1 Interbank receivables

Interbank receivables include interbank loans and related interests all due in less than a year. Their positions as at 30 June 2019 and at 31 December 2018, are as follows :

Interbank loans counterparties	30/06/2019	31/12/2018
BCEAO- Interests on ordinary accounts	15	46
ORAGROUP	20 000	20 000
BRM	15 000	15 000
BGFI	5 000	5 000
BSIC	3 000	8 500
BAIC	3 000	3 000
BHS	5 000	5 000
BDM	10 000	10 000
BDU	5 000	
Sub-total	**66 015**	**66 546**
Interest receivables	3 269	3 598
TOTAL	**69 284**	**70 144**

6.2 Loans and advances to customers

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

All the Bank's loans are granted at fixed rates. Borrowers have the option of making prepayments subject to the conditions provided for in the loan agreements.

6.2.1 Maturity schedule for loans and advances to customers

The repayment schedule for customer receivables between 30 June 2019 and 31 December 2018 is as follows:

Items	30/06/2019	31/12/2018
At most six months	55 085	61 653
More than six months and at least 2 years	149 397	298 181
More than 2 years and less than 3 years	213 682	195 100
More than 3 years and less than 5 years	372 538	335 842
More than 5 years	1 098 537	926 987
Technical outstanding receivables*	2 337	1 286
Gross outstanding loans	**1 891 576**	**1 819 050**
Advance for financing development studies	14 155	13 889
Deferred income from fees	-9 712	-8 801
Interest and commission receivables	43 283	39 886
Depreciation of bad debts	-29 262	-30 198
Depreciation buckets 1 and 2	-22 239	-22 928
Value adjustement on advances to customers	-9 377	-9 377
Receivables from customers	**1 878 423**	**1 801 520**

(a) Technical arrears are amounts not recovered on calls for payment of the principal amount of sound receivables less than 30 days old at the closing date of the accounts.

6.2.2 Change in outstanding receivables

Gross outstanding loans include outstanding receivables that have evolved as follows:

	Balance as at	Changes of the period			Balance as at
	31 december 2018 (a)	Increase (b)	Decrease (c)	Balance of the period (d) = (b) + (c)	30 june 2019 (e) = (a) + (d)
1. Gross outstanding	40 558	0	-1 551	-1 551	39 007
2. Depreciation	-30 198	0	936	936	-29 262
3. Net outstanding (gross outstanding and interest receivables) = (1) + (2)	**10 361**	**0**	**-615**	**-615**	**9 745**

6.3 Debt securities portfolio

6.3.1 Changes in debt securities portfolio

Changes in debt securities portfolio as at 30 June 2019 are as follows:

	Balance as at 31 december 2018 (a)	Variations of the period			Balance as at 30 June 2019 (e) = (c) + (f)
		Increase (b)	Decrease (c)	Balance of the period (d) = (b) + (c)	
1. Gross outstanding of securities portfolio	255 306	22 573	-42 481	-19 907	235 399
2. Interest receivables of securities portfolio	6 614	7 840	-7 019	821	7 435
3. Depreciation	-444	0	19	19	-424
4. Net outstanding of securities portfolio (gross outstanding and interest receivables) = (1) + (2) + (3)	**261 476**	**30 413**	**-49 480**	**-19 067**	**242 410**

6.3.2 Details of the debt securities portfolio

The debt securities portfolio is as follows:

Securities portfolio	30/06/2019	31/12/2018
Treasury bonds Senegal	20 875	22 250
Treasury bonds Côte d'ivoire	43 310	45 000
Treasury bonds Benin	50 000	50 000
Treasury bonds Burkina Faso	35 000	54 986
Treasury bonds Mali	30 000	30 000
Treasury bonds Niger	11 412	6 412
Treasury bonds Togo	31 827	33 242
CRRH Bonds	12 175	12 617
Deposit Certificate BRM	800	800
Sub-total	***235 399***	***255 306***
Interests receivable	7 435	6 614
Depreciation	-424	-444
TOTAL	**242 410**	**261 476**

All portfolio securities held by the Bank are forward contracts.

6.3.3 Maturity schedule of the debt securities portfolio

The maturity schedule of the securities portfolio as at 30 June 2019 and 31 December 2018 is as follows:

Maturity	30/06/2019	31/12/2018
At most six months	8 658	7 960
More than six months and at least 2 years	40 402	60 287
More than 2 years and less than 3 years	31 238	30 613
More than 3 years and less than 5 years	100 802	92 727
More than 5 years	54 298	63 719
Sub-total	**235 399**	**255 306**
Interest receivables	7 435	6 614
Depreciation	-424	-444
TOTAL	**242 410**	**261 476**

NOTE 7. EQUITY PARTICIPÄTIONS

7.1 The Bank's equity investment strategy

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

participation, granting of loans...' and (**ii**) in Article 30, that it 'may constitute or participate in the establishment of the capital of institutions or companies'. The set objective is to strengthen the equity capital and expertise of businesses operating in the Union. In accordance with this mission and implementation of this strategy, BOAD provided assistance to all the countries in the Union by investing in the capital of several companies. Many companies in the financial sector (banks, financial institutions) and non-financial sector businesses (energy, telecommunications, hotel, airline, etc.) have benefitted from such financial support.

The bank's new strategy in equity investment is as follows:

- **Objective**: fulfilling the Bank's development agenda while ensuring that it stays financially viable in accordance with the strategic orientations of the Bank.
- **Areas of intervention**: All sectors eligible for financing by the Bank.
- **Modes of intervention**: when entering into a transaction, the Bank must have sufficient visibility of the terms and modalities of exit, when the time comes. The transfer of equity shares will be traded for listed shares and at the best conventional conditions for unlisted shares.
- **Positioning on the governing bodies**: conditioning each of the Bank's equity participations on 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 measures to **(i)** adapt to the evolution and the requirements of WAMU's financial sector (increase of minimum capital of banks and financial institutions) and **(ii)** take into account the special nature of the agricultural sector with regard to its importance in the economies of WAEMU countries.

7.2 Change in equity participations

7.2.1 Changes in equity investments

The changes in the gross value of the investments are as follows:

Changes in equity participations	30/06/2019	31/12/2018
Gross outstanding of equity participations as at 1st January	84 668	83 958
Increases	3 479	8 934
Decreases	-436	-8 223
Gross outstanding of equity investments	**87 712**	**84 668**
Gains /losses of equity investments designated at fair value through OCI non-recyclable	44 297	40 689
Gains /losses of equity investments designated at fair value through P&L	1 287	1 202
Net outstanding of equity investments as at 31 December 2018	**133 296**	**126 559**

7.2.2 Distribution of equity participations per borrower

The investments posted in the statement of financial position are detailed by borrower in the followin

a) Changes in instruments recorded at fair value through profit or loss between 31 December 2018

N°	Country	Equity investments	Percentage of interest (%)	30/06/2019					Ga
				Gross outstanding (a)	Gains /losses of equity investments designated at fair value through P&L (b)	Gains/ Losses recognised in P&L (c)	Balance sheet value (d) = (a) + (c)	Gross outstanding (a)	inves fai
1	BN	FOAI - Sicav ABDOU DIOUF	15,8%	2 500	1 058	-13	3 545	2 500	
2	h-uemoa	FEFISOL	8,2%	1 312	24	36	1 372	1 312	
3	SN	FCP/IFC BOAD	100,0%	3 000	120	62	3 182	3 000	
TOTAL				**6 812**	**1 203**	**85**	**8 099**	**6 812**	

b) Change in instruments recognized at fair value through other comprehensive income betwee
2019

N°	Country	Equity investments	Percentage of interest (%)	30/06/2019					G
				Gross outstanding (a)	Gains/ Losses recognised in OCI (b)	Gains/ Losses of equity instruments designated at fair value through OCI non-recyclable (c)	Balance sheet value (d) = (a) + (c)	Gross outstanding (a)	
4	BN	SOAGA	19,3%	103	-5	90	193	103	
5	TG	CAURIS CROISSANCE	49,6%	175	0	691	865	175	
6	SN	BNDE	9,1%	1 000	72	1 806	2 806	1 000	
7	h-uemoa	CAURIS CROISSANCE II	17,7%	4 613	3 274	-667	3 946	4 584	
8	TG	GARI S. A.	11,6%	1 500	1	1 284	2 784	1 500	
9	MA	BDM Mali	16,0%	600	4 399	15 360	15 960	600	
10	BN	BOA Bénin	2,4%	98	-477	1 422	1 520	98	
11	NG	SONIBANK Niger	9,5%	1 082	-246	2 272	3 354	1 082	
12	CI	BHCI Côte d'Ivoire	2,2%	150	-1	19	168	150	
13	NG	BOA Niger	5,7%	137	-358	2 410	2 547	137	
14	TG	BIA Togo	5,2%	392	-58	163	555	392	
15	BN	African Investsment Bank (AIB) (1)		0	0	0	0	0	
16	h-uemoa	Afreximbank	0,3%	2 500	788	1 330	3 830	2 500	
17	SN	Banque Régionale de Marché (BRM)	4,0%	400	-273	412	812	400	
18	BF	Banque de l'Habitat du BF	0,9%	200	-201	-112	88	200	
19	CI	BRVM	9,3%	56	-27	557	613	56	
20	CI	DC/BR (BRVM)	9,1%	140	-112	190	330	140	
21	TG	CICA RE	3,3%	999	-19	343	1 342	999	
22	MA	MANDE Hotel	16,7%	50	0	252	302	50	
23	CI	SIALIM (1)		0	0	0	0	0	
24	CI	AIR AFRIQUE (1)		0	0	0	0	0	
25	CI	CIPREL	2,0%	584	168	1 711	2 295	584	
26	BN	COTEB (1)		0	0	0	0	0	
27	TG	ASKY (EX SPCAR)	17,2%	5 990	-5 990	-5 990	0	5 990	
28	SN	SCIE	0,0%	0	0	0	0	0	
29	CI	RASCOM	7,1%	1 600	0	-1 600	0	1 600	
30	h-uemoa	PROPARCO	0,8%	3 420	81	1 211	4 632	3 420	
31	TG	BOAD-Titrisation	100,0%	500	-51	-229	271	500	
32	TG	CRRH-UEMOA	18,4%	1 543	97	686	2 229	1 543	
33	h-uemoa	Fonds Agricole pour l'Afrique (FAA)	2,6%	2 438	-340	33	2 471	2 438	
34	TG	ORAGROUP	2,7%	1 642	3 125	4 058	5 699	2 000	
35	BF	Burkina Bail	15,0%	689	5	324	1 013	689	
36	SN	CNCAS	10,1%	1 573	-777	1 603	3 176	1 573	
37	BF	CORIS BANK	4,3%	1 997	-407	9 561	11 557	1 997	
38	CI	Nouvelle BRS CI/ORA Bank CI	38,2%	16 995	942	14 868	31 863	16 995	
39	CI	Banque de l'Union Côte d'Ivoire (BDU-CI)	9,6%	1 100	76	12	1 112	1 100	
40	BF	Banque de l'Union Burkina Faso (BDU-BF	10,6%	1 100	420	233	1 333	1 100	
41	Kenya	FAER	5,0%	5 789	812	-907	4 881	5 000	
42	BF	AMETHIS WEST AFRICAN (AWA)	11,1%	2 998	-981	-1 403	1 595	1 975	
43	CI	Air Côte d'Ivoire	6,9%	10 320	33	-6 814	3 506	8 990	
44	CI	RASCOM STAR QAF		0	0	0	0	0	
45	h-uemoa	Investisseurs & Partenaires/ Dévoppement (IPDEV2)	11,1%	632	-79	-175	457	632	
46	Bn	Société Immobilière d'Aménagement Urbain SImAU	10,0%	500	-17	-27	473	500	
47	SN	Banque Outarde	14,3%	2 000	169	-239	1 761	2 000	
48	h-uemoa	Fonds I&P Afrique Entrepreneurs 2 (IPAE2)		229	-226	-226	3	253	
49	NG	Banque de l'Habitat du Niger	8,3%	825	0	0	825	825	
50		Fonds d'investissements dédié au développement des services financiers dans l'UEMOA	49,5%	760	0	0	760	576	
51		ECP Africa Fund IV		1 481	-212	-212	1 270	1 411	
				0		0	0	0	
TOTAL				80 900	3 609	44 298	125 196	77 856	

NOTE 8. ADJUSTMENT ACCOUNTS AND OTHER ASSETS

Accruals and other assets include the following items:

Adjustment accounts and other assets		30/06/2019	31/12/2018
Derivative assets	8.1	13 776	1 065
Accruals assets	8.2	2 143	2 120
Other adjustment accounts	8.3	6 692	9 317
TOTAL		**22 611**	**12 503**

8.1 Derivative assets

The item under 'Derivative assets' shows a balance of XOF13,776 million at 30 June 2019 compared with XOF1,065 million at 31 December 2018. These amounts correspond to the Bank's share of the fair value of derivatives set up to hedge against exchange rate fluctuations on interest flows payable on borrowings denominated in foreign currencies. The increase in derivative assets of XOF12,711 million was due to the appreciation of the hedge following the rise in the exchange rate of the dollar and the SDR over the period.

8.2 Accruals assets

Accruals assets	30/06/2019	31/12/2018
Deferred expenses	450	873
Accruals and prepaid expenses	583	377
Accrued receivables	38	37
Other accruals	1 071	834
TOTAL	**2 143**	**2 120**

8.3 Other adjustment assets

Other adjustment accounts	30/06/2019	31/12/2018
Sundry debtors	1 303	3 386
Prefinancing of studies from foreign funds meant for studies	1 287	1 613
Deposits paid	66	66
Advances on mission expenses	7	16
Advances and prepayments made	229	206
Other endowments and subsidies to be received	3 800	4 030
TOTAL	**6 692**	**9 317**

NOTE 9. TANGIBLE AND INTANGIBLE ASSETS

9.1 Tangible assets

The net book value of fixed assets at 30/06/2019 and 31/12/2018 is as follows:

Tangible assets	30/06/2019	31/12/2018
Cost of acquisition	27 317	27 069
Allocations and reversal of amortisations	-20 370	-19 831
Net outstanding of tangible assets	**6 947**	**7 238**

The change in the net carrying amount of the fixed assets between 31 December 2018 and 30 June 2019 is as follows:

Acquisitions of tangible assets (in XOF'M)		Allocations and reversal of amortisations (in XOF'M)	
Balance as at 1 January 2019	**27 069**	**Balance as at 1 January 2019**	**19 831**
Acquisitions	250	Amortization charges	539
Disposals	-1	Reversals of amortization	0
Classified as assets held for sale	0	Classified as assets held for sale	0
Balance as at 30 June 2019	**27 317**	**Balance as at 30 June 2019**	**20 370**
Net value on balance sheet as at 30 June 2019			**6 947**

Details by type of tangible fixed assets are presented in the table below:

	Lands	Buildings	Properties under construction	Fittings and fixtures	Equipment held under finance lease	Total
Cost of acquisition						
Balance as at 1st January 2018	**981**	**14 319**	**671**	**10 738**	**0**	**26 708**
Acquisitions	0	667	-172	919	0	**1 413**
Transfers	0	0	0	0	0	**0**
Disposals	-790	0	0	-264	0	**-1 054**
Revaluation acquisitions	0	0	0			**0**
Other revaluations	0	0	0	0		**0**
Balance as at 1st January 2019	**190**	**14 986**	**499**	**11 393**	**0**	**27 068**
Acquisitions	0	0	174	77	0	**250**
Transfers	0	0	0	0		**0**
Sales	0	0	0	-1	0	**-1**
Balance as at 30 June 2019	**190**	**14 986**	**673**	**11 469**	**0**	**27 317**
Cumulative amortizations and disposals						
Balance as at 1st January 2018	**0**	**9 123**	**0**	**9 993**	**0**	**19 117**
Amortization charges	0	333	0	639	0	**972**
Reversals of depreciation (disposals)		0	0	0	0	**0**
Impairment losses recognized during the period	0	0	0	0	0	**0**
Reversals of depreciation	0	0	0	-257	0	**-257**
Balance as at 1st January 2019	**0**	**9 456**	**0**	**10 375**	**0**	**19 831**
Amortization charges	0	177	0	362	0	**539**
Reversals of amortization (disposals cessions)	0	0	0	0		**0**
Impairment losses recognized during the period	0	0	0			**0**
Balance as at 30 June 2019	**0**	**9 633**	**0**	**10 738**	**0**	**20 371**
Net value of tangible assets as at 30 June 2019						**6 947**

9.2 Intangible assets

Below are the net carrying amounts of intangible assets:

Intangible assets	30/06/2019	31/12/2018
Cost of acquisition	1 542	1 538
Allocations and reversal of amortisations	-1 339	-1 205
Net outstanding of intangible assets	**203**	**333**

Changes in the net carrying amount of intangible assets between 31 December 2018 and 30 June 2019 are as follows:

Acquisitions of intangible assets (in XOF'M)		Allocations and reversal of amortisations (in XOF'M)	
Balance as at 1 January 2019	**1 538**	**Balance as at 1 January 2019**	**1 205**
Acquisitions	5	Amortization charges	134
Disposals	0	Reversals of amortization	0
Classified as assets held for sale	0	Classified as assets held for sale	0
Balance as at 30 June 2019	**1 542**	**Balance as at 30 June 2019**	**1 339**
Net value on balance sheet as at 30 June 2019			**203**

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).

10.1 Details of the item "Liabilities at amortized cost"

The breakdown of this item is as follows (in millions of XOF) as at 30 June 2019 and 31 December 2018:

Liabilities at amortized cost	30/06/2019	31/12/2018
I-Debts represented by a security		
Bond loans	954 804	948 158
BOAD bonds	190 360	190 360
Maturities of less than one year/debts repr. by securities	22 381	89 885
Sub-total I	***1 167 545***	***1 228 403***
II- Other loans from foreign partners		
Loans for funding long-term projects	484 702	409 746
Loans for funding long-term project studies	482	482
Maturities of less than one year/loans	33 596	66 540
Sub-total II	***518 779***	***476 768***
Total I+II	1 686 325	1 705 171
III- Debts attached to loans and & debts repr.		
Accrued interests on debts represented by a security	19 310	25 965
Deferred expenses on bills and bonds	-445	-495
Interests and fees accrued on other loans	3 472	3 242
Deferred expenses on other loans	-171	-208
Sub-total III	***22 165***	***28 504***
IV- Interbank debts (Cauris ROPPA, AFD...)	**10 133**	**6 625**
Total I+II+III+IV	**1 718 623**	**1 740 300**

10.2 Statement of changes in borrowings

Changes in borrowings between 31 December 2018 and 30 June 2019, per borrower, are as follows:

Changes in deposits from banks

Debts	Balance as at 1st January 2019	Increases	Decreases	Exchange risk	Capitalisation interests differential by effective interest rate	Balance as at 30 June 2019
Deposits from banks	6 625	3 507		0		10 133
						0
TOTAL DEPOSITS FROM BANKS	**6 625**	**3 507**	**0**	**0**	**0**	**10 133**

Changes in debt securities issued

Debts	Balance as at 1st January 2019	Increases	Decreases	Exchange risk	Capitalisation interests differential by effective interest rate	Balance as at 30 June 2019
Debentures	981 383	0	-10 843	5 557	1 089	977 187
Bonds	247 020	0	-56 661			190 359
TOTAL DEBTS SECURITIES ISSUED	**1 228 403**	**0**	**-67 504**	**5 557**	**1 089**	**1 167 545**

Changes in other debts

Debts	Balance as at 1st January 2019	Increases	Decreases	Exchange risk	Capitalisation interests differential by effective interest rate	Balance as at 30 June 2019
OTHER DEBTS	476 768	74 710	-32 944	245	0	518 779
TOTAL OTHER DEBTS	**476 768**	**74 710**	**-32 944**	**245**	**0**	**518 779**
TOTAL DEBTS	**1 711 796**	**78 217**	**-100 448**	**5 802**	**1 089**	**1 696 457**

10.3 Maturity of liabilities at amortized cost

The borrowing schedule as at 31 December 2018 and 30 June 2019 is as follows:

Maturity	30/06/2019	31/12/2018
At most six months	64 642	74 179
More than six months and less than two years	684 075	234 897
More than two years and less than three years	81 208	559 922
More than three years and less than five years	98 769	150 684
More than five years	767 763	692 115
Sub-total outstanding	**1 696 457**	**1 711 796**
Debts attached to loans and & debts repr.	**22 165**	**28 504**
TOTAL	**1 718 623**	**1 740 300**

10.4 Debt ratio of the Bank

In accordance with Article 37 of its Statutes, the WAMU Council of Ministers has decided that the total outstanding amount of the Bank's borrowings is limited at any time to three times its equity capital. As at 30 June 2019, outstanding borrowings stood at 226% of shareholders' equity for a regulatory threshold of 300%.

NOTE 11. FUNDS

They are broken down as follows:

Funds	30/06/2019	31/12/2018
Belgian Technical Assistance Fund	187	185
Dutch Fund	34	34
IDA Matching Fund	342	327
AFD Research Fund	310	310
AFD Counterpart Fund	70	70
Environmental Partnership Fund	4	4
KfW Counterpart Fund	6 051	6 141
China Cooperation Fund	139	139
AFD IV Capacity Building Fund	30	30
Energy Development Fund	1 985	1 985
Crop Insurance Fund	2 836	2 836
Regional Collaboration Centre (RCC)	272	246
Regional Facility for Access to Sustainable Energy	0	10 000
New subsidy mechanism fund	108 322	80 776
CMS Fund for Interest Subsidy	1 000	1 000
Global Environment Facility	1 490	1 514
Climate change fund	5 197	2 197
Regional initiatives supports fund	1 086	1 257
Belgian Fund for capital release	4 200	4 200
TOTAL	**133 556**	**113 251**

NOTE 12. ADJUSTMENT ACCOUNTS AND OTHER LIABILITIES

Accruals and other liabilities as at 30 June 2019 were as follows:

Adjustment accounts and liabilities		30/06/2019	31/12/2018
Derivatives liabilities	12.1	11 003	23 786
Accruals liabilities	12.2	10 080	5 730
Other adjustment accounts	12.3	3 578	2 401
TOTAL		**24 662**	**31 917**

12.1 Derivative liabilities

Derivative liabilities decreased by XOF12,782 million between 31 December 2018 and 30 June 2019. This decrease was due to the increase in the dollar and SDR exchange rates over the same period. It offset the increase in foreign exchange risk recorded on borrowings at amortized cost as at 30 June 2019.

12.2 Liabilities adjustment account

The details of the accruals and deferrals are as follows:

Accruals liabilities	30/06/2019	31/12/2018
Deferred income	7 170	3 445
Accrued liabilities	2 898	2 277
Advanced payments	12	8
TOTAL	**10 080**	**5 730**

12.3 Other liabilities

Details of other liabilities are as follows:

Other adjustment accounts	30/06/2019	31/12/2018
Sundry creditors	2 586	1 029
Suppliers payables	993	1 372
TOTAL	**3 578**	**2 401**

NOTE 13. SHAREHOLDERS' EQUITY

13.1 Details of the shareholders' equity capital

Changes in equity as at 31 December 2018 and 30 June 2019 respectively are as follows:

Equity capital	30/06/2019	31/12/2018
Subscribed capital	1 103 650	1 103 650
Callable capital	-826 230	-826 230
Unpaid Capital	-55 089	-67 975
Cost related to deferred paying-up of capital	-2 865	-2 865
Capital (A)	**219 466**	**206 580**
Share premium (B)	**2 622**	**2 622**
Reserves allocated to development activities	76 050	76 050
Other reserves	26	26
Retained earnings	385 305	369 229
Reserves and retained earnings (C)	**461 381**	**445 304**
Net income for the period (D)	**22 893**	**18 173**
Net gains on investments in equity instruments designated at fair value through other comprehensive income non recyclable	44 297	40 689
Cashflow hedging reserves	-25 175	-39 429
Remeasurements of defined benefit liability	1 245	1 245
Other comprehensive income (E)	**20 367**	**2 505**
TOTAL (A+B+C+D+E)	**726 729**	**675 184**

13.2 Structure of BOAD's capital

The following table sets out the Bank's capital structure as at 30 June 2019 in nominal terms and its distribution in shares. Each share confers on its holder the same rights and obligations.

CAPITAL STRUCTURE AS AT 30 JUNE 2019

SHAREHOLDERS	SUBSCRIBED CAPITAL	%	Number of shares	CALLED-UP CAPITAL	PAID UP CAPITAL	UNPAID CAPITAL	CALLABLE CAPITAL
	(1)=(2)+(5)			(2)=(3)+(4)	(3)	(4)	(5)
CATEGORY A							
BENIN	64 650	5,86%	1 293	16 163	12 828	3 335	48 487
BURKINA	64 650	5,86%	1 293	16 163	12 828	3 335	48 487
COTE D'IVOIRE	64 650	5,86%	1 293	16 163	12 828	3 335	48 487
GUINEE BISSAU	64 650	5,86%	1 293	16 163	10 928	5 235	48 487
MALI	64 650	5,86%	1 293	16 163	12 828	3 335	48 487
NIGER	64 650	5,86%	1 293	16 163	12 828	3 335	48 487
SENEGAL	64 650	5,86%	1 293	16 163	12 828	3 335	48 487
TOGO	64 650	5,86%	1 293	16 163	12 828	3 335	48 487
BCEAO	517 200	46,86%	10 344	129 304	102 624	26 680	387 896
	1 034 400	**93,73%**	**20 688**	**258 608**	**203 348**	**55 260**	**775 792**
CATEGORY B							
France	38 400	3,48%	768	9 600	8 000	1 600	28 800
Germany	2 000	0,18%	40	2 000	2 000	0	0
Belgium (1)	5 600	0,51%	112	1 400	1 400	0	4 200
EIB	4 000	0,36%	80	1 000	1 000	0	3 000
AfDB	6 000	0,54%	120	1 500	1 043	457	4 500
EXIM BANK OF INDIA	750	0,07%	15	188	156	31	563
CHINA	12 000	1,09%	240	3 000	2 400	600	9 000
MOROCCO	500	0,05%	10	125	119	6	375
	69 250	**6,27%**	**1 385**	**18 813**	**16 118**	**2 694**	**50 438**
SUBSCRIBED CAPITAL	**1 103 650**	**100,00%**	**22 073**	**277 421**	**219 466**	**57 954**	**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

13.3 Effective equity

The Bank's actual equity as at 30 June 2019 and 31 December 2018 is as follows:

Items	30/06/2019	31/12/2018
A- Core own funds (=1+2)	**678 923**	**646 144**
1- Capital and other funds	219 466	206 580
2- Reserves and other funds	459 457	439 564
B- Additionnal own funds	**66 098**	**61 587**
Effective equity capital/Core Tier 1 Capital (=A+B)	**745 022**	**707 731**
C- Unpaid own funds	- 18 293	- 32 547
Equity capital (A+B+C)	**726 729**	**675 184**

NOTE 14. NET BANKING INCOME

Details of this item are as follows:

Net banking income		30/06/2019	30/06/2018
1-Income and interest charges			
	Interests and fees on loans	50 109	46 563
	Fees on bond loan guarantees	13	42
	Interests and investment income	12 372	13 977
	Sub-total interest income (A)	*62 494*	*60 582*
	Interests and charges on debts represented by a security	-29 602	-32 586
	Interests and charges on loans and investments	-7 884	-8 580
	Other financial services and commissions	-73	-258
	Sub-total interest charges (B)	*-37 559*	*-41 423*
	Margin on interests and fees C= (A)-(B)	**24 935**	**19 159**
2.1-Exchange gains and losses			
	Consumed exchange gain	0	50
	Potential exchange gain	0	0
	Sub-total exchange gain (D)	*0*	*50*
	Consumed exchange loss	-29	-15
	Potential exchange loss	-5 802	-25 836
	Sub-total exchange loss (E)	*-5 831*	*-25 851*
	Net exchange loss F=(D)-(E)	**-5 831**	**-25 801**
2.2-Gains/losses on hedging instruments (G)		**11 239**	**31 421**
2-Net gains/losses on foreign exchange (G)+(F)		**5 409**	**5 620**
3-Net gains/losses on equity participations designated as fair value through profit and loss		**85**	**-278**
4-Dividends		**2 194**	**1 447**
5-Net banking income = (1)+(2)+(3)+(4)		**32 623**	**25 948**

Foreign exchange gains and losses are caused by the mobilization of resources in foreign currencies by the Bank, excluding euros, from its financial partners and the international financial market for project financing. These loses have been hedged with forward purchase and swap transactions.

NOTE 15. COST OF RISK

The cost of risk as at 30 June 2019 is as follows:

Cost of risk	30/06/2019	31/12/2018
Write-back of depreciations on loans and advances to customers	1 625	4 135
Write-back of depreciation on debt securities portfolio	19	0
Depreciation on debt securities portfolio	0	-5
Depreciation on loans and advances to customers	-2 246	-6 925
TOTAL	**-603**	**-2 794**

NOTE 16. COSTS RELATED TO DEVELOPMENT ACTIVITIES

This item covers charges related to BOAD's development activities.

Expenses related to development activities	30/06/2019	31/12/2018
Interest subsidy	-1 118	-1 093
Other charges related to development activities	-801	0
TOTAL	**-1 918**	**-1 093**

NOTE 17. 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 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.)

Since 1 January 2018, the Bank's depreciation model has, in accordance with IFRS9, incorporated the anticipation of losses based on expected credit losses (ECL) on the one hand, and the inclusion of macroeconomic forecasts in the determination of risk parameters (forward looking) on the other hand.

The Bank's goals and regulations regarding financial risk management are consistent with those applied to individual accounts as at 31 December 2018.

NOTE 18. FAIR VALUE OF FINANCIAL INSTRUMENTS

18. 1 Classification of financial instruments

The following table presents the carrying amounts and fair values of the Bank's financial assets and liabilities and their classification as at 30 June 2019.

Financial instruments	Financial assets and liabilities through profit and loss	Financial assets and liabilities through OCI recyclable	Financial assets and liabilities through OCI non recyclable	Financial assets and liabilities at amortized cost	Total amount of book value	Total amount of fair value
Cash and cash equivalents				240 238	240 238	240 238
Interbank loans				69 284	69 284	69 284
Debt securities portfolio				242 410	242 410	242 410
Loans and advances to customers				1 878 423	1 878 423	1 878 423
Loans and advances to staff				11 196	11 196	11 196
Receivables from shareholders				6 882	6 882	6 882
Equity participations	8 099		125 197		133 296	133 296
Derivative assets	13 776				13 776	13 776
Total amount of financial assets	**21 875**	**0**	**125 197**	**2 448 432**	**2 595 505**	**2 595 505**
Borrowings				1 718 623	1 718 623	1 718 623
Derivative liabilities	11 003				11 003	11 003
Total amount of financial liabilities	**11 003**	**0**	**0**	**1 718 623**	**1 729 626**	**1 729 626**

The carrying amounts and fair values and classification of financial assets and liabilities as at 31 December 2018, are as follows:

Financial instruments	Financial assets and liabilities through profit and loss	Financial assets and liabilities through OCI recyclable	Financial assets and liabilities through OCI non recyclable	Financial assets and liabilities at amortized cost	Total amount of book value	Total amount of fair value
Cash and cash equivalents				270 786	270 786	270 786
Interbank loans				70 144	70 144	70 144
Debt securities portfolio				261 476	261 476	261 476
Loans and advances to customers				1 801 520	1 801 520	1 801 520
Loans and advances to staff				10 751	10 751	10 751
Receivables from shareholders				6 882	6 882	6 882
Equity participations	8 014		118 545		126 560	126 560
Derivative assets	1 065				1 065	1 065
Total amount of financial assets	**9 080**	**0**	**118 545**	**2 421 560**	**2 549 184**	**2 549 184**
Borrowings				1 740 300	1 740 300	1 740 300
Derivative liabilities	23 786				23 786	23 786
Total amount of financial liabilities	**23 786**			**1 740 300**	**1 764 086**	**1 764 086**

18.2 Classification of financial instruments by fair value level

The table below shows the financial instruments carried at fair value by fair value level at 30 June 2019 and 31 December 2018:

	Active market prices (level 1)		Evaluation techniques, of which all critical data are based on observable market		Evaluation techniques, of which all critical data are not based on observable		Total amount	
	2019	2018	2019	2018	2019	2018	2019	2018
Derivative assets			13 776	1 065			13 776	1 065
Equity participations-Financial assets designated at fair value through profit and loss			8 099	8 014			8 099	8 014
Equity participations-Financial assets designated at fair value through non-recyclable other comprehensive income (OCI)	21 324	16 866	-	5 990	103 873	95 689	125 196	118 545
Total amount of financial assets	**21 324**	**16 866**	**21 875**	**15 070**	**103 873**	**95 689**	**147 072**	**127 625**
Derivative liabilities			11 003	23 786			11 003	23 786
Total amount of financial liabilities	**-**	**-**	**11 003**	**23 786**	**-**	**-**	**11 003**	**23 786**

The following table provides a summary of the fair value measurement methods for Level 2 and Level 3 financial instruments in the statement of financial position and the key unobservable inputs used.

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

NOTE 19. OFF-BALANCE SHEET COMMITMENTS

19.1 Commitments received

The breakdown of these commitments is as follows:

Commitments received	30/06/2019	31/12/2018
Loan commitments to be drawn (a)	156 550	6 373
Guarantees received from Regional Funds (b)	38 617	40 822
Total	**195 167**	**47 195**

a) Commitments to be drawn represent the yet-to-be-mobilized balance of loans, loans contracted from financiers.

b) This item corresponds to financial guarantees obtained from the regional guarantee funds on loans granted by the Bank.

19.2 Commitments given

They are broken down as follows:

Commitments given	30/06/2019	31/12/2018
Loan commitments given (a)	1 825 880	1 645 612
Advances for the financing of studies	16 920	17 175
Equity participations commitments (b)	27 271	28 668
Sureties and other guarantees	31 085	32 206
Total	**1 901 156**	**1 723 661**

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

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

NOTE 20. EVENTS AFTER CLOSING

As at the date of the closing of the accounts, we had not recorded any subsequent events likely to influence the Bank's financial position and profits as at 30 June 2019.

WEST AFRICAN DEVELOPMENT BANK
(BOAD)

STATUTORY AUDITOR REVIEW REPORT ON INTERIM FINANCIAL INFORMATION AS 30 JUNE 2018

PERIOD FROM 1ST JUNUARY TO 30 JUNE 2018

19 September 2018

pwc

West African Development Bank (BOAD)
68, avenue de la libération,
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STATUTORY AUDITOR REVIEW REPORT ON INTERIM FINANCIAL INFORMATION AS AT 30 JUNE 2018

(Period from 1st January to 30 JUNE 2018)

Introduction

We have reviewed the accompanying condensed interim financial information of West African Development Bank (BOAD) as at 30 June 2018. These financial information include the statement of financial position, the comprehensive income statement, changes in shareholders' equity and the cash flow statement for the six-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.

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.

19 September 2018

Statutory Auditor
PricewaterhouseCoopers

Didier N'guessan
Partner

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INTERIM FINANCIAL STATEMENTS

AS AT 30 JUNE 2018

Statement of financial position

Statement of financial position (in XOF'mln)

ASSETS	Note	30/06/2018	31/12/2017
Cash and cash equivalents	5	**307 528**	**302 904**
Loans and receivables at amortized cost	6	**2 248 259**	**2 238 019**
- Loans and advances to banks		108 932	122 674
- Loans and advances to customers		1 796 372	1 755 018
-Loans and advances to staff		11 430	6 164
- Securities portfolio		253 775	263 282
- Receivables from shareholders		77 685	90 802
- Others loans and receivables		65	79
Equity investments	7	**94 116**	**88 101**
Other assets	8	**10 419**	**16 163**
Tangible assets	9	**7 146**	**7 592**
Intangible assets	9	**403**	**516**
TOTAL ASSETS		**2 667 870**	**2 653 295**

LIABILITIES	Note	30/06/2018	31/12/2017
Liabilities at amortized cost	10	**1 783 030**	**1 751 976**
- Deposits from banks		5 572	4 553
- Debt securities issued		1 253 981	1 284 276
- Other debts		523 477	463 147
Other liabilities	11	**184 028**	**174 781**
- Funds		99 456	76 568
- Others		84 571	98 213
Provisions		**7 130**	**6 790**
Total liabilities		***1 974 188***	***1 933 547***
Capital		**273 375**	**273 375**
- Subscribed capital		1 103 650	1 103 650
- Callable capital		-826 230	-826 230
- Cost related to deferred paying-up of capital		-4 046	-4 046
Share premium		2 622	**2 622**
Reserves		**417 686**	**443 752**
- Reserves allocated to development activities		76 050	76 050
- Fair value reserves (available-for-sale financial assets)		0	15 987
- Net gains on investments in equity instruments designated at fair value through other comprehensive income		18 108	0
- Cashflow hedging reserves		-57 998	-38 711
- Other reserves		26	26
- Retained earnings		363 707	374 941
- Revaluation of defined benefit liability		2 165	2 165
- Net income for the period		15 629	13 795
Total equity	12	***693 682***	***719 748***
TOTAL LIABILITIES AND EQUITY		**2 667 870**	**2 653 295**

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Comprehensive income statement

Income statement	Note	30/06/2018	30/06/2017
Interests and related income		58 940	49 689
Interests and related charges		-40 634	-32 228
Margin on interests		*18 306*	*17 461*
Fees (income)		1 642	1 193
Fees (charges)		-789	-856
Margin on interests and fees		*19 159*	*17 798*
Exchange gains		50	38 570
Exchanges losses		-25 851	-12
Gains/ losses on hedging instruments		31 421	-37 782
Gains/ Losses on foreign exchange		***5 620***	***776***
Margin on interests, fees and foreign exchange		*24 780*	*18 574*
Income from equity investments (dividends)		1 447	1 655
Gains/ losses on financial assets available for sale		-278	0
Net banking income	13	***25 948***	***20 229***
Cost of risk	14	***-2 794***	***-1 693***
Endowment from member states		3 200	3 200
Other operating income		155	150
Charges related to development countries	15	-1 093	-902
Administrative costs		-9 724	-9 695
- Staff costs		-5 805	-5 933
- Amortization and depreciation - Property, equipment and intangible assets		-599	-603
- Other administrative costs		-3 321	-3 159
Other operating charges		-62	-127
Other operating net income		***-7 525***	***-7 374***
Net income for the period		**15 629**	**11 162**
Other comprehensive income			
Items that will be reclassified to profit or loss		**-19 287**	**9 778**
Cash flows hedges (CFH)		-19 287	3 821
Net gains on financial assets at fair value through "other comprehensive income"		0	5 956
Items that will not be reclassified to profit or loss		**2 121**	**0**
Revaluation of tangible and intangible assets		0	0
Net gains on financial assets at fair value through "other comprehensive income"		2 121	0
Remeasurements of defined benefit liability		0	0
Total other comprehensive income		***-17 166***	***9 778***
Total comprehensive income for the period		**-1 537**	**20 939**

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Changes in equity

	Capital			Share premium	Reserves				
	Subscribed capital	Callable capital	Cost related to the deffered paying-up capital (1)		Reserves allocated to development activities	Other reserves	Remeasurements of defined benefit liability	Fair value reserves (available-for-sale financial assets)	Net gains on investments in equ instruments designa at fair value throug other comprehensi income
Equity capital as at 1st January 2017	1 097 750	-821 805	-5 489	2 622	76 050	26	2 091	6 477	
Increase in capital	5 900	-4 425							
Net income as at 31 December 2017 before allocation									
Other comprehensive income							73	9 510	
Fair value reserves (available-for-sale financial assets)								9 510	
Remeasurements of defined benefit liability							73		
Cash flow hedges									
Others changes			1 443						
Allocation of 2016 income									
Transfers									
Equity as at 31 december 2017 and 1st january 2018	1 103 650	-826 230	-4 046	2 622	76 050	26	2 165	15 987	
Changes on initial application of IFRS 9 (2)								-15 987	15
Increase in capital	0	0							
Net income as at 30 june 2018									
Others changes			0						
Allocation of 2017 income									
Other comprehensive income									
Fair value reserves (available-for-sale financial assets)									2
Remeasurements of defined benefit liability							0		
Cash flow hedges									
Sub-total other comprehensive income							**0**	**0**	**2**
Balance as at 30 june 2018	**1 103 650**	**-826 230**	**-4 046**	**2 622**	**76 050**	**26**	**2 165**	**0**	**18**

(1) See note 2.08
(2) See note 4

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Cashflow table

Cashflow for operational activities	Notes	30/06/2018	30/06/2017
Income for the period		**15 629**	**11 162**
Adjustments related to non-monetary and other items			
Unrealised gains/losses		-5 585	-768
Exchange gains		-50	-20
Exchange losses		15	12
Amortization		599	603
Depreciation		0	0
Cost of risk		2 794	1 693
Gains/losses on financial assets available for sale		278	0
Other items		-2 903	-3 629
		-4 852	-2 109
Changes in assets and liabilities from operations			
Loans and advances to banks		13 742	-7 311
Disbursements on receivables from customers		-138 044	-112 530
Repayments of receivables from customers		107 358	74 275
Other receivables from customers		-34 745	-32 287
Loans and advances to staff		-5 266	-139
Securities portfolio		9 261	-27 746
Other receivables		14	2
Other assets		5 846	1 022
Deposits from banks		1 019	1 270
Other debts		40 827	32 267
Other liabilities		18 280	27 201
		18 292	-43 976
Cashflow from operations		***29 069***	***-34 923***

Cashflow from investment activities		30/06/2018	30/06/2017
Acquisitions of tangible assets		-814	-215
Sales of tangible assets		791	1
Acquisitions of intangible assets		-16	0
Sales of intangible assets		0	0
Acquisitions of shares		-4 712	-3 377
Sales of shares		583	280
Cashflow from investments		***-4 169***	***-3 310***

Cashflow from financing activities		30/06/2018	30/06/2017
Resources from capital paying-up		16 316	13 324
Redemption of shares		0	0
Debt issuance		87 193	85 274
Repayment/debts represented by a security		-87 506	-67 978
Repayment/other loans		-36 280	-30 771
Cashflow from financing activities		***-20 277***	***-150***
Net increase/(decrease) of cash and cash		4 623	-38 383
Cash and cash equivalents at opening	5	302 904	284 921
Cash and cash equivalents at closing	5	307 528	246 538

ADDITIONAL INFORMATION		30/06/2018	30/06/2017
Operating cashflow from interests and dividends:			
Interest paid		46 580	32 422
Interest received		32 661	49 849
Dividends received		1 447	1 655

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NOTE 1. ACTIVITY OF BOAD

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

BOAD became operational in 1976.

As an international public institution, BOAD has its headquarters in Lomé (Togo), located at 68, avenue de la 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), the African Development Bank (AfDB), European Development Bank, People's Bank of China, Exim Bank of India, and the Kingdom of Morocco.

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

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

Under article 44 of 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.

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NOTE 2. SUMMARY OF ACCOUNTING PRINCIPLES AND PRACTICES

Below is a summary of basic accounting principles used by the Bank.

2.1 Basic financial reporting principles

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

The interim financial statements as at 30 June 2018 were prepared in accordance with IAS 34 – *Interim financial reporting*, as published by the IASB[1], 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 2017.

The interim financial statements as at 30 June 2018 were prepared in accordance with the same principles as those of the financial statements of 31 December 2017, subject to specific requirements under IAS 34. These financial statements are the first statements of the Bank which take into account IFRS 9 and IFRS 15. Changes in accounting methods that had significant impact are described in Note 4.

Moreover, since the Bank's activities are not seasonal or cyclical, financial statements as at 30 June 2018 are not influenced by these factors.

2.2 Key bases for evaluation

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

2.3 Critical accounting assumptions and key sources of uncertainty for estimates

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

The most significant assumptions and estimates are summarized below:

a) Main assumptions

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

[1] International Accounting Standards Board

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b) Key estimates

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

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

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

2.4 Interim financial statements

The interim financial statement as at 30 June 2018, which cannot be used as a basis to prejudge the full year, takes 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 are made as part of budgetary procedure, while valuation of the provisions as at 30 June 2018 is based on projected actuarial calculations at the end of the previous year.

2.5 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.

2.6 Subsequent events

The Bank carries out adjustments of 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 relate to events that occurred after the date of closing of the accounts but require disclosure, the balance sheet, income statement, cash flow table and the table of changes in equity are not adjusted. The nature and potential impact of these events are captured in note 18 below.

2.7 Statement of accounts

BOAD's individual accounts as at 30 June 2018 were approved by the Board of Directors at its meeting of 19 September 2018.

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

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

New provisions in force:

Date of entry into force	New Standards or amendments	Impact on the Bank's financial statements as at 30 June 2018
1 January 2018	IFRS 15 "Revenue from ordinary activities drawn on contracts with customers"	The accounting for financial instruments which represents the bulk of the Bank's operations fall within the scope of IFRS 9. The transition towards IFRS 15 will have no impact on the Bank's financial statements.
	IFRS 9 " Financial instruments"	The impact of this standard is presented in Note 4 of these interim financial statements.
	"Classification and Measurement of Share-based Payment Transactions " (Amendments to IFRS 2)	The Bank does not conduct any share-based payment transaction; thus this amendment does not have any impact on its financial statements.
	Applying IFRS 9 "Financial Instruments" with IFRS 4 (Amendments to IFRS 4)	The Bank's operations are mainly bank-related and do not fall within the scope of IFRS 4
	"Investment property transfer" (amendments to IAS 40)	The Bank does not have investment properties; thus these amendments to IAS 40 do not have any impact on the Bank's accounts.
	"Annual improvements to IFRS 2014-2016 cycle" (amendments to IFRS 1 and IAS 28	Amendment to IFRS 1: Since the Bank is not adopting IFRS Standards for the first time, the deletion of short-term exemptions (information to provide on (i) financial instruments, (ii) staff benefits, and (iii) investment entities for first-time adoption) do not have any impact on its financial statements. Amendment to IAS 28: All equity investments of the Bank are assessed in accordance with IFRS 9; this amendment is therefore not applicable.
	IFRIC 22 "Foreign currency transactions and advance consideration"	Transactions in foreign currencies other than Euro (USD, CHF, etc.) for which there are no multiple advance payments. The Euro (having a fixed parity with XOF) is the main currency used for foreign currency transactions. The issue of exchange rate to be reclassified to profit or loss is not applicable. Consequently, the Bank's foreign currency transactions do not fall within the scope of this interpretation.

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Provisions to be enforced:

Date of entry into force	New standards or amendments
1 January 2019[2]	IFRS 16 "Leases"
	IFRIC 23 "Uncertainty over Income Tax Treatments"
	Amendments to IFRS 9 "*Prepayment Features with Negative Compensation*"
	Amendments to IAS 28 "Long-term interests in Associates and Joint Ventures"
	Amendments Limited to IAS 19 "*Plan Amendment, Curtailment or Settlement*"
	Annual improvements to IFRS 2015-2017 Cycle (Amendments to IFRS 3, IFRS 11, IAS 12, and IAS 23)
1 January 2021	IFRS 17 "Insurance contracts"

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

The Bank applied for the first time the IFRS 9 "Financial instruments" on 1 January 2018. Other standards including IFRS 15 "Revenue from ordinary activities drawn on contracts with customers" entered into force on 1 January 2018, but had no impact on the Bank's financial statements as at 30 June 2018.

IFRS 9 specifies how an entity should classify and measure financial assets, financial liabilities, and some contracts to buy or sell non-financial items. This standard replaces IAS 39 "Financial instruments: recognition and measurement".

The impact of the first-time application of IFRS 9 is mainly due to the increase in impairment losses recognized for financial assets (see below).

4.1 Guiding principles of IFRS 9

Notwithstanding the guiding principles of IAS 8 "Accounting policies, changes in accounting estimates and errors", IFRS 9 allows for a first application retrospectively, without restating the comparative previous financial year period (N-1). As a result, it is not necessary to restate the 2017 financial statements.

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

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This first application of the IFRS 9 leads to the presentation of the opening balance sheet as at 1 January 2018 as if IFRS 9 has always been applied.

The transition to IFRS 9 results in three types of developments pertaining to:

- categories and modalities for classifying financial instruments;
- evaluation of financial instruments resulting from these reclassifications;
- impairments based on the principle of expected credit loss and forward looking.

4.2 Accounting classification under IFRS 9

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

4.2.1 Classification of financial assets under IFRS 9

4.2.1.1 Debt instruments

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

Business model

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

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

Contractual cashflow characteristics test (SPPI Test)

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

4.2.1.2 Equity instruments

Equity instruments are recorded as follows:

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

4.2.1.3 Derivatives

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

4.2.2 Classification of financial liabilities under IFRS 9

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

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

4.3 Assets impairments under IFRS 9

Under IAS 39, the impairment model was based on recognition of only incurred losses, i.e. from the reporting date of a credit risk.

The impairment model in IFRS 9 provides on one hand, that expected losses are based on expected credit losses and on the other, on the consideration of macroeconomic forecast in determining risk parameters (forward-looking).

4.3.1 Impairment model

The main impairment rules under IFRS 9 are:

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

Under IFRS 9, the portfolio is divided into three buckets or stages by using significant impairment notion since inception. The allocation of a financial instrument to each stage is based on whether or not there has been a significant increase in its credit risk since its

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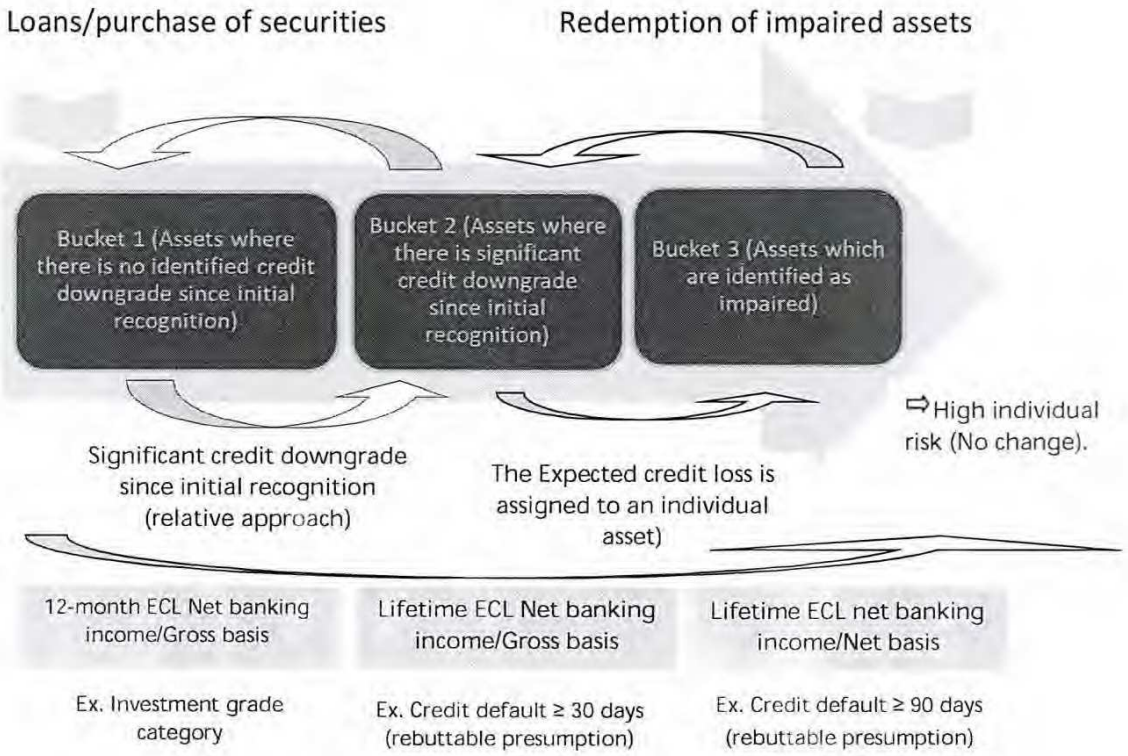
initial recognition. The amount of impairment and the basis for applying the effective interest rate depend on the bucket to which the financial asset is allocated.

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

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



4.3.2 Financial assets impairment principles

At the first application of IFRS 9, the credit risk between the initial recognition date of the financial assets and 1 January 2018 is measured as follows:

- financial assets measured at amortized cost;

- financial assets measured at fair value through recyclable OCI.

For BOAD, the financial assets that fall within this scope of application are loans to customers and securities (bonds, treasury bills, etc.).

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4.3.2.1 Classification of the Bank's loans and securities based on the three buckets

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

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

4.3.2.2 Calculation of expected credit loss (ECL)

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

ECL = PD x LGD x EAD

The calculation parameters are as follows:

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

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

- ✓ Loss given default (LGD) and probability of default (PD): the calibration of BOAD

[3] Speculative grade (SG): rating whose risk level is higher than that of the investment grade (IG). SG6 corresponds to B3 at Moody's and B- at Standard & Poor's and Fitch, while SG5 corresponds to B2 at Moody's and B at Standard & Poor's and Fitch.

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rating model, with a master scale mapped on GEMs[4], helped put in place a loans risk matrix according to the type of borrowers (sovereign states, public companies, private companies).

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

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

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

4.3.2.3 Reminder of impairment on individual basis

Impairments are measured by comparing the present value of future cashflows and the carrying amount. The upgrading effect of the impairment is recorded as banking income.

The calculation of the present value of future recovery flows require, at each balance sheet date and for each outstanding credit, the following:

- expected cashflows from the borrower,
- estimated recovery value associated to each type of guarantee received,
- estimated duration for guarantee recovery.

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

The interests on overdue receivables are impaired by 100% because the Bank assumes that the recovered cashflow on these interests is zero.

4.4 First application as at 1 January 2018

4.4.1 Classification and assessment of financial instruments

While IFRS 9 largely retains the provisions of IAS 39 on the classification and measurement of financial liabilities, it removes the categories of held-to-maturity financial assets, available-for-sale assets and loans and receivables.

The adoption of IFRS 9 had no significant impact on the Bank's accounting policies on financial assets and liabilities, except for equity investments, which represent equity instruments.

The Bank's assets are not held for trading and are all considered strategic except for investments in an undertaking for collective investment in transferable securities (UCITS), be they mutual funds or open-end investment companies. Thus, the Bank opted for fair

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

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value measurement by the other non-recyclable components of comprehensive income for all existing investments as at 01/01/2018, with the exception of mutual funds or open-end investment companies which are initially and subsequently measured at fair value and recognized at fair value through profit or loss.

The accounting policies regulating the subsequent measurements of these financial assets are presented as follows:

- **Assets are subsequently measured at fair value;**
- **Dividends are recognized as income through profit and loss;**
- **Gains or losses are recognized in other comprehensive income and are never reclassified through profit and loss.**

Loans and receivables at amortized cost (including interbank loans, receivables from customers, employee loans, securities portfolio, and receivables from shareholders) as well as financial liabilities at amortized cost (interbank debts, debts securities, and other debts) are maintained at amortized cost while derivative assets and liabilities are measured at fair value.

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

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

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

Comments

(a) Cash and cash equivalents include cash on hand and demand deposits. These are short-term investments (up to liquid and with virtually no credit risk. The holding of cash and cash equivalents is part of an economic model w hold assets in order to collect contractual cash flows. It is therefore classified and measured at amortized cost.

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

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(c) These equity instruments are divided into two categories. The first category (XOF80,327 M) represents investments that the Bank expects to hold for long-term strategic purposes. As permitted by IFRS 9, the Bank has designated these investments at fair value through other comprehensive income at the date of first application. Contrary to IAS 39, the cumulative fair value reserve for these investments will never be reclassified to profit or loss. The second category (XOF7,774 M) has been designated at fair value through profit or loss because the instruments concerned are managed on a fair value basis and their performance is monitored on this basis.

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

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

(f) Employee loans are loans granted to the Bank's staff at market conditions. Classified as "loans and advances" under IAS 39, they remain measured at amortized cost. Therefore, the transition to IFRS 9 did not require any value adjustment.

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

(h) Receivables from shareholders include endowments and amounts due but not yet paid, the amount of grants not yet paid for revaluation of loans and the amount of called-up capital not yet paid. These various receivables from shareholders (unpaid called-up share capital, grants for loans revaluation) are part of a payment plan. Initially classified as « loans and advances » under IAS 39, the transition to IFRS 9 did not impact their measurement. They are classified and measured at amortized cost.

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Therefore, they required no value adjustment.

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

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

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

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

4.4.2 Financial instruments impairment

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

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

(m) Since the Bank's strategic investments are classified as equity instruments designated at fair value through OCI non-
depreciations under IAS 39 (XOF*9,212 M)* are reclassified as counterparty at their gross carrying amount.

(n) As at 31 December 2017, existing depreciations under IAS 39 were only related to the portfolio of defaulted rece
to XOF28,104 M plus 100% provisioning of interest earned on these receivables (XOF*17,575 M)*. As at 1 January 2
value adjustments (XOF21,287 M) induced by IFRS 9 relating to buckets 1 and 2 were added to this inventory of in

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

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

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

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

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

NOTE 5. CASH AND CASH EQUIVALENTS

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 comprise the following:

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Cash and cash equivalents	30/06/2018	31/12/2017
Cash accounts	70	95
BOAD HQ Current Account	35 415	132
Deposit Accounts for Resident Missions at BCEAO	117 746	44 702
Japan Eximbank Special Account*	15	15
Kingdom of Belgium Special Account**	4 212	4 212
FDE P/C BOAD Contribution Account	22 023	51 231
FDE P/C Contribution Account***	1 985	1 985
BOAD Settlement Account Lomé	12 087	62 429
Operating Account for Resident Missions	398	487
Bank and correspondent bank accounts	3 572	3 615
Short-term bank deposits (a)	93 006	997
Deposits/ Margin calls****	17 000	133 006
	307 528	**302 904**

* The Japan Eximbank special account is a current account used for recording transactions related to 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. The Bank is the fund manager.

**** This deposit is constituted to meet margin calls as part of foreign exchange hedging. It is subject to restrictions and will only be available at the maturity of the covered loan.

Short-term bank deposits	30/06/2018	31/12/2017
BOA-CI, special liquidity account	996	996
BOA-BENIN liquidity account	1 010	1 010
Term deposit with BOA Group	10 000	10 000
Term deposit with ORABANK Group	10 000	10 000
Term deposit with BSIC Group	10 000	8 000
Term deposit with Banque Atlantique Togo	5 000	5 000
Term deposit with Coris Bank Group	25 000	39 000
Term deposit with Diamond Bank Group	6 000	24 000
Term deposit with BHBF	5 000	5 000
Term deposit with UTB	10 000	10 000
Term deposit with BDM	5 000	5 000
Term deposit with BRM	0	15 000
Term deposit with BAIC	5 000	0
	93 006	**133 006**

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NOTE 6. LOANS AND RECEIVABLES AT AMORTIZED COST

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

Loans and receivables at amortized cost	30/06/2018	31/12/2017
- Interbank receivables	108 932	122 674
-Receivables from customers	1 796 372	1 755 018
- Loans to staff	11 430	6 164
- Securities portfolio	253 775	263 282
- Receivables from shareholders	77 685	90 802
- Other	65	79
Total	**2 248 259**	**2 238 019**

Interbank receivables include interbank loans and related interests. As at 30 June 2018, all these receivables were due in less than a year.

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

6.1 RECEIVABLES FROM CUSTOMERS

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 agreements.

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

	Balance as at	Variations of the period			Balance as at
	31 december 2017 (a)	Increase (b)	Decrease (c)	Balance of the period (d) = (b) + (c)	30 june 2018 (e) = (a) + (d)
1. Gross outstanding of bad debts	40 845	2 994	0	2 994	43 839
2. Interest receivables of bad debts	17 575	228	0	228	17 803
3. Depreciation	-45 679	-5 697	4 135	-1 561	-47 240
4. Net outstanding of bad debts (gross outstanding and interest receivables) = (1) + (2) + (3)	**12 741**	**-2 475**	**4 135**	1 661	**14 402**

6.2 SECURITIES PORTFOLIO

The breakdown of the securities portfolio is as follows:

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Securities portfolio	30/06/2018	31/12/2017
Treasury bonds Senegal	23 375	23 500
Treasury bonds Côte d'ivoire	40 000	40 000
Treasury bonds Benin	50 000	45 000
BOA Benin Bonds	0	0
BOA Niger Bonds	0	0
Treasury bonds Burkina Faso	39 986	34 986
Treasury bonds Mali	20 000	10 000
Treasury bonds Niger	6 812	6 812
Treasury bonds Togo	31 609	21 609
CRRH Bonds	5 983	6 350
BOA Group Bonds	0	0
Treasury bills Burkina Faso	12 550	24 550
Treasury bills Côte d'Ivoire	9 000	9 000
Treasury bills Mali	0	6 666
Treasury bills Niger	0	6 313
Treasury bills Sénégal	6 000	6 000
Treasury bills Togo	0	15 000
Deposit Certificate	800	1 000
Sub-total	*246 115*	*256 785*
Interests receivable	7 906	6 497
Depreciation	-246	0
	253 775	**263 282**

The variation table of securities as at 30 June 2018 is as follows:

	Balance as at	As restated		Variations of the period			Balance as at
	31 december 2017 (a)	First application IFRS 9 carrying amount (b)	1st January 2018 (c)= (a) + (b)	Increase (d)	Decrease (e)	Balance of the period (f) = (d) + (e)	30 june 2018 (g) = (c) + (f)
1. Gross outstanding of securities portfolio	256 785	0	256 785	30 000	-40 670	-10 670	246 115
2. Interest receivables of securities portfolio	6 497	0	6 497	6 273	-4 864	1 409	7 906
3. Depreciation	0	-242	-242	-5	0	-5	-246
(gross outstanding and interest receivables) = (1) + (2) + (3)	**263 282**	**-242**	**263 040**	**36 268**	**-45 534**	**-9 266**	**253 775**

Repayments received on securities as at 30 June 2018 stood at XOF45,534 M as compared to XOF30,000 M in new subscriptions.

6.3 RECEIVABLES FROM SHAREHOLDERS

The item on "Receivables from shareholders" includes endowments and amounts due but not yet paid in (XOF8,377 M), grant amounts not yet paid for loan revaluation (XOF2,414M) and the called-up capital not yet paid in (XOF66,894 M). The last two amounts were as a result of discounting as at 31 December 2017, at average rates of 5.55% (rate applied in 1996 to non-commercial public sector loans) and 2.45% (rate applied in 2014 to non-commercial public sector loans) for payments expected on their scheduled repayment dates.

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NOTE 7. EQUITY INVESTMENTS

7.1 BOAD'S EQUITY INVESTMENT STRATEGY

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

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

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

- **Objective**: fulfilling the Bank's development agenda while ensuring that it stays financially viable in accordance with the strategic orientations of the Bank.

- **Areas of intervention**: all sectors eligible for financing by the Bank.

- **Modes of intervention**: when entering into a transaction, the Bank must have sufficient visibility of the terms and conditions of exit, when the time comes. The transfer of equity shares will be traded for listed shares and at the best conventional conditions for unlisted shares.

- **Positioning in the governing bodies**: conditioning each of the Bank's equity participations on the allocation of a seat on the company's governing body (board of directors, supervisory board, credit or investment committee, etc.).

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

7.2. THRESHOLDS FOR INTERVENTIONS THROUGH EQUITY INVESTMENTS

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

The maximum commitment the Bank can provide in the form of equity investment is limited by operation and per company to two point five percent (2.5%) of its risk capital for projects other than for national financial institutions (NFIs) and organizations that promote SMEs, privatization projects, regional projects and those in areas such as mining and energy, not exceeding fifteen percent (15%) of the company's share capital.

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This threshold is 5% 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 fifteen percent (15%) of the company's share capital.

The limit in terms of overall volume of equity is set at 20% of the bank's tier 1 equity capital. However, for entities in which BOAD plays a role of principal proponent, 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 equity investments are considered available for sale. They will be valued at fair value and any change in fair value is recognized as "Other items under the comprehensive income statement".

7.3 DETAILS OF EQUITY SECURITIES

The amount of dividends from these investments, recognized in the income statement stands at XOF1,447 M as at 30 June 2018 as against XOF1,655 M as at 30 June 2017.

As at 30 June 2018, the Bank has 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.

Investments captured in the statement of financial position concern the following institutions:

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Country	Securities	Equity interest	30/06/2018						31/12/20		
			Gross out-standing	Depreciation	Carry-over by OCI	Unrealised gains/losses	Gains /losses of equity investments designated at fair value through P&L	Balance sheet value	Gross out-standing	Depreciation	Carry-over by OCI
BN	SOAGA	19,3%	103			95		198	103		-
BN	FOAI	18,6%	2 500			952	- 270	3 181	2 500		-
TG	CAURIS CROISSANCE	49,6%	175			691		866	758		-
SN	BNDE	9,1%	1 000			1 733		2 733	1 000		-
h-uemoa	CAURIS CROISSANCE II	17,7%	4 570			- 936		3 634	4 513		-
TG	GARI S. A.	11,6%	1 500			1 283		2 783	1 500		-
MA	BDM Mali	16,0%	600			10 961		11 561	600		-
BN	BOA Bénin	2,4%	98			1 701		1 800	98		-
NG	SONIBANK Niger	9,5%	1 082			2 334		3 416	1 082		-
CI	BHCI Côte d'Ivoire	2,2%	150	- 79	79	- 10		140	150	-79	79
NG	BOA Niger	6,9%	165			1 990		2 155	165		-
TG	BIA Togo	5,2%	392			221		613	392		-
BN	African Investsment Bank (AIB) (1)		250	- 250	250	- 250		-	250	-250	-
h-uemoa	Afreximbank	0,4%	2 500			2 281		4 781	2 500		-
SN	Banque Régionale de Marché (BRM)	4,0%	400			685		1 085	400		-
BF	Banque de l'Habitat du BF	1,6%	200			104		304	200		-
CI	BRIDGE BANK Côte d'Ivoire	3,5%		- 193	193			-		-193	193
CI	BRVM	9,3%	56			623		679	56		-
CI	DC/BR (BRVM)	9,1%	140			196		336	140		-
TG	CICA RE	3,3%	999	- 219	219	306		1 305	999	-219	219
MA	MANDE Hotel	16,7%	50	- 12	12	247		297	50	-12	12
CI	SIALIM (1)		100	- 100	100	- 100		-	100	-100	-
CI	AIR AFRIQUE (1)		2 500	- 2 500	2 500	- 2 500		0	2 500	-2 500	-
CI	CIPREL	2,0%	584			1 287		1 871	584		-
BN	COTEB (1)		272	- 272	272	- 272		-	272	-272	-
	Total amount to be carried-over		20 385	- 3 625	3 626	23 625	- 270	43 740	20 911	- 3 625	503

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Country	Securities	Equity interest	30/06/2018						31/12/20		
			Gross out-standing	Depreciation	Carry-over by OCI	Unrealised gains/losses	Gains /losses of equity investments designated at fair value through P&L	Balance sheet value	Gross out-standing	Depreciation	Carry-over b OCI
	Carry-over		20 385	- 3 625	3 626	23 625	- 270	43 740	20 911	- 3 625	503
TG	ASKY (EX SPCAR)	17,2%	5 990	- 2 128	2 128	- 6 421		- 431	5 990	- 2 128	2 128
SN	SCIE	18,9%	130	- 130	130	- 130		-	130	- 130	-
CI	RASCOM	7,1%	1 600	- 1 600	1 600	- 1 600		-	1 600	- 1 600	-
h-uemoa	PROPARCO	0,8%	3 420	-		998		4 419	3 420	-	-
TG	BOAD-Titrisation	100,0%	500	-		- 63		437	500	-	-
TG	CRRH-UEMOA	18,4%	1 543	-		589		2 132	1 543	-	-
h-uemoa	Fonds Agricole pour l'Afrique (FAA)	2,6%	2 438	-		245		2 683	2 438	-	-
TG	ORAGROUP	2,7%	2 000	-		843		2 843	2 000	-	-
BF	Burkina Bail	15,0%	689	-		144		833	689	-	-
SN	CNCAS	10,1%	1 573	-		2 380		3 953	1 573	-	-
BF	CORIS BANK	4,3%	1 997	-		3 218		5 215	1 997	-	-
CI	Nouvelle BRS CI/ORA Bank CI	38,2%	16 995	-		- 5 836		11 159	16 995	-	-
CI	Banque de l'Union Côte d'Ivoire (BDU-CI)	9,6%	1 100	-		- 65		1 035	1 100	-	-
BF	Banque de l'Union Burkina Faso (BDU-BF)	10,6%	1 100	-		- 187		913	1 100	-	-
h-uemoa	FEFISOL	8,2%	1 312	-		10	- 8	1 314	1 312	-	-
Kenya	FAER	6,1%	4 375	-		- 347		4 028	3 960	-	-
BF	AMETHIS WEST AFRICAN (AWA)	11,1%	1 877	-		- 865		1 012	1 877	-	-
CI	Air Côte d'Ivoire	5,9%	7 660	-		- 5 836		1 824	6 330	-	-
CI	RASCOM STAR QAF		4 360	- 4 360	4 360	- 4 360		-	4 360	- 4 360	-
h-uemoa	Investisseurs & Partenaires/ Dévoppement (IPDEV2)	23,5%	632	-		- 69		563	632	-	-
Bn	Société Immobilière d'Aménagement Urbai	10,0%	500	-		- 10		490	500	-	-
SN	FCP/IFC BOAD		3 000	-				3 000	3 000	-	-
SN	Banque Outarde	14,8%	2 000					2 000			
h-uemoa	Fonds I&P Afrique Entrepreneurs 2 (IPAE2)		76			0		76			
NG	Banque de l'Habitat du Niger	8,3%	825					825			
	Fonds d'investissements dédié au développement des services financiers dans l'UEMOA		53					53			
	Total gross values		88 130	- 11 843	11 843	6 263	- 278	94 116	83 958	- 11 843	2 631
	Net depreciations				0					-	9 212
	Variation in fair value of AFS through comprehensive income		-						9 510		
	Variation in fair value of equity investments designated at fair value through OCI		2 121						-		
	Variation in fair value of equity investments designated at fair value through P&L		- 278						-		
	Gains and losses directly entered as equity for financial assets available for sale		18 108						15 987		

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NOTE 8. OTHER ASSETS

Other assets include the following:

Other assets	30/06/2018	31/12/2017
Advances on mission expenses	9	22
Payday advances	36	35
Expenses to be adjusted	2 854	11 363
Exchange risk hedging instruments	1 068	966
Sundry debtors	5 731	3 256
Charges paid in advance and accruals	624	425
Prefinancing of studies from foreign funds meant for studies	97	97
	10 419	**16 163**

The decrease in expenditure to be rectified as at 30 June 2018 include the transfer of advances made by the Bank as at 1 April 2018 in the form of employee loans as part of the construction of the BOAD staff quarters.

The item on « currency risk hedging instruments » recorded a value of XOF1,068 M as at 30 June 2018 against XOF966 M as at 31 December 2017 corresponding to interests on the derivatives instruments set up by the Bank to hedge against foreign exchange fluctuations. The share of this item recorded in the income statement will offset the exchange losses on interests accrued from loans denominated in dollars.

NOTE 9. TANGIBLE AND INTANGIBLE ASSETS

Monthly amortization charges are captured as income under "Amortization' in the general operating expenses.

9.1 TANGIBLE ASSETS

The net carrying amount of tangible assets as at 30/06/2018 and 31/12/2017 is as follows:

Tangible assets	30/06/2018	31/12/2017
Cost of acquisition	26 731	26 708
Allocations and reversal of depreciations	-19 585	-19 117
Total	**7 146**	**7 592**

The change in the net carrying amount of tangible assets between 30/06/2018 and 31/12/2017 is as follows:

Acquisitions of tangible assets (in XOF'M)		Allocations and reversal of depreciations (in XOF'M)	
Balance as at 1 January 2018	**26 708**	**Balance as at 1 January 2018**	**19 117**
Acquisitions	814	Amortization charges	469
Disposals	-792	Reversals of amortization	-1
Classified as assets held for sale	0	Classified as assets held for sale	0
Balance as at 30 june 2018	**26 731**	**Balance as at 30 june 2018**	**19 585**
Net value on balance sheet as at 30 june 2018			**7 146**

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9.2 INTANGIBLE ASSETS

Intangible assets include only software. These will be amortized on a straight line over a period of 3 to 5 years. Their net values are as follows:

Intangible assets	30/06/2018	31/12/2017
Gross value	1 475	1 459
Allocations and reversal of depreciations	-1 073	-943
	403	**516**

The net carrying amount /summary of intangible assets between 30/06/2018 and 31/12/2017 is as follows:

Acquisition of softwares (in XOF'M)		Allocations and reversal of depreciations (in XOF'M)	
Balance as at 1 January 2018	**1 459**	**Balance as at 1 January 2018**	**943**
Acquisitions	16	Amortization charges	130
Disposals	0	Reversals of amortization	0
Classified as assets held for sale	0	Classified as assets held for sale	0
Balance as at 30 june 2018	**1 475**	**Balance as at 30 june 2018**	**1 073**
Net value on balance sheet as at 30 june 2018			**403**

The monthly amortization charges are recognized in the income statement under the "Depreciations" item of 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, etc.) 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 30 June 2018 and 31 December 2017, are as follows (in XOF'M):

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Liabilities at amortized cost	30/06/2018	31/12/2017
I-Debts represented by a security		
Bond loans	964 226	955 539
BOAD bonds	247 020	247 030
Maturities of less than one year/debts repr. by securities	22 758	54 865
Sub-total I	***1 234 004***	***1 257 433***
II- Other loans from foreign partners		
Loans for funding long-term projects	456 214	368 519
Loans for funding long-term project studies	402	383
Maturities of less than one year/loans	63 682	91 159
Sub-total II	***520 298***	***460 061***
Total I+II	1 754 303	1 717 494
III- Debts attached to loans and & debts repr.		
Accrued interests on debts represented by a security	20 620	27 641
Deferred expenses on bills and bonds	-642	-798
Interests and fees accrued on other loans	3 424	3 386
Deferred expenses on other loans	-245	-300
Sub-total III	***23 156***	***29 929***
IV- Interbank debts (Cauris ROPPA, AFD...)	5 572	4 553
Total I+II+III+IV	**1 783 030**	**1 751 976**

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 30 June 2018, the Bank's outstanding borrowings represented 259% of its equity capital out of the regulatory threshold of 300%.

During the first semester, the Bank proceeded to draw on credit facilities from AFD VII, ITFC, IDA V, and KfW IV of respectively XOF19,679 M, XOF3,329 M, XOF11,709 M, and XOF52,477 M. About XOF123,822 M of principal amounts and interests has been repaid, including XOF36,315 M for credit facilities and XOF87,506 M for debt securities (bonds and bills).

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NOTE 11. OTHER LIABILITIES

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

Other liabilities	30/06/2018	31/12/2017
Belgian Technical Assistance Fund	182	180
Dutch Fund	34	34
IDA Matching Fund	343	224
AFD Research Fund	310	310
AFD Matching Fund	147	148
NIMAO Fund	0	0
Environmental Partnership Fund	4	4
KfW Counterpart Fund	6 169	6 250
China Cooperation Fund	139	139
AFD IV Capacity Building Fund	30	30
Energy Development Fund	1 985	1 985
Crop Insurance Fund	2 888	2 992
Regional Collaboration Centre (RCC)	246	174
Regional Facility for Access to Sustainable Energy	10 000	10 000
New interest rate subsidy	75 980	53 098
CMS Fund for Interest Subsidy	1 000	1 000
Sub-total Funds	***99 456***	***76 568***
SUSPENSE AND SUNDRY ACCOUNTS		
Suppliers	508	1 609
Emoluments to staff members	0	0
Sundry creditors	4 868	3 806
Charges payable	2 259	1 905
Income to be adjusted	8 186	8 931
Exchange risk hedging instruments	64 406	76 439
Income recorded in advance	144	1 322
Kingdom of Belgium current account	4 200	4 200
Sub-total for suspense and sundry accounts	***84 571***	***98 213***
	184 028	**174 781**

NOTE 12. EQUITY CAPITAL

The Bank's capital is divided into shares at a face value equal to XOF50,000,000. It 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 Bank's equity capital respectively as at 31/12/2017 and as at 30/06/2018 is as follows:

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Equity capital	30/06/2018	31/12/2017
Subscribed capital	1 103 650	1 103 650
Callable capital	-826 230	-826 230
Cost related to the paying-up of capital	-4 046	-4 046
Total	273 375	273 375
Share premium	**2 622**	**2 622**
Reserves		
Reserves transferred for development activities	76 050	76 050
Fair value reserve for AFS security	0	15 987
Fair value reserve for equity security designated at fair value through OCI	18 108	
Reserves for cashflow coverage	-57 998	-38 711
Other reserves	26	26
Revaluation of liabilities for fixed benefits scheme	2 165	2 165
Retained earnings	363 707	374 941
	402 057	430 457
Income for the financial year	15 629	13 295
Total equity	**693 682**	**719 748**

The table below outlines the Bank's capital structure as at 30 June 2018 in nominal value and share distribution. Each share confers the same rights and responsibilities on its holder.

CAPITAL STRUCTURE AS AT 30 JUNE 2018

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	64 650 000 000	5,86	1 293	16 163 000 000	12 043 000 000	4 120 000 000	48 487 000 000
BURKINA	64 650 000 000	5,86	1 293	16 163 000 000	12 043 000 000	4 120 000 000	48 487 000 000
COTE D'IVOIRE	64 650 000 000	5,86	1 293	16 163 000 000	12 043 000 000	4 120 000 000	48 487 000 000
GUINEA BISSAU	64 650 000 000	5,86	1 293	16 163 000 000	10 043 000 000	6 020 000 000	48 487 000 000
MALI	64 650 000 000	5,86	1 293	16 163 000 000	12 043 000 000	4 120 000 000	48 487 000 000
NIGER	64 650 000 000	5,86	1 293	16 163 000 000	12 043 000 000	4 120 000 000	48 487 000 000
SENEGAL	64 650 000 000	5,86	1 293	16 163 000 000	12 043 000 000	4 120 000 000	48 487 000 000
TOGO	64 650 000 000	5,86	1 293	16 163 000 000	12 043 000 000	4 120 000 000	48 487 000 000
BCEAO	516 700 000 000	46,86	10 344	129 304 000 000	96 344 000 000	32 960 000 000	387 896 000 000
	1 034 400 000 000	93,73	20 688	258 608 000 000	180 688 000 000	67 820 000 000	775 792 000 000
CATEGORY B							
France	38 400 000 000	3,48	768	9 600 000 000	7 680 000 000	1 920 000 000	28 800 000 000
Germany	2 000 000 000	0,18	40	2 000 000 000	2 000 000 000	0	0
Belgium (1)	5 600 000 000	0,51	112	1 400 000 000	1 400 000 000	0	4 200 000 000
EIB	4 000 000 000	0,36	80	1 000 000 000	1 000 000 000	0	3 000 000 000
AfDB	6 000 000 000	0,54	120	1 500 000 000	1 042 856 844	457 143 156	4 500 000 000
EXIM BANK OF INDIA	750 000 000	0,07	15	187 500 000	149 999 992	37 500 008	562 500 000
CHINA	12 000 000 000	1,09	240	3 000 000 000	2 300 000 000	700 000 000	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	6,27	1 385	18 812 500 000	15 692 231 836	3 120 268 164	50 437 500 000
	1 103 650 000 000	100,00	22 073	277 420 500 000	206 380 231 836	70 940 268 164	826 229 500 000
UNSUBSCRIBED CAPITAL	51 350 000 000		1 027				
AUTHORIZED CAPITAL	1 155 000 000 000		23 100				

(1) Payment in advance of an amount of XOF4 200 Million on escrow account.

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NOTE 13. NET BANKING INCOME

Details of this item are as follows:

Net banking income	30/06/2018	30/06/2017
1-Income and interest charges		
Interests and fees on loans	46 563	41 381
Fees on bond loan guarantees	42	109
Interests and investment income	13 977	9 393
Sub-total interest income (A)	*60 582*	*50 882*
Interests and charges on debts represented by a security	-32 586	-24 131
Interests and charges on loans and investments	-8 580	-8 954
Other financial services and commissions	-258	0
Sub-total interest charges (B)	*-41 423*	*-33 084*
Margin on interests and fees C= (A)-(B)	**19 159**	**17 798**
2.1-Exchange gains and losses		
Consumed exchange gain	50	20
Potential exchange gain	0	38 550
Sub-total exchange gain (D)	*50*	*38 570*
Consumed exchange loss	-15	-12
Potential exchange loss	-25 836	0
Sub-total exchange loss (E)	*-25 851*	*-12*
Net exchange loss F=(D)-(E)	**-25 801**	**38 558**
2.2-Gains/losses on hedging instruments (G)	**31 421**	**-37 782**
2-Net gains/losses on foreign exchange (G)+(F)	**5 620**	**776**
3-Net gains/losses on equity instruments designated as fair value through profit and loss	**-278**	**0**
4-Other banking income (dividends,..)	**1 447**	**1 655**
5-Net banking income = (1)+(2)+(3)+(4)	**25 948**	**20 229**

Foreign exchange gains and losses are due to resource mobilization in foreign currencies by the Bank, excluding euros, from its financial partners and on the international financial market for project financing. These losses have been hedged with forward purchase and swap transactions.

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NOTE 14. COST OF RISK

The cost of risk as at 30 June 2018 is as follows:

Cost of risk	30/06/2018	30/06/2017
Reversal of provision for customer receivables	4 135	219
Depreciations related to customer receivables	-5	0
Depreciation on portfolio securities	-6 925	-1 913
	-2 794	**-1 693**

NOTE 15. COSTS RELATED TO DEVELOPMENT ACTIVITIES

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

Costs related to development activities	30/06/2018	30/06/2017
Interest subsidy	-1 093	-902
	-1 093	**-902**

NOTE 16. 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 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.).

Adoption of IFRS 9

From 1 January 2018, the Bank adopted IFRS 9 which introduces expected losses instead of losses incurred or determined in accordance with IAS 39 (see note 4).

Evaluation of the credit risk

Credit risk represents the financial loss incurred by the Bank when customers or counterparties of a financial instrument fail to meet their contractual obligations.

Estimating the Bank's exposure as part of credit risk management requires the use of models since exposure varies with changes in market conditions, cash flows and time. In accordance with IFRS 9, the Bank measures its credit risk using probability of default (PD), exposure at default (EAD) and loss given default (LGD).

BOAD's internal master scale

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

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	GEMsPD Rating scale	Moody's	S&P	Fitch	Meaning of the rating
1	GI1	Aa3	AA-	AA-	High Level
2	GI2	A2	A	A	
3	GI3	A3	A-	A-	Upper medium grade
4	GI4	A3	A-	A-	
5	GI5	Baa1	BBB+	BBB+	
6	GI6	Baa1	BBB+	BBB+	
7	GI7	Baa2	BBB	BBB	Lower medium grade
8	GI8	Baa3	BBB-	BBB-	
9	GI9	Ba1	BB+	BB+	
10	GI10	Ba1	BB+	BB+	
11	Gs1	Ba2	BB	BB	Speculative
12	Gs2	Ba2	BB	BB	
13	Gs3	Ba3	BB-	BB-	
14	Gs4	B1	B+	B+	
15	Gs5	B2	B	B	Highly speculative
16	Gs6	B3	B-	B-	
17	Gs7	Caa1	CCC+	CCC+	Increasing risk
18	Gs8	Caa2	CCC	CCC	Ultra speculative
19	Gs9	Caa2	CCC	CCC	
20	Gs10	Caa3	CCC-	CCC-	
21	D	D	D	D	Default

Assessment of Expected credit loss (ECL)

- ✓ The criteria explaining the classification in a bucket are presented in section 4.3.2.1 of note 4.
- ✓ The assessment of the significant deterioration in credit risk depends on two qualitative and quantitative criteria. The quantitative criterion is the decrease of at least two notches between the first rating date and the rating at the closing date.
- ✓ The assessment of the significant deterioration in credit risk includes forward-looking information and is carried out at every half-yearly balance sheet date.

NOTE 17. OFF-BALANCE SHEET COMMITMENTS

17.1 Commitments received

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

The breakdown of these commitments is as follows:

Commitments received	30/06/2018	31/12/2017
Loan commitments to be drawn	140 561	168 132
Guarantees received from Regional Funds	41 354	40 521
Total	**181 915**	**208 653**

Commitments to be drawn represent the yet-to-be-mobilized balance of loans, loans contracted from financiers.

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The Bank also receives other non-financial guarantees (mortgages, securities, pledges, etc.) on its loans.

17.2 Commitments given

Commitments given include lending and participation agreements signed with various beneficiaries of BOAD loans; these are presented as follows:

Commitments given	30/06/2018	31/12/2017
Loan commitments given (a)	1 722 616	1 587 450
Advances for funding studies	11 611	11 439
Commitments for equity investments (b)	30 803	24 625
Securities and other guarantees	33 363	5 300
Total	**1 798 392**	**1 628 814**

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

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

NOTE 18. 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 30 June 2018.

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WEST AFRICAN DEVELOPMENT BANK (BOAD)

STATUTORY AUDITOR REPORT ON FINANCIAL STATEMENTS

(YEAR ENDED DECEMBER 31, 2018)

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

STATUTORY AUDITOR REPORT ON FINANCIAL STATEMENTS

(YEAR ENDED DECEMBER 31, 2018)

Opinion

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

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

Basis for Opinion

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

Key audit matters

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

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

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

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

- Review of compliance with IFRS requirements, including disclosures.

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

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

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

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

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

We have performed the following audit procedures:

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

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

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

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

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

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

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

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

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

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

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

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

Abidjan, March 20, 2019

Statutory Auditor
PricewaterhouseCoopers

Didier N'Guessan
Partner

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

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

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

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

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

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

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

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

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

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

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

BOAD

BANQUE OUEST AFRICAINE DE DÉVELOPPEMENT

BOAD'S FINANCIAL STATEMENTS FOR THE YEAR

ENDED 31 DECEMBER 2018

MARCH 2019

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STATEMENT OF FINANCIAL POSITION

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

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

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COMPREHENSIVE INCOME STATEMENT

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

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CHANGES IN EQUITY

	Capital				Reserves								
	Subscribed capital	Callable capital	Unpaid Capital	Cost related to the deffered paying-up capital (1)	Share premium	Reserves allocated to development activities	Other reserves	Remeasurements of defined benefit liability	Fair value reserves (available-for-sale financial assets)	Net gains on investments in equity instruments designated at fair value through other comprehensive	Cash flow hedges reserves	Retained earnings	Total
Equity capital as at 1st January 2017	1 097 750	-821 805		-5 489	2 622	76 050	26	2 091	6 477	0	-12 864	377 941	722 800
													0
Increase in capital	5 900	-4 425											1 475
Net income as at 31 December 2017 before allocation												13 295	13 295
Other comprehensive income								73	9 510		-25 848	0	-16 264
Fair value reserves (available-for-sale financial assets)									9 510			0	9 510
Remeasurements of defined benefit liability								73				0	73
Cash flow hedges											-25 848		-25 848
Others changes				1 443									1 443
Allocation of 2016 income												-3 000	-3 000
Transfers													0
Contributions et distributions													
Total transactions with the owners of the Bank													
Equity capital as at 31 december 2017	1 103 650	-826 230		-4 046	2 622	76 050	26	2 165	15 987	0	-38 711	388 235	719 748
Adjustments on initial application of IFRS 9									-15 987	15 987		-21 529	-21 529
Restated equity capital as at 1st January 2018	1 103 650	-826 230		-4 046	2 622	76 050	26	2 165	0	15 987	-38 711	366 707	698 219
Increase in capital	0												0
Résultat au 31 décembre 2018												18 173	18 173
Others changes				1 180									1 180
Allocation of 2017 income												-3 000	-3 000
Other comprehensive income													
Unpaid Capital			-67 975										-67 975
Net gains on investments in equity instruments designated at fair value through other comprehensive income (IFRS 9)										24 702		-7 090	17 611
Fair value reserves (available-for-sale financial assets)										0		12 612	12 612
Remeasurements of defined benefit liability								-920					-920
Cash flow hedges											-717		-717
Sub-total other comprehensive income								**-920**	**0**	**24 702**	**-717**		**23 064**
Transfers													0
Contributions et distributions													
Total transactions with the owners of the Bank													
Balance as at 31 december 2018	**1 103 650**	**-826 230**	**-67 975**	**-2 865**	**2 622**	**76 050**	**26**	**1 245**	**0**	**40 689**	**-39 428**	**387 402**	**675 184**

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CASHFLOW TABLE

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

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NOTE 1. ACTIVITY OF BOAD

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

BOAD became operational in 1976.

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

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

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

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

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

NOTE 2. SUMMARY OF ACCOUNTING PRINCIPLES AND PRACTICES

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

2.1 Declaration of conformity

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

2.2 Functional currency and reporting currency

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

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

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2.3 Basic financial reporting principles

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

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

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

2.4 Key bases for evaluation

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

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

2.5 Critical accounting assumptions and key sources of uncertainty for estimates

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

2.5.1 Main assumptions

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

2.5.2 Key estimates

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

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

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

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

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2.6. Fair value of financial instruments

2.6.1 Definition and hierarchy of fair value

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

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

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

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

2.6.2 Valuation methods

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

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

2.7 Cash and Cash equivalents

Cash includes cash on hand and demand deposits.

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

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

2.8 Loans and advances to banks

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

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

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2.9 Loans and advances to customers

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

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

2.9.1 General principles

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

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

2.9.2 Interests and commissions on receivables from customers

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

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

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

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

2.9.3 Loans to States

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

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

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2.9.4 Loans to the commercial public sector

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

2.9.5 Impairment of receivables to customers

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

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

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

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

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

b) Calculation of Expected Credit Losses (ECL)

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

ECL = PD x LGD x EAD

The calculation parameters are as follows:

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

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

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

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

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

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

c) Calculation of impairment under bucket 3

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

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

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

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

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

2.9.6 Loans to staff

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

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

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2.9.7 Pre-financing of studies

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

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

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

2.9.8 Grants and subsidy mechanism

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

2.9.9 Financial guarantees and financing commitments

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

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

2.10 Receivables from shareholders

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

2.11 Securities

2.11.1 Accounting principle applicable from 1 January 2018

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

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

2.11.2 Accounting principle applied before 1 January 2018

All securities held by the Bank meet the IAS 39 requirements for "Loans and Receivables". They are classified as "loans and receivables at amortized cost". Depreciation criteria are those that apply to loans and receivables. These securities are evaluated at amortized cost through the use of a depreciation account as the amount of the loss is captured in the

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income statement, with a possible recovery in the event of further improvement of the ratings of concerned counterparties.

2.12 Equity securities (equity investments)

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

2.12.1 Accounting method applicable from 1 January 2018

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

a) Fair value per income

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

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

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

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

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

2.12.2 Accounting principle applicable before 1 January 2018

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

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

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

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2.13 Fixed assets and amortizations

2.13.1 Recognition and evaluation

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

2.13.2 Amortizations and impairment test

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

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

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

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

2.13.3 Intangible assets

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

2.14 Deposits from banks

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

2.15 Debts represented by securities and debts from donors

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

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

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2.16 Allocated external funds

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

2.17 Pension commitments

2.17.1 Plan used by the Bank: Defined benefit scheme

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

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

2.17.2 Determination of net liability under the defined benefit scheme

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

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

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

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

2.17.3 Actuarial assumptions

Actuarial assumptions as at the closing date are as follows:

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

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

2.18 Transactions on share capital and allocations

2.18.1 Capital

The Bank's capital is made up of shares of nominal value equal to XOF50,000,000. It is divided into two categories of shareholders: Class A shareholders including WAEMU member countries and the Central Bank of West African States (BCEAO) and class B

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shareholders which are non-regional shareholders. Capital call-up is based on a long term payment plan. Therefore, the amount of the capital increase is discounted at each reporting date. For the sake of good presentation, the difference is captured in a debtor sub-account of the capital.

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

2.18.2 Allocations

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

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

2.19 Investment income at the Central Bank

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

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

2.20 Interests and fees on borrowings

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

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

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

2.21 Derivative financial instruments and hedge accounting

2.21.1 Derivatives instruments

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

The Bank assesses all its financial derivatives at fair value and changes in fair value are generally recognized through profit and loss. When the required conditions are met for the

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application of the fair value option, the debt in question is also assessed at fair value and changes in fair value are recognized as net income.

2.21.2 Hedging at fair value

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

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

2.21.3 Cashflows hedging

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

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

2.21.4 Transition to IFRS 9

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

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

2.22 Principles of the cashflow table

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

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

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

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

2.23 Events after closing

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

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

2.24 Statement of accounts

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

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

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

3.1 New provisions in force and published by IASB

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

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

3.2 Upcoming provisions

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

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

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

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

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

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

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

4.1 Accounting Classification under IFRS 9

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

4.1.1 Classification of financial assets under IFRS 9

4.1.1.1 Debt instruments

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

a) Business model

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

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

b) Contractual cashflow characteristics test (SPPI Test)

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

4.1.1.2 Equity instruments

Equity instruments are recorded as follows:

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

4.1.1.3 Derivatives

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

4.1.2 Classification of financial liabilities under IFRS 9

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

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

4.2 Assets impairments under IFRS 9

The impairment model in IFRS 9 provides on one hand, that expected losses are based on expected credit losses instead of incurred losses expected under IAS 39. On the other, it

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takes into account macroeconomic forecast in determining risk parameters (forward-looking).

4.2.1 Impairment model

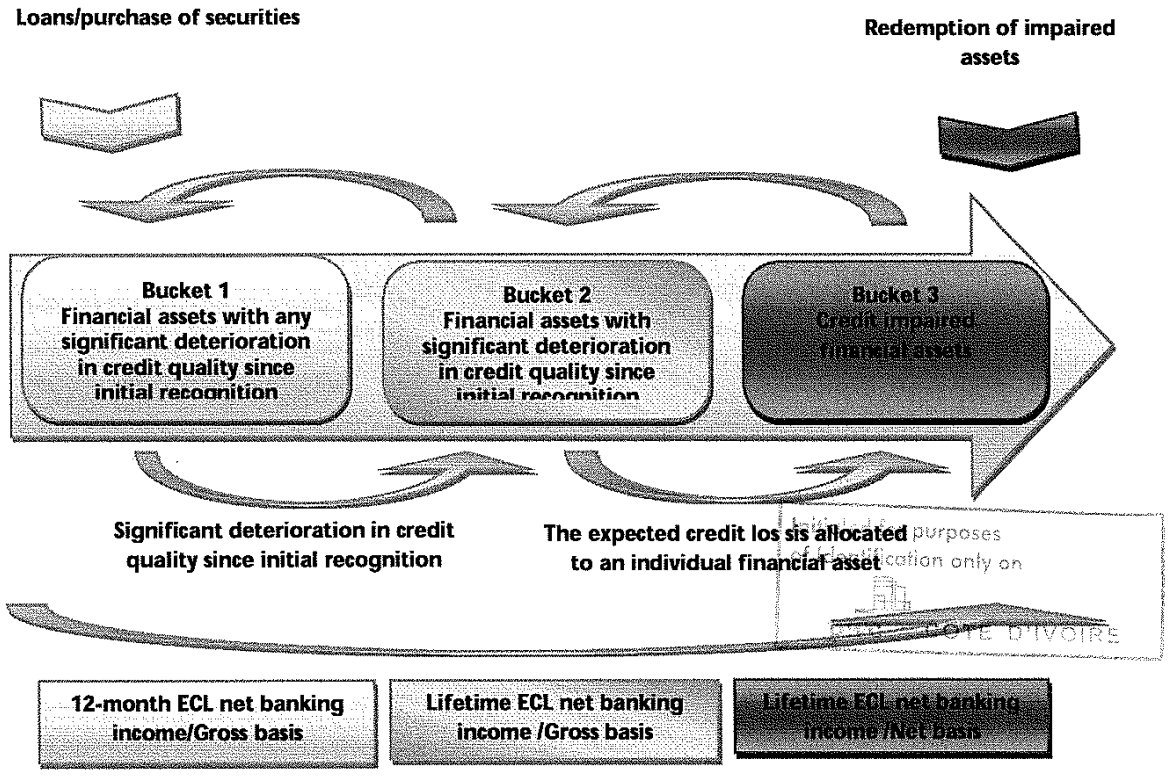
The main impairment rules under IFRS 9 are:

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

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

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

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



4.2.2 Financial assets impairment principles

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

4.3 First application as at 1 January 2018

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

4.3.1 Opening balance sheet as at 1 January 2018

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

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

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4.3.2 Classification and assessment of financial instruments

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

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

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

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

Comments

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

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

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

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

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

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

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

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

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

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

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

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

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

4.3.3 Financial instruments impairment

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

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

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

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

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

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

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

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

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

NOTE 5. CASH AND CASH EQUIVALENTS

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

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

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

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

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

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

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

5.5 Short-term bank deposits include the following:

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

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NOTE 6. LOANS AND RECEIVABLES AT AMORTIZED COST

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

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

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

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

6.1 Loans and advances to banks

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

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

6.2 Receivables from customers

6.2.1 Breakdown per type, sector of activity and per country

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

6.2.2 Schedule of receivables from customers

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

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

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

6.2.3 Variation table for bad debts

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

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

6.3 Securities portfolio

6.3.1 Variation table for securities

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

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

6.3.2 Details of the securities portfolio

The breakdown of the securities portfolio is as follows:

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

6.3.3 Schedule of securities investments

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

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

6.4 Receivables from shareholders to be paid up

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

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

NOTE 7. EQUITY INVESTMENTS

7.1. The Bank's equity investments strategy

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

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

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

The Bank's equity investment strategy is as follows:

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

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

7.2. Intervention limits for equity investments

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

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

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

7.3. Change in equity securities

7.3.1 Equity securities variation table

Changes in gross equity investments are as follows:

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

7.3.2 Breakdown of equity securities per counterparty

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

a) Instruments recognized at fair value through profit or loss

Changes between 1 January 2018 and 31 December 2017

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

Changes between 31 December 2018 and 1 January 2018

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

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

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

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

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

N°	Pays	Participations	% Détention	31/12/2018				01/01/2018			
				Encours brut (a)	Plus/Moins values de la période en OCI (b)	Gains et pertes latents en OCI non recyclables (c)	Valeur au bilan (d) = (a) + (c)	Encours brut (a)	Plus/Moins values de la période en OCI (b)	Gains et pertes latents en OCI non recyclables (c)	Valeur au bilan (d) = (a) + (b) + (c)
1	BN	SOAGA	19,3%	103	13	96	198	103		83	186
4	TG	CAURIS CROISSANCE	49,6%	175	-792	691	866	758		1 483	2 241
5	SN	BNDE	9,1%	1 000	145	1 733	2 733	1 000		1 588	2 588
6	h-uemoa	CAURIS CROISSANCE II	17,7%	4 584	-3 566	-3 941	643	4 513		-376	4 137
7	TG	GARI S. A.	11,6%	1 500	42	1 283	2 783	1 500		1 242	2 742
8	MA	BDM Mali	16,0%	600	854	10 961	11 561	600		10 107	10 707
9	BN	BOA Bénin	2,4%	98	74	1 899	1 997	98		1 824	1 923
10	NG	SONIBANK Niger	9,5%	1 082	103	2 517	3 599	1 082		2 414	3 496
11	CI	BHCI Côte d'Ivoire	2,2%	150	20	20	169	150		0	150
12	NG	BOA Niger	5,7%	137	909	2 768	2 905	165		1 858	2 023
13	TG	BIA Togo	5,2%	392	67	221	613	392		154	546
14	BN	African Investsment Bank (AIB) (1)		0	250	0	0	250		-250	0
15	h-uemoa	Afreximbank	0,3%	2 500	-1 676	542	3 042	2 500		2 218	4 718
16	SN	Banque Régionale de Marché (BRM)	4,0%	400	28	685	1 085	400		657	1 057
17	BF	Banque de l'Habitat du BF	0,9%	200	-136	89	289	200		225	425
18	CI	BRIDGE BANK Côte d'Ivoire	3,5%	0	0		0	0		0	0
19	CI	BRVM	9,3%	56	-7	584	640	56		591	647
20	CI	DC/BR (BRVM)	9,1%	140	35	302	442	140		267	407
21	TG	CICA RE	3,3%	999	91	361	1 360	999		270	1 269
22	MA	MANDE Hotel	16,7%	50	4	251	301	50		247	297
23	CI	SIALIM (1)		0	100	0	0	100		-100	0
24	CI	AIR AFRIQUE (1)		0	2 500	0	0	2 500		-2 500	0
25	CI	CIPREL	2,0%	584	255	1 542	2 126	584		1 287	1 871
26	BN	COTEB (1)		0	272	0	0	272		-272	0
27	TG	ASKY (EX SPCAR)	17,2%	5 990	5 954	0	5 990	5 990		-5 954	36
28	SN	SCIE	0,0%	0	130	0	0	130		-130	0
29	CI	RASCOM	7,1%	1 600	0	-1 600	0	1 600		-1 600	0
30	h-uemoa	PROPARCO	0,8%	3 420	394	1 131	4 551	3 420		737	4 157
31	TG	BOAD-Titrisation	100,0%	500	-109	-178	322	500		-69	431
32	TG	CRRH-UEMOA	18,4%	1 543	-713	589	2 132	1 543		1 302	2 845
33	h-uemoa	Fonds Agricole pour l'Afrique (FAA)	2,6%	2 438	182	373	2 811	2 438		190	2 629
34	TG	ORAGROUP	2,7%	2 000	67	933	2 933	2 000		866	2 866
35	BF	Burkina Bail	15,0%	689	174	318	1 007	689		144	833
36	SN	CNCAS	10,1%	1 573	83	2 380	3 953	1 573		2 297	3 870
37	BF	CORIS BANK	4,3%	1 997	7 231	9 968	11 964	1 997		2 737	4 733
38	CI	Nouvelle BRS CI/ORA Bank CI	38,2%	16 995	20 049	13 926	30 921	16 995		-6 123	10 872
39	CI	Banque de l'Union Côte d'Ivoire (BDU-CI)	9,6%	1 100	368	-65	1 035	1 100		-433	667
40	BF	Banque de l'Union Burkina Faso (BDU-BF)	10,6%	1 100	0	-187	913	1 100		-187	913
41	Kenya	FAER	5,0%	5 000	615	-1 719	3 281	3 960		-2 334	1 627
42	BF	AMETHIS WEST AFRICAN (AWA)	11,1%	1 975	444	-422	1 553	1 877		-866	1 011
43	CI	Air Côte d'Ivoire	6,9%	8 990	-1 079	-6 847	2 143	6 330		-5 768	562
44	CI	RASCOM STAR QAF		0	4 360	0	0	4 360		-4 360	0
45	h-uemoa	Investisseurs & Partenaires/ Dévoppement (IPDEV2)	11,1%	632	181	-96	536	632		-277	355
46	Bn	Société Immobilière d'Aménagement Urbain SImAU	10,0%	500	0	-10	490	500		-10	490
47	SN	Banque Outarde	14,3%	2 000	-408	-408	1 592	0		0	0
48	h-uemoa	Fonds I&P Afrique Entrepreneurs 2 (IPAE2)		253	0	0	253	0		0	0
49	NG	Banque de l'Habitat du Niger	8,3%	825	0	0	825	0		0	0
50		Fonds d'investissements dédié au développement des services financiers dans l'UEMOA	49,5%	576	0	0	576	0		0	0
		ECP Africa Fund IV		1 411	0	0	1 411				
				0		0	0	0		0	0
		TOTAL		77 856	37 508	40 689	118 544	77 146	0	3 181	80 327

NOTE 8. ADJUSTMENT ACCOUNTS AND OTHER ASSETS

Adjustment accounts and other assets include the following:

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

8.1 Derivative assets

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

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8.2 Accruals assets

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

8.3 Other adjustment accounts

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

NOTE 9. TANGIBLE AND INTANGIBLE ASSETS

9.1 Tangible assets

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

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

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

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

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9.2 Intangible assets

The net carrying amounts of intangible assets are as follows:

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

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

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

NOTE 10. LIABILITIES AT AMORTIZED COST

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

10.1 Breakdown of item « liabilities at amortized cost »

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

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

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10.2 Table of changes in borrowings

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

Changes in deposits from banks

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

Changes in debt securities issued

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

Changes in other debts by counterparties

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

10.3 Maturity of liabilities at amortized cost

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

10.4 The Bank's debt-equity ratio

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

NOTE 11. EARMARKED FUNDS

Other liabilities are made up of the following:

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

NOTE 12. ADJUSTMENT ACCOUNTS AND OTHER LIABILITIES

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

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

12.1 Derivatives liabilities

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

12.2 Accruals liabilities

Details of accruals liabilities are as follows:

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

12.3 Other adjustments accounts

Details of other adjustments accounts are as follows:

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

NOTE 13. PROVISIONS

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

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

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

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

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

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

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

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

NOTE 14. EQUITY CAPITAL

14.1 Details of equity capital

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

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

14.2 BOAD capital structure

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

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

14.3 Effective equity capital (Core tiers 1 capital)

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

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

NOTE 15. INTERESTS AND FEES

Details of this item are as follows:

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

15.1. Interests et related income

Interests and related income

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

Interests and related costs

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

15.2. Fees and commissions

Fees and commissions (income)

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

Fees and commissions (charges)

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

NOTE 16. EXCHANGE RISK AND HEDGING INSTRUMENTS

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

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

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

NOTE 17. DIVIDENDS RECEIVED

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

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

NOTE 18. COST OF RISK

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

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

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

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

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

NOTE 19. OTHER OPERATING INCOME

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

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19.1 Endowments of member countries

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

19.2 Costs related to development activities

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

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

19.3 Administrative costs

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

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

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

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

NOTE 20. RISK MANAGEMENT

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

20.1. Credit risk

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

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

The overall organization of credit risk management is characterized by:

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

20.1.1 Analysis of the portfolio's creditworthiness

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

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

20.1.2 Intervention limits for credit risks

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

20.1.2.1 Loans

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

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

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For the private sector

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

20.1.2.2 Equity investments (public sector or private sector)

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

20.1.2.3 Financing operations per signature and short-term financing

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

20.1.2.4 Dominant sectors of activity

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

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

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

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

20.1.2.5 Limit per country

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

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

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

20.1.3 Description of the Bank's internal portfolio rating system

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

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

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

20.1.3.1 BOAD's internal master scale

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

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

20.1.3.2 Qualitative and quantitative factors considered in rating

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

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

20.1.4 The Bank's depreciation policy

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

20.1.4.1 Sovereign risk and non-sovereign risk

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

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

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

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

20.1.3.2 Description of impairments on loans and receivables

a) General principles

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

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

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

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All new entities are subject to a rigorous approval process and require a minimum initial or ex-post credit rating. The rating of each of the Bank's commercial counterparty is updated in order to protect the Bank to a certain extent against possible risks of insolvency of its entities for either environmental deterioration or lack of good governance that would affect the financial situation of the companies concerned.
Especially for Bucket 3, the Bank has adopted a mechanism that makes it possible to analyze its portfolio and apply rules enabling a quality portfolio.
The amount of impairment is equal to the difference between the asset's carrying amount (exposure) and the value of expected cashflows discounted at the asset's actual interest rate at the initial recognition.

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

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

c) Distribution of ECL per bucket and per sector

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

d) Distribution of ECL per bucket and per country

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

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20.2. Market risk

20.2.1. Exchange risk- operations in foreign currencies

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

20.2.1.1 Hedge accounting

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

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

20.2.1.2 Debt structure as at 31 December 2018

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

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

20.2.1.3 Analysis of sensitivity to exchange risk

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

20.2.2. Interest rate risk

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

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

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

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

20.2.2.2 Interest rate risk sensitivity analysis

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

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

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

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

20.3. Liquidity risk

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

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

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

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

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

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

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

20.4. Operational risk

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

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

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

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

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

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

NOTE 21. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

NOTE 22. LEASE CONTRACTS

22.1. As a lessor

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

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

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

22.1.1 Future minimal payments

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

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

22.1.2 Amounts recognized as net income

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

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

22.2. As a lessee

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

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

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

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

22.2.1 Future minimum payments

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

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

22.2.2 Amounts recognized as net income

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

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

NOTE 23. TRANSACTIONS WITH RELATED PARTIES

23.1. Loans to member countries

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

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

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

23.2. Loans guaranteed by GARI Fund

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

Details of these outstandings and their guarantees are as follows:

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

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23.3. Remuneration of Senior Executives

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

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

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

NOTE 24. OFF-BALANCE SHEET COMMITMENTS

24.1 Commitments received

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

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

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

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

24.2 Commitments given

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

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

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

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

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

NOTE 25. EVENTS AFTER CLOSING

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

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WEST AFRICAN DEVELOPMENT BANK (BOAD)

STATUTORY AUDITOR REPORT ON FINANCIAL STATEMENTS

(YEAR ENDED DECEMBER 31, 2017)

pwc

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

STATUTORY AUDITOR REPORT ON FINANCIAL STATEMENTS

(YEAR ENDED DECEMBER 31, 2017)

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, 2017, 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, 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key audit matters

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

Key audit matters	Audit procedures
1. Recoverability of loans granted to customers	
As at December 31, 2017, gross loans to customers amounted to F CFA 1,743 billion, with a provision for loan losses of F CFA 28 billion. Because of the magnitude of the carrying value of loans to customers (65% of total assets) and the significant use of judgment in determining the provision for loan losses, this area represents a key audit matter.	We performed the following audit procedures : - Understanding and documentation of the credit cycle (operation, commitment, recovery, litigation) and assessment of risks related to the loan portfolio. - Involvement of our IT auditor team for the review of the loans management system integrity, the reliability of IT generated reports used for the loan portfolio review (loans book, overdue loans, Non-Performing Loans…) and their reconciliation with the financial statements; - Review of loans files selected based on exposure amount and particular risks (doubtful receivables, overdue, rescheduled loans, or other specific risks); - Review of impairment computation and disclosure in light of IFRS requirements.
2. Hedging instruments	
As at December 31, 2017, the bank's borrowings include bills and bonds amounting to F.CFA 1,257 billion. This amount includes F.CFA 860,492 million Eurobond issued in 2016 and 2017, covered using swap and forward contracts. The audit of hedging instruments in connection with borrowings was considered as a key audit matter, due to their complexity and significant use of management judgment.	We have performed the following audit procedures : - Documentation of BOAD expert's competency ; - Detailed analysis of hedging contracts; - Detailed review of BOAD's expert hedging instruments valuation report (critical review of assumptions and computation); - Review of compliance with IFRS requirements, including disclosure notes.
3. Valuation of equity investments	
The equity investments amount to F.CFA 88 billion as of December 31, 2017. According to the Bank's accounting policies, equity investments are classified as available-for-sale and are measured at fair value (market price) for listed securities and at mathematical value for unquoted securities. The strict application of the valuation rules is necessary for correct valuation of securities.	We have performed the following audit procedures : - Review of acquisitions and disposals decisions taken during the year; - Direct confirmation request for investments in subsidiaries; - Review of companies financial statements and valuation of equity securities at the end of the year; - Review of compliance with IFRS requirements, including disclosure notes.

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

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

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

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

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

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

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

Abidjan, March 21, 2018

Statutory Auditor
PricewaterhouseCoopers

Didier N'guessan
Partner

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

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

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

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

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

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

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

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

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

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

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

BOAD

WEST AFRICAN DEVELOPMENT BANK
(BOAD)

BOAD'S SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

MARCH 2018

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Statement of financial position (in XOF'mln)

ASSETS	Note	31/12/2017	31/12/2016
Cash and cash equivalents	4	**302,904**	**284,921**
Loans and receivables at amortized cost	5	**2,238,019**	**1,860,051**
- Loans and advances to banks		122,674	33,421
- Loans and advances to customers		1,755,018	1,550,385
-Loans and advances to staff		6,164	6,421
- Securities portfolio		263,282	171,437
- Receivables from shareholders		90,802	98,307
- Others loans and receivables		79	79
Equity investments	6	**88,101**	**72,097**
Other assets	7	**16,163**	**37,690**
Tangible assets	8	**7,592**	**7,879**
Intangible assets	9	**516**	**719**
TOTAL ASSETS		**2,653,295**	**2,263,357**

LIABILITIES	Note	30/06/2017	31/12/2016
Liabilities at amortized cost	10	**1,751,976**	**1,466,600**
- Deposits from banks		4,553	15,937
- Debt securities issued		1,284,276	1,018,843
- Other debts		463,147	431,819
Other liabilities	11	**174,781**	**66,340**
- Funds		76,568	45,389
- Others		98,213	20,951
Provisions	12	**6,790**	**7,618**
Total liabilities		***1,933,547***	***1,540,558***
Capital		**273,374**	**270,457**
- Subscribed capital		1,103,650	1,097,750
- Callable capital		-826,230	-821,805
- Cost related to deferred paying-up of capital		-4,046	-5,489
Share premium		**2,622**	**2,622**
Reserves		**443,752**	**449,721**
- Reserves allocated to development activities		76,050	76,050
- Fair value reserves (available-for-sale financial assets)		15,987	6,477
- Cashflow hedging reserves		-38,711	-12,864
- Other reserves		26	26
- Retained earnings		377,956	370,408
- Revaluation of pension liability		-851	-924
- Net income for the period		13,295	10,548
Total equity	13	***719,748***	***722,800***
TOTAL LIABILITIES AND EQUITY		**2,653,295**	**2,263,357**

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Comprehensive income statement (in XOF'mln)

Income statement	Note	31/12/2017	31/12/2016
Interests and related income	14	107,113	87,210
Interests and related charges	14	-78,218	-59,734
Margin on interests		*28,895*	*27,477*
Fees (income)	15	3,240	3,836
Fees (charges)	15	-1,395	-2,363
Margin on interests and fees		*30,740*	*28,949*
Foreign exchange gains	16	75,283	52
Foreign exchange losses	16	-65	-32,725
Gains/ losses on hedging instruments	16	-70,786	34,271
Gains/ Losses on foreign exchange		***4,432***	***1,598***
Margin on interests, fees and foreign exchange		*35,172*	*30,548*
Income from equity investments (dividends)	17	3,847	3,583
Gains/ losses on financial assets available for sale		-1,600	0
Net banking income		***37,419***	***34,131***
Cost of risk	18	***-3,499***	***-6,017***
Endowment from member states		3,200	3,200
Other operating income		312	883
Charges related to development activities	19	-1,890	-1,627
General operating expenditures	20	-22,020	-19,326
- Staff overheads		-13,969	-11,086
- Amortizations and depreciations - Property, equipment and intangible assets		-1,218	-1,201
- Other operating costs		-6,833	-7,040
Other operating charges		-228	-695
Other net operating income		***-20,626***	***-17,565***
Net income for the period		**13,295**	**10,548**
Other comprehensive income			
Items that will be reclassified to profit or loss		**-16,338**	**-19,862**
Net gains on financial assets at fair value through "other comprehensive income"		-25,848	-12,864
Cashflow hedges (CFH)		9,510	-6,998
Items that will not be reclassified to profit or loss		**73**	**-745**
Revaluation of tangible and intangible assets		0	0
Revaluation of defined pension liability		73	-745
Total OCI		***-16,264***	***-20,607***
Total comprehensive income for the period		**-2,970**	**-10,059**

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Table of changes in equity capital (in XOF'mln)

	Capital			Share premium	Reserves						Total
	Subscribed capital	Callable capital	Cost related to the deffered paying-up capital (1)		Reserves allocated to development activities	Other reserves	Revaluations of defined pension liability	Fair value reserves (available-for-sale financial assets)	Cashflow hedges reserves	Retained earnings	
Equity capital as at 1st January 2016	1,097,750	- 821,805	- 7,200	2,622	76,050	26	- 179	13,475	-	373,409	734,148
Increase in capital	-	-									-
Net income as at 31 December 2016 before allocation										10,548	10,548
Other comprehensive income							- 745	- 6,998	- 12,864	-	- 20,607
Fair value reserves (available-for-sale financial assets)								- 6,998		-	- 6,998
Revaluation of defined pension liability							- 745			-	- 745
Cashflow hedges									- 12,864		- 12,864
Other changes			1,711								1,711
Allocation of 2016 income										- 3,000	- 3,000
Transfers											
Contributions and distributions											
Total contributions and distributions											
Equity as at 31 December 2016 and 1st January 2017	**1,097,750**	**- 821,805**	**- 5,489**	**2,622**	**76,050**	**26**	**- 924**	**6,477**	**- 12,864**	**380,957**	**722,800**
Increase in capital	5,900	- 4,425									1,475
Net income as at 31 December 2017										13,295	13,295
Others changes			1,443								1,443
Allocation of 2016 income										- 3,000	- 3,000
Other comprehensive income							73	9,510	- 25,848		- 16,265
Fair value reserves (available-for-sale financial assets)								9,510			9,510
Revaluation of defined pension liability							73				73
Cashflow hedges									- 25,848		- 25,848
Sub-total OCI							***73***	***9,510***	***- 25,848***		***- 16,264***
Contributions and distributions											
Total contributions and distributions									-		
											-
Balance as at 31 December 2017	**1,103,650**	**- 826,230**	**- 4,046**	**2,622**	**76,050**	**26**	**- 851**	**15,987**	**- 38,711**	**391,251**	**719,748**

(1) See note 2.08

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Cashflow statement (in XOF'mln)

Cashflow for operational activities	Notes	31/12/2017	31/12/2016
Income for the period		13,295	10,548
Adjustments related to non-monetary and other items			
Unrealised gains/losses		-4,459	-1,646
Exchange gains		-38	-52
Exchange losses		65	100
Amortization		1,218	1,201
Depreciation		0	0
Cost of risk		3,499	6,017
Gains/losses on financial assets available for sale		1,600	0
Other items		-20,451	10,019
		-18,566	15,639
Changes in assets and liabilities from operations			
Loans and advances to banks		-89,253	-32,891
Disbursements on receivables from customers		-303,068	-288,032
Repayments of receivables from customers		157,926	149,175
Other receivables from customers		-3,332	532
Loans and advances to staff		257	-151
Securities portfolio		-91,846	-156,210
Other receivables		0	-2
Other assets		21,527	-22,897
Deposits from banks		-11,384	-18,768
Other debts		-67,012	10,088
Other liabilities		108,441	37,779
		-277,744	-321,377
Cashflow from operations		***-283,015***	***-295,190***
Cashflow from investment activities		**31/12/2017**	**31/12/2016**
Acquisitions of tangible assets		-704	-965
Sales of tangible assets		25	4
Acquisitions of intangible assets		-30	-56
Sales of intangible assets		0	0
Acquisitions of shares		-8,677	-4,218
Sales of shares		0	1,864
Cashflow from investments		***-9,386***	***-3,371***
Cashflow from financing activities		**31/12/2017**	**31/12/2016**
Resources from capital paying-up		10,749	9,084
Redemption of shares		0	0
Debt issuance		557,424	591,948
Repayment/debts represented by a security		-189,355	-121,249
Repayment/other loans		-68,435	-90,618
Cashflow from financing activities		***310,383***	***389,165***
Net increase/(decrease) of cash and cash equiv.		17,982	90,604
Cash and cash equivalents at opening	4	284,921	194,317
Cash and cash equivalents at closing	4	302,904	284,921
		31/12/2017	**31/12/2016**
ADDITIONAL INFORMATION			
Operating cashflow from interests and dividends:			
Interest paid		64,138	52,325
Interest received		58,014	53,278
Dividends received		3,847	3,583

(a) Reconciliation of changes in liabilities to cash flows from financing activities

Items	Balance as at 31 December 2016	Cash flow		Non-monetary changes			Balance as at 31 December 2017
		Increase	Decrease	Increase	Currency impact	Amortized cost	
Deposits from banks	**15,937**	**1,850**	**- 13,611**	**378**			**4,553**
Debt securities issued	**1,018,843**	**468,941**	**- 189,355**	**54,017**	**- 69,904**	**1,735**	**1,284,276**
Amortizations			*- 141,049*			*1,735*	
Interests			*- 48,306*	*54,017*			
Other debts	**431,819**	**88,484**	**- 68,435**	**16,515**	**- 5,340**	**104**	**463,147**
Amortizations			*- 52,603*	-		*104*	
Interests and commissions			*- 15,832*	*16,515*			
Liabilities at amortized cost	**1,466,600**	**559,274**	**-271,401**	**70,910**	**-75,245**	**1,838**	**1,751,976**

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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) and the European Bank of Investment (EIB). 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.

In order to finance its activities, the Bank, under Article 37 of its Statute, may issue loans on the internal market of the Union or on the external financial markets and take out loans from public or private international or foreign bodies. , of any maturity dates and any terms of repayment, whether in the currency of the Union or in foreign currencies or in units of account, as may be considered appropriate by the Board of Directors of the Bank.

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 local authorities of 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 2017 and the comparative figures for 2016 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

Principles serving as a basis for financial reporting include:

Continuity of operation

The financial statements for the year ended 31 December 2017 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.

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Non-compensation of financial assets and liabilities

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

2.03 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 information purposes in the annex on separate accounts, the fair value of financial instruments is presented according to a fair value hierarchy that reflects the importance of the data used for measurements. 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 body and those values represent actual and regular ongoing transactions on the market at arm's length.

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.

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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 considered as inactive or not listed on an active market, and for which the fair value is determined using a valuation 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 rate curves or the implicit volatility ranges), the original margin on valued instruments is found in income upon initiation.

Financial instruments traded on markets considered to be not sufficiently 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, units of funds). These instruments have maturities corresponding to terms commonly traded on the market and can be simple or have profiles of more complex compensation (for example, barrier options with multiple underlying products), with limited complexity. At this level, 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 (so-called 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 on the market for the same instrument.

The valuation methods and models 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 in 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 offset value does not reflect transaction prices.

However, due to the plurality of the features of the financial instruments negotiated over the counter in the capital markets, a large number of financial instruments traded by BOAD are not directly listed on the markets.

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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 Equities

Equities are considered as financial assets available for sale and as such, the valuation principles used are as follows:

a) Initial valuation

When entering the asset stock, equities are valued at their fair value.

b) Further valuation

During their subsequent valuation, equities are measured at fair value and any change in fair value outside depreciation standards below is recorded as "other comprehensive income"

c) Depreciation criteria used for equities

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 through profit.

For listed equity instruments, a significant or prolonged decline 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 unrealized losses during a continuous period of 36 months or more prior to the closing date.

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 even though the criteria mentioned above would not be met. An impairment charge is then recorded in the income statement as the difference between the listed price of the equity as at the 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. Once 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 increase in their value.

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The impairment criteria for unlisted equity instruments are identical to those mentioned above, the value of the instruments at the reporting date is determined based on the valuation methods described in Note 2.04: "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).

Interests and commitment fees on loans granted to customers are recorded in the period for which they were received. Interests that have accrued but not yet due at the balance sheet date are recorded as interests on loans receivable.

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

Flat fees are fees charged only once during 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 fees and their integration in economic interest rate (EIR) of the loan is considered non-significant.

Financing arrangement fees are recorded as income upon their payment.

b) Loans to countries

Loans to member governments 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 recorded 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 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 financial closing and for each outstanding credit:

- Expected cashflows 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.

Interests on bad debts are depreciated by 100% because the Bank makes the assumption that the cashflow from recovery of these interests is zero.

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Interests on receivables from unpaid accounts are considered to be occasional and are not provisioned.

➢ Collective depreciation

Collective depreciation concerns receivables that are not subject to 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 (for example, 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

Loans to staff members are granted at market conditions. They are therefore recorded at their nominal value.

2.08 Securities

All securities held by the Bank meet the IAS 39 requirements on Loans and Receivables as defined by IAS 39. 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 valued at amortized cost through the use of a depreciation account, the amount of the loss being recorded 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 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 in the balance sheet under "Other liabilities at amortized cost".

2.11 Transactions on share capital and allocations

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a) Capital

Capital paying-up is made based on a long-term payment plan. Thus, the called-up capital not yet paid is updated at each closing.

For the sake of good presentation, the difference is captured in a debtor sub-account of the capital.

b) Allocations

Member countries make annual allocations to BOAD. BOAD's right to the allocation is established with the approval of the Bank's four-year financial outlook update. The request is made annually and as a result, the allocations are recorded annually as income. Allocations are therefore recognized as receivables during the year, with impact on the year's income as provided under IAS 20.

This accounting helps cover expenses related to development activities, namely studies treated per se as final consumption, interest rate subsidies for loans to member countries, and also charges inherent in equity investment, forex 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 funds receiving 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 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 the closing 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 as expenses for the year (charges related to development activities). These receivables generate interest which is calculated periodically and recorded as income.

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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 timeframes were used:

Constructions: amortization per component on the following periods:

Land	Non-depreciable
Major works	40 years
Close, open	20 years
Technical lots, layouts 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 amortization components 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 of the 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's 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). Actuarial assumptions adopted have not changed between 2016 and 2017.

Revaluations of the net liability for specified benefit plans are recorded under other comprehensive income.

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2.18 Principles of the cashflow table

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

Cashflows are distributed among operations, investments and financing.

Cash and cash equivalents appearing in the cashflow table should be reconciled 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 investment and financing activities are presented separately according to major categories of gross inputs and cash outflows from investment 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 cashflow date.

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 are 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:

Assessment of the fair value of equity securities: at each reporting date, the Bank reviews its equity 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 necessary impairments **(see Note 2.06)**.

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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 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 disclosure, 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 25 below.

2.22 Approval of accounts

BOAD's accounts for the year ended 31 December 2017 were adopted by the Board of Directors at its meeting on 21 March 2018 and submitted for approval by the WAEMU Council of Ministers at its meeting on 23 March 2018.

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 2016 were supplemented by provisions of the new standards and interpretations for the 2017 financial year. These include:

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New applicable texts

Effective date	New standards or amendments	Impact on the Bank's financial statements closed as at 31 December 2017
1st January 2017	"Initiative regarding information to be provided" (amendments to IAS 7)	The impact of these amendments is reflected in the presentation of changes in liabilities included in the financing activities displayed in the cashflow table.
	"Recognition of deferred tax assets for unrealized losses" (amendments to IAS 12)	These amendments have no impact on the Bank's financial statements since it has no debt instruments measured at fair value. Consequently, there is no need to recognize deferred tax assets relating to those instruments.
	"Annual improvements to IFRS – Cycle (2014-2016)" (amendments to IFRS 12)	The Bank has no non-current assets held for sale and discontinued operations. This first phase of annual improvements has no impact on its financial statements.

Future texts

Those texts that will only come into force as from 1st January 2018 and afterwards, provide the opportunity for anticipated enforcement during the open financial years commencing 1st January 2017. The option for anticipated enforcement of these standards and interpretations has not been retained by the Bank, even if they may have an impact on the financial statements at their entry into force. The table below provides a list of texts concerned as well as their respective date of entry into force.

Date of entry into force	New standards or amendments
1st January 2018	IFRS 15: "Revenue from ordinary operations derived from contracts entered into with customers"
	IFRS 9: "Financial instruments"[1]
	"Classification and evaluation of transactions whose payment is based on shares" (amendments to IFRS 2)
	"Applying IFRS 9: Financial instruments with IFRS 4" (amendment to IFRS 4)
	"Transfers of investment properties" (amendments to IAS 40)
	"Annual improvements to IFRS-Cycle (2014-2016)" (amendments to IFRS 1 and IAS 28)
	IFRIC 22: "transactions in foreign currency and anticipated counterparty"
1st January 2019	IFRS 16: "Lease contracts"
	IFRIC 23: "Uncertainty regarding tax treatments"
1st January 2021	IFRS 17: "Insurance contracts"

[1] As at the date of closing of accounts, the ongoing work for the implementation of IFRS 9 does not permit to assess in a reliable manner the impact on the accounts as at 31 December 2017.

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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 short-term (operational and functional) cash commitments rather than for investments or other purposes.

Cash and cash equivalents include the following items:

	31/12/2017	31/12/2016
Cash accounts	95	60
BOAD HQ Current Account	132	13
Deposit Accounts for Resident Missions at BCEAO	44,702	96,480
Japan Eximbank Special Account*	15	15
Kingdom of Belgium Special Account**	4,211	4,206
FDE P/C BOAD Contribution Account	51,230	51,167
FDE P/C Contribution Account***	1,985	1,985
BOAD Settlement Account Lomé	62,429	6,635
Operating Account for Resident Missions	487	475
Bank and correspondent bank accounts	3,615	6,066
Deposits/ Margin calls****	997	-
Short-term bank deposits (a)	133,006	117,819
	302,904	**284,921**

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

**The Kingdom of Belgium special account records the share of callable capital subscribed by the Kingdom of Belgium and paid in advance. The use of these funds is conditioned by the call of the capital in case of anticipation of default by the BOAD on its borrowings.

***This account contains the resources of the Energy Development Fund (FDE) used to finance energy projects in the WAEMU region. As at 31 December 2017, the FDE cashflow amount was XOF1,985 million. The Bank continues to manage this fund.

****This deposit was formed to cover margin calls as part of hedging foreign currency risk. It is subject to restriction and will be made available only upon maturity of the loan covered.

(a) Short-term bank deposits[2] include:

	31/12/2017	31/12/2016
BOA-CI, special liquidity account	996	1,009
BOA-BENIN liqiuidity account	1,010	1,010
Term deposit with BOA Group	10,000	10,000
Term deposit with Coris Bank Group	39,000	30,800
Term deposit with Diamond Bank Group	24,000	16,000
Term deposit with ORABANK Group	10,000	18,000
Term deposit with BSIC Group	8,000	6,000
Term deposit with Banque Atlantique Togo	5,000	10,000
Term deposit with Ecobank Group	0	5,000
Term deposit with UTB	10,000	15,000
Term deposit with BDM	5,000	5,000
Term deposit with BHBF	5,000	
Term deposit with BRM	15,000	
	133,006	**117,819**

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[2] Bank deposits of more than 3 months are also classified as cash and cash equivalents as per clause stipulating that they can be settled at any time. No short-term bank deposit shall exceed 1 year.

NOTE 5. LOANS AND RECEIVABLES AT AMORTIZED COST

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

	31/12/2017	31/12/2016
- Interbank receivables	122,674	33,421
-Receivables from customers	1,755,018	1,550,385
- Loans to staff	6,164	6,421
- Security portfolio	263,282	171,437
- Receivables from shareholders	90,802	98,307
- Other	79	79
Total	**2,238,019**	**1,860,051**

Interbank receivables include interbank deposits and loans and related interests. As at 31 December 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.

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

As at 31 December 2017, receivables from clients were as follows:

	31/12/2017	31/12/2016
1 year or more	141,818	129,952
More than 1 year and less than 2 years	202,842	145,357
More than 2 years and less than 3 years	186,873	163,105
More than 3 years and less than 5 years	321,679	283,124
More than 5 years	887,893	816,615
Technical receivables*	2,321	3,436
Gross outstanding loans	1,743,425	1,541,589
Advance for financing studies	14,153	12,969
Deferred income from fees	-8,410	-7,168
Receivables related to sound debts	39,671	29,244
Depreciation of bad debts	-28,104	-26,248
Receivables related to bad debts	17,575	16,422
Depreciation of receivables related to bad debts	-17,575	-16,422
Value adjustement on advances to customers	-5,717	
Customer loans	1,755,018	1,550,385

*Technical outstanding amounts are unrecovered amounts as at due date of the principal of performing loans that are less than 3 months as at time of the financial statements. These amounts stood at XOF2,321 million as at 31 December 2017 as compared to XOF 3,436 million as at 31 December 2016.

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Borrowers have the option to repay ahead of time these loans under the conditions contained in the loan agreements.

Gross outstanding loans include XOF112,857 million corresponding to the market value of energy sector loans granted to member countries. In 2014, the WAEMU Council of Ministers decided to allocate as grant the FDE initial capital of XOF250 billion to BOAD. 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:

Items	Balance as at 1st january 2017 (a)	Changes of the period			Balance as at 31 december 2017 (a)+(b)
		Increase	Decrease	Balance of the period (b)	
Gross outstanding of bad debts	34 799	11 328	5 282	6 046	40 845
Depreciation	-26 248	- 5 302	3 447	- 1 855	- 28 104
Net outstanding of bad debts	**8 551**	**6 026**	**8 729**	**4 190**	**12 741**

Application of the Bank's provisioning policy regarding loans, equity investments and guarantees, receivables (interests, commitment fees, default interests) related to bad debts are depreciated at 100%.

As at 31 December 2017, receivables related to bad debts were as follows:

	31/12/2017	31/12/2016
Receivables related to bad debts	17,575	16,442
Depreciations/receivables related to bad debts	- 17,575	- 16,442
Receivables related to net bad debts	-	-

In 2017, interest income recognized under the profit and loss account on bad debts stood at XOF3,203 million as against XOF5,239 million as at 31 December 2016 and were written down by 100%.

Financial guarantees received on bad loans at the end of 2017 stood at XOF10,741 million as compared to XOF7,349 million at the end of 2016.

5.2 The breakdown of the securities portfolio as follows:

	31/12/2017	31/12/2016
Treasury bonds Senegal	23,500	24,750
Treasury bonds Côte d'ivoire	40,000	30,000
Treasury bonds Benin	45,000	30,000
Treasury bonds Burkina Faso	34,986	19,986
Treasury bonds Mali	10,000	-
Treasury bonds Niger	6,812	2,000
Treasury bonds Togo	21,609	21,609
CRRH Bonds	6,350	4,817
BOA Group Bonds		613
Treasury bills Burkina Faso	24,550	16,193
Treasury bills Côte d'Ivoire	9,000	9,000
Treasury bills Mali	6,666	4,123
Treasury bills Niger	6,313	
Treasury bills Senegal	6,000	-
Treasury bills Togo	15,000	5,000
Deposit Certificate	1,000	-
	256,786	**168,091**
Interests receivable	**6,496**	**3,346**
	263,282	**171,437**

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

Maturity	31/12/2017	31/12/2016
At most one year	70,115	10,596
More than 1 year and less than 2 years	40,570	28,767
More than 2 years and less than 3 years	21,787	40,203
More than 3 years and less than 4 years	18,718	17,833
More than 5 years	105,596	70,692
Total	**256,786**	**168,091**

5.3- The item on "receivables from shareholders" includes allocations and amounts due but not yet paid (XOF7,995 million as against XOF7,596 million as at 31 December 2016), grant amounts not yet paid for loan revaluation (XOF2,414 million as at 31 December 2017 and XOF2,747 million at the end of 2016) and the called-up capital not yet paid (XOF79,781 million as against XOF87,611 million as at 31 December 2016). The last two amounts were as a result of discounting as at 31 December 2017, at the respective average rates of 5.55% (rate applied in 1996 to non-commercial public sector loans) and 2.45% (applied in 2014 to non-commercial public sector loans) for payments expected on their scheduled repayment dates.

NOTE 6. EQUITY INVESTMENTS

Equity investments were done in accordance with Article 2 of the Bank's Articles of Association, which provides, inter alia, that (i) "...the Bank shall contribute to funding through equity investment, granting of loans..." and (i) Article 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 companies (energy, telecommunications, hospitality, airlines, etc.).

The Bank's equity investment strategy adopted in 2010 is as follows:

- **Objective**: to fulfill the Bank's development agenda while placing more emphasis on its financial viability in accordance with the strategic directions of the Bank.
- **Sectors of activity**: all sectors that are eligible for funding by 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. Equities may be transferred on the stock market as listed shares and under the most suitable conditions for unlisted shares.
- **Position on governing bodies** : every equity investment by the Bank is conditioned on the allocation of a seat on the entity's governing board (board of directors, supervisory board, credit or investment committee, etc.)

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In addition to the 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 for banks and financial institutions) and (ii) take into account the specific nature of the agricultural sector given its importance in the economies of the countries in the Union.

6.1- Intervention limits for equity investments

The Bank's intervention limits are set in relation to its capital requirements for risks, which correspond to the paid-in capital plus net reserves and related funds and reduced by non-value items **(see Note 21)**.

The maximum commitment of the Bank in the form of equity investment is limited, per operation and per borrower, to five percent (2.5%) of the Bank's capital for risk, 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 fifteen percent (15%) of the company's share capital.

This intervention limit is 5% of the Bank's capital for risks under projects undertaken by national financial institutions (NFIs) and organizations that promote SMEs, privatization projects, regional projects and those in the mining and energy sectors, whose costs do not exceed fifteen percent (15%) of the company's share capital.

In terms of total volume of equity investments, the limit is set at 20% of the Bank's capital for risks. However, for entities in which BOAD plays a role of key promoter, the capital of the company may be held temporarily at one hundred percent (100%), while the Bank must aim to bring its percentage share to fifty-one percent (51%) within a reasonable period of time and with a clear exit strategy.

All equity investments must be considered available for sale. Such investments are valued at the fair value, and any variation in fair value shall be calculated as "Other comprehensive income (OCI)". Depreciation criteria are provided in Note 2.06.

6.2- Equity investments indicated in the financial statement relate to the following institutions:

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Countries	Securities	as % of shares	31/12/2017					31/12/2016				
			Gross out-standing	Depreciation	Carry-over by OCI	Unrealised gains/losses	Balance sheet value	Gross out-standing	Depreciation	Carry-over by OCI	Unrealised gains/losses	Balance sheet value
BN	SOAGA	19.3%	103			83	186	103			71	173
BN	FOAI	18.6%	2,500			952	3,452	2,500			1,105	3,605
TG	CAURIS CROISSANCE	49.6%	1,341			1,483	2,824	1,341			591	1,931
SN	BNDE	9.1%	1,000			1,588	2,588	1,000			1,585	2,585
Non-WAEMU	CAURIS CROISSANCE II	17.7%	3,930			- 376	3,554	4,430			- 688	3,742
TG	GARI S. A.	11.6%	1,500			1,242	2,742	1,500			1,176	2,676
MA	BDM Mali	16.0%	600			10,107	10,707	600			9,625	10,225
BN	BOA Bénin	2.4%	98			1,824	1,923	98			1,612	1,710
NG	SONIBANK Niger	9.5%	1,082			2,414	3,496	1,082			2,134	3,215
CI	BHCI Côte d'Ivoire	2.2%	150	- 79	79	- 0	150	150	- 79	79	- 50	101
NG	BOA Niger	6.9%	165			1,858	2,023	165			1,708	1,873
TG	BIA Togo	5.2%	392			154	546	392			184	576
BN	African Investsment Bank (AIB) (1)		250	- 250			-	250	- 250			-
Non-WAEMU	Afreximbank	0.4%	2,500			2,218	4,718	2,500			415	2,915
SN	Banque Régionale de Marchés (BRM)	4.0%	400			657	1,057	400			868	1,268
BF	Banque de l'Habitat du BF	1.6%	200			225	425	200			540	740
CI	BRVM	9.3%	56			591	647	56			573	629
CI	DC/BR (BRVM)	9.1%	140			267	407	140			261	401
TG	CICA RE	3.3%	999	- 219	219	270	1,269	999	- 219	219	193	1,192
MA	MANDE Hotel	16.7%	50	- 12	12	247	297	50	- 12	12	232	282
CI	SIALIM (1)		100	- 100			-	100	- 100			-
CI	AIR AFRIQUE (1)		2,500	- 2,500			0	2,500	- 2,500			0
CI	CIPREL	2.0%	584			1,287	1,871	584			967	1,551
BN	COTEB (1)		272	- 272			-	272	- 272			-
	Total to be carried over		20,911	- 3,432	310	27,093	44,883	21,412	- 3,432	310	23,103	41,393

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Countries	Securities	as % of shares	31/12/2017					31/12/2016				
			Gross out-standing	Depreciation	Carry-over by OCI	Unreali-zed gains/los ses	Balance sheet value	Gross out-standing	Depreciation	Carry-over by OCI	Unreali-sed gains/los ses	Balance sheet value
	Carry-over		20,911	- 3,432	310	27,093	44,883	21,412	- 3,432	310	23,103	41,393
TG	ASKY (former SPCAR)	17.2%	5,990	- 2,128	2,128	- 5,954	36	5,990	- 2,128	2,128	- 5,444	546
SN	SCIE	18.9%	130	- 130			-	130	- 130			-
CI	RASCOM	7.1%	1,600	- 1,600		-	-	1,600			325	1,925
Non-WAEMU	PROPARCO	0.7%	3,420			737	4,157	3,420			523	3,943
TG	BOAD-Titrisation	100.0%	500			- 69	431	500			- 69	431
TG	CRRH-UEMOA	18.4%	1,543			1,302	2,845	1,543			- 590	953
Non-WAEMU	Fonds Agricole pour l'Afrique (FAA)	2.5%	2,438			190	2,629	2,425			363	2,788
TG	ORAGROUP	2.8%	2,000			866	2,866	2,000			- 253	1,747
BF	Burkina Bail	15.0%	689			144	833	689			25	714
SN	CNCAS	10.1%	1,573			2,297	3,870	1,573			270	1,843
BF	CORIS BANK	4.3%	1,997			2,737	4,733	1,997			782	2,778
CI	Nouvelle BRS CI/ORA Bank CI	38.2%	16,995			- 6,123	10,872	16,995			- 10,454	6,541
CI	Banque de l'Union Côte d'Ivoire (BDU-CI)	9.6%	1,100			- 433	667	1,100			- 171	929
BF	Banque de l'Union Burkina Faso (BDU-BF)	10.1%	1,100			- 187	913	1,100			- 192	908
Non-WAEMU	FEFISOL	8.2%	1,312			10	1,322	1,312			4	1,316
Kenya	FAER	7.6%	3,960			- 2,334	1,627	2,651			- 484	2,166
BF	AMETHIS WEST AFRICAN (AWA)	11.1%	1,877			- 866	1,011	1,259			- 261	998
CI	Air Côte d'Ivoire	7.9%	6,330			- 5,768	562	3,500			- 3,500	-
CI	RASCOM STAR QAF		4,360	- 4,360			-	4,360	- 4,360			-
Non-WAEMU	Investisseurs & Partenaires/ Dévoppement (IPDEV2)	24.0%	632			- 277	355	308			- 132	176
Bn	Société Immobilière d'Aménagement Urbain (SImAU)		500			- 10	490					
SN	FCP/IFC BOAD		3,000				3,000					
	Total gross values		83,958	- 11,650	2,438	13,355	88,101	75,864	- 10,050	2,438	3,845	72,097
	Net depreciations			-	9,212				-	7,612		
	Variation in fair value of AFS through comprehensive income		9,510					- 6,998				
	Gains and losses recognized directly as equity from financial assets available for sale (1)		15,794					6,476				

(1) Securities depreciated at 100%

NB: The change in fair value of securities classified into OCI in the table above (XOF9,510 million) is determined in accordance with Notes 2.04 and 2.06

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The amount of dividends from these equity investments, as indicated in the income statement stood at XOF3,847 million by 31 December 2017 compared to XOF3,583 million at the end of 2016 **(see Note 17 below).**

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

6.3 Variations in gross participations are as follows :

	31/12/2017	31/12/2016
Gross value as at 1st January 2017 (1)	75,864	74,891
Acquisitions (2)	8,677	4,218
Assignments (3)	- 583	- 3,245
Change in fair value (4)	13,355	3,845
Gross value as at 31 December 2017 (5)=(1)+(2)+(3)+(4)	97,313	79,709
Depreciation as at 1st January 2017 (6)	- 7,612	- 7,703
Depreciation for the period (7)	- 1,600	-
Reversals of depreciation by OCI	-	91
Total depreciations as at 31 December 2017 (8)=(6)+(7)	- 9,212	- 7,612
Net value as at 31 December 2017 (5)+(8)	**88,101**	**72,097**

NOTE 7. OTHER ASSETS

The following items are included in other assets:

	31/12/2017	31/12/2016
Advances on mission expenses	22	17
Payday advances	35	0
Expenses to be adjusted	11,362	12,501
Exchange risk hedging instruments	966	21,161
Sundry debtors	3,256	3,630
Charges paid in advance and accruals	425	285
Prefinancing of studies from foreign funds meant for studies	97	97
	16,163	**37,690**

* Expenditure to be paid include advances paid by the Bank as part of construction of 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 2017 and 31 December 2016:

	31/12/2017	31/12/2016
Advance/BOAD residential estate construction	8,551	8,815
Financial charges under special agricultural program	-	1,510
Expenses prefinanced for third parties	2,038	1,441
Other expenses to be adjusted	773	735
	11,362	**12,501**

BOAD staff quarters is expected to be handed over in 2018.

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NOTE 8. TANGIBLE ASSETS

The summary of tangible assets is as follows:

	31/12/2017	31/12/2016
Cost of acquisition	26,709	26,219
Allocations and reversal of depreciations	-19,117	-18,340
Total	**7,592**	**7,879**

The annual amortization of expenditure are indicated in the income statement under "Depreciation" in the item on general operating expenses.

The breakdown by category of tangible assets is shown in the table below:

	Lands	Buildings	Properties under construction	Fittings and fixtures	Equipment held under finance lease	Total
Cost of acquisition						
Balance as at 1st January 2016	**981**	**14 319**	**96**	**9 914**	**-**	**25 310**
Acquisitions	-	-	602	363	-	**965**
Transfers	-	-	- 354	354	-	**0**
Disposals				- 56		**- 56**
Revaluation acquisitions						-
Other revaluations						-
Balance as at 1st January 2017	**981**	**14 319**	**344**	**10 576**	**-**	**26 219**
Acquisitions	-	-	482	223	-	**705**
Transfers	-	-	- 154	154	-	-
Sales				- 215		**- 215**
Balance as at 31 December 2017	**981**	**14 319**	**671**	**10 738**	**-**	**26 709**
						-
Cumulative amortizations and disposals						-
Balance as at 1st January 2016	**-**	**8 457**	**-**	**8 948**	**-**	**17 405**
Amortization charges		337	-	648	-	**985**
Reversals of depreciation (disposals)		-		- 50	-	**- 50**
Impairment losses recognized during the period	-					-
Reversals of depreciation	-					-
Balance as at 1st January 2017	**-**	**8 794**	**-**	**9 546**	**-**	**18 340**
Charges d'amortissement		329	-	656		**985**
Reversals of amortization (disposals cessions)		-	-	- 209		**- 209**
Impairment losses recognized during the period	-					-
Balance as at 31 December 2017	**-**	**9 123**	**-**	**9 993**	**-**	**19 117**
Net value of tangible assets as at 31 December 2017						**7 592**

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NOTE 9. INTANGIBLE ASSETS

Intangible assets include only softwares. These will be amortized on a straight line over a period of 3 to 5 years Their values are as follows:

	31/12/2017	31/12/2016
Gross value	1,459	1,429
Allocations and reversal of depreciations	-943	-710
	516	**719**

Acquisition of softwares (in XOF'M)		Allocations and reversal of depreciations (in XOF'M)	
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 1st January 2017	**1,429**	**Balance as at 1st January 2017**	**710**
Acquisitions	30	Amortization charges	233
Disposals	-	Reversals of amortization	0
Classified as assets held for sale	-	Classified as assets held for sale	0
Balance as at 31 December 2017	**1,459**	**Balance as at 31 December 2017**	**943**
Net value on balance sheet as at 30 June 2017			**516**

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 correspond to the outstanding debt securities issued by BOAD.

Other liabilities include BOAD borrowings from its partners such as AFD, EIB, PROPARCO, DEG, AfDB, etc. All these borrowings are served at fixed rates.

Details of this item, as at 31 December 2017 and 31 December 2016, are as follows (in XOF'mln):

	31/12/2017		31/12/2016	
Interbank debts		**4,553**		**15,937**
Placements by AFD, CAURIS, ROPPA	4,553		15,823	
Accrued interest on debts/Placement on a daily basis	0		114	
Debts represented by a security		**1,284,276**		**1,018,844**
BOAD bond loans	955,539		571,467	
BOAD notes	247,030		285,725	
Maturities of less than 1 year/debts represented by sec.	54,865		141,049	
Accrued interest on debts represented by a security	27,641		21,930	
Deferred charges on debts represented by a security	-798		-1,327	
Other loans		**463,147**		**431,819**
Loans for financing long-term projects	368,519		376,421	
Loans for financing long-term studies	383		446	
Loans with maturity at less than one year	91,159		52,653	
Accrued interests on other loans	3,267		2,691	
Commissions to be paid in loans	119		12	
Deferred charges on other loans	-300		-404	
Total liabilities at amortized cost		**1,751,976**		**1,466,600**

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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 2017, the Bank's outstanding borrowings represented 261.9% of equity out of the statutory limit of 300%. Based on the guaranteed cost of borrowings, the debt ratio as at 31 December 2017 stood at 250.6% as against 211.5% as at 31 December 2016.

As at 31 December 2017, liabilities at amortized cost was made up of:

	31/12/2017	31/12/2016
I-Debts represented by a security		
Bond issues	955,539	571,467
BOAD bonds	247,030	285,725
Maturities in less than a year/debts represented by a security	54,865	141,049
Sub-total I	*1,257,433*	*998,241*
II- Other borrowings from external partners		
Borrowings for financing long-term projects	368,519	376,421
Borrowings for financing long-term studies	383	446
Maturities in less than a year/borrowings	91,159	52,653
Sub-total II	*460,061*	*429,521*
Total I+II	1,717,494	1,427,761
III- Debts attached to borrowings and debts repr. By a security		
Accrued interests on debts represented by a security	27,641	21,930
Deferred costs on debt securities and loans	-798	-1,327
Accrued interests and commissions on other borrowings	3,386	2,702
Deferred costs on other loans	-300	-404
Sub-total III	*29,929*	*22,902*
IV- Interbank debts (Cauris ROPPA, AFD)	4,553	15,937
Total I+II+III+IV	**1,751,976**	**1,466,600**

Maturity of liabilities at amortized cost was as follows:

Maturity	31/12/2017	31/12/2016
At most one year	192,555	225,965
More than 1 year and less than 2 years	142,498	163,685
More than 2 years and less than 3 years	152,428	142,691
More than 3 years and less than 4 years	530,134	150,966
More than 4 years	734,361	783,294
Total	**1,751,976**	**1,466,600**

NOTE 11. OTHER LIABILITIES

Other liabilities include funds that are liabilities to BOAD and other suspense accounts.

The breakdown is as follows:

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	31/12/2017	31/12/2016
Funds		
Belgian Technical Assistance Fund	180	174
Dutch Fund	34	34
IDA Counterpart Fund	224	137
French Development Agency Research Fund	310	310
French Development Agency (AFD) counterpart fund	148	237
Environmental Partnership Fund	4	35
KFW Counterpart Fund	6,250	6,398
China Cooperation fund	139	139
AFD IV Capacity Building Fund	30	30
Energy Development Fund	1,985	1,985
"Crop Insurance" Fund	2,992	3,110
Regional Collaboration Centre (RCC)	174	174
Regional facility for access to sustainable energy	10,000	10,000
New subsidy mechanism fund	53,098	21,625
CMS Fund for interest subsidy	1,000	1,000
Fund subtotal	***76,568***	***45,389***
SUSPENSE ACCOUNT AND OTHERS		
Suppliers	1,609	950
Various creditors	3,806	2,188
Charges payable	1,905	1,793
Receipts to be paid	8,932	9,593
Income recorded in advance	1,322	2,227
Kingdom of Belgium current account	4,200	4,200
Exchange risk hedging instruments	76,439	
Sub-total for suspense and other accounts	***98,213***	***20,951***
	174,781	***66,340***

Other liabilities are debts with maturities less than one year.

NOTE 12. PROVISIONS

The provisions are analyzed as follows:

	31/12/2017	31/12/2016
Liabilities of fixed benefits schemes	6,626	7,026
Other provisions	164	592
	6,790	**7,618**

12.1. Liabilities under fixed benefit schemes

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

As of 31 December 2017, these liabilities stood at XOF6,626 million compared to XOF7,026 million as at 31 December 2016.

Details of the actuarial calculations for the 2017 and 2016 are presented below:

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	2017 XOF	2016 XOF
Current value of the bond		
Opening balance	7,025,821	5,813,518
Cost of services rendered during the period	464,620	386,638
Contributions made by participants	0	0
Financial cost	446,649	392,854
Actuarial difference due to		
a) Changes in demographic assumptions	0	0
b) Changes in financial assumptions	0	0
c) Experience adjustments	-73,361	745,315
d) Total	-73,361	745,315
Service provision	-1,237,844	-312,503
Cost of past services	0	0
Payments	0	0
Closing balance	**6,625,885**	**7,025,821**
Completely unfinanced schemes	*6,625,885*	*7,025,821*
Partly or fully financed schemes	*0*	*0*
Fair value of assets of the scheme	n.a.	n.a.
Opening balance	0	0
Expected returns	0	0
Actuarial difference	0	0
Contributions made by the employer	0	0
Contributions made by the participants	0	0
Services provided	0	0
Payments	0	0
Closing balance	**0**	**0**
Net assets/liabilities recognized in the balance sheet		
Current value of the bonds	6,625,885	7 ,025,821
Fair value of assets of the scheme	0	0
Surplus/deficit	6,625,885	7,025,821
Amount not recognized as an asset because of limit 58(b)	0	0
Net assets/liabilities recognized in the balance sheet	**6,625,885**	**7,025,821**
Total cost		
Cost of services rendered during the period	464,620	386,638
Cost of past services	0	0
Effect of all payments	0	0
Cost of services rendered as net income	**464,620**	**386,638**

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Financial cost	446,649	392,854
Interests	0	0
Net interest on net income	**446,649**	**392,854**
Actuarial difference	-73,361	745,315
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	**-73,361**	**745,315**
Total cost	**837,908**	**1,524,807**
The cumulative actuarial difference recorded in the income and expenditure statement	1,959,443	2,032,804

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

	Change in requirement	
Discount rate	7.30%	6.70%
Expected rates of salary increases	7.40%	6.70%
Mortality rate	-0.70%	-0.60%

Reconciliation of net liabilities recognized

Opening balance	7,025,821	5,813,518
Total charge in net income	911,269	779,492
Services provided	-1,237,844	-312,503
Revaluation of net liabilities under fixed benefits scheme	-73,361	745,315
Closing balance	6,625,885	7,025,821

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

The projected cost of service in 2018 under the scheme is estimated at XOF438 M.

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12.2. Other provisions

Other components of the item include an amount of XOF164 million at the end of 2017 compared to XOF203 million as at end 2016, corresponding to the gap between the additional provision for retirement and the benefits provided during the year.

NOTE 13- EQUITY CAPITAL

Capital	31/12/2017	31/12/2016
Subscribed capital	1,103,650	1,097,750
Callable capital	- 826,230	- 821,805
Cost related to deferred paying-up of capital	- 4,046	- 5,489
Total	273,374	270,457
Issue premium	**2,622**	**2,622**
Reserves		
Reserves allocated to development activities	76,050	76,050
Fair value reserves on securities classified in AFS	15,987	6,477
Reserves for cashflow coverage	- 38,711	- 12,864
Other reserves	26	26
Revaluation of pension liability under fixed benefit schemes	- 851	- 924
Retained earnings	377,956	370,408
	430,457	439,174
Income for the year	13,295	10,548
Total equity	**719,749**	**722,800**

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 foreign exchange rate fluctuations or 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 WAEMU member countries and BCEAO, while category B shareholders include non-regional shareholders.

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

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CAPITAL STRUCTURE AS AT 31 DECEMBER 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	11,258	4,905	48,487
BURKINA	64,650	5.86	1,293	16,163	11,258	4,905	48,487
COTE D'IVOIRE	64,650	5.86	1,293	16,163	11,258	4,905	48,487
GUINEA BISSAU	64,650	5.86	1,293	16,163	9,358	6,805	48,487
MALI	64,650	5.86	1,293	16,163	11,258	4,905	48,487
NIGER	64,650	5.86	1,293	16,163	11,258	4,905	48,487
SENEGAL	64,650	5.86	1,293	16,163	11,258	4,905	48,487
TOGO	64,650	5.86	1,293	16,163	11,258	4,905	48,487
BCEAO	517,200	46.86	10,344	129,304	90,964	39,240	387,896
	1,034,400	93.73	**20,688**	**258,608**	**178,228**	**80,380**	**775,792**
CATEGORY B							
France	38,400	3.48	768	9,600	7,360	2,240	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	144	44	563
CHINA	12,000	1.09	240	3,000	2,300	700	9,000
MOROCCO	500	0.05	10	125	119	6	375
	69,250	6.27	**1,385**	**18,813**	**15,366**	**3,447**	**50,438**
	1,103,650	100.00	**22,073**	**277,421**	**193,594**	**83,827**	**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.

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Moreover, the Bank's equity as at 31 December 2017 and 31 December 2016 was as follows :

Items	31/12/2017	31/12/2016
Balance sheet equity	719,748	722,800
Unpaid called-up capital adjusted of the deferred cost	- 79,781	- 87,611
Issue premium (unpaid portion)	- 1,852	- 1,852
Allocations from member countries (unpaid portion)	- 5,029	- 5,029
Reserve for cashflow coverage	38,711	12,864
Fair value reserve on equity investment	- 15,987	- 6,477
Actual equity	655,810	634,695
Tangible and intangible assets	- 8,108	- 8,598
Core Tier 1 capital	**647,702**	**626,097**

NOTE 14 – INTERESTS AND RELATED INCOME

Details of this item are as follows:

Interests and related income

	31/12/2017	31/12/2016
Interests and related income/ interbank loans	8,752	6,499
Interest on loans to customers	83,997	74,296
Interest on staff loans	181	182
Interest on securities portfolio	12,143	4,792
Commission on loan commitments	2,040	1,442
Total	**107,113**	**87,210**

Interests and related charges

	31/12/2017	31/12/2016
Interest charges on debts represented by a security	55,222	44,230
Interest charges on other debts	16,252	14,539
Financial costs-Discounting effect	5,717	
Income/investments repaid	378	723
Commissions/commitments received	649	242
Total	**78,218**	**59,734**

NOTE 15 – FEES

Fees (income)

This item refers mainly to fees received on financial advisory services and arrangements as well as operational loans.

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	31/12/2017	31/12/2016
Commission obtained as processing fees	1,064	896
GARI's commission on guarantees	128	106
Other flat commissions	70	525
Commission on guarantees/bond issues	211	325
Commission on financial arrangements and advisory services	1,767	1,984
	3,240	**3,836**

Fees (expenses)

This item includes fees paid on loans and debentures.

	31/12/2017	31/12/2016
Other charges/debts represented by securities	597	519
Other fees on borrowings	798	1 844
	1,395	**2,363**

NOTE 16 – FOREIGN 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 2017, is as follows:

	31/12/2017	31/12/2016
Exchange gain consumed	38	52
Potential exchange gain	75,245	-
Sub-total forex gains (A)	75,283	52
Foreign exchange loss consumed	-65	-100
Potential foreign exchange loss	0	-32,625
Sub-total forex losses (B)	-65	-32,725
Net forex loss of C = (A) + (B)	**75,218**	**-32,673**
Loss/profit on hedging instruments	**-70,786**	**34,271**
Net profit/loss on currency transactions	**4,432**	**1,598**

To hedge against fluctuations in these currencies, the Bank signed hedging agreements against the currency risk on its borrowings in SDRs and dollars. Through these agreements, the Bank has hedged 100% of its foreign currency debt (in fluctuating currencies), excluding euros.

The valuation of these hedging instruments as at 31 December 2017 recorded a loss of XOF70,786 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.

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	31/12/2017	31/12/2016
Dividends from BRVM	203	182
Dividends from BOA Bénin	243	192
Dividends from CIPREL	-	194
Dividends from BOA NG	338	348
Dividends from BDM-SA	862	844
Dividends from AFREXIM Bank	60	87
Dividends from SONIBANK	211	250
Dividends from PROPARCO	64	-
Dividends from Cauris Croissance II	1,215	819
Dividends from SICAV Abdou Diouf	115	110
Dividends from BRM	100	136
Dividends from CICA-RE	38	33
Dividends from Bridge Bank CI	-	75
Dividends from Coris Bank Internatanional	273	312
Dividends from ORAGROUP	95	-
Dividends from Fidelis Finance	30	-
Total	**3,847**	**3,583**

NOTE 18 – COST OF RISK

	31/12/2017	31/12/2016
Write-back of depreciations on receivables from customers	5,409	5,018
Depreciation on receivables from customers	-8,118	-10,160
Losses on receivables covered by depreciations	-790	-875
Depreciation on other asset components		
	-3,499	**- 6,017**

NOTE 19 – COSTS RELATED TO DEVELOPMENT ACTIVITIES

This item includes charges related to development activities carried out by BOAD, including subsidies for non-commercial projects recorded as charges.

	31/12/2017	31/12/2016
Interest subsidy	1,890	1,627
	1,890	**1,627**

NOTE 20 – GENERAL OPERATING EXPENDITURES

The Bank's general operating expenditures are as follows:

	31/12/2017	31/12/2016
Staff overheads (*)	13,969	11,086
Amortizations	1,218	1,201
Other operating costs	6,833	7,040
Total	22,020	19,326

(*) The breakdown of staff costs is as follows as at 31 December 2017 and 31 December 2016:

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	31/12/2017	31/12/2016
Wages and salaries	9,949	9,478
Social security contributions	594	522
Other short-term benefits	920	643
Long-term construction contribution - Servicing city BOAD	1,986	
Health insurance funds	56	57
Defined benefit plan expenses	465	387
Total	**13,969**	**11,086**

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 organization, and integrated into its internal control framework. The main categories of risks 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 behavior;
- 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 2017 and 2016 is as follows:

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	31/12/2017	31/12/2016
Interbank receivables	122,674	33,421
Customer receivables and commitments	3,365,371	3,010,803
Securities portfolio	263,282	171,437
Shareholder's receivables	90,802	98,307
Equity investments	112,726	93,755
Derivative assets	966	21,161
Other amounts receivables	15,276	16,608

1.1- Intervention limits for credit risks

1.1.1- For the non-commercial public sector (States)

a. The risk limit per transaction, in the form of direct loan (short, medium and long-term) granted by BOAD, is set at five percent (5%) of its capital for risk, which corresponds to the paid-up capital + net reserves and related funds net of non-value items.

b. BOAD's level of commitment per sovereign borrower (all operations included), is limited to fifty-five (55%) of the Bank's capital requirements for risks to member countries.

1.1.2- For the commercial public sector (public utilities)

a- The limit per operation of public utilities is five percent (5%) of capital for risk.

b- The limit for all operations included in the case of a commercial public enterprise is set at twenty-five percent (25%) of capital requirements for risk.

1.1.3- For the private sector

a. The maximum risk limit per transaction, in the form of direct medium and long-term loans to projects referred to as category 1, including regional projects and mining and energy projects, or to national financial institutions (NFIs), NFI holding companies or organizations that support SMEs and ICTs, is set at five percent (5%) of capital requirements for risk, it being understood that the Bank's loan amount shall not exceed fifty percent (50%) of the total pre-tax cost of the project.

b. A ceiling per transaction of seven percent (7%) of the Bank's capital requirements for risk is set for indirect financing through national financial institutions (NFIs), NFI holding companies, and organizations that support SMEs as well as its direct loans to regional projects and mining and energy and ICT projects.

c. The level of BOAD's commitment per private borrower/same project (all operations included) is limited to seven percent (7%) of capital for risk for category 1, and to ten percent (10%) for category 2 projects. With respect to loans for on-lending to a financial institution in which the Bank has interest, this limit is twenty percent (20%) of the capital for risk.

Furthermore, with regard to the division of risks for the commercial sector, the overall volume of risk for individual transaction (12.5%) of capital for risk is limited to five (5) times the capital for risk.

1.1.4- For equity investments (public or private sector)

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a. The Bank's maximum commitment per operation, in the form of equity investment in the public or private sector, is limited to two and half percent (2.5%) of capital for risk, not exceeding fifteen percent (15%) of the capital of the company involved.

This limit is 5% of capital for risk to NFIs and SME promotion organizations, regional projects and mining, energy and ICT projects, not exceeding fifteen percent (15%) of the company's capital.

However, entities in which BOAD plays a role of key promoter, the capital of the company may be held temporarily at one hundred percent (100%), while the Bank must aim to bring its percentage share to fifty-one percent (51%) within a reasonable period of time and with a clear exit strategy.

1.1.5- Financing operations by guarantee and short-term financing

a. The financing commitment limit by guarantee (loan guarantee and short-term financing by guarantee) is set at five percent (5%) of capital requirements for risk.

b. The commitment limit by transaction of short-term financing of cash requirements is set at five percent (5%) of capital requirements for risk. .

c. The commitment limit in terms of overall volume per borrower for financing operations by guarantee (a) and short-term cash financing (b), is set at twenty-five percent (25%) of capital for risk.

1.1.6- For leading sectors

The overall level of commitment in any one of the leading sectors below: industries (agribusiness, chemical and pharmaceutical industries, other manufacturing industries...), telecommunications (telephony, internet, call centers), extractive industries (cement and mining) and hospitality and other services, in all countries combined, should not exceed at any time fifty percent (50%) of capital for risk.

However, as for NFIs and their holdings, sectors (water and energy) and transport facilities (ports and airports, railways, road infrastructure), this limit is set at seventy-five percent (75%) of capital for risk.

1.1.7- Limit per country

With regard to geographical limit, that is the intervention limit per country, the Bank cannot commit more than once (1x) its capital for risk (all operations included).

Outstanding loans per country as at 31 December 2017 and 31 December 2016 is broken down as follows:

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	AS AT 31/12/2017						AS AT 31/12/2016					
COUNTRY	FDC	FDE	PSCM	Private	Commercial public	Total	FDC	FDE	Sov. loans at market conditions	Private	Commercial public	Total
BENIN	83,422	7,846	54,853	35,045	24,374	205,540	81,372	4,796	39,130	23,556	34,683	183,537
BURKINA FASO	82,239	20,000	14,699	26,215	21,368	164,521	75,950	20,000	8,618	17,738	24,818	147,124
CÔTE D'IVOIRE	58,152	23,283	37,316	106,286	83,127	308,164	54,494	21,483	20,828	92,249	44,881	233,934
GUINEA BISSAU	60,357	7,160	14,899	-	-	82,416	49,497	296	13,794	-	-	63,587
MALI	94,455	8,168	23,342	47,570	18,393	191,928	84,293	6,613	16,870	30,513	27,257	165,545
NIGER	94,028	30,105	92,361	23,180	2,191	241,865	94,863	26,855	81,608	25,287	2,699	231,313
SENEGAL	95,092	13,065	34,708	72,931	48,054	263,850	84,360	10,455	23,298	65,721	50,507	234,341
TOGO	119,845	3,230	91,478	53,608	16,980	285,141	110,095	2,543	94,861	54,787	19,920	282,207
TOTAL	**687,590**	**112,857**	**363,656**	**364,835**	**214,487**	**1,743,425**	**634,924**	**93,041**	**299,007**	**309,851**	**204,765**	**1,541,588**

Moreover, outstanding commercial loans (private and commercial public) per sector of activity is broken down as follows as at 31 December 2017:

ITEMS	31/12/2017	31/12/2016
Agribusiness	39,889	35,999
Banks & financial institutions	129,846	85,977
Water & energy	180,036	187,220
Hospitality	24,577	22,006
Extractive industries	36,074	39,208
market infrastructure	127,408	125,934
Telecommunications	41,492	18,272
TOTAL	**579,322**	**514,616**

1.2- Analysis chart of the financial instruments by category

The following table shows the classification of the Bank's assets and liabilities as well as their fair value as at 31 December 2017.

	Financial assets and liabilities through profit and loss		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				302,904	302,904	302,904
- Interbank receivables				122,674	122,674	122,674
- Securities portfolio				263,282	263,282	263,282
- Customer receivables				1,761,182	1,761,182	1,761,182
- Shareholders' debts				90,802	90,802	90,802
- Equity investments		74,746	13,355	-	-	88,101
- Derivative assets	966			-	966	966
- Amounts receivable				15,276	15,276	15,276
Total amount of financial assets	966	74,746	13,355	2,556,120	2,557,086	2,645,187
Borrowings				1,751,976	1,751,976	1,751,976
Derivative liabilities	76,439				76,439	76,439
Payable amount				105,132	105,132	105,132
Total amount of financial liabilities	76,439	-	-	1,857,108	1,933,547	1,933,547

As at 31 December 2016, the classification of assets and liabilities is as follows:

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	Financial assets and liabilities through profit and loss		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				284 921	284 921	284 921
- Interbank receivables				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				73 958	73 958	73 958
Total amount of financial liabilities				1 540 648	1 540 648	1 540 648

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	
	2017	2016	2017	2016	2017	2016	2017	2016
Derivative assets	966	21 161					966	21 161
Equity securities	8 679	1 710			79 421	70 387	88 101	72 097
							-	-
Total amount of financial assets	9 645	22 871			79 421	70 387	89 067	93 258
Derivative liabilities	76 439						76 439	
Total amount of financial liabilities	76 439						76 439	

The following table describes the valuation techniques of level 2 and 3 fair values for financial instruments measured at their fair value in the statement of financial position and the significant unobservable data used.

Type of financial instrument	Valuation technique	Significant unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Equity investments	Sales comparison approach/ Discounted Cash Flow/ Net book value The fair value is estimated based (i) on the last market prices of comparable assets (normally up to 12 months), entered into under normal market conditions or a firm bid on more than 15% of the existing stock or (ii) the net present value is calculated using a discount rate of equity investments with similar risk/yield couple adjusted to take account of finance structure (provided that the entity has generated positive cashflow from operating activities during at least the two previous years), or (iii) the mathematical value based on the last financial statements available.	Inapplicable	Inapplicable

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1.3- Description of the internal portfolio rating system

All entities that have received loans from the Bank are rated, at least once a year. The credit risk rating is measured on an 8 point internal scale for better differentiation among the debtors.
Thus, BOAD's rating tool is based on an 8 point rating scale, of which 6 (1, 2, 3, 4, 5, 6) correspond to performing loans, while 2 (7 and 8) correspond to distressed loans (with 7 being assigned to loans that need to be monitored closely and 8 to bad debts).

BOAD rating	Evaluation of the signature of the counterparty	Assessment of the associated risk	International equivalent (Mapping)
1	"EXCELLENT"	VERY LOW	A-BBB
2	"VERY GOOD"		
3	"GOOD"	LOW–	BB
4	"QUITE GOOD"	LOW+	
5	"ACCEPTABLE"	MODERATE	B
6	"LOW"	HIGH -	CCC
7	"TO BE MONITOIRED CLOSELY"	HIGH +	<CCC
8	"BAD"	VERY HIGH	D

The rating is based on separate quantity and quality components 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 quantity factors and 4 quality factors.

The first quantity factor is the overall assessment of the financial position and outlook of the borrower. This assessment takes into consideration (i) the borrower or project's capacity to generate enough cashflow to service the debt; (ii) the operating income and the profitability of the business; (iii) the capital structure and the financial flexibility and liquidity of the company or project; (iv) the financial equilibrium and (v) outlook of the company. Other quantity factors include collaterals, overdues and the number of times the loan is rescheduled.

Analysis of the quality 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 business environment (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 banks (financial institutions)

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The rating of financial institutions is also based on the assessment of 8 variables, including 3 quantity and 5 quality components.

The assessment of quantity factors is based on (i) compliance with regulatory and prudential ratios, (ii) evaluation of operational rations (management and profitability ratios) and (iii) collateral.

Quality factors include (i) outlook and quality of management, (ii) experience of Management, (iii) reputation, (iv) confidence of the bank's external partners, and (v) business environment.

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

Ratings	Risks	2013	2014	2015	2016	2017
"1" à "4"	Low risk	37.54%	41.35%	45.53%	48.92%	51.9%
"5"	Moderate risk	22.37%	32.34%	32.98%	37.39%	35.3%
"6" à "7"	High risk	36.26%	23.00%	17.82%	8.77%	8.46%
"8"	Very high risk	3.82%	3.31%	3.68%	4.92%	4.27%

The Bank's portfolio as at 31 December 2017 is characterized by improved ratings of counterparties as compared to 31 December 2016. Indeed, the risks brought on counterparties rated "1" to "4" represent 51.9% of total risks, having increased by 2.98 points compared to 31 December 2016 (48.92%). The same goes for average risks (rated '5') which increased by 2.09 points (or 35.30% of the total amount of risks) as at 31 December 2017.

Moreover, the high risks (rated "6" or "7") remained practically unchanged in 2017 and accounted for 8.46% of the total outstanding commercial loans (8.77% in 2016).

At last, counterparties rated "8" accounted for 4.27% of outstanding commercial loans (4.92% in 2016), having decreased by 0.65 point in comparison to 2016.

1.4- Provisioning/depreciation policy

Depending on its activities, the Bank manages two types of credit risk if necessary: i) non-commercial credit risk (sovereign risk) for its loan portfolio to member countries and ii) commercial credit risk for its private sector and commercial public sector loan portfolio (non-sovereign risk).

The adequacy of the level of risk provisioning, based on IAS/IFRS standards, is measured at least once per year.

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1.4.1. Non-commercial 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 been paid are considered to be "risk-free", and so, no specific provision or depreciation is made.

1.4.2. Commercial 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: overdues 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) Breakdown of bad debts per sector and country is as follows:

Breakdown of bad debts per sector and country is as follows:

- Breakdown per sector

ITEMS	31/12/2017			31/12/2016		
	Gross outstanding	Provisions	Net outstanding	Gross outstanding	Provisions	Net outstanding
Energy	0	0	0	0	0	0
Commercial infrastructure	8,760	7,380	1,380	12,180	9,165	3,015
Extractive industry	8,510	6,629	1,881	8,510	6,629	1,881
Hospitality	12,878	5,633	7,245	2,879	1,777	1,102
Telecommunications	2,699	2,632	67	2,820	2,694	126
Agribusiness	7,997	5,829	2,168	8,410	5,979	2,431
Banks & fin. institutions	0	0	0	0	0	0
TOTAL	**40,845**	**28,104**	**12,741**	**34,799**	**26,248**	**8,551**

- Breakdown per country

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COUNTRY	31/12/2017			31/12/2016		
	Gross outstanding	Provisions	Net outstanding	Gross outstanding	Provisions	Net outstanding
BENIN	9,991	7,516	2,475	10,112	7,578	2,534
BURKINA	829	754	75	1,21	890	320
COTE D'IVOIRE	6,284	5,427	857	6,271	5,419	852
MALI	1,488	1,488	0	6,222	4,587	1,635
NIGER	0	0	0	0	0	0
SENEGAL	3,834	2,854	981	3,492	2,492	1
TOGO	16,089	7,736	8,353	5,162	2,952	2,21
Non-WAEMU	2,33	2,33	0	2,33	2,33	0
TOTAL	**40,845**	**28,104**	**12,741**	**34,799**	**26,248**	**8,551**

- Rate of depreciation of the Bank's portfolio

Items	31/12/2017	31/12/2016
Outstanding receivables (XOF'M)	40,845	34,799
overall gross outstanding receivables (XOF'M)	1,743,425	1,541,588
Overall gross depreciation rates	2.34%	2.26%

That rate stood at 2.34% as at 31 December 2017 as against 2.26% as at end 2016.

- Schedule of improvements in the rate of provisioning and risk hedging on non-performing loans

	31/12/2017	31/12/2016
Outstanding receivables	40.845	34,799
Provisions for outstanding receivables	28,104	26,248
Provisioning rate	68.81%	75.42%
Financial guarantees on non-performing loans	10,741	7,349
Risk coverage rate after taking into account the guarantees	95%	97%

As at 31 December 2017, the rate of provisioning of outstanding debts was 68.81%, compared to 75.42% as at 31 December 2016. After taking into account the guarantees[3] received, outstanding debts are hedged over 95%. The portion of debts hedged by financial guarantees is not subject to additional depreciation. Neither are real guarantees (mortgages, pledges...) taken into account for provisioning.

2- Market risk

2.1- Foreign exchange risk

a) Foreign 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 2017

[3] 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.

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The structure of the debt in principal on other loans from external partners and the liabilities represented by securities as at 31 December 2017 are as follows:

Debt structure as at	31/12/2017					%of foreign currency borrowings	% of foreign currency
Currencies	Currency amount	Exchange rate as at 31/12/2017	Present outstanding amount		% of total borrowings (D)	exluding Euro (A)	borrowings (B)
USD	1,584.26	546.9500	866,514		50.45%	93.50%	65.62%
SDR	77.39	778.9300	60,279		3.51%	6.50%	4.56%
TOTAL EXCLUDING Euro (A)			926,793	70%	54%	100%	
Euro	600.28	655.9570	393,760	30%	23%		29.82%
TOTAL EXCLUDING XOF (B)			1,320,553	100%			
XOF for domestic bond issues ('C)			396,941		23%		
TOTAL BORROWINGS D= (B)+('C)			1,717,494		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 foreign 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 (31/12/2017) 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.

Moreover, the impact of the sensitivity analysis in relation to foreign exchange risk on the balance sheet is zero due to the hedging agreements put in place.

2.2- Interest rate risk

a) It is the risk for the Bank to have its profitability been 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 Bank's assets and liabilities are at a fixed rate.

b) **Rate sensitivity analysis**

- Methods and assumptions used in developing sensitivity analysis

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The Bank's balance sheet may be analyzed based on several parameters including: (i) balance sheet and off-balance sheet (ii) Bank 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)	31/12/2017			31/12/2016		
	Variation	Impact on income for 2018	Impact on income for 2017	Variation	Impact on income for 2017	Impact on income for 2016
Bank activity only	+ 100 basis points	+6 697	+588	+ 100 basis points	+8 693	+744
Bank activity only	- 100 basis points	-6 697	-588	- 100 basis points	-8 693	-744
FDC activity only	+ 100 basis points	-669	-62	+ 100 basis points	-2 264	-198
FDC activity only	- 100 basis points	+669	+62	- 100 basis points	+2 264	+198

The sensitivity analysis shows that the Bank's balance sheet is characterized by a shortfall of resources for FDC activity.

It should be highlighted that in accordance with its rate risk management policy, the Bank 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 for not meeting its financial commitments on time and at reasonable cost. This is addressed by measuring the conversion level and adequacy between resources and uses. This is to ensure that, at any time, the Bank has a liquidity buffer to make disbursements on its banking and administrative operations, as well as for debt servicing.

The standard practice is to hold liquid assets of at least nine (9) to twelve (12) months of net disbursements on loans (disbursements on loans minus repayments received) and repayment of debt incurred.

The Asset-Liability management (ALM) committee, by analyzing the gaps and durations sees to sound 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 at 31 December 2017, as follows:

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	During 2018			BEYOND		
	] 0 month; 1 month]	] 1 month; 6 months]	] 6 months; 12 months]	] 1 year; 5 years]	> 5 years	Total
Cash + Bank - opening balance	171,904				0	171,904
Term deposits	20,000	89,000	22,000		-	131,000
Interbank loans	10,000	34,000	78,674		0	122,674
Customer receivables	19,541	52,821	83,405	671,584	927,667	1,755,018
Staff loans	157	716	1,026	3,696	569	6,164
Investment securities	6,721	33,949	29,542	97,492	95,578	263,282
Equity investments			-		88,101	88,101
Shareholders			13,556	49,104	28,142	90,802
Tangible assets					7,592	7,592
Intangible assets					516	516
other assets			15,197	966		16,163
Other loans and receivables					79	79
TOTAL ASSETS (A)	**228,323**	**210,486**	**243,400**	**822,842**	**1,148,244**	**2,653,295**
Interbank debts (CAURIS, ROPPA, AFD)	4,553				-	4,553
Debts issued in the form of long-term securities	-	49,540	22,383	715,748	496,605	1,284,276
Long-term foreign debts	-	28,427	56,449	220,184	158,087	463,147
Other liabilities					174,781	174,781
Provisions					6,790	6,790
TOTAL LIABILITIES (excluding equity) (B)	**4,553**	**77,967**	**78,832**	**935,932**	**836,263**	**1,933,547**

The details on maturities of assets and liabilities as at 31 December 2016 are as follows:

	During 2017			BEYOND		
	] 0 month; 1 month]	] 1 month; 6 months]	] 6 months; 12 months]	] 1 year; 5 years]	> 5 years	Total
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
OTHER ASSETS			**16,837**	**20,853**	**8,677**	**46,367**
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**

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.

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The approach aims at achieving the following objectives: (i) increase risk control by developing a risk culture at the Bank, (ii) understand upstream risks caused by the development of activities, (iii) keep top management informed about major risks and their monitoring mechanisms and (iv) improve internal controls. This will help in directing efforts based on the priority nature of the risks and 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 risk identified.

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 CONTRACTS

A. As a 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, CAURIS SA, AfDB, CRRH-UEMOA, JICA, KfW and BIA Togo.

Most of the lease contracts are signed for a term of two years renewable by tacit agreement. The tacit non-renewal of the lease must be notified by either party at least three months before the end of the contract. The Bank shall retain control and risks at the leased premises, as substantial modifications to the leased premises can only be made following its prior authorization. The same applies when tenants wish to sublet one or more parts of the rented premises. Therefore, the Bank has put in place all necessary safety measures and any change must be agreed between the two parties.

At the time of each renewal, contracts include a rent review clause, whose rate cannot exceed 10% to reflect the trend of rental market prices.

i. Future minimum payments

As at 31 December 2017, the amount of future minimum payments under non-cancellable operating leases are as follows:

In XOF'mln	2017	2016
Less than 1 year	115	108
1-5 years	507	476
More than 5 years	782	734
TOTAL	**1 404**	**1 319**

ii. Payments recognized as net income

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Rental revenues were recognized as "Other operating income" as below:

	31/12/2017	31/12/2016
Rental revenues	115	108
	115	108

A. As a lessee

The Bank has hired villas under operating lease. These villas serve as residences for the Vice-President and the Heads of Resident Missions. Concluded for several years, the contracts concern villas on properties composed of lands and buildings.

Some contracts do not provide for the end of term, but include a clause which states that contracts may be terminated only upon notice by either party within a minimum period of 6 months prior to the termination date. Other contracts provide for a two-year lease, including an "evergreen" clause. Based on the background relationships with lessors, contracts are always renewed automatically, since their first signing up to date.

The Bank has figured out that these contracts are operating leases. The rent paid to the landlord is regularly adjusted in view of the level of market rent prices and the Bank bears no risk related to the residual value of the land and building. Consequently, it is assumed that the landlord retains the majority of risks and benefits attached to lands and buildings.

i. Future minimum payments

As at 31 December, the amount of minimum payments under non-cancellable operating leases is as follows:

In XOF'mln	**2017**	**2016**
Less than 1 year	131	130
1-5 years	577	549
More than 5 years	890	857
TOTAL	**1 598**	**1 536**

ii. Amounts recognized as net income

	31/12/2017	31/12/2016
Contingent rent charges	131	130
	131	130

NOTE 23- TRANSACTIONS WITH RELATED PARTIES

1- LOANS TO MEMBER COUNTRIES

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The following is a breakdown of outstanding loans to member countries as at 31 December 2017.

OUTSTANDING SOVEREIGN LOANS (MEMBER COUNTRIES) AS AT 31/12/2017 IN XOF'M						
DESCRIPTION	LOAN COMMITMENTS (UNDISBURSED AMOUNTS)	FDC	FDE	PSCM	TOTAL	%
BENIN	200 923	83 422	7 846	54 853	146 120	12,6%
BURKINA	170 084	82 239	20 000	14 699	116 939	10,0%
COTE D'IVOIRE	117 818	58 152	23 283	37 316	118 752	10,2%
GUINEA BISSAU	83 532	60 357	7 160	14 899	82 416	7,1%
MALI	138 778	94 455	8 168	23 343	125 966	10,8%
NIGER	115 236	94 028	30 106	92 361	216 494	18,6%
SENEGAL	166 126	95 092	13 065	34 707	142 864	12,3%
TOGO	91 101	119 845	3 230	91 477	214 552	18,4%
TOTAL OUTSTANDING	**1 083 597**	**687 589**	**112 857**	**363 657**	**1 164 103**	100,0%
LOAN INCOME	**0**	**16 980**	**1 609**	**24 257**	**42 846**	

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 loans) 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 GARI FUND

The Bank holds shares in the capital of GARI Fund. The outstanding amount of loans guaranteed by GARI Fund, stood at XOF36,429 million as at 31 December 2017 for a guaranteed amount of XOF18,153 million.

3- REMUNERATION OF TOP EXECUTIVES

	31/12/2017	31/12/2016
Salaries and gratuities	3,928	3,746
Pension contributions	222	181
Financial costs and services/pension	414	308
Compensation to Board of Directors	62	58
Sub-total 1	**4,626**	**4,294**
Pension benefit obligations	3,338	3,530
Sub-total 2	**3,338**	**3,530**

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 managers are based on the Bank's salary scale.

Pension liabilities 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 overall monthly salary (monthly gross salary) and the number of years of actual service.

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NOTE 24- OFF-BALANCE SHEET COMMITMENTS

Commitments received

These commitments represent funding approvals given to the Bank by foreign lenders and guarantees received from regional funds for customers.

These commitments are broken down as follows:

	31/12/2017	31/12/2016
Loan commitments to be drawn	168,132	185,433
Guarantees received from regional funds	40,521	32,601
	208,653	**218,034**

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

Moreover, the Bank also accepts other non-financial guarantees on its loans (mortgages, pledges, liens, etc.).

Commitments given

Commitments given are related to loan and equity investment agreements concluded with various recipients of BOAD loans. These include:

	31/12/2017	31/12/2016
Loan commitments given (a)	1,587,450	1,427,348
Advances for the financing of studies	11,439	13,280
Equity investment commitments (b)	24,625	21,658
Sureties and other guarantees	5,300	13,369
	1,628,814	**1,475,655**

(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) Equity investment commitments relate to BOAD's subscriptions to the capital of the following companies:

	Amount in XOF'M as at 31/12/2017	Amount in XOF'M as at 31/12/2016
SOCIETE AFRICAINE DE GESTION D'ACTIF (SOAGA)	97	97
ASKY	10	10
Fonds Cauris Croissance II	1 976	2 058
CICA-RE	1	1
Fonds Agricole pour l'Afrique (FAA)	-	13
SONIBANK	183	183
African Renewable Energy Fund (AREF)	1 040	2 349
Amethis West Africa (AWA) in Côte d'Ivoire	1 403	2 021
PROPARCO	233	233
Air Côte d'Ivoire	3 990	-
Fonds Investisseurs et partenaires pour le développement 2 (IPDEV2)	868	1 192
Additional equity investment in the share capital of Air Côte d'Ivoire	-	1 500
Fonds d'investissement dédié au développement des services financiers dans l'UEMOA	10 000	10 000
Fonds I&P Afrique Entrepreneurs 2 (IPAE2)	2 000	2 000
Banque Outarde in Senegal	2 000	
Banque de l'Habitat du Niger	825	
TOTAL	**24 625**	**21 658**

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NOTE 25- EVENTS AFTER CLOSING

As at the date of closing of accounts, which is 31 December 2017, we had not recorded any subsequent event likely to influence the financial position and results of the Bank.

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WEST AFRICAN DEVELOPMENT BANK (BOAD)

STATUTORY AUDITOR REPORT ON FINANCIAL STATEMENTS

(YEAR ENDED DECEMBER 31, 2016)

pwc

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.

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 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
Sub-total		*27,477*	*31,175*
Fees (income)	15	3,836	5,512
Fees (charges)	15	-2,363	-1,246
Sub-total		*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***
Sub-total		*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**
Adjustments related to non-monetary and other items			
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 custosmer 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 g resulting f the evalua of AFS-ra 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 AFSrated securites								
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 AFSrated securites								-
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 IAS20.

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 liqiuidity 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 sha	31/12/2016 Gross out-standing	Depreciation	Carry-over by OCI	Unrealised gains/losses	Balance sheet value	Gross out-standing	Depreciati
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-uemoa	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 Investsment Bank (AIB) (1)		250	250			-	250	250
h-uemoa	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 sha	31/12/2016 Gross out-standing	Depreciation	Carry-over by OCI	Unrealised gains/losses	Balance sheet value	Gross out-standing	Depr
	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/ Dévoppement (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. <u>OTHER ASSETS</u>

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	Eq un lea
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:

	2016 XOF	2015 XOF
Current value of the bond		
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	745 315	50
d) Total	745 315	50
Service provision	-312 503	-426 081
Cost of past services	0	0
Payments	0	0
Closing balance	**7,025,821**	**5,813,518**
Completely unfinanced schemes	*7,025,821*	*5,813,518*
Partly or fully financed schemes	*0*	*0*
Fair value of assets of the scheme	n.a.	n.a.
Opening balance	0	0
Expected returns	0	0
Actuarial difference	0	0
Contributions made by the employer	0	0
Contributions made by the participants	0	0

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		
	Change in requirement	
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	745,315	50
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
	(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 Internatani	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.

	30/12/2016	31/12/2015
Interest subsidy	1,627	1,530
	1,627	1,530

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 invetments	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:

	AS AT 31/12/2016						AS AT 31/12/2015					
COUNTRY	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 MONITOIRED 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 rations (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							
Currencies	Currency amount	Exchange rate as at 30/12/2016	Present outstanding amount		% of total borrowings (D)	%of foreign-currency borrowing excluding Euro (A)	% of foreign-currency 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%			
)F 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		
	] 0 month; 1 month]	] 1 month; 6 months]	] 6 months; 12 months]	] 1 year; 5 years]	> 5 years	Total
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		
	] 0 month; 1 month]	] 1 month; 6 months]	] 6 months; 12 months]	] 1 year; 5 years]	> 5 years	Total
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 began, 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
	218,034	**46,484**

- 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	13,369	22,140
	1,475,655	**1,371,844**

(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.

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(as from 1 January 2019)

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