WEST AFRICAN DEVELOPMENT BANK (BOAD)

STATUTORY AUDITOR REPORT ON FINANCIAL STATEMENTS

(YEAR ENDED DECEMBER 31, 2017)

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**

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**

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

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**

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.

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.

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.

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.

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.

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

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.

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.

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)**.

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:

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.

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**

[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.

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**

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.)

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:

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 Gross out-standing	Depreciation	Carry-over by OCI	Unreali-zed gains/los ses	Balance sheet value	31/12/2016 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

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.

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**

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**

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:

	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:

	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**

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.

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.

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.

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.

	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.

	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:

	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:

	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)

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:

	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:

	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

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)

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.

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

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.

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)	excluding 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

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:

	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.

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

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

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.

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**

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.