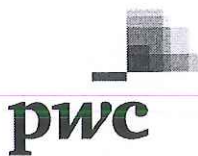


**WEST AFRICAN DEVELOPMENT BANK (BOAD)**

**STATUTORY AUDITOR REPORT ON FINANCIAL  
STATEMENTS**

**(YEAR ENDED DECEMBER 31, 2016)**



West African Development Bank  
(BOAD)  
68, avenue de la libération,  
BP 1172 Lomé, Togo

**STATUTORY AUDITOR REPORT ON FINANCIAL STATEMENTS**  
**(YEAR ENDED DECEMBER 31, 2016)**

***Opinion***

We have audited the financial statements of the West African Development Bank (BOAD), which comprise the statement of financial position as at December 31, 2016, and the comprehensive income statement, statement of changes in equity, statement of cash flow for the year then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

***Basis for Opinion***

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standard Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in jurisdiction, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

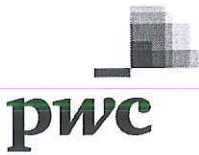
In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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*PricewaterhouseCoopers, SA, Immeuble Alpha 2000, 20e étage, Rue Gourgas, Plateau, 01 B.P. 1361, Abidjan 01, Côte d'Ivoire*  
T: (225) 20 31 54 00, F: (225) 20 31 54 37 / 54 61 / 62, [www.pwc.com](http://www.pwc.com)

Société anonyme d'expertise comptable au capital de FCFA 41 970 000. R.C. n° 45636 Abidjan, Côte d'Ivoire.  
B. Edouard Messou, Associé Expert comptable inscrit au Tableau de l'Ordre.



West African Development Bank (BOAD)  
Statutory auditor report on Financial Statements  
(Year ended December 31, 2016)

---

***Statutory Auditor’s Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Our responsibilities for the audit of the Financial Statements are further described in Appendix 1 of our report.

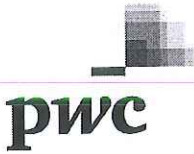
Abidjan, March 22, 2017

Statutory Auditor  
PricewaterhouseCoopers



Didier N'guessan  
Partner





## **APPENDIX 1: STATUTORY AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

This appendix forms an integral part of our auditor's report.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



WEST AFRICAN DEVELOPMENT BANK  
(BOAD)

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

**MARCH 2017**

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

### Comprehensive income statement (in XOF'mln)

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



**Cashflow table (in XOF'mln )**

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

**Variations in equity (in XOF'mln)**

	Capital			Share premium	Reserves						Total
	Subscribed capital	Callable capital	Cost related to deferred paying-up of capital (1)		Reserves transferred for development activities	Other reserves	Revaluation of net liabilities under fixed benefits scheme	Losses or gains resulting from the evaluation of AFS-rated securities by OCI	Appreciation of hedging instruments	Retained earnings	
<b>Equity capital as at 1st January 2015</b>	1,050,550	-786,405	-8,327	2,622	76,050	26	-129	16,442		364,569	715,398
											0
<b>Capital increase</b>	47,200	-35,400									11,800
<b>Results as at 31 December 2015</b>										8,839	8,839
<b>Other comprehensive income</b>							-50	-2,967		0	-3,017
Variations of fair value on AFS rated securities								-2,967		0	-2,967
Revaluation of net liabilities under fixed benefits scheme							-50			0	-50
<b>Other variations</b>			1,127								1,127
<b>Income allocation</b>											0
Transfers											0
<b>Equity capital as at 1st January 2016</b>	1,097,750	-821,805	-7,200	2,622	76,050	26	-179	13,475		373,409	734,148
											0
<b>Capital increase</b>	0	0									0
<b>Results as at 31 December 2016</b>										10,548	10,548
<b>Other variations</b>			1,711							-3,000	-1,289
											0
<b>Other comprehensive income</b>											
Variations of fair value on AFS rated securities								-6,998			-6,998
Revaluation of net liabilities under fixed benefits scheme							-745				-745
Variation in OCI of hedging instruments									-12,864		-12,864
<b>Sub-total OCI</b>							<b>-745</b>	<b>-6,998</b>	<b>-12,864</b>		<b>-20,607</b>
											0
<b>Balance as at 31 December 2016</b>	<b>1,097,750</b>	<b>-821,805</b>	<b>-5,489</b>	<b>2,622</b>	<b>76,050</b>	<b>26</b>	<b>-924</b>	<b>6,477</b>	<b>-12,864</b>	<b>380,957</b>	<b>722,800</b>

## **NOTE 1. ACTIVITY OF BOAD**

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

As an international public institution, BOAD has its headquarters in Lomé (Togo), located at 68, avenue de la Libération, and resident missions in each of the capital cities of the other seven WAEMU member countries.

The Bank's shareholders include WAEMU member countries (Benin, Burkina Faso, Côte d'Ivoire, Guinea Bissau, Mali, Niger, Senegal, Togo) and BCEAO, three European countries (Germany, France and Belgium), as well as the African Development Bank (AfDB). The People's Bank of China and Eximbank of India became shareholders of the Bank in 2004. The Kingdom of Morocco joined the shareholders in 2013.

BOAD became operational in 1976.

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

Under article 44 of the Bank's Articles of Association, income, assets, transactions and operations of the Bank are exempt from direct and indirect taxes. Bonds issued by the Bank or interests accruing thereof are exempt from taxes either by individual governments or collectively by the Union, irrespective of the holder of such bonds.

## **NOTE 2. SUMMARY OF ACCOUNTING PRINCIPLES AND PRACTICES**

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

### **2.01 Declaration of compliance**

Separate financial statements of the West African Development Bank ("the Bank") for the year ended 31 December 2016 and the comparative figures for 2015 have been established in accordance with the international financial reporting standards (IFRS) - including the international accounting standards (IAS) and interpretations- as issued by the IASB (*International Accounting Standards Board*).

### **2.02 Basic financial reporting principles**

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

#### **Continuity of operation**

The financial statements for the year ended 31 December 2016 have been drawn up in accordance with the going concern principle where the Bank has neither the intention nor the need to end or significantly reduce the scope of its activities.

### **Non-compensation of financial assets and liabilities**

The Bank's financial statements are presented according to the principle of compensation of financial assets and liabilities.

### **2.03 Key bases for evaluation**

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

### **2.04 Fair value of financial instruments.**

#### **i. Definition and ranking of fair value**

Fair value is the price at which an asset would be sold or bought to transfer a liability in a normal transaction between market participants at the valuation date.

For purposes of information in the annex on individual accounts, the fair value of financial instruments is presented according to a fair value hierarchy that reflects the importance of the data used for the assessments. The fair value hierarchy consists of the following levels:

**Level 1 (N1):** Instruments valued by price (unadjusted) quoted on active markets for assets or similar liabilities.

Instruments at fair value in the balance sheet, found in this category, include stocks listed on an active market, government bonds or debentures that benefit from external ratings.

A financial instrument is regarded as listed on an active market when market values readily and regularly available from a stock exchange, a broker, a negotiator, a sector of activity, a price evaluator or regulatory agency and those values represent actual and regular ongoing transactions on the market under conditions of normal competition.

Assessing the inactivity of a market is based on indicators such as the significant decrease in the volume of transactions and level of activity on the market, the wide dispersion of available price in time and between different market participants mentioned above or time lapse of the last transactions observed on the market under conditions of normal competition.

Transactions based on situations of forced sales are generally not considered when determining the market price.

**Level 2 (N2):** Fair values estimated from data that are directly or indirectly observable, other than those in level 1.

These data are directly observable (including prices) or indirectly observable (data derived from prices) and generally meet the following characteristics: these are data that are not specific to the entity, but are available / accessible publicly and based on a market consensus.

Level 2 includes:

- Shares and bonds traded on a relevant market as inactive or not listed in an active market and for which the fair value is determined using a method commonly used by stakeholders (such as methods of discounting of future flows), and based on observable market data;
- Instruments traded over-the counter (OTC) for which recovery is made using templates that use data from observable markets, i.e. which can be obtained from several independent internal sources, on a regular basis.

When the models used are based on standard templates and on observable market parameters (such as curve rate or the implicit volatility range), the original margin on valued instruments is found in income upon initiation.

Financial instruments traded in markets considered to be insufficiently active, as well as those traded on OTC markets are presented.

Category N2 includes securities at fair value in the balance sheet which are not directly listed (this may include corporate bonds, mortgage-backed securities, portions of funds). These instruments have maturities corresponding to terms commonly treated in the market and can be simple or have profiles of more complex compensation (for example, barrier options multiple underlying products), with limited complexity. The valuation techniques are based on common and shared methods by key market players.

**Level 3 (N3):** instruments for which data for valuation are not based on observable market data ('unobservable' data).

The determination of the fair value of certain complex market instruments, not traded on an active market, is based on valuation techniques that use assumptions that are not supported by observable market data in the market for the same instrument.

The methods and models for valuation of financial instruments presented in level 2 and level 3 include all factors that market participants use to calculate a price. They must be previously validated by independent control. The determination of the fair values of these instruments, takes into account the liquidity risk and counterparty risk.

## ii. Methods of valuation

For financial instruments measured at fair value on the balance sheet, the fair value is determined primarily on the basis of prices quoted in an active market. These prices may be adjusted, where applicable if they are not available at the balance sheet date or if the value of compensation does not reflect transaction prices.

However, due to the multiplicity of the features of the financial instruments negotiated OTC in capital markets, a large number of financial instruments handled by BOAD are not directly listed on the markets.

The fair value of these products is determined by using the valuation techniques with observable or unobservable data.

## 2.05 Income

Interests on loans are recorded at the actual interest rate.

The actual interest rate is the rate that exactly actualizes the disbursements or future cash receipts over the life of the financial instrument or, where appropriate, a shorter period to obtain the net book value of the asset or financial liability.

Interests and commissions are recognized in the period where they are received. It thus covers accrued interests and commissions not yet due.

## 2.06 Equity security

Investments are considered as financial assets available for sale and as such, the valuation principles used are as follows:

### a) **Initial assessment**

When entering the asset stock, securities are valued at their fair value.

### b) **Further assessment**

During their subsequent evaluation, equity securities are measured at fair value and any change in fair value outside depreciation below standards is entered as "other items of the comprehensive income statement"

The fair value of the securities at the balance sheet date is determined on the basis of the methods of valuation outlined in note 2.04.

### c) **Criteria for depreciation of securities**

Depreciation losses must be recognized when there is an objective indication of impairment resulting from one or more events that occurred after the acquisition of securities other than those classified at fair value by outcome.

For quoted equity instruments, a significant or extended reduction in price below their acquisition cost is an objective indication of impairment. BOAD believes that this is particularly the case for equities which present over 50% losses of the cost of acquisition at the date of closing, as well as for the listed shares in a situation of latent losses during a continuous period of 36 months or more prior to the date of closing.

Other factors, such as for example the financial situation of the issuer or its growth outlook, may lead the Bank to estimate that its investment could not be recovered when even the criteria mentioned above would not be met. An impairment charge is then recorded in the income statement as the difference between the price quoted of the securities at date of closing date and its acquisition cost.

The impairment losses recognized in income related to an equity instrument classified as available for sale are therefore not listed as long as the financial instrument has not been transferred. As an equity instrument is impaired, any additional impairment loss constitutes an additional depreciation. For debt instruments, impairment losses are recognized in profit and loss in case of future appreciation in their value.



The impairment criteria for instruments of unlisted equity are identical to those mentioned above, the value of the instruments at the reporting date is determined based on the valuation methods described in Note 2.04: " Fair value of financial instruments " (p. 6 et seq.).

## **2.07 Receivables from customers**

### a) General principles

Loans from BOAD are denominated in CFA franc (XOF).

Interest and commitment on loans granted to customers are recorded in the period in which they were obtained. Interest that have accrued but not yet due at the balance sheet date are recorded as interest on loans receivable.

Default interest are captured in unpaid installments after a grace period of one month.

The flat commissions are fees charged only once in the project evaluation. They are captured in the income statement by linear spread over the lifespan of the loan. The difference between this method of accounting for these commissions and their integration in the loan TIE is considered non-significant.

The financing arrangement fees are captured as income upon their payment.

### b) Loans to countries

Loans to states are initially recorded at fair value in the balance sheet and measured at amortized cost. These loans receive a subsidy that is consistent with market practice.

### c) Loans to the commercial sector

These loans are stated based on the contract rate corresponding to the market rate.

### d) Provisioning

The Bank's impairment model has two components:

#### ➤ Individual impairment

All receivables are subject to individual impairment when there is objective evidence that an event occurring after the introduction of the loan may generate a measurable loss. Impairment is determined by comparing the present value of future cash flows and the carrying amount. The effect of the impairment update is recorded in banking income.

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

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

Based on these data, the value of flows, discounted at the actual loan interest rate is

calculated while the difference with the book value of the loan is accounted for in cost of risk under the income statement.

Interest on bad debts are depreciated at 100% because the Bank makes the assumption that the cashflow from recovery of these interests is zero.

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

➤ Collective depreciation

Receivables are subject to collective, not individual, depreciation **(i)** and **(ii)** are grouped based on similar credit risks, which indicate the debtor's capacity to repay all amounts due according to the contractual conditions (e.g. based on the assessment of the credit risk or a rating process which takes into account the sector of activity, geographical location, the type of guarantee instrument, the possible delay in payment observed and other relevant factors).

e) Staff loans

Staff loans are granted at a subsidized rate considered as the market rate for staff loans. They are therefore recorded at their nominal value.

## **2.08 Securities**

All securities held by the Bank meet the IAS 39 requirements for IAS 39 on Loans and Receivables. They are classified as "loans and receivables at amortized cost".

These include bonds with fixed or determinable payments that are not listed in an active market.

Depreciation criteria are those that apply to loans and receivables.

These securities are evaluated at amortized cost are valued at amortized cost through the use of a depreciation account, the amount of the loss is captured in the income statement, with a possible recovery in the event of further improvement.

## **2.09 Currency operations**

Transactions in foreign currencies are accounted for on the basis of the exchange rate at the time of the transaction.

Refundable debts in foreign currency are converted at the exchange rate communicated by the BCEAO as at 31 December of each year. Gains and losses resulting from these transactions are recorded in the income statement.

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

## **2.10 Interest on loans**

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

## **2.11 Transactions on share capital and allocations**

### a) Capital

During capital call-up, because a long term payment plan is granted to shareholders, the amount of the capital increase is the discounted original debt amount, and not the amount indicated on the subscription forms.

For the sake of good presentation, the difference is captured in a debtor sub-account of the capital.

### b) Allocations

Member countries make allocations annually to BOAD. BOAD's right to the allocation is established at the request of payment. This application must be made annually and as a result, the allocations are captured annually as income. The allocations are therefore recognized as receivables at the time of annual call for funds, with impact on the year's income under IAS 20.

This accounting helps cover expenses related to development activities, namely studies conducted on final consumption, interest rate subsidies for loans to member countries, and also charges inherent in equity investment, exchange gains and losses.

## **2.12 Subsidies**

Subsidies on fixed assets are recorded on the liabilities side of the balance sheet. These subsidies are amortized at the same rate as the funded capital.

## **2.13 External funds**

These are the funds with external contributions (AFD, IDA, Belgian Assistance Fund, Chinese Fund...).

Expenditure is recorded directly in the debit entry of the Fund created. No cost or income is captured in the Bank's comprehensive income statement.

## **2.14 Investment income at the Central Bank**

Interests paid by the BCEAO in compensation of BOAD's assets invested with it, are captured as 'Interests and related income' for the period in which they were earned.

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

## **2.15 Prefinancing of studies**

Advances for financing of studies granted by BOAD are borne by the borrower where the studies conclude that the projects are viable.

If the studies do not lead to a project, the cost of the advance is charged on expenses for the year (charges related to development activities).

These receivables generate interest which is calculated periodically and recorded as income.

## **2.16 Fixed assets and depreciation**

### a) Value and depreciation period

Capital assets are recorded at their cost of acquisition and are amortized using the straight line method over their useful lives. The forecast residual values are considered null.

The following time frames were used:

Constructions: amortization per component on the following periods:

Land	Non-depreciable
Major works	40 years
Close, open	20 years
Technical lots, layout and designs	15 years
Various facilities	10 years
Office equipment and furniture	3-10 years
Home furniture and equipment	3-10 years
Transport equipment	3 years
Layout and design	3-10 years

### b) Review of the components of amortization and impairment tests

The residual value and useful lives are reviewed periodically and adjusted, if necessary. Assets that are likely to depreciate are reviewed annually to determine whether they have suffered a loss in value. The carrying value of an asset is immediately captured in the recoverable amount if the carrying amount exceeds its estimated recoverable amount. The recoverable amount is the higher amount of fair value of the asset (net of selling costs) and its going concern value.

### c) Intangible assets

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

## **2.17 Pension liability**

The Bank uses the "fixed benefits" system in which the employer agrees to pay specific benefits in the form of pensions or retirement benefits, depending on the employee's length of service and salary.

The net amount of the provision in liabilities is calculated based on the actuarial liability related to the company pension obligations, but less the fair value of plan assets of these commitments.

The Bank does not have assets to cover its pension plan.

The actuarial assumptions used are: discount rate (6.5%), salary increase rate (5%), mortality tables (French table), turnover rate (1%), retirement age (60 years).

Revaluations of the net liability for defined benefit plans are recorded under other items in the comprehensive income.

## **2.18 Principles of the cashflow table**

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

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

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

Inflows from operating activities are presented using the indirect method whereby the result is adjusted for the effects of non-cash transactions, any deferrals or accruals of past entries or past/future operational cash payments and income or expenditure items related to the cashflows for investments or financing.

Cashflows related to investing and financing activities are presented separately according to major categories of inputs and gross cash outflows from investing and financing activities.

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

## **2.19 Critical accounting judgments and key sources of uncertainty for estimates**

The preparation of financial statements in accordance with IFRS requires that Management provides estimates, assumptions and judgments that affect the value of assets, liabilities, income and expenditure. Estimates and judgments are continually evaluated and take into consideration experience and other factors, including expectations of future events deemed reasonable under the current circumstances.

The most significant judgments and estimates are summarized below:

### **a) Key judgments**

The Bank's accounting policy requires that assets and liabilities be recorded at inception into different accounting categories. This decision requires significant detailed judgment in the following categories:

- the classification and evaluation of financial assets under IAS 39 (loans and receivables, equity securities and investment portfolio).
- the Bank's review of IFRS 10 provisions, in order to determine whether there are entities it controls and which could be consolidated (**see note 6**).

## b) Key estimates

The Bank also uses the following estimates for its separate financial statements:

*Evaluation of fair value of equity securities:* at each reporting date, the Bank reviews its portfolio to assess its fair value based on available financial information or stock prices and proceeds to estimate changes in fair value and/or amount of impairments necessary (see **Note 2.06**).

*Impairment of loans and advances:* the Bank also reviews its debt portfolio and assesses first whether there is objective evidence of impairment of loans taken individually (see **Note 2.07**).

*Pension benefits:* the present value of pension obligations is sensitive to financial and actuarial assumptions including the discount rate. At the end of each year, the Bank determines the appropriate discount rate to be used to determine the fair value of future pension liabilities estimated on the basis of interest rate obligations of member countries of the Union (see **Note 2.17**).

### 2.20 Functional currency

The functional currency of the Bank is the African Financial Community Franc (FCFA/XOF). It is also its reporting currency.

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

### 2.21 Events after closing

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

If these are events that occurred after the date of closing of the accounts but require disclosure, the balance sheet, income statement, cashflow table and the table of changes in equity are not adjusted. The nature and potential impact of these events are captured in Note 27 below.

### 2.22 Approval of accounts

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

## **NOTE 3 - EFFECTS OF NEW OR REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS**

The standards and interpretations contained in the Bank's financial statements as at 31 December 2015 were supplemented by provisions of the new standards and interpretations for the 2016 financial year. These include:



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

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

Moreover, when the early application of standards and interpretations published by IASB is optional over a period, the option is not used by the Bank, unless otherwise specified. Thus, the standards and interpretations issued but not yet in force could have an impact on the financial statements of the Bank for their entry into force. This is with regard to:

- The new version of IFRS 9 "Financial Instruments", published in July 2014, which is applicable to financial years beginning on or after 1 January 2018. It was not applied in advance in preparing these financial statements.
- IFRS 15: Revenue from contracts with customers whose entry into force is scheduled for 1 January 2018;
- IFRS 16 "Leases" which came into force on 1 January 2019;
- Amendment to IAS 7 "initiative on the information required "which will come into effect on 1 January 2017;
- Amendment to IAS 40 "Investment property";
- Amendment to IFRS 15 "Clarification" that will take effect on 1 January 2018;
- Amendment to IFRS 4 "Application of IFRS 9 and IFRS 4" which will come into force on 1 January 2018;
- Annual improvements to IFRS 2014-2016 cycle modifying the following standards: IFRS 12, IAS 28 and IFRS 1;
- IFRIC 22 interpretation "Foreign currency transactions and payment of advance considerations "

#### **NOTE 4. CASH AND CASH EQUIVALENTS**

Cash includes cash on hand and demand deposits.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. They are held in order to meet the short-term (operational and functional) cash commitments rather than for investments or other purposes.

Cash and cash equivalents include the following items:

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

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

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

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

(a) Short-term bank deposits include:

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

## **NOTE 5. LOANS AND RECEIVABLES**

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

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

Interbank receivables include interbank deposits and loans of over 3 months and related interests. As at 31 December 2016, all these receivables were due in less than a year.

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

#### 5.1 The Bank's loan portfolio includes loans granted to:

- Non-commercial public sector
- Commercial public sector
- Private sector
- Energy sector

All the Bank's loans are granted at fixed rates.

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

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

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

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

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

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

Gross outstanding loans include XOF93,041 million corresponding to the value of energy sector loans granted to states. In 2014, the WAEMU Council of Ministers decided to allocate an initial grant of XOF250 billion to BOAD's FDE. The implementation of this decision led to the transfer of these loans to BOAD.

BOAD's interest rate terms for the non-commercial energy sector are equivalent to those applied by the FDE, which correspond to the market conditions.

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

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

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

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

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

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

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

## 5.2 The breakdown of the securities portfolio as follows:

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

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

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

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

## **NOTE 6. EQUITY INVESTMENTS**

Equity participations were done in accordance with Section 2 of Bank's statutes, which provides, that (i) "the Bank shall contribute to funding by equity participation, granting of loans..." and (ii) section 30, which provides that the Bank "shall constitute or participate in raising the capital of institutions or companies". The set objective is to enable the Bank to strengthen its equity capital and expertise of businesses operating in the Union.

As part of this mission and implementation of this strategy, BOAD intervened in all the member countries of the Union by taking part in the shareholding of several companies. These actions benefitted companies in the financial sector (banks, financial institutions) as well as non-financial sector businesses (energy, telecommunications, hospitality, airlines, etc.).

The Bank's new strategy adopted in 2010 for equity investments is as follows:

- **Objective:** to complete the Bank's development agenda while placing more emphasis on its financial viability in accordance with the strategic orientations of the Bank.
- **Sectors of activity:** all sectors that are eligible for funding from the Bank.
- **Modes of intervention :** when entering a transaction, the Bank must be sufficiently clear on the terms and conditions of exit, when the time comes. Equity securities may be transferred as quoted shares and under the most suitable conditions for unquoted shares.
- **Position on governing bodies :** every equity investment by the Bank is conditioned on the allocation of a position on the entity's governing board (board of directors, supervisory board, credit or investment committee, etc.)

In addition to the new equity investment strategy, BOAD has taken appropriate measures to (i) adapt to the changing trends and requirements of the WAMU financial sector (raising the minimum capital of banks and financial institutions) and (ii) take into account the special nature of the agricultural sector in terms of its importance in the economies of the countries in the Union.

### **6.1- Intervention limits for equity investments**

The maximum commitment of the Bank in the form of equity investment is limited, per operation and per Borrower, to five percent (5%) of the Bank's tier 1 capital, for projects other than those by national financial institutions (NFIs) and organizations involved in the promotion of SMEs, privatization projects, regional projects and key sectors such as mining and energy, not more than twenty five percent (25%) of the company's share capital.



This intervention limit is 10% of the Bank's tier 1 capital for projects undertaken by National Financial institutions (NFIs) and organizations that promote SMEs, privatization projects, regional projects and those in the mining and energy sectors with amounts not exceeding twenty-five percent (25%) of the company's share capital.

The limit in terms of total volume of the Bank's equity participation is set at 50% of the Bank's tier 1 capital. However, for entities in which BOAD is a major promoter, the capital of the company may be held temporarily at one hundred percent (100%); while the Bank must aim at bringing its percentage share to fifty-one percent (51%) within a reasonable period and with a clear exit strategy.

All equity investments must be considered available for transfer. Such investments will also be evaluated at the fair value, while any variation at the fair value shall be calculated as "Other comprehensive income (OCI)". The depreciation criteria are provided in Note 2.06.

**6.2-** Equity investments indicated in the financial statement have to do with the following institutions:

Country	Securities	as % of share	31/12/2016					31/12/2015				
			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			71	173	103	-	-	70	172
BN	FOAI	21.4%	2,500			1,105	3,605	2,500	-	-	1,140	3,640
TG	CAURIS CROISSANCE	49.6%	1,341			591	1,931	1,341	-	-	58	1,399
SN	BNDE	9.1%	1,000			1,585	2,585	1,000	-	-	1,556	2,556
h-uemoa	CAURIS CROISSANCE II	17.7%	4,430			688	3,742	4,888	-	-	1,104	3,784
TG	GARI S. A.	11.6%	1,500			1,176	2,676	1,500	-	-	808	2,308
MA	BDM Mali	16.0%	600			9,625	10,225	600	-	-	2,891	3,491
BN	BOA Bénin	2.4%	98			1,612	1,710	98	-	-	1,309	1,407
NG	SONIBANK Niger	9.0%	1,082			2,134	3,215	1,082	-	-	2,046	3,127
CI	BHCI Côte d'Ivoire	2.2%	150	79	79	50	101	150	79	-	68	3
NG	BOA Niger	6.9%	165			1,708	1,873	165	-	-	1,542	1,707
TG	BIA Togo	5.7%	392			184	576	392	-	-	276	668
BN	African Investment Bank (AIB) (1)		250	250			-	250	250	-	-	-
h-uemoa	Afreximbank	0.4%	2,500			415	2,915	2,500	-	-	1,417	3,917
SN	Banque Régionale de Marché (BRM)	4.8%	400			868	1,268	400	-	-	836	1,236
CI	BRIDGE BANK Côte d'Ivoire	3.5%	-	193	193	-	-	300	193	193	142	442
BF	Banque de l'Habitat du BF	4.0%	200			540	740	200	-	-	45	245
CI	BRVM	9.1%	56			573	629	56	-	-	56	112
CI	DC/BR (BRVM)	9.0%	140			261	401	140	-	-	234	374
TG	CICA RE	3.3%	999	219	219	193	1,192	999	219	219	374	1,373
MA	MANDE Hotel	16.7%	50	12	12	232	282	50	12	-	14	24
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			967	1,551	584	-	-	736	1,320
BN	COTEB (1)		272	272			-	272	272	-	-	-
	Total à reporter		21,412	3,625	503	23,103	41,393	22,169	3,625	412	14,351	33,307

Countries	Securities	as % of sh	31/12/2016					31/12/2015				
			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
	Carry-over		21,412	3,625	503	23,103	41,393	22,169	3,625	412	14,351	33,307
TG	ASKY (former SPCAR)	17.8%	5,990	2,128	2,128	5,444	546	5,990	2,128	2,128	-	5,990
SN	SCIE	18.9%	130	130			-	130	130	-	-	-
CI	RASCOM	7.1%	1,600			325	1,925	1,600	-	-	338	1,262
h-uemoa	PROPARCO	0.7%	3,420			523	3,943	3,420	-	-	775	4,195
TG	BOAD-Titrisation	100.0%	500			69	431	500	-	-	28	472
h-uemoa	GEO COTON	9.3%	-			-	-	2,242	-	-	2,417	4,659
TG	CRRH-UEMOA	12.9%	1,543			590	953	750	-	-	154	904
h-uemoa	Fonds Agricole pour l'Afrique (FAA)	2.5%	2,425			363	2,788	2,404	-	-	458	1,946
TG	ORAGROUP	2.8%	2,000			253	1,747	2,000	-	-	599	1,401
BF	Burkina Bail	15.0%	689			25	714	689	-	-	1	690
SN	CNCAS	10.1%	1,573			270	1,843	1,573	-	-	1,204	2,777
BF	CORIS BANK	4.3%	1,997			782	1,997	1,997	-	-	327	2,324
CI	Nouvelle BRS CI/ORA Bank CI	45.4%	16,995			10,454	6,541	16,995	-	-	6,600	10,395
CI	Banque de l'Union Côte d'Ivoire (BDU-CI)	13.8%	1,100			171	929	1,100	-	-	-	1,100
BF	Banque de l'Union Burkina Faso (BDU-BF)	20.0%	1,100			192	908	1,100	-	-	-	1,100
h-uemoa	FEFISOL	8.2%	1,312			4	1,316	1,075	-	-	79	996
Kenya	FAER	7.6%	2,651			484	2,166	1,947	-	-	192	1,755
BF	AMETHIS WEST AFRICAN (AWA)	16.4%	1,259			261	998	850	-	-	-	850
CI	Air Côte d'Ivoire	7.9%	3,500			3,500	-	2,000	-	-	-	2,000
CI	RASCOM STAR QAF		4,360	4,360			-	4,360	4,360	-	-	
h-uemoa	Investisseurs & Partenaires/ Développement (IPDEV2)	24.0%	308			132	176					
	<b>Total gross values</b>		<b>75,864</b>	<b>10,243</b>	<b>2,631</b>	<b>3,845</b>	<b>72,097</b>	<b>74,891</b>	<b>10,243</b>	<b>2,540</b>	<b>10,935</b>	<b>78,123</b>
	<b>Net depreciations</b>				<b>7,612</b>					<b>7,703</b>		
	Variation in fair value of AFS through comprehensive income		6,998					2,967				
	Gains and losses recognized directly as equity from financial assets available for sale (1)		6,476					13,475				
	(1) Securities depreciated at 100%											

NB: The change in fair value of securities classified into OIC in the table above (XOF-6,998 million) is determined in accordance with Notes 2.04 and 2.06

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

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

**6.3 Variations in gross participation are as follows :**

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

#### **NOTE 7. OTHER ASSETS**

The following items are included in other assets:

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

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

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

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

**NOTE 8. TANGIBLE ASSETS**

The summary of tangible assets is as follows:

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

The annual amortization of expenditure are indicated in the income statement under the 'Depreciation' column of general operating expenses.

The breakdown by category of tangible assets is shown in the table below:

	Lands	Buildings	Properties under construction	Fittings and fixtures	Equipment held under finance lease	Total
<b>Cost of acquisition</b>						
<b>Balance as at 1st January 2015</b>	<b>981</b>	<b>14,319</b>	<b>133</b>	<b>9,243</b>	-	<b>24,676</b>
Acquisitions	-	-	279	581	-	860
Transfers	-	-	316	316	-	-
Disposals				227		227
Revaluation acquisitions						-
Other revaluations						-
<b>Balance as at 1st January 2016</b>	<b>981</b>	<b>14,319</b>	<b>96</b>	<b>9,914</b>	-	<b>25,310</b>
Acquisitions	-	-	602	363	-	965
Transfers	-	-	354	354	-	-
Sales				56		56
<b>Balance as at 31 December 2016</b>	<b>981</b>	<b>14,319</b>	<b>344</b>	<b>10,576</b>	-	<b>26,219</b>
						-
Cumulative amortizations and disposals						-
<b>Balance as at 1st January 2015</b>	-	<b>8,117</b>	-	<b>8,537</b>	-	<b>16,654</b>
Amortization charges		340	-	636	-	977
Reversals of depreciation (disposals)		-	-	225	-	225
Impairment losses recognized during the period	-					-
Reversals of depreciation	-					-
<b>Balance as at 1st January 2016</b>	-	<b>8,457</b>	-	<b>8,948</b>	-	<b>17,405</b>
Charges d'amortissement		337	-	648		985
Reversals of amortization (disposals cessions)		-	-	50		50
Impairment losses recognized during the period	-					-
<b>Balance as at 31 December 2016</b>	-	<b>8,794</b>	-	<b>9,546</b>	-	<b>18,340</b>
<b>Net value of tangible assets as at 31 December 2016</b>						<b>7,879</b>

## NOTE 9. INTANGIBLE ASSETS

Intangible assets include only software. These will be amortized on a straight line over a period of 3 to 5 years Their values are as follows:

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

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

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

## NOTE 10. LIABILITIES AT AMORTIZED COST

Liabilities at amortized cost consist of loans by the Bank and receivables attached to them (accrued interest and commissions). These include interbank debts, debts represented by securities or other debts.

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

Debts evidenced by a security equate to the outstanding debt securities issued by BOAD,

Other liabilities include BOAD's loans from its partners such as AFD, EIB, PROPARCO, DEG, AfDB, etc. All these borrowings are at fixed rates.

Details of this item, as at 31 December 2016 and 31 December 2015, are as follows (in XOF'mln):

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

Under Section 7 of its statutes, the amount of the Bank's callable capital shall be used as guarantee for loans it may incur.

Moreover, under Article 37 of the statutes, the WAMU Council of Ministers decided to limit the Bank's total outstanding borrowings, at any time, to three times its equity. As at 31 December 2016, the Bank's outstanding borrowings represented 224% of its equity capital out of the regulatory limit of 300%.

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

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



Maturity of liabilities at amortized cost presented as follows:

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

#### **NOTE 11. OTHER LIABILITIES**

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

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

Other liabilities are debts with maturities less than one year.

## NOTE 12. PROVISIONS

The provisions are analyzed as follows:

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

### 12.1. Liabilities under the fixed benefits scheme

This item covers the amount of liabilities under benefit plans for severance payments upon retirement. This plan provides for payment of a lump sum equal to the last monthly salary multiplied by the number of years of service. Such benefits are paid directly by the Bank to the beneficiary.

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

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

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

Services provided	0	0
Payments	0	0
<b>Closing balance</b>	<b>0</b>	<b>0</b>

**Net assets/liabilities recognized in the balance sheet**

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

**Total cost**

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

Financial cost	392,854	380,818
Interests	<u>0</u>	<u>0</u>
<b>Net interest on net income</b>	<b>392,854</b>	<b>380,818</b>

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

<b>Total cost</b>	<b>1,524,807</b>	<b>757,649</b>
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The cumulative actuarial difference recorded in the income and expenditure statement	2,032,804	1,287,489
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**Main actuarial assumptions**

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

**Sensitivity analysis**

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

**Reconciliation of net liabilities recognized**

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

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

**12.2. Other provisions**

Other components of the item include:

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

**NOTE 13- EQUITY CAPITAL**

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

The item on "cost related to the deferred paying-up of capital" refers to the difference between the nominal amount of the unpaid called-up capital and the discounted amount following the capital payment schedule.

Reserves related to development activities comprise funds initially set up by the Bank to guard against exchange rate fluctuations, either to achieve its development objectives (financing of studies, interest subsidy) which, during the transition to IFRS in 2010, were recorded as reserves because they do not constitute an obligation for the Bank.

The Bank's capital is divided into shares at a face value equal to XOF50,000,000.

The Bank's capital is divided between the two categories of shareholders: category A shareholders are member countries of the WAEMU and the BCEAO, while category B shareholders include non-regional shareholders.

The table below outlines the Bank's capital structure as at 31 December 2016 in nominal value and share distribution. Each share confers the same rights and duties on its holder.

SHAREHOLDERS	SUBSCRIBED CAPITAL	%	Number of shares	CALLED-UP CAPITAL	PAID-IN CAPITAL	CAPITAL TO BE PAID-IN	CALLABLE CAPITAL
	(1)=(2)+(5)			(2)=(3)+(4)	(3)	(4)	(5)
<b>CATEGORY A</b>							
BENIN	64,650	5.89	1,293	16,163	10,768	5,395	48,487
BURKINA	64,650	5.89	1,293	16,163	10,768	5,395	48,487
COTE D'IVOIRE	64,650	5.89	1,293	16,163	10,768	5,395	48,487
GUINEA BISSAU	64,650	5.89	1,293	16,163	6,385	9,778	48,487
MALI	58,750	5.35	1,175	14,688	10,768	3,920	44,062
NIGER	64,650	5.89	1,293	16,163	10,768	5,395	48,487
SENEGAL	64,650	5.89	1,293	16,163	10,768	5,395	48,487
TOGO	64,650	5.89	1,293	16,163	10,768	5,395	48,487
BCEAO	517,200	47.11	10,344	129,304	86,144	43,160	387,896
	<b>1,028,500</b>	<b>93.69</b>	<b>20,570</b>	<b>257,133</b>	<b>167,905</b>	<b>89,228</b>	<b>771,367</b>
<b>CATEGORY B</b>							
France	38,400	3.50	768	9,600	7,040	2,560	28,800
Germany	2,000	0.18	40	2,000	2,000	-	-
Belgium (1)	5,600	0.51	112	1,400	1,400	-	4,200
EIB	4,000	0.36	80	1,000	1,000	-	3,000
AfDB	6,000	0.55	120	1,500	1,043	457	4,500
EXIM BANK OF INDIA	750	0.07	15	188	137	50	563
CHINA	12,000	1.09	240	3,000	2,200	800	9,000
MOROCCO	500	0.05	10	125	119	6	375
	<b>69,250</b>	<b>6.31</b>	<b>1,385</b>	<b>18,813</b>	<b>14,940</b>	<b>3,873</b>	<b>50,438</b>
	<b>1,097,750</b>	<b>100.00</b>	<b>21,955</b>	<b>275,946</b>	<b>182,845</b>	<b>93,100</b>	<b>821,805</b>
<b>UNSUBSCRIBED CAPITAL</b>	<b>57,250</b>		<b>1,145</b>				
<b>AUTHORIZED CAPITAL</b>	<b>1,155,000</b>		<b>23,100</b>				

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

Moreover, the Bank's equity as at 31 December 2016 and 31 December 2015 was as follows :

Items	31/12/2016	31/12/2015
Balance sheet equity	722,800	734,149
Unpaid called-up capital adjusted of the deferred	- 87,611	- 95,056
Issue premium (unpaid portion)	- 1,852	- 1,852
Allocations to member countries (unpaid portion)	- 5,029	- 5,029
Reserve for cashflow coverage	12,864	-
Fair value reserve on equity investment	- 6,477	- 13,475
<b>Actual equity</b>	<b>634,693</b>	<b>618,736</b>
Tangible and intangible assets	8,598	8,783
<b>Core Tier 1 capital</b>	<b>626,095</b>	<b>609,953</b>

#### **NOTE 14 – INTERESTS AND RELATED INCOMES**

Details of this item are as follows:

##### **Interests and related incomes**

	31/12/2016	31/12/2015
Interests and related income/ interbank loans	6,499	2,896
Interest on loans to customers	74,296	66,270
Interest on staff loans	181	162
Interest on securities portfolio	4,792	1,106
Commission on loan commitments	1,442	1,733
<b>Total</b>	<b>87,210</b>	<b>72,167</b>

##### **Interests and related charges**

	31/12/2016	31/12/2015
Interest charges on debts represented by a security	44,230	28,363
Interest charges on other debts	14,539	12,013
Income/investments paid back	723	265
Commissions/commitments received	242	352
	<b>59,734</b>	<b>40,993</b>

**NOTE 15 – COMMISSIONS****Commissions (income)**

This item refers mainly to commissions received on financial advisory services and arrangements as well as operational loans.

	<u>31/12/2016</u>	<u>31/12/2015</u>
Commission obtained as processing fees	896	938
GARI Commission guarantees	106	61
Other flat commissions	525	100
Commission on guarantees/bond issues	325	500
Commission on financial arrangements and services	1,984	3,913
	<u><b>3,836</b></u>	<u><b>5,512</b></u>

**Commissions (expenses)**

This item includes commissions paid on loans and debentures.

	<u>31/12/2016</u>	<u>31/12/2015</u>
Other charges/debts represented by securities	519	625
Other fees on borrowings	1 844	621
	<u><b>2,363</b></u>	<u><b>1 246</b></u>

**NOTE 16 – EXCHANGE RISK AND HEDGING INSTRUMENTS**

This item records the impact on the income statement from the valuation of the bank's foreign currency debt (excluding euros) with various financial partners.

The impact as at 31 December 2016, is as follows:

	<u>31/12/2016</u>	<u>31/12/2015</u>
Exchange gain consumed	52	9
Potential exchange gain	-	3
Sub-total for exchange gain (A)	<u>52</u>	<u>12</u>
Exchange loss consumed	- 100	- 307
Potential exchange loss	- 32,625	- 4,813
Sub-total exchange loss (B)	<u>32,725</u>	<u>- 5,120</u>
<b>Net exchange loss of C = (A) + (B)</b>	<u><b>- 32,673</b></u>	<u><b>- 5,108</b></u>
<b>Loss/profit on hedging instruments</b>	<u><b>34,271</b></u>	<u><b>-247</b></u>
<b>Net profit/loss on currency transactions</b>	<u><b>1,598</b></u>	<u><b>-5,355</b></u>

To hedge against fluctuations in these currencies, the Bank signed a hedging agreement against the currency risk on its borrowings in SDRs and dollars. Through these agreements, the Bank has hedged 100% of its foreign currency debt excluding euros (fluctuating currencies).

The valuation of these hedging instruments as at 31 December 2016 recorded a profit of XOF32,271 million, which was also recorded in the Bank's balance sheet.



**NOTE 17 – DIVIDENDS RECEIVED**

This item includes dividends on the Bank's equity investments in various companies.

	<b>31/12/2016</b>	<b>31/12/2015</b>
Dividends from BTD		-
Dividends from BRVM	182	168
Dividends from BOA Bénin	192	197
Dividends from CIPREL	194	100
Dividends from BOA NG	348	225
Dividends from BDM-SA	844	606
Dividends from BHBF	-	18
Dividends from AFREXIM Bank	87	-
Dividends from SONIBANK	250	284
Dividends from PROPARCO	-	66
Dividends from BIA-TG	-	35
Dividends from Cauris Croissance II	819	226
Dividends from SICAV Abdou Diouf	110	94
Dividends from BRM	136	120
Dividends from CICA-RE	33	27
Dividends from Bridge Bank CI	75	75
Dividends from Coris Bank Internatan	312	288
	<b>3,583</b>	<b>2,529</b>

**NOTE 18 – COST OF RISK**

	31/12/2016	31/12/2015
Write-back of depreciations on receivables from clients	5,018	2,758
Depreciation on receivables from clients	-10,160	-8,069
Bad debts covered by depreciations	-875	-1,225
Depreciation on other asset components		-429
	<b>- 6,017</b>	<b>-6,964</b>

**NOTE 19 – COSTS RELATED TO DEVELOPMENT ACTIVITIES**

This item includes charges related to the development activities of BOAD, including subsidies for non-market projects.

	<u>30/12/2016</u>	<u>31/12/2015</u>
Interest subsidy	<u>1,627</u>	<u>1,530</u>
	<u>1,627</u>	<u>1,530</u>

## NOTE 20 – GENERAL OPERATING EXPENDITURE

The Bank's general operating expenditure are as follows:

	31/12/2016	31/12/2015
Staff overheads	11,086	11,226
Amortizations	1,201	1,187
Other operating costs	7,040	6,983
Total	<u>19,326</u>	<u>19,395</u>

## NOTE 21- FINANCIAL RISK MANAGEMENT

BOAD has adopted and put in place processes and mechanisms to quantify, monitor and control its measurable risks (credit, market, liquidity and operational risks) adapted to its activities, resources and its organization and integrated into its internal control framework. The main categories of risk are monitored by special committees (Commitments committee, ALM Committee, etc.). These risk categories include those covered under IFRS 7 and also under the Bank's operational risks.

### 1. CREDIT RISK

Credit risk is the inability or the unwillingness of certain counterparties to fulfill their financial commitments it is the potential financial loss resulting from the failure of one or several borrowers/debtors. Credit risk is the main source of risk for the Bank and stems essentially from its lending and investment operations.

Credit risk management is based on standards and procedures, management tools, rating systems, provisioning and risk hedging policy risks and close monitoring mechanism.

The overall organization of credit risk management is characterized by:

- A well-structured awards framework, based on a clear separation between the business lines and the commitment lines (notice of second opinion), which allows for an objective double check;
- Commitment limits fixed in proportion to tier 1 capital and approved by the Bank's decision-making bodies;
- An internal rating system based on **(i)** a set of characteristics of the customer (natural or legal person) and **(ii)** historical data of the customer's behaviour;
- A depreciation (provisioning) policy based on IAS/IFRS standards.

The Bank has clearly defined limits and procedures to enable it to streamline, measure and manage the risks, and also formalize aggregate limits for its commitments per sector and operational limits (counterparties/related counterparties).

The Bank's maximum exposure (balance sheet and off-balance sheet) to credit risk prior to the consideration of the guarantees received for 2016 and 2015 is as follows:

	<b>2016</b>	<b>2015</b>
Interbank debts	33,421	33,421
Customer receivables and commitments	3,010,803	2,712,772
Securities portfolio	171,437	15,227
Shareholders' receivables	98,307	105,420
Equity investments	93,755	103,564
Derivative assets	21,161	-
Other amounts receivable	16,608	14,870

## **1.1- Intervention limits for credit risks**

### **1.1.1- For the public sector**

- a. The risk limit per transaction, in the form of loans granted by BOAD, is set at ten percent (10%) of its tier 1 capital, which corresponds to the paid-up capital + net reserves and related fund net of non-value items.
- b. BOAD's level of commitment per public sector borrower (all operations included), is limited to one hundred percent (100%) of the Bank's tier 1 capital for member countries and fifty percent (50%) of its tier 1 capital for commercial public sector businesses.

### **1.1.2- For the private sector**

- a. The maximum risk limit per transaction, in the form of direct loans by BOAD, other than national financial institutions (NFI), organizations that support SMEs, privatization projects, regional projects and those in the mining and energy sectors), shall be ten percent (10%) of the Bank's tier 1 capital whereas the loan amount shall not exceed fifty percent (50%) of the total cost of the project (excluding taxes).
- b. A ceiling per transaction of fifteen percent (15%) of the Bank's tier 1 capital is set for its indirect financing through national financial institutions (NFIs) and organizations that support SMEs as well as its direct loans to privatization projects, regional projects and projects in the mining and energy sectors.

- c. The level of BOAD's commitment per private sector borrower (all operations combined) is limited to fifteen percent (15%) of the Bank's tier 1 capital, except for national financial institutions (NFIs) and organizations that support SMEs, privatization projects, regional projects as well as projects in the mining and energy sector for which the limit is twenty percent (20%)

Furthermore, with regard to the division of risks between the public and private sectors, the overall volume of risk for each transaction is twenty five percent (25%) of BOAD's tier 1 capital and is limited to ten (10) times the Bank's tier 1 capital.

#### 1.1.3- Financing operations per signature and short-term financing

- a. The financing commitment limited per signature (loan guarantee and short-term financing per signature) is set at fifteen percent (15%) of the Bank's tier 1 capital, per transaction and per borrower.
- b. The commitment limit by transaction and per borrower of short-term cash is set at ten percent (10%) of the Bank's tier 1 capital.
- c. The commitment limit in terms of overall volume for financing operations (a) per borrower and (b) short-term cash financing, shall be fifty percent (50%) of the Bank's tier 1 capital.

#### 1.1.4- Limit on loans per sector or activity

The dominant sectors include: **(i)** telecommunications (telephony, Internet, call centre); **(ii)** water and energy (water, electricity, gas, oil); **(iii)** market infrastructure (port, airport, railway and bus stations); **(iv)** extractive industries (cement and mining); **(v)** hospitality and other services; **(vi)** agribusiness and **(vii)** NFIs.

The total level of commitment in any one of the dominant sectors above, must not at any time exceed one hundred percent (100%) of the Bank's tier 1 capital, (all countries of intervention included). However, for national financial institutions (NFIs) and the water and energy sectors, this limit is set at one hundred and fifty percent (150%) of the Bank's tier 1 capital.

#### 1.1.5- Limit per country

With regard to intervention limits per country, BOAD cannot commit more than twice (2x) its tier 1 capital (all operations combined).

The intervention limits as indicated shall constitute the ceiling for the Bank unless a justification is established. Loan applications are reviewed on a case-by-case basis.

Outstanding loans per country as at 31 December 2016 and 31 December 2015 is broken down as follows:

COUNTRY	AS AT 31/12/2016						AS AT 31/12/2015					
	FDC	FDE	PSCM	Private	Commercial public	Total	FDC	FDE	PSCM	Private	Commercial public	Total
BENIN	81,372	4,796	39,130	23,556	34,683	183,537	63,349	366	31,077	23,810	29,343	147,945
BURKINA FASO	75,950	20,000	8,618	17,738	24,818	147,124	87,988	20,000	5,449	21,546	26,404	161,387
CÔTE D'IVOIRE	54,494	21,483	20,828	92,249	44,881	233,934	48,081	14,506	14,360	107,050	17,953	201,950
GUINEA BISSAU	49,497	296	13,794	-	-	63,587	42,213	296	12,550	-	-	55,059
MALI	84,293	6,613	16,870	30,513	27,257	165,545	75,175	4,511	2,192	21,838	32,322	136,038
NIGER	94,863	26,855	81,608	25,287	2,699	231,313	95,215	23,963	66,582	22,749	4,158	212,667
SENEGAL	84,360	10,455	23,298	65,721	50,507	234,341	76,574	9,342	15,556	61,037	49,861	212,370
TOGO	110,095	2,543	94,861	54,787	19,920	282,207	101,740	1,270	81,274	21,543	18,139	223,966
<b>TOTAL</b>	<b>634,924</b>	<b>93,041</b>	<b>299,007</b>	<b>309,851</b>	<b>204,765</b>	<b>1,541,588</b>	<b>590,335</b>	<b>74,255</b>	<b>229,041</b>	<b>279,573</b>	<b>178,180</b>	<b>1,351,383</b>

Moreover, outstanding commercial loans (private and public commercial) per sector of activity is broken down as follows as at 31 December 2016:

ITEMS	31/12/2016	31/12/2015
Agribusiness	35,999	38,339
Banks & financial institutions	85,977	57,003
Water & energy	187,220	171,217
Hospitality	22,006	19,309
Extractive industries	39,208	43,115
market infrastructure	125,934	114,623
Telecommunications	18,272	14,148
<b>TOTAL</b>	<b>514,616</b>	<b>457,753</b>

## 1.2- Schedule of the financial instruments by category

The following table shows the classification of the assets and liabilities of the Bank as well as their fair value as at 31 December 2016.

	Financial assets and		Fair value through OCI	Financial assets and liabilities at amortized	Total amount of book value	Total amount of fair value
	Absolutely at fair value	Designated at fair value				
- Cash and cash equivalents				284,921	284,921	284,921
- Interbank debts				33,421	33,421	33,421
- Securities portfolio				171,437	171,437	171,437
- Customer receivables				1,556,807	1,556,807	1,556,807
- Shareholders' debts				98,307	98,307	98,307
- Equity investments		68,252	3,845	-	72,097	72,097
- Derivative assets	21,161			-	21,161	21,161
- Amounts receivable				16,608	16,608	16,608
<b>Total amount of financial assets</b>	<b>21,161</b>	<b>68,252</b>	<b>3,845</b>	<b>2,161,500</b>	<b>2,254,758</b>	<b>2,254,758</b>
Borrowings				1,466,600	1,466,600	1,466,600
Derivative liabilities				-	-	-
Payable amount				74,048	74,048	74,048
<b>Total amount of financial liabilities</b>				<b>1,540,648</b>	<b>1,540,648</b>	<b>1,540,648</b>

The classification of assets and liabilities as at 31 December 2015 as follows:

	Financial assets and liabilities through profit		Fair value through OCI	Financial assets and liabilities at amortized cost	Total amount of book value	Total amount of fair value
	Absolutely at fair value	Designated at fair value				
- Cash and cash equivalents				194,317	194,317	194,317
- Interbank debts				530	530	530
- Securities portfolio				15,227	15,227	15,227
- Customer receivables				1,366,370	1,366,370	1,366,370
- Shareholders' debts				105,420	105,420	105,420
- Equity investments		67,188	10,935		78,123	78,123
- Derivative assets	247				247	247
- Amounts receivable				14,623	14,623	14,623
<b>Total amount of financial assets</b>	<b>247</b>	<b>67,188</b>	<b>10,935</b>	<b>1,696,487</b>	<b>1,774,857</b>	<b>1,774,857</b>
Borrowings				1,015,058	1,015,058	1,015,058
Derivative liabilities				-	-	-
Payable amount				34,433	34,433	34,433
<b>Total amount of financial liabilities</b>				<b>1,049,491</b>	<b>1,049,491</b>	<b>1,049,491</b>

The table below classifies financial instruments carried at fair value:

	Active market prices (level 1)		Evaluation techniques, of which all critical data are based on observable market data (level 2)		Evaluation techniques, of which all critical data are not based on observable market data (level 3)		Total amount	
	2016	2015	2016	2015	2016	2015	2016	2015
	Derivative assets	21,161						21,161
Equity securities	1,710	1,407			70,387	76,716	72,097	78,123
							-	-
<b>Total amount of financial assets</b>	<b>22,871</b>	<b>1,407</b>					<b>93,258</b>	<b>78,123</b>
<b>Total amount of financial liabilities</b>								

### 1.3- Description of the internal portfolio rating system

All entities that have received loans from the Bank undergo rating, at least once a year. The credit risk evaluation is measured on an 8 point internal scale for better differentiation among the debtors.

BOAD's rating tool is thus based on an 8 point rating scale, of which 6 (1, 2, 3, 4, 5, 6) correspond to sound loans, while 2 (7 and 8) correspond to distressed loans, with 7 being for loans that need to be monitored closely and 8 for bad debts

BOAD rating	Evaluation of the signature of the counterparty	Assessment of the associated risk	International equivalent (Mapping)
1	« EXCELLENT »	VERY WEAK	A-BBB
2	« VERY GOOD »		
3	« GOOD »	WEAK -	BB
4	« QUITE GOOD »	WEAK +	
5	« ACCEPTABLE »	MODERATE	B
6	« WEAK »	HIGH -	CCC
7	« TO BE MONITOURED CLOSELY »	HIGH +	<CCC
8	« DOUBTFUL »	VERY HIGH	D

The rating is based on very distinct quantitative and qualitative elements whether it is a corporate entity or bank (financial institution):

#### 1.3.1. Rating of corporate entities

The rating of corporate entities takes into consideration 4 quantitative factors and 4 qualitative factors.

The first quantitative factor is the overall assessment of the financial situation and outlook of the borrower. This evaluation takes into consideration (i) the capacity of the borrower or project to generate enough cashflow to service the debt; (ii) operating income and the profitability of the business; (iii) the capital structure and the financial flexibility and liquidity of the business or project; (iv) financial equilibrium and (v) outlook of the company. Other quantitative factors include guarantees, arrears and the number of times the loan is rescheduled.

Analysis of the qualitative factors of corporate rating is carried out on four non-financial parameters: (i) number of years of experience and quality of management of the governing body (strength of the Management of the project company, with particular emphasis on its ability to deal with adverse conditions), (ii) the reputation of the main shareholder in the local economy (iii) the trust of credible external partners involved in the project and (iv) the environmental situation (the competitive position of the project company in the sector). Each variable represents a certain weight in the overall rating of the company.

#### 1.3.2. Rating of bank (financial institutions)

The rating of financial institutions is based on the assessment of 8 variables, including 3 quantitative and 5 qualitative elements.

The assessment of quantitative factors is based on (i) compliance with regulatory and prudential ratios, (ii) evaluation of operational ratios (management and profitability ratios) and (iii) guarantees.

Qualitative factors include (i) outlook and quality of management, (ii) experience of Management, (iii) popularity, (iv) confidence of the bank's external partners and (v) environmental situation.

Each variable carries some weight in the overall rating of the bank or financial institution.

The rating of a business or a financial institution helps in assessing how it uses its equity capital as part of its capital adequacy, quality of its assets, profitability and market position, quality and level of profitability, adequacy of its liquidity and the quality of its management structure.

Distribution of the market portfolio based on major risk categories is presented in the table below:

Risk profile of the outstanding non-sovereign loans portfolio

Rating	Risk	2011	2012	2013	2014	2015	2016
"1" to "4"	Low risk	31.07%	37.23%	37.54%	41.35%	45.53%	48.92%
"5"	Moderate risk	22.60%	26.67%	22.37%	32.34%	32.51%	37.39%
"6" à "7"	High risk	43.74%	31.56%	36.26%	23.00%	18.28%	8.77%
"8"	Very high risk	2.59%	4.55%	3.82%	3.31%	3.68%	4.93%

The Bank's portfolio as at 31 December 2016 is characterized by improved ratings of counterparties as compared to 31 December 2015. Indeed, the risks brought on counterparties rated '1' to '4' represent 48.92% of total risk, an increase of 3.39 points compared to 31 December 2015 (45.53%). The same goes for average risk (rated '5') which increased by 4.88 points (or 37.39% of the total amount of risk) as at 31 December 2016.

Moreover, the low risk (rated "6" or "7") have strongly declined (due to reclassification of a counterparty which went from '6' to '5') and accounted for 8.77% of the total risk as at 31 December 2016.

On the other hand, counterparties rated '8' increased by 1.25 points and accounted for 4.93% of the total risk as at 31 December 2016.

1.4- Provisioning/depreciation policy

Depending on its activities, the Bank manages two types of credit risk if necessary: i) non-market credit risk (sovereign risk) for its loan portfolio to member States and ii) market credit risk for its private sector and public sector commercial loans portfolio (non-sovereign risk).

The adequacy of the level of risk provisioning, based on IAS/IFRS standards, is measured at least once per year.



#### 1.4.1. Non-market credit risk (sovereign risk)

Loans granted to member States of the Union are considered sovereign risk loans. The Bank manages this risk through flexible mechanisms, including suspension of all disbursements to a country in default. Thus, such loans which have still not been paid are considered to be "risk-free" and so no specific provision or depreciation is constituted.

#### 1.4.2. Market credit risk (non-sovereign risk)

This risk refers to loans granted by the Bank to borrowers in the private sector or commercial public entities.

The Bank uses internal credit risk rating to assess this risk. All new projects are subjected to a rigorous approval process and require a minimum initial or ex-post credit rating. An update of each of the Bank's commercial counterparty rating is done at least once a year in order to prevent, to some extent, against potential risks of insolvency of its relations either due to deterioration of the environment or lack of good governance that would affect the financial situation of the businesses concerned.

In case of default by counterparty in the non-sovereign sector, the current depreciation policy is applied. It is described below:

#### 1.4.3. Description of the methods used to determine losses on loans and receivables

##### a) Principles

The Bank adopted a loans depreciation policy to enable it analyze its portfolio and apply the rules so as to obtain a quality portfolio.

Thus, under the current mechanism, two criteria are selected to categorize and write-down a debt/loan, namely: arrears of more than 3 months and/or the counterparty rating. If these criteria are ascertained, the Bank must assess and recognize depreciation on a loan equal to the difference between the carrying amount of the asset (exposure) and the value of the expected future cash flows as the effective rate of interest of assets at initial recognition.

##### b) Distribution of bad debts by sector and by country is as follows

Distribution of bad debts by sector and by country is as follows:

- Breakdown per sector

ITEMS	31/12/2016			31/12/2015		
	Gross outstanding	Provisions	Net outstanding	Gross outstanding	Provisions	Net outstanding
Energy	0	0	0	0	0	0
Market infrastructure	12,180	9,165	3,015	17,762	11,591	6,171
Extractive industry	8,510	6,629	1,881	8,510	6,629	1,881
Hospitality	2,879	1,777	1,102	2,878	1,138	1,740
Telecommunications	2,820	2,694	126	2,563	2,563	0
Agro-industry	8,410	5,979	2,431	5,198	3,010	2,188
Banks & fin. institutions	0	0	0	0	0	0
<b>TOTAL</b>	<b>34,799</b>	<b>26,248</b>	<b>8,551</b>	<b>36,911</b>	<b>24,931</b>	<b>11,980</b>

- Breakdown per country

COUNTRY	31/12/2016			31/12/2015		
	Gross outstanding	Provisions	Net outstanding	Gross outstanding	Provisions	Net outstanding
BENIN	10,112	7,578	2,534	9,934	6,522	3,412
BURKINA	1,210	890	320	1,620	917	703
COTE D'IVOIRE	6,271	5,419	852	4,533	2,845	1,688
MALI	6,222	4,587	1,635	10,550	8,010	2,540
NIGER	0	0	0	0	0	0
SENEGAL	3,492	2,492	1,000	2,782	1,685	1,097
TOGO	5,162	2,952	2,210	5,162	2,622	2,540
Outside WAEMU	2,330	2,330	0	2,330	2,330	0
<b>TOTAL</b>	<b>34,799</b>	<b>26,248</b>	<b>8,551</b>	<b>36,911</b>	<b>24,931</b>	<b>11,980</b>

- Rate of depreciation of the Bank's portfolio

Items	31/12/2016	31/12/2015
Outstanding receivables (XOF'M)	34,799	36,911
overall gross outstanding receivables (XOF'M)	1,541,588	1,349,178
Overall gross depreciation rates	2.26%	2.74%

Compared to 31 December 2015, the stock of non performing debts dropped by 6% to reach XOF34,799 million. The rate of deterioration in the Bank's portfolio was 2.26% as at 31 December 2016 compared with 2.74% at end of 2015.

- Schedule of improvements in the rate of provisioning and hedging of risks on non-performing loans

	31/12/2016	31/12/2015
Outstanding receivables	34,799	36,911
Provisions for outstanding receivables	26,248	24,931
Provisioning rate	75.42%	67.54%
Financial guarantees on non-performing loans	8,800	10,624
Risk coverage rate after taking into account the guarantees	100%	96.33%

As at 31 December 2016, the rate of provisioning on outstanding debts was 75.42%, representing an 8 points increase in the level of provisioning as compared to 2015 (67.54%). After including the guarantees received,<sup>1</sup> outstanding debts are fully covered.

## 2- Market risk

### 2.1- Exchange risk

- Exchange risk is the possibility of recording losses due to an unfavourable exchange rate on the market. At BOAD, the exchange risk arises out of the fact that part of the loans are issued in foreign currency, while the balance sheet profit is quoted in XOF. The Bank can therefore record losses in profitability, due to adverse changes in certain currencies against the Euro. Parity between euro and XOF is fixed.

#### **b) Debt structure as at 31 December 2016**

The structure of the debt in principal on other loans from external partners and the liabilities represented by securities as at 31 December 2016 are as follows:

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<sup>1</sup> It should be noted that only the financial guarantees given by the guarantee funds (GARI, FAGACE, FSA) are considered in determining the depreciation on outstanding debts. The other real guarantees (mortgage, collateral etc.) being difficult to value.

Debt structure as at 31/12/2016						% of foreign-currency borrowing excluding Euro (A)	% of foreign-currency borrowings (B)
Currencies	Currency amount	Exchange rate as at 30/12/2016	Present outstanding amount		% of total borrowings (D)		
JPY	-	-	-				
USD	750,701,052.79	622.2900	467,153,758,139		32.72%	87.46%	52.50%
SDR	80,034,588.32	836.5660	66,954,215,416		4.69%	12.54%	7.52%
CHF	-	603.6200	-		0.00%	0.00%	0.00%
<b>TOTAL EXCLUDING Euro (A)</b>			<b>534,107,973,555</b>	<b>60%</b>	<b>37%</b>	<b>100%</b>	
Euro	542,205,479.19	655.9570	355,663,479,515	<b>40%</b>	<b>25%</b>		<b>39.97%</b>
<b>TOTAL EXCLUDING XOF (B)</b>			<b>889,771,453,070</b>	<b>100%</b>			
DF for domestic bond issues (C)			537,989,614,500		38%		
<b>TOTAL BORROWINGS D= (B)+(C)</b>			<b>1,427,761,067,570</b>		<b>100%</b>		

The bank has signed exchange hedging agreements (forward currency purchase and cross currency swap) in an attempt to strengthen its ability to deal with adverse currency fluctuations (USD and SDRs)

### c) Analysis of sensitivity to exchange risk

- Methods and assumptions used in developing the sensitivity analysis

Exchange rate sensitivity is measured in terms of impact of exchange rate variations on loan repayments. A positive impact is equivalent to a savings made on the repayment amount (gain) while a negative impact means an increased cost on repayment (loss). The market value as at closing of the accounts (31/12/2016) was the real value as at that date and +/-10% variations corresponded to anticipated value in the quarter following the date of reporting. It should be noted that all loans granted in XOF and repaid in XOF.

Currency	31/12/2016			31/12/2015		
	Variation	Impact on income for the coming year (2017)	Impact on income for 2016	Variation	Impact on income for the coming year (2016)	Impact on income for 2015
EURO	10%	0	0	10%	0	0
EURO	-10%	0	0	-10%	0	0
US Dollar	10%	0	0	10%	0	0
US Dollar	-10%	0	0	-10%	0	0
SDR	10%	0	0	10%	0	0
SDR	-10%	0	0	-10%	0	0
JPY	10%	0	0	10%	0	0
JPY	-10%	0	0	-10%	0	0
CHF	10%	0	0	10%	-2	0
CHF	-10%	0	0	-10%	2	0

Moreover, the impact of the sensitivity analysis to Exchange risk on equity is zero.

## 2.2- Interest rate risk

- a) It is the risk for the Bank to see its profitability negatively affected by adverse changes in interest rates. Interest rate risk occurs when assets over a period and a given rate are backed by liabilities for a period and/or a different type of rate.

Thus, the Bank's exposure to interest rate risk is caused by (i) sensitivity to interest rate associated with the margin between the rate that the Bank applies to its assets and the rate at which it contracted borrowings that finance its assets (ii) the sensitivity to interest rate associated with the margin the Bank earns on its assets funded on equity capital and (iii) the rate of interest associated with the margin of sensitivity that the Bank earns on its funded assets both on equity and loans.

The Bank's financial policy seeks to optimize profitability by ensuring a correct affiliation between the characteristics of each asset category and those of the corresponding liabilities. The banks assets and liabilities are at a fixed rate.

### b) Rate sensitivity analysis

- Method and assumptions used in developing sensitivity analysis

The Bank's balance sheet may be analyzed based on several parameters including: (i) balance sheet and off-balance sheet (ii) Banking activity only or (iii) FDC activity only. Then, based on the yield curve, there is a +/-1% variation of different market rates.

Scope (without commitments)	31/12/2016			31/12/2015		
	Variation	Impact on income for 2017	Impact on income for 2016	Variation	Impact on income for 2016	Impact on income for 2015
Bank activity only	+ 100 basis points	+8 693	+744	+ 100 basis points	+3 585	299
Bank activity only	- 100 basis points	-8 693	-744	- 100 basis points	- 3 585	-299
FDC activity only	+ 100 basis points	-2 264	-198	+ 100 basis points	- 2 406	-198
FDC activity only	- 100 basis points	+2 264	+198	- 100 basis points	+ 2 406	198

Interest rate sensitivity is more pronounced on FDC activity only due to the gaps in this activity.

It should be noted that in accordance with its rate risk management policy, the Bank borrows does not borrow at a variable rate.

Impact of the sensitivity analysis to rate on equity is zero.

### 3. Liquidity risk

Liquidity risk is the institution's risk of not meeting its financial commitments on time and at reasonable cost. This is addressed by measuring the degree of processing and adequacy between resources and its use. This is to ensure that, at any time, the Bank has a liquidity reserve to make disbursements on its banking and administrative operations, as well as for debt servicing.

The standard practice is to hold liquid assets of at least nine (9) to twelve (12) months of net disbursements on loans, minus repayments obtained) + nine (9) to twelve (12) months for debt repayment.

The Asset-Liability management (ALM) committee, by analyzing the gaps and durations sees to the adequacy, in terms of amount and duration, uses and resources, thereby contributing to liquidity risk management.

The details on maturities of assets and liabilities on a basis that is not updated are as follows:

	During 2017			BEYOND		Total
	] 0 month; 1 month]	] 1 month; 6 months]	] 6 months; 12 months]	] 1 year; 5 years]	> 5 years	
Cash + Bank - opening balance	167,102		2,819		-	167,102
Term deposits	34,000	81,000	24,421		-	117,819
Interbank loans	-	9,000	60,987		0	33,421
Customer receivables	32,867	35,833	994	591,178	829,521	1,550,385
Staff loans	155	732	10,596	3,868	672	6,421
Investment securities			86,803	74,038		171,437
Equity investments			-	72,097		72,097
Shareholders			15,339	61,360	21,608	98,307
Tangible assets					7,879	7,879
Intangible assets					719	719
other assets			16,837	20,853		37,690
Other loans and receivables					79	79
<b>TOTAL ASSETS (A)</b>	<b>234,124</b>	<b>126,565</b>	<b>131,993</b>	<b>764,062</b>	<b>1,006,613</b>	<b>2,263,357</b>
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
<b>TOTAL LIABILITIES (excluding equity) (B)</b>	<b>15,937</b>	<b>63,003</b>	<b>130,545</b>	<b>1,043,963</b>	<b>287,109</b>	<b>1,540,558</b>

The details on maturities of assets and liabilities as at 31 December 2015 are as follows:

	During 2016			BEYOND		Total
	] 0 month; 1 month]	] 1 month; 6 months]	] 6 months; 12 months]	] 1 year; 5 years]	> 5 years	
Cash + Bank - opening balance	132,317				0	132,317
Term deposits	17,000	43,000	2,000		-	62,000
Interbank loans	-	530	-		0	530
Customer receivables	29,546	30,549	52,728	481,819	765,458	1,360,100
Staff loans	152	714	971	3,777	656	6,270
Investment securities	925	100	5,448	6,080	2,674	15,227
Equity investments			-		78,123	78,123
Shareholders		8,436		40,668	56,316	105,420
Tangible assets					7,904	7,904
Intangible assets					879	879
other assets			801	13,992		14,793
Other loans and receivables					77	77
<b>TOTAL ASSETS (A)</b>	<b>179,940</b>	<b>83,329</b>	<b>61,948</b>	<b>546,336</b>	<b>912,087</b>	<b>1,783,640</b>
Interbank debts (CAURIS, ROPPA, AFD)	34,704				-	34,704
Debts issued in the form of long-term securities	-	51,016	46,350	382,047	77,852	557,265
Long-term foreign debts	-	21,771	51,275	208,580	141,463	423,088
Other liabilities					28,561	28,561
Provisions					5,873	5,873
<b>TOTAL LIABILITIES (excluding equity) (B)</b>	<b>34,704</b>	<b>72,787</b>	<b>97,625</b>	<b>590,627</b>	<b>253,747</b>	<b>1,049,492</b>

#### 4. Operational risk

Operational risks include risks that the Bank could be exposed to outside the credit and market risks. These include the risk of potential losses arising from the inefficiency or failure of internal processes, people and systems or external events.

The implementation of operational risk within BOAD is based on the Basel standards for compliance with international best practices.

The approach aims at achieving the following objectives: (i) increase risk control by developing a risk culture at the Bank, (ii) understand upstream risks caused by the development of activities, (iii) keep top management informed about major hazards and their monitoring mechanisms and (iv) improve internal controls. This will help in directing efforts based on the priority nature of the risks and take measures to improve the internal control system.

The operational risk management approach is based on the development and annual updating of the risk map. The methodology used has the following characteristics:

- the approach per business with the creation and updating of a process mapping;
- identifying risks using the Basel risk categories help in refine the risk types;
- listing of the risks identified;
- listing of net risks from a grid defining the levels of probability and severity (impact);
- identifying action plans to reduce such risks;
- appointment of a risk owner for each identified risk.

The incidents database is developed and updated by collecting incidents using the Operational Risk Correspondents with an automated tool and gradually consolidated to obtain the losses of sufficient depth for their analysis.

**NOTE 22 – LEASE AGREEMENTS (LESSOR)**

This item summarizes the revenue collected by the Bank as rent of the premises, which it made available to certain companies under a single lease. These include GARI Fund, CAURIS SA, AfDB, CRRH-UEMOA and BIA Lomé. Details of sums received are as follows:

**Payments records as income in the overall income statement**

	<b>31/12/2016</b>	<b>31/12/2015</b>
Minimum payments as rent	108	82
Contingent rent	-	-
	<b>108</b>	<b>82</b>

**NOTE 23- LEASE AGREEMENTS (Lessee)**

This item summarizes the amounts paid by the Bank for the rental of residences for the Vice President and the heads of Resident Missions, as well as the amounts paid to the Central Bank in respect of the rental of the offices of the resident missions (leases). Details of the amounts paid as follows:

	<b>31/12/2016</b>	<b>31/12/2015</b>
Minimum payments as rent	130	129
Contingent rent	-	-
	<b>130</b>	<b>129</b>

The IFRS 16 'Lease Agreements' published in January 2016 will replace IAS 17 "lease agreements and the interpretations on the accounting of such contracts with effect from 1 January 2019. The new definition of leasing agreements involves, on the one hand, the identification of an asset and, its control by the policyholder of the right of use of the said asset.

The standard analysis and the identification of its potential effects have began, following its publication.

**NOTE 24- TRANSACTIONS WITH RELATED PARTIES****1- LOANS TO MEMBER COUNTRIES**

The following is a breakdown of outstanding loans to member countries as at 31 December 2016.

SOVEREIGN OUTSTANDING LOANS (MEMBER COUNTRIES) AS AT 31/12/2016 IN XOF'M						
DESCRIPTION	LOAN COMMITMENTS (UNDISBURSED AMOUNTS)	FDC	FDE	PSCM	TOTAL	%
BENIN	180 999	81 372	4 796	39 130	125 298	12,2%
BURKINA	119 916	75 950	20 000	8 618	104 568	10,2%
COTE D'IVOIRE	113 427	54 494	21 483	20 828	96 804	9,4%
GUINEA BISSAU	55 311	49 497	296	13 794	63 587	6,2%
MALI	150 794	84 293	6 613	16 870	107 775	10,5%
NIGER	115 164	94 863	26 855	81 608	203 327	19,8%
SENEGAL	118 960	84 360	10 455	23 298	118 113	11,5%
TOGO	75 596	110 095	2 543	94 861	207 500	20,2%
<b>TOTAL OUTSTANDING</b>	<b>930 167</b>	<b>634 924</b>	<b>93 041</b>	<b>299 007</b>	<b>1 026 973</b>	<b>100,0%</b>
<b>LOAN INCOME</b>	<b>0</b>	<b>15 010</b>	<b>1 358</b>	<b>19 562</b>	<b>35 930</b>	

Loans to member countries are subject to intervention limits contained in Note 21 and are for a maximum period of eighteen (18) years (duration for FDC loan) and a grace period of five (5) years.



The FDC loans are granted with a subsidy while sovereign loans at market conditions are granted under commercial conditions. FDE loans are granted under special conditions.

## 2- LOANS GUARANTEED BY THE GARI FUND

The Bank hold shares in the capital of the GARI Fund. The outstanding amount of loans guaranteed by the GARI Fund, as at 31 December 2016 stood at XOF34,965 million for a guaranteed amount of XOF7,208 million.

## 3- REMUNERATION OF TOP EXECUTIVES

	31/12/2016	31/12/2015
Salaries and gratuities	3,746	3,610
Pension contributions	181	204
Financial costs and services/pension	308	287
Compensation of Board Directors	58	58
<b>Sub-total 1</b>	<b>4,294</b>	<b>4,159</b>
Pension benefit obligations	3,530	2,492
<b>Sub-total 2</b>	<b>3,530</b>	<b>2,492</b>

The remuneration of the President and the Vice-president are set by the governing bodies (Council of Ministers and Board of Directors) while those of Directors are based on the Bank's salary scale.

The pension commitments are related to retirement benefits to be received by executives upon their final departure from the Bank. At the departure of a staff, whether management staff or not, allowances are calculated based on the last total month salary (monthly gross) and the number of years of actual service.

## NOTE 25- OFF-BALANCE SHEET COMMITMENTS

### Commitments received

These commitments are funding agreements given to the Bank by foreign lenders and the guarantees received from regional funds for customers.

These commitments are as follows:

	<b>31/12/2016</b>	<b>31/12/2015</b>
Loan commitments to be drawn	185,433	24,164
Guarantees received from Regional Funds	32,601	22,320
	<b><u>218,034</u></b>	<b><u>46,484</u></b>

- Commitments to be drawn are the remainder of loans yet to be mobilized.

Moreover, the Bank also accepts other non-financial guarantees on its loans (mortgages, pledges etc.).

### Commitments given

The commitments given are related to the loan, and previous equity investments with various beneficiaries of BOAD's loans. They include:

	<b>31/12/2016</b>	<b>31/12/2015</b>
Loan commitments given (a)	1,427,348	1,313,313
Advances for the financing of studies	13,280	10,949
Equity investment commitments (b)	21,658	25,441
Sureties and other guarantees	<u>13,369</u>	<u>22,140</u>
	<b><u>1,475,655</u></b>	<b><u>1,371,844</u></b>

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

<b>EQUITY COMMITMENTS AS AT 31 DECEMBER 2016</b>		
	Amount in XOF'M as at 31/12/2016	Amount in XOF'M as at 31/12/2015
SOCIETE AFRICAINE DE GESTION D'ACTIF (SOAGA)	97	97
ASKY	10	10
Fonds Cauris Croissance II	2,058	2,112
CICA-RE	1	1
Fonds Agricole pour l'Afrique (FAA)	13	34
Crédit Municipal Africain (CMA)	-	1,000
SONIBANK	183	183
AGRIBANQUE BENIN	-	1,000
BRS	-	
Fonds Carbone pour l'Afrique (FCA)	-	9,839
Fonds Européen de Financement Solidaire en Afrique (FEFISOL)	-	238
CORIS BANK INTERNATIONAL	-	711
Fonds Africain pour les Energies Renouvelables (FAER)	2,350	3,053
Amethis West Africa (AWA) in Côte d'Ivoire	2,021	2,430
PROPARCO	233	233
Fonds Investisseurs et partenaires pour le développement 2 (IPDEV2)	1,192	1,500
Additional equity investment in the share capital of Air Côte d'Ivoire	1,500	3,000
Fonds d'investissement dédié au développement des services financiers dans l'UEMOA	10,000	-
Fonds I&P Afrique Entrepreneurs 2 (IPAE2)	2,000	-
<b>TOTAL</b>	<b>21,658</b>	<b>25,441</b>

**NOTE 26- EVENTS AFTER CLOSING**

As at the date of the closing of the accounts, we had not recorded any subsequent events likely to influence the financial position and results of the Bank as at 31 December 2016.