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West African Development Bank (BOAD)

Statutory Auditor's report on the Audit of the Financial Statements

For the year ended 31 December 2019
West African Development Bank (BOAD)
68, avenue de la libération
BP 1172 Lomé (Togo)
This report contains 7 pages
Appendices contain 63 pages

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To the Board of Ministers of the West African Monetary Union (WAMU)
68, avenue de la libération, BP 1172 Lomé, Togo

Statutory Auditor’s report on the Audit of the Financial Statements of the West African Development Bank (BOAD)

For year ended 31 December 2019

1. 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, 2019, and the statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes to the 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, 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

2. 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 Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), 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.

3. Emphasis of Matter

Without qualifying the opinion expressed above, we draw your attention to:

- Note 4 to the financial statements «Significant changes in accounting principles and methods - first application of IFRS 16» which describes the impact of the first application of IFRS 16 «Leases» ; and
- Note 20 to the financial statements «Net income for the period», relating to the impact of the transfer by the Council of Ministers to BOAD, in the form of a donation, of a part of the funds from the new subsidy mechanism for XOF 90 billion.

Our opinion is not modified in respect of these matters.

4. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

4.1. Credit risk identification and assessment

4.1.1. Identified risks

BOAD is exposed to a credit and counterparty risk.

These risks are defined as the probability that a debtor will be unable to meet the repayment of the granted loan. Counterparty default can have a significant impact on BOAD's net income.

BOAD books impairment on his exposures to mitigate these risks.

Impairment / provisions on healthy and doubtful receivables are based on an expected loss model, considering, in addition to the outstanding amounts, the commitments approved by the Board of Directors, the remaining disbursement on the corresponding loan through conversion factors. This method is based on a model for calculating expected losses according to changes appeared since the origin of the credit risk and according to a model integrating the various parameters (Probability of default, Loss given default, Exposure at default, notation).

We considered that the assessment of the credit risk and the measurement of the impairments / provisions represent a significant accounting estimate area, due to the significant use of judgment by the Management in determining the assumptions and the exposures classification.

As at December 31, 2019, the gross amount of customers receivables amounted to XOF 2,056 billion and were subject to a provision for impairment for a total amount of XOF 59 billion, including 25 billion of impairment recorded during the current year as detailed in appendix 6 and 18 to the financial statements.

Due to the magnitude of the carrying value of loans to customers and the significant use of judgment in determining the provision for loan losses, this area represents a key audit matter.

4.1.2. Audit procedures performed

To assess the reasonableness of the impairments / provisions made, we have:

- ✓ acknowledged the provision assessment process and the relative internal control system;
- ✓ reviewed the provision/impairment governance process;
- ✓ verified the consistency of data issued from the risk management systems with accounting data;
- ✓ performed an independent calculation of expected credit losses on a selection of financial instruments as at December 31, 2019;
- ✓ assessed the consistency of the variation of provisions, receivables and cost of risk;
- ✓ verified the consistency of the parameters applied in the calculation system in accordance with approved methodological principles;
- ✓ verified that the rules for downgrading and impairment of doubtful debts have not been modified compared to the previous financial year and are correctly applied during the current financial year.

4.2. Valuation of hedging instruments

4.2.1. Identified risks

As at December 31, 2019, the Bank's outstanding borrowings include investment securities amounting to XOF 1,641 billion as specified in appendix 10 to the financial statements. This amount includes XOF 1,406 billion Eurobond issued in 2016, 2017 and 2019, covered by swaps and forward contracts.

The audit of the valuation of hedging instruments in connection with borrowings was considered as a key audit matter due to:

- ✓ the significant impact of the complex valuation method on the Bank's net income;
- ✓ their materiality in the Bank's accounts.

4.2.2. Audit procedures performed

In this context, the works performed have been related to:

- ✓ update our knowledge then test the effectiveness of the control system relating to the determination of valuation parameters ;
- ✓ make a detailed analysis of the Bank's hedging contracts ;
- ✓ test the correct application of the valuation method on a selection of hedging instruments ;
- ✓ Examine the disclosures relating to the valuation of financial instruments published in the notes to the financial statements.

4.3. Valuation of financial assets

4.3.1. Identified risks

BOAD records financial assets at fair value for XOF 138,7 billion as detailed in note 7 of the appendix to the financial statements. Changes in the fair value from one closing to another are recorded either in profit and loss or in equity in compliance with the adopted classification under IFRS 9.

Due to the restricted availability of market data, the valuation of level 2 and 3 financial instruments requires the use of judgment by the management in determining the valuation method and the parameters to be used.

We have considered the financial assets valuation at fair value (level 2 and 3) as key audit matter because of:

- ✓ the significant impact of the choice of valuation method on the Bank's net income ;
- ✓ the sensitivity of the parameters used for management's assumptions ;
- ✓ their materiality.

4.3.2. Audit procedures performed

In this context, our works on financial assets (portfolio of equity instruments) have been related to:

- ✓ update our knowledge then test the effectiveness of the control system relating to the determination of the valuation method used ;
- ✓ test the correct application of the valuation method on a selection of equity securities ;
- ✓ conciliate the value of the selected instruments with external documentation ;
- ✓ verify the accounting and management data's reconciliation;
- ✓ verify the appropriateness of the accounting methods used by the Bank and their correct application.

5. 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.

6. 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.

Lomé, March 30, 2020

Statutory Auditor

KPMG Togo

Toussaint O. de SOUZA
Partner

Appendix 1:

Statutory Auditor's responsibilities for the audit of the Financial statements

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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Appendix 2 :

Financial statements for the year ended 31 December 2019

BOAD'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

MARCH 2020

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SUMMARY

STATEMENT OF FINANCIAL POSITION

ASSETS		Note	31 December 2019		31 December 2018	
Cash and cash equivalents		5		**576,151**		**270,786**
Loans and receivables at amortized cost		6		**2,341,887**		**2,150,773**
	- Loans and advances to banks		50,119		70,144	
	- Loans and advances to customers		1,985,427		1,801,520	
	- Loans and advances to staff		10,963		10,751	
	- Debt Securities portfolio		288,496		261,476	
	- Receivables from shareholders		6,882		6,882	
Equity investments		7		**138,656**		**126,559**
	- Equity investments designated at fair value through P&L		10,436		8,014	
	- Equity investments designated at fair value through OCI non-recyclable		128,220		118,545	
Adjustment accounts and other assets		8		**44,470**		**12,503**
	- Derivative assets		35,286		1,065	
	- Accruals assets		1,778		2,121	
	- Other adjustement accounts		7,406		9,317	
Tangible assets		9		**5,897**		**7,237**
Investment properties		9		**728**		**0**
Intangible assets		9		**412**		**333**
Non-current assets held for sale		9		**2,245**		**0**
TOTAL ASSETS				**3,110,447**		**2,568,191**

LIABILITIES		Note	31 December 2019		31 December 2018	
Liabilities at amortized cost		10		**2,189,070**		**1,740,300**
	- Deposits from banks		2,463		6,625	
	- Debt securities issued		1,668,868		1,253,872	
	- Other debts		517,738		479,802	
Earmarked funds		11		**42,739**		**113,251**
Adjustments accounts and other liabilities		12		**38,680**		**31,917**
	- Derivative liabilities		16,868		23,786	
	- Accruals liabilities		18,380		5,730	
	- Other adjustement accounts		3,432		2,401	
Provisions		13		**8,231**		**7,539**
Total liabilities				***2,278,720***		***1,893,006***
Capital				**219,881**		**206,580**
	- Subscribed capital		1,103,650		1,103,650	
	- Callable capital		-826,230		-826,230	
	- Unpaid Capital		-55,740		-67,975	
	- Cost related to deferred paying-up of capital		-1,800		-2,865	
Share premium				**2,622**		**2,622**
Reserves				**609,224**		**465,982**
	- Reserves allocated to development activities		76,050		76,050	
	- Net gains on investments in equity instruments designated at fair value through other comprehensive income non recyclable		44,041		40,689	
	- Cashflow hedging reserves		-20,546		-39,429	
	- Other reserves		26		26	
	- Retained earnings		392,007		369,229	
	- Remeasurements of defined benefit liability		834		1,245	
	- Net income for the period		116,812		18,173	
Total equity		14		***831,727***		***675,184***
TOTAL LIABILITIES AND EQUITY				**3,110,447**		**2,568,191**

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COMPREHENSIVE INCOME STATEMENT

COMPREHENSIVE INCOME STATEMENT	Note	2019		2018
Interests and related income			128,359	121,411
Interests and related charges			-78,302	-84,911
Net interest income			*50,057*	*36,500*
Fees and commissions (income)			3,903	3,758
Fees and commissions (charges)			-1,144	-1,127
Net interest and fee income	15		*52,816*	*39,131*
Exchange gains			58	50
Exchange losses			-9,704	-42,479
Gains/ losses on hedging instruments			22,255	53,470
Gains/ Losses on foreign exchange	***16***		***12,610***	***11,041***
Margin on interests, fees and foreign exchange			*65,426*	*50,172*
Gains/ losses on financial assets designated at fair value through profit and loss (IFRS 9)			421	433
Dividends received (income from equity investments)	17		3,891	3,703
Net banking income			***69,739***	***54,308***
Cost of risk	18		***-19,489***	***-9,778***
Endowment from member states			3,200	3,200
Other operating income			90,457	343
Charges related to development activities			-2,682	-5,174
General operating expenditures			-24,046	-24,653
- Staff overheads		-15,156	-15,730	
- Amortizations and depreciations - Property, equipment and intangible assets		-1,389	-1,234	
- Other operating costs		-7,501	-7,689	
Other operating charges			-367	-73
Other net operating income	**19**		***66,562***	***-26,357***
Net income for the period	20		**116,812**	**18,173**
Other comprehensive income				
Items that will be reclassified to profit or loss			**18,883**	**-717**
Cashflow hedges (CFH)			18,883	-717
Items that will not be reclassified to profit or loss			**2,941**	**23,782**
Net gains on financial assets at fair value through "other comprehensive income"			3,352	24,702
Remeasurements of defined benefit liability			-410	-920
Total other comprehensive income			***21,824***	***23,064***
Total comprehensive income for the period			**138,636**	**41,237**

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CHANGES IN EQUITY

	Capital					Reserves							
	Subscribed capital	Callable capital	Unpaid Capital	Cost related to the deffered paying-up capital (1)	Share premium	Reserves allocated to development activities	Other reserves	Remeasurements of defined benefit liability	Fair value reserves (available-for-sale financial assets)	Net gains on investments in equity instruments designated at fair value through other comprehensive income	Cash flow hedges reserves	Retained earnings	Total
Equity as at 1st January 2018	1,103,650	-826,230		-4,046	2,622	76,050	26	2,165	15,987	0	-38,711	388,235	719,749
													0
Increase in capital (unpaid capital)	0	0	-67,975										-67,975
Unpaid capital	0	0	-67,975										-67,975
Adjustments on initial application of IFRS 9									-15,987	15,987		-21,529	-21,529
Net income as at 31 December 2018 before allocation												18,173	18,173
Other comprehensive income								-920	0	24,702	-717	5,522	28,586
Net gains or losses on investments in equity instruments designated at fair value through other comprehensive income (IFRS 9)										24,702		-7,090	17,611
Fair value reserves (available-for-sale financial assets)												12,612	12,612
Remeasurements of defined benefit liability								-920				0	-920
Cash flow hedges											-717		-717
Others changes				1,180									1,180
Allocation of 2017 income												-3,000	-3,000
Transfers													0
Contributions et distributions													
Total transactions with the owners of the Bank													
Equity as at 31 december 2018	1,103,650	-826,230	-67,975	-2,865	2,622	76,050	26	1,245	0	40,689	-39,429	387,402	675,185
Equity as at 31 december 2018 and as at 1st January 2019	1,103,650	-826,230	-67,975	-2,865	2,622	76,050	26	1,245	0	40,689	-39,429	387,402	675,185
Increase in capital	0												0
Net income as at 31 december 2019												116,812	116,812
Others changes				1,066									1,066
Allocation of 2017 income												-3,000	-3,000
Other comprehensive income													
Capital paid-up in 2019			12,235										12,235
Adjustments on retained earnings												6,702	6,702
Net gains on investments in equity instruments designated at fair value through other comprehensive income (IFRS 9)										3,352		903	4,255
Fair value reserves (available-for-sale financial assets)										0			0
Remeasurements of defined benefit liability								-410					-410
Cash flow hedges											18,883		18,883
Sub-total other comprehensive income	**0**	**0**	**12,235**	**0**	**0**	**0**	**0**	**-410**	**0**	**3,352**	**18,883**	**7,605**	**41,665**
Transfers													0
Contributions et distributions													
Total transactions with the owners of the Bank													
Balance as at 31 december 2019	**1,103,650**	**-826,230**	**-55,740**	**-1,800**	**2,622**	**76,050**	**26**	**834**	**0**	**44,041**	**-20,546**	**508,819**	**831,728**

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CASHFLOW STATEMENT

Cashflow for operational activities	Notes	2019	2018
Income for the period		**116,812**	**18,173**
Adjustments related to non-monetary and other items			
Unrealised gains/losses		-12,704	-11,063
Exchange gains		-58	-50
Exchange losses		153	72
Amortization		1,389	1,234
Depreciation		0	0
Cost of risk		19,489	9,778
Gains/ losses on financial assets designated at fair value through profit and loss		-421	-433
Other items		-2,952	1,152
		4,895	**690**
Changes in assets and liabilities from operations			
Loans and advances to banks		20,025	52,530
Loans disbursements		-396,226	-296,268
Repayments of loans		290,899	267,213
Other receivables from customers		-91,107	-52,365
Loans and advances to staff		-212	-4,587
Securities portfolio		-27,043	1,363
Other receivables		0	0
Other assets		-210	7,978
Deposits from banks		-4,162	2,072
Other debts		78,099	80,897
Other liabilities		-59,831	18,861
		-189,768	**77,693**
Cashflow from operations		**-68,061**	**96,556**
Cashflow from investment activities		**2019**	**2018**
Acquisitions of tangible assets		-772	-1,413
Sales of tangible assets		13	814
Acquisitions of intangible assets		-353	-79
Sales of intangible assets		0	0
Acquisitions of shares		-8,971	-8,471
Sales of shares		1,496	1,133
Cashflow from investments		**-8,587**	**-8,017**
Cashflow from financing activities		**2019**	**2018**
Resources from capital paying-up		16,731	16,416
Redemption of shares		0	0
Debt issuance		599,749	106,872
Repayment/debts represented by a security		-148,937	-135,732
Repayment/other loans		-85,530	-108,214
Cashflow from financing activities		***382,013***	***-120,657***
Net increase/(decrease) of cash and cash equivalents		**305,365**	**-32,118**
Cash and cash equivalents at opening	5	**270,786**	**302,904**
Cash and cash equivalents at closing	5	**576,151**	**270,786**
			31/12/2018
ADDITIONAL INFORMATION			
Operating cashflow from interests and dividends:			
Interest paid		74,033	80,237
Interest received		108,229	55,575
Dividends received		3,891	3,703

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NOTE 1. ACTIVITY OF BOAD

The West African Development Bank (BOAD) is the common development finance institution of the member countries of the West African Economic and Monetary Union (WAEMU), established by an Agreement signed on 14 November 1973.
BOAD became operational in 1976.
As an international public institution, BOAD has its headquarters in Lomé (Togo), located at 68, avenue de la Liberation, and Resident Missions in each of the capital cities of the other seven WAEMU member countries.
The Bank's shareholders include WAEMU member countries (Benin, Burkina Faso, Côte d'Ivoire, Guinea Bissau, Mali, Niger, Senegal, Togo) and the West African Central Bank (BCEAO), three European countries (Germany, France and Belgium), as well as African Development Bank (AfDB) and European Investment Bank, People's Republic of China, Eximbank of India and the Kingdom of Morocco.
As provided under article 2 of its Articles of Association, BOAD seeks to "promote balanced development of member countries and foster the achievement of economic integration within West Africa" by financing priority development projects. The Bank provides financing for projects in the following areas: rural development, basic infrastructure, modern infrastructure, telecommunications, energy, industry, agro-industry, transport, tourism and other services.
In order to finance its activities, the Bank can, as stated under Article 37 of its Articles of Association, issue bond loans on the Union's domestic market or on the foreign capital markets and contract, from international or foreign public or private agencies, loans with any maturities and repayment conditions, both in the Union's currency and foreign currencies or units of accounts as may be deemed suitable to the Bank's Board of Directors.
Under Article 44 of its Articles of Association, the Bank, its revenues, property and other assets, as well as transactions and operations undertaken by it under these Articles of Association, shall be exempted from all direct or indirect taxes. No tax shall be levied by the Union's governments or communities on bonds issued by the Bank or on interests therefrom, whosoever the titleholder may be.

NOTE 2. SUMMARY OF ACCOUNTING PRINCIPLES AND PRACTICES

Apart from changes to the accounting methods explained in Note 4 of these financial statements, below is the summary of basic accounting principles used by the Bank.

2.1 Declaration of conformity

The financial statements of the West African Development Bank ("the Bank"), for the year ended 31 December 2019 and the comparative figures for 2018, have been established in accordance with the International Financial Reporting Standards (IFRS) - as issued by the IASB (*International Accounting Standards Board*).

2.2 Functional currency and reporting currency

The functional currency of the Bank is the African Financial Community Franc (FCFA/XOF). It is also its reporting currency.
All the figures in BOAD's financial statements are quoted in millions of FCFA/XOF (XOF' mln), unless otherwise stated.

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2.3 Basic financial reporting principles

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

Continuity of operations

The financial statements for the year ended 31 December 2019 have been prepared based on the principle of continuity of operation where the Bank has neither the intention, nor the need to end or significantly reduce the scope of its activities.

Non-compensation of financial assets and liabilities

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

2.4 Key bases for evaluation

Financial statements are based on historical cost except for certain financial assets measured at fair value.
These financial statements are the first annual statements of the Bank which take into account IFRS 16 and IAS 40. Changes in accounting methods that had significant impact are described in Note 4.

2.5 Critical accounting assumptions and key sources of uncertainty for estimates

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

2.5.1 Main assumptions

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

2.5.2 Key estimates

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

Assessing the fair value of equity investments: at each reporting date, the Bank reviews its equity portfolio to assess its fair value based on financial information or stock prices available and estimates changes in fair value (***See Note 2.6***).

Assessing fair value of financial derivatives: at each reporting date, the Bank contracts a specialist to assess the fair value of hedging instruments put in place to protect itself against currency risk on loans contracted in SDR and USD. (***See Note 2.22***).

Assessing obligations linked to defined benefit pension plan: the actual value of pension obligations is sensitive to the financial and actuarial assumptions used, including the discount rate. At the end of each reporting date, the Bank determines the appropriate discount rate to be used to determine the fair value of the estimated future pension obligations (***See Note 2.18***).

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2.6. Fair value of financial instruments

2.6.1 Definition and hierarchy of fair value

Fair value is the price at which an asset would be sold or bought to transfer a liability in a normal transaction between market participants at the valuation date.
The fair value of financial instruments is presented according to a fair value hierarchy with three levels depending on the importance of the data used for the assessments.

Level 1: Fair value determined using quoted prices (unadjusted) on active markets for similar assets or liabilities

Level 2: Fair value estimated from data, other than quoted prices in level 1 whose asset or liability is observable directly (in the form of prices) or indirectly (derived from prices)

Level 3: Instruments for which data for valuation are not based on observable market data ('unobservable' data).
As much as possible, the Bank uses observable market data to assess assets and liabilities at fair value.

2.6.2 Valuation methods

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

However, due to the multiplicity of the features of the financial instruments negotiated OTC on financial markets, a large number of financial products handled by BOAD are not directly listed on the markets. The fair value of these products is determined by using the valuation techniques with observable or unobservable data.

2.7 Cash and Cash equivalents

Cash includes cash on hand and demand deposits.

Bank deposits of more than three (3) months are also classified as cash and cash equivalents given the clause specifying that they can be freed-up at any time. No short-term bank deposits should exceed one year.

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

2.8 Loans and advances to banks

Loans and advances to banks include interbank loans and related accrued interests. As at 31 December 2019, all these receivables were due in less than a year.

2.9 Loans and advances to customers

The Bank's portfolio on "loans and advances to customers" mainly correspond to loans granted to the public (non-commercial and commercial public) and private sectors.

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2.9.1 General principles

Loans granted by BOAD are denominated in CFA Francs (XOF) and at fixed rates. They are accounted at the contract rate which corresponds to the market rate. Borrowers have the option to make early repayment of such amounts subject to conditions contained in loan agreements and conventions.
BOAD rate conditions as regards the non-commercial Energy sector are equivalent to those applied by the Energy Development Fund (FDE), which are themselves at market conditions.

2.9.2 Interests and commissions on receivables from customers

Interest and commissions on loans granted to customers are recorded in the period in which they were acquired using effective interest rate. Interests that have accrued but not yet due at the reporting date are recorded as interests on receivable loans.
Default interests are calculated on unpaid instalments after a grace period of one month.
Flat commissions (processing fees) are fees charged only once at the project evaluation. They are recorded in the income statement by linear spread over the lifespan of the loan. The difference between this method of accounting for these commissions and their integration in the effective interest rate of the loan is considered non-significant.
The financing arrangement fees are captured in income as soon as they are due.

2.9.3 Loans to States

Loans to States are initially recorded at fair value in the balance sheet and measured at amortized cost. These loans receive a subsidy that is consistent with market practice.
The Bank incorporates an adjustment clause in its loans to States portfolio. Since the Bank has put in place hedging instruments to protect itself against currency risk, activating the adjustment clause for Loans to States is not necessary based on the current financing structure. Moreover, the risk management policy agreed by the Bank provides for a systematic hedging on borrowings contracted in SDR and USD. Therefore, the creation of an adjustment clause is more of a safeguard measure than a risk management policy. Its activation is not expected.
Finally, the existing adjustment clause does not exclude recognizing these loans at amortized cost.

2.9.4 Impairment of loans and advances to customers

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

- Bucket 1: financial assets considered as performing loans with no credit downgrading or downgrading of credit risk by one notch since their initial recognition;
- Bucket 2: financial assets whose credit risk shows a downgrading by at least two notches since the initial recognition or whose rating is lower than the SG5 sensitivity limit in the case of the Bank. Restructured loans are classified in bucket 2 with the rate SG6 during the 18 months following their restructuring. SG means Speculative Grade and corresponds to a risk level higher than that of the Investment Grade (IG);
- Bucket 3: financial assets with more than 90-day unpaid installments or whose credit risk downgrading is such that there is incurred loss. The provision is individual and

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remains unchanged from the practice under IAS 39.

a) Expected losses approach to provisionning for buckets 1 and 2

Expected losses represent an estimate established by probabilistic weighting of credit losses. This weighting must integrate past events, current conditions and the forecast of future economic conditions.

They are determined collectively by discounting at effective interest rates according to the formula ECL = PD x LGD x EAD where PD (Probability of Default) represents the probability of default, LGD (Loss Given Default) corresponds to the loss in the event of default and EAD (Exposure at Default) is the Bank's exposure in the event of default.

The determination of PD and LGD takes into account the calibration of the Bank's rating models with a "masterscale" mapped to GEM's[1]. This mapping made it possible to draw up a loan claims matrix by category of borrower (sovereign, public and private companies).

For the calculation of the EAD, all outstanding amounts as well as financing commitments are taken into account. A factor of conversion factor into credit equivalent of the balance to be disbursed is applied to the parts not yet disbursed from financing commitments.

The shortfalls in cash flow are discounted over a period of one year for bucket 1 while the discount is made on the residual maturity for bucket 2. They are recognized as cost of risk in the income statement.

It should also be noted that interest income is calculated on the basis of the gross value of the receivables.

b) Expected losses approach of impairment for bucket 3

The calculation of expected losses is carried out instrument by instrument. They correspond to the difference between the discounted amounts of future cash flows (expected from the borrower, financial guarantees, etc.) and the book value at the reporting date. Cash flows are discounted at the effective interest rate of the loan. This difference is recognized in cost of risk in the income statement.

Interest income is calculated on the basis of the net book value. The difference between interest income calculated on the basis of gross value and that calculated on the basis of net book value is carried in cost of risk in the income statement.

2.9.5 Originating, restructuring or renegotiating loans

When the loan contracts are modified, the Bank analyzes the reasons (renegotiation, reorganization or restructuring) for the modifications and assesses the substantial nature of the modifications made on a case-by-case basis.

a) Changes without substantial impacts

In the event of a modification resulting from financial difficulties, the loan is considered as impaired outstanding (bucket 3) and is subject to a discount of an amount equal to the difference between the discounted contractual cashflows initially expected and the

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[1] Global Emerging Markets (GEMs): rating database of counterparties subscribed to by most development banks in the west African sub region (BOAD included).

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discounted future cashflows expected (capital and interests) following the restructuring. The discount rate used is the initial effective interest rate. This discount is entered in the net result in the "cost of risk" item and in the balance sheet as a reduction of the corresponding outstandings. It is impacted on the net income over the lifespan of the loan. This loan is reinstated as a healthy loan when there is no longer any uncertainty about the borrower's ability to honor its commitments.

In the event of modifications not justified by financial difficulties, the loan is entered in bucket 2. The gross book value of the loan is recalculated so that it is equal to the present value of the contractual cash flows renegotiated or modified at the rate of initial effective interest. The difference noted (profit-surcharge or loss-discount) is entered in the net result in the "cost of risk" item and then reported in the result over the term of the loan.

b) Changes with substantial impacts

When the change is substantial, the contractual rights to the cash-flow of the original loan are deemed to have expired. In this case, a new loan is recorded at fair value, while the original loan is derecognized. The difference between the book value of the derecognized loan and the fair value of the new loan is recorded in profit or loss in the "cost of risk" item. Any impairment previously recorded on the loan is adjusted or fully reversed.

2.9.6 Loans to staff

Employee loans are loans granted to the Bank's staff at market conditions. There are recognized at their nominal value.

2.9.7 Pre-financing of surveys

Pre-financing of surveys represents an advance granted by the Bank to finance the cost of a feasibility survey for a project.

The pre-financing of surveys granted by BOAD are the responsibility of the borrower in the event that the studies conclude that the projects are viable. If the study results in a project financed by the Bank, its cost plus interest is then incorporated into the loan amount and, therefore, constitutes the first disbursement.

In the event that the survey leads to a viable project whose financing is not requested from the Bank, the advance plus interest is reimbursed to it over a defined period and at a given rate. Otherwise (unsustainable project), it constitutes a subsidy granted by the Bank and recognized in final consumption therefore expensed over the reporting date.

2.9.8 Grants and subsidy mechanism

Loan subsidies are paid in by countries to reduce the cost of loans for borrowers. These subsidies help to grant concessional loans based on market resources (by reducing the average cost of resources allocated to each of the concerned loans).

2.9.9 Financial guarantees and financing commitments

Financing commitments record the outstanding amounts due as part of loan agreements signed with customers. These commitments are recorded off-balance sheet for amounts not yet used.

Some of these loans are covered by financial guarantees received. These financial

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guarantees allow the Bank to be reimbursed by the guaranteeing companies in the event of default by its customers. The fair value of these guarantees corresponds to their nominal value.

The Bank also grants financial guarantees (essentially commitments by signature in the framework of short or medium or long-term guarantee or counter-guarantee contracts) which oblige it to reimburse the subscribers of the beneficiary of the guarantee in the event of default of the latter.

The financing commitments received correspond to the drawdowns not yet made on the loans from which the Bank benefits.

2.10 Receivables from shareholders

" Receivables from shareholders" includes endowments and amounts due but not yet paid.

2.11 Securities

With the transition to IFRS 9, all securities held by the Bank are classified as financial assets at amortized cost. These include bonds with fixed or determinable payments that are not quoted on active market.

The impairment model is the same as that applied to loans and receivables from customers.

2.12 Equity investments (equity securities)

Equity securities (equity investments) are shares held by the Bank in other entities from diverse sectors in accordance with its equity investments strategy (See Note 7.1).

Equity securities are equity instruments that are recognized at fair value into two distinct categories (fair value through profit and loss and fair value through OCI non-recyclable to profit and loss). All new equity investments will be analyzed line by line to ensure their classification in one of the above categories.

a) Fair value through profit and loss

This default classification is mandatory for equity instruments held for transactions. This is an option identified for equity investments held by the Bank and representing an undertaking for collective investment in transferable securities (UCITS), namely an open-ended investment company and a mutual fund. Dividends and capital gains or losses on these assets are recognized in the income statement. They are not subject to depreciation.

b) Fair value through OCI non-recyclable to profit and loss

This classification was selected for all equity transactions of the Bank considered as strategic in line with its development mission. Dividends are recognized as income in the income statement. Any subsequent variation of the fair value (gains/losses) is recognized as other items in the comprehensive income statement and never recycled as income.

2.13 Fixed assets and amortizations

2.13.1 Recognition and evaluation

Fixed assets are recognized at their cost of acquisition. When significant components of fixed assets have different useful life, they are recognized as distinct fixed assets (major

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components). Subsequent expenses are only activated if there is probability that associated economic profits will go to the Bank. The loss or profit on fixed assets are recognized in the net income statement.

2.13.2 Amortizations and impairment test

Fixed assets are amortized on a straight line over their estimated useful life. Estimated residual values are considered as nil. Below is the different useful life:

	Amortization per component over the following duration
1. Constructions	
a. Land	Not amortizable
b. Construction work	40 years
c. Technical installations	20 years
d. Technical lots, fittings and facilities	15 years
e. Diverse facilities	10 years
2. Office materials and furniture	3 to 10 years
3. Housing equipment and furniture	3 to 10 years
4. Transportation material	3 years
5. Fittings and facilities	3 to 10 years

Assets that are likely to depreciate are reviewed annually to determine whether they have suffered a loss in value. The book value of an asset is immediately captured in the recoverable amount if the book value exceeds its estimated recoverable amount. The recoverable amount is the highest amount between the fair value of the asset (minus selling costs) and its value-in-use. The residual values and useful life of assets are reviewed periodically and adjusted if necessary.

The monthly amortization charges are recognized in the income statement under item "Depreciations" on line "general operating expenses".

2.13.3 Intangible assets

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

2.13.4 Investment properties

a) Recognition and measurement

Investment properties are initially measured at cost, including transaction costs and subsequently measured at amortised cost. Subsequent expenses are

Subsequent expenses are recognized in the book value of the investment property when they increase the capacity of the investment property or when they are intended to replace significant parts of the investment property. The Bank has choosen the cost model, all the investment properties are measured at cost less accumulated depreciation and less accumulated impairment losses.

b) Transfers to or from investment property classification

Transfers to, or from, investment property should only be made when there is a change in use. Transfers between categories do not change the book value of the property transferred, and they do not change the cost of the property for measurement or disclosure purposes.

c) Derecognition and disposals

An investment property should be derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

d) Rental income from investment properties

The Bank recognises the lease payments associated with these leases as an income on a straight-line basis over the lease term. The benefits granted by the Bank under a rental contract form an integral part of the total net rental income over the entire duration of the rental contract.

2.14 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease.

All rental contracts are classified as operating leases. All the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2.15 Deposit from banks

Deposits from banks correspond to investments made in BOAD's books by partner institutions such as ROPPA, AFD, NIMAO, etc.

2.16 Debts securities and debts from donors

Debts securities correspond to the outstanding bonds and securities debts issued by BOAD.

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

2.17 Allocated external funds

These are funds with external contributions from AFD, IDA, Belgian Assistance Fund, China International Fund, etc.

Expenses incurred are charged directly on the Fund created. No charge nor income is recognized in the comprehensive income statement of the Bank for these funds.

2.18 Pension commitments

2.18.1 Plan used by the Bank: Defined benefit scheme

The Bank uses the "defined benefit" system in which the employer agrees to pay specific benefits in the form of pensions or retirement benefits, depending on the employee's length of service and salary. These benefits are paid directly by the Bank to the beneficiary.

The pension plan is entirely financed by the Bank. Staff are not obliged to contribute to the scheme.

2.18.2 Determination of net liability under the defined benefit scheme

The Bank's net defined benefit obligation is assessed by estimating the amounts of future benefits acquired by the staff during their actual and past periods. This amount is calculated based on the actuarial liability related to the Bank pension obligations, but less the fair value of the hedging assets of the pension fund.

The Bank does not have any hedging asets to cover its pension plan.

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The actuarial assumptions used are calculated annually by a qualified actuary using the Projected Unit credit method.

Revaluations of the net liability for defined benefit plans including actuarial gaps are recorded immediately under other items in the comprehensive income statement.

2.18.3 Actuarial assumptions

Actuarial assumptions as at the closing date are as follows:

Actuarial assumptions	2019	2018
Discount rate	6.18%	6.18%
Rate of salary increase	6%	6%
Rate of staff turnover	1%	1%
Retirement age	60 years	60 years
Mortality table	Table CIMA	Table CIMA

The risks related to the retirement benefit scheme are rather related to the changes in discount rate and increases in salary. The discount rate remains the same and corresponds to the average yield of bonds purchased by the Bank during the 2018 financial year.

2.19 Transactions on share capital and allocations

2.19.1 Capital

The Bank's capital is made up of shares of nominal value equal to XOF50,000,000. It is divided into two categories of shareholders: Class A shareholders including WAEMU member countries and the Central Bank of West African States (BCEAO) and class B shareholders which are non-regional shareholders. Capital call-up is based on a long term payment plan. Therefore, the amount of the capital increase is discounted at each reporting date. In order to provide a more appropriate presentation, the difference is captured in "Cost related to deferred paying-up of capital".

According to Article 7 of its Articles of Association, the Bank's callable capital is used as guarantee for loans contracted by the Bank.

2.19.2 Allocations

Member countries make allocations annually to BOAD. BOAD's right to these allocations is established at the adoption of the Bank's updated financial outlook over a period of four (4) years. This application is made annually and as a result, the allocations are captured annually as income. The allocations are therefore recognized as receivables during the fiscal year, with impact on the year's income under IAS 20.

This recognition helps cover expenses related to development activities namely studies conducted but captured as final consumption, interest rate subsidies for loans to States.

2.20 Investment income from the Central Bank

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

Interests receivable from BCEAO as at the year-end reporting are recorded as assets under "loans and advances to banks".

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2.21 Interests and fees on debts

Interests and commitment fees are subject to a monthly subscription calculated on the basis of loans recorded at the reporting date.

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

At each reporting date, loans, interests and commitment fees accrued but not due pertaining to loans in foreign currencies are valued at the last reported exchange rate.

2.22 Derivatives and hedge accounting

2.22.1 Derivatives

The Bank uses derivative instruments to hedge exchange risks. These instruments are mainly an exchange cross-currency swap specifically for the Eurobond 1 issue and forward exchange contracts on Eurobond 2 issue and other borrowings. Derivatives serve to cover the variability of cash flows resulting from exchange rates fluctuations on borrowings contracted in foreign currencies (SDR and USD). This relation is established from the date of issue of the borrowing and maintained throughout the contract terms.

The Bank assesses all its financial derivatives at fair value and changes in fair value are generally recognized through profit and loss. When the required conditions are met for the application of the fair value option, the debt in question is also assessed at fair value and changes in fair value are recognized as net income.

2.22.2 Fair value hedge

The Bank applies fair value hedge accounting to derivatives to hedge the exposure to currency risk associated with foreign currency borrowings. Under fair value hedge accounting, changes in fair value of the hedging instrument and changes in fair value of the hedged item attributable to the risk being hedged are recognized as profit and loss.

From the onset, the Bank documents the relation between the hedging instrument and the hedged item as well as the risk management objectives and its strategy to undertake hedging transactions. The hedge accounting stops being applied when the objective of the Bank's risk management for the hedging relationship changes or when the hedging instrument has matured, is sold or is abrogated or is exercised or when the hedge accounting does no longer meet required conditions for the hedge accounting.

2.22.3 Cash flow hedge

When a derivative is recognized as cash flow hedge instrument, the effective portion of the change in fair value of the derivatives is recognized as other comprehensive income and accumulated in the cashflow hedge reserve. All other ineffective portion in the change in fair value of the derivative is recognized immediately as profit or loss.

The accumulated amount in equity is recognized as Other comprehensive income and reclassified to profit or loss at a date or dates when the anticipated cashflow hedged or the hedged item affects profit or loss.

If the anticipated transaction is no longer expected to occur and the hedge no longer meets the criteria for hedge accounting, or the hedging instrument expires, is sold, terminated, exercised or cancelled, the Bank ceases to apply prospective hedge accounting. If the

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anticipated transaction is no longer expected to occur, the balance in equity is reclassified to net income.

2.23 Non-current Assets Held for Sale

Non-current assets are classified as held for sale if it is highly likely that they will be recovered primarily through sale rather than through continuous use.

Non-current assets that are classified as held for sale are measured at the lower of book value and fair value less costs to sell. Any impairment prior to classifying an asset as held for sale and gains of losses for any subsequent increase in fair value less costs to sell of an asset are recognised in the statement of profit or loss.

2.24 Cashflow statement principles of presentation

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

The cashflows are distributed among the operating, investments and financing activities. Cash and cash equivalents appearing in the cashflow table should be compared with those presented in the financial statement. Flows from operating activities are presented using the indirect method whereby the result is adjusted of the effects of non-cash transactions, any deferrals or accruals from past entries or past/future operational cash payments and income or expenditure items related to the cashflows for investments or financing.

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

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

2.25 Subsequent events

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

If these events relate to events that occurred after the date of closing of the accounts but require disclosure, the balance sheet, income statement, cash flow statement and the statement of changes in equity are not adjusted. The nature and potential impact of these events are captured in note 26 below.

2.26 Approval of accounts

BOAD's individual accounts as at 31 December 2019 were approved by the Board of Directors at its 25 March 2020 meeting.

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

The standards and interpretations contained in the Bank's financial statements as at 31 December 2018 were supplemented by provisions of the new standards and

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interpretations for the 2019 financial year. These involve the following standards and amendments:

3.1 New provisions in force and published by IASB

Date of entry into force	New Standards or amendments	Impact on the Bank's financial statements as at 31 December 2019
1st January 2019	**IFRS 16 "Leases"**	The objective of IFRS 16 "Leases" is to establish principles relating to the accounting, evaluation and presentation of leases, as well as the information to be provided thereon for lessees and lessors. **The impact of this standard is presented in Note 4 of the present financial statements.**
	IFRIC 23 "Uncertainty over tax treatments"	IFRIC 23 clarifies the application of the provisions of IAS 12 "Income Taxes" regarding recognition and measurement, when there is uncertainty about the treatment of income tax. Because of its character as an international public establishment, BOAD is exempt from income tax. **No impact resulting from this new standard of interpretation is therefore anticipated.**
	Amendments to IFRS 9 entitled "Prepayment clauses providing for negative compensation"	The exercise of an early repayment clause may result in a repayment less than the sum of the principal and interest on the principal remaining due. In this case, the amendment authorizes the recognition of the financial instrument at amortized cost although the SPPI (Only Payment of Principal and Interest) criterion is no longer met provided that this compensation is reasonable and that the instrument is held for the purpose of obtaining payment of interest and principal. Bank loans include many early repayment clauses, but since the start of the Bank's activities, the exercise of this clause has only resulted in the payment by counterparties of total amounts (principal remaining due, interest and penalties) slightly higher than those provided for in the amortization tables. On this basis, it must be concluded that the clauses in the loan agreements signed by BOAD with its counterparties do not provide for negative compensation. **It is therefore not necessary for BOAD to apply this amendment.**
	Amendments to IAS 28 entitled "Long-term interests in associates and joint-ventures"	The implementation of these amendments should result in the possibility for the Bank to apply IFRS 9 for all of its long-term interests (interests) including those in associates or joint-ventures within the framework of these consolidated accounts. Regarding individual accounts, the Bank has applied IFRS 1 since January 1, 2018 for the recognition of all its long-term interests in companies. **The application of the amendment is therefore no longer necessary at BOAD.**
	Amendments limited to IAS 19 entitled "Modification, reduction or liquidation of a plan"	The application of this amendment results in new obligations for the Bank each time the net liability for benefits granted due to a modification, reduction or liquidation of the plan is reassessed. These obligations relate to the determination of the cost of services rendered, the calculation of net interest, the calculation

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Date of entry into force	New Standards or amendments	Impact on the Bank's financial statements as at 31 December 2019
		of interest income and the calculation of interest on the effect of the asset ceiling for the remaining portion of the financial year after the modification, reduction or liquidation of the plan. **For the moment, the Bank does not envisage any modification, reduction or liquidation of the current regime. This amendment will therefore have no impact on the recognition of post-employment benefits under the defined benefit regime.**
	"Annual Improvements to IFRS - Cycle (2015-2017)" (Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23)	**IAS 12 :** The Bank does not pay dividends to its shareholders. Due to its character as an international public establishment, it is exempt from income tax. **Therefore, this improvement in presenting the tax consequences of dividend payments has no impact on the Bank's accounts.** **IAS 23 :** This amendment specifies how to determine the amount of borrowing costs that can be incorporated into the cost of the asset, when an entity generally borrows funds and uses them to obtain a qualified asset (versus funds specifically borrowed in view of obtaining a qualified asset). The amendment considers that, on average, part of the borrowed funds is allocated to expenditure on the assets concerned. **No impact is expected on the BOAD accounts.** **IFRS 11 :** Under this amendment, an entity does not reassess the interests previously held in a joint-venture when it obtains joint control of the joint-venture whose activity constitutes a business. **This amendment is not applicable to individual BOAD accounts and therefore has no impact.** **IFRS 3 :** The amendment specifies that an entity must reassess the interests previously held in a joint-venture when it obtains control of the joint-venture whose activity constitutes a business. **As for individual accounts, this amendment is not applicable and therefore has no impact.**

3.2 Upcoming provisions

Date of entry into force	New standards or amendments	Impact on the Bank's financial statements
1st january 2021	Interbank rate redesign and impact on financial reporting - Phase 1	The impact of these amendments applicable from january 1, 2021 on the Bank's accounts is being assessed.
	Modification of references to the Conceptual Framework in IFRS standards	
	Definition of the term "significant" (changes to IAS 1 and IAS 8)	
1st january 2022	IFRS 17 "Insurance contracts"	The Bank's activity is mainly banking and does not fall within the scope of IFRS 17 which replaces IFRS 4. **There will therefore be no impact on BOAD accounts.**

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NOTE 4. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

4.1 FIRST APPLICATION OF IFRS 16, LEASES

The Bank applied IFRS 16 "Leases" for the first time from 1 January 2019. Other standards and interpretations came into force on 1 January 2019, but have no impact on the Bank's financial statements as at 31 December 2019.

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

4.1.1 General principles of IFRS 16

a) Scope and exemptions from the standard

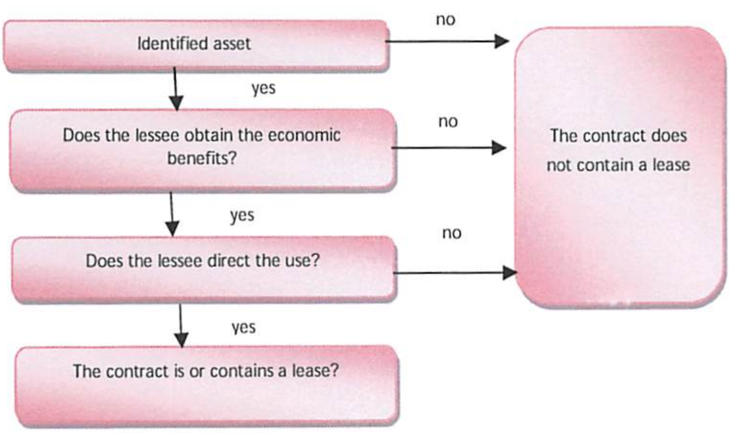
IFRS 16 applies to the accounting for leases other than leases for the exploration or use of non-renewable mineral resources (scope of IFRS 6), leases of biological assets within the scope of IAS 41, service concession contracts within the scope of IFRIC 12, intellectual property rights licensing agreements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

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

b) Definition and identification of a lease

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

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



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

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a. Identification may be explicit in the contract or implicit when given to the client, for example.
b. The property must be physically identified and distinct when it is part of a whole.
c. The lessor must not have a real right of substitution, i.e. he may not substitute another right for it during the term of the contract. The mere fact that the asset is temporarily replaced for repair or maintenance purposes alone is not sufficient to justify a substantial right of substitution. The reality of the right of substitution is assessed based on facts and circumstances existing at the start date of the contract, while excluding future events. The right of substitution is substantial only if the following two conditions are met :
   - The practical ability of the lessor to replace the asset with another throughout its useful life (for example, the lessee cannot prevent the lessor from replacing the asset and the lessor has ready access to a replacement asset or can provide one within a reasonable time);
   - The exercise of the right of substitution would provide an economic benefit to the lessor (the economic benefits of substitution would exceed the costs associated with it).

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

a. The right to obtain substantially all the economic benefits derived from the asset: economic benefits can be obtained by the lessee in many ways, by using the asset itself, by holding it or by subletting it. The assessment of the right to obtain economic benefits is carried out within the limits of the possibilities of use imposed on the client.
b. The lessee decides on "how and for what purpose" to use it during the lease period: depending on the contract, he must have the right to decide which asset to lease, over which period, where to use it, etc. Only rights that may affect the economic benefits provided by the asset should be considered. Even when the use is predetermined, the contract will qualify as a lease as long as it has the right to operate the asset throughout the period of use without the lessor being able to intervene in this mode of operation.

4.1.2 First adoption of IFRS 16 as at 1st january 2019

a) Transition to IFRS 16

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

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

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

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b) As lessee

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

c) As a lessor

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

4.2. FIRST APPLICATION OF IAS 40, INVESTMENT PROPERTIES

4.2.1 General principles of IAS 40

a) Scope

An investment property is real estate (land and / or construction) held in its own right or rented to obtain rents, to realize a capital gain or both.

Part of a dual-use property is classified as an investment property, only if this part could be sold or rented under a finance lease. Otherwise, the real estate is classified entirely in tangible fixed assets, unless the part of the real estate used for the use of the entity is not significant. If the lessor offers additional services, the property is classified as investment property if these services represent a fairly significant part of the overall agreement.

b) Recognition and measurement

Investment properties are initially recognized at cost.

After initial recognition, any investment property is valued using the fair value model or the cost model.

When the fair value model is used, changes in fair value are recognized in profit or loss. Subsequent expenses are capitalized only if it is probable that they will generate future economic benefits.

c) Transfers to or from investment property

Transfers from investment property to tangible fixed assets or vice versa are made only in the event of a change in the use of the property.

The intention to sell an investment property without redevelopment does not justify the reclassification of an investment property in stock. The property continues to be classified as investment property until it is sold, unless it is classified as held for sale.

d) Disclosures

The information to be provided relating to the fair value of all investment properties is required, regardless of the valuation model chosen (*see below 4.2.2 First adoption of IAS*

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40 as at 1st september 2019).

4.2.2 <u>Fisrt adoption of IAS 40 as at 1st september 2019</u>

a) Transfers to investment properties : transition to IAS 40

On September 1, 2019, a building was transferred to an investment property insofar as the building is no longer used by the Bank and that it was rented to a third party.

For this first application of IAS 40, the Bank has used the cost model. This choice is justified by its inability to reliably determine the fair value of the investment property. This incapacity stems from the particularity of the investment building (leisure center within a City intended for BOAD staff), the absence of comparable transactions on the market and the absence of reliable estimates of fair value.

Thus, the transition to IAS 40 has no impact to be recognized either in opening equity or in goodwill. The only change to note relates to the presentation of a new item "Investment property" in the balance sheet at December 31, 2019.

b) Reconciliation of book values of investment properties

Investment properties (amounts in XOF'M)	Note	2019	2018
Balance as at 1st January 2019		0	0
Increases		0	0
Transfers from tangible assets	9	770	0
Amortization charges and reversal of amortization		-42	
Gains and losses in fair value		0	0
Balance as at 31 December 2019		**728**	**0**

NOTE 5. CASH AND CASH EQUIVALENTS

Analysis of the "Cash and cash equivalents" item (*see Note 2.7 on Summary of key accounting principles and policies*) comprises the following :

Cash and cash equivalents	Note	31 December 2019	31 December 2018
Cash accounts		107	149
BOAD HQ Current Account		99	431
Deposit Accounts for Resident Missions at BCEAO	5.1	390,922	126,038
Japan Eximbank Special Account	5.2	15	15
Kingdom of Belgium Special Account	5.3	4,213	4,212
FDE Contribution Account	5.4	1,985	24,457
BOAD Settlement Account Lomé		31,861	5,581
Operating Account for Resident Missions		718	406
Bank and correspondent bank accounts		10,170	6,428
Short-term bank deposits (a)	5.5	136,006	103,006
Deposits/ Margin calls	5.60	55	63
TOTAL		**576,151**	**270,786**

5.1.The deposit accounts of Resident missions are detailed as follows:

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Resident missions deposit accounts	31 December 2019	31 December 2018
Deposit Accounts BCEAO Abidjan	13,396	5,535
Deposit Accounts BCEAO Bamako	13,604	12,288
Deposit Accounts BCEAO Bissau	1,829	654
Deposit Accounts BCEAO Cotonou	8,102	1,825
Deposit Accounts BCEAO Dakar	19,062	14,996
Deposit Accounts BCEAO Lomé	308,683	79,376
Deposit Accounts BCEAO Niamey	10,509	3,163
Deposit Accounts BCEAO Ouagadougou	15,736	8,201
Total	**390,922**	**126,038**

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

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

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

5.5 Short-term bank deposits include the following **:**

Short-term bank deposits	31 December 2019	31 December 2018
BOA-CI, special liquidity account	996	996
BOA-BENIN liqiuidity account	1,010	1,010
Term deposit with BOA Group	21,000	15,000
Term deposit with ORABANK Group	10,000	10,000
Term deposit with BSIC Group	8,000	3,000
Term deposit with Banque Atlantique Togo	5,000	5,000
Term deposit with Coris Bank Group	48,000	31,000
Term deposit with Diamond Bank Group	15,000	16,000
Term deposit with BHBF	5,000	5,000
Term deposit with UTB	10,000	10,000
Term deposit with BNDE	10,000	0
Term deposit with UBA	2,000	1,000
Term deposit with BAIC		5,000
Total	**136,006**	**103,006**

NOTE 6. LOANS AND RECEIVABLES AT AMORTIZED COST

The item « loans and receivables at amortized cost » *(see note 2.9 of summary of accounting principles and practices)* breaks down as follows :

Loans and receivables at amortized cost	Note	31 December 2019	31 December 2018
Loans and advances to banks	6.1	50,119	70,144
Loans and advances to customers	6.2	1,985,427	1,801,520
Loans and advances to staff		10,963	10,751
Securities portfolio	6.3	288,496	261,476
Receivables from shareholders	6.4	6,882	6,882
TOTAL		**2,341,887**	**2,150,773**

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6.1 Loans and advances to banks

Loans and advances to banks include interbank loans and related interests. Loans and advances to banks per counterparty is detailed as at 31 December 2019 and 31 December 2018 as follows:

Counterparties	31 December 2019	31 December 2018
BCEAO- Interests on ordinary accounts	136	46
ORAGROUP	20,000	20,000
BRM	12,500	15,000
BGFI	0	5,000
BSIC	0	8,500
BAIC	0	3,000
BHS	0	5,000
BDM	10,000	10,000
BDU-BF	5,000	0
Interests receivable	2,483	3,598
TOTAL	**50,119**	**70,144**

6.2 Loans and advances to customers

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

6.2.1 Break down per type, sector of activity and per country

A detailed analysis of receivables from customers per type of loans, sector of activity and per country is presented in Note 21.1 on credit risk.

6.2.2 Schedule of receivables from customers

The schedule of receivables from customers is presented as follows as at 31 December 2019 and 31 December 2018:

Items	31 December 2019		31 December 2018	
Gross outstanding receivables from customers		**2,055,777**		**1,872,824**
of which gross outstanding loans		1,997,201		1,819,050
At most six months	95,848		61,653	
More than six months and less than one year	107,133		86,409	
More than one year and less than two years	203,554		211,773	
More than two years and less than three years	203,563		195,100	
More than three years and less than five years	391,502		335,842	
More than five years	992,880		926,987	
Technical outstanding receivables (a)	2,721		1,286	
of which advance for financing studies		14,447		13,889
of which related receivable to loans		44,128		39,886
Total depreciation on loans and related receivables		**-58,785**		**-53,126**
of which depreciation of non-performing loans (b)		-39,976		-30,198
of which depreciation on buckets 1 and 2		-18,809		-22,928
Deferred income from fees		**-8,386**		**-8,801**
Value adjustement on advances to customers		**-3,179**		**-9,377**
Receivables from customers		***1,985,427***		***1,801,520***

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

(b) The total amount of depreciation of non-performing loans includes XOF 38,077 M for depreciation on the principal and XOF 1,899 M for interest and commissions on non-performing loans.

6.2.3 Variation table for non-performing loans

Gross outstanding loans also include non-performing loans that have evolved as follows:

	Balance as at	Changes of the period			Balance as at
	31 december 2018 (a)	Increase (b)	Decrease (c)	Balance of the period (d) = (b) + (c)	31 december 2019 (e) = (a) + (d)
1. Gross outstanding of non-performing loans	40,558	33,496	-14,784	18,712	59,270
2. Depreciation	-30,198	-31,730	23,851	-7,879	-38,077
3. Net outstanding of non performing loans = (1) + (2)	**10,361**	**1,766**	**9,067**	**10,833**	**21,194**

6.3 Securities portfolio

6.3.1 Variation table for securities

The variation table of securities as at 31 December 2019 is as follows:

	Balance as at	Variations of the period			Balance as at
	31 december 2018 (a)	Increase (d)	Decrease (e)	Balance of the period (f) = (d) + (e)	31 december 2019 (g) = (c) + (f)
1. Gross outstanding of securities portfolio	255,306	87,859	-60,887	26,972	282,278
2. Interest receivables of securities portfolio	6,614	15,581	-15,509	72	6,686
3. Depreciation	-444	-42	19	-23	-467
4. Net outstanding of securities portfolio = (1) + (2) + (3)	**261,476**	**103,397**	**-76,377**	**27,020**	**288,496**

6.3.2 Details of securities portfolio

The breakdown of the securities portfolio is as follows:

Securities portfolio	31 December 2019	31 December 2018
Treasury bonds Senegal	43,500	22,250
Treasury bonds Côte d'ivoire	42,000	45,000
Treasury bonds Benin	50,000	50,000
Treasury bonds Burkina Faso	35,000	44,986
Treasury bonds Mali	30,000	30,000
Treasury bonds Niger	11,012	6,412
Treasury bonds Togo	28,413	33,242
CRRH Bonds	11,217	12,617
Treasury bills Burkina Faso	7,286	0
EBID Bonds	2,000	0
Treasury bills Mali	4,000	0
Treasury bills Niger	7,407	0
Coris Bank Holdings bonds	10,000	10,000
Treasury bills Togo		0
Deposit Certificate BRM	600	800
Sub-total	***282,434***	***255,306***
Interests receivable	6,686	6,614
Bonds premiums and discounts (TPCI 2019-2022)	-156	
Depreciation	-467	-444
TOTAL	**288,496**	**261,476**

6.3.3 Schedule of securities portfolio

The contractual schedule of securities investments, as at 31 December 2019 and 31 December 2018 is as follows:

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Maturity	31 December 2019	31 December 2018
At most six months	20,077	7,960
More than six months and less than one year	20,613	34,605
More than one year and less than two years	34,298	25,682
More than two years and less than three years	66,463	30,613
More than three years and less than five years	97,675	92,727
More than five years	43,307	63,719
TOTAL	**282,434**	**255,306**
Interests receivable	6,686	6,614
Bonds premiums and discounts (TPCI 2019-2022)	-156	0
Depreciation	-467	-444
TOTAL	**288,496**	**261,476**

6.4 Receivables from shareholders to be paid up

The item on « receivables from shareholders to be paid up » includes the following:

Receivables from shareholders	31 December 2019	31 December 2018
Endowment from member states receivable	5,029	5,029
Admission fee Guinea Bissau	1,852	1,852
TOTAL	**6,882**	**6,882**

NOTE 7. EQUITY INVESTMENTS

7.1. The Bank's equity investments strategy

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

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

The Bank's equity investment strategy is as follows:

- **Objective**: fulfilling the Bank's development agenda while ensuring that it stays financially viable in accordance with the strategic orientations of the Bank.
- **Areas of intervention**: all sectors eligible for financing by the Bank.
- **Modes of intervention**: when entering into a transaction, the Bank must have sufficient visibility of the terms and conditions of exit, when the time comes. The transfer of equity shares will be traded for listed shares and at the best conventional conditions for unlisted shares.
- **Positioning in the governing bodies**: each of the Bank's equity participations is conditioned by the allocation of a seat on the company's governing body (board of directors, supervisory board, credit or investment committee, etc.).

In addition to the equity investment strategy, BOAD has taken measures to (i) adapt to the evolution and the requirements of WAMU's financial sector (increase of minimum

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capital of banks and financial institutions) and (ii) take into account the special nature of the agricultural sector with regard to its importance in the economies of WAEMU countries.

7.2. Intervention limits for equity investments

The Bank's threshold for intervention is defined in relation to its risk capital, which corresponds to the paid-up capital plus net reserves and similar funds, less unproductive assets.

Operations	Limit per company and per transaction	Level of engagement per borrower (all transactions combined)	Maximum overall volume of equity investments
Projects from National Financial institutions (NFI) and SME promoting agencies, privatization projects, regional projects and projects from the mining and energy sectors	5% of risk capital	15% of the company's share capital within the temporary limit of 100% for entities in which BOAD plays a role of major promoter. This level must be reduced to 51% with a clear exit strategy within reasonable deadlines	20% of risk capital
All projects other than those from National Financial institutions (NFI) and agencies promoting SME, privatization projects, regional projects and projects from the mining and energy sectors	2.5% of risk capital		

7.3. Change in equity investments

7.3.1 Equity investments variation table

Changes in gross equity investments (*see note 2.12 of summary of accounting principles and practices)* are as follows:

Changes in equity investments	2019	2018
Gross outstanding of equity investments as at 1st January 2018	84,668	83,958
Increases	8,971	8,934
Decreases	-648	-8,223
Gross outstanding of equity investments as at 31 December 2019	**92,991**	**84,668**
Gains /losses of equity investments designated at fair value through OCI non-recyclable	44,042	40,689
Gains /losses of sold equity investments designated at fair value through OCI non-recyclable	1,623	1,202
Net outstanding of equity investments as at 31 December 2019	**138,656**	**126,559**

7.3.2 Breakdown of equity securities per counterparty

Equity investments recognized in the balance sheet between the 31 December 2018 and 31 December 2019 are detailed per counterparty in the tables below:

a) Instruments recognized at fair value through profit or loss

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N°	Country	Equity investments	Percentage of interest (%)	31 December 2019				31 December 2018			
				Gross outstanding (a)	Gains /losses of equity investments designated at fair value through P&L (b)	Gains/ Losses recognised in P&L (c)	Balance sheet value (d) = (a) + (b) + (c)	Gross outstanding (a)	Gains /losses of equity investments designated at fair value through P&L (b)	Gains/ Losses recognised in P&L (c)	Balance sheet value (d) = (a) + (b) + (c)
1	BN	FOAI - Sicav ABDOU DIOUF	15.8%	2,500	1,058	67	3,626	2,500	952	107	3,558
2	h-uemoa	FEFISOL	8.2%	1,312	24	36	1,372	1,312	10	14	1,336
3	SN	FCP/IFC BOAD	100.0%	5,000	120	318	5,438	3,000	0	120	3,120
TOTAL				**8,812**	**1,203**	**421**	**10,436**	**6,812**	**962**	**241**	**8,014**

b) Instruments recognized at fair value through non-recyclable other comprehensive income

N°	Country	Equity investments	Percentage of interest (%)	31 December 2019				31 December 2018			
				Gross outstanding (a)	Gains/ Losses recognised in OCI (b)	Gains/ Losses of equity instruments designated at fair value through OCI non-recyclable (c)	Balance sheet value (d) = (a) + (c)	Gross outstanding (a)	Gains/ Losses recognised in OCI (b)	Gains/ Losses of equity instruments designated at fair value through OCI non-recyclable (c)	Balance sheet value (d) = (a) + (c)
1	BN	SOAGA	19.3%	103	-5	90	193	103	13	96	198
2	TG	CAURIS CROISSANCE	49.6%	0	-691	0	0	175	-792	691	866
3	SN	BNDE	9.1%	1,000	232	1,965	2,965	1,000	145	1,733	2,733
4	h-uemoa	CAURIS CROISSANCE II	17.7%	4,626	3,275	-667	3,959	4,584	-3,566	-3,941	643
5	TG	GARI S. A.	11.6%	1,500	10	1,294	2,794	1,500	42	1,283	2,783
6	MA	BDM Mali	16.0%	600	5,036	15,996	16,596	600	854	10,961	11,561
7	BN	BOA Bénin	2.4%	98	-282	1,616	1,715	98	74	1,899	1,997
8	NG	SONIBANK Niger	9.5%	1,082	-390	2,128	3,209	1,082	103	2,517	3,599
9	CI	BHCI Côte d'Ivoire	2.2%	150	-1	19	168	150	20	20	170
10	NG	BOA Niger	5.7%	137	-384	2,384	2,521	137	909	2,768	2,905
11	TG	BIA Togo	5.2%	392	-84	138	530	392	67	221	613
12	BN	African Investsment Bank (AIB) (1)		0	0	0	0	0	250	0	0
13	h-uemoa	Afreximbank	0.3%	2,500	838	1,380	3,880	2,500	-1,676	542	3,042
14	SN	Banque Régionale de Marché (BRM)	4.0%	400	-1,005	-320	80	400	28	685	1,085
15	BF	Banque de l'Habitat du BF	0.9%	200	-185	-96	104	200	-136	89	289
16	CI	BRIDGE BANK Côte d'Ivoire	3.5%	0	0	0	0	0	0	0	0
17	CI	BRVM	9.1%	56	-27	557	613	56	-7	584	640
18	CI	DC/BR (BRVM)	9.0%	140	-112	190	330	140	35	302	442
19	TG	CICA RE	2.2%	999	-19	343	1,342	999	91	361	1,360
20	MA	MANDE Hotel	16.7%	50	0	252	302	50	4	251	301
21	CI	SIALIM (1)		0	0	0	0	0	100	0	0
22	CI	AIR AFRIQUE (1)		0	0	0	0	0	2,500	0	0
23	CI	CIPREL	2.0%	584	168	1,711	2,295	584	255	1,542	2,126
24	BN	COTEB (1)		0	0	0	0	0	272	0	0
25	TG	ASKY (EX SPCAR)	16.8%	5,990	-5,990	-5,990	0	5,990	5,954	0	5,990
26	SN	SCIE	0.0%	0	0	0	0	0	130	0	0
27	CI	RASCOM	7.1%	1,600	0	-1,600	0	1,600	0	-1,600	0
28	h-uemoa	PROPARCO	0.8%	3,420	24	1,154	4,575	3,420	394	1,131	4,551
29	TG	BOAD-Titrisation	100.0%	500	-51	-229	271	500	-109	-178	322
30	TG	CRRH-UEMOA	16.1%	1,543	204	793	2,336	1,543	-713	589	2,132
31	h-uemoa	Fonds Agricole pour l'Afrique (FAA)	2.6%	2,401	-258	115	2,515	2,438	182	373	2,811
32	TG	ORAGROUP	2.1%	1,642	3,339	4,272	5,913	2,000	67	933	2,933
33	BF	Burkina Bail	15.0%	689	-5	314	1,003	689	174	318	1,007
34	SN	CNCAS	10.5%	1,573	-777	1,603	3,176	1,573	83	2,380	3,953
35	BF	CORIS BANK	4.3%	1,997	-957	9,010	11,007	1,997	7,231	9,968	11,964
36	CI	Nouvelle BRS CI/ORA Bank CI	38.2%	16,995	796	14,721	31,716	16,995	20,049	13,926	30,921
37	CI	Banque de l'Union Côte d'Ivoire (BDU-CI)	9.6%	1,100	118	53	1,153	1,100	368	-65	1,035
38	BF	Banque de l'Union Burkina Faso (BDU-BF)	10.6%	1,100	520	333	1,433	1,100	0	-187	913
39	Kenya	FAER	4.9%	5,789	2,350	631	6.419	5,000	615	-1,719	3,281
40	BF	AMETHIS WEST AFRICAN (AWA)	11.1%	2,998	-981	-1,403	1,595	1,975	444	-422	1,553
41	CI	Air Côte d'Ivoire	6.9%	10,320	33	-6,814	3,506	8,990	-1,079	-6,847	2,143
42	CI	RASCOM STAR QAF		0	0	0	0	0	4,360	0	0
43	h-uemoa	Investisseurs & Partenaires/ Dévoppement (IPDEV2)	11.1%	632	-43	-139	493	632	181	-96	536
44	Bn	Société Immobilière d'Aménagement Urbain SImAU	10.0%	500	-84	-94	406	500	0	-10	490
45	SN	Banque Outarde	14.3%	2,000	53	-355	1,645	2,000	-408	-408	1,592
46	h-uemoa	Fonds I&P Afrique Entrepreneurs 2 (IPAE2)	4.1%	358	-131	-131	227	253	0	0	253
47	NG	Banque de l'Habitat du Niger	8.3%	825	0	0	825	825	0	0	825
48		Fonds d'investissements dédié au développement des services financiers dans l'UEMOA	49.5%	2,585	-766	-766	1,819	576	0	0	576
49		ECP Africa Fund IV	1.8%	1,807	-416	-416	1,390	1,411	0	0	1,411
50		MANSA BANK		1,200	0	0	1,200		0	0	0
				0			0	0		0	0
TOTAL				**84,179**	**3,352**	**44,041**	**128,220**	**77,856**	**37,508**	**40,689**	**118,545**

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NOTE 8. ADJUSTMENTS ACCOUNTS AND OTHER ASSETS

Adjustment accounts and other assets include the following:

Adjustement accounts and other assets	Note	31 December 2019	31 December 2018
Derivative assets	8.1	35,286	1,065
Accruals assets	8.2	1,778	2,121
Other adjustement accounts	8.3	7,406	9,317
TOTAL		**44,470**	**12,503**

8.1 Derivative assets

The breakdown of derivative assets by type of hedging relationship is as follows

Derivative assets	31 December 2019	31 December 2018
Derivative assets-fair value hedge	1,093	0
Derivative assets-cash flow hedge	34,193	1,065
TOTAL	**35,286**	**1,065**

The item on "Derivative assets-currency risk hedging instruments" recorded a value of XOF35,286 M as at 31 December 2019 against XOF1,065 M as at 31 December 2018. These amounts correspond to the quota of the derivatives set up by the Bank to hedge against foreign exchange fluctuations on interest cashflows on loans denominated in foreign currencies.

8.2 Accruals assets

Accruals assets	31 December 2019	31 December 2018
Deferred expenses	892	873
Accruals and prepaid expenses	383	377
Accrued receivables	41	37
Other accruals	462	834
TOTAL	**1,778**	**2,121**

8.3 Other adjustments accounts

Other adjustement accounts	31 December 2019	31 December 2018
Sundry debtors	1,921	3,386
Prefinancing of studies from foreign funds meant for studies	1,289	1,613
Deposits paid	75	66
Advances on mission expenses	5	16
Advances and prepayments made	201	206
Other endowments and subsidies to be received	3,915	4,030
TOTAL	**7,406**	**9,317**

NOTE 9. TANGIBLE AND INTANGIBLE ASSETS

9.1 Tangible assets

The net book value of tangible assets as at 31 December 2019 and 31 December 2018 is as follows:

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Tangible assets	31 December 2019	31 December 2018
Cost of acquisition	26,302	27,068
Allocations and reversal of depreciations	-20,405	-19,831
Net outstanding of tangible assets	**5,897**	**7,237**

The breakdown by category of tangible assets is shown in the table below (in XOF' M):

Items	Lands	Buildings	Properties under construction	Fittings and fixtures	Equipment held under finance lease	Total
Cost of acquisition						
Balance as at 1st January 2018	**981**	**14,319**	**671**	**10,738**	**0**	**26,708**
Acquisitions	0	667	0	919	0	**1,586**
Transfers	0	0	-172	0	0	**-172**
Disposals	-790	0	0	-264	0	**-1,054**
Revaluation acquisitions	0	0	0	0	0	**0**
Other revaluations	0	0	0	0		**0**
Balance as at 1st January 2019	**190**	**14,986**	**499**	**11,393**	**0**	**27,068**
Acquisitions	0	2		1,724	0	**1,726**
Transfers	0	0	-105	0	0	**-105**
Transfers to investment properties	0	-667		-103	0	**-770**
Sales	0	-932		-685	0	**-1,617**
Balance as at 31 December 2019	**190**	**13,389**	**395**	**12,328**	**0**	**26,302**
Cumulative amortizations and disposals						
Balance as at 1st January 2018	**0**	**9,123**	**0**	**9,993**	**0**	**19,117**
Amortization charges	0	333	0	639	0	**972**
Reversals of depreciation (disposals)	0	0	0	-257	0	**-257**
Impairment losses recognized during the period	0	0	0	0	0	**0**
Reversals of depreciation	0	0	0	0	0	**0**
Balance as at 1st January 2019	**0**	**9,456**	**0**	**10,375**	**0**	**19,831**
Amortization charges	0	591	0	754	0	**1,345**
Reversals of amortization (disposals)	0	0	0	-767	0	**-767**
Transfers to investment properties	0	-4	0	-1	0	**-5**
Impairment losses recognized during the period	0	0	0	0	0	**0**
Balance as at 31 December 2019	**0**	**10,044**	**0**	**10,361**	**0**	**20,405**
Net value of tangible assets as at 31 December 2019						**5,897**

9.2 <u>Investment properties</u>

The investment properties consist solely of the leisure center of the staff city. The contract provides for an initial non-cancellable rental period of two years. Rents are payable in advance quarterly. Subsequent renewals are negotiated by mutual agreement between the parties. No conditional rent is charged.

The net book values of investment properties are presented below :

Investment properties	2019	2018
Cost of acquisition	770	0
Allocations and reversal of depreciations	-42	0
Net outstanding of intangible assets	**728**	**0**

The evolution of the net book value of investment properties between 31 December 2018 and 31 December 2019 is as follows :

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Acquisitions of investment properties (in XOF'M)		Allocations and reversal of depreciations (in XOF'M)	
Balance as at 1st January 2019	**0**	**Balance as at 1st January 2019**	**0**
Acquisitions	770	Amortization charges	37
Disposals	0	Write-back of amortization	0
Transfers to investment properties	0	Transfers to investment properties	5
Classified as assets held for sale	0	Classified as assets held for sale	0
Balance as at 31 december 2019	**770**	**Balance as at 31 december 2019**	**42**
Net value on balance sheet as at 31 december 2019			**728**

9.3 Intangible assets

The net book values of intangible assets are as follows:

Intangible assets	31 December 2019	31 December 2018
Cost of acquisition	1,886	1,538
Allocations and reversal of depreciations	-1,474	-1,205
Net outstanding of intangible assets	**412**	**333**

The net book value of intangible assets between 31 December 2018 and 31 December 2019 is as follows:

Acquisitions of intangible assets (in XOF'M)		Allocations and reversal of depreciations (in XOF'M)	
Balance as at 1st January 2019	**1,538**	**Balance as at 1st January 2019**	**1,205**
Acquisitions	353	Amortization charges	273
Disposals	-5	Write-back of amortization	-5
Classified as assets held for sale	0	Classified as assets held for sale	0
Balance as at 31 december 2019	**1,886**	**Balance as at 31 december 2019**	**1,474**
Net value on balance sheet as at 31 december 2019			**412**

9.4 Non-current assets held for sale

In December 2019, the Bank was declared co-owner of a property complex jointly with other co-lessors. This property complex is presented as a non-current asset held for sale. An active buyer research program has been initiated and the sale is expected by November 2020.

The assets held for sale has been recorded at the lowest amount between the book value of the receivables owed by the loan's beneficiaries (*which amounts to 2,245 MFCFA*) and the amount of fair value less costs of sale. Any gain or loss from the sale and the cost of the sale will be recognized in profit or loss. There is no accumulated income or expense included in other comprehensive income related to the assets held for sale.

NOTE 10. LIABILITIES AT AMORTIZED COST

Liabilities at amortized cost consist of loans by the Bank and debts attached to them (accrued interest and fees).

10.1 Breakdown of item "liabilities at amortized cost"

Details of this item as at 31 December 2019 and 31 December 2018 is as follows (in XOF' M)

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Liabilities at amortized cost	31 December 2019	31 December 2018
I-Debts represented by a security		
BOAD bond issues (a)	1,428,730	948,158
BOAD bills	114,141	190,360
Maturities of less than one year/debts repr. by securities	98,601	89,885
Sub-total I	***1,641,473***	***1,228,403***
II- Other loans from foreign partners		
Loans for funding long-term projects	428,652	409,746
Loans for funding long-term project studies	482	482
Maturities of less than one year/loans	85,640	66,540
Sub-total II	***514,774***	***476,768***
Total I+II	**2,156,247**	**1,705,171**
III- Debts attached to loans and & debts repr.		
Accrued interests on debts represented by a security	27,660	25,965
Deferred expenses on bills and bonds	-264	-495
Interests and fees accrued on other loans	3,314	3,242
Deferred expenses on other loans	-350	-208
Sub-total III	***30,360***	***28,504***
IV- Interbank debts (Cauris ROPPA, AFD...)	**2,463**	**6,625**
Total I+II+III+IV	**2,189,070**	**1,740,300**

a) The total outstanding of bonds includes XOF 1,406,832 M in eurobonds issued in 2016, 2017 and 2019 on the international financial market.

10.2 Table of changes in borrowings

The borrowings variation per counterparty between 31 December 2018 and 31 December 2019 is as follows:

Changes in deposits from banks

Debts	Balance as at 31 december 2018	Increases	Decreases	Exchange risk	Capitalisation interests differential by effective interest rate	Balance as at 31 december 2019
Deposits from Banks	6,625	8,829	-12,991	0		2,463
						0
TOTAL	**6,625**	**8,829**	**-12,991**	**0**	**0**	**2,463**

Changes in debt securities issued

Debts	Balance as at 31 december 2018	Increases	Decreases	Exchange risk	Capitalisation interests differential by effective interest rate	Balance as at 31 december 2019
Debentures	981,383	492,241	-33,225	8,506	2,209	1,451,114
Bonds	247,020	0	-56,661		0	190,359
TOTAL	**1,228,403**	**492,241**	**-89,886**	**8,506**	**2,209**	**1,641,473**

Changes in other debts by counterparties

Debts	Balance as at 31 december 2018	Increases	Decreases	Exchange risk	Capitalisation interests differential by effective interest rate	Balance as at 31 december 2019
IDA	71,790	23,418	-2,157	928	0	93,978
KfW	98,885	32,798	-8,821	0		122,862
AFD	138,832	0	-12,329	0		126,503
BEI	16,854	0	-4,742	0		12,113
PROPARCO	820	0	-820	0		0
BAD	77,403	32,798	-11,648	0		98,553
ICD	13,447	0	-6,554	0		6,893
BDC	45,917	0	-13,119	0		32,798
BDA	1,491	0	-1,491	0		0
BADEA	5,302	11,651	-5,264	116	0	11,805
BNP Fortis	2,700	3,779	-273	0		6,206
ITFC	3,329	3,064	-3,329	0		3,064
TOTAL BY COUNTERPARTIES	**476,768**	**107,508**	**-70,547**	**1,045**	**0**	**514,774**
TOTAL DEBTS	**1,711,796**	**608,578**	**-173,424**	**9,551**	**2,209**	**2,158,710**

10.3 Maturity of liabilities at amortized cost

Maturity	31 December 2019	31 December 2018
At most six months	125,166	74,179
More than six months and less than one year	59,076	79,395
More than one year and less than two years	587,659	155,501
More than two years and less than three years	97,543	559,922
More than three years and less than five years	116,917	150,684
More than five years	1,172,349	692,115
Sub-total outstanding	**2,158,710**	**1,711,796**
Debts attached to loans and & debts repr.	**30,360**	**28,504**
TOTAL	**2,189,070**	**1,740,300**

10.4 The Bank's debt-equity ratio

Under Article 37 of the Article of Association, the WAMU Council of Ministers decided to limit the Bank's total outstanding borrowings, at any time, to three times its equity. As at 31 December 2019, the Bank's outstanding borrowings represented 255% of its equity capital out of the regulatory threshold of 300%.

NOTE 11. EARMARKED FUNDS

Other liabilities are made up of the following:

Earmarked funds	31 December 2019	31 December 2018
Belgian Technical Assistance Fund	190	185
Dutch Fund	34	34
IDA Counterpart Fund	425	327
AFD Research Fund	310	310
AFD Counterpart Fund	26	70
Environmental Partnership Fund	4	4
KfW Counterpart Fund	5,949	6,141
China Cooperation Fund	139	139
AFD IV Capacity Improvement Fund	30	30
Energy Development Fund	1,985	1,985
Crop Insurance Fund	2,836	2,836
Regional Collaboration Centre (RCC)	272	246
Regional Facility for Access to Sustainable Energy	0	10,000
New subsidy mechanism fund	17,646	80,776
CMS Fund for Interest Subsidy	1,000	1,000
Global Environment Facility	1,466	1,514
Climate change fund	5,197	2,197
Regional initiatives supports fund	1,017	1,257
Belgian Fund for capital release	4,200	4,200
Climate green fund	13	0
TOTAL	**42,739**	**113,251**

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NOTE 12. ADJUSTMENT ACCOUNTS AND OTHER LIABILITIES

As at 31 December 2019, the adjustment accounts and other liabilities were as follows:

Adjusment accounts and liabilities	Note	31 December 2019	31 December 2018
Derivatives liabilities	12.1	16,868	23,786
Accruals liabilities	12.2	18,380	5,730
Other adjustement accounts	12.3	3,432	2,401
TOTAL		**38,680**	**31,917**

12.1 Derivatives liabilities

The breakdown of derivative liabilities by type of hedging relationship is as follows

Derivatives liabilities	31 December 2019	31 December 2018
Derivatives liabilities-fair value hedge	0	1,110
Derivatives liabilities-cash flow hedge	16,868	22,675
TOTAL	**16,868**	**23,786**

Derivative liabilities dropped by XOF6,918 M between 31 December 2018 and 31 December 2019. This decline is due to increase in the dollar and SDR exchange rates over the period. This compensates the increase of foreign exchange risk recorded in borrowings at amortized cost at the close of the 2019 fiscal year.

12.2 Accruals liabilities

Details of accruals liabilities are as follows:

Accruals liabilities	31 December 2019	31 December 2018
Deferred income	14,415	3,445
Accrued liabilities	3,275	2,277
Advanced payments	690	8
TOTAL	**18,380**	**5,730**

12.3 Other adjustment accounts

Details of other adjustments accounts are as follows:

Other adjustement accounts	31 December 2019	31 December 2018
Sundry creditors	1,701	1,029
Suppliers payables	1,731	1,372
TOTAL	**3,432**	**2,401**

NOTE 13. PROVISIONS

This item covers the amount of liabilities under benefit plans for severance payments upon retirement benefits.

The table below compares the opening balance with the closing balance of the net liabilities for defined benefit plans.

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13. Provision for retirement benefits	2019	2018
	KFCFA	kFCFA
Present value of the obligation		
Opening balance	7,374,546	6,625,885
Cost of services rendered during the period	520,342	437,939
Contributions made by participants	0	0
Financial cost	465,471	425,515
Actuarial difference due to		
a) Changes in demographic assumptions	0	-32,195
b) Changes in financial assumptions	0	720,302
c) Experience adjustments	460,261	231,982
d) Total	460,261	920,089
Benefit payment	-979,538	-1,034,882
Cost of past services	389,592	0
Payments	**0**	0
Closing balance	**8,230,674**	**7,374,546**
Completely unfinanced schemes	*8,230,674*	*7,374,546*
Partly or fully financed schemes		*0*
Fair value of assets of the scheme	n.a.	n.a.
Opening balance	0	0
Expected returns	0	0
Actuarial difference	0	0
Contributions made by the employer	0	0
Contributions made by the participants	0	0
Benefits payment	0	0
Payments	0	0
Closing balance	**0**	**0**
Net assets/liabilities recognized in the balance sheet	-	
Present value of the benefit plan liability	8,230,674	7,374,546
Fair value of assets of the scheme	0	0
Surplus/deficit	8,230,674	7,374,546
Amount not recognized as an asset because of the limit 58(b)	**0**	0
Net assets/liabilities recognized in the balance sheet	**8,230,674**	**7,374,546**
Total cost	-	
Cost of services rendered during the period	520,342	437,939
Cost of past services	389,592	0
Effect of all payments	0	0
Cost of services provided in net income	**909,934**	**437,939**
Financial cost	465,471	425,515
Interests	0	0
Net interest on net income	**465,471**	**425,515**
Actuarial difference	460,261	920,089
Additional returns on assets of the scheme	0	0

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13. Provision for retirement benefits	2019	2018
Effect of the limit of paragraph 58(b)	0	0
Revaluation of net pension liab. under fixed benefit scheme	**460,261**	**920,089**
Total cost	**1,835,666**	**1,783,543**
The cumulative actuarial difference recorded		
in profit and loss	3,339,793	2,879,532
The principal actuarial assumptions at the reporting date are following (expressed as weighted averages) :		
Principal actuarial assumptions	_	_
Discount rate	6.18%	6.18%
Future salary growth	6.00%	6.00%
Future mortality rate	**TH / TF 2002 multiplied by 200%**	
The duration of the defined benefit obligation is	9	9
Sensitivity analysis		
At the reporting date, the reasonable possible changes of one of the relevant acturial assumptions would have impacted the defined benefit obligation by the following amounts (any other assumption remains constant):		
	Changes of assumptions	
Discount rate	8.60%	9.00%
Future salary growth	8.50%	8.90%
Future mortality rate	-0.10%	-0.20%
Reconciliation of net liabilities recognized	_	
Opening balance	7,374,546	6,625,885
Total charge in net income	1,375,405	863,454
Benefits payment	-979,538	-1,034,882
Remeasurements of defined benefit liability recognised in OCI	460,261	920,089
Closing balance	**8,230,674**	**7,374,546**

The total forecasted charge for contributions to the defined benefit plan for 2020 amounts to 1,064 MFCFA. Also, the Bank plans to provide services amounting to 1,247 MFCFA in 2020.

NOTE 14. EQUITY

14.1 Details of equity

The equity as at 31 December 2018 and 31 december 2019 is as follows:

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Equity capital	31 December 2019	31 December 2018
Subscribed capital	1,103,650	1,103,650
Callable capital	-826,230	-826,230
Unpaid Capital	-55,740	-67,975
Cost related to deferred paying-up of capital	-1,800	-2,865
Capital (A)	**219,881**	**206,580**
Share premium (B)	**2,622**	**2,622**
Reserves allocated to development activities	76,050	76,050
Other reserves	26	26
Retained earnings	392,007	369,229
Reserves and retained earnings (C)	**468,083**	**445,304**
Net income for the period (D)	**116,812**	**18,173**
Fair value reserves (available-for-sale financial assets) (IAS 39)		0
Net gains on investments in equity instruments designated at fair value through other comprehensive income non recyclable (IFRS 9)	44,041	40,689
Cashflow hedging reserves	-20,546	-39,429
Remeasurements of defined benefit liability	834	1,245
Other comprehensive income (E)	**24,330**	**2,505**
TOTAL (A+B+C+D+E)	**831,727**	**675,184**

14.2 BOAD capital structure

a) The table below outlines the Bank's capital structure as at 31 December 2019 in nominal value and share distribution. Each share confers the same rights and duties to its holder.

SHAREHOLDERS	SUBSCRIBED CAPITAL	%	Number of shares	CALLED-UP CAPITAL	PAID UP CAPITAL	UNPAID CAPITAL	CALLABLE CAPITAL
	(1)=(2)+(5)			(2)=(3)+(4)	(3)	(4)	(5)
CATEGORY A							
BENIN	64,650	5.86%	1,293	16,163	12,828	3,335	48,487
BURKINA	64,650	5.86%	1,293	16,163	12,828	3,335	48,487
COTE D'IVOIRE	64,650	5.86%	1,293	16,163	12,828	3,335	48,487
GUINEE BISSAU	64,650	5.86%	1,293	16,163	10,928	5,235	48,487
MALI	64,650	5.86%	1,293	16,163	12,828	3,335	48,487
NIGER	64,650	5.86%	1,293	16,163	12,828	3,335	48,487
SENEGAL	64,650	5.86%	1,293	16,163	12,828	3,335	48,487
TOGO	64,650	5.86%	1,293	16,163	12,828	3,335	48,487
BCEAO	517,200	46.86%	10,344	129,304	102,624	26,680	387,896
	1,034,400	**93.73%**	**20,688**	**258,608**	**203,348**	**55,260**	**775,792**
CATEGORY B							
France	38,400	3.48%	768	9,600	8,000	1,600	28,800
Germany	2,000	0.18%	40	2,000	2,000	0	0
Belgium (1)	5,600	0.51%	112	1,400	1,400	0	4,200
EIB	4,000	0.36%	80	1,000	1,000	0	3,000
AfDB	6,000	0.54%	120	1,500	1,357	143	4,500
EXIM BANK OF INDIA	750	0.07%	15	188	156	31	563
CHINA	12,000	1.09%	240	3,000	2,500	500	9,000
MOROCCO	500	0.05%	10	125	119	6	375
	69,250	**6.27%**	**1,385**	**18,813**	**16,533**	**2,280**	**50,438**
	1,103,650	**100.00%**	**22,073**	**277,421**	**219,881**	**57,540**	**826,230**
UNSUBSCRIBED CAPITAL	**51,350**		**1,027**				
AUTHORIZED CAPITAL	**1,155,000**		**23,100**				

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

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b) The table below presents the detail of the "unpaid capital" appearing in the capital structure.

	31/12/2019	31/12/2018
Unpaid Capital without cost related to deffered paying-up of capital (a)	55,740	67,975
Cost related to deferred paying-up of capital (b)	1,800	2,865
Unpaid capital (a+b)	**57,540**	**70,840**

14.3 Effective equity (core tier 1 capital)

The Bank's effective equity is broken down as at 31 December 2019 and 31 December 2018 as follows:

Items	31 December 2019	31 December 2018
A- Tier 1 capital * (=1+2)	**779,549**	**646,144**
1- Capital and other funds	219,881	206,580
2- Reserves and other funds	559,668	439,564
B- Additionnal own funds	**65,842**	**61,587**
Effective equity capital/Core Tier 1 Capital (=A+B)	**845,391**	**707,731**

* Equity requirement for risks

NOTE 15. INTERESTS AND FEES

Details of this item are as follows:

Margin on interests and fees	2019	2018
Interests and related income	128,359	121,411
Interests and related charges	-78,302	-84,911
Sub-total on interests (A)	*50,057*	*36,500*
Fees and commissions (income)	3,903	3,758
Fees and commissions (charges)	-1,144	-1,127
Sub-total on fees (B)	*2,759*	*2,631*
TOTAL (A) + (B)	**52,816**	**39,131**

15.1. Interests

Interests and related income

Interests and related income	2019	2018
Interests and related income/ interbank loans	8,116	12,341
Interest on loans to customers	102,951	92,328
Interest on staff loans	278	249
Interest on securities portfolio	15,953	14,963
Commission on loan commitments	1,061	1,530
TOTAL	**128,359**	**121,411**

Interests and related charges

Interests and related charges	2019	2018
Interest charges on debts represented by a security	-62,955	-64,225
Interest charges on other debts	-14,914	-15,923
Financial costs-Discounting effect	0	-4,054
Income/investments repaid	0	0
Commissions/commitments received	-433	-709
TOTAL	**-78,302**	**-84,911**

15.2. Fees

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Fees and commissions (income)

Fees and commissions (income)	2019	2018
Commission obtained as processing fees	1,569	1,458
GARI's commission on guarantees	356	437
Other flat commissions	95	285
Commission on guarantees/bond issues	34	114
Commission on financial arrangements and advisory services	1,583	1,219
Commssions on FEM and FA	266	533
Retroceded commissions to partners	0	-288
TOTAL	**3,903**	**3,758**

Fees and commissions (charges)

Fees and commissions (charges)	2019	2018
Other charges/debts represented by securities	-276	-423
Other fees on borrowings	-868	-679
Profit or loss on securities portfolio	0	-25
TOTAL	**-1,144**	**-1,127**

NOTE 16. EXCHANGE RISK AND HEDGING INSTRUMENTS

Foreign exchange gains and losses are due to the Bank's resource mobilization in foreign currencies, excluding euros, from its financial partners and on the international financial market for project financing. These gains and losses have been hedged with forward purchase and swap transactions. The Bank's procedures for exchange risk management are described in Note 21.2.1 on Exchange risk.

As at 31 December 2019, the impact on the income statement from the valuation of the Bank's foreign currency debt (excluding euros) with various financial partners is as follows :

Exchange risk and hedging instruments	2019	2018
Exchange gain consumed	58	50
Potential exchange gain	0	0
Sub-total forex gains (A)	***58***	***50***
Foreign exchange loss consumed	-153	-72
Potential foreign exchange loss	-9,551	-42,407
Sub-total forex losses (B)	***-9,704***	***-42,479***
Net forex loss of C = (A) + (B)	***-9,645***	***-42,429***
Loss/profit on hedging instruments	***22,255***	***53,470***
Net profit/loss on currency transactions	**12,610**	**11,041**

NOTE 17. DIVIDENDS RECEIVED

Details of dividends on the Bank's equity investments are as follows:

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Dividends received	2019	2018
Dividends from BRVM	84	112
Dividends from DC BR	56	84
Dividends from BOA Bénin	208	208
Dividends from CIPREL	1,092	422
Dividends from BOA NG	309	390
Dividends from BDM-SA	966	791
Dividends from BNDE	0	90
Dividends from AFREXIM Bank	215	0
Dividends from SONIBANK	294	239
Dividends from PROPARCO	29	133
Dividends from Cauris Croissance I	0	419
Dividends from Cauris Croissance II	0	132
Dividends from SICAV Abdou Diouf	0	109
Dividends from CNCAS	30	0
Dividends from CICA-RE	44	42
Dividends from Coris Bank International	429	410
Dividends from ORAGROUP	87	101
Dividends from Fidelis Finance	48	21
TOTAL	**3,891**	**3,703**

NOTE 18. COST OF RISK

The cost of risk as at 31 December 2018 and as at 31 December 2019 is presented as follows:

Cost of risk	2019	2018
Depreciations on receivables from customers	-24,997	-14,572
Write-back of depreciations on receivables from customers	23,866	16,525
Depreciations on securities portfolio	-42	-202
Write-back of depreciations on securities portfolio	19	0
Losses on receivables covered by depreciations	-16,043	-11,529
Depreciations on other assets	-2,456	0
Write-back of depreciations on other assets	164	0
TOTAL	**-19,489**	**-9,778**

The increase of the cost of risk is mainly due to the increase of non-performing loans (Bucket 3).

The breakdown of the cost of risk per bucket is detailed as follows :

Distribution by bucket of the cost of risk	2019	2018
Bucket 1	58	-748
Bucket 2	4,038	-1,095
Bucket 3	-23,585	-7,935
TOTAL	**-19,489**	**-9,778**

NOTE 19. OTHER OPERATING INCOME

Other operating income amounts to XOF 66,562 M as at 31 december 2019 against XOF 26,357 M as at 31 december 2018. The breakdown is as follows:

19.1 Endowment of member countries

Endowments of member countries remain unchanged as at 31 December 2019 and amount to XOF3,200 M.

19.2 Costs related to development activities

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

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Charges related to development activities	2019	2018
Interest subsidy	1,881	3,924
Other charges related to development activities	801	378
Charges related to inconclusive surveys	0	872
TOTAL	**2,682**	**5,174**

19.3 General operating expenditures

The Bank's general operating expenditure is detailed as follows:

General operating costs	2019	2018
Staff overheads (a)	15,156	15,730
Amortizations and depreciations - Property, equipment and intangible assets	1,389	1,234
Other operating costs	7,501	7,689
TOTAL	**24,046**	**24,653**

(a) The details of staff overheads as at 31 December 2019 and 31 December 2018 are as follows:

Detail of staff overheads	2019	2018
Wages and salaries	12,818	11,152
Social security contributions	631	632
Other short-term benefits	755	856
Long-term construction contribution - Servicing city BOAD	0	2,692
Health insurance funds	63	60
Defined benefit plan expenses (*)	890	337
TOTAL	**15,156**	**15,730**

(*) Apart from the amount presented in personnel expenses, the expenses for the financial year for defined benefit plans include a financial cost which stands at 465 MFCFA, recorded in financial expenses (*see note 13*).

NOTE 20. NET INCOME FOR THE PERIOD

Net income of the period	2019	2018
Net income excluding donation	26,812	18,173
Donation for the equity capital's strengthening	90,000	0
TOTAL	**116,812**	**18,173**

The 2019 financial year ended with a profit of XOF 116,812 M. The exceptional level of the result is explained by the decision of the WAEMU Council of Ministers to transfer to BOAD, in the form of a donation, part of the funds of the new bonus mechanism for an amount of XOF 90,000 M.

The objective of this grant is to allow the strengthening of the Bank's equity capital in order to increase its intervention capacity for the benefit of the WAEMU countries.

If this donation is not taken into account, the Bank's profit as of December 31, 2019 would be XOF 26,812 M compared to XOF 18,173 M as of December 31, 2018.

NOTE 21. RISK MANAGEMENT

BOAD has adopted and put in place processes and mechanisms to quantify, monitor and

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control its measurable risks (credit, market, liquidity and operational risks) adapted to its activities, resources and its organization and integrated into its internal control framework. The main categories of risks (credit, exchange, interest rate, liquidity and operational risks) are monitored by special committees (Commitments committee, ALM Committee, etc.).

21.1. Credit risk

Credit risk represents the financial loss incurred by the Bank when customers or counterparties of a financial instrument fail to meet their contractual obligations. Credit risk is the main source of risk for the Bank and stems essentially from its lending and cash investment.

The credit risk management relies on standards and procedures, management tools, rating systems, a risk hedging and impairment policy and a close monitoring mechanism.

The overall organization of credit risk management is characterized by:

- a well-structured grant process, based on a clear separation between the business lines and the commitment lines (notice of second opinion), which allows for an objective double-check;
- commitment limits fixed in proportion to the tier 1 capital and approved by the Bank's decision-making organs;
- an internal rating system consisting of models specific to each customer portfolio item (sovereign, corporate, bank, project in creation, capital investment at the corporate level, capital investment in banks) based on both quantitative and qualitative variables specific to the customer and its socio-economic environment;
- a depreciation (impairment) policy and and fair value measurement of equity investments based on IAS/IFRS standards.

21.1.1 Analysis of the portfolio's creditworthiness

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

The Bank's maximum balance sheet and off-balance sheet exposure (*in terms of gross outstandings*) to credit risk prior to consideration of guarantees received for 2019 and 2018 is as follows:

Maximum exposure of the Bank in terms of credit risk	31 December 2019	%	31 December 2018	%
Loans and advances to banks	50,119	2%	70,144	3%
Loans and advances to customers (gross outstandings)	1,997,201	84%	1,819,050	84%
Loans and advances to staff	10,963	0%	10,751	0%
Debt securities portfolio (gross outstandings)	282,434	12%	255,306	12%
Receivables from shareholders	6,882	0%	6,882	0%
Derivatives assets*	35,286	1%	1,065	0%
TOTAL	**2,382,885**	**100%**	**2,163,197**	**100%**

* Potential loss that the Bank would have incurred on foreign currency borrowings if no hedging instruments had been put in place

21.1.2 Intervention limits for credit risks

The Bank's intervention limits are defined in relation to its risk capital which corresponds to the paid-up capital plus net reserves and similar funds less non value items.

21.1.2.1 Loans

For non-commercial (member Countries) and commercial (public companies) public sector

Counterparties	Limit per transaction	Level of commitment per borrower (all operations combined)
Countries	5% of risk capital	55% of risk capital
Public companies	5% of risk capital	25% of risk capital

For the private sector

Counterparties	Limit per transaction	Level of commitment per borrower (all operations combined and cumulated)	Maximum overall volume of individual risks
Category 1 **Regional projects and those in the mining and energy sectors or projects for National Financial Institutions (NFI), NFI Holdings, organizations that support SMEs, information and Communication technologies**	5% for a maximum of 50% of the project's pre-tax total cost	7% of risk capital	Overall volume of risks reaching individually 12.5% of risk capital is limited to 5 times the risk capital
Category 2 **Indirect financing through national financial institutions (NFI), NFI holdings or organizations that promote SMEs and for financing direct loans to regional projects, projects in the mining and energy sectors and in Information, Communication technologies**	7% for a maximum of 50% of the project's pre-tax total cost	10% of risk capital	

21.1.2.2 Equity investments (public sector or private sector)

Limits relating to equity investments are presented in Note 7 on Equity investments.

21.1.2.3 Financing operations per signature and short-term financing

Operations	Limit per borrower and per operation
Bonds and short term operation's guarantee	5% of risk capital
Short term financing operations	5% of risk capital
Commitment level per borrower all operations combined (loan guarantee, short-term operation guarantee, short-term cashflow financing)	25% of risk capital

21.1.2.4 Dominant sectors of activity

The total level of commitments (all countries of intervention included) must not at any time exceed fifty percent (50%) of the Bank's tier 1 capital in any one of the following dominant sectors: Industries (agro-industry, chemical and pharmaceutical and other manufacturing industries, ...); telecommunications (telephony, Internet, call center);

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Extractive Industries (cement and mining); Hospitality and other services.
However, for National Financial Institutions (NFIs) and their holdings, water and energy sectors, transport infrastructure (port, airport, railway and bus stations), this limit is set at seventy-five percent (75%) of the Bank's tier 1 capital.
The outstanding loan for the commercial sector (private and commercial public) is broken down per sector of activity as at 31 December 2019:

Sectorial breakdown of commercial portfolio	31 December 2019	%	31 December 2018	%
Agriculture and rural development	0	0%	0	0.0%
Industries	75,669	12%	93,592	15%
Finance and Insurance	124,266	20%	159,148	26%
Energy, Water and Information and Communication technologies	255,921	41%	209,828	34%
Hospitality and other services	53,355	9%	30,906	5%
Transport, town planning, environment	109,271	18%	115,190	19%
TOTAL	**618,481**	**100%**	**608,664**	**100%**

21.1.2.5 Limit per country

With regard to intervention limits per country, BOAD cannot commit in a member country more than 100% of its core tier 1 capital (all operations combined and cumulated).

The outstanding loans per country is broken down as at 31 December 2019 and 31 December 2018 as follows:

COUNTRIES	31 December 2019			Total 2019	31 December 2018			Total 2018
	FDC	FDE	Bank		FDC	FDE	Bank	
BENIN	92,160	14,204	67,121	**173,485**	87,051	10,833	64,612	**162,496**
BURKINA FASO	92,595	18,095	66,725	**177,415**	88,300	19,048	52,885	**160,233**
CÔTE D'IVOIRE	75,828	27,874	256,849	**360,552**	63,787	25,858	250,279	**339,924**
GUINEE BISSAU	73,136	9,826	33,392	**116,355**	69,198	7,858	21,356	**98,412**
MALI	104,967	10,448	111,312	**226,728**	100,049	9,404	93,399	**202,852**
NIGER	133,138	29,812	132,044	**294,994**	91,452	30,764	135,011	**257,227**
SENEGAL	115,788	18,890	207,535	**342,214**	100,421	18,591	186,636	**305,648**
TOGO	161,085	3,848	138,693	**303,626**	122,621	3,781	162,785	**289,187**
OUTSIDE WAEMU		-	1,833	**1,833**			3,070	**3,070**
TOTAL	**848,699**	**132,998**	**1,015,504**	**1,997,201**	**722,879**	**126,137**	**970,034**	**1,819,050**

21.1.3 Description of the Bank's internal portfolio rating system

All counterparties financed by the Bank are rated at least once a year. To this end, the Bank provides six (6) models: "Sovereign" (member countries), "Corporates" (businesses in portfolio), "Bank" (banks in portfolio), "Project finance" (financing of start-up projects), "Bank private equity" (equity investments in banks) and "Corporate private equity" (equity investments in businesses).

21.1.3.1 BOAD's internal master scale

The Bank's internal rating grid includes 21 scale ratings, supplemented by risk assessment. Each scale corresponds to default probability. The Bank's internal master scale with a mapping to external ratings is as follows:

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	One year PD(in %)	GEMsPD Rating scale	Moody's	S&P	Fitch	Rating appreciation	Risk Class
1	0.00%	GI1	Aa3	AA-	AA-	High Level	Risk very low
2	0.00%	GI2	A2	A	A	Upper medium grade	
3	0.00%	GI3	A3	A-	A-		
4	0.00%	GI4	A3	A-	A-		
5	0.01%	GI5	Baa1	BBB+	BBB+	Lower medium grade	
6	0.01%	GI6	Baa1	BBB+	BBB+		
7	0.04%	GI7	Baa2	BBB	BBB		
8	0.09%	GI8	Baa3	BBB-	BBB-		
9	0.17%	GI9	Ba1	BB+	BB+	Speculative	Risk low
10	0.42%	GI10	Ba1	BB+	BB+		
11	1.28%	Gs1	Ba2	BB	BB		
12	1.96%	Gs2	Ba2	BB	BB		
13	3.16%	Gs3	Ba3	BB-	BB-		
14	3.75%	Gs4	B1	B+	B+	Highly speculative	Moderate risk
15	3.98%	Gs5	B2	B	B		
16	4.74%	Gs6	B3	B-	B-	Increasing risk	
17	8.28%	Gs7	Caa1	CCC+	CCC+	Ultra speculative	Risk high
18	17.64%	Gs8	Caa2	CCC	CCC		
19	28.40%	Gs9	Caa2	CCC	CCC		Risk very high
20	46.21%	Gs10	Caa3	CCC-	CCC-		
21	100%	D	D	D	D	Default	

21.1.3.2 Qualitative and quantitative factors considered in rating

For each scoring model, qualitative and quantitative elements with specific weighting have been retained. Weighting is based on statistical methods, expert opinion and outcomes of a benchmarking with other multilateral development banks. The scores are statistically transformed into default probabilities under the constraint of the central trend and a rating cap defined for each model.

21.1.4 The Bank's depreciation policy

Depending on its activities, the Bank manages two types of credit risk, namely sovereign credit risk and non-sovereign credit risk.

21.1.4.1 Sovereign risk and non-sovereign risk

Sovereign risk
Sovereign or non commercial credit risk is related to loans granted to member States of the Union. The Bank manages this risk by suspending all disbursements and presentation of any project requests to a country in default.

Non-sovereign risk
The non-sovereign or market credit risk refers to loans granted by the Bank to borrowers in the private sector or commercial public entities.

The management of this risk results in the anticipated recognition (buckets 1 and 2) and in real time (bucket 3) of the expected credit losses.

Distribution of loan outstandings per risk category and per rating
The table below presents the breakdown of the Bank's loans and investment securities portfolio (assessed at amortized cost) in terms of outstandings per rating scale:

Portfolio exposure in terms of outstanding amounts by rating		Sovereign risk		Non sovereign risk		Total	
Appréciation	Rating	Outstanding	%	Outstanding	%	Outstanding	%
Speculative	GI9	378,921	27%	0	0%	378,921	19%
	GI10	123,258	9%	0	0%	123,258	6%
	Gs1	355,279	26%	0	0%	355,279	18%
	GS2	153,465	11%	84,841	14%	238,306	12%
	Gs3	0	0%	160,842	26%	160,842	8%
Highly speculative	Gs4	0	0%	32,763	5%	32,763	2%
	Gs5	251,443	18%	143,502	23%	394,945	20%
Increasing risk	Gs6	116,354	8%	123,301	20%	239,655	12%
Ultra speculative	Gs7	0	0%	0	0%	0	0%
	Gs8	0	0%	13,961	2%	13,961	1%
	Gs9	0	0%	0	0%	0	0%
	Gs10	0	0%	0	0%	0	0%
Default	D	0	0%	59,270	10%	59,270	3%
Receivables from customers		***1,378,720***	***100%***	***618,481***	***100%***	***1,997,201***	***100%***
Speculative	GI9	85,500	33%	0	0%	85,500	30%
	GI10	50,000	19%	0	0%	50,000	18%
	Gs1	70,698	27%	0	0%	70,698	25%
	GS2	34,000	13%	11,217	47%	45,217	16%
	Gs3	0	0%	0	0%	0	0%
Highly speculative	Gs4	0	0%	0	0%	0	0%
	Gs5	18,419	7%	12,600	53%	31,019	11%
Securities portfolio		***258,617***	***100%***	***23,817***	***100%***	***282,434***	***100%***
	Total	***1,637,338***	***100%***	***642,298***	***100%***	***2,279,636***	***100%***

21.1.4.2 Determination of impairments on loans and receivables

a) General principles

Adequacy of the impairment level of risk based on IFRS 9 applicable since 1 January 2018 is reviewed at each reporting date.

Regardless of the risk category, all concerned counterparties are classified in Bucket 1 at inception. They are further reclassified in Bucket 2 or Bucket 3 depending on the evolution of their rating in terms of significant impairment. The recognition of the credit risk significant impairment is based on quantitative and qualitative criteria. For example, the quantitative criteria retained consists of reducing by at least two notches between the first rating date and the rating at the reporting date.

The credit risk's significant impairment's assessment integrates forward-looking information.

All new entities are subject to a rigorous approval process and require a minimum initial or ex-post credit rating. The rating of each of the Bank's commercial counterparty is updated in order to protect the Bank to a certain extent against possible risks of insolvency of its entities for either environmental deterioration or lack of good governance that would affect the financial situation of the companies concerned.

Especially for Bucket 3, the Bank has adopted a mechanism that makes it possible to analyze its portfolio and apply rules enabling a quality portfolio.

The amount of impairment is equal to the difference between the asset's book value (exposure) and the value of expected future cashflows discounted at the effective interest rate of the asset at the initial accounting.

b) Breakdown of ECL per bucket and per category of counterparty

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Counterparty categories	2019								2018	
	Bucket 1	%	Bucket 2	%	Bucket 3	%	Total	%	Amounts	%
Sovereign	1,438	*22%*	2,019	*17%*	0	*0%*	3,458	*6%*	3,288	*6%*
Public	1,694	*26%*	3,007	*25%*	0	*0%*	4,701	*8%*	5,451	*10%*
Private	3,450	*52%*	7,201	*59%*	38,077	*100%*	48,727	*86%*	44,388	*78%*
TOTAL LOANS (A)	**6,582**	***100%***	**12,227**	***100%***	**38,077**	***100%***	**56,886**	***100%***	**53,126**	***93%***
Sovereign	155	*33%*	0	*0*	0	*0*	155	*33%*	155	*35%*
Private	312	*67%*	0	*0*	0	*0*	312	*67%*	288	*62%*
TOTAL SECURITIES (B)	**467**	***100%***	**0**	***0%***	**0**	***0%***	**467**	***100%***	**444**	***97%***
TOTAL ECL (A+B)							**57,353**		**53,570**	

c) Distribution of ECL per bucket and per sector

Sectorial breakdown	2019								2018	
	Bucket 1		Bucket 2		Bucket 3		Total		Amounts	%
Agriculture and rural Development	342	5%	356	3%	114	0%	813	1%	0	0%
Energy, Water and Information and Communication Technologies	2,214	31%	4,204	34%	16,426	43%	22,844	40%	9,542	18%
Finance and Insurance	1,044	15%	1,416	12%	1,583	4%	4,043	7%	10,492	20%
Hospitality and other services	316	4%	2,266	19%	11,769	31%	14,351	25%	9,432	18%
Industries	545	8%	2,002	16%	8,185	21%	10,731	19%	15,083	28%
Transport, Town planning and Environment	2,121	30%	1,984	16%	0	0%	4,104	7%	8,577	16%
ECL LOANS (A)	**6,582**	***93%***	**12,227**	***100%***	**38,077**	***100%***	**56,886**	***99%***	**53,126**	***99%***
Finance and Insurance **ECL SECURITIES (B)**	**467**	***7%***	**0**	***0%***		***0%***	**467**	***1%***	**444**	***1%***
TOTAL ECL (A+B)	**7,049**	***100%***	**12,227**	***100%***	**38,077**	***100%***	**57,353**	***100%***	**53,570**	***100%***

d) Distribution of ECL per bucket and per country

Country	2019								2018	
	Bucket 1	%	Bucket 2	%	Bucket 3	%	Total	%	Amounts	%
BENIN	387	*6%*	1,429	*12%*	1,128	*3%*	2,944	*5%*	7,352	*14%*
BURKINA FASO	466	*7%*	0	*0%*	933	*2%*	1,399	*2%*	1,946	*4%*
IVORY COAST	2,187	*33%*	3,308	*27%*	1,302	*3%*	6,798	*12%*	10,586	*20%*
GUINEE BISSAU	23	*0%*	2,019	*17%*	0	*0%*	2,043	*4%*	1,942	*4%*
MALI	670	*10%*	3,259	*27%*	0	*0%*	3,928	*7%*	3,308	*6%*
NIGER	886	*13%*	1,583	*13%*	1,583	*4%*	4,052	*7%*	3,053	*6%*
SENEGAL	922	*14%*	305	*2%*	20,530	*54%*	21,757	*38%*	6,551	*12%*
TOGO	1,041	*16%*	305	*2%*	12,600	*33%*	13,947	*25%*	18,314	*34%*
OUTSIDE WAEMU	0	*0%*	18	*0%*	0	*0%*	18	*0%*	74	*0%*
TOTAL LOANS	**6,582**	***100%***	**12,227**	***100%***	**38,077**	***100%***	**56,886**	***100%***	**53,126**	***100%***
BENIN	15	*3%*	0	*0%*	0	*0%*	15	*3%*	15	*3%*
BURKINA FASO	204	*44%*	0	*0%*	0	*0%*	204	*44%*	40	*9%*
IVORY COAST	5	*1%*	0	*0%*	0	*0%*	5	*1%*	144	*32%*
MALI	42	*9%*	0	*0%*	0	*0%*	42	*9%*	75	*17%*
NIGER	30	*7%*	0	*0%*	0	*0%*	30	*7%*	36	*8%*
SENEGAL	16	*3%*	0	*0%*	0	*0%*	16	*3%*	35	*8%*
TOGO	154	*33%*	0	*0%*	0	*0%*	154	*33%*	99	*22%*
TOTAL SECURITIES	**467**	***100%***	**12,245**	***0%***	**38,077**	***0%***	**467**	***100%***	**444**	***100%***
TOTAL ECL							**57,353**		**53,570**	

21.2. Market risk

21.2.1. Exchange risk- operations in foreign currencies

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

21.2.1.1 Hedge accounting

To hedge the fluctuations in these currencies price, the Bank signed hedging agreements (forward-looking contracts and cross currency swap) on its borrowings in SDR and dollars. Through these agreements, the Bank has hedged 100% of its foreign currency risk excluding euros. As at the closing date, most agreements signed have a maturity of less than a year renewable at each maturity. The Bank's policy is to align the essential conditions of hedging agreements with hedged items'ones.

Economic link determination

The Bank determines the existence of an economic link between the hedging instrument and the hedged item depending on the currency, amount and schedule of their respective cashflows.
The essential conditions (such as nominal value, maturity and underlying) of the hedging instrument and the hedged item are in perfect agreement. The characteristics of the loans and their hedging instruments are identical. As a result, the two vary in opposite directions at the instigation of the same risk. In accordance with IFRS 9-B6.4.14, there is an economic link between the loans denominated in currencies other than euros of the Bank and the hedging instruments put in place.

Coverage ratio

The Bank covers all of its exposure to currency exchange risk (excluding euros). The amounts covered are the same as the notional amounts of the cover. As a result, the coverage ratio is 100%.

Sources of ineffectiveness

For all of the hedging instruments, the ineffectiveness could arise from certain decision-making affecting the maturities and timelines of the hedged items such as the early repayments of certain loans questionning the concordance between the characteristics of the hedged items and the instruments cover.

As of December 31, 2019, hedge ineffectiveness is considered not significant

Notional schedule

As of December 31, 2019, the schedule for the notional hedges is the same as that for the hedged loans.

The following table presents the fair value and notional amounts of derivative financial assets and liabilities as at December 31, 2019 and 2018 respectively :

		31 December 2019			31 December 2018		
Financial instruments	**Notes**	**Assets**	**Liabilities**	**Notional/ Outstanding**	**Assets**	**Liabilities**	**Notionnel/ Encours**
Derivative assets-fair value hedge	8	1,093		72,858	0		
Derivative assets-cash flow hedge		34,193		880,520	1,065		41,561
Derivatives liabilities-fair value hedge	12		0	0		1,110	65,464
Derivatives liabilities-cash flow hedge			16,868	673,775		22,675	903,795
Total		**35,286**	**16,868**	**1,627,153**	**1,065**	**23,786**	**1,010,821**

21.2.1.2 Debt structure as at 31 December 2019

The debt structure of the principal of the other borrowings from external partners and debts represented by securities are presented as at 31 December 2019 as follows:

Debt structure as at 31 December 2019							
Currencies	Currency amount	Exchange rate as at 31/12/2018	Present outstanding amount (millions of XOF)		% of total borrowings (D)	excluding Euro (A)	borrowings (B)
JPY	-	-	-				
USD	2,429,601,483.89	583.90	1,418,644		65.79%	96.05%	73.84%
DTS	72,093,297.54	809.52	58,361		2.71%	3.95%	3.04%
CHF	-	-	-		0.00%	0.00%	0.00%
TOTAL EXCLUDING Euros (A)			**1,477,005**	**77%**	**68.50%**	100%	
Euro	677,052,215.98	655.96	444,117	**23%**	**20.60%**		23.12%
TOTAL EXCLUDING F CFA (B)			**1,921,122**	**100%**			
F CFA for domestic bond issues ('C)			**235,124**		**10.90%**		
TOTAL BORROWINGS D= (B)+('C)			**2,156,247**		**100%**		

21.2.1.3 Analysis of sensitivity to exchange risk

Exchange rate sensitivity is measured in terms of impact of exchange rate variations on loan repayments. A positive impact is equivalent to a savings made on the repayment amount (gain) while a negative impact means an increased cost on repayment (loss). The market value as at closing of the accounts (31/12/2019) is the real value as at that date and +/-10% variations are anticipated value in the quarter following the date of reporting. It should be noted that all loans are granted in XOF and repaid in XOF.

The balance sheet impact of the analysis of sensitivity to exchange risk is nil due to the hedges put in place.

21.2.2. Interest rate risk

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

21.2.2.1 Sources of exposure to interest rate risk and mitigating strategy of the Bank

The Bank's exposure to interest rate risk is caused by (i) sensitivity to interest rate associated with the margin between the rate that the Bank applies to its assets and the rate at which it contracted borrowings that finance its assets (ii) sensitivity to interest rate associated with the margin the Bank earns on its assets funded on equity capital and (iii) rate of interest associated with the margin that the Bank earns on its assets funded 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 liability. It is worth noting that the Bank's assets and liabilities are at fixed rates. Thus, the Bank does not apply any hedging accounting to hedge against the interest rate risk

21.2.2.2 Interest rate risk sensitivity analysis

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

Scope (without off-balance sheet commitments)	31 December 2019		31 December 2018	
	Variation	Impact on 2019 income	Variation	Impact on 2018 income
Banking activity only	+ 100 basis points	+ 9 535	+ 100 basis points	+ 4 485
Banking activity only	- 100 basis points	- 9 535	- 100 basis points	-4 485
FDC activity only	+ 100 basis points	- 2 891	+ 100 basis points	-152
FDC activity only	- 100 basis points	+ 2 891	- 100 basis points	+ 152

It appears from the sensitivity test that the Bank's balance sheet profile presents a gap of resources on its FDC activity. It should be noted that the Bank does not borrow at variable rates according to its interest rate management policy.

The impact of the interest rate sensitivity analysis on equity capital is nil.

21.3. Liquidity risk

Liquidity risk is the institution's risk of not meeting its financial commitments on time and at reasonable cost. This is addressed by measuring the degree of processing and adequacy between resources and its use. The Asset-Liability management (ALM) committee, by analyzing the gaps and durations, sees to the adequacy, in terms of amount and duration, uses and resources, thereby contributing to liquidity risk management.
Details of maturities of assets and liabilities on an undiscounted basis is presented as at 31 December 2019 as follows:

	DURING 2020			BEYOND		
	]0 month; 1 month]	]1month;6 months]	]6 months; 12 months]	]1 year; 5 years]	>5 years	Total
Cash + Bank - opening balance	442,151					442,151
Term deposits	8,000	98,000	28,000			134,000
Assets held for sale			2,245			2,245
Loans and advances to banks		17,500	32,619			50,119
Loans and advances to customers	396	139,444	135,507	1,060,439	649,641	1,985,427
Loans and advances to staff	209	1,023	1,408	5,012	3,311	10,963
Debt securities portfolio	1,825	22,008	32,024	85,913	146,726	288,496
Equity investments					138,656	138,656
Shareholders receivables			6,882			6,882
Derivatives assets				35,286		35,286
Accruals assets			1,778			1,778
Other assets					7,406	7,406
TOTAL ASSETS excluding tangible and intangible assets (A)	**452,581**	**277,975**	**240,463**	**1,186,649**	**945,740**	**3,103,409**
Deposits from banks (CAURIS, ROPPA, AFD)	2,463					2,463
Debts securities issued	0	76,221	22,383	774,453	795,811	1,668,868
Other debts	270	47,103	38,710	229,031	202,624	517,738
Earmarked funds					42,739	42,739
Provisions					8,231	8,231
Derivatives liabilities				16,868		16,868
Accruals liabilities			18,380			18,380
Other liabilities					3,432	3,432
TOTAL LIABILITIES (excluding equity) (B)	**2,733**	**123,325**	**79,473**	**1,020,352**	**1,052,837**	**2,278,720**

Details on maturities of assets and liabilities as at 31 December 2018 are presented as follows:

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	DURING 2019			BEYOND		
	]0 month; 1 month]	]1month;6 months]	]6 months; 12 months]	]1 year; 5 years]	>5 years	Total
Cash + Bank - opening balance	167,780				0	167,780
Term deposits	25,006	78,000				103,006
Loans and advances to banks	26,144	14,000	30,000			70,144
Loans and advances to customers	20,059	54,221	85,615	689,379	952,247	1,801,520
Loans and advances to staff	274	1,249	1,790	6,446	992	10,751
Debt securities portfolio	8,928	24,467	15,340	149,023	63,719	261,476
Equity investments					126,559	126,559
Shareholders receivables			6,882	0	0	6,882
Derivatives assets				1,065		1,065
Accruals assets			2,121			2,121
Other assets			9,317			9,317
TOTAL ASSETS excluding tangible and intangible assets (A)	**248,191**	**171,937**	**151,065**	**845,913**	**1,143,517**	**2,560,623**
Deposits from banks (CAURIS, ROPPA, AFD)	6,625				0	6,625
Debts securities issued	25,470	67,503	22,382	661,296	477,222	1,253,872
Other debts		35,978	32,776	226,447	184,601	479,802
Earmarked funds					113,251	113,251
Provisions					7,539	7,539
Derivatives liabilities				23,760	26	23,786
Accruals liabilities			5,730			5,730
Other liabilities					2,401	2,401
TOTAL LIABILITIES (excluding equity) (B)	**32,095**	**103,481**	**60,888**	**911,503**	**785,039**	**1,890,605**

Furthermore, the Bank has a liquidity policy, which ensures that, at any time, the Bank has a liquidity reserve to make disbursements on its banking and administrative operations, as well as for debt servicing.

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

21.4. Operational risk

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

The approach aims at achieving the following objectives: (i) increase risk control by developing a risk culture at the Bank, (ii) understand upstream risks caused by the development of activities, (iii) keep top management informed about major risks and their monitoring mechanisms and (iv) improve internal controls.

This will help in directing efforts based on the priority nature of the risks and taking measures to improve the internal control system.

The operational risk management approach is based on the establishment 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;
- the identification of risks using the Basel risk categories help in refining the risk types;
- the rating of the risks identified;
- the rating of net risks from a grid defining the levels of probability and severity (impact);
- the identification of action plans to reduce such risks;
- the appointment of a risk owner for each identified risk.

The incidents database is developed and updated with incidents collected through the

Operational Risk Correspondents, an automated tool and gradually consolidated to obtain the sufficient depth losses for their analysis.

NOTE 22. FAIR VALUE OF FINANCIAL INSTRUMENTS

The table below presents the classification of the Bank's assets and liabilities as well as their fair value as at 31 December 2019.

22.1 Classification of financial instruments

As at 31 december 2019, the classification of financial assets and liabilities is as follows :

Financial instruments	Financial assets and liabilities through profit and loss	Financial assets and liabilities through OCI recyclable / non recyclable	Financial assets and liabilities at amortized cost	Total amount of book value	Total amount of fair value
- Cash and cash equivalents			576,151	576,151	576,151
- Loans and advances to banks			50,119	50,119	50,119
- Debt Securities portfolio			288,496	288,496	288,496
- Loans and advances to customers			1,985,427	1,985,427	1,985,427
- Loans and advances to staff			10,963	10,963	10,963
- Shareholders receivables			6,882	6,882	6,882
- Equity investments	10,436	128,220	0	138,656	138,656
- Derivative assets	35,286		0	35,286	35,286
Total amount of financial assets	**45,721**	**128,220**	**2,918,038**	**3,091,980**	**3,091,980**
Borrowings			2,189,070	2,189,070	2,189,070
Derivative liabilities	16,868			16,868	16,868
Total amount of financial liabilities	**16,868**	**0**	**2,189,070**	**2,205,938**	**2,205,938**

As at 31 december 2018, the classification of financial assets and liabilities is as follows :

Financial instruments	Financial assets and liabilities through profit and loss	Financial assets and liabilities through OCI recyclable / non recyclable	Financial assets and liabilities at amortized cost	Total amount of book value	Total amount of fair value
- Cash and cash equivalents			270,786	270,786	270,786
- Loans and advances to banks			70,144	70,144	70,144
- Debt Securities portfolio			261,476	261,476	261,476
- Loans and advances to customers			1,812,271	1,812,271	1,812,271
- Shareholders receivables			6,882	6,882	6,882
- Equity investments	8,014	118,545	0	126,560	126,560
- Derivative assets	1,065	0	0	1,065	1,065
- Receivable amounts			11,438	11,438	11,438
Total amount of financial assets	**9,080**	**118,545**	**2,432,997**	**2,560,621**	**2,560,621**
Borrowings			1,740,300	1,740,300	1,740,300
Derivative liabilities	23,786	0	0	23,786	23,786
Payable amounts			128,921	128,921	128,921
Total amount of financial liabilities	**23,786**	**0**	**1,869,221**	**1,893,007**	**1,893,007**

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22.2 Levels of fair values

The table below classifies the financial instruments measured at fair value per level of fair value:

	Active market prices (level 1)		Evaluation techniques, of which all critical data are based on observable market data (level 2)		Evaluation techniques, of which all critical data are not based on observable market data (level 3)		Total amount	
	2019	2018	2019	2018	2019	2018	2019	2018
Derivative assets			35,286	1,065			35,286	1,065
Equity investments designated at fair value through P&L			10,436	8,014			10,436	8,014
Equity investments designated at fair value through OCI non-recyclable	21,156	16,866	-	-	107,064	101,679	128,220	118,545
Total amount of financial assets	**21,156**	**16,866**	**45,722**	**9,080**	**107,064**	**101,679**	**173,941**	**127,625**
Derivative liabilities			16,868	23,786			16,868	23,786
Total amount of financial liabilities	-	-	**16,868**	**23,786**	-	-	**16,868**	**23,786**

22.3 Valuation techniques of fair values

The table below records the valuation techniques of fair values at level 2 and 3 for financial instruments recognized at fair value in the balance sheet and key non-observable data used.

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

NOTE 23. LEASES

23.1. As a lessor

The Bank leases part of its offices for professional uses as well as the leisure centre based in the staff residential estate. Beneficiaries include AGF West AFRICA (Ex GARI Fund), CAURIS SA, AfDB, CRRH-UEMOA, JICA, KFW, BIA Togo and DYTOUI Consulting.

Most contracts are signed for a 2 years' period with tacit renewal. The tacit non-renewal of the lease should be notified by one of the Parties at least three months prior to the expected end date of the contract. The Bank controls and manages risks of the leased offices since any substantial modification to the leased offices or any willingness of

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tenants to sublet one or several parts of the leased offices must be done with its prior authorization. Furthermore, the Bank has put in place all required security mechanisms and any amendments must be approved by both parties.

The contracts include a clause on amendment of the rent at each renewal in order to take into account the price trend on the lease market, but the rate cannot exceed 10%.

23.1.1 Future minimal payments

As at 31 décember 2019, the amount of future minimum payments for non-cancellable lease contracts is as follows :

In millions of F CFA	2019	2018
Less than one year	123	112
Between one and five years	586	495
More than five years	904	767

23.1.2 Amounts recognized as net income

Income from lease contracts is recognized as" other operating income "as follows:

Items	2019	2018
Office rental income	121	112
Income from investment properties	2	0
TOTAL	**123**	**112**

23.2. As a lessee

The Bank has rented villas, which serve as residences for the Vice-President and Chiefs of Resident missions. Signed for several years, these contracts cover villas on a set of real estate made up of plain lands and buildings.

Some contracts do not anticipate an end period but include a clause which stipulates that they can only be cancelled upon prior notice by one of the parties within an interval of six months before the expected date of cancellation. Other contracts plan for a two-year lease period with a clause on tacit renewal. Based on historical relations with the lessors, contracts have always been renewed tacitly since their signing.

To take into account the trend of the lease markets, the rent amount is renegotiated every two years. Under such lease contracts, the Bank cannot sign a sublease contract.

The Bank has determined that these contracts are simple lease contracts. The rent to be paid to the property owner is adjusted regularly depending on the trend on the lease market and the Bank does not bear any risk related to the residual value of the land or building. Therefore, the owner holds quasi-totality of risks and benefits related to the lands and buildings.

23.2.1 Future minimal payments

As at 31 December 2019, future minimum payments for non-cancellable simple lease contracts are as follows:

In millions of F CFA	2019	2018
Less than one year	142	159
Between one and five years	602	606
More than five years	943	943

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23.2.2 Amounts recognized as net income

Items	2019	2018
Conditional rent payments	142	159
TOTAL	**142**	**159**

NOTE 24. TRANSACTIONS WITH RELATED PARTIES

24.1. Loans to member countries

The outstanding loans to member countries is broken down as at 31 December 2019 as follows:

Items	Number of loans	Amount disbursed on signed loans					% Outstanding amounts	Undisbursed amounts
		FDC (1)	FDE (2)	PSCM (3)	PSPUM (4)	TOTAL(4)=(1+2+3)		
BENIN	34	89,493	14,204	18,564		122,261	8.9%	209,184
BURKINA	31	92,595	18,095	36,726	2,657	150,073	10.9%	188,034
IVORY COAST	25	64,553	27,874	41,011	15,670	149,109	10.8%	208,166
GUINEE BISSAU	21	61,283	9,826	45,245		116,354	8.4%	113,275
MALI	33	105,625	10,448	37,392		153,465	11.1%	139,483
NIGER	37	106,831	29,812	114,800		251,443	18.3%	95,339
SENEGAL	42	104,021	18,890	75,688	31,213	229,811	16.7%	173,599
TOGO	28	122,318	3,848	79,040		205,206	14.9%	127,761
TOTAL	**251**	**746,720**	**132,998**	**448,466**	**49,540**	**1,377,723**	**100.0%**	**1,254,841**

Loans granted to member countries are subject to intervention limits presented in Note 21.1.1. They are granted for a maximum period of eighteen (18) years (duration of FDC loans) with a five (5) years' grace period.

24.2. Loans guaranteed by AGF West Africa (Ex GARI Fund)

The Bank holds shares in the capital of the AGF West Africa Funds (Ex-GARI Fund). Outstanding loans guaranteed by AGF West Africa Funds (Ex-GARI Fund) amounts to XOF38,975 M as at 31 december 2019 for a guaranteed amount of XOF18,949 M.

Details of these outstandings and their guarantees are as follows:

Items	Outstanding amounts as at 31 December 2019	Guaranteed part	Guarantee ratio
NIGERLAIT	129	39	30%
IVORY COCOA PRODUCTS	536	268	50%
USINE PHARMAC. DO-PHARMA	3,428	1,150	34%
MODERN. USINE PHARMAQUICK	612	306	50%
IMPLANT. UNITE TRANSF.EXTRACT. MARBRE	3,828	2,297	60%
CONSTRUCT. & EXPLOIT. GAZ S.T.S.G.	708	354	50%
(SOBEMAP)	3,836	1,343	35%
PHARMIVOIRE RCI	2,442	1,221	50%
ICP II	900	450	50%
Société Lacoste & Compagnie (Sénégal)	5,760	2,304	40%
MDS BURKINA	1,876	1,126	60%
SCS CARTONNERIE	2,204	1,322	60%
MOULIN MODERNE DU MALI	5,696	2,848	50%
PARENTERUS	2,905	1,453	50%
TOTAL	**34,859**	**16,479**	**47%**

24.3. Remunerations of senior executives

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Items	2019	2018
Salaries and gratuities	5,342	4,375
Pension contributions	244	246
Financial costs and services/pension	517	456
Compensation to Board of Directors	65	60
Sub-total 1	**6,168**	**5,137**
Pension benefit obligations	4,335	3,803
Sub-total 2	**4,335**	**3,803**

The remuneration of the President and Vice-President are fixed by the governing bodies (*Council of Ministers and Board of Directors*) while remunerations of Managers are based on the Bank's salary scale.

Retirement commitments are retirement benefits granted to senior executives upon their final departure from the Bank.

NOTE 25. OFF-BALANCE SHEET COMMITMENTS

25.1 Commitments received

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

Commitments received	31 December 2019	31 December 2018
Loan commitments to be drawn	199,806	6,373
Guarantees received from Regional Funds	32,504	40,822
Total	**232,311**	**47,195**

Commitments to be drawn are the remainder of loans yet to be mobilized on loans obtained from donors.

Besides, the Bank receives for its loans guarantees that are not financial (mortgage, pledge, collateral, etc.).

25.2 Commitments given

Commitments given include lending agreements and past equity investments agreements with various beneficiaries of BOAD loans; these are presented as follows:

Commitments given	31 December 2019	31 December 2018
Loan commitments given (a)	1,610,021	1,645,612
Advances for the financing of studies	15,455	17,983
Equity investment commitments (b)	62,019	28,668
Sureties and other guarantees	40,000	32,206
Total	**1,727,495**	**1,724,469**

(a) Loan commitments given correspond to financing agreements whose execution depends on the compliance with suspensive conditions or whose actual disbursement depends on drawing requests from the borrower.

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

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COMMITMENTS FOR EQUITY INVESTMENTS (in XOF 'M)	31 December 2019	31 December 2018
Cauris Croissance II Fund	1,864	1,905
African Renewable Energy Funds	17	0
Amethis West Africa (AWA)	282	1,305
Air Côte d'Ivoire (third capital increase)	0	1,330
Investors and Partners for Development Fund 2	868	868
Investment fund dedicated to the development of financial services in WAEMU	7,415	9,424
I&P Afrique Entrepreneurs 2 (IPAE2) Fund	1,642	1,747
Cauris Croissance IV fund	5,000	5,000
ECP Africa Fund IV	1,193	1,589
AFIG Fund II	3,000	3,000
ADIWALE FUND I	2,500	2,500
Seed Funds	12,000	
Infrastructure Funds	26,238	
TOTAL	**62,019**	**28,668**

NOTE 26. SUBSEQUENT EVENTS

The Bank's financial statements have been prepared on a going concern basis. The health crisis related to the COVID 19 pandemic occured in march 2020 could influence the Bank's financial position and results as at 31 december 2020. Given the recent nature of the pandemic and the measures taken by the WAEMU Council of Ministers to support companies, the BOAD is not in a position to estimate its potential impact.

As of the date of closing of the 2019 financial statements by the Board of Directors, the Bank's management is not aware of any significant uncertainties that would cast away the entity's ability to continue its operations.

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