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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 2021
West African Development Bank (BOAD)
68, avenue de la libération
BP 1172 Lomé (Togo)
This report contains 7 pages
Appendices contain 61 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, 2021

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, 2021, 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, 2021, 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 matters

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

a) note 2.27 "Changes in accounting estimates" to the financial statements, which sets out the impact of the change in the Bank's credit parameters and the change in the rating method for WAMU States;

b) note 25 "Subsequent events" to the financial statements, which sets out the effects of the economic sanctions imposed by ECOWAS and the WAMU monetary authorities against Mali.

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, 2021, the gross amount of customers receivables amounted to XOF 2,478 billion and were subject to a provision for impairment for a total amount of XOF 101 billion, including 15 billion of impairment recorded during the current year as detailed in appendix 5 and 17 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, 2021 ;
- ✓ 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, 2021, the Bank's outstanding borrowings include investment securities amounting to XOF 1,508 billion as specified in appendix 9 to the financial statements. This amount includes XOF 965 billion Eurobond issued in 2017, 2019 covered by 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 billion as detailed in note 6 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 18, 2022

Statutory Auditor

KPMG Togo

Franck FANOU
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 2021

BOAD'S FINANCIAL STATEMENTS FOR THE YEAR

ENDED 31 DECEMBER 2021

MARCH 2022

SUMMARY

STATEMENT OF FINANCIAL POSITION

ASSETS		Note	31 December 2021	31 December 2020
Cash and cash equivalents		4	**230,373**	**469,350**
Loans and receivables at amortized cost		5	**2,797,015**	**2,562,608**
	- Loans and advances to banks		10,412	34,802
	- Loans and advances to customers		2,368,457	2,166,679
	- Loans and advances to staff		15,514	11,701
	- Debt Securities portfolio		396,047	342,544
	- Receivables from shareholders		6,585	6,882
Equity investments		6	**138,161**	**129,960**
	- Equity investments designated at fair value through P&L		10,771	10,659
	- Equity investments designated at fair value through OCI non-recyclable		127,390	119,301
Adjustment accounts and other assets		7	**115,507**	**35,463**
	- Derivative assets		88,067	20,001
	- Accruals assets		16,596	3,718
	- Other adjustement accounts		10,844	11,744
Tangible assets		8	**6,177**	**6,223**
Investment properties		8	**654**	**691**
Intangible assets		8	**1,154**	**725**
Non-current assets held for sale		8	**2,245**	**2,245**
TOTAL ASSETS			**3,291,286**	**3,207,265**

LIABILITIES		Note	31 December 2021	31 December 2020
Liabilities at amortized cost		9	**2,188,700**	**2,125,764**
	- Deposits from banks		7,571	2,369
	- Debt securities issued		1,539,277	1,448,907
	- Other debts		641,852	674,488
Earmarked funds		10	**114,083**	**97,250**
Adjustments accounts and other liabilities		11	**28,271**	**73,393**
	- Derivative liabilities		0	63,902
	- Accruals liabilities		24,533	7,638
	- Other adjustement accounts		3,739	1,853
Provisions		12	**9,182**	**7,784**
Total liabilities			***2,340,237***	***2,304,191***
Capital			**247,902**	**234,346**
	- Subscribed capital		1,103,650	1,103,650
	- Callable capital		-826,230	-826,230
	- Unpaid Capital		-29,009	-42,063
	- Cost related to deferred paying-up of capital		-510	-1,012
Share premium			**2,622**	**2,622**
Reserves			**700,525**	**666,106**
	- 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		39,664	34,225
	- Cashflow hedging reserves		22,514	20,424
	- Other reserves		26	26
	- Retained earnings		531,745	505,443
	- Remeasurements of defined benefit liability		-298	636
	- Net income for the period		30,824	29,302
Total equity		13	***951,049***	***903,074***
TOTAL LIABILITIES AND EQUITY			**3,291,286**	**3,207,265**

COMPREHENSIVE INCOME STATEMENT

COMPREHENSIVE INCOME STATEMENT		Note	2021	2020
Interests and related income			145,904	140,161
Interests and related charges			-85,744	-88,030
Net interest income			60,160	*52,131*
Fees and commissions (income)			3,101	2,756
Fees and commissions (charges)			-1,111	-1,206
Net interest and fee income		14	62,150	*53,682*
Exchange gains			30,047	124,027
Exchange losses			-107,822	-396
Gains/ losses on hedging instruments			97,761	-103,288
Gains/ Losses on foreign exchange		***15***	***19,986***	***20,342***
Margin on interests, fees and foreign exchange			82,136	*74,024*
Gains/ losses on financial assets designated at fair value through profit and loss (IFRS 9)			112	224
Dividends received (income from equity investments)		16	3,390	3,228
Net banking income			***85,638***	***77,476***
Cost of risk		17	***-30,092***	***-27,703***
Endowment from member states			3,200	3,200
Other operating income			461	509
Charges related to development activities			-1,370	-2,162
General operating expenditures			-26,960	-21,944
	- Staff overheads		-16,935	-14,991
	- Amortizations and depreciations - Property, equipment and intangible assets		-1,230	-1,172
	- Other operating costs		-8,795	-5,782
Other operating charges			-52	-73
Other net operating income		**18**	***-24,721***	***-20,470***
Net income for the period			**30,824**	**29,302**
Other comprehensive income				
Items that will be reclassified to profit or loss			**2,090**	**40,969**
Cashflow hedges (CFH)			2,090	40,969
Net gains on financial assets at fair value through "other comprehensive income"				
Items that will not be reclassified to profit or loss			**4,504**	**-10,015**
Revaluation of tangible and intangible assets				
Net gains on financial assets at fair value through "other comprehensive income"			5,439	-9,816
Remeasurements of defined benefit liability			-935	-198
			0	
Total other comprehensive income			***6,595***	***30,955***
Total comprehensive income for the period			**37,419**	**60,257**

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	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 2020	1,103,650	-826,230	-55,740	-1,800	2,622	76,050	26	834	44,041	-20,546	508,819	831,727
												0
Increase in capital												
Unpaid capital												
Modifications of the first application of IFRS 9												
Net income as at 31 December 2020 before allocation											29,302	29,302
Other comprehensive income	**0**	**0**	**13,677**	**0**	**0**	**0**	**0**	**-198**	**-9,816**	**40,969**	**-376**	**44,257**
Capital paid up in 2020	0	0	13,677									13,677
Adjustments on retained earnings											-3,879	-3,879
Net gains or losses on investments in equity instruments designated at fair value through other comprehensive income (IFRS 9)									-9,816		3,504	-6,313
Fair value reserves (available-for-sale financial assets)									0			0
Remeasurements of defined benefit liability								-198				-198
Cash flow hedges										40,969		40,969
Others changes				**787**								**787**
Allocation of 2019 income											**-3,000**	**-3,000**
Transfers												0
Contributions et distributions												
Total transactions with the owners of the Bank												
Equity as at 31 december 2020 and as at 1st january 2021	**1,103,650**	**-826,230**	**-42,063**	**-1,012**	**2,622**	**76,050**	**26**	**636**	**34,225**	**20,424**	**534,746**	***903,074***
Increase in capital	0											0
Net income as at 31 december 2021											30,824	30,824
Others changes				503								503
Allocation of 2020 income											-3,000	-3,000
Other comprehensive income												
Capital paid-up in 2021			13,054									13,054
Adjustments on retained earnings											0	0
Net gains on investments in equity instruments designated at fair value through other comprehensive income (IFRS 9)									5,439		0	5,439
Fair value reserves (available-for-sale financial assets)									0			0
Remeasurements of defined benefit liability								-935				-935
Cash flow hedges										2,090		2,090
Sub-total other comprehensive income	**0**	**0**	**13,054**	**0**	**0**	**0**	**0**	**-935**	**5,439**	**2,090**	**0**	**19,648**
Transfers												0
Contributions et distributions												
Total transactions with the owners of the Bank												
Balance as at 31 december 2021	**1,103,650**	**-826,230**	**-29,009**	**-510**	**2,622**	**76,050**	**26**	**-298**	**39,664**	**22,514**	**562,570**	**951,049**

CASHFLOW STATEMENT

Items	Notes	2021	2020
Cashflow from operational activities		**31/12/2021**	**31/12/2020**
Income for the period		**30,824**	**29,302**
Adjustments related to non-monetary and other items			
Unrealised gains/losses		-20,133	-19,991
Exchange gains		-30,047	-748
Exchange losses		30,194	396
Amortization		1,230	1,172
Depreciation		0	0
Cost of risk		30,092	27,703
Gains/ losses on financial assets designated at fair value through profit and loss		-112	-224
Other items		-2,838	-3,817
		8,387	**4,492**
Changes in assets and liabilities from operations			
Loans and advances to banks		24,391	15,317
Loans disbursements		-452,630	-493,095
Repayments of loans		341,518	374,667
Other receivables from customers		-105,169	-97,327
Loans and advances to staff		-3,813	-737
Securities portfolio		-55,175	-54,611
Other assets		-26,023	-2,778
Deposits from banks		5,202	-94
Other debts		85,797	88,030
Other liabilities		32,614	39,190
		-153,289	**-131,438**
Cashflow from operations activities (a)		**-114,077**	**-97,644**
Cashflow from investment activities		**2021**	**2020**
Acquisitions of tangible assets		-1,045	-1,420
Sales of tangible assets		14	36
Acquisitions of intangible assets		-546	-395
Sales of intangible assets		0	0
Acquisitions of shares		-4,025	-3,973
Sales of shares		1,374	6,662
Cashflow from investment activities (b)		**-4,228**	**910**
Cashflow from financing activities		**2021**	**2020**
Resources from capital paying-up		17,283	17,895
Redemption of shares		0	0
Debt issuance		621,274	251,491
Repayment/debts represented by a security		-574,708	-174,769
Repayment/other loans		-184,520	-104,683
Cashflow from financing activities (c)		***-120,672***	***-10,067***
Net increase/(decrease) of cash and cash equivalents (a+b+c)		**-238,977**	**-106,801**
Cash and cash equivalents at opening	**4**	**469,350**	**576,151**
Cash and cash equivalents at closing	**4**	**230,373**	**469,350**
ADDITIONAL INFORMATION			
Operating cashflow from interests and dividends:			
Interest paid		75,563	90,687
Interest received		122,081	117,704
Dividends received		3,390	3,228

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

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 2021 and the comparative figures for 2020, 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.

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 2021 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.

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***).

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 2020, 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.

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:

- Bucketd 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;
- 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 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 discounted future cashflows expected (capital and interests) following the restructuring.

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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).

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 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 portfolio

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 6.1).

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 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.

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	2020	2019
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 2020 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 XOF 50,000,000. 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".

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 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 25 below.

2.26 Approval of accounts

BOAD's individual accounts as at 31 December 2021 were approved by the Board of Directors at its 16 March 2022 meeting.

2.27 Change in estimates

Except as described below, the Bank has applied the accounting policies described in the notes 2.1 to 2.26 in a similar basis for all the previous periods presented.

2.27.1 Changes to the expected credit loss (ECL) estimation parameters from the financial year 2021

During 2021, the Bank initiated a process of continuous improvement of its methodological approach to estimate expected credit losses (ECL). This process led to a review of the credit risk parameters, in particular the probability of default-PD, the loss given default-LGD and the conversion factors into credit equivalent-CCF.

As of the closing date of the accounts on 31 December 2021, the application of the new parameters has resulted in a change in the cumulative expected credit losses from XOF 101,752 M (old parameters) to XOF 95,814 M (new parameters), i.e. a writeback of depreciation of XOF 5,938 M, of which XOF 3,152 M on bucket 1 and XOF 2,786 M on bucket 2.

2.27.2 Changes to the member States rating's method in the year 2021

In order to reflect the current and future macroeconomic and socio-political events that occurred in its area of operations in its member States rating system, the Bank has evolved its rating evaluation method by adjusting its member States ratings to those published by the international rating agencies. This change in method has resulted in a change in expected credit losses from XOF 75,286 M (old method) to XOF 95,814 M (new method), i.e. a depreciation of XOF 19,928 M i.e. a writeback of depreciation of XOF 646 M on bucket 1 and a depreciation of XOF 20,574 M on bucket 2.

The variations that occurred are recorded as a change in estimate having an impact on the individual financial statements for the year ended 31 December 2021.

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 2020 were supplemented by provisions of the new standards and interpretations for the 2021 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
1st January 2021	Amendments to IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16	These amendments complement those published in 2019 (effective from 1 January 2020). They focus on the changes to be made to the financial statements in the event that a company replaces the old reference interest rate with another reference rate as a result of the reform. Three major changes are expected : • the possibility for the company to continue to apply hedge accounting when the hedge accounting criteria are met regardless of the implementation of the changes required by the reform; • the ability for the company to update only the effective interest rate to reflect the change in the alternative reference rate instead of derecognising or adjusting the carrying amount of financial instruments; • disclosure of new risks arising from the reform and how the company is managing the transition to alternative reference rates. **No impact is therefore expected from this amendment.**

3.2 Upcoming provisions

Date of entry into force	New standards or amendments	Impact on the Bank's financial statements
1st January 2022	Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)	This amendment affects only those companies that apply the incremental approach to determining contract performance costs. It implies that provisions are recognised when the lesser of the costs of performing the contract and the costs of termination outweigh the economic benefits. **The Bank still applies the full cost approach to the performance of these contracts. This change will therefore have no impact on the Bank's accounts.**
1st January 2022	Annual Improvements to IFRSs 2018-2020 - Amendments to IFRS 1, IFRS 9, Illustrative Examples of IFRS 16 and IAS 41	**IFRS 1:** This amendment allows a subsidiary that has adopted IFRSs after the parent company to measure cumulative translation differences at the amounts included in the parent company's consolidated financial statements, depending on the parent company's date of transition to IFRSs. **IFRS 9:** The amendment clarifies that fees paid net of fees received shall be included in performing the 10% test for derecognition of financial liabilities. **IFRS 16:** The objective of this amendment is to eliminate confusion in the identification of lease incentives by removing the example of lessor payments for leasehold improvements. **IAS 41:** This amendment involves aligning the fair value measurement requirements of IAS 41 with those of IFRS 13 « Fair Value Measurement ». **No impact is expected from these annual improvements.**
1st January 2022	Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)	The amendments prohibit an entity from deducting revenue generated by an asset during its transfer to site or during its rehabilitation from the cost of the asset. Instead, the entity shall recognise such revenue and related costs in profit or loss. **The BOAD business is banking and there will be no impact on its accounts.**
1st January 2022	Reference to the Conceptual Framework (Amendments to IFRS 3)	**This amendment is not applicable in the context of the Bank's financial statements.**

Date of entry into force	New standards or amendments	Impact on the Bank's financial statements
1st January 2022	Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)	This amendment affects only those companies that apply the incremental approach to determining contract performance costs. It implies that provisions are recognised when the lesser of the costs of performing the contract and the costs of termination outweigh the economic benefits. **The Bank still applies the full cost approach to the performance of these contracts. This change will therefore have no impact on the Bank's accounts.**
1st January 2022	Annual Improvements to IFRSs 2018-2020 - Amendments to IFRS 1, IFRS 9, Illustrative Examples of IFRS 16 and IAS 41	**IFRS 1:** This amendment allows a subsidiary that has adopted IFRSs after the parent company to measure cumulative translation differences at the amounts included in the parent company's consolidated financial statements, depending on the parent company's date of transition to IFRSs. **IFRS 9:** The amendment clarifies that fees paid net of fees received shall be included in performing the 10% test for derecognition of financial liabilities. **IFRS 16:** The objective of this amendment is to eliminate confusion in the identification of lease incentives by removing the example of lessor payments for leasehold improvements. **IAS 41:** This amendment involves aligning the fair value measurement requirements of IAS 41 with those of IFRS 13 « Fair Value Measurement ». **No impact is expected from these annual improvements.**
1st january 2023	Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	The purpose of these amendments is to clarify the criteria for classifying liabilities, namely debt and other liabilities as current or non-current. **The application of these amendments has no material impact on BOAD accounts.**
1st january 2023	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.**
1st january 2023	Definition of Accounting Estimates (Amendments to IAS 8)	These amendments aim to facilitate the distinction between accounting policies and accounting estimates. **The anticipated impact of these amendments is not material.**
1st January 2023	Amendments to IAS 1 and the Practice Statement on Disclosure of Accounting Policies	The purpose of these amendments is to improve the definition of "material" to make it easier for entities to exercise judgment regarding materiality for the information to be included in the financial statements. **The application of this new definition does not have a significant impact on BOAD financial statements.**

NOTE 4. 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 2021	31 December 2020
Cash accounts		79	69
BOAD HQ Current Account		3	239
Deposit Accounts for Resident Missions at BCEAO	4.1	174,968	145,323
Japan Eximbank Special Account		15	15
Kingdom of Belgium Special Account	4.2	0	4,267
FDE Contribution Account	4.3	1,985	1,985
BOAD Settlement Account Lomé		22,247	269,200
Operating Account for Resident Missions		1,491	958
Bank and correspondent bank accounts		7,547	11,096
Short-term bank deposits (a)	4.4	22,006	34,006
Deposits/ Margin calls		33	2,194
TOTAL		**230,373**	**469,350**

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

Resident missions deposit accounts	31 December 2021	31 December 2020
Deposit Accounts BCEAO Abidjan	4,549	2,748
Deposit Accounts BCEAO Bamako	12,058	10,478
Deposit Accounts BCEAO Bissau	16,959	87
Deposit Accounts BCEAO Cotonou	9,748	2,828
Deposit Accounts BCEAO Dakar	6,462	5,096
Deposit Accounts BCEAO Lomé	114,736	114,876
Deposit Accounts BCEAO Niamey	5,717	5,158
Deposit Accounts BCEAO Ouagadougou	4,739	4,053
Total	**174,968**	**145,323**

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

4.3. 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.

4.4. Short-term bank deposits include the following**:**

Short-term bank deposits	31 December 2021	31 December 2020
BOA-CI, special liquidity account	996	996
BOA-BN liqiuidity account	1,010	1,010
Term deposit with BOA Group	15,000	0
Term deposit with ORABANK Group	0	10,000
Term deposit with BSIC Group	5,000	0
Term deposit with Coris Bank Group	0	4,000
Term deposit with UTB	0	10,000
Term deposit with IB Bank	0	5,000
Term deposit with UBA	0	2,000
Term deposit with Banque Outarde	0	1,000
Total	**22,006**	**34,006**

NOTE 5. 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 2021	31 December 2020
Loans and advances to banks	5.1	10,412	34,802
Loans and advances to customers	5.2	2,368,457	2,166,679
Loans and advances to staff		15,514	11,701
Securities portfolio	5.3	396,047	342,544
Receivables from shareholders		6,585	6,882
TOTAL		**2,797,015**	**2,562,608**

5.1 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 2020 and 31 December 2019 as follows:

Counterparties	31 December 2021	31 December 2020
BCEAO- Interests on ordinary accounts	39	25
ORAGROUP	0	20,000
BRM	10,000	12,500
Interests receivable	373	2,277
TOTAL	**10,412**	**34,802**

5.2 Loans and advances to customers

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

5.2.1 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 19.1 on credit risk.

5.2.2 Schedule of receivables from customers

The schedule of receivables from customers is presented as follows as at 31 December 2021 and 31 December 2020:

Items	31 December 2021	31 December 2020
Gross outstanding receivables from customers	**2,478,065**	**2,264,640**
of which gross outstanding loans	2,417,284	2,206,285
At most six months	158,253	122,444
More than six months and less than one year	132,355	113,863
More than one year and less than two years	273,001	227,572
More than two years and less than three years	274,303	227,009
More than three years and less than five years	495,989	418,384
More than five years	1,083,384	1,097,014
of which advance for financing studies	14,741	14,698
of which related receivable to loans	46,040	43,657
Total depreciation on loans and related receivables	**-100,607**	**-88,521**
of which depreciation of non-performing loans (*)	-65,410	-58,250
of which depreciation on buckets 1 and 2	-35,196	-30,271
Deferred income from fees	**-8,013**	**-8,603**
Value adjustement on advances to customers	**-988**	**-837**
Receivables from customers	***2,368,457***	***2,166,679***

(*) The total amount of depreciation of non-performing loans includes XOF 58,832 M for depreciation on the principal and XOF 6,578 M for interests and commissions on non-performing loans.

5.2.3 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 2020 (a)	Increase (b)	Decrease (c)	Balance of the period (d) = (b) + (c)	31 december 2021 (e) = (a) + (d)
1. Gross outstanding of non-performing loans	59,739	11,696	-734	10,962	70,701
2. Depreciation	-50,904	-8,391	462	-7,928	-58,832
3. Net outstanding of non performing loans = (1) + (2)	**8,835**	**3,306**	**-272**	**3,034**	**11,869**

5.3 Securities portfolio

5.3.1 Variation table for securities

The variation table of securities as at 31 December 2020 is as follows:

	Balance as at	Variations of the period			Balance as at
	31 december 2020 (a)	Increase (d)	Decrease (e)	Balance of the period (f) = (d) + (e)	31 december 2021 (e) = (a) + (d)
1. Gross outstanding of securities portfolio (premiums bonds included)	334,833	159,951	-105,992	53,959	388,792
2. Interest receivables of securities portfolio	8,741	22,816	-21,600	1,216	9,957
3. Depreciation	-1,030	-2,250	578	-1,672	-2,702
4. Net outstanding of securities portfolio = (1) + (2) + (3)	**342,544**	**180,517**	**-127,014**	**53,503**	**396,047**

5.3.2 Details of securities portfolio

The breakdown of the securities portfolio is as follows:

Securities portfolio	31 December 2021	31 December 2020
Treasury bonds Senegal	53,000	40,750
Treasury bonds Côte d'ivoire	54,571	46,286
Treasury bonds Benin	19,000	46,500
Treasury bonds Burkina Faso	43,750	47,625
Coris Bank Holdings bonds	13,000	15,000
Treasury bonds Mali	43,448	49,448
Treasury bonds Niger	18,000	5,400
Treasury bonds Togo	54,931	39,942
CRRH Bonds	8,617	9,917
EBID Bonds	1,667	2,000
SONATEL Bonds	10,000	10,000
Treasury bills Burkina Faso	15,000	11,099
Treasury bills Mali	8,989	10,556
Treasury bills Niger	30,000	0
Treasury bills Côte d'ivoire	5,000	0
Treasury bills Senegal	9,000	0
Deposit Certificate BRM	800	400
Sub-total 1. Gross outstandings	***388,773***	***334,923***
Bonds premiums and discounts	20	-90
Sub-total 2. Gross outstandings with premiums included	***388,792***	***334,833***
Interests receivable	9,957	8,741
Depreciation	-2,702	-1,030
TOTAL	**396,047**	**342,544**

5.3.3 Schedule of securities portfolio

The contractual schedule of securities investments in XOF' M as at 31 December 2021 and 31 December 2020 is as follows:

Maturity	31 December 2021	31 December 2020
At most six months	59,666	43,042
More than six months and less than one year	80,827	15,060
More than one year and less than two years	66,953	75,297
More than two years and less than three years	75,030	70,346
More than three years and less than five years	76,663	83,366
More than five years	29,633	47,812
Sub-total 1. Gross outstandings	**388,773**	**334,923**
Bonds premiums and discounts	20	-90
Sub-total 2. Gross outstandings with premiums included	***388,792***	***334,833***
Interests receivable	9,957	8,741
Depreciation	-2,702	-1,030
TOTAL	**396,047**	**342,544**

5.4 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 2021	31 December 2020
Endowment from member states receivable	5,029	5,029
Admission fee Guinea Bissau	1,556	1,852
TOTAL	**6,585**	**6,882**

NOTE 6. EQUITY INVESTMENTS

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

6.2. 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.

<table>
<tr><th>Operations</th><th>Limit per company and per transaction</th><th>Level of engagement per borrower (all transactions combined)</th><th>Maximum overall volume of equity investments</th></tr>
<tr><td>Projects from National Financial institutions (NFI) and SME promoting agencies, privatization projects, regional projects and projects from the mining and energy sectors</td><td>5% of risk capital</td><td rowspan="2">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</td><td>20% of risk capital</td></tr>
<tr><td>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</td><td>2.5% of risk capital</td><td></td></tr>
</table>

6.3. Change in equity investments

6.3.1 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	2021	2020
Gross outstanding of equity investments as at 1st January	93,888	92,991
Increases	4,025	3,973
Decreases	-1,374	-3,076
Gross outstanding of equity investments as at 31 December	**96,539**	**93,888**
Gains /losses of equity investments designated at fair value through OCI non-recyclable	39,662	34,225
Gains /losses of sold equity investments designated at fair value through OCI non-recyclable	1,960	1,847
Net outstanding of equity investments as at 31 December	**138,161**	**129,960**

6.3.2 Breakdown of equity securities per counterparty

Equity investments recognized in the balance sheet between the 31 December 2021 and 31 December 2020 are detailed per counterparty in the tables below:

a) Instruments recognized at fair value through profit or loss

N°	Country	Equity investments	Percentage of interest (%)	31 December 2021 Gross outstanding (a)	31 December 2021 Gains /losses of equity investments designated at fair value through P&L (b)	31 December 2021 Gains/ Losses recognised in P&L (c)	31 December 2021 Balance sheet value (d) = (a) + (b) + (c)	31 December 2020 Gross outstanding (a)	31 December 2020 Gains /losses of equity investments designated at fair value through P&L (b)	31 December 2020 Gains/ Losses recognised in P&L (c)	31 December 2020 Balance sheet value (d) = (a) + (b) + (c)
1	BN	FOAI - Sicav ABDOU DIOUF	14.5%	2,500	1,063	176	3,740	2,500	1,126	-62	3,563
2	h-uemoa	FEFISOL	8.2%	1,312	52	-21	1,343	1,312	60	-9	1,363
3	SN	FCP/IFC BOAD	100.0%	5,000	733	-44	5,689	5,000	438	295	5,733
		TOTAL		8,812	1,848	112	10,771	8,812	1,624	224	10,659

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

N°	Country	Equity investments	Percentage of interest (%)	31 December 2021 Gross outstanding (a)	31 December 2021 Gains /losses of equity investments designated at fair value through P&L (b)	31 December 2021 Gains/ Losses recognised in P&L (c)	31 December 2021 Balance sheet value (d) = (a) + (b) + (c)	31 December 2020 Gross outstanding (a)	31 December 2020 Gains/ Losses recognised in OCI (b)	31 December 2020 Gains/ Losses of equity instruments designated at fair value through OCI non-recyclable (c)	31 December 2020 Balance sheet value (d) = (a) + (c)
1	BN	SOAGA	19.3%	103	11	116	218	103	15	105	208
2	TG	CAURIS CROISSANCE	0.0%	-	0	-	0	0	0	0	0
3	SN	BNDE	9.1%	1,000	182	2,229	3,229	1,000	82	2,047	3,047
4	h-uemoa	CAURIS CROISSANCE II	17.7%	4,250	0	-1,841	2,410	4,221	-1,174	-1,841	2,380
5	TG	GARI S. A.	11.6%	1,500	-71	1,095	2,595	1,500	-128	1,165	2,665
6	MA	BDM Mali	16.0%	600	1,265	18,244	18,844	600	983	16,979	17,579
7	BN	BOA Bénin	2.3%	98	762	2,420	2,518	98	41	1,657	1,755
8	NG	SONIBANK Niger	9.5%	1,082	119	2,504	3,586	1,082	257	2,385	3,467
9	CI	BHCI Côte d'Ivoire	2.2%	150	92	-150	0	150	-261	-242	-93
10	NG	BOA Niger	5.7%	137	1,192	3,661	3,798	137	86	2,469	2,607
11	TG	BIA Togo	5.2%	392	42	252	644	392	72	210	602
12	h-uemoa	Afreximbank	0.3%	2,500	543	2,146	4,646	2,500	224	1,603	4,103
13	SN	Banque Régionale de Marché (BRM)	4.0%	400	0	-400	0	400	-80	-400	0
14	BF	Banque de l'Habitat du BF	0.9%	200	92	19	219	200	22	-74	126
15	CI	BRVM	9.2%	56	20	531	587	56	-46	511	567
16	CI	DC/BR (BRVM)	9.1%	140	29	235	375	140	16	206	346
17	TG	CICA RE	2.0%	999	75	469	1,468	999	51	394	1,393
18	MA	MANDE Hotel	16.7%	50	-6	235	285	50	-11	241	291
19	CI	CIPREL	2.0%	584	74	1,686	2,270	584	-99	1,612	2,196
20	TG	ASKY (EX SPCAR)	16.8%	5,990	-675	-5,990	0	5,990	675	-5,315	675
21	CI	RASCOM	7.1%	1,600	0	-1,600	0	1,600	0	-1,600	0
22	h-uemoa	PROPARCO	0.7%	4,347	-80	817	5,164	4,347	-257	897	5,244
23	TG	BOAD-Titrisation	100.0%	500	-86	-315	185	500	0	-229	271
24	TG	CRRH-UEMOA	15.3%	1,543	179	1,148	2,691	1,543	177	970	2,513
25	h-uemoa	Fonds Agricole pour l'Afrique (FAA)	2.8%	2,246	91	-1,180	1,066	2,254	-1,386	-1,271	983
26	TG	ORAGROUP	2.1%	1,642	57	4,329	5,970	1,642	0	4,272	5,913
27	BF	Burkina Bail	14.3%	689	18	320	1,009	689	-12	301	990
28	SN	CNCAS	10.5%	1,573	-709	897	2,470	1,573	3	1,606	3,179
29	BF	CORIS BANK	0.0%	-	0	-	0	0	-9,010	0	0
30	CI	Nouvelle BRS CI/ORA Bank CI	28.6%	16,995	101	16,098	33,093	16,995	1,276	15,997	32,992
31	CI	Banque de l'Union Côte d'Ivoire (BDU-CI)	9.6%	1,100	260	561	1,661	1,100	248	301	1,401
32	BF	Banque de l'Union Burkina Faso (BDU-BF)	10.1%	1,100	321	878	1,978	1,100	224	557	1,657
33	Kenya	FAER	4.9%	5,789	766	1,147	6,936	5,789	-250	381	6,170
34	BF	AMETHIS WEST AFRICAN (AWA)	11.1%	1,445	321	-964	481	2,514	118	-1,284	1,230
35	CI	Air Côte d'Ivoire	7.9%	10,320	-2,127	-9,004	1,315	10,320	-63	-6,877	3,443
36	h-uemoa	Investisseurs & Partenaires/ Dévoppement (IPDEV2)	11.0%	781	-67	-286	494	781	-81	-219	562
37	Bn	Société Immobilière d'Aménagement Urbain SImAU	10.0%	500	64	-52	448	500	-23	-117	384
38	SN	Banque Outarde	13.2%	2,000	-198	-663	1,337	2,000	-110	-465	1,535
39	h-uemoa	Fonds I&P Afrique Entrepreneurs 2 (IPAE2)	3.3%	711	-86	-283	428	489	-67	-198	292
40	NG	Banque de l'Habitat du Niger	8.2%	825	-63	-178	647	825	-115	-115	710
41	h-uemoa	Fonds d'investissements dédié au développement des services financiers dans l'UEMOA	49.5%	4,527	-167	-998	3,529	4,397	-64	-830	3,567
42	h-uemoa	ECP Africa Fund IV	1.8%	3,000	2,403	1,447	4,447	2,608	-540	-956	1,651
43	CI	MANSA BANK	7.6%	1,200	225	-323	877	1,200	-548	-548	652
44	h-uemoa	ADIWALE Fund I	7.5%	334	-93	-154	180	110	-61	-61	49
45	h-uemoa	AFIG Fund	4.0%	2,730	562	562	3,292				
		TOTAL		87,727	5,439	39,663	127,390	85,076	-9,816	34,225	119,301

NOTE 7. ADJUSTMENTS ACCOUNTS AND OTHER ASSETS

Adjustment accounts and other assets include the following:

Adjustement accounts and other assets	Note	31 December 2021	31 December 2020
Derivative assets	7.1	88,067	20,001
Accruals assets	7.2	16,596	3,718
Other adjustement accounts	7.3	10,844	11,744
TOTAL		**115,507**	**35,463**

7.1 Derivative assets

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

Derivative assets	31 December 2021	31 December 2020
Derivative assets-fair value hedge	1,437	0
Derivative assets-cash flow hedge	86,630	20,001
TOTAL	**88,067**	**20,001**

The item on "Derivative assets-currency risk hedging instruments" recorded a value of XOF 86,630 M as at 31 December 2021 against XOF 20,001 M as at 31 December 2020. 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.

7.2 Accruals assets

Accruals assets	31 December 2021	31 December 2020
Deferred expenses	14,968	1,329
Accruals and prepaid expenses	1,284	433
Accrued receivables	61	1,419
Other accruals	284	537
TOTAL	**16,596**	**3,718**

7.3 Other adjustments accounts

Other adjustement accounts	31 December 2021	31 December 2020
Sundry debtors	228	3,068
Prefinancing of studies	3,564	1,371
Deposits paid	70	71
Advances on mission expenses	1	1
Advances and prepayments made	115	240
Other endowments and subsidies to be received	6,866	6,994
TOTAL	**10,844**	**11,744**

NOTE 8. TANGIBLE AND INTANGIBLE ASSETS

8.1 Tangible assets

The net book value of tangible assets as at 31 December 2021 and 31 December 2020 is as follows:

Tangible assets	31 December 2021	31 December 2020
Cost of acquisition	24,391	23,690
Allocations and reversal of depreciations	-18,214	-17,467
Net outstanding of tangible assets	**6,177**	**6,223**

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 2020	**190**	**13,389**	**395**	**12,328**	**0**	**26,302**
Acquisitions	0	0	1,183	643	0	**1,826**
Transfers	0	0	-406	0	0	**-406**
Disposals	0	0	0	-4,033	0	**-4,033**
Revaluation acquisitions	0	0	0	0	0	**0**
Other revaluations	0	0	0	0	0	**0**
Balance as at 1st January 2021	**190**	**13,389**	**1,171**	**8,939**	**0**	**23,690**
Acquisitions	225	306	477	1,268	0	**2,276**
Transfers	0	0	-1,231	0	0	**-1,231**
Transfers to investment properties	0	0	0	0	0	**0**
Sales	0	0	0	-344	0	**-344**
Balance as at 31 December 2021	**415**	**13,695**	**418**	**9,863**	**0**	**24,391**
Cumulative amortizations and disposals						
Balance as at 1st January 2020	**0**	**10,044**	**0**	**10,361**	**0**	**20,405**
Amortization charges	0	329	0	723	0	**1,052**
Reversals of depreciation (disposals)	0	0	0	0	0	**0**
Impairment losses recognized during the period	0	0	0	-3,990	0	**-3,990**
Reversals of depreciation	0	0	0	0	0	**0**
Balance as at 1st January 2021	**0**	**10,373**	**0**	**7,094**	**0**	**17,467**
Amortization charges	0	345	0	731	0	**1,076**
Reversals of amortization (disposals)	0	0	0	0	0	**0**
Transfers to investment properties	0	0	0	-329	0	**-329**
Impairment losses recognized during the period	0	0	0	0	0	**0**
Balance as at 31 December 2021	**0**	**10,718**	**0**	**7,496**	**0**	**18,214**
Net value of tangible assets as at 31 December 2021						**6,177**

8.2 Investment properties

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	2021	2020
Cost of acquisition	770	770
Allocations and reversal of depreciations	-117	-80
Net outstanding of intangible assets	**654**	**691**

The evolution of the net book value of investment properties between 31 December 2020 and 31 December 2021 is as follows:

Acquisitions of investment properties (in XOF'M)		Allocations and reversal of depreciations (in XOF'M)	
Balance as at 1st January 2021	**770**	**Balance as at 1st January 2021**	**80**
Acquisitions	0	Amortization charges	37
Disposals	0	Write-back of amortization	0
Classified as assets held for sale	0	Classified as assets held for sale	0
Balance as at 31 december 2021	**770**	**Balance as at 31 december 2021**	**117**
Net value on balance sheet as at 31 december 2021			**654**

8.3 Intangible assets

The net book values of intangible assets are as follows:

Intangible assets	31 December 2021	31 December 2020
Cost of acquisition	2,694	2,149
Allocations and reversal of depreciations	-1,539	-1,424
Net outstanding of intangible assets	**1,154**	**725**

The net book value of intangible assets between 31 December 2021 and 31 December 2020 is as follows:

Acquisitions of intangible assets (in XOF'M)		Allocations and reversal of depreciations (in XOF'M)	
Balance as at 1st January 2021	**2,149**	**Balance as at 1st January 2021**	**1,424**
Acquisitions	546	Amortization charges	117
Disposals	-1	Write-back of amortization	-1
Balance as at 31 december 2021	**2,694**	**Balance as at 31 december 2021**	**1,539**
Net value on balance sheet as at 31 december 2021			**1,154**

8.4 Non-current assets held for sale

In December 2020, 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. The active buyer research program initiated has been slowed by the health crisis context due to the COVID-19.

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 9. LIABILITIES AT AMORTIZED COST

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

9.1 Breakdown of item ''liabilities at amortized cost''

Details of this item as at 31 December 2021 and 31 December 2020 is as follows (in XOF' M)

Liabilities at amortized cost	31 December 2021	31 December 2020
I-Debts represented by a security		
BOAD bond issues (*)	1,451,289	890,206
BOAD bills	19,557	57,082
Maturities of less than one year/debts repr. by securities	37,524	478,999
Sub-total I	***1,508,371***	***1,426,288***
	0	
II- Other loans from foreign partners	0	
Loans for funding long-term projects	545,188	599,665
Loans for funding long-term project studies	482	482
Maturities of less than one year/loans	94,271	71,677
Sub-total II	***639,941***	***671,824***
Total I+II	**2,148,312**	**2,098,112**
III- Debts attached to loans and & debts repr.		
Accrued interests on debts represented by a security	30,937	22,731
Deferred expenses on bills and bonds	-30	-112
Interests and fees accrued on other loans	2,824	2,928
Deferred expenses on other loans	-913	-264
Sub-total III	***32,817***	***25,283***
IV- Interbank debts (Cauris ROPPA, AFD...)	**7,571**	**2,369**
Total I+II+III+IV	**2,188,700**	**2,125,764**

(*) The total outstanding of bonds includes XOF 1,451,289 M in eurobonds issued in 2017, 2019 and 2021 on the international financial market.

9.2 Table of changes in borrowings

The borrowings variation per counterparty between 31 December 2020 and 31 December 2021 is as follows:

Changes in deposits from banks

Debts	Balance as at 31 december 2020	Increases	Decreases	Exchange risk	Capitalisation interests differential by effective interest rate	Balance as at 31 december 2021
Deposits from Banks	2,369	7,100	-1,898	0		7,571
						0
TOTAL	**2,369**	**7,100**	**-1,898**	**0**	**0**	**7,571**

Changes in debt securities issued

Debts	Balance as at 31 december 2020	Increases	Decreases	Exchange risk	Capitalisation interests differential by effective interest rate	Balance as at 31 december 2021
Debentures	1,312,148	486,475	-456,536	74,240	34,963	1,451,289
Bonds	114,140	0	-57,059	0	0	57,081
TOTAL	**1,426,288**	**486,475**	**-513,595**	**74,240**	**34,963**	**1,508,371**

Changes in other debts by counterparties

Debts	Balance as at 31 december 2020	Increases	Decreases	Exchange risk	Capitalisation interests differential by effective interest rate	Balance as at 31 december 2021
IDA	89,243	53,372	-2,092	2,513	0	143,036
KfW	174,389	0	-14,068	0	0	160,321
AFD	179,331	0	-17,404	0	0	161,927
BEI	7,289	0	-3,538	0	0	3,751
BAD	49,197	0	-49,197	0	0	0
ICD	19,679	0	-13,119	0	0	6,560
BDC	15,299	28,951	-4,898	875	0	40,226
BADEA	5,659	0	-547	0	0	5,112
BNP Fortis	49,197	0	-49,197	0	0	0
JP MORGAN	0	19,679	0	0	0	19,679
OPEC	0	32,798	0	0	0	32,798
TOTAL BY COUNTERPARTIES	**671,824**	**134,799**	**-170,071**	**3,389**	**0**	**639,941**
TOTAL DEBTS	**2,100,481**	**628,374**	**-685,564**	**77,629**	**34,963**	**2,155,883**

9.3 Maturity of liabilities at amortized cost

Maturity	31 December 2021	31 December 2020
At most six months	78,671	592,249
More than six months and less than one year	60,695	54,577
More than one year and less than two years	114,853	106,475
More than two years and less than three years	59,920	78,938
More than three years and less than five years	124,514	108,457
More than five years	1,717,230	1,159,785
Sub-total outstanding	**2,155,883**	**2,100,481**
Debts attached to loans and & debts repr.	**32,817**	**25,283**
TOTAL	**2,188,700**	**2,125,764**

9.4 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 2021, the Bank's outstanding borrowings represented 233% of its equity capital out of the regulatory threshold of 300%.

NOTE 10. EARMARKED FUNDS

Other liabilities are made up of the following:

Earmarked funds	31 December 2021	31 December 2020
Belgian Technical Assistance Fund	201	195
Dutch Fund	34	34
IDA Counterpart Fund	727	565
AFD Research Fund	310	310
AFD Counterpart Fund	26	26
Environmental Partnership Fund	4	4
KfW Counterpart Fund	5,497	5,744
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)	365	320
New subsidy mechanism fund	87,649	69,979
CMS Fund for Interest Subsidy	1,000	1,000
Global Environment Facility	1,152	1,152
Climate change fund	4,852	5,045
Regional initiatives supports fund	383	473
Belgian Fund for capital release	0	4,200
PACAN KFW Funds	6,232	3,214
Climate green fund	662	0
TOTAL	**114,083**	**97,250**

NOTE 11. ADJUSTMENT ACCOUNTS AND OTHER LIABILITIES

As at 31 December 2021, the adjustment accounts and other liabilities were as follows:

Adjusment accounts and liabilities	Note	31 December 2021	31 December 2020
Derivatives liabilities	11.1	0	63,902
Accruals liabilities	11.2	24,533	7,638
Other adjustement accounts	11.3	3,739	1,853
TOTAL		**28,271**	**73,393**

11.1 Derivatives liabilities

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

Derivatives liabilities	31 December 2021	31 December 2020
Derivatives liabilities-fair value hedge	0	1,290
Derivatives liabilities-cash flow hedge	0	62,612
TOTAL	**0**	**63,902**

Derivative liabilities amount to nil as at 31 December 2021. This level of financial liabilities results from the rise of the dollar and SDR exchange rates, which stand at a higher level than the guaranteed rates obtained by BOAD during the implementation of hedging contracts. Consequently, there is a gain on derivative instruments which offsets the foreign exchange loss recorded in borrowings at amortized cost at the end of the 2021 financial year.

11.2 Accruals liabilities

Details of accruals liabilities are as follows:

Accruals liabilities	31 December 2021	31 December 2020
Deferred income	18,826	4,648
Accrued liabilities	4,723	2,953
Advanced payments	984	36
TOTAL	**24,533**	**7,638**

11.3 Other adjustment accounts

Details of other adjustments accounts are as follows:

Other adjustment accounts	31 December 2021	31 December 2020
Sundry creditors	1,491	1,074
Suppliers payables	2,248	779
TOTAL	**3,739**	**1,853**

NOTE 12. 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.

12. Provision for retirement benefits	2021	2020
	KFCFA	kFCFA
Present value of the obligation		
Opening balance	7,783,887	8,230,674
Cost of services rendered during the period	568,371	559,037
Contributions made by participants	0	0
Financial cost	497,815	504,672
Actuarial difference due to		
a) Changes in demographic assumptions	0	0
b) Changes in financial assumptions	0	0
c) Experience adjustments	934,669	198,005
d) Total	934,669	198,005
Benefit payment	-602,641	-1,708,501
Cost of past services		0
Payments		**0**
Closing balance	**9,182,100**	**7,783,887**
Completely unfinanced schemes	*9,182,100*	*7,783,887*
Partly or fully financed schemes	*0*	*0*
Fair value of assets of the scheme	n.a.	n.a.
Opening balance	0	0
Expected returns	0	0
Actuarial difference	0	0
Contributions made by the employer	0	0
Contributions made by the participants	0	0
Benefits payment	0	0
Payments	0	0
Closing balance	**0**	**0**
Net assets/liabilities recognized in the balance sheet	_	
Present value of the benefit plan liability	9,182,100	7,783,887
Fair value of assets of the scheme	_	0
Surplus/deficit	9,182,100	7,783,887
Amount not recognized as an asset because of the limit 58(b)		**0**
Net assets/liabilities recognized in the balance sheet	**9,182,100**	**7,783,887**
Total cost	_	_
Cost of services rendered during the period	568,371	559,037
Cost of past services	0	0
Effect of all payments	0	0
Cost of services provided in net income	**568,371**	**559,037**
Financial cost	497,815	504,672
Interests	0	0
Net interest on net income	**497,815**	**504,672**
Actuarial difference	934,669	198,005
Additional returns on assets of the scheme	0	0

12. Provision for retirement benefits	2021	2020
Effect of the limit of paragraph 58(b)	0	0
Revaluation of net pension liab. under fixed benefit scheme	**934,669**	**198,005**
Total cost	**2,000,855**	**1,261,714**
The cumulative actuarial difference recorded		
in profit and loss	**4,472,467**	**3,537,798**
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	9.7	10.6
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	9.70%	8.60%
Future salary growth	9.60%	8.50%
Future mortality rate	-0.20%	-0.10%
Reconciliation of net liabilities recognized		
Opening balance	7,783,887	8,230,674
Total charge in net income	1,066,186	1,063,709
Benefits payment	-602,641	-1,708,501
Remeasurements of defined benefit liability recognised in OCI	934,669	198,005
Closing balance	**9,182,100**	**7,783,887**

The total forecasted charge for contributions to the defined benefit plan for 2022 amounts to XOF 1,249 M. Also, the Bank plans to provide services amounting to XOF 367 M in 2022.

NOTE 13. EQUITY

13.1 Details of equity

The equity as at 31 December 2021 and 31 december 2020 is as follows:

Capitaux propres	31/12/2021	31/12/2020
Capital souscrit	1,103,650	1,103,650
Capital sujet à appel	-826,230	-826,230
Capital à libérer	-29,009	-42,063
Coût lié à la libération différée du capital	-510	-1,012
Capital (A)	**247,902**	**234,346**
Primes d'émission (B)	**2,622**	**2,622**
Réserves affectées aux activités de développement	76,050	76,050
Autres réserves	26	26
Résultats non distribués	531,745	505,443
Réserves et résultats non distribuables (C)	**607,821**	**581,519**
Résultat de l'exercice (D)	**30,824**	**29,302**
Réserves de juste valeur sur les instruments de capitaux propres classés en JVOCI non recyclables (IFRS 9)	39,664	34,225
Réserves de couverture des flux de trésorerie	22,514	20,424
Réévaluation du passif au titre des régimes de retraite	-298	636
Autres éléments du résultat global (E)	**61,880**	**55,285**
CAPITAUX PROPRES (A+B+C+D+E)	**951,049**	**903,074**

13.2 BOAD capital structure

a) The table below outlines the Bank's capital structure as at 31 December 2021 in nominal value and share distribution. Each share confers the same rights and duties to its holder.

ACTIONNAIRES	CAPITAL SOUSCRIT	%	nb d'action	CAPITAL APPELE	CAPITAL LIBERE	CAPITAL A LIBERER	CAPITAL SUJET A APPEL
	(1)=(2)+(5)			(2)=(3)+(4)	(3)	(4)	(5)
CATEGORIE A							
BENIN	64,650	5.86%	1,293	16,163	14,398	1,765	48,487
BURKINA	64,650	5.86%	1,293	16,163	14,398	1,765	48,487
COTE D'IVOIRE	64,650	5.86%	1,293	16,163	14,398	1,765	48,487
GUINEE BISSAU	64,650	5.86%	1,293	16,163	14,398	1,765	48,487
MALI	64,650	5.86%	1,293	16,163	14,398	1,765	48,487
NIGER	64,650	5.86%	1,293	16,163	14,398	1,765	48,487
SENEGAL	64,650	5.86%	1,293	16,163	14,398	1,765	48,487
TOGO	64,650	5.86%	1,293	16,163	14,398	1,765	48,487
BCEAO	517,200	46.86%	10,344	129,304	115,184	14,120	387,896
	1,034,400	**93.73%**	**20,688**	**258,608**	**230,368**	**28,240**	**775,792**
CATEGORIE B							
France	38,400	3.48%	768	9,600	8,640	960	28,800
Allemagne	2,000	0.18%	40	2,000	2,000	0	0
Belgique	5,600	0.51%	112	1,400	1,400	0	4,200
BEI	4,000	0.36%	80	1,000	1,000	0	3,000
BAD	6,000	0.54%	120	1,500	1,500	0	4,500
EXIM BANK INDE	750	0.07%	15	188	169	19	563
CHINE POPULAIRE	12,000	1.09%	240	3,000	2,700	300	9,000
MAROC	500	0.05%	10	125	125	0	375
	69,250	**6.27%**	**1,385**	**18,813**	**17,534**	**1,279**	**50,438**
	1,103,650	**100.00%**	**22,073**	**277,421**	**247,902**	**29,519**	**826,230**
CAPITAL NON SOUSCRIT	**51,350**		**1,027**				
CAPITAL AUTORISE	**1,155,000**		**23,100**				

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

	31 December 2021	31 December 2020
Unpaid Capital without cost related to deffered paying-up of capital (a)	29,009	42,063
Cost related to deferred paying-up of capital (b)	510	1,012
Unpaid capital (a+b)	**29,519**	**43,075**

13.3 Effective equity (core tier 1 capital)

The Bank's effective equity is broken down as at 31 December 2021 and 31 December 2020 as follows:

Items	31 December 2021	31 December 2020
A- Tier 1 capital * (=1+2)	**856,685**	**816,239**
1- Capital and other funds	247,902	234,346
2- Reserves and other funds	608,783	581,893
B- Additionnal own funds	**64,968**	**59,529**
Effective equity capital/Core Tier 1 Capital (=A+B)	**921,653**	**875,768**

* Equity requirement for risks

NOTE 14. INTERESTS AND FEES

Details of this item are as follows:

Margin on interests and fees	2021	2020
Interests and related income	145,904	140,161
Interests and related charges	-85,744	-88,030
Sub-total on interests (A)	*60,160*	*52,131*
Fees and commissions (income)	3,101	2,756
Fees and commissions (charges)	-1,111	-1,206
Sub-total on fees (B)	*1,990*	*1,551*
TOTAL (A) + (B)	**62,150**	**53,682**

14.1. Interests

Interests and related income

Interests and related income	2021	2020
Interests and related income/ interbank loans	1,496	8,721
Interest on loans to customers	119,199	107,464
Interest on staff loans	208	296
Interest on securities portfolio	22,929	22,023
Commission on loan commitments	2,072	1,658
TOTAL	**145,904**	**140,161**

Interests and related charges

Interests and related charges	2021	2020
Interest charges on debts represented by a security	-71,106	-73,658
Interest charges on other debts	-13,936	-14,023
Commissions/commitments received	-616	-349
Credit insurance commission	-87	0
TOTAL	**-85,744**	**-88,030**

14.2. Fees

Fees and commissions (income)

Fees and commissions (income)	2021	2020
Commission obtained as processing fees	1,793	1,650
GARI's commission on guarantees	219	61
Other flat commissions	25	125
Commission on financial arrangements and advisory services	483	921
Commssions on FEM and FA	582	0
TOTAL	**3,101**	**2,756**

Fees and commissions (charges)

Fees and commissions (charges)	2021	2020
Other charges/debts represented by securities	-429	-587
Other fees on borrowings	-680	-619
Profit or loss on securities portfolio	-2	0
TOTAL	**-1,111**	**-1,206**

NOTE 15. 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 19.2.1 on Exchange risk.
As at 31 December 2021, 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	2021	2020
Exchange gain consumed	30,047	748
Potential exchange gain	0	123,279
Sub-total forex gains (A)	***30,047***	***124,027***
Foreign exchange loss consumed	-30,194	-396
Potential foreign exchange loss	-77,629	0
Sub-total forex losses (B)	***-107,822***	***-396***
Net forex loss of C = (A) + (B)	***-77,775***	***123,631***
Loss/profit on hedging instruments	***97,761***	***-103,288***
Net profit/loss on currency transactions	**19,986**	**20,342**

NOTE 16. DIVIDENDS RECEIVED

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

Dividends received	2021	2020
Dividends from BRVM	70	56
Dividends from DC BR	70	56
Dividends from BOA Bénin	218	218
Dividends from CIPREL	726	506
Dividends from BOA NG	344	344
Dividends from BDM-SA	1,219	860
Dividends from BNDE	80	115
Dividends from AFREXIM Bank	90	0
Dividends from SONIBANK	114	199
Dividends from CICA-RE	40	36
Dividends from Coris Bank International	0	573
Dividends from ORAGROUP	0	91
Dividends from Fidelis Finance	61	40
Dividends from SOAGA	141	134
Dividends from BDU BF	101	0
Dividends from BDU CI	108	0
Dividends from IB BANK	9	0
TOTAL	**3,390**	**3,228**

NOTE 17. COST OF RISK

The cost of risk as at 31 December 2020 and as at 31 December 2021 is presented as follows:

Cost of risk	2021	2020
Depreciations on receivables from customers	-15,132	-28,134
Write-back of depreciations on receivables from customers	629	710
Depreciations on securities portfolio	-2,234	-591
Write-back of depreciations on securities portfolio	562	27
Losses on receivables covered by depreciations	0	-247
Depreciations on other assets	-13,917	0
Write-back of depreciations on other assets	0	531
TOTAL	**-30,092**	**-27,703**

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	2021	2020
Bucket 1	637	1,186
Bucket 2	-6,319	-13,212
Bucket 3	-24,411	-15,678
TOTAL	**-30,092**	**-27,703**

The change in depreciation on buckets 1 and 2 between the two periods is due to the combined effect of the revision of credit risk parameters initiated by the Bank in a process of continuous improvement of its methodological approach to estimate expected credit losses (ECL) and the adjustment of member States' ratings to take into account the environment of its area of operation as specified in Note 2.27.

The following table shows the main elements affecting the cost of risk at 31 December 2021.

	Note 2.27.1	Note 2.27.2			
	Changes to parameters [Net Writeback (+)/ Net Depreciation (-)] (b)	**Changes to Member States ratings [Net Writeback (+)/ Net Depreciation (-)] (a)**	**Total Impact Changes in estimates [Net Writeback (+)/ Net Depreciation (-)] (c)=(a)+(b)**	**Impacts excluding changes in estimates [Net Writeback (+)/ Net Depreciation (-)] (d)**	**Total variation [Net Writeback (+)/ Net Depreciation (-)] (e)= (c)+ (d)**
Bucket 1	3 152	646	**3 798**	- 3 161	**637**
Bucket 2	2 786	- 20 574	**- 17 788**	11 468	**- 6 319**
Bucket 3	-	-		- 24 411	**- 24 411**
TOTAL	5 938	- 19 928	**- 13 990**	- 16 104	**- 30 092**

NOTE 18. OTHER OPERATING INCOME

Other operating income amounts to XOF 24,721 M as at 31 december 2021 against XOF 20,470 M as at 31 december 2020. The breakdown is as follows:

18.1 Endowment of member countries

Endowments of member countries remain unchanged as at 31 December 2021 and amount to XOF 3,200 M.

18.2 Costs related to development activities

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

Charges related to development activities	2021	2020
Interest subsidy	-1,370	-2,162
TOTAL	**-1,370**	**-2,162**

18.3 General operating expenditures

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

General operating costs	2021	2020
Staff overheads (*)	-16,935	-14,991
Amortizations and depreciations - Property, equipment and intangible assets	-1,230	-1,172
Other operating costs	-8,795	-5,782
TOTAL	**-26,960**	**-21,944**

(*) The details of staff overheads as at 31 December 2021 and 31 December 2020 are as follows:

Detail of staff overheads	2021	2020
Wages and salaries	-14,666	-13,049
Social security contributions	-762	-693
Other short-term benefits	-887	-606
Long-term construction contribution - Servicing city BOAD	0	-62
Health insurance funds	-72	-66
Defined benefit plan expenses (**)	-549	-515
TOTAL	**-16,935**	**-14,991**

(**) 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 XOF 498 M, recorded in financial expenses (*see note 12*).

NOTE 19. RISK MANAGEMENT

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

19.1. 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 a fair value measurement of equity investments based on IAS/IFRS standards.

19.1.1 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 2021 and 2020 is as follows:

Maximum exposure of the Bank in terms of credit risk	31 December 2021	%	31 December 2020	%
Loans and advances to banks	10,412	0%	34,802	1%
Loans and advances to customers (gross outstandings)	2,417,284	83%	2,206,285	84%
Loans and advances to staff	15,514	1%	11,701	0%
Debt securities portfolio (gross outstandings)	388,773	13%	334,923	13%
Receivables from shareholders	6,585	0%	6,882	0%
Derivatives assets*	88,067	3%	20,001	1%
TOTAL	**2,926,634**	**100%**	**2,614,593**	**100%**

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

19.1.2 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.

19.1.2.1 Loans

<u>For non-commercial (member Countries) and commercial (public companies) public sector</u>

Counterparties	Limit per transaction	Level of commitment per borrower (all operations combined)	Internal limits management
Member States	5% of risk capital	55% of risk capital	444 943
Public companies	5% of risk capital	25% of risk capital	100 000

<u>For the private sector</u>

Counterparties	Limit per transaction	Level of commitment per borrower (all operations combined and cumulated)	Maximum overall volume of individual risks	Internal limits management
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	20 000
Category 2 **Indirect financing through national financial institutions (NFI), NFI holdings or organizations that promote SMEs and for financing direct loans to regional projects,**	7% for a maximum of 50% of the project's pre-tax total cost	10% of risk capital		15 000

Counterparties	Limit per transaction	Level of commitment per borrower (all operations combined and cumulated)	Maximum overall volume of individual risks	Internal limits management
projects in the mining and energy sectors and in Information, Communication technologies				

19.1.2.2 Equity investments (public sector or private sector)

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

19.1.2.3 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

19.1.2.4 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); 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 2021:

Sectorial breakdown of commercial portfolio	31 December 2021	%	31 December 2020	%
Agriculture and rural development	0	0	0	0%
Industries	87,781	13%	70,465	12%
Finance and Insurance	252,862	37%	214,654	35%
Energy, Water and Information and Communication technologies	216,581	31%	196,329	32%
Hospitality and other services	39,641	6%	36,899	6%
Transport, town planning, environment	92,287	13%	90,648	15%
TOTAL	**689,152**	**100%**	**608,996**	**100%**

19.1.2.5 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 2021 and 31

December 2020 as follows:

COUNTRIES	31/12/2021			Total 2021	31 December 2020			Total 2020
	FDC	FDE	Bank		FDC	FDE	Bank	
BENIN	130,122	12,970	78,047	**221,139**	124,323	13,588	76,351	**214,263**
BURKINA FASO	139,273	16,190	135,145	**290,608**	121,753	17,143	77,001	**215,896**
CÔTE D'IVOIRE	95,884	27,650	305,164	**428,697**	90,423	28,516	293,967	**412,906**
GUINEE BISSAU	108,915	12,813	10,999	**132,727**	85,430	11,359	41,796	**138,585**
MALI	142,954	12,332	127,261	**282,547**	132,915	12,178	104,982	**250,074**
NIGER	144,170	28,071	156,222	**328,463**	142,127	28,273	154,338	**324,738**
SENEGAL	129,509	26,470	250,957	**406,936**	129,839	24,255	239,069	**393,163**
TOGO	153,454	1,982	170,730	**326,167**	148,371	2,935	104,388	**255,694**
OUTSIDE WAEMU	-	-	-	**0**	-	-	965	**965**
TOTAL	**1,044,281**	**138,478**	**1,234,525**	**2,417,284**	**975,181**	**138,247**	**1,092,858**	**2,206,285**

19.1.3 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).

19.1.3.1 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:

	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	

19.1.3.2 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.

19.1.4 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.

19.1.4.1 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	
Appreciation	Rating	Outstanding	%	Outstanding	%	Outstanding	%
Speculative	GI9	0	0%	0	0%	0	0%
	GI10	0	0%	0	0%	0	0%
	Gs1	0	0%	0	0%	0	0%
	GS2	0	0%	0	0%	0	0%
	Gs3	501,965	29%	259,035	38%	761,001	31%
Highly speculative	Gs4	187,571	11%	73,627	11%	261,198	11%
	Gs5	242,651	14%	154,983	22%	397,635	16%
Increasing risk	Gs6	600,329	35%	82,611	12%	682,940	28%
Ultra speculative	Gs7	195,615	11%	32,001	5%	227,616	9%
	Gs8	0	0%	16,194	2%	16,194	1%
	Gs9	0	0%	0	0%	0	0%
	Gs10	0	0%	0	0%	0	0%
Default	D	0	0%	70,701	10%	70,701	3%
Receivables from customers		***1,728,132***	***100%***	***689,152***	***100%***	***2,417,284***	***100%***
Speculative	GI9	0	0%	0	0%	0	0%
	GI10	0	0%	0	0%	0	0%
	Gs1	0	0%	0	0%	0	0%
	GS2	0	0%	0	0%	0	0%
	Gs3	107,571	38%	31,617	93%	139,188	43%
Highly speculative	Gs4	19,000	7%	0	0%	19,000	6%
	Gs5	43,750	15%	1,667	5%	45,417	14%
Increasing risk	Gs6	72,931	25%	0	0%	72,931	23%
Ultra speculative	Gs7	43,448	15%	800	2%	44,248	14%
Securities portfolio (*)		***286,700***	***100%***	***34,083***	***100%***	***320,783***	***100%***
Total		***2,014,832***	***100%***	***723,235***	***100%***	***2,738,067***	***100%***

(*) Bonds are excluded due to their very short maturity.

19.1.4.2 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

Counterparty categories	2021								2020	
	Bucket 1	%	Bucket 2	%	Bucket 3	%	Total	%	Montants	%
Sovereign	1,020	20%	21,888	73%	-	0%	22,908	24%	3,919	5%
Bank	1,615	32%	1,734	6%	1,583	3%	4,932	5%		
Public	296	6%	1,687	6%	-	0%	1,983	2%	7,667	9%
Private	2,132	42%	4,823	16%	57,249	97%	64,204	68%	69,589	86%
TOTAL LOANS (A)	**5,063**	**100%**	**30,132**	**100%**	**58,832**	**100%**	**94,028**	**100%**	**81,175**	***100%***
Sovereign	59	37%	1,454	89%			1,514	85%	189	18%
Bank	86	53%	171	11%			256	14%		
Public	17	10%	-	0%			17	1%		
Private	-	0%	-	0%			0	0%	841	82%
TOTAL SECURITIES (B)	**161**	**100%**	**1,625**	**100%**	**-**	**-**	**1,787**	**100%**	**1,030**	***100%***
TOTAL ECL (A+B)							**95,814**		**82,205**	

c) Distribution of ECL per bucket and per sector

Sectorial breakdown	2021								2020	
	Bucket 1		Bucket 2		Bucket 3		Total		Amounts	%
Agriculture and rural Development	274	5%	8,718	27%	0		8,993	9%	1,630	2%
Industries	687	13%	1,976	6%	7246	12%	9,909	10%	12,818	16%
Energy, Water and Information and Communication Technologies	1,193	23%	5,889	19%	34370	58%	41,452	43%	36,489	44%
Transport, Town planning and Environment	1,118	21%	10,564	33%	0	0%	11,682	12%	5,720	7%
Finance and Insurance	1,663	32%	1,828	6%	2488	4%	5,979	6%	6,380	8%
Hospitality and other services	129	2%	1,157	4%	14728	25%	16,014	17%	18,139	22%
TOTAL LOANS (A)	**5,064**	**97%**	**30,132**	**95%**	**58,832**	**100%**	**94,028**	**98%**	**81,175**	***99%***
Finance and Insurance	145	3%	1,625	5%			1,770	2%	1,030	*1%*
Energy, Water and Information and Communication Technologies	17	0%					17	0%		
TOTAL SECURITIES (B)	**161**	3%	**1625**	**5%**			**1,787**	**2%**	**1,030**	**1%**
TOTAL ECL (A+B)	**5,225**	**100%**	**31,758**	**100%**	**58,832**	**100%**	**95,814**	**100%**	**82,205**	**100%**

d) Distribution of ECL per bucket and per country

Country	2021								2020	
	Bucket 1	%	Bucket 2	%	Bucket 3	%	Total	%	Amounts	%
BENIN	231	5%	1,937	6%	3,478	6%	5,645	6%	5,703	7%
BURKINA FASO	514	10%	1,828	6%	905	2%	3,246	3%	1,958	2%
CÔTE D'IVOIRE	1,616	32%	2,649	9%	1,296	2%	5,562	6%	10,516	13%
GUINEE BISSAU	11	0%	2,769	9%		0%	2,780	3%	2,363	3%
MALI	245	5%	8,702	29%	8,391	14%	17,338	18%	6,013	7%
NIGER	42	1%	6,326	21%	1,583	3%	7,951	8%	5,366	7%
SENEGAL	1,015	20%	1,478	5%	30,772	52%	33,265	35%	34,039	42%
TOGO	1,390	27%	4,443	15%	12,407	21%	18,240	19%	15,217	19%
HORS-UEMOA									0	0%
TOTAL PRÊTS (A)	**5,064**	**100%**	**30,132**	**100%**	**58,832**	**100%**	**94,028**	**100%**	**81,175**	**100%**
BENIN	27	17%	25	2%			52	0%	14	1%
BURKINA FASO	31	19%	422	26%			453		561	54%
CÔTE D'IVOIRE	14	8%	111	7%			125		6	1%
MALI		0%	389	24%			389		70	7%
NIGER		0%	209	13%			209		15	1%
SENEGAL	35	22%	70	4%			105		176	17%
TOGO	54	34%	399	25%			454		188	18%
TOTAL TITRES (B)	**161**	**100%**	**1,625**	**100%**	**58,832**	***0%***	**1,787**	***0%***	**1,030**	**100%**
						TOTAL ECL (A+B)	**95,814**		**82,205**	

19.2. <u>Market risk</u>

19.2.1. 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.

19.2.1.1 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.

<u>Economic link determination</u>

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.

<u>Coverage ratio</u>

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%.

<u>Sources of ineffectiveness</u>

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, 2021, hedge ineffectiveness is considered not significant

Notional schedule

As of December 31, 2021, 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 31 December 2021 and 2020 respectively:

		31 December 2021			31 December 2020		
Financial instruments	Notes	Assets	Liabilities	Notional/ Outstanding	Assets	Liabilities	Notional/ Outstanding
Derivative assets-fair value hedge	7	1,437		63,802	0		0
Derivative assets-cash flow hedge		86,630		1,136,624	20,001		563,774
Derivatives liabilities-fair value hedge	11		0			1,290	60,923
Derivatives liabilities-cash flow hedge			0			62,612	1,060,084
Total		**88,067**	**0**	**1,200,425**	**20,001**	**63,902**	**1,684,781**

The derivative assets come from the positive variation of the value of all the derivatives instruments (on the dollar and SDR credit lines and on 2027 and 2031 Eurobonds at 31 December 2021).

19.2.1.2 Debt structure as at 31 December 2021

The debt structure of the principal of the other borrowings from external partners and debts represented by securities are presented as at 31 December 2021 as follows:

Debt structure as at 31 December 2021							
Currencies	Currency amount	Exchange rate as at 31/12/2021	Present outstanding amount (millions of XOF)		% of total borrowings (D)	excluding Euro (A)	borrowings (B)
JPY	-	-	0		0.00%	0.00%	0.00%
USD	1,736,015	579.16	1,005,430		46.80%	94.89%	48.08%
DTS	66,799	810.61	54,148		2.52%	5.11%	2.59%
CHF	0	-	0		0.00%	0.00%	0.00%
TOTAL EXCLUDING Euros (A)			**1,059,578**	**51%**	**49.32%**	**100%**	
Euro	1,572,743	655.96	**1,031,652**	**49%**	**48.02%**		49.33%
TOTAL EXCLUDING F CFA (B)			**2,091,230**	**100%**			
F CFA for domestic bond issues ('C)			**57,081**		**2.66%**		
TOTAL BORROWINGS D= (B)+('C)			**2,148,312**		**100%**		

19.2.1.3 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 (31/12/2021) 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.

19.2.2. 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.

19.2.2.1 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

19.2.2.2 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 and FDE activities 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 sheets)	31/12/2021		31/12/2020	
	Variation	Impact on income for 2022	Variation	Impact on income for 2021
Bank activity only	+ 100 basis points	+ 8 541	+ 100 basis points	+ 6 689
Bank activity only	- 100 basis points	- 8 541	- 100 basis points	- 6 689
FDC activity only	+ 100 basis points	- 2 114	+ 100 basis points	- 2 509
FDC activity only	- 100 basis points	+ 2 114	- 100 basis points	+2 509

It appears from the sensitivity test that the Bank's balance sheet profile presents a gap of resources on FDC and FDE activities. 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.

19.3. 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 2022 as follows:

	DURING 2022			BEYOND		
	]0 month; 1 month]	]1month;6 months]	]6 months; 12 months]	]1 year; 5 years]	>5 years	Total
Cash + Bank - opening balance	210,373	0	0	0	0	210,373
Term deposits	0	20,000	0	0	0	20,000
Non-current assets held for sale	0	0	2,245	0	0	
Loans and advances to banks	0	0	10,412	0	0	10,412
Loans and advances to customers	25,626	132,627	193,136	1,043,292	973,776	2,368,457
Loans and advances to staff	296	1,447	1,993	7,092	4,685	15,514
Securities portfolio	2,425	57,241	88,101	218,646	29,633	396,047
Equity investments	0	0	0	0	138,161	138,161
Shareholders receivables	0	0	6,585	0	0	6,585
Derivatives assets	0	0	0	0	88,067	88,067
Accrual assets	0	0	16,596	0	0	16,596
Other assets	0	0	0	0	10,844	10,844
TOTAL ASSETS (A)	**238,719**	**211,315**	**319,069**	**1,269,031**	**1,245,167**	**3,283,301**
Deposits from banks (CAURIS, ROPPA, AFD)	7,571	0	0	0	0	7,571
Debts securities issued	0	37,524	30,906	19,558	1,451,289	1,539,277
Other debts	273	33,303	62,606	279,729	265,940	641,852
Funds	0	0	0	0	114,083	114,083
Provisions		0	0	0	9,182	9,182
Derivatives liabilities		0	0	0	0	0
Accruals liabilities		0	24,533	0	0	24,533
Other liabilities		0	0	0	3,739	3,739
TOTAL LIABILITIES (excluding equity) (B)	**7,845**	**70,826**	**118,045**	**299,287**	**1,844,234**	**2,340,237**

Details on maturities of assets and liabilities as at 31 December 2021 are presented as follows:

	DURING 2021			BEYOND		
	]0 month; 1 month]	]1month;6 months]	]6 months; 12 months]	]1 year; 5 years]	>5 years	Total
Cash + Bank - opening balance	437,350	0	0	0	0	437,350
Term deposits	4,000	28,000	0	0	0	32,000
Non-current assets held for sale	0	0	2,245	0	0	2,245
Loans and advances to banks	0	0	34,802	0	0	34,802
Loans and advances to customers	19,423	103,020	172,218	872,964	999,053	2,166,679
Loans and advances to staff	223	1,092	1,503	5,349	3,534	11,701
Securities portfolio	24,417	18,624	22,682	229,008	47,812	342,544
Equity investments	0	0	0	0	129,960	129,960
Shareholders receivables	0	0	6,882	0	0	6,882
Derivatives assets	0	884	0	0	19,116	
Accrual assets	0	0	3,718	0	0	3,718
Other assets	0	0	0	0	11,744	11,744
TOTAL ASSETS (A)	**485,414**	**151,621**	**244,050**	**1,107,322**	**1,211,220**	**3,199,627**
Deposits from banks (CAURIS, ROPPA, AFD)	2,369	0	0	0	0	2,369
Debts securities issued	0	457,288	45,002	57,081	889,536	1,448,907
Other debts	273	132,318	34,858	236,789	270,249	674,488
Funds	0	0	0	0	97,250	97,250
Provisions	0	0	0	0	7,784	7,784
Derivatives liabilities	0	30,978	0	1,290	31,634	63,902
Accruals liabilities	0	0	7,638	0	0	7,638
Other liabilities	0	0	0	0	1,853	1,853
TOTAL LIABILITIES (excluding equity) (B)	**2,643**	**620,584**	**87,498**	**295,160**	**1,298,306**	**2,304,191**

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*).

19.4. <u>Operational risk</u>

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.

<u>NOTE 20. FAIR VALUE OF FINANCIAL INSTRUMENTS</u>

The table below presents the classification of the Bank’s assets and liabilities as well as their fair value as at 31 December 2021.

20.1 <u>Classification of financial instruments</u>

As at 31 december 2021, the classification of financial assets and liabilities is as follows:

Financial instruments	Financial assets and liabilities			Financial assets and liabilities at amortized cost	Total amount of book value	Total amount of fair value
	through profit and loss	through OCI recyclable	through OCI non recyclable			
- Cash and cash equivalents				230,373	230,373	230,373
- Loans and advances to banks				10,412	10,412	10,412
- Debt Securities portfolio				396,047	396,047	396,047
- Loans and advances to customers				2,368,457	2,368,457	2,368,457
- Loans and advances to staff				15,514	15,514	15,514
- Shareholders receivables				6,585	6,585	6,585
- Equity investments	10,771		127,390	0	138,161	138,161
- Derivative assets	88,067			0	88,067	88,067
Total amount of financial assets	**98,838**	**0**	**127,390**	**3,027,388**	**3,253,615**	**3,253,615**
Borrowings				2,188,700	2,188,700	2,188,700
Derivative liabilities	0				0	0
Total amount of financial liabilities	**0**	**0**	**0**	**2,188,700**	**2,188,700**	**2,188,700**

As at 31 december 2020, the classification of financial assets and liabilities is as follows:

Financial instruments	Financial assets and liabilities			Financial assets and liabilities at amortized cost	Total amount of book value	Total amount of fair value
	through profit and loss	through OCI recyclable	through OCI non recyclable			
- Cash and cash equivalents				469,350	469,350	469,350
- Loans and advances to banks				34,802	34,802	34,802
- Debt Securities portfolio				342,544	342,544	342,544
- Loans and advances to customers				2,166,679	2,166,679	2,166,679
- Loans and advances to staff				11,701	11,701	11,701
- Shareholders receivables				6,882	6,882	6,882
- Equity investments	10,659		119,301	0	129,961	129,961
- Derivative assets	20,001			0	20,001	20,001
Total amount of financial assets	**30,660**	**0**	**119,301**	**3,031,958**	**3,181,919**	**3,181,919**
Borrowings				2,125,764	2,125,764	2,125,764
Derivative liabilities	63,902				63,902	63,902
Total amount of financial liabilities	**63,902**	**0**	**0**	**2,125,764**	**2,189,666**	**2,189,666**

20.2 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	
	2021	2020	2021	2020	2021	2020	2021	2020
Derivative assets			88,067	20,001			88,067	20,001
Equity investments designated at fair value through P&L			10,771	10,659			10,771	10,659
Equity investments designated at fair value through OCI non-recyclable	12,286	10,275			115,104	109,025	127,390	119,301
Total amount of financial assets	**12,286**	**10,275**	**98,838**	**30,660**	**115,104**	**109,025**	**226,228**	**149,961**
Derivative liabilities				63,902				63,902
Total amount of financial liabilities				**63,902**			**-**	**63,902**

20.3 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 21. LEASES

21.1. 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, 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 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%.

21.1.1. Future minimal payments

As at 31 décember 2021, the amount of future minimum payments for non-cancellable lease contracts is as follows:

In millions of F CFA	2021	2020
Less than one year	100	110
Between one and five years	439	486
More than five years	677	749

21.1.2. Amounts recognized as net income

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

Items	2021	2020
Office rental income	105	107
Income from investment properties	7	3
TOTAL	**112**	**110**

21.2. 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.

21.2.1 Future minimal payments

As at 31 December 2021, future minimum payments for non-cancellable simple lease contracts are as follows:

In millions of F CFA	2021	2020
Less than one year	172	166
Between one and five years	797	769
More than five years	1,242	1,198

21.2.2 Amounts recognized as net income

Items	2021	2020
Conditional rent payments	192	175
TOTAL	**192**	**175**

NOTE 22. TRANSACTIONS WITH RELATED PARTIES

22.1. Loans to member countries

The outstanding loans to member countries is broken down as at 31 December 2020 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	57	130,122	12,970	43,207	1,272	187,571	10.9%	258,442
BURKINA	52	139,273	16,190	70,437	16,751	242,651	14.0%	173,790
IVORY COAST	48	95,884	27,650	57,387	31,513	212,433	12.3%	229,779
GUINEE BISSAU	36	108,915	12,813	10,999	0	132,727	7.7%	107,688
MALI	51	142,954	12,332	39,460	869	195,615	11.3%	188,652
NIGER	53	144,170	28,071	125,025	0	297,267	17.2%	112,663
SENEGAL	64	129,509	26,470	96,094	37,459	289,532	16.8%	215,647
TOGO	49	153,454	1,982	14,899	0	170,336	9.9%	130,230
TOTAL	**410**	**1,044,281**	**138,478**	**457,509**	**87,864**	**1,728,132**	**100.0%**	**1,416,892**

Loans granted to member countries are subject to intervention limits presented in Note 19.1.1. They are granted for a maximum period of eighteen (18) years (duration of FDC loans) with a five (5) years' grace period.

22.2. 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 XOF27,223 M as at 31 december 2021 for a guaranteed amount of XOF12,043 M.

Details of these outstandings and their guarantees are as follows:

Items	Outstanding amounts as at 31 December 2021	Guaranteed part	Guarantee ratio
NIGERLAIT	0	0	30.0%
USINE PHARMAC. DO-PHARMA	3,428	1,150	33.6%
MODERN. USINE PHARMAQUICK	612	306	50.0%
IMPLANT. UNITE TRANSF.EXTRACT. MARBRE	3,828	2,297	60.0%
IMPLANT. USINE PRODUC. CAOUT. C.I.H.	1,350	338	25.0%
CONSTRUCT. & EXPLOIT. GAZ S.T.S.G.	407	204	50.0%
(SOBEMAP)	1,644	575	35.0%
PHARMIVOIRE RCI	2,719	1,250	46.0%
Société Lacoste & Compagnie (Sénégal)	5,760	2,000	34.7%
MDS BURKINA	1,819	1,092	60.0%
SCS CARTONNERIE	2,751	1,380	50.2%
PARENTERUS	2,905	1,453	50.0%
TOTAL	**27,223**	**12,043**	**44%**

22.3. Remunerations of senior executives

Items	2,021	2,020
Salaries and gratuities	6,291	6,010
Pension contributions	345	298
Financial costs and services/pension		513
Financial costs/pension	291	
Costs of past services/pension	265	
Compensation to Board of Directors	29	30
Sub-total 1	**7,221**	**6,852**
Pension benefit obligations	4,606	4,077
Sub-total 2	**4,606**	**4,077**

The remuneration of the President and Vice-Presidents 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 correspond to benefits granted to senior executives upon their final departure from the Bank.

NOTE 23. OFF-BALANCE SHEET COMMITMENTS

23.1 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 2021	31 December 2020
Loan commitments to be drawn (a)	185,880	258,858
Guarantees received from Regional Funds (b)	27,651	30,955
Total	**213,531**	**289,813**

a) Commitments to be drawn are the remainder of loans yet to be mobilized on loans obtained from donors.
b) The Bank receives for its loans guarantees that are not financial (mortgage, pledge, collateral, etc.).

23.2 Commitments given

The commitments given are mainly related to loan and equity agreements signed with various beneficiaries of BOAD's financing. These commitments are presented as follows:

Commitments given	31 December 2021	31 December 2020
Loan commitments given (a)	1,764,044	1,756,631
Advances for the financing of studies	20,955	18,074
Equity investment commitments (b)	55,264	58,989
Sureties and other guarantees	10,000	10,000
Credit insurance premiums to be paid (c)	5,903	
Total	**1,856,165**	**1,843,694**

(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. The detail is presented as follows:

COMMITMENTS FOR EQUITY INVESTMENTS (in XOF 'M)	31 December 2021	31 December 2020
Cauris Croissance II Fund	1,808	1,839
African Renewable Energy Funds	17	17
Amethis West Africa (AWA)	282	282
Investors and Partners for Development Fund 2	719	719
Investment fund dedicated to the development of financial services in WAEMU	5,473	5,603
I&P Afrique Entrepreneurs 2 (IPAE2) Fund	1,289	1,511
Cauris Croissance IV fund	5,000	5,000
ECP Africa Fund IV	0	392
AFIG Fund II	270	3,000
ADIWALE FUND I	2,166	2,390
Seed Funds	12,000	12,000
Infrastructure Funds	26,238	26,238
TOTAL	**55,264**	**58,989**

(c) During the 2021 financial year, the Bank concluded credit insurance policies with insurers having a better international rating (A, A+, etc.). The purpose of this transaction is to reduce the Bank's exposure risk and to benefit from the effect of the better rating of these insurers which should enable the Bank, in time, to improve its own rating. The cost of committing to future payments under these policies amounts to XOF 5 903 M as at 31 December 2021.

NOTE 24. EFFECTS OF THE COVID-19 ON THE FINANCIAL STATEMENTS OF THE BANK

As of the date of closing of the 2021 financial statements by the Board of Directors and given the evolution of the pandemic, the known and estimated effects of COVID-19 have been recorded in the Bank's financial statements.

In addition to the measures taken by the Bank in 2020 and 2021, including the triggering of its Business Continuity Plan (BCP), the significant downgrading of the ratings of counterparties operating in sectors heavily impacted by the pandemic, the Bank has reviewed the ratings of member States to better take into account the effect of the health crisis of COVID-19 and the macro-economic impacts in the West African Monetary and Economic Union area (*see note 17. Cost of risk*).

Furthermore, the Bank will continue to anticipate and report other financial effects of COVID-19 in its financial statements as and when they become known and estimable.

NOTE 25. SUBSEQUENT EVENTS

The socio-political situation in the Bank's area of operation is marked by the economic sanctions taken by the Economic Community of West African States (ECOWAS) on Mali (ECOWAS) against Mali with effect from 9 January 2022.

BOAD's exposure (loans and securities) to Mali amounts to XOF 334,984 M. This exposure represents 11.9% of the Bank's total exposure and 10.2% of its total balance sheet.

In a forward-looking approach, BOAD has carried out initial assessments of the possible impact of these sanctions on its activities and put in place a contingency plan to mitigate any possible risks.

As of the date of the closing of the 2021 financial statements by the Board of Directors, the Bank's management has not noted any subsequent event likely to call into question the Bank's continuity of operations.