WEST AFRICAN DEVELOPMENT BANK
(BOAD)

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

PERIOD FROM 1ST JUNUARY TO 30 JUNE 2018

19 September 2018

pwc

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

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

(Period from 1st January to 30 JUNE 2018)

Introduction

We have reviewed the accompanying condensed interim financial information of West African Development Bank (BOAD) as at 30 June 2018. These financial information include the statement of financial position, the comprehensive income statement, changes in shareholders' equity and the cash flow statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The board of directors is responsible for the preparation and fair presentation of this interim financial information in accordance with International Accounting Standard (IAS) 34 – Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information are not prepared, in all material respects, in accordance with IAS 34 - the International Financial Reporting Standard as issued by the IASB on interim financial information.

19 September 2018

Statutory Auditor
PricewaterhouseCoopers

Didier N'guessan
Partner

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INTERIM FINANCIAL STATEMENTS

AS AT 30 JUNE 2018

Statement of financial position

Statement of financial position (in XOF'mln)

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

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

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Comprehensive income statement

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

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Changes in equity

	Capital				Reserves							Total
	Subscribed capital	Callable capital	Cost related to the deffered paying-up capital (1)	Share premium	Reserves allocated to development activities	Other reserves	Remeasurements of defined benefit liability	Fair value reserves (available-for-sale financial assets)	Net gains on investments in equity instruments designated at fair value through other comprehensive income	Cash flow hedges reserves	Retained earnings	
Equity capital as at 1st January 2017	1 097 750	-821 805	-5 489	2 622	76 050	26	2 091	6 477	0	-12 864	377 941	722 800
												0
Increase in capital	5 900	-4 425										1 475
Net income as at 31 December 2017 before allocation											13 295	13 295
Other comprehensive income							73	9 510		-25 848	0	-16 264
Fair value reserves (available-for-sale financial assets)								9 510			0	9 510
Remeasurements of defined benefit liability							73				0	73
Cash flow hedges										-25 848		-25 848
Others changes			1 443									1 443
Allocation of 2016 income											-3 000	-3 000
Transfers												0
Equity as at 31 december 2017 and 1st january 2018	1 103 650	-826 230	-4 046	2 622	76 050	26	2 165	15 987	0	-38 711	388 235	719 748
Changes on initial application of IFRS 9 (2)								-15 987	15 987		-21 529	
Increase in capital	0	0										0
Net income as at 30 june 2018											15 629	15 629
Others changes			0									0
Allocation of 2017 income											-3 000	-3 000
Other comprehensive income												
Fair value reserves (available-for-sale financial assets)									2 121			2 121
Remeasurements of defined benefit liability							0					0
Cash flow hedges										-19 287		-19 287
Sub-total other comprehensive income							**0**	**0**	**2 121**	**-19 287**		-17 166
												0
Balance as at 30 june 2018	**1 103 650**	**-826 230**	**-4 046**	**2 622**	**76 050**	**26**	**2 165**	**0**	**18 108**	**-57 998**	**379 335**	**693 682**

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

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Cashflow table

Cashflow for operational activities	Notes	30/06/2018	30/06/2017
Income for the period		**15 629**	**11 162**
Adjustments related to non-monetary and other items			
Unrealised gains/losses		-5 585	-768
Exchange gains		-50	-20
Exchange losses		15	12
Amortization		599	603
Depreciation		0	0
Cost of risk		2 794	1 693
Gains/losses on financial assets available for sale		278	0
Other items		-2 903	-3 629
		-4 852	-2 109
Changes in assets and liabilities from operations			
Loans and advances to banks		13 742	-7 311
Disbursements on receivables from customers		-138 044	-112 530
Repayments of receivables from customers		107 358	74 275
Other receivables from customers		-34 745	-32 287
Loans and advances to staff		-5 266	-139
Securities portfolio		9 261	-27 746
Other receivables		14	2
Other assets		5 846	1 022
Deposits from banks		1 019	1 270
Other debts		40 827	32 267
Other liabilities		18 280	27 201
		18 292	-43 976
Cashflow from operations		***29 069***	***-34 923***
Cashflow from investment activities		**30/06/2018**	**30/06/2017**
Acquisitions of tangible assets		-814	-215
Sales of tangible assets		791	1
Acquisitions of intangible assets		-16	0
Sales of intangible assets		0	0
Acquisitions of shares		-4 712	-3 377
Sales of shares		583	280
Cashflow from investments		***-4 169***	***-3 310***
Cashflow from financing activities		**30/06/2018**	**30/06/2017**
Resources from capital paying-up		16 316	13 324
Redemption of shares		0	0
Debt issuance		87 193	85 274
Repayment/debts represented by a security		-87 506	-67 978
Repayment/other loans		-36 280	-30 771
Cashflow from financing activities		***-20 277***	***-150***
Net increase/(decrease) of cash and cash		4 623	-38 383
Cash and cash equivalents at opening	5	302 904	284 921
Cash and cash equivalents at closing	5	307 528	246 538
		30/06/2018	**30/06/2017**
ADDITIONAL INFORMATION			
Operating cashflow from interests and dividends:			
Interest paid		46 580	32 422
Interest received		32 661	49 849
Dividends received		1 447	1 655

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NOTE 1. ACTIVITY OF BOAD

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

BOAD became operational in 1976.

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

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

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

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

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

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NOTE 2. SUMMARY OF ACCOUNTING PRINCIPLES AND PRACTICES

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

2.1 Basic financial reporting principles

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

The interim financial statements as at 30 June 2018 were prepared in accordance with IAS 34 – *Interim financial reporting*, as published by the IASB[1], which provides for the presentation of selected explanatory notes.

The interim notes do not contain all the required information for the comprehensive annual financial statements and should be read together with the financial statements closed as at 31 December 2017.

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

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

2.2 Key bases for evaluation

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

2.3 Critical accounting assumptions and key sources of uncertainty for estimates

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

The most significant assumptions and estimates are summarized below:

a) Main assumptions

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

[1] International Accounting Standards Board

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b) Key estimates

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

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

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

2.4 Interim financial statements

The interim financial statement as at 30 June 2018, which cannot be used as a basis to prejudge the full year, takes into account only accounting entries up to the end of the period considered necessary by the Bank's management to present a fair report.

Actuarial calculations are made as part of budgetary procedure, while valuation of the provisions as at 30 June 2018 is based on projected actuarial calculations at the end of the previous year.

2.5 Functional currency

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

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

2.6 Subsequent events

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

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

2.7 Statement of accounts

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

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

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

New provisions in force:

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

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Provisions to be enforced:

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

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

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

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

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

4.1 Guiding principles of IFRS 9

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

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

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

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

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

4.2 Accounting classification under IFRS 9

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

4.2.1 Classification of financial assets under IFRS 9

4.2.1.1 Debt instruments

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

Business model

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

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

Contractual cashflow characteristics test (SPPI Test)

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

4.2.1.2 Equity instruments

Equity instruments are recorded as follows:

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- At fair value per income: this default classification is mandatory for equity instruments held for transactions;

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

4.2.1.3 Derivatives

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

4.2.2 Classification of financial liabilities under IFRS 9

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

- financial liabilities at amortized cost: this is the classification by default;

- fair value through profit or loss: this category applies to instruments mainly issued for sale or short-term redemption (trading);

- fair value through other comprehensive income with irrevocable option: at the recognition date, a financial liability may, under irrevocable option, be measured at fair value through profit and loss. Access to this category is restricted and limited to the following three cases:
  - ✓ hybrid instruments with one or more separable embedded derivatives;
  - ✓ reduction or elimination of accounting mismatch;
  - ✓ group of assets and liabilities managed and whose performance is assessed at fair value.

4.3 Assets impairments under IFRS 9

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

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

4.3.1 Impairment model

The main impairment rules under IFRS 9 are:

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

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

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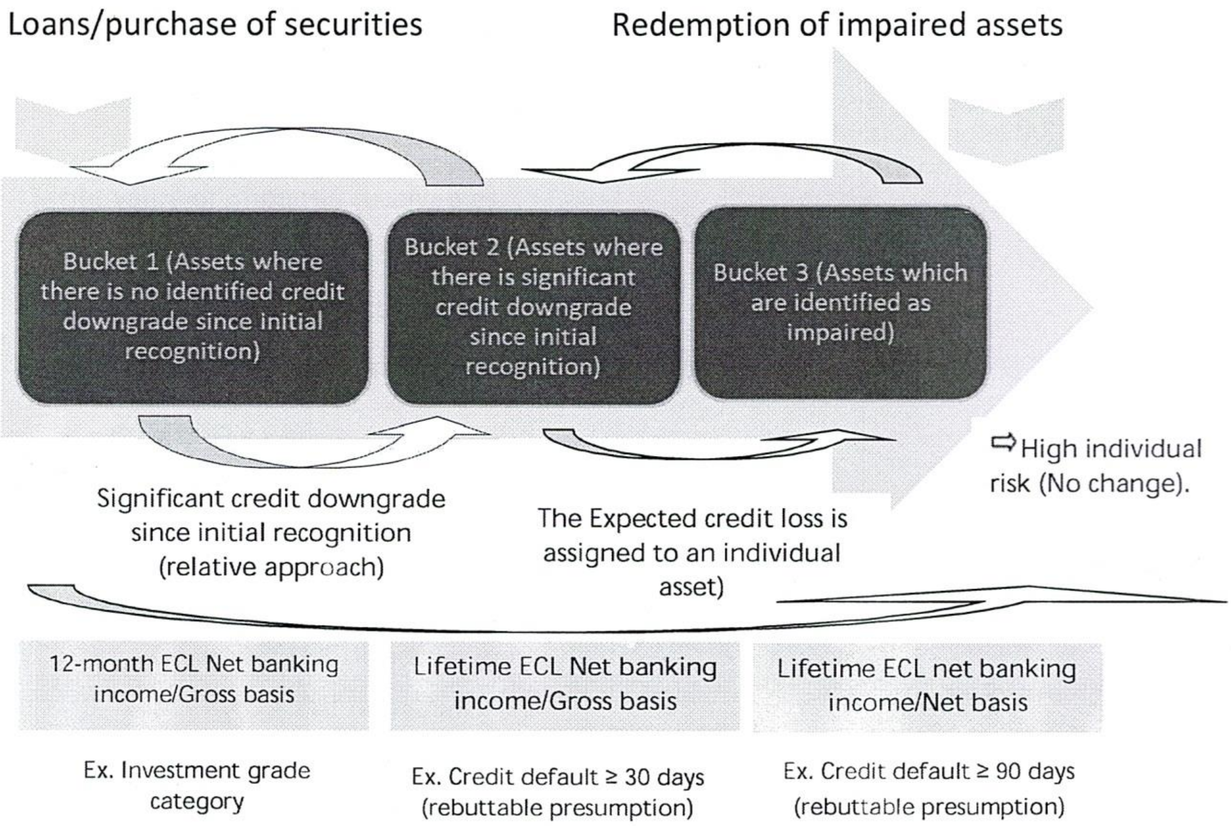
initial recognition. The amount of impairment and the basis for applying the effective interest rate depend on the bucket to which the financial asset is allocated.

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

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



4.3.2 Financial assets impairment principles

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

- financial assets measured at amortized cost;

- financial assets measured at fair value through recyclable OCI.

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

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

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

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

4.3.2.2 Calculation of expected credit loss (ECL)

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

ECL = PD x LGD x EAD

The calculation parameters are as follows:

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

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

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

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

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

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

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

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

4.3.2.3 Reminder of impairment on individual basis

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

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

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

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

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

4.4 First application as at 1 January 2018

4.4.1 Classification and assessment of financial instruments

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

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

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

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

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

The accounting policies regulating the subsequent measurements of these financial assets are presented as follows:

- **Assets are subsequently measured at fair value;**
- **Dividends are recognized as income through profit and loss;**
- **Gains or losses are recognized in other comprehensive income and are never reclassified through profit and loss.**

Loans and receivables at amortized cost (including interbank loans, receivables from customers, employee loans, securities portfolio, and receivables from shareholders) as well as financial liabilities at amortized cost (interbank debts, debts securities, and other debts) are maintained at amortized cost while derivative assets and liabilities are measured at fair value.

The tables and comments below provide details on the categories of initial measurement under IAS 39 standard and the new categories under IFRS 9 for each category of financial assets and financial liabilities of the Bank as at 1 January 2018.

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	Financial assets	Notes	31/12/2017	01/01/2018												
			IAS 39	Reclassifications under IFRS 9												
				Financial assets designated at fair value through Profit and Loss				Financial assets designated at fair value through OCI		Financial assets measured at amortised cost						
					Other financial assets designated at fair value through Profit and Loss											
			Carrying amount	Trading assets	Equity instruments	Financial assets designated at fair value through profit and loss on option	Hedging derivatives	Debt instruments designated at fair value through recyclable OCI	Equity instruments designated at fair value through OCI non-recyclable	Cash and cash equivalents	Loans and advances to banks	Loans and advances to customers	Loans and advances to staff	Debt instruments	Receivables from shareholders	
IAS 39	Cash and cash equivalents	(a)	302 904							302 904						
	Financial assets measured at Fair value through Profit and Loss		-	-	-	-	-	-	-	-	-	-	-	-	-	
	Financial assets at fair value through profit and loss		-	-	-	-	-	-	-	-	-	-	-	-	-	
	Trading assets		-	-	-	-	-	-	-	-	-	-	-	-	-	
	Financial assets at fair value through profit and loss on option		-	-	-	-	-	-	-	-	-	-	-	-	-	
	Hedging derivatives	(b)	966	-			966									
	Available for sale (AFS) investment securities	(c)	88 101	-	7 774	-		-	80 327	-	-	-	-	-	-	
	Loans and advances to banks	(d)	122 674	-		-		-			122 674	-	-		-	
	Loans and advances to customers	(e)	1 755 018	-		-		-		-	-	1 755 018	-	-	-	
	Loans and advances to staff	(f)	6 164	-		-		-		-	-	-	6 164	-	-	
	Held to maturity (securities portofolio)	(g)	263 282	-		-		-						263 282		
	Receivables from shareholders	(h)	90 802	-		-		-							90 802	
	IAS 39 carrying amount 31 December 2017		**2 629 911**													
	Remeasurements under IFRS 9											**- 21 287**		**- 242**		
01/01/2018	**IFRS 9 carrying amount 1 January 2018**			**-**	**7 774**	**-**	**966**	**-**	**80 327**	**302 904**	**122 674**	**1 733 731**	**6 164**	**263 040**	**90 802**	

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Financial liabilities		Notes	31/12/2017	01/01/2018					
			IAS 39	Reclassifications under IFRS 9					
				Financial liabilities designated at fair value through Profit and Loss			Financial liabilities measured at amortised cost		
			Carrying amount under IAS 39	Trading liabilities	Financial liabilities at fair value through profit and loss on option	Hedging derivatives	Deposits from banks	Debts securities issued	Other debts
IAS 39	Financial liabilities measured at Fair value through Profit and Loss		76 439	-	-	76 439	-	-	-
	Trading liabilities		-	-	-	-	-	-	-
	Financial liabilities at fair value through profit and loss on option		-	-	-	-	-	-	-
	Hedging derivatives	*(i)*	76 439	-		76 439			
	Deposits from banks	(j)	4 553		-		4 553		
	Debts securities issued	(k)	463 147		-			463 147	
	Other debts	(l)	1 284 276		-				1 284 276
	IAS 39 carrying amount 31 December 2017		**1 828 415**						
	Remeasurements under IFRS 9			-	-	-	-	-	-
01/01/2018	**IFRS 9 carrying amount 1 January 2018**			**-**	**-**	**76 439**	**4 553**	**463 147**	**1 284 276**

Comments

(a) Cash and cash equivalents include cash on hand and demand deposits. These are short-term investments (up to 12 months), highly liquid and with virtually no credit risk. The holding of cash and cash equivalents is part of an economic model whose objective is to hold assets in order to collect contractual cash flows. It is therefore classified and measured at amortized cost.

(b) The active derivatives held by the Bank are only exchange risk hedging instruments. They are therefore measured at fair value through profit and loss

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(c) These equity instruments are divided into two categories. The first category (XOF80,327 M) represents investments that the Bank expects to hold for long-term strategic purposes. As permitted by IFRS 9, the Bank has designated these investments at fair value through other comprehensive income at the date of first application. Contrary to IAS 39, the cumulative fair value reserve for these investments will never be reclassified to profit or loss. The second category (XOF7,774 M) has been designated at fair value through profit or loss because the instruments concerned are managed on a fair value basis and their performance is monitored on this basis.

(d) Interbank receivables include interbank loans of more than three (3) months and their related interests. Classified as "loans and receivables" in accordance with IAS 39, they are classified and remain measured at amortized cost. The transition to IFRS 9 therefore did not require any value adjustments.

(e) Loans and advances to customers mainly correspond to loans granted to governments (non-commercial public sector) and to the commercial sector. All the Bank's loans are granted at fixed rates. In accordance with IAS 39, they were classified as "loans and receivables" and remain measured at amortized cost in accordance with IFRS 9. An increase of XOF21,287 M in the impairment loss for these receivables was recognized in the beginning retained earnings balance as at 1 January 2018 during the transition to IFRS 9.

(f) Employee loans are loans granted to the Bank's staff at market conditions. Classified as "loans and advances" under IAS 39, they remain measured at amortized cost. Therefore, the transition to IFRS 9 did not require any value adjustment.

(g) The securities portfolio is made up of bonds, treasury bills and certificates of deposits acquired by the Bank as part of its cash investment. Previously classified as held-to-maturity assets, the transition to IFRS 9 did not impact their measurement. They are classified and measured at amortized cost. The Bank plans to hold these assets to maturity in order to receive the contractual cash flows corresponding only to principal repayments and interest payments on the outstanding principal. The Bank recorded an impairment loss amounting to XOF242 M in the beginning retained earnings balance as at 1 January 2018 during the transition to IFRS 9.

(h) Receivables from shareholders include endowments and amounts due but not yet paid, the amount of grants not yet paid for revaluation of loans and the amount of called-up capital not yet paid. These various receivables from shareholders (unpaid called-up share capital, grants for loans revaluation) are part of a payment plan. Initially classified as « loans and advances » under IAS 39, the transition to IFRS 9 did not impact their measurement. They are classified and measured at amortized cost.

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Therefore, they required no value adjustment.

(i) Derivatives liabilities are only exchange risk hedging instruments and are measured at fair value.

(j) Interbank debts correspond to investments made by partner institutions (ROPPA, AFD, NIMAO, etc.) in the books of BOAD. They are classified and remain measured at amortized cost following the transition to IFRS 9.

(k) The debts securities correspond to outstanding amounts of bonds and bills issued by BOAD. They are classified as « loans and advances » under IAS 39. The transition to IFRS 9 did not impact their measurement. They are classified and measured at amortized cost.

(l) The other debts include BOAD borrowings from its partners such as AFD, EIB, PROPARCO, DEG, AfDB, etc. All these loans are set at fixed rates. Previously classified as « loans and advances », the transition to IFRS 9 did not impact their measurement. These financial liabilities are classified and measured at amortized cost.

4.4.2 Financial instruments impairment

In the balance sheet, value adjustments for losses related to financial assets measured at amortized cost (customer loans and securities) are deducted from the gross carrying amount of the assets. For assets subject to the IFRS 9 impairment model, impairment losses are generally expected to increase and be more volatile. The Bank has determined that the application of the value adjustment provisions of IFRS 9 as at 1 January 2018 would result in the following additional impairment losses:

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Depreciation		Notes	31/12/2017	01/01/2018 Reclassifications under IFRS 9								
				Financial assets designated at fair value	Other financial assets designated at fair value		Financial assets designated at fair value through OCI		Financial assets measured at amortised cost			
			IAS 39 Carrying amount under IAS 39	Trading assets	Equity instruments	Financial assets designated at fair value through profit and loss on option	Debt instruments designated at fair value through recyclable OCI	Equity instruments designated at fair value through OCI non-recyclable	*Cash and cash equivalents*	*Loans and advances to banks*	*Loans and advances to customers*	*Debt instruments*
Depreciation under IAS 39	Cash and cash equivalents											
	Available for sale (AFS) investment securities	(m)	9 212					9 212				
	Loans and advances to banks											
	Loans and advances to customers	(n)	45 679								45 679	
	Held to maturity (securities portofolio)	(o)										
	IAS 39 carrying amount of depreciation 31 December 2017		**54 891**									
	Remeasurements under IFRS 9							**- 9 212**			**21 287**	**242**
01/01/2018	**IFRS 9 carrying amount 1 January 2018**			-	-	-	-	-		-	**66 966**	**242**

(m) Since the Bank's strategic investments are classified as equity instruments designated at fair value through OCI non-recyclable, existing depreciations under IAS 39 (XOF*9,212 M)* are reclassified as counterparty at their gross carrying amount.

(n) As at 31 December 2017, existing depreciations under IAS 39 were only related to the portfolio of defaulted receivables amounting to XOF28,104 M plus 100% provisioning of interest earned on these receivables (XOF*17,575 M)*. As at 1 January 2018, the additional value adjustments (XOF21,287 M) induced by IFRS 9 relating to buckets 1 and 2 were added to this inventory of impairments.

(o) The transition to IFRS 9 resulted in the value adjustment of investment securities as at 1 January 2018 for an amount of XOF242 M.

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The table below presents the breakdown of the total depreciations of financial assets under IAS 39 either for collective impairments or individual impairment.

Breakdown of total depreciations of financial assets under IAS 39	31/12/2017	
	Collective impairment	Individual impairment
IAS 39 carrying amount of depreciation	-	54 891

The breakdown of total depreciations under IFRS 9 per bucket is summarized in the table below:

Financial assets : Breakdown of total depreciations under IFRS 9	01/01/2018		
	Bucket 1	Bucket 2	Bucket 3
Financial assets designated at fair value through OCI	-	-	-
Loans and advances to banks	-	-	-
Loans and advances to customers	-	-	-
Debt instruments	-	-	-
Financial assets measured at amortised cost	***6 668***	***14 861***	***45 679***
Loans and advances to banks	-	-	-
Loans and advances to customers	*6 426*	*14 861*	*45 679*
Debt instruments	*242*		
Total	**6 668**	**14 861**	**45 679**

NOTE 5. CASH AND CASH EQUIVALENTS

Cash includes cash on hand and demand deposits.

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

Cash and cash equivalents comprise the following:

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Cash and cash equivalents	30/06/2018	31/12/2017
Cash accounts	70	95
BOAD HQ Current Account	35 415	132
Deposit Accounts for Resident Missions at BCEAO	117 746	44 702
Japan Eximbank Special Account*	15	15
Kingdom of Belgium Special Account**	4 212	4 212
FDE P/C BOAD Contribution Account	22 023	51 231
FDE P/C Contribution Account***	1 985	1 985
BOAD Settlement Account Lomé	12 087	62 429
Operating Account for Resident Missions	398	487
Bank and correspondent bank accounts	3 572	3 615
Short-term bank deposits (a)	93 006	997
Deposits/ Margin calls****	17 000	133 006
	307 528	**302 904**

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

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

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

**** This deposit is constituted to meet margin calls as part of foreign exchange hedging. It is subject to restrictions and will only be available at the maturity of the covered loan.

Short-term bank deposits	30/06/2018	31/12/2017
BOA-CI, special liquidity account	996	996
BOA-BENIN liquidity account	1 010	1 010
Term deposit with BOA Group	10 000	10 000
Term deposit with ORABANK Group	10 000	10 000
Term deposit with BSIC Group	10 000	8 000
Term deposit with Banque Atlantique Togo	5 000	5 000
Term deposit with Coris Bank Group	25 000	39 000
Term deposit with Diamond Bank Group	6 000	24 000
Term deposit with BHBF	5 000	5 000
Term deposit with UTB	10 000	10 000
Term deposit with BDM	5 000	5 000
Term deposit with BRM	0	15 000
Term deposit with BAIC	5 000	0
	93 006	**133 006**

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NOTE 6. LOANS AND RECEIVABLES AT AMORTIZED COST

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

Loans and receivables at amortized cost	30/06/2018	31/12/2017
- Interbank receivables	108 932	122 674
-Receivables from customers	1 796 372	1 755 018
- Loans to staff	11 430	6 164
- Securities portfolio	253 775	263 282
- Receivables from shareholders	77 685	90 802
- Other	65	79
Total	**2 248 259**	**2 238 019**

Interbank receivables include interbank loans and related interests. As at 30 June 2018, all these receivables were due in less than a year.

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

6.1 RECEIVABLES FROM CUSTOMERS

The Bank's loan portfolio includes loans granted to:

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

All the Bank's loans are granted at fixed rates. Borrowers have the option to make early repayments of such amounts subject to conditions contained in the loan agreements.

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

	Balance as at	Variations of the period			Balance as at
	31 december 2017 (a)	Increase (b)	Decrease (c)	Balance of the period (d) = (b) + (c)	30 june 2018 (e) = (a) + (d)
1. Gross outstanding of bad debts	40 845	2 994	0	2 994	43 839
2. Interest receivables of bad debts	17 575	228	0	228	17 803
3. Depreciation	-45 679	-5 697	4 135	-1 561	-47 240
4. Net outstanding of bad debts (gross outstanding and interest receivables) = (1) + (2) + (3)	**12 741**	**-2 475**	**4 135**	**1 661**	**14 402**

6.2 SECURITIES PORTFOLIO

The breakdown of the securities portfolio is as follows:

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Securities portfolio	30/06/2018	31/12/2017
Treasury bonds Senegal	23 375	23 500
Treasury bonds Côte d'ivoire	40 000	40 000
Treasury bonds Benin	50 000	45 000
BOA Benin Bonds	0	0
BOA Niger Bonds	0	0
Treasury bonds Burkina Faso	39 986	34 986
Treasury bonds Mali	20 000	10 000
Treasury bonds Niger	6 812	6 812
Treasury bonds Togo	31 609	21 609
CRRH Bonds	5 983	6 350
BOA Group Bonds	0	0
Treasury bills Burkina Faso	12 550	24 550
Treasury bills Côte d'Ivoire	9 000	9 000
Treasury bills Mali	0	6 666
Treasury bills Niger	0	6 313
Treasury bills Sénégal	6 000	6 000
Treasury bills Togo	0	15 000
Deposit Certificate	800	1 000
Sub-total	*246 115*	*256 785*
Interests receivable	7 906	6 497
Depreciation	-246	0
	253 775	**263 282**

The variation table of securities as at 30 June 2018 is as follows:

	Balance as at	As restated		Variations of the period			Balance as at
	31 december 2017 (a)	First application IFRS 9 carrying amount (b)	1st January 2018 (c)= (a) + (b)	Increase (d)	Decrease (e)	Balance of the period (f) = (d) + (e)	30 june 2018 (g) = (c) + (f)
1. Gross outstanding of securities portfolio	256 785	0	256 785	30 000	-40 670	-10 670	246 115
2. Interest receivables of securities portfolio	6 497	0	6 497	6 273	-4 864	1 409	7 906
3. Depreciation	0	-242	-242	-5	0	-5	-246
(gross outstanding and interest receivables) = (1) + (2) + (3)	**263 282**	**-242**	**263 040**	**36 268**	**-45 534**	**-9 266**	**253 775**

Repayments received on securities as at 30 June 2018 stood at XOF45,534 M as compared to XOF30,000 M in new subscriptions.

6.3 RECEIVABLES FROM SHAREHOLDERS

The item on "Receivables from shareholders" includes endowments and amounts due but not yet paid in (XOF8,377 M), grant amounts not yet paid for loan revaluation (XOF2,414M) and the called-up capital not yet paid in (XOF66,894 M). The last two amounts were as a result of discounting as at 31 December 2017, at average rates of 5.55% (rate applied in 1996 to non-commercial public sector loans) and 2.45% (rate applied in 2014 to non-commercial public sector loans) for payments expected on their scheduled repayment dates.

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NOTE 7. EQUITY INVESTMENTS

7.1 BOAD'S EQUITY INVESTMENT STRATEGY

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

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

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

- **Objective**: fulfilling the Bank's development agenda while ensuring that it stays financially viable in accordance with the strategic orientations of the Bank.

- **Areas of intervention**: all sectors eligible for financing by the Bank.

- **Modes of intervention**: when entering into a transaction, the Bank must have sufficient visibility of the terms and conditions of exit, when the time comes. The transfer of equity shares will be traded for listed shares and at the best conventional conditions for unlisted shares.

- **Positioning in the governing bodies**: conditioning each of the Bank's equity participations on the allocation of a seat on the company's governing body (board of directors, supervisory board, credit or investment committee, etc.).

In addition to the equity investment strategy, BOAD has taken measures to (i) adapt to the evolution and the requirements of WAMU's financial sector (increase of minimum capital of banks and financial institutions) and (ii) take into account the special nature of the agricultural sector with regard to its importance in the economies of WAEMU countries.

7.2. THRESHOLDS FOR INTERVENTIONS THROUGH EQUITY INVESTMENTS

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

The maximum commitment the Bank can provide in the form of equity investment is limited by operation and per company to two point five percent (2.5%) of its risk capital for projects other than for national financial institutions (NFIs) and organizations that promote SMEs, privatization projects, regional projects and those in areas such as mining and energy, not exceeding fifteen percent (15%) of the company's share capital.

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This threshold is 5% of the Bank's tier 1 equity for projects being undertaken by national financial institutions (NFIs) and organizations that promote SMEs, privatization projects, regional projects and those in areas such as mining and energy without exceeding fifteen percent (15%) of the company's share capital.

The limit in terms of overall volume of equity is set at 20% of the bank's tier 1 equity capital. However, for entities in which BOAD plays a role of principal proponent, the capital of the company may be held temporarily at one hundred percent (100%); the Bank should however aim at reverting to its fifty-one percent (51%) threshold, within a reasonable time and with a clear exit strategy.

All equity investments are considered available for sale. They will be valued at fair value and any change in fair value is recognized as "Other items under the comprehensive income statement".

7.3 DETAILS OF EQUITY SECURITIES

The amount of dividends from these investments, recognized in the income statement stands at XOF1,447 M as at 30 June 2018 as against XOF1,655 M as at 30 June 2017.

As at 30 June 2018, the Bank has not presented any consolidated accounts despite holding up to 99.99% of BOAD TITRISATION S.A. and about 49.6% in Cauris given its insignificance to the Bank's total balance sheet.

Investments captured in the statement of financial position concern the following institutions:

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Country	Securities	Equity interest	30/06/2018						31/12/2017				
			Gross out-standing	Depreciation	Carry-over by OCI	Unrealised gains/losses	Gains /losses of equity investments designated at fair value through P&L	Balance sheet value	Gross out-standing	Depreciation	Carry-over by OCI	Unrealised gains/losses	Balance sheet value
BN	SOAGA	19,3%	103			95		198	103		-	83	186
BN	FOAI	18,6%	2 500			952	- 270	3 181	2 500		-	952	3 452
TG	CAURIS CROISSANCE	49,6%	175			691		866	758		-	1 483	2 241
SN	BNDE	9,1%	1 000			1 733		2 733	1 000		-	1 588	2 588
h-uemoa	CAURIS CROISSANCE II	17,7%	4 570			- 936		3 634	4 513		-	- 376	4 137
TG	GARI S. A.	11,6%	1 500			1 283		2 783	1 500		-	1 242	2 742
MA	BDM Mali	16,0%	600			10 961		11 561	600		-	10 107	10 707
BN	BOA Bénin	2,4%	98			1 701		1 800	98		-	1 824	1 923
NG	SONIBANK Niger	9,5%	1 082			2 334		3 416	1 082		-	2 414	3 496
CI	BHCI Côte d'Ivoire	2,2%	150	- 79	79	- 10		140	150	-79	79	- 0	150
NG	BOA Niger	6,9%	165			1 990		2 155	165		-	1 858	2 023
TG	BIA Togo	5,2%	392			221		613	392		-	154	546
BN	African Investsment Bank (AIB) (1)		250	- 250	250	- 250		-	250	-250	-	-	-
h-uemoa	Afreximbank	0,4%	2 500			2 281		4 781	2 500		-	2 218	4 718
SN	Banque Régionale de Marché (BRM)	4,0%	400			685		1 085	400		-	657	1 057
BF	Banque de l'Habitat du BF	1,6%	200			104		304	200		-	225	425
CI	BRIDGE BANK Côte d'Ivoire	3,5%		- 193	193			-		-193	193		-
CI	BRVM	9,3%	56			623		679	56		-	591	647
CI	DC/BR (BRVM)	9,1%	140			196		336	140		-	267	407
TG	CICA RE	3,3%	999	- 219	219	306		1 305	999	-219	219	270	1 269
MA	MANDE Hotel	16,7%	50	- 12	12	247		297	50	-12	12	247	297
CI	SIALIM (1)		100	- 100	100	- 100		-	100	-100	-	-	-
CI	AIR AFRIQUE (1)		2 500	- 2 500	2 500	- 2 500		0	2 500	-2 500	-	-	0
CI	CIPREL	2,0%	584			1 287		1 871	584		-	1 287	1 871
BN	COTEB (1)		272	- 272	272	- 272		-	272	-272	-	-	-
	Total amount to be carried-over		20 385	- 3 625	3 626	23 625	- 270	43 740	20 911	- 3 625	503	27 093	44 883

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Country	Securities	Equity interest	30/06/2018 Gross out-standing	Depreciation	Carry-over by OCI	Unrealised gains/losses	Gains /losses of equity investments designated at fair value through P&L	Balance sheet value	31/12/2017 Gross out-standing	Depreciation	Carry-over by OCI	Unrealised gains/losses	Balance sheet value
	Carry-over		20 385	- 3 625	3 626	23 625	- 270	43 740	20 911	- 3 625	503	27 093	44 883
TG	ASKY (EX SPCAR)	17,2%	5 990	- 2 128	2 128	- 6 421		- 431	5 990	- 2 128	2 128	- 5 954	36
SN	SCIE	18,9%	130	- 130	130	- 130		-	130	- 130	-	-	-
CI	RASCOM	7,1%	1 600	- 1 600	1 600	- 1 600		-	1 600	- 1 600	-	-	-
h-uemoa	PROPARCO	0,8%	3 420	-		998		4 419	3 420	-	-	737	4 157
TG	BOAD-Titrisation	100,0%	500	-		- 63		437	500	-	-	- 69	431
TG	CRRH-UEMOA	18,4%	1 543	-		589		2 132	1 543	-	-	1 302	2 845
h-uemoa	Fonds Agricole pour l'Afrique (FAA)	2,6%	2 438	-		245		2 683	2 438	-	-	190	2 629
TG	ORAGROUP	2,7%	2 000	-		843		2 843	2 000	-	-	866	2 866
BF	Burkina Bail	15,0%	689	-		144		833	689	-	-	144	833
SN	CNCAS	10,1%	1 573	-		2 380		3 953	1 573	-	-	2 297	3 870
BF	CORIS BANK	4,3%	1 997	-		3 218		5 215	1 997	-	-	2 737	4 733
CI	Nouvelle BRS CI/ORA Bank CI	38,2%	16 995	-		- 5 836		11 159	16 995	-	-	- 6 123	10 872
CI	Banque de l'Union Côte d'Ivoire (BDU-CI)	9,6%	1 100	-		- 65		1 035	1 100	-	-	- 433	667
BF	Banque de l'Union Burkina Faso (BDU-BF)	10,6%	1 100	-		- 187		913	1 100	-	-	- 187	913
h-uemoa	FEFISOL	8,2%	1 312	-		10	- 8	1 314	1 312	-	-	10	1 322
Kenya	FAER	6,1%	4 375	-		- 347		4 028	3 960	-	-	- 2 334	1 627
BF	AMETHIS WEST AFRICAN (AWA)	11,1%	1 877	-		- 865		1 012	1 877	-	-	- 866	1 011
CI	Air Côte d'Ivoire	5,9%	7 660	-		- 5 836		1 824	6 330	-	-	- 5 768	562
CI	RASCOM STAR QAF		4 360	- 4 360	4 360	- 4 360		-	4 360	- 4 360	-	-	-
h-uemoa	Investisseurs & Partenaires/ Dévoppement (IPDEV2)	23,5%	632	-		- 69		563	632	-	-	- 277	355
Bn	Société Immobilière d'Aménagement Urbai	10,0%	500	-		- 10		490	500	-	-	- 10	490
SN	FCP/IFC BOAD		3 000	-				3 000	3 000	-	-	-	3 000
SN	Banque Outarde	14,8%	2 000					2 000					
h-uemoa	Fonds I&P Afrique Entrepreneurs 2 (IPAE2)		76			0		76					
NG	Banque de l'Habitat du Niger	8,3%	825					825					
	Fonds d'investissements dédié au développement des services financiers dans l'UEMOA		53					53					
	Total gross values		88 130	- 11 843	11 843	6 263	- 278	94 116	83 958	- 11 843	2 631	13 355	88 101
	Net depreciations				0						- 9 212		
	Variation in fair value of AFS through comprehensive income		-						9 510				
	Variation in fair value of equity investments designated at fair value through OCI		2 121						-				
	Variation in fair value of equity investments designated at fair value through P&L		- 278						-				
	Gains and losses directly entered as equity for financial assets available for sale		18 108						15 987				

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NOTE 8. OTHER ASSETS

Other assets include the following:

Other assets	30/06/2018	31/12/2017
Advances on mission expenses	9	22
Payday advances	36	35
Expenses to be adjusted	2 854	11 363
Exchange risk hedging instruments	1 068	966
Sundry debtors	5 731	3 256
Charges paid in advance and accruals	624	425
Prefinancing of studies from foreign funds meant for studies	97	97
	10 419	**16 163**

The decrease in expenditure to be rectified as at 30 June 2018 include the transfer of advances made by the Bank as at 1 April 2018 in the form of employee loans as part of the construction of the BOAD staff quarters.

The item on « currency risk hedging instruments » recorded a value of XOF1,068 M as at 30 June 2018 against XOF966 M as at 31 December 2017 corresponding to interests on the derivatives instruments set up by the Bank to hedge against foreign exchange fluctuations. The share of this item recorded in the income statement will offset the exchange losses on interests accrued from loans denominated in dollars.

NOTE 9. TANGIBLE AND INTANGIBLE ASSETS

Monthly amortization charges are captured as income under "Amortization' in the general operating expenses.

9.1 TANGIBLE ASSETS

The net carrying amount of tangible assets as at 30/06/2018 and 31/12/2017 is as follows:

Tangible assets	30/06/2018	31/12/2017
Cost of acquisition	26 731	26 708
Allocations and reversal of depreciations	-19 585	-19 117
Total	**7 146**	**7 592**

The change in the net carrying amount of tangible assets between 30/06/2018 and 31/12/2017 is as follows:

Acquisitions of tangible assets (in XOF'M)		Allocations and reversal of depreciations (in XOF'M)	
Balance as at 1 January 2018	**26 708**	**Balance as at 1 January 2018**	**19 117**
Acquisitions	814	Amortization charges	469
Disposals	-792	Reversals of amortization	-1
Classified as assets held for sale	0	Classified as assets held for sale	0
Balance as at 30 june 2018	**26 731**	**Balance as at 30 june 2018**	**19 585**
Net value on balance sheet as at 30 june 2018			**7 146**

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9.2 INTANGIBLE ASSETS

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

Intangible assets	30/06/2018	31/12/2017
Gross value	1 475	1 459
Allocations and reversal of depreciations	-1 073	-943
	403	**516**

The net carrying amount /summary of intangible assets between 30/06/2018 and 31/12/2017 is as follows:

Acquisition of softwares (in XOF'M)		Allocations and reversal of depreciations (in XOF'M)	
Balance as at 1 January 2018	**1 459**	**Balance as at 1 January 2018**	**943**
Acquisitions	16	Amortization charges	130
Disposals	0	Reversals of amortization	0
Classified as assets held for sale	0	Classified as assets held for sale	0
Balance as at 30 june 2018	**1 475**	**Balance as at 30 june 2018**	**1 073**
Net value on balance sheet as at 30 june 2018			**403**

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

NOTE 10. LIABILITIES AT AMORTIZED COST

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

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

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

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

Details of this item, as at 30 June 2018 and 31 December 2017, are as follows (in XOF'M):

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Liabilities at amortized cost	30/06/2018	31/12/2017
I-Debts represented by a security		
Bond loans	964 226	955 539
BOAD bonds	247 020	247 030
Maturities of less than one year/debts repr. by securities	22 758	54 865
Sub-total I	***1 234 004***	***1 257 433***
II- Other loans from foreign partners		
Loans for funding long-term projects	456 214	368 519
Loans for funding long-term project studies	402	383
Maturities of less than one year/loans	63 682	91 159
Sub-total II	***520 298***	***460 061***
Total I+II	1 754 303	1 717 494
III- Debts attached to loans and & debts repr.		
Accrued interests on debts represented by a security	20 620	27 641
Deferred expenses on bills and bonds	-642	-798
Interests and fees accrued on other loans	3 424	3 386
Deferred expenses on other loans	-245	-300
Sub-total III	***23 156***	***29 929***
IV- Interbank debts (Cauris ROPPA, AFD...)	5 572	4 553
Total I+II+III+IV	**1 783 030**	**1 751 976**

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

Moreover, under Article 37 of the statutes, the WAMU Council of Ministers decided to limit the Bank's total outstanding borrowings, at any time, to three times its equity. As at 30 June 2018, the Bank's outstanding borrowings represented 259% of its equity capital out of the regulatory threshold of 300%.

During the first semester, the Bank proceeded to draw on credit facilities from AFD VII, ITFC, IDA V, and KfW IV of respectively XOF19,679 M, XOF3,329 M, XOF11,709 M, and XOF52,477 M. About XOF123,822 M of principal amounts and interests has been repaid, including XOF36,315 M for credit facilities and XOF87,506 M for debt securities (bonds and bills).

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NOTE 11. OTHER LIABILITIES

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

Other liabilities	30/06/2018	31/12/2017
Belgian Technical Assistance Fund	182	180
Dutch Fund	34	34
IDA Matching Fund	343	224
AFD Research Fund	310	310
AFD Matching Fund	147	148
NIMAO Fund	0	0
Environmental Partnership Fund	4	4
KfW Counterpart Fund	6 169	6 250
China Cooperation Fund	139	139
AFD IV Capacity Building Fund	30	30
Energy Development Fund	1 985	1 985
Crop Insurance Fund	2 888	2 992
Regional Collaboration Centre (RCC)	246	174
Regional Facility for Access to Sustainable Energy	10 000	10 000
New interest rate subsidy	75 980	53 098
CMS Fund for Interest Subsidy	1 000	1 000
Sub-total Funds	***99 456***	***76 568***
SUSPENSE AND SUNDRY ACCOUNTS		
Suppliers	508	1 609
Emoluments to staff members	0	0
Sundry creditors	4 868	3 806
Charges payable	2 259	1 905
Income to be adjusted	8 186	8 931
Exchange risk hedging instruments	64 406	76 439
Income recorded in advance	144	1 322
Kingdom of Belgium current account	4 200	4 200
Sub-total for suspense and sundry accounts	***84 571***	***98 213***
	184 028	**174 781**

NOTE 12. EQUITY CAPITAL

The Bank's capital is divided into shares at a face value equal to XOF50,000,000. It is divided between the two categories of shareholders: Category A shareholders are member countries of the WAEMU and BCEAO, while category B shareholders include non-regional shareholders.

The Bank's equity capital respectively as at 31/12/2017 and as at 30/06/2018 is as follows:

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Equity capital	30/06/2018	31/12/2017
Subscribed capital	1 103 650	1 103 650
Callable capital	-826 230	-826 230
Cost related to the paying-up of capital	-4 046	-4 046
Total	273 375	273 375
Share premium	**2 622**	**2 622**
Reserves		
Reserves transferred for development activities	76 050	76 050
Fair value reserve for AFS security	0	15 987
Fair value reserve for equity security designated at fair value through OCI	18 108	
Reserves for cashflow coverage	-57 998	-38 711
Other reserves	26	26
Revaluation of liabilities for fixed benefits scheme	2 165	2 165
Retained earnings	363 707	374 941
	402 057	430 457
Income for the financial year	15 629	13 295
Total equity	**693 682**	**719 748**

The table below outlines the Bank's capital structure as at 30 June 2018 in nominal value and share distribution. Each share confers the same rights and responsibilities on its holder.

CAPITAL STRUCTURE AS AT 30 JUNE 2018

SHAREHOLDERS	SUBSCRIBED CAPITAL	%	Number of shares	CALLED-UP CAPITAL	PAID UP CAPITAL	UNPAID CAPITAL	CALLABLE CAPITAL
	(1)=(2)+(5)			(2)=(3)+(4)	(3)	(4)	(5)
CATEGORY A							
BENIN	64 650 000 000	5,86	1 293	16 163 000 000	12 043 000 000	4 120 000 000	48 487 000 000
BURKINA	64 650 000 000	5,86	1 293	16 163 000 000	12 043 000 000	4 120 000 000	48 487 000 000
COTE D'IVOIRE	64 650 000 000	5,86	1 293	16 163 000 000	12 043 000 000	4 120 000 000	48 487 000 000
GUINEA BISSAU	64 650 000 000	5,86	1 293	16 163 000 000	10 043 000 000	6 020 000 000	48 487 000 000
MALI	64 650 000 000	5,86	1 293	16 163 000 000	12 043 000 000	4 120 000 000	48 487 000 000
NIGER	64 650 000 000	5,86	1 293	16 163 000 000	12 043 000 000	4 120 000 000	48 487 000 000
SENEGAL	64 650 000 000	5,86	1 293	16 163 000 000	12 043 000 000	4 120 000 000	48 487 000 000
TOGO	64 650 000 000	5,86	1 293	16 163 000 000	12 043 000 000	4 120 000 000	48 487 000 000
BCEAO	517 200 000 000	46,86	10 344	129 304 000 000	96 344 000 000	32 960 000 000	387 896 000 000
	1 034 400 000 000	93,73	**20 688**	**258 608 000 000**	**190 688 000 000**	**67 820 000 000**	**775 792 000 000**
CATEGORY B							
France	38 400 000 000	3,48	768	9 600 000 000	7 680 000 000	1 920 000 000	28 800 000 000
Germany	2 000 000 000	0,18	40	2 000 000 000	2 000 000 000	0	0
Belgium (1)	5 600 000 000	0,51	112	1 400 000 000	1 400 000 000	0	4 200 000 000
EIB	4 000 000 000	0,36	80	1 000 000 000	1 000 000 000	0	3 000 000 000
AfDB	6 000 000 000	0,54	120	1 500 000 000	1 042 856 844	457 143 156	4 500 000 000
EXIM BANK OF INDIA	750 000 000	0,07	15	187 500 000	149 999 992	37 500 008	562 500 000
CHINA	12 000 000 000	1,09	240	3 000 000 000	2 300 000 000	700 000 000	9 000 000 000
MOROCCO	500 000 000	0,05	10	125 000 000	119 375 000	5 625 000	375 000 000
	69 250 000 000	6,27	**1 385**	**18 812 500 000**	**15 692 231 836**	**3 120 268 164**	**50 437 500 000**
	1 103 650 000 000	100,00	**22 073**	**277 420 500 000**	**206 380 231 836**	**70 940 268 164**	**826 229 500 000**
UNSUBSCRIBED CAPITAL	**51 350 000 000**		**1 027**				
AUTHORIZED CAPITAL	**1 155 000 000 000**		**23 100**				

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

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NOTE 13. NET BANKING INCOME

Details of this item are as follows:

Net banking income	30/06/2018	30/06/2017
1-Income and interest charges		
Interests and fees on loans	46 563	41 381
Fees on bond loan guarantees	42	109
Interests and investment income	13 977	9 393
Sub-total interest income (A)	*60 582*	*50 882*
Interests and charges on debts represented by a security	-32 586	-24 131
Interests and charges on loans and investments	-8 580	-8 954
Other financial services and commissions	-258	0
Sub-total interest charges (B)	*-41 423*	*-33 084*
Margin on interests and fees C= (A)-(B)	**19 159**	**17 798**
2.1-Exchange gains and losses		
Consumed exchange gain	50	20
Potential exchange gain	0	38 550
Sub-total exchange gain (D)	*50*	*38 570*
Consumed exchange loss	-15	-12
Potential exchange loss	-25 836	0
Sub-total exchange loss (E)	*-25 851*	*-12*
Net exchange loss F=(D)-(E)	**-25 801**	**38 558**
2.2-Gains/losses on hedging instruments (G)	**31 421**	**-37 782**
2-Net gains/losses on foreign exchange (G)+(F)	**5 620**	**776**
3-Net gains/losses on equity instruments designated as fair value through profit and loss	**-278**	**0**
4-Other banking income (dividends,..)	**1 447**	**1 655**
5-Net banking income = (1)+(2)+(3)+(4)	**25 948**	**20 229**

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

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NOTE 14. COST OF RISK

The cost of risk as at 30 June 2018 is as follows:

Cost of risk	30/06/2018	30/06/2017
Reversal of provision for customer receivables	4 135	219
Depreciations related to customer receivables	-5	0
Depreciation on portfolio securities	-6 925	-1 913
	-2 794	**-1 693**

NOTE 15. COSTS RELATED TO DEVELOPMENT ACTIVITIES

This item includes charges related to BOAD's development activities, including subsidies on loans, non-commercial projects and preliminary studies for the financing of development activities.

Costs related to development activities	30/06/2018	30/06/2017
Interest subsidy	-1 093	-902
	-1 093	**-902**

NOTE 16. FINANCIAL RISK MANAGEMENT

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

Adoption of IFRS 9

From 1 January 2018, the Bank adopted IFRS 9 which introduces expected losses instead of losses incurred or determined in accordance with IAS 39 (see note 4).

Evaluation of the credit risk

Credit risk represents the financial loss incurred by the Bank when customers or counterparties of a financial instrument fail to meet their contractual obligations.

Estimating the Bank's exposure as part of credit risk management requires the use of models since exposure varies with changes in market conditions, cash flows and time. In accordance with IFRS 9, the Bank measures its credit risk using probability of default (PD), exposure at default (EAD) and loss given default (LGD).

BOAD's internal master scale

The Bank's internal rating grid includes 20 ratings for instruments that are not in default and a class for those in default. The main scale assigns each rating category a specified range of default probability, which is stable over time. The evaluation methods are validated annually and recalibrated to ensure that they reflect the latest projections in the light of all actual defaults observed. The Bank's internal master scale with a mapping to external ratings is as follows:

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	GEMsPD Rating scale	Moody's	S&P	Fitch	Meaning of the rating
1	GI1	Aa3	AA-	AA-	High Level
2	GI2	A2	A	A	
3	GI3	A3	A-	A-	Upper medium grade
4	GI4	A3	A-	A-	
5	GI5	Baa1	BBB+	BBB+	
6	GI6	Baa1	BBB+	BBB+	
7	GI7	Baa2	BBB	BBB	Lower medium grade
8	GI8	Baa3	BBB-	BBB-	
9	GI9	Ba1	BB+	BB+	
10	GI10	Ba1	BB+	BB+	
11	Gs1	Ba2	BB	BB	Speculative
12	Gs2	Ba2	BB	BB	
13	Gs3	Ba3	BB-	BB-	
14	Gs4	B1	B+	B+	
15	Gs5	B2	B	B	Highly speculative
16	Gs6	B3	B-	B-	
17	Gs7	Caa1	CCC+	CCC+	Increasing risk
18	Gs8	Caa2	CCC	CCC	Ultra speculative
19	Gs9	Caa2	CCC	CCC	
20	Gs10	Caa3	CCC-	CCC-	
21	D	D	D	D	Default

Assessment of Expected credit loss (ECL)

- ✓ The criteria explaining the classification in a bucket are presented in section 4.3.2.1 of note 4.
- ✓ The assessment of the significant deterioration in credit risk depends on two qualitative and quantitative criteria. The quantitative criterion is the decrease of at least two notches between the first rating date and the rating at the closing date.
- ✓ The assessment of the significant deterioration in credit risk includes forward-looking information and is carried out at every half-yearly balance sheet date.

NOTE 17. OFF-BALANCE SHEET COMMITMENTS

17.1 Commitments received

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

The breakdown of these commitments is as follows:

Commitments received	30/06/2018	31/12/2017
Loan commitments to be drawn	140 561	168 132
Guarantees received from Regional Funds	41 354	40 521
Total	**181 915**	**208 653**

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

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The Bank also receives other non-financial guarantees (mortgages, securities, pledges, etc.) on its loans.

17.2 Commitments given

Commitments given include lending and participation agreements signed with various beneficiaries of BOAD loans; these are presented as follows:

Commitments given	30/06/2018	31/12/2017
Loan commitments given (a)	1 722 616	1 587 450
Advances for funding studies	11 611	11 439
Commitments for equity investments (b)	30 803	24 625
Securities and other guarantees	33 363	5 300
Total	**1 798 392**	**1 628 814**

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

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

NOTE 18. SUBSEQUENT EVENTS

As at the date of the closing of the accounts, we had not recorded any subsequent events likely to influence the financial position and results of the Bank as at 30 June 2018.

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