RÉPUBLIQUE FRANÇAISE
Liberté
Égalité
Fraternité

AFD GROUPE

UNIVERSAL 2022
registration document

#WorldInCommon

2022
UNIVERSAL REGISTRATION DOCUMENT

AFD
AGENCE FRANÇAISE DE DÉVELOPPEMENT

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

This is a translation into English of the universal registration document of the Company issued in French and it is available on the website of the Issuer.

This Universal Registration Document was filed on 26 April 2023 with the AMF in its capacity as the competent authority under EU Regulation 2017/1129, without prior approval pursuant to Article 9 of said Regulation.

The Universal Registration Document may be used for the purpose of an offer to the public of securities or admission of securities to trading on a regulated market, if supplemented by a securities note and, if applicable, a summary and any amendments to the Universal Registration Document. The resulting documents are approved as a whole by the AMF in accordance with Regulation (EU) 2017/1129.

This Document is a reproduction of the official version of the Universal Registration Document including the 2022 Annual Financial Report prepared in accordance with the European Single Electronic Format (ESEF) and filed with the AMF, available on the websites of the Company and the AMF.

Message from the CEO

The year 2022 was once again marked by a particularly threatening macroeconomic, geopolitical, security and financial context. After the Covid-19 pandemic, the Russian aggression in Ukraine brought in its wake a triple food, energy and economic crisis. As the President of the Republic recalled during his visit to the COP 27, "successive crises are both the cause and the consequence of the increase in global inequalities". And we will only be able to get out of this pattern through a profound transformation of our financing mechanisms. A transformation that has already begun within the AFD Group.

AFD Group has continued to grow at a steady pace, maintaining a solid economic model in the face of the daunting challenges affecting the entire planet, including climate change, the fight against poverty and global inequality, and security, health and demographic challenges. Firstly, in quantitative terms, with a level of financial commitments of €12.0bn and a total balance sheet of €64bn at the end of 2022, reflecting the State's confidence in AFD Group, which plays a key role in implementing the Programming Law of 4 August 2021 on inclusive development and the fight against global inequalities. Budget planning has made it possible to increase France's official development assistance to 0.56% of GNI in 2022. In qualitative terms, a record level of 64% of climate co-benefits and 62% of projects contributing to gender equality was achieved. The AFD Group continued its action in crisis areas in 2022. In Ukraine, AFD was able to grant two budgetary loans totalling €400M within a very short timeframe. We also immediately responded to the needs of the countries most vulnerable to the food crisis as part of the "Food in Common" initiative, with €400M mobilized in the agriculture and food security sector, including half in Africa. We fully attended the two COPs of 2022: COP27 in Egypt for the climate and COP15 in Canada for biodiversity. In these two multilateral forums, AFD's results were presented (€6.6bn committed to climate projects in 2022) and commitments were made for the future in order to make the transition possible, such as the renewal of our partnership with the Green Climate Fund, AFD's alignment with the global framework for biodiversity, which is reflected in the adoption of its «Nature +» strategy, and the commitment of the IDFC club - which AFD chairs - to mobilize €100bn for nature by 2027. The high level of disbursements, which amount to €9.2bn in 2022, concretely reflects these financial commitments.

The year 2022 also enabled the Agency to take a step forward in terms of mobilizing partners and financing, as part of a solidarity and sustainable investment approach. Our excellent relationship with the European Commission enabled us to mobilize more than €1.2bn in Community resources as part of the #TeamEurope initiative in 2022, a record amount for our Group. Our partnership vocation is also reflected in the IDFC and Finance in Common (FiCS) initiative AFD has business relationships with 85 of the 530 public development banks worldwide. Illustrating this is our recent agreement with the Asian Development Bank, with a target of $3bn in co-financing by 2025. In addition to this financial commitment, AFD Group was even more innovative in 2022. Innovative in terms of financial tools: the Development Innovation Fund (FID) approved 50 initiatives during the year. Innovative in terms of new areas covered by the AFD Group and which are at the heart of the challenges facing young people, such as sport, the cultural and creative industries or entrepreneurship. For example, 2022 saw the start of a new cooperation with Senegal as part of a first sports loan of €45M to support the organization of the Youth Olympic Games (YOG) of Dakar 2026.

Lastly, 2022 marks the first year of experience of a larger and stronger Group with the integration of Expertise France alongside Proparco and AFD. This will enable AFD Group to offer a unique and novel value proposition on the international scene, combining sustainable development solutions in financing, support and expertise. The Group's expansion comes at the end of a year that confirms our financial strength, with a significant increase in consolidated net income to more than €450M and the capital adequacy ratio maintained at a level of 14.98%.

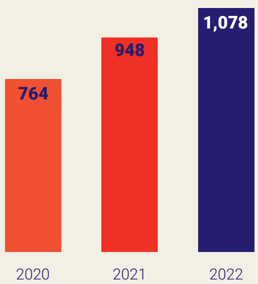
In conclusion, given the scale of the challenges we are facing, I would like to thank the AFD Group's teams, to salute their commitment and efforts to help accelerate regional dynamics and sustainable development trajectories, in a respectful and innovative dialogue with all stakeholders.

Rémy Rioux
CEO

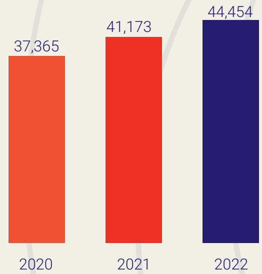
Our key figures

IFRS (€M)

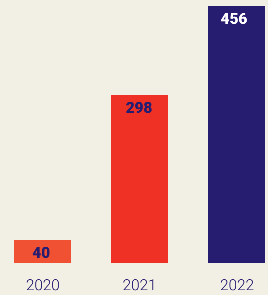
Net Banking Income



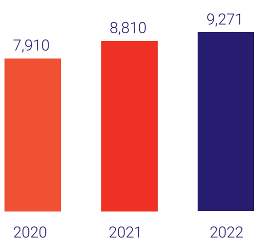
Outstanding loans
(operational activity)



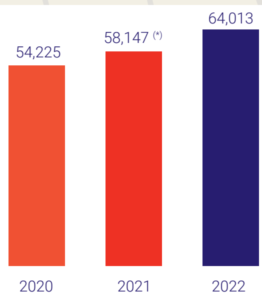
Net income



Consolidated capital *In €bn*



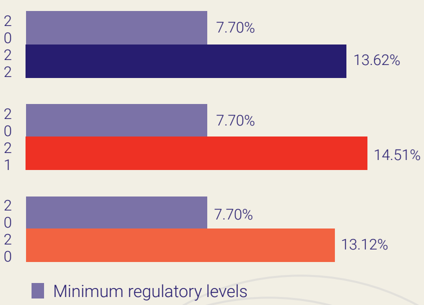
Total of balance sheet *In €bn*



(*) Reinstatement in the consolidated balance sheet of €2.9bn of loans made at the request of third parties (from AFD's own resources), initially classified as third party under IFRS

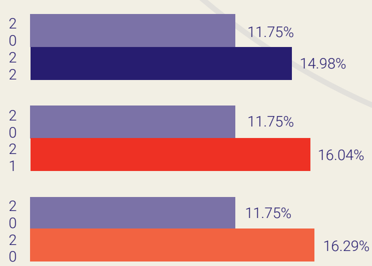
AFD is well within the banking ratios

CET1 ratio



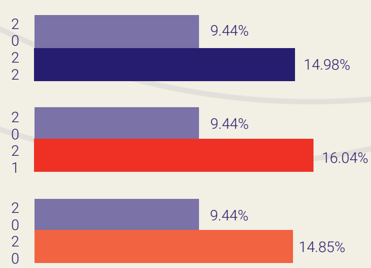
** Excluding countercyclical buffer*

Solvency ratio



** Without countercyclical buffer*

T1 ratio



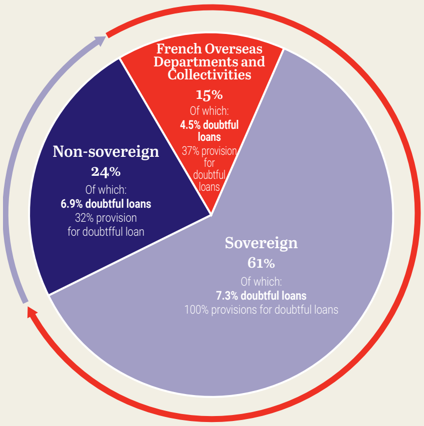
** Without countercyclical buffer*

Performing assets

Total outstanding loans at 31 December 2022

€44.5bn

Doubtful loans: 6.7%



AFD GROUP: A HIGH-PERFORMANCE MODEL FOR IMPLEMENTING FRANCE'S DEVELOPMENT POLICY

SOURCES of financing

LOANS

FINANCIAL MARKETS

DIVIDENDS PAID TO THE STATE
€72.5 M

GRANTS

STATE BUDGET
FR
€2.1 BN

EUROPE AND OTHER DONORS
EU
€474 M

OTHER ACTIVITIES

AFD GROUPE

NET INCOME: €456.2 M

GROUP COMMITMENTS €12 BN

Committed AMOUNTS

9.3 BILLION EUROS
OF WHICH
PROPARCO €1.6 BN

1.4 BILLION EUROS

1.3 BILLION EUROS
OF WHICH
DELEGATED FUNDS €474 M
GUARANTEES €333 M
EQUITY INVESTMENTS €504 M

LOANS	SUBSIDIZED LOANS		GRANTS
✓	✓	AFRICA AND THE MIDDLE EAST	✓
✓		LATIN AMERICA	
✓		ASIA	
✓	✓	FRENCH OVERSEAS TERRITORIES	

Expected RESULTS

#climate #health #education
#genderequality #water #energy

CLOSE TO
180,000
GIRLS RECEIVE PRIMARY OR SECONDARY EDUCATION

DRINKING WATER:
PERMANENT ACCESS FOR
1.9 M
PEOPLE

HEALTH:
IMPROVED ACCESS FOR
28.3 M
PEOPLE

1.04 M
PEOPLE
HAVE ACCESS TO BETTER QUALITY ELECTRICITY

2.2 M HECTARES
BENEFIT FROM CONSERVATION PROGRAMS OR BIODIVERSITY RESTORATION

Our 2018-2022 strategy

The Group's strategy is based on 5 commitments which come together as the #A Shared World vision.

5 commitments

1 100% Paris Agreement

The Paris Agreement now stands at the heart of the AFD Groupmandate. The Agency will draw on public and private resources to fund capital investments that protect the Earth from climate change and biodiversity loss: all project funding will finance resilient lowcarbon development in keeping with the Paris Agreement.

2 100% social link

AFD Group will base its actions on their capacity to reinforce social cohesion within populations and between territories, reducing inequalities — particularly gender inequality — and increasing access to education.

We are convinced that these two major commitments, 100% Paris Agreement and 100% social link, are closely linked and are the heart of the 2030 Agenda.

3 3D development thinking

In fragile and crises-afflicted situations, sustainable development requires peace and stability, which in turn require resolutions for the social, political, and environmental causes of conflict.

AFD Group pledges to uphold the third "D" in France's Defense, Diplomacy and Development trinity. Promoting a 3D vision for conflict prevention, the Group will work alongside other development professionals, complementing the work of humanitarian organizations and the French diplomatic and military corps.

4 Non-sovereign first

Alongside sovereign central governments, non-sovereign entities must also direct their investments toward attaining the Sustainable Development Goals. Local governments, public enterprises, civil society organizations, foundations, companies, and financial institutions all have a vital role to play. AFD Group will thus dedicate more funding to all of them in countries where it operates.

5 Partnership by design

The fifth AFD Group commitment to working with partners will affect all Agency commitments and operating modes. The Group will apply a very simple principle: a project conducted with a third party is always better than one undertaken alone.

The United Nations 2030 Agenda for Sustainable Development and the Paris Agreement on climate — in their comprehensiveness, geographic universality, and relevance at every level from central governments to civil society – require a collective response made stronger through partnerships. The new AFD Group strategy therefore features a systematic openness to all potential partners.

Implementing these 5 commitments requires us to look at the world in a different way. We will also have to incorporate the SDGs into a dynamic transitions policy and increasingly apply the results of research and innovation.

The 6 transitions underlying AFD's actions are:

#1. Demographic and social

This means financing basic social services such as education and health and helping to improve social ties.

#2. Energy

This means ensuring universal access to a reliable, sustainable, affordable source of low- carbon energy to help keep global warming below the 1.5°C to 2°C mark in comparison with the pre-industrial era.

#3. Regional and ecological

This means sustainably developing the potential of all land, urban and rural, with respect for the ecological and social issues at stake.

#4. Digital and technological

This means capitalising on digital, technological transfers and cross-cutting innovations to speed up development trajectories and achieve the SDGs.

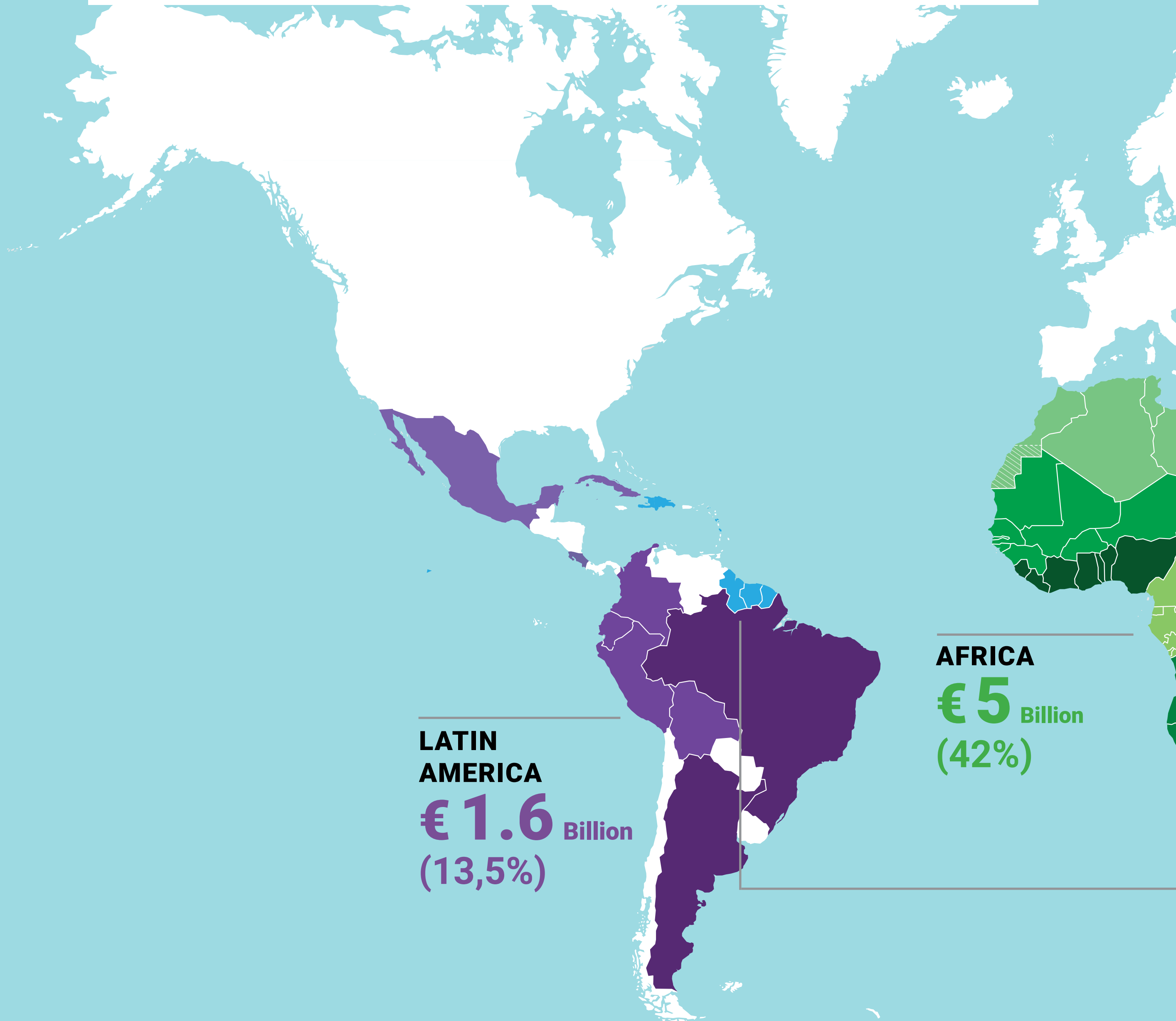
#5. Political and civic

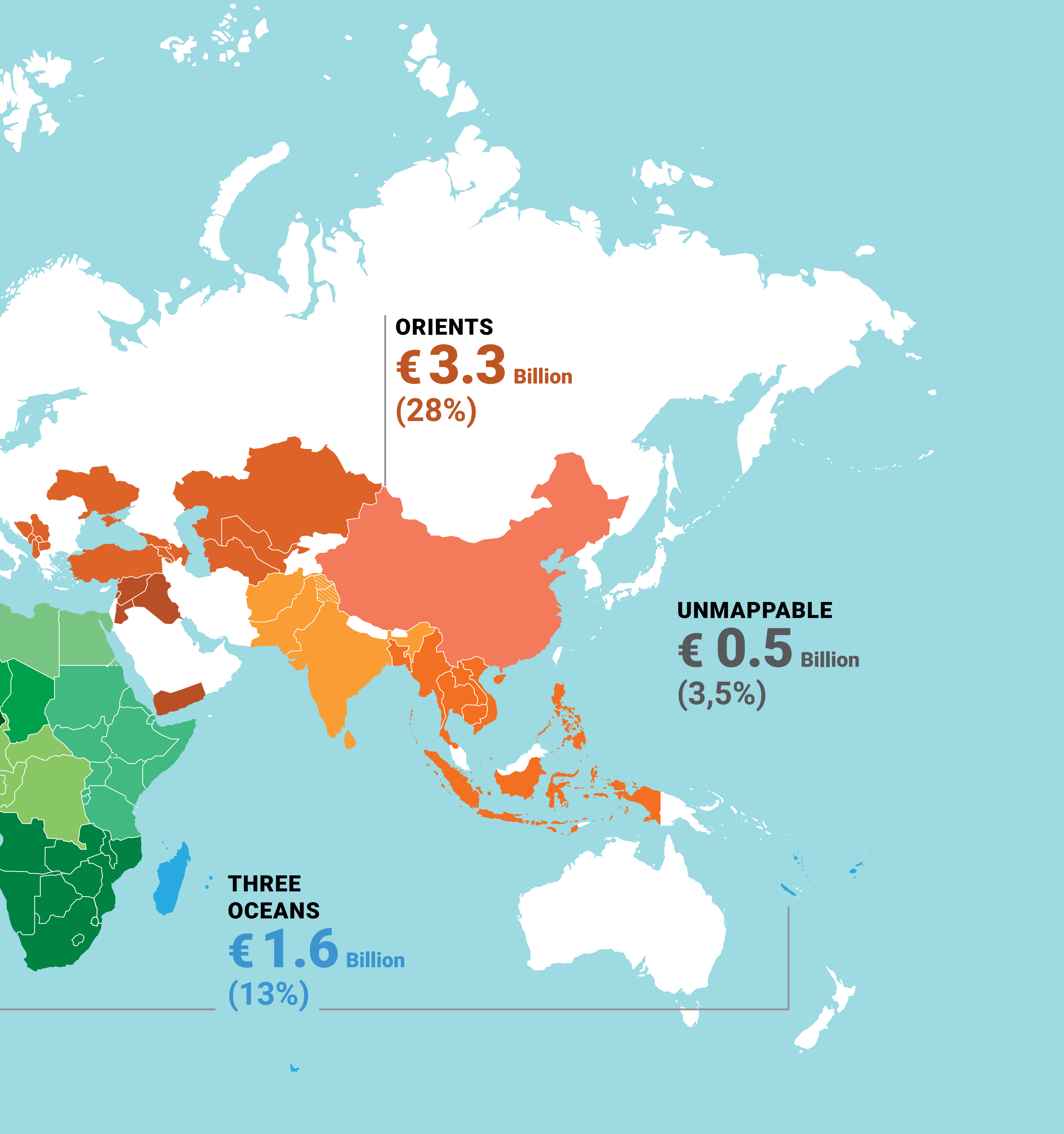
This means reinventing governance models to make them more inclusive and participative.

#6. Economic and financial

This means promoting diversified economic models and financial systems and channelling resources towards sustainable development.

Geographical distribution of new financing authorisations in 2022




ORIENTS
€ 3.3 Billion
(28%)
UNMAPPABLE
€ 0.5 Billion
(3,5%)
THREE
OCEANS
€ 1.6 Billion
(13%)

Methodology and glossary

Figures

Due to rounding, the tables' column totals may differ slightly from the sum of the lines composing them. The abbreviation €K signifies thousands of euros, €M signifies millions of euros and €bn signifies billions of euros. Commitments are presented net of cancellations during the year. For loans and grants, data in foreign currencies have been converted into euros for payments at the end of the month of disbursement, using the exchange rate at the date when the commitment was approved and the closing price (31 December) for outstandings. For borrowings, the year's issues were converted to the closing exchange rate.

Scope

Except for the table in Section 1.6.3 which presents all of the activities carried out by AFD on its own behalf and on behalf of third parties, all other data included in this document covers the same scope as that used to prepare financial statements established according to international accounting standards - in other words, only activities on AFD's own behalf.

Glossary

TA:	Technical assistance
ACPR:	Autorité de contrôle prudentiel et de résolution (French Prudential Supervisory Authority)
GBS:	general budget support
AFD:	Agence Française de Développement
ODA:	Official Development Assistance
ARIZ:	Assurance pour le risque – Insurance for private investment financing risk in AFD's areas of operation
ECB:	European Central Bank
PIB:	Public Investment Bank
C2D:	Debt Reduction-Development Contracts
CSEC:	Central Social and Economic Committee
Campus:	formerly Cefeb (Centre d'études financières économiques et bancaires – Centre for Financial, Economic and Banking Studies)
CICID:	Comité interministériel de la coopération internationale et du développement (Interministerial Committee for International Co-operation and Development)
CMF:	Code monétaire et financier (French Monetary and Financial Code)
COM:	Contrat d'objectifs et de moyens (Contractual targets and resources)
SSC:	Strategic Steering Committee
SEC:	Social and Economic Committee. It replaces the elected employee representatives in the company. It brings together all the employee representative bodies (IRP), employee representatives (DP), works council (CE) and Health, Safety and Working Conditions Committee (CHSCT).
DFID:	Department for International Development
DOM:	Département d'Outre-mer (French Overseas Department)
EPIC:	Établissement public industriel et commercial (Industrial and commercial public undertaking)
FEXTE:	Fonds d'expertise technique et d'échanges d'expériences (Technical expertise and experience fund)
FFEM:	Fonds français pour l'environnement mondial (French Global Environment Fund)
Fisea:	Fonds d'investissement et de soutien aux entreprises en Afrique (Investment and support fund for businesses in Africa)
PRGF:	Poverty Reduction and Growth Facility
FSD:	Fonds de solidarité pour le développement (Solidarity Fund for Development)
FSP:	Fonds de solidarité prioritaire (Priority Solidarity Fund)
IDFC:	International Development Finance Club
MEAE:	Ministère de l'Europe et des Affaires étrangères (French Ministry of Europe and Foreign Affairs)
MAE:	Ministère des Affaires étrangères (French Ministry of Foreign Affairs) - Former title
MINEFI:	Ministère de l'Économie et des Finances (French Ministry of the Economy and Finance)
NAO:	Négociation annuelle obligatoire (Mandatory Annual Negotiations)
SDG:	Sustainable Development Goals
NGO:	Non-Governmental Organisation
OSEO:	Development Bank for Small and Medium-sized Enterprises
DC:	Developing country
PEE:	Plan d'épargne entreprise (Employee Savings Plan)
LDC:	least developed countries
SOP:	Strategic orientation plan
HIPC:	Heavily-indebted poor countries
MIC:	middle-income countries
RCS:	Ressources à conditions spéciales (Resources with special conditions)
FFT:	Financial Transaction Tax
PSZ:	Priority Solidarity Zone

1 CHAPTER

Activities of Agence Française de Développement Group in 2022

1.1 General information

1.1.1 Legal status

Registered office and administrative headquarters

Agence Française de Développement

5, rue Roland-Barthes 75598 Paris CEDEX 12

Tel.: +33 (0)1 53 44 31 31

Legal form

Agence Française de Développement (hereinafter referred to as "AFD") is a établissement public de l'État à caractère industriel et commercial (EPIC) public industrial and commercial establishment (EPIC) with legal personality and financial autonomy. AFD is a financing company with an ongoing role that serves the public interest. Its bylaws are defined in Articles L.515-13 and R.515-5 to R.515-25 of the French Monetary and Financial Code (CMF). AFD is managed by a Chief Executive Officer (CEO) who is appointed by Decree for a three-year term (Article R.515-16 of the CMF) and a Board of Directors in its areas of responsibility (Articles L.515-17 to R.515-19 of the CMF). The Strategic Steering Committee (SSC), an AFD entity comprising State representatives on the Board of Directors and chaired by the Minister for Cooperation (Article R.515-7 of the CMF), is responsible for strengthening the link between policy guidelines relating to Official Development Assistance (ODA) set out by the Interministerial Committee for International Co-operation and Development (CICID), and the way in which these policies are laid out and executed by AFD.

ACPR Supervision

AFD, as a financing company, comes under the direct supervision of the French Prudential Supervisory and Resolution Authority (ACPR).

The issuer's governing law

AFD is subject to French law.

Date of creation and duration

AFD was created by Order No. 21 of 2 December 1941 establishing the Caisse Centrale de la France Libre, for an indefinite period.

Statutory purpose

In accordance with the provisions of Article R.515-15 of the CMF, AFD has an ongoing role that serves the public interest under the meaning of Article L.511-104 of the CMF. It may carry out the banking tasks related to this mission. In accordance with the provisions of Article R.515-6 of the CMF, 'AFD a pour mission de réaliser des opérations financières de toute nature en vue de contribuer à la mise en œuvre de la politique AFD's mission is to carry out financial transactions of all kinds in order to contribute to the implementation of the State development aid policy abroad, and the development of the French Overseas Departments and Collectivities as well as New Caledonia. To this end, AFD finances environmentally friendly development operations and may conduct other activities and services linked to its role. In particular, AFD is responsible for directly or indirectly providing technical expertise to its beneficiaries.

Trade and companies registration

RCS Paris B 775 665 599

Consultation of legal documents

Au siège social – 5, rue Roland-Barthes – 75598 Paris CEDEX 12

At the registered office – 5, rue Roland-Barthes – 75598 Paris CEDEX 12

Financial year

From 1 January to 31 December.

Documents available to the public

While this document remains valid, the following documents (or copies thereof) may be consulted:

a) AFD's current memorandum of association, amending decrees and bylaws;

b) Universal Registration Documents, reference documents;

c) the annual financial statements, the consolidated financial statements, the half-year reports, the statutory auditors' reports on the annual financial statements, the statutory auditors' reports on the consolidated financial statements.

The above documents may be consulted at AFD's Head Office or on its website, www.afd.fr.

1.1.2 General information about AFD's share capital

AFD funding amounts to €4,417,998,856. This may be increased through the capitalisation of reserves upon deliberation by the Board of Directors and approved by order of the French Minister of the Economy and Finance. It may also be increased through the allocation of public funds in accordance with current laws and regulations.

1.1.3 Dividends

Pursuant to Article 79 of the amending Finance Law No. 2001-1276 of 28 December 2001 (amended by Article 88 of the amending Finance Law for 2003 No. 2003-1312 of 30 December 2003), a dividend may be paid to the French State. The dividend is deducted as a priority from the distributable profit for the financial year, under the meaning of Article L.232-11 of the French Commercial Code. It may be deducted from the available reserves.

The capital allocation received by AFD do not give rise to compensation.

After examining AFD's financial position and ascertaining the existence of distributable amounts, on the basis of the report of the Board of Directors, the Minister for the Economy and the Minister responsible for the budget set by decree the dividend paid to the State.

1.2 AFD Group's 2018-2022 strategy

1.2.1 AFD Group's missions and commitments

AFD Group's main mission is to help build a shared world, a world that preserves and protects our five great global assets, namely the planet, the social link, peace, partnerships and economic prosperity.

To best respond to these development issues and the ambition of the French government, AFD implemented its strategy for the period 2018-2022. The Group has identified five structural commitments to promote global assets.

100% Paris Agreement

AFD Group's strategy is centred around implementation of the Paris Agreement and ensuring that all its financing is compatible with low-carbon, resilient development, within the meaning of this agreement.

100% social link

The Group is committed to combating inequality and carrying out action governed by the single tenet of stronger social link between communities and territories. Access to education and gender equality are two top priorities in this area.

3D development thinking

AFD promotes the triptych of Defence, Diplomacy and Development (the "3Ds") and works alongside other development players to supplement the action of humanitarian aid workers, diplomats and military personnel. A "3D vision" is a vision focused first and foremost on the prevention of armed conflict.

Priority for non-sovereign players

AFD intends to reinforce the financing of non-sovereign actors in its countries of intervention: public companies, local authorities, civil society organisations, foundations, and the private and financial sectors. Their role is essential in order to direct investments towards the achievement of the sustainable development goals (SDGs).

Partnership by design

AFD's fifth commitment is to prioritise partnership. To meet these commitments, AFD Group firmly believes in the principle whereby working on a project with a partner is always better than working on a project alone. This willingness to always embrace new players is one of the key markers of our new strategy.

1.2.2 AFD Group's action

AFD Group's action takes the shape of a three-lined matrix.

Geographic lines

Based on the specific needs of each territory, country or region, AFD has identified three areas for action:

- "Africa", to obtain an accurate, comprehensive picture of the whole continent;
- "the Three Oceans" where France is represented through its Overseas Departments and Collectivities and seeks to boost regional momentum;
- the emerging regions of the "Orients" and the "Americas" where a significant share of the issues surrounding the low-carbon transition and the transformation of our economic and social models are found.

Geographic focus, the six transitions

AFD's strategic operations are designed to support six major transitions: demographic and social, energy, territorial and ecological, digital and technological, political and civic, and economic and financial.

The research and innovation line

The aim is to anticipate future development issues to help us constantly improve our projects and invent the models and orientations for future sustainable development.

1.3 AFD operations

1.3.1 Overview

Main missions

AFD is responsible for financing international development projects and programmes within the strategic framework defined by the Interministerial Committee for International Co-operation and Development (CICID). The framework agreement of 20 July 2021 signed between the French State and AFD defines the latter's role and public service missions as well as the financial relations between them. AFD is also responsible for financing development in the French Overseas Departments and Collectivities and in New Caledonia.

Under its bylaws, AFD may also carry out other activities and provide services related to its mission:

- it is responsible for directly or indirectly providing technical expertise to its beneficiaries (Article R.516-6 of the CMF);
- in addition to its operations on its own behalf, it is authorised to carry out a certain number of operations on behalf of third parties:
  - as such, it may represent financing companies, other French or international credit institutions, the European Union, foreign States or international organisations and institutions (Article R.515-13 of the CMF),
  - it is also authorised to manage public and private funds in the context of operations financed by the European Union, by international institutions or organisations, by public authorities, by foreign States, by credit institutions and development banks and by public or private legal entities, governed by French or foreign law. It may also entrust the management of public or private funds to the same entities under specific agreements (Article 10, II of Programming Law No. 2021-1031 of 4 August 2021 on solidarity-based development and the fight against global inequalities). AFD also manages operations financed by the French State's budget on behalf and at the risk of the latter (Article R.515-12 of the CMF);
- it has the task of managing the annual loan portfolio delegated by the State for financing projects proposed by NGOs and ensuring project design and evaluation (Article R. 515-11 of the CMF);
- AFD is increasingly focused on its intellectual production, in other words, discussion, production, capitalisation and research relating to development aid and sustainable development issues;
- lastly, AFD, provides training and further education for top-level managers in the foreign countries and the French Overseas Departments and Collectivities in its area of operation *via* the Development Campus (formerly CEFEB: Centre for Financial, Economic and Banking Studies), which it founded in 1961.

Contractual targets and resources

The purpose of the contractual targets and resources (COM) agreed between the French government and AFD is to define AFD's objectives and schedule its resources. They cover all of AFD Group's activities, and set the guidelines for them, in foreign countries and the French Overseas Departments and Collectivities, while considering goals and characteristics unique to each type of intervention. It also covers the coordination of intellectual production, communication, support and advisory activities for the State and the policy for AFD partners.

1.3.2 AFD activities conducted on its own behalf

The following types of financing are available:

1.3.2.1 In foreign countries

Current activities

- **Grants.**

  Priority operations in priority poor countries financed by MEAE budget resources (Programme 209) and by the share of the Financial Transaction Tax (FTT) directly allocated to AFD in 2017 and 2018. Grants are broken down into (i) financing project aid, (ii) advance research funds or supporting projects (iii) equity investments in partnerships and facilities.
- **Loans.**
  - The non-sovereign pricing structure includes subsidised products with subsidy levels that vary primarily according to counterparty and country risk. This subsidy is funded by State budgets. The structure also includes a market-rate product that is entirely unsubsidised.
  - The sovereign pricing structure includes concessional products obtained due to direct subsidisation and/or use of RCSs from the French Treasury. The level of subsidisation varies according to country and project.
- **Guarantees.**

  Guarantee activity in foreign countries entails, on the one hand, commitments made directly by AFD to cover such operations as borrowings, issue subscriptions or cash facilities and, on the other hand, guarantee commitments through Ariz, its guarantee facility. This facility guarantees private-sector outstandings through local banks that request it. Backed by €295M of equity, Ariz is open to all of AFD's areas of operation in accordance with the geographical objectives set in its contractual targets and resources. Ariz offers two standard individual guarantee and portfolio guarantee products and additional innovative products such as a capital guarantee.

Mandate-specific operations

Global Budget Support (GBS) on the basis of the Treasury's resources (Programme 110) granted in the form of grants, primarily in the least developed countries (LDCs).

1.3.2.2 In French Overseas Departments and Collectivities

Since 2019, all the financial tools available to AFD under budget programme 123 of the Ministry for French Overseas Departments and Collectivities (grants and loan subsidies) is part of the Sustainable Trajectory supported by the Ministry, in line with the Sustainable Development Goals (SDGs).

AFD's overseas activities are mainly carried out *via* loans (subsidised and non-subsidised), grants and guarantees. They aim to contribute to the development of overseas territories and the integration of the overseas economies into their regional environment.

- **Loans.**
  - Financing public-sector investment in a spirit of partnership, especially thanks to the support given to local authorities for defining and implementing their development strategies. This activity takes the form of subsidised loans to the public sector (local authorities, EPCIs, public institutions, non-profit groups), or in the form of non-subsidised loans. AFD is today the **leading financial partner for the overseas public sector** covering almost two-thirds of its annual loan requirements (excluding social housing) and half of its debt (AFD outstanding loans to French Overseas Departments and Collectivities amounts to €6bn).
  - In addition, AFD can grant short-term loans to public authorities, in advance of European and State grants.
  - Financing of the private sector through direct lending to companies at market rates, in a spirit of complementarity with the banking sector, and consistent with the climate commitments of the AFD Group and the SDGs.
  - AFD also supports the development of microcredit institutions in the French Overseas Departments and Collectivities by contributing to their refinancing.
- **Grants.**
  - In addition to its loan activity, AFD implements consulting and support actions for the overseas public sector. The Agency thus works with public players on capacity building for their investment operations. AFD's grant activity in the French Overseas Departments and Collectivities, initiated in 2017, continued in 2022.
  - In 2022, these actions were mainly based in the French Overseas Departments and Collectivities Fund (FOM), created at the end of 2019 by the French Ministry of Overseas Departments and Collectivities and rolled out in 2020. Focused on the priorities of the overseas territories, the fund was allocated €30M in for the 2021-2022 period. The FOM's action will continue in 2023.
  - The French Ministry of Overseas Departments and Collectivities has also delegated two grant budgets to AFD: AMO (Support for Project Management) "Green Fund DOM" (€2M) for the initiation of environmental projects (climate, biodiversity) and the AMO "Structuring Investments" (€2M) for the initiation of projects in priority sectors for the regions (water, sanitation, employment, early childhood in French Guiana, etc.).
- **Guarantees.**
  - AFD also carries out a significant medium to long-term bank loan guarantee activity to small and medium businesses in the French Pacific Collectivities through Sogefom, in which it is the majority shareholder.
  - It manages the FOGAP (Guarantee Fund for Agriculture, Fisheries, Aquaculture and Forestry sectors) created in 2010 by the French State and entrusted to AFD.
  - The FGSPM (Saint-Pierre-et-Miquelon Guarantee Funds) and the Mayotte Guarantee Fund, for the General Economy section (FGM-EG), are run on a run-off basis due to the deployment of Bpifrance "guaranteed" products in these regions. AFD is responsible for its management.
- **Management or representation mandates in the French Overseas Departments and Collectivities.**
  - AFD also acted to promote the development of social housing in the French Overseas Departments through equity investments in six property companies held on its own behalf and/or that of the State. All of these equity investments were sold to CDC Habitat at the end of 2019. AFD has a stake on its own behalf in the share capital of the Société Immobilière de Nouvelle Calédonie (SIC).

1.3.2.3 Intellectual production

AFD ensures that the projects it finances integrate the development issues of the future. Through its research and development, AFD helps to construct the future sustainable development models and orientations. AFD relies on intellectual production through modelling, studies and assessments, the management of a network of experts and the publication of its research work to increase the added value of its operations. Through its experimentation processes, it also promotes research into new practices. All these activities are part of AFD's strategic and operational orientations. They are carried out in partnership with French and international research centres, with a focus on the use and promotion of expertise of Southern countries.

1.3.2.4 Promoting knowledge of sustainable development

Based in Marseille, the purpose of the Development Campus (formerly CEFEB) is to design and develop innovative educational formats, educational resources (training cycles, seminars, capsules, MOOC, etc.) and coordinate learning communities for the benefit of the categories of players who contribute to the transitions in the countries in which AFD operates. These training courses target the Group's partners in the countries of operation, the community of development players (in France or abroad) and also as part of mixed audience training courses, AFD agents at head office and in the network. Its purpose is to transfer and share knowledge and expertise required to become committed and creative change players to serve transitions.

1.3.3 AFD mandate-specific activities

AFD's bylaws provide for cases in which AFD acts on behalf of third parties. In accordance with Article R.515-12 of the CMF, AFD manages the specific operations financed by the French State's budget on the State's behalf and at its risk. The terms of these operations are set out in agreements with the appropriate ministries.

These are either (i) framework agreements governing terms for AFD's implementation of a project category, or (ii) individual temporary agreements setting terms for the implementation of a specific project. For example, the following agreements were signed:

- the framework agreements between AFD and the Ministry of Foreign Affairs dated 1 December 2000 and 9 November 2001 regarding the management of assigned funds delegated by the Ministry of Foreign Affairs to AFD;
- the agreement of 23 December 2003 related to the implementation of bilateral aid in Heavily-Indebted Poor Countries (HIPC). Refinancing through donations, particularly in the form of debt reduction-development contracts (C2D) as part of the debt relief programme for HIPCs and the conversion of monetary debts;
- the agreement of 14 May 2012 on the management of the French Global Environment Fund and the bilateral share in the Montreal Protocol Multilateral Fund;
- the agreement of 6 December 2016 on the implementation of the Trade Capacity Building Programme (TCBP);
- the agreement of 15 December 2016 related to the management by AFD of the Solidarity Fund for Development (FSD), financed by the solidarity tax on airline tickets and the Financial Transaction Tax. As a priority, FSD inflows are used to pay for multilateral aid expenses for development related to global public goods (GPGs) in the areas of health, climate and environment and in particular to fund the International Finance Facility for Immunisation (IFFIm);
- the agreement of 24 November 2017 related to the management by AFD of the loan granted to the African Development Fund (ADF) for the French representation.

Moreover, pursuant to Article 10, paragraph II of Programming Law No. 2021-1031 of 4 August 2021 on solidarity-based development and the fight against global inequalities, AFD is authorised to carry out activities on behalf of other third parties (European Union, international institutions or organisations, foreign States but also for any public authority, any credit institution, development banks or public or private institutions and generally for public or private legal entities, governed by French or foreign law). To this end, it has been entrusted with managing loans delegated by the European Commission or other financial stakeholders (the UK's DFID, the Monegasque Cooperation, etc.).

In accordance with international accounting rules, these activities are excluded from the consolidated balance sheet, they are made at the request of third parties with resources under special conditions granted by the State. AFD's compensation for this type of activity is decided on a case-by-case basis as set out by the agreement and is intended to cover AFD's costs.

1.3.4 AFD's areas of operation (see Appendix I)

The geographical areas in which AFD is authorised to operate are listed in Appendix 1, with the understanding that its operating mandate (forms of intervention, sectors, etc.) differs according to the country.

1.3.5 Information about any restrictions on the use of capital that have materially affected, or could materially affect, directly or indirectly, the issuer's operations

The restrictions on the use of capital that could materially affect the issuer's operations are limited to:

- equity investments made by AFD: these are transactions subject to State approval by an interministerial decree under the conditions set by Decree No. 53-707 of 9 August 1953 on the State's control of national companies;
- lending granted by AFD outside of its geographic scope of operations defined by Article R.515-9 of the French Monetary and Financial Code: these transactions require State authorisation under the conditions set by the aforesaid Article R.515-9 of the French Monetary and Financial Code.

1.4 Own-account activities

AFD's lending and grant activities are financed by different kinds of resources.

For its own-account activities, AFD uses three main types of financing:

Budgetary resources

- Funds for foreign country and French Overseas Departments and Collectivities loan subsidies (€243M of credit appropriations drawn in 2022) (1).
- Grants received from the State for project grant, French Overseas Departments and Collectivities and NGO activities (€863M of credit appropriations drawn in 2022 (2)).

Loans from the State (RCS)

Up to 2017 inclusive, AFD contracted loans with the State for a period of 30 years including 10 years deferred at 0.25%. Apart from the liquidity that they provide and their eligibility for Tier 2 of the regulatory capital, these resources contribute to subsidising the outstandings that justify the use of State rates: the financial advantage in comparison with market resources is thus measured and injected into operations making use of subsidies.

In 2022, AFD received €190M in RCS resources, entirely converted into equity.

Market borrowings

AFD's bond issues totalled €9,517M in the 2022 financial year.

AFD issued eight public bonds on the euro, sterling and US dollar markets for a total of €7,963M:

- $1,500M for 3 years (equivalent to €1,314M);
- £500M for 3.4 years (equivalent to €598M; maturing in June 2025);
- €750M for 15 years;
- €1,500M for 10 years in SDG bond format;
- $1,000M for 2 years (equivalent to €952M);
- €400M for 14.5 years (matching an existing issue, maturing in March 2037);
- $1,250M for 5 years (equivalent to €1,249M) in SDG bond format;
- €1,200M for 10.4 years (maturing in February 2033) in SDG bond format.

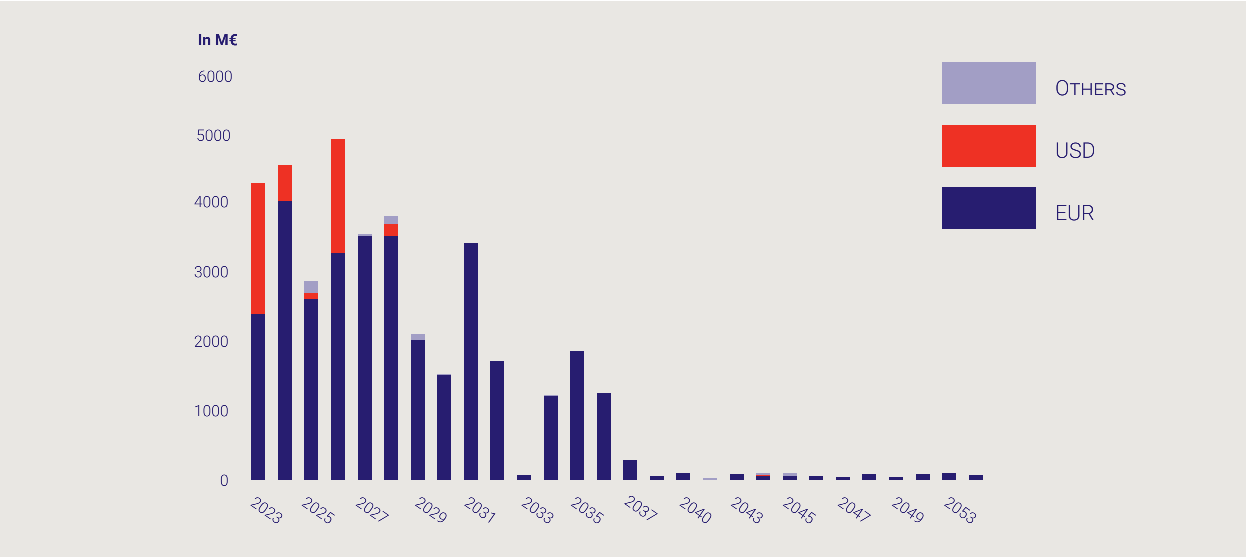
AFD has also undertaken:

- 16 tap issues without order book opening for a total of €1,467M;
- 3 private placements issued in euros, Dominican pesos and yuan for a total of €87M.

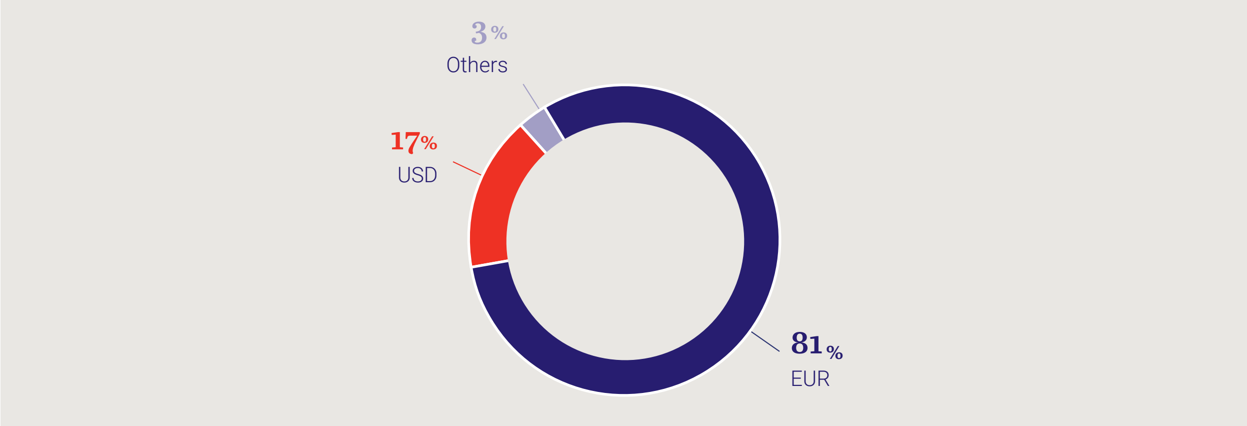
Taking into account the issues completed in 2022, the nominal stock of AFD's market debt at the end of 2022 reached a volume of €47.6bn at the corporate level and €45.3bn at the consolidated level.

1) *Excluding RCS and the exceptional contribution of €50M to the reserve account..*
2) *Subsidies excluding DGT.*

The breakdown by maturity date is as follows

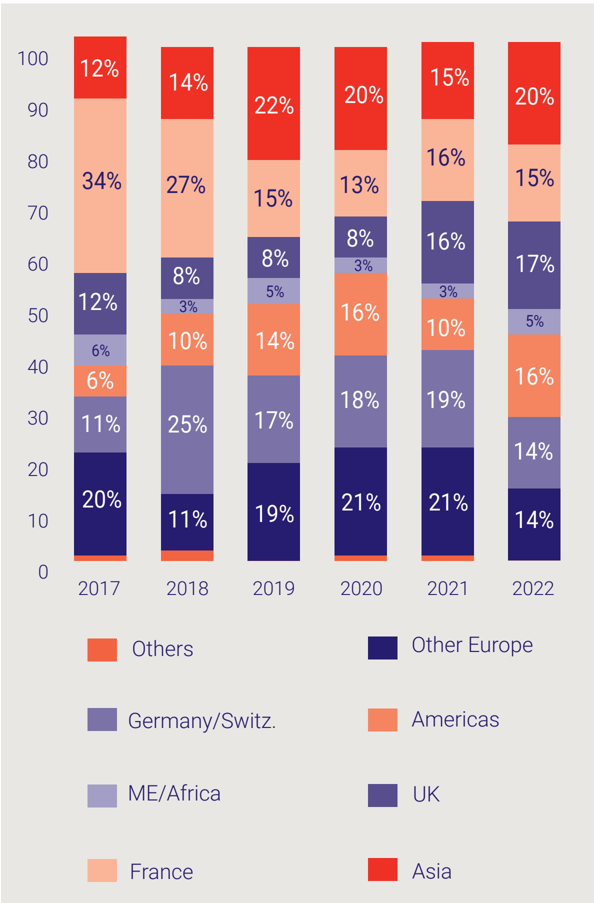


The outstanding debt stock at end-2022 is mainly denominated in euros

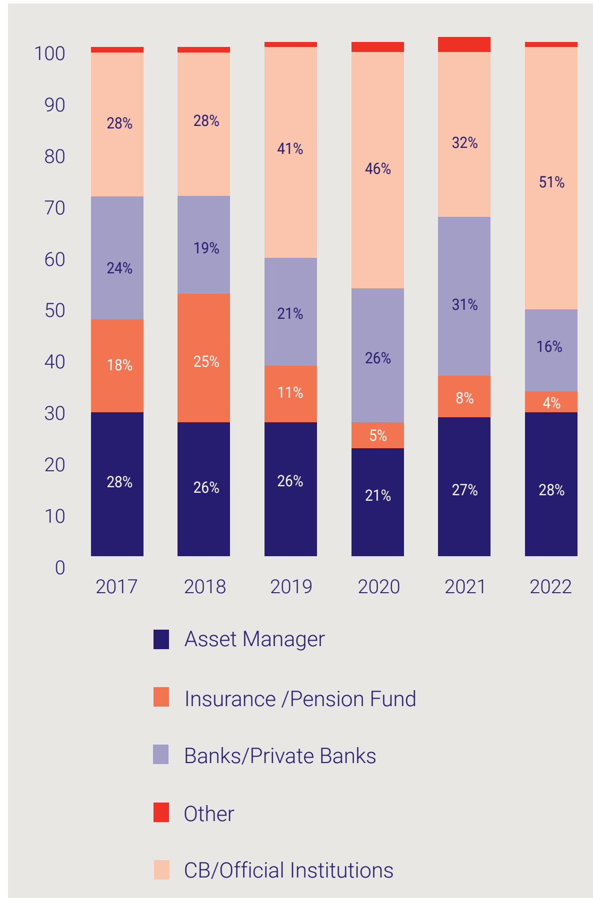


To meet its growing financing requirements, AFD ensures that it constantly maintains and expands its investor base which guarantees secure access to cash resources and competitive prices. The investor base by geographic area and type of "public" operation [1] breaks down as follows:

Geographical area



Type of operation



There has been a clear increase in the share of central banks and official institutions, due to the reduction in the average duration of our issues and the increase in USD issues, to the detriment of banks (more active in the EUR 5-7 year maturity range, in which no operations were carried out in 2022). For the other categories of investors, the breakdown is relatively stable. The share of allocations to Asia and the Americas increased slightly, in line with the increase in the participation of central banks and official institutions and our operations in USD, to the detriment of Europe.

1) *So-called "public" operations generally meet three main criteria: (i) they are publicised widely to target domestic and international investors, (ii) an order book is held to collate investor subscriptions and (iii) there is a minimum amount to meet the benchmark size (equal to or greater than €500M or $500M for fixed-rate loans).*

1.5 AFD Group

1.5.1 Scope of consolidation

As part of its mission to finance development, AFD holds equity investments in companies or organisations in the geographic areas in which it is active, *i.e.* foreign countries and the French Overseas Departments and Collectivities. The percentages of ownership and of voting rights shown below represent both direct and indirect investments.

AFD Group – Scope of consolidation at 31 December 2022

	Countries	Method [1]	Percentage of ownership 2022	Percentage of ownership 2021	Percentage of control 2022	Percentage of control 2021
France						
Mainland France						
Proparco	France	FC	79.76	78.19	79.76	78.19
Sogefom	France	FC	60.00	60.00	58.69	58.69
Fisea	France	FC	100.00	100.00	100.00	100.00
Expertise France	France	FC	100.00	-	100.00	-
French Overseas Departments and Collectivities						
Soderag	France – Guadeloupe	FC	100.00	100.00	100.00	100.00
SIC	France – New Caledonia	EQ	50.00	50.00	50.00	50.00
Socredo	France – Polynesia	EQ	35.00	35.00	35.00	35.00

FC: Full consolidation - EQ: Equity method.

AFD Group – Scope of consolidation at 31 December 2022.

Details of the consolidation scope are presented in Note 4.1 to the consolidated financial statements.

1.5.2 Information about subsidiaries

The information below (company data in accordance with French accounting standards) sets out the principal data relating to the subsidiaries which are fully consolidated into the financial statements of AFD.

Proparco (Société de promotion et de participation pour la coopération économique)

Purpose:	To promote development projects, acquire equity investments and grant loans in the regions in which AFD is mandated to operate
Legal form:	Public limited company (financial company)
Registered office:	151, rue Saint-Honoré, 75001 Paris
Share capital:	€984,373,280 (excluding issue premium)
AFD's stake:	79.76%
Other shareholders:	French credit institutions (87.99%), private investors (1.37%), international financial institutions (10.03%), ethical foundations and funds (0.60%)
Balance sheet total:	€7,692M
Net position:	€1,105M
Equity investments:	€1,474M
Gross outstanding loans:	€5,735M
Net banking income:	€160M

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Sogefom (French Overseas Guarantee Fund Management Company)

Purpose:	To provide a partial guarantee for financing operations undertaken by credit institutions operating in the French Overseas Departments and Collectivities and having subscribed to a portion of its share capital or having received approval from its Board
Legal form:	Public limited company
Registered office:	5, rue Roland-Barthes, 75012 Paris
Share capital:	€1,102,208
AFD's stake:	60% (including 1.32% through Socredo)
Other shareholders:	Nine credit institutions (40.00%) including Banque de Nouvelle-Calédonie (7.51%) and Banque de Polynésie (7.51%)
Balance sheet total:	€54M
Net position:	€10M (excluding FRBG)
Gross outstanding loans:	NS
Net banking income:	€5M (including €4M in investment grants)

Soderag (Société de développement régional Antilles-Guyane)

Purpose:	To grant loans and acquire equity investments in order to promote development in the Antilles – French Guiana region
Legal form:	Public limited company in liquidation (*société anonyme en liquidation* – SDR)
Registered office:	Fort-de-France (Martinique)
Share capital:	€5,576,859
AFD's stake:	100.00%
Other shareholders:	none
Balance sheet total:	€8.8M
Net position:	-€114.4M (excluding FRBG)
Gross outstanding loans:	NS
Net banking income:	€0.0M

Fisea (Fonds d'investissement et de soutien aux entreprises en Afrique)

Purpose:	To promote the growth of African SMEs
Legal form:	Simplified joint stock company (*société anonyme par actions simplifiée*)
Registered office:	5, rue Roland-Barthes, 75012 Paris
Share capital:	€327,000,000
AFD's stake:	100.00%
Other shareholders:	none
Balance sheet total:	€206M
Net position:	€202M
Gross outstanding loans:	NS
Equity investments:	€191M (amount net of impairments)
Net income:	-€5M

Expertise France

Purpose:	French technical assistance and public international expertise abroad on bilateral and multilateral financing.
Legal form:	Simplified joint stock company (*société anonyme par actions simplifiée*)
Registered office:	40, boulevard de Port Royal, 75005 Paris
Share capital:	€828,933
AFD's stake:	100.00%
Other shareholders:	none
Balance sheet total:	€814M
Net position:	€4M
Net income:	€2M

1.5.3 Presentation of subsidiaries

1.5.3.1 Proparco

Proparco is a development financial institution.

At the end of December 2022, Proparco's share capital stood at €984,373,280 and was distributed between AFD for 80% and private shareholders for 20% (including 8% for French financial institutions, 10% for international financial institutions, 1.4% for investors and 0.6% for ethical funds and foundations).

Proparco is Group's only player in private sector activities. Its mission is to work with the private sector to promote sustainable and inclusive growth models with a low carbon footprint in developing and emerging countries. Proparco plays a role in achieving sustainable development goals (SDGs). Its sector-focused strategy, adapted to match each country's level of development, is focused on the productive sector, banking intermediation and financial systems, infrastructure, energy, health, education and private equity. Proparco's areas of operation now include all developing countries as defined by the Organisation for Economic Co-operation and Development's (OECD's) Development Assistance Committee (DAC) and covers a geographic area extending from the major emerging countries to the poorest countries, especially in Africa; it must meet high corporate social responsibility (CSR), and impact, requirements. Proparco offers a complete range of financial instruments to meet the specific needs of private investors in developing countries: loans, quasi-equity, equity and guarantees.

1.5.3.2 Fisea

The share capital of Fisea is €327M.

Launched in 2021, Fisea+ is continuing its deployment.

Fisea+ authorised four financing projects in 2022 (excluding technical assistance) for €26M and two delegated technical assistance projects totalling €0.8M for two investment funds.

Fisea+ made seven subscriptions in 2022 totalling €48.4M, bringing the amount signed to date to approximately €92M, ahead of the pace initially planned (€210M to be invested over seven years). These projects involve five general investment funds, one financial institution and one company in the healthcare sector.

Although its investment period is over, in 2022, Fisea Historique subscribed an additional €2.3M to the capital increase of a company in its portfolio active in the production/distribution of mattresses in East Africa. Disbursements for the two vehicles amounted to €63M (compared to €40M in 2021).

1.5.3.3 Banque Socredo

Socredo (50% Country, 35% AFD and 15% BRED), a French semi-public company (*société anonyme d'économie mixte*) (law of 1946) with share capital of €184.4M, approved as a bank since 1984, is a major player in the financing of the Polynesian economy. It notably ensures a presence across the region, unlike the competing commercial banks. Its activities extend to every sector of the economy and, more particularly, to several key sectors such as housing, the marine sector and tourism. It is heavily involved in marine transport that serves distant archipelagos such as the Tuamotu Archipelago, the Marquesas and the Austral Islands, in air transport as a shareholder in carriers Air Tahiti and Air Tahiti Nui, as well as in the housing sector.

In 2019, Socredo adopted a new three-pillar strategy: (i) being a committed player in the sustainable development of Polynesia, (ii) placing innovation and digital technologies at the heart of improving customer relations and (iii) developing operational efficiency to support the bank's transformation. While the last two pillars should ensure the sustainability of Socredo's financial model through its digital transition, as well as its operational efficiency, above all, this new strategy has firmly anchored the concept of "development bank" in Socredo's DNA. It has placed the following objectives at the centre of the bank's action:

- banking inclusion, *i.e.* access to banking services for all (vulnerable individuals, non-profit groups, VSEs/SMEs), and the presence of local offices in remote archipelagos;
- taking into account the environmental and social components of projects financed, with a sustained dialogue with clients on environmental issues and 100% of files reviewed in view of sustainable development in 2023;
- supporting the Country's priorities and public policies, notably blue and green economies, and economic development and social inclusion in the archipelagos.

SOCREDO therefore differs greatly from the two competing banks on the market (Banque de Polynésie and Banque de Tahiti, subsidiaries of Société Générale and Groupe BPCE) as a result of its unique positioning in inclusive banking (in 2020, 59% of the bank's clients were part of this segment, comprising most of the relevant individuals, non-profit groups and professionals in the region) and in Green Finance. With this in mind, on 7 December 2022, it organised the first event on this theme in the Pacific Ocean, thus proving its leading role in the sector.

SOCREDO is the leading banking institution in Papeete with a 41.9% market share for all loans combined (45.9% for loans to individuals and 37.4% for loans to businesses), as well as approximately 39% of deposit collection at the end of September 2022.

In addition to its banking activities, SOCREDO has three main subsidiaries which are extensions of its operating activities: OSB (Océanienne de services bancaires, specialised in digital banking, checking and publishing), OFINA (Océanienne de financement, which sends and receives cash for American Express cardholders in the French Pacific), and OCA (Océanienne de centre d'appel, a call centre). The Bank also wholly owns OCI (Océanienne de Capital Investissement) which manages the equity investments and development interests of the "venture capital" activity. In 2016, it created OFIMMO (Océanienne de financement Immobilière), a company which is wholly-owned by OCI, with a view to preparing projects as part of the OLS-P (Social-private housing body) initiative.

At 31 December 2022, SOCREDO employed 489 people. The projected closing at the end of 2022 shows a balance sheet total of €3.04bn (compared with €3.03bn in 2021), consisting mainly of €2.16bn in customer loans (compared with €2.15bn in 2021) and €2.33bn (compared with €2.2bn) in deposits. The bank generated net banking income (NBI) of €82M and net income of €11.6M, compared with €76.7M and €10.1M respectively in 2021. All regulatory ratios are satisfactory.

In the context of the health crisis, since March 2020, Banque SOCREDO has been granting deferrals for a maximum of 6 months to its customers (companies, professionals and individuals) affected by the health crisis. Between March 2020 and the end of December 2021, €366M in equity were carried forward, of which 73% focused on five sectors: retail, transport, real estate, services and industry. SOCREDO also granted over €144M in SGLs, mainly in 2020 (30% of loan production for the year).

With 35% of SOCREDO's share capital, AFD is considered by the ACPR to be the reference banking shareholder, which implies an obligation of financial and technical support to its subsidiary. AFD is actively involved in SOCREDO's governance with three out of ten directors (with five directors from French Polynesia and two from the BRED).

SOCREDO distributed dividends to its shareholders in respect of its net income recorded at the end of 2021 of €1.8M, *i.e.* 17.8% of net income at that date.

1.5.3.4 Soderag

The Regional Development Company of the Antilles-French Guiana (Soderag) is a regional development company in which AFD took control in 1995 at the State's request. The extent of its losses and poor outlook led to the company's liquidation in July 1998. AFD took over its liabilities and is serving as the company's receiver. Outstanding cash advances by AFD to this subsidiary amount to €114M and are fully written down in AFD's parent company financial statements.

1.5.3.5 Sogefom

Sogefom (French Overseas Guarantee Fund Management Company) manages guarantee funds in the French Pacific Collectivities, providing partial guarantees for financing operations undertaken by credit institutions in this zone. In particular, its aim is to support small and very small businesses (SMEs and VSEs) in a range of economic sectors. AFD manages Sogefom within the framework of a regulated agreement.

2021 was marked by a moderate recovery in post-Covid activity (+12%) but Sogefom saw a rebound in its production in 2022 which stood at €48.2M for 760 new grants, *i.e.* +72% in terms of amount compared to 2021 (€28M), and 62% in terms of number (468 grants):

- in **New Caledonia**, after a slight increase in its production in 2021 (+5% in value), activity saw a strong increase in 2022 of 183% to reach a record level of €18.7M with 208 guarantees granted. After two consecutive years of decline in outstandings, new production this year made it possible to offset the amortisation of outstandings, which stood at €40.3M at the end of 2022, compared with €27.5M in 2021;
- in **French Polynesia**, with a record level of the number of guarantees granted (552 grants), production increased by 38% compared to that recorded in 2021 to stand at €29.5M without however returning to its pre-Covid level of €34.3M. Outstandings also reached a historic level, at €85.1M (+10%) and more than double those recorded in New Caledonia;
- in **Wallis-et-Futuna**, the fund has not changed this year with no production since 2019. Outstandings only comprise three guarantees for €0.1M.

Gross consolidated outstandings of guarantees at 31 December 2022 amounted to €125.5M, compared to €105.0M at the end of 2021. It was thus up by 20.0%.

1.5.3.6 Property companies

In connection with its operations in French Overseas Departments and Collectivities, AFD was a shareholder, alongside the State and local authorities, of six property companies, the SIDOMs.

At the end of 2015, the Government announced its intention to reorganise the shareholding of the SIDOMs by transferring its equity investments to a public operator specialising in social housing, the Société Nationale Immobilière (SNI), a wholly-owned subsidiary of the Caisse des Dépôts et Consignations. The State asked AFD to sell its own shares at the same time as the transfer.

The sale was completed on 19 December 2019 and AFD no longer holds any equity investments in the capital of Sidom (except for SIC in New Caledonia), which was sold at a price of €20.9M. As a result, as of the end of 2019, AFD's own-account equity investment in the share capital of SIC in New Caledonia was down to 50%, so the company was not included in the transaction as the State had no equity interest in this company.

SIC is a social landlord whose mission is to contribute to social cohesion and the fight against inequalities and exclusion by offering housing solutions adapted to populations with the most modest means. The company manages a portfolio of 10,700 housing units and thus houses nearly 40,000 people, *i.e.* 15% of the Caledonian population.

1.5.3.7 Expertise France

Expertise France has been included in AFD's scope since 1 January 2022.

Expertise France (EF) posted breakeven results for the second consecutive year; it has maintained the 2020-2022 trajectory of its contractual targets and resources (COM). Revenue (project execution) amounted to €341M, up 5% compared to 2021. This moderate growth in activity after the strong rebound recorded in 2021 (+37%) is the result of one-off factors (war in Ukraine, the Malian crisis) and structural factors. The trajectory of the COM provided for a stabilisation of the activity at €324M million in 2022 and a consolidation of the financial balances of AFD.

2022 was marked by a rebalancing movement between the main stakeholders funding Expertise France projects. While the European Union remains the leading provider of Expertise France with 51% of the portfolio (stable compared to 2021), the development of operations financed by French stakeholders and AFD continues. Thus, the share of the "French ministries" scope now stands at 21% (compared to 19% in 2021) and that of AFD also at 21% (compared to 18% in 2021) of the portfolio.

The limited growth in 2022 masks significant disparities depending on the topics driven by AFD. With the exception of projects related to Peace, Stability and Security, which were down compared to 2021, in particular in connection with the early end of certain projects and impacted by the Malian crisis, all topic areas saw their level of activity increase in 2022. Projects related to Health, Economic and Financial Governance and Human Capital and Social Development as well as the orders of International ETI (medium-sized company) Technical Experts were experiencing strong growth in 2022.

Expertise France's activity is largely focused on Africa and the Middle East, which in 2022 accounted for more than 65% of execution.

1.6 Activities of Agence Française de Développement Group in 2022

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1.6.1 International context

The year 2022

According to the International Monetary Fund (IMF) in its latest outlook published in January 2023 [1], global economic growth slowed more sharply than expected in 2022, to 3.4% (3.6% expected in April 2022) after a rebound of 6.2% in 2021.

Inflation, the tightening of financing conditions due to monetary policies, the war in Ukraine and the lingering effects of the Covid pandemic explain the slowdown in growth. Europe, the Caucasus and Central Asia were the most affected regions, notably *via* the price of energy.

Growth in advanced economies stood at 2.7% in 2022 (-0.6% [2] compared to April forecasts), due to the expected slowdown in the United States and the eurozone. Inflation was revised up for these countries, to 7.3% in 2022 (+ 1.8%) *vs.* 3.1% in 2021.

Similarly, growth in emerging and developing countries slowed to 3.9% in 2022 (+0.2% compared to the April 2022 estimates), far from the average of 5.5% for the 2000-2019 period and the rate of 6.6% reached in 2021. Inflation could reach 9.9% (+1.2%) *vs.* 5.9% in 2021.

US economic growth was strongly affected in 2022; it should stand at 2.0% (*vs.* 5.9% in 2021) according to the IMF. Indeed, after a technical recession in the first half of 2022, the US economy rebounded slightly in the second half and reached an annualised rate of 2%. In 2022, faced with the persistence of high inflation and the tight labour market situation, the Fed began to normalise its monetary policy by reducing its monthly net asset purchases (tapering) by $47.5bn from June to August, then $95bn since September. It also rapidly and repeatedly increased its key rates throughout the year and again in early November. Federal key rates thus increased from zero at the end of 2021 to 4.25-4.5% in December 2022. These rate hikes have resulted in a sharp appreciation of the dollar, by 13% in nominal terms relative to the average of global currencies since mid-2021.

After a dynamic first half of 2022, the EU economy entered a much more difficult phase at the end of the summer, according to the European Commission (EC). The shocks triggered by the war in Ukraine reduced global demand and increased inflationary pressures. The EU is one of the most exposed economies due to its geographical proximity and its high dependence on gas imports from Russia. The energy crisis is eroding purchasing power and weighing heavily on production. The economic climate has thus deteriorated sharply. In the end, the European Commission expects growth of 3.3% for 2022 (3.2% in the eurozone), higher than the 2.7% announced in the summer. The peak of inflation is expected to have been reached towards the end of 2022 at a level of 9.3% in the EU and 8.5% in the eurozone. In this context, the European Central Bank (ECB) began to tighten its monetary policy, however at a more gradual pace than the Fed, considering that the inflationary drivers are for the moment largely on the supply side. After four consecutive increases in four months, the rate of return on deposits stood at 2.0% on 2 November (the marginal lending facility at 2.75%) while it was still negative at -0.5% in June. Net asset purchases under the APP [3] ceased on 1 July and the rates of the refinancing programmes (TLTRO [4]) were indexed to the key rates as of 23 November. Finally, in order to prevent the risk of the eurozone breaking up as a result of monetary tightening, the ECB also announced in July the introduction of the Transmission Protection Instrument (TPI), which will aim to support any country whose sovereign financing is rendered difficult on the markets "in an unjustified and disorderly manner".

The slowdown in advanced economies and China is having a negative impact on emerging countries' exports. Also penalised by the rate tightening in the United States, and the increase in the price of certain imported raw materials (energy and food in particular), the growth of emerging and developing economies began to slow at the end of 2022. Thus, after a recovery of 6.7% in developing countries in 2021, the IMF revised its growth forecasts slightly downwards to 3.9% in 2022.

Emerging and developing Europe (including Ukraine, Moldova, the Western Balkans and Turkey), and to a lesser extent the Caucasus and Central Asia (including Armenia, Georgia, Azerbaijan, Uzbekistan and Kazakhstan), are the regions that have seen the greatest deterioration in their growth rates for 2022, due to their geographical proximity to the conflict and their dependence on trade and financial flows with Russia. According to IMF forecasts from October 2022, emerging and developing Europe (excluding Russia and Turkey) should record growth of 2.7% in 2022 after 5.7% in 2021.

1) *Unless otherwise stated, the figures cited in this section are based on the update of the Global Economic Outlook dated January 2023.*
2) *Percentage point*
3) *Asset Purchasing Program: European Central Bank Asset Purchasing Program.*
4) *Targeted Longer-Term Refinancing Operations*

Driven by internal demand and exports in 2021, Turkish growth is expected to slow significantly from 11.4% in 2021 to 5.0% in 2022 (IMF forecasts in October 2022). The macroeconomic imbalances of the Turkish economy, aggravated by a non-conventional economic policy, are nevertheless increasing. In particular, year-on-year inflation accelerated to around 85% in October, due to the depreciation of the Turkish lira and the surge in food and energy prices accentuated by the Ukrainian crisis, to which Turkey is directly exposed. At this stage, public finances remain resilient but the outcome of the June presidential election will be decisive for future stability.

In the October 2022 forecast, growth in the Caucasus and Central Asian countries is revised upwards to 3.8% (from the May forecast of 2.6%). Contrary to expectations at the beginning of the year, it was ultimately the oil-exporting countries of the region (Azerbaijan, Kazakhstan and Turkmenistan) that suffered the strongest slowdown (average growth reduced from 4.5% in 2021 to 2.6%. in 2022). Countries such as Armenia and Georgia, which are theoretically very vulnerable due to their proximity, have in fact sustained their GDP growth rate (projection of 8.2% on average in these two countries in 2022 after 8.4% in 2021). The other countries in the area (Kyrgyzstan, Tajikistan and Uzbekistan) also held up well (5.1% expected on average in 2022 *vs.* 7.3% in 2021). Indeed, in the short term, the conflict generated abundant foreign currency transfers without too much of a drag on regional exports. Inflation, however, is expected to rise to even higher than expected levels, from 9.2% in 2021 to 12.9% in 2022, driven by food and energy.

In the Middle East, the post-Covid rebound in Jordan is modest (2.4% growth in 2022 according to the forecasts from last October, after 2.2% in 2021), while tourism activity (15% of GDP) and the fertiliser market (10% of the country's goods exports) are stable. The public debt ratio remains high (at 114% of GDP in 2021) but tax revenues are increasing and according to the IMF's DSA [1] of June 2022, the debt remains sustainable even if its structure is tending to deteriorate. External balances were affected in 2022 by an increase of nearly 50% (measured in points of GDP) in energy imports and would be exposed to difficulties in the event of prolonged restricted access to the financial markets. In Lebanon, since the sovereign default of March 2020, which dried up external financing flows and after five consecutive years of recession, foreign exchange reserves have been exhausted, the Lebanese pound has sharply depreciated (the gap is now around 96% between the official rate in USD and the parallel market), the losses of the financial sector exceeded 130% of GDP, inflation rose to three figures, GDP fell by nearly 60% and multidimensional poverty affects 80% of the population. While a technical agreement was reached with the IMF in April 2022, there are many obstacles to its effective implementation. None of the preliminary measures required by the IMF have been initiated and the political situation (absence of a fully-fledged government and President of the Republic), which is *de facto* inaction, is not likely to promote the reforms expected by the international community and the population.

For emerging and developing Asia, the growth rates for 2022 were revised downwards by the IMF in October 2022, to 4.4%, a marked slowdown (7.2% in 2021). However, the region remains the most dynamic region and the slowdown is largely attributable to China and, to a lesser extent to India, high oil bills and exports closely linked to the European and American markets. The Chinese "zero-Covid" strategy weighed on domestic demand and export logistics chains. The real estate sector also experienced several defaults. Finally, the global slowdown is also weighing on demand from the Chinese export sector. In the end, the IMF lowered its growth forecasts to 3.0% for 2022 (8.4% in 2021). For the first time in 40 years, Chinese growth was below the global average. In Vietnam, little contaminated by Covid, the growth trajectory was atypical: 2.9% in 2020 and 2.6% in 2021. Supported by a late but effective vaccination campaign, a more ambitious fiscal stimulus, a substitution effect on certain Chinese exports and a monetary policy that did not need to be tightened too quickly, growth rebounded sharply in 2022 to 7% (October forecast). In India, despite a second particularly virulent wave of Covid-19 in the spring of 2021, growth is proving to be sustainably dynamic, reaching 6.8% in 2022 (8.7% in 2021). Indonesia's recovery is expected to strengthen in 2022 with growth expected at 5.3% (October forecast). In Pakistan, despite expected growth of 6.0% in 2022 (October forecasts), sovereign risk has deteriorated with a debt service that now represents more than 20% of GDP. Sovereign spreads exceeded 3,300 bps. The IMF reaffirmed its support for the country, despite the delay in reforms, and the international community should continue its support following the summer floods. However, this model does not seem sustainable in view of the growing financing needs in the coming years. After thirty years of rapid development that has led to a significant reduction in poverty, Sri Lanka is facing the most serious economic crisis in its post-independence history. While inflation reached 70% (September 2022), social indicators were largely depressed and major demonstrations led to the resignation of President Rajapaksa in July 2022. Faced with public debt that has become unsustainable, Sri Lanka defaulted in mid-April 2022. In order to compensate for these imbalances, a preliminary agreement was reached with the IMF in September 2022 on a programme, the implementation of which remains uncertain due to the political situation and limited progress on debt restructuring.

After growth of 7.0% in 2021, the Latin America and Caribbean (LAC) region should, according to the IMF, grow by 3.9% in 2022. The growth of the Brazilian economy should slow less than expected and reach 3.1% according to the IMF (above the country's potential growth of 2%). The election of President Lula is weakened by a very narrow parliamentary base, which will not make the implementation of the government's policy easy. The latter must also deal with a restrictive monetary policy which partly contributed to the decline in inflation (6.5% in October, still above the central bank's target) and made the real one of the few currencies to hold steady against the dollar in 2022. After a historic contraction in real GDP in 2020 (-8.1%) and a moderate rebound in 2021 (+4.8%), Mexican growth seems to have reached 3.1% in 2022. It remains constrained by a low investment rate and low productivity, as well as a continued restrictive monetary policy to curb inflationary pressures at their highest level since 2000. Public balances

1) *IMF debt sustainability analysis*

remain fragile but solvency and liquidity risks remain under control thanks to a favourable debt profile. Colombian growth remained dynamic in 2022 (7.6% according to October forecasts), but is expected to slow sharply in 2023 (around 2.2%). The evolution of public balances, weakened since the Covid crisis, is dependent on government measures (and internal and external reactions). External vulnerabilities remain contained in the short term, notably thanks to high foreign exchange reserves and a floating exchange rate regime. In Argentina, growth rebounded solidly in 2021 to 10.4%. It should have largely slowed down in 2022 (4% according to the October forecasts), affected by the global economy and the tightening of economic policies, linked to the very significant IMF programme signed in March ($45bn, *i.e.* the amount of previous maturities to be repaid). The IMF validated the first two reviews of the programme, highlighting the efforts made despite a deteriorated environment and non-compliance with one of the performance criteria on reserves. However, the institution reiterated the extremely risky nature of the programme. Despite inflation and political uncertainties, the rise in commodity prices should encourage investment and net exports. The more restrictive monetary policy initiated in 2022 has not yet managed to significantly reduce inflation, which still exceeds 80% year-on-year, and will weigh on growth, which could decline to 2% in 2023.

In Africa, while activity rebounded in 2021, bringing growth to 4.7%, growth is expected to slow sharply in 2022, to 3.8%, due to the global slowdown, the tightening of financial conditions and soaring inflation in a region already exhausted by a series of shocks. Rising food and energy prices are hitting the most vulnerable in the region, with food insecurity now widespread across the continent while public debt and inflation are at levels rarely seen in decades. In 2022, 19 countries in sub-Saharan Africa, out of 35 whose debt sustainability is reviewed by the IMF, are considered to be over-indebted or at high risk of being so. This context sometimes adds to internal social or security tensions that can further complicate public policies. Many African countries lost access to international debt markets this year, which, coupled with the decline in exports, could put unprecedented pressure on countries with low reserves.

In South Africa, the recovery in 2021 (+4.9%) was slowed down by the summer riots, while in 2022, real GDP growth, weighed down by electrical outages, strikes, inflation and the global economic slowdown is expected to decline to around 2.6% in 2022. After a significant deterioration in public finances during the Covid crisis, the authorities nevertheless announced a fiscal consolidation policy that could stabilise the debt ratio in the medium term at around 70% of GDP. Nigeria was unable to take full advantage of the increase in oil prices in 2022, due to lower production. According to the IMF, growth should amount to 3.0% (3.6% in 2021). As the general elections in February 2023 approach, costly fuel price subsidies and the decline in crude oil production are hampering budget consolidation, and soaring food prices increase the risk of impoverishment and weaken national cohesion. Sovereign risk remains high due to the narrowness of the tax base, the volatility of oil revenues and the heavy interest expense on the debt, even if its level (37% of GDP) and its profile (25% in foreign currencies) mitigate the solvency risk. In Angola, the return of economic growth (2.9% in 2022 after 0.8% in 2021), the appreciation of the kwanza and the maintenance of budget and current account surpluses should ease the constraints on liquidity and improve the sustainability of the public debt, projected by the IMF at 56.6% of GDP at the end of 2022 (compared to 137% of GDP at the end of 2020). However, public finances remain exposed to foreign-exchange risk and oil price volatility, while debt service is expected to increase as from 2023. Ghana, having disproportionately increased the use of debt on market conditions (local and international) without carrying out sufficient budgetary consolidation efforts, suspended, in early December 2022, the service of its public debt and requested its restructuring using the mechanism of the Common Framework set up by the G20. Negotiations are underway with the IMF to reach an agreement in the first half of 2023. In 2022, growth slowed down to 3.6% according to the estimates of October 2022 (5.4% in 2021) while inflation probably reached 30%.

Many countries, particularly in the Sahel region, face long-term security challenges and political instability. Fears about food security have increased sharply due to the rapid rise in food prices, increasing the risks of social unrest. In addition, rising inflation and limited fiscal space continue to limit policy options. Inflation is expected to remain high in sub-Saharan Africa in 2022 according to the IMF, at around 15% excluding South Africa and Nigeria. However, disparities are observed in the region and inflation should be contained at 4.5% in the CEMAC countries and at 7% in the UEMOA zone. Lastly, the Common Framework for Debt Treatments continues to face implementation delays: among the first three countries that asked to use it (Chad, Ethiopia and Zambia), only Chad obtained an agreement in principle from creditors without real restructuring (the financing gap was finally estimated to have been eliminated by the IMF).

In North Africa, which held up well to the health crisis, Egyptian growth accelerated in 2022 (+6.6%), but remains weakened by the drop in consumption (inflation at 16.2% in October), tourism and migrant remittances in the context of the war in Ukraine. The significant budgetary support required in the face of inflation has undermined the austerity of recent years and requires use of the local financial market, increasing an already high interest charge (35% of expenses). The current account deficit makes the country dependent on volatile capital flows and the significant capital outflows are weighing on the Egyptian pound, which was devalued twice in 2022. The agreement signed with the IMF should catalyse stakeholder financing. In Morocco, the Covid crisis led to a deterioration in sovereign risk (loss of investment grade in 2021). After a recession of 7.2% in 2020, the economy rebounded more than expected in 2021 (7.9%) but is expected to slow sharply in 2022 (0.8% according to October forecasts), affected by the one of the worst droughts in 30 years and the war in Ukraine. The conflict also harms the current account, which will widen again in 2022 (4.3% of GDP forecast), but the resilience of FDI (1) and the still adequate level of reserves limit the pressures on the balance of payments. Fiscal consolidation should resume in 2022, despite the measures put in place by the government to avoid social tensions. Inflation should reach 6.0% per annum at the end of 2022. In a tense social context, Tunisia adopted by referendum a new constitution strengthening the powers of President Kaïs Saïed in July 2022. The economy is only recovering with difficulties (growth projected at 2.2% in 2022 according to the October forecasts), and GDP may not return to its pre-Covid level until 2024. The maintenance of a significant budget deficit (6.6% of GDP in 2022) coupled with a significant amortisation of debt brings the need for public financing to an unprecedented level (above 15% of GDP for three years). With its coverage proving increasingly complex (reluctance of financial stakeholders, prohibitive spreads), a preliminary agreement was reached in mid-October 2022 with the IMF, which was not finally approved in December as planned, leaving the country in uncertainty about its medium-term financing.

Outlook for 2023

According to the IMF, growth forecasts for 2023 should also be revised downwards to 2.9%, while the spring forecasts anticipated growth of 3.6%. The expected slowdown will affect all countries around the world with the exception of China and Asia, which could experience a rebound following the end of the "zero-Covid" policy, without however returning to pre-Covid levels. Advanced economies, Latin America, North Africa and the Middle East will be particularly affected by the slowdown. In total, according to the IMF, 43% of countries accounting for more than a third of the global economy could experience a technical recession between 2022 and 2023 (2).

Also according to the IMF, global trade growth is expected to decline to 2.4% in 2023, despite a reduction in supply bottlenecks, but will remain subject to commodity markets and changes in interest rates. In advanced countries, growth is expected to drop sharply, from 2.7% in 2022 to 1.2% in 2023. In the United States, growth could decline to 1.4% in 2023 while it should reach a low point of 0.7% in the eurozone.

Growth in emerging and developing countries is expected to remain stable overall at around 4% in 2023, with this average rate probably masking very different situations. Indeed, according to the IMF, nearly half of emerging countries and developing countries should post lower growth in 2023 than in 2022. While growth in emerging Asia is expected to increase in 2023 and 2024 to reach 5.3% thanks to the Chinese recovery. In India, growth should moderate slightly to 6.1% in 2023. Growth in emerging Europe is expected to reach a low of 0.7% in 2022. Latin American countries are expected to record declining growth of 1.8% in 2023; growth in the Middle East and Central Asia is expected to decrease from 5.3% in 2022 to 3.2% in 2023. In sub-Saharan Africa, growth is expected to remain moderate but stable at 3.8% in 2023, given the measures taken to resolve the problems of insecurity in the Nigerian oil sector (favourable effect expected) but also the prolonged fallout from the Covid-19 pandemic and South African electricity shortages and structural constraints (adverse effect).

Around 84% of countries are expected to post a lower consumer price index in 2023 than in 2022. Global inflation is expected to decline from 8.8% (annual average) to 6.6% in 2023, but continue to exceed pre-pandemic levels (2017-19) by around 3.5%. Expected disinflation remains subject to the decline in international commodity prices, due to the decline in global demand. Monetary policies in advanced countries, developments in the Ukraine conflict and the intensity of the Chinese recovery will nevertheless be decisive factors in global inflation. Also according to the IMF, emerging and developing countries should see inflation decline from 9.9% in 2022 to 8.1% in 2023 (*vs.* 4.9% recorded in 2017-19).

1) *Foreign direct investment for FDI*
2) *A technical recession refers to the occurrence of two consecutive quarters of contraction. National and international industrial confidence indexes (PMIs) mostly crossed below the 50% threshold during the 3rd quarter, indicating the likely entry into a slowdown/contraction in activity.*

The global economic situation is also still facing uncertainties that are mainly bearish: possible mismatches and divergences in monetary policies, abrupt adjustment of markets in the event of a crisis, continuation of the war in Ukraine, Chinese recovery hampered by health difficulties and the real estate crisis, debt crises caused by the tightening of financial conditions or socio-geopolitical tensions that would hinder trade and cooperation in financial or climate matters. As an illustration, according to the IMF, the level of indebtedness of states in sub-Saharan Africa has returned to just below the 60% level reached in 2000 at the beginning of the HIPC initiative; the level of public and private debt is said to have reached 256% of world GDP, a level never before reached (it was 195% in 2007). Climate risks, which are by nature not very predictable, are taking a long-term view of downside factors.

On the other hand, the central scenario is not that of a generalised financial crisis in the emerging sector as the situations are varied, and to the extent that as certain regions still benefit from economic assets (commodities in particular) or from sufficient room to manoeuvre (particularly in Asia). The least developed countries will be the most affected, with risks of social tensions linked to inflation and the destabilisation of public finances and external accounts.

1.6.2 Information about offices and activities at 31 December 2022

Net banking income and revenue by country of fully consolidated subsidiaries and those accounted for under the equity method in AFD's financial statements

The table below presents the NBI and revenue of AFD employees of fully consolidated and equity-accounted companies.

	2022 financial year	At 31/12/2022			
	Net banking income *(in millions of euros)* (1)	**Revenue** *(in millions of euros)* (1) (2)	**Profit (loss) for the period before tax** (1)	**Public subsidies received**	**FTE headcount**
European Union member states:					
France	1,094	261	355	266	4,270
TOTAL	**1,094**	**261**	**355**	**266**	**4,270**

(1) Data from the parent company financial statements of the entities concerned.

(2) Revenue concerns non-financial companies (Expertise France and SIC).

Location of entities by country

The table below lists all Group companies, whether consolidated fully or using the equity method.

Offices by country	Activities
France	
AFD – Agence Française de Développement	Financial institution
Fisea – Fonds d'investissement et de soutien aux entreprises en Afrique	Investment fund
Proparco – Société de promotion et de participation pour la coopération économique	Financial institution
Soderag – Société de développement régional Antilles-Guyane	Guarantee fund
Sogefom – French Overseas Guarantee Fund Management Company	Guarantee fund
Expertise France – French technical assistance and public international expertise abroad on bilateral and multilateral financing	Expertise operator
New Caledonia	
SIC – Société immobilière de Nouvelle-Calédonie	Real estate company
French Polynesia	
Banque Socredo	Bank

1.6.3 AFD Group activities

The data provided herein exclude AFD's refinancing operations for Proparco.

To make the scopes more comparable, AFD's activities in foreign countries include Proparco sub-participations, *i.e.* Proparco financing guaranteed by AFD.

AFD Group 2022-2021 approvals

In millions of euros	Amount approved for 2022	Amount approved for 2021
AFD Foreign countries		
Current activities	**8,430**	**8,368**
Grants	917	894
Sovereign concessional loans	5,691	4,552
Non-sovereign concessional loans	523	1,182
Non-sovereign non-concessional loans	1,077	1,565
of which NCLs declarable in ODA	532	-
of which AFD sub-participation loans to Proparco	599	492
Funding for NGOs	139	116
Equity investments	83	60
Mandate-specific operations	**281**	**493**
GBS	60	60
C2D	180	403
FGEF (French Global Environment Facility)	41	30
Specific activities using resources from other financial stakeholders	**465**	**321**
Loans delegated by other financial stakeholders – EE	390	321
Green/Climate Fund	75	-
Total AFD Foreign countries	**9,176**	**9,182**
AFD French Overseas Departments and Collectivities		
Current activities	**1,107**	**1,095**
Loans	1,038	1,049
Public sector guarantees	10	
Private sector guarantees	49	29
Grants	11	18
Total AFD French Overseas Departments and Collectivities	**1,107**	**1,095**
Proparco Foreign countries		
Loans	1,577	1,452
of which AFD sub-participation loans to Proparco	637	494
Equity investments	36	356
Fisea	26	-
Other investments	79	127
Guarantees	274	404
Grants	11	11
Total Proparco Foreign countries	**2,284**	**2,350**
Proparco – Specific activities using resources from other financial stakeholders		
Grants	9	15
Total Proparco – Specific activities using resources from other financial stakeholders	**9**	**15**
of which sub-participations granted to Proparco	-599	-492
TOTAL GROUP APPROVALS	**11,977**	**12,150**

In 2022, AFD Group's overall activity reached €11.97bn in commitment approvals, down €0.17bn compared to 2021. This slight decrease is due to the following:

i. a small increase in approvals on the AFD scope of €6M:

- for foreign countries, approvals decreased by €6M to €9,176M for 2022. Loans were practically stable (-€7M), but with a different breakdown. Indeed, the 2022 business plan was marked by strong growth in concessional sovereign loans with €5,691M granted (+25% or +€1,139M), while non-sovereign loans were down sharply (-42%, *i.e.* -€1,146M). Subsidies and financing from NGOs increased by €46M, as did equity investments (+€23M). Loans delegated by specific activities using resources from other financial stakeholders are up sharply (+€144M, *i.e.* +45%). These increases are offset by the decrease in commitments on activities on specific mandates (-€212M, *i.e.* -43%), and more particularly by the decrease in C2D, which fell from €403M in 2021 to €180M in 2022,
- in French Overseas Departments and Collectivities, activity remained stable in 2022, with €1.11bn in commitment approvals. It was supported by the State-guaranteed loan granted to New Caledonia for €175M, in order to continue to support the territory following the Covid crisis;

ii. approvals for the Proparco scope stood at €2,293M in 2022, a decrease of €72M. The level of subsidies was stable (€11M in grants) while loan commitments increased by €124M, or 9% (€1,577M granted). However, equity investments, other securities and, above all, guarantees decreased by €40M, €48M and €130M respectively, with these three instruments representing €669M in grants in 2022;

iii. the total change in approvals decreased by €173M, of which €113M for AFD's foreign States, €72M for the Proparco scope, offset by a €12M increase in AFD approvals for the French Overseas Departments and Collectivities.

1.6.3.1 AFD, foreign States

Current activities

Loans and **guarantees** this year reached €7.82bn compared to €7.29bn in 2021.

2022 was marked by a strong increase in sovereign activity (+ €1,139M, or +25%), offset by a decrease in non-sovereign activity (-€1,146M). The latter was particularly marked for non-sovereign non-concessional loans (-€658M, *i.e.* -56%). The volume of approvals for the guarantee business is low.

Total **grant** approvals amounted to €917M at the end of 2022, a slight increase compared to 2021.

Activity on **specific mandates** was down sharply compared to the previous year: approvals amounted to €281M compared with €493M in 2021. This decrease is linked to C2D (-€223M, *i.e.* a decrease of 43%).

Activities using resources from other financial stakeholders

These activities are up, at €465M, an increase of €144M compared to 2021, but without returning to the level of 2020 (€603M). This increase is mainly due to European Union funds.

1.6.3.2 AFD, French Overseas Departments and Collectivities

In 2022, AFD continued to implement its overseas activities as part of the government's Recovery Plan, and in particular its support system for local authorities, in line with the Sustainable Development Goals (SDGs).

Commitment approval (loans, guarantees and subsidies) in the French Overseas Departments and Collectivities stabilised at **€1.11bn in 2022**. Mandate-specific operations – Sogefom and FOGAP – amounted to €48.7M, higher than the forecasts for 2022 (€35M).

A significant portion of overseas activity once again involves financing the public sector, in a context of uncertainty over the extent of the economic recovery, marked at the same time by an unprecedented rise in interest rates in the beginning of the year. Commitment approvals (loans and grants) thus amounted to €917M, close to that recorded the previous year (€918M). Loans to the overseas public sector, which account for four-fifths of own-account activities, were maintained despite the context which has exacerbated the persistent financial difficulties of local authorities. They are based in particular on subsidised loans to provide financing at preferential rates for investment projects with a strong social impact (PSP [1] B) and environmental (Green PSP) in the regions. "Green" loans, which support investments promoting the fight against climate change, resilience and the preservation of nature, thus increased by 5% in 2022, to stand at €229M.

1.6.3.3 Proparco, foreign States

Proparco approvals, signatures and disbursements in 2022 were down compared to 2021. Approvals amounted to €2.3bn, stable compared to 2021, while signatures fell (-15%) to €1.8bn. Disbursements were also down (-17%) and amounted to €1.4bn.

1) *Public sector loans*

1.6.4 AFD's activities in foreign countries

1.6.4.1 Total volume of approvals, disbursements, undisbursed balances and outstandings[1]

The change in AFD's activities over the last two years can be broken down as follows for the four types of financing:

In millions of euros	2022	2021	Variance 2022/2021 €M	Variance 2022/2021 (in %)
Loans[2]				
Approvals	7,291	7,298	-7	-0.1%
Disbursements	5,828	5,036	791	15.7%
Undisbursed balance at 31/12	23,507	22,641	866	3.8%
Outstandings at 31/12	38,373	32,637	5,736	17.6%
Grants				
Approvals	1,107	1,064	41	3.8%
Disbursements	872	832	40	4.8%
Undisbursed balance at 31/12	3,223	2,965	258	8.7%
Outstandings at 31/12	28	30	-2	-8.1%
Guarantees				
Approvals	-	-	-	n/a
Outstandings	196	137	59	42.9%
Equity investments			-	
Approvals	83	-	83	n/a
Disbursements	-	200	-200	-100.0%
TOTAL				
Approvals	8,479	8,362	117	1.4%
Disbursements	6,700	6,068	632	10.4%
Undisbursed balance at 31/12	26,731	25,606	1,125	4.4%
Outstandings at 31/12	38,596	32,804	5,792	17.7%

(1) Including sub-participations. Excluding grants on behalf of third parties and operations on behalf of the State.

(2) Information about loans does not include the status of AFD loans to Proparco.

Total approvals in foreign countries amounted to €8.48bn in 2022 compared to €8.36bn in 2021, *i.e.* a slight increase.

Total disbursements reached €6.70bn, returning to the very high level of 2020, after a decline in 2021 (€6.07bn).

This increase is driven by loans, and particularly by sovereign concessional loans.

Half of the payments made in 2022 were for projects granted in 2022 and 2021 (23% and 30% respectively), and a quarter by the grants in 2020 and 2019 (13% and 12% respectively).

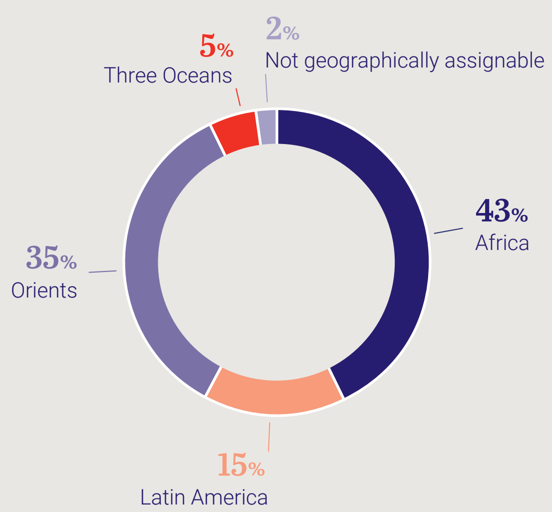
For a breakdown of approvals and disbursements by type of financing, see Appendix 6.

1.6.4.2 Geographical distribution of AFD's approvals

Approvals in 2021 and 2022, presented by beneficiary country, break down as follows:

	Loans		GBS, grants and equity investments, current activities		General	
In millions of euros	**2022**	2021	**2022**	2021	**2022**	2021
Africa	2,950	2,936	677	656	3,627	3,592
Latin America	1,259	1,323	20	22	1,279	1,345
Orients	2,803	2,918	138	127	2,941	3,045
Three Oceans	279	121	118	118	397	239
Not geographically assignable	-	-	*151*	*142*	*151*	*142*
GRAND TOTAL	**7,291**	**7,298**	**1,105**	**1,064**	**8,396**	**8,362**

Breakdown of 2022 approvals per geographic area



AFD's activity in **Africa** remained stable in 2022; the volume of commitments amounted to €3.6bn, slightly higher than the previous year.

The grants for 2022 were, as a priority, in the infrastructure and urban development, water and sanitation, education and professional training and governance sectors.

In 2022, projects with climate co-benefits reached an unprecedented share of AFD's commitments, a clear increase compared to 2021 – which was already a record year.

In line with the contractual targets and resources (COM), in 2022, Africa concentrated the grants financed with the 209 programme of the French Ministry for Europe and Foreign Affairs. Subsidies are mainly directed to Poor Priority Countries. The Greater Sahel is the main destination, ahead of East Africa and the Gulf of Guinea.

The grants finance, in order of importance, the agriculture and food security, health and governance, education and vocational training sectors.

At the New Africa France Summit in Montpellier (15 October 2022), additional resources were announced in 2021 to enable AFD to carry out its action on the African continent in the cultural and creative industries, in digital technology and sports. 2022 logically saw the realisation of this desire through numerous projects: support for LEAD Moronvia Academy sports academies (football, Liberia), Sunward Park High School Academy (football, South Africa), Serge Betsen Academy (rugby, Mali & Cameroon) and SEED Academy (basketball, Senegal), the i-DICE Programme in Nigeria (loan for investment in digital and creative businesses), heritage enhancement projects with the Abomey Museum in Benin, the Lalibela site in Ethiopia and the Great Zimbabwe project. 2022 also saw the extension of existing programmes (*Accès Culture* and *Afrique Créative* programme) without forgetting the projects led by Expertise France, Proparco and the AFD Campus (Academy of Mediterranean Talents, Digital Africa).

In addition to these priorities in 2022 – in a context marked by food inflation – support was added for the agricultural sector. One example is the DELTA programme, implemented in 13 communes in Senegal, which will contribute to the improvement of food security, sustainable economic development through agriculture, the improvement of the resilience of the territories of the Senegal River Valley and the creation of 7,000 additional jobs, thanks to the financing of hydro-agricultural developments in the River Delta.

The level of commitments reached in **Orients** amounts to €2.9bn in 2022, a slight decrease compared to 2021 (€3.0bn). This year was marked by the conflict in Ukraine, which weighed on the Orients' economies as they were barely recovering from the consequences of the Covid-19 pandemic.

Financing approved in 2022 primarily benefited Eurasia, followed by South Asia, South-East Asia, China and Middle East countries. The Russian-Ukrainian conflict weighed on the economies of the region *via* the increase in the price of energy and food and led to an influx of refugees. The conflict accelerated the process of joining the EU (Moldova, which obtained candidate status) and prompted countries in the region to turn to financial institutions to meet their financing needs. In this context, three loans were processed on behalf of the State in Ukraine and Moldova. Other countries are facing a socio-economic, political and diplomatic crisis with a particularly deteriorated situation in Lebanon and Afghanistan. Health restrictions were eased or lifted in 2022, allowing a return of missions with the exception of China, still marked by the zero-Covid policy. Lastly, 2022 also the commitment confirmed by most countries to more assertive climate and ecological policies, enabling the AFD Group to position itself in support of energy transitions and contribute to JET-P programmes (India, Indonesia and Vietnam in particular)

AFD's activity in the region mainly took the form of sovereign loans. Eight operations in six countries – Pakistan, Serbia, Bangladesh, Uzbekistan, and Indonesia – accounted for the majority of total sovereign commitments. Non-sovereign lending activity decreased in 2022 compared to the previous year. However, there was a first operation of this kind in Uzbekistan (financing of the SQB bank to support green financing). Turkey accounted for a majority of non-sovereign loans in 2022, with the first green bond issue supported by AFD.

In 2022, subsidies were used, mainly benefiting the Middle East, notably under the Minka Initiative. Funds delegated by third-party institutions were also committed in 2022.

The majority of commitments in the Orients area in 2022 have climate co-benefits, at a stable level compared to 2021. One example is the FB-PP Climate in the Philippines, co-financed with the Asian Development Bank, the first project of its kind with this partner, which is highly replicable in Asia. At the same time, commitments included objectives to reduce gender inequalities (CAD marker 1 or 2). Commitments from the Orients department are linked to biodiversity projects, including two biodiversity protection and restoration projects in China and India. Lastly, certain projects financed by AFD in the region have been co-financed with other financial stakeholders, mainly the World Bank Group, the Asian Development Bank and KfW.

In **Latin America**, the post-Covid-19 economic recovery has been interrupted by international inflationary pressures and the induced tightened financial conditions and monetary policies, while counter-cyclical fiscal policies are running out of steam. While Latin American populations have been weakened by the pandemic, the most vulnerable groups are bearing the brunt of the increase in the prices of basic products – primarily food – raising fears of a further increase in poverty.

Despite being restricted by the positioning of five of its nine countries of operation in a high or very high risk classification (Argentina and Cuba), AFD reached €1.3bn in commitments. In terms of regional distribution, the Andes regional division contributes half of the business plan, followed by the Mexico, Cuba and Costa Rica regional division, then the Brazil/Southern Cone division.

Climate and Biodiversity issues remain a strong marker for AFD in Latin America since the year 2022 ends with nearly three quarters of financing with climate co-benefits. AFD is maintaining its commitment to biodiversity with – among other things – the granting of phase 2 of the Terrindigena project, making it possible to strengthen the protection of 47 hectares of indigenous Amazonian territories.

While the threat of increased food insecurity looms, AFD's activity in agriculture, combining climate resilience and social justice, reflects its action to support sustainable development goals. RENAGRO (creation of an agricultural register in Ecuador) and coffee Chiapas (support for small producer organisations in the poorest and most vulnerable state of Mexico) are two iconic projects. In addition to projects, AFD carries out this commitment through its participation in the 7th International Congress on Rurality and Agriculture held in Mexico City in November, as part of its cooperation with the first Mexican public bank in the agricultural sector (FIRA) and the network of Latin American public banks ALIDE.

AFD has considerably strengthened its action on gender equality in Latin America, with more than half of the commitments with this objective (CAD1 and CAD2) in 2022. In particular, two public policy budgetary financings had as main objective (CAD2) the reduction of gender inequalities: one aimed at reducing the vulnerability of the Mexican population to environmental and social shocks and the other to promote the development of green employment and gender equality in Ecuador, *i.e.* in total nearly one-third of AFD's CAD2 objectives in 2022. AFD is also continuing its support for public development banks in terms of gender.

AFD's partnership approach contributes to its position as the leading bilateral donor in the region. In addition to its regional (IDB, ECLAC, CAF) and international (OECD) cooperation on its activities, the Agency contributes to the reflection on the renewal of the strategic relationship between the European Union and Latin America and to the strengthening of Team Europe. Following a high-level dialogue in April and then a technical deep dive in June, Rémy Rioux's speech at the Spanish Cooperation Seminar (AECID) at the invitation of its director Anton Leis-Garcia in September 2022 illustrates this.

Activity in the **Three Oceans** continues amidst uncertainties about the extent of the economic recovery, rising interest rates and an increasingly competitive environment. It amounts to €397M in commitments. It should be noted that the year 2022 marks the end of the commitment period of the France-Comoros Development Plan (PDFC).

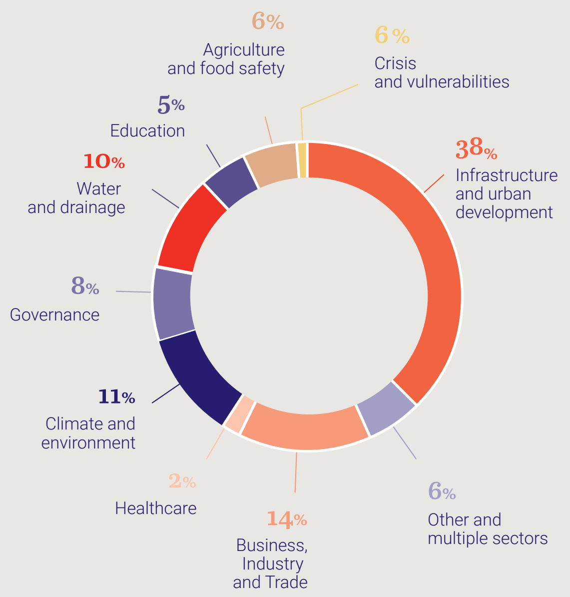
1.6.4.3 Breakdown of AFD approvals by sector of activity

The 2021 and 2022 approvals including budgetary aid, guarantees given, loans, grants and equity investments in current activities are shown as follows, by branch of activity:

In millions of euros	2022	2021	% of the 2022 total	% of the 2021 total
Agriculture and food safety	468	169	6%	2%
Climate and environment	941	799	11%	10%
Crisis and vulnerabilities	26	3	0%	0 %
Water and sanitation	832	966	10%	12%
Education	387	266	5%	3%
Governance	695	564	8%	7%
Infrastructure and urban development	3,164	2,662	38%	32%
Healthcare	164	557	2%	7%
Productive sector	1,194	1,781	14%	21%
Other and multiple sectors	526	596	6%	7%
TOTAL	**8,396**	**8,362**	**100%**	**100%**

Information about loans does not include the status of AFD loans to Proparco.

Breakdown of AFD 2022 approvals by sector of activity



1. In 2022, the **infrastructure and urban development** sectors continued to represent more than one-third of AFD's commitments in Foreign States, with a total up slightly to €3.2bn (compared to €2.7bn in 2021). These commitments cover three sectors: urban development, energy and transport.

   2022 was marked by a renewed interest in connectivity/regional integration issues, which are becoming crucial in a context of multiple crises: this is reflected in global initiatives (the European Union's Global Gateway), regional focuses (maritime connectivity in the Indo-Pacific, support for the free trade area in Africa) or very "practical" efforts to maintain alternative routes in Eurasia (the rail sector in Moldova and Georgia), despite the Ukrainian conflict.

   i. The Group's commitments to the ***"transport" sector*** as a whole are expected to reach a significant level. These volumes are dedicated to urban mobility, which is a strong marker for AFD; the remaining commitments are part of the "national connectivity" axis, with rail or road transport projects that support the development of the regions. In terms of results, the new Transport 2022 commitments should provide improved access to sustainable transport to nearly 9 million people, while reducing greenhouse gas (GHG) emissions by around 200,000 tCO2 eq/year. In 2022, AFD is chairing on behalf of France the Mobilise Your City partnership, for low-carbon urban mobility, launched in 2015.

   ii. AFD's action in the field of ***energy*** increased compared to 2021, thanks in particular to the momentum of the Just Energy Transition Partnership (JETP) which resulted in significant investments in 2022, particularly in South Africa. With a majority of investments in energy on the African continent, the year was also marked by significant results to promote access to sustainable electricity services, which will affect nearly 3 million people, particularly in Niger, Madagascar, the Democratic Republic of Congo and Senegal.
   The JETP initiative enables AFD Group's "energy" offer to continue to be structured to address the climate crisis, while also integrating issues of inequality, in particular gender and biodiversity.

   iii. In the ***urban development*** sector, all Group-wide financing for urban populations aims to improve the quality of life of more than 22 million inhabitants and users of cities.
   Two budgetary financings (compared to six last year) to the municipalities of Barranquilla in Colombia and Porto Alegre in Brazil contributed significantly to the structuring of the 2022 business plan. A number of iconic projects, such as the Youth Olympic Games project in Dakar and the urban sludge treatment project in Antalya, also marked the year 2022. "Sustainable cities and housing" expertise, an essential dimension of the AFD Group's offer in terms of green and sustainable infrastructure, is shared internally and to our partners and customers through cross-functional initiatives such as: Sustainable Housing Initiative launched in 2022.

2. In 2022, total approvals in the CICID ***Climate and Environment*** sector in Foreign States amounted to €941M compared to €799M in 2021. This amount – virtually stable – represents 11% of AFD's approvals for foreign states.

   The AFD Group adopted a new organisation in 2022 by merging the team in charge of Climate and Biodiversity issues within a single structure. This merger is a response to the interconnected nature of the major climate and biodiversity crises that are currently putting all development trajectories at risk.

   In 2022, the AFD Group carried out a volume of climate finance, part of which was related to adaptation within the scope of the UNCCC [(1)]. The targets set were exceeded due to growth in Proparco's climate activity and a few high-volume projects with strong climate co-benefits, which represent nearly €1bn in additional climate finance such as budget financing in South Africa for the fair energy transition and Uzbekistan. Many climate projects also include innovative components on adaptation (contingency loans) and/or nature (nature-based solutions), and at the interface of social issues (adaptive social protection).

   At the same time, 51 "biodiversity" projects were granted in connection with biodiversity.

   The AdaptAction and 2050 "facilities" continued to be rolled out this year. The AdaptAction programme, whose objective is to support countries in the development and implementation of adaptation strategies and a resilient development trajectory, was renewed in 2021 for a second phase refocused on 12 countries in Africa. At COP27, additional EU support (DG Near [(2)]) was announced for Mediterranean basin countries.

   In particular, the 2050 "facility" financed the development of the long-term strategies of Ethiopia, Burkina Faso and Vanuatu, which were submitted to the UNFCCC [(3)] in 2022. It has also supported modelling that supports similar work in Vietnam, Morocco, Senegal and Nigeria.

   2022 also marked methodological progress on a number of key topics: taxonomy, review of the Bilan Carbone tool, publication of the principles of alignment of financial institutions. A new accounting methodology for "Nature+" finance (formerly biodiversity finance) was tested for the first year. All of these methodological developments continue to position AFD as one of the most ambitious and best aligned development finance institutions in terms of climate, as evidenced by the assessment of AFD Group's alignment with the Paris Agreement published in November 2022.

   In addition, the AFD Group is developing new financial products to take into account the need for innovative intervention on loss & damage: contingency loans, insurance products under development *via* AFD's future participation in the Global Shield.

   AFD's re-accreditation to the Green Climate Fund was launched in 2022, after an overall positive assessment.

   Several events punctuated 2022, including the Oceans Summit (June 2022), the Adaptation Summit (September 2022), COP27 (November 2022) and COP15 (December 2022). During COP27, the AFD Group was able to highlight all of its climate action. At COP15, AFD promoted its "Nature+" approach. AFD continued to co-lead the IDFC's climate and biodiversity working groups, contributing to the Club's ambitious deliverables during the COPs: increased climate and biodiversity finance figures, partnership with the Green Fund, report on adaptation, support for an ambitious global biodiversity framework. AFD also contributed to the discussions and deliverables of the FICS [(4)] Secretariat on climate/nature issues (G20 report, FICS programme, FICS-NGFS-GFANZ link in particular).

3. In 2022, AFD granted €832M to the ***water and sanitation*** sector, *i.e.* a slight decrease compared to 2021 (€966M). The sector thus represented 10% of AFD's total approvals in 2022 compared to 12% the previous year.

   As in other sectors, 2022 will have been marked by the consequences of crises and conflicts (*e.g.* Lebanon, Burkina Faso, Mali, Sri Lanka) and by the effects of inflation, which have slowed down instructions, the awarding of contracts (in particular for infrastructure), or involved adjustments to financing plans. However, adapting to crisis situations is now part of the "water business", for example: in Burkina Faso, the Investment and Capacity Building Programme was completed and reorganised to prioritise work, carry out emergency and support actions for host and displaced populations and strengthen the operator in its crisis interventions; in Lebanon, the Ersal water and sanitation project was reorganised and partially reallocated by delegating to trusted third parties able to intervene in the new context (ICRC and UNICEF).

   The World Water Forum, held in Africa for the first time, highlighted the financing needs to achieve universal access to services and the role that public development banks can play, by enhancing the dynamic *Finance en Commun* as well as the topic-related coalition of public development banks led by AFD and the "Water Finance Coalition".

1) Scope of the Contractual Targets and Resources (Foreign States): volume of €6.7bn of which €2.1bn adaptation, i.e. 64% of climate co-benefits.
2) Directorate-General for Neighborhood and Enlargement Negotiations
3) United Nations Framework Convention on Climate Change.
4) Finance in Common Summit.

In 2022, the projects granted all had climate co-benefits, including two-thirds for adaptation. Once again this year, the sector made a strong contribution to AFD's commitments to promote biodiversity thanks to the benefits of treatment on natural environments but also through more original contributions such as the protection of watersheds or groundwater. Nearly 80% of these new grants also contribute to gender equality.

4. In 2022, approvals in relation to **governance** increased to €695M, compared to €564M in 2021.

   Activity in terms of support for governance systems remained stable compared to 2021. More than 80% of it is focused on improving the governance of public finances and more than 50% on the African continent. These operations are important as such, but also catalyse topic-related or more sectoral interventions – such as gender or climate-sensitive budgeting, whose success is dependent on the health of financial governance systems. The issues of justice and "migration and development" remain more limited in volume but nevertheless still have growth potential.

5. The **agriculture** sector represented €468M in approvals in 2022, up compared to 2021, when it totalled €169M in approvals.

   2022 was marked by a severely deteriorated food and nutritional situation, accentuated by the war in Ukraine. France's commitment to this agenda, already strong in previous years, therefore remains at a high level. This is reflected in AFD's strong involvement in a number of initiatives (FARM, Save Crops), the implementation and completion of which are part of the "Food in Common" initiative.

   In this context, AFD had a record year for agriculture, rural development and nature. However, the "climate" and adaptation portion of this financing is relatively low compared to previous years, due to significant investments in sustainable fishing and eco-ports (still poorly valued in terms of the climate) and "food security" operations (Ethiopia, ECOWAS, Kinshasa), with relatively little "climate". Similarly, the consideration of nature in the year's activity was historically low, marking overall a significant tension in 2022 between renewed ambitions in terms of food security, particularly on the African continent, and challenges related to climate and biodiversity crises.

6. The **education** sector covers youth education, training and employment. The approvals allocated to them increased from €266M in 2021 to €387M in 2022.

   In 2022, the "Education – Employment" continuum rose on the agenda, thanks to a number of international events (International Day of Education, FICS Social Investment Coalition, etc.), and also for the inclusion of education in the "just transition" dynamics and in the post-Covid response.

   In 2022, approvals were 85% on the African continent, 40% climate and with nearly 100% of grants contributing to gender equality. At the regional level, the activity in terms of education and employment, and France's political commitments in this area, draw on regional initiatives and some platforms financed by AFD: "Learning Platforms on teacher training", "educational Resources Programme", production and distribution of material and digital educational resources, "Élan programme in support of national reforms on bi- or multi-lingual education", "FAR" Network on agricultural and rural training, "PEA programme", strengthening of partnerships between African and French universities, the "ARPEJ" programme on public employment-training policies with the ILO, etc.

   AFD is a partner agent of the Global Education Programme (SME) in five countries and many opportunities for new delegations in 2023 and 2024 in countries where AFD is already a Partner Agent and in new countries: in the Democratic Republic of Congo, potentially in Chad and Madagascar, etc.

7. Approvals granted in the **health** sector fell again sharply, from €1bn in 2020 to €557M in 2021, then €164M in 2022. This sector represents 2% of total approvals in 2022.

   2022 and its level of commitments for health reflect the aftermath of two years of AFD's involvement in the response to the Covid crisis. However, this sharp shift (downward) in AFD's activity in terms of health signifies the congestion of health systems, linked to their structural underfunding. With a large part of Official Development Assistance (ODA) directed in recent years towards the purchase of pharmaceutical products. The healthcare and hospital systems are in a long trajectory of under-capitalisation both in human and infrastructure terms, in particular under the effect of climate change. This has a strong impact on the capacity to absorb new financing, particularly from AFD, in response to needs that remain very significant.

   Under these conditions, AFD with its partners – for example the Gates and Agha Khan Foundations in Pakistan – are mobilising to create a new generation of projects adapted to climate changes and the growth of inequalities: One Health institutions, the green hospital and adaptive social protection are project concepts that should emerge with our funding. Particularly in Africa, where more than 40% of health centres have either no water or no electricity, there is an urgent need to allocate grant resources to combine the training of health personnel and the refurbishment/ construction of resilient health infrastructure. In 2022, AFD therefore invested in structuring projects aimed at strengthening the capacity of health systems to face the environmental and social challenges of tomorrow: the One Health multi-country project; project to improve pharmaceutical regulation in Western and Central Africa; public policy loan in Senegal to support the reform of the pharmaceutical sector with a particular focus on improving the governance of the sector, training of human resources in health and the promotion of an environment favourable to pharmaceutical production while supporting the Institut Pasteur Foundation's industrial project in Dakar. In Mauritania: support for adaptive social protection schemes in response to the food crisis, co-financed with the World Bank, Germany and the United Kingdom, to support the implementation of adaptive social protection systems for the most vulnerable. In Georgia: support for the financing of the "Government programme for human capital for 2022-2027", co-financed with the World Bank, which will be accompanied by a technical assistance programme.

8. The **productive sector** accounted for 14% of commitments this year (€1.19bn), up sharply compared to 2021, when it represented 21% of approvals. It is back to its 2020 level.

1.6.5 AFD activities in French Overseas Departments and Collectivities

1.6.5.1 Total volume of approvals, disbursements and outstandings (loans on AFD's own behalf)

			Variance 2022/2021	
In millions of euros	**2022**	2021	€M	(in %)
Approvals (excl. guarantees)	1,059	1,067	-8	-1%
• DOM	604	594	10	2%
• French Overseas Territories	455	472	17	-4%
• Multi-country	-	1	-1	n.s.
Disbursements	937	824	113	14%
• DOM	469	405	64	16%
• French Overseas Territories	468	419	49	12%
• Multi-country	-	-	-	n.s.
Undisbursed balance at 31/12	1,034	1,122	-88	-8%
• DOM	617	561	56	10%
• French Overseas Territories	427	561	-144	-26%
Outstandings at 31/12	6,760	5,845	893	15%
• DOM	3,840	3,742	98	3%
• French Overseas Territories	2,882	2,062	820	40%
• TAAF	38	40	-2	n.s.

The French Overseas Departments and Collectivities include those in the Pacific, Saint-Pierre-et-Miquelon, Saint Martin and Saint Barthélemy collectivities.

1.6.5.2 Breakdown by region

In millions of euros	Approvals 2022	Variance 2022/2021 2021	€M	(in %)
DOM	604	594	10	2%
Guadeloupe	97	84	13	15%
French Guiana	52	50	2	4%
Martinique	108	192	-84	-44%
Mayotte	111	52	59	n.s.
La Réunion	178	208	-30	-14%
Multi-country French Overseas Departments	58	8	50	n.s.
French Overseas Territories	455	472	-18	n.s.
New Caledonia	318	118	200	n.s.
French Polynesia	125	354	-229	-65%
Saint Martin	11	-	11	n.s.
Multi-country	-	1	-	
TOTAL	**1,059**	**1,067**	**-9**	**-1%**

Approvals excl. Guarantees.

The level of commitment approvals in the French Overseas Departments and Collectivities (excluding guarantees) was €1.11bn in 2022, stable compared to 2021.

All the regions of the French Overseas Departments and Collectivities recorded an increase in approvals, with the exception of Martinique and La Réunion. The volume of commitments in New Caledonia reached an exceptional level, driven by a new loan of €175M granted to the territory at the request and with the guarantee of the State. In Polynesia, activity is in line with the average for financial years before 2020.

1.6.5.3 Loans, provisions and guarantees given on its own behalf, by product

In millions of euros	Approvals 2022	Variance 2022/2021 2021	€M	(in %)
Current activities	1,059	1,067	-8	-1%
Loans	**1,038**	**1,049**	**-11**	**-1%**
Public sector	906	900	6	1%
Subsidised loans to local authorities(1)	*365*	*391*	*-255*	*-7%*
Other loans – public sector(2)	*541*	*509*	*32*	*6%*
Private sector	132	149	-17	-11%
Banks	*92*	*50*	*42*	*84%*
Corporates	*40*	*99*	*-59*	*n.s.*
Grants	**11**	**18**	**-7**	**-39%**
Guarantees(3)	**10**	**-**	**10**	**n.s.**
Equity investments	**-**	**-**	**-**	**n.s.**

(1) Of which Green loans.
(2) Other public sector loans include ADIE and CISPM loans.
(3) The guarantees presented above do not take into account Sogefom (€48.2M in 2022) and FOGAP (€0.5M in 2022) approvals.
(4) Housing guarantee funds in the French Overseas Departments and Collectivities and in Mayotte are no longer managed by AFD.

Loans to the public sector amounted to €906M compared to €900M in 2021, including a €34M loan to ADIE [1].

AFD maintained its overseas activity in an uncertain and rising interest rate environment. Thus, out of the €906M in commitment approvals, €541M has been granted in respect of non-subsidised loans, compared to €509M in 2021. Non-subsidised loans are mainly driven by the €175M SGL granted to New Caledonia.

Subsidised loans (traditional subsidised, Green PSP) were down slightly to €365M compared to €391M in 2021 (and far from the €544M granted in 2019), impacted by the rise in interest rates which began in February 2022 and which accelerated the use of the subsidy budget. They are based in particular on loans granted under the Green Fund equivalent (Green PSP), which remain on an upward trend (+5% to €229M in 2022). This increase reflects the growing consideration of environmental issues and the fight against climate change in investments by the local public sector overseas.

Lastly, AFD is continuing to support public sector engineering, thanks to the renewal of the **French Overseas Departments and Collectivities Fund (FOM)**. Created by the Ministry of French Overseas Departments and Collectivities at the end of 2019, it provides subsidies intended to strengthen the capacities of public project managers and to support regional cooperation projects including the French Overseas Departments and Collectivities. **In 2022, 42 projects were supported, for a total of €15M in approvals,** including €11M committed at the end of 2022. The interventions of the French Overseas Departments and Collectivities Fund mainly targeted engineering support for public project management in order to facilitate the initiation of investment projects included in the Recovery Plan. AFD also continues to finance the implementation of the "technical assistance" component of the **French Overseas Departments and Collectivities Recovery Contracts (COROM)**, launched in 2021 following the report by parliamentarians Georges Patient and Jean-René Cazeneuve, to increase support for local authorities in the most difficulty. At the same time, the Agency is continuing to roll out the **"Mov'Outre-Mer" training course** to support the innovation initiatives of overseas public, private and non-profit organisations.

Private sector activity was close to 2021 results, with €132M in direct loans subject to market conditions as well as an *ad hoc* guarantee of €10M for an urban development project in La Réunion. The guarantee business also had momentum (€48.2M Sogefom and €0.5M FOGAP). This level of activity is satisfactory with projects dedicated to the energy transition, particularly in the Caribbean, and significant support for entrepreneurship and VSEs *via* support for the financial sector in the Pacific and ADIE, which rounds out the activity of Sogefom.

1.6.6 Intellectual production

1.6.6.1 Research, assessment and publication activities

In April 2019, AFD's Board of Directors adopted the research, innovation and knowledge strategy for the 2019-2022 period. It introduced two major changes to studies and research: (i) increasing the number of collaborations with local research partners in AFD Group's regions of operation, and (ii) focusing the research agenda on the following areas: French policy priorities by focusing on a few key themes: climate/biodiversity, inequalities and the social link, growth.

A first mid-term review of this strategy presented at the end of 2021 opened up improvement prospects by 2022 based on (i) deepening partnerships with local players by increasing the degree of involvement of research institutions from AFD's intervention regions and (ii) strengthening the link between research work and public policy formulation. On the first point, the launch of several calls for research proposals on nature-based solutions or climate change education, for example, have made it possible to systematically involve research teams from the Group's regions of intervention in programmes at the heart of its strategic concerns. Similarly, activities specifically targeting African research institutions around Sahelian think tanks or research programmes at the crossroads of environmental and social issues initiated within the framework of the Clermont-Ferrand International Development Cluster financed by the Group, have contributed to the deployment of an integrated capacity building offer for these actors.

On the second point, the strengthening of the link between research work and the formulation of public policies has been materialised through the methodological tools used by AFD research, such as the GEMMES and ESTEEM tools for modelling the macroeconomic impacts of climate change, the tools for diagnosing multidimensional inequalities or analysing fiscal impacts, the ESGAP or ENCA tools for assessing the issues at stake in terms of the preservation of natural capital, and the commons approach. Each of these tools is resolutely oriented towards informing public policy dialogue. At the same time, the structuring of integrated dialogue approaches continued in Colombia and Vietnam, which should join the Group of countries with which active strategic dialogue memoranda, informed by research, exist (to date, Côte d'Ivoire, Morocco, Tunisia). Dialogue on the fair transition and net-zero trajectories are also being developed in South Africa and India.

1) *Association for the Right to Economic Initiative*

AFD's research on the climate/biodiversity theme focuses on an analysis of the interactions between economic development/prosperity on the one hand, and the environment on the other, with the introduction of tools for the measurement and the quantification of these interactions. Work on financial climate risks was extended in 2022 in Colombia and Indonesia. With regard to adapting to climate change, the work focuses on small insular states and the development of weather and climate services with the aim of reducing the risk of natural disasters. In addition, a new programme aimed at modelling the nitrogen cycle with a view to an agro-ecological transition in Africa was launched. A research and knowledge programme on biodiversity aims to promote the development of a pro-nature economy based on research findings. Work on the assessment of financial risks related to biodiversity was extended as part of a pilot project in South Africa. Analyses of biodiversity scenarios made it possible to highlight public policy recommendations to improve their use before COP15 on biodiversity. The partnership with the TNFD (1) continued around the implementation of the framework developed for use by participants in the financial system. Methodological changes for the strong environmental sustainability indicator, ESGAP (2), are planned as part of studies on Colombia and South Africa. AFD continued to develop GEMMES (3) macroeconomic models, with six existing models (Brazil, Côte d'Ivoire, Colombia, Vietnam, Tunisia and Morocco) and two models under construction in India and Mexico. The ESTEEM (4) model, which analyses macro-structural vulnerabilities related to the low-carbon transition, is deployed in four countries (Uzbekistan, Bolivia, Armenia and Vietnam). It assesses the transition risk associated with the decline of the emissive sectors in terms of external revenues, budgetary revenues and income and employment.

For social cohesion/the social link and human development, work focuses on four main themes: inequalities, social protection – notably through integration into the labour market – training/employment match and demographic transition insisting on gender. This work falls within the prospect of fair transition, by studying the different aspects of sustainable structural change induced by development. The studies carried out propose recommendations on public policies. Initiatives to deepen public policy dialogue on inequalities with a fair transition approach were structured in Indonesia, Colombia, South Africa and Mexico under the Coordinated Inequalities Facility and implemented by AFD since 2017 under delegation of funds from the European Commission. Environmental inequalities and the potential role of social protection in mitigation were explored in South-East Asia. Work on the interactions between Gender and Municipalities or on ageing in Africa has been deepened and will give first results in 2023.

On the Governance, Common goods and Regions theme, AFD focuses its work on several themes: (i) the sector deployment of the common goods approach (medicine, water, oceans and biodiversity, urban and rural land, access to energy), (ii) the analysis of their economic model and relationship with States, notably in a context of fragility, (iii) the study of how public policies are made in Africa, (iv) issues of security-development, notably in the Sahel. Studies on structural changes in Africa are also being conducted: (i) trajectory of late industrialisation, (ii) integration of the pharmaceutical industry into the global value chain. In 2022, discussions were initiated on governance issues in a context of environmental and climate transition. Thus, the question of the link between the preservation of natural resources, protected areas and conflicts, as well as the obstacles to implementing adaptation plans are the subject of discussions with the academic community and should give rise to structuring research programmes from 2023.

Priority is given to work on Africa. Granted in January 2019, the "Savoirs Sahel" (Sahel knowledge) project has enabled financing for several research programmes entrusted to Sahel teams on key themes to understand the transformations and issues in the Sahel in crisis and to contribute to steering the Agency's portfolio: regional governance and local legitimacy, Arab-Islamic education, resilience of agro-pastoral systems to climate constraints, social integration of young people. These research programmes delivered their final results in 2022. The "Savoirs Sahel 2" project rolled out its first activities to reinforce the abilities of Sahelian think tanks and study local dynamics around the provision of public services. In addition, in January 2022, AFD published the third annual edition of the series on African economies, started in 2020, which was published in Repères La Découverte.

Finally, the research programme dedicated to public development banks as key players in achieving the sustainable development goals was strengthened in 2022 to feed into the discussions of the Finance In Common Summit (FICS). As an extension of the programme initiated with Peking University in 2019, the database of BPDs around the world was updated quarterly. To date, it records the financial data of 528 institutions, and maps the public policy objectives they pursue. AFD has also financed around ten research projects on the place of BPDs (5) in the international financial architecture, and their role in the financing of sustainable development. Finally, AFD has developed the "SDG Prospector", a tool using artificial intelligence to comprehensively map the way in which BPDs integrate the SDGs into their strategic narrative.

1) *Task Force on Nature-Related Financial Disclosures*
2) *Environmental Sustainability Gap*
3) *General Monetary and Multisectoral Macrodynamics for the Ecological Shift*
4) *Exposure to Structural Transition in an Economic-Ecological Model*
5) *Public Development Bank*

In 2022, AFD's research activity was also highlighted at major international events, such as the FICS 2022 in Abidjan (database of public development banks promoted by AFD and Peking University), COP27 in Sharm El Sheikh (presentation of GEMMES Vietnam reports) and COP15 in Montreal (side event on financial risks related to biodiversity). The common thread of our two biannual conferences, one on the French Overseas Departments and Collectivities and the other on international research on development, was strong sustainability. This concept, based on the non-substitutability between natural capital and other types of capital, will be at the heart of the deployment of the Group's research activities from 2023.

The ECO department continues to coordinate the secretariat of the CIFRE system, which will welcome six CIFRE scholarship holders at AFD in 2022.

In support of the Agency's operations and risk management, twelve macroeconomic analysis missions were carried out in 2022. These assessments focused primarily on (i) regions where AFD's exposure is significant or historical (India, Nigeria, South Africa, Pakistan, Uzbekistan, Cambodia), (ii) regions undergoing change or reversal (Argentina, Angola) and (iii) regions in which a macroeconomic framework is useful for establishing an AFD intervention strategy, monitoring or ramping up operations (Albania, Gabon, Congo, Democratic Republic of Congo).

Assessments

AFD conducts assessments of the projects and programmes it finances and also produces extensive evaluations of its sectoral or cross-sector strategies (set out in its intervention frameworks), on specific topics, countries and/or funding instruments. It also conducts joint assessments with the other departments responsible for evaluating France's development assistance programmes, at the Ministry of Europe and Foreign Affairs (MEAE) and the Ministry of Economy and Finance (MEF). All extensive and joint assessments lead to a publication, while only the performance summaries for the evaluations of projects/programmes are published on the AFD website and the French cooperation open data site. In 2022, AFD evaluated 62 projects through 40 assessments.

Publications

In 2022, 104 research and assessment publications were published by Éditions AFD (compared to 148 in 2020, the historical high). The annual average number of publications since 2017 has been 101 publications. Over 1,100 downloadable titles are available in the Éditions AFD catalogue. Since 1 January 2021, new publications are released under a Creative Commons license.

These publications are disseminated externally *via* the AFD website and *via* two specialised research tools, Ideas/Repec and Google Scholar. Part of the catalogue is now also available on the Cairn and Cairn International portals.

The promotion of publications is based on several channels, in particular the dedicated newsletter "Études et savoirs" (which has 28,846 subscribers for the French-language version and 7,560 subscribers for the English-language version), the use of various formats (videos and motion design, computer graphics, etc.) as well as the organisation of events around publications. Presence on social networks is also active and was strengthened with the launch of the Éditions AFD reports in July 2022.

1.6.6.2 The AFD campus

2022 was marked by support for the creation and deployment of the **Innovation for Democracy Foundation**, the first proposal in the report submitted by Achille Mbembe to President Macron in October 2021. Through the creation of innovative tools and programmes, the aim is to encourage the emergence of African democratic thinking and support for endogenous models, to help disseminate and share them, and to support the strengthening of a democratic culture through empowerment.

In 2022, the Campus continued to roll out its iconic and innovative courses, highlighting the acquisition of key skills to contribute to transitions, through new educational approaches. It is worth highlighting the **Sahélien.nes 2040** project, which uses a transmission/transformation methodology of positive foresight to help a cohort of men and women form Sahel to think about a desirable future for their region and to propose the first steps to make it come to life. The project was recognised at the last France-Africa Summit in Montpellier, on the one hand as being the "backer" of two start-ups invited to a meeting with the President of the Republic, and on the other as inspiring the methodology that made it possible to support the "start-ups" in their participation in this summit. It is also worth mentioning the **Mouv'Outre-mer** programme which, by using design thinking and prototyping, mobilises committed players in the French Overseas Departments and Collectivities around concrete projects aimed at achieving the SDGs. Several older campus projects also confirmed their relevance: the **Play** project, of course, which continues to be rolled out internally, externally and among aid operators; the **SIBC** project, which supports a cohort of around 40 impact entrepreneurs as they scale up; the **Lead Campus** and **Young Leaders** projects, which offer high-potential African people the keys to developing their leadership and their ability to manage their business, and develop a network young African and French talent. Lastly, **MoDEV**, a professional master's programme in project management and the issues of sustainable development, supported in 2022 a new generation of 40 Master's students in Clermont, Marseille and remotely.

The activity of supporting and leading communities of change agents is still a key component of the training offer. In 2022, the Campus coordinated around ten learning communities bringing together players from various horizons involved in transitions. In particular, with EGI, the Campus is working on the design and management of a platform to bring together and support the players involved in the modernisation of the energy sector in our countries of operation, as part of the Digital Energy Facility.

In 2022, new courses were also introduced. This is the case of the **Urban Prospective Lab** training-action course, in conjunction with the Ateliers de Cergy and the Institut des Futurs souhaitables, which aims to help those involved in urban planning to understand the issues and identify solutions through new shared narratives and visions for the development of intermediate cities in Africa. To enable players in African intermediate cities to network. The **Transform'Action** pilot project, launched in the summer of 2021, will enable managers of public organisations in Senegal and Niger to develop innovative managerial practices and to become transformation facilitators within their organisations. The **BiPP** (Biodiversity Partner Programme) course, launched in June 2021, allowed 15 entrepreneurs and intra-preneurs, from eight southern African countries, to discover deep ecology, accelerate their pro-nature projects and anchor their leadership positions. Finally, this is the case of the "**Academy of Mediterranean Talents**" pilot project, officially announced on 7 February 2022 by Emmanuel Macron at the opening ceremony of the Mediterranean Worlds Forum in Marseille, which proposes a change of perspective between the two shores, by Mediterranean youth, to establish common ground and transform these societies through unifying projects anchored in their regions.

In 2022, the Campus continued to enhance its production of online educational resources. Around thirty new educational resources were promoted each month on **e-Campus**, AFD Group's online educational resources portal. Season 4 of the "**News of Tomorrow**" series was uploaded in July, addressing a collection of inspiring new personalities committed to major transitions, and inviting people to search, think, transmit, produce or live differently. **Three new MOOCs** were also launched in 2022: on gender, in partnership with Expertise France, on the governance of public companies, in partnership with the OECD, on sustainability issues to work together to build solutions for a sustainable world in partnership with the Learning Planet Institute. Lastly, a number of educational vignettes on climate change were designed and produced by the Campus, addressing various themes such as mitigation, adaptation, carbon footprint assessments, biodiversity-climate convergence, financial climate risks or low-carbon trajectories.

2022 also saw the launch of new instructions, to prepare the innovative training courses of tomorrow. These include, for example, the appraisal of the project for a training course on PPP, the appraisal of a scaling-up project of the Transform'Action pilot, and the appraisal of a project for the geographical extension of the BiPP project to the Indo-Burmese biodiversity hotspot. Lastly, we can mention the New Understanding of the World course, with the École Normale Supérieure, which is an unprecedented transnational training course between Europe and Africa, based on sharing the fundamental challenges of the 21st century and co-construction of new ways of thinking, understanding and responding to these vital issues.

In 2022, the Campus consolidated its positioning as a Campus **for the Group**, by managing training courses on behalf of Expertise France and Proparco, with a particular contribution from the Campus on the themes of community management, skills in the 21st century and the multidisciplinary approach.

The Campus continued to reinforce its positioning as a platform, multiplying **structuring partnerships** for the deployment of its training actions. New partnerships were set up in 2022, such as partnerships with the Ateliers de Cergy, Cynthia Fleury, the École Normale Supérieure and Radio Grenouille. The partnership with the Mohammed VI University in Morocco was strengthened following the setting up of a new training course (certificate on ecological transition with Ferdi). The partnership with the University of Havana continued for the launch of a Master's degree. The partnership with AVITEM continued and was evidenced in 2022 with the organisation of two seminars in Morocco and Marseille.

1.6.7 Proparco's activity

2022 focused on four priority operational objectives in accordance with Proparco's strategy for 2020-2022: Africa, fragile countries, the climate and French interests.

Proparco is the only private sector player of AFD Group, as the amended Finance Law of 30 July 2020 established the possibility for AFD to use its subsidiary Proparco to provide certain services (quasi-public).

Proparco's 2022 approvals amounted to €2,288M, broken down as follows:

- equity investments of €334M (€274M in 2021);
- guarantees of €274M (€407M in 2021);
- grants of €15M (€22M in 2021);
- transactions on loans, quasi-equity and other securities of €1,665M (€1,589M in 2021) which break down as follows:
  - loans: €1 586M:
    - of which subsidised loans: €101M (€62M in 2021),
    - of which loans backed by State grants: €9M (€4M in 2021),
    - of which AFD sub-participation loans representing €629M of these transactions in 2022 (€443M in 2021);
  - other securities: €79M (€127M in 2021).

For 2022, Africa is still at the heart of Proparco's regional mandate. Approvals on the African continent reached €1,024M, *i.e.* 45% of approvals; Latin America & the Caribbean represented €449M, Asia €396M, the Middle East €214M and Europe €10M. €195M has been approved for projects which impact several countries.

Proparco devoted 45% of its activity to projects aimed at combating climate change.

	Loans		Equity investments		Other investments		Guarantees		Grant		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Africa	588	684	160	149	33	21	233	356	10	7	1,024	1,218
LAC	370	356	29	74	46	-	5	23	-	-	449	453
Asia	340	242	46	29	-	106	8	10	2	-	396	387
Europe	-	-	-	-	-	-	10	4	-	-	10	4
Med	56	53	-	-	-	-	18	13	-	12	74	77
Middle East	140	125	-	-	-	-	-	-	-	1	140	126
Multi-country	92	-	100	22	-	-	-	-	3	2	195	25
TOTAL	**1,586**	**1,462**	**334**	**274**	**79**	**127**	**274**	**407**	**15**	**22**	**2,288**	**2,290**

For 2022, 41 countries (excluding multi-country) were included in loan approval decisions, among which the largest were Brazil (€160M), Kenya (€140M), Turkey (€45M) and Tanzania (€91M).

The sectoral breakdown of loan approvals is very varied and marked by the predominance of the "financial institutions" sector with €1,036M, *i.e.* 65% of loan approvals, followed by the "infrastructure" sector with €369M, *i.e.* 23% of total approvals.

The "companies" sector, for its part, amounted to €181M, or 11% of loan approvals.

In the equity investment activity, 30% of approvals relate to direct investments, with a predominance of the tourism sector, followed by the health and renewable energy sectors, while 70% were investment funds.

2
CHAPTER

Statement of Non-Financial Performance

Background

Agence Française de Développement (AFD) Group finances and supports transitions in all the regions where it works towards a fairer and more sustainable world. It implements the priorities defined by the government in the field of development policy, in accordance with France's international commitments, within the reference framework set by the 2030 Agenda for Sustainable Development [1] and by the Paris Agreement. The Programming Law No. 2021-1031 of 4 August 2021 on solidarity-based development and the fight against global inequalities sets out these major goals and enacts the integration of Expertise France (EF), the interministerial agency for international technical cooperation, within AFD Group at 1 January 2022. The arrival of this new subsidiary, alongside AFD and Proparco, resulted in the search for more integrated operations in 2022. In the area of transactions with our customers and partners, work was initiated to develop the first joint offers and improve the collaboration between the three entities according to the regions. With regard to internal operations, the integration of Expertise France was an opportunity to define "Group sectors" made up of teams working in the same areas within each of the three entities. Their objective is to promote dialogue and share know-how. For example, in terms of financial management, common standards have been adopted concerning the closing of accounting periods, professional training for pooled offers, and purchases of common framework agreements. Lastly, to ensure good governance of the Group's operations, a Group Executive Committee has been created bringing together the Executive Management of the three entities.

This momentum continues in 2023, for example in the field with the development of four regional pilots aimed at creating a "joint network" or by a system to steer operational activity at Group level.

In 2022, in terms of operations, AFD maintained the course of its mandate and strategy. Africa remains the Group's primary region of intervention in 2022 with around 42.5% of AFD's commitments. Subsidies are mainly directed to priority countries (66%).

2022 saw the implementation of the "100% Committed to the Social Link" strategy, adopted in 2021. The objectives in terms of contribution to gender equality (SDG 5) were achieved and exceeded in 2022, with 62% of the overall volume of approvals contributing to the fight against gender inequalities [2]. The year also saw the ramp-up of actions in the fields of sport and cultural and creative industries (CCI) to mobilise young people around the challenges of the SDGs.

Climate financing in 2022 amounted to €6.9bn in foreign countries and the French Overseas Departments and Collectivities, *i.e.* 61% of commitments. In Foreign States, AFD Group approved 251 climate projects, for a total amount of €6.6bn in financing, *i.e.* 65% of commitments. The Group therefore exceeded the 50% target set in 2012 and renewed in its Climate and Development strategy.

In terms of significant strategic progress, AFD has become one of the first development banks to jointly address climate and nature, aligning itself with the new Global Biodiversity Framework, as it has with the Paris Agreement. In April 2022, the treatment of the Climate and Nature themes was grouped within the same team, reflecting the interdependent nature of climate and biodiversity crises, and the need for common solutions to ensure sustainable development trajectories. Biodiversity or positive finance for nature amounted to €713M in 2022. This is a significant increase of over 21% compared to 2021 (€589M), in line with the growth trajectory necessary to achieve the €1bn target for 2025. AFD is developing an innovative approach to integrate biodiversity into its operations *via* a "Nature+" approach, equipping itself to take into account nature risks at project and portfolio level, and coordinates the network of public development banks of the Taskforce for Nature-related Financial Disclosure (TNFD).

Furthermore, AFD has issued thematic bonds since 2014, and in 2020 it renewed its framework to extend it to the Sustainable Development Goals (SDGs), thus reflecting the Group's strategy. In 2022, AFD Group achieved €4.5bn in sustainable issues (47% of its refinancing programme). In 2021, the issue of two thematic bonds made it possible to achieve almost half of the year's refinancing through a sustainable format.

Lastly, AFD Group continued to open up partnerships with its bilateral and multilateral partners , as well as its commitment to the global coalition of public development banks during the third Finance in Common Summit, organised in partnership with the African Development Bank and the European Investment Bank, in Abidjan, Côte d'Ivoire from 18 to 20 October 2022. During this summit, more than 520 public development banks from around the world, brought together for the occasion, highlighted the weight of public development banks in the international financial architecture and committed to strengthening their alignment with the Paris Agreement to catalyse public and private financial flows in favour of the climate and the SDGs.

1) *Adopted on 25 September 2015 by the Heads of State and Government at the United Nations Special Summit on Sustainable Development, the 2030 Agenda sets 17 Sustainable Development Goals (SDGs) broken down into 169 targets to meet the challenges of globalisation based on the three components - environmental, social and economic - of sustainable development.*

2) *Projects/programmes marked as "Significant objective" or "Main objective" (values 1 or 2) are considered by the DAC as aid directed towards gender equality.*

AFD Group's corporate social responsibility (CSR) in 2022

AFD Group is committed to adopting best practices in its business lines. For more than fifteen years, its approach to corporate social responsibility has enabled it to comply with the social, environmental and ethical requirements, respect for human rights, the fight against corruption, transparency, and beyond that, to structure its practices, thus positioning itself among the players with the highest ratings by non-financial rating agencies. The alignment between the Group's missions, its corporate social responsibility policy and the pursuit of excellence in terms of non-financial performance was once again recognised in 2021 (the last year in which AFD was assessed): with a score of 73/100, AFD ranked first in its peer group (Specific purpose banks and agencies in Europe) by V.E./ Moody's ESG (formerly Vigeo Eiris), one of the main European non-financial rating agencies. In addition, AFD obtained an AAA rating in the last MSCI rating report, in July 2021 (compared to an A rating in December 2019).

AFD Group's current CSR policy covers the 2018-2022 period and all of the Group's sustainable development issues, whether they relate to the projects financed or its internal operations. This policy aims to support the implementation of the Group's Strategic Orientation Plan (SOP) reinforce the consistency between its missions and the quality of its interventions, as well as cohesion within the teams. It is based on six commitments:

Incorporating sustainable development issues into operations
Governance and appropriation of the corporate social responsibility approach
Transparency and dialogue with stakeholders
Professional ethics and financial leadership
Socially responsible and fair management of employees
Control of the direct environmental and societal footprint

AFD Group's corporate social responsibility approach is led by a team attached to the department in charge of strategy. This is supported by a network of CSR referent persons within the departments responsible for implementing the various areas of the corporate social responsibility policy, namely a representative of the environmental and social support, strategy, risks, human resources, general secretariat, finance and assessment teams, the corporate project as well as Proparco. Expertise France has also been represented there since 2022. This network is thus involved in managing the social responsibility approach (in particular the co-construction and implementation of the annual action plan), its accountability, as well as communication and staff awareness-raising actions.

In addition, at both AFD and Proparco, expert teams provide cross-functional support to integrate sustainable development into operations, on topics such as climate, gender, environmental and social risk management, intervention in countries in crisis and conflicts, capacity building of customers and partners, or as part of the analysis of the contribution to the sustainable development of projects.

To deepen sustainable development in operations, AFD has updated its exclusion list, which is being gradually applied fromin 2022 for new projects. This new list specifies and reinforces the Group's red lines of intervention, in particular in terms of climate, biodiversity preservation and the protection of human rights. In 2022, the Group also continued to take into account environmental and social risks throughout the project cycle, and continued awareness-raising and training actions for AFD and Proparco employees in sustainable development, as well as human rights and the rights-based approach.

Internally, AFD carried out major projects in 2022. For example, the ethics system has been supplemented with the creation of an Ethics Board, which makes it possible to strengthen spaces for internal dialogue and questioning at Group level. In terms of human resources, AFD has established, following two Afnor labels in 2021 - professional equality and diversity - an initial mapping of discrimination risks. In addition, AFD Group is continuing its action in the fight against inequalities through the signature in June 2022 of an LGBT+ commitment charter, supported by the non-profit group L'Autre Cercle. This charter aims to ensure the inclusion of LGBT+ people in their professional environment.

Preparation of the Statement of Non-Financial Performance

The publication of non-financial information as part of the Statement of Non-Financial Performance (SNFP) results from the transposition into French law [1] of European Directive 2014/95/EU, known as the Non-Financial Reporting Directive (NFRD).

AFD, both an EPIC (industrial and commercial public undertaking) and a financing company, whose securities are admitted to trading on a regulated market, follows an exemplary approach and has published a Statement of Non-Financial Performance since the 2018 financial year, the

1) *Order No. 2017-1180 of 19 July 2017 on the publication of non-financial information by certain large companies and groups of companies and Decree No. 2017-1265 of 9 August 2017 issued for the application of said order.*

content of which complies with legal and regulatory requirements. For the first time, this edition of the SNFP includes the new entity, Expertise France, within AFD Group's scope.

This statement provides information on how the Group monitors the social and environmental consequences of its activity and the effects of this activity on human rights and the fight against corruption and tax avoidance. It thus includes:

- its business model;
- the main risks related to the Group's activity including, where relevant and proportionate, risks created by its business relations, products or services;
- the policies and action plans rolled out to manage these risks;
- results, including key performance indicators.

The methodology used is described in the methodological note (see Appendix 9 below), while the actual statement is presented below.

2.1 The business model

AFD's business model is detailed in Chapter 1.

2.2 Identification of the main issues and non-financial risks

As provided for by the regulations (see above), the SNFP focuses on AFD Group's main non-financial risks and issues.

The non-financial issues deemed to be the most relevant for AFD Group were identified and ranked through a materiality analysis. This analysis aims to offer a view of the most important issues for the organisation, in order to select the most relevant information for its corporate and social responsibility report based on its activities, its own objectives, and the expectations of its external and internal stakeholders.

AFD Group conducted a first materiality analysis in 2015 based on the issues predefined by the GRI (Global Reporting Initiative), updated for the first time in 2017 and again in 2022, based on a documentary analysis and ten qualitative interviews with representatives of the Group's main stakeholders, extended to include Expertise France. On this occasion, the mapping of the Group's stakeholders in the extended Group format was also reviewed [(1)]. This work resulted in a revised list of 19 material issues, validated by Executive Management [(2)].

These issues were then prioritised by internal and external stakeholders [(3)], in order to obtain the updated materiality matrix shown in Appendix 10.

Following the review of the priority issues, the Strategy Department (in charge of the corporate social responsibility approach) cross-referenced these new issues with the risks identified in the 2021 SNFP, as well as with the various risk mapping tools, in collaboration with the Risk Department.

This review made it possible to target the main non-financial risks presented in the SNFP and to refine their cross-referencing with the non-financial issues, to produce the list of issues associated with these risks on which this SNFP is based.

In order to begin to anticipate the future regulatory changes brought by the Corporate Sustainability Reporting Directive (CSRD), the risks are presented in a format that explains the dual materiality of each issue. The table below therefore describes not only the risks that deteriorated ESG factors (environmental, social, governance) represent for the Group, but also the impact of the Group's activities on these ESG factors.

1) See the AFD Group stakeholder mapping, updated in 2022, in Appendix 10.
2) See the AFD Group materiality matrix, updated in 2022, in Appendix 10.
3) For the rating of the issues, 192 people (including 118 external) responded to a dedicated questionnaire, representing all the stakeholder groups identified.

PRIORITY ISSUES	POTENTIAL RISKS INCURRED (FINANCIAL MATERIALITY)	POTENTIAL RISKS GENERATED (IMPACT MATERIALITY)
GOVERNANCE		
Ethics and financial exemplarity	• Risk of non-compliance with procedures concerning fraud, anti-money laundering and the financing of terrorism • Risk of wrongdoing by an employee, a partner, a counterparty	• Risk of aid embezzlement, corruption and fraud
Transparency of funding and accountability on impacts	• Risk of weakening access to sustainable finance flows	• Risk of difficulty for financing beneficiaries and clients in scheduling their operations within known and controlled deadlines • Reputational risk linked to misalignment between funded projects and strategic axes defined by the SDGs and the Paris Agreement
Group cohesion	• Risk of inconsistency in entities' CSR practices	• Risk of inefficiency and loss of effectiveness
Client and stakeholder satisfaction	• Risk of weakening the Group's attractiveness and image	• Risk of mismatch between stakeholder expectations and needs and Group services
Multi-stakeholder mobilization for the Sustainable Development Goals (SDGs)	• Risk of non-coordination with other actors (international and European donors, civil society organisations) on funded projects	
Digital responsibility	• Risk of cyber attack, breach of IT security	• Risk of disclosure of confidential customer and partner data and personal data
ENVIRONMENT		
Internal environmental footprint	• Reputational risk due to lack of consistency between internal practices and external commitments	
Respect of planetary boundaries	• Risk of failing to meet sustainable finance standards • Financial climate risk and financial risk related to biodiversity	• Risk of mismatch between funded projects and the strategic axes defined by the SDGs and the Paris Agreement
SOCIAL		
Health, security and safety of employees	• Risk of serious physical harm to an employee as a result of a malicious act • Risk of non-observance of health and safety regulations by employees	
Employees' quality of life at work		• Psychosocial risks and stress
Social relations within the Group	• Risk of malfunction or lack of internal dialogue about social issues • Risk of deterioration of the social climate, and social movements	• Risk of malfunction or lack of internal dialogue on social issues • Risks related to employment practices and psychosocial risks
Employees' skills development	• Risk of loss in collective efficiency • Risk of non-compliance with staff training obligations and failure to anticipate training issues	• Risk of loss of collective efficiency
Internal social and societal footprint	• Reputational risk due to lack of consistency between internal practices and external commitments	
Professional equity, diversity and equality	• Risk of non-compliance with regulations	
Reinforcement of institutions and civic participation		• Risk of mismatch between the proposed financing and the reality of the intervention
Strengthening of social link	• Reputational risk linked to a negative impact of projects on populations or the environment	• Risk of mismatch between the proposed financing and the reality of the intervention
ENVIRONMENT AND SOCIAL		
Deepening sustainable development in AFD Group's operations		• Risk of misalignment between funded projects and the strategic axes defined by the SDGs and the Paris Agreement
Engaging of clients and counterparties towards Sustainable Development Goals (SDGs)	• Risk of non-compliance with procedures and contractual clauses by clients and partners	• Risk of mismatch between stakeholder expectations and needs and Group services
Environmental and social risks in projects	• Reputational risk linked to a negative impact of projects on populations or the environment • Risk of non-compliance with AFD's obligations in terms of impact analysis and environmental and social standards • Risk of non-compliance with environmental and social grievance management procedures	• Risk of negative impact of projects on populations or the environment

2.3 Managing the risks and impacts of our action

AFD Group incorporates corporate social responsibility into its governance system and its activities. As such, it takes measures to assess and manage the environmental and social risks (E&S) of the operations it funds. It implements procedures to identify, prevent or mitigate environmental and social damage, including any human rights violations that may arise from these activities. Environmental and social risk management takes place at each stage of the project cycle, from identification to financing approval, to monitoring and *ex-post* evaluation.

This approach is supplemented by the existence of two grievance mechanisms for handling environmental and social complaints, respectively for AFD and Proparco (see below), which help to manage operational risk. These systems make it possible to explore remediation when it has not been possible to avoid, reduce or compensate for negative or unexpected environmental and social impacts through of the provisions of the E&S management plans for projects funded by AFD or by Proparco. These mechanisms help to strengthen the AFD's transparency and accountability practices, drawing on the experience of other financial stakeholders, thanks to exchanges within the IAMnet international network (Independent Accountability Mechanism Network).

2.3.1 AFD's management of environmental and social risks, and the procedure for managing complaints

2.3.1.1 AFD's management of environmental and social risks

AFD has adopted an environmental and social (E&S) risk management policy for the operations it finances (1). This policy defines the framework and guiding principles applicable to E&S risk management. AFD also has a procedural corpus enabling it to roll out this policy operationally.

The E&S risk management policy implemented under development operations financed by AFD is an ongoing, differentiated and proportionate process:

- it is ongoing because various actions must be carried out at every stage of the project cycle (identification, feasibility, *ex-ante* appraisal, decision-making, contracting, supervision and *ex-post* appraisal) and these actions form part of a continuum;
- moreover, it is differentiated and proportionate because the nature and scope of the actions to be implemented under the process are adapted to the level of the E&S risks to be managed.

This proportionality principle is rolled out at the different stages of the project cycle and concerns in particular the choice of the applicable E&S regulatory framework (national regulations, international World Bank standards), the nature and scope of negative E&S impacts to be produced by the recipients of AFD financing, the level of involvement of AFD's Environmental and Social Support Division, and the robustness of the E&S monitoring system.

In order to determine *ex-ante* the resources to be mobilised in this context, by AFD and by the beneficiaries of the financing, classification of the E&S risks of the operations is thus carried out by distinguishing four levels of potential E&S risks for projects under direct financing:

- high E&S risk projects: category A;
- significant E&S risk projects: category B+;
- moderate E&S risk projects: category B; or
- low or no E&S risk projects: category C.

For projects financed through financial intermediaries (FIs), three levels of risk are determined according to the constitution of the FI's portfolio:

- high E&S risk portfolio: category FI-A;
- moderate E&S risk portfolio: category FI-B; or
- low E&S risk portfolio: category FI-C.

1) *This policy was adopted by AFD's Board of Directors in July 2017; it is available on the AFD website: https://www.afd.fr/en/ressources/environmental-and-social-risk-management-policy-afd-funded-operations*

Thus, for financing granted in 2022, the E&S risks in AFD's portfolio, in terms of the number of projects and the amounts granted, break down as follows:

Environmental and social risks in AFD's portfolio in 2022, by number of projects and amounts awarded (in foreign States)

	Breakdown by number of projects granted				Breakdown by amounts granted			
E&S risk	Number of projects 2022	% 2022	Number of projects 2021	% 2021	Amounts granted (€m) 2022	% 2022	Amounts granted (€m) 2021	% 2021
A	10	4.52%	9	4.02%	817	10.05%	532	6.94%
B+	66	29.86%	50	22.32%	3,795	46.67%	2,944	38.42%
B	75	33.94%	72	32.14%	1,562	19.21%	1,674	21.84%
C	53	23.98%	68	30.36%	1,368	16.82%	1,217	15.89%
FI-A	11	4.98%	13	5.80%	504	6.20%	655	8.55%
FI-B	3	1.36%	9	4.02%	54	0.67%	595	7.76%
FI-C	3	1.36%	3	1.34%	31	0.38%	47	0.61%
TOTAL	**221**	**100%**	**224**	**100%**	**8,131**	**100%**	**7,664**	**100%**

The change compared to year N-1 reflects the annual variations in the composition of the portfolio of projects granted.

The E&S rankings established at the identification stage, as detailed previously, are based on an analysis of the significance of the potential negative E&S impacts of the projects, *i.e.* the impacts that would appear in the absence of mitigation measures (avoidance, reduction or offsetting measures of the so-called "ARO" approach).

The latter are defined as part of the studies of potential negative E&S impacts in order to control the E&S risks of projects. During project implementation and after establishing mitigation measures, residual negative E&S impacts may remain, the nature and magnitude of which may vary depending on the different phases of the project (preparation, construction, operation, etc.) and which it is therefore important to monitor.

Also, to strengthen the E&S monitoring of projects during implementation, AFD developed, in 2020, a method to assess the residual E&S risks of projects that are considered to be the most risky (those classified as A or B+ at the identification stage). This residual E&S risk assessment method is based on four criteria:

- the magnitude of the E&S impacts, taking into account the progress of the project;
- the quality of the project's environmental and social management and compliance with the E&S commitments made by the beneficiary through the financing agreement;
- the sensitivity of the context;
- the occurrence of major E&S events.

Projects may now be classified according to four levels, based on the importance of their residual E&S risks:

- project on alert requiring specific monitoring;
- sensitive project requiring increased monitoring;
- project requiring ongoing monitoring;
- project requiring basic monitoring (or no monitoring).

This analysis not only makes it possible to have an overview of the quality of the portfolio at a given time, but also to define specific and proportionate E&S monitoring programmes for each level of risk, and thus to focus on the most risky projects.

An analysis of the portfolio's residual E&S risks, carried out in 2022, addressed projects classified as A and B+, granted between 2016 and 2021, and in progress (projects not cancelled, for which an agreement has been signed before 31 March 2022 but not completed), which amounted to a total of 202 projects.

The level of E&S monitoring to be implemented was thus determined for each of these 202 projects. The breakdown by level of monitoring is as follows:

Breakdown of the levels of environmental and social monitoring of the portfolio of ongoing A and B+ projects granted over the 2016-2022 period, by number of projects and by amounts (in millions of euros)

Level of E&S monitoring	Number of projects	in %	Amounts *(In millions of euros)*	in %
Project on alert requiring specific monitoring	5	2%	372	4%
Sensitive project requiring increased monitoring	62	31%	3,174	31%
Project requiring ongoing monitoring	92	46%	4,400	43%
Project requiring basic monitoring (or no monitoring)	43	21%	2,300	22%
TOTAL	**202**	**100%**	**10,246**	**100%**

2.3.1.2 AFD's environmental and social complaints management system

AFD's environmental and social (E&S) complaints management system is an extra-judicial system allowing any individual or group of individuals affected, from an environmental or social point of view, by a project financed by AFD to submit a complaint. It promotes a constructive approach, based on seeking solutions out-of-court. Its functioning (eligibility criteria, methods for processing eligible complaints by reconciliation and/or a compliance audit) is described in the system regulations, available on the AFD website. It is placed under the supervision of the Ethics Advisor.

In 2022, the system continued to operate in the same way as it did in 2021. It relies on a pool of experts and an eligibility committee to process complaints. The assessment phase, which began in 2021, resulted in a clarification of the objective and scope of the regulation. The new version, published in May 2022, presents minor changes that contribute to maintaining the efficiency of the system and a high level of requirements in the processing of complaints.

The AFD mechanism received nine complaints in 2022.

Year	Received	Not registered	Under analysis or being processed[1]	Closed	Being monitored
2017	2	1	0	0	1
2018	8	8	0	0	0
2019	12	7	1	4	0
2020	14	9	2	3	0
2021	21	19	2	0	0
2022	9	9	0	0	0
TOTAL	**66**	**53**	**5**	**7**	**1**

None of the nine complaints received in 2022 were registered; they were closed for the following reasons:

- the projects in question were not financed by AFD;
- the projects concerned were outside the scope (complaints are then redirected to the relevant departments: procurement, allegation of fraud or corruption);
- the information provided was incomplete.

2.3.2 Proparco's management of environmental and social risks, and the procedure for managing complaints

2.3.2.1 Proparco's management of environmental and social risks

Proparco operates a system to manage environmental, social and governance risks [1], using a system similar to that of AFD, aligned with best practices applied in international financial institutions.

Its approach is based on the performance standards of the International Finance Corporation (IFC) of the World Bank group, on the main fundamental conventions of the International Labour Organization (ILO), on the methodologies defined by the Corporate Governance Development Framework on corporate governance best practices, and on the United Nations Guiding Principles on Business and Human Rights. It consists of (i) assessing the negative environmental and social (E&S) risks and impacts of each project presented to Proparco's decision-making bodies and the measures planned by the beneficiaries of the financing to remedy them; (ii) proposing additional measures to be implemented by customers in order to avoid or limit these risks or to offset their effects; (iii) monitoring the proper implementation of these measures during the execution phase of the operation; (iv) ensuring the proper management by the project of unforeseen events with negative environmental and/or social impacts; and (v) supporting, where applicable, the customer in strengthening its ability to manage and implement its environmental, social and governance performance.

The implementation of environmental, social and/or governance recommendations is monitored by the calculation of indicators that are regularly produced and managed by Proparco teams.

The two tables below present the classification of the potential E&S risk of projects signed in 2021 and 2022 according to their number (note: a project can be linked to several financings) and their amount.

It is determined during the initial analysis phase, and the potential E&S risk does not subsequently change. The classification ranges from A (high risk) to C (low risk), to which the FI prefix is added in the case of financial intermediaries.

Projects classified as FI-A, A, B+ as well as investment funds classified FI-B are subject to in-depth due diligence.

The tables also provide a comparison for information with all the projects in Proparco's portfolio:

Ex-ante environmental and social classification of Proparco projects signed in 2022 and of the portfolio

				As a reminder, figure from the last report (2021)	
E&S classification	Number of projects	% of projects	% of Proparco portfolio projects as at 31/12/2022	Number of projects signed in 2021	% of projects signed in 2021
A	6	8%	14%	4	4%
B+	12	15%	18%	22	23%
B	5	6%	7%	11	12%
C	4	5%	1%	7	7%
FI-A	16	20%	19%	7	7%
FI-B	11	14%	27%	27	28%
FI-C	26	33%	14%	17	18%
TOTAL	**80**	**100%**	**100%**	**95**	**100%**

1) https://www.proparco.fr/en/institution-commited-promoting-responsible-private-sector-south

Environmental and social risks of Proparco's portfolio in 2022, by amounts (foreign States)

			As a reminder, figure from the last report (2021)	
E&S classification	Amount	Percentage	Amount	Percentage
A	€134,014,276	9%	€185,554,132	10%
B+	€151,973,198	11%	€502,764,478	27%
B	€73,685,122	5%	€156,016,951	8%
C	€3,032,926	0%	€2,260,000	0%
FI-A	€671,177,632	35%	€227,494,510	12%
FI-B	€293,271,667	20%	€579,499,686	32%
FI-C	€295,837,440	20%	€185,489,873	10%
TOTAL	**€1,622,992,262**	**100%**	**€1,839,079,630**	**100%**

The change compared to year N-1 reflects the annual changes in the composition of the portfolio of projects granted.

2.3.2.2 Proparco system for processing complaints

Since 2019, Proparco has had an environmental and social complaints processing system that gives any person or group of people who feel adversely affected by the environmental or social aspects of a project financed by Proparco the opportunity to file a complaint and be heard by independent experts (1).

This is a joint initiative by Proparco and its German and Dutch counterparts, DEG – the German private sector bilateral development bank, member of the KfW group – and FMO – the Dutch private sector bilateral development bank.

If the complaint does indeed concern a project funded by Proparco, and if it does not correspond to one of the exclusion cases specified in the system's documentation, and if the complaint file is complete (containing all information required as detailed on the Proparco website), it is sent to a panel of independent experts who first of all give a ruling on its eligibility, in compliance with the system's regulations.

Once a complaint has been declared eligible, two processing methods, which can be combined, are offered:

- a compliance audit, in which the panel of independent experts examines whether the project financing was implemented in accordance with the applicable rules in terms of compliance and Proparco's internal policies;
- reconciliation, aiming for the out-of-court settlement of a dispute between the complainant and the recipient of the funding. Proparco then offers mediation services, but is not involved in the mediation process.

The process is considered to be complete when an agreement is reached between the parties when resolving a dispute, or when establishing final recommendations by the expert panel in the case of a compliance audit. An action plan is then proposed, the implementation of which is monitored by the complaints office and the expert panel.

The very first Proparco complaint was received in November 2020 and closed in 2021. As this complaint corresponded to a purely operational dispute, it was generally considered that addressing it outside the system, as proposed by the panel of experts, was preferable.

A new complaint was declared admissible by the panel in July 2021. Mediation between the various stakeholders is ongoing, with the support of the panel of experts.

Year	Received	Under analysis or being processed	Closed
2019	0	1	0
2020	1	0	1
2021	1	1	0
2022	0	1	0
TOTAL	**2**	**2**	**1**

In 2022, no new complaints were received.

1) *https://www.proparco.fr/en/icm*

2.3.3 Human Rights diligence

AFD Group operates in countries where human rights are not always fully respected, even if these countries formally adhere to treaties and conventions governed by international human rights law.

The mandatory due diligence in the field of operations includes the assessment of the social risks of the projects financed. The issue of applying international human rights standards is thus constantly on the agenda and integrated into the *ex-ante* analysis and implementation of all projects, whatever the shape or form.

To this end, AFD Group relies on the performance standards of Société Financière Internationale (SFI)International Finance Corporation (IFC) (1), on the environmental and social standards and the environmental, health and safety Directives of the World Bank, as well as on the fundamental conventions of the International Labour Organization (ILO) (2). The human rights issues covered by these standards enable us to address matters related to:

- workers' rights, namely working and employment conditions, and the protection of the workforce (and notably against forced labour or child labour, discrimination, etc.);
- the rights of communities, in particular the health and safety of communities potentially affected by projects (and notably potential violence against these communities); land acquisition and involuntary resettlement (notably to avoid forced evictions);
- the rights of indigenous populations;
- environmental rights, in particular concerning the preservation of ecosystems, the prevention of pollution, etc.

Where applicable, the implementation of these standards is accompanied by the establishment, by project managers, of mechanisms to manage complaints at project level, making it possible to collect and process potential complaints from people affected by these projects. The financing agreements signed with recipients must necessarily mention the commitments made by counterparties to respect the rights of individuals potentially affected, and reiterate the compliance with the ILO's fundamental conventions in such a manner as to make them legally binding.

Following the adoption of the French "Human rights and development" strategy and the associated action plan for the period 2020-2024, which encouraged it, the Group is working to gradually integrate the rights-based approach into its activities. This approach is based on both a risk reduction approach with the objective of doing no harm, and a more proactive approach so that projects directly contribute to the realisation of human rights. Since the adoption of the Programming Law of 4 August 2021, this is now an explicit mandate for the Group. As a result, several projects have been launched since 2021 to strengthen the capacities of the Group's employees on this new methodology, establish partnerships with other development players to promote this approach and share best practices, and finally to support the production of knowledge regarding the concrete operating methods.

AFD has thus developed a digital training cycle that consists of five modules entirely dedicated to the theme of "Human rights and development" and the human rights-based approach (AHRBA) in cooperation projects. This multimodal educational project combines synchronous and asynchronous formats over a period of three and a half hours. All modules have been available on AFD's e-training platform since June 2022. Since February 2022, AFD has also set up a one-day face-to-face training session dedicated to the integration of the human rights-based approach in projects financed by the Group. Five training sessions took place in 2022.

In 2021, AFD also structured a new operational environmental and social risk management training. This programme, consisting of thirteen modules offered as asynchronous e-learning or in the form of virtual classes, has been gradually made available in 2022 (five modules were already available in 2021). Twelve modules are intended for AFD's operational staff at the head office and throughout the network, and one module is intended for development project managers. All modules will be accessible remotely in order to increase their accessibility for employees working overseas and to avoid any constraints related to the health context.

In addition to the training project, the Group has developed a partnership approach with various development players to promote the integration of AFDHHRBA and share best practices regarding its concrete operating methods.

On 10 December 2021, the Group organised a first international conference on "Human rights and development", which brought together nearly 500 participants from the community of development stakeholders from the North and the South. They have noted the unprecedented decline in human rights on a global scale, in connection with the explosion of multidimensional inequalities and the ecological and climate crisis. In this context, the conference showed that solutions exist and that development players have multiple options for action, whatever the sector or region. Proceedings of the conference (3) were published in French, English and Spanish.

During this conference, Michelle Bachelet, United Nations High Commissioner for Human Rights, called upon development banks to "direct their financing towards support for human rights". The Group relayed this message at the "Finance in Common" Summit held in October 2022 in Abidjan. This edition resulted in the adoption by six public development banks (PBD) of a Human Rights and Human Rights-Based Approach Declaration (4) committing the public development banks to invest more in the realisation of human rights and the promotion of human rights-based development.

1) *https://www.ifc.org/wps/wcm/connect/multilingual_ext_content/ifc_external_corporate_site/about-ifc-fr.*
2) *https://www.ilo.org/global/lang-fr/index.htm.*
3) *Proceedings of the conference: "Human rights and development" | https://www.afd.fr/fr/ressources/actes-de-la-conference-droit-humains-et-developpement*
4) *FICS 2022 Human Rights and Human Rights-Based Approach Statement.pdf (financeincommon.org).*

Following this event, AFD also approached its European counterparts to create a community of practice through the launch of an HRBA discussion forum. Once a quarter, the operational teams of various European local offices (GIZ, Enabel, LuxDev, Norad, SIDA, AFD, Expertise France) meet to share their feedback on the HRBA operating methods in specific projects.

The Group has also invested in supporting the production of knowledge on HRBA. Collective work also made it possible to produce twelve technical sheets that provide examples of projects and present best practices for the integration of HRBA in several sectors of the Group's intervention. The last two sheets cover the rights of children and of young people.

AFD also financed the completion of a study on combined approaches based on human rights and the reduction of multidimensional inequalities to achieve the 2030 Agenda. The research paper is available online in French, English and Spanish.

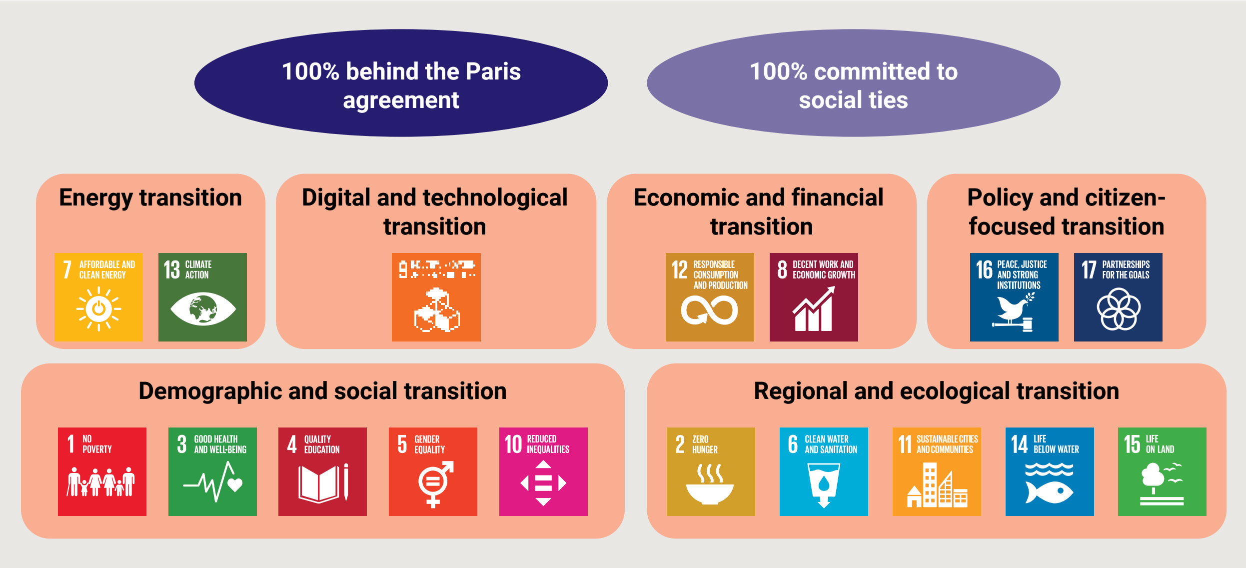
In order to encourage more financial players to take into account respect for human rights and manage the risks that may result from their actions, Proparco is actively working with EDFI peers to develop standardised operational tools. This work was accelerated in 2022 with the support of the Danish Institute for Business and Human Rights, focusing on the development of a strengthened contextual analysis tool on human rights issues. In addition, within the EDFIs, diagnostic work is underway in order to assess existing processes and practices dealing with the "access to remedy" pillar. This work will complement the complaints management system already in place within Proparco (see above). In addition, in collaboration with a group of development financial institutions, Proparco has participated in the development of a common approach to managing forced labour issues in value chains. This work focuses in particular on the solar energy sector and consisted in 2022 of an in-depth analysis of the solar industry value chain and the associated human rights issues, with a view to producing a due diligence protocol in 2023 adapted to the reality of the sector and the complexity of its human rights issues.

For AFD Group, the integration of human rights issues is an ongoing process of learning and sharing best practices through participation in the working groups of bilateral and multilateral partners dedicated to the subject, and through exchanges within the Group that make it possible to develop employees' knowledge of the subject and improve due diligence practices.

2.4 Contribution of the Group's activity to sustainable development

Adopted in 2018, AFD Group's 4th Strategic Orientation Plan places its action within the framework of the Sustainable Development Goals (SDGs) and the Paris Agreement, while promoting the social link, in order to help build "a world in common". Accordingly, AFD Group is responsible for helping to achieve the 17 goals of the 2030 Agenda by supporting six transitions: demographic and social, energy, regional and ecological, digital and technological, economic and financial, and policy and citizen-focused [1].

Link between the SDGs and the transitions in AFD Group's 2018-2022 Strategic Orientation Plan



The "context" section, in the introduction to the SNFP, describes the contribution of the CSR policy to AFD's strategy. One of the objectives pursued is to constantly improve how sustainable development issues are taken into account in the projects financed.

In order to do so, AFD set up a "Sustainable Development Analysis and Opinion" system in 2014. This system makes it possible to qualitatively estimate the impacts (positive, neutral or negative) of a project on the main dimensions of sustainable development [2]. In this respect, it embodies the concept of integration between the various facets of sustainable development (social, environmental and economic) put forward in the 2030 Agenda. It is therefore a tool for aligning operations with sustainable development objectives.

1) *https://www.afd.fr/en/ressources/afd-group-2018-2022-strategy*
2) *The six dimensions of the sustainable development analysis are: (i) preservation of biodiversity, management of environments and natural resources; (ii) climate (dimension divided into two sub-dimensions, the transition to a low-carbon trajectory and resilience to climate change); (iii) social link: reduction of inequalities and inclusion; (iv) gender equality; (v) sustainable and resilient economy; (vi) sustainability of project effects and governance framework.*

The system is based on an analysis grid that makes it possible to analyse the impacts of each intervention, in their context. It is part of AFD's project cycle and takes place in two stages:

- at the identification and appraisal stage, an analysis is carried out by the project team. It feeds into dialogue around the improvement of the expected effects of the project, both with the partner or the client, and internally at AFD;
- at the time of approving the financing, an independent sustainable development opinion is issued by the Sustainable Development Analysis and Opinion unit, located within the Strategy Department. This opinion assesses the contributions expected from the project and qualifies its alignment with sustainable development. Said opinion can be favourable, favourable with recommendations, reserved or negative. It appears in the notes communicated to the decision-making bodies (notably the Board of Directors) and thus informs the decisions of these bodies.

In 2020, a review of the system made it possible to introduce an early warning mechanism to identify upstream projects presenting significant risks in terms of sustainable development and to abandon or redirect them. In 2022, the analysis grids were revised to better take into account the challenges of biodiversity and the reduction of inequalities. The added value of the system also lies in the learning process that it fosters to promote the gradual integration of sustainability concerns in operations and to aim for more transformational impacts.

In 2022, the Group completed a convergence project for sustainable development analysis. Proparco and Expertise France now have impact analysis grids that are consistent with AFD's Sustainable Development Analysis and Opinion system and adapted to the specificities of their business lines. This analysis framework constitutes a common basis for dialogue with partners and customers on sustainable development issues. It will also allow to pool training, tools and knowledge to advance the Group's practices.

The Group is also continuing its action in the area of sustainable bonds. In 2014, the Group was the first issuer of a green bond in the French public sector, focused on climate. It then adopted a programmatic framework for climate bonds and continued its policy of regular issuance of climate bonds. The Group reached a new milestone in 2020, with the publication of a renewed programmatic framework focused on the SDGs (1), naturally following the four pillars of the Green Bond & Social Bond Principles. In 2022, AFD Group achieved €4.5bn in sustainable issues (47% of its refinancing programme).

1) *https://www.afd.fr/sites/afd/files/2020-10-07-33-42/cadre-emission-odd-afd.pdf.*

2.4.1 Impacts of AFD's activity

AFD finances and supports development projects and programmes that contribute to the direct and indirect creation of jobs and to regional development in its countries of operation. AFD calculates result indicators to measure and provide a summarised report on the impact of its activity on the ground, in order to serve the development of the areas where it operates and the populations benefiting from the projects funded, and, more generally, the impact of its work on the SDGs.

2022 AFD ex-ante result indicators (1)

SDG*	Categories	Indicators	*Ex-ante* results 2022	2021 results
SDG 13	Agriculture, Rural Develop ment, Natural Resources, Biodiversity	Areas benefiting from biodiversity improvement pro grammes or sustainable management of natural re sources	4,063,848 hectares	7,720,468 hectares
SDG 1		Number of family farms supported	936,649 family farms	66,056 family farms
SDG 13	Climate	Greenhouse gas emissions avoided	3,891,084 $TeqCO_2$/year	3,867,153 $TeqCO_2$/year
SDG 16	Crisis and conflict	Number of people living in crisis and/or fragile areas	1,035,640 people	13,571,580 people
SDG 6	Water and sanitation(1)	Number of people benefiting from an elementary drinking water supply service	4,408,958 people	7,988,534 people
		Number of people benefiting from an elementary sanita tion service	6,514,803 people	5,378,690 people
SDG 4	Education, higher education, vocational training	Number of children enrolled in primary and lower seconda ry education	400,254 students	915,874 students
		Number of people who participated in vocational training	1,962,273 people	161,716 people
SDG 7	Energy	New renewable energy capacities installed	2,244 Megawatt	2,992 Megawatt
SDG 3	Healthcare	Number of people with improved access to healthcare	28,308,255 people	52,431,523 people

(1) The indicators include the access data to a service managed in complete security and the access data to a basic service.

** This indication corresponds to the contribution of a principal SDG, without pre-judging a contribution from the achievement of other SDGs through co-benefits or systemic effects.*

The change compared to year N-1 reflects the annual changes in the composition of the portfolio of projects granted.

The impact of AFD Group's financing activities can also be captured *via* the sector-based breakdown of its commitments.

1) *These indicators are monitored in accordance with Law No. 2021-1031 of 4 August 2021 on programming relating to solidarity-based development and the fight against global inequalities, known as LOP-DSI. They are aligned to the SDGs using AFD's own methodology. These data do not include the results of projects carried out in the French Overseas Departments and Collectivities - recently monitored via indicators - in order to ensure consistency with the data communicated in previous years.*

Breakdown of AFD's commitment approvals by sector of activity [1]

Approval *(in euros)*	Year 2022 *(in millions of euros)*	2021 *(in millions of euros)*
CICID sector [2]		
Agriculture and food safety	604	261
Climate and environment	1,092	827
Crises and vulnerabilities	31	5
Water and sanitation	964	1,051
Education, training, employment	510	308
Governance	732	582
Infrastructure and urban development	4,052	3,808
Healthcare	376	521
Productive sector	2,473	3,528
Other	1,194	1,258
GRAND TOTAL	**11,977**	**12,150**

2.4.2 Impacts of Proparco's activity

Operating within the private sector, Proparco aims to promote transitions to sustainable and balanced, inclusive and carbon-free growth models in developing and emerging countries.

Proparco's strategic roadmap for the period 2020-2022 (approved by its Board of Directors on 7 February 2020, after an initial presentation to the AFD Board of Directors in January 2020) is in line with the main priorities of AFD Group's Strategic Orientation Plan. It reaffirms Proparco's priority to significantly increase its impact on the development and achievement of the SDGs [3]. The objective is to double the impacts over the 2020-2022 period compared to the 2016-2018 period. To that end, Proparco seeks to strengthen the mobilisation of private players in order to direct private financing flows towards the SDGs. Proparco is also targeting the emergence of tomorrow's players and markets, particularly in the most vulnerable areas. These main objectives are accompanied by operational priorities that contribute to AFD Group's strategic operations: climate financing, financial inclusion, financing of VSEs and SMEs, notably on the African continent, and a proactive approach in vulnerable areas.

To support this strategy focused on the impact and added value of the institution, since 2018 Proparco has had a dedicated department – Support for Sustainable Development (A2D) – positioned at the same hierarchical level as the operational departments. It brings together, in three units, Proparco's experts in the areas of (i) environment, social and governance, (ii) impact monitoring and analysis, and (iii) company support and the mobilisation of mixed resources [4].

As a development finance institution, and an accountable one, Proparco evaluates and reports on the impact of its action through an approach that measures the results and impacts of its financing.

Integrated into the project cycle, this approach aims, first of all, to inform financing decisions by characterising the expected impacts of loans, notably with regard to Proparco's three major strategic objectives: amplifying its direct impacts on employment support and improving access to essential goods and services; reinforcing the mobilisation of private financing for sustainable development investments (SDI); and accelerating Proparco's contribution to the emergence of the players and sectors of tomorrow.

The expected effects of each project are assessed by collecting indicators established through project studies and discussions with clients. An *ex-ante* impact analysis is presented from a more general perspective, addressing the project's contribution to the SDGs.

The analysis of expected impacts is conducted during the appraisal and entered into the project's documentation submitted to decision-making bodies.

1) *Commitment approvals for AFD's entire scope: foreign States and French Overseas Departments and Collectivities.*
2) *Interdepartmental Committee on International Cooperation and Development. The CICID sectors have been changed in 2021. We present the details of the approvals according to the new wording, for fiscal years 2020 and 2021. Details of the reconciliations are available in the methodological note in Annex 9.*
3) *Proparco Sustainable Development Report. The report on the 2022 financial year will be published in the spring of 2023.*
4) *Mobilisation of subsidies, guarantees and subsidised loans to "mix" them with traditional financial transactions in order to increase the expected impacts on a project or take greater risks in order to obtain these impacts.*

In 2022, 59 signed projects signed (excluding ARIZ guarantees [1]/ EURIZ [2] and Trade Finance [3], Fisea projects [4], EFP and ICCF projects [5], exceptional financing, loans on delegated funds and grants), were the subject of a recorded *ex-ante* analysis [6] of expected impacts.

2022 Proparco ex-ante result indicators

SDG	Indicator	2022 value	2021 value
	Number of direct[1] and indirect[2] jobs supported[3]	1,344,531	1,423,800
SDG 8	Number of direct jobs created	37,647	33,300
SDG 5 & 10	Gender equality: % of amounts signed qualifying for the 2X Challenge[*]	12%	20%
SDG 17	Volume of private financing mobilised by projects approved in 2022 (in millions of euros)	1,709	1,742
SDG 7 & 13	Climate: Tonnes of CO_2 eq avoided per year	6,183,529	1,952,000
	Energy: renewable energy capacity established (in MW)	1,194	550
New or improved access to an essential good or service (SDG 3, SDG 7, SDG 8, SDG 9, SDG 11)	Number of theoretical beneficiaries of new or improved access to an essential good or service	3,103,688	8,902,000
	of which Energy: access to electricity through renewable energy projects	2,162,139	3,233,300
	of which Health: improved access to a health service	194,188	566,200
	of which Microfinance: access to a micro-credit	363,771	697,900
	of which Waste Collection: access to a waste collection service	-	1,422,600
	of which Transport: improved access to public transport	98,785	150,600
	of which Telecommunications: access to a telecommunications service	-	2,827,800
	of which Affordable Housing: access to affordable housing	2,529	3,600

(1) Direct jobs are jobs within Proparco's customers or in the underlying assets of the funds invested by Proparco.

(2). Indirect jobs are jobs in the value chain of Proparco's customers (suppliers, customers, subcontractors, etc.).

(3) Jobs supported are jobs maintained and created thanks to Proparco's financing.

(*) Launched in 2018 by Proparco and five other development finance institutions, the initial objective of the 2X Challenge initiative was to mobilise US$3bn by 2020 for projects promoting gender equality, based on criteria related to female entrepreneurship, female leadership, quality female employment and the provision of goods and services for women. The first phase of implementation of the 2X Challenge initiative was a great success both in terms of commitments mobilised for 2X Challenge projects (US$4.1bn for an initial target of US$3bn), as well as in terms of development bank participation (20 DFIs and multilateral banks) and the establishment of standards aligned with best practices. For the 2021-2022 period, the 2X Challenge aimed to mobilise US$15bn for projects to reduce gender inequalities.

In 2022, Proparco intensified its commitment to monitoring and evaluating the impact of projects. The Impact Measurement Unit (IMP) analysed the impacts made in 2021 by the projects signed between 2016 and 2020, *i.e.* a total of 281 projects (compared to 273 projects in 2021), to compare the *ex-ante* (upstream) forecasts with the impact achieved and identify the most effective ways to support the impact targets.

1) *ARIZ is a terminal loss guarantee offered by AFD to financial institutions to cover 50% to 75% of an individual loan or a portfolio of loans to SMEs and microfinance institutions. https://www.proparco.fr/en/ressources/ariz*
2) *Euriz enables financial institutions in Africa and the Caribbean to develop their loan offers to VSEs and SMEs active in sectors with a strong employment and societal impact. This project is supported by the European Union and the African, Caribbean and Pacific Group of States. https://www.proparco.fr/en/actualites/launch-euriz-guarantee-eu181-million-facilitate-msmes-access-credit-africa-and-caribbean*
3) *Trade Finance guarantees are not within the scope of Proparco's 2020-2022 roadmap.*
4) *Investment and Support Fund for Businesses in Africa.*
5) *European Financing Partners (EFP) and Interact Climate Change Facility (ICC) are two initiatives carried out jointly by Proparco's European Development Finance Institutions (EDFI), to which Proparco contributes.*
6) *Of the 11 projects for which the expected impacts were not recognised, five are additional loans for existing customers for which the expected ex-ante impacts had been recognised at the time of the first signature. Three European Financing Partners (EFP) projects, two Interact Climate Change Facility (ICCF) projects and one trade finance guarantee project were outside the scope at appraisal and were therefore not subject to a recognised ex-ante impact analysis.*

Guiding the choice of projects as early as possible

In 2022, the IMP unit, in close collaboration with the operational divisions, continued to develop "sectoral impact sheets". These are intended for project managers and Proparco offices, particularly in the project identification and appraisal phase. They allow for a quicker and more relevant understanding of the potential impacts of projects but also to identify additional impacts that may be observed.

In each of these sheets, the following are identified: (i) the key economic, social and environmental challenges of the sector, (ii) the "impact thesis" (which makes it possible to analyse the level of alignment with Proparco's strategy), (iii) project types with the best impact potential, and (iv) recommendations in terms of "100% Paris Agreement" analysis, climate qualification and gender equality. A Sustainable Development rating aid - newly adopted at Proparco - now complements these sheets.

Analysing the impacts of projects using the "Sustainable Development rating"

Since 1 October 2022, projects presented to the Identification Committee (IDC) must be subject to a Sustainable Development rating (SD rating). This rating is a major step in the implementation of a common framework for measuring sustainable development within AFD Group.

The SD rating is a version of the sustainable development analysis developed by AFD, in force since 2014, adapted to the nature and timing of Proparco's private sector financing activity.

Proparco's SD rating system is structured around three main pillars (Economy, Planet, Inequalities) and seven dimensions of sustainable development (Economy, Low-carbon, Resilience, Biodiversity, Social, Gender). It allows for a more detailed analysis of the type of impacts that projects may generate. The SD rating should also facilitate the analysis and monitoring of these impacts and feed into Proparco's strategic discussions in terms of impact objectives.

2.4.3 Impacts of Expertise France's activity

In response to the objectives set out in the 2030 Agenda, AFD Group has structured itself to better align its mandate with a contribution to the achievement of the SDGs. With this in mind, Expertise France has begun work on the convergence of the system for analysing and rating the contribution of its projects to the SDGs. It has thus made it possible to adjust AFD's sustainable development analysis methodology to the specificities of its business, covering the following aspects:

- sustainable and resilient economy;
- social link - reducing inequalities and social inclusion;
- gender - equality between women and men;
- biodiversity - biodiversity preservation, management of environments and natural resources;
- climate - low-carbon trajectory and resilience to climate change;
- governance, peace and institutions.

Launched in theas a test phase in the last quarter of 2022 and effective during 2023, this methodology consists of describing the targeted impacts of projects on each of the SDG dimensions through a rating grid. In particular, this involves qualifying the nature of the expected impacts, whether positive, negative or neutral, and better integrating sustainability issues into projects. The system is based on the principle of self-assessment by the person in charge of appraising the project. If necessary, it relies on the support of a network of thematic correspondents. The rating must make it possible to summarise and graphically represent the expected impacts of the projects.

A methodological guide for analysing and accounting for the contribution of Expertise France projects to sustainable development has been produced for project managers. It aims to facilitate the cross-functional consideration of sustainable development issues in Expertise France's operations. A framework for quality, efficiently managed projects that fully contribute to the SDGs is being finalised. These two complementary documents will make it possible, from their deployment in 2023, to better equip project managers with the challenges of the SDGs.

2.4.4 Impact of the Group's activity on climate change and biodiversity

AFD Group's commitment to the climate has become a key feature of its action. Committed to this global issue for more than fifteen years, the Group is actively involved in the work around the Paris Agreement and the SDGs. The "Climate and Development" strategy [1] (2017-2022) of the Group is based on four objectives:

i. **ensuring its activity is "100% Paris Agreement"**: making all the Group's financing consistent with resilient and low-carbon development, in particular by adopting a new framework of questioning for the "sustainable development" analysis of projects. An independent external appraisal conducted in 2022 by the E3G think tank using a matrix of 15 criteria made it possible to validate the consistency of this strategy by placing AFD among the best players in climate finance among the public development banks [2];

ii. **increasing climate finance**: 50% of the Group's annual financing in foreign States is aimed at projects with climate co-benefits, with a significant contribution to achieving France's new climate finance target set at €6bn/year, of which €2bn for adaptation (reported in the UN Framework Agreement on Climate Change – UNFCCC) for the 2021-2025 period;

1) *https://www.afd.fr/en/ressources/climate-development-2017-2022-strategy*
2) *https://www.e3g.org/news/agence-francaise-de-developpement-and-climate-leadership/.*

iii. **redirecting financial and investment flows**: maximising the ripple effect of its financing on the redirection of private and local investments; developing new high-volume, high-impact instruments; and integrating financial climate risks into its risk analysis and credit decision processes;

iv. **co-developing solutions and shaping standards**, in particular through its partnership strategy and by participating in major international events and in discussions on climate finance and support for knowledge production.

The 2019-2022 Biodiversity roadmap is comprised of four pillars:

i. **strategy**: (i) define an ambition for pro-nature development in line with France's international commitments, (ii) structure an effective organisation for the cross-functional implementation of the biodiversity strategy, and (iii) contribute to the mobilisation of a French multi-stakeholder pro-nature platform;

ii. **operations and accountability**: (i) increase the level and quality of commitments so as to achieve by 2025 the objective of a commitment of €1bn in biodiversity co-benefits; (ii) manage the impacts of Group operations on biodiversity, and (iii) report on financing and biodiversity impacts;

iii. **research and capitalisation**: (i) produce knowledge to support the integration of biodiversity into operations and position AFD Group in the international debate, and (ii) capitalise on AFD Group's operations and produce feedback;

iv. **influence and communication**: (i) participate in the development of an ambitious French position in the negotiation and implementation of the post-2020 global biodiversity framework, (ii) raise awareness of partners, customers and wider audiences on biodiversity in the 2030 Agenda, and (iii) publicise AFD's ambition and achievements in biodiversity.

In April 2022, the treatment of climate and nature topics was grouped within the same team, reflecting the interdependent nature of climate and biodiversity crises and the need for common solutions to ensure sustainable development trajectories.

In line with AFD Group's overall strategic exercise, a "Climate and Nature 2023-2027" roadmap, currently being drawn up, will be structured in line with the Paris Agreement and the Kunming Global Biodiversity Framework in Montreal.

2.4.4.1 AFD's climate financing in 2022

In 2022, AFD achieved record financing in favour of the climate and nature.

Climate financing in 2022 amounted to €6.9bn in foreign States and the French Overseas Departments and Collectivities, *i.e.* 62% of commitments [1].

In foreign States, AFD and Proparco approved 251 climate projects, for a total amount of €6.6bn in financing, *i.e.* 65% of its commitments [2]. The Group therefore exceeded the 50% target set in 2012 and renewed in its Climate and Development strategy.

Climate projects in foreign States financed in 2022 covered two areas:

- climate change mitigation: €4.5bn in financing;
- adaptation to the impacts of climate change: €2.1bn in financing.

For example, 182 mitigation projects in foreign States (147 projects in 2021) have contributed to the avoidance of 10.1 MTeqCO_2 (5.3 MTeqCO_2 in 2021) [3] each year throughout their life cycle.

In 2022, biodiversity or nature-positive finance amounted to €738M in foreign States and the French Overseas Departments and Collectivities. This is a significant increase of over 25% compared to 2021 (€589M), in line with the growth trajectory necessary to achieve the objective of €1bn for 2025. Representing 6.6% of AFD Group's activity and a total of 100 projects, the results obtained are higher than the average target set for 2020-2022 (5.5%).

This quantification of biodiversity finance is obtained with a new accounting method (Nature+) [4] applied since 2022 and which aims to qualify projects according to their intention with regard to biodiversity using six levers and an associated weighting, and no longer by simple sectoral correspondence. This method for monitoring and calculating biodiversity finance was developed internally by AFD based on the new Global Biodiversity Framework adopted in Montreal in December 2022.

1) *Excluding C2D, FAPS, FEXTE, FICOL, FID, FGEF, guarantees (excluded from the climate scope of AFD's Contractual targets and resources).*
2) *In 2021, AFD Group approved 332 climate projects, for a total amount of €5.75bn in financing.*
3) *Sum of projected annual GHG emissions avoided thanks to projects contributing to climate change mitigation, approved by the management bodies during the year, relating to AFD and Proparco's operations in foreign countries within the scope of financial tools subject to climate finance accountability (excluded: debt cancellation (C2D), global budget support (GBS), portfolio guarantees, FEXTE, FICOL, FAPS). Only emissions from projects where a carbon footprint assessment is possible and relevant at the time of the commitment approval are recorded. In particular, carbon assessments are not carried out when the precise emissions of the project cannot be quantified (e.g. budgetary financing of public policies, small technical assistance project). When too little information is available to carry out a carbon footprint assessment and the experts determine from their experience that the CO2 emissions would be insignificant, these projects are also excluded from the carbon accountability scope – they represent 9% of climate finance (and excluding debt cancellation [C2D], global budget aid [GBS], portfolio guarantees, FEXTE, FICOL, FAPS, FISONG).*
4) *Finance Nature+: accounting principles of positive finance for nature and biodiversity | AFD - Agence Française de Développement.*

Breakdown (in volume) between the different levers of Nature+ accounting

1 - Ecosystem protection	5%
2 - Restoration of natural ecosystems	17%
3 - Integrated regional planning	4%
4 - Integrated public policy	12%
5 - Sustainable management of natural resources	51%
6 - Elimination of point-source pollution	11%

In addition, €530M of this total, *i.e.* 74%, isare marked CAD 1 (projects that have biodiversity as a secondary objective), and €183M, or 26%, are marked CAD 2 (primary objective). The share of CAD 2 projects is up sharply compared to the previous two years (+86% compared to 2021).

Finally, AFD Group has committed €1.9bn in climate financing with co-benefits for biodiversity in foreign States, *i.e.* a level equivalent to 2021 and almost double compared to 2020. This convergent climate finance represented 29% of climate financing in 2022.

AFD continued to roll out two Climate Facilities. The AdaptAction programme, whose objective is to support countries in the development and implementation of adaptation strategies, and replenished in 2021 with €15M, catalysed five projects representing a volume of nearly €98M in addition to a leverage effect of more than €690M since 2017. AdaptAction also continued its support for innovation, with the funding of an IDDRI study to measure adaptation progress that will contribute to the Global Adaptation Goal discussed at the COPs. At COP27, additional European Union support of €6M was announced for the countries of the Mediterranean basin.

The "2050" facility, designed as a tool for dialogue for the analysis of long-term scenarios and the financing of studies and capacity-building programmes. In 2022, it financed the development of long-term strategies for Ethiopia, Burkina Faso and Vanuatu, whose contributions were submitted to the UNFCCC [1]. It has also supported modelling, in particular *via* GEMMES, which feeds into similar work in Vietnam, Morocco, Senegal and Nigeria.

On the biodiversity side, the BIODEV 2030 program led by Expertise France continued its deployment in 2022 with the announcement of its second phase with a grant of €5M. Phase 1 of the project aimed to support 16 pilot countries (including 13 in Africa) in the cross-cutting integration of biodiversity in sectors with high development potential and to support the formulation of voluntary commitments. Phase 2 (2023-2026) will contribute to the implementation of the commitments and the integration of biodiversity into public policies.

2.4.4.2 A stronger partnership strategy

In 2022, AFD played an important role in keeping climate and nature at the top of the international agenda, through its participation in several events that marked the year, including the Oceans Summit (June 2022), Adaptation Summit (September 2022), COP27 (November 2022) and COP15 (December 2022).

During the COP27 Climate Conference in Sharm El-Sheikh, the AFD delegation made around a hundred presentations to reaffirm key commitments on a variety of topics:

- adaptation and losses & damages (energy efficiency programme in buildings co-financed by the Green Climate Fund, implementation of the French contribution of €20M to the Global Shield against Climate Risks);
- mitigation, long-term trajectory and support for just energy transition programmes (signature of the first €300M budget financing for public policies as part of the South African just energy transition);
- climate finance and Paris Agreement alignment (position paper on the alignment with the Paris Agreement of operations with financial institutions);
- climate-nature convergence (achievement of the 30% favourable climate finance target for nature).

During the COP15 Biodiversity in Montreal, the AFD delegation took part in many events, including the Finance Day, highlighting the following commitments:

- alignment with the new Global Biodiversity Framework, in the same parallel with its alignment with the Paris Agreement, thus becoming one of the first development banks to jointly address climate and nature;
- development of an innovative approach to integrating biodiversity into its operations *via* a "Nature+" approach: (i) 100% net-zero - with no residual negative impact on nature; (ii) conservation financing; (iii) integration of biodiversity throughout AFD's portfolio;
- consideration of Nature risks at project and portfolio level, by developing analysis and structuring tools for the assessment and transparency of the risks of its portfolio and by coordinating the network of public development banks of the TNFD.

1) *What is the UNFCCC, the United Nations Framework Convention on Climate Change? | UNFCC (unfccc.int).*

Within IDFC [1], AFD continued to co-lead the climate and biodiversity working groups in 2022, contributing to the Club's ambitious deliverables during the COPs:

- US$224bn in green finance for IDFC, including increased biodiversity financing, partnership with the Green Fund;
- report on adaptation, publication of an IDFC positioning paper in favour of an ambitious Global Biodiversity Framework, and committing to align with the it;
- mobilise US$100bn for nature over five years by 2027, with the Club having financed US$18.4M for biodiversity in 2021;
- integrate biodiversity into the strategies and operations of financial institutions, the Club having published a specific toolbox to support this.

In addition to AFD's involvement in the main events of the international agenda, **several partnerships have been strengthened**:

- the Green Climate Fund: in 2022, AFD obtained new co-funding of US$220M for an energy efficiency programme in buildings (PEEB Cool), bringing the total amount obtained since 2016 to more than €650M (7 projects/programmes). In addition, the partnership agreement between the GCF and IDFC was renewed for three years (2022-2025);
- Civil Society Organisations: AFD met twice in 2022, within the Partners Committee, French and international civil society organisations (CSOs) dedicated to the climate, ministries, French think tanks and commercial banks, in order to present current strategic and operational topics (biodiversity accounting methodology, COP challenges, etc.);
- Institute for Climate Economics (I4CE): the partnership with the I4CE think tank contributes to the development of its work and its implementation on an international level and in developing countries, in areas such as assessment tools for the alignment of public budgets with long-term objectives, financial regulations and the alignment of financial institutions with the Paris Agreement. Lastly, through its contribution and active participation in the Mainstreaming Climate in Financial Institutions initiative [2], AFD participates in the dialogue with around fifty public and private financial institutions on climate issues;
- International Partnership for Blue Carbon (IPBC): in 2022, AFD started work with one of the main partnership initiatives on blue carbon, the IPBC. Alongside the Australian government, the Intergovernmental Oceanographic Commission of UNESCO (IOC-UNESCO) and the NGO Conservation International, AFD is promoting a greater ambition in this area in terms of knowledge and protection of coastal marine ecosystems. Blue carbon is considered a strategic lever to catalyse more financing for climate, biodiversity and coastal communities;
- International Union for the Conservation of Nature (IUCN): France and AFD have maintained strong links with IUCN through successive partnerships since 2005. AFD contributes to the financing and implementation of the new agreement signed for the period 2021-2024, with the following objectives: acceleration, deployment and widespread implementation of Nature-based Solution, the promotion of agro-ecological practices to ensure healthy land, the promotion of sustainable and inclusive blue economies, and the conservation of marine protected areas;
- The Nature Conservancy (TNC): AFD has also entered into a partnership with TNC for the integration of nature-based solutions. This partnership resulted in the publication of a joint report in 2022: *Financing Nature for Water Security*, a practical guide for developing investment programmes at the watershed level.

2.4.4.3 Progress in addressing financial climate risks and financial nature risks

On climate risks

AFD holds an important dialogue on the consideration of financial climate risks with its peers and financial system players, and contributes to the sharing of best practices. Since 2017, AFD Group has been working to integrate financial climate risks, both physical and transition, into its risk analysis processes through various projects, and has developed internal and external training modules on the subject.

The developments in 2022 concerned:

- the integration of climate risks in the service offering to financial systems, including central banks. Several technical assistance programmes aiming to identify and better integrate financial climate risks have been implemented by AFD's financial institution clients and regulators;
- the launch in 2022 of an experimental phase on the analysis of transition risks for new financing within 21 regions corresponding to the first sovereign exposures;
- the development, thanks to internal modelling tools, of a new module (ESTEEM) for assessing macroeconomic vulnerabilities in the face of low-carbon transition regimes. Several sectoral and macro diagnostics were carried out, for example on Vietnam, Tunisia, Colombia and Mexico. At the sector level, a comprehensive study on the energy sectors in Colombia was finalised in 2022 and another similar exercise is underway on Indonesia.

1) *IDFC | AFD – Agence Française de Développement.*
2) *https://www.mainstreamingclimate.org/.*

On nature risks

As part of the analysis of biodiversity risks, both for the analysis of AFD's portfolio and to support its partners (central banks, ministries of finance, other public development banks) in the assessment of their risks, AFD continued in 2022 the work initiated with Banque de France (Silent Spring report [1]) on the risks of financial systems' dependence on the loss of ecosystem services.

The developments in 2022 concerned:

- the adaptation of this work to the specificities of developing countries (South Africa with the South Africa National Institute for Biodiversity - SANBI and WWF), methodological developments to include analyses of relative risks related to local (*i.e.* sub-national) contexts, the extension of risks to macro-financial and socio-economic risks, in particular through the ESTEEM methodology;
- the start of work to adapt the methodology to the analysis of a global portfolio, through a biome-based approach [2] to take into account different national contexts;
- the launch of a contribution to the work of the "Biodiversity scenarios" working group of the NGFS (Network for Greening the Financial System).

AFD assessed the physical risk related to the loss of biodiversity in its non-sovereign portfolio. It shows that 40% of companies are highly dependent on an ecosystem service. The study will be extended to AFD's sovereign portfolio in 2023. The Group is continuing to develop ESGAPs (Environmental Sustainability Gap), which enable a better diagnosis of the state of biodiversity.

Lastly, AFD plays an active role in TNFD activities. The objectives of the TNFD are to develop and provide a risk management and disclosure framework enabling organisations to report and act on nature-related risks, impacts, dependencies and opportunities, with the ultimate aim of supporting a shift in global financial flows towards positive investments for nature. The TNFD is based on the structure and foundation of the TCFD, a complementary climate accountability framework. TNFD has just published the third version of its draft framework. A fourth version will be delivered in March 2023 and the final framework will be launched in September 2023.

AFD is responsible for coordinating the participation and contribution of a global network of public development banks, the Development Finance Network (DFN). The objective of this DFN, hosted by AFD, is to contribute to the development of TNFD recommendations, guidelines and tools and to help define the bases for the future adoption of TNFD recommendations by development banks themselves and by their customers, particularly in emerging markets. In 2022, a study on the possibilities of using this framework by public banks was carried out and presented at COP15.

2.4.4.4 Carbon footprint related to internal operations

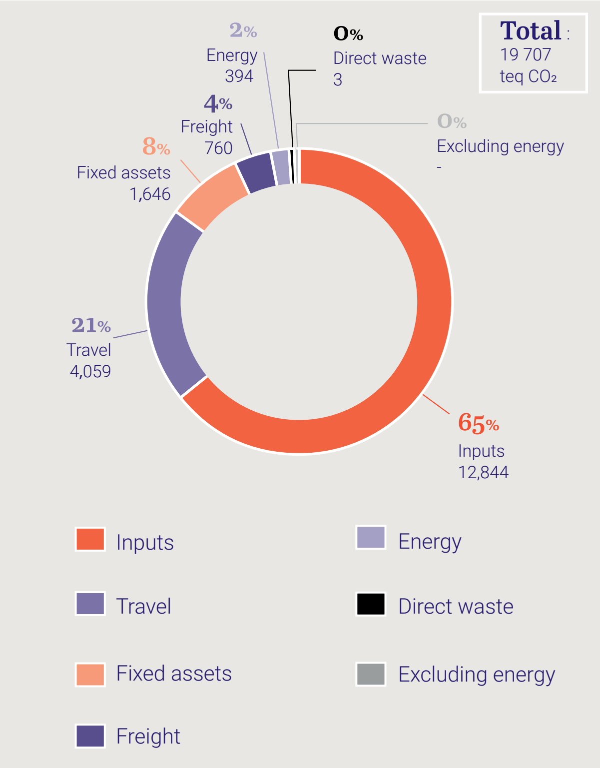
A low-carbon trajectory is implemented internally within AFD Group and in its value chain through operational measures to reduce the impact of its activity. AFD Group is thus mobilising to control its direct greenhouse gas (GHG) emissions by taking action simultaneously to reduce these emissions and to offset them through actions contributing to the SDGs as well. The annual assessment of the Group's carbon footprint helps to identify its strengths and vulnerabilities.

The following graphs show the changes and breakdowns of the emission factors monitored by the Bilan Carbone® method for the AFD and Proparco headquarters (excluding Expertise France).

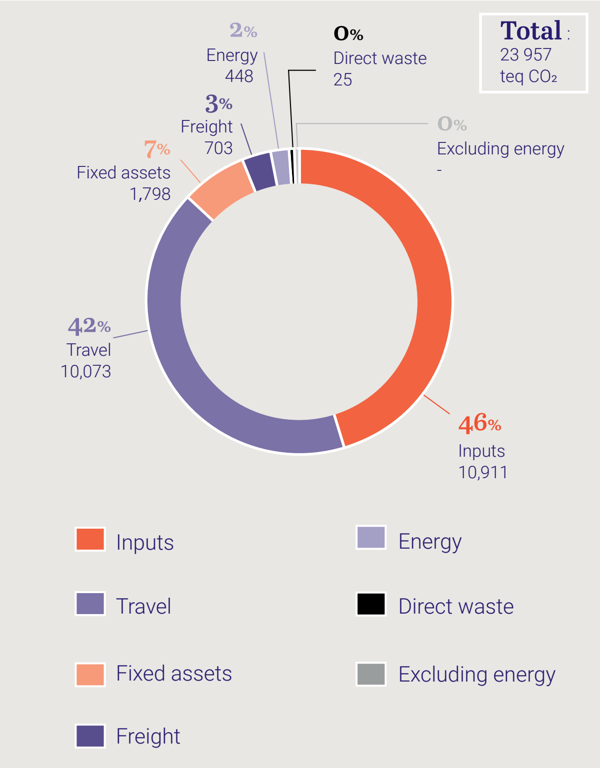
1) *A "silent spring" for the financial system? Towards an estimate of the financial risks related to biodiversity in France | Banque de France (banque-france.fr).*

2) *How biomes are modelled - Site of ACCES resources for teaching life and earth sciences (ens-lyon.fr).*

Carbon Footprint 2021- Headquarters (in TeqCO2)



Carbon Footprint 2022 - Headquarters (in TeqCO2)



With regard to the headquarter's overall GHG emissions, the lifting of travel restrictions and the reopening of the various countries of operation have led to a resumption of travel in order to allow a revival of projects and activity. Business travel and commuting increased by 150% between 2021 and 2022. As the workforce did not increase during 2022, there was an increase in emissions per employee (from 11.2 to 13.6 $TeqCO_2$). By way of comparison, it is undoubtedly more appropriate to compare these results with the pre-Covid situation: in fact, AFD employees travelled 33 million kilometres by plane this year compared to 48 million in 2019.

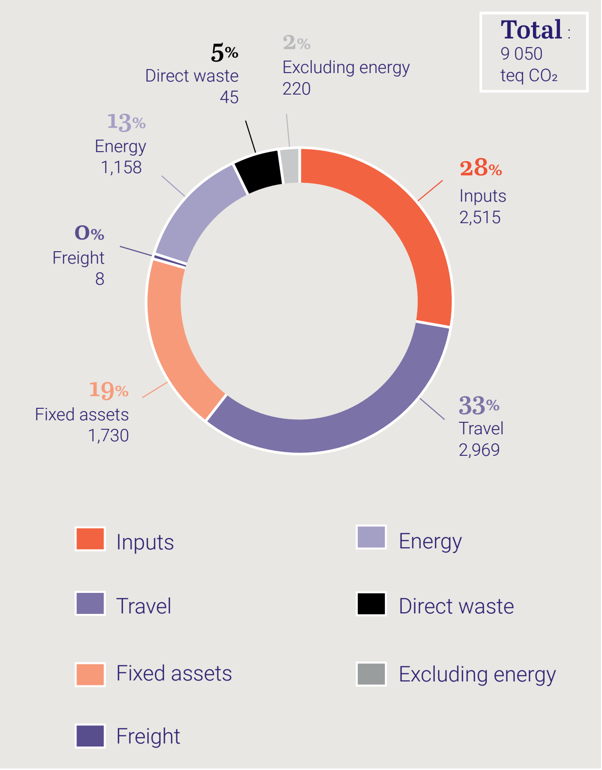
The on-site return of employees has generated an increase in energy consumption. However, this increase was significantly limited owing to the implementation of remote working, 2022 being one of the hottest years on record, as well as the closure of several sites for ten days over the Christmas period as part of energy sobriety measures.

It should be noted that the recovery did not come at the expense of the carbon footprint, which does not increase in the same proportions: +22% at the global level between 2021 and 2022. This shows a real consideration by the teams of the possibilities offered by videoconferencing facilities and the questioning of the relevance of certain trips. Lastly, there is a decrease in inputs [1] in absolute value, which remains the main emission factor. This decrease is mainly due to a fall in consultancy expenses.

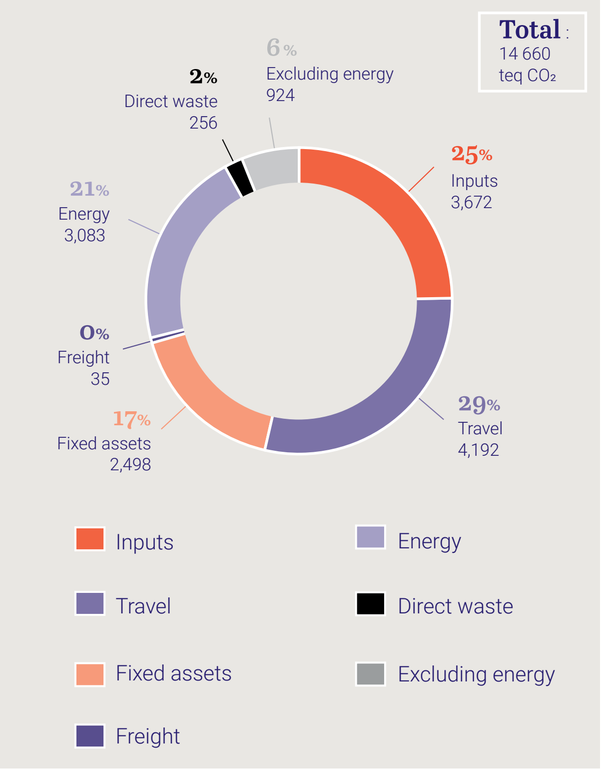
The following graphs show the changes and breakdowns of the emission factors monitored by the Bilan Carbone® method for the network of AFD and Proparco agencies (excluding Expertise France).

1) An "input" item corresponds to the emissions generated for the manufacture of the inputs required to manufacture the good.

Carbon Footprint 2021, Overseas- Network (in TeqCO2)



Carbon Footprint 2022, Overseas - (in TeqCO2)



The evolution of the various items, almost all increasing in absolute value, are explained, as for the head office, mainly by a return to a more sustained activity as part of the global end of the Covid crisis, but also by better reporting from the various local offices. More in-depth knowledge of occupied areas and associated consumption provides for more comprehensive data, particularly for inputs and energy consumption.

In 2022, AFD worked on a low-carbon trajectory by making its carbon footprint measure more reliable and identifying the levers to be activated in order to achieve a significant reduction in GHG emissions by 2030. A study showed that the various avenues to be explored mainly concern travel policy as well as a better control of the emissions generated by our service purchasing of services. The establishment of a governance in charge of monitoring this trajectory, combined with the Group's next corporate social responsibility roadmap will make it possible to define, deploy and monitor the various actions undertaken in these areas in order to set reduction targets and make this trajectory operational.

Likewise, a set of projects will ensure better monitoring and more detailed knowledge of the data needed to calculate the next carbon footprint assessments in order to improve our knowledge of the origin of our GHG emissions.

At the same time, the establishment of a network of carbon footprint correspondents in the various local offices will promote the dissemination of a "carbon footprint culture" and monitor the implementation of concrete actions and awareness-raising throughout the various entities.

Finally, concerning carbon offsetting, a Group call for tenders will be launched soon to offset our emissions in 2021 and 2022. To ensure a more appropriate and satisfactory choice of future carbon credits purchased, experts from AFD's various operational teams will participate in the selection of projects.

Similarly, in 2022, Expertise France took steps to control its carbon and environmental impact. Thus, the first assessment of the Agency's carbon footprint was carried out in 2022, accompanied by a qualitative analysis to identify the Agency's strengths and vulnerabilities. In the context of a post-Covid recovery in international travel , the key focus of the Agency's environmental strategy must be air travel, which represents 18,735 $TeqCO_2$ and 95% of GHG emissions in 2022. As Expertise France is an implementation agency, managing its carbon impact is inseparable from an in-depth reflection on the design of the projects it develops.

Committed to the eco-responsible public services approach, Expertise France has rolled out energy consumption reduction measures for the Gobelins site, as recommended by the government's energy sobriety plan.

The integration of Expertise France into AFD Group on 1st January 2022 made it possible to align the Agency with AFD Group's low-carbon trajectory project. Expertise France focused this year on three sub-projects: structuring the Bilan Carbone® process, preparing the overhaul of the travel policy, and integrating the CAMs (pooled support units, Expertise France offices abroad) in the low-carbon trajectory - the sites of Expertise France abroad playing a major role in setting the example with regard the Agency's commitments in terms of environmental impact.

2.4.5 Impacts related to the Group's activity in strengthening the social link

2.4.5.1 Reducing inequalities including gender inequalities

Following the adoption of the 100% committed to the social link strategy in 2021, AFD continued to make this strategy operational in 2022.

In order to boost the visibility of its action and increase the impact of its operations on inclusion and the reduction of inequalities, AFD defined an indicator in 2022 dedicated to the reduction of inequalities. Annual accountability will be implemented on this basis. A trajectory will then be defined to ensure that inequalities are increasingly taken into account in the Group's operations.

This operational work goes hand in hand with the Group's Research Department on the same theme. Financed by the European Commission's Directorate-General for International Partnerships (INTPA) and implemented by AFD, the Inequalities Research Facility (1) aims to develop knowledge about inequalities in low- and middle-income countries.

In terms of gender equality, in accordance with France's international strategy for gender equality, the year 2022 saw the consolidation of the Group's ambition.

Through the projects it finances, AFD (2) continued to strengthen and improve the reduction of gender inequalities in its countries of operation, thus exceeding its gender equality objectives:

- Volumes of financing classified as CAD 1 (one of the project's objectives includes the gender aspect) and CAD 2 (the main objective of the project is the fight against gender inequalities) represented 61.1% of financing (3);
- A total of €688M in project loans and grants classified as CAD 2 were granted in 2022.

The first phase of the Support Fund for Feminist Organizations (FSOF) also ended in 2022. AFD has awarded/certified €35M per year for projects intended for feminist organisations, *i.e.* approximately €115M over three years. The interim assessment shows that AFD has achieved the objectives initially set but also that it is one of the main financial stakeholders in this area.

Expertise France is fully in line with AFD Group's strategic proposal to make social links, "commons", a central marker of its activities. All actions seek to strengthen this link and aim to place the Group among the stakeholders committed to achieving the Sustainable Development Goals (SDGs), particularly on the theme of gender. Thus, Expertise France has applied this priority area to its activities through a gender equality roadmap (2020-2022), the aim of which is to integrate equality issues into the projects implemented, according to the classification of the OECD Development Assistance Committee. In order to enable teams to strengthen their capacity for gender analysis, tools, procedures and training courses, including the "Gender and Development" MOOC, have been rolled out within the Agency. The integration of gender into Expertise France is therefore the subject of a systemic and extended approach, which includes the strengthening of the institutional, political and organisational support of gender both internally and externally, but also as part of the projects led by the Agency, regardless of the areas of intervention.

Lastly, projects in the sport and culture sectors are among those projects with a strong social impact, financed in particular by AFD in 2022.

AFD continued its activities in the field of cultural and creative industries (CCI) with the aim of disseminating them further into the Group's projects and putting the post-Montpellier Summit agenda into practice. In 2022, 17 projects or studies, whose main objective is to support CCIs, were granted for an amount of €27M. These projects focus on museum cooperation, heritage preservation, professional training development and support for entrepreneurship and cultural employability.

1) *https://www.afd.fr/en/eu-afd-research-facility-better-understand-inequalities*
2) *The OECD monitors aid efforts for gender equality and women's rights using this gender equality aid policy marker, a statistical tool prepared by the OECD's Development Assistance Committee (DAC).*
3) *The OECD monitors aid efforts for gender equality and women's rights using this gender equality aid policy marker, a statistical tool prepared by the OECD's Development Assistance Committee (DAC).*

In the field of sport and development, 2022 was marked by an acceleration of related commitments. AFD's activity in this area increased significantly with the granting of two loans, including a loan of €45M to the Senegalese authorities for the renovation of sports infrastructures in preparation for the Youth Olympic Games and a grant of €4M for the implementation of the programme to strengthen sports and inclusive academies in Africa, which was announced by President Emmanuel Macron at the Africa France Summit. AFD's sports and development portfolio is mainly concentrated on the African continent and is divided into five main areas: school sport and support for the education sector; the empowerment of girls and women through sport; strengthening of governance and strategy; the strengthening of local infrastructures and their management; and finally, the strengthening of the sports and dedicated associative structures.

2.4.5.2 Direct societal footprint

Environmental and social issues are at the heart of AFD's Group Purchasing policy, adopted in 2020. Indeed, the promotion of responsible purchasing and the building of lasting relationships with its suppliers are its main pillars.

In 2022, the Group purchasing department carried out the following actions to integrate corporate social responsibility (CSR) issues into its purchasing actions:

- raising awareness among all its buyers, at head office and in the subsidiaries (more than 25 people), about the challenges of responsible purchasing *via* a training course delivered by Afnor;
- building a sustainable and balanced relationship with suppliers, in particular by carrying out more frequent annual reviews with sensitive suppliers, deploying a tool to measure the rate of economic dependency, and ensuring better monitoring of payment terms;
- gradual integration of social responsibility criteria in each of the purchasing stages (supplier sourcing, eco-design, life cycle analysis, measurement of the environmental/social impact of goods and services purchased, etc.) or during consultations through criteria adapted to purchasing projects ;
- AFD Group's support in the economic and social development of the local economic fabric (allotment in consultations to allow the application of small and/or local structures);
- promotion of purchases from inclusive suppliers and integration structures in the protected and adapted work sector, with expenditure amounting to more than €1M in 2022 and in 2021;
- drafting of a Supplier Relations Charter enabling suppliers to join forces with AFD to implement vigilance and risk measures (on economic dependency risks in particular);
- deployment of a purchasing risk mapping tool, enabling better identification of risks and potential CSR risks and opportunities for each purchasing segment.

The Group's ambition is to continue to deploy and systematise, in 100% of the cases processed, the consideration of corporate social responsibility in the context of purchasing decision-making by 2025, in order to be aligned with the PNAD (French national sustainable purchasing plan) developed by the government, the sharing of best practices and the systematic monitoring of social responsibility criteria.

2.5 Transparency and dialogue with stakeholders

2.5.1 Transparency of funds granted

Transparency of funding is a strong corporate and social responsibility issue for AFD Group. Transparency of AFD's activities must be guaranteed in compliance with the regulatory requirements associated with its legal status (business secrecy) and the protection of personal data and individual and public freedoms guaranteed by French data protection laws.

Through its policy of transparency and dialogue [1], AFD Group strives to comply with the best practices observed among peers and with international standards, including the standard of the International Aid Transparency Initiative (IATI), whilst taking on board the expectations of its stakeholders.

The transparency and dialogue policy reflects the Group's desire to better respond to thea growing demand for information and explanations expressed by its stakeholders with regard to its governance, strategy and objectives, the financing granted, and the goals and results of the French development aid policy mainly implemented by the Group. It is based on five principles: usefulness, openness, the protection of trust and sensitive information, attentive listening, and dialogue.

Internally, the Group has a legal notice and a procedure for the disclosure of information to provide a framework for implementing transparency and ensuring compliance with the rules applying to confidential information and business secrecy. The information disclosure requests may concern information reported on AFD's website, AFD's open data platform, and the IATI registry, or other information on AFD Group, its strategy, financing transactions and intellectual productions.

AFD strives to reinforce its policy to publish business data in the IATI format on its open data website [2]. In its 2022 index, the international NGO Publish What You Fund, which assesses the quality of donor transparency, ranked AFD in the "Good" category, which represents an improvement compared to the previous assessment. As of 31 December 2022, the published project data, up 16% compared to 2021, covered 80% of sovereign and non-sovereign financing exceeding €100,000 and falling within the scope of transparency for all its countries of operation.

Number and % of sovereign and non-sovereign financing published in IATI and data.gouv.fr format by AFD

	2021	2022	% Δ
Financial aid to be disclosed (number)	2,107	2,472	+17.32%
Financial aid disclosed (number)	1,705	1,978	+16.01%
Financial aid disclosed (%)	*80.92%*	*80.02%*	

2.5.2 Dialogue with stakeholders

Under its corporate social responsibility policy, AFD is committed to dialogue with its stakeholders. This dialogue helps take on board the wants and needs of stakeholders and stay as closely tuned to their concerns as possible. In 2022, the Group updated its stakeholder mapping, notably taking into account the integration of Expertise France.

The transparency and dialogue policy acknowledges this dialogue with stakeholders as a cornerstone of AFD's corporate social responsibility approach, insofar as it helps to factor social, environmental, ethical and human rights concerns into the Group's strategies. The strategic documents prepared by AFD, which determine its areas of operation with respect to sectors, regions and cross-business issues, are subject to stakeholder consultation (civil society organisations, regional government authorities, companies, research institutes, etc.) prior to submission to the Board of Directors. Once approved, these strategic documents are available on AFD's website.

Stakeholder consultation on strategic documents takes place in accordance with the procedures adapted to the topic under consideration. To obtain a broad base, it can be done through a digital consultation platform [3]. On the basis of a registration on the platform open to all, stakeholders are invited to comment, react and vote on AFD Group's proposals. They may also add other proposals that they deem relevant for the Group.

1) *The scope of this policy concerns AFD and its subsidiary Proparco, and provides for specific adaptations for AFD and Proparco. It is available on the AFD website (https://www.afd.fr/fr/ressources/politique-de-transparence-et-de-dialogue-du-groupe-afd). Expertise France publishes data on purchase contracts and grants of more than €15,000 awarded as part of technical cooperation projects.*
2) *http://afd.opendatasoft.com/.*
3) *https://consultation-numerique.afd.fr/en/*

In 2022, as part of the development of its future Strategic Orientation Plan for the next five years, AFD Group held several bilateral and multilateral meetings:

- with French civil society players including MEDEF International, member associations of Coordination Sud or its Board of Directors (Électriciens sans Frontières, Médecins du Monde, Action Contre la Faim, Handicap International, Engagé.e.s et Déterminé.e.s and SOS Children's Village);
- with European research centres and/or think tanks including the Institute for Sustainable Development and International Relations - (IDDRI), the Foundation for International Development Studies and Research (FERDI), members of European Think Tank Group (ETTG) including ODI (United Kingdom), ECDPM (Netherlands and Belgium), DIE (Germany), IAI (Italy), Elcano (Spain).

In addition to these meetings, the Group launched a vast digital consultation in French and English, open to all in France and abroad, to collect the proposals that its stakeholders wanted to be included in AFD Group's future strategy. This consultation was held from 8 March to 15 April 2022 and was very popular, with 928 participants, 269 proposals and 1,892 votes (on the proposals made). The proposals collected fed into and enriched the reflection on the Group's major strategic orientations and gave rise to a feedback webinar (1).

All stakeholder contributions to these various consultation exercises are accessible on the digital consultation platform mentioned above.

This policy also makes dialogue part of an approach fostering continuous improvement, mutual learning, innovation and impact. In this respect, it encompasses more than just information and communication.

When investigating and implementing the projects it funds, AFD ensures, through legal conditions and support processes, that the project owner consults with the various stakeholders. For projects with significant environmental and social risks, AFD applies the World Bank's Environmental and Social Framework. Revised in 2016, the Framework now includes measures regarding the responsibility to involve stakeholders at each and every stage of a project. It is essential to engage in dialogue with local authorities, communities and non-profit groups regarding projects proposed for funding, in particular those presenting environmental and social risks, to take their opinions and concerns into consideration and thereby improve the living conditions of populations and the sustainability of projects.

1) *https://www.youtube.com/watch?v=e_gDP699CpQ.*

2.6 Coordination with development players: the "partnership reflex"

2.6.1 The partnership approach: working with others for greater impact

To achieve its ambition to be a “100% Paris Agreement” Group focused on achieving the SDGs, AFD defines and implements its actions through multiple and concrete partnerships. The Group thus acts in concert with French partners (civil society organisations, public institutions, foundations, local authorities, companies), European and international partners (regional and multilateral banks, UN organisations, philanthropists, etc.) and local partners in the various countries where it operates.

In 2022,

- the Group continued to strengthen its links with French and local civil society organisations. As part of the “CSO-Initiatives” system, AFD financed 135 projects through 112 French CSOs totalling €139M (*versus* €116M in 2021). AFD also opened, for the first time, its call for expressions of intention for projects led directly by CSOs under local law. At the end of 2022, the portfolio of projects whose implementation is being monitored included 538 CSO projects for a total amount of €480M. In addition to the “CSO--Initiative”, AFD continued its partnerships and financing with CSOs across all systems (Minka [1], FSOF [2], Fisong [3], sectoral and geographical projects). During 2022, AFD Group mobilised a total of nearly €439M for CSOs (*versus* €375M in 2021), organised a multi-stakeholder conference on Education for Citizenship and International Solidarity (ECSIECIS) and increased exchanges on structuring topics such as climate, biodiversity, education, human rights and priority regions (Sahel, the Caucasus, the Balkans, etc.);
- at the regional level, the Group continues to consolidate the initiatives carried out with French players (companies, local authorities and public institutions) to mobilise French know-how and expertise in the service of the Sustainable Development Goals (SDGs). With regard to the French private sector and "Team-France" , are notable in particular (i) the strengthened link with the offers of Business France, BPI France and the Directorate General of the Treasury for greater clarity and complementarity of tools, (ii) sustained interactions with French private banking players and foundations in favour of SDG-oriented financial mobilisation, and (iii) improved accountability. With French local authorities, AFD has strengthened its actions to support the external actions of French local authorities with the Financing Facility for Local Authorities (FICOL) - with nearly €11M committed by AFD in 2022 and 71 projects under implementation led by 54 local authorities for a total of €48.5M. With the main French public institutions that are active internationally, the Group continued its operational and expertise exchanges with CIRAD (French agricultural research and international cooperation organization), ADEME (the ecological transition national agency), IRD (the French Institute for Development Research), CFI (a subsidiary of the France Médias Monde group) and renewed its partnership agreements with CNES (the French National Centre for Space Studies), BRGM (Bureau of Geological and Mining Research) and Business France;
- at the European level, AFD Group has consolidated its European presence, fully in line with the programming of the new NDICI financial instrument. It was thus able to mobilise €1.2bn from the Commission (grants and guarantees) and €356M granted from European Commission resources by AFD to our partners. The Group is fully committed to the programming of “Team Europe” initiatives. It has also been heavily involved in the French Presidency of the Council of the European Union by organising a high-level event on 16 February 2022 on the architecture of European aid. Lastly, the Group, represented by Proparco, participates in the discussions of the High Level Expert Group on Sustainable Finance, launched by the EC, and promotes its participation in the Global Green Bonds Initiative;
- at the international level, the Group continued its cooperation with multilateral and regional development banks and strengthened its operational cooperation with United Nations agencies (UNICEF, UNDP, ILO, UN Women)., It, renewed its partnership with the ICRC and significantly increased its level of strategic and operational dialogue with philanthropic foundations (Bill & Melinda Gates Foundation, Rockefeller Foundation, Bezos Earth Fund, CIFF). The mobilisation agenda of public banks at the international level has reached a significant level thanks, among other things, to the combined action of the members of the FICSFiCS (Finance in Common Summit) and IDFC (International Development Finance Club) movements, of which AFD hosts the respective secretariats. At the Finance in Common Summit 2022 in Abidjan, the 520+ public development banks around the world highlighted the weight of their financing in the international financial architecture and committed to strengthening their alignment with the Paris Agreement to catalyse public and private financial flows in favour of the climate and the SDGs. During COP27, IDFC organised, for the third year, a pavilion, with the scheduling of around sixty side events organised by the Club’s 26 banks and partners. In 2022, overall, AFD mobilised €444M in resources from its main European and international partners to support its operations and impacts and contributed €3.4bn in resources to projects co-financed with its partners.

1) *https://www.afd.fr/en/ressources/minka-peace-and-resilience-fund-activity-report-2021.*
2) *https://www.afd.fr/en/support-fund-feminist-organizations.*
3) *https://www.afd.fr/en/financing-ngo-projects.*

2.6.2 Support for project management and capacity building

Project managers steer the projects, programmes or public policies financed by AFD Group. Supporting activities must enable them, notably, to better coordinate and manage financing and ensure the due completion of the activities and/or work planned. And *in fine*, the Group's strategic and operational objective is to promote more efficient, user-centric, open, innovative and transparent institutions.

AFD acts (i) directly through its technical experts working with our partners on capacity building and (ii) through specific tools to mobilise consultancies to support project management, such as:

- the start-up, preparation and monitoring facility project (FAPS);
- the Technical expertise and experience exchange fund (FEXTE);
- the French local authority financing facility (FICOL);
- the Crisis recovery expertise and studies fund (FEESC).

In 2022, these different tools represented €84.3M in commitment approvals.

AFD, in particular thanks to the Public and Citizens Transformation division, developed or continued in 2022:

- the "Transfo'Agile" programme: support and advice on organisational transformations for customers (continuous support and rapid deployment of team experts and consultants);
- the "FB+" channel: support offered to customers for the design of their public policies: guide for budget financing, tools for developing public innovation;
- the "Particip'" initiative supports pilots on citizen participation customers who want to launch initiatives in this area.

In parallel with its financing transactions (debt, guarantees or equity investment), Proparco also offers its customers support to enable them to progress in terms of skills and practices and, thus, to adapt to a changing and ever-more competitive local and international environment, and to initiate or deepen a responsible approach from a social and environmental point of view.

"Propulse", Proparco's technical support or capacity building offer, consists of providing external expertise and know-how to Proparco's customers, in addition to the support provided more generally by Proparco experts in their relationship with these customers. Propulse responds to the skills and/or transformation challenges of Proparco's customers to become more green or inclusive (environmental and social responsibility, energy efficiency, green finance, gender, etc.) and more sustainable (operational excellence, quality of products and services, governance, talent management, etc.).

Since 2011, Proparco has carried out nearly 130 technical assistance projects for customers financed directly or *via* Fisea, and supported more than 400 other projects through technical support facilities delegated to investment funds.

Focused on the transfer of know-how and dialogue between peers, Expertise France's interventions aim to strengthen the capacities of partner countries and to define and implement quality public policies. The Agency is specifically involved in the following areas:

- democratic, economic and financial governance;
- peace, stability and security;
- climate, agriculture and sustainable development;
- health and human development.

As a full component of Official Development Assistance, expert missions and technical assistance are an essential lever for cooperation as well as a tool for bilateral dialogue and the promotion of French and European know-how.

The offers of support are varied and complementary, making it possible to meet both short-term needs and develop long-term support: methodological and technical advice (diagnoses, recommendations, action plans); capacity building (design and delivery of training, support for change, training of trainers); networking (exchange between peers, national or regional consultation workshops, etc.); supply of goods, services and works (drafting of specifications, procurement, and coordination supervision of works). Thus, Expertise France has supported more than 500 projects in over 100 countries, 70% of which in Africa.

Expertise France is also mandated by the Ministry for Europe and Foreign Affairs (MEAE) to manage international technical experts - ITEs and seconded national experts - SNE (recruitment of experts, monitoring of missions, and coordination of the network).

Placed within national institutions, multilateral or regional organisations, the French experts involved play a technical support and advisory role in France's priority sectors in terms of Official Development Assistance. A gradual transformation will increase the number of ITEs managed on behalf of the French Ministry for Europe and Foreign Affairs from 138 to 296. At the end of 2023, 365 ITE and seconded national experts should be deployed at the request of the MEAE, the Directorate General of the Treasury and AFD, *i.e.* three times more than in 2020.

Finally, it should be noted that the Group is increasingly adopting an approach focused on its customers and partners, involving assessing their perception and satisfaction with these efforts. In the autumn of 2021, AFD launched a first customer survey, in collaboration with Ipsos France, while Proparco had carried out its third study six months earlier. In both cases, customers highlighted the relationship of trust that binds them to the Group, which they see as a partner: a provider of funds, expertise and, more broadly, solutions. They also expressed their expectations regarding procedures that they found cumbersome and sometimes unsuited to their context on the ground. Lastly, they praised AFD's strategic desire to present itself as a platform for development by demonstrating their desire to be put in touch through the AFD network with the players in their sector.

The surveys have made it possible to set up a roadmap of initiatives to promote closer proximity with customers, through the implementation of marketing tools or the multiplication of customer days allowing exchanges between counterparties and Group management, at the head office and in the network, from the beginning of 2023.

Surveys, as well as other "live" customer experience measurement tools, help to measure the customer experience and launch continuous improvement initiatives.

2.7 Fair practices

2.7.1 Initiatives to prevent corruption, fraud, money laundering, terrorist financing and tax evasion

Corruption, fraud and any form of misappropriation of public and private aid will cause long-term damage to AFD Group's mission of acting to protect the most vulnerable populations. The same applies to any financing that would lead, without the knowledge of AFD and its subsidiaries, including Proparco, to involvement in a mechanism to combat money laundering and the financing of terrorism (AML/CFT). In order not to participate unwittingly in any of these offenses, AFD Group has a general policy for the prevention and fight against prohibited practices, available on its institutional website [1]. 2022 reflected the continuation of the efforts made by AFD Group to strengthen its system and enrich its general policy. The contractual corpus of transactions financed by AFD Group entities has been expanded to cover more irregular behaviour and to establish the right to investigate with counterparties. In addition, the Group maintains its zero tolerance policy towards all forms of prohibited behaviour, including fraud and corruption. In this regard and in order to promote the reporting of external allegations, a reporting mechanism open to third parties has been created on the AFD website, consisting of a dedicated, secure email address accessible only to employees in the Investigations function.

AFD Group also has a programme to prevent and combat corruption and influence peddling, based on the eight pillars referred to in the "Sapin II" law of December 2016.

- Adoption of a code of conduct: the Group adopted an anti-corruption code of conduct [2], clarifying the expected and prohibited behaviour of Group employees regarding the prevention and fight against corruption and influence peddling in the performance of their duties.
- Implementation of an internal whistleblowing system: the Group has set up a professional whistleblowing system open to the Group's internal, external or casual employees. It also mapped the risks of corruption and influence peddling, integrated into the mapping of operational risks.
- Creation of a third-party assessment process: in July 2022, the Group adopted a procedure enabling it to identify and assess the risk of corruption associated with its suppliers, at the beginning of and throughout long-term business relationships with them. In addition, each supplier, prior to entering into a business relationship with AFD Group, is now asked to read and sign the Supplier Relations Charter [3]. This charter presents the reciprocal commitments expected between AFD Group, its suppliers and any subcontractors in terms of ethics, the fight against corruption but also in terms of social and environmental practices. This document also mentions the whistleblowing system to which suppliers may have access under the same conditions as AFD Group employees.
- Implementation of accounting controls: controls on the merits of transactions (such as the absence of accounting entries likely to conceal acts of corruption or influence peddling) were implemented in 2020.

1) *https://www.afd.fr/en/combating-corruption*
2) *https://www.afd.fr/en/combating-corruption*
3) *group-supplier-relations-charter-afd.pdf.*

- Publication of adapted training: mandatory e-learning training modules, dedicated to the prevention of corruption and influence peddling, as well as an AFD Group anti-corruption code of conduct, were rolled out in 2021 to AFD Group employees and representatives and will be monitored annually by the Group. Exposed employees also benefit from more specific face-to-face and remote training.
- Existence of disciplinary sanctions: employees are exposed to sanctions in the event of non-compliance with anti-corruption rules, in accordance with internal regulations.
- Implementation of a specific control and assessment system: AFD Group assesses the effectiveness of the corruption prevention and detection measures implemented through an operational system adapted to the risk of corruption and regularly updated.

This anti-corruption and influence peddling compliance programme applies not only to AFD as an industrial and commercial public undertaking but also to its subsidiaries Proparco, Sogefom [1] and Fisea.

Similarly, Expertise France condemns any unethical behaviour and ensures that its employees comply with this principle. Supported by management and implemented by the Compliance and Internal Control division, AFD Group's compliance and ethics policy is implemented in relations with third parties, in particular counterparties and stakeholders in financed projects, suppliers and the partners of Expertise France.

It has in this respect adopted a code of conduct, drawn up in 2020 and appended to the internal regulations, which defines and illustrates the prohibited actions and situations and the behaviours to adopt in the conduct of activities in order to prevent corruption, influence peddling, fraud and money laundering.

Employees are thus expected and required to comply with the international, national and local laws and regulations applicable in each country where Expertise France operates, but also to act in compliance with the principles and obligations of the code with integrity, loyalty and honesty.

In this regard, and in order to ensure knowledge and understanding of Expertise France challenges and commitments, specific training on the code of conduct has been provided to employees since 2022 for all its staff, whether based at headquarters or in the field. It illustrates the different types of behaviour that must be prohibited and that are likely to characterise acts of corruption or influence peddling. This training constitutes a common knowledge base for all employees in terms of business ethics, and promotes a culture of "compliance" and ethics within the agency.

As of 31 January 2023, 1,076 Expertise France employees had attended the training course comprising four modules [2], *i.e.* 95% of the workforce.

A procedure for collecting and processing alerts is available to all employees and open to third parties (service providers, lessors, beneficiaries, etc.) is also deployed. Accessible from the Expertise France web page, this system makes it possible to collect reports concerning the existence of behaviours or situations contrary to applicable laws, the Ethics Charter or Expertise France values. It is possible to report a behaviour or practice anonymously.

2.7.2 Checks made during a project's life cycle

In accordance with banking regulations, prior to beginning a project, the counterparty and any appropriate shareholders are researched in depth in order to identify the beneficial owner. Individuals subject to political exposure are also identified. As part of the monitoring of project execution, the methods for reimbursing and receiving amounts of any kind, in particular dividends, and for the settlement of equity investments (transfer of equity investments) are closely monitored, because they can reveal fraudulent practices.

At the time of the examination, and then throughout the life of the projects, the Group provides its employees with a filtering tool which consolidates information such as the financial and commercial sanctions adopted by France, the European Union, the United States, the United Kingdom and the UN. This filter is also integrated into the settlement processing chain issued by AFD's Finance Department. The objective is to ensure that no counterparty, beneficiary of financing, supplier or successful tenderer of a call for tenders financed by AFD, is facing financial sanctions, or operates in sectors under embargo.

It should be noted that when reports of prohibited practices are reported in connection with the implementation of projects, they are processed, since the end of 2018, by a dedicated function within the Compliance Department. The "Investigation" function's main task is to investigate, in a professional and objective manner, the reports made to it by AFD Group employees (called "suspicions") or by third parties (called "allegations") concerning prohibited practices, namely acts of corruption, fraud, anti-competitive practices, money laundering and terrorist financing.

1) Sogefom (Société de Gestion de Fonds de Garantie d'Outre-Mer) is a guarantee fund that, at the request of banks, provides partial guarantees for loans that banks grant to VSEs and SMEs (defined according to European standards).

2) Module 1: "The integrity and reputation of Expertise France"; Module 2: "The fight against corruption and influence peddling"; Module 3: "Risk situations"; Module 4: "Breaches of the code of conduct".

2.7.3 Third-party commitments

AFD Group's financing agreements include a certain number of clauses that impose commitments on counterparties in terms of combatting corruption, fraud, cartels, money laundering and terrorist financing. In particular, these clauses oblige counterparties to inform the relevant AFD Group corporate entity of cases of alleged or potential prohibited or improper practices, and to take remedial action to comply with the Group's expectations. In the absence of remediation, the Group reserves the right to trigger an event of breach. The Group can suspend payments, cancel the portion of its financing in relation to which improper or non-compliant practices have been detected and demand early repayment of all or part of a loan or repayment of all or part of a grant paid. The Group may also decide to take the matter to the French courts or to the local courts where the project is being carried out.

In June 2022, the contractual mechanism for the prevention and treatment of practices was strengthened to clarify the content of the unannounced investigations that AFD may carry out with the counterparty and stakeholders involved in the project. With regard to AFD's service providers and suppliers on its own behalf, AFD Group's purchasing contracts include:

- an integrity clause by which the successful tenderers certify that they have not committed any act of corruption or fraud in the context of the awarding of the contract by AFD. This clause was strengthened in July 2022, in order to cover the case in which the successful tenderer has already been penalised for acts of corruption in previous contracts or is suspected of being so;
- a clause now offering the possibility for the AFD to terminate the contract to the sole detriment of the holder in the event of a false declaration or identification of an undisclosed prior conviction;
- a clause by which AFD reserves for itself and for the ACPR, as well as for any person appointed by them, the unconditional right to inspect and audit the way in which the service provider performs its applicable contractual duties and regulatory requirements.

These systems are in addition to the production of a sworn statement by which the tenderers declare that they are not covered by any of the cases of prohibition to tender set out in Articles 2141-1 to L.2141-11 of the French Code of Public Procurement.

2.7.4 Information escalation systems

There are several reporting mechanisms within AFD Group to report reprehensible practices. Firstly, AFD and Proparco employees and representatives have an operating incident declaration system which collects and centralises all shortcomings identified by employees (including AML/CFT/corruption and fraud issues).

AFD and Proparco employees and representatives must also report, through a reporting mechanism following management reporting lines, any suspicion of irregular practices within or outside projects. The processing of these reports is managed by the "Investigations" function of the Compliance Department in order to have an exhaustive overview of the cases encountered, and to ensure a consistent response. AFD and Proparco employees and representatives also have the right to contact the director of this department directly, if they consider that they have identified a situation presenting a risk of non-compliance.

Since January 2019, AFD and Proparco have provided their employees with a whistleblowing system, in accordance with the requirements of the so-called "Sapin II" law. This system constitutes an ancillary, voluntary and optional warning system when an employee believes that current alert channels have not operated properly, or that there is a serious obstacle preventing their use. The entry point of the system is the AFD Group Ethics Advisor. This same system has also been open to AFD Group suppliers since July 2022.

Lastly, since September 2021, a system for reporting prohibited practices has been open to third parties of the Group: the procedures for referral can be found on the AFD institutional website [(1)].

2.7.5 Training of Group employees and representatives

In accordance with applicable French regulations, AFD Group ensures that all of its employees, including those of its network of local offices, receive regular training and notifications on the risks and procedures to implement in terms of the fight against money laundering, terrorist financing, fraud and corruption.

1) *https://www.afd.fr/en/form/signaler-un-abus*

These training sessions were delivered in e-learning format, in person and in the form of a webinar (synchronous training).

(i) **AML/CFT training provided in e-learning format:** all AFD and Proparco employees and representatives (head office and network, whether newcomers or existing employees) were asked to take one or two e-learning training modules based on their exposure to this risk. At 31 December 2022, 75.19% of AFD and Proparco employees required to take module 1 had completed their training (*i.e.* 2,449 out of 3,257 employees concerned) and 67.17% of AFD and Proparco employees required to take module 2 (*i.e.* 1,015 employees out of 1,511). These figures were 83% and 62% respectively in 2021.

(ii) In addition, in 2022, the completion of module 1 of the AML/CFT e-learning training was included as an indicator in the calculation of the Group's profit-sharing (for the 2021-2023 period) and from 2023 will be the subject of a "point of attention" in annual assessment interviews.

(iii) **Training provided in e-learning format on the fight against corruption and influence peddling and the management of conflicts of interest:** in 2022, a set of six online training modules on several risk topics was made available to AFD and Proparco employees under the "Must" label. One of the six modules covers the fight against corruption and influence peddling and the management and handling of conflicts of interest. 66.34% of AFD and Proparco employees completed this module (*i.e.* 2,161 trained out of 3,257 concerned).

(iv) **Training delivered in a face-to-face or webinar format:** these complement the self-training system and aim to provide employees with all the regulatory and legislative knowledge required to carry out their activities within AFD Group. In 2022, 519 employees were trained (new hires and some existing employees). These training courses are adapted to the profile of the people trained because they take into consideration the assignments of employees as part of the process of welcoming new hires but also with regard to the professional mobility carried out by AFD Group employees and representatives. The Compliance Department thus developed two offers: one intended for operational employees, and the other for support function staff.

2.7.6 Measures taken to prevent tax evasion

Keen to participate in the French policy to combat fraud and tax evasion as promoted by France within the framework of the G7, the G20, or the Interministerial Committee for International Cooperation and Development (CICID), AFD Group has had since 2009 a rigorous policy with regard to non-cooperative jurisdictions (NCJ) in tax matters or AML/CFT. This policy provides a framework for operations carried out and projects financed in NCJs as well as operations involving one or more NCJs and/or more broadly one or more jurisdictions considered as offshore centres.

As such, any project involving a counterparty registered in a NCJ (whether it is a fiscal NCJ or AML/CFT) is deemed to present a very high level of risk under the Group's AML/CFT risk classification. The level of diligence expected for its projects is therefore more granular.

When a project involves one or more fiscal NCJs or AML/CFTs, AFD Group's policy sets out the categories of operations authorised or eligible for Group financing as well as the specific diligence to be performed: depending on the case, the presence of fiscal NCJs may be authorised subject to conditions or strictly prohibited.

AFD Group's JNC policy is subject to regular updates, both as regards the list of countries concerned, and the content and methods of application of the restrictions.

The Group initiated a project to reform this NCJ policy to establish greater clarity for the operational teams, and a more detailed understanding of the taxation of projects. These new provisions came into force in the summer of 2022.

2.7.7 Transparency of relations with French and European parliamentarians

During 2022, just under seventy events and meetings took place and around twenty French parliamentary delegations went to meet our teams in the field.

While the relationship with Parliament mainly consists of responding to the requests of national elected representatives, the renewal in 2022 of the Chief Executive Officer's term of office was the opportunity for two hearings before the Foreign Affairs Committees of each chamber.

AFD Group is now composed of three entities: AFD, Proparco and Expertise France. In this context, a "parliamentarian coordination" has been set up within the Group, which meets monthly and aims to share information and propose various joint actions.

As is the case every year, the draft budget led the Group to meet with the official development assistance rapporteurs and to provide them with detailed information on the past year's results and the needs for the coming year. Registered since last year in the HATVP's register of interest representatives, the Group will be able to detail its actions for 2022 as soon as it is invited to do so.

AFD is also registered in the European Commission transparency register [1]. This register enables public and private organisations, interest groups and more generally civil society as a whole to exercise a monitoring role with regard to possible influence on legislative processes and the implementation of public policies.

1) *https://ec.europa.eu/transparencyregister/public/consultation/displaylobbyist.do? id = 348060711585-82.*

2.7.8 Management of specific digital risks

The risks related to malicious acts that could affect the information systems are a permanent concern for AFD. To control them, AFD has set up a management system based on two lines of defence. Cybersecurity governance is entrusted to the Security Department, which is responsible for ensuring proper risk management and supporting IT developments in terms of cybersecurity. Day-to-day operations, incident management and technical developments related to cybersecurity are entrusted to the IT systems department. This organisation and the associated resources are governed by the IS Security Policy (ISSP), validated by AFD's Executive Management and approved by its Board of Directors. The implementation of this ISSP is regularly checked and audited as part of AFD's internal control. The measurement of the effectiveness of the ISS system is reported through the risk appetite framework.

In addition to recurring IT security actions, in 2022 AFD adopted its new Information System Security (IS) master plan for the next five years. This highly ambitious programme will enable AFD to safeguard its ambitions of digital openness towards its customers, beneficiaries and partners.

Concerning the management of risks relating to personal data and the General Data Protection Regulation (GDPR), the system implemented is as follows:

- a personal data protection officer to manage compliance at Group level with the GDPR and other regulations applicable to personal data protection, as well as a network of contacts and an IT tool to facilitate this management (mapping of data processing and monitoring of compliance projects in particular) and monitoring internationally;
- data protection governance based on an internal policy and procedures governing the procedures for monitoring compliance, the management of data breaches and requests from the persons concerned;
- regular awareness-raising and training, including mandatory e-learning for all employees, as well as guides, models, etc.;
- regular second-level controls (Data Protection Officer (DPO) and permanent control) and third level (internal audit).

2

2.8 A meaningful work environment

The new HR organisation was put in place in early 2022.

Its governance is organised around three departments, each dedicated to a major HR issue for the Group:

- a Labour Relations Policy and HR Communication Department (PSC): labour relations, legal expertise, quality of life at work, diversity, professional equality, inclusion, disability and HR communication;
- an Administration and Steering Department (ADP): administrative management and payroll, accounting, labour management control, assistance with HR information system project management, compensation, employee benefits;
- an Employment, Talents and Skills Department (ETC): HR consulting for the executive departments, recruitment and careers, training and skills development, Talents and GEPP (Management of Jobs and Career Paths), HR innovation.

The HR Department has defined a strategy aimed at reaffirming the essential value of the Group's human capital to achieve its strategic, operational, functional and financial objectives. Which is why the HR strategy sets "human collective performance" as its first goal.

The four strategic areas selected make it possible to align our human resources management with the Group's challenges and to define our strategic priorities in terms of Human Resources. In general, the HR Department has been particularly attentive to linking its strategic areas and priorities to the corporate project. Its actions have been structured around the following areas of focus:

- **ensure the cohesion of employees around AFD Group's missions**. This involves prioritising actions promoting integration within the Group, supporting cultural development, strengthening our diversity and quality of life at work, and developing new staff regulations guaranteeing consistency and sustainability of the model, the success of synergies with Expertise France and the search for improvement in our social dialogue practices;
- **strengthen the strategic management of talent and skills**, by continuously seeking the best possible balance between securing the skills that each entity needs, individual expectations in terms of careers and employability, and constraints, in particular regulatory and resource constraints;
- **strengthen and support managerial practices in the Group** with a view to performance and the development of people, employees and managers;
- **strengthen the efficiency of the human resources function** led by the HR teams, but also by all employees.

2022 was mainly marked by the implementation of the new staff regulations and key negotiations concerning compensation and classification. In addition, the HR Department contributed to the continued integration of Expertise France, which retains the management of its workforce, through the effective and clear articulation of HR policies and efficiency gains in the HR sector.

The ambition of the HR Department in 2022 was to strengthen the fundamentals of the HR department and to focus efforts on high-impact actions, in a spirit of partnership, within and beyond the Group.

2.8.1 The ethics system

AFD Group is well aware of the strong demands associated with its public service mission in the French Overseas Departments and Collectivities as well as in Foreign States, and in 2004 decided to put in place an ethics system. This consists of a Charter, an Ethics Board and an Advisor.

Written in 2004, updated in 2012 and revised in 2022 (merged with the Expertise France Charter to create a Group Charter), the Ethics Charter was signed by the Group's three Chief Executive Officers (AFD, Proparco, Expertise France) on 15 April 2022. It sets a common ambition, behavioural benchmarks and commitments consistent with its threefold status as a public institution, a financial institution and a development agency. The Charter "aims to reinforce the identity, unity and performance of the Group […] and also to protect the Group and its employees against any reputational risk" (Article 1). It applies to all Group employees, regardless of their profession, hierarchical position, assignment or status. It promotes commitment, integrity, openness, adaptability and respect as the Group's five key values (Articles 11 to 16). A copy of the Charter is given to new recruits when they sign their employment contract.

The original Ethics Committee was replaced in 2022 by an Ethics Board (set up in June 2022), with a different role and composition, as part of the new guidelines relating to the ethics system implemented in 2022 at Group level. These new guidelines focus on the links between ethics and individual and collective questioning around our values and rules, and on appointing a representative Ethics Board, who is independent and invited to clarify some sensitive issues for all Group employees during "Ethics dialogues".

The ten members of the Ethics Board were appointed in August 2022 after being chosen at random from among the Group's headcount (AFD, Proparco, Expertise France), both at head office and within the network, with the following target: 6 women/4 men, 8 executives/2 non-executives, 7 head office employees/3 network employees, 7 AFD employees/2 Expertise France employees, 1 Proparco employee.

The Ethics Board met for the first time in Paris during a founding seminar on 7-8 September 2022 and then twice remotely, on 14 October and 25 November 2022.

The Ethics Advisor runs training and awareness-raising sessions for new employees, international volunteers or staff soon to be posted within the network. She led 34 internal sessions on ethics and mediation in 2022, reaching 588 AFD employees working at AFD or Proparco, both at head office and in the Network [(1)]. She participates in workshops and regular discussions on ethics with headquarters teams. With regard to the network, her interventions are made by videoconference or as part of missions (6 local offices visited in 2022).

The Ethics Advisor meets regularly with Executive Management and the members of the Executive Committee. The Advisor welcomes, listens and gives confidential advice to all head office and network employees who wish to talk about a problem or have a question about ethics (136 consultations in 2018, 184 in 2019, 112 in 2020, 44 in 2021 and 87 in 2022).

It should be noted that since January 2021, the system relating to conflicts of interest has been the responsibility of the Compliance Department.

In addition, the Ethics Advisor oversees AFD's environmental and social complaints management system, which is managed by a Secretariat located within the Strategy Department. Lastly, since January 2019, the Ethics Advisor has been the entry point for the Group's whistleblowing system, which now includes Expertise France.

Since September 2020, the ethics function has been performed jointly with that of internal mediator.

Through its positive and constructive educational methodology, the ethics approach strives to be attractive and engaging, and seeks to sharpen individual and collective questioning as well as everyone's responsibility in understanding and implementing the Group's values.

2.8.2 Skills development, employability, training

AFD's HR policy gives a central place to the skills development of the Group's employees. Axis 2 of the HR strategy defined in 2020 thus sets out an ambition of "strategic management of talents and skills" while axis 3 highlights the "strengthening of the skills of managers to drive transformations".

"Strategic skills management" is based on a process of developing the strategic training framework and the skills development plan, which involves various players each year: operational managers, department heads, Executive Management, HR players and employee representatives. Each of these stakeholders thus has the means to ensure that its immediate operational needs are properly taken into account but also to focus the effort on an issue perceived, in the short or medium term, as strategic for the organisation. The forecasts conducted on various channels also help to inform decisions made in terms of investment in longer-term training.

1) As such, 26 sessions on ethics and mediation (including three in the network) were conducted in 2021, reaching 477 employees.

In addition to this collective involvement in the governance of the training activity, AFD promotes and encourages skills development by providing its employees with a very broad offering, including more than 200 training actions. The extent of the offering reflects the variety and multitude of skills issues that arise throughout the organisation: for a new employee who needs to familiarise himself or herself with the way AFD works, for a mobile employee who needs to acquire new skills, for a manager faced with new working methods, for a profession that is constantly forced to integrate regulatory changes, for a department that wants to maintain its level of expertise, for an employee who aspires to progress in his or her field.

After the decline in activity observed in 2020, due to the outbreak of the pandemic, the training dynamic has resumed to approach again at present the level of activity reached in 2019 [(1)].

Thanks to remote training, now perfectly integrated into the habits of employees at head office and throughout the network, the extension of training coverage continues. In 2022, 472 local employees [(2)] (AFD and Proparco) benefited from training organised by the head office.

It should be noted that the deployment of the second mandatory training campaign, addressing various recommendations and regulations, represents a total of 10,986 hours.

Particular emphasis was placed on sustainable development training. 22 training sessions were provided representing 1,040 trainees (for AFD and Proparco).

For Expertise France as well, the development of employee skills is a key factor in the Agency's adaptation to its business challenges and preservation of employability. It is also a driver of resilience and competitiveness in the face of current and future changes. In order to support and anticipate the changing expectations of its employees, Expertise France offers them progressive career paths enabling them to develop their skills and gain in agility.

Skills development needs are identified throughout the year and collected through several sources of information:

- during annual appraisal and career reviews,
- through exchanges between employees and managers,
- through interactions between the Human Resources Department, and more specifically the training department, and the business lines.

These needs are then analysed and prioritised to build a skills development and support plan for the business lines.

The main areas of focus of Expertise France’s training policy are as follows:

- develop employees by providing them with the skills and expertise required to carry out their work;
- support the Agency's structuring and transformation (tools, processes, etc.);
- support the professional mobility policy;
- strengthen the corporate culture by conveying common messages and organisational practices.

Training is intended for all staff categories, from their onboarding and throughout their career.

For several years and despite the health crisis, the number of training hours completed by Expertise France employees has been constantly increasing. The year 2022 is no exception to this trend, with approximately 16,953 hours [(3)] of training completed (representing a 14.42% rise in the number of training hours completed by employees).

This steady increase over the past three years is the result of several factors:

- Firstly, the desire from 2020 to digitise training, which until then had been mainly carried out in person. The launch of a digital training platform and its gradual opening to our various populations (head office in 2020, network in 2021 and national staff in 2022) made it possible to extensively deploy our training offering. The health crisis of 2020 accelerated the development of digital operating methods and enabled our employees to more quickly become accustomed to virtual classes and online methods. Expertise France's training offering has also been enhanced through the continuous development of framework agreements specific to Expertise France, or at the level of AFD Group.
- The design of specific training modules is also exponential (code of conduct, grants, global health, monitoring, evaluation, accountability, learning, gender and development MOOC, logical framework, theory of change, plan monitoring and appraisal, etc.), and thus makes it possible to meet the skills development needs of our operational teams.
- Lastly, the roll-out of onboarding courses or mandatory job courses also partly explains the increase in the volume of training delivered (induction course, Psychosocial Risks course, Code of conduct course, etc.).

1) Data regarding the overall training effort (AFD and Proparco) is still being consolidated at the time of writing.

2) In 2021, 427 local employees benefited from the training actions organised by the Human Resources Department (excluding mandatory training). A local agent is hired locally. He/she is an employee of one of the Group’s local offices.

3) Training provided by employees with an Expertise France employment contract. This figure does not include training provided by local managers and self-training provided via our e-learning platform.

The digital transformation of training delivery methods will make it possible in the coming years to continue to support and strengthen the skills of the teams in the field, in line with the Agency's decentralisation objective.

This transformation allows employees to play an active role in their own skills development.

2.8.3 Social dialogue and employee relations

Social dialogue is a cornerstone of AFD Group's policy and a driver of fairness, cohesion and commitment amongst employees. Accordingly, the Group has adopted various systems to deal with the risks inherent in employment practices, the lack of internal dialogue on social issues, and psychosocial risks.

The AFD (AFD and Proparco) human resources policy prioritises inclusive social dialogue. The corporate social responsibility policy (1) adopted by the AFD Board of Directors in 2018 undertakes to strengthen the dialogue with all Group stakeholders, and to ensure the harmonised management of human resources.

Four key principles underpin social dialogue within the Group: a constructive dialogue between management and employee representatives; respect for each person's rights; professionalism in negotiations; and the anticipation of social issues. Accordingly, major changes planned within the Group are subject to negotiations and dialogue with trade unions and to procedures for informing and/or consulting with personnel representative bodies.

AFD does not have a branch collective agreement. The employment contracts of AFD employees under French law are now governed by common staff regulations (until 1 January 2023, each institution had its own Staff Regulations). Employees recruited in local offices overseas have an employment contract governed by local staff regulations in the form of a collective agreement or internal regulations and are subject to compliance with the provisions of local law.

Social and economic committees are in place at all the institutions that make up the AFD (head office and five overseas departments: Reunion, Mayotte, Guyana, Martinique and Guadeloupe), as well as centrally.

The last professional elections were held in May 2021. In addition to the renewal of elected members in each Social and Economic Committee (SEC), these elections were marked by the emergence of a new representative union, the UNSA, which brings the number of representative unions at AFD to five (Autonome FO, SNB CFE-CGC, CFDT, UNSA, CGT).

A new collective agreement relating to the operation of the institutions' SECs and the central SEC was also signed on 6 April 2021, and organises employee representation as follows:

- a **head office Social and Economic Committee and five local Social and Economic Committees for the French Overseas Departments** collectively represent employees for all matters related to the company's management, economic and financial development, organisation and working conditions, vocational training and social protection. Moreover, they organise social and cultural activities established within the company. The Social and Economic Committees also work to ensure the protection and safety of employees, to improve working conditions, and to gather and present to the company all individual and collective employee claims on the application of laws and bylaws;
- a **Central Social and Economic Committee** meets four times a year in ordinary sessions that bring together representatives from the six committees and handles strategic, financial and economic initiatives, as well as the social policy that affects all employees governed by French law. It may also be required to handle matters related to health, safety and working conditions at the central level.

Moreover, a **Group committee** meets annually, bringing together employee representatives of AFD and its subsidiaries.

Created in 2017, the committee representing AFD employees in foreign countries (CREE) brings together personnel representatives working in AFD or Proparco agencies/offices abroad, whether employees governed by local law (permanent or temporary contract) or service providers (in countries where social legislation does not allow direct employment by the Agency). Its creation is consistent with AFD's corporate social responsibility commitments. The next elections will take place in 2024.

With regard to local employees, the Human Resources Department bases its approach on the Common Base, the body of values of AFD Group's social policy, and consolidates its social dialogue with the elected members of the Committee of Representatives of Foreign States. Work to harmonise management measures covers various topics:

- the introduction of a minimum contribution threshold for education in all our regions;
- the introduction of a minimum period of maternity and paternity leave;
- the introduction of a division manager bonus, thus recognising more clearly the responsibilities assumed.

Discussions with the representative trade unions during 2022 mainly concerned classification and compensation, in the context of the proposed reform of the Staff Regulations, but which did not lead to the signing of agreements. At the end of 2022, an amendment to the agreement on working hours was signed unanimously by the trade unions. Finally, negotiations were opened on remote working, with the applicable agreement expiring in early 2023. It should be noted that while the project to reform the Staff Regulations has been a source of tension with the trade unions and has given rise to several staff mobilisations, social dialogue is gradually being rebuilt.

1) *https://www.afd.fr/en/ressources/afd-groups-corporate-social-responsibility-policy-2018-2022*

However, two legal disputes remain ongoing: one before the Council of State on the new Staff Regulations, the other before the Court of Appeal (AFD was successful at first instance as well as on appeal at the beginning of 2023) concerning allegations of obstruction offenses.

Dialogue with employee representative bodies resulted in 11 meetings of the Central Social and Economic Committee and 17 meetings of the head office SEC in 2022 (whereas the operating agreement of the SECs provides for only 4 and 11 ordinary meetings per year, respectively).

Expertise France has always sought to maintain high-quality social dialogue, an essential component in promoting cohesion, a collaborative working environment and contributing to the company's economic performance. As such, Expertise France respects the fundamental principles and rights of the International Labour Organization, in particular the freedom of association and the effective recognition of the right to collective bargaining, and therefore considers the social partners to be indispensable relays for understanding, discussing and adapting the action plans implemented in the company.

Expertise France has employee representative bodies in accordance with legal provisions, *i.e.* taking into account its workforce. Thus, a Social and Economic Committee (SEC) was set up. It includes two committees chaired by the employer: the Health, Safety and Working Conditions Committee (CSSCT), and the Proximity Committee, which answers questions from staff on a bimonthly basis. In addition, all projects affecting the overall operation of the company are regularly presented and discussed within the SEC, which meets every month. In 2022, the SEC met 12 times to discuss topics falling within its legal area of competence (strategic orientations, social policy, working and employment conditions, and economic and financial situation, or any other project regarding changes in work organisation).

At the same time, there are four representative trade unions within Expertise France. Collective bargaining with union delegates led to the signing of two company agreements in 2022 on mandatory annual negotiations on effective salaries and working hours, as well as on the payment of a value-sharing bonus to employees.

2.8.4 Promotion of professional equality and diversity

2.8.4.1 Promotion of professional gender equality

Professional gender equality is a major priority in AFD Group's human resources management policy, which aims to promote diversity and equal opportunities. It is anchored in the Group's values and is an integral part of its corporate social responsibility approach.

A new "professional equality" agreement, signed with the social partners, has been in force since January 2021. It reflects the commitment of AFD's management and its elected officials to continue the actions to promote professional equality initiated several years ago and reaffirms their commitment to respect the principle of non-discrimination and equal opportunities for women and men. Guaranteeing professional equality, developing diversity in jobs at all levels and in different functions, and promoting gender parity represent a source of progress and overall performance, both economically and socially. These commitments are consistent with the approach initiated by the Group in terms of its operations by making the theme of gender a lever for achieving the SDGs.

The new agreement identifies the following professional equality priorities for the Group:

- access to employment;
- promotion and professional development;
- equal pay;
- work organisation, work-life balance;
- training and awareness-raising on professional equality;
- action in the fight against domestic violence.

The agreement is applicable from 2021 to 2023 and includes employees working in the local offices in French Overseas Departments. In this respect, AFD has increased its objectives in terms of recruiting female engineers (from 25% to 30%) and expatriation (from 35% to 40%). A target percentage of women in management positions has also been set for each of the hierarchical levels, from 50% to 40% for the highest levels.

In addition to maintaining its previous commitments, AFD is innovating by setting up a support system for caregivers.

In addition to previous achievements, the focus was on the implementation of a system to prevent and combat domestic violence. AFD signed the charter of commitment against domestic violence in the presence of Minister Élisabeth Moreno. Thanks to a partnership with the inter-company collective OITW, supported by the FACE foundation, AFD benefits from an e-learning module dedicated to domestic violence, and human resources managers received more in-depth training. A communication campaign, which will be renewed each year on 25 November, informed all employees of useful contacts and social assistance that can be activated in the event of domestic violence.

The Executive Committee was made aware of the links between everyday sexism and professional gender inequality in 2021. In 2022, the HR teams in charge of recruitment and career management were also trained in the prevention of sexism and discrimination in HR practices. Onboarding training without discrimination also became mandatory for manager recruiters.

AFD's efforts concerning professional gender equality were recognised when it received the AFNOR label [1] on professional equality in July 2021. AFD published its gender equality index on 1 March 2022 in accordance with the law on the freedom to choose a professional future (2018). This index stood at 92 points out of 100.

Expertise France recognises the importance of professional gender equality, and firmly believes that all employees deserve fair and impartial treatment, regardless of their gender. As part of its ongoing approach to promoting gender equality, Expertise France has a set of protective measures for its employees in all areas of work, as well as legal and regulatory systems for monitoring compliance with its commitments. Thus, support for parenthood, support for female employees returning from maternity, equal access to promotion and training, and work-life balance, are all topics covered by AFD. Gender equality is still a cross-cutting objective that permeates the social policies carried out and developed by AFD, particularly on the subject of pay and parenthood, or with the creation of a system for dealing with situations of harassment at work, internal awareness-raising actions, etc.

In addition, Expertise France has, for the fourth consecutive year, published the results of its Professional Equality Index on its website [2], exemplary results in this area.

2.8.4.2 Promoting diversity within teams

The issue of diversity is at the heart of AFD Group's action and human resources policy, with 85 local offices and 17 Regional Directorates worldwide. The teams of women and men on the ground are diverse, plural, multicultural and multi-generational.

AFD has been implementing a structuring approach to promote diversity and inclusion since 2019, which was recognised by obtaining the Afnor diversity label in July 2021. It is therefore in this context that AFD has continued its actions: awareness-raising, training, use of an external listening unit, participation in an inclusion barometer, etc. In October 2022, AFD organised its second Diversity and Inclusion Week. On this occasion, awareness-raising among employees took place at conferences on the inclusion of LGBT+ professionals, racism, and discrimination regarding age and disability. The network of diversity officers has 17 people in different departments.

An action plan, designed by an LGBT+ working group, was presented to the Human Resources Department and elected staff members. AFD signed the l'Autre Cercle charter in June 2022, confirming its commitment to LGBT+ inclusion.

The management training course includes a segment dedicated to discrimination, diversity and inclusion. At the end of 2022, 483 employees had completed the “Recruit without discrimination” online training course (AFD and Proparco).

Promoting equal treatment with respect for diversity at all stages of human resources management is at the heart of Expertise France's commitments. Aware that diversity is an asset for the sustainable performance of the company, AFD is mobilised to fight against discrimination and work for inclusion and equal opportunities.

As such, in addition to the actions to promote gender equality described above, Expertise France is committed to the inclusion of people with disabilities. The Human Resources Department has a Disability Correspondent and defines actions, in conjunction with the General Resources Department if necessary, aimed at promoting the integration of people with disabilities within Expertise France, while acting within the corporate culture, to enable a change of outlook. Concrete actions are therefore regularly carried out : monitoring of RQTH projects (recognition of the disabled worker status), participation in events (Duoday), organisation of awareness-raising actions to be developed from 2023, support for employees with disabilities (job study), development of site accessibility, etc.

AFD is therefore striving to improve its measures to promote the inclusion of people with disabilities. As the mandatory declaration of employment of disabled workers (OETH) for 2022 is only made from April 2023, the results for 2022 are not available at the date of publication of this document. On the other hand, the percentage of disabled workers was 0.24% in 2021.

2.8.5 Quality of employee working conditions and safety

AFD Group strives to ensure high-quality working conditions and the safety of individuals.

The health crisis has led to a profound change in operating methods, particularly with the considerable development of remote working. This required significant efforts to adapt and support staff. All actions were aimed at preserving the safety of people, avoiding the occurrence of any risks and developing well-being at work.

2.8.5.1 Staff security

The security of property and people at AFD Group is based on several internal policies and texts, which were updated in 2021 and 2022; the only one not to be completed was the revision of the crisis management plan, which will be finalised in 2023. These texts, in order to address the entire AFD spectrum, cover activities in France and abroad (Group security policy (PSEC), local office security policy (PSAG)). These documents are brought to the attention of all Group employees and representatives and can be consulted on the Group's intranet.

1) *Association française de normalisation.*
2) *This index stood at 85 points out of 100.*

In addition, the Group has an international security management system, led by the department in charge of safety, which is regularly audited by AFD's General Inspection Department. This system, pursuant to the international security risk prevention strategy published in 2017, positions the Regional Directorates at the heart of the system. This makes it possible to better take into account the diversity of security situations in the network, and to have a system that is as adapted as possible to the security situations concerned, guaranteeing responsiveness in the event of an incident.

In addition to the security standards and the process to secure travel abroad – updated in 2022 for a better understanding of our local offices –, AFD has deployed human resources exclusively devoted to network backup. Regional security advisors - increased from five to six in 2022, some of whom are located within the regional offices (one with the Greater Sahel regional office in Ouagadougou and the other with the Middle East regional office in Beirut) are available to the regional departments at all times to ensure constant security vigilance and dynamically adapt local means of protection. The Security Advisers also contribute to reinforcing security culture in the field, and assist the AFD crisis management unit when it manages potential emergencies.

The security lead located at the head office coordinates the entire system and ensures it is consistent across the Board. It sets up a permanent monitoring system based on a regular monitoring unit, which meets regularly. This unit takes all permanent or temporary decisions on a global level that are necessary to ensure employee security.

Security training and awareness-raising actions continued in 2022 at the head office and in the network, despite the current health crisis. All newly-arrived employees are made aware of AFD's security issues and how the protection measures they use work on a daily basis; special attention is paid to international volunteers in administration (VIA), who generally have less field experience. The regional directors were systematically trained in their specific responsibilities in terms of security (AFD and Proparco scope).

- In order to raise employee awareness of international security risks, the department in charge of security has set up a series of e-learning modules, which are also mandatory: depending on the risk where the AFD employee is heading, the employee will have to follow one or more modules containing context scenarios. With regard to the mandatory module for all those sent on missions, 522 employees completed the training in 2022 (1,208 employees had training valid for 2022 from previous training courses).
- With regard to the mandatory module for all missions in high-risk areas, 417 employees completed the training in 2022 (675 employees had training valid for 2022).

In addition, AFD strengthened its "mission risk management" training system (Hostile Environment Awareness Training): sessions organised in France *via* Expertise France and the Quai d'Orsay led to almost 80 Group network employees being trained in 2022.

The department in charge of security also strengthened the security of its employees, whether departing from France or abroad, by establishing a mission monitoring tool. AFD's travel security procedure was digitised through this tool, giving the security department a complete overview of the location of its employees.

In addition to traditional security measures, AFD has deployed specific protection measures to take into account the situation related to Covid-19. In order to manage this unprecedented situation, AFD activated its Business Continuity Plan (BCP) under the direction of the Covid-19 crisis unit. The BCP is intended to cover all of the Group's business lines and activities, including its subsidiary Proparco. This plan is intended to ensure the continuation of the Group's business in the aftermath of a disaster of low likelihood but with critical impact. AFD's continuity system covers four perfectly identified types of claims: the total or partial unavailability of one of the Parisian offices (AFD or Proparco); the simultaneous unavailability of the two Paris offices; the unavailability of the hosted information system; and the unavailability of a significant portion of the Group's staff.

The crisis unit, activated on 25 February 2020 to take global emergency measures for the Group, was closed in 2022. However, the Covid situation in the network continues to be closely monitored by our regional security advisors and, if necessary, specific points are made by the Operational Watch Unit under the aegis of the General Secretariat (SGN).

All these provisions relating to employee health were discussed at length with the employee representative bodies and included in the Single Occupational Risk Assessment Document (DUERP).

In terms of employee security, Expertise France makes the protection of all its employees a priority. As activities take place as closely as possible to the needs of our partners in the field, including in sensitive areas, a global security plan, applicable to any person working on behalf of Expertise France, has been deployed and implemented by the Security Department. It aims to identify, schedule and deploy appropriate measures to guarantee the safety of people, assets, programmes and the organisation. Its objective is to continuously reduce risks and, if necessary, reduce their impacts, in order to ensure the continuity of the emergency response.

The Security Department is organised at head office level (division) and at field level (regional safety coordination units). Depending on the country of deployment and the nature of the security context, the Security Department determines various functional means intended to train, monitor, communicate, alert or protect employees. It is in this context that it has developed mandatory training on mission risk management ("GRM") to be completed by employees before any deployment in the field in sensitive countries. It aims as much to prepare them for living in or managing situations of insecurity and crisis as well as to educate them on vigilant behaviour and anticipation of threats and dangerous situations.

In 2022, 172 people were trained during the 12 sessions provided by the Security Department. In addition, a briefing presenting the security architecture and the resources deployed is prepared by the Security Department before the deployment of each expatriate employee. It is supplemented by a briefing on national security issues delivered on site by the regional security coordinators to all long-term employees, both national and non-national.

2.8.5.2 Large-scale improvement of remote working conditions

Since the start of the Covid-19 pandemic in 2020, the IT Systems Department has been able to provide AFD and Proparco with the technical and organisational resources to set up a large-scale remote working system in mainland France and throughout the network: laptop computers, remote access to information system applications, roll-out of the Skype for Business audio-video communication tool, extension of remote access options to business applications.

Since September 2021, the gradual on-site return of employees, often accompanied by regular remote working, on the one hand, and the travel difficulties for external stakeholders or our colleagues in the network, on the other hand, have led the IT Department to expand its range of services to improve remote working conditions for employees at the head office or in branches.

User support was reinforced through the creation of a unit responsible for supporting the use of tools for the organisation of events or meetings in hybrid mode (speeches by the Chief Executive Officer, meetings of the Board of Directors, interactive seminars), and the development of a support service to react quickly to problems in using these tools.

The Digital Initiatives Committee (cross-functional working group) continued its activities in 2022, enhancing the digital services offering with four additional tools:

- Sphinx survey;
- CEGEDIM's E-Sygnature digital signature;
- Reverso online translation;
- RPA automation of repetitive tasks.

Today, the range of digital services covers ten types of needs with more than twenty tools.

Videoconferencing has been supplemented to allow hybrid meetings (face-to-face/remote), regardless of their size and purpose (from working meetings to the various committees and the Board of Directors): new PEXIP tool, equipment of all meeting rooms with videoconferencing systems, implementation of a very high-speed Internet link to secure simultaneous remote working connections, etc.

The departments in charge of organising events, in consultation with the General Secretariat teams involved, have had to review event organisation methods, previously held in person, by integrating the "hybrid" mode (combining physical and remote participants). To this end, video-conferencing solutions (Skype for Business, PEXIP) for events with a maximum of 200 to 300 people were deployed: LiveStorm web-conferencing solution, call on specialised communication agencies for high-stakes events with several hundred people, acquisition of an event management platform and modernisation of the auditorium.

Although AFD Group has been regularly developing telework for its head office employees for several years, the health crisis turned it into a permanent feature of working practices. This "full-scale test" enabled the Group to overcome any fears that might remain. A large majority of employees now take advantage of the possibilities offered by the teleworking agreement currently in force. This way of working is bound to be part of the working environment over the long term. A new remote working agreement is due to be negotiated in early 2023.

In addition, after in-depth consultation with managers, a general charter defining the main principles for the introduction of remote working in the network was introduced. Each local office has implemented these principles locally, taking into account local constraints and specificities (one to two days per week). This is an important step forward in terms of work organisation in the network.

Lastly, the equipment in the boardroom was also modernised to make it operational by videoconference (Skype/PEXIP), with simplified use in the meeting room.

2.8.5.3 Quality of working conditions

In terms of quality of life at work, AFD continued to implement the agreement signed in 2020.

The Human Resources Department maintained its efforts to deploy psychosocial risk prevention systems, support for difficult situations and optimise the functioning of the unit monitoring suffering at work.

All internal and external prevention players (managers, HR managers, social partners, occupational health services, psychologists, the mediator, etc.) were mobilised to provide the best possible support to all employees.

The risks in relation to remote working were regularly identified and the DUERP (Single Occupational Risk Assessment Document) was updated accordingly and presented to the social partners.

As workload is regularly mentioned as a risk factor, the Human Resources Department has designed, in collaboration with the department in charge of internal transformation (TPE), a workload assessment and regulation tool. The working environment can now be analysed, which serves as a basis for team discussions to define an action plan. This tool will be widely deployed in 2023. In addition, an approach aimed at optimising the effectiveness of meetings at AFD was implemented by proposing a common methodology for meeting facilitation.

Several webinars were offered, notably as part of Quality of Life at Work Week: "Adapting leadership to new employee expectations", "Post-Covid work and work reinvented: what are the desirable futures?", in order to support employees and managers on topics closest to their concerns. Remote training was also provided to managers, to support them in their role as players in the quality of life at work, and to consolidate their remote management skills.

Actions to develop social cohesion and employee commitment are also implemented. Random lunches, intended to promote discussion, meet new colleagues and share the knowledge of the various entities, is held every month. In addition, a skills sponsorship operation was organised in conjunction with ProBonoLab, enabling colleagues to offer their skills to associations for a day.

A Move & Give challenge was offered to all head office and network employees in order to promote sports for a cause. The sports and cultural association of the SEC also actively participates in the development of social cohesion through the many sports and cultural activities offered to promote the meeting and mixing of staff.

A special effort was made to promote soft mobility. The sustainable mobility package ("FMD") was implemented and significantly increased so that AFD's effort to cover the costs of public transport is equivalent to the effort to finance the costs of soft mobility.

A survey on working conditions (French contract employees, head office and AFD Proparco network) commissioned by the central SEC and carried out by Technologia enabled, in addition to the 2021 social barometer, the strengths, challenges and difficulties encountered to be better understood by our employees. It shows that a large majority of employees say they are satisfied with their professional situation and declare a strong commitment to AFD. At the same time, the rate of employees expressing concern about the future and a feeling of significant stress is high. The results of the survey were presented to the Executive Committee and analysed within each of the Executive Departments to identify action plans.

The social barometer carried out in 2021 by Greenworking will also be renewed. It will make it possible to monitor the well-being indicator [1], which stood at 6.61/10 during the first edition.

Quality of life at work is therefore a strategic issue that contributes to performance, health and well-being at work. It is also a lever for employee development. Expertise France pays particular attention to the physical and moral health of its employees by developing appropriate systems. For example, remote working has been extended to two days a week, and has been accompanied by the deployment of a "Right to disconnect" charter, defining, in particular, the terms and conditions for use of digital tools, in order to ensure that employees' rest periods and holidays are respected and thus preserve their health and a balance between their personal and private lives.

Expertise France also works to prevent psychosocial risks and to ensure that situations of suffering at work are managed professionally. In this context, it has a process for reporting individual situations of suffering at work and has strengthened its training and awareness-raising actions on psychosocial risks for all its staff, and in particular for its managerial function.

In 2022, special attention was paid to preventing sexual harassment and sexism at work. This awareness-raising and information work will continue in 2023.

Lastly, in order to assess employees' perception of their working and employment conditions, Expertise France conducts a survey every two years, in the form of a "social barometer", entrusted in recent years to the external and independent service provider Great Place To Work (GPTW).

Last carried out at the end of 2021, the barometer measures the following five dimensions of work: pride, conviviality, fairness, respect and credibility. The last three dimensions concern managerial practices. The results showed that 56% of employees who voluntarily participated in the survey believe that their quality of life at work is good, an increase of 17 points compared to the last survey (2019). The Pride and Conviviality dimensions achieved satisfaction rates of 61% and 68% respectively, which contributes to the cohesion and partly underpins the identity of AFD's corporate body.

The strong increase in the average of the Trust Index (rate of positive responses to the questions asked) thus reflects the strong level of trust placed by employees in managers, as well as their perception of working conditions and the quality of the relationships they hold with their superiors and colleagues. It also shows that the actions rolled out over the last two years have borne fruit. In particular, it shows that employees recognise a significant improvement in their well-being at work. They also believe that their work has meaning and note the company's good ethical management. Lastly, respondents appreciate the corporate culture established within Expertise France, in particular the attention paid to people (welcome, diversity, autonomy, flexibility of working conditions, etc.).

Expertise France will continue to deploy its efforts to align with best practices in terms of work organisation, managerial culture and social policies, with the aim of improving the satisfaction and well-being of its employees. A new barometer is planned for the last quarter of 2023. It will measure the efforts made and the areas for improvement to be supported.

1) The well-being indicator has four components (overall satisfaction, pleasure at work, pride in work and motivation). The social barometer will be renewed in 2023.

2.9 Report by one of the Statutory Auditors, appointed as independent third party, on the verification of the consolidated non-financial statement

For the year ended 31 December 2022

This is a free English translation of the Statutory Auditor's report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Annual General Meeting,

In our capacity as Statutory Auditor of your company (hereinafter the "entity") appointed as independent third party, and accredited by the French Accreditation Committee (COFRAC) under number 3-1884 (1), we have undertaken a limited assurance engagement on the historical information (observed or extrapolated) in the consolidated non-financial statement, prepared in accordance with the entity's procedures (hereinafter the "Guidelines"), for the year ended 31 December 2022 (hereinafter, the "Information" and the "Statement" respectively), included on a voluntary basis in the Group's Management Report pursuant to the legal and regulatory provisions of Articles L. 225102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code (*Code de commerce*).

Conclusion

Based on the procedures we have performed, as described under the "Nature and scope of procedures" and the evidence we have obtained, nothing has come to our attention that cause us to believe that the consolidated non-financial statement is not prepared in accordance with the applicable regulatory provisions and that the Information, taken as a whole, is not presented fairly in accordance with the Guidelines, in all material respects.

Without modifying our conclusion and in accordance with article A. 225-3 of the French Commercial Code, we have the following comments:

As mentioned in the methodological note, the "Social barometer's" well-being at work indicator refers to the results for 2021. The barometer will be renewed in 2023;

The "Employee skills development" risk mentioned in the table "Societal Responsibility Issues of AFD Group and potential related risks" does not have any associated figures.

Preparation of the non-financial performance Statement

The absence of a commonly used generally accepted reporting framework or a significant body of established practices on which to draw to evaluate and measure the Information allows for different, but acceptable, measurement techniques that can affect comparability between entities and over time.

Consequently, the Information needs to be read and understood together with the Guidelines, summarized in the Statement (or available on request from the entity's registered office).

Responsibility of the entity

Management of the Entity is responsible for:

- selecting or establishing suitable criteria for preparing the Information;
- preparing a Statement pursuant to legal and regulatory provisions, including a presentation of the business model, a description of the main non-financial risks, a presentation of the policies implemented considering those risks and the outcomes of said policies, including key performance indicators;
- preparing the Statement by applying the Entity's "Guidelines" as referred above; and
- designing, implementing and maintaining internal control over information relevant to the preparation of the Information that is free from material misstatement, whether due to fraud or error.

The Statement was prepared by applying the entity's Guidelines as mentioned previously.

1) *Accreditation Cofrac Inspection, number 3-1884, scope available at www.cofrac.fr*

Responsibility of the Statutory Auditor, appointed as independent third party

Based on our work, our responsibility is to provide a report expressing a limited assurance conclusion on:

- The compliance of the Statement with the requirements of Article R. 225-105 of the French Commercial Code;
- The fairness of the historical information (observed or extrapolated) provided pursuant to part 3 of sections I and II of Article R. 225-105 of the French Commercial Code, i.e., the outcomes of policies, including key performance indicators, and measures relating to the main risks.

As we are engaged to form an independent conclusion on the Information as prepared by management, we are not permitted to be involved in the preparation of the Information as doing so may compromise our independence.

It is not our responsibility to report on:

- The entity's compliance with other applicable legal and regulatory provisions;
- the compliance of products and services with the applicable regulations.

Applicable regulatory provisions and professional guidance

We performed the work described below in accordance with Articles A. 225-1 et seq. of the French Commercial Code, the professional guidance issued by the French Institute of Statutory Auditors (Compagnie Nationale des Commissaires aux Comptes) applicable to such engagement, in particular the professional guidance issued by the Compagnie Nationale des Commissaires aux Comptes, "Intervention du commissaire aux comptes - Intervention de l'OTI - Déclaration de performance extra-financière", acting as the verification program, and with the International Standard on Assurance Engagements 3000 (revised) (1).

Our independence and quality control

Our independence is defined by the provisions of Article L. 822-11 of the French Commercial Code and the French Code of Ethics for Statutory Auditors (Code de déontologie) of our profession. In addition, we have implemented a system of quality control including documented policies and procedures aimed at ensuring compliance with applicable legal and regulatory requirements, ethical requirements and the professional guidance issued by the French Institute of Statutory Auditors (Compagnie Nationale des Commissaires aux Comptes) relating to this engagement.

Means and resources

Our work engaged the skills of six people between November 2022 and April 2023 and took a total of two weeks.

We were assisted in our work by our specialists in sustainable development and corporate social responsibility. We conducted around ten interviews with the people responsible for preparing the Statement.

Nature and scope of procedures

We are required to plan and perform our work to address the areas where we have identified that a material misstatement of the Information is likely to arise.

The procedures we performed were based on our professional judgment. In carrying out our limited assurance engagement on the Information:

- We obtained an understanding of all the consolidated entities' activities, and the description of the principal risks associated;
- We assessed the suitability of the criteria of the Guidelines with respect to their relevance, completeness, reliability, neutrality and understandability, taking into account, where appropriate, best practices within the sector;

1) *ISAE 3000 (Revised) - Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*

- We verified that the Statement includes each category of social and environmental information set out in article L. 225-102-1 III of the French Commercial Code;
- We verified that the Statement provides the information required under article R. 225-105 II of the French Commercial Code, where relevant with respect to the main risks, and includes, where applicable, an explanation for the absence of the information required under article L. 225-102-1 III, paragraph 2 of the French Commercial Code;
- We verified that the Statement presents the business model and a description of principal risks associated with all the consolidated entities' activities, including where relevant and proportionate, the risks associated with their business relationships, their products or services, as well as their policies, measures and the outcomes thereof, including key performance indicators associated to the principal risks;
- We referred to documentary sources and conducted interviews to:
  - assess the process used to identify and confirm the main risks as well as the consistency of the outcomes, including the key performance indicators used, with respect to the main risks and the policies presented;
  - corroborate the qualitative information (measures and outcomes) that we considered to be the most important [(1)]. Our work was carried out at the head office of the consolidating entity.
- We verified that the Statement covers the scope of consolidation, i.e. all the consolidated entities in accordance with article L. 233-16 of the French Commercial Code, within the limitations set out in the Statement;
- We obtained an understanding of internal control and risk management procedures the Entity has implemented and assessed the data collection process aimed at ensuring the completeness and fairness of the Information;
- For the key performance indicators and other quantitative outcomes that we considered to be the most important [(2)], we implemented:
  - analytical procedures to verify the proper consolidation of the data collected and the consistency of any changes in those data;
  - tests of details, using sampling techniques, in order to verify the proper application of definitions and procedures and reconcile the data with supporting documents. This work was carried out at the head office of the consolidating entity and covers 100% of the consolidated data relating to the key performance indicators and outcomes selected for these tests;
- We assessed the overall consistency of the Statement based on our knowledge of all the consolidated entities.

The procedures performed in a limited assurance review are less in extent than for a reasonable assurance opinion in accordance with the professional guidance of the French Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*); a higher level of assurance would have required us to carry out more extensive procedures.

Paris la Défense, 13 April 2023

KPMG S.A.

Valéry Foussé	**Anne Garans**
Partner	*ESG Expert*

1) *Security policy for the Group's assets and people; Professional equality mechanisms and associated results; Actions to raise employee awareness of psychosocial risks; Employee skills development policy; Long-term scenario analysis tool to support project management; Corruption risk assessment procedure associated with suppliers; Rewards received for the Group's transparency efforts; Systems in place for proximity with clients; Sustainable development rating systems for Group projects; Partnership actions for European aid; Sustainable development rating systems for Group projects; Biodiversity roadmap; Raising employee awareness of Human Rights within the framework of Group activities.*

2) *Headcount as 31/12 and breakdown by gender ; Number of "safety" e-learning training courses ; Number of face-to-face "safety" sessions and number of people who completed them in 2022 ; Social barometer's well-being at work indicator ; Number of sustainable development training sessions ; Greenhouse gas emissions avoided ; Number of consultations with the ethics advisor ; Share of sovereign and non-sovereign financing published in IATI format ; Number and amounts of AFD projects subject to an environmental and social risk assessment ; Number and amounts of Proparco projects subject to an environmental and social risk assessment ; Number of complaints received by the complaints management system ; Financing volume marked CAD1 and CAD2.*

3
CHAPTER

Report on corporate governance and internal control

3.1 Report on corporate governance

This report on corporate governance was prepared by the Board of Directors pursuant to the last paragraph of Article L.225-37 of the French Commercial Code.

3.1.1 Separation of the functions of Chairperson and Chief Executive Officer

In accordance with the transposition of the European Parliament and Council directive 2013/36/EU of 26 June 2013 ("CRD IV") by Order No. 2014-158 of 20 February 2014, by Decree No. 2014-1315 of 3 November 2014 and by Decree No. 2014-1316 of 3 November 2014, AFD, as a financing company, separates the functions of Chairperson of the Board of Directors and Chief Executive Officer (CEO).

At 31 December 2022, Executive management (1) was as follows:

	AFD position appointment	Other mandates and positions
Rémy Rioux	Chief Executive Officer (CEO) For three years, decree of 26 September 2022 published in the JORF (government gazette of the French Republic) on 27 September 2022	Proparco: Director, Chairperson of the Board of Directors International Development Finance Club (IDFC): Chairperson Académie des sciences d'Outre-mer: Permanent member of the second section since 1 October 2021 International Olympic Committee (IOC): Member of the Board of Directors – Member of the "Public Affairs and Social Development through Sport" commission of La France s'engage
Marie-Hélène Loison	Chief Operating Officer For an indefinite period, AFD/DGL Instruction Notes NI-2021-46 of 9 June 2021 and NI-2021-55 of 17 June 2021	Director of Proparco
Bertrand Walckenaer	Chief Operating Officer For an indefinite period, AFD/DGL Instruction Notes NI-2021-46 of 9 June 2021 and NI-2021-55 of 17 June 2021	Proparco: Director, Vice-President of the Board of Directors Chairperson of the Investment Advisory Committee Chairperson of the Proparco Appointments Committee Fisea: Permanent representative of AFD, shareholder, director, Chairperson of the Board of Directors and Chairman of Fisea Expertise France: Representative of AFD on the Board of Directors of EF as an observer

Chief Executive Officer: Rémy Rioux

A Senior Member of the Auditor General's Department, Rémy Rioux has held positions in France in the service of development and of Africa.

As Director of the Office of the French Minister of the Economy, Finance and External Trade from 2012 to 2014, he took part in the work to consolidate the public accounts and on the competitiveness of the French economy.

In 2014, he was appointed Deputy General Secretary at the French Ministry of Foreign Affairs and International Development. He was at the heart of economic diplomacy policy. He also coordinated the "finance" agenda for the French presidency of COP21 up to the final negotiation of the Paris Agreement on climate change.

In June 2016, he was appointed to the management of Agence Française de Développement Group and was reappointed for a second term in 2019 and a third term in 2022. He has also chaired the International Development Finance Club since 2017.

Chief Operating Officer: Marie-Hélène Loison

Marie-Hélène Loison is a graduate of the Institut d'Études Politiques de Paris and of the School of Advanced International Studies in Washington DC.

She began her career in 1996 at Société Générale, in export financing. She joined AFD Group in 2000, at Proparco, AFD's subsidiary in charge of private sector financing, initially as an account manager to structure financing in the agribusiness, health and tourism sectors. She then joined the equity team, of which she became the head in 2008 in order to structure and develop its activity. In 2011, she became Deputy Chief

1) *The Chief Executive Officer, the Deputy Chief Executive Officer and the Chief Operating Officer are effective managers within the meaning of Article L.511-13 of the French Monetary and Financial Code.*

Executive Officer of Proparco, in charge of operations, at the head of a department of around a hundred people in France and abroad. She developed its business, reviewed the strategy and contributed to a capital increase of €200M.

In 2015, she joined AFD as Director for the Mediterranean, overseeing a network of local offices in eight countries of operation. She initiated the development of activities in the Western Balkans and adapted activities in the Middle East in response to the Syrian crisis. She was appointed Executive Operations Director in September 2018, managing 1,500 people in charge of approximately €10bn in loans per year. There, she notably oversaw the creation of 17 Regional Directorates to decentralise management.

She took up her duties as Chief Operating Officer on 8 July 2021.

Deputy Chief Executive Officer: Bertrand Walckenaer

Bertrand Walckenaer, who took up his position as Deputy Chief Executive Officer on 8 July 2021, had been, since February 2019, Chief Operating Officer of Agence Française de Développement. He was previously Head of the cabinet of the Secretary of State under the Finance Minister. Prior to that, he spent ten years at the Treasury (between 2005 and 2017), where he held a range of business-related positions: industrial restructuring, financing of aerospace exports, monitoring of foreign investments. He also represented the State on the Boards of Directors of Bpifrance, La Poste and CNP Assurances in 2016 and 2017. During this period, he spent two years at the Ministry for Foreign Affairs (2014-2016), as vice head of the cabinet of the Secretary of State for Foreign Trade. Finally, for one year Bertrand Walckenaer was technical director at the Pouma bush hospital in Cameroon (2010). He is a graduate of AgroParisTech and an international affairs graduate of Université Paris-Dauphine.

3.1.2 Executive Committee

Members of AFD's Executive Committee are appointed by the Chief Executive Officer (CEO). In 2022, in addition to Rémy Rioux, Chief Executive Officer, the following people are members of the Executive Committee:

- the Chief Operating Officer (COO): Marie-Hélène Loison;
- the Chief Operating Officer (COO): Bertrand Walckenaer;
- the Geographies Executive Director: Philippe Orliange;
- the Sustainable Development Solutions Executive Director: Gilles Kleitz;
- the General Secretary: Sylvie Boyer;
- the Finance Department Executive Director: Bokar Cherif;
- the Human Resources Executive Director: Julien Seillan;
- the Chief Risk Officer: Dominique Heurtevent;
- the Compliance Executive Director: Anne Muxart;
- the Strategy, Partnerships and Communication Executive Director: Papa Amadou Sarr;
- the Studies, Research and Knowledge Executive Officer: Thomas Melonio;
- the Chief Executive Officer of Proparco: Françoise Lombard;
- the Chief Executive Officer of Expertise France: Jérémie Pellet;
- the Head of the General Inspection Department: François Parmantier.

3.1.3 Board of Directors

1.1.3.1 Composition of the Board of Directors

In accordance with Article R.515-17 of the French Monetary and Financial Code, the Board of Directors includes the following members, aside from its Chairperson:

- five members representing the French State;
- four members appointed for their expertise in economic and financial matters;
- one member appointed for his expertise in ecological and sustainable development issues;
- one member appointed for their expertise in migration matters;
- four members of Parliament (two deputies and two senators);
- two elected representatives of AFD's staff.

Each member of the Board of Directors can be substituted by an alternate, who is appointed under the same conditions as the permanent member, in the event of a scheduling conflict or absence.

The Chairperson of the Board of Directors is appointed by presidential decree based on the report of the French Minister in charge of the Economy, the French Minister in charge of Cooperation, the French Minister in charge of the French Overseas Departments and Collectivities and the French Minister in charge of Immigration. The age limit applicable to the Chairperson of the Board of Directors is 70 years of age. He or she casts the deciding vote in the event of a tie. If the Chairperson is absent, he or she is replaced by the eldest of the State representatives.

Members of the Board of Directors have a three-year term. However, the term on the Board of Directors of members of Parliament ends when they cease to be members of the assemblies to which they were elected. Members of the Board of Directors are not paid. However, the Chairperson of the Board of Directors receives compensation, the amount of which is set by joint decree by the French Ministers in charge of the Economy, Cooperation and French Overseas Departments and Collectivities.

AFD strives to better meet the principle of balanced representation of women and men on the Board, in particular when appointing directors. At the end of December 2022, there were 34 members, including 28 who had been duly appointed (16 permanent and 12 alternate), 14 were women (eight permanent and six alternate directors), representing 53% of the positions and 45% of the seats filled.

At 31 December 2022, the Board of Directors had the following members:

Director	Term on the Board appointment	Address	Current position Other offices held
Philippe Le Houerou	Chairperson Decree published on 10/01/2022	Agence Française de Développement - 5, rue Roland-Barthes - 75598 Paris CEDEX 12	• Chairperson of the AFD Board of Directors • No other office or function
5 Members representing the French State			
William Roos	Permanent 19/05/2021	French Ministry of the Economy and Finance - Directorate General of the Treasury - 139, rue Bercy - 75572 Paris CEDEX 12	• Head of Multilateral Affairs, Development and Trade/ Co-Chairperson of the Paris Club – DG Treasury • No other office or function
Christophe Bories	Alternate 03/04/2020	French Ministry of the Economy and Finance - Directorate General of the Treasury - 139, rue Bercy - 75572 Paris CEDEX 12	• Deputy Head of Multilateral Financial Affairs and Development • No other office or function

Anne-Hélène Bouilllon	Permanent
	20/09/2021
		French Ministry of Public Action and Accounts - Budget Department - 139, rue de Bercy - 75572 Paris CEDEX 12	• Deputy Head Europe, Foreign Affairs ODA, Asylum and Agriculture
			• Director representing the Ministry of the Budget at:
			  • National Agency for Food, Environmental and Occupational Health Safety (Anses);
			  • Campus France;
			  • the National Forests Office;
			  • the Service and Payment Agency (ASP);
			  • the Office for Immigration and Integration (OFII);
			  • Institut Français;
			  • the Office for the Protection of Refugees and Stateless Persons (Ofpra);
			  • director at the AEFE - agency for French education abroad.

Vacant	**Alternate**		**Awaiting appointment by decree**
Aurélien Lechevallier	Permanent 11/10/2022	French Ministry of Foreign Affairs and International Development - Directorate General of Globalisation, Culture, Education and International Development (DGM) - 27, rue de la Convention - CS 91533 - 75732 Paris CEDEX 15	• Chief Executive Officer of Globalisation • No other office or function
Christophe Guilhou	Alternate 19/10/2022	French Ministry for Europe and Foreign Affairs - 27, rue de la Convention - 75732 Paris CEDEX 15	• Head of Sustainable Development • No other office or function
Christophe Bigot	Permanent 13/10/2020	French Ministry for Europe and Foreign Affairs - 37, quai d'Orsay - 75700 Paris	• Head, Africa and the Indian Ocean • No other office or function
Emmanuel Suquet	Alternate 10/09/2021	French Ministry for Foreign Affairs and International Development - 37, quai d'Orsay - 75700 Paris	• Deputy Head, North Africa and the Middle East • No other office or function
Sophie Brocas	Permanent 14/12/2022	French Ministry of French Overseas Departments and Collectivities - 27, rue Oudinot - 75007 Paris	• Chief Executive Officer of French Overseas Departments and Collectivities • No other office or function

Director	Term on the Board appointment	Address	Current position Other offices held
Isabelle Richard	Alternate 14/12/2022	French Ministry of French Overseas Departments and Collectivities - 27, rue Oudinot - 75007 Paris	• Deputy Head of Public Policy at the Directorate General of French Overseas Departments and Collectivities • Board member of SIG • Board member of Simar • Member of the IEOM Supervisory Board • Government Commissioner for ICAP • Government Commissioner GIP Formation Cadres Avenir (in New Caledonia) • Director on the Board of Atout France
1 Person appointed for their expertise in migration matters			
Jean-Yves Tolot	Permanent 30/03/2021	27, rue Singer – 75016 Paris	• Chairperson of Œuvre d'Orient (non-profit group) • Director of SEE (Santé en Entreprise, non-profit group)
Vacant	**Alternate**		**Awaiting appointment by decree**
4 Persons appointed because of their expertise in economic and financial matters			
Bourry Ndao	Permanent 19/10/2020	17, rue des Petits Champs – 75001 Paris	• FINAF SASU: founder and corporate officer • The non-profit group Néodiaspora: Chairperson • Presidential Council for Africa
Jean-Jacques Santini	Alternate 22/09/2022		
Cathia Lawson-Hall	Permanent 19/10/2020	7, rue de l'Alboni – 75016 Paris	• Société Générale – Director of Client Relations and Investment Banking for Africa • Director & Chairperson of the Audit Committee of the Vivendi group • Director of the Ivorian subsidiary of Société Générale Group • Director of Universal Music Group
Vacant	**Alternate**		**Awaiting appointment by decree**
Sarah Lacoche	Permanent 19/10/2020	5, rue Viala – 94100 Saint-Maur-des-Fosses	• Of the Supervisory Board of CDC Habitat and member of the Audit and Risk Committee • Of the Board of Directors of the SCET and Chairperson of the Audit and Risk Committee • Non-voting board member of the Board of Solidarités Nouvelles pour le Logement (SNL-Prologists)
Sylvie Le Maire	Alternate 22/04/2021	Syndicat du Sucre of La Réunion – CS 81036 – 33, rue Emmerez de Charmoy – 97495 Sainte-Clotilde CEDEX – La Réunion	• General Delegate of the Syndicat du Sucre labour union of Réunion • Member of the Management Committee of TEREOS Sucre Océan Indien • Vice-President of CESER Réunion responsible for the Finances-Evaluation Commission • Director of SAFER • Member of the Board of Directors of ODEADOM • Vice-Chairperson of the Réunion Committee of French Foreign Trade Advisors • Member of the CPCS (Comité Paritaire Interprofessionnel de la Canne et du Sucre de La Réunion) and CTICS (Comité Technique Interprofessionnel de la Canne et du Sucre)

Director	Term on the Board appointment	Address	Current position Other offices held
Olivier Bruyeron	Permanent 15/02/2021		• Coordination SUD: Chairperson, January 2021 - present • Gret: Head of Innovative Projects and Partnerships, September 2019 - present • Nutri'zaza (company incorporated under Malagasy law): Chairperson, 2013 - present • Agence Française de Développement: Director and member of the Foreign States Committee: February 2021 - present • Non-profit Movement: director, March 2021 - present • Cité du développement durable: director, member of the Bureau, 2020 - present • Fondation de France: member of the international solidarity committee, 2020 - present.
Martine Audibert	Alternate 22/04/2021	University of Clermont Auvergne - CERDI - 26, avenue Léon Blum - 63000 Clermont-Ferrand CEDEX	• Research head emerita at CERDI, Senior fellow at FERDI (International Development Study and Research Foundation) • No other office or function
1 Person appointed because of his/her knowledge of ecological and sustainable development issues			
Anne-Marie Levraut	Permanent 22/04/2022	5, allée des Eiders - 56860 Séné	• Deputy Vice-President of the French Association for the Prevention of Natural and Technological Disasters (AFPCNT) • Honorary member of the Board of Directors of the Adour-Garonne water agency
Maya Leroy	Alternate 22/04/2022	AgroParisTech - 648, rue Jean-François Breton - BP 44494 - 34093 Montpellier CEDEX 5	• Head of Environmental Management Department (AgroParisTech) • Member of scientific boards • French Scientific Committee on Desertification-CSFD, United Nations Convention UNCCD. • Scientific and Technical Board of the French Global Environment Facility - FFEM • Chairperson of the Scientific Council of GIP ECOFOR (Forest ecosystems) • Scientific Board of the French Biodiversity Office (OFB) • Environmental authority member • Member of the Occitania Regional Environmental Authority Mission MRAe - CGEDD • Board member • Board of Directors of AgroParisTech • Board of Directors of SIFEE - International Francophone Secretariat for Environmental Assessment • Member of the Technical Committee = Social Administration Committee • Social Administration Committee of AgroParisTech
Vacant	**Alternate**		**Awaiting appointment by decree**

Director	Term on the Board appointment	Address	Current position Other offices held
4 Members of Parliament			
Frédéric Petit	Permanent 21/10/2022	National Assembly - 3, rue Aristide Briand – 75007 Paris	• Deputy for French citizens established outside France (7°) • No other office or function
Nadège Abomangoli	Alternate 21/10/2022	National Assembly - 126, rue de l'Université – 75007 Paris	• Deputy for Seine-Saint-Denis (tenth district) • No other office or function
Vacant	**Permanent**	National Assembly - Rue de l'Université – 75007 Paris	
Dominique Potier	Alternate 21/10/2022	National Assembly - 126, rue de l'Université – 75007 Paris	• Deputy for Meurthe et Moselle department • Chairperson of the non-profit group Esprit Civic • Chairperson of the non-profit group Le Pays Terres de Lorraine • Director of the Agriculture and Rurality Observatory of Fondation Jean Jaurès
Alain Joyandet	Permanent 25/03/2021	Senator of Haute-Saône - Palais du Luxembourg - 15, rue de Vaugirard - 75006 Paris	• Regional Councillor for Burgundy – Franche-Comté • Director of Chaîne Public Sénat, general mandate • Manager of EARL Domaine de la Pâturie and EURL Joy Développement. These two companies are owners and managers of Domaine de la Pâturie, a vineyard located in Champlitte, volunteer mandates
Vacant	**Alternate**		
Isabelle Briquet	Permanent 25/03/2021	Senator of Haute-Vienne - Palais du Luxembourg - 15, rue de Vaugirard - 75006 Paris	
Vacant	**Alternate**		
2 AFD employee representatives			
Iris Johns	Permanent 09/12/2022	AFD - 5, rue Roland-Barthes – 75012 Paris	• AFD employee • No other office or function
Claude Torre	Alternate 09/12/2022	AFD - 5, rue Roland-Barthes – 75012 Paris	• AFD employee • No other office or function
André Hue	Permanent 09/12/2022	AFD - 5, rue Roland-Barthes – 75012 Paris	• AFD employee • No other office or function
Lucille Lauvernier	Alternate 09/12/2022	AFD - 5, rue Roland-Barthes – 75012 Paris	• AFD employee • No other office or function

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3.1.3.2 The Directors' Charter

A charter sets out the rights, obligations and rules applicable to all members of Agence Française de Développement's Board of Directors, special committees, Risk Management Committee or its Audit Committee. All directors, both permanent and alternate, agree to adhere to the guidelines set out in the Charter (confidentiality, banking secrecy and the duty of circumspection, duty to inform, duty of vigilance, etc.) and to apply them when acting as individuals and as members of a company body called upon to make collective decisions.

3.1.3.3 Conditions for the preparation and organisation of the work of the Board of Directors

Pursuant to Article R.515-18 of the French Monetary and Financial Code, the Board of Directors deliberates on the institution's strategic orientations implementing the objectives entrusted to it by the State. It approves: the contractual targets and resources agreed with the State; the agreements listed in Article R.515-12 (management on behalf and at the risk of the State); the financial aid mentioned in Articles R.515-9, R.515-10 and R.515-11, as well as the regulations provided in the latter article; the agreements entered into pursuant to the second, third, fourth and fifth paragraphs of Article R.515-13 (management on behalf of a third party); the annual amount of loans to be taken out by the Agency; the statement of estimates of operating income and expenses; the general terms and conditions on financial aid; the annual financial statements and the management report prepared by the Chief Executive Officer (CEO); the purchase and sale of properties; the creation or abolition of local offices or representations; transactions on Agency interests and arbitration clauses; and the appointment of Statutory Auditors. The Board of Directors is informed of quality assessments, analyses and evaluations regarding the Agency and its operations.

The Board of Directors' operations are formally set out in the internal regulations, in accordance with Article R.515-19 II of the French Monetary and Financial Code. The internal regulations define the procedure for consultation of the Board's members by the Chairperson remotely for urgent deliberations. This procedure at the least defines a minimum consultation time, quorum rules and the right of any member of the Board and the Government Commissioner to oppose this consultation procedure.

3.1.3.4 Conflicts of interest

To AFD's knowledge:

- there are no family ties between AFD's corporate officers. Moreover, over the last five years, no corporate officers have been subject to a conviction for fraud, bankruptcy, receivership or liquidation, an official public accusation and/or penalty pronounced by the legal or regulatory authorities, nor have been prevented by a court from acting as a member of an administrative, management or supervisory body or from managing company affairs;
- there are no potential conflicts of interest regarding the duties of any of the Directors vis-à-vis AFD and their private interests and/or other duties;
- at the date of this Document, no corporate officer was related to AFD or one of its subsidiaries by a service contract that provided for the granting of any benefits.

3.1.3.5 The specialised committees of the Board of Directors

The Board of Directors may delegate a part of its powers, to the degree that it determines, to three specialised committees (for operations in the French Overseas Departments and Collectivities, for operations in foreign countries and for supporting the initiatives of non-governmental organisations). The specialised committee for activities in the French Overseas Departments and Collectivities includes three representatives of the French State, two of whom are appointed by decree of the Minister responsible for the French Overseas Departments and Collectivities and the third appointed by decree of the Minister of the Economy. The specialised committee for activities in foreign countries includes five representatives of the French State, two of whom are appointed by decree of the Minister of Foreign Affairs, a further two of whom are appointed by the Minister of the Economy and the fifth appointed by decree of the Minister of Immigration. The specialised committee for supporting the initiatives of non-governmental organisations includes four representatives of the French State, two of whom are appointed by decree of the Minister of Foreign Affairs, a third appointed by decree of the Minister of the Economy and the fourth appointed by the Minister of Immigration. In addition, each specialised committee includes two qualified experts appointed by the Board of Directors (one of whom sits on the Board) and one of the employee representatives on the Board of Directors chosen by these representatives. These specialised committees may be supplemented by one or several members of the Board of Directors at its own discretion.

The specialised committee for operations in the French Overseas Departments and Collectivities and the specialised committee for operations in foreign countries are chaired by the Chairperson of the Board of Directors. The specialised committee for supporting the initiatives of non-governmental organisations is chaired by the Chairperson of the Board of Directors or by a member of the Board of Directors appointed from among the representatives of the French State. For the members of specialised committees, other than the Chairperson and the members of the Board of Directors, an alternate is appointed under the same conditions as the permanent member. The term limit for members of the specialised committees and the conditions for their possible replacement are the same as those set for the members of the Board of Directors. The specialised committees may decide to submit any business within their remit to the Board of Directors. In such cases, they give the Board their opinion on the business referred to it.

The Board of Directors may also delegate a part of its powers to the Chief Executive Officer, who reports back to the Board about the decisions made under this delegation.

The Board of Directors appoints an Audit Committee and a Group Risk Management Committee, composed of between three and five members qualified in financial and risk analysis. The Audit Committee provides its opinion to the Board of Directors whenever necessary and at least yearly on the Agency's financial statements, the effectiveness of its internal control and the management of its risks. The Risk Management Committee advises the Board of Directors on AFD Group's overall strategy and risk appetite.

The Agency borrows over the short, medium and long term in France and abroad, either through financial organisations, or by issuing bonds, notes, securities or any other debt instrument. It performs all financial transactions required for its activities. The Agency's transactions are recorded in accordance with the rules concerning trade and in compliance with regulations governing credit institutions. A Government Commissioner, appointed by the Minister of the Economy, performs the for the Agency the duties set out in Article L.615-1 and Articles D.615-1 to D.615-8 of the French Monetary and Financial Code. The Agency's financial statements are audited by two Statutory Auditors, appointed pursuant to the provisions of Articles L.511-38, D.511-8, D.511-9 and D.612-53 to R.612-60 of the French Monetary and Financial Code. The Statutory Auditors are subject to the obligations provided for in Article L.511-38.

Article R.515-19 of the French Monetary and Financial Code provides that the Board of Directors meets at least four times a year when convened by its Chairperson. During 2021, the Board of Directors and its specialised committees met 37 times.

3.1.4 Compensation and benefits of the executive corporate officers and the Deputy Chief Executive Officers

In accordance with Act No. 2005-842 of 26 July 2005 on economic trust and modernisation, please see below for the compensation paid in 2020 to the executives:

Total gross compensation (in euros)

- Rémy Rioux, Chief Executive Officer (start of term 2 June 2016): 192,180;
- Bertrand Walckenaer, Deputy Chief Executive Officer (start of term 14 February 2019): 180,278;
- Marie-Hélène Loison, Chief Operating Officer (start of term 8 July 2021): 173,504.

There are no benefits in kind, special retirement schemes, stock option plans or variable compensation for AFD's corporate officers and Deputy Chief Executive Officers.

3.1.5 Compensation and benefits of the corporate officers and the Deputy Chief Executive Officers

AFD's directors receive no payment or benefits in kind.

3.1.6 Other information

3.1.6.1 Possible limitations that the Board of Directors can place on the powers of the Chief Executive Officer (Articles L.225-37-4 and L.22-10-10 of the French Commercial Code)

Unlike commercial companies, AFD's status as an EPIC (industrial and commercial public undertaking) does not permit it to limit the powers granted to the Chief Executive Officer by the Board of Directors. The powers granted to the Chief Executive Officer are laid down in AFD's bylaws and the Chief Executive Officer exercises them with respect for the rights of the Board of Directors.

3.1.6.2 Summary table of the valid delegations granted by the Shareholders' board with respect to capital increases, pursuant to Articles L.225-129-1 and L.225-129-2 of the French Commercial Code, showing how those delegations were used during the financial year

Not applicable.

3.1.6.3 Specific terms and conditions of shareholder participation in the general meeting or provisions of the bylaws that provide for such terms and conditions (Articles L.225-37-4 and L.22-10-10 of the French Commercial Code)

Not applicable.

3.1.6.4 Report by the Statutory Auditors prepared pursuant to Article L.22-10-71 of the French Commercial Code on the Board of Directors' report on corporate governance

As part of the specific verifications, the Statutory Auditors verify the fairness and consistency of the information given in the Board of Directors' report on corporate governance.

3.1.6.5 Items likely to have an impact in the event of a takeover or exchange offer (Article L.22-10-11 of the French Commercial Code)

Among the items referred to in Article L.22-10-11 of the French Commercial Code, there is no item that may have an impact in the event of a takeover or exchange offer.

Not applicable.

3.1.6.6 Presentation of the draft resolutions relating to the principles and criteria for determining, allocating and distributing the fixed, variable and exceptional items comprising the total compensation and benefits of all kinds attributable to the Chairperson, Chief Executive Officers, Deputy Chief Executive Officers, in respect of their mandate (Article L.22-10-8 of the French Commercial Code).

Not applicable in the absence of variable compensation for the executives of the public institution.

3.1.6.7 Agreements entered into, directly or by proxy, between, firstly, a corporate officer or a shareholder holding over 10% of a company's voting rights and, secondly, another company in which the former owns, directly or indirectly, more than half of the share capital, with the exception of agreements relating to current transactions and entered into under normal conditions

Name of the convention	Additional information
Agreements and commitments approved in previous financial years which continued to be performed	
WITH SOGEFOM	
Service agreement entered into between AFD and Sogefom	Compensation for AFD in 2022: €1,883K
WITH SODERAG	
Cessation of interest on advances to current accounts	None
Provision of non-interest bearing shareholder advances to Soderag	At 31 December 2022, Soderag's debt to AFD (under agreements signed between 1997 and 2005): €106,346K (excluding interest)
WITH THE THREE DEPARTMENTAL CREDIT COMPANIES (SDCS)	
Refinancing and guarantee agreement for the customer loan portfolio taken over by the three SDCs from Soderag	• Loans outstanding at 31 December 2022: Sodema: €9,298K; Sodega: €12,555K; Sofideg: €534K. • Compensation received by AFD in 2022: Sodema: €0K; Sodega: €0.1K; Sofideg: €0K. • The credit risk supported by AFD is covered by a provision of €19,368K at 31 December 2022, *i.e.* a net reversal of €160K.
WITH PROPARCO	
Framework agreement for the management of private sector financing activities	Agreement signed on 16 July 2021. Impact in 2022: €6,218K
Sub-investment cofunding framework agreement	Agreement signed on 25 January 2021 for entry into force on 9 October 2020. Impact in 2022: €9,138K
Service agreement between AFD and Proparco for the administrative and financial monitoring of certain investments	Agreement signed on 5 July 2021 for entry into force on 15 July 2021. Impact in 2022: €793K
AFD/Proparco services agreement	New agreement signed on 24 December 2021 for entry into force on 1 January 2022. Impact in 2022: €73,279K
Mandate agreement relating to the "transforming financial systems for the climate" (TFSC) programme	Impact in 2022: €589K
MENA-facilitated framework agreement	Agreement signed on 28 July 2021. Impact in 2022: €420K

Name of the convention	Additional information
WITH THE EIB	
Agreement for the deployment of "Junker Plan 1" in French Overseas Departments and Collectivities	Impact in 2022: €145K
WITH NGOS	
None	
New agreements authorised by the Board of Directors	
WITH NGOS	
None	
WITH PROPARCO	
None	

For agreements signed before 2021, the dates of signature were mentioned in the special report of the Statutory Auditors. Only the dates of the agreements signed during the 2022 financial year are included in this table.

3.2 Compensation policy and practices

3.2.1 Compensation policy governance

Article L.511-89 of the French Monetary Code, resulting in particular from the implementation of the CRDIV directive, requires that credit institutions and financing companies of "significance" establish an Appointments Committee and a Compensation Committee and refers to a decree from the Minister of the Economy for the definition of "significance".

Article 104 of the Decree of 3 November 2014 uses, as the sole criteria for determining "significance", the fact that the total company or consolidated balance sheet exceeds €5bn, meaning that these provisions apply to AFD, while the CRDIV directive contains provisions that have not been transposed and which would exempt AFD from establishing these committees.

However, the establishment of Appointments Committees and Compensation Committees conflicts with certain bylaw and legal provisions and certain organisational rules on State public undertakings applicable to AFD.

With regard to the Compensation Committee, pursuant to Article 76-2 and Article 95-1 of the CRDIV directive, governments are only obliged to stipulate that Compensation Committees are established in undertakings that are "significant" in terms of their size, but also in terms of their internal organisation and the nature, scope and complexity of their activities. These derogations and criteria established by the CRDIV directive and Article L.511-89 of the French Monetary and Financial Code were not specified in the Decree of 3 November 2014.

It should be noted that the compensation paid to all AFD employees, including the Executive Committee and "individuals whose activities have a significant impact on the company's risk profile", is determined by AFD's staff regulations. Moreover, no variable compensation is awarded. This particular characteristic of AFD, together with the partial transposition of the CRDIV directive into French law, argues in favour of exempting AFD from establishing a committee which would, ultimately, not have the power to exercise the prerogatives expected by the regulator.

The HR function is the only entity involved in designing and implementing the compensation policy. The reason for this is that no AFD employee receives variable compensation (except for profit sharing).

3.2.2 Main features of the compensation policy

3.2.2.1 Setting compensation

The compensation of every AFD employee is defined essentially using their salary point: on recruitment, a job level (comprising a range of salary points) is allocated to each individual in accordance with the strict definitions in the Staff Regulations. The salary point value is then determined, within this range, according to the employee's age, training and experience (there is a strong internal concept of fairness).

3.2.2.2 Compensation structure

Compensation comprises the following items:

- basic salary (Article 12.1 of the Staff Regulations).

For C to G grade employees, the basic salary includes compensation for all hours worked including overtime indiscriminately.

"It is calculated by applying the Caisse Française de Développement value to the salary point. It is monthly and payable in arrears"(2);

- awards and bonuses (Article 12.2)

  In addition to the basic salary, employees who meet the required conditions receive the following awards and bonuses, calculated on a pro rata basis according to hours of work for individuals whose working hours are fewer than the collective hours of work:

  - year-end bonus (12.2.1).
  - It will be calculated on December's basic salary as defined in Article 12.1 and multiplied by 1.4. For each employee, it is in line with the number of paid days over the year,
  - holiday bonus (12.2.2).
  - The amount is identical for every employee. It is paid in three instalments: 20% at the end of February, 50% at the end of May and 30% at the end of August. For each employee, it is in accordance with the number of paid days during the period 1 June to 31 May,
  - dependent child(ren) and ascendant(s) family supplement (12.2.3).
  - It is defined by a scale indexed to the value of the salary point,
  - long service bonus (12.2.4).
  - A to C grade employees receive a long service bonus defined by a scale negotiated with the trade unions,
  - professional bonus (12.2.5).
  - It is related to holding a type of position and is paid to every employee who holds this type of position. The types of positions in question and the corresponding bonus amounts are decided by the Chief Executive Officer (CEO). The bonus stops being paid if the employee is transferred to a position to which the professional bonus does not apply,
  - personal supplement (12.2.6).

    The company may, on an exceptional basis, pay personal compensation supplements, on a provisional basis, other than those described above, primarily in accordance with the specific positions held or to address exceptional situations. These personal compensation supplements are paid for as long as the reason for their being awarded continues. Management will inform the Employee-Management Committees provided for in Article 58 of the Regulations about measures taken in this respect;

- some employees receive a supplementary retirement allocation according to their retirement plan;
- no employee (including directors) receives individual variable compensation, whether deferred or not (*e.g.* bonus, shares, stock options, etc.);
- employees also enjoy employment benefits, such as supplementary defined contribution retirement plans, health fees and insurance, and housing loans financed entirely or partly by AFD;
- expatriate employees also enjoy several allowances related to their expatriate status.

Lastly, any employee on a fixed term or indefinite-term contract, whether full or part-time, who has three months of service within AFD (excluding employees whose contracts were entered into locally and are not governed by French law), receives, in addition to their fixed compensation, an annual profit sharing component calculated using indicators related to the Group's operations, cost control, efficiency and overall effectiveness.

3.2.2.3 Change in compensation

The arrangements for implementing the compensation policy place a significant emphasis on informing, consulting and negotiating with social partners.

Compensation for AFD employees may be re-evaluated by (i) increasing the value of the salary point, (ii) and/or a general revaluation (or by job level) of salary points, (iii) and/or the award on an individual basis of salary points. General increases together with the budget for individual increases are negotiated on an annual basis during the Mandatory Annual Negotiations (NAO) and are subject to the framework of AFD's supervisory ministries. There is a safeguard clause for salary point increases which ties the increase in AFD's salaries to the increase in government civil service salaries over a three-year period.

An individual increase in basic salary agreed by Management is based on an assessment of an employee's mastery of his or her position in accordance with the terms and conditions provided in Heading III Chapter II of the Staff Regulations on evaluations. Individual increases are distributed fairly between departments, job levels or men/women. For a promotion decision, a minimum number of salary points must be awarded according to the job level.

An Employee-Management Committee enables employees to appeal in the event that they disagree with the Management's decision or when an employee has not had an individual promotion for four full years.

3.2.2.4 Early termination of the employment contract

Remuneration payments for early termination of an employment contract are defined in Heading V of the Staff Regulations.

In addition to the particular cases referred to in Articles 25, 28 and 30-3, an employee may be dismissed:

- 1° for economic reasons;
- 2° on the grounds of professional incompetence;
- 3° as disciplinary action;
- 4° on the grounds of medical unfitness.

In the event of dismissal for the following reasons, compensation is calculated on the basis of an average monthly salary, which is defined as a twelfth of the compensation over the previous 12 months:

1° Dismissal for economic reasons:

Compensation for dismissal paid to an employee at the end of the notice period is equal to one and a half months of this average monthly salary per year of service up to the sixth year inclusive, and to one and three-quarter months of this salary for every year of service beyond the sixth year.

For employees whose services were performed partly in French Overseas Departments and Collectivities and/or abroad and partly in Metropolitan France, or *vice versa*, compensation is calculated on a pro rata basis in relation to the time spent in each of these postings, according to the following terms and conditions:

- the portion of the remuneration relating to their services in metropolitan France is calculated on the basis of one 12th of their annual reference salary in metropolitan France;
- the portion of the compensation relating to their services performed in French Overseas Departments and Collectivities and/or abroad is calculated on the basis of one 12th of the annual salary allocated to an employee ranked on the same salary point in the last posting in French Overseas Departments and Collectivities and/or abroad.

The amount of compensation for dismissal may not be less than three times the average monthly salary, or more than 18 times this salary.

Only full months of service are taken into account to determine the compensation for dismissal.

2° Dismissal on the grounds of professional incompetence:

Compensation for dismissal paid to an employee at the end of the notice period is set by the Chief Executive Officer (CEO). However, this remuneration may not be less than half of that provided in the event of dismissal for economic reasons.

3° Dismissal as disciplinary action:

The amount of remuneration potentially awarded to an employee is determined by the Chief Executive Officer (CEO) when giving notice of the penalty in accordance with legal provisions. Only serious or gross misconduct results in no compensation for dismissal.

4° Dismissal on the grounds of medical unfitness:

Compensation for dismissal paid to an employee pursuant to the procedure set forth in Article 25 of the Staff Regulations is equal to half the remuneration payable in the event of dismissal for economic reasons and, as a minimum, equal to the legal remuneration provided by the French Labour Code in this event.

3.2.3 Information about compensation for executive officers and individuals whose professional activities have a significant impact on the company's risk profile

As previously stated, the compensation principles and changes described above are applicable to all AFD employees, including the Executive Committee and "individuals whose activities have a significant impact on the company's risk profile".

At AFD, executive officers and individuals whose professional activities have a significant impact on the company's risk profile belong to the following categories:

- the Executive Committee (including Proparco's Chief Executive Officer);
- the Management Committee, notably including:
- Deputy Executive Directors,
- Departmental Directors,
- the Communications Department and FGEF (French Global Environment Facility) managers and the Director of the Office to the Chief Executive Officer (CEO) (who are also members of the Management Committee),
- Head of the Secretariat of Proceedings (SIR),
- the Deputy Heads of the DCO (Compliance), ROC (Permanent Control) and IGE (General Inspection) Departments,
- managers of the CLI (Climate and Second Opinion), CLN (Climate and Nature) and CCC (Crises and Conflicts) Divisions, and the manager of the CLS (Social link) unit,
- Regional Directors,
- and employee representatives on the Board of Directors.

The total amount of compensation of any kind paid during the 2022 financial year to all people falling within these categories (87 positions and 86 employees) amounted to €10,551,540.

- Furthermore, the total compensation paid to executive officers (Chief Executive Officer, Deputy Chief Executive Officer), Risks Executive Officer, the Head of Compliance and the Head of Permanent Control amounted to €812,899 in respect of 2022 (for the incumbent individuals as at 31 December). These amounts are the total compensation amounts of any kind paid during the 2022 financial year to all individuals within these categories. (1)

1) *Extract from Staff Regulations*

Risk management

4.1 Risk factors

4.1.1 Banking and financial risks

4.1.1.1 Credit risk

Credit risk is defined as the risk of a borrower failing to repay all or some of their loan within the schedule stipulated in the agreement signed with AFD Group. The level of credit risk (rating) reflects the probability of the borrower defaulting on their obligations. This risk is assessed during the credit check and forms the basis of the decision of whether to grant the loan combined with the institution's risk appetite and the system of regulatory and internal operational limits (individual, geographical, sectoral, etc.) in place.

This level of risk is reassessed periodically, and at least once a year, to identify any degradation of that risk subsequent to the loan being granted and to provision accordingly. This provision is based on the estimated debt recovery rate and is used to calculate the cost of risk of the institution, also factoring in losses.

Overview of AFD Group's credit risks at 31 December 2022

AFD Group	Balance sheet 2022	Off-balance sheet 2022	Total 2022	Breakdown of 2022 commit ments
AFD corporate entity				
Non-sovereign financing	17,841	3,599	21,440	32%
of which French Overseas Departments and Collectivities	*6,767*	*720*	*7,487*	*11%*
of which Foreign Countries and sub-part. Proparco	*11,049*	*2,879*	*13,928*	*21%*
of which other	*25*	*-*	*25*	*0%*
Sovereign financing	27,554	14,419	41,973	62%
AFD financing subtotal	**45,395**	**18,018**	**63,413**	**94%**
Proparco (own behalf)	**3,784**	**488**	**4,273**	**6%**
GROUP TOTAL	**49,179**	**18,506**	**67,285**	**100%**

Breakdown of credit risks on AFD Group loans by level of risk and associated provisions

In millions of euros	Balance sheet 2022	Off-balance sheet 2022	Total 2022	Breakdown of 2022 commitments
Healthy risk (stage 1)	36,934	14,894	51,829	77%
IFRS 9 provisions	56	18	74	8%
Sensitive risk (stage 2)	9,076	2,533	11,609	17%
IFRS 9 provisions	322	53	376	39%
Doubtful risk (stage 3)	3,169	1,078	2,248	6%
Individual provisions	508	-	508	53%
TOTAL RISK	**49,179**	**18,506**	**67,685**	**100%**
TOTAL PROVISIONS	**886**	**72**	**958**	**100%**

Outstandings in risks categorised as doubtful (stage 3) are limited to 6% of total Group outstandings at 31 December 2022 with provisions of 23% on average.

Factors affecting credit risk

Owing to its remit and the nature and location of its borrowers in emerging or developing countries, AFD Group is particularly exposed to macroeconomic fluctuations and geopolitical and regional financial events that may have a significant impact on its activities and financial solvency of borrowers, thus potentially generating a higher risk that is, by nature, more volatile. As an example, the AFD portfolio was successively impacted by the crises in Turkey in 2018, and in Argentina and Lebanon in 2019, which led to most counterparties in the portfolio being downgraded as non-performing loans – primarily those linked to the banking sector which was most affected – and an increase in the associated provision rate. In 2020 and 2021, AFD's portfolio was impacted by the health crisis then in 2022 by the Russo-Ukrainian conflict. The Group has proactively set up a temporary cyclical provision (€45.3M) mainly intended to cover the risk of a short-term deterioration in the credit ratings of certain counterparties in the most vulnerable countries of operation.

However, the Group's credit risk is naturally mitigated owing to:

- the global geographical diversity of the portfolio (operations in 98 countries) as presented below, within the framework of the Group's limit system;

Breakdown by geographical area of risks in respect of AFD Group loans

In millions of euros	Central and Southern Africa	Latin America, Central America and Caribbean	Asia-Pacific	Middle East and North Africa	Europe	Multi-country fo reign	French Overseas Departments and Collectivities	Total
AFD Sovereign	14,719	7,564	10,493	7,126	2,071	-	-	41,973
AFD non-sovereign	4,214	3,466	1,183	1,945	1,151	2,075	7,405	21,440
Proparco	1,073	1,223	641	322	441	571	1	4,272
GROUP TOTAL	**20,006**	**12,253**	**12,317**	**9,392**	**3,664**	**2,646**	**7,407**	**67,685**

- the diversity of the portfolio by counterparty type;

Breakdown of risks on AFD Group loans by counterparty type

Loans *(in millions of euros)*	2022
Local authorities	6,830
Public institutions	39,157
Public financial institutions	7,267
Private financial institutions	4,420
Private non-financial entities	4,249
Public non-financial entities	5,762
TOTAL	**67,685**

- the proportion of the Group's activity in French Overseas Departments and Collectivities for which the associated credit risk is significantly reduced owing to the implicit support of the French state for most of the counterparties in question (local authorities in particular). Risk exposure in French Overseas Departments and Collectivities accounted for 29% of the Group's non-sovereign risk as of end-2022.

Financial risks related to climate and biodiversity

As a result of its operations in a significant number of countries subject to severe climate hazards and the erosion of biodiversity, AFD is exposed to the impacts of climate and biodiversity risks on some of its borrowers; these impacts may increase the associated credit risk.

Moreover, AFD's regulator (French Prudential Supervisory and Resolution Authority – ACPR) asked French banking and insurance providers to include this aspect in their risk analysis. Already in 2020, ACPR organised an innovative climate stress exercise to measure the sector's exposure to these risks.

To meet the challenges posed by climate and biodiversity financial risks, and even before the stress test organised by the regulator, AFD adopted in 2018, as part of its climate strategy, a multi-year roadmap dedicated to climate risks, including a dimension of measurement and consideration of these risks by AFD in the analysis of the credit quality of its customers.

These risks are **threefold**:

Since 2018, AFD has been assessing **physical risks**, *i.e.* the risks of financial losses caused by the occurrence of extreme climate events or by the physical consequences of gradual changes related to climate change.

Transition risks, *i.e.* the risks of financial losses caused by the transition to a low-carbon economy, have been analysed since 2022 through a pilot phase, still ongoing in 2023. Indeed, following a study conducted in 2021 to quantify the transition risk exposure of the States in which AFD operates, the Group's top 20 sovereign exposures [1], as well as the non-sovereigns present in these countries were subject to pilot analyses in 2022. A more general deployment of transition risk analyses is planned in 2023.

Work to develop a first methodology for assessing the **financial risks related to the degradation of biodiversity**, not yet currently analysed, has been launched and planned to be completed in 2023.

Thus, the tools and processes concerning financial climate risks currently in place at AFD consist in producing an analysis at the customer level and no longer only at the project level in order to identify the risks specific to the entire counterparty, as well any mitigation or adaptation strategies put in place to combat the risks identified.

For sovereigns, the climate analysis is included in the country risk and sovereign risk scores produced by the economic risk monitoring division (ECO). The analysis of physical risks is carried out for all the countries in which it operates, while the analysis of transition risks is, for the moment, limited to the top 21 sovereign geographic exposures; an extension is planned for mid-2023.

For non-sovereign, exposure to physical risks is measured on the basis of a dedicated analysis matrix and due diligence questionnaires. The analysis has been carried out since 2021 for all instructions and the annual review of counterparties in the portfolio. It proposes to assess the exposure of each borrower to five climate hazards on a scale of four levels (ranging from low to very high risk) taking into account any risk mitigation techniques implemented by the counterparty. With regard to transition risk, a similar approach (matrix, questionnaires and rating on a four-level scale) was rolled out in 2022 following our participation in a stress-test exercise organised by the regulator. As previously mentioned, a pilot phase for instructions is currently underway in our top 21 countries of exposure and the French overseas departments; an extension is planned for mid-2023.

These physical and transition scores are integrated into the risk information system known as the "SIOP quotation" in a separate tab of the credit rating, to assess AFD's exposure to these risks by counterparty, to consolidate the data collected and to promote the Group's ownership of these issues. To date, these scores remain non-financial scores, not taken into account in the credit rating.

For the moment, only physical risk indicators are available across the entire non-sovereign portfolio. Analysis of this data shows that 17% of outstandings at the end of 2022 are highly exposed to physical climatic hazards. For the grid of counterparties and geographic areas, these initial results indicate that the risk is higher for local authority counterparties located in the French Overseas Departments and Collectivities. These are mainly located on island territories particularly exposed to the rising sea level and cyclones.

With regard to the transition risk, as the methodology is in the pilot phase and not yet integrated into AFD's information system, the only indicators currently available are those from the 2020 stress test put in place by the regulator in which AFD participated. This exercise highlighted that AFD's non-sovereign portfolio is relatively little exposed to transition risk. Indeed, by 2050, the average rating of the credit portfolio would be downgraded by just one level, as AFD's exposure to the affected sectors is low (coal and petroleum products, metallurgy, heavy industry, etc.). According to the consolidated data, 11% of the outstandings would be impacted by a decrease in the credit rating of more than one level due to the transition. Financial institutions have been isolated because they carry an indirect risk (through the companies they finance) that will have to be analysed on a case-by-case basis according to the assets they have in their portfolio.

The first study on the risk of biodiversity conducted on the non-sovereign portfolio indicates, not surprisingly, that the financed partners are dependent on the free services provided by nature (ecosystem services) and that the erosion of biodiversity leads to significant financial difficulties - 40% of the portfolio being highly or very highly dependent on at least one ecosystem service and 40% of the portfolio being dependent on more than three ecosystem services. Work is currently underway to add a geographical grid to this first observation.

To date, climate risks have not led to a deterioration in the risk profile of AFD's counterparties. Nevertheless, they cannot be excluded from the Group's risk factors. Indeed, this subject is changing rapidly and has become of key importance in all economic, financial, political and societal spheres. These risks also tend to increase over time and their materialisation becomes progressively more certain. A more comprehensive view of this topic is provided in the TCFD report [2] AFD published for the first time in 2021.

1) *South Africa, Bolivia, Brazil, Cameroon, China, Colombia, Côte d'Ivoire, Dominican Republic, Egypt, India, Indonesia, Jordan, Kenya, Morocco, Mexico, Nigeria, Pakistan, Senegal, Tunisia, Turkey, Vietnam, French Overseas Departments.*

2) *Task Force on Climate-Related Financial Disclosure .*

4.1.1.2 Geopolitical and macroeconomic risk

Owing to the scope of its operations, AFD is exposed to the emergence of crises of political or geopolitical origin. This risk may take the form of all political or administrative, national or international events or decisions that may lead to economic, commercial or financial losses for companies, whether importing or exporting, or investing abroad. As an illustration, the monetary policy decisions deployed in 2022 in the advanced economies should continue in 2023 and are likely to have impacts on the financing conditions of AFD's countries of intervention, just as the appreciation of hard currencies (USD, EUR) against local currencies could weigh on the debt servicing burden for countries heavily indebted in foreign currencies (Kenya, Ghana, Ethiopia, Tunisia, Turkey, Zambia, Sri Lanka, Mongolia, Armenia, Serbia, Georgia, Argentina, Dominican Republic). These decisions also have an impact on the volumes of financing available for emerging economies, some of which are particularly dependent on these flows from advanced economies (Turkey, Ghana, Egypt, Mauritius, for example). Overall, the tightening of monetary policies poses a significant risk to the debt sustainability of many emerging economies. At 31 December 2022, the IMF estimates that 37 of the 69 low-income countries whose debt sustainability it analyses are at high or proven risk of debt distress.

While the war in Ukraine did not generate a significant deterioration in the portfolio in 2022 (excluding Ukraine directly of the outstanding amount of €32M), geopolitical risks remain significant, particularly in the context of rivalries between superpowers (China, Russia, USA) and may have impacts on emerging economies, for example through the availability and accessibility of food and energy resources. This risk is shown through lower growth, inflationary pressures and higher budget deficits. The IMF has redefined significantly lower growth forecasts for regions such as the Middle East and Central Asia (3.2% in 2023 *vs.* 5.3% in 2022) and Latin America (1.8% *vs.* 3.9%). Growth stabilised in the Africa and Asia regions after slowing down sharply between 2021 and 2022 (to 3.8% and 5.3% respectively).

Although this type of risk is, by nature, largely exogenous, in making operational decisions, AFD limits its operations in a given region based on the risk appetite framework relating to the risk of concentration [(1)]. In addition, it should be noted that any sovereign debt restructuring initiative, when necessary, is carried out within the framework of the Paris Club and under the authority of the French State with regard to AFD.

Nevertheless, here is a presentation of outstandings by “economic or geopolitical zone” that could be subject to a massive effect.

	Outstandings[(1)]	in %	Risks	in %	AFD's regions of intervention
Middle East	4,021	8%	5,336	8%	Egypt, Jordan, Lebanon, Turkey, Yemen
Mercosur	2,332	5%	3,038	4%	Argentina, Bolivia, Brazil, Paraguay, Uruguay
ASEAN	3,895	8%	5,091	8%	Myanmar, Cambodia, Indonesia, Laos, Philippines, Thailand, Vietnam
OPEC	3,400	7%	5,623	8%	Algeria, Angola, Indonesia, Gabon, Iraq, Nigeria
Sahel	976	2%	1,641	2%	Burkina Faso, Mali, Mauritania, Niger, Chad

(1) Sovereign and non-sovereign at the end of 2022.

1) Portfolio risk of a bank arising from its concentration on a single counterparty, sector or country.

Main countries of operation heavily impacted by foreign currencies

	Outstandings(1)	Risks
Argentina	107	276
Armenia	275	281
Dominican Republic	937	1,277
Ethiopia	245	418
Georgia	731	793
Ghana	532	608
Kenya	1,048	1,657
Mongolia	26	27
Serbia	135	437
Sri Lanka	216	442
Tunisia	1,033	1,852
Turkey	1,451	1,799
Zambia	113	176
TOTAL	**6,851**	**10,042**

(1) Sovereign and non-sovereign at the end of 2022.

	Outstandings(1)	Risks incl. accrued interest not yet due
Albania	78	166
Armenia	275	281
Azerbaijan	240	270
Georgia	731	793
Kazakhstan	5	6
Montenegro	13	58
Uzbekistan	599	941
Serbia	135	437
Turkey	1,451	1,799
Ukraine	25	27
TOTAL	**3,553**	**4,776**

(1) Sovereign and non-sovereign at the end of 2022.

However, the Group inevitably remains exposed to an exceptional situation that cannot be modelled which could see the simultaneous emergence of a large number of high-intensity geopolitical crises in regions with significant activity.

4.1.1.3 Refinancing risk

AFD Group, including its Proparco subsidiary, does not receive deposits or repayable funds from the public. As its funding model is essentially based on medium and long-term market borrowings, liquidity is a priority in terms of the Group's performance target, which involves keeping the cost of resources under control and minimising the carrying cost [1].

1) The carrying cost of a resource is the difference between the cost of financing and interest from investing the resource.

Changes to AFD's condensed balance sheet are presented below. Most of AFD's funding is from market borrowings.

In millions of euros	31/12/2021	31/12/2022	Change
TOTAL ASSETS	**56,898**	**64,663**	**7,764**
Gross outstanding loans	45,967	50,410	4,443
(-) individual impairments	*-434*	*-400*	*34*
(+) accrued interest	*183*	*270*	*87*
Investment portfolio	608	520	-88
Short-term cash assets	7,152	6,750	-402
Equity stakes at cost and in companies accounted for by the equity investments	1,255	1,446	191
Fixed assets	240	577	337
Accruals and other assets	1,521	4,685	3,164
IMF-PRGF transactions	406	405	-1
TOTAL LIABILITIES	**56,898**	**64,663**	**7,764**
Borrowings from French Treasury	1,463	1,857	394
Market borrowings	43,181	49,700	6,519
Current accounts	576	466	-110
Managed funds and State advances	907	1,031	124
Accruals and other liabilities	1,357	1,557	199
Provisions	1,657	1,791	135
Funding reserves	7,112	7,494	382
Income for the financial year	240	363	123
IMF-PRGF transactions	406	40	-1

As such, AFD Group's refinancing risk would take the form of:

- its inability to fund the development of its assets and to repay commitments made at a time when financing or repayments appear;
- its temporary inability to raise capital at a reasonable cost.

Measures put in place by AFD to guard against refinancing risk (in particular the liquidity indicators) enable it to be restricted to situations of systemic risk.

4.1.1.4 Interest rate risk

The Group does not have a trading book or speculative operations portfolio. As such its interest rate risk is only linked to its credit activity and is part of its "banking book".

Interest rate risk in the banking book refers to current or future risk to which AFD Group's equity or profits are exposed owing to adverse fluctuations in interest rates which influence the positions of the institution's banking book.

For information, measuring the sensitivity of the economic value of AFD Group's equity based on six scenarios ("increase in parallel rates", "reduction in parallel rates", "increase in short-term rates", "steeping of the curve", "flattening of the curve") compared to the central scenario indicates that, as of 30 September 2022, the "increase in parallel rates" is the most adverse scenario with a loss of equity value of around €986M. An increase in interest rates would lead to a decrease in our income, since part of our fixed-rate assets is backed by variable-rate resources.

4.1.1.5 Foreign-exchange risk

AFD Group defines foreign-exchange risk as current or future risk to which its equity and its profits are exposed owing to adverse exchange rate fluctuations.

AFD Group's exposure to foreign-exchange risk is tolerated to a marginal degree in the case of its local currency loans. No negotiating position would expose it to this risk. Exposure to this risk can increase occasionally due to internal events, such as the disbursement of small amounts of currency that are not hedged, but above all to external events, such as arrears, counterparties defaulting on a loan in a local currency or the receipt of share dividends in local currency.

4.1.1.6 Profitability risk

AFD's economic and financial model is built on the principle of moderate profitability and normative pricing in view of its long-term credit activity in favour of entities and projects falling under Official Development Assistance. The normative pricing of its credit activity essentially consists of covering, on the basis of actual costs, the costs of refinancing, operating costs and the cost of risk (estimated over a long historical period).

The Group carries out its mission within the banking regulatory framework applicable to financing companies and in an international environment subject to external crises and shocks. As the year in 2020 will have shown, AFD Group may suffer a drop (-77% in 2020) in its net income due to the cumulative effect of the increase in one-off provisions (individual, collective and sectoral) for credit risk and the decrease in the valuation of equity investments without the possibility of quickly offsetting the effect by increasing credit margins (stickiness and moderation of the price effect).

At the end of December 2022, net income, Group share, recovered to amount to €456M.

This particularity of the economic and financial model is assumed and supported by the French State, AFD's sole shareholder. The impact of such a risk (solvency in particular) is taken into account by the shareholder, as part of the dialogue and medium-term strategic management.

4.1.2 Non-financial risks

4.1.2.1 Reputational and accountability risk

Reputational risk is a risk resulting from a negative perception (whether justified or not) on the part of AFD's counterparties, its stakeholders, its investors or the regulator, which may adversely affect its revenues, activities and ability to maintain or initiate business relationships, or the continuity of its access to sources of financing, or result in litigation or other onerous legal proceedings.

This reputational risk should be reflected in the accountability expected of AFD in its financing actions from its stakeholders (customers, the French State, citizens) insofar as AFD is the operator of a public policy, that of development aid for France. It is therefore incumbent upon it to assure its stakeholders that the debt and grant financing it provides meet the objectives and purpose assigned to it. Otherwise, AFD incurs a reputational risk.

For AFD Group – as for all players in the development sector – reputational risk is among the major risks that could have a significant impact on activities and the economic and financial model. Reputational risk is particularly high for three reasons: first, the purpose of the Group's financing is often to respond to environmental and social issues in the countries where we operate. These sectors, which affect the most vulnerable populations and areas, are closely monitored by civil society organisations. Finally, the geographical scope of the Group's operations exposes it to certain countries where the business environment is impaired, particularly in terms of corruption and financial security (see below, 4.1.2.2). Finally, owing to its public interest remit as set out in its bylaws and agreements with institutions signed in countries where it operates, AFD Group has a duty of accountability and to lead by example in implementing the best practices in financing development assistance.

Also, the following are likely to entail a reputational risk for AFD:

- failure to ensure that its customers comply (or that AFD itself complies) with the environmental and social commitments that condition the aid that AFD grants, a point of special attention in civil society with whom AFD has entered into a strategic dialogue;
- the fact that the aid is embezzled for personal enrichment within the customer (fraud, corruption, money laundering) or is simply diverted from its contractual allocation point (non-compliance with the purpose of the financing) or that the aid ultimately ends up in the hands of terrorists or people placed under financial sanctions by the international community or France, with regard to the regions where the AFD Group operates;
- failure to comply with the commitments made in terms of accountability to AFD's stakeholders and the exemplary nature of the actions that guide it.

A reputational attack on its business would have a major impact that would damage the credibility of AFD Group as an operator, reduce the funding allocated to it and reduce demand among our partners and customers through the loss of trust that would follow.

In addition to quality and risk management requirements, the heart of the procedure for processing and monitoring loans and grants awarded, the Board of Directors which includes, in particular, independent experts from civil society, is an additional bulwark in the event of a failure to identify or measure a risk of this nature.

4.1.2.2 Risk of misuse of loans, risk of fraud/corruption, money-laundering and financing terrorism, non-compliance with economic and financial sanctions

As a key player in French public policies in terms of development and international solidarity, AFD Group is particularly attentive to the proper allocation of its funds and does its utmost to ensure that they serve their intended purpose. This concern is intrinsically linked to its remit as set its bylaws (1) and strategic orientations under which its fundamental mission is to combat poverty and promote growth in its areas of operation. Corruption, fraud and any form of misuse of public and private assistance would have a significant impact on such missions. The same is true of any financing that would result in the Group inadvertently supporting money-laundering or the financing of terrorism.

AFD Group operates in a very specific environment: in particular it supports countries that are in crisis, are vulnerable, have limited capacity and/or are stigmatised in the corruption perception index produced by civil society (2). It often supports weak public contracting authorities, in areas of public finances where the regulatory environment is weak or, in a number of countries, operates in sectors, particularly banking and finance, that are weak or lack maturity in terms of regulation and control. The Group also grants its financing in countries that are subject to international, Community or national economic and financial sanctions measures or that are stigmatised in "black lists" for the failure of their regulatory environment in terms of the fight against money laundering, terrorist financing by GAFI or the European Union.

AFD Group is particularly aware of the specific features of this operational context.

Despite this robust set of risk management measures, the Group may be faced with the predation of its funding or could inadvertently support money laundering or the financing of terrorism. This situation could give rise to a significant legal and financial risk for the Group and damage its image and reputation, the impact of which is detailed above. To date, AFD Group is not facing any litigation in France or overseas for non-compliance on financial security, corruption or non-compliance with sanctions.

4.1.2.3 IT and cyber risk

As is the case of all financial institutions, AFD's exposure to the risk of data breaches, cyber-crimes or IT failures has increased in recent years due to a combination of a number of factors: the increasing use of "cloud" solutions; the use of numerous technical assistance service providers to support AFD's growth and associated IS needs; the growing number of cyber-attacks, whose operating methods are increasingly sophisticated; and lastly, the AFD Group's desire to become a "digital lessor". The digital transition has indeed been identified as one of the six major transitions introduced as part of the Strategic Orientation Plan for 2018-2022 and changes made since, particularly the mass introduction of paperless documents and processes, as well as the generalisation of telework during the Covid-19 pandemic, have increased the Group's reliance on IT resources.

The Group cannot completely eliminate risks of the malfunction or outage of its systems, failure of its IT providers or malicious acts on the part of its own employees or third parties (particularly the risk of leaks of confidential data in the event of piracy and the risk of destruction of data centre software). Although, to date, AFD has never been the victim of a cyber-attack on this scale, were these risks to materialise, they would have significant impacts on the Group's activity, its reputation (in the case of a leak of confidential or personal data for example), on its ability to respond to certain regulatory requirements and engender non-negligible financial losses (in the event of a misuse of AFD funds for example, or an IT failure exposing AFD to a fine).

In addition to the consequences of the risk of a cyber-attack, AFD Group is beginning a major overhaul of a significant part of its IT system, with a dual objective of making efficiency savings and developing functionality tailored to future regulatory requirements and expansion. The IT Strategic Orientation Plan no. 4 (ISOP IV) validated in July 2021 describes this transformation phase and the associated objectives for the coming years, concerning notably the Finance and Risk activities (Fabrik programme launched in 2020), the Operations activities, the opening of IS to the outside, and a vast programme to improve IS security (SDISS).

1) *According to our bylaws (Article R5 15-6 COMOFI): "The Agency is a State-owned industrial and commercial public undertaking, whose missions and organisation are set out in this section. Its mission is to carry out financial transactions of all kinds with a view to: a) contributing to the implementation of the State's foreign aid policy; b) contributing to the development of French Overseas Departments and Collectivities as well as New Caledonia. To this end, it finances environmentally-friendly development operations and may conduct other activities and services linked to its role. In particular, it is responsible for directly or indirectly providing technical expertise to its beneficiaries. The Agency is subject, for activities within its remit, to the provisions of this Code."*

2) *MINKA zone countries: countries of the Sahel, countries around Lake Chad, Central African Republic and Middle East.*

Like any transformation phase, it carries risks, notably in terms of compliance with budgets and deadlines for the delivery of new tools and/or changes to the tools in place. ISOP IV has thus redefined a global governance for information systems, put in place at the end of 2021, with a stronger management, capable of addressing the underlying issues, involving the Executive Committee through the creation of an IS Advisory Committee, the half-yearly definition and review of business line trajectories, changes in the composition and role of the IS Investment Committee (COSI), and coordination with the governance of dedicated programmes, based on the model of the Fabrik Finances and Risk programme (a dedicated programme team, a dedicated Steering Committee under the chairmanship of Executive management, and the provision of full-time teams).

4.1.2.4 Regulatory risk

Changes to the regulatory and legislative environment may have a significant impact on AFD Group's operations.

Changes to European or French financial regulation legislation resulting in a significant increase in the capital required for AFD's banking activities could have significant impacts for AFD Group. Firstly, a strategic impact on the programme of activities with the withdrawal of, or significant reduction in, certain types of products, combined with an impact on the model linked to the reallocation of human resources towards other activities/products. Nor should the risk of an impact on profitability be ruled out. Profitability may be affected by increased expenditure, particularly following new capital expenditure and new resources put in place to limit operational risk linked to the introduction of new standards which could not be implemented on a like-for-like basis. Changes to the legislative framework remain largely unforeseeable like the introduction of Basel III, following the financial crisis. While such changes are highly likely to occur in the future, it is impossible to assess in advance their nature and scope and the resulting impact on AFD's status or model.

4.1.3 Health risks

4.1.3.1 Business interruption risks

The current health crisis linked to Covid-19 is an example of this type of risk. Even though, after the last two years, remote working methods have become commonplace and been improved, their long-term effects as a whole, including in terms of Quality of Life at Work (QLW) and psychosocial risks, have not yet been identified and or are not yet identifiable. Moreover, while the drastic reduction in assignments did not prevent the implementation of the short-term business plan, it could have a medium-term effect on the origination of new operations; lastly, the all-digital world towards which we are being thrown by the events impacting business continuity makes us all the more vulnerable to cyber-attacks, new frauds using information system vulnerabilities, and of course the risk of digital blackouts.

Business continuity could also be severely hampered by the occurrence of a 100-year flood in Paris; it is characterised by slow floods (10 to 15 days of floods, or even more before the water level drops) of which the biggest was in 1910 (+8.62 metres). AFD is exposed to this risk since its registered office, made up of a number of buildings, is located in Paris, not far from the Seine. The AFD buildings, which comprise a number of storeys and basements, are located less than 400 metres from the bed of the Seine, and are in an area where, according to the City of Paris's Flood Risk Prevention Plan, water would exceed 30 metres in the event of a 100-year flood. Such flooding would prevent staff from accessing buildings, would put some of our archives at risk.

4.1.3.2 Risks related to employee security

Owing to the geographical scope of its operations and locations, AFD is particularly vigilant to risks faced by employees on the ground. In addition to staff recruited locally, AFD sends employees overseas either as expatriates or on assignment, for the purposes of local representation and to monitor financing projects. Employees working in the network (staff recruited locally and expatriated) account for around a third of AFD's total headcount. AFD operates in 115 countries. This means it is liable as an employer irrespective of the extent of existing risks on the ground.

These risks vary in nature according to the country: climate risks, seismic or volcanic risks, risks of accidents (traffic accidents in particular), risks linked to inadequate public health and safety infrastructure. But the biggest risks remain the risk of political instability and terrorism (attacks, kidnapping, uprisings, etc.). Indeed, AFD is present in certain regions that are particularly exposed (Sahel, Iraq, Autonomous Palestinian Territories, Pakistan, Haiti, etc.), in which the risk of danger to its employees is deemed to be very high, despite the operational security measures in place and continuously adapted to changing contexts of vulnerability or crisis. Certain events could lead AFD to reduce its activity in certain countries, to rely on degraded systems (as was the case in China - in early 2020 - where the Beijing local office had to set up remote working methods to deal with the lockdown of Chinese staff imposed by the local authorities in response to the coronavirus epidemic), or even to totally or partially close certain local representations (as was the case temporarily in Haiti - at the end of 2019 - or in Pakistan - in 2021 - where, in response to deteriorating security contexts, AFD decided to temporarily close its local offices to avoid exposing its staff.

4.2 Basel III Pillar 3

4.2.1 General principles

The objective of Pillar 3 of the Basel III framework is to improve financial transparency by publishing quantitative and qualitative disclosures of different types of risk, risk evaluation procedures and the capital adequacy of companies.

In terms of issues, for each institution, they involve:

- aligning data with the new international accounting standards (IFRS) on financial communication;
- explaining their internal rating methodology and their risk assessment process to the market.

4.2.2 Scope of application

4.2.2.1 AFD's prudential regime

Article 7 of the Decree of 23 December 2013 on the prudential regime for financing companies stipulates that they are required to comply with the provisions applicable to credit institutions pursuant to Regulation (EU) No. 575/2013 of the European Parliament unless otherwise exempted by this decree. These exemptions relate to:

- the leverage ratio;
- the liquidity management ratios (LCR and NSFR);
- the BRRD directive and its resulting MREL on the resolution of banking institutions in the EU.

In 2021, AFD Group received two new regulatory qualifications listed by the ACPR:

- parent company of financing companies, due to its two financing company subsidiaries, Proparco and Sogefom;
- investment holding company, due to its subsidiary Proparco being formally recognised as an investment company.

4.2.2.2 Corporate name of the Group's parent company to which the system applies

Agence Française de Développement (AFD).

Detailed information about AFD Group's corporate purpose is presented in Paragraph 1.1 "General information".

4.2.2.3 Consolidation scope and methods

There is no difference with regard to consolidation principles between accounting data and prudential data. The consolidation scope and methods are defined in Paragraph 6 "Consolidated financial statements prepared in accordance with IFRS adopted by the European Union"; Note 6.2.3.1 "*Consolidation scope and methods*".

Moreover, there are no restrictions on transferring funds or regulatory capital within the Group.

4.2.3 Equity

4.2.3.1 Capital structure

AFD Group's capital at 31 December 2022 was €9,271M compared with €8,810M at the end of 2021, *i.e.* up €461M. CET1 capital stood at €8,431M, compared with €7,970M at the end of 2021. Total Tier 1 increased from €8,810M to €9,271M.

Capital structure of AFD Group at 31 December 2022

In millions of euros	
CET1 capital before deductions	8,263
CET1 deductions	-
Phase In	170
CET1 deduction - insufficient coverage of non-performing exposures	-2
CET1 capital after deductions	**8,431**
T1 subordinated securities	840
T1 capital before deductions	9,271
T1 deductions	-
T1 capital after deductions	**9,271**
T2 capital before deductions	-
T2 deductions	-
T2 capital after deductions	**-**
TOTAL CAPITAL	**9,271**

The breakdown of regulatory capital at 31 December 2022 was as follows:

- €8,431M of core Tier 1 capital, consisting of core and non-redeemable capital (mainly endowments and reserves);
- €840M in additional category 1 capital in the form of undated subordinated bonds subscribed by the French State. The securities commitments made by AFD (which are obligatory under French law), in terms of principle and interest, are direct, unconditional, lowest rank subordinated commitments for an indefinite term without an AFD guarantee. Save for the occurrence of a regulatory event, as provided for in the agreement with the State (point of non-viability, *i.e.* non-compliance with the minimum CET1 ratio as provided by law at a specific time), the securities will pay an annual interest of 0.25%.

When itemised, the capital breaks down as follows:

Consolidated risk capital

In millions of euros	2022
Equity	4,418
Consolidated reserves	2,951
FRBG	460
Equity method diff.	144
Unrealised capital gains and losses	161
Non-controlling interests	227
Intangible assets	-93
Prudent valuation	-6
CET1 capital	8,263
CET1 deductions	-
Phase-In	170
CET1 deduction - insufficient coverage of non-performing exposures	-2
CET1 capital after deductions	**8,431**
T1 subordinated securities	840
T1 CAPITAL	9,271
T1 deductions	-
T1 capital after deductions	**9,271**
RCS	-
Subordinated loans Art 4d	-
Subordinated loans Art 4c	-
Additional regulatory capital	-
T2 deductions	-
T2 capital after deductions	**-**
TOTAL CONSOLIDATED CAPITAL	**9,271**

Deductions and prudential restatements under CRR/CRD4

In millions of euros	2022	2021
Cut back of non-eligible non-controlling interests	53.7	34.8
Prudent Value Adjustment	-5.6	-4.2
CET1 deductions	-1.8	-
TOTAL	**46.3**	**30.6**

Articles 81 and 479 of the CRR provide for the deduction from capital of the non-controlling interests in entities not governed by the CRR and CRD IV, or equivalent requirements, with a transition period.

4.2.3.2 Capital adequacy

AFD easily meets the minimum capital requirements set out in Pillar 1, with a capital adequacy ratio of 14.98% at 31 December 2022, down on 2021 when it was 16.04%.

Consolidated AFD capital adequacy ratio at 31 December 2022

In millions of euros	RWA	Capital requirements
Credit risk (CAD)	55,119	4,410
Equity investments	4,531	362
TOTAL CREDIT RISK	**59,650**	**4,772**
CR SEC securitisation	256	21
DVA	229	18
Operational risk	1,748	140
Market risk	165	-
Total RWA	61,883	4,951
Regulatory capital	-	9,271
CAPITAL ADEQUACY RATIO		**14.98%**

Under Pillar 2, AFD began its Internal Capital Adequacy Assessment Process in November 2016. Supported by a firm of consultants and involving teams from the departments concerned, several workshops were held in late 2016 and in the first quarter of 2017 to finalise the definition, approach, methodology and results of the calculations relating to material risks and to formalise the planning and capital adequacy process. The formalisation of this first Internal Capital Adequacy Assessment Process was approved by AFD's Board of Directors in April 2017.

Work continued in 2019 through 2022 on a four-year horizon. The 2022 the Internal Capital Adequacy Assessment Process will be presented to the Risk Management Committee for approval on 7 April 2023 and will be presented to the Board of Directors for approval on 20 April 2023.

Capital adequacy

In millions of euros		
Capital into account		**9,271**
CET1 capital	**8,263**	
Tier 1 capital	**9,271**	
Tier 2 capital	**-**	
Eligible capital		**4,951**
Credit risk	**4,951**	
Governments and central banks	2,652	
Credit institutions	797	
Corporates	1,026	
Equities	295	
DVA	**18**	
CR SEC	**21**	
Market risk	**-**	
Foreign currency net position <2% of capital	-	
Operational risk	**140**	
Standard approach to operational risk	140	
Capital surplus or shortfall		**4,321**
Capital adequacy ratio		**14.98%**

Since the first Internal Capital Adequacy Assessment Process declaration in 2016, the process was reviewed in line with the approval change to a financing company and in its risk profile. The methodological approach has been adapted and the process updated.

As part of this internal process, AFD could use the following two approaches to measure its capital adequacy:

- the regulatory approach which is based on regulatory capital ratios;
- the internal approach which is based on the capital adequacy ratio and reserve account resources for hedging sovereign exposure.

Of the two approaches the most restrictive is used as a priority in decision-making processes relating to managing capital such as forward-looking assessments and the allocation of capital.

The process applied is therefore that of a projection exercise focused on the regulatory approach, which is more conservative than the economic approach, which essentially differs in that it takes into account, in the definition of internal capital, instruments with a capacity to absorb loss, *i.e.* the reserve account. It should be recalled that, since the first Internal Capital Adequacy Assessment Process declaration in 2016, the process was reviewed in line with the approval change to a financing company and in its risk profile. In the regulatory approach, a materiality threshold was determined to identify tangible risks (AFD defines as tangible any risk that may have a significant impact on its solvency). In 2022, the Group maintained the materiality threshold set at a loss level equal to 10 basis points of the regulatory capital adequacy ratio.

Capital planning includes capital ratio projections in a central scenario and an adverse scenario established in conjunction with the Risk and Economic Departments over the same time horizon.

The 2022 Internal Capital Adequacy Assessment Process has enabled AFD Group to ensure that its capital is adequate to cover the tangible risks to which it is exposed, in terms of its activity, its economic model and its business plan. This process will be presented to the Board of Directors for approval on 20 April 2023 and will apply to all entities within AFD Group's prudential scope.

The Internal Capital Adequacy Assessment Process will be updated in the first quarter of 2024 to be presented to and approved by the Board of Directors, enabling the latest trends in activity to be factored in and to ensure alignment with the planned duration of AFD Group's next round of Contractual Targets and Resources (2023-2025), the priorities expressed by the CICID (interministerial committee on international cooperation and development) of 2023 and changes to the Group's risk profile as set out in its Risk Appetite Framework.

4.2.3.3 Basel III ratios

Because AFD does not hold speculative positions, market risk is limited to foreign-exchange risk. This year the capital requirement is nil (see application of Regulation (EU) No. 575/2013 on capital adequacy with regard to the market).

AFD meets the minimum capital requirements with a capital adequacy ratio of 14.98% at 31 December 2022, compared with 16.04% at 31 December 2021.

The entry into force of the CCR2/CRDV regulation on 28 June 2021 resulted in amendments to the calculation of risk-weighted assets and new ratio requirements. The main impacts for the Group are as follows:

- the value of derivatives exposed to risk, previously modelled according to the mark-to-market method, is now modelled using the standard method (SA – CCR), corresponding to the sum of the replacement cost and the potential future exposure;
- exposures in the form of shares or units of collective investment funds, previously weighted according to the simple weighting method, are now treated according to the transparency approach.

4.2.3.4 Leverage ratio

Since AFD's status was changed to that of a "financing company" in 2017, it is no longer subject to this ratio.

4.2.4 Risk exposure and evaluation procedures

4.2.4.1 Credit risk

4.2.4.1.1 General information

Exposure to credit risk includes balance sheet risk, notably exposure to loans, equity investments, financial instruments and derivatives, as well as off-balance sheet exposures (financing commitments and guarantees given).

Regarding risk stemming from loans, exposures that are in arrears, *i.e.* primarily loan risk, are monitored in the information system and are automatically downgraded as doubtful loans, in accordance with arrears rules defined by the regulations, and impairments are recorded. The approaches adopted for specific and general provisions and impairments are presented in Paragraph 6.2.3.2 of the consolidated financial statements. Ratings are reviewed on a periodic basis to ensure individual monitoring of counterparties. The review of information on risks is presented in Paragraph 6.2.5.1 on credit risk.

4.2.4.1.1.1 Credit risk exposures

Balance sheet and off-balance sheet items exposed to credit risk are presented in the table below:

Assets

In thousands of euros	2022	2021
Cash, due from central banks	1,010,283	2,085,492
Financial assets at fair value through profit or loss (excluding derivatives)	3,469,898	2,428,459
Financial assets at fair value through other comprehensive income	1,584,332	1,386,196
Debt securities at amortised cost	1,680,717	1,295,925
Loans and receivables due from credit institutions and equivalent at amortised cost	11,491,039	10,062,791
On-demand	*1,429,551*	*2,342,185*
At maturity	*10,061,488*	*7,720,605*
Loans and receivables due from customers at amortised cost	35,537,860	34,235,953
Commercial receivables		
Other loans to customers	*35,537,860*	*34,235,953*
Regular accounts receivable		
Total loans and receivables	**54,774,128**	**51,494,815**
Equity investments in companies accounted for by the equity method	162,069	147,729
Financial assets at fair value through profit or loss (derivatives)	132,851	127,344
Hedging derivatives	3,471,842	2,003,043
Derivatives	3,766,761	2,278,116
BALANCE SHEET TOTAL	**58,540,889**	**53,772,931**
Off-balance sheet		
Firm lending commitments	18,550,243	17,064,334
Financial guarantees	970,668	966,741
OFF-BALANCE SHEET TOTAL	**19,520,910**	**18,031,075**
GRAND TOTAL	**78,061,800**	**71,804,006**

4.2.4.1.1.2 Breakdown by major credit exposure category, counterparty and geographic area

The geographic spread (foreign countries/French Overseas Departments and Collectivities) and the breakdown by type of activity (sovereign/non-sovereign) for the gross loan portfolio is discussed in Chapter 5.3.1 “Consolidated balance sheet” (“ASSETS”).

The different types of financial assets are detailed in Note 5 to the consolidated financial statements “Financial instruments at amortised cost”.

As for equity investments, the relevant consolidated balance sheet headings are presented in the table below:

Equity investments

	2022			2021		
	IFRS			IFRS		
In thousands of euros	Listed	Unlisted	Total	Listed	Unlisted	Total
Equity instruments at fair value through profit or loss		1,646,563	1,646,563		1,311,491	1,311,491
Equity instruments included in financial assets recognised in equity		702,164	702,164		549,062	549,062
Companies accounted for by the equity method		162,069	162,069		147,729	147,729
TOTAL		**2,510,795**	**2,510,795**		**2,008,281**	**2,008,281**

Similarly, the following table breaks down the various items making up the derivatives heading presented in Notes 1.1 and 2.1 to the financial statements:

Derivatives

	2022 IFRS	2021 IFRS
In thousands of euros	Assets	Assets
Fair value hedging		
Interest rate derivatives	3,044,770	1,526,512
Interest rate and foreign exchange derivatives (cross-currency swaps)	427,071	476,531
Total 1	**3,471,842**	**2,003,043**
Financial assets at fair value		
Interest rate derivatives	6,207	604
Foreign exchange derivatives	64,184	51,909
Derivatives at fair value through profit and loss	62,601	74,804
CVA/DVA	**38**	**28**
Total 2	**132,851**	**127,344**
TOTAL DERIVATIVES	**3,604,692**	**2,130,387**

All derivative transactions are carried out with credit institutions in OECD countries.

The off-balance sheet commitments given consist of financing commitments related to undisbursed amounts under signed loan agreements and guarantees.

Off-balance sheet – commitments given (financing and guarantees) according to counterparty type

In thousands of euros	2022	2021
Financing commitments made to credit institutions	1,980,686	1,850,484
Financing commitments made to customers	16,569,556	15,213,849
Subtotal financing commitments	**18,550,243**	**17,064,334**
Guarantee commitments made to credit institutions	242,631	141,783
Guarantee commitments made to customers	728,037	824,959
Subtotal guarantee commitments	**970,668**	**966,741**

At 31 December 2022, the off-balance sheet items relating to sovereign outstandings amounted to €14,419M, including €158M of State risk.

4.2.4.1.1.3 Amount of impaired receivables and provisions by major counterparty category and major geographic area

Impaired loans and impairments recorded by counterparty category are presented in Note 5.2 to the financial statements "*Receivables due from credit institutions and customers*".

The Group's loan portfolio in gross and net values, with impaired assets separated out

In millions of euros	Outstandings	Impairment	Outstandings net of impairments
Foreign countries			
Sovereign	41,973	34	41,939
of which doubtful	*3,052*	*34*	*3,018*
Non-sovereign	18,198	763	17,435
of which doubtful	*919*	*383*	*536*
French Overseas Departments and Collectivities	-	-	-
Non-sovereign	7,488	161	7,327
of which doubtful	*277*	*91*	*186*
Other outstanding loans	**25**	**-**	**25**
TOTAL	**67,685**	**958**	**66,727**
of which doubtful	*4,247*	*508*	*3,739*

4.2.4.1.1.4 Reconciliation of changes in provisions for impaired receivables

Note 9 "*Provisions*", in the notes to the financial statements, outlines the changes for each category of provisions and impairments.

4.2.4.1.2 Credit risk: portfolios under the standard approach and regulatory weightings

AFD chose the standardised method to calculate the risks used to determine the capital adequacy ratio. The weightings applied depend on the ratings given to countries or entities by external bodies (Moody's, FITCH and Standard & Poor's) and to the type of counterparty (third-party asset class). As most of the non-sovereign counterparties do not have a rating from an external body, they are weighted at 100% or 150% for non-performing loans.

The weightings applied by the Group for rated counterparties are as follows:

Weighting used to calculate risks

Rating Asset class	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to BB-	B+ to B-	Lesser than or equal to CCC+	Not rated
Sovereign	0%	20%	50%	100%	100%	150%	100%
Banks	20%	50%	50%	100%	100%	150%	100%
Corporates	20%	50%	100%	100%	150%	150%	100%

The application of weightings to AFD's credit risk results in the following weighted exposures:

Group credit risk: portfolio subject to the standardised approach, by risk tranche

Risk weighting	Sovereigns and other institutions	Banks	Corporates	Covered bonds	Equities	Total
10%	-	-	-	32	-	32
20%	1,008	838	7	-	-	1,853
50%	2,722	1,153	1	-	-	3,876
100%	25,098	7,206	8,543	-	1,725	42,572
150%	4,320	765	4,268	-	289	9,643
250%		-	-	-	984	984
1,250%	-	-	-	-	689	689
TOTAL	**33,148**	**9,962**	**12,820**	**32**	**3,687**	**59,650**

4.2.4.1.3 Credit risk mitigation techniques

To guarantee repayment of its loans to non-sovereign counterparties, AFD uses real securities (bank account pledges, receivables pledges, Daily assignments for its activities in French Overseas Departments and Collectivities, etc.) and personal sureties (joint sureties, first-demand guarantees, etc.). It also enters into payment mechanism agreements which give AFD priority access to the cash flow generated by the borrower's activity.

Specialist operations lawyers help AFD to structure its financing and, for counterparties based in a foreign country, they consult local lawyers on the legitimacy of the loan agreement and related agreements before the first payment is made.

Bank account pledges are subject to periodic valuation taken into account in provisioning.

Moreover, AFD records exposure guaranteed by the French State on its balance sheet and off-balance sheet.

In calculating its capital adequacy ratio, AFD recorded its exposure covered by eligible personal guarantees, which breaks down as follows:

- €6,894M of balance sheet exposure that mainly consists of loans guaranteed by the French State and foreign governments;
- €956M of off-balance sheet exposure consisting mainly of the undisbursed balance guaranteed by the French State and foreign governments.

Balance sheet exposure to credit risk covered by eligible personal sureties (guarantees)

In millions of euros	Net unweighted exposure covered by a guarantee	Net weighted exposure covered by a guarantee	Mitigation techniques (guarantees)	Net weighted exposure after mitigation techniques
Governments and central banks	1,866	2,198	-2,198	-
Corporates	2,025	2,539	-879	1,660
Institutions	910	455	-244	211
Multilateral Development Bank	952	-	-	-
Public sector entities	-	345	-	345
Local and regional governments	1,141	589	-589	-
TOTAL	**6,894**	**6,126**	**-3,909**	**2,217**

Off-balance sheet exposure to credit risk covered by eligible personal sureties (guarantees)

In millions of euros	Net unweighted exposure covered by a guarantee Before conversion factor	Net unweighted exposure covered by a guarantee After conversion factor	Net weighted exposure covered by a guarantee	Mitigation techniques (guarantees)	Net weighted exposure after mitigation techniques
Governments and central banks	158	158	191	-191	-
Corporates	507	396	459	35	494
Institutions	103	52	52	-	52
Local and regional governments	189	172	109	-92	17
GRAND TOTAL	**956**	**777**	**810**	**-248**	**562**

4.2.4.1.4 Counterparty risk

Counterparty risk relating to financial activities

AFD uses derivatives to hedge interest rate and foreign exchange risks (see derivative exposure table above). Transactions are limited to counterparties that have signed framework agreements with French (AFB or FBF) or international (ISDA) bodies. AFD renegotiated collateral contracts with almost all of its active counterparties. These contracts are activated with no regard to rating and are triggered immediately and with no deductible upon reaching a certain threshold. AFD does not carry out credit derivative transactions.

Limit system

Counterparty risk associated with financial instruments is managed using a set of limits and management rules whose principles and main characteristics are set by the Board of Directors.

The unitary approval limit is set for a counterparty based on the counterparty's type, rating, capital and AFD's capital.

4.2.4.1.5 Securitisation

Proparco does not carry out any securitisation transactions and does not intend to invest in this type of vehicle. However, as an investor in funds (AIF, UCITS, etc.), an incidental reclassification of a securitisation exposure is possible. The criteria for classification as a securitisation, notably under subordination structure, are sought and, if necessary, trigger analyses on the prospecting as well as on the portfolio to date.

4.2.4.2 Market and foreign-exchange risk

AFD does not have a speculative operations portfolio. However, it records in its trading book any non-deliverable or illiquid currency hedging instruments, forward hedging instruments and/or hedging instruments that have lost their hedging purpose.

AFD's positions were below the thresholds applicable to capital requirements for market risk. The Group's overall net foreign-currency position subject to capital requirements at 30 September 2022 is €179M, primarily in dollars.

4.2.4.3 Operational risk

Operational risk management within AFD Group (identifying and evaluating risks, rating risk management data, reporting, procedure for declaring operational incidents) is described in detail in Paragraph 4.3.1 "Internal control and risk monitoring".

The measurement and management of operational risk is incorporated in the permanent control system.

Operational risk assessment

When calculating its regulatory capital requirements for operational risk, AFD Group uses the basic method, which relies on the basic indicator as defined in Article 316 of Regulation (EU) no. 575/2013 on prudential requirements for credit institutions and investment firms. Under the basic method, capital requirements for operational risk are equal to 15% of the average of the basic indicator smoothed over three years.

Capital requirements for operational risk

AFD's average net banking income (NBI) for the last three financial years is €932M. The capital requirement for operational risk is €140M (15% of average NBI).

In thousands of euros	2022	2021	2020
GDP – Smoothed three-year average	932,194	850,758	749,792
Capital requirement ratio	15%	15%	15%
Capital requirement	139,829	127,614	112,469

4.2.4.4 Risk on equities and other financial instruments

The methods for valuing and recording equity investments held by the Group are presented in Paragraph 6.2.3.2 of the financial statements and in the following notes thereto: Note 1 "*Financial assets and liabilities at fair value through profit or loss*" and Note 3 "*Financial assets at fair value through other comprehensive income*" (Paragraph 6.2.4.1). The accounting standards for equity-accounted equity investments are outlined in Paragraph 6.2.3.1.2 "Accounting principles and methods".

The summary table of equity investment exposure is provided in Paragraph 4.2.4.1.1.2.

The amount of capital gains (losses) realised on disposals and liquidations during the period under review is presented in Notes 13 and 14 to the consolidated financial statements (Paragraph 6.2.4.2).

Realised gains and losses are recorded as gains or losses on assets at fair value through profit and loss (Note 13) or at fair value through other comprehensive income (Note 14).

Capital requirements for this category of risk equalled €295M based on a risk-weighted amount of €3,687M.

4.2.4.5 Interest rate risk in the banking portfolio

The Paragraph 4.1.1.4 on "Interest rate risk" describes this type of risk in detail.

4.2.4.6 Information on encumbered and unencumbered assets

An asset is considered to be "encumbered", or may be used contractually for the purpose of guaranteeing, acting as collateral for or enhancing a transaction from which it is inseparable. On the other hand, an "unencumbered" asset is one free of any restrictions of a legal, regulatory, contractual or any other nature, and free from the possibility of being liquidated, sold, transferred or assigned.

AFD does not record any assets as encumbered apart from securities sold under repurchase agreements to the Banque de France for a nominal amount of €64.5M.

4.3 Risk management

4.3.1 Internal control and risk monitoring

AFD's internal control system is intended to provide Executive management with reasonable assurance of the implementation of the following three objectives: (i) implementation and optimisation of transactions, (ii) reliability of financial information, and (iii) compliance with laws and regulations.

It includes the four targets set in the Decree of 3 November 2014, namely (i) the quality and reliability of accounting and financial information, (ii) the compliance of transactions, organisation, and internal procedures with legal and regulatory provisions, (iii) the quality of information systems, and (iv) compliance with decisions made by Executive management.

At AFD, the internal control process is overseen by the Operational Risk and Permanent Control Department (ROC) – which sits within Risk Management (DXR) – and by the General Inspection Department (IGE) – reporting to Executive management – for periodic controls.

4.3.1.1 Permanent control system

AFD's internal control system is intended to provide Executive management with reasonable assurance of the implementation of the following three objectives: (i) implementation and optimisation of transactions, (ii) reliability of financial information, and (iii) compliance with laws and regulations.

It includes the four targets set in the Decree of 3 November 2014, namely (i) the quality and reliability of accounting and financial information, (ii) the compliance of transactions, organisation, and internal procedures with legal and regulatory provisions, (iii) the quality of information systems, and (iv) compliance with decisions made by Executive management.

At AFD, the internal control process is overseen by the Operational Risk and Permanent Control Department (ROC) – which sits within Risk Management (DXR) – and by the General Inspection Department (IGE) – reporting to Executive management – for periodic controls.

4.3.1.2 Compliance and anti-money laundering/ combating the financing of terrorism system (AML/CFT)

The Compliance function provided by the Compliance Department on behalf of the AFD Group, independent of operational staff, is responsible for managing non-compliance risk as defined by the revised Order of 3 November 2014, all sectors, operations and geographical areas of the AFD Group. Its ultimate aim is to ensure that non-compliance risks and risks to the Group's reputation are monitored and managed, including personal data protection.

The Compliance function's field of expertise enables it to (i) determine the financial security policy of the AFD Group, (ii) ensure that the financial institution complies with the provisions relating to the prevention of money laundering, the financing of terrorism and compliance with financial and economic sanctions, with those governing the prevention of corruption and with those governing the conduct of banking and financial activities and the associated ethical standards (market abuse, management of conflicts of interest in particular) as well as those ensuring the protection of customers' personal data.

4.3.1.3 Periodic control system

In view of the independence rules for the function it performs, the General Inspectorate (IGE) must not be subject to any interference in the definition of its scope of intervention, the performance of its work or the communication of its results and conclusions [1].

The summaries of the reports and the results of the follow-up of recommendations, as well as the annual review of the IGE's activity, are communicated to the AFD Group's Risk Management Committee and Proparco's Risk Management and Audit Committee. The reports are communicated to the AFD and Proparco Internal Control Committees (COCINT) for the relevant missions and are available to the AFD Group Risk Management Committee, the AFD Audit Committee and, for insurance assignments concerning Proparco, and Proparco's Risk Management and Audit Committee.

The results of the follow-up of recommendations are presented to each COCINT concerned, as well as twice a year to the AFD Group Risk Management Committee, to the AFD Board of Directors and to Proparco's Risk Management and Audit Committee.

In addition, the IGE's annual report dashboards are presented to COCINT and the Group Risk Management Committee at least once a year. The latter is also systematically informed of the decisions taken by the Executive management concerning the possible refusal of the implementation of corrective actions identified as part of the assurance missions.

The IGE is in charge of the periodic control of transaction compliance, the actual risk level incurred, the respect of procedures, and the efficiency and suitability of the permanent control systems set up by AFD. It serves AFD's internal audit function and has jurisdiction over all of the company's activities, including outsourced activities.

The Group's risk management is governed through three main bodies:

- the Board of Directors;
- the committees emanating from the Board of Directors:

1) *Extract from the Internal Audit Charter.*

- the Group Risk Management Committee.

  Under the responsibility of the Board of Directors, the Group Risk Management Committee, set up in 2015 to meet the requirements of the Order of 3 November 2014, is responsible for:

  - conducting a regular review of the strategies, policies, procedures, systems, tools, and underlying limitations and assumptions and reporting its findings to the Board of Directors,
  - assessing all significant risks as listed by regulations and the risk management policies, and the changes made thereto; to this end, it is informed of significant incidents identified by the internal control procedures and of any significant anomalies detected by the anti-money laundering and anti-terrorist financing monitoring and analysis system, as well as any shortcomings of this system,
  - assessing the measures taken to ensure business continuity,
  - advising the Board of Directors on AFD Group's overall strategy and risk appetite, both current and future, and assisting the supervisory body in overseeing the implementation of this strategy by management;
- the Group Audit Committee.

  Reporting to the Board of Directors, the Group Audit Committee is responsible for:

  - verifying the clarity of the financial information and assessing the relevance of the accounting policies adopted for the preparation of the individual and consolidated financial statements,
  - issuing an opinion on the institution's financial statements,
  - assessing the accounting and financial aspects of the internal control system,
  - supervising the choice of statutory auditors, and establishing a direct relationship with them, in order to familiarise themselves with their work programme and to discuss the conclusions of their work with them.

  In summary, the Group Audit Committee monitors issues relating to the preparation and control of accounting and financial information;
- the Internal Control Committee: a body within which the heads of Periodic Control, Permanent Control, Compliance and the Risk Management function of AFD Group, appointed pursuant to Articles 16, 17, 28 and 74 of the Order of 3 November 2014, report on the performance of their duties to the executive directors within the meaning of Article 10 (a) of the Order of 3 November 2014 in accordance with Articles 23, 31 and 77 of the same Order.

Composition of the Group Audit Committee and Risk Management Committee as at 31 December 2022

Name	First name	Organisation	Date of resolution	Term ends	Position
Chairperson of the Group Audit Committee and Risk Management Committee					
MATTEI	Jean-Louis	Qualified person	07/05/2020	12/10/2022	Chairperson, Alternate Director of the AFD Board of Directors
SANTINI	Jean-Jacques	Qualified person	12/10/2023	12/10/2025	Chairperson, Alternate Director of the AFD Board of Directors
Members of the Group Audit Committee					
BORIES	Christophe	General Directorate of the Treasury, MINEFI	07/05/2020	06/05/2023	Representative of the General Directorate of the Treasury Alternate Director of the AFD Board of Directors
COMOLET	Gabriel	General Directorate of the Treasury, MINEFI	23/09/2020	22/09/2023	Replacing in the Audit and Risk Management Committees of BORIES
BOURBOULON	Baptiste	Budget Department, MINEFI	18/06/2020	10/06/2022	Representative of the Budget Department Alternate Director of the AFD Board of Directors *(replacement formalities underway at the end of 2022)*
HOET	Victor	Budget Department, MINEFI	18/11/2020	17/11/2023	Replacing in the Audit and Risk Management Committees of BOURBOULON
LACOCHE	Sarah	CDC	05/11/2020	04/11/2023	Permanent Director on the AFD Board of Directors
BORIES	Christophe	General Directorate of the Treasury, MINEFI	07/05/2020	06/05/2023	Representative of the General Directorate of the Treasury Alternate Director of the AFD Board of Directors
Members of the Group Risk Management Committee					
BORIES	Christophe	General Directorate of the Treasury, MINEFI	07/05/2020	06/05/2023	Representative of the General Directorate of the Treasury Alternate Director of the AFD Board of Directors
COMOLET	Gabriel	General Directorate of the Treasury, MINEFI	23/09/2020	22/09/2023	Replacing in the Audit and Risk Management Committees of BORIES
BOURBOULON	Baptiste	Budget Department, MINEFI	18/06/2020	10/06/2022	Representative of the Budget Department Alternate Director of the AFD Board of Directors *(replacement formalities underway at the end of 2022)*
HOET	Victor	Budget Department, MINEFI	18/11/2020	17/11/2023	Replacing in the Audit and Risk Management Committees of BOURBOULON
LACOCHE	Sarah	CDC	05/11/2020	04/11/2023	Permanent Director on the AFD Board of Directors
BORIES	Christophe	General Directorate of the Treasury, MINEFI	07/05/2020	06/05/2023	Representative of the General Directorate of the Treasury Alternate Director of the AFD Board of Directors

4.3.1.4 Risk monitoring

Risk monitoring is ensured by the Group Risk Management Department (DRG) of Risk Management (DXR): by the Counterparty Risks Division (DRC) at the individual level of credit risks and the Risk Monitoring Division (DSR) at a consolidated level, both for credit risks and market transactions. This monitoring is not exclusive to this department: among other mechanisms, the half-yearly review of non-sovereign counterparties is initiated in the geographical departments and the Finance Department provides strategic and financial management (DEF/PFG).

4.3.1.5 Methods of informing the supervisory body

Information for the supervisory body is based on the following three bodies: the **Board of Directors**, which is informed of changes in the risk measurement, monitoring and management system, which provides a cross-functional approach to the Group's risks, **the Audit Committee and the Group Risk Management Committee**, which report on their activities to the Board of Directors through opinions or reports summarising the various work carried out and any resulting recommendations.

4.3.1.5 Methods of informing executive officers

The executive officers are informed through different channels which are essentially committees and executive officer memos.

The Internal Control Committee (COCINT) comprises members of the AFD Executive Committee (including the Chief Executive Officer (CEO) of Proparco), the Director of Group Risk Management (DRG), the head of the General Inspection Department, the head of the Compliance Department, and the head of the Operational Risk and Permanent Control Department. It makes sure that systems are in place to monitor the activities and risks, as required by the Decree of 3 November 2014, to ensure AFD Group's internal control system operates effectively. It mobilises management to put these systems in place. It is through this body that the heads of Periodic Control (the General Inspection Department – IGE) and of Permanent Control and Compliance of AFD Group report on the fulfilment of their roles. The committee is also regularly informed of incidents and risks updated in the operations risk mapping.

The Risk Management Committee (CORIS) is responsible for proprietary risks on AFD Group scope, notably as regards macroeconomic risks in the countries where it operates ("country risks") and credit risks covering both commitments in loans, guarantees or other financing instruments as well as all of the Group's subsidiaries and equity investments ("counterparty risk"). It is chaired by AFD's executive head of risk (Risk management [DXR]) and is attended, notably, by the AFD and Proparco Executive Management.

The Operational Risks and Compliance Committee (CROC): this committee, set up in 2022 following the appointment of Operational Risk and Compliance Officers within the Group, is the operational body responsible for coordinating the action of the various business lines and Group entities in terms of operational and non-compliance risk management. It is prepared jointly by the Risk Management Department and the Compliance Department. It replaces the New Activities and New Products Committee (COCONAP) in its "Compliance" configuration. It is co-chaired by AFD's Executive Director of Risk and the Director of the Compliance Department.

The role of the compliance and new activities and products committee (COCONAP) is (i) to examine all projects for new activities and products as well as any significant transformation carried out on pre-existing products, (ii) to record any which may have been issued by the participants, (iii) to record the final opinion of the Compliance Department, (iv) as part of an annual review, to review all AFD activities and products, in order to ensure their compliance and relevance with AFD's overall product offering. It is chaired by AFD's Chief Operating Officer.

The role of the Accounting, Finance and Management Control Committee (COFICO) is to examine and monitor AFD's financial, accounting and management control activities. It is chaired by the Deputy Chief Executive Officer in charge of the Group's operations or the Chief Financial Officer. It has four sub-committees that report to it: (i) Budget (COBUD), (ii) Treasury (COTRES), (iii) Balance Sheet Management (COGAP), (iv) Monitoring of Climate Bonds (COSOC).

The Security Committee (COSEC): this committee is responsible for all areas covered by the Group's Security Department (security of people and property, information system security, business continuity, confidentiality of information [excluding the GDPR]). The COSEC is chaired by the Secretary General.

The Organisation and Procedures Committee (COMOP): its role is to steer and arbitrate AFD's transformation and organisation projects (excluding IT issues). It is chaired by AFD's Chief Executive Officer (CEO) or Chief Operating Officer (COO).

The Partnerships Committee (COPAR) is responsible for discussing major strategic operations with AFD Group's partners, and deciding on the financing of partnerships. It is chaired by AFD's Chief Operating Officer or the Executive Director of Mobilisation, Partnerships and Communication (MPC).

The Credit Committee (CCR) - Subsidies Committee (COSUB): the CCR deals with all AFD financing files bearing a credit risk as well as grants when these are backed by a loan and reviewed at the same time. The COSUB deals with all AFD's grant financing files. The chairmanship of the CCR/COSUB depends on the amounts of the projects presented, the procedure providing for two levels of delegation (the Regional Management or the Deputy General Management).

Information is also passed on to executive officers *via* **memos** which formally record, for example, the regulatory compliance opinions, legal warnings or notification of thresholds being exceeded.

4.3.2 Internal control procedures and organisation of audit trail for accounting and financial information (Article L.225-100-1-5)

AFD Group's accounting is handled by the Regulatory Accounting Consolidation Department of the AFD Finance Department (DEF).

The activities of this department include:

- the accounting registration of transactions initiated at the Head Office on the accounts payable, fixed assets, investments and services functions;
- auditing of local office and Regional Directorate accounts;
- the control of the centralisation in the general accounting of ancillary accounts and the implementation of accounting controls on all sectors;
- tax returns with the exception of those relating to wages and the building;
- the preparation of the parent company financial statements in accordance with French standards and the consolidated financial statements in accordance with IFRS;
- regulatory reporting (mainly SURFI, FINREP and COREP statements); and

- for the subsidiaries, Sogefom, Proparco and Soderag: bookkeeping using French standards, the production of the half-year financial statements (quarterly in the case of Proparco) and of fiscal and regulatory declarations (SURFI – Balance of payments).

The accounting recognition of loans, grants and guarantees granted is carried out by the Accounting Controls Support Division of the Funding Financial Management Department. Accounting controls are carried out by the Regulatory Accounting Consolidation Department.

The accounting recognition of market transactions (borrowings, derivatives and equity securities) is carried out by the Post-Market Division of the Treasury and Financial Markets Department. Accounting controls are carried out by the Regulatory Accounting Consolidation Department.

Salary and employee benefit expenses and provisions are recognised in the accounts by the Compensation, Welfare and Expatriation Division of the Human Resources Department. Accounting controls are carried out by the Regulatory Accounting Consolidation Department.

The separation between the engagement, accounting and execution functions for treasury operations is maintained by both the organisation of services and the implementation of procedures.

Accounting entry is largely decentralised (international offices, other Head Office services).

Accounting control is split between banking operations and general expenses.

The Group's accounting is audited by two audit firms (KPMG and BDO) which were appointed by the Board of Directors on 2 April 2020 for the six financial years 2020-2025.

The Regulatory Accounting Consolidation Department is in contact with the external auditors (statutory auditors, tax authorities, French Prudential Supervisory and Resolution Authority).

An accounting procedures manual that includes procedures and accounting schematics for all transactions is available on the intranet site. It includes a procedure for accounting controls. With regard specifically to the audit trail, its functioning is described below.

The accounting system is structured around a multi-company (AFD-Proparco-Sogefom) and multi-currency accounting software package powered by business applications and auxiliary accounting systems.

The conversion of foreign currency transactions is performed by a specific module of the accounting software package, which publishes control reports at each step of the conversion and calculation of foreign exchange differences. A procedure describes the controls to be performed at each stage of the conversion treatment for the exchange positions until the determination of foreign exchange differences.

An "Infocentre" application makes it possible to retrieve the accounting information for balances and accounting movements for each transaction or at the desired aggregated level.

In accordance with Article 85 of the Decree of 3 November 2014, the audit trail allows the unitary event to be traced back to the accounting aggregate or, conversely, from the accounting aggregate to the corresponding unit events. In the case of a grouping of accounting movements within an upstream interface, the audit trail also makes it possible to retrieve the unit events that make up those grouping movements.

In addition, all IT applications owned by the Regulatory Accounting Consolidation Department have IT security classification in terms of (i) availability (availability required in the event of an extreme shock and current service availability), (ii) integrity (capacity to prevent unauthorised modification of the information), (iii) confidentiality (ownership of information that should not be available or disclosed to unauthorised individuals, entities or processes) and (iv) proof (ability to identify the individual, entity or automated process from whom or which access to information originated).

4.3.3 Credit risk

4.3.3.1 Credit risk measurement and monitoring system

The system in place to measure and monitor credit risk is described in Paragraph 6.2.5 "Risk Information".

4.3.3.2 System of operational limits

The system of operational limits is described in Paragraph 6.2.5.1.

4.3.3.3 Monitoring of major counterparty risks

The monitoring of the risks of sovereign counterparties is described in Paragraph 6.2.5.1.

4.3.3.4 Monitoring the risks of non-sovereign counterparties

The monitoring of the risks of non-sovereign counterparties is described in Paragraph 6.2.5.1.

4.3.4 Comprehensive interest rate, foreign exchange, liquidity and market risks

Balance sheet management covers the management of liquidity, interest-rate and foreign-exchange risks as well as counterparty risk management for financial activities. AFD is responsible for financing the operations of its main subsidiaries and holds most of the Group's balance sheet management risks on its balance sheet.

The key components of AFD's financial and balance sheet management strategy are submitted to the Board of Directors every year for approval. These guidelines can be summarised as follows:

- limiting exposure to liquidity risk;
- ensuring sustainable and steady interest revenue streams for AFD;
- limiting exposure to foreign-exchange risk the minimum necessary for temporary operational needs;
- limiting counterparty risk exposure from financial activities by carrying out market and investment operations with only the counterparties that have the highest credit ratings.

Limits and management criteria are set based on guidance from AFD's Board of Directors.

4.3.4.1 Liquidity risk

Liquidity risk is described in Paragraph 6.2.5.2.

4.3.4.2 Interest rate risk

Interest rate risk is described in Paragraph 4.1.1.4.

4.3.4.3 Foreign-exchange risk

Foreign-exchange risk is described in Paragraph 6.2.5.4.

4.3.4.4 Market risk

Market risk is described in Paragraph 6.2.5.4.

4.3.5 Major risk ratio

At 31 December 2022, AFD Group was in compliance with the major individual risk ratio set out by banking regulations, *i.e.* a maximum of 25% of risk-based consolidated capital.

4.3.6 Other operational risks

4.3.6.1 Risks related to the settlement process

AFD has established a number of measures to tighten up the organisation and control of settlements:

- procedures which describe and formalise the processing of settlements;
- pre- and post-settlement checks;
- training and awareness-raising initiatives, primarily on the risks of fraud, for staff involved in settlement processing and checks.

In terms of anti-money laundering measures, AFD uses commercial software that provides an automated system to cross-check settlement records against a list of individuals and entities that require extra vigilance.

In addition, in order to meet national regulatory obligations in terms of paperless invoicing, AFD has upgraded its supplier payment process to a paperless process, *via* the use of the Chorus Pro platform.

4.3.6.2 Legal risks

The Legal Department is responsible for managing the Group's legal risks. It covers all legal areas (with the exception of Human Resources, taxation and non-compliance risks).

The Legal Department provides legal support:

- in financing, guarantee and equity investment transactions, at all stages of the project cycle, as well as in implementation monitoring, recoveries, restructuring, pre-litigation and litigation;
- in cross-cutting issues and innovative projects (Group risk prevention, international government agreements, relations with other financial stakeholders, guarantee funds, partnerships, relations with subsidiaries and equity investments, new products, climate finance, digital, etc.);
- in market transactions;
- in institutional matters (bylaws, governance, relations with the State and supervisory bodies, etc.);
- regarding banking and finance regulations;
- in criminal matters, on all subjects where AFD Group or its directors may be held liable;
- by providing consulting services for all AFD entities.

To AFD's knowledge, there are no governmental, legal or arbitration proceedings, whether suspended or pending, that could have or have had a material effect on the financial situation or the profitability of AFD and/or AFD Group over the last 12 months.

4.3.6.3 Risks of non-compliance

According to regulations, the Compliance Department is responsible for the prevention, detection, monitoring and management of non-compliance risks throughout AFD Group.

Non-compliance risk is defined as "the risk of legal, administrative or disciplinary sanction, material financial loss or loss to reputation arising from failure to comply with the provisions governing banking and financial activities, whether they be directly applicable legal, regulatory, national or European provisions, or whether they are professional and ethical standards or the instructions given by executive officers, particularly in light of the guidelines from the supervisory body" (Decree of 3 November 2014, Article 10p).

The Compliance Department ensures the Group complies with (i) internal and external provisions related to preventing money laundering and terrorist financing (AML/CFT), (ii) provisions related to the fight against corruption and associated offences as well as fraud and anti-competitive practices, (iii) provisions to do with abiding by national and international trade and financial sanctions, (iv) provisions that govern, with regard to banking ethics, the performance of banking and financing activities or (v) provisions that ensure the protection of the personal data and private lives of clients.

The department is housed within AFD's Executive management. The Compliance function reports on its activities to the Internal Control Committee (COCINT) and the Operational Risks and Compliance Committee (CROC), as well as to the Group Risk Management Committee (CRG).

The Compliance function covers all sectors, operations, geographic areas and regulatory contexts of AFD Group. In addition to operational projects and activities, it also concerns the Group's new activities and products, in accordance with regulations.

Its purpose is to comply with the legal and regulatory provisions in terms of financial security, the fight against corruption, banking ethics and the protection of personal data, to carry out second-level controls, to ensure timely detection and appropriate assessment of non-compliance risks in order to prevent and limit the exposure of the AFD Group and its executives to the risks of legal and/or administrative sanctions and to reputational risk, and by managing them in the event of the occurrence of these risks.

Non-compliance risk management is ongoing and backed by an operational risk map.

The following changes were made to the non-compliance risk management system during 2022:

- regarding AML/CFT: update of the procedural corpus following the adoption of various regulatory texts, including the revision of the Decree of 3 November 2014 and the adoption of the Decree of 6 January 2021;
- regarding the fight against corruption and influence peddling: continued roll out of the last stages of AFD Group's compliance programme, as required by the law on transparency, the fight against corruption and the modernisation of economic life (SAPIN 2);
- regarding the fight against fraud and prohibited practices within the meaning of the Group's general policy: strengthening of the contractual system to strengthen the rights and actions of the AFD Group;
- regarding preventing market abuse: implementation of a system governing the holding of privileged information by AFD employees, executives, directors and service providers, in the context of financing transactions for listed companies carried out by AFD. AFD or as part of the bond issues launched by AFD;
- regarding regulatory compliance with the requirements governing the organisation of internal control: adoption of a policy for the AFD parent company to manage the AML/CFT, Financial Sanctions, Corruption and Integrity systems of its subsidiaries and investments.

Insurance – Coverage of risks run by AFD

AFD has a "Civil Liability" insurance policy that also covers Proparco, a "Directors and Officers civil liability" policy, a "labour relations" policy, a "first excess property damage" policy that also covers Proparco and VAL, an "all exhibition risks – works of art" policy, and a "Directors and Corporate Officers civil liability specific to supplementary pension scheme management (IGRS) risk policy" [1].

All of the network's local offices are covered by locally underwritten insurance policies (multi-risk residential and office, and civil liability for office activities).

These policies are accompanied by vehicle insurance covering head office (head office policy) and the network (local policies) plus "worldwide" "individual accident" insurance guaranteeing disbursement of share capital in case of death or disability caused by an accident with a vehicle belonging to or rented by AFD.

1) *This insurance contract has been transferred to and is managed by the HR Department.*

4.3.6.4 Risks related to the information system

Information systems security

The Security Department oversees all aspects of ICT risks, including IS security. To this end, the head of the department is supported by AFD Group's head of IT system security (RSSI).

An analysis of ITC (information and communication technologies) risks is carried out at least once a year under the IS risk governance system. Security risks are extracted from it and processed under the IT security management system (SMSI), in compliance with ISO 27001. The SMSI provides a framework for addressing AFD's IT-related risks, from appraisal of the risks to implementing remedial measures and ongoing IT system security checks. After the annual risk analysis, AFD's operational risk map and the ISS triennial security project plan are updated. In 2022, AFD decided to organise its ISS evolution trajectory in the form of a five-year ISS master plan to be managed in programme mode.

The information system security policy (ISSP), which is compliant with ISO 27001 and ISO 27002, defines the 20 security rules needed to protect AFD's information systems. The application of each rule is stipulated by a set of internal security standards and procedures, in compliance with best practices in the field.

This ISSP is accompanied by an IT user charter which has been enforceable for all users since it was included in the rules and regulations.

Measures to raise awareness of ISS, in the form of regular talks and digital training, ensure that all Group users are familiar with the main rules for use.

In accordance with the ISSP, each substantial change in the information system on its business components or infrastructure is subject to a risk analysis. This approach allows for protection measures to come into effect in line with security requirements during the design and active use stages of a given system. The most sensitive information systems regularly undergo a security approval certification procedure.

The management of security incidents is overseen by a specific ISS incident management policy that sets management rules for a security incident. This makes it possible to coordinate (i) the procedure for managing IT incidents (to ITIL standards), (ii) the "user" incident alert system run by the ISD, and (iii) the Security Department (SEC). The ISD coordinates and operates all security incident handling actions with the support of the SEC department and the RSSI.

In 2022, AFD did not suffer any cyber-attack crises.

Emergency and business continuation plan

AFD Group has a Business Continuity Plan (BCP) intended to cover all of the AFD Group's business lines and activities, including its Proparco and Sogefom subsidiaries. This plan is intended to ensure the continuation of the Group's business in the aftermath of a disaster of low likelihood but with critical impact.

The plan is formalised in three framework documents applicable to the entire group: the business continuity policy, the crisis management plan and the business continuity plan. These documents are supplemented by procedures for each essential activity.

The business continuation policy was updated in 2017 to include a new class of activity recovery (level 5 availability) providing the means to characterise activities that do not support service interruptions.

Continuity procedures are grouped into "BCP kits" provided for each structure operating one of the vital functions. These procedures describe the actions required for implementing the plan, as well as the manual operating modes to be used in case of any long-term unavailability of business premises or IT tools.

The Group also has a "pandemic" plan which describes the principles and ways of maintaining business activity in the event of a global or local pandemic. The "pandemic" plan was integrated into the Global BCP in 2022 and takes into account the lessons of the COVID crisis.

The Information and Telecommunications Recovery Plan (PRIT), which covers the risk of an extended IT system outage, includes an IT infrastructure that reactivates AFD Group's applications and essential systems. The PRIT system covers all of the business lines' IT continuity requirements by duplicating 70% of the Group's Information System and 100% of production data. This includes all systems essential to users' "core business" activity for the first month of loss. The remaining 30%, corresponding to non-essential systems, are re-established within three months. The technical platform was updated in 2020, including the company messaging system, on the basis of the recovery principles expressed in 2018 and the business needs reviewed in 2020. A complete overhaul of the backup infrastructure is underway to optimise recovery times and change the physical hosting. This overhaul will be effective in 2024.

A Flood Risk Prevention Plan (PPRI), intended to cover the risk of the Seine bursting its banks and mitigate the impact of such a contingency on AFD's two main head office buildings, has also been introduced.

The Security Department (SEC) and its Resilience and Information Security (RSI) unit, which are part of the General Secretariat, have full responsibility for updating and controlling the BCP; the head of this department is also responsible for the Group's business continuity management plan (BCMP). The SEC Director is responsible for crisis management and coordinates and synchronises the resumption of business once the BCP is triggered.

The 35 entities composing AFD, Sogefom and Proparco, whose activities are deemed essential and are covered by the BCP, are asked to regularly revise their business impact assessments (BIAs) and update their degraded procedures. Each person in charge of entities registered in the BCP is responsible for applying the procedures of his or her BCP Kit once the plan has been triggered. The BCP system was subject to a major update in 2022 to take into account COVID feedback.

A permanent standby mechanism at the level of the General Secretariat and Executive Committee (EXCOM) is in place to enable AFD to respond rapidly to a major disaster. The mechanism provides for a crisis unit led by an EXCOM member to be activated when in need. In case of a major disaster, the crisis unit decides whether to activate the BCP. The mechanism also covers Proparco and Sogefom.

The BCP triggering tests were carried out in 2022, including the activation of the user fallback room and the activation of the PRIT with the participation of business users.

The COVID BCP was closed in July 2022 and was not reactivated for another incident.

The plan was audited by the General Inspection Department (IGE) at the end of 2021.

4.3.6.5 Tax risk

AFD did not undergo any tax audits in the 2022 financial year.

4.3.6.6 Other operational risks

In addition to the risks detailed above, the Group's permanent control system seeks to cover all risks within the remit of Basel categories 1 to 7 to which the Group is exposed (risks relating to (i) internal and (ii) external fraud, (iii) human resources; concerning (iv) the Group's financing activity, (v) personal safety, (vi) information systems and (vii) management, processes and procedures).

This system for monitoring and mitigating all operational risks is based on:

- operational risk mapping, which is the main tool used to measure and monitor these risks;
- recording of operational incidents, enabling the implementation of corrective actions and new controls aimed at (i) preventing any repeated dysfunction or limiting their impact and (ii) improving operational risk mapping;
- first and second level controls;
- action plans to correct high-risk areas;
- permanent monitoring of New Products/New Activities, *via* participation in dedicated Committees to ensure that a comprehensive risk assessment has been carried out;
- monitoring of outsourced services and the implementation of procedures to manage associated risks.

Permanent control provides regular reports to the Group Risk Management Committee and Internal Control Committee (COCINT).

5
CHAPTER

Financial information

5.1 Recent changes and future outlook

5.1.1 Recent changes

Activities

The volume of commitments for the year 2022 was €12.3bn [1] . Excluding financing for risk and on behalf of the State in Ukraine and Moldova, the volume of activity was stable compared to 2021, *i.e.* € 11.86bn for the Group (AFD and Proparco, including delegated funds). AFD's commitments in foreign countries should be around €8.45bn [2], very slightly lower than the 2021 volume. In the French Overseas Departments and Collectivities, commitments should stabilise at around €1.1bn. Proparco's activity amounted to €2.27bn in commitments (incl. Fisea), down 3% compared to 2021. These results are in line with the targets set by the business plan for the year.

The volume of commitments signed for 2022 is estimated at €11.7bn for the Group [3], up around 6% compared to 2021. AFD's signed commitments should amount to €9.3bn, those of Proparco at nearly €1.86bn and those of Expertise France at €432M.

Lastly, disbursements made are estimated at €8.9bn for the Group scope (AFD and Proparco), up €0.3bn (+4%) compared to 2021.

Governance

In order to improve the efficiency of the processes for granting and monitoring financing in foreign countries, the Board of Directors validated a change in the delegations of authority granted to the Chief Executive Officer on 21 April 2022. This change saw the Chief Executive Officer's delegation of authority for projects increased from €5M to €25M for loans and guarantees, and from €1.5M to €5M for grants.

5.1.2 Future outlook

Faced with the many unknowns concerning the change in AFD's activity in the coming years, 2023 will be in line with 2022, with a volume of Group commitments capped at €12bn (AFD activity and Proparco; excluding delegated funds).

In addition, the Group has set itself the target of reaching €10.2bn signatures and €9.6bn in disbursements in 2023.

Expertise France (EF) should, for its part, return to a growth trajectory in 2023 with an increase in revenue of +20% with a target of €391M. This portfolio expansion will be based on growth drivers such as the new European programme, the continuation of an ambitious partnership with AFD, the increase in the number of TSEs in line with the French President's commitments, the very ambitious reconstitution of the Initiative, etc.

2023 also marks the beginning of a new programming cycle with the announcements of the Interministerial Committee for International Co-operation and Development (CICID) and POS V, which will define the AFD Group's objectives for the next three years.

In 2023, the Group will once again help achieve French commitments in terms of Climate and Biodiversity finance. It will continue its action to promote gender equality as part of the female diplomacy led by France. It will structure its approach to institutions and citizen participation to better take these issues into account in the projects financed.

In 2023, the Group wants to increase its capacity to promote the SDGs. A desire to increase the use of resources: a special effort will be made on financial mobilisation to make EU programming operational, diversify the partners delegating resources to AFD and consolidate a strong co-financing trajectory. This support will include the coalition of public banks embodied by IDFC and FICS as part of an international agenda marked by major strategic events for the world of development.

Research on the assessment of climate risks in financial portfolios will continue and will feed into the Network of Central Banks and Supervisors for the Greening of the Financial System. The research carried out on the financing of biodiversity, to promote the climate/biodiversity convergence agenda but also the growing importance of biodiversity risks will be strengthened.

The AFD Group will continue the work undertaken to simplify its processes and modernise its information systems. The action plans drawn up within each of the Executive Departments following the employee survey commissioned by elected officials and carried out by Technologia will be rolled out in 2023. A workload assessment and regulation tool will also be made available to managers for their teams. Lastly, in addition to making operational the low-carbon trajectory, the continuation of the momentum initiated around purchasing and responsible digital, awareness-raising and training of employees in sustainable development and energy efficiency, 2023 will also be a key year for analysing and anticipating French and European regulatory changes on sustainability reporting.

Concerning the outlook for intervention by geographical area:

In 2023, the increase in interest rates combined with the very high level of indebtedness of **a large number of African States** raises questions about the use of certain tools (primarily sovereign loans), both in terms of the level of risk that they may represent in this context, as through the reservations that our partners may have about making investments. This reality as well as the objectives to concentrate State resources (subsidies and subsidies) could limit the volume of commitments to €4bn for mainland Africa in 2023.

1) *Including financing for risk and on behalf of the State to Ukraine (€300M and €100M) and Moldova (€15M).*
2) *Excluding State Guaranteed Loans (SGL).*
3) *Excluding State Guaranteed Loans (SGL).*

The five priorities defined in 2022 (cultural and creative industries, digital, sports, professional training and the agricultural sector) will continue to guide prospecting efforts in Africa.

In the French Overseas Departments and Collectivities, AFD will continue to implement its action in the framework of the government's Recovery Plan, notably through the Recovery Contracts for the French Overseas Departments and Collectivities (COROM) launched in 2021 by the Ministry for the French Overseas Departments and Collectivities (MOM), and in parallel with the Overseas Development Fund. Financing projections (excluding Sogefom guarantees) should be around €800M for 2023, at a level close to what had been achieved in 2022 (excluding State-guaranteed loans).

In foreign States neighbouring the overseas territories, AFD has a target of €340M in grant and loan approvals for financing requests, close to 2022 level. The three priority countries for French development aid in the Three Oceans scope – namely Haiti, Madagascar and the Comoros – will benefit from most of the donation effort. In these three countries, the reinforcement of human capital (health, education, training), access to basic services (including water), the preservation of natural resources, and increased economic and employment opportunities will be targeted. 2023 should also be devoted to the implementation of the France-Comoros Development Plan, adopted in July 2019, and to the continuation of the strong commitment of France and AFD in the Comoros. In the others countries, the focus will be on projects with climate co-benefits, particularly in the fields of energy, sustainable cities, and transport and water, through a range of products (loans, grants and delegated funds).

The decline in global growth, the tightening of financial conditions and high energy and commodity prices will weigh on the zone's economies as well as on the pricing conditions of AFD loans. Despite these challenges, **the Orients department** wants to continue to open activities in the Balkans with north Macedonia and Kosovo in 2023. In these countries as well as in Moldova and the Caucasus (Georgia in particular), where the European aspiration is strong and growing, AFD will continue to implement its convergence mandate with the European Union, in line with the European Political Community launched by President Macron. AFD will be a source of proposals to contribute to Ukraine's reconstruction and resilience effort if such were the will of the Board of Directors.

The priority will also remain on the integration of climate, biodiversity and gender issues in operations (in particular *via* Nexus research), cooperation with third-party institutions (EU, Asian Development Bank, ASEAN, etc.) as well as development. non-sovereign, while closely monitoring risks given the deterioration of geopolitical and macroeconomic contexts.

In 2023, the three Oceans and Orients departments will also pay particular attention to the Group's activities in the **Indo-Pacific** region in order to help make operational the French and European strategies, by supporting the mitigation and adaptation to the effects of climate change, the preservation of the oceans and the reduction of inequalities (by promoting access to essential goods and services, among other things).

In **Latin America**, 2023 should confirm AFD's ability to respond - through significant volumes of project aid financing - to the expectations raised by the expected gradual acceleration of the implementation of the development plans of the newly elected.

AFD's activity should see the contribution of the three regional departments balance out. It should be noted that the deteriorated macroeconomic context in Cuba and the complex relations maintained with the Paris Club are undermining lending activity. However, AFD will maintain its support to the country through its partnership with the European Union, which strives to support its economic development.

In parallel with the still high target of 70% of climate co-benefits in the region, the targets for contributing to the reduction of gender inequalities will be maintained in line with AFD's commitments in this area. In terms of instruments, AFD will focus on project aid but also credit lines from public development banks, whose crucial role will be highlighted at the fourth Common Finance Summit (FICS) to be held on the continent in 2023.

5.1.3 Borrowings

The Board of Directors meeting of 25 January 2021 raised the maximum authorised borrowing amount for 2022 to €9.61bn. €9.52bn of this approval was used.

5.1.4 Trend information

There has been no significant deterioration in the financial position of the issuer and its subsidiaries (considered as a whole) since the last audited financial statements of 31 December 2022.

5.1.5 Significant change in the issuer's financial position

There has been no significant change in the financial position of the issuer and its subsidiaries (considered as a whole) since the last audited financial statements of 31 December 2022.

5.2 Events after the reporting period

None

5.3 Economic presentation of the consolidated financial statements

The analysis below aims to provide an economic overview of AFD Group's development, by type of activity, based on the consolidated accounting data.

A detailed description of the changes in the consolidated financial statements is provided in the notes to the consolidated financial statements.

5.3.1 Consolidated balance sheet *(in millions of euros)*

ASSETS

ASSETS *In millions of euros*	2022	2021
Loans (net outstanding)	45,421	45,031
• Gross outstandings	46,073	45,736
• Individual impairments	-429	-419
• Collective impairments	-383	-389
• Accrued interest	159	102
Financial hedging derivatives and collateral	6,743	2,944
Accruals and other assets	1,688	339
Equity investments and other securities	2,949	2,333
Cash	6,576	7,203
Fixed assets	636	298
TOTAL ASSETS	**64,013**	**58,147**

LIABILITIES

LIABILITIES *In millions of euros*	2022	2021
Market borrowings	44,420	44,060
Treasury loan	841	840
Financial hedging derivatives and collateral	6,230	2,513
Accruals and other liabilities	2,316	1,320
Provisions	1,441	1,355
Equity (Group share)	8,591	7,877
of which Group income	456	298
Non-controlling interests	173	181
TOTAL LIABILITIES	**64,013**	**58,147**

* The reintegration of operations on behalf of third parties at 1 January 2022 was recorded as an asset, by increasing the “loans” item by €2,922M. On the liabilities side, it was recorded as an increase of the “market borrowings” for €2,922M.

Assets

The change in the balance sheet total of €5,866M is mainly due to the increase in net outstandings of €4,390M (excluding IFRS items related to hedge accounting), the increase in equity investments €617M as well as the increase in deposits on collateral contracts and the fair value of derivatives for €3,799M, partially offset by the decrease in AFD Group's cash position of €627M.

AFD Group's net loans outstanding totalled €45,421M at 31 December 2022, *i.e.* 71% of the consolidated balance sheet, an increase of €4,390M (+1%) compared with the previous financial year.

The change in gross outstandings is due to:

- the increase in outstanding loans at the Group's risk of €3,281M, of which 2,315M in sovereign outstandings, €836M in non-sovereign outstandings and €120M in French Overseas Departments and Collectivities;
- the increase in outstanding loans at the State's risk of €826M, particularly in connection with the disbursements made in Polynesia and New Caledonia.

	2022		2021	
In millions of euros	Amount	in %	Amount	in %
Loans at AFD Group's risk	**44,454**	**90%**	**41,173**	**91%**
Of which foreign countries	38,269	78%	35,118	78%
Sovereign	25,062	51%	22,747	50%
Non-sovereign	13,207	27%	12,371	27%
Of which French Overseas Departments and Collectivities	6,020	12%	5,908	13%
Of which other outstanding loans	165	0%	147	0%
• **Loans at the State's risk**	**4,768**	**10%**	**3,942**	**9%**
Loans guaranteed by the State	4,768	10%	3,942	9%
Loans granted by the State	-	0%	-	0%
• **Transition to IFRS**	**-3,148**	**-**	**622**	**-**
Fair value adjustment related to non-SPPI loans	-73	-	-44	-
Fair value adjustment related to hedge accounting	-3,075	-	666	-
GROSS CONSOLIDATED OUTSTANDINGS LOANS	**46,073**		**45,736**	

Outstanding loans at the Group's risk resulted in impairments totalling €1,917M, or a coverage rate of 4.3%.

Performing sovereign loans were covered for the amount of €1,141M at 31 December 2022, mainly by the reserve account, which represents a coverage rate of 4.6%.

Summary of outstandings and impairments

In millions of euros	Outstandings	Impairment
Foreign countries		
Sovereign	25,062	1,141
of which doubtful	1,819	36
Non-sovereign[(1)]	13,207	675
of which doubtful	908	292
French Overseas Departments and Collectivities		
Non-sovereign	6,020	101
of which doubtful	273	101
Other outstanding loans	165	-
TOTAL	**44,454**	**1,917**
of which doubtful	3,000	429

(1) Excluding hedge accounting

The change in total balance sheet assets is also due to the change in equity investments in the amount of €617M in connection with the change in the portfolio, mainly at the Proparco level, as well as the improvement in portfolio valuations of equity investments.

Cash was down and amounted to €6,088M at the end of 2022 compared to €6,599M at the end of 2021. This €511M decrease in cash is mainly due to the disbursements made on loans and the real estate project to acquire AFD's future headquarters.

In millions of euros

Short-term cash assets	2022	2021	Change
AFD	5,712	6,211	-498
Proparco	216	342	-126
Fisea	14	29	-15
Socredo	-	-	-
Soderag	7	7	-
Sogefom	8	11	-3
Expertise France	132	-	132
GROUP TOTAL	**6,088**	**6,599**	**-511**

Other assets are rising sharply and are included the following items:

- the sharp increase in hedging instruments and collateral amounted to €6,743M at the end of 2022 compared to €2,944M at the end of 2021, mainly due to the change in interest rates and dollar appreciation;
- fixed assets, accruals and other assets amounted to €2,324M compared to €637M at the end of 2021. This strong performance is mainly due to the integration of Expertise France within the consolidation scope for €803M and the acquisition of the new head office for €1,025M;

Liabilities

AFD Group borrowings totalled €45,261M in 2022. They are composed of the following items:

- outstanding market borrowings, which amounted to €44,420M at 31 December 2022, down €480M compared to 2021. In 2022, the AFD Group issued bonds of €9.6 billion: 27 issuances since the beginning of the year, two were issued in GBP for €607M, one in CNH for €54M, one was issued in DOP for €5M, 17 were issued in euros for €5,105M and 6 issuances in dollars for €3,689M;
- outstanding borrowings from the French Treasury were stable at €840 million over the period.

Other liabilities include the following items :

- hedging instruments and collateral amounted to €6,231M at the end of 2022 compared to €2,513M at the end of 2021, mainly due to the change in interest rates and dollar appreciation;
- accruals and other liabilities amounted to €2,316M at the end of 2022 compared to €1,320M at the end of 2021, i.e. an increase of €996M mainly due to the integration of Expertise France;
- provisions amounted to €1,441M compared to €1,355M in 2021. This increase is mainly explained by the €120M change in the level of the reserve account and the €48M decrease in employee benefits.

The contribution of the Group's various companies to its net position excluding non-controlling interests is as follows:

In millions of euros

Net position	2022	2021	Change
AFD	8,153	7,595	559
Proparco	479	356	123
Socredo	117	114	4
Soderag	-120	-120	-
Other subsidiaries	-38	-67	28
GROUP TOTAL	**8,591**	**7,877**	**714**

Regulatory" equity [1] amounted to €9,271M at 31 December 2022 compared to €8,810M at the end of 2021. Tier 1 capital amounted to €8,431M in 2022 (€7,970M in 2021), and Tier 2 capital amounted to €840M (€840M in 2021).

The dividend paid by AFD to the French State amounted to €48M in 2022, compared to €21M in 2021 and €0M in 2020 (payout rate stable at 20%).

Non-controlling interests (share of equity) are down amounting to €173M at 31 December 2022, compared with €181M at the end of 2021.

In accordance with Article L.441-6 of the French Commercial Code, the due dates of the trade payables at 31 December 2022 are shown below:

	2022					2021				
	Unmatured debt					Unmatured debt				
In millions of euros	0-30 days	31-60 days	61 days and over	Matured debt	Total	0-30 days	31-60 days	61 days and over	Matured debt	Total
TRADE PAYABLES	**0.9**	**1.5**	**0**	**1.5**	**3.9**	**0.6**	**1.2**	**0**	**2.9**	**4.7**

5.3.2 Consolidated income statement

In millions of euros	2022	2021	Change
NET BANKING INCOME	**1,078**	**948**	**129**
Overheads	545	473	72
• Salary and employee benefit expenses	384	333	51
• Taxes and other general expenses	161	140	21
Provisions for depreciation/amortisation on property, plant and equipment and intangible assets	47	42	5
Total general expenses	**592**	**515**	**77**
GROSS OPERATING INCOME	**485**	**433**	**52**
Cost of risk	-18	-106	88
• Provisions for performing and sensitive loan outstandings	2	-39	41
• Provisions for non-performing loans net of write-offs	-19	68	49
• Other provisions	-1	1	-2
OPERATING INCOME	**468**	**327**	**141**
Share of earnings from companies accounted for by the equity method	15	7	9
+/- Change in value of acquisitions	3	-	3
Pre-tax income	**486**	**334**	**152**
Corporate tax	-5	-11	6
NET INCOME	**481**	**323**	**158**
Non-controlling interests	-25	-25	-
NET INCOME – GROUP SHARE	**456**	**298**	**158**

1) *Capital is established in accordance with Directive 2013/36/EU and EU Regulation No. 575/2013.*

Net banking income

The contribution of the Group's various companies to its net banking income (NBI) is as follows:

Net banking income amounted to €1,078M at the end of 2022, up €129M compared to 2021 due to the combined effect of the following items:

In millions of euros

Net banking income (NBI)	2022	2021	Change
Interest income, expenses and similar	58	9	49
Commissions	119	104	15
Income from instruments at fair value net of currency impact	114	34	80
Other ordinary income and expenses	60	37	23
GROUP TOTAL	**1,078**	**948**	**129**

The increase in net banking income is explained by the sharp rise in income from derivatives of €80M, mainly due to the improvement in the valuation of Proparco's equity investments, the €30M increase in commissions and the integration of Expertise France for €41M.
The contribution of the Group's various companies to its net banking income (NBI) is as follows:

In millions of euros

Net banking income (NBI)	2022	2021	Change
AFD*	744	651	93
Proparco**	278	290	-12
Expertise France	40	-	40
Fisea	8	3	5
Soderag	2	2	-
Sogefom	5	2	4
GROUP TOTAL	**1,078**	**948**	**129**

* *AFD's net banking income amounted to €860M at the end of 2022 compared to €794M at the end of 2021 in AFD's parent company financial statements.*

** *Proparco's net banking income amounted to €171M at the end of 2022 compared to €173M at the end of 2021 in Proparco's parent company financial statements.*

Gross operating income

Gross operating income totalled €485M in 2022 *versus* €433M in 2021. This €52M increase is explained by the increase in NBI (+€129M), partially offset by the change in general expenses of +€77M over the year and a positive impact of the cost of risk of +€88M.

General expenses amounted to €592.2M, up by €77.6M at the end of 2022. This growth is driven:

- 61% by the increase in payroll costs (+€51M of which €27M related to the integration of Expertise France);
- 30% by the increase in external expenses (+€21M of which €10M related to the integration of Expertise France);
- 10% by the increase in depreciation and amortisation (+€5M of which €1.5M related to the integration of Expertise France, with the commissioning of a growing number of IS projects).

Cost of risk

The cost of risk changed significantly in comparison with the previous financial year. It represented an expense of €18M compared with €106M in 2021 and breaks down as follows:

In millions of euros

Cost of risk	2022	2021
Impairment on performing and sensitive loan outstandings	2	-39
Impairment of non-performing loans net of write-offs	-19	-68
Other	**-1**	**1**
GROUP TOTAL	**-18**	**-106**
Of which AFD	43	-35
Of which Proparco	-53	-45
Of which other subsidiaries	-6	-9
Of which transition to IFRS	-2	-17

The cost of risk for the financial year is mainly due to:

- individual impairments net of write-offs of €19M, notably in connection with provisions of €97M offset by net reversals of write-offs of €78M;
- impairments on performing and sensitive items assetsof €2M, notably in connection with the reversal of the sectoral provision partially offset by the cyclical provision, as well as the change in outstandings within the portfolio. The sectoral provision of €69M, set up during the health crisis to address the fragility of the tourism and air transport sectors, was fully reversed at 31 December 2022, due to the review of all the credit ratings of the counterparties covered by the system. Conversely, a short-term provision of €45M was put in place to cover the risk of a short-term deterioration in the credit ratings of counterparties in our most vulnerable countries of operation. Three criteria were used to define the list of countries deemed sensitive to the current deterioration in the economic situation:
  - sovereign rating less than or equal to RC4A (equivalent to B+);
  - two negative outlooks among the three major rating agencies;
  - risk on debt sustainability deemed "high" by the IMF.

Operating income

Operating income amounted to €468M at the end of 2022 compared to €327M at the end of 2021, i.e. an increase of €141M under the combined effect of the increase in net banking income (€129M) and improvement in the cost of risk (€88M), partially offset by the increase in general expenses (-€77M).

Pre-tax income

After taking into account the share of equity-accounted companies (+€15M), a clear improvement compared to the previous financial year and the revaluation difference related to the integration of Expertise France of (+€3M), pre-tax income amounted to €486M at the end of 2022 compared to €334M at the end of 2021.

Net income

After taking into account the share of equity-accounted companies [1] (+€15M), a clear improvement compared to the previous financial year and the revaluation difference related to the integration of Expertise France of (+€3M), pre-tax income amounted to €486M at the end of 2022 compared to €334M at the end of 2021.

1) Corresponding to the share of net income of equity-accounted companies in the Group's consolidated financial statements.

Consolidated financial statements prepared in accordance with IFRS accounting standards adopted by the European Union

6.1 Consolidated financial statements

6.1.1 Overview

Agence Française de Développement (AFD) is an industrial and commercial public undertaking tasked with financing development assistance, recorded at the Registry in Paris on 17 July 1998. AFD's share capital amounts to €4,418M.

Registered office: 5, rue Roland-Barthes – 75598 Paris Cedex 12.

Listed on the Paris Trade and Companies Register under number 775 665 599.

The Group's consolidated financial statements at 31 December 2022 were approved by the Chief Executive Officer on 22 March 2023.

These consolidated financial statements are presented in thousands of euros.

6.1.2 Balance sheet at 31 December 2022

Assets

In thousands of euros	Notes	31/12/2022	31/12/2021	Change
Cash, due from central banks		1,010,283	2,085,492	-1,075,209
Financial assets at fair value through profit or loss	1	3,602,749	2,555,803	1,046,946
Hedging derivatives	2	3,471,842	2,003,043	1,468,799
Financial assets at fair value through other comprehensive income	3	1,584,332	1,386,196	198,137
Debt securities at amortised cost	5	1,680,717	1,295,925	384,792
Financial assets at amortised cost		47,028,898	47,221,187	-192,289
Loans and receivables due from credit institutions and equivalent at amortised cost	5	11,491,039	11,370,341	120,698
Demand		*1,429,551*	*2,342,185*	*-912,635*
*Term**		*10,061,488*	*9,028,155*	*1,033,332*
Loans and receivables due from customers at amortised cost	5	35,537,860	35,850,846	-312,986
Other loans to customers		*35,537,860*	*35,850,846*	*-312,986*
Revaluation differences on interest rate-hedged portfolio		-	441	-441
Current tax assets		193	124	68
Deferred tax assets		34,596	32,129	2,467
Accruals and other miscellaneous assets	7	4,800,781	1,120,598	3,680,183
Accruals		*65,166*	*85,947*	*-20,782*
Other assets		*4,735,615*	*1,034,651*	*3,700,964*
Equity stakes in companies accounted for by the equity method	17	162,069	147,729	14,340
Property, plant and equipment	8	542,794	234,373	308,421
Intangible assets	8	93,407	64,108	29,299
TOTAL ASSETS		**64,012,660**	**58,147,147**	**5,865,512**

Liabilities

In thousands of euros	Notes	31/12/2022	31/12/2021	Change
Central banks		-	-	-
Financial liabilities at fair value through profit or loss	1	454,138	259,993	194,145
Hedging derivatives	2	5,629,463	1,527,245	4,102,218
Financial liabilities at amortised cost		44,437,791	44,089,375	348,415
Debt securities in issue at amortised cost	9	44,420,512	44,061,424	359,088
Interbank market securities		*1,988,682*	*500,230*	*1,488,452*
*Bonds**		*42,431,831*	*43,561,194*	*-1,129,363*
Debts to credit institutions and equivalent at amortised cost	9	14,524	25,441	-10,917
Demand		*12,626*	*24,901*	*-12,274*
Term		*1,898*	*540*	*1,357*
Other debts		*2,755*	*2,511*	*244*
Revaluation differences on interest rate-hedged portfolio		298	-	298
Current tax liabilities		5,412	-	5,412
Deferred tax liabilities		13,147	9,857	3,290
Accruals and other miscellaneous liabilities	7	2,426,201	2,006,755	419,446
Allocated public funds		73,898	84,297	-10,399
Other liabilities		2,352,302	1,922,458	429,845
Provisions	10	1,440,951	1,355,318	85,633
Subordinated debt	11	840,622	840,006	616
TOTAL DEBTS		**55,248,022**	**50,088,548**	**5,159,474**
Equity Group share	(Tab 1)	8,591,319	7,877,243	714,076
Provisions and related retained earnings		4,877,999	4,687,999	190,000
Consolidated retained earnings and other		3,095,831	2,822,843	272,988
Gains and losses recognised in other comprehensive income		161,246	68,580	92,666
Earnings for the period		456,243	297,822	158,421
Non-controlling interests	(Tab 1)	173,319	181,356	-8,037
Total equity		**8,764,638**	**8,058,600**	**706,039**
TOTAL LIABILITIES		**64,012,660**	**58,147,147**	**5,865,512**

* *Reintegration of third-party transactions at 1 January 2022 was recorded in assets as an increase in "loans and receivables due from credit institutions" for €1,615M and "loans and receivables due from customers" for €1,308M. On the liabilities side, it was recorded as an increase of the "bonds" for €2,922M (cf. § 6.2.1.8 Reintegration of operations carried out by AFD with its own resources).*

6.1.3 Income statement at 31 December 2022

In thousands of euros	Notes	31/12/2022	31/12/2021	Change
Interest and related income	**12**	**1,860,354**	**1,491,324**	**369,029**
Transactions with credit institutions		548,287	285,652	262,635
Transactions with customers		796,017	749,600	46,416
Bonds and other fixed-income securities		36,740	30,633	6,107
Other interest and related income		479,310	425,439	53,872
Interest and related expenses	**12**	**1,389,447**	**981,916**	**407,531**
Transactions with credit institutions		745,078	640,562	104,516
Transactions with customers		686	930	-244
Bonds and other fixed-income securities		516,375	444,669	71,705
Other interest and similar expenses		127,308	-104,246	231,554
Commissions (income)	**13**	**157,786**	**129,127**	**28,660**
Commissions (expenses)	**13**	**4,954**	**6,327**	**-1,373**
Net gains or losses on financial instruments at fair value through profit or loss, net of foreign currency impact	**14**	**113,902**	**34,205**	**79,697**
Net gains or losses on financial assets recognised at fair value through other comprehensive income	**15**	**15,645**	**9,268**	**6,377**
Income from other activities	**16**	**663,456**	**286,335**	**377,121**
Expenses on other activities	**16**	**339,053**	**13,754**	**325,299**
Net banking income		**1,077,690**	**948,262**	**129,428**
Overheads	**17**	**544,838**	**472,809**	**72,030**
Salary and employee benefit expenses		383,773	333,070	50,702
Other administrative expenses		161,066	139,739	21,327
Provisions for amortisation of intangible assets and depreciation of property, plant and equipment	**8**	**47,426**	**42,123**	**5,303**
Gross operating income		**485,425**	**433,329**	**52,095**
Cost of credit risk	**18**	**-17,745**	**-106,125**	**88,380**
Operating income		**467,680**	**327,204**	**140,475**
Share of earnings from companies accounted for by the equity method	**19**	**15,409**	**6,540**	**8,869**
Net gains or losses on other assets		**-**	**-130**	**130**
Changes in the value of goodwill		**2,797**	**-**	**2,797**
Pre-tax income		**485,885**	**333,613**	**152,272**
Corporate tax	**20**	**-4,758**	**-10,586**	**5,828**
NET INCOME		**481,128**	**323,027**	**158,100**
of which Group share		**456,243**	**297,822**	**158,421**
of which non-controlling interests		**24,885**	**25,206**	**-321**

6.1.4 Net income, gains and losses recognised directly as equity at 31 December 2022

In thousands of euros	31/12/2022	31/12/2021
Net income	**481,128**	**323,027**
Net gains and losses directly recognised directly in other comprehensive income to be recycled in profit or loss	**1,506**	**-3,618**
Net gains or losses on debt instruments recognised in other comprehensive income to be recycled in profit or loss that may be recycled	1,506	-3,618
Net gains and losses recognised directly in other comprehensive income not to be recyclable in profit or loss to:	**94,791**	**35,571**
Actuarial gains and losses on retirement benefits	62,635	23,675
Net gains and losses on equity instruments recognised in other comprehensive income not to be recyclable in profit or loss	32,156	11,896
TOTAL GAINS AND LOSSES RECOGNISED DIRECTLY IN OTHER COMPREHENSIVE INCOME	**96,297**	**31,952**
Net income and gains and losses recognised directly in other comprehensive income	**577,424**	**354,980**
of which Group share	548,909	328,484
of which non-controlling interests	28,515	26,495

6.1.5 Statement of changes in equity from 1 January 2021 to 31 December 2022

In thousands of euros	Provisions	Funding re serves	Consolidated reserves	Income for the financial year	Unrealised or deferred gains or losses	Equity Group share	Equity – non-controlling interests	Total consolidated equity
EQUITY AT 1 JANUARY 2021	**2,807,999**	**460,000**	**2,778,502**	**40,404**	**37,917**	**6,124,821**	**154,952**	**6,279,773**
Share of 2020 income allocated to retained earnings	-	-	40,404	-40,404	-	-	-	-
Dividends paid	-	-	-21,110	-	-	-21,110	-	-21,110
Other changes	-	-	-10	-	-	-10	-269	-279
Changes related to put options	-	-	25,059	-	-	25,059	178	25,236
AFD capital increase	1,420,000	-	-	-	-	1,420,000	-	1,420,000
2021 net income	-	-	-	297,822	-	297,822	25,206	323,027
Gains and losses recognised directly in other comprehensive income in 2021	-	-	-	-	30,663	30,663	1,290	31,952
EQUITY AT 31 DECEMBER 2021	**4,227,999**	**460,000**	**2,822,844**	**297,822**	**68,579**	**7,877,243**	**181,356**	**8,058,600**
Share of 2021 income allocated to retained earnings	-	-	297,822	-297,822	-	-	-	-
Dividends paid	-	-	-47,950	-	-	-47,950	-5,243	-53,193
Other changes	-	-	-522	-	-	-522	-21	-543
Changes related to put options	-	-	21,602	-	-	21,602	-11,098	10,504
Change in scope	190,000	-	2,036	-	-	192,036	-20,190	171,846
2022 net income	-	-	-	456,243	-	456,243	24,885	481,128
Gains and losses recognised directly in other comprehensive income in 2022	-	-	-	-	92,666	92,666	3,631	96,297
EQUITY AT 31 DECEMBER 2022	**4,417,999**	**460,000**	**3,095,831**	**456,243**	**161,245**	**8,591,319**	**173,319**	**8,764,638**

6.1.6 Cash flow statement at 31 December 2022

In thousands of euros	31/12/2022	31/12/2021
PRE-TAX INCOME (A)	**485,885**	**333,613**
Net depreciation/amortisation expenses on property, plant and equipment and intangible assets	30,701	27,521
Net depreciation/amortisation provisions on fixed assets related to the application of IFRS 16	15,531	14,600
Provisions net of other provisions (including technical insurance provisions)	70,407	63,897
Share of earnings from companies accounted for by the equity method	-15,409	-6,540
Net loss/(net gain) on investment activities	-3,356	-27,166
Net loss/(net gain) on financing activities	48,396	181,784
Other movements (1) (2)	359,287	61,404
TOTAL NON-CASH ITEMS INCLUDED IN NET PRE-TAX INCOME AND OTHER ITEMS (B)	**505,557**	**315,501**
Cash received from credit institutions and equivalent	-1,208,300	-776,463
Cash received from customers	-3,215,550	-2,811,701
Cash flows from other operations affecting other financial assets or liabilities	-1,026,312	135,593
Cash flows from operations affecting non-financial assets or liabilities	-3,476,617	-786,578
Taxes paid	-5,489	-16,041
= NET INCREASE (DECREASE) IN CASH-RELATED ASSETS AND LIABILITIES FROM OPERATING ACTIVITIES (C)	**-8,932,268**	**-4,255,191**
Net cash flows from operating activities (A + B + C)	**-7,940,825**	**-3,606,077**
Cash flows from financial assets and equity investments(*)	-292,732	-144,562
Cash flows from property, plant and equipment and intangible assets	-378,421	-39,876
Net cash flows from investment activities	**-671,153**	**-184,437**
Cash flows related to the application of IFRS 16	-14,690	-15,659
Cash flows from shareholders(**)	240,000	775,000
Cash flows to shareholders(***)	-53,822	-21,110
Other net cash flows from financing activities(****)	6,643,676	2,668,234
Net cash flows from financing activities	**6,636,164**	**3,406,465**
Net increase/(decrease) in cash and cash equivalents	**-2,051,258**	**-384,049**
Opening balance of cash and cash equivalents	**4,475,711**	**4,784,315**
Net balance of cash accounts and accounts with central banks(1)	2,088,656	3,157,677
Net balance of on-demand loans and deposits from credit institutions and customers(2)	2,387,083	1,626,638
Ending balance of cash and cash equivalents	**2,424,453**	**4,400,266**
Net balance of cash accounts and accounts with central banks	1,010,283	2,088,656
Net balance of on-demand loans and deposits from credit institutions and customers	1,414,170	2,314,774
Change in cash and cash equivalents	**-2,051,258**	**-384,049**

(1) Composed of the net balance of "Cash accounts and accounts with central banks" as it appears in the Group's consolidated balance sheet.

(2) Net balance of "On-demand receivables and payables from/to credit institutions".

(*) Cash flows from financial assets and equity investments mainly come from the equity investment activity of the Proparco subsidiary and correspond to the flows during the period between acquisitions, disposals and fund raising.

(**) Cash flows from shareholders correspond to RCS issues.

(***) Cash flows to shareholders correspond to the dividends paid by AFD to the French State and to non-controlling shareholders by the Proparco subsidiary.

(****) Other net cash flows from financing activities correspond to market borrowings carried out by AFD to meet the growth in its operating activity.

6.2 Notes to the consolidated financial statements

6.2.1 Significant events at 31 December 2022

6.2.1.1 Financing of the activity

To finance the growth of its own activity, AFD issued 8 public bonds and 3 private placements in 2022, as well as 16 tap issues, for a total volume of €9.5bn.

6.2.1.2 Appropriation of earnings income for the 2021

Pursuant to Article 79 of the 2001 amending Finance Bill No. 2001-1276 of 28 December 2001, the amount of the dividend paid by AFD to the French State is set by ministerial decree.

The Board of Directors approved the 2021 financial statements on 21 April 2022.

The French Minister of the Economy and Finance set the 2021 dividend to be paid to the State. It amounted to €47.9M, *i.e.* 20% of AFD's corporate income (€239.8M at 31 December 2021) and was paid out after publication in the Official Journal.

The balance of income after payment of the dividend, *i.e.* €191.9M, was allocated to reserves.

6.2.1.3 Integration of Expertise France

Following the signing of the AFD/Expertise France strategic merger in 2020 and the publication of a ministerial decree on 30 December 2021 which provided for the integration of Expertise France into the AFD Group in order to structure an enlarged group at the service of France's development policy, Expertise France was included in the AFD Group's consolidated scope on 1 January 2022.

On the same date, Expertise France was transformed into a simplified joint stock company with a share capital of €829K and wholly-owned by AFD.

The company was acquired for a symbolic €1.

The consolidation of Expertise France generated badwill of €2.8M in the Group's consolidated financial statements.

6.2.1.4 AFD capital increase

A new capital allocation was made to AFD by the French State of €190M to strengthen the Agency's equity capital. AFD's initial allocation, which was €4,228M at the end of 2021, stood at €4,418M at 31 December 2022.

This capital increase of €190M was carried out by converting the French State's RCS debt into AFD's books, in accordance with the decree of 27 June 2022 published in the Official Journal.

6.2.1.5 Fisea capital increase

On 1 July 2022, Fisea carried out a €50M capital increase by creating ordinary shares fully subscribed by AFD and fully paid up over the period.

Fisea's share capital was thus increased to €327M compared to €277M previously.

6.2.1.6 Ukraine political conflict

At 31 December 2022, AFD Group did not have any significant direct or indirect commitments with Russian, Belarusian or Ukrainian counterparties. The most significant commitment relates to the financing of a wind farm located in a current conflict zone (Ukraine). A 100% provision was set aside for this commitment (gross amount of €24M) in the first half of 2022.

6.2.1.7 Acquisition of AFD Group's future head office

The off-plan sales agreement for the AFD Group's head office was signed on 19 December 2022 for €1.0bn. At 31 December 2022, AFD had disbursed the entire amount, including €683M in an escrow account and €313M recorded in fixed assets in progress.

6.2.1.8 Reintegration of operations carried out by AFD with its own resources

At 30 June 2022, AFD published detailed financial information in connection with the reclassification of loans made at the request of third parties, backed by AFD's own resources, which were initially classed as third-party transactions in the IFRS standards, and are now classed as own-account transactions.

This change in the scope for own-account transactions has been accounted for as the correction of an error. As a result, the balance sheet format changed at 1 January 2022, loans increasing by +€2.9bn (*see balance sheet and note 5*), offset against an increase in market borrowings for the same amount (*see balance sheet and note 9*). This reintegration has no impact on the reserves for net income – Group share for financial years prior to 2022.

6.2.2 Accounting standards applied to Agence Française de Développement

6.2.2.1 Application of accounting standards adopted by the European Union

The financial statements given in this document include the summary financial statements and the notes to the financial statements. They are presented in accordance with French Accounting Standards Authority (ANC) Recommendation No. 2017-02 of 2 June 2017 concerning the format of the summary documents of companies subject to banking and finance regulations under international accounting standards. At 1 January 2023, recommendation no. 2022-01 of 8 April 2022 on the format of consolidated financial statements of banking sector institutions prepared in accordance with international accounting standards, replaces recommendation 2017-02.

The consolidated financial statements of AFD Group at 31 December 2022 were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The accounting standards used in the preparation of AFD's financial statements at 31 December 2022 are described in Section 6.2.3.2

6.2.2.2 IASB and IFRIC texts adopted by the European Union and applied at 1 January 2022

The standards and interpretations used in the financial statements at 31 December 2022 were supplemented by the provisions of IFRS as adopted by the European Union and with mandatory application for the first time during this period. They relate to:

Standards, amendments or interpretations	Date of application: financial years starting from
Amendment to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract"	1 January 2022
Amendments to IAS 16 "Property, Plant and Equipment – Proceeds before Intended Use"	1 January 2022
Amendment to IFRS 3 "Reference to the conceptual framework"	1 January 2022
Annual Improvements to the IFRS (Cycle 2018-2020)	1 January 2022

Unless otherwise stated, when application of the standards and interpretations adopted by the European Union is optional for a period, AFD Group does not take up the option.

Amendments to IAS 39 – IFRS 9 and IFRS 7 "Changes in criteria for hedge accounting requirements"

The index transition project began in early 2019 under the responsibility of the Finance Department with the participation of all relevant departments (Operations, Legal, Risk, Information Systems and Communication) at AFD Group. At the same time, the proposals and recommendations of market players were regularly monitored. Equally, working groups of central banks and authorities as well as a customer communication plan were initiated. Since September 2020, the work relating to the operational and systems impacts has been integrated into the "information transformation" programme of the Group Finance Department and Risk Department.

The FCA (Financial Conduct Authority) announced the end dates of the LIBORs on 30 November 2020:

- 31 December 2021 for all maturities of GBP, JPY, CHF, EUR LIBOR and for USD LIBOR 1W and 2M (one week and two months);
- 30 June 2023 for other maturities of USD LIBOR (1M, 3M, 6M and 12M).

Following the FCA's announcement of the end of the USD LIBOR publication in June 2023, and the initiatives to support the SOFR, two important events took place during the third quarter of 2021:

- the ARRC, Alternative Reference Rates Committee, in charge of identifying a replacement rate for USD LIBOR, formally recommended the CME Term SOFR as the replacement rate for USD LIBOR for bilateral and syndicated loans;
- the FCA, the UK Financial Conduct Authority, formally prohibited the use of USD LIBOR from 1 January 2022 for new loan agreements.

The CME Term SOFR recommendation is an important milestone towards the end of USD LIBOR. The CME Term SOFR has a pre-set structure, known at the beginning of the interest period like USD LIBOR, which reduces the impact of the transition and was a key element in the ARRC's decision. Indeed, other SOFR-based alternatives have been proposed, such as the Compound or Average SOFR. However, these rates are post-fixed, *i.e.* known at the end of the interest period, which requires a profound transformation of practices and significant changes to the operating systems and has been reluctantly received by market participants.

AFD closely monitors changes in the SOFR market and is in favour of the CME Term SOFR, in line with the official recommendations. New agreements in USD will be offered on the basis of the CME Term SOFR rate.

All our new agreements have included fallback provisions since early 2020. For the previous agreements, specific amendments are proposed to enable the transition to Term SOFR.

In September 2019, the IASB introduced amendments to IAS 39 – IFRS 9 and IFRS 7 for the first phase of the IBOR reform, which changes the requirements of the criteria for using hedge accounting by allowing the continuation of hedging relationships existing before the effective implementation of that reform. These amendments were adopted by the European Commission on 15 January 2020 with mandatory application for the 2020 financial statements.

In August 2020, the IASB published “Phase 2” amendments, clarifying that amendments related solely to changes in interest rates as part of the reform must not lead to an interruption in hedging relationships. In addition, the data were surveyed and analysed. It was found that the rates AFD Group is largely exposed to in its hedging relationships are EONIA, EURIBOR and LIBOR.

For these hedging relationships, the hedged and hedging instruments will be progressively amended, when necessary, in order to incorporate the new rates. The “Phase 1” amendments to IAS 39 and IFRS 7 are applicable when the contractual terms of the hedged instruments or hedging instruments have not yet been amended.

Conversely, the “Phase 2” amendments are applicable once the contractual terms of the hedged instruments or hedging instruments have been amended, and the terms and date of transition to the new benchmark interest rates have been clearly stipulated.

These amendments have been applied by the Group since 31 December 2020, which allows it to maintain its existing hedging relationships, which have been amended due to the transition to the new benchmark rates (transition from the EONIA discount rate to €STR).

At 31 December 2022, no further changes had been made to the benchmark rates for the derivatives and loans portfolio.

The other standards and interpretations applicable at 1 January 2022 had no significant impact on the Group’s financial statements at 31 December 2022.

6.2.2.3 IASB and IFRIC texts adopted by the European Union or in the process of being adopted, but not yet applicable

In addition, the IASB has published standards and amendments, not all of which have been adopted by the European Union as at 31 December 2022. They will come into force on a mandatory basis for financial years beginning on or after 1 January 2023 at the earliest, or their adoption by the European Union. They were therefore not applied by the Group as at 31 December 2022.

Standards applicable to future financial years	Provisional date of application
IFRS 17 “Insurance Contracts”	1 January 2023
Amendments to IAS 1 “Accounting policy disclosures”	1 January 2023
Amendments to IAS 8 “Definition of an accounting estimate”	1 January 2023
Amendments to IAS 12 “Income Taxes” – Deferred taxes relating to assets and liabilities arising from the same transaction	1 January 2023
Amendments to IFRS 16 “Leases – Sale-leaseback obligations”	1 January 2024
Amendments to IAS 1 “Classification of liabilities as current or non-current”	1 January 2024

The AFD Group does not carry out any activities in the insurance sector. Consequently, IFRS 17 has no impact on the Group’s consolidated financial statements.

6.2.3 Principles for the preparation of the consolidated financial statements of AFD Group at 31 December 2022

6.2.3.1 Consolidation scope and methods

6.2.3.1.1 Consolidation scope

Agence Française de Développement's consolidated financial statements cover all fully-controlled enterprises, joint ventures and companies on which the Institution exerts a significant influence.

The following are not included in the consolidation scope:

- companies of no real significance;
- foreign companies in which AFD holds a minority interest and does not exercise significant influence due to the companies being either fully or partially state-owned.

Significant assumptions and judgments applied to determine the consolidation scope in accordance with IFRS 10-11-12

The elements used to draw a conclusion on whether AFD exercises control or influence over the entities in which it invests are many. Accordingly, the Group determines its ability to exercise influence over the management of another entity by taking due consideration of the entity's structure, shareholders, arrangements and the participation of AFD and its subsidiaries in decision-making bodies.

Moreover, materiality with regard to Group accounts is also subject to analysis.

The list of companies in which AFD or Proparco directly or indirectly holds an equity investment that exceeds 20% of the company's share capital is presented below.

In thousands of euros	Localisation	% control 2021	% interest 2021	% control 2022	% interest 2022	Balance sheet total[(1)]	Total net income	Contribution to net income[(2)]
AFD						**62,218,343**		**333,883**
Fully consolidated companies								
Soderag	Antilles	100.00	100.00	100.00	100.00	7,038		7
Proparco	Paris	78.19	78.19	79.76	79.76	7,846,667		99,042
Expertise France	Paris	-	-	100.00	100.00	820,579		1,093
Sogefom – AFD share	Paris	58.69	60.00	58.69	60.00	46,123		-370
Sogefom – Socredo share	Paris	1.31	-	1.31	-			
Fisea	Paris	100.00	100.00	100.00	100.00	322,986		7,180
Companies accounted for by the equity method								
• *Non-financial entities*								
Société Immobilière de Nouvelle Calédonie	New Caledonia	50.00	50.00	50.00	50.00	43,674		10,989
• *Financial entities*								
Banque Socredo	Polynesia	35.00	35.00	35.00	35.00	117,314		4,420
Other non-consolidated investments								
• *Foreign state-owned or partially state-owned entities*								
Banque nationale de Développement Agricole	Mali	22.67	22.67	22.67	22.67	1,000,000	12	
Banque de Développement des Seychelles	Seychelles	20.41	20.41	20.41	20.41	55,880	587	
Société de Gestion et d'Exploitation de l'Aéroport de Conakry G'Bessia	Guinea	20.00	20.00	-	-			
• *Stakes held by Proparco in entities abroad*								
AFRICAN EDUCATION HOLDINGS	Multi-country	-	-	33.33	33.33	14,569	-15,076	
AIF PHARMA LUX	Morocco	38.89	38.89	40.39	40.39	23,844	120	
ACON ALAOF V	Multi-country	37.50	37.50	29.04	29.04	19,220	5,407	
ACON LATIN AMERICA OPPORTUNITIES FUND A LP	Multi-country	-	-	20.00	20.00	20,963	-3,531	

In thousands of euros	Localisation	% control 2021	% interest 2021	% control 2022	% interest 2022	Balance sheet total[(1)]	Total net income	Contribution to net income[(2)]
Africinvest III SPV I	Kenya	21.82	21.82	21.82	21.82	48,649	15,874	
Amethis Milling SPV	Mozambique	26.32	26.32	26.32	26.32	97,622	-6,648	
ASHMORE ANDEAN FUND III LP	Colombia	-	-	55.56	55.56	-	-	
Bredev SAS	Brazil	100.00	100.00	100.00	100.00	12,001	-	
BROMPTON HOLDCO LTD	Kenya	48.50	48.50	48.50	48.50	119,821	239	
AVERROES FINANCE II	Multi-country	50.00	50.00	50.00	50.00	46,559	-636	
AVERROES FINANCE III	Multi-country	50.00	50.00	50.00	50.00	19,728	-372	
AVERROES AFRICA	Multi-country	21.43	21.43	27.27	27.27	2,509	-290	
CENTRAL AFRICA GROWTH SICAR	Multi-country	23.41	23.41	23.41	23.41	6,031	6,894	
Digital Africa SAS	Multi-country	100.00	100.00	100.00	100.00	-	-	
EuroPro Holding SAL	Egypt	35.29	35.29	35.29	35.29	134	1,041	
Ilera Holdings	Morocco	34.42	34.42	31.68	31.68	712	-17	
GEF Latam Climate Solutions Fund III, LP	Brazil	21.46	21.46	20.16	20,16	-	-	
IT Holding	Egypt	47.74	48.00	23.87	23.87	1,876	172	
MAMBO RETAIL	Kenya	-	-	20.70	20.70	-	-	
Meridiam Infrastructure Africa Parallel Fund II SLP	Multi-country	25.00	25.00	25.00	25.00	15,261	1,267	
MEKONG SOLAR ASSER MANAGEMENT PET LTD	Thailand	31.77	31.77	31.77	31.77	-	-	
Metier AMN Partnership LLP	Multi-country	22.60	22.60	22.25	22.25	-	-	
OCSADEN INVESTMENT LIMITED	Morocco	-	-	25.30	25.30	54,722	-500	
Seaf India Agribusiness International Fund	India	33.36	33.36	33.36	33.36	608	-	
Solarise Africa	Multi-country	47.94	47.94	74.12	74.12	11,935	729	
TUNISIA SICAR	Tunisia	20.00	20.00	20.00	20.00	-	-	
TLG Finance SAS	Multi-country	22.84	22.84	22.84	22.84	3,658	-865	
Tiba Education Holding BV	Egypt	100.00	100.00	100.00	100.00	6,899	-2,481	
• *French companies*								
Retiro Participations – Proparco share	Paris	100.00	100.00	100.00	100.00	-	-	
• *Stakes held by Fisea in entities abroad*								
AB Bank Zambia Limited	Zambia	22.50	22.5	22.5	22.5	33,799	656	
Catalyst Mattress Africa	Multi-country	20.97	21.0	21.0	21.0	13,421	-11,843	
Chain Hotel Conakry	West Africa	23.17	23.2	23.2	23.2	29,990	-4,239	
Fanisi Venture Capital Fund	Multi-country	22.99	23.0	-	-			
Fefisol	Multi-country	20.00	20.0	20.0	20.0	1,211	107	
Metier Capital Growth International Fund II	Multi-country	28.91	28.9	28.9	28.9	28,961	-910	
INCOME GROUP SHARE								**456,243**

(1) The balance sheet total indicated corresponds to the balance sheet total before restatement of intragroup entries.
(2) Before elimination of intra-group transactions.

Non-controlling interests

Non-controlling interests are immaterial with regard to the Group's financial statements, either separately or cumulatively.

	31/12/2022			31/12/2021		
In thousands of euros	% of control and vote held by non-controlling interests	Share of net income	Share of equity (including income)	% of control and vote held by non-controlling interests	Share of net income	Share of equity (including income)
Proparco	20.24%	25,131	169,277	21.81%	25,418	176,860
Other subsidiaries		-247	4,042		-212	4,496
TOTAL NON-CONTROLLING INTERESTS		**24,885**	**173,319**		**25,206**	**181,356**
TOTAL GROUP SHARE		**456,243**	**8,591,319**		**297,822**	**7,877,243**

Interests in joint arrangements and associates have a negligible impact on the financial statements of AFD Group.

6.2.3.1.2 Consolidation principles and methods

The following consolidation methods are used:

Full consolidation

This method applies to subsidiaries over which AFD has exclusive control. Such exclusive control is determined by the power to govern the financial and operating policies of the subsidiary. The Group controls an entity when the following three conditions are met:

i. the Group has power over the entity (ability to direct its relevant activities, *i.e.* those that have a significant impact on the entity's returns), through the holding of voting rights or other rights; and

ii. the Group is exposed or has rights to variable returns as a result of its ties with the entity; and

iii. the Group has the ability to exercise its power over the entity in such a way as to affect the amount of returns it obtains.

The consolidation method consists of incorporating all the financial statements item by item, with recognition of the rights of "minority shareholders". The same process is used for income statements.

The following four companies are consolidated:

- the Société de promotion et de participation pour la coopération économique (Proparco), created in 1977.

  Proparco's status change from a credit institution to a finance company became effective on 25 May 2016 on receipt of notification from the ECB.

  At 31 December 2022, the company's share capital totalled €984M and AFD's stake was 79.76%;
- the Société de développement régional Antilles-Guyane (Soderag), of which AFD took control in 1995 at the behest of the French State, was liquidated in 1998 after it lost its licence to operate as a credit institution.

  At 31 December 2022, the company's share capital amounted to €5.6M. It is 100% owned by AFD;
- Société de gestion des fonds de garantie d'outre-mer (Sogefom), whose shares AFD purchased, and which were held by the Institut d'émission d'Outre-mer (IEOM), on 12 August 2003, following the request from the Minister for the Economy, Finance and Industry and the Minister for French Overseas Departments and Collectivities.

  At 31 December 2022, the company's share capital amounted to €1.1M. It is 58.69% owned by AFD;
- the Fonds d'investissement et de soutien aux entreprises en Afrique (Fisea) was created in April 2009. This simplified joint stock company (*société anonyme par actions simplifiée*) with a share capital of €327.0M is wholly-owned by AFD. Fisea is managed by Proparco;
- Expertise France, of which AFD took control on 1 January 2022 following the publication of the AFD/Expertise France strategic merger for an extended group to serve France's development policy. This simplified joint stock company (*société anonyme par actions simplifiée*) with a share capital of €829.0K is wholly-owned by AFD.

Equity method

Companies over which AFD Group has significant influence are accounted for by the equity method. Significant influence means the power to participate in the financial and operating policy decisions of the subsidiary but without having control or joint control over them. It is usually evidenced by (i) representation on the executive or supervisory bodies, (ii) participation in policy-making processes, or (iii) material transactions between the companies. At 31 December 2022, this method was used for two companies in which AFD directly or indirectly holds a stake of between 20% and 50% and over which significant influence may be proven: la Société immobilière de Nouvelle Calédonie (SIC) and Socredo.

The consolidation method consists of measuring interest by using the company's net position and calculating a share of its restated income according to the stake held in its share capital.

Comments on other companies

AFD also has equity investments in a number of companies over whose management it has no significant influence. Through their equity investments, either directly or through investment funds, and through their lending activities, AFD Group subsidiaries aim to contribute to the economic and social development of disadvantaged regions. In no case will the acquisition of control of the entities be pursued. These companies are not consolidated, either globally or using the equity method, with regard to the normative analyses carried out by the Group on the notion of control and materiality. They are recorded under “Financial assets at fair value through profit or loss” or “Financial assets at fair value through other comprehensive income”.

6.2.3.1.3 Restatement of transactions

Balance sheet balances and transactions, income and expenses resulting from intra-group transactions are eliminated in the preparation of the consolidated financial statements from the date of acquisition of control. Gains arising from transactions with equity-accounted companies are eliminated by offsetting equity method investments to the extent of the Group’s interest in the entity. Losses are eliminated in the same manner but only when they do not represent an impairment loss.

6.2.3.1.4 Business combinations

Business combinations are accounted for using the acquisition method, in accordance with IFRS 3.

The consideration paid is determined at the fair value, on the acquisition date, of the assets delivered, the liabilities incurred and the equity instruments issued in exchange for control of the acquired company.

Any earnouts are included in the acquisition cost at their estimated fair value on the acquisition date and revalued at each closing date, with subsequent adjustments recorded in profit or loss if the earnout meets the definition of a debt instrument.

The identifiable assets, liabilities and contingent liabilities of acquired entities are recorded at their fair value on the acquisition date.

Contingent liabilities of the acquired entity are only recognised in the consolidated balance sheet if they are representative of an actual obligation at the date of the business combination and their fair value can be reliably estimated.

The costs directly attributable to the business combination constitute a separate transaction and are recorded in profit or loss.

Goodwill corresponds to the difference between (i) the acquisition cost of the entity, non-controlling interests and the fair value of the share previously held, and (ii) the revalued net asset. If it is positive, it is recorded as an asset in the consolidated balance sheet under “Goodwill”; in the event of a negative difference, it is immediately taken to profit or loss.

As goodwill is not taxable, no deferred tax calculation is made.

The analyses required for the initial assessment of these items and any amendments thereto can be made within a period of 12 months from the acquisition date.

Goodwill is recorded in the balance sheet at its historical cost in the reference currency of the acquired subsidiary and translated on the basis of the official exchange rate at the closing date.

It is regularly reviewed by the Group and tested for impairment at least once a year and whenever there is an indication of impairment.

When the recoverable value of the underlying asset, defined as the higher of the market value and the value in use of the entity concerned, is lower than its carrying amount, an irreversible impairment of goodwill is recorded in profit or loss.

The carrying amount of goodwill from associates is included in the equity-accounted value.

6.2.3.2 Accounting principles and methods

AFD’s consolidated financial statements are prepared using accounting policies applied consistently across all of the periods presented in the consolidated financial statements and applicable in line with the Group’s principles by entities consolidated by AFD.

The main valuation and presentation rules used in preparing Agence Française de Développement’s financial statements at 31 December 2022 are described below.

6.2.3.2.1 Conversion of foreign currency transactions

The financial statements are denominated in euros, AFD’s functional currency.

Monetary assets and liabilities denominated in foreign currencies are converted into the Group’s accounting currency (euros) at the closing rates. Foreign exchange differences are recognised in the income statement.

Non-monetary assets and liabilities in foreign currencies may be recorded at historic cost or fair value. Non-monetary assets denominated in foreign currencies are, in the first case, converted at the exchange rate on the date of the initial transaction or, in the second case, at the rate applicable on the date on which fair value was determined. Foreign exchange differences relating to non-monetary assets denominated in foreign currencies and recognised at fair value are recognised in profit or loss when the asset is classified as "financial assets at fair value through profit or loss" and in other comprehensive income when the asset is classified as "financial assets at fair value through other comprehensive income".

6.2.3.2.2 Use of estimates

Some items recognised in the consolidated financial statements in accordance with the accounting policies and principles involve the use of estimates made on the basis of available information. These estimates are mainly used for the fair value measurement of financial instruments, impairments and provisions.

The use of estimates notably concerns:

- the assessment of losses expected at 12 months or maturity in application of the second section of IFRS 9;
- provisions recognised as balance sheet liabilities (provisions for employee benefits obligations, litigation, etc.);
- some financial instruments that are valued using complex mathematical models or by discounting probable future cash flows.

6.2.3.2.3 Financial instruments

IAS 32 defines a financial instrument as any contract that gives rise to a financial asset of one entity and a financial liability or an equity instrument of another entity.

Financial assets and liabilities are recognised in the financial statements in accordance with the provisions of IFRS 9 as adopted by the European Union.

Accordingly, financial assets are classified at amortised cost, at fair value through other comprehensive income or at fair value through profit and loss, depending on the contractual characteristics of the instruments and the business model at the time of initial recognition. Financial liabilities are classified at amortised cost or at fair value through profit and loss.

AFD Group continues to apply the provisions of IAS 39 on hedging while awaiting the future provisions on macro-hedges.

Financial assets

Classification and measurement of financial assets

Upon initial recognition, financial assets are measured at their fair value as defined in IFRS 13 and are classified in the Group's balance sheet in one of three categories (amortised cost, fair value through other comprehensive income or fair value through profit and loss), as defined in IFRS 9. Purchases/sales of financial assets are recognised at the completion date. The accounting classification defines the way in which the financial assets are subsequently measured.

This classification depends on the characteristics of their contractual flows and the way in which the entity manages its financial instruments (business model).

The contractual characteristics ("Solely Payments of Principal & Interests" or "SPPI" test)

Contractual cash flows which fall into the "Solely payments of principal & interests" category are likened to a basic loan agreement for which interest is paid essentially in consideration of the time value of the money and the credit risk.

The interest may also however contain consideration for other risks (liquidity risk, for example) and charges (admin charges, for instance) for holding the financial asset for a certain period. The interest may include a margin which is in keeping with a basic loan agreement.

However, when the contractual arrangements expose the contractual cash flows to risks or volatility which are not commensurate with a basic loan agreement, for example exposure to variations in the price of equities or goods, the contractual cash flows are not solely payments of principal and interests and the contract is therefore recognised at fair value through profit and loss.

The management model

The management model defines how the instruments used to generate cash flows are managed.

The management model is identified at portfolio level, and not instrument by instrument, primarily by analysing and observing:

- the performance reports submitted to the Group's management;
- the compensation policy for portfolio managers;
- completed and anticipated asset sales (size, frequency, etc.).

Based on the criteria observed, the three management models for the classification and measurement of financial assets are:

- the collection only model for contractual cash flows of financial assets;
- the model based on the collection of contractual cash flows and the sale of financial assets;
- and any other model, notably the transfer only model.

The recognition method for financial assets resulting from the analysis of the contractual clauses and the qualification of the management model is presented in the diagram below:

Financial Assets (IAS 32)	Cash flow characteristics	Management model	Asset classification
Debt securities	"SPPI (Solely Payment of Principal and Interest)"	Collection of contractual flows	Amortised cost
		Collection of contractual flows and sales	Fair value through other comprehensive income with subsequent recycling
		Other	Fair value through P&L
Non basic debt instruments and derivatives	Non-SPPI	All management models	Fair value through P&L
Equity securities	Non-SPPI	All management models	Fair value or irrevocable option Fair value through other non-recyclable comprehensive income

a) Debt securities at amortised cost

Debt instruments are classified at amortised cost if the following two criteria are met: the contractual cash flows only constitute payments of the principal and interest on the principal and the management model is qualified as collection only. This category of financial assets includes:

- Loans and receivables

Loans and receivables are initially booked at market value plus transaction costs. In general, this is the amount originally paid (including related loans). After initial recognition, loans and receivables are measured at amortised cost based on the effective interest rate.

In accordance with IFRS 9, loans and receivables are impaired upon initial recognition, on the basis of a collective provisioning. They may also be subject to individual impairment, if there is a default event occurring after the loan was put in place, which has an impact on the estimated future cash flows of the assets and thus, likely to generate a measurable loss. These impairments are determined by comparing discounted cash flows to carrying amount.

- Securities at amortised cost

This category includes debt securities whose contractual characteristics are SPPI and for which the management model is qualified as "collection".

They are recognised initially at market value plus transaction costs and then at amortised cost using the effective interest method, which includes the amortisation of premiums and discounts. Interest accrued on coupons that are not yet due are included at their balance sheet value under IFRS.

These financial assets are subject to impairment under the conditions described in the paragraph below "Impairment of financial assets at amortised cost and at fair value through other comprehensive income".

b) Debt instruments at fair value through other comprehensive income

Debt instruments are classified at fair value through other comprehensive income if the following two criteria are met: the contractual cash flows are solely comprised of payments on principal and interest on the principal and the management model is qualified as "collection and sale".

This category essentially corresponds to fixed income and fixed maturity securities that AFD may have to sell at any time, particularly securities held as part of its asset/liability management.

These financial assets are initially measured at their fair value plus transaction costs. They are subsequently measured at fair value and changes in fair value are recorded in other comprehensive income that may be recycled They are also subject to a calculation of expected credit risk losses on the same terms as those applicable to debt securities at amortised cost (Note 5 "*Financial instruments at amortised cost*").

Interest is recorded as income using the effective interest method.

Upon disposal, changes in value previously recognised in other comprehensive income will be transferred to the income statement.

c) Debt securities at fair value through profit and loss

This category includes debt instruments that do not comply with the SPPI criteria:

- equity investment in funds and direct instruments with put options and other debt instruments (*e.g.* UCITS, etc.).

The characteristics of the contractual flows are such that these do not pass the SPPI test, therefore they cannot be measured at amortised cost.

In line with its procedures, AFD classifies its financial assets using two primary criteria: assets listed on a market and unlisted assets.

Listed assets are divided into two subgroups, those listed on an “active” market, an attribute that is appraised according to objective criteria, or those listed on an inactive market. Assets listed on an “active” market are automatically classified as fair value level 1 according to IFRS 13. Assets listed on an “inactive” market are classified as fair value level 2 or 3, depending on the valuation method used. When there are direct or indirect observable data used for the valuation, the asset is classified as fair value level 2 according to IFRS 13.

When there are no such data or those data are not “observable” (isolated observation, without recurrence), the asset is classified as fair value level 3, just like the unlisted assets. All unlisted assets are classified as fair value level 3 and are evaluated primarily using two methods, the proportionate share of the re-evaluated net asset based on the latest financial statements transmitted by the concerned entities (< six months) and the historic cost for AFD’s real estate subsidiaries.

Valuations are reviewed every six months. In the event of any changes to the parameters that could be cause for changes to the fair value classification level, the Group Risks Department decides to propose the change in classification that is subject to approval by the Group Risk Committee .

- Loans

Some loan agreements have an early repayment clause, the contractual amount of which corresponds to a settlement equal to the cost of unwinding an associated hedge swap. The early repayment flows of these loans are considered to be non-SPPI if they do not purely reflect the effect of changes in the reference interest rates.

As a result, AFD Group has identified a loan portfolio which is measured at fair value through profit and loss. The loans are therefore subjected to a valuation exercise based on the methodology for discounting future flows, with a discount rate specific to each loan.

- Foreign exchange or interest rate derivatives used in economic hedging

These are derivatives that do not meet the definition of hedge accounting under IAS 39. These assets and liabilities are measured at fair value in the income statement. The change in fair value is recorded in the income statement under “net gains and losses on financial instruments at fair value”. The fair value of the foreign-exchange derivatives entered into by AFD frequently includes a hedge of the future margin on loans denominated in foreign currencies. The foreign-exchange income from related assets recognised in income or expenses on other activities partially offsets this impact. The amount initially recorded on the balance sheet for a derivative measured at fair value is equal to the consideration given or received, *e.g.* the premium on an option or commission received. Subsequent valuations are generally calculated based on discounted future cash flows using a zero-coupon curve.

Finally, the last items to be included under this heading are assets and liabilities designated at fair value through profit and loss and the impacts stemming from credit risk (Credit Valuation Adjustment/Debit Valuation Adjustment).

d) Equity instruments

In principle, equity instruments are recognised at fair value through profit and loss. However, there is the option to designate equity instruments at fair value through other comprehensive income not to be recycled on profit or loss. This choice is made on a case-by-case basis for each instrument and is irrevocable.

When the option to designate an equity instrument at fair value through other comprehensive income is chosen:

- only the dividends that do not represent the recovery of part of the cost of the investment are recognised in the income statement under “Net gains or losses on financial assets at fair value through other comprehensive income”;
- changes in the fair value of the instrument are only recognised in other comprehensive income and are not subsequently transferred to profit or loss. Consequently, if the investment is sold, no profits or losses are recognised in the income statement, and the gains and losses are reclassified in consolidated reserves.

The IFRS 9 general approach of impairment, does not apply to equity instruments.

e) Reclassification of financial assets

The reclassification of financial assets takes place only in exceptional cases brought about by a change in business model.

A change in financial asset management model results in changes in the way the activity is managed operationally, systems, etc. (acquisition of a business, discontinuation of a business, etc.) resulting from an accounting perspective in a reclassification of all financial assets in the portfolio when the new business model is effective.

Financial liabilities

The categories of financial liabilities have not been modified by IFRS 9, and are consequently classified in two accounting categories:

- financial liabilities at fair value through profit or loss by nature or by option are assessed at fair value, and changes in fair value are recognised in the income statement;
- financial liabilities at amortised cost are initially measured at fair value and subsequently at amortised cost according to the effective interest rate method – there is no change in the amortised cost method compared to IFRS 9.

Financial liabilities measured at fair value through profit or loss under the fair value option are measured at fair value through profit or loss for changes in fair value, with the effect of remeasuring own credit risk to be recognised directly in non-recyclable other comprehensive income.

It is still necessary to separate embedded derivatives from financial liabilities, where applicable.

Financial liabilities within AFD Group (excluding derivative instruments) are measured at amortised cost and correspond to:

- debt securities in issue which are first recognised at fair value less transaction costs and then measured at amortised cost using the effective interest rate method. Call premiums (difference between the redemption price and par value of securities) and positive or negative share premiums (difference between the issue price and par value of securities) are spread over the maturity of the borrowings using an actuarial method;
- subordinated debt: in 1998, an agreement was reached with the French State whereby part of AFD's debt to the French Treasury, corresponding to drawdowns between 1 January 1990 and 31 December 1997, was converted into subordinated debt. This agreement also provides for the general rescheduling of the debt's repayment period over 20 years with a ten-year grace period, with any new tranche of borrowings after 1 January 1998 recognised as subordinated debt (with a repayment period scheduled over 30 years and a ten-year grace period).

In accordance with riders No. 1 of 19 March 2015 and No. 2 of 24 May 2016, on the initiative of the French State and as per the third stage of additional financing of €280M, there was a drawdown of €160M on this last tranche of RCS (Resources with special conditions) in September 2017. The drawdown of the balance of €120M took place in September 2018, thereby reaching the €840M total for the 2015-2018 period.

In 2022, AFD received €605M in resources with special conditions:

- RCS were deployed to finance a loan of €400M for Ukraine and a loan of €15M for Moldova, as a result of the Russian-Ukrainian conflict;
- a capital increase of €190M was carried out by conversion of a RCS, in accordance with the order of 27 June 2022 published in the Official Journal.

Derecognition of financial assets and liabilities

AFD Group derecognises all or part of a financial asset when:

- the contractual rights to the cash flows linked to the asset expire; or
- AFD transfers the contractual rights to receive the cash flows from the financial asset, and transfers almost all the risks and benefits of the ownership of this asset; or
- AFD retains the contractual rights to receive the cash flows from the financial asset, but bears the contractual obligation to pay these cash flows to one or several entities.

When derecognising a financial asset in its entirety, the difference between the carrying amount of that asset and the amount of consideration received should be recognised in the income statement among the gains or losses on disposal corresponding to the financial asset transferred.

AFD Group derecognises a financial liability if and only if it has expired, *i.e.* when the obligation stipulated in the contract has legally expired, lapsed, been cancelled, or reached expiry.

When derecognising a financial liability in its entirety, the difference between the carrying amount of that liability and the consideration paid must be recognised in the income statement as an adjustment to the interest expense account corresponding to the derecognised financial liability.

Hedging derivatives

AFD Group has decided not to apply the third phase of IFRS 9 on "hedge accounting", since AFD applies fair value hedge accounting as defined in IAS 39. This involves a hedge of the exposure to changes in fair value of an asset or liability recognised on the balance sheet. Changes in the fair value stemming from the hedged risk are recorded in the income statement under "Net gains and losses on financial instruments at market value through profit or loss", alongside the change in the fair value of the hedging instruments.

Interest-rate swaps and cross-currency swaps (fixed and variable rates) are used by AFD to shield it from interest and foreign-exchange risk.

Hedge accounting is applicable if the effectiveness of the hedging relationship is proven and if the correlation between the effective changes in value of the item hedged and the hedging instrument is between 80% and 125%.

The revaluation of the hedged item is booked either in accordance with the classification of the hedged item, in the case of a hedging relationship covering an identified asset or liability, or under "Revaluation adjustments on portfolios hedged against interest rate risk" in the case of a portfolio hedging relationship.

If the hedge does not meet the effectiveness requirements of IAS 39, the hedging derivatives are transferred to "Financial assets at fair value through profit or loss" or to "Financial liabilities at fair value through profit or loss" and recorded in accordance with the principles applicable to this category.

As for non-zero value swaps involved in a fair value hedge, the accumulated total of changes in fair value of the hedged component that are not zero is spread out over the remaining term of hedged items.

Impairment of financial assets at amortised cost and at fair value through other comprehensive income

In accordance with IFRS 9, the impairment model for credit risk is based on the expected credit losses (ECL). Impairments are recognised on debt instruments measured at amortised cost or fair value through other comprehensive income to be recycled in profit or loss that can be recycled, as well as on loan commitments and financial guarantee contracts that are not recognised at fair value.

General principle

AFD Group classifies financial assets into three separate categories (also called "stages") according to the change, from the origin, of the credit risk associated with the asset. The method used to calculate the provision differs according to which of the three stages an asset belongs to.

These are defined as follows:

- stage 1: groups "performing" assets for which the counterparty risk has not increased since they were granted. The provision calculation is based on the expected loss within the following 12 months;
- stage 2: groups performing assets for which a significant increase in credit risk has been observed since they were first entered in the accounts. The method of calculating the provision is statistically based on expected loss at maturity;
- stage 3: groups assets for which there is an objective impairment indicator (identical to the notion of default currently used by the Group to assess the existence of objective evidence of impairment). The method of calculating the provision is based on expected loss at maturity, as determined by an expert.

Concept of default

The transfer to stage 3 (which meets the definition of "incurred loss" under IAS 39) is linked to the notion of default which is not explicitly defined by the standard. The standard associates the rebuttable presumption of 90 days past due with this concept. It states that the definition used must be consistent with the entity's credit risk management policy and must include qualitative indicators (*i.e.* breach of "covenant").

Thus, for AFD Group, "stage 3" under IFRS 9 is characterised by the combination of the following criteria:

- definition of a doubtful third party according to AFD Group;
- use of the default contagion principle.

Third parties with arrears of over 90 days, or 180 days for local authorities, or a proven credit risk (financial difficulties, financial restructuring, etc.) are downgraded to "doubtful" and the doubtful contagion character is applied to all financing for the third party concerned.

The definition of default is aligned with that of the Basel framework, based on a rebuttable presumption that the status of default is applied after no more than 90 days of non-payment. This definition takes into account the EBA guidelines of 28 September 2016, in particular with regard to applicable thresholds in the event of non-payment, and probationary periods.

Significant increase in credit risk

The significant increase in credit risk can be measured individually or collectively. The Group examines all the information at its disposal (internal and external, including historic data, information about the current economic climate, reliable forecasts about future events and economic conditions).

The impairment model is based on the expected loss, which must reflect the best information available at the closing date, adopting a forward looking approach.

The internal ratings calibrated by AFD are by nature forward-looking, taking into account:

- forward-looking elements on the counterparty's credit quality: anticipation of adverse medium-term changes in the counterparty's position;
- country risk and shareholder support.

To measure the significant increase in credit risk of a financial asset since its entry into the balance sheet, which involves it moving from stage 1 to stage 2 and then to stage 3, the Group has created a methodological framework which sets out the rules for measuring the deterioration of the credit risk category. The methodology selected is based on a combination of several criteria, including internal ratings, inclusion on a watchlist and the refutable presumption of significant deterioration because of monies outstanding for more than 30 days.

According to this standard, if the risk for a particular financial instrument is deemed to be low at the closing date (a financial instrument with a very good rating, for example), then it can be assumed that the credit risk has not increased significantly since its initial recognition. This arrangement has been applied for debt securities recognised at fair value through other comprehensive income that may be recycled and at amortised cost. For the purposes of stage 1 and 2 classification, counterparties with a very good rating are automatically classified as stage 1.

Measuring expected credit losses (ECL)

Expected credit losses are estimated as the discounted amount of credit losses weighted by the probability of default over the next 12 months or over the asset's lifetime, depending on the stage.

Based on the specificities of AFD Group's portfolio, work was carried out to define the methodological choices for calculating expected credit losses for all of the Group's assets eligible for recognition at amortised cost or at fair value through other comprehensive income, in line with stage 1 of IFRS 9. The Group's chosen calculation method was thus based on internal data and concepts, and also adaptations of external restated transition matrices.

Calculation of the expected credit losses (ECLs) is based on three key parameters: probability of default (PD), loss given default (LGD) and exposure at default (EAD), bearing in mind the amortisation profiles.

Probability of default (PD)

The probability of default on a loan can be estimated over a given time span. This probability is modelled:

- from risk segmentation criteria;
- over a 12-month time period (noted PD 12 months) for the calculation of the expected losses for assets in stage 1; and
- over the entire duration of loan repayments for stage 2 assets (known as the PD maturity curve, or lifetime PD).

The PD matrix for non-sovereign loans is supplemented in order to favour internal data when available (portfolio with a non-investment grade rating).

Loss given default (LGD)

Loss given default (LGD) is modelled for assets in all three stages. AFD Group has taken into account the collateral valuation in the LGD modelling.

In order to take into account AFD's business model and its recovery capacity, AFD Group relies on the observation of recovery on historical files that have been resolved (*i.e.* with extinction of the position after repayment and/or transfer to losses).

Exposure at default (EAD)

Exposure at default reflects the amount of debt outstanding at the time of default and thus takes future cash flows and forward looking factors into account. As such, the EAD takes into account:

- the contractual amortisation of the principal;
- elements of drawdowns of lines recognised off-balance sheet;
- any early repayments.

Financial asset restructuring

Restructuring for the borrower's financial difficulties results in a change to the terms of the initial contract to allow the borrower to contend with the financial difficulties it is having. If the restructuring does not result in derecognition of the assets and the changes in terms are such that the present value of these new expected future flows at the original effective interest rate of the asset is lower than its carrying amount, a discount must be recognised under "Cost of credit risk" to bring the carrying amount back to the new present value.

Gains or losses on financial instruments

Gains or losses on financial instruments at fair value through profit and loss

Income from financial instruments recognised at fair value through profit and loss is recognised under this heading, and mainly includes:

- dividends, other revenue and gains and losses realised;
- changes in fair value;
- the impact of hedge accounting.

Gains or losses on financial instruments at fair value through other comprehensive income

Income from financial instruments recognised at fair value through other comprehensive income is recognised under this heading, and includes:

- dividends and other revenue;
- gains and losses realised on financial assets at fair value through other comprehensive income to be recycled in profit or loss that may be recycled.

6.2.3.2.4 Commitments to buy out non-controlling interests

In 2014, and again in 2020 during the Proparco capital increase, the Group made commitments to buy back the equity investments of Proparco's minority shareholders.

The strike price is defined contractually depending on the restated net asset value on the exercise date.

In the annual financial statements at 31 December 2022, these commitments reflect a debt of €118M to the minority shareholders of Proparco, with a corresponding entry of a decrease in "non-controlling interests" of €132M and a decrease in "Consolidated reserves – Group Share" of €14M. The closure of the put window granted in 2014 is scheduled for June 2024 and the one related to the put granted in 2020 is scheduled for 2030.

6.2.3.2.5 Fixed assets

Fixed assets appearing on AFD's balance sheet include property, plant and equipment and intangible assets. Fixed assets are recorded at their acquisition cost plus directly similar expenses.

If a fixed asset consists of a number of items that may be regularly replaced and have different useful lives, each item is booked separately according to its own depreciation table. This item-by-item approach has been used for the head office. Depreciation periods have been estimated on the basis of each item's useful life.

Title		Depreciation period
1.	Land	Non-depreciable
2.	Structural systems	40 years
3.	Building envelope	20 years
4.	Technical building services, fixtures and fittings	15 years
5.	Sundry fittings	10 years

Other property, plant and equipment are depreciated using the straight-line method:

- office buildings in the French Overseas Departments and Collectivities are depreciated over 15 years;
- residential buildings are depreciated over 15 years;
- fixtures, fittings and furnishings are depreciated over 5 or 10 years;
- equipment and vehicles over 2 to 5 years.

With regard to intangible assets, software is amortised according to its type: 4 years to8 years for management software and two2 years for office automation tools.

Depreciation and amortisation are calculated using the straight-line method, according to the expected useful period of the asset; its residual value is deducted from the depreciable base. At each closing date, fixed assets are measured at their amortised cost (cost minus total amortisation and any loss of value). When applicable, the useful lives and residual values are adjusted.

Leases

Leases, as defined by IFRS 16 "Leases", are recorded in the balance sheet, leading to the recognition of:

- an asset which corresponds to the right of use for leased asset over the lease duration;
- a debt in respect of the payment obligation.

Measuring the right of use in leases

At the date on which a lease comes into effect, the right of use is measured at its cost and includes:

- the initial lease debt, to which is added, if applicable, advance payments made to the lessor, net of any benefits received from the lessor;
- if applicable, the initial direct costs incurred by the lessee to complete the contract. These are costs that would not have been incurred if the contract had not been signed;
- the estimated costs to rehabilitate and dismantle the rented asset according to the lease terms.

After the initial recognition of the lease, the right of use is measured according to the cost method, involving the recognition of linear depreciation and impairment in accordance with the provisions of IFRS 16 (the depreciation method reflecting the way in which the future economic benefits will be consumed).

Measuring the right of use of the assets

On the date a lease takes effect, the lease debt is recognised for an amount equal to the discounted value of the rent over the lease period. The amounts taken into account in respect of rent when measuring the debt are:

- the fixed lease payments less incentive benefits received from the lessor;
- the variable lease payments based on an index or rate;
- the payments to be made by the lessee in respect of a residual value guarantee;
- the price paid to exercise a purchase option that the lessee is reasonably certain to exercise;
- the penalties to be paid in the event of the exercise of a cancellation option or the non-renewal of the lease contract.

The leases signed by AFD Group do not include a guaranteed value clause for rented assets.

The change in the debt related to the lease involves:

- an increase up to the interest rate expenses set by applying the discount rate to the debt; and
- a decrease in the amount of the lease payments made.

The financial expenses for the period relating to the lease debt are recorded under "Interest and similar expenses on transactions with credit institutions".

In the income statement, the depreciation charge for the right of use of the asset and the finance expense relating to the interest on the lease liability partly replace the operating expense previously recognised for lease payments, but are presented under two different headings (depreciation charge under depreciation and amortisation, interest expense under other interest and similar expenses, and the lease payment under other administrative expenses).

The lease debt is estimated again in the following situations:

- review of the lease period;
- modification related to the assessment of the reasonably certain exercise of an option (or not);
- new estimate related to the guarantees of residual value;
- review of the rates or indexes on which the rent is based.

6.2.3.2.6 Provisions

Provisions are recorded if it is likely that an outflow of resources representative of economic benefits is necessary to meet an obligation due to past events and if the amount of the obligation can be reliably estimated.

Provisions for sovereign outstandings

The agreement "on the reserve account" signed on 8 June 2015 between AFD and the French State for an indefinite term, determines the mechanism for creating provisions for hedging the sovereign risk and the principles for using the provisions recognised thereby.

This reserve account is intended to (i) fund the provisions that AFD would have to recognise in case a sovereign borrower defaults, (ii) serve normal unpaid interest and (iii) more generally, help compensate AFD in the event of debt cancellation for sovereign loans.

The balance of this account cannot be less than the amount required to establish collective provisions on performing or restructured loans. This calibration is calculated using estimated losses expected across the sovereign loan portfolio (losses at one year, losses at termination, regulatory requirements on provisions or any other data available to AFD that can be used to anticipate the sovereign loan portfolio's risk profile).

Non-performing sovereign loans are provisioned. Furthermore, this depreciation is neutralised by deduction from the reserve account.

Net provisions for reversals of provisions are recorded in Net Banking Income.

Provisions on financing and guarantee commitments

Financing and guarantee commitments that are not recognised at fair value through profit and loss and that do not correspond to derivatives are subject to provisions according to the principles defined by IFRS 9.

Provisions for subsidiary risk

As part of the liquidation of Soderag, AFD, as liquidator, sold Soderag's loan portfolio to the three departmental credit companies of the Antilles-Guyane region of which it was the reference shareholder (Sodega in Guadeloupe, Sodema in Martinique and Sofideg in French Guiana). AFD granted cash lines to each of the three subsidiaries for the purchase of these portfolios and, at the same time, guaranteed its subsidiaries on the underlying loans, thereby sub-participating in risks and cash (protocols signed with each of the subsidiaries in October 1998).

The provisions relating to these transactions are provisions for liabilities insofar as they cover the risks related to the guarantees given.

Provision for employee benefits – Post-employment benefits

Defined benefit plans

Retirement and early retirement commitments

Immediate retirement and early retirement commitments are all transferred to an external insurance company.

Deferred retirement and early retirement commitments are kept by AFD and covered by specific insurance policies. They are valued in accordance with the provisions of contracts signed by AFD and the insurer.

The assumptions used for the valuations are as follows:

- discount rate: 3.4% in 2022 *versus* 0.0% in 2021;
- retirement age: 63 for non-executive level employees and 65 for executive level employees;
- annual salary growth rate: 2.0% unchanged compared to 2021.

Retirement bonuses and the financing of the health insurance plan

AFD pays retirement bonuses (IFC) to its employees. It also contributes to the cost of its retired employees' health insurance plans.

The assumptions used for the valuations are as follows:

- discount rate: 3.9% in 2022 *versus* 1.2% in 2021;
- rate of annual increase in salary: 2.0% and 2.2% for Overseas Collectivities unchanged from 2021;
- retirement age: 63 for non-executive level employees and 65 for executive level employees;
- actuarial tables: TGH 05 (men)/TGF 05 (women).

In accordance with IAS 19, these commitments (retirement bonuses and the financing of health insurance plans and pensions) undergo actuarial valuations that factor in demographic and financial assumptions. The amount of provisions for commitments is determined using the Projected Unit Credit Method.

At each closing, the retirement commitments carried by AFD are remeasured and compared with the value of the insurance policies.

In compliance with IAS 19 (Revised), actuarial gains and losses are recognised in other comprehensive income (OCI). At 31 December 2022, the impact was +€62.6M.

Thus, the provisions recognised at 31 December 2022:

- in the income statement, amount €14.9M and are recorded under salary and employee benefit expenses; they represent the total of the cost of services rendered and the financial cost for 2022 less benefits paid by the employer during the financial year;
- in other comprehensive income not to be recycled in profit or loss non-recyclable to the income statement, under items that cannot be recycled in the income statement, amount to a loss of €62.6M in respect of the valuation of commitments at 31 December 2022 and are recorded in comprehensive income.

6.2.3.2.7 Deferred taxes

To produce the consolidated financial statements, deferred tax was calculated on a per-company basis while adhering to the rule of symmetry and using the comprehensive liability method. This method was applied to temporary differences between the carrying amount of assets and liabilities and their tax base.

AFD Group recognises deferred taxes mainly over the costs and expenses on the unrealised gains and losses of the equity securities held by Proparco and Fisea, impairment recognised by Proparco on loans at amortised cost and on unrealised gains and losses on loans recognised at fair value through profit and loss by applying the current rates.

6.2.3.2.8 Segment information

In application of IFRS 8 "Operating Segments", AFD has identified and reported on only one operating segment for its lending and grant activity, based on the information provided internally to the Chief Executive Officer (CEO), who is AFD's chief operational decision-maker.

This lending and grant activity is the Group's main activity, falling within the scope of its public service role of financing development assistance.

With regard to AFD Group's activity, which is mainly carried out outside mainland France, the NBI in France is not significant.

6.2.3.2.9 Principles of the cash flow statement

The cash flow statement analyses changes in the cash position resulting from operating, investment and financing transactions from one financial year to the next.

Agence Française de Développement's cash flow statement is presented in accordance with ANC Recommendation No. 2017-02 respecting the format of summary statements for institutions in the banking sector drawn up in accordance with international accounting standards.

It is prepared using the indirect method, with net income for the financial year restated for non-monetary items: provisions for the depreciation of property, plant and equipment and the amortisation of intangible assets, net allocations to provisions and other items not involving cash disbursement, such as accrued liabilities and income.

Cash flows arising from operating, investment and financing transactions are calculated as the difference between items in the accounts for the preceding and current financial years.

Cash flow includes cash funds and on-demand deposits held at the Banque de France and with credit institutions.

6.2.4 Notes to the financial statements at 31 December 2022

6.2.4.1 Notes to the balance sheet

Note 1 Financial assets and liabilities at fair value through profit or loss

		31/12/2022			31/12/2021		
In thousands of euros	Notes	Assets	Liabilities	Notional/ Outstandings	Assets	Liabilities	Notional/ Outstandings
Interest rate derivatives		6,027	1,057	258,361	604	5,898	457,586
Foreign exchange derivatives		64,184	374,261	4,310,283	51,909	197,901	4,073,655
Derivatives at fair value through profit and loss		62,601	64,150	972,821	74,804	54,384	983,927
Loans and securities that do not meet SPPI criteria	1.2	3,469,898	-	3,369,292	2,428,459	-	2,462,188
CVA/DVA		38	14,671	-	28	1,810	-
TOTAL		**3,602,749**	**454,138**	**8,910,757**	**2,555,803**	**259,993**	**7,977,355**

Note 1.1 Foreign exchange and interest rate derivatives

Foreign exchange and interest rate derivatives are measured at fair value through profit and loss and are therefore treated as financial assets held for trading.

Under IFRS, a derivative is always presumed to be held for trading, unless there is documented evidence of the hedging intention and the derivative is eligible for hedge accounting. At AFD, this category covers the hedging instruments not eligible for hedge accounting or so-called "natural" exchange rate hedging.

Note 1.2 Loans and securities that do not meet SPPI criteria

In thousands of euros	Notes	31/12/2022	Notional/ Outstandings	31/12/2021	Notional/ Outstandings
Loans to credit institutions		**408,157**	**445,257**	**456,066**	**474,854**
Performing loans		407,914	421,913	455,621	454,685
Non-performing loans		242	23,344	455	20,169
Loans to customers		**521,665**	**587,882**	**586,407**	**612,770**
Performing loans		500,986	534,747	573,694	563,831
Non-performing loans		20,679	53,135	12,713	48,939
Title		**2,540,076**	**2,336,153**	**1,385,986**	**1,374,563**
Bonds and other fixed-income securities		26,965	32,339	19,058	24,259
UCITS		866,548	815,503	55,437	41,033
Equity investments and other long-term securities	1.3.1	1,646,563	1,488,311	1,311,491	1,309,271
of which equity investments held in investment funds		*1,421,267*	*1,340,606*	*1,159,296*	*1,190,817*
of which equity investments held directly with a put option		*225,295*	*147,705*	*152,195*	*118,454*
TOTAL		**3,469,898**	**3,369,292**	**2,428,459**	**2,462,188**

1.2.1 Loans that do not meet SPPI criteria

Loan agreements may have an early repayment clause, the contractual amount of which corresponds to a settlement equal to the cost of unwinding an associated hedge swap. Loan contracts may also include a compensation clause indexed to the borrower's performance. The flows of these loans are not considered as SPPI as they do not only reflect the effect of changes in the benchmark interest rate.

As a result, AFD Group has identified a loan portfolio which is measured at fair value through profit and loss. The loans are therefore subjected to a valuation exercise based on the methodology for discounting future flows, with a discount rate specific to each loan in accordance with the accounting rules applied by the Group.

1.2.2 Bonds and other long-term securities

Convertible bonds are debt instruments for which the contractual flows do not meet SPPI characteristics due to the nature of the flows exchanged, and are consequently assessed at fair value through profit and loss.

1.2.3 Equity investments

The AFD Group aims to encourage private investment in the developing countries, mainly *via* its subsidiaries Proparco and Fisea (Investment and Support Fund for Businesses in Africa). It acts primarily through investments in investment funds, as this activity enables it to increase the impact of its financing by supporting a large number of companies doing business in multiple sectors, thus promoting economic growth and the creation of job-creating businesses.

AFD Group also holds direct equity investments with put options for operational purposes.

The contractual flows of these financial assets are not SPPI and are therefore measured at fair value through profit and loss.

Investments in unconsolidated structured entities

Breakdown by portfolio activity

In thousands of euros

Equity investments held in the investment Funds	Number of equity investments	31/12/2022	Number of equity investments	31/12/2021
Homogeneous activity portfolios				
Agribusiness	9	32,888	9	39,100
Energy	5	38,096	5	33,844
Infrastructure	7	74,964	7	74,720
Mining	2	-	2	-
Multi-sector SME-SMI	11	77,729	12	73,598
Healthcare	7	82,531	7	89,578
Financial services	27	329,134	30	343,330
Multi-sector	88	785,925	74	505,126
NON-CONSOLIDATED STRUCTURED ENTITIES	**156**	**1,421,267**	**146**	**1,159,296**

Breakdown by area of operation

In thousands of euros

Equity investments held in the investment Funds	Number of equity investments	31/12/2022	Number of equity investments	31/12/2021
Intervention zone				
Southern Africa	4	2,795	4	2,918
East Africa	13	147,011	14	148,514
West Africa	5	32,494	5	32,628
North Africa	15	77,317	15	44,485
Asia	18	116,437	19	118,911
Multi-zone	101	1,045,212	89	811,840
NON-CONSOLIDATED STRUCTURED ENTITIES	**156**	**1,421,267**	**146**	**1,159,296**

Investments in unconsolidated structured entities – Risk exposure and dividends received

	31/12/2022			31/12/2021		
In thousands of euros	Financial assets at fair value through profit or loss	Maximum ex posure	Dividends received over the financial year	Financial assets at fair value through profit or loss	Maximum ex posure	Dividends received over the financial year
Homogeneous portfolios						
Agribusiness	32,888	32,888	-	39,100	39,100	-
Energy	38,096	38,096	-	33,844	33,844	-
Infrastructure	75,098	75,098	11	74,720	74,720	11
Mining	-	-	-	-	-	-
Multi-sector SME-SMI	77,729	77,729	-	73,598	73,598	-
Healthcare	82,531	82,531	-	89,578	89,578	-
Financial services	329,134	32,134	3,214	343,330	343,330	3,214
Multi-sector	785,791	785,791	377	505,126	505,126	377
UNCONSOLIDATED STRUCTURED ENTITIES – INVESTMENT FUNDS	**1,421,267**	**1,421,267**	**3,603**	**1,159,296**	**1,159,296**	**3,603**

Bearing in mind the type of interests, maximum exposure to loss is defined in this note as the fair value of investment funds presented on the balance sheet as of the closing date. This amount includes financing commitments that have not yet been disbursed.

Furthermore, the Group has not and does not offer financial support or other assistance to an unconsolidated structured entity outside of contractual obligations.

AFD Group does not act as a sponsor for structured entities. Sponsorship is assumed when AFD does not have or no longer has an ownership interest in an entity yet still provides this entity with both operational and strategic support.

Note 1.3 Equity instruments at fair value through profit and loss

Equity instruments measured at fair value through profit and loss correspond to investments held by AFD for which the classification at fair value through other comprehensive income which may not be recycled has not been selected.

The Group has opted for a classification at fair value through other comprehensive income which may not be recycled for its portfolio of direct equity investments without put options, which make up the majority of the Group's equity instruments.

Note 2 Financial hedging derivatives

Note 2.1 Fair value hedging instruments

	31/12/2022			31/12/2021		
	Carrying amount			Carrying amount		
In thousands of euros	Assets	Liabilities	Notional	Assets	Liabilities	Notional
Fair value hedging						
Interest rate derivatives	3,044,770	5,099,614	59,226,931	1,526,512	958,749	54,268,105
Interest rate and foreign exchange derivatives (cross-currency swaps)	427,071	529,849	14,449,295	476,531	568,496	11,534,129
TOTAL	**3,471,842**	**5,629,463**	**73,676,226**	**2,003,043**	**1,527,245**	**65,802,234**

Note 2.2 Analysis by residual maturity (notional)

The breakdown of the notional amount of hedging derivatives is presented by residual contractual maturity.

In thousands of euros	Less than three months	From three months to one year	From one to five years	Over five years	31/12/2022
Fair value hedging					
Interest rate derivatives	3,252,041	-	15,540,618	40,434,272	59,226,931
Interest rate and foreign exchange derivatives (cross-currency swaps)	2,008,843	-	7,458,728	4,981,724	14,449,295
TOTAL	**5,260,884**	**-**	**22,999,347**	**45,415,995**	**73,676,226**

In thousands of euros	Less than three months	From three months to one year	From one to five years	Over five years	31/12/2021
Fair value hedging					
Interest rate derivatives	3,391,541	-	13,281,769	37,594,794	54,268,105
Interest rate and foreign exchange derivatives (cross-currency swaps)	1,782,832	-	4,707,599	5,043,698	11,534,129
TOTAL	**5,174,373**	**-**	**17,989,369**	**42,638,492**	**65,802,234**

Note 2.3 Hedged items

	31/12/2022				
	Current hedges		Expired hedges		Remeasurement of fair value during the hedging period (incl. hedges that expired in the period)
In thousands of euros	Carrying amount	Accrued remeasurements of fair value hedges	Accrued remeasurements of fair value hedges remaining	Accrued remeasurements of fair value	
Interest rate derivatives	**17,193,277**	**-93,416**		**551**	**-3,196,211**
Loans and receivables due from credit institutions at amortised cost	1,393,774	-7,991		-271	-163,504
Loans and receivables due from customers at amortised cost	14,767,167	-85,425		-714	-2,976,626
Financial assets at fair value through other comprehensive income	1,032,336	-		1,537	-56,081
Interest rate derivatives (currency swaps)	**5,087,778**	**-93 416**		**5,769**	**-418,362**
Loans and receivables due from credit institutions at amortised cost	825,493	-7,991		449	-24,899
Loans and receivables due from customers at amortised cost	4,262,285	-85,425		5,320	-393,463
Total fair value hedging of assets	**22,281,054**	**-186,832**	**-**	**6,320**	**-3,614,573**
Interest rate derivatives	**-31,139,773**	**4,623,476**	**70,376**	**-34,880**	**5,709,263**
Debt securities in issue at amortised cost	-31,139,773	4,623,476	70,376	-34,880	5,709,263
Interest rate derivatives (currency swaps)	**-8,518,042**	**178,904**	**-**	**-**	**263,053**
Debt securities in issue at amortised cost	-8,518,042	178,904	-	-	263,053
TOTAL FAIR VALUE HEDGING OF LIABILITIES	**-39,657,815**	**4,802,380**	**70,376**	**-34,880**	**5,972,316**

Note 2.4 Income resulting from hedge accounting

	31/12/2022			31/12/2021		
	Net income (Income of hedge accounting)			Net income (Income of hedge accounting)		
In thousands of euros	Change in fair value of hedging instruments	Change in fair value of hedged items	Ineffective portion of hedge	Change in fair value of hedging instruments	Change in fair value of hedged items	Ineffective portion of hedge
Interest rate derivatives	-2,475,265	2,513,053	37,787	-560,562	558,548	-2,014
Interest rate and foreign exchange derivatives (cross-currency swaps)	117,638	-155,309	-37,671	73,552	-88,783	-15,231
TOTAL	**-2,357,627**	**2,357,744**	**117**	**-487,011**	**469,765**	**-17,245**

** Including termination of coverage.*

Note 3 Financial assets at fair value through other comprehensive income

In thousands of euros	31/12/2022 Carrying amount	31/12/2022 Change in fair value over the period	31/12/2021 Carrying amount	31/12/2021 Change in fair value over the period
Debt securities recognised at fair value through equity to be recycled in profit or loss	**882,169**	**1,506**	**837,134**	**-3,618**
Government paper and equivalent	669,130	1,137	655,662	-3,232
Bonds and other securities	213,039	369	181,472	-387
Equity securities recorded at fair value through equity not to be recycled in profit or loss	**702,164**	**31,950**	**549,062**	**-10,605**
Unconsolidated equity investments	702,164	31,950	549,062	-10,605
TOTAL	**1,584,332**	**33,455**	**1,386,196**	**-14,224**

Note 4 Financial assets and liabilities at fair value measured according to the level of fair value

In thousands of euros	31/12/2022 Level 1	31/12/2022 Level 2	31/12/2022 Level 3	31/12/2022 Total	31/12/2021 Level 1	31/12/2021 Level 2	31/12/2021 Level 3	31/12/2021 Total
Assets/Liabilities								
Equity instruments at fair value through profit and loss	-	-	1,646,563	1,646,563	-	-	1,311,508	1,311,508
Debt instruments that do not meet SPPI criteria	866,548	-	956,787	1,823,335	55,437	-	1,061,514	1,116,951
Financial assets recorded through equity	852,891	29,615	701,827	1,584,332	806,699	30,435	549,062	1,386,196
Hedging derivatives (Assets)	-	3,471,842	-	3,471,842	-	2,003,043	-	2,003,043
Financial liabilities at fair value through profit or loss	-	451,776	2,362	454,138	-	258,000	1,993	259,993
Hedging derivatives (Liabilities)	-	5,629,463	-	5,629,463	-	1,527,245	-	1,527,245
Derivatives	-	127,764	5,087	132,851	-	123,372	3,973	127,344

Sensitivity of the fair value of level 3 instruments

The category of instruments measured at level 3 fair value mainly comprises equity securities.

Valuations using market parameters are very limited within the Group. The sensitivity calculations do not apply because their valuations are not linked to market parameters.

Note 5 Financial assets measured at amortised cost

Financial assets measured at amortised cost

In thousands of euros	Notes	31/12/2022 demand	31/12/2022 At Term	31/12/2021 demand	31/12/2021 term
Debt securities	5.1	-	1,680,717	-	1,295,925
Loans and receivables due from credit institution*	5.2	1,429,551	10,061,488	2,342,186	9,028,155
Loans and receivables due from customers*	5.2	-	35,537,860	-	35,850,846
TOTAL		**1,429,551**	**47,280,064**	**2,342,186**	**46,174,926**

* *Reintegration of third-party transactions at 1 January 2022 was recorded in assets as an increase in "loans and receivables due from credit institutions" for €1,615M and "loans and receivables due from customers" for €1,308M (see §6.2.1.8 "Reintegration of operations carried out by AFD with its own resources").*

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Note 5.1 Debt securities at amortised cost

	31/12/2022		31/12/2021	
In thousands of euros	demand	term	demand	term
Government paper and equivalent	-	524,669	-	631,880
Bonds and other securities	-	1,165,999	-	664,044
TOTAL	**-**	**1,690,668**	**-**	**1,295,925**
Impairment	-	-9,951	-	-
TOTAL	**-**	**1,680,717**	**-**	**-**

Note 5.2 Loans and receivables from credit institutions and customers at amortised cost

	31/12/2022		31/12/2021	
In thousands of euros	demand	term	demand	term
Loans to credit institutions at amortised cost		**9,118,921**		**8,062,948**
Performing loans*		8,989,021		7,840,327
Non-performing loans		129,900		222,622
Impairment		-183,843		-134,618
Related receivables		**125,407**		**75,779**
Valuation adjustments of loans hedged by forward financial instruments		**-205,577**		**16,583**
Subtotal		**8,854,909**		**8,020,692**
Loans to customers at amortised cost		**38,954,058**		**35,810,731**
Performing loans*		35,856,896		34,192,652
Non-performing loans		3,097,163		1,618,078
Impairment		**-623,494**		**-672,780**
Related receivables		**76,839**		**63,355**
Valuation adjustments of loans hedged by forward financial instruments		**-2,869,544**		**649,539**
Subtotal		**35,537,860**		**35,850,846**
TOTAL LOANS	**-**	**44,392,769**	**-**	**43,871,538**
Other receivables				
Deposits (available cash) at credit institutions	1,429,551	1,203,600	2,342,186	1,006,314
Related receivables		2,979		1,150
TOTAL OTHER RECEIVABLES	**1,429,551**	**1,206,579**	**2,342,186**	**1,007,463**
TOTAL LOANS AND OTHER RECEIVABLES	**1,429,551**	**45,599,347**	**2,342,186**	**44,879,001**

(*) Reintegration of third-party operations at 1 January 2022 was recorded in assets as an increase in "loans and receivables due from credit institutions" for €1,615M and "loans and receivables due from customers" for €1,308M (see §6.2.1.8 Reintegration of operations carried out by AFD with its own resources)

5.2.1 Loans and receivables at amortized cost by remaining maturity on credit institutions and customers

In thousands of euros	Less than three months	From three months to one year	From one to five years	Over five years	31/12/2022
Loans and receivables at amortized cost					
on credit institutions	497,568	1,100,425	3,879,780	6,274,300	11,752,072
on customers	465,696	2,378,648	9,333,016	26,776,699	38,954,058
TOTAL	**963,264**	**3,479,073**	**13,212,795**	**33,050,999**	**50,706,131**

Note 6 Asset impairment

In thousands of euros	31/12/2021	Provisions	Reversals available	Other items	31/12/2022
Credit institutions	134,618	81,176	31,747	3,211	187,258
Credit to customers	672,780	191,373	249,623	4,938	619,469
of which stage 1	*47,070*	*8,722*	*-*	*-*	*55,792*
of which stage 2	*341,854*	*3,844*	*23,399*	*-*	*322,299*
of which stage 3	*418,421*	*202,937*	*200,871*	*8,149*	*428,636*
Bonds and other securities					9,951
of which stage 1	*-*	*6,307*	*1,729*	*-*	*4,577*
of which stage 2	*-*	*-*	*-*	*-*	*-*
of which stage 3	*-*	*5,374*	*-*	*-*	*5,374*
Other receivables	10,805	-	387	3,468	6,950
TOTAL	**818,202**	**284,230**	**283,486**	**4,715**	**823,628**

Note 7 Accruals and miscellaneous assets/liabilities

	31/12/2022		31/12/2021	
In thousands of euros	Assets	Liabilities	Assets	Liabilities
Guarantees against collateral	3,147,988	146,474	815,589	726,358
Allocated public funds	-	73,898	-	84,297
Other assets and liabilities	1,652,793	2,005,738	305,009	1,053,563
Accounts payable, French State	-	200,090	-	142,536
TOTAL ACCRUALS AND OTHER MISCELLANEOUS ASSETS/ LIABILITIES	**4,800,781**	**2,426,201**	**1,120,598**	**2,006,754**

Note 8 Property, plant and equipment and intangible assets

Note 8.1 Change in fixed assets

In thousands of euros	Property, plant and equipment: Land & develop ment	Property, plant and equipment: Buildings & deve lopment	Property, plant and equipment: Other	Intangible assets	31/12/2022	31/12/2021
Gross value						
At 1 January 2022 (*)	89,651	229,794	72,038	154,845	546,329	502,846
Purchases	77	318,060	6,323	52,497	376,959	54,828
Disposals/retirements	-	17	833	48	898	2,569
Other items	2	-595	-469	-7,894	-8,956	-17,397
At 31 December 2022	**89,731**	**547,243**	**77,060**	**199,400**	**913,434**	**537,708**
Depreciation/amortisation						
At 1 January 2022 (*)	3,588	156,013	53,764	88,809	302,174	271,319
Provisions	235	8,217	6,464	17,186	32,103	-27,540
Reversals	-	4	727	2	733	-2,174
Other items	-	-	-	-	-	6
At 31 December 2022	**3,823**	**164,226**	**59,501**	**105,993**	**333,545**	**296,691**
NET VALUE	**85,906**	**383,016**	**17,557**	**93,407**	**579,887**	**241,017**

(*) Following the integration of Expertise France into the AFD Group on 1 January 2022, the gross value of fixed assets and depreciation/amortization increased by €8.6 million and €5.5 million respectively.

Note 8.2 Right of use

In thousands of euros	Registered office	Offices	31/12/2022
Net value			
At 1 January 2022	89,189	12,738	101,927
New contract			-
Modification of contract	13,741	-3	13,738
Other items	-	-	-
At 31 December 2022	**102,930**	**12,735**	**115,665**
Depreciation/amortisation	52,896	6,455	59,351
NET VALUE	**50,034**	**6,280**	**56,313**

Note 9 Financial liabilities measured at amortised cost

Debts to credit institutions and customers and debt securities in issue at amortised cost

In thousands of euros	31/12/2022	31/12/2021
Debts to credit institutions at amortised cost		
demand debts	12,626	24,901
Debts at maturityterm	1,898	540
Related debts	-	-
TOTAL DEBTS TO CREDIT INSTITUTIONS	**14,524**	**25,441**
Debts to customers at amortised cost		
Accounts payable, customers	2,755	2,511
TOTAL DEBTS TO CUSTOMERS	**2,755**	**2,511**
Debt securities in issue at amortised cost		
Interbank market securities	1,988,682	500,230
Bonds*	47,264,424	42,279,087
Related debts	380,365	328,726
Valuation adjustments of debt securities in issue hedged by derivatives	-5,212,958	953,381
TOTAL DEBTS SECURITIES IN ISSUE	**44,420,512**	**44,061,424**

* *The reintegration of operations on behalf of third parties at 1 January 2022 was recorded as a liability, as an increase of the "bonds" item of €2,922M (cf. § 6.2.1.8 Reintegration of operations carried out by AFD with its own resources).*

Maturity of debt securities in issue at amortised cost

In thousands of euros	Less than three months	From three months to one year	From one to five years	More than five years	31/12/2022
Maturity of debt securities in issue					
Bonds	50,006	4,098,777	21,044,463	17,238,584	42,431,831
Interbank market securities	207,688	1,780,993	-	-	1,988,682
TOTAL	**257,695**	**5,879,771**	**21,044,463**	**17,238,584**	**44,420,512**

In thousands of euros	Less tha n three months	From three months to one year	From one to five years	More than five years	31/12/2021
Maturity of debt securities in issue					
Bonds*	1,802,078	2,801,997	19,282,014	19,675,105	43,561,194
Interbank market securities	305,083	195,146	-	-	500,230
TOTAL	**2,107,161**	**2,997,143**	**19,282,014**	**19,675,105**	**44,061,424**

* *Reintegration of third-party transactions at 1 January 2022 was recorded in liabilities as an increase in "bonds" for €2,922M (see §6.2.1.8 "Reintegration of operations carried out by AFD with its own resources").*

Debt securities in issue by currency

In thousands of euros	EUR	USD	GBP	JPY	CHF	AUD	CNH	DOP	31/12/2022
Debt securities in issue by currency									
Bonds*	32,750,428	8,383,573	611,803	103,496	306,764	215,433	55,347	4,985	42,431,831
Interbank market securities	1,988,682	-	-	-	-	-	-	-	1,988,682
TOTAL	**34,739,110**	**8,383,573**	**611,803**	**103,496**	**306,764**	**215,433**	**55,347**	**4,985**	**44,420,512**

In thousands of euros	EUR	USD	GBP	JPY	CHF	AUD	CNH	DOP	31/12/2021
Debt securities in issue by currency									
Bonds*	36,761,709	6,180,210	-	110,924	292,020	216,331	-	-	43,561,194
Interbank market securities	500,230	-	-	-	-	-	-	-	500,230
TOTAL	**37,261,938**	**6,180,210**	**-**	**110,924**	**292,020**	**216,331**	**-**	**-**	**44,061,424**

* *Reintegration of third-party transactions at 1 January 2022 was recorded in liabilities as an increase in "bonds" for €2,922M (see §6.2.1.8 "Reintegration of operations carried out by AFD with its own resources").*

Note 10 Provisions

Provisions *(in thousands of euros)*	31/12/2021	Provisions	Reversals available	Other items	31/12/2022
Included in the cost of risk					
French Overseas Department subsidiary risks	26,205	78	239	-	26,045
Other provisions for risk	184,094	31,187	29,055	-	186,226
of which stage 1	*19,753*	*6,520*	*-*	-	*26,272*
of which stage 2	*121,096*	*3,005*	*5,625*	-	*118,475*
of which stage 3	*43,245*	*21,663*	*23,429*	-	*41,479*
Excluded from the cost of risk					
Provision for expenses – Sovereign loans	985,420	114,960	45,179	50,275	1,105,475
Salary and employee benefit expenses	149,704	3,642	956	-49,417	102,973
Provision for risks and expenses	9,895	12,655	26	-2,291	20,233
TOTAL	**1,355,318**	**162,522**	**75,454**	**-1,434**	**1,440,951**

Note 11 Subordinated debt

In thousands of euros	31/12/2022	31/12/2021
Fixed-term subordinated debt	-	-
Open-ended subordinated debt	840,006	840,006
Other	616	
TOTAL	**840,622**	**840,006**

6.2.4.2 Notes to the income statement

Note 12 Income and expenses by accounting category

In thousands of euros	31/12/2022	31/12/2021
From financial assets measured at amortised cost	**989,010**	**829,183**
Cash and demand accounts with central banks	18,094	2,491
Loans and receivables	959,057	813,395
Transactions with credit institutions	190,775	89,346
Transactions with customers	768,283	724,049
Debt securities	11,858	13,296
From financial assets at fair value through equity	**24,882**	**17,337**
Debt securities	24,882	17,337
From financial assets at fair value through profit or loss	**42,932**	**39,713**
Loans and receivables	42,932	39,713
Transactions with credit institutions	19,967	14,162
Transactions with customers	22,965	25,551
Interest accrued and due on hedging instruments	**803,529**	**605,092**
of which transactions with credit institutions	*329,343*	*179,654*
of which other interest and related income	*474,186*	*425,438*
TOTAL INTEREST INCOME	**1,860,352**	**1,491,324**
From financial liabilities measured at amortised cost	**521,388**	**444,598**
Financial liabilities measured at amortised cost	521,388	444,598
Interest accrued and due on hedging instruments	**867,460**	**537,095**
Other interest and similar expenses	**259**	**224**
TOTAL INTEREST EXPENSES	**1,389,108**	**981,916**

Note 13 Net commissions

	31/12/2022			31/12/2021		
In thousands of euros	Income	Expenses	Net	Income	Expenses	Net
Monitoring and investment commissions	8,504	2,391	6,113	1,956	2,722	-767
Analysis commissions	33,838	-	33,838	21,182	-	21,182
Commissions on grants and subsidies	108,298	-	108,298	97,015	-	97,015
Miscellaneous commissions	7,146	2,563	4,583	8,974	3,605	5,369
TOTAL	**157,7864**	**4,954**	**152,832**	**129,127**	**6,327**	**122,799**

Note 14 Gains or losses on financial instruments at fair value through profit or loss

	31/12/2022		31/12/2021	
In thousands of euros	Gains and losses on financial instruments at fair value through profit and loss	o/w Foreign currency impact on derivatives	Gains and losses on financial instruments at fair value through profit and loss	o/w Foreign currency impact on derivatives
Financial assets and liabilities at fair value through profit or loss	142,234	10,987	85,302	27,352
Income from financial instruments at fair value through profit and loss	12,722	-	8,231	-
Unrealised or realised gains or losses on debt instruments that do not meet SPPI criteria	131,790	-	113,108	-
Hedging of loans at fair value through profit or loss	-2,278	10,987	-36,037	27,352
Income resulting from hedge accounting	117	-4,450	-17,245	-6,109
Change in fair value of hedging derivatives	-2,356,922	4,433	-487,011	5,893
Change in fair value of the hedged item	2,357,038	16	469,765	216
Natural hedging/Trading	-15,598	139,622	-33,667	50,265
CVA/DVA	-12,850	-	185	-
TOTAL	**113,902**	**146,159**	**34,205**	**71,509**

Note 15 Net gains or losses on financial assets recognized at fair value through other comprehensive income

In thousands of euros	31/12/2022	31/12/2021
Dividends received on equity instruments recognised at fair value through equity not to be recycled in profit or loss non-recyclable shareholders' equity	15,748	12,300
Gains or losses on equity instruments recognised at fair value through equity not to be recycled in profit or loss non-recyclable shareholders' equity	-	-
Gains or losses on debt securities recorded at fair value through equity to be recycled in profit or loss	-103	-3,033
NET GAINS OR LOSSES ON FINANCIAL ASSETS RECOGNISED IN OTHER COMPREHENSIVE INCOME	**15,645**	**9,268**

Note 16 Income from other activities

In thousands of euros	31/12/2022	31/12/2021
Subsidies	270,532	238,547
Other income*	392,924	47,787
TOTAL INCOME FROM OTHER ACTIVITIES	**663,456**	**286,335**
Other expenses *	339,053	13,754
TOTAL EXPENSES ON OTHER ACTIVITIES	**339,053**	**13,754**

* *Following the consolidation of Expertise France into AFD Group on 1 January 2022, other income increased by €345M. This rise was offset by the increase in other expenses relating to Expertise France for €305M.*

Subsidies on loans and borrowings are paid by the State to reduce the financing cost or to reduce lending costs for borrowers.

Note 17 Overheads

Salary and employee benefit expenses

In thousands of euros	31/12/2022	31/12/2021
Salary and employee benefit expenses		
Wages and bonuses	220,037	208,083
Social security expenses	105,646	84,807
Profit sharing	16,381	10,451
Taxes and similar payments on compensation	26,415	23,288
Provisions/reversal of provisions	16,444	10,799
Rebilling banks' staff	-1,150	-4,357
TOTAL	**383,773**	**333,071**

Other administrative expenses

In thousands of euros	31/12/2022	31/12/2021
Other administrative expenses		
Taxes	10,388	8,594
of which application of IFRIC 21	*-59*	*-98*
Outside services	153,582	133,211
Rebilled expenses	-2,904	-2,067
TOTAL	**161,066**	**139,739**

Note 18 Cost of credit risk

In thousands of euros	31/12/2022	31/12/2021
Impairments on performing (stage 1) or deteriorated (stage 2) assets	**2,357**	**-39,159**
Stage 1: losses assessed at the amount of expected credit losses for the coming 12 months	**-19,819**	**-53,508**
Debt securities recorded at amortised cost	-13,299	-37,863
Signature commitments	-6,520	-15,646
Stage 2: losses assessed at the amount of expected credit losses for the lifetime	**22,176**	**14,349**
Debt securities recorded at amortised cost	19,555	7,290
Signature commitments	2,621	7,059
Impairments of impaired assets (stage 3)	**11,495**	**63,769**
Stage 3: impaired assets	**12,254**	**62,150**
Debt securities recorded at amortised cost	31,704	10,374
Signature commitments	-19,450	51,776
Other provisions for risk	**-759**	**1,619**
Net reversals of impairments and provisions	**13,852**	**24,610**
Losses on loans and bad loans	-31,353	-129,978
Recovery of loans and receivables	-244	-756.60
COST OF RISK	**-17,745**	**-106,125**

Note 19 Equity method

In thousands of euros	31/12/2022		31/12/2021	
Impact	Balance sheet	Income	Balance sheet	Income
SIC	44,329	10,989	33,770	2,926
Socredo	117,740	4,420	113,959	3,614
TOTAL	**162,069**	**15,409**	**147,729**	**6,540**

Note 20 Corporate tax

In thousands of euros	31/12/2022	31/12/2021
Corporate tax	**-4,758**	**-10,586**
Taxes due	-5,542	-16,153
Deferred taxes	784	5,567

Underlying tax position

In thousands of euros	31/12/2022	31/12/2021 IFRS
Net income	**481,128**	**323,027**
Corporate income tax	-4,758	-10,586
Pre-tax income	**485,885**	**333,613**
Total theoretical income tax expense 34.43% (A)	**-140,558**	**-86,569**
Total matching items (B)	**135,801**	**75,983**
Net recorded tax expense (A) + (B)	**-4,758**	**-10,586**

Deferred taxes isare estimated on the basis of the following assumptions:

- deferred taxes based on Impairments have been estimated on the basis of the rate of 25.83%;
- deferred taxes based on the unrealised gains or losses on loans and convertible bonds was estimated on the basis of the rate of 28.41%. The same rate is used over costs and expenses on the unrealised gains and losses of the equity investments.

Note 21 Financing and guarantee commitments

Financing commitments given are the amounts to be disbursed under lending agreements with customers or credit institutions.

In thousands of euros	31/12/2022	31/12/2021
Commitments received		
Guarantee commitments received from the French State on loans*	5,156,320	4,058,130
Guarantee commitments received from credit institutions	382,264	412,479
as part of the Group's credit activity	*382,264*	*412,479*
Commitments given		
Financing commitments made to credit institutions	1,980,686	1,850,484
Financing commitments made to customers	16,569,556	15,213,849
Guarantee commitments made to credit institutions	242,631	141,783
Guarantee commitments made to customers	728,037	824,959

At 31 December 2022, the off-balance sheet items relating to sovereign outstandings amounted to €14,293M and off-balance sheet outstandings at State risk amounted to €313M.

* *The reintegration of operations on behalf of third parties at 1 January 2022 was recorded off-balance sheet under "Guarantee commitments received from the French State on loans" for €2,922M (see § 1.5 Reintegration of operations carried out by AFD with its own resources).*

Financing commitments given are the amounts to be disbursed under lending agreements with customers or credit institutions. The commitment amount is lower than the figure stated in AFD's parent company financial statements because the transactions on behalf of third parties (IMF, on behalf of the French government) are not included in the Group's consolidated financial statements.

6.2.4.3 Employee benefits and other compensation

The aggregate impacts of the post-employment benefits on the 2021 and 2022 financial years are set out in the table below:

In thousands of euros	At 31/12/2022	Impact on income	Impact on other com prehensive income	At 31/12/2021	Impact on income	Impact on other com prehensive income	At 31/12/2020
Provisions for employee benefits	98,983	14,881	-62,635	146,738	8,476	-23,675	161,937
Defined benefit plans	*97,761*	*15,089*	*-62,635*	*145,308*	*8,445*	*-23,675*	*160,538*
Other long-term benefits	*1,222*	*-208*		*1,430*	*31*		*1,399*

The sensitivity analysis, based on the actuarial assumptions used to value the defined benefit plans at the closing date, is as follows:

In millions of euros	Retirement	as a % of change
Present value of the commitment at 31/12/2022	8.1	
• Discount rate: 3.40%		
• Annual increase in salary: 2.00%		
• Retirement age: 63 (non-executive level employees)/65 (executive level employees)		
Sensitivity to the discount rate assumption		
Rate change to 0.25%	8.1	-0.3%
Rate change to -0.25%	8.2	0.3%
Sensitivity to the career profile assumption		
Rate change to 2.50%	8.2	0.9%
Rate change to 1.5%	8.0	-1.6%
Sensitivity to the retirement age assumption		
• Increase of1 year (for all guarantees)	8.4	3.4%
• Reduction of 1 year (for all guarantees)	7.8	-4.0%

In millions of euros	ETRG employees healthcare expenses	Retiree health insurance	as a % of change	Retirement lump sum	as a % of change	Service award	as a % of change
Present value of the commitment at 31/12/2022	9.5	83.3		15.2		1.2	
• Discount rate: 1.20% • Annual increase in salary: 2.00% AFD and 2.20% TOM • Retirement age: 63 (non-executive level employees)/65 (executive level employees)							
Sensitivity to the discount rate assumption							
Rate change to 1.70%	8.5	75.9	-8.9%	19.3	-6.0%	1.2	-3.5%
Rate change to 0.70%	10.7	91.9	10.3%	22.0	5.4%	1.3	3.7%
Sensitivity to the career profile assumption							
Rate change to 2.50% AFD and 2.70% TOM	10.7	83.3	0.0%	22.0	5.8%	1.2	0.0%
Rate change to 1.5% AFD and 1.70% TOM	8.5	83.3	0.0%	19.2	-6.4%	1.2	0.0%
Sensitivity to the retirement age assumption							
• Increase of one year: 64 (non-executive level employees)/66 (executive level employees)	9.0	80.4	-3.5%	20.0	-5.9%	1.2	0.0%
• Decrease of one year: 62 (non-executive level employees)/64 (executive level employees)	10.0	86.5	3.8%	21.2	5.2%	1.2	0.0%

Source: IFC-MDT social commitment report - FDS 2022 received 31/12/2022 pages 33 and 34.

Projected commitments at 31 December 2022 are as follows:

Actuarial debt at 31/12/2022	**9,496**	**8,126**	**83,326**	**15,249**	**116,197**	**1,222**	**117,419**
Cost of services rendered in 2023	288	32	3,881	1,318	5,519	148	5,667
Financial cost in 2023	382	277.38	3,401	614	4,674	49	4,723
Services payable in 2022/transfer of capital upon departures in 2023	-132	-2,632	-2,576	-1,099	-6,439	-157	-6,596
Restatements and transfers	-	-	-	-	-	-	-
ESTIMATED DEBT AT 31/12/2022	**10,033**	**5,803**	**88,032**	**16,083**	**119,952**	**1,262**	**121,213**

The changes in commitments over the 2022 financial year are shown in the table below:

In thousands of euros	Expatriate employees healthcare expenses	Retirement	Retiree health insurance	Retirement lump sum	Total defined benefit plans	Service award	Grand total
Change in the present value of the commitment							
Present value of the commitment at 01/01	17,116	15,312	120,103	20,548	173,078	1,430	174,508
Financial cost	213	-	1,535	257	-	18	-
Cost of services rendered over the financial year	640	71	7,807	1,999	-	196	-
Cost of past services	-	-	5,907	-	-	-	-
Reductions/Liquidations	-	-	-	-	-	-	-
Services paid	-110	-6,691	-2,087	-630	-	-34	-
Actuarial (gains) losses	-8,362	-505	-49,601	-6,811	-	-382	-
Change in scope between AFD and IEDOM	-	-60	-337	-115	-	-5	-
Present value of the commitment at 31/12/2022	**9,496**	**8,126**	**83,326**	**15,249**	**116,197**	**1,222**	**117,419**
Change in the fair value of retirement plan assets							
Fair value of assets at 01/01	-	27,771	-	-	27,771	-	27,771
Expected return on assets	-	-	-	-	-	-	-
Services paid	-	-6,691	-	-	-	-	-
Actuarial gains (losses)	-	-2,644	-	-	-	-	-
Liquidations	-	-	-	-	-	-	-
Change in scope between AFD and IEDOM	-	-	-	-	-	-	-
Fair value of assets at 31/12/2022	**-**	**18,437**	**-**	**-**	**18,437**	**-**	**18,437**
Actuarial gains (losses) not recognised at 01/01	-	-	-	-	-	-	-
Corridor limits at 01/01	-	-	-	-		-	
Actuarial gains (losses) generated over the financial year	8,362	-2,138	49,601	6,811	62,635	382	63,018
Actuarial (gains) losses recognised in profit or loss	-	-	-	-	-	-382	-382
Actuarial (gains) losses N-1 recognised in equity	-	-	-	-	-	-	-
Actuarial (gains) losses recognised in equity this period	-8,362	2,138	-49,601	-6,811	-62,635	-	-62,635
Actuarial gains (losses) not recognised at 31/12/2022	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Amounts recognised on the balance sheet at 31/12/2022							
Present value of the funded commitment	-	8 126	-	-		-	
Fair value of financed assets	-	-18,437	-	-	-10,310	-	-10,310
Present value of unfunded commitment	9,496	-	83,326	15,249	108,071	1,222	109,293
Net position	**9,496**	**-10,310**	**83,326**	**15,249**	**97,761**	**1,222**	**98,982**
Unrecognised actuarial gains (losses)	-	-	-	-	-	-	-
Balance sheet provision	**9,496**	**-10,310**	**83,326**	**15,249**	**97,761**	**1,222**	**197,965**
Amounts recognised on the income statement at 31/12/2022							
Cost of services rendered over the financial year	640	71	7,807	1,999	10,516	196	10,712
Cost of past services	-	-	5,907	-	5,907	-	5,907
Financial cost for the financial year	213	-	1,535	257	2,005	18	2,024
Recognised actuarial gains (losses)	-	-	-	-	-	-382	-382
Expected return on retirement plan assets	-	-	-	-	-	-	-
Cost of services rendered	-	-	-	-	-	-	-
Impact of reductions/liquidations	-	-	-	-	-	-	-
Expenses booked	**853**	**71**	**15,248**	**2,257**	**18,428**	**-168**	**18,260**
Reconciliation of opening and closing net liability							
Liability at 01/01	17,116	-12,459	120,103	20,548	145,307	1,430	146,737
Expenses booked	853	71	15,248	2,257	18,428	-168	18,260
Contributions paid	-	-	-	-	-	-	-

In thousands of euros	Expatriate employees healthcare expenses	Retirement	Retiree health insurance	Retirement lump sum	Total defined benefit plans	Service award	Grand total
Restatements and transfers	-	-60	-337	-115	-512	-5	-517
Services paid by employer	-110		-2,087	-630	-2,827	-34	-2,862
Items not to be recycled in profit or loss	-8,362	2,138	-49,601	-6,811	-62,635	-	-62,635
Net liabilities at 31/12/2022	**9,496**	**-10,310**	**83,326**	**15,249**	**97,761**	**1,222**	**98,982**
Change in net liabilities	**-7,620**	**2,149**	**-36,776**	**-5,299**	**-47,546**	**-208**	**-47,754**

6.2.5 Risk information

The role of Executive Risk Department (DXR) is to analyse, inform and advise executive officers (Executive management) on the risks to which the Group companies are exposed. It is involved in the implementation of risk policies and procedures and systems to measure, control, analyse and monitor these risks. It ensures that the Group's activities and the inherent risks, are in line with the risk management objectives, company policy and regulatory requirements.

This department comprises:

- the Operational Risk and Permanent Control Department (ROC);
- the Group Risk Management Department (DRG).

6.2.5.1 Credit risk

Risk measurement and monitoring

The AFD Group's credit risk monitoring system is the responsibility of Risk management (DXR) within the Executive Risk Department Group Risk Management Department (DRG).

Within the Group Risk Management Department, the Credit, Climate and Second Opinion Division is responsible for:

- validating the credit risk diligence carried out by the Executive Operations Department, rating non-sovereign counterparties, determining the reporting groups and assessing the financial structure of the operations during the project appraisal cycle by producing a structuring opinion;
- implementing the follow-up right beyond the bodies, when this right is requested by the Second Opinion unit, and reviewing the updated credit risk before agreements are signed and in the event of requests for waivers and riders, and in the event of significant adverse events;
- annually reviewing AFD's non-sovereign credit risks, monitoring borrowers under surveillance (watchlist) and measuring individual impairment (definition of the recoverability rate of doubtful loans);
- developing tools, methods and training materials to evaluate credit risks, mainly for use by the operating departments;
- the Second Opinion review. It provides an independent opinion on the projects presented to the decision-making bodies on the various dimensions of risk (credit, operational, reputation, etc.).

The role of the **Risk Monitoring Division** is to monitor financial risks (credit, counterparty, market, ALM, etc.) within the consolidation scope (fully consolidated subsidiaries[1] and equity investments[2]) and ensure monitoring and control. In particular, it is responsible for continuously monitoring the Group's risks in terms of position and outlook, by undertaking i) the secretariat and coordination of the AFD Risk Management Committee (CORIS), ii) the quarterly calculation of the Group's collective provisions on the contribution to the portfolio and the periodic update of the parameters taken into account in these calculations, and iii) the reporting of the Group's risks to the Executive management, the Audit Committee, the Group Risk Management Committee and the Board of Directors. The division participates in defining the risk response framework (limits, pricing, new products, credit and concentration indicators of the Risk Appetite Framework, etc.) and monitors compliance with it.

The **Economic Assessment and Public Policy Department (ECO)**, which reports to the Innovation, Research and Knowledge Executive Department, measures the country risks (growth, stability of the financial system, public finances, external balances and socio-political situation) and credit risks of sovereign counterparties in regions where the Group operates (analysis of the structure and level of public debt, budget implementation, payment history and structural solvency indicators, etc.).

Every six months, the **Country and Sovereign Risk Management Committee (Country CORIS)** examines changes in the international financial and economic climate and in macroeconomic risks in countries where AFD operates, in addition to credit risks reported by agents of the Economic Assessment and Public Policy Department. It validates the classification of country risk and sovereign risk.

Each quarter, the **Counterparty Risk Management Committee (Counterparty CORIS)** examines the risk of concentration (Large Exposures), exposure in terms of the system of operational thresholds, the quality of the portfolios, impairments/provisions and the associated cost of risk, borrowers on the watchlist, the implementation of the recovery procedures, and the monitoring of activities within the consolidation scope. Every six months, a review of equity investment monitoring is carried out.

The Risk Committees are chaired by the Executive Risk Director. Their permanent members include Executive management, the Executive Operations Director, the Executive Finance Director, the Risk Management Director at Proparco, the Director of Group Risk Management and the Head of the Second Opinion Unit.

1) Soderag, Proparco, Sogefom, Fisea.

The **Group Risk Management Committee** meets at least quarterly, after the Counterparty Risk Committee meetings or prior to a Board of Directors meeting. Its role is to conduct a regular review of the strategies, policies, procedures, systems, tools, risk positions (notably credit risk) and thresholds, to notify the Board of Directors of its conclusions and to advise the latter on the Group's global risk strategy.

System of operational limits

The system of operational limits applies to products (loans, quasi-equity loans, guarantees given, ARIZ guarantees, other securities, equity investments) not guaranteed by the French State, excluding products subsidised by the French State (*e.g.* micro-finance facility or ARIZ Prime). It consolidates exposures net of individual AFD, Proparco and Fisea provisions.

AFD's limits system has three levels of monitoring: regulatory, internal, and a warning system whose purpose is to alert before a limit is crossed through an information system based on escalation.

This system is reviewed annually during the review of the Agency's risk appetite framework and the operational limit system.

It is broken down into two main limit categories:

- limits and alert thresholds regarding sovereign activity, by region (see table 1);
- limits regarding non-sovereign activity, by region (see table 2), sector and counterparty.

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Table 1: summary of AFD's limits and alert indicators for large exposures (sovereign + related)

Unless otherwise indicated, the percentages apply to Large Exposure capital (FPGR).

		Limit system		
		Regulatory requirements	Alert system	Alert system
Type of exposure/ outstandings considered		Authorised exposure	Authorised exposure	Authorised and **unauthorised exposure and new grants**
Monitoring of sovereign activity by geography	**"Large exposure" limit**	Ceiling: 25% Reporting as "large exposure" when exposure exceeds 10%	24% of exposure	24% > an alert is given to the Board of Directors 21% > an alert is given to the Executive Committee
	Sovereign warning system			If the exposure on equity or if the three indicators of exposure on GDP/ debt/exports exceed the associated thresholds > a discussion is undertaken with the DGT prior to any new grant

** With the first public NS group attached to the central government.*

Table 2: Summary of AFD's limits and alert indicators for non-sovereign activity

		Limit system		
		Internal requirements	Internal requirements	Alert system
Type of exposure/ outstandings considered		Authorised exposure	Authorised exposure	Authorised and **unauthorised exposure and new grants**
Monitoring of non-sovereign activity	**Regional limits****		30% of gross exposure 15% for the banking sector	
	Limit by counterparty (and counterparty group)	Ceiling: 25% Reporting as "large exposure" when exposure exceeds 10%	8% for an individual counterparty*** 12% for a counterparty group	Specific information when exceeded**** > revenue

*** Without the first public NS group attached to the central government.*

**** No loans granted to counterparties with a rating of <CCC.*

***** Unfavourable changes in foreign exchange rates or a deterioration in the quality of a counterparty in the portfolio. Only the supervisory body (Board of Directors) is authorised to approve limits to be exceeded, subject to permanent compliance with the prudential constraint.*

Within Executive Risk Management (DXR), the Risk Monitoring Division (DSR) Division is responsible for monitoring credit risk and limits for AFD Group. The "Group Risk Monitoring and Reporting (SRG)" unit, attached to DSR, prepares the database that makes it possible to calculate the Large Exposures declared on a quarterly basis and to monitor the limits set by the Board of Directors. The SRG unit prepares the pre-grant document which is inserted for each loan in the notes to AFD's decision-making bodies (the latter are systematically approved by DSR), thus ensuring continuous monitoring of the level of major risks and credit limits.

Every quarter, a review of the operational limits is presented to the "Counterparty Risk Management Committee (CORIS)", of which the Executive management is a permanent member, and to the Group Risk Committee for the monitoring of Large Exposures.

1) Large exposure limit

The "Large Exposures" regulatory limit defines the aggregate maximum authorised exposure to third parties or groups of connected third parties as 25% of eligible capital. As consolidated equity amounted to €9,271M at 31 December 2022, the regulatory limit for Large Exposures was €2,318M. The internal limit is set at 24% by default (€2,225M).

Concerning large exposures declared to the regulator, since 28 June 2021, the regulation has set a threshold for reporting exposures at €300M to a counterparty or group of related counterparties.

Two preventive alert thresholds also exist to inform the Executive Committee and the Group Risk Committee of a risk of a threshold being exceeded (Large Exposures and non-sovereign limits). In the 2022 financial year, six countries were the subject of an information memorandum from Executive Risk management (DXR) regarding the risk of breach of the preventive alert and/or tolerance threshold for the Large Exposure limit. These were India, Egypt, Mexico, Indonesia, Colombia, and Morocco.

2) Non-sovereign limits

Geographic limits

Non-sovereign geographic limits are monitored for all foreign countries in the portfolio, in two ways: through balance-to-pay and excluding balance-to-pay. The ceiling by region is set at 30% of Large Exposure equity (*i.e.* €2,781M).

Unknown third party limit

Pursuant to Article 390 (8) of the CRR of Delegated Regulation 1187/2014 of 2 October 2014, where the transparency approach is not possible, certain exposures (in particular related to collective investment schemes) are assigned to the "unknown client" category which constitutes a counterparty subject to an internal limit set at 24% of Large Exposure equity (*i.e.* €2,225M).

Sector limit

A limit on credit institutions is set by region at 50% of the non-sovereign geographic limit (*i.e.* 15% of the Large Exposure equity, in other words €1,391M). This limit is calculated quarterly on the closing date according to the exposure base used to value the non-sovereign geographic limit.

Limits per group of connected counterparties and per counterparty

Monitoring the risks of sovereign counterparties

The non-sovereign limit per group of connected counterparties is risk-weighted (according to the type of instrument and the counterparty's listing) with a ceiling of 12% of Large Exposure equity (*i.e.* €1,113M). The risk-weighted ratio applicable to a counterparty is also set at 8% of Large Exposure equity (€742M). The breakdown of limits (for loans) by rating is shown in the tables below. The weightings by type of instrument are also specified and adjust the limits accordingly.

Monitoring of risks on sovereign counterparties.

The French State is responsible for the payment of arrears and write-offs of receivables relating to sovereign activities *via* a reserve account endowed with a total of €1,106bn at the end of 2022.

The local offices take the following reminder and penalty measures within the maximum periods from the due date of the loan (or of notification of the government's call of the guarantee for guaranteed loans). AFD may ask the Secretariat of Paris Club to send a reminder letter.

The official bilateral creditors who are members of the Paris Club submit their arrears on their sovereign debt for review at the monthly review meetings known as the Tour d'horizon. AFD takes part in these meetings under the guise of the French Ministry of Finance. Where applicable, the Paris Club can grant debtor countries restructuring arrangements or write off their debt. The restructuring arrangements may affect AFD debts. The financial impact of these arrangements on AFD is absorbed by the French Treasury.

Monitoring the risks of non-sovereign counterparties

Within the Operations Department, the Portfolio Management and Specialised Support Department provides financial monitoring through (i) the Portfolio Management and Quality Division, which monitors non-sovereign loans from the first payment (monitoring the financial commitments of counterparties, or "covenants", monitoring recovery and management of waivers, amendments and restructuring) and (ii) the Counterparty Regulatory Knowledge Division, which is responsible for the quarterly updating of permanent credit files.

The Risk Assessment Sheets, which contain the categories for the different rating methods, are updated each year by the local offices with, potentially, the support of the Regional Portfolio Monitoring managers (or the operational departments at Headquarters for multi-country risks). The annual updates of the Risk Assessment Sheets are carried out on an ongoing basis according to the date of availability of the financial statements of the counterparties and to different deadlines prepared according to a risk-based approach. The Risk Assessment Sheets may also be updated independently of the annual review cycles in the event of a new appraisal, the signing of a new loan agreement [1] and in case of a major event which affects the quality of the borrower.

The exercise consists of the following stages:

- collection and control of qualitative and financial data (accounting documentation, latest available parent company accounts, qualitative assessment of the borrower and/or the beneficiary and the exposure situation);
- visit and interview with the counterparty;
- update of qualitative information (local context, governance, internal organisation, etc.);
- preparation of the evaluation grid and spreadsheets for analysis and calculation of financial and prudential ratios;
- proposing intrinsic rating, which is then automatically cross-referenced with the country risk;
- reasoned assessment of possible shareholder support;
- determination of the credit rating based on the cross-referencing of the intrinsic rating with the country risk, the level of shareholder support and a possible expert opinion.

1) The period of validity of a rating is set at 18 months from the closing date of the certified financial statements used to establish this rating.

Investment officers of the Portfolio Management and Quality Division (for third parties monitored after the first payment) as well as Country Managers conducting a first-level control. Credit analysts in the Credit Risk Assessment, Climate and Second Opinion Division perform second-level checks and validate credit ratings.

Third parties with overdue payments of more than 90 days (180 days for local authorities in French Overseas Departments and Collectivities) or with a proven credit risk are downgraded to "doubtful" (credit rating D+ or lower). Individual impairments on the corresponding loans are estimated taking into account the associated guarantees.

Watchlist monitoring

Borrowers with a high credit risk, because of their probability of default (especially all doubtful third parties) are included on a watchlist and monitored particularly closely. The watchlist, which summarises key information relating to these third parties (outstandings, undisbursed balance, unpaid bills, credit rating, news, provisions).

The watchlist is updated quarterly by the investment officers responsible for managing the files (GEO/GEP or GEO/OCN or JUR/JIN) This represents the first-level control. The credit analysts of the Credit Risk, Climate and Second Opinion Division carry out a second-level control and validate proposals for changes to the watchlist (entry, exit, maintenance) as well as the proposed level of provisioning (stage 3). The watchlist is then sent to the Counterparty Risk Management Committee, which reviews the topicality of the files, validates the entries or exits as proposed by the Credit Risk Division, Climate and Second Opinion Division and, in the event of disagreement between the operational and risk teams, serves as the arbitrator. The Counterparty Risk Committee may also place certain cases under legal oversight, authorise exemptions from collection procedures and validate write-offs. There are three levels of watchlist:

- borrowers under simple monitoring (level 1 watchlist);
- restructuring and non-performing loans (level 2 watchlist);
- pre-litigation cases, from the date of acceleration of payment, and cases in litigation from the start of a legal proceeding (level 3 watchlist).

The inclusion of a third party on a watchlist is proposed to the Risk Committee based on the following criteria:

- level-1 watchlist inclusion criteria:
  - qualitative criterion with expert appraisal: significant adverse event impacting the borrower's credit quality,
  - quantitative criteria based on risk exposure thresholds, on the duration of arrears, as well as on a significant deterioration in the rating observed over a period of 24 months as well as on the deterioration in the rating leading to a final CCC rating (or on the granting of a loan for a counterparty rated CCC that received a negative opinion from the SOP),
  - restructuring criteria: counterparties that have been restructured with regular resumption of repayments of principal must be added to the level-1 watchlist for a 24-month probationary period;
- level-2 watchlist inclusion criteria:
  - counterparties classified as doubtful for accounting purposes (unless if already in level 3),
  - counterparties with restructured loans (unless if already in level 3);
- level-3 watchlist inclusion criteria:
  - notification of acceleration of payment,
  - anticipation/initiation of a legal proceeding,
  - anticipation/initiation of insolvency proceedings (amicable or collective);
- removal from the watchlist is proposed to the Risk Committee based on the following criteria:
  - resolution of the criteria that resulted in inclusion on the watchlist and any new criteria observed during monitoring:
    - if arrears criterion: payment of arrears and non-occurrence of new arrears for two consecutive due dates;
    - if rating criterion: removal from doubtful or stable or improvement in the credit rating over the last 24 months for performing counterparties (with an additional condition of improving the credit rating to at least B- over this 24-month period for counterparties formerly pre-doubtful, *i.e.* rated CCC);
    - if restructuring criterion: end of the 24-month probationary period;
  - renewed compliance with contractual obligations,
  - management of the impacts of the significant unfavourable events that led to monitoring or continued monitoring.

Compliance with the removal criteria alone does not automatically result in removal, which is subject to an expert appraisal.

Classification of outstandings according to the different stages of deterioration

In accordance with IFRS, AFD has developed a collective provisioning mechanism for performing loans. The level of impairment is determined for each contract, based on changes in credit risk since approval. At the reporting date, each contract is assigned to a risk category depending on whether or not it has recorded a significant deterioration in credit risk since its initial recognition.

Each instrument is classified according to the following risk stages:

- stage 1: this category includes the performing (non-impaired) loans of third parties, namely:
  - outstandings (balance sheet and off-balance sheet) measured at amortised cost of third parties which do not meet any of the criteria for significant impairment (stage 2) or default (stage 3) set out below, and
  - debt securities recognised at fair value through other comprehensive income to be recycled in profit or loss that may be recycled or at amortised cost which do not meet any of the significant impairment criteria of stages 2 or 3. Under IFRS, the low credit risk (LCR) exemption applies to some of these securities and those with a rating above BBB- will therefore be classified in stage 1;
- stage 2: this category includes the impaired performing loans of third parties, namely:
  - outstandings (balance sheet and off-balance sheet) measured at amortised cost which have suffered a significant deterioration in their credit risk since inception,
  - exposures related to ARIZ guarantees, and
  - debt securities recognised at fair value through other comprehensive income to be recycled in profit or lossthat may be recycled or at amortised cost which have suffered a significant deterioration in their credit risk since inception. Those to which the LCR exemption applies and those with a rating below BB+ will also be classified in stage 2.

This significant deterioration in risk is demonstrated by at least one of the following criteria being met:

- significant downgrading of the counterparty's internal rating between inception of the contract and the current state;
- placement of the counterparty under supervision;
- 30 days past due.

Estimates of impairments and provisions

The model used to estimate credit losses varies depending on the stage to which the outstanding amount relates and the type of outstanding amount involved. Impairment and provisions are calculated for non-sovereign loans issued by AFD, debt securities, financial guarantees and undisbursed balance that have been authorised (by identifying a conversion factor and estimating early repayment).

For stage 1 loans, provisions are based on the calculation of the expected loss at one year, which takes into account the probability of default (which varies in particular according to the credit rating), the loss in the event of default, and exposure at default (varying according to the residual maturity and the conversion factor for off-balance sheet exposures).

For loans in stage 2, individual impairments or provisions are determined using the same calculation methodology, but based on a calculation at maturity (instead of after one year).

Provisions and impairments are calculated quarterly by the Risk Monitoring Division. They are subject to a control plan and an analysis of changes. At 31 December 2022, the Group's collective provisions amounted to €557.8M.

The sectoral provision of €69.1M, set up during the health crisis to address the fragility of the tourism and air transport sectors, was fully reversed at 31 December 2022, due to the review of all the credit ratings of the counterparties covered by the system.

Conversely, a short-term provision of €45.3M was put in place to cover the risk of a short-term deterioration in the credit ratings of counterparties in our most vulnerable countries of operation. Three criteria were used to define the list of countries deemed sensitive to the current deterioration in the economic situation:

- sovereign rating less than or equal to RC4A (equivalent to B+);
- two negative outlooks among the three major rating agencies;
- risk on debt sustainability deemed "high" by the IMF.

Individual provisioning principle

Stage 3: this category includes non-performing loans, *i.e.* outstandings (balance sheet and off-balance sheet) of third parties with:

- significant arrears exceeding 90 days (180 days for local authorities); a significant unpaid rent is determined by the following two cumulative criteria:
  - the sum of unpaid loans on all credit obligations exceeds €500,
  - the sum of arrears on all credit obligations is greater than 1% of all credit obligations of the third party (excluding the balance to be paid and equity investments);
- proven credit risk;
- a restructured forborne credit which is more than 30 days past due and/or a second forbearance during the probation period.

The doubtful nature is applied to all exposures to the third party concerned, according to the contagion principle.

Individual provisioning decisions are taken within the quarterly monitoring of borrows placed under surveillance. made as part of the quarterly monitoring of borrowers on watch. The watchlist summarises the main elements affecting the borrower's credit quality and records the individual provisioning methods used. These individual provisioning proposals are presented in CORIS counterparties and are reviewed each quarter. At 31 December 2022, the Group's individual provisions amounted to €672M.

Maximum credit risk exposure

In total, the Group's consolidated gross outstandings amounted to €49.9bn at 31 December 2022 (compared with €45.6bn at 31 December 2021, including loans guaranteed by the French State), of which €43.0bn in foreign countries, and €6.9bn in French Overseas Departments and Collectivities. The parent company bears most of the Group's credit risk (€45.9bn, *i.e.* 92% of outstanding loans).

The AFD Group's non-performing loans amounted to €3.3bn at 31 December 2022, of which €2.0bn in non-performing sovereign loans and €1.3bn in non-sovereign non-performing loans.

Non-sovereign non-performing loans are covered by impairments and provisions totalling €0.6bn, equivalent to a coverage ratio of 47.5%.

Age of arrears

The arrears on AFD loans and receivables at the closing date break down as follows:

Group figures at 12/31/2022 *(in thousands of euros)*	Outstandings + ICNE	Consolidated provi sions	Unpaid bills
Stage 1	37,406	69	28
Stage 2	9,076	322	44
Stage 3	3,305	624	212
Other	117	-	2
TOTAL	**49,905**	**1,015**	**286**

Concentration of credit risk

Financial loans at amorised cost

Non-sovereign

	2022				2021			
	Performing assets		Doubtful assets	Total	Performing assets		Doubtful assets	Total
In thousands of euros	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
Rating								
from AAA to BBB- (Investment)*	7,646,638	471,565	-	8,118,202	6,848,299	391,091	-	7,239,390
from BB+ to CCC (Speculative)*	5,802,717	5,052,949	-	10,855,666	5,297,717	5,142,758	-	10,440,475
Not applicable**	588,374	-	-	588,374	310,054	-	-	310,054
Doubtful*	-	-	1,098,183	1,098,183	-	-	1,060,155	1,060,155
TOTAL	**14,037,728**	**5,524,513**	**1,098,183**	**20,660,425**	**12,456,070**	**5,533,849**	**1,060,155**	**19,050,073**

** Reintegration of third-party operations at 1 January 2022 relating to non-sovereign loans for €1,808M.*
*** Unused assets relate to budgets granted pending allocation to a final beneficiary.*

Sovereign

	2022				2021			
	Performing assets		Doubtful assets	Total	Performing assets		Doubtful assets	Total
In thousands of euros	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
Rating								
from AAA to BBB- (RC1 to RC2)*	8,765,597	-	-	8,765,597	8,433,001	-	-	8,433,001
from BB+ to CCC (RC3, RC4, RC5)*	13,640,389	3,107,584	623,204,902.28	17,371,178	12,948,078	2,806,810	-	15,754,888
Not applicable**	-	-	-	-	-	-	-	-
Doubtful (RC6)*	-	-	1,388,572	1,388,572	-	-	740,512	740,512
TOTAL	**22,405,985**	**3,107,584**	**2,011,777**	**27,525,347**	**21,381,080**	**2,806,810**	**740,512**	**24,928,401**

** Reintegration of third-party operations at 1 January 2022 relating to sovereign loans for €1,121M.*
*** Unused assets relate to budgets granted pending allocation to a final beneficiary.*

Securities at fair value through other comprehensive income that may be recycled or at amortised cost

	2022				2021			
	Performing assets		Doubtful assets	Total	Performing assets		Doubtful assets	Total
In thousands of euros	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
Rating								
from AAA to BBB- (Investment)	2,215,977	-	-	2,215,977	1,798,062	-	-	1,798,062
from BB+ to CCC (Speculative)	457,300	-	-	457,300	238,019	32,981	-	271,000
Not applicable**	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
TOTAL	**2,673,276**	**-**	**-**	**2,673,276**	**2,036,081**	**32,981**	**-**	**2,069,062**

*** Unused assets relate to budgets granted pending allocation to a final beneficiary.*

Financing commitments

Non-sovereign

	2022				2021			
	Performing assets		Doubtful assets	Total	Performing assets		Doubtful assets	Total
In thousands of euros	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
Rating								
from AAA to BBB- (Investment)	1,087,646	98,214	-	1,185,860	1,213,010	-	-	1,213,010
from BB+ to CCC (Speculative)	2,243,904	449,719	-	2,693,622	1,959,063	463,041	-	2,422,104
Not applicable*	169,186	-	-	169,186	466,434	-	-	466,434
Doubtful	-	-	38,341	38,341	-	-	58,575	58,575
TOTAL	**3,500,735**	**547,933**	**38,341**	**4,087,009**	**3,638,506**	**463,041**	**58,575**	**4,160,123**

** Unused assets relate to budgets granted pending allocation to a final beneficiary.*

Sovereign

	At 31 December 2022				At 31 December 2021			
	Performing assets		Doubtful assets	Total	Performing assets		Doubtful assets	Total
In thousands of euros	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
Rating								
from AAA to BBB- (RC1, RC2)	2,521,464	-	-	2,521,464	2,120,968	-	-	2,120,968
from BB+ to CCC (RC3, RC4, RC5)	8,872,164	1,985,535	116,000	10,973,699	8,493,829	1,950,725	-	10,444,554
Not applicable*	-	-	-	-	-	-	-	-
Doubtful (RC6)	-	-	923,942	923,942	-	-	648,251	648,251
TOTAL	**11,393,628**	**1,985,535**	**1,039,942**	**14,419,105**	**10,614,796**	**1 950 725**	**648,251**	**13,213,772**

** Unused assets relate to budgets granted pending allocation to a final beneficiary.*

6

Guarantee commitments

	At 31 December 2022				At 31 December 2021			
	Performing assets		Doubtful assets	Total	Performing assets		Doubtful assets	Total
In thousands of euros	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
Rating								
from AAA to BBB- (Investment)	17,217	336	-	17,554	20,367	267	-	20,634
from BB+ to CCC (Speculative)	336,096	605,161	-	941,257	248,556	603,653	-	852,209
Not applicable	-	-	-	-	-	-	-	-
Doubtful	-	-	61,441	61,441	-	309,371.8	69,702	70,011
TOTAL	**353,313**	**605,497**	**61 441**	**1,020,251**	**268,923**	**604,229**	**69,702**	**942,854**

Exposure to credit risk: change in the carrying amounts and value adjustments for losses over the period

Value adjustments for losses correspond to impairment on assets and provisions on off-balance sheet commitments recognised in net income ("Cost of risk") in respect of the credit risk.

	Stage 1	Stage 2	Stage 3	Total
Provisions at 31/12/2021 Activity + Parameters + Exceptional provisions	**66,822**	**462,950**	**418,507**	**948,279**
New signatures	18,410	36,895	56,273	111,578
Extinct exposures	-2,077	-8,127	-8,297	-18,501
Change in exposure or rating	-2,048	-50,388	-9,419	-61,854
Stage change	-18,341	50,061	687	32,407
Other (including IFRS restatements, foreign exchange effect)	157	17,563	-29,116	-11,396
Total change in operating provisions	**-3,899**	**46,005**	**10,128**	**52,234**
TOTAL CHANGE IN IFRS 9 PARAMETER UPDATES	**7,746**	**-31,817**	**-**	**-24,070**
TOTAL CHANGE IN EXCEPTIONAL PROVISIONS	**15,972**	**-36,363**	**-**	**-20,392**
PROVISIONS AT 31/12/2022 ACTIVITY + PARAMETERS + EXCEPTIONAL PROVISIONS	**86,641**	**440,774**	**428,635**	**956,051**

6.2.5.2 Liquidity risk

The notion of liquidity refers to the company's ability to finance new assets and meet obligations as they mature. Liquidity must enable the Group to meet its commitments, including under adverse circumstances (crisis, financial market tensions, etc.). AFD Group, including its Proparco subsidiary, does not receive deposits or repayable funds from the public. Its financing model is mainly based on medium- and long-term market borrowings; liquidity is given high priority in light of the Group's performance target, which entails controlling the financing cost and minimising the cost of carry. This model reflects the Agency's aversion to refinancing risk and liquidity risk, which are monitored as part of balance sheet management for both AFD and Proparco.

The Group's risk appetite framework primarily uses two indicators to monitor liquidity risk:

- the standard liquidity indicator, which enables the Group to measure the time horizon over which it will be able to meet its commitments without raising new resources. The target value of this indicator is between 9 and 12 months;
- the liquidity coefficient: this is a regulatory indicator (order of 5 May 2009) reported on a quarterly basis. It is the ratio of liquidities (available resources) against payables (commitments to be met) at one month. It determines AFD's ability to mobilise the necessary resources to meet its immediate commitments. This indicator must be greater than 100%.

AFD has a Euro Medium Term Note (EMTN) programme for not more than €60,000M enabling it to complete financing transactions with fewer financial disclosure requirements. Short-term liquidity risk prevention relies on a programme of short term Negotiable European Commercial Papers ("NEU CPs") amounting to €4,000M. There is also a €2,000M programme of Negotiable European Medium-Term Notes ("NEU MTNs").

AFD also has a portfolio of high quality bonds, which constitutes a liquidity reserve that can be mobilised through market repurchase agreements. The notional amount outstanding of these portfolios amounted to €1,403M at 29 December 2022.

The liquidity risk measuring and monitoring system includes both regulatory ratios and internal indicators. The various liquidity risk measuring and monitoring indicators reveal very moderate exposure to liquidity risk.

Residual contractual maturities	Less than 3 months	From 3 months to 1 year	From 1 year to 5 years	More than 5 years	Carrying amount
Liabilities					
Financial liabilities at fair value through profit or loss	989	15,046	132,476	305,627	454,138
Derivatives used for hedging purposes (liabilities)	22,211	46,095	1,034,680	4,526,477	5,629,463
Financial liabilities measured at amortised cost	1,113,697	5,879,771	21,044,463	17,240,482	45,278,412

6.2.5.3 Foreign-exchange risk

The foreign-exchange risk is the risk of losses on financial instruments and margins due to adverse changes in exchange rates.

AFD's general policy is to systematically hedge foreign currency loans through cross-currency swaps, which exchange future foreign currency cash flows for future euro cash flows. Financing transactions carried out in currencies other than the euro are also hedged using cross-currency swaps.

As AFD does not hold speculative positions, market risk is limited to foreign-exchange risk, which is below the threshold for applying CRBF Regulation No. 95-02 on capital adequacy vis-à-vis the market.

Foreign exchange risk can be measured by analysing sensitivity: if foreign currencies appreciate against the euro by 10%, this has an estimated impact on income of -€15.5M (+ €15.5M for a 10% decrease), the sensitivity to exchange rates mainly originating from the dollar.

For information, AFD Group applies an internal limit approved by the Board of Directors on 15 December 2022: individual currency exposure may not exceed 1.5% of regulatory capital, while aggregated exposure must remain below 3% of regulatory capital. This internal policy keeps foreign-exchange risk to a minimum (excluding ownership interests, provisions and arrears).

Fair value hedging modifies the risk induced by the changes in fair value of a fixed-rate instrument caused by changes in interest rates. This hedging transforms fixed-rate assets and liabilities into variable-rate items.

Fair value hedging notably includes the hedging of loans, securities, deposits and debts.

In practice, the resources raised by AFD (fixed-rate bond issues) are not immediately "allocated" to the refinancing of loan transactions as part of the Resources with Ordinary Conditions regime. The resources raised initially increase the volume of AFD's cash invested at variable rates. In order to eliminate interest rate risk, at the same time as the bond issue is raised, AFD sets up an issue swap that makes the debt service variable over the total period of the loan.

It is only when the loans are effectively disbursed on an adjustable basis that the loans are allocated, for AFD's balance sheet management requirements and for an amount corresponding to the outstanding capital for the loan issued in resources with ordinary conditions.

AFD breaks down the outstanding loans in resources with ordinary conditions by quarterly maturity band and based on their contractual term.

In order to set the subsidy paid by the French State, AFD "resets" the resource when disbursing the loans through a "fixed rate/adjustable rate" swap. The notional value of the swap is, therefore, a function of the outstanding principal not past due in resources with ordinary conditions. As it is allocated to a set of loans (resources with ordinary conditions) and not singly, this transaction is qualified as "macro-hedging".

6.2.5.4 Compliance with regulatory ratios

The Group was in compliance with all of the regulatory ratios at 31 December 2022.

6.2.6 Additional information

6.2.6.1 Investments held in managed funds

AFD has interests in six companies *via* a number of managed funds (Cidom, Fides, Fidom and Micro Finances Facility) or *via* funds contributed by the French State. These holdings, recorded at cost, do not appear on the balance sheet. These holdings, which were subscribed to on behalf of the French State with public funds made available to AFD, are not included in ownership or control percentages and are therefore not consolidated in the financial statements.

Fund source	Number of equity investments	Purchase price
Caisse d'investissement des DOM (CIDOM)	1	463
FIDES (Investment Fund for Economic and Social Development)	4	630
FIDOM (French Overseas Departments Investment Fund)	1	91
Other State resources	-	-
TOTAL	**6**	**1,184**

6.2.6.2 IMF balance sheet

In thousands of euros	31/12/2022	31/12/2021
Assets		
Loans and receivables due from credit institutions	389,102	391,867
Demand	*363,826*	*319,513*
Term	*25,276*	*72,354*
Accruals	26,844	21,888
TOTAL ASSETS	**415,946**	**413,755**
Liabilities		
Debt securities in issue	412,676	412,676
Bonds	*400,000*	*400,000*
Of which accrued interest	*12,676*	*12 676*
Accruals and other miscellaneous liabilities	3,269	1,079
TOTAL LIABILITIES	**415,946**	**413,755**

Loans granted to the International Monetary Fund (IMF) for the Poverty Reduction and Growth Facility (PRGF), financed by bonds issued by AFD and supplemented by hedging instruments concluded with different banking counterparties, are provided on behalf and at the risk of the French government. With the exception of management fees totalling €0.4M, the IMF loans have no impact on AFD Group's financial position.

Commitments given to the IMF are restated from the consolidated financial statements.

6.2.6.3 Related-party transactions

	31/12/2022		31/12/2021	
In thousands of euros	AFD Group	Equity-accounted companies	AFD Group	Equity-accounted companies
Credits	349,187	-	359,729	-
Other financial assets	-	-	-	-
Other assets	-	-	-	-
TOTAL ASSETS WITH RELATED ENTITIES	**349,187**	**-**	**359,729**	**-**
Debts	-	349,187	-	359,729
Other financial liabilities	-	-	-	-
Other liabilities	-	-	-	-
TOTAL LIABILITIES TO RELATED ENTITIES	**-**	**349,187**	**-**	**359,729**
Related interest, income and expenses	8,755	-8,755	10,754	-10,754
Commissions	-	-	-	-
Net income on financial transactions	-	-	-	-
Net income from other activities	-	-	-	-
TOTAL NBI GENERATED WITH RELATED ENTITIES	**8,755**	**-8,755**	**10,754**	**-10,754**

6.2.6.4 Disclosure on non- cooperating States and territories

Gross annual compensation allocated to corporate officers is €545,962.

- Rémy Rioux, Chief Executive Officer and corporate officer: €192,180
- Bertrand Walckenaer, Chief Operating Officer (COO): €180,278
- Marie-Hélène Loison, Deputy Chief Executive Officer: €173,504

6.2.6.5 Disclosure on non-cooperating States and territories

Article L.511-45 of the French Monetary and Financial Code (as amended by Article 3 of Order 2014-158 of 20 February 2014) requires credit institutions to publish an appendix to their annual financial statements presenting information about their offices in countries or territories that have not signed an administrative assistance agreement with France for the purpose of combating fraud and tax evasion.

Law No. 2013-672 of 26 July 2013 on the separation and regulation of banking activities broadens the list of required disclosures from banks regarding their offices in non-cooperative countries or territories.

The Orders of 6 January 2020 and then 4 March 2021 amended the list of non-cooperative States or territories.

At 31 December 2022, AFD Group did not have any offices in non-cooperative countries or territories.

6.2.6.5 Statutory Auditors' fees

In compliance with Decree No. 2008-1487 of 30 December 2008, the table below shows the fees paid in 2022 to AFD Group's Statutory Auditors. The fees are based on those stated in their engagement letters. These fees are invoiced for statutory auditing services:

Fees excluding tax – Financial year 2022	KPMG	BDO	Total
AFD	€212,000	€209,000	€421,000
Proparco	€80,000	€80,000	€160,000
Expertise France	-	€70,700	€70,700
Sogefom	€29,000	-	€29,000
Fisea	€15,000	-	€15,000
BREDEV	-	-	-
Soderag	€15,750	-	€15,750
TOTAL	**€351,750**	**€359,700**	**€711,450**

The other fees invoiced to AFD for services other than certification of the financial statements for the 2022 financial year amounted to €38,700.

SACC fees excl. tax – 2022 financial year	KPMG	BDO	Total
CSR mission	€15,700	-	€15,700
Climate Bonds comfort letter	€11,000	-	€11,000
EMTN programme update	€7,750	€2,750	€10,500
Certificate of treasury accounts for EF	-	€1,500	€1,500
TOTAL	**€34,450**	**€4,250**	**€38,700**

6.2.6.6. Significant events since 31 December 2022

No significant event having an impact on the Company's financial position occurred after the closing on 31 December 2022.

6.3 Statutory auditors' report on the consolidated financial statements

For the year ended December 31, 2022

This is a translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.

This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the board of directors of Agence Française de Développement,

Opinion

In compliance with the engagement entrusted to us by board of directors, we have audited the accompanying consolidated financial statements of Agence Française de Développement for the year ended December 31, 2022.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group at 31 December 2022 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "Statutory Auditors' Responsibilities for the Audit of the consolidated Financial Statements" section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules provided for in the French Commercial Code (Code de commerce) and the French Code of Ethics (Code de déontologie) for Statutory Auditors, for the period from January 1, 2022 to the date of our report, and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014.

Emphasis of Matter

Without qualifying the conclusion expressed above, we draw your attention to the error correction described in note 2.8 to the consolidated financial statements regarding the reclassification of loans granted at the request of third parties, backed by the French Development Agency's own resources, as operations on its own behalf. These operations had initially been qualified as operations on behalf of third parties. This error correction resulted in an increase in loans of €2.9 billion, of which €1.6 billion in " Loans and receivables due from credit institutions " and €1.3 billion in " Loans and receivables due from customers " (Balance sheet and note 5.2 "Loans and advances to banks and customers at amortized cost"), with an increase in " Debt securities in issue at amortized cost - Bonds" for the same total amount (Balance sheet and note 9 - " Debts to credit institutions and customers and debt securities in issue at amortized cost").

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were the most significant in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, approved in the aforementioned context, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Provisioning of credit risk

Risk identified et key judgments	Our audit response
The Agence Française de Développement "AFD" is exposed to credit and counterparty risks. These risks are defined as the probability that a debtor will be unable to handle the repayment of the financing granted. A default by a counterparty can have a material impact on the results of AFD. The determination of impairments and provisions on performing and substandard exposures is based on an expected credit loss model taking into account, in addition to the outstanding amount, commitments and undrawn facilities through the application of conversion factors. This method is based on a classification of exposures into distinct categories (also called "stage") according to the evolution, since the origination, of the credit risk of the asset: • Stage 1: groups together sound exposures that have not suffered any significant increase in credit risk since their inception. The method of calculating depreciation is based on expected losses over a 12-month horizon; • Stage 2: groups together the sound exposures for which a significant increase in credit risk has been observed since initial recognition. The method of calculating depreciation is statistically based on expected losses over a maturity horizon. The determination of impairments and provisions on performing and substandard exposures is based on an expected credit loss model taking into account, in addition to the outstanding amount, commitments and undrawn facilities through the application of conversion factors. This method is based on a calculation of expected credit losses according to a model integrating various inputs (probability of default, loss given default, exposure to default, rating...). AFD also records impairments on doubtful exposures. These are calculated on an individual basis and correspond to the difference between the book value of the asset and the discounted value of future cash flows recoverable on maturity after considering the effects of the bringing into play of guarantees. They are determined individually on the basis of assumptions such as the counterparty's financial position, the corresponding country risk, the valuation of any guarantees, and expected future cash flows. We considered that the assessment of credit risk and the assessment of provisions constitute a key point of the audit since they involve judgment by Management in the classification of exposures and in the assumptions that were used, in particular, in a context of persistent uncertainty marked by the conflict in Ukraine, tensions over raw materials and energy, as well as the return of inflation and a hike in interest rates. As at December 31, 2022, AFD's consolidated financial statements include €807 million of impairment recorded in assets and €1,292 million of provisions recorded in liabilities. *For more details on the accounting principles and exposures, refer to notes 4.2.3, 5.2, 10 and 18 of note 4 to the consolidated financial statements "basis of preparation of the AFD Group's consolidated financial statements".*	To assess the reasonableness of the impairments/provisions booked, we: • examined the governance of the provisioning processes; • tested the operating efficiency of the provisioning processes of the related internal controls; • verified the consistency of data between the risk management systems and the accounting data; • assessed the consistency of changes in exposures and provisions. When the provision was calculated on a collective basis, we: • assessed the methodological principals and the reasonableness of key underlying risk parameters (PD, LGE, EAD); • checked the completeness of the exposures subject to provision calculations and the appropriate application of methodological principals; • tested data quality on a sample basis; • verified of the arithmetical accuracy of the calculations performed. When the provision was determined on an individual basis, we: • tested the appropriateness downgrading rules for doubtful exposures and verified their application; • tested the underlying assumptions and data used by Management to estimate impairments on a sample basis; • ensured the appropriate application of decision taken by the Risk Committee.

Valuation of financial instruments classified in Fair Value level 3

Risk identified et key judgments	Our audit response
The Agence Française de Développement holds assets at fair value as detailed in paragraphs 4.2.3, 1, 3 and 4 of note 4 to the consolidated financial statements "basis of preparation of the AFD Group's consolidated financial statements". Changes in fair value from one period to the following are recognized either through profit or loss or through equity depending on the IFRS 9 accounting classification. Due to the limited availability of market data, the valuation of level 3 financial instruments involves judgment by management for the selection of the valuation method and parameters to be used. We considered the valuation of financial assets at fair value of level 3 to be a key audit matter, given: • the significant impact of the choice of the valuation method on AFD's results; • the sensitive nature of the parameters used for Management's assumptions; • the material impact in the financial statements. As at December 31, 2022, the fair value of financial assets at fair value of level 3 is €3 313 million as indicated in Note 4 to the consolidated financial statements.	In this context, our work consisted of: 1. For the portfolio of equity securities (direct and non direct investments): • updating our understanding and then testing the effectiveness of the control procedures relating to the determination of the valuation method used; • checking the reconciliation between general ledger and sub-ledgers; • testing, on a sample basis, the correct application of the valuation method to the financial assets; • reconciling, on a sample basis, the valuation of these securities with the documentation that justified it. 2. For the portfolio of loans not eligible for recognition at amortized cost under IFRS 9: • checking the reconciliation between general ledger and sub-ledgers; • assessing the methods used to determine the valuations (consistency between assumptions and market parameters used) by involving our financial modeling experts; • checking the completeness of the scope used as a basis for calculation of the fair values; • checking the consistency of the parameters applied in the calculation method and of the updates in line with the methods validated; • checking the arithmetical accuracy of the calculations made on a sample of loans. In addition, we verified the appropriateness of the accounting methods used by the Group and we ensured that they were correctly applied.

Specific verifications

As required by legal and regulatory provisions and in accordance with professional standards applicable in France, we have also verified the information pertaining to the Group presented in the Board of Directors' management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We attest that the consolidated non-financial statement required by Article L.225-102-1 of the French Commercial Code (Code de commerce), is included in the Group's information given in the management report, it being specified that, in accordance with the provisions of Article L. 823-10 of this Code, we have verified neither the fair presentation nor the consistency with the consolidated financial statements of the information contained therein and this information must be reported by an independent third party.

Other verifications and information pursuant to legal and regulatory requirements

Presentation of the financial statements to be included in the annual financial report

We have also verified, in accordance with the professional standard applicable in France relating to the procedures performed by the statutory auditor relating to the annual and consolidated financial statements presented in the European single electronic format, that the presentation of the financial statements intended to be included19 in the annual financial report mentioned in Article L.451-1-2, I of the French Monetary and Financial Code (code monétaire et financier), prepared under the responsibility of Chief Executive Officer, complies with the single electronic format defined in the European Delegated Regulation No 2019/815 of 17 December 2018.

Based on the work we have performed, we conclude that the presentation of the financial statements intended to be included in the annual financial report complies, in all material respects, with the European single electronic format.

We have no responsibility to verify that the financial statements that will ultimately be included by your company in the annual financial report filed with the AMF are in agreement with those on which we have performed our work.

Appointment of the Statutory Auditors

We were appointed Statutory Auditors of Agence Française de Développement by the board of directors meeting held on July 3, 2002 for KPMG S.A. and on April 2, 2020 for BDO Paris.

As at December 31, 2022, KPMG SA was in the 21st year of total uninterrupted engagement, and BDO Paris was in the 3rd year of total uninterrupted engagement.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Chief Executive Officer.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with professional standards 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 consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (Code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for the audit 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.
- Obtains 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 internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.
- Assesses 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. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Collects information related to persons and entities included in the scope of consolidation that it deems sufficient and appropriate to express an opinion on the consolidated financial statements. The auditor is responsible for the management, supervision and execution of the audit of the consolidated financial statements as well as the opinion expressed on these accounts.

Report to the Audit Committee

We submit a report to the Audit Committee which includes a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.82210 to L.822-14 of the French Commercial Code (Code de commerce) and in the French Code of Ethics (Code de déontologie) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris La Défense and Paris, April 19, 2023

The statutory auditors
French original signed by

KPMG S.A.	BDO Paris
Valéry Foussé	Benjamin Izarié
Partner	*Partner*

6.4 Statutory Auditors' special report on related-party agreements

Statutory Auditors' special report on related-party agreements

Board of Directors for the approval of the financial statements for the year ended 31 December 2022

This is a translation into English of the statutory auditors' report on the related-party agreements issued in French and it is provided solely for the convenience of English speaking users.

This statutory auditors' report includes information required by European regulation and French law.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the members of the Board of Directors of Agence Française de Développement,

In our capacity as Statutory Auditors of Agence Française de Développement, we hereby present our report on your regulated agreements.

It is our responsibility to report to members of the Board of Directors, based on the information provided to us, on the main terms and conditions of the agreements that have been disclosed to us or that we may have identified as part of our engagement, as well as the reasons given as to why they are beneficial for the Company, without commenting on their relevance or substance or identifying any undisclosed agreements. It is the responsibility of the members of the Board of Directors, under the provisions of article R.225-31 of the French Commercial Code (Code de commerce), to evaluate the benefits arising from these agreements prior to their approval.

Where applicable, it is also our responsibility to provide you with the information required by article R.225-31 of the French Commercial Code relating to the execution, during the year elapsed, of agreements already approved by the Board of Directors.

We performed the procedures we considered necessary in accordance with the professional guidance issued by the national institute of auditors (Compagnie Nationale des Commissaires aux Comptes) relating to this engagement. These procedures consisted in verifying that the information provided to us is consistent with the basic documentation from which it was taken.

AGREEMENTS TO BE SUBMITTED FOR THE APPROVAL OF THE BOARD OF DIRECTORS

Agreements authorised and entered into during the year

We hereby inform you that we have not been notified of any agreements authorised and entered into during the year to be submitted to the Board of Directors for approval in accordance with Article L. 225-38 of the French Commercial Code.

AGREEMENTS ALREADY APPROVED BY THE BOARD OF DIRECTORS

Agreements approved in prior years which continued to be executed during the year

Pursuant to Article R. 225-30 of the French Commercial Code, we were informed of the following agreements, approved by the Bord of Directors in prior years, which continued to be executed during the year.

WITH SOCIETE DE GESTION DES FONDS DE GARANTIES D'OUTRE-MER (SOGEFOM)

Service agreement

On 15 March 2004, AFD and SOGEFOM signed a service agreement effective retroactively to 28 August 2003. Under this agreement, AFD provides management, representation and technical support services to SOGEFOM.

AFD was paid a fee of 1,883 thousand euros under this agreement in 2022.

WITH LA SOCIETE DE PROMOTION ET PARTICIPATION POUR LA COOPERATION ECONOMIQUE (PROPARCO)

Sub-participation co-financing framework agreement signed between PROPARCO and AFD

Your company entered into a first sub-participation Framework Agreement with PROPARCO on 26 October 2007, and then, given the good use of the sub-participation lines, each year thereafter. In order to simplify the contracting procedures for the various annual framework agreements, your company signed a new sub-participation co-financing framework agreement with PROPARCO on 30 March 2018 to develop the operations carried out in co-financing in favour of the private sector during the period 2018-2022. This framework agreement provides for envelopes to be set on an annual basis by authorisation of the Board of Directors of PROPARCO and AFD.

A new Framework Agreement was approved at the Board of Directors meeting on 8 October 2020 in order to integrate the new modalities of subsidized private sector financing. The agreement was signed on 25 January 2021.

PROPARCO retains all the fees it charges its clients to cover project identification, processing and formalization costs.

AFD pays a management fee to PROPARCO in return for project monitoring services for equity investments.

The financial expense recorded by your company for this agreement for the year 2022 amounts to 6,218 thousand euros.

Service agreement between AFD and PROPARCO for the administrative and financial monitoring of certain equity investment effective 15 July 2021

The purpose of the agreement, which was signed on 5 July 2021 and came into force on 15 July 2021, is to specify the tasks carried out by PROPARCO in the name of and on behalf of AFD in the context of the monitoring equity investments. This agreement concerns the administrative and financial monitoring of certain equity investments of AFD. It should be noted that the management agreement for AFD's equity investment in the African Agriculture Fund fund of 18 December 2014, which was previously mentioned in the list of regulated agreements, has been included in this new agreement since its entry into force.

PROPARCO's remuneration is calculated as follows:

- Equity investments subject to a co-investment between AFD and PROPARCO or FISEA: the remuneration will be calculated as a fraction, equal to 50%, of the overall cost of monitoring the line on the basis of the cost accounting of Group AFD;
- Equity investments not subject to co-investment: the remuneration will be calculated on the basis of the cost accounting (100% of the overall monitoring cost);
- Equity investments backed by national resources (only Climate Finance Partnership at the date of this agreement): AFD will retrocede to PROPARCO any remuneration received from the State for the mobilisation of funds from programmes 110 or 209 to which the equity investment is backed. In the event that the cumulative cost of appraising and monitoring the line, as derived from the analytical accounts, is higher than this retrocession of commission, AFD and PROPARCO will share the additional cost equally.

The financial expense recorded by your company for this agreement for the year 2022 amounts to 9,138 thousand euros.

Framework mandate agreement for the management of private sector financing activities, signed on 16 July 2021

On 8 and 9 October 2020, AFD's and PROPARCO's Boards of Directors respectively approved the terms and conditions for subsidized financing and financing, whether subsidized or not, accompanied by a grant, mobilizing national budgetary resources for the private sector in foreign countries. PROPARCO carries these financing projects on its balance sheet, using the AFD sub-participation mechanism for the associated financing.

This agreement with PROPARCO specifies the terms and conditions for managing private sector financing operations in foreign countries which remain recorded in AFD's accounts and which AFD entrusts to PROPARCO. AFD mandates PROPARCO to identify, instruct, authorize, contract and monitor these private sector financing operations in the name and on behalf of AFD. The mandate framework agreement signed on 16 July 2021 is retroactive.

PROPARCO invoices all missions in accordance with cost accounting rules, with an additional margin of (+4%) except for (i) operations calling on Delegated Funds for which the remuneration is provided for in the Special Agreements and (ii) grant operations calling on Public Funds from the 209 resource.

The financial expense recognised by your company in respect of this agreement for the year 2022 amounts to 793 thousand euros.

New service agreement between AFD and PROPARCO

On 13 April 2018, AFD and PROPARCO signed a service agreement retroactive to 1 January 2017 (the "2017 Agreement") which covers a range of management (IT, accounting, financial, logistical, etc.) and support services provided by AFD's teams at headquarters and in the network to PROPARCO as well as the provision of staff, as PROPARCO does not directly employ its own staff.

The overhaul of AFD's cost accounting system and the development of certain services, particularly in view of the growth in PROPARCO's activity and the transfer of activities to the private sector, led to a review of the service agreement.

This new agreement also responds to a recommendation by the ACPR to include measures to ensure that outsourcing arrangements meet appropriate performance and quality standards in accordance with their policies, including adequate quality indicators.

The new agreement was approved by the Board of Directors on 18 November 2021 and signed on 21 December 2021.

The financial income recorded by your company for this agreement for the year 2022 amounts to 73,279 thousand euros.

Agreement on the programme "Transforming Financial Systems for Climate" (TFSC)

At the Board of Directors meeting of 28 September 2018, the Board of Directors authorised the principles relating to the Subsidiary Agreement between your Agency and PROPARCO in the framework of the "Transforming Financial System for Climate" programme. This programme is intended for public and private financial institutions wishing to carry out financing with an impact on the climate. The agreement formalizes the key role that will be entrusted to your Agency in the deployment of the programme to private financial institutions.

This agreement was signed on 14 October 2019, for a period of 13 years, which may be tacitly renewed for 2 successive periods of 5 years.

The financial impact recorded by AFD under this agreement during the 2021 financial year amounts to 589 thousand euros.

MENA Facility Framework Agreement signed on 28 July 2021

The purpose of this facility is to finance beneficiaries in the target countries of the agreement.

This agreement covers the terms and conditions for the use of this facility, in particular the distribution of the subsidy envelope according to the various tools that can be mobilised.

The financial expense recognised by your company in respect of this agreement for the year 2022 amounts to 420 thousand euros.

WITH LES SOCIETES DE CREDIT POUR LE DEVELOPPEMENT DE LA MARTINIQUE (SODEMA), POUR LE DEVELOPPEMENT DE LA GUADELOUPE (SODEGA) ET LA SOCIETE FINANCIERE POUR LE DEVELOPPEMENT ECONOMIQUE DE LA GUYANE (SOFIDEG)

Agreements relating to the refinancing and guaranteeing of the customer loan portfolios taken over from SODERAG by the three SDCs (departmental credit companies)

Under the terms of the protocol agreements signed in October and November 1998 between AFD, SODERAG and the three SDCs (SODEMA, SOFIDEG and SODEGA), the SDCs acquired the portion of SODERAG'S customer loan portfolio relating to their department, as SODERAG was in liquidation. In September and October 2000, three additional protocol agreements were signed with the three departmental credit companies, setting out the terms for managing the portfolio of loans from SODERAG.

At 31 December 2022, outstanding loans in AFD's books amounted to 9,298 thousand euros for SODEMA, 12,555 thousand euros for SODEGA and 534 thousand euros for SOFIDEG.

Two thirds of the interest and early repayment charges received by the SDCs from customer loans are paid to AFD.

The loans' principal is repaid by the SDCs to AFD to the extent that it is repaid by customers, bearing in mind that the total repayment is limited to the acquisition value of the loans.

Lastly, AFD provides the SDCs with guarantees of the outstanding capital of the loans taken over, up to their net book value.

In 2022, AFD was paid fees and interest for these loans that amounted to 1 thousand euros from SODEGA. AFD did not receive any remuneration for these loans from SODEMA and SOFIDEG.

In 2022, up to 19,368 thousand euros of the credit risk assumed by AFD was covered by a provision for risks for the SODERAG portfolio transferred to the three SDCs, producing a net reversal of 160 thousand euros in 2022.

WITH THE EUROPEAN INVESTMENT BANK

Risk sharing framework agreement with the EUROPEAN INVESTMENT BANK

On 22 December 2016, AFD signed a risk sharing framework agreement with the European Investment Bank (EIB).

Through this, the EIB shares risk up to a maximum amount of €150M for projects included in the portfolio of eligible projects. These are projects for which a confirmation of participation has been signed by AFD and the EIB.

In the event of payment default, AFD may send notification to the EIB indicating the amount and the nature of the unpaid sums, their due date and the amount of the EIB's share of these sums.

Up to the threshold of its available participation commitment, the EIB is committed irrevocably to paying AFD within a period of 60 days following receipt of the notification, an amount corresponding to its percentage share.

In exchange for the EIB's risk sharing commitment, AFD will pay the EIB a risk sharing commission calculated for each project. Should a project default, no participation commission will be payable from AFD to the EIB.

The EIB's risk sharing benefits from a European Union guarantee in respect of the European Fund for Strategic Investments.

This agreement was approved by the Board of Directors on 15 December 2016.

The financial income recorded by your company for this agreement for the year 2022 amounts to 145 thousand euros.

Agreements approved in prior years that were not implemented during the year

In addition, we were informed of the following agreements, approved by the Board of Directors in previous years, which were not implemented during the year.

WITH THE SOCIETE DE DEVELOPPEMENT REGIONAL ANTILLES GUYANE (SODERAG)

Cessation of interest on advances to shareholder current accounts

In 1997, 1998 and 1999, AFD granted SODERAG interest-bearing current account advances in the amount of €47M. These advances were intended to reinforce SODERAG's capital.

Because of SODERAG's irremediably compromised position since it went into voluntary liquidation in 1998, and given AFD's status as sole shareholder, on 5 July 2001 AFD's Supervisory Board authorised the cessation of interest on all of its shareholder current account advances.

Provision of non-interest bearing shareholder advances to SODERAG

Between 1999 and 2005, AFD provided its subsidiary with additional non-interest-bearing current account advances to SODERAG so that its liquidation could continue.

At 31 December 2022, SODERAG'S debt to AFD under agreements signed between 1997 and 2005 amounted to €106,346,000.

The auditors,

Paris La Défense, April 19, 2022

KPMG S.A.	BDO Paris
Valéry Foussé	Benjamin Izarié
Partner	*Partner*

6.5 Statutory Auditors' fees

In compliance with Decree No. 2008-1487 of 30 December 2008, the table below shows the fees paid in 2022 to AFD Group's Statutory Auditors. The fees are based on those stated in their engagement letters. These fees are invoiced for statutory auditing services:

Fees excluding tax – Financial year 2022	KPMG	BDO	Total
AFD	€212,000	€209,000	€421,000
Proparco	€80,000	€80,000	€160,000
Expertise France	-	€70,700	€70,700
Sogefom	€29,000	-	€29,000
Fisea	€15,000	-	€15,000
BREDEV	-	-	-
Soderag	€15,750	-	€15,750
TOTAL	**€351,750**	**€359,700**	**€711,450**

The other fees invoiced to AFD for services other than certification of the financial statements for the 2022 financial year amounted to €38,700.

SACC fees excl. tax – 2022 financial year	KPMG	BDO	Total
CSR mission	€15,700	-	€15,700
Climate Bonds comfort letter	€11,000	€5,000	€16,000
EMTN programme update	€7,750	€2,750	€10,500
Certificate of treasury accounts for EF	-	€1,500	€1,500
TOTAL	**€34,450**	**€4,250**	**€38,700**

7 CHAPTER

AFD'S annual parent company financial statements

Balance sheet at 31 December 2022

Assets

In thousands of euros	Notes	2022	2021	Change
Cash, due from central banks		1,008,320	2,085,489	-1,077,169
Government paper and equivalent	1 and 2	1,124,243	1,172,950	-48,707
Receivables from credit institutions	3	16,665,278	16,163,896	501,381
On-demand		*2,129,363*	*2,934,510*	*-805,147*
On term		*14,535,915*	*13,229,386*	*1,306,529*
Transactions with customers	4	37,247,149	33,769,617	3,477,532
Other loans to customers		*37,247,149*	*33,769,617*	*3,477,532*
Bonds and other fixed-income securities	1 and 2	1,379,503	836,695	542,809
Shares and other variable-income securities	1 and 2	815,503	39,033	776,470
Equity investments and other long-term investments	5	157,018	121,027	35,991
Shares in related businesses	6	988,930	934,105	54,825
Intangible assets	9	91,637	64,104	27,534
Property, plant and equipment	9	485,020	175,978	309,042
Other assets	10	4,029,021	1,023,978	3,005,043
Accruals	11	670,926	511,355	159,571
TOTAL ASSETS		**64,662,548**	**56,898,227**	**7,764,321**
Off-balance sheet: Commitments given				
Financing commitments		20,288,511	18,899,729	1,388,782
To credit institutions		*4,255,278*	*4,363,560*	*-108,282*
To customers		*16,033,233*	*14,536,169*	*1,497,064*
Guarantee commitments	32	3,084,444	2,942,289	142,155
From credit institutions		*30,501*	*35,010*	*-4,509*
From customers		*3,053,943*	*2,907,279*	*146,663*
Commitments on securities		121,656	111,532	10,124
Other commitments on securities	*32*	*121,656*	*111,532*	*10,124*

Balance sheet at 31 December 2022

Liabilities

In thousands of euros	Notes	2022	2021	Change
Debts to credit institutions	12	463,272	574,181	-110,909
On-demand		*261,876*	*362,015*	*-100,139*
On term		*201,396*	*212,166*	*-10,770*
Transactions with customers	13	2,755	2,511	244
Other on-demand debts		*2,755*	*2,511*	*244*
Other debts at maturity		-	-	-
Debt securities in issue	14	50,111,961	43,593,134	6,518,827
Interbank market and negotiable debt		*1,988,682*	*500,230*	*1,488,452*
Bonds		*48,123,279*	*43,092,904*	*5,030,375*
Other liabilities	10	1,503,269	1,840,682	-337,413
Allocated public funds		*76,097*	*84,667*	*-8,569*
Other liabilities		*1,427,172*	*1,756,015*	*-328,843*
Accruals	11	1,067,539	404,720	662,819
Provisions	15	1,791,254	1,656,734	134,520
Subordinated debt	16	1,856,872	1,462,756	394,116
Reserve for General Banking Risk (RGBR)	17	460,000	460,000	-
Capital excluding RGBR	18	7,405,627	6,903,510	502,117
Provisions		*4,417,999*	*4,227,999*	*190,000*
Reserves		*2,616,142*	*2,424,342*	*191,800*
Grants		*8,817*	*11,419*	*-2,602*
Income		*362,669*	*239,750*	*122,919*
TOTAL LIABILITIES		**64,662,548**	**56,898,227**	**7,764,321**
Off-balance sheet: Commitments received				
Financing commitments		-	-	-
Received from credit institutions		-	-	-
Received from the French State		-	-	-
Guarantee commitments	32	260,021	334,046	-74,024
Received from credit institutions		*260,021*	*334,046*	*-74,024*
Commitments on securities		-	-	-
Other commitments received on securities		-	-	-
Other commitments	32	5,610,173	4,943,801	666,372
Guarantees received from the French State		*5,610,173*	*4,943,801*	*666,372*

2022 income statement

In thousands of euros	Notes	2022	2021	Change
Income and expenses on banking operations				
Interest and related income	**20**	**1,918,861**	**1,479,810**	**439,050**
On transactions with credit institutions		752,405	433,121	319,284
On transactions with customers		586,217	537,132	49,085
On bonds and other fixed-income securities		23,851	21,330	2,521
Other interest and related income		556,388	488,228	68,160
Interest and related expenses	**21**	**1,480,220**	**1,044,089**	**436,131**
On transactions with credit institutions		785,962	661,239	124,723
On transactions with customers		686	928	-242
On bonds and other fixed-income securities		531,678	464,074	67,604
Other interest and related expenses		161,894	-82,152	244,046
Income on variable-income securities		**23,654**	**1,841**	**21,813**
Commissions (income)	**22**	**143,853**	**120,289**	**23,564**
Commissions (expenses)		**2,563**	**3,605**	**-1,042**
Gains or losses on investment portfolio transactions and similar	**23**	**16,875**	**-5,920**	**22,795**
Other income on banking operations	**24**	**373,424**	**334,091**	**39,332**
Other expenses on banking operations	**25**	**100,462**	**88,294**	**12,168**
Net banking income		**859,671**	**794,124**	**65,547**
Other ordinary income and expenses				
Overheads	**26**	**498,311**	**474,812**	**23,499**
Salary and employee benefit expenses		350,054	334,235	15,820
Other administrative expenses		148,256	140,577	7,679
Depreciation/amortisation and impairment expenses on property, plant and equipment and intangible assets	**9**	**30,258**	**26,904**	**3,354**
Gross operating income		**331,102**	**292,408**	**38,695**
Cost of risk	**29**	**42,760**	**-35,184**	**77,944**
Operating income		**373,862**	**257,223**	**116,639**
Gains or losses on fixed assets	30	11,106	-18,586	29,693
Pre-tax income from operations		**362,756**	**238,637**	**124,119**
Exceptional income	**31**	**-90**	**1,207**	**-1,297**
Income tax		**3**	**94**	**-90**
INCOME FOR THE FINANCIAL YEAR		**362,669**	**239,750**	**122,919**

7.1 Highlights of the financial year

7.1.1 Balance sheet growth

At 31 December 2022, the total balance sheet stood at €64.7bn, up 13.6% compared to the previous year. This change is mainly due to a growth in activity with an increase of 9.7% in gross loan outstandings on its own account over the period as well as the increase of 74% in deposits on collateral contracts in line with the change in the fair value of swaps in the balance sheet.

7.1.2 Financing of the Group's activity

To finance the growth of its own activity, AFD issued eight public bonds and three private placements in 2022, as well as 16 tap issues, for a total volume of €9.5bn.

7.1.3 Appropriation of 2021 earnings

Pursuant to Article 79 of the 2001 amending Finance Bill No. 2001-1276 of 28 December 2001, the amount of the dividend paid by AFD to the French State is set by ministerial decree.

The Board of Directors approved the 2021 financial statements on 21 April 2022.

The French Minister of the Economy and Finance set the 2021 dividend to be paid to the State. It amounted to €47.9M, *i.e.* 20% of AFD's corporate income (€239.8M at 31 December 2021), and was paid out after publication in the Official Journal.

The balance of income after payment of the dividend, *i.e.* €191.9M, was allocated to reserves.

7.1.4 AFD capital increase

A new capital allocation was made to AFD by the French State of €190M to strengthen the Agency's equity capital. AFD's initial allocation, which was €4,228M, stood at €4,418M at the end of this financial year.

This capital increase of €190M was carried out by converting the French State's RCS (resources with special conditions) debt into AFD's books, in accordance with the decree of 27 June 2022 published in the Official Journal.

7.1.5 Fisea capital increase

On 1 July 2022, Fisea carried out a €50M capital increase by creating ordinary shares fully subscribed by AFD and fully paid up over the period.

Fisea's share capital was thus increased to €327M compared to €277M previously.

7.1.6 Integration of Expertise France

At 1 January 2022, Expertise France entered AFD Group's consolidated scope. On the same date, Expertise France was transformed into an SAS with a share capital of €829K wholly-owned by AFD.

This operation had no significant impact on AFD's parent company financial statements.

7.1.7 Proparco shareholders

Crédit Agricole SA (CASA) sold part of its Proparco shares to AFD, bringing AFD's stake in Proparco to 79.76% compared to 78.19% in 2021.

CASA remains a Proparco shareholder with a 0.37% stake.

This operation came into force after the ministerial order dated 17 February 2022.

7.1.8 Acquisition of the future headquarters of the AFD Group

The off-plan sales agreement for the AFD Group's head office was signed on 19 December 2022 for €1.0bn. At 31 December 2022, AFD had disbursed the entire amount, including €683M in an escrow account and €313M recorded in fixed assets in progress.

7.1.9 Assessment of credit risk

- Update of IFRS 9 parameters:
  - the PD matrix for non-sovereigns has been redesigned to take into account internal data;
  - the LGD rates are now based on the observation of the recovery on historical cases with a homogeneous method at Group level.
- The impact of this update is the recognition of a €22M reversal of provisions in AFD's financial statements for the 2022 financial year.
- Exceptional provisions:
  - sector provision: the exceptional provision recognised during the two previous financial years for the tourism and air transport sectors, due to their exposure to the COVID health crisis, for a total amount of €54M at 31 December 2021 was fully reversed in 2022;
  - cyclical provision: this new provision is intended to cover the risk of a short-term deterioration in the credit ratings of certain counterparties in the most vulnerable countries of operation. The impact on AFD's financial statements is €29M.

7.2 Accounting principles and assessment methods

7.2.1 Overview

Agence Française de Développement's annual financial statements are presented according to the accounting principles for credit institutions and financing companies prevailing in France, in accordance with ANC Regulation 2014-07 of 26 November 2014.

The individual financial statements include the balance sheet, off-balance sheet, income statement and notes to the financial statements, which supplement the information provided in the first three items.

These have been prepared in accordance with the principles of prudence, going concern, separation of accounting periods and consistency of methods.

In accordance with current applicable standards:

- as of 1 January 2006, AFD has applied CRC Regulation 2005-03, which was repealed and replaced by ANC Regulation 2014-07 of 26 November 2014, relative to accounting practice for credit risk;
- as of 1 January 2014, AFD has applied ANC recommendation 2013-02 of 7 November 2013 (updated on 17 November 2021) on the assessment and accounting rules for retirement obligations and similar benefits, which supersedes CNC Recommendation 2003-R01 of 1 April 2003.

7.2.2 Conversion of foreign currency transactions

Amounts receivable, amounts payable and off-balance sheet commitments denominated in foreign currencies are evaluated based on the exchange rates at financial year-end.

The conversion into a common currency, using the closing dates, results in differences in the income statement except in the following transactions, where the difference is shown in an adjustment account:

- equity securities denominated in foreign currencies but financed in euros;
- balance sheet and off-balance sheet items recorded in illiquid currencies.

Foreign currency income and expenditure on loans, borrowings, securities or off-balance sheet operations are recorded in the foreign currency, in profit and loss accounts kept for each of the currencies concerned, with conversions made on a monthly closing date.

Foreign currency income and expenditure are converted to euros on a monthly basis, and any subsequent variations in exchange rates result in exchange gains or losses in the income statement. It should be specified, concerning the AFD loans subscribed for the financing of the Poverty Reduction and Growth Facility (PRGF) [1] of the International Monetary Fund, that foreign exchange gains or losses on interest are balanced by subsidies and therefore have no influence on the final result.

In the case of transactions in illiquid currencies, only unrealised losses are taken into account by booked provisions. In compliance with regulations, unrealised gains on such transactions are not taken into account.

7.2.3 Loans to credit institutions and customers

They are recognised in the balance sheet at their amount (including related loans) after impairment to address the risk of non-recovery.

Commitments with respect to credit agreements signed but not yet disbursed or partly disbursed are shown as an undisbursed balance on the off-balance sheet.

Interest and commitment fees are recognised under banking income on an accruals basis, whether due or not due, and are calculated *pro rata temporis*.

In accordance with banking regulations, loans are downgraded to doubtful loans where instalments due have been unpaid for three or six months, depending on the type of debt.

Non-sovereign loans and credits for which the rating system shows significant risks are downgraded to doubtful debts (possibly even in the absence of arrears) and are subject to a partial or total impairment for the outstanding principal (impairment for specific risks).

Litigated debt obligations are included in doubtful loans.

Impaired loans are non-performing loans for which the prospect of repayment is greatly reduced and for which reclassification to the rank of performing outstanding loan is unlikely. Loans that are non-performing for more than 12 consecutive months and credit agreements beyond their term are always classified in this category.

AFD has recorded depreciations to cover the discounted value of all projected losses on non-performing loans and impaired loans. The projected losses are equal to the difference between the initial contractual cash flows, less those already received, and projected cash flows. Cash flows are discounted at the original effective interest rate for fixed-rate loans and at the last effective interest rate for variable-rate loans.

An impairment loss is recorded for the full amount of unpaid interest due and interest accrued on doubtful loans.

Asset restructuring

Restructuring for the borrower's financial difficulties results in a change to the terms of the initial contract to allow the borrower to contend with the financial difficulties it is having. If, in view of the change in the borrowing terms, the present value of these new expected future flows at the original effective interest rate of the asset is lower than its carrying amount, a discount must be booked to bring the carrying amount back to the new present value.

1) *PRGF: Poverty Reduction and Growth Facility.*

At 31 December 2022, restructured loans had a balance of €2.9M.

7.2.4 Equity and investment securities

Depending on the purpose of the transaction, the following rules apply:

- equity securities intended to be held for six months or more are recorded at the date of their acquisition, at the purchase price, excluding accrued interest.

  Premiums or discounts are amortised on a linear basis. At each monthly account closing, the coupon accrued since the last period is recognised as income.

  Impairment for unrealised losses, calculated as the difference between carrying amount and market price, is made monthly on a line-by-line basis, without offsetting unrealised gains. Unrealised gains are not shown in the financial statements;
- long-term investment securities (mainly bonds), purchased with the intention of holding them for a long time, until maturity, are recorded at the date of their acquisition, at the purchase price, excluding accrued interest.

  They may be subject to impairment in case of counterparty risk.

  Premiums or discounts (the difference between purchase price and redemption price) are spread on a linear basis over the residual life of the investment.

  At each monthly account closing, the coupon accrued since the last period is recognised as income.

  AFD has secured resources allocated to funding its investment securities.

7.2.5 Shares in related businesses, equity securities and long-term investment

Shares in related businesses

Shares in related businesses are those held in exclusively controlled companies that can be fully consolidated.

They are balance sheet assets recognised at their acquisition value, excluding costs.

Equity securities

Equity securities are balance sheet assets recognised at their acquisition value, excluding costs.

These are securities for which long-term retention is deemed useful to the company's activities, particularly because it enables influence or control to be exercised over the issuing company.

This relates notably to interests that meet the following criteria:

- interests in the form of securities issued by equity-accounted companies;
- interests in companies with directors or managers who are also in the holding company, under terms that enable influence to be exercised over the company whose shares are held;
- interests in companies belonging to the same group controlled by individuals or corporate entities with control over the whole group and thus demonstrating centralised decision-making;
- interests representing over 10% of rights in the capital issued by a credit institution or a company that is in the same line of business as the holding company.

Other long-term securities

Other long-term securities are balance sheet assets recognised at their acquisition value, excluding costs.

This category includes investments in securities designed to promote the development of lasting business relations by creating a special link with the issuing company, but with no influence on the management of the companies in which the shares are held given the small percentage of voting rights they represent.

In view of its negligible impact, this last item is not included separately in the notes to the financial statements.

For these three categories:

- shares are recorded at acquisition cost. Impairment is recorded when the estimated value, assessed according to the company's net position and its outlook (estimated based on economic and financial information gathered on the company, particularly on conditions in its country) or its stock market valuation, as the case may be, is lower than the acquisition cost;
- a 100% provision for foreing exchange loss is made in case of coversion differentials in the currency concerned is impaired;
- dividends are recorded as income on receipt of the minutes of the general meetings held until 31 December of the financial year.

Capital gains or losses on disposal of these shares on the sales of secutities are recorded under "gains or losses on fixed assets".

AFD also has equity investments in six companies *via* a number of managed funds (Cidom, Fides and Fidom) or *via* funds contributed by the French State. These holdings, recorded at cost, do not appear on the publishable off-balance sheet. Details of the amounts involved are provided in Note 35. These holdings, which were subscribed to on behalf of the French State with public funds made available to AFD, are not included in ownership or control percentages and are therefore not consolidated in the financial statements.

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7.2.6 Bonds

Call premiums (difference between the redemption price and par value of securities) and positive or negative share premiums (difference between the issue price and par value of securities) are spread over the maturity of the borrowings using a linear method.

7.2.7 Grants

The "Grants" item records the subsidies on loans for global budget support and investment grants for mixed loans, which are paid by the State at the start of the loan and which enable the granting of concessional loans by lowering the average cost of the funding allocated in each of the loan categories concerned.

These grants and investment subsidies are amortised over the life of each of the loans they help to finance.

7.2.8 Fixed assets

Fixed assets appearing on AFD's balance sheet include property, plant and equipment and intangible assets used for operations. Intangible assets are mainly custom or purchased software. Fixed assets are recorded at their acquisition cost (cost price net of recoverable VAT) plus directly related expenses.

If a fixed asset consists of a number of items that may be regularly replaced and have different useful lives, each item is booked separately according to its own depreciation table. This item-by-item approach has been used for head office.

Depreciation and amortisation periods have been estimated on the basis of each item's useful life:

	Title	Depreciation period
1.	Land	Non-depreciable
2.	Structural systems	40 years
3.	Building envelope	20 years
4.	Technical building services, fixtures and fittings	15 years
5.	Sundry fittings	10 years

Other property, plant and equipment are depreciated using the straight-line method:

- 15 years for office buildings in the French Overseas Departments and Collectivities;
- 15 years for residential buildings;
- 5 or ten 10 years for fixtures, fittings and furnishings;
- 2 to 5 years for equipment and vehicles.

With regard to intangible assets, software is amortised according to its type: 4 years to 8 years for management software and 2 years for office automation tools.

Impairment testing is conducted on depreciable/amortisable fixed assets when signs of loss of value are identified at the closing date. If there is a loss of value, an impairment charge is recorded under "Provisions for amortisation of intangible assets and depreciation of property, plant and equipment", which may be reversed if there is a change in the conditions that led to it being recognised. This impairment reduces the depreciable/amortisable amount of the asset and thus also affects its future depreciation/amortisation schedule.

Capital gains or losses from the sale of assets used in operations are recorded under "Net gains or losses on fixed assets".

7.2.9 Forward financial instruments

Off-balance sheet assets for financial instruments result entirely from outright transactions – interest-rate swaps and cross-currency swaps – made over-the-counter. These transactions are recorded in the non-publishable off-balance sheet and discussed in Notes 33 and 34.

These instruments are managed primarily as part of transactions for micro-hedging debt and loans.

In accordance with ANC 2014-07 (1), the par value of these contracts is recorded off-balance sheet, while symmetry in relation to the hedged item results in income or expenses recorded as interest and related income or expenses for hedged items. Such income and expenses are not offset.

1) Book II, Title 5, of ANC Regulation 2014-07 concerning forward financial instruments, which repeals and replaces CRBF Regulation 90-15 as amended by CRBF 92-04.

7.2.10 Provisions

This item covers provisions meant to hedge risks and expenses that past or ongoing events have rendered likely to occur, and whose purpose is clearly specified.

Provisions for sovereign outstandings

The agreement "on the reserve account"[1] on 8 June 2015 between AFD and the French State for an indefinite term, determines the mechanism for creating provisions for hedging the sovereign risk and the principles for using the provisions recognised thereby.

This reserve account is intended to (i) fund the provisions that AFD would have to recognise in case a sovereign borrower defaults, (ii) serve normal unpaid interest and (iii) more generally, help compensate AFD in the event of debt cancellation for sovereign loans.

The balance of this account cannot be less than the amount required by banking regulations applicable to collective provisions on performing or restructured loans. This lower regulatory limit is calculated using estimated losses expected across the sovereign loan portfolio (losses at one year, losses at termination, regulatory requirements on provisions or any other data available to AFD that can be used to anticipate the sovereign loan portfolio's risk profile).

Non-performing sovereign outstanding loans are provisioned. Furthermore, this depreciation is neutralised by deduction from the reserve account.

Net provisions for reversals of provisions are recorded in Net Banking Income.

Provisions on non-sovereign outstandings loans and commitments given

Loans amortised collectively comprise all non-sovereign loans in countries outside France and in the French Overseas Departments and Collectivities not amortised individually, as well as guarantee commitments given and financing commitments given for amounts to be disbursed under signed lending agreements.

General principle

AFD Group sorts assets into three categories, or "stages", according to how the related credit risks change since loan origination. The method used to calculate the provision differs according to which of the three stages an asset belongs to.

These are defined as follows:

- stage 1: groups "performing" assets for which the counterparty risk has not increased since they were granted. The provision calculation is based on expected losses within the following 12 months;
- stage 2: groups performing assets for which a significant increase in credit risk has been observed since they were first entered in the accounts. The provision calculation is statistically based on expected losses on maturity;
- stage 3: groups assets for which there is an objective impairment indicator (identical to the notion of default currently used by the Group to assess the existence of objective evidence of impairment). The provision calculation is statistically based on expected losses on maturity (see 2.3 Loans to credit institutions and customers)

The definition of default is aligned with that of the Basel framework, based on a rebuttable presumption that the status of default is applied after no more than 90 days of non-payment. This definition takes into account the EBA guidelines of 28 September 2016, in particular with regard to applicable thresholds in the event of non-payment, and probationary periods.

Significant increase in credit risk

The significant increase in credit risk can be measured individually or collectively. The Group examines all the information at its disposal (internal and external, including historic data, information about the current economic climate, reliable forecasts about future events and economic conditions).

The impairment model is based on the expected loss, which must reflect the best information available at the closing date.

To measure the significant increase in credit risk of a financial asset since its entry into the balance sheet, which involves it moving from stage 1 to stage 2, the Group has created a methodological framework which sets out the rules for measuring the deterioration of the credit risk category. The methodology selected is based on a combination of several criteria, including internal ratings, inclusion on a watchlist and the refutable presumption of significant deterioration because of monies outstanding for more than 30 days.

Measuring expected credit losses (ECL)

Expected credit losses are estimated as the discounted amount of credit losses weighted by the probability of default over the next 12 months or during the asset's lifetime, depending on the stage.

In view of the specific nature of AFD Group's portfolio, its chosen calculation method is based on internal data and concepts as well as adaptations of external transition matrices.

Calculation of the expected credit losses (ECLs) is based on three key parameters: probability of default (PD), loss given default (LGD) and exposure at default (EAD), bearing in mind the amortisation profiles.

1) The signature of this agreement precludes the agreement "on recording provisions for sovereign loans granted by AFD on its own behalf" of 30 December 2010 between the State and AFD.

Probability of default (PD)

The probability of default on a loan can be estimated over a given time span. This probability is modelled:

- from risk segmentation criteria;
- over a 12-month time period (noted PD 12 months) for the calculation of the expected losses for assets in stage 1; and
- over the entire duration of loan repayments for stage 2 assets (known as the PD curve, or lifetime PD).

The PD matrix for non-sovereign loans is supplemented in order to favour internal data when available (portfolio with a non-investment grade rating).

Loss given default (LGD)

Loss given default (LGD) is modelled for assets in all three stages. AFD Group has taken into account the collateral valuation in the LGD modelling.

AFD Group relies on observation of recovery for resolved historical cases (*i.e.* with extinguishment of the position after repayment and/or write-off in losses).

Exposure at default (EAD)

Exposure at default reflects the amount of debt outstanding at the time of default and thus takes future cash flows and forward looking factors into account. As such, the EAD takes into account:

- the contractual amortisation of the principal;
- elements of drawdowns of lines recognised off-balance sheet;
- any early repayments.

AFD may also recognise an additional provision for specific events impacting its area of operation.

Collective provision allocations for performing non-sovereign loans negatively impacted the cost of risk by €16.9M.

Collective provision allocations for off-balance sheet commitments (undisbursed balance and guarantees given) had a positive impact on the cost of risk of €3.2M.

Provision for risks and expenses

Provisions are recognised at their present value when the following three conditions are met:

- the company has a legal or implicit obligation as a result of past events;
- it is probable that an outflow of resources embodying economic benefits will be required to settle this obligation;
- it is possible to reasonably estimate the amount of the obligation.

Provisions for subsidiary risk

As part of the liquidation of Soderag, AFD, as liquidator, sold Soderag's loan portfolio to the three departmental credit companies of the Antilles-Guyane region of which it was the reference shareholder (Sodega in Guadeloupe, Sodema in Martinique and Sofideg in French Guiana). AFD granted cash lines to each of the three subsidiaries for the purchase of these portfolios and, at the same time, guaranteed its subsidiaries on the underlying loans, thereby sub-participating in risks and cash (protocols signed with each of the subsidiaries in October 1998). The provisions relating to these transactions are provisions for liabilities insofar as they cover the risks related to the guarantees given.

Provisions for miscellaneous risks

This item covers miscellaneous risks and litigation for which resources are likely to be withdrawn.

Provisions for foreign-exchange risk

This item is intended to cover translation differences foreign exchanges losses on interests in foreign currencies if the currency concerned is devalued.

Provisions for employee benefits

Defined benefit plans

Retirement and early retirement commitments

Immediate retirement and early retirement commitments are all transferred to an external insurance company.

Deferred retirement and early retirement commitments are kept by AFD and covered by specific insurance policies. They are valued in accordance with the provisions of contracts signed by AFD and the insurer.

The assumptions used for the valuations are as follows:

- discount rate: 3.4% in 2022 *versus* 0.0% in 2021;
- retirement age: 63 for non-executive level employees and 65 for executive level employees;
- annual salary growth rate: 2.0% unchanged compared to 2021.

Commitments for retirement bonuses and financing of the health insurance plan

AFD pays retirement bonuses (IFC) to its employees. It also contributes to the cost of its retired employees' health insurance plans.

The assumptions used for the valuations are as follows:

- discount rate: 3.9% in 2022 *versus* 1.2% in 2021;
- rate of annual increase in salary: 2.0% and 2.2% for Overseas Collectivities, unchanged compared to 2021;
- retirement age: 63 for non-executive level employees and 65 for executive level employees;
- actuarial tables: TGH 05 (men)/TGF 05 (women).

These commitments (retirement bonuses and financing of health insurance plans and pensions) undergo actuarial valuations that factor in demographic and financial assumptions. The amount of provisions for commitments is determined using the Projected Unit Credit Method. At each closing, the retirement commitments carried by AFD are remeasured and compared with the value of the insurance policies.

As of 31 December 2022, the amount of the provision was decreased by **€8,480K**.

Other long-term benefits

AFD gives its employees bonuses as long-service benefits. A provision reversal was recognised on 31 December 2022 in the amount of **€208K**.

The aggregate impacts on the 2021 and 2022 financial years are set out in the table below:

In thousands of euros	2022	Change Impact on income	2021
Provisions for employee benefits	138,155	8,272	129,883
• Defined benefit plans	136,933	8,480	128,453
• Other long-term benefits	1,223	-208	1,431

The changes in commitments over the 2022 financial year are shown in the table below:

In thousands of euros	Expatriate employees healthcare expenses	Retirement	Retiree health insurance	Retirement lump sum	Total defined benefit plans	Service award	Grand total
Change in the present value of the commitment							
Present value of the commitment at 01/01	17,116	15,312	120,103	20,548	173,078	1,430	174,508
Financial cost	213	-	1,535	257	2,005	18	2,024
Cost of services rendered over the financial year	640	71	7,807	1,999	10,516	196	10,712
Cost of past services	-	-	5,907	-	5,907	-	5,907
Reductions/Liquidations	-	-	-	-	-	-	-
Services paid	-110	-6,691	-2,087	-630	-9,518	-34	-9,552
Actuarial (gains) losses	-8,362	-505	-49,601	-6,811	-65,279	-382	-65,661
Change in scope between AFD and IEDOM	-	-60	-337	-115	-512	-5	-517
Present value of the commitment at 31/12/2022	**9,496**	**8,126**	**83,326**	**15,249**	**116,197**	**1,222**	**117,419**
Change in the fair value of retirement plan assets							
Fair value of assets at 01/01	-	27,771	-	-	27,771	-	27,771
Expected return on assets	-	-	-	-	-	-	-
Services paid	-	-6,691	-	-	-	-	-
Actuarial gains (losses)	-	-2,644	-	-	-	-	-
Liquidations	-	-	-	-	-	-	-
Fair value of assets at 31/12/2022		**18,437**	**-**	**-**	**18,437**	**-**	**18,437**
Corridor limits							
Actuarial gains (losses) not recognised at 01/01	**-6,396**	**8,669**	**-16,877**	**-2,250**	**-16,854**	**-**	**-16,854**
Corridor limits at 01/01	1,712	2,777	12,010	2,055	-	-	-
Actuarial gains (losses) generated over the financial year	8,362	-2,138	49,601	6,811	62,635	382	63,018
Actuarial (gains) losses recognised in profit or loss	275	-1,625	287	11	-1,051	-382	-1,434
Actuarial (gains) losses recognised in equity this period	-	-	-	-	-	-	-
Actuarial gains (losses) not recognised at 31/12/2022	**2,241**	**4,905**	**33,011**	**4,572**	**44,730**	**-**	**44,730**

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In thousands of euros	Expatriate employees healthcare expenses	Retirement	Retiree health insurance	Retirement lump sum	Total defined benefit plans	Service award	Grand total
Amounts recognised on the balance sheet at 31/12/2022							
Present value of the funded commitment	-	8,126	-	-		-	-
Fair value of financed assets	-	-18,437	-	-	-10,310	-	-10,310
Present value of unfunded commitment	9,496		83,326	15,249	108,071	1,222	109,293
Net position	**9,496**	**-10,310**	**83,326**	**15,249**	**97,761**	**1,222**	**98,982**
Unrecognised actuarial gains (losses)	2,241	4,905	33,011	4,572	44,730	-	44,730
Cost of unrecognised past services	-	-	-5,558	-	-		-
Balance sheet provision	**11,737**	**-5,405**	**110,780**	**19,821**	**142,491**	**1,222**	**143,713**
Amounts recognised on the income statement at 31/12/2022							
Cost of services rendered over the financial year	640	71	7,807	1,999	10,516	196	10,712
Cost of past services	-	-	379	-	349		349
Financial cost for the financial year	213	-	1,535	257	2,005	18	2,024
Recognised actuarial gains (losses)	275	-1,625	287	11	-1,051	- 382	-1,434
Expected return on retirement plan assets	-	-	-	-	-	-	-
Cost of services rendered	-	-	-	-	-	-	-
Impact of reductions/liquidations	-	-	-	-	-	-	-
Expenses booked	**1,128**	**-1,555**	**9,978**	**2,268**	**18,819**	**-168**	**11,651**
Reconciliation of opening and closing net liability							
Liability at 01/01	10,720	-3,790	103,226	18,298	128,453	1,430	129,883
Expenses booked	112	-1,555	9,978	2,268	11,819	-168	11,651
Contributions paid	-	-	-	-	-	-	-
Restatements and transfers	-	-60	-337	-115	-512	-5	-517
Services paid by employer	-110		-2,087	-630	-2,827	-34	-2,862
Items not to be recycled in profit or loss	-	-	-	-	-	-	-
Net liabilities at 31/12/2022	**11,737**	**-5,405**	**110,780**	**19,821**	**136,933**	**1,222**	**138,155**
Change in net liabilities	**1,017**	**-1,615**	**7,554**	**1,523**	**8,480**	**-208**	**8,272**

Projected commitments at 31 December 2022 are as follows:

Actuarial debt at 31/12/2022	**11,737**	**8,126**	**110,780**	**19,821**	**150,464**	**1,222**	**151,686**
Cost of services rendered in 2023	288	32	3,881	1,318	5,519	148	5,667
Financial cost in 2023	382	277	3,401	614	4,674	49	4,723
Actuarial losses (gains) recognised in profit or loss	-76		-1,467	-181	-1,724		-1,724
Services payable in 2022/transfer of capital upon departures in 2023	-132	-2,632	-2,576	-1,099	- 6,439	-157	-6,596
Restatements and transfers	-	-	349	-	349	-	349
ESTIMATED DEBT AT 31/12/2023	**12,198**	**5,803**	**114,367**	**20,475**	**152,843**	**1,262**	**154,105**

7.2.11 Reserve for General Banking Risk (RGBR)

In accordance with CRBF 90-02, the Reserve for General Banking Risk is intended to remain permanently in capital reserves for comprehensive general coverage of AFD's risks.

Among other things, the Reserve is intended to hedge:

- general risks from AFD's direct activities in the French Overseas Departments and Collectivities;
- general risks for real estate holdings in foreign countries.

7.2.12 Subordinated debt

In 1998, an agreement was reached with the French State whereby part of AFD's debt to the French Treasury, corresponding to drawdowns between 1 January 1990 and 31 December 1997, was converted into subordinated debt. The agreement also provides for the general rescheduling of the debt's repayment period over 20 years with a 10-year grace period, with any new tranche of borrowings after 1 January 1998 recognised as subordinated debt (with a repayment period scheduled over 30 years and a 10-year grace period).

In 2022, AFD's subordinated debt amounted to €1,857M, an increase of €394M compared to 2021. This increase is explained by the grant by the French State of special condition resources (RCS) to AFD for €605M, partly offset by the maturity and repurchase of debts of €211M.

These RCS were deployed to finance a loan of €400M for Ukraine and a loan of €15M for Moldova, as a result of the Russian-Ukrainian conflict; In addition, a capital increase of €190M was carried out by conversion of a RCS, in accordance with the order of 27 June 2022 published in the Official Journal (see Significant events of the financial year).

7.2.13 Financing commitments

Financing commitments given record the amounts to be disbursed under lending agreements with customers or credit institutions and under investment fund agreements.

Financing commitments given to credit institutions include the undisbursed balance, on the State's behalf, under agreements signed with the IMF for financing the PRGF.

Financing commitments given to investment funds include remaining commitments for AFD's subscription to Fisea+, *i.e.* €200M at 31 December 2022.

7.2.14 Guarantee commitments

Commitments given for guarantees to credit institutions include, in particular:

- guarantees granted by AFD for the Ariz I, Ariz II and Ariz Med procedure (Support for the risk of financing private investment in AFD's PSZ, in Sub-Saharan Africa and in Mediterranean countries). These guarantees are intended to encourage the creation and development of local businesses.

Commitments given for guarantees to clients include, in particular:

- the guarantee of the debt of its subsidiary in liquidation, Soderag, bearing in mind that a very large part of this debt was repaid early in 1998 and 1999 after Soderag sold its portfolio to Sodega, Sodema and Sofideg. The portfolio was then taken over by BRED;
- the guarantee granted to BRED accounts for 50% of gross outstandings on the loan portfolio sold by Socredom in 1998 in preparation for its dissolution, which took place on 1 January 1999;
- repayment guarantees for the three bonds issued by IFFIM as part of managing the French contribution to the Solidarity Fund for Development (FSD) on behalf of the French State;
- sub-participation guarantees granted to Proparco.

Commitments received from credit institutions are related to loan transactions conducted by AFD.

Other commitments received included the French State's guarantee of loans to foreign countries.

Guarantee commitments for securities include share buyback options offered to Proparco's minority shareholders as part of the capital increases undertaken in 2014 and 2020. These buyback options may be exercised for a period of 5 years following a lock-in period of 5 years.

7.2.15 Disclosure on non-cooperating States and territories

Article L.511-45 of the French Monetary and Financial Code (as amended by Article 3 of Order 2014-158 of 20 February 2014) requires credit institutions to publish an appendix to their annual financial statements presenting information about their offices in countries or territories that have not signed an administrative assistance agreement with France for the purpose of combating fraud and tax evasion.

Law No. 2013-672 of 26 July 2013 on the separation and regulation of banking activities broadens the list of required disclosures from banks regarding their offices in non-cooperative countries or territories.

The Decree of 3 February 2023 amending the Decree of 12 February 2010 issued pursuant to the second paragraph of 1 of Article 238-0 A of the French General Tax Code, modified the list of non-cooperative states or territories.

At 31 December 2022, AFD did not have any offices in non-cooperative countries or territories.

7.2.16 Other information related to consolidation

AFD's financial statements are fully reflected in AFD Group's consolidated financial statements using the full consolidation method.

7.2.17 Events after the reporting period

No significant event having an impact on the Company's financial position occurred after the reporting period ended 31 December 2022.

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7.3 Notes to the financial statements at 31 December 2022

Note 1 Investment in Equity instruments[1]

	December 2022			December 2021		
in thousands of euros	Listed securities	Unlisted securities	Total	Listed securities	Unlisted securities	Total
Government paper and equivalent	665,907	-	665,907	620,758	-	620,758
Related loans receivables	5,025	-	5,025	4,882	-	4,882
Impairment	-18,831	-	-18,831	-2,989	-	-2,989
Net total	**652,101**	**-**	**652,101**	**622,652**	**-**	**622,652**
Bonds and other fixed-income securities	225,712	1,101,217	1,326,929	175,598	601,149	776,747
Related loans receivable	952	4,446	5,399	456	1,449	1,905
Impairment	-	-930	-930	-	-	-
Net total	**226,664**	**1,104,734**	**1,331,398**	**176,054**	**602,598**	**778,652**
Shares and other variable-income securities	815,503	-	815,503	39,033	-	39,033
Net total	**815,503**	**-**	**815,503**	**39,033**	**-**	**39,033**
TOTAL NET VALUE	**1,694,269**	**1,104,734**	**2,799,002**	**837,738**	**602,598**	**1,440,336**

	Fixed in come	Variable in come	Total 2022	Fixed in come	Variable in come	Total 2021
Net unrealised capital gains	2,572	10,559	13,131	12,647	14,407	27,054

	Less than three months	From three months to one year	From one to five years	More than five years	Total 2022
Maturity of bonds and other fixed-income securities	15,999	780,971	229,559	300,401	1,326,929

Note 2 Investment securities[1]

	December 2022			December 2021		
	Listed securities	Unlisted securities	Total	Listed securities	Unlisted securities	Total
Government paper and equivalent	466,419		466,419	544,121		544,121
Related loans receivables	5,723		5,723	6,178		6,178
Net total	**472,142**		**472,142**	**550,299**		**550,299**
Bonds and other fixed-income securities	47,113		47,113	56,533		56,533
Related loans receivables	992		992	1,510		1,510
Net total	**48,105**		**48,105**	**58,043**		**58,043**
TOTAL NET VALUE	**520,248**		**520,248**	**608,342**		**608,342**
Difference between purchase price and redemption price	26,772		26,772	34,571		34,571

During the financial year, no investment security was sold before maturity for the needs of managing counterparty risk.

	Less than three months	From three months to one year	From one to five years	More than five years	Total 2022
Maturity of bonds and other fixed-income securities	13,536	14,294	19,282		47,113

(1) *Total balance sheet items: Government securities and related items (€1,124,243K), bonds and other fixed-income securities (€1,379,503K), shares and other variable-income securities (€39,033K), i.e. €2,543,780K at 31/12/2022.*

Note 3 Receivables from credit institutions

	December 2022			December 2021		
	On-demand	At maturity	Total	On-demand	At maturity	Total
Regular accounts	1,472,197	-	1,472,197	2,173,712	-	2,173,712
Loans to credit institutions	656,332	14,550,757	15,207,089	760,679	13,311,832	14,072,511
of which interbank investment	656,332	1,476,279	2,132,611	760,679	1,211,190	1,971,869
of which loan activity	-	13,074,478	13,074,478	-	12,100,642	12,100,642
Related loans receivables	837	108,375	109,212	122	64,542	64,664
Impairment	-2	-123,218	-123,220	-3	-146,988	-146,991
TOTAL	**2,129,363**	**14,535,915**	**16,665,278**	**2,934,510**	**13,229,386**	**16,163,896**

Outstandings where risk is born by the French State and on behalf of third parties amounted to €1,618,193K and €617,467K, respectively.

	Less than three months	From three months to one year	From one to five years	More than five years	Total 2022
Maturity of loans to credit institutions	4,298,589	732,769	2,672,358	5,370,763	**13,074,478**

The amount of non-performing loans, €5,196K, is included in the column "From three months to one year" and €2,135K in the column "From one to five years."

Details of doubtful term loans	Gross	Impairment	Gross	Impairment
Non-performing outstanding loans (excluding related loans receivables)	117,123	115,363	161,240	139,134
of which impaired sovereign loans(1) of which non-performing outstanding sovereign loans				
of which impaired non-sovereign loans of which non-performing outstanding non-sovereign loans	115,310	115,274	151,902	129,242

(1) Granted to States or with their endorsement. Only the outstanding principal amount of these loans is the object of provisions for liabilities.

Note 4 Transactions with customers

	December 2022	December 2021
Credit to customers	37,359,509	33,937,475
Related loans receivable	164,713	119,387
Impairment	-277,074	-287,244
TOTAL	**37,247,149**	**33,769,617**

Outstanding loans where risk is born by the French State and on behalf of third parties amounted to €3,150,104K and €423,760K, respectively, at 31 December 2022.

	Less than three months	From three months to one year	From one to five years	More than five years	Total 2022
Maturity of loans to customers	397,156	2,183,585	8,551,688	26,227,080	**37,359,509**

	December 2022		December 2021	
Details of doubtful term loans	Gross	Impairment	Gross	Impairment
Non-performing outstanding loans (excluding related loans receivables)	2,697,959	276,742	1,305,897	286,903
of which impaired sovereign loans(1)	532,149	2,557	6,131	7,775
of which non-performing outstanding non-sovereign loans	269,192	177,822	328,014	110,550

(1) Granted to States or with their endorsement. Only the outstanding principal amount of these loans is the object of provisions for liabilities.

Note 5 Equity investments and other long

	December 2022	December 2021
Long-term securities and equity securities	**202,684**	**167,902**
Gross value[(1)]	218,043	177,763
Translation differences	-15,359	-9,860
Impairment	45,666	46,875
NET TOTAL	**157,018**	**121,027**

(1) The gross amount of listed shares totalled €10,121K in 2022.

Note 6 Shares in related businesses

	December 2022	December 2021
Gross value	1,058,999	991,062
Impairment	70,070	56,958
NET TOTAL	**988,930**	**934,105**

Note 7 Transactions with related businesses

	December 2022	December 2021
Assets		
Receivables from credit institutions	5,865,648	5,425,572
Liabilities		
Term debts to credit institutions	200,993	211,763
Off-balance sheet		
Financing commitments given	1,879,981	1,817,985
Guarantee commitments given	1,922,748	1,600,779

Note 8 List of subsidiaries and equity investments

Subsidiaries held at more than 50% (amounts expressed in thousands of euros)

	Proparco	Soderag	Expertise France
Registered Head office	151, rue Saint-Honoré 75001 Paris	rue F. Eboué BP 64 97110 Pointe-à-Pitre	40, bd de Port-Royal 75005 Paris
Equity	984,373	5,577	829
Equity holdings	79.76%	100.00%	100.00%
Equity	1,105,237	-114,381	3,524
of which income after tax	-37,323	7	943
Gross carrying amount	719,910	5,980	0
Net carrying amount	719,910	0	0

	Sogefom	Fisea
Registered Head office	5, rue Roland-Barthes 75012 Paris	5, rue Roland-Barthes 75012 Paris
Equity	1,102	327,000
Equity holdings	58.69%	100.00%
Equity	10,106	202,134
of which income after tax	-617	-5,362
Gross carrying amount	5,015	327,000
Net carrying amount	5,015	262,910

Equity investments of between 10% and 50%

Gross value	59,246
Net value	37,705

Note 9 Fixed assets and depreciation

	2021	Purchases	Sales	Other items	2022
Gross value					
Land and development	89,651	77	-	2	89,731
Buildings and development	224,970	318,060	17	-595	542,419
Other property, plant and equipment	67,161	6,032	803	-469	71,921
Intangible assets	149,315	51,752	32	-7,894	193,141
GROSS AMOUNT	**531,098**	**375,921**	**852**	**-8,956**	**897,211**

	2021	Provisions	Reversals	Other items	2022
Depreciation/amortisation					
Land and development	3,588	235	-	-	3,823
Buildings and development	151,909	7,863	4	-	159,767
Other property, plant and equipment	50,307	5,874	722	-	55,459
Intangible assets	85,212	16,294	2	-	101,504
Amount of depreciation/amortisation	**291,016**	**30,266**	**728**	**-**	**320,553**
NET AMOUNT	**240,082**	**345,655**	**123**	**-8,956**	**576,658**

Note 10 Other assets and liabilities

	2022		2021	
	Assets	Liabilities	Assets	Liabilities
Accounts payable, French State	-	282,271	-	283,424
Allocated public funds	-	69,406	-	77,778
Guarantee funds in the French Overseas Departments	-	6,692	-	6,888
Collateral deposit	3,146,707	146,380	814,444	726,004
Others(1)	882,314	998,521	209,534	746,587
TOTAL	**4,029,021**	**1,503,269**	**1,023,978**	**1,840,682**

(1) The escrow account has a balance of €683M as part of the off-plan purchase of the Group's new head office (see significant events).

Note 11 Accruals

	December 2022		December 2021	
	Assets	Liabilities	Assets	Liabilities
Currency adjustment accounts on off-balance sheet items	-	230,960	-	20,249
Income and expenses resulting from swaps	498,732	340,412	334,330	104,588
Shared income and expenses	124,578	398,842	135,387	213,318
Other accruals	47,616	97,324	41,638	66,565
TOTAL	**670,926**	**1,067,539**	**511,355**	**404,720**

Note 12 Debts to credit institutions

	December 2022		December 2021	
	On-demand	At maturity	On-demand	At maturity
Debts to credit institutions	261,468	200,554	362,073	210,647
Related debts	408	842	- 59	1,519
TOTAL	**261,876**	**201,396**	**362,015**	**212,166**

	Less than three months	From three months to one year	From one to five years	More than five years	Total 2022
Maturity of loans due to credit institutions	14,499	80,403	105,653	-	200,554

Note 13 Transactions with customers

	December 2022		December 2021	
	On-demand	At maturity	On-demand	At maturity
Accounts payable, customers	2,749	-	2,511	-
Related debts	6	-	-	-
TOTAL	**2,755**	**-**	**2,511**	**-**

Note 14 Debt securities in issue

	December 2022	December 2021
Negotiable debt securities	1,980,966	500,483
Bonds	47,730,238	42,751,502
Related debts	400,757	341,150
TOTAL	**50,111,961**	**43,593,134**

	Less than three months	From three months to one year	From one to five years	More than five years	Total 2022
Maturity of debt securities in issue	1,653,833	2,693,812	21,004,838	22,377,754	47,730,238

Note 15 Provisions

	2021	Provisions	Reversals	Translation adjustments	2022
Sovereign loans(1)	985,425	114,960	45,179	50,275	1,105,480
Performing non-sovereign loans(2)	314,083	39,872	56,742	-	297,212
Guarantees given(2)	61,392	8,790	10,734	-	59,448
Financing commitments to non-sovereign loans(2)	57,649	40,765	42,020	-	56,393
Provisions for ARIZ and Proparco guarantees	57,704	41,171	19,744	1,209	80,340
French Overseas Department subsidiary risks	25,721	78	239	-	25,561
Other risks	10,276	1	-	-	10,277
Foreign exchange losses(1)	11,197	2,790	26	-	13,961
Administrative expenses(1)	637	-	-	-	637
Salary and employee benefit expenses(1)	132,654	10,251	956	-	141,949
TOTAL	**1,656,734**	**258,678**	**175,641**	**51,483**	**1,791,253**

(1) These provisions are not recorded in "cost of risk".

(2) Collective provisions amounted to €413,053K, of which €50,768K in stage 1 and €362,285K in stage 2. In 2021, collective provisions amounted to €433,123K, of which €40,752K in stage 1 and €392,371K in stage 2.

Note 16 Subordinated debt

	December 2022	December 2021
Subordinated debt	1,856,250	1,462,750
Related debts	622	6
TOTAL	**1,856,872**	**1,462,756**

Note 17 Reserve for General Banking Risk

	2021	Provisions	Reversal	2022
Reserve for General Banking Risk (RGBR)	460,000	-	-	460,000

Note 18 Capital excluding RGBR

	December 2022	December 2021
Provisions	4,417,999	4,227,999
Reserves	2,616,142	2,424,342
Grants	8,817	11,419
Unallocated income(1)	362,669	239,750
TOTAL	**7,405,627**	**6,903,510**

(1) The State's dividend amounted to €47,951K in 2021.

Note 19 Assets and liabilities in foreign currencies(1)

	December 2022	December 2021
Assets in foreign currencies(2)	10,701,430	10,148,537
Liabilities in foreign currencies(2)	10,213,013	7,069,861

(1) Excluding IMF transactions and off-balance sheet hedging transactions, as these transactions offset balance sheet positions.

(2) In principle, these foreign currency positions are offset by forward financial instruments recorded off-balance sheet.

Note 20 Interest and related income

	December 2022	December 2021
Interest and income on transactions with credit institutions[1]	752,406	433,121
Interest on loans[2]	375,970	261,484
Interest on short-term equity investments	25,711	-10,067
Income from forward financial instruments	350,724	181,705
Interest and income on transactions with customers[1]	586,217	537,132
Interest and income on bonds and other fixed-income securities	23,851	21,330
Equity securities	11,992	8,033
Investment securities	11,858	13,296
Other interest and related income	556,388	488,228
Income from forward financial instruments	556,388	488,228
TOTAL	**1,918,861**	**1,479,810**

(1) The amount of net reversals of provisions for interest on non-performing loans, adjusted for losses on interest on bad loans, was +€6,192K at 31/12/2022 compared with +€4,787K at 31/12/2021.

(2) Foreign currency loans granted by Proparco are backed by mirror refinancing facilities with AFD. In 2022, Proparco corrected the refinancing rate vis-à-vis AFD for 16 loans in dollars, following the identification of a misalignment between the rates of the loans granted by Proparco and the refinancing rate agreed with AFD. This change generated additional interest income in the 2022 financial statements of €5.8M for previous years.

	DOM	Pacific collectivities	Abroad
Breakdown of interest by geographical area:	10.4%	0.2%	89.4%
	109,854	2,021	946,954

Note 21 Interest and related expenses

	December 2022	December 2021
Interest and expenses on transactions with credit institutions	785,962	661,239
Interest on accounts payable	3,622	2,839
Expenses on forward financial instruments	782,340	658,399
Interest on borrowings	-	-
Interest and expenses on transactions with customers	686	928
Interest on subordinated debts	681	928
Other interest and expenses on transactions with customers	6	-
Interest and expenses on bonds and other fixed-income securities	531,678	464,074
Interest on interbank market securities and negotiable debt securities	6,226	-4,830
Interest on bonds	523,352	466,805
Interest on lowest-ranked subordinated debt	2,100	2,100
Other interest and related expenses	161,894	-82,152
Expenses on forward financial instruments	161,894	-82,152
Interest on allocated public funds	-	-
TOTAL	**1,480,220**	**1 ,044,089**

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Note 22 Commission income and expenses

	December 2022	December 2021
Commission income	**143,853**	**120,289**
from grants	108,298	97,015
from processing	25,435	19,092
other	10,120	4,182
Commission expenses	**2,563**	**3,605**

Note 23 Gains or losses on investment portfolio transactions

	December 2022	December 2021
Balance of equity security transactions	**-16,875**	**-5,920**
Capital gains on disposals	-	2,207
Capital losses on disposals	103	5,240
Reversals of provisions for depreciation	1	3
Provisions for depreciation	16,773	2,890

Note 24 Other income on banking operations

	December 2022	December 2021
Other income on banking operations	**373,424**	**334,091**
Subsidies	268,223	246,999
Other banking income	104,261	86,083
Net foreign exchange gains	939	1,009

Note 25 Other expenses on banking operations

	December 2022	December 2021
Other expenses on banking operations	**100,462**	**88,294**
Other operating expenses	100,462	88,294
Net foreign currency losses	-	-

Note 26 Overheads – Salary and employee benefit expenses

	December 2022	December 2021
Wages and bonuses	210,440	208,083
Social security expenses	86,415	84,807
Profit sharing	16,381	10,451
Taxes and similar payments on compensation	28,674	23,288
Provisions/reversal of provisions	9,295	11,963
Rebilling banks' staff	-1,150	-4,357
TOTAL	**350,054**	**334,235**

Note 27 Average headcount

	Executives	Supervisory staff	Employees Supervisors	Service staff	Stationary staff	Total 2022
Head office and local offices (excluding institutions)	1,920	96	1	-	582	2,599

Note 28 Asset impairment

		December 2022			
	December 2021	Provisions	Reversals	Translation adjustments	Total
Unpaid interest on loans (Notes 3 and 4)	28,993	31,293	29,017	326	31,596
Individualised risk on loans (Notes 3 and 4)	405,239	67,650	109,403	5,209	368,696
Impairment of equity investments (Notes 5 and 6)	103,833	176,330	164,427	-	115,736
Impairment of equity securities (Note 23)	2,988	16,773	1	-	19,761
TOTAL	**541,054**	**292,046**	**302,847**	**5,535**	**535,788**

Note 29 Cost of credit risk[1]

		December 2022		
	December 2021	Provisions	Reversals	Total
Provisions (Note 15)[1]	34,262	130,677	129,480	-1,198
Impairment of principal of doubtful loans (Note 28)	-10,762	28,202	91,390	63,188
Capital losses on bad loans	-58,684	19,234	3	-19,231
TOTAL	**-35,184**	**178,113**	**220,873**	**42,760**

(1) These figures do not include "Sovereign loans", "Foreign exchange losses", "Overhead" and "Employee benefit expenses" in Note 15.

Note 30 Gains or losses on fixed assets

	December 2022	December 2021
Gains or losses on financial fixed assets	11,145	-18,577
Capital gains and losses	758	-
Provisions/reversals for depreciation	-11,903	-18,577
Gains or losses on other fixed assets	39	-9
TOTAL	**-11,106**	**-18,586**

Note 31 Exceptional income

	December 2022	December 2021
Exceptional gains	**24**	**2,116**
Miscellaneous exceptional profits	24	2,030
Income from prior years	-	86
Exceptional losses	**113**	**909**
Expenses from prior years	5	65
Tax penalties and fines	-	10
Exceptional expenses	108	833
NET TOTAL	**-90**	**1,207**

Note 32 Other off-balance sheet commitments

	December 2022	December 2021
Guarantee commitments received from the French State on loans	5,610,173	4,943,801
Guarantee commitments received from credit institutions	260,021	334,046
Guarantee commitments made to credit institutions	30,501	35,010
Guarantee commitments given on securities	121,656	111,532
Guarantee commitments made to customers	3,053,943	2,907,037

Note 33 Commitments on forward financial instruments excluding IMF transactions[1]

	December 2022		December 2021	
	Notional	Valuation[2]	Notional	Valuation[2]
Outright transactions				
Interest rate swaps (hedging transactions)	59,309,156	-2,224,637	54,965,740	459,226
Currency swaps (hedging transactions)	38,459,625	-391,299	32,861,869	-332,193
Commitments received	19,107,628	-	16,414,545	-
Commitments given	19,351,997	-	16,447,324	-
Other instruments (hedging transactions)	-	-	-	-
Options	**192,493**	**3,586**	**238,876**	**532**

(1) This information does not appear in the publishable off-balance sheet.

(2) The value of these financial instruments was established with reference to market value.

	Less than one year	From one to five years	More than five years	Total 2022
Outright, micro-hedge and OTC market transactions				
Interest rate swaps	3,277,041	15,563,741	40,468,374	59,309,156
Currency swaps	4,244,185	19,422,226	14,793,215	38,459,625
Commitments received	2,127,897	9,785,926	7,193,806	19,107,628
Commitments given	2,116,288	9,636,300	7,599,409	19,351,997
Options	**6,000**	**120,026**	**66,467**	**192,493**

Note 34 Valuation of forward financial instruments excluding IMF transactions by issuer rating[1]

Banking counterparty rating	31/12/2022 Valuation[2]
A	-45,646
A-	-981,311
A+	-1,590,214
AA-	-19,047
BBB	23,894
BBB+	-26
NR	-
TOTAL	**-2,612,351**

1) Counterparty risk on derivatives related to the financing of IMF transactions is covered by the overall guarantee granted to AFD by the French State for this purpose.

(2) Replacement cost is represented by the net gain on market values, including accrued interest. If the balance is negative, the cost is zero.

Note 35 Investments held in managed funds[1]

Fund source	Number of equity in vestments	Purchase price
Caisse d'investissement des DOM (CIDOM)	1	463
FIDES (Investment Fund for Economic and Social Development)	4	630
FIDOM (French Overseas Departments Investment Fund)	1	91
TOTAL	**6**	**1,184**

(1) This information does not appear in the publishable off-balance sheet.

Note 36 Executive compensation

Gross annual compensation allocated to the main executives is €545,962.

- Rémy Rioux, Chief Executive Officer and corporate officer: €192,180
- Bertrand Walckenaer, Chief Operating Officer (COO): €180,278
- Marie-Hélène Loison, Deputy Chief Executive Officer: €173,504

Note 37 Corporate income tax

AFD's refinancing activity with respect to its subsidiary Proparco is subject to corporate income tax.

Note 38 Risk exposures

AFD operates on its own behalf in forward financial markets as part of its own activities and those delegated to it by the French State.

These transactions are undertaken within the limits authorised by Executive management with the agreement of the Board of Directors.

7.4 AFD's financial results over the last five financial years

	2022	2021	2020	2019	2018
Provisions + Retained earnings + Income (in millions of euros)	**7,397**	**6,892**	**5,253**	**5,148**	**5,017**
Net banking income (in millions of euros)	860	794	806	750	637
Net income (in millions of euros)	363	240	106	160	145
Net income/provisions + retained earnings + income	4.90%	3.48%	2.01%	3.11%	2.90%
Net income/balance sheet total	0.56%	0.42%	0.20%	0.33%	0.32%
Staff					
Number of employees (average)	2,599	2,592	2,537	2,379	2,187
Total payroll costs (in millions of euros)	350	334	314	294	261
of which social and cultural initiatives (in millions of euros)	30	23	21	21	20
Dividend paid	**48**	**21**	**0**	**29**	**43**

7.5 Statutory auditors' report on the financial statements

For the year ended December 31, 2022

This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.

This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the board of directors of Agence Française de Développement

Opinion

In compliance with the engagement entrusted to us by article R515-25 of Monetary and Financial Code (Code monétaire et financier), we have audited the accompanying financial statements of Agence Française de Développement for the year ended December 31, 2022.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2022 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "Statutory Auditors' Responsibilities for the Audit of the Financial Statements" section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules provided for in the French Commercial Code (Code de commerce) and the French Code of Ethics (Code de déontologie) for Statutory Auditors, for the period from January 1, 2022 to the date of our report, and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014.

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were the most significant in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, approved in the aforementioned context, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

Provisioning of credit risk

Risk identified et key judgments

The Agence Française de Développement "AFD" is exposed to credit and counterparty risks.

These risks are defined as the probability that a debtor will be unable to handle the repayment of the financing granted. A default by a counterparty can have a material impact on the results of AFD.

Your Agency is booking impairments and provisions to cover those risks. These are estimated using the methods defined below:

- The determination of impairments and provisions on performing and substandard exposures is based on an expected credit loss model taking into account, in addition to the outstanding amount, commitments and undrawn facilities through the application of conversion factors. This method is based on a calculation of expected credit losses according to a model integrating various inputs (probability of default, loss given default, exposure to default, rating...).
- AFD also records impairments on doubtful exposures. These are calculated on an individual basis and correspond to the difference between the book value of the asset and the discounted value of future cash flows recoverable on maturity after considering the effects of the activation of guarantees. They are determined individually on the basis of assumptions such as the counterparty's financial position, the corresponding country risk, the valuation of any guarantees, and expected future cash flows.

We considered that the assessment of credit risk and the assessment of provisions constitute a key point of the audit since they involve judgment by Management in the classification of exposures and in the assumptions that were used, in particular, in a context of persistent uncertainty marked by the conflict in Ukraine, tensions over raw materials and energy, as well as the return of inflation and a hike in interest rates.

As at December 31, 2022, the amount of individual impairments amounted to €400 million and the amount of provisions for counterparty risk recorded in liabilities amounted to €1,599 million for a gross outstanding of €50,409 million (including €2,815 million in gross doubtful outstanding as at December 31, 2022 subject to impairment).

For more details on the accounting principles and exposures, refer to notes 2.3, 2.10 of the accounting and valuation principles & methods and notes 3, 4, 15, 28 and 29 of the notes to the financial statements.

Our audit response

To assess the reasonableness of the impairments/provisions booked, we:

- examined the governance of the provisioning processes;
- tested the operating efficiency of the provisioning processes of the related internal controls;
- verified the consistency of data between the risk management systems and the accounting data;
- assessed the consistency of changes in exposures and provisions.

When the provision was calculated on a collective basis, we:

- assessed the methodological principals and the reasonableness of key underlying risk parameters (PD, LGE, EAD);
- checked the completeness of the exposures subject to provision calculations and the appropriate application of methodological principals;
- tested data quality on a sample basis;
- verified of the arithmetical accuracy of the calculations performed.

When the provision was determined on an individual basis, we:

- tested the appropriateness downgrading rules for doubtful exposures and verified their application;
- tested the underlying assumptions and data used by Management to estimate impairments on a sample basis;
- ensured the appropriate application of decision taken by the Risk Committee.

Valuation of equity investments and other long-term securities

Risk identified et key judgments

The Agence Française de Développement holds long-term investments. As detailed in Note 1.5 to the annual financial statements, these securities are recorded at their acquisition cost. These assets are impaired when the estimated value, assessed according to the company's net position and its prospects (which are estimated based on economic and financial information gathered on the company particularly on conditions in its country) or its stock market value is, as the case may be,lower than the acquisition cost.

Due to the limited availability of market data, the valuation of some of these financial instruments involves judgment by management for the selection of the valuation method and parameters to be used.

We considered the valuation of long-term investments to be a key audit matter, given:

- the significant impact of the choice of the valuation method on AFD's results;
- the sensitive nature of the parameters used for Management's assumptions;
- the significance of those amounts in the financial statements.

As at December 31, 2022, AFD's long-term investments net value stands at €1,146 million, including €116 million of impairments as indicated in notes 5, 6, 28 and 30 of the notes to the financial statements.

Our audit response

In this context, our work consisted of:

- updating our knowledge and then testing the effectiveness of the control system for the determination of the valuation method used for these investments;
- testing, on a sample basis, the correct application of the valuation method of investments.

To this purpose, we verified the appropriateness of the accounting methods used by Agence Française de Développement and ensured that they were correctly applied. An independent valuation of a sample of lines was carried out by our experts.

We also performed the following substantive procedures:

- reconciling, on the basis of sampling, the valuation of securities with the external documentation that justified it;
- examining all securities with an objective indicator of impairment to ensure the accuracy and completeness of the recorded impairments;
- verifying the accounting / management reconciliation for the equity portfolio;
- checking the accounting impact of significant disposals made during the financial year.

Specific verifications

In accordance with professional standards applicable in France, we have also performed the specific verifications required by French legal and regulatory provisions.

Information given in the Management Report and in the Other Documents Provided to the board of directors with respect to the financial position and the financial statements

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the board of directors and in the other documents provided to the members of the board of directors with respect to the financial position and the financial statements, with the exception of the following matter.

The sincerity and consistency of the information relating to the payment terms mentioned in Article D.441-6 of the French Commercial Code (Code de Commerce) with the financial statements lead us to report the following observation: as indicated in the management report, this information does not include banking operations, as your company considers that they do not fall within the scope of the information to be produced.

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Information with respect to the corporate governance

We attest the existence, in the Management Report section on corporate governance, of information required by articles L. 225-37-4 and L. 22-10-10 of the French Commercial Code (Code de commerce).

Other verifications and information pursuant to legal and regulatory requirements

Presentation of the financial statements to be included in the annual financial report

We have also verified, in accordance with the professional standard applicable in France relating to the procedures performed by the statutory auditor relating to the annual and consolidated financial statements presented in the European single electronic format, that the presentation of the financial statements intended to be included in the annual financial report mentioned in Article L.451-1-2, I of the French Monetary and Financial Code (code monétaire et financier), prepared under the responsibility of the Chief Executive Officer, complies with the single electronic format defined in the European Delegated Regulation No 2019/815 of 17 December 2018.

Based on the work we have performed, we conclude that the presentation of the financial statements intended to be included in the annual financial report complies, in all material respects, with the European single electronic format.

We have no responsibility to verify that the financial statements that will ultimately be included by your company in the annual financial report filed with the AMF are in agreement with those on which we have performed our work.

Appointment of the Statutory Auditors

We were appointed Satutory Auditors of Agence Française de Développement by the board of directors meeting held on July 3, 2002 for KPMG S.A. and on April 2, 2020 for BDO Paris.

As at December 31, 2022, KPMG S.A. was in the 21st year of total uninterrupted engagement, and BDO Paris was in the 3rd year of total uninterrupted engagement.

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 French accounting principles 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 it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Chief Executive Officer.

Statutory Auditors' Responsibilities for the Audit of the Financial Statements

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with professional standards 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.

As specified in Article L.823-10-1 of the French Commercial Code (Code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for the audit 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.
- Obtains 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 internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements.
- Assesses 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. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit Committee

We submit a report to the Audit Committee which includes a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.82210 to L.822-14 of the French Commercial Code (Code de commerce) and in the French Code of Ethics (Code de déontologie) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris La Défense and Paris, April 19, 2023

The statutory auditors
French original signed by

KPMG S.A.
Valéry Foussé
Partner

BDO Paris
Benjamin Izarié
Partner

Person responsible for the Registration Document and the audit of the financial statements

8.1 Name and position

Bertrand Walckenaer, Chief Operating Officer (COO).

8.2 Certification of the person responsible

I certify that I have taken all reasonable steps to ensure that the information contained in this Universal Registration Document is, to the best of my knowledge, correct and that no fact has been omitted that would be likely to alter its scope.

I certify that to the best of my knowledge the financial statements are drawn up in accordance with the accounting standards applicable and give a true and fair view of the assets, financial position and results of the company and all the subsidiaries included in the scope of consolidation. The management report faithfully reflects the development of the business, financial position and results of the company and all the subsidiaries included in the scope of consolidation and describes the primary risks and uncertainties with which they have to contend.

Paris, 25 April 2023

Chief Operating Officer (COO)

Bertrand Walckenaer

8.3 Name, address and qualification of the financial statements' statutory auditors

	For 2019 financial year		For 2020 financial year		For 2021 financial year		For 2022 financial year	
Name	KPMG Audit	Mazars	KPMG Audit	BDO Paris	KPMG Audit	BDO Paris Audit & Advisory	KPMG Audit	BDO Paris
Represented by	Pascal Brouard	Nicolas De Luze	Valéry Foussé	Arnaud Naudan	Valéry Foussé	Arnaud Naudan	Valéry Foussé	Benjamin Izarie
Address	2, avenue Gambetta, 92066 Paris La Défense CEDEX	61, rue Henri-Regnault 92075 Paris La Défense CEDEX	2, avenue Gambetta, 92066 Paris La Défense CEDEX	43-47, avenue de la Grande Armée 75116 Paris	2, avenue Gambetta, 92066 Paris La Défense CEDEX	43-47, avenue de la Grande Armée 75116 Paris	2, avenue Gambetta, 92066 Paris La Défense CEDEX	43-47, avenue de la Grande Armée 75116 Paris
Professional body	Compagnie régionale des commissaires aux comptes de Versailles	Compagnie régionale des commissaires aux comptes de Versailles	Compagnie régionale des commissaires aux comptes de Versailles	Compagnie régionale des commissaires aux comptes de Versailles	Compagnie régionale des commissaires aux comptes de Versailles	Compagnie régionale des commissaires aux comptes de Versailles	Compagnie régionale des commissaires aux comptes de Versailles	Compagnie régionale des commissaires aux comptes de Versailles

8.4 Information policy

Mr Bokar Cherif

Director of the Executive Finance Department

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CHAPTER

Additional information

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Appendix 7	**Summary table of AFD's and Proparco's loans in foreign countries**	**9.11**
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Appendix 9	**Note on the Statement of Non-Financial Performance methodology**	**9.13**
Appendix 10	**Statement of Non-Financial Performance appendices**	**9.14**

9.2 Incorporation by reference

1. In application of Article 19 of Regulation (EU) 2017/1129 of 14 June 2017, the following information is included by reference in this Universal Registration Document:
2. The consolidated and separate financial statements for the financial year ended 31 December 2020, set out on pages 179 to 204 and 119 to 168 respectively, the related Statutory Auditors' reports, on pages 205 and 169 respectively, and the Group's management report (including the consolidated financial statements) which appears on pages 8 to 79 and 83 to 91 of the Universal Registration Document filed with the AMF on 20 April 2021 under Number D21-0333.
3. The consolidated and separate financial statements for the financial year ended 31 December 2021, set out on pages 185 to 210 and 123 to 174 respectively, the related Statutory Auditors' reports, on pages 211 and 175 respectively, and the Group's management report (including the consolidated financial statements) which appears on pages 8 to 84 and 87 to 95 of the Universal Registration Document filed with the AMF on 28 April 2022 under Number D22-0377.
4. A description of the type of transactions carried out and the main activities for financial year 2019, on pages 12 to 14 of the 2019 Universal Registration Document filed with the AMF on 21 April 2020 under reference no. D20-0328.
5. A description of the type of transactions carried out and the main activities for financial year 2020, on pages 12 to 14 of the 2020 Universal Registration Document filed with the AMF on 20 April 2021 under reference no. D21-0333.
6. A description of the type of transactions carried out and the main activities for financial year 2021, on pages 12 to 14 of the 2021 Universal Registration Document filed with the AMF on 20 April 2021 under reference no. D21-0333.

9.3 Cross-reference table between Appendices 1 and 2 of delegated regulation 2019/980 and the Universal Registration Document

		Pages of the 2022 Universal Registration Document
SECTION 1	**PERSONS RESPONSIBLE, INFORMATION FROM THIRD PARTIES, EXPERT REPORTS AND APPROVAL OF THE COMPETENT AUTHORITY**	
Point 1.1	Persons responsible	217
Point 1.2	Statement of the person responsible	217
Point 1.3	Statement or report attributed to a person acting as an expert	71-73; 175-179; 211-215
Point 1.4	Information from a third party	71-73; 175-179; 211-215
Point 1.5	Approval of the competent authority	n/a
SECTION 2	**STATUTORY AUDITORS**	
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Point 2.2	Statutory Auditors who resigned due to dismissal or non-renewal of term	Not applicable
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Point 4.2	Issuer's place of registration, registration number and legal entity identification (LEI)	10
Point 4.3	Date of creation and duration of the issuer, where it is not indefinite	10
Point 4.4	The issuer's registered office and legal form	10

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SECTION 5	**OVERVIEW OF ACTIVITIES**	
Point 5.1	Main activities	12-14;
Point 5.2	Main markets	12-14;
Point 5.3	Important events in the development of the issuer's activities	20-38;
Point 5.4	Financial and non-financial strategy and objectives	11; 44-51
Point 5.5	Degree of dependence on industrial, commercial or financial patents, licenses or contracts	Not applicable
Point 5.6	Competitive position	11-14;
Point 5.7	Investment	189
SECTION 6	**ORGANISATIONAL STRUCTURE**	
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Point 6.2	List of the issuer's major subsidiaries	17-20;
SECTION 7	**REVIEW OF THE FINANCIAL POSITION AND RESULTS**	
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SECTION 8	**CASH AND CAPITAL**	
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Point 8.2	Source and amount of cash flows	127; 144
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SECTION 9	**REGULATORY ENVIRONMENT**	**96-104**
SECTION 10	**TREND INFORMATION**	
Point 10.1	Provide a description of any significant change in the Group's financial performance between the end of the last financial year for which financial information has been published and the date of the Registration Document, or provide an appropriate negative statement	116-117
Point 10.2	Report any trends, uncertainties, constraints, commitments or events of which the issuer is aware and which are reasonably likely to have a material impact on the issuer's outlook, at least for the current financial year	Not applicable
SECTION 11	**EARNINGS FORECASTS OR ESTIMATES**	**N/A**
SECTION 12	**ADMINISTRATIVE, MANAGEMENT, SUPERVISORY AND EXECUTIVE MANAGEMENT BODIES**	
Point 12.1	Information about members of the administrative, management or supervisory bodies	76-80;
Point 12.2	Conflicts of interest	81-82;
SECTION 13	**COMPENSATION AND BENEFITS**	
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Point 13.2	Total amount of the sums provisioned for pensions and retirement	143-144; 159-162; 193-196

		Pages of the 2022 Universal Registration Document
SECTION 14	**OPERATION OF ADMINISTRATIVE AND MANAGEMENT BODIES**	
Point 14.1	The end of that person's current mandate, where applicable, and the period during which he or she remained in office	76-84;
Point 14.2	Information on service contracts binding the members of the administrative, management or supervisory bodies to the issuer or to any of its subsidiaries and providing for the grant of benefits at the end of such a contract, or an appropriate statement attesting to the absence of such benefits	77-83;
Point 14.3	Information about the Audit Committee and the Compensation Committee	77-83; 105-108
Point 14.4	Statement as to whether or not the issuer complies with the corporate governance regime(s) applicable to it	77-83; 211-215
Point 14.5	Potential significant impact on corporate governance, including future changes in the composition of the administrative and management bodies and committees (to the extent that this has already been decided by the administrative and management bodies and/or the shareholders' meeting)	77-83
SECTION 15	**EMPLOYEES**	
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Point 15.3	Employee Profit Share Agreement	n/a
SECTION 16	**MAIN SHAREHOLDERS**	
Point 16.1	Name of any person owning a percentage of the issuer's share capital or voting rights to be notified	10-11;
Point 16.2	Main shareholders and voting rights	10-11;
Point 16.3	Information on issuer control	10
Point 16.4	Description of agreements that could lead to a change of control	n/a
SECTION 17	**RELATED-PARTY TRANSACTIONS**	
SECTION 18	**FINANCIAL INFORMATION ABOUT THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND INCOME**	
Point 18.1	Historical financial information	116-121;
Point 18.2	Interim and other financial information	n/a
Point 18.3	Audit of annual historical financial information	175-179; 210-213
Point 18.4	*Pro forma* financial information	n/a
Point 18.5	Dividend policy	11; 127
Point 18.6	Legal and arbitration proceedings	102
Point 18.7	Significant change in the issuer's financial position	Not applicable
SECTION 19	**ADDITIONAL INFORMATION**	
Point 19.1	Share capital	10
Point 19.2	Memorandum of association and bylaws	76; 82
SECTION 20	**MAJOR CONTRACTS**	**N/A (1)**
SECTION 21	**AVAILABLE DOCUMENTS**	**10**

(1) No significant contracts were entered into, other than those entered into in the normal course of business.

9.4 Cross-reference table of the CRR articles and the Pillar III report tables

Item CRR	Title		Paragraph
435	Publication of risk management objectives and policies	a/	6.2.5, 4.3.1
		b/	6.2.5, 4.3.1
		c/	6.2.5
		d/	4.2.5.1.3
		e/	8.2
		f/	8.2, 4.1, 4.3
	Governance arrangements	a/	3.1
		b/	3.1
		c/	3.1
		d/	3.1, 4.3.1, 6.2.5.1
		e/	3.1
436	Publication of scope of application	a/	1.1, 4.2.3.1
		b/	4.2.2.3
		c/	4.2.4
		d/	Not applicable
		e/	Not applicable
		f/	4.2.2.3
		g/	Not applicable
		h/	4.2.2.3
437	Publication of information on equity	a/	4.2.3
		b/	4.2.3
		c/	4.2.3
		d/	4.2.3.1
		e/	4.2.3.1
		f/	Not applicable
437 *bis*	Publication of information on equity and eligible commitments	a/	Not applicable
		b/	Not applicable
		c/	Not applicable
		d/	Not applicable
438	Publication of information on capital requirements and risk-weighted exposure amounts	a/	4.2.3.2
		b/	4.2.3.2
		c/	4.2.3.2
		d/	4.2.3.2
		e/	Not applicable
		f/	Not applicable
		g/	Not applicable
		h/	Not applicable

Item CRR	Title		Paragraph
439	Publication of information on counterparty credit risk exposures	a/	6.2.6.1
		b/	4.2.4.1.3
		c/	Not applicable
		d/	Not applicable
		e/	4.2.4.1.3
		f/	4.2.4.1.2
		g/	4.2.4.1.2
		h/	4.2.3.2
		i/	4.2.4.1.1
		j/	Not applicable
		k/	Not applicable
		l/	4.2.4.1.3
		m/	4.2.4.1.1
440	Publication of information on countercyclical equity buffer information	a/	Not applicable
		b/	Not applicable
441	Publication of information on global systemically important indicators		Not applicable
442	Publication of information on credit risk and dilution risk exposures	a/	6.2.3.2.3
		b/	6.2.3.2
		c/	4.2.4.1.1
		d/	6.2.3.2
		e/	Not applicable
		f/	6.2.5.1
		g/	4.2.4.1.1.2
443	Publication of information on encumbered and unencumbered assets		4.2.4.6
444	Publication of information on the use of the standardised approach	a/	4.2.4.1.2
		b/	4.2.4.1.2
		c/	4.2.4.1.2
		d/	4.2.4.1.2
		e/	4.2.4.1.2, 4.2.4.1.3
445	Publication of information on market risk exposure		4.2.3.3, 4.2.4.2
446	Publication of information on operational risk management	a/	4.2.4.3
		b/	Not applicable
		c/	Not applicable
447	Publication of information on key indicators (to be published in tabular form)	a/	4.2.3.1
		b/	4.2.4
		c/	4.2.3.1
		d/	Not applicable
		e/	Not applicable
		f/	Not applicable
		g/	Not applicable
		h/	Not applicable
448	Publication of information on interest rate exposures for positions not held in the trading book	a/	4.1.1.4
		b/	4.1.1.4
		c/	Not applicable
		d/	4.1.1.4
		e/	Not applicable
		f/	4.1.1.4
		g/	Not applicable

Item CRR	Title		Paragraph
		a/	4.2.4.1.5
		b/	Not applicable
		c/	Not applicable
		d/	Not applicable
		e/	Not applicable
		f/	Not applicable
449	Publication of information on exposure to securitisation positions	g/	4.2.4.1.5
		h/	Not applicable
		i/	Not applicable
		j/	Not applicable
		k/	Not applicable
		l/	Not applicable
449 *bis*	Publication of information on environmental, social and governance risks (ESG risks)		Not applicable
		a/	3.1
		b/	3.1
		c/	3.1
		d/	Not applicable
		e/	Not applicable
		f/	Not applicable
		g/	3.1
		h/	3.1
		i/	Not applicable
		j/	3.1
		k/	Not applicable
450	Publication of information on the compensation policy	l/	3.1
		a/	Not applicable
		b/	Not applicable
		c/	Not applicable
		d/	Not applicable
451	Publication of information on leverage ratio	e/	Not applicable
		a/	Not applicable
		b/	Not applicable
	Publications on of liquidity requirements – Liquidity coverage ratio	c/	Not applicable
		a/	Not applicable
		b/	Not applicable
	Publication of information on liquidity requirements - Net stable funding requirement	c/	Not applicable
451 *bis*	Publication of information on liquidity requirements - Liquidity management		Not applicable
452	Publication of information on the use of the NI approach for credit risk		Not applicable
		a/	4.2.4.1.3
		b/	4.2.4.1.3
		c/	4.2.4.1.3
		d/	4.2.4.1.3
		e/	4.2.4.1.3
		f/	4.2.4.1.3
		g/	4.2.4.1.3
		h/	4.2.4.1.3
		i/	4.2.4.3.2
453	Publication of information on the use of credit risk mitigation techniques	j/	Not applicable
454	Publication of information on the use of advanced measurement approaches for operational risk		Not applicable
455	Use of internal market risk models		Not applicable

9.5 Appendix 1 – AFD's operating region abroad

Africa

South Africa
Algeria
Angola
Benin
Botswana
Burkina Faso
Burundi
Cameroon
Cape Verde
Central African Republic
Comoros
Rep. Congo Dem.
Dem. Rep. of the Congo
Cote d'Ivoire
Djibouti
Egypt
Eritrea
Ethiopia
Gabon
Gambia
Ghana
Guinea
Equatorial Guinea
Guinea-Bissau
Kenya
Lesotho
Liberia
Libya
Malawi
Mali
Morocco
Mauritania
Mozambique
Namibia
Niger
Niger
Nigeria
Uganda
Rwanda
Sao Tome and Principe
Senegal
Sierra Leone
Somalia
Sudan
South Sudan
Swaziland
Tanzania
Chad
Togo
Tunisia
Zambia
Zimbabwe

3 Oceans

Antigua and Barbuda[1]
Cook Islands[2]
Dominican Rep.[1]
Dominica
Fiji[2]
Grenada[1]
Guyana
Haiti
Jamaica[1]
Kiribati[2]
Madagascar
Maldives[1]
Marshall Islands[2]
Mauritius
Micronesia, Federated States[2]
Territory of Montserrat
Nauru[2]
Niue[2]
Palau[2]
Papua New
Guinea[2]
St Lucia[1]
St-Kitts and Nevis[1]
St-Vincent and the Grenadines[1]
Solomon Islands[2]
Samoa[2]
Seychelles[1]
Suriname
Territory of Tokelau[2]
East Timor[2]
Tonga[2]
Tuvalu[2]
Vanuatu

Orients		
Albania	Kazakhstan	Syria
Afghanistan	Kosovo	Palestinian territories
Armenia	Laos	Thailand
Azerbaijan	Lebanon	Turkey
Bangladesh	Macedonia	Vietnam
Bosnia and Herzegovina	Moldova	Vietnam
Cambodia	Montenegro	Yemen
China	Myanmar (Burma)	
Georgia	Uzbekistan	
India	Pakistan	
Indonesia	Philippines	
Iraq	Serbia	
Jordan	Sri Lanka	
Latin America		
Argentina	Ecuador	
Bolivia	Mexico	
Brazil	Peru	
Colombia		
Costa Rica		
Cuba		

(1) Countries of the regional cooperation mandate.

(2) Countries of the Pacific mandate (regional cooperation and bilateral or regional interventions in the sectors of adaptation, mitigation to climate change and biodiversity).

The 19 priority countries 2018-2021	
Benin	Haiti
Burkina Faso	Liberia
Burundi	Madagascar
Central African Republic	Mali
Comoros	Mauritania
Dem. Rep. of the Congo	Niger
Ethiopia	Senegal
Djibouti	Chad
Gambia	Togo
Guinea	

9.6 Appendix 2 – AFD balance sheet using French standards (simplified)

AFD simplified balance sheet at 31 December 2022

Assets

In millions of euros	2022	2021	Change
Loans (net outstanding)	50,280	45,715	4,565
of which net outstanding loans on own behalf	*49,238*	*42,131*	*7,107*
Gross outstandings	50,410	45,967	4,443
of which loans on own behalf	*49,369*	*42,382*	*6,987*
of which loans on behalf of the State	*1,041*	*3,585*	*-2,544*
(-) individual impairments	400	434	-34
(+) accrued interest	270	183	-164
IMF-PRGF transactions	405	406	-1
Investment portfolio	520	608	-88
Short-term cash assets	6,750	7,152	-402
Equity investments and other securities	1,446	1,255	191
Fixed assets	577	240	337
Accruals and other assets	4,685	1,521	3,164
TOTAL	**64,663**	**56,898**	**7,764**

Liabilities

In millions of euros	2022	2021	Change
Market borrowings	49,700	43,181	6,519
Borrowings from French Treasury	1,857	1,463	394
Current accounts	466	576	-110
IMF-PRGF transactions	405	406	-1
Managed funds and State advances	1,031	907	124
Accruals and other liabilities	1,557	1,357	200
Provisions	1,791	1,657	135
Provisions and retained earnings	7,494	7,112	382
Income for the financial year	363	240	123
TOTAL	**64,663**	**56,898**	**7,764**

9.7 Appendix 3 – AFD income statement using French standards (simplified)

AFD simplified income statement 2021-2022

Expenses *(in millions of euros)*	2022	2021	Change
Expenses on borrowings	**1,438**	**1,001**	**437**
Miscellaneous financial expenses	**42**	**37**	**5**
Expenses on IMF-PRGF transaction	**3**	**1**	**2**
TOTAL EXPENSES ON BANKING OPERATIONS	**1,483**	**1,039**	**444**
Net of expenses on IMF-PRGF transaction	*1,480*	*1,038*	*442*
Net banking income	**860**	**794**	**66**
Overheads	**498**	**475**	**23**
• Salary and employee benefit expenses	350	334	16
• Taxes and similar payments	8	7	1
• Other general expenses	140	133	7
Depreciation/amortisation of property, plant, equipment and intangible assets (net)	30	27	3
Total expenses on non-banking operations	**529**	**502**	**27**
Gross operating income	**331**	**292**	**39**
Cost of risk	43	-35	78
Net impairment charges for deduction of capital assets	64	-11	75
Net provisions for risk and expenses	-2	34	-36
Capital losses on bad debts	-19	-59	39
Operating income	**374**	**257**	**117**
Gains or losses on fixed assets	-11	-19	7
Income from operations	**363**	**239**	**124**
Net exceptional transactions	-	1	-1
NET INCOME	**363**	**240**	**123**

Income	2022	2021	Change
Income on loans and guarantees	**1,798**	**1,403**	**395**
Subsidies	**267**	**246**	**21**
Investment income	**30**	**-2**	**32**
Income from equity investments	**24**	**2**	**22**
Commissions on operations	**123**	**105**	**18**
Ancillary income and miscellaneous	**98**	**79**	**19**
Income from IMF-PRGF transaction	**3**	**1**	**3**
TOTAL INCOME ON BANKING OPERATIONS	**2,342**	**1,833**	**510**
Net of income on IMF-ESAF transaction	*2,339*	*1,983*	*356*

9.8 Appendix 4 – Key ratios and indicators

In thousands of euros	2022	2021
Net banking income	**859,671**	**794,124**
Salary and employee benefit expenses	40.7%	42.1%
Net banking income		
Cost-to-income ratio		
General expenses	61.5%	63.2%
Net banking income		
Benefit-cost ratio		
Net profit (loss) for the period	5.2%	3.6%
Provisions + reserves*		
Efficiency ratio		
Net profit (loss) for the period	0.56%	0.42%
Balance sheet total		
Staff		
Number of employees (average)	2,599	2,592
Total payroll costs	350,054	334,235
Of which social and cultural activities	30	23
Net income	**362,669**	**239,750**
Distributed income	**47,950**	**21,110**

** Provisions and retained earnings exclude the Reserve for general banking risk, or FRBG.*

9.9 Appendix 5 – Results of operating activities for the last five financial years (parent company basis)

	2022	2021	2020	2019	2018
Provisions + Retained earnings + Income (in millions of euros)	7,397	6,892	5,253	5,148	5,017
Net banking income (in millions of euros)	860	794	806	750	637
Net income (in millions of euros)	363	240	106	160	145
Net income/provisions + retained earnings + income	4.90%	3.48%	2.01%	3.11%	2.90%
Net income/balance sheet total	0.56%	0.42%	0.20%	0.33%	0.32%
Staff					
Number of employees (average)	2,599	2,592	1,996	2,379	2,187
Total payroll costs (in millions of euros)	350	334	314	294	261
of which social and cultural initiatives (in millions of euros)	30	23	21	21	20
Dividend paid	48	21	-	29	43

9.10 Appendix 6 – AFD approvals

Typology of AFD's approvals

AFD approvals and disbursements by type of loan – Foreign countries

In millions of euros	Approvals 2022	Approvals 2021	Approvals % change 2022/2021	Disbursements 2022	Disbursements 2021	Disbursements % change 2022/2021
1- Current activities	8,336	8,302	0%	6,656	5,992	11%
Loans	**7,291**	**7,298**	**0%**	**5,828**	**5,036**	**16%**
Sovereign concessional loans	5,691	4,552	25%	3,866	3,363	15%
of which loans with direct concessionality	*2,631*	*1,554*	*69%*	*1,894*	*1,480*	*28%*
of which loans with indirect concessionality	*3,060*	*2,997*	*2%*	*1,972*	*1,883*	*5%*
Non-sovereign loans	1,600	2,746	-42%	1,651	1,673	-1%
of which concessional loans	*523*	*1,182*	*-56%*	*561*	*509*	*10%*
of which non-concessional loans	*1,077*	*1,565*	*-31%*	*1,089*	*1,164*	*-6%*
of which sub-participations granted to Proparco	588	492	19%	403	486	-17%
Other loans	-	-	n/a	311	-	100%
Ongoing grants	**1,045**	**1,004**	**4%**	**828**	**756**	**10%**
Project and FEXTE grants	906	888	2%	708	646	10%
Funding for NGOs	139	116	20%	120	110	10%
Guarantees	**-**	**-**	**n/a**	**-**	**-**	**n/a**
Other investments	**-**	**-**	**n/a**	**-**	**200**	**-100%**
2 - Mandate-specific operations	60	60	0%	44	76	-42%
General budget support (GBS) grants	60	60	0%	44	76	-42%
Other delegators	-	-	n/a	-	-	n/a
TOTAL FOR FOREIGN COUNTRIES	**8,396**	**8,362**	**0%**	**6,700**	**6,609**	**10%**

AFD approvals and disbursements by type of loan – Overseas

In millions of euros	2022	2021	Variance 2022/2021 €M	Variance 2022/2021 (in %)
Approvals (excl. guarantees)	**1,059**	**1,067**	**-8**	**-1%**
• DOM	604	594	10	2%
• French Overseas Collectivities	455	472	-17	-4%
• Multi-country	-	1	-1	
Disbursements	**937**	**824**	**113**	**14%**
• DOM	469	405	64	16%
• French Overseas Collectivities	468	419	49	12%
• Multi-country	-	-	-	n.s.
Undisbursed balance at 31/12	**1,034**	**1,122**	**-88**	**-8%**
• DOM	617	561	56	10%
• French Overseas Collectivities	417	561	-144	-26%
Outstandings at 31/12	**6,738**	**5,845**	**893**	**15%**
• DOM	3,869	3,742	127	3%
• French Overseas Collectivities	2,869	2,062	807	39%
• TAAF	-	40	-40	n.s.

The French Overseas Collectivities include the Pacific, Saint-Pierre-et-Miquelon, Saint Martin and Saint Barthélemy collectivities.

Breakdown by region

In millions of euros	Approvals 2022	Variance 2022/2021 2021	€M	(in %)
DOM	**604**	**594**	**10**	**2%**
Guadeloupe	97	84	13	15%
French Guiana	52	50	2	4%
Martinique	108	192	-84	-44%
Mayotte	111	52	59	n.s.
La Réunion	178	208	-30	-14%
Multi-country French Overseas Departments	58	8	50	n.s.
French Overseas Collectivities	**455**	**472**	**-18**	**n.s.**
New Caledonia	318	118	200	n.s.
French Polynesia	125	354	-229	-65%
St Pierre and Miquelon	-	-	-	n.s.
Saint Martin	11	-	11	n.s.
Wallis & Futuna	-	-	-	
Multi-country COM	-	-	-	
Multi-country	**-**	**1**	**-1**	
TOTAL	**1,059**	**1,067**	**-9**	**-1%**

Approvals excl. guarantees

Loans, provisions and guarantees given on its own behalf, by product

In millions of euros	Approvals 2022	Variance 2022/2021 2021	€M	(in %)
Current activities	1,059	1,067	-8	-1%
Loans	**1,038**	**1,049**	**-11**	**-1%**
Public sector	906	900	6	1%
Subsidised loans to local authorities(1)	*365*	*391*	*-26*	*-7%*
Other loans – public sector(2)	*541*	*509*	*32*	*6%*
Private sector	132	149	-17	-11%
Banks	*92*	*50*	*42*	*84%*
Corporates	*40*	*99*	*-59*	*n.s.*
Grants	**11**	**18**	**-7**	**-39%**
Guarantees(3)	**10**	**-**	**10**	**n.s.**
Guarantees granted - public sector	-	-	-	
French Overseas Departments funds(4)				
Mayotte Guarantee Fund(4)				
Equity investments	**-**	**-**	**-**	

(1) Of which Green loans.
(2) Other public sector loans include ADIE and PS2E loans.
(3) The guarantees presented above do not take into account Sogefom (€48.2M in 2022) and FOGAP (€0.5M in 2022) approvals.
(4) Housing guarantee funds in the French Overseas Departments and Collectivities and in Mayotte are no longer managed by AFD.

9.11 Appendix 7 – Summary table of AFD and Proparco loans in foreign countries

The geographic distribution of loans granted by AFD on its own behalf and by Proparco in foreign countries is presented in the table below. Sub-participation loans with Proparco (joint financing) at AFD's risk are not included in AFD's figures.

Detailed situation at 31 December 2022 of AFD and Proparco loans in foreign countries

	Disbursements		Outstandings		Undisbursed balance(3)	
In thousands of euros	AFD	Proparco	AFD(1)	Proparco(2)	AFD(1)	Proparco(2)
AFGHANISTAN						
SOUTH AFRICA	367,221	28,621	770,255	166,086	378,192	47,355
ALBANIA	75,000	3,000	75,000	3,000	135,000	2,000
ALGERIA			22,438		-	
ANGOLA	70,603		94,687	-	679,440	37,355
ARGENTINA	6,872	1,431	66,668	40,344	176,321	47,641
ARMENIA	120,271	28,037	232,895	47,110	5,000	40,000
AZERBAIJAN	37,775		240,011		28,627	
BANGLADESH	183,439	12,888	478,858	21,695	894,557	-
BENIN	40,405		120,546	4,880	334,487	-
BOLIVIA	8,000		403,830	-	296,792	4,669
BOSNIA-HERZEGOVINA		10,000		10,000		-
BOTSWANA				9,339		-
BRAZIL	178,305	53,199	1,348,193	421,118	298,340	163,429
BURKINA FASO	63,318	11,857	340,230	36,434	225,531	9,811
BURUNDI						
CAMBODIA	36,914	60,702	525,283	138,695	88,895	23,347
CAMEROON	101,537	10,420	1,253,912	61,865	187,296	16,332
CAPE VERDE	-4		47,028		5,386	
CENTRAL AFRICA			-		-	
CHILE				34,264		-
CHINA	73,997	96	575,716	75,719	1,032,803	32,686
COLOMBIA	219,654	33,331	2,211,884	55,900	320,000	34,754
COMOROS						
CONGO	80,760	20	216,213		203,990	
COOK ISLANDS						
COSTA RICA	104,669	4,445	246,397	55,050	215,372	-
COTE D'IVOIRE	207,355	5,495	555,694	139,414	1,007,878	138,470
CUBA	18,182		48,664		189,537	
DJIBOUTI			19,367		-	
DOMINICAN REP.	3,500		911 538	25,186	332,171	10,000
EL SALVADOR	193,885	3,824	1,174,096	110,719	922,930	23,347
EGYPT				85,169		16,810
ECUADOR	135,903	2,802	713,394	157,603	180,293	6, 702
ETHIOPIA	17,500		240,208	16,719	161,562	10,273
FRANCE			25,343		-	
GABON	76,565	19,055	484,474	64,181	177,032	25,645
GAMBIA						

	Disbursements		Outstandings		Undisbursed balance(3)	
In thousands of euros	AFD	Proparco	AFD(1)	Proparco(2)	AFD(1)	Proparco(2)
GEORGIA	90,000	63,194	645,000	85,794	108,000	45,000
GHANA	14,522	6,850	472,840	59,045	88,393	37,355
GRENADA			10		-	
GUATEMALA		23,347		52,714		-
GUINEA	19,722		91,063	16,326	202,774	-
GUINEA-BISSAU						
EQUATOR. GUINEA						
HAITI				17,992		1,774
HONDURAS				86,168		-
DOMINICA ISLAND			13,958		-	
INDIA	46,367	58,226	1,165,489	199,107	1,160,773	60,702
INDONESIA	72,473	2,529	1,463,046	15,147	530,101	-
IRAQ			381,679	-	110,000	14,008
JAMAICA				63,114		-
JORDAN	185,150	15,008	987,377	209,813	224,000	34,554
KAZAKHSTAN			-	5,188	250,000	28,016
KENYA	49,227	62,128	850,277	204,880	756,016	167,810
LAOS				17,430		-
LEBANON	5,019	70	54,121	31,698	38,779	4 669
LIBERIA						
LIBYA						
MADAGASCAR	15,879	15,000	135,517	34,978	124,643	-
MALDIVES			9,481		-	
MALI	27,251	72	213,247	9,157	238,347	6,037
MOROCCO	391,748	38,541	2,242,020	50,697	1,076,480	18,250
MAURITIUS	49,254	9,339	514,463	92,255	31,300	-
MAURITANIA			80,657		764	
MEXICO	278,421	90,025	1,866,043	125,086	213,767	36,670
MOLDOVA	60,000	8,000	60,000	8,000	-	-
MONGOLIA		12,154		26,405		-
MONTENEGRO	5,000		5,000	7,781	45,000	-
MOZAMBIQUE	2,116		187,658	39,092	109,357	4,669
MULTI-COUNTRY	572,217	349,743	3,639,566	867,327	722,834	274,502
MYANMAR (formerly BURMA)			1,089	15,823	121,611	-
NAMIBIA			44,568		100,000	
NEPAL		227		227		10,046
NICARAGUA		19,985		46,039		9 339
NIGER	33,556		183,595	11,747	213,911	-
NIGERIA	107,460	53,329	619,655	255,225	1,249,587	3,642
UGANDA	20,084	16,249	264,702	63,599	471,082	46,694
UZBEKISTAN	195,900	6,686	551,032	48,395	424,367	75,316
PAKISTAN	26,884	4 669	390,773	23,758	730,640	29,324
PANAMA		11,207		148,287		-
PARAGUAY				57,897		28,016
PERU	40,000	726	154,812	76,612	85,000	5,000

	Disbursements		Outstandings		Undisbursed balance[3]	
In thousands of euros	AFD	Proparco	AFD[1]	Proparco[2]	AFD[1]	Proparco[2]
PHILIPPINES		2,403	817,350		197,894	
DR CONGO			-	1,212	80,000	14,000
RWANDA	35,192		134,915	-	186,595	15,000
SAINT LUCIA			999		-	
SAO TOME						
SERBIA	93,278	27,500	1,128,801	116,133	556,377	19,550
SENEGAL	53,179	2,800	53,055	81,718	434,621	2,096
SEYCHELLES			8,192		16,000	
SIERRA LEONE						
SOMALIA			1,397		-	
SUDAN						
SOUTH SUDAN						
SRI LANKA	24,541		157,695	58,793	373,335	-
ST-VINCENT-GREN			-		-	
SURINAME			21,774		30,628	
SYRIA, REP.						
TAJIKISTAN				3,335		-
TANZANIA	81,221	93,388	268,538	93,857	855,085	-
CHAD			101,222	55	-	9,258
AUTO. PALES. TERR.	-1	18,678	21,963	33,597	-	40,157
THAILAND		4,990	4,833	7,833	-	-
TOGO	11,526		20,770	5,399	179,546	-
TUNISIA	86,000	934	985,040	52,801	814,900	44,000
TURKEY	123,390	114,686	1,101,767	384,136	521,956	86,694
URUGUAY		933		24,956		1,705
UKRAINE				5,721		-
VANUATU						
VIETNAM	68,341	9,965	803,210	92,741	475,116	87,229
YEMEN			1,445	-	-	18,678
ZAMBIA	18,057	78	91,916	21,368	61,739	-
ZIMBABWE						
TOTAL	**5,324,601**	**1,432,881**	**36,456,441**	**5,836,945**	**22,688,750**	**2,024,388**

The amounts presented here correspond to AFD and Proparco transactions, excluding third-party accounts and loans that were waived by the State.
(1) AFD loans exclude sub-participation loans with Proparco and microfinance transactions.
(2) Proparco loans also include subordinated loans, bonds and other securities.
(3) Signed and unsigned balance to be paid.

9.12 Appendix 8 – Table of Proparco's approvals

9.12.1 Appendix 8.1: part 1

	Loans		Equity investments		Other investments		Guarantees		Grant		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
SOUTH AFRICA	48	106	-	-	-	-	-	-	-	-	48	106
ALGERIA	-	-	-	-	-	-	-	-	-	-	-	-
ALBANIA	5	-	-	-	-		-	-	-	-	5	-
ANGOLA	-	34	-	-	-	-	-	-	-	-	-	34
ARGENTINA	-	-	1	-	-	-	-	-	-	-	1	-
ARMENIA	-	17	-	-	-	-	-	-	-	-	-	17
BANGLADESH	-	-	-	-	-	-	-	-	-	-	-	-
BENIN	-	20	-	-	-	-	1	-	-	-	1	20
BRAZIL	160	202	28	9	-	-	-	-	-	-	188	211
BOLIVIA	5	-	-	-	-	-	-	-	-	-	5	-
BOSNIA	10	-	-		-	-	-	-	-	-	10	-
BURKINA FASO	2	19	-	-	-	-	13	4	1	-	16	22
CAMBODIA	66	45	-	-	-	-	-	-	2	-	67	45
CAMEROON	1	-	-	-	-	-	14	24	-	-	15	24
CHINA	-	8	-	-	-	-	-	-	-	-	-	8
COLOMBIA	63	43	-	-	-	-	-	-	-	-	63	43
CONGO	-	-	-	-	-	-	-	-	-	-	-	-
CONGO-BRAZZAVILLE	-	-	-	-	-	-	-	3	-	-	-	3
COSTA RICA	4	43	-	-	-	-	2	-	-	-	6	43
COTE D'IVOIRE	2	5	-	-	-	-	71	37	-	-	73	42
DJIBOUTI	-	-	-	-	-	-	-	-	-	-	-	-
EGYPT	23	-	2	28	-	-	-	-	-	-	25	28
ECUADOR	19	25	-	-	46	-	-	-	-	-	65	25
EL SALVADOR	-	28	-	-	-	-	-	-	-	-	-	28
GEORGIA	17	47	-	-	-	-	-	-	-	-	17	47
GHANA	41	22	-	-	-	-	12	6	-	-	53	28
GUINEA	-	-	-	-	-	-	19	5	-	-	19	5
GUATEMALA	25	-	-	--	-	-	-	-	-	-	25	-
HAITI	-	-	-	-	-	-	3	1	-	-	3	1
HONDURAS	-	17	-	-	-	-	-	-	-	-	-	17
INDIA	65	63	46	27	-	4	-	34	-	-	110	128
INDONESIA	-	-	-	-	-	-	4	2	-	-	4	2
IRAQ	14	-	-	-	-	-	5	-	-	-	19	-
JORDAN	6	29	-	-	-	-	-	-	-	-	6	29
KAZAKHSTAN	30	14	-	-	-	-	-	-	-	-	30	14
KYRGYZSTAN	-	-	-	8	-	-	-	-	-	-	-	8
KENYA	141	103	43	16	11	8	1	-	-	-	196	128
LAOS	-	-	-	-	-	-	-	1	-	-	-	1
LEBANON	-	-	-	-	-	-	-	-	-	-	-	-
LIBERIA	-	-	-	-	-	-	-	-	-	-	-	-
MADAGASCAR	-	-	-	-	-	-	13	12	-	-	13	12

9.12.2 Appendix 8.2: part 2

	Loans		Equity investments		Other investments		Guarantees		Grant		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
MALI	2	-	2	-	-	-	-	3	-	-	4	3
MOROCCO	15	-	20	-	-	-	-	15	-	-	35	15
MAURITANIA	-	-	-	-	-	-	26	-	-	-	26	-
MAURITIUS	-	42	-	-	-	-	-	-	-	-	-	42
MEXICO	-	5	-	-	-	-	-	-	-	-	-	5
MOLDOVA	-	-	-	-	-	-	-	-	-	-	-	-
MONGOLIA	-	-	-	-	-	-	-	-	-	-	-	-
MOZAMBIQUE	-	-	-	-	-	-	-	3	-	-	-	3
MULTI-COUNTRY	92	173	100	81	-	-	-	10	3	2	195	266
MULTI-COUNTRY AFA	-	-	-	-	-	-	-	-	-	-	-	-
MULTI-COUNTRY AFC	-	-	-	-	-	-	-	-	-	-	-	-
MULTI-COUNTRY AFN	-	-	-	-	-	-	-	-	-	-	-	-
MULTI-COUNTRY AFO	75	73	-	-	-	-	-	-	-	-	75	73
MULTI-COUNTRY AFQ	-	-	-	-	-	-	-	-	-	-	1	-
MULTI-COUNTRY AFR	-	14	70	-	-	-	-	-	-	11	71	25
MULTI-COUNTRY AFS	10	-	16	-	22	-	-	-	2	-	50	-
MULTI-COUNTRY ALC	-	-	-	-	-	-	-	-	-	-	-	-
MYANMAR	-	4	-	-	-	-	-	-	-	-	-	4
NAMIBIA	-	-	-	-	-	-	-	-	-	-	-	-
NICARAGUA	10	-	-	-	-	-	-	-	-	-	10	-
NIGER	2	-	-	-	-	-	1	1	-	-	3	1
NIGERIA	-	24	-	4	-	-	18	-	-	-	18	28
UGANDA	62	29	-	-	-	-	7	-	-	-	68	29
UZBEKISTAN	82	44	-	-	-	-	-	-	-	-	82	44
PAKISTAN	-	-	-	-	-	9	-	-	-	-	1	9
PANAMA	-	16	-	-	-	-	-	-	-	-	1	16
PARAGUAY	29	26	-	-	-	-	-	-	-	-	29	26
PERU	5	42	-	-	-	-	-	-	-	-	5	42
DEM. REP. OF THE CONGO	14	-	-	-	-	1	-	-	-	-	14	1
DOMINICIAN REPUBLIC	14	28	-	-	-	-	-	5	-	-	14	33
SALVADOR	36	-	-	-	-	-	-	-	-	-	36	-
SENEGAL	1	29	-	-	-	-	11	17	7	-	18	46
SERBIA	-	50	-	-	-	-	-	-	-	-	1	50
SIERRA LEONE	-	-	6	-	-	-	-	-	-	-	6	-
SWITZERLAND	-	-	-	-	-	-	10	-	-	-	10	-
SWAZILAND	-	-	-	-	-	-	-	-	-	-	-	-
RWANDA	15	-	-	-	-	-	-	-	-	-	15	-
TAJIKISTAN	-	-	-	-	-	-	-	-	-	-	-	-
TANZANIA	92	-	-	-	-	-	19	5	-	-	110	5
CHAD	-	-	-	-	-	-	-	-	-	-	-	-

9.13 Appendix 9 – Note on the Statement of Non-Financial Performance (NFPS) methodology

This report has been prepared in accordance with the GRI Standards (Global Reporting Initiative): core compliance option GRI Universal Standards 2021.

Reporting period

The data is submitted on an annual basis.

The data collected cover the period from 1 January to 31 December of year N, unless otherwise specified when the indicator is mentioned.

Note: the well-being indicator in the social barometer covers the 2021 financial year, it is not conducted annually.

Presentation of main risks

The material risks for the four social/societal, environmental, human rights and anti-corruption categories are identified by cross-referencing the work already carried out in the materiality assessment of non-financial issues facing AFD Group with the existing risk map.

The materiality of each of the risks was assessed according to financial criteria (operating cost of the risk materialising), impact, temporality and likelihood of occurrence.

The 2022 statement of non-financial performance has a different scope from the 2021 statement since the Expertise France subsidiary joined the Group on 1 January 2022. For this first year, the subsidiary is covered by the most material aspects.

Description of the policies applied

For each material risk, a description of the policies applied to prevent it, as well as identify and mitigate it should it occur.

Choice of indicators

Key performance indicators are used to measure the results of the policies mentioned in the above point. These indicators have been selected to provide the most relevant information on the risks and issues covered by the policies.

Comparability with previous year (N-1)

Whenever possible and relevant, indicators are mentioned for year N and N-1. When the N-1 data is not mentioned, this is generally because the comparison is not relevant. The data depends on the composition of the project portfolio for the year. As projects are diverse and unique, changes do not relate to annual targets but rather to a multi-year strategy. Regarding the indicators published for the first time this year, the relevant N-1 data will be published in the next Statement of Non-Financial Performance.

Reporting and scope of indicators

Scopes vary depending on each corporate, social or environmental indicator, according to need, and the suitability and availability of information. The measurement scope is specified for each indicator.

The scopes taken into account are as follows:

- **Group:** AFD, Proparco, Sogefom and Fisea, and French Overseas reserve banks (100% of the Group's headcount);
- **AFD:** AFD head office and local offices (98.7% of the Group's headcount);
- **Head office:** AFD and Proparco head offices (65.3% of the Group's headcount);
- **AFD head office:** AFD head office only, including Marseille site and excluding Proparco (53.4% of the Group's headcount);
- **AFD Paris head office:** AFD head office excluding Marseille site: Barthes, Mistral, Vivacity and Art&Co buildings (52.6% of the Group's headcount);
- **France:** all employees under French law at the head offices and local offices of AFD, Proparco and French Overseas reserve banks, excluding staff working in local offices.

This scope refers only to the tables showing quantitative social and environmental indicators.

It should be noted that Expertise France retains its own employee status and that quantitative social and environmental indicators are presented separately.

Consolidation of data and internal control

Non-financial indicators are produced by AFD's various departments according to their areas of expertise and are compiled for the management and activity reports. The Strategy, Foresight and Institutional Relations Department ensures that the information released on indicators is consistent.

External audit

The Statutory Auditors must certify that the Statement of Non-Financial Performance required by Article L.225-102 of the French Commercial Code is effectively included in the management report.

An independent third party body must be appointed to verify the Statement of Non-Financial Performance. It produces a reasoned opinion on:

- the statement's compliance with the provisions of I and II of Article R.225-105 (presentation and content of the Statement of Non-Financial Performance);
- the accuracy of the information provided, specifically the policy results including the key performance indicators (3° of I and UU of Article R.225-105).

As permitted by the regulations, AFD has appointed one of its Statutory Auditors as independent third party body.

Reasons for excluding mandatory topics

The following information, listed in Paragraph 2 of title III of Article L.225-102-1 of the French Commercial Code, is not considered to be relevant because of the nature of AFD Group's activities: the circular economy, combating food waste, combating food poverty, respect for animal welfare, respect for responsible, fair and sustainable food.

Main Statement of Non-Financial Performance indicators

Information	Scope	Issues
Greenhouse gas emissions avoided or reduced	Group	Compliance with planetary limits
Number and amounts of AFD projects subject to an environmental and social risk assessment	AFD	Environmental and social risks in projects
Number and amounts of Proparco projects subject to an environmental and social risk assessment	Proparco	Environmental and social risks in projects
Number of consultations with the ethics advisor	Group	Ethics and financial exemplarity
Share of sovereign and non-sovereign financing published in IATI format	AFD	Transparency of funding and accountability for its impacts
Number of complaints received by the complaints management system	AFD + Proparco	Customer and counterparty satisfaction Environmental and social risks in projects Sustainability deepening in operations Compliance with planetary limits
Financing volume marked CAD1 and CAD2	AFD + Proparco	Strengthening the social link
Headcount at 31/12 and breakdown by gender	Group	Equity, diversity and professional equality
Global training effort (not available)	AFD + Proparco	Employee skills development
Number of sustainable development training sessions	AFD + Proparco	Sustainability deepening in operations
Number of "safety" e-learning training courses	AFD + Proparco	Employee health, safety and security
Number of face-to-face "safety" sessions and number of people who completed them in 2022	Expertise France	Employee health, safety and security
Social barometer's well-being at work indicator	AFD + Proparco	Quality of life at work for employees
Social barometer's well-being at work indicator	Expertise France	Quality of life at work for employees
Introduction of dialogue on strategy and projects	AFD + Proparco	Commitment of clients and counterparties to the Sustainable Development Goals Sustainability deepening in operations
Complaints management system	AFD Proparco	Customer and counterparty satisfaction Environmental and social risks in projects Sustainability deepening in operations Compliance with planetary limits
E&S risk management process over the project cycle	AFD Proparco	Environmental and social risks in projects Sustainability deepening in operations
Funding granted as part of "CSO Initiatives" projects	AFD	Multi-stakeholder mobilisation for the Sustainable Development Goals (SDGs)
Number of CSO projects	AFD	Multi-stakeholder mobilisation for the Sustainable Development Goals (SDGs)
Amount of AFD financing approvals using resources from other financial stakeholders	AFD	Multi-stakeholder mobilisation for the Sustainable Development Goals (SDGs) Transparency of funding and accountability for its impacts
AFD *ex-ante* result indicators	AFD	Sustainability deepening in operations
Proparco *ex-ante* result indicators	Proparco	Sustainability deepening in operations
Policies to reinforce project management	AFD	Commitment of clients and counterparties to the Sustainable Development Goals (SDGs) Sustainability deepening in operations
Amount of commitment approvals for specific capacity building tools	AFD	Commitment of clients and counterparties to the Sustainable Development Goals (SDGs) Sustainability deepening in operations
Initiatives engaged for preventing corruption, fraud, money laundering and the financing of terrorism	AFD + Proparco	Financial ethics and exemplarity

Information	Scope	Issues
Number of people registered for AML/CFT e-learning training (modules 1 and 2) and having validated it	AFD + Proparco	Ethics and financial leadership
The ethics system (Charter, Committee, ethics adviser)	AFD + Proparco	Ethics and financial leadership
Number of training courses provided by the ethics adviser	AFD + Proparco	Ethics and financial leadership
Training for local employees: number of employees and training hours	AFD + Proparco (local employees only)[1]	Employee skills development
Collective agreement evaluation	AFD + Proparco[2]	Employee relations within the Group
System for managing psychosocial risks	AFD + Proparco	Employee relations within the Group
Percentage of climate co-benefit projects	AFD + Proparco	Compliance with planetary limits
Amount of climate co-benefit projects	AFD + Proparco	Compliance with planetary limits
Breakdown of AFD's commitments by sector of activity	AFD	Sustainability deepening in operations

(1) Local AFD/Proparco/IE employees, training organised by the Human Resources Department, at the head office or in the network.

(2) NB: the scope may differ depending on the agreement.

Methodology for calculating *ex-ante* performance indicators

Ex-ante indicators present expected outcomes at the time of the *ex-ante* appraisal of the project. They are, therefore, given before project funding is granted and are aggregated per year of grant. *Ex-ante* estimates are defined at the end of the project identification and *ex-ante* appraisal phase. The project manager estimates the expected outcomes with the support of the Agency and the counterparty. Actual data is collected on an annual basis as soon as the project begins to deliver results. Project managers mobilise their contacts in the branch and within the counterparties and/or local project managers to collect the necessary data (reporting, supervision mission checklist, technical implementation report, other elements of the monitoring-evaluation system, etc.). All data is entered and stored in AFD's information system.

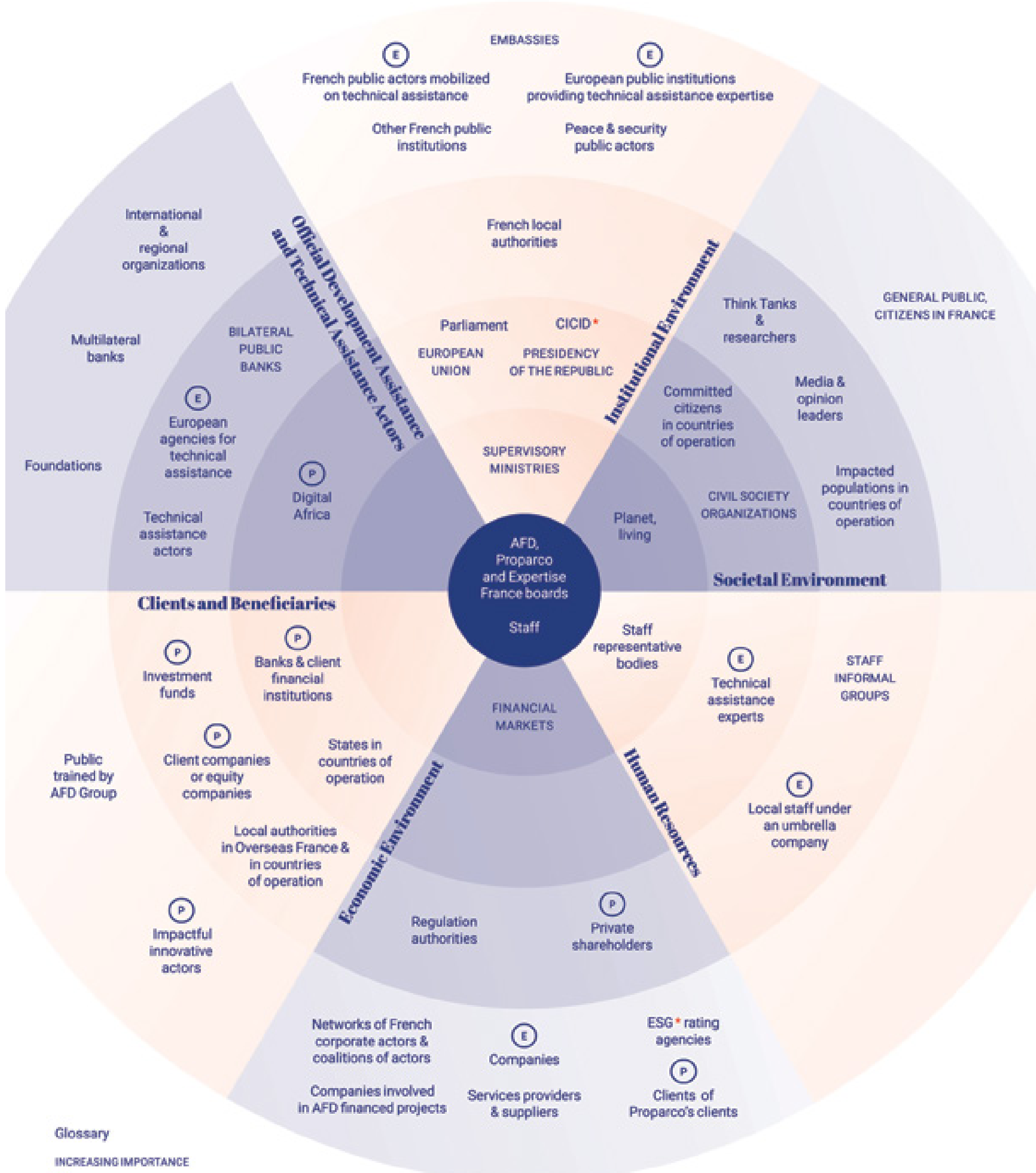
Some of the *ex-ante* indicators are stipulated by Law 2021-1031 of 4 August 2021 on programming related to solidarity-based development and the fight against global inequalities, known as the LOP-DSI (list of indicators in the appendix of the aforementioned law[1]).

The other indicators, not provided for by law, are put in place to monitor sector strategies and action plans in a more targeted manner. They are regularly updated in order to align them with our areas of intervention and priorities and to better capture the achievements of our projects. This may result in changes to the indicators or their titles.

AFD Group makes available the methodological notes corresponding to the preparation of these indicators.

9.14 Appendix 10 – Statement of Non-Financial Performance appendices

9.14.1 Appendix SNFP 1: Mapping of AFD Group's stakeholders (2022)



Glossary

INCREASING IMPORTANCE

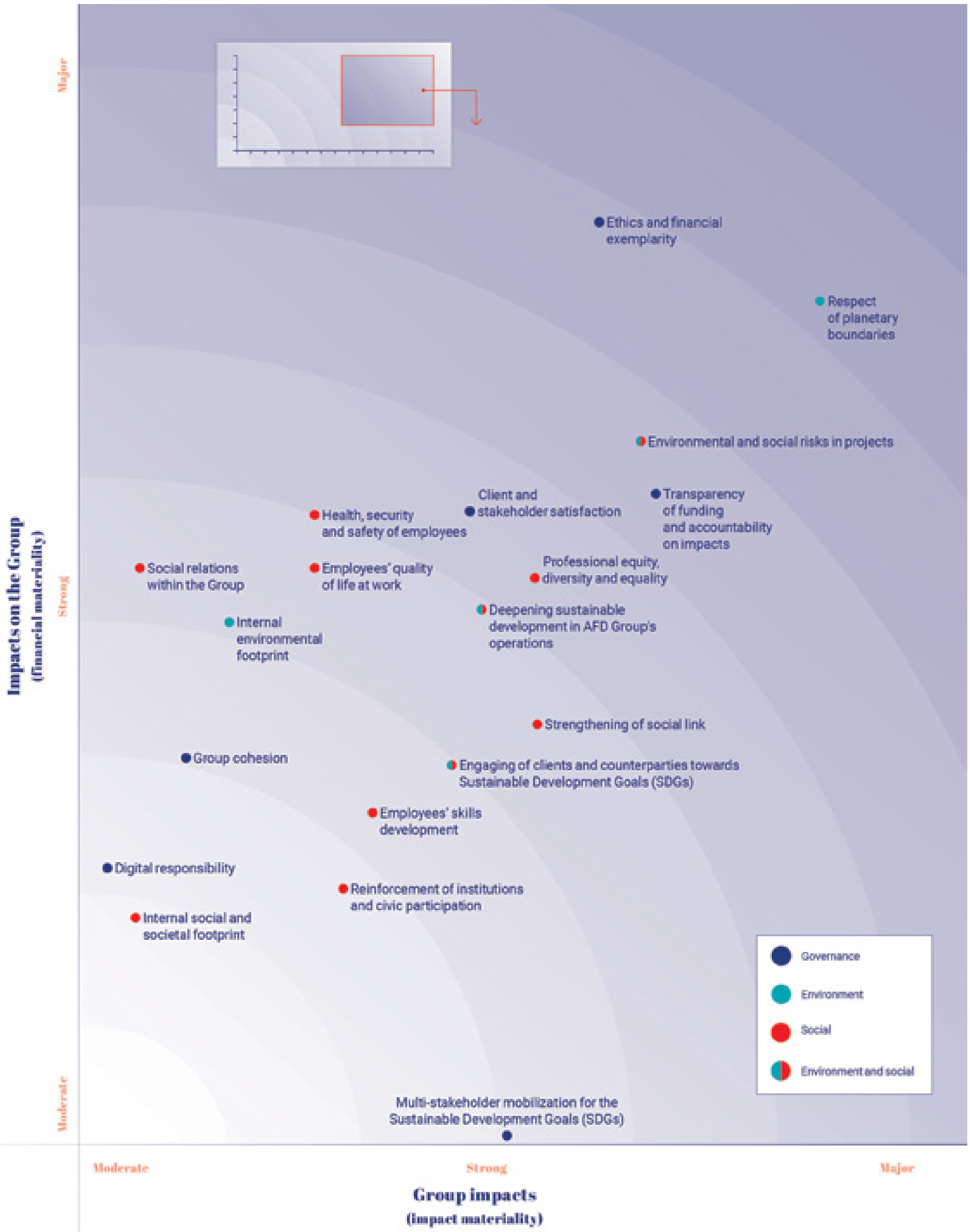
(P) Specific to Proparco

(E) Specific to Expertise France

* CICID: Interministerial Committee on International Cooperation and Development (Comité interministériel de la coopération internationale et du développement)

* ESG rating agencies: environmental, social and governance rating agencies

9.14.1.1 Appendix SNFP 1: Materiality matrix



Description of the Group's non-financial issues and correspondence with the sections of the SNFP

Issue	Definition of the issue	Corresponding parts of the SNFP
Governance		
Ethics and financial leadership	Fight against money laundering, fraud, corruption, embezzlement, internal and external.	§ 7
Transparency of funding and accountability for its impacts	Transparency on the allocation of funds and accountability on their impacts in terms of sustainable development based on consensus indicators.	§ 4
Group cohesion	Alignment of CSR practices; fairness between teams and subsidiaries; dialogue; knowledge sharing.	Background
Customer and counterparty satisfaction	Listening to needs; concern for facilitation, the adequacy of the Group's offering, efficiency and satisfaction of customers and counterparties.	§ 6.2
Multi-stakeholder mobilisation for the Sustainable Development Goals (SDGs)	Multi-stakeholder partnerships (donors, civil society organisations, companies, investors, etc.); co-financing, dissemination of knowledge; coordination of networks in the service of the SDGs.	§ 6
Responsible digital	Data security; privacy, right to disconnect, responsible digitisation, digital inclusion.	§ 7.8
Environment		
Internal environmental footprint	Control of environmental impacts related, for example, to purchases, travel, heating of buildings, IT technologies.	§ 4.4.5
Compliance with planetary limits	Financing the fight against climate change (mitigation and adaptation components) and the preservation of biodiversity.	§ 4.4
Environment and social		
Sustainability deepening in operations	Reinforcement of sustainable development requirements for operations, institutions and companies financed by all Group subsidiaries; participation in the acceleration of sustainable finance and the accompanying standardisation efforts.	§ 4
Commitment of clients and counterparties to the Sustainable Development Goals (SDGs)	Support and development of the capacities of customers and counterparties to integrate the SDGs into their own practices.	§ 6.2
Environmental and social risks in projects	management of social and environmental risks throughout the project cycle, and by all project stakeholders (States, companies, etc.); principle of doing no harm.	§ 3
Social		
Employee health, safety and security	Control of health or safety risks likely to affect the teams at the head offices or in the countries of operation.	§ 8.5
Quality of life at work for employees	Work-life balance, workload, stress management, teleworking, etc.	§ 8.5
Employee relations within the Group	Social dialogue, improvement of the social climate, attention to social ties and people, trust and recognition, support for change.	§ 8.3
Employee skills development	Professional mobility, knowledge training, savoir-faire, interpersonal skills to flourish in a changing world.	§ 8.2
Internal social and societal footprint	Setting an example and optimising the Group's societal impacts, in particular by promoting social criteria in purchasing practices.	§ 4.5.2
Equity, diversity and professional equality	Gender equality, promotion of diversity; fairness with regard to different types of employees; transparency on promotion rules.	§ 8.4
Strengthening institutions and citizen engagement	Support for the development of institutions; Rule of law; support on governance, justice, taxation, protection of human rights.	§ 3.3, 6.2
Strengthening the social link	Fight against inequalities and discrimination; support for equal access to opportunities, resources and essential public services; systematic promotion of gender equality in projects.	§ 3.3, 4.5

9.14.2 Appendix SNFP 2: Grenelle II Law indicators – Labour information

TOTAL HEADCOUNT AND BREAKDOWN OF EMPLOYEES BY GENDER, AGE AND GEOGRAPHICAL AREA

Total workforce managed by the Group at 31 December 2022

Employees	End of 2020	End of 2021	End of 2022
Mainland France[1]	1,776	1,744	1,737
Local offices and representations in the countries of intervention	242	254	250
Technical assistance	3	3	3
Temporary assignments	32	49	57
Group head office[1]	**2,053**	**2,050**	**2,047**
French Overseas Territories	92	93	86
Foreign countries[2]	554	573	573
Group staff recruited locally[2]	**646**	**666**	**659**
AFD GROUP TOTAL	**2,699**	**2,716**	**2,706**
of which provided to French Overseas reserve banks[1]	35	13	1
OF WHICH TOTAL OVERSEAS RESERVE BANKS	**35**	**13**	**1**
AFD Group VIA/VSC[3]	138	149	140
Overseas reserve bank VSC[3]	1		
INTERNATIONAL VOLUNTEERS TOTAL (VIA/VSC)	**139**	**149**	**140**
Apprenticeship and professionalisation contract	5	8	8
Standard contract	106	92	86
TOTAL FIXED-TERM CONTRACTS (CDD)	**111**	**100**	**94**

(1) *Excluding standard fixed-term contracts, apprenticeships and professionalisation contracts.*

(2) *Since 2007, these figures have included employees hired locally according to the provisions of the labour regulations in each country, along with staff equivalent to employees, in other words, service providers in various foreign countries.*

(3) *VIA: "Volontaires internationaux en administration" (volunteer positions for young people abroad at embassies, French Institutes, Business France offices, etc.)/VSC: "Volontariat de Service Civique" (general interest volunteer positions for young people abroad).*

AFD Group excluding Expertise France employed 2,706 people worldwide at the end of 2022, excluding VIA/VSC and fixed-term contracts, *i.e.* a decrease of 0.4% compared to 2021.

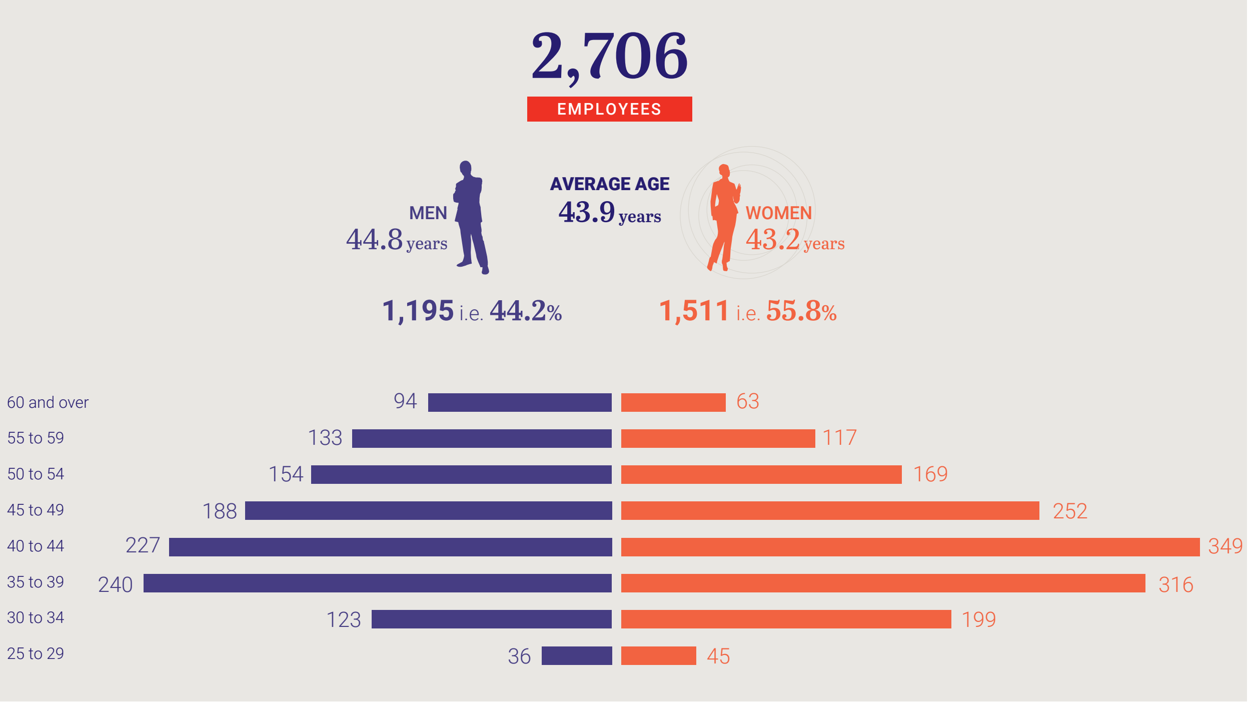
Among the 2,706 head office employees recruited in Paris, there are 2,705 AFD Group head office employees and one seconded to the issuing institutions.

The 659 locally hired employees (-7 on 2021) are all AFD employees, excluding Expertise France.

For several years, AFD has strengthened its local skills base, particularly by recruiting highly qualified managers in its local offices.

Employees by gender and age

Total staff managed by the Group broken down according to gender and age range in 2022 (at 31 December 2022)

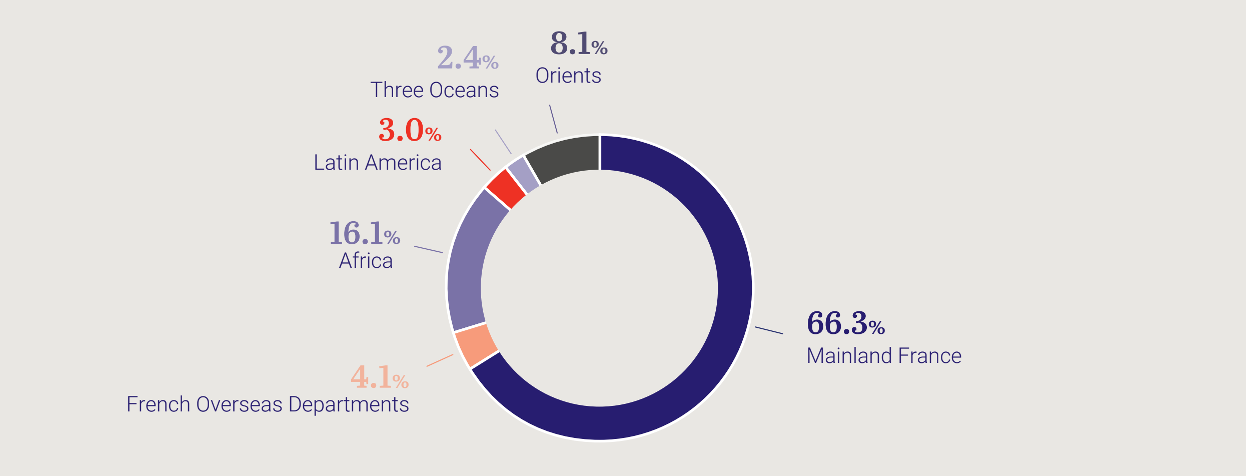


At the end of 2022, 55.8% of AFD Group employees are women. Their average age is 43.2 compared to 44.8 for men.

Breakdown of employees per geographic area

Geographic area	31/12/2022
Mainland France*	1,793
French Overseas Departments	111
Africa	435
Latin America	82
Three Oceans	66
Orients	219
GRAND TOTAL	**2,706**

** Mainland France (Mainland France AFD employees + temporary assignments).*



Recruitment and departures

Recruitment	Head office employees	Locally hired employees	Total
TOTAL	**107**	**69**	**176**

External departures of Group employees excluding Expertise France

In 2022, the total number of permanent departures * worldwide (excluding suspensions of contracts) totalled 165 (100 head office employees and 65 employed locally).

Reasons for departure	Head office employees	Locally hired employees	Total departures	Turnover rate
Retirement	31	14	45	1.66%
Voluntary redundancy	12	-	12	0.44%
Resignation	44	21	65	2.40%
End of fixed-term contract	8	23	31	1.15%
End of trial period	-	2	2	0.07%
Dismissals	4	5	9	0,33%
Death	1	-	1	0.04%
TOTAL	**100**	**65**	**165**	**6.10%**
Contract conversion (to head office employee status)*		***11***	***11***	

** They are not considered as departures from the Group.*

Compensation for employees managed by AFD Group excluding Expertise France

Indicators In thousands of euros	2020	2021	2022
Average gross annual salary	73.4	74.9	78.9

Scheduling of working hours

For head office employees (recruited in Paris), and since the agreement on the scheduling and reduction of working hours was signed on 30 June 2000, the number of annual working hours has been:

- 1,575 hours for employees whose working time is expressed in hours;
- 206 days for employees whose working time is expressed in days.

Absenteeism

In mainland France in 2022, 18,556 days were lost to illness for head office employees on permanent (CDI) and fixed-term (CDD) contracts (of which 217.50 days for CDD employees), which equates to an absenteeism rate of 2.79%.

Occupational accidents, including their frequency and severity, and occupational illnesses

The number of occupational accidents and journeys with lost time in mainland France was two in 2022 (compared to 10 in 2021), and were accompanied by 360 days of absence (compared to 220 in 2021).

The frequency rate stood at 0.69 and the severity rate at 0.12, both stable in 2022.

AFD Group could find no occupational illness contracted within the organisation.

Measures taken to promote equality between men and women

- Recruitment: **57%** of women hired.
- Women in supervisory positions: **54.8**%.
- Women in managerial positions: **49.6%**.
- Women in the network: **42%**.
- Population: Group head office employees on fixed-term contracts excluding Expertise France.

Measures taken to promote the employment and integration of disabled people

Since 2013, AFD has implemented a proactive and ambitious disability policy. To this end, three agreements were signed by the social partners and validated by the Employment Department in 2013, 2015 and 2019.

In 2022, the number of people recognised as disabled workers was 81, of which 55 women and 26 men, compared to 70 in 2021 (44 women and 26 men).

The number of employees recognised as disabled workers who were hired in 2022 was 14, including four men and ten women, compared with five women in 2021. The employment rate of employees recognised as disabled workers increased from 1.72% in 2013 to 3.65% in 2021. The provisional employment rate of employees recognised as disabled workers for 2022 would be 4.13% (currently being validated).

Wage gap

In 2022, the lowest average salary was €32,978 and the highest average salary was €139,884, *i.e.* a ratio of 4.24 (Head Office scope).

Expertise France workforce at December 31, 2022

Workplace	Type of contract	Populations	Employees	Employees %
France	**EF contract (Permanent/Fixed-term)**	**Head office employees**	574	*37%*
Network (+/- 100 countries)		**Subsidiary employees** (undergoing transformation)	70	*4%*
		Network Experts (Head office expatriates, Experts, ETI)	463	*30%*
	Portage contract	**Wage portage**	258	*17%*
	Service contracts	**Freelance (CPS)**	191	*12%*
TOTAL			**1,556**	**100%**

Balance sheet categories	Contract families	France Female	France Male	RDM Female	RDM Male	Grand total
Registered office	Permanent contract	337	139	28	21	525
	Fixed-term contracts	67	28	1	1	97
	Work-study students	2	1	-	-	3
TOTAL HEADQUARTERS		**406**	**168**	**29**	**22**	**625**
Experts	Permanent contract	-	-	4	3	7
	Fixed-term contracts	9	9	144	243	405
TOTAL EXPERTS		**9**	**9**	**148**	**246**	**412**
GRAND TOTAL		**415**	**177**	**177**	**268**	**1,037** **WOMEN 592** **MEN 445**

9.14.3.1 Appendix SNFP 3: Grenelle II Law indicators – Environmental information

Indicator and scope	2022 values
Pollution and waste management	
Waste production (scope: Head Office):	
Total production	91.36 t/year
of which paper/cardboard	*19.8 t*
Production per employee	52.12 kg/employee
Sustainable use of resources	
Water consumption (scope: AFD Paris head office)	8,752 m^3/year
Raw materials consumption (scope: Head office, excluding service providers)	
• Total paper consumption	6.8 t/year
• Paper consumption per employee	3.88 kg/employee
Energy consumption SHON(1) AFD (head office and Proparco)	6,848 MWh/year

(1) Net floor area (excluding technical rooms).

9.14.3.2 Appendix SNFP 3: AFD Group's social responsibility challenges for its stakeholders

PILLARS / PRIORITY ISSUES	MATERIALITY PER STAKEHOLDER: Institutional Actors	Civil Society	Board Members	Economic Actors	Clients and Beneficiaries	Official Development Aid and Technical Assistance Actors	AFD Group Staff	SUSTAINABLE DEVELOPMENT GOALS (SDGs)
GOVERNANCE								
Ethics and financial exemplarity	Major	Major	Major	Major	Strong	Strong	Major	SDG 16
Transparency of funding and accountability on impacts	Major	Major	Major	Major	Moderate	Major	Major	SDG 16
Group cohesion	Moderate	Moderate	Major	Moderate	Moderate	Moderate	Strong	
Client and stakeholder satisfaction	Moderate	Strong	Major	Major	Moderate	Strong	Major	SDG 17
Multi-stakeholder mobilization for the Sustainable Development Goals (SDGs)	Strong	Major	Strong	Major	Major	Strong	Moderate	SDG 17
Digital responsibility	Moderate	Strong	Strong	Strong	Moderate	Moderate	Strong	SDG 9
ENVIRONMENT								
Internal environmental footprint	Strong	Strong	Moderate	Moderate	Strong	Moderate	Strong	SDG 11, SDG 12, SDG 13
Respect of planetary boundaries	Major	Major	Major	Major	Major	Major	Major	SDG 13, SDG 15
SOCIAL								
Health, security and safety of employees	Strong	Strong	Major	Moderate	Moderate	Moderate	Major	SDG 3, SDG 8
Employees' quality of life at work	Strong	Major	Strong	Moderate	Strong	Strong	Major	SDG 3, SDG 8
Social relations within the Group	Moderate	Strong	Strong	Moderate	Moderate	Moderate	Major	SDG 8
Employees' skills development	Strong	Strong	Strong	Strong	Major	Moderate	Strong	SDG 4, SDG 8
Internal social and societal footprint	Moderate	Strong	Moderate	Moderate	Moderate	Moderate	Moderate	SDG 8, SDG 12
Professional equity, diversity and equality	Major	Major	Strong	Major	Major	Strong	Major	SDG 5, SDG 8, SDG 10
Reinforcement of institutions and civic participation	Strong	Major	Strong	Strong	Moderate	Major	Moderate	SDG 16
Strengthening of social link	Strong	Moderate	Major	Major	Major	Major	Strong	SDG 10
ENVIRONMENT AND SOCIAL								
Deepening sustainable development in AFD Group's operations	Strong	Major	Moderate	Major	Strong	Major	Strong	The issue concerns all the SDGs
Engaging of clients and counterparties towards Sustainable Development Goals (SDGs)	Strong	Major	Major	Strong	Strong	Major	Strong	The issue concerns all the SDGs
Environmental and social risks in projects	Major	Major	Major	Major	Strong	Major	Major	The issue concerns all the SDGs

Major · Strong · Moderate · The issue concerns all the SDGs

AFD GROUPE

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Towards a World in Common

AFD Group contributes to the implementation of France's policies for sustainable development and international solidarity. The Group includes Agence Française de Développement (AFD), which finances the public sector, NGOs, research and training; its subsidiary Proparco, which is dedicated to the private sector; and Expertise France, a technical cooperation agency. The Group finances, supports and accelerates the transitions needed for a fairer, more resilient world.

With our partners, we are building shared solutions with and for the people in more than 150 countries, as well as in 11 French Overseas Departments and Territories. As part of the commitment of France and the French people to achieving the Sustainable Development Goals, our teams are at work on more than 4,800 projects in the field. Our objective is to reconcile economic development with the preservation of common goods, from peace, the climate and biodiversity to health, education and gender equality. Towards a world in common.

AFD GROUPE

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