Half-year financial statements

30 June 2019

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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.

A. Management report

Approvals

Total approvals (AFD and Proparco on their own behalf) amounted to €3,122M at 30 June 2019 versus €2,465M at 30 June 2018, excluding Proparco's refinancing operations (€1.1Bn). This increase concerns both activities on its own behalf (foreign countries and French Overseas Departments and Collectivities) and activities on behalf of third parties.

In **foreign countries**, approvals granted totalled €3,011M, up €703M from 30 June 2018. This increase is mainly noted in the lending (+€172M), subsidy (+€214M) and Proparco (+€260M) activities.

In **the French Overseas** Departments and Collectivities, approvals granted also fell, to €110M at 30 June 2019 compared to €156M at 30 June 2018.

Finally, approvals granted on behalf of **third parties** stood at €192M for the first half-year 2019, compared with €190M for the same period in 2018.

DISBURSEMENTS

Total disbursements (AFD and Proparco on their own behalf) increased by 12% from €1,850M at 30 June 2018 to €2,077M at 30 June 2019.

✓ *Activities in foreign countries*

Disbursements in foreign countries totalled €1,369M at 30 June 2019, up 15%. The increase in disbursements mainly concerns lending (+13% for a total of €1,227M) and more specifically the sovereign lending activity (+39% compared to June 2018).

The rise in disbursements is in line with the growth in AFD's commitments, and the increasing number of projects being executed with an undisbursed balance.
This increase is also the result of efforts to improve disbursement monitoring and management, namely:

- business plan structuring which increased the target volume of disbursements (share of Public Policy, MTF and GBS loans in grants versus project loans);
- improved analysis of the "ability to pay" of projects during the assessment;
- the reorganisation of the Operations Department, which made the monitoring of portfolios, balances payable and project quality more effective.

✓ *Activities in the French Overseas Departments and Collectivities*

Disbursements are up by 74% to €201M at 30 June 2019, compared with €116M at 30 June 2018. Having recorded a net slowdown during the first half-year 2018 due to the decrease in commitments, disbursements during the first half-year 2019 increased significantly (+74%), returning to the same level as 30 June 2017 (€201M). This is despite a new drop in commitments over the period.

✓ *Proparco's activity*

Proparco's disbursements for foreign country loans and equity investments stood at €507M in the first half-year 2019, compared with €545M in the same period of 2018. Mid 2018 had seen a particularly high level of disbursements. In 2019, the pace of disbursements halfway through the year remained significantly higher than in previous years (€410M in June 2016, €334M in June 2017). At end June 2019, the amount of €507M is in line with the annual target of €1,200M.

Financial results

The financial statements, prepared in accordance with International Financial Reporting Standards (IFRS), show a net income, Group share of €90M at 30 June 2019, versus €95M at 30 June 2018. This decrease is mainly due to a €16M increase in overheads, combined with a change in the cost of risk of -€91M, only partially offset by the €108M increase in net banking income.

Net banking income came to €420M in the first half-year 2019, versus €312M in the first half-year 2018. This increase is exclusively due to the fair value accounting of certain financial instruments, particularly hedging instruments that were set up. These impacts were reinforced as a result of the application of the new IFRS 9 standard, applicable as of 1 January 2018.

Overheads increased by €16M, to €206M at 30 June 2019 from €190M at 30 June 2018, in line with AFD's estimated 2019 budget and the forecast increase in commitments for the year.

Prospects

2019 will be a year of renewed ambition for France's development policy and for AFD Group, which serves this policy, with a new orientation and programming law and an unprecedented increase in resources. It will constitute a significant stage in achieving the commitment made by the French President to allocate 0.55% of GNI to public development aid by 2022.

The 2016 - 2018 growth paths should continue at a sustained pace in 2019 with forecast commitments of €13.9Bn, up 22% compared to 2018 achievements. AFD's activity in foreign countries will, for the first time, exceed €10Bn in financing (compared to €8.4Bn in 2018), up 21% compared to 2018. The grant activity, excluding delegated credit, will reach €1.8Bn, up €1Bn compared to 2018.

2019 will also see the implementation and operational phases of major commitments in its 2018-2022 Strategic Orientation Plan.
AFD Group will also continue to take operational measures in relation to its mandate on the implementation of the Paris Climate Agreement and will look to guide its partners in this direction through the actions of the IDFC Club, by feeding the momentum of the One Planet Summit. It will prepare a 100% "social ties" strategy which will clarify the Group's ambition on this topic. New grant resources should enable growth in financing in the human services, education and health sectors, and to promote gender equality. The Group will also invest in new fields, including cultural and creative industries and sport. AFD will continue its action in crisis contexts by reinforcing its 3D approach (diplomacy, defence, development), notably in the Sahel. The Group's non-sovereign activities in foreign countries will reach €4.2Bn. Lastly,

the partnership ambition will be further accentuated both with French partners (civil society organisations, local authorities, companies) and our European and international partners.

By geographic region, AFD's projected activity for 2019 breaks down as follows:

- **Africa remains the priority region for AFD Group.** In line with the French President's commitment to double AFD Group financing for continental Africa and the CICID conclusions, **forecasts for 2019 in continental Africa include a target volume of activity of €4.8Bn in financing,** including €1.2Bn in subsidy commitments. The growth in subsidy resources will enable sustained activity in France's priority countries, with a focus on priorities defined in line with the implementation of the Ouagadougou speech, i.e. the development of actions related to agricultural, youth and equality themes, along with health education. AFD will step up its actions in the Sahel, and more specifically in crisis areas, by further adapting its procedures and by developing the continuity of its Sahel-North Africa (Maghreb) activity;
- **AFD's activity in the "East" region, should reach €3Bn in 2019;** one-third of this total will be disbursed in South-East Asia, 24% in Eurasia, 18% in the Middle East, 15% in South Asia and 10% in China**.** This region covers the former Asia scope, to which the Balkans, the Middle East and Turkey have been added, since the reorganisation of AFD's geographical focus in September 2018;
- AFD's activity in the **Latin America** region has been refocused on the sub-continent in its strict sense (along with Cuba, for geopolitical reasons), with 8 countries instead of the previous 11 since 1 September 2018. **With a commitment authorisation target of €1.6Bn,** around half in the form of sovereign loans and the other half in non-sovereign loans, activity in Latin America will continue its upward trend in terms of commitments in 2019, in line with its target of €2Bn by 2020, of which 70% with climate co-benefits;
- AFD's activity target in the **Three Oceans** amounts to €1.6Bn for 2019. This activity target reflects the geographical and sector-wide transformation effort of AFD's activities, involving the Three Oceans approach combining interventions in the French Overseas Departments and Collectivities and foreign countries in their ocean basin. AFD's interventions in the region will be deployed, for the first time, in a triple framework of overseas departments, foreign countries and regions to better meet the economic and environmental requirements and social issues in these regions;
- In the French Overseas Departments and Collectivities, AFD's financing approvals target is €1.26Bn for 2019, including the activity on behalf of Bpifrance, which is forecast to decrease by €220M compared to 2018. Excluding the BPI activity, AFD's activity target is €958M, up 7%. The forecast growth in AFD financing will once again be driven by activity in support of public sector stakeholders of €791M. In the private sector, the momentum of loans on its own behalf to companies and banks is forecast to continue, with a stable target of €130M, in line with the requirements expressed by the local players. The offering of products designed to promote the energy transition of overseas departments will be reinforced, with an increase in the availability of green public sector loans for a total of €199M. In line with the French Overseas Departments and Collectivities' Blue Book, a subsidy effort will be made for projects that protect and promote social ties, which are an integral part of catch-up and convergence targets.

In the countries neighbouring the overseas departments, financing forecasts continue the momentum observed up to now, and stand at €430M. This financing will be spread to meet the varied needs of the three basin countries, which have a high level of heterogeneity. Priority countries for French aid will be the first beneficiaries of a subsidy approach. These countries - three within the Three Oceans scope: Haiti, Madagascar and the Comoros - will receive most of the grant. A particularly sustained effort of €53M will be made in the Comoros, in line with the strategy to attenuate vulnerabilities that are a prerequisite for the economic development of areas suffering from weaknesses detrimental to their recovery. Adaptation to climate change, medical-social areas and governance will notably be targeted.

In the other countries, the focus will be put on projects with climate co-benefits, notably in the areas of energy and transport, thanks to a range of products (loans, subsidised loans, guarantees, delegated funds).

Lastly, at the regional level, 2019 will see the implementation of basin-focused strategies which should lead to the operational programming of regional projects. This third aspect of the department's activity will enable a change in scale which should lead to increased multi-donor and/or multi-use financing approvals. The basin-focused strategies, which are expected to be submitted to the Board of Directors in summer 2019, will aim to clarify the - notably quantitative - prospects on this subject.

The consolidation of partnerships with other counterparties, such as NGOs, will also be encouraged within the regional framework. This is evidenced by the project to reduce the impact of natural disasters, health crises and the effects of climate change on the populations of the three ocean basins, planned with the Red Cross.

Risk factors

Risks in AFD Group's loan activity (outstandings and signed balances payable) amount to €45.5Bn, up €1,428M (3.2%) over the first half-year 2019, compared to growth of 1.9% (+€807M) recorded during the first half-year 2018 and 0.4% (+€145M) in 2017. This growth breaks down into €1,430M for AFD and -€2M for Proparco. At AFD, the increase is due to an increase in sovereign loans (+€1,237M to €26.2Bn) and, at the same time, a rise in non-sovereign loans (+€193M to €15.8Bn) due to an increase of €265M in foreign countries and a decrease of €72M in French Overseas Departments and Collectivities.

The outstanding on loans on AFD's own behalf (€33.3Bn) were up by €333M (+1%).
This is notably broken down into a decrease of -€78M for loans in foreign countries with risks borne by AFD (-€92M for sovereign outstandings at €16.16Bn; +€14M on non-sovereign outstandings with Proparco refinancing), and an increase of €491M for loans with risks borne by the French State (€1.13Bn in loans provided and guaranteed). The outstanding on loans to French Overseas Departments and Collectivities was down at €5.5Bn (-€67M), whilst loans with risks borne by the French State in French Overseas Departments and Collectivities have now been repaid (-€20M).

The average quality of the Group's overall portfolio is stable at BB, with a slight decrease in the arithmetic score. The average quality is BB- on sovereign loans and BB on non-sovereign Group loans. In detail, non-sovereign loans were rated BB+ for AFD (BB in foreign countries and BB+ in French Overseas Departments and Collectivities), and B+ for Proparco.
The share of risks in AFD's non-sovereign portfolio in foreign countries classified in the "investment grade" category decreased to 34.4% compared to 35.5% at the end of 2018. The

thresholds contained in the Risk Appetite Framework were reviewed and validated by the Board of Directors on 11 July 2019.

The overall Group percentage of non-performing loans is up to 3.3% compared to 3.1% at end 2018, due to the change in the rate of non-performing non-sovereign loans from 5.6% to 6% (5.8% for AFD and 6.5% for PROPARCO), compared to a stable rate of 0.6% for sovereign loans.

AFD's doubtful non-sovereign outstandings increased by €39M to €749M due to new downgrading in foreign countries and French Overseas Departments and Collectivities not offset by the exit of certain loans and the repayments obtained. Doubtful sovereign outstandings were stable at €100M. Doubtful outstandings for Proparco increased by €6M to €194M.

The Group's arrears totalled €370M (€110M in sovereign loans and €260M in non-sovereign loans, including €99M for PROPARCO), up by €9M over the half-year. This change is mainly due to the rejected payment on a sovereign operation which must be rectified (Anti-Money Laundering and Counter Terrorist Finance procedure).

On the income side, AFD's asset impairment was €525.5M compared to €471M at the end of 2018, up 12% with a net provision of €54.5M. Impairment breaks down into €375.3M in equity impairment and €150.2M in interest impairment. It increased by 26% for non-sovereign loans in foreign countries (see cost of risk below) and decreased by 8% in the French Overseas Departments and Collectivities.

In total, the cost of AFD's risk over the half-year was €72.8M, up €41.3M compared to June 2018 (€31.6M). It breaks down into €57.4M in impairment of assets (mainly with the downgrading to doubtful of GRIDCO, changes in the recoverability rates on certain loans), €14.7M in provisions for risks and expenses (in line with the first application of IFRS 9 and provisioning on the undisbursed balance) and €0.7M in losses on bad loans.

Proparco's cost of risk amounts to €26.4M; it breaks down into an individual cost of risk on loans and guarantees representing an expense of €6.2M and collective provisions of €20.2M.

The Group's consolidated cost of risk after the application of IFRS 9 amounts to €94.9M comprising €1.7M in impairment on performing assets (stage 1: expected losses at 1 year), €27.1M impairment on deteriorated assets (stage 2: expected losses at maturity) and €64.7M on impaired assets (stage 3).

The reserve fund for sovereign risk was provisioned by €30.3M bringing it to €771.3M.

Equity stood at €7,139M at 30 June 2019, down by €40M compared to 31 December 2018 (€7,179M).

AFD meets the minimum equity requirements in terms of solvency. The solvency ratio comes out at 16.70% at 30 June 2019, down compared to 31 December 2018 (18.37%).

B. Consolidated financial statements prepared in accordance with IFRS accounting standards adopted by the European Union

1. Overview

Agence Française de Développement (AFD) is an industrial and commercial public undertaking tasked with financing development assistance. AFD funding amounts to €2,808M.

Registered office: 5 rue Roland Barthes – 75598 Paris Cedex 12.

Listed on the Paris Trade and Companies Register under Number 775 665 599.

Balance Sheet at 30 June 2019

In thousands of euros	Notes	30/06/2019	31/12/2018
Assets			
Cash, due from central banks		1,030,962	1,399,405
Financial assets at fair value through profit and loss	1	2,986,583	2,413,386
Hedging derivatives	2	2,481,075	1,824,239
Financial assets at fair value through shareholders' equity	3	1,563,063	1,464,695
Debt instruments at amortised cost	5	1,468,076	1,301,006
Financial assets at amortised cost		35,627,636	33,607,788
Loans and receivables due from credit institutions and equivalent, at amortised cost	5	8,137,816	7,122,024
Demand		*1,797,949*	*1,908,646*
Term		*6,339,868*	*5,213,378*
Loans and receivables due from customers, at amortised cost	5	27,489,820	26,485,764
Other loans to customers		*27,489,820*	*26,485,764*
Revaluation differences on interest rate-hedged portfolio		1,859	778
Current tax assets		-	1
Deferred tax assets		24,677	20,517
Accruals and other miscellaneous assets	6	890,666	452,408
Accruals		*6,783*	*10,464*
Other assets		*883,883*	*441,945*
Equity stakes in companies accounted for by the equity method	18	147,867	150,105
Fixed assets Property, plant and equipment	7	277,166	195,038
Intangible assets	7	42,276	39,043
Total assets		**46,541,904**	**42,868,409**
Liabilities			
Central banks		-	-
Financial liabilities at fair value through profit and loss	1	342,372	339,159
Hedging derivatives	2	1,476,586	940,339
Financial liabilities at amortised cost		34,042,522	31,258,744
Debt securities in issue at amortised cost	8	34,019,383	31,245,275
Interbank market securities		*398,202*	*478,250*
Bonds		*33,621,181*	*30,767,025*
Debts to credit institutions and equivalent, at amortised cost	8	22,045	11,779
Demand		*21,400*	*11,139*
Term		*645*	*640*
Debts to customers at amortised cost	8	1,094	1,690
of which demand		*1,094*	*1,690*
Current and deferred tax liabilities		7,531	7,099
Accruals and other miscellaneous liabilities	6	2,308,551	2,076,824
Allocated public funds		*62,354*	*69,530*
Other liabilities		*2,246,198*	*2,007,294*
Provisions	9	1,084,789	1,001,700
Subordinated debt	8	1,048,265	1,048,007
Total debts		**40,310,617**	**36,671,873**
Equity Group share	(Tab 1)	6,029,738	5,980,012
Provisions and related retained earnings		*3,267,999*	*3,267,999*
Consolidated retained earnings and other		*2,633,694*	*2,540,341*
Gains and losses directly recognised in equity		*38,324*	*56,447*
Earnings for the period		*89,721*	*115,225*
Minority interests	(Tab 1)	201,549	216,524
Total equity		**6,231,287**	**6,196,536**
Total liabilities		**46,541,904**	**42,868,409**

Income Statement at 30 June 2019

in thousands of euros	Notes	30/06/2019	30/06/2018
Interest and related income	10	**835,222**	**727,177**
Transactions with credit institutions		170,600	151,352
Transactions with customers		385,537	343,496
Bonds and other fixed-income securities		11,114	12,314
Other interest and similar income		267,971	220,014
Interest and related expenses	10	**632,884**	**548,063**
Transactions with credit institutions		357,439	318,022
Transactions with customers		379	-
Bonds and other fixed-income securities		280,822	230,866
Other interest and similar expenses		-5,756	-825
Commissions (income)	11	**73,917**	**45,156**
Commissions (expenses)	11	**955**	**806**
Net gains or losses on financial instruments at fair value through profit or loss, net of foreign currency impact	12	**26,618**	**-21,473**
Net gains and losses on financial assets recognised at fair value through shareholders' equity	13	**5,103**	**5,181**
Income from other activities	14	**120,185**	**106,016**
Expenses on other activities		**7,202**	**1,232**
Net banking income		**420,004**	**311,957**
Overheads	15	**206,058**	**189,652**
Staff costs		136,671	125,343
Other administrative expenses		69,387	64,308
Provisions for amortisation of intangible assets and depreciation of property, plant and equipment	7	**17,917**	**10,273**
Gross operating income		**196,030**	**112,033**
Cost of credit risk	16	**-94,917**	**-3,332**
Operating income		**101,112**	**108,701**
Share of earnings from companies accounted for by the equity method	17	**-1,069**	**3,132**
Net gains or losses on other assets		**15**	**-86**
Pre-tax income		**100,059**	**111,747**
Corporate tax	18	**-5,288**	**-4,654**
Net income		**94,771**	**107,093**
Minority interests		**5,051**	**12,465**
Net income - Group share		**89,721**	**94,627**

Net income and gains and losses booked directly as equity at 30 June 2019

in thousands of euros	30/06/2019	30/06/2018
Net Income	**94,771**	**107,093**
Net gains and losses directly recognised as transferable equity	**895**	**-11,976**
Net translation gains and losses		
Gains and losses on available-for-sale financial assets		
Net gains and losses on debt instruments directly recognised in transferable equity	895	-11,976
Net gains and losses directly recognised in non-transferable shareholders' equity:	**-23,324**	**-14,952**
Actuarial gains and losses on retirement benefits	-20,249	-
Gains and losses on financial liabilities attributable to changes in own credit risk		
Net gains and losses on equity instruments recognised as non-transferable equity	-3,075	-14,952
Total gains and losses directly recognised in shareholders' equity	**-22,429**	**-26,929**
Net income and gains and losses directly recognised in equity	**72,342**	**80,164**
Of which Group share	67,864	70,521
Of which minority interests' share	4,478	9,643

Statement of changes in shareholders' equity from 1 January 2019 to 30 June 2019

In thousands of euros	Provisions	Funding reserves	Consolidated reserves	Income for the financial year	Unrealised or deferred gains or losses	Equity – Group share	Equity – Minority interests	Total consolidated equity
Shareholders' equity as at 1 January 2018 (IFRS standards)	**2,807,999**	**460,000**	**2,258,117**	**312,805**	**91,079**	**5,930,000**	**296,477**	**6,226,477**
Share of 2017 earnings retained in reserves			269,884	-269,884		-		-
Dividends paid				-42,921		-42,921	-5,902	-48,823
Other changes			12,340			12,340	584	12,924
Changes related to put options						-	-93,635	-93,635
2018 Income				115,225		115,225	22,374	137,600
Gains or losses directly recorded in equity for 2018					-34,632	-34,632	-3,374	-38,007
Shareholders' equity as at 31 December 2018 (IFRS standards)	**2,807,999**	**460,000**	**2,540,341**	**115,225**	**56,447**	**5,980,012**	**216,524**	**6,196,536**
Share of 2018 earnings retained in reserves			86,146	-86,146		-		-
Dividends paid				-29,079		-29,079	-4,511	-33,591
Other changes			-5,602		3,734	-1,868	-2,870	-4,737
Changes related to put options			12,809			12,809	-12,073	736
Income first half-year 2019				89,721		89,721	5,051	94,771
Gains and losses directly recognised in equity over the first half-year 2019					-21,857	-21,857	-572	-22,429
Shareholders' equity as at 30 June 2019 (IFRS standards)	**2,807,999**	**460,000**	**2,633,694**	**89,721**	**38,324**	**6,029,738**	**201,549**	**6,231,287**

Cash flow statement at 30 June 2019

In thousands of euros	30/06/2019	30/06/2018
Pre-tax income (A)	**95,009**	**99,281**
Net depreciation/amortisation expenses on property, plant and equipment and intangible assets	10,690	10,273
Net depreciation/amortisation provisions on fixed assets related to the application of IFRS 16	7,224	
Impairment of goodwill and other fixed assets	-	-
Provisions net of other provisions (including technical insurance provisions)	136,195	-107,620
Share of earnings from companies accounted for by the equity method	1,069	-3,132
Net gain/(net loss) on investment activities	-4,583	41,808
Net gain/(net loss) on financing activities	2,287	5,583
Other items	-155,832	44,940
Total non-cash items included in net pre-tax income and other items (B)	**-2,950**	**-8,148**
Cash received from credit institutions and equivalent	-1,180,335	-15,485
Cash received from customers	-423,275	-298,544
Cash flows from other operations affecting other financial assets or liabilities	-523,910	-70,852
Cash flows from operations affecting non-financial assets or liabilities	-175,192	211,420
Taxes paid	-8,781	-7,763
= Net increase (decrease) in cash-related assets and liabilities from operating activities (C)	**-2,311,492**	**-181,224**
Net cash flows from operating activities (A+B+C)	**-2,219,434**	**-90,091**
Cash flows from financial assets and equity investments*	-174,683	-197,798
Cash flows from property, plant and equipment and intangible assets	-12,447	-11,271
Net cash flows from investment activities	**-187,130**	**-209,069**
Cash flows related to the application of IFRS 16	-5,630	
Cash flows from shareholders **	0	0
Cash flows to shareholders ***	-31,519	-5,902
Other net cash flows from financing activities ****	1,955,369	855,531
Net cash flows from financing activities	**1,918,220**	**849,629**
Net increase/(decrease) in cash and cash equivalents	**-488,344**	**550,469**
Opening balance of cash and cash equivalents	**3,294,756**	**2,258,242**
Net balance of cash accounts and accounts with central banks	1,399,405	1,016,702
Net balance of term loans and deposits from credit institutions	1,895,351	1,241,540
Ending balance of cash and cash equivalents	**2,806,412**	**2,808,711**
Net balance of cash accounts and accounts with central banks (1)	1,030,962	1,282,531
Net balance of demand loans and borrowings from credit institutions (2)	1,775,450	1,526,180
Change in cash and cash equivalents	**-488,344**	**550,469**

(1) Comprising the net balance of the "Cash accounts and central banks" item as presented in the Group's consolidated balance sheet as at 30 June 2019

(2) Comprising the net balance of the "Demand receivables and debts with credit institutions" item

** The flows related to 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 paid to minority 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 (see 1.1 Business financing)*

C- Notes to the financial statements

1. Significant events at 30 June 2019

1.1 Financing of the Group's activity

To finance the growth in its activities on its own behalf, during the first half-year 2019, AFD made three bond issues in the form of public issues and eight private placements, as well as seven tap issues, with a total volume of €5.6Bn (including €2.0Bn issued on 25 June 2019 with a value date of 1 July 2019).

1.2 Allocation of 2018 net income

In accordance with article 79 of the Amended Finance law 2001 no. 2001-1276 of 28 December 2001, the amount of dividends paid by AFD to the French State is set by ministerial decree.

The 2018 financial statements were approved by the Board of Directors on 18 April 2019.

The Minister of the Economy and Finance determined the 2018 dividend to be paid by AFD to the French State. It amounted to €29.1M, which equates to 20% of AFD's net income and was paid after publication of the net income in the Official Journal.

The income remaining after paying out the dividend, €116.3M, was allocated to reserves.

1.3 Proparco shareholder structure

The act for the acquisition of BPCE International's Proparco shares by AFD was signed on 3 April 2019, bringing AFD's holding in Proparco's share capital to 74.2% (compared to 64.6% in 2018)

1.4 First application of IFRS 16 within AFD Group

AFD Group implemented the new IFRS 16 standard on leases with mandatory application from 1 January 2019.

The effects of the first application of IFRS 16 are presented in Chapter 2. Applicable accounting standards

2. Accounting standards applied to Agence Française de Développement

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 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.

The condensed half-year consolidated financial statements for AFD Group at 30 June 2019 are prepared according to International Financial Reporting Standards (IFRS) as adopted by the European Union, and consequently comply with IAS 34 on interim financial information, which defines the minimum content of the information, and which identifies the accounting and assessment principles that must be applied to an interim financial report.

The accounting standards applied to prepare AFD's financial statements as at 30 June 2019 are described in note 3.2.
These consolidated financial statements are presented in thousands of euros.

The standards and interpretations used in the half-year financial statements to 30 June 2019 were supplemented by the provisions of IFRS standards as adopted by the European Union that must be applied for the first time to this financial period. They relate to:

Standards, amendments or interpretations	**Dates of publication by the European Union**	**Date of application: financial years starting from**
IFRS 16 Leases Replaces IAS 17 - Leases	October 2017	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments Interpretation of IAS 12 on the recognition of uncertainties over the calculation of income tax	June 2017	1 January 2019

Unless otherwise stated, when application of the standards and interpretations adopted by the European Union is optional for a period, AFD does not take up the option.

✓ **IFRS 16 "Leases"**

The Group implemented IFRS 16 Leases which replaces IAS 17 and all related interpretations (IFRIC 4, SIC 15, Operating leases - Incentives and SIC 27, Evaluating the substance of transactions in the legal form of a lease). It is applicable to financial years starting from 1 January 2019.
The main change introduced by IFRS 16 relates to lessee accounting. IFRS 16 will require lessees to adopt a model in which all leases are reported in the balance sheet; all

commitments for the full duration of the agreement must be reported on the liabilities side, and a usage right to be amortised must be recorded on the assets side.

In 2017, AFD Group began to collect information on the real estate assets and contracts linked to IT equipment, to which most of the Group's leases relate.

The Group finalised the choice of structuring options related to the standard's interpretation, collected the required information to allow the data on all of the Group's leases to be processed and completed the calculation of impacts based on the financial statements to 31 December 2018 during Q1 2019.

The Group measured contracts meeting the "lease" definition under the meaning of the standard together. The Group has opted for the two accounting exemptions provided by the standard for the following contracts:

- short-term leases, i.e. contracts with a duration less than or equal to 12 months;
- contracts related to low value assets.

The discount rate used to measure the lease debt corresponds to the Group's refinancing rate, for each residual contract duration. This rate corresponds to the interest rate that the lessee would be charged to borrow the funds required to purchase a similar asset in respect of the right to use, over a similar duration with a similar guarantee and in a similar economic context.

The lease duration corresponds to the non-cancellable period of the lease and includes:

- optional renewal periods (when the lessee is reasonably certain to exercise this renewal option);
- periods after the possible cancellation date (when the lessee is reasonably certain not to exercise this cancellation option).

The Group has applied the modified retrospective method by recognising the cumulative effect of the initial application on the transition date (1 January 2019). The application of IFRS 16 has not had a significant impact on the Group's shareholders' equity. Given this choice, the following simplification measures provided by the standard were applied at the transition date:

- the exclusion of leases with a residual duration less than or equal to 12 months;
- the exclusion of the component related to the initial direct costs of the asset's measurement in respect of the right to use at the date of the first application.

The table below presents the balance sheet items impacted by the application of IFRS 16 as at the date of the 1st application:

In thousands of euros	**31 December 2018**	**Impact 1st application**	**1 January 2019**
ASSETS			
Property, plant and equipment	234,082	90,514	324,596
Gross value	*464,555*	*90,514*	*555,069*
Depreciation/amortisation and impairment	*230,473*		*230,473*
Accruals and miscellaneous assets	452,408	-1,593	450,815
Total impacts IFRS 16	**686,490**	**88,921**	**775,411**
LIABILITIES			
Other liabilities	2,076,824	88,921	2,165,745
Total impacts IFRS 16	**2,076,824**	**88,921**	**2,165,745**

✓ **IFRIC 23 "Uncertainty over Income Tax Treatments"**

This interpretation of IAS 12 "Income Tax" clarifies the treatment of all uncertainties over the acceptability of tax treatments related to income tax.
The application of these amendments and interpretations did not have an impact on AFD Group.

3. Principles for the preparation of the consolidated financial statements of AFD Group at 30 June 2019

3.1. Consolidation scope and methods

3.1.1. Consolidation scope

AFD'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.

in percentage of ownership	**30/06/2019**	**31/12/2018**
Fully consolidated companies		
Soderag	100%	100%
Proparco	74%	65%
Sogefom	60%	60%
Fisea	100%	100%
Propasia	74%	65%
Companies accounted for by the equity method		
Société Immobilière de Nouvelle Calédonie	50%	50%
Banque Socredo	35%	35%

Minority interests:

Non-controlling interests are immaterial with regard to the Group's financial statements, either separately or cumulatively.

In thousands of euros	30/06/2019			31/12/2018		
	% of control and vote held by minority interests	Share net income	Share equity (of which income)	% of control and vote held by minority interests	Share net income	Share equity (of which income)
Proparco	25.82%	4,997	194,172	35.05%	22,542	208,502
Other subsidiaries		54	7,377		-167	8,021
Total minority share		**5,051**	**201,549**		**22,374**	**216,524**
Total Group share		**89,721**	**6,029,738**		**115,225**	**5,980,012**

AFD Group has no contractual obligation to provide assistance to structured entities Fisea and Propasia above and beyond the standard obligations arising from its interest in these entities and has no intention of providing support in the future.

Interests in joint arrangements and associates have a negligible impact on the financial statements of AFD Group.

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. It is evidenced by (i) holding, directly or indirectly, most of the voting power of the subsidiary, (ii) holding the power to appoint or remove members of the executive, administrative or supervisory bodies of the subsidiary or (iii) having significant influence over the subsidiary under the statutes in force.

This consolidation method consists of including all accounts, line item by line item, both on and off AFD's balance sheet, while reporting the claims of "minority shareholders". The same process is used for income statements.

The following five companies are fully 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 30 June 2019, the company's share capital totalled €693M and AFD's stake was 74.2%;

- 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 30 June 2019, the company's share capital amounted to €5.6M. It is 100% owned by AFD;

- The 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 30 June 2019, the company's share capital amounted to €1.1M. It is 58.69% owned by AFD;

- Fisea (Investment and Support Fund for Businesses in Africa) was created in April 2009. This simplified joint-stock company with registered capital of €210.0M is almost wholly owned by AFD, with Proparco owning one share. It is managed by Proparco;

- TR Propasia LTD, a public limited company created in October 2008, whose corporate purpose is purchasing equity stakes in companies or organisations that promote environmentally-friendly economic and social development in Asia. The company is registered in Hong Kong and has $10M in share capital. It is a wholly-owned subsidiary of Proparco. At 30 June 2019, 52% of its share capital, i.e. $5.2M, was fully paid up.

✓ Equity method

Companies over which AFD 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 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 30 June 2019, this method was used for two companies in which AFD directly or indirectly holds an equity investment 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. These companies are not consolidated, either fully or using the equity method. They are recorded under "Financial assets at fair value through profit and loss" or "Financial assets at fair value through shareholders' equity".

3.1.3. Restatement of transactions

Account balances on the balance sheet, transactions and income and expenses resulting from intragroup transactions are eliminated when the consolidated financial statements are drawn up. Gains arising from transactions with equity-accounted entities 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.

3.2. Accounting principles and policies

AFD’s consolidated financial statements are prepared using accounting methods 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 the financial statements of the Agence française de développement to 30 June 2019 are described below.

3.2.1. Conversion of foreign currencies

Monetary assets and liabilities denominated in foreign currencies are converted into the Group’s accounting currency (euros) at the closing exchange rate. Discrepancies in exchange rates are recognised in the income statement.

Non-monetary assets and liabilities in foreign currencies may be recorded at historic cost or marked to market. 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 market value was determined. Exchange rate differences relating to non-monetary assets denominated in foreign currencies and marked to market are recognised in the income statement if the asset is classified under “Financial assets at fair value through profit and loss” and in liabilities if the asset is classified under “Available-for-sale financial assets through shareholders' equity”.

3.2.2. Use of estimates

Some items booked in the consolidated financial statements in application of the accounting principles and policies lead to 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;
- the provisions recognised as liabilities in the balance sheet (provisions for employee benefits, disputes, etc.);
- some financial instruments that are valued using complex mathematical models or by discounting probable future cash flows.

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.

As a result, financial assets are classified at amortised cost, market value through shareholders' equity or market value through profit and loss depending on the contractual characteristics of the instruments and the management model at the time of initial recognition. Financial liabilities are classified at amortised cost or market 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.

A- Financial assets

Classification and measurement of financial assets

For their initial recognition, financial assets are assessed at their market value as defined by IFRS 13 and are classified in the Group's balance sheet into three categories (amortised cost, fair value through shareholders' equity or fair value through profit and loss). The accounting categories define the subsequent assessment method for financial assets.
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 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 (administration 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:

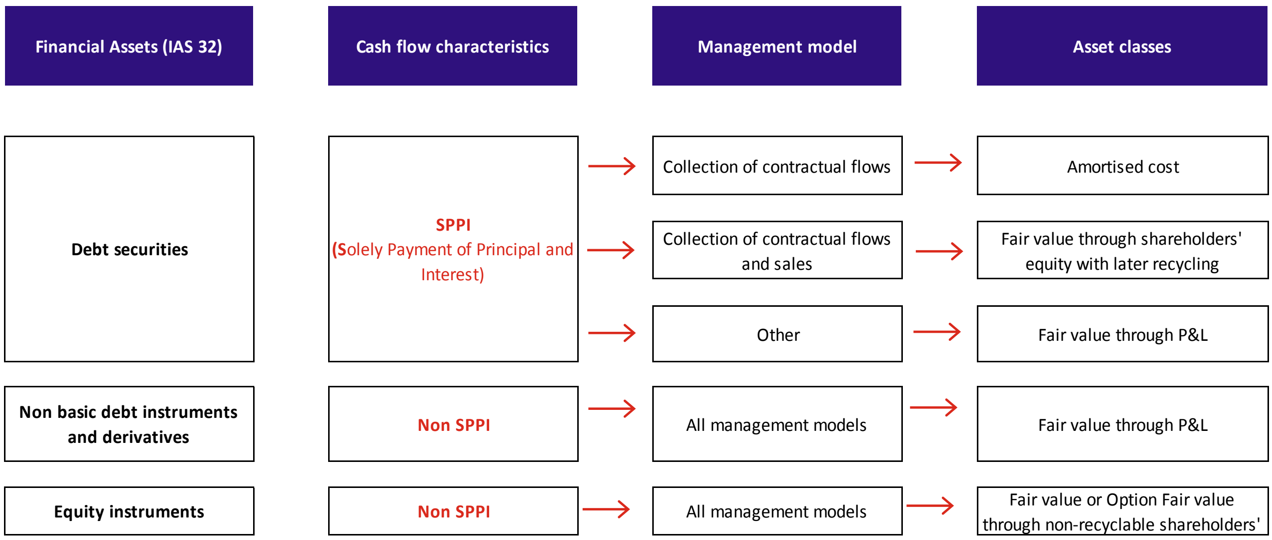
- the performance reports submitted to the Group’s senior management;

- 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 models, such as the sales 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:



a) Debt instruments 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 receivables). Loans and receivables are measured after their initial recognition at amortised cost based on the effective interest rate and may be subject to individual impairment whenever a default event has occurred after the grant of the loan with an impact on future projected asset cash flows and, is therefore, likely to generate measurable loss. These impairments are determined by comparing discounted cash flows to book value. The effect of subsequent reversal of the impairment is booked under net banking income.

✓ *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 at market value plus transaction costs, then at their amortised cost using the effective interest rate method, which includes 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 shareholders' equity".

b) Debt instruments at fair value through shareholders' equity

Debt instruments are classified at fair value through shareholders' equity 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 mainly corresponds to fixed-income and fixed-maturity securities that AFD may be called upon to sell at any time, notably securities held as part of Asset-Liability management.

These financial assets are initially measured at their fair value plus transaction costs. They are subsequently assessed at market value and changes in fair value are recorded in transferable shareholders' equity. They are also subject to the calculation of expected losses in respect of credit risk according to the same modalities as those applicable to debt instruments at amortised cost (3.2.4. Impairment of loans, receivables and debt securities).

Interest is recognised in the income statement according to the effective interest rate method.

When the securities are sold, the change in values previously recognised in shareholders' equity is transferred to the income statement.

c) Debt instruments at fair value through profit and loss

This category includes debt instruments that do not comply with the SPPI criteria:

✓ *Equity stakes in investment funds and direct investments with put options and other debt instruments (e.g. UCITS, etc.)*

The characteristics of contractual flows are such that the SPPI test is not met and they cannot be classified under amortised cost.

In application of its procedures, AFD classifies its financial assets into two main criteria: listed assets 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. 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.

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 (< 6 months) and the historic cost for AFD's real estate subsidiaries.

Valuations are reviewed every half-year. 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 contracts contain early repayment clauses whose contractual amount corresponds to compensation equal to the cost of unwinding the associated hedging swap. Early repayment flows for these loans are not considered as SPPI as they do not only reflect the effect of changes in the benchmark interest rate.

Consequently, AFD Group has identified a loan portfolio which is assessed at fair value through profit and loss. The loans are subject to valuation according to the discounted future cash flow method with a discount rate specific to each loan.

- ✓ *Derivative exchange rate or interest rate instruments used as part of economic hedging*

These are derivative instruments that do not meet the definition of hedge accounting according to IFRS 9. These assets and liabilities are measured at fair value through profit and loss. 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 from 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 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

Equity instruments are recognised in principle at fair value through profit and loss. An option has been left to designate equity instruments at fair value through non-transferable shareholders' equity. This choice, made on a case by case basis for each instrument, is irrevocable.

When the option to designate an equity instrument at fair value through shareholders' equity is made:

- 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 shareholders' equity;
- the changes in the fair value of the instrument are only recognised in shareholders' equity and are not subsequently transferred to the income statement. 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.

Stage 2 of IFRS 9, relating to the general approach to impairment, does not apply to equity instruments.

e) Reclassification of financial assets

Financial assets are only reclassified in exceptional cases resulting from a change in the management model.

A change in the management model for financial assets involves changes in the way the activity is managed operationally, systems, etc. (acquisition of a business, end of a business, etc.) with the accounting consequence of a reclassification of all financial assets in the portfolio when the new management model is effective.

B- 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 and loss by nature or by option are assessed at fair value, and changes in fair value are recognised in the income statement;

- financial liabilities valued 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 at fair value through profit and loss on option are assessed at fair value with changes in fair value recognised in the income statement; the effect of the reassessment of the own credit risk should be recognised directly in non-transferable shareholders' equity.

It is still necessary, if applicable, to separate the derivatives incorporated into financial liabilities.

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. 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 borrowings after 1 January 1998 recognised as subordinated debt (with a repayment period scheduled over 30 years and a 10-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 €280.0M, there was a drawdown of €160.0M 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.

  At 30 June 2019, the balance amounted to €840.0M.

C- 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 a financial asset is derecognised entirely, the difference between the book value of the asset and the amount of the consideration received must be recognised in the income statement with the capital gains or losses on disposals corresponding to the transferred asset.

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 a financial liability is derecognised entirely, the difference between the book value of this liability and the amount of the consideration paid must be recognised in the income statement as an adjustment to the interest expense corresponding to the derecognised financial liability.

D- Hedging derivatives

AFD Group has decided not to apply the third phase of IFRS 9 "Hedge accounting"; AFD applies fair value hedge accounting as defined by 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 fair value through profit and 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 exchange-rate 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 differences on interest-rate hedged portfolios” in the case of a portfolio hedging relationship.

If the hedge no longer meets the effectiveness requirements of IAS 39, the hedging derivatives are transferred to “Financial assets at fair value through profit and loss” or to “Financial liabilities at fair value through profit and 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 non-zero hedged component is spread out over the remaining term of hedged items.

E- Impairment of financial assets at amortised cost and at fair value through shareholders' equity

In accordance with IFRS 9, the impairment model for credit risk is based on the expected credit losses ("ECL"). Impairment is recognised on debt instruments at amortised cost or at fair value through transferable shareholders' equity as well as on loan commitments and financial guarantee contracts that are not recognised at fair value.

a) General principle

AFD Group classifies financial assets into 3 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.

This is defined as follows:

- stage 1: is for "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: are 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 the Expected Loss;
- stage 3: is for 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 based on expected loss at maturity, as determined by an expert.

b) Notion 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 related to this notion, the refutable presumption of 90 days in arrears, stipulates that the definition used must comply 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.

c) Significant increase in credit risk

The significant increase in credit risk can be measured individually or collectively. The Group examines all of 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 year-end, adopting a forward looking approach.

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.

For assets entering stage 3, application of IFRS 9 has not changed the notion of default the Group currently uses under IAS 39.

According to this standard, if the risk for a particular financial instrument is deemed to be low at year-end (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 provision was applied for debt securities recognised at fair value through transferable shareholders' equity as well as those recognised at amortised cost. As part of the classification in stage 1 and 2, counterparties with very high quality ratings are systematically classified in Stage 1.

d) Measurement of Expected Credit Losses ("ECL")

Expected Credit Losses are defined as a probable estimate of discounted credit losses weighted by the probability of these losses occurring during the coming year or over the asset's lifetime, depending on the stage.

Based on the specificities of AFD Group’s portfolio, work was undertaken 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 equity, in line with phase 1 of IFRS 9. The Group’s chosen calculation method was thus based on internal data and concepts, and also 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.

✓ *Probability of default (PD)*

The probability of default enables the probability that a contract defaults over a given time period to be modelled. 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 payment schedule for assets associated with stage 2 (called Curve of PD at maturity or PD lifetime).

Given the low volume of loans within AFD Group, and the "low default portfolio" nature of certain portfolios, AFD Group does not have a collection of internal historic defaults that are sufficiently representative of the economic reality of the operating regions of the Group's entities.
For these reasons, AFD Group has selected an approach based on rating transitions and default probabilities communicated by the rating agencies. Restatements may be required on external transition matrices to correct certain irregularities that may have an impact on the coherence of the default probabilities calculated based on these external matrices.

✓ *Loss Given Default (LGD)*

The Loss Given Default (LGD) is modelled for assets in the different stages. AFD Group has taken into account the collateral valuation in the LGD modelling.

For the same reasons as for the "Probability of Default", AFD Group uses external data on recoveries published by the rating agencies. This external data is restated to take into account the personal or real guarantees that AFD Group assets may present.

✓ *Exposure at default (EAD);*

Exposure at default corresponds to the forecast residual amount by the debtor at the time of the default, and must, therefore, take into account future cash flows and forward-looking elements. 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.

F- 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 lead to the derecognition of assets and if the changes in borrowing 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 book value, a discount must be recognised under "cost of credit risk" to bring the book value back to the new present value.

G- Gains and losses on financial instruments

a) Gains and 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.

b) Gains and losses on financial instruments at fair value through shareholders' equity

Income from financial instruments recognised at fair value through shareholders' equity is recognised under this heading, and includes:

- dividends and other revenue;
- gains and losses realised on financial assets at fair value through transferable shareholders' equity.

3.2.4. Commitments to buy back minority interests

In 2008, then in 2014 during the increase in Proparco's share capital, the Group made commitments to buy back the interests of the minority shareholders in Proparco.

The strike price is defined contractually depending on the restated net asset value on the exercise date.

In the 2019 half-year financial statements, these commitments led to a debt of €92.5M to the minority shareholders of Proparco, with a corresponding entry of a decrease in "minority interests" in the amount of €90.2M and "Consolidated reserves - Group Share" for €2.4M. The opening of the next window is forecast for September 2019 to June 2024.

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 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 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.

As for intangible assets, software is amortised according to its type: eight years for enterprise resource planning systems and two years for office automation tools.

Depreciation and amortisation are calculated using the straight-line method, according to the expected useful life of the asset; its residual value is deducted from the depreciable base. On each closing date, fixed assets are valued at their amortised cost (cost minus total amortisation and any loss of value). When applicable, the useful lives and residual values are adjusted in the accounts.

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 to use the 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 IAS 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 payments of rent less incentive benefits received from the lessor;
- the variable payments of rent 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.

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 rent 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 impairment expense for the right to use the asset and the financial expense relating to the interest on the lease debt partially replace the operating expense previously recognised for rent, but are presented as two different items (the impairment expense in depreciation expenses and rent in 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.

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 sovereign risk and the principles for using those provisions.

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 for the 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).

Doubtful sovereign debts 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

This item is intended to cover the cost to AFD of the takeover and liquidation of Soderag, which was decided in 1998, and to cover AFD's risk of loss on loans issued to Sodema, Sodega and Sofideg to buy Soderag's portfolio. These loans were transferred to Sofiag.

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.

✓ *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.

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).

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 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.

3.2.8. Segment reporting

In application of IFRS 8 Operating Segments, AFD has identified and reported on only one operating segment for its lending and subsidy activity, based on the information provided internally to the Chief Executive Officer, who is AFD’s chief operational decision-maker.

This lending and subsidy-granting activity is the Group’s main activity, falling within the scope of its public service role of financing development assistance.

3.2.9. Cash flow statement principles

The cash flow statement analyses changes in the cash position resulting from operating, investment and financing transactions from one year to the next.

AFD’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 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 transfers 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 half-year financial statements for the preceding and current financial years.

Cash flow includes cash funds and demand deposits held at the Banque de France and with credit institutions.

3.3. Notes to the financial statements at 30 June 2019

The comparative data at 31 December 2018 and the accounting principles applied to this comparative data are available in the Group's consolidated financial statements at 31 December 2018.

For the financial instruments, the comparative data for the 2018 financial year which is presented in view of the 2019 data, remains in compliance with the provisions of IFRS 9.

3.3.1. Notes to the Balance Sheet

Note 1 – Financial assets and liabilities at fair value through profit and loss

In thousands of euros	Notes	30/06/2019 Assets	30/06/2019 Liabilities	30/06/2019 Notional/ Outstanding	31/12/2018 Assets	31/12/2018 Liabilities	31/12/2018 Notional/ Outstanding
Interest rate derivatives	1.1	423	13,310	573,569	2,827	12,576	603,387
Foreign exchange derivatives	1.1	88,767	260,098	5,560,242	81,970	320,503	4,914,717
Derivatives at fair value through profit and loss		92,422	66,829	1,072,878	115,914		1,091,157
Debt instruments that do not meet SPPI criteria	1.2	2,804,920		2,802,628	2,212,564		2,129,819
CVA/DVA		50	2,135	-	112	6,080	-
Total		**2,986,583**	**342,372**	**10,009,317**	**2,413,386**	**339,159**	**8,739,079**

Total 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 consequently assimilated to transaction financial assets.
Under IFRS, a derivative is always considered to be held for transaction purposes (Held For Trading), unless the intention to use it for hedge accounting is demonstrated and documented 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 Debt instruments that do not meet SPPI criteria

In thousands of euros	Notes	30/06/2019	Notional/ Outstanding	31/12/2018	Notional/ Outstanding
Loans to credit institutions	1.2.1	**355,588**	**364,082**	**361,640**	**372,405**
Performing loans		355,437	358,237	361,191	366,117
Doubtful outstandings		151	5,845	449	6,288
Loans to customers	1.2.1	**780,589**	**804,823**	**771,407**	**806,755**
Performing loans		779,251	789,000	770,131	791,596
Doubtful outstandings		1,337	15,823	1,276	15,159
Securities		**1,668,743**	**1,633,723**	**1,079,517**	**950,658**
Bonds and other fixed-income securities	1.2.2	14,830	16,076	106,340	16,723
UCITS		531,858	521,388	50,200	41,054
Equity investments	1.2.3	1,122,055	1,096,259	922,978	892,881
Of which equity stakes held in investment funds		*971,200*	*971,095*	*794,935*	*769,238*
Of which equity stakes held directly with a put option		*150,855*	*125,164*	*128,043*	*123,643*
Total		**2,804,920**	**2,802,628**	**2,212,564**	**2,129,819**

Note 1.2.1 Loans that do not meet SPPI criteria

Loan contracts may contain early repayment clauses whose contractual amount corresponds to compensation equal to the cost of unwinding the associated hedging swap. Loan contracts may also include a remuneration 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.

Consequently, AFD Group has identified a loan portfolio which is assessed at fair value through profit and loss. The loans are subject to valuation according to the discounted future cash flow method with a discount rate specific to each loan in accordance with the accounting principles followed by the Group.

Note 1.2.2 Bonds and other long-term investments

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.

Note 1.2.3 Equity investments

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 funding 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 investments with put options as part of its business.
The contractual flows of these financial assets do not meet SPPI characteristics and are consequently assessed at fair value through profit and loss.

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 non-transferable shareholders' equity has not been selected.
At 30 June 2019, the Group had opted for a classification at fair value through non-transferable shareholders' equity 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

Fair value hedging instruments

	30/06/2019			31/12/2018		
	Book value			Book value		
In thousands of euros	Assets	Liabilities	Notional	Assets	Liabilities	Notional
Fair value hedging						
Interest rate derivatives	1,934,085	979,018	39,376,864	1,170,325	528,955	35,364,382
Interest rate and foreign exchange derivatives (cross-currency swaps)	546,990	497,569	11,107,009	653,914	411,385	10,092,654
Total	**2,481,075**	**1,476,586**	**50,483,873**	**1,824,239**	**940,339**	**45,457,037**

Analysis by residual duration (notional)

The breakdown of the notional amounts of hedging derivatives is presented by residual contractual maturity.

In thousands of euros	Less than 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	30/06/2019
Fair value hedging					
Interest rate derivatives	-	1,077,776	11,253,352	27,045,736	39,376,864
Interest rate and foreign exchange derivatives (cross-currency swaps)	880,514	1,118,993	4,764,433	4,343,068	11,107,009
Total	**880,514**	**2,196,769**	**16,017,785**	**31,388,804**	**50,483,873**

In thousands of euros	Less than 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	31/12/2018
Fair value hedging					
Interest rate derivatives	-	100,989	8,609,690	26,653,703	35,364,382
Interest rate and foreign exchange derivatives (cross-currency swaps)	884,722	887,113	3,876,583	4,444,236	10,092,654
Total	**884,722**	**988,103**	**12,486,273**	**31,097,939**	**45,457,037**

Note 3 – Financial assets at fair value through shareholders’ equity

In thousands of euros	30/06/2019		31/12/2018	
	Book value	Change in fair value over the period	Book value	Change in fair value over the period
Debt instruments recognised at fair value through recyclable shareholders' equity	**1,149,768**	**895**	**1,067,532**	**-20,813**
Demand Term Government paper and equivalent	965,705	850	891,791	-21,329
Bonds and other investments	184,063	45	175,742	517
Equity instruments recognised at fair value through non-recyclable shareholders’ equity	**413,295**	**-7,660**	**397,163**	**-21,137**
Non-consolidated equity stakes	413,295	-7,660	397,163	-21,137
Total	**1,563,063**	**-6,765**	**1,464,695**	**-41,950**

Note 4 – Financial assets and liabilities at fair value measured according to the level of fair value

In thousands of euros	30/06/2019				31/12/2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets/Liabilities								
Equity investments at fair value through profit and loss	1,165	-	1,120,890	**1,122,055**	1,047	-	921,931	**922,978**
Loans and securities that do not meet SPPI criteria	531,858	-	1,151,007	**1,682,865**	50,200	-	1,239,386	**1,289,586**
Financial assets recognised in shareholders’ equity	1,149,768	-	413,295	**1,563,063**	1,067,532	-	397,163	**1,464,695**
Hedging derivatives (Assets)	-	2,481,075	-	**2,481,075**	-	1,824,239	-	**1,824,239**
Financial liabilities at fair value through profit and loss	-	341,416	956	**342,372**	-	338,316	842	**339,159**
Hedging derivatives (Liabilities)	-	1,476,586	-	**1,476,586**	-	940,339	-	**940,339**
Derivatives	-	175,666	5,997	**181,663**	-	192,623	8,200	**200,823**

Note 5 – Financial instruments at amortised cost

Financial assets assessed at amortised cost

In thousands of euros	Notes	30/06/2019 Demand	30/06/2019 Term	31/12/2018 Demand	31/12/2018 Term
Debt securities at amortised cost	5.1		1,468,076		1,301,006
Loans and receivables due from credit institutions	5.2	1,797,949	6,339,868	1,908,646	5,213,378
Loans and receivables due from customers	5.2		27,489,820		26,485,764
Total		**1,797,949**	**35,297,764**	**1,908,646**	**33,000,148**

Note 5.1 Debt securities at amortised cost

In thousands of euros	30/06/2019 Demand	30/06/2019 Term	31/12/2018 Demand	31/12/2018 Term
Demand Term Government paper and equivalent	-	743,264	-	747,500
Bonds and other investments	-	724,812	-	553,505
Total	**-**	**1,468,076**	**-**	**1,301,006**
Impairments*	-	-	-	-
Total	**-**	**-**	**-**	**-**

**As these are debt securities recognised at fair value through transferable shareholders' equity as well as those at amortised cost, AFD decided to apply the Low Credit Risk (LCR) analysis.*

Note 5.2 Loans and receivables due from credit institutions and from customers at amortised cost

In thousands of euros	30/06/2019 Demand	30/06/2019 Term	31/12/2018 Demand	31/12/2018 Term
Loans to credit institutions at amortised cost		**5,111,707**		**5,170,625**
Performing loans		5,037,459		5,098,375
Doubtful outstandings		74,248		72,250
Impairments		**-84,192**		**-87,524**
Related receivables		**27,408**		**26,895**
Valuation adjustments of loans hedged by forward financial instruments		**55,475**		**24,578**
Subtotal		**5,110,398**		**5,134,574**
Loans to customers at amortised cost		**26,955,603**		**26,415,356**
Performing loans		26,080,756		25,586,690
Doubtful outstandings		874,847		828,667
Impairments		**-636,044**		**-576,125**
Related receivables		**60,028**		**61,625**
Valuation adjustments of loans hedged by forward financial instruments		**1,110,233**		**584,907**
Subtotal		**27,489,820**		**26,485,764**
Total loans at amortised cost	**-**	**32,600,219**		**31,620,338**
Other receivables at amortised cost				
Deposits (available cash) at credit institutions	1,797,949	1,229,233	1,908,646	78,553
Related receivables		236		252
Total other receivables at amortised cost	**1,797,949**	**1,229,469**	**1,908,646**	**78,804**
Total loans and other receivables at amortised cost	**1,797,949**	**33,829,688**	**1,908,646**	**31,699,142**

Note 6 – Accruals and miscellaneous assets/liabilities

In thousands of euros	30/06/2019		31/12/2018	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Collateral guarantee deposits	644,420	1,135,630	386,833	956,716
Allocated public funds		62,354		69,530
Other assets and liabilities	246,246	1,000,609	65,575	1,012,753
Accounts payable, French State		109,959		37,824
Total accruals and other miscellaneous assets/liabilities	**890,666**	**2,308,551**	**452,408**	**2,076,824**

Note 7 – Property, plant and equipment and intangible assets

In thousands of euros	Fixed assets			Intangible assets	Total	Total
	Land & fittings	**Buildings & fittings**	**Other**		**30/06/2019**	**31/12/2018**
Gross value						
At opening	88,706	220,639	60,652	94,558	464,555	435,163
Purchases	68	4,113	3,839	6,488	14,507	31,412
Disposals/ retirements	-	-188	-335	-12	-535	-2,020
Other items	-76	-2,705	436	780	-1,565	-
Change in scope	-	-	-	-	-	0
At closing	**88,698**	**221,858**	**64,592**	**101,814**	**476,962**	**464,555**
Depreciation /amortisation						
At opening	2,970	129,498	42,491	55,516	230,475	209,151
Provisions	76	4,232	2,437	4,168	10,913	22,564
Reversals	-	-37	-325	-2	-363	-1,244
Other items	-	-37	-36	-145	-218	0
Change in scope	-	-	-	-	-	-
At closing	**3,045**	**133,656**	**44,568**	**59,537**	**240,808**	**230,473**
Net value	**85,652**	**88,201**	**20,023**	**42,276**	**236,152**	**234,080**

At 1 January, AFD Group had applied IFRS 16, leading to a restatement of real estate leases. The impact as at 30 June 2019 is fairly limited with a right of asset use recognised for a net total of €83.3M.

Rights of use

In thousands of euros	**Registered offices**	**Offices**	**30/06/2019**
Net value			
At 1 January 2019	86,041	4,473	90,514
New contract			-
Modification to contract			-
Other items			-
At 30 June 2019	**86,041**	**4,473**	**90,514**
Depreciation/amortisation	6,595	629	7,224
Net value	**79,446**	**3,844**	**83,290**

Note 8 – Financial liabilities measured at amortised cost

Debts to credit institutions and customers, and debt securities at amortised cost

In thousands of euros	30/06/2019	31/12/2018
Debts to credit institutions at amortised cost		
Demand debts	21,400	11,139
Term debts	645	640
Related debts		
Total debts to credit institutions at amortised cost	**22,045**	**11,779**
Debts to customers at amortised cost		
Accounts payable, customers	1,094	1,690
Total debts to customers at amortised cost	**1,094**	**1,690**
Debt securities in issue at amortised cost		
Interbank market securities	398,202	478,458
Bonds	31,400,732	29,487,317
Related debts	239,086	353,678
Valuation adjustments of debt securities in issue hedged by derivatives	1,981,363	925,822
Total debt securities in issue at amortised cost	**34,019,383**	**31,245,275**
Subordinated debt at amortised cost		
Subordinated loans from the French Treasury	1,048,259	1,048,001
Related debts	6	6
Total subordinated debts at amortised cost	**1,048,265**	**1,048,007**

Maturity of debt securities in issue at amortised cost

In thousands of euros	Less than 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	30/06/2019
Maturity of debt securities in issue					
Bonds	1,781,861	3,346,431	14,990,003	13,502,887	33,621,182
Interbank market securities	398,202				398,202
Total	**2,180,063**	**3,346,431**	**14,990,003**	**13,502,887**	**34,019,383**

In thousands of euros	Less than 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	31/12/2018
Maturity of debt securities in issue					
Bonds	1,193,620	2,263,764	12,895,243	14,414,190	30,766,817
Interbank market securities	450,397	28,063			478,458
Total	**1,644,017**	**2,291,827**	**12,895,243**	**14,414,190**	**31,245,275**

Debt securities in issue

In thousands of euros	EUR	USD	JPY	CHF	AUD	30/06/2019
Debt securities in issue						
Bonds	24,431,450	8,720,604	118,584	271,495	79,049	33,621,182
Interbank market securities	398,202					398,202
Total	**24,829,652**	**8,720,604**	**118,584**	**271,495**	**79,049**	**34,019,383**

In thousands of euros	EUR	USD	JPY	CHF	AUD	31/12/2018
Debt securities in issue						
Bonds	23,106,301	7,213,539	115,657	269,034	62,285	30,766,817
Interbank market securities	478,458					478,458
Total	**23,584,759**	**7,213,539**	**115,657**	**269,034**	**62,285**	**31,245,275**

Note 9 - Provisions

In thousands of euros

Provisions	31/12/2018	Provisions	Reversals available	Translation adjustment	30/06/2019
Included in the cost of risk					
French Overseas Department subsidiary risks	27,446	2,663	249	-	29,860
Other provisions for risk	118,711	35,088	5,117	0	148,682
Subtotal	*146,157*	*37,751*	*5,366*	*0*	*178,542*
Excluded from the cost of risk	-				
Provision for expenses – Sovereign loans	740,986	30,300	25	0	771,262
Staff costs	108,549	20,322	0	-2	128,868
Provision for risks and expenses	6,008	195	86	-	6,116
Total	**1,001,700**	**88,567**	**5,477**	**-2**	**1,084,788**

Asset impairment	31/12/2018	Provisions	Reversals available	Translation adjustment	30/06/2019
Banks	34,021	373	2,866	-149	31,379
Credit to customers	441,184	79,736	17,401	-1,345	502,174
Of which Cost of risk		*79,465*	*15,098*	*-1,494*	
Other receivables	10,844	0	0	3	10,847
Group of homogeneous assets	188,445	22,545	24,308	-	186,682
Of which Cost of risk		*22,545*	*24,308*		
Total	**674,493**	**102,655**	**44,574**	**-1,491**	**731,082**

3.3.2. Notes to the Income Statement

Note 10 – Income and expenses by accounting category

In thousands of euros	30/06/2019	30/06/2018
On financial assets assessed at amortised cost	**427,473**	**380,611**
Cash and demand accounts with central banks	1,518	2,028
Loans and receivables	416,972	369,056
Transactions with credit institutions	*90,844*	*166,246*
Transactions with customers	*326,128*	*315,058*
Debt securities	8,983	9,527
On financial assets assessed at fair value through shareholders' equity	**1,265**	**2,176**
Debt securities	1,265	2,176
On financial assets at fair value through profit and loss	**41,895**	**34,430**
Loans and receivables	41,895	34,430
Transactions with credit institutions	11,698	5,992
Transactions with customers	30,197	28,438
Accrued interest due on hedging instruments	**364,074**	**309,725**
Other interest and similar income	**515**	**234**
Total interest income	**835,222**	**727,177**
On financial liabilities assessed at amortised cost	**280,813**	**231,228**
Financial liabilities valued at amortised cost	280,813	231,228
Accrued interest due on hedging instruments	**351,620**	**316,517**
Other interest and similar expenses	**451**	**318**
Total interest expenses	**632,884**	**548,063**

Note 11 - Net commissions

In thousands of euros	30/06/2019 Income	30/06/2019 Expenses	30/06/2019 Net	30/06/2018 Income	30/06/2018 Expenses	30/06/2018 Net
Commissions on commitments	0	-	0	0	-	0
Monitoring and investment commissions	51,949	511	51,438	31,065	496	30,569
Analysis commissions	5,802	-	5,802	3,017	-	3,017
Commissions on gifts and subsidies	10,448	-	10,448	7,901	-	7,901
Miscellaneous commissions	5,719	444	5,275	3,173	310	2,863
Total	**73,917**	**955**	**72,963**	**45,156**	**806**	**44,350**

Note 12 - Gains or losses on financial instruments at fair value through profit and loss

in thousands of euros	30/06/2019 Gains and losses on financial instruments at fair value through profit and loss	30/06/2018 Gains and losses on financial instruments at fair value through profit and loss
Financial assets and liabilities at fair value through profit and loss	4,206	-12,649
Dividends received	3,507	3,186
Unrealised or realised gains or losses on debt instruments that do not meet SPPI criteria	4,504	2,008
Loans and hedging at fair value through profit and loss	-3,805	-17,843
Income resulting from hedge accounting	11,248	19,635
Change in fair value of hedging derivatives	201,880	-216,564
Change in fair value of the hedged item	-190,632	236,199
Natural hedging	7,281	-27,856
CVA/DVA/FVA	3,883	-602
Total	**26,618**	**-21,472**

Note 13 – Net gains or losses on other financial assets recognised at fair value through shareholders’ equity

in thousands of euros	30/06/2019	30/06/2018
Dividends received on equity instruments recognised at fair value through non-recyclable shareholders’ equity	5,864	6,389
Gains or losses on equity instruments recognised at fair value through non-recyclable shareholders' equity	-	56
Gains or losses on debt instruments recognised at fair value through recyclable shareholders’ equity	-761	-1,264
Net gains or losses on financial assets recognised in equity	**5,103**	**5,181**

Note 14 - Income from other activities

in thousands of euros	30/06/2019	30/06/2018
Subsidies	107,168	102,707
Other income	13,017	3,309
Total	**120,185**	**106,016**

Subsidies on loans and borrowings are paid by the State to reduce the financing cost or to reduce lending costs for borrowers.

Note 15 - Overheads

Staff costs

in thousands of euros	30/06/2019	30/06/2018
Staff costs		
Wages and bonuses	93,110	85,333
Social security expenses	35,140	32,836
Profit sharing	4,087	3,721
Taxes and similar payments on remuneration	9,271	9,400
Provisions/reversal of provisions	70	-
Rebilling banks' staff	-5,008	-5,948
Total	**136,671**	**125,343**

Other administrative expenses

in thousands of euros	30/06/2019	30/06/2018
Other administrative expenses		
Taxes	8,003	8,507
of which application of IFRIC 21	3,197	3,309
Outside services	62,566	56,423
Rebilled expenses	-1,182	-622
Total	**69,387**	**64,308**

Note 16 – Cost of credit risk

in thousands of euros	30/06/2019	30/06/2018
Impairments on performing (Stage 1) or deteriorated (Stage 2) assets	**-28,769**	**17,906**
Stage 1: Losses assessed at the amount of expected credit losses for the coming 12 months	**-1,688**	**12,125**
Debt instruments recognised in recyclable shareholders' equity	-	-
Debt instruments recognised at amortised cost	-651	10,433
Commitments by signature	-1,038	1,692
Stage 2: Losses assessed at the amount of expected credit losses for the lifetime	**-27,081**	**5,781**
Debt instruments recognised in recyclable shareholders' equity	-	-
Debt instruments recognised at amortised cost	2,389	-8,134
Commitments by signature	-29,470	13,915
Impairments on non-performing assets (Stage 3)	**-64,667**	**-15,176**
Stage 3: Impaired assets	**-64,368**	**-18,436**
Debt instruments recognised in recyclable shareholders' equity	-	-
Debt instruments recognised at amortised cost	-58,599	-14,575
Commitments by signature	-5,769	-3,861
Other provisions for risk	**-299**	**3,260**
Provisions net of reversals of provisions	**-93,437**	**2,730**
Losses on unimpaired bad loans and receivables	-994	-4,145
Recoveries on loans and receivables	81	1
Discounts on restructured credits	-566	-1,919
Cost of credit risk	**-94,917**	**-3,332**

Note 17 - Equity-accounted companies

in thousands of euros	30/06/2019		31/12/2018		30/06/2018	
Impact	*Balance sheet*	*Income*	*Balance sheet*	*Income*	*Balance sheet*	*Income*
SIC	39,919	-3,701	43,903	-693	45,225	629
Socredo	107,948	2,633	106,202	5,208	103,474	2,502
Total	**147,867**	**-1,069**	**150,105**	**4,515**	**148,699**	**3,132**

Note 18 - Corporate income tax

in thousands of euros	30/06/2019	30/06/2018
Corporate tax	**-5,288**	**-4,654**
Taxes due	-8,798	-7,524
Deferred tax	3,511	2,871

Underlying tax position

in thousands of euros	30/06/2019	30/06/2018
Net income	**94,771**	**107,093**
Corporate tax	-5,288	-4,654
Pre-tax income	**100,059**	**111,747**
Total theoretical tax expense 32.02% (A)	**-37,876**	**-39,722**
Total matching items (B)	**32,589**	**35,068**
Net recorded tax expense (A) + (B)	**-5,288**	**-4,654**

Deferred taxes are estimated on the basis of the following assumptions:

- deferred taxes based on impairments were estimated on the basis of the following rates: 28.92% for stage 1 (rate in force in 2020) and 25.83% for stage 2 (rate in force from 2021);
- deferred taxes based on the unrealised gains or losses on loans, investments and convertible bonds were estimated on the basis of the rate of 28.92%.

Note 19 – 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	30/06/2019	31/12/2018
Commitments received		
Financing commitments received from the French State	-	-
Guarantee commitments received from the French State on loans	1,217,538	611,475
Guarantee commitments received from credit institutions	433,439	458,055
as part of the Group's credit activity	*433,439*	*458,055*
Commitments given		
Financing commitments made to credit institutions	1,515,328	1,204,162
Financing commitments made to customers	12,133,454	10,775,968
Guarantee commitments made to credit institutions	78,706	74,730
Guarantee commitments made to customers	506,855	522,703

The commitments received do not include transactions on behalf of the State.

3.4. Credit risk

✓ Concentration of the credit risk

Financial assets at amortised cost

in thousands of euros	Performing assets – Stage 1	Performing assets – Stage 2	Doubtful assets Stage 3	Financial assets impaired from their acquisition or creation	Total
	Book value				
Investment grade rating (AAA to BBB-)	5,436,636	297,636	-	-	5,734,271
Rating BB+ to BB-	2,832,186	2,823,294	-	2,290	5,655,480
Rating B+	530,065	277,955	-	16	808,020
Rating B	496,800	624,161	-	0	1,120,961
Rating B-	13,208	578,447	-	32,609	591,655
Rating CCC to D-	-	-	921,411	6,677	921,411
Total at 30 June 2019	**9,308,895**	**4,601,493**	**921,411**	**41,591**	**14,831,799**
Investment grade rating (AAA to BBB-)	5,859,261	317,889	-	1,418	6,177,149
Rating BB+ to BB-	2,937,888	2,517,887	-	74,809	5,455,775
Rating B+	570,361	265,605	-	-	835,966
Rating B	369,993	557,602	-	-	927,595
Rating B-	17,470	593,302	-	-	610,772
Rating CCC to D-	-	-	761,618	-	761,618
Total at 31 December 2018	**9,754,971**	**4,252,285**	**761,618**	**76,227**	**14,768,875**

Financial assets at fair value through transferable shareholders' equity

in thousands of euros	Performing assets – Stage 1	Performing assets – Stage 2	Doubtful assets Stage 3	Financial assets impaired from their acquisition or creation	Total
	Book value				
Investment grade rating (AAA to BBB-)	2,437,507	-	-	-	2,437,507
Rating BB+ to BB-	-	-	-	-	-
Rating B+	-	-	-	-	-
Rating B	-	-	-	-	-
Rating B-	-	-	-	-	-
Rating CCC to D-	-	-	-	-	-
Total at 30 June 2019	**2,437,507**	**-**	**-**	**-**	**2,437,507**
Investment grade rating (AAA to BBB-)	1,830,814				1,830,814
Rating BB+ to BB-					
Rating B+					
Rating B					
Rating B-					
Rating CCC to D-					
Total at 31 December 2018	**1,830,814**				**1,830,814**

Financing commitments

in thousands of euros	Performing commitments – Stage 1	Performing commitments – Stage 2	Doubtful commitments Stage 3	Financial commitments impaired from their acquisition or creation	Total
	Amount of commitment				
Investment grade rating (AAA to BBB-)	959,031	24,315	-	3,500	983,346
Rating BB+ to BB-	1,042,669	270,275	-	240	1,312,944
Rating B+	146,702	87,129	-	60,000	233,831
Rating B	410,774	180,838	-	-	591,612
Rating B-	-	280,582	-	20,599	280,582
Rating CCC to D-	-	-	74,753	-	74,753
Total at 30 June 2019	**2,559,176**	**843,138**	**74,753**	**84,339**	**3,477,068**
Investment grade rating (AAA to BBB-)	947,205	20,289	-	289	967,494
Rating BB+ to BB-	869,639	282,154	-	15,171	1,151,793
Rating B+	141,802	19,374	-	-	161,177
Rating B	421,877	213,325	-	-	635,203
Rating B-	-	256,594	-	4,347	256,594
Rating CCC to D-	-	-	25,184	-	25,184
Total at 31 December 2018	**2,380,523**	**791,737**	**25,184**	**19,808**	**3,197,444**

Guarantee commitments

in thousands of euros	Performing commitments		Doubtful commitments	Financial commitments impaired from their acquisition or creation	Total
	Stage 1	Stage 2	Stage 3		
	Amount of commitment				
Investment grade rating (AAA to BBB-)	60,350	-	-	-	60,350
Rating BB+ to BB-	11,358	362,637	-	40,309	373,996
Rating B+	-	-	-	-	-
Rating B	77,292	-	-	-	77,292
Rating B-	-	-	-	-	-
Rating CCC to D-	-	-	36,913	33	36,913
Total at 30 June 2019	**149,000**	**362,637**	**36,913**	**40,341**	**548,550**
Investment grade rating (AAA to BBB-)	63,973	-	-	-	63,973
Rating BB+ to BB-	11,070	380,482	-	87,974	391,552
Rating B+	-	-	-	-	-
Rating B	76,806	-	-	-	76,806
Rating B-	-	-	-	-	-
Rating CCC to D-	-	-	31,999	-	31,999
Total at 31 December 2018	**151,850**	**380,482**	**31,999**	**87,974**	**564,330**

- ✓ **Exposure to credit risk: Change in the book values 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.

The following charts present a reconciliation of opening and closing balances for value adjustments for losses recognised in Cost of risk and the associated book values, by accounting category and instrument type.

Assets at amortised cost: Loans and receivables due from credit institutions

in thousands of euros	Performing assets		Doubtful assets	TOTAL
	Stage 1	Stage 2	Stage 3	
At 1 January 2019	**2,784**	**50,720**	**34,021**	**87,524**
Change in impairment on Assets at amortised cost due from credit institutions				
New production: purchase, grant, origin, etc.	897	3,470	-	4,367
Change in the credit risk parameters over the period	- 784	- 4,274	- 2,642	- 7,699
Total changes in impairment	**113**	**- 804**	**- 2,642**	**- 3,333**
At 30 June 2019	**2,897**	**49,916**	**31,379**	**84,192**

Assets at amortised cost: Loans and receivables due from customers

in thousands of euros	Performing assets		Doubtful assets	TOTAL
	Stage 1	Stage 2	Stage 3	
At 1 January 2019	**3,447**	**131,470**	**441,208**	**576,125**
Change in impairment on Assets at amortised cost due from customers				
New production: purchase, grant, origin, etc.	152	2,180	53	2,385
Change in the credit risk parameters over the period	386	-3,765	60,914	57,534
Total changes in impairment	**538**	**-1,585**	**60,966**	**59,919**
At 30 June 2019	**3,985**	**129,885**	**502,174**	**636,044**

Financing and guarantee commitments

in thousands of euros	Performing assets		Doubtful assets Stage 3	TOTAL
	Stage 1	Stage 2		
At 1 January 2019	**2,065**	**84,974**	**8,527**	**95,566**
Change in impairment on financing and guarantee commitments				
New production: purchase, grant, origin, etc.	799	11,947	-	**12,745**
Change in the credit risk parameters over the period	239	17,524	5,769	**23,531**
Total changes in impairment	**1,038**	**29,470**	**5,769**	**36,277**
At 30 June 2019	**3,102**	**114,445**	**14,296**	**131,843**

3.5. Additional Information

3.5.1. IMF balance sheet

in thousands of euros	30/06/2019	31/12/2018
Assets		
Loans and receivables due from credit institutions	734,153	1,434,536
Demand	*254,369*	*815,320*
Term	*479,784*	*619,216*
Accruals	14,323	52,496
Total assets	**748,476**	**1,487,032**
Liabilities		
Debt securities in issue	741,613	1,481,064
Bonds	*734,000*	*1,434,000*
Of which accrued interest	*7,613*	*47,064*
Accruals and other miscellaneous liabilities	6,863	5,969
Total liabilities	**748,476**	**1,487,032**

Loans granted to the International Monetary Fund (IMF) for the Poverty Reduction and Growth Facility (PRGF), financed by bonded debt 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 €0.2M, the IMF loans have no impact on AFD Group's financial position.

3.5.2. Significant events after 30 June 2019

No other significant events took place after 30 June.

D. Report of the Statutory Auditors on the 2019 half-year financial information

This is a free translation into English of the statutory auditors' review report on the half-yearly financial information issued in French and is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information given in the Group's half-yearly management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

Period from 1 January 2019 to 30 June 2019

To the Shareholders,

In compliance with the assignment entrusted to us by your Board of Directors and in accordance with the requirements of Article L. 451-1-2 III of the French Monetary and Financial Code ("Code monétaire et financier"), we hereby report to you on :

-the review of the accompanying condensed half-yearly consolidated financial statements of Agence Française de Développement, for the period from 1 January 2019 to 30 June 2019,

- the verification of the information given in the half-yearly management report.

These condensed half-yearly consolidated financial statements are the responsibility of the Chief Executive Officer. Our role is to express a conclusion on these financial statements based on our review.

I - Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements do not give a true and fair view of the assets and liabilities and of the financial position of the Group as at 30 June, 2019 and of the results of its operations for the period then ended in accordance with IFRSs as adopted by the European Union.

Without qualifying our conclusion, we draw your attention to the matter set out in Notes 2 and 3.2.5 to the condensed half-yearly consolidated financial statements regarding the modalities and impacts of the application of the new standard, IFRS 16 "Lease Contracts"

II - Special verification

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements.

Paris La Défense, 18 September 2019	Courbevoie, 18 September 2019
KPMG S.A.	**Mazars**
Pascal Brouard	Nicolas De Luze
Partner	Partner

E. Person responsible for the half-year financial statements

Name and position

Philippe Bauduin: Deputy Chief Executive Officer

Certification of the person responsible

I certify that to the best of my knowledge the condensed financial statements for the past half- year are drawn up in accordance with the applicable accounting standards, 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 half-year management report featured on page 2 faithfully presents the significant events having occurred in the first half of the financial year and their impact on the financial statements, and describes the primary risks and uncertainties for the second half of the financial year.

Paris, 18 September 2019

Deputy Chief Executive Officer

Philippe Bauduin