Half-year financial statements

30 June 2016

Contents

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. Business report

Approvals

Total approvals (AFD and Proparco on their own behalf) amounted to €1,685M at 30 June 2016 versus €1,928M at 30 June 2015, excluding Proparco's refinancing operations (€900M).

In foreign countries, approvals granted totalled €1,504M, down €124M from 30 June 2015. This fall is mainly linked to the net fall in sovereign loans (- €453M), which was partially offset by the increase in non-sovereign loans (+€200M).

In French Overseas Departments and Collectivities, approvals granted fell by 40% reaching €181M at 30 June 2016, compared with €300M at 30 June 2015.

This fall mainly concerns the loans to the public sector, specifically to local authorities.

Two factors weighed heavily on the activity of the local authorities in the first half-year:

- The redistribution of four major collectivities into two regional collectivities (the departments and regions of French Guiana and Martinique), and the elections in the Guadeloupe and Martinique regions which led to deferrals of new funding applications;
- The ERDF 2014 - 2020 Operational Programme, which is still at the start-up stage, has not yet fully impacted on the project commitment rate and thus on applications for the corresponding loans.

Finally, approvals granted on behalf of third parties stood at €154M for the first half-year 2016, compared with €302M for the same period in 2015. In 2015, €285M had been committed to the Green Climate Fund.

Disbursements

Total disbursements (AFD and Proparco on their own behalf) fell by 24% from €1,977M at 30 June 2015 to €1,504M at 30 June 2016.

✓ *Activities in foreign countries*

Disbursements in foreign countries stood at €845M at 30 June 2016, down 28%. Subsidy disbursements remained fairly stable (€96M in the first half of 2016 versus €99M in the same period of 2015), while loan disbursements fell sharply (€749M versus €1,077M).

The changes in disbursements for the different types of activity over the half-year are the result of two contrasting movements, mainly:

- A €392M (69%) fall in non-sovereign loans. This can be explained by a base effect linked to three significant disbursements made in the first six months of 2015 (over €300M granted to counterparties in Venezuela, South Africa and Brazil);
- Sovereign concessional loans grew both in value (+€124M/45%) and in volume (288 were paid out versus 155 at 30 June 2015);

✓ *Activities in the French Overseas Departments and Collectivities*

Disbursements came to €250M at 30 June 2016, compared with €466M at 30 June 2015.

✓ *Proparco's activity*

Proparco's disbursements for foreign loans and interests stood at €410M in the first half of 2016, compared with €336M in the same period of 2015, up 22%.

Financial results

The financial statements, prepared in accordance with International Financial Reporting Standards (IFRS), show a net income, Group share of €165M, versus €57M at 30 June 2015. This increase is mainly due to the increase in value of financial instruments at fair value through profit and loss (up €80M on 30 June 2015).

Net banking income came to €356M in the first half of 2015, versus €267M in the first half of 2015.

The cost of risk fell from €56M at 30 June 2015 to €17M at 30 June 2016.

Prospects

2016 will mark the first step towards realising the commitment made by the President of the Republic to increase the volume of AFD Group loans in foreign countries by €4bn between now and 2020. AFD Group's 2016 business plan reflects this new ambition by raising the total volume of commitment approvals to €9bn, or an increase of 9% in comparison with the 2015 estimate and €500M in comparison with the initial 2016 objective in the COM for 2014-2016.

This increase in activity, set out in the business plan, is based on a targeted volume of AFD loans and guarantees to foreign countries of over €5bn in 2016, an increase of 13% on the actual figures for 2015. Proparco's activity is forecast to be €1.3bn, which equates to an increase of 19%. The activity objective in the French Overseas Departments and Collectivities is fixed at €1.63bn, up by 4%.

2016 will also mark the first phase of the growth in financing for the climate co-benefits (an additional €2bn per annum between now and 2020). AFD will also begin to grow its "climate" financing in 2016 to support adaptation to climate change, with the aim of tripling its financing to €1.2bn each year between now and 2020. The anticipated increase in subsidies in 2016, as a result of the allocation of a share of the SFD[1] to AFD's climate commitment financing will allow it to finance an adaptation facility for updating and helping to implement INDCs (*Intended Nationally Determined Contributions*: within the framework of the COP 21, a commitment to reduce greenhouse gases by 2025-2030 to limit global warming), as well as innovative projects in the LDCs and the island states.

Other significant events of 2016 will be the integration of the governance and the creation of the facility to address vulnerabilities.

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[1] Financial transaction tax.
Solidarity Fund for Development.

By geographic region, AFD's projected activity in 2016 breaks down as follows:

- **Sub-Saharan Africa remains the priority region**. In line with the announcements made by the President of the Republic, the prospects for sub-Saharan Africa in 2016 are based on an increase of almost 6% in activity in comparison with 2015, with an overall volume of €2.64bn for AFD (excluding Proparco). AFD will strive to pursue an increase in the level of non-sovereign and non-subsidised loans with, in parallel, a reduction in mandate-specific operations (delegated loans, global budget support, debt reduction and co-development contracts, etc.). Delegated financings will be increased with increasing operations for mixing (combination of a loan and subsidy via a delegated fund) and cooperation delegated with European cooperation (European facilities), the Green Fund and other more targeted initiatives (forestry).
- **The level of activity in the Mediterranean Basin and in the Middle East should be slightly increased by 2% in 2016** with an activity forecast of €1.036bn, despite the fact that the political climate is set to remain highly volatile in the Middle East. To this end, and in line with the key points of the 2015-2017 RIF[2], activity in 2016 will be aimed at meeting three major challenges in the region which are: (i) assistance to territories which are subject to significant demographic growth; (ii) assistance with energy transition and the promotion of better water resource management; (iii) increasingly taking into account the vulnerabilities arising from crises; in particular the refugee crisis in the Middle East, which will continue to affect the countries neighbouring Syria (Lebanon, Jordan, Iraq, Turkey).
- In 2016**, AFD’s activity level in Asia should continue to grow at a more moderate rate** (6% in comparison with 2015), with an objective for financial commitments of almost €1.295bn over the year. AFD’s activities will for the majority remain targeted at urban and climate issues. They will be based on the reinforcement of the synergies with the Asian Development Bank, AFD’s strategic partner in the Asia-Pacific region.
- **In 2016, the growth in activity will recover strongly with an expected level of commitments of €1.01bn in the Latin America and Caribbean region.** The portfolio, geographically balanced due to the recent opening up of new countries for intervention, enables the positioning of AFD to be confirmed as the bilateral reference player in the whole subregion. In 2016, AFD will target an increase in non-sovereign commitments, alongside the sovereign activities planned for Bolivia, Ecuador and Colombia in particular. Again in 2016, the activity will remain guided by the mobilisation of non-subsidised lending instruments.
- **Finally, the growth in the volume of activity in the French Overseas Departments and Collectivities will, in 2016, be bolstered by its public sector activity, with a global objective of €915M.** Alongside its gradual implementation of the European Operational programmes, ADF expects to slightly step up its pre-financing of European subsidies. The financing of public sector players' investments, in the form of subsidised and non-subsidised loans, will be a priority. Regarding the private sector, AFD's proprietary lending to private companies is showing some recovery and AFD expects this recovery to continue. The 2016 target is €130M. In parallel, its services for BpiFrance are expected to increase slightly on 2015 (€547M in 2015 vs €560M in 2016).

[2] Regional intervention framework for the Mediterranean region for 2015-2017.

Risk factors

There was a small 3.4% (€1.2bn) increase in risks in the first six months of 2016 compared with the 8% (€2.8bn) increase in the first half of 2015. This can mainly be attributed to sovereign loans (up €0.8bn) and Proparco (up €0.3bn). There was no change in outstandings linked to delayed disbursements.

The concentration and quality of the portfolio remained stable: 60% of non-sovereign risks in foreign countries are invested in moderate-risk countries, the average quality rating of the non-sovereign portfolio is BB+ and of the sovereign portfolio is BB.

The cost of risk recognised in the first six months is low: €1.5M vs. €29M for the first half of 2015 for ADF, due to a decrease in performing loans in the foreign countries, which translated as a €25M reversal of collective provisions (compared with an allocation of €19M in the first half-year 2015), partially offsetting €17M impairment charges for non-sovereign outstandings and €12.5M provisions for Proparco sub-participation loans. For Proparco, the cost of risk was €13M, comprising €20M additional asset impairment and a €7M reversal of collective provisions.

AFD meets the minimum capital requirements set out in Pillar 1 of Basel 3. The capital adequacy ratio was 16.46% at 30 June 2016 compared with 16.72% at 31 December 2015, with weighted risks remaining unchanged. The equity that can be used to calculate the "major risks" limit fell from €5,517M at the end of 2015 to €5,066M at 30 June 2016 due to the regulations reducing the amount of "Tier II" equity, taking the major risk threshold to €1,267M.

B. Consolidated financial statements at 30 June 2016

Balance Sheet at 30 June 2016

In thousands of euros	Notes	30/06/2016 IFRS	31/12/2015 IFRS
Assets			
Cash, due from central banks		225 467	30 448
Financial assets at fair value through profit and loss	1	128 316	241 714
Hedging derivatives	2	2 636 281	2 491 885
Available-for-sale financial assets	3	2 143 010	1 919 997
Loans and receivables due from credit institutions	4	6 726 825	7 482 931
Demand		774 035	*1 227 365*
Term		5 952 789	*6 255 566*
Loans and receivables due from customers	4	22 467 924	21 859 010
Commercial receivables		-	-
Other loans to customers		22 467 924	*21 859 010*
Overdrafts			
Finance lease			
Revaluation differences on interest rate-hedged portfolio		12 148	17 531
Held-to-maturity financial assets	3	773 336	781 617
Current tax assets			
Deferred tax assets		19 983	21 967
Accruals and other miscellaneous assets	5	801 593	610 811
Accruals		40 247	*30 633*
Other assets		761 346	*580 178*
Equity stakes in companies accounted for by the equity method	14	158 761	160 139
Property, plant and equipment	6	191 998	195 047
Intangible assets	6	22 884	21 147
Total assets		**36 308 526**	**35 834 244**
Liabilities			
Central banks		0	-
Financial assets at fair value through profit and loss	1	512 936	612 612
Hedging derivatives	2	1 630 810	1 425 392
Debt to credit institutions	7	97 579	1 327
Demand		*96 935*	*777*
Term		*645*	*550*
Debt to customers	7	*2 247*	1 954
Special savings accounts		-	-
Of which demand			
Other debts		*2 247*	*1 954*
Of which demand		*2 247*	*1 954*
Of which term			
Debt securities in issue	7	24 522 798	24 620 757
Short-term notes			
Interbank market securities		-	*941 948*
Bonds		*24 522 798*	*23 678 809*
Revaluation differences on interest rate-hedged portfolio			
Current tax liabilities			
Deferred tax liabilities		8 076	8 590
Accruals and other miscellaneous liabilities	5	2 007 643	1 968 963
Borrowing from French Treasury		*104 601*	*123 487*
Allocated public funds		*67 506*	*74 533*
Other liabilities		*1 835 536*	*1 770 943*
Provisions	9	781 016	736 626
Subordinated debt	7	3 467 575	3 256 324
Total debts		**33 030 682**	**32 632 545**
Shareholders' equity attributable to the Group	10	**2 985 983**	**2 906 279**
Provisions and related retained earnings		860 000	860 000
Consolidated retained earnings and other		1 843 510	1 710 652
Gains and losses directly recognised in equity		117 039	162 753
Earnings for the period		165 433	172 874
Minority interests		**291 861**	**295 420**
Total liabilities		**36 308 526**	**35 834 244**

Income Statement at 30 June 2016

In thousands of euros	Notes	30/06/2016 IFRS	30/06/2015 IFRS	31/12/2015 IFRS
Interest and similar income	11-1	**709 922**	**714 747**	**1 444 578**
Transactions with credit institutions		158 496	165 449	322 888
Transactions with customers		319 614	301 969	630 270
Bonds and other fixed-income securities		12 427	14 166	28 635
Other interest and similar income		219 384	233 163	462 785
Interest and similar expenses	11-1	**551 737**	**578 016**	**1 138 673**
Transactions with credit institutions		286 906	279 871	562 107
Transactions with customers		15 487	16 009	32 248
Bonds and other fixed-income securities		206 281	214 560	425 686
Other interest and similar expenses		43 064	67 576	118 632
Commissions (income)		**35 934**	**34 416**	**72 144**
Commissions (expenses)		**1 214**	**922**	**2 201**
Net gains or losses on financial instruments at fair value through profit or loss net of currency effects	11-2	**44 925**	**-36 684**	**-18 412**
Net gains or losses on available-for-sale financial assets		**10 262**	**13 488**	**15 451**
Income from other activities		**110 310**	**121 480**	**227 281**
Expenses on other activities		**2 222**	**1 060**	**6 311**
Net banking income		**356 179**	**267 449**	**593 857**
Overheads		**146 040**	**141 617**	**291 049**
Staff costs	12-1	97 269	91 583	192 812
Other administrative expenses	12-2	48 771	50 034	98 237
Provisions for amortisation of intangible assets and depreciation of property, plant and equipment	6	**8 650**	**8 275**	**17 193**
Gross operating income		**201 489**	**117 557**	**285 615**
Cost of risk	13	**-16 855**	**-55 618**	**-97 640**
Operating income		**184 634**	**61 939**	**187 975**
Share of earnings from companies accounted for by the equity method	14	**251**	**5 632**	**9 704**
Net gains or losses on other assets		**-69**	**123**	**1 456**
Pre-tax income		**184 816**	**67 693**	**199 135**
Corporate tax		**-11 279**	**-4 581**	**-16 044**
Net income from discontinued or discontinuing activities				
Net income		**173 537**	**63 112**	**183 091**
Minority interests		**-8 104**	**-6 006**	**-10 217**
Net income - Group share		**165 433**	**57 106**	**172 874**

Net income and gains and losses booked directly as equity at 30 June 2016

In thousands of euros	30/06/2016 IFRS	30/06/2015 IFRS	31/12/2015 IFRS
Net income	**173 537**	**63 112**	**183 091**
Items that will be subsequently recycled to profit or loss:			
Translation differences			
Revaluation of available-for-sale financial assets (net of tax)	30 589	41 769	61 381
Revaluation of hedging derivatives			
Items from the share of gains and losses booked directly as equity from companies accounted for by the equity method			
Items that will not be subsequently recycled to profit or loss:			
Actuarial gains and losses on defined benefit liabilities	21 572		1 222
Total gains and losses booked directly as equity	**52 161**	**41 769**	**62 604**
Net income and gains and losses booked directly as equity	**225 698**	**104 881**	**245 695**
Of which Group share	211 087	93 388	222 755
Of which minority interests	14 611	11 493	22 940

Cash Flow Statement of the first half of 2016

In thousands of euros	30/06/2016 IFRS	30/06/2015 IFRS	31/12/2015 IFRS
Pre-tax income (A)	**176 713**	**61 687**	**188 918**
Net depreciation/amortisation expenses on property, plant and equipment and intangible assets	8 650	8 275	17 193
Impairment of goodwill and other fixed assets	0	0	0
Net allocations to provisions (including insurance technical reserves)	39 048	82 258	102 689
Share of earnings from companies accounted for by the equity method	-251	-5 632	-9 704
Net gain/(net loss) on investment activities	-2 200	-14 236	-27 739
Net gain/(net loss) on financing activities	3 237	15 293	61 505
Other items(1)	-48 894	-92 404	-9 627
Total non-cash items included in net pre-tax income and other items (B)	**-410**	**-6 447**	**134 317**
Cash received from credit institutions and equivalent	-605 108	-189 811	327 696
Cash received from customers	-306 691	-1 661 655	-2 947 835
Cash flows from other operations affecting other financial assets or liabilities	232 872	1 220 257	2 793 955
Cash flows from operations affecting non-financial assets or liabilities	16 572	-378 177	-381 516
Taxes paid	-9 126	-4 632	-14 971
= Net increase (decrease) in cash related to assets and liabilities generated by operating activities (C)	**-671 481**	**-1 014 020**	**-222 671**
Net cash flows from operating activities (A+B+C)	**-495 178**	**-958 780**	**100 564**
Cash flows from financial assets and equity stakes	-19 102	-17 194	-137 087
Cash flows from property, plant and equipment and intangible assets	-8 940	-8 363	-9 423
Net cash flows from investment activities	**-28 041**	**-25 557**	**-146 510**
Cash flows to or from shareholders	-41 129	23 489	-27 970
Other net cash flows from financing activities	209 587	142 992	106 895
Net cash flows from financing activities	**168 459**	**166 482**	**78 925**
Net increase/(decrease) in cash and cash equivalents	**-354 761**	**-817 855**	**32 979**
Opening balance of cash and cash equivalents	**1 255 081**	**1 222 102**	**1 222 102**
Net balance of cash accounts and accounts with central banks	30 448	48 069	48 069
Net balance of term loans and deposits from credit institutions	1 224 634	1 174 034	1 174 034
Ending balance of cash and cash equivalents	**900 320**	**404 247**	**1 255 081**
Net balance of cash accounts and accounts with central banks	225 467	12 820	30 448
Net balance of term loans and deposits from credit institutions	674 854	391 427	1 224 634
Change in cash and cash equivalents	**-354 761**	**-817 855**	**32 979**

(1) Of which value adjustments to balance sheet items

AFD Group's cash flow statement is presented using the indirect method.

Statement of Changes in Shareholders' Equity from 31 December 2014 to 30 June 2016

In thousands of euros	Provisions	Funding reserves	Consolidated reserves	Net income	Unrealised or deferred gains or losses	Equity - Group Share	Equity - Minority Interests	Total consolidated equity
Equity at 31 December 2014 (IFRS standards)	**400 000**	**460 000**	**1 632 547**	**120 025**	**112 872**	**2 725 443**	**283 602**	**3 009 045**
Impact of changes in accounting policy or error correction (IAS 19R)			-14 435			-14 435		-14 435
Equity at 1 January 2015 (IFRS standards)	**400 000**	**460 000**	**1 618 112**	**120 025**	**112 872**	**2 711 008**	**283 602**	**2 994 610**
Share of 2014 earnings retained in reserves			120 025	-120 025		0		0
Dividends paid						0		0
Other changes			739			739	-7 408	-6 669
Changes related to put options						0	-1 616	-1 616
Earnings in first half of 2015				57 106		57 106	6 006	63 112
Gains or losses directly recorded in equity for 2015*					43 553	43 553	8 231	51 784
Equity at 30 June 2015 (IFRS standards)	**400 000**	**460 000**	**1 738 875**	**57 106**	**156 425**	**2 812 406**	**288 815**	**3 101 221**
Share of 2014 earnings retained in reserves			-24 266	24 266		0		0
Dividends paid				-24 266		-24 266	-5 126	-29 392
Other changes			-3 957			-3 957	-2 376	-6 333
Changes related to put options						0	5 404	5 404
Earnings in second half of 2015				115 768		115 768	4 211	119 979
Gains or losses directly recorded in equity for 2015*					6 328	6 328	4 492	10 820
Equity at 31 December 2015 (IFRS standards)	**400 000**	**460 000**	**1 710 653**	**172 874**	**162 753**	**2 906 279**	**295 420**	**3 201 699**
Impact of changes in accounting policy or error correction (IAS 19R)						0		0
Equity at 1 January 2016 (IFRS standards)	**400 000**	**460 000**	**1 710 653**	**172 874**	**162 753**	**2 906 279**	**295 420**	**3 201 699**
Share of 2015 earnings retained in reserves			136 871	-136 871		0		0
Dividends paid				-36 002		-36 002	-5 124	-41 126
Other changes			-4 014			-4 014	-19	-4 033
Changes related to put options						0	-73	-73
Earnings in first half of 2016				165 433		165 433	8 104	173 537
Gains or losses directly recorded in equity for 2016*					-45 714	-45 714	-6 447	-52 161
Equity at 30 June 2016 (IFRS standards)	**400 000**	**460 000**	**1 843 510**	**165 433**	**117 039**	**2 985 983**	**291 861**	**3 277 844**

*Of which changes in the value of available-for-sale assets

Gains or losses directly recorded in equity for 2016

In thousands of euros	30/06/2016 IFRS	31/12/2015 IFRS
Items that will be subsequently recycled to profit or loss	152 670	176 812
Items that will not be subsequently recycled to profit or loss	-35 631	-14 059
Of which actuarial gains and losses on defined benefit liabilities	*-35 631*	*-14 059*
Total	**117 039**	**162 753**

Notes to the financial statements

Agence Française de Développement is an industrial and commercial public undertaking tasked with financing development assistance. AFD funding amounts to €400M.

Its registered office is located at 5 rue Roland-Barthes – 75598 Paris cedex 12.

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

1. Accounting principles and assessment methods

a. Accounting standards applied to Agence Française de Développement

In accordance with Regulation 1606/2002 of the European Council, the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The IFRS standards include the accounting standards issued by the International Accounting Standards Board *(*IASB) and the interpretations published by the IFRS International Committee.

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 2013-04 concerning the format of the summary documents of companies subject to banking and finance regulations under international accounting standards, with IAS 34 "Interim Financial Reporting" and with recommendation ANC 2001-R-02 allowing the provision of limited information in the notes to interim financial statements.

These consolidated financial statements are presented in thousands of euros.

b. Accounting principles and policies

The accounting principles and policies used in the preparation of the consolidated half-year financial statements for the period from 1 January to 30 June 2016 are identical to those applied to the consolidated financial statements for the year ended on 31 December 2015, prepared in accordance with IFRS accounting principles and detailed in paragraph 2.2 "Accounting principles and policies" of the 2015 consolidated financial statements.

The standards and interpretations used in the financial statements as at 31 December 2015 and detailed in paragraph 3 "Standards applicable as at 31 December 2015", have been applied in full to these half-year statements.

These standards and amendments were supplemented by the provisions of IFRS standards as adopted by the European Union which first became compulsory on 1 January 2016:

- **Amendments to IAS 1 "Presentation of the financial statements" - Disclosure Initiative:**

  The IASB amendment clarifies how to apply the notions of materiality and aggregation in compliance with IAS 1:

  - Materiality: in order not to obscure the understanding of the financial statements, non-material information need not be included, even if it is required by a standard; conversely, information that is not required by the IFRS could be useful to ensure the entity's situation is fully understood;
  - Intelligibility of the financial statements: the entity must not reduce the intelligibility of its financial statements by masking material disclosures behind non-material information or by aggregating material elements which are different in nature or serve a different purpose.

- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible assets" - Clarification of Acceptable Methods of Depreciation and Amortisation:**

  IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortisation as being the consumption of the expected future economic benefits embodied in the asset.

  IASB stipulates that the use of this method is not appropriate. Other factors, such as the technical, technological or commercial obsolescence or even the wear and tear of an asset while it remains unused, also reduce the financial benefits which this asset could have realised and must be taken into account when calculating the value in use of an asset.

These amendments had no impact on AFD's financial statements at 30 June 2016.

c. 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.

as a percentage of ownership	30/06/2016	30/06/2015	31/12/2015
Fully consolidated companies			
Soderag	100,00	100,00	100,00
Proparco	64,19	64,17	64,17
Sogefom	60,00	60,00	60,00
Fisea	100,00	100,00	100,00
Propasia	64,19	64,17	64,17
Companies accounted for by the equity method			
Société Immobilière de Nouvelle Calédonie	50,00	50,00	50,00
Société Immobilière de la Martinique	22,27	22,27	22,27
Banque Socredo	35,00	35,00	35,00

d. Consolidation methods

The following consolidation methods are used:

✓ **Full consolidation**

All accounts are included, 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.

Société de promotion et de participation pour la coopération économique (Proparco), Société de développement régional Antilles-Guyane (Soderag), Société de gestion des fonds de garantie d'Outre-mer (Sogefom), Fonds d'investissement et de soutien aux entreprises en Afrique (Fisea) and TR Propasia LTD are all fully consolidated.

✓ **Equity method**

The equity method consists in measuring interest by using the company's net position and calculating a share of its restated income according to the stake held in its capital.

At 30 June 2016, this method was used for three companies in which AFD directly or indirectly holds a stake of between 20% and 50% and over which AFD exercises significant influence: Société Immobilière de Nouvelle-Calédonie (SIC), Société Immobilière de Martinique (Simar) and Socredo.

✓ **Comments on other companies**

AFD also has holdings 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 "Available-for-sale financial assets".

2. Seasonal items

Based on their operations, the Group's companies do not experience seasonal cycles impacting the consolidated half-year financial statements.

3. Events of the period

3.1 Financing of the Group's activity

To finance the growth in loan activity on its own behalf, in the first half of the year AFD made a €1bn bond issue in the form of public issues, matched one other existing issue for €50M and made three private placements in the amount of €584M, giving a total of €1.6bn.

3.2 Allocation of 2015 net income

Pursuant to Article 79 of the amending Finance Bill 2001-1276 of 28 December 2001, the amount of the dividend paid by AFD to the French State is determined by ministerial order after review of the Company's financial position and a report by the Board of Directors.

The 2015 financial statements were approved by the Board of Directors on 11 April 2016.

By the ministerial decree of 20 June 2016, the dividend to be paid to the French State was set at €36M, which equates to 20% of AFD income.

The income remaining after paying out the dividend, €137M, was appropriated to reserves.

3.3 Tax audit

In a letter dated 22 December 2015, the tax authority conducted a comprehensive assessment of all of AFD’s tax returns for the period from 1 January 2013 to 31 December 2014. Despite the fact that no notification was obtained, the tax assessment did not reveal any particular anomalies in AFD's tax affairs.

3.4 Changes in the provisions for employee benefits

Due to the sharp decline in market rates in the first six months of 2016, the discount rate was revised to 1.25% on 30/06/2016 (2.25% at 31/12/2015) for the provisions for employee retirement benefits (IFC), financing the health plan (FDS) and long-service medal bonuses (MDT).

It is estimated that there was an actuarial gain of €21.6M. In compliance with IAS 19 (Revised), it is recognised in other comprehensive income (OCI) in addition to the provision of €93.9M allocated on 31/12/2015.

4. Significant events after 30 June 2016

No significant events occurred after 30 June that have not been taken into account in the preparation of the financial statements at this date.

5. Notes to the financial statements at 30/06/2016

5.1 Notes to the Balance Sheet

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

In thousands of euros	30/06/2016 IFRS			31/12/2015 IFRS		
	Assets	Liabilities	Notional/ outstanding	Assets	Liabilities	Notional/ outstanding
Interest rate derivatives	3 233	22 138	1 114 471	5 172	20 813	1 184 730
Foreign exchange derivatives	84 965	474 063	4 324 551	198 275	583 193	4 765 141
Assets/liabilities designated at fair value	24 886		25 000	23 844		25 000
Securities at fair value through P&L	14 368		8 522	14 396		8 522
CVA/DVA	864	16 736		28	8 606	
Total	**128 316**	**512 936**		**241 714**	**612 612**	

Note 2 – Financial hedging derivatives

In thousands of euros	30/06/2016 IFRS			31/12/2015 IFRS		
	Assets	Liabilities	Notional	Assets	Liabilities	Notional
Fair value hedging						
Interest rate derivatives	1 557 714	805 454	24 029 233	1 373 243	670 014	22 806 048
Interest rate and foreign exchange derivatives (cross-currency swaps)	1 078 567	825 355	9 756 932	1 118 642	755 378	9 864 131
Total	**2 636 281**	**1 630 810**		**2 491 885**	**1 425 392**	

Note 3 – Financial investments

In thousands of euros	30/06/2016 IFRS	31/12/2015 IFRS
Available-for-sale financial assets		
Government paper and equivalent	1 049 795	833 408
Bonds and other fixed-income securities	7 206	7 348
Equity stakes in related businesses		
Equity stakes and other long-term securities	1 086 008	1 079 241
Of which UCITS	*48 185*	*47 770*
Total available-for-sale financial assets	**2 143 010**	**1 919 997**
Held-to-maturity financial assets		
Government paper and equivalent	668 333	674 949
Bonds and other fixed-income securities	105 003	106 668
Total held-to-maturity financial assets	**773 336**	**781 617**
Total financial investments	**2 916 346**	**2 701 614**

Note 4 – Receivables due from credit institutions and customers

In thousands of euros	30/06/2016 IFRS		31/12/2015 IFRS	
	Demand	Term	Demand	Term
Loans to credit institutions		**4 917 837**		**5 106 868**
Performing loans		4 843 986		5 087 810
Doubtful outstandings		73 852		19 058
Impairments		**-102 563**		**-103 275**
Impairment of individual receivables		*-18 678*		*-7 788*
Impairment of groups of homogeneous assets		*-83 885*		*-95 487*
Related receivables		***33 401***		***31 595***
Valuation adjustments of loans hedged by forward financial instruments		**6 111**		**-15 399**
Subtotal		**4 854 787**		**5 019 789**
Loans to customers		**22 115 367**		**21 901 662**
Performing loans		21 448 917		21 267 237
Doubtful outstandings		666 450		634 425
Impairments		**-654 733**		**-639 394**
Impairment of individual receivables		*-395 730*		*-360 394*
Impairment of groups of homogeneous assets		*-259 003*		*-279 000*
Related receivables		***86 531***		***86 018***
Valuation adjustments of loans hedged by forward financial instruments		**920 759**		**510 726**
Subtotal		**22 467 924**		**21 859 012**
Total loans		**27 322 710**		**26 878 801**
Other receivables				
Deposits (available cash) at credit institutions	774 035	1 097 994	1 227 265	1 235 677
Related receivables		8	100	98
Total other receivables	**774 035**	**1 098 003**	**1 227 365**	**1 235 775**
Total loans and other receivables	**774 035**	**28 420 713**	**1 227 365**	**28 114 576**

Note 5 – Accruals and miscellaneous assets/liabilities

In thousands of euros	30/06/2016 IFRS		31/12/2015 IFRS	
	Assets	Liabilities	Assets	Liabilities
French Treasury		104 601		123 487
Allocated public funds		67 506		74 533
Other assets and liabilities	801 593	1 458 770	610 811	1 519 915
Accounts payable, French State		376 766		251 028
Total accruals and miscellaneous assets/liabilities	**801 593**	**2 007 643**	**610 811**	**1 968 963**

Note 6 – Property, plant and equipment and intangible assets

In thousands of euros	Fixed assets – Property, plant and equipment – Land & development	Fixed assets – Property, plant and equipment – Buildings & development	Fixed assets – Property, plant and equipment – Other	Intangible	Total IFRS 30/06/2016	Total IFRS 31/12/2015
Gross value						
At 1 January 2016	88 523	201 264	50 456	60 062	400 305	392 293
Purchases	76	1 376	1 430	4 947	7 829	18 841
Disposals/retirements			-1 835		-1 835	-10 292
Other items	-101	-402	190	-83	-396	-537
Change in scope						
At 30 June 2016	**88 498**	**202 238**	**50 241**	**64 926**	**405 903**	**400 305**
Depreciation/amortisation						
At 1 January 2016	2 423	104 674	38 099	38 915	184 111	177 180
Provisions	67	3 540	1 918	3 127	8 652	17 193
Reversals						
Other items			-1742		-1 742	-10 262
Change in scope	0	0				
At 30 June 2016	**2 490**	**108 214**	**38 275**	**42 042**	**191 021**	**184 111**
Impairments						
At 1 January 2016	0	0	0	0	0	85
Provisions					0	
Reversals					0	-85
At 30 June 2016	**0**	**0**	**0**	**0**	**0**	**0**
Net value	**86 008**	**94 024**	**11 966**	**22 884**	**214 882**	**216 194**

Note 7 – Debts to credit institutions and customers, and debt securities

In thousands of euros	30/06/2016 IFRS	31/12/2015 IFRS
Debt to credit institutions		
Demand debt	96 934	777
Term debt	540	548
Related debt	105	2
Total debt to credit institutions	**97 579**	**1 327**
Debt to customers		
Accounts payable, customers	2 247	1 954
Related debt	0	
Total debt to customers	**2 247**	**1 954**
Debt securities in issue		
Interbank market securities	0	941 948
Bonds	22 761 284	22 332 170
Related debt	150 520	304 702
Valuation adjustments of debt securities in issue hedged by derivatives	1 610 994	1 041 937
Total debt securities in issue	**24 522 798**	**24 620 757**
Subordinated debt		
Subordinated loans from the French Treasury	2 381 509	2 451 966
Other subordinated debt	1 059 995	779 951
Related debt	23 742	11 303
Valuation adjustments of debt securities in issue hedged by derivatives	2 329	13 104
Total subordinated debt	**3 467 575**	**3 256 324**

Note 8 – Financial assets and liabilities measured at fair value

Hedging instruments whose valuation is not based on observable market information are classified as Level 3.

In thousands of euros	30/06/2016 IFRS				31/12/2015 IFRS			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets/Liabilities								
Financial assets at fair value through profit and loss		123 414	4 902	128 316		237 402	4 312	241 714
Hedging derivatives (Assets)		2 636 281		2 636 281		2 491 885		2 491 885
Available-for-sale financial assets	1 077 739	47 201	1 018 070	2 143 010	850 405	39 936	1 029 657	1 919 997
Financial liabilities at fair value through profit and loss		511 662	1 275	512 936		611 032	1 580	612 612
Hedging derivatives (Liabilities)		1 630 810		1 630 810		1 425 392		1 425 392

Note 9 – Provisions and impairments

In thousands of euros

Provisions	**31/12/2015**	Provisions	Reversals available	Translation adjustment	**30/06/2016**
Included in the cost of risk					
French Overseas Department subsidiary	28 301	769	2 760	0	26 310
Other provisions for risk	42 589	1 753	2 604	-1	41 736
Subtotal	*70 890*	*2 522*	*5 364*	*-1*	*68 046*
Excluded from the cost of risk	0				
Provision for expenses - sovereign loans	564 637	26 983	-11	0	591 630
Staff costs	96 064	21 643	0	0	117 707
Provision for risks and expenses	5 036	181	1 585	0	3 632
Total	**736 626**	**51 329**	**6 938**	**-2**	**781 016**

Asset impairment	**31/12/2015**	Provisions	Reversals available	Translation adjustment	**30/06/2016**
Banks	7 788	18 536	7 748	103	18 679
Credit to customers	360 393	47 926	11 353	-1 238	395 728
Of which Cost of risk		*62 772*	*13 703*		
Other receivables	5 187	0	287	-7	4 893
Group of homogeneous assets	374 487	3 183	34 783	0	342 887
Of which Cost of risk		*3 183*	*34 783*		
Available-for-sale financial assets	21 694	0	21 694	0	
Total	**769 550**	**69 645**	**75 864**	**-1 142**	**762 188**

Note 10 – Statement of Changes in Equity

Changes in equity are presented in the financial statements in the statement of changes in shareholders' equity from 31 December 2014 to 30 June 2016.

5.2 Notes to the Income Statement

Note 11 – Net banking income

Note 11-1. Interest income and expense

In thousands of euros	30/06/2016 IFRS	30/06/2015 IFRS
Transactions with credit institutions	**158 496**	**165 449**
Interest on loans	155 975	160 668
Interest on short-term investments	2 520	4 781
Transactions with customers	**319 614**	**301 969**
Financial instrument transactions	**231 811**	**247 329**
Available-for-sale financial assets	662	1 873
Held-to-maturity financial assets	11 766	12 293
Hedging derivatives	219 384	233 163
Total interest income	**709 922**	**714 747**
Transactions with credit institutions	**286 906**	**279 871**
Transactions with customers	**15 487**	**16 009**
Financial instrument transactions	**248 733**	**281 317**
Debt securities	205 730	214 560
Subordinated debt	551	0
Hedging derivatives	42 452	66 757
Other interest expenses	**612**	**819**
Total interest expenses	**551 737**	**578 016**

Note 11.2. Gains and losses on financial instruments at fair value through profit and loss

In thousands of euros	30/06/2016 IFRS			30/06/2015 IFRS			31/12/2015 IFRS
	Gains and losses on financial instruments at fair value through profit and loss	Foreign currency impact on derivatives	Gains and losses on financial instruments at fair value through profit and loss net of foreign currency	Gains and losses on financial instruments at fair value through profit and loss	Foreign currency impact on derivatives	Gains and losses on financial instruments at fair value through profit and loss net of foreign currency	Gains and losses on financial instruments at fair value through profit and loss net of foreign currency
Financial assets and liabilities at fair value through profit and loss	-11 361	7 030	-4 331	5 590	-2 306	3 284	712
Instruments designated at fair value	827		827	-1 881		-1 881	-2 414
Income resulting from hedge accounting	34 174	1 468	35 643	-27 992	-487	-28 479	-10 742
– Change in fait value hedge	*138 662*		*138 662*	*-120 544*		*-120 544*	*-52 341*
– Change in hedged item	*-104 487*	*1 468*	*-103 019*	*92 552*		*92 552*	*41 599*
Natural hedging	5 961	14 118	20 079	-177 678	172 017	-5 662	-3 755
CVA/DVA	-7 293		-7 293	-3 947		-3 947	-2 213
Total	**22 309**	**22 616**	**44 925**	**-205 908**	**169 224**	**-36 685**	**-18 412**

Note 12 - Overheads

Note 12.1. Staff costs

In thousands of euros	30/06/2016 IFRS	30/06/2015 IFRS	31/12/2015 IFRS
Staff costs			
Wages and bonuses	67 824	65 433	129 319
Social security expenses	26 861	25 922	55 368
Profit sharing	2 768	1 865	5 273
Taxes and similar payments on remuneration	6 725	5 452	13 078
Provisions/reversal of provisions	71		4 519
Rebilling banks' staff	-6 980	-7 089	-14 745
Total	**97 269**	**91 583**	**192 812**

Note 12.2. Other administrative expenses

In thousands of euros	30/06/2016 IFRS	30/06/2015 IFRS	31/12/2015 IFRS
Other administrative expenses			
Taxes	8 411	10 931	2 379
of which contribution to the SRM and ECB supervision	865	*2 254*	*631*
of which application of IFRIC 21	3 395	*4 896*	*-140*
Subcontracting	40 912	39 332	96 445
Provisions/reversal of provisions			-3
Rebilling of expenses	-552	-229	-584
Total	**48 771**	**50 034**	**98 237**

Note 13 - Cost of risk

In thousands of euros	30/06/2016 IFRS			30/06/2015 IFRS	31/12/2015 IFRS
	Provisions	Reversals	Total		
Collective provisions and impairment	5 705	40 147	34 442	- 12 423	- 19 814
Individual impairment of non-sovereign loans	62 772	13 703	-49 068	- 35 675	- 50 601
Losses on principal of bad loans	2 233	5	-2 228	- 7 520	- 27 225
Total	**70 710**	**53 855**	**-16 855**	**-55 618**	**-97 640**

Note 14 - Equity-accounted companies

In thousands of euros	30/06/2016 IFRS		30/06/2015 IFRS		31/12/2015 IFRS	
Impact	*Balance Sheet*	*Income*	*Balance Sheet*	*Income*	*Balance Sheet*	*Income*
SIC	40 882	-2 527	43 754	2 880	43 102	3 491
Simar	21 306	1 159	19 061	1 233	20 147	2 319
Socredo	96 573	1 618	94 515	1 519	96 890	3 894
Total	**158 761**	**251**	**157 330**	**5 632**	**160 139**	**9 704**

5.3 Additional Information

Note 15 – Commitments

In thousands of euros	30/06/2016 IFRS	31/12/2015 IFRS
Commitments received		
Financing commitments received from the French State	280 000	560 000
Guarantee commitments received from the French State on loans	978 368	978 002
Guarantee commitments received from credit institutions	534 671	553 083
As part of the Group's lending activity	*534 671*	*553 083*
Commitments given		
Financing commitments made to credit institutions	1 778 253	1 573 073
Financing commitments made to customers	8 981 671	8 537 983
Guarantee commitments made to credit institutions	51 881	58 172
Guarantee commitments made to customers	481 031	563 360

Commitments received exclude transactions on behalf of the French State.

C. Report of the Statutory Auditors on the 2016 half-year financial information

AGENCE FRANÇAISE DE DEVELOPPEMENT

Report of the Statutory Auditors on the 2016 half-year financial information

Report of the Statutory Auditors on the 2016 half-year financial information

From 1 January 2016 to 30 June 2016

To the Shareholders,

In compliance with the assignment entrusted to us by your Board of Directors, and in accordance with Article L. 451-1-2 III of the French Monetary and Financial Code, we carried out the following tasks:

- a limited review of Agence Française de Développement's condensed consolidated half-year financial statements for the period from 1 January 2016 to 30 June 2016, attached hereto;

- a check of the information provided in the half-year business report.

These condensed consolidated half-year financial statements are the responsibility of the Chief Executive Officer. Our role is to express an opinion on these financial statements based on our limited review.

I - Conclusion on the financial statements

We conducted our limited review in accordance with the professional standards applicable in France. A limited review essentially involves meeting the management members in charge of accounting and financial affairs and applying analytical procedures. This work is less extensive than an audit performed in accordance with the professional standards applicable in France. As a consequence, the assurance that the financial statements do not present significant anomalies based on a limited review is only moderate and not as strong as the assurance obtained from a full audit.

Based on our limited review, we did not identify any significant anomalies which may call into question the compliance of the condensed consolidated half-year statements with IAS 34 - an IFRS standard on interim financial reporting as adopted in the European Union.

II – Special verification

We also checked the information provided in the half-year business report attached to the condensed consolidated half-year financial statements object of our limited review.

We have no matters to report as to its fair presentation and its consistency with the condensed consolidated half-year financial statements.

Paris La Défense, 29 August 2016	Courbevoie, 29 August 2016
KPMG Audit	**Mazars**
A division of KPMG S.A.	
Pascal Brouard	Max Dongar
Partner	Partner

D. Person responsible for the half-year financial statements

Name and position

Mr Rémy Rioux: Chief Executive Officer (CEO)

Certification of the person responsible

I certify that to the best of my knowledge the condensed financial statements for the past semester are drawn up in accordance with the accounting standards applicable and give a true and fair view of the assets, financial position and results of the company and all the subsidiaries included in the scope of consolidation. The management half-year report featured on page 1 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.

Signed in Paris on 29 August 2016

Chief Executive Officer

Rémy Rioux